CRANE FOUNDATIONS SERIES

Value Creation Explained

Building a framework for success in major deals

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Crane

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Value Creation

“What’s in it for me?”

– Every Single Stakeholder

Introduction

The all consuming nature of building a product often results in founders like yourself and your early hires "living and breathing" your product so intensely that you assume its business value is self-evident to your prospective buyers.

This assumption is potentially fatal for an early-stage company like yours because in order to close materially larger deals (in the tens or hundreds of thousands of dollars), you will need to convincingly answer the following question for every stakeholder involved in the buying process:

"What's in it for me?"

While they may not articulate the question this directly, every stakeholder involved in your deals is thinking some version of the following:

"How much value that I care about do you create for me by solving my high-priority problems that my existing solutions do not address?"

Notice how personal this question is for each stakeholder.

As a founder you will need to work with each of them to understand what personal benefit they are looking for. This may be achieving a target, delivering on a specific business objective or improving a KPI.

Also notice in the question the importance of your product needing to address a “high priority” problem for each stakeholder. High priority or “hair-on-fire” problems typically need to be addressed within a short time window whereas medium to low priority problems are usually put on the back burner or never addressed.

And finally, almost all businesses have existing solutions from big, well established vendors, so the problem your product solves either needs to be one that their incumbent solutions do not address at all, or you need to be able to show that your product addresses it in radically different ways, for example by being 10 times better or cheaper.

Otherwise it will not be worthwhile for them to invest their time and money or take the risk of engaging with a smaller early-stage company like yours.

How to answer: What's in it for me?

A Value Creation Framework offers founders like you a structured way to answer the "What's in it for me?" question for all your key stakeholders.

It identifies clear, measurable benefits to everyone involved in a deal and ensures that each stakeholder involved can see precisely how they will personally benefit from adopting your solution.

As every early-stage company's value proposition is unique, the job of creating your company's Value Creation Framework (or at the very least the first version of it) has to be your responsibility.

As a founder doing the daily work of engaging with prospective customers to discover their pains, problems and challenges first hand, you are uniquely placed to:

- Create your company's Value Creation Framework much faster than anyone else
- Put your company on the path to sales repeatability much faster

The three key elements that make up your company's Value Creation Framework involve you working with prospective customers to discover:

- Who each of the key stakeholders are in the “buying chain” (as this varies by company and by deal size)
- What key priorities and problems each of them needs addressed
- The metrics that show how your product creates quantifiable value for each of them

Figure 2: The three elements that make up your Value Creation Framework

The importance of founders like yourself investing the time and effort to do this detailed discovery with prospective customers cannot be overstated, as without strong, quantifiable validation of the value your product delivers, you will find it very difficult to scale beyond your early adopters and it will be almost impossible for you to close larger deals.

In the following sections we will go through the step by step process to create your company's Value Creation Framework and, with the use of an example, show how it can be applied to win materially larger deals.

Element 1

Who?

Key Deal Stakeholders

The Miller Heiman model provides a simple and practical way to categorise stakeholders in a buying chain by grouping them into one of four personas.

User Buyer (UB)

The User Buyer is the person or people who will evaluate your product usually based on features, functionality and user experience and will likely be the ones who would use it in their daily work. Given the potentially significant impact on their day job, “What’s in it for me?” is the only question they tend to care about.

Keep in mind that even if a User Buyer loves your product, that is not enough for them to qualify as your Champion. To be a true Champion they also need to have sufficient authority or influence with the Economic Buyer and be able to help you navigate their company’s internal buying process.

Technical Buyer (TB)

The Technical Buyer will often be from IT or Infosec and will evaluate whether it is feasible or safe to implement your product. They could also be from the Legal, Finance or the Procurement team. The important point for you to keep in mind is that any Technical Buyer could veto a purchase, so understanding who they are and what their key priorities are is vital.

Champion (C)

A Champion is not only an enthusiastic advocate for you and your company's product, more crucially they have sufficient **authority** or **influence** to get you in front of an Economic Buyer (see below).

Given their pivotal role in deals (together with the considerable reputational risk they may be taking), answering the "What's in it for me?" question for Champions is particularly important.

It is therefore crucial that you take the time to understand what they care about and the value your product personally delivers to them, remembering to avoid a common pitfall of believing your Champion is also the Economic Buyer (as realistically it will be their boss or possibly even their boss's boss).

Economic buyer (EB)

An Economic buyer is the person who actually owns the budget to pay for your product and will normally have the final sign off. Budgetary authority varies from level to level, and differs from company to company, so depending on the price of your product, you may find the Economic Buyer at different locations in the management hierarchy.

Another common mistake to avoid when categorising stakeholders is to assume that the initial stakeholder you have engaged with in the deal is also the Economic Buyer. This is very rarely the case with the true EB almost always being several levels higher up in the management hierarchy.

Figure 3 is an example of categorising stakeholders in a deal using the Miller Heiman Model.

In this example, APEX Inc. is an early-stage software company selling a developer tool product and APEX's founder has recently engaged with a prospective customer at OMNI.

As part of her discovery with OMNI, APEX's founder has discovered the following stakeholders will likely need to be involved in her deal and has categorised them using the Miller Heiman model.

OMNI's Key Deal Stakeholders

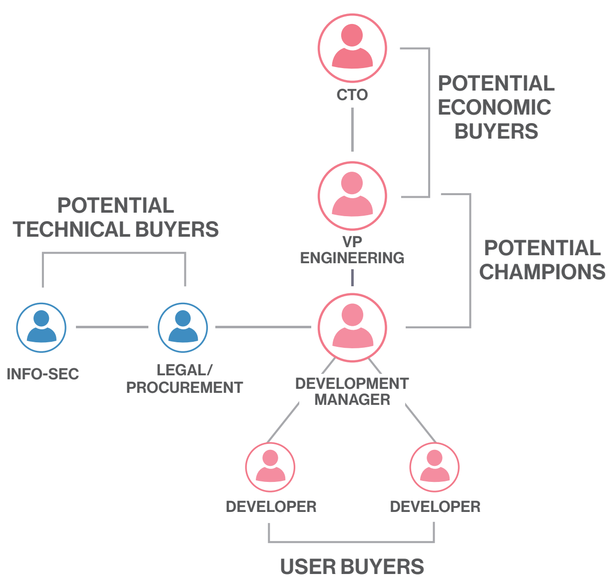

Figure 3: Stakeholders at OMNI who need an answer to "What's in it for me?"

We will return to APEX's deal with OMNI throughout this guide in order to illustrate how to build and apply your company's Value Creation Framework to deals.

Understanding exactly who these stakeholders are and where they sit within the organisation is the first key step when creating your company's Value Creation Framework.

Table 1 lists some useful discovery questions you can use to help identify these stakeholders. You should expect to ask these types of questions to multiple people over the course of multiple conversations in order to verify that you have identified all the correct stakeholders needed to close a deal.

Once the correct stakeholders have been identified, the next step in creating your company's Value Creation Framework is to understand what these stakeholders care about.

