

## **360° ROI**

**A White Paper on *using ROI “in and after” the Sales Process***

**By**

**Michael J. Nick  
President and founder of ROI4Sales.com, Inc.**

## **360° ROI**

**A White Paper by Michael J. Nick**

**ROI4Sales.com, Inc.  
212 Hargrove Place  
West Bend, WI 53095**

**Copyright © 2002 VMC, Inc.  
All rights reserved, including  
the right of reproduction in  
whole or in part in any form**

**This document is designed to provide authoritative information in regard to the subject matter. If advice or other expert assistance is required, ROI4Sales.com, Inc. provides assistance and support of the information contained herein. This material has copyright protection and is for the sole purpose of assisting companies in building a Return on Investment model into their sales process.**

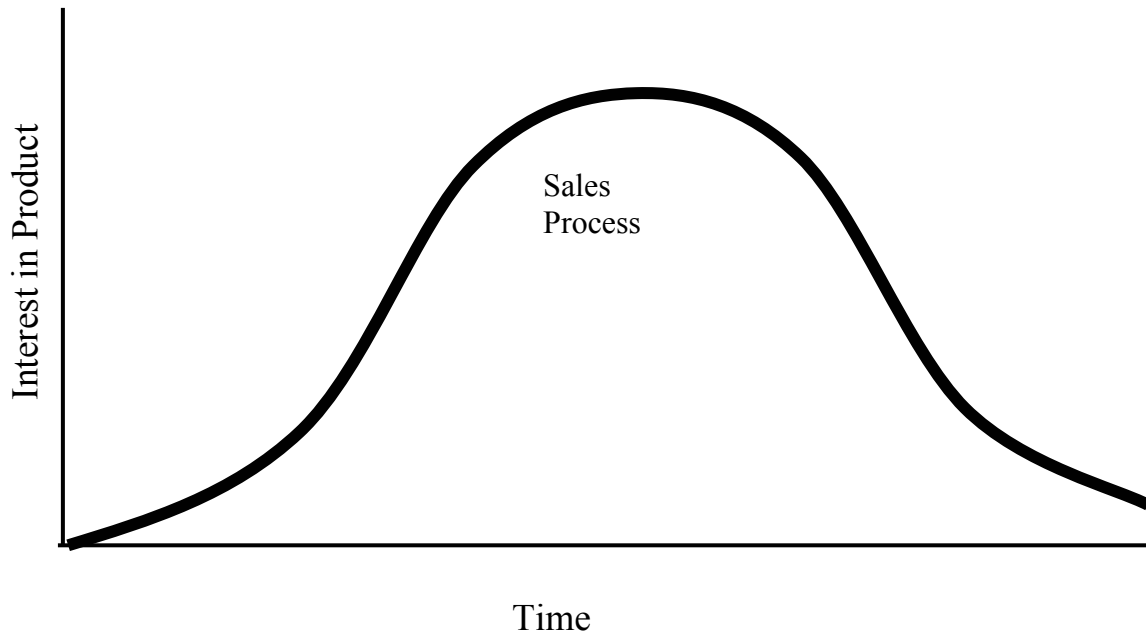
There are many books, articles and even movies on sales process. They all have one thing in common: Ask a lot of questions! Well they are right. You have two ears and one mouth use them in that proportion is what my father the salesman always said. The problem for most people selling is what should those questions be? Guides to selling often categorize the questions for you. They tell you the types of questions to ask, how to ask them and who to ask. What is missing in the vast majority of these programs is how we develop the questions so that decisions can be made by both the selling party and the buyer. This paper is about the use of Return on Investment questioning throughout the sales process. The information herein should not replace your selling methodology, but enhance it with a solid method for developing questions for each stage of the selling process.

Too often when a sales person gets their chance to ask some questions, the data they gather is inconsistent, irrelevant or not pertinent. As an executive, you appreciate someone that will be to the point, consistent in their message and methodology. I like it when a sales person is prepared with a set of questions that help me in my decision making process too. This is where the concept of 360° ROI will help a salesperson increase their revenue, reduce their cost of sale and shorten the sales process. The primary outcome for 360° ROI is to increase your win ratio and reduce your time to revenue. 360° ROI is about using Return on Investment to drive every stage of the sales process. Below I explain how it works.

