

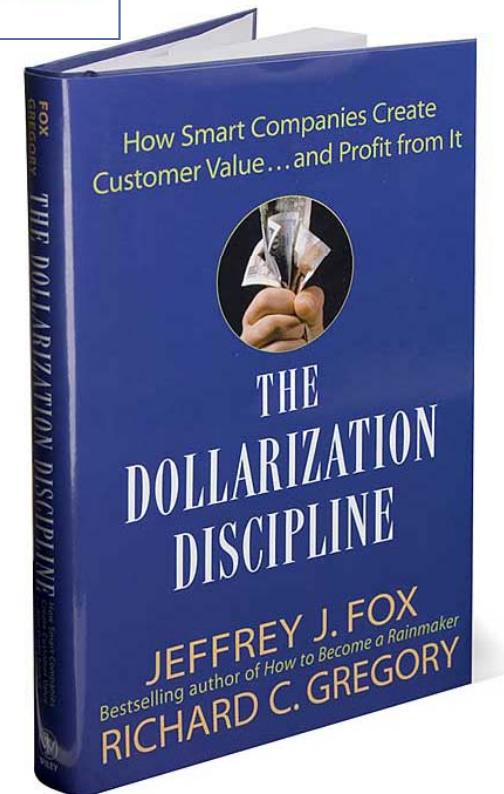


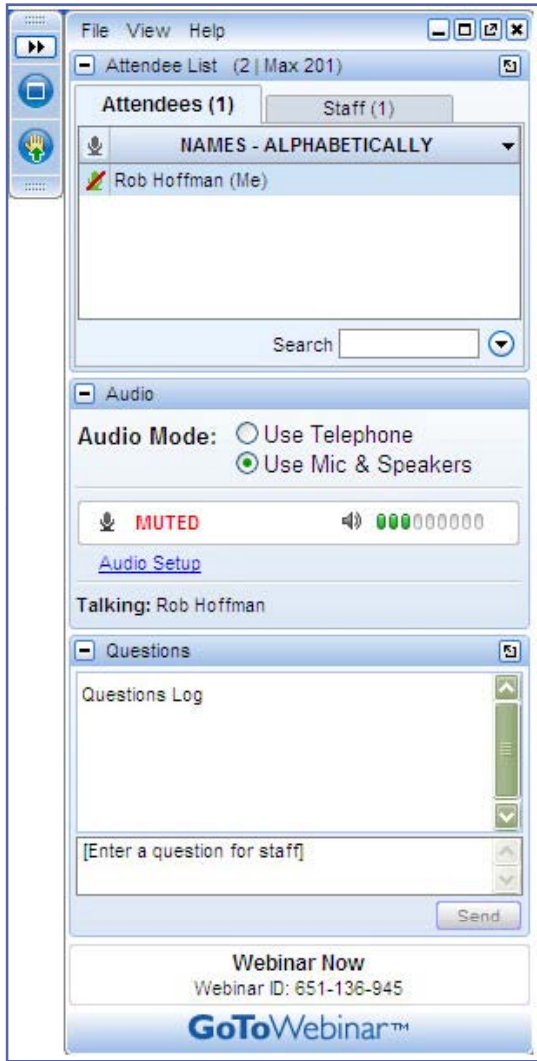
Add it up:

Strategies for Calculating & Communicating Your True Value to Customers

Presented October 27, 2009

Rick Gregory
R.C. Gregory & Co.





Successful Dealer  PARTS & SERVICE
DELIVERING INNOVATION IN SALES, SERVICE AND SUPPORT

WEBINARS

Moderators

Denise Rondini, Editor



Derek Smith, Editor



Successful Dealer
DELIVERING INNOVATION IN SALES, SERVICE AND SUPPORT

TRUCK PARTS & SERVICE

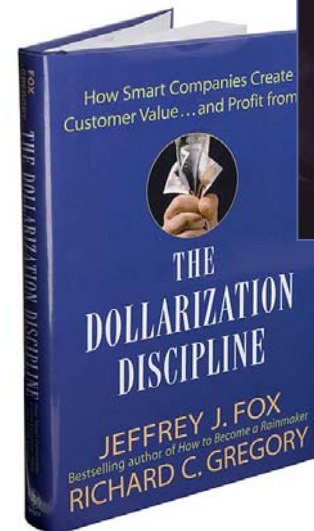


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Why are we here?

