

# Make value realization a strong competitive advantage

by Stephan Liozu, Ph.D.



*It is no longer a question of if and when we will face a recession. It is a matter of how bad it is going to get. One of the recession busters is to make a decisive and bold move in customer value management (CVM). This is step number one, and it is a matter of investing in the right process and platform in the next 30 to 60 days, as the author explains. Stephan Liozu (sliozu@gmail.com) is Founder of Value Innoruption Advisors, a consulting boutique specializing in industrial pricing, XaaS pricing and value-based pricing. He is also the Co-Founder of Pricing for the Planet, which specializes in pricing for sustainability. Stephan has 30 years of experience in the industrial sector with companies like Owens Corning, Saint-Gobain, Freudenberg and Thales. He has authored and edited 13 books on value and pricing management. Stephan sits on the Board of Advisors of Professional Pricing Society.*

It is no longer a question of if and when we will face a recession. It is a matter of how bad it is going to get. It is hitting the tech and software space extremely hard. It is a major reset that forces companies to rethink their business model, their go-to-market strategies, and how they support their customers as they also go through turbulences. Much of the published content these days touches on how to prepare for the recession, how to manage sustained inflation, and how to go through turbulences without losing too many feathers. There are many tips, best practices, and busters on how to both survive a crisis and also continue growing. One of the recession busters is to make a decisive and bold move in customer value management (CVM). This is step number one, and it is a matter of investing in the right process and platform in the next 30 to 60 days. Part of the CVM process is the management of realized value to show customers the real and concrete impact you bring to them.

## Value Realization (VR) in the CVM Process

If you have not read about CVM, I

strongly recommend you discover the space and get familiar with the CVM discipline. Part of CVM is an increased focus on demonstrating the concrete and tangible value that your company and solutions deliver to your customers day-in and day-out. Many companies fall short of explaining in a crisp and clear manner how they improve their customers' profit and loss performance. They focus on the beginning of the customer value management process. Which, in a nutshell, means that they create lots of customer value, calculate that value, and capture some of that value through pricing. See Figure 1 on the next page.

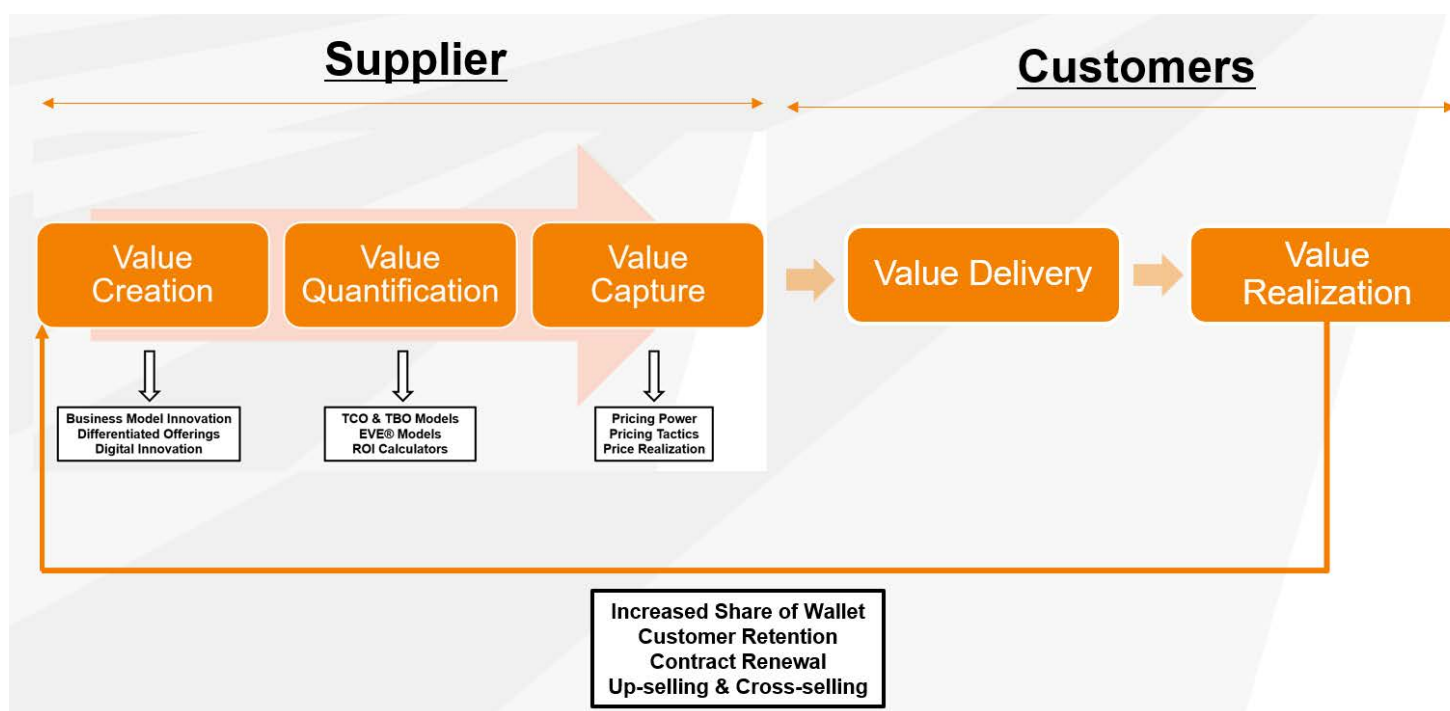
It is a particularly good start, but it is not enough. Right now, there is a potential economic hurricane coming our way, and customers need much more information. They might agree with your value models or your business case, but they need demonstratable proof that the value is being delivered to their business and realized to their bottom line. Remember that your customers have to make difficult choices right now. They may be laying people off and cutting expenses right and left. Your goal as a preferred vendor

