



BID

ALCHEMY



How customers make BUY DECISIONS.

A new perspective on how buyers make the decision on which proposition to select.

By Martin Eckstein

Bid Alchemy – How Customers make buy decisions.

Introduction

Even though we talk about the prospective customer as who we are selling to. This is not the case. The customer is an organisation within the ability to make decisions.

We are selling to people.

People are strange organisms, each one of us is different, and we have different desires, dreams, ambitions, dislikes. The list goes on and on. What is common, is that we surround ourselves in people that we have a connection with, similar hobbies, likes and dislikes and points of view.

This is similar when we make buying decisions, we do not always buy the cheapest, or the highest rated; we buy what we need and like.

So when we are in a sales campaign, we are aiming to sell to a number of people (the buyers) and we need to consider how they will actually go about making their personal buying decision. By doing so, we can write our proposal to encourage them to buy from us.

How Customers make buy decisions will take you on a journey to realise that we need to appeal to our customers' emotions as well as their rational mind to position ourselves to win. It introduces new thinking on this subject and supports you with simple tools that you can use in your roles to produce the proposal that they evaluate in 1st position.

This book may use fictional examples. Names, characters, businesses, organisations, places, events, and incidents either are the product of the author's imagination or are used fictitiously. Any resemblance to actual persons, living or dead, events, or locales is entirely coincidental.

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Contents

1. How we make buy decisions	3
2. The buying Mindset.	6
2.1 The Emotional Mindset	6
2.2 The Rational Mindset	9
2.3 The Political Mindset.....	11
2.4 What does this mean to us?.....	13
3. Writing to your buyers' mindsets.	14
3.1 Building the argument.....	16
4. Learning lessons.	18

1. HOW WE MAKE BUY DECISIONS

Something common between all of us, is that we all buy. We all buy things, quite often daily, such as groceries. We also make large spends, such as buying a new car. I suspect that we would all like to think that we all make wise spends from our hard-earned money.

However, let us think about our last trip around the supermarket. Did we stop and evaluate each item before we placed it into the basket? Did we compute that it was best value for money? Did we ensure that it was the highest quality product to do the job we wanted? Did we go online and search to see if it we could buy at a lower price elsewhere?



We all know we can get cheaper buy shopping around, but do we do it?

When we go shopping like this, we select the items we have on our shopping list and pick up extra things along the way. We tend to choose products that we have bought before and sometimes get entranced by the special offers.

There are people who do not actually look at the price, even after purchase. In general, if we shop around, we can get the goods within our basket, at a lower cost. Also, there may be better products available than the ones we have bought.

This may just symptomatic of our general shopping. We do not worry too much about it, as long as the bill is within our expectations, then why would we waste our precious time on undertaking full evaluations and anyway, we like the products we buy and we like the supermarket we buy from.

Let us think of major purchases. These are the things we buy rarely and require us to make a significant investment, for example buying a new car. Surely, when we are making an

investment like this, we would want to ensure that we are making the best economic purchase that we can? Now, no one is looking, do you really think that the last major spend you made, was the best value for money for you?

If we think about buying a car, we could make a set of evaluation criteria to find the most appropriate one. This may include factors like:

1. Purchase Price. I have only £5,000 to spend and do not wish to borrow. Price must be below £5,000.
2. Economy. I will travel about 10,000 miles per year. Fuel economy and services costs must be low.
3. Size. It must be comfortable for 2 adults, 2 children and 1 dog.
4. Resale Value. I will want to replace it in 2 years and will want a high resale value to support the purchase of its replacement.

Each of us have a different set of evaluation criteria. You may have more factors to consider but let us go with this. I would expect that I should look for a 2nd hand car, which comes with a servicing package, probably an estate and from a manufacturer that has a history of producing cars that hold their value. It will probably be a common brand and model.

Yet when we buy a car, we tend to have a price range. Yet people tend to go over this, they use factors are not in the evaluation list. The hidden requirements that make us choose the more expensive choice. These factors include the esteem that comes with the car, a larger engine, an array of extras that they may never use. Even the colour can be an important factor when someone buys.

If one of our friends said that we had bought the wrong car, we may get upset and try to explain the rational reason we bought it. We would not say, "Well it's red and that is why I chose it"!

