

# Value Blueprint App



*We have worked many years to enable our customers to execute better business deals and drive “real time value” to obtain price, share and risk premiums. One result of these process improvement efforts is use of technology and insight as a powerful weapon to anticipate and fight back against commoditization efforts and irrational competitive actions.*



*competing at the speed of change*

Thanks for your interest in learning more about our Value Blueprint App. Our goal is to use technology to aid in your business negotiations. We are not specifically a software firm; we are a negotiation consultancy that has a software offering. Technology allows us to help our customers drive more value at the deal level to reduce commoditization attempts and the resultant focus on only price in a negotiation.

Allow me to offer some background to give you a sense of how we employ technology to give your leaders and front line negotiators an edge. The three areas I will cover are:

- The main problems with business negotiation
- Why value is so important and difficult to execute
- The internal negotiation and deal approval process

## 1. THE MAIN PROBLEMS WITH BUSINESS NEGOTIATION

Contrary to popular belief, negotiation is much more strategic and predictable than tactical and reactive. [Our primary research](#) and subsequent work with each of our customers shows that 97% of buyer behavior in negotiation can be anticipated. Buyers can be counted on to:

1. Refer to their alternative (your competitor, do nothing, do it themselves)
2. Ask for a concession (price, free support, extended warranty, etc.)

The most common negotiation tactic globally is *“I can get the same thing cheaper.”* This tactic follows the pattern of referring to an alternative (same thing) and asking for something (cheaper). Even though the words change, *“Your contracts (legal concession) are so much more difficult than everyone else (alternative),”* the pattern still holds. An additional example is *“everyone else provides that for free.”*

About half the time the customers do not reference their alternative, they simply ask for concessions as in *“lower your price,” “it’s not in my budget,” “sharpen your pencil,” “I want favored nation pricing,”* etc.

The primary problem is that negotiators do not anticipate these tactics and do not have data ready to counter. In our experience sales teams lose millions each year by not effectively being prepared. It is no surprise that buyers refer to their alternatives and your solution as the “same thing;” it is clearly in *their* best interest to commoditize your efforts and use that pressure for price reductions, discounts and other give-aways.

While some of this may seem “tactical,” the reality is this is what is happening on the front lines, in the eleventh hour. It's putting downward pressure on margins and upward pressure on contract risk.

**How do we use technology to help solve this problem?**

Leaders and negotiators need negotiation data at hand to anticipate these problems. They need to have this data to begin to change the conversation from price to value earlier in the sales process. Because negotiating is often thought of as tactical and reactive, the notion of developing a negotiation database that connects strategy to the deal level hasn't occurred to most. We are now using technology as the organizing principle to house negotiation data and migrate from tactical skills to organizational competency.

**2. WHY VALUE IS SO IMPORTANT AND DIFFICULT TO EXECUTE**

We know that buyers will attempt to commoditize your offering in hopes of lower prices and shifting risk in contract terms and conditions back to you. Value results in price and risk premiums. We ask our clients' leadership three questions:

1. What is your value proposition?
2. Who owns it?
3. How is value connected at the deal level?

We have found:

- If we interview four executives, we do not get consistent answers to “what is our value?” If you cannot clarify your value internally, what are the chances your customers can understand it?
- When we ask “who owns it?” the common reply is marketing. Your value propositions tend to be fixed statements done once per year and typically out-of-date the moment they are printed. This is where the classic “sales-marketing disconnect” comes from.
- When we ask “how is value connected at the deal level?” the answer is also not very clear. How often have you heard a salesperson ask “when are the value statements from marketing coming out?”

What we do know is that defining value is much more clear than most think. It is...

***“the way you meet your customer’s needs better than their alternative”***

Value is real time and incremental, not based on static value statements from marketing. It is based on real analysis, one deal at a time, focusing on your customer’s needs and their alternative to you at this time.

