



# Value

**OVERRATED &**

**Misunderstood**

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# Introduction

**VALUE Definition: the regard that something is held to deserve; the importance, worth, or usefulness of something.**

What do I think of when I heard the word “VALUE?”

The most overrated, misunderstood word in sales.

One of the best things I’ve read about value goes something like *“the more you hear your leadership talking about how valuable your product is, the less likely it is.”*

Hilariously accurate. If you don’t believe me, think back to the absolute BEST business cases you’ve developed.

High COI. Clear cut ROI. References. Champions.

And you still lost.

But what about your executive leadership screaming in your ear about how you just needed to “show value” like it’s a magic f\*cking cure-all?

If it’s so easy, then why didn’t you win?

If the cases are so clear cut, why are win rates below 20%?

Two reasons are clear:

**The way in which the majority view, perceive, and understand value is nonsense.**

**And the way we understand our buyers to view, perceive, understand and communicate that value among themselves is equally so.**

**So let’s take a step back, here’s what we’re going to address today:**

- What Everyone Gets Wrong About Value
- How Value is Perceived
- The Two Types of Value
- How the Power Line Dictates Types & Perception
- The Importance of Price Perception



# What Everyone Gets Wrong

Value has been treated in our industry as a bullet, band-aid, magic wand, cash generator, and just about everything in between. At this point, it's literally a widget; a stand-in for what anyone wants to use it for.

Go back to the definition.

***“the regard that something is held to deserve; the importance, worth, or usefulness of something.”***

Think of someone or something you value. What words and thoughts immediately come to mind? I'll bet it wasn't money-related.

Value is something with which we have close personal connection. It can conjure intense emotions, thoughts and feelings inside all of us. It's uniquely personal to each and every one of us. It's absolutely subjective.



Yet, almost all of Sales treats value as this end-all, be-all; easily defined by complex numbers, random abstracts of thoughts, and surefire business cases. It's become the filler word used by Leadership to tell us what we have to do to win deals, despite their repeated failures to actually help any of us understand what it actually means, and how it should be demonstrated and communicated.

Let's go back to my example above. When an executive asks you to prove value, ask them back what value means.

Ask them about their favorite person or thing, and how they value them. Then ask how they would translate that concept to what you're trying to sell.

I'll assume most won't have an easy answer for that, so by the end of this eBook, you WILL be able to explain to them what value means, how it's perceived, and how you can properly leverage it to sell.



# How is Value Perceived?

***Value is something with which we have close personal connection. It can conjure intense emotions, thoughts and feelings inside all of us. It's uniquely personal to each and every one of us. It's absolutely subjective.***

All of value is processed through our emotions.

Again, ALL of value is processed through our emotions.

There's a phrase in sales that "*buyers buy on emotion, justify on logic.*" It's more true than anyone admits. We fool ourselves thinking otherwise even as we fail again and again and are left asking why.

Why is that phrase true? Because the logic is informed and influenced by the perception. What's logical for one is not the same for another. What's emotional for one is not the same for someone else.

How do these value perceptions form?

## **1) Contextual - by a product of circumstance in your current environment.**

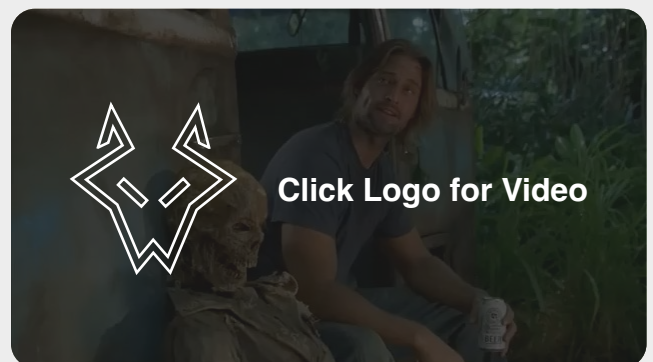
Everyone pretty much loves diamonds right. Pretty, shiny and worth a lot of money.

Imagine you've just been given a bag of diamonds! Big money! You'd love to cash in on that, right? Off to the nearest diamond shop you go.

Except, you're on a deserted island. (Pick your team, Dharma Initiative or the Others.)

How valuable are those diamonds now?

Contextual value perception is dictated by the circumstances of your current environment. You'll pay \$7 a beer at a bar, but not at the store. The diamonds are valuable to sell, but not on a deserted island.



## 2) Experienced - accumulated feelings over time based on your past history.

McDonald's feeds 1% of the global population daily, or roughly 68 million people. I'll assume everyone has been there at least once.

Remember the Dollar Menu? Double Cheeseburger, McChicken, and more.

