Competing in Thousands of Markets:

How IT Firms Can Improve Success in Competitive Bids

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INTRODUCTION

Every information technology company today is seeking new ways to improve sales effectiveness. Intensifying competitive environments, increased acquisitions and divestitures, and a proliferation of methods for competitors to reach customers and prospects contribute to the dog-eat-dog, all-out battle to win competitive sales bids. All this in a highly fragmented industry in which the top 50 IT companies account for only 40 percent of the industry's revenue, according to D&B Hoovers, a market research firm. Investments in marketing and sales tools can help improve competitiveness, and have been for years at the center of the competitive playbook for IT companies large and small.

In our opinion, this is a misguided view. IT firms don't compete in a small, defined number of product or geographic markets. They compete in hundreds, if not thousands, of individual markets at the account or customer level. While IT firms may succeed in establishing broad competitive differentiation through brand-level marketing and sales efforts, they are missing opportunities to differentiate and position themselves where it matters most: in the competitive market that exists at the purchasing level within all their customers' organizations.

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FIERCE COMPETITION

The stakes are high. According to the Chief Marketing Officer of an $8 billion IT services company, as much as 80 percent of that firm's sales are bid competitively. And given the size of these sales, winning or losing a multi-million-dollar competitive bid can mean the difference between exceeding or missing quarterly earnings targets. Furthermore, the competitive environment at the account level is intensifying as more players seek to achieve growth that surpasses market growth rates by taking share from competitors.

The competitiveness of incumbents and challengers alike depends on many factors – technical expertise, innovation, scale, and customer knowledge, to name a few. But no matter the competitive strategy, at the account level, this is a highly fragmented and competitive environment where account-specific competitive factors matter. As the IT services firm's CMO put it, "It's all about how customers see that we're able to provide a solution to them."

Ultimately, IT vendors must consider each competitive bid process as its own unique competitive market. According to the Head of Commercial Markets Strategy at a large information technology company, "every situation is competitive, if not for a particular bid, then certainly for consideration before the request-for-proposal (RFP) is issued." Sellers of IT products and services must also acknowledge that the rules of competition are set by the customer – in how the account defines the RFP process, what criteria buyers will consider, and how they will evaluate providers. This means that features, points of differentiation, and selling approaches that IT vendors think are important and effective may not be; it's the customer that gets to decide.

YOU SNOOZE, YOU LOSE

Success in the hundreds or thousands of individual accounts in which IT firms compete depends, then, on taking those differentiating features that one suspects are valuable and translating them to the customer's perspective. Any IT firm that conducts win-loss analysis probably has developed a set of "win themes" – the consistent reasons why customers say they choose a firm's solutions over those of a competitor. At a high level, those win themes can guide broad product and service marketing, and help achieve a consistent brand architecture. But, at the individual account level, broad win themes may lose resonance. Achieving superior competitive positioning in account markets requires translating win theme value and relevance to the customer based on the customer organization's requirements, decision criteria, and familiarity with your company's solutions.

What's more, IT vendors that wait until the RFP is issued to begin translating win themes in ways that customers value are missing an opportunity to get ahead of the competition in the run-up to the RFP. Sound account-level competitive strategy requires influencing the consideration of the customer's choice of vendors that will be invited to the bid process in the first place. That means not only building strong relationships with the buying centers in the customer account and operating an effective account management program, but also gathering and acting on intelligence about how your competitors are trying to accomplish the same thing. While successfully translating win themes to account-level considerations is smart practice, it is only half the job; doing so in ways that neutralize competitors' efforts to achieve superior positioning will yield better results.

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LEVERAGING INTERNAL KNOWLEDGE

IT firms' account-specific marketing and competitive strategy should not assume that incumbency provides an advantage. While it's true that many customers favor incumbents out of fear of disruption in their IT services provision, accounting rules may force the buyers' hands. It is not unusual for buyers to require competitive bids for any IT project above a certain cost threshold, even as low as $100,000. It can be a fine line between incumbency and complacency. Competitive win-back and take-away programs are explicitly designed to challenge the position of incumbents and shift share-of-wallet to a rival's favor.

