

# 1 From Need to Contract: The Long Decision-Making Process

Any commission arises from a need, which then develops into a want and then a specific demand.

Okay, this section is a little more academic and theoretical than the rest of this book. But in order to properly understand the mechanics of the purchasing process, I don't want to miss out on the opportunity to take a closer look at the transition from needs to specific customer requirements. Before we begin, we need to clearly define the terms 'need', 'want', 'demand' and 'requirements'. The first version of our glossary (see appendix) didn't include these terms to begin with because we thought everyone would know what we meant. The more intensively we dealt with the precise differences though, the clearer it became that we needed clear definitions. All these terms are now included.

On the other hand, this chapter will cover the "mechanics", the purchasing process used by large organisations to procure goods and services.

Over the following few pages, we'll go through the conceptual sequence of steps from need to purchase decision in order. It begins (as illustrated in Figure II-1) with the need, which then develops into a want and then a demand, culminating in a purchase.

Figure II-1: Each order or purchasing decision is rooted in a need.



Source: CSK Management

In Part III, we'll deal with the question of how we tackle these needs and requirements within the proposal process to optimise our chances of winning the contract.

## Customex Example

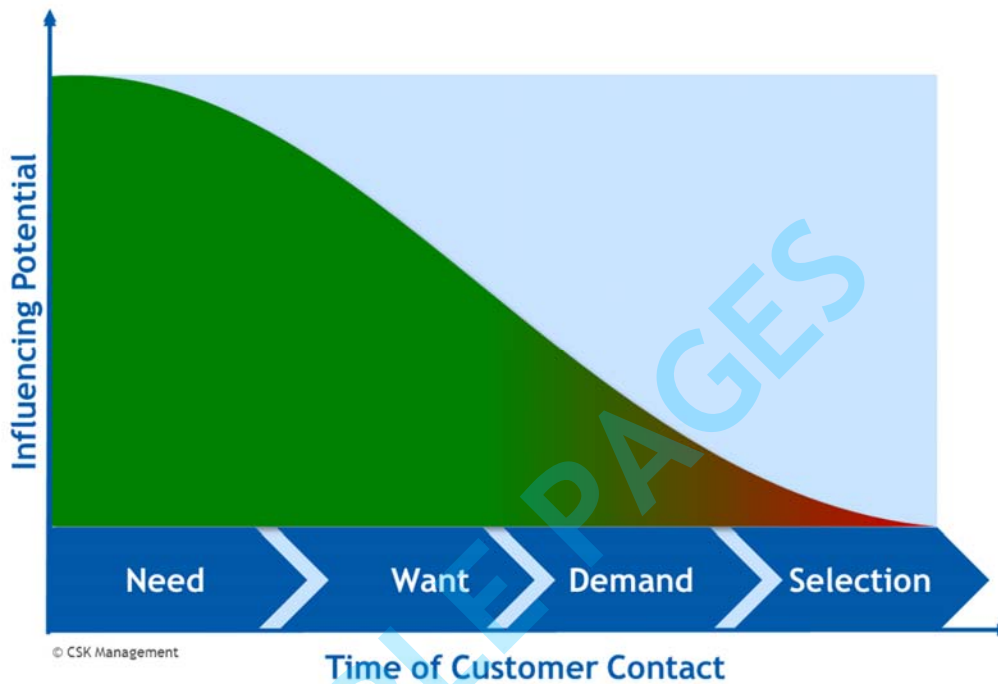
In the following sections, I'd like to use the (fictional) British company Customex as an example to show how needs can develop and what steps it takes for them to make an actual order. Customex produces special packaging made from cardboard. The production facilities are reconfigured for each order, which is a somewhat laborious process. The more versatile a production facility is (e.g. used for thicker and thinner card, different sizes and shapes), the more economical it will be for the company.

