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Let's Talk About Value – Uncovering the Delta

To paraphrase Mark Twain's comment about the weather, everyone *talks* about value, but very few people actually *do* something about it. Clearly value is important: Insufficient perception of value is one of the three main reasons that sales opportunities end up as a "No Decision".

Value vs. Value

"If you use our product, you'll save time and money...!" offers the salesperson. "Blah blah blah blah blah blah blah..." thinks the customer.

"When we spoke last week, I believe you said you are hoping to recover \$250,000 annually as a result of addressing your problem", says the salesperson... "That's right", replies the customer, "that's the kind of change I need to meet my objectives."

Which approach is more compelling?

In the first case, the salesperson sounds like he is reciting from a marketing brochure and it clearly doesn't connect with the customer (sorry, marketing folks...!). In the second example, the salesperson had done sufficient Discovery to uncover the *customer's* perception of the value – and the salesperson was simply reviewing that information to make sure it was accurate and had not changed since their last communication.

We can quickly understand three key ideas about value and value communication:

1. Specific numbers are *much* more compelling than word phrases
2. Customers' numbers are *much* more compelling than vendor or industry numbers
3. The lack of sufficient value, as perceived by the customer, is likely to result in a "No Decision"

This last item is semi-obvious, but needs to be called out clearly: There are typically three reasons why a sales opportunity becomes a "No Decision":

1. The problem is not perceived by the customer as sufficiently important (not seen as a Critical Business Issue)
2. No critical date or compelling event
3. Insufficient perception of value

Any one or more of these items that is lacking or incomplete increases the probability that the sales opportunity will be a “No Decision” result.

Let’s explore “Insufficient perception of value” a bit further...

The Delta

Value can be easily defined as: The difference between the way things are today vs. the way they could be or need to be with a solution in place, expressed in terms of a *tangible* number.” In Great Demo! methodology, this difference is called the Delta – the tangible expression of the value of making the change, expressed in terms of specific units of time, people or money.

[While value can clearly include both tangible and intangible elements, the tangible elements of value are typically more important in a sales process. Very simply, the customer cannot take intangible aspects of value to the bank, nor (typically) convince a CFO to invest \$125K in software without a reasonable ROI analysis.]

Easy Deltas

Many Deltas are easy to uncover and communicate. Consider the following brief portion of a conversation with a head of sales:

You ask, “So tell me, please, where are you with respect to your quota this year?”

He replies, “I’m currently at 72% of quota – \$7.2 million out of \$10 million – and we’ve got about 45 more days in the quarter... I gotta find a way to get that \$2.8 million gap closed!”

You smile, quietly, to yourself – the Delta is \$2.8 million – a very compelling number!

Here are a few examples of easy-to-uncover Deltas:

- The difference between the project deadline and the current estimated completion date (the Delta is the number of days that the project will run over)
- The current number of leads converted vs. what was listed in the marketing VP’s quarterly goals (the Delta is the number of leads needed to meet that goal)
- Current bookings vs. quarterly quota for a regional sales director (the Delta is the revenue \$\$\$ needed to meet quota)

The two types of questions to ask in these cases are:

1. Where are you today?
2. Where do you need to be?

Easy Deltas!

Operational Deltas

Many operations-oriented Deltas can be uncovered during Discovery, conversationally. For example, the customer says, "It takes us *forever* to complete this process today...!"

You respond, "Sorry to hear this – tell me, how many people are involved in the process today?"

"20 folks" is the reply.

"And how often does this process take place?"

"Every week", says the customer.

"So that's about 50 times a year", you comment. "And on average, how much time does each person on the team spend each time this process is done?"

"Hmmm – I'd say about one and a half days, on average".

Doing the math:

$$20 \text{ people} \times 50 \text{ times per year} \times 1.5 \text{ days each time} = 1500 \text{ person days}$$

You offer, "So, it looks like this is currently consuming 1500 days each year of your team's time. What would you *like* it to be, or what does it *need* to be, to feel that you have solved the problem?"

Customer replies, "Good question – if I could just reduce this to a half day per person, I'd be a hero to my team and I know I'd meet my objectives..."

Ah ha! Doing the math again:

Current Situation: $20 \text{ people} \times 50 \text{ times per year} \times 1.5 \text{ days each time} = 1500 \text{ person days}$

Desired Future $20 \text{ people} \times 50 \text{ times per year} \times 0.5 \text{ days each time} = 500 \text{ person days}$

Subtracting 500 from 1500 you get (everyone say it together) 1000 person days – that's the Delta. That's the difference between the way things are today and the desired future state with a solution in place – and the numbers came from the *customer's* lips!

Two notes on this:

1. When you comment that “It is currently consuming 1500 days each year...” many customers will say, “Wow, I had no idea the problem was that big!” What a great way to help move a customer’s perception of problem from simply a Business Issue to realize that it is, in fact, a *Critical Business Issue*!
2. Customer says, “if I could reduce this to a half day per person...” you may know that your solution could complete the task in 10 minutes – but *whose* numbers are they? Give yourself the ability to set expectations reasonably and the opportunity to truly *delight* the customer when they realize (later on) that 10 minutes is all that is needed.

And a moral, coming in the next section...

When to Explore the Delta?

When many sales teams hear a customer admit “pain” in a Discovery conversation, the sales people think, “Ah ha – we have uncovered the *problem*, so now we can present a *solution...!*” Truly great sales teams hold back at this point and, instead of offering a solution, ask a few more questions. When you hear any of the following phrases from your customer, consider each as an opportunity to explore the Deltas:

“It takes us *forever* to get this done today...!”

