

Welcome to this demonstration version of Securities Edge 2.1!

- Securities Edge has for several years been a very successful in-house training program in some of the world's leading financial institutions, and is now available to individuals for the first time.
- The program consists of 19 modules in two phases: basic selling skills and advanced selling skills for professionals involved in selling equities, fixed income securities, and financial derivatives. This demonstration version contains the 11 modules that make up the first phase, basic selling skills from access to closing.
- When you register and pay the registration fee, you will receive the second phase modules (advanced selling from interpreting customer response to overcoming objections), and 30 days of free customer support. To register, please complete the registration form (REGISTER.DOC) and send it along with US\$99 to the address indicated on the form.
- The full commercial version of Securities Edge contains all 19 modules plus 30 Programmed Interfaces - interpersonal exercises for role playing with a colleague increasingly more complex selling scenarios.
- Please scroll through the next few pages for a more detailed introduction to Securities Edge and how to use it. There is more information in the READ.ME file.

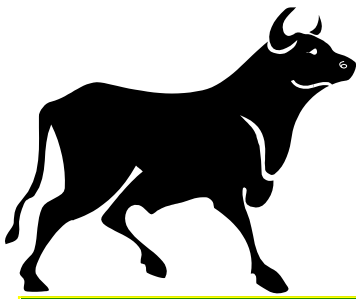
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SECURITIES EDGE



Introduction

This program will lead you step by step through a structured skill development progress for selling fixed-income securities, equities, and financial derivatives. The process is sequential and cumulative – what follows builds on what has come before. To get the most from the learning experience, start at the beginning and work through to the end, without skipping sections.

To work through this **Self-Study and Account Applications** program should take you a total of only 4 to 6 hours.

No module should take more than 20 to 30 minutes.



Contents

The program takes you systematically through the following modules:

PHASE 1
Access 1
Access 2
Access: Account Applications
Core Concepts
Core Concepts: Account Applications
Building the Case 1
Building the Case 2
Building the Case 2: Account Applications
Building the Case 3
Building the Case 3: Account Applications
Closing
PHASE 2 (for registered users)
Interpreting Client Response
Validating: Overcoming Doubt
Overcoming Doubt: Account Applications
Edging: Overcoming Disinterest
Overcoming Disinterest: Account Applications
Leveraging: Overcoming Objection 1
Leveraging: Overcoming Objection 2
Overcoming Objection: Account Applications



Overview

WORLD-CLASS SELLING POWER

Securities Edge™ is a self-study, speed-learning program for securities salespeople and traders. It presents the best demonstrated selling practices of world-class sales professionals: their thinking, insights, tactics, and skills. These “best demonstrated practices” are the best known ways to handle the hard-core selling problems that all salespeople face. In approximately 6 hours, you acquire dramatic new power to sell!

TRAIN YOURSELF IN YOUR OWN TIME

Securities Edge is designed for problem-free training of individuals and teams.

NO CLASSROOMS. NO SUPERVISION. NO TIME AWAY FROM WORK. To train yourself, just work through the program! It's as easy as that. You need no supervision. You work on your own or in pairs and can complete the entire program in 4 – 6 hours.

ACTIVE SPEED-LEARNING

Securities Edge uses active speed-learning. The program tells you what to do, explains why, shows you how, and gives you many opportunities to actually do it. You learn fast because you learn by doing.

TWO EASY STEPS

1. First you read, write, and apply new tactics and skills to hard-core selling problems.
2. Next you strategize and apply what you have learned to situations within your own accounts.

MAXIMUM RESULTS IN MINIMUM TIME

Active speed-learning gives you maximum results in minimum time. Reading, writing, and strategizing sharpens your sales thinking. Person-to-person practice sharpens your verbal selling skills. **In as little as 4 hours, you are equipped to sell faster and better!**

LEADING CLIENTS TO ACT TO THEIR OWN ADVANTAGE

Selling is leading clients to act to their own advantage. It involves leading others to listen, give information, see advantage in your offer, and act! It's a process of controlled communication that requires focused thinking and verbal skill.

Securities Edge focuses your thinking and sharpens your verbal skill. It shows you how to structure and control sales discussions ... and lead your clients in the direction you want them to go.

CONTROLLING SALES COMMUNICATION

LEADING CLIENTS TO LISTEN. Many salespeople have difficulty in getting clients to listen. Current clients plead no time, no interest, or no way to do it. Prospective clients want to end the discussion before it starts! As a result, current accounts are undersold and new accounts are hard to acquire.

Securities Edge shows you how to lead all types of clients to listen, even if their first response is no.

LEADING CLIENTS TO GIVE INFORMATION. Many salespeople never get enough relevant information from their clients – information that would greatly help them to sell. The result is lost sales, smaller sales, and lost future opportunities. You can't capitalize on what you don't know.

Securities Edge shows you how to lead clients to give critical information for bigger sales now ... and new sales opportunities tomorrow

LEADING CLIENTS TO SEE ADVANTAGE. This requires giving clients information. Many salespeople give too much information, confusing clients with irrelevant detail. Other salespeople give too little information, causing clients to hesitate. Either way, the result is fewer sales.

Securities Edge shows you how to control information: how to cut quantity, improve quality, and make advantage clear.

LEADING CLIENTS TO ACT. Closing is everything. The client listens, seems interested, then says no ... or wants to think about it. Many salespeople don't know what to do next. As a result, sales that could have been made are lost.

Securities Edge shows you how to neutralize negative reactions and lead clients to act.

HOW TO GO THROUGH THE PROGRAM

Service Edge is easy to go through. Simply scroll through the program, read the input and provide your responses as instructed. The entire program can be done in as little as 4 hours. You may prefer to take longer. You control the learning process, so you should work at a speed that you find comfortable.

Securities Edge is *not* a reference work, so you do not need to jump around from section to section. If you need to refer back to sections you have done, simply use the **Edit Find** routine to jump to key words. As a Word for Windows 6.0 template, if you prefer you can also print the entire program with a simple **File Print** instruction, and work on it in paper form.

To avoid accidentally changing the document, before typing be careful to position the cursor always within a green answer box that looks like this.

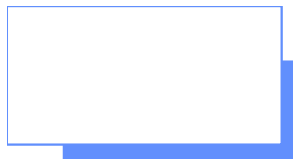
Other key sections are color-coded to get you familiar with the program:

Definitions of terms always appear like this.

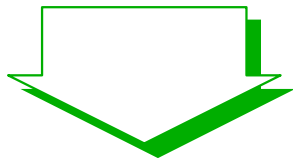
Questions always appear like this.

Suggested answers always appear like this.

Applications to your own accounts always appear like this.



“Statements in conversations appear like this”



“Questions in conversations appear like this”

DOING THE PROGRAM THE RIGHT WAY

Service Edge is specially structured for speed-learning. First you read. Next there is a question or an exercise, and you enter your answer. Then you review and apply what you are learning to your own accounts:

1. The reading presents an idea.
2. The question tests whether you remember it.
3. The exercise tests whether you understand it.
4. The writing fixes it in your mind.
5. The review refreshes your memory.
6. The practice sharpens your ability to use it in sales discussions.
7. The application relates it to your own accounts.

This proven speed-learning process will give you maximum results in minimum time if you do it the right way.

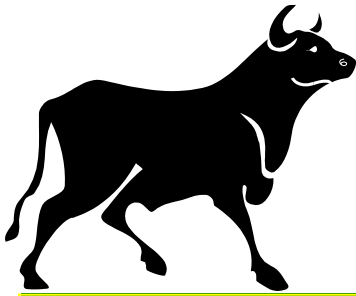
THE RIGHT WAY TO DO THE READING

1. **Read a section once.** Most sections contain only one or two ideas. One reading will usually be enough to make an idea clear to you.
2. **Read quickly.** Quick reading forces you to concentrate. You are reading to get key ideas, not to remember everything on the page.

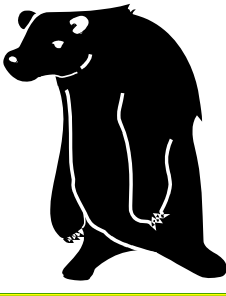
THE RIGHT WAY TO HANDLE QUESTIONS AND EXERCISES

1. **You cannot look at the suggested answers** before you enter your own. This would weaken your reading concentration and your ability to remember.
2. **Enter complete answers**. Writing clarifies your understanding and fixes new ideas in your mind.
3. When unsure, write what you think is correct. Then compare it with the model answer.

The reading units give you step-by-step instruction on correct account application.



**SECURITIES
EDGE**



Access 1

Gaining Access

Gaining access to the client – arranging sales meetings, or simply getting attention in a cold-call – is the first critical step in the selling process. By developing strong access skills, you can multiply your opportunities for selling success.

The SECURITIES EDGE access skills are positioning, edging, and closing:

Positioning: identifying your company, product, or service in a way that distinguishes it from others and builds positive client perception.

Edging: activating client issues and client interest in benefits available through your product or service.

Closing: securing client commitment to the next step.

To gain access to a client, you use a series of access skills. In the space provided, answer the questions below.

Which access skill do you use to identify your company, product or service in a way that distinguishes it from others and builds positive client perception ?

Double

Which access skill do you use to activate client issues and client interest in benefits available through your product or service ?

Double

Which access skill do you use to gain client commitment to the next step ?

Double

Positioning your company

The first access skill is positioning. With clients who do not know you, it is important to identify your company in a positive way. You do this through company positioning. A strong positioning statement should do two things:

1. distinguish your company from others and
2. build positive client perception.

Company Positioning: a statement that distinguishes your company from others and builds positive client perception.

Complete the statement below in the space provided.

To position your company, you make a positioning statement that:

1.

Double

2.

Double

John Forbes is a sales representative for Union Bank of France (UBF). His area of specialization is Eurobond sales. In the Eurobond business, UBF have a strong product base in French government bonds, French Franc Eurobonds, and French borrowers in most currencies. He is cold calling Mr. Cousteau of Rhone Insurance to introduce himself, and arrange a meeting.



“Good Morning Mr. Cousteau. My name is John Forbes from the Eurobond department of Union Bank of France in Paris. We have developed a leading edge in French government bonds and Eurobonds throughout Europe, but to date we have had no dealings with your company.”



“Have you heard of our group?”

Client

“No, I’m afraid I haven’t.”

In positioning his company, the salesperson introduces himself and then describes his organization in a way that:

1. distinguishes it from others and
2. builds positive client perception.

He then probes for recognition — by asking a question to see if the client recognizes the name of the company or the product. After you have positioned your company, you should probe for recognition.

In the following exercise, you will practice positioning your company and probing for recognition.

You are an equity sales representative for Industrial Bank of Canada (IBC), San Francisco. The bank is a leading bank in Canada on the Canadian equity front. It is also represented on the Canadian Stock exchange, and has direct open lines with its Canadian counterparts on the exchange floors. This ensures fast, effective executions.

You are going to phone Susan Ferrari, Treasury manager of Allied Engineering. She is managing a Treasury portfolio in excess of US\$ 5 billion. Allied Engineering have offices worldwide, and require a well diversified currency portfolio.

In the space below, you should:

- 1. give your name and position your company**
- 2. probe for recognition.**

The client's response is provided. She has not heard of you.

POSITION
YOUR
COMPANY

[Redacted]

PROBE
FOR
RECOGNITION

[Redacted]

Client

"I'm sorry, but I've never heard of you."

Your company positioning statement might have been:



Double



Double

Positioning Your Product or Service

After you position your company and probe for recognition, you position your product or service.

Product / Service Positioning: a promise of potential benefit that your product or service can provide.

Below is an example of a sales representative from the derivatives department of the Scottish Imperial Bank making a statement that positions the service to the Prudential Funds group:

COMPANY
POSITIONING

“Hello Mr. Carlsberg. My name is Graham Sweeney from the derivatives department of the Scottish Imperial Bank in London. We have a highly sophisticated group dealing in futures, OTC options, swaps, and structured products in the major currencies.”

RECOGNITION
PROBE

“Have you heard of us?”

Client

“No, I’m afraid not.”

SERVICE
POSITIONING

Mr. Carlsberg, more and more fund management groups are recognizing the benefits of hedging their portfolios with derivative products. With the increasing volatility in the markets today, it has become essential to reduce the fund’s risk exposure as much as possible. Through the use of a highly-sophisticated team of derivative specialists, we can offer you the versatility needed to meet your specific requirements.”

Client

“Well it certainly sounds interesting.”

In positioning his service, the salesperson outlines significant general benefits that can result from using the service.

Complete the statement below in the space provided.

When you position your product or service, you make

Double

IBC is a leading Canadian bank in the equity field. It has achieved a top ranking position in Canada through its successful research and information services on a wide variety of equities. It is this success that IBC is now bringing into the international markets through its branch offices worldwide. What is more, it maintains continual follow-up service on all recommendations.

