

A Short Manual On

# Selling To Procurement

The 4 Types Of Procurement Organization And How To Sell To Them



Research  
Report  
2012

## Introduction

The new reality of selling is that procurement is going to be involved. But what exactly will their role be? Will they stand on the sidelines, or get actively involved and how exactly should the salesperson interact with them.

In this whitepaper we will examine the 4 different procurement styles and their implications for how you sell.

For many sellers procurement is the elephant in the room, the only problem is that the elephant has become a tiger, one with very sharp teeth.

The challenge is to adapt our sales process to the new role of procurement. However, the fact that procurement adopts different styles in various organizations, an even in the same organization for different purchases makes it difficult.

## Procurement As Predator

In the wild pretty much every species has a natural predator – an adversary that is smarter, stronger, or faster. So, too when it comes to selling!

Some would say that the natural predator of the salesperson is the professional procurement specialist. That is because he, or she:

- May know more than the salesperson, may even come from the supply industry background.
- Wants to break up existing cozy relationships, wants to come between you and the buyer.
- Wants to put a competitive process between you and the deal.
- Wants fewer pitches, proposals and golf outings.
- Not receptive to your invitations, or to your marketing.
- Wants to focus on cost (more than value) and drive commoditization.
- Wants you to deal through them, or even worse through an electronic tendering system.
- Wants to standardize, concentrate, to consolidate.

As the role of procurement has increased, the role of the seller has in many ways decreased. Professional buyers have more power and control, and they are not afraid to use it. They are routinely coming between sellers and their customers. They are putting 'troublesome' tendering processes, even electronic tendering, between the seller and the deal – that is their job!

By making selling more difficult buyers are hitting salespeople where it hurts – that is in the pocket, as well as in the ego. That means meeting the procurement challenge head on is vital.

The lesson for sellers is 'keep your friends close, your enemies even closer' – prepare for and engage with procurement. Help them to do their important job.

If procurement is not present in the deal then find out why not – you don't want to be taken off-guard by their arrival just as the deal is about to be done. More important still you don't want to spend months developing an opportunity if your prospect is going to stumble when it comes to getting the purchase sanctioned.

### **What Is The Role Of Procurement?**

Now you could say were 'playing to the gallery', i.e. the sales audience, in talking about procurement as predator. That is not our intention however. We strive to build bridges between buyers and sellers not to drive them further apart.

Our key piece of advice is to slow down before making a judgment as to the procurement's role – what we call the procurement style of the organization. That is because when it comes to procurement you cannot 'judge a book by its cover'. If you do it could prejudice how you sell and thereby limit your sales success.

So you think you know procurement? Beware! Procurement is the organizational chameleon – they can take many forms and adapt perfectly to the organizational structure, or the nature of the buying decision. That makes it difficult for the seller to know exactly what role they are going to play in getting the deal.

There are a number of mistakes normally made by salespeople when it comes to understanding the role of procurement. The first and most obvious one is to underestimate the power and influence of procurement within the organization. That is seeing them as they were in the past – a bureaucratic paper-pushing function, as opposed to a key business driver with lots of clout and a powerful organizational sponsor (in the form of the CEO, or CFO).

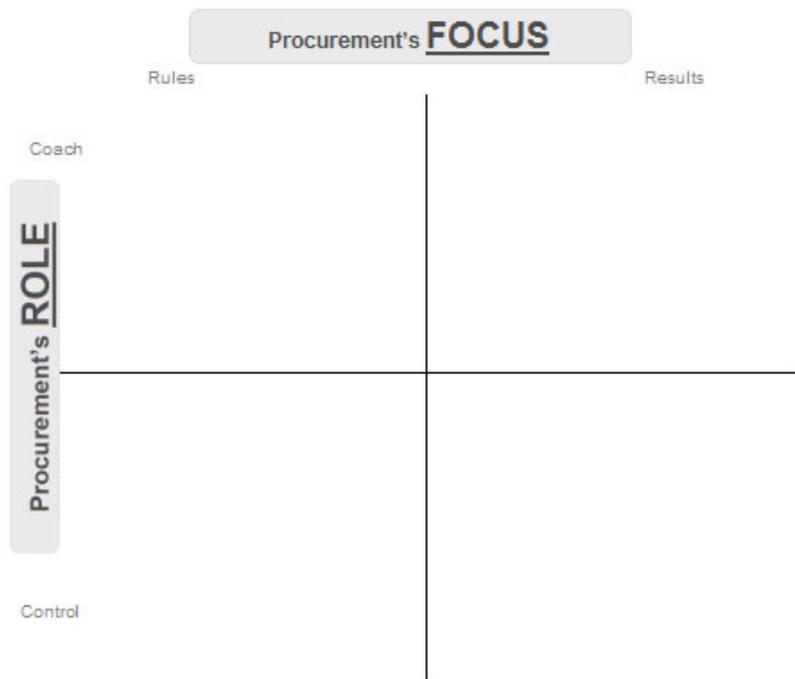
The second mistake is to pigeon-hole procurement in terms of its way of doing business – assuming that it will dictate the buying decision for example. Nowhere is this clearer than when it comes to the superficial distinction between public (bureaucratic – cost focused buying) and private (more flexible value focused) buying (as examined in another whitepaper called ‘Public Or Private Sector Buying? Does it really matter?’).

