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Harnessing the Revenue Value Chain (Update)

Jack Zimmanck, www.stratuspartners.com

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.

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 and separation of strategy from marketing and sales became even more pronounced. Customer Relationship Management (CRM) and Enterprise-wide Supply Chain Management systems were technology solutions that were going to pull the parts together and put the edge back in 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 truly is. Perhaps a different way of looking at how revenue generation works is needed.

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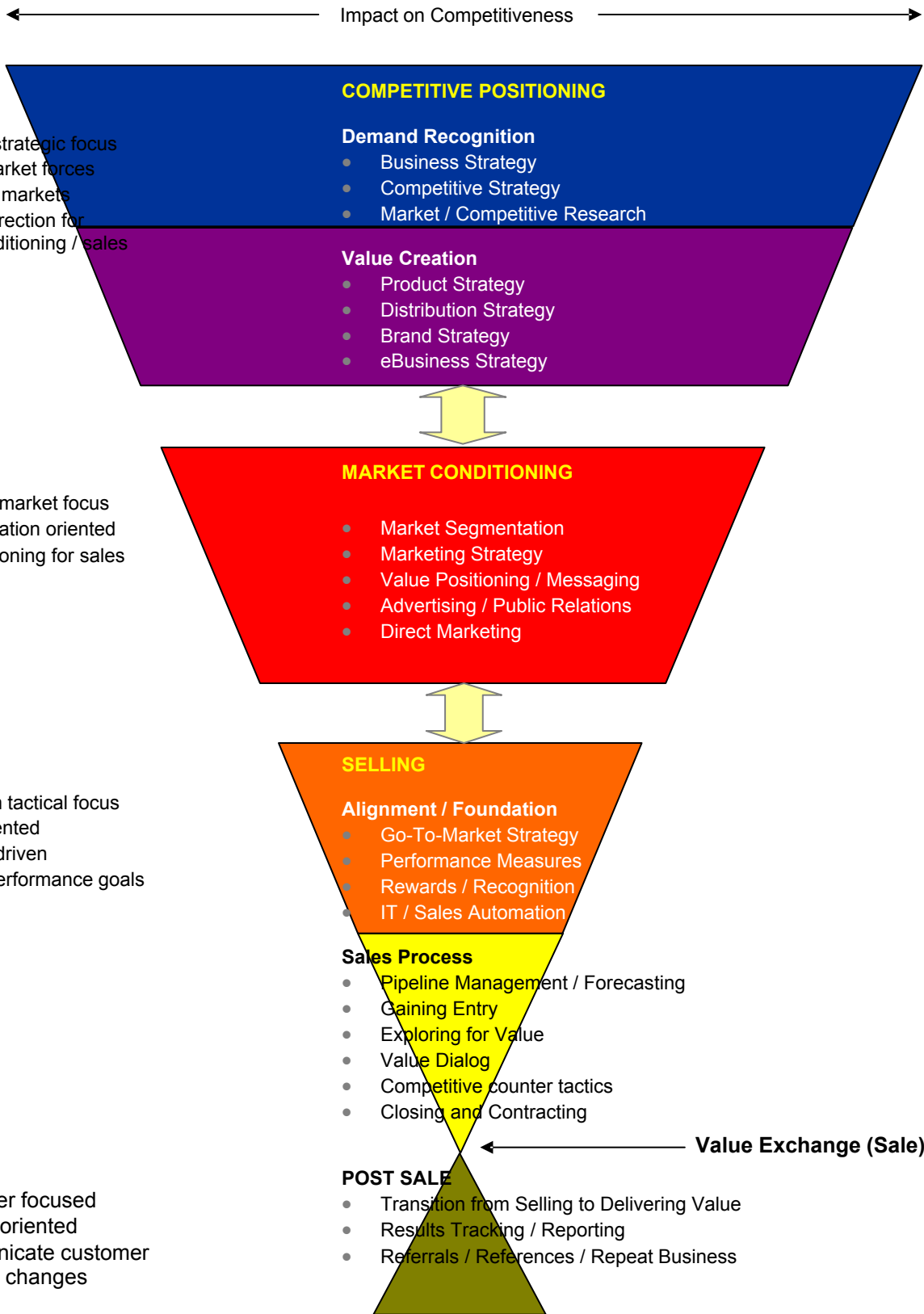
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Revenue Value Chain



Revenue Value Chain

Rather than an organizational chart with scores of boxes and countless lines to define obscure relationships, the Revenue Value Chain model is an attempt to graphically demonstrate the alignment of business functions along the more effective straight path from: identifying customer demand to: the event of value exchange with the customer. That continuous unbroken process delivering value directly to a ready, willing and able customer is, according to Adam Smith, the sole purpose for a for-profit enterprise to exist.

Now united as a single, far-reaching function, the barriers between actions become less distinguishable with the primary difference being chronological distance from the value exchange event (sale). The closer to the sale, (more tactical) the more impact on near-term performance and bottom line but the less impact on competitive position and long-term growth. The farther in time (more strategic) from the event of sale, the less impact on annual sales performance but the greater the impact on long-term growth and competitiveness. The reverse pyramid graphically demonstrates the increasing long-term impact of revenue chain decisions as they move farther in advance of the actual event of value exchange (sale).

Each link in the chain is equally important to links in both directions along the chain and to both near-term performance and long-term health of the enterprise. Balance and alignment along the chain and in each chronological area is key 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 is an evolving perspective of how the revenue development engine functions in today's volatile, uncertain market environment and a guide to what can be done to improve effectiveness. The graphic depictions are designed to be management tools that are information rich, highly communicative and easy to understand. The objective is to provide a viable alternative to forward looking growth companies to better manage revenue development as they address the market challenges directly ahead and create the future in which we all will live.

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