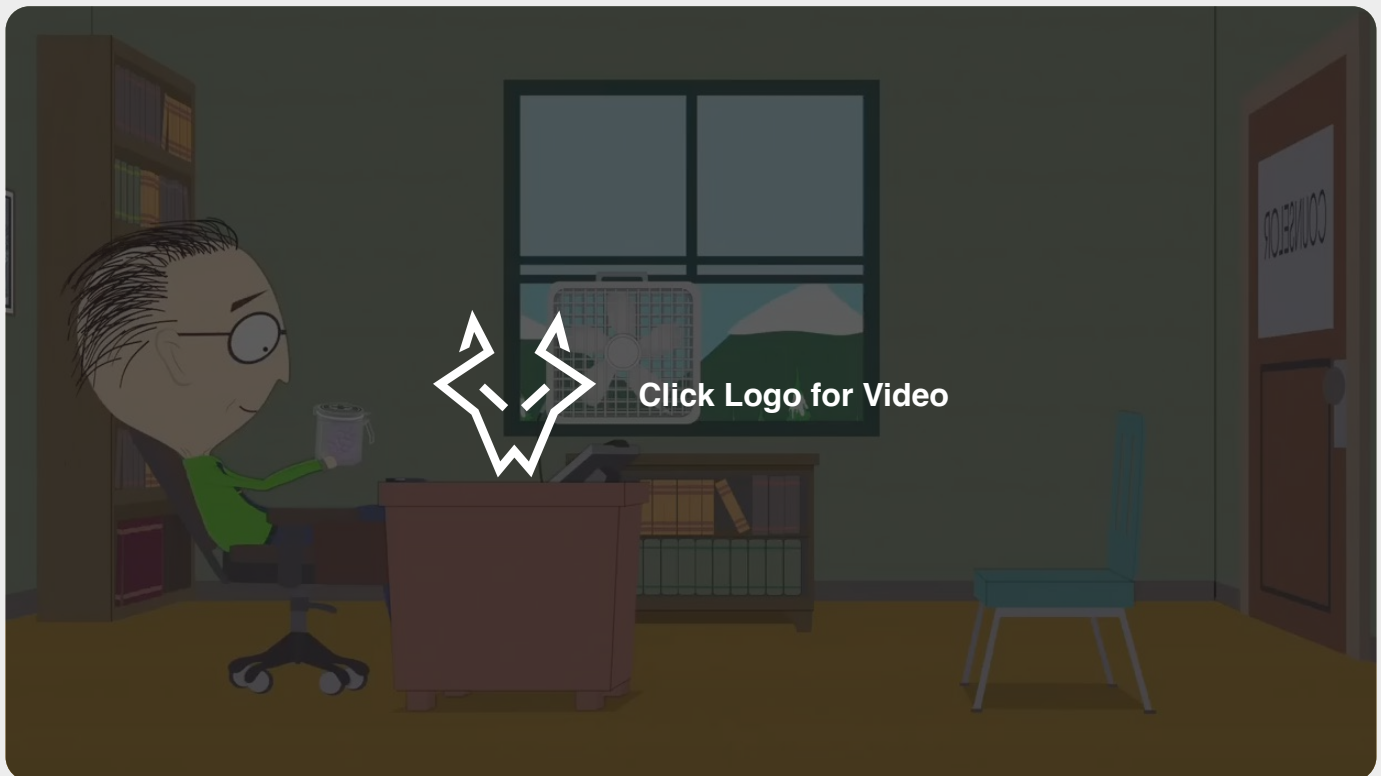
What do those cost today? \$3. No more Dollar Menu.

I bet you've sat there thinking about a lot of things, and saying *"I remember when that used to cost \$1, I remember when movie tickets were \$5, I remember when eggs weren't \$83 a dozen..."*

Your value of those items is rooted in the historical experiences and accumulated feelings you've had with them. But it's perfectly logical that \$1 cheeseburgers don't exist today.

Here's a more personal example: Remember your first \$1 earned from the lemonade stand? First Minimum wage paycheck? First career salary?

Remember how BIG that number looked? Would it carry the same value for you now? Would you be as happy with that number now? That growth over time has changed the way you perceive the value of those earnings.



# TWO TYPES OF VALUE



One of the most iconic film scenes of all time. Scarlett, for years having taken Rhett for granted, realizes the importance of their relationship all along; Rhett, in the realization that logically he'll never be #1 in her heart, leaves forever.

To make this as simple as possible, I've split value into two types.

## **Emotional Value & Material Value.**

**Emotional Value (EV) is the subjective importance we place upon something.** It's how we truly process what something or someone means to us. It dictates how we think, feel, and prioritize as those feelings are formed.

