

Risk Reversal



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The insiders guide to dramatically accelerate your business results by knowing exactly how to make an irresistible offer they can't refuse

Preface: The Razor's Edge

Even in a depressed economy, the top 10% of businesses in virtually all industries are becoming more successful than ever. The remaining 90% are either floating, threading water, or drowning.

Why is that?

In 1956, while studying race horse performance, a group of scientist stumbled upon a fascinating discovery: in the long run, the number 1 race horse earned up to ten times more in price money than the number 2 race horse. However, the number one race horse was less than 1% faster than number two. They called this strange phenomenon 'The Razor's Edge:' a small, yet consistent advantage, results in a massive, nonlinear positive effect on performance and success.

What we know now is that the 'Razor's Edge' is not limited to horse racing, but is equally valid for modern business.

If you are doing what everyone else is doing, you are not differentiating yourself from the competition and you are probably stuck.

Here is a little truth: the wildly successful people do not know much more than you do. They also do not necessarily work vastly longer hours than you do. They only do a few things slightly different: a few small advantages in certain key areas, which are systematically, consistently and relentlessly leveraged. They have a 'Razor's Edge:' the difference between a business which prospers beyond imagination and a business which struggles to survive.

This guide is dedicated to help you to thrive by engineering your own Razor's Edge: to become Preeminent and stand out in your field of business or profession like a giraffe, surrounded by field mice.

There is a method to the madness. This insiders guide shows you how.

Why Risk Reversal

Three

There are only three ways to grow your business. Get more new clients. Sell more expensive products and services to your existing clients. And finally, sell more often to your existing clients. Once we know the power of three, dramatic business growth is there for the taking.

This insiders guide is focused on getting more clients and sell more expensive products and services through the strange phenomenon of risk reversal.

The power of risk

In any business transaction between two or more parties, there is always one party which carries most, if not all, risks at the end. For example, if you would buy apples at the grocery store, you will exchange cash for a bag of fruit. The risk in this transaction ends up entirely with you: the apples might be awful, while the grocery store holds the (risk-free) cash. In this case, the feeling of risk might lead you to feel uneasy about the transaction, or even refrain from buying.

Risk is therefore the essential part in any (business) transaction. Taking risk away from your client is one of the most powerful (and overlooked!) ways to grow your business.

There are only three ways to take away risk from your clients:

- 1. Eliminate risk:** in case of our example of buying apples, tasting the apples before buying will eliminate the risk that you find out the flavor of the apples is awful after you have returned home.
- 2. Reduce risk:** one way to reduce risk in our example with buying apples is to let customers inspect and choose any apple they like before buying.
- 3. Transfer risk:** if the grocery store could design the transaction process in such a way that it carries all the risk at the end, the client will be much more inclined to buy. For instance, the grocery store could choose to only charge customers after they have consumed all apples to their satisfaction at home.

The little known secret about taking away risk to grow any business is called risk reversal and it is one of the most powerful strategies for business growth.

In this insiders guide we will discuss exactly how you can apply this knowledge about risk reversal to design irresistible offers no one can refuse.

Risk psychology 101

Let's explore the delicate balance between risk and reward first.

The human mind perceives the impact of losing something we already have as much bigger compared to gaining something we do not have yet. This is called the endowment effect. The endowment effect has been quantified by behavioral psychologists and what they found was that the feeling of loss can be 10 times bigger than the feeling of gain. This means, for instance, that we would spend the same amount of energy to prevent a loss of \$100 as we would spend to gain \$1000.

This knowledge has major business applications. Since any business transaction changes the status quo, it has to incorporate how to mitigate risk, decrease uncertainty and prevent loss of control. Only after these three elements have been addressed, focus can shift to benefits and features. Our business growth and selling strategy should thus foremost be dealing with risk reduction and increase of control, before it addresses any rewards.

Risk and the fear of losing control are always expressed as objections, such as 'too expensive,' 'not now,' 'not interested,' , etc.

We can therefore accomplish risk reversal by preparing for and eliminating any objections to the business transaction. These objections come in 5 categories.