### *The Best Time: as Soon as Possible*

It's important to recognise that the time at which the customer is influenced within this decision-making process is critical. The earlier you are involved as a provider, the more influence you can have. If the sales team establishes and discusses needs with the client very early on, they can influence the client's substantiation and specification so that their own product benefits are given more weight. In the absolute ideal case, they can even avoid a tender altogether and keep the competition on the outside. In the second-best case, they can contribute to the tender and evaluation criteria in a way that ensures their own proposal and criteria are viewed in the best possible way. The worst case scenario is, of course, when a tender lands on a desk without the chance to exercise any prior influence. Of course, this is most likely to happen when a purchasing department is required to always obtain at least three proposals... The chances of winning this kind of tender are practically

always below average. The question arises of how I, as a provider, deal with this (unfortunately not that uncommon) worst case scenario. The answer is as simple as it is painful: if my bid isn't extraordinarily good, I shouldn't bid at all. This question is part of the qualification process, which we'll cover in more detail in Chapter III-4.

Figure II-2: The earlier the sales department (or another representative in the organisation) can get involved in the process, the more influence they can have on the final purchase decision.



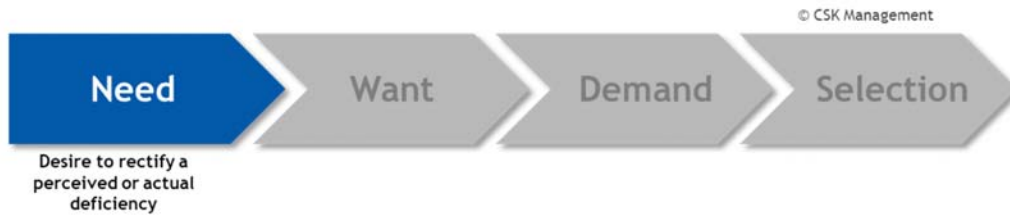
Source: CSK Management

## 1.1 It Always Begins with a Need

At the start of any purchasing process, there is always a need. A desire or wish to get help for a perceived or actual deficiency of some kind. We differentiate between individual and organisational needs.

Needs are the trigger of any purchase intention. As the economy's protagonists, we're there to satisfy the consumption and investment needs of private and business customers as well as public clients. That's why we should definitely deal with these terms in a bit more detail, even though the word 'need' is more of a psychological term referring to a "pre-economic" phenomenon. Therefore, it's wise for a bidder to consider the needs of their customers, regardless of whether they be individuals or organisations striving to fulfil a perceived gap and thus satisfy a need. After all, it's people that make purchasing decisions.

Figure II-3: The purchase process begins with a need.



Source: CSK Management

In the bid environment, the fatal error of combining or mixing up needs and requirements is sadly not uncommon. If you ask what the needs behind the tender are, you'll often get a description of the requirements rather than the underlying needs. The benchmark of customer satisfaction is, after all, a solution that satisfies actual needs. This means that an impressive offer not only has to fulfil the requirements (compliance), but also meet the underlying needs (responsiveness). More about that later.

Figure II-4: Needs and requirements are often merged because the requirements are better known.

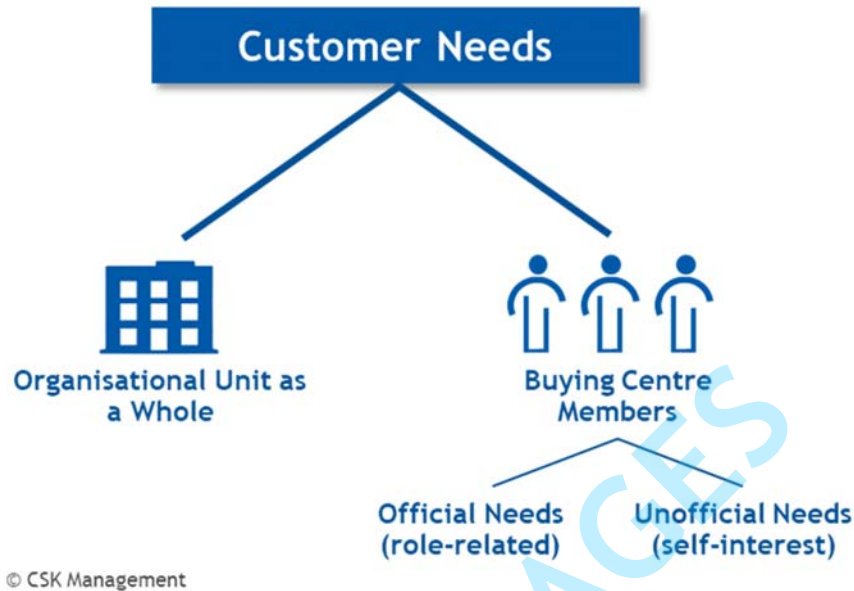
Needs	Requirements
A manager's need to have more control over their department	Reporting software that delivers certain figures in real time
A company's need to stay competitive (to be able to continue to exist on the market)	Decrease production costs by 12%
A company's need to be able to deal with high demand and thus generate more revenue	Three new type 3 machines

