

REVENUE ACCELERATORS

Knowledge Transfers

Top Down Selling: Why it is ineffective, and what to do about it?

Introduction

Ask Account executives if they would like to be thought of as a trusted advisor by Sr. decision makers, and overwhelming, you'll hear 100% say yes. To realize this highly desirable status, they often spend a large amount of time understanding their solution's key features and benefits, and using value propositions to enable them to effectively communicate these benefits. Unfortunately, most often, this product-focused dialogue does not enable access to the executive decision maker.

Inside the Fortune suite, C-level and/or business owners are principally concerned with one thing... maximizing business cash flow. Considering the most important financial statement is the statement of cash flows, as it reveals how well a company's executive management has acquired and invested cash to run the business, why not sell into this? Sr. executive dialogue that doesn't clearly spell out how a solution is an "investment" will result, typically in being delegated down to mid-management for review and RFP. Understanding how a solution delivers a market advantage that will increase their operational cash flow is THE strategic advantage.

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The Problem with Top Down Selling

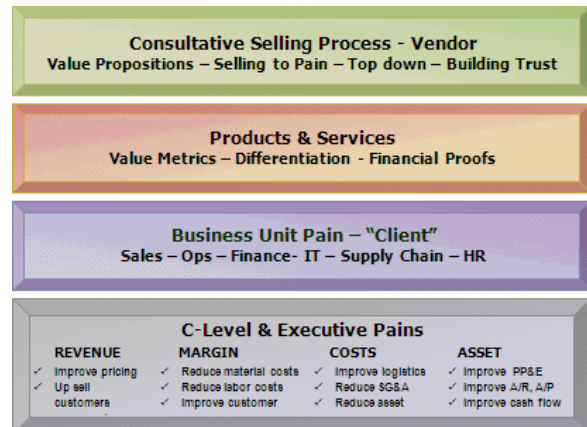
The ideal method to access and engage with Sr. decision makers is to present solutions in terms that they themselves look at: cash flow impact. In other words, they think, “if we buy this solution, how will it help us run the company in a more efficient manner and produce cash”? Therefore, the ideal way to get invited in to meet with power is to have a CXO view you as a solution that represents a priority business *investment*.

With that said, CXO’s and SVP’s will often ask some or all of the subsequent questions to both the Account executive, and themselves; when exploring whether to consider funding an “investment opportunity”:

- A. How much cash is needed to pay for this solution (investment)?
- B. How much financial leverage can be realized by using this solution (investment)?
- C. What will be the return based on NPV (net present value) across several years?
- D. What is the projected annual compounded rate of return (IRR) if we buy (investment)?

While executive level selling may be daunting to most sales people, and rarely supported by Marketing, it is actually a positive buying signal -- as the precise nature of the executive’s questions confirm that they are, at least for the moment, considering the solution offering as an investment opportunity.

C-level communication can be a crucial turning point for any Account executive, and best accommodated by pre-mapping C Level Executive pain, understanding the major and the supportive P&L issues. If handled correctly, it quantifies business value, and aligns it to Sr. decision maker’s priorities. This approach builds trusted relationships, and helps keep vendors engaged with sponsors THROUGHOUT the sales campaign. The vendor’s offering is then no longer restricted to product features and functionality; but seen as a valuable driver to help lower inherent risk reduction. Because vendors have demonstrated a clear understanding of the executive’s specific investment objectives, there is clear differentiation, and confidence that time evaluating new solutions will meet corporate strategic goals.



Sales Reps Embracing a Basic Financial Understanding.

In a small fraction of the time Account executives spend researching a prospect, developing call scripts, and understanding their own products and services, they could learn basic financial concepts needed to engage an executive decision maker. Mentioned earlier, Sr. executives are constantly trying to improve their operation's cash flow, and are always looking for viable means to increase cash flow from core operations.

Therefore, when selling Top down, Account executives need to map solutions to present:

- A. Estimated first year cash flow.
- B. Time it will take before their solution begins to generate positive 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 (market) price of comparable capital market investment with same NPV.
- F. Total cost of ownership (TCO) of your solution over three (to five) years.

Let's learn the basics of the specific components of an effective financial impact analysis:

🗣️ **Cash flow** refers to the amount of cash being received and paid out by a business or business initiative during a defined period of time, usually quarterly or annually. Cash flow estimates can be used to appraise the expected performance of a solution (investment).

🗣️ **Net present value (NPV)** is today's dollar value for a series of "future" incoming cash flows, net or deducting the amount originally invested from purchasing the solution. It is a standard method for appraising long-term investments.

🗣️ **Internal rate of return (IRR)** is a capital budgeting measurement used by executives to decide whether they should purchase a solution (investment). It's an indicator of the efficiency of an investment, as opposed to net present value (NPV), which indicates an investment's expected value or magnitude.

🗣️ **The present street price** of a capital market and/or fixed income investment is a function of its coupon payment (or periodic cash payout) divided by the bond's current yield. For instance, a corporate bond with a current yield of 5% and (fixed) coupon payment of \$1,000 has a street price of \$20,000.

🗣️ **Total cost of ownership (TCO)** is a dollar estimate of the hard and soft costs commonly assigned to business investment and/or technology initiative.

