CREATING, VALIDATING, AND PRESENTING AN ECONOMIC VALUE PROPOSITION

What is the ROI on your solution?

A Chapman Group White Paper

THE CHAPMAN GROUP
SOLVING SALES AND ACCOUNT MANAGEMENT CHALLENGES

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Companies that have an economic approach to value propositioning are likely to achieve fast growth and increased profitability. With that said, what is an economic value proposition?

> ***Economic Value (Proposition):*** *The expected monies saved and/or earned from the features and benefits of your product/service as anticipated and validated by your customer.*

We have found that to recognize the economics of a value proposition an organization must:

1. **Identify the compelling reasons (*Business Drivers*) why customers buy their products/services.**
   - Explore all the *compelling reasons*
   - Use customer intelligence, relationships and creativity in identifying drivers as either a *Cost Reduction*, a *Cost Avoidance*, and/or a *Revenue/Margin Increase*

2. **Identify the *Business Metrics* that enable the measurement of the compelling reasons (*Business Drivers*).**
   - Recognize the difference between a *benefit* (something that promotes or enhances well-being; an advantage) and the *economic value*/*impact* of that benefit
   - Identify the elements needed to calculate the value of a benefit
   - Recognize that these may differ from one customer to the next

3. **Create a Economic Value Proposition Calculation Worksheet (ROI Calculator)**
   - For use in the sales and account management processes to apply rigorous qualification to prospects/opportunities or existing accounts
   - Recognize that these may differ from one industry to the next and from one product / solution to another

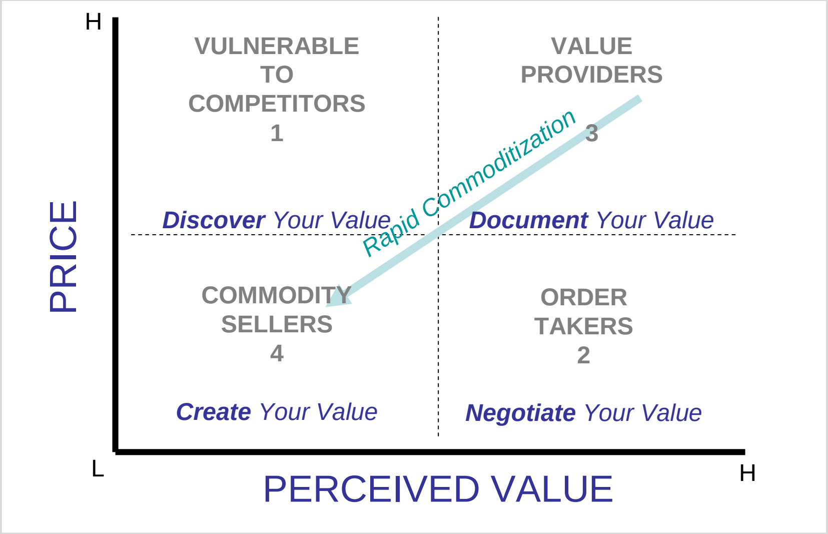
4. **Track the success of implementation**
   - Log historical success measures for application to future customer calculations
   - Establish tracking as a critical element of the account management process.

5. **Validate *Business Drivers* & *Metrics* with customer**
   - Critical to validate and confirm the calculations at the appropriate levels within an account

Commoditization of Products and Services

Over the past two decades, buyers have become savvier than most sellers. Rapid “commoditization” of products and services, due to access to information, foreign competitors, and faster product development cycles, threatens the long-term viability of almost all businesses. Effective value propositioning is the only defense that can resist the forces of rapid commoditization. The unbundling of solutions, devaluing of experience and expertise, refusal to pay for the inherent value of an offering demonstrates the sophistication of buyers today. Sales representatives often do a poor job of selling value beyond the perceived features or benefits of their offering. Even sellers that do articulate the true value of their offering rarely calculate it in economic terms for their prospective buyers and existing accounts. The novel features and benefits of new products often do much of the persuasion in the sales process. However, as products become more commoditized, their true value to the customer must be discovered and uncovered by the sales representative.

Figure 1 – Selling Products versus Value



While every organization provides some economic value, **Figure 1** above illustrates how different organizations might approach economic value propositioning, as rapid commoditization requires organizations that are:

1. Vulnerable to Competitors (with Low Perceived Value + High Price) – to **discover/uncover** the Business Drivers and Metrics that create the economic value of their offering for their customers.

2. Order Takers (with High Perceived Value + Low Price) – to **negotiate** the value of the Business Drivers and Metrics to drive better pricing and higher margins commensurate with their value impact

3. Value Providers (High Perceived Value + High Price) – to **document** the appropriate Business Drivers and Metrics to ensure that their value is acknowledged and validated by the customer

4. Commodity Sellers (Low Perceived Value + Low Price) – to sell commodity products at the lowest price or to **create** offerings by identifying Business Drivers that provide economic value to establish higher pricing and margins commensurate with their value impact

Successful companies have been able to create significant value by defining the compelling reasons why their customers buy, documenting the economic impact of these compelling reasons to their customers, and incorporating this rigor into their sales and account management processes. By combining this focused effort with sales and account management process, these companies are able to shorten sales cycles, increase profitability, scale their organization, and generate more satisfied long-term customer relationships.

