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The companies you serve are slashing their budgets—but you can still make the sale.

In a Downturn, Provoke Your Customers

by Philip Lay, Todd Hewlin, and Geoffrey Moore

Included with this full-text *Harvard Business Review* article:

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In a Downturn, Provoke Your Customers

The Idea in Brief

The downturn is making it tougher than ever to make a sale. The companies you serve are slashing budgets. Senior executives—not the managers you've traditionally dealt with—are now the decision makers. But you *can* motivate those executives to allocate funds for your offering—by using **provocation-based selling**:

- **Identify a critical problem facing your customer**—one so ominous that, even in a downturn, it will find the money to address it.
- **Formulate a provocative view of the problem**—a fresh perspective that frames the problem in a jarring new light.
- **Lodge your provocation** with an executive who has the power to approve the solution you're proposing. To win support, convey the magnitude and intractability of the problem—without putting him on the defensive.

The Idea in Practice

Follow these steps to provocation-based selling:

IDENTIFY A CRITICAL PROBLEM

Note what securities analysts are saying about the target company or its industry. When analysts flag a problem, the customer's investors are likely pressuring management to resolve it. Critical problems meet these criteria:

- They seriously jeopardize the company's ability to compete.
- They've proved intractable to date.
- You're a credible source of advice on them.

▶ Example:
A tech company targeting wireless communications carriers identified a critical problem facing them: plunging average-revenue-per-user (ARDU), leading to losses of $100 million to $1 billion annually. Carriers had assumed that adding enhanced features would help, but they weren't generating meaningful new revenues.

FORMULATE YOUR PROVOCATION

Rather than finding out how your client's executives currently view the problem you've identified, determine how they *should* view it.

▶ Example:
The tech company determined that the ARPU problem was worsening as carriers threw bundles of value-added-services into the marketplace. It postulated that a carrier must identify *one* service from which it could make money. The tech company estimated that if carriers didn't address the problem within 9–12 months, they would risk losing up to three points of market share.

LODGE YOUR PROVOCATION

To deliver your provocation to the right person, in the right manner, follow these steps:

1. Pave the way: Identify the executive who has the power to allocate funds for your offering. Find a mutual acquaintance who can provide you with a personal referral. Sell the referrer on your provocation. Then ask her to make the introduction and help you arrange a meeting.

2. Rehearse: Before the meeting, test-drive your provocation with internal advocates lower in the customer organization or with third parties well acquainted with the company.

3. Deliver: During the meeting, present your provocation in a way that clarifies the challenge and makes the status quo untenable in the executive's mind. Demonstrate your knowledge of the problem and the customer's current approach to it.

▶ Example:
One vendor said, "By our estimate, your current approach may be costing you $100 million a year in lost business. We believe if you don't stem the bleeding, you could lose 4% of market share within 6–12 months."

4. Get approval for a diagnostic study: The study produces a no-strings-attached report on the company's vulnerability and resources to mitigate it. It also gives you deeper access to the organization. Use it to underpin your provocation; forge relationships with major constituencies; and identify key sponsors, detractors, and competitors.

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No question about it: This is a tough time to be selling to business customers. The budget allowances simply aren't there. If you thought it was hard to make a sale before—when typically 85% of a customer's budget was allocated to existing commitments and only 15% remained for discretionary spending—you're finding out how much harder it can be, as even that fraction disappears in across-the-board cuts. Making matters worse, your customer relationships have lost much of their power. With less money to go around, proposals are subjected to higher levels of review in buying organizations, and the managers you've traditionally dealt with are no longer the decision makers.

All this would be thoroughly discouraging if not for one fact: Companies have survived downturns before, and some have even profited from them. In the research and consulting we've done since the 2001 dot-com bust, we've seen how. Rather than resign themselves to hearing the standard "Sorry, we have no budget for that," some vendors—even some very young start-ups—have found a way to reach their customers' resource owners and motivate them to allocate the necessary funds. Using what we call *provocation-based selling*, they persuade customers that the solutions they bring to the table are not just nice but essential.

