

WHAT MAKES A GREAT ROI?

3 part article – by Michael J Nick

How do you know if your value estimation sales tools are effective? On the following pages I am going to give you a series of tests to put your sales tools through. I have researched several value estimation tools from big companies, small and many boutiques in-between, and believe the effectiveness of value estimation in (and after) the sales process boils down to these nine very important topics:

- Objectivity
- Credibility
- Graphics
- Accuracy
- Educational
- Creative output
- Cost and Benefit represented
- Ability to use value estimation throughout and after the sale
- Documentation and training

I believe some of the above are more critical than others however each is equally dependent upon the other's success in use. I briefly dissect each of these topics and give you tips and ideas on what to look for in the presentation, use and deployment of your value estimation sales tools before, during, and after the sale.

Objectivity

Objectivity is defined by The American Heritage Dictionary as: ...”Uninfluenced by emotions or personal prejudices.” When a sales professional calls on a prospect there is a certain lack of objectivity in their approach. Let's face it they are (and should be) bias toward their own products. To offset that bias it is important that your tools are more unbiased or objective. When you gather information from your prospect, and enter it into an ROI calculator, their expectation of the results is usually somewhere between unmoved and non-believing. Why do you think this is? You spent hours, days or perhaps weeks developing just the right questions to drive just the right value. Simply put, YOU are the problem. The reason your tools are not believable is because YOU developed them.

How do you make your value estimation tools more objective? Not an easy task if you insist on building it yourself. I am not saying don't try, but you may want to ask yourself these questions:

- Did I create this questionnaire based on the features of my product?

- Did I consider the issues the industry or market we sell into face in developing value I can potentially deliver?
- Do I educate my reader on the market as well as the potential value they can receive when using my products?

If you answered the first question (Did I create this questionnaire based on the features of my product?) “Yes”, then you have ignored the objectivity required to understand the marketplace issues. In other words, you clearly were influenced by emotions and personal prejudices. (American Heritage Dictionary definition of objectivity from above) You obviously understand your products features. You should understand the issues you resolve with the features of your product. However, do you address the issues the marketplace truly has and face? For example: We have a client that sells maintenance agreements. The obvious reasons people purchase Maintenance Agreements are “free” (or included) software updates and support. This company focused on the value of each of these offerings. They developed complex algorithms showing the labor dollars saved by customers calling them for support. What they failed to understand is the market wanted not only traditional support, but a customer self service area on-line to resolve their own issue quickly. The vendor assistance would be maintenance of the Web Site, and data contained on it. Their ROI was only partially effective without looking at what the market issue, goal or desire really is. I am not saying “don’t look at the features of your products.” What I am saying is to shift your focus from your features, to the market’s issues and try to resolve them with features. The second question (Did I consider the issues the industry or market we sell into face in developing value I can potentially deliver?) must be a resounding “YES”!

Our third question (Do I educate my reader on the market as well as the potential value they can receive when using my products?) must be answered yes too. When you get the opportunity to ask questions of your prospect, you need to ensure this is an educational process for the both of you. Your questions need to drive value and at the same time inform the prospect of issues you intend to resolve. For example: The company we refer to above that sells maintenance agreements may ask questions like: How much downtime do you experience after normal business hours? (This question has loosely informed the prospect of your after hour support) Another example may be: Do you have the ability to download product fixes? Once again, you have asked a question that implies you have the capability of allowing end users to download update programs and fixes.

Lack of objectivity is one of the top reasons in-house built ROI programs fail. Sales teams refuse to use them because the results are not believable by their prospects.

Credibility

With credibility you face similar issue as objectivity. Ask yourself, “are our value estimation tools credible?” Would you believe the results of your value estimation sales tools if you were the prospect? If you have any doubt at all, then it is likely they do too.

In-house built sales tools face the problem of “if you built it of course it will show a huge

return.” The problem is who could possibly know your products better than you? Unless you are willing to pay an outside firm thousands of dollars to basically document what you know, you have to find a way to make your work more credible.

