



# PIAMS Weekly News

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**May 7, 2010**

**Printing & Imaging Association**  
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## **COBRA Subsidy Extended AGAIN**

Under COBRA health plans, an employer is required to offer health care continuation coverage at the employee's expense if coverage is lost due to the employee's termination of employment. Employees can elect to retain coverage for up to 18 months by covering 100 percent of the cost of care plus a two percent administrative fee. However, through the American Recovery and Reinvestment Act (ARRA) the government is temporarily providing a subsidy for 65 percent of the premium the employee would otherwise pay. **As a result of the Continuing Extension Act, the COBRA Subsidy is now extended to May 31, 2010.**

Companies with COBRA benefit plans need to be aware of these changes because although the U.S. government pays the subsidy, employers, insurers, and plan administrators are responsible for determining which employees benefit, providing notice and administering the new provisions.

Since this is such a complex law, the Department of Labor has created fact sheets and FAQ pages focused on answering COBRA questions related to the new health care reform laws. For general information on compliance with COBRA, go to [http://www.dol.gov/ebsa/FAQs/faq\\_compliance\\_cobra.html](http://www.dol.gov/ebsa/FAQs/faq_compliance_cobra.html)

To learn more about the subsidy extension, go to <http://www.dol.gov/ebsa/cobra.html>.

## **PIAMS Upcoming Events**

**PIAMS PRIDE Award Reception**  
**May 13<sup>th</sup> – The Warwick Denver Hotel**

**Adobe Creative Suite – CS4 & CS5**  
**May 19<sup>th</sup> – The Denver Press Club**

**PIAMS Board of Directors Meeting**  
**May 20<sup>th</sup>**

**PIAMS/RMDMA/MFSA Golf Tournament**  
**August 16<sup>th</sup> – Green Gables Country Club**



## **Opportunity Costs: When to Stay and When to Walk Away**

by Joe Rickard

Printing salespeople are generally very familiar with how much they get paid to successfully sell a variety of printing jobs. However, it is rare to find salespeople that calculate how much time, effort and compensation they lose by not making a sale.

Time is a scarce resource for salespeople. It is easy to get distracted by sales that do not pay out in the long run. Knowing where to go and how to spend your time to get the best ROI is a critical factor in the success of any printing salesperson.

### **What Is 'Opportunity Cost'?**

"Opportunity cost" is a term commonly used in economics that means the cost of an opportunity given up, or the value of the next best alternative forgone as the result of making a decision.

Though it is a concept most used by printing company owners and general managers, it is a critical concept for salespeople to master as well. Salespeople's time, energy and their company's support capabilities are both limited and scarce resources.

For instance if a salesperson decides to spend their time attempting to sell a onetime, \$5,000, price sensitive print job, the opportunity cost to the salesperson is time and effort that they would have exerted on another high value sales opportunity instead. In spending all their time on the one-time job, the opportunity the sales person may have given up may have resulted in a much higher monetary return and/or customer satisfaction, bringing the salesperson more business in the future.

In addition, spending time on expanding the business with a current customer, or prospecting for new customers to sell a higher value traditional direct mail campaign may have a much lower opportunity cost than pursuing a one-time commodity print sale.

Understanding opportunity costs and the impact they have on sales performance is a skill that, for most of us, does not come naturally. But managing these costs can be the difference between mediocre and high sales performance.

To make matters worse, an occupational hazard for salespeople is acting on hope and wishes versus reality. Many salespeople have difficulty walking away from any perceived opportunity, and feel an irresistible attraction to a short and a quick sale.

Sales training experts and consultants have, over the years, made many sophisticated studies of account prioritization.

Simply stated, there are two important values; first, the sizes of the expected amount of business involved; and second, the degree of difficulty in securing the order. Ask yourself, if you had a choice of pursuing two sales situations: one would provide \$5,000 worth of business, and your chance of closing was 80 percent; the second order would result in \$50,000 worth of business but had a success potential of 30 percent. Which would draw your attention first?

I would prefer closing both, but if I had to prioritize I would put the second account ahead of the first. My reasoning is simple, 30 percent of \$50,000 is more than 2.5 times the sales volume of 80 percent of \$5,000. Big accounts with big order potential are sometimes complicated and can break your heart. But when they come through, you've done it. The secret is to keep the potential order funnel so full that, when you lose an order, you simply replace that prospect with another.

### **Learning When to Walk Away Is Key**

When working with new salespeople, we often find that it is not their skill or knowledge holding them back from being a top-seller. They are simply spending time on the wrong opportunities.

I have found it is not very hard to get salespeople to sell new printing products and services. I find it much harder to get salespeople to stop selling solutions they are comfortable with, but yield poor returns for their effort. From a sales person's point of view, how I should spend the next hour of my time can be determined by answering three questions:

- When do I go forward?
- When do I say no?
- When do I quit?

Knowing the opportunity cost of every prospect you work with will ensure your choice of how you spend your time will yield the most sales and commissions. A fact often lost on owners and production teams is that the critical final measure of a salesperson is how much money they earn. That is why it is important for print companies to have compensation plans perfectly aligned to their financial and business objectives.

It is not a secret that spending time on a new market or new customer is a risk. It may cost a lot of valuable time. On the other hand what is the cost, measured in time spent or lost commissions, on not spending the time? Does this mean salespeople should spend all their efforts on very time consuming opportunities? No. All it means is that they should carefully and logically consider each opportunity and understand the cost of not spending the time on it.

### **Five Questions to Ask**

The key to managing opportunity costs in sales is the ability to master a few simple techniques. A key resource for professional sales people is their prospect list or the sales pipeline. To effectively manage opportunity costs, experienced salespeople and managers critically review their documented prospect and targeted account list daily. Reviewing the opportunity and payback for each potential opportunity is crucial.

The following questions should be asked when comparing two opportunities:

- Is the payback worth it for me to be spending my time on each of these sales opportunities?
- Should I try to do both?
- Should I walk away from one of them?

- Can I delay or extend the time necessary to close the deal on one or both of these opportunities?
- Do I have the information and knowledge to make a decision?

Some of the key criteria to think about before you determine whether to pursue an opportunity includes: project management, time and effort required, sales cycle time, relationship with the customers, commission implications, opportunity for repeat sales, overall size of the order, geography, competition, ongoing support and technology required, production capability, product differentiation, relative cost, etc.

Sharing and discussing opportunities with an involved owner, your sales manager or other salespeople is a great way to get a third party perspective and new ideas. Talking to and getting advice from other professionals can also help you learn how to prioritize opportunities.

### **Think About the Sunk Costs**

How much time you have invested in an opportunity is never a good reason to stay on an account. If the sale is dragging on and the likelihood of success is minimal, the art of sales is knowing when to walk away.

For a printing company owner, a decision to buy a new press versus keeping an old press can provide a good example for how printing sales people should be thinking. Assume you still have money to pay on the old press, but you find you can make a lot more money on a new press. If you abandon the old press, the money you owe is "sunk". The same principle applies to your company's sales efforts.

At what point do you walk away from a sales opportunity that you have spent months on to pursue another opportunity? The lost time on the abandoned opportunity is "sunk." Knowing when to walk away from a deal that is costing you too much time for the reward is one of the key skills that are seldom taught to professional salespeople.

For salespeople, a basic principle of account and opportunity targeting is understanding how much time and effort it will take to close the deal. As in business management, scarcity of resources necessitates trade-offs. The scarce resource, in this case, is time. Any decision that involves a choice between two or more options has an opportunity cost. Calculate the opportunity cost of choosing one opportunity over another based on time and payback, is an art as much as it is science and will often separate top from average performers.

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