Stakeholder Discovery

What's the typical process for buying software in your business?
Who would typically be the most senior person to get involved? *What do you think will be most important to them regarding this project?*
Who would typically own the budget for this type of project? *How would they usually get involved?* *What sort of process do they use to evaluate software purchases?*
How would your manager usually get involved in this sort of decision? *What do you think will be most important to them regarding this project?*
Who else would normally need to be involved? *What will be their role in this project?*
Who else will be interested in this project? *What will they be most interested in?* *What would you think their role would be in this project?*
What would success look like for this project? *What do you think success would look like for X person, Y person, etc.*
With most of the customers I've worked with, the decision to move ahead normally sits with X or Y - would that be the same for you?
I've often also found it very helpful to include Z in these discussions - would that make sense for you?

Table 1: Stakeholder identification questions

Element 2

What?

Key deal stakeholder priorities & problems

Having identified the key stakeholders needed to close a deal, a critical part of your discovery work is to engage with *each* of them to learn everything about their job.

In particular, you need to understand the problems they have, the challenges they face, the targets they need to hit, how they prioritise the things they care about, and most importantly the *value* your product could potentially deliver to each of them.

The precise things that each of them cares about and prioritises will vary, depending in large part on the type of business they work in, their role in that business and the particular circumstances that business finds itself in.

Irrespective of these variables, there are some commonalities about what stakeholders at different levels of a buying chain typically care about, so it can be helpful to think about these commonalities as a "Value Pyramid" (Figure 4).

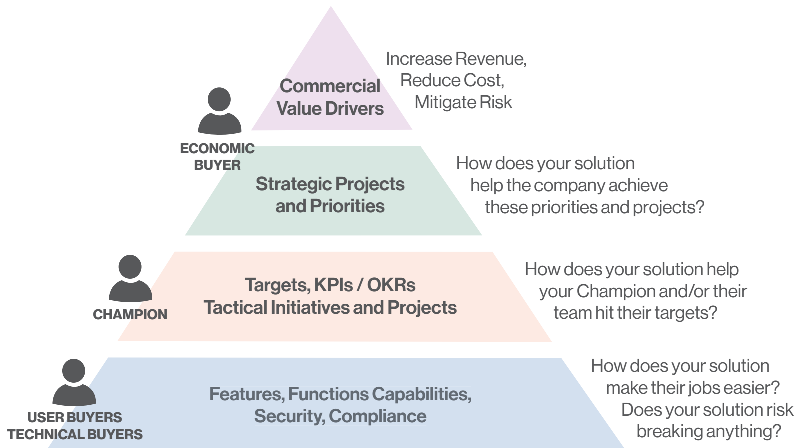

Figure 4: Example of key stakeholder priorities and problems

User Buyers

User Buyers typically care most about the functionality and user experience of your product as they will likely be the ones using it on a day to day basis. Their chief concern will be how your product will make their lives easier as well as ensuring it does not break anything that they are already using or doing. User Buyers are generally less focused on how your product might benefit their management or the overall business. Table 2 lists some useful discovery questions when engaging with User Buyers.

User Buyer Discovery

Could you walk me through how you do X today?'
What would you like to improve with X?'
How is X impacting your day to day job?'
What would you like to see happen differently with X?
What for you are the most challenging aspects of X?
How would that help you?
What do you hear about X from your team members?
How have you tried to solve X in the past?
What workarounds have you tried so far?
What would your ideal solution look and feel like?
Often when I hear <surface level pain>, it means <deeper impact pain 1 > or <deeper impact pain 2>. Are either of these something that you're facing today?

Table 2: Example User Buyer questions

Technical Buyers

Technical Buyers typically have questions around compliance, risk and security. They too will want to make sure that your product doesn't break anything, so depending on where they are in the organisation, this may result in questions ranging from a technical, legal, compliance and regulatory perspective. Technical Buyers will also be cognisant of the potential risks in transacting with an early-stage company so they will be looking for reassurance that you will not be going out of business anytime soon.

Champions

Champions typically have priorities that are related to targets, OKRs, project deliverables and other *quantifiable* goals. These could be their individual targets and goals or ones for their overall team.

Champions play a **pivotal** role in getting deals done, but asking them about their targets is not always an easy task so you should expect it to take several meetings to build the right level of trust and rapport with potential Champions before considering broaching this topic.

Also keep in mind that Champions are taking a **reputational risk** in advocating for your product. For example, a $50K deal would represent a reasonable amount of reputational risk for them if things do not go well, a $150K deal risks a significant amount of their reputation and a $250K deal has serious reputational or even job ending consequences if your product does not deliver value.

Table 3 lists some useful discovery questions when engaging with Champions.

Champion Discovery

Can you tell me more about how you're managing/doing X today?
What would you like to change about X?
What is the impact of that? To you? To the team? To the company more broadly?
How have you tried to address X so far?
What workarounds have you tried?
How would that help you?
Why are you looking for a solution now?
What would you like to do that X prevents you from doing?
Often when I hear <surface level pain>, it means <deeper impact pain 1?> or <deeper impact pain 2>. Are either of these something that you're facing today?
How are you evaluating solutions? What are the key requirements for you?
What other solutions are you evaluating?
What do you like / dislike about these solutions?
When do you need to be live with a solution?
What would your ideal solution look like?
What do you think would be your boss's key priorities with this project?

Table 3: Example Champion questions

Economic Buyers

Economic Buyers typically care about their company's strategic projects and priorities as these are often highly correlated to their own targets. Understanding what these projects and priorities are and how your product can positively impact them is particularly important if you are hoping to close a materially large deal.

Economic Buyers are also usually interested in the following key commercial drivers for their business:

- Increasing Revenue
- Reducing Costs
- Mitigating Risks

With the latter arguably being an alternative way of articulating the first two.

While it may be tempting to think that the Economic Buyer has the last word on a purchasing decision, it has become increasingly common for deals to end up on the desk of someone in finance such as the CFO, and their only priority will be the commercial ROI of your product.

This is why as a founder you should expect to provide Economic Buyers with a comprehensive **ROI calculation** that demonstrates a direct contribution to their commercial drivers. This is critically important to securing a deal and will be covered in more detail in the section on **Value Creation Metrics**.

Table 4 lists some useful discovery questions when engaging with Economic Buyers.

These questions can also prove useful to ask your Champions as they often have a good perspective on how the Economic Buyer may answer them.

Economic Buyer Discovery

Why is this project important to you?
What business outcome are you hoping to gain from this project?
When do you need a solution live? (note: the word 'need' is particularly important as it can help discern whether this is a nice-to-have or a must-have solution)
Why is that timeline important to you?
What are the most important aspects of this project for you in particular?
How have you tried to solve this problem before?
How are you evaluating different options for this project?
What would your ideal world look like if this project were successful?
Often when I speak to leaders in your position their priorities tend to be X, Y or Z - which one of these resonates most with you?

Table 4: Example Economic Buyer questions

Returning to our example deal for APEX's developer tool, stakeholder discovery has identified the Development Manager as the Champion and the VP of Engineering as the Economic Buyer.

Figure 5 shows the Value Pyramid for all the key deal stakeholders at OMNI after APEX's founder has conducted detailed priority and problem discovery with each of them.