We found that credibility can be found in the documentation of the methodology on which you built the value estimation tool in the first place. Throughout the sales cycle from introduction of your value estimation tools to the final presentation of results you need for your prospect to understand how the value estimation tool was developed. Of course it should go without saying, but your tool needs to be built objectively to be credible in the first place.

Another credibility builder is the use of research to prove the value you deliver. You can do this in several ways. Use of outside research (Bitpipe Knowledge, Gartner, Meta, etc.) for comparisons of the potential value you can deliver, when using products like yours. In other words, they can tell you for example...”on-line collaboration reduces project life cycle by 25%.” This data can be used in your ROI if you sell on-line collaboration tools. Obviously there are several reports available on just about every industry from one or more of these research firms. Other opportunities for data may include survey results from your customer base. After the sale six to nine months later, I suggest you ask your customers the same ROI questions you asked during the sales process and compare the results. This concept adds to the credibility of your ROI, because you are returning to prove the value promised was in fact delivered.

Ask yourself these questions to see how credible your value estimation tools are.

- Did we use outside research to validate our estimated value delivered?
- Are our ROI or value estimation tools built using an objective view as to what we are actually delivering and what issue we are resolving?
- Did we completely document our methodology for which we created our sales tools? Further, do we give (explain too!) the method to our prospects during the sales process?

Credibility is one of the most important factors in building value estimation in your sales process. Without a credible method you don't have a credible sales tool.

Accuracy

It should go without saying, but the accuracy of your value estimation tool will obviously have a great deal of impact on the credibility. Below is a checklist of items you must take into account when building value estimation tools.

- Math is checked, double checked and then checked again
- Spelling is correct

- Proper use of the industry vernacular
- Use of color...appealing colors that blend well together
- Graphs...check for proper spacing of your numbers
- Glossary – implement a glossary to explain terms
- Calculations explained – whenever possible expose the calculation used.
- Logo – correct size and colors
- Buttons lined up and text is not too large and readable
- Buttons all the same size
- Printing – page breaks line up properly
- Print outs hide buttons and directions
- Directions are clear and easy to understand

Accuracy is more than just the spelling and math. You must consider all the pieces of the tool. Be sure to use this simple checklist to ensure your tools are accurate.

Graphics

It was once said “a picture is worth a thousand words”, and it is true. I strongly suggest you integrate several charts and graphs throughout your sales tools. Display results along the way.

If your value estimation tool has a summary section, be sure to summarize the results with charts and graphs. Your output document should be graphical too.

Ask yourself:

- Do we graphically depict the results in our value estimation tools?
- Do we display graphics throughout the output document?

Educational

When we ask a sales person their job, we generally get something back similar to: “I am supposed to sell our goods and services,” or “I am supposed to meet my plan.” These responses true as they may appear don’t spell out the entire picture. We feel part of the sales process is an educational experience too.

Too often your prospects (and customers too) don’t understand the value you are trying to deliver to them. They only know their issues and have some idea as to what they want to resolve them. (Nothing like stating the obvious) This is sometimes overlooked in the sales process. Your literature, seminars and questions are all educating the prospect as you work through their buying process and your sales cycle. It is vital to not only the sale but the success of the sale that you inform and educate your buyers along the way. This sets the expectation for after the sale is complete.

- Does our value estimation tool educate the buyer throughout the

questioning process?

- Does our output inform the buyer of what to expect after the sale?
- Do we use marketing information (statistics, research, customer information, etc.) as an integral part of our value estimation tool?

Without education you risk success. There are other benefits to an educated buyer after the sale. I will discuss them in that section elsewhere in this document.

Cost and benefit represented

Too often we get focused on the benefits and forget there is a cost. For several years we have offered a Financial Dashboard that simply allows you to “plug” in the cost of sale. The problem with this is the cost does not stop with initial investment. No matter what the product, there is an on-going cost associated with the on-going benefit. The issue you face is that without showing the costs completely and accurately, you lose the credibility attached to the overall benefit.

Ask yourself...

