# VALUE SELLING

## TO THE C-SUITE

### TECHNIQUES DELIVERABLES & STRATEGIC OBJECTIVES

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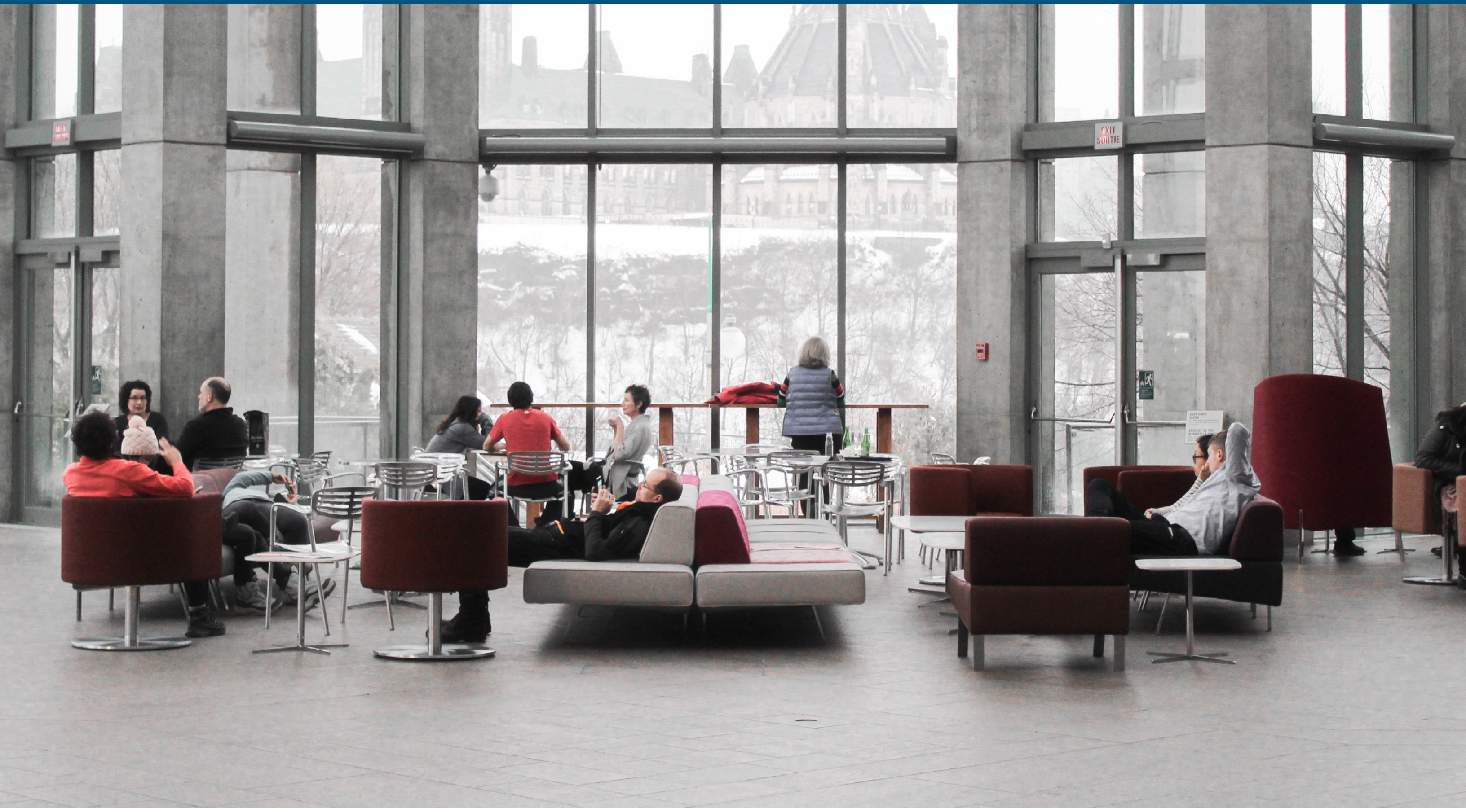
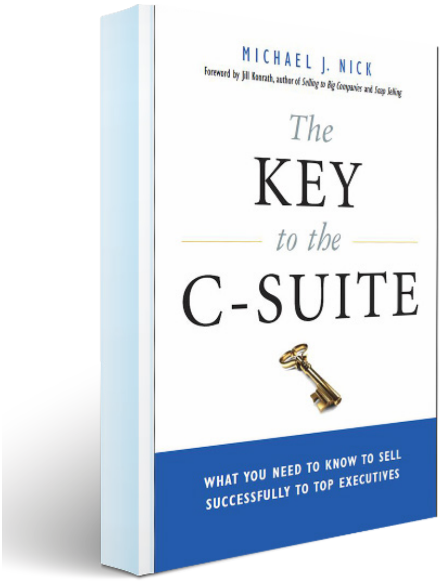


