

Sales and procurement: sharing the spoils or spoiling the share?



By David Atkinson

Founder and managing director
Four Pillars



and Anderson Hirst

Director
Selling Interactions Ltd.



David Atkinson and Anderson Hirst partner in business, research and writing. With the former being an experienced procurement practitioner and consultant and the latter being a sales leader and consultant of similar standing, both are committed to promoting buyer-supplier collaboration but within a well-informed, reality-based understanding of the potential opportunities and limitations for genuinely strategic business relationships.

A war for the ages

Commercial history's annals are full of anecdotes about the business-to-business buyer-seller relationship. Very few strategic account managers don't have an epic tale of an encounter with a purchasing manager. And on the other side, most procurement professionals have plenty to say regarding SAMs. As career-long specialists from each camp, we wanted to find out how the sales function interacts today with procurement, so we decided to rerun a survey we first carried out in 2007 that revealed stark messages about sales and SAMs' preparedness for dealing with this rapidly evolving job. While there were encouraging signs, with two-thirds of the study's indicators showing increased understanding of procurement since our first survey, the research suggested that both sales professionals and SAMs largely remain reactive, transactional, overly focused on face-to-face behavioral negotiation tactics and unaware of strategic, analytical and long-term methods employed by a newly educated procurement profession.

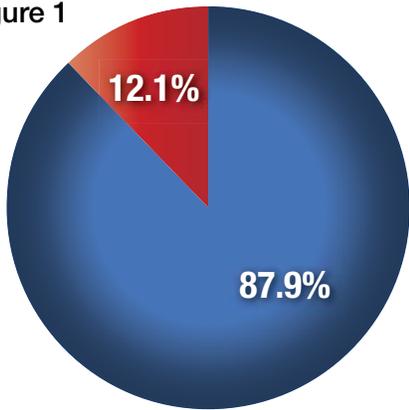
Here we express our interpretation of the results from each side of the procurement/sales divide.

Without an understanding of how procurement is actually involved, it is very difficult for strategic account managers to make sense of procurement's behavior.

The survey

In '07 we analyzed responses from 147 companies across a range of sectors in Europe and North America. At that time for about five years we had worked at training SAMs to deal with procurement and the topic was hot. Five years after that survey, we half-expected that the issue of procurement would be absorbed into the strategic account management community, and the 92 company responses in '12 suggested this might be the case. Nevertheless we found the issue alive and kicking in respondents' working lives, suggesting that even as procurement's function matures at clients and sales' understanding of the function improves, it remains a source of much anxiety among SAMs. We don't present our

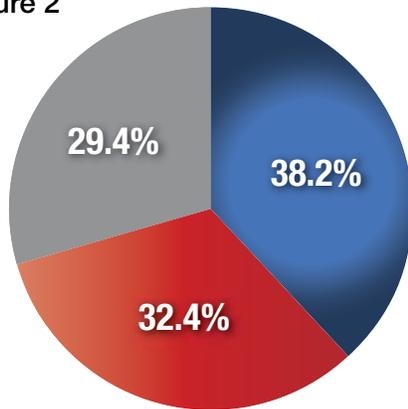
Figure 1



87.9%: Procurement's role is increasing in strategic importance to clients

12.1%: Procurement's role is unchanged or decreasing in strategic importance to clients

Figure 2



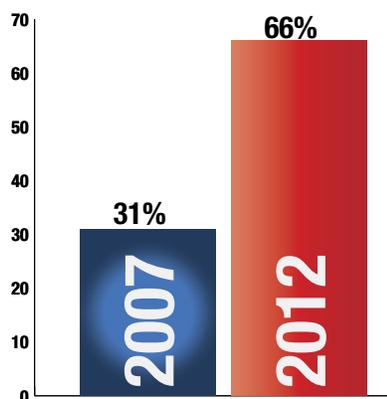
38.2%: I'm indifferent; procurement is like any other customer

32.4%: I actively enjoy working with procurement

29.4%: I find meetings with procurement difficult

Figure 3

Percent of the client's sales revenues purchased from third-party suppliers



latest study as definitive, for it doesn't provide with absolute clarity answers to the challenges SAMs face. Yet it does lead to a valuable discussion on how they can penetrate procurement's world and find answers for themselves with respect to the accounts they are responsible for.