## **What Is The Role Of Procurement?**

To really understand the role of procurement in any organization and how the seller must interact with it requires examining the 4 different procurement styles based on:

- The Focus of Procurement
- The Role of Procurement

That means using the following grid to get to the hearth of any organizations buying style be it private or public:



Some procurement organizations are focused on achieving results, while other are more concerned with complying with the rules. So, along the top of the grid is the **FOCUS** of procurement axis with complying with the rules on one end and achieving results on the other.

Some procurement organizations seek to control as much of the buying as is possible and obsess on policies and procedure. Others take a more balanced approaching and coaching or supporting those at the front line to do the buying. So, along the side from bottom to top is the **ROLE** of procurement axis with control on the bottom and coach on the top.

Where an organization fits on this grid determines how it should be sold to because it shapes how the organization.

## A New Typology Of Buying

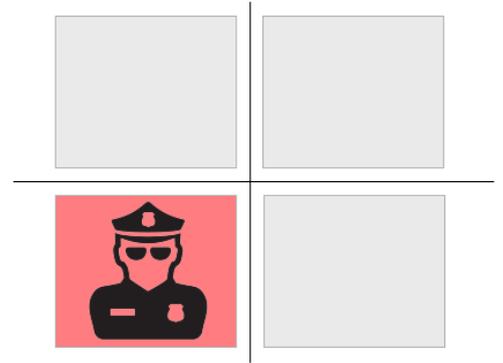
We have examined how 100s of organizations buy in order to develop a blueprint for selling to procurement. That is a guide to the most effective way of selling to procurement based on the procurement style of the organization.

As the diagram below shows the Role – Focus matrix provides highlights 4 styles of procurement and strategies for sellers.



## Procurement Style 1:

# Obey The Rules



### (a) Recognizing A Quadrant 1 Buying Organization

A Quadrant 1 buying organization is obsessed with the following rules.

It is old-style procurement – that of the stereotypical grey faced bureaucrat or paper-pusher. The Rule Book is paramount either because of procurement or other regulations.

The dangers of a bureaucratic approach to buying include excessive administration costs, slow decision-making and limited innovation in terms of procurement and supply chain management.

The organization is likely to be risk adverse. Fear of litigation is the primary concern, where staying out of the courts (and the newspapers) is more important than delivering cost and other benefits to the organization.

Buyers who are highly regulated are less likely to think strategically about procurement choices and the link between procurement and business performance is likely to be underestimated.

Buying is under centralized control. Managers have limited discretion and must 'tick all the boxes' as regards the procedures and sign-offs. There is no room for impulse buying. There is however a danger that the wrong people are doing the buying. False economies and decision-making mistakes can result because decisions are not made by those who are 'closest to the action'.

Vendor approvals processes and framework agreements are used to manage the choice of suppliers. Ideally an organization in this quadrant will use a procurement system to automate compliance and provide visibility and control of procurement.

## **(b) Selling To A Quadrant 1 Buying Organization**

In selling to the Quadrant 1 buying organization the best approach is to 'obey the rules'.

Selling to Quadrant 1 involves selling to procurement, or at least to the process set out by procurement. It typically offers little scope for creativity, with the process being dictated by procedures. So, it is vital the seller understand what exactly the rules are.

