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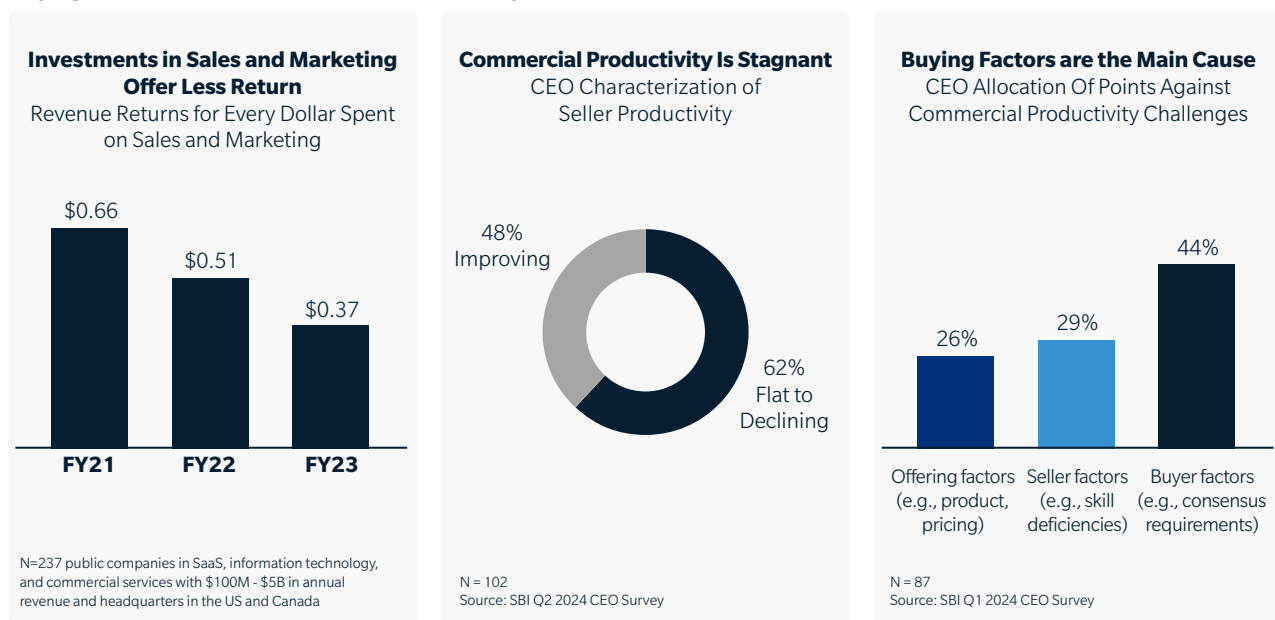
The Next Era of Commercial Differentiation

Overcoming Friction in Today's Buying Environment

Sellers learn early that the keys to success are to understand buyers' needs, teach them how to improve their business, and quantify the benefits they'll see from a purchase. Unfortunately, the buyers they are selling to find this less helpful than ever as they struggle to navigate constantly changing needs and organizational priorities, that make the future feel uncertain. As a result, more buyers are downsizing, delaying and abandoning purchases.

This disconnect between what sellers do and what buyers need is hurting commercial performance. Commercial productivity and deal sizes are stalling, and CEOs have taken notice, pointing to 'buyer factors' as the biggest threat to commercial productivity.

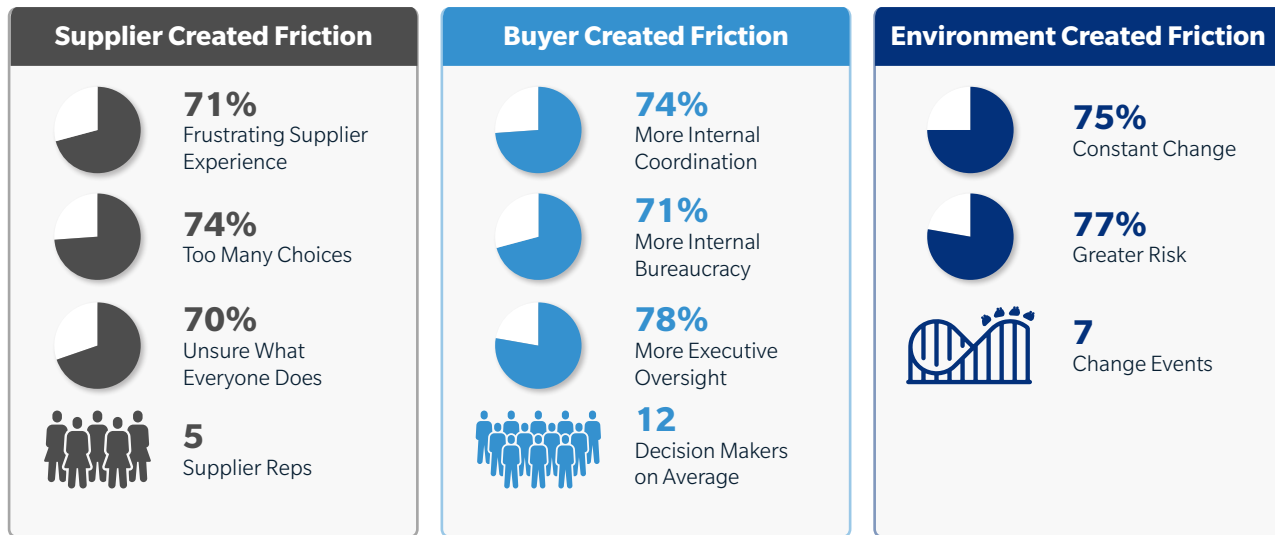
Buying Factors Threaten Commercial Productivity



Buying Friction is Everywhere

CEOs' instincts are right. Today's buying environment is causing problems. The environment is full of 'friction' that slows decisions and grinds deals to a halt. SBI identified three factors creating friction that together cut the odds of closing a deal by 43%.

