



Using Marketing ROI to Increase Sales Revenue

Turn the marketing function into a performance-oriented revenue generator by using customer intelligence, technology, & business strategy to increase the measurable impact of the marketing investments.

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Introduction

Return on marketing investment (MROI or ROMI) and accountability is top-of-mind for almost every marketer. However, the metrics most marketers use to quantify marketing performance are very inadequate. According to the 2005 ANA report, 73% of respondents reported a lack of confidence in understanding the sales impact of a marketing campaign.

Consider a recent study by the CMO Council that found less than 20% of top technology marketers surveyed had developed “meaningful, comprehensive measures and metrics for their marketing organizations.” The last major study on marketing ROI found that 68% of marketers were unable to determine the ROI of their initiatives.

The most important question you can answer is “why are we measuring our marketing ROI in the first place?” Are you measuring metrics to simply justify your

existence or are you striving to measure the marketing contribution towards sales growth, revenue and profit?

Marketing should be measured on their ability to help the sales team get the right customer opportunities and provide the sales team with the best tools to win the deal. Use interactive Marketing ROI Dashboards to measure and analyze your marketing performance and use ROI Calculators and Simulators to increase sales revenue.

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ROI Based Marketing and Sales Strategy

If you are not sure that you need an ROI based marketing and sales strategy, think about the following for a few minutes:

- 81% of buyers expect vendors to quantify the business value of their product or service, meaning 60% more projects are likely to be approved (Information Week).
- According to an Ernst & Young study, only 2% of the buyers say vendors are exceeding their expectations for ROI justification during the sales cycle. This means 98% of the time sales professionals miss an opportunity to win the deal.

Over the last several years your customers have come under increasing pressure to do more with less and make purchase decisions that are heavily impacted by budgets, risk, and opportunities that are financially measured and ranked within their company. Relating potential new purchases to business objectives enables your customers to operate more efficiently with less risk, pursue new business opportunities, and create new revenue streams. There is clearly an opportunity for smart companies to jump ahead of their competition and increase revenue just by improving their ROI selling to these companies.

Your company's success could very well be dependent on your sales professionals taking the next step - from simply talking features and benefits, to making a financially viable business proposition to clients. Investing in the sales function with ROI tools and financial insight allows today's sales professional to properly create a framework for understanding and quantifying the potential benefits your product or service can deliver. The Financial Contribution Value is the total actual value that a specific product generates for the customer's business. This contribution value must be based on specified objectives and goals for the customer.

Determining the right metrics to conduct an ROI calculation is where the challenge really lies. Even successful sales professionals that are financially astute need proven ROI based sales tools that can show the short and long-term financial benefits of their products. It is also important to provide them with tools that allow them to individually tune the financials to meet the specific needs of each potential customer. Do your sales professionals know how to quantify the value based benefits of your product or service and do they feel comfortable answering basic business questions?

For instance do your sales professionals:

- Understand and explain ROI, NPV and other financial metrics?
- Investigate customer's business needs and properly use the results?
- Conduct ROI analysis with "what-if" scenarios to gain customer buy-in?
- Effectively incorporate ROI analyses into presentations and proposals?
- Easily handle customer skepticism and objections (e.g., low price)?

If the answer is no to any of the above questions you should leverage the expertise of an experienced ROI professional.

Why ROI?

Return on Investment is universally accepted because it is used by decision makers, executive management, shareholders, analysts, and investors.

ROI is the benefit of an investment divided by the cost, expressed in percentage terms, over some period of time. If you only use ROI as an end result number you cheat yourself, your customer and your company because the true benefit of a sales based ROI approach goes well beyond the numerical result, and includes:

- Reducing 'No Decisions'
- Reducing Price Discounts by Showing True Value
- Reducing Long Sales Cycles
- Reducing "No Decisions"

For one reason or another, some opportunities never seem to conclude because the customer makes no decision. One of the main reasons customers end up making no decision is that they don't see enough of a compelling reason to act (don't see the quantifiable value of the solution).

A study by Customer Centric Systems showed that between 60-80% of all prospect/customer losses are due to 'No Decision.' This is supported by the findings by Thomas & Company Inc., where the results from 707 proposals produced 30% wins, 15% losses and 55% no decision/pending. Of the 'no decisions' only 2% became wins (98% became losses). This means that the sales professional is spending more than 50% of the time providing a selling service to prospects that will not buy in the future.

ROI can be used to improve prospect selection and prioritization at early stages in the sales cycle to effectively eliminate the 'no decisions'. By communicating a compelling and objective value based product or service justification, you can eliminate excuses and instead encourage customer informed decision making. What would it have been worth it to you and your organization if you could have reduced your last quarter 'No Decision' losses by 10%, 30% or even 65%?