The truth is we buy what we want to buy and can afford to buy to meet our need.

The story of Alex and the Toyota Land Cruiser

Alex, a Sales Director and had just moved to Australia, soon after I had moved there. After renting his beachside home, he bought a car. It was a Toyota Landcruiser and it was fitted with all the extras, the bull-bar in case you ran into a kangaroo and the snorkel in case it was in a meter or more of water. Now these are massive, serious 4 by 4 cars.

I asked Alex, why did he buy it? "Well, it's good for the kids", he said. When I pointed out that he had to lift his children into the car as it was so high and as he only drove in the city, the bull bar was actually dangerous for pedestrians and if he need the snorkel, it would suggest all of Sydney was underwater". Well, he certainly was not happy with me dismissing his buying criteria and I learnt, never question why someone buys something!



This is interesting, but you may ask, why it is important. This is all about how we buy things for ourselves and not how a company makes buying decisions. Well, it is because people make the decisions to buy in companies. People just like you and me. We make buying decisions already for our company. We spend company money on goods and services we need to have to do our job. We call them expenses. There are people who behave even freer with expenses than if it was their own money. For example, they select a flight at the most suitable time for them and usually with the airline they like and have a loyalty card for. Whereas, if they were booking a flight for their own holiday, they would search through comparison sites and flex their time and even airport to gain a cheaper price.






Some people find it easier to spend company money that they do their own.

You may agree with me, but still think that companies apply more rational approaches to larger purchases, such as the bid we are working on. You are right, but behind this are a group of people who need to make the decision on who to buy from or whether to buy at all. They have various names, in Bid Alchemy, we call them the Buyers and together they form the buying circle. These people are no different to you or me. They are making their choice; they will be applying the same mindset to buying that they and we do in any purchase.

It is just a matter of understanding the mindset and what will be important to each of them in making their decision. We discuss this, in the next chapter.

2. THE BUYING MINDSET.

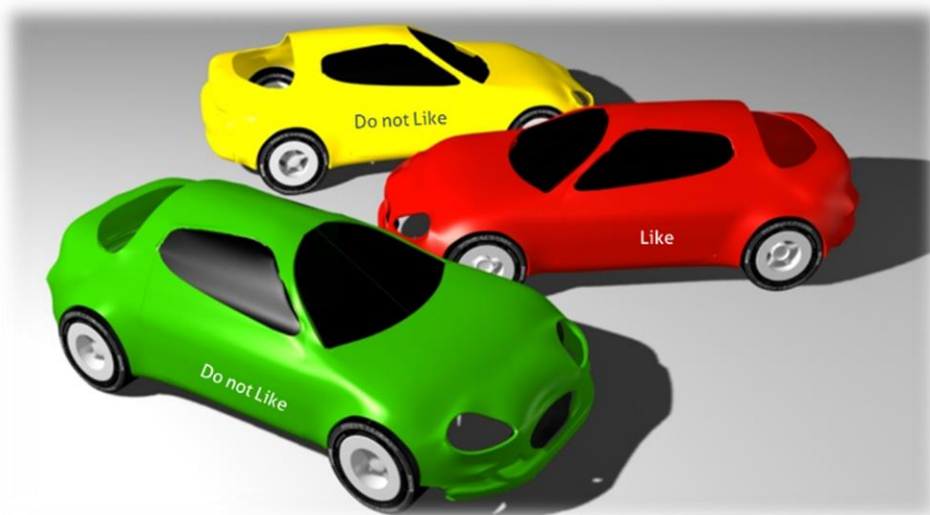
There are 3 elements to the buying mindset. These are emotional, rational, and political.

Emotional										
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Rational										
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When we make buy decisions, we deploy emotional, rational, and political thinking, even though we may not know it.

2.1 THE EMOTIONAL MINDSET

These are the things we like and the things we do not like. There does not have to be any logic or reason for it. For example, I want a red car. The same car in blue is just not attractive to me. If you think about it, if emotion was not relevant, then car manufacturers would only make cars in white, being the lowest cost paint.



