

# Think ‘buyer cycle’, not ‘sales cycle’

*This is an article I wrote for The Sales Club, (see [www.thesalesclub.co.uk](http://www.thesalesclub.co.uk)) a newly formed club for Sales Directors of FTSE 1000 companies, hence the references to Sales Directors. However anyone involved in sales and marketing should find this article interesting.*

I am sure as Sales Directors you are very familiar with the sales cycle with its funnel and suspect, prospects etc. However I, from my background of pricing, have become much more interested in the buyer cycle which focuses on the customer and their buying patterns. It looks at the phases customers go through, both consciously and subconsciously, when buying a product or service?

I first came across the concept of the buyer cycle in a book by Michael Bosworth called “Solution Selling”. His model of three phases is excellent, and he uses it to develop a sales process for consultative selling. I have relooked at this cycle from a Behavioural Economics point of view (see appendix at the end of this document for an explanation of Behavioural Economics) to understand why buyers respond the way they do during the selection and purchasing of products or services. This new buyer cycle applies in across both B2B and B2C purchases because it uses information about how our brains work and how we respond in different situations.

## The three phases: Need, Evaluation and Action

Let me start by describing the three phases.

### 1. NEED:

The person becomes aware of a need that they want to satisfy. In most cases the need is caused by events not connected with a specific company’s product or service, or it could be an impulse buy. Typical needs might be:

- “I am hungry”: internally generated need
- “My boss wants me to buy...”, “I need car insurance”: imposed need
- “Wow, I like the look of that ... I’ll buy it”: product generated need. Also called an impulse buy.

### 2. EVALUATION

This is the phase where the buyer finds and evaluates products or services that fit to their need. The evaluation phase might include the following types of evaluation:

- “We need more office stationary”. Repeat, low value purchases: known and easy.
- “We need to renew our company cars” Repeat, high value: known, but worthy of thought.
- “I need risk analysis software for a new division”. New purchase: complex and new evaluation path.

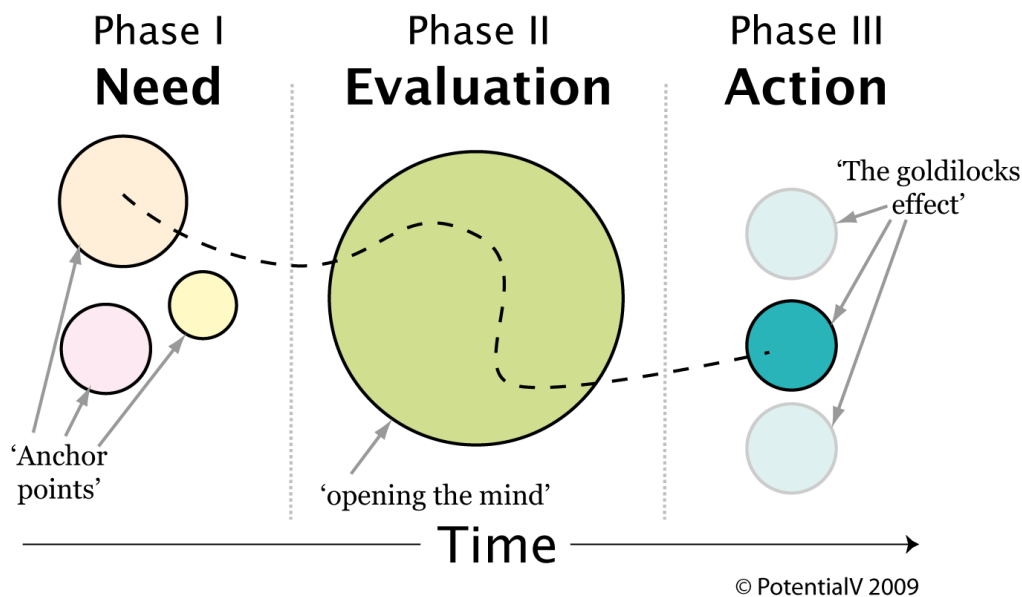
### 3. ACTION

The action phase is where the buyer is making up their mind on what to buy. This is analogous to ‘closing the sale’, but it starts a bit further back when the buyer is thinning down the possibilities. Questions might be:

- “Which version should I buy?” Is the choice obvious or do they need more information?
- “How much does it cost?” Is the value proposition clear and the costs understandable?
- “Can these people deliver?” What risk and uncertainties exist for the buyer?

With this as an introduction and the diagram below the next sections explore some of the issues that go on the buyers mind as they move through these different phases of the buyer cycle.

## The Buyer cycle



### The NEED phase: Anchor points

Studies of the brain show that in many buying situations we use the pattern matching parts of our brain (the nucleus accumbens and anterior cingulate cortex) rather than our cognitive part of the brain (the prefrontal cortex) to do the filtering. These are the same parts of our brain that help us ride a bike or drive a car without conscious effort, but also can contain very complex patterns. During the Need phase the brain is using known patterns to quickly filter and sort information relating to the person's need and its fulfilment.

Talking in buying terms the brain has a mental map of the world that we fit things into. For things we are very familiar with then the map is clear. For new things we try to find similar things that we already know about to act as **'anchor points'** to locate the new items in our map. These anchor points are especially powerful in the early stage of the buyer cycle where the brain has lots of information to process quickly.

