Selling ROI

In recent years sales departments, like their cousin marketing, have taken a hit in the corporate priority list because management has shifted from focusing on generating income to creating wider profit margins. This has led companies to transfer its manufacturing overseas, outsource call centers (customer service departments), reduce quality assurances, and essentially disregard their standing with the market. The consequences this has had on sales has been significant, as sales forces now have to seek to generate sales without being able to promise superior quality or there-when-you-need-it service.

Like the companies doing the selling, the companies doing the buying are also cutting back and looking for ways to increase their margins. The challenge for sales forces to perform within this new business culture is substantial, and the way to do it is by understanding and shaping the sales pitch around the notion of Return on Investment – ROI.

Not only will adapting an ROI posture assist you in selling to your customers, it will also gain the attention of your own management, perhaps showing them the return on their investment as it regards sales. The more the sales force can sell using an ROI model, the more worthwhile and worthy it will appear to management.

The structure of an ROI centric sales approach has 5 primary components. They are:

1. Collect ROI Data

In order for you to argue that your product has a positive ROI (meaning that the return on the investment of purchasing the product occurs within a favorable period of time and that additional earnings/savings are then derived from it) you need to have a good handle on the data that influences the ROI of your product. Some things you may want to look into include cost of operation, cost of integration, cost of training, cost of switching from current products in use to yours, and cost of any customer lose due to switch. These costs are, of course, on top of the cost of purchasing your product, including any and all ancillary costs that may be associated with the purchase.

2. Build Your ROI Model

In order to convince prospective customers that your product has a positive and attractive ROI you need to construct your value statement. You need to be able to address the costs associated with your product and the way the product helps either save money (through efficiencies) or make money (by improving sales). By being able to show that money saved or generated is greater than costs (over time) you will be able to establish a positive ROI argument and become more compelling to prospective customers.

3. Define the Business Issues

One of the most effective ways to understand the value of your product and the way in which ROI can be positioned is to define the business issues confronting the customer. The industry prefers to use what are referred to as KPIs – Key Performance Indicators. The way to understand KPIs is to ask the questions that bring about the description of the pains, issues, and goals of the customer. By doing this you will be able to further enhance your ROI argument by not only discussing how your product will save money or make money, but also how you can enhance the KPIs.

4. Identify the Stakeholders

Every existing system has its cheerleaders in the company you are trying to sell to. Often these people are not so much true believers but rather are tied to the existing systems by association. For example, the person who okayed the purchase of one system is unlikely to show he/she regrets the decision by supporting the purchase of a system to replace it. These sorts of challenges are certain to come up and your task is to create an ROI argument that takes into account the costs associated with previous purchases (the remaining portion of the initial purchase that has not yet been recuperated) and include it in your ROI calculations. It may require that you adjust your timetable for total investment recovery, but you will ease the concerns of the stakeholders, giving them the opportunity to support the purchase of your product.

5. Communicate Your Value Matrix

Now that you have decided to approach sales from an ROI vantage point, make sure that you are communicating from this perspective as well. You need to make sure that your presentation, materials, and the way you respond to questions are all consistent with the ROI model and are all geared toward demonstrating your positive ROI position.

The use of the ROI model is most effective when it is integrated throughout the sales division of a company and becomes a fundamental talking point of the company's sales posture. By focusing on ROI you will find that you are tapping into the most pressing concerns of the decision makers and showing yourself to be knowledgeable and understanding of the challenges they face. The drive for higher profitability is leading many companies to make rash, short term decisions. The purchase of a new capability or of products where it is demonstrated that they will receive their investment back within a short period of time and then keep on benefiting could be one of the only sound decisions they have the opportunity to make.