



How to Reduce the Costs and Length of your Sales Cycle – Yet Still Post a Win

In today's economy, outsourcing suppliers are under more pressure than ever to demonstrate the value of their solutions and their partnering approach yet, at the same time, reduce the costs and length of the sales cycle. Here are some tips for how to achieve that objective.

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Buyers of outsourcing services are becoming more dedicated to reducing their high transaction costs associated with the request for proposal (RFP) or request for information (RFI) process and contract negotiation. They are also intent on reducing the time to value; every month's delay in finalizing a deal results in their ability to capture savings of two to three percent on the baseline.

Outsourcing suppliers are equally challenged with the sales pursuit process. In trying to squeeze in all the details they believe could bring about a win, they often only complicate and prolong the process, thus having to invest two to three percent of the deal value (in large deals) just to win the contract.

A protracted sales process is frustrating and costly for both parties. At Everest, we have observed this phenomenon in hundreds of outsourcing initiatives and identified common themes leading to self-defeating actions.

Increased complexity. In our experience, less than five percent of outsourcing deals are truly transformational, yet suppliers often attempt to offer transformation propositions. In doing so, they add too much complexity to the process, which results in a higher number of iterations and the necessary level of discussions.

For example, an output-based pricing model up front requires increased effort in data collection and validation as well as the effort to convince the buyer's stakeholders to go this route. FTE-based pricing is less complex and easier to benchmark.

In addition, keeping the complexities to a minimal level up front is an easy way to reduce the buyer's perceived risks of outsourcing.

Slower decision-making process. With increased outsourcing maturity, buyers push their decision-making to levels lower than a vice president in their organization. However, the absence of senior-level participation and empowered teams slows down the decision making.

Effort in detailing issues. Many suppliers and buyers expend significant effort in detailing out issues up front, which then often undergo change within the first year of the contract. Examples of such issues include process flows, hand-offs, and the roles of the buyer's retained organization as opposed to the supplier's role.

The above behavioral themes are opportunities for suppliers to positively impact the duration of their sales process by taking several simple, yet effective, steps to change their behavior and approaches.

Recommendations for reducing deal-pursuit duration

With varying effectiveness across competitive RFP/RFI and sole-source situations, we believe suppliers' deal teams can reduce the duration of a sales process by adopting the following recommendations.

1. Accelerate responses.

- **Fully commit, if interested.** Suppliers are often sluggish in their response to RFPs/RFIs and often seek extensions. They need to qualify the deal quickly and quickly commit the appropriate resources. This also improves the buyer's stakeholders' perception of the supplier.
- **Plan and anticipate issues.** Buyers often do not undertake the due diligence effort of the suppliers' alliance partners until late in the RFP/RFI process, which delays decision. Suppliers need to anticipate all the informational elements (including alliances) as early as possible and engage internal and external individuals to address them early on.
- **Ensure decision-makers are engaged.** Having to go back to a detached centralized authority for approvals consumes time. Suppliers need to keep their decision makers engaged and local (or at least within two time zones of the engagement activity). Also, suppliers need to encourage the buyer to have empowered leaders on their client team to ensure a faster decision process.

2. Reduce iterations.

- **Keep it simple.** Make sure data-collection requirements focus on the key items needed for solutioning rather than a long list of interesting but not critical details. Work with advisors to standardize the list to better prepare for the response. Also bear in mind that many buyers use RFP/RFI templates, and everything relevant to the information the buyer seeks for evaluation is requested in the RFP. Suppliers should not alter the template or delay the process by providing information that falls outside the template and will likely be ignored.
- **Get to the point quickly.** Suppliers need to clearly articulate the buyer's desired outcomes (such as pricing flexibility to support acquisitions and divestitures, no transition expense, hardware included/excluded, etc.). This enables a faster solution-development cycle. In addition, including standard commercial and contractual terms as early as possible will help accelerate the RFP process. Creating standard templates for most terms ensures a supplier's internal buy-in and thus reduces the time for legal effort.
- **Ensure quality assurance.** To avoid delays due to follow-ups for clarifications, suppliers need to conduct quality assurance on their responses.

3. Change engagement approach.

- **Provide benchmarks.** By proactively providing market-context benchmarks, suppliers help their potential customers reduce due diligence effort around minimizing risks and therefore ensure quicker alignment.
- **Relationship first, details later.** Create a relationship up front by demonstrating understanding of the buyer's objectives, scope, high-level design, business case, and corporate culture. Detail the design, processes, and terms after creating the initial relationship basis.

Delay in closing a relationship sooner means lost value for both the supplier and buyer. By following the above recommendations, suppliers can speed up the sales process, thus reducing both parties' costs and still build an effective foundation for a client win.

For more information about how to accelerate and optimize your company's sales-pursuit process, please contact Vikash Jain at +91-124-496-1031 or vjain@everestgrp.com

About Everest

Everest Group is a global consulting and research firm that comprehensively serves the sourcing market. An industry leader since creating the sourcing consultancy practice in 1991, Everest has earned a worldwide reputation for ongoing innovation by helping clients capture optimum value through the development and implementation of sourcing strategies and implementations, including captive, outsourced and shared services approaches. We help companies create strategies and sourcing relationships that deliver total value – improving performance and results while effectively managing risks.

Since its inception, Everest has forged over 600 major outsourcing relationships, advising clients on complex sourcing issues in more than 30 key business processes worldwide. Our experience spans numerous Fortune 500 clients in industries including banking, energy & utilities, healthcare, hospitality, insurance, manufacturing, media & entertainment, retail, and telecom.

The Everest Research Institute serves as a central source of independent and objective strategic intelligence, analysis, and actionable insight for leading corporations, suppliers, technology providers, and investors in the global outsourcing and offshoring marketplace. Our research analysts address both business process and information technology sourcing topics, providing the global sourcing community with information that empowers highly productive, sustainable sourcing strategies and relationships.

Through a uniquely integrated consulting and research delivery model, Everest offers its clients the flexibility and scalability to support a broad scope of business situations, client needs, and project requirements. Service offerings range from comprehensive support for critical initiatives to modular support for ad hoc inquiries.

Everest is headquartered in Dallas, Texas, and has offices in New York, Toronto, London, Amsterdam, New Delhi, Melbourne, and Sydney. For more information, please visit www.everestgrp.com and www.everestresearchinstitute.com.

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