



People. Process. Progress.™

A newsletter for those who care about improving the performance of its organization.

Volume III, Issue 6

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Welcome...

...to the first *TSI Info Source* of 2003. In this issue, we focus on some important issues that are particularly critical to those in Sales and Service. TSI is proud to provide an outstanding article from one of our strategic partners. The featured article in this issue:

- **Performance Information for Closing Sales** - In this article we will explore how a performance measurement methodology can be used to develop a performance-based, purchase justification. This is key for those of us in Marketing and Sales who deal with prospects/customers who get in decision gridlock (please go to Page 2 for this article).

We hope that this information will be of value to you and others in your organization and allow you to think of TSI to with some of your key projects in 2003.

Lastly:

- Are you considering using consultants for any of your 2003 projects? Ranging from leading and staffing a large enterprise wide project to facilitating a key work session, we can be a tremendous help by working with you/your team. Chances are, we have successfully completed a project similar to the one you are embarking upon – please call us 312-492-6400 x202 to talk about your specific needs and how we might help you.
- Do you or others in your organization have an interest in an outstanding process training workshop? TSI conducts a stellar workshop and is in the process of setting our training schedule for 2003. Please give a call to 312-492-6400 x202 or e-mail - training@transforming.com See page 10 of *TSI Info Source* for a detailed, customizable training agenda.

If you have any comments or thoughts for future issues of *TSI Info Source*, feel free to send us an e-mail at info@transforming.com.

- The Editors

....TSI's Info Source – continued from page 1

Performance Information for Closing Sales

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Introduction

The challenges facing a sales executive when trying to close a high cost, high commitment sale to a company's senior managers are numerous and well documented. At the end of the day, the key to closing this kind of sale is convincing the customer that he is making the best decision possible and will gain more value from this purchase than from any other course of action he could take. High-level decisions such as whether or not to outsource a key business support function or purchase an enterprise IT solution take place amid the noise of alternative promises, counter-claims and competing offers. To stand out, a savvy sales executive must offer more than top quality and fairly-priced products and services. Those that close the sale are the ones who communicate a more convincing justification of the benefits expected from the purchase and offer user-friendly tools that allow customers to make their own assessments.

What information must such tools provide? How is the information best communicated? How should the tools and information be developed to take advantage of existing capabilities? In this article we will explore how a performance measurement methodology can be used to develop performance-based, purchase justification information and tools that can make the key difference for managers making high-level purchase decisions.

What Customers Want

While the needs of each individual customer a company serves are often very different, there are certain characteristics of the sales process that all customers seek. Three basic sales activities must exist to ensure success.

1. Show customers you know what they value:
 - Show your knowledge of the factors that make their situation special
 - Describe in detail your understanding of how the customer can expect to gain value by going forward with the purchase of your product

2. Give customers confidence in your ability to deliver
 - Show them that your own processes are understood, managed, measured and able to deliver consistent accurate performance in meeting the customer's needs
 - Communicate your knowledge of what it takes to deliver promised products and services

3. "Run the numbers" on benefits
 - Identify measurable cost savings for the customer
 - Define measurable changes to the customer's service capabilities that will drive additional customer revenues

In each sales activity above, the ideal approach for a sales executive is to be able to provide information from three distinct perspectives.

- Describe tangible case study examples about other customers to underscore the idea that promises made have been delivered
- Create a complete analysis of the target customer to show what the future relationship would look like under a set of clearly-communicated, best-guess assumptions made by the sales executive
- Provide customizable analysis of the target customer to allow him to formulate "what if" scenarios across a set of specified variables and understand the ultimate ramifications of potential relationship structures

Building Sales Processes and Tools

While the prospect of building this type of customer information tool may seem daunting, a company can facilitate the development process and ensure a highly useful outcome by using an approach originally created for the development of corporate performance measurement systems, the Measure Network.

The Measure Network is designed to enable managers to better understand how they create value, and then measure their success at delivering that value. Performance measurement systems are most often created for internal use by managers to *retrospectively* understand how well they have performed and to guide changes to business management that result from an understanding of past performance.