In the 1970's, as Xerox Corporation moved from renting to selling equipment to its customers, it instituted a "Finance Made Easy" worksheet for over 4,000 sales representatives. This worksheet acted as an economic value proposition calculator that enabled the sales rep to quickly probe for key business metrics within a company and calculate the economic value, ROI, and payback for the rental versus purchase of the equipment. Among many other cost savings and reductions, it assisted the sales rep in identifying printer and staff productivity cost reductions, cost avoidance of office supply waste and the need to hire additional staff for workload issues, and revenue increase through internal staff productivity gains. This became an invaluable selling tool for the non-financial sales reps as it generated the compelling reasons for the decision-maker to act.

Economic Value vs. Features and Benefits

The term value is often misused and therefore means different things to different people. It is critical to remember that value and economic value are two very distinct concepts [terms]. To understand economic value, we must first define what it is not. A product will have both features and benefits and we must distinguish between the two. For instance, a cell phone will have multiple features which may include call waiting, call forwarding, and text messaging. The benefit of call waiting and call forwarding may be that you do not miss an important phone call, whereas the benefit of text messaging may be having the ability to carry on a conversation in a location with a poor connection. Benefits tend to be the reasons why an individual purchases a product or service; however, these *reasons* are not yet *compelling,* as we have not quantified the economic value of these benefits to the cell phone buyer – other than their apparent conveniences.

The skilled cell phone sales representative will further probe the customer. For example, the representative will ask the buyer for his/her occupation. The customer informs the representative that they are a mortgage broker. Upon this discovery, the sales representative continues to probe to determine the cost of a losing a prospect. The customer says that it costs $400 in commission per lost prospect, and this may happen 4 to 5 times a month due to travel circumstances. Subsequently, the sales representative presents the benefit of call waiting in economic terms, and then validates the appropriateness of these facts and figures with the prospective cell phone buyer.

When presented this way, the same value proposition now presented with its economic implications makes the additional $4/month cost of the call waiting pale in comparison to the *Potential Revenue Increase* of $2,000/month of otherwise missed closings. This creates an irrefutable business need that otherwise did not exist. This scenario is simplistic. It does not even begin to take into account the super-sophisticated value consultant seller that further probes the prospective buyer for additional needs, as well as the underlying needs (need behind the need – not losing the deal). Not always is this analysis favorable for the seller. At times, the seller might recognize that an economic value does not really exist. In such case, the seller has still done a service to both him/herself and to the buyer by qualifying the prospect and saving the both of them time and effort.

Business Drivers and Business Metrics—Definitions

Again, let’s start out with some definitions to get us all on the same page:

1. **Business Drivers:** The compelling reasons why customers buy your products/services. The three primary drivers are:
   - Cost Reduction (Ex: Reduced travel expenses, Reduced R&D...)
   - Cost Avoidance (Ex: Penalty avoidance, litigation avoidance...)
   - Revenue Increase (Ex: New customers, new markets, larger sales…)

2. **Business Metrics:** The statistics and standards of measurements used by your customer that will enable you to identify specific cost reduction, cost avoidance, or revenue increase.

3. **Economic Value:** The actual monies saved or earned

4. **Return on Investment (ROI):** – A measure of the net income your customer is able to earn by purchasing your product/service. Return on investment is calculated by dividing net profits by total cost.

5. **Payback Period:** The amount of time it takes your customer to achieve a return gained from their investment/purchase of your product/service.

In the cell phone scenario described above, the *Business Driver* or the compelling reason to buy the call waiting feature was the benefit of not losing a deal or closing. There were two relevant *Business Metrics* of the scenario: the $400 potential loss of commission and the frequency for which this could happen each month – up to 5 times. The *Economic Value* and the *Return on Investment (ROI)* of the purchase was up to a potential $2,000 ($2.78/hour gain per 720 hours/month) and a cost of $4.00 the *Payback Period* was within 1.4 hours. In the event that the seller has data from previous mortgage-broker buyers, that could indicate an even higher frequency of missed closings due to service interruption. That figure would be yet a third relevant *Business Metric.*

Business Drivers come in the following three flavors: *Cost Reduction, Cost Avoidance*, and *Revenue Increase*. See **Figure 2** below. Buyers will only buy to reduce their current expenses, avoid expenses that they anticipate or that are within the realm of possibility, and/or to increase their revenues. Often times when the seller does not clearly see how the buyer is buying, their Business Drivers, it is because the seller does not truly understand the *Business Metrics* that drive his/her customer. Sometimes, customers may actually tell the seller the compelling reasons for their purchase without identifying their internal *Business Metrics* for fear of having the seller recognize their co-dependency and true economic value.