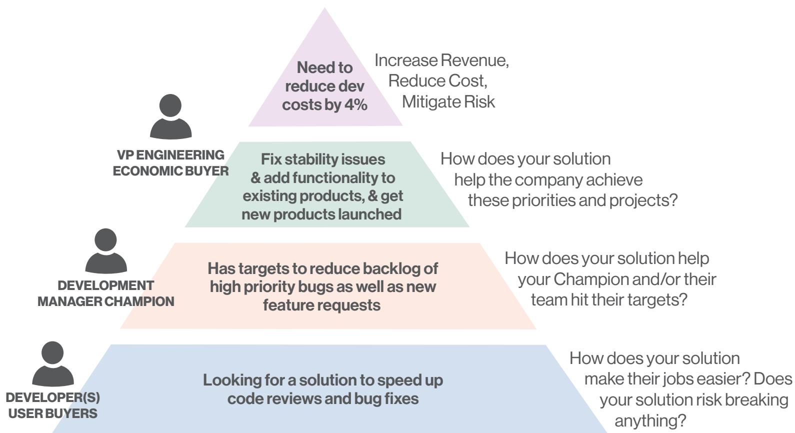

Figure 5: Value Pyramid for OMNI's key stakeholders after problem and pain discovery

Notice how the **high priority** problems APEX's founder has uncovered differ for each stakeholder in OMNI's buying chain.

OMNI User Buyers

User Buyers for this deal are OMNI's Developers. Discovery with them has uncovered that they have a problem with bug fixes and code reviews which are slowing them down significantly. Finding a way to speed these up would make their day to day working lives a lot easier.

OMNI Champion

The Champion for this deal is OMNI's Development Manager. Discovery with them has uncovered that their team has a target to reduce the backlog of bugs whilst ensuring they are still able to deliver new features on time for their core product.

Being able to hit these targets would make a *big* difference for the Champion and would be the key motivator for them to advocate purchasing APEX's developer tool and make an introduction to their boss, the VP of Engineering (the Economic Buyer).

OMNI Economic Buyers

The Economic Buyer for this deal is OMNI's VP of Engineering. Discovery with them has uncovered that they are under pressure to fix product stability issues, hit deadlines for feature requests and the shipping of new products, whilst at the same time they are being asked by their executive leadership team and board to reduce overall development costs by 4%.

Having discovered the high priority problems of each stakeholder in OMNI's buying chain, the final step to closing this deal is for APEX's founder to *quantify* the value her developer tool product creates for each of them by applying her **Value Creation Metrics**.

Element 3

How?

Value Creation Metrics

Value Creation Metrics are the mechanism by which you **quantify** how much value your solution is going to create for each stakeholder in the buying chain.

The process of creating these metrics, however, does not begin with your prospects, but rather with your *existing* customers.

Critically, it involves finding out what difference your product has made for your existing customers by comparing their status quo (*before* using your product), with their present experience (*after* using your product).

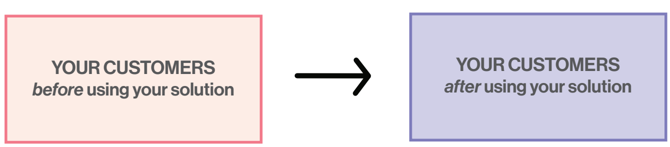

Figure 6: Comparing the “before” and “after” data of existing customers

The first step is to decide *what* metrics you want to measure to quantify the difference.

As different stakeholders in deals may care about different things, you may need to gather and compare a number of different metrics from your existing customers.

If you have been selling into different industries you may even need to define Value Creation Metrics for each of them. Or it may be the case of simply articulating one set of metrics slightly differently to appeal to different stakeholders.

The process of collecting “before and after” data from your existing customers can be challenging for a number of reasons - you may not have many (or any) customers yet, your existing customers may not be tracking relevant data or, if they are, they may be reticent to share it with you.

However, working through these potential challenges is **critical** as your Value Creation Metrics are the *only* way to build the believable and compelling value propositions you will need to get large deals done.

To make your task simpler, you do not need to gather data from all your customers. Two or three customers can be enough to get started on a first iteration of your Value Creation Metrics. Or if you only have a handful of early adopters or design partners at this stage, relying on their estimates can also be sufficient to get going. In fact one of the key reasons for having design partners and early adopters is to identify and measure these before and after metrics.

If your customers are not tracking relevant data you can offer to do the measurements for them, and a good best practice to establish with any new customers is to work with them *before* they start using your product to put in a measurement process that establishes a baseline, and then revisit these measurements with them *after* a suitable period of time to quantify the improvements. By getting into this habit early with every one of your customers you will reduce your effort and establish a rich set of Value Creation Metrics.

Should you encounter any reticence with existing customers about sharing data, explaining to them that it will be anonymised can go a long way to dealing with such concerns.

The key thing to remember is that the Value Creation Metrics you decide to gather in order to demonstrate the value of your product are not ones that you think are important but rather they are ones that you have *discovered* matter most to the stakeholders in your deals, particularly the Champions and Economic Buyers.

As a founder who lives and breathes the problem your product solves, you may have preconceived notions from your own experience about what metrics are important. This is why gathering data from your earliest design partners onwards is the single most important aspect of customer discovery, as measuring what they are actually able to achieve with your product is the only data that matters.

Deciding to focus on Value Creation Metrics that are not being measured by your existing customers can also be risky. Companies measure and target things that matter to them, and if you decide certain metrics are important but they are not being measured by your customers, that likely means no one is targeted on them. In that case, customers and prospects alike are unlikely to view those particular metrics as a demonstration of value.

Once you have defined and gathered your Value Creation Metrics, you can use them in each of your deals by applying them to the data you have discovered from your key stakeholders and presenting each of them with a "before and after" scenario that contrasts what their world looks like now with what it could look like in the future using your product.

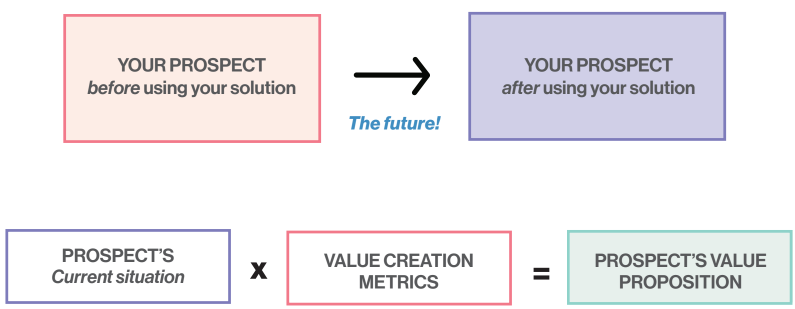

Figure 7: How to apply your company's Value Creation Metrics

The Goal

An Example

Applying Value Creation Metrics

Returning to our example of APEX's deal with OMNI, the founder of APEX is now going to apply her company's Value Creation Metrics in order to try and close a $50K deal.

