
The Best Kept Secret Of The Selling World

by JEFF THULL

Problems cost money! More often than not, however, the only cost that customers and salespeople focus on is that of the proposed solution. The most critical cost, the cost of the problem, remains to be the best kept secret in the selling world and certainly the most overlooked.

We define a problem as a less-than-positive or undesirable situation being experienced by your customer. The cost of the problem is the financial impact this situation has on your customer's business due to the absence of the value your solution could bring to them.

The cost of the problem is the financial impact of staying the same, and the cost of the solution is part of the pain of changing. When customers do not have a clear picture of these two cost groups, the timing and quality of their decision will be relegated to guesswork.

When working with sales professionals, the two frequently asked questions are: "How can I speed up the sales cycle?" and "How can I protect my pricing from last minute negotiating pressures?" It's quite amazing for us and our clients to see what happens to timetables and priorities once the customer truly understands the cost of their problem.

It's their perception of value that starts to change their thinking.

An Example of How it Works

One of our clients provides management software

to hospitals. They proposed a \$700,000 solution to a hospital in August. The hospital had placed the \$700,000 into next year's budget and planned to purchase the system during the first quarter of the next year. This was all accomplished without determining the cost of the problem the hospital was experiencing that this software could resolve. The decision to purchase the system was driven by the desire to keep up with the latest technology, which we refer to as a "nice-to-have" motivator. We soon found out the decision to purchase was delayed from first quarter to second quarter and then to the following year. It seems the funds were prioritized for another hospital project.

When our client found out about the second delay, they requested a meeting with the CFO of the hospital. The purpose: to determine if the CFO knew the cost implications of delaying the system until the following year. (Our client had just begun to work with the cost-of-the-problem concept and had not

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yet introduced it to this customer.) The question asked was: "We understand there are financial considerations that have led to a decision to delay the new software system into next year. We will certainly be pleased to work with you when you decide the timing is right. We are wondering if you are comfortable with the financial impact the delay will have on your reimbursement revenues."

The CFO asked the salesperson what he felt that impact was. The salesperson replied that in the

rush to get the project into the budget, it had not been calculated specifically. He asked if the CFO would like to work with him to put together the numbers, which would allow the CFO to judge if the delay was the correct course of action. The CFO agreed and they met the following week.

During that meeting, using formulas suggested by our client, the cost of the problem was calculated to be about \$220,000 lost revenue per month. The financial impact of delaying the decision was significantly more than the impact of the alternative project. Needless to say, the priorities were changed and the hospital requested that the new system be installed within 90 days.

There are many initiatives begging for funding, especially in complex business environments. Managers can get so caught up in trying to address these issues that it's sometimes simpler to do nothing. On the other hand, if they have the tools to do a thorough financial impact comparison so they can show how much money a problem is costing, the customer will want action and the response may be immediate.

The cost of the problem influences the decision process and sales cycle like nothing else. If you get a handle on the customer's cost of their problem, the sales cycle can shrink dramatically and your credibility will rise exponentially. The fact that you were able to help your customer determine the severity of their situation and address their concerns and expectations, positions you as a very credible and valuable advisor

What Happens Once You Know the Cost of the Problem?

Once you have diagnosed a customer's situation and defined the financial impact on their business, there are three possible outcomes:

- You could find that the financial impact is large enough to justify the investment required for your solution, and you move forward and do business.
- You could find that the financial impact of the problem you're solving is not as great as other issues the customer is facing. In this case you plan when it will move to the top of their priority list.
- You could find that the financial impact is not enough to justify your solution. Given this situation, you may have to scale back your proposed solution to match the financial impact, or it may be more lucrative to find a greater opportunity elsewhere.

The primary question most often in a customer's mind is: "Why should I invest my limited resources in your solution?" If the only way you can answer that question is by talking about the features and the value of your solution, you will not answer the customer's concern to their satisfaction. You must help your customer understand what it costs *not* to own your solution.

Ignoring the Cost of the Problem Can Be Fatal

Ignoring the cost of the problem creates two critical errors in the seller's judgment:

- The salesperson assumes that the client knows the cost of the problem and will use it in the decision-making process.
- The salesperson assumes that the prospective client has the ability to do a proper self-diagnosis of the problem. If that were true, then all the salesperson would have to do is present the solution.

Even if both of these assumptions are correct, the greatest error made by the salesperson is the failure to receive and verify the information from the customer.

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Here's the point: The customer who does not go through this justification process on a regular basis will not be as thorough as you can be. As a trained professional, orchestrating the resources of your company, along with your client's information, will enable you to bring many more cost factors to the customer's equation and thus enhance the quality of the decision process.

Developing a mutual understanding as to the cost of a critical issue or problem is a mark of a true professional salesperson. It's the best way to prevent stalls and handle price objections before they ever come up. It clearly separates the amateur from the professional. □



ABOUT THE AUTHOR:

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