We deliver value to customers, but struggle to get credit for that value in the form of...

- Higher prices
- More volume
- Less attrition



Why are we here?

Some customers

- Know we deliver value, but don't know how much
- Think we deliver value, but can't measure it
- Think we are high priced and can't justify it



Dollarization

Translating the benefits
you deliver to customers
into dollars and cents



What we'll cover

- Why Dollarization works
- How it can be used
- Dollarization examples
- Mechanics of Dollarization
- How you can put it to work





Where do you think Dollarization can help your company most?



business Why^v people buy



What is missing in conventional sales and marketing?

Today's Sports Page

Phillies	6
Yankees	Hit well, pitched great

But who won the game?

Typical Sales Proposition

Price	\$600
Benefits	More durable, lasts longer

Will the customer get more than \$600 back for his investment?



If the customer can't count it, it doesn't count!

- “Value-Added” = 22 million Google hits!
- “Value” according to Webster’s:
 - “The worth of a thing.”
 - “An assigned or computed numerical quantity.”
- In other words: **“Value is a number.”**



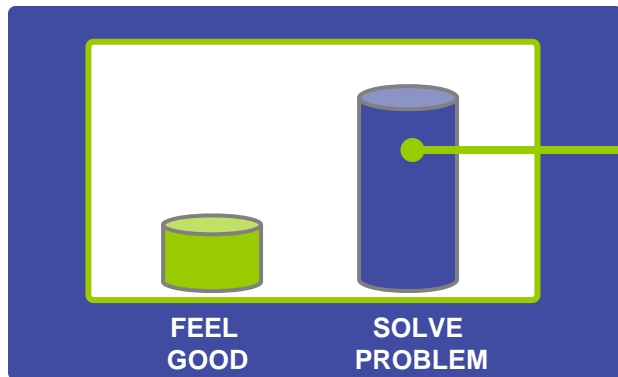
Price ≠ Cost

	Car #1	Car #2
Price	\$20,000	\$25,000
Maintenance	\$1,500	\$500
Fuel Consumption	\$8,500	\$5,000
Insurance	\$6,000	\$5,000
Resale Value	(\$10,000)	(\$16,000)
TOTAL COST	\$26,000	\$19,500

Price is but one of many costs related to buying any product or service.



How can we complete the box score?



The solution to any problem represents:

- The avoidance of loss
- The opportunity for gain

Both of which can be measured in dollars and cents...

Dollarized Sales Proposition	
Price	\$600
Benefits	\$1200 in warranty savings

or Dollarized



Putting Dollarization to work

Advertising &
Marketing
Communications

Run this for 18 months.



Save this much fuel.



Look what just came down the tracks.

The reliable new **Evolution Series™** locomotive from GE squeezes more miles out of less fuel than any comparable model. It also cuts down on emissions so efficiently, it exceeds EPA standards.

Is that any way to run a railroad? We think so.

imagination at work



Putting Dollarization to work

Sales Literature



Application Case History #2

Premier Pharmaceutical Firm Accelerates Freeze-Dryer Cycle Development by 83%.

INTRODUCTION

Scientists in the R&D division of a large pharmaceutical company spent several months using SMART Freeze-Dryer Technology for freeze-dry cycle development work. The lab used SMART technology to develop an optimized cycle for a single formulation and then compared the SMART approach with their traditional cycle development protocol. Their work was studied to identify the gains achieved using the new technology.

RESULTS

Scientists at this multinational pharmaceutical company were able to reduce the time required to develop an optimized freeze-drying cycle by 83% (from 60 days using conventional methods to 10 days with SMART). The lab reported breaking-even on the investment in the new technology in two months.

Other specific outcomes include:

- Average number of experimental runs required to generate an optimized cycle reduced from 9 to 2 (see details on page 2).
- Average savings per development program of \$34,595 (consisting primarily of labor savings and active ingredient savings).
- Average annual savings of \$276,760 (based on 8 development programs per year).

