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

<table>
<thead>
<tr>
<th>#</th>
<th>ITEM</th>
<th>Usage</th>
<th>Current*</th>
<th>Supplier A</th>
<th>Supplier B</th>
<th>*Supplier C</th>
<th>Lowest Price</th>
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<tbody>
<tr>
<td>1</td>
<td>Clear Acrylic Cotton Ball/Q-Tip Holder W/ Cover</td>
<td>500</td>
<td>$2.00</td>
<td>$1.90</td>
<td>$2.00</td>
<td>$0.90</td>
<td>$0.90</td>
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<td>2</td>
<td>&quot;SAFETY&quot; SMART IRON WITH AUTO SHUTOFF W/ Retractable Cord</td>
<td>1000</td>
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<td>$32.30</td>
<td>$34.00</td>
<td>$35.00</td>
<td>$32.30</td>
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<td>4</td>
<td>1500 Watt Wall Mount Hair Dryer W/ Light</td>
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<td>$3.52</td>
<td>$7.60</td>
<td>$3.04</td>
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<td>5</td>
<td>Clear Glass Room Tumbler, 6 doz / case</td>
<td>54</td>
<td>$3.40</td>
<td>$3.23</td>
<td>$3.74</td>
<td><strong>$2.30</strong></td>
<td>$2.30</td>
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<tr>
<td>6</td>
<td>Ozone Generator</td>
<td>54</td>
<td>$2.00</td>
<td>$1.90</td>
<td>$2.20</td>
<td>$2.10</td>
<td>$1.90</td>
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<tr>
<td>7</td>
<td>100% Terry Scuff Slipper</td>
<td>4353</td>
<td>$0.34</td>
<td>$0.32</td>
<td>$0.37</td>
<td>$0.50</td>
<td>$0.32</td>
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<td>8</td>
<td>6-1/2&quot; Crystal Ashtray, 12 cnt / case</td>
<td>34</td>
<td>$2.00</td>
<td>$1.90</td>
<td>$2.20</td>
<td><strong>$1.65</strong></td>
<td>$1.65</td>
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<td>9</td>
<td>Folding Portable Playpen/Crib</td>
<td>54</td>
<td>$3.60</td>
<td>$3.42</td>
<td>$3.96</td>
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<td>$3.42</td>
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<td>14</td>
<td>Standard Size Polyester Pillow</td>
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<td>$16.56</td>
<td>$15.73</td>
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<td>$18.69</td>
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<td>19</td>
<td>Travelers dream Pillow</td>
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<td>$1.90</td>
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<td>$1.90</td>
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<td>$3.15</td>
<td>$2.85</td>
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<td>Shower Curtain</td>
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<td>$3.80</td>
<td>$3.80</td>
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<tr>
<td>24</td>
<td>Large Dial Analog Bath Scale</td>
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<td>$62.32</td>
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<tr>
<td>25</td>
<td>Powdered Coated Portable Crib</td>
<td>546</td>
<td>$34.00</td>
<td>$32.30</td>
<td>$32.30</td>
<td>$34.00</td>
<td>$32.30</td>
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<tr>
<td>26</td>
<td>Wooden Luggage Rack With Tapestry Straps</td>
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<td>$2.00</td>
<td>$1.90</td>
<td>$1.90</td>
<td>$2.00</td>
<td>$1.90</td>
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<tr>
<td>27</td>
<td>2.5 Black Fridge/Specked</td>
<td>5</td>
<td>$2.00</td>
<td>$1.90</td>
<td>$1.90</td>
<td>$2.00</td>
<td>$1.90</td>
</tr>
<tr>
<td>28</td>
<td>.52 Mm Stan Caps/Plain</td>
<td>55</td>
<td>$3.00</td>
<td>$2.85</td>
<td>$2.85</td>
<td>$3.00</td>
<td>$2.85</td>
</tr>
</tbody>
</table>

$106,541.02 | $101,213.97 | $103,493.60 | $110,682.77

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)

**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.

**Financial Goals**
$100,000 targeted savings
- $2 MM
- $100 K
- Current Spend (baseline)
- RFP savings

**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

<table>
<thead>
<tr>
<th>Project</th>
<th>Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project A</td>
<td>$1.8 M</td>
</tr>
<tr>
<td>Project B</td>
<td>$400K</td>
</tr>
<tr>
<td>Project C</td>
<td>$5 M</td>
</tr>
<tr>
<td>Project D</td>
<td>$1 M</td>
</tr>
<tr>
<td>Project E</td>
<td>$500K</td>
</tr>
</tbody>
</table>

- **Insight**
- **RFx/Auction**
- **Contract**

- **Status**

- **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

☑️ = In Progress  ✔️ = Complete
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

**Supplier Management**

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**Financial Goals**

- $2 MM Current Spend (baseline)
- $110 K RFP savings
- $15K Auction Savings
- $1.75 MM New Baseline
- Total Savings
- $125 K Target exceeded by $25 K (25%)

$100,000 targeted savings

**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
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