

The Business Case as Sales Instrument

1. Every customer is different!

When talking to marketing experts about market segmentation you will very often get the answer that the ultimate goal of market segmentation are segments that contain just one individual person. The reasoning behind this statement is obvious; we are all different, even though in comparing two individuals in the entire space of its personality one finds many commonalities and probably as many differences. Every individual as a holistic entity is special and unique; and marketing is at its best when addressing each individual in its individuality taking into consideration the individual and specific needs, wants, wishes and aspirations.

Taking this thought further extending it to groups and organizations of individuals the same argument applies. In the business world each company has its specific traits and behaviors internally as well as externally. What have been needs, wants, wishes and aspirations for the individual become now demands, supplies, resources, goals and compliance as well as targets and strategy for an enterprise.

Thus, in business to business (B2B) relationships the individuality of each enterprise has to be taken into account. This individuality comprises the enterprise's vision and purpose, its target and strategy, its organization and processes, and eventually the people therein, leaders, managers and others alike.

2. Differentiation is difficult, selling costly

In consequence, the sales process of products and solutions, which are not easily understood, has become complex. One important reason for that is that these markets have traditionally been sellers' markets; now more and more they become buyers' markets. The cause of this is that the differentiation of products – including investment goods – has become difficult; the products of different vendors are not easily distinguished.

The immediate, obvious unique selling propositions, which are so decisive for market success, seem to be history.

As the sales process becomes more complex it becomes more costly; customers expect more product information, more consulting, more attention, more customization; depending on industry and product the sales cost can be up to 10% or more of revenue. Hence, offering the customer all this must result in an increased win rate to incur the resulting cost.

After all customers press on prices; they will only invest when they are convinced of the business benefit, as enterprises have to face the effects of eroding margins forcing them for pretty tight cash management.

However, a price war is not really what we want. We are sure and certain that our product is the best in the market, that our potential customer should be happy to be offered such a product. Before continue, however, let's fix three premises which are important for our further considerations:

1. We have a brilliant product.
2. We have a wonderful, competent and powerful sales force.
3. We are better than the others.

If you have internalized these premises, you will radiate exactly this to the customer: you are convinced of your product, you know its strengths, and you will inspire your customer. Often it is not enough that you are inspired and that you inspired your customer with your product. He is always there and especially in times of scarce moneys we all have him internalized – the bean counter as he is called. In all his enthusiasm the customer's bean counter will ask for the benefit and value of this specific investment in monetary terms (here the product is an investment) and how it distinguishes from other competitive products.

3. The useful commonality of customers: Standards

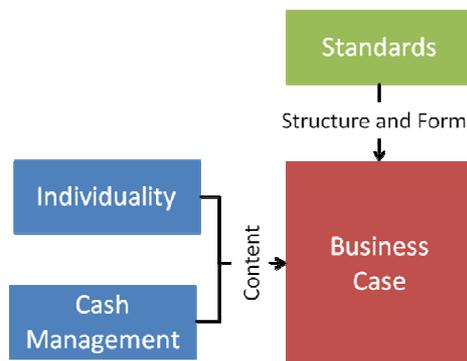
Quite fortunately there are some aspects of the enterprise to which all enterprises have in common as they have to comply with. First of all when the enterprise is publicly listed it has to report on the enterprise's performance. These reports have to be produced in a more or less standardized form and format. This allows readers to easily understand the reports and compare the results with the results of other enterprises. The current international standards for these reports are summarized in the International Financial Reporting Standards (IFRS).

4. Business cases

At this point the business case comes into play: A business case is a **financial tool** that supports planning and decision-making. It is future-oriented and aids decisions about whether to buy, which vendor to choose, and when to implement. It is used in the business process to estimate the business benefit associated with different courses of action.

Business cases are deployed with increasing success since enterprises have to be cash aware (cash is king). They unerringly show the business impact of a specific course of action, allow comparison to optimize decisions, point to risks and eventually indicate suitable financing schemes.

5. Rational for business cases as sales instrument: Same form, different content



Now we have the main reasons at hand why business cases are a sales instrument:

- Every customer is different.
- Every customer uses the same reporting standards.
- Customers spend only when convinced of business benefit.

The consequences of this observation are that for every customer the same structure and form of the business case applies, they differ however in the business case's content.

This exactly allows us to master this seemingly irreconcilable situation: we will be able as presented shortly to design a generic process around the customized business case that produces a customer specific financial argument. Hence, we will have the tools at hand to show to the customer the benefits in terms that are globally understood in a structure and form that is generally accepted.

Before discussing the process that produces a business case we look at its general generic form. Typically a business case produces a profit & loss account and a cash flow statement; a balance sheet evaluation usually doesn't produce additional information to be taken into account when making a decision.

The profit & loss account: The main entries of this account are

Profit & Loss Account (generic structure)		
Item	Result	Remark
Revenue		
(-) Cost of Sales (Direct Cost)		Cost item
	Gross Profit	
(-) Operating Cost, Other Expenses		Cost item
	EBITDA	
(-) Depreciation, Amortization		Financial item
	EBIT	
(-) Interest		Financial item
	EBT	
(-) Taxes		Financial item
	Net Profit	

The most interesting aspect of the structure of this account is that it is (with a grain of salt) MECE (mutually exclusive, collectively exhaustive). What does this mean, MECEness:

- **Mutually exclusive:** The items on the left hand side are independent of each other (again with a grain of salt), that is e.g. the cost of sales is independent of the revenue, i.e. the cost of producing a good or service is independent of the price that can be achieved in the market for this good (of course they are related through volume, however, unit cost and unit revenue are not related).
- **Collectively exhaustive:** The collection of items on the left hand side fully describes the enterprise's financial profit & loss performance as requested by the standards.

The cash flow statement has basically the same property.

Now we have collected the major arguments that support the use of business cases in the sales process:

- Their generic structure and form allows a discussion thread that doesn't need a lot of explanation and illustration. Thus, the sales person can entirely focus on the business case's customization.
- The MECEness of the business case items allows a "divide and conquer" approach, i.e. it allows to work on the items more or less independently. This structures and eases the process as a whole.

6. Rational for business cases as sales instrument: Partnership

In order to exploit the full potential of the concept of business cases as sales instrument the paradigm of selling has to be scrutinized: Obviously, it will not be enough to respond to requests and tenders, but it becomes mandatory to be involved in the very early stages of a customer's project – when it is conceived, shaped and defined. To be an integral part of this process at the customer requires a trusted partnership between purchaser and vendor constituted by a perception of credibility, reliability and authenticity on both sides.

To build up this partnership the sales person needs to have intimate knowledge of the customer's issues, i.e. the customer's business, structure and organization, strategy, operations and market approach as well as the financial situation.

If there is a compelling event for a potential project – very often a change of even an anticipated change in regulation and/or legislation, new competitors or new technologies – the smart sales person is with

the customer and discusses the impact on the customer’s business and whether there is a potential to support the customer in mastering this change.

In this situation the business case serves as a guide and checklist to evaluate the options and potential courses of action.

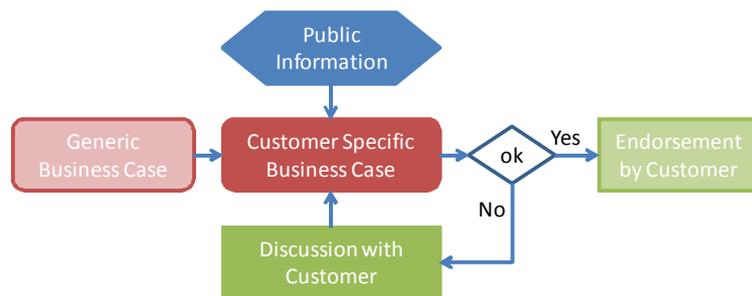
7. The business cases in the sales process

We distinguish two types of business cases, the generic customer business case and the customer specific business case, briefly described in the following table.

	Generic Customer Business Cases	Customer Specific Business Cases
Objective	<ul style="list-style-type: none"> • Promote a solution by communicating/ proving business value • Influence marketers, underpin higher-level relationships • Generate interest 	<ul style="list-style-type: none"> • Answer a specific customer need, provide guidance • Framework to better understand key business issues your customers face • Underpin higher-level relationships - particularly with marketing and business planning departments and CxO levels.
Key Attributes	<ul style="list-style-type: none"> • Based on market data • Often not very complicated 	<ul style="list-style-type: none"> • Based on customer specific data • Can become complex

The generic customer business case is an element of the generic sales documentation and describes the products benefits in general terms for an average enterprise. It is a “teaser” generating a general interest and provides initial set of arguments to enter a discussion.

For the customer specific business case in its initial version publicly available information on the enterprise and its historical performance is used. In repeated discussions with the customer the business case is improved and refined, different options evaluated to eventually reach a state where it is endorsed by the customer as reflecting the relevant business issues. Obviously, the data of the business case are rather sensitive and often even confidential business information; this is only possible in an open and trusted partnership. It is important to note that this process is iterative, since – see profit & loss account – a multitude of different aspects have to be addressed and a variety of the customer’s experts in the different fields have to be consulted.



However, this iterative process of investigating the issues fosters the relationship and in the end eventually the outcome of the business case decides the purchasing question. The stakeholders will have been involved and therefore it can be expected that the decision is accepted throughout the organizations.

8. Summary

Business plans, i.e. the evaluation of the economic consequences of decisions, are an indispensable instrument of managerial decision-making. Also in the sales process of complex products and solutions especially in the business customer environment (B2B) business case considerations can impact relevantly buying decisions. The joint development of a business case specifically for this customer enforces an intensive debate of the issues. Therefore, the benefits of a business case are extremely

multi-layered: they reach from full financial transparency (listing investments, estimating risks, forecasting cash flows, etc.) to strengthening the business partnership of seller and buyer. The seller will be able to credibly and authentically communicate the business benefits in monetary terms.



Dr. Bernd X. Weis, MBA

The engineering executive with strong business background and comprehensive experiences in international and multicultural corporations knows the options of adaptations in today's dynamic markets – be it growing, merging, acquiring, divesting or restructuring. His broad international horizon of experience, his personal competence and integrity allow him to cooperatively find, plan and execute new ways and strategies for improved performance and increased profitability. He focuses on the topics and questions at hand, structures and summarizes complex issues.

Through his management functions in sales, marketing and business development especially in the B2B business he has in-depth knowledge of the entire sales process dealing with customers from first contact to fulfillment. One very important aspect of his experience he has summarized in this seminar of which several hundreds of sales executives and managers have already benefitted from.

Contact

Dr. Bernd X. Weis

Management Consulting

Haeberlinstr. 29b

70563 Stuttgart

Germany

Tel.: +49 711 123 5675

Mobile: +49 174 238 5158

www.Bernd-Weis.de