

The Case ROI Method: Versatile Sales



In this article, the authors outline the Case ROI Method, a highly effective and proven sales tool that takes the guess work out of product selection for customers. Mark Burton is co-founder of Holden Advisors and a strategic marketing expert for more than 16 years. Alex Beram is a Consultant at Holden Advisors and has worked globally in a variety of industries providing value management and pricing solutions. They can be reached at MBurton@Holdenadvisors.com and ABeram@Holdenadvisors.com. More information can also be found at www.HoldenAdvisors.com or at the company's corporate pricing blogs: www.Markburton.wordpress.com and www.Reedholden.wordpress.com.

Case ROI as a Sales Tool

In order to drive profits for their firm, field sales personnel need to be equipped to enter buying centers where there exists a multitude of players and perspectives. In order to achieve this, they must be supported by the pricing, marketing, finance, and product development teams, in the value, pricing, and delivery of the offering. The better the tools they have to defend the value of the product or service they are selling, the easier it will be to maintain confidence at the negotiation table. This leads to better profits for the firm. The Case ROI method is a sales tool that empowers sales professionals to present the financial impact their products and services have in a way that allows the customer to measure their purchasing decision over time, and versus the next best competitive alternative (NBCA). It is a crisp and well thought out answer that will show immediate results when used properly.

Similar to the way in which companies use the Return on Investment calculation to gauge the return on a capital investment or an acquisition, the method outlined in this article is used to show the differential value between two products, and how that value impacts the bottom line for the buyer over time. Organizations that adopt this vision deliver the most relevant offerings, present them to the right customers with the right value messages, and build their pricing power and profits for the long run.

Because customers want data that is relevant to their specific business and not high-level references to broad industry research (or an average set of assumptions), sales tools should meet a distinct set of criteria in order to provide maximum value. While a multitude of ROI tools exist, not all of them are able to be directly employed in the field.

Successful firms deploy ROI tools that are credible and serve to build trusting relationships with customers, and they follow these four simple rules when selecting the right tool:

1. The tool includes competitive alternatives: A balanced approach to demonstrating value is far more realistic than a one-sid-

ed view, and it is consistent with the way that customers perform their evaluations. Side-by-side comparison with the competitor's offering in a differential ROI format allows the out-put to stand on its own.

2. The data is based on an intimate knowledge of the customer's business needs and operation: While third party research is often useful in providing a high-level view of value, customers need to be able to understand how a purchase will impact their specific costs structures and operations.

3. They train salespeople to collect, interpret, and present the data: Gathering customer-specific data to prove ROI can be challenging to sales professionals when they believe that value is intangible. With the proper training, sales-people can effectively ask the right questions, and then present the value case to customers. ROI tools are the fundamental support for these efforts during the sales cycle.

4. ROI tools are used as part of a value-driven marketing process: ROI tools help firms understand customer needs, and how those needs vary by customer and by segment. That understanding is used to develop selling tools, and most importantly, provides the input into the product/service development and bundling process, the innovation schedule, customer segmentation analysis, and prioritization of the best target market.

Including the Competition

The Case ROI model presents value in terms of benefits - the revenue gains and cost savings generated by the use of a product or service - net of the value delivered by the next best competitive alternative. Presenting data that gives direct visibility to your competition can seem counter-intuitive to many sales professionals: after all, why invite comparison and strengthen the customer's negotiating position? The fact is that comparing products with competitors will highlight both the strengths and the weaknesses of each vendor's product, and this type of balanced selling actually improves the credibility of salespeople and their value story. ROI tools that fail to make competitive distinctions don't present the comparative information customers need in order to prop-

Tool for Defending Price

Making ROI Meaningful to Customers

Getting the customer involved is one the keys to an effective ROI tool. It allows the sales person to engage intimately with the customer, and it builds trust.

An equity services company that provided data to financial services firms had no idea how much impact their service had on its customers. Using the Case ROI method, the company developed models to first understand the impact it had on customers, and then to validate the value created.

Taking this information to the field with its offering portfolio, the sales force engaged their customers with data that showcased how each product or solution choice would affect the bottom line, which in this case was the alpha on assets under management.

erly assess the financial value of the offerings being considered.

