B2B CUSTOMER VALUE:

BUILDING FLUENCY FOR CONVERSATIONS IN THE CUSTOMER'S LANGUAGE

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"If you talk to a man in a language he understands, that goes to his head. If you talk to him in his own language, that goes to his heart."

-Nelson Mandela

"If I am selling to you, I speak your language. If I am buying, dann müssen sie Deutsch sprechen." (trans: "… then you must speak German.")

-Willy Brandt

What languages should B2B organizations speak? Good organizations speak to their customers in their own language. Great organizations speak and think their customer's language internally when they formulate strategy and make decisions.

What customer language capabilities do B2B organizations need? Speaking their native geographic tongue is good. Speaking their technical, clinical and operating language is better. Fluency in the language of their business success is best. There are many metrics of business success, but shareholders ultimately care about cashflows and profitability. Success, measured financially, is the common language of business customers.

The clearest sales message for a differentiated B2B product is that it makes money for your customer. Wall Street's dodgy reputation would be transformed if customers' yachts clogged the East River. The best means to sustainable business out-performance is to make your customer successful. How does your product help your customer succeed quantitatively in terms of cashflow and profitability? This is the language of customer value.

Why Build Language Capabilities in Customer Value?

Embedding customer value in a B2B organization has tangible benefits quantified in a number of studies in the pricing literature. The evidence suggests that implementing a Value-based Pricing strategy improves EBITDA by an average of 8%[1] and that the ROI of investing in value-based strategies ranges from 130% to 900%.[2]

Strategies based on quantified customer value are deployed in a number of ways in B2B companies. They are used in product planning and decision-making for new product launches. They are used to improve the performance of existing products. Understanding quantified customer value helps B2B

[1] See John Hogan, "Building a World-Class Pricing Capability: Where Does Your Company Stack Up?" *Monitor Group Perspectives*, 2008.

[2] See Stephan Liozu and Andreas Hinterhuber, eds., *The RoI of Pricing, Measuring the Impact and Making the Business Case* (Routledge, 2014), especially the chapter by Stephan Liozu, "RoI and the Impact of Pricing: The State of the Profession."

product teams design products that customers will value, make go-no go development decisions, set product pricing, devise approaches to market segmentation and design offering and bundling strategies.

Value-based strategies help marketing and sales teams execute by making marketing material more impactful and by providing pre-sales and sales teams with specific, tailored value propositions for individual customers. Communicating value and engaging customers in conversations about *their* business generates trust and focuses attention on how a product is differentiated. Capturing value becomes both a clear objective and a documented result when teams close more deals at higher prices.

Why Build Broad Language Capabilities?

There are two general approaches to building organizational capabilities in any language: (1) hiring translators or (2) building broader fluency. Both approaches are used in speaking the language of customer value.

Translator SMEs. The translator approach makes customer value expertise available to operating units, often through some combination of outsourced consultants and internal specialists (Subject Matter Experts ("SMEs"), internal consultants or centers of excellence). Specialist SME translator capabilities may be directed toward internal decision-making for product launch or relaunch. They can also be aimed at communication and customer dialog through a specialist value team. Relying only on SMEs, whether internal or external, works best when there are discrete points in time where customer value really matters. In decision-making, these discrete points are often gates in a well-defined product development and launch process. For sales, these discrete points are sometimes a specific point in the sales cycle, for example a bake-off or the point where a sponsor is building a documented business case for the purchase. Value expertise frequently has the most impact when it is deployed in conversations with senior customer executives. The SME approach is one way that organizations often start a focused value strategy. Relying on specialist translators only works when the availability of SMEs is well publicized within an organization, when incentives for collaboration with SMEs are clear and when the SMEs themselves build the confidence of their operating peers through their professionalism, consistency and success.

Broader fluency. Relying exclusively on SME translators for customer value is rarely efficient or sustainable. Outside consultants can be effective but costly, both out-of-pocket and in terms of time. There are invariably lags in deploying outside consultants due to scheduling in the face of pre-existing commitments, the time it takes to negotiate work orders and the time it takes for outside SMEs to learn about products and a business unit's specific operating context. Relying only on internal specialist SMEs often presents quality and sustainability challenges. Maintaining an excellent, rapidly deployable pool of SMEs is difficult. Often the best internal SMEs turn over rapidly as they pursue greener pastures at other companies or switch to better compensated roles within an organization (e.g. management, commission sales). Continuity of their content and methods are frequently impaired by SMEs' use of complex spreadsheets for one-off situations and by poor document management disciplines. As with specialists in any domain, turf and misaligned incentives can be problematic with value SMEs.