Three Sources of Buying Friction



Friction creates uncertainty, making decisions feel harder and purchasing feel more complex

N = 643 Commercial decisions (net-new, displacement, renewal, expansion)
Source: SBI 2024 Commercial Differentiation Survey
Note: Percents indicate buyers agreeing (5-7) on 7-point scale

1. Supplier Created Friction

The scope of the supplier-buyer relationship continues to expand. All purchase types require buyers to engage with five different supplier representatives. Engagements are no longer limited to buyers and sellers working together. Instead, today's buyers work with supplier representatives across go-to-market (GTM) teams from sales to product to customer success. Unfortunately, this often results in a poor experience with buyers repeating the same information to different people as handoffs are dropped. It's no surprise that 71% of buyers describe their experience working with supplier reps as "frustrating" and 70% of buyers admit they worked with so many different people they're "not sure what they all did."

2. Buyer Created Friction

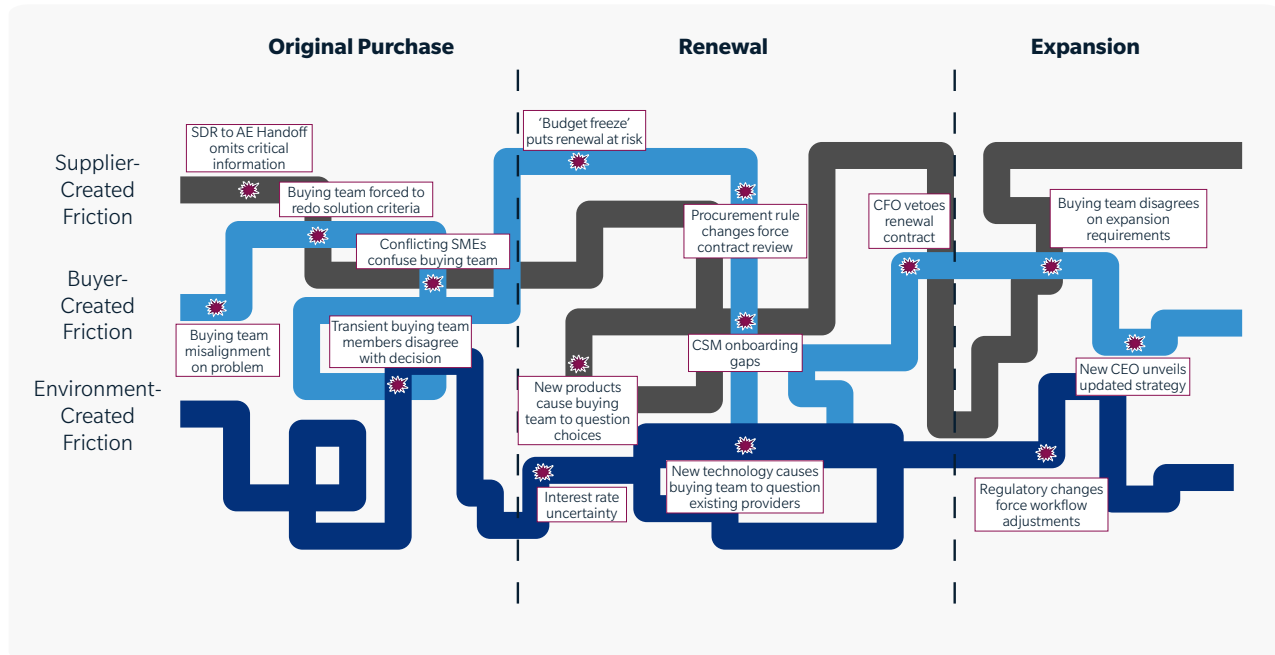
Buying organizations are adopting and expanding conservative decision-making policies to 'de-risk buying'. Leaders hope that larger buying groups will ensure every dollar spent receives cross-organizational input and that increased executive oversight ensures purchases align with strategic priorities. From the buyers' point of view, the policies meant to de-risk buying are making decisions harder. Today the average buying team has 12 members and 74% of buyers say internal coordination is one of the most frustrating parts of the buying journey. Additionally, 78% of buyers report the demoralizing experience of having the buying team's decisions overruled by senior executives.

3. Environment Created Friction

Environmental friction forces buyers to wonder whether the decisions that are right for today are the right ones for tomorrow. The average buyer sees seven major change events leading up to and during the buying journey, and a full 75% percent of buyers say changes in the economic environment made it difficult to decide what to purchase. This difficulty isn't just because the environment changed, but because in response to that change the buying organization adjusted its own priorities and purchase requirements. These shifts make buying the 'right' solution feel like a moving target.

Friction doesn't disappear after the initial purchase is complete. Friction continues to hamper commercial productivity and put deals at risk throughout the customer lifecycle. It makes what should be straightforward renewals become risky, despite any incumbent advantages, because buyers must continuously reconcile how the environment and their needs changed since the original purchase. This causes them to question whether their current supplier's offerings have kept pace and are still the best choice.