A comparison with all of the necessary details and data ensures that sellers remain involved during the evaluation process, and that buyers' will trust the data being presented to them. Let's not forget that even some of the most innovative products fall short of the competition in some way. Identifying where the product is

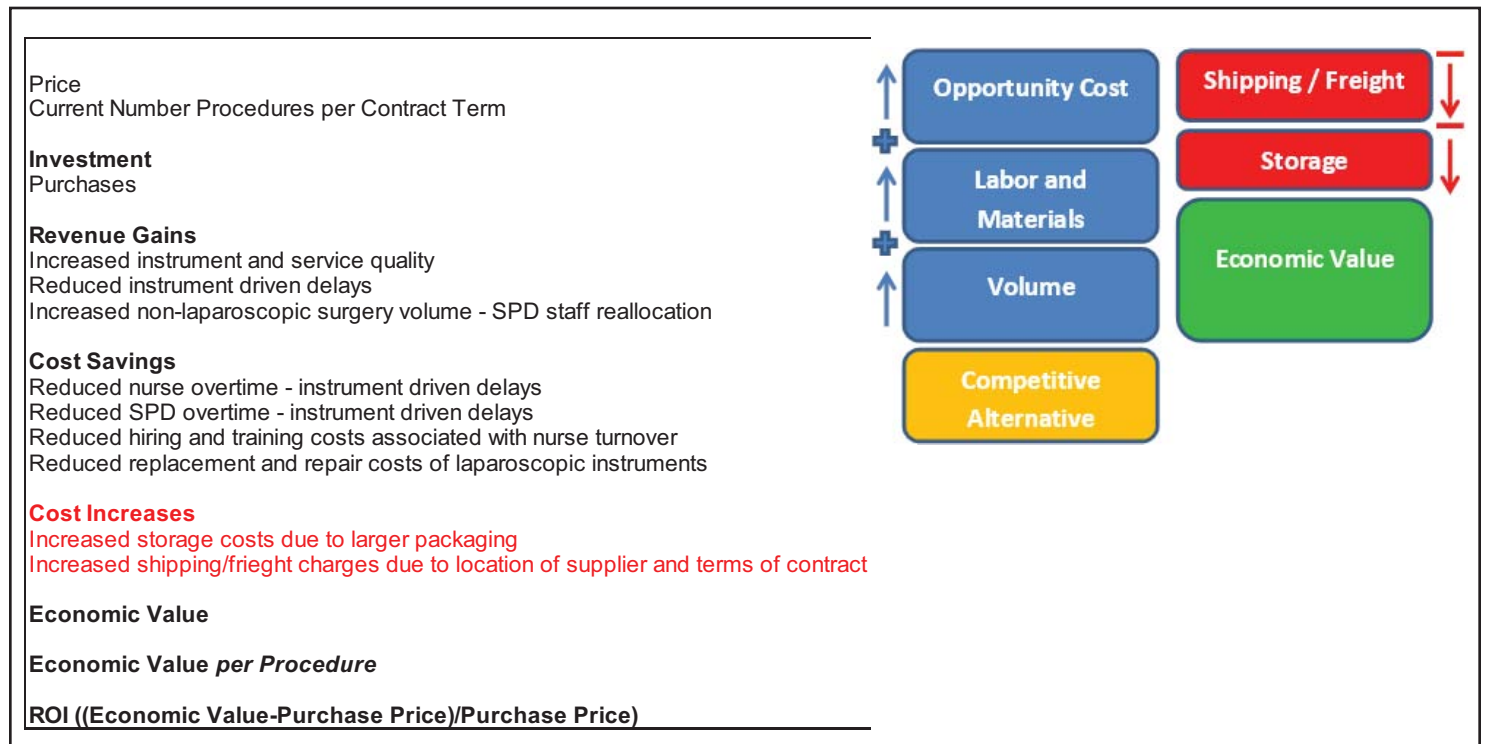
negatively differentiated versus the competition allows the seller's product management team to develop new features, services, and performance guarantees to close critical gaps between your company and the competition.