Figure 2 – Sample Business Drivers

Cost Reduction	Cost Avoidance	Revenue Increase
· Reduced Cost of Goods Sold · Reduced R&D · Reduced Travel · Reduced Corporate Rent · Reduced Office Supplies · Reduced Expenses · Reduced Communications · Reduced Technology · Reduced Entertainment · Reduced Advertising / PR · Reduced Recruiting · Reduced Accounting / Legal Fees · Reduced Insurance	· Avoidance of Penalties · Avoidance of Litigation Fees · Avoidance of Finance Charges · Avoidance of Regulatory Penalties · Avoidance of Product Liability	· Increased # of Customers · Increased Deal Size · Increase Float · Reduced A/R · Increased Productivity · Increased Margin · Increased Price · Enter New Markets · Reduce Account Attrition

Successful companies have creative people generate the full list of *Business Drivers* & *Business Metrics,* as so often there can be many compelling reasons why the buyer buys and there can be many metrics due to different buyer circumstances. When in the pre-purchase value proposition validation process, the seller should be as creative as possible to list all possible elements of *Cost Reduction, Cost Avoidance,* and *Revenue Increase*. It is usually easy for sellers to identify *Cost Reduction* drivers.

Often sellers are challenged to identify circumstances of *Cost Avoidance* or how the buyer can re-deploy resources for *Revenue Increase,* as those items are held more closely to the buyer's chest, so to speak. This is not to say that *Cost Avoidance & Revenue Increase* is unattainable, rather they usually require more customer intelligence and creativity.

Figure 3 (following page) depicts this need for more creative thinking and collaboration with the customer to identify cost avoidance and revenue increase drivers and metrics. *Cost Reductions* are easy to identify and calculate. It usually takes a greater sense of creativity and customer intelligence to identify how your customer can *Avoid Costs* and even more creativity and customer intelligence to identify how your customer can increase their revenue with your offering. Remember, as long as you are presenting cost reductions you are further commoditizing your offering.

Figure 3 – Economic Value Proposition Creativity and Customer Intelligence

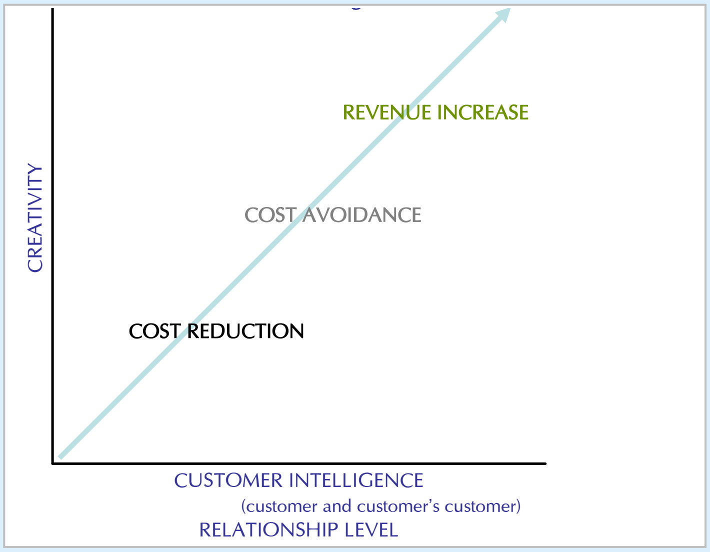


Figure 4 lists potential business drivers that tend to be generated by more creative and imaginative thinkers. This information is often held "more closely to the vest" of a company's customer and requires concerted efforts and customer collaboration.

Figure 4 – More Creative Business Drivers

Cost Reduction	Cost Avoidance	Revenue Increase
· Improved efficiencies · Improving employee morale · Improving levels of service · Improving internal communication · Improving efficiency · Increasing Capacity · Reducing staff requirements · Less machinery · Less space needed · Longer machine lifetime · Less inventory · Less risk in raw material price fluctuations · Decreased need for modernization investment	· Avoidance of hiring additional staff · Avoidance of unnecessary overtime labor costs · Avoidance of the purchase/repair of older equipment · Avoidance of liabilities due to accidents · Avoidance of workmen compensation claims	· Attracting new customers · Growing the customer's customers business / market share · Improving efficiency of customer's customer · Shorter time to market · Reduced gas purchases, due to improved efficiencies and miles per gallon. · Decreased labor costs for drivers completing manual driver reports. · Reduced the possibility of employee moonlighting and vehicle theft.

Creating the Economic Value Proposition Calculation Worksheet—Two Sample Scenarios

The following sample scenarios will provide you with an understanding of how two successful companies in different industries identified their customers' *Business Drivers* and *Business Metrics* and created an *Economic Value Proposition Calculation Worksheet* for use in their sales and account management processes.

Company A – Fleet Tracking (Transportation & Logistics Industry)

Company Profile

Company A is a provider of fleet management and vehicle security solutions designed to increase profits for service and distribution organizations. Their product is easily scalable to fit any size vehicle fleet. Their solutions locate and track vehicle locations using GPS technology, and translate vehicle activity into an easy-to-use reporting system. This reporting system enables organizations to monitor their fleet's behavior and identify areas of savings and improvement.