Provocation-based selling goes beyond the conventional consultative or solution-selling approach, whereby the vendor's sales team seeks out current concerns in a question-and-answer dialogue with customer managers. And it differs dramatically from the most common approach still in use—product-based selling, which pushes features, functionality, and benefits, usually in a generic manner. Provocation-based selling helps customers see their competitive challenges in a new light that makes addressing specific painful problems unmistakably urgent. This approach isn't right for every selling situation you'll face in a downturn, nor does it apply only under challenging economic conditions. But for many companies that see their old approaches losing power, its time has come.

Learning to Be Provocative

Underlying provocation-based selling is the idea that the vendor should help the customer find investment funds even when discretionary spending appears to have (at least temporarily) dried up. Sybase, a data management and mobility company, did just that in the spring of 2008, as it tried to pry business out of financial services clients. Companies it had served for years were cutting overall operating costs severely. Instead of using precious meeting time to discover what customers were fretting over, Sybase salespeople told them what *should* be keeping them up at night: the fact that managers across the industry were failing to look at risk in a comprehensive and integrated way. Financial institutions tended to have separate risk-management systems for credit cards, mortgages, commercial lending, equity investment products, fixed income, commodities, and derivatives. Sybase's message was that a risk-management failure in one area (say, home mortgages) would have direct consequences for the risk exposures in other areas (for example, collateralized debt obligations and other derivatives), so companies had to find a way to bring their risk positions together in a single view. By revealing the scale of the threat and the opportunity, Sybase could sell its Risk Analytics Platform (RAP), a new tool for integrating risk management, to clients who had not previously been troubled by the lack of one.

This was provocation-based selling at its finest: The vendor identified a process that was critical for customers in the current business environment, developed a compelling point of view on how it was broken and what that meant in terms of cost, and then connected the problem to a solution that the vendor was offering. How does that differ from the way you sell today? Let's assume your organization has already moved away from product pushing to solution selling, and the process begins with a customer's problem rather than with your offering's features. The approach Sybase employed is more challenging to the customer's thinking: Instead of aligning with a company's prevailing outlook, it provides a new angle on the situation. ("You are thinking about your business along the following conventional lines....But the way we see things, that puts your success in jeopardy. You should be thinking about it in this completely different way....") Whereas solution-selling salespeople listen for "pain points" that the customer can clearly articulate, provocation works best when it outlines a problem that the customer is experiencing but has not yet put a name to. (These and other differences are outlined in the sidebar "Why Not Settle for Solution Selling?")

Of course, it isn't easy to arrive at a provocative point of view that will strike the prospective client as original and helpful. But neither is it unrealistic to expect that professionals in your organization could do so. Generally, we find that vendors who have successfully met customer needs in the past already know more than they suspect. In the process of selling and supporting their offerings, they have interacted with other companies in the industry, and they naturally bring a different perspective to issues the client has viewed only from within. Moreover, they aren't caught up in the dynamics that often make it hard for a client's own managers to challenge the status quo. This hesitancy to make waves becomes stronger in times of general economic turmoil. When people in your client's organization are too worried about their jobs to present anything original or thought-provoking, it is easier to come across as a much-needed breath of fresh air.

To begin a provocation-based sale, you must do three things well: identify a problem that will resonate with a line executive in the target organization; develop a provocative point of view about that problem (one that links, naturally, to what your company has to offer); and lodge that provocation with a decision maker who can take the implied action. Let us make a few observations about each step.

Identify a critical issue. For any given prospect or customer, your sales and marketing team can generate a long list of industry-wide and company-specific problems that could be better addressed. The key is to find the one that matters so deeply that even in a downturn the money will be found to fix it. Subject any issue you consider to three sets of questions:

- Would it meet the CEO's "keeps me up at night" threshold? That is, does this problem

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seriously jeopardize the organization's ability to compete?

• Is it being ignored, neglected, or ineffectively addressed by existing processes, systems, or services?

• Are you a credible source of advice on the issue? Is your organization's track record better than your competitors' when it comes to helping others in the customer's industry solve related problems? Or, if your company is a start-up, do you have employees with prior experience doing this?