[How many people, how often, how long? What would you like it to be?]

“We have too many people focused on this...”

[How many people, how often, how long? What would you like it to be?]

“We have considerable project overruns...”

[How many projects, how much overrun? What does it need to be?]

“I can’t get this done with the current staff.”

[How many staff today, how many extra are needed?]

“We do far too many unsuccessful demos...”

[How many people, how many demos, how long...]

The moral?

Any time you hear the customer admit “pain” it represents an opportunity to explore and uncover one or more Deltas for that pain. Don’t let those opportunities escape!

Translating Value to Value

There are three interchangeable expressions of value: Time, People and Money. These are simply three ways of expressing the consumption, redeployment or liberation of resources associated with solving a problem. Generally speaking, people at different levels of an organization perceive value through different filters, aligned with these three parameters:

- High Level (e.g., C-level, SVP, VP): these people are typically most interested in gaining or saving Money. (Which is why a CFO needs to see an ROI analysis before she will agree to move forward with the purchase of \$125K of software – intangibles are rarely applicable.)
- Middle Level (Sr. Directors, Directors and Middle Managers): while arguable, these folks are typically concerned with People resources. For example, most middle managers at budget time will say, “I need more people...!”
- Low Level (e.g., staff and individual contributors): “I just want to go home on *time*...!” Here the team’s concern is Time – a few hours saved so that they can focus on other, unaddressed tasks, for example.

So, when discussing value, we need to articulate it in alignment with the person we are speaking with.

For example, we uncovered the following information in Discovery: Solving the problem will save 20 people 2 hours per person, per week – and the fully burdened cost of each employee is \$150K. If we translate for each of the above players, we would communicate:

- High Level: \$\$ saved or gained annually [20 people x ¼ Day x 50 weeks per year x 150K / ~250 working days per year] = \$150K annual savings
- Middle Level: # of People redeployed [20 people x ¼ Day x 50 weeks per year / ~250 working days per year] = 1 FTE that can be redeployed to other, more productive tasks
- Low Level: Time saved = ¼ Day each time the workflow is executed

Whose Numbers?

Let’s go back to our starting point in this article:

“If you use our product, you’ll save \$250,000 a year...” says the vendor to the customer – and the customer looks skeptical, but doesn’t say anything. Ever see this happen in a demo meeting? Very simply, vendors’ numbers are the *least* believable, in the mind of the customer.

So whose numbers are most believable? The *customer’s* numbers, of course. That’s why it is so important to stay in “you” mode when reviewing Discovery information with a customer at the beginning of a demo:

“I believe you said you are looking to save \$250,000 a year – is that still correct?” *Much* stronger!

What if you were unable to get specific numbers from your customer – whose numbers are next best? Other, similar customers – organizations that are perceived as peers to your target customer. Their

numbers are next best and can be very compelling, particularly for Vision Generation demos or during Discovery conversations:

“Other customers that we’ve worked with, who are *very* similar to what you’ve outlined to us so far, reported that they were able to save \$100,000, \$200,000 and sometimes as much \$300,000 each year...”

Whose numbers are next on the list, lower down? Industry and analyst numbers – Gartner, for example. The value of these numbers is pretty low, however, since they represent broad swaths of customer types, sizes, and geographies. Not particularly compelling for an individual customer.

And who is at the bottom of the list? (Let’s all say it together) The *vendor’s* numbers. These are, without question, the *least* believable by customers:

“We calculate you’ll save \$250,000 each year...” The result? Disbelief and skeptical looks.

[Corollary: Customers that present their own Situation Slides that include their own numbers are the most compelling of all!]

Note also that vendor-generated “ROI Calculators” and “Value Calculators” suffer a similar fate. Even though the customer may plug in his own numbers, the calculations have been done by the vendor, which makes the results suspect!

Value Realization

Have you ever made a major software purchase (that required senior management or board-level approval)? What happened the moment you issued that purchase order – and when was that pressure finally released?

That pressure is finally lifted when the person who made the purchase enjoys a value realization event – some kind of small victory where value is recognized – which can be broadcast through the organization to validate that the purchase was indeed worthwhile (and worth value). Note that this is *not* the point in time where the full ROI of the solution is enjoyed – it is simply one small success.

Consider the following:

- Typical sales people pursue the process through getting the order.
- Good sales teams follow it through the implementation and the “Go Live” date.
- Truly *great* sales teams track the process all the way through the point in time where the buyer is able to “declare victory” – the point in time where value is realized.

Building this “Transition Vision” with the customer of how the customer will move from their current painful situation through “Go Live” all the way to a Value Realization event is part of doing Discovery – and the vendor that does this well enjoys a distinct competitive advantage over vendors that do not!

That suggests a few additional Discovery questions, such as:

“How will you measure success?”

“How will you measure an initial success?” [This is better phrasing for a “small victory”]

“What key milestone or change are you looking for after deployment?”

(By the way, the point in time where initial value is realized for the customer is *also* the point in time when the customer becomes a reference – and the astute reader recognizes that vendors should go back to their customers at the point of value realization and *collect* this information...!)

Back To Twain

So everyone *talks* about value, but very few people actually *do* something about it. You and your organization can join the few who uncover tangible expressions of value – right from your customers’ lips – and reduce your “No Decision” numbers...!

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