

Developing Clear Value Propositions

Presented by

Chuck DeVita

Growth Process Group

www.growthprocess.com

Value Propositions



Goal

To help company founders and executives grow revenues and profits by learning better methods for developing Value Propositions for products, services and solutions sold to businesses.

Agenda



- 1:00pm – 2:30pm
 - Introductions
 - Key Concepts
 - What is a Value Proposition?
 - Value Proposition Development Process
- 2:30pm – 3:00pm
 - Networking coffee and Q&A
- 3:00pm – 5:00pm
 - Value Proposition Development workshop
 - Teams develop & present Value Propositions

Survey Questions



- Is your business: B2B ____, B2C ____, both ____?
- Industry Segments?
 - Technology
 - Software and SaaS
 - Semiconductor
 - Internet
 - Telecomm
 - Other
 - Healthcare
 - Energy
 - Manufacturing
 - Financial services
 - Professional Services
- Functions?
 - CEO/President/COO
 - Chief Sales Officer/Manager
 - Chief Marketing Officer/Manager
 - CFO/Controller
 - CIO
 - Customer Success Officer/Manager
 - Sales Rep
 - Marketing

Exercise



- Describe the “Problem You Solve for Your Customers”
 - 15 words or less
 - No features allowed

What is a Value Proposition?

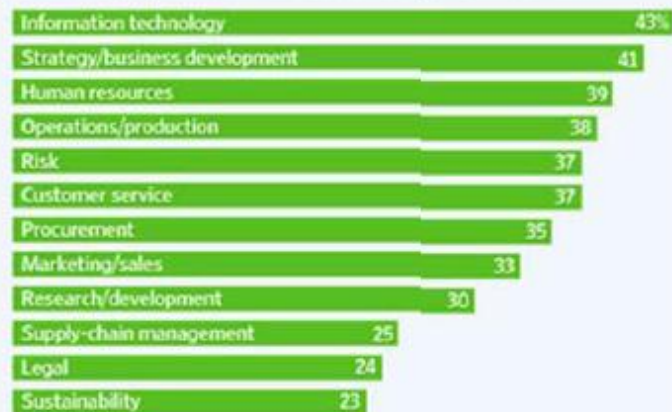


- A Concise (quantified) Statement of the
 - Revenue Increase
 - Cost Reduction
 - Control Improvement
- That your solution provides your customer.

Buyers Are Value Focused

New Roles

The portion of finance chiefs surveyed who said that in the previous 18 months they had assumed additional responsibilities in:

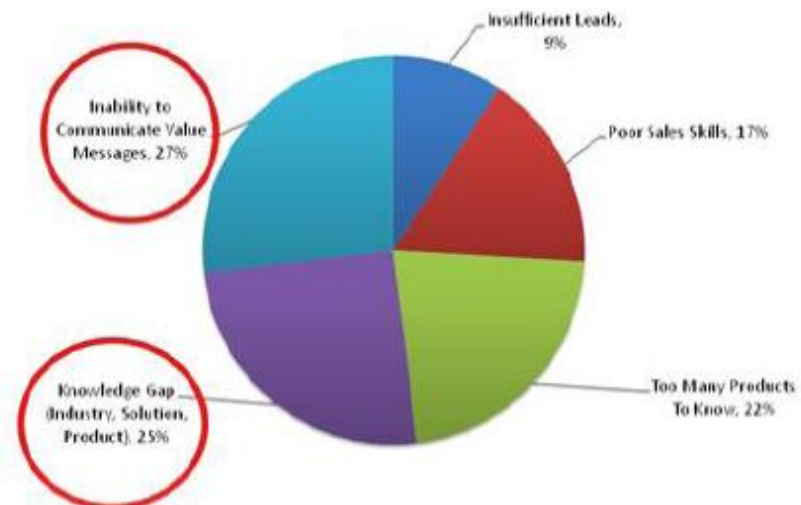


Source: Accenture survey of 1,054 senior finance executives; multiple responses were allowed.

- CFOs responsible for more groups
- Taking control of strategy + buying-cycle
- More financial due-diligence on all purchases

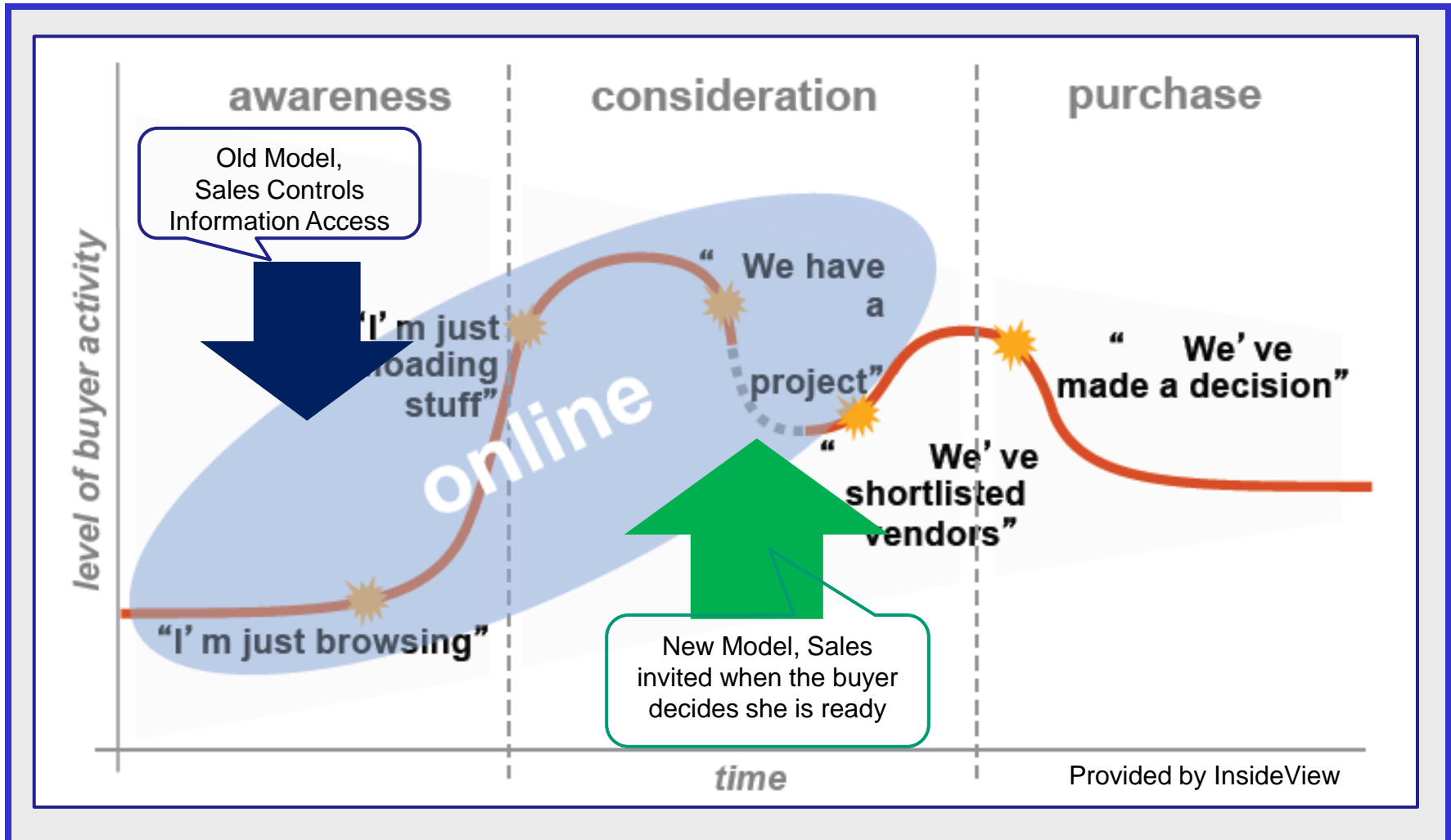
• **#1 Reason for NOT Meeting Sales Quotas – Inability to Communicate Value Messages (27%) – SiriusDecisions 2010**

• **Only 38% of sales reps understand the customer's issues and can identify how vendor can help – Forrester 2010**



