Selling the Quantitative Side of your Value Proposition

How to Improve Results of the ROI Sell

By David Bartenwerfer

Selling Value Proposition in a B-to-B context really means you are selling the product's predicted return on investment (ROI) in the customer's hands. This is critical for all vendors, especially for those offering complex or expensive solutions. Many companies have developed ROI tools for use by their sales organizations. The goal is to provide a way to offer prospects a fact-based, economic rationale to purchase. Unfortunately, few companies are making a real impact with this important approach to selling. Most have developed some type of economic justification tool, but how many would claim that they are winning significant business as a result? Yet with economic concerns (read: CFOs) acting as gatekeepers on most expensive transactions, ROI tools are critical to keeping the door open. The key is to integrate ROI into Sales and Marketing operations. When Sales and Marketing commit to building and promoting tools for ROI selling, they can create an advantage that can be hard to match by competitors.

Marketing based on a Product's Value Proposition

Historians note that the term "Marketing" was first used as a noun, denoting a specific practice, sometime around 1897 and may have roots in intellectual thought as far back as the 1560s. Marketing scholars from several major universities led the development of Marketing to understand the behaviors of sellers and buyers. At first the study of Marketing led companies to recognize that adopting certain strategies could significantly benefit the seller/buyer relationship. Before the 1950s, this often meant developing strategies for simply selling more with little regard either for what customers really wanted or what would build long term relationships.

However, starting in the 1950s, companies began to observe that these antiquated selling strategies were losing their effectiveness. As competition intensified, organizations turned to the buyer side of the transaction for improvement. This lead to an emerging philosophy that the key factor in successful marketing is understanding customers' needs. The first definition of marketing was provided in 1935 and modified in 1985 and 2004. Indeed, the definition evolved from "the performance of business activities that direct the flow of goods and services from producers to consumers (1935)" to "the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives (1985)" and finally to "an organizational function and set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and stakeholders".

Note that only in the latest instantiation of the definition does the concept of 'value to customer' enter the picture. A value proposition is a marketing statement that describes why a customer should purchase a product or service. The ideal value proposition is concise and appeals to a prospect's most compelling decision-making drivers—and is one that can be quantified. The quantification of a value proposition is often articulated as the ROI that a customer can expect to receive from the purchase of a product or service.

ROI Selling can have a Measurable Impact

Companies making technology investments have undergone organizational changes and created procedures to make certain that investments clear certain economic thresholds. Smart technology vendors have recognized this and work with prospects' decision makers to help them through the process of creating the business case to justify an investment. Best practices call for a commitment to provide Sales teams with the tools and training to express the value proposition of their offering in compelling financial terms. Vendors that adopt an analytical and process-oriented approach to the ROI sell will experience higher levels of success, specifically:

- **Increased Win Rates**—When Sales articulates a clear and credible quantifiable value proposition to prospects, their likelihood of closing the sale increases;
- **Increased Revenues**–-When win rates increase, revenues increase;
- **Increased Productivity**—When effective tools and training are available to Sales, they can advance the sales process and close more quickly and with less effort;
- **Increased Opportunities**–-Having compelling economic logic to justify their offerings, Sales can meet the expectations of gatekeepers like CFOs and Finance.

A useful ROI tool enables a member of the Sales team to construct a customized business case that espouses the merits of their product, preferably in contrast to that of the competition. A good tool, coupled with a good presentation, gives Sales the power to help prospects make their economic justification for a purchase.

Challenges to ROI Sales Process

Developing an ROI tool that is both effective at proving a unique value proposition and that is fervently adopted by Sales is not an easy task. Companies must quantify their value proposition and express that value in financial terms in a tool that is both credible to prospects and easy to use by Sales. The tool must also be robust so that the prospect uses that tool to justify the economics of the investment with their superiors, and any missteps can result in a lost sale. Given this, many attempts at the ROI sell do not meet expectations for the following reasons:

