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Boost Asset Utilization by Improving Pipeline Yield from Top Sales Performers

Executive Trust and Action are Achieved when an investment is Understood

Introduction

If you ask any salesperson if they would like to be thought of as a trusted advisor by C-level decision makers, you would be hard pressed to find anyone that said no. To achieve this highly coveted status, salespeople will often spend a good portion of their time, researching the prospect, understanding their product's key features and benefits as well as developing call scripts and sales decks that will enable them to communicate their solution's unique capabilities effectively and succinctly to a senior executive. But often, this non-financial dialogue does not enable the salesperson to maintain access to the executive decision maker -- as he or she will typically lose interest and quickly end the discussion by politely suggesting a follow-up meeting with the "correct" person, usually in mid management within IT, who can adequately review your product. Why does this happen?

Unbeknown to the salesperson, C-level executives and business owners are principally concerned with one thing... growing and maximizing an operation's cash position and/or cash flow. Think

about it. The most important financial statement is the statement of cash flows as it reveals how well a company's executive management team has acquired and invested cash to generate continuous cash flow for its owners and investors. Therefore, any initial C-level dialogue that doesn't clearly and concisely explain the investment you are asking an executive to consider will result, understandably, in a lack of interest or priority from the executive. In other words, most executives cannot extrapolate how your product or service will deliver the competitive or market advantage that will increase their operational cash flow. In lieu of this extrapolation, executives will simply conclude that your offering is a commodity, not a potentially viable investment opportunity. Herein lies the problem.

The Problem with Top-Down Selling

Top-Down Selling is typically presented to a salesperson as a means of calling on Senior Executives, facilitating C-level access and faster deal flow. Top Down selling sales reps are typically armed with



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“Show me how the \$1 million we spend with you is going to generate \$10 million in value for our company and you’ll get my attention very quickly. Talk to me about chipsets or bandwidth and I’ll start yawning.”¹

PAUL ZAZZERA
FORMER CIO, TIME INC.

“The worst thing a salesperson can do is come in with a cookie cutter value proposition... A business case needs to be relevant to my organization’s business issues.”¹

AVI HALUTZ
VP TECHNOLOGY, TIME INC.

access and faster deal flow. Top-Down selling sales reps are typically armed with VITO style letters, value propositions, internal ROI models, case studies and a host of *business case* tools aimed at demonstrating the financial acumen of the sales rep.

With that said, the reason why most C-level executives take a skeptical and often confrontational position to a sales representative’s “value” claim is, in large part, because the underlying investment is nebulous. As a result, most executives are conditioned (by salespeople) to automatically question the assumptions and relevance of generic Top-Down selling tools -- typically developed by the sales rep’s marketing department. What’s more, the executive will also begin to question whether the sales rep is truly looking to explore a viable investment opportunity or if he or she is simply positioning a non-neutral investment assessment method as part of an opportunistic and perhaps even cynical sales technique aimed at obtaining immediate funding approval for a commoditized product or service. Forget using unclear or generic value figures as it doesn’t address the CXO’s desire and need to assess the efficacy of an investment.

Having the *Weather Gage* on Your Side

From the sixteenth to the mid nineteenth century, the term *Weather Gage* was used in naval warfare to describe the more favorable maneuverability of a combat sailing vessel. A combat sailing vessel upwind of an enemy sailing vessel was generally considered to have the *Weather Gage* and/or battlefield advantage -- as this vessel was able to rapidly change course, approach the enemy on a *broad reach* or downwind point-of-sail and control the battle from the outset. All things being equal, the warship that had the *Weather Gage* almost always emerged victorious.

Is there a *Weather Gage* to be had in technology sales? Yes! In the competitive world of technology sales, the Salesperson with the CXO relationship is the warship with the *Weather Gage*.

