Three Reasons You Lose to "Do-Nothing"

And What to do About it.

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PREFACE

In the many years I've been selling I've come to realize that most of the time I'm not competing against other companies; I'm competing against the status quo. You know, the dreaded "do nothing", "Just kidding, we're not ready to buy now". It ticks me off!

LOSING TO "DO NOTHING" MEANS THE PROSPECT DECIDED NOT TO CHANGE THE WAY THEY DO THINGS. IT COULD MEAN STAYING WITH THE CURRENT VENDOR OR THEIR CURRENT BUSINESS OPERATION.

Why do they do that? I found the answer to the question in the field of behavioral economics, the combined field of behavioral psychology and economic decision-making.

As a professional seller who has taken dozens of sales training courses and is certified to teach many of them, It seems the entire sales training industry has yet to understand the science behind how people actually make decisions.

That's the purpose of this paper, to explain the psychology underlying the status quo and why do-nothing is usually the preferred solution and to give you the tools and techniques to win!

That's our mission, to bring to the world of selling all the tools and insights available from the world of behavioral science.

A while ago I wrote how bias affects how our understanding of information and how sellers can use that knowledge to sell more. In addition, I also wrote about whether CEOs really celebrate failure. This current article is for sales reps and sales managers to help them increase their win rate by reducing the number of losses to "do-nothing." This article is adapted from the white paper Moneyball Selling available HERE

We offer keynote speeches and workshops on how to apply the concepts of behavioral economics to the world of selling. In some cases, there are things you must be aware of in your own behavior, and in other cases, there are concepts (as presented in this white paper) you can use to your advantage.

(This is the fourth in a series of how behavioral economics affects the world of big-ticket, B2B selling. This article is adapted from the white paper Moneyball Selling available HERE.)

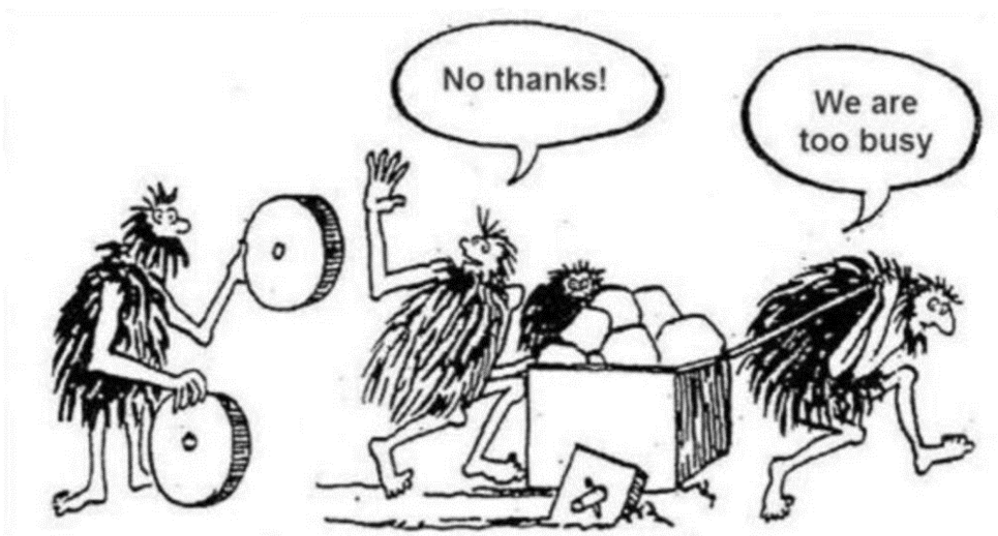
INTRODUCTION

We've all been there. We found a great prospect in a market we know, where we've fixed those problems before, where we have great references… well, you get the point.

- ☒ We did our homework
- ☒ We understood all the people involved in the buying process
- ☒ We understood their needs and their vision for the future
- ☒ We crafted a fantastic proposal at a very fair and competitive price

We did all of that and we still lost. Not only did we lose but we lost to "Do Nothing". You know, they either stayed with their current situation (that you know is inadequate), stayed with their current vendor (who they admitted to you was doing a lousy job), or, they decided to do it themselves (and you know they don't have the resources to pull it off). *You* know these are suboptimal solutions. Heck, even they know they are suboptimal solutions. But, why did they go that way? Why did they not opt for your fantastic solution?

The answer lies in the field of behavioral economics, the combination of the fields of psychology and economics. It's the field that explains why we are not rational beings. You might think your customer is being rational and will make thoughtful, unbiased decisions. How could they refuse you with your incredible value proposition, when they had a demonstrable need and you had an excellent solution at a very fair price?