An excellent way to start the hunt for issues is to note what securities analysts have observed recently, about either the target company or its industry as a whole. When an analyst flags an issue, you can assume that the target company's investors are pressuring management to resolve it—and that proposals that address the issue will get a hearing. During a downturn, analysts most often encourage companies to reduce operating costs, postpone capital expenditures, and focus on gaining or recovering market share.

Formulate your provocation. Having identified a high-impact issue, you need to develop an original point of view about it. Otherwise no senior executive will give you time. This may appear to depend on some unpredictable and unmanageable flash of brilliance on your part. In fact it can be approached methodically. (See the sidebar "How One Vendor Developed a Provocative Point of View.") Raj Nathan, the chief marketing officer at Sybase,

Why Not Settle for Solution Selling?

For sales organizations trained to emphasize solutions, the shift to provocation-based selling will be challenging—and worthwhile—because of the key differences outlined here.

These differences don't imply the death of solution selling, which is still the right approach when the customer understands the challenge to be faced and has the budget in place but believes that point products or services are insufficient to solve the problem. In contrast, provocation-based selling is most effective when the customer's problem is unacknowledged or poorly understood, the budget doesn't exist, and the customer's main question is "How can we change our approach to this problem, because we haven't yet managed to deal with it effectively?"

In a severe downturn, provocation-based selling may be the only way to move past the "buy nothing" mantra emanating from customer organizations. In sunnier economic times it can lend power and urgency to products or services that are nondisruptive or relatively undifferentiated in their markets.

Solution Selling	Provocation-Based Selling
Competes for vendor preference within an existing budget	Compels project investment outside an existing budget
Aligns with the prevailing point of view	Challenges the prevailing point of view
Addresses acknowledged pain points	Addresses unacknowledged angst
Targets tactical problems	Targets strategic problems
Begins with technical proof and then builds a business case	Begins with the business case and then provides technical proof
Starts as an IT or line-of-business dialogue	Starts as an executive-level dialogue
Asks questions to identify needs	Uses an insightful hypothesis to provoke a response
Responds to issues described by the client	Is proactive and leading, forcing issues out

summarized that company's process for us: "We formed a cross-functional tiger team in the fall of 2007 to do three things. First, we went back to our customers, partners, and industry analysts to calibrate our view of the full scope of the risk-management challenge the industry was facing. From this work we developed a provocation to help our customers recognize the issue, compare their situation to their peers', and raise the level of urgency across their senior management teams. Finally, we developed a four-phase plan as a road map for how financial services companies could adopt an integrated approach to identifying, quantifying, and managing risk." Sybase then trained its financial services sales team on the difference between traditional product or solution selling and provocation-based selling.

In most organizations the roles of marketing and sales must adapt to meet the demands of formulating provocations. Experienced analysts on the marketing team should focus on gaining a deep understanding of industry-level issues and how individual firms might capitalize on recent and probable developments. Account teams in the sales organization must then be able to develop original points of view in light of that overall analysis and the unique circumstances of target customers. The listening skills acquired for solution selling will probably have to be refined. We've seen vendors develop powerful provocations after informal meetings in a customer's organization. Smart people at all levels who may be unable to promote their views internally are usually happy to help the right vendor build the case for an important project.

Lodge your provocation. It would be wonderful if astute points of view sold themselves, but the truth is that their delivery must be handled well. Our term "provocation" should not be seen as an invitation to behave disrespectfully. Implying that the potential project sponsor is a fool for not having already spotted a problem will hardly advance your case. You might begin: "We've worked with companies in your peer group and have seen how the leading players are experiencing this painful problem. We think it's possible that your company is at risk in this area as well." Your statements should clarify the challenge and demonstrate knowledge of the customer's current approach to it: "By our estimate, the way you've been doing this may be costing your organization some $100 million a year in lost business. We believe that if you can't stem the bleeding, you risk losing up to 4% of

How One Vendor Developed a Provocative Point of View

During the last technology downturn, several years ago, a tech company targeting wireless communications carriers developed a provocative insight related to a painful and constant industry bugbear.

The company's research showed that plunging average revenue per user (ARPU) meant losses for individual carriers of $100 million to $1 billion annually, and most carriers had no idea what to do about this. Value-added services were potentially a partial solution, but carriers were failing miserably at generating meaningful revenues with them. The carriers nonetheless continued to assume that value-added services could help them recover as much as 10% to 20% of the lost ARPU.