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Customer Behavior



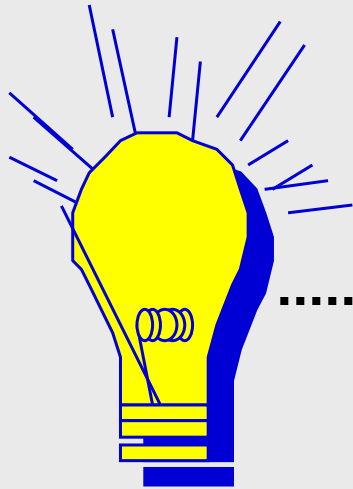
Value Propositions



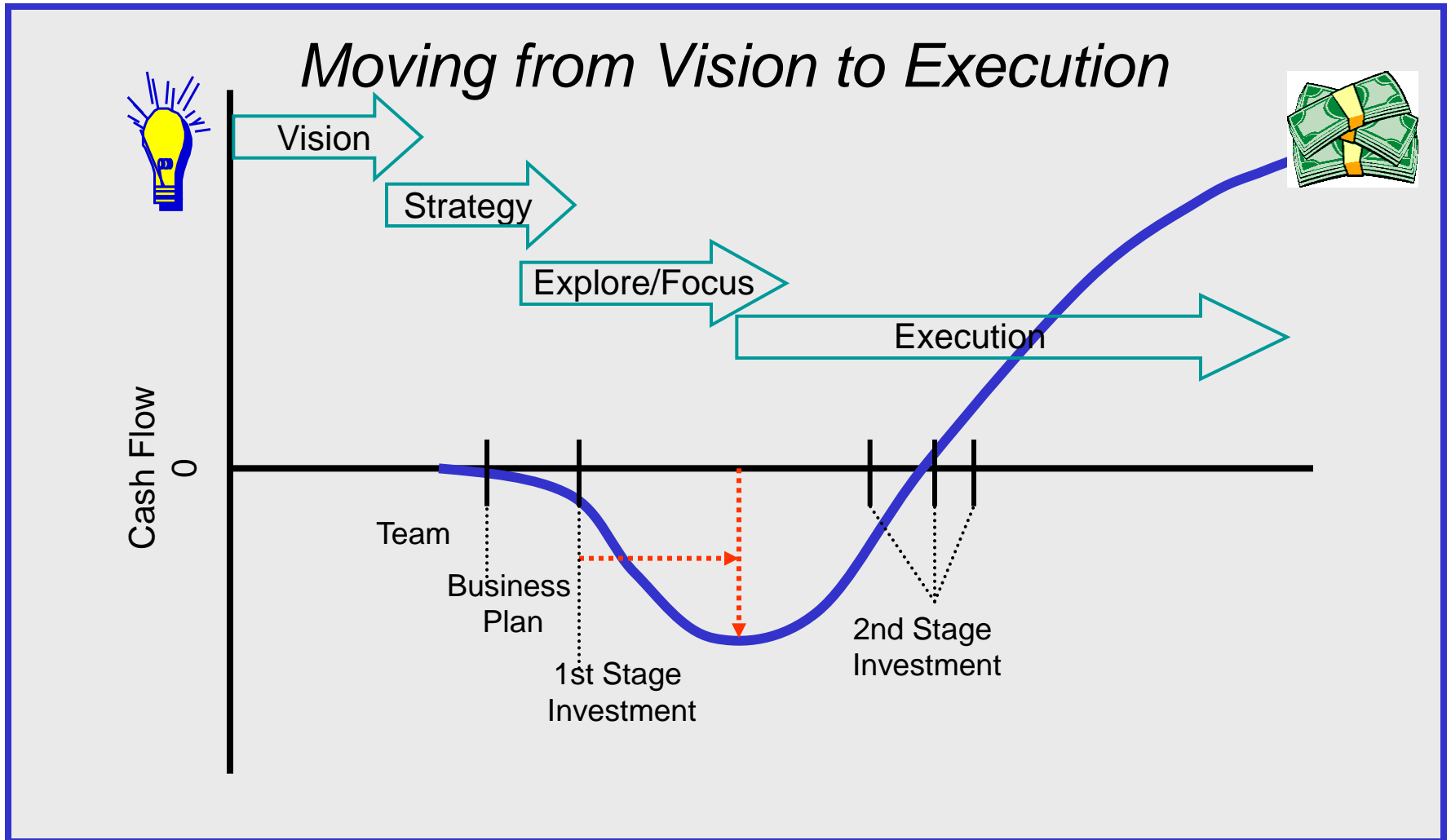
Never expect your prospects to figure out your product/service's value on their own!

