# anticipating ROI for Customer Reference collateral

*First in a series on calculating ROI for Customer Reference Programs*

*Marketing collateral can have a significant impact on sales, in certain situations. For a $200 million business with a large number of new products or inexperienced sales people (or both), improved collateral can increase revenue by several million dollars.*

***by Bill Lee***

If you suspect that your success stories or other collateral are laying an egg with your sales force and you decide to invest in improving them, this article will help you anticipate the return on that investment. I've also included an Excel-based ROI calculator on our Web site (at www.lee-communications.com) that makes it easy to "do the numbers."

The specific question tackled here is: How much of an impact can improved success stories make on sales? To answer this for your firm, start with one of your particularly important solutions sold to a particularly important industry group or "vertical" and for which you already have a good coverage of success stories. Then, ask:

**Do your stories need improving?**

Their most important job, with respect to sales, is to prepare your sales people to focus on buyer needs, uncover the business implications of those needs, and show how your solutions can meet those needs and the benefits that will result. (See my article, Everything Marcom Writers Should Know About Sales.) Are your stories doing the job? My own research shows that most success stories – even those from top technology firms – aren't. (See my article, Success Stories: The Top 5 Mistakes.) To determine if yours are, you can use the "Top 5 Mistakes" article as a starting point to analyze them. You might also convene a "Sales Panel" and simply ask if your sales people are using the stories. A more thorough approach might include devising a simple written test to see if the stories are adequately preparing them to discuss needs/ implications/ benefits in sales calls.

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If you strongly suspect that your stories are falling short, the next step is to determine whether improved stories would make a difference in sales performance.

**Where can improved stories have the greatest impact?**

To determine this, divide your sales people into three groups:

- Group 1: those who rely heavily on collateral such as success stories to properly prepare for sales calls, because they lack experience with your solution or with the vertical in which they're selling.
- Group 2: those who hardly need collateral at all because they have substantial experience with the solution and vertical, and
- Group 3: those who fall somewhere in between.

Sales managers can help you figure out who goes in which group. For a moderately complex solution, a rough dividing line might be sales people with less than six months experience go in Group 1, sales people with more than 12 months experience go in Group 2 and the rest in Group 3.

Now determine how many sales people are in the first group, and compare their close rates with those in the second group. If the close rates of Group 1 are significantly lower, there is a good chance that improved success stories can substantially close the gap. Particularly if the first group is well *trained* in "solution selling" or "consultative selling" methods – if the primary difference is lack of specific *knowledge* about your solution and how it can meet buyers' needs. Some of your veteran sales people may think that such knowledge can only be gained from hard and long experience but that is not true. They can get it from collateral.

**The impact of collateral: A case study**

In one of the classic experiments by Neil Rackham and the Huthwaite organization, a medical products company launched a new device. Obviously, none of its sales people had any experience selling it to buyers yet – so, like the ones in your Group 1, they depended on collateral. When Huthwaite researchers realized that the firm's marketing collateral focused on the new device's features rather than buyers' needs and solution benefits, they decided to furnish some proper collateral themselves.

**Marketing collateral ROI calculator**

**for estimating return on investing in better collateral**

| | |
|---|---|
| **Sales force profile** | Example firm: ($200 m in sales) |
| Number of sales people: | 100 |
| Average number of new prospects contacted by each sales person per week: | 8 |
| Average sale: | $50,000 |
| Average Close rate of sales people who DO NOT rely on success stories or other collateral to help them prepare for sales meetings: | 12% |
| **Need for improved collateral: the Peformance Gap** | |
| Percentage of sales people who DO rely on success stories or other collateral to help them probe for customer needs/ implications, and explain solution benefits: | 15% |
| Average close rate of sales people who rely on collateral: | 8% |
| The Performance Gap: Gap in close rates due to less familiarity with customer needs/ implications and solution benefits: | 4% |
| **Filling the Gap: How much of the gap could be closed by improved collateral?** | |
| Conservative estimate: | 20% |
| Reasonable estimate: | 50% |
| Stretch goal: | 75% |

See next page to continue >>

**ROI Calculator, con't:**

**Impact of more effective collateral**

| | |
|---|---|
| New prospect contacts per year per sales person (@ 48 weeks): | 384 |
| Total prospect contacts for company in one year: | 38,400 |
| Contacts for which sales person relies on collateral to probe for customer needs and implications, and describe benefits: | 5,760 |
| **Improvement in close rates resulting from improved collateral:** | |
| Conservative estimate: | 0.8% |
| Reasonable estimate: | 2.0% |
| Stretch goal: | 3.0% |
| x Average sale: | $50,000 |
| **Revenue increase due to improved collateral** | |
| **Conservative estimate:** | **$2,304,000** |
| **Reasonable estimate:** | **$5,760,000** |
| **Stretch goal:** | **$8,640,000** |

In particular, Huthwaite took a small group of the firm's sales people, told them to *ignore the product's features*, and provided them with a list of specific customer problems and needs which the new product would solve. Using that information, Huthwaite also had the sales people make up a list of customers who might have those or similar needs, and a list of questions that would help them probe to uncover them and their business implications – which are typical steps by sales people trained in consultative selling. Result: the Huthwaite group achieved a 54 percent higher level of sales than the rest of the sales force during the first year of the product's launch. (Rackham, *SPIN Selling*, McGraw Hill, 114*).* So much for the need for lengthy experience with a solution to sell it properly.

**The implication for your firm**

Notice the implication for your success story program. The Huthwaite researchers simply gave sales people information about specific customer needs and problems that the new product would solve – precisely the sort of information good success stories provide. That lead to a dramatic increase in sales. In fact, since success stories provide information from *actual* customers rather than having consultants and product developers think it up – as happened in the Huthwaite experiment – properly written success stories might very well have an even greater impact on sales.

For sales people like those in your firm's Group 1, above – the ones who know the least about your solution – the Huthwaite study strongly suggests that improved success stories can close not only the gap in *knowledge* between them and their experienced peers, they can also close the gap in *performance.* If so, the result will be a significant impact on your firm's sales. Here's how to calculate it.

**Anticipating ROI at your firm**

Let's return to your two groups of sales people – those who rely on success stories and other collateral to properly prepare for sales calls (Group 1), and those who do not (Group 2). Suppose Group 1 contains 15 percent of the total sales force for that solution/ vertical, and that they have an average close rate of 8 percent versus a close rate of 12 percent for Group 2 – a "performance gap" of 4 percent.

How much of that gap can improved success stories close? Based on the Huthwaite study, it seems reasonable to set three estimates for the impact on sales:

*Conservative goal*: Improved success stories will make up 20 percent of the performance gap. In our example, they would increase close rates of the less experienced Group 1 from 8 to 8.8 percent

*Reasonable goal:* Improved stories will make up 50 percent of the gap. In our example, that would increase Group 1's close rates to 10 percent.

*Stretch goal:* Improved stories will make up 75 percent of the gap. (Group 1's average close rate go to 11 percent).

Notice that even the stretch goal is still less than the improvement actually achieved in the Huthwaite medical products study. For a solution group with 100 sales people doing about $200 million in sales annually, the increase in annual revenue due to improved stories would be:

- Conservative estimate: $2.3 million
- Reasonable estimate: $5.8 million
- Stretch goal: $8.6 million.

See the calculations in the margins on pages two and three for more detail.

Improving a success story program can seem expensive, particularly if you've been paying a "bargain price" for your stories. But it's pretty likely that whatever the cost, it will be a fraction of even the conservative estimated return.


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