is to stay top-of-mind, to become an indispensable part of your customer's success, and to move from the discretionary to the must-have spending category. You will not achieve that by just telling your customer to trust that you are delivering value. They need to see it in writing. They need validation from their internal teams that the value is real. They need you to bring more value and help increase their performance.

Imagine right now, two sales representatives visiting the same customer to check on their business and see how they are preparing for the recession. Here is the scenario.

The sales representative for company 1 visits the customer to discuss the state of the business: pains, and gains, and how they can help the customer during this recession. The sales representative is a trusted advisor and communicates to the client how well they work together, the legacy relationship they have, and their value creation initiatives.

The sales representative for company 2 visits the same customer and cuts to



**Figure 1**

the chase. She brings a Value Realization Brief showing year-to-date realized value and concrete progress towards annual value and business KPIs. They get an action model to deliver even more economic value and deepen an outcome-based partnership.

Now, who do you think is going to churn and who do you think is considered a critical partner to the customer business? The bottom line is that customer value does not really exist until the customer realizes it fully. It must be demonstrated in numbers using the KPIs customer live and breathe on a daily basis. In a time of recession, this is what is expected from trusted advisors.

### Value Realization: The Fundamentals

Value realization has become a hot topic these days with the current focus on tangible results and the rapid emergence of the customer success function. At the same time, value realization is a novel topic compared to value creation. There are fundamental differences between value creation

and value realization. While researching the topic, I came across this passage from a 2017 blog on Salesforce.com:

*“Value creation is effort that creates a quantifiable benefit. Value realization is effort that creates a quantifiable benefit that accrues to a stakeholder. An example of value creation would be creating greater efficiency within a department. An example of value realization would be creating greater efficiency that leads to a noticeable improvement in profitability for the whole company. The former only benefits a few people, whereas the latter benefits many more people in a tangible way”*

That is a pretty straightforward explanation. Value creation is the beginning of the value management process, while value realization is the end of the process. Doing both well is essential. Value realization is 100% about business outcomes. It is not about esoteric and high-level discussions on how to

work together. It is about facts, numbers, and performance improvement in monetary terms.

Here are five key considerations on value realization:

#### 1. Who is it for?

Frankly, value realization strategies can be designed and deployed no matter what products, services, or software you are selling. There are not limitations per se. Right now, value realization is gaining in popularity in the B2B SaaS space. It is also commonly used in IT managed services where companies decide to outsource services to third-party providers in exchange for outcome-based fees. It can be applied to products and equipment to track performance and impact on the customer operational process and P&L.