Your firm has many drivers of value spread out among many cross-functional areas. With one of our clients, SkillSoft Corporation, we asked the sales team and sales leadership how often they think customers executed rational analysis before stating they were “the same” as a given competitor. The answer was, hardly ever. In fact, for a customer to say they were “the same” as another supplier we determined they would have to begin by force ranking 43 different decision criteria across six different buying influences. They would then have to keep in mind their strategic and operational business needs for this transaction and score those suppliers against the weighted criteria given their needs to see who better solved their business problems.

The second question was, if **we** had executed that rigor and understood how we scored against an alternative given that specific customer's needs, would that give us an advantage and help the customer make a better decision? The answer was a definite yes.

#### **How do we use technology to help solve this problem?**

The first step in breaking the commoditization efforts of your buyers is using technology to produce what we call “real time marketing” in a way that is both consumable and scalable. This is where technology acts as the enabler.

What we do up front is determine the criteria the customer should be using when comparing you to different alternatives (many times working with your marketing department) and embedding that data into the software. In simple drop down menus salespeople can execute quick but powerful analysis to determine what your value is on this opportunity, at this time, given this customer’s needs and their alternative to us. The tool can be easily populated given different competitors and different sales force levels such as inside, outside sales and national/global account teams to reflect the reality of their selling market.

What is accomplished at this level is internal alignment on what your value actually is, who owns it and how it connects to the deal level. It creates what we call a living, breathing value ecosystem that can be updated instantly as market conditions change. This data is well received by sales teams as it helps them solve daily, street level negotiation problems in an extremely user-friendly way.

### 3. THE INTERNAL NEGOTIATION AND DEAL APPROVAL PROCESS

Harvard Business School studied 45 companies and determined the #1 negotiation problem they faced was the internal negotiation and the competing needs of silos. It was the lack of internal negotiation alignment, or what we refer to as negotiation strategy. Each silo (legal, pricing, marketing, sales, product managers) viewed the negotiation through their own lens and were not viewing the negotiation holistically. As one example, legal departments were simply redlining contracts in an effort to reduce risk to zero without factoring in and weighing the reward and adjusting risk profiles accordingly.

Most companies have two kinds of internal negotiation strategy. The first is a highly centralized one where all deals have to be approved by a committee or multiple stakeholders. The result of this approach is tighter variance but slower response to the market. The second strategy is to simply allow salespeople and regional leadership to make their own negotiation decisions. The result of this approach is faster decisions with more variance and exceptions.

Our solution is a middle ground and what we refer to as radically centralized strategy with radically decentralized execution.