The tech company's sales team told one target carrier's senior marketing executive:

- "Our experience working with the top 25 wireless carriers shows that they are suffering from a disturbing plunge in ARPU."
- "Research tells us that this problem is costing your company $500 million or more in lost revenues every year."
- (Provocation) "This problem is only getting worse as you and all the other carriers throw bundles of services out into the marketplace. We believe that it is critical to identify *one* service from which you can make money. In our view, if you don't succeed in addressing this problem within the next nine to 12 months, you are at risk of losing as much as three points of market share."
- "Without some consensus about how serious the problem is and what the plan of attack should be, we can't know which of the capabilities we provide will help you most."
- "Therefore, we propose a two-week diagnostic study to more fully assess the problem and define possible solutions—including a joint effort to launch the new service that can have the biggest positive impact on your ARPU."

As this vendor's experience shows, developing a point of view is not mysterious or reliant on serendipity. Approach it methodically by following these steps:

1. Identify a problem that has proved intractable to date.

2. Use research and brainstorming to create a new lens for that problem. Your provocation will convey the message "You are thinking X, but you should be thinking Y."

3. Articulate how this disruptive insight, and whatever novel approach you may have developed, will effectively solve the problem.

your market share within the next six to 12 months." The goal is to disturb the executive's equilibrium—and make the status quo untenable—without putting him or her on the defensive. Presenting specific, well-supported concerns and remedies in a forthright manner keeps the focus on business performance for an executive who is accountable for it.

A provocation-based sale depends on the one crucial meeting in which you present your point of view to a carefully chosen line executive. (We provide advice in the sidebar "Succeeding in an All-Important Meeting.") Do not neglect to rehearse your delivery and anticipate the various directions the conversation might take. At Sybase's training sessions, senior executives played the roles of financial services chief information officers and chief risk officers so that sales teams could practice their new techniques. A key goal of these mock pitches was to find the right balance between being provocative about the issues at hand and being sympathetic to the customer's challenges in dealing with them. Sales teams can often test drive their provocations with advocates lower down in the customer organization or with third parties who are well acquainted with the company. If such an opportunity is available to you, take it; your advocate will then be equipped to set the scene for your session with the executive—or to make the introduction if one is needed. Practice sessions like this are well worth the investment when you consider the stakes. In the limited time you have secured on the executive's schedule, you need to articulate your own perspective on the issue, discover how much urgency the executive assigns to that issue, explain its relation to your company's business, and get the go-ahead to do a diagnostic study.

Proving the Point

Since a diagnostic study provides value to the client, the vendor can choose to charge for it. It might cost from $30,000 to $100,000, depending on the scope of the now-acknowledged business problem. For an executive whose concern has been piqued by a provocative point of view, funding the study is a small matter. It promises a valuable deliverable—a report on the company's vulnerability and resources to deal with the problem in question—with no strings attached.

For you, the diagnostic study has value far beyond the small number of billable hours it represents. It creates a welcome need to conduct a number of interviews with key individuals in the company and to obtain important data with the customer's help. The goal, of course, is to conduct the in-depth analysis needed to underpin your proposal. But while you are learning how critical the problem is for the client and what has stood in the way of a solution, you will be gaining deeper access to the organization and exposing more decision influencers to your point of view. If you are committed to winning follow-on business, you should use the diagnostic study to establish relationships with every major constituency in the buying process. Discover who your key sponsors are and who your detractors may be, uncover any competitors you must outshine, and learn about any in-house efforts that may be incompatible or competitive with your own.

When it comes time to report the results of the study, proponents of the status quo will deny the truth of any assertions they perceive as too disruptive unless your facts are incontrovertible. Some of these facts will have come from your conversations with people in the trenches. It is important to maintain the confidentiality of those conversations, but equally important to share the insights that

Succeeding in an All-Important Meeting

Success in provocation-based selling hinges on a single dialogue with a senior executive who can sponsor and secure approval for the kind of sales commitment you're seeking. When the day for that dialogue comes, your agenda should be to:

Lodge your provocation. Begin the meeting by raising a critical issue that the target company is under pressure to resolve, and do so in an original manner. You cannot afford to play it safe. If you aren't clear and passionate about your message, the executive may think you are wasting his or her time.

