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The Best Kept Secret of the Selling World

By Jeff Thull, CEO and President, Prime Resource Group

Problems cost money! However, the only cost that customers and salespeople focus on is the cost 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.

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. It includes the cost of staying the same and the cost 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.

Sales professionals frequently ask two questions: "How can I speed up the sales cycle?" and "How can I protect my pricing from last minute negotiating pressures?" It's amazing to see what happens to timetables and priorities once the customer truly understands the cost of their problem.

Here's 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 it into next year's first quarter's budget. This was 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 for the latest technology. We soon learned the purchase was delayed to second quarter and then to the following year.

When the second delay was announced, our client requested a meeting with the hospital's CFO. 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.) 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 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, priorities were changed and the hospital requested that the new system be installed within 90 days.

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:

1. You could find that the financial impact is large enough to justify the investment and you move forward and do business.
2. You could find that the financial impact of the problem is not as great as other issues the customer is facing. In this case you plan when it will move to the top of the list.
3. 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 concerns. You must help your customer understand what it costs NOT to own your solution.

Ignoring the Cost of the Problem can be Fatal
This creates two critical errors in the seller's judgment:

1. The salesperson assumes that the client knows the cost of the problem and will use it in the decision-making process.
2. 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. Here's the point. The customer does not go through this justification process on a regular basis and 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 more cost factors to the equation and thus enhance the quality of the decision process.

Jeff Thull, CEO of Prime Resource Group, is a leading-edge strategist and valued advisor for executive teams of major companies worldwide. He has designed and implemented business transformation and professional development programs for companies like Shell Global Solutions, 3M, Microsoft, Intel, Citicorp, IBM and Georgia-Pacific, as well as many fast track, start-up companies. He is also the author of the best selling book "Mastering the Complex Sale" and newly released, "The Prime Solution". For article feedback, contact Jeff at ***jpthull@primeresource.com***

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