



Value propositions establish the value basis for the business relationship. They describe how the seller’s solution will improve the prospect’s business and how that improvement will be measured.

Value propositions are opportunity and prospect specific and are developed collaboratively with the prospect over the course of the sale.

Value propositions go beyond traditional theme statements by incorporating as many as possible of the following elements:

- Quantifies the anticipated business improvement
- Specifies the timing of the benefits
- Specifies the timing of the costs

- States the payback period
- Specifies how the results will be measured and tracked

Because executives, users, and technical buyers have different issues and values, prepare a different value proposition for each type of buyer. For each distinct opportunity, state the total added value of all value propositions in a single summary value proposition.

### *Value Propositions*

1. Establish a single sales objective as the first step in developing a value proposition.
2. Exploit value propositions as a collaborative selling tool.
3. Use a template to develop value propositions.
4. Develop unique value propositions for each type of buyer.
5. Organize your executive summary around your value propositions.
6. Address common obstacles to using value propositions.

## 1

### Establish a single sales objective as the first step in developing a value proposition.

Shortly after your pursuit decision, draft a brief, precise sales objective that meets the following criteria:

- **Specific**—States what products and services are to be purchased and who will purchase them.
- **Measurable**—Tells how much is to be purchased.
- **Timed**—Cites when the purchase will be made.
- **Result**—States, quantitatively if possible, the result or process change the prospect anticipates.

*Sample sales objective*

Our sales objective is to persuade Global Corporation to outsource information technology (IT) support, currently costing them \$2,850,000 annually. Global is seeking an annual cost reduction of 30 percent, commencing May 1, 20XX, and would like the provider to purchase the existing IT assets.

Like most initial sales objectives, not all criteria are met. The purchasing organization is named but not the purchasing individual. Current costs are named, but not the cost of the seller’s solution or the cost of the prospect’s assets. Drafting a sales objective is a good way to determine what additional information you need.

Sellers often pursue multiple purchases from the same organization. If you find yourself using “and” to describe multiple buyers and multiple purchase times, you might be facing multiple opportunities that are better addressed by multiple sales objectives.

## 2

### Exploit value propositions as a collaborative selling tool.

The objective of collaborating with the prospect to develop a value proposition is to convince the prospect to award the contract without competitive proposals. The prospect must be convinced that the opportunity cost of delaying exceeds the potential savings from competing the contract.

Collaboration between the prospect and the seller offers the following potential advantages:

- Both gain a clearer understanding of the prospect's objectives and potential benefits.

- Both better understand the actions required of each party, which reduces risk.
- The prospect becomes the seller's advocate in the prospect's organization.

Value propositions flow directly from the sales objective. The best value propositions are specific. Ideally, authorized representatives of both the prospect's and the seller's organizations sign the formal value proposition, and they mutually agree to proceed without competitive proposals.

## 3

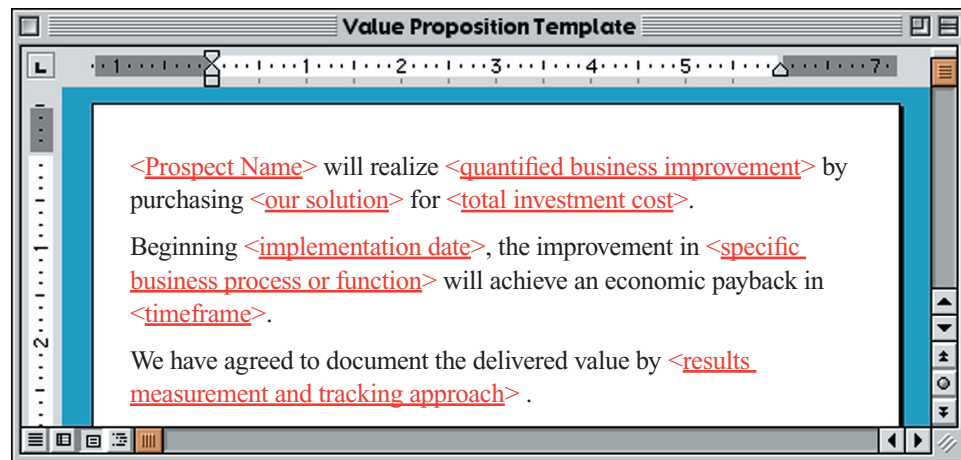
### Use a template to develop value propositions.

