

BUILDING YOUR BUSINESS CASE

Using a *Business Case* tool kit to sell your products and services

By

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This White Paper details over five years of research into how organizations have been selling. Our findings are courtesy of over fifty participating customers of ROI4Sales, Inc. Each organization participated in a workshop that detailed their industry's issues, pains and goals. The data collected is confidential and proprietary and can only be released as generally cumulated data. For more information on workshops and process, please write to info@roi4sales.com and request information on how we gathered the data for the study.

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Opening the doors to prospective companies is not always easy. We (ROI4Sales) have spent the past five years researching what it takes to sell more of your products and services to prospects all around the world. We would like to share with you in this guide some of our research and insight. Over the course of five years we worked with our customers and in many cases, their customers. We performed workshops, interviews, trained their sales forces and in some instances gathered baseline industry data from their customer base through surveys.

Background Research

We performed ROI *Selling* workshops with over fifty different companies ranging in size from several million in revenue to several billion in revenue. Below are a sampling of some of the companies included in our research study are:

- | | | |
|-------------------------|---------------------|----------------------------|
| - CheckFree Corporation | - TSYS | - Rockwell Automation |
| - Oracle | - S1 Corporation | - CommVault Systems |
| - Exstream Software | - MacGregor Systems | - NextGen |
| - NEC | - Yodlee | - PlanView |
| - AQS Systems | - HP | - Verity |
| - 3E Company | - AutoDesk | - DMP |
| - Entelligence | - Excellergy | - Great Plains (Microsoft) |
| - Imation | - LRS | - Red Prairie |
| - SPI | - Sage Software | - GEAC |

We began our research with a workshop that required each organization to participate and complete the following matrix with at least thirty-five entries:

Why Buy	Business Issue	Stakeholder	Desired Outcome
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Why Buy is the emotional reason people buy products and services like yours. This is the baseline “gut instinct” your staff has as to why your prospects are investing in you and your company. Each company that participated gave us at least thirty five reasons and some exceeded eighty reasons. Some of the reasons we received were:

- We need better control of our inventory
- We need to reduce our overhead
- We need to improve audit quality
- We need more control over our customer experience
- We need to create more up-sell and cross-sell opportunities

Business Issue is a more logical approach to the reasons financial institutions buy solutions from vendors. This column breaks down the *why buy* response into something more tangible and measurable. Each Business Issue stated must explain the why buy response and the reason it was given. For example:

- **We need better control of our inventory...because?**
 - Demand is causing excess in some areas and deficiencies in others
- **We need to reduce our overhead...because?**
 - The on-going cost of doing business continues to rise
- **We need to improve audit quality...because?**
 - Our auditor's fees are increasingly more expensive & our internal effort is extended before and after each audit.
- **We need more control over our customer experience...because?**
 - Customer support costs are too high and rising.
- **We need to create more up-sell and cross-sell opportunities...because?**
 - We want to increase value / profitability of existing customers and increase revenue?

When using a Value Matrix to collect the baseline information, we were able to gather hundreds of reasons companies invest in their business. We covered topics spanning from front office, back office, inventory control, infrastructure, global expansion, attrition, marketing, storage, compliance, reconciliation, consolidation, acquisition, and many others.

Stakeholder is the third piece of data we collected. Each line item we collected from our baseline group needed to include not only whose issue, pain or goal we identified, but the chain of pain that it affected. In other words, when a decision is made at one level to invest in the infrastructure it (the decision) has an affect on other positions within an organization that in turn affect (influence) the decision to buy or more importantly, not buy from you or anyone else. This chain of pain is critical to understanding any decision making process. The added benefit of collecting this information is that you now have problems attached to people and positions. When dealing with a Stakeholder, the matrix will identify not only the reasons people buy, but the stakeholder that experiences a particular issue pain or goal.

Desired Outcome is the fourth column of the Value Matrix. Desired outcome is simply the, "real reason" people buy. For example:

"We need to improve efficiency." Because?

"Our cost of sale continues to rise."

By identifying the business issue, we have narrowed efficiency down to, "cost of sale." Next we would ask:

"Therefore...?"

