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ROI by vendor, a bunch of Hocus Pocus?

It's Halloween, and I couldn't resist making another bold statement: in most cases, building a business case to prove return on investment in a sales campaign is just: a bunch of Hocus Pocus. Many scale-ups have learned and developed a sales process with critical stages, one of which is often: proving the ROI.

> *“How much candy have you had, honey?” – Jenny*

Of course, Return on Investment is essential to anyone spending money, especially when the budget is based on annual recurring spending.

> *“Oh, cheese and crust! He’s lost his head! Damn that Thackery Binx!” – Winifred Sanderson*

Building a business case with your customer can be powerful if the prospects comply with all of the three conditions listed below:

1. They have been asking for a business case > you are not offering it without an ask
2. They are actively sponsoring the process > they need it, and you will find out why
3. They are transparent on why you need to do it and how to be the most accurate > sharing of metrics and open discussion in individual interviews.

> *“Fine, but everyone here knows that Halloween was invented by the candy companies. It’s a conspiracy.” – Max*

Unfortunately, this lineup of conditions is rarely adequately respected. Therefore, sales organisations tend to put themselves in a risky situation, and let us explain why:

1. The ROI method has been known by procurement and CFOs for decades as a vendor method to obtain a budget. They will not fall for fluffy, made-up numbers, no matter how good they look
2. You cannot ever guarantee an ROI. It depends on the customer’s commitment to making it work, from resources to processes. The technology doesn’t make magic on its own. There are always people involved, making and taking decisions, even in IT
3. The ROI you manage to calculate could be way below your perceived value for the prospect. If you are solving a significant pain with a rational and emotional impact, the reason to act is vital. Imagine a large family’s washing machine breaks. They will likely invest quickly in a new machine, probably an expensive one, to avoid the cost happening again, thus paying a premium and fast-forwarding their market research. It is the same thing with a prospect, find the pain they must fix, and your value could very well be above any hypothetical business case.

> *“This is…this is terribly uncomfortable.” – Sarah*

Sanderson

Now, everyone who has incorporated an ROI phase in their sales process will ask the obvious: what do you recommend doing instead?

“Aren’t you broads a little bit old to be trick or treating?” – Master’s Wife

1. Focus on the value *you can bring to the table* (not features!)
2. Focus on building *your value-case* with your *champion(s)*
3. Make sure it is presented to the highest level in a digestible CFO readable format: attach yourself to their business strategies, become a priority: if they do not solve their technical problems with your solution, they cannot deliver on the committed business strategies.

Then, you want to build a strong case of metrics for your prospect to measure the benefits of your solution and therefore upsell/cross-sell and *avoid churn*.

I often recommend that the customer success team defines(before implementation) a ground zero situation. What are the most important KPIs to the customer? Are they shared by the entire team of executives? Are they interested in these KPIs, and why? What do you want to have an impact on? Write a long list of meaningful KPIs with the newly signed client, then figure out what you can measure to get started.

Commit your customer to monitor the KPIs weekly/bi-weekly/ monthly, and quarterly and regularly follow up with the key stakeholders. If the performance is there, you have proven ROI and renewal, upsell and cross-sell budget. If the performance is not where it should be, you can identify the issues and fix them. They can lie in your own technology or be the customer’s responsibility. This is the opportunity to call the customer’s executive for attention and help on adoption, commitment, and resources to make it work.

“Bubble, bubble. I’m in trouble!” – Bus Driver

This is a virtuous circle for your company. As you start monitoring meaningful KPIs with your customers and building dashboards to prove the performance and optimisation, everyone becomes more confident. Renewals flow, customers willingly engage in additional budget spending, and your sales organisation can leverage these metrics to add expertise and value to your new prospects.

> *“I put a spell on you and now you’re mine.” – Winifred Sanderson*

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