Value Propositions

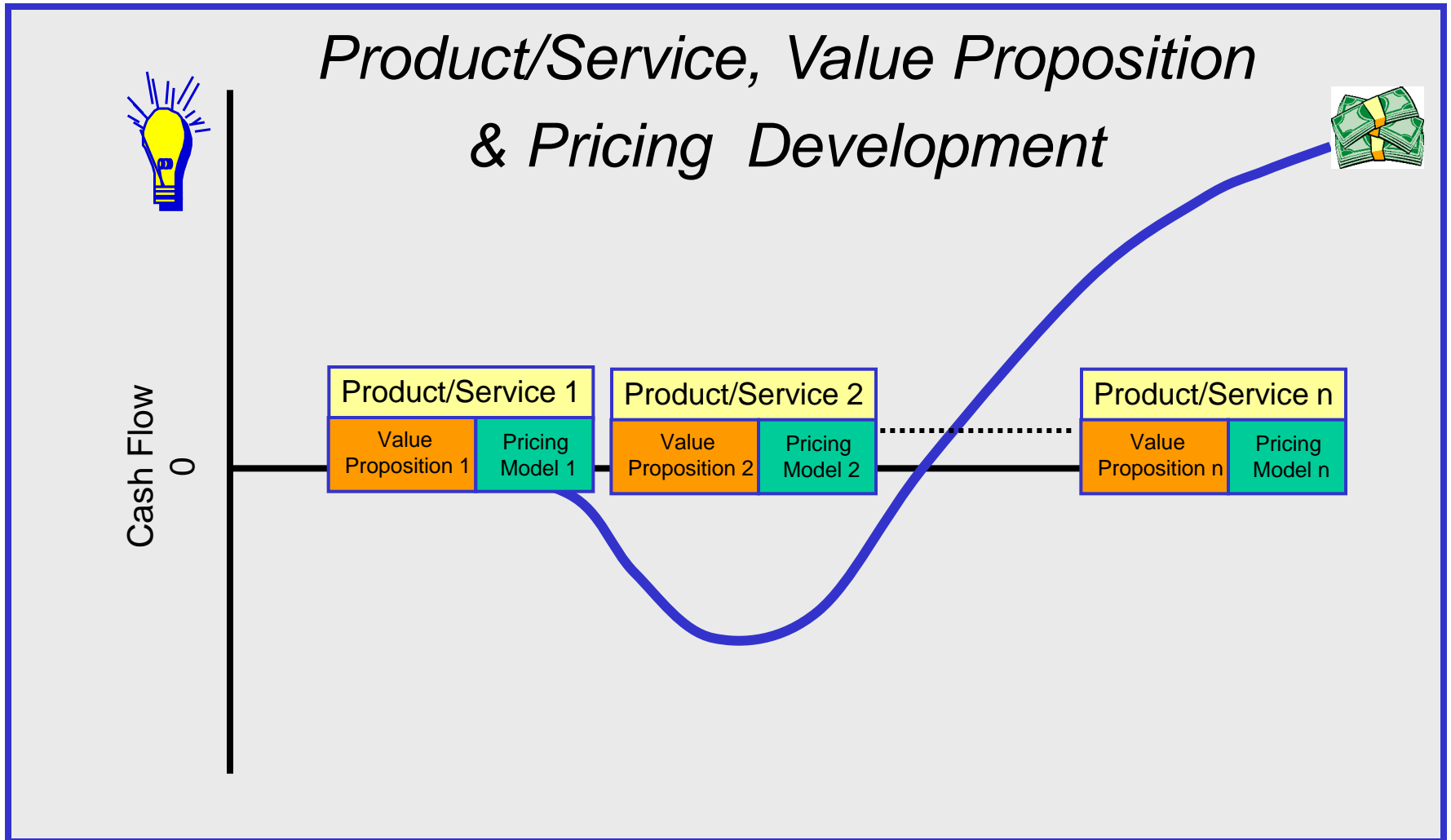
Moving From Vision to Execution



Value Propositions



Value Propositions



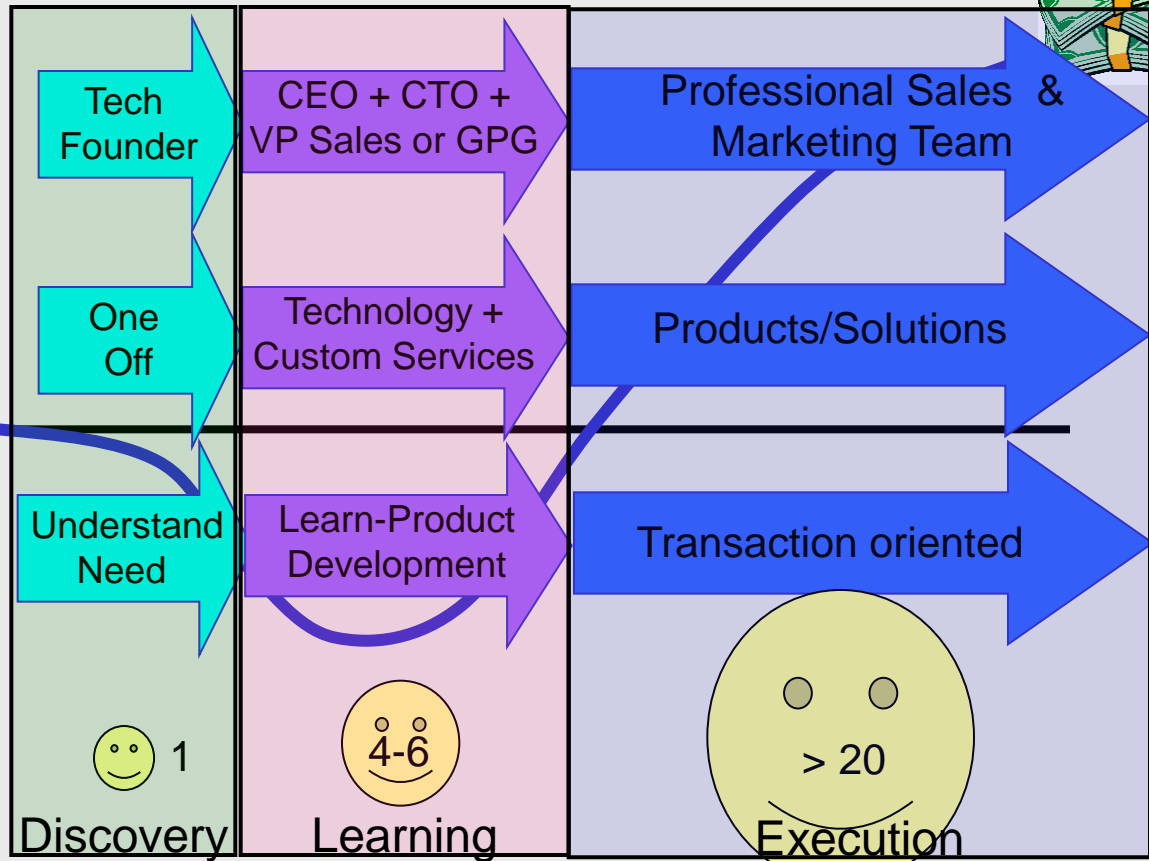
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Who Sells What

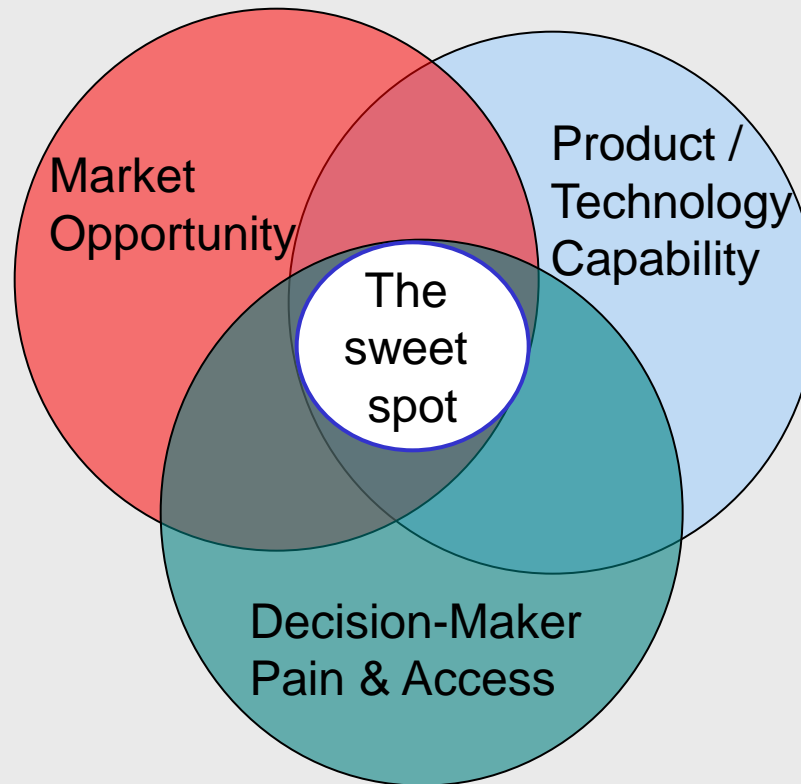


Hiring a sales & marketing team too soon is an attempt to impose an execution model before you have learned what to sell



