SIEBEL SYSTEMS, INC.

MultiChannel Services White Paper

Selling to Senior Executives II: An Update

An expanded analysis of two studies examining how salespeople establish trust and credibility with senior executives

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As a result of multichannel sales strategies, direct salespeople are now competing internally, with channels such as the web and call center, as well as externally for business. At the same time, the emergence of the Internet has shifted more power to the buyer. In this new environment, the ability to sell value rather than product is essential, and can only be done at the executive level.

Understanding the special challenges of selling to senior executives is crucial to success. Executives are people with precious little time on their hands. Salespeople may have less than five minutes to establish credibility, both for themselves and for their company. How can they make the most of such limited time to establish trust and gain continued access to the executive?

Siebel MultiChannel Services (formerly OnTarget, Inc.) has conducted two research projects to identify and understand the factors that help sales professionals establish trust and credibility with senior executives. This report presents the combined findings of both studies.

During the studies, we interviewed more than 100 high-ranking executives, asking these questions:

- When and why do senior executives get involved in the decision-making process for major purchases?
- When and why do senior executives agree to see a salesperson?
- How can salespeople most effectively gain access to senior executives?
- How do senior executives screen or test salespeople?
- How do senior executives judge the effectiveness of meetings with salespeople?
- How do salespeople establish long-term credibility and trust with high level executives?
- What makes “like rank” selling necessary?
- What do senior executives expect from partner-level suppliers?

PURPOSE OF THESE STUDIES

In the spring of 1995, Siebel MultiChannel Services and the Kenan-Flagler Business School at the University of North Carolina conducted a research project to determine how professional salespeople establish trust and credibility with senior executives. We also explored why senior executives grant continued access to certain salespeople, while denying access to others. In the interest of keeping up with trends in executive selling, Siebel MultiChannel Services and the Center for Business and Industrial Marketing at Georgia State University sponsored a second study in the spring of 1999, re-examining this subject with some interesting results.

Using the results of this research, we plan to help salespeople establish better relationships with potential customers and close more business.

METHODOLOGY

Most academic research and discussion of the executive’s role in the buying process is anecdotal. Our approach to this topic gives these studies several unique qualities:

- Researchers directly interviewed senior executives. Prior studies on executives’ buying roles are from the perspective of successful salespeople.
- Researchers interviewed executives from senior vice presidents to chairmen of the board. Purchasing agents and managers were excluded from this project.
- Researchers interviewed executives in person or by phone, each interview lasting between 30 minutes and one hour.
- Participating executives came from diverse industries including transportation, textiles, printing, utilities, financial services, technology, and telecommunications.

Senior executives used recent major purchases as a reference for their responses to both quantitative and qualitative questions. We investigated specific buying issues, limiting some responses to lists or rankings to show the relative importance of identified factors. For other responses, we asked open-ended questions on general issues. By varying the approach, we were able to identify and understand a broad spectrum of issues confronting executives in the buying process.

EXECUTIVE SUMMARY

When Do Senior Executives Get Involved in Purchase Decisions?

- Both studies show that senior executives are more involved during the beginning and end of the buying process and less involved in the middle.
- At the beginning of the buying process, executives get involved to
  - Understand current business issues
  - Establish project objectives
  - Set the overall project strategy
- Executives get involved at the end of the buying process to
  - Plan the implementation of the new project
  - Supervise the measurement of the project's results

How Can Salespeople Gain Access to Executives?

- Executives listed these six most common reasons for granting a meeting to a salesperson:
  - A recommendation from a credible source inside the executive's organization
  - An existing relationship with the seller
  - The reputation of the salesperson's company
  - A need for the product or service the salesperson is offering
  - An external referral from a respected source
  - The timing of the salesperson's request for the meeting (as related to the buying cycle)
- Both studies reveal cold calling was the least effective method for gaining an interview, even if the salesperson wrote a letter of introduction first.
- Both studies reveal that most executives will grant a meeting to a salesperson if someone from inside the executive's company recommended it.
- The second study shows e-mail and voicemail are only effective once a salesperson has already established a relationship with the executive, and then only if the communications are kept brief and to the point.

