

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 device? 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 operational cash flow is THE competitive advantage.

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The Problem with Top Down Selling

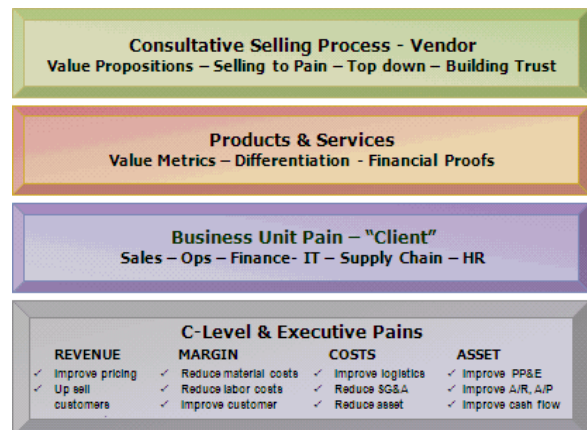
The ideal method to access and engage with Sr. decision makers is to present solutions in terms that they themselves look at: cash flow impact. In other words, they think, “if we buy this solution, how will it help us run the company in a more efficient manner and produce cash”? Therefore, the ideal 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, SVP’s, and VP’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 used by some but not most vendors, and rarely supported by Marketing; it is actually a positive buying signal. The precise nature of the executive’s questions confirm that they are, at least for the moment, considering the solution’s offering as an investment opportunity. This places the vendor above the traditional cost-benefit solution analysis.

C-level communication can be a crucial turning point for any Account executive, and best achieved, and accommodated, by pre-mapping C Level Executive pain. It begins by using a consultative process to understand the major and the supportive P&L issues that affect your decision makers. IT entails attaching value proof statements to your solutions, so they are viewed as a substantive ways and means to help bring relive to those business issues previously uncovered. Next, you connect your solution’s value to a Business unit, and ultimately, to C-Level financial pain.



If handled correctly, the Vendor is able to quantify unique business value, which resonates with the Sr. decision maker’s short-term

priorities. Long term is important, however, short-term will help drive deal funding. This approach builds trusted relationships, and helps keep vendors engaged with power 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 in the decision making process. 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 Embrace 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. If the vendor is prepared to discuss this, especially during typically lengthy sales cycles, it will help curtail closing times by facilitating access to most important person you deal with, the Sr. decision maker.

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

- A. Estimated first year cash flow; to help pay for a solution.
- B. Time it will take before a solution begins to generate positive cash flow.
- C. Net present value (NPV) of the solution over 3-5 years.
- D. Internal Rate of Return (IRR) of the solution over 3-5 years.
- E. Present street (market) price of comparable capital investments with the same NPV.
- F. Total cost of ownership (TCO) of a solution over three (to five) years.

Let's learn the basics of the specific components of an effective financial impact analysis, and once understood, become repetitive on all presentations and proposals:

💡 **Cash flow** = the amount of cash being received and paid out by a business 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 the total present value of a "time" series of cash flow. The standard method for capital budgeting, it helps measure the excess "or" shortfall of cash flows, in present terms.

☛ **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 ability to produce for the company.

☛ **The present street price** = how the executive measures how well they will do if they do not buy now, and instead how well will they profit if instead buy financial instruments (fixed income).

☛ **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 and CFO's 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. All vendor CFO's can be instrumental in building these.

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.

Here, 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 of 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 cash flow.

Positioning the Solution for CXO Buy-in

A universal requirement to selling C level is being effective in being able to relate a vendor’s solution (investments) to the executive’s business gaps, as well as their personal goals and position’s measurement. These are commonly referred to as key performance indicators (KPI’s). This is how CXO’s are reviewed by tier board, and is the essential means for them to acquire bonus, as per performance targets. When Account executives at least understand these, it gives them a window to access and align with true decision makers for an organization.

The following four primary KPIs are the ones used by Fortune and SMB executives alike, regardless of industry, to measure business performance; and should be mapped by vendors when selling their solutions. It is not needed to sell into all four, as your solution will most likely bring value to one, perhaps two, and that is fine. This will help identify business gaps, and how their solutions can help contribute to closing those gaps.

- I. **Revenue Growth** = the percent increase in revenue over a defined period of time.
- II. **Operating Cost** = Cost of goods sold (COGS) and Sales, General & Administrative costs (SG&A) as a percentage of total sales or revenue.
- III. **Asset Utilization** = Dollar(s) of Revenue generated for every dollar of assets owned.
- IV. **Days Needed to Convert Credit to Cash** = it is the 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 for faster Executive access.

These key performance indicators (KPI's) are directly linked to cash flow creation and therefore, are directly in the minds of most C-level and senior executives. It is not as daunting as it appears, as once you have identified how your solution brings value to your client, you just have to connect it to one of, or several of, the client's KPI's. This can be replicated again and again, once the framework is built.

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. This is the fastest way to determine if you have a deal, and help save time and money on typically lengthy or complex sales cycles.

Ultimately, the goal is to help the Account executive think like an investor. If significant value is uncovered during the vendor's Discovery process, and proper alignment of the value to senior executives is taken, vendor's can see measurable, and very cost-effective improvement to their sales cycles.

This will help motivate Account executives to more naturally want to take the lead in exploring, and ultimately executing on selling the investment vs. solution opportunity. Being able to accomplish this, vendor's will see more senior executives taking a personally look to sponsor an evaluation of the sales person's offering. This presents golden opportunities for the Account executives 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 faster deal closure.

In conclusion, the use of value mapping, tools, and process are readily available, and can have teams up and running in a few weeks vs. month...considering some deal flow takes years. The business and personal ROI is one of the strongest in the field of sales performance.

About the Author

Edward Golod is President of Revenue Accelerators, a value-based sales performance 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, Top down Selling, Consultative Selling, ROI Value Validation, and Closing as a Trusted Advisor.

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