- **Lack of Follow-Through**—Simple marketing collateral can be developed and 'tossed over the fence' to Sales. A complicated tool like an ROI calculator needs an internal owner who treats it like a product. This way, the tools are built, tested, and modified to ensure successful roll-out by Sales. Furthermore, a tool as a product ensures proper training and promotes an ongoing dialogue as to best practices in the field.
- **Lack of Ease of Use**—Business cases and quantification of costs and benefits are challenging concepts and thus difficult to teach or explain. If the ROI selling tool is also too difficult to explain to Sales reps and their prospects the results can't help but fall short of expectations.
- **Lack of Credibility**—Prospects are rightfully suspicious of ROI calculators presented by vendors. Vendors can help establish credibility by helping the prospect understand the value of the ROI approach and by applying the prospects own data into the tool.
- **Lack of Confidence**—Sales needs to project confidence when working with ROI calculators. If Sales lacks understanding of the inner workings of the tool or is ambivalent, they won't demonstrate that confidence and win rates and revenues can suffer as a result.
- **Lack of Specificity**—Sales takes the effort to create a compelling ROI model for a prospect, who then uses those calculations to justify the product, but not your product, and then goes with the lowest bidder.
- **Lack of Process**—ROI Selling requires a completely different approach. Sales needs to have training both for the tool itself and how to sell based on ROI using business case analysis. So if the tools are treated as just another piece of sales collateral from Marketing, results will fall short.

A More Evolved Approach

A more evolved approach to developing and using ROI tools in the sales process requires a holistic look at the process of ROI Selling. But first it's always best to look at the ROI issue through the eyes of prospective customers.

Business Case Basics

A business case is a tool that supports planning and decision making and is generally designed to forecast the financial consequences of some action. Decisions such as which projects to fund, which vendor to select, or when to initiate a new project are particularly conducive to business case analysis. Essentially, effective business cases estimate how the outcomes under one possible scenario compare to outcomes under another (or against no action at all).

What Does ROI Mean to Prospects?

Assuming your company has a basic tool for helping articulate ROI for potential customers, there are still opportunities for creating more value from such a tool by understanding the needs of your prospects and customers and better integrating the tool(s) with Sale to achieve that value.

Prospects need to create a business case to justify the purchase of any high-value technology product. And, they will need to sell that business case within their company in many disciplines, including the business unit, technical staff (IT), and Finance. As a result, it will be critically important for Sales to be well versed and prepared for these discussions or the purchase can fall apart.

An ROI calculator can help with credibility with each of these groups. Business units will be concerned with the specific benefits from the technology. IT will be concerned about costs. And Finance will be concerned about the numbers in the business case. A good ROI calculator helps on all three fronts through in the following ways:

- Articulate the value of reducing the Business Unit's pain points by quantifying the specific benefits that the new technology can achieve;
- Communicate with IT about the specific costs and technical requirements that will hit their department;
- Assuage the anxieties of Finance by providing the costs and benefits in financial terms, i.e. in a context that they understand and can act on.

Managing the Process

Selling based on ROI requires an ROI calculator that is compelling and credible coupled with a sales methodology that is robust yet flexible. The objective of selling based on ROI is to help the prospect create their own business case to justify the purchase.

As stated previously, business cases communicate the trade-off between costs and benefits. Creating a business case usually requires a team effort with input from the business unit, IT and Finance. The business unit provides information as to the objectives and pain points (and thus specifications) of the technology but unless they have training, will not have the technical depth to understand the costs nor have the financial and functional background to take the technical specifications and derive the operational benefits.

The power of employing an ROI calculator is that the business unit, with the help of the vendor's Sales Force, can create the first draft of the business case without the help of IT or Finance. This is because a well-constructed ROI calculator will already have input from both the technology team (courtesy of the vendor's technology group) and Finance (the model already expresses the impact of the model in financial terms). Furthermore, the ROI calculator should have ready-made examples of how other customers have generated quantifiable benefits using the vendor's product.

If Sales can help the prospect justify the economics of a purchase using their ROI calculator and not one from a competitor, it gives Sales the inside track on the purchase. In order to couple the right tool with the right methodology, Sales should employ the following process:

1. Make an **ROI PRODUCT,** not just a spreadsheet, so that the tool's analytics are coupled with the processes necessary to have an impact in the field.
2. Be **COMPREHENSIVE** but not complicated so that the ROI tool accurately represents the prospects pain points.
3. Focus on **USABILITY** so that Sales uses the tool with precision and confidence.
4. Build **COMPELLING AND CREDIBLE OUTPUT** for the ROI calculator so that the prospect feels confident to present the results to his management team.
5. **WORK IN PARTNERSHIP** with the prospect to build the business case.
6. Employ **LEARNING FEEDBACK LOOPS** so that it is understood what is working in the field and what is not.
7. Build a complete **MARKETING PROGRAM** based around the tool including collateral, case studies and success stories.

1. Create an ROI Product

A complicated tool like an ROI calculator needs an internal owner, perhaps from the Product Management or Product Marketing organization, who treats the tool like a product. A tool can be tossed over the fence into the field and ignored in headquarters. But a product will be built according to requirements from the field, tested to ensure it works without flaws, and packaged with training and collateral to ensure successful adoption and roll-out by Sales and other field organizations.