Dealing with today's confident and in control buyers can be a humbling experience. It requires that the successful salesperson put his, or her ego in the back pocket and to hold his/her tongue.

Relationship selling is generally sidelined and there are typically [rules of engagement](#), whereby access to the decision makers is likely to be limited and attempts to influence sellers are scorned. The sales approach should be one of providing information, rather than selling a product.

An objective of the salesperson should be to [help the buyer to buy](#) more strategically, sharing best practice buying approaches and decision-making factors from other customers. This includes encouraging the buyer to tailor the approach according to the category being purchased and to apply some degree of creativity within their frameworks/the rules.

The competitive tender is sacrosanct, with suppliers being kept at a distance and often complaining that buyers are cold and reserved. This can result in an insular approach – one that does not take advantage of supplier knowledge. There is a danger that there is not enough engagement to ensure the optimal solution.

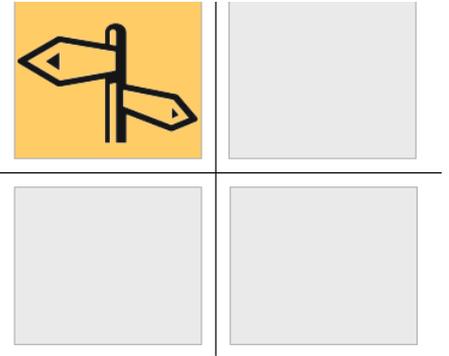
The selling is likely to be more paper based, with RFIs and RFPs the norm. So, for the seller it is vital to have criteria for deciding if and when to bid. In particular, there may be situations where a ['walk if you cannot talk'](#) principle is applied and a minimum level of

engagement/commitment required from the buyer before a tender/proposal is submitted.

Selling to these organizations requires that the seller gets involved earlier in the buying process (before the tender is issued) and is seen as an expert, rather than a salesperson.

There is often a 'them and us' approach, with procurement being seen as policeman, or umpire. The savvy seller however seeks to act as a bridge between procurement and the end user / buyer. They aim to find common ground between the two sides – the common ground upon which their solution can be sold.

Sellers must engage fully with procurement and follow their rules with care and attention. In addition they should help the manager-buyer engage effectively with procurement and meet the requirements (paperwork, etc.) of getting the purchase sanctioned.



## Procurement Style 2:

# Coaching For Compliance

### (a) Recognizing A Quadrant 2 Buying Organization

A Quadrant 1 buying organization is obsessed with following the rules, but procurement seeks to ensure compliance by coaching and supporting those who are making the decisions.

Because procurement does not seek to control, buying rests in the hands of those who are closest to the action. That is by the business managers and users who after all know their requirements better. Procurement acts in a facilitator and oversight role and cross-functional buying teams are likely to be the norm.

A mix of 'the carrot and the stick' is applied and the Rule Book may be subject to interpretation. There is some flexibility and autonomy given to managers with regard to buying. This maybe because there is an environment of high trust and delegated decision-making, or simply because procurement has limited manpower, systems, or power to control all spending.

Because decisions are being made by business managers, rather than professional buyers there is the prospect of a more flexible or fit for purpose approach that recognizes the requirements of different categories of purchases, as well as the broader/more strategic objectives of the buyer. However, if procurement focuses on coaching for compliance better strategic buying may not necessarily result.

### (b) Selling To A Quadrant 2 Buying Organization

In selling to the Quadrant 2 buying organization the best approach is to help the buyer to 'get better at buying'.

Selling to quadrant 2 typically means a more consultative or solution-led sale, with more direct contact with the business buyer, rather than

the procurement professional. So the salesperson is likely to be dealing with a buyer who:

- Knows more about the particular purchase in question they are close to the end user and to the business needs.
- Is more willing to engage in consultation with vendors around defining needs and identifying solutions.
- May have a more balanced view of price, placing a greater on non-price related variables in terms of defining requirements

This engagement means that the seller has the opportunity to understand the buyer's needs, shape requirements, innovate around the solution provided, etc.