Interestingly, broader fluency in customer value often happens spontaneously, even if the original value strategy design is based on specialists. If SME translators are good, strong members of a broader team naturally pick up the language and want to speak it. When an existing product or solution has strong underlying value propositions, product management teams often discover individual sales and pre-sales people who have been quantifying value and selling it to their customers on their own, without support from marketing. Uncovering spontaneous value propositions is a good indicator of the likely return from broadening fluency beyond the top 5 to 10% of sales personnel.

Building broader language capabilities in customer value is an important objective for many B2B companies. The key question is how to do this effectively and efficiently. Requiring CPAs for all employees is likely to be unnecessary and unhealthy. Quantified customer value can be broadly spliced into a company's DNA more naturally, without disruption. In the remainder of this paper, I hope to highlight some key points on a roadmap for transforming a polyglot business mob into a professional team understanding, speaking and thinking in the same, customer-centric language.

How to Build Broader Fluency in Customer Value

There are four principles that help obtain rapid results in building broader value fluency:

1. **Keep your customer-facing language simple and direct.** Product management and marketing teams often overcomplicate customer value. For purposes of decision-making, a deep and detailed understanding of value is sometimes a good thing, helping to design better products, offerings and segmentation strategies. An in-depth, detailed value proposition can help in those situations where a customer representative either is doing deep diligence on a product or is willing to engage in an in-depth conversation about their business.

   But for communication purposes, quantified value propositions should be simple and direct, addressing the key elements of a customer's decision between competing alternatives. Clarity and focus are critical:

   - Highlight at most 3-4 key points of product differentiation and communicate directly what they are worth. This often means summarizing or simplifying a larger number of modest quantitative benefits arising from case studies and interviews. Identify a broad theme of product differentiation and quantify it, suppressing the detail, possibly keeping the detail in reserve for diligence discussions, but simplifying the basic point. Unnecessary information is usually distracting.
   - Make clear, direct comparisons, focusing wherever possible on the choice that the customer is actually considering. Multiple product comparisons can take a conversation in the wrong direction relative to what the customer was originally considering. Pulling out the wrong ROI (ROIs are always a comparison between two alternatives) can lose the customer or result in the customer drawing the wrong conclusion.
   - Wherever possible, include customer-specific information or data. Making value propositions relevant makes them more powerful.

- Be prepared to highlight value that matters to individual customer stakeholders, expressing it in the language of those stakeholders. Operating personnel often focus on operating costs and think in terms of costs per unit of their own production output. Senior executives want to understand the impact on revenues, risk and the quarterly or annual bottom-line. Many finance professionals have been programmed to ask for an ROI. Sometimes customer teams are not aligned. Sometimes individuals within a customer team speak different dialects of their own language. Direct dialog with individual stakeholders in their own dialect takes the conversation to the next level.

Product management teams occasionally go on auto-pilot, falling into the habit of communicating their deep and detailed customer understanding in the same way, over and over. Most customers don't have the bandwidth or interest to engage in this way. Nor do many sales personnel. Starting simple is much better.

Some sales and marketing teams fracture to the point of gridlock over whether and when to speak value to customers at all. Sometimes sales and sometimes marketing demand that the information and data in a value proposition be perfect before it is brought within earshot of a customer. Setting customer knowledge standards too high often results in missed opportunities. Good customer conversations based on the best available information can and should be iterative. Customer dialog starting with solid but imperfect data can do the rest, continuously improving value messages, data and customer understanding. But iteration only works if there is two-way value dialog between product management and customers, usually by way of generalist and specialist sales.