Additionally, this system's methodology of defining key aspects of value delivered to stakeholders and ideal characteristics of processes can be used for building *prospective* models which allow managers to make estimates of expected performance across a set of criteria, see a likely overall impact, and then adjust specific inputs to view a variety of "what if" scenarios.

We will demonstrate how the Measure Network methodology can be applied to provide purchase justification information using an example from Kenakore Solutions, a third-

party demand fulfillment logistics provider offering transaction fulfillment, warehouse management, and inventory planning and scheduling.

Defining Kenakore Solutions' Customer Value Components

The first step in developing a Measure Network-based cost justification tool is explicitly describing how value will be created for customers as a direct result of making a purchase. In the case of Kenakore Solutions, the sales team first identified that there were several customers to whom they delivered value when they provided fulfillment services in the fluid power, heavy-duty truck components, safety and belting markets. They identified three customer groups:

- Manufacturing customers
- Distribution customers
- End-user customers

The next step was specifying exactly what Kenakore Solutions delivered to each customer type and what the relative importance of each deliverable was. Some of the most important deliverables identified were:

Deliverables to Manufacturer Customers

- Inventory Management Service
- Demand Information
- Fulfillment Performance Information
- Payment for Products
- Inventory Status Information

Deliverables to Distributor Customers

- Shipped Products
- Fulfillment performance information
- Order Fulfillment Service
- Order Status Information
- Deliverables to End User Customers
- Shipped Products
- Product Line
- Order Fulfillment Service
- Order Status Information

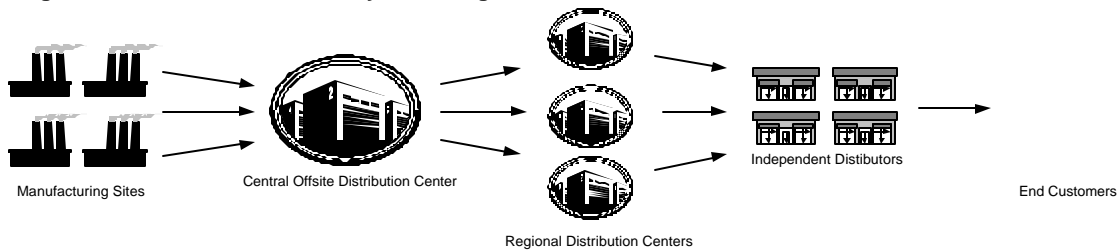
Next, the Kenakore team further refined the description of how it delivers value to customers by describing the most important attributes (speed, accuracy, etc.) of the deliverables provided to customers. In describing and then prioritizing these value components, the team had defined a clear strategic market niche where it intended to compete and win. Some of the most important value components for each type of customer are:

- Key Value Components – Manufacturer Customers
- Consolidation of Demand Information
- Usefulness of Demand Information
- Responsiveness of Demand Information
- Cost of Inventory Management Service
- Accessibility of Inventory Status Information
- Key Value Components – Distributor Customers
- Accuracy of Shipped Products
- Speed of Order Fulfillment Service
- Cost of Order Fulfillment Service
- Accessibility of Order Status Information
- Amount of Safety Stock
- Key Value Components - End User Customers
- Availability of Product Line
- Simplicity of Order Fulfillment Service
- Speed of Order Fulfillment Service
- Accuracy of Shipped Products provided
- Accessibility of Order Status Information

Understanding the Impact of Cross-Channel Process Changes

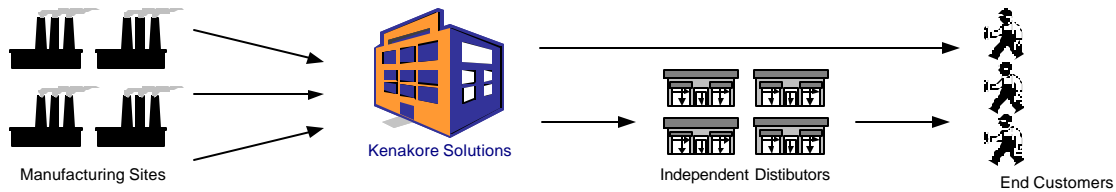
Once an understanding of the value Kenakore Solutions delivers to customers was well-documented, the model development team shifted its focus to describing the business processes that are created when Kenakore becomes an integrated part of its customers' channel. The team identified key inter-organizational process flows and mapped the likely variations that would exist in the market. One process flow follows the path of inventory as it makes its way from the point of production to the end-user. A sample flow of the current state is shown in diagram 1.