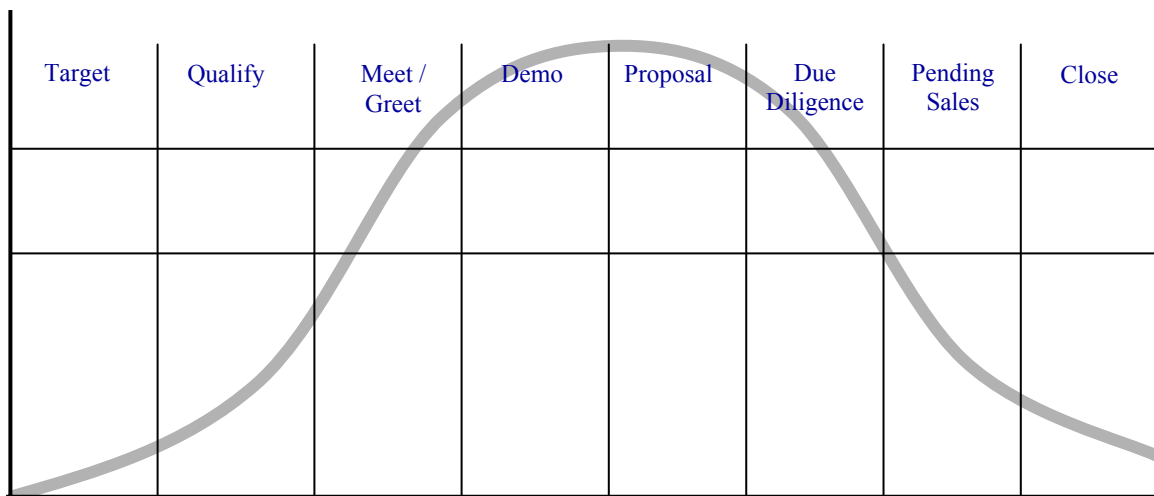
Let's begin with a look at the typical sales process. The issue you face as a sales person is the longer a sale takes to close, the less chance you will get the deal. We start with a chart based on this theory. The horizontal axis is time. Time is our enemy in sales! So we don't want this line to go out too far. The vertical axis is the prospect interest in you, your company, the product and the process. As you move the buyer through your process and they move you through theirs, time continues to tick away and you move further and further to the right. (See the chart below) There comes a point in the sales process when your prospect has all the information they are looking for. Usually it is around the point when they have seen the product and have the price.

You can see below we graph this theory nicely with a bell curve. At the peak of the curve, the prospect has everything they need or want from you. The period of time from the peak to the close is crucial. This is where you need to: "Shorten the time to revenue". If you do not close the deal in a reasonable period of time you will likely lose. Sometimes it is to a competitor and sometimes it is to a no decision. By using ROI in each step of the sales process you enhance your chances to close deals sooner and reduce the time to revenue significantly.

## Sales Process



In a simple sales model there are seven stages: Target, Qualify, Meet and Greet, Demonstrate, Propose, Due Diligence and Pending Sale. Obviously in some sales situations, there are numerous meetings, numerous demonstrations and so on. For the sake of this discussion assume you move a sale from stage to stage upon completing some agreed upon criteria. Below I have placed the seven stages (plus the Close) over our bell curve to show you at what point your prospects interest begins to decline. Once they have the literature, demo and price, there is seemingly no more needed and the interest declines. Below I discuss the role of ROI in each stage and how to shorten the sales process to win more deals.



## **Target:**

To move an account from Target to Qualify you ask a series of qualifying questions. These questions help you sort through the numerous leads you get and narrow the targets down to the most likely to buy from you. Qualified leads must have a need and reason to buy. They must meet your marketing criteria and obviously have a pain or issue that you can resolve with your product.