Something as simple as colour can affect our buying decision

In the consumer market, companies invest fortunes in making their product or service stand out from the competition for just this reason. They name their target market or markets and style their product to be emotionally attractive to them. A good example is washing detergent, where you can get the same product, in the same branding but as a power, a liquid, a tablet or a pod. The company knows that each of it is the attraction to its target market is different version of the same product and they can price them so.

What also is important is who do we like and who do we hate. We call this brand loyalty, and the truth is that this blind brand loyalty is just an emotional mindset. People buy the same washing detergent brand that their parents bought. Think about it, because a product was the best available 50 years ago, does not mean that their product today is.

A sort of brand loyalty also exists when we are bidding. If your prospective customer has always bought from your competitor, you know you have an uphill battle to fight. The customer has built up relationships and sometimes even become friends. They have built a level of trust and yet, the fact they delivered impeccably during the last contract, does not mean that they will for the next. The new contract may be more complex, it may be at lower margins and those who delivered last time may have left the competitor.

We know that this emotional mindset to brand loyalty is strong. In most industries, the incumbent supplier is up to twice as likely to win the next contract.

There is also the opposite of brand loyalty and this is just as hard to break. Bid Alchemy call it **Psychic Wounds**. It is like having a scar on your back that never quite heals. Every so often, you feel the need to scratch it and it breaks open and stains your clothes with blood.

It could be that one of the buyers on your bid had a bad experience with your company many years ago when they were working for a different company, or perhaps they had a bad experience as result of someone on your bid team when they working for a different company.

The problem with these psychic wounds is that they are invisible, certainly at the start. They are clear in negative comments from that buyer. If you do not spot them and try to resolve them, then that buyer will hold that emotional factor in their mind while making their decision. The buyer may not be aware that the psychic wound is affecting their decision making. That is the power of these physic wounds.

The physic wound of the Operations Director

On a bid to a large retailer, we knew were positioned well. They had contracted with us before and we had delivered successfully. We had built good relationships with most of the buying circle and we were confident that the products we were proposing we competitively priced and were at least as suited to the requirement of our competitors. We were leading the market and winning a good share of the bids we entered within this product and service mix. However, we kept finding ourselves surprised by extremely negative questions and feedback on our proposition. On investigating, we found these were

coming from the new Operations Director who was certainly an important buyer. Whilst we had met him in formal meetings, there was little in the way of a relationship. The last organisation he worked for, were not a customer of ours. Our first thought was that he held strong brand loyalty to one of our competitors. But we continued to try and build a relationship with him and after a long period, we discovered that his first job after leaving university was as a Project Manager. Early in his career, he was made responsible for the rollout of products provided by an organisation that our company had bought out some years before. The project, through no fault of him, was a disaster and naturally this stained his reputation. He had never forgotten or forgiven, and he carried that physic wound right into this deal. Physic Wounds are that powerful.

When a buyer expresses their wants, often they do so with rational words. If you need to get the buyer to realise that their emotional mindset is not the best, you cannot deploy rational arguments. You need them to compute, in their mind, that what they want is either not so important or is wrong. To do this, you need to use questions like “*What would happen if.....?*” You cannot change someone’s emotional mindset, but you can ease them in changing it for themselves.

I like to think of the emotional mindset of our buyers as their “*loves*” and “*hates*”. Remember, in your bid need to appeal to the wants and allay from the hates.

2.2 THE RATIONAL MINDSET

The rational mindset is making the business case stand up for the prospective customer and for each of the buyers. If your prospective customer shares a set of evaluation criteria with you, then the elements within it are most likely to be rational factors. For the business case to succeed, we need to satisfy these factors. They tend to be around whether the product, solution, or service you are proposing will give them confidence that it will do what they need it to do. They will be about the finances, does it meet their budgets, will it provide the return on investment they need, is it lower cost or have a higher return on investment than the competitors. It may also cover whether there is flexibility for growth or shrinkage in their demand, whether they have confidence that your organisation is ethical and will remain in business beyond the length of the contract.