B2B selling is very different from a year ago, five years ago, and most certainly twenty years ago. Training sales teams in the past was about process and control. If your team had and followed a well-thought-out strategy to control the sale, you were going to be okay. OK, if I'm stretching the whole sales training concept a little, it's to emphasize the point that old-style sales methods and processes are not as effective as they were in the good old days. One element that is deservedly getting more attention is the sales professional's ability to get in front of C-level executives. Once there, communicate with those executives in terms that matter to them. Ask yourself: is my sales team able to present the value of our solutions in terms of the metrics C-suite executives rely on to stay on top of their company's productivity and performance?

In the past, sales professionals touted the value of their products and services using traditional measures: Return on Investment (ROI), Internal Rate of Return (IRR), or perhaps Net Present Value (NPV). Today, the playing field and scoreboard are different and more sophisticated. Sales professionals need to understand the metrics that C-level executives (and their shareholders) pay attention to and tie the value of their solutions directly to those metrics.

This paper breaks down this approach to C-suite selling. It provides insight into what is important to C-level executives and lays out how to articulate and communicate your value proposition in terms they will find compelling.



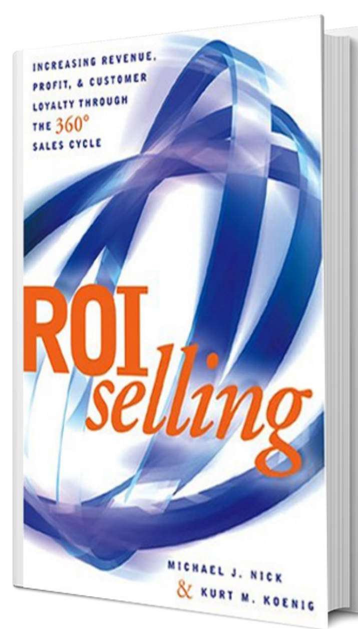

## ASSUMPTION #1

The first assumption is that the sales professionals reading this know how to qualify prospects. The questions you use up-front to determine whether your prospect is worth pursuing **(DO THEY HAVE NEEDS YOU CAN MEET? CAN WE MAKE A MEASURABLE IMPACT? IS THERE A PROCESS AND BUDGET THAT WILL LEAD TO A SUCCESSFUL SALE?)** are critical to any sale, and, will ultimately feed into your C-Suite metric calculations and presentation. This means it is not enough for a prospect to simply meet your marketing criteria. You, a sales professional, also need to confirm, first in your own mind and then in the prospect's, that your product meets the prospect's strategic objectives as well. This becomes increasingly important as the sales process moves forward. For example, it's essential to know whether your prospect is interested in expanding their operations or reducing their operating costs. **ARE THEY INTERESTED IN REDUCING DEBT, RAISING CAPITAL, OR OPTIMIZING RETURNS FROM THEIR EARNING AND NON-EARNING ASSETS?** Regardless of what you're selling in the B2B world, strategic initiatives like these will drive any purchase decision. Sales professionals who fail to gather this information up-front during the qualification stage are in for long sales cycles and lost deals because they aren't addressing C-suite priorities.

## ASSUMPTION #2

The next assumption is that you, as a sales professional know how to ask the right questions to identify your prospect's issues, pains, and goals. This doesn't have to be complicated. At the risk of sounding mercenary, allow me to recommend my book **THE KEY TO THE C-SUITE** (Harper Collins, ©2014) and adopt the discovery techniques outlined there. Whether you follow my suggestions or develop your own techniques, the key is taking the defined issues, pains, and goals you uncover to the next level: digging into the data, you need to calculate what each of those issues, pains, and goals is costing the prospect today. We call this the "current cost of status quo." Once you gain your prospect's buy-in to the current cost, ask your prospect about their projections for key metrics and use that information to model the cost of their pain over the next three to five years, so they can see how it will grow and compound. This is a technique that will ensure your prospect understands their pain, and is willing to accept there is a cost to it. Ultimately they'll realize that status quo is not free.