No doubt your company's product solves a different problem for different stakeholders than APEX's developer tool, but regardless of any differences in problem, technology, stakeholders or value proposition, the core principles of defining and applying your Value Creation Metrics will be the same as for APEX's $50K deal.

OMNI's Key Deal Stakeholders

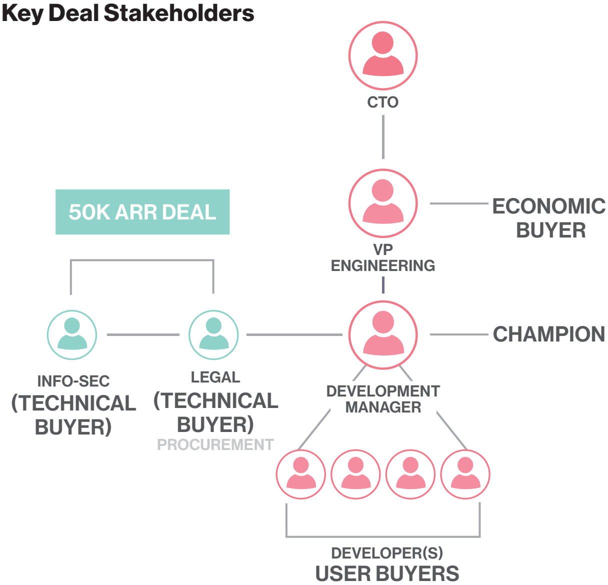

Figure 8: The stakeholders involved at OMNI for APEX's $50K developer tool deal

Discovery with the OMNI's User Buyers and Champion has helped APEX's founder to identify all the stakeholders that need to be involved to close this $50K deal (Figure 8).

These stakeholders include the Information Security team who need to approve the deal, however she has learned from her Champion that $50K is below the price threshold for OMNI's Procurement team to get involved.

Discovery with the Champion has also uncovered that if this had been a six figure deal it would have required sign-off from OMNI's CTO. Even though the CTO is not a stakeholder for this $50K deal, APEX's founder now has important information about the need for CTO involvement in any future expansion deals with OMNI.

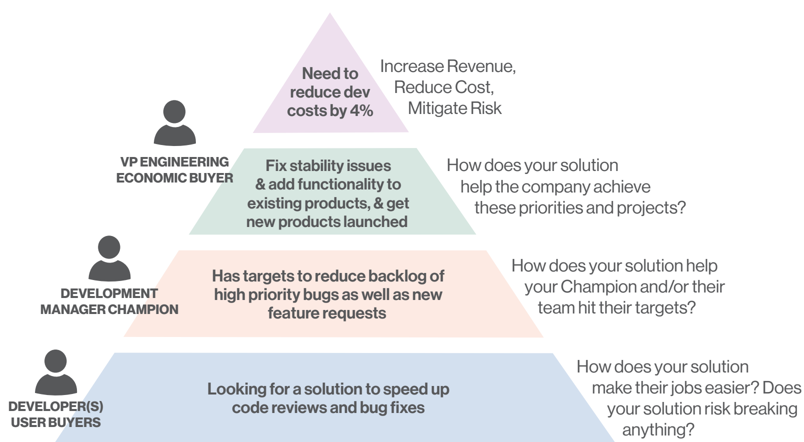

Figure 5: Value Pyramid for OMNI's key stakeholders after problem and pain discovery

Returning to the Value Pyramid in Figure 5, having identified the key deal stakeholders, APEX's founder uncovered their **high priority** problems:

OMNI Developers (User Buyers)

Developers (User Buyers) are being slowed down by bug fixes and code reviews and need a way to speed these up.

OMNI Development Manager (Champion)

The Development Manager (Champion) has targets to reduce the backlog of bugs and deliver new feature requests on time.

OMNI VP of Engineering (Economic Buyer)

The VP of Engineering (Economic Buyer) is under pressure to fix product stability issues, deliver new features, get new products launched all whilst reducing overall development costs by 4%.

Armed with the *who* and the *what* needed to close this $50K deal, APEX's founder is now ready to use her company's Value Creation Metrics to demonstrate the *how* or value that each of these stakeholders will get.

APEX positions the benefits of its developer tool as essentially "faster everything":

- Faster bug fixes
- Faster code reviews
- Faster coding

- Faster deployments
- Faster workflow creation
- Faster new developer onboarding

The challenge for APEX's founder is that "faster everything" does not tell each of the key deal stakeholders anything about the actual value that would be created for them.

Or to put it another way, "faster everything" does not sufficiently answer the "What's in it for me?" question for each of the key deal stakeholders.

To answer that question, APEX's founder needs to decide which of these benefits could be turned into quantifiable metrics that define the value her product delivers.

She therefore set about gathering real world data from her existing customers, selecting three of the friendliest and most enthusiastic ones where she could collate several months' worth of their data and use it to compare what they could achieve before and after using APEX's developer tool.

APEX's founder understood how critical gathering this data would be not only to close her $50K deal with OMNI, but for the long-term success of her business, so despite the inherent difficulty in asking existing customers for data, she reassured them at every step that it would be anonymised and only used to create averages.

Figure 9 shows the complete set of averaged Value Creation Metrics APEX's founder gathered by comparing the "before and after" data of these three existing customers.

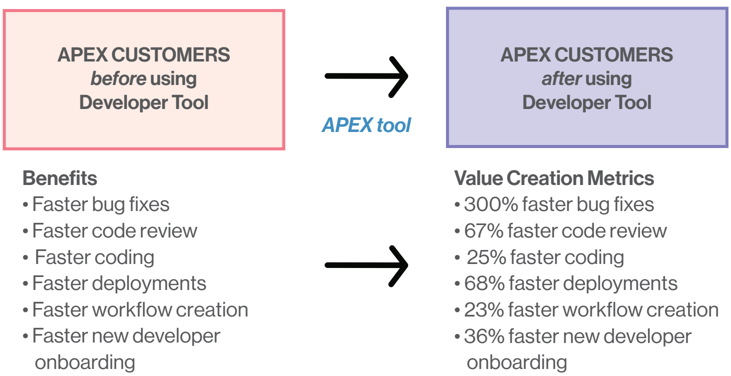

Figure 9: Value Creation Metrics for APEX's developer tool gathered from 3 customers

Gathering these metrics not only greatly increased her chances of closing her $50K deal with OMNI, it also gave her a starting point to apply her Value Creation Metrics to every current and future prospect.

To make the process of gathering customer data smoother and more scalable for her future Sales and Customer Success hires, she decided to put in a process for every new customer to gather three months of pre-implementation data to be compared with results from six months post-implementation use of APEX's developer tool.

Figures 10 and 11 show the detailed calculations APEX's founder was able to produce by applying the relevant Value Creation Metrics to the current situation of each of the OMNI stakeholders.

As a result, APEX's founder could quantifiably demonstrate the value each of them would likely receive with APEX's developer tool.

