

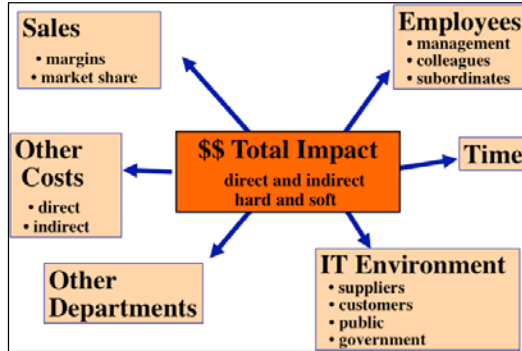
# QuickTips

Quantifying your value!

We may not often think of our customer as our competitor, but if you think about it – CIOs, or any other executive for that matter, must seek funding approval from their Executive Committees for anything that we propose and, with the limited pool of money that companies have, only the projects or proposals carrying the highest Return on Investment (ROI) will get the go-ahead.

## The new market realities

When 80% of companies now require cost justification for any investment in IT and when 55% of proposals die on the vine because the customer fails to see their business impact and value, its time to take a different sales approach. All that a customer really wants to know is if your proposal will make them money; ie., help them grow the top line, bottom line or leap-frog the competition in terms of customer satisfaction



or market share. Thus, to get your proposal approved and funded, you must prove to your customer, *in quantifiable terms*, the expected payback or ROI on whatever you are trying to sell them. Failing to do that, you stand a better than 50/50 chance that your proposal will fall into the “no-decision” category and lose the business opportunity simply because the customer failed to see how your proposed solution would significantly impact their business results. Showing the customer the positive bottom-line impact of your solution is what we call “quantifying your value”. Value that is not quantified cannot be priced, marketed and sold!

## Quantifying your value

Quantifying your value is not difficult but does require you to do your homework. Beyond knowing the features and technical benefits of your offering, it requires a thorough understanding of the business problems that your customer faces and the downside financial implications if they do not proceed with your solution. This, in turn, requires a more business and financial/value selling approach and more discovery questioning to size up the financial magnitude of the problem you will help the customer solve with your solution.

The graphical illustration above shows the many directions and areas of potential cost savings/avoidance that your solution can impact. Getting a good financial estimate of those benefits, preferably with the assistance of your customer, will help you develop the business case in support of your proposed solution along with positive financial impact (value) you bring. And, if you go a step further (as shown below) and calculate the positive ROI on your solution, you stand a great chance to close the sale!

ProAct 3-Year ROI / Net Present Value Calculation Tool				
INPUTS:	Now	Annualized Savings		
		1 Year from Now	2 Years from Now	3 Years from Now
Customer's Weighted Average Cost of Capital	10%			
Initial investment costs (if at all)	\$ 158,000	30000	30000	30000
Net IT Savings		\$ 238,013	\$ 539,975	\$ 629,114
Net Annual Cashflow	\$ (158,000)	\$ 208,013	\$ 509,975	\$ 599,114
<b>NPV (Net Present Value):</b>		<b>\$ 31,103</b>	<b>\$ 452,570</b>	<b>\$ 902,693</b>
<b>Return) - ROI factoring the Time Value of Money</b>		<b>32%</b>	<b>157%</b>	<b>189%</b>

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