Question: Why is understanding these metrics critical to mapping the needs of executive decision makers?

Answer: Cash Flow, NPV, IRR, TCO are baseline financial metrics of all C-level decision makers used to examine solution (investment) opportunities. Most finance departments leverage these to rank business initiatives and vendors. Without a clear estimate of these metrics, it is unlikely an Account executive will align their solution to executive needs and subsequently gain sponsorship, and funding approval.

The Value – Risk Contradiction.

Most Account executives believe that the cost of their proposed solution and the word *investment* are synonymous. When trying to close a deal, the vast majority typically point to the host of “unique and robust” solution features, implementation, project management and value-add services as part of the cost. The instinctive thinking by sales teams is that the more product functionality and features, as well as training and service packages they can bundle, the higher the perceived “value” of their solution (or *investment*).

What many sales people and sale managers do not realize is by focusing the executive on the “value” they bring from their solution(s), as well as the non-trivial nature of most technology implementations, they have unknowingly added a significant layer of risk during the closing phase. It is this “value creation” tactic that causes an executive to take a step back -- so that they may explore alternative approaches to a project that perhaps offer less risk-of-failure. This is the Value-Risk contradiction.

At this point in the sales cycle, Account executives are likely to lose access and the ability to obtain commitments from, senior executives. What often follows is that the sponsorship for the project shifts from the executive to lower management, usually in sourcing and procurement. What often follows is that all of the project requirements and objectives, uncovered by the Account executive, are moved into a RFI or RFP. In most cases, the Account executive will not regain control over the sales cycle.

The Value-Risk contradiction is the result of a break in how the senior executive and the Account executive each define the words *investment* and *value*. To maintain access to the senior executive and subsequent control over the sales opportunity, the Account executive needs to align their communication to the executive’s definition of *investment*; *in terms of* business investment and cash flow.

Positioning the Solution for CXO Buy-in

Universal to selling C level, is how effective the vendor can relate their solution (investments) to the executive's business gaps and personal measurement. These are commonly referred to as key performance indicators (KPI's). This is how CXO's are reviewed as per performance targets, and of course, their compensation is heavily linked to these metrics.

The following four primary KPIs are the ones used by Fortune and SMB executives, and should be mapped by vendors to identify business gaps, and how their solutions can help with those gaps.

- I. **Revenue Growth** = the percent increase in revenue over a defined time period.
- II. **Operating Cost** = Cost of goods sold (COGS) and Sales, General & Administrative costs (SG&A) as a percentage of revenue.
- III. **Asset Utilization** = Dollar(s) of Revenue generated for every Dollar of Assets.
- IV. **Day Needed to Convert Credit) to Cash** = Days in Inventory + Days Sales (Receivables) Outstanding - Days Purchases (Payables) Outstanding.

Company Metrics for Benchmarking								
Company	Rev Growth	COGS	SG&A	DSO	DII	DPO	Fixed Assets	
PFIZER	-0.3%	11.8%	39.8%	68	291	-17	0.275	
BRISTOL MYER	6.5%	27.9%	32.1%	84	193	-26	0.303	
LILLY ELI	9.4%	17.4%	56.2%	50	257	-14	0.423	
MERCK & CO I	-1.4%	18.2%	30.9%	58	192	-15	0.503	
Industry Top 25%	14.8%	32.6%	30.9%	52	155	-29	0.304	
Value Creation & Cash Impact								
Value Creation	1,835	0	5,375	176	284	94	0	
Cash Impact	199	0	5,375	2,382	2,247	1,269	0	
								Total
								7,764
								11,472

** Auto-handling software can rapidly pre-build a prospect's Operational Performance Gaps, and then benchmark them against their Top 5 competitors.*

These KPI's are directly linked to cash flow creation and therefore, are directly in the minds of most C-level and senior executives. If, during discussion, one or several performance gaps arise among these KPIs, the executive is, in effect, telling the Account executive that he or she has a real, immediate business need.

Conclusion

Think like an investor, act like an executive.

The goal of this paper was to present a methodology for efficiently and effectively mapping a vendor's technology to an executive performance gaps; and having that solution viewed as an investment opportunity whose perceived risk is low, and whose cash flow yield is high.

Ultimately, the goal is to help the Account executive think like an investor. If significant value is uncovered during this process, most senior executives will naturally want to take the lead in exploring and ultimately executing on the investment opportunity that has been presented. Most senior executives will also personally look to sponsor an evaluation of the sales person's offering. This presents a golden opportunity for the sales person to partner with the executive in the capacity of trusted advisor, virtually eliminating the possibility of any real competition as well as ensuring an expeditious, clearly defined pre-sale evaluation phase that leads to rapid deal closure.

The use of value mapping, tools, and process are readily available, and can have teams up and running in a few weeks...considering some deal flow takes years.

About the Author

Edward Golod is President of Revenue Accelerators, a value-based sales mentoring firm specializing in helping software and technology firms improve revenues via access to Sr. executives. A high-tech veteran with 25 years in front-line sales and management, his articles, speaking, and mentoring include, but are not limited to: Prospecting, Selling to Sr. Executives, Consultative Selling, ROI Value Validation, and Closing as a Trusted Advisor. www.RevenueAccelerators.com



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