

RESEARCH BRIEF

Crafting Value Propositions That Cut Through the Noise:

How high-performing sales organizations
rigorously link performance claims to the
metrics that matter most to customers

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Table of Contents

Overview	4
Making Key Performance Claims.....	6
Identifying Where In the Customer's Value Tree to Make the Performance Claim.....	7
Demonstrating Value.....	10
Complete Each Proposition With a Performance Claim.....	10
Sell the Whole Company.....	14
About the Author, Tom Knight.....	16

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Crafting Value Propositions That Cut Through the Noise:

How high-performing sales organizations rigorously link performance claims to the metrics that matter most to customers

It's no wonder that many executives are losing sleep and the life expectancy of Vice Presidents of Sales has declined to less than 18 months in the Fortune 500. Today's selling environment is complicated and difficult: product life cycles are short; buyer leverage is increasing; discounting is frequent and deep; and customer expectations are soaring. But companies can prepare their sales forces to sell in today's environment. The key is to identify and demonstrate the full value of their firms' products and services in terms of customer priorities and what drives profits.

Identifying and demonstrating the full value a seller's organization provides in ways that

buyers can truly hear and act on is more difficult to achieve than most sellers realize. For example, in the consumer packaged good industry, 60,000 new products have been introduced to grocery store buyers since 2000. What's more, the size of the presentation material for each of these new products averages 16 pages apiece. That's an astounding 960,000 pages of "stuff" thrown at buyers each year. No wonder buyers increasingly can tune in only to those suppliers who demonstrate value-added impact on the economic measures that the buyer truly understands and cares about.

Our message is loud and clear: advantage dramatically accrues to the competitor who learns to identify and demonstrate value, particularly as the economic drivers of the customer's business changes.

For example, during the early 2000s, Express Scripts, a prescription benefit manager (PBM), made several important acquisitions of PBMs that served new and different markets; one of these was the Union (multiemployer market). As Express began to integrate its acquisition, it realized that the multiemployer market, which was experiencing membership declines and soaring healthcare costs, required a new and enhanced selling approach which would allow the company to significantly differentiate itself from the competition and allow it to realize its target margin.

An assessment of its customers' priorities revealed:

- Most multiemployer funds prioritize drug costs over service.
- The traditional sales approach did not engage all the stakeholders in the buying process.
- Plan designs were undifferentiated and failed to acknowledge the full spectrum of multiemployer member's needs.
- Plans failed to take advantage of a number of "non-traditional" features which could lower prices while increasing service.

These insights enabled Express Scripts to redirect its selling effort dramatically. Express Scripts sharpened its value proposition by including high value "non-traditional" design elements, broadened its focus to include the whole buying center, and modified its sales process to begin identifying and demonstrating its value in multiemployer terms earlier in the sales process.

In the pages that follow, we will highlight a process for:

- Educating a sales force to weave key performance claims into compelling statements for each specific buyer and influencer.
- Ensuring that your sales force starts the sales process early enough and high enough in the customer's organization to make a difference.

This process can be accomplished by:

1. Making your most compelling performance claims of what your firm can provide for the customer and translating these claims into selling messages.

2. Identifying where inside each customer's organization the kind of economic value each performance claim delivers are best "heard" by using a diagnostic tool, a value tree. Once your sales force has mapped each major customer's value trees, they will be able to map the specific accountabilities of each buyer and influencer within the account to determine who most needs to hear your selling messages and how to deliver those messages so your buyer accepts your selling proposition.
3. Demonstrating clear and compelling performance claims that differentiate your firm from the competition.

Let's take a closer look at how to apply these concepts.

Making Key Performance Claims

Some of the most compelling stories of business success are based on firms that clearly articulate a key set of performance claims which they proceed to repeatedly "pound" into the customer base. Some firms identified their key performance claims decades ago. For example, for 30 years, Frito-Lay sales personnel have made sure that each sales presentation convincingly proves the claim, "We Make You Money." With each new product, each campaign for new shelf space, each request for an end of aisle display—and regardless of the sales goal—Frito-Lay salespeople always prove how each specific buying center can use the new proposal to make that customer more profitable. While there is nothing unique about claiming "We Make You Money," few firms actually prove it so well and so often, forcing competitors into pale "me, too" imitations.

