

The Roberts Group

October 8, 2002

Mr. Chris A. Andrews
Major Account Sales Director
Mid-states Energy Group
1001 Main Street, Suite 14-100
Memphis, TN 55201

Dear Mr. Andrews:

Subject: Increasing Major Account Revenues Through Higher Proposal Close Ratios

After our meeting and telephone conversations, we agreed that the Major Account Executives would close more business if they use a standard proposal model for Mid-States Energy Group's new Connect It Energy Information System. We are submitting this proposal for your review and consideration.

Background Information: Mid-States Energy Group

Mid-States Energy Group (MEG), the tenth-largest supplier of essential energy services, provides electricity to 1.5 million customers and natural gas to 1.0 million customers. The top 2,000 MEG commercial and industrial customers are designated *Major Accounts*. Average annual revenue for a Major Account is \$200,000. Forty Major Account Executives provide specialized energy management products and services to these top customers.

On January 1, 2002, electricity will be deregulated in Tennessee. This will give all customers, including the Major Accounts, the ability to choose their electricity service provider. To aggressively compete in the upcoming deregulated environment, MEG has developed the *Connect It Energy Information System* (Connect It). This new system gives large energy users the ability to closely monitor and project energy consumption for multiple locations in a real-time mode.

To effectively sell Connect It, Major Accounts management has identified the need to enhance the proposal development skills of its Major Account Executives so MEG's proposals:

- Identify critical business improvement opportunities and MEG solutions for customers particularly as they relate to the use of Connect It.
- Match customers' needs and objectives to the features and benefits of the proposed solutions.
- Differentiate Mid-States Energy and its capabilities from the competition.
- Reflect high standards for proposal content, format, and appearance.

In our meeting, we discussed specific sales and proposal development objectives for Major Accounts:

- Improve the overall quality of the company's sales and proposal processes to better compete in the deregulated marketplace.
- Establish a proposal development process that integrates with the consultative sales process used by the Major Account Executives.
- Design proposal models and supporting sales tools that will help Major Account Executives reduce the time needed to produce top-notch sales proposals increase their Proposal Close Ratios.
- Design sales proposal models and sales tools to facilitate the future automation of the proposal production process.

The purpose of this document is to propose how the Roberts Group can assist Mid-States Energy in achieving these needs and objectives.

Consulting Services

The proposed consulting engagement will design, develop, and implement a proposal model and supporting "sales tool" for MEG's new Connect It Energy Information System. The proposal model will follow a proven, five-section proposal structure and include a title page, table of contents, executive summary, and supporting appendices. The sales tool, perhaps titled Connect It Customer Analysis Worksheet, will help the Major Account Executives gather and process the customer information needed to write a custom proposal.

The Connect It proposal model also will follow an "80/20 Rule." Eighty percent (80%) of the wording in most Connect It proposals will be the same for all customers; the remaining 20% will be customer-specific. Major Account Executives will use the worksheet to gather the customer-specific information.

All engagement deliverables will be in Microsoft Word and PowerPoint.

Our fees for the engagement excluding travel expenses are \$18,900.00. We estimate travel expenses for the engagement will be \$3,000.00

Non-Financial Benefits

Developing a fully integrated Connect It sales proposal model and sales tool will improve the MEG's sales and proposal development processes.

- Prospective customers will receive top-quality sales proposals that:
- Clearly differentiate MEG and its products and services.
- Maximize the concept that MEG provides exceptional energy and business solutions.
- Become the benchmark for competitive proposals.

MEG's new sales proposals will help customers make informed buying decisions because they will:

- Position the Connect It sale as the correct energy solution and business strategy.
- Thoroughly describe MEG's energy and business capabilities and the values that they provide to each customer's unique business situation.
- Discuss how MEG's Major Account Executives provide ongoing customer service and support.

The sales tools will reinforce a consultative sales process and help MEG's Major Account Executives:

- Focus and integrate their sales and proposal development activities.
- Follow an effective and consistent information gathering process.
- Ensure the development of quality, customer-driven sales proposals.

The proposal model and sales tool developed in this engagement can be used in the future as the foundation for automating MEG's proposal generation process.

