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# The Expansion Sale

Four Must-Win Conversations to Keep and Grow Your Customers

Timothy Riesterer and Erik Peterson • McGraw-Hill © 2020 • 256 pages

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Sales / B2B Selling

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## Take-Aways

- Current customers account for 70% to 80% of most firms' revenue; treat them well.
- Powerful sales messages are worthless if B2B salespeople don't communicate them properly.
- Document your clients' successes.
- Being the incumbent vendor gives you psychological power. Exploit it.
- Focus on "renewals, price increases, upsells" and "apologies" with your current B2B buyers.
- Effective communication techniques for salespeople include "number plays" and "customer stories with contrast."
- To make sales messages more convincing, include complementary images. Hand-drawn ones are best.
- Use the "anchoring effect" to get the prices you want.

## Recommendation

Salespeople often pattern their techniques on the best practices of experts in the field. Erik Peterson and Tim Riesterer, who base their recommendations on behavioral research, suggest that instead, salespeople should rely on “scientific rigor,” by applying the lessons their firm learned from studying thousands of salespeople’s techniques and their ensuing success. They focus on the practical application of the cause-and-effect results of their studies and tell you how to put their data to work.

## Summary

### **Current customers account for 70% to 80% of most firms’ revenue; treat them well.**

According to analysts, existing customers account for three-quarters of most companies’ revenues and sales expansion opportunities. So, besides treating existing customers with kid gloves, companies must communicate with them in a compelling, engaging way. They are crucial revenue sources.

*“The psychology of the existing customer is 180 degrees different from the psychology of a prospect. That means the stories and skills you use to communicate with them need to be 180 degrees different as well.”*

The problem is, most vendors have a one-size-fits-all marketing, sales and messaging approach for prospects – and the same approach for existing customers. That’s counterproductive; when it comes to the sales issues that matter most to B2B companies, existing customers have virtually nothing in common with prospects.

### **Powerful sales messages are worthless if B2B salespeople don’t communicate them properly.**

You can arrive with the greatest sales messages for your customer, but if you lack the communication skills to deliver your messages convincingly and compellingly, you’ll waste precious assets.

*“You can construct a scientifically sound, persuasive message that you’re excited about, but if you don’t deliver it the right way, it loses much of its power.”*

Consider how you want to communicate and what skills you want to bring to the fore, so you deliver the correct sales messages in the best way at the most appropriate moment. Remember, it’s not about the words you use, it’s how and when you deliver them.

### **Document your clients’ successes.**

Along with verbal and written communications with existing customers, document the successes they tell you have occurred from using your goods or services. This documentation can support the future cases you will make to your clients to extend or upgrade their purchases.

Start your documentation by noting the problems your customers were experiencing when they first contacted you. Include these three points.

1. What were your customers' particular situations before they bought your offerings?
2. How did things change for them after they bought from you? Detail the positive impact of your product or service.
3. What has been the "financial or business impact" – the value – of your offerings? Is this a value that might be particularly important to your "senior buyers?"

Producing this documentation deepens your insight into your customers' goals and how they evaluate success in terms of using your service or merchandise to meet their objectives. Your aim is to gain comprehensive knowledge of how your product or service helped your customers realize their goals and to use that knowledge to make the case for your product with other buyers.

### **Being the incumbent vendor gives you psychological power. Exploit it.**

Cognitive biases – pesky flaws in human thinking – interfere with rationality. Consider the status quo bias, which leads people to prefer that things stay the same. Salespeople must displace their prospects' status quo bias to spur them to try something new – your products or services.

*"The next time someone tells you that executives make decisions purely rationally, 'based on the math,' don't let yourself be fooled."*

However, when it comes to current customers, "you are...the status quo." Therefore, you want to nurture their status quo bias. Your objective is to keep your customer happy. You don't want your client to be tempted to try something new that your rivals are eager to sell.

To successfully sustain your customers' status quo bias, consider how it affects their purchasing decisions. Research psychologist Christopher J. Anderson teaches that status quo bias has these four "antecedents".

1. **"Preference stability"** – People hate ambiguity. For most B2B buyers, their previous purchase decisions become their status quo. To avoid uncertainty, often they will stay with their previous choices.
2. **"Perceived cost of change"** – Your customers think of their status quo choices, including your services or merchandise, as old business. They don't want to think or worry about the costs or risks attached to new products or services.
3. **"Selection difficulty"** – B2B buyers must carefully review extensive information to make purchase decisions. That takes a great deal of time and effort. That's why it's easier for them to stick with their current products and services.
4. **"Anticipated regret and blame"** – Although they don't want to admit it, B2B buyers may know that their current products or services don't perform as needed. Even so, changing products or services often seems too much trouble and too great a risk.

If your customer floats the idea of moving to a competitor, stress how smart it is to stay with your known and solid items or services. Emphasize how much your customer gains by sticking with you.

To bolster your status quo advantage, paint a grim picture of the possible risks a customer may face if he or she suddenly moves to some new, untried vendor. As the current, trusted source, you have the psychological advantage.