And the response might be:

"Therefore we want to reduce the time to revenue."

Notice the transition from “efficiency” in the Why Buy statement, to “reducing time to revenue” in the Desired Outcome statement. This type of transition will occur about 20% of the time in the Value Matrix. The reason to buy is emotional, and typically not measurable. The business issue, pain or goal is sometimes not clearly defined. That leaves us asking, “what is the real desire of this stakeholder?” Desired Outcome simply better defines the business issue.

Each line item in the Value Matrix included a Why Buy statement, Business Issue, Stakeholder and Desired Outcome. We also collected the solution this vendor offered as long as it reduced a cost, avoided a cost, or increased revenue. If we were unable to clearly collect current cost of status quo from a particular line item, it was removed.

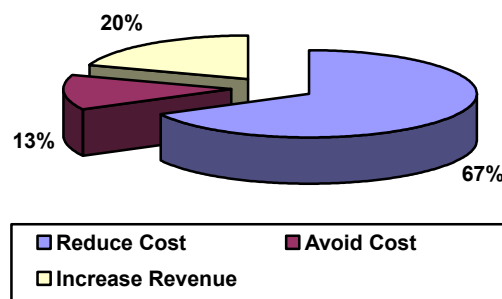
Finally, each line was then analyzed for pertinence, relevance, and accuracy. In the end we found many commonalities between vendor views of the marketplace.

Findings

Each Workshop we conducted and Value Matrix we created enabled us to collect data from our baseline group that could be analyzed for similarities, consistencies, and potential trends. We collected 3,127 Why Buy statements or lines in all of the Value Matrix created. We categorized the participant’s solutions into the following:

- Reduce a cost
- Avoid a cost
- Increase revenue (margin / profit)

Of the 3,127 line items, 67.3% of the lines were cost reductions, 19.7% were revenue increases and the 13% remaining were cost avoidances.



The “**Reduce a Cost**” category consisted of collecting solution based information that helped companies lower their cost in the following categories:

- Human capital
- IT Infrastructure
- Operating expense
- Inventory control

- Training

ROI4Sales did not create the categories as part of the exercise. In each of the workshops, the categories were created by the participants. There were 2104 cost reduction lines and all but 9.4% fell into one of the above categories. The human capital sub-category led with 67.5%. What this means is that of the over 2100 lines of cost reductions in the Value Matrix, over 58% are labor cost issues and consequently resolutions offered by our participants. Lower operating cost made up 9.9% followed by IT infrastructure at 8.3% of the cost reductions. Inventory control and training together made up 4.6% of the total.

The “**Avoid a Cost**” category consisted of collecting solution based information that helped companies avoid costs in seven primary categories:

- Fines and penalties
- Hiring additional personnel
- Scaling operations
- Losing additional revenue
- Disaster recovery and business continuity
- Cost to replace a lost customer
- Error correction

There were 406 cost avoidance line items in the Value Matrix. Twenty-two and one-half percent (22.5%) were focused on avoiding fines and penalties from government regulatory agencies dealing with compliance. Although this seems like a high percentage of the total, when we interviewed our participant’s customers, *fines and penalties* ranked very low in the overall scheme of things. Avoiding the need to hire additional personnel came in at 20.7% and avoiding the cost to replace lost customers came in at 13.5%.

Doing more with the current staff seemed to be a recurring theme in our workshops and interviews. This is more obvious when looking at such high numbers on reducing human capital costs. If you add up the avoid hiring numbers with the human capital cost reductions, and the cost avoided to replace a lost customer, combined they make up 56.7% of all the line items that dealt with cost avoidance.

The final category, **Revenue Increases** garnered 2104 line items in three primary sub-categories:

- Additional Sales
- Increased revenue per sale
- Recapturing lost revenue
- Other

Additional sales included not only selling more of your existing products to your current customer base in your existing market, but also increasing your market share beyond your current situation. Increasing market share included introducing new products to the market, marketing your existing products better, and being able to up-sell and cross-sell more products per customer (increase products sold per customer). Recapturing lost revenue dealt

primarily with reducing customer attrition. If a company loses a dozen high value customers a year there is a noticeable and measurable loss in revenue. By reducing the attrition rate, a portion of that revenue is returned to the organization. Most of our participants felt this was an important factor companies are facing.