The Five Objections to any Business Transaction

There are only five types of objections and this makes it much easier for us to prepare our growth strategy accordingly:

1. No Trust
2. No Confidence
3. No Need
4. No Urgency
5. No Money

These objections are always based on perceived risk, increased uncertainty or fear of losing control. If we can reduce risk and increase control, it will open doors to achieve business success in the easiest way possible.

1. No trust

Trust is the absolute conviction that the other person has your best interest in mind. If there is no trust, there is only risk and any business transaction is virtually impossible.

We might have a great product or service, yet often, especially with new clients, we do not have any track record of accomplishment yet. Why should anyone trust us then?

There are several risk reversal strategies that can be applied in case of lack of trust:

Risk reversal strategy 1: Unconditional guarantees

Apply unconditional guarantees. For instance, use language like: 'If you are not 100% satisfied after purchasing this product, we will refund your investments. Without conditions, without questions.'

Unconditional guarantees move risk completely back in your court. This sounds like a risky strategy for yourself, yet if you provide a quality service or product, very few people will ask for their money back. If, on the other hand, you do not have a quality service or product, you should not be in this business in the first place.

Language example: ***'the quality of my work is guaranteed. If somehow, you are unhappy with the quality, your investments will be refunded. No questions, no conditions...'***

Risk reversal strategy 2: The nose of the camel

'If the camel once gets his nose in the tent, his body will soon follow.' Building on this Arab proverb, suggest a small business transaction pilot with a minimum of risk which is completely carried by you. Once the small pilot has been successfully implemented, enough trust has been built to take the next steps for full commitment.

Language example: ***'we can do a quick trial at no cost to you...'***

Risk reversal strategy 3: Puppy trial

This is a favorite of many pet shops. Let the family have the little puppy over the weekend. No costs, no obligations, no risks and after the trial, the cute puppy can be brought back to the store. No questions asked. Of course, over the course of the weekend, the endowment effect kicks in and all family members will fall in love with the puppy and as a result dread losing it.

Language example: ***'don't decide yet. Just take the puppy home with you for the weekend...'***

2. No Confidence

Confidence means the absolute conviction that you are capable to improve the clients condition. Clients must be confident in your ability to help. It is often the second hurdle, after gaining trust. There is, however, one powerful risk reversal strategy to gain confidence with new clients: Referrals

Risk reversal strategy 4: Referrals from a trusted source

Shakespeare wrote that 'the fragrance of the rose lingers on the hand which casts it.' In other words, a referral from a trusted person automatically carries confidence in your ability to help. And confidence in your ability is one of the best antidotes for risk. The bigger the buying decision, the more the need for confidence: no one has ever chosen a brain surgeon from the Yellow Pages.

More on building a systematic referral strategy, can be found [here](#).

3. No Need

The bigger the need, the easier it is to persuade others to go ahead with your solution. For a drowning man, even a brick is a potential floating device. Most of the time we are not dealing with desperate situations. Therefore, we need a more sophisticated approach.

Risk reversal strategy 5: Future Pacing

A successful strategy to create need is to stress the negatives of the status quo. These negatives can be framed by describing two different futures: a grim future where your product or service has not been acquired, and a bright future where your product or service has made all the difference. This technique is called 'Future Pacing,' and it starts with the question 'Having used our products/services, how would your world be different one year from now?'

Language example: ***'if we would have this conversation one year from now, what needs to have happened in order for you to look back to an excellent year...'***

Risk reversal strategy 6: Options

The most dangerous number for any client is the number 'One.' If a client only has one option to use your service, it feels too much like losing control and increasing risk. Therefore, always provide multiple options to bring the client back into the drivers' seat.

A simple way to develop options is to make a distinction between objectives (the 'inn at the end of the journey') and alternatives (= the 'different paths to get to the inn'). The easiest way for developing options is always to focus on alternatives first.

For example, if you are a travel agency and your client wants to go to New York, provide multiple ways of doing that (air travel, boat, train, car, etc.) to increase the feeling of control.

Language example: ***'there are three options we can choose from, if we want to proceed...'***

4. No Urgency

Any client will have multiple important initiatives going on. Your service or product might be interesting, but it will have to wait at the end of the line. Adding another initiative will be seen as risky, due to loss of control. In these cases, we often hear the famous words 'Please come back in....' Not to worry, there is a very powerful strategy to overcome this. It is called growth focus.