In my book **ROI SELLING**, I explain why it's crucial for your prospect to agree they are experiencing a particular pain AND to understand the cost of that pain - now and in the future. Why? Because experience has shown us that people are only moved to make significant purchasing decisions when they understand and buy into the actual cost of their pain.



# C-SUITE METRICS

Let's begin with the prospect's Chief Financial Officer (CFO). Among other duties, the CFO compiles and presents much of the information their company uses to make most buying decisions - to analyze what to buy, when, and from whom. Here is a revelation for you: ROI is no longer the key metric the CFO really cares about in the buying process. ROI's impact on buying decisions has declined because, among other reasons, it's typically estimated during the buying cycle, before implementation, and rarely verified after delivery.

WHAT DO CFOS CARE ABOUT AND CONSIDER IN PURCHASING DECISIONS? A PURCHASES IMPACT ON METRICS LIKE:

- **RETURN ON ASSETS**
- **RETURN ON EQUITY**
- **IMPACT ON CAPEX**
- **IMPACT ON OPEX**
- **EARNINGS**
- **GROSS PROFIT**
- **NET PROFIT**
- **DEBT TO EQUITY RATIO**
- **EBITDA**
- **CASH FLOW**
- **DAYS SALES OUTSTANDING**

**PEOPLE ARE ONLY MOVED TO MAKE SIGNIFICANT PURCHASING DECISIONS WHEN THEY UNDERSTAND AND BUY INTO THE TRUE COST OF THEIR PAIN AND SEE HOW THE PROPOSED SOLUTION WILL HELP THEM LOWER THE PAIN.**

Why am I listing these dry financial metrics for you? Because if you don't understand the financial conversation, you won't be part of it. Pause and think about that for a moment. Being part of the financial discussion is a vital part of every significant sale. Remember, if you aren't speaking the language of the C-suite, they're not likely to be interested in what you have to say.

Fortunately, definitions and calculations for these metrics are relatively straightforward (when you have uncovered the underlying data in your discovery process) and readily found on the internet. The key to using these metrics to your advantage in a sales process is correlating your solution's value to the current and projected costs of your prospect's issues, pains, and goals.

Sound familiar? It should! I just mentioned it above when I discussed capturing and projecting the current cost of status-quo. The key is showing the prospect's C-level executives how your proposed product or service's value impacts one or more of their closely watched metrics.

SALES TEAMS OFTEN SUCCUMB TO THE LURE OF PRESENTING A DOG AND PONY SHOW

## PROVING YOUR VALUE

In today's environment, sales professionals must understand and have the ability to prove their product's value proposition in terms of every prospect's unique set of needs. After you have identified your prospect's issue, pain or goal, and helped them really see current and projected costs, successful sales professionals go on to prove that their solution can resolve the prospect's problem and relieve their pain. Specifically, they show how their solution reduces or eliminates the excess costs arising from the problem and/or helps the prospect achieve targeted revenue increases. THESE MEASURABLE RESULTS ARE CRITICAL TO CALCULATING THE C-SUITE METRICS AND SELLING TO C-LEVEL EXECUTIVES.

OK, that's great. But how do you prove the value? Ideally, you can demonstrate the resolution. If you sell software, demonstrate the fix; if you sell cars, let your prospect take a test drive. Some believe land and expand strategies are effective. The point is, if it's possible to present a compelling demonstration of how your solution addresses the prospect's issues, that's usually the best way to prove value. Remember what your intention is, and keep your demonstration focused on how the solution addresses the prospect's key issues. Sales teams often succumb to the lure of presenting a "dog and pony" show, including all of their products' latest and greatest features. THROWING IN A BUNCH OF FUNCTIONALITY THAT DOESN'T APPLY TO YOUR PROSPECT'S CRITICAL NEEDS MUDDIES THE WATERS, potentially allowing irrelevant material to obscure your most important value drivers.

What if the nature of your solution doesn't lend itself to a demonstration? In that case, present other validations or proof points. When I've found myself in this situation, customer reference calls and site visits, supported by case studies and expert analyses from a reputable research firm like Gartner, Forrester, or IDC, have helped me put my value proposition on a solid foundation.

# VALUE CALCULATIONS

After proving the value of your solution and confirming that your prospect has really internalized your message, use the data you gathered calculating the current and projected cost of status quo to quantify and illustrate, ideally with numbers and graphics, the returns your solution can produce for the prospect, especially the C-level executives. Remember a picture is worth a thousand words? Visual presentations are far more effective than wordy slides.

