

# VALUE DELIVERY SYSTEM

W O R K B O O K



Get crystal-clear on your value proposition and how you will communicate and provide it.

HIGHLAND ROSS





# ABOUT THIS WORKBOOK

Highland Ross developed this workbook as a companion to its workshop series about developing a defensible value delivery system for your business.

Everything important about your business should derive from the work you put into developing your value proposition and value delivery system.

I have made an earnest attempt through this workbook to help you and your company reframe your mission/vision statements in a new way. Please don't cut corners by attempting to draw from your current mission statement or vision statement. That misses the point.

## **Clarity is what we are seeking.**

Similarly, don't go back half a step by attempting to crowbar how you already do things into the value delivery system framework.

Your operations (how you do things) and your branding should follow these exercises, not the other way around. Otherwise, you'll tie yourself in knots trying to justify the status quo.



# Introduction

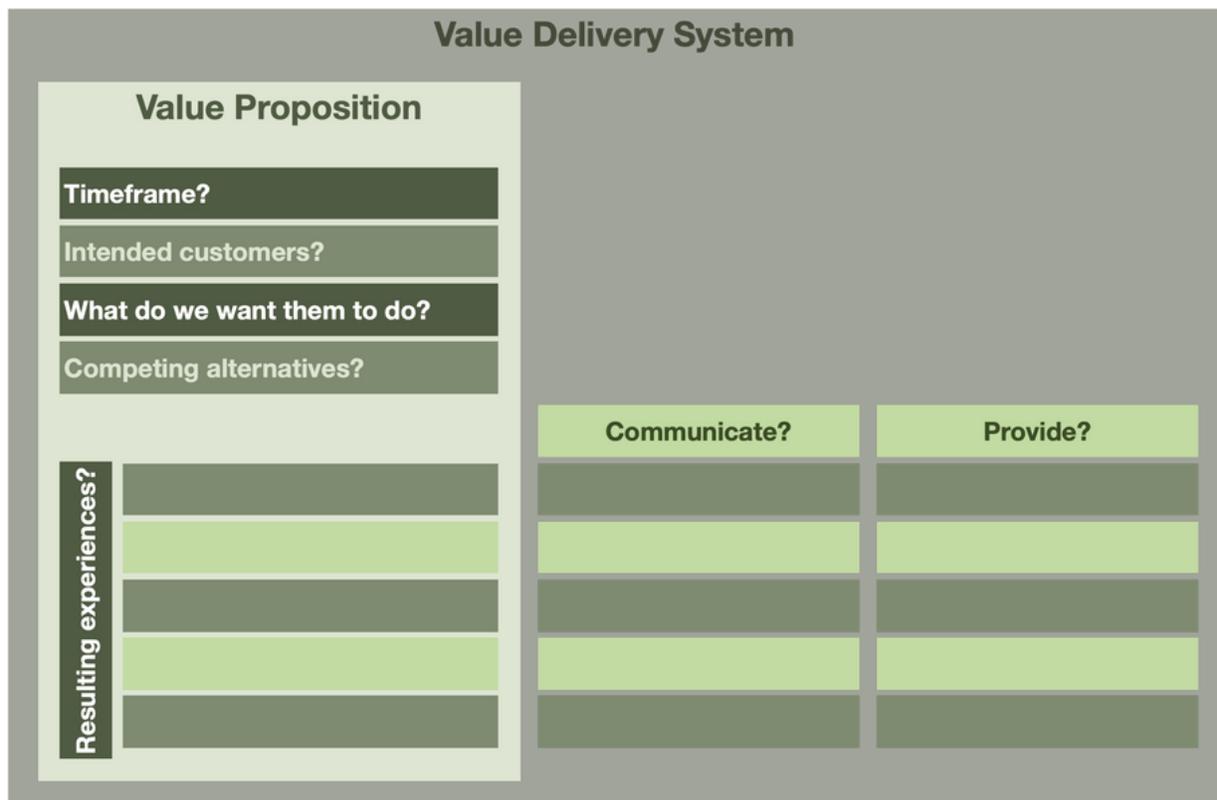
The Value Delivery System framework is the best, most-comprehensive way for small business owners to think about their businesses.

Michael Lanning, author of *Delivering Profitable Value*, first coined the phrases value proposition and value delivery system. I had the opportunity to work with Michael while he was on a consulting engagement for Lithonia Lighting. I have come to believe that his framework is the best way for small business owners to think about their businesses.

Quickly, a value proposition answers five specific questions about who our intended customers are, their alternatives, and what we plan to do for them. We will go into more in-depth detail in a bit. The fifth question seeks to clarify what experiences we wish our intended customers to have as a result of working with us (buying our product, etc. Lanning calls these "resulting experiences," and they are the foundation of the value proposition.

Once we have clearly described these resulting experiences, we turn our attention to determining how we will communicate and provide these experiences. These activities are our company's Value Delivery System.

*What else is there to "business" besides communicating and providing experiences to our intended customers? What else does one need in a business plan, or even a "strategy?"*



# OVERVIEW OF THE STEPS IN THIS WORKBOOK

1

## **DEVELOP YOUR VIDEO ONE**

Create “scenes” of current-day customers of the product or service using products on the market today. (pages 8-15)

2

## **DEVELOP YOUR VIDEO TWO**

Imagine an improved "video" for your intended customers. (pages 16-25)

3

## **SPELL OUT YOUR VALUE PROPOSITION**

Detail five questions - time frame, intended customers, what we want them to do, competing alternatives, and resulting experiences. (pages 26-34)

4

## **ISOLATE EACH RESULTING EXPERIENCE**

Fully explore each experience you want your customer to have as a result of working with you. (pages 35-44)

5

## **DEVELOP HOW YOU WILL COMMUNICATE THESE EXPERIENCES**

Determine how you will make customers understand what those experiences are and why they should believe you can make them a reality. (45-53)

6

## **DETERMINE HOW YOU WILL PROVIDE THESE EXPERIENCES**

Identify how you will ensure the customer indeed has these experiences. (pages 54-64)

7

## **BRIDGE YOUR CAPABILITIES GAPS**

Develop plans to develop all of the capabilities needed to execute upon your value delivery system. (pages 75-79)

8

## **DEVELOP A FINANCIAL MODEL**

Develop a revenue plan, identify the resources needed, and estimate their costs. (pages 80-90)



# PARKING LOT FOR IDEAS

Use these pages to keep track of ideas that pop up as you go through these exercises. If you like, create an index of these notes to help you go back to the notes and find your original idea (whether in your journal, on your phone, or even elsewhere in these pages). Make this workbook *work* for you!

## IDEA

## INDEX




# 1. DEVELOP YOUR VIDEO ONE

Create some “scenes” of current day customers of the product or service using the product or engaging with the service which are on the market today. Create hum-drum, everyday interactions of people using these products. This activity has two direct benefits. First, it helps “set the stage” or the current situation, which is tremendously useful in storytelling (and pitching). Second, and more importantly, it can help uncover experiences that aren’t all that great with the status quo. Many times, we have taken these inferior experiences for granted for a long time. In such cases, we have likely adapted our behavior to compensate for the inferior experience, and we take our own actions and process steps for granted, too. (I.e., the old joke about the grandmother who cuts the pot roast in two before placing it in the oven).

The first (virtual) tape would capture a typical current scenario for the customer under study. What are they trying to accomplish, what obstacles do they encounter and how do they cope with those obstacles?

So, in this exercise, write some “scenes” of everyday life with the current products and services, looking at customers using them and interacting with them in the normal ways.

Use the following pages for a many "scenes" you think you might need to adequately describe the current state within your market.

Use full narrative descriptions of each scene. Stay away from bullet points. They won't capture nearly enough context to fully understand the scene.

## ***Focus On Both The Destination And The Journey***

**The Destination** - Understand the customer's objective in each scene. What did they hope or intend to accomplish? Why, for what further purpose? Accept these objectives without judgment.

**The Journey** - Then, ask what happened in this scene relative to the customer's objective. What was successful, and what was sub-optimal? The scene might reveal various forms of compromise, waste, frustration, failure, or near-failure.

Is the whole scene really a success if the customer accomplished his objective but had many sources of frustration along the way?

## **VIDEO ONE, "SCENE" ONE**

Provide a description of the customer, what is he doing, what is he trying to accomplish, etc. Explore just one “process” in what might be a series of steps. Be sure to fully describe the full experience of this scene. Include physical, tangible experiences as well as emotional ones.

### **INFERIOR EXPERIENCES UNCOVERED, IF ANY:**

(Note these on the master list on page 15, as well)

## **VIDEO ONE, "SCENE" TWO**

Describe perhaps a different kind of customer, perhaps another step in the process of using the product or service.