Capture reaction to the provocation. If there is no reaction, retreat with dignity. If the reaction is negative, explore it for deeper understanding, seeking common ground. If the reaction is positive, move on.

Discuss war stories. Describe the experiences of similar companies that either have faced or are facing the problem. Such stories reinforce its importance and demonstrate that you are knowledgeable about it and are bringing a new solution to the table. They also make the executive feel safe in acknowledging that the problem exists in his or her organization.

Offer to conduct a short diagnostic study. If interest continues, request that the executive sponsor a study that will allow you to dig into the company's challenges more deeply, deliver an analysis, and propose a solution.

In stark contrast to most solution selling, provocation-based selling gathers momentum at each phase instead of losing it.

come from them. You'll need a lot of energy to redirect the status quo, and total commitment from an executive sponsor if your efforts are to succeed.

Construct the sales proposal that emerges from the diagnostic study in three phases. Phase one is what your company can deliver right away—most often primarily services. Phase two is what it can deliver within the year—usually a customized, solution-oriented adaptation of the offering. Phase three is everything else the customer wants or will need over time to fully address the problem. (If these additional elements cannot wait, you must look for a partner—even if that means working alongside a competitor. Your ability to bring the components together will earn you the status of trusted adviser.)

Don't be afraid to take your time in crafting a solution plan. Racing to put a proposal on the table is the most common tactical error made by a sales team in a tough market. As long as you are crafting it, you have permission to go back to the organization for more information—and each point of contact is an opportunity to do more selling. Try to defer submitting your proposal until you are confident you have won the deal.

Reaching the Right Ears

Our discussion so far has repeatedly referred to the line executive across the table. As we said at the outset, a vendor using the provocation-based approach must gain access to a higher-level executive than it has traditionally dealt with. Only the resource owners in the client organization—senior executives, typically with P&L responsibilities—can reallocate resources to create the budget for the vendor's offering. Such executives often have elaborate defense mechanisms to shield them from sales pitches.

Start by identifying the right senior-level contact and find a mutual acquaintance who might provide you with a personal referral. Once you've sold the referrer on the provocation you hope to present to the executive, you can ask that person to make the introduction and help you arrange a meeting.

Personal referrals are the stock-in-trade of any good salesperson, especially in a consultative business. But in a period of frozen budgets, no other form of lead generation is worth the time it takes. Your people simply cannot be allowed to pursue poorly qualified leads and chase unclosable deals.

Sybase made this shift decisively. In 2008 its marketers began reaching high-level buyers in two ways: through seminars designed for senior executives and by rigorously searching for referrals. The Sybase marketers created a spreadsheet of the 40 existing accounts they believed could provide them with the most powerful references. They then combed their own senior executives' networks for connections to key executives at the target companies. The work paid off. The CEO's college connections opened one door; the CFO's close relationship with the CFO at a target account opened another.

Certainly social-networking tools now exist to help your company take advantage of its collective professional relationships in like fashion. LinkedIn and Facebook are good starting points. Some companies will find it worthwhile to create proprietary platforms. Deloitte LLP's D Street and IBM's Beehive are good examples.

Can Your Sales Organization Adapt?

As you shift into provocation-based selling, the chief source of surprise and perhaps frustration for your veteran salespeople will be the new rhythm of the sales cycle. In the past it usually began with forms of lead generation that encourage the sales team to believe it has a lot of promising deals to pursue. Unfortunately, the process quickly loses momentum as the team sets up meetings with all those prospects, probes for "pain points," proves the technical feasibility of the proposed solution, and eventually produces a business case and a contract. The cycle bogs down especially in that middle stage, because customers approached in a product-based or solution-based manner generally put the vendor through a number of proof steps before they are willing to entertain a commercial proposal.

