



GLOBAL PROCUREMENT STUDY 2013

WHY NEW CUSTOMER ACQUISITION IS
SO DIFFICULT

A Mercuri International White Paper

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Overall trends in purchasing

Ever since the start of the global financial crisis and because the volume of purchases often represents a major part of costs in many industries, organizations are increasingly engaging Procurement in the strategic conversations about how the supply chain can be optimized to deliver the greatest returns.

Therefore, Mercuri International's latest global research study zooms in on Procurement. It also reveals why new customer acquisition is so difficult.

The key finding is that a major change is happening. The focus of purchasing is shifting from a unilateral pressure on prices to a comprehensive added value function.

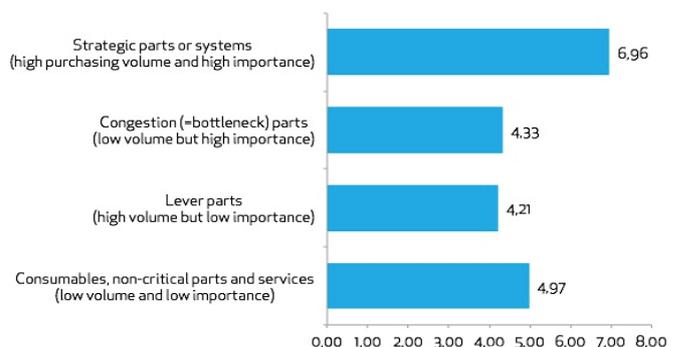


Mercuri International's Procurement study was conducted in March/April 2013 in 14 countries covering 14 different industries and is based on 700 interviews. More than 60% of those surveyed were at manager level and 38% were procurement employees.

Purchasing involves Top Management

The survey also shows that purchasing teams have undergone a significant upgrade. Two thirds of the businesses surveyed include Top Management in their procurement process. The procurement teams are aware of their strategic importance; they more clearly demonstrate how an efficient procurement process adds tangible value to the company and they evaluate suppliers in a different way.

Not only Top Management but numerous other departments are now involved in purchasing decisions. This trend is likely to continue in the future, as there is a move towards fewer, more strategic suppliers. For these, even more departments are involved in the procurement process.



How many departments are involved in your purchasing decisions

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This corresponds with findings by CSO Insights in the report Sell Cycle Review Analysis 2013. The number of people involved in the final purchasing decision continues to increase and is currently between 4 and 5. Previously, sales training courses encouraged salespeople to find the ultimate financial decision maker. But that single person no longer exists in the vast majority of companies.

High general satisfaction with suppliers

General satisfaction with suppliers among buyers is surprisingly high. More than three quarters of those surveyed rated their suppliers as very good or good on average.

76% of the businesses surveyed are satisfied with their suppliers

Although the improvement of prices and conditions continues to be the most important concern for Purchasing, the assurance of end-to-end delivery and perfect quality is almost equally important.

80% of the businesses surveyed carry out specific supplier evaluation, however only 5% of suppliers are ever changed each year. The reason for changing suppliers is not just a better price; product quality is an equally common reason (60%), followed by reliability of supply (52%). The change of the sales rep is of almost no significance (14%).

Only **14%** of purchasers says the change of sales rep is the reason to cancel cooperation with suppliers

Sales People still make mistakes

Weaknesses are identified among individual sales people. The most frequent criticism is that they talk too much or try to get their way with flattery. Overall, less than 40% of meetings with sales reps are seen as really valuable – obviously leaving room for improvement.

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Purchasers are increasingly skilled

Another key finding is that buyers are more and more trained. Almost half of all businesses surveyed prepare for negotiations with suppliers in special workshops and training courses.

Sales reps are also confronted with other challenges: 70% of businesses have no interest in contacts with new potential suppliers and 80% are “autonomous” customers who know their needs and who have established the appropriate solutions, expecting no advice from their suppliers.

Sellers must use more Assertive and Consultative selling

In this situation, acquisition of new customers is a major challenge. Target groups must be better selected and suppliers must offer genuine added value to position themselves as genuine alternatives to existing suppliers. Sales people must be able to analyze and influence increasingly complex buying processes, and they must master Assertive and Consultative selling skills.

The need for tailored training

According to the CSO Insights' report Sell Cycle Review Analysis 2013 suppliers still have problems with understanding the customer's buying cycle. Only a small percentage of companies have this as a core competence and more than four out of ten businesses surveyed say that this is an area that needs improvement. Hence the importance to tailor training provided to sales people to meet all challenges mentioned above.