2. **Focus first on low hanging fruit.** Fluency in customer value can be fast but it usually requires a practical, flexible approach to roll-out. Some organizations view every initiative, including value strategy initiatives, as massive, complex, global deployments. This general approach is not surprising as it is often the way that new products are launched and that new IT systems are rolled out. Often new CEOs or new CMOs want to put their stamp on an organization. This tendency toward grand design can work if staged and prioritized appropriately but it can also bog things down, resulting in value deployment plans that seek to boil the ocean. Examples of grand value strategy blueprints, typical of this approach, include the following:

- a requirement to build out value propositions for all products before starting to deploy any of them in sales
- a plan to launch a value strategy to all customer facing personnel simultaneously
- a strategy that initiates value communication with complex value propositions designed to discuss all possible bundles of a business unit's product line
- a requirement that all possible customer segments and all possible competitors have a value proposition before starting to deploy any in sales

Many of these grand designs are destined for chaos or failure, especially if their imperatives are rigidly enforced. Building value fluency and capabilities, by definition, requires an investment and is subject to uncertainty. Starting where the ROI of this investment is likely to be high is always a good idea.

There are a number of dimensions to consider in picking good places to pilot customer value or to start a value roll-out. Some products are more differentiated than others. Some products are strategically more important than others, often because they are new products about to launch or because they are key existing products addressing new market opportunities or facing a new competitive threat. Some customer-facing groups, like specialist or technical sales, are more suited to connecting value with product differentiation than others. Some generalist sales personnel, like key account managers have the inclination, experience and skill set to elevate their dialog with customers.

It can make sense to start in product development because R & D is costly and value helps improve customer-centricity earlier in product design. It can make sense to start with a product launch because setting pricing, segmentation and offering strategy are important to revenue growth. As a place to start, product launch has the added benefit that it is usually the point in a product's life cycle that commands the greatest marketing resources and where the sales training opportunities are greatest. Regardless of the product situation, it always makes sense to start value selling with simple objectives; starting customer conversations about quantified value for multiple 10-product bundles showing 30 value drivers will fail.

In most cases, focusing on new products or on large and long-cycle sales opportunities makes sense. But every company and every situation is different. Value strategies are deployable in a way that is adaptable and can be responsive to those differences. Agile style deployment is often an effective and efficient approach, identifying low-hanging fruit, focusing value resources and training based on the opportunities identified with the aim of obtaining early success. This approach has the benefit that successful tactics and positive results are contagious. A few war stories of good product launch decisions or of successful deal negotiations, properly broadcast, can help the language of value go viral. Agile style deployment also helps identify what works and what doesn't. It provides the opportunity to learn both from success and from failure, continuously improving approaches to quantifying value, making decisions, coordinating internally, designing good value propositions and deploying them to engage customers effectively.

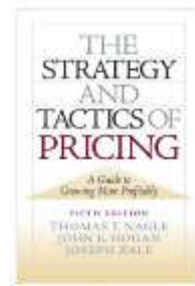
3. **Build and maintain C-level fluency in customer value.** The fastest way to embed fluency in a business unit or an enterprise is for its C-suite to speak customer value on a regular basis. Tone comes from the top. Many public company CEOs and CFOs routinely speak to Wall Street about the value their company's products create for their customers. Value is peppered through their shareholder letters, SEC filings and their analyst presentations. It is surprising how few mid-level product, marketing and pricing managers in many of those companies are aware that customer value is part of their CEO's or CFO's public vocabulary. This is often a clear sign that the CEO or the CFO hasn't really understood customer value well enough to be internally fluent.

The language of value needs to be a common language interwoven in company discussions. At least one of the CEO, the CFO, the CMO, the EVP of R & D or the EVP of Sales must make customer value part of everyday conversation. In the best organizations, this happens both as a discipline in asking questions and through regular management messages. It is worth highlighting some examples:

- A CEO, preparing for a C-level meeting with the company's largest account, is briefed by the account team. Preparing a few key points for discussion, the CEO wants to know: (1) about the business we are doing with the account, (2) how we are creating value for them (3) how much value we are creating.
- A CFO, sitting in on the quarterly portfolio review of products in development, has the opportunity to ask a regular set of questions: (1) what do we see as the target market? (2) how is this product differentiated? (3) have we quantified what that differentiation is worth? (4) what pricing is possible given the value created?
- An EVP of Sales, kicking off an annual sales meeting, has the opportunity to recount success stories to set the tone. The anecdote chosen is specific, highlighting a customer with identified problems where a sales person, supported by the team, effectively engages in customer conversations about product value. Concluding the story with the tangible result of closing a big deal at a high price helps connect the audience's understanding of selling customer value with their vision of commissions.
- A CMO parachuting into a key product launch team meeting has the opportunity to ask: (1) what are our messages about differentiation? (2) have we quantified that? (3) what does that mean for customer segments? (4) how are we planning to communicate differentiation value at launch?
- A CFO introduces the first five minutes of a sales training call on selling value by reaffirming how important value is in the company's approach to its customers.
- A CEO, preparing for an analyst session, where the focus will be on sources of the company's revenue growth, goes to the team launching a key product and asks for a single slide about the product's value proposition to present to the Street. The CEO asks the team specific questions about how much better the product is than the competition, how they have quantified the benefits and what the benefits are worth to customers.

