

## THE ROI OF ALINEAN BUSINESS VALUE SALES TOOLS

Many IT solution providers recognize that the way IT is bought and sold has fundamentally changed since 2001 and the bursting of the technology bubble. Now, over 90% of customers demand value proof prior to making any investments, and these buyers demand that IT solution providers deliver the proof points with formal assessments and ROI / TCO business cases.

Although most understand that selling with business value is a requirement, what is less clear to most IT vendors is the return on investment from implementing such best practice programs.

In 2007, Alinean conducted research on the ROI from implementing best practice business value selling tools and programs. We examined the deployments via monthly activity and usage reports of 15 Alinean customers to determine the tangible value these programs were delivering. Did the Alinean Business Value Sales Tools empowered marketing campaign and sales programs help to drive incremental sales, reduce sales cycles, increase deal size, generate more demand, and improve sales / consulting productivity as anticipated?

### Research Results

The results of the research was compelling, as the investment in value selling sales tools has proven to be one of the highest ROI investments an organization can make in sales / marketing operations. The survey revealed that the Alinean Business Value Sales Tools programs delivered:

- An average ROI of 810%, meaning that each \$1 invested in an Alinean program generated \$8.10 in incremental benefits
- a payback of less than 3 months from deployment

How was such a high ROI and quick payback realized?

For marketing campaigns, compelling value oriented interactive tools is an absolute requirement for today's frugal and skeptical IT buyers. Without personalized and quantified value proof points delivered via on-line interactive benchmarking, assessment, ROI and TCO tools, it is difficult to meet demand generation goals – attracting and capturing qualified prospects, and accelerating the sales cycle. Programs using self-assessment Alinean Business Value Sales Tools from the corporate web sites were proven to deliver:

- Resulting in 12% higher visit-to-sale conversion rate (versus less than 5% for registrants of competitive campaigns)
- Produced 3 times as many qualified leads as other competitive web promotion programs

*A virtualization provider needed to drive more demand generation and educate prospects on the value of virtualization earlier in the sales cycle in order to generate competitive advantage, and drive cross-sell to other virtualization offerings besides data center server virtualization. An online interactive ROI/TCO Calculator was developed and utilized as value-added corporate website content, in worldwide print and banner ad campaigns, and in direct marketing programs. The Alinean-driven initiative generated over 2,000 qualified leads per month, the highest success and ROI of any prior marketing campaign.*

For sales teams, the tools were often applied to deals during the pilot phase, pre-launch, and these initial deals often resulted in competitive wins, or helping to move deals that were previously "stuck". Less than two incremental deals on average were needed in order to realize positive cash-flow. Moreover, many of these deals were multi-million dollar sales, and compared to the modest investment for the sales tools, derived enormous return on investment gains.

The first year benefits included a 3% increment in related revenue, and incremental savings and sales per direct sales representative of \$30,000.

## Realized Benefits Summary

The tangible benefits measured from an investment in Alinean Business Value Sales Tool programs included the following:

- Generate more qualified leads through value added ROI content and services and targeted value-oriented direct marketing and sales campaigns, leading to reduced sales cycles, and incremental sales, an average 20% increase in total lead generation, and a 40% increase in lead to conversion rates for related campaigns.
- Reduce sales cycles by 20% via helping sales teams drive initiatives more proactively with prospects, and by automating business case development, eliminating the time it took prior to develop these reports for prospects or eliminating the time buyers spent developing their own cases.
- Reduce discounting and increase deal size for direct sales by 20% or more by migrating sales from features, function and price selling to business value selling
- Reduce the time it takes to develop credible businesses cases from days or months to hours. Standardizing the team on a credible, enterprise class tool to help create benchmark, assessment, ROI and TCO presentations and reports, helped to improve sales and consultant productivity (40% savings in time used today to generate reports), and reduce sales cycles (by 20% or more)
- Increase the success rate of competitive sales engagements by over 10% by elevating perception of sales teams to strategic partners, and providing the quantifiable proof of TCO advantages.
- Improve the ability of consulting to offer more value added / billable services including benchmarking, assessment and ROI / TCO engagements, resulting in a 15% improvement in related services revenues.
- Empower channel sales with differentiating ROI selling approach and value added ROI services, helping to improve channels sales loyalty, effectiveness, satisfaction and retention. This resulted in 23% higher channel partner retention rates.
- Increase the success rate of up-sell and cross-sell initiatives by providing value proof for other product and service add ons, and via the implementation of on-going value measurement and reporting programs (using realized value of prior programs to sell new initiatives). A 25% measured annual improvement resulted for customers for which the sales tools were applied.
- Reduce the current ad-hoc investment in homegrown benchmarking, assessment, ROI / TCO tools and programs via standardization on a single provider, and eliminating internal SME burdens, a net savings of 25% in current consulting, licensing and internal labor costs.