While your firm may add value to a customer in many ways, it is essential to determine which option provides the most important or competitively different opportunity for increasing customer value. What is even more essential is the persistence to repeat the key performance claims until they are one with your firm's identity in the customer's mind. This is especially important because clarity and repetition is the antidote to the desensitization buyers feel from hearing constant, conflicting, and hard to assess sales propositions from all competitors.

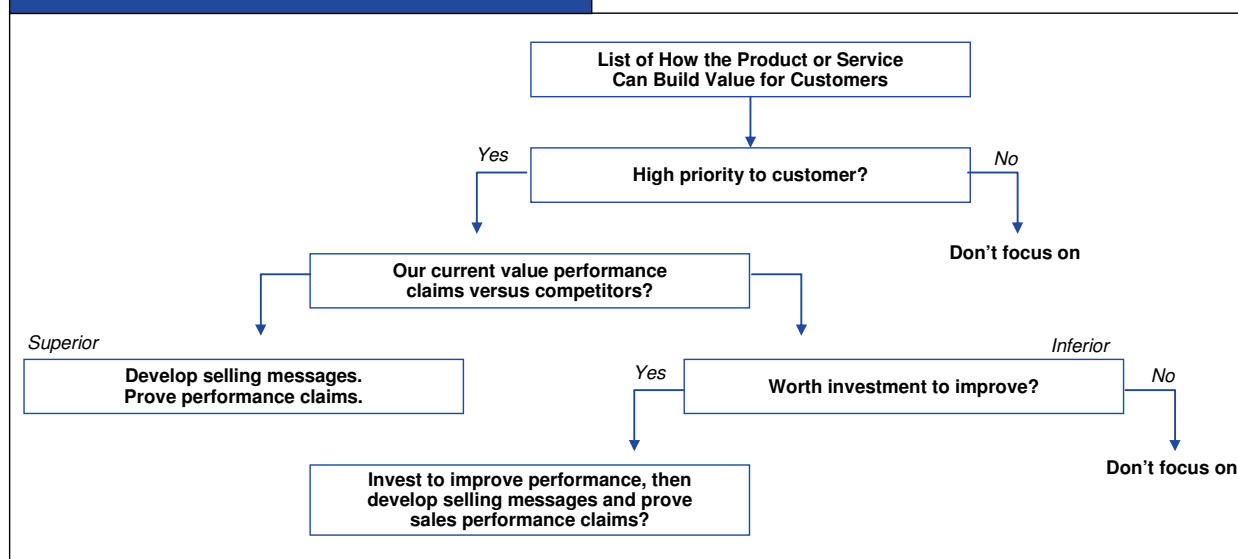
In *Exhibit 1*, firms can begin to develop their own key performance claims. The first question in *Exhibit 1* examines which improvements your product and service offerings provide that have the most impact on the largest part of the customer's overall cost/value equation. The second question assesses how your firm performs in the customer's eyes on the option under consideration relative to your competitors. This question must be assessed if your firm's performance lags behind its competitors on a specific option that is highly valued by customers. If catch-up costs are not prohibitive, correcting the deficient performance represents not only a potential key selling message, but a competitive advantage; and the company should plan to make investments in that area a priority. If your firm already performs better than its competitors, it is time to aggressively ensure that every buying influence inside the customer's organization fully believes buys into the performance claim.

For a performance claim to work, it must be able to clearly make the case that it improves customer performance. As an ultimate test, a company should analyze in numerical terms the full advantage of

its products or services on a customer's performance. Such research is the basis of the kind of testimonials that customers can truly "hear" if they are properly demonstrated. For example, a client in the direct mail business was startled to discover that one of its customers' consumer preference testing indicated a brand image increase through a direct mail approach over newspaper advertising. It was only some fast scrambling that got that performance claim into an important sales presentation with another direct mail prospect.