In addition, because scientists were often able to produce a cycle optimized to their specifications after a single experimental run, the SMART technology enabled them to conduct additional experiments to test for process limits while still shaving months of the development program.

The table on page 2 describes in detail the lab's conventional cycle development progression. This process is compared to the accelerated progression using SMART technology.

Case #2 Detail

	Traditional Approach	SMART Approach	Savings
Number of Experimental Runs Performed	9	2	7
Estimated Development Time (days)	60	10	47
Analytical (DSC) Costs	\$1,000	\$1,000	\$0
Labor Costs	\$34,290	\$2,820	\$27,660
Material Costs	\$28,125	\$25,000	\$0
Total Costs per Development Program	\$63,415	\$28,820	\$34,595
Development Programs per Year	8	8	--
Total Annual Cycle Development Costs	\$507,320	\$230,560	\$276,760

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Putting Dollarization to work

Getting
Appointments

Dear Ms. Customer:

Your Lab Director, Sandy Young, suggested I contact you. Based on preliminary analysis, Valley View Hospital could eliminate \$30,000 in current annual costs, and could generate more than \$20,000 in new gross margin.

It will take approximately 30 minutes to review this analysis with you. During that time, I will be happy to share references from other hospitals that have achieved similar results.

I will contact you in the next few days to arrange an appointment.



Putting Dollarization to work

Face-to-Face
Selling

QuickTime™ and a
decompressor
are needed to see this picture.



Putting Dollarization to work

Customer Retention

CUSTOMER VALUE FILE

This report details the comprehensive and continuing economic value that General Motors Corporation receives from its relationship with Xxx Xxxxxxx Xxxxxxx. Xxx Xxxxxxx Xxxxxxx, headquartered in Xxxxxxx, Dddd, is a premier manufacturer of zzzzzz and other ffffff. Xxx Xxxxxxx Xxxxxxx has loyally served GM for 56 years, compiling an **engineering milestones record** (see Appendix B) that has delivered billions of dollars of economic advantage to GM.

Xxx Xxxxxxx Xxxxxxx's annual sales to GM range from \$110 million to \$150 million. The total annual savings GM receives is more than \$108 million (see *Annual Cost Savings*). This means that for every dollar that GM spends with Xxx Xxxxxxx Xxxxxxx, GM receives an additional \$0.72–0.99 in return. Most of this \$108 million savings recurs annually for the life of the applications, resulting in a **\$1 Billion return to GM**. Additionally, current projects in progress are expected to yield an incremental \$226 million in projected future savings.

Total Annual Savings:	\$108 Million
Projected Future Savings	\$226 Million



Putting Dollarization to work

Other applications

- Pricing
- New Product positioning
- Making an intangible service tangible
- Demonstrating value to channel partners
- Market segmentation
- New product direction