Templates help sellers draft better value propositions in less time. When a template is not used, the result is often vague, qualitative, and hard to measure.

Value propositions should include the following elements:

- Quantified business improvement
- Timing
- Solution
- Investment cost
- Payback
- Results measurement and tracking

A template for drafting value propositions is shown in figure 1.



**Figure 1. Use a Template to Develop Value Propositions.** *The better value propositions are developed with the prospect and contain the elements listed. Value propositions sound stronger if the benefits are placed at the beginning.*

## 4

### Develop unique value propositions for each type of buyer.

Three broad types of buyers are the economic buyer, the users, and the technical buyers.

The **economic buyer** is the person who gives final approval to purchase. They sign the check and retain veto power. Economic buyers tend to be concerned about the trade-off between price and performance. They focus on bottom line impact. While many people may offer input and recommendations, only the economic buyer can give final approval.

The **users** are the people who judge the potential impact on their job performance. Their personal success is impacted by the sale, so their concerns are often emotional and subjective. Users' issues are reliability, support, ease of operation, maintenance, safety, potential impact on morale, and potential impact on their personal success. Because they use or supervise the use of your product or service, they can ruin a good sale.

Roles may overlap. For example, the president of a small, technical company might be both the economic and technical buyer.

While value propositions targeted at individual buyers may overlap, the summary value proposition targeting the economic buyer incorporates all benefits and costs.

The **technical buyers** are gatekeepers. They cannot give final approval, but they can give a final “No.” Technical buyers often determine the short list. They tend to focus on the features of a product or service against objective specifications established to screen offers.

Technical buyers may not be technical in the scientific sense. Purchasing agents, lawyers, contracts people, and licensing or regulatory authorities are technical buyers. Since technical buyers are primarily focused on how well you meet their screening tests, the better you understand their criteria, the better your chances of getting their recommendations.

Another way to examine buyers is according to their source of power. Power could be economic, users (control), or technical (knowledge). Alternatively, power could be indicated by level of management, such as executive management, middle management, or operations.

Tailor value proposition(s) to each type of buying influence. The following three value propositions target each type of buyer and are extensions of the earlier example of a single sales objective under guideline 1:

#### **Value Proposition for the economic buyer**

Global Corporation will realize a \$3,750,000 reduction in information technology support costs over the next 5 years, commencing May 1, 20XX, by contracting with Computer Heroes, Ltd., at a cost of \$2,000,000 per year. Global Corporation will be paid \$500,000 for all of Global’s IT assets, and Computer Heroes will provide all IT support. Global Corporation will enjoy a 30 percent annual reduction in IT costs, assuming the agreed prices and the same levels of services currently required continue to be required and delivered. All costs will be available to you on-line and documented in monthly invoices.

#### **Value Proposition for user**

Commencing May 1, 20XX, the department allocations for IT support for the current types and levels of service will be reduced an average of 30 percent. Outdated legacy systems will be transitioned to lower cost, current, commercial off-the-shelf hardware and software. Departmental managers will be free to focus on core management tasks without the distractions of IT issues. All costs will be available and verifiable on-line and documented in monthly invoices tied to Global work order numbers. With Computer Heroes assuming responsibility for all hardware and software (paying Global \$500,000 for the current assets), department managers will no longer have to submit and defend IT capital requests.

#### **Value Proposition for technical buyer (IT professionals)**

Commencing May 1, 20XX, IT professionals will have extensive and varied opportunities for personal growth and advancement within their profession. Computer Heroes will offer positions to all IT employees and will maintain current pay levels for those positions. As an industry leader, all positions will be reviewed and adjusted to industry standards. Opportunities for training and advancement will be offered to all employees on an equal basis through our Intranet web site, our employee newsletter, regular all-hands e-mails, and job site postings.

