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**How To Communicate Value Proposition And Return On Investment**

**By Paul Lemberg**

As part of my continuing series on Value and Pricing, the following article shows you how to position your company's value contribution to support the highest value-for-value exchange.

Too many business owners, when asked about the value or ROI of their product or service, shrug their shoulders and say, "I can't really put a value on it." If you can't put a value on it, think how hard it is for your prospects and customers! And if they can't put a value on it, how likely is it for them to buy it?

We're going to give you a simple way to identify all the value elements of your product or service and articulate it in such a way that your customers will absolutely know in quantifiable terms what your value is to them. They will see so much ROI they'll be foolish not to want to buy from you.

The key idea here is that you communicate Return on Investment by looking at your value proposition through your customers' eyes. In other words, why should they spend their scarce money with you, versus using the funds in some other way?

Your customers want to know how long it will take them to get back their investment or make a profit. Many will want to see a recurring return.

There's an old marketing saying: "Make your product free". People will pay more when they think that "it doesn't cost them anything." You do this by building so much intrinsic value into your offering that it far exceeds the cost to the customer; do this correctly and in their perception, it's free.

Creating Value with Your Product or Service:

First, list all the ways that you create value for your customers.

Does your product or service...

--Help client's increase their revenues? Does your product/service increase their sales? Create more leads? Increase their competitiveness in their market? Shorten the sales cycle? Get more repeat and

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referral business?

--Allow them to raise prices, or at least hold prices level? Does the value you create allow your customer to charge higher prices for their offering?

--Reduce expenses? Does it reduce initial or ongoing cost? Does it reduce overhead such as utilities and rent or carrying charges? Does it save money on materials, equipment, staff, and outside services? Does it provide a more economical installation or a longer life span? Does it reduce error rate?

--Allow them to replace some existing expense at a lower cost?

--Enable staff headcount reductions? Does it allow your customer to make headcount reductions in staff or support personnel?

--Avoid impending or predictable expenses? Does it help avoid expenses altogether?

--Increase their products' and services' perceived value. Does it increase the perceived value of your customer's offering?

--Increase productivity? Does it increase your customer's productivity or the productivity of his staff? Does it increase manufacturing production or throughput?

--Give them greater control? Does it offer some way for your customer to track results, lead generation, sales, profitability, productivity, or any other key success factor?

Next, review the list and for each of the ways you create value, figure what each is worth. This could be in terms of absolute amounts of money, some percentage of revenues, or some percentage of expense reduction.

Create proof for each of your value assertions. Proof can be in the form of worksheets, testimonials, case studies, success stories, printed statements, even survey results.

Add up each of the value elements to come up with a total value, combining earnings and savings into one number. Again, the total value can be an absolute money number, such as \$645,000, or it can be a percentage of sales.

Lastly, calculate your return on investment by comparing the total value to the cost of your product. You may come up with either an ROI (return on investment) or a "payback period." Either way, you've quantified your product's value in concrete terms, justified your price, and made it far, far easier for your prospects to make a buying decision.

### Success Story

One of our clients sells enterprise software in the \$150,000 to \$250,000 zone. After 9/11, their sales

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cycle began to get longer and longer and stretched out as much as eighteen months, with most prospective deals ending in "no decision." Prospects knew they needed to replace their old software, but they simply couldn't justify the expense in a no-growth economic climate.

To accelerate the sales process we implemented a return on investment analysis using the exact steps described above.

First we itemized each of the ways the software saved or earned the client money, including replacing old software with a high maintenance cost, reducing the cost of computer leases, reducing materials waste, decreasing the number of customer service staff required, shortening their salesman's phone time, increasing the accuracy of sales quotes, thereby increasing the prospect's sales AND increasing overall sales profitability.

By assigning a dollar value to each value element, and offering proof for each one, our client was able to demonstrate a payback period of around 9 months, and a significant positive return on investment thereafter.

The first two prospects who heard this value presentation said the same thing: "We'd be fools not to buy this," resulting in the two shortest sales cycles, and coincidentally, the two largest individual sales

in the company's history.

Business Coach

<http://paullemborg.com>

and Strategist, Paul Lemberg is the President of Quantum

Growth Coaching, the world's only fully systemized business coaching

<http://quantumgrowthcoaching.com>

program designed to create More Profits and More Life™ for

entrepreneurs.

### **Try This Untapped Investment**

#### **By Nationwide**

More and more people are looking for alternatives to traditional investment, as pension funds face shortfalls and interest rates remain low.

For many, it is the lure of property, both domestic and foreign that attracts the attention and the

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investment. Properties as second homes, rental vehicles or straightforward investments are very popular, but purchase can be complicated and maintenance costs are high. Land, on the other hand, is an untapped investment that could make some fantastic profits.

Why land?

Land is becoming an increasingly popular investment, particularly in places like the UK, where housing shortages are a growing problem and land consequently rises in value. The benefits of buying land include:

**Return** - the rates of return on land, whilst not guaranteed, are often better than returns on any other type of investment, including stock market investments and property.

**Simplicity** - the purchase of a parcel of land is a straightforward legal transaction that can be completed within 28 days. Selling your land on is equally as easy.

**Management** - you don't have to be checking share prices every day or spending your profits on maintaining a property, or dealing with tenants. Instead, you buy your land and then leave it until development plans are agreed, or you simply want to sell it on. It is a simple, low maintenance investment.

**Locality** - no matter where you live, there is probably some land available for purchase. You can visit the site, talk to the company that owns the land currently and look into the likelihood of planning permission being granted. You can have a direct involvement with your investment.

If you have money that you want to invest, but you're not convinced by the level of return on traditional investment vehicles, then think seriously about buying land. Even a small investor can access this market now, through land banking, where a single company buys an expensive piece of land and then sells smaller parcels on to private investors. Talk to a land agent to see how you can get started.

Nationwide specialises in land acquisition and sale across the UK. For more information or to download a brochure, click on

<http://www.nationwide-land-estates.co.uk>



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