The rational mindset of each of your buyers may well differ. They all have a focus on the overarching business case, but they each have requirements that satisfy their positional goals. For example, the Logistics Manager needs the system to speed up deliveries as this is the bottle neck that is making them unable to meet the departmental goals. The Finance Manager is not able to free up the cash required for the purchase without effecting the end of year profitability, especially as the old system has not been fully depreciated. The IT Manager has too many projects on the go and will need to drop one to free up resources to support the integration. We need to ensure that we can respond to the over-arching requirements and those that will win the support of each of the buyers. In cases, these individual requirements are not clear within the tender document.



Each buyer has a different rational mindset and will evaluate accordingly.

The questions within the customer tender document are rational and the answers will support their ability to evaluate the competing responses. However, secreted in there, is the emotional mindset. For example, if the customer has allotted a total of 10 points for the answer of a question, how do you know what will get each of them to identify what a 10 point answer looks like, next to a 7 point answer.

Hidden behind these rational elements can be subjectivity by those reading and evaluating. We will be able to create the highest scoring responses if we understand the emotive mind set of the buyers and write our answers to support these elements as well.

The rational mindset is the “Needs” but quite often have hidden “Wants” behind them.

2.3 THE POLITICAL MINDSET

We all hate office politics but, when making buy decisions, we deploy a political mindset. For example, you may need a new car and want a flash sports car. It has always been your dream to own a top of the range car and you have worked hard, so surely you should treat yourself to it. That is fine, but now imagine getting home and your partner spotting it. “Why did you buy that?”, “We are already struggling for money, and how are we going to get the kids and shopping in there!” In making these buy decisions, we consider others and how they will see our decision.



It meets my emotional needs.
I can convince myself it's a rational choice.
I am going to get grief for buying it.



It does not meet my emotional needs.
It's meets my rational needs
I will not get grief for buying it.

We make far more political decisions that we think.

The political mindset can be extraordinarily strong and can over-rule the needs and wants of an individual in their decision making.

In your bids, the more you understand the political mindset of the buyers, the better prepared you are to resolve them. This is not possible by words in your proposal, alone. It falls into your stakeholder management plan, and it is imperative. If you ignore it, you could be in for a surprise and find you are losing a bid you should have won.

The new Chief Technical Officer

We are going to bid to an organisation that we have done little business with before. Wall to wall, their computing systems and services came from a competitor. The relationship was long and strong.

Now have a new CTO, who will be the most powerful buyer. Budget approval is by the board of directors. The other buyers may have individual needs, but the CTO has the experience and skills to make the right decision.

It is the CTO who brought the opportunity to us. We have a great relationship with him and supplied a similar solution to his last organisation. It was a great success, driving increased efficiencies and for which he gained respect.

The tender is right up our street, it's a proposition that we hold a market edge for, have provided a number of times, always successfully, have customers who will extol its virtues and our pricing, not the cheapest, provides an excellent return on investment over five years.

We put an “A” team onto the bid, it is seen as a key opportunity, reviewed and supported by our board and we produce a great proposal which places us in the lead, just where we want to be.

The demonstrations and customer reference visits go very well, and we are counting our chickens, thinking about the win party.

Then we get the letter thanking us for our participation, but unfortunately, we came second. No medals for second place.

Our board was outraged. How did we mess up this deal? So, we investigated, and the first point of call was the CTO. He was embarrassed but explained. *“Look, I am new here and all the other board members know your competitor well. When it came to the decision, they wanted the competitor, who put in a credible tender and was similarly priced. I fought for your case, but in the end the majority ruled. However, in five years’ time, this is a sure winner for you”*.

What the CTO was talking about was his political mindset. His vote would be for us, but she had a choice to make. She could become assertive and say that she had recruited to make changes and she was the one who should be accountable for making the decision. It is an argument that she could win, but what if she won? There would be some teething problems, as there are will all projects, and the rest of the board could turn on her and state that it was her fault for making the decision. Or she could go with their decision and when the teething problems happened, could reverse the argument.

She is new to the organisation, needs to build relationships with her colleagues, has a lot on her plate and so she decided this was not a battle she wished to take on. It is no skin off her face, they get a credible solution, within budget and she loses no face. The only people to lose out is us.