The fact is, we're not rational beings. We have feelings and emotions and inherent biases and ways of looking at the world. As much as economists think we act to "maximize utility" we don't. We consistently act irrationally. By way of example, here are a couple of examples:

- Several hundred people showed up for a lecture and as a gift received at random one of two items of equal value and equal desirability. After the lecture was over, the speaker said, "You were given a gift at random, if you'd like to swap for the other item, come up front." Only about 20% of the people swapped. Regardless of the gift received, they liked what they got. Logic would say that half would switch. They only "owned" it for an hour, why such a sense of ownership in such little time? Why do we overvalue things we already own?

- You're at a store shopping for a $50 item. You're ready to buy it when another customer whispers to you "That thing is on sale down the street for $40!" You put the item down and walk ten minutes down the street and buy it from the other store. Most of us would do that. But, contrast that with the purchase of a $1,000 item. If someone whispers to us about saving ten bucks down the street, not many of us would take the walk. But, ten bucks is ten bucks, right? Why is it worth saving ten bucks in one scenario and not in the other? In both cases we're talking about a six pack of expensive beer!

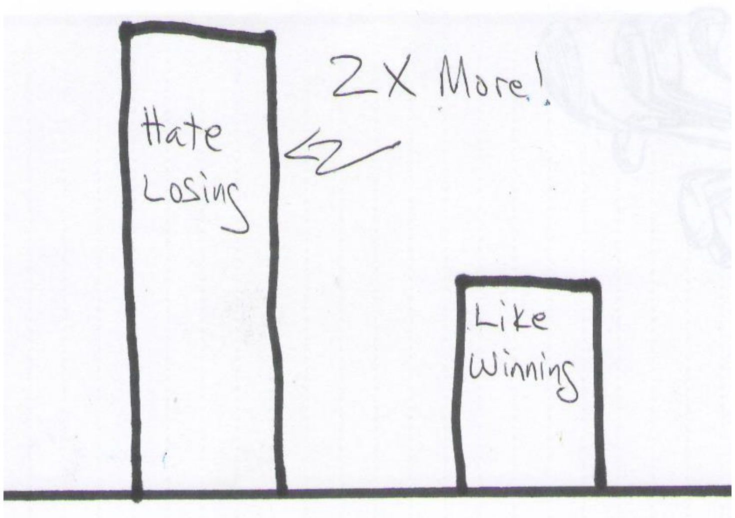
People being irrational has a lot to do with why you lost to the dreaded "do-nothing", the status quo. Let's get into the three main reasons you lose.

Reason 1: Although we like winning, we hate losing even more! Loss Aversion

Customers will reject your proposal because it seems too risky, risk equals loss. And we all know we hate to lose. It seems built into us. Billy Beane (as portrayed by Brad Pitt in the movie "Moneyball") said it very well:

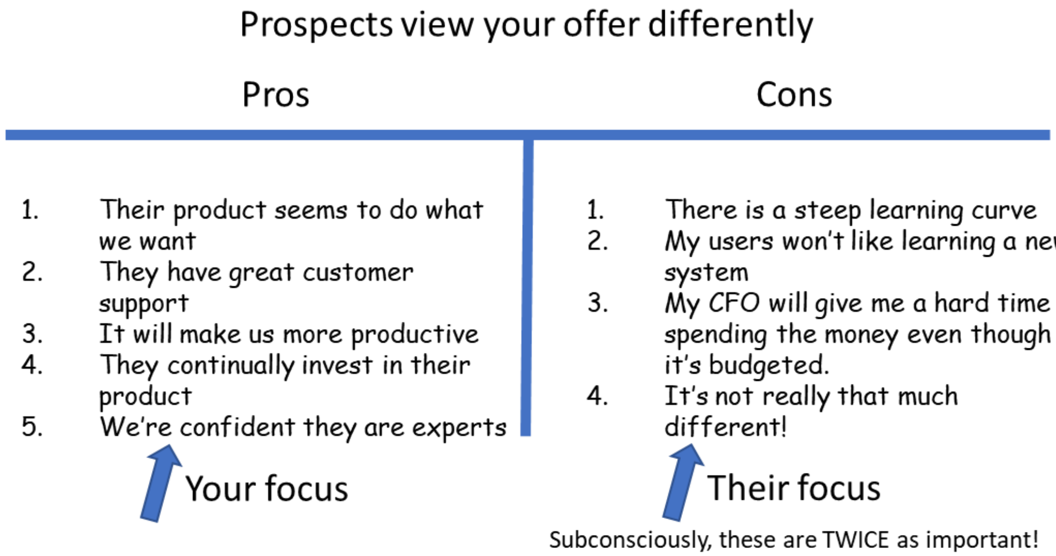
"I hate losing A LOT MORE than I like winning"

To many of us that's a realization worth repeating, we hate losing more than we like winning. But losing and winning are not equal; research shows that we dislike losing **about twice as much** as we like winning!