Executive sponsorship and leadership by example effectively promote value. A few disciplines and a few good habits can go a long way.

4. **Choose a common framework for quantifying customer value as an internal foundation.** For broader fluency in customer value to take hold, a shared structure for the conversation is essential. Using a common framework, with the same graphics, terms and language in every conversation, helps broaden value fluency and make it more sustainable. Many strong product development, marketing and sales personnel never went to business school, didn't excel in college math and never did stints as strategy consultants. Spreadsheets do not come naturally to everyone. Regardless of their analytical background, good professionals are able to *understand* customer value when it is



clearly communicated. Good professionals are able to *speak* value more confidently and consistently if they become accustomed to the questions asked and the graphs that go with the answers. Fluency is built when quantitative analysis is expressed in a consistent, recurring, visual way. A common framework helps embed process and build language naturally.

There are three widely used methods for quantifying and communicating customer value: Return on Investment (ROI), Total Cost of Ownership (TCO) and a series of similar approaches to quantifying customer economic value that include Economic Value Estimation® (EVE®)[3]. All three approaches end up with a quantitative claim or value proposition which can be clearly expressed for a differentiated product:

Method	Table 1. Quantitative Value Propositions
ROI	"Purchasing Product A results in an ROI of x% relative to a competing alternative."
TCO	"Product A has a $y lower total cost of ownership than a competing alternative."
EVE	"Product A provides $z in customer value relative to a competing alternative."

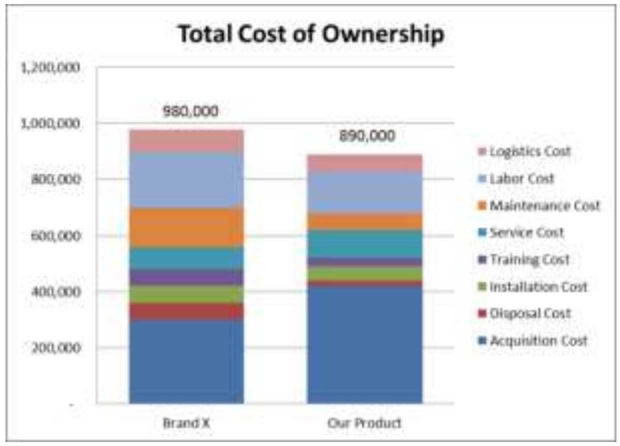
To communicate a numerical comparison, all three answers must be calculated relative to a reference standard, a competing alternative. This is the language of customer choice and aligns with a quantitative endpoint of a customer decision-making process.

For effective communication with customers, it is essential than any analysis of customer value be translatable into all three terms. When deployed carefully, all three methods arrive at the same conclusion.

For effective internal discussion of quantified customer value, however, there are important differences. Of the three methods, ROI is less a framework for quantifying value than it is a calculated number to express the results of a quantitative analysis. In multiyear situations, NPV and IRR are sometimes similarly applied as alternative ways to express quantitative results. TCO and EVE, on the other hand, are genuinely different frameworks in which teams conduct the analysis. Both can be deployed in ways that get to the same answer. But there are differences in emphasis and in practice between TCO and EVE that result in strengths and challenges of each.

[3] For the definitive reference on quantified customer value using EVE and its application to product pricing and strategy, see Thomas T. Nagle, et. al., *The Strategy and Tactics of Pricing,* 5th revised edition (Prentice Hall, 2010).