Diagram 1 - Current State Inventory Flow Diagram



Next, the development team identified how inventory would flow through the channel when Kenakore Solutions services were used. A sample flow can be seen in Diagram 2

Diagram 2 - With Kenakore Inventory Flow Diagram



The next step involved defining the characteristics of the cross-channel processes that are most critical for delivering value to customers. The Kenakore team focused specifically on those aspects of processes which are expected to change the most when Kenakore becomes part of the channel and where it feels it possesses a key operational advantage over alternative solutions for customers. Once again, after identifying a wide variety of process characteristics, the development team prioritized those that made the greatest contribution to value creation for customers. Kenakore Solutions' list of critical process characteristics includes:

- Consolidation of Orders provided to the Order Management Process
- Accuracy of Orders resulting from the Order Management Process
- Simplicity of the Product Handling process
- Consolidation of Freight Shipments resulting from the Shipping process
- Reusability of Packaging resulting from the Inventory Flow process

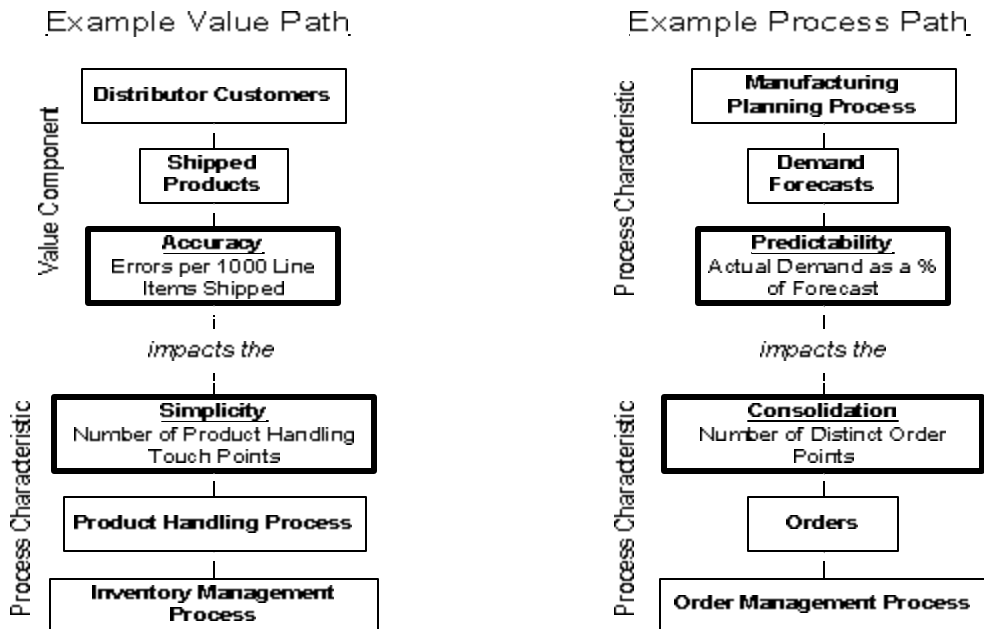
- Amount of Inventory resulting from the Inventory Flow process
- Amount of Freight Discounts resulting from the Shipping process
- Efficiency of the Warehouse Management process
- Predictability of Demand Forecasts provided to the Manufacturing Planning process
- Accuracy of Invoices resulting from the Manage Invoices and Payments process

Building the Model

The next challenge for the development team was to identify measures that could be integrated into a single model for conducting “what if” analyses. The team focused on determining the financial impact of each value component and process characteristic on either customer cost of operations or growth in customer revenues. So, for example, improvements in the accuracy of invoices are translated into cost savings related to people, space and equipment in the accounts receivable department. Also, improvements in the availability of the product line delivered to end user customers are translated into an estimated increase in growth of manufacturer sales.