A product has a domain expert that Sales can call upon for questions, for exception handling, for tough challenges, and even to come on sales calls to face the customers tough questions directly.

Furthermore, creating a product ensures an ongoing dialogue to determine the best practices in the field. A tool without an owner can quickly lose momentum and cease to be an effective mechanism for driving revenues.

2. Be Comprehensive

The ROI calculator must portray an accurate representation of the costs and benefits that a prospect with likely incur upon successful deployment of the technology. To that end, the ROI calculator must contain the right metrics for each, and be through in the process. The more thorough the inputs to the ROI calculator, the more likely that the prospect with recognize that the ROI calculator presents a model that best represents reality, making it more likely that the prospect will adopt that ROI calculator for its business model.

While an ROI-centric approach is important, a simple ROI analysis may not provide enough information for decision makers to proceed confidently. The approach can be improved in the following ways:

MEASURE <u>ALL</u> THE COSTS: When evaluating costs, it is important to be comprehensive and ensure that all potential costs are included. A framework called total cost of ownership (TCO) has been developed to help managers determine the total investment costs of a potential project.

MEASURE <u>ALL</u> THE BENEFITS: One surprising result of an Oxford University study was that only 20 percent of their surveyed projects analyzed <u>any</u> business benefits before decisions were made. Vendors seeking to influence the sales process should take the opposite approach and be as comprehensive as possible in the inclusion and measurement of benefits.

MEASURE THE RISK: Business plans and ROI analysis are predictions of future costs and benefits; predictions of the future. Measuring only expected values with numbers in spreadsheets implies certainty in an uncertain future.

The more evolved approach looks to historical outcomes for guidance as to the magnitude and risk of each cost and benefit. Each individual cost and benefit line item in financial models can be replaced with a random variable (and probability distribution) and updated to include a Monte Carlo Simulation with enough iterations to give a clearer picture of the overall likelihood of project success or failure.

This can be a competitive advantage for vendors who can articulate the risk of their offerings when their competition can not.

For more information about building a successful ROI calculator, please refer to *Create a Compelling ROI calculator* which can be found at QuantumCT.com.

In general, any successful ROI calculator should be designed to incorporate as many of the prospect's own financials and industry averages as possible. Remember, at a minimum the tool will be under scrutiny by stakeholders in Finance and IT and maybe even the c-level suite.

3. Be Specific

Even if a prospect decides that your economic model is compelling and believable, you can still lose the sale to a lower bidder. Unless the economic model is specific and highlights the uniqueness of your product's value proposition, you risk that prospect uses the model to justify the project in general but not your product in particular.

The analysis of how to create a compelling and unique economic model to justify a product or service begins with the value proposition. In short, the more compelling the value proposition, the more compelling the economic model. There are many more sources of information on creating compelling value propositions, but as a quick reminder, the best value propositions highlight one (or more) features of the product or service. At a high level, Marketers can focus on:

- **Quality**—Having the highest quality is an asset that Marketing and Sales organizations can leverage in several ways. Quantifying the value of the highest quality product depends on how that quality manifests itself in the customer experience, but its typically found on the Benefit side of the economic model. For example, the company that produces the best machine can highlight higher throughput or lower downtime as an example of ROI from that product.
- **Best Value**—Often referred to as 'bang-for-the-buck', products and services that provide the greatest value per dollar can articulate ROI on either the Cost or Benefit side of the ledger in an economic model. Companies where benefits are the driving factor in decision making should emphasize high benefits for a similar cost, which companies in cost-competitive industries should emphasis similar benefits for a lower cost.
- **Must-have—**Products that are considered 'must-have' are typically found in mature industries (replacing products like machinery that are at the end of their useful life), products or services that are recurring (medical or something simple like printer toner) or products that are growing into new industries (such as how information technology found applicability in data-intensive industries first and spread from there). "Must have" products have the benefit of not requiring economics to justify the purchase itself, only the selection of a given vendor.
- **Luxury—**perhaps the opposite of the 'bang-for-the-buck' proposition, luxury brands might be the hardest to quantify as they rely more on an emotional or aspirational appeal that sometimes defies logic.

Marketers should drill down to the specifics of what makes their product or service better than their competition. Details might include such things as customer service, size or speed, performance, ease-of-use, productivity, design, and many other possibilities.

The best ROI calculators model the specific costs and benefits in such a way that strengths and competitors' weaknesses are transparent and obvious. That way, Sales can prove that the resulting economic model is not even applicable to your competitors' products, and your internal champion at the prospect will fear trying to apply it more broadly to justify the product and then hunt for the lowest bidder.