When calculating and showing returns, make sure you think beyond the immediate area(s) your solution impacts to consider its effect on other of the C-Suite metrics we list above, as shown in the following example.

Increasing new sales volume is just one way to boost revenue. In the “everything in the Cloud” era, companies are increasingly focused on recurring revenue streams for many good reasons, making the old adage, “It’s a lot less expensive to keep an existing customer than it is to find a new one” more relevant than ever. That focus really means reducing customer attrition (the rate at which customers leave) or, stated positively, improving customer retention.

ONE OF MY CLIENTS PROVIDES A SERVICE THAT HELPS COMPANIES REDUCE CUSTOMER ATTRITION.

THEY PROVE THIS CLAIM WITH CUSTOMER CASE STUDIES AND REFERENCES, AND THEN USE BASIC MATH TO CALCULATE THE FINANCIAL IMPACT AS SHOWN HERE

1 - Start with the prospect's total annual recurring customer revenue.

2 - Enter the number of existing customers.

3 - Divide revenue by the total number of customers to determine the average annual recurring revenue per customer.

4 - Enter the average number of customers lost per year over the last several years.

5 - Multiply average revenue per customer by the number of customers lost annually. The result is an annual loss of revenue attributable to customer attrition.

6 - Our client then enters the projected reduction in customer attrition (or improvement in retention) supported by their customer references and case studies. At this point, our client sales team always checks with their prospect to verify that the prospect finds this projection to be credible. Don't skip this step - your whole value proposition hinges on it. In the example, our client and their prospect have agreed that they can reduce the number of lost customers by half every year.

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| Item # | Description | Value |
|---|---|---|
| 1 | Annual Recurring Revenue | $2,000,000 |
| 2 | Existing Customers | 80 |
| 3 | Average Recurring Revenue per Customer | $25,000 |
| 4 | Average Customers Lost Per Year | 4 |
| 5 | Recurring Revenue Lost Per Year | $100,000 |
| 6 | Estimated Reduction in Customer Attrition | 50% |
| 7 | Revenue Increase from Retained Customers | $50,000 |

(THE NUMBERS IN THE TABLE CORRESPOND TO THE FOLLOWING STEPS. OUR CLIENT'S SALES TEAM OBTAINS THE INFORMATION IN ITEMS 1, 2, AND 4 DURING THEIR INITIAL DISCOVERY PROCESS):

**In this simple example, our client has helped their prospect increase annual revenue by $50,000. In the old days, this basic ROI calculation might have been enough to close the deal. As stated in the introduction to this paper, things aren't that simple now. When presenting your value proposition to C-level executives, it's essential to clearly state the impact of your value on the metrics they use to measure their success (for example, EBITA, Revenue, etc.).**

## LET’S REVIEW WHAT WE HAVE COVERED

First, I assume you can qualify, identify issues, calculate the current cost and extrapolate it over three to five years. Next, I have defined the C-Suite metrics and given you the homework of finding their calculations. (Hint: See the end of this paper where I have listed and defined most of the calculations for you.) Finally, I have reviewed the importance of defining and calculating your value to your prospects and existing customers.

This is like building a house…we have laid the foundation, built the structure, put on the roof, built out the interior. Now it’s time to pull all the pieces together and sell it. To do this, you absolutely need the elements I have identified above.

**“**

**SELLING IS A LOT LIKE BUILDING A HOUSE - YOU NEED A FOUNDATION, STRUCTURE, ROOF, INTERIOR BUILD…**

# USING C-SUITE METRICS

The next and final step in the process is correlating your value proposition to the C-Suite metrics. This is adding science to the art of selling. However, it is much simpler than you may think. In our example, there is a lot more going on than just a simple increase in revenue and customer attrition reduction. Let's add a few more pieces of discovery information to the mix:

**THE PROSPECT'S GROSS MARGIN ON RECURRING CUSTOMER REVENUE IS 50%, OR $1,000,000. THE COST OF MAINTAINING THE RETAINED CUSTOMERS IS MINIMAL. SO THE $50,000 REVENUE INCREASE REPRESENTS A 5% BOOST IN GROSS MARGIN.**

**THE PROSPECT'S NET PROFIT IS 10%, OR $200,000 ON SALES OF $2,000,000. THE RETAINED CUSTOMERS ADD VIRTUALLY NOTHING TO SG&A. SO, THE $50,000 REVENUE INCREASE REPRESENTS A 25% INCREASE IN NET PROFIT.**

