Gartner for Small and Midsize Business CEOs

Tech Go-to-Market: Complex Technology Buying Dynamics Mandate Account-Based Strategies for TSPs

Hank Barnes
Gartner Research
Vice President

Todd Berkowitz
Gartner Research
Vice President

Recommended Reading

View summaries of additional client-accessible research below

Go-to-Market

Forecast Alert: IT Spending, Worldwide, 3Q16 Update
John-David Lovelock, Kathryn Hale and others

Gartner Market Databook, 3Q16 Update
Ken Newbury, Kathryn Hale and others

Tech Go-to-Market: CEOs and Business Leaders Are Investing in Marketing to Address Digital Buyers
David Yockelson

Tech Go-to-Market: Trust Drives the B2B Technology Buying Cycle
Hank Barnes, Todd Berkowitz and Michael Maziarka

Tech Go-to-Market: The B2B Customer Life Cycle for Technology Products and Services
Hank Barnes

Tech Go-to-Market: New Approaches to Account-Based Marketing Offer Tremendous Potential for TSPs
Todd Berkowitz and Julian Poulter

Customer Experience

Technology Provider CEOs Believe That Customer Experience Provides a Winning Strategy
Todd Berkowitz

Cloud

Market Insight: Cloud Shift — The Transition of IT Spending From Traditional Systems to Cloud
Ed Anderson and Michael Warrilow

Build and Market Cloud-Based Offerings Primer for 2016
Ed Anderson and Gregor Petr

Forecast Overview: Public Cloud Services, Worldwide, 2016 Update
Ed Anderson and Sid Nag

G00308077

Tech Go-to-Market: Complex Technology Buying Dynamics Mandate Account-Based Strategies for TSPs

Published: 16 September 2016

Analyst(s): Hank Barnes, Todd Berkowitz

Technology buying teams, in both midsize and large enterprises, work on multiple categories of purchases at the same time. To improve marketing and sales effectiveness, TSPs must develop deep account understanding to ensure that their offerings stay high on the enterprise's diverse priority list.

Key Findings

- Technology buying teams have an average of 12 to 14 people participating, both actively and occasionally, for larger enterprise purchases.
- Within these large teams, leadership responsibilities vary by organization and may shift throughout the process.
- Buying cycles for large purchases are lengthy — with time frames of more than 12 months being normal. Technology and service providers (TSPs) rarely see this entire buying cycle, since enterprises engage at varying points in the process, so they may feel their sales cycle is shorter.
- Many buying processes end without a purchase being made. Ninety-four percent of respondents to a recent Gartner survey indicated that they had terminated at least one buying effort in the past two years.

Recommendations

TSP marketing leaders must:

- Gain deeper insight into enterprise buying dynamics. Use relationships, as well as free and premium information sources, to understand not only buying roles and personas, but also the broader landscape of projects and initiatives that will impact the buying process.
- Leverage account-based marketing (ABM) and account-based selling (ABS) to align content, messaging, resources and activities with the needs of the account and raise the prioritization and visibility of your solutions.

- Redesign sales, marketing and partner enablement efforts to be more focused on account-based strategies, prioritizing the development of skills for deep, situational account understanding equally to product and solution understanding.

