

LEARNING THE FUNDAMENTALS OF ROI

CERTIFICATION TOOL 1



GET STARTED WITH THE BIAMP ROI CERTIFICATION PROGRAM



The Biamp ROI Certification Program for Networked Audio Systems is designed to build your ROI knowledge and give you practical tools for making an effective sales presentation to the new IT buyer.

This paper is the first of three tools that provide essential information for articulating and quantifying the financial value of a networked audio system. These tools lead to a training session that gives you the opportunity to apply your ROI knowledge to real applications.

Together, the tools and the training session form a complete course in ROI for AV sales professionals. When you download all three tools and successfully complete the training session, you'll earn the Biamp ROI Certification for Networked Audio Systems. This certification demonstrates you understand:

- What ROI is and your role in building the IT buyer's business case
- The financial benefits of networked audio systems
- The questions to ask IT buyers for ROI calculation
- How to apply ROI to networked audio projects

Why should certification matter to you? Studies show that sales professionals who learn to sell by showing the value of solutions may shorten their time to close by 31%, reduce discounting by 27%, and decrease the number of lost deals by 12%.ⁱ

INTRODUCTION: LEVERAGE ROI FOR SALES SUCCESS

BUYER EXPECTATIONS

90%

90% of corporations require quantifiable proof of bottom line benefits on most projects.

65%

65% of buyers indicate that they do not have the knowledge or tools needed to do business value assessments and calculations.

81%

81% of buyers expect vendors to quantify the business value of proposed solutions.

Source: IDC 2010, survey of B2B buyers

The evaluation and purchase process for technology products and services has changed dramatically in the past few years. There is a new buyer—the IT team—who is focused on the economic value of the purchase. In addition to addressing pain points and product features, this buyer expects technology investments to deliver financial benefits such as enabling business growth (29%), improving profitability (25%), and reducing costs (22%).ⁱⁱ

As an audio visual sales person, you need to meet the needs of this new buyer by fundamentally changing the way you discuss a solution's benefits. You must link benefits to either the top line (increase revenues) or the bottom line (reduce costs) of the IT buyer's business.

This new approach is called "economic value selling." It requires an understanding of the financial benefits of your solution, including return on investment (ROI). Showing economic value will help you to be successful because 90% of corporations require quantifiable proof of bottom line benefits on most projects.ⁱⁱⁱ The sales opportunity for you is huge. A recent study by an IT sales training and consulting firm found that sales people who used economic value selling tactics increased their proposal-to-close rate by 29%.^{iv}

TRANSFORM PRODUCT BENEFITS INTO FINANCIAL BENEFITS

Economic value selling relies on blending marketing messages and financial messages into a successful mix. The result is benefits that can be tied to a financial value such as increasing revenue or reducing costs.

Sales professionals who learn to sell by showing the value of solutions could expect to shorten the time to close by 31%, reduce discounting by 27%, and decrease lost deals by 12%.^{iv}

Ian Campbell, president and CEO of Nucleus Research and a recognized expert on ROI analysis, encourages sales professionals to start the process by thinking of the top three benefits of their solution. Sales reps should then put a formula behind the benefit, linking it to an actual number. He states, “if you can’t tie a benefit to a dollar amount, then it is not a benefit.”

To illustrate the point, he shares a simple example of a product that comes in a blue box. Telling the buyer that it comes in a blue box isn’t useful. Telling the buyer that it comes in a blue box because it’s more visible when they drop it in the snow is more

useful. If you know that person drops 10 boxes in the snow each year and loses five of them, then the color of the box is now valuable because it can be tied to a financial benefit—fewer lost boxes.

The key, according to Campbell, is to “figure out a way to draw the link between ‘it comes in a blue box’ and ‘why that is good for the buyer in a way that saves money.’ If you can’t do that, then a blue box may seem like a benefit but it is worthless from a value point of view.”

Identifying the financial benefits of your solution forms the basis for ROI calculations.

IT INSIGHTS PROGRAM

The Biamp ROI Certification Course builds on the IT Insights Program.

The IT Insights Guide and webinar explored the different roles of IT professionals in the technology buying process.

If you missed this program, you can download all the IT Insights materials at: http://biamp.com/micro/it_insights_for_av/index.aspx



WHY ROI AND VALUE IS CRITICAL TO IT BUYERS

C-level executives and other senior managers are the financial decision makers for most IT projects. As discussed in the IT Insights Program, the IT buyer is actually a team of IT staff and managers who have a role in the purchase process. The staff and managers research solutions, narrow options, and create a business case for the projects they recommend. The business case is a document that defines the project, the reason behind it, and the value it brings to the company.

As a sales person, your contact will likely be an IT staff member or manager. C-level executives place little value on vendor relationships and don’t usually participate in the research and evaluation phases. Your contact,

sometimes called the buyer champion, is responsible for “selling” the project to management. Your job is to provide your contact with simple value messages and ROI measurements that they can take back to the team.

“I’m required to justify the proposed spending through demonstrable, direct cost savings and/or income growth over the next 3-5 years.”

- IT Specialist LinkedIn® Group

The financial decision makers use business cases, which incorporate ROI calculations, to determine which projects to green light, which to push to another fiscal year, and which to kill. These business cases allow decision makers to evaluate a wide range of projects and prioritize those based on ROI.

ROI proves to corporate leaders and project stakeholders that the project investment will benefit the business. Few projects in the enterprise will proceed without a business case that shows ROI. Even in small- to mid-size businesses where there may not

be a requirement for a business case, ROI has an important role. If a project has positive ROI, short payback, and low total cost of ownership (TCO), it will make your prospect much more willing to “stick his neck out” when lobbying for a budget for your product or solution.

ROI AND TCO BASICS

ROI is widely used to compare the effectiveness of IT technology investments. Return on investment is the money gained or lost as a result of the investment. An ROI calculation returns a value that represents the benefits received from a project against the total cost of the project. The higher the ROI, the better.

There are many complex formulas for determining ROI and TCO, but ROI doesn’t need to be complex to be effective. ROI for our purposes needs to be simple and based on reasonable assumptions that the IT buyer feels are achievable.

HOW ROI AND TCO ARE DEFINED

ROI is derived from the total benefit and the total investment. The total investment includes the cost to implement the proposed solution, including installation and hardware, as well as the cost to maintain and operate the solution (in other words, the total cost of ownership for the proposed solution). The total benefit is the difference between the TCO of the current solution and the TCO of the proposed solution.

ROI FORMULA

$$\text{ROI} = \frac{\text{Total Benefits} - \text{Total Investments}}{\text{Total Investments}} \times 100$$

Total Benefits = TCO before (status quo) – TCO after (proposed solution)
Total Investments = TCO of proposed solution*

ROI and TCO measurements each have a distinct purpose. ROI is used to support the case for change and TCO is used to compare the costs of different options. ROI is typically calculated in the consideration phase or early in the decision phase of the sales process, while TCO is used in the decision process when

making the selection or to validate and reinforce the choice.

Use ROI to help the IT buyer justify their investment in a networked audio system and build the business case. Use TCO to show the IT buyer the value of selecting a specific networked audio solution.

HOW PAYBACK IS DEFINED

The payback period is the amount of time it takes for the total benefits to exceed the total costs. It is the breakeven point after which the project investment begins generating positive cash flow.

Projects with a high ROI and a short payback have the greatest chance of being approved.

DIRECT VS. INDIRECT BENEFITS

Direct and indirect benefits are sometimes referred to as hard and soft benefits. As you might expect, it is easier to measure direct benefits—those that directly impact either the top or bottom line—than indirect; however, you should include both types in your business case.

Direct benefits include immediate reductions in costs or increases in profit. They are usually less than 50% of the total project benefits.

DIRECT BENEFIT EXAMPLES	
Cost reduction	Video/audio/web meetings replacing face-to-face meetings, remote support replacing onsite support
Time saved	Increased productivity, reduced time to complete tasks
Cost reduction	Reduced duration and number of customer service calls
Cost reduction	Improved system reliability, less maintenance or fewer problems to resolve
Time saved	Improved vendor support with quicker responses, faster fixes

Indirect benefits typically make up more than 50% of the benefits and include productivity gains and expectations of future profit.

INDIRECT BENEFIT EXAMPLES	
Future profit	Increased customer satisfaction
Productivity gains	Ability to offer improved customer service and support
Future profit	Increased usability leading to increased sales
Productivity gains	Faster and more accurate information
Productivity gains	Improved vendor support and service, improved communications, better knowledge of software

YOUR ROLE IN THE ROI PROCESS

While some IT departments in larger companies use project templates that include ROI calculations, the reality is that 65% of IT buyers don't have the skills needed to assess business value and show ROI.^{vi} They need help calculating the total investment and total benefit and rely on their vendors for that information. You play an important role in guiding this process.

Your job is to help IT buyers understand the benefits of your solution and demonstrate how these benefits provide ROI. However, it is important to understand this is a collaborative process and that the numbers used in ROI calculations are the IT buyers' numbers. To help IT buyers build a business case that they trust, they need to understand where the numbers come from. If they don't trust the numbers, they won't trust your ROI and they won't sell your solution to the financial decision makers.

We will take a closer look at this collaborative process and how you can arrive at those numbers in the next tool. Just remember, the goal is not to create a perfect ROI calculation, instead it is to create one that is good enough to close the deal.

NEXT STEPS



In the next Biamp ROI Certification tool, you'll learn the five steps to linking the top benefits of networked audio to a financial value. You'll also see how to use TCO to compare specific networked audio solutions.

To receive the second tool in this program, simply register for the ROI training session. Your independent representative or Biamp representative will contact you to schedule training. You'll receive the third tool, a Biamp ROI calculator, during the training session. Register now to set yourself apart from other AV sales professionals.

The Biamp ROI Certification for Networked Audio Systems shows your colleagues and IT buyers that you understand the fundamentals of ROI. This knowledge enables you to build a business case for networked audio solutions that will ultimately help you close more sales.

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REFERENCES

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ⁱⁱIDC 2010 Customer Experience Survey

ⁱⁱⁱIDC 2010, Survey of B2B buyers

^{iv}Selling ROI and Economic Value, Glomark-Governan Customer Averages, <http://www.glomark-governan.com/solutionsfor/valueselling.html>

^vTCO Sales and Marketing Tools, Alinean, Inc, 2011

^{vi}IDC 2010, survey of B2B buyers