



## Case Study: NorthPoint's Enterprise Marketing Risk Management (EMRM) Software

### Situation

This client was nearing in on the announcement of their new offering that included hardware, software and services components. The target price for the basic unit was just under \$100K. The units were sold in configurations ranging from 4 to 10 units. The business plan for the offer estimated about 20% of the revenue to come from services and another 2% to come from service after sale. The client had a team working on this new offer for some time. This was viewed as a strategic offer for the company. During the development process, the offer had been reviewed with the company's four largest customers. Each one of the customers gave the offer their "thumbs-up".

Not everything was rosy though, since the early days of the project, there had been several disagreements between marketing and engineering about certain aspects of the offer. At other times, it seemed as if the team was a bit out of synch with the market.

The company had hired a reputable market research firm to estimate the market opportunity. The response was that this was a \$2B market. The opportunity was huge but so was the importance for the company. Something did not seem quite right and the management team was uneasy so they reached out to NorthPoint.

### The Initial Assessment

Briefed as to the situation, NorthPoint recommended conducting the core elements of a Market Opportunity Development (MOD) and Buyer Seller Needs Assessment (BSNA). The MOD assessment focused on getting a more accurate view of the true market opportunity. BSNA evaluated at how well the proposed offer actually matched the true Buyer needs.

### Market Size

The overall market size estimate of \$2B was reasonable but unfortunately, the basic assumption was that all of the \$2B was readily available. The MOD assessment looks at Buyer's propensity to buy and classifies Buyers into one of four groups: Growing, Tactical Strategic, Dormant, and Dissatisfied. The assessment identified that 64% of the Buyers were in either the Dormant or Dissatisfied groups, which have the longest sales cycle. This meant that only 36% (Growing & Tactical Strategic) of the \$2B market was actually readily available.



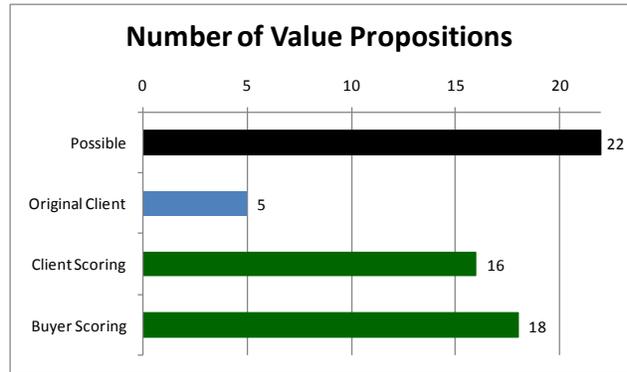


Value Propositions

One of the first assessment tasks was to conduct the BSNA assessment internally with the client's offer team. Through this assessment, the client team identified 16 of the 22 possible Value Propositions as being delivered by this new offer. Prior to the assessment, the client had only identified 5 Value Propositions.

Buyer Interviews

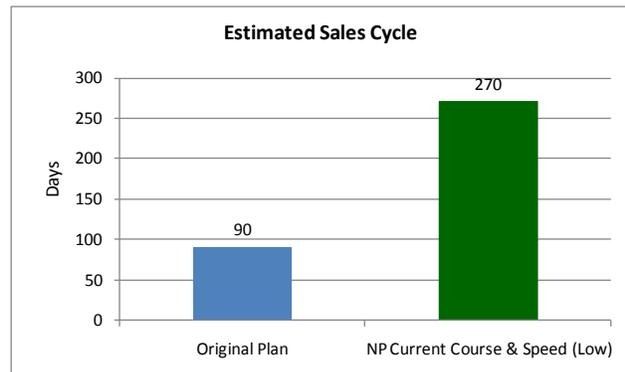
A core element of the BSNA process is conducting interviews with an appropriate number of potential Buyers in order to evaluate and score the offer. The objective of the interviews is to gather their reaction and to have them identify and score the relevant Value Propositions and Buying Criteria. Through this process, the Buyers identified 18 of the 22 Value Propositions as being relevant, 2 more than the client team. Unfortunately, the Buyers scored only 9 of the 18 over 60% (out of 100% possible). Of the 5 original Value Propositions identified by the client team, only 2 of them scored greater than 60%. The Buyers scored the remaining 3 at 41%, 32% and 11% respectively. (This low scoring of what are considered to be the core Value Propositions is a strong indication of internal bias.)



The NorthPoint process calls for more emphasis on interviews with potential new Buyers as we find existing customers often provide a biased view. The process also calls for targeting individuals that have responsibility and / or direct influence over the purchase decision. Even though the client had conducted reviews with four of its largest customers, it subsequently came to light that the individuals from those four key customers were in no position to either execute or influence any decision to purchase this new offer.

Sales Cycle

As part of the new offer business plan, the client had assumed a 90 day sales cycle. Results of the NorthPoint assessments indicated that unless improvements were made, the actual sales cycle would be more in the range of 9 to 11 months. Even though the relative importance of the Value Propositions were fairly consistent between the Buyers and the client, the client had grossly under-estimated the risk in the mind of the Buyers.