Table of Contents

List of Figures

Introduction

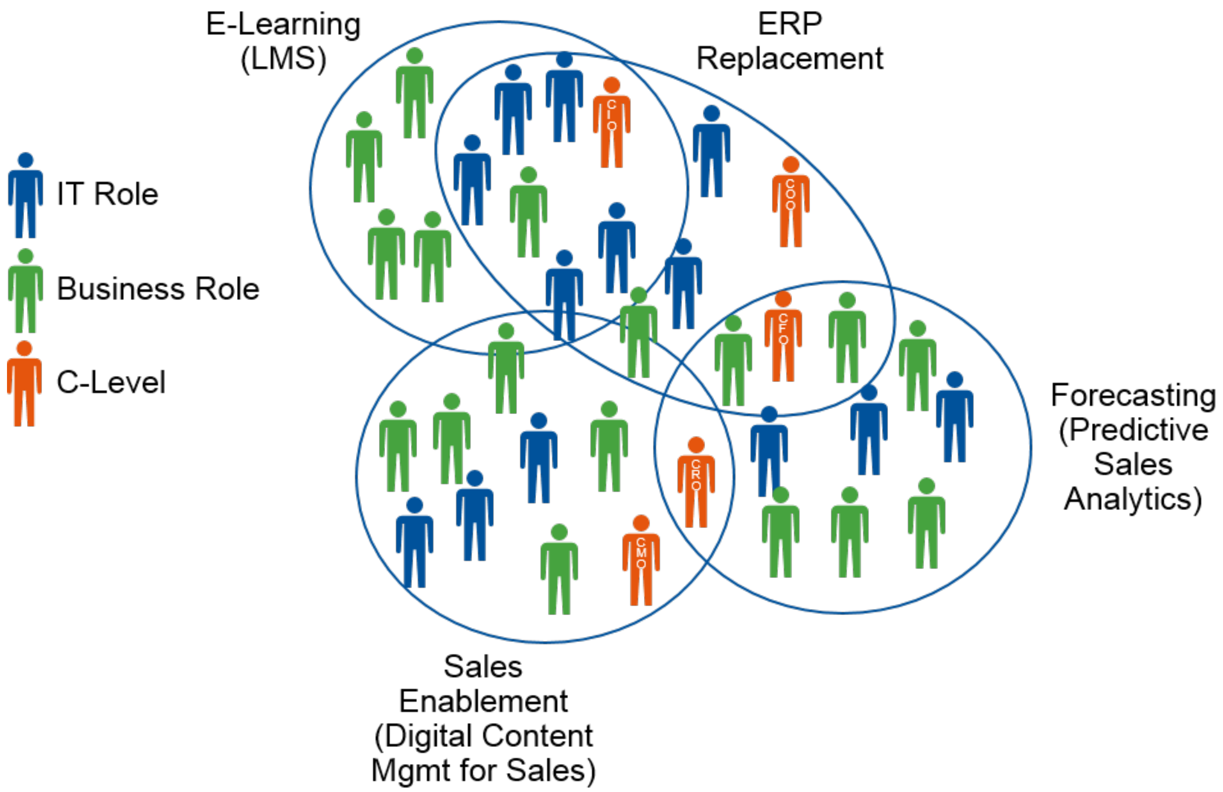
TSP marketing leaders are constantly looking for new initiatives or content that will put them on a path to breakthrough success. Gartner's latest survey on technology buying approaches and influences[1] affirms our belief that buying is highly situational (see "Tech Go-to-Market: Situational Awareness Will Become the Primary Context for a Customer-Driven Sales Organization"). Once an enterprise has interest in a product or service (called "product" for remainder of this research), it seeks to build trust in potential providers (see "Tech Go-to-Market: Trust Drives the B2B Technology Buying Cycle"), while also wanting deep product information and an ability to directly or indirectly experience the product before it will buy. But the specific materials or programs that matter to enterprises vary widely. There is no single program or initiative that, by itself, will magically result in a huge volume of qualified leads or increased sales.

This research is based on analysis from a recent Gartner survey of 508 technology buyers in enterprises with 100 or more employees in North America, Europe, Australia and New Zealand. The respondents were qualified based on their involvement in specific categories of technology purchase decisions with a contract value of more than $25,000 for enterprises with fewer than 750 employees and $50,000 for enterprises with 750 or more employees (with appropriate currency adjustments).

Instead, the key to success, particularly when providing offerings that are higher cost or that have a broad impact, lies with deep understanding of each enterprise that is being pursued — its priorities, its enterprise personality (see "Tech Go-to-Market: Introducing Gartner's New Enterprise Personality Profiles for Improved Market Planning and Segmentation") and its approach to technology decisions. Buying decisions never occur in a vacuum. Beyond competing with other TSPs for specific opportunities, a TSP also faces competition with other projects — competition for funding, resources and attention.

Consider the case of a financial services company that has a broader initiative to increase sales effectiveness. The company is already set with its sales force automation (SFA) system, but it wants to improve sales effectiveness by improving sales enablement, e-learning capabilities and forecasting. This necessitates multiple technology purchases with multiple stakeholders — from business to IT to the C-level involved. Some of them are involved in only one of the purchases, but others may be involved in many. Furthermore, some of these same resources might also be involved in unrelated purchase efforts, such as an ERP replacement project (see Figure 1).

Figure 1. Buying Teams for Sales Effectiveness Initiative



Source: Gartner (September 2016)

This creates an environment for the buying teams of competing initiatives and priorities. TSPs often view their solution as the "center of the universe," but to enterprises like this one, it is only a part of the solution — and one of many things they are considering. A failure to understand this could easily result in optimistic forecasting and "surprising" delays in buying cycles — delays that are not surprising to the enterprise making the purchase, but are to the optimistic TSP sales team.

This research will explore these dynamics of technology buying and then guide TSP marketing leaders on the key imperatives to improve marketing effectiveness within their organizations in light of these dynamics. It will also explore the collaboration between marketing and sales to support aligned strategies and effective sales enablement.