#### 2. Who manages it?

In the B2B SaaS world, customer success teams are the value realization experts. Because they care about customer success, they must show

outcome and impact, and focus on adoption of the solution to reach the impact potential. This is the major difference between customer support and customer success. In more traditional sectors, Strategic Account Managers and Sales Managers would play that role as part of the consultative selling process using basic tools and managing the process manually.

### 3. What are the key metrics?

What matters is to focus on the right metrics customers care about. This is part of the value discovery process when building customer value models. In general, there are three metrics to consider, as seen in Figure 2.

You could also track percentage of the population who have adopted your solution and percentage of planned versus expected usage of the solutions. The ROI calculation is essential of course. So is the percentage of realized value which is accomplished versus target.

views or value discussions with your customers. They include value realization briefs, full value realization reports, value dashboards, and value action trackers. Solutions such as ValueCloud® automate these deliverables so that you can spend less time preparing and more time engaging with the customers on action planning to increase adoption and impact.

### 5. How do you engage customers?

Value realization is an ongoing process. You design your customer value management strategy with the end in mind. The end is all about outcomes. Early on the process, you invest in value conversations with your customers and understand what drives their P&L or their growth trajectory. During the process, you continue to engage until your customer success team is mobilized to track the right outcomes. Every step of the customer value management process is connected. Think of it as a learning value loop focused on the customer.

fifteen years. During these years, I have designed and executed value-based strategies as a practitioner and helped other companies as a consultant and value coach. Part of these strategies is a strong focus on value-based selling. Of course, value-based selling and value realization are two different concepts. Without realizing it, companies start the value realization process without really getting into concrete, credible, and compelling outcomes. They project value messages that are not fully quantified or that are partially documented.

I usually run into companies using traditional value realization tools supporting the value-selling process. These tools help with the documentation of customer value, the reminders that value is being tracked, and the manual management of all the data input with customers. Figure 3 on the next page lists some of the most common tools in the value-selling toolbox.

There are many issues with conducting value realization and value-based selling efforts manually:

#### 1. Lack of consistency from offer to offer:

When done manually, there might be lots of variations in what is calculated, how it is calculated, how it is communicated, and how it is managed with customers. That leads to many inconsistencies and potential human errors across the board.

#### 2. Involved manual tracking in Excel:

Tracking actions, activities, and realized value in Excel is a good start, but it is not sustainable. There are issues of accuracy, version control, cyber security, and quality. It is good to get you started, but you need to think about automating right away.

#### 3. Lack of structure, professionalism, credibility, and impact:

Customers expect stable, consistent, and relevant engagement. They cannot be on the receiving end of an unstructured and unprofessional customer success process. They want to see robust analyses with credible impact that can be shared

## Three KPIs to Monitor

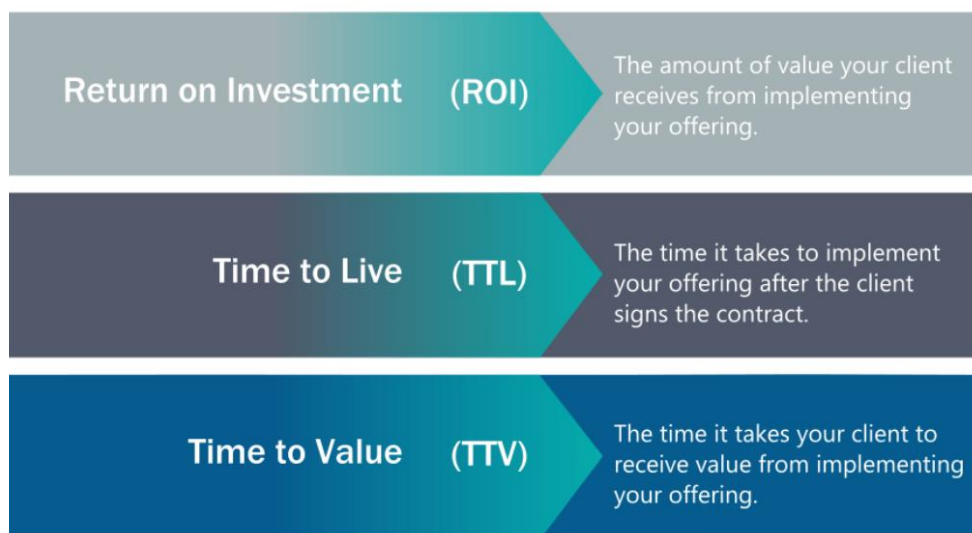


Figure 2

### 4. What are the outcomes?

The outcomes of the value realization process are documents that can be used during quarterly business re-

### Value Realization: From Manual to Automated

I have been in the customer value management space for more than

internally to other stakeholders.

