



Strategic Space Development

Business Development Secrets to Success

Simple or Complex Sale ?

Jim Cantrell

Special points of interest:

- Discover that there is more to capturing business than skill and passion.
- Learn about Simple and Complex Sales.
- Analyze the influences and value of the sale to increase the odds of a win.

Beyond Passion

Skill and passion are imperative to capture new business, but it is also essential to understand how buying decisions are made by individuals and organizations. By understanding the basic mechanisms of buying decisions, we can best position ourselves and our organizations to capture new business. This understanding will allow us to better read the situation at hand and determine a plan of action.

Simple or Complex?

Sales of goods and services can be divided into one of two categories: simple and complex. Most sales start out as a simple one and evolve into something that is considered to be complex. Understanding that there are basically two types of sales and substantially different techniques and approaches to each one of them will help you diagnose the key behaviors of the decision makers and develop your strategy for making the sale successful.

While it is instructive to think of sales as either simple or complex, it is nonetheless important to recognize that the sale complexity is a continuum rather than a discrete function. Experience has shown that all

sales have mixture of these two effects but become predominantly one or the other in nature. This adds to the difficulty in analyzing and developing capture strategies as the business development team. What makes these situations even more challenging is that from the point of view of the capture team, the true nature of the sale will be shrouded from your view and only your detective work will uncover it.

Influences and Value

In all cases, sales are subject to buying influences. These influences are generally individuals who either make the decisions or who exert a substantial influence on the decision by exercising veto power. This is true for all situations and all sales. In the end, someone, a single person, has to make the decision on which competing product or service to acquire. How many buying influences exist in a sale and how they interact can vary widely thus leading to the distinction between simple and complex sales. Our newsletter, Issue 2 of Volume 2, covered the impact of buying influences.

The more important the acquisition is to the acquiring group



or organization, the more complex the sale is going to be. Several metrics can be used to determine the relative importance: relative financial value and also strategic importance. A simple example of the influences and value on a sale illustrates this point. If a family decides to purchase a small item like a broom, very few families would have more than one person make that purchase decision. This would be considered a simple sale of something that is more or less a commodity. Something like a home purchase would become a complex sale on the other hand.

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Anatomy of a Sale continued



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Most families would not have a single person make the decision on which house to buy for several reasons. The first reason is the relative value of the asset to the family's income stream. A house is thus a substantial investment and many of the family members will weigh in on such a decision. There is also a strategic angle to this type of acquisition. Each family member will have a requirement (large yard, good schools, 5 bedrooms, a large garage and so forth), veto criteria (no ugly colors, not in a certain section of the city, certain types of architectural styles). Clearly someone will have to make the final decision but that decision will be an amalgamation of criteria that are both strategic and financial. Many of us have had the home purchase experience and can relate to the complexity of that decision. It is also instructive to understand that some families will tolerate less discussion of the criteria from the other spouse or the children and thus making the sale less complex. The challenge for the realtor is to bring this entire complexity into well-defined criteria from which decisions can be made.

The maturity of the acquisition requirements also determines the complexity of the sale. Some acquisitions begin with well thought out acquisition requirements and decision criteria. This is typical of a re-competition of an

existing contract or the acquisition of a replacement computer system or communications satellite. In the personal realm, this can also be a family that has bought many homes over their lifespan and knows the parameters well. In general, however, the requirements are in flux or, even worse, are not well defined. This is typical for the acquisition of a new service that the acquiring organization has never used or for a new system such as an experimental satellite. Since simple items, like brooms and toilet paper, have little decision criteria, they almost never become a complex sale. On the other hand, most acquisitions do become a complex sale even if they start out as a simple sale due to unforeseen complexities within the acquiring organization. However, complexity can also be the influence of capture team that sees a simple sale as being likely to go to a competitor and thus seek to inject complexity into the sale to increase their own odds of winning.

Simple Or Complex ?

The simple sale consists of a single buyer with well-defined buying criteria and mostly defined criteria of what needs to be acquired. The target of the acquisition can be anything from a simple commodity like a cellular phone to services like a lawyer or a housekeeper. In general, the simple sale has only a single buying influence.