Identifying Key Performance Claims

Exhibit 1.



Identifying Where in the Customer's Value Tree to Make the Performance Claim

Although customers "hear" as emotional human beings, they also "hear" based on how their firm is organized to build value. Understanding the particular value-building structure of your major accounts is becoming increasingly important because:

1. The buying practices of many firms are becoming increasingly "rational" as computer technology, the continuous quality movement, and improved cost accounting systems drive analytical rigor throughout their organization. The practice of making decisions based on market intelligence, financial analysis, and/or detailed cost justifications is crowding out an earlier era's reliance on judgment based on personal relationships between buyers and sellers.
2. As organizations flatten and change focus, the decision rights around who can decide and who can influence buying decisions starts to migrate and can even get "lost" to a seller's eyes. This is especially true if your salesperson relies on building personal relationships with previously well-entrenched buyers. Loyalty to, and comfort with,

those buyers often leads salespeople to miss the cues of their customers' ceaseless reorganizations of responsibility and accountability.

3. As more and more suppliers attempt to find competitive advantage by providing "total solutions" to their customers, it is more and more important to start the sales process early enough and high enough in a customer's organization to be truly effective.

This is why periodically profiling each major account's "value tree" may be quite helpful. Properly completed, a value tree can help your sales force double check that they are:

- In alignment with the underlying economic realities of each reorganization or new initiative the customer launches.
- Starting the sales process by thoroughly penetrating what may be a complex organization by matching how each position is responsible for critical aspects of the value tree.