What does the Case ROI Look Like?

The following is an example of insights derived from a medical device services company that focused on the maintenance and repair of medical products at clinics and hospitals. This company, ABC Co., had a new service offering that would give their customers more reliable servicing of standard medical devices that were used roughly twice day. Due to inept or faulty servicing by the competitive alternative (a competing supplier in this case), hospitals and clinics incurred substantial costs from delays, labor, increased need for other products, and others. The calculations below are the result of many interviews with professionals who are directly affected by this service. In this case, the interview process included members of Pre-operative Services, Operating Room Support, and Materials Directors, who were all asked for information on the nuances of their role and the impact of this new service on their business.

This is a simple yet effective representation of value, and shows the buyer that there is a deep understanding of how their business operates. A total financial value of over \$470K annually is nothing to sneeze at. Looking at the competitive alternative, we are able to benchmark the value created by this service against the NBCA

Figure 1



and the fee they charge. With a list price of \$30 over the NBCA, the customer receives an ROI over and above the competitive alternative that more than justifies this price premium of 17% over the competition. Note also that this method looks just as closely at the negative value drivers (in this case the cost increases) – it is essential to be truthful on both sides of the equation when presenting your offerings. When a sales person can take this model into the field and showcase that they've done their homework on the buyer's operation, they understand what the competition is doing, and they are confident in the value they've created for the buyer's business, it's an ideal selling moment.

The three main elements that drove the benefits to this customer were the increased volume for their operating rooms, the reduction in labor and materials costs, and the reduction in opportunity costs. In the course of conducting the value research and compiling these value drivers, the interviewing team found that patients were being turned away because the service provided by the current vendor was unreliable, and thus they could not perform as many treatments. ABC's solution would allow them to realize that volume and as a result see a substantial increase in revenue. This type of discovery is a key to this method, but can only happen through a rigid and experienced interview process.

Another important aspect of this type of ROI analysis is that it uses incremental benefits to create a true measurement of the value created. Many ROI tools take a simple percentage, which can be deceiving to the customer if it doesn't show true numbers – the financial impact per unit of measure. In a Case ROI model where the product or service creates actual lasting value for the customer, investments will be overcome by benefits over time, with a greater spread over the investment horizon.

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Implementing the Case ROI Method

Presenting the data in a format that permits easy comparison of competitive alternatives is a critical evolution. There are five areas of detail that have to be met to develop a top-notch ROI program:

1. Open to customer scrutiny: All relevant data, assumptions, and calculations are documented for analysis with the customer.

2. Customer specific results: The tool must be flexible enough to allow sales people to use it with different prospects in order to produce customer-specific results. The front end of the tool should enable the sales team to gather data in a straightforward interview process.

3. Organizes data collection into benefit categories: It also employs a modular format that allows entire categories or por-

tions to be added to or eliminated from the model based on the customer situation.

4. Puts it in the customer's words: The value of the offering should be aligned with how the customer will actually see its impact on their business -this makes it easy for the customer to assimilate the decision to purchase with their business objectives. It also illustrates that the seller understands how the solution resolves the customer's business problem and demonstrates their strength as a partner.

5. Clear outline of comparable business problems: Built upon the prior experiences of other customers, this is a detailed analysis of the business problem that the prospect is addressing. Lack of a relevant set of benchmarks, even for new products, is a red flag for customers and will impair any efforts to establish credibility and sell value.

We've seen very well crafted strategies and tools get foiled because there wasn't enough attention paid to the way in which the enterprise included key personnel along the way. A properly calculated ROI with a competitive comparison is a very compelling argument, and therefore taking the steps above will provide assurance that the organization pulls all of the benefits it can from the method.

There are four organizational goals that must be achieved in order to maximize the potential within this method. Attention to these factors will increase the likelihood of a successful and sustained implementation.

1. The sales team must be properly trained: The sales team needs to understand what questions to ask customers, who in the company will support them in the process, how to identify customers who care about a Case ROI, how to present it, and how to use it in a negotiation.