Analysis

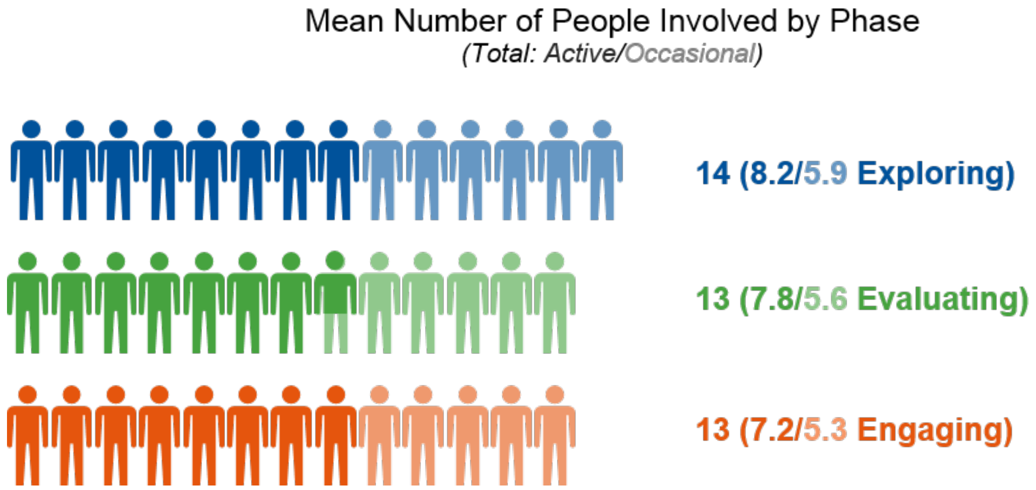
Enterprise Tech Buying Involves Complex Team Dynamics

While information availability has shifted power to customers as they make technology buying, renewal or expansion decisions (see "Tech Go-to-Market: The B2B Customer Life Cycle for Technology Products and Services"), that does not mean that buying (and, correspondingly, TSP sales and marketing efforts) has gotten easier. In fact, it is incredibly complex. And the roots of that complexity are driven not only by the challenge to make sense of vast array of options available from TSPs. Additionally, the complexity is often driven by the buyer's own organizational dynamics. It is critical that TSPs recognize these dynamics and the challenges that they bring to successful sales and marketing efforts:

- **The Average Enterprise Buying Team Includes 13 to 14 People**

  It is well-understood that teams drive technology purchase decisions, but the diversity and intergroup dynamics of those teams have not always been a focus. Buying teams include a mix of active and occasional participants throughout the process (see Figure 2). As buyers explore, evaluate and engage, TSPs must recognize that they are dealing not with individuals, but with seven to eight people for whom the buying effort is an active focus area and five to six people who occasionally get involved. The exact participants may shift with different people involved in the decision to change (exploration), the evaluation process and the more detailed selection effort (engagement).

Figure 2. Number of People Involved in the Buying Process



Notes:
Question we asked: What is the average number of people who participate actively or occasionally at the exploration, evaluation and engagement phase of the buying cycle for new IT purchases?
Number of respondents = 508.

Source: Gartner (September 2016)

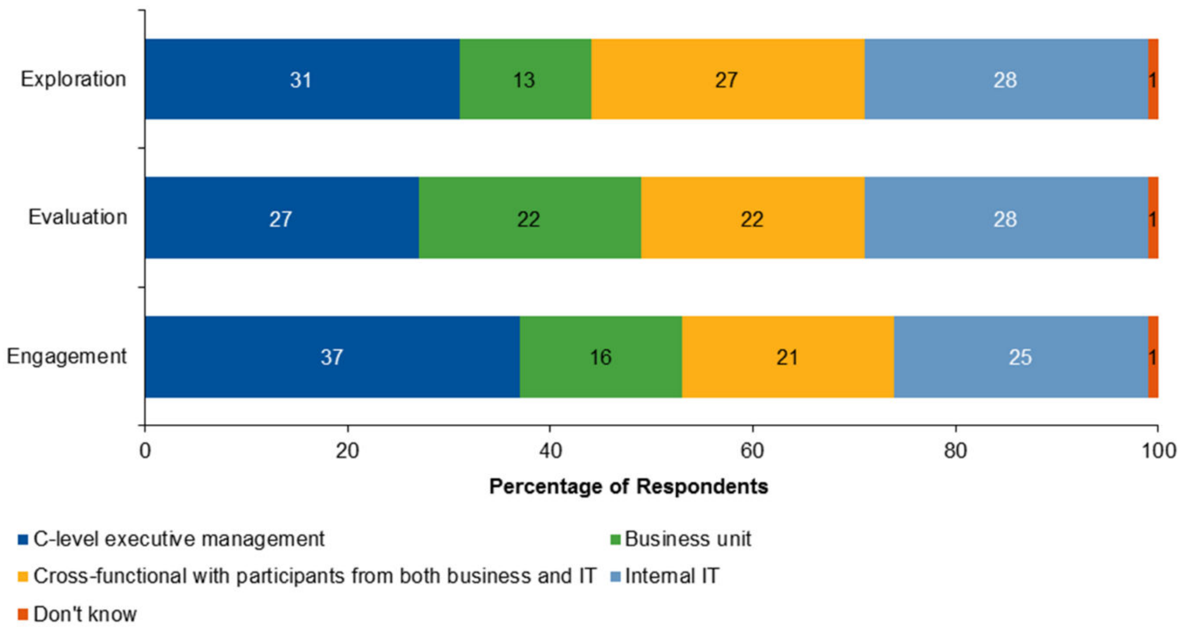
- **Leadership of Buying Efforts Is Not Predictable**

  In addition to the number of participants, there is also the complicating factor of leadership. There is no clear pattern of leadership that TSPs can expect across all the enterprises that they pursue (see Figure 3).

