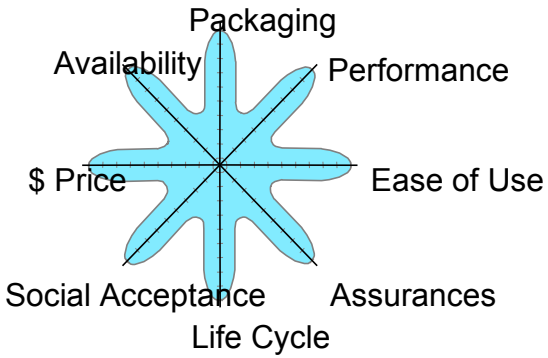
$APPEALS Process

Overview

November 1999

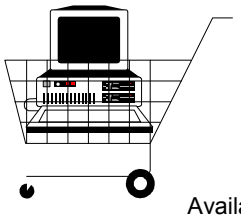


Customer $APPEALS Process Objectives

To establish a common framework for understanding customer and competitive priorities that will drive product development.

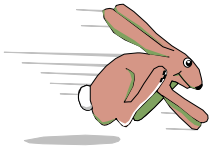
This process will enable us to define Winning Products that delight our customers and increase our market share.

Customer $APPEALS is a business process that focuses on the customers' competitive buying decisions

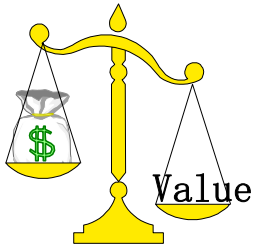


Availability

Packaging



Performance



$ Price

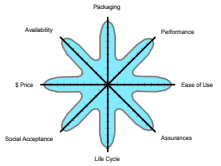
Ease of Use

Social Acceptance

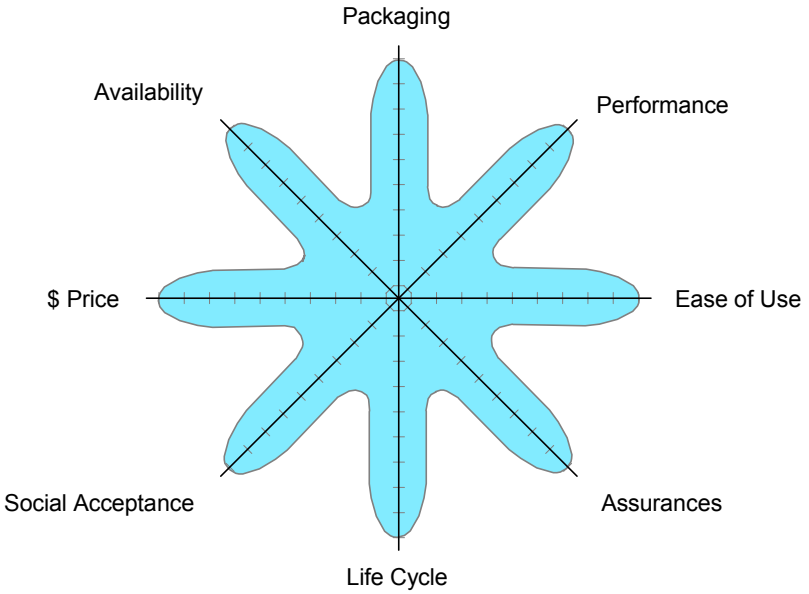
Life Cycle

Assurances

Customer $APPEALS is an acronym that describes the eight basic criteria in the customers' competitive buying decisions



$ Price
Availability
Packaging
Performance
Ease of use
Assurances
Life cycle costs
Social influences



Customer $APPEALS categories are examined from a customer perspective

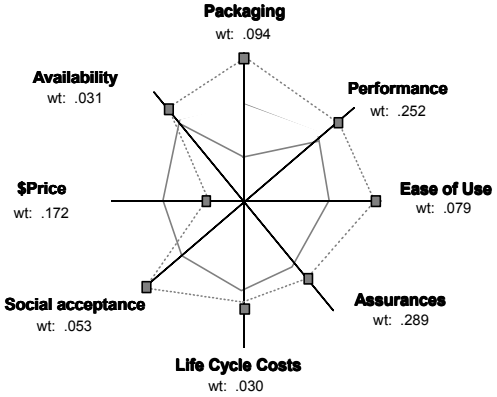
Packaging

Visual evaluation / Bundling

Availability

Customers complete buying experience - including the channels through which they buy

Customer $APPEALS



Performance

What functionality & performance characteristics are wanted?

$ Price

How much do customers expect to pay for the value they seek?

Ease of Use

What constitutes ease of use, installation, administration, etc. ?

Assurances

Provided by the whole product/ service

Social acceptance

What "image" will facilitate a purchase decision and how do customers acquire this information?

Life Cycle Costs

What lifecycle cost considerations influence the purchase decision?

Each Customer $APPEALS Factor must be considered from the perspective of customers in a market segment

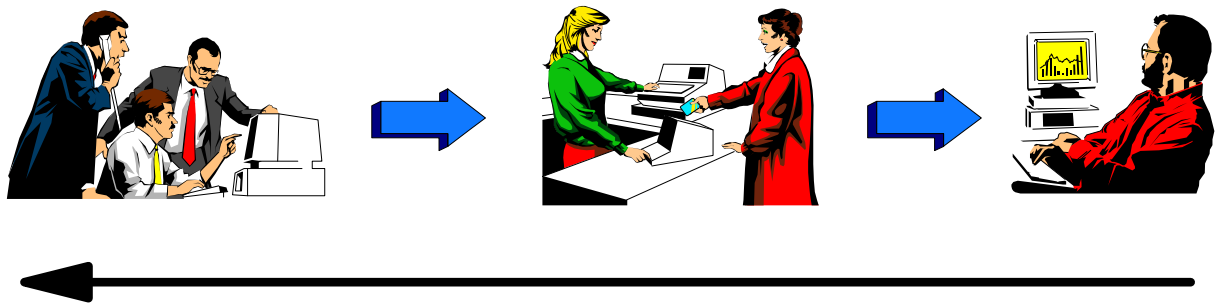
Customer $APPEALS Factor	Customer $APPEALS Factor Description
$ PRICE	This factor represents the price customers expect to pay for a satisfactory product/offering. When rating vendors against this criterion, consider the actual or perceived value that the customer is receiving for the price paid. This would include the value perceived for technology, low-cost producer, materials, labor costs, overhead, experience, automation, simplicity, producability etc.
ASSURANCES	This factor generally represents the assurances of reliability, safety, and quality. When rating vendors against these criteria, consider how the customer rates the total product in reducing his/her concerns for assured performance under foreseeable conditions? This can include such attributes as warranty, certifications, redundancy, strength.
PERFORMANCE	This factor represents the desired functions and features of the offering. When rating vendors against these criteria, consider the actual and perceived performance of the product with respect to desired functions and features. How well does the product do its job. Does the product have all the required and desirable features? Does it offer superior performance, as measured by the customers for such attributes as speed, power, capacity?
PACKAGING	This factor represents the desired visual attributes of design quality, performance, and appearance. In a software context, it represents the collection of items comprising the offering and providing its functionality (bundling). When rating vendors on this factor, consider the customer's opinion of the form, design, etc. and how well these attributes contribute to the desirability of the offering. Packaging considerations should include style, modularity, integration, texture, color, graphics, industrial design , etc.
EASE OF USE	This factor represents ease-of-use attributes of the offering. When rating vendors against these criteria, consider the customer's opinion of the product with respect to comfort, learning, documentation, support, ergonomics, displays, sensory inputs/outputs, interfaces, "intuitiveness," etc.
AVAILABILITY	This factor represents the customer's buying experience with respect to its ease and effectiveness (i.e. letting the customer have it "their way"). When rating vendors against these criteria, consider the degree of excellence in the entire buying experience , including presales technical support and demonstrations, the purchase channel/vendor preference, delivery times, ability to order custom features, etc.
LIFE CYCLE COST	This factor represents the cost of ownership over the life cycle of use. When rating vendors on this factor, consider installation costs, training, service, supplies, energy efficiency, trade-in value, disposal costs, etc.
SOCIAL ACCEPTANCE	This factor represents other influences which affect the buying decision. When rating vendors on this factor, consider how favorable purchase decisions are influenced through word-of-mouth, third party expert opinions, consultant reports or opinions, image, government or industry standards, regulations, social approval, legal concerns, product liability, etc.

Determine Who The Customers Are

Integrator, Distributor
ISV, VAR, IR

Sales, Support

End User



Retrace the End User's buying decision to determine all who influence the offering attributes

In many cases it may be all three

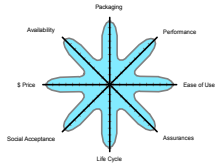
Conducting Interviews:Individual vs Groups

Use one or two customer groups to refine lines of inquiry and understand general issues in the market segment

Conduct individual interviews to understand specific customer needs
- preferred approach
- conduct at customer site
- allows you visual input in addition to VOC

Interviewing individual customers in the preferred method of gathering the voice of the customer in the best-in-class companies.
Source: Best Practices Survey 1994

The eight Customer $APPEALS model categories are expanded into factors for each category



Packaging

Visual Evaluation

- Design
- Sales interface
- Layout
- Size
- Styling
- Color
- Texture
- etc.

Availability

Buying Experience

- Marketing
- Sales
- Distribution
- Channels
- Lead Times
- Advertising
- Ordering
- etc.

Performance

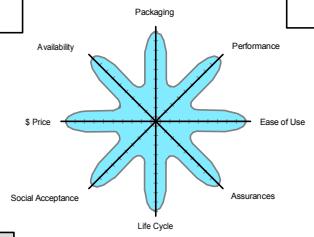
Specs Comparison

- Speed
- Function
- Specification
- Capacity
- Accuracy
- Versatility
- Productivity
- etc.

$ Price

Price Comparison

- Technology
- Materials
- Production
- Labor Costs
- Overheads
- Inventory
- Scrap
- etc.



Ease-of-Use

Sensory Comparison

- Installation
- Usability
- Upgrade
- Graphics
- Displays
- Ergonomics
- Documentation
- etc.

Social Sanctions

Influence of Others

- Consultants
- Groups
- Environ. Impact
- Legal Concerns
- Safety
- Security
- Liability
- etc.

Life-Cycle-Costs

True Cost Comparison

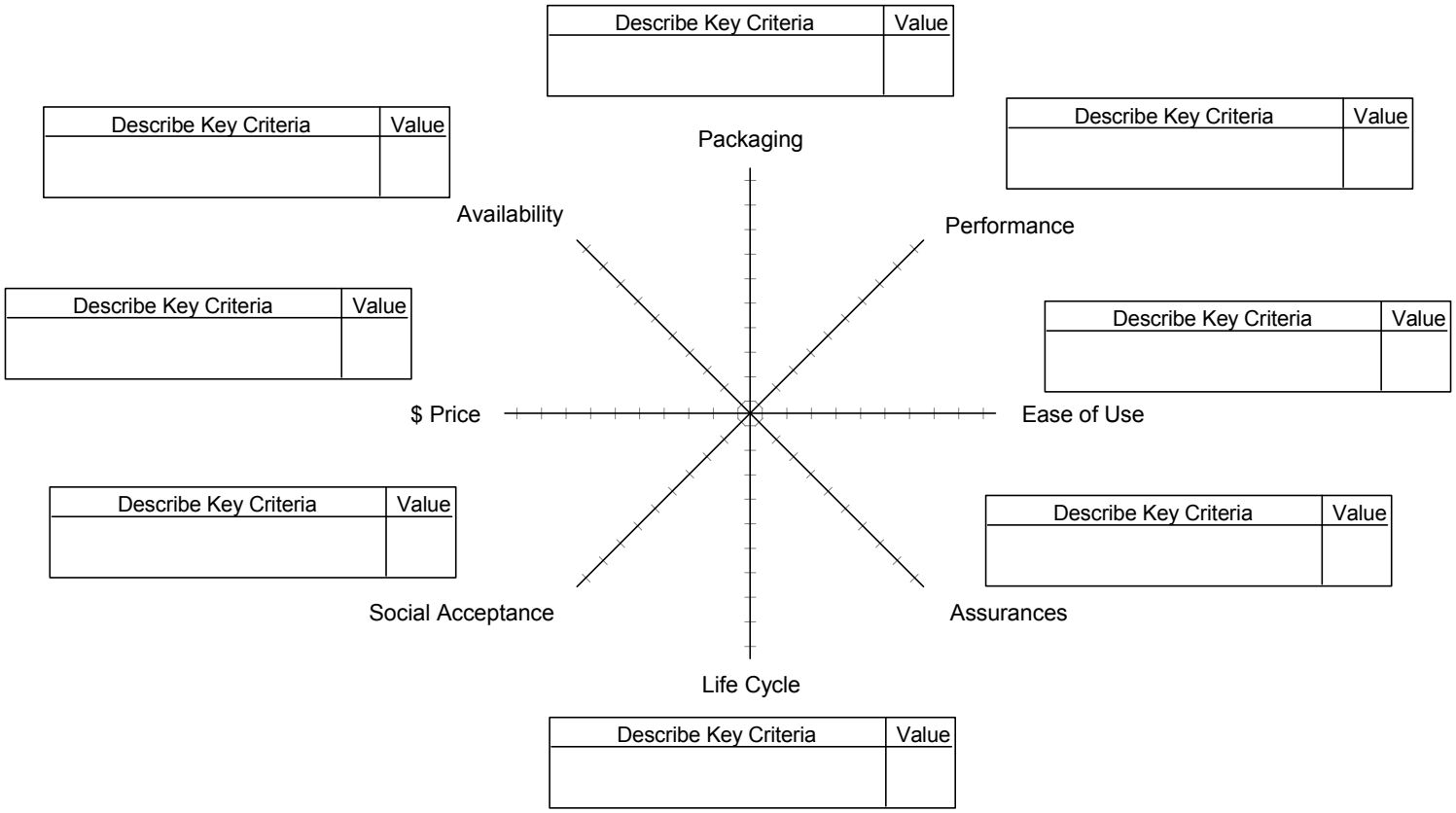
- Lifetime
- Up/Downtime
- Wear
- Service
- Backups
- Energy
- Operating Cost
- etc.

Assurance

Fears & Response

- RAS
- Warranty
- Reliability
- Quality
- Safety
- Stability
- Integrity
- etc.

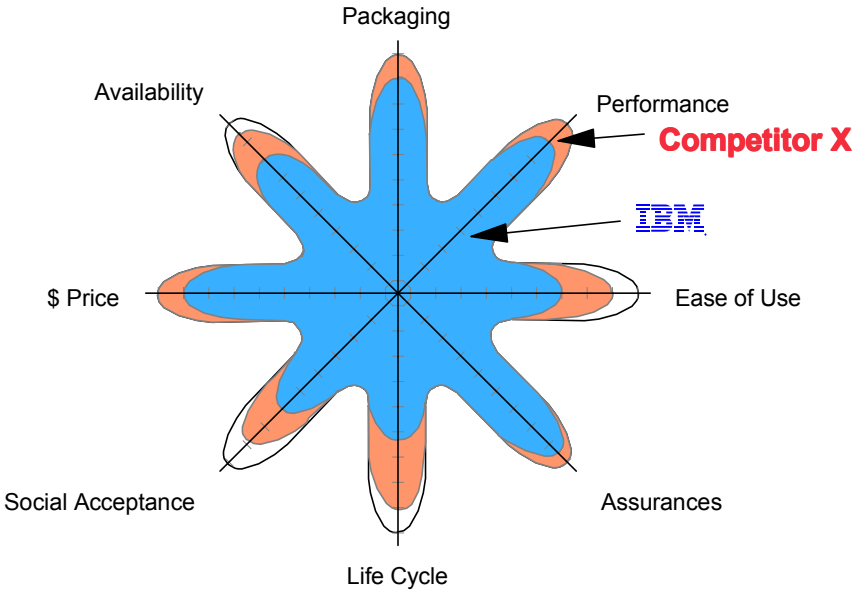
Validate Customer Buying Criteria:Calibrate the Axes with Key Criteria and Relative Value to the Customer



Rate your offering(s) against one to three key competitors

Perform gap analysis against targeted competition in all the eight categories.

10 = Absolute Best Possible
9 = Clear leader
8 = One of top 2
7 = Parity with top 3-5
6 = Typical "good" for the market place
5 = Acceptable to most
4 = Not acceptable to 25-35% buyers
3 = Unacceptable to most
2 = Extremely high level of dissatisfaction
1 = Totally inadequate



Competitive Analysis - Target Competitors

Market Segment : _____

IBM Offering : _____

Competitor : _____

Describe Key Criteria	Value

Packaging

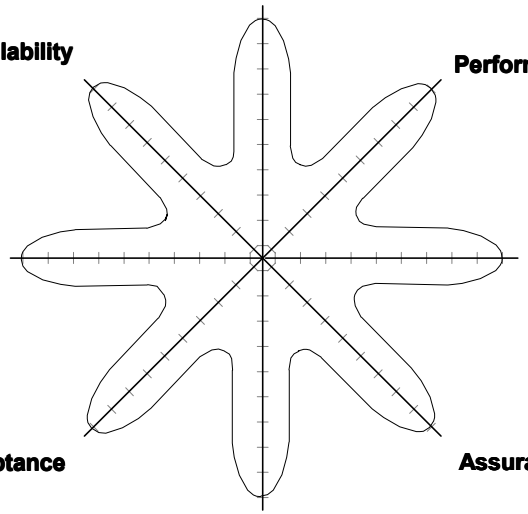
Describe Key Criteria	Value

Availability

Describe Key Criteria	Value

Performance

Describe Key Criteria	Value



$ Price

Describe Key Criteria	Value

Ease of Use

Describe Key Criteria	Value

Social Acceptance

Describe Key Criteria	Value

Assurances

Describe Key Criteria	Value

Life Cycle

Describe Key Criteria	Value

Competitive Analysis Scale

10 = Absolute Best Possible
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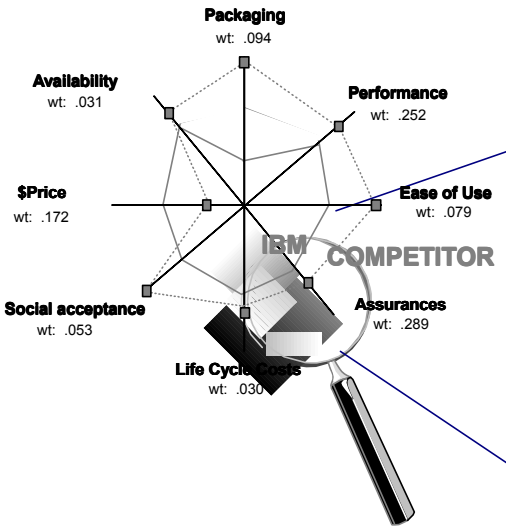
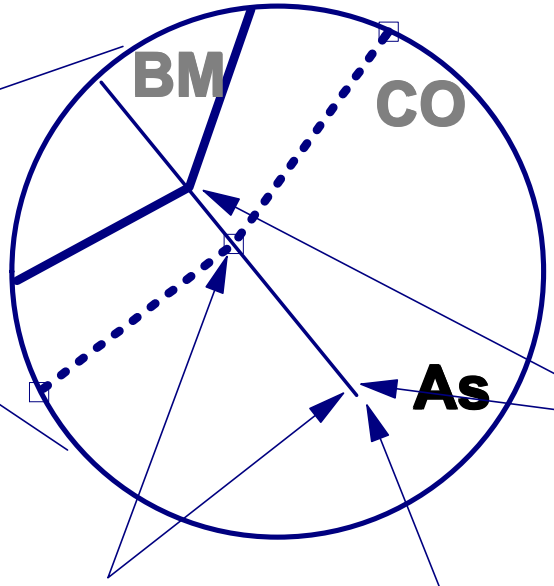
Analyze the gaps analysis to understand what is important to customers and what actions we should take to satisfy customer needs and improve our competitive position





$APPEALS Gap Analysis (For Each Market Segment):

- The **Assurances** Category is the most important category to customers in this market segment (Weight .289)
- Why our our customers viewing the competitor as meeting their needs in the **Assurances** category so well?
- Why are our customers viewing us as not meeting their needs in the **Assurances** category as well as the competitor?
- Why are neither us nor the competitor meeting customer needs in the **Assurances** category in an ideal way?
  - *What other CSA category gaps should we analyze in addition to **Assurances**?*

This is the $APPEALS gap customers in the market segment perceive between how well the IBM offering meets their needs in the Assurances CSA category and how well their needs could be met ideally

This is the $APPEALS gap customers in the market segment perceive between how well the COMPETITOR offering meets their needs in the Assurances category and how well their needs could be met ideally

This point (the outermost point on the $APPEALS radar chart axis) is where customers in the market segment view that their needs for the Assurances category are met ideally

Several steps are followed in evaluating Customer Value Differentiation using the $APPEALS framework

The Value Differentiation assessment is based on the Customer $APPEALS framework for determining key customer buying criteria and offering performance against those criteria. The Value Differentiation assessment is performed for each targeted Market Segment.

There are six primary steps involved in performing the Customer Value Differentiation analysis:

- **Step 1:** Define key customer requirements in each of the eight $APPEALS categories
  - **NOTE! These definitions should be based on direct customer research if possible**
- **Step 2:** Identify and prioritize the list of customer requirements defined in Step 1 into three categories:
  - **BASIC REQUIREMENT - this is a kickout category, i.e. if the requirement is not met, the customer in the market segment will not consider the offering**
  - **SATISFIER REQUIREMENT - this is a category beyond BASIC that can provide differentiation and additional value to the customer in the market segment**
  - **ATTRACTOR REQUIREMENT - ATTRACTOR requirements provide the customer with unique or additional benefits and value not met by either BASIC or SATISFIER requirements**
- **Step 3**: Assign a weighting to each $APPEALS category to reflect its relative importance to segment customers.
  - **NOTE! These assignments should based on direct customer research if possible**
- **Step 4:** Rate IBM and Best-of-Breed(BOB) competitor offerings based on how well each satisfies customer requirements defined for each $APPEALS category.
- **Step 5**: Calculate the IBM and BOB scores for each category and sum across categories to obtain a single overall value for IBM and a single overall value for the BOB competitor.
- **Step 6:** Calculate the final Customer Value Differentiation factor value by dividing the overall IBM value by the overall BOB competitor value

Steps 1 and 2 identify from the perspective of customers in a market segment how they define the $APPEALS factors

Market Segment Name

Customer $APPEALS Factor	STEP 1: Customer Wants and Needs Definitions	STEP 2: Indentify Priority Basic (B), Satisfier (S), Attractor (A),
$ PRICE	1. 2. 3	1. 2. 3
ASSURANCES	1. 2. 3.	1. 2. 3
PERFORMANCE	1. 2. 3.	1. 2. 3
PACKAGING	1. 2. 3.	1. 2. 3
EASE OF USE	1. 2. 3.	1. 2. 3
AVAILABILITY	1. 2. 3.	1. 2. 3
LIFE CYCLE COST	1. 2. 3.	1. 2. 3
SOCIAL ACCEPTANCE	1. 2. 3.	1. 2. 3

Each Customer $APPEALS Factor must be considered from the perspective of customers in a market segment

$Cost, Price	Availability	Packaging	Performance
As influenced by • Design • Producability • Technology • Materials • Production • Suppliers • Fabrication • Components • Labor Cost • Overheads • Facilities	*Providing what customers want, when, where and how they want it:* • Marketing • Sales • Channels • Distribution • Lead times • Advertising • Configuration • Options • Pricing • Customization	*Physical form, geometry, what the customer sees:* • Styling • Size, quantity • Geometric design • Modularity • Architecture • Surfaces • Mechanisms • Identity • Graphics • Inside, outside	*How well the product performs its intended function:* • Function • Appeal • Specifications • Power • Speed • Capacity • Flexibility • Multi-functions • Capacity • Size
Ease of Use	**Assurances**	**Life-cycle Costs**	**Social Acceptance**
Consider all users, buyers, operators, distributors: • User friendliness • Controls • Displays • Ergonomics • Training • Documentation • Help systems • Human factors • Interfaces • Operation	*Assured performance under foreseeable conditions:* • Reliability • Quality • Safety • Margin of error • Integrity • Strength • Flexibility • Dynamics • Loads • Redundancy	*Lifetime costs as a function of:* • Lifetime • Uptime / Downtime • Safety • Liability • Maintainability • Service • Back-ups • Migration path • Standardization • Infrastructure • Operating costs • Installation costs	*Effect of buying influences other then the user:* • Indirect influences • Consultants • Purchasing agents • Standards groups • Government • Social approval • Legal concerns • Politics • Shareholders • Management • Workers, workplace

Steps 3 through 6 identify $APPEALS factor weights, define the customer view of ability of IBM and BOB offerings to satisfy wants and needs and evaluate a final differentiation ratio

Market Segment Name	IBM Offering Name / Description	BOB Offering Name / Description

Customer $APPEALS Factor	STEP 3: Factor Weight	STEP 4: IBM Offering Rating (1 -10)	STEP 5: IBM Offering Score (Factor Weight multiplied by Rating)	STEP 4: BOB Offering Rating (1-10)	STEP 5: BOB Offering Score (Factor Weight multiplied by Rating)
$ PRICE					
ASSURANCES					
PERFORMANCE					
PACKAGING					
EASE OF USE					
AVAILABILITY					
LIFE CYCLE COST					
SOCIAL ACCEPTANCE					
		TOTAL IBM SCORE:		TOTAL BOB SCORE:	

IBM AND BOB OFFERING RATING SCALE VALUES

10 = Absolute Best Possible
9 = Clear leader
8 = One of top 2
7 = Parity with top 3-5
6 = Typical "good" for the market place
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2 = Extremely high level of dissatisfaction
1 = Totally inadequate

STEP 6: Final Customer Value Differentiation Ratio = TOTAL IBM SCORE / TOTAL BOB SCORE = 

Customer $APPEALS Wants and Needs Definitions Worksheet Example

Market Segment Name

Customer $APPEALS Factor	STEP 1: Customer Wants and Needs Definitions	STEP 2: Indentify Priority Basic (B) Attractor (A) Satisfier (S)
$ PRICE	1.Cost of Solution: Less than $50K 2.Financing	1. B 2. A
ASSURANCES	1.Builds on existing applications 2.Reliability (Order gets to manufacturing)	1. B 2. A
PERFORMANCE	1.End-to-end 2.Base Level functionality 3. What it takes to get it up and running 4.Supports current processes 5. Choice of level of support	1. A 2. B 3. S 4. A 5. S
PACKAGING	1.Look and feel of the site	1. S
EASE OF USE	1.Easy to use 2.Intuitive 3.Easy update and management of site	1. B 2. S 3. A
AVAILABILITY	1. Deal with a familiar partner (Internet/Application 2.Face-to-face,Trustworthy Partner,Local / Regional	1. B 2. B
LIFE CYCLE COST	1.Cost of staff (IT) 2.Developing and maintaining catalogs (savings) 3.Maintenance costs of training 4.Upgrade costs and costs of enhancements	1. A 2. B 3. A 4. B
SOCIAL ACCEPTANCE	**1.Business partner image** **2.Independent consultants** **3.Visible reference, Peers, business affiliations** **4.Trade journals, (in their trade)**	1. B 2. A 3. B 4. S

Customer $APPEALS Customer Value Differentiation Ratio
Worksheet Example

Step 3, 4, 5, and 6: Customer Value Differentiation evaluation

Market Segment Name	IBM Offering Name / Description	BOB Offering Name / Description
Large CIO	IBM Offering	Competitor Offering

Customer $APPEALS Factor	STEP 3: Factor Weight (Factor Weight total = 100)	STEP 4: IBM Offering Rating (1 -10)	STEP 5: IBM Offering Score (Factor Weight multiplied by Rating)	STEP 4: BOB Offering Rating (1-10)	STEP 5: BOB Offering Score (Factor Weight multiplied by Rating)
$ PRICE	10	5	50	7	70
ASSURANCES	20	4	80	4	80
PERFORMANCE	15	3	45	6	90
PACKAGING	5	6	30	3	15
EASE OF USE	5	3	15	3	15
AVAILABILITY	15	6	90	7	105
LIFE CYCLE COST	20	8	160	6	120
SOCIAL ACCEPTANCE	10	2	20	4	40
		TOTAL IBM SCORE:	490	TOTAL BOB SCORE:	535

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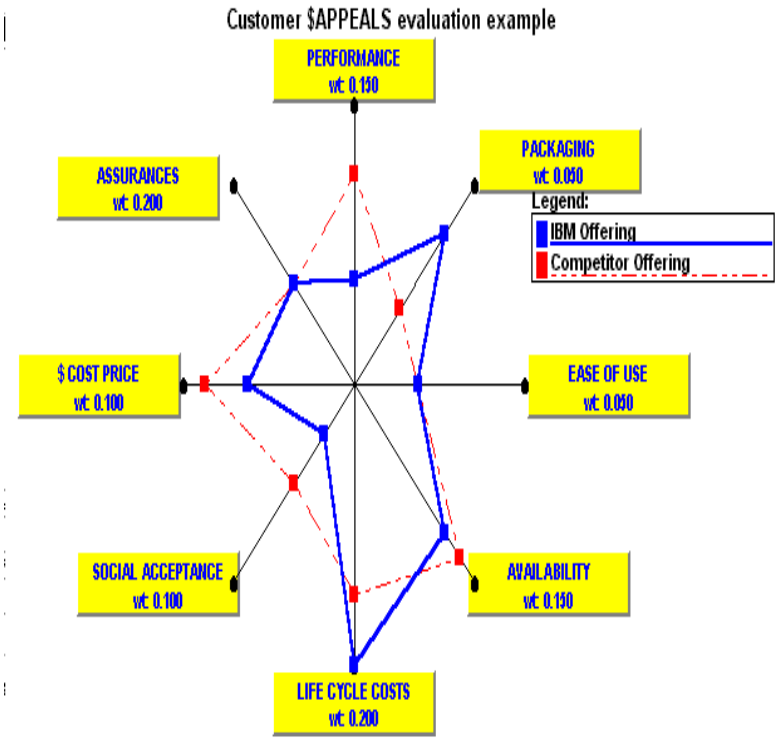
STEP 6: Final Customer Value Differentiation Ratio = TOTAL IBM SCORE / TOTAL BOB SCORE = **0.92**

Customer $APPEALS evaluation using example worksheet



Final Customer Value Differentiation Ratio	0.92

Key Criteria and Relative Value Template

Market Segment : _____

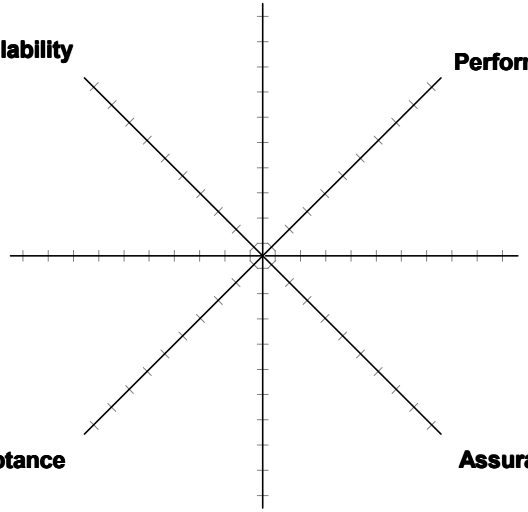
Describe Key Criteria	Value

Packaging

Describe Key Criteria	Value

Availability

Performance



$ Price

Describe Key Criteria	Value

Ease of Use

Describe Key Criteria	Value

Social Acceptance

Describe Key Criteria	Value

Assurances

Describe Key Criteria	Value

Life Cycle

Describe Key Criteria	Value

Competitive Differentiation Template

Market Segment : _____

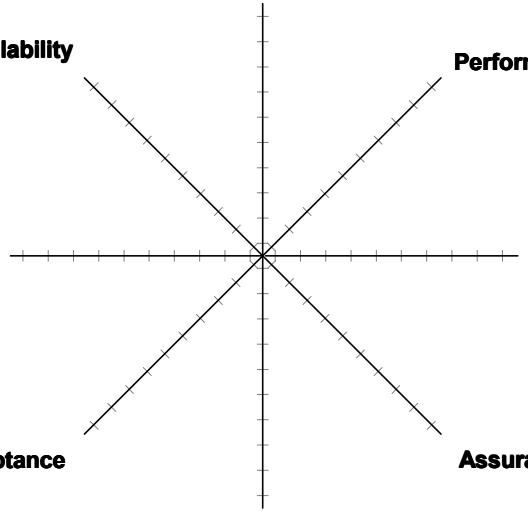
Describe Key Criteria	Value

Packaging

Describe Key Criteria	Value

Availability

Performance



$ Price

Describe Key Criteria	Value

Ease of Use

Describe Key Criteria	Value

Social Acceptance

Describe Key Criteria	Value

Assurances

Describe Key Criteria	Value

Life Cycle

Describe Key Criteria	Value

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