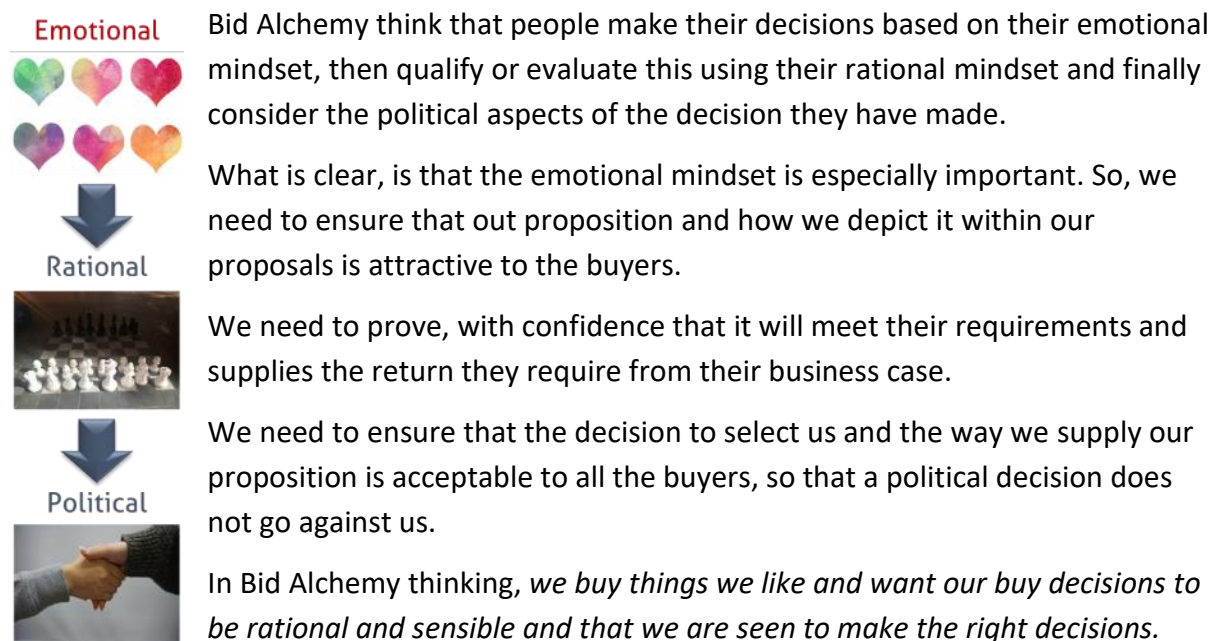
2.4 WHAT DOES THIS MEAN TO US?

Our target market, during a bid, are the people making the buying decision, and each of these may have different emotional mindsets, so we need to ensure that we make our proposition attractive to each of the buyers. If we do not understand these needs and wants then we are writing our proposal blind, **hoping** that the benefits hit their sweet spots and in the game of sales, we say that **hope** is for the **hopeless**.



We also need to understand the political mindsets and play this into our stakeholder management plans. When we ignore the political mindset, we can be confident that we have the best proposition at the best price and still lose.

Each buying decision we make will usually have questions that derive from each of the 3 elements. The weight of each of the elements will depend on the decision we need to make and the type of person the buyer is.



Think back some of your recent proposals, do you think that they have been written to match these mindsets or have you ended up just hoping that they will see we are the best choice?

This is all good in theory, but how can we apply it to our bids? Within the following chapter, Bid Alchemy depicts our approach, that you may wish to consider using on your next bid.

3. WRITING TO YOUR BUYERS' MINDSETS.

Winning bids consist of the right hard thinking done at the right time. You need to consider the buyers' mindsets early in your bid project as it should flavour your writing and also you may need to do some investigation to truly understand them.

The **Alchemy Buyer's Mindset Form**, may aide you in your thinking. Now, it is unlikely that one person will know all the answers, so it is good to pull together a small group to go through this. The people you need are those who know the customer and whilst you may have some in your team who are formally responsible for owning the relationships (such as the sales person, account manager and current delivery team), you may also have people in your organisation who know the buyers from where they worked before or through social contact. These other people can be invaluable as they often know a different side to one of the buyers.

Sitting around a table, you should go through the questions on this form, one form for each buyer. Remember you are answering the questions, in the context of your bid.