However, additional sales made up 79.1% of the total revenue increase category and recapturing lost revenue only 11.2%. The majority of the remaining was made up in the ability to value justify your products and sell them for more.

Recommendations

To be successful selling using value you must understand the need to present a credible and compelling *Business Case Analysis*. This analysis must include at the very least these seven components:

- Current cost and extrapolated cost over a three year period
- Expected value delivered each year (impact)
- Estimated ROI, NPV, IRR and Payback Period including startup time
- Cost of decision delay and cost of no decision
- Cash flow analysis
- Decision impact by C-level executive, group and / or department
- Total Cost of Ownership (TCO) comparison (compare status quo over three year)

Value Estimation - Business Case Analysis

Customer: Wachovia

Date: November 27, 2007

Investment Summary		
Total Investment:	3 Years	\$6,199,159
Annualized Investment: (Per year Average)		\$2,066,386

Value Estimation Financial Metric (Risk Adjusted)		
Total Investment:	3 Years	\$6,199,159
Total Impact:	3 Years	\$10,978,411
Return on Investment:		177%
Payback Period: (Including start-up)		22.3
Net Present Value: (NPV)		\$3,122,581
Internal Rate of Return: (IRR)		155%

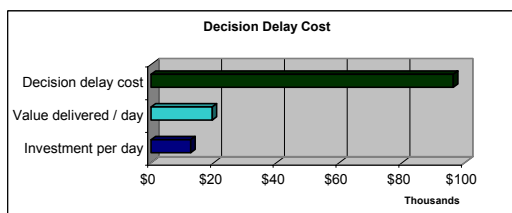
First Year Savings	
Impact from Cost Reductions:	\$2,396,737
Impact from Revenue Increases:	\$238,500

Primary Discovery (Revised vs. Current) - Savings Summary (Risk Adjusted)

Critical Business Issue Categories	Year 1	Year 2	Year 3	Totals
Productivity	\$1,449,093	\$1,779,708	\$2,451,258	\$5,680,059
	\$12,027,941	\$13,491,322	\$16,560,112	\$42,079,375
IT Infrastructure	\$361,107	\$421,998	\$483,416	\$1,266,521
	\$686,408	\$801,384	\$918,201	\$2,405,994
Cross selling / Up selling	\$202,500	\$423,225	\$665,233	\$1,290,958
Tracking events for audits	\$36,769	\$49,405	\$58,741	\$144,915
	\$61,282	\$82,342	\$97,902	\$241,526
Customer attrition	\$36,000	\$36,720	\$37,454	\$110,174
Training costs	\$53,869	\$61,702	\$70,712	\$186,283
	\$143,650	\$164,539	\$188,564	\$496,754
Expanding globally	\$459,900	\$1,149,750	\$689,850	\$2,299,500
	\$3,066,000	\$7,665,000	\$4,599,000	\$15,330,000
Summary Values: (Futures)	\$2,599,237	\$3,922,509	\$4,456,665	\$10,978,411

Above is an example of the minimum amount of information required to assess the value you are capable of delivering. The top portion displays investment and impact information along with metrics for ROI, NPV, IRR and Payback Period. The bottom portion categorizes the cost and revenue impacts over a three year period by current and on-going cost vs. estimated value delivered. It is important to be able to show your prospect the cost and impact over an extended period of time.

