




Communicating Your Value Proposition

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Valuable Topics

- What is a value proposition?
- History
- Identify your value
- Analyze and organize
- Creating a value proposition summary
- Smile

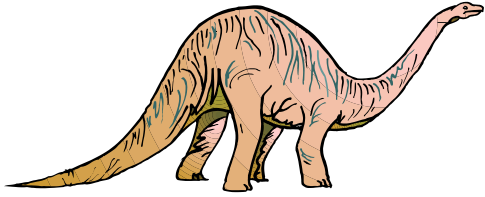


Definition

- A customer value proposition is a business or marketing statement that describes why a customer should buy a product or use a service.¹

¹ Source: www.wikipedia.org

History - Procurement



Competitive bids
(3 bids minimum)

1 bid more than
the number
of awards

Consolidate supplier
base,
leverage spend

Partnering,
e-sourcing, spend
analytics, efficiency,
early involvement,
Terms & Cond...



Increased value to organization



Identify your value

- What do we do?
 - Obtain savings
 - Increase quality
 - Negotiate better terms and conditions
 - Reduce SKUs
 - Lower inventory
 - Reduce supplier base
 - Increase employee satisfaction
 - Enhance customer experience
 - Build internal partnerships
 - Optimize processes
 - Ensure objectivity
 - Interject competition
 - Evaluate TCO
 - ...



Sell your value – Be concise

- Senior management likes visual documents – many times just a single page
- Focus on high level categories to ‘bucket’ your value components, for example:
 - Financial (savings, inventory reductions, rebates, ...)
 - Contract terms (termination language, warranty, ...)
 - Supplier management (QBRs, SLAs, quality, ...)
 - Business partnering (New area for opportunities, ...)
 - Operational efficiencies (VMI, JIT, logistics,...)



Deep dive for value

- Evaluate opportunity with your stakeholder
- Find out stakeholder's goals
- Evaluate market conditions
- Develop your goals
- Compare goals
 - Check for conflicts
 - Agree on goals
 - Agree on roles
- Create a project value proposition
 - Share with stakeholder and your boss



Analyze and Organize

- Purchasing dilemma

- We love...

- numbers
 - percentages
 - variances
 - spreadsheets
 - reports
 - details of the journey

- Senior managements likes clear and concise information

- Hard hitting summary that is easily understood
 - Results that align with company goals
 - Multi-faceted value
 - An understanding of the process
 - Team effort