As sellers you need to think about the anchor points your customers might have and make sure your key messages fit in one or more of them. Primarily this means phrasing your offer in terms that the target market will relate too. For well known items like books or cars there is no problem: you can talk about the product directly and people will understand. For new or different items you need to give your target market suitable anchor points to help them relate to your offer. The classic way to handle new products is to relate to a customer's needs rather than mention the product, as there is more likelihood of fitting in the mental map. That is why solution selling works well for new business development situations.

One thing I would point out from a pricing point of view, which is my area of expertise, is that these anchor points will also carry price associations. In an effort to fit in known anchor point you need to be careful not to pick something that has a lower value point that you offer. For instance a client of mine provided a service where they created a collaborative intranet environment for groups in large companies to pool knowledge. They used Wiki software, as is used by Wikipedia, as the backbone of the offer and said so. While useful in placing the offer using the term Wiki in their marketing subconsciously set a low price point in people's minds, because Wikipedia is free.

### The EVALUATION phase: opening the mind

If the need phase is characterised by focused filtering using the pattern matching part of the brain then the evaluation phase is much more open and the prefrontal cortex, the reasoning part of the brain gets involved. If the buyer gets to this stage then they actually want more information. They are ready to go on a journey with you, but you need to lead them, especially in the early stages otherwise you will lose them.

The familiarity of the offer to the user is key here on how they want to progress. If the buyer is very familiar with the product/service then they need detail quickly or they will get frustrated. For people where the product/service is relatively new then you need to progress naturally and lead them on where to go.

The good thing is that you can introduce new feature in this stage as there is an **'opening of the mind'** to new possibilities. So, if during the Need phase you needed to focus down in the Evaluation phase you can, at the right time, open up and show the features that may appeal to the buyer but they would not have considered earlier. For instance when buying a digital camera customers may have been focused on the size, cost and Megapixels in the Need phase, but in the evaluation phase they are open to new features such as image stabilisation. In fact done well these new features may become 'must have' options that other cameras now get evaluated against.

There are a few lessons to be learnt from behavioural economics here. Firstly the cognitive or reasoning part of our brain is extremely adaptable, but it does have problems dealing with too much information. Scientists say that the prefrontal cortex, the reasoning part of our brain, can only handle about seven items of different information at once. In fact too much information can seriously weaken the brain's ability to make good decisions.

In an experiment on choosing a car people were given four facts to compare on four cars and 50% of people chose the car that was deemed to be the 'best'. When the number of facts was upped to 12 then only 25% of people chose the 'best' car. So if your 'car' is the best then be careful how much information you present to your customers.

If you want to communicate a lot of information then present it visually in a diagram or table. My experience from pricing is that a 'compare these versions' type approach, which uses a clear table with ticks, can work effectively in conveying a lot of information at once. The eye is very good at interpreting data that is laid out well: it will do the job of filtering and either leave on overall impression of the number of 'ticks' etc. or if the buyer wants to they can focus on the specific features they are interested in. I can also say that when price is involved, even if implied, then people are much more likely to look at your list.

### The ACTION phase: The goldilocks effect

While evaluation is very open with lots of information the buyers thought processes change as the purchase decisions approaches. It seems buyers get more cautious and worry about different things like risk and price. Lots of studies have also shown that too much choice at the latter end of the buying process will stop a purchase. The action phase is all about narrowing down the options so that the decision to purchase happens.

One study that is quoted extensively is where customers in a supermarket were offered 6 jams for sampling and then given money off tokens for any jam. Of those that sampled the 6 jams 31% then bought a jam. However when the number of jams to taste was increased to 24 the purchases from the tokens dropped to an amazingly low 3%. There is study after study that repeats this same theme: too much choice causes people to delay or not buy at all.

So, limiting the choices at the end is good which leads me onto another behavioural effect which has been given the name **'the goldilocks effect'**. Obviously on pricing people have run lots of studies, especially around how people buy differently priced version. There is a large body of evidence that for two items, A and B, if you add a third, higher-priced version, C, at the top the sales of B go up. There are lots of reasons for this, but the effect can change the sales of the middle version, B in our case, by up to 15%. This, because of the three versions, is called the goldilocks effect.

### The End. Well, almost

There is a lot more that could be said on all of these phases but I will end here. I hope this has been useful and helps you to get into the minds of your prospective customers.

Below I have added an appendix with a brief explanation of behavioural economics and some book reference for those that want to look at this fascinating subject in more detail.

## Appendix: a quick introduction to Behavioural Economics

Let me introduce the subject of Behavioural Economics by first defining Classical Economics. Classical Economics says that supply and demand are balanced and implies that buyers are fully informed and only want to maximise the 'utility' (value) of any purchase. However in our current culture of massive choice, information overload and time-poverty we know that this is far too simplistic for many situations.

Behavioural Economics on the other hand looks at the economic decisions we make by studying how people act in different circumstances, such as how we make buying decisions or how we evaluate options. Most of this is done by watching people and hypothesising what is going on inside their head. However some recent work pulls together research where the brain is actually monitored during a study, which gives even more interesting insights on how we behave.

Further suggested reading:

- *The Decisive Moment: how the brain makes up its mind* by Jonah Lehrer
- *The Paradox of Choice: why more is less* by Barry Schwartz
- *Predictably Irrational: the hidden forces that shape our decisions* by Dan Ariely
- *Basic Instincts: human nature and the new economics* by Peter Lunn

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