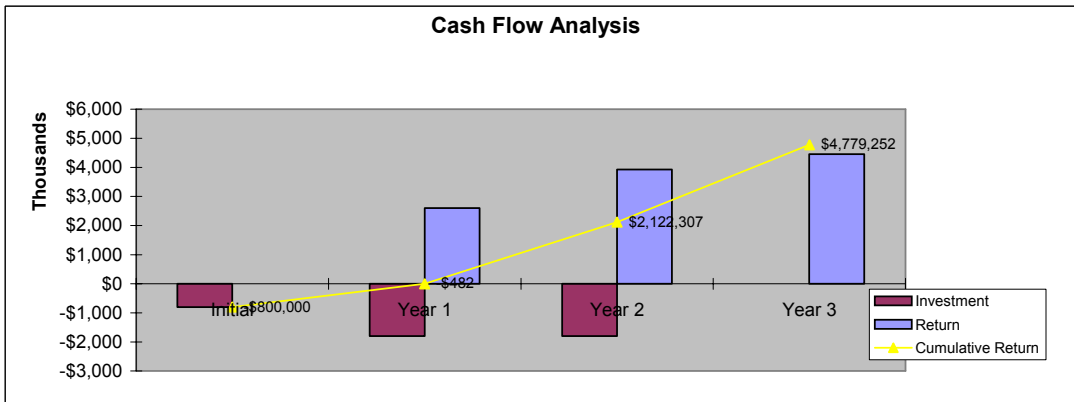
Status Quo Calculation Summary	3 Years	Daily
Current cost of status quo:	\$60,553,648	\$123,327
Revised cost of status quo:	\$50,976,370	\$103,822
Value delivered per day:		\$19,506
Investment per day:		\$12,626
Number of days purchase decision delayed:	14	
Calculated decision delay cost:		\$96,321



This next section of your Business Case Analysis is used to help your prospect realize there is a cost to status quo and decision delay. Notice we include not only the three-year cost but break it down to a daily cost. We also include the investment per day to simply ask this question: "Would you spend \$12,626 per day to get \$19,506 in return?" The difference between these two figures is the cost per day of status quo. If you multiply that daily cost of status quo by the number of days a decision is going to take, (14 in this case) then you now

have the cost of delay. Your Business Case Analysis should include these figures to help reduce the number of no decisions by your financial services prospect.

Description	Initial Investment	Year 1	Year 2	Year 3	Totals
Return:	Not applicable	\$2,599,237	\$3,922,509	\$4,456,665	\$10,978,411
Investment:	\$800,000	\$1,799,720	\$1,799,720	\$1,799,720	\$6,199,159
Net return:	-\$800,000	\$799,518	\$2,122,790	\$2,656,945	
Cumulative return:	-\$800,000	-\$482	\$2,122,307	\$4,779,252	<u>\$4,779,252</u>

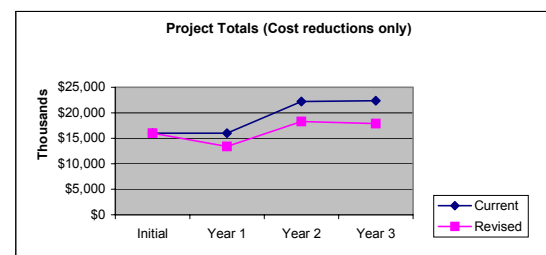
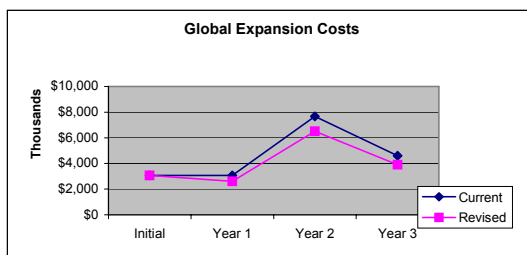
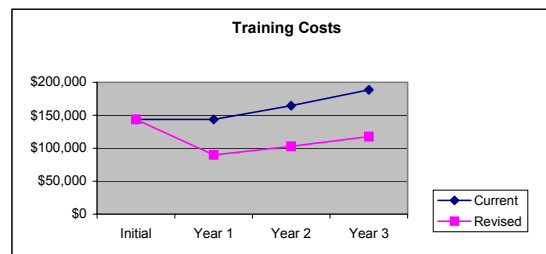
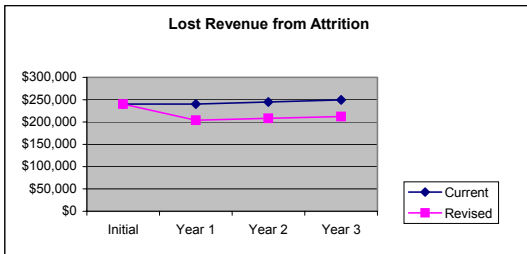
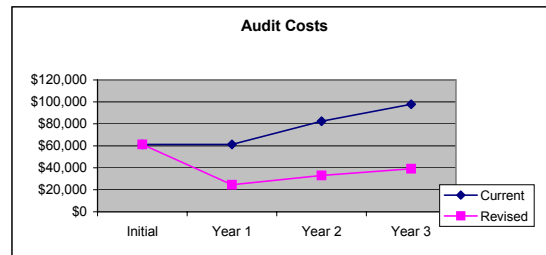
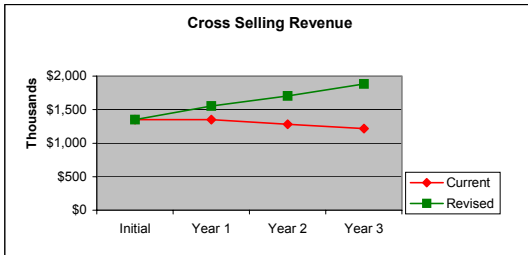
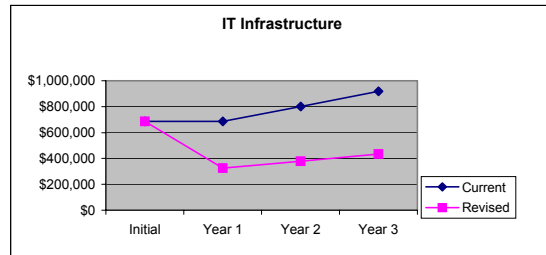
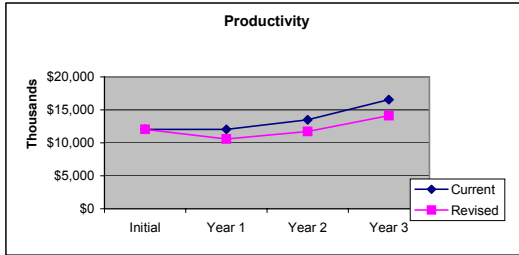


