

DR. ALVIN'S PUBLICATIONS

SALES

BY JOSH KAUFMAN

A CHAPTER SUMMARY FROM THE BOOK
'THE PERSONAL MBA'

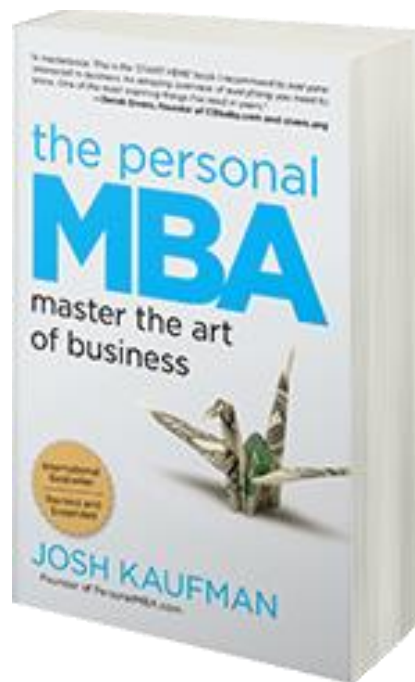


TABLE OF CONTENTS

Table of Contents.....2

Sales.....4

1 | Transaction5

2 | Trust.....6

3 | Common Ground7

4 | Pricing Uncertainty Principle.....8

5 | Four Pricing Models9

 Replacement Cost10

 Market Comparison.....10

 Discounted Cash Flow (DCF) / Net Present Value (NPV) method11

 Value Comparison method11

6 | Value-Base Selling12

7 | Education Based Selling13

8 | Next Best Alternative.....14

9 | Three Universal Currencies.....15

10 | Three Dimensions of Negotiation16

 Setup16

 Structure: the terms of the proposal.16

 Discussion: actually presenting the offer to the other party.....16

11 | Buffer17

12 | Reciprocation18

13 | Damaging Admission19

14 | Barriers to Purchase.....20

15 | Risk Reversal21

16 | Reactivation22

References23

***About The Authors*24**
About Josh Kaufman.....24
About Dr. Alvin Ang.....24

SALES

- ✓ No sale, no business.
- ✓ Sales mostly consists of helping the prospect understand what's important and convincing them you're capable of actually delivering on what you promise.

- ✓ If you don't have anything your prospective customers want, they won't buy from you.
- ✓ This may seem obvious, but it's amazing how many prospective businesspeople enter the market without something the market wants.
- ✓ When you're starting a new business, the object is to get to the point where you make your first profitable Transaction as quickly as you possibly can, because that's the point where you transition from being a project to being a business.

- ✓ Without a certain amount of Trust between parties, a Transaction will not take place.
- ✓ Building a trustworthy Reputation over time by dealing fairly and honestly is the best way to build Trust.
- ✓ You can also take steps to signal you're trustworthy: organizations like the Better Business Bureau, credit and background check services, and financial arrangements like escrow accounts exist to help overcome an initial lack of Trust between parties in a Transaction.

3 | COMMON GROUND

- ✓ Common Ground is a state of overlapping interests between two or more parties.
- ✓ Consider the job you're currently in, or the last one you held.
- ✓ Chances are, you accepted that job because you were willing to take on certain responsibilities, and your employer was interested in having you do the work.
- ✓ Negotiation is the process of exploring different options to find Common Ground: the more potential paths you explore, the greater the chance you'll be able to find one in which your interests overlap.

4 | PRICING UNCERTAINTY PRINCIPLE

- ✓ One of the most fascinating parts of Sales is what I call the Pricing Uncertainty Principle: all prices are arbitrary and malleable.
- ✓ Pricing is always an executive decision.
- ✓ Auctions are an example of the Pricing Uncertainty Principle at work—prices change constantly, rising in proportion to how many people are interested and how much they're each willing to spend.
- ✓ By setting a low starting price and allowing potential buyers to bid against one another, auctions are typically an efficient way to establish a true market price for something that is difficult to reproduce and where no comparable items are already in the market.

- ✓ Let's assume for a moment you own a house you're willing to sell.
- ✓ How would you go about setting the largest price a customer will actually accept?
- ✓ There are four ways to support a price on something of value:
 - 1) Replacement cost,
 - 2) Market comparison,
 - 3) Discounted cash flow/net present value, and
 - 4) Value comparison.

REPLACEMENT COST

- ✓ The Replacement Cost method supports a price by answering the question “How much would it cost to replace?”
- ✓ In the case of the house, the question becomes “What would it cost to create or construct a house just like this one?”

MARKET COMPARISON

- ✓ The Market Comparison method supports a price by answering the question “How much are other things like this selling for?”
- ✓ In the case of the house, this question becomes “How much have houses like this, in this general area, sold for recently?”

DISCOUNTED CASH FLOW (DCF) / NET PRESENT VALUE (NPV) METHOD

- ✓ The Discounted Cash Flow (DCF) / Net Present Value (NPV) method supports a price by answering the question “How much is it worth if it can bring in money over time?”
- ✓ In the case of your house, the question becomes “How much would this house bring in each month if you *rented* it for a period of time, and how much is that series of cash flows worth as a lump sum today?”

VALUE COMPARISON METHOD

- ✓ The Value Comparison method supports a price by answering the question “Who is this particularly valuable to?”
- ✓ In the case of the house, this question becomes “What features of this house would make it valuable to certain types of people?”
- ✓ Assume Elvis Presley previously owned the house.
- ✓ Elvis’s previous involvement with the property could easily triple or quadruple the price you’d be able to support via the replacement, market comparison, or DCF/NPV methods.