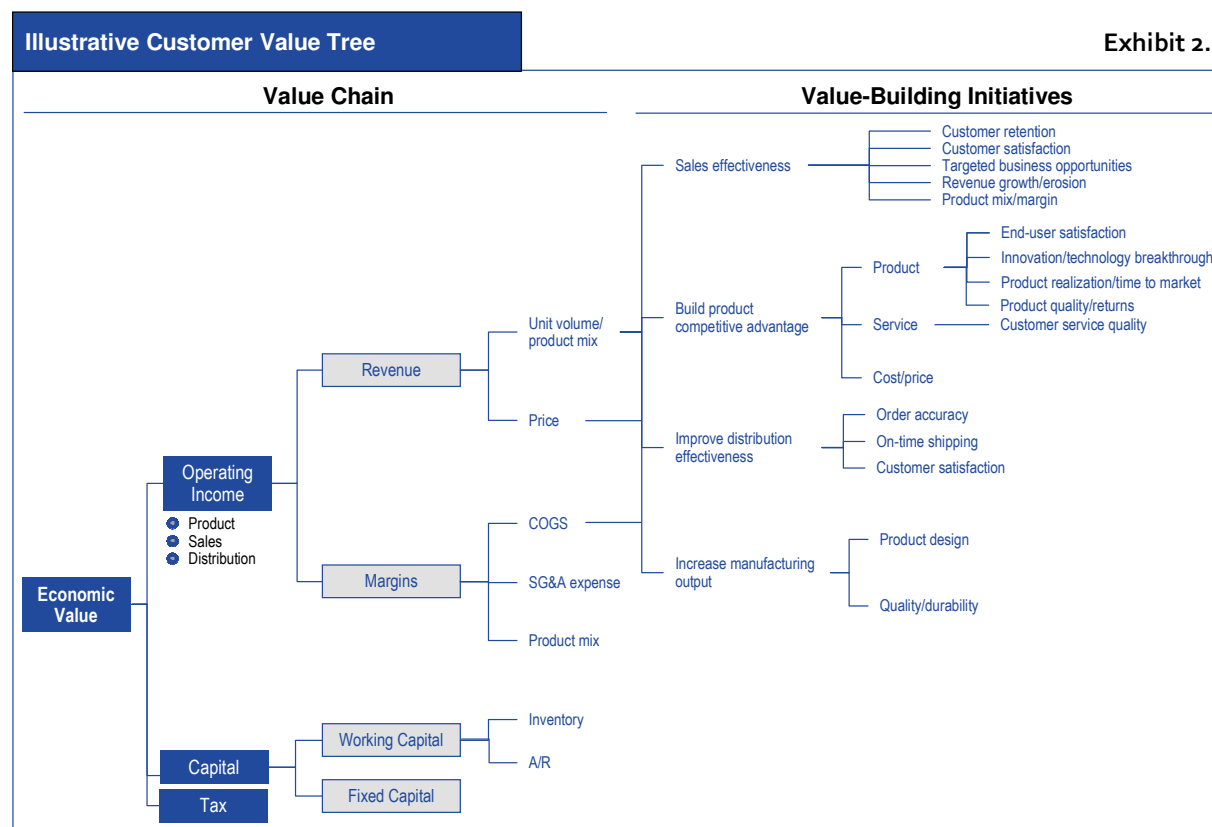
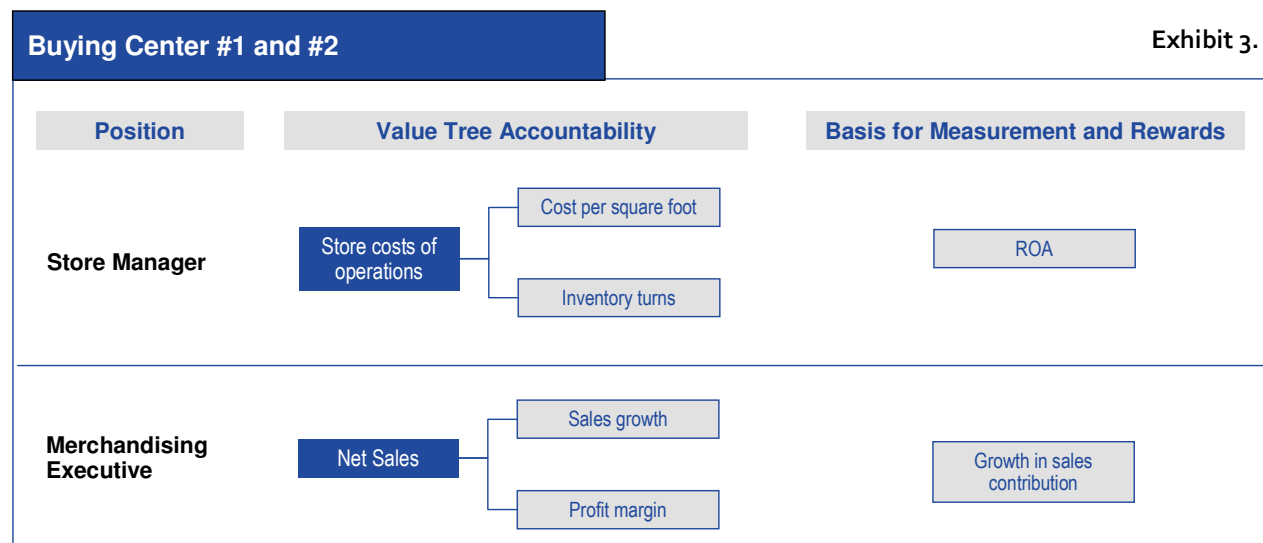


Exhibit 2 illustrates the value tree of a customer and some value-building initiatives it might undertake to build its firm's value. Suppliers may find that the combined talents of their sales, marketing, logistics, and financial personnel can construct the value tree of each major account as one part of their annual account profiling and planning process. Completing the value tree as part of the account planning process also provides a natural forum in which to consider proactive value-building initiatives you may want to suggest to your customers. Note that the customer in *Exhibit 2* starts to build value by focusing on measures, such as stop-line revenues and margins. These measures also align with the measures typically used by suppliers.

But how each customer organizes to build value is almost always quite different, even for customers in the same industry. Each customer will stress different ways to build its economic value faster or higher than competitors. For example, let's examine the emphasis different customers place on building a sophisticated procurement capability. Suppliers will find that there are customers who still use performance measures rooted in their buying philosophy of succeeding by lowering initial purchase costs, while other customers in the same industry use their cost accounting and information systems to capture and record the economic value they obtain throughout the time they "own" a supplier's products.

