

Financial Selling 104-B: Reduced Payback with Payment Terms

As discussed in FS 104, financial buyers look at specific metrics when evaluating a project or major product purchase. Here we will use the same numbers from FS 104-A and review one of these metrics: the payback period.

FROM TFP TO YOU

Financial Selling 104-B (FS104-B) looks at the payback period and ways extended payment terms (financing) can improve this financial metric.

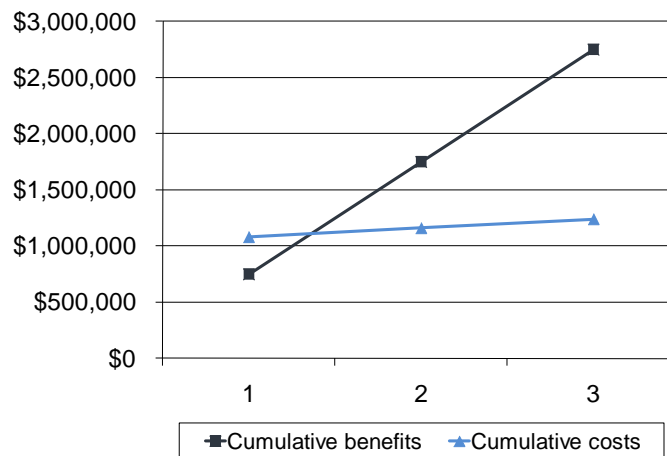
Understanding how the payback period can affect your sales effort, gives you an edge over the competition. If your solution offers a shorter payback period, your customer's associated project will be better poised for approval.

Whether or not financing is ultimately used is moot. **Leveraging extended payments in the financial analysis to show the best financial metrics is the take-away here.** If the purchase decision can be influenced by the payback period, a savvy account executive will put forth the best value!

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

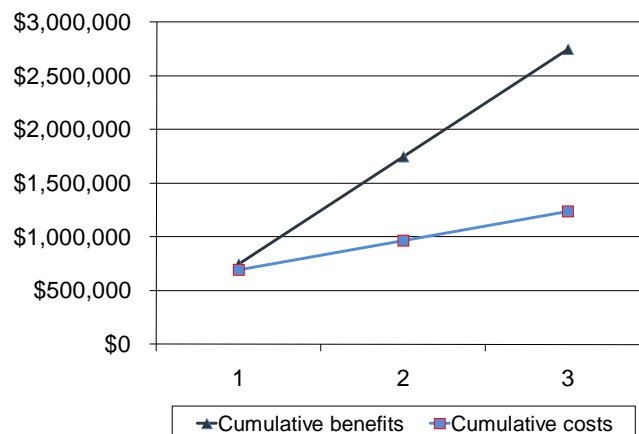
Global sales and strategy consultants re-inventing the way software is priced, valued and sold.

Definition: The payback period is the time at which a project's cumulative benefits exceed the associated cumulative costs. It can also be referred to as the break-even point.



An easy way to visualize payback is through a graphical representation of the cumulative benefits and costs. The chart above looks attractive based on the total net benefits (area between the two lines), but the payback lands at around 17 months. This may be too long as many companies strive to achieve payback in the first year.

Here is where extended payments can be leveraged. By spreading the license and year 1 maintenance costs over 3 years, the cost line is changed which results in benefits outpacing costs year over year (equaling a payback in the first year – see chart below). This can be the key piece your solution needs to be escalated for approval!



Remember:

You're fighting for limited budget dollars. Your solution will be evaluated against other internal projects. Be sure your project has the best financial metrics. Shorten your payback with extended payments.