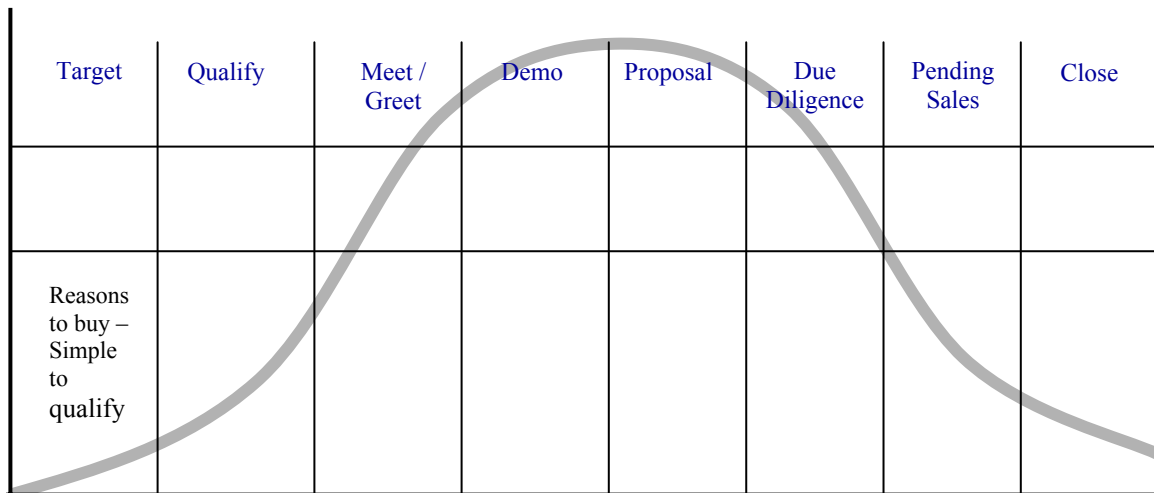
The foundation for building a 360° ROI program begins with defining why people buy your products in the first place. What are their issues or pain? And, what do they want as a resolution? (Desired outcome) For example: Why do people buy ROI Sales Tools? Reasons may include: “Sales is discounting too much and we need to show more value”, or “Want to reduce the sales cycle, it takes too long to close deals”, or perhaps another could be “Need a consistent value driven questionnaire for our team to work from as we transition to value selling from feature / benefit selling.”

We can discern from these three reasons to buy what their pain or issue is and what their desired outcome is going to be. Obviously too much discounting is costly, and a long sales cycle reduces your chance of getting the deal. As you transition a sales team from feature / benefit selling to value selling, you need to train and educate them. A good exercise for every company to go through is to try and define all the reasons someone would buy your product or service.

Also, from these three reasons to buy ROI sales tools, you can create a couple of very simple qualifying questions: For example: What is the average discount your company gives on a proposal? What is the average length of sale (in weeks) from target to close? Does your sales team all gather the same information prior to a demonstration or presentation? Can your sales force articulate your value proposition as well as you? Is the value proposition conveyed consistently by everyone representing your company?

Immediately upon getting the answer to these few questions you should know if they are a prospect. Your qualifying questions should always come from the value you deliver. (It is imperative you understand the value you deliver) Using an ROI sales tool should help you eliminate or reduce discounting. With this value in mind, ask if discounting is an issue for them. The answer will tell you if you have a solution that will deliver value. The same is true with reducing the sales cycle...if you can reduce a company's sales cycle by 20% or 30% that could be significant to their cash flow, working capital and sales forecast.

Ask yourself then, why wouldn't they buy? The answer is simple, they don't think it is an issue or they don't "feel" the value. This is exactly why you build your qualifying questions from the value you will deliver. Your questions want your prospect to feel the pain or issue. You can only do that if you completely understand the reasons people buy from you and the pain they feel from these reasons to buy.