  While C-level management clearly is a common and logical candidate to have leadership responsibility, it could also be in the hands of IT, cross-functional teams, or even (for our respondents, to a lesser extent) business units on their own. Additionally, leadership may shift as the buying process evolves. While 45% of the respondents specified the same group as leading all activity streams, 33% specified a different group for each activity stream, and 21% specified two different groups across the three activity streams.

TSPs should rarely define marketing and sales approaches around targeting a single key decision maker. In most cases, there is not one, there are many — and the decision maker could shift throughout the process.

Figure 3. Buying Cycle Leadership by Activity Stream



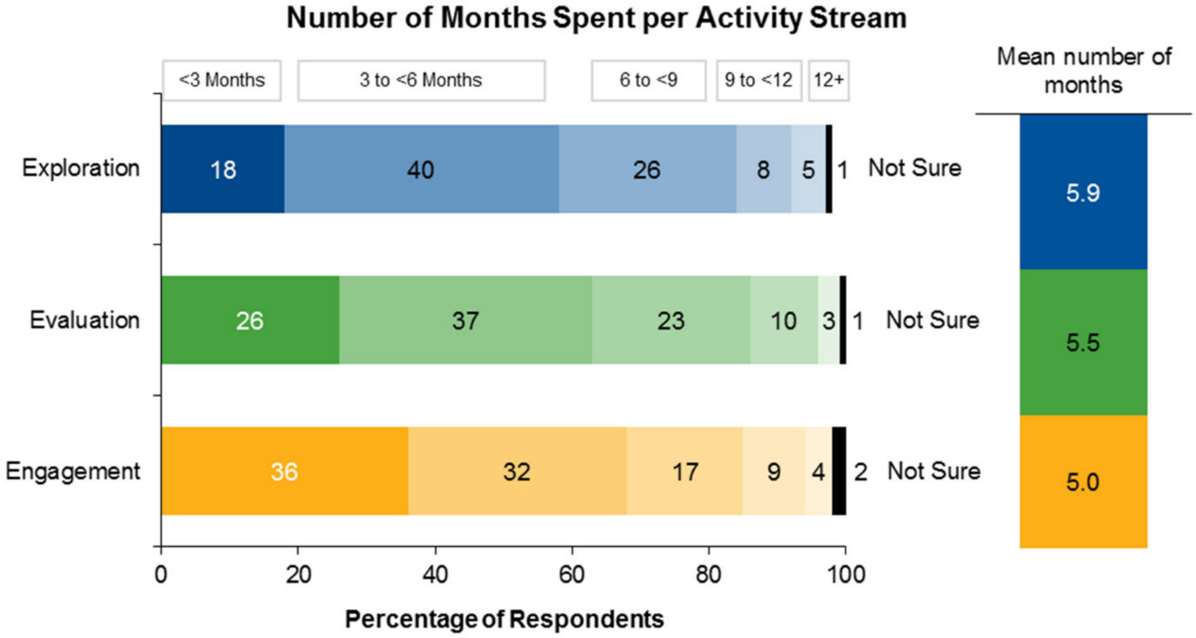
Notes:
Question we asked: Which of the following groups within your organization is primarily responsible for leading each activity stream of the buying cycle for new IT purchases?
Number of respondents = 508.

Source: Gartner (September 2016)

Enterprise Buying Efforts Often Take 12 Months or More

A key objective of TSP sales effectiveness efforts is shortening the sales cycle. But that must be viewed in the context of the enterprise buying cycle. It is most common for buying teams to spend between three and six months in each major area of the buying cycle (see Figure 4). Even with the fact that activity streams may overlap, this implies that the overall buying time will often span 12 months or more.

Figure 4. Average Length of Buying Cycle by Activity Stream



Notes:
Question we asked: What is the average amount of time spent by the whole purchase team in each phase of the buying cycle for new IT purchases?
Number of respondents = 508.
Percentages do not add up to 100% because of rounding.