A Comparison of TCO and EVE as organizational frameworks. TCO takes the analysis of purchasing decision beyond simple price comparisons. Multiple alternatives are quantitatively compared in a single matrix and a single graph. For each alternative, the Total Cost of Ownership is quantified based on all costs, both product acquisition costs and operating costs. Operating costs arise from a variety of activities including installation, training, services, maintenance, labor and logistics.[4] Often timing considerations are introduced in a TCO analysis, incorporating the timing of payments, the durability of an alternative, the alternative's trade-in value and the cost of its removal. When "cost" is considered very broadly as "opportunity cost," TCO results are the same as those of economic value analyses like EVE, including the effect of differentiation on customer revenues and risks.



Quantifying customer economic value with methods like EVE is a widely accepted approach in B2B.[5] EVE starts with a product's differentiated features and benefits, generating quantified value drivers, each of which makes a direct economic comparison between two products. A value driver is comparative, expressed as a difference or as the impact of choosing one product over another on a customer's business. In the same EVE graph as value drivers, individual Prices of the two alternatives are displayed. By design, value drivers are stacked in the same graph as Prices to build a waterfall that gets from the price of an alternative to the price of your product and the resulting Customer Value that your product creates. Value drivers intentionally include impacts on customer costs, customer revenues and customer risks. EVE helps in decision making about product design, segmentation, offerings and pricing. It is readily applied to value communication and is adaptable to multi-year analysis.

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[4]See Marty Schmidt, "Total Cost of Ownership TCO Explained: Definitions, Meaning, and Example Calculations," blog: https://www.business-case-analysis.com/total-cost-of-ownership.html.

[5] See especially Nagle, et. al., *The Strategy and Tactics of Pricing,* and James C. Anderson, et. al., *Value Merchants: Demonstrating and Documenting Superior Value in Business Markets* (Harvard Business School Press, 2007.)

Key differences between the two frameworks are shown in Table 2. A TCO comparison of multiple alternatives is straightforward to display, as all quantified amounts are attached to a single alternative in a bar chart stack. TCO can be implemented simply through a template matrix with a hard-wired unit of measure and with standard assumption and cost categories as rows. But templates built on "Cost" categories sometimes oversimplify, as they can miss important sources of value arising when a product increases customer revenue or reduces customer risk. Revenue improvement and risk reduction can be sources of value that resonate strongly in a customer's C-suite.[6]

Table 2. Comparing TCO and EVE as Organizational Frameworks for Customer Value

Key Features	TCO	EVE	Observations
Simple for multiple alternatives	✓		TCO separates quantitative data for each alternative, simplifying multi-product comparisons. EVE compares alternatives a pair at a time.
Straightforward pre-specified content in a template	✓		TCO templates, listing costs in rows and alternatives in columns, are simple & rarely require user creativity. EVE encourages but requires creativity & collaboration in identifying and quantifying more varied sources of value.
Broad scope in identifying sources of differentiation & value		✓	EVE naturally asks questions about improving all aspects of a customer's business: cost, revenue and risk. TCO is expressed in the language of cost unless stretched to consider "opportunity cost."
Focus on product differentiation		✓	EVE promotes discipline of emphasizing & directly quantifying differentiation. For TCO, differentiated value is available but not central to the process.
Efficient with information; focus on essentials		✓	EVE requires only information relevant to the decision. TCO, as a "total" cost seeks to quantify all costs whether important to differentiation or not.

EVE can be more challenging to implement than TCO, as there is rarely the same clean starting point that a TCO template matrix often provides. EVE encourages teams to think out of the box in terms

[6] For further discussion of the strengths and challenges of TCO, see Peyton Marshall, "Does TCO Support Strong Value Propositions?" blog: http://www.leveragepoint.com/blog/confessions-spreadsheet-aholic-does-tco-support-strong-value-propositions.

of their product's beneficial impact on customer revenues and risks, but this comes at the cost of requiring greater collaboration and better team understanding of the customer's business. Teams using EVE need to be attentive to the unit of measure they use in quantifying value as it is rarely predefined.