- Do you capture the initial and on-going cost associated with the purchase of your products and / or services?
- Do you effectively show the value delivered taking into account the initial cost, on-going cost and overall benefit delivered?
- Do you take into account NPV, IRR, PV, ROI %, and Payback period?

Creative Output

The success or failure of using value estimation in your sales process boils down to several things; Credibility, and objectivity of course are primary, however equally important is your ability to display the results in a way your prospect will believe in them, and understand the value potentially delivered. A giant step in accomplishing these two things is to create an output document that...

- Summarizes their answers to your questions
- Includes Key Performance indicators (results)
- Graphically displays the results
- Includes “industry acceptable” metrics
- Is visually appealing and easy to understand (Not intimidating)
- Accurate
- Includes an attached glossary of terms
- Links to various parts of your questionnaire document
- Include initial cost and on going cost if your output includes a multi year investment and payback

I am a huge advocate of selling proposals. Bob Kantin developed a methodology years ago that takes this concept and simplifies it (see www.salesproposals.com). Equally important to the output document is the presentation of the output. I strongly suggest you connect your output document to a slide presentation explaining the various sections in detail. By utilizing a slide presentation in the proposal stage of the sales process you are creating an event. This event takes on purpose and positions you better than most competitors. Even if you utilize one of the on-line presentation companies like go-to-meeting, your presentation of the proposal and value estimation drives you closer to adding this prospect to your customer list.

Ability to use ROI throughout and after the sale

If you have followed my White Papers and our growth as a company (VMC, Inc. and ROI4Sales.com) in the past 4 or 5 years, you will notice we shifted slightly in our philosophy of what the real value is in using value estimation tools in the sales process can be. The sales process from beginning to end is very complex. You are very much dependent on the buyers purchasing process. (See Neal Rackham, Major Account Sales, and a book by Jeff Thull, Mastering the Complex Sale) Both discuss that the buyer too has a process to purchase.

The issue many of you will face when introducing value estimation into your sales process is how to “really” prove the value you will deliver? I discuss this in many ways earlier in the credibility section. However, using research data like Gartner, Bitpipe or Meta, only compares their estimates to your potential solution based on a category. For instance, “On-line collaboration reduces project lifecycles by as much as 20%.” This PWC statement sets a standard that says if you use on-line collaboration tools, you can reduce your project lifecycles by XX.

If you go back to your customer base 6-9 months after the sale and collect the data to perform an assessment of your value delivered. This data can be used for reference, future presentations and of course to update your value estimation tools.

Using ROI after the sale is very important. Think about these points:

- Do you perform follow up assessments?
- Can you use the same ROI questionnaire after the sale?
- Do you use “actual” value based data in your sales presentations?

Documentation and Training

There are a few documents that I feel are necessary when creating your own ROI or value estimation tools. First and foremost of course are instructions on how to use the document. Secondly, I strongly suggest a glossary of terms. If possible link the terms to

the word when it is used within your document. Next, I find when you include the calculations in a separate area they are easier to explain. If you include them in your master document you are opening yourself up to a discussion on the formulas.

Without proper training (like any sales tool) you might as well flush the cost of your tool. Not only training on the product itself is important, you absolutely must train your team on positioning. Yes, position the tool throughout the sales process

Keep these in questions in mind:

- How do your value estimation tools compliment your SFA System?
- Do your value estimation tools integrate well with your sales methodology?
- Do you use the same vernacular as your sales methodology?
- Did you include a glossary?
- Did you link your glossary to the words in the document?
- Do you have easy to understand instructions?
- Did you include training in your plan for deployment – training on both the tool and positioning?

Using value estimation in the sales process is a necessity. If you choose to build your own tool set, be aware of the credibility and objectivity issues you are almost certain to experience. Keep this in mind when you train your team on the use of your home grown tools. They will be tested on the validity of the results, the algorithms used and the value of the document on a whole.

I am not discouraging you from creating your own set of sales tools, but I am cautioning you on the effectiveness of doing this in house. More than ever before ROI is playing a key role in the purchase decision of most major companies. If you are competing against someone using a tool built and designed by an outside source, batten down the hatches for a very difficult fight.

About the Author:

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