#### **Value Proposition for technical buyer (contracts)**

Commencing May 1, 20XX, all IT support, both employees and assets, will be seamlessly transitioned to Computer Heroes, saving Global Corporation \$750,000, per year over current costs. All cost savings will be calculated on the basis of providing identical levels of service and can be verified on-line by comparing monthly, itemized invoices.

## 5

### **Organize your executive summary around your value proposition.**

See **Executive Summary**.

If developing value propositions is an integral part of your business development process, organize your executive summary around your value propositions.

Begin the executive summary by stating the summary value proposition that targets the economic buyer, the sole person who can sign the check. Follow the summary value proposition with the underlying value propositions. Then present all aspects of your solution against one of the underlying value propositions, substantiating how your approach delivers the value claimed. Conclude by showing how the underlying value propositions add up to the opening summary value proposition.

Use the Four-Box organizational structure discussed in the Executive Summary section and summarized in figure 2. For organizational purposes, treat each underlying or subvalue proposition as a hot button.

Some aspects of value cannot be quantified. Sometimes, individuals in either prospects’ or sellers’ organizations cannot agree on the quantitative added value.

Always state the intangible or nonquantified values of your proposed solution. If the quantified added values of competitors’ solutions are close to yours, the intangible added values could win the contract. State your quantitative added value before your qualitative added value.

See **Executive Summary** and **Sales Letters**.

**BOX 1**—Present the summary value proposition prepared for the economic buyer. State the collaborative basis for this value proposition, indicating ownership by both the prospect and the seller.

**BOX 2**—Present two to five subvalue propositions in a bulleted list. The total should equal the total value cited in Box 1.

**BOX 3**—Present each subvalue proposition in the order introduced. All proposed products and services must be aligned with one of the subvalue propositions. By the completion of Box 3, all aspects of your offer should be covered. Expand or contract the space devoted to each subvalue proposition according to its relative importance to the prospect.

**BOX 4**—Summarize the total value and total cost, previously cited in Box 1. Close by previewing the next logical step in the sales process, usually how your proposal is organized. If immediate negotiations are possible, suggest a time to begin.

**Figure 2. Organize Your Executive Summary Around Your Value Proposition.** *Open with your summary value proposition to the economic buyer. Regard each major subvalue proposition as a hot button. Then align all major aspects of your offer against one of the subvalue propositions. Close with a short summary of your total value proposition, and preview how your proposal is organized.*

## 6

### Address common obstacles to using value propositions.

Using *theme statements* is a common practice in proposals in all markets. A best practice is to quantify the benefits in the theme statement, then substantiate the claim in the proposal shortly after the theme statement.

See **Theme Statements**.

Individuals working in regulated government markets where contacts between the seller and the prospect are limited or prohibited can still benefit from developing value propositions. A quantified value proposition based on reasonable assumptions will be more persuasive than a vague, qualitative claim to offer best value.

Most organizations have difficulty with value propositions. The chart below lists some of the common problems and suggests potential solutions.

The deep understanding of the prospect’s business required to develop a value proposition can favorably discriminate your organization. With government purchasers adopting commercial acquisition practices, value propositions might give you an edge.

REASONS VALUE PROPOSITIONS MISUSED	POTENTIAL SOLUTIONS
Legal or contracts people refuse to allow any specific statements to limit potential liability.	Carefully state all assumptions and conditions.
Few people understand value propositions as a disciplined concept	Train all participants in the process.
Short sales cycles limit prospect-seller collaboration.	Develop “generic” value propositions.
Excessive targeting of multiple opportunities limits prospect-seller collaboration.	Improve Pursuit and Bid/No Bid milestone discipline.
Seller-developed value propositions are summarily rejected by prospects.	Find a friendly collaborator, sell on a basis other than “best value,” or no bid.
Prospects’ distrust of the seller or purchasing restrictions limit or bar collaboration with sellers.	Develop greater trust, or sell on a basis other than “best value.”