**INFERIOR EXPERIENCES UNCOVERED, IF ANY:**

(Note these on the master list on page 15, as well)

## VIDEO ONE, "SCENE" THREE

### **INFERIOR EXPERIENCES UNCOVERED, IF ANY:**

(Note these on the master list on page 15, as well)

## VIDEO ONE, "SCENE" FOUR

### **INFERIOR EXPERIENCES UNCOVERED, IF ANY:**

(Note these on the master list on page 15, as well)

## VIDEO ONE, "SCENE" FIVE

### **INFERIOR EXPERIENCES UNCOVERED, IF ANY:**

(Note these on the master list on page 15, as well)



# MASTER LIST OF INFERIOR EXPERIENCES

Clearly identify any inferior experiences highlighted in the “scenes” described above. Later, we will imagine these same scenes and processes, but in ways that have greatly improved upon or even eliminated entirely these inferior experiences. For now, just give a name to each inferior experience that you’ve unearthed in this exercise. Index this list if you would find it helpful.

## INFERIOR EXPERIENCES

## INDEX




# 2. DEVELOP YOUR VIDEO

## TWO

Imagine an improved set of "videos" for your intended customers.

Review your master list of inferior experiences from the previous exercise.

Reflect on what the customer was trying to accomplish through the scene. Ask yourself if that intermediate goal exists for a solid reason, or whether it is a work-around to compensate for a deficiency upstream or downstream.

The main question here is: ***"What would we make happen in the life of the customer if our sole objective were to solve problems posed in the previous video?"***

You must imagine a credible set of scenes that you suspect your company could bring about profitably. Through this activity, you must ask whether your firm has the capabilities to make this chain of events happen. If not, could you build those capabilities?

At the same time, it would be helpful to think like a child, unencumbered with pre-conceived ideas about what can and cannot be done. Forget the constraints of bookish corporate strategy. Ignore the latest "voice of the customer" research.

Instead, simply ask how we can improve to the greatest extent possible the life of the customer in these scenarios.

The output of this Video Two workstream is a clearly defined set of resulting experiences.

## HOW DIFFERENT? WHAT KIND OF DIFFERENT?

When imagining a new set of experiences, you might be tempted to think about a radical change from the status quo. For what it's worth, Michael Lanning felt led to include this quote in his book. It clearly supports imagining something wildly different.

|| In the airline industry, conventional thinking held that a hub-and-spokes route structure was far superior to a point-to-point network...Once one discovers the conventions, then one can ask if there is any value in ignoring them. Southwest Airlines became the most profitable in the US by ignoring the hub-and-spoke convention. Contrarians find these conventions and use them as weapons against orthodox-ridden incumbents. To discover the future it is not necessary to be a seer, but it is absolutely vital to be unorthodox. ||

- Gary Hamel and C.K. Prahalad, Competing for the Future

**There is certainly wisdom in this line of thinking. I'd like to offer a countering quote to encourage you that radical thinking isn't the only way to build a business.**

|| You don't need to rack your brain necessarily trying to find something nobody has ever done before. That's not the point. Just do anything really better than it's ever been done before. Create new methods, benefits, and features others haven't even thought of yet. Don't squander your intellectual equity on creating a new product or service if no one wants it. Invest instead on improving upon something that exists by romancing it to a new level of excellence. ||

- Mike Vance and Diane Deacon, Think Out of the Box

## HOW DIFFERENT? WHAT KIND OF DIFFERENT?

Surely you did not hatch your idea or start your business to become a same-old-same-old thing. Before gathering your ideas for Video Two, give some serious thought to whether you consider your concept:

### **Unorthodox**

or

### **Romancing to new levels of excellence**

This would imply you have discovered a wholly new process rendering everything about the status quo obsolete. Many of the old steps in the process go away entirely, taking the baggage of inferior experiences with them.

In this case, you might simply be able to pick apart and improve upon your previously identified inferior experiences, one by one.

## LIFE IS A SERIES OF TRADE-OFFS

The essence of business strategy is making trade-offs. Your solution won't likely be all rainbows and puppies. There will be things about your idea that are worse than the other ideas out there. Hopefully, you provide enough experiences that are relatively better than your competition to render those one or two new negative consequences, well, inconsequential.

Perhaps your idea requires your customer to do something different initially or to change their way of thinking about their goal entirely differently. One classic example of a trade-off can be seen if you are asking your customer to pay more for your product or service than your competitors are asking. In this case, you must ensure you are delivering positives to counteract that one negative. Otherwise, nobody will buy from you.

As you consider new experiences, determine whether each experience is, in isolation, better, worse, or about the same as the competition. Note this with a simple +, -, or = notation.

Remember, as you are going through these exercises, to index / jot down any spontaneous ideas in the Parking Lot on page 6.

## **VIDEO TWO, "SCENE" ONE**

Similar to Video One, describe the customer, what is he doing, what is he trying to accomplish, etc. You don't need to describe the difference between the status quo and your new reality.

Instead, let your narrative reveal that difference. Explore just one “process” in what might be a series of steps. Be sure to fully describe the full experience of this scene. Include physical, tangible experiences as well as emotional ones.

**STATE IN CLEAR TERMS ANY NEW EXPERIENCES**

(Note these on the master list on page 25, as well)

## **VIDEO TWO, "SCENE" TWO**

Describe perhaps a different kind of customer, perhaps another step in the process of using the product or service.

**STATE IN CLEAR TERMS ANY NEW EXPERIENCES**

(Note these on the master list on page 25, as well)

## VIDEO TWO, "SCENE" THREE

**STATE IN CLEAR TERMS ANY NEW EXPERIENCES**

(Note these on the master list on page 25, as well)

## VIDEO TWO, "SCENE" FOUR

**STATE IN CLEAR TERMS ANY NEW EXPERIENCES**

(Note these on the master list on page 25, as well)

## VIDEO TWO, "SCENE" FIVE

**STATE IN CLEAR TERMS ANY NEW EXPERIENCES**

(Note these on the master list on page 25, as well)



# MASTER LIST OF NEW EXPERIENCES

Clearly identify all of the new experiences you have described in the “scenes” in Video Two. While the scenes are much longer narrative descriptions, summarize each new experience here in easy-to-understand, plain language. No buzzwords or vague, meaningless platitudes. Indicate whether each experience is relatively better than, worse than, or equal to competing options. Index this list if you would find it helpful.

**NEW EXPERIENCES**

**+ / - / =**

**INDEX**




# 3. SPELL OUT YOUR VALUE PROPOSITION

As mentioned at the beginning of this workbook, a company's value proposition answers five very specific questions:

1. What is this value proposition's timeframe?
2. Who are the intended target customers?
3. What do we want these intended customers to do?
4. What competing alternatives do they have?
5. What experiences will they have as a result of doing what we ask?

Later, we will turn this value proposition into a value delivery system.

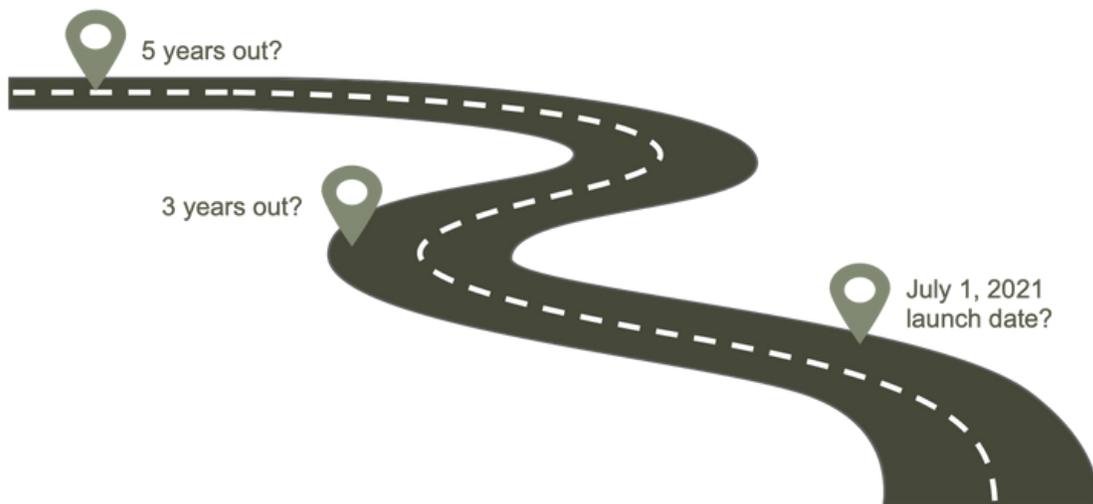
On the next pages, we will dive deeply into answering each of these five questions.

