How to build a compelling value case?

Mark Wright

IBM Software Group

"I've never met a customer who wanted to buy software. I've only met customers who wanted the value software provides"

Steve Mills
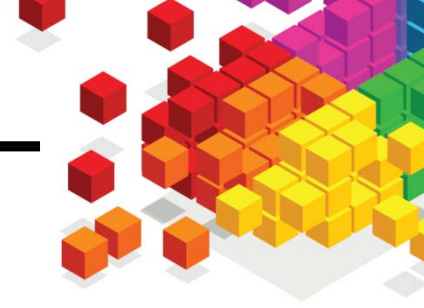
Content in Motion
IBM Enterprise Content Management Conference

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Why are clients interested in our Software Solutions?
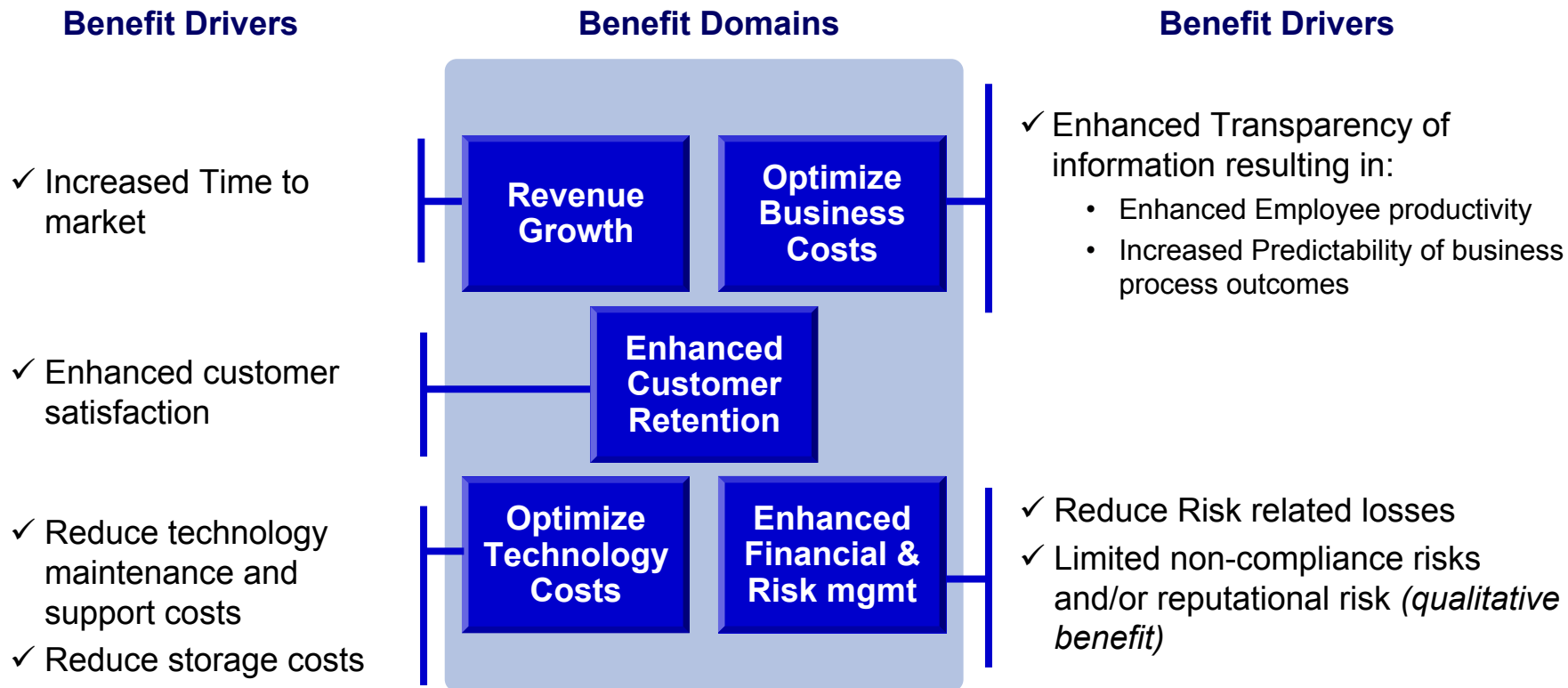
It's *all* About the Money ….

MONEY is the main reason companies do business, expressed as:

- ROE, ROA, ROI, EPS
- Revenue, Margin
- Market share
- Speed to market
- Quality Reputation

Without solid, measurable benefits, nothing else between a prospect and supplier matters.

