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How covert costs can wreck your pipeline.

A Discussion Document from Sales Engine

“
Win not by weathering the storm, but by changing the game
”

> Sam Palmisano,
Chairman & CEO IBM



> Executive Summary

> Introduction

How much does a new customer really cost?

Unfortunately many businesses are not able to answer this seemingly simple question.

This is because not all the costs of customer acquisition are easily and directly assigned to that goal. There are, of course, overt costs such as marketing and advertising that are easily reviewed and monitored, but they are not the whole picture.

Acquisition also involves costs that are not so readily recognisable, covert costs that can rise unheeded and make the real cost of new customers far higher than you might expect.

Importantly these, largely ignored, covert costs form a large part of how a company really differentiates itself from other products and competitors in their market place. It's easy to concentrate on specific areas or 'pinch points' that form critical phases in the process, but failing to view the process as a whole can allow these covert costs to mount unseen.

Most businesses do not realise just how inefficient their sales process is and this causes real problems with the bottom line.

New business is the lifeblood of your organisation and you're wasting your opportunities. This White Paper highlights where you could, and should, be focusing your attention in order to make a demonstrable difference to the number of new customers you win.

Now is the time to identify your covert costs and better manage your overt costs.

> Driving spend, not sales

- > Everyone knows what they spend money on to get a sale, right?

Companies set budgets and allocate costs to areas of the business that they believe will bring a return. But not every element of a sales process is typically reviewed and improved every year. Some areas are left to languish for years, often because the quality of what is in place is not great, but not screaming to be improved.

This is where costs mount, as average, or below par elements stay in your process unchallenged year after year.

> Bringing out the covert

- > Aside from the obvious areas above there are four critical, but often covert, parts to a sales cycle that are not regularly reviewed or factored into a cost of sale.

The lack of understanding and investment in these four areas means that you are unlikely to be getting as many deals at the end of your sales pipeline as you might expect and demand.

This issue is compounded as money is too readily diverted into the overt areas such as marketing which are easy to judge in terms of ROI.

By investing in the wrong areas, the issues are simply further magnified and the returns worsened. Your sales process is akin to an engine running badly – with some of the parts worn and under maintained and others getting reviewed and replaced unnecessarily.

The result is an engine that under performs yet costs more to run.



> There are four key areas that will affect the efficiency and success of your sales function

1> Preparation

A basic area you might think – but vastly undervalued. Within this are really very simple steps – but ones that are rarely followed.

This includes areas like understanding the business you are trying to sell to, focusing on their pain points selecting the product or service that will be of most use to them.

Instead of saying “What does your business need?” typically sales people will say – “This product is fantastic” thus skipping on qualification. Few companies have processes in place that ensure their sales team are not just “winging it” and salespeople go out to meetings under-prepared.

2> Connecting

Relationships and relationship building are at the core of what a sales person does. But how much time do they actually spend building that relationship? Not enough.

Time needs to be spent understanding their audience – this understanding will make the process a lot more fluid and will help turn prospects into customers. Connecting effectively does not have a ‘one size fits all’ Solution. By taking the time to understand and address the specific challenges that an audience is facing, sales people can make the kind of connections that bring real results.

3> Presenting

This section deserves a paper in its own right. When you think of how much time and effort you put into a sales or product presentation the answer is normally shocking.

If you get the first presentation wrong – that one meeting could have blown the whole opportunity.

Poor planning, a lack of storyboarding, re-using old slides and little rehearsal all damage conversion rates and add cost to your sales process.

4> The Proposal

Sitting alongside your presentation is the final proposal document that you put to your prospective customer – how much time and work actually goes into making this more than a “vanilla proposal”?

Typically very little.

Something generic will look and feel bland and won’t engage the customer. Everything you do in the sales process has to be of the highest quality – anything that is below standard will damage the relationship and potential outcomes swiftly and possibly irreversibly.

> These four areas are under-valued by many organisation, yet can have more impact on successful selling when properly dealt with. These are the areas where the customer is really judging the quality and professionalism of your organisation. If you are not the best in your sector in all of these areas, and are ensuring you stay ahead then you are risking all that investment in the lead generation that put these prospects on your radar in the first place.

> Conclusion – clever investing

Now, more than ever, is the time to look at all your sales costs – both overt and covert and see how effective they really are.

Focus on the costs that are going to have the most impact on changing the way in which you close potential business and ultimately on the amount of new business you have.

Once you have a genuine understanding of how ALL the parts of your sales cycle fit together you can begin to see just how you could change your investing (both with money and resource) to make the most out of your pipeline.

The bottom line is that you, like many other businesses, are probably wasting money and you may not even know how or why it's happening.

Reversing this trend is about understanding where your covert costs are and how they interact with and affect your overall strategy.

Getting to the heart of this is not as complicated as you might think, often just a fresh look can be all you need to spot the flaws and prompt a round of improvements that lift you clear of the competition.

> **Our 'And So To Bid' White Paper has some great insight and ideas that can help you start making positive changes and is free to download from our website...**



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