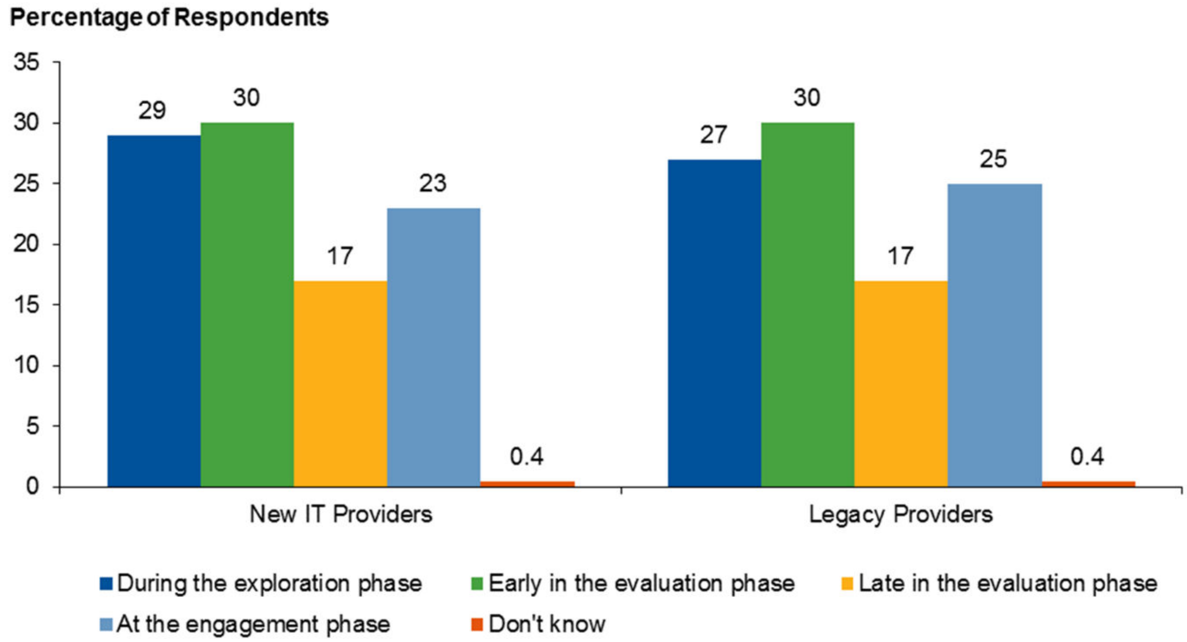
Source: Gartner (September 2016)

- **Enterprise Don't Engage With TSPs at a Well-Defined Point in Their Buying Effort**

  TSPs may not be fully aware of this entire cycle — the TSP view of the average sales cycle may often have a later starting point. From TSPs' perspective, the sales cycle may start at the point at which buyers first engage with them or their content (see Figure 5). Buyers engage at widely varying times in their buying process, whether they are considering new TSPs for the first time or considering one they have already done business with. In either case, it could be relatively early — almost 60% of the buyers surveyed indicated that they will engage (or accept requests for engagement) with TSPs during the early stages of their buying effort, either while they are exploring or in the early stages of evaluation.

  TSPs should not make any assumptions about where the buying team is in the process when it engages. Instead, they must work to uncover that information and adapt their sales and supporting marketing approach accordingly.

Figure 5. Phase of the Buying Cycle When Enterprises Will Typically Engage With Providers



Notes:
At what point in the buying cycle would your organization reach out to or accept a request from an IT provider your organization hasn't worked with in the past?
Number of respondents = 508.
Percentages do not add up to 100% because of rounding.

Source: Gartner (September 2016)

- **Multiple Projects Introduce Complications and "No Decisions"**

  In addition to the large team size and uncertain leadership, there is another complicating factor — other projects and competing business needs. Respondents to our survey had been involved in an average of 3.7 different categories of purchase efforts in the last 12 months. (For respondents in IT roles, this figure was even higher — 4.7 categories. Respondents in business roles were involved in 2.8 categories.[2]) This creates an environment of competition within the enterprise. Not every project gets the funding or the resources it needs to succeed. Buying team participants may be championing one project while supporting other ones. Those secondary projects may get less focus or attention. The competition between projects may cause some participants to make efforts to try to stop a competing project from getting funded. Gartner believes that these competing priorities delay buying decisions, or halt them entirely.

> In the past 12 months, 94% of the respondents have participated in a buying cycle where the effort was canceled before the purchase was completed.[3]

Buyers cite a wide variety of reasons for buying efforts being canceled, including lack of satisfaction with solutions, budget issues, risks and concerns about ROI. While some buying efforts may be considered to be more of a "wish list" effort (where there is not, in fact, a conscious well-defined buying effort), these efforts still involve some level of investment for the buying team — and for the TSP if it engages with the buying team in any way, particularly if it has invested resources without effectively qualifying the situation as a legitimate opportunity. Unless these cancellations lead to specific new buying activities or provide an opportunity to establish some level of trust, they are effectively costly wastes of time and energy for both parties.

This combination of dynamics presents a challenging environment for TSPs to manage to get the most of their sales and marketing efforts. A failure to understand the dynamics could result in a waste of resources pursuing opportunities that never result in purchases or investing time and energy with the wrong people on the buying team.