*An add-on management utility was being marketed by a major IT solution provider. The utilities' value proposition was compelling, and investment cost modest, but IT decision makers demanded ROI proof, and as a result, several deals were stuck while the IT buyers tried to make the case, and the vendor sales teams struggled for proof points. Case studies were commissioned, but did not provide all the proof needed. Alinean developed a tool based on the case study research for use by sales, channel partners and consultants in making the business case for the utility. Within a month, several 100,000+ seat deals were being proposed using the Alinean ROI Analyst™ sales tool, and these deals were quickly realized largely in part to the compelling business case reports, resulting in several multi-million dollar sales.*

To obtain your own personalized analysis, visit <http://www.alinean.com/ValueofAlinean.asp>

## Calculation Methodology and Analysis Details

The analysis of the value of Business Value Sales Tools uncovered the following key benefits, with average calculations provided to illustrate the methodology used in deriving results.

### Improve Marketing Effectiveness - Prospecting and Lead Generation

Some sales tool campaigns are targeted to improve demand generation, making the value oriented tools available on-line, as a self-directed initiative. With Alinean Business Value Sales Tools used for demand generation and marketing campaigns, such as the IT Assessment Calculator or ROI Calculator, it was proven that more qualified leads can be sighted, targeted and generated. As markets slow and competition increases, using business value sales tools can improve marketing effectiveness and deliver incremental sales.

For the campaigns analyzed, the Alinean Calculators served the campaigns well as value added landing page for direct marketing and advertising, generating an average 20% improvement in lead capture and 40% improvement in the quality / qualification of captured leads compared to prior or other competitive initiatives. On average, the Alinean campaigns drove an additional 1,200 qualified leads per month.

Analyzing a single Alinean Business Value Sales Tool campaign with 1,200 incremental qualified leads per month, at a typical 2% conversion rate and \$150,000 average deal size, over \$43M in incremental revenue can be generated, resulting in an incremental margin contribution of \$10.8M.

<b>Improve Marketing Effectiveness</b>	<b>To Be</b>
Average number of qualified prospects per year for all campaigns	14,400
Average lead conversion (close) rate (% of total leads who are closed)	2.00%
Number of incremental transactions	288
Average deal size	\$150,000
Total revenue or equivalent	\$43,200,000
Net contribution from incremental revenue	25.00%
<b>Total margin contribution</b>	<b>\$10,800,000</b>

### Reduce Sales Cycle – Direct Sales

With the Alinean Business Value Sales Tools, analyzing best practice deployments illustrated that sales cycles can be reduced, especially for direct sales team efforts.

The sales cycle acceleration was first achieved via automation of the analysis and business case creation, helping to reduce the effort and time for manual or spreadsheet based creation of benchmarking, assessment and ROI /TCO business case reports, or worse, leaving the analysis to clients to do on their own. A process that often took months to complete, could be done in one or two day workshop sessions using the Alinean Business Value Sales Tool to produce turn key benchmark, assessment and business case reports.

Second, it was determined that the third party credibility of the Alinean analyses helped to speed the diligence and approval process, reducing the number of independent review processes with client stakeholders, and leading to faster / higher approval rates.

Analyzing an average 200 person product line / solution sales force with 1,400 transactions a year, we analyzed that a well executed business value program today involved the use of the tools in 20% of the deals, or some 280 transactions. For these transactions, it was determined that 20% of the overall 9 month average sales cycle was streamlined to 7.2 months, providing revenue acceleration of 1.8 months. This provides the opportunity to accelerate 41 additional new deals per year, a \$6.5M incremental / accelerated revenue opportunity, and \$1.5M in incremental margin contribution.