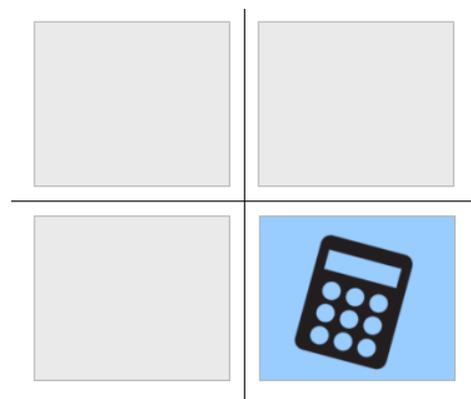
Buying is likely to take place in cross-functional buying teams – this is procurements way of making sure a better decision is going to be made. For the seller that means addressing the needs of managers from different departments (from operations to finance) may be required. It also means that [CC lists for any of the seller's correspondence are getting longer](#).

The buyer has a degree of freedom, but will they use it? In quadrant 2, the buyer is likely to be more receptive to new ideas and has scope to be more innovative generally. So, helping the buyer to think strategically, sharing best practice buying approaches and experiences from other customers is important. This includes encouraging the buyer to tailor the approach according to the category being purchased and to apply some degree of creatively (while keeping within their frameworks / the rules).

In quadrant 2, procurement wants to be helpful to the manager buyer and the salesperson can assist in this regard providing the professional buyer with useful information in the form of research reports, white papers, etc. This serves to boost the procurement executives confidence when talking to the more technical / knowledgeable business user.

## Procurement Style 3:

# Controlling Costs



### (a) Recognizing A Quadrant 3 Buying Organization

Organizations in Quadrant 3 are all about controlling, or more to the point cutting costs. Given the present market environment there are more organizations in this quadrant than any other.

With top line revenues flattening, organizations have turned to cost cutting in order to improve / maintain the bottom line. Indeed the zeal with which buyers have taken the red pen to budgets has frightened sellers. It is not surprising however as procurement is measured (somewhat narrowly) in terms of savings achieved.

Procurement is every watchful, even controlling and freely 'throws its weight around'. Procurement wants to be involved, or at least monitoring all buying decisions. A negative of this is a higher administrative burden and slower decision making.

These procurement organizations have wresting spending power for managers, raising discretionary spend thresholds and implementing processes and procedures that make put spending under tight control. Pre-approved vendor lists and catalogues are the order of the day, with EDI style systems being used to interact with suppliers and cut procurement costs.

Negotiating a hard deal with suppliers is only a part of the equation. Procurement teams in Quadrant 3 organizations must focus on increasing spend under management, preventing renegade purchases and driving up compliance levels generally.

Procurement in addition to cutting costs through hard-balling suppliers, has applied a variety of spend management and suppression techniques. These spend analysis and demand management, supplier and SKU concentration. Thereafter they must

turn to managing supplier performance to ensure that the promised savings are realized.

This quadrant is similar to quadrant 1, but with more attention being paid to results, typically in the form of savings achieved. There are process and procedures that must be followed, but there is also a target saving to be delivered upon. It can be a headline figure that is applied somewhat brutally across the organization.

Cutting costs is of course not the only way to drive performance, but organizations in quadrant 3 tend to obsess on it. As a result less procurement is less strategic in its approach. There is a danger of false economies, where the focus is on lowest costs, rather than total cost, or total value. It can result in a transactional approach, rather than deep relationships with suppliers.

While the headline message around savings may be impressive, looking behind the headlines is often required. Buying is formalized and structured, with limited flexibility and creativity. It can be short-term in focus and some savings may cost more in the long run. There is often a lack a strategic vision in terms of the broader role of procurement in driving the organization's long-term competitiveness.

### **(b) Selling To A Quadrant 3 Buying Organization**

In selling to the Quadrant 3 buying organization the best approach is to help the buyer to 'get better at buying'. While buying is likely to be rigid and controlled, the focus on savings can create opportunities for sellers who can demonstrate their impact on the buyer's bottom-line.

Quadrant 3 buyers often keep sellers at a distance and have a preference for competitive tendering. So to influence the requirements the seller must get involved earlier – that is before the RFP is issued.

The seller must take care to follow procurement's rules and to put buying process before sales process. Sellers need to expect more bureaucracy, more paperwork and less speed. They must be prepared

for the buyer to negotiate hard on price – otherwise they risk being ['beaten-up by the buyer'](#).