"How Winners Sell" (David Stein)

Effective ECM delivers concrete business value within five distinct domains

Benefit Drivers

Benefit Domains

Benefit Drivers

- ✓ Increased Time to market

- ✓ Enhanced customer satisfaction

- ✓ Reduce technology maintenance and support costs
- ✓ Reduce storage costs

Revenue Growth

Optimize Business Costs

Enhanced Customer Retention

Optimize Technology Costs

Enhanced Financial & Risk mgmt

- ✓ Enhanced Transparency of information resulting in:
  - Enhanced Employee productivity
  - Increased Predictability of business process outcomes

- ✓ Reduce Risk related losses
- ✓ Limited non-compliance risks and/or reputational risk *(qualitative benefit)*

Quantification of benefit drivers

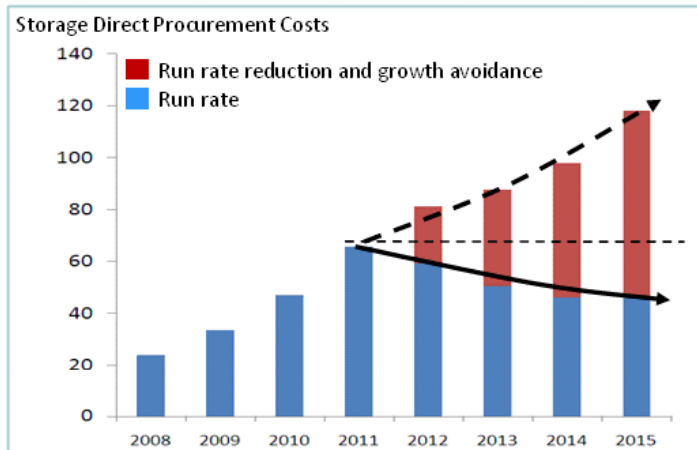| Lever per domain	Approach	Potential Annual Benefits
Optimize Business Costs		
Enhanced Employee productivity	• Targeted access to relevant customer information • Access to vital information in unstructured content • Optimize manual processes • Enable fact-based and rule-based decision making • More accurate planning as result of higher predictability of work load	➢ According to IBM experience over the last 10 years for Filenet/ECM implementations in the Banking industry, the average amount of time each FTE spends on "looking for information" is reduced by **41 minutes per day**.

Quantification of benefit drivers (continued)

Lever per domain	Approach	Potential Annual Benefits
Optimize Technology Costs		
Reduce technology maintenance, storage and support costs	• Reduce maintenance and support effort through decommissioning of duplicative (point) solutions and/or out-of-support legacy applications/systems • Eliminate or avoid # of TB storage data	➢ Every system sunset could result in €850K in annual savings *(average system costs €100K for administration, €250K for maintenance and support and €500K for operations, including storage)* ➢ 1 TB of storage reduction results in €7,5K annual saving *(1 GB data storage costs approx. €7,50 per year in Hardware, Software and support costs)*

Client example

IBM's Information Lifecycle Governance Strategy Lowers Costs and Risks, Addresses Root Cause for Systemic Improvement

Curbs storage growth, lowers run rate permanently

Storage Direct Procurement Costs

Legend:
- Run rate reduction and growth avoidance
- Run rate

Program leadership, process improvement and technology from IBM

Information Lifecycle Governance Program
- Executive charter for enterprise initiative
- Processes, capabilities and accountability to achieve cost and risk reduction benefits through

Process improvements, expertise and technology:

Value-Based Archiving & Defensible Disposal
- Archive to shrink storage, align cost to value
- Dispose rather than store unnecessary data

Extend and automate retention management
- Include electronic data that has business value in addition to records for regulatory requirements
- Automate retention schedules across all information to enable reliable, systematic disposal.

### Automate the legal holds and ediscovery process
- Structure and automate legal holds process to lower risk, increase precision, enable disposal
- Analyze in place to reduce unnecessary collection, processing and review

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A Business Value Assessment combines consulting, software sales and industry experience

✓ Partner with clients to understand how to apply industry-based solutions to solve business problems

✓ Determine the value of the recommended IBM solution in context of the client's business environment