How Do Executives Block Salespeople?

- In both studies, most executives responded that they used one of these three methods to block a call from a salesperson:
  - Asking a secretary to handle the call
  - Claiming to have a busy schedule or too many other priorities
  - Referring the call to someone else in the organization

How Do Executives Test Salespeople?

- Most executives give salespeople only five minutes to establish some kind of relationship. Within that five minutes, salespeople should:
  - Speak from a business perspective, demonstrating the homework they've done to develop an understanding of the customer's key issues
  - Raise relevant questions and share new business perspectives
  - Listen and understand, rather than attempting to sell their product or service during the first contact with an executive
- Executives are most likely to grant meetings with salespeople who
  - Understand the customer's key business drivers and business initiatives
  - Convey how they can deliver value to the executive's company
  - Have the power to make decisions
- Executives expect salespeople to be confident, professional, flexible, and honest.

Once They've Got the Meeting, What Should Salespeople Do?

- In the first study, executives ranked first those salespeople who show accountability and responsibility.
- In the second study, executives ranked first those salespeople who understand the customer's key business goals and objectives.
- Both studies show executives want salespeople who will listen and consider the customer's needs before proposing a solution.

How Can Salespeople Establish Credibility with Executives?

- In the first study, executives ranked salespeople's ability to marshal resources from within their organization as most important.
- In the second study, executives ranked salespeople's willingness to be held accountable as most important.
- In both studies, executives said they want salespeople who understand their goals and objectives, and who are responsive to their requests. They rated a salesperson who discussed the executives' competition as the least credible.
- Above all, executives value decisive and confident salespeople. They do not value arrogance and "hard sell" approaches.

When Is "Like Rank" Selling Necessary?

- Sixty-eight percent of executives think "executive-to-executive" selling is of significant importance, mainly to reaffirm the seller's commitment and highlight the companies' strategic fit.
- Some executives feel executive-to-executive selling indicates a problem.

What Do Executives Expect from Partner-Level Suppliers?

- Eighty-three percent of executives in the first study had high-level partner relationships with at least one key supplier, but nearly half felt they did not reap any benefits from such a relationship.
- In the second study, the gap between the benefits executives expected and received closed somewhat, possibly because many sellers have:
    - Increased the number of strategic account teams
    - Formed closer relationships with customers
    - Emphasized the value of their solution more effectively

Conclusions

- Senior executives will meet with salespeople early in their buying cycle, but only to identify and learn about business issues related to the purchase decision. It's critical for a salesperson to understand the difference between the customer's buying cycle or process and their sales cycle. A sales cycle typically starts after several steps in the customer's buying process have already occurred.
- Salespeople are most likely to gain an appointment with a senior executive if someone inside the executive's firm recommends them. Strong existing relationships within an organization proved crucial to gaining executive access.
- During the initial sales meeting with a senior executive, salespeople must convey their accountability, and listen to and understand the customer's business goals, objectives and challenges.
- To maintain a trusted advisor relationship with a senior executive, salespeople must demonstrate:
  - Understanding of key business drivers and business initiatives
  - Accountability/responsibility
  - The ability to marshal resources

WHEN DO SENIOR EXECUTIVES GET INVOLVED IN MAJOR PURCHASE DECISIONS?

In the first study, nearly 80% of executives interviewed said they became involved in purchase decisions early in the buying cycle, when they had to:

- Understand current business issues
- Establish project objectives
- Set the overall project strategy

Executives in the initial study also tended to be less involved during the evaluation phase of a project, delegating decisions to subordinate employees or committees. Nearly 80% never or only occasionally involved themselves in activities during the middle of the purchase cycle, including:

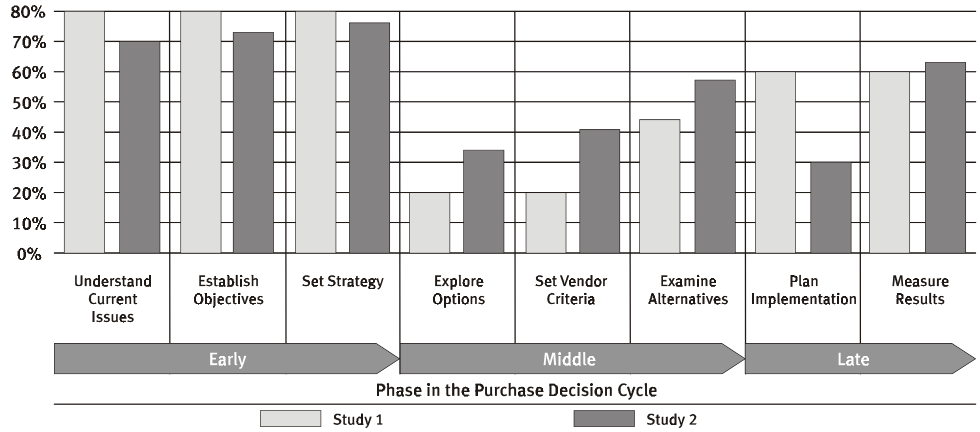
- Exploring options
- Setting criteria to evaluate vendors
- Examining alternative solutions

Over half of senior executives in the first study said they were involved in activities occurring late in the purchase decision cycle:

- Planning the implementation of the project
- Measuring the project's results

The second study shows similar results (see Figure 1, p.10): Executives are more involved at the beginning of the purchase cycle to understand current issues, establish objectives, and set the product's strategy. They are also more involved at the end of the buying cycle, mainly to measure the project's results. The executives surveyed in the second study tended to be more involved in the middle of the buying cycle to explore options, set vendor criteria and examine alternatives.

Figure 1: Executive Involvement in the Buying cycle



Salespeople with no control of the buying cycle will not gain access to executives until the final phase of the project, when their impact is significantly reduced, because:

- Executives will hesitate to rule against the internal groups appointed to make decisions regarding a project.
- Executives have, in general, already made their decisions.

Salespeople must meet with executives early in the buying cycle and show that a meeting will provide valuable information to the executive. Because senior executives are concerned with their organization’s business needs, they will want to assess the potential business value of the proposed sale. Salespeople should meet with executives again at the end of the buying cycle to help measure the results of the project and communicate their specific business value to the executive.

HOW CAN SALESPEOPLE GAIN ACCESS TO EXECUTIVES?

Executives named six common reasons they grant meetings to salespeople:

- They already have an established relationship with the seller's organization.
- The selling company has a strong reputation.
- Salespeople are offering a product or service the executive's company needs.
- A credible source inside the executive's organization recommended the seller.
- A respected external source recommended the seller.
- The request is well-timed, as related to the buying cycle.

Executives named an internal referral as the most effective way for a salesperson to gain an audience with an executive. Eighty-four percent of respondents in the first study indicated they would usually or always grant a meeting with a salesperson if someone inside their firm had recommended it.

More than half of the executives interviewed in the first study preferred not to be introduced to salespeople through referrals from outside the executive's organization. However, as Figure 2 (see p.12) indicates, an outside referral was the second most effective way to gain access to senior executives. In addition, 8% answered that they would always meet with a salesperson if the suggestion originated from an industry peer.

Cold calls are the least successful method for salespeople to gain access to executives. Eighty percent of executives said they would never or only occasionally grant interviews to salespeople making cold calls, even if salespeople sent a letter beforehand.

In the second study, we posed several additional questions about using voicemail and e-mail to gain a meeting with senior executives. No surprises here! Executives did not consider either approach favorably. However, they do not mind communicating with salespeople through voicemail or e-mail once they have already established a relationship—with a few caveats:

- Salespeople should be brief and concise. For example, a voicemail should be about 30 seconds or less.
- Salespeople should immediately focus on key points in the opening paragraph of the e-mail or the first 20 seconds of a voicemail.
- Salespeople should state exactly what they want from the executive: information, a phone call, a referral to another executive or some other action.