The EVE discipline focuses on quantifying the economic benefits of product differentiation, aligning very clearly with best marketing practices. EVE makes no pretense to "total" quantification of any element of a customer's business. This makes it more efficient by avoiding quantification of elements of a customer's business that are unrelated to a product's differentiation. EVE maintains focus on what matters, product differentiation and what it is worth.[7]

Some organizations, including many in high tech, are already conversant in the language of TCO. There may be little reason for them to change if they are successful, if their sales conversations are confined to operating managers or if their cost and pricing advantages are strong enough to make a compelling case to customers without broaching the subject of revenue and risk improvements. When these same organizations face increasingly effective competition or when they begin to provide more strategic systems and bundles for their customers, TCO in its classic, cost-only, form can break down. Getting a team to stretch to identify differentiation that results in revenue and risk value drivers often becomes essential to solving a competitive problem. C-suite customer conversations about revenue and risk can provide an extra edge when a company is strategically important to its customers. As an organizational framework for quantifying value, EVE supports these situations more naturally and is often worth the incremental investment required, even for companies already fluent in TCO.

Deploying quantified value in customer conversations. A framework for value quantification helps an organization speak customer value internally, as it quantifies customer impacts to obtain the key elements for decision-making and inputs to good value propositions. For external customer-facing communication, different factors come into play and the flexibility to choose between ROI, TCO and EVE in specific value communication situations is advisable. Selection of methods is often driven by different B2B customer stakeholders asking different questions or being attuned to different answers. Finance stakeholders may ask for the ROI. Operating managers may ask directly about costs. The C-suite often has broader interests than cost, looking for revenue increases and risk reduction, making the language of EVE and value more natural. Responding to questions posed in different dialects of the language of customer value is more effective, and is perceived to be less evasive, when the number provided answers the question.

In many circumstances, switching between all three measures, ROI, TCO and the Value to Customer resulting from EVE, is natural and can be effective. All three have clear, bottom-line answers. But there are situations where some methods of quantifying value can be confusing, unnatural or get in

[7] For further discussion of the strengths and challenges of EVE, see Peyton Marshall, "EVE - Wielding a Versatile Tool for Clear Customer Math," blog: http://www.leveragepoint.com/blog/confessions-spreadsheet-aholic-eve-wielding-versatile-tool-clear-customer-math.

the way of effective communication. These situations demand flexibility and make the rigid adoption of a single quantitative answer high risk. In these circumstances, it is important to use some methods cautiously and to be clear in the way value is expressed. Table 3 highlights situations where there are advantages of one method of value communication versus another.

Table 3. Communicating Customer Value: A Comparison

Situation	ROI	TCO	EVE	Observations
Competitive Situation				
Comparison to doing nothing (the status quo)	✓			ROI addresses the financial question of whether the time and extra cost are worth it. Hurdle rates for ROI are meaningful.
Comparison to a similar product for 1st time purchase	⚠	✓	✓	Different ways to calculate ROI can confuse & provide different answers. Hurdle rates for ROI are less meaningful. A direct comparison by measuring "incremental ROI" is best.[8]
Product Situation				
Our product has characteristics resulting in purchasing efficiencies, reducing the units of our good purchased vs. the competitor	⚠	✓	⚠	When there are acquisition efficiencies, calculated ROI may be negative. "Value" in EVE may be embedded in displayed prices.[9] TCO highlights the direct savings in purchasing cost.
Our product provides the customer with differentiated revenue enhancement or risk reduction		⚠	✓	It is unnatural to speak to revenue or risk from a TCO "cost" graph or comparison. The language of "value" is more natural where revenue increases and risk reduction are involved.
Stage of Customer Conversation				
Customer wants to drill down into quantified sources of differentiation	⚠	⚠	✓	EVE value drivers are designed to highlight the value of differentiated elements of an offering. TCO may contain distracting information irrelevant to customer decisions. Sources of customer return are not easily available in ROI.

[8] For further discussion of the strengths and challenges of ROI, see Peyton Marshall, "Avoid the ROI Traps in B2B Customer Decisions," blog: http://www.leveragepoint.com/blog/confessions-spreadsheet-aholic-avoid-roi-traps-b2b-customer-decisions.

[9] For further discussion of acquisition efficiency value drivers in an EVE context, see Peyton Marshall, "Economic Value Estimation: Acquisition Efficiency Value Drivers," blog: http://www.leveragepoint.com/resources/articles/economic-value-estimation-acquisition-efficiency-value-drivers.