Source: CSK Management

**Two Dimensions: the Organisation as a Whole and Individual People**

There are two fundamental dimensions: firstly, we have the people involved in the decision-making process and their individual needs. Here, we're talking about the buying centre (see Chapter II-2), the individual members of which have two types of need. These are the "official" needs from their role in the organisation on the one hand, and on the other, their own "unofficial" needs as people with their own interests. Secondly, we have the company or organisational unit as a whole. These two dimensions of customer needs are portrayed in Figure II-5.

Figure II-5: We have to differentiate between the needs of our customer as an organisational unit and the official and unofficial needs of individual members of the buying centre.



Source: CSK Management

If a need doesn't become a want, it's not "visible" from the outside. Internally, needs are expressed at most as a certain sense of dissatisfaction. However, the purchasing or procurement process hasn't yet been initiated. Only when the urgency or discomfort caused by the perceived deficiency exceeds a certain threshold and the need becomes a want will the affected employees start up the internal purchasing process.

By the way, establishing these needs or "awakening" them with suitable offers is a classic sales task, but it's also the job of the Bid Writer to thoroughly obtain this information in a friendly manner during the sales process.

The major benefit of identifying needs very early on is that the specification of the want can be influenced while there is typically no competition (yet).

### *Conflicting Needs*

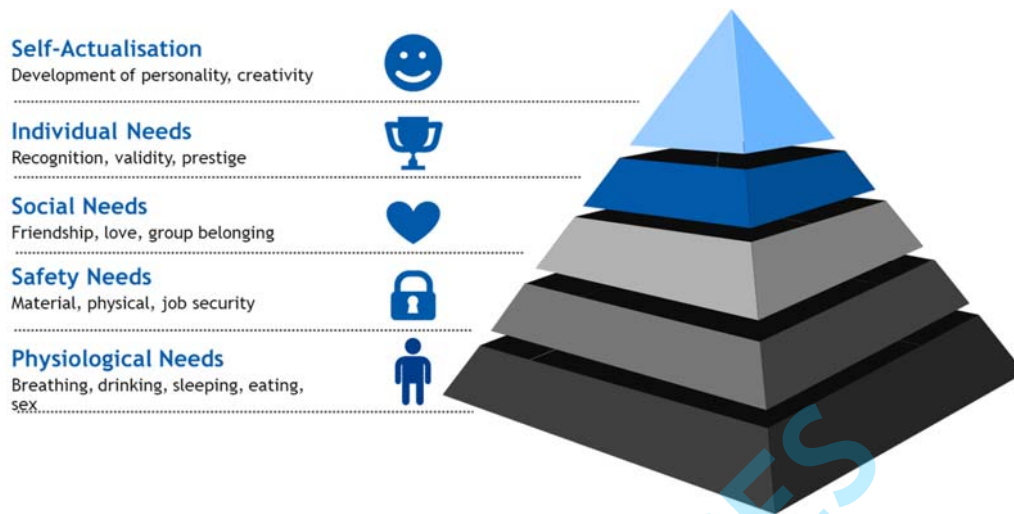
It's not uncommon for individual needs and the interests of the organisational unit as a whole to be different or even in conflict. Equally, the official and unofficial aims of the individual members of the buying centre may contradict one another.

It's also interesting that unofficial (individual) needs are often more powerful than the official needs. These diverging aims and needs must be precisely identified and weighted so they can be suitably met in the bid document.

