

VENDOR FINANCE

Sales strategies in vendor finance

The age-old question: **Mike Ramsay** looks at how to increase lease penetration in joint ventures and vendor programmes



“WHY doesn’t it just happen? We’ve got everything in place – back office, credit, documents, rates and so on.” “Surely everybody can see the benefits and that it makes sense to sell with leasing.” “If they’re not committed, why did they bother? So, whose fault is it?” “But we are getting 12 per cent penetration - that’s as good as anyone else, perhaps it’s as good as it gets.” “They do use leasing – they put it on all their quotes!”

These types of remarks may be all too familiar to many lessors who operate vendor programmes. If you are hearing them too often, however, it may be time to look at whether the vital ingredients needed for a successful vendor partnership, namely the skills and techniques that motivate front-line salespeople to change their sales sequence or process, are missing.

In order to improve the skills and as a consequence the success of your sales team, it is important first of all to look at how existing strategies and selling techniques work, and to make sure some basic points are being covered:

- How effective has your joint venture/vendor/sales aid launch strategy been in the past?
 - Do you have a ‘Route to Sales Success’ programme which both you and your partner have agreed is a sales improving strategy worth investing in?
 - Have your account managers been trained to coach and mentor salespeople pro-actively in the sales development programme to the level required for driving a cultural sales change?

- Have you and your joint venture partner clearly identified sales objectives and outcomes for rental-led sales culture change?
 - Have you structured a sales development programme focused on specific objectives for sales improvement?
 - Will the programme start with nominated ‘Champion’ teams or small sales groups to prove the value and effectiveness of the programme first?
- What training/coaching for sales change is in place?
 - Are we running induction skills-based workshops to show salespeople how using leasing/rentals can benefit all sections of a sales process?
 - Are ongoing coaching and skills retention workshops/learning processes and workshops designed specifically to products/markets and deal sizes, in place?
 - Are your leasing account coaches capable of demonstrating and showing skills with salespeople in branch and in the field?

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In addition to the above, it is vital to quantify sales effectiveness through statistics and ratios to create a benchmark against which future gains - or losses - can be measured. Areas which can and should be carefully monitored include how many additional sales can be made by salespeople who have been thoroughly trained, the potential increase in profit through proactive rental-led sales efforts and techniques, and the increases in average order values which are being made.

Following on from measuring effectiveness, you have to ask yourself honestly whether the programme has any realistic chance of success. Is it making any money? Will you and your partner grow the business together? Would the partner invest in the future of the programme?

It is useful to focus on the added values you are offering that will keep your competitors out - for example, real sales success and improvement, helping to create sales force stability, and short- and medium-term customer

retention, all of which will lead ultimately to real vendor sales success.

The new vendor sales strategy – picture the possibilities

Often, the best strategy is to launch a vendor programme that progresses through the induction year, and has clear objectives, expectations and sales development processes related to sales skills and sales management. Sales support training and coaching should be integrated with current vendor sales practices while at the same time showing how to use rental sales strategies, and clearly setting out why they are good for all sales situations.

"Success can only be achieved when both sales and sales management change their sales culture to a pro-active 'rental-led' model"

In order to support and consolidate the programme of cultural sales change, follow-up retention and coaching sales units should be set up, led by vendor sales managers who have been trained to coach sales success through rental selling techniques. Sales analysis systems that show beyond doubt the success and potential from and with the programme are a must. Above all, skills and techniques must be adopted as part of the vendor company's internal

sales training process – moving to a rental first selling strategy.

Delivery options

All programmes should be piloted and then the 'sales' training programme can be amended and tailored to fit markets and methods for greater effectiveness. Success can only be achieved when both sales and sales management change their sales culture to a pro-active 'rental-led' model. However, it is worth bearing in mind that they will only strive to achieve this for their own reasons – not yours.

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When you show sales staff how rental-based selling can increase sales (through reduction of 'no decisions'), profits, average order values, maintenance sales, sales of consumables/extras, and help them to overtake their competitors, vendors and lessors start to speak the same language and work as partners - the key to a successful programme.

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IS SALES TRAINING REALLY WORTH YOUR WHILE?

The value of sales training becomes clear if we look at, as an example, a customer with 20 salespeople whose average order value is a conservative £15,000, with an average margin of £3,000. There are five key sales opportunities for increasing revenue in the "selling with rentals" model:

- Margin increase on pro-active leased versus cash sales
- Winning deals from 'no decision' customers – preventing poor cost justification
- New business deals that would never have happened with 'cash prices'
- Winning more competitive deals through better cost justification
- Increasing average order values

Assuming, very realistically, that each sales person can 'win' four more deals per year - a well-trained team should easily exceed this - from the opportunities above, and that we can increase margin, and/or average order value, through the use of rental selling techniques by five per cent overall:

20 x 4 = 80 extra orders

80 orders x £15,000 = £1.2m

= £240,000 more margin + conservative additional five per cent (i.e. £12,000) through 'rental sales'

= Total margin increase of c. £250,000

Of course, the effect is also a large increase in lease penetration but more importantly for the vendor there is real growth in sales and profit, share prices, and company worth. Once a pilot programme is established with manageable numbers, a results comparison is typically available within three to four months.