



ROI as a Selling Proposition

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In today's economy the sales cycle for complex IT products and services seem to go on forever. For the sales people involved, closing new business feels like climbing Mount Everest. And for good reason...the traditional selling model no longer works.

The traditional sales model incorporates a discussion of the features and benefits, overcoming objections, working the prospect over until he or she breaks down and agrees to buy. This model ignores the motivations of the purchaser, which in the IT products and services world usually includes one of two motivations:

- Reducing costs (or risk)
- Increasing revenues

It also ignores the simple (and obvious) fact that multiple suppliers are vying for a limited share of the budget pie, and that customers have multiple, sometimes conflicting technical and financial objectives.

To move prospects through the sales cycle more quickly, you must help your prospect become your internal champion. Demonstrate that your product or service will help your customer to achieve their goal of reducing overall costs of ownership or increasing revenues. It takes you out of the "feeds and speeds" technology discussion and into the discussion of business goals.

Return on investment (ROI) is the name of the game...demonstrate that an investment made by the customer will be paid back in some reasonable time period, typically under 2 years. This approach is a customer-focused view of the world and goes a long way to acknowledging that your customer has many things on his or her plate...and is trying to balance investments in time and money across multiple initiatives.

Help your sales force speed and ultimately close the deal by providing them with the tools they need to prove in financial terms the benefits of your product through demonstrating ROI. According to the Gartner Group, employing an ROI sales tool reduces the sales cycle by 30-40% and increases the likelihood of approval 60%.

And according to Joy Russell of VARBusiness (April 5th, 2002):

“Providing measurable, per-project, cost/ROI analysis is the No. 1 benefit solution providers can offer their customers to gain approval for IT expenditures in 2002, according to the ITSS data”

ROI sales programs illustrate clear and deep understanding of the impact of a product or service. Imagine your sales force selling with an ROI approach, selling strong measurable results to your customer and giving your customer the tools they need to validate the purchase of your product to their superiors/ board etc. Selling via ROI differentiates the value of your product from others.

ROI - A Quick Refresher Course

ROI analysis provides a financial view of the costs and benefits for your solution over time. Additionally, it provides an evaluation of the total dollar benefit minus costs and the length of the payback period. The payback period is denoted by the period of time in which the total benefits add up to the original costs.

A slightly more sophisticated financial measure frequently used is Net Present Value (NPV). NPV looks at the expenditure and benefits (either cost savings or revenue earned) and equates the overall return in present day dollars. This takes into account the time value of money where you could get interest by just investing the money rather than making it work for you.

ROI is more than calculating a spreadsheet

Savvy customers will always challenge your numbers. Your sales force will need financial analysis, the assumptions around the costs of acquiring, implementing and owning your product or service and training to effectively present this information. As a result ROI selling tools are far more than a spreadsheet. While a well-thought out spreadsheet is definitely a key component, effectively using an ROI approach requires backup material:

- Case studies and win stories that demonstrate how the product/service was used and the savings (reduced costs) or increased revenues gained by implementing your product/service.
- Industry statistics that arm your sales force with data to prove underlying assumptions in calculating your ROI sales pitch.

Work With Your Customers to Help Them to be Successful

Sales people need to work with their customers to build sustainable ROI models that customers can continue to measure after the selling process and implementation is complete. Sales and customer relationship managers should use a continued measurement process to stay close to customers and work with them to measure the payback. By doing this you can build a relationship that:

- Provides an effective feedback loop for any issue with your product
- Build consensus on savings of products and services
- Determines new needs of customers

Become a Partner

Providing an ROI analysis is one step in partnering with your customer. It reflects your understanding of their business objectives and challenges, and provides an important opportunity to connect with them at a more strategic level.

Developing ROI sales strategies is not trivial. As mentioned earlier, it involves much more than plugging some numbers into a spreadsheet. Costs and assumptions must be properly documented, and the presentation of the assumptions typically carries more weight than the numbers themselves. While the numbers are never quite right...the customer evaluates the assumptions and builds their own analysis.

As a result, sales training around the use of ROI is as critical as the development of the tool itself. If done correctly, however, it can help you to partner more strategically with your customer and to close more sales in less time.

Goodness indeed.

For more information on how the Acelera Group can help to productize and market your services offerings, please contact us at 617 737-7100 or at info@aceleragroup.com