- ✓ Value-Based Selling is the process of understanding and reinforcing the Reasons Why your offer is valuable to the purchaser.
- ✓ Value-Based Selling is not about talking—it's about listening.
- ✓ In the classic sales book SPIN Selling, Neil Rackham describes the four phases of successful selling:
 1. understanding the situation,
 2. defining the problem,
 3. clarifying the short-term and long-term implications of that problem, and
 4. quantifying the need-payoff, or the financial and emotional benefits the customer would experience after the resolution of their problem

- ✓ Education-Based Selling is the process of making your prospects smarter, more informed customers.
- ✓ By investing energy in making your prospects smarter, you simultaneously build Trust in your expertise and make them better customers.
- ✓ Be forewarned, however, that effective education requires your offer to be superior in some way to your competitors’—otherwise, you’ll be sending customers away.

- ✓ Sometimes, it's just not possible to reach an agreement—there's no Common Ground, so both parties agree to go their separate ways. What then?
- ✓ Your Next Best Alternative / option is what you'll do.
- ✓ The more acceptable alternatives you have, the better your position.

- ✓ In every negotiation, there are Three Universal Currencies:
 1. Resources: tangible items like money, gold, oil, etc.
 2. Time: If you go to work as an hourly employee, you are trading a certain amount of time and effort for a certain amount of resources.
 3. Flexibility: Becoming a salaried employee isn't a straightforward exchange of resources for effort—you're also giving up a certain amount of flexibility. While you're working, you're giving up the flexibility to do something else.

The Three Dimensions of Negotiation are setup, structure, and discussion.

SETUP

- Who are you negotiating with, and do they know who you are and how you can help them?
- What are all of the Environmental factors around the deal—do recent events make this deal more or less important to the other party?

STRUCTURE: THE TERMS OF THE PROPOSAL.

- What are the primary benefits of your proposal to the other party?
- How will you overcome the other party's objections and Barriers to Purchase?

DISCUSSION: ACTUALLY PRESENTING THE OFFER TO THE OTHER PARTY.

- 1) "Yes, we have a deal on these terms,"
- 2) "We don't have a deal quite yet—here's a counteroffer or another option to consider,"
or
- 3) "No, we don't have a deal—there's clearly no Common Ground, so we'll suspend negotiations and reserve the right to talk to somebody else."

- ✓ A Buffer is a third party empowered to negotiate on your behalf.
- ✓ Agents, attorneys, mediators, brokers, accountants, and other similar subject-matter experts are all examples of Buffers.
- ✓ Being able to say, “I need to discuss this with my agent/accountant/ attorney” before giving final approval on a deal is a valuable check-step that prevents hasty or unwise decisions.

- ✓ Reciprocation is the strong desire most people feel to “pay back” favors, gifts, benefits, and resources provided.
- ✓ If someone benefits us, we like to benefit them in return.
- ✓ By giving away value and helping others as much as you can, they’ll respect you; it will build your Reputation, but it will also increase the probability that they will be interested enough when you do present your Call-To-Action.

- ✓ Your prospects know you're not perfect, so don't pretend to be.
- ✓ People actually get suspicious when something appears to be "too good to be true."
- ✓ If an offer appears abnormally good, your prospects will start asking themselves, "What's the catch?"
- ✓ By being up front with your prospects regarding drawbacks and Trade-offs, you'll enhance your trustworthiness and close more sales.

There are five standard objections that appear in sales of all kinds:

- 1) It costs too much.
 - Objection #1 (“it costs too much”) is best addressed via Framing and Value-Based Selling.
- 2) It won’t work.
- 3) It won’t work for ME.
 - Objections #2 and #3 (“it won’t work” / “it won’t work for me”) are best addressed via Social Proof—showing the prospect how customers just like them are already benefiting from your offer.
- 4) I can wait.
- 5) It’s too difficult.
 - Objections #4 and #5 (“I can wait” / “it’s too difficult”) are best addressed via Education-Based Selling.

- ✓ Risk Reversal is a strategy that transfers some (or all) of the risk of a Transaction from the buyer to the seller.
- ✓ Take the bedding industry, for example.
- ✓ Look around, and you'll see a lot of over-the-top offers: twelve-month, 100 percent money-back guarantees, no questions asked!
- ✓ A customer could sleep on a bed for a year, decide they didn't like it, and call up the store to return it for a full refund.
- ✓ As a result, they'll go through with the Transaction—there's no downside, so why not?
- ✓ If you want to maximize your sales, it almost always makes sense to offer a very strong Risk-Reversing guarantee and to extend the risk-free period as much as possible.

- ✓ Reactivation is the process of convincing past customers to buy from you again.
- ✓ Reactivation is typically a quicker, simpler, and more effective approach to increasing revenue than attracting new customers.
- ✓ Reactivation is much simpler if you have Permission from your customers to follow up.

REFERENCES

Kaufman, J. (2012). The personal MBA: master the art of business. New York, N.Y., Penguin.

ABOUT THE AUTHORS

ABOUT JOSH KAUFMAN

Josh Kaufman is the bestselling author of books on business, entrepreneurship, skill acquisition, productivity, creativity, applied psychology, and practical wisdom.

More about him at www.joshkaufman.net

ABOUT DR. ALVIN ANG

Dr. Alvin Ang earned his Ph.D., Masters and Bachelor degrees from NTU, Singapore. He is a Professor as well as a personal/business advisor.

More about him at www.AlvinAng.sg