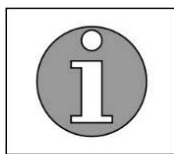
**4. The time consumed for the various parties involved:** Doing things manually takes time and effort from both the vendors and the customer teams. You want your sellers selling and not filling value realization reports to enable value-based selling. Similarly, you want your customers to focus on adoption and critical initiatives and not digging for information for your reports.

**5. It requires tracking in multiple systems and from various sources:** Because manual processing is not integrated, you will have to go to a dozen of data sources to find relevant information to build a solid value realization report or customer value file.

**6. It requires chasing of input from internal stakeholders:** Similarly, the lack of connection to internal systems will cost you hours in meetings and discussions about relevant reports, where to find them, how to read them, and how to interpret them. That might drive your customer success teams crazy and will use a lot of their bandwidth. That is assuming you have customer success teams in place!

**7. Sometimes it is one-sided and done with customer input:** Because of the time it takes to create supporting value-selling documents manually, you have to sacrifice some of the required customer interactions. Manual work is often one-sided and internally focused due to lack of time and resources. The end result is a lack of customer orientation in the reporting.

**8. It is poorly packaged and communicated to customers:** We all try to use the best branded material available. However, this is not always the case, which causes trouble with the “brand police.” When value realization is not systematic and automated with embedded templates, you are opening the door to poorly branded reports and plain documents to share with customers. There goes your customer experience!



## The Tool Box to Support Value Selling

### 1. Value Documentation:

- ✓ No charge invoice
- ✓ Customer Value File
- ✓ Project Savings Report
- ✓ Warranty Reports
- ✓ Quantified Case Studies
- ✓ Customer Service Action Reports
- ✓ User Testimonials
- ✓ Contract Anniversary with Value Data

### 2. Value Reminders

- ✓ Weekly Win Reports
- ✓ Joint Call Activities
- ✓ Testimonial Letters
- ✓ Quick Win Stories

### 3. Value Audits & Meetings

- ✓ Formal Audits of Intended versus Delivered Value
- ✓ Quarterly Review of Customer Value Files
- ✓ Customer Satisfaction Surveys
- ✓ Supplier Performance Appraisal

#### Figure 3

The conclusion is simple. If you want to scale value-based selling and value realization initiatives, you cannot do this in a fragmented and manual manner. You have to leverage technology and automate to be able to fully scale and bring your entire salesforce on board. It is unthinkable that you can bring all of your customers and salesforce members on board while producing manual documents that might take between 30 to 60 minutes each to produce. Technology and good integration can help with speed and scale.

#### **Value Realization: Data Is the Fuel of Automation**

A customer value model is the heart of the customer value management process. It is a quantified customer value proposition that lists all the great things you do for your customers versus what your competitors do. It expresses a clear statement of your competitive advantage focusing on product, service, and software. In order to track and measure all the things

you do for the customers and to package that in the form of a Customer Value File, a Value Tracker, a Value Realization Brief, or any form of value reporting, you will need to extract the data from various sources. Figure 4 on the next page shows the extent of the work your marketing, sales, and customer success teams put in to get the relevant data.

Your sources of customer value are located across your organization in systems, employee hard drives, people’s heads, and paperwork in filing cabinet, to name a few. I have built incredibly detailed Customer Value Files in my previous lives and, although it is time consuming, the outcome is enormously powerful. The extent of the manual work makes it impossible to do this for all customers. So, we had to prioritize strategic distributors and end-users only.

With a formal and automated value realization engine, you can accelerate the extraction and calculations of

customer value across multiple sources. There might still be a few manual steps, but the vast majority of the work is done automatically. The customer success or customer support teams are the chief conductors of all the critical activities in the value realization plan. Strategic Account Managers also play a leading role. They will use all relevant systems to connect the dots and extract the right information. Here are some of the steps and sources:

- CVM platform estimates data based on **projected** growth: Your CVM platform is the single source of truth when it comes to tracking customer value outcomes. This is the most significant component of the value realization strategy.