Use Account-Based Strategies to Navigate Complex Buying Landscape

Through a greater focus on sales enablement, increased adoption of tools and technologies, better use of third-party data, and simply more familiarity with a changing B2B technology buying cycle, TSP sales reps, sales development reps (SDRs), presales resources and others that support that sales process have made significant strides with how they interact with buyers. In fact, 44% of the respondents reported an improvement in the quality of provider sales interactions over the last two years.[4]

And in a separate survey of TSP CEOs, 50% of the respondents believe they are winning a greater share of deals than before, with the majority (76%) of those crediting improved customer experience during the buying process for those gains (see "Technology Provider CEOs Believe That Customer Experience Provides a Winning Strategy").

But despite the improvement in the quality of sales tactics and sales interactions, as well as the higher win rates, deal velocity (the length of the sales cycle) remains a concern for many providers. In inquiries with Gartner analysts, clients seek help with increasing deal velocity more frequently than any other sales-related issue. And given a buying process that lasts more than 12 months on average (even if providers aren't involved in all of it), there is ample room for improvement:

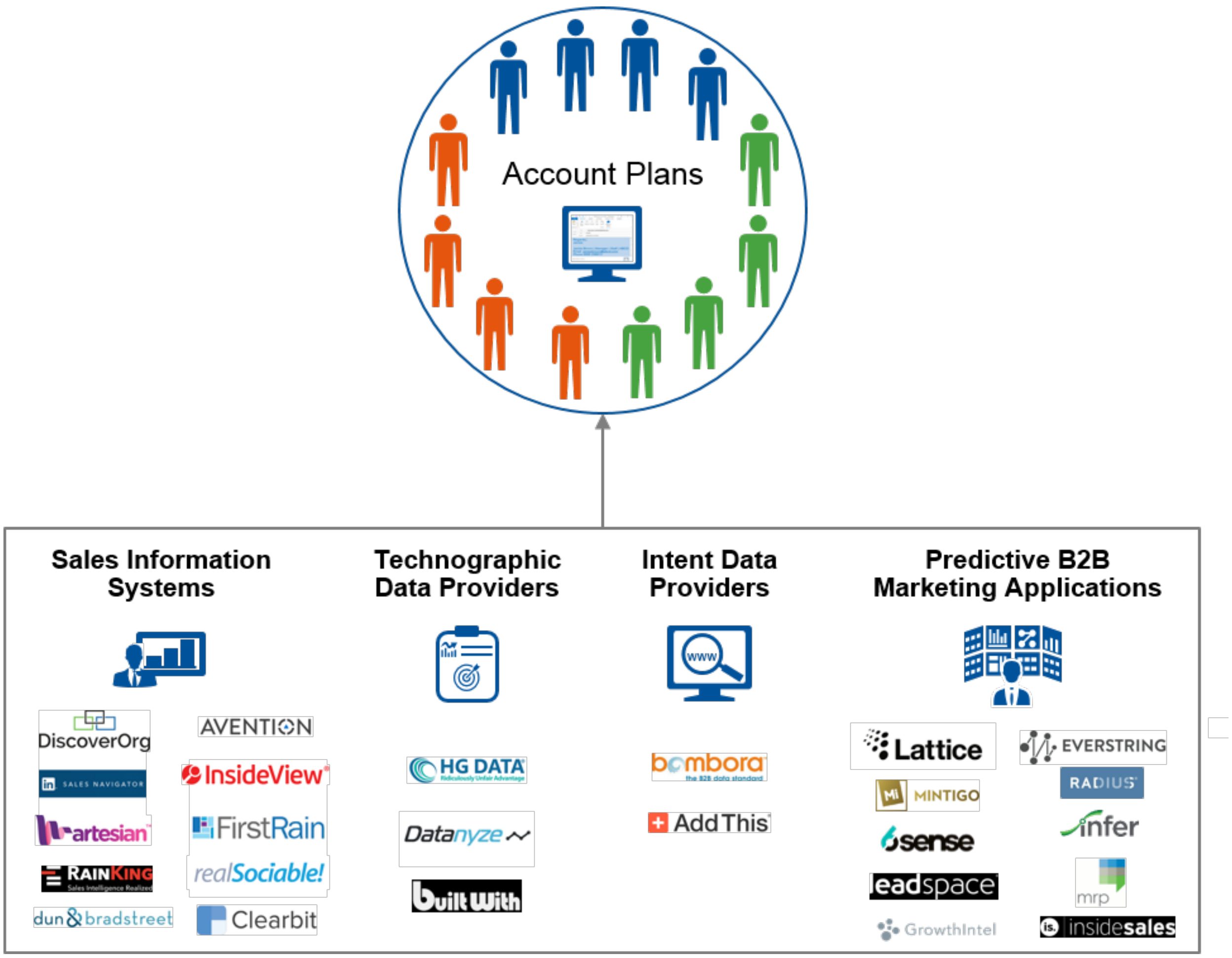
- **Acquire Deeper Insights About Target Accounts and Include in Account Plans**

  With more than a dozen individuals within a single account involved in a typical buying process and multiple technology purchases being researched simultaneously, you may actually need to appeal to even more people. It's important to not to think about your solutions in a vacuum. A buying decision for your solution may be contingent on decisions for other solutions being made, but in many cases, the exact order could be relatively arbitrary.