Think of these as lost opportunities! Even if the sale wasn't lost to a direct competitor, it is clear that these potential customers made another decision and invested their money elsewhere. Customers don't sit on money, they invest budgeted money to get a return on their investment and if you don't show them a strong quantifiable value then they will spend their money with someone that does show them results.

If your company has been successful, it is because your customers have been making either an emotional purchase or they have been doing the financial valuation on their own. If this is the case you have probably already picked the low hanging fruit and getting future customers probably will not be as easy.

Reducing Price Discounts

IDC found that early adopters of ROI selling methodology have reduced discounting by 20-30% and realized significant up-sell and cross-sell opportunities by selling on value rather than price. Think of the tactical advantage a sales professional has going into price negotiations when knowing how much his prospect will save based on the ROI. This shows your customer that your price should have little to do with costs and more to do with the value that your products and services deliver. The customer is less likely to ask for a discount, and the sales professional is less likely to feel they need to give one.

Reducing Long Sales Cycles

A recent IDC study found that “on average the sales cycle is reduced 30-40% with ROI-based selling.” Clearly, an ROI analysis can dramatically reduce the time and effort associated in closing the deal with a potential customer. Demonstrating the business impact of your product or service for the potential customer helps them appreciate the true value of your solution and accelerates a positive decision making process that is based on fact based information.

Proof: International Data Corporation (IDC) found that the average sales cycle for a million dollar Lotus Notes deal is 18 months. For those companies completing an ROI analysis, 65% reported their purchase process to be 6 months or less.

Additional ROI Based Benefits

Quantifying the benefits of your product or service can make it easier for potential customers to select you and help keep everyone in their organization supporting the decision.

Eliminate entrenched vendor bias by providing financial insight that makes it easier for the potential customer to reconsider the purchase from “golf buddies” syndrome often found in decision-making.

Completing an ROI analysis insures that your discussions with the potential customer will focus on their organization's business problem. It also guarantees that you get an appropriate understanding of their business needs and motivations. Your insight will result in them having more confidence that your product or service can help their business.

Do you want to see how much your company can benefit by implementing ROI based sales tools from ROI-Calc? Go to <http://www.roi-calc.com/Analysis.html>

Equip Your Sales Team with ROI Tools & Training

Properly equip your sales force and watch your sales generated revenue increase. It is critical to select and implement ROI tools that are designed to highlight the business value of your product in order to be deemed meaningful by prospective customers.

Prospective customers want to work with salespeople who have tools can be used to quickly simulate a range of important product influencing variables that have a business impact, such as:

- Number of records processed (productivity metric).
- Number of sales made (sales effectiveness metric).

- Length of customer support calls (customer service metric).

There are many other variables that are unique for each product and service and 95% can be quantified and used in an ROI analysis!

We suggest that you use professionals to create your ROI sales tools because a well designed ROI sales tool can be effectively used at any point in the sales cycle. Consider putting a flash based version on your website, but at least make sure that your sales professional has the tools they need to be successful. Just as important as the tools is making sure that your sales professionals are properly trained and ready to go. The future of your company is worth doing everything necessary to insure your sales professionals will be successful.

Research Supporting the ROI Based Approach

Reduce Discounts	Reduce No Decisions	Reduce Sales Cycles
<p>Early adopters of ROI selling methodology have reduced discounting by 20-30% and realized significant up-sell and cross-sell opportunities by selling on value rather than price. <i>International Data Corp (IDC)</i></p> <p>Optimal pricing is all about delivering maximum value to each customer and capturing an equal value for your company in the form of fair, value based prices. <i>PricePoint Partners</i></p> <p>By making prospects fully aware of all the costs and benefits they become less price sensitive enabling vendors to discount less and achieve list prices more frequently. <i>CIOview</i></p>	<p>81% of buyers expect vendors to quantify their value proposition. <i>Information Week</i></p> <p>Between 60-80% of all losses are due to 'No Decision.' <i>Customer Centric Systems</i></p> <p>Results from 707 proposals produced 30% wins, 15% losses and 55% no decision/pending. Of the no decisions only 2% became wins (98% became losses). <i>Thomas & Company Inc.</i></p> <p>Executives that believe that shareholder value is a critical component for making corporate decisions, 75% of them said they require ROI analysis before making an investment choice. <i>Doremus Communications</i></p>	<p>"On average the sales cycle is reduced 30-40% with ROI-based selling." <i>IDC</i></p> <p>A valid ROI sales effort reduces the sales cycle by 30-40% <i>Gartner Group</i></p> <p>Early adopters of ROI selling methodology have increased effectiveness by as much as 60%. <i>IDC</i></p> <p>The average sales cycle for a million dollar Lotus Notes deal is 18 months. For companies that first completed an ROI analysis, 65% reported their purchase process to be 6 months or less. <i>IDC</i></p>