Value Propositions

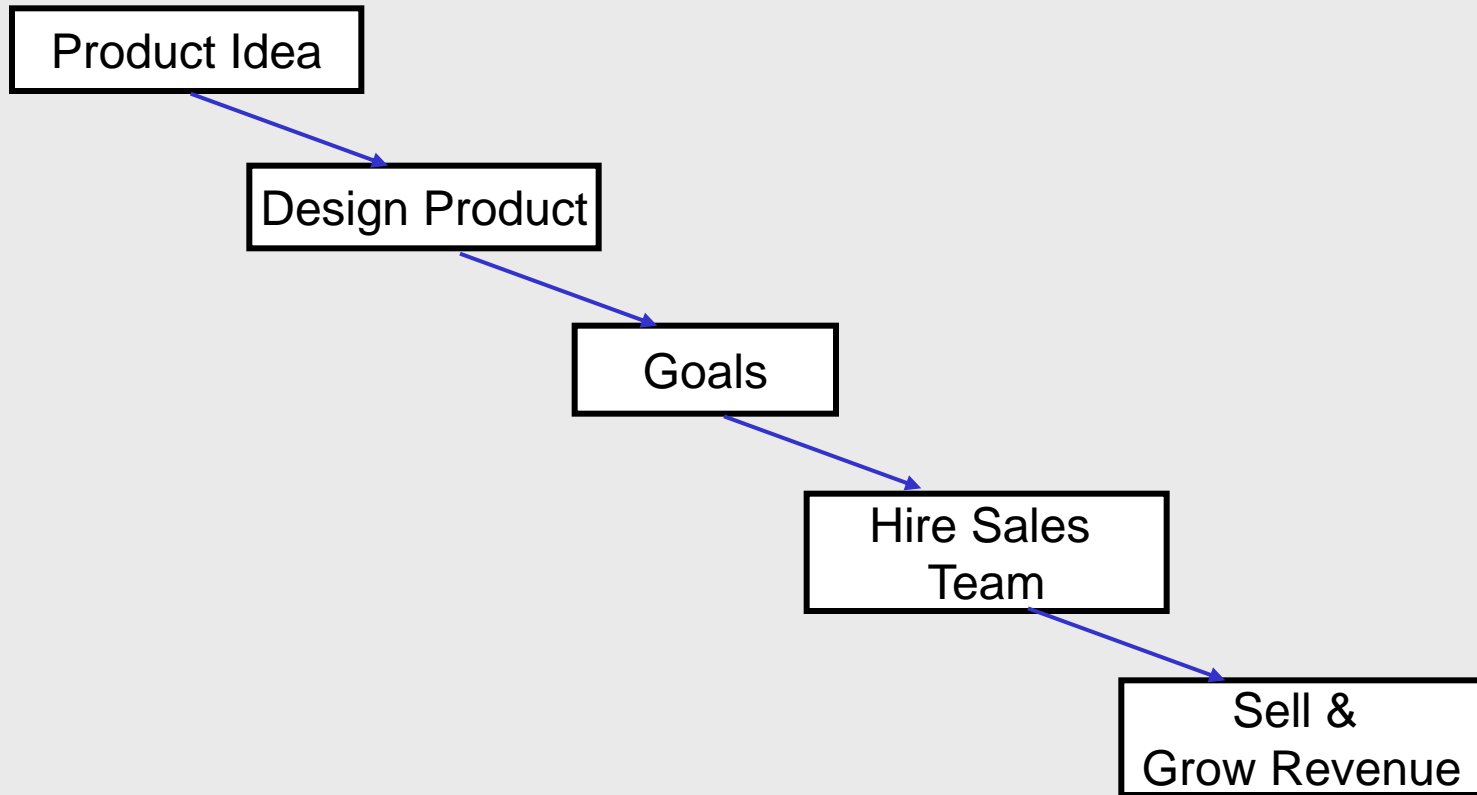
Key Aspects – Entering Markets



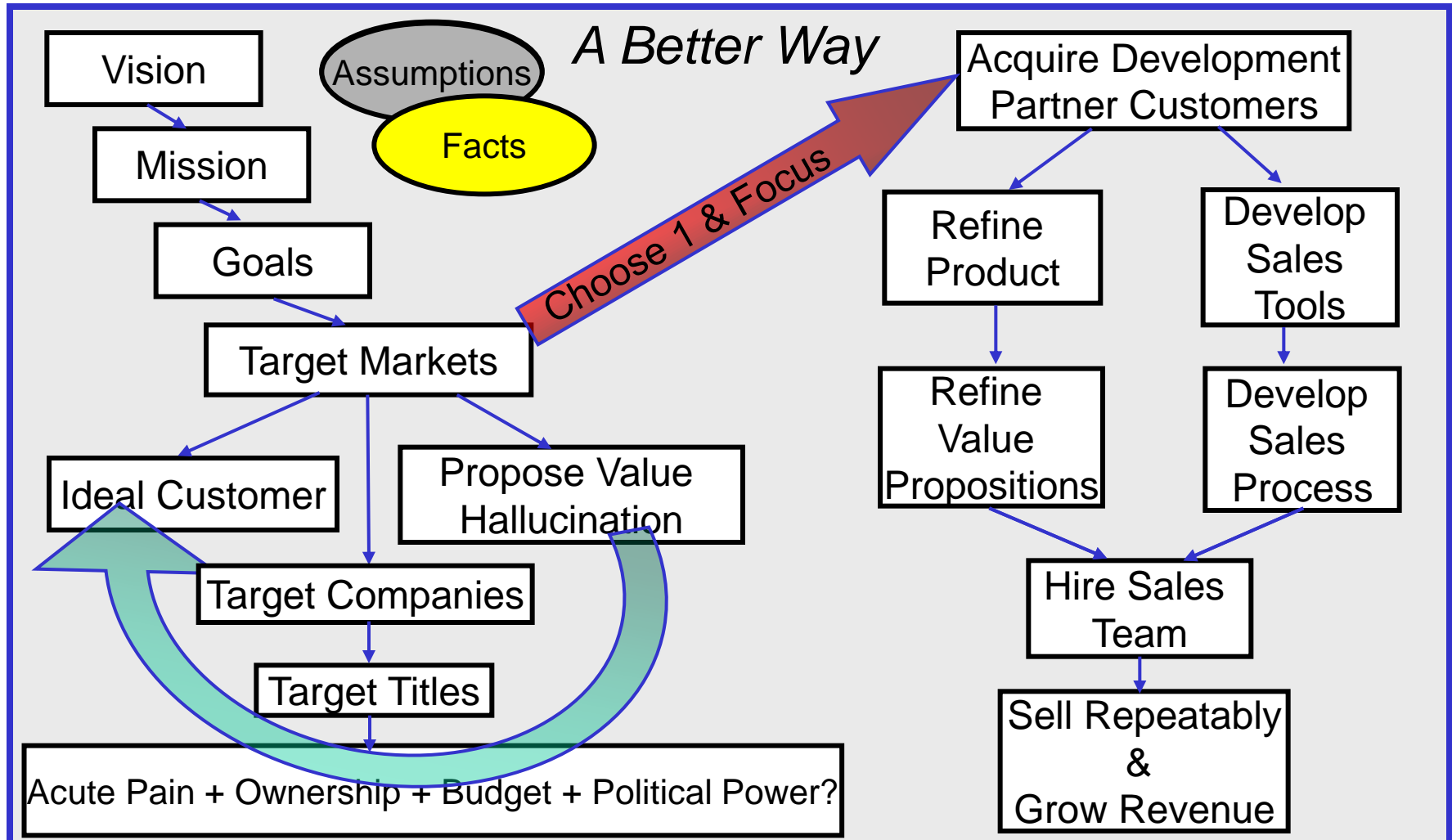
Value Propositions



The Entrepreneur's Dream



Value Propositions



Value Propositions



- “Enterprise Solution”
 - Solves an Enterprise Problem
 - Changes the way work is done across the enterprise
 - Top-down (Enterprise sales) model
 - Typically requires an executive decision
 - Political and resource allocation power
 - Committees are common
 - Free trials typically are not productive
 - Example: Oracle, SAP

Value Propositions



- “Departmental Solution”
 - Solves an Departmental Problem
 - Changes work flow in the department
 - Land and Expand model
 - Secure a beachhead, cross-sell & up-sell
 - Typically requires executive decision
 - Political and resource allocation power
 - Free trials typically are not productive for generating sales
 - Examples: Right Now, Success Factors

Value Propositions



- “Point Product”
 - Sold to Individuals
 - Who happen to work at Enterprises
 - Who do not have political or resource allocation power
 - Does not change enterprise work flow
 - Bottom-up (Viral) model
 - Free Trials expected to generate sales
 - Examples: [salesforce.com](https://www.salesforce.com) (in the early days), Gwabbit

Value Propositions



- What Do you offer?
 - A Point Product
 - A Departmental Solution
 - An Enterprise Solution
 - More than one of these?

Ideal Customer Characteristics



- Defines the ultimate target prospect
- Used to maintain focus
- Helps you decide how far to go to get a deal
- Helps sales management
- Used for sales training

Ideal Customer Characteristics



- Have the Problem You Solve
- Know they have the Problem You Solve
- Have Acute Pain about the Problem You Solve
- Provide Early Access to the Economic Buyer
- Consensus on Value vs. Price
- Corporate Size Descriptor
- Vertical Market Segment (if applicable)
- Geographic Attributes
- Willing & Able to Pay

Ideal Customer Characteristics



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Ideal Customer Characteristics



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Read
“The Four Steps to the Epiphany”
by Steve Blank

Customer Expectations & Requirements

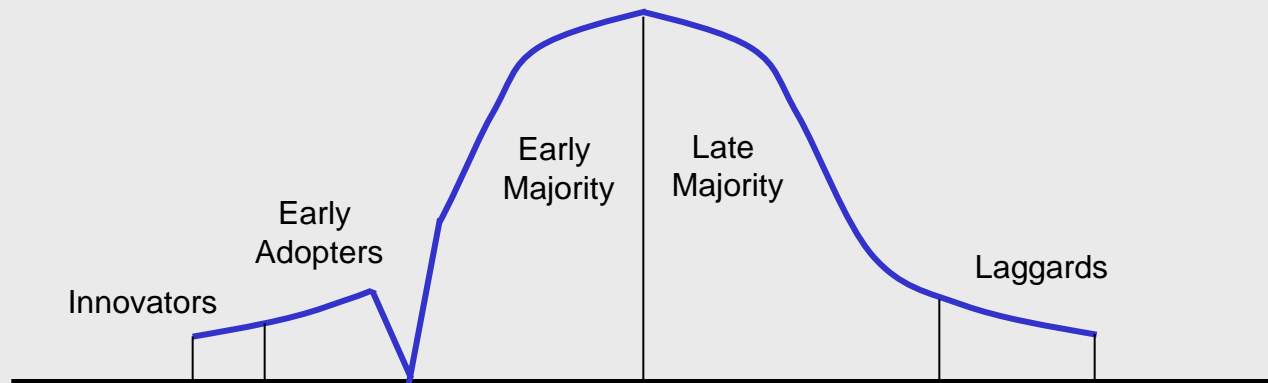


Customer Type	Early Adopter	Majority
Product/Solution Fully Defined?	No	Yes
Value Propositions Verified	No	Yes
Decision Maker Visionary	Yes	No
Risk Taker	Yes	No
Needs References	No	Yes
Level	Executive	Various
Sales Tools Developed?	No	Yes
References Available?	No	Yes

