

Challenger

HOW B2B BUYERS CHOOSE THEIR SUPPLIERS

A DECADE OF ANALYSIS



WIN THE COMPLEX SALE
challengerinc.com

CHALLENGER B2B BUYER STUDY

Introduction: The business environment has changed.

Challenger has tracked the evolution of B2B buying and selling since 2008. The year 2020 represents one of the most disruptive periods any of us has experienced.

“Our employees are now remote...working from home and learning to do business virtually via phone and video.”

Buyer Study Respondent

“Digital and campaign-based selling is becoming the essence of our sales approach.”

Sales Leader Quote



The ‘New Normal’

Take something as straightforward as using video. In 2019, most sellers still asked themselves: *“Should I turn my camera on for this call?”* In 2020, 100% of sellers (respondents in our recent survey) use video for communication.

The debate is no longer whether-or-not to use video, but about the merits of different setups, the need for increased bandwidth and better microphones, and how to get a point across on a small screen.

What hasn’t changed? Buyer’s expectations for an insight-led sales experience. They are hungry for value, unique insights about their business and for sales professionals capable of serving as true business partners. This was true in 2008-2009, and remains true today. The following are fundamental skills buyers feel are most important, and – when done well – will differentiate the experience a seller provides.

Top Five Seller Skills (Importance, According To Buyers)

- 1 Demonstrates unique insight
- 2 Helps me come to a decision
- 3 Understands and addresses different stakeholder needs
- 4 Helps me build support across my organization
- 5 Makes it easy for me to make a purchase

n = 667
Source: Challenger

But we found a troubling fact in 2020. Many sellers no longer meet buyer expectations around these skills. It’s part the new virtual selling environment, part the economic disruption, and part the result of too many sellers coasting, relying on a growing economy to lend momentum to their sales pursuits. When times were good, B2B companies got distracted and overlooked the importance of everyday experiences their sellers have with customers. Read on to discover what a decade of analyzing B2B buying behavior – in good times and bad - reveals about what it takes to create demand, build loyalty, and win the complex B2B sale.



CHALLENGER B2B BUYER STUDY

2008-09: The surprising truth about customer loyalty.

During the global financial crisis of 2008-09, (as part of our former parent company CEB) we conducted a widescale study of B2B buyers that would eventually change the way sales and marketing leaders looked at, and set about acquiring, customer loyalty.

About The Analysis

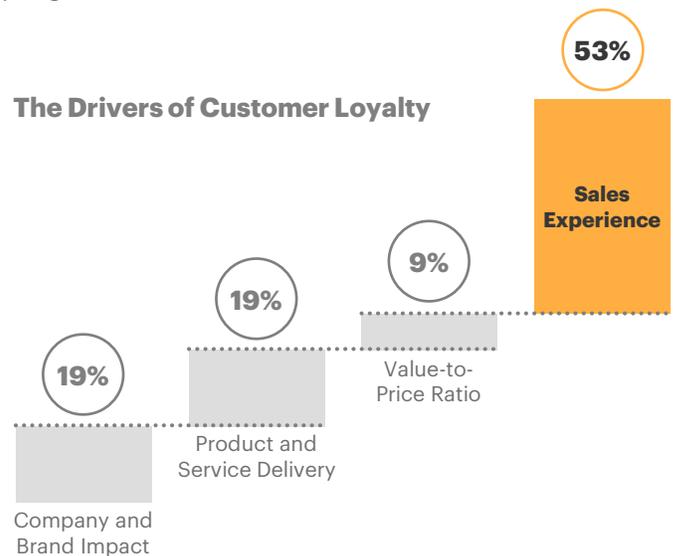
- **> 5,000 participants** purchase decisionmakers and stakeholders from diverse, global B2B enterprises
- **50 questions** analyzing typical reasons why a B2B purchase decision-maker might choose one supplier over another, testing: product efficacy, brands, service quality, and price-to-value ratio.
- **Objective** to identify the drivers of customer loyalty and measure their impact on customers' likelihood to:
 - ✓ Repurchase
 - ✓ Increase Spend
 - ✓ Advocate for chosen supplier
- **Key Finding** 53% of customer loyalty is driven by the 'sales experience' the supplier, and its sellers, deliver.