The provocation-based approach proceeds more deliberately at the outset (see the exhibit "How Provocation Changes the Sales Cycle"). Having identified an opportunity, sales and marketing managers delve into the target customer's specific situation and industry, develop a hypothesis about the critical issues to be solved, and plan how to gain access to the appropriate executive. However, once the executive has acknowledged the problem and the need to fix it, the process picks up speed. If a diagnostic study produces the anticipated results and the vendor can demonstrate an ability to solve the problem, both sides can focus on implementation, reviewing the technical feasibility of the proposed solution, the resources needed, and the results to be achieved. In stark contrast to most solution selling, this process gathers momentum at each phase instead of losing it.

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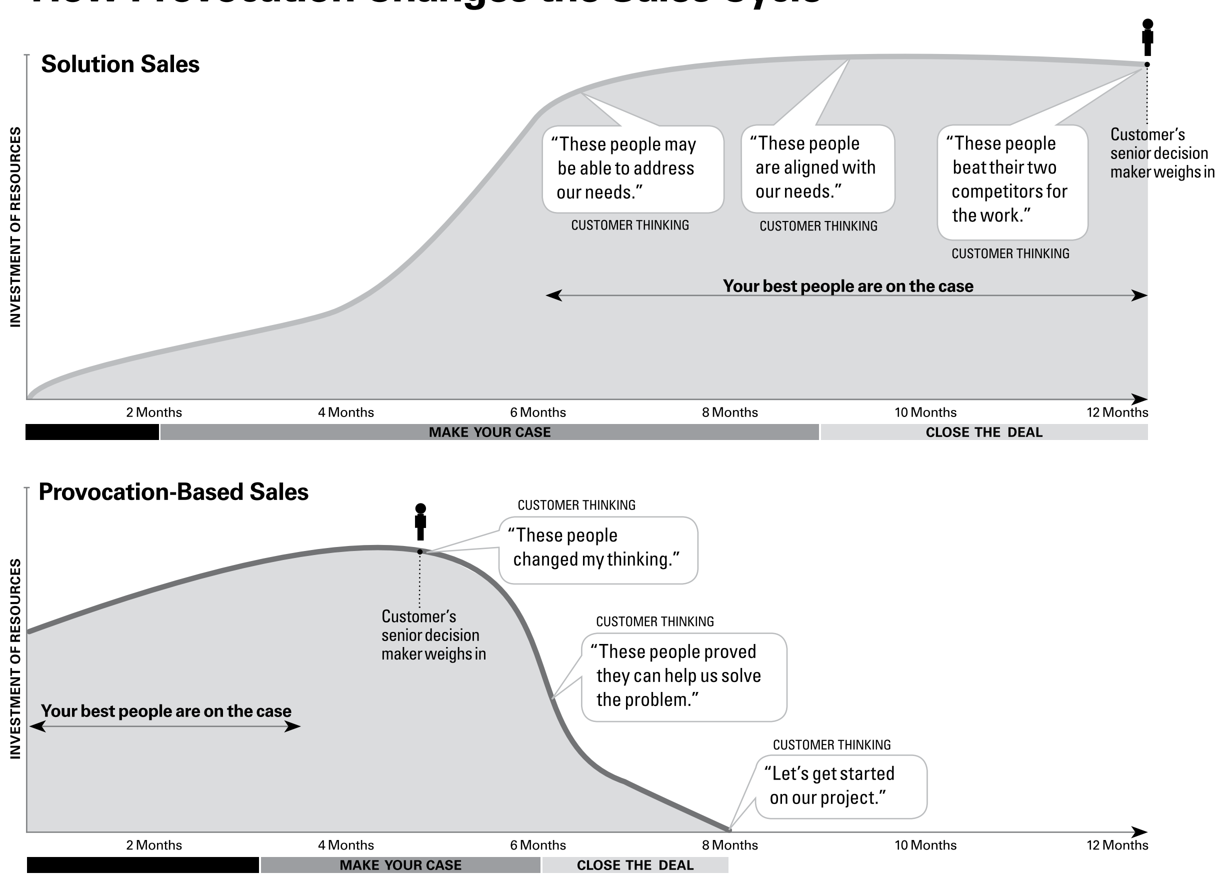
If what we've outlined here sounds like the approach a management consultant would employ, that's because consultants have long needed to engage in provocation-based selling. They actively look for problems so complex that clients remain challenged by them, and then develop original points of view about them. Whether the problem involves winning market share for a new product or service, improving time to market, or reengineering a business process, a good consultant persuades the client to think differently about it and what is required to address it—and, of course, who should be engaged to assist.

