RISKS YOU SHOULD BE TAKING TO INCREASE SALES

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Selling has always been a risk-reward business. Since the recession hit in 2008, salespeople have become increasingly risk-averse. Endless PowerPoint word slides offer middle-of-the-road recommendations, CRM systems provide regular, faceless contact with customers who pay little to no attention, and RFPs dumb-down solution-based and strategic selling to the point where everyone involved – both customer and sales team – often wonder if the best ideas are chosen and ultimately implemented.

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But is it fair to blame our risk-aversion on a recent economic downturn? Or are salespeople – and people in general – more afraid of risk than they need to be? The science of behavioral economics tells us that YES – when it comes to economic decisions, losses loom larger than gains. This makes us less likely to take chances, even when the analytical side of our brains tells us that the odds are in our favor.

If you are involved in the sales process – and who isn't these days – this concept has some exciting implications. The fear of taking risks could very well be holding you back from reaching your maximum potential and achieving ongoing success. The more we learn about what drives our actions from behavioral economists, the more we are able to apply those insights on a daily basis.

So let's take a look at some behavioral economics theories and then suggest the types of risks that are worth taking.

Prospect Theory:

Groundbreaking work studied the actions people take based on how an opportunity is positioned to them (framing). For instance, many more people will drive across town to save $5 on a $15 calculator, while the same people won't drive across town to save $5 on a $125 coat. People will also hold on to a certain $1000 (no risk), even when given a 50% chance to either make $2500 or $0. Those same people will almost always risk the money when they are presented with a certain $1000 loss, then given the opportunity to risk it for a 50% chance to either lose $0 or lose $2500.

What this means to you:

Consider how things are positioned before making a decision on whether or not to take a risk. In a negotiation, you may accept a certain offer rather than holding out for a better deal. If you are seeking a new job, you may settle for a lower salary rather than seeking a riskier upside or better benefits or bonus. When you understand that 77% of decision-making is emotional, it's even more important to do your homework first.

Spotlight effect:

People tend to overestimate the amount of attention being paid to them. For better or worse, people simply don't pay as much attention to you as you think they do. You trip and spill coffee all over the table as you enter an important meeting. Although everything gets cleaned up, you are embarrassed throughout the entire one-hour meeting. After the meeting you mention the spill to others in attendance – they honestly tell you they don't even remember that it happened.

What this means to you:

Don't worry! Too many innovations and creative ideas are killed by worry and fear. As a leader, the best thing you can do is to build a team that is not afraid to express ideas and share crazy thoughts – and then brainstorm ways to build solutions that will get your customers to take notice. If you miss the mark, try again. Failing early – and learning from your mistakes – is one of the proven paths to creativity and innovation.

Vividness:

People remember things that are graphic or dramatic. Breaking news reports all kinds of extreme behaviors, actions and crimes complete with photos and videos. Perhaps the best example of this are the risks associated with automobile travel vs. plane travel. Accidents involving planes are so much more dramatic that far more people fear flying than driving in a car. But when you look at the numbers, automobile deaths were up 5.3% in 2012, while air travel was twice as safe as the year before.

What this means to you:

No matter what you are selling, be visual and be dramatic. Find a way to emotionally connect with customers through stories, photos, videos, demonstrations and vivid examples. Surprise your customers with new information about their business. Don't present slide after slide of charts and graphs – boil down your presentation to one statistic that stands out and gets remembered.

Confirmation Bias:

People tend to believe new information that is consistent with their previous beliefs. This is a good one to dust off during a political campaign or election. Good candidates heavily research the beliefs of voters to carefully craft their message so that it resonates with those who already agree. The best candidates also understand voters who oppose them and persuade those people with familiar language and messages based on their current beliefs.

What this means to you:

During just about every meeting or presentation you give, you will encounter those who are in agreement with you and those who disagree. One risk NOT to take is to depart from your core message and risk alienating believers. With those who disagree, risky behavior can pay off. But you need to do your research. What do they currently believe and what can you do or say that is vivid enough to get their attention?

Preference Reversal (or the Say/Do Gap):

The research is clear: people say one thing, then do another. They say they will go in one direction, then head down a different path – or worse, stand still. These preference reversals are common in all fields, but if you are in sales, they can be deadly. Too much talk and not enough action will alienate current customers and get you ignored by prospects.

What this means to you:

Try this for risky behavior: Be Quiet! Let your customer do more of the talking and focus on listening, then take action. Enough said.

As the research around behavioral economics continues to grow, the idea of loss aversion and emotional decision-making can lead us to understand what makes us, and our customers, behave in certain ways. When we understand these things, it makes us more productive and more effective as sales professionals.

Here are two final risks to take to improve your winning percentages:

1 Set outrageous goals.

The research is clear – people work harder to achieve harder goals. Take what you think is realistic for the next week, month, or year, then double it. Create visual reminders to make your goals vivid. Then tell people what goals you are striving for to make the most of the spotlight effect. If people are watching you and are updated on your progress, you are much more likely to do what you say you will do. And one final, bonus tip from the behavior economists: divide your goal into pieces and put the easy activities first and the harder ones near the end – you will pick up momentum and never look back.

2 Just say no.

This is possibly the hardest risk for anyone, especially a salesperson, to take. Saying no makes you vulnerable and subjects you to the second-guessers and the "I-told-you-so" crowd. Pass up an opportunity to get a foot in the door and you could be letting a million-dollar deal slip through your hands. Tell a customer to buy elsewhere and your manager will flip out. Or will they? If the Pareto principle holds true, you do most of your business with the top 20% of your customers and the other 80% are taking up valuable resources.

The top achievers and the best salespeople think big. They do their homework, set goals, emotionally engage in the journey, and then focus on success. The best innovators understand that trying to do everything, and please everyone, is the quickest path to failure. And taking no risks is the riskiest behavior of all.