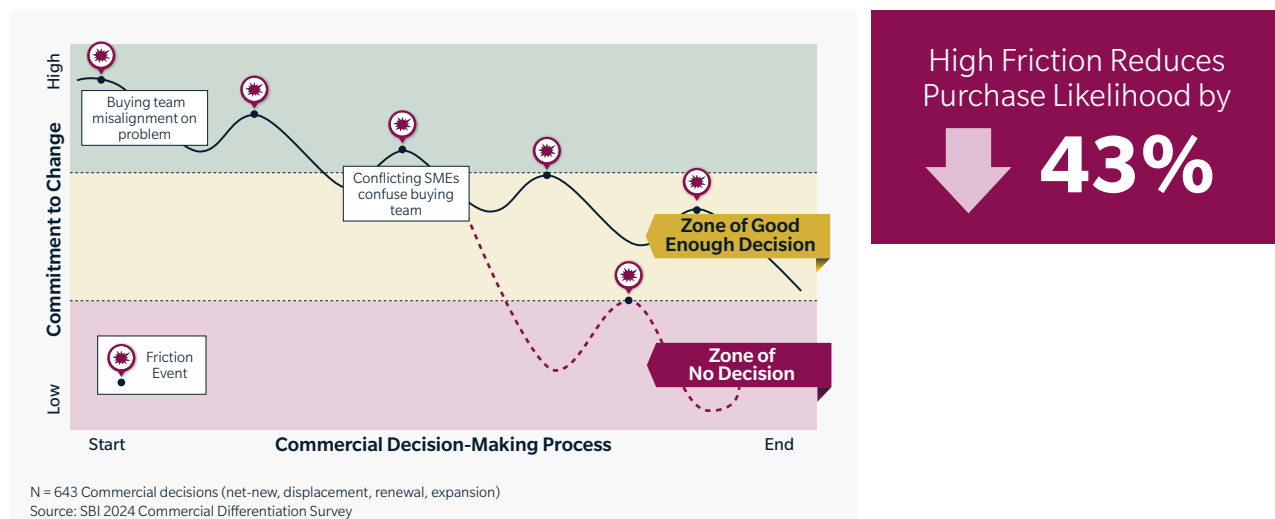
Buying Friction Events Across the Customer Lifecycle



Buying Friction Kills Purchases and Erodes Deals Quality

Friction kills deals. High friction reduces the odds of a purchase by 43%. Even when buyers persevere, friction often erodes their commitment to change as their needs shift, internal disagreements drag on, and supplier reps don't understand what they're trying to accomplish. This causes buyers to settle for a 'good enough' purchase decision that no one is excited about.

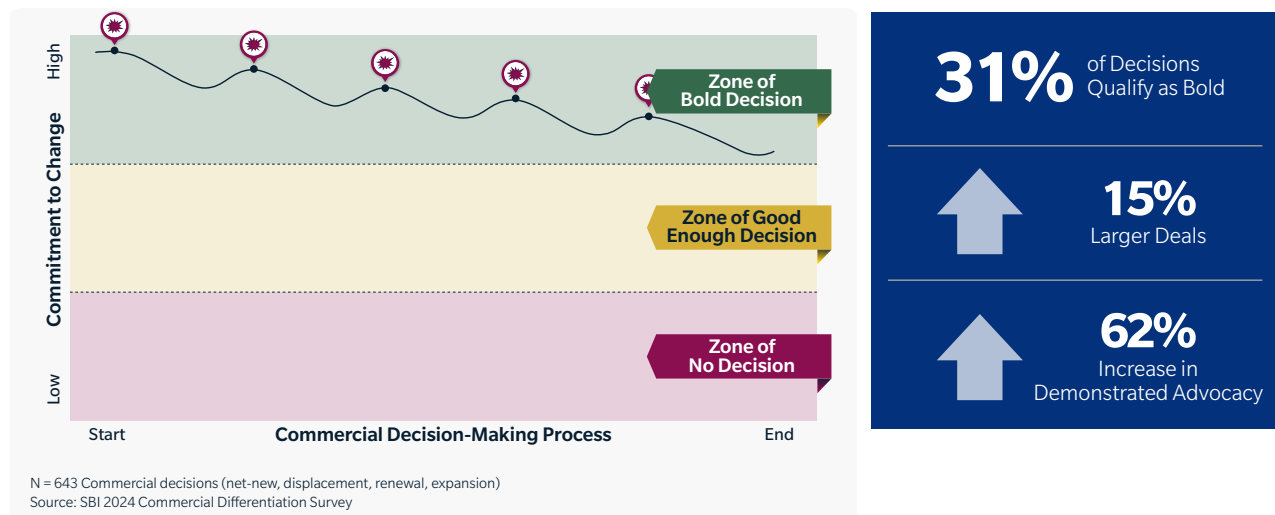
Friction's Impact on Buyers' Commitment to Change (illustrative)



There is some good news. Our analysis of 643 purchase decisions found that not all deals are equally affected by buying friction. Nearly a third, 31%, of buyers experience friction without their commitment to change being eroded. These buyers persevere and complete a bold purchase decision where, despite the risk, they:

1. Decide to spend more than they originally planned, certain it will create value going forward and
2. Agree the solution delivered value above their expectations.