This, in essence, is what companies most value from vendors. In a globalized world of proliferating products, what customers least need is another feature-rich offering to evaluate—especially in challenging economic times, when budget cutting is the norm, projects are being deferred, and customers expect to buy little if anything. When they are worried about addressing their most acute pain, messages about wonderful opportunities they might exploit fall on deaf ears. By framing a provocation, you can create a readiness to listen and then use your diagnostic study to convert the dialogue into a reprioritization of funds.

Should every sales call your company pays from now on be a provocative one? Probably not, unless you are a start-up focused on one offering and one target market. Provocation-based sales cycles—though much quicker than solution sales cycles—are resource intensive,

How Provocation Changes the Sales Cycle



so only a few can be run in parallel; the method makes most sense when a significant business opportunity is at stake. Keep in mind that careful research and preparation are needed before the sales team even begins to engage the customer. In boom times this would not be your fastest or most direct route to a purchase order. But in a downturn, and with your most important prospects and customers, it will keep you in the game.

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Further Reading

ARTICLES

Torment Your Customers (They'll Love It)
by Stephen Brown
Harvard Business Review
October 2001
Product no. 7855

In the past decade, marketing gurus have called for customer care, customer focus, even customer centricity. But according to marketing professor Stephen Brown, the customer craze has gone too far. In this article, he makes the case for "retromarketing"—a return to the days when marketing succeeded by tormenting customers rather than pandering to them. Using vivid examples, Brown shows that many recent consumer marketing coups have relied on five basic retromarketing principles: First, exclusivity. Retromarketing holds back supplies and delays gratification. Second, secrecy. Retromarketing revels in mystery, intrigue, and covert operations. Third, amplification. In a world of incessant commercial chatter, amplification is vital. Fourth, entertainment. The lack of entertainment is modern marketing's greatest failure. Fifth, tricksterism. Customers love to be teased.

Customer Value Propositions in Business Markets
by James C. Anderson, James A. Narus, and Wouter van Rossum
Harvard Business Review
March 2006
Product no. R0603F

Examples of value propositions that resonate with customers are exceptionally hard to find. Properly constructed value propositions force suppliers to focus on what their offerings are really worth. Once companies become disciplined about understanding their customers, they can make smarter choices about where to allocate resources. The authors expose the pitfalls of current approaches, then present a method for developing value propositions that are meaningful to target customers and that focus suppliers' efforts on creating value. Drawing on the best practices of a handful of suppliers, the authors advocate a resonating focus approach. Suppliers can provide simple yet captivating consumer value propositions by making their offerings superior on the few elements that matter most to target customers and communicating that added value in a way that conveys a sophisticated understanding of the customer's business priorities.

Major Sales: Who Really Does the Buying? (HBR Classic)
by Thomas V. Bonoma
Harvard Business Review
July 2006
Product no. R0607P

When is a buyer not really a buyer? How can the best product at the lowest price turn off buyers? Are there anonymous leaders who make the actual buying decisions? As these questions suggest, the reality of buying and selling is often not what it seems. What's more, salespeople often overlook the psychological and emotional factors that figure strongly in buying and selling. By failing to observe these less tangible aspects of selling, a vendor can lose sales without understanding why. In this article, Bonoma sets up a procedure for analyzing buying decisions and tells sellers how to apply the resulting framework to specific situations. Steps in the procedure include (1) Identify the actual decision makers. Though it may come as a surprise, power does not always align with organizational rank. (2) Determine how buyers view their self-interest. All buyers act selfishly, but they sometimes miscalculate. (3) Gather and apply psychological intelligence. There is no formula for magically placing psychological analyses in the sales staff's hands. However, the author offers three guidelines—make sure sales calls are highly productive and informative, listen to the sales force, and reward rigorous fact gathering, analysis, and execution—to help managers increase sales effectiveness.

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