Use this information about IBC to make a promise of potential benefit that IBC can provide. Write your service positioning statement in the space below.

The client's positive response is given for you.

COMPANY
POSITIONING

"Hello Mrs. Ferrari, my name is Timothy Lamborghini from the equities group of Industrial Bank of Canada in San Francisco. We have a very powerful fully developed network in Canada to which we have continual direct contact – including open lines to the various exchanges in Canada.

RECOGNITION
PROBE

Are you familiar with our group?"

Client

"I'm sorry, but I've never heard of you."

POSITION
YOUR
SERVICE

Client

"Interesting. It's a valid point."

Your service positioning statement might have been:

**POSITION
YOUR
SERVICE**

Double

Making an Access Close

After you have positioned your company and your product or service, some clients will express interest. You should then make an access close. In an access close you do two things:

1. restate a potential benefit and
2. offer alternative meeting times.

Access Close: securing client commitment to the next step by restating a potential benefit and offering alternative meeting times.

When you restate a potential benefit, you are emphasizing the practical, concrete advantage of the meeting. When you offer alternative meeting times, the client's mind is focused on *meeting times* rather than on various reasons why not to meet with you. Offering alternative meeting times helps to encourage a positive response.

Complete the statement below in the space provided.

When you make an access close, you secure client agreement to a meeting by doing two things:

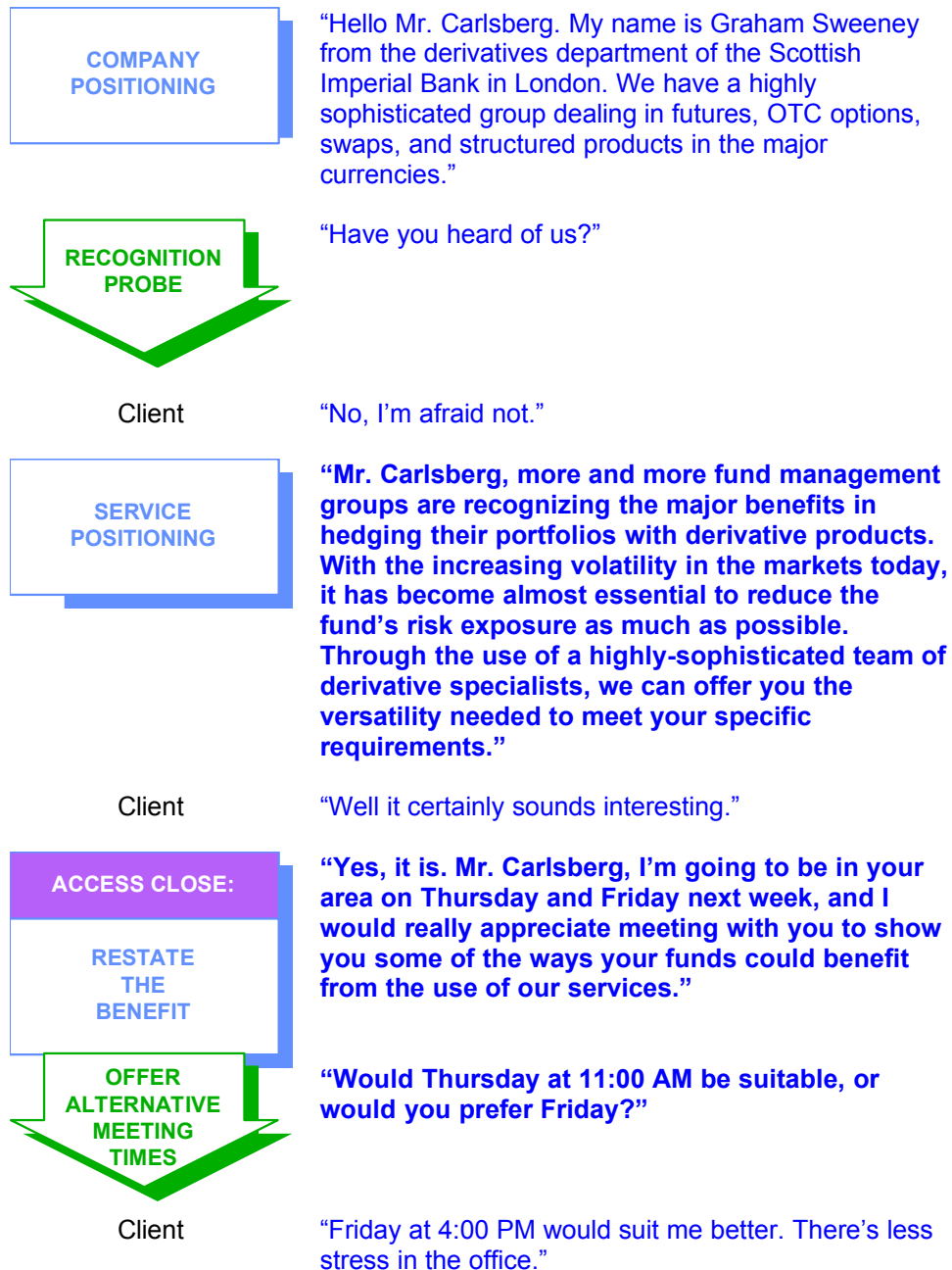
1. first you

Double

2. then you

Double

The Scottish Imperial Bank example is continued below with an access close.



In making an access close, the salesperson does two things:

1. restates a potential benefit to emphasize the practical, concrete advantage of the meeting

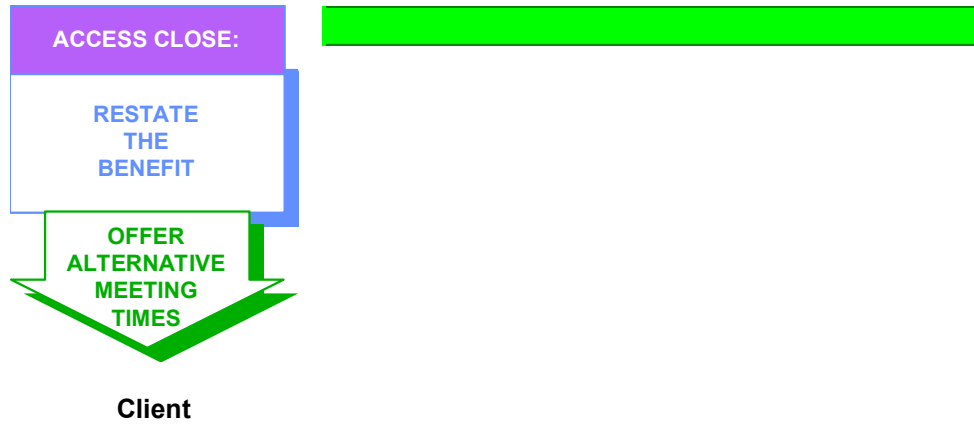
and

2. offers alternative meeting times to focus the client’s mind on *choosing a suitable time* rather than on thinking of reasons to avoid or delay a meeting.

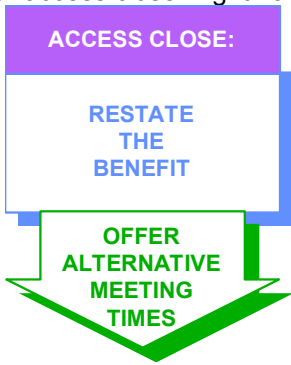
In the space below, you will now continue the IBC example by making an access close. In your access close, you will do two things:

1. restate a potential benefit
2. offer a choice of meeting times.

You should also provide the client's positive response.



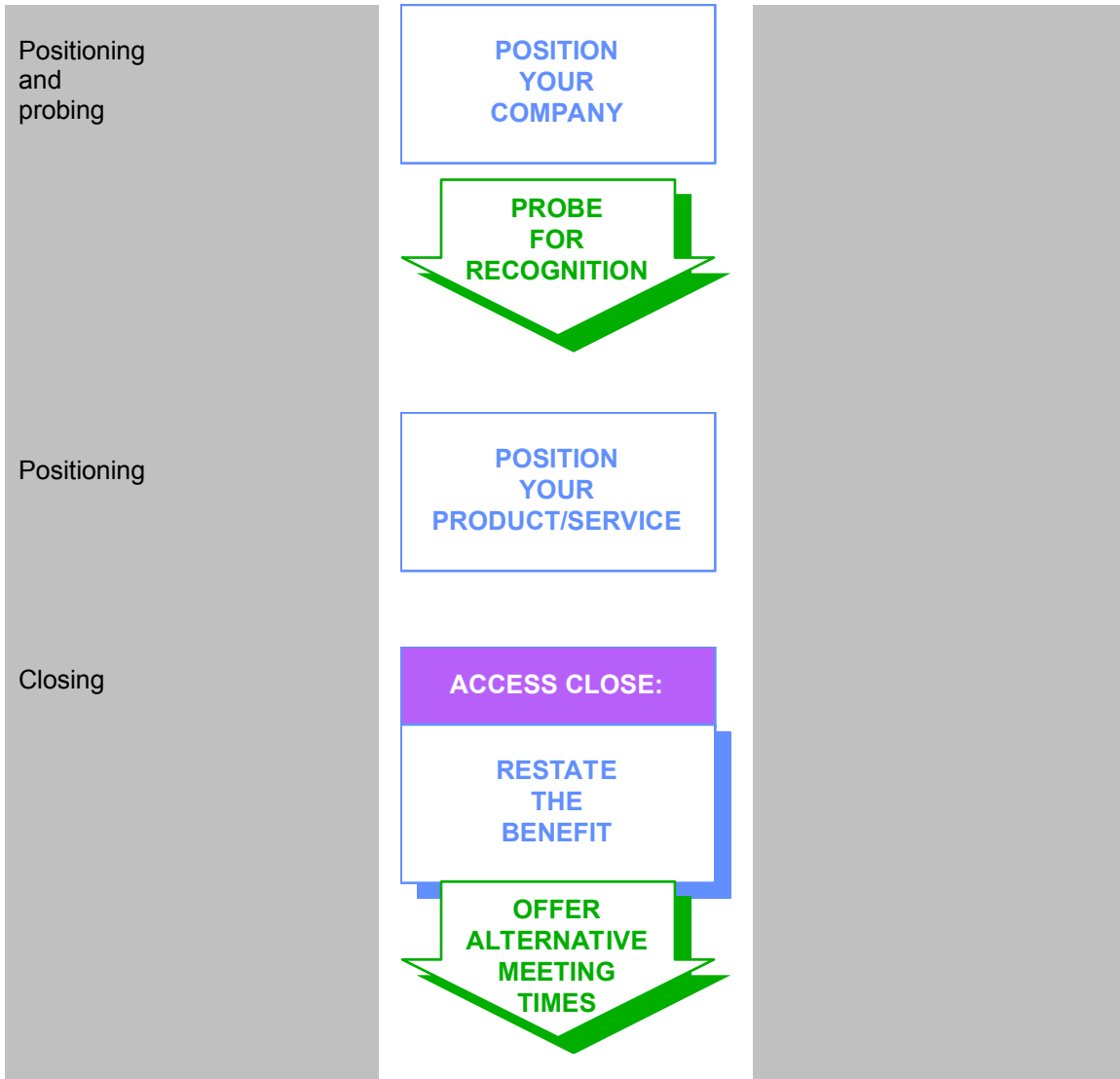
Your access close might have been:



Double

THE ACCESS PROCESS

When clients express interest



HANDLING NEGATIVE RESPONSE

When clients say, "We're not interested," you have only a few seconds to answer. If your answer isn't clear and convincing, the discussion is over. What do you say? The answer is in the next module.



**SECURITIES
EDGE**



Access 2

Edging to overcome client disinterest

Some clients will find that your positioning offers enough potential benefit to justify a sales meeting or a more detailed discussion. Other clients will not.

When a client expresses disinterest, you have to edge. Edging is the second access skill. Literally, *edging* means “moving forward step-by-step.”

When you edge, you lead the client to do two critical things:

1. admit the existence of an issue that your product or service can address and
2. express interest in potential benefits that your product or service can provide.

In other words, you move the client forward step-by-step from disinterest to interest.

Edging: activating client issues and client interest in benefits available through your product or service.

Issue: an actual problem, potential problem, or situation where improvement is possible.

Complete the statement below in the space provided.

When a client expresses disinterest, you use the second access skill, edging. When you edge, you lead the client to do two things:

1. to admit

Double

2. to express

Double

Activating client issues

When clients express disinterest, they are not thinking about:

- ◇ problems that should be solved or
- ◇ situations that could be improved.

But this is where you must focus their thinking – on problems or situations where your product or service can offer assistance. Even when clients insist that they “don’t need anything,” experience and common sense tell you that *every business has issues to confront*. These issues may be actual problems, potential problems, or situations where improvement is possible.