Figure 2: Effectiveness of Methods Used to Gain a Meeting with Senior Executives

	Always	Usually	Occasionally	Never
A recommendation from someone inside your company	16%	68%	16%	0%
A referral from outside the company	8	36	44	12
A letter from a salesperson followed by a direct call	4	20	40	36
A contact at an off-site meeting	0	44	32	24
A direct telephone call from a salesperson	0	20	36	44

How Do Executives Block Salespeople?

Senior executives employ a variety of methods to screen or block salespeople. According to the results of both studies, executives use all three of these methods:

- Deferring the call to a secretary
- Claiming to have a busy schedule or too many priorities
- Referring the call to someone else in the organization

However, salespeople can develop creative ways to leap these hurdles, such as calling during lunch when the secretary might be out, or calling early in the morning or after business hours when an executive is likely to answer their own phone.

How Do Executives Test Salespeople?

Once executives have granted access to salespeople, they will test them. Our respondents said salespeople making an initial call get five minutes to show they can add value to the executive's business. Salespeople can prove value to a senior executive in this initial contact by:

- Speaking from a business perspective, demonstrating they've done the homework to understand the customer's key issues
- Raising relevant questions and sharing new business perspectives with the executive
- Listening and understanding rather than attempting to sell their product or service during the first contact with an executive

Executives use the first personal meeting with a salesperson to answer these specific questions:

- Does the salesperson understand our needs? Does he or she understand our industry and our long-range strategy? Does he or she understand our key business issues?
- Has this salesperson conveyed how they can deliver value to me or my company? How does this differentiate them from their competitors?
- Can this individual make decisions, or will he or she have to consult a manager?
- Is the salesperson professional and confident?
- Does this individual think quickly and avoid canned speech?
- Does this individual listen rather than tell?
- Does this individual have an unstructured agenda rather than a pre-determined one?

HOW CAN SALESPEOPLE CONDUCT MEETINGS THAT ARE DEEMED EFFECTIVE BY EXECUTIVES?

To better understand executives' perceptions of initial sales meetings, we asked our survey respondents to assess fourteen behaviors common to professional salespeople. Respondents used a one-to-five scale, five being most important and one the least.

In the first study, the top two criteria by which executives gauged the effectiveness of a sales meeting were:

- A salesperson's ability to demonstrate accountability and responsibility. Every executive surveyed rated this issue at level four or higher, yielding an overall average of 4.48.
- A salesperson's ability to understand the customer's business goals, objectives and challenges. The average score was 4.4 with a 92% rating of four or higher.

Our respondents also assigned high values to behaviors such as listening well and exhibiting industry expertise and knowledge of the executive's business.

Executives rated lowest a salesperson who acted as a "source of information about their competitors"—a 2.72 average. Only 32% rated this sales behavior three or higher. Respondents said their trust erodes if a salesperson reveals information about competitors. "If they do it to them, they could do it to us!"

Figure 3: Relative Importance of Factors for Sales Meetings with Senior Executives

(1=least important, 5=most important)

	Study 1	Study 2
CRITERIA	Average Score (1-5)	Average Score (1-5)
Demonstrated accountability/responsibility	4.48	4.49
Understood business goals/objectives	4.40	4.59
Listened before proposing solutions	4.36	4.59
Demonstrated knowledge of industry/firm	4.36	4.02
Constructed game plan for events to follow	4.20	3.79
Demonstrated ability to solve problems	4.00	4.15
Ensured meeting accomplished objectives	4.00	3.79
Communicated value	3.96	3.95
Proposed alternative solutions	3.88	3.69
Demonstrated ability to solve problems	3.84	3.56
Ensured meeting accomplished objectives	3.76	3.77
Communicated value	3.48	3.52
Proposed alternative solutions	2.72	2.95

Figure 3 shows the responses from both studies, ranked from most important to least important using the results of the first study. The top three criteria were the same for both studies, which highlights the need for a salesperson to demonstrate accountability, to understand the customer's business goals and objectives, and to listen before proposing a solution.

The most significant difference between the two studies amongst the top four criteria appeared in "Demonstrated Knowledge of the Industry." Perhaps the executives in the second study were indicating that if a salesperson "understands their business goals and objectives" they must possess some level of industry knowledge.