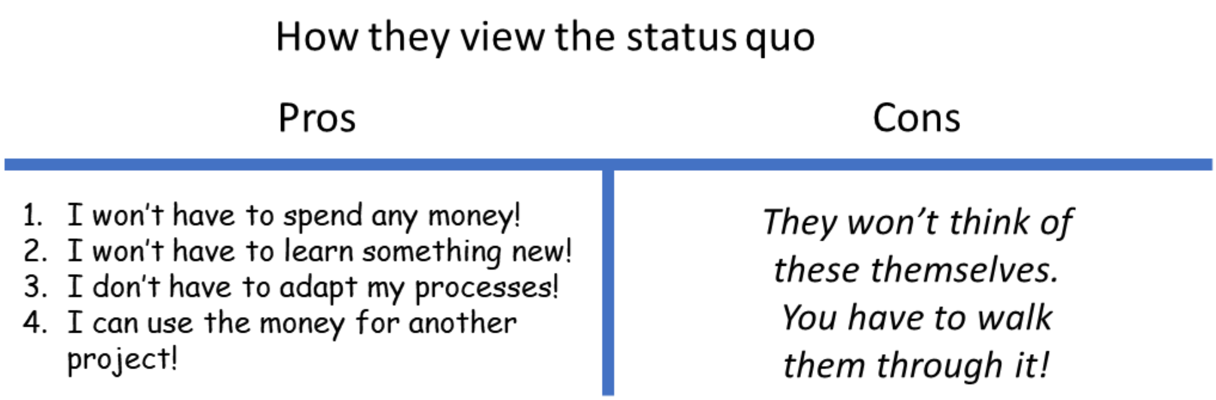
Here is what's happening in your customer's eyes. While you are busy giving all the reasons to go with you and your solution, they are busy also tallying up all the *negatives* not to go with you.

We've all done this type of analysis; you make a T-chart with the pros on one side and the cons on the other. The cons stand for risks – *but in the subconscious of the buyer risks are twice as powerful as everything on the* *pros side*. They will be rigorous and thorough when looking for the negatives of your solution.



(By the way, if you haven't gone through this exercise yourself uncovering all the negatives, you are doing yourself an injustice.)

But more often than not, they will fail to make a similar T-chart for the do-nothing scenario. ***This is where you come in. It's up to you to walk them through the analysis of each of the do-nothing scenarios. And you need to be just as rigorous on the negative side.*** You don't even need to explain how the negatives are more powerful than the positives because will do that subconsciously. (Although, some reinforcement on your part may help!)



Some potential negatives of do-nothing that you might suggest include:

- The do-nothing scenario is much less efficient as your solution. As a result, in a year they'll be way behind their competition.

- They will have to devote resources such as people or money that they could use elsewhere.
- They don't realize that the way they are doing it is likely a patchwork of systems and procedures and are not built or created using industry best practices.
- If a home-grown solution,
    - The cost of maintaining it will be underestimated
    - It will never be a best-in-class solution.

The goal when dealing with loss aversion is to make your offer seem LESS RISKY than the status quo. I.e. convince them that the status quo is THE RISKIEST path.

Reason 2: People hate admitting they're wrong

Imagine you need $10,000 to cover a big expense and you own two stocks:

1. 100 shares of ABC Corp you bought for $80 and the stock is at $100 – a $20/share gain.
2. 100 shares of XYZ Corp you bought for $120 and the stock is at $100 - a $20/share loss.

Selling either will net you the $10,000 you need. Which would you sell? Research shows that about 90% of people would sell the winners, the shares of ABC (and pay the capital gains tax!) rather than admit losing and sell the shares of XYZ! You see, people are willing to pay a price to not admit losing. (In fact, the worse the loss, the less likely people are to sell it.)

How does relate to losing to do-nothing? Well, let's say the key decision-maker is the one who put together the jury-rigged system currently in place. How easy will it be for that person to admit defeat? Answer: not very! Even if you are not dealing with the person who implemented it before, each person has a sense of ownership in the status quo. Even if they are just users. Getting them to give up their ownership is an uphill battle.

We've all fallen victim to this before. We've all seen projects that are money pits where management keeps throwing good money after bad. How many times have you seen that quote from Winston Churchill "…never give in, never, never, never, never—in nothing, great or small, large or petty".