In edging, the first step is to lead the client to admit that such issues exist. To do this, you use an issue-focus probe.

An issue-focus probe is a question that does two things:

1. it requires a yes or no answer and
2. it leads the client to admit the existence of an issue that your product or service can address.

Issue-Focus Probe: a question that requires a yes or no answer and leads the client to admit the existence of an issue that your product or service can address.

Complete the statement below in the space provided.

When clients express disinterest, you need to focus their thinking on issues – on problems or situations where your product or service can offer assistance. To do this, you use an issue-focus probe.

An issue-focus probe is a question that:

1. requires

Double

2. leads the client

Double

Let us return to the Scottish Imperial Bank example and assume that the client, Mr. Carlsberg, responds with disinterest to the salesperson's positioning. Furthermore, the salesperson knows from the Financial Times that Mr. Carlsberg's 'Income Growth' fund is trailing the Salomon's index. The salesperson acknowledges the client's response with a brief statement such as "I see" and then uses an issue focus probe.

Client
expresses
disinterest

"I have seen, heard, and read enough about derivatives to realize that they are dangerous and over-complicated for what they can deliver. Up until now, my funds have never had the need for these products, and I don't think that's going to change."



"I see. Tell me Mr. Carlsberg, is your fund performing as well as you would wish it to?"

– or –

"I see. Tell me Mr. Carlsberg, is your fund currently outperforming the index?"

Client
admits issue

"Well, no. Not quite. But then it will always be difficult to match the performance of funds and indexes. One doesn't know the total constituency of the competitive funds or indexes, particularly during very volatile times."

In the above example, the salesperson briefly acknowledges the client's response and then:

1. uses a probe that requires a yes or no answer and
2. leads the client to admit an issue that the Scottish Imperial Bank can address.

Let us return to the IBC example and assume that the client, Mrs. Ferrari, responds with disinterest to your positioning. She says, “Our funds are kept with the United Frisco Bank, and they fulfill my requirements when I need to invest in Canadian equities.” You now have to lead her to admit an issue – a problem or situation that your service can address. The following background information will help you to do this:

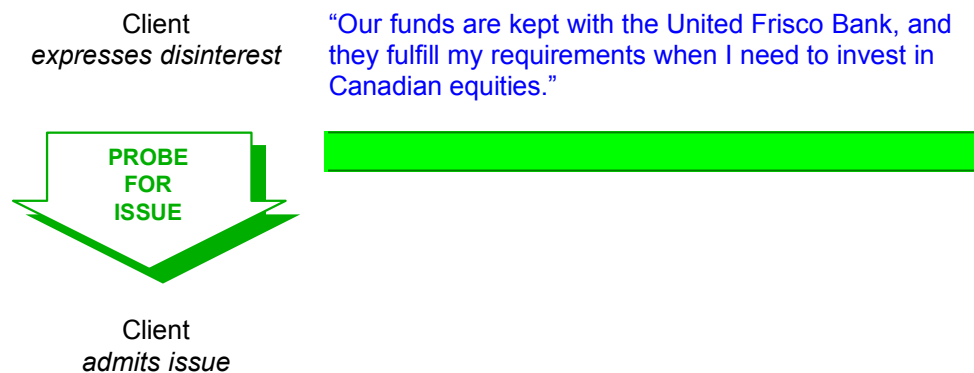
Allied Engineering is a dynamic international company winning contracts worldwide. From experience you know that:

- 1. an international company like Allied will probably have periods when it will quickly need to liquidate equity investments;*
- 2. major industrial companies seldom have a clear view on the circumstances of their investments because their information is weak;*
- 3. major industrial companies tend to be afraid of dealing with parties outside their local bank because they fear complications.*

From this background information, choose an appropriate issue and make an issue focus probe. Remember to:

1. briefly acknowledge the client’s response
2. make a probe that requires a yes or no answer and leads the client to admit an issue that IBC can address.

You provide the client’s response to your probe.



There were several issues to choose from. You might have said:



Double



Double



Double

Activating client interest in potential benefits

Once the client admits an issue of concern, you make an interest-focus probe to activate interest in benefits. An interest-focus probe is a question that does two things:

1. it requires a yes or no answer
2. it leads the client to express interest in potential benefits that your product or service can provide.

Interest-Focus Probe: a question that requires a yes or no answer and leads the client to express interest in potential benefits that your product or service can provide.

Complete the statement below in the space provided.

An interest-focus probe is a question that:

1. requires

Double

2. leads the client

Double

The Scottish Imperial Bank example is continued below with an interest-focus probe.



"I see. Tell me Mr. Carlsberg, is your fund performing as well as you would wish it to?"

Client
admits issue

"Well, no. Not quite. But then it will always be difficult to match the performance of funds and indexes. One doesn't know the total constituency of the competitive funds or indexes, particularly during very volatile times."



Client
expresses interest

"Would it help if you had an effective method of reducing, or even totally eliminating, the downside risk your funds are exposed to, without exposing yourself to any dangerous or over-complicated products?"

"Yes. Certainly."

The sales person's interest-focus probe has led the client to express interest in a benefit that the Scottish Imperial Bank can provide.

You will now continue the IBC example. Your issue-focus probe is repeated for you. Formulate a suitable interest-focus probe.

You give the client's reply.

Client
expresses disinterest

"Our funds are kept with the United Frisco Bank, and they fulfill my requirements when I need to invest in Canadian equities."



"I see. As an international company, Allied Engineering must have times when it suddenly requires liquidity for major projects. When this happens, do you sometimes find that the sale of some major equity positions doesn't command the price you expect? That in fact the sale of your positions pushes the market down?"

Client
admits issue



Client

Your interest-focus probe might have been like one of the following:



Double



Double



Double

Making an edged close

Edging leads the client to admit an issue that your product or service can address and to express interest in potential benefits that your product or service can provide. Once the client expresses interest, you close using a skill called leveraging. In making an edged close, you do two things:

1. restate the *edged* benefit and
2. offer alternative meeting times.

Edged Close: securing client commitment to the next step by restating an *edged* benefit and offering alternative meeting times.

Complete the statement below in the space provided.

In an edged close, you secure client agreement to a meeting by:

1.

Double

2.

Double

The Scottish Imperial Bank example is continued below with an edged close.



“Would it help if you had an effective method of reducing, or even totally eliminating, the downside risk your funds are exposed to, without exposing yourself to any dangerous or over-complicated products?”

Client

“Yes. Certainly.”



“Well, hedging your funds through the use of derivatives to reduce or even eliminate your downside risk, is what I would like to talk to you about.”



“Could we meet on Thursday 11:00 AM, or would you prefer Friday?”

Client

“Friday at 4:00 PM would suit me better.”

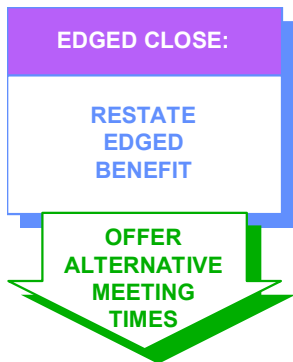
You will now conclude your telephone conversation with **Allied Engineering** by making an edged close. Remember to:

1. restate the *edged* benefit
2. offer alternative meeting times.

You should also give the client's positive response to your close.

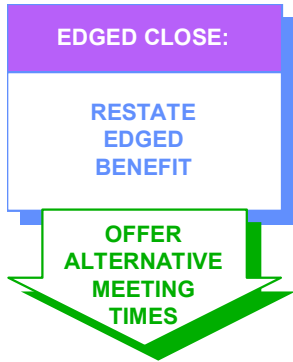


You might have said:



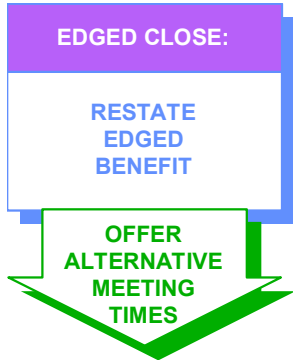
Double

– or –



Double

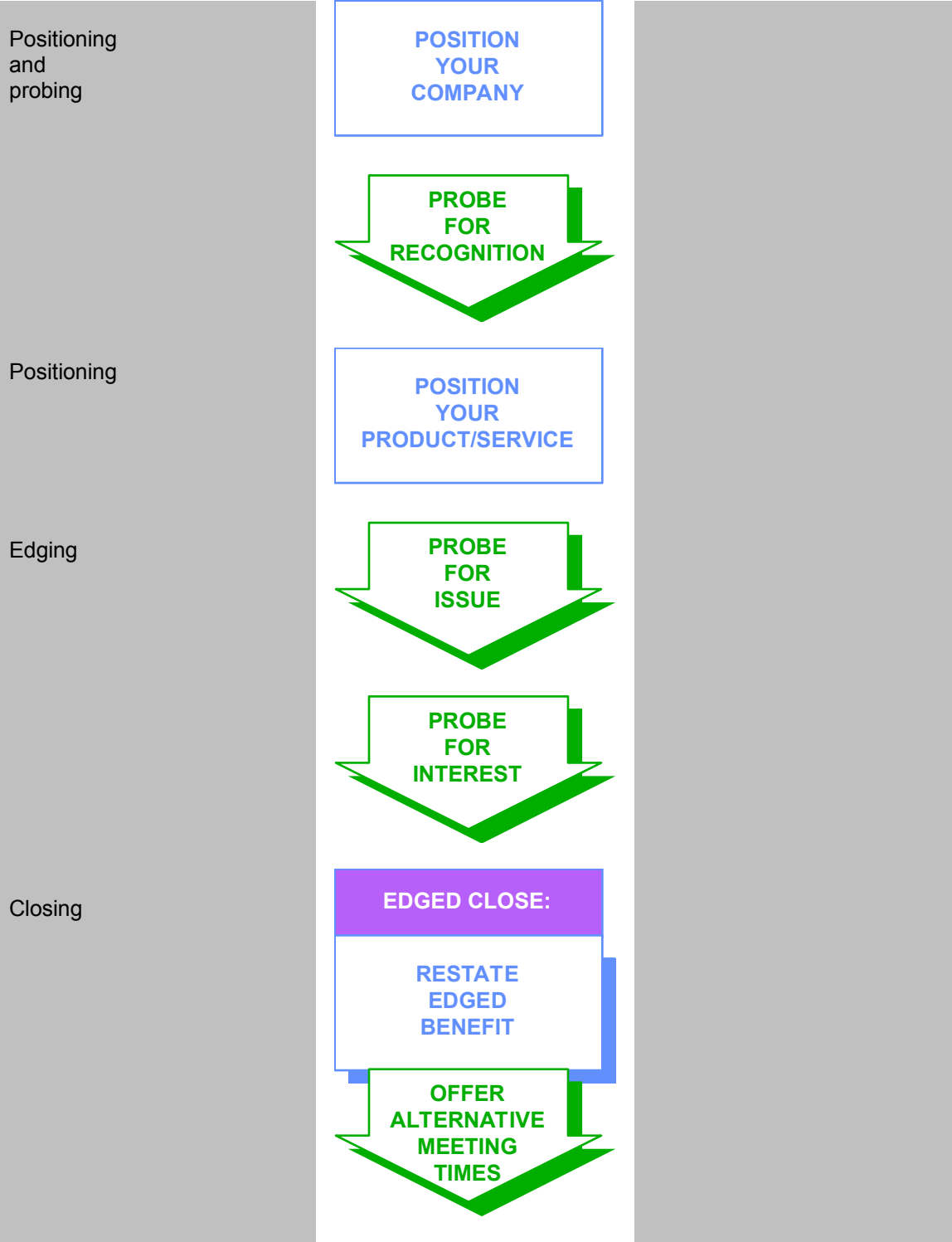
– or –



Double

THE SECURITIES EDGE ACCESS PROCESS

When clients express disinterest



QUICK REVIEW

Positioning: identifying your company, product, or service in a way that distinguishes it from others and builds positive client perception.

Edging: activating client issues and client interest in benefits available through your product or service.

Closing: securing client commitment to the next step.

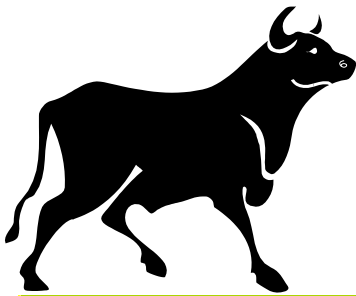
Issue-Focus Probe: a question that requires a yes or no answer and leads the client to admit the existence of an issue that your product or service can address.

Interest-Focus Probe: a question that requires a yes or no answer and leads the client to express interest in potential benefits that your product or service can provide.

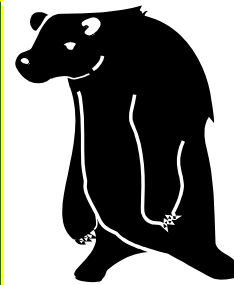
Access Close: securing client commitment to the next step by restating a potential benefit and offering alternative meeting times.