  TSP sales and marketing teams working collaboratively using ABM and ABS strategies must work to uncover the big picture within accounts. Some information about the broader initiatives can be gleaned from conversations you have with key contacts within the accounts. But they may not be fully aware of the broader initiatives (particularly if they aren't involved with all aspects), or they may not want to share all the information with you. So look to both third-party sources and executive contacts to get a better understanding of the overall landscape (see Figure 6).

Much of the information should be added into account plans that are accessible by both sales and marketing, but some of the data can be fed directly into the account record within the SFA system. Given the lengthy sales cycle, it's important to update account plans on a regular basis as the landscape may change throughout the course of the engagement.

Figure 6. Landscape of Third-Party Account Information Sources



Source: Gartner (September 2016)

- **Leverage ABM and ABS to Increase Deal Velocity**

  Account-centric strategies to selling have been around for many years, but deep account focus tends to be concentrated in larger TSPs. These organizations often have a set of "key" or named accounts that include ones with high recurring revenue or a high potential lifetime value (LTV). Those key accounts typically are handled by a set of more experienced account executives and teams, with each account having a focused plan for growing and retaining revenue (see "Strategic Account Management Augments the Capabilities of SFA Systems").

Explanation of ABM and ABS

Account-based marketing and account-based selling are related but not identical constructs. Traditional definitions of ABS revolve around the discipline of targeting (and selling to) accounts rather than leads or contacts. ABS has been in place for many, many years, and TSPs assign account managers/teams to named accounts (typically existing customers, but also new names) and create detailed plans for those accounts. ABM is the discipline of targeting identified accounts with personalized messaging, content, calls to actions and lead scoring/management rules. ABM also includes a defined process of identifying accounts to target, activating those accounts (through inbound and/or outbound channels), aligning with sales around account plans and measuring the success of the program. Many companies employ ABM programs to complement (rather than replace) traditional demand generation efforts.

The adoption of account-centric approaches to marketing didn't accelerate until 2015. Although the ability to target ads or personalize inbound experiences by company (via IP address) and role (via cookie) through the help of vendors such as Demandbase, Vendemore, Terminus and Madison Logic was a key enabler for ABM, the increase in the complexity of the buying cycle has made it more of an imperative for TSPs of all sizes.

By leveraging ABM, providers can focus resources on the accounts that they believe provide the best revenue opportunities (both short-run and from an LTV perspective) and a higher probability of success. Well-designed ABM programs can improve win rates and deal velocity by increasing reach and tailoring the messaging, content and activities to appeal to all the individuals involved in a buying process (see "Tech Go-to-Market: New Approaches to Account-Based Marketing Offer Tremendous Potential for TSPs"). While traditional segmentation strategies can make the messaging more resonant and make it more efficient to create content and run programs (see "Tech Go-to-Market: A Practical Guide to Market Segmentation"), they don't provide the reach or the focus necessary to increase deal velocity for specific accounts.

TSPs can't simply flip a switch and become experts at ABM overnight. Accounts have to be selected, either manually via firmographics or through predictive models (see "Tech Go-to-Market: Predictive Analytics Can Improve Top-of-the-Funnel Effectiveness for TSPs"); content has to be created; and inbound and outbound activation channels have to be identified. More importantly, account-based strategies have to be aligned between sales and marketing, and account plans will need to be created and updated. Gartner recommends starting small with a handful of accounts, if possible.

- **Reorient Sales Enablement to Understand Buying Dynamics in Accounts**

  Taking a more account-centric approach to both sales and marketing can help increase win rates and deal velocity, but it works only if salespeople, SDRs, partners and anyone who will be engaging with people in the accounts are enabled for success. There are three key aspects to reorienting sales enablement in an account-centric world:

- **Ensure salespeople are situationally aware of buyer readiness to engage —** Lead qualification rules are often different for accounts included in an ABM program, so sale reps may be dealing with buyers at an earlier stage of readiness. One of the explicit goals of ABM is to include reach within an account, so the reps may also be asked to talk to people who are more in an influencer role, and they have to understand how engagement differs relative to a more direct decision maker (see "Tech Go-to-Market: Understanding Buyer Readiness Will Improve the Traditional Sales Process to Become More Customer-Driven").
- **Prescribe internal and external-facing content —** ABM requires marketing to create different, often more personalized content for accounts; sales reps, SDRs and partners need to know how to easily find it and use it. But whenever possible, be as prescriptive as possible (either through rules or predictive analytics) to lay out what content should be sent (and/or viewed) and when, in the account plans or even within the account or contact objects in the SFA system (see "Tech Go-to-Market: Develop a More Comprehensive Content Strategy to Meet the Needs of Business Buyers").
- **Help sales reps increase the prioritization of your solution —** Shortening the sales cycle requires the ability to impact the sequencing of technology purchases. Evangelizing the value to many different contacts within an account can certainly help, but sales reps (and partners) need to get key contacts to make the case internally. Train sales reps on how to equip their champions with the stories that seek to raise prioritization of the TSP solution.