- **Customer Success Manager (CSM)** estimates data: Other data might be needed to finalize the calculation or complement the value realization report. The CSM is in charge of this work. They compile all data and make sure the data set is complete in the customer value platform to publish the relevant reports.

- Strategic Account Managers or Sales Managers **interview** customers and get their best guess data: Prior to quarterly business reviews, the team and the customers will have discussions on quarterly outcomes in order to be fully aligned. When the data is not readily available internally, you have to go outside and ask customers for input. This serves to get the customer's skin in the game and create alignment around the outcome.

- Customer has **systems** in place and customer provides the actual data: This is part of the 10% manual work that needs to be done by account teams. You might ask customers to share some of the data so that you can upload that into the value realization engine.

- CSM has **systems** in place and through the integration into the CVM platform, that data is automatically



**Figure 4**

populated into the platform: This is the ideal state. If you can connect your customer value platform to customer operational data in their systems, data is extracted automatically. You might think of service performance data, usage data, win/loss data, or product operational data.

Whether you are in SaaS or in traditional sectors, value realization reports bring documented proof to your customers that you are positively impacting their business operations. The key is to get to the right data. Some of the work might be manually tracked and integrated into final outcome report. The ideal stage is to have the work 90% automated so that customer success managers spend more time interacting with customers and less time doing clerical work. A powerful value

realization engine can make a significant difference to bring all your customers on board and accelerate their growth at scale.

### **Value Realization: A Transformation of Your Go-To-Market Process**

With the current recession and the ongoing disruption, a focus on value realization (VR) is a no-brainer. What could be more important than to show to customers what impact your solution brings to them? You move from trusted advisor to a true financial partner. I often refer to value realization as consultative selling on steroids!

When done well and fully implemented, a customer value realization program can transform your go-to-market approach regardless of what industry

and geography you work in. Putting customer financial success at the heart of your mindset is a transformational approach. I propose there are eight implications to your go-to-market approach as shown in the summary visual in Figure 5.

Let us briefly review all eight:

1. VR to **differentiate** from competition: Rise above the noise of all your competitors and create true competitive advantage. Right now, your customers want impact and outcome. No more blah blah blah. The discussion is all about staying relevant in the mind of all customer stakeholders. Therefore, your value realization program must be formal, crisp, and impactful.
2. VR to **automate** your value-based selling efforts: With automation and integration, you can seriously boost the speed and impact of your value-selling programs. No more manual work. No more inconsistent impact numbers. Everybody is fully aligned with the same professional approach to demonstrating value.
3. VR to move from value-based pricing to **realized value-based pricing**: Here as well, your pricing and marketing teams are going one step further. They help justifying price premiums through value modeling and quantified value propositions. But that justifi-

cation is reinforced if it is validated on the back end. Value realization does that. It closes the pricing loop.

4. VR to connect with your **price realization**: value realization externally cannot be disconnected from your price realization objectives. If you cannot demonstrate tangible and concrete financial impacts, you might not be able to fully realize your pricing power potential. Value and price go hand in hand.
5. VR to maximize **Customer Lifetime Value**: Customer success is 100% about customer lifetime value. The objective is to delight customers over time so that you can retain them and expand your share of wallet.
6. VR to create **customer success** processes: If your firm is thinking about setting up a customer success organization or beefing up the existing team, think about the value realization process and a value realization platform to give them the right tools right away. It is the faster growing functional categories and companies are invested in this area while laying off in others.
7. VR to bring **credibility** to your value strategies: The customer value management process is a sequential process. It is materialized through value-based strategies touching all go-to-market functions from sales to

pricing to marketing to innovation and to product. Focusing on tangible outcomes and financial impact brings enormous credibility to your strategies. It is the significant part. Without the outcome, value-based strategies are just words and promises. Are you keeping these promises?

8. VR to **professionalize** your go-to-market process: Finally, a professional value realization process with full functional alignment, the right systems, and the right mindset is a strong step toward superior value management maturity. Do not forget to inject a good dose of user experience thinking to show how professional you are!