Edged Close: securing client commitment to the next step by restating an *edged* benefit and offering alternative meeting times.

Strong ACCESS SKILLS multiply your opportunities for selling success.



SECURITIES EDGE



Access 2

Account Applications

In the account application exercise that follows, you will apply the thinking and skills of the Access modules to actual accounts that you currently handle.

Think through the questions and answer them as well as you can. Your responses should enable you to take action immediately in the real world in which you operate.

You can do this exercise on your own, or you can discuss it with a colleague or group of colleagues.

Account Applications: Access

1. Choose a **specific securities client** that you would like to gain access to. This can be a current client with whom you would like to meet, a potential client that you have not yet called, or a "typical" client from a particular market segment.

CLIENT: _____

2. In the space below, list the things about your company, department, or group that make it **different** from your competitors. Then give one or more reasons why the client should perceive each difference as positive – what **value** does it bring to the client in business or personal terms?

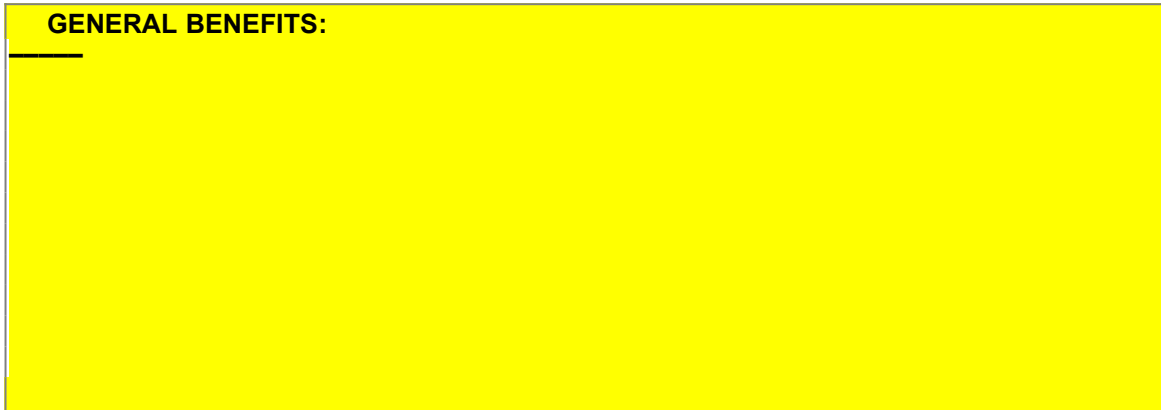
DIFFERENCE	VALUE
<i>e.g. Small and specialized</i> _____	<i>Personal service</i> <i>Expertise</i> _____

2. Look at the list of differences you have created. Which differences are most relevant to this particular client? In the space below, write a **statement that positions your company** for this client. Remember, this statement must differentiate your company from others and build positive client perception.

COMPANY POSITIONING STATEMENT:

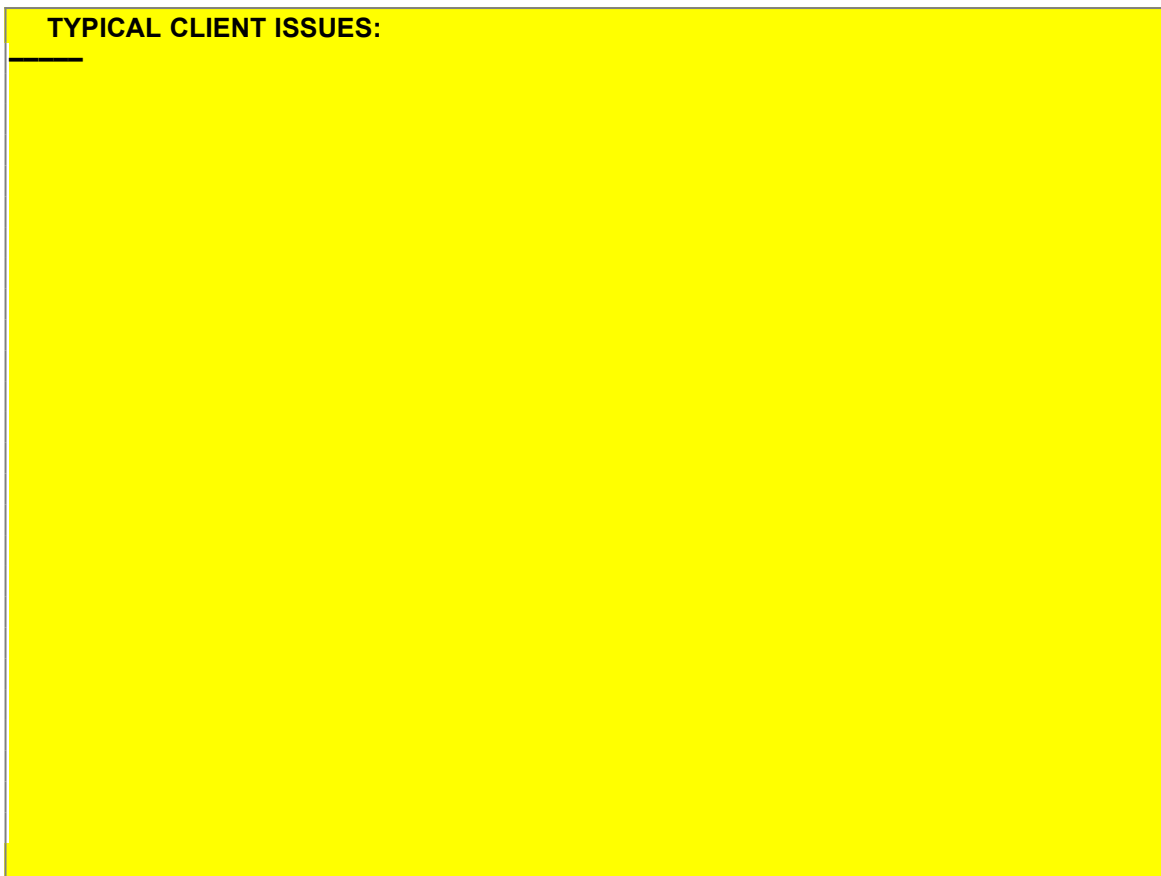
3. Think about the proposition, product, or service that you want to discuss. In the space below, list the **general benefits** that the product or service provides to the client. Try to focus on the value to the client rather than on the technical functionality of the product or service.

GENERAL BENEFITS:



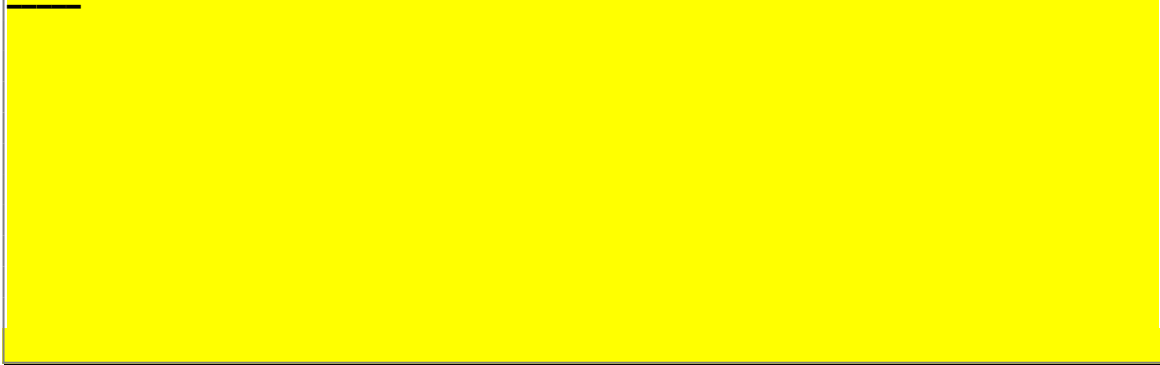
4. Think about the **typical issues** (problems, concerns, or opportunities) that the client has to deal with every day. Focus on those issues that are relevant to your product or service. List these issues in the space below.

TYPICAL CLIENT ISSUES:



5. From the list, choose an issue that you believe is particularly relevant to this client. In the space below, write an **issue-focus probe** that will lead the client to admit that the issue exists.

ISSUE-FOCUS PROBE:



6. Now write an **interest-focus probe** that will lead the client to express interest in addressing the issue.

INTEREST-FOCUS PROBE:



Once you have gone through the above process a number of times, you will find that it gets easier and faster. It will quickly become an automatic part of the way you mentally prepare an important call.

CORE CONCEPTS

What is the difference between an active need and a passive need? What is the best way to describe the elements of your proposition? The answer is in the next module.



Understanding client needs

Clients buy to satisfy needs. The first step in the sales process is to identify needs. Client needs, however, may be active or passive. Understanding the difference is critical.

Active Need: A client requirement that the client has expressed interest in satisfying.

In expressing an active need, clients use active need indicators – words that clearly state the client’s interest in action to satisfy the need. In the following client statements, the active need indicators are in blue print:

- ◇ “We **need** a system that”
- ◇ “We **want** a solution that”
- ◇ “We **require** a service that”
- ◇ “We are **looking for**”
- ◇ “We are **interested in**”
- ◇ “We are **in the market for**”

Complete the statement below in the space provided.

An active need is a client requirement that

Double

Recognizing Active Needs

You are a sales representative for Republic Bank of England (RBE). Your bank is strong in Eurobond and Derivative products in all major currencies, as well as in structured products that meet a client's specific needs.

Indicate which of the following clients is expressing an active need by writing ACTIVE in the space provided:

"Our treasury fund has to be very versatile and liquid. We must adjust to the changing circumstances of the market, and at the same time meet the cash requirements we often have at very short notice. As a result, we are continually looking for products that meet these requirements."



"The fund is kept entirely in fiduciary time deposits due to our continual need to withdraw cash at highly irregular, but frequent, intervals."



Double

Distinguishing Active Needs from Passive Needs

Since client needs are the basis for building a sales case, it is critical to distinguish between active needs and passive needs.

Passive Need: A client-recognized problem or situation that the client has not yet expressed interest in addressing.

The difference between active needs and passive needs is in the client's *expressed interest in action*. Active needs have the client's expressed interest in action to satisfy the need. Passive needs do not. In a later SECURITIES EDGE module you will learn how to develop passive needs into active needs.

Complete the statement below in the space provided.

A passive need is a client-recognized problem or situation that

Double

Recognizing Passive Needs

You are a sales representative for Republic Bank of England (RBE). Your bank is strong in Eurobond and Derivative products in all major currencies, as well as in structured products that meet a client's specific needs.

Identify each need by writing the word ACTIVE or PASSIVE in the space provided:

"Our base currency is US\$, though we consistently participate in other major currencies, so we are always looking for ways to effectively hedge our currency exposure."

"Our portfolios don't always match up to the indices or to our expectations, but that is something we have to accept when trying to survive in such volatile markets."

Double

Distinguishing features from benefits

All products and services have a set of features and benefits. Understanding the difference between the two strengthens your ability to satisfy client needs and build a solid case for your product or service.

Feature : A product or service characteristic

Benefit : A feature's value — the practical result it can deliver

Most clients have a benefit bias. They are more interested in benefits, or practical results, than in features.

Complete the definitions below in the space provided.

A feature is

Double

A benefit is

Double

Distinguishing features from benefits

Assume you are selling a *convertible bond* issued by Burlington Industries. It matures in 2008 and carries a coupon of 8.75%. The bond has a conversion ratio of 20.619 shares for one bond. This means that at the time of issuance the equivalent conversion price was \$48.50 per share. In the list below, identify which are features and which are benefits.

Put Option: *The convertible bond has a put option in 1998 at a price of 117.50%. At the same time, the issuer has a right to call the bond on the same date only provided the common stock is trading at a premium of 50% above its par conversion price.*

Double

Yield to Put: *The advantage of a convertible with a put option is that a return can be derived even if the stock does not perform as expected and the convertible is not exercised.*

Double

Market makers: *The bond is being marketed by 14 different institutions, and the lead manager, RBE, will make a market in the bond for the life of the bond.*

Double

Liquidity: *Because of the number of market makers in the issue, it promises to offer reasonable liquidity for a reasonable period of the life of the bond, with competitive prices shown on both sides.*

Double

Publicly listed company: *Because the company has been publicly quoted for many years, there is no shortage of information on the company and its performance.*

Double

Performance: *The company is currently well positioned in its market share and business cycle, and stands to achieve considerable success in the year ahead. Currently, analysts are placing this company into the BUY recommendation category.*

Double

Building your sales case with benefits

Understanding features means you understand the product or service. Because many sales persons have excellent product / service knowledge, they often have a feature bias. They are quick and accurate in enumerating and describing features. But in the process they forget that the feature is only a means to an end — not an end in itself. *You cannot build a case with features.*

Understanding benefits means you understand the client. Clients have a benefit bias. It is the benefit that builds the client's perception of value. For this reason, features should always be linked to benefits. When mentioning a feature, the sales professional explains the benefit — the result the client will get from the feature. The stronger the benefits, the stronger the case. *You build a case with benefits.*

Complete the statements below in the space provided.