Ultimately, customer loyalty comes down to four statistically significant drivers: *Company and Brand Impact*, *Product and Service Delivery*, *Value-to-Price Ratio* and *Sales Experience* (below, right). But the relative impact of each driver on loyalty was a game-changing finding for many organizations:

Brand, product and service are table stakes. The price of entry into the consideration set. They're critically important...but hard for most suppliers to use as differentiators.

Be in the ballpark on price. Price is a factor, but it's only responsible for 9% of loyalty – after all, those customers who bought from you for price, will *leave just as quickly* for a better deal elsewhere.

It's the sale experience that matters. Study participants saw a *huge* difference between suppliers when it comes to 'sales experience'. Indeed it was the series of sales conversations they had with suppliers throughout their purchase journey that tipped the scales and had the greatest impact on loyalty.



What is 'Sales Experience'?

Sales Experience

- Delivers unique, valuable perspectives
- Helps navigate alternatives
- Ongoing advice or consultation
- Helps avoid potential landmines
- Educates on new issues and outcomes
- Supplier has widespread support across our organization

Right Message + Right Skills

Simply put, buyers felt some sellers had completely wasted their time, while others brought them unique, valuable perspectives, tailored to their business, and helped them take action and make decisions.

Conclusion: Long-term loyalty is won or lost as a result of the conversations sellers have with customers every single day.



CHALLENGER B2B BUYER STUDY

2018-19: Does the sales experience hold up?

In June 2019, Challenger once again surveyed a large sample of B2B buyers (667). Participants were asked to reflect on a recent, large purchase process that included interaction with a seller. Our goal was to determine what, if anything, had changed in buyer's opinion of the drivers of loyalty.

Sales experience is still the #1 driver of loyalty.

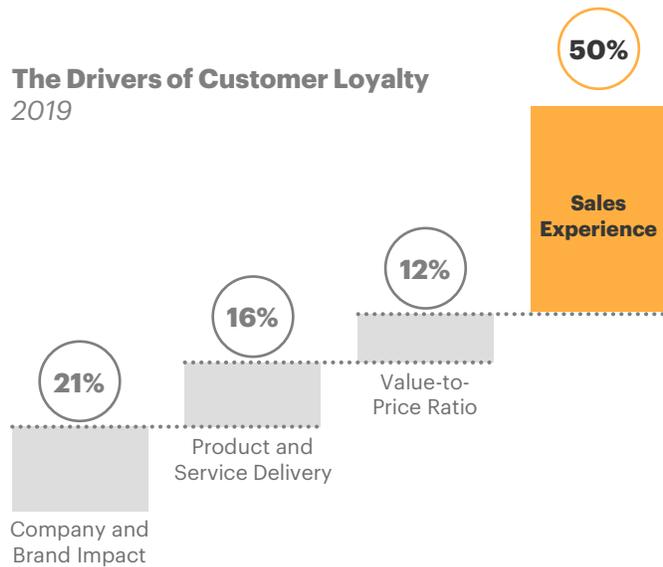
This finding reaffirmed the groundbreaking original insight of ten years earlier. We also found it compelling that sales experience is the primary driver in a different (and much healthier) economic environment. The comparative weightings closely resembled those we'd seen during the global financial crises in 2008/09.

When you look closely, you see a bit of movement, an increase in brand importance and value-to-price ratio offset by a reduction in product and service importance, but the differences were negligible. This is quite remarkable considering what has happened in the decade between the original analysis and the sequel.

In good times and in bad, it is the sales experience that ultimately determines whether a customer plans to buy more, advocate and experiment on your behalf.

A new era of complex selling.

This updated analysis also revealed something surprising about how buying journeys begin – and end – with two key findings that define the new era of complex selling.



Finding #1: Most buyers (89%) report they initiate their purchase journey independently, without the help of a suppliers. They conduct plenty of due diligence – independent research or an outbound request for information from potential suppliers - before engaging in conversation.



n = 667
Sources: Challenger 2019 Buyer Study; CEB Sales Leadership Council



'More Than I'd Like To Admit...'

In a recent poll of 382 professional sellers (October 2020), nearly half (46%) reported having **lost more than 5 deals to 'no decision'** thus far in 2020. This is an expensive problem for buyers and sellers alike.

Finding #2: The most striking finding that emerged from the data was that 38% of purchase journeys result in 'no decision'. In other words, nearly 4 out of 10 would-be buyers in this study began, and completed, at least a portion of a purchase process that never resulted in an actual purchase or decision. They chose...not to choose.