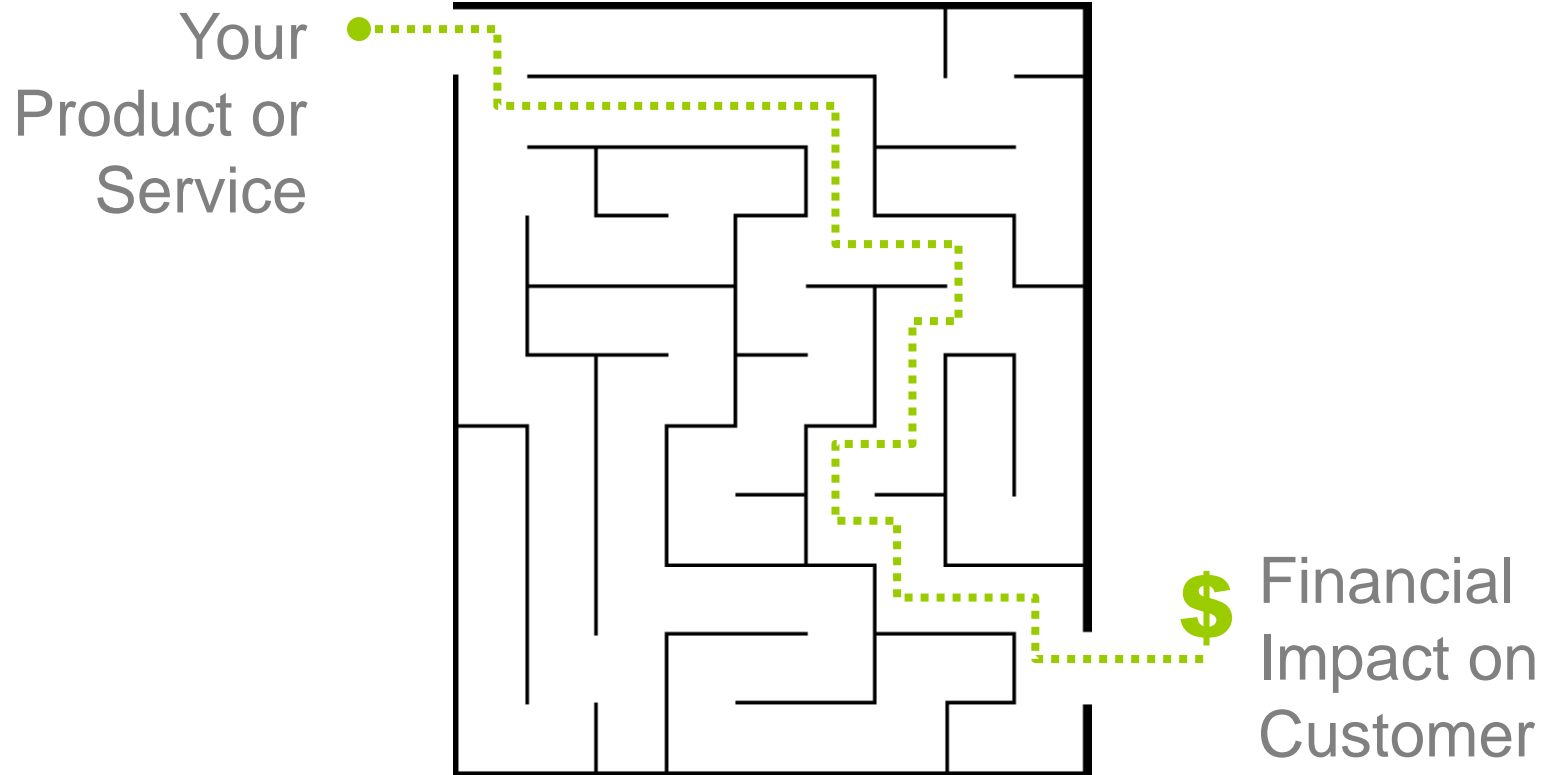




What internal barriers do you see in implementing Dollarization?



Dollarizing your “value”



GPS/Geo-Route Planning



- Optimized routes for starts/stops on hills
- Fuel savings
- Other wear and tear



The flexible dipstick



- Shaved minutes from assembly time
- Eliminated procurement of several parts
- Eliminated inventory carrying costs for multiple parts
- Also generated marketing value (fewer blow-bys, less vibration, not hot)



Value of a Brand



- Designed customer research to determine how much more fleet owners were willing to pay for a Jacobs brand engine brake vs. others.
- Showed truck and engine makers statistics showing that Jake was worth \$XX more to them.



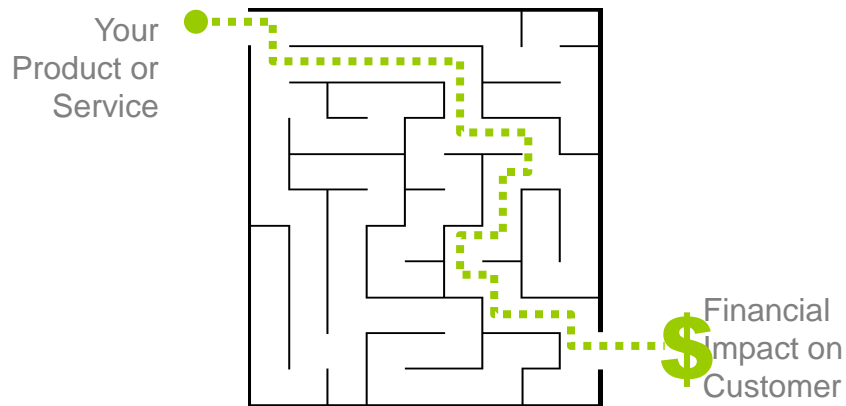
Value of a Dealer

- Selling industrial lighting to chemical plant
- Competitor offered price cuts of 10-50%.
- OEM's dealer had electronic transaction in place. Competitor was selling direct.
- Transaction costs wiped out price savings by 3x.