In many ways quadrant 3 selling is like selling to the CFO, the numbers and the business case are paramount. This presents opportunities as well as challenges for the seller.

Buyers in this quadrant are often narrowly focused on cost reduction, to the exclusion of other benefits/results. That means sellers must try hard to communicate their value to, or the value of a long term relationship.

The seller should directly address the issue of price. He, or she must seek to broaden the focus from lowest price to most economically advantageous tender. Helping the buyer to calculate the total cost of ownership and total lifecycle costs is key.

Lowest price can be a ruse – that is something that even the most price conscious buyer knows. Sellers in this quadrant must seek draw the buyer's attention from price to the larger issues of the business case and the [realization of benefits](#).

Rather than fearing the cost-cutting buyer, the seller should seek to [make him or her an ally](#) by exploring the wider array of strategies the buyer can pursue to achieve his goals.

## Procurement Style 4:

# Coaching For Results



### (a) Recognizing A Quadrant 3 Buying Organization

Organizations in Quadrant 4 see best practice procurement as a means of driving superior business performance. It is not just about short-term savings, but a sustainable competitive advantage that derives from an all-inclusive approach that includes:

- Optimizing the supply chain
- Supplier-led innovation
- Managing risk in all its forms
- Supplier relationship management.

There is a strategic approach, which sees procurement as a business driver and a key source of competitive advantage. That is a view of performance 'in the round', including its role in supply chain innovation, supplier performance, risk management, etc.

Procurement is seen as a business wide competence. The objective is to embed good buying throughout the organization – meaning that people would buy carefully, even if procurement was not watching.

The objective is not for procurement to make the decision itself, but to coach others to arrive at the best decision. Procurement is a partner not a dictator and its mission is to collaborate and add value.

Managers are empowered to leverage best practice in respect of procurement and supply chain management to drive the performance for their business units, departments and teams. Procurement provides them with the support, the frameworks, the tools and the information to make better buying decisions.

It could be described as the more enlightened approach to procurement. It sees procurement as a means to an end. That means 'fit for purpose buying', which recognizes the unique requirements of

different categories of purchase (category management) and best matches the process and the decision maker to the particular buying decision.

This approach is typically found in more horizontal organizations, with a hi-trust & hi performance culture. Procurement is the collaborator and partner, although there is typically a strong element of oversight in what can be described as a approach that is simultaneously loose and tight.

### **(b) Selling To A Quadrant 4 Buying Organization**

In selling to the Quadrant 4 buying organization the best approach is to help the buyer to 'achieve results'. Sellers must show that they are capable of and committed to helping the buyer achieve his or her goals.

In many ways quadrant 4 selling is like selling to the CEO, the discussion is focused much more on results and in particular business performance.

The more flexible and innovative approach to procurement is something that the seller can take advantage. There is often a best practice mindset, including; the use of cross functional buying teams, spend analysis, category management and so on. The seller needs to address the implications of each of these for his/her sales approach.

The coaching / collaborative approach often extends to supplier development and a genuine partnership approach aimed at achieving a real win-win. That means the organization is generally open to new ideas from suppliers, more open in sharing information and so on.

Seller must work patiently to build trust and show a long term commitment to the buyer's success. The idea is to become a strategic partner, not just another supplier. That means coming to the buyer with new ideas and innovations.

The seller's objective is to help the buyer arrive at the best decision.

That includes:

- Understanding and connecting with what the buyer want to achieve, his or her key strategies and metrics.
- Sharing the success stories of other customers.
- Helping the buyer to model the result expected and to build a compelling and yet realistic business case.
- Ensuring a solid business decision for the purchase that includes; costs – benefits, risk, strategic fit, compliance and politics.

After the sale the focus for the seller in Quadrant 4 turns to delivering upon what was promised. That means measuring and communicating the results achieved for the customer. It also includes identifying ways in which the promised benefits can be realized and indeed exceeded.

## The Science Behind This Paper

These insights and tools are based on:

1. **Buyer Research** – our ground-breaking research into how modern buying decisions are made and the implications for sellers.
2. **Best Practice Research** – Over 1 million pages of best practice sales case studies, books and research.
3. **Common Practice Research** – Our peer comparison benchmark of 1,000s of your competitors and peers.

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