In order to define quantitative inter-relationships and complete the model, the team needed to define the expected cause and effect linkages between process characteristics and value components. For example, they described the idea that consolidation of orders was likely to improve predictability of demand forecasts which in turn would reduce the amount of inventory in the channel and therefore lower the cost of inventory management for each type of customer. Examples of the value paths and process paths they defined can be found in Diagram 3.

Diagram 3



Applying the Tool to Help Close Sales

In the course of building and using its purchase justification tool, Kenakore Solutions has learned several key lessons that can be applied to any company facing a similar challenge.

- Highlight process characteristics that describe your company's strengths and unique capabilities and show why those capabilities are critical to delivering value to customers
- Make descriptions simple, visual and intuitive whenever possible – do not show customers the complex underlying calculations unless they ask for them
- Let customers define their own unique characteristics whenever feasible, but also provide industry average and best practice performance ratios to speed analysis in the absence of customer data
- Model the purchase justification tool on your existing internal performance measurement system to allow managers to assure ongoing service excellence through the availability of existing performance data and predetermined performance targets

As competition becomes stronger and traditional themes for differentiating from competitors such as product, price and delivery get more and more difficult to justify, forward thinking companies are standing out from the crowd by providing innovative tools and information to customers. Building these tools using a performance measurement methodology like the Measure Network ensures that the potential value for customers of making the purchase will be clearly understood and that the tool will ultimately be found to be a trustworthy source of information for decision making.

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TSI Process Improvement Training

TSI is in the process of scheduling its public and private 2003 PI Training Workshops. These will take place in Schaumburg and Naperville, IL and other locations as needed. TSI can also customize a course specifically for your organization. Please give us a call @ 312-492-6400, extension 202.

You will learn how to:

- Use the latest and most practical approaches to dramatically improve your processes.**
- Define and analyze processes to identify and eliminate activities that do not add value.**
- Engage a cross functional team and implement sustainable process changes.**
- Collaborate and negotiate with internal and external people and organizations to identify the “what’s in it for me?” to make change happen.**
- Quantify the benefits of process changes and create compelling “win-win” scenarios management can’t resist.**
- Define process metrics to measure the performance of the process while creating alignment across departments and business units.**
- Design processes where none exist today.**
- Follow and adapt a proven approach to garner support within your organization and make improvements within 30 days.**

Process Improvement Training Workshop Agenda

Individual and small group exercises and case studies are used extensively throughout the two days for an engaging, activity-based learning experience.

Introduction and Overview

- Orientation to Process Mapping, Analysis, Improvement and Reengineering
- Benefits to Spend the Time to Map and Analyze Processes
- Trends and Jargon You Better Know
- Your Expectations of This Workshop

Mapping Existing Processes

- Getting Started
- Overall Business Systems Thinking
- Identifying Performance Gaps – People, Process, Technology and Culture Gaps
- Process Mapping Tools – The 5 Different Ways To Map A Process

Analyzing Processes For Improvement Opportunities

- Characteristics of “Good” Processes
- Process Maturity
- Analyzing Existing Processes
- Process Measures/Metrics
- Defining “To Be” Processes
- Facilitating The Ideal Process

Implementing Process Improvements

- Forming A Process Improvement Team
- Identifying And Addressing Real And Potential Obstacles
- Getting All Of The Stakeholders On Board
- Determining What Changes To Implement First
- Creating A Process Improvement Work Plan

HOT LINKS (or, more places we like to surf)

- TSI Newsletter Archives – <http://www.transforming.com/archives.html> - check this page out for copies of past articles and other information.
- Quick MBA - <http://www.quickmba.com/> - need access to industry standard definitions of buzz words and other terms/concepts? Here is a site that might provide some answers.

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TSI helps organizations dramatically improve processes by collaboratively and cost-effectively analyzing and improving how people, processes and technology are used within the organization.



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