Business Drivers (for Company A's Customers)

1. *Cost Reduction*
    - Monitor after-hour vehicle movement and *reduce unauthorized vehicle usage and mileage.*
    - Facilitate automatic payroll by confirming timesheet information; *reduces overtime costs*
    - *Reduced insurance costs due to the monitoring of after hour vehicle movement and behavior - limiting unauthorized use.*
    - Reduced labor hours by utilizing automated vehicle maintenance and state fuel tax programs.
    - Reduced Tax Burden
        - 'On- Road' Fuel Tax Savings - Automatically capture a vehicle's idling and PTO activity for tax credits.
        - 'Off-Road' Fuel Tax Savings - Automatically capture the number of miles driven per state by each vehicle, resulting in decreased tax burden.
    - Decreased labor costs for drivers completing manual driver reports.
2. *Cost Avoidance*
    - Reduction in the likelihood of: speeding, number of accidents, workmen compensation claims, environmental issues, loss of equipment and risk.
    - Automated Maintenance Program - Sends alerts when *maintenance service is due; extends vehicle and equipment life, increases driver safety and avoids repair costs.*
    - Eliminate unnecessary liability exposure.
    - Provide evidence in fraudulent accident claims.
    - Increased customer loyalty and avoidance of typical customer churn due to:
        - Customers having more accurate expectations, based on vehicle location and travel time.
        - Proof of vehicle location and more accurate customer billing.
        - Immediate asset location and quick resolution of billing disputes.
3. *Revenue Increase*
    - GPS mapping identifies vehicle location and allows rerouting of vehicles *increases productivity through immediate dispatching and more efficient re-routing by easily identifying the closest vehicle.*
    - Increase the effectiveness and efficiency of employees (sales, technical, delivery etc.) by reducing downtime and unauthorized work breaks and travel.
    - Automated job time capture for accurate billing and weekly/monthly job forecasting.

Business Metrics (for Company A's Customers)

The following is a sample set of six Business Metrics and their calculated value as they relate to the Cost Reduction Drivers (4) of mileage reduction, overtime reduction, state mileage fuel tax reporting, and insurance cost reduction, the Cost Avoidance Driver (1) of maintenance repair, and Revenue Increase Driver (1) of increased productivity.

1. **Mileage Reduction** (Cost Reduction)
    - Average cost per mile per vehicle (Cost/mile)
    - Number of Vehicles (# Vehicles)
    - Estimated number of reduced miles per year (Reduced miles/yr.)

Cost/Mile	x	# Vehicles	x	Reduced Miles/Yr	=	Cost Reduction
$0.75	x	20	x	1,200	=	$18,000

2. **Overtime (OT) Reduction** (Cost Reduction)
    - Hourly over-time rate (OT/hr.)
    - Number of employees/staff (# Staff)
    - Estimated reduced hours per year (Est. reduced hrs./yr.)

OT/Hr	x	# Staff	x	Est. Reduced Hrs/Yr	=	Cost Reduction
$24	x	25	x	96	=	$57,600

3. **State Mileage / Fuel Tax Automated Reporting** (Cost Reduction)
    - Cost per hour for manually tracked state fuel reporting (Labor/hr.)
    - Number of drivers (# Drivers)
    - Estimated reduced hours per year (Est. reduced hrs./yr.)

Labor/Hr	x	# Drivers	x	Est. Reduced Hrs/Yr	=	Cost Reduction
$16	x	20	x	48	=	$15,360

4. **Insurance Discount** (Cost Reduction)
    - Insurance cost per vehicle (Ins. cost/vehicle)
    - Number of vehicles (# Vehicles)
    - Discount (Discount)

Insurance Cost/Vehicle	x	# Vehicles	x	Discount	=	Cost Reduction
$2,400	x	20	x	5%	=	$9,600

5. **Maintenance Automation & Repair** (Cost Avoidance - 2 components)
    - Maintenance Hours Reduction
        - Cost / hour for manually tracked maintenance (Labor/hr.)
        - Number of drivers (# Drivers)
        - Estimated reduced hours per driver per year (Est. red. hrs./yr.)
    - Equipment Loss
        - Cost for loss of engine, parts, tires, etc. (Cost/loss)
        - Number of losses per year (#Losses/yr.)