CHALLENGER B2B BUYER STUDY

2020: B2B selling (and buying) is more complex than ever.

The remarkable consistency between our original analysis and the 2019 redux reaffirmed the importance of the sales experience in building customer loyalty, but it also set up a Hemingway situation, where change comes “gradually, then suddenly.”

In mid-March of 2020, with most of the world working from home, it was clear that B2B selling had suddenly, and radically, changed. What have we observed? How has this affected B2B buyers and the sellers who call on them?

These are questions we set out to answer in our latest installment of this ongoing study, we wanted to understand how customers are navigating the ‘new normal’, and what they think of suppliers trying to do the same.

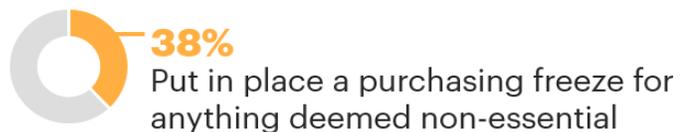
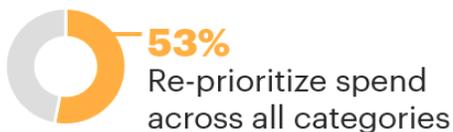
About The Analysis

- **July 2020** – 110 buyers (roles in procurement, production/operations, IT, finance and various other corporate functions) are asked what changes they’ve observed since the shape of the economy was transformed by COVID-19.
 - **52%** work at companies with 500 or more employees
 - All work at companies with more than **200** employees
 - Spend an average of **60%** of their time on purchasing-related activities
- **Key topics analyzed:** spending decisions, supplier selection, seller capabilities

It’s a buyer’s market.

A good number of organizations are freezing non-essential spend. Others heavily scrutinize each deal, and buyers are taking back control. Procurement leaders have secured a seat at the strategic table for the foreseeable future, placing hurdles in the buying journey last seen in 2008-09.

Increasing Scrutiny on Spend



Procurement’s Heavy Involvement



30% of procurement functions are **involved in all purchases**

\$5,000 is the average purchase amount that triggers **procurement involvement**

54% of all purchases require **prior (central) approval**

38% of all new purchases **require an RFP** or formal competitive submission

Whether a company sells a marketing automation platform to CMOs or heavy equipment to supply chain executives...there is little gray area at this point in terms of what can and cannot be purchased. This added complexity increases the importance for sellers to build capability and rise to the occasion. So how are they doing?



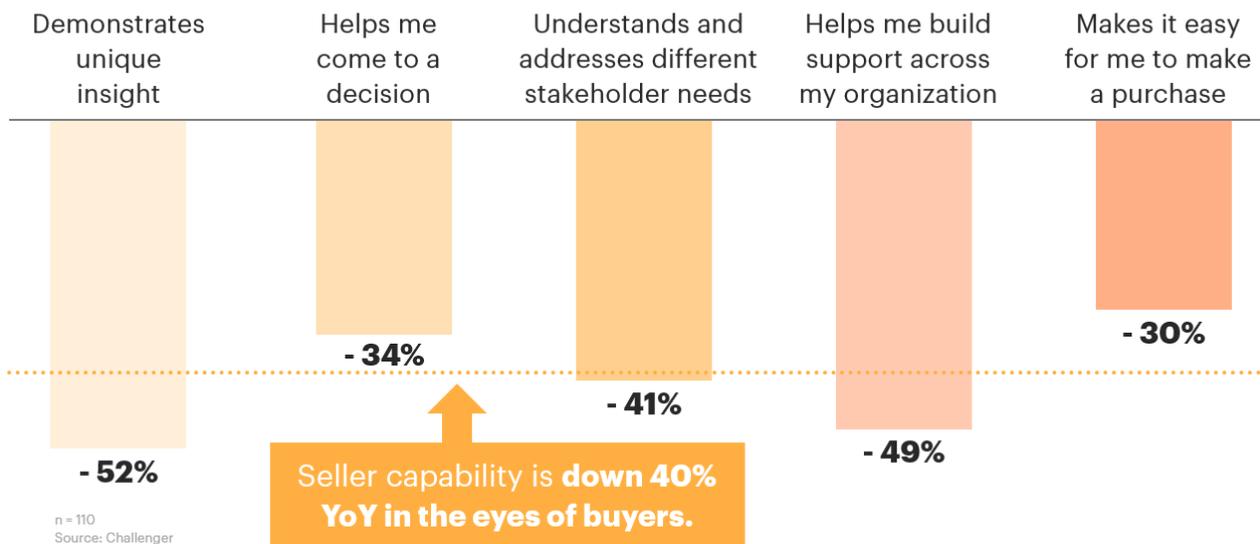
CHALLENGER B2B BUYER STUDY

Seller capability is down in the eyes of buyers.