Bold purchase decisions create win-win situations where buyers are more pleased, and suppliers see 15% larger deal sizes and a 62% increase in advocacy.



How Can We Generate More Bold Purchase Decisions?

Buying friction's impact on commercial success across the customer lifecycle highlights a problem that every GTM leader and team recognizes: purchase decisions today are shaped by far more than just buyers' interactions with sales teams.

Most studies looking at what drives deals haven't kept pace with this change. To understand what really drives bold purchase decisions, SBI took a new approach with four unique research principles across 643 purchase decisions:

1. **Examine all GTM Touchpoints** – Since 'selling' goes well beyond the sales team, we looked at all the ways buyers interact with suppliers across the customer lifecycle.
2. **Encompass all Purchase Types** - New- and re-purchase decisions aren't always made the same way, so we looked at displacement, new purchase, renewal, and expansion independently to ensure a complete perspective on what drives bold purchase decisions.
3. **Ensure Broad Applicability** – Company size, industry, and deal size can make a difference in the buying journey, so we incorporated controls to determine where the findings are applicable for most, and where there is variation.
4. **Evaluate Characteristics of Today's Commercial Methods** – With 31% of purchases being bold purchase decisions, we studied where current commercial methods ('value selling', 'insight selling', etc.) succeed and fail.

Using these research principles, we conducted a rigorous statistical analysis to understand what drives and separates bold purchase decisions from other deals.

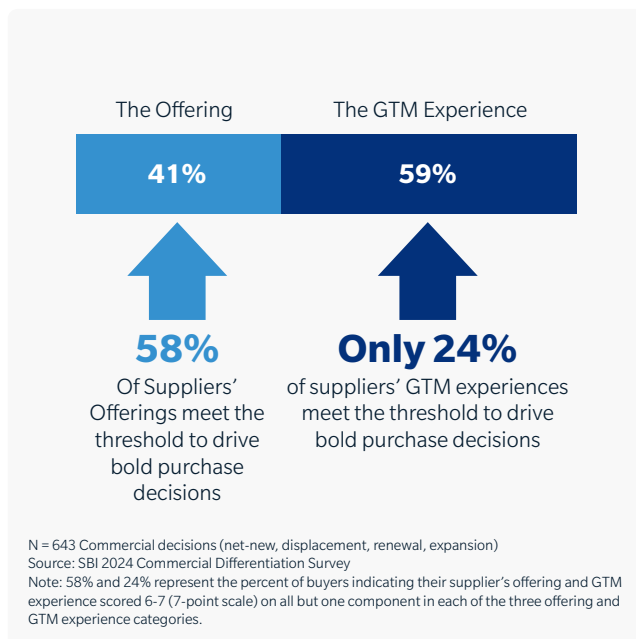
GTM Experiences Drive Bold Purchase Decisions, But Most Suppliers Fall Short

The first thing we found is there are predominately two ways suppliers invest resources to drive customers toward a purchase decision:

1. **The Offering** - factors relating to what the buyer purchases and their expectations (e.g., the product or service, the pricing structure, and the brand's reputation).
2. **The GTM Experience** - factors relating to their buying experience (e.g., How the GTM team worked with the buyer, the support provided, what the experience felt like).

Overall, a customer's GTM experience with the supplier accounts for more of a bold purchase decision (59%) compared to only 41% for The Offering. When it comes to bold purchase decisions, the adage "how you sell is more important than what you sell" is accurate, but concerningly only 24% of GTM teams are getting the "How" right.

Relative Impact on Likelihood of Making a Bold Purchase Decision



Delivering Immediate Value Through the Offering

A well-designed offering drives bold purchase decisions by helping buyers see the link between their purchase and immediate value for their organization. Today, 58% of suppliers' offerings clear this bar and drive bold purchases. Creating this link requires suppliers to highlight three aspects of their offering:

1. **Product Value** - Buyers see the connection between the product's unique features and their specific issues. For most buyers, this happens after viewing a high-quality demo and seeing that the product is easy to integrate into their existing workflow.
2. **Pricing Flexibility** - The supplier's pricing strategy allows buyers to configure a solution that meets the entire group's needs at a reasonable cost. This helps avoid getting bogged down in disagreements about difficult cost-benefit trade-offs.
3. **Brand Reputation** - Buyers feel comfortable doing business with the supplier because their entire offering catalog feels premium, and the company has a reputation for being trustworthy with high-quality values and practices.