Maintenance Hours Reduction						
Labor/Hr	x	# Drivers	x	Estimated Reduced Hrs/Yr	=	Cost Avoidance
$16	x	20	x	24	=	$7,680

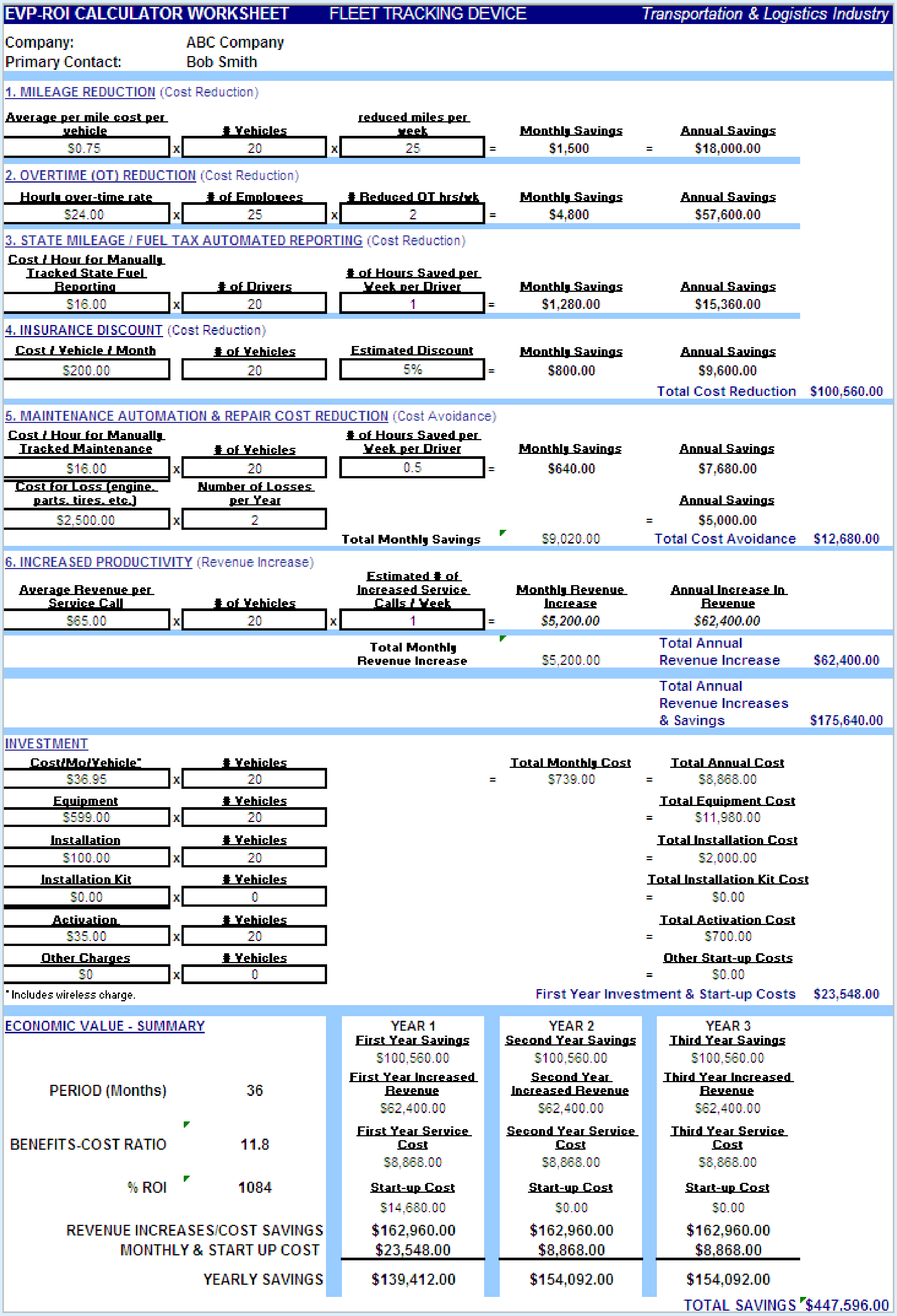
Equipment Loss				
Cost/Loss	x	# Losses/Yr	=	Cost Avoidance
$2,500	x	2	=	$5,000

6. **Increased Productivity** (Revenue Increase)
   - Average revenue per service call ($/Call)
   - # of vehicles (# Vehicles)
   - Estimated number of increased service calls per year (Increase # calls/yr.)

$/Call	x	# of Vehicles	x	Increase # of Calls/Yr	=	Revenue Increase
$65	x	20	x	48	=	$62,400

Figure 5 on the following page (p. 10) provides a sample EVP-ROI Calculator worksheet that enables Company A's sales representative/account manager to provide the customer/prospect with the full 3-year economic value impact of their proposed solution.

Figure 5 – ROI Calculator for Fleet Tracking Company (Company A)



EVP-ROI CALCULATOR WORKSHEET FLEET TRACKING DEVICE *Transportation & Logistics Industry*

Company: ABC Company
Primary Contact: Bob Smith

1. MILEAGE REDUCTION (Cost Reduction)

Average per mile cost per vehicle		# Vehicles		reduced miles per week		Monthly Savings		Annual Savings
$0.75	x	20	x	25	=	$1,500	=	$18,000.00

2. OVERTIME (OT) REDUCTION (Cost Reduction)

Hourly over-time rate		# of Employees		# Reduced OT hrs/wk		Monthly Savings	Annual Savings
$24.00	x	25	x	2	=	$4,800	$57,600.00