How Do Salespeople Establish Trust and Credibility with Executives?

Using the same one-to-five scale, executives rated the relative importance of various factors for building credibility. We asked this question to discover how executives determine a salesperson's credibility over an extended period of time. In the first study, a salesperson's ability to marshal resources from within their organization was rated the most important factor in building a trusted advisor relationship.

Executives gave high marks to a salesperson's understanding of the customer's business goals, objectives and challenges. They also rated highly factors such as "responsiveness to [the customer's] requests" and demonstrating a "willingness to be held accountable." In fact, in the second study, willingness to be held accountable jumped to the top of the chart as the most important factor. In addition, this factor had a significant variance between the two studies. This perhaps, indicates that executives are now more focused on accountability.

In both studies, executives rated a salesperson's length of service in the job as the lowest criterion by which they judge. Again, salespeople who act as a source of information about a customer's competitors will find it difficult to build credibility with executives.

The scores in the figure 4 are ranked in order of highest to lowest by the first study. Note that while the top six criteria in both studies stayed the same, the order of importance changed in the second study.

Figure 4: Relative Importance of Factors for Sales Meetings with Senior Executives

(1=least important, 5=most important)

	Study 1	Study 2
CRITERIA	Average Score (1-5)	Average Score (1-5)
Ability to marshal resources	4.44	4.18
Understood business goals/objectives	4.40	4.52
Responsiveness to your requests	4.36	4.56
Willingness to be held accountable	4.32	4.70
Knowledge of company's products	4.08	4.11
Demonstrated ability to solve problems	4.00	4.31
Works well with your staff	3.96	3.79
Knowledge of your industry	3.88	3.70
Knowledge of their own industry	3.76	4.34
Track record of accomplishments	3.60	3.93
Understands your personal issues	3.32	3.03
Source of information about competitors	2.84	2.70
Length of service in the job	2.48	2.40

In both studies, executives said they value decisiveness and confidence in salespeople. One respondent, for example, told us he appreciates a salesperson who "speaks with authority, but without arrogance." Moreover, our subjects are most impressed by salespeople who express genuine interest in the customer's needs, who know their industry, and who think strategically. High-ranking executives also prefer salespeople who are responsive, who will listen more than talk and not pressure the buyer with "hard sell" tactics.

We also learned that executives are much more likely to remember a sales meeting that went badly than one that went well. The worst impression salespeople can leave is that they wasted an executive's time. Other negative impressions salespeople could leave included lack of focus, poor attention to detail, being a "know it all," and focusing on the product being sold rather than the executive's need.

The criteria that had the most dramatic change between the first and second study is "Knowledge of their own industry"...meaning knowledge of the salesperson's industry. Rapid changes in the marketplace, new and more effective solutions, and intense competitive pressures could have impacted the scoring for this criteria.

When Is "Like Rank" Selling Necessary?

Certain executives found meeting with executives from the seller's organization important. Sixty-eight percent of our respondents in the first study rated such a meeting a four or five, five being the highest level of importance. Only 4% rated executive-to-executive selling least important. In meetings, respondents expect executives from the sales organization to know the buyer's business, industry and current key projects, as well as the significance of the relationship in dollars and percentage of business.

Executives in both studies stated they do not want a "glad hand" meeting. An executive-to-executive sales meeting must reaffirm the seller's commitment and highlight the two companies' strategic fit. Executives favor suppliers with a similar business philosophy and culture, and prefer to meet with "like rank" executives to affirm the value of the relationship.

On the other hand, more than one executive said, "If I need to meet with the salesperson's executive management, then something is probably wrong!" In fact, sometimes the only reason a buying executive wants to meet with a seller's executive of similar rank is to address a problem.

WHAT DO EXECUTIVES EXPECT FROM PARTNER-LEVEL SUPPLIERS?

Among the executives in the first study, we found 83% had high-level partnerships with at least one key supplier. Executives expect certain benefits from such relationships, but many executives are disappointed with the results. We posed the question “When you formed ‘partnerships’ with strategic suppliers, what benefits did you expect and what did you actually receive?” As shown in Figure 5 (see p.19), 63% of the respondents always expect to develop integrated information systems with partner suppliers, but only 23% felt they received that benefit. Thirty-three percent expect a competitive advantage yet only 6% feel they always receive it.