### Learn to Crawl Before You Run!

Reaching value realization excellence does not happen overnight. There are critical parameters to consider and include in your value realization and customer success roadmap. These are usually related to people, process, and system. For each of the three dimensions, it is essential to start the development process by conducting stakeholder interviews, by mapping the existing value realization and customer success processes, and by knowing the state of the current tech stack.

This initial “crawl” phase is essential in identifying the internal gaps and design requirements that will drive success in the following stages. See Figure 6 on the next page. A thorough crawl stage might last 45 to 90 days depending on the complexity and size of your organization. It leads to a second stage of value realization and customer success maturity.

In this second stage, called the “Walk” stage, we focus on design and testing various dimensions of the program including metrics, KPIs, customer pilots, systems pilots, etc. In this second stage, we put the foundation in place for the next step when we accelerate the deployment and scale. This transition phase is a necessary step to get all the basics right on the process and systems fronts. Remember the “garbage in, garbage out” expression. This

- ① VR to **differentiate** from competition
- ② VR to **automate** your value-based selling efforts
- ③ VR to move from VBP to **RVBP**
- ④ VR to connect with your **price realization**
- ⑤ VR to maximize **Customer Lifetime Value**
- ⑥ VR to create **customer success** process
- ⑦ VR to bring **credibility** to your value strategies
- ⑧ VR to **professionalize** your GTM process

Figure 5

	Crawl	Walk	Run
<b>People</b>	Identify all relevant stakeholders	Train relevant stakeholders on value realization	Scale program with all customer success teams
	Engage key stakeholders with plans	Design appropriate adoption protocol with team	Train customers and partners on value realization
	Conduct stakeholder interviews	Activate the Customer Success Council	Promote and reward value realization heroes
	Identify and contact potential Sponsor	Define value realization KPIs for success	Incentivize customer success on value realization KPIs
	Add value realization in customer success roles, responsibilities, and job descriptions	Communicate internally and externally on value realization	Share value realization success stories to the world
<b>Process</b>	Map a blueprint of current manual value realization activities	Develop hypotheses to be tested through pilots	Track against process metrics at scale
	Conduct an audit on who does what in value realization	Test and validate revised process maps through pilots	Improve customer process based on KPIs
	Identify internal management systems and documents to be modified	Engage pilot customers with new value realization approach	Continuing survey customers for future needs
	Map a revised & ideal customer success process with value realization	Adapt customer success and value realization processes by verticals	Focus on full adoption of your solution
	Socialize potential changes with key stakeholders	Fully integrate value realization content in QBRs	Deliver projected customer success impact at scale
<b>System</b>	Conduct a tech stack inventory	Identify & select CVM technology	Scale value realization technology at scale
	Identify current systems in place	Implement technology pilots for 3 to 6 months	Continuously integrate new value realization features
	Identify required integration points	Prepare for full integration in tech stack	Extract value realization insights through customer data
	List IT gaps for customer success roadmap	Assist in full ROI calculation of value realization technology	Design and deploy new automated value realization assets
	Engage the IT & Engineering teams	Design value realization technology to proper metric extraction	Manage a value realization tech community

Figure 6

is also relevant in value realization. We must test and validate with customers before we go full speed ahead. This phase might last for three to six months. Some leaders might consider this too long, but we posit that it is essential to prepare scaling the right way. The time spent in this “Walk” phase to get things right is recovered tenfold when things go well in the last phase.

The last phase of the deployment process is the “Run” stage. This is operationalizing and industrializing value realization across the organization with sales and customer success by using

all the right tools. The process is tested. The systems are in place and fully integrated in the tech stack. People are training and embracing the approach. This is a stage of full acceleration to reap the fruit of all the hard work done in the “Crawl” and “Walk” stages. Depending on the maturity of your organization especially in the customer success area, the deployment of the three stages might last between four to six months. It is worth the investment in time and resources to get things right. If you can go faster, do it but consider people, processes, and systems.

**Concluding Thoughts**

Promised made, promises kept! That is the heart of value realization strategies. These days, CEOs focus on EBIT, net retention rates, customer lifetime value, and return on assets. They are investing heavily in customer success program to achieve their financial goals. Do not let these teams do the work manually. Give them an integrated platform to do value realization at scale. Make your customer success teams successful as well. Value realization will separate the leaders from the followers in and out the SaaS space. Excellence in the field is a true competitive advantage. ❖