3. STATE MILEAGE / FUEL TAX AUTOMATED REPORTING (Cost Reduction)

Cost / Hour for Manually Tracked State Fuel Reporting		# of Drivers	# of Hours Saved per Week per Driver		Monthly Savings	Annual Savings
$16.00	x	20	1	=	$1,280.00	$15,360.00

4. INSURANCE DISCOUNT (Cost Reduction)

Cost / Vehicle / Month	# of Vehicles	Estimated Discount		Monthly Savings	Annual Savings
$200.00	20	5%	=	$800.00	$9,600.00

Total Cost Reduction $100,560.00

5. MAINTENANCE AUTOMATION & REPAIR COST REDUCTION (Cost Avoidance)

Cost / Hour for Manually Tracked Maintenance		# of Vehicles	# of Hours Saved per Week per Driver		Monthly Savings	Annual Savings
$16.00	x	20	0.5	=	$640.00	$7,680.00

Cost for Loss (engine, parts, tires, etc.)		Number of Losses per Year		Annual Savings
$2,500.00	x	2	=	$5,000.00

Total Monthly Savings $9,020.00 Total Cost Avoidance $12,680.00

6. INCREASED PRODUCTIVITY (Revenue Increase)

Average Revenue per Service Call		# of Vehicles		Estimated # of Increased Service Calls / Week		Monthly Revenue Increase	Annual Increase In Revenue
$65.00	x	20	x	1	=	*$5,200.00*	*$62,400.00*

Total Monthly Revenue Increase $5,200.00 Total Annual Revenue Increase $62,400.00

Total Annual Revenue Increases & Savings $175,640.00

INVESTMENT

Cost/Mo/Vehicle*		**# Vehicles**		**Total Monthly Cost**		**Total Annual Cost**
$36.95	x	20	=	$739.00	=	$8,868.00
Equipment		**# Vehicles**				**Total Equipment Cost**
$599.00	x	20			=	$11,980.00
Installation		**# Vehicles**				**Total Installation Cost**
$100.00	x	20			=	$2,000.00
Installation Kit		**# Vehicles**				**Total Installation Kit Cost**
$0.00	x	0			=	$0.00
Activation		**# Vehicles**				**Total Activation Cost**
$35.00	x	20			=	$700.00
Other Charges		**# Vehicles**				**Other Start-up Costs**
$0	x	0			=	$0.00

* Includes wireless charge.

First Year Investment & Start-up Costs $23,548.00

ECONOMIC VALUE - SUMMARY

PERIOD (Months) 36
BENEFITS-COST RATIO 11.8
% ROI 1084

	YEAR 1	YEAR 2	YEAR 3
	First Year Savings $100,560.00	**Second Year Savings** $100,560.00	**Third Year Savings** $100,560.00
	First Year Increased Revenue $62,400.00	**Second Year Increased Revenue** $62,400.00	**Third Year Increased Revenue** $62,400.00
	First Year Service Cost $8,868.00	**Second Year Service Cost** $8,868.00	**Third Year Service Cost** $8,868.00
	Start-up Cost $14,680.00	**Start-up Cost** $0.00	**Start-up Cost** $0.00
REVENUE INCREASES/COST SAVINGS	$162,960.00	$162,960.00	$162,960.00
MONTHLY & START UP COST	$23,548.00	$8,868.00	$8,868.00
YEARLY SAVINGS	$139,412.00	$154,092.00	$154,092.00

TOTAL SAVINGS $447,596.00

Company B – Chemical Treatment (Chemical Industry)

Company Profile

Company B is a leading global supplier of water, wastewater and process systems solutions. Company B delivers customer value by improving performance and product quality and by reducing operating costs and extending equipment life in a broad range of products and services. These products and services are used to optimize total water/process system performance, safeguard customer assets from corrosion, fouling and scaling, and protect the environment through water and energy conservation.

The benefits of Company B's services include: reduction in energy costs, prevention of equipment corrosion, repair, and downtime, avoidance of environmental litigation costs, and increased plant productivity. The following is a list of Business Drivers for Company B's customers.

Business Drivers

1. *Cost Reduction*
    - Reduction of energy costs
    - Comprehensive worldwide service
2. *Cost Avoidance*
    - Reduced corrosion of boilers and related equipment
    - Safety & environmental protection
    - Reduction of accidents
3. *Revenue Increase*
    - Increase productivity
    - Product performance

Business Metrics

The following is a sample set of four Business Metrics and their calculated value as they relate to the Cost Reduction Driver (1) of energy cost reduction, the Cost Avoidance Drivers (2) of maintenance repair, and environmental litigation, and Revenue Increase Driver (1) of increased productivity.

1. **Energy Cost Reduction** (Cost Reduction)
    - Average energy cost per boiler house per month (Cost/mo.)
    - Number of boiler houses (# Boilers)
    - Estimated percent reduction (Est. % reduction/yr.)

Cost/Month	x	# of Boilers	x	Est. % Reduction/Yr	=	Cost Reduction
$4,000	x	10	x	12%	=	$57,600

2. **Maintenance Repair** (Cost Avoidance)
    - Repair cost per boiler loss (Repair cost/loss)
    - Number of losses per year (# Losses/yr.)