By increasing focus on ABM and ABS strategies, developing deeper knowledge of targeted accounts, and adapting sales enablement programs to be more account-focused, TSP marketing leaders can improve the effectiveness of their marketing investment, while working closely with sales to navigate the complex dynamics of enterprise technology buying.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Tech Go-to-Market: Situational Awareness Will Become the Primary Context for a Customer-Driven Sales Organization"

"Tech Go-to-Market: Trust Drives the B2B Technology Buying Cycle"

"Tech Go-to-Market: The B2B Customer Life Cycle for Technology Products and Services"

"Technology Provider CEOs Believe That Customer Experience Provides a Winning Strategy"

"Tech Go-to-Market: New Approaches to Account-Based Marketing Offer Tremendous Potential for TSPs"

"Tech Go-to-Market: Understanding Buyer Readiness Will Improve the Traditional Sales Process to Become More Customer-Driven"

Evidence

[1] In June 2016, 508 respondents (200 in the U.S.; 53 in Canada; 100 each in the U.K. and Germany; and 55 in Australia and New Zealand) were interviewed online and through computer-assisted telephone interviewing. Respondent organizations with more than 100 employees were surveyed (84% were in organizations of 750 or more employees). Respondents were involved in **large-scale*** IT purchase decisions (infrastructure hardware or software, security hardware or software, application software installed on-premises or run from the cloud, outsourced services, infrastructure as a service, platform as a service, or professional services). Respondents were asked about TSPs' marketing and sales activities and the impact on the decision to purchase at different stages of the buying cycle (exploration, evaluation and engagement).

The results of this study are representative of the respondent base and not necessarily the market as a whole.

*For the purposes of this survey, "large scale" IT purchase decisions were defined as follows:

- For organizations with fewer than 750 employees, the minimum contract value of the purchase needed to be $25,000 (or local currency equivalent).
- For organizations with 750 or more employees, the minimum contract value of the purchase needed to be $50,000 (or local currency equivalent).

[2] In the survey, respondents were asked to indicate if they had been involved with a purchase decision where the contract value exceeded $25,000 for small companies, and $50,000 for midsize and large companies (with appropriate currency conversions for other regions) in seven categories: application software (on-premises or cloud), infrastructure software (on-premises or cloud), data center hardware, security (hardware, software or services), IT outsourcing/managed services, professional services (including integration services), or employee hardware purchases (mobile phones, laptops and so forth). The mean number of categories mentioned by respondents was 3.7.

[3] Respondents were asked to choose their top three reasons for canceling or stopping a technology buying cycle without completing a purchase at all with a time range of the last two years. Only 5% indicated that they had not terminated a buying cycle, and 1% reported they did not know. The top four reasons for termination were lack of satisfaction with potential solutions or providers (35%), project or solution costs exceeding the budget (34%), business and/or technical risks deemed too high (31%), and concerns over ROI (30%).

[4] Respondents were asked to rate how the quality of sales interactions has changed this year in comparison to the past two years. They were given a scale of 1 (decreased significantly) to 5 (increased significantly). For the 508 respondents, 14% indicated that quality had increased significantly, 31% indicated that quality had increased slightly, and 44% felt it had stayed about the same. Only 10% and 2%, respectively, felt it had decreased slightly or significantly.

GARTNER HEADQUARTERS

Corporate Headquarters
56 Top Gallant Road
Stamford, CT 06902-7700
USA
+1 203 964 0096

Regional Headquarters
AUSTRALIA
BRAZIL
JAPAN
UNITED KINGDOM

For a complete list of worldwide locations,
visit http://www.gartner.com/technology/about.jsp

Gartner for Small and Midsize Business CEOs

Gain an edge on the competition

Leading a successful technology provider means spotting the opportunities others don't. **Gartner for Small and Midsize Business CEOs** helps existing and emerging technology providers make the right business decisions to fuel growth.

Our clients use this real-time, expert advice and objective research to:

- Innovate stand-out products and services
- Build a solid go-to-market strategy
- Position and message to reach targets
- Own their professional development

Gartner helps technology companies improve their business results. Our independent research and advice is trusted by business and technology leaders in more than 10,000 distinct enterprises around the world.

Learn more about joining this program. Access additional resources to support you in your role.

Gartner®