Value Propositions



Technology Life Cycle



The Opportunity: In the Majority

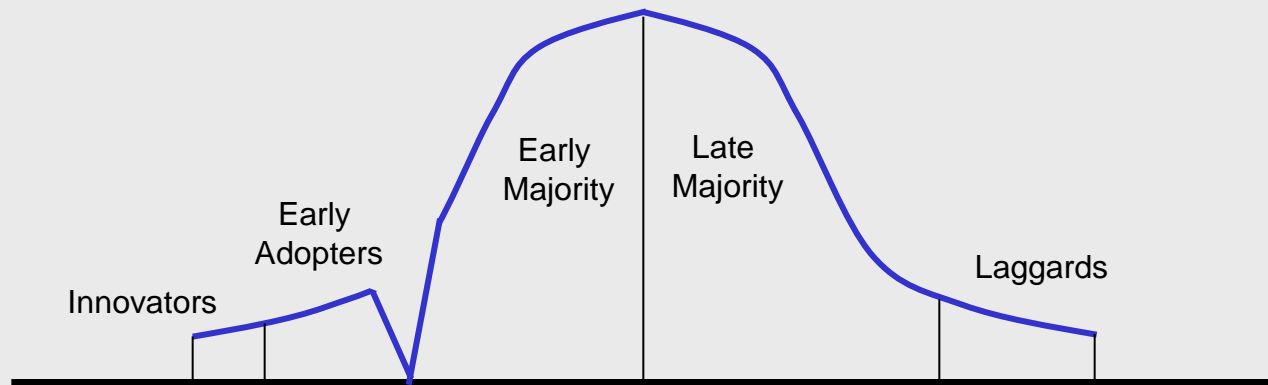
The Challenge: Crossing the Chasm

Develop Value Propositions Early to Cross the Chasm Faster

Value Propositions



Technology Life Cycle Value Profile



- Risk-takers, experimenters
- Technically-oriented
- Performance-driven
- Technology, Product Values

- Risk-averse
- Productivity, Quality & Price-oriented
- Ease of Use-driven
- Total Product Solutions, Company Values

Value Propositions



Why Executives in the Majority Buy

- ~~Cool Technology?~~
- ~~Great Features?~~
- Cure Acute Pain
- Invest \$ Now to Make More \$ Soon
 - Fast Payback
 - Acceptable Risk

Value Propositions



Horizontal or Vertical?

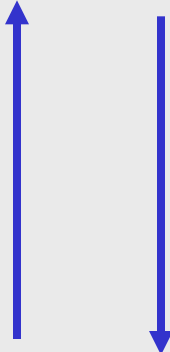
- Horizontal for Tools and Platforms
- Vertical or Functional for Applications
- Do you have Domain Expertise?

Value Propositions



Positioning on the Value Pyramid

High Value/ROI Perception
Few Participants/Differentiated
Understand Customer's Business



Price & Delivery Key
Many Participants
Low Value Perception



Mission Critical Solution
Complete Solution
Partial Solution
Point Product/Service
Component

Value Propositions



Positioning on the Value Pyramid

Customer's Perception of Us

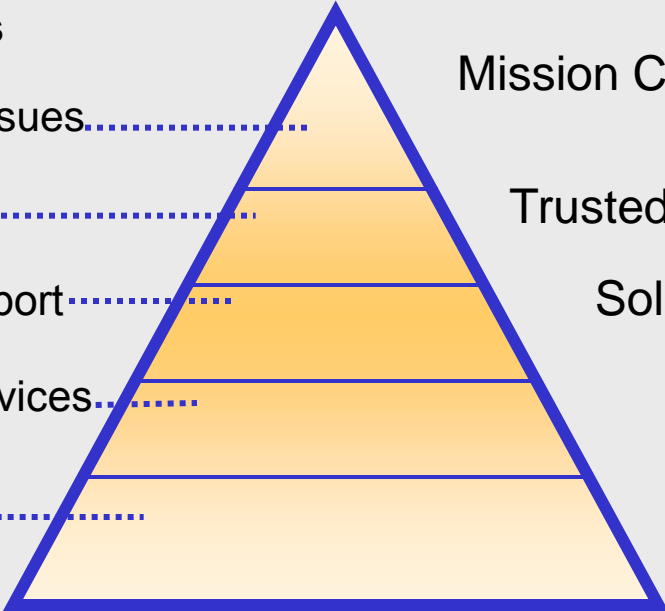
Contribute to Organizational Issues.....

Contribute to Business Issues.....

Provide "Good" Service & Support.....

Deliver "Good" Products & Services.....

Deliver Commodity that
Meets Specifications



Mission Critical Partner

Trusted Solution Provider

Solution Provider

Listed Supplier

Vendor

Value Propositions



Product Model

- License Fee
- Maintenance
- User Training

\$15K Order

Solution Model

- License Fee
- Maintenance
- User Training
- Implementation
- Design Review Methodology
- Executive Training
- Success Reviews

\$100K Order

What is a Value Proposition?



- A Concise (quantified) Statement of the
 - Revenue Increase
 - Cost Reduction
 - Control Improvement
- That your solution provides your customer.

Survey Questions



- Does the Value Pyramid apply to your business?
- Do you have Quantified Value Propositions?

Value Propositions



Why Do We Need Value Propositions?

- Required to Sell to The Majority
- Required to Sell to Executives
- Required to move up the Value Pyramid
- If you can't quantify the value you provide, you probably don't have a business

Value Propositions



Value Propositions Answer these Questions

- What can you do for me?
- Why is that important to me?
- Is that more than I'm getting now?
- Is that better than I'm getting now?
- Is that sooner than I'm getting now?
- Does it cost less than what I'm spending now?
- Is it less risky than what I'm doing now?

