

Financial Selling 104

Extended Payments Improve Metrics

Technology Finance Partners

“Financial Sales Engineers”

Financial Selling 104 addresses the ways extended payment terms (financing) can improve a number of financial metrics – metrics often used to evaluate a project or significant product purchase.

Understanding how these metrics can affect your sale, gives you an edge over the competition. If your solution offers a higher ROI, a shorter Payback, a greater NPV and a higher IRR, your customer’s associated project will be better poised for approval.

At Technology Finance Partners, our job is to make the financial side of the sales effort easier.

Global sales and strategy consultants re-inventing the way software is priced, valued and sold.

Financial buyers tend to look at specific metrics when evaluating a project or major product purchase. The primary financial metrics are:

- ◆ **Return on Investment (ROI)** – the ratio of the net benefits of a project over the total cost of ownership.
- ◆ **Payback Period (or breakeven point)** – time at which the cumulative project benefits exceed the cumulative associated costs.
- ◆ **Net Present Value (NPV)** – the net value of a project’s benefits less the project’s costs in today’s dollars. The associated cash flows are discounted at the customer’s hurdle rate - generally their weighted average cost of capital (WACC).
- ◆ **Internal Rate of Return (IRR)** – A good analogy is investing money in the bank and earning an interest rate, but here, the investment is the cost of your solution, and the IRR is based on the value of the benefits derived from your solution.



Extending payments positively impacts each of these metrics. A savvy account executive will show these enhanced metrics, whether or not extended payments are utilized, because **THE VALUE IS REAL**. If the purchase decision will be based on any of the above calculations, why not present the best numbers?

- Opportunity:** Meet Approval Criteria Set By Purchasing Committee
- Key Metric:** Payback Period Must Be Within 12 Months.
- Strategy:** Use Payment Terms to Improve Your Payback

METRIC	CASH PURCHASE	PAYMENT TERMS*
Year 1 ROI	-29%	37%
Payback Period	15 Months	11 Months
3 Year NPV	\$8.8M	\$9.2M
3 Year IRR	100%	205%
Project Approved	No	YES

*Includes Software, Software Maintenance, Hardware and Hardware Maintenance



Stay tuned for Financial Selling 105-108, where we will delve further in to each of these key metrics: ROI, Payback, NPV and IRR.