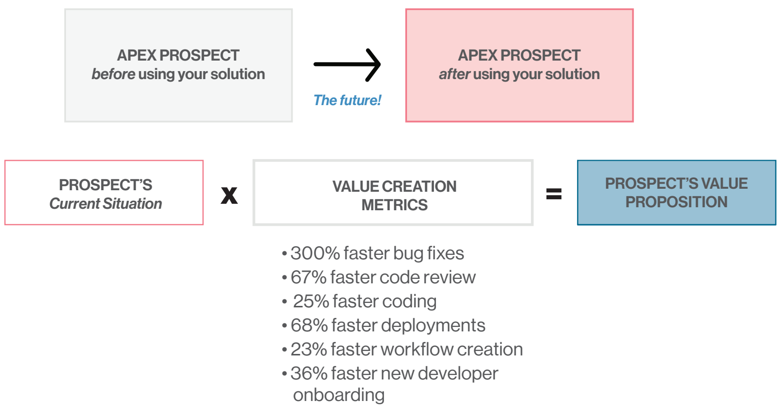

Figure 10: APEX's complete set of Value Creation Metrics

Developers (User Buyers)

The high-priority problem for the Developers (User Buyers) is that they are being slowed down by bug fixes and code reviews and need a way to speed these up.

To better understand the developers' current situation, during priority and problem discovery she asked them the following questions:

- How long do bugs on average take to fix - just ballpark?
- How many bugs do you get assigned a month roughly?
- How many hours last month do you estimate you spent just fixing bugs?
- Roughly what % of your week do you spend on bugs?
- How long do code reviews typically take?
- How much time does this cost you per week on average?
- How many hours a week do you spend on non-coding activities, such as team meetings etc?

With the estimates she received from the developers, APEX's founder applied the three most relevant Value Creation Metrics to quantify the value each developer could receive per week (Figure 11).

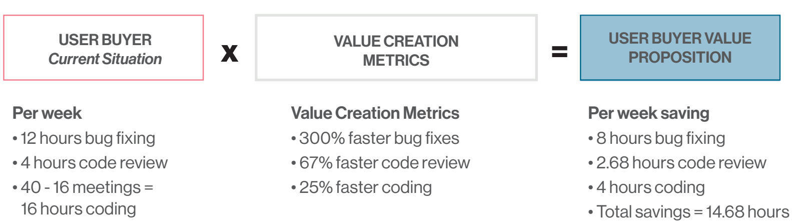

Figure 11: Applying APEX's Value Creation Metrics to Developers

As User Buyers make their decisions based on factors such as functionality and ease of use, APEX's founder did not have to walk them through these calculations, however she knew they would definitely be required to convince the Development Manager and VP of Engineering.

Development Manager (Champion)

The Development Manager (Champion) has a high priority problem which is a target to reduce the backlog of bugs and deliver new feature requests on time.

As the Development Manager will have to lobby the VP Engineering for budget, APEX's founder needed to motivate him with the best possible value proposition, so during priority and problem discovery she asked him the following questions:

- How many developers are in your team?
- Your developers mention bug fixing and code reviews are taking a lot of their time - are these high priority for you as well?
- How many high priority bugs would you estimate your team gets a week?
- What else is taking up time for the development team?
- Is feature development being slowed down by bug fixing?
- Are you hiring for new developers at the moment?

As Champions often have things they care about that User Buyers have not considered, her questions to the Development Manager were designed to see if he has the same high priority problems as the developers, or in the case of questions like *"What else is taking up time for the development team?"*, if he has different problems that need addressing as a priority.

With the answers and estimates she was given by the Development Manager, APEX's founder applied three of her most relevant Value Creation Metrics to the Development Manager's team of 6 to quantify the value the Development Manager could receive per week (Figure 12)

CHAMPION/ EB *Current Situation*	x	VALUE CREATION METRICS	=	CHAMPION/ EB VALUE PROPOSITION
Per week across team • 6 x 12 hours bug fixing = 72 hours a week • 6 x 4 hours code reviews = 24 hours a week • 6 x 16 hours coding = 96 hours a week		**Value Creation Metrics** • 300% faster bug fixes • 67% faster code review • 25% faster coding		**Per week saving** • 48 hours bug fixing • 16.08 hours code review • 24 hours coding • Total savings = 88 hours = 2 extra devs

Figure 12: Applying APEX's Value Creation Metrics to the Development Manager

The result being the Development Manager's team could save 88 hours per week (or the equivalent of two developers) by using APEX's development tool.

Whilst saving 88 hours per week is a desirable productivity improvement, it does not directly show the value the Development Manager is looking for, specifically how it helps him to hit his target of reducing the backlog of bugs and delivering new features on time.

Conducting some additional discovery with the Development Manager and some of his Developers, APEX's founder was able to gather the following additional data:

- The team fixes 75 bugs per week on average
- The team gets assigned 95 bugs per week on average
- It takes approximately 0.96 hours on average to fix a bug (based on how many bugs they fixed in the last 4 weeks)
- The team therefore adds 20 additional (95 - 75) bugs to their backlog on average per week

Connecting this additional data to the productivity improvement of 88 hours, APEX's founder could now show the Development Manager that applying all of the 88 hours to the bug backlog would result in 92 additional bugs (or a total 167 bugs) being fixed per week. This number being significantly more than the number of bugs being assigned weekly and 167 bugs fixed being a material impact on the Development Manager's target.

She also modeled how the Development Manager could apply some of the additional 88 hours to coding new features and what additional capacity this would create in each of the team's development sprints.

In addition to walking the Development Manager through these calculations APEX's founder also shared some case studies showing how Development Managers at her other customers have made similar improvements. She also offered to set up a call with one of them if the Development Manager wanted to hear first hand the real world value being delivered by APEX's developer tool.

VP Engineering (Economic Buyer)

By applying the relevant value metrics, APEX's founder was able to show the Development Manager benefits that were compelling enough for him to champion the $50K deal with the VP of Engineering.

However, to de-risk the deal further, and to set the scene for future expansion, APEX's founder decided to show how her product could help the VP of Engineering with his key priorities and targets:

- Fix product stability issues
- Add functionality to existing products
- Launch new product
- Reduce overall development costs by 4%

The VP of Engineering's first two priorities directly relate to the Champion's priorities of bug fixing and adding new features.

So to make APEX's value proposition even more relevant to the VP Engineering, APEX's founder extrapolated the data that she had collected for the Development Manager's team of 6 and applied it to every one of the other 5 development teams that report to the VP of Engineering, showing what the impact would be on product stability (by fixing more bugs) and adding functionality (by gaining additional development hours) if her product was deployed more widely.

From her previous discovery with the VP of Engineering she had also learned there was a plan to hire 20 more developers across all the development teams.

Taking the value proposition she created for the Developers (Figure 11) that showed APEX's developer tool was expected to save 14.68 hours of time per week, based on a 40 hour week, APEX's founder could now demonstrate to the VP Engineering that 3 developers could now effectively do the work of 4.

As a result, 15 new developers using APEX's developer tool would be able to do the work of the 20 the VP of Engineering was planning to hire.

Using industry benchmarks for their fully loaded costs, APEX's founder could now show a material impact on the VP of Engineering's 4% cost reduction target as the productivity gains from her developer tool had the potential to save him $1M per year for 5 FTEs.