Cash Flow Analysis is a critical part of your success. This table and chart can be used to discuss the investment impact over a three-year period. I believe it is important to show cumulative return on the graph so your prospect can see the impact year by year and the expected return as it occurs. The yellow line is the most accurate depiction of their breakeven point.

Value Estimation - Critical Business Issue Analysis

Customer: Wachovia

Date: November 27, 2007



In each of our Business Case Analyses we include a graphical breakdown by category. The seven categories defined on the first page are now shown graphically in three-year charts. Each chart displays a line for status quo over a three-year period, and the estimated value your products and services can deliver over the same period. The final chart captures consolidated costs and compares them over a three-year period too.

Value Estimation - Business Case

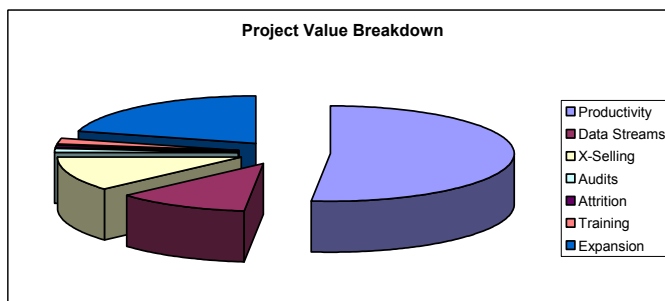
Customer: Wachovia

Date: November 27, 2007

Below are a list of business issues selected during the interview process. Following this list is a breakdown down of individuals and groups to determine the most critical issues and the value we offer. Each graph depicts current cost breakdowns and revised costs only. Revenue enhancements are not graphically displayed.