<b>Reduce Sales Cycle - Direct Sales</b>	<b>Year 1</b>
Current direct sales professionals	200
Average annual number of deals per sales professional	7
Total deals (transactions) per year	1,400
Total deals for which sales tools will be used (%)	20.0%
Total deals for which sales tools will be used	280
Current average sales cycle (in months)	9.0
Decrease in sales cycle with business value selling	20.0%
To be average sales cycle (in months)	7.2
Total additional months of sales due to sales cycle reduction	1.8
Total number of deals per month where sales tools will be used	23
Total new deals per year	41
Average deal size	\$150,000
Total additional annual revenue or equivalent opportunity	\$6,150,000
Net contribution from incremental revenue	25.00%
<b>Total annual margin impact</b>	<b>\$1,537,500</b>

### Reduce Sales Cycle – Channel Sales

As with the direct sales teams, with the Alinean Business Value Sales Tools, channel sales professionals could also reduce the sales cycle via the same turnkey benchmarks, assessments, and ROI / TCO business cases to prospects. Because the channel sales groups provide greater scale however, a successful sales cycle acceleration program for channel partners, although more time consuming to enable, can lead to even greater incremental revenue benefits.

For a typical channel partner program having 100 channel partners introduced to the tool, it is estimated that the partners on average use the tools in about 15% of the deals for current practice programs. Sales cycles reductions are a similar 20% to those of direct sales teams, reducing the average 9 month sales cycle to 7.2 months. An accelerated 1.8 months of sales cycle time translates to accelerate 68 new deals per year potentially – an incremental \$10.2M in revenue / \$2.55M in incremental margin impact.

<b>Reduce Sales Cycle - Channel Sales</b>	<b>Year 1</b>
Current number of channel sales professionals	1,000
Average annual number of deals (transactions) per channel sales professional	3.0
Total annual deals (transactions)	3,000
Total deals for which sales tools will be used (%)	15.0%
Total deals for which sales tools will be used	450
Current average sales cycle (in months)	9.0
Decrease in sales cycle with business value selling	20.0%
To be average sales cycle (in months)	7.2
Total additional months of sales due to sales cycle reduction	1.8
Total number of deals per month	38
Total new deals per year	68
Average deal size	\$150,000
Total additional annual revenue or equivalent opportunity	\$10,200,000
Net contribution from incremental revenue	25.00%
<b>Total annual margin impact</b>	<b>\$2,550,000</b>

## Improve Deal Size and Reduce Discounting

With Alinean Business Value Selling Solutions, *selling with value* versus feature, function and price can help to reduce discounting and improve overall deal size.

On average we found heavy discounting for sales teams using traditional selling methods, an average of 30%.

Elevating to consultative selling with Alinean's sales tools helped to reduce the discounting and increase deal size by 20%. For an average 200 person sales force with 1400 deals per year and an average discounted sales price of \$150,000, we found that the average discount was some \$64K prior to implementing the Alinean sales tools. By helping to shift the focus from price to value, the sales tool program helped drive discounting out, but some 20%, resulting in annual incremental revenue of \$3.6M, and margin contribution of \$900,000.

<b>Total number of deals per year for direct sales</b>	<b>1,400</b>
Percentage of deals for which tool use expected	0.20
Deals for which tool use expected	280
Average deal size	\$ 150,000
Average discount applied	30.0%
Average discount applied	\$ 64,286
Total discount applied	\$ 18,000,000
Deal size increase	20.0%
Total incremental revenue benefit	\$ 3,600,000
Net contribution from incremental revenue	25.00%
<b>Total margin contribution</b>	<b>\$900,000</b>

## Increase Sales Team Productivity

In most organizations, to meet customer demands the sales staff spends time putting together benchmark reports, assessments and ROI / TCO business cases for customers - typically using in-house developed spreadsheets or worksheets. This analysis efficiency has been shown to be dramatically improved with Alinean Business Value Sales Tools, reducing the work effort of creating these reports for clients by 40% or more.

