White Paper

Sales Growth using Capital Budget Strategies

Techniques for Sales Growth in the AV Integration Marketplace Series

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Summary

In this white paper, the second in the "Techniques for Sales Growth in the Audio-Visual Integration Marketplace" series, we focus on the challenges customers experience when designing multimedia spaces within strict capital budget guidelines.

It is our opinion that these budgeting concerns offer a unique opportunity for systems integrators to spend their time and energy truly understanding the customer's particular challenges and meeting those challenges with unique, value-oriented solutions.

Introduction

Our previous white paper, "Growing Sales Using Adaptive Strategies", introduced readers to a design and sales methodology that reduced customer buying cycles by creating solutions that could expand or change as the customer's needs changed.

Budgeting in medium-to-large corporations and educational institutions place additional stress on customers, like managers, technicians, or IT members, that are designing multimedia spaces. Much of this stress can be minimized by using Adaptive Strategies. Let's begin by exploring these customers' budgetary challenges.

Capital and Operating Budgets

Facilities Management (2013) explains that capital expenditures are for assets, such as conference rooms, equipment, and wiring, which are expected to last more than one year. Operating expense budgets cover day-to-day expenses and include items such as utilities, rent, wages, and maintenance. From a tax perspective, operating expenses are written off for the year in which they occur, whereas capital expenses are depreciated over the life of the asset. For more detailed information on facility management and budgeting, see our reference listed below.

In larger corporations and educational institutions, capital expenditures happen infrequently. Multimedia spaces are expected to last 5 to 7 years, and they result in considerable study and preparation. For example, Western Washington University (WWU) (2013) has a

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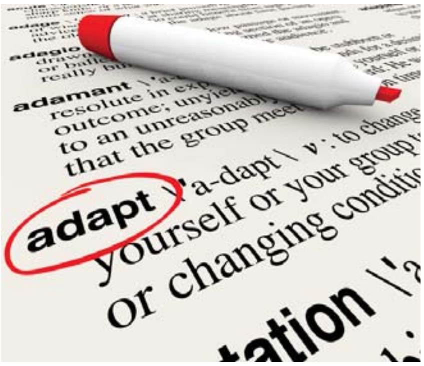
capital budget of $4.7 million for updates to certain classrooms and laboratories for its Bellingham, Washington location. Most of this investment will come from the state of Washington‘s (2013) legislative funding through use of municipal bonds. For universities, the capital expenditure budgeting process can take many years to plan and fund--if it gets funded at all.

The Problem: Decision Risk Paralysis

Due to the scarcity of capital expenditure funding and the uncertainty of outcomes, customers may delay making key decisions. Systems integrators do their best to educate customers. This education process can consume precious time. However, with the help of the integrators, the customer begins, ever so slowly, to feel confident in his decision, and the purchase is finally affirmed.

So, what can we possibly do to lessen the delays associated with the risk and uncertainty and get the customer to say “yes“ quicker? We return to the strategy of offering “adaptive solutions” in every sale.

The Solution: Adaptive Solutions



Adaptive solutions are system designs that can easily conform to change. It is also a new way systems integrators market their services. In the WWU example above, an adaptive solution would be a design in which potential changes to the system later on would be minor and the original capital outlay would be preserved.

For example, let’s say six months after the commissioning, the Dean of the school now demands support for Apple MacBooks using DisplayPort connectors. The adaptive solution would allow the design to change quickly without replacing the original equipment and with minimal added cost. Due to the low cost of the upgrade, WWU would have the opportunity to use the school‘s operating expense budget to upgrade the system. Adaptation to new learning technologies can occur quickly and without waiting for another capital budget cycle.

The core elements of adaptive solutions are designs that are modular and scalable. In the example above, we would specify modular connector interfaces where connectors could be removed or added easily. We would design-in modular presentation switchers which automatically convert various signal types to a single, common HDMI format compatible with most displays. Control systems will instruct the presentation switcher to select a source without regard for the signal type or format and allow the switcher to convert the signal.

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Once the customer understands that their system can adapt, morph, change, and expand, the risk is reduced, and the customer says "yes" quicker. Quicker decision making means more sales per year per salesperson. For the very best results, the whole company needs to align to this adaptive strategy. Building these types of systems differentiates one integrator from another. When everyone in the company understands that differentiation, the more effective the message will become to the customer. Your salespeople might say to a customer, "We are different than other integrators. We design and install systems that can change when your needs change. And, we can make these changes quickly using your maintenance budget-- not another capital outlay."

Recurring Revenue Streams

As we mentioned briefly in our last white paper, modular and scalable designs have long system lifecycles with revenue streams extending over many years. When integrators sell a system that is adaptive, the customer expects that the integrators will deliver on their promise when the time comes to expand or change the system. The integrator is the natural "go-to" resource for the customer when change is required.

According to Commercial Integrator magazine (2013), the Top 13 commercial system integrators of 2012 made over $1.08 billion in revenue, of which 18.6% came from recurring revenue streams. The numbers speak for themselves.

REFERENCES

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