Why Most GTM Experiences Fall Short

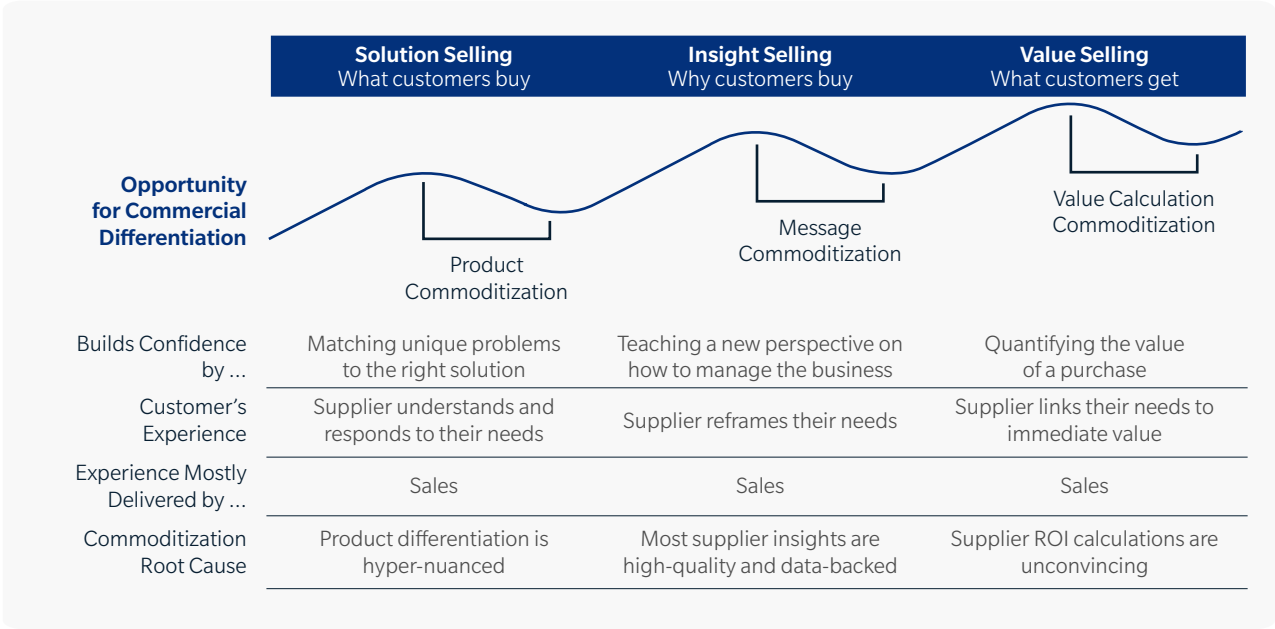
Unrelenting friction has forced buyers to rethink how they evaluate suppliers and what they value most when purchasing. Suppliers failed to keep pace with these changes and now over three-quarters of them struggle to deliver a GTM experience that drives bold purchase decisions.

A great GTM experience preserves buyers’ commitment to change by leaving them feeling confident in their decisions and their ability to make a purchase that helps their company succeed. The characteristics of such a GTM experience evolve when the buying landscape and supplier capabilities undergo dramatic shifts, making previously differentiating characteristics a commodity.

The chart below presents some of the most common selling motions and how they instill confidence in buyers. Part of the reason so many GTM experiences fall short today is that a high-quality offering, data-backed thought leadership, and plausible ROI calculations, things that used to set suppliers apart, are now common. This creates an environment where buyers feel product differentiation is too nuanced, supplier messaging is indistinguishable, and ROI calculations are unconvincing.

All three aspects still help customers feel more confident, but they are less effective and more commoditized than five or ten years ago. The result? Buyers don’t see much difference between one supplier and another so just settle for something cheap(er) that is ‘good enough’.

Characteristics of Selling Motions and Their Impact on Differentiation Over Time



This type of commoditization isn’t new. When it happens, the best suppliers respond by:

- Identifying the characteristics from previous selling experiences that are still useful
- Discarding characteristics that are no longer necessary, and
- Developing ways to help buyers with the new challenges they face today.

This ultimately creates a new era of differentiation that takes the best part of previous motions and adapts them to today’s buying reality.

Guiding Buyers to Make Continuous Headway Through Change

How do suppliers' GTM experiences need to change? SBI found that GTM experiences that create differentiation and drive bold purchase decisions have three key aspects. They all:

1. **Advance** customer evolution and guide them forward in an uncertain environment.
2. **Anticipate** customer roadblocks to avoid disruptions that derail purchases.
3. **Align** the GTM team to the customer direction to provide a consistent experience.

The chart below shows the improvement in the odds of a bold purchase decision when moving from below average to above average for each aspect of the "The Offering" and "The GTM Experience". When a GTM Experience demonstrates these aspects they more than double the odds of closing a bold purchase decision.

Impact on Likelihood of Making A Bold Purchase Decision



A strong solution, compelling insight, and quantifiable value still matter, but the currency of commercial confidence has changed. **Today the best suppliers provide a GTM experience that combines the three aspects above to focus less on immediate value against current needs and more on their ability to guide customers to make continuous headway toward future goals. We call this "Headway Selling"** and it doesn't just drive bold purchase decisions.

Headway Selling



Build trust by demonstrating you can help customers succeed as their needs and goals change. Make change feel less overwhelming by proving you understand how uncertainty disrupts their business, can anticipate challenges they'll encounter, and can work as a team to drive customer success even after the contract is signed.