## WHAT IS THIS VALUE PROPOSITION'S TIMEFRAME?

*Commit to a specific timeframe, whether “right now” or some time in the future.*

Spelling out your company's time horizon helps you set SMART goals (the T, Timebound in the acronym). Specifying a timeframe for your value proposition enables you to think through your short-term and long-term goals.

Thinking about long-term goals causes you to consider gaps in capabilities to address. You will be able to think and communicate more clearly by distinguishing between short-term and long-term propositions. Trying to develop a single value proposition that straddles both timeframes will cause you to generalize. Specificity here is the key.



**WHAT IS YOUR VALUE PROPOSITION'S TIMEFRAME?**

## **WHO ARE THE INTENDED TARGET CUSTOMERS?**

*Identify specific end-use consumers for this value proposition. You may also need to develop value propositions for channel intermediaries.*

Identify the target customers at whom you are directing this value proposition. Again, specificity is the key. Which consumers? The question is not "who uses the product or service now and who wants it." After all, your intended customers might have no idea that your organization or your products and services even exist. This might be because you are alleviating a problem in a possibly new, unheard-of way.

Similarly, asking such "who wants our product" locks you into old thinking; it presumes that the only way to skin a cat is with the kind of product or service already available.

This guide's approach asks you to identify the deeper root-cause problems in customers' lives, not the superficial symptoms the current market offerings attempt to address.

***Avoid getting twisted up in demographics, psycho-graphics, and customer "avatars." Instead, cast your target customers in terms of the problems they are trying to solve.***

## WHO ARE THE INTENDED TARGET CUSTOMERS?, CONTINUED

### **It Is Not Always Obvious**

The most important customer is not always obvious. Consider a sports equipment business trying to capitalize on team sales. The end-use customer will be the player using the equipment (bats, helmets, gloves, etc.). However, the parents, coaches, and club organizers play a role in the purchasing decision, too. They likely have conflicting goals with the end-use players.

**WHO ARE YOUR INTENDED TARGET CUSTOMERS?**

## WHAT DO WE WANT THESE INTENDED CUSTOMERS TO DO?

*In addition to buying our product or service, what other behaviors do we need our intended customers to exhibit?*

Life is a series of tradeoffs, and your value proposition is no different. You may want your intended customers to buy your stuff at your prices, but you may also need them to change their routines or operations to gain the full benefit of your value proposition.

Consider some coffee companies who have suggested that their target customers behave differently:

- Starbucks suggested people drink their coffee and lounge in their storefronts instead of using Mr. Coffee at home.
- Keurig suggested replacing our Mr. Coffee with expensive new coffee-making contraptions for our kitchen counters AND buying expensive single-use coffee pods.
- Uber has upended the taxi-cab industry.
- GrubHub and its competitors are changing the way we eat out.
- Social media companies have changed the way we take, process, and share our photos.

## **WHAT DO WE WANT THESE INTENDED CUSTOMERS TO DO?, CONTINUED**

Heading into Spring, I noticed that the Scott seed company had launched a lawn maintenance subscription service. Scott will ship fertilizer and other lawn maintenance chemicals your lawn needs to your door at JUST THE RIGHT TIME. They want me to fire my expensive lawn maintenance company and subscribe to their plan instead. Scott also wants to save you a few trips to the big box home care centers.

Consider also what these companies need their channel partners to do differently. For example, Keurig wants grocery stores to allot shelf space for K-Cups boxes next to ordinary coffee bags and cans. Keurig also needs mail-order coffee companies to offer their blends in pod form.

How is Keurig enticing online and brick-and-mortar stores into carrying coffee pods?

You must describe precisely what you need your intended customers to do in return for the experiences you promise (described later).

**WHAT DO WE WANT THESE INTENDED CUSTOMERS TO DO?**

## WHAT DO WE WANT CUSTOMERS TO DO, CONTINUED?

## **WHAT COMPETING ALTERNATIVES DO THEY HAVE?**

*Consider traditional competition, different technologies, and even the “do nothing” option.*

### **Not Just “Competitive Analysis”**

Competitive analysis typically means understanding who your competitors are, their products, how they go to market, pricing, cost structure, and capabilities. It is usually a good thing to develop this understanding. You must go further, though. You must understand all of the options available to your intended customers.

### **Other Technologies**

The competitors who do precisely what you do are obvious. Don't forget that your intended customers might choose to accomplish the same result via completely different means or different technology. Recently, chemical companies competing for swimming pool market share of chlorine products might have asked lots of questions about producing and supplying chlorine in various forms (powder, liquid, gas) to make the pool manager's job easier. Some of those chemical suppliers might have been surprised to learn that pool managers were installing saltwater systems to purify the water in their pools.

### **Do Nothing**

Lastly, keep in mind that your intended customers can always “do nothing.” They may choose to live with their assorted aches and pains and troubles, considering them minor in comparison to what your company and others are suggesting.

## WHAT COMPETING ALTERNATIVES DO THEY HAVE?



# 4. ISOLATE EACH RESULTING EXPERIENCE

With the previous four questions as context, you must decide what experiences your intended customers will have as a result of working with your company.

Answer this question in actionable, unambiguous terms. It requires disciplined choice. Please do not fall into the trap of conjuring everything customers might want you to deliver, because customers are an unimaginative lot and may not know what they want.

Similarly, you must go beyond listing the things at which you think your company is good. After all, the best competing value proposition might not even include those things.

In the same vein, go beyond your current products and services.

Spell out the entire list of experiences, including price, and including equal or inferior experiences. Remember, strategy requires making tradeoffs.

## ISOLATE EACH RESULTING EXPERIENCE, CONTINUED

Ensure that each of your experiences:

- Describes an event or series of events in the life of the customer
- Results from the customer doing what you propose
- Has some resulting consequence for the customer compared to her alternatives
- Has some value to the customer
- Is stated in specific, measurable terms

Regarding that last bullet point, give serious thought to what the "metric" might be by which you measure whether or not your company is delivering this experience. The work that you are putting into this workbook is essentially setting up an "experiment." Your "hypothesis" is that if we do all of these things, we will be a profitable company, and customers will love us, etc.

Part of setting up an experiment to spelling out how you know whether "it" worked or not. How will you know if you performed the experiment correctly? It might have been that your team was lazy in setting all the dials and levers. On the other hand, it is also possible that you had everything arranged just so, but something else happened. You can get valuable information in either case. Make sure you build in a plan to get that information.

Similarly, your "experiment" might work beautifully for all the right reasons, and your hopes and dreams are validated. But, you should also know whether your experiment worked in some part due to luck.

## ISOLATE EACH RESULTING EXPERIENCE, CONTINUED

Resulting experiences ARE NOT:

- A description of your company, your vision (though important), or your culture
- A summary of your products or services, processes, or resources
- A vague, ambiguous topic or platitude

I had to look up the word “platitude” when I read it in *Delivering Profitable Value* and found this online:

*A remark or statement, especially one with a moral content, that has been used too often to be interesting or thoughtful.*

***So, a resulting experience IS NOT:***

- superior
- total
- outstanding or unsurpassed quality
- service
- satisfaction
- performance
- convenience
- partnership
- reliability
- timeliness
- productivity
- responsiveness

|| Speaking in jargon carries penalties in a society that values speech free from esoteric, incomprehensible bullshit. Speaking over people’s heads may cost you a job or prevent you from advancing as far as your capabilities might take you otherwise. ||

- Carmine Gallo

## WHAT EXPERIENCES WILL THEY HAVE AS A RESULT?

Refer back to page 25 for the master list you compiled through developing Video Two.

### Experience 1

#### Checklist:

	Yes	No
Does this experience describe an event or series of events in the life of the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Does it result from the customer doing what you propose?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some resulting consequence for the customer compared to her alternatives?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some value to the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Is it stated in specific, measurable terms?	<input type="checkbox"/>	<input type="checkbox"/>

## WHAT EXPERIENCES WILL THEY HAVE AS A RESULT?

Refer back to page 25 for the master list you compiled through developing Video Two.

### Experience 2

#### Checklist:

	Yes	No
Does this experience describe an event or series of events in the life of the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Does it result from the customer doing what you propose?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some resulting consequence for the customer compared to her alternatives?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some value to the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Is it stated in specific, measurable terms?	<input type="checkbox"/>	<input type="checkbox"/>

## WHAT EXPERIENCES WILL THEY HAVE AS A RESULT?

Refer back to page 25 for the master list you compiled through developing Video Two.

### Experience 3

#### Checklist:

	Yes	No
Does this experience describe an event or series of events in the life of the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Does it result from the customer doing what you propose?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some resulting consequence for the customer compared to her alternatives?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some value to the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Is it stated in specific, measurable terms?	<input type="checkbox"/>	<input type="checkbox"/>

## WHAT EXPERIENCES WILL THEY HAVE AS A RESULT?

Refer back to page 25 for the master list you compiled through developing Video Two.