The rise and rise of procurement

Procurement's presence in SAMs' client dealings has been an issue for some time, and the survey confirms that procurement's influence continues to grow, with 88 percent of respondents believing that procurement's role is increasing in strategic importance to their clients. (See Figure 1.)

Atkinson

"Procurement in the 21st century is a mainstream business function. As businesses outsource increasing amounts of their requirements, effective procurement becomes a vital component in ensuring success. The membership of the renowned professional body Chartered Institute of Purchasing & Supply has grown substantially and now has a global membership of around 70,000 that is still growing. This, coupled with a maturing and cross sector-applicable suite of tools and techniques, makes a formidable opponent for old-school relationship sellers."

Hirst

"Active in business development and sales training, I have both personally experienced procurement and heard many horror stories about the function from SAMs over the years, so this statistic does not surprise me at all."

Nasty procurement

Like it or not, procurement is part of the landscape. We asked how SAMs experience the relationship. Almost 70 percent are indifferent to or don't enjoy embracing the challenge of dealing with procurement. (See Figure 2.)

Atkinson

"With many sellers brought up on a diet of relationship selling, coming to terms with analysis-driven procurement people can be disconcerting. The latter are all too frequently more rigorous in identifying and quantifying tangible value. It isn't surprising to find that the majority of sellers are less than enthusiastic in engaging with procurement."

Hirst

"I remember one procurement director explaining with a gleam of pure evil in his eye about how he set up a meeting with a major supplier and gave them two hours as a team to come up with the best price reduction possible to see if they would retain the business while he took his team out for a pizza and a laugh! SAMs have to learn to manage their own perception to separate personality from process so they can operate from a sound emotional base. It's important not to take it personally when buyers use strategies and tactics that aim to harvest value."

Understanding procurement's influence

We asked the question, "What percent of your client's sales revenues are

purchased from third-party suppliers?" It seems that in '12 SAMs had a much better understanding of this. (See Figure 3 on Page 32.)

Atkinson "Thankfully, more and more SAMs understand that this is an important question. Historically, many have been too product- or service-focused. But understanding how important third-party expenditure is to the client can provide great insight as to why sales struggles to get airtime. It gives a big clue to the type of procurement organization they're likely to be facing. A large third-party spend will almost certainly mean that the skills and capabilities procurement has will be higher, its influence in the organization greater and the mandate it has to influence purchasing decisions far stronger."

Hirst "This is encouraging. The sales education industry has invested a lot of time in this with tools like PESTLE (political, economic, social, technological, legal and environmental) and SWOT (strengths, weaknesses, opportunities and threats) designed to help people think in-depth about their customers. At the same time I don't think strategic analytical thinking comes naturally to SAMs, meaning they may well overlook this important question."

Another big clue to procurement's role is revealed by the question, "What percent of the total purchases a client makes does your service or product represent?" (See Figure 4.)

Atkinson "The 2012 survey shows an improvement, but there are still only half of all respondents who have a good handle on this, leaving the remainder reliant on their own sales publicity to convince themselves and hopefully the client that the services they provide can have real strategic impact. Procurement concentrates its efforts on the spend categories that represent a large percentage of its total spend and/or have genuine critical or strategic importance. For sellers of products and services sitting outside these criteria, it will be difficult to gain the attention of the senior procurement people, and if they get any significant attention at all, it will be from relatively inexperienced staff."

Hirst "This relatively low level of critical knowledge reflects SAMs' general tendency not to master strategic thinking. The very qualities we value in SAMs are often the opposite of good strategic thinkers. We want action-orientated, get-up-and-go people. Strategists are often reflective, analytical and more inclined to think carefully before acting. Fortunately, SAMs can be trained to think and act in this way."

Closely related to the preceding questions, we also asked, "To what extent is your business clear about its strategic importance to your client's business?" (See Figure 5.)