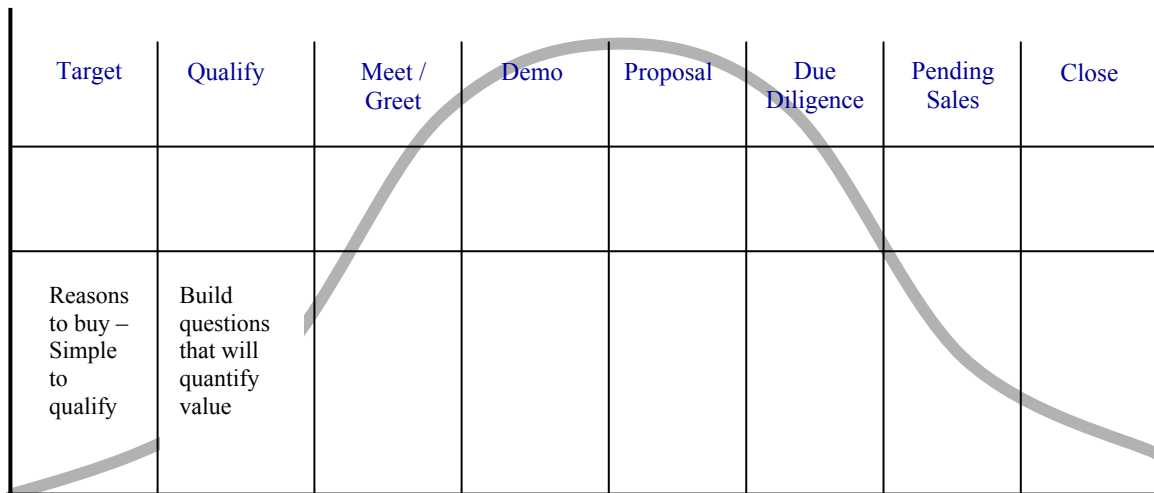


### Qualify:

In this stage the prospect must once again answer a series of questions that convince you they are worthy of a visit. (Meet and Greet stage) These questions are where you begin to **quantify** the value of and for your prospect. In other words, are they worth the cost to move forward based on the answers to the quantifiable qualification questions? At the same time they are evaluating their options too. Your questions will help them decide... first if they want to deal with you, and second what they can learn from you. Your questions at this stage are what your prospect could use to ask every vendor in competition with you. If you are the one directing the questioning, and clearly articulating the value they expect, then as Mike Bosworth (Author of Solution Selling) says, you are not the one that will become “column fodder.” You are driving the sales process.

The key point is to develop questions that drive prospects to the features you defined in the Why Buy exercise above. Once again, we will use our ROI sales tools example. The features we associated with the desired outcome of “eliminate or reduce discounting” is an ROI Financial Dashboard showing widely accepted financial calculations like NPV, IRR, ROI and Payback period. To collect enough data to do these calculations is what you are tasked with in the qualify stage. Be sure to include questions on average discount percentage in the past 12-18 months, average deal size, average margin, average number of deals annually. Each question must drive value. Use industry or your customer database for points of reference on an “acceptable” average. For example if your average customer before you sold them discounted 30% and now the average discount is 15%, your average reduction in discounting is 50%. This is a very powerful statement to make when asking the qualifying questions.

Develop questions that will force your “coach” to take you to others in the organization to get the answers. ROI should drive you through the organization too!



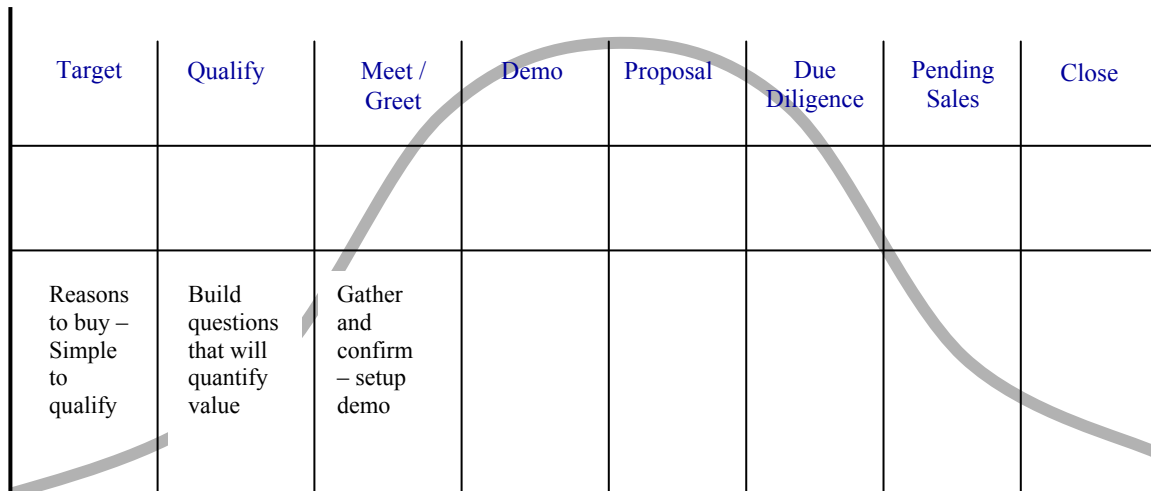
### Meet and Greet:

When you use 360° ROI to drive your sales process you are changing the paradigm. You are now a strategic partner with your prospect. You are helping them define the value they need and want from an application to reduce their cost and potentially increase their revenue. When you go on their site to meet them face to face this will become evident. You will be treated more like a consultant or expert in their space. (Remember, you are armed with industry averages they want to know and compare themselves too)

During this stage it is critical to gather quality data before your presentation. You need to know what product features they need to see to resolve their issues and choose you as their vendor? The questions you ask at this meeting are vital to not only the success of your demonstration, but your proposal, and ultimately your client’s success after the sale. (More on this later)

At this stage you want to gather enough information to complete a simple ROI document. Perhaps you will want to set up the meeting to conduct an ROI Questionnaire...setting their expectation for a comprehensive proposal and Executive Summary to include ROI Value and Investment information.

In our example above for “discounting too much,” we discussed asking about the average discount they were giving out. We talked about whether it is an issue they currently face, and we recommended you compare their discount average to either an industry average or customers of yours who have benefited from your product features. In this stage confirm the issue again, and be sure the answers given so far are accurate. **Gather and confirm** is the key to this meeting.



As you can see from the chart above, the first three stages of the sales process laid the foundation for building a quality ROI for your prospect. In each stage you are gathering ROI data to be used in algorithms later, and ultimately in a Financial Dashboard showing the impact you will have on their company.

### **Demonstration:**

ROI has a dual role in the demonstration stage. First it is an opportunity to collect and confirm the final pieces of data needed to complete your ROI Questionnaire. Second it is an opportunity to pinpoint the greatest value you have to offer, and get their buy-in. Up until now you have been asking questions that drive value. Now you will shift your focus to the demonstration of the value you intend to deliver based upon the responses they have given you to date.

Too often demonstration personnel want to show “cool” features not related to the ROI value your prospects are expecting. It is crucial for your success to keep driving them to the areas you offer the most value. For example, using our “too many discounts” issue from above...when we demonstrate an ROI Dashboard (Sales Tool feature to reduce or eliminate discounts) we explain each section and the value it will provide to reduce or eliminate discounting. We discuss the calculations for the “cost of waiting”. (Create fear and risk!) We explain the payback period and ROI percentage calculations. If you are showing a payback period of 9 – 18 months, and a return of 150% why would you discount? We work people through the features that are driving the value we agreed they wanted and needed prior to the demonstration.

Regardless of your product there are features that drive value. Focus on the value drivers, and quantify them for your prospects. In the demonstration you must validate and gather all the necessary data to present a credible ROI in your proposal.

Target	Qualify	Meet / Greet	Demo	Proposal	Due Diligence	Pending Sales	Close
Reasons to buy – Simple to qualify	Build questions that will quantify value	Gather and confirm – setup demo	Demo value - gather data for proposal				

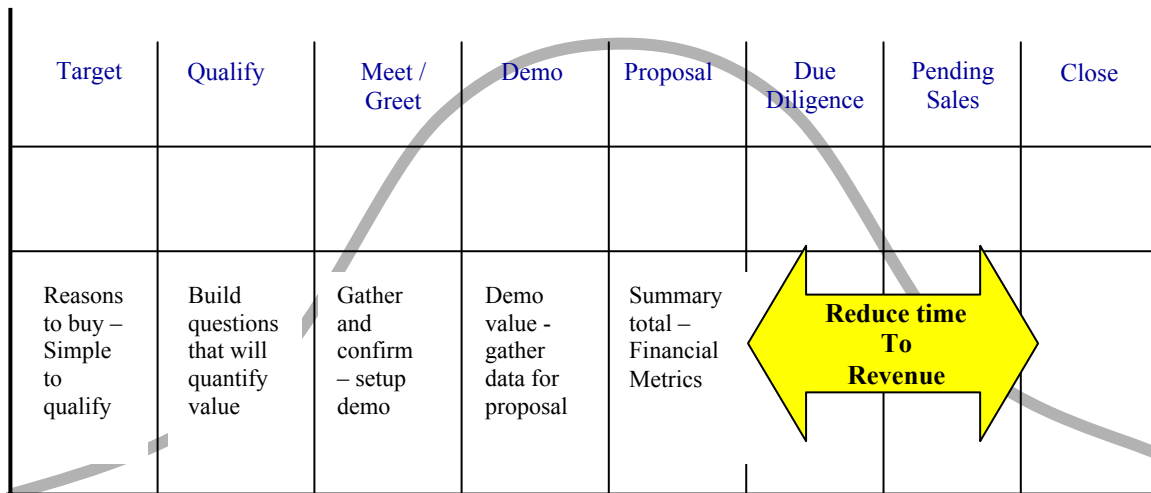
### Proposal Stage:

The proposal stage is when it all finally comes together. As you put together the investment figures, (pricing) it is necessary to go back and review the agreed upon value you will deliver. Your presentation of the ROI must include not only your prospects answers to your ROI Questionnaire, but the questions themselves, the agreed upon value and an explanation of the process you took to get to this point. It astounds me how often Return on Investment is not included in proposals.

It is important to include widely accepted ROI financial Metric's too. Calculate their NPV and IRR for the investment. Include the Payback Period and of course their ROI. I would also suggest a very simple calculation called the "cost of waiting". The calculation is to take their annual savings and divide it by 52 (weeks) or 12 (months) to show the potential loss of value for waiting. I recommend a few charts that compare where their savings is coming from and a payback period chart based on months. Try to keep your ROI payback periods to less than 18 Months. Our research indicates this is the maximum people are expecting to wait for a payback.

As you can see from our charts throughout this document, ROI is vital in every step of the sales process. The key to effective ROI is to increase their revenue, reduce their cost of sale, avoid discounting and shorten the sales cycle...and REDUCE THEIR TIME TO REVENUE!

What this means is the ROI presentation you make must have credibility, and it must have objectivity. We heard of clients showing 2000% ROI in their model. This is simply not believable. Also, be sure to use realistic financial savings comparisons. If you need to do research I suggest you use surveys to poll your own client base to determine an average value returned. Or as an alternative there are many studies by Gartner, Meta, and even the US Government that can be quoted for use as a comparison cost or savings.



### Due Diligence:

During the Due Diligence stage, everyone is validating the data they received. Your prospect is reviewing proposals, you are confirming the investment and pricing and value delivered. Here is where you need your prospect to feel the heat of waiting to buy. Every day that passes and a decision has not been made, they are losing potential savings. Your work to this point is the foundation for this step in the sales process. The data you provided for financial savings comparisons is critical to reduce that time to revenue. ROI at this stage is what separates the winner from the loser in any deal. Remember show them the cost of waiting.

### Pending Sale:

In the Pending Sale stage the legal departments take over. Here is where I caution you on embellishing the value you can deliver. Be sure you are confident on the numbers you produced. Try to Error on the conservative side of the pendulum.

The reason we call it 360° ROI is because your Return on Investment work is not done when the sale closes. Once again, our research has shown companies want to revisit the impact of their purchase at intervals of six months or nine months and again at the end of the payback period.

This is an opportunity for you to increase your revenue. I strongly suggest you offer a service to review the ROI you completed in the beginning of the sales cycle at intervals throughout the payback period. This is a value-add service you can charge for and it separates you from the pack. It also gives you a great deal of data to be used in future ROI programs. Of course if your client is not getting the estimated Return, you can make moves to ensure they do. It gives you much more control over the success of an implementation.

There are many ROI methodologies in the marketplace today. Some are better than others. But remember these simple rules in either building your own ROI Model or buying from an outside vendor. ROI needs **credibility**, it needs **objectivity** and it **needs a closed loop in the process**. 360° ROI is a reminder to close the loop in the ROI process.

### **About the author**

Michael Nick is the president and founder of ROI4Sales.com, Inc. and VMC Inc. He has written several white papers on subjects surrounding sales, sales process and sales methodology. Michael's techniques are in use at many top organizations throughout the world including Rockwell Automation, GEAC and Hewlett Packard. For more in depth information on how to create, use and deploy ROI into your sales process, Michael's new book "**How to create the perfect ROI**" is now available on the Web at [www.roi4sales.com/downloads.php](http://www.roi4sales.com/downloads.php).

For more information on ROI4Sales.com please visit our Web Site at [www.roi4sales.com](http://www.roi4sales.com) or call us at 262-338-1851.