**THE LOW COST OF KEEPING THE RETAINED CUSTOMERS MEANS THAT METRICS LIKE TOTAL OPERATING COST, OVERHEAD EXPENSE, PAYROLL, ETC., ALL DECLINE AS PERCENTAGES OF REVENUE, MARGIN, AND PROFIT. OTHER METRICS, LIKE REVENUE PER EMPLOYEE, INCREASE.**

**OVERALL, THE RESULT IS A SERIES OF IMPROVEMENTS IN KEY RATIOS AND OUTCOMES THAT, BARRING OTHER EVENTS, ADD UP TO INCREASED SHAREHOLDER VALUE.**

> **WHEN YOU CAN CITE THESE TYPES OF METRICS, BACKED BY DATA OBTAINED FROM AND AGREED TO BY THE PROSPECT, YOU ARE VERY LIKELY TO WIN THE C-SUITE'S FAVORABLE ATTENTION.**


Information like this allows your sales team to have entirely different types of conversations with your prospect's executive leadership. In addition to revenue increases, ROI, or even retention, they'll be talking about exciting things like dramatic improvements in gross and net margins, lowering their operating costs, and increasing revenue per employee.

This message is powerful. It will be different than your competition's message, which will still be talking about features, functions, and ROI. You will be talking to the C-Suite about numbers they care about: the impacts on all parts of their business and their strategic objectives related to the metrics they use to run the business.

## CONCLUSION

The challenge sales professionals face is, "HOW DO I GET TO THE TOP, AND WHAT DO I TALK ABOUT WHEN I GET THERE?" Executive conversations are a crucial step in every seller's journey. Selling to the C-Suite involves translating your product or service's ROI into its impact on the financial metrics that matter most to your buyer.

To take advantage of these techniques, it's important to understand your deliverables' value as they relate to your prospects' strategic objectives. C-level executives are tasked with setting the tone and direction of an organization. Every significant purchase must align with their vision, plan, and goal in these challenging economic times. Decisions to purchase are made by evaluating the effect of the expenditure against the C-suite metrics. Your ability to identify pain, capture cost, articulate your value and measure the impact on the C-suite metrics will ensure you are at the top of the purchase list when the time comes to execute their vision, plan, and goal.

## BASELINE CALCULATIONS FOR THE MOST COMMON

- **NET PROFIT MARGIN** – NET PRETAX PROFIT / REVENUE
- **GROSS PROFIT MARGIN** – GROSS PROFIT / REVENUE
- **EBITDA MARGIN** – EBITDA / REVENUE
- **RETURN ON EQUITY** – NET INCOME / TOTAL EQUITY
- **RETURN ON ASSET** – NET INCOME / TOTAL ASSETS
- **DEBT TO EQUITY** – TOTAL LIABILITIES / TOTAL EQUITY

**To use this concept, you must know both the numerator and the denominator for each calculation. As our example scenario above shows, the $50,000 revenue increase our client projected, divided by $200,000 net profit, results in a 25% increase in net Revenue per employee is increased, payroll as a percentage of sales is reduced, and many other C-suite metrics are affected. Remember, start by establishing the baseline, then apply your value to calculate the metric (usually a percentage) based on what you can deliver.**

# SCHEDULE A DEMO

ValueCore empowers sales and marketing organizations to present compelling value propositions to prospects and customers. We make it easy for professionals to collaborate in a dynamic fashion with buyers around the value of their solutions, including faster buyer engagement, shorter sales cycles, higher win rates, and bigger deal values. Our customers report 40%+ higher win rates when ValueCore is included in proposals, and 30%+ reductions in losses to no-decision.

FOR MORE ON THE TOOLS AND TECHNIQUES, VALUECORE OFFERS TO MAKE YOUR SALES AND MARKETING EFFORTS MORE EFFECTIVE ACROSS

**CALL 415.669.8086 OR VISIT WWW. VALUECORE.AI**

Michael Nick is Vice President of Growth and Strategy for ValueCore. He has published several bestselling books, including *ROI Selling*, *Why Johnny Can't Sell*, and Amazon's top 10 Business book, *The Key to the C-Suite*.

Michael has been mentioned and published in "Selling Power", "The Huffington Post", "Sales & Marketing Magazine", and featured in "Top Sales World magazine", where he was named for four straight years in a row as one of the top 50 "Most Influential" People in Sales and Marketing in the World by TSW. In addition, Michael ranks in the top 50 Top Sales Gurus from "Sales Guru."