BUYERS MIND-SET FORM	
Buyer's Name	Buyer's Role
What do they want from this proposition? (Emotional mind-set)	
What do they not want from this proposition?	
What do they need from this proposition? (Rational mind-set)	
What do they need to ensure is not part of this proposition?	
What factors may affect their decision? (Political mind-set)	
Do they have a psychic wound?	
How do we meet their wants and avoid their dislikes	
How do we meet their needs and convince them we will include what they do not need?	
How do we allay any psychic wound?	
How do we manage their political decision-making factors?	

This form enables you to shape your proposal to be attractive to your buyers

When you first complete this form, you may discover that you have gaps. These are good. In Bid Alchemy speak, we call these “Known unknowns”. You now know that there are things that you do not know which will be pertinent to the quality of your proposal. By discovering these early, you can put in place actions to fill the gaps.



All information required for a bid falls into one of the four boxes.

Bid Alchemy recommend that you hold robust discussions about the answers that you put into the form. It is best to end up with actions to investigate and improve than to develop your proposal on the wrong assumptions.

Once you have completed the forms to your satisfaction, you share them with all your Content Writers, so that they can use them to flavour the text. If you have the luxury of working from a bid room, print them, expanded to A3, and stick them to the walls.

3.1 BUILDING THE ARGUMENT.

Whilst this will have been a useful exercise, the responses that you have developed will not naturally lift and shift into your proposal text. Sure the sharing of this acumen will aide your bid writers, but you need a way of pulling this together into a convincing statement that you can play, within your proposal and in discussion, with that individual buyer. You can see this as the personal value proposition or business case to win the vote of that buyer.

These are not always easy to write. However, I found that **The Challenger Sale**, by Matthew Dixon and Brent Adamson, supplies good thinking on how to do this. Bid Alchemy recommend this book as an easy read that can shape your thinking.



Bid Alchemy use similar thinking within the Alchemy Winning the Buyer’s Mindset Form. This enables you to develop a personal Value Proposition for each buyer that will appeal to their emotional, rational, and political mindset.

Whilst the form is easy, getting your answers right takes so good hard and structured thinking. To achieve this, you may find that working through the form in a small team is most effective. However, only one person should write the first Again value proposition statement. This you should review and improve with your team.

WINNING THE BUYER'S MIND-SET FORM	
Needs and wants Detail what the buyer needs and wants.	
Scaring them Detail what would make this fail (from what they do not want and need)	
The frightener Detail the fear from any psychic wound	
Teach them Using experience and industry knowledge, detail what needs to be avoided and what must be included.	
Bring this home Summarise what their ideal proposition should look like, ensuring this is tailored by your teaching.	

WINNING THE BUYER'S MIND-SET FORM	
We are the answer Detail how we will meet their personal needs within our proposition.	
Personal Value Proposition Summarise your responses into a sentence or paragraph that will convince the buyer to select our proposition.	

The Alchemy Winning the Buyer’s Mindset Form enables you to do the right smart thinking to build a personal value proposition for each buyer.

Once you have developed a personal value proposition for each of the buyers, you do need to ensure that they are compatible. You cannot say it will be black in one and white in another. You may need to do thinking about which proposition you amend.

Bid Alchemy recommend that at a minimum you use the personal value propositions within your proposal. You should best place them within the section that the individual buy would be most interested in. However, you can you all your responses, within the flow given to supply a summary to your approach to that element of the proposition.

Included the work you have done, within your stakeholder management and the personal value proposition should be communicated with the right buyer at each right opportunity.

4. **LEARNING LESSONS.**

- ☰ When we are bidding, we are selling to people, just like us.
- ☰ People make decisions based on emotional, rational, and political mindsets.
- ☰ We make an emotional buy, check that it is rational and then consider the political aspects.
- ☰ We can use rational reasoning to support changing a buyer's rational mindset, but we must ease the buyer into changing their emotional mindset.
- ☰ We need to do investigative work and talk with the buyers to understand their mindset.
- ☰ A personal value proposition for each buyer makes our proposal resonate with them.
- ☰ You cannot ignore psychic wounds or political mindset, as doing so may out-weight the strength of our rational and emotion strength.
- ☰ The learning we get in understanding our buyers' mindset needs to feed into our stakeholder management plan.