4. Focus on Usability

The ROI calculator must be easy to use. There are several ways that the usability of any application can be increased. Usability is recognized as a science and books have been written on the subject, the objective being to ensure that applications are designed with the user in mind. Generally speaking, the concept of usability with respect to an IT application seeks to either make it more efficient, easier to learn, or more satisfying to use.

This process starts with the entry of information. Keep input screens clean and sharp and limit the number of input variables that Sales and other front office employees have to manage.

Most analytical models contain assumptions, and these can be made transparent on separate pages. The stakeholders should decide whether to enable Sales to change these variables as there is always a trade-off between simplicity/complexity and flexibility. Many companies overcome this challenge by enabling the product manager for the ROI tool to make any changes necessary as a 'one-off' but to keep the tool simple in the field. Invariably, as Sales gets deeper into the sales process with a high-cost/high-complexity product, an ROI analysis becomes tailored to the specific situation.

Some prospects may be quite quantitatively adept and are willing to disaggregate any vendor's economic models. In this case, your Sales team should encourage those folks to pick apart your ROI calculator and put them in touch with the product manager for the tool.

Depending on the industry, it might also pay dividends to have a simple web-based ROI calculator that prospects can use before they are deeply engaged with Sales.

5. Compelling and Credible Output

Each prospect in a B-to-B sale has an internal champion. That champion has to feel a strong sense of ownership from the output from the ROI calculator. The output also needs to be something that the prospect is willing to present to his executive team; the champion must be willing to put his career on the line for the output.

Impactful charts and graphs that can be copied and pasted into slide presentations are a powerful addition to any tool. But the predictions of ROI must also be grounded in reality in order to achieve executive buy-in.

6. Work in Partnership

Most prospects are not experts in business case analysis, but will be required to produce one if they are to have a chance at prying investment funds out of the CFO. But even if they are fairly adept at this process, prospects will appreciate the data that an ROI calculator can provide in terms of total cost of ownership and examples of how other customers have achieved tangible and measurable benefits from the use of your technology. In both cases, an ROI calculator is an opportunity to highlight the best features of the offering.

Also, remember that prospects have their day jobs so prospects will appreciate the tool to the extent that it makes the process easier. Working with the prospect on their business case facilitates trust and relationship-building with your Sales team. Prospects may opt to pick and choose among the specific benefits that are offered by the ROI tool based on what they think they can sell to their upper management, and this should be considered a positive sign as it shows that the ROI model is influencing the process and is an opportunity for Sales to highlight the competitive strengths of the offering.

Business cases tend to require a number of variables, which a prospect may or may not know. This also presents an opportunity for Sales to add value to this process by providing information on how their technology adds value in a similar context. These data requirements present a continuous opportunity for Sales to interact with the prospect in a way that adds value to the prospect. By providing this assistance the sales rep has the opportunity for greater visibility and opportunities to move the dialogue forward and speed up the time to close.

7. Employ Learning Feedback Loops

Invariably some members of the Sales Force will have more success than others. Sales as a group should periodically meet with marketers to share best practices in ROI selling. The product manager for the ROI tool should be encouraged to go on tough sales calls to see firsthand what is working (and what is not) in the field. The tool should be updated accordingly.

The key takeaway here is that ROI selling is an evolving and iterative process that should involve all stakeholders to make the process better. Sales should have a tool that enables them to add value to the prospect's process of selecting a vendor. ROI tools can greatly help that process by offering output that the prospect can use, but should be flexible to manage whatever process the prospect wants to use to justify the economics of the purchase.

8. Build a Complete Marketing Program

The creation of an ROI selling strategy can provide a competitive advantage for companies that re-orient their marketing programs around the ROI Sell. Once a proper ROI calculator is created, companies can create ROI case studies, white papers, and other marketing collateral that further supports and reinforces the ROI sell. Be sure to understand what your competition is doing in this area as well.

The Business Logic for Action

Companies making technology investments have undergone organizational changes and created procedures to make certain that any purchase clears certain economic thresholds. Smart technology vendors have recognized this and work with executives and other decision makers to help them through the process of creating the business case to justify that investment. Best practices call for a commitment to provide Sales teams with the tools and training to best express the value proposition of their product or service offering in compelling financial terms. Vendors that adopt an analytical and process-oriented approach to selling based on ROI will experience higher levels of success on the sales front, specifically:

- ***Increased Win Rates***—When Sales articulates a clear and credible quantifiable value proposition to prospects, their likelihood of closing the sale increases;
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- ***Increased Productivity***—When effective tools and training are available to Sales, they can advance the sales process and close more quickly and with less effort;
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