✓ Present deliverables that document and visualize the recommended solution and business impact, including a quantitative business case
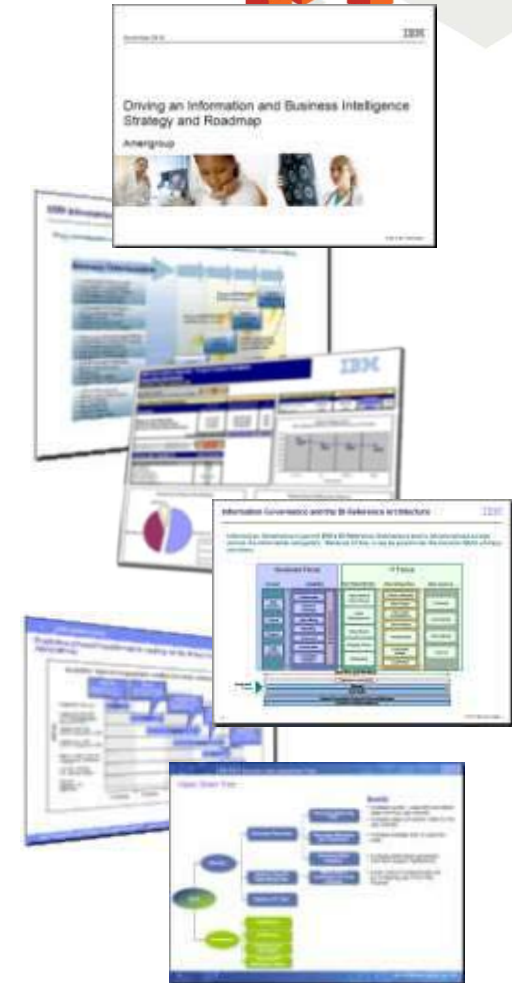
A Business Value Assessment applies a structured approach to deliver the 'Right Case' to invest in an IBM Solution
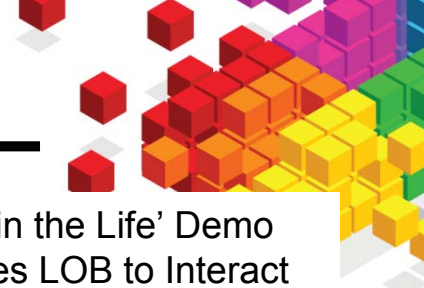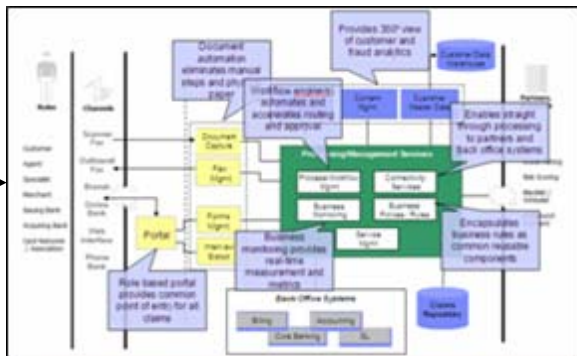
1 LOB Interviews Determine Business Requirements

2 Process Modeling Links Software to Business Req´s and Objectives
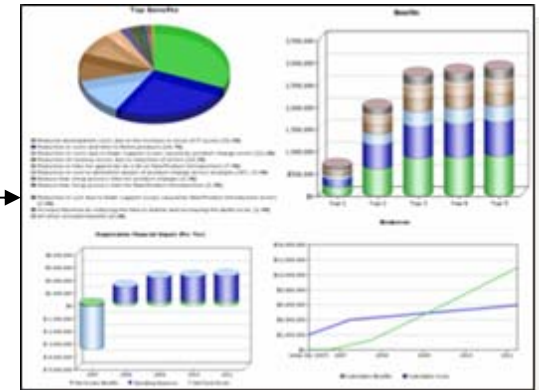

3 'Day in the Life' Demo Enables LOB to Interact with Solution

4 Business and IT Requirements drive the Solution Architecture

5 High-Level Roadmap Prioritizes Functional Deployment

6 Detailed Cost / Benefit Analysis Demonstrates Business Value

The proposed solution will provide <client> significant measurable and qualitative benefits