## Focus on “renewals, price increases, upsells” and “apologies” with your current B2B buyers.

A clever marketing message doesn't help unless you know what it should focus on and what sales activities mean the most to your existing customer, the source of expansion sales.

*“Ask yourself how likely you are to achieve your annual goals if you only retain customers without growing your business with them.”*

Attend to these four “must-win commercial moments” to build on your relationship with current customers.

1. **Renewals** – In recurring revenue businesses, renewals are critical, but not automatic. Use your most powerful messages to promote renewals to your customers. Revisit and reinforce the four factors of preference stability, perceived cost of change, anticipated regret and blame, and selection difficulty.
2. **Price increases** – Eventually, simply renewing current business won't be sufficient. Most B2B vendors eventually need to raise prices to make their revenue targets. Conveying price increases requires a sensitive communication strategy, but many B2B vendors are unprepared for this transition. Carefully plan your price-increase message so you can deliver it persuasively and confidently.
3. **Upsells** – B2B vendors want to go beyond just selling the same offerings over and over. Instead, they want to offer their current customers new products or services. Ideally, your additional offerings give the customer more value and merit higher prices. Upselling requires having intelligent conversations with your customers. Your job is to communicate why your clients should welcome your enhanced or improved solutions, along with the accompanying higher prices. Your upsell product or service must support the buying vision you originally established with your customer. Ask: Is your upsell offer sufficiently distinctive or different to pique the customer's interest? Does the customer need it to succeed? Is your customer personally persuaded and will he or she champion the upsell internally? Does the new variation or service provoke positive change without sabotaging your advantage as the incumbent vendor? And is your upsell offering strong enough to motivate the customer to make the purchase?
4. **Apologies** – The educated B2B vendor taps into the field of knowledge called “apology science.” If your company has made any mistake that caused the customer inconvenience or any kind of suffering, you need to apologize. If you fail to handle such an apology correctly, your relationship with your customer can come to an end. Handle your apology well, and your relationship can improve.

*“Your customer conversations cannot be ‘one size fits all.’ Different buying scenarios have different psychologies and thus require different messages.”*

When you apologize, you activate a scientific theory known as the “service recovery paradox” (SRP). This theory hypothesizes that your customer will think more positively about you after you fix a problem that your offering caused than he or she did before the problem occurred.

## **Effective communication techniques for salespeople include “number plays” and “customer stories with contrast.”**

Use two other techniques to document the positive results you delivered to your customers.

To use a number play, share numbers – usually three – with your customers that relate positively to their firm’s use of your offerings. For example, to show how your product or service saved the customer’s firm money, refer to how many weeks or months the customer has worked with you. Then explain how much – in percentage terms – your offering cut the customer’s costs and how much the customer saved – in dollar amounts – during that time. Present the raw numbers, then pause before filling in the blanks about what the numbers represent. That will maximize the impact of your presentation.

*“In good messaging, you can’t just tell people what they shouldn’t do; you also need to give them a strategy for what they should do.”*

Use a before-and-after story to illustrate how things have improved for the customer’s firm since it began to use your offerings. This customer story uses contrast to make its point. Again, rely on numbers, such as better efficiency, lower costs, improved accuracy, fewer service calls or bug fixes, increased productivity, and other related measurements. Compare your numbers with a relevant statistic from the customer’s business before his or her company bought from you. Explain how your items or your services made all the difference.

## **To make sales messages more convincing, include complementary images. Hand-drawn ones are best.**

To increase your customers’ long-term retention of your pitch, use visual storytelling. This proves particularly important with B2B customers because, as research indicates, most quickly forget what any salesperson tells them. Only one day after a typical person talks to someone else, he or she will have forgotten 90% of the conversation.

*“Picture superiority is a well-tested and well-documented science.”*

However, the “picture superiority effect” demonstrates that when you add images – “complementary visuals” – to your words, your customers become six times more likely to remember what you’ve told them than if you don’t add pictures. These shouldn’t be elaborate infographics; just basic sales images – hand-drawn, simple sketches – to illustrate your story.

## **Use the “anchoring effect” to get the prices you want.**

The anchoring effect is a cognitive bias that comes into effect when people rely mostly on the first bit of information they receive – no matter what it is – to make a decision. People mentally anchor themselves to this reference point and regard it as the expected value of the transaction.

*“If you aren’t supporting your customers with continual, remarkable experiences and relevant solutions, they’re all the more vulnerable to your competitors’ disruptive messages.”*

How can you use the anchoring effect in your sales efforts? If a current customer expresses a concern about a price increase for your service, and you worry the company may jump ship and move to a competitor’s service, state the anchor reference figure yourself – before your client names a number. Make sure it’s you – and not a rival – who establishes the relevant anchoring reference point.

## About the Authors

**Erik Peterson** is the CEO of Corporate Visions, where **Tim Riesterer** is chief strategy officer. Collaborators include **Rob Perrilleon**, senior vice president in charge of delivery services; **Doug Hutton**, VP in charge of training; and **Leslie Talbot**, VP of customer and commercial excellence activities. **Joe Collins** is a consultant, and **Nick Lee**, PhD, is a professor of marketing at the Warwick Business School.



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