Simply put, the *Weather Gage* in complex or standard technology sales is accessing and MAINTAINING access, as well as successfully obtaining sponsorship for evaluating your solution, from a senior executive. The Salesperson that establishes need and trusted advisor status with a senior executive or management team member will be in the enviable position to both define the criteria and

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“Since the natural language of business is finance and the corporate IT department functions more like a business unit than a service center, business-oriented CIOs have become increasingly fluent in the language of finance”

“That puts the technology-focused sales rep at a distinct disadvantage. Every day, the CIO becomes more immersed in the grammar and syntax of finance. If this trend continues, it will be difficult for an IT sales rep to engage the CIO in a truly meaningful dialogue--unless the sales rep has a grounding in finance.”

PARTNERING WITH THE CIO
Minelli & Barlow
John Wiley & Sons, Inc.

influencers) of the evaluation from the outset of competition.

The key to having the *Weather Gage* in sales though is to MAINTAIN access to an appropriate executive and to OBTAIN his or her direct sponsorship in the evaluation. How is this accomplished? *The salesperson will need to ALIGN their solution to the executives overarching need to grow or improve their business' quarterly or annual cash flow yield.*

Embrace a Basic Financial Impact Discussion

The single best way to quickly close a deal is to have a C-level executive say that your company's solution is a priority business investment. CEOs, CFOs, COOs and even CIOs will often ask some or all of the following questions either to the salesperson or themselves when exploring or considering a real investment opportunity:

- (a) How much cash is required to *feed* the investment?
- (b) How much leverage can be utilized for the investment?
- (c) What is the return calculation based on... the net present value of a series of estimated cash flows?

- (d) What is the projected annualized, (effective) compounded rate of return (IRR) on the invested cash and/or working capital?

While this type of executive level interaction might be very intimidating to the average salesperson and is often perceived to be confrontational in nature, it is actually a positive buying signal -- as the nature and preciseness of the executive's questions confirm that he or she is, at least for the moment, considering the salesperson's offering as an investment opportunity.

This type of C-level interaction can be a pivotal turning point for any salesperson that is equipped to engage the executive in substantive dialogue. If handled correctly, the salesperson will establish himself or herself as a credible trusted advisor to the executive. Not only does this highly coveted *partnership* status enable the salesperson to maintain access to the C-level sponsor THROUGHOUT the sales campaign but it, more importantly, establishes him or herself as an intrinsic part of the very solution they're offering. The salesperson is offering inherent risk reduction by demonstrating a clear understanding of the executive's specific investment objectives and is, thus, better positioned than competitors to ensure that



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“In a recent study, more than 81% of buyers expect IT vendors to quantify the value proposition of proposed solutions, and 61% of buyers rate a vendor’s ability to quantify its value proposition as important in the vendor selection process.”

ERNST & YOUNG

“Explain the value proposition very clearly. Show us how you’re going to help us improve our top line and our bottom line. Have a referenceable portfolio. Show us that you can be comfortable in conversations with the COO or the CEO. Be prepared to offer a strong business argument in language that top executives can easily understand.”¹

PAUL ZAZZERA
FORMER CIO, TIME INC.

that his or her company’s products are leveraged in a manner that meets the executive’s investment objectives. This *trusted advisor* status gives the salesperson enormous advantage to neutralize pricing objections, rapidly close the deal and, most importantly, get in on the inside track on lucrative cross and up-sell opportunities in the future.

The Building Blocks of an Investment Selling Engine

In a small fraction of the time a salesperson spends researching a prospect, developing call scripts, or understanding their company’s products and services, they could learn the basic financial concepts and related (soft) sales tactics that would enable them to engage an executive decision maker in a substantive investment discussion. In this section, we will touch upon the basic financial concepts that will empower a salesperson to have a fruitful investment dialogue with an executive. We will review the sales tactics that can increase the deal size, shorten the sales cycle, and improve closure rates because of assessing the true financial impact of an investment with a c-level decision maker.

Senior business executives are constantly trying to improve their operation’s cash

flow; and they are always looking for viable solutions for increasing cash flow from core operations. Thus, when developing a financial impact analysis, the salesperson needs to frame their offering in a way that clearly shows the following:

- (a) Estimated first year cash flow.
- (b) Time it will take before their solution and/or investment will begin to cash flow.
- (c) Net present value (NPV) of the first three (to five) years of cash flows.
- (d) Internal Rate of Return (IRR) of the first three (to five) years of cash flows.
- (e) Present street (or market) price of a comparable capital market investment that yields the same NPV.
- (f) Total cost of ownership (TCO) of your solution over a three (to five) year investment horizon.