While some of the potential initiatives for building value are often similar for customers in the same industry, different people in each customer's value chain are often measured, focused, and paid differently. For example, for the supermarket chain discussed in *Exhibit 3*, the merchandising executive is evaluated on the basis of net sales, while the store manager is evaluated on return on assets



Each buying center's specific focus on one or a few value initiatives within the overall customer value chain forms explicit or implicit assessment criteria—the factors used to “hear” and evaluate selling propositions. There are usually three important assessment criteria each buyer considers:

1. The amount a supplier can contribute to the specific value driver the buyer is responsible for;
2. The magnitude of the decision as measured by the costs of the product or service—both the initial costs and the operating costs; and
3. The likely accuracy of the supplier's performance claims.

While salespeople may understand these assessment criteria in general, they often do not specifically address how selling propositions can help each buying center achieve performance measurement goals, optimize their incentive reward payouts, and add value to their customers.

Once salespeople have identified which specific **drivers of value** are important to each buying or influence center, they must next demonstrate how and by how much they will provide value. But often that is not a simple task. Most of the time there is a diverse and complex set of buying centers in the customer's organization, and each requires special customization of the key performance claims into specific selling messages.

Demonstrating Value

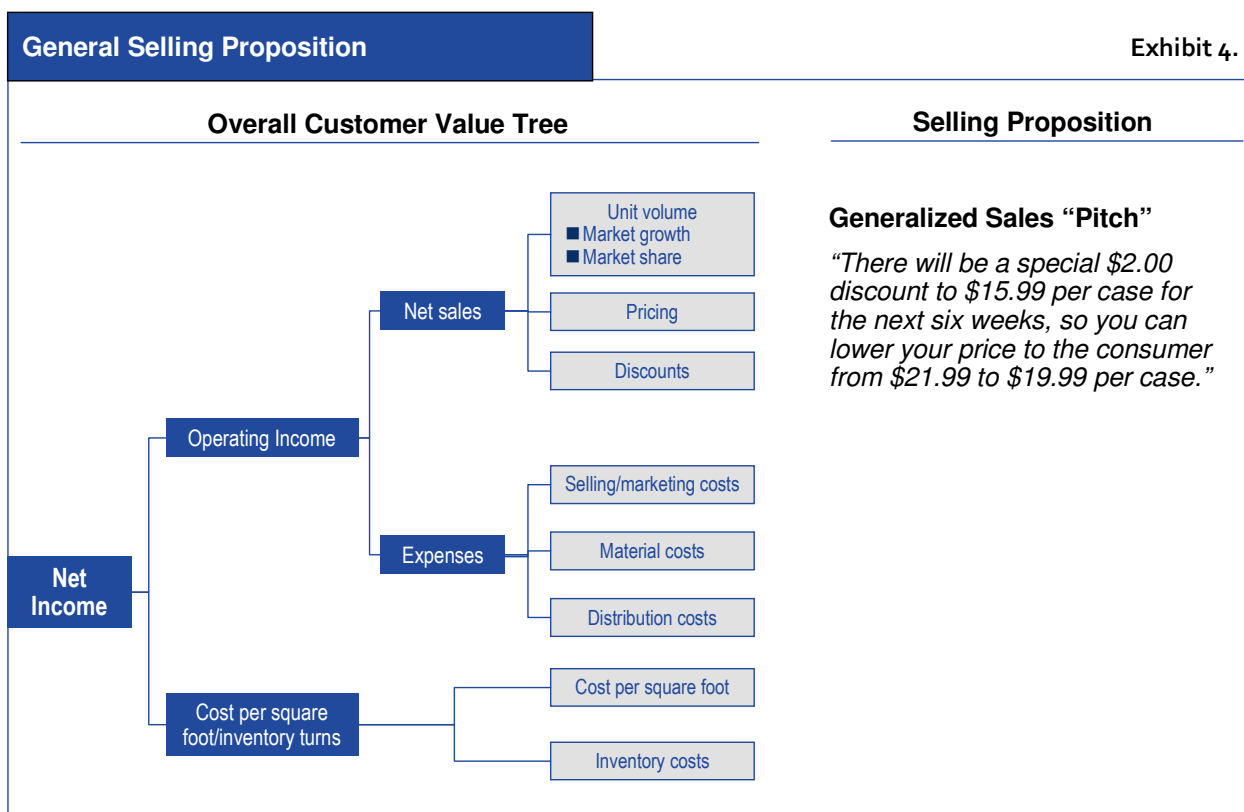
There are two steps salespeople must take to deliver clear and compelling performance claims that can be heard above the din of competing, but incomplete, selling propositions.