QuickTime™ and a decompressor are needed to see this picture.



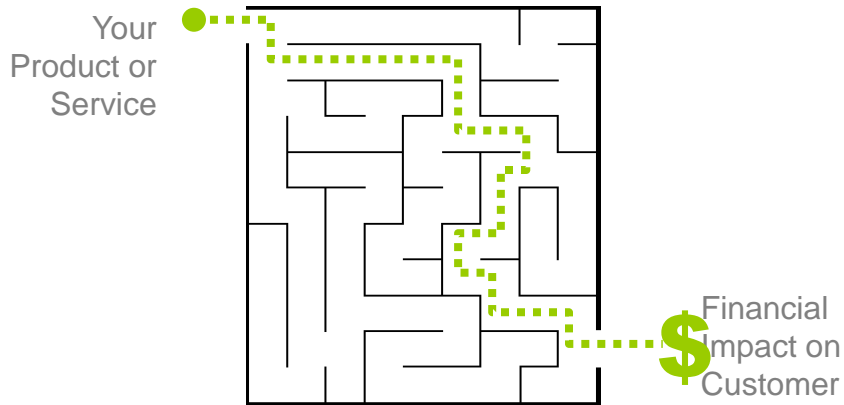
Guidelines for Dollarizing



1. What are your advantages?
2. For each one, ask “who cares, so what” as if you were the customer CFO.
 - What problems do you help solve.
 - What would the customer go without if they did not buy
 - Enlist people from different functions in your organization
 - Enlist people from customer
 - Ask friendly customers
3. Develop equations



Developing equations



Need to convert benefits into simple, step by step math.

Number of Vehicles in Fleet

X Avg. Miles per Vehicle per Year

= Total Fleet Miles

÷ Average fleet fuel economy (MPG)

= Annual Fuel Consumption

X MPG Improvement (%)

= Gallons Saved

X Price per Gallon

=ANNUAL SAVINGS



Six categories of value

Revenue Enhancement

How do our products and services help the customer sell more, or sell the same amount at a higher price?

Asset Improvement

How do our products and services help the customer redeploy assets (inventory, cash), or avoid capital expenditures?

Expense Reduction

How do our products and services help the customer reduce its current expenditures?

Services Provided

What services can we perform better than the customer can (e.g., maintenance) or provide at a lower cost (e.g., outsourcing assembly)?

Process Impact

How do our products and services help the customer do things more efficiently, faster, with fewer people, etc?

Other

Don't let the other 5 categories blind you to novel ways to create value.





What concerns do you have about potential customer reactions to your Dollarization?



