

THE CHALLENGER METHOD

*Executing Sales Activities
With a Challenger Mindset.*

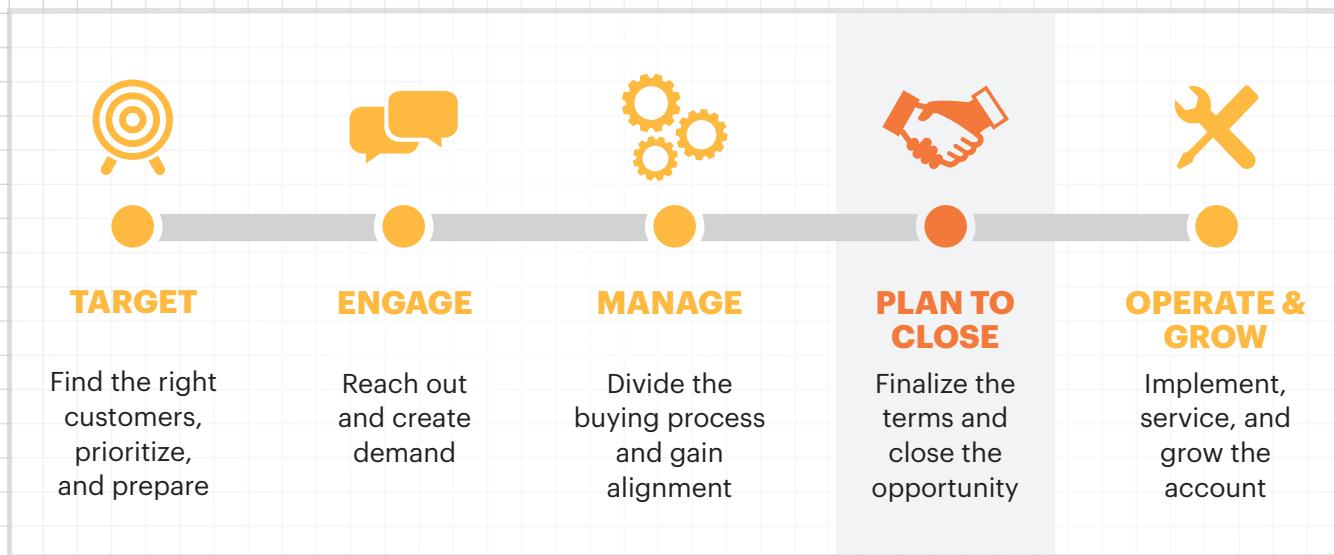


TEMPO | PLAN TO CLOSE

Challenger

TEMPO

The Challenger Method, represented by TEMPO, is an organizing framework to help sales representatives execute Challenger. The idea behind TEMPO is to provide sales representatives with guidance to augment their workflow and maximize the impact of their day-to-day activities — everything from driving interest to managing consensus to closing the sale to up-sell and cross-sell — by bringing a Challenger lens to each activity. The focus of this resource is the “PLAN TO CLOSE” phase of TEMPO.



Having addressed various stakeholder needs in the “MANAGE” stage of the sale, the sales representative now needs to work on closing the deal. Previously, the emphasis has likely been on solving a business problem with the sales representative having worked to clarify the cost of the status quo. As procurement and budget holders enter the deal, the conversation now shifts toward needing to deliver quantifiable economic value. At this stage, sales representatives must prepare to negotiate the scope and price of the deal. Ideally, sales representatives only concede on non-price aspects that deliver disproportionate value to the customer, but that takes strategy and planning. This is often the most formal part of any sale, and sales representatives need to ensure that they do not give away value in the heat of the moment.

PLAN TO CLOSE

“We love your product ... if only it was built sideways ... and didn’t cost as much ...”

Every Customer Ever
(Inspired by Robert Townsend)



Introduction

Once the sales representative and buyer have agreed on the possible scope for the deal, there is an 86% chance that procurement enters the stage and manages the process. This is the most formal part of any sale where value can leak away as sales representatives become ever more anxious to close the deal. Sales representatives have good reason to be anxious given the time pressure: the likelihood of a sale falls dramatically if negotiations extend beyond the customer’s budgetary cycle with 38% of sales efforts failing as the customer decides on ‘no deal’. Beyond that, every moment a sales representative spends responding to new questions is time that could have been spent with a different customer, so there is also an opportunity cost to any pro-longed negotiations.

The need to complete the sale within a defined timeframe puts a premium on being comfortable with constructive tension, as sales representatives need to stand firm in the value of

► PLAN TO CLOSE

the solution. For example, this might mean not immediately responding to a customer demand but to ask for a clarification before proceeding. More difficult is knowing how to best respond to a last-minute concession request that may negatively impact the economics of the deal.

Buyers put additional pressure on the sales representative by having the purchasing organization manage purchase process, often behind the scenes. While good sales representatives know when to invite procurement into the conversation, they still have to contend with the fact that procurement organizations often receive incentives based on their ability to demonstrate cost savings, even while speaking the language of mutual value creation¹. This focus on price makes commercial negotiations different than other kinds of negotiations. A commercial negotiation is typically neither an exercise in pure haggling, nor is it like forming a partnership agreement where both parties share resources and risk to build something new. It is also not conflict resolution where the urge to punish an adversary often gets in the way of coming to an agreement. Instead, the time-pressure combined with procurement's need to demonstrate cost savings mean that commercial negotiations are fraught occasions where sales representatives often give

away value, mistakenly thinking that this improves their standing with the customer.

At Challenger we find that sales representatives can preserve, and even increase value, by doing the following:

1. Sales representatives need to **confirm the value** they will create as early in the sales process as possible. Absent clarity around value, closing discussions become price discussions.
2. Sales representatives then need to stand firm in the value of the solution when anticipating possible **concessions**.
3. **Productively use constructive tension.** Challenger research shows that highly effective sales representatives stay in control of the moment by being much more likely to make use of strategic questioning and listening techniques to obtain information while also maintaining urgency. They keep the dialogue open and resist the impulse to haggle.
4. **Preparing for delivery** even as they look to close the deal. While customers often resist working on implementation until a deal has been signed, sales representatives can nevertheless increase momentum by working to identify how the solution will be delivered, long before all the paperwork has been completed.



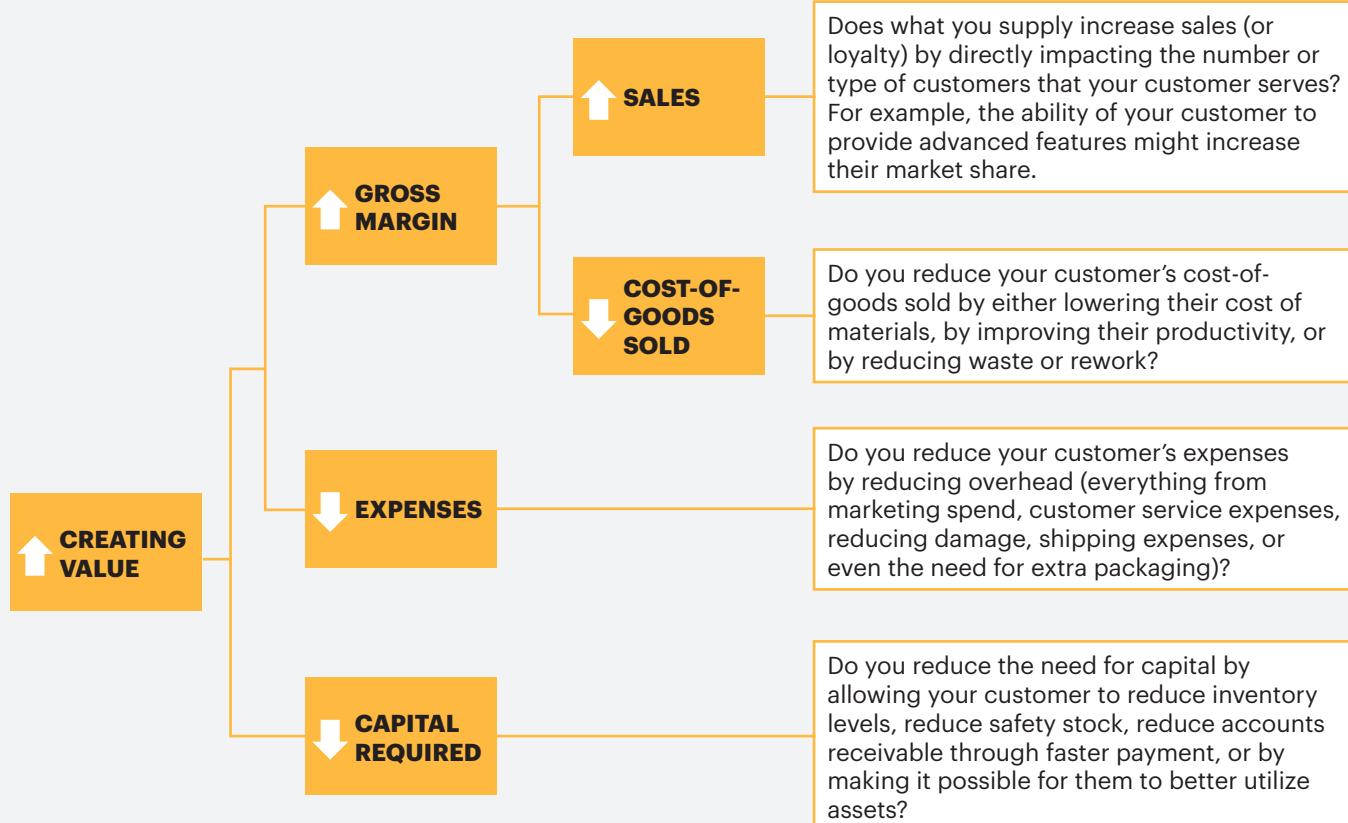
Confirming the Value

As sales representatives work toward the close, there is a risk that the deal shrinks if the buyer does not fully internalize where the value comes from. Sales representatives can prevent this shrinkage by confirming the value for the customer of solving the urgent problem identified in previous conversations. There is a shift in emphasis: from quantifying the cost of doing nothing, to quantifying the economic value delivered. This becomes especially important as more bottom-line focused stakeholders such as procurement or senior executives become involved in the sale. To stay within the confines of a budget, these stakeholders often need to compare the projected returns of a variety of purchases. As there are always more potential projects than there are funds, the projects with the highest ROI win.

Sales representatives help their customers make decisions by using value analysis to quantify the pain (or the cost of inaction), as well as the benefits that will come from eliminating this pain.

Ideally, a sales representative can quantify the precise impact of an investment using the customer's own data. But even in the absence of hard metrics, the sales representative needs to confirm with the customer where and how value is most likely to be created, in addition to the cost of not making a decision. For example, the supplier of a manufacturing input might be able to point to how a marginal increase in the cost-of-goods sold is more than off-set by the reduction in downtime and repair costs (which improves productivity). And that further value is created by reducing customer returns, and wastage which in turn improves customer loyalty.

Simplified Model of Value Creation*



*In this simplified model, value is created when increases in net operating profits combine with reductions in the capital required to generate them (Return On Invested Capital = NOPAT/Invested Capital)

CONCESSION EVALUATION TEMPLATE				
When considering making concessions, it's important to recognize the impact each concession will have, both on the customer's outcomes and on the value of the deal to you and your company. List the key features of your proposal that you would consider conceding and identify the benefits of each and the risk(s) of pulling them out of the contract.				
Potential concession (proposal item/scope)	Importance of concession to the customer	Reason the customer wants this concession	Risk to the customer of pulling the particular scope out of the contract (benefit/outcome they'll miss out on)	Cost to you (monetary or otherwise) of conceding on this item
Discounted access to off-site monitoring for first six months	High	This is a replacement system and customer is wary of any interruptions to productivity	Every hour of unutilized lab time costs customer \$125k	Low; remote monitoring has small marginal cost for us
Guaranteed installation over the weekend	High	Customer wants to minimize idle time for the lab	Every hour of unutilized lab time costs customer \$125k	Medium; requires our engineers to be paid overtime
Upgrade to unit with quiet-grade technology	Low	Units not located in a high traffic area of their lab; reducing utility of quiet-grade technology	Minor increase in operator satisfaction given current customer lab layout	High; quiet-grade technology is currently more expensive to make

Planning Concessions

Given the procurement organization's need to demonstrate year-on-year savings, sales representatives need to prepare for making principled concessions that look beyond price. Challenger finds that the best reps take the following steps:

- Before simply agreeing to any price reductions, the best sales representatives work to identify **cost-effective concessions that deliver value to the customer**. For example, a more risk averse customer might derive considerable value from a warranty. A new customer, on the other hand, might drive extra value from additional time spent with the engineering team. The goal is to prioritize concessions that are either very scalable (i.e. inexpensive) or that might encourage a customer to expand their relationship. Challenger recommends the use of a formal concessions sheet, with sales enablement enumerating and helping prioritize some of the most obvious and frequent items that clients have asked for. If there are multiple items to discuss, the sales representative should suggest an agenda.

2. Price discussions and perhaps price concessions might be inevitable. As sales representatives enter price discussions, they should remember the following:

- High-performers typically concede to a pattern, with the discount becoming smaller over time to signal that they are running out of room, implicitly building on Amos Tversky and Daniel Kahneman's finding that people find rewards over time to be more gratifying, somewhat gamifying the experience.
- High-performers also know when to walk away by identifying the minimum it will take for a deal to deliver sufficient value to the company.
- To promote fairness, it is reasonable to ask for something in return for a concession. Can the buyer introduce you to somebody else within their organization? Can you make a price concession in exchange for different payment terms?
- High performers also emphasize what a concession has cost them to increase the perceived value of the concession.



Using Constructive Tension

An effective closing strategy demands that the sales representative be alert and deliberate about everything they communicate to the customer. This is where a procurement will try to maximize the value that they get from the deal.

Challenger research shows that there are three techniques, or gambits, that high performers rely on to a greater degree:



Ask more powerful questions

12% *more likely to be used*



Make more use of silence to allow response

17% *more likely to be used*



Ask for next steps and plan interaction

12% *more likely to be used*

1. A powerful **question** is one of the best-established ways of leading a buyer back to the value that the purchase will create. A question such as "What would that help you accomplish?" helps the sales representative develop a better understanding for why a customer asks for a certain concession. These kinds of questions also provide a more elegant way of deferring the answer, allowing the sales representative to gather their thoughts.
2. For a question to become powerful, it needs to be answered. Sales representatives make the questions they ask less effective by either providing the answer for the customer or not giving them enough time to answer. Strategic use of **silence**, especially in a virtual environment where it is easy to speak over people, can be extremely helpful in soliciting information and revealing a customer's true motivations.
3. To maintain deal momentum, Challenger recommends consistently **asking for the next step in a deal**. Even if pricing discussions become fraught, it is reasonable to ask for steps that will make eventual installation and delivery easier for both sides.

Mock Conversation



This discussion we're having right now is a critical one — we're considering what could happen if we decide to do this — potential ROI, resource allocation, impact on the team. I think the equally if not more important question we have to ask ourselves is, what if we don't do this?



Strategic Silence

That's a good question.

Long term we probably see a loss of market share to our competition.

I agree. I think short term we see attrition of top talent from the business who are dissatisfied with status quo.



Preparing for Delivery

An underleveraged tactic to help with the close, Challenger finds, is to make sure that the ground is prepared for effective delivery, even as final terms and conditions are being worked out. Identifying the following can help both parties maintain enthusiasm around the upcoming deal:

- Can the **delivery timeline** be established? Submitting even a hypothetical implementation plan can often help frame customer expectations and build up enthusiasm.
- **Who** will be making the most use of the solution being delivered? Is there anything that will help these ‘users’ obtain greater value from the solution?
- Do the ‘users’ understand **how the company hopes to benefit** from the solution?
- Is there a chance to build credibility by **introducing the implementation team** prior to delivery?

Working to try and complete this work during the close also allows the sales representative to arrange for a more gracious transition as they typically hand delivery over to an account management or customer success team. At this point, the sales representative is already thinking about how the account needs to **operate** for the relationship to be a success.

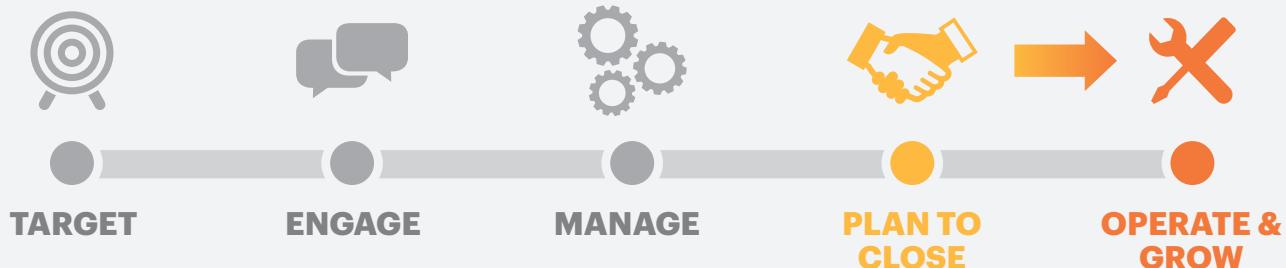


Roles and Responsibilities

Closing is something of a team sport involving many individuals from within the organization. Legal or finance teams may need to provide input into any terms & conditions being negotiated. Larger deals might also involve more senior members of the sales team, such as sales managers, the head of sales or even the CEO. Challenger finds that these teams need to be clear about the following for a close to be as successful as possible:

1. Ideally, **the sales representative conducts all direct negotiations with the customer**. Senior people are there to understand client needs, to share other perspectives, and to re-affirm the importance of the relationship but they should not be visibly involved in hashing out terms and conditions as this disempowers the sales representative.
2. Sales representatives need to have **clear guidelines** around what discounts and concessions they are permitted to make. They should also have a good understanding of what other terms and conditions they might be able to agree to without needing approval.
3. Given that certain concessions depend on the selling organization’s capacity to make a deal, managers may need to weigh in on whether or not the company can fulfill them. In that case, provide sales representatives **guidelines for when to draw back** and refer to their manager.





In summary, the **PLAN TO CLOSE** stage of TEMPO can be broken into the below steps.

	Confirm Deal Value	Negotiate and Manage Concessions	Leverage Constructive Tension	Prepare for Delivery
What to do	Focus on the return of solving the pain point	Understand what drives value for your company and your customer	Stand firm in the value being created	Introduce implementation team to “users” before the close
How to do it	<ul style="list-style-type: none"> Conduct value analysis 	<ul style="list-style-type: none"> Plan for possible concession requests Ask for concessions in return 	<ul style="list-style-type: none"> Ask Powerful Questions Leverage strategic silence in conversations 	<ul style="list-style-type: none"> Submit implementation plan to generate interest

Challenger Activation clients can find more information, including Playbooks to help sales representatives develop these skills and utilize them in customer interactions, on the Challenger Portal. Please reach out to your Challenger Team to learn more.

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