

Selling and ROI

There is a whole arsenal of good reasons salespeople use to persuade a prospective buyer of the worthiness of the goods or services they are selling. Sometimes the product/service is better than competitors, or performs a distinctive function, or, most loved by salespeople, is less expensive. All of these, if true and can be substantiated, are indeed persuasive sales arguments. Another argument that is, while less used equally as compelling, is the approach based on Return on Investment (ROI).

This article will seek to define the ROI selling approach, share the logic of utilizing it, and review some tactics that assist in bringing it to the market.

The ROI selling approach provides prospects with an understanding of the economic justification for the purchase of your product/service. As the salesperson you enter the sales presentation with an understanding of how much money your product/service will make or save (or both) the prospect. You then make your pitch based on the numbers. For example, if you are selling a copy machine with a core benefit that it prints substantially faster than the competing machines you might make a presentation that claims:

Current HR Hours Used for Printing	100 per week
HR Hours for Same Volume/Quality with OUR Copier	60 per week
Savings	40 per week
Cost per HR Hour	\$20
Savings per week	\$800
Cost of Machine	\$3,200
Recovery of Cost	4 weeks
Annual Savings (minus cost)	\$38,400

Under the above scenario, provided the claims can be validated, there is a highly compelling reason for the company to consider purchasing the copier. The core benefit being communicated is not the speed of the copying, but rather how the faster speed is transformed in economic terms into genuine savings.

This example, while emphasizing efficiency and the cost savings associated with efficiency, does not mean to imply that the ROI approach cannot be based also on money earned (as opposed to money saved). Consider the following:

Current Machine per Hour Capacity	300 sheets
OUR Copier per Hour Capacity	480 sheets
Price per Sheet	20 cents
Per Hour Revenue Current Machine	\$60
Savings per week	\$96
Additional Revenue Daily (8 hours)	\$288
Cost of Machine	\$3,200
Days to Recover Investment	11.1
Additional Annual Revenue (minus cost of machine) (based on 250 days)	\$68,800

In the above scenario the compelling driver toward a buy decision is not the money that can be saved, but rather the additional revenue that can be generated.

In order to be effective in selling through an ROI approach you must engage in a number of critical steps so that you are able to see the process through in a way that lends credibility to your pitch and demonstrates a genuine understanding of the proposition you are presenting. These steps are:

1. Collect Data – you cannot present a compelling argument based on a comparable model of your product/service versus currently used product/service if you do not have the data that enables you to make the comparison. Therefore you need to investigate the current status of the prospect and gather the data you need to make your case.
2. Construct a Compelling Buy Statement – part of any sales process is an excellent “why buy” statement that allows you to present to the prospect extremely attractive and logical reason why buying what you are selling makes great sense and is to his/her advantage. On the ROI model, these comments need to be of a financial nature and focused on one highly attractive goal – higher profitability. Your buy statement should also include the measurable elements (as in the examples provided above) that demonstrate how the claims you are making can be tracked for validity.
3. Construct an Exciting Value Statement – the sale of a product/service is extremely enhanced if the value statement not only includes the immediate value what you’re selling delivers, but also a vision of a future value (or value that continues delivering). This serves to provide a broader, more expansive perceived value, emphasizing the ROI of the buy.
4. Show the “Cost” of the Current Situation – it is of significant interest to your prospect to receive a credible analysis of the “costs” associated with the status quo. These costs could be direct, as in additional, unnecessary expenses being wasted on current practices. Costs can also be measured in terms of lost opportunity and revenues that are not being generated but could be if your product/services were in use.

5. Demonstrate the ROI – perhaps the core of the approach, demonstrating the ROI is powerful because it draws the buy decision away from cost considerations and into an evaluation of benefits. If you can show how the prospect that the price of your product/service is recovered (relatively) quickly, the criteria for the decision will shift to the benefits you deliver. If you can show that your product/service continues to save money and/or generate revenue, the buy decision becomes easier and whatever you are selling becomes essential.

Selling by highlighting ROI can be a powerful and successful approach provided you carefully prepare, present proper data, and deliver insightful analysis. The ability to, in effect, negate the resistance to spending money by showing how the costs are recovered, shifts the focus to where you want it – on you and what you're selling.

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