- Complete each selling proposition with a precise performance claim
- Sell the whole company.

Complete Each Proposition with a Performance Claim

Each selling proposition is complete only when it ends with a summation of how, and by how much, the specific part of the value chain the individual buyer is accountable for will be affected if the buyer responds favorably to the supplier's selling propositions.

Salespeople who employ this technique can take the same selling proposition and make it speak to both the store manager and the store planner despite the fact that each is responsible for adding value to their organization in different ways.

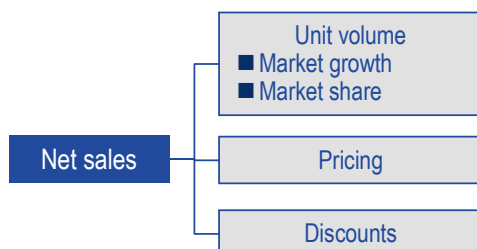


For example, in the generalized sales proposition outlined in *Exhibit 4*, the price proposition represents an undifferentiated “pitch” to both the store manager and the store planner. The sales proposition will be a “performance claim” only when it is complete and specific for the store manager and for the space planner. The salesperson can complete the sales proposition for the store manager (*Exhibit 5*) by demonstrating that at a price of \$19.99 a case, there will be a 10% increase in recent consumer purchasing habits of 1,000 cases per week; and therefore, at 1,000 cases x 10% x \$15.99 - \$19.99 per week, the store manager’s operating income will be increased by \$440.00 a week.

Selling Proposition for the Store Manager

Exhibit 5.

Store Manager Value Tree



Selling Proposition

Complete Buyer-Specific Messages

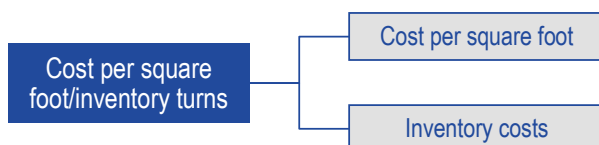
- *“At a retail price of \$19.99 per case, our research shows that there is a 10% increase in purchase per week.”*
- *“Given that your store typically sells 1,000 cases of our product per week, and we are maintaining our \$4.00 spread between retail and wholesale prices, you should see net income increase by \$440.00 per week.”*

In *Exhibit 6*, a sales rep uses a performance claim to demonstrate to the space planner that the supplier’s research has shown that consumer purchases increase by 10% at a price of \$19.99 per case. Most importantly, the claim is complete when the planner and the sales rep agree that, because sales increase by 10%, at \$19.99 per case, delivery times per week will have to increase from a Monday/Friday to a Monday, Thursday, Saturday schedule—minimizing the potential for inventory buildup and additional space required to achieve the additional \$440.00 per week return per square foot.

Selling Proposition for the Space Planner

Exhibit 6.