A complex sale, on the other hand, will always have two or more significant buying influences and will be for something that is either highly strategic or highly valued by the organization acquiring the service or system. Almost all complex systems, such as satellites, will result in a complex sale.

The techniques to approach these two sales is completely different and will be the subject of next month's newsletter. Your success in winning the sale will depend on your ability to recognize the degree of sale complexity as well as your ability to navigate through the degree of the complexity.



Writing a Good Cost Proposal

For some, a good cost proposal is simply something that represents the bidder's best price. For others, it effectively communicates the organization's best value and credibility that the service or system can be completed for the proposed price. In government and aerospace industry procurements, the credibility of the cost proposal is typically a strong discriminator between you and your competitor. Particularly for complex systems, being the lowest cost bidder is not enough.

Basis of Estimate

The basis of estimate (BOE) is the core of your cost proposal. The BOE is based on a combination of *grass roots estimates*, where each element is priced, *parametric estimates* and *analogous estimates*. Parametric estimates use data from other programs to arrive at a predictive cost. Analogous estimates examine costs on prior programs and project costs for the proposed program based on this analogy. These projections predict cost differences (judgment-based typically) to justify variance in costs. Ideally, grass roots estimates are substantiated by a combination of parametric and

analogy estimates. Often during the proposal process, these three estimates are iterated to arrive at what is believed to be a low-risk and realistic cost.

Cost Risk—Keep it Low!

Cost risk is often considered more important than the actual cost itself. This is particularly true for government direct procurements. Minimizing the overall cost-risks in your proposal is something that has to be assessed on a case by case basis.

However, there are several good rules of thumb that should be followed when assembling your cost proposals:

- ◆ Err on the side of too much information in support of your costs. More information is always better than less information
- ◆ Avoid the use of company “boilerplate”. This is generally disliked by the proposal reviewers and adds little to the credibility of the proposal.
- ◆ More detail available to the reviewers and cost

analysts is better than less detail. Use appendices if possible. Be sure to include as much data as possible so that there will be as few unanswered data/output issues as possible.

- ◆ Use comparative cost estimates and discuss comparisons in detail. Don't try to “cherry pick” the results as this will be obvious.
- ◆ Use Independent Cost Estimates where applicable and possible.
- ◆ Be honest when there are differences between your cost estimates and the cost model results. Trying to ignore the truth or being dishonest about the results will only lead to suspicions on the part of the reviewers.
- ◆ Be careful about the amount of “re-use” claimed when performing a cost estimate. The amount of savings claimed by reusing designs or services is a notoriously error prone cost estimating technique.
- ◆ Be conservative on the use of “learning” curve

assumptions. In practice in factory environments, it is rare that more than 80% learning curves can be realized. I have reviewed proposals where the claim of 60% and 70% learning curves were claimed. Once the laughter subsided, we scored them down on cost realism.

- ◆ Use accurate cost analogies and fully explain all the discrepancies and differences between the analogy and the item being priced.

Bear in mind that most proposals that are submitted in response to government procurements do not contain all of these elements. In fact, our independent estimate is that *one in ten proposals* follow our suggestions outlined in this single page. By taking these suggestions to heart, you will both improve your cost proposals and the assessed cost risks.



Strategic Space Development Inc.
1034 W. 1392 N. Suite 120A
Logan, Utah 84321

Phone: 1-888-327-3993
E-mail: newsletter@strategicspace.net



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Strategic Space Development Delivering Increased Win Probability

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Join us in sunny Key West Florida May 28, 29 and 30 for our third season of courses on Business Development and Competitive Intelligence. The courses will be held at the luxurious Casa Marina Resort and Beach Club.

Mr. James Cantrell, President and CEO of Strategic Space Development, a highly successful aerospace consulting company, will not waste your time with academic theory but give hands-on examples of the hidden forces at work, how to "follow the money and how to guide a prospect from uncertainty to a high probability sale.

This course is meant for both experienced business development professionals and those new to the profession and focuses on:

- *Understanding the sales process*
- *Developing the new business funnel*
- *The role of marketing and brand generation*
- *Developing Competitive Intelligence*
- *Proposal strategy development and execution*

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