### *Individual Basic Needs*

For the sake of thoroughness, it must be mentioned that each individual need can be traced back to a basic human need as portrayed by American Psychologist Abraham Maslow (1908 - 1970) in his Hierarchy of Needs. It could be that the desire to reduce costs comes from a manager's need to show accountability as a subordinate of executive management and reduce costs so they can win against the competition and therefore save their job (safety) or qualify for the next level of the hierarchy (esteem, prestige etc.).

Figure II-6: Fundamentally, any need (even in large organisations) can be traced back to basic needs.



Source: by Abraham Maslow (1908 - 1970), 'A Theory of Human Motivation' from 1943

Of course, the question that always arises is of the source of this information. Of course, such information can only be obtained reliably if there is a strong existing relationship with these people. It almost goes without saying that it is very, very difficult to obtain such information once the tender is on my desk and I haven't had any previous close relationship with the customer.

Therefore, the following are typical individual needs of employees in organisations:

- Reduction of workload (also: more free time), less stress
- Increase/retainment of recognition, power and status in the organisation and beyond, success
- Security (such as job security, financial security)

### *Basic Needs of Organisations*

In analogy to the psychological basic needs of people, there are four inherent basic needs that most businesses have. These also apply for most organisations, even if they don't add any commercial value, but rather, for example, fulfil a government order. Even government organisations strive to become more efficient or reduce risk.

Basic needs of organisations:

- Increases in efficiency and effectiveness, as well as margin improvements (mostly to be achieved through improved processes/systems):
  - Reduced costs at the same level of performance
  - Increased performance at the same costs
- Increased revenue:
  - Reaching new customers
  - More revenue from existing customers (through cross-selling, up-selling, more revenue per customer)
  - Reducing customer loss
- Safety:
  - Safety of decisions, of investments
  - Technical safety (such as protection from power or telecom network failures)

- Operational safety, or employee protection
- Compliance (conformity with the law or regulations):
  - Labour laws
  - Environmental laws
  - Technical norms and standards
  - Tax laws
  - etc.

You're wondering why 'increasing quality' isn't on the list? In actual fact: quality is only ever important when it can contribute measurably to the above factors. Quality is an oft-used keyword, but it has little actual power because quality alone has no business benefit.

#### Customex Example (Continued)

Now let's return to our example: Customex, the British producer of specialist cardboard packaging. The most important machines were purchased twelve years ago. The machinery is maintained by a very competent internal three-person maintenance team. Only serious repairs are dealt with by an external service provider because their services are incredibly expensive. Over the last few years, this maintenance team has developed lots of know-how, and current Head of Production, James Clarkson, was the head of this team up until four years ago. The machines aren't particularly maintenance-friendly but repairs and maintenance continue to remain within the established scope. The Head of Production knows the machines inside and out, earning him the nickname 'Mr Production'. Nobody can fool him when it comes to the production system. Even though maintenance expense is already high and the facilities are no longer up to date, Mr Production has no plans to replace the machines. The rumour in the company is that he doesn't want the hassle of purchasing new equipment before he retires in two years. One could also assume that new production equipment would mean he loses his advantageous position of knowledge, negatively impacting his current position of power.

It's clear that the Head of Production's strong (and understandable) interests conflict with the needs of his employer. While the Head of Production, Clarkson, wants to retain his position of power and doesn't want to saddle himself with any major projects in the last two years before his retirement, it is of course in the company's interest to reduce maintenance and operational costs to a reasonable level and procure new equipment with new options.

#### And Another Thing: You Can't Create Needs.

You always hear "marketing experts" tout the theory that it's better to create a market than to chase after one. Quite right too. So, you must therefore have to create new needs to build these new markets. Absolute nonsense. There are always new, creative ways to satisfy an existing need. Or, to put it another way: existing products can be used to awaken (but not create) needs (that already exist) which were previously met by other products. While PCs have long been tools of work, a laptop can now also satisfy the need for status. Apple® has used its clever brand positioning, good products and sharp design to create a status symbol, covering an additional need. But there have always been status symbols. Needs can, therefore, be "awakened" with a product or service, but not created.