Store Manager Value Tree

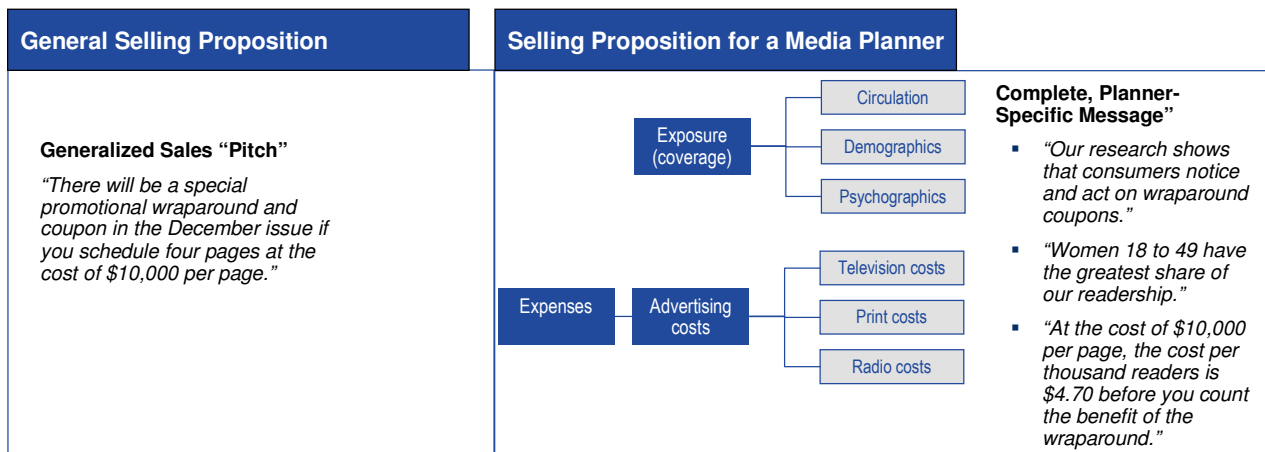


Selling Proposition

Complete, Buying Center-Specific Sales Messages

- *“At a retail price of \$19.99 per case, our research shows that there is a 10% increase in purchase per week.”*
- *“Besides, we know you are skeptical of any promotion that adds potential inventory to the store, and we know your shelf plan-o-grams are set, so we will increase our delivery schedule to three times a week for the duration of the promotion.”*

Let's take another example—in the case of someone selling television, radio, newspaper, or magazine ad space to an advertising agency. In this case, a magazine representative is trying to sell a schedule of pages in the magazine to the media planner and the account executive. Once again, each has different and specific criteria to assess the value of an ad schedule to a customer. *Exhibit 7*, at right, shows the original, incomplete selling pitch.

Exhibit 7.

Changing the pitch to a complete performance claim requires that the salesperson understand how the planner is specifically responsible for judging the demographic and psychographic profile of the magazine's readership.

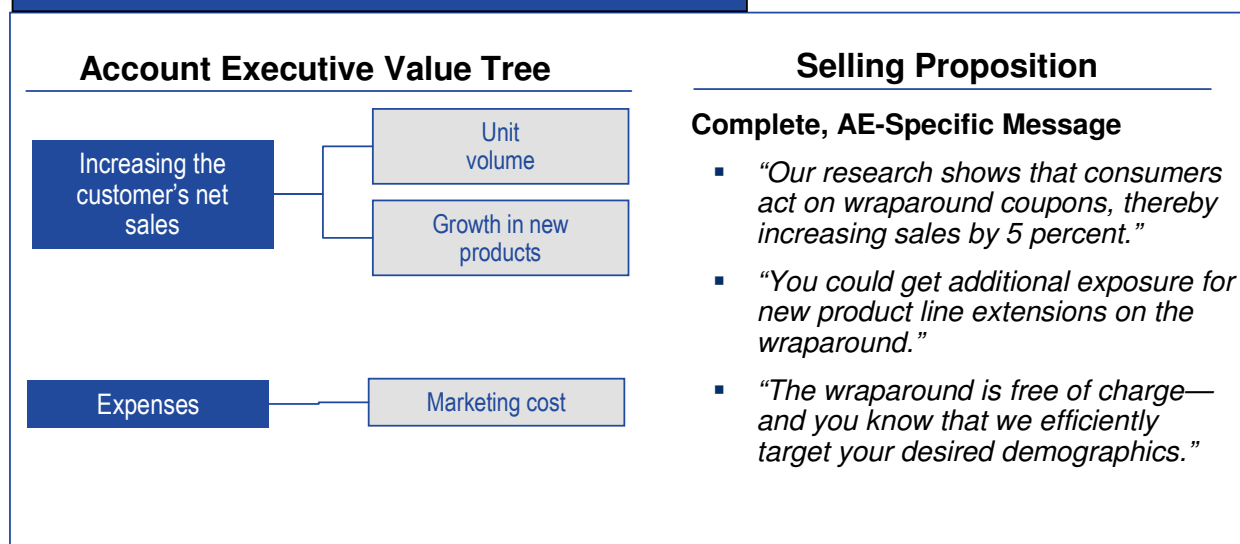
To precisely demonstrate value to the media planner, the salesperson would need to show first the readership profile and timeliness of the performance claim (*Exhibit 8*), and then show the cost efficiency of the magazine versus other media.

