

# Chapter 1

## Who's Winning Now? *Becoming the Preferred or the Sole Provider*

**P**ursuing new business exclusively in the visible market – the portion of the market where companies are actively and openly looking for a service provider – is a dead end strategy in this economy. The only way to win in these turbulent times is to become the sole or preferred provider, and that can only happen by venturing into the invisible market and engaging clients before they look for service providers. The objective of *Winning In The Invisible Market* is to give you a map and navigation tools to penetrate and create new business in the invisible market.

### **The Visible Winners**

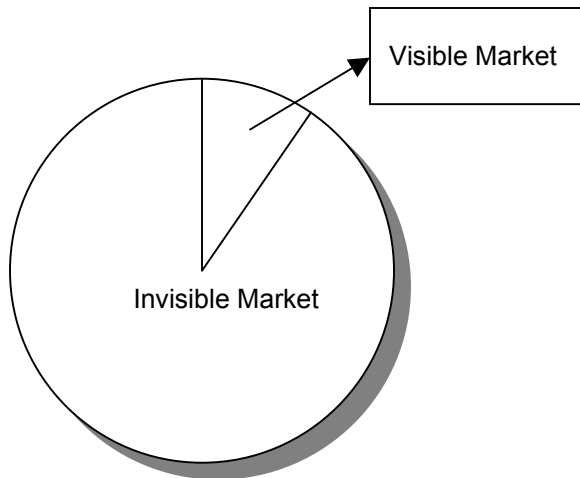
The head of a health care consulting practice was faced with a dramatic downturn in business and asked me to help his team win in competitive “bake-offs.” I suggested that we work on tactics to reduce or eliminate competition by engaging prospective clients *before* they made the decision to use a consultant. The CEO responded that this approach would be a waste of time because all business today was competitive.

I later asked a board member of a major health care system

about their use of consultants. She told me that their last eight engagements were sole-sourced, meaning that they did not conduct a competitive search before hiring a consultant.

How could two players from the same industry hold such divergent views of how outside professionals are hired? The answer: if you wait for clients to approach you with Requests for Proposals (RFPs) or Statements of Qualifications (SOQs), all of the potential business you see *is* competitively bid. In reality, the percentage of business that is truly competitive is much less than it appears.

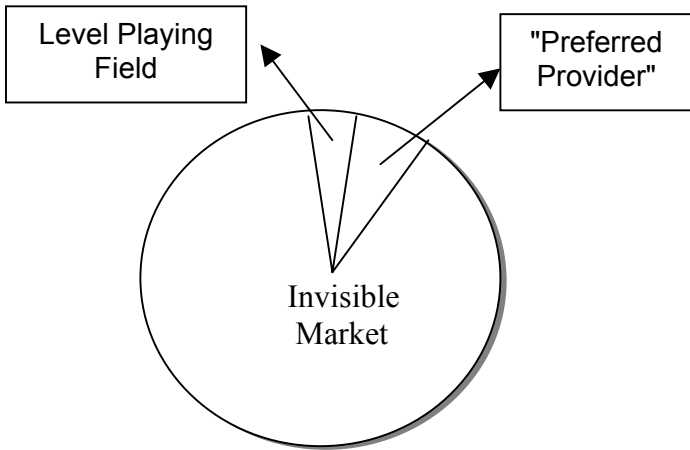
The **visible market** – the portion of the market comprised of companies actively and openly looking for a service provider – represents only the tip of the opportunity iceberg as shown in the graphic below.



By the time companies enter your field of vision by taking proactive steps to hire an outside professional – asking for proposals, statements of qualifications or price quotes – your competition has probably already been there. Yes, the prospects are qualified; you can be assured they are actively seeking the

type of services you provide. But unfortunately, in most cases, the prospect already has a **preferred provider** who usually wins the business.

If you are not the preferred provider, the deck is stacked against you. As the diagram below demonstrates, only a small portion of the opportunities in the visible market are truly competitive, further narrowing your market if you focus only on those companies that are visibly active.