Winning new business now requires sellers to meet a higher-than-usual bar that buyers have set. The requirement to sell virtually, the uncertain economy and a new crop of sellers needing to impress buyers in their first “buyer’s market” contribute to this.

And buyers are clear about their opinion of the sellers who call on them. In our most recent study, seller capability in the five most important skills to buyers is down 40% since 2019.

Buyer Assessment of Seller Skills (Change YoY 2019-2020)



It’s unlikely that sellers have just somehow become less effective in their jobs. Their performance has likely not changed since 2019 (and that’s the problem). The expectations of their audience have changed. Today’s buyers have *real* objections, they demand a compelling insight and they won’t tolerate a meeting that doesn’t engage them and motivate them to action. This finding might feel discouraging, but there is tremendous opportunity for sellers to close the gap – once they understand what they need to fix.

Common Sales Experience Failure Points

Delivering Unique Insight	Driving Customer Decisions	Stakeholder Management
Challenger’s recent survey of sales leaders found that 66% reported having made changes to sales messaging after April 2020. <i>Do your sellers have sufficient knowledge and confidence to deliver new messaging effectively? Can they articulate why someone should think differently about their business?</i>	When buyers feel reluctant to take risks (like they do today), sellers struggle more to drive urgency for action. But these buyers also want sellers to help them make difficult decisions. <i>Are your sellers capable of building and managing the constructive tension necessary to motivate customer action?</i>	Buyers feel sellers are less capable of identifying stakeholder interests (down 41%) and of helping build org-wide support (down 49%). While sellers may become expert at managing virtual workflow, they struggle with persuasion and consensus-building. <i>What happens when your primary contact cannot push the deal forward?</i>



CHALLENGER B2B BUYER STUDY

The Way Forward: Better sales conversations.

There's a silver lining.

Today's complex and uncertain environment, while difficult, creates an amazing opportunity for sellers who possess, or can develop, the skills most important to buyers. Where do we start? **Challenger can help.**

Take a hard look at the sales experience you deliver.

Sales experiences that win in 2020 get three things right: they center on the "right message", delivered by sellers in a compelling way using the "right skills", and these sellers identify and engage the "right buyer" to hear that message.

The Right Message: **Commercial Insight**

Purpose-built to challenge customers' assumptions about their business, motivate them to action and connect to your differentiated solution. Challenger organizations enable their sellers to deliver **Commercial Insight** that disrupts status quo and wins customer engagement and loyalty.

The Right Skills: **Challenger Skills**

What differentiates Challenger sellers from the rest, especially in complex selling environments, is their ability to **Teach** customers about hidden costs and risks in their business, **Tailor** their messages to customer roles or communication styles and **Take Control** of the customer's decision-making journey, coaching them through each step. These skills together create an effective balance of **Constructive Tension** that motivates the customer to action.

The Right Buyers: **Mobilizers**

In this environment, sellers must engage early in the customer's decision-making journey and influence emerging demand. But doing so requires finding the right buyer stakeholder to engage. Our research has revealed three categories of buyers found across all B2B customer organizations: *Talkers*, *Blockers*, and **Mobilizers**. Sellers who engage Mobilizers are 31% more likely to be high-performers vs. their peers.



Does Your Sales Experience Do Enough To Reframe Customer Status Quo?

See how much of your pipeline might be at risk...and what to do about it!

Cost of No Decision Calculator



WHO IS CHALLENGER?

We are a global leader in training, technology, and consulting to win today's complex sale. Our live, virtual and digital solutions support sales and marketing, and customer service professionals, leading to significant performance improvements and financial results.



Each sales and marketing program we provide is supported by ongoing research and backed by our best-selling books, *The Challenger Sale* and *The Challenger Customer*.

WIN THE COMPLEX SALE

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Let's have a conversation.

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