Developing Value Propositions



Simplicity is key

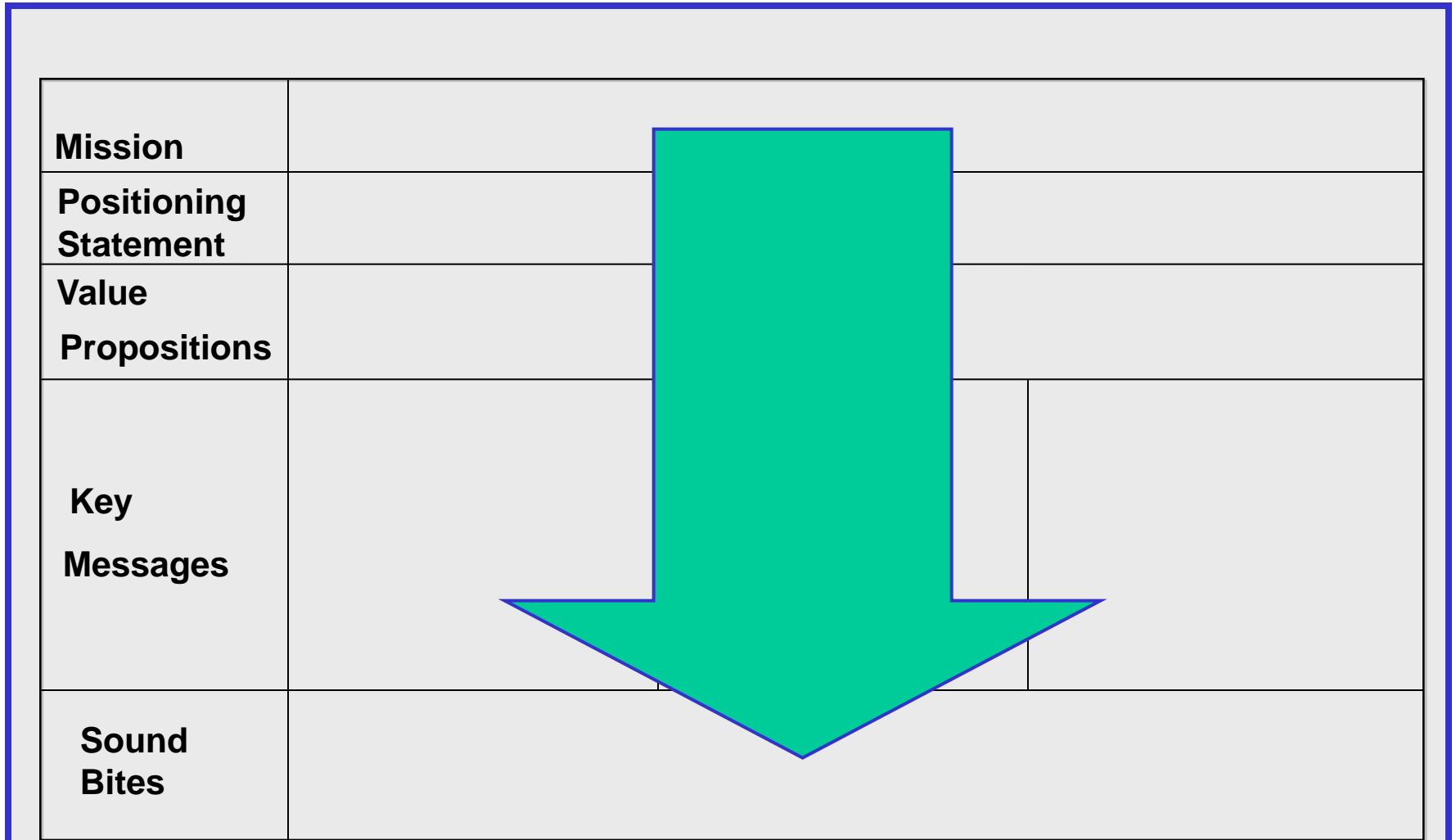
- 1) Describe the problem solved from the customer's perspective
 - One page, PPT, large font
- 2) Develop "Before" and "After" Views
 - Simple and Graphical is better than Complex in Text
- 3) Make Assumptions on Parameter Ranges
- 4) Develop Preliminary Quantification
 - TCO perspective is key

Developing Value Propositions



- 5) Map Value to Pain
- 6) Craft Messages by Market Segment & Title/Function
- 7) Test Preliminary Value Propositions
- 8) Get an Order
- 9) Refine with Real Customer Data

Value Messaging Architecture



Developing Value Propositions



- Outsiders Challenge Value Propositions
 - Analysts
 - Investors
 - Public Relations
 - Editors
 - Consultants
- Customers Verify Value Propositions

Developing Value Propositions



Joe Gatto, CEO of StarMine

- Value Proposition Process
 - The “Proposition” is in your head
 - The “Value” is in the customer’s head
 - “Value Proposition” vs. “Value Hallucination”
 - You don’t know why customers buy until they have told you, after the fact

Value Propositions



The Problem We Solve

- View the problem you solve from the customer's perspective
- It's not about your features
- It's about fixing their acute pain
- Don't propose aspirin if they need a bypass
- Prerequisite for developing value propositions

Value Propositions



The Problem We Solve (example)

- Corporations need to improve customer satisfaction while reducing the cost of support services.
- We enable this by providing a facility for easily tapping the knowledgebase of your customers.

Value Propositions



The Problem We Solve (example)

- LOB Managers need fast implementation & fast payback
(with new applications)
- IT is slow to implement new applications
(due to lack of resources)
- We offer a SaaS solution that gets you up quickly without impacting your IT resources
- Because we are the experts in our application, your cost of IT support for our application is dramatically lower

Exercise



- Describe the “Problem You Solve for Your Customers”
 - 15 words or less
 - No features allowed

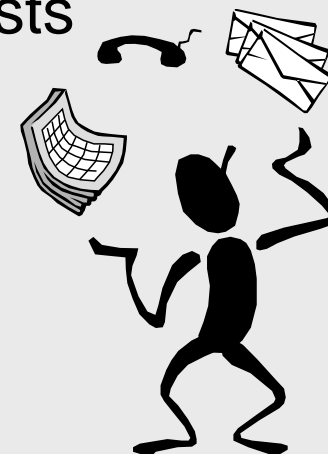
Value Propositions



“Before” Picture

• Today’s Scenario-Sales Compensation Analysts

- Islands of Information
- Adjustments process is often manual
- Commission splits are time consuming
- Foreign currency requires special handling
- Inconsistent reporting and audit trails
- Inability to close as quickly as desired
- Staff is overwhelmed as complexity grows
- Errors are frequent and costly
- Sales Compensation reports are inadequate
- Expensive to incorporate new Sales Comp Plans