You cannot build a case with

Double

You build a case with

Double

Linking features to benefits

To develop the client's perception of value, you should always link features to benefits.

In the diagram below, notice the difference in case-building value between the technical product features on the left and the practical client benefits on the right.

In the space provided below, describe the client benefit of the feature "Market makers".

Feature

Client Benefit

Put Option:

The convertible bond has a put option in 1998 at a price of 117.50%. At the same time, the issuer has a right to call the bond on the same date only provided the common stock is trading at a premium of 50% above its par conversion price.

Downside risk limited:

Known return:

The investor has a right to sell the bond at a specified level through which a pre-determined return can be calculated.

Publicly listed company:

Because the company has been publicly quoted for many years, there is no shortage of information on the company and its performance.

Known risk:

The risk can be studied and somewhat understood.

Market makers:

The bond is being marketed by 14 different institutions, and the lead manager, RBE, will make a market in the bond for the life of the bond.



Double

QUICK SUMMARY

Active Need: A client requirement that the client has expressed interest in satisfying.

Passive Need: A client-recognized problem or situation that the client has not yet expressed interest in addressing.

Feature: A product or service characteristic.

Benefit: A feature's value — the practical result it can deliver.

You satisfy client needs and build a case with benefits (not features).



Access 2

Account Applications

In the account application exercise that follows, you will apply the thinking and skills of the Core Concepts module to actual accounts that you currently handle.

Think through the questions and answer them as well as you can. Your responses should enable you to take action immediately in the real world in which you operate.

You can do this exercise on your own, or you can discuss it with a colleague or group of colleagues.

Account Applications: Core Concepts

1. Choose a specific securities **product or service** that you sell.

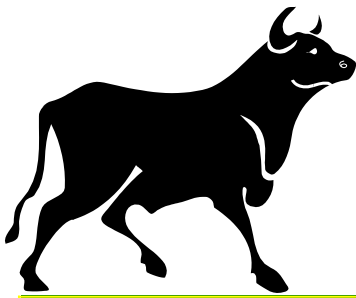
PRODUCT / SERVICE:

2. List in the space below the **major features** of the product or service, giving a brief description of each. The features are the characteristics that describe the product or service. Features are not necessarily inherent to the product or service – the company that stands behind a product, the services and guarantees, the ability to execute a transaction, and the qualities of the salesperson, all **add value** to the product.
3. State the **benefit(s)** that each feature gives to the client. Ask yourself "so what?" until you arrive at real value. The benefit is not the technical functionality of the feature, but the **value** that it brings to the client in business or personal terms. In a competitive environment, the benefits should include "differential" advantages – those that your competitor cannot claim.

FEATURES	BENEFITS
<i>e.g. Fast, frequent research</i>	<i>Can make early decisions Can be confident about decisions</i>

BUILDING THE CASE 1

How do you build your understanding of the core concepts into persuasive but natural conversation with a client? You will start to develop this in the next module.



**SECURITIES
EDGE**



Building the Case 1

Client commitment

The sales professional wants every sales call to end with client commitment. This may be:

- ◇ commitment to buy, if the product or service can be sold in a single call or
- ◇ commitment to the next logical step in the selling process, if the product or service requires other steps, such as a demonstration, a needs analysis, a formal presentation, a meeting with the decision-maker, etc.

Complete the statement below in the space provided.

Every sales call should end with some kind of client

Double

Building a case for client commitment

Clients always have options, and your product or service is one of them — one option among others. In many situations, the simplest client option is to do nothing. To succeed against the other options, you have to build a solid case for client commitment to your product or service.

A solid case does three things:

1. it identifies client needs
2. it reinforces need importance
3. it targets benefits that meet the needs.

What three things does a solid case do ?

1. it identifies

Double

2. it reinforces

Double

3. it targets

Double

Probing: the first case-building skill

To build a case, you have to probe. Probing is the skill of asking questions to obtain information, identify needs, and lead the client to commitment. Probes may be open or closed.

Open Probe: a question that invites a free flow of information.

The most common open probes begin with the following words: *who, what, when, where, why, how, to what extent, in what way?*

The following examples show how open probes invite a *free flow of information* from the client:

“Who is responsible for making the decision ?”

“What are the main problems ?”

“When is the deadline ?”

“Where does this change affect you the most ?”

“Why is that so important to you ?”

“How do you handle this problem when it occurs ?”

“In what way does this make the situation worse ?”

“To what extent are you free to make your own choice ?”

Closed probes

Closed probes restrict client response to a choice among predetermined alternatives. These alternatives are built into the probe.

Closed Probe: a question that contains the possible answers and requires a choice.

You can formulate closed probes in a great variety of ways.

The following examples show how closed probes restrict client response. The client has to choose between:

- ◇ yes and no
- ◇ other built-in alternatives.

Closed Probe

Built-in Alternatives

“**Is** this a problem?”

Yes / No

“**Are** you more concerned with yield or quality?”

Yield / Quality

“**Would** it help if you could get increased yield, yet maintain high quality?”

Yes / No

“**Should** I provide all four different portfolio analyses at the demonstration, or just the first three?”

Four / Three

“**Which** of the three issues is the most important: money supply; CPI; or GNP growth?”

Money supply / CPI / GNP growth

“**Do** you see how this can improve your performance?”

Yes / No

“**Does** your portfolio evaluation take place in May, or will it be in June?”

May / June

“**Has** this happened before?”

Yes / No

“**Have** you had this settlement problem with both of the positions I sold you, or just with this one?”

Both / only this one

Double click the relevant box to indicate whether the following probes are open or closed:

OPEN	CLOSED	
<input type="checkbox"/>	<input type="checkbox"/>	"Which maturity range are you investing in: short, medium, or long?"
<input type="checkbox"/>	<input type="checkbox"/>	"How has this been handled in the past?"
<input type="checkbox"/>	<input type="checkbox"/>	"Why do you say that?"
<input type="checkbox"/>	<input type="checkbox"/>	"Will you be making the decision, or will others be involved?"
<input type="checkbox"/>	<input type="checkbox"/>	"Would you be interested in a way to eliminate the problem?"
<input type="checkbox"/>	<input type="checkbox"/>	"Who else will be involved in making the decision?"
<input type="checkbox"/>	<input type="checkbox"/>	"What other alternatives are you considering?"
<input type="checkbox"/>	<input type="checkbox"/>	"Are you considering other alternatives?"
<input type="checkbox"/>	<input type="checkbox"/>	"How will the decision be made?"
<input type="checkbox"/>	<input type="checkbox"/>	"Have I answered all of your questions?"

Structuring and controlling sales discussions

In building a case, probing is the dynamic skill that structures and controls the sales discussion. Through probing you are able to:

- ◇ obtain background information
- ◇ identify client needs
- ◇ lead the client to commitment.

Complete the statement below in the space provided.

Through probing you structure and control the sales discussion in order to:

1. obtain

Double

2. identify

Double

3. lead

Double

Use open probing early in the discussion

As a rule, you should use open probing early in the discussion. Open probing encourages a free flow of information from the client to you, and a free flow of information is what you want.

In response to skilled open probing, many clients will “open up” and reveal useful information: background facts, needs, and relevant need detail.

Other clients may not respond as you wish. They may talk but say little that you can use, or they may not want to talk at all. With such clients, you use closed probing.

Use open probing to invite a free flow of information

To invite a free flow of information, you use open probes. The four examples below illustrate open probing:

Client A

“We have had nothing but problems hedging with futures.”



“I see. What kind of problems?”

Client B

“For the spreads one receives for bonds in your market, it hardly seems worth considering it.”



“Really. Could you explain what you mean?”

Client C

“That may be acceptable for some fund managers, but it is not acceptable for us.”



“Oh? Why do you say that?”

Client D

“We’re not ready for this kind of investment just yet.”



“That’s interesting. Why not?”



Before some probes, there are brief acknowledgments, such as:

- ◇ *I see.*
- ◇ *Really ?*
- ◇ *Oh ?*
- ◇ *That’s interesting .*



By briefly acknowledging what the client has said before you probe, you help to make your probing relaxed and natural and not like an interrogation.

The following examples will enable you to use open probing for three different purposes: to obtain background information, identify needs, and uncover need detail. In response to each client statement, make an appropriate open probe.

◇ **Obtaining background information**

Client A	“There are a number of factors that helped create the current situation.”
	
Double	
Client B	“We have tried three different approaches, and none of them worked.”
	
Double	

◇ **Identifying needs**

Client C	“We have to make major changes if we are going to reach all our objectives.”
	
Double	
Client D	“Yes, I can see how your system will solve the financial analysis problem. What else can it do?”
	
Double	

◇ **Uncovering need detail**

Client E	“Risk reduction is our top priority.”
----------	---------------------------------------



Double

Use closed probing to narrow the discussion

Open probing invites a free flow of information and gives you *general control* over a sales discussion. When skillfully done, open probing consists of relaxed and natural questions and answers. However, when open probing does not provide useful information, you move to closed probing.

Closed probing narrows the discussion and gives you *maximum control*. With closed probing you are not only asking the questions, you are also *restricting* the answers and *requiring* a choice. This degree of control may make some clients uncomfortable. Consequently, closed probing must be used carefully.

Answer the following questions by double clicking True or False:

TRUE

FALSE

Closed probing is especially important in the early stages of a sales discussion.

TRUE

FALSE

To invite a free flow of information, you should use open probing early in the discussion.

TRUE

FALSE

Open probing gives you maximum control over a sales discussion.

TRUE

FALSE

Closed probing must be used carefully to avoid making clients feel uncomfortable.

Use closed probing to confirm understanding

The better you understand a client's situation, the better your chances of building a solid case for your product or service. In most sales conversations, there are times when client remarks are unclear. When this happens, you should *always confirm* that you have understood the client correctly.

To confirm your understanding of a client remark, you do two things:

1. rephrase the remark
2. probe for confirmation.

In probing for confirmation, you use a closed probe to get a clear yes or no answer.

Complete the statement below in the space provided.

When you need to confirm your understanding of a client remark, you do two things:

1.

Double

2.

Double

In the following example, the client's remark is not clear, so the salesperson rephrases it and probes to confirm that her understanding is correct.

Client

"I have heard of your company, and know that your derivatives team is good, but we have rather a small fund under management, and I feel we are not quite ready for your kind of sophisticated products."



"If I understand you correctly, you're saying that you feel our products are designed for funds much larger than yours?"

Client

"No, I didn't mean that. We could certainly use derivative products like yours. What I mean is that it's probably too costly for a fund of our size."

Sometimes clients express ideas unclearly, and sometimes they prefer not to say directly what they mean. In the above example, "...*not quite ready for your kind of sophisticated products*" means "...*it's probably too costly...*". When in doubt, find out: rephrase and probe to confirm your understanding.

You are selling a new type of derivative product that is designed to capitalize on the current US\$/Yen relationship. You are sure your client would benefit from the derivative. The client makes a remark that you find unclear. In the space provided, rephrase the remark, and probe to confirm that your understanding is correct.

Client

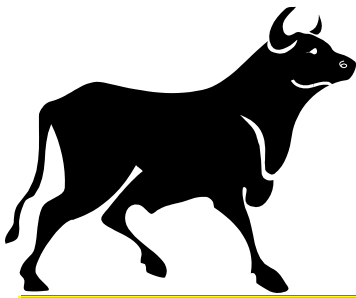
“Look, there must be twenty products like this on the market right now, and each one claims to be different and better. I just don’t have the time to study the details of each and make comparisons. I have other priorities right now.”



Double

ACTIVATING PASSIVE NEEDS

When clients express passive needs, you should always activate them. In Building the Case 2, you learn why this is important and how to do it.



**SECURITIES
EDGE**



Building the Case 2

Use closed probing to activate passive needs

When clients express passive needs, they describe a problem or a situation without stating any interest in action to solve the problem or change the situation.

With clients like this, you have to activate the need — to stimulate the client to express interest in the benefits that would come from taking action. You do this with a type of closed probe called an interest-focus probe:

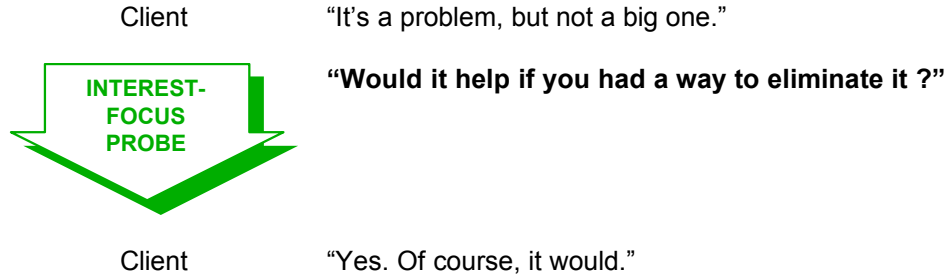
Interest-Focus Probe: a question that requires a yes or no answer and leads the client to express interest in potential benefits that your product or service can provide.

