Linking price and value to expand share and capture profits.

Do your products and services deliver higher value than the competition? Make the most of your differentiation by linking price and value to set better prices and solidify your competitive position. The clock is ticking and your competitors are catching up.

A powerful methodology that links price with value is Economic Value Estimation® (EVE®). EVE® is a framework for collecting industry and customer insights to quantify the economic benefits that your solutions deliver relative to competitive alternatives. It is this economic understanding of value that establishes the foundation for setting price and determines what to communicate to customers.

Example: Supply Chain Solution

IntegraSoft, a supply chain software company, has an innovative new technology for tracking, monitoring and optimizing transportation, inventory and facility operations. IntegraSoft's technology was designed to deliver the following customer benefits:

- Improve customer responsiveness
- Reduce supply chain complexity
- Improve asset utilization
- Increase adoption and compliance of supply chain policies
- Reduce labor cost from increased efficiency

A benchmark study conducted with a mid-size manufacturer prior to market launch allowed IntegraSoft to measure the improved efficiencies gained with their solution. Key data points where collected and then used to understand the economic benefits of their advanced technology. Below is an example of the variables, logic and calculation used to quantify a 5% efficiency improvement in supply chain integration relative to other solutions in the market.

	Variable	Value
a	Total employees:	500
b	% of employees touching supply chain management:	20 %
c	Average % of time spent on supply chain management:	20 %
d	Average employee compensation:	$40,000
e	% improvement in supply chain efficiency relative to competitor:	5 %
	Estimated Economic Value per project: **a * b * c * d * e**	**$40,000**

Over the course of the beta study, IntegraSoft uncovered that key features of their software generated almost $130,000 worth of economic benefit over the competitive solution (see table 1). With this information in hand, the marketing team was tasked to determine how much of that value they could capture through price.

Value Message	Value
Gain greater visibility into inventory levels thus enabling faster responsiveness to client needs	$45,000
Streamline supply chain activities and increases efficiency	$40,000
Reduce the need to discount by providing greater visibility and improved management of inventory levels	$22,500
Accelerate time to cash by reducing errors and improving invoicing processes	$10,080
Minimize the need for expensive software licenses, upgrade and maintenance costs	$6,000
Gain visibility and control over inventory levels thus enabling better decision making and an overall reduction in carrying costs	$4,000

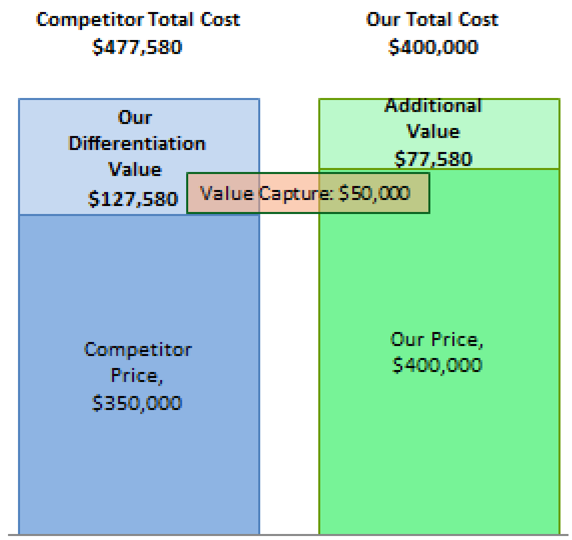

Table 1: Summary of different areas of value generated by IntegraSoft's solution

To set prices using the EVE® framework, the marketing team first established the cost of the next best competitive alternative available in the market. Using external sources they settled at a cost of $350,000, which covered licensing and implementation fees charged by similar supply chain solutions in the mid-market segment. Based on this information, they priced their solution at $400,000 representing roughly a 15% premium over the competition. Despite the higher price, the analysis showed that IntegraSoft delivered $77,580 of additional value relative to competitive solutions. The marketing team and senior management felt strongly that they could not only capture a premium but also be in a great position to gain share.

Linking price and value to the sales process

All sales reps where trained on the complete value proposition of the solution including value messages, specific data points, research, assumptions and calculations used to determine value. As a result of this effort, the sales team felt confident with the pricing and sales goals set by senior management and vigorously attacked the market. Overtime, the sales team was able to continually refine their understanding of value, engage in powerful dialog with customers, reduce discounting and stay a step ahead of competitors.

ABOUT LEVERAGEPOINT

LeveragePoint – the software solution for **VALUE-BASED PRICING**

The LeveragePoint platform enables everyone in your organization to collaborate and align around the economic value you deliver to your customer's bottom line – quantifying what truly differentiates you from your competition. LeveragePoint helps product development and pricing set value-based prices; and helps marketing and sales communicate a value story that wins the price negotiation, shortens sales cycles, and captures wider margins.

And, as a SaaS (Software-as-a-Service) solution, LeveragePoint can be deployed quickly to deliver measurable business impacts within weeks.

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