

## HOW TO BUILD A WINNING VALUE PROPOSITION

### Best practices

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### HOW TO BUILD A WINNING VALUE PROPOSITION IS A SHORT SUMMARY OF SELLING THE VALUE PROPOSITION, OUR SALES APPROACH IN WINNING COMPLEX SALES.

Since the late 1980s, I have become familiar with various sales methodologies all of which tell me that having a strong value proposition is an important step to winning a sales opportunity.

Very few though, have actually told me what kind of information we should see in the Value Proposition and not one of them has explained how to create the actual Value Proposition itself.

For most sales people this is one of the most difficult tasks in the whole sales process.

As a result, the intention of this article is to give you some ideas on how to build a winning value proposition. The following ideas come straight out of my own sales experience.

It is much more than just a process; it's a check list containing the critical questions you need to ask yourself about each individual sales opportunity. The answers to these questions then represent the raw material with which you can build your value proposition.

There are three levels of the value proposition which correspond to three stages in the sales process:

1. When you are prospecting (1:1 marketing) and trying to stimulate interest, you will carry out an early value 'hypothesis' which says that from our past and current experience, we are able to fix this problem. It confirms that we have solved this kind of problem for a similar company and our solution generated this amount of added value, within this timeframe. It means that we can probably help. Are you interested to discuss our approach further?
2. Once you have started to qualify the sales opportunity and have assessed the customer's issue further, then you are able to start discussing a more specific 'proposition' or a better informed estimate of what we can probably do.
3. Later, when we are well educated and fully knowledgeable about the customer's business issue, we can, with authority and confidence state that we are able to apply our expertise and experience and help his organization achieve the specific objective of their business initiative.

This article will address this third stage of the value proposition later.

Let's first start by having a common understanding of what a winning value proposition is

*'It's a value statement that clearly indicates to the customer the unique business value that you are able to provide to his organization through the delivery and implementation of your product/service. It also indicates the timeframe over which the customer will be able to measure that value and the specific metrics. It should also include a proof statement or anecdote.'*

Once you have built your value proposition for a specific sales opportunity, you will need to test it before presenting it to your customer. There's a 3 level test process that I will share with you at the end of this article.

## **DO WE HAVE THE RIGHT INFORMATION?**

You won't be able to develop a winning value proposition if you don't have the right information.

- What are the drivers that are motivating the customer to act?
- What is the customer's response to these drivers?
- What is the result the customer is expecting from his initiative (project)?
- How will this result be measured?
- Who's in the customer's organization is accountable for this initiative?
- What are his business objectives for this project?
- What are his personal objectives for this project?
- Do we really understand the customer's needs?

## **CAN WE DIFFERENTIATE OURSELVES?**

- Are we able to fulfil the customer's needs? If so, how?
- What are our unique selling points?
- Can we prove them? How?
- What is the potential business value for the customer?
- What is the gap compared to our competitors?
- Who are our competitors and what is the added value they are proposing?
- What is our competitive strategy?
- How well do we connect with the project sponsor's business and personal objectives?
- What is the specific value that the customer wants to buy?
- What are the important qualitative decision criteria that the customer will consider? For example, risk, ability to deliver, ability to support, ability to maintain
- Can we build a business case?
- What is the ROI of our solution?
- Over what period of time will our customer be able to see the value we can deliver?
- What additional measurement criteria have we suggested that the customer should consider?
- What information is still missing?

## LINKING AND STRUCTURING THE INFORMATION (EXAMPLE)

1. VALUE TO CUSTOMER								
DRIVERS / CUSTOMER'S INITIATIVES	IMPACT for the CUSTOMER	POTENTIAL VALUE (M€)			REFERENCE/EVIDENCE			
		Cost	Neutral	Added Value	Name	ROI		
1. Moody's & Poors rating / Image	Loss of image and customer's loyalty	TBD						
2. Optimized use of capital	Better return on capital investments			5	Cust X			
3. Minimize risks on investments	Level of capital provisioning			2.5	Cust Y			
4. Financial product pricing (AV)	Impact on margin			150				
5. Conformity to regulations	Penalties	1.5						
6. Increased management performance	Impact on profit	0.5						
7. Customer selection based on risk profile	Impact on the risk KPI	0,8						
8. Sustained development	Politically correct							
2. SOLUTION provided by ....(my co) and/or (Partner co)								
		Cost	Added Value	ROI				
Consulting : global risk management (credit, operations, market)		3	9					
Credit risk management systems integration (credit, operational and market)		3	10					
Applications : global risk decisional aided system - dashboard and reporting system.		0.5	1					
Total		6.5	20	3.6				
3. ADDED VALUE MEASUREMENT CRITERIA								
		MEASUREMENT CRITERIA (customer)			TIMING (to see the value)			
1. Moody's & Poors rating / Image		Cost of capital			6 months			
2. Optimized use of capital		ROIC / ROCE			12 months			
3. Minimize risks on investments		Investment capacity			3 months			
4. Financial product pricing (AV)		Margin improvement ratio			3 months			
5. Conformity to regulations		Positive audit report			June 2009			
6. Increased management performance		EVA			12 months			
7. Customer selection based on risk profile		Risk index (level of credit quality)			12 months			
8. Sustained development		Image			24 to 36 months			
Measurement criteria (examples) = how the customer will be able to measure the added value generated by the use of my solution in the shortest timeframe.								

Once you have collected and validated the information, you can structure the Value Proposition as you can see in the above example.

The challenge now is to translate this information into a structured and clear value-based statement.

A few questions to guide you through this process:

- What is my differentiated added value for the customer?
- How will I deliver this value?
- What will be the ROI for the customer?
- Over what timeframe will the customer be able to see the value delivered, globally and for each critical success factor?
- What additional measurement criteria will I suggest the customer uses to measure the added value that my solution will deliver?
- What is the qualitative value that my solution delivers?

## WHAT'S NEXT?

As we saw earlier, you need now to test your value proposition before using it with your customer.

There are 3 simple steps that you can use to test your value statement:

1. The first step is to take your value proposition and replace your company's name with the one of your main competitor. If the value statement is also valid for them, then you have a problem and you will have to rework your value proposition by reviewing the core information. Look especially at what it is that differentiates your approach for this competitor and how you can translate it into unique value for the customer. Don't forget that that the customer will also value certain non-measurable criteria, like the level risk for his organization or your company's reputation in the market.
2. The second step is present your value proposition to your sales team and your management. How does it sound to them? Can we really deliver that value? Are we ready to not only present it but to support it as well?
3. The third step is to present your value proposition to your champions (sponsors) and supporters inside your customer's organization. Does it work for them? Do they buy in to the value? Do they support it?

Let's not underestimate the importance of the value proposition and when to use it during the sales process.

**Here's to successful selling!**

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