Given the intensifying competition at the account level and the challenges in achieving sound competitive positioning, sales representatives need new tools that leverage internal tribal knowledge about what sales practices are effective under what circumstances, combined with the latest competitive and customer insights generated from account-level intelligence gathering and analysis. Unfortunately, few organizations have structured programs to collect, synthesize, and leverage both internal and external knowledge. This inhibits field representatives from giving and receiving exclusive and actionable intelligence to improve their competitive positioning, and to ensure they are deploying the best sales approaches before and during competitive bidding situations.

One approach that we are seeing gain traction in several IT organizations is the "bid support center" – a defined process that combines best-practices-based sales effectiveness reporting with competitor and customer intelligence to provide real-time support to competitive bid teams. The bid support center (BSC) – which can be established on-ground or virtually within an organization – produces bid-specific playbooks that call out tactics designed to exploit competitor weaknesses and position a bid or offer against defined customer requirements or expectations. BSC defines the opportunity gap that exists between customer desires and shortcomings in competitors' ability to meet them, and illustrates how a sales team can position within that gap for competitive advantage.

CASE STUDY

When I built, and then managed, a BSC for a large IT services provider, the pursuit teams, as we called them, benefitted from receiving a customized sales playbook for each major competitive bid that offered advice and tactics for how to position, price, and promote our solutions given what we knew about customer needs and competitor presence. We did so by:

- *Leveraging analysis from our ongoing win-loss program.* Our firm had matured its win-loss program to be more than post-hoc reviews of why a customer chose our firm or a competitor; instead, our win-loss program assessed the core win and loss themes that were unique to our firm, and pinpointed the extent to which our pursuit teams did or did not stress the right win themes that were relevant to the bid under review. For example, a strong win theme in our firm was the strength of our implementation methodologies and processes. The BSC identified situations in which a certain methodology was a customer decision criteria, as well as the extent to which our competitors did or did not have robust methodologies that could hold a candle to ours. Our win-loss analysis identified those cases in which pursuit teams successfully promoted our methodologies, and did so in comparison to the weaknesses that we believe defined our competitors' approaches.

- *Facilitating the sharing and synthesis of sales best practices.* The BSC became a repository for first-hand anecdotes and successful selling tactics that resonated with certain clients or under certain circumstances. For example, the BSC captured first-hand experience of pursuit team members' approaches for dealing with customer concerns about the firm's higher fee and rate structure compared to offshore-based competitors. Over time, the BSC developed a repository of war-stories that helped pursuit teams anticipate and navigate customer push-back or competitors' aggressive price strategies.

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During the Sale
Bid Team Support:
• Competitor analysis
• Pricing Strategy & Options
• Competitive Positioning
• Sales Best Practices

After the Sale
Win-loss analysis:
• Win rate analysis
• Win and loss themes
• Sales tactics effectiveness
• Competitor gaming

Benefits
▶ Achieve better positioning within account-level competitive markets
▶ Improve sales effectiveness
▶ Accelerate realization of sales improvements

A Bid Support Center (BSC) provides active sales effectiveness and competitive guidance to sales representatives, and improves a company's competitive positioning within account-level competitive markets.

● *Incorporating analytics that quantified sales effectiveness and tactics in deals.* By conducting post-deal debriefs with pursuit team members, the BSC routinely captured information on the price we offered, competitor bid prices, customer feedback on our sales approaches, and other relevant data points. BSC team members conducted quarterly analysis of win and loss results and calculated two important metrics for sales leadership that tracked the success of our competitive positioning. The first was the dollar value of wins we could attribute to BSC involvement in the sale. We could track, for instance, when pursuit teams leveraged competitive intelligence to anticipate, and nullify, a competitor's positioning or pricing strategy. The second was a calculation of dollars left on the table – an analysis of the revenue we should have won but didn't due to a failure to respond to specific customer requirements, or to competitors' successful efforts to out-maneuver our offer.

At the center of any high-performing BSC is a robust win-loss program; IT organizations in a competitively intense sales environment are likely already running such a program. But, win-loss must be much more than a cursory interview with buyers to learn more about their selection criteria after the fact. Instead, proper bid sampling, combined with structured analysis, should be yielding insights on win and loss themes that can be leveraged to provide action-oriented recommendations for future competitive bids. Good win-loss analysis should also identify and analyze your organization's own winning sales tactics, cross-referenced by competitor, customer type, and product category. The win-loss program should be sampling just the right number of wins and losses, usually no fewer than ten bids per quarter across major product segments.