If you've read my HAVOC Framework, emotional value in business can be linked to the "Outcomes: non-numerical." It's not something easily or readily defined, but simply lives in the gut.

*"Makes me feel good. Tastes great. Easy-to-use. Looks fire."*

**These are expressions of Emotional Value.**

**Material Value (MV) is the objective importance we place upon something.** It calculates monetary worth, spend, gain or some quantifiable measure of impact.



Again, if you've read my HAVOC Framework, material value in business can be linked to "Outcomes: numerical." Most often, defined KPIs or metrics that can be established, tracked and validated.

*"Worth \$X. Increases speed 35%. Reduces spend by Y amount."*

These are expressions of Material Value.

### **This Is Where We Start To Fail**

What we get wrong in business is fundamentally prioritizing Material Value > Emotional Value. Because, why wouldn't we? It's business after all. Only the Material Value of our product should matter. Revenue is the endgame.

***Our first mistake is not realizing the lesson above: "buyers buy on emotion, justify on logic."***

So let's correct this: Emotional Value always trumps Material Value. Always.

You know that account that buys the inferior product because of the strong relationship between the executives?

***Why? Intrinsically, people will always make decisions for their own best interests, and their best interests are guided by how they feel about their needs and wants, aka Emotional Value.***

In the above case, the EV within the executive relationship supercedes the MV of superior product.

Here's a way to think about this personally:

As a revenue pro, what's a higher priority - hitting 100% of annual quota or the company hitting 100% of growth target?



*How do you feel about hitting 100% vs the company hitting 100%? (EV)*

*What does hitting 100% for you mean vs the company hitting 100%? (MV)*

**If someone came to you and offered to help you by appealing to those two value propositions, which one would you prioritize? What resonates more?**

The reality is that we look out for ourselves first, foremost, always.

So now go ahead and take a look at all of your sales messaging. I'll bet it's largely dominated by MV. *"We can help your company grow revenue 40%. We can lower costs by 50%."*

Where's the EV? What should you be messaging instead to get through to what people care about?



I really love this scene from the Big Short because it captures how emotion and passion tangle with reason and logic, and a financial expert who should prioritize MV instead is led by EV.

*"This guy is everything you told us to watch out for. You want him to be right."*

*"YES, I want him to be right!"*

**Now our second mistake: We fail to realize that Material Value is processed through Emotional Value, which turns the objective MV into the subjective EV.**



Go back to our buttoned-up business cases - but sales win rates are below 20%. If the business case numbers are objective and cannot be questioned, then why don't they work? Why do we fail 80% of the time?

They fail in large part because we don't understand how our buyers are actually interpreting and processing those numbers through their EV.

To say "Yes," people have to feel good about that decision, and feeling good is EV.

Business case shows 10x ROI. MV makes sense. *"That'll benefit the company."*

EV, something feels off. *"Not sure I trust that." "Feels like a lot of work." "I don't know, have to think it over."*

On paper, home run. In the brain, your Commit just went to AT RISK!

Ultimately, the power of MV is diminished because its processed through the EV, and that's something that differs across all people.

Here, the client here has an enormous opportunity here to make money (MV) by rebranding and grow exponentially, but rejects experts because they don't want to compromise their values (EV) by agreeing to Don's creative pitch.



# ABOVE/BELOW THE POWER LINE

When we strategize problem solving and our selling approach, traditionally there has always been a focus around the following:

**Below the Power Line (BPL):** day-to-day users whose problems can be best summed up by Personal Pains (HAVOC Framework) that affect them directly.

**Above the Power Line (APL):** Leaders whose problems are more naturally tied to the Business Problems (HAVOC Framework) that affect entire departments/companies.

For the most part, this is true because of what we discussed in the last section. Intrinsicly, people will look out for themselves first and always.

But Value creates a nuance in this situation that we often overlook.

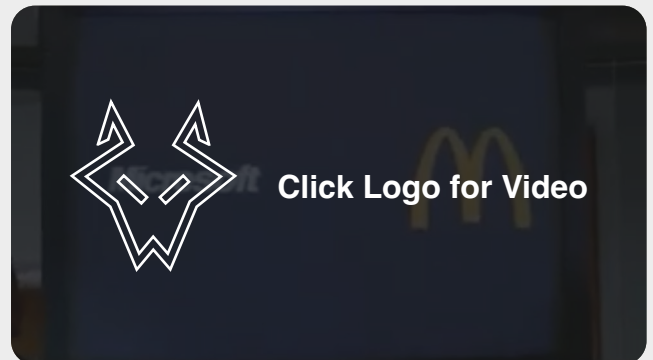
We usually assign & prioritize Emotional Value to BPL, and Material Value to APL based upