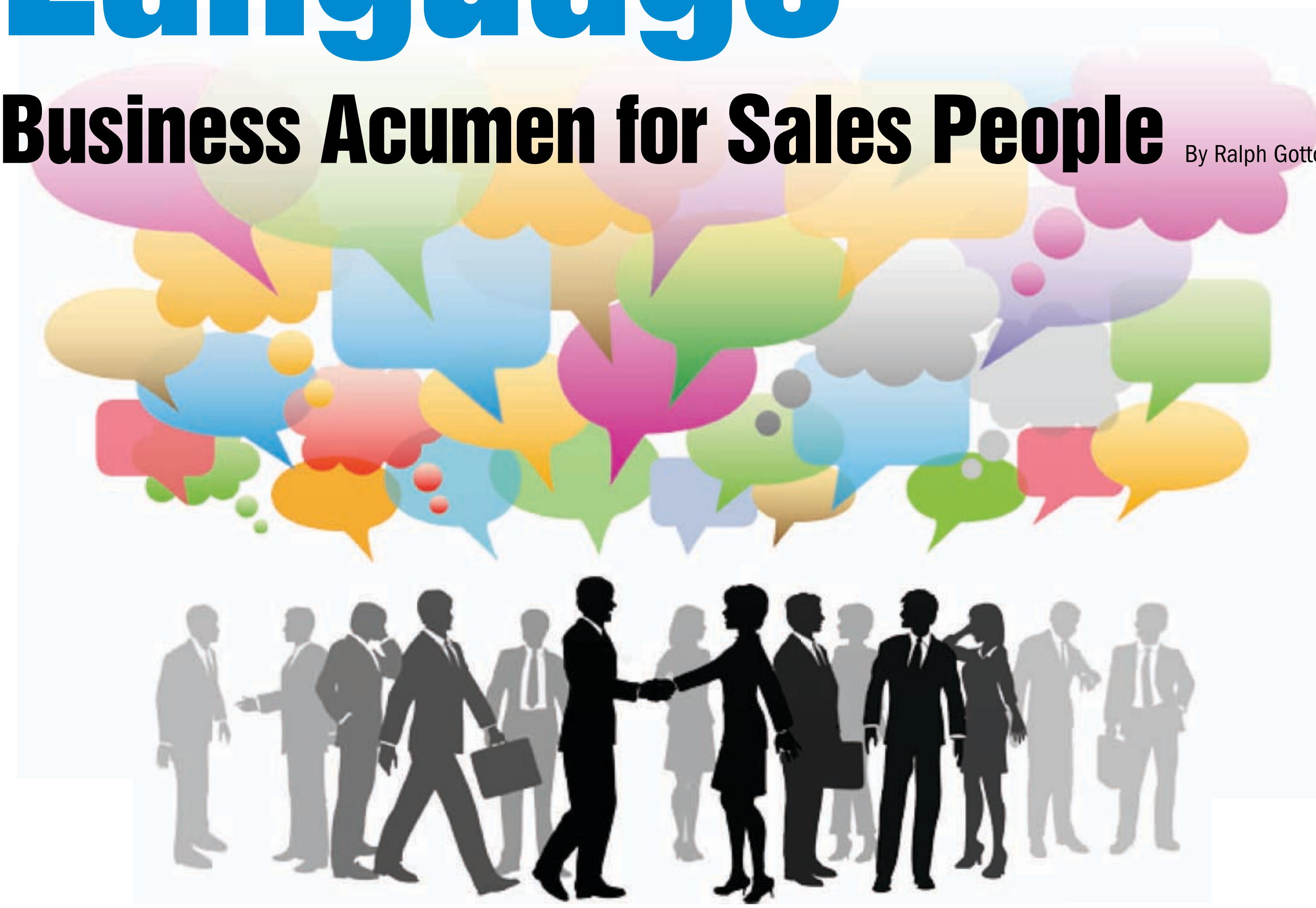
Speaking the Language

Business Acumen for Sales People

By Ralph Gotto



When sales people try and talk to business executives, it helps to have a grasp of how the numbers are laid out and stack up. Merchandising spin and buzz may make for fizzy sizzle, but never forget that what you're really selling is value.

To break through effectively, sales people need to learn to speak the language of business. To upgrade your business acumen, to break it all down and put it back together, we offer this useful phrase book.

The Business Process

A company's financial health is gauged in its *Profit & Loss Statement* and its *Balance Sheet*. Profit & Loss has to do with sales: income versus production expenses. The balance sheet is a periodic analysis of the company itself: its overall holdings and investment results, its debts and liabilities, its stock price, its rate of return on investment and equity.

Any business, whatever its product, measures its success according to:

- Revenue
- Gross Margin
- Net Income
- Return on Investment
- Market Share

These elements, as they jostle and intersect, are major key indicators of how well a business is doing. Let's take a closer look at each one.

Profit & Loss Statement

Revenue is the foremost indicator in any business. Is it increasing or decreasing?

As a rule, all income will stream from the sale of products and/or services billed to customers. *Total Revenue*, the top line of the company's Profit & Loss statement, is measured monthly, quarterly, and yearly.

Next, revenue is offset by the *Cost of Goods Sold*, all costs directly connected with sales income. General overhead doesn't factor in here, but labor does, and so does overhead specific to a particular product or service.

From an accounting standpoint, *Gross Profit* is the dollar value of *Net Revenue* minus cost of goods/services sold. Keep in mind that gross profit varies significantly from industry to industry.

Another key indicator is *Gross Margin*. Always expressed as a percentage, it is determined by dividing the gross profit by net sales. Is it increasing or decreasing? The gross margin is an index of a business's profitability.

In addition to direct production costs are *Below the Line Costs*. These include the *Selling expense* of direct product sale or service. *Marketing expense* is the cost of all efforts to market your brand. *General and Administrative expense* covers everything else, except interest and taxes. *Interest expense* reflects borrowings by any organization. *Tax expense* is amounts reserved to pay taxes.

At the end, the proverbial bottom line, *Net Profit* or *Net Income* is what's left after all expenses are subtracted from the gross profit. This, too, is a key gauge of how well (or unwell) a company is performing.

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The Balance Sheet

A balance sheet is different from a P&L statement. A balance sheet measures financial balances as of a given date (quarterly), as calculated from:

Assets, items owned by the company, are of two types. *Current Assets* – cash, negotiable securities, accounts receivable, and inventory – constitute the company's most important cash flow items. *Fixed Assets* are buildings, machinery, furniture, and fixtures; plus that essential but intangible factor called Goodwill. It's been well said that a company's greatest asset is its reputation.

Liabilities may be current or longer-term. Accounts Payable and current portion of Bank Loans are major ones. Major longer-term liabilities include bank loans payable beyond one year, as well as ongoing pension obligations.

Equity is the value of everything the company owns. Subtracting liabilities from total assets will yield the net worth of the company. This is known as its *Book Value*.

Earnings per Share is typically the bellwether of how well a public corporation is doing, as perceived by the shareholders. A company's price on the Stock Exchange is calculated by dividing Net Income by the number of shares issued (and outstanding).

Return on Investment (ROI) – What return is the company getting on its investment? How many times is the investment paying for itself?

Return on Equity (ROE) – Net Income divided by Equity. As with ROI, the question is, how many times is the investment paying for itself?

Market Share – In its market, what percentage of sales does the company have vs. total market sales? Companies are always looking for ways to increase market share and stay ahead of the competition.

Breaking Through

Ask yourself, what are you selling that can trigger these key indicators upwards? If you hope to become a steady supplier, your thinking approach has to meld with the mindset of a managing executive.

You need to understand business terminology if you're selling to business people. If you don't, I guarantee you won't understand your client's priorities and what it would take to help him/her improve their business. Best of all, suggest a breakthrough project.

Remember the adage, "If you keep doing what you've been doing, you won't get a different result." Too often, business owners get caught up in a syndrome of wanting better results, but not wanting to change anything. It takes a *Breakthrough Project* to spearhead a change in direction.

Without a breakthrough project, at best a company will get incremental growth, but not dramatic improvement.

A breakthrough project entails thinking "out of the box" – doing something drastically different. A new product or service could emerge as a potential breakthrough project – for producers, for distributors, for customers. To stay ahead of the game, breakthrough thinking has to permeate all areas of an operation. Every business that's stood the test of time has had breakthrough projects, and is always on the lookout for its next one. Do you have one to sell them?

A Value Proposition – Your WOW Factor

Across the entire business landscape, from copy paper to corporate real estate, every product has a *Value Proposition*. To break through, you need to find your product's value proposition, and be able to extol it in fluent business language.

Because if you're not selling value, most owners, CEOs, and VPs won't have time for your call. So lead with your value proposition, e.g. – "How would you like to earn a 2-5 times return on your investment?" Call it a "WOW" factor. A statement to catch an owner's, a CEO's or a VP's attention. In 30-45 seconds, you need to explain how you can get them that kind of return. Call it an "elevator speech," pitched while the elevator car goes up ten floors. In a cold call, that's just how long you have to catch their attention.

What will it take to land a sales appointment? If you're not making at least twelve cold calls a day, you'll probably end up with a mediocre sales career. Cold calling is inherently difficult, as only about three percent are in the market to buy; seven percent are open to it, but not looking; leaving 90 percent uninterested. Most cold calls require calling seven times to achieve a sales appointment, some as much as twelve times.

Wielded properly, your effective value proposition can even grab about 1/3 of that 90 percent uninterested market, increasing the available market from 10 percent to 40 percent – a significant factor in achieving your success.

If you can WOW your client in 30-45 seconds, you can continue the conversation and likely land an eventual sale. (If you can't WOW them, it's cold call #1.) Talk the talk, and you'll be able to join forces with management. Business acumen is your edge when you have value on your side.

Bottom line, sell value, not spin! N

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