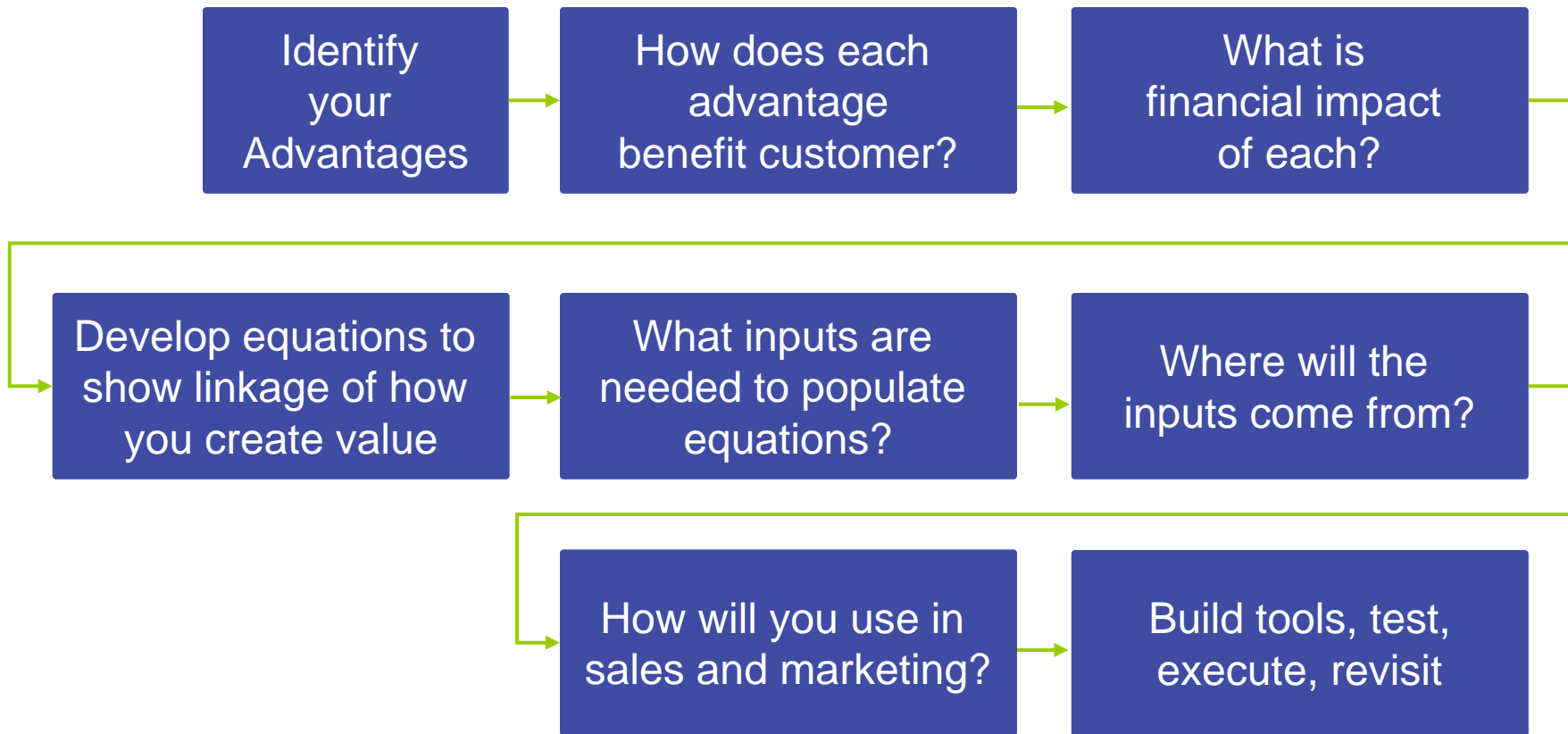
“Packaging” your dollarized value



- Total Gross Savings
- Net Savings
- "Effective Price"
- Return on Investment (%)
- Payback Period
- Cost per year, month, day, hour of NOT going with you.
- “Equivalent” value



The process



The Customer Value File

- Most dollarization is predictive, forward looking
- The CVF is a retrospective look at a key account relationship
- Documents value delivered, statistical snapshot, milestones
- Great for cementing a relationship, setting up new proposals, pre-empting competition, educating customer



Tips for working with customers

- Dollarization is meant to make the customer a hero... you just want the sale!
- Ask questions. Let the customer help you build the numbers.
- Be ready with homeworked numbers if customer can't or won't answer.
- Pushback means the customer sees Dollarization as a selling ploy.



Tips for working with customers

- Show the math. If the client has a question, go back and work through it.
- Get conditional agreement upfront:

“If we work through the economic impact assessment and the results are similar to what I have stated, is there anything else prohibiting you from proceeding with our product?”

- Don't underestimate inertia.



Thoughts on getting started

- Internal team working on a key product or key customer
 - Brainstorm benefits
 - Develop “equations”
 - Brainstorm where/how to find data
- Best products, new products
- Try a CVF
- Friendly customers as beta test
- Small Delta Force team
- High level support and endorsement



To learn more

dollarization.blogspot.com

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Questions?





Thank You!