Complete the statement below in the space provided.

To activate a passive need, you use an interest-focus probe. An interest-focus probe is a question that requires a yes or no answer and

Double

In the following example, the client mentions a problem but expresses no interest in taking action to solve it. The salesperson has a product that will eliminate the problem. She uses an interest-focus probe:



The interest-focus probe has led the client to express interest in eliminating the problem, which is the benefit that the sales person’s product can supply. The passive need is now an activated need.

Activated Need: a client requirement in which interest in satisfaction is established through an interest-focus probe.

Complete the statement below in the space provided.

An activated need is a client requirement in which interest in satisfaction is established

Double

In the following example, assume you work for Banque Investment Suisse, Lausanne, a leading house in the Eurobond markets in Switzerland. They have developed a highly-sophisticated computer program with which to analyze and manage bond portfolios. The system incorporates advanced hedging techniques, analytics and graphics, on-line up-to-the-minute pricing feeds, etc. You are fully conversant with the techniques of portfolio analysis on this system.

You are talking to a major chocolate manufacturer who states a passive need: he mentions a problem, but does not express interest in doing anything to solve the problem. You use an interest-focus probe to activate interest in a benefit available through your analytical system.

Client
expresses
passive need

“We have a lot of money under management, and require a highly diversified portfolio structure. As you know, we have offices in many different countries, so we require a wide currency diversification. As treasury manager, it takes a lot of hours to monitor and manage these funds. Our system is slow, but it works.”



“Would it help if you had a simpler, clearer system for managing these funds effectively?”

– or –

“It would be an advantage, wouldn’t it, if you had a computer program that included all the analytical tools with which to effectively manage these funds?”

– or –

“Would it help if a system could be found to manage the funds as effectively as you are, but much faster?”

Client
expresses
interest

“Yes, I suppose it would.”

In the following example, you represent Banco Ferrovie in London. Because of the political and economic instability in Italy, your derivatives group has devised a hedge structure that will reduce the *risk* in the Italian exposure of various funds – without reducing the *percentage* of Italian exposure dictated by the asset allocation structures of the funds.

Your client will express a passive need. Make an appropriate interest-focus probe. The relevant features and benefits are given to guide you in formulating the probe.

Feature

The hedge structure reduces the Italian risk exposure prevalent in the currency, and smoothes the volatility of the interest rate movements in the country.

Benefit

Funds that have to be invested in Italian stocks, bonds and/or currency can reduce the amount of risk they are exposed to while maintaining their full proportion of investment in Italy.

Client
expresses
passive need

“The circumstances in Italy are tough, and the volatility is a little frightening. But for political and economic reasons, I have little choice but to remain invested there. This sector sometimes has a very negative effect on my funds’ performance.”



Double

In the following example, you represent Merchant Stock Brokers, a group renowned for its widely diversified expertise. You are selling your expertise in diversity to a client who normally relies on his own bank to shop around for his investments.

Your client will express a passive need. Make an appropriate interest-focus probe. The relevant features and benefits are given to guide you in formulating the probe.

Feature

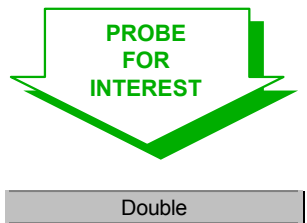
Knowledge and research in the major stock markets of the world with a strong historical record of success in picking and suggesting the true performers.

Benefit

Reliance on a group such as Merchant Stock Brokers reduces the need to spend excessive time analyzing and seeking the right stock investments, and opens up access to some valuable research.

Client
expresses
passive need

“We spend a lot of time analyzing a range of potential stock investments before giving our bank the orders to buy. Of course, they make some recommendations. But their main strength is in the UK equity market, so they are biased. Sometimes I’m here until midnight before I’ve made my choice for the next day’s investments. But I’m used to it, and lately we’ve picked a few good performers.”



In the following example, you are a Eurobond representative for the International Bank of Hessen (IBH), Frankfurt. IBH have a wide variety of Eurobonds in DM, US\$, ECU, Scandinavian and Latin currencies, etc. You are approaching the treasury manager of Hessen Industrial Steel (HIS) with a reverse floating rate note (FRN) denominated in DM. The borrower is Denmark.

Your client will express a passive need. Make an appropriate interest-focus probe. The relevant features and benefits are given to guide you in formulating the probe.

Feature

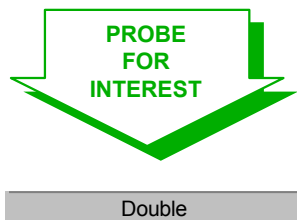
The bond carries a floating coupon which is fixed with a rate of 21.5% less 6 month DM Libor (or Fidor).

Benefit

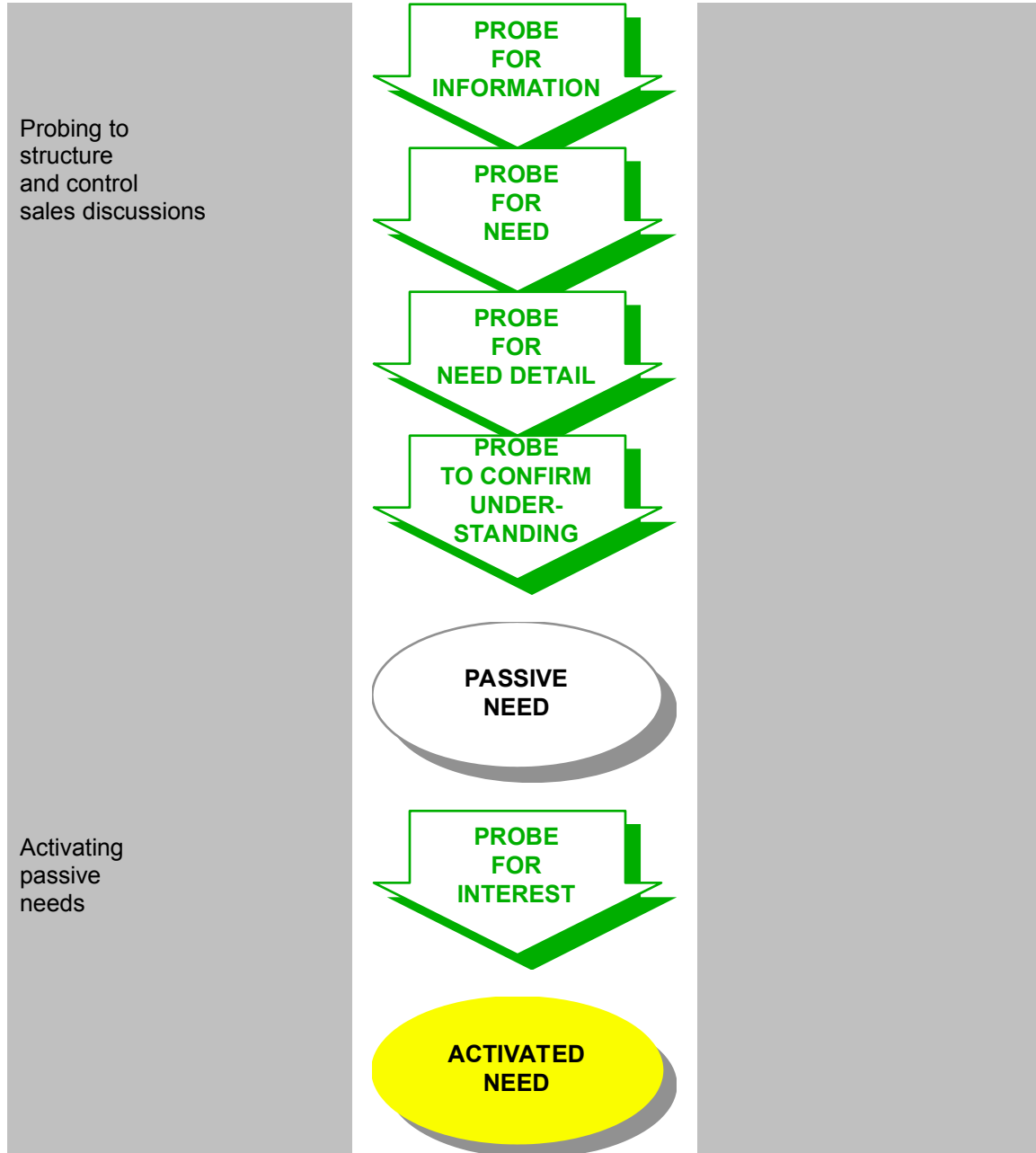
Where a fund manager has a very bullish view toward the continued downward movement of interest rates, but must maintain high quality, the "Bull" or reverse FRN can give substantial returns. The yield increases as interest rates decline.

Client
expresses
passive need

"I believe that we are going to continue to see sustained decreases in interest rates. That's good for investments in the bond market. But I am restricted to investing in high quality, supra and sovereign names – which obviously limits the amount of return I can receive. There's not much I can do about it, so I have learnt to live with it."



THE *SECURITIES* EDGE CASE-BUILDING PROCESS



QUICK REFERENCE GUIDE

Probing: asking questions to obtain information, identify needs, and lead the client to commitment.

Open Probe: a question that invites a free flow of information.

Closed Probe: a question that contains the possible answers and requires a choice.

Interest-Focus Probe: a question that requires a yes or no answer and leads the client to express interest in potential benefits that your product or service can provide.

Activated Need: a client requirement in which interest in satisfaction is established through an interest-focus probe.

To most clients, a product or service is only as good as the case you make for it. Probing gives you control of the case-building process.



Building the Case 2

Account Applications

In the account application exercise that follows, you will apply the thinking and skills of Case Building modules to actual accounts that you currently handle.

Think through the questions and answer them as well as you can. Your responses should enable you to take action immediately in the real world in which you operate.

You can do this exercise on your own, or you can discuss it with a colleague or group of colleagues.

Account Applications: Building the Case 2

1. Think of a specific **client** and a specific securities **product or service** that you would like to sell. The client can be a current client with whom you would like to meet, a potential client that you have not yet called, or a "typical" client from a particular market segment.

CLIENT:

PRODUCT / SERVICE:

2. List some common **issues** (problems, concerns, or opportunities) that this client probably faces every day.

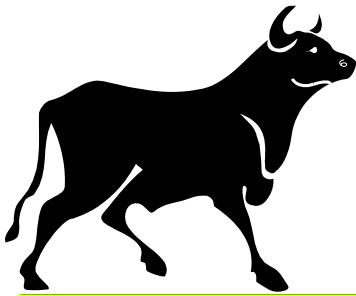
ISSUES:

e.g. Counterparties do not provide a large choice of bonds.

3. Now write down how the client might express these issues as passive needs.
e.g. "We see little choice when talking to salespeople. It's frustrating."

DEVELOP THE CLIENT'S PERCEPTION OF VALUE

When you build a case, you systematically develop the client's perception of value – the value of your proposition. The next module deals with developing value.



**SECURITIES
EDGE**



Building the Case 3

Developing the client's perception of value

Clients buy to satisfy needs and usually have a variety of options. Your product or service will normally be one option among others. Moreover, clients always have the “do nothing” option: when in doubt, do nothing.

To lead clients to take action and satisfy their needs by choosing your product or service, you have to develop the client's *perception of value* – the specific need-satisfying value of your proposal or solution. You develop the client's perception of value through value development statements.

You make a value development statement when:

1. the client has expressed an active or activated need
2. you clearly understand the need.

If you do not have clear need understanding, you probe for *need detail* to give you clear understanding.

Complete the statements below in the space provided.

You only make a value development statement when you are sure that:

1.

Double

2.

Double

If your understanding of the need is not clear, you should:

Double

If a client expresses an active need which you clearly understand, you make a value development statement. If the need is passive, you use an interest-focus probe to activate the need.

You are a sales representative for a major bank in a large city. You want the client to use your products in his investment portfolios, and listen to your suggestions in the management of his portfolios. Since you are the leading bank in the city, you know that your products are competitive, and your information and research back-up are excellent.

Assume you have enough detail to understand the following client remarks. If a remark requires an interest-focus probe, write IFP. If a remark requires a value development statement, write VDS.