CONCLUSION

Win-loss analysis, combined with internal sales best practices sharing and competitive intelligence, helps the BSC provide active sales effectiveness and competitive guidance to field representatives. During the sales process, the BSC engages directly with the bid team to provide sales playbook guidance consisting of competitor analysis, pricing strategy and options, customer dynamics, competitive positioning, and situation-specific sales best practices. After the sale, the win-loss program kicks in to contribute to ongoing analysis of win-rate, win and loss themes, sales tactic effectiveness, and competitor gaming. Combined with functions such as sales enablement, competitive intelligence, war games, and pricing strategy, a BSC fills an important gap in tying together real-world sales experiences and market and industry knowledge to continuously improve sales effectiveness within the multitude of competitive markets in which IT firms are participating every day.

With the competitive intensity for each new dollar of sales increasing, companies need the latest and most effective tools to improve positioning and differentiation in account-level competitive markets. A physical or virtual bid support center is an effective way to leverage activities the organization may already be undertaking, such as competitive intelligence and win-loss analysis, to provide sales teams with real-time, actionable, and customer and competitor-specific insights to improve bid positioning and drive higher sales.
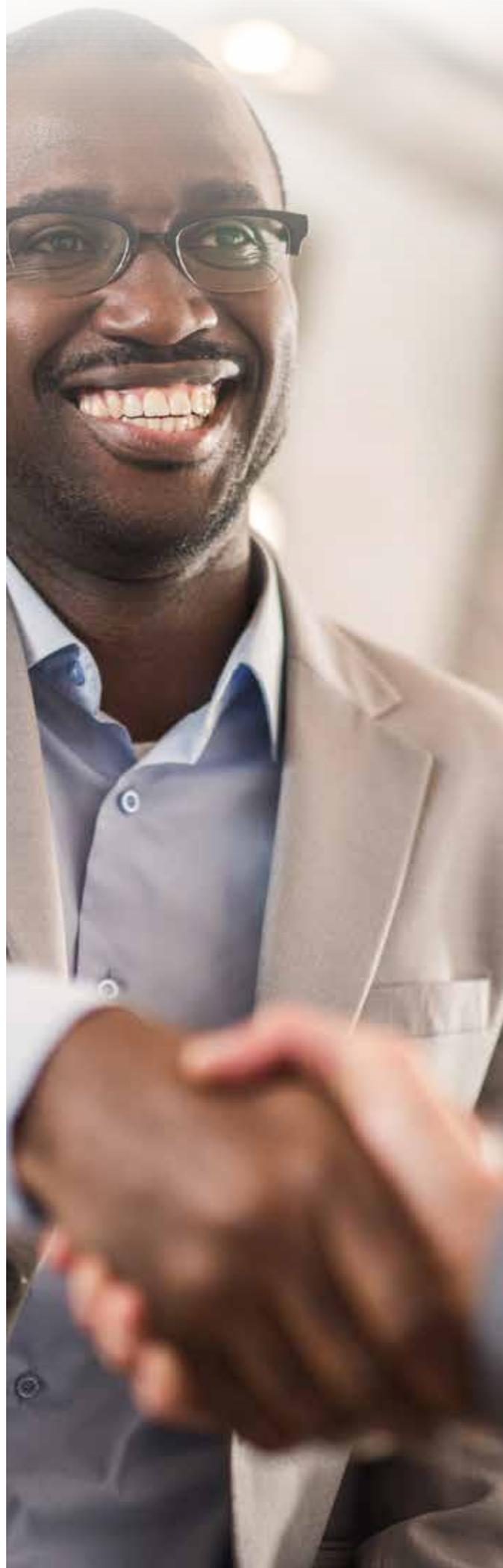
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ABOUT FULD

Fuld + Company is a competitive strategy consultancy that helps clients anticipate competitive activity, see beyond market disruptions, and develop or refine robust business strategies. Through research, analysis, and strategic consulting we work with the Global 1000 to identify and solve tactical and strategic challenges.

With over 35 years of experience, and offices on three continents, Fuld + Company developed many of the competitive intelligence and strategic analysis techniques used today. Having completed thousands of projects, we are recognized as an organization of thought leaders by publications such as Fortune, Fast Company, The Financial Times, The Economist and Time Magazine.

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