Selected Primary Discovery Critical Issues

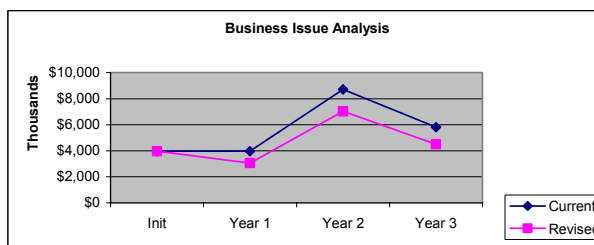
- Selected** Productivity
- Selected** IT Infrastructure
- Selected** Cross selling / Up selling
- Selected** Tracking events for audits
- Selected** Customer attrition
- Selected** Training costs
- Selected** Expanding globally



Stakeholder Analysis

Contact: Jim Johnson
Group: Marketing
Title: Director of Marketing

- Business Issue 1:** Cross selling / Up selling
- Business Issue 2:** IT Infrastructure
- Business Issue 3:** Expanding globally
- Business Issue 4:** Tracking events for audits
- Business Issue 5:** Training costs



Our Value

Create and strengthen customer loyalty with a proven branch and teller automation solution

The right branch automation system is critical for growing assets and increasing cross-selling. We can help you make the most of your branch resources.

Use our branch automation system to:

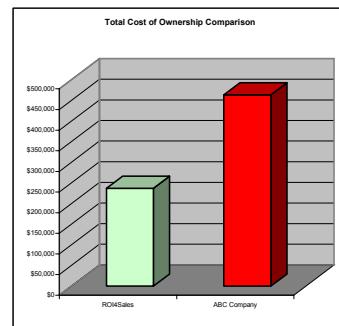
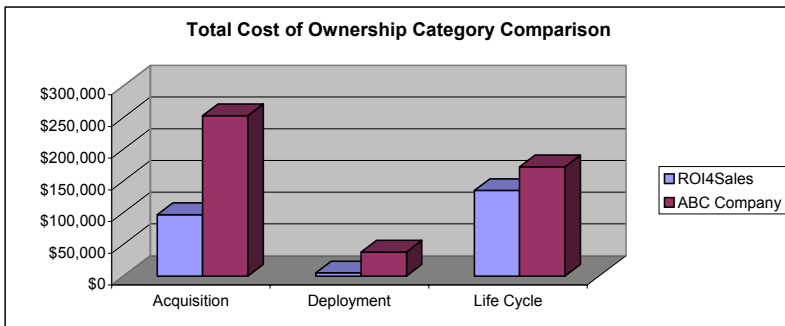
- Create a consistent customer experience with services that create a connected environment between your front and back office
- Further customer interaction using front-office automation, including step-by-step account opening and loan origination
- Make the most of customer contact with up-to-the-minute account and customer information
- Increase the benefit of customer interactions to leverage cross-sell opportunities
- Fully integrate with our core and other Customer Relationship Management (CRM) solutions

This Decision Impact document is a piece of the Business Case Analysis we often see missing. We include a copy of the Stakeholder Analysis for each executive, group, and influencer in a sale. Financial services companies make decisions like most major corporations...by committee. It is crucial to your success that you are able to identify individuals and groups, their issues, pains and goals, and create a textual response to how you are going to deliver value. The Decision Impact document will help you create the necessary output to include in your Business Case Analysis.

This Total Cost of Ownership (TCO) model is designed to perform multiple functions. First, this model will capture and calculate your cost of acquisition, deployment and life cycle of your investment. Second you are able to enter data from one competitor to perform a TCO cost analysis comparison

- Acquisition** The initial cost of the solution including server or network infrastructure upgrades, operating system upgrades, other software necessary to fully utilize the features of the ROI *Selling* solution.
- Deployment** The costs associated with delivering the ROI *Selling* solution. This includes changes to help desk applications, personnel costs for implementation, and installation and integration activity.
- Life Cycle Management** The cost of maintaining, operating and supporting the ROI *Selling* solution during its useful life. Time spent to locate and fix bugs.

	ROI4Sales	ABC Company	Variance
Acquisition Costs			
Initial Software cost:	\$83,000	\$75,000	
Additional Operating System Licenses:	\$0	\$108,000	
Database costs:	\$9,000	\$45,000	
Hardware purchases required:	\$5,000	\$25,000	
Acquisition cost summary:	\$97,000	\$253,000	38%
Deployment Costs			
Initial Training: (One time cost)	\$5,000	\$3,500	
Initial Staging and Start up:	\$0	\$19,500	
Consulting Services:	\$0	\$15,000	
Deployment cost summary:	\$5,000	\$38,000	13%
On Going Life Cycle Costs			
Annual Maintenance:	\$0	\$3,600	
Integration: <small>(Include SFA, Sales process, Proposal, etc.)</small>	\$135,000	\$135,000	
System Administration:	\$0	\$37,500	
On-going life cycle cost summary:	\$135,000	\$172,500	78%
Total Cost of Ownership summary:	\$237,000	\$463,500	51%