In a typical 200 person sales force, some 100 business case reports are developed per month on average. Estimates are that prior to implementing the Alinean ROI/ TCO sales tools, these efforts consumed 35 person hours per report. Automating with Alinean Business Value Sales Tools reduced this by at least 40%, to 21 hours per report – most of the time spent with client in consulting sessions versus report number crunching and customization.

Quantifying these productivity improvements leads to an estimated \$786K in annual labor savings potential. Moreover, the upside from these savings is extreme in that the average 16,800 in annual person hour labor savings translates to putting another 8 sales professionals toward selling tasks versus business case report development.

<b>Increase Sales Team Productivity</b>	<b>As Is</b>	<b>Benefits</b>	<b>To Be</b>
Business cases developed annually	1,200		1,200
Average person hours spent per ROI / TCO business case justification report	35.0	40.0%	21.0
Total annual person hours	42,000.0	16,800.0	25,200.0
Average burdened salary rate for sales / consulting (per hour)	\$46.80		\$46.80
<b>Total</b>	<b>\$1,965,600</b>	<b>\$786,240</b>	<b>\$1,179,360</b>

## Increase Consulting Team Productivity

Professional services and consulting staff often perform benchmarking and opportunity assessments, either with their own spreadsheet based tools developed by internal SMEs or consultants, research bases and/or homegrown solutions. With better benchmarking and assessment / analysis tools such as those from Alinean, the consulting staff can be made more efficient at delivering these value added services, helping to improve productivity and free consulting team members to support more engagements and improve reach.

A typical organization that performs about 16 analyses per month can achieve \$224K in annual productivity improvements / reallocation benefits, freeing up over 2 full time equivalents for higher order deal support efforts.

<b>Increase Benchmarking and Opportunity Assessment Productivity</b>	<b>As Is</b>	<b>Benefits</b>	<b>To Be</b>
Opportunity / benchmarking analyses performed annually	200		200
Average time spent per opportunity analysis / benchmarking report	60.0	40.0%	36.0
Total annual person hours	12,000.0	4,800.0	7,200.0
Average burdened salary rate for sales / consulting (per hour)	\$46.80		\$46.80
<b>Total</b>	<b>\$561,600</b>	<b>\$224,640</b>	<b>\$336,960</b>

## Improve Competitive Advantage – Direct Sales

Using Alinean sales tools have provided solution providers with a differentiating - selling value vs. features, functions and price. The Alinean sales tools were proven to help to drive better executive engagements, make the case for change and quantifiably prove the incremental value of differentiating features helping to drive competitive advantage and additional sales opportunities, increasing competitive win rates by just over 10%.

For the average organization of 200 sales professionals, there are estimated to be some 9,000 overall sales opportunities per year. Using the tools in 20% of the deals can drive win rates up from an average 15% level, to almost 17%, driving an additional 2 deals per month in incremental transactions / 29 per year. With a \$150K average unit price, the competitive improvements resulted in an average \$4.4M in incremental revenue / \$1.1M in incremental margin contribution.

<b>Improve Competitive Advantage - Direct Sales</b>	<b>As Is</b>	<b>Benefits</b>	<b>To Be</b>
Estimated total opportunities per year (derived from deals vs. win rate)	9,333	0.0%	9,333
Percentage of opportunities for which sales tools are used	20.0%		20.0%
Opportunities for which sales tools are used	1,867		1,867
Competitive win rate (annual closed deals / total available deals)	15.00%	10.5%	16.58%
Number of deals won	280	29	309
Average deal size	\$150,000	0.0%	\$150,000
Total revenue or equivalent	\$41,998,500	\$4,423,842	\$46,422,342
Net contribution from incremental revenue	25.00%	0.0%	25.00%
<b>Total margin contribution</b>	<b>\$10,499,625</b>	<b>\$1,105,961</b>	<b>\$11,605,586</b>

## Improve Competitive Advantage – Channel Sales

For channel partners using the tools, a similar competitive advantage as direct sales teams experience can prevail, along with improved loyalty to the vendor's solutions. Those that are easier to sell, and provide competitive advantage will gather increased attention, and selling with business value programs empowered with Alinean sales tools can provide the package the channel partner needs to be successful.