Example – Savings evaluation

Operating Supply Evaluation
3 bids compared to Current pricing

Current = Supplier C

#	ITEM	Usage	Current*	Supplier A	Supplier B	*Supplier C	Lowest Price
1	Clear Acrylic Cotton Ball/Q-Tip Holder W/ Cover	500	\$ 2.00	\$ 1.90	\$ 2.00	\$ 0.90	\$ 0.90
2	"SAFETY" SMART IRON WITH AUTO SHUTOFF W/ Retractable Cord	1000	\$ 34.00	\$ 32.30	\$ 34.00	\$ 35.00	\$ 32.30
3	1500 Watt Wall Mount Hair Dryer	222	\$ 4.50	\$ 4.28	\$ 4.95	\$ 5.60	\$ 4.28
4	1500 Watt Wall Mount Hair Dryer W/ Light	43	\$ 3.20	\$ 3.04	\$ 3.52	\$ 7.60	\$ 3.04
5	Clear Glass Room Tumbler, 6 doz / case	54	\$ 3.40	\$ 3.23	\$ 3.74	\$ 2.30	\$ 2.30
6	Ozone Generator	54	\$ 2.00	\$ 1.90	\$ 2.20	\$ 2.10	\$ 1.90
7	100% Terry Scuff Slipper	4353	\$ 0.34	\$ 0.32	\$ 0.37	\$ 0.50	\$ 0.32
8	6-1/2" Crystal Ashtray, 12 cnt / case	34	\$ 2.00	\$ 1.90	\$ 2.20	\$ 1.65	\$ 1.65
9	Folding Portable Playpen/Crib	54	\$ 3.60	\$ 3.42	\$ 3.96	\$ 6.00	\$ 3.42
10	Seymour Ironing Board	34	\$ 7.50	\$ 7.13	\$ 8.25	\$ 7.88	\$ 7.13
11	Seymour Ironing Board	34	\$ 3.55	\$ 3.37	\$ 3.91	\$ 3.73	\$ 3.37
12	HEAVY DUTY IRONING BOARD - 4 To The Case	425	\$ 5.40	\$ 5.13	\$ 5.40	\$ 5.67	\$ 5.13
13	Seymour Iron Board	35	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.11	\$ 0.10
14	Standard Size Polyester Pillow	63	\$ 11.00	\$ 10.45	\$ 11.00	\$ 11.55	\$ 10.45
15	Colgate .15 Toothpaste Packets	5	\$ 14.00	\$ 13.30	\$ 14.00	\$ 14.70	\$ 13.30
16	Colgate .85 Toothpaste	346	\$ 15.50	\$ 14.73	\$ 15.50	\$ 16.28	\$ 14.73
17	Colgate Toothbrush	5	\$ 16.56	\$ 15.73	\$ 16.56	\$ 17.39	\$ 15.73
18	2.25 Colgate Shave Cream	654	\$ 17.80	\$ 16.91	\$ 16.91	\$ 18.69	\$ 16.91
19	Travelers dream Pillow	76	\$ 45.30	\$ 43.04	\$ 43.04	\$ 47.57	\$ 43.04
20	7x9 Oval Waste Can Liner	767	\$ 3.00	\$ 2.85	\$ 2.85	\$ 3.15	\$ 2.85
21	Classic Striped Nylon Shower Curtain Liner- White	867	\$ 2.00	\$ 1.90	\$ 1.90	\$ 2.10	\$ 1.90
22	Valance	45	\$ 3.00	\$ 2.85	\$ 2.85	\$ 3.15	\$ 2.85
23	Shower Curtain	43	\$ 4.00	\$ 3.80	\$ 3.80	\$ 4.20	\$ 3.80
24	Large Dial Analog Bath Scale	324	\$ 65.60	\$ 62.32	\$ 61.00	\$ 68.88	\$ 61.00
25	Powdered Coated Portable Crib	546	\$ 34.00	\$ 32.30	\$ 32.30	\$ 34.00	\$ 32.30
26	Wooden Luggage Rack With Tapestry Straps	34	\$ 2.00	\$ 1.90	\$ 1.90	\$ 2.00	\$ 1.90
27	2.5 Black Fridge/Specked	5	\$ 2.00	\$ 1.90	\$ 1.90	\$ 2.00	\$ 1.90
28	.82 Mm Stan Caps/Plain	55	\$ 3.00	\$ 2.85	\$ 2.85	\$ 3.00	\$ 2.85

\$ 106,541.02 \$ 101,213.97 \$ 103,493.60 \$ 110,662.77

Variance \$ (5,327.05) \$ (3,047.42) \$ 4,121.75

% -5% -3% 4%

\$5,327.05 (5%) savings by selecting Supplier A.

Value Proposition Framework

Agreement Terms

**Define and
prioritize project
objectives.**

Financial Goals

K targeted savings

###K

###K (est.)

**Clearly display financial
goals**

Baseline

RFP savings

Auction
Savings

New Baseline

Supplier Management

**Establish future program
management standards**

Project Team

**Define roles and
responsibilities for
team and other
departments.**

Value Proposition Example

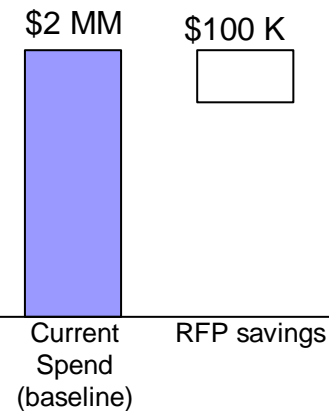
Agreement Terms

(a) Must have, (b) very important, (c) nice to have

- ◆ Exclusivity concerns (a)
- ◆ Dedicated account team (a)
- ◆ Strong service level agreement (SLA) (a)
- ◆ 60 day termination for convenience (a)
- ◆ Best-in-class customer service (a)
- ◆ Reporting requirements (b)
- ◆ Signing bonus (b)
- ◆ Vendor managed inventory (VMI) (c)

Financial Goals

\$100,000 targeted savings



Supplier Management



- ◆ Executive sponsor (senior management) at Supplier for high level engagement
- ◆ Quarterly Business Review w/ senior management (pre-scheduled year in advance)
 - ◆ Review scorecards, SLA metrics, opportunities
- ◆ Competitive marketplace scanning
- ◆ Established process for on-going business opportunities with Supplier (e.g. new SOW)
- ◆ Governance process – weekly team meetings during implementation, then monthly, exec review quarterly.
 - ◆ Obtain regular feedback from properties – frequency *tbd*.