The final piece of your Business Case Analysis should include a Total Cost of Ownership (TCO) model like the one above. We break the TCO into three primary areas: Acquisition Cost, Deployment Cost, and Lifecycle Management. Each category includes customized detail lines that can capture and assess the on-going, three-year cost of status quo or even

versus a competitor. TCO will enhance your value as a vendor, and give your proposals credibility where other vendors will have difficulty.

Summary

Selling complex solutions is not like selling a commodity. Your prospects have a uniqueness about them that requires you to be more thorough, and detailed in your presentation. They are typically organized in many silos. These silos are here to stay, so your strategy to sell to them must include the ability to create a business case that spans the organization. As you know many organizations are consolidating and making it more and more complex to sell to them. They typically require the use of ROI and Value Estimation throughout the sales process.

Our research indicates that elongated sales cycles, from delayed decisions are forcing vendors to discount heavily. Lack of sales tools like ROI, quality sales proposals, solution configuration tools, and detailed implementation plans are a major cause for these decision delays. Your prospects simply don't have the information they need to make informed decisions. Why? Because vendors are unable to collect the proper information to identify their issues, pains and goals and capture their current cost of status quo. Without these two pieces of information, it is impossible to understand the "threshold for pain".

Threshold for pain is the point at which a person makes a decision to change their norm. In other words, if you understand the problem and cost of that problem, you can project or predict the point at which you will do something about it. As a vendor, you need to understand these things:

- Issue, pain or goal
- Current and on-going cost
- Threshold for pain

Armed with this information you are able to predict when a prospect will buy. Your prospects are no different. They know they have problems as indicated in the over 3000 lines of issues in our Value Matrix research. What they don't know is how much it is costing them now and in the next three years, and at what point they need to fix the problem.

As a (consultant) / vendor, you need to help them identify the issues, calculate the cost, project the cost over a three-year period, and discuss their threshold for pain. Once you have successfully done this, you are then able to propose a solution and implementation plan and calculate ROI. As part of your Business Case Analysis you can compare and contrast the three year cost as it rises to the value you are capable of delivering over the same period of time.

About the Author

Michael J. Nick is president and founder of [ROI4Sales](http://ROI4Sales.com), Inc. and author of *ROI Selling* (Dearborn 2004), *Why Johnny can't sell* and *How to Create the Perfect ROI*. He is a nationally recognized expert in value estimation and ROI and conducts several public workshops and seminars throughout the year. He has published several white papers on ROI including ROI in your sales process, ROI after the sale (360 Degree ROI), The ROI on ROI, and the most popular paper and title of his latest book, "Why Johnny Can't Sell (Kaplan Publishing available December 2006)."

Michael's work has been written about and published in national publications including *Software CEO*, *Software Success*, *Sales Recruits.com*, *Sales and Marketing Management Magazine*, *Selling Power*, and *The SalesAdvantage*. His nationally acclaimed book *ROI Selling* received rave reviews and is currently being translated into several forms or Chinese, Russian and Spanish. As a member of the National Speakers Association, he is a featured speaker at major industry events including *Software Business*, *SLAM*, *Integrity Selling*, *Marketing Executive Networking Group (MENG)*, *Software University*, *Chicago Software Association*, *Marketing-Pros*, *Software Success Selling series*, *Selling Across America*, *Sales Rep Radio*, *NetBriefings*, *CanDoGo Radio* and a frequent guest on several SPI sales seminar workshops.

His expertise has extended internationally with companies like Oracle, Great Plains, Hewlett Packard, AutoDesk, MacGregor, Rockwell Automation, GEAC, CheckFree Corporation, Comdata, TSYS, NextGen and S1 Corporation and has 1,000's of sales people worldwide using *ROI Selling* techniques from ROI4Sales, Inc.

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