The competitive alternative or the reference alternative in any conversation clearly matters. ROI is a natural measure for discussion when a customer is considering a new or unbudgeted initiative, comparing purchasing our product or system versus the status quo or doing nothing. Given its roots in finance, ROI helps address customer questions of timing and uncertainty. Hurdle rates, which often arise in discussions where quantified ROI is a close call, are more meaningful when the alternatives being compared are qualitatively different in terms of risk and timing. Although there is an appropriate ROI measure for situations where the alternatives are similar, known as "incremental ROI," an ROI measure improperly deployed can be confusing when applied to two competitors comparable in outlay and risk.

There are product situations where customer efficiencies may be realized by purchasing less of your product than of the competitor's product. When expressed in appropriate units, there can be direct benefits in the cost of acquisition when this is the case. For example, a chemicals or ingredients producer may be more efficient per pound in their customer's production process or recipe. A more reliable product may provide acquisition efficiencies by reducing the need to purchase as much product over time. Acquisition efficiencies sometimes occur in purchasing durable equipment when one system or machine is more productive than its competitor. TCO, as usually applied, is a clear and direct way to communicate this advantage, while some care needs to be exercised in applying ROI or EVE clearly.

In contrast, when a product generates revenue value drivers or risk reduction value drivers versus an alternative, the language of TCO can be unnatural in communication (except to economists steeped in the language of "opportunity cost"). To most people, revenue and risk advantages are not "cost" advantages, while there is little confusion when the message is that they add "value". In these situations, the language of "value" resonates better.

Of the three methods, EVE is best suited to the stage of the conversation where a customer is kicking tires or doing due diligence regarding a product's quantified benefit and value. With its focus on differentiation, EVE is expressed comparatively, quantifying differences between two alternatives where the sum of the differences is the headline number. In contrast, an ROI is not naturally decomposable into component parts that add up, making it a cumbersome starting point for clear and transparent customer conversations. TCO, with its implied claim that it is a "total" analysis, runs the risk of providing irrelevant information about a customer's business in an in-depth customer discussion. Irrelevant information invites discussions and debates that have nothing to do with a product's differentiation and that have nothing to do with a customer's rational purchasing decision. EVE's informational efficiency helps avoid tangential discussions and irrelevant customer challenges.

In strategic customer conversations about large, complex deals or significant long-term relationships, EVE and the language of value is usually a better starting point. For C-level discussions, highlighting differentiation and its value helps elevate the dialog above the minutiae of detailed cost comparisons. "Value" broadens the business dialog to the quantitative outcomes that matter to shareholders: revenues, risk and profitability.

Conclusion. Speaking the customer's language provides an edge for B2B organizations selling differentiated products and services. Fluency in customer value helps improve strategic and tactical decisions and plans. Fluency supports effective communication of differentiation, improving execution. Speaking customer value broadly in an organization, rather than relying on SME translators and specialists, is feasible and can be implemented efficiently.

Striving for simplicity, focusing initially on high-return value opportunities and C-suite leadership all help to move an organization toward rapid fluency. Choosing a framework for internal customer value discussions helps embed customer value. In most cases, EVE is a better organizing framework than TCO as it broadens the dialog while keeping it focused on the essential information for making product comparisons. Value propositions in customer conversations work best if they are deployed flexibly to address concerns in the customer's language and with numbers that are directly relevant to the purchasing decision under discussion. An organization's willingness and ability to engage in C-suite customer conversations about Value provides B2B organizations with an edge in closing significant deals.

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Peyton Marshall is CEO of LeveragePoint Innovations, Inc. Previously, he served as CFO and Acting CEO at PanacosPharmaceuticals, Inc., CFO of EPIX Pharmaceuticals, Inc. and as CFO of The Medicines Company through their initial public offering and the commercial launch of Angiomax®. Previously, he was an investment banker in London at Union Bank of Switzerland, and at Goldman Sachs where he was head of European product development. He has served on the faculty in the Economics Department at Vanderbilt University. Dr. Marshall holds an AB in Economics from Davidson College and a PhD in Economics from the Massachusetts Institute of Technology.

ABOUT LEVERAGEPOINT

LeveragePoint is the only software solution for Value-based Pricing. The LeveragePoint platform enables companies to collaborate and align around the economic value delivered to their customers' bottom line. 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 increased gross margins. And, as a SaaS solution, LeveragePoint can be deployed quickly to deliver measurable business impacts within weeks.

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