### Experience 4

<b>Checklist:</b>	<b>Yes</b>	<b>No</b>
Does this experience describe an event or series of events in the life of the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Does it result from the customer doing what you propose?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some resulting consequence for the customer compared to her alternatives?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some value to the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Is it stated in specific, measurable terms?	<input type="checkbox"/>	<input type="checkbox"/>

## WHAT EXPERIENCES WILL THEY HAVE AS A RESULT?

Refer back to page 25 for the master list you compiled through developing Video Two.

### Experience 5

<b>Checklist:</b>	<b>Yes</b>	<b>No</b>
Does this experience describe an event or series of events in the life of the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Does it result from the customer doing what you propose?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some resulting consequence for the customer compared to her alternatives?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some value to the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Is it stated in specific, measurable terms?	<input type="checkbox"/>	<input type="checkbox"/>

## WHAT EXPERIENCES WILL THEY HAVE AS A RESULT?

Refer back to page 25 for the master list you compiled through developing Video Two.

### Experience 6

Checklist:	Yes	No
Does this experience describe an event or series of events in the life of the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Does it result from the customer doing what you propose?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some resulting consequence for the customer compared to her alternatives?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some value to the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Is it stated in specific, measurable terms?	<input type="checkbox"/>	<input type="checkbox"/>

## WHAT EXPERIENCES WILL THEY HAVE AS A RESULT?

Refer back to page 25 for the master list you compiled through developing Video Two.

**Price Trade-Off -** Be sure to spell out in clear terms how your pricing will compare to competing alternatives.

<b>Checklist:</b>	<b>Yes</b>	<b>No</b>
Does this experience describe an event or series of events in the life of the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Does it result from the customer doing what you propose?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some resulting consequence for the customer compared to her alternatives?	<input type="checkbox"/>	<input type="checkbox"/>
Does it have some value to the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Is it stated in specific, measurable terms?	<input type="checkbox"/>	<input type="checkbox"/>

# 5. DEVELOP HOW YOU WILL COMMUNICATE THESE EXPERIENCES

Determine how you will make customers understand what those experiences are and why they should believe you can make them a reality.

The previous five questions combine into a true VALUE PROPOSITION. Now, let's dive into how the Value Proposition fits into the larger, more encompassing VALUE DELIVERY SYSTEM.

The difference between the two is that the Value Delivery System describes how we will communicate and provide the resulting experiences. Carving out your value delivery system is the essence of strategy and organizational alignment. You must make sure that the things your company does in marketing, sales, customer service, and operations ALIGN with your value proposition.

We have to communicate that the intended customer will gain these experiences if he does as we propose. The content of the message - facts, logic, evidence - help the customer understand the experience, its value and the reasons to believe it will happen.

Methods for carrying your message to your intended customers might include:

- an advertising campaign,
- a product's appearance,
- packaging,
- a trade show,
- word-of-mouth,
- public relations

### **Social Media**

Lanning wrote this book in 1998, well before LinkedIn ('02) and Facebook ('04) were launched, so make sure you consider social media as new ways of connecting with your targets.

### **Capabilities Gaps**

As you are going through this section, you may uncover some activities which are needed, but which you currently don't have the capability to execute. Note any capabilities required and whether you have those capabilities at the bottom of each of the following pages.

## **HOW WILL YOU COMMUNICATE EXPERIENCE 1?**

Paraphrase (or copy) your Experience 1 from the previous section.

How will you make your intended customers understand what this experience is?

How will you make your intended customers believe this experience will happen to them?

## **WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?**

(Note any capability gaps on the master list on page 64)

## HOW WILL YOU COMMUNICATE EXPERIENCE 2?

Paraphrase (or copy) your Experience 2 from the previous section.

How will you make your intended customers understand what this experience is?

How will you make your intended customers believe this experience will happen to them?

## WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?

(Note any capability gaps on the master list on page 64)

## HOW WILL YOU COMMUNICATE EXPERIENCE 3?

Paraphrase (or copy) your Experience 3 from the previous section.

How will you make your intended customers understand what this experience is?

How will you make your intended customers believe this experience will happen to them?

## WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?

(Note any capability gaps on the master list on page 64)

## **HOW WILL YOU COMMUNICATE EXPERIENCE 4?**

Paraphrase (or copy) your Experience 4 from the previous section.

How will you make your intended customers understand what this experience is?

How will you make your intended customers believe this experience will happen to them?

## **WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?**

(Note any capability gaps on the master list on page 64)

## **HOW WILL YOU COMMUNICATE EXPERIENCE 5?**

Paraphrase (or copy) your Experience 5 from the previous section.

How will you make your intended customers understand what this experience is?

How will you make your intended customers believe this experience will happen to them?

## **WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?**

(Note any capability gaps on the master list on page 64)

## **HOW WILL YOU COMMUNICATE EXPERIENCE 6?**

Paraphrase (or copy) your Experience 6 from the previous section.

How will you make your intended customers understand what this experience is?

How will you make your intended customers believe this experience will happen to them?

## **WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?**

(Note any capability gaps on the master list on page 64)

## HOW WILL YOU COMMUNICATE YOUR PRICING AND TRADE-OFFS?

### **Special Note:**

Pricing is a somewhat different dimension than the other experiences, but still must be communicated effectively.

If your pricing is relatively higher than competing alternatives, you must ensure that the basket of other experiences is superior.

On the other hand, if you intend your pricing to be less than competing alternatives, you may need to creatively articulate those trade-offs to the customer, as well.

How would you characterize the trade-offs embedded in this value proposition?

How will you communicate the trade-offs involved?

## WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?

(Note any capability gaps on the master list on page 64)



# 6. DETERMINE HOW YOU WILL PROVIDE THESE EXPERIENCES

Identify how you will ensure the customer indeed has these experiences.

We must actually provide or deliver these experiences to the customer; that is, we must make sure that the customer indeed has these experiences. We must make them happen.

In most businesses, a product or a service is the main thing that provides the experience. However, it is the RESULT of the product, and not the product itself that matters. Other ways to provide an experience might include:

- packaging,
- a service that maintains a product,
- a customer training program,
- an instruction manual,
- an order fulfillment process,
- a distribution network

## Understanding Your Product In The Proper Context

Be wary of placing too much emphasis on THE PRODUCT you have invented or the service you endeavor to deliver. Take heed this quote:

|| Experiences are not useful because they help sell a product; products are useful because they help provide experiences. ||

- Michael Lanning, Delivering Profitable Value

Have you ever seen slogans to the effect that "we are a product-based or a service-based company?" It is possible that a company touting such a slogan has lost sight of its reason for existence.

A company doesn't make products for the sake of making products. On a certain level, you might say, no, they make products to *sell* into the marketplace. Well, yeah...and to make a profit, too. Obviously. Go deeper. The reason a company makes (and sells) its products is to bring about certain experiences in their customers' lives.

## **The Unboxing**

On the subject of packaging, Apple and other companies making electronic devices have put much thought and engineering into the experiences a customer has when she opens the box for the first time. Industry pundits call this the unboxing experience.

Sales people at your local Verizon or AT&T store are trained, once they've sold a new cell phone, to hand the box to the customer to allow her to soak up the experience of unboxing.

The slow whoosh of the silky printed box lid and bottom and smoothy taking off the protective cover can seem downright erotic (at least to some people, anyway).

Then, she might hand the phone back to the sales rep to assist with bringing over all her data from her old phone.

*Do you see how the engineering of a simple package can provide an experience of excitement?*

## **Capabilities Gaps**

Just as in the previous section, you may uncover some activities which are needed, but which you currently don't have the capability to execute. Note any capabilities required and whether you have those capabilities at the bottom of each of the following pages.

## HOW WILL YOU PROVIDE EXPERIENCE 1?

Paraphrase (or copy) your Experience 1 from Section 4.

How will you ensure this experience happens?

Via:

- A product?
- Packaging?
- A service that maintains a product,?
- A customer training program?
- An instruction manual?
- An order fulfillment process?
- A distribution network?
- Some other way?

## WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?

(Note any capability gaps on the master list on page 64)

## HOW WILL YOU PROVIDE EXPERIENCE 2?

Paraphrase (or copy) your Experience 2 from Section 4.

How will you ensure this experience happens?

Via:

- A product?
- Packaging?
- A service that maintains a product,?
- A customer training program?
- An instruction manual?
- An order fulfillment process?
- A distribution network?
- Some other way?

## WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?

(Note any capability gaps on the master list on page 64)

## HOW WILL YOU PROVIDE EXPERIENCE 3?

Paraphrase (or copy) your Experience 3 from Section 4.

How will you ensure this experience happens?

Via:

- A product?
- Packaging?
- A service that maintains a product,?
- A customer training program?
- An instruction manual?
- An order fulfillment process?
- A distribution network?
- Some other way?

## WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?

(Note any capability gaps on the master list on page 64)

## HOW WILL YOU PROVIDE EXPERIENCE 4?

Paraphrase (or copy) your Experience 4 from Section 4.

How will you ensure this experience happens?

Via:

- A product?
- Packaging?
- A service that maintains a product,?
- A customer training program?
- An instruction manual?
- An order fulfillment process?
- A distribution network?
- Some other way?

## WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?

(Note any capability gaps on the master list on page 64)

## HOW WILL YOU PROVIDE EXPERIENCE 5?

Paraphrase (or copy) your Experience 5 from Section 4.

How will you ensure this experience happens?

Via:

- A product?
- Packaging?
- A service that maintains a product,?
- A customer training program?
- An instruction manual?
- An order fulfillment process?
- A distribution network?
- Some other way?

## WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?

(Note any capability gaps on the master list on page 64)

## HOW WILL YOU PROVIDE EXPERIENCE 6?

Paraphrase (or copy) your Experience 6 from Section 4.

How will you ensure this experience happens?

Via:

- A product?
- Packaging?
- A service that maintains a product,?
- A customer training program?
- An instruction manual?
- An order fulfillment process?
- A distribution network?
- Some other way?

## WHAT CAPABILITIES ARE REQUIRED? HOW GOOD ARE WE?

(Note any capability gaps on the master list on page 64)

## HOW WILL YOU PROVIDE THE PRICING AND TRADE-OFFS?

Paraphrase (or copy) this experience from Section 4.

### **Special Note:**

"Providing a trade-off" might seem like an odd phrase. Give serious attention to the trade-offs you propose for your target customers. If yours is a "value" type of trade-off, whereby you offer a product stripped of features for a lower price relative to the competing alternatives, say so. Set the pricing as a value product and "value engineer" it while maintaining acceptable quality.

On the other hand, if yours is a "prestige" play, set the price accordingly and engineer your product to be best-in class.

Beware of deluding yourself into thinking your value proposition carries no trade-offs for the customer to make. You will not be the lowest cost / highest quality / best service proposition out there merely by wishing (and talking) it so.

What are the things you will do intentionally to occupy a given space in a price / quality matrix and to own that space? Perhaps you have already mentioned such things in previous sections. Is there anything that "didn't quite fit" in earlier sections?

# MASTER LIST OF CAPABILITIES GAPS

The bottom of each page of the Communicate and Provide sections asked you a gut-check question, "how good are we at bringing about this experience." If you have identified any processes or programs which will be required to communicate or provide one or more experiences for which your organization lacks capabilities, you must determine how you will fill that gap.

**CAPABILITY REQUIRED**  
*(WHICH WE CURRENTLY DON'T HAVE)*

**INDEX**




# Summarizing Your Work

|| Looking critically at groupings of ideas requires hard work - indeed it is the essence of the thinking process - which is no doubt why it is so often ignored. ||

- Barbara Minto

Now that you done all of this heavy lifting, we should organize all of this information into a simple to understand "framework." Doing so will help reinforce the importance and context of each element you have described. Further, it will help you (and others) see how each element relates to the others and to the entire framework. First, here's a short primer on summarizing things.

## GROUPINGS OF IDEAS - THE MAGIC NUMBER SEVEN

**Think about your ideas as individual blocks in a pyramid.**

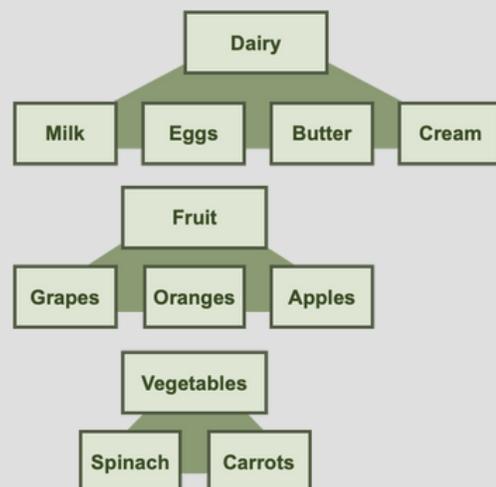
The human mind cannot hold more than about seven items in its short-term memory. As the number of items with which it is being presented begins to rise above four or five, it starts to group them into logical categories so that they can be retained.

Imagine your spouse rattles off the following items, in quick succession, for you to pick up at the grocery store:

Grapes	Eggs	Butter
Milk	Carrots	Apples
Spinach	Oranges	Sour Cream

If you're like me , you'll be lucky to come back with the grapes and the sour cream. Perhaps you noticed these items might fall into three categories; dairy, fruit, and vegetables.

Summarizing your nine items into three groups and visualizing them as pyramids helps you remember them. Now you only need to remember three groups. Each grouping then suggests the items below it.



## **GROUPINGS OF IDEAS - THE MAGIC NUMBER SEVEN, CONT.**

Mental processes like thinking, remembering, and problem solving use this grouping and summarizing process. Think of the information in a person's mind as one giant conglomeration of related pyramids. If you think about communicating to that mind, you will want to ensure that what you say will fit somewhere into the existing pyramids.

You can “see” these groupings of items clearly. To communicate them means to ensure that the other person “sees” them in the same way. But, as was the case with your spouse, you can only present them one at a time.

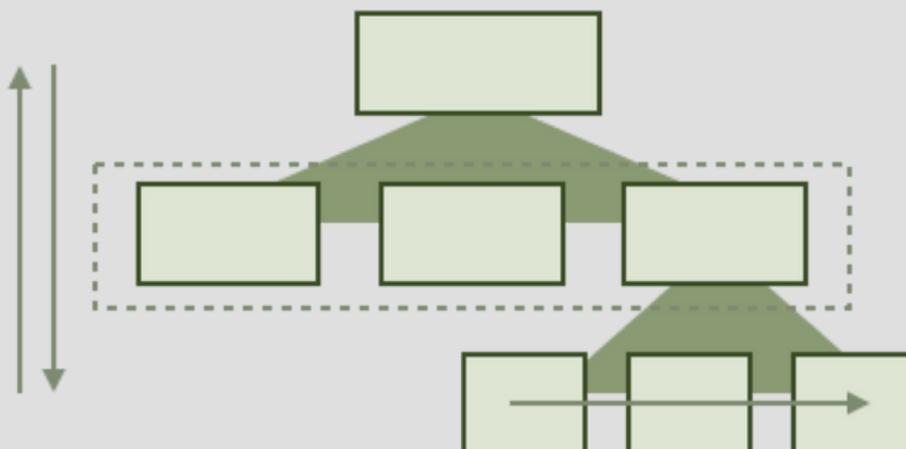
So, the best way to communicate your ideas is to present the category first and then the items.

***Controlling the sequence in which you present your ideas is the single most important act necessary in clear writing. The clearest sequence is always to give the summarizing idea before you give the individual ideas being summarized.***

## GROUPINGS OF IDEAS - PYRAMID RULES

You can be sure whether your groupings of ideas are structurally (logically) sound by checking to see whether your ideas relate to each other in a way that permits them to form a pyramid. Your ideas must obey three rules:

- First** Ideas in any level of the pyramid must always be **summaries** of the ideas grouped below them. Likewise, ideas below must always **support** the ideas above.
- Second** Ideas in each grouping must always be the **same kind of idea**. Be sure you can clearly label the ideas with a plural noun. Bananas, apples, and pears can be summarized as...fruit. It would be difficult to summarize bananas, integrity, and velocity.
- Third** Ideas in each grouping must always be **logically ordered** (biggest to smallest, sequence of events, order of importance, etc.). There must be a specific reason why the second idea comes second, and cannot come first or third.