Headway Selling's Commercial Impact

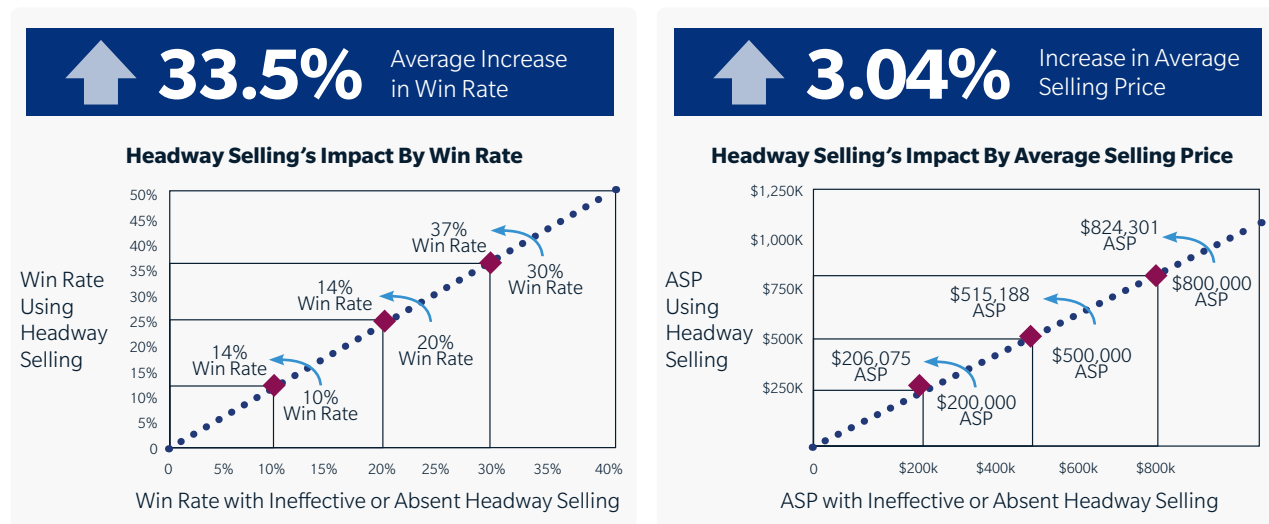
Headway Selling directly addresses the main source of friction today: constant change in the environment and the buyer's needs creates overwhelming uncertainty, making decisions harder and purchasing feel more complex. Suppliers can't stop change, but they can make the future feel more certain and change feel less overwhelming.

Headway Selling's commercial impact stems from two key changes:

1. **Increases in Win Rate:** GTM teams that help buyers understand, anticipate, and make headway throughout change see an average increase in their win rate of 33.5%.
2. **Increases in Average Selling Price:** Headway Selling sees a massive increase in bold purchase decisions. An average organization, with 31% of their deals being bold purchases, would see their share of bold purchases increase to 52% when going from ineffective to above average Headway Selling. And these bold purchase decisions are, on average, 15% larger. This effectively increases the overall average sales price.

The combination of higher win rates and larger deals boosts overall commercial productivity.

Headway Selling's Impact on Win Rate and Average Selling Price



N = 643 Commercial decisions (net-new, displacement, renewal, expansion)

Source: SBI 2024 Commercial Differentiation Survey

Note: Improvement shows 20/80 max impact for ineffective vs using Headway Selling. Win rate improvement average includes 1% to 40% starting win rate. ASP improvement uses the benchmark 31% of purchases being bold

Helping Customers Make Headway Towards Future Goals

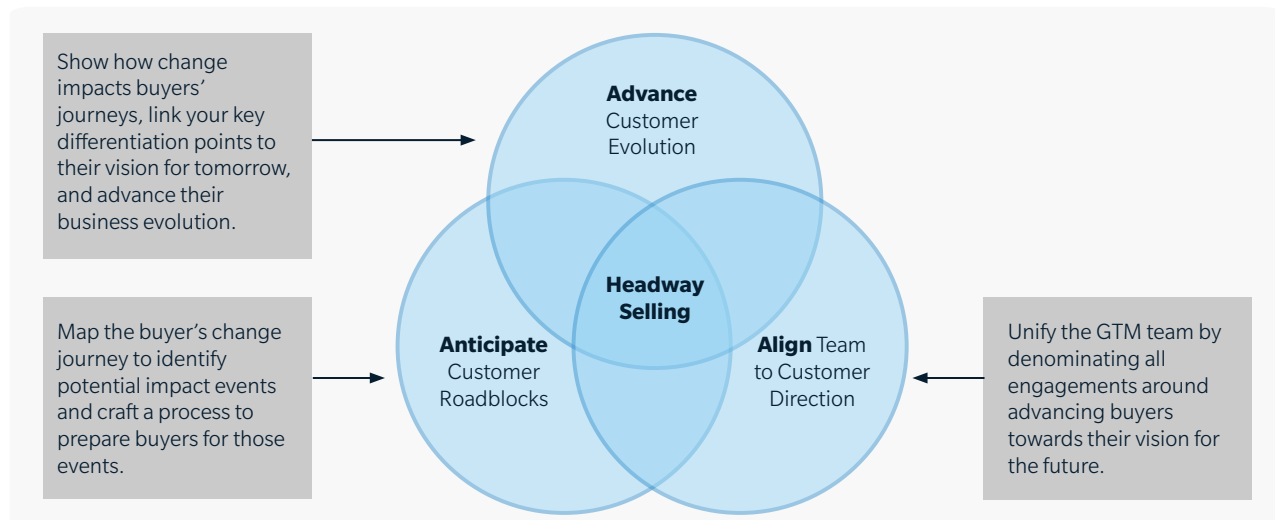
Headway Selling delivers commercial results by creating a differentiated experience that builds and reinforces customer empathy. This helps buyers trust that the GTM team will put their needs first and be there to help them succeed after the contract is signed.

'Customer empathy' is a popular, and often misunderstood idea. Empathy goes beyond expressing understanding or mirroring the customer's emotions. True customer empathy requires GTM teams to internalize the customer's situation from their point of view and demonstrate a clear understanding of what they have gone through, along with how the supplier can be a partner in their evolution going forward.