A typical 100 channel partner program generates some 30,000 opportunities per year. Utilizing sales tools on 15% of these deals is estimated to be able to drive a 10% competitive advantage improvement / increase in win rates, and some 47 incremental deals per year. At an average deal size of \$150K, this results in \$7M in incremental revenue and \$1.8M in incremental margin.

<b>Improve Competitive Advantage - Channel Sales</b>	<b>As Is</b>	<b>Benefits</b>	<b>To Be</b>
Estimated total opportunities per year (derived from deals vs. win rate)	30,000	0.0%	30,000
Percentage of opportunities for which sales tools are used	15.0%		15.0%
Opportunities for which sales tools are used	4,500		4,500
Win percentage	10.00%	10.5%	11.05%
Number of deals won	450	47	497
Average deal size	\$150,000	0.0%	\$150,000
Total revenue or equivalent	\$67,500,000	\$7,050,000	\$74,550,000
Net contribution from incremental revenue	25.00%	0.0%	25.00%
<b>Total margin contribution</b>	<b>\$16,875,000</b>	<b>\$1,762,500</b>	<b>\$18,637,500</b>

## Improve Up-Sell and Cross-Sell

Alinean Business Value Selling Solutions often help to promote additional value added services, and additional product bundles and solutions, helping to drive incremental sales by quantifying the value of these add-ons. Revisiting existing customers with value tools can help to prove the value of prior programs, and drive incremental sales based on quantified value achievements.

For a typical solution provider with 1,300 customers, using the tool on an average 20% of the base can result in improved up-sell/cross-sell rates of 25% or more, resulting in 7 additional sales, and an estimated \$.5M in incremental annual revenue.

<b>Improve Up-Sell and Cross-Sell</b>	<b>As Is</b>	<b>Benefits</b>	<b>To Be</b>
Number of customers	1,333	0.0%	1,333
Percentage of customers for which sales tools are used	20.0%		20.0%
Total customer for which sales tools are used	267		267
Average up-sell / cross-sell rate (percentage of total customers)	10.00%	25.0%	12.50%
Annual number of up-sell and cross-sells	27	7	33
Average deal size for up-sell / cross-sell	\$90,000	0.0%	\$90,000
Total revenue or equivalent	\$2,399,400	\$599,850	\$2,999,250
Net contribution from incremental revenue	25.00%	0.0%	25.00%
<b>Total margin contribution</b>	<b>\$599,850</b>	<b>\$149,963</b>	<b>\$749,813</b>

## Reduce Current Spreadsheet-Based Sales Tool Development and Maintenance Costs

Most companies today have and continue to invest in their own self developed, maintained and supported business value sales tools based on spreadsheets developed by SMEs, or customized point solutions developed by interactive marketing companies or specialty providers.

The investment in these current spreadsheet based tools is:

- consumed by making spreadsheets easier to use through macros and VB programming, a task that can be eliminated
- often inefficient use of the SME resources and can be better outsourced to Alinean analyst teams to develop the models and logic

For those organization that purchase different types of tools from multiple providers, the non-standardization and non-centralized purchasing of services and licensing has prove to be at least a 40% higher cost of ownership than those that standardize on Alinean.

These costs varied widely in analyzed organizations, with savings ranging from \$50,000 per year for porting and reducing workload on a single SME developed spreadsheet, to \$750,000 for standardized tool development on the Alinean EnterpriseROI™ platform.

### **About Alinean**

Alinean develops software and solutions to streamline the B2B selling process with business value selling solutions – using ROI/TCO and business case analysis to prove and improve the value of solutions to prospects and customers. The company's founding team pioneered the concept of interactive ROI and TCO software in 1994, developing award-winning solutions for leading B2B vendors and consultants. Its research methodologies and software tools are used by analyst firms and consultancies such as IDC and B2B leaders such as HP, Dell, Microsoft, EMC, Unisys and IBM, and have helped justify billions of dollars in IT spending and derived value. For more information, visit [www.alinean.com](http://www.alinean.com) or call 407.382.0005.

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