Repair Cost/Loss	x	# Losses/Yr	=	Cost Avoidance
$15,000	x	3	=	$45,000

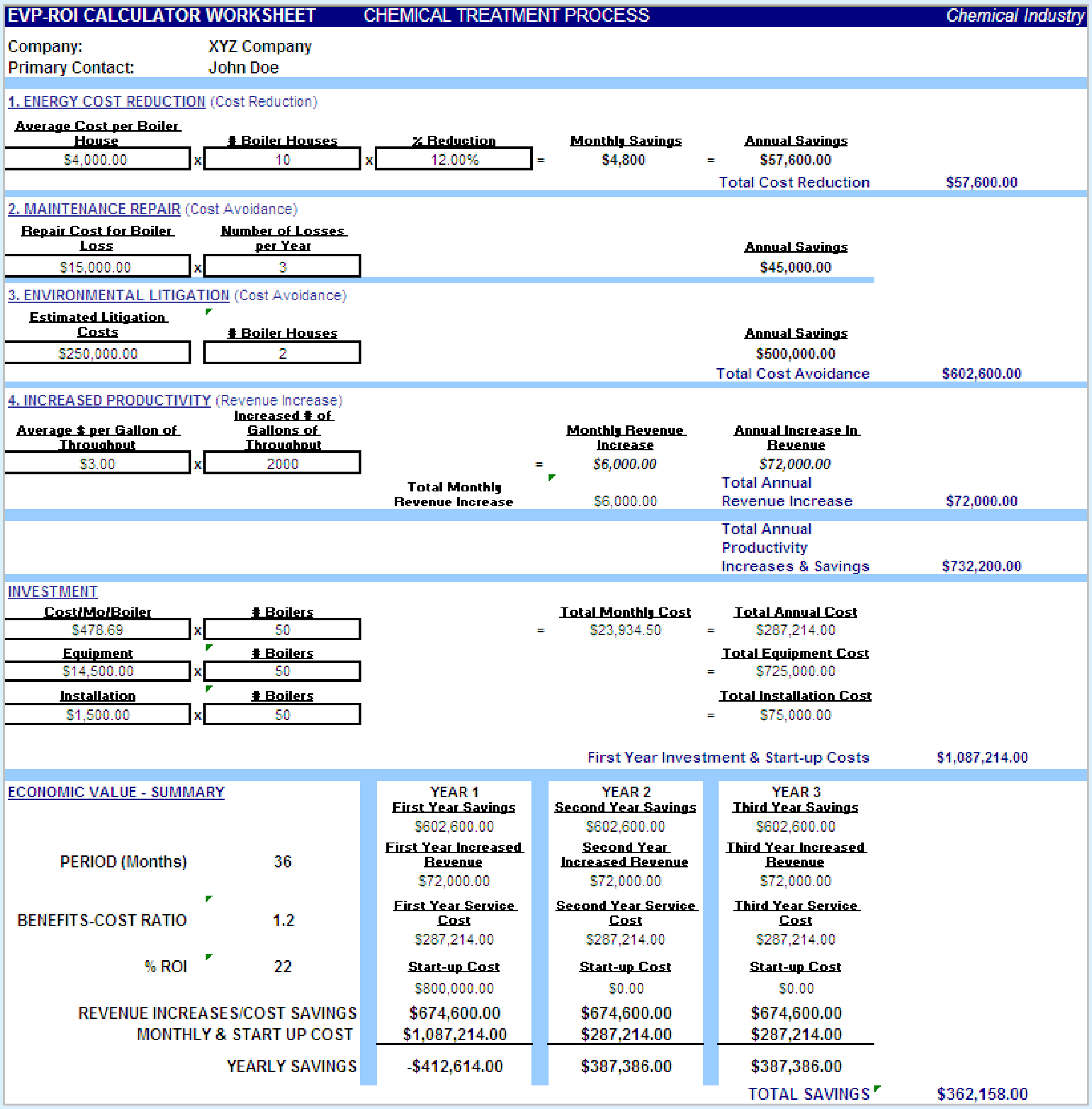
3. **Environmental Litigation** (Cost Avoidance)
    - Estimated litigation costs per boiler house (Lit./boiler)
    - Number of boiler houses (# Boilers)

Lit./Boiler	x	# Boilers	=	Cost Avoidance
$250,000	x	2	=	$500,000

4. **Increased Productivity** (Revenue Increase)
    - Average revenue per gallon (Avg.$/gallon)
    - Increased number of gallons of throughput (Est. increased # gallons./yr.).