Headway Selling turns customer empathy from an idea into action by helping GTM teams demonstrate they 'get it' and see the bigger picture about what the buyer is trying to accomplish in a credible and authentic way. Headway Selling does this through the 'three A's' mentioned below:

1. **Advances Customer Evolution.** This starts by GTM teams demonstrating they understand how change impacts buyers' journeys and how customers need to adapt to reach their goals. This allows the GTM team to link their key differentiation points to how they can help customers adapt on that journey.
2. **Anticipates Roadblocks.** Buying often feels like 'one step forward, three steps back' as buyers get bogged down relitigating 'agreed' decisions when the company's needs change. Headway Selling helps buyers anticipate roadblocks by collectively mapping the buyer's change journey to make uncertainty less disruptive.
3. **Aligns the GTM Team to Customer Direction.** Friction isn't a result of the number of supplier representatives but the inconsistency between them. Headway Selling ensures everyone on the GTM team "moves in the same direction", maintaining credibility about the supplier's commitment to the buying team's success.

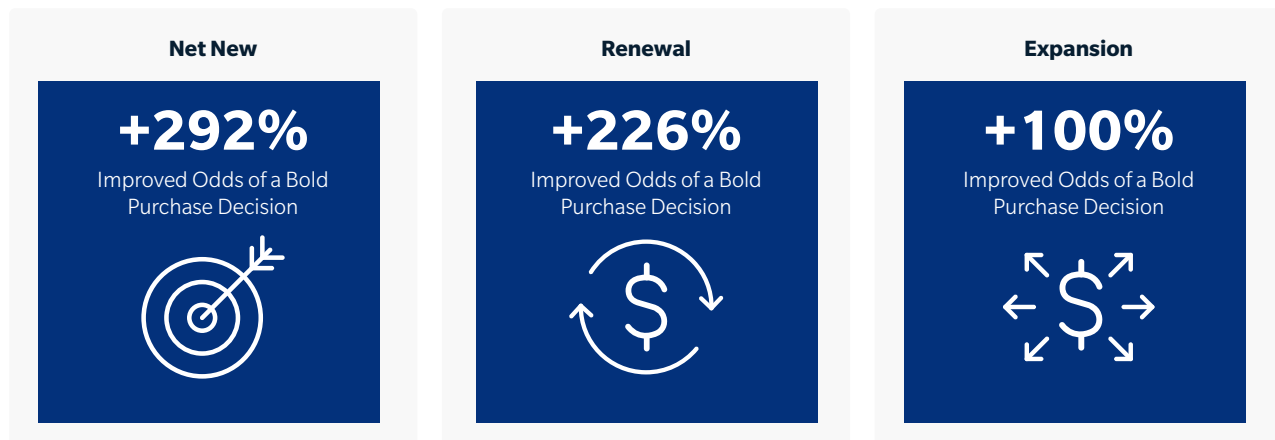
Components of Headway Selling



Headway Selling Thrives Across Purchase Types and Deal Sizes

Headway Selling drives commercial success across the customer lifecycle and at least doubles the odds of a bold purchase decision. Specifically, bold purchase decisions increase by 292% for net new purchases, 226% for renewals, and 100% for expansions.

Headway Selling's Impact by Purchase Type



N = 643 Commercial decisions (net-new, displacement, renewal, expansion)
Source: SBI 2024 Commercial Differentiation Survey
Note: Change represents the impact of moving from 20th to 80th percentile in performance on headway selling.

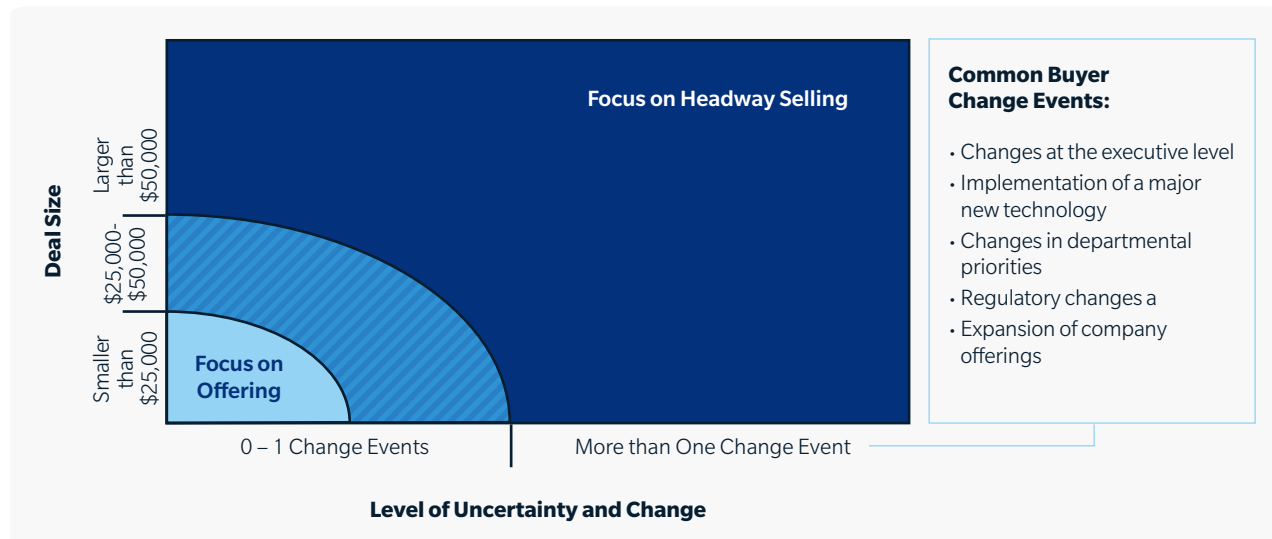
Headway Selling's lower, but still substantial, boost to bold purchase decisions for expansion sales is likely caused by already high levels of buyer confidence in the supplier. Headway Selling helps customers advance through friction events and the resulting uncertainty by making change feel less disruptive and decisions easier. Customers considering and ultimately completing an expansion sale likely experienced this during the initial (re)purchase, and it helped build buy-in for the expansion.