To ensure sales teams embrace and use this approach, pipeline mentoring and auto generated financial impact assessment models are typically provided. On weekly deal review calls, salespeople can be easily taught how to leverage *investment selling* techniques to improve closure rates on committed opportunities.



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“A good IT salesperson should be able to think in a visionary way... At the same time, a good IT salesperson should know how to think tactically, understand a concept, and break it down into manageable pieces”¹

HARVEY KOEPPPEL
FORMER CIO, CITIGROUP

The Value-Risk Paradox

Most salespeople I’ve encountered over the years believe that the price or cost of their proposed offering and the word *investment* are synonymous terms. Therefore, when attempting to close a deal, the majority of salespeople will typically point to all of the “robust,” vast features of their products, extensive implementation, project management and service offerings as well as custom training packages that come with their proposed *investment* or price of their offering.

What many salespeople and sale managers do not realize is that, by focusing the executive on the “value” they bring by way of the vast technology deliverables of their proposed offering as well as the non-trivial nature of most technology implementations, they have unknowingly added a significant layer of risk during the closing phase of the sales campaign. Often, this “value creation” tactic will cause an executive to take a step back and pause -- so that they may explore alternative approaches to a project that perhaps offer less risk-of-failure. This is the Value-Risk Paradox.

At this stage in the sales cycle, the salesperson is likely to lose both access to

and the ability to obtain commitments from the senior executive going forward. What often follows is that the sponsorship for the project shifts from the executive to someone at a lower management level, usually in sourcing and procurement. What also often follows is that all of the project requirements, deliverables and objectives uncovered by the salesperson are written up in a formal request-for-information or proposal (RFI or RFP) so that other vendors and/or competitors may submit proposals and bid on the project. In most instances, the salesperson will not regain control over the sales cycle.

The Value-Risk Paradox is the result of a schism over how the senior executive and the salesperson each define the words *investment* and *value*. To maintain access to the senior executive and subsequent control over the sales opportunity, the salesperson will need to align his or her dialogue to the executive’s definition of *investment* by clearly framing his or her offering as a pragmatic, high yield vehicle for generating large amounts of incremental, operational cash flow.

Framing Your Solution and Closing the Deal

To help guide sales teams, we’ve developed an Executive Alignment



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“Compensation for individuals and business is not linked to performance against budget. It is linked primarily to performance against the prior year and against the competition, and takes real strategic opportunities and obstacles into account”²

JACK WELCH
FORMER CEO, GE



developed an **Executive Alignment Methodology**, called **F.R.A.M.E.**, to achieve these objectives. If leveraged by the salesperson during business conversations with a senior executive, this iterative process will ensure proper alignment between executive and salesperson. The F.R.A.M.E. Executive Alignment Methodology is as follows:

- Focus on the Executive’s Need to Increase (net) Cash Flow
- Replace “Value” or “Benefit” language with an *investment* or *Financial Impact* assessment dialogue
- Adjust *Investment* assumptions to Meet the Executive’s Needs
- Move to get Buy-In on a discrete set of *Investment* Assumptions
- Explain the *Investment* and obtain executive agreement on a reasonable *Proof-of-Investment* step

Let’s examine each of these steps further:

Step 1: FOCUS

The purpose of this first step is to remind the salesperson to focus the dialogue on a senior executive’s need to improve cash flow from business’ operations. Implicit in this tactic is uncovering the KPIs that are (a) directly linked to cash flow creation and are (b) perceived by the executive to be lagging his or her competition (and/or SIC peer group).