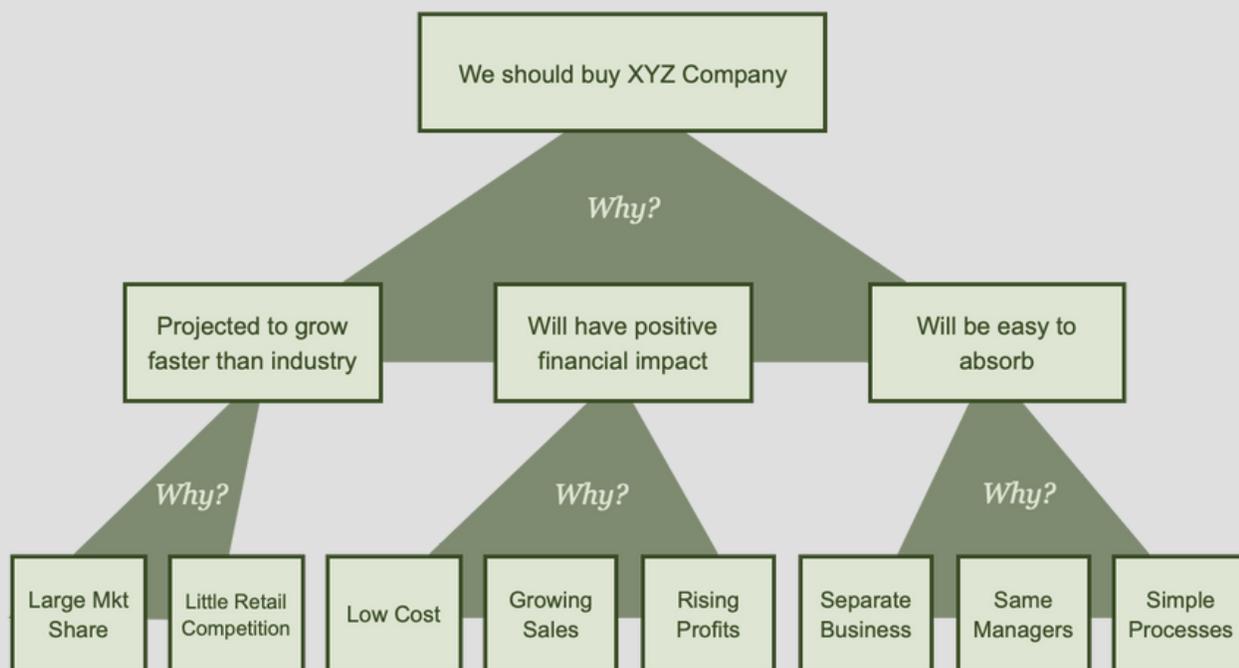


## GROUPINGS OF IDEAS - QUESTION & ANSWER DIALOG

Each block (box) of the pyramid contains an idea, which is a statement that raises a question in the reader's mind. Identify the question you wish to raise, and then proceed to answer that question in the boxes below.

Making a statement to a reader that tells him something he does not know should automatically raise a logical question in his mind (why?, how?, why do you say that?, etc.). You should then answer that question. Since you will still be telling the reader things he does not know, you will raise further questions that must again be answered.

You will continue to write, raising and answering questions until you reach a point at which you judge the reader will have no more logical questions (not that the reader necessarily agrees with you; simply that he follows your logic).



## **GROUPINGS OF IDEAS - QUESTION & ANSWER DIALOG, CONT.**

Once you have sufficiently answered all the logical questions, you then move back up in your pyramid to continue wrestling the original question raised by the point in the top box.

## **INSTRUCTIONS FOR SUMMARIZING YOUR VALUE DELIVERY SYSTEM**

For each of the answers you developed in Sections 3 and 4, summarize each into a short subject and predicate sentence fragment. I don't want to limit your number of words or characters like Twitter, but I do want you to distill each of your long form answers into a summary statement. Use the next two pages for your summaries. I have included the page numbers in this workbook to help you find each of your long form answers.

# Our Business' Complete Value Delivery System

**What is your time horizon?**

(page 27)

**Who are your intended customers?**

(page 29)

**Who do you want your intended customers to do?**

(pages 31-32)

**What are your intended customers' competing alternatives?**

(page 34)

**How will you PROVIDE these experiences?**

(page 57)

**How will you COMMUNICATE these experiences?**

(page 47)

**What experiences will your intended customers have as a result?**

(page 38)

(page 58)

(page 48)

(page 39)

(page 59)

(page 49)

(page 40)

(page 60)

(page 50)

(page 41)

(page 61)

(page 51)

(page 42)

(page 62)

(page 52)

(page 43)

(page 63)

(page 53)

(page 44)

**Experience 7  
(Price Trade-Off)**

## **SUMMARIZE THIS VALUE DELIVERY SYSTEM**

Can you now create a summary statement of this entire Value Delivery System (the grid on the two previous pages)?

Refer back to page 37 on what a value proposition *isn't*. Ensure that your summary statement is free of buzzwords, jargon, and vague, meaningless platitudes.

This time around, try to write a few relatively short but complete sentences.

**WRITE YOUR OVERALL VALUE DELIVERY SYSTEM SUMMARY**

# *Does That Statement You Just Wrote Look Like a Vision or Mission Statement?*

It should!!!

After all, can you imagine any other statement (flowery or otherwise) that so crisply captures the reason your company is in business?

Why else would a business exist, if not to alleviate the everyday challenges of its customers?

Aside from "to make money," doesn't your business exist to ensure very specific customer sets get the experiences you had in mind when you first started? Don't your company's main functions (sales, marketing, PR, customers service, operations, etc.) exist to communicate what those experiences are, why your customers should believe they will indeed have these experiences, and to provide those experiences?

# 7. Bridge Your Capabilities Gaps

Great job on documenting your Value Delivery System thus far! Chances are, however, that your organization is not yet fully capable of implementing it. You will likely find that your company lacks some capabilities that it must have to fully implement your value delivery system,

At this point, we must address these gaps. Thankfully, you have already compiled a list of the most important gaps (page 64). For each capability gap you have identified, write your plan to close it. Your discussion of each gap may include building new capabilities and/or significantly strengthening existing ones.

You may find it helpful to rank-order your list on page 64 from most significant gap to least impactful.

## HOW WILL YOU CLOSE YOUR MOST SIGNIFICANT CAPABILITY GAP?

Paraphrase (or copy) the most significant capability gap listed on page 64.

Which resulting experience(s) would this gap hinder?

Will this gap hinder:

- PROVIDING the experience
- COMMUNICATING the experience

How will you close this gap?

Is an initial investment required? If so, how much?

What is the ongoing cost? Do your best to split this out between a fixed cost that you pay every year (staff salaries, for instance) and costs that are variable.

## HOW WILL YOU CLOSE YOUR SECOND-MOST SIGNIFICANT CAPABILITY GAP?

Paraphrase (or copy) the second-most significant capability gap listed on page 64.

Which resulting experience(s) would this gap hinder?

Will this gap hinder:

- PROVIDING the experience
- COMMUNICATING the experience

How will you close this gap?

Is an initial investment required? If so, how much?

What is the ongoing cost? Do your best to split this out between a fixed cost that you pay every year (staff salaries, for instance) and costs that are variable.

## HOW WILL YOU CLOSE YOUR THIRD-MOST SIGNIFICANT CAPABILITY GAP?

Paraphrase (or copy) the third-most significant capability gap listed on page 64.

Which resulting experience(s) would this gap hinder?

Will this gap hinder:

- PROVIDING the experience
- COMMUNICATING the experience

How will you close this gap?

Is an initial investment required? If so, how much?

What is the ongoing cost? Do your best to split this out between a fixed cost that you pay every year (staff salaries, for instance) and costs that are variable.

## HOW WILL YOU CLOSE YOUR FOURTH-MOST SIGNIFICANT CAPABILITY GAP?

Paraphrase (or copy) the fourth-most significant capability gap listed on page 64.

Which resulting experience(s) would this gap hinder?

Will this gap hinder:

- PROVIDING the experience
- COMMUNICATING the experience

How will you close this gap?

Is an initial investment required? If so, how much?

What is the ongoing cost? Do your best to split this out between a fixed cost that you pay every year (staff salaries, for instance) and costs that are variable.

*Continue documenting your plan for bridging other, less-impactful capabilities gaps as seems practical.*



# 8. Develop a Financial Model of Your Value Delivery System

At this point, you should give serious effort to quantifying the costs of each aspect of your value delivery system. A large corporation would have the resources to develop a rough estimate of the *value* of each experience. I won't pretend that a small business has those resources or the inclination to develop such market value estimates.

BUT, the business SHOULD develop cost estimates of what it will take to provide and communicate each experience. Only then would an entrepreneur be able to do a "sanity check" on the whole proposition.

The following pages provide what I hope are some useful ideas and templates for developing a cost model for your value delivery system.

It might be helpful to first identify the resources needed to deliver each experience and then to consolidate this information into a matrix that summarizes each resource.

First, determine the resources which will be used (whether you have them or not currently). Some thought-starting ideas might include:

- A product
- A different product
- A service
- A *feature* of a product or a service
- A sales force
- A training program (for the customer to get the best out of the product)
- A training program (for employees, whether customer service, sales, manufacturing, etc.)
- Packaging
- Advertising campaign
- Marketing collateral

Identifying the resources needed for each experience encourages you to brainstorm a collectively exhaustive list of resources. That is, your list captures *everything*.