EXAMPLE

Measurable Benefits

Relocation and/or inventory handling cost avoidance

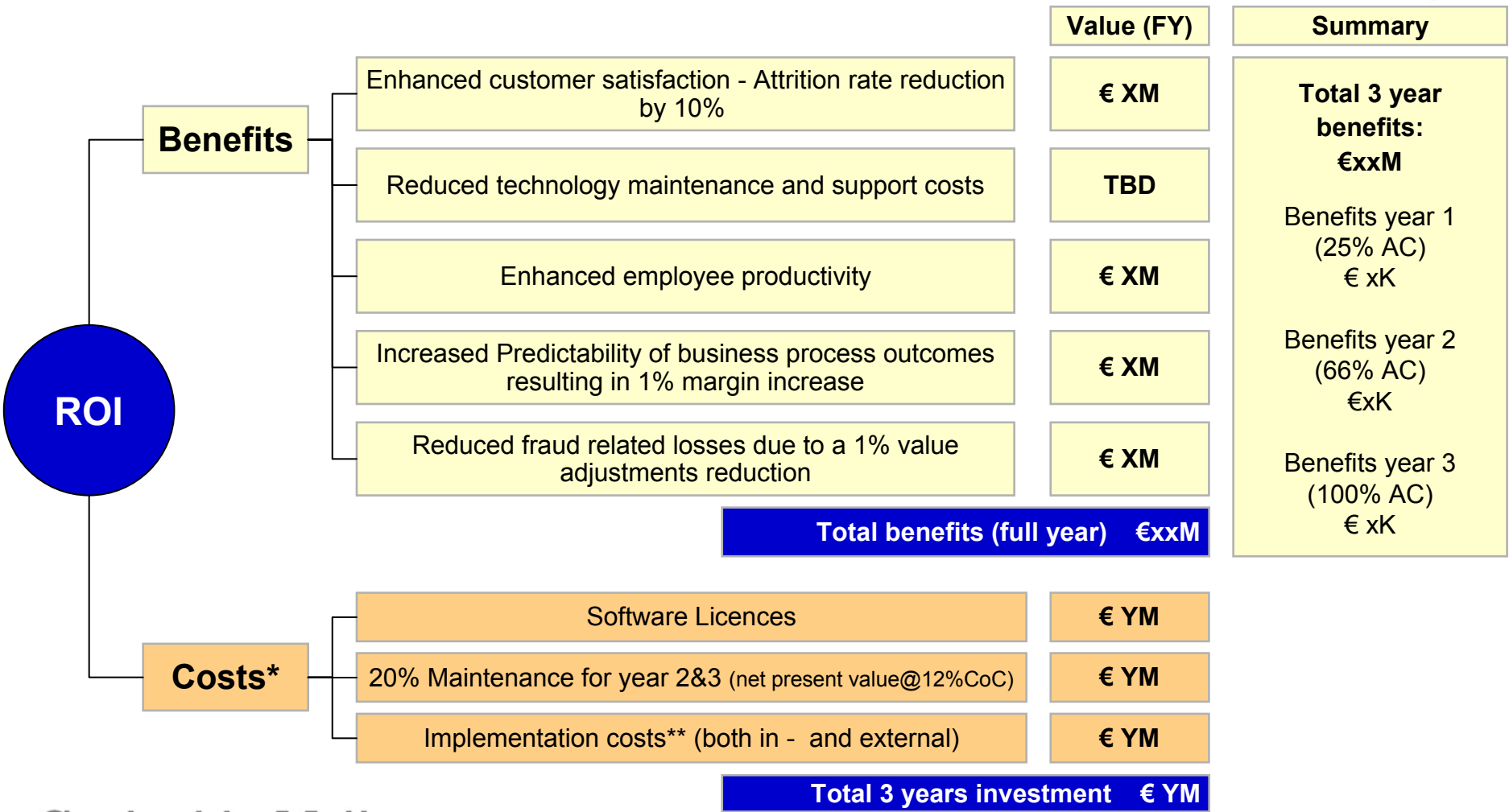Optimize efficiency of asset inspection

Improve employee productivity

Client objective

Qualitative benefits

Enhanced safety

Reduced complexity

Reduced compliancy risks

Enhance image as innovative corporation

ROI analysis

EXAMPLE

	Value (FY)	Summary
Benefits		**Total 3 year benefits: €xxM**
Enhanced customer satisfaction - Attrition rate reduction by 10%	**€ XM**	
Reduced technology maintenance and support costs	**TBD**	Benefits year 1 (25% AC) € xK
Enhanced employee productivity	**€ XM**	
Increased Predictability of business process outcomes resulting in 1% margin increase	**€ XM**	Benefits year 2 (66% AC) €xK
Reduced fraud related losses due to a 1% value adjustments reduction	**€ XM**	Benefits year 3 (100% AC) € xK
Total benefits (full year)	**€xxM**	

Costs*	
Software Licences	**€ YM**
20% Maintenance for year 2&3 (net present value@12%CoC)	**€ YM**
Implementation costs** (both in - and external)	**€ YM**
Total 3 years investment	**€ YM**

ROI

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*All Financial information contained in this section is for budgeting purposes only and is under no circumstance to be considered a price on behalf of IBM
**Implementation costs are estimated @ 2 to 3 times the SW Licence costs

Questions?

Back up

Critical Success Factors

- **Executive Sponsor**
  - Commits to allocate key resources & documentation
- **Customer Lead**
  - Coordinates customer activities
- **Customer Subject Matter Experts**
  - Line of Business (LOB) Representatives
  - IT Technical Leaders – understand existing technical environment
  - Project/ IT Cost Manager – familiar with costs

- **Business Value Consultant**
  - Value focal point with the customer and orchestrates all activities required to build the study
- **Industry SME**
  - Provides industry reference model
- **Smarter Commerce Technical Sales:**
  - Make sure the proposed solution meets the customer's requirements
- **Architect:**
  - Provide feedback on architectural needs (SC reference architecture)
  - Define "to-be architecture"