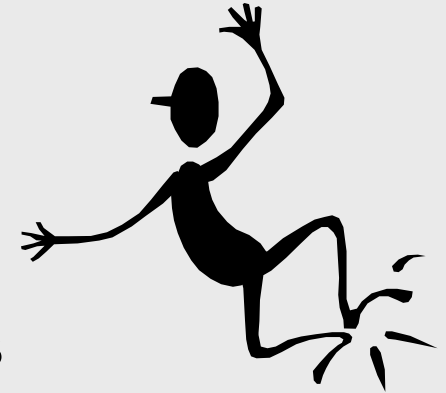


Value Propositions

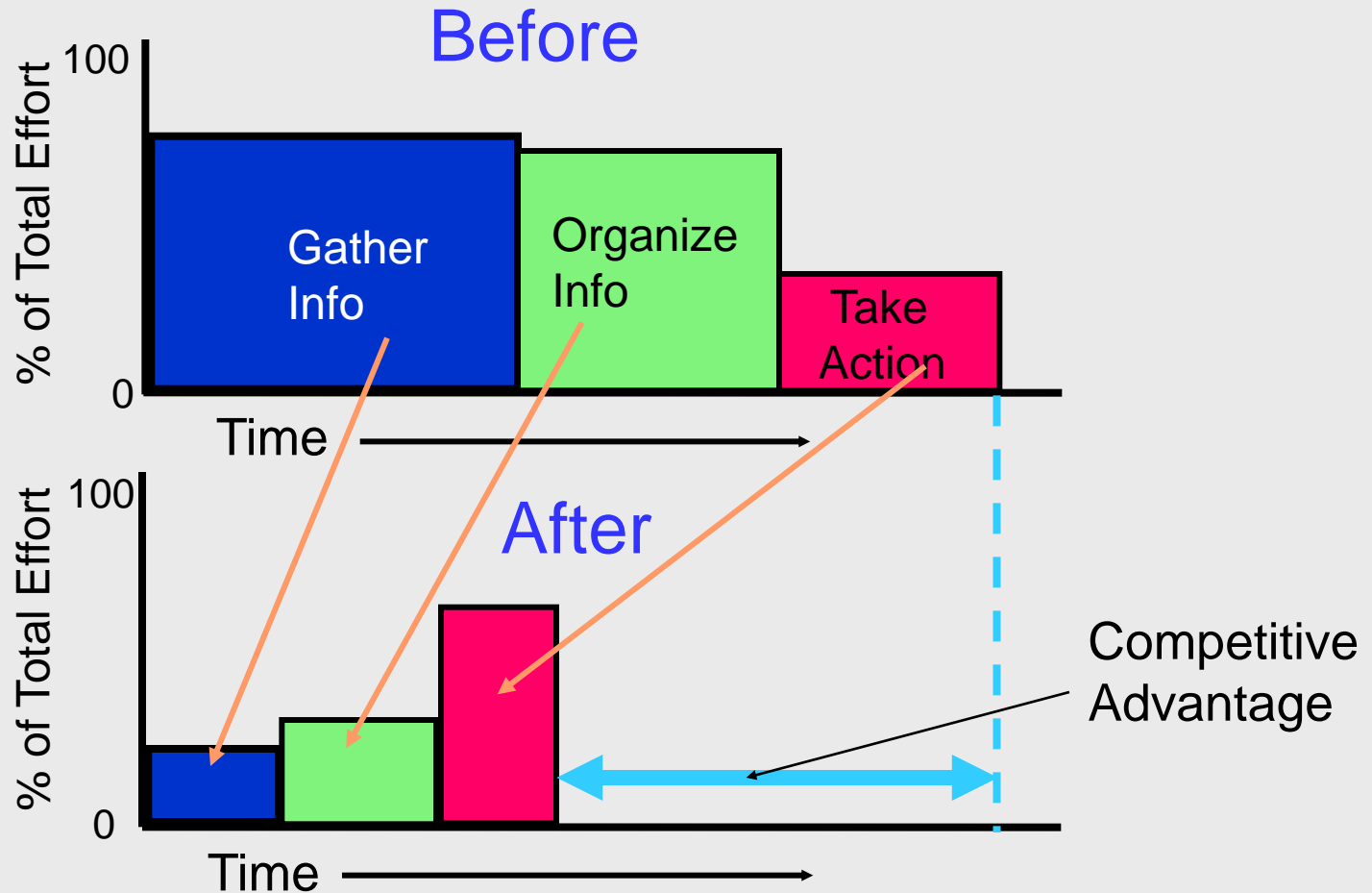


“With Our Solution” View

- For Sales Compensation Analysts
 - Tremendous Time Savings
 - Dramatic Reduction of Errors
 - Allows More Time for Strategic Issues
 - We make it easy to deal with your hot buttons
 - Draws (recoverable and non-recoverable)
 - Adjustments (linked to original pay out)
 - Splits
 - Crediting multiple people for an order
 - Organization Changes
 - Negative Carry Forwards



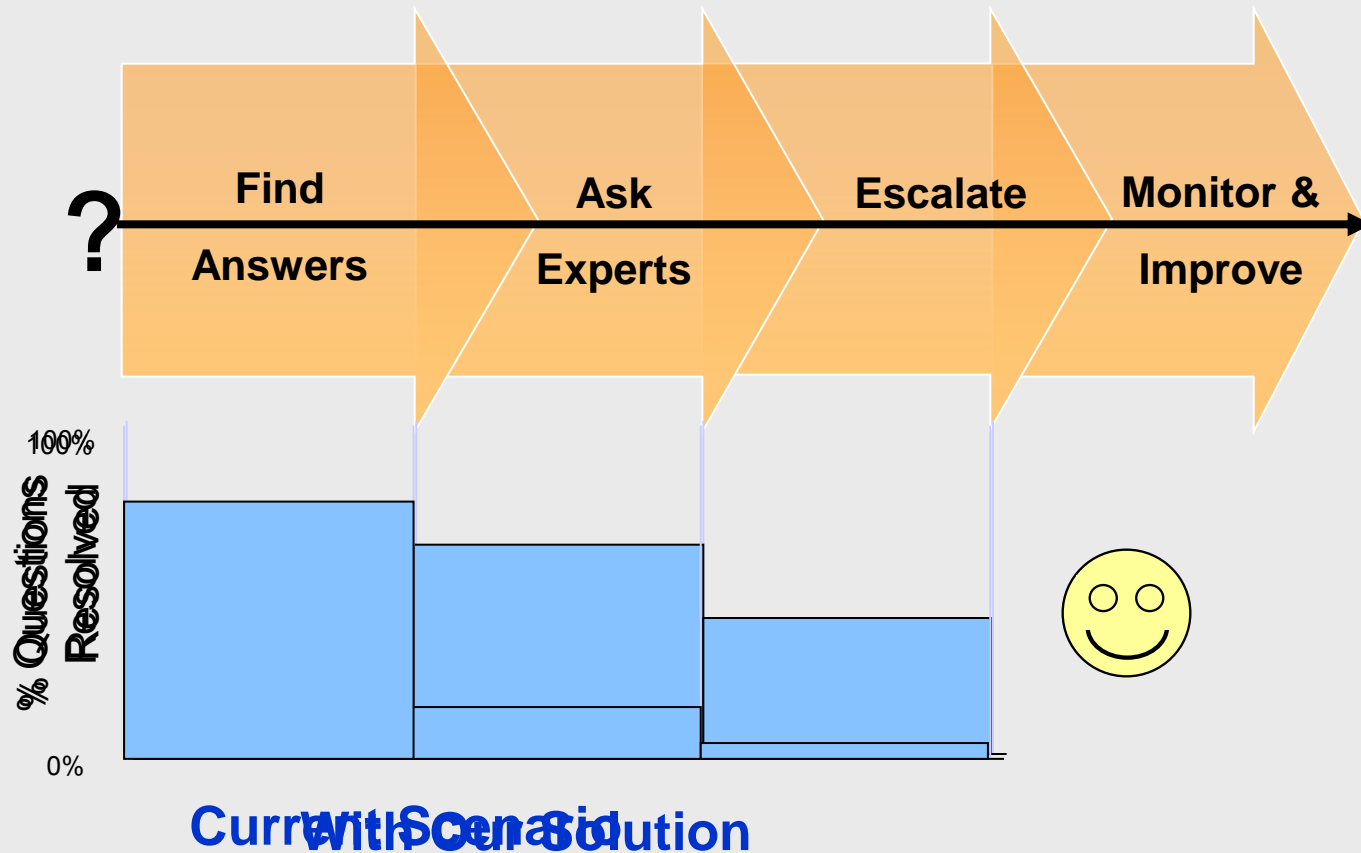
Value Propositions



Value Propositions



"Before" and "After" Scenario



Value Proposition Example



- Improve Customer Satisfaction & Reduce Cost
 - Support costs reduced $> 30\%$
 - Breakeven in < 3 months
 - ROI $> 500\%$
 - 75% of questions resolved in < 24 hours
(vs. 60% took > 36 hours previously)

Survey Questions



- Do you have simple graphical views of what you do for your customers?
- Is it easy for prospects to understand what you do (for them) at your web site?

Value Proposition Example



- RightNow helps Jackson Hewitt Tax Service Deliver
 - Exceptional Customer Experiences and
 - Improve Contact Center Performance
- Using RightNow CX, Jackson Hewitt
 - Reduces Inbound Call Volume by 25 Percent,
 - Deflects 31 Percent of Emails, and
 - Saves 30 Percent in Training and Staffing Costs

Value Proposition Example



- We help clients improve their online user's web experience which typically results in a 40-150% improvement in key operating metrics.
- In just the first 3 months of working with us, a recent client:
 - Increased sales conversions by 57%.
 - Improved average order size by 25%.

Value Proposition Example



- We help retailers calculate exactly how much they should charge to squeeze the maximum profit from every product at any time.
- In an 8-week test, one retailer saw:
 - Revenue jump 10%.
 - Unit volume increased 6%.
 - Net profit grew 2%.

Value Proposition Example



- Reduce Storage Capital Expenditure
 - 10TB of legacy storage cost = \$500K
 - We free up > 20% of legacy storage
 - Savings = \$100K
 - We enable sweeping 40% to 2ndary storage
 - \$.01/MB(2ndary) vs. \$.05/MB(legacy)
 - 4 TB savings = \$160K
 - Total Savings = \$260K - our solution costs
 - Payback is < 3 months

Value Propositions



Value Proposition Credibility

Value Proposition	Rank	Credible	Quantified
Provide Consistent Product & Process Quality	1	High	CF
Reduce COGs	2	Medium	A
Reduce Risk & Liability			CF
Reduce Time to Revenue			A
Reduce Time-to-Market	5	Medium/Low	A
Reduce Time-to-Volume	6	Medium/Low	A
Reduced Travel Expense	7	High/Medium	CF
Increase Revenue	8	Low	A
Reduce NRE Costs	9	Low	A

Be objectively critical of Facts vs. Assumptions

A = Our Assumption

CF =Customer Fact

Value Propositions



Value - Pain Matrix

	Our Value Assumption	Value Prop Rank	Pain Level for this Title			
			Title # 1	Title # 2	Title # 3	Title # 4
Value Proposition #1						
Value Proposition #2						
Value Proposition #3						

