



The Rapid Response Institute  
"Meeting the Challenges of a Volatile World"

[www.theRRinstitute.com](http://www.theRRinstitute.com)

# Overview

## The Economic Value Proposition Matrix<sup>®</sup>

Believable • Demonstrable • Defendable

**I**n today's highly competitive markets how do you get your message across? Every executive is very busy and often does not have the time or interest in new products and solutions regardless of their potential value to his or her organization.

### Adding Value to Your Customers

Your value proposition must be **Believable**, you must be able to **Demonstrate** it and you must be able to **Defend** it against challenges both from competitors and internal forces within your customer. *This is the essence of a value proposition.* It must truly add value—if your customer cannot see that, then what you are offering is only interesting, at best.



Moreover, if your solution based on new or disruptive technology, it is by definition not well understood by the general market. A good demo will go a long way towards showing your capabilities, yet even then most product demos would not be as dramatic as the cartoon business case. It is even more difficult to demonstrate solutions such as Capital expenditures, Information Technology or Professional Services based transformational opportunities. There is a better way to *Demonstrate Believable* economic value and *Defend* your statements.

### Would You Buy from This Sales Representative / Company?

Typical sales "pitches" often include an approach to *Feature-Benefit* models where the sales representative will focus on the features and subsequent benefits that can be realized if you purchase this product. This historic "*mine is better than my competitor's*" approach is losing favor, but some still hope these statements will close the deal.

Some business development individuals believe that statements of value that include high level, often difficult to document statements such as the (*ACTUAL*) declarations in this graphic will win the day. These five statements of value are taken from a recent sales presentation by a mid-size established software company.

Not only will these comments not help close the sale, but may even call into question the credibility of the individual making the presentation and his or her company. They certainly do not meet the tests of Believability, Demonstrability, or Dependability.

Unfortunately, for both vendors and customers as well, this selling model is believed by many to be not just the best way to close a sale, but the only way. Sales forecasts are missed and customers may not receive the real value that can be derived from products and solutions the market makes available.

"Decreased human errors by 100%"  
"Reduced losses from 8% per month to less than 1% per month through sales order process automation"  
"Gained ability to monitor inventory process in real time"  
"Improved control over the delivery process and reduced manual work by more than 70%"  
"50% increase in the daily processing of orders"

# The Economic Value Proposition Matrix (EVPM) Model

Our EVPM has been developed by and for the industrial sales markets. It has been used to by major energy firms, Fortune 500 manufacturers, IT firms, and others. In the example that follows, it was used to assess the CAPEX expenditures for a major operational upgrade. As shown the above example, it common practice to state that double digit percentage value can be attained. Experience has shown this NOT to be true. However, we can develop a large number of components of value that can add up to a substantial and compelling case. Experience has shown that this method does support double digit enhancements.

Real Time Solution: Benefits Analysis

Actual Case Study

Total of 33 Items

Item No.	Classification	Category	Description	Dollars Year 1	Dollars Year 2	Dollars Year 3	Total
1	Admin Services	Cost Take Out	Reduction in building maintenance. Estimate 20% reduction in 15, 100,000 dollars. Estimated reduction in number of repairs. Cost of repair materials. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.	30,000	30,000	30,000	90,000
9	Field Ops	Cost Take Out	Cost of maintenance materials. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.	220,000	220,000	220,000	660,000
12	Field Ops	Cost Avoidance	Reduction in maintenance materials and labor. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.	120,000	120,000	120,000	360,000
13	Field Ops	Cost Avoidance	Reduction in maintenance materials and labor. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.	120,000	120,000	120,000	360,000
15	Health, Environment & Safety	Intangible	Reduction in maintenance materials and labor. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.				
23	AI	Intangible	Reduction in maintenance materials and labor. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.				
24	Field Ops	Productivity & Efficiency Gains	Reduction in maintenance materials and labor. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.				
27	Field Ops	Cost Avoidance	Reduction in maintenance materials and labor. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.	75,000	75,000	75,000	225,000
28	Eng & Const	Productivity & Efficiency Gains	Reduction in maintenance materials and labor. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.				
30	Intervention Ops	Cost Avoidance	Reduction in maintenance materials and labor. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.	60,000	60,000	60,000	180,000
31	Field Ops & Eng & Const	Productivity & Efficiency Gains	Reduction in maintenance materials and labor. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.				
32	AI	Intangible	Reduction in maintenance materials and labor. Includes cost of additional staff for maintenance. Includes cost of additional staff for maintenance.				
<b>Total</b>				<b>1,280,000</b>	<b>1,280,000</b>	<b>1,280,000</b>	<b>3,840,000</b>

EVPM breaks down the organizational departments to provide further granularity and the development of the organization's *Value Portfolio*. Moreover, the EVPM develops components of value that are either initially measureable or whose value will be realized later. For example, *Intangible* components are often initially given a value of zero and when "hard" results are available later in the project, the model can be updated. This approach enhances its credibility with customers.

## Major Components of Value

- Cost Takeout
- Cost Avoidance
- Productivity & Efficiency Gains
- One-time Cash Flow Impact
- Intangible

Category	Definition	Example
Cost Takeout	Completely eliminating a specific activity or process	Redeploying a resource from a non value-added activity to a value-added activity
Cost Avoidance	Identifying and correcting an error that was not budgeted for correction but would have caused an expense had it not been corrected	Correcting an engineering design flaw before the flaw goes into production
Productivity & Efficiency Gains	Increase in productivity that improves existing resource utilization	Removal of a bottleneck that is causing capacity restraint Correcting a process to allow more productive time by shifting from wait time to production time
One-time Cash Flow Impact	Decreasing and/or eliminating one-time cash flow impact	Elimination of redundant information/data stores Monetize Capital
Intangible	Benefits that improve operations of the business and/or are necessary to control, protect and enhance company assets, but are not quantifiable due to the nature of the area being improved	Improvement of communications between different operational units/supply chain Reduced small equipment shrinkage

Finally, the value is analyzed using typical financial metrics with which the customer is familiar and can be expressed in numerical and/or graphical presentations. As the customer is intimately involved in this process, "buy in" is one of the model outputs.

## Develop Your Economic Value Proposition Matrix Today

100's of users across over 50 organizations have added value to customers and increased sales revenue. With almost a decade of development, this solution is available in a number of formats customized to your unique requirements:

- |   |   |
|---|---|
| Workshop, either at your location or online | Training, either at your location or online |
| Spreadsheet based Templates                 | Microsoft Access based Solution             |
| Cloud Solution                              | Full Support                                |

Our discovery process establishes the AS IS condition of your value proposition and through a series of workshops and detailed assessments (perhaps even a survey of your customers) we develop a robust EVPM solution that truly differentiates your firm and enables your sales organization with a compelling Believable • Demonstrable • Defendable Economic Value Proposition. Armed with the knowledge, you firm is better prepared to solve your customer's critical needs.

Contact us today for your **no cost and no obligation initial meeting** and let's get started!

## About The Rapid Response Institute

The Rapid Response Institute provides its clients with a variety of tools, training, and expertise tailored to their specific needs. Solutions are designed to capitalize on the existing organizational infrastructure. By exploiting certain emerging gaming and training technologies, the firm adds measurable and rapid payback economic value to its clients. Our approach enables our clients to posture themselves in their market segments so that they can thrive in volatile markets and capitalize on uncertainty, not suffer because of it.

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