The story your Value Creation Framework needs to tell

Now that we have covered the steps to create your company's Value Creation Framework and illustrated it with an example deal, it is important not to lose sight of the real goal of creating and applying your Value Creation Framework.

Gathering data, applying it and presenting metrics to your stakeholders is a vitally important part of the mechanics of closing deals, but for the *mechanics* to be truly effective you need to think about using them in the context of a **story**.

Stories and storytelling are what buyers respond to. They form the backbone of all effective selling and the story that you are trying to tell to each of the stakeholders in your buying chain with your Value Creation Framework is described in Figure 13.

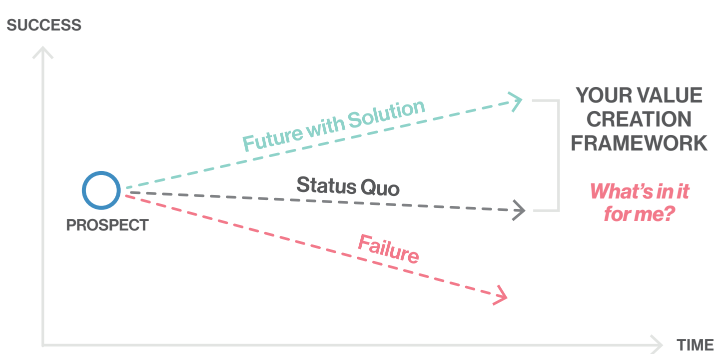

Figure 13: The story founders need to tell each stakeholder

The “prospect” in Figure 13 represents each of the stakeholders in the buying chain and their company.

The first part of the story you need to tell them is represented by the **status quo** line - this is the way they are doing things today, and which is not working.

As we saw with the Value Pyramid in Figure 5, the impact of the status quo means different things to different stakeholders, but whatever their priorities are, the main point to emphasise in this first part of the story is that the status quo is not delivering, and over time it risks taking them towards a very real failure.

Helping each stakeholder understand just how much of a problem the status quo is and (depending on what they care about) the negative impact it is having for them personally, for their department or for the business overall is the ultimate goal of this first part of the story.

The second part of the story that you need to tell with your Value Creation Metrics is what the *future* could look like with your product in place.

The goal with this part of the story is two fold - to show that with your product in place, the negative consequences of the status quo are gone *and* to quantify the future value they will get with your product.

As we saw with the Value Pyramid in Figure 5, success will differ depending on what the particular stakeholder cares about and could range from a better user experience to a financial outcome for the company as a whole.

The important point to emphasise in this part of the story is that the *difference* between the "Status Quo" and the "Future with your product" is the *value* that will be created for them.

Value Creation Metrics therefore act as the **bridge** between the prospect's status quo and the future as they quantifiably answer the "What's in it for me?" question for each of these stakeholders.

Summary

Value creation is all about identifying and delivering clear, measurable benefits to everyone involved in a deal.

It ensures that each stakeholder can see precisely how they'll benefit from adopting your solution. At its core, it answers the question always on their minds: "What's in it for me?"

To do this effectively, founders need a framework to map out the key players - User Buyers, Technical Buyers, Champions, and Economic Buyers - while also getting to grips with their priorities and problems.

From there, it's a matter of demonstrating the value your product brings by using concrete metrics that show how things will improve compared to the current situation.

By building and following this framework, companies like yours can better communicate their value proposition and increase their chances of closing those more significant, more meaningful deals.

Value creation in the real world

Interviews

Value Creation at Axiom: An Interview with co-founder Neil Jagdish Patel

Neil Patel is the CEO and co-founder of Axiom, a company that allows its customers to stop sampling event data and observe every event, giving them 100% of their data for every possible need.

When did you first start thinking about the value you could create for customers with Axiom?

To be honest, in the beginning everything was very technical. My co-founder and I are both technical founders, so naturally our focus in the early days was on the technical and operational aspects of building our product.

What drove us to build Axiom was that we could always see an opportunity to massively reduce the cost of ingesting, storing and querying events. The technical part was challenging and meaty, so value creation for us was initially along the lines of 'Hey, you can stop having to throw away half of your events, stop having to pick and choose what is important to you, and start to ingest, store and query *everything*.' In other words we focused on the technical value of having much more visibility into your data.

How has your thinking on value evolved as the company has scaled?

Very quickly it became evident that we could save companies a *lot* of money, but we also knew that on its own that wasn't enough to demonstrate Axiom's value. We had all these grand visions for how Axiom could fundamentally change the way companies operated, but we needed to anchor Axiom to specific use cases to really understand the much broader value we could deliver.

Then two things happened that helped us, forced us really, to think differently about the value we create for customers.

The first was hiring our Head of Product, who came from a different part of the data world. As part of the hiring process he asked us about our vision and the more we talked the more he helped us to crystallise our thoughts on the value we could deliver to our customers. He even said that what we were describing was a real problem at the company he was currently working for.

So we started talking more about where Axiom could be really exceptional and as we worked more on this (and hired him as our Head of Product!), we started going to our customers and prospects and asking them about the specific use cases where we felt we could deliver the most value.

We learned a lot from speaking with our existing customers, especially about how to understand and articulate Axiom's value. But even more than that was how we began to realise that these use cases did not sit in isolation, and that it was actually Axiom's ability to be the glue that pulled them all together that really created value.

The second forcing function was speaking to larger companies who didn't just want to know what we can do today, but what we're going to deliver in one, two, three or more years. They wanted to know how we were going to stay relevant for their business, and stay ahead of the competition, so it became critical for us to be able to articulate a vision for the business that showed how we'll still be delivering value to them in five years or more.

We also learned that these larger companies always have multi-year visions for how they expect their use of technology and data to evolve. As we got further into the sales cycle, we needed to spend time understanding *their* vision and showing how our vision for Axiom aligned with their goals. The bigger the company, the more senior the stakeholders we speak to, the more important this alignment has become.

One last thing I'd say on this is that every buyer wants to believe they're making the right decision. But we want more than that, we want to make our buyers into heroes within their companies. We want to get them to a place where they *absolutely know* they're making the right choice and that they'll be able to look back in years to come and think, 'That decision I made to go with Axiom, it's *still* delivering value to the business today.'

It sounds like you've been able to build pretty deep relationships with your prospects. What kinds of things do you do to get them to talk so openly with you?

I think it comes down to being passionate about the technology and being really interested in understanding the issues they face at a very deep level, from the most technical to the most senior people we engage with.

And also being honest not just about where we can add value, where they should be using us, but also where we're not so useful, where we suck even! People, particularly technical people, respond well to that honesty and it helps us to build a lot of trust. We also try to get the technical folks into the product as quickly as possible during the sales process, if they're not already using it, so they can see the value we deliver firsthand.

Who are typically your Champions and Economic Buyers?

Our Champions are usually in the platform engineering or DevOps teams, either a senior engineer or 'Head of' type role. Platform engineering in particular is often underfunded, so solutions that can make their lives easier *and* cost less can be seen as a kind of 'magic'. It gives them the ability to communicate with the rest of the more senior stakeholders in a very meaningful way.