Average $/Gallon	x	Est. Increased # of Gallons/Yr	=	Revenue Increase
$3	x	24,000	=	$72,000

Figure 6 – ROI Calculator for Chemical Treatment Company (Company B)



EVP-ROI CALCULATOR WORKSHEET CHEMICAL TREATMENT PROCESS *Chemical Industry*

Company: XYZ Company
Primary Contact: John Doe

1. ENERGY COST REDUCTION (Cost Reduction)

Average Cost per Boiler House		# Boiler Houses		% Reduction		Monthly Savings		Annual Savings	
$4,000.00	x	10	x	12.00%	=	$4,800	=	$57,600.00	
								Total Cost Reduction	$57,600.00

2. MAINTENANCE REPAIR (Cost Avoidance)

Repair Cost for Boiler Loss		Number of Losses per Year	Annual Savings
$15,000.00	x	3	$45,000.00

3. ENVIRONMENTAL LITIGATION (Cost Avoidance)

Estimated Litigation Costs	# Boiler Houses	Annual Savings	
$250,000.00	2	$500,000.00	
		Total Cost Avoidance	$602,600.00

4. INCREASED PRODUCTIVITY (Revenue Increase)

Average $ per Gallon of Throughput		Increased # of Gallons of Throughput			Monthly Revenue Increase	Annual Increase In Revenue	
$3.00	x	2000		=	$6,000.00	$72,000.00	
			Total Monthly Revenue Increase		$6,000.00	Total Annual Revenue Increase	$72,000.00

Total Annual Productivity Increases & Savings $732,200.00

INVESTMENT

Cost/Mo/Boiler		# Boilers		Total Monthly Cost		Total Annual Cost
$478.69	x	50	=	$23,934.50	=	$287,214.00
Equipment		**# Boilers**				**Total Equipment Cost**
$14,500.00	x	50			=	$725,000.00
Installation		**# Boilers**				**Total Installation Cost**
$1,500.00	x	50			=	$75,000.00

First Year Investment & Start-up Costs $1,087,214.00

ECONOMIC VALUE - SUMMARY

		YEAR 1	YEAR 2	YEAR 3
		First Year Savings $602,600.00	Second Year Savings $602,600.00	Third Year Savings $602,600.00
PERIOD (Months)	36	First Year Increased Revenue $72,000.00	Second Year Increased Revenue $72,000.00	Third Year Increased Revenue $72,000.00
BENEFITS-COST RATIO	1.2	First Year Service Cost $287,214.00	Second Year Service Cost $287,214.00	Third Year Service Cost $287,214.00
% ROI	22	Start-up Cost $800,000.00	Start-up Cost $0.00	Start-up Cost $0.00
REVENUE INCREASES/COST SAVINGS		$674,600.00	$674,600.00	$674,600.00
MONTHLY & START UP COST		$1,087,214.00	$287,214.00	$287,214.00
YEARLY SAVINGS		-$412,614.00	$387,386.00	$387,386.00

TOTAL SAVINGS $362,158.00

Conclusion

Successful companies have an economic approach to value propositioning. They understand the meaning of the word “value” by recognizing the difference between the benefits of a product and its economic implications to their customer. They identify and explore all of the compelling reasons (*Business Drivers*) why customers buy their products/services skillfully using their resources in the areas of customer intelligence, customer relationships, and creativity. They identify the *Business Metrics* that enable the measurement of the compelling reasons and validate all of this with their customers. To ensure their success, these companies create an *Economic Value Proposition Calculation Worksheet* and integrate this into the rigor of their sales and account management processes. They track the success of their implementations, logging valuable historical success measures for application to future customer calculations. In doing so, these companies achieve fast growth, are able to shorten sales cycles, increase profitability, scale their organization, and generate more satisfied long-term customer relationships.

ABOUT THE CHAPMAN GROUP

The Chapman Group partners with B2B sales and account management organizations to identify and solve sales and account management challenges resulting in stronger relationships, increased revenues, and higher margins for suppliers as well as our customers.

Our LoyaltyProfessional™ Voice of Customer (VoC) solution is designed to support a client’s need to gain and then act on critical field-level customer facts and insights. Our solution includes:

- *Measuring feedback of B2B customer relationships*
- *Capturing important data (customer facts / insights) through a unique electronic survey approach*
- *Ensuring customer data integrity utilizing our Loyalty Index methodology and expert consulting provided by our LoyaltyProfessional™ team*
- *Mining of data to highlight trends and key discoveries*
- *Analytical intelligence (reporting) on next actions for organizational success; The Chapman Group’s Prescription for Success*

As part of our end-to-end solutions approach, we also support and drive the final and most important element of “optimizing the customer relationship” – how to connect with and implement field-level action planning to create more loyal and committed customers. Our metric-based Strategic Account Management (SAM) process and best practices integrates the art with the science of managing strategic customers, enabling our clients to grow accounts by becoming more knowledgeable, efficient, effective and collaborative. We offer unique methods and software platforms to document and collaborate with customers on “account planning” and the “economic value” being delivered by the supplier and appreciated by the customer.

Our clients, national and global, Fortune 1000 and mid-tier, think of us as not only a solution provider, but also as a thought leader, a business partner, and as their “go-to” resource for strategic account management expertise and guidance.

Learn more on how we can help your organization champion improved customer relationships, increased revenue and margins in today’s highly competitive, global and economically focused business community by visiting our website at ***www.ChapmanHQ.com****.*