The following four KPIs are directly linked to cash flow creation:

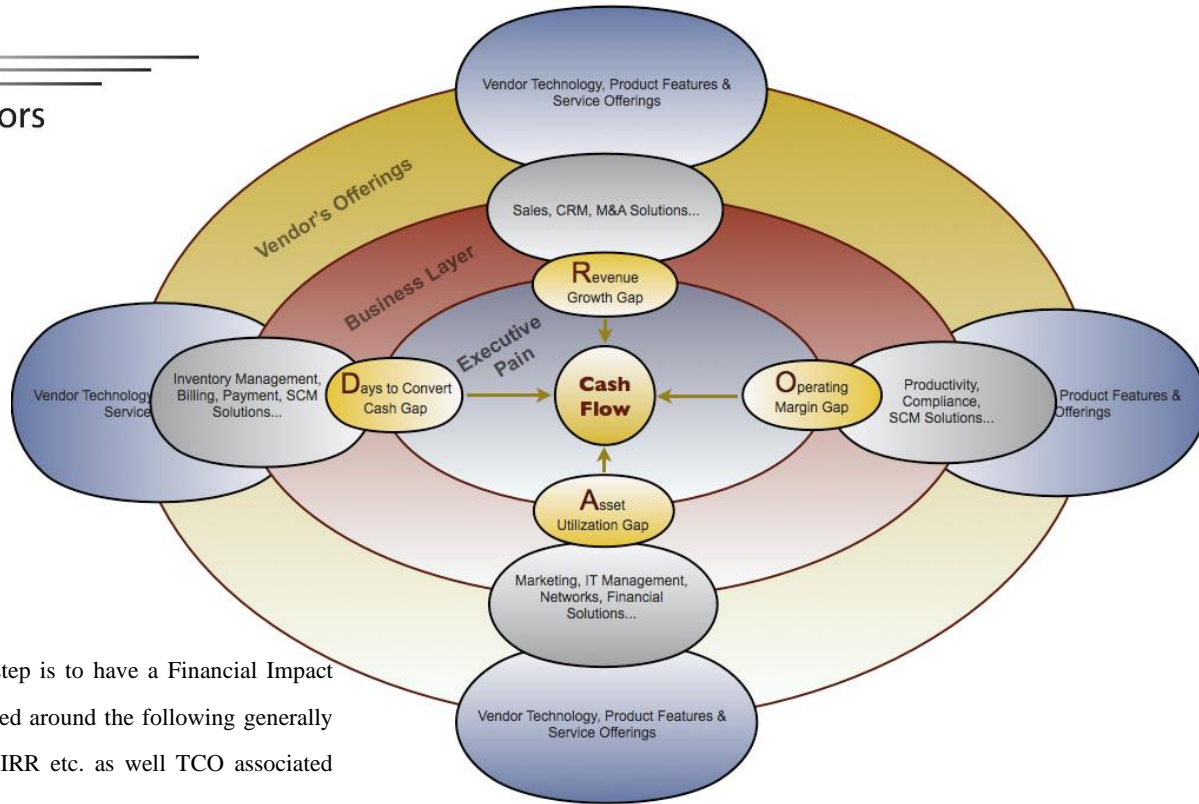
- (a) Revenue Growth = percent increase in revenue over a defined time:
- (b) Operating Margin = Revenue less *Cost of Goods Sold* (COGS) and *Sales, General & Administrative* (SG&A) expenses as a percentage of revenue.
- (c) Asset Utilization = Dollar(s) of Revenue generated for every Dollar of Assets.
- (d) Days needed to Convert (Credit into) Cash = Days in Inventory + Days Sales (Receivables) Outstanding - Days Purchases (Payables) Outstanding.

If, during discussion, one or several R.O.A.D. performance gaps arise among these KPIs, the executive is, in effect, telling the sale person that he or she has a real, immediate business need.

The objective of this step is to (a) uncover and align the salesperson’s offering to an executive’s needs (b) by exploring the magnitude of cash flow that could be created as a result of the executive reducing or eliminating the gap and (c) minimize perceived risk by *framing* the salesperson’s offering as a discrete set of implementable business capabilities, not as an overwhelming list of technologies, application features or service offerings.



R.O.A.D. Map to Cash Flow



Step 2: REPLACE

The purpose of this second step is to have a Financial Impact Assessment discussion centered around the following generally accepted calculations: NPV, IRR etc. as well TCO associated with the salesperson’s offering.