Risk reversal strategy 7: Growth focus.

Priorities are often set based on two criteria: urgency and impact. In other words, if your help can solve an urgent problem with huge impact, the conversation with your client shifts from 'if to use your services/product' to 'how to use your service/product.' Now what to do if your solution only solves a 'non urgent' problem?

Here is a little trick: always introduce a third criteria for making priority decisions: growth. In other words, how big will the opportunity/problem be at a certain point in time in the future. If the problem will only grow bigger, introducing your solution now will help to reduce risk. If the opportunity will only grow smaller in the future, implementing your solution now will increase control and help to catch as much value as possible. Therefore, educate your clients that priorities should be based on three criteria: urgency, impact and growth. Then steer the conversation to the future and how your product and services will help.

Language example: ***'not acting now on buying additional insurance, will only enlarge your exposure to large liabilities from this moment onwards...'***

5. No Money

One of the most dreaded push backs for making any business transaction is: 'We do not have the money.' The risk here in the eyes of the client is to spend precious money on wrong initiatives (and look foolish and incompetent in the process.) Instead of folding your tent and going home, here are two powerful risk reversal strategies when hitting the 'no money' wall.

Risk reversal strategy 8: Opportunity cost

There is always money, even in organizations which are in the middle of bankruptcy proceedings. The thing is that they simply do not want to spend their money on your service or product. However, companies spend fortunes on office window cleaning, copier maintenance, free coffee, etc. Do not be shy to place your idea as competing with these activities: point out that by spending money on trivial things like office furniture, real opportunities are being wasted. This is an eye opener for many clients: all of a sudden, maintaining the status quo introduces a major risk: this risk is to continue to spend money on the wrong things and being perceived as unfocused. Once the clients is aware of this risk, all of a sudden in many cases the budget for your service or products is no longer a concern.

Language example: ***'this seminar will cost you less than the money you will spend on your car this month...'***

Risk reversal strategy 9: Reassuringly expensive

Cheap is often associated with risky. Whenever you face a client which tells you that your products or services cost too much money, point out that your products or services are 'reassuringly expensive.'

Language example: ***'of course you can always get it cheaper, if you want to take the risk...'***

Getting started with risk reversal

Here is an overview of the 9 best risk reversal strategies to create dramatic business growth. Which one strategy, if you had implemented it to perfection right here, right now, would have the biggest positive impact on your business? Pick one, and get started now!

1. Unconditional guarantees
2. The nose of the camel
3. Puppy trial
4. Referrals from a trusted source
5. Future Pacing
6. Options
7. Growth focus.
8. Opportunity cost
9. Reassuringly expensive

About Paul W.P. Rulkens

How do the best get better? Companies like KPMG, ExxonMobil, Novartis, Johnson & Johnson and Canon continue to work with Paul Rulkens to raise the bar and quickly bring results to the next level.

Paul knows that 'doing more' is no longer the default answer to 'too much to do.' He is an expert in high performance: the art and science of accelerating bold executive outcomes with the least amount of effort. He is an award-winning professional speaker, author and a trusted boardroom advisor who has helped thousands of business owners, professionals and executives get everything they can out of everything they have. His ideas to improve results and accelerate careers are often described as thought-provoking and counter-intuitive, yet highly effective.



You do not have to be sick in order to get better. As an international keynote speaker, Paul annually addresses dozens of successful international audiences about essential mindsets and proven strategies to reap exponential improvements. His most popular topics cover the secrets of consistent execution, easy innovation, powerful leadership, growth focus and seamless teamwork.

Originally trained as a chemical engineer, Paul's work is based on deep knowledge and extensive experience in the practical business applications of behavioral psychology, neuroscience and, especially, common sense. His popular TED talks are used frequently in professional training sessions all over the world.

His clients call his keynotes both substantive and hilarious. The reason may be that Paul once was trained as a standup comedian, receiving critical acclaim for his Arnold Schwarzenegger impersonation. However, the miserable failure of his ensuing 'pumping iron' muscle development project prevented him from pursuing his true calling in life: a career as a credible Arnold Schwarzenegger body double....

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