5 = High, 1 = Low/none

Value Propositions



Value - Pain Matrix

Companies

1. Rogue spending for Services is too large
2. Companies need to reduce the total time spent sourcing services
3. Reduce Cost of Purchased Services
4. Gain benefits of existing eProcurement system for Services

Procurement & Accounting

1. Procurement-improve control over Services Spending
2. The Cost of Purchasing Services is too high (manual process)
3. Reduce Accounting Error & Rework Rates for Services
4. Reduce Reconciliation Effort for Services Invoices

LOBs

1. Need to reduce the time & effort for Sourcing & Purchasing Services
2. LOB Mgrs have to spend time reconciling invoices for Services Suppliers
3. Purchasing can't translate LOB requirements to Suppliers
4. Enable ability to get desired services, but "in the system"

CIOs

1. Companies need to leverage their existing eProcurement system for Services

Value Propositions



Value - Pain Matrix

Department	IT	Procurement	Finance	LOB	CEO	HR
Companies						
1.Rogue spending for Services is too large		AP	B,O,AP			
2.Companies need to reduce the total time spent sourcing services		B,O,AP		O,AP		O,S, AP
3.Reduce Cost of Purchased Services		B,O,AP	O,AP	S,AP		S
4.Gain benefits of existing eProcurement system for Services	S	O,AP	S,AP		B	
Contingent Workforce						
Procurement & Accounts Payable						
1.Procurement-im						
2.The Cost of Pur				P		AP
3. Reduce Accou				AP		S,AP
4. Reduce Recon				AP		S,AP
LOBs						
1.Need to reduce				AP		O,AP
3.LOB Mgrs have				AP		
4.Purchasing can't translate LOB requirements to Suppliers		AP		O,AP		
5.Enable ability to get desired services, but "in the system"	B?,S	B?,S,AP	S,AP	O,AP		O,AP
CIOs						
1. Companies need to leverage existing eProcurement system for Services	B,O,AP		S			

Focus on Title Types that have Acute Pain, Ownership of the Problem You Solve and Budget Capability

B=Budget Available AP=Acute Pain
 C=Can Create Budget O=Owner
 S=Stake Holder

Value Propositions



Value Propositions by Title/function

- CEO-Investor Relations & Share Price
- CFO-Profits & Cash
- COO-Productivity & Cost
- CMO-Strategy & Positioning
- CSO-Revenue Growth
- CIO-ROI & Efficiency
- Users-Functionality
- IT-Ease of Support

***You need to
configure
specific
messages***

Exercise



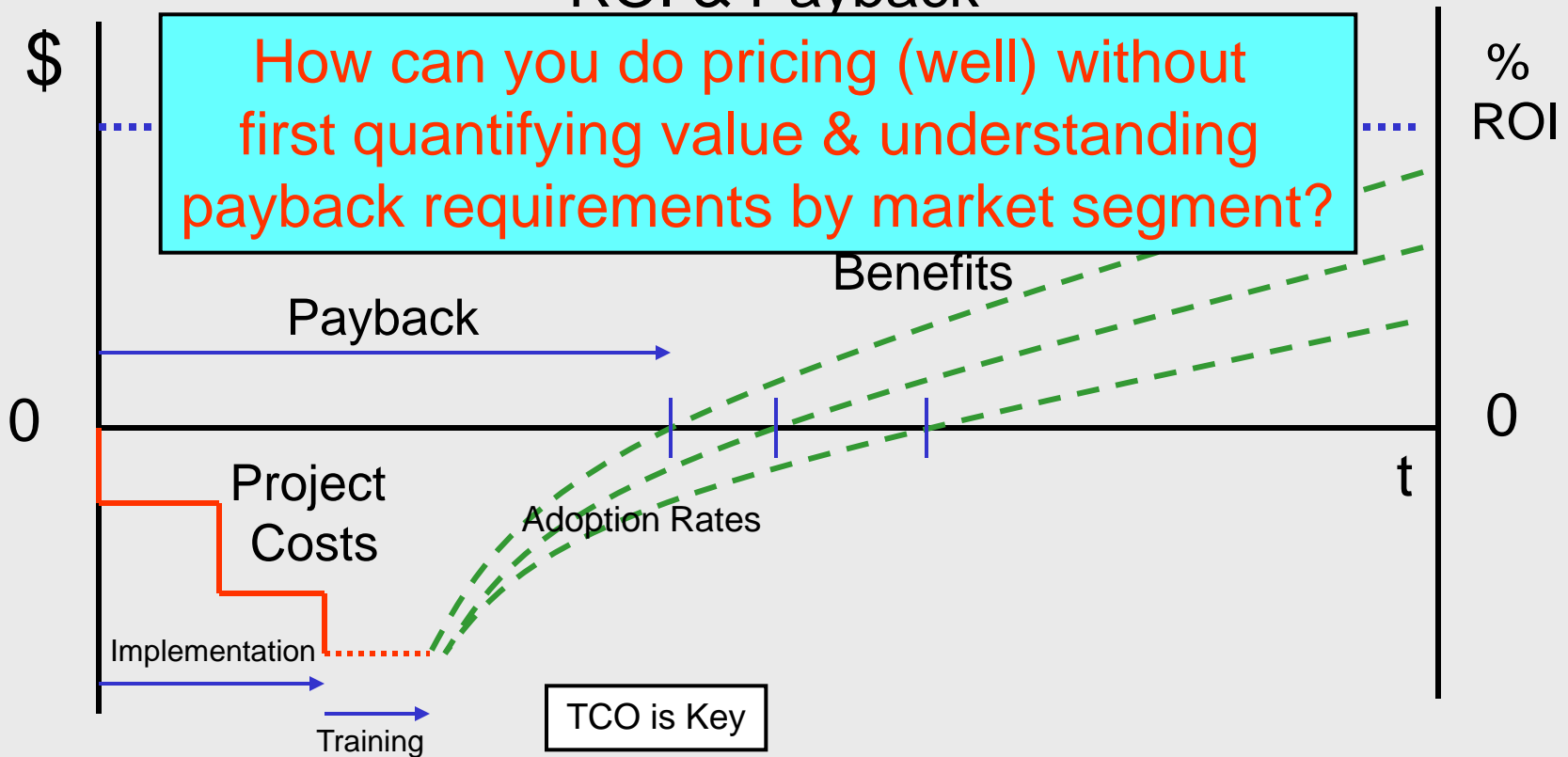
- Develop your Value-Pain Matrix

Value Propositions



ROI & Payback

How can you do pricing (well) without first quantifying value & understanding payback requirements by market segment?



Q & A



Growth Process Group



Delivering rapid results for technology companies & service providers selling to businesses



Cash Flow
0

Position for Investment

- Investment Readiness Assessment
- Strategy Development
- Focus & Positioning
- Develop Sales & Marketing Plan
- Financial Planning
- Investor Introductions

Acquire Reference Customers

- Assess Sales Readiness
- Explore 1st Markets
- Focus & Positioning
- Develop Value Propositions & Pricing
- Develop Product Management Process
- Initiate Sales Process
- Execute Marketing Programs
- Build Pipeline
- Develop Solutions
- Close Orders

Grow Revenues & Profits

- Assess Sales Process
- Explore Next Markets
- Coach Sales Management
- Design Sales Process
- Refine Value Propositions
- Design Sales Compensation
- Map Competition
- Design Forecast System
- Implement Best Practices
- Develop Pipeline
- Insure Customer Success
- Develop Partners

Interim Executive Services

Growth Process Group



Chuck DeVita

- >30 years experience in Sales and Marketing management
- Extensive international & domestic experience
- Software/internet, systems and components.
- Led growth of two successful high tech start-ups (Faraday, IDE)
- Drove the turnaround of a public software firm (Consilium)
- Interim VP Sales & Marketing for B2B software and SaaS solution companies-U.S. and Europe.
- Recognized speaker and visionary on sales and marketing management in technology startups.
- Adjunct Professor at Stanford (CSP Program)
- B.S., Electrical Engineering: Santa Clara University
- MBA, Stanford University.

Value Propositions



*I have enjoyed working with you
Thanks for your involvement*

Chuck DeVita
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