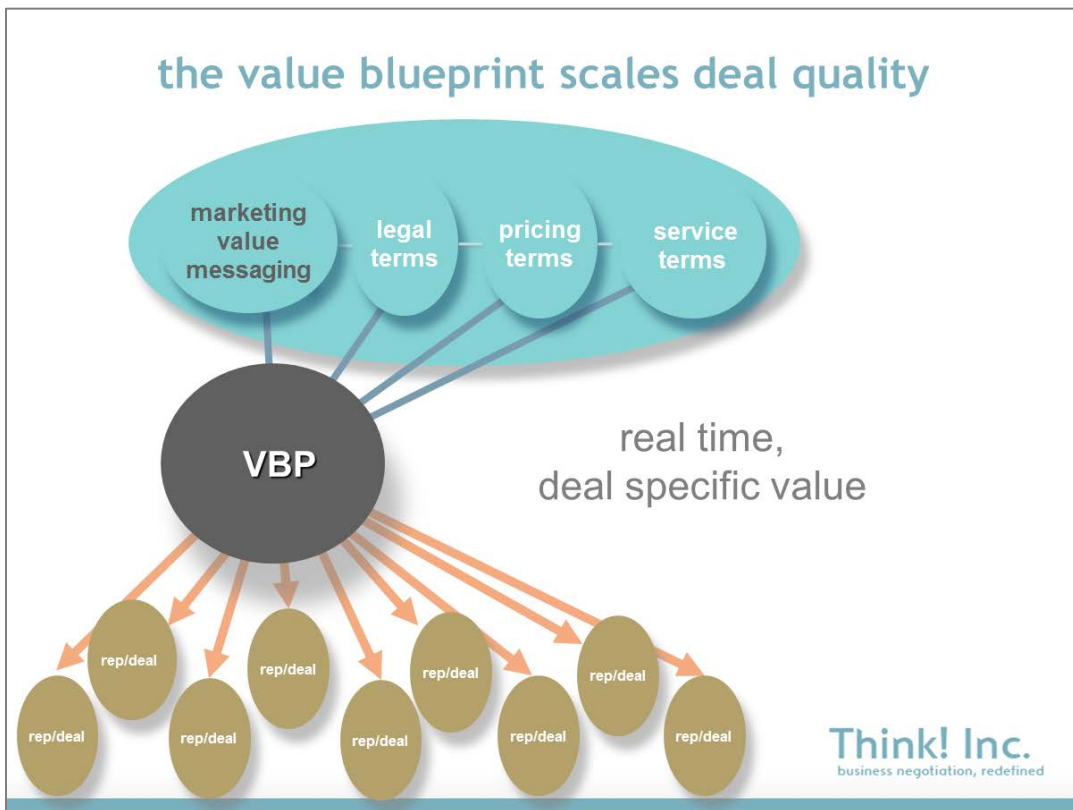
#### **How do we use technology to help solve this problem?**

In step one, we determine what your value is on this opportunity at this given time. Now we are ready to leverage that value for price premiums and risk reductions.

At the outset, we work with cross functional stakeholders, those that own approval of negotiating variables such as pricing, contract terms and conditions, SLA's etc. and embed these variables into the tool. Each variable has a high and low end of pre-approved ranges. Items like price will have ranges from \$X-\$Y, raw materials clauses from \$X-\$Y % and so on. Salespeople may still need to get deals approved, but they show up earlier, in better shape and with less variance.

The priorities of stakeholders can be embedded in the tool such that leaders are certain they are being applied at the deal level. For example, in one company there was an effort to begin getting compensated for services rather than giving them away as a cost of doing business. This priority can be highlighted as a "key trade" to make certain sales people are embedding it in negotiations. In another firm, two legal clauses were tied together, liquidated damage clauses were only allowed when customer performance metrics were in place.

Much like the marketing/value data, this information can be updated real time as new products emerge and market conditions change. Much like the value data, this data is in simple drop down menus.



**SUMMARY:**

Most sales software collects data from salespeople when they “fill out the form” and answer questions about their customers/opportunities at the account and opportunity level. That data then rolls up and becomes a report that interests management. What we, and our customers see as a breakthrough difference with this technology is that it not only asks questions, it provides answers....the answers that management wants to have leveraged for regional, national and global sales teams.

The tool has a Salesforce.com plug in and very simply integrates. Please contact me personally with questions. We have worked many years to increase our impact on our customers' business and find this enabling technology a powerful weapon in our arsenal to fight back against commoditization and irrational actions by competitors. It arms your team with data and strategy that is in line with leadership priorities, real time, as they change. It provides a systematic framework to collect and organize all sources of your value and get them leveraged one deal at a time. As one CEO of a global shipping company said, “I want to make sure my salespeople are executing my priorities, not theirs.”

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Today demands fundamentally different sales enablement solutions. Solutions engineered to enable your sales team to **compete at the speed of change**.

**That's what we do. . .**

5600blue has created the first-ever vertically integrated sales enablement platform that includes; the knowledge salespeople need to compete at every stage of the sales process, Salesforce.com integrated technology (or stand-alone app) to house, deliver and update that best practice knowledge base and enablement in the form of training, deal coaching and win/loss reviews.



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