2. Buy-in from the sales department: Effective ROI tools require a high level of buy-in from the sales organization in order to implement successfully enterprise-wide. Since ROI tools are one of the primary drivers of a value-based sales approach, sales teams should attend workshops to master the features-benefits-value hierarchy and learn to ask effective questioning to lead customers through the process.

3. Executive support: Gaining the support of key members of the participating functions (which will be most functions within the enterprise) allows for those using the Case ROI method in the field to be fully supported. It signals to the whole organization that there is a focus and momentum around capturing value and improving profitability.

4. Processes and data must be continually updated and improved: While initial training in the use of the tool is critical, continued supervision by management sustains a value-based approach. Managers need to formalize the process in the sales strategy and review its use. This prepares the sales team for better presentation to customers, and sets up the sales organization to become a significant feedback mechanism to the product and service development efforts of the organization.

This tool is not for everyone, however, and it's important to make sure that the tool is used with customers who care about value, want to see the differences and can see the most benefit from it. Since the Case ROI method looks at differential value, it will be most effective when selling a product or service to a buyer that is interested in the value and positive financial impact that your offerings carries above the competition. To present this argument to a buyer that is only looking for the lowest price will be a waste of everyone's time.

Not Just About Sales Strategy

As showcased above in the new process technology example, Case ROI modeling can be used for segmentation, targeting, and positioning. Further analysis of these opportunities leads to insights about the refinements that can be made to product/service offerings. In sorting out how to deliver the greatest value for target accounts, firms using this approach may learn that their offerings lack definition, or that they contain extraneous services that don't add value to customers. These insights inevitably lead to a rationalization of the product portfolio in order to align value to the needs of the customer and to reduce the cost to deliver.

During new product launches it is common to hear that offering a credible ROI model is impossible because the product is a breakthrough technology and there's no baseline against which to compare. Nothing could be further from the truth. The issue of the baseline can be addressed at the start of the product development process, rather than the start of the marketing process or sales cycle. When this is done, it will facilitate better decisions on which new products, services or innovations to fund in the first place. The overwhelming majority of new products and services—even in IT—are incremental improvements or line extensions and not quantum breakthroughs that defy reasoned analysis of the financial benefits that they drive for customers.

Organizational Benefits

Embracing the methodology outlined in this article allows firms to break down the traditionally in-dependent silos of product development, marketing, sales, and pricing. When these functions work together, they become part of a team focused on constantly creating increasing financial returns for customers and sustainable competitive advantage for the firm. The result of this cross functional focus on value is that the firm becomes increasingly customer-centric, in that all business units align their objectives to the value being created for the customer.

Key areas of collaboration include:

1. Understanding customer needs and how those needs, when met, lead to reduced costs and increased sales.
2. Understanding how competitive capabilities meet or don't

Using ROI to Drive a Product Launch

The Case for Innovation

A medical device manufacturer hired pricing consultants to investigate the value created for its customers by a recent innovation (a new process technology). The team went out into the field with nothing but a spec sheet on the product, and conducted 45 interviews in order to uncover both revenue and cost drivers.

They mapped out the current work flows and cost structures, validated them, and then proceeded to test them with the likely changes with the new process technology. In building out the value model, these inputs became the foundation for the Case ROI of the technology, which created significant differentiated value for our clients customers.

At launch, their sales force was armed with detailed data on value. By integrating their marketing strategy with the technology road map, they were prepared for the next wave of competition.

meet customer needs. All competitors are different, even if by some small measure. It is by understanding the impact of those differences that vendors can begin to sell based on their differential value.

3. Creating new product and service features with real value for customers, and with the sustainable competitive advantage that managers should strive for.
4. Developing bundles of product and service offerings that provide customers with varying ranges of value.
5. Supporting the sales team with analytical tools to help them ask questions that prioritize value for customers. This proves that the value does exist and it results in bottom line savings for the customer.

The Case ROI method provides an analytical process to showcase the true financial impact that a product/service has on an enterprise. It highlights the customer as the focal point of the selling organization in a way that builds credibility and trust for salespeople. Finally, it provides all departments within the organization the means to work together around the common cause of customer value. It is when organizations achieve this higher purpose that they can develop more effective pricing programs to capture value and profitability.