Atkinson "On the face of it, there has been strong improvement in this since our 2007 survey, yet we have to be careful about celebrating too early. Much sales education encourages people to try to become more strategic to customers. The callous truth is that most of what a

Figure 4

Percent of the total purchases a client makes represented by your service or product

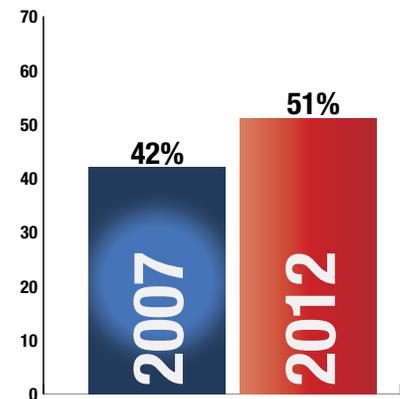


Figure 5

Percent of suppliers clear about their strategic importance to client business

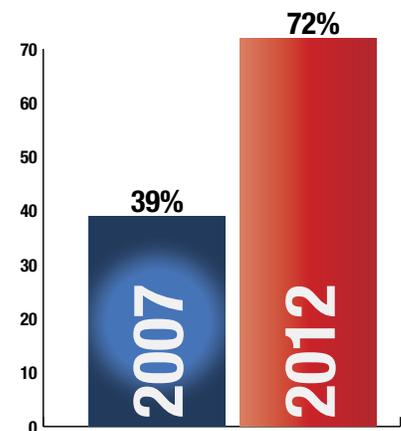
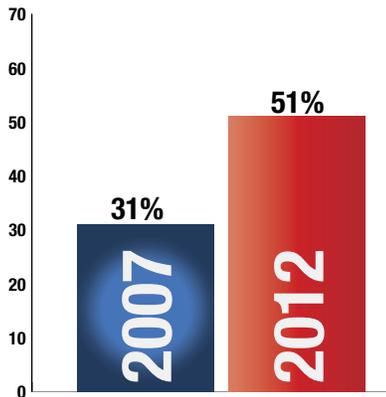


Figure 6

Percent of respondents knowing the supplier evaluation criteria the client deploys for the supplier's spend category



Atkinson

customer buys is far from strategic, barely getting attention from the chief procurement officer or other senior managers. There are tools long in use by procurement that help practitioners reach decisions on how much time and effort they will invest in any particular supplier relationship. SAMs would do well to learn what these tools are, how they are applied and the impact they consequently have on the selling environment and its opportunities."

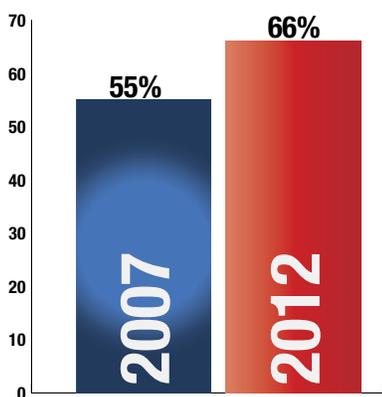
Hirst

"I agree with David here. Many SAMs are led into a false sense of self-importance by being given the title of strategic account manager. While the account may be strategic to the supplier, it might not be to the customer."

Knowing the supplier evaluation criteria the client deploys for your spend category is an important aspect of being a commercially aware SAM. Sales was better at understanding how bids were evaluated in '12 than '07. (See Figure 6.)

Figure 7

Percent of respondents saying procurement is the lead function in sourcing decisions for the supplier's category



Atkinson

"At a Strategic Account Management Association annual conference I attended a few years ago, a sales leader was talking about value, relationship selling and 'big bad procurement.' During the Q&A, I suggested that in 20 years as a procurement practitioner, I'd never once been asked by a SAM what my targets were or indeed how I was going to evaluate a supplier's bid. I'm not suggesting that sellers never ask, but I am saying they're perhaps reluctant to do so, as if they strongly suspect their value proposition isn't quite going to address the customer's needs. They may be surprised to find that many buyers will be quite happy to share at least some of this information."

Hirst

"Although there is an improvement here, I think this question in particular reveals an Achilles' heel in SAMs' knowledge. While fast-moving consumer goods is very used to procurement's category management, I think many feel that how procurement evaluates bids is something of a 'dark art.' It's my belief that most SAMs would not be clear on the line of questioning they would have to follow to discover this."