In *Exhibit 9*, the sales rep completes the performance claim to specifically demonstrate the he or she understands the account executive's specific responsibility for increasing the net sales and new product growth of the client.

Besides training their sales force to deliver complete, specific, and value-laden performance claims, some suppliers are providing other support tools to make it easier for the sales force to complete this task. For example, some suppliers are classifying each buying center into each salesperson's laptop computers to summarize the bottom line impact of that week's promotion, product, or price propositions on each buyer's specific part of their value chain. With this analysis, the salesperson can make a compelling and competitive performance claim to each buying influence right from the start

Selling Proposition for an Account Executive

Exhibit 9.



Sell the Whole Company

The final step sales personnel must take to fully demonstrate value is to remember to start and finish the sales process early enough and high enough in the customer's organization to make a difference. Few selling propositions address every aspect of the customer's value chain. As in the examples used in this article, some propositions may speak only to the promotions manager or the space planner. But it is crucial to reach someone in the customer's organization on a periodic basis who has enough overall responsibility to understand the full value of everything the supplier provides. Absent an overall perspective, each separate buying center may try to lower your price or increase your support levels in ways that deny your aim of gaining profit for value provided. The best way to demonstrate the complete value your firm provides may be through annual or semiannual "top-to-top" senior management business review meetings. Such meetings should include discussions of competitive trends, research, product development initiatives' potential areas for improvement, and upcoming changes in logistical or information system protocols. Most importantly, customers build a sense of the supplier's enduring commitment to their success from the results of these top-to-top business reviews. Sometimes, such top-to-top meetings include comprehensive reviews of the supplier's performance over the last year. For example, Allied Signal's top suppliers are formally evaluated on the basis of over 300 data points gathered about their product and service performance during the year.

Even in client situations where we have conducted comprehensive interviews of the most sophisticated accounts in the customer base, we almost always find that the very top decision makers value the long-term intentions and commitments of their supplier counterparts. Little wonder we hear, "What makes a

difference is knowing who I can call up and get a response from if I ever have to," over and over again. Clearly, companies must ensure that they do not ignore this important lesson as part of their potential arsenal.

In these ways, the best selling organizations periodically find a way to identify and demonstrate their full value at the place in their customers' organization where all of what they are selling is heard. As such, these suppliers bring their company to the customer as their ultimate performance claim.

About The Author

Tom Knight is a Principal with Axiom Consulting Partners. Mr. Knight has extensive experience in all aspects of sales strategy and sales management. Mr. Knight has served clients in North America, Europe



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Prior to joining Axiom Consulting Partners Mr. Knight was a Principal with Mercer Consulting's Sales Effectiveness Practice. Before joining Mercer, he was a Partner at Sibson & Company where he specialized in Sales Effectiveness and was the Managing Director of the firm's Chicago office. Earlier in his career, Mr. Knight was a National Account Director and Sales Manager for WilTel Communications Systems where he managed sales teams selling data networking and telecommunications products. In his consulting career he has served companies in numerous industries, including: medical products, basic materials, high technology, insurance, financial services, and durable goods manufacturing.

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