## **The Invisible Winners**

In addition to the visible and invisible markets, there is also an **invisible active market** where companies are quietly choosing service providers on a sole-source basis. The size of this market varies in different industries but, as the health care example above demonstrates, it is always larger than service providers suspect.

Take, for instance, the U.S. federal government, which is the largest consumer of business services. Everyone knows that government contracts are competitively bid, right? Look again. More than half of all federal service contracts are sole sourced.\* And, if you take a closer look at the remaining “competitive”

engagements, you'll see that a preferred bidder wins the majority of those.

By the time a company decides to seek outside services and moves into the visible market, it is reaching the end of a multi-phase decision-making process. They have already identified and assessed a problem and envisioned and built internal consensus on a solution. Of primary importance to you, they often have a preferred service provider in mind – a provider who began supporting them before the project became “visible.” In all likelihood, this preferred service provider will be chosen to help the prospect reach the envisioned solution.

So, where should you put your sales efforts?

Clearly, you want to become the preferred or sole source provider because these positions offer higher margins, higher hit rates and more committed and supportive clients. But to do this, you will have to venture into the invisible market and engage companies earlier in their decision-making process and establish your value before they start comparing service providers.

By building a value relationship with the prospect earlier in the process, you can win more exclusive business or establish a competitive advantage as a preferred provider. But venturing into the invisible market is easier said than done.

### **The Value Gap: *Undervalued and Unappreciated***

The invisible market is where all preferred or sole-sourced business is created. But it can be a forbidding place, full of potential clients who don't know you, don't know they need you and don't know how your services differ from those offered by your competitors.

The reason selling professional services can be so difficult, and sometimes downright painful, in the invisible market is that potential clients cannot possibly understand or fully appreciate all that you can do for them before you actually do it. And, unfortunately, if companies do not value you before the service is performed, then they won't be inclined to use your services, choose you over alternative providers or pay what you're worth. They may not even

be willing to meet with you.

This is what I call a **value gap** – the difference between a prospect’s perceptions of the value of services you offer and the actual value you can deliver. Anyone who has attempted to access and acquire new clients knows that initially the value gap can be a fairly wide chasm. What’s more, because the terms of your engagement are set *before* you provide the service, you inevitably fight the value gap at each stage of the business development process.

There are two types of value gaps that you will encounter: the *service* value gap and the *preference* value gap. A **service value gap** *occurs in the invisible market* when the potential client has no perceived need or sense of urgency for the services you offer. For instance, a potential client may not yet be convinced that his or her company has a problem and therefore isn’t in the market for your services right now. Perhaps the prospect has already addressed the problem or been burned in the past, making the risk of taking new action too great. Or perhaps the prospect doesn’t understand or believe your solution. Maybe they just don’t have the authority, consensus or resources to act right now. All of these are examples of service value gaps.

A **preference value gap** *occurs in the visible market* after the prospect has made the decision to use a service but chooses to use one of your competitors to deliver that service. A preference value gap arises when the potential client does not understand or appreciate what makes your service different and better than alternatives.

Whatever the reason, when faced with a value gap, you are operating in a world in which you are unappreciated and undervalued. This is unpleasant both professionally and personally. The invisible market is where the biggest value gaps are, and it is replete with rejection and wasted time. But, it is also the only place to become a preferred or sole provider.

So the choice is to continue to bang your head against the wall competing for a piece of the decreasing visible market pie

or get ready to win in the invisible market. Naturally, before entering such unexplored territory, you will want to understand how to gain access, close value gaps, determine who is going to make a decision, and then be able to shepherd that decision as a preferred or sole provider.

The next step in developing **strategic empathy** is to understand how clients decide to use outside professional services. We'll look at that in Chapter 2.

\*Stanberry, Scott A., *Federal Contracting Made Easy*, Management Concepts, Inc., January 2001.