The following pages contain a template for capturing this information.

*For this step, it is perfectly acceptable to list the same resource in multiple places*

**IDENTIFY THE RESOURCES NEEDED TO DELIVER EACH EXPERIENCE.**

**RESULTING EXPERIENCE**

**HOW TO PROVIDE**

**HOW TO COMMUNICATE**

Experience #1

Experience #2

Experience #3

**IDENTIFY THE RESOURCES NEEDED TO DELIVER EACH EXPERIENCE, CONTINUED.**

**RESULTING EXPERIENCE**

**HOW TO PROVIDE**

**HOW TO COMMUNICATE**

Experience #4

Experience #5

Experience #6

**IDENTIFY THE RESOURCES NEEDED TO DELIVER EACH EXPERIENCE, CONTINUED.**

**RESULTING EXPERIENCE**

**HOW TO PROVIDE**

**HOW TO COMMUNICATE**

Experience #7

Once you have identified all of the resources you will need to execute your value delivery system (products, services, sales forces, training programs, packaging, etc.), capture relevant cost information, challenges, and any other information for each of those resources.

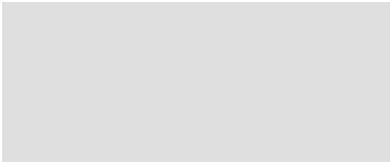
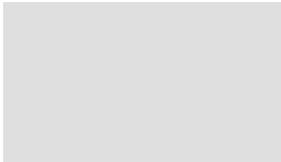
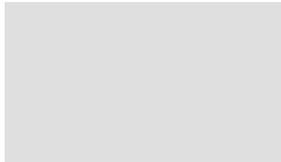
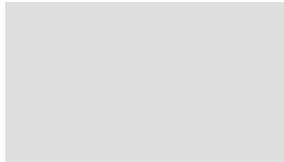
It may be helpful to think about cost information in terms of:

- the up-front investment - R&D and property, plant, and equipment acquisition costs (if paid with cash)
- annual fixed cost - salaries and any leasing or rental costs which you will pay whether you sell 5 or 5 million widgets
- variable costs - the per-unit cost of each resource

Since it is possible that a given resource may be used to provide or communicate more than one experience, summarizing your costs by resource will prevent double-counting. Similarly, compare these two lists and tick them off or cross them out to ensure you have copied every resource from the first list to the second list.

Additionally, capture any other information that might be useful in understanding the resources required.

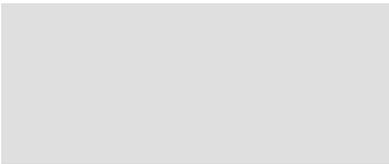
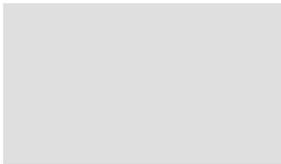
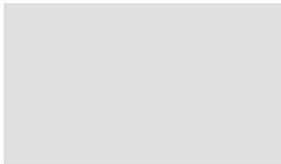
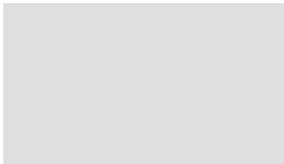
**FIRST, ADD EACH RESOURCE LISTED ON PAGES 82-84.  
THEN CAPTURE RELEVANT COSTS**

<b>RESOURCE</b>	<b>UP-FRONT COSTS</b>	<b>ANNUAL FIXED COSTS</b>	<b>PER UNIT COSTS</b>
			

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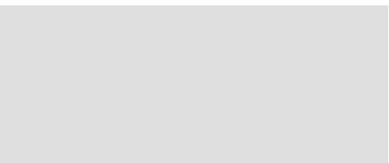
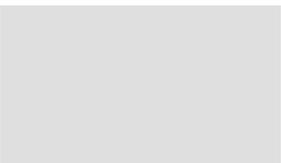
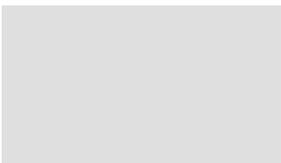
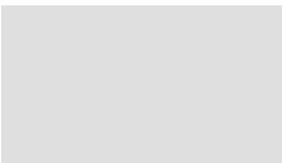
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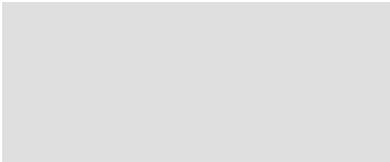
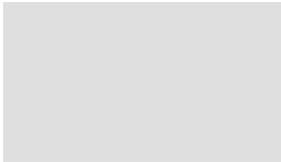
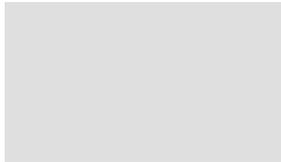
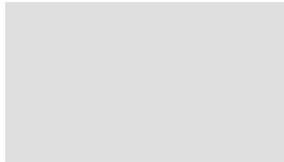
			
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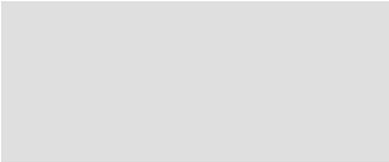
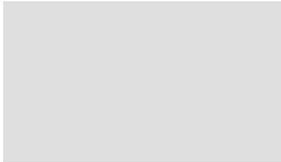
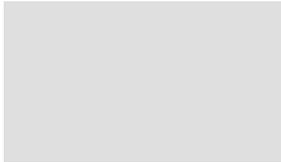
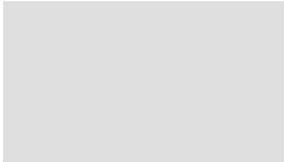
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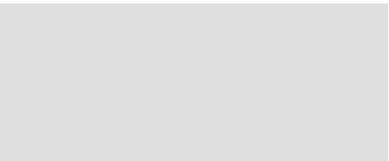
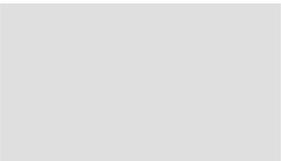
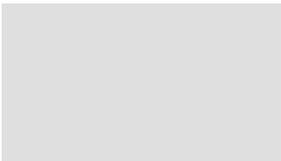
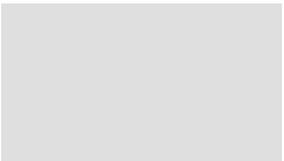
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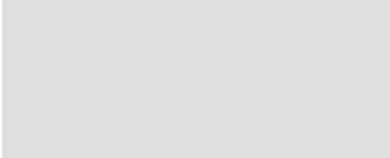
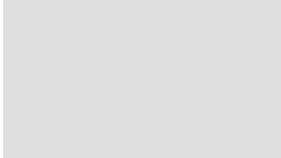
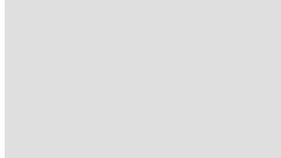
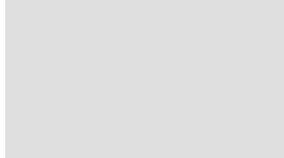
			
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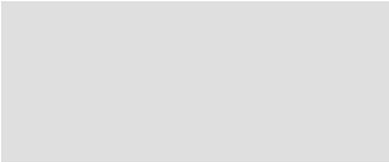
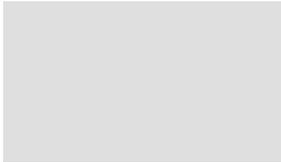
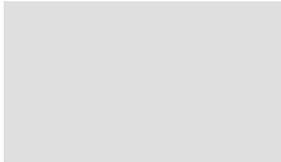
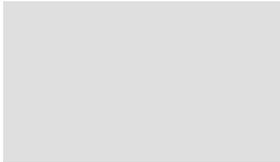
**FIRST, ADD EACH RESOURCE LISTED ON PAGES 82-84.  
THEN CAPTURE RELEVANT COSTS, CONTINUED**

<b>RESOURCE</b>	<b>UP-FRONT COSTS</b>	<b>ANNUAL FIXED COSTS</b>	<b>PER UNIT COSTS</b>
			

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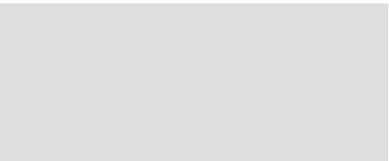
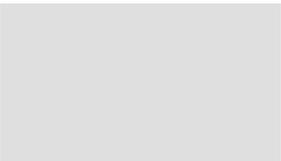
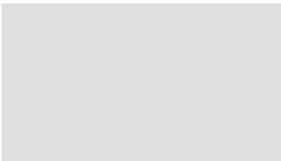
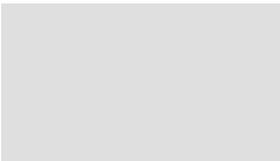
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**FIRST, ADD EACH RESOURCE LISTED ON PAGES 82-84.  
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Notes:

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Ensure that you have captured every resource listed on pages 82-84 with the list of resources on pages 86-89. It might be helpful to start with the second list and cross off each like entry in the first list. Then look for any resources which have not been crossed off.