As for our Economic Buyers, in a larger company they are typically the CTO or a 'Head of' role in the engineering team, as they'll have the budget to make a buying decision.

As we've been expanding into more security use cases, we're also finding that the CIO can be an Economic Buyer for us.

What have you discovered to be the main value drivers for these key stakeholders in your deals?

For our Champions, the value is usually about how we can improve things operationally.

With the solutions they have in place today, they have to sample data or pick and choose what they're going to store to keep costs down. This often leads to a lot of engineering overhead and a lack of observability which gives rise to all sorts of issues.

So we talk about the value of having full visibility into what's happening. We help them understand that we can get them very quickly up to 100% observability, in fact we say over 100% because as well as capturing the data, you can also keep it a lot longer.

Once we get them up to speed on this, we start painting a picture of future value by looking at what else they can do if they have all the data, and we get into quite a lot of detail on this. For some teams, it'll be about keeping all their data in one place, and the value of doing cross sectional queries, being able to do more analytics, getting more value from the data. It can also be about moving the team from a reactive state to a more proactive one, using the data not just to know what *has* happened, but what's *about* to happen.

We need to have tactical conversations to show them what they can do today, because they've been so limited by the existing solutions. But we also need to have more strategic conversations to show them what's possible in the new world when you stop sampling and are able to record everything.

For our Economic Buyers, of course a big part of the value for them is in reducing costs, a lot of times hugely reducing costs. Effectively what a lot of companies are doing today is sending data to all the different platforms and tools they use and then leasing back the data for whatever time frame they can afford. Everyone is spending serious money on these tools, so we need to talk about the process for consolidating that, and how we can save them a ton of money.

But the value of Axiom is much more than just reducing costs. As I said before, these companies often have multi-year and multi-department strategies that are only possible if you have a solution like Axiom in place that can handle the data and provide the plumbing. I'm not saying we can do everything, and we're very clear on where we can and can't help, but showing these more senior stakeholders how we fit into their strategic planning, as well as saving them a lot of money in the process, is really key to helping them understand the value we deliver.

With an infrastructure solution like Axiom it's often difficult to really show this value in the sales cycle. How do you manage that?

We have a pretty generous free tier, and low cost team plan - in the vast majority of cases the people who become our Champions are either already using the platform, or we're able to get them into the platform before we get very far into a sales cycle, so they can see the value for themselves.

Sometimes we also run a short PoC as part of the sales process which typically lasts 4 weeks and we've learned that if we can get them to start sending data to the platform *before* the official PoC starts, that can have a big impact as we're able to show value straight away.

If a lot of your prospects are already using Axiom, does that help you understand more about what they're looking for and the Value you can deliver them?

Absolutely, we can tell a lot about what a company is looking for, and how we can help them, from how they use Axiom. At a very basic level, if they start with one set of data, and then we see them adding more and different data, that's a great signal for us. We can also get insights into how different their data schemas are - for example, if they manage to hook something in that wasn't just logging or they start to sink different sorts of data into Axiom, that tells us a lot.

We can also see the different types of queries that prospects run. Is it operational querying with tight time windows? Or is it more analytical queries which would have been hard for them to do before Axiom, which means they've started to take the next step into understanding what's possible beyond their current tooling.

From this, we can start to build up a picture of whether they're beginning to use Axiom in a way that's different to what they would traditionally do with their data. And then the questions that arise are, ‘why is that?’, ‘what are they trying to achieve here?’, and of course, ‘how can we help them with this?’

We’re also implementing a scoring system that helps us automatically understand where there is more potential value for our customers. We have tens of thousands of users on Axiom, which allows us to do pretty detailed analysis on usage trends and the needs of our customers.

This sort of analysis also helps when it comes to the conversations with our Economic Buyers, because they want to make sure they’re not picking something that’s going to suddenly explode in cost as their use of data grows. Based on what we’ve seen of their usage, we can help them predict what the cost will be as they scale up with the platform. It gives them the confidence that we’re not only the right choice for today, but we’ll remain the right choice for the future.

What this also does is to help make Axiom more sticky. When we make the cost more predictable, customers are more likely to build internal development tools or customer facing products that are tied directly to Axiom, and when that happens, we become part of their infrastructure and that makes us super-sticky.

Once you’ve understood the Value you can deliver to your prospects, how do you articulate this back to your key stakeholders?

Well, as I’ve said before, for our Champions, we really want to get them into the platform and we make it really easy for people to start scaling up so they can see the value we deliver - and how low cost we deliver it - as quickly as possible.

You've got to remember, *every* company is trying to work out what their AI strategy is right now, and the fuel for that is event data. Sampling is not enough, just storing it for 30 days is not enough, not if you're serious about being ahead of the game. So we get people into the platform and we show them how you can record *everything*. And keep it for as long as you want.

For our Economic Buyers, we've learned that it usually comes down to two things.

First is TCO - Total Cost of Ownership. We take what they're doing today, plus the explosion of data they're going to see, and we benchmark what that would cost with their existing tooling or other vendors they're considering vs what it would cost with Axiom. It gets a bit fuzzier when we try to include how many people they'd need and all the tools they would need without Axiom, but if that's important to the client, we'll make an estimate of that as well.

And the second is what I spoke about earlier. With larger enterprises, it's always about their two to three year plan and how we align with that. We work hard to understand what that plan is and then show them how Axiom would unlock that for them as well.

That's absolutely crucial for Enterprise deals.

At what level of traction did you feel that your hypothesis on what customers valued became self-evident?

I think it was re:Invent [AWS re:Invent 2023], the first week of December when we really started to understand this. We got face-to-face with thousands of people who came to our booth and the whole team were just pitching again and again and again, talking about what we do and why we were different from anything else in the market.

We had a meeting room which, by day two, was booked out for the rest of the week. I personally spoke to about 800 people! So across the team it was literally thousands of conversations across those five days. We had 'No Sampling' written across the booth and people really wanted to know what that was about. A lot of our conversations ended with the reaction '*Where the hell have you been?!*'

This gave us huge confidence in the problems we were solving, but also we knew we *had* to get Axiom out into the world, that it *needs* to exist and we had to get it into the hands of as many people as possible. And that's what we're continuing to do today!

Learn more about Axiom at axiom.co

Value Creation at Tinybird: An Interview with co-founder Javi Santana

Javi Santana is the co-founder of Tinybird, a data platform for real-time analytics that allows customers to ingest batch and streaming data so they can build fast data products, faster.

Can you tell us how you thought about Value Creation when you started Tinybird?

I think it's fair to say that we've been through many more iterations than we expected in the way we talk about the value we create.

All of the founders of Tinybird, including myself, come from a technical background and we didn't have much experience with the go-to-market side of things. We could explain the product and sell it from a technical perspective, but having a proper GTM strategy is very different.

When we started the business we knew one of the most important things we had to do was to talk to as many potential customers as possible. We knew we were building a product that could fix problems, but we initially took the approach of positioning ourselves as a consulting company, as this made it easier to ask questions and get people talking.

It was clear to all of us that we were going to be a product company, but we found this initial messaging was very useful to open doors. Once we engaged with a potential customer, we charged a low consultancy fee, but we always made it clear that this was provided as an additional service alongside our product.

