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Harnessing the Revenue Value Chain (Update)

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For decades companies have treated strategy, marketing, product planning, sales and value delivery as though they were separate functions, only loosely connected with one-way, if any, direct communication. Functional units operated with their own agenda, their own rules and their own incentives and frequently thought of that function as more important than the others. In an evenly paced marketplace with competitors of similar strength, common business model and predictable behavior, that familiar departmental view of the revenue generation worked quite well for a long while.

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And Then, Everything Changed

Almost overnight, inexpensive global communications enabled competitors from anywhere, with no stake in the past, to reach your long-standing customers with new and different value propositions. At the same time, cheap transportation allowed them to get their products to your legacy customers, in days instead of months. Almost as quickly, brand positions could no longer be maintained with advertising budgets and media based communications that overpowered smaller competitors and were often one of a customer's few information sources. Sustainable competitive advantage and brand hegemony became artifacts of a time-gone-by. Brand credibility and competitive advantage were now on the line and had to be re-earned and renewed on-the-fly, every day.

Many companies defaulted to "react" mode just to keep up with the restructure of the marketplace. Separation of strategy, marketing and sales became even more pronounced. Customer Relationship Management and Enterprise Supply Chain Management systems were technology solutions that were going to pull the parts together and put the edge back on competitive advantage. But somehow, they often missed the mark because they were applied as patches to organizations that still viewed revenue generation as a group of separate functions rather than the fully integrated and aligned whole it really is. Perhaps a clearer way of looking at how revenue generation works is needed.

Revenue Value Chain

← Impact on Competitiveness →

3-20 yrs

- Long-term strategic focus
- Strong market forces
- Developing markets
- Establish direction

COMPETITIVE POSITIONING

Designing the Future

- Business strategy
- Competitive strategy

Creating Value

- Product strategy
- Distribution strategy
- eBusiness strategy

Growth Environment

- Internal growth environment
- External growth environment

1-4 yrs

- Mid-range market focus
- Communication oriented
- Pre-conditioning for sales

MARKET CONDITIONING

Defining Value

- Brand strategy
- Marketing strategy
- Value proposition

Targeting Value

- Market segmentation
- Market / Competitive research
- Positioning / Messaging

Communicating Value

- Value messaging
- Marketing communication / Advertising/ PR

1-2 yrs

- Short-term tactical focus
- Action oriented
- Numbers driven
- Specific performance goals

ADVANCED SELLING

Managing Demand

- Pipeline analysis
- Opportunity management
- Prioritizing

Supporting Demand

- Sales coaching / Team workshops
- Performance measures / Rewards
- Sales process / IT / Sales automation

Creating Demand

- Exploring for value
- Value Dialog
- Value Proposition / Proof

← Closed Sale Event

Ongoing

- Customer focused
- Service oriented
- Communicate customer demand changes

Sustaining Demand

- Transition from selling to delivering value
- Results tracking / Reporting
- Positioning / Referrals / References

Revenue Value Chain

The Revenue Value Chain model graphically demonstrates the alignment of business functions along the straight path from: recognizing demand through defining and communicating value, managing and supporting demand all the way to the closed sale event. That continuous, unbroken process that delivers value directly to ready, willing and able customers is, according to Adam Smith, the sole purpose of a for-profit enterprise to exist.

Now united as a single business function, the barriers between Revenue Value Chain actions become less distinguishable and the primary difference becomes one of relative distance from the Closed Sale event. The closer an action is to the sale, the more impact it has on near-term performance and current bottom line but the less impact it has on competitive position and long-term growth. The reverse pyramid graphically demonstrates that the farther an action is from the event of sale, the less impact on current sales performance but the greater the impact on long-term growth and competitiveness .

Each link in the chain is equally important in both directions along the chain and to near-term performance and long-term enterprise health. Balance and alignment in each area of the chain is important to top performance . As with any human system, gaps, weakness and misalignment that degrade performance are a recurring issue and require regular maintenance. The principal tools for revenue chain maintenance are: clearly defined mission and performance expectations, performance measurement tools that fit the specific challenge and open, omni-directional communication.

A different Perspective

The Revenue Value Chain model provides an evolving perspective of how the revenue development engine functions in today's volatile, uncertain market environment and is a guide to improving effectiveness. The graphic depictions are designed as easy to understand, information rich management tools that provide a viable alternative for forward looking growth companies to better manage revenue development as they address the market challenges directly ahead and create the future in which they will compete .

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Designed to inform, disturb, offer alternative perspective, encourage cooperation and inspire innovation in revenue growth strategies . Your ideas and perspectives are welcomed and encouraged.

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