



# **Creating and Articulating Business and Enterprise Value for Strategic Customers**

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### Introduction

The advent of Strategic Procurement and its application across all business sectors is creating problems for companies with broad capabilities, an expensive infrastructure and a history of selling based upon reputation, brands or scale. The market is segmenting into specification and price based contracts and the more elusive 'Value' relationship – the middle market is disappearing. The winners in this environment are the lowest cost operators and those that are able to articulate the total value created and offered to their customers through collaborative relationships that enable mutual business advantage.

BREESE® has developed a practical business tool that has been adopted by Shell, Bombardier, Serco, The Forensic Science Service and others to construct and articulate their total value propositions. As a result, they are creating a differentiated and competitive advantage in some of the most challenging business situations.

### The BREESE® Value Wheel™

The BREESE® Value Wheel™ has been developed with clients that recognise the need to sell beyond their products, services or solutions and to win on defined value rather than price. BREESE® clients, due to their total capabilities and infrastructure will never be the lowest cost supplier. They need to construct Value Propositions that enshrine their desired image in the market and attract customers of the appropriate quality. By placing a Strategic Purchasing Model at the heart of the Value Wheel, capabilities are defined and articulated in the language of the customer. This ensures that the selling organisation does not deceive itself in terms of what true value is being offered. BREESE® customers are instantly gaining customer insights which were previously unobserved or misunderstood:

1. They are perceived to be arrogant because they position value in *their* terms not *their* clients
2. They focus upon what they do NOT the total value that they can create with and for the customer
3. They very often speak to customer staff about the wrong things
4. They are not tuning into what is important to the most senior management of the customer and fail to recognise where their infrastructure and scale creates differentiation, for example, a focus and capability in Health and Safety as a key differentiator in Global Contract Negotiations
5. They are accelerating their own commoditisation through product and price discussions rather than leveraging their total capabilities to create business

and enterprise value through collaborative relationships – this appropriately balances the need to deliver a total value proposition.

6. The BREESE® Value Wheel™ identifies HOW the value can be identified and the benefits delivered to the customer.
7. Relationship Management strategies are mobilised and aligned to the agreed goals building collaborative relationships that contribute to on-going differentiation for the supplier.

The BREESE® Value Wheel ensures organisations segment their true capabilities and sell the value created into the appropriate staff within the customer organisation. This creates Commodity, Functional, Business and Enterprise Value. In so doing, opportunities to differentiate the Value Proposition are obvious and the ensuing collaborative relationships deliver the total gains to the customer. This total value *is the differentiator* and it cannot be created or delivered if frictional transactional relationships exist. This is the prize available to users of the BREESE® Value Wheel!

Clients are developing Benefits Capture Systems that define the total value created through their relationships. Sadly, this value has always been there to leverage and articulate to create on-going differentiated business advantage. However, the lack of consistent analysis, computation and articulation has created a vacuum into which lower cost suppliers or more astute competitors have entered. Experience suggests that the targeted business results of swapping high quality, well infrastructured suppliers for low cost operators are rarely met in complex environments often resulting in severe value destruction for the customer organisation – BA and Gate Gourmet being just one high profile example!

Objective value is classified as:

### **1. Tangible Financial Value**

- Determined through size and scale
- Immediately recognisable
- Only 1 element of the equation!

### **2. Non Tangible Financial Value**

- Difficult to quantify and convey
- Knowledge and expertise suggests it exists
- Proven through a pilot or 'Proof of Concept'
- Focus upon cost out and cost down forever

### **3. Tangible Non Financial Value**

- Embodied in the brand
- What does the brand say to "me"
- The image and values the individual buys into

#### **4. Non Tangible Non Financial Value**

- The most powerful
- Experienced
- Feeling of loss if taken away

Many companies are skilled and proficient at creating Tangible Financial Value. The goal is to build upon this success and generate sustainable value that will ensure success in the future with targeted, high quality customer organisations.

#### **Customer Success**

**The application of the Value Wheel has enabled customers to:**

1. Develop 'Benefits Capture Systems' that articulate the value created through the relationship – providing tangible financial data that proves the value of the relationship at the highest level of the customer organisation.
2. Win business and renew contracts with the appropriate margins in spite of procurements' focus upon specifications and price.
3. Generate a Core Commercial Value Proposition for their business that summarises the total capabilities and value offered to targeted customers.
4. Communicate internally the total value being generated for customers and develop appropriate marketing and communication strategies.
5. Align internal capabilities and build a single strategy for customers to leverage total capabilities and create a differentiated capability.
6. Recognise that the non-tangible value offered to customers is the key to building sustainable collaborative relationships.
7. Accelerate new product introduction by providing sales staff with a total value proposition that supports their sales engagement strategy.
8. Utilise the Value Wheel as a 'Channel Incentive' for their customers to drive new and more profitable sales for mutual business advantage.

#### **Summary**

BREESE® has extensive knowledge and understanding of the issues that determine success when building a value strategy. This has been built by working with Global Blue Chip organisations. Our continuous product development process ensures that our tools, services and facilitators are at the forefront of thinking due to our collaborative relationships with our customers.