IFP	VDS	"It's true that our portfolios and funds do not always perform as well as we would like. Intelligent, sensible suggestions backed up with good research and information flow are very important to us. That is why we need to work with a group we can rely on. We will even pay higher prices for the products if the service is good."
-----	-----	--

IFP	VDS	"It's true that our portfolios and funds do not always perform as well as we would like. But then sometimes the suggestions given to us by various professionals are not accurate. It's also difficult to get on top of the mountain of information that exists in the market in order to make the right choices. But we manage to do a good job all the same."
-----	-----	---

In the following situation, the client expresses a passive need. State what you do at each of the following stages of the sales discussion:

1. your understanding of the passive need is not clear so you would

Double

2. your understanding of the passive need is now very clear so you would

Double

3. you now have an activated need that you clearly understand so you would

Double

Making value development statements

Value development statements are essential to building a solid case. To develop value, you should:

1. reinforce the need
2. target the benefit to satisfy it.

Value Development Statement: a statement that *reinforces* client need and *targets* the benefit to satisfy it.

Complete the statement below in the space provided.

In making a value development statement, you do two things:

1.

Double

2.

Double

You are a sales representative for a major bank in a large city. You want the client to use your products in his investment portfolios, and listen to your suggestions in the management of his portfolios. You know that your products are competitive, and your information and research back-up is excellent.

Client
expresses
active need

“Quality sales coverage is very important to us. Our portfolio and fund managers can't keep on top of all the information that we get. That is why we need coverage from professionals who work with us to ensure successful investments. We do not need sales people whose only objective is to move the products they are stuck with, regardless of sound investment sense.”

REINFORCING
THE
NEED

“You're quite right. There's no long term future relationship working with 'pushy' sales people. Sound advice, backed with sound reasoning and research is essential.”

TARGETING
THE
BENEFIT

“Because we have a well-developed, professional sales force, backed with a long-established research group, you can feel secure in the knowledge that the service you will receive will meet with all your expectations.”

If the client does not give a clear indication of acceptance, you should probe for benefit acceptance. To get a clear yes or no response, you use a type of closed probe called an acceptance probe.

ACCEPTANCE
PROBE

“Do you see how this can reduce your investment workload and increase performance?”

– or –

“Do you see how this type of service will improve your performance?”

Client
accepts
benefit

“Yes, I do.”

Complete the statement below in the space provided.

After you have made a value development statement, if you are not sure whether the client has accepted the benefit, you should:

Double

Reinforcing client need

In a value development statement, the first step is need reinforcement. When you use the skill of reinforcing, you are supporting the idea that action should be taken to satisfy the need.

With active needs, you may reinforce by expressing agreement, understanding, or both. In expressing your agreement with or understanding of the need, you will often restate or repeat something the client has said. The following examples illustrate this relatively simple form of reinforcement:

- ◇ “You’re right. It is important to ...”
- ◇ “I understand how you feel ...”
- ◇ “I understand how you feel and you’re right ...”
- ◇ “I completely agree. This kind of problem really does require ...”
- ◇ “Precisely. You’re paying for it and you should get it ...”
- ◇ “I see what you mean ...”

Complete the statement below in the space provided.

In reinforcing active needs, you support the idea that action should be taken by expressing:

1.

Double

2.

Double

Reinforce the client need below by expressing your agreement with or understanding of the need.

Client
expresses
active need

“When we receive suggestions, we need to get a concise synopsis of the reasoning behind the suggestion, and not a whole pile of data that will take days to analyze as has happened in the past.”

REINFORCE
THE
NEED

Double

Added need reinforcement

To build a solid case for your product or service, you require solid needs. Active needs tend to be solid: the client has a requirement and expresses interest in satisfying it. To reinforce an active need, it may be enough to express agreement with or understanding of the need.

Activated needs tend to be less solid: the client recognizes a problem or situation but only expresses interest in addressing it when you use an interest-focus probe. It is obviously important to strengthen activated needs, since the client may not see as clearly as you do why action should be taken. To strengthen an activated need, you use *added need reinforcement*.

In added need reinforcement, you introduce the main reason (or reasons) why it is in the client's best interests to satisfy the need.

Added need reinforcement builds your credibility because it allows you to demonstrate good business judgment as well as commitment to the client's best interests.

Complete the statement below in the space provided.

To strengthen activated needs, you introduce the main reason (or reasons) why

Double

The following example illustrates added need reinforcement.

You are speaking to the head of an investment management team. Your group sits down each morning and determines the strategies for the day, including discussions on what is too expensive, and what is not. If the attitude toward a particular market is negative, the salesmen are encouraged not to push clients to buy, even if their traders feel otherwise. Your company offers a daily fax service that gives a summary of the markets, some investment ideas, and the justification for these ideas.

Client
expresses
passive need

“My fund managers are always complaining about salesmen who push them to buy something – even when the market is seeing a negative phase. As a result, they have no confidence in salespeople’s suggestions. They often seek market information elsewhere. This takes a lot of their time.”



“Wouldn’t it be better for you if your fund managers could receive a daily, unbiased, concise market analysis, faxed directly from a research department – with exactly the same information the traders and sales group get?”

Client
expresses
interest

“Yes, I believe that could help.”



“Sure it would help. As head of the investment team, you need to address the complaints in order to ensure your team is performing to the best of their ability. I firmly believe that concise and fair information is necessary.”

In many selling situations, you may see much more clearly than the client why action should be taken to satisfy the need. Note how added need reinforcement allows you to guide the client’s thinking as well as to demonstrate *good business judgment and commitment to the client’s best interests*. Intelligent need reinforcement helps to build your professional credibility.

Reinforcing: supporting client need by expressing agreement, understanding, or reasons why action should be taken.

Assume the previous client expresses another passive need and responds positively to your interest-focus probe. In the space below, make a statement that provides added need reinforcement.

Client
expresses
passive need

“My fund managers complain that they share all the details of their portfolios with salespeople. But the salespeople only suggest hedging strategies when we ask them to. It seems that most salespeople don’t really understand hedging. As a result, the fund managers are often not very effectively hedged.”



“Wouldn’t it be an advantage for your fund managers if their salespeople shared the fund information with a group of derivatives specialists who could provide a better flow of hedging ideas?”

Client
expresses
interest

“Yes, I believe it would.”



Double

The second step in a value development statement is to target the benefit. Targeting is an especially critical skill, since it shows precisely how your product or service can satisfy the client's stated need. When you target, then, the features and benefits you present should be *relevant to the client's stated need*.

Targeting: satisfying a stated client need by presenting relevant features and benefits.

You are selling a high yield deposit, which is a combination of a money market and equity investment over one year. The coupon fixed to the instrument for one year is almost three times current one year deposit rates. Below are two features of your high yield deposit and the corresponding benefits.

Feature If the spot level of the share at maturity is higher than the fixing issue price, the investor gets the notional amount back, plus the full coupon.

Benefit The investor receives a very high money market yield with the cash delivery.

Feature If the spot level of the share at maturity is lower than the fixing issue price, the investor gets the share at the then actual closing price.

Benefit The investor receives the shares at a lower price than the current share price, plus the full coupon.

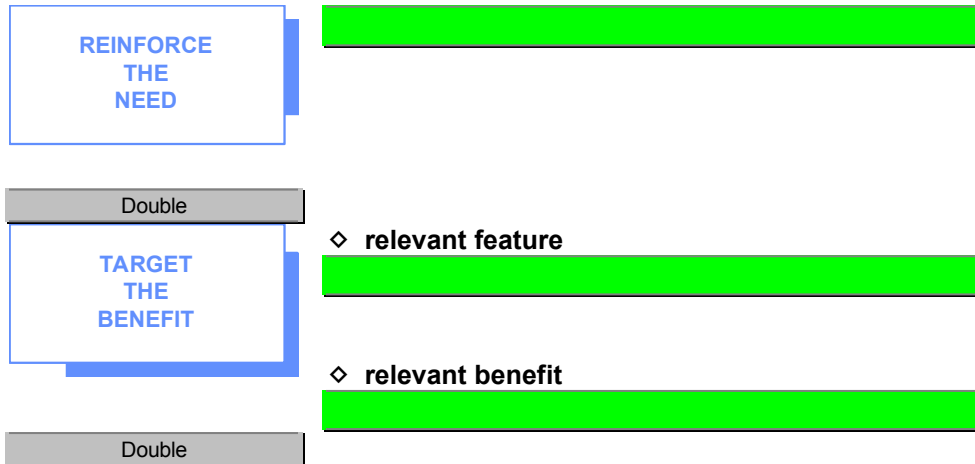
Consider the active need expressed below and then write a value development statement in which you:

1. reinforce the need
2. target the benefit.

When you target, remember to present the feature and benefit that are relevant.

Client expresses active need

“Our funds are diversified: short term money market exposure, equity exposure, and bond exposure. Your product seems to address two out of the three exposures, so I feel it is worth considering. It makes good investment sense.”



Avoiding feature-benefit overkill

Feature-benefit overkill occurs when you introduce irrelevant features or benefits—ones that have nothing to do with satisfying a client's stated needs. The following example illustrates feature-benefit overkill.

Your client is a UK based fund manager whose needs and concentration are in US\$ exposure with bonds and money market instruments. She wants to reduce her average duration in the fund. You are currently offering her a US\$, five year bond with Abbey National as the borrower:

- ◇ relevant feature “This Abbey National issue carries a coupon of 6½%. It matures in five years, is part of a US\$ 600 million issue, and yields 6.62%. This equates to 38 basis points over equivalent maturing US Treasury bonds.”
- ◇ relevant benefit “An exposure of US\$ 10 million in this bond will reduce your average duration for the fund by approximately 1¼ years. At the same time, you will maintain your currency exposure in a good quality bond that has good liquidity in the market. At this yield level, it represents good value.”
- ◇ **feature-benefit overkill** **Furthermore, it is worth noting that if you wish to change your currency exposure, our group will construct a currency swap for you. This means you won't have to sell your Abbey National position, but simply enter into a currency swap transaction with us, thereby changing your currency exposure.”**

The client has not expressed a need to alter her currency exposure at some point in the future. The question of swap transactions has not even been raised. At this point, the client may easily think that the salesperson is trying to sell an expensive position which is proving a slow mover in the markets, rather than a position that specifically meets the client's need.

Feature-benefit overkill tends to reduce your professional credibility. It creates client confusion and suspicion — the feeling you are trying to sell something the client has not said he wants or needs. Confused or suspicious clients tend not to believe you and not to act.

Complete the statement below in the space provided.

Feature-benefit overkill results from presenting features or benefits that

Double

**SECURITIES EDGE CASE-BUILDING SKILLS
AND CONCEPTS**

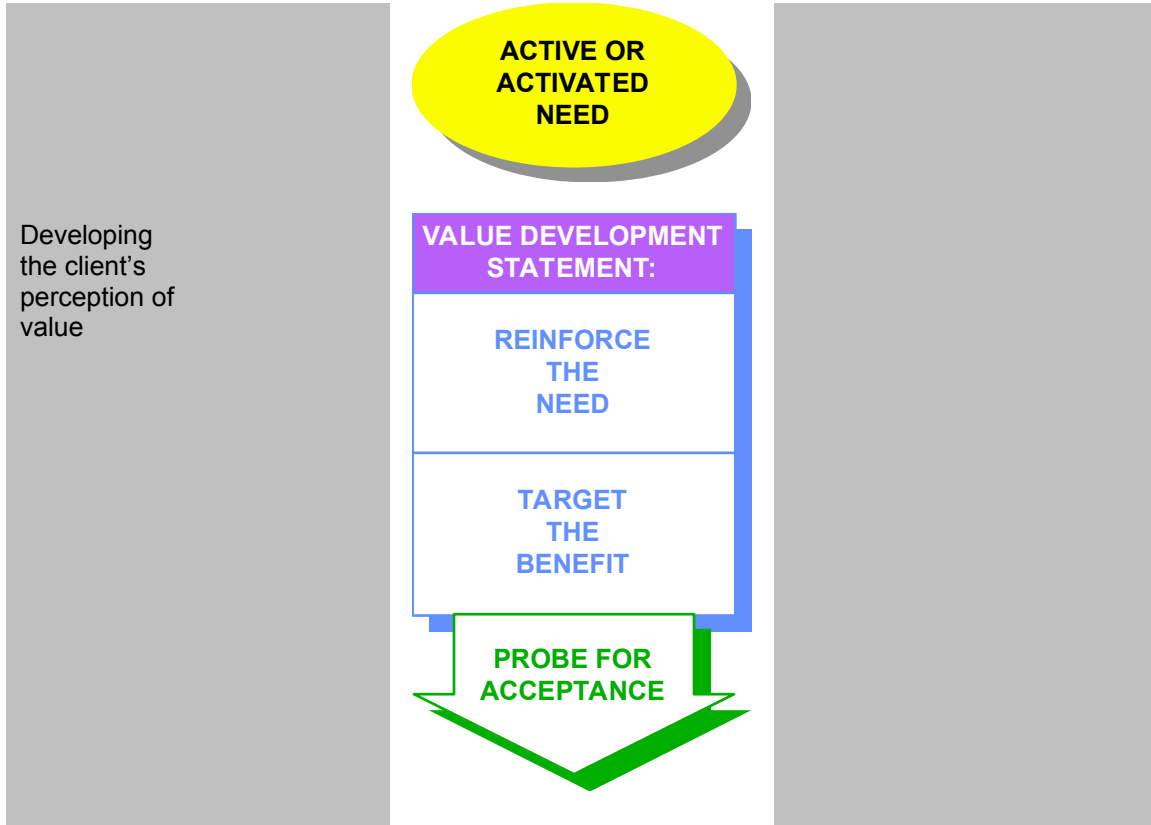
Value Development Statement: a statement that *reinforces* client need and *targets* the benefit to satisfy it.