If you are selling into this situation you better buckle up. Here are some suggestions:

1. Understand what is going on here. Optimism bias is in play. In the stock market example, your subconscious is saying “I must have had a good reason to buy this stock, I’m sticking with it”. Optimism bias is insidious because it causes us to hang on too long. Because most of us are blind to our own optimism bias it’s up to you, the seller, to explain the real risks of sticking with the status quo. (You’ve likely succumbed to optimism bias when you’ve overestimated your ability to do something or underestimated the time it took to complete a task. How long did it take you to put together that toy for your kid at Christmas?)
2. You must help the customer understand the risks of hanging on too long. As we said in Reason 1, it’s natural for people to not look objectively at the risks and downside of sticking with the status quo. It’s up to you to show them the way.
3. Ask them this: if you were an advisor to a company with exactly your issues, how would you advise them? This encourages them to take an “outside view” versus the insider view. Although it’s difficult to see our own bias, it’s quite easy to recognize it in others.

Reason 3: People love the status quo so much they are willing to pay a price for it

Imagine this. You can take a guaranteed $500 or you can flip a coin and if it lands heads you get nothing, but if it’s tails you get $1,000. Which would you take? If you are like most people, you’d take the guaranteed $500. (In fact, about two-thirds take the guarantee.)

But, doing this experiment with lots of people, you must reduce the guarantee to about $370 to get an equivalent number to take the guarantee versus the flip!

Why is this? The “expected value” of the coin flip is $500 so logic would say there should be equal numbers of people on both sides. So, why would people take $370 versus flip with an expected value of $500?

The answer is that the guarantee stands for the status quo, the do-nothing scenario and **the $130 they leave on the table is the premium they are willing to pay to not take a risk.**

Given this, you must work extremely hard and have an absolutely compelling reason for them to change to overcome the premium they are willing to pay for the status quo. But, you have an edge. If you frame your value proposition in terms of preventing a loss you will be way ahead!

But, there is another side to this situation. Above you considered a guaranteed gain versus a chance for a bigger gain. How about a guaranteed loss?

Here's the situation: you owe me $500 and I offer you a choice, either pay me the $500 or I let you flip a coin and if it's heads, you owe me nothing and if it's tails you owe me $1,000. Which one would you choose? In this situation, two-thirds opt for flipping! When presented with a sure loss, people are willing to accept risk. (This accounts why at the racetrack betting on long shots goes way up the further into the night. It also explains why many projects with manageable losses turn into huge disasters.)

How can we use this to our advantage?

Three things for you to remember:

1. People hate risk and losing so much they are willing to take money out of their pocket to prevent it

2. When presented with a gain, most people shun risk, i.e. they are risk averse

3. When presented with a sure loss, most people will accept risk, i.e. they are risk-seeking

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1. Above, in Reason 1 we spoke about how the customer does a mental T-chart on all the pros and cons of going with your proposal. *What you need to do is to have them take it one step further, think about the cons/negatives of not going ahead with your proposal.*

2. Because going with you is inherently risky and when presented with a gain people shun risk, you need to convince them that ***not*** **going with you is even riskier**! You must convince them that not going with you is a loss because when presented with a loss people are likely to accept risk.

One last thing is to understand the risk profile. And that is, the bigger the stakes, the more likely people are to stick with the status quo. Consider the coin flip example above. If the guarantee

The bigger the stakes, the more important the change, the bigger the advantage for the status quo.

wasn't $500, but rather $5 million, then everyone would take the guarantee and no one would flip. Conversely, if the guarantee was $1 then everybody would flip.

Summary:

As humans, risk, and the fear of loss are powerful forces. As sellers, it's paramount that you remember this, that every proposal you make to a prospect is a request for them to change and they will view that change through the lens of risk and the fear of loss.

Losing to do-nothing or the status quo is one of the most frustrating things in sales. When all the stars are aligned, you've done all your homework, and you've presented the customer with a compelling value proposition, you feel like you should win the deal. But sometimes we're dealing with a stacked deck against us and we don't know what's going on. Rarely will a customer tell us the real story about the status quo and getting them to acknowledge the risks and negative consequences of staying put. That's our job as a seller.

But, understanding how people perceive risk, their reluctance to admit defeat, and how much they are willing to pay for the status quo can certainly help us. Simply knowing these factors exist can give us a helping hand.

Ignore risk and loss aversion at your peril!

Status quo bias is one of dozens of biases that have huge effects on selling. Stay tuned for more topics. If you are interested in reading more on this and other behavioral economics topics, download the white paper Moneyball Selling at www.bettersellsolutions.com/resources.

Good selling!

Bob

Founder and President, BetterSell Solutions – the only sales consulting company focused on applying the science behind human decision-making and the field of behavioral economics to the world of big-ticket B2B, complex sales. If this is your world and you aren't applying these techniques you are leaving money on the table.

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