Headway selling is critical in all but the smallest deals

When SBI looked at Headway Selling's impact across deal sizes and levels of uncertainty we expected to find it was effective for large and complex purchases only. After all, those are the purchase decisions where customers are most likely to be exposed to friction and grapple with the impact of constant change.

What we found surprised us. Yes, Headway Selling is effective for those large complex purchases. But it is also effective for everything *except* the smallest most transactional deals. Even 'small' purchases aren't as easy as they once were. For transactions under \$25,000 buyers regularly engaged with at least three members of the supplier's GTM team, and it involved over six people on the buying team. Change events (e.g. disruptions in their company's operative environment, business strategy, or their work responsibilities) were also common and not restricted to only large deals.

Headway Selling's Impact by Deal Size and Uncertainty (illustrative)



N = 643 Commercial decisions (net-new, displacement, renewal, expansion)
Source: SBI 2024 Commercial Differentiation Survey

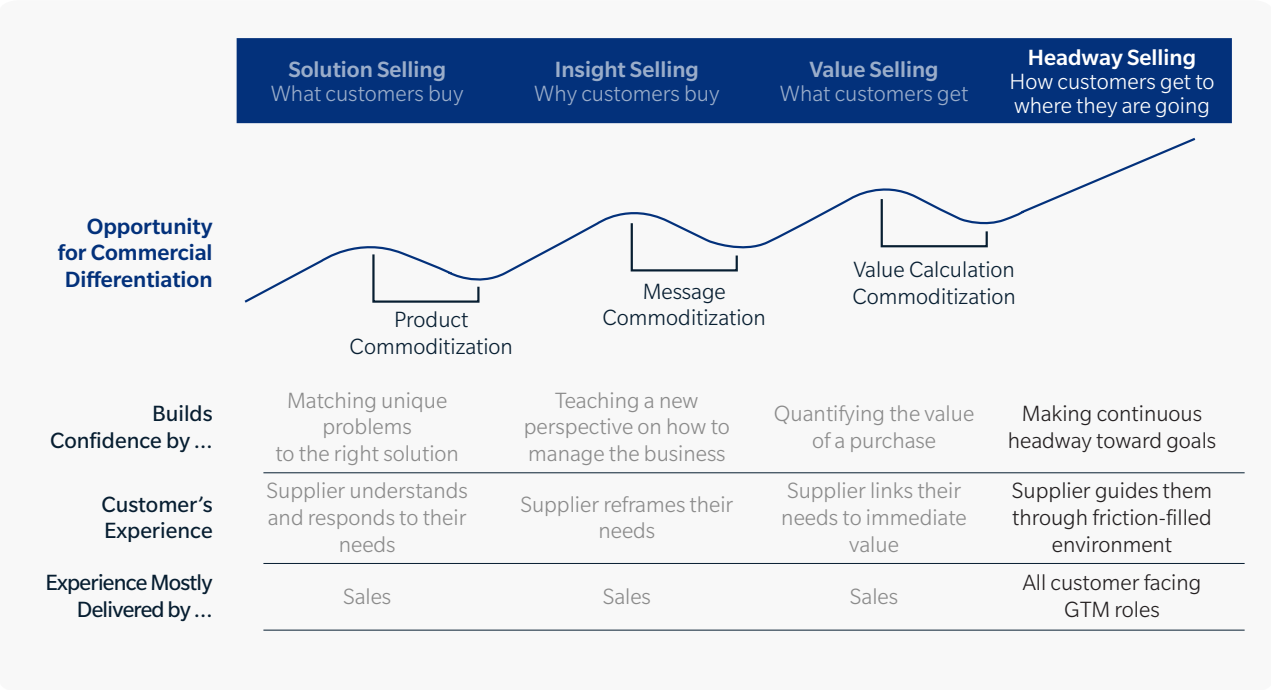
The result is that in only the most transactional deals, those that are quite small and in organizations with little to no change, does the offering drive most of a bold purchase decision. Headway Selling isn't a 'sometimes' motion. It is the new way to drive differentiation across purchase types and deal sizes.

The Next Era of Commercial Differentiation

GTM teams must stop creating headwinds for buyers and step into the next era of commercial differentiation by creating headway.

Leading suppliers show buyers they can help them get to where they are going. Instead of doubling down on reframing customers’ needs with ‘better’ insight or quantifying value more accurately with ‘better’ ROI calculations, bold purchase decisions start with empathy, progress with trust, and close with confidence in the GTM team itself.

Characteristics of Headway Selling and Impact on Commercial Differentiation



Ultimately, Headway Selling doesn’t try to convince customers that friction doesn’t matter or ‘it won’t be so bad’. Both feel inauthentic at best and more often completely unbelievable. Instead, Headway Selling helps customers see a path through the noise and understand how the GTM team can help them complete the journey from where they are to where they want to be, no matter how their situation and goals change.