## **A FULL FINANCIAL MODEL**

My intent for this section has been to get you to think about all of the cost categories for your value delivery system.

While it is out of scope for this workbook, you should develop revenue projections for at least three years. Determine your average selling price and put a stake in the ground for how many units you will sell at that pricing level.

Determine your break-even unit volume by dividing your fixed costs by your gross margin dollars per unit. Depending on the size of the business and your structure, consider including an owner salary in your fixed cost projections. Compare this break-even volume to your volume projections.

Finally, compare all of these projections to the up-front investment your value delivery system requires.



# Additional Metrics

You have just set the baseline financial model to which you will compare your actual results. Financial metrics are important, but they do not tell the whole story. Many books have been written on the subject of "balanced scorecards." The gist is that focusing on financial metrics alone can lead to terribly unbalanced situations. Imagine the manufacturing manager who has cost targets but no quality or service guardrails.

## **Setting up an experiment**

Give serious thought to other "metrics" by which you measure whether or not your company is delivering this experience. The work that you have put into this workbook essentially sets up an "experiment." Your "hypothesis" is that if we do all of these things, we will be a profitable company, and customers will love us, etc.

## **ADDITIONAL METRICS, CONTINUED**

Part of setting up an experiment to spelling out how you know whether "it" worked or not. How will you know if you performed the experiment correctly? It might have been that your team was lazy in setting all the dials and levers. On the other hand, it is also possible that you had everything arranged just so, but something else happened. You can get valuable information in either case. Make sure you build in a plan to get that information.

Similarly, your "experiment" might work beautifully for all the right reasons, and your hopes and dreams are validated. But, you should also know whether your experiment worked in some part due to luck.

It is far better to begin your business with these metrics already identified. Then, you can start measuring as soon as the orders start coming in. If you don't set the metrics now, you run the risk of deluding yourself by concocting a measure that is easy to capture and/or which paints a rosy picture....but doesn't help you manage the company. Better to lock down the relevant measures now.

## **THE MORE, THE BETTER?**

As you identify the relevant metrics, ask yourself if each is a "the more, the better" kind of measure or a "healthy balance" metric. If it is a "healthy balance" measure, what might be a counter-balancing metric? For example, there is a clear trade-off between cost and service level. Similarly, you might initially say that "sales" is definitely a "the more, the better" measure.

However, if orders take off like a rocket, but you don't yet have the necessary team, processes, or infrastructure to support that demand, your service levels (and your company's credibility) will suffer.

Further, for the healthy balance metrics, what are the guardrails or the minimum and maximum acceptable range?

## **HOW WILL YOU CAPTURE THE DATA REQUIRED FOR THESE METRICS?**

Consider how you will capture the data required to calculate the metric. Thinking through this now can help you determine your software requirements to run the business. If the software won't capture the relevant data for the metrics you deem important, you should keep looking. As with everything else, however, there will be software and reporting tradeoffs. Make those tradeoffs judiciously.

## IDENTIFY THE MOST-RELEVANT NON-FINANCIAL METRICS

**METRIC NAME**

**CALCULATION**

**HOW WE WILL  
CAPTURE THE DATA**

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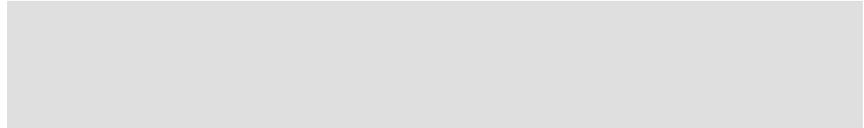
**METRIC NAME**

**CALCULATION**

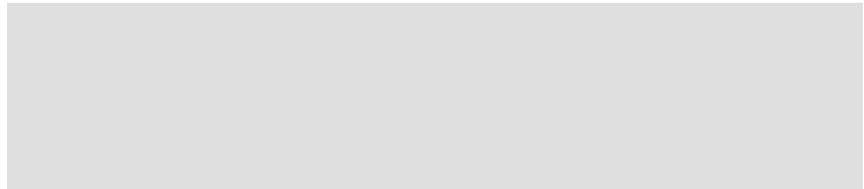
**HOW WE WILL  
CAPTURE THE DATA**

**IDENTIFY THE MOST-RELEVANT NON-FINANCIAL METRICS,  
CONTINUED**

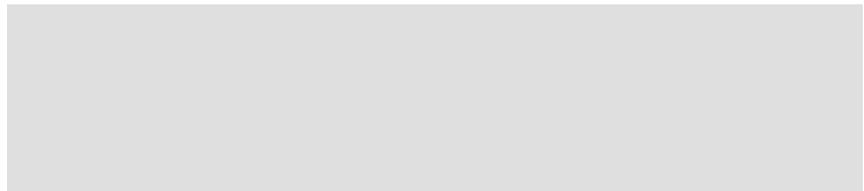
**METRIC NAME**



**CALCULATION**

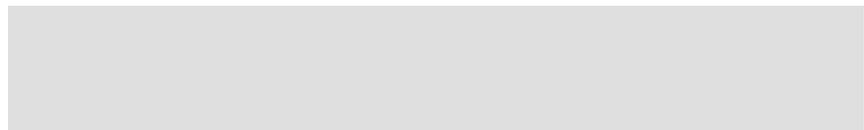


**HOW WE WILL  
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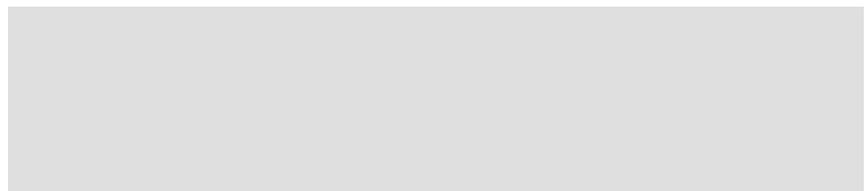


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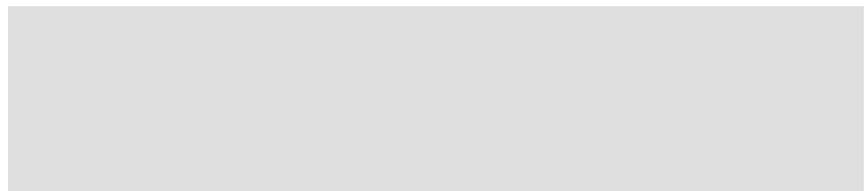
**METRIC NAME**



**CALCULATION**



**HOW WE WILL  
CAPTURE THE DATA**



**IDENTIFY THE MOST-RELEVANT NON-FINANCIAL METRICS,  
CONTINUED**

**METRIC NAME**

**CALCULATION**

**HOW WE WILL  
CAPTURE THE DATA**

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**METRIC NAME**

**CALCULATION**

**HOW WE WILL  
CAPTURE THE DATA**

# Now, Go Execute Your Plan!

Through the pages in this workbook, you have articulated an incredibly clear, unambiguous business plan. You have spelled out:

- Your Value Proposition (time horizon, intended customers, what you want them to do, their competing alternatives, and the experiences you want them to have as a result of doing business with you).
- Your Value Delivery System (how, specifically, you will provide and communicate each of these experiences).  
Incidentally, I might call this "a business."

Further, you have identified any capability gaps you might have and spelled out how you intend to bridge those gaps. You have even put cost figures to the effort to bridge these gaps.

You have identified all of the resources required to execute the providing and communicating of each resulting experience, and put costs to them. You even have a comprehensive, balanced set of metrics.

At the risk of making it sound simple, all you need to do now is close those capabilities gaps, develop those resources, and let 'r 'rip!



# WISHING YOU SUCCESS!

I have made an earnest attempt to turn Michael Lanning's Delivering Profitable Value framework into a no-nonsense approach to small business. Lanning is a former Proctor & Gamble brand guy and a former McKinsey guy. He created this model with "big business" in mind. All of his examples are of large businesses you know well. His book and his framework can be intimidating. But, I cannot think of a better way for a small business to think about itself, to organize itself, and to position itself to potential investors, potential employees, and obviously its customers. So, I hope this workbook demystified some intimidating, but important, concepts for you.

I wish you all the success in the world with your business!

Bob Ross

HIGHLAND ROSS