Financial Benefits

The financial benefits resulting from the development of the Connect It sales proposal model and worksheet primarily lie in two areas:

- A reduction in the time and effort needed by a Major Account Executive to generate a quality Connect It proposal through the use of the proposal model and worksheet.
- Higher *proposal close ratios* for Major Account Executives when they use the Connect It proposal model and sales tools.

Since MEG currently operates in a regulated environment, the company does not have a proposal close ratio — a baseline for measuring higher ratios that would result from the proposal model and sales tool is not available. However, if each Major Account Executive closes one additional Connect It contract because of the new proposal model, the following calculation does show a direct financial benefit.

• Average annual revenue of a Major Account	\$200,000
• Number of Major Account Executives	40
• Number of additional proposals closed by each Major Account Executive because of the new Connect It proposal model	1
• Additional gross revenue	\$8,000,000
• Additional earnings before income taxes (8% margin)	\$640,000
• Cost of the proposed engagement (plus travel expenses)	\$21,900
• Return on investment	3,400%

Engagement Activities

The following table defines proposed engagement activities.

Phase	Activities/Comments	Work Effort
Requirements Definition	* Mid-States Energy Group (MEG) and the Roberts Group (RG): Onsite meeting to define the Connect It proposal structure, content, and format requirements. (MEG Major Account and marketing staff).	MEG: 1.0 day RG: 1.0 day
Develop Skeleton Proposal	* RG: Develop a detailed skeleton proposal as a blueprint for the proposal model; revise the model after MEG's review. * MEG: Review and approve the skeleton proposal	RG: 0.5 day MEG: 1–2 hours
Develop Proposal Model	* RG: Write a draft proposal model and define appendices requirements based upon the approved skeleton; revise the model after MEG's review. * MEG: Review and approve the proposal model; recommend changes as needed.	RG 1.5–2.0 days MEG: 2–4 hours
Design and Develop Sale Tool	* RG: Design and develop the Connect It Customer Analysis Worksheet based upon the approved proposal model; revise worksheet after MEG's review. * MEG: Review and approve the worksheet.	RG: 1.0 day MEG: 2–4 hours
Testing	* MEG and RG: Test the proposal model and worksheet with a Major Account Executive using an actual customer sales opportunity. * RG: Make final changes to the proposal model and worksheet, if needed.	MEG: 1.0 day RG: 1.0–1.5 days
Implementation / Training	* MEG and RG: Develop a case study using the customer information and proposal developed during the Testing Phase * MEG and RG: Develop a four (4) hour Connect It Proposal Workshop and supporting materials. * MEG and RG: Deliver three (3) Connect It Proposal Workshops to Major Account Executives; approximately twenty (20) participants in each workshop	RG: 1.5–2.5 days for development; 1.5 days for delivery MEG: 1.0–1.5 days for development

Engagement Schedule

We would expect to complete the engagement over a three to four (4–5) week period. We will be able to begin the engagement in mid-November would expect the Connect It proposal model. Because of the holiday season, we would expect the Major Account Executives would begin using the new proposal model and sales tool by mid-January.

Roberts Group Profile

The Roberts Group (RG) specializes in integrating complex sales processes with the development of winning strategic sales proposals. Mike Roberts, the firm's principal, has authored several books on integrating consultative selling and proposal development processes. His latest book, *Writing Proposals to Close More Business* has sold over 15,000 copies. Additionally, RG has developed Proposal Designer, a Windows-based system for designing sales proposals.

A list of customers includes:

- American Credit Card Systems
- American Business Associates
- BankSystems Technologies, Inc.
- Communications Interactive
- Electronic Training Systems
- New Age Systems
- NetBill EBPP Systems, Inc.
- Texas National Bank and Trust, NA

Invoicing Schedule

The invoicing schedule is as follows:

- \$6,300.00 upon acceptance of this proposal.
- \$6,300.00 upon completion and MEG approval of the proposal model and worksheet.
- \$6,300.00 upon completion of the implementation and training activities, plus travel expenses incurred.

Acceptance

Please indicate your approval by signing the acceptance line below; keep one copy of this proposal for your files and return one to me for our records.

Accepted for: Mid-States Energy Group

By: _____

Title: _____

Date: _____

Thank you for the opportunity to submit this proposal for your consideration. I look forward to working with you and other Mid-States Energy staff.

Sincerely,

Lee S. Daniels
Senior Account Executive