Team Engagement

- ◆ IT
 - ◆ Overview solution requirements
 - ◆ Innovation – new features
 - ◆ Technical expertise
 - ◆ Implementation requirements
 - ◆ Core team member
- ◆ Hotel Operations
 - ◆ Guest requirements/feedback
 - ◆ Supplier performance (day to day)
 - ◆ Buy-in
- ◆ Finance
 - ◆ Financial review

Quadrant examples

<u>Project – Spend</u>	<u>Status</u>		
	Insight	RFx/ Auction	Contract
⌚ Project A - \$1.8 M	🟢		
⌚ Project B - \$400K	🟢	🟡	
⌚ Project C - \$5 M	🟢	🟢	🟡
⌚ Project D - \$1 M	🟢	🟢	🟢
⌚ Project E - \$500K	🟡		

 = In Progress
  = Complete

Example of headings:

Project Management

Current State

Market Conditions

Diversity

Lessons Learned

Team Engagement

- ◆ Human Resources
 - ◆ Proposal feedback / Transition cost
 - ◆ Supplier day to day management
 - ◆ SME – subject matter experts
 - ◆ Historical information
 - ◆ Market trends
- ◆ Sourcing
 - ◆ Project process and leadership
 - ◆ Scorecard development
 - ◆ Proposal evaluation
 - ◆ Supplier strategic management
 - ◆ Sourcing strategy

Value Proposition – Reporting – Project Complete

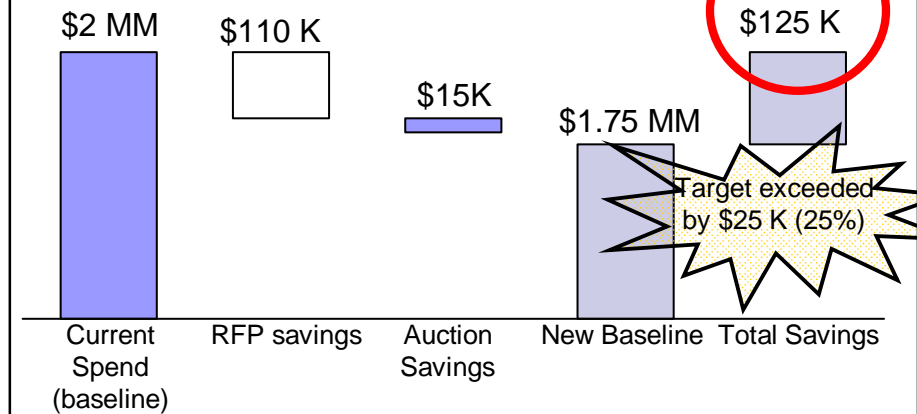
Agreement Terms

(a) Must have, (b) very important, (c) nice to have

- ◆ Exclusivity concerns (a) – Achieved.
- ◆ Dedicated account team (a) – Modified
- ◆ Strong service level agreement(SLA) (a) – Achieved
- ◆ 60 day termination for convenience (a) – Achieved
- ◆ Best-in-class customer service (a) – Achieved
- ◆ Reporting requirements (b) – Achieved
- ◆ Signing bonus (b) - Modified
- ◆ Vendor managed inventory (VMI) (c) - Achieved

Financial Goals

\$100,000 targeted savings



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- ◆ Finance
 - Financial review



Review

- Details are still needed during project process
 - Have readily available, if requested.
- 1 page format can be adapted to meet your needs, for example:
 - Box topics should meet needs of audience
 - Keep high level, they can always ask for more data, or bring as appendix
- Be accurate and neat – the focus will be on that one page, not diluted by 9 other pages



Review

- Have others review your slide
 - If you have to explain the information, strongly consider revising wording or format
 - It should be self explanatory (for the most part)
- Use management's words of the year
 - Leveraged, reduced, identified, achieved, partnered, consolidated, eliminated, saved, ...



Thank you !

- Questions / Comments