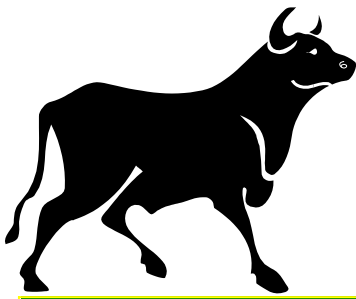
Reinforcing: supporting client need by expressing agreement, understanding, or reasons why action should be taken.

Targeting: satisfying a stated client need by presenting relevant features and benefits.

Clients want value for money. You build a solid case by developing the client's perception of value.

THE *SECURITIES EDGE* CASE-BUILDING PROCESS





SECURITIES EDGE



Building the Case 3

Account Applications

In the account application exercise that follows, you will apply the thinking and skills of Case Building modules to actual accounts that you currently handle.

Think through the questions and answer them as well as you can. Your responses should enable you to take action immediately in the real world in which you operate.

You can do this exercise on your own, or you can discuss it with a colleague or group of colleagues.

Account Applications: Case Building 3

1. Turn back to the **passive needs** you expressed in the Account Applications exercise for Case Building 2. Briefly list the passive needs again in the space below.
2. For each passive need, write an **interest-focus probe** that will activate the passive need. Your probe must lead the customer to express interest in taking action.

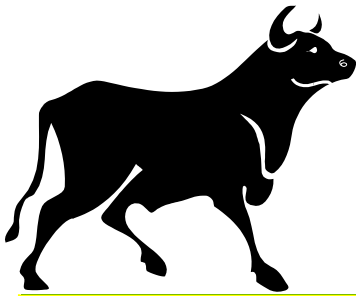
PASSIVE NEED	INTEREST-FOCUS PROBE
<i>e.g. Choice</i>	<i>"Would it help you if you had information about a wider choice of bonds?"</i>

3. Choose one of your interest-focus probes, and write an **added need reinforcement** statement.

e.g. "Of course. It is vital for you to have all the relevant information before making major commitments."

MAXIMIZE THE CLIENT'S PERCEPTION OF VALUE

A good close maximizes the client's perception of value – the value of doing business with you. The next module covers the concepts and skills of closing.



**SECURITIES
EDGE**



Closing

Closing for client commitment

The purpose of any close is to gain concrete client commitment – a decision to go forward. This may take the form of:

- ◇ commitment to buy if your product or service can be sold in a single call ... or
- ◇ commitment to the next logical step in the selling process if your product or service requires a series of steps.

What you do not want is a situation in which the client says: “That was very interesting. I’ll think about it and call you.” Such a situation is not constructive because there is:

- ◇ *No* commitment to buy
- ◇ *No* commitment to a next step
- ◇ *No* control, since the salesperson has lost the initiative: it is now the client who will determine if and when there is a next step.

Complete the statement below in the space provided.

When you close, your purpose is to gain

Double

When to close the call

You close when you have satisfied enough needs to give the client a solid case for making a commitment.

To indicate that their needs have been satisfied, clients usually give buying signals. Buying signals are words or body language that indicate that the client is ready for you to close the discussion.

Double click on the buttons of the client reactions that are probably buying signals:

? The client leans forward, nods his head, and says, "That's very interesting."

? "That was an excellent explanation! This instrument sounds perfect for us."

? "That was a fascinating hedge proposal for that scenario. Tell me, what other scenarios would that hedge work for?"

? The client leans back, folds his arm and says, "You have made a very interesting presentation. Give me a week to think about it."

? "I'm impressed. What is the next step?"

Not all clients give clear buying signals. In deciding when to close, you have to use your judgment. For example, if you feel you have enough needs to close but the client does not give a buying signal, you should probe to see if the client is ready. Your probe may be open or closed. For example, you might say:



“What other concerns do you have ?”

– or –



“What else is important to you ?”

– or –



“Is there anything else we need to discuss ?”

– or –



“Have I answered all of your questions ?”

Complete the statement below in the space provided.

You close when you have satisfied enough needs to

Double

Close for commitment

Your close should maximize the client's *perception of value* and lead the client to make a concrete *commitment*. One way to do this is through the standard close.

In a standard close, you should:

1. *consolidate the case* you have built for your product or service
2. *state the next step* that the client should take
3. *probe for commitment* to the next step.

Standard Close: securing client commitment by consolidating the case, stating the next step, and probing for commitment.

Complete the statement below in the space provided.

In closing for commitment, you do three things:

1.

Double

2.

Double

3.

Double

A sales representative for Union Bank of Canada (UBC) might have used the close below. In the space provided identify each statement in the close. Use **B** for benefit, **NS** for next step, **CP** for commitment probe, and **NONE** if a statement is none of these things.

"Let's briefly review the main points we have discussed."

"This bond will increase your portfolios average duration."

"This strategy proposal will reduce your risk exposure in those volatile Scandinavian currencies."

"Finally, the changes in your fund structure will project an increased level of professionalism."

"At this point, you should study the proposals I shall send you by fax so that you can make your selection."

"Shall we execute this now, or would you prefer to do it in the morning?"

Double

"Let's briefly review the main points we have discussed."

"This bond will increase your portfolios average duration."

"This strategy proposal will reduce your risk exposure in those volatile Scandinavian currencies."

"Finally, the changes in your fund structure will project an increased level of professionalism."

"At this point, you should study the proposals I shall send you by fax so that you can make your selection."

"Shall we execute this now, or would you prefer to do it in the morning?"

Consolidating the case

The first step in closing is to consolidate the case. You consolidate by reviewing each accepted benefit one after the other.

By reviewing each benefit, you present the client with a total value package — a solid case for your product or service. *Consolidating maximizes the client's perception of value and creates a powerful, persuasive close that makes commitment logical and justifiable.*

Consolidating: reviewing each accepted benefit in a way that maximizes the client's perception of value.

To begin your close, you use a summary introduction like those listed below:

- ◇ “Let’s briefly review, point by point, what we have discussed so far.”
- ◇ “Let’s summarize the main points discussed so far ...”
- ◇ “To review the key points of our discussion, we have agreed that ...”
- ◇ “To summarize the substance of our discussion, we have agreed that ...”
- ◇ “At this point, let’s recap your situation and how our product will help you ...”

Complete the statement below in the space provided.

To consolidate the case and maximize the client's perception of value, you

Double

Stating the next logical step

The second stage in closing is to state the next logical step. In stating the next step, it is important to communicate that this step is *the next logical thing* for the client to do. The next step might be to:

- ◇ sign a contract
- ◇ authorize a needs analysis
- ◇ arrange a demonstration
- ◇ organize a presentation
- ◇ meet with others involved in the decision

In stating the next logical step, you maintain necessary control over the selling process. If you hesitate or fail to state the next step, you will be inviting many clients to delay or avoid commitment. Your position is weakened once the client says, "Fine. I'll think about it and call you." It is now the client who has determined that the next step is "think". This is not a decision to go forward. It is not concrete client commitment.

There are various ways to state the next step, including the following:

- ◇ "The next step is to ..."
- ◇ "The next logical step is to ..."
- ◇ "At this point, the next logical step is to ..."
- ◇ "At this stage, we should ..."

Complete the statement below in the space provided.

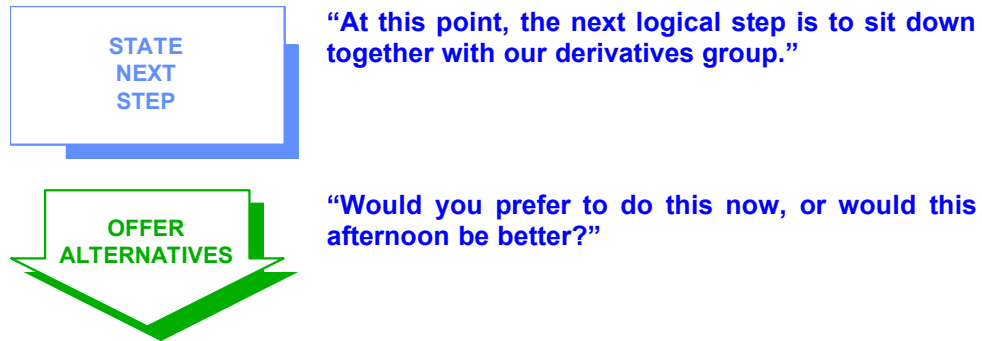
The second step in closing is

Double

Probing for client commitment

The third step in closing is to probe for client commitment. In probing for client commitment, you use a closed probe to offer alternatives, such as alternative meeting times.

When you offer alternatives, such as alternative meeting times, the client's mind focuses on *choosing a suitable time* rather than on thinking of reasons to avoid or delay the next step. For example, you might state the next step and probe for commitment as follows:



In some situations, it will not be necessary to probe for commitment. For example, you may say, “The next step is to buy the product.” If the client says, “OK, my Euroclear number is....!”, there is clearly no need to probe for commitment.

Complete the statement below in the space provided.

The third step in closing is to probe for client commitment. In probing for commitment, you use a closed probe to

Double

You have put together four hedging strategy proposals for the treasury of a major institutional client. You have built what you believe is a solid case for one of your proposals. The benefits of this proposal are as follows:

- ◇ **Reduced risk on Italian stocks.** *The treasury fund's risk exposure to the Italian stock market has been reduced through the creation of a basket of Italian stocks, and a play with corresponding call and put warrants denominated in US\$.*
- ◇ **Reduced risk on speculative bonds.** *The fund manager has an interest in Australian bonds of speculative quality. You have introduced an exposure to TNT, FAI, and NewsCorp bonds with a downside hedge denominated in Swiss Francs.*
- ◇ **Reduced risk on US interest rates.** *The treasury fund manager believes that US\$ interest rates are going to increase, but he must be exposed in US\$ bonds. Your derivatives specialist has created a basket out of his holdings, and has hedged the potential upward interest rate risk at minimal cost to the fund. Furthermore, you have created a theoretical shift in the client's yield curve exposure by altering his average duration. No bond positions have been sold.*

The next step is a needs analysis to determine which proposal is most suited. You want to arrange it for next week or the week after. In the space below, write how you would close the sales discussion.

CONSOLIDATING THE CASE:	
REVIEW ACCEPTED BENEFIT # 1	
Double	
REVIEW ACCEPTED BENEFIT # 2	
Double	
REVIEW ACCEPTED BENEFIT # 3	
Double	
STATE NEXT STEP	
Double	



Double

SECURITIES EDGE CLOSING SKILLS AND CONCEPTS

Standard Close: securing client commitment by consolidating the case, stating the next step, and probing for commitment.

Consolidating: reviewing each accepted benefit in a way that maximizes the client's perception of value.

The purpose of any close is to secure concrete client commitment – a decision to go ahead.

THE SECURITIES EDGE CLOSING PROCESS

Closing
for client
commitment

**CONSOLIDATING
THE CASE:**

**REVIEW
ACCEPTED
BENEFIT # 1**

**REVIEW
ACCEPTED
BENEFIT # 2**

**REVIEW
ACCEPTED
BENEFIT # 3**

**STATE
NEXT
STEP**

**OFFER
ALTERNATIVES**

CONGRATULATIONS! You have completed phase 1!

- You now have some powerful foundation selling skills. If you have reached this stage, you should have registered as a user. If this slipped your mind in the excitement of developing your skills, just remember that the fee will probably come back to you in the first few calls you make today. **SO REGISTER NOW, AND WE WILL SEND YOU THE SECOND HALF OF THE PROGRAM, PHASE 2: ADVANCED SELLING SKILLS.**
- When you register and pay the registration fee, you will receive the second phase modules (advanced selling from interpreting customer response to overcoming objections), and 30 days of free customer support. To register, please complete the registration form (REGISTER.DOC) and send it along with US\$99 to the address indicated on the form.
- We would like to hear from you. If you have any comments, please leave them on the bulletin board for comments at our BBS (213) 655 4219, or fax us on (213) 651 2190.