Politics and the buying decision

Understanding who controls the buying decision is critical to influencing and building relationships with the right people. We asked, "To what extent is procurement the lead function in sourcing decisions for your category?" (See Figure 7.)

Atkinson

"Savvy SAMs will map the customer's decision-making unit and assess the influence procurement has over the individual sourcing decision. However, in my experience working with SAMs, procurement's structural influence is much less understood and being able to understand procurement maturity and influence together can truly help."

Hirst

"Decision-making unit mapping is commonplace now in the sales profession. This has enabled SAMs to get a much better understanding of how purchases are made and who has the most influence. However, most sales teams are not aware of how to understand the power and extent of procurement's influence within the DMU. Current sales education does not address this well, and this is a key area of focus for us today following the survey."

Buyer-supplier power

The survey asked a number of questions under the umbrella of buyer-supplier power. Remarkably, although SAMs are very tuned in to which party has favorable leverage in a negotiation, most SAMs we talk to do not systematically analyze power. This has big implications for negotiation, which is normally the friction point where great sales and procurement myths and legends are created. We asked, "Is the client active in using power to steer your business to a position where the client can successfully apply greater leverage?" Only 38 percent of respondents think they know what procurement is up to when it comes to leveraging the relationship with the supplier—a marginal improvement from '07's result. (See Figure 8.)

Atkinson

"The success of most procurement functions is in generating, from supply chain spend, savings for their business. This is easiest where the supply market is swamped with competing suppliers and the buyer has the power and leverage. But procurement doesn't always have the power even if we think it does. One thing is pretty certain: For most sellers procurement will continue to attempt to position the supplier where there is greater leverage in favor of the buyer for the explicit goal of suppressing prices or rates."

Hirst

"Not much change here unfortunately. From my perspective, while SAMs are acutely aware of the methods they can use to try to make clients dependent (e.g., creating custom products and unique selling propositions), the methods procurement uses on their side are only partly visible. While most SAMs are sensitive enough to the threat of price leverage – for example, by hearing the competition's name mentioned – it often occurs in a 'reactive manner,' meaning defensive strategies are applied too late."

Extending the theme of power, we asked, "What are the commercial power attributes in the relationship, and which company do they favor?" (See Figure 9.)

Atkinson

"Smart buyers will attempt to identify which levers they can pull before developing negotiation and sourcing strategies to improve their position. Sellers often have an intuitive sensitivity to commercial power in their relationships, and it aids them in their negotiation activities. Nevertheless in my experience they do not typically take an analytical approach to understanding power attributes and variables and their impact on the deals they make. In the last 15 years, there has been substantial research led by the

Figure 8

Percent of clients actively using power to steer your business to a position where they can successfully apply greater leverage

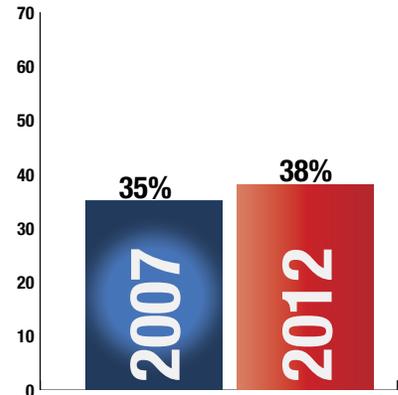
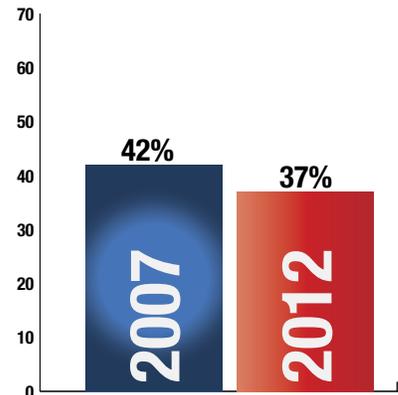


Figure 9

Percent of respondents knowing the relationship's commercial power attributes and which company they favor



procurement profession into the power in business relationships, much of which has led to analysis tools being used by procurement today to procurement's demonstrable advantage. The key is to understand what levers of power and dependency exist and then seek to use them to the SAM's advantage. In my experience few sellers even think about those levers, and fewer still proactively do anything about them. Until such time that SAMs match procurement's comfort with a process-driven, analytical approach, they will continue to lose out."