Executives also expect:

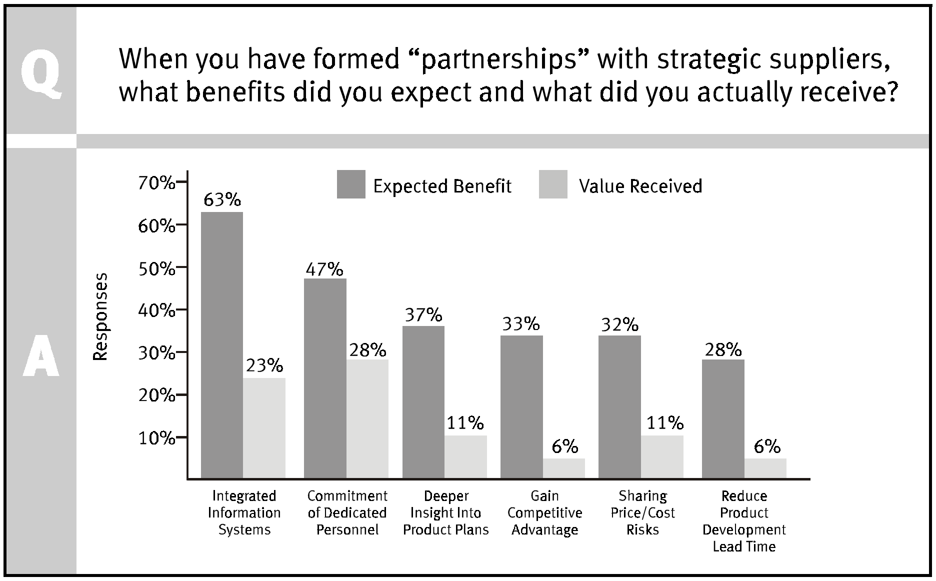
- Committed, dedicated personnel from the supplier
- Integrated information systems
- Sharing of price and cost risks
- Insight into the supplier’s product plans

In the first study, the gap between what executives expected and received was significant. Nearly half of the respondents were disappointed by partner suppliers.

Although the second study revealed a smaller gap between what executives expected and what they actually received, significant differences still existed. In the second study, the gap may have closed somewhat because sellers have:

- Increased the number of strategic account teams
- Formed closer relationships with customers
- Emphasized the value of their solution more effectively

Figure 5: Perception of Value



SUMMARY AND CONCLUSIONS

These studies provide several key insights into executives' involvement in buying decisions, and what professional salespeople can do to gain and maintain access to senior executives:

- Most senior executives become involved in key purchases early in the buying cycle, are less involved in the middle, and reassert themselves at the end of the process.
- Senior executives will meet with salespeople early in the buying decision cycle, but only to identify and learn about business issues related to the purchase decision.
- Executives hesitate to rule against internal groups appointed to make recommendations during the decision process.
- The most effective way for salespeople to gain an appointment with a senior executive is to have someone inside the executive's firm recommend them. Strong existing relationships within an organization prove crucial to gaining executive access.
- Senior executives consciously block salespeople from seeing them. Once salespeople overcome these obstacles, executives will test salespeople to see if their solution will deliver value to the executive.
- During the initial sales meeting with a senior executive, salespeople must convey their accountability, and listen to and understand the customer's business goals, objectives and challenges.
- To maintain a trusted advisor relationship with a senior customer executive, salespeople must demonstrate:
    - An understanding of key business drivers
    - A willingness to be held accountable
    - The ability to marshal resources
- Many senior executives appreciate meeting with "like rank" executives from the sales organization, but these meetings must be substantive, not merely a "glad hand" encounter.
- Many companies have formed high-level partnership relationships with key suppliers, but most of these relationships have not met executives' expectations.
- Salespeople should meet with executives at the end of the buying cycle to communicate the value and results they delivered. This is essential to maintaining continued access to an executive.

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