Our strategy was to find problems that were high priority for our customers and to solve them, and the more potential customers we spoke to, the more we started to find *common* high-priority problems. We then built the solution to these problems into the product.

Most of the systems we created as part of this process are still in use today. For example, when we set up a PoC we always create a Slack channel that all the founders have access to. When customers log Jira tickets we'll tag them and then export the tickets into Tinybird so we can analyse the data and look for commonalities in new feature requests. I think because of the way we do this, when we release a new feature in Tinybird, it gets used immediately, often the same or next day by many of our customers, which speaks to how focused we are on delivering value.

However, even as we were putting this process in place, we realised that if we wanted to sell our solution at scale, we'd need to change the way we spoke about it with the more senior stakeholders in a deal, particularly the Champion and the Economic Buyer.

How did focusing on Champions and Economic Buyers evolve the way you talked about Tinybird?

When you're a technical founder, you just want to code features and release them to the market. But what we started to realise was that when you're talking to potential customers, it's not enough just to talk about the technical features and benefits of the product. That's fine when you're talking to technical stakeholders like developers, where we're not trying to prove economic value. But to sell bigger deals that involve more senior stakeholders like the CTO, you absolutely need a GTM strategy that includes how you talk about economic value.

For us, that usually means talking about how their teams could deliver on their targets more quickly, and how they could release their own products more quickly.

Of course, we went through a lot of trial and error talking to these senior stakeholders, but the starting point for us was realising that they didn't care when we talked to them about Tinybird's features and functionality and how the technology worked.

What did you change when you came to this realisation?

We set up a process where we interviewed the prospects who said we didn't have the right solution for them so we could better understand what went wrong and what we could improve. It soon became clear that we needed to talk more about the value we created, particularly with these senior stakeholders.

Once we understood this, we started to map out what was important to our key stakeholders, especially our Champions and our Economic Buyers.

For Tinybird, our Champions are often team leaders. Of course, the user experience and ease of use for their developers is important, but for Champions what's really important is the *time* it takes their teams to ship new functionality.

We discovered that without Tinybird they simply wouldn't have the time to launch new requirements, or that they would need to hire a lot more people. Both of which have a serious economic impact. Tinybird makes our Champions' lives much better by allowing them to accomplish the projects they are responsible for more easily and on time.

For our Economic Buyers, who are often CTOs or very senior development leaders, it's all about cost. We saw that alternatives like Snowflake, MongoDB, Elasticsearch and BigQuery etc are all a lot more expensive for real time analytics. That's because these tools are not optimised for real time analytics and so get stupidly expensive. Also, not having to hire more engineers or manage additional tools means that development teams can deliver projects on time. These value points all really help when we speak to Economic Buyers.

What metrics do you use to define these value drivers?

A big focus for us is the total cost of ownership (TCO) of our tool vs alternatives. How many engineers they don't have to hire, which can be a big cost saving, as well as the cost of Tinybird itself, which, because of the way we've architected it specifically for real-time analytics, is always much cheaper than the competition.

Many of our customers also monetise the user-facing analytics they build on top of Tinybird by charging their customers, so the value we're delivering here is the potential to increase their revenue. There are other cases where increasing revenue is also directly related to Tinybird, such as increases in sales from personalisation of their solution. Performance (latency and scale) can also be important value drivers.

What questions do you ask your senior stakeholders to understand what they care about most?

For our Champions, the sorts of questions we ask are:

- What are your top requirements for this solution?
- What other solutions are you evaluating?
- What do you like or dislike about those other solutions?
- What would the ideal product look like for you?

Sometimes there are very technical requirements. In those cases we need to understand what those requirements are and if they are actually needed or if there is a smarter way to solve the problem by using Tinybird.

For our Economic Buyers we typically ask:

- Why are you looking to implement this solution?
- When do you need this solution implemented by and why is that timeline important?
- What business outcome will this project deliver?

- What are your high level requirements for this solution?
- How will you evaluate your different options and what factors will be most important in making your decision?

As I mentioned before, we always bring Total Cost of Ownership into the conversation with our Economic Buyers, and we try to do this before discussing price. We've found that if we don't discuss TCO, the Economic Buyer might tell you that it's essential this project doesn't cost more than $100K, but in reality any alternative is going to be $300K, and the value to them is in the millions. If we figure this out first, it's much easier to show our value, and stay firm to our pricing.

What questions do you ask to get the data you need to understand the value you could deliver to each stakeholder?

We usually use the same sorts of questions in conversations with our Champions and Economic Buyers:

- How much are you spending or your current solution?
- How much do you estimate the alternatives will cost?
- What extra tooling will you need if you use a solution that is just infrastructure?
- If you build this in house how many engineers will you need?
- What is the salary of those engineers?
- What would the impact be to the company financially if you don't have this solution?
- Is this a nice-to-have or a need-to-have? Why is it a need-to-have?

Often different stakeholders give us different pieces of information, so it's not always the same stakeholder who gives us everything we need. We always work really hard to build a relationship with both our Champions and Economic Buyers so they are willing to give us more information.

How do you articulate and present Tinybird's value and ROI back to these stakeholders?

This is one example of how we summarise the information we gather:

<Customer Name> Total Cost of Ownership Options

	Elastic	BigQuery	ClickHouse Cloud	ClickHouse	Tinybird
API Builder	No	No	No	No	Yes
Scalable API Backend	No				Yes
Fully Managed	No	Yes			Yes
Managed Connectors	No		Limited		Yes
Events API	No				Yes
Enterprise Support	No	No	Limited	No	Yes
April Launch	Unlikely	Unlikely	Unlikely	Unlikely	Yes
Additional Tooling	Yes	Yes	Yes	Yes	No
Employee Time Cost	$300K	$300K	$300K	$450K	$30K
Processing Cost	$300K	$312K	$200K	$180K	$180K
TCO Estimate	$630K	$642K	$530K	$640K	$640K

You can learn more about Tinybird at tinybird.co

About the authors

Ben Wright

Ben has more than 25 years experience in B2B tech, with over 10 years experience in global software companies and 15+ years working with early-stage B2B companies.

Ben has worked in the UK, Europe, and spent 5 years in Silicon Valley working initially with Oracle before moving as an early employee to Ariba, a business which was later acquired by SAP for $4.3B.

Ben has spent the last decade helping Seed to Series B companies design, build and scale all aspects of GTM, and has worked with over 100 B2B tech businesses running all types of sales motions from PLG, PLS, SMB, mid-market and Enterprise.

Rav Dhaliwal

Rav has held a number of executive positions in various Enterprise Software companies over the last 20 years, most recently at Slack where, as the first UK employee, he established the London office and founded the Global Customer Success team.

No stranger to hyper growth startups, Rav has also led business units at Zendesk as well as Yammer (which was acquired by Microsoft) and specialises in working with Crane portfolio companies on all aspects of Go-To-Market, particularly how to accelerate their journey from Annual Recurring Revenue (ARR) to Net Recurring Revenue (NRR).

About the Crane Foundations Series

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