"This comes back to the point of procurement winning the arms race at the moment by a much better understanding of power. There is really a wake-up call for the sales community. These findings regarding power highlight the new frontier of sales training. Procurement is clearly using structural power to their advantage, and very little training or education seems to have been done in this area for SAMs. This is definitely a key area to help sales teams cope with this silent and largely hidden negotiation approach. SAMs need to get much smarter at looking through the eyes of procurement professionals and devising strategies much earlier in the game."

Putting it all together

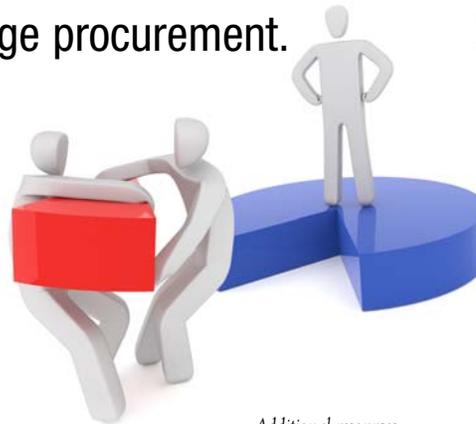
Procurement's role at any organization can vary substantially. Is procurement highly strategic, sophisticated and progressive, or is it an unloved backroom function with no power or influence? The answer begins with an analysis of our client's business activities. Analyzing means getting to grips with the proportion of client spend on direct costs, value drivers important to procurement and linkage to bottom-line profits. Without an understanding of how procurement is actually involved, it is very difficult for SAMs to make sense of procurement's behavior. And without a full understanding of procurement's agenda, the classic sales approach of relationship management can be lacking. Trying to win friends at the top may no longer be an effective strategy, particularly when procurement's decisions have been delegated to lower levels and the supplier has been characterized as a non-strategic purchase.

SAMs often seek goodwill-based relationships, and it can be challenging when faced with apparently hostile purchasing staff members who in reality are just acting the way required

for a given spend category. It's important to see through this and not take it personally. This is easier to do if procurement's role in the product/service category is comprehensively understood. One standout conclusion from the research is SAMs' weakness in understanding and using power. Through a number of power analysis tools, procurement professionals have been able to use this dimension to fully extract value from commercial interactions. SAMs most frequently experience that during in-person negotiations as intimidating behavior that directly confronts the desire to build "fun" relationships. In fact a thorough mapping of value levers (those subtle and not-so-subtle activities helping clients save costs, reduce risks or increase revenues) would enable SAMs to manage power much more effectively.

Many SAMs' tales of woe arise because procurement's strategy is well under way by the time SAMs come face to face with it, normally via a tense negotiation or a series of apparently unreasonable demands placed before SAMs. We believe that these miserable moments can be headed off if sales teams are highly proactive and engage procurement. That means understanding procurement's role, mapping what the client values in granular detail and developing value propositions that explicitly address those value requirements. It doesn't have to be a boxing match, but it does require SAMs to be on top of their game ready for any challenge procurement may throw at them. 🤖

We believe that these miserable moments can be headed off if sales teams are highly proactive and engage procurement.



David Atkinson is founder and managing director of the consultancy Four Pillars (www.fourpillars.co) and can be reached at d.atkinson@fourpillars.co or +44 (0) 121 3731797. He can also be found at <http://uk.linkedin.com/in/davidatkinson4pillars>. Anderson Hirst is director of the consultancy Selling Interactions Ltd. (www.sellinginteractions.com) and can be reached at info@sellinginteractions.com or +44 (0) 121 277 4642. He can also be found at <http://uk.linkedin.com/in/andersonhirst> and www.twitter.com/sellinginteract.

Additional resources

For more information on this subject by these writers in SAMAs library, the editor recommends: Robin Mar and David Atkinson, "Royal Mail: managing customers in a new procurement-led world," *Velocity*®, Vol. 11, No. 2, Spring 2009, www.strategicaccounts.org; and Robin Mar and David Atkinson, "On-demand webinar: getting to know the purchaser—how understanding emerging procurement practices can help you prosper in a downturn," April 23, 2009, www.strategicaccounts.org.