

What Is A Value Proposition For My Prospect?

Why a value proposition for the prospect?

Have you worked with a client to determine if your products and services were the best alternative for the prospect only to find at the end of the sales cycle that the client says, **“Thank you for spending the time with me, but, we can’t cost justify buying from you!!” OUCH!!**

Our clients tell us that in many cases the reason this has occurred is that the prospect can’t determine the value or cost justification of a proposed product or service. To make it worse, after the prospect has spent all of that time “looking” they may default to the lowest priced vendor or they make a **NO DECISION**.

Below are just a few excerpts from industry organizations that point to the importance of cost justification:

- “A project is 60% more likely to be approved with a cost justification and business case.”
- *Gartner*
- “More than 82% of IT decisions now require an Cost versus Benefit analysis.”
- *Information Week*
- “Return on investment is king, and projects with a quick and clear Cost versus Benefit are much more likely to get funding in today’s uncertain business climate.”
- *The Industry Standard*

How do I help the prospect establish a value proposition for my products and services?

Value or cost justification is not a broad-brush statement we as sales people make to a prospect or existing client. An example of a statement we make could be, “Our ‘Sales Force Automation’ system will help you improve forecasting accuracy, saving you thousands of dollars in un-productive manpower.” That may be our opinion, but the only person(s) that can conclude that an SFA product will save thousands of dollars is the prospect or client.

Try another approach to helping your prospects determine value and cost justification:

1. Understand the prospect(s) goal(s) by asking questions to determine in their words how big in dollars that goal is today with their current operations. An example of a business goal could be, “I would like to improve the forecasting accuracy of our sales division. We have an objective of improving sales by 15% in 2005.”
2. Help the prospect understand how much it is costing them to do things the way they do it today. During this conversation determine if there are multiple things preventing them from achieving their goals. Each of those things or ‘reasons’ may contribute a dollar amount to the overall goal. An example of a reason in this discussion could be, “An opportunity’s size and when it will close is the opinion of each of our sales personnel. Because it is their opinion, I cannot place any confidence that the opportunity will close and how large it is.”

3. Once the prospect arrives at the cost of that reason's contribution to the overall goal, then they are in a position to determine that if they did it in a different manner, would that cost go down or stay the same.

Let's assume that in working with us, the prospect determines that if they had certain capabilities there would be a dramatic reduction in the variability of the forecasts they receive from sales personnel. An example could be, "Would it help if when a sales person completes a prospect call they could update that opportunity with a standardized milestone indicating where in the sell cycle that prospect is, and when the prospect will make a decision?" If the prospect indicates that it would help, then the next question could be, "If you had that capability, how much of the variability in forecasting do you think could be reduced?"

If the prospect agrees to an amount of reduction in forecast variability, and there is a dollar amount placed on the change in business operations due to the new capability or manner in business operations, then the **'value proposition'** of the capability(ies) has tentatively been determined. During the sell cycle this value proposition and other information could be used to cost justify the expenditure they are considering.

In real life, there may be multiple goals, reasons for not achieving them and capabilities that you may help your prospects with. When working with prospects spend the time needed to determine what their goals are, the reasons that contribute to them not achieving or exceeding goals, the cost of doing it the way they do it today, and the subsequent changes that would occur with capabilities that you can provide. If there is a positive 'value' to the change in business operations the likelihood is much greater that not only will the prospect decide to do something, but also, they may do it with you!

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