The objective of this step is to position the salesperson’s offering as a real *investment* opportunity by (a) exploring the potential cash flow impact as well as underlying performance assumptions of the (discrete set of) business capabilities facilitated by the sales person’s offering and linked to improving one or more of the R.O.A.D. KPIs (please see *ROAD Map to Cash Flow* illustration above).

Step 3: ADJUST

The purpose of this third step is to remind the salesperson to uncover the minimum NPV and IRR hurdles -- required to obtain the executive’s sponsorship and funding approval -- so that Financial Impact assumptions may be adjusted accordingly.

The objective of this step is for the salesperson to strike an optimal balance between the maximum *allowable* price or cost for his or her offering and a realistic, achievable set of performance estimates on the business capabilities that have been positioned as part of the salesperson’s offering.

Step 4: MOVE

The purpose of this fourth step is to remind the salesperson to move the executive toward acceptance or buy-in on the (discrete REVENUE ACCELERATORS

set of) assumptions in the Financial Impact assessment. The salesperson should refrain from broadening their sales offering by way of introducing new products or services as this tactic will only lengthen the sales cycle, increase perceived risk and delay the buying decision. The key to reducing perceived risk and getting a senior executive’s action and commitment is to frame the salesperson’s offering as a discrete set of capabilities that will directly impact one or several of the c-level *R.O.A.D. KPIs*.

Step 5: EXPLAIN

The purpose of this last step is to remind the salesperson to explain or review the investment opportunity with the executive. At this step in the process, the salesperson should have all the information required to *frame* his or her offering as a real investment, that is estimated to produce the executive’s desired amount of recurring cash flow.

Once the cash flow impact and underlying investment assumptions (inclusive of price, business capability performance hurdles etc) are confirmed and agreed upon, the salesperson should ask the executive how he or she would like the sales person’s company to prove their offering’s



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“THINK LIKE AN INVESTOR...
ACT LIKE AN EXECUTIVE”

Michael Chiarelli
Partner, Revenue Accelerators

¹ PARTNERING WITH THE CIO
Minelli & Barlow,
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² WINNING ,Welch & Welch
Harper Business Publishers

ability to deliver the business capabilities and related performance hurdles -- contained in the financial impact assessment. Customer reference? Peer-to-Peer customer call? Executive briefing? Paid proof-of-concept? etc.?

Summary: Think Like an Investor, Act Like an Executive

The goal of the F.R.A.M.E. Executive Alignment process is to *frame* or position the salesperson’s technology or offering as a real investment opportunity whose perceived risk is low and whose cash flow yield is high.

To ensure sales teams can effectively embrace an investment selling approach, baseline financial acumen training along with R.O.A.D. Mapping workshops, Executive Message development as well as C-level engagement/F.R.A.M.E. skills development should become the cornerstone of a winning sales organization. Please see the *Revenue Acceleration Wheel* illustrated above to get a better understanding of the training and mentoring best practices leveraged by effective *Investment Selling* organizations.

By focusing their dialogue on the actual investment opportunity, he or she is asking

the executive to make and not on his or her company’s vast product features, service deliverables and training packages, the salesperson will garner the executive’s interest and will be able to become that executive’s trusted advisor going forward. This is the key to improving win rates thereby measurably improving pipeline yield, asset utilization and subsequent capital returns

About the Author

Michael Chiarelli is a partner with Revenue Accelerators, a sales mentoring firm founded and managed by Edward Golod, the CEO, specializing in sales systems aimed at facilitating alignment and shorter sales cycles with C-level executives. Mr. Chiarelli has 15 years’ experience in IT sales and marketing, managed global accounts, including Citigroup, JP Morgan Chase etc. and developed a deep understanding of executive needs as he’s forged C-level relationships while at information technology leaders Fair Isaac Corporation and SAS Institute. He achieved 380% of sales quota and while at SAS launched and managed customer relationship management (CRM) that resulted in \$50MM of recurring revenue. Mr. Chiarelli is considered in the IT industry an expert at C-level positioning, selling and relationships.