Simply put, the clients were having an extremely difficult time envisioning how they could achieve the value associated with the offer. NorthPoint estimates indicated that over 70% of the sales cycle time would be spent by the Buyers trying to determine if and how they could realize the value and if so, at what cost.



#### Competitive Assessment

NorthPoint completed a competitive assessment by interviewing 26 customers of the leading competitors nearest comparable product. The number of Value Propositions identified and their ranking was very similar to the client's. Two of the Value Propositions for the competitor's offer scored very high (80 to 86%). The same two Value Propositions for the client offer scored less than 30%, a significant gap.

#### **Analysis and Actions**

The net high level analysis indicated that the client's offer was too risky in the minds of the Buyers and the Value Propositions were scoring too low. Improvements had to be made if the offer was going to be successful.

The client decided to stop their announcement of the new offer. They asked NorthPoint to conduct additional Buyer interviews to get more detailed information on the Buyers concerns and the main reasons for the low scores. Then they took all the assessment results and developed targeted improvement plans for all the key indicated areas.

One of the core areas of concern was Quality. The gap between the Buyers' level of quality expectations and what the offer would deliver was quite large. The gap was so large in fact that NorthPoint estimated that if the original offer was launched, that service after sale would have been in fact a fairly large cost as opposed to the planned 2% additional revenue. The client redesigned several aspects of the product with a strong focus on quality.

Several other concerns were also traced back to some of the internal team differences that were never mediated until the redesign.

There was an intense effort around retooling both the messaging strategy and the market messages themselves. The emphasis of the new messages was two-fold. The primary focus was on reducing the risk in the minds of the Buyers. The second focus was on properly highlighting all of the 15 Value Propositions. (Note one was dropped as part of the redesign efforts.)

The entire sales force went through in-depth training both on the new offer and the new messaging strategy. They were provided with detailed messages clearly illustrating how customers could obtain the projected value of the offer within a reasonable timeframe with reasonable effort, addressing the key Buyer perceived risks. (Ironically, during the sales training one sales person said "Yeah we knew about these concerns for the last six to seven months". Once again reminding us that the development of new offers is a team sport and all team members need to be involved.)

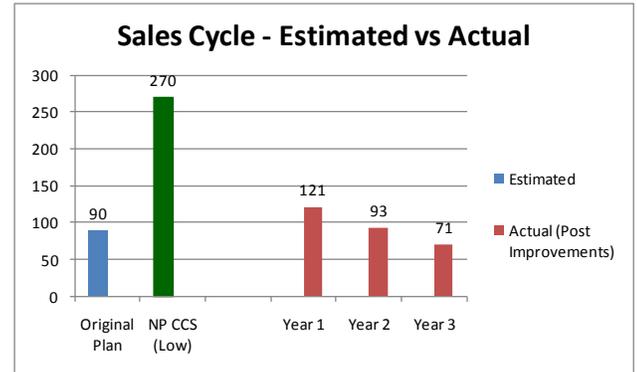


### Results

After six months, the client executed a simultaneous east and west coast launch of the new offer. The launch was successful except for the fact that not all of the elements of the new messaging strategy were delivered on-time.

#### Revenue

- Month One missed plan by 30%
- Month Two missed plan by 11%
- Month Three and every month thereafter made plan
- By year end, the Month One and Two short-falls had been made up for.



#### Sales Cycle

- Year One was 121 days
- Year Two was 93 days
- Year Three was 71 days and remained stable from there.

#### Market Share

- By the end of Year Four the market share penetration was between 42% and 43%.
- This included winning over some dormant and dissatisfied Buyers.

### Summary

The results of the assessments indicate that the client would have been severely challenged in meeting the business plan objectives with the offer as originally conceived. The process and tools illuminated several aspects of the offer that were at risk either due to omission or less than optimal execution. The initial overall market size estimate was reasonable but the detailed “Propensity to Buy” analysis had not been done resulting in a significant over-estimation of the available market. The Needs Analysis had been done but with less rigor and accuracy than is required. The results of the assessment compelled the client to postpone the launch but the details in the analysis enabled them to enact significant improvement actions in a relatively short period of time. The delayed launch was successful and enabled the offer to quickly excel in the market and garner significant market share.

The ROI for this improvement easily covered the client’s investment in NorthPoint assistance many times over. Beyond the primary ROI, a secondary benefit for the client was that the assessments illuminated weaknesses not only related to the development of this offer but to the client’s core processes as well. It became readily apparent to them how properly conducted needs assessments can identify buyers’ unmet and unidentified needs, the latter being a key driver of innovation. They grasped how risk management can identify both risks that need to be mitigated and risks that present opportunities for the creation of new economic value.

For more information on how the EMM Suite or other NorthPoint tools can help your enterprise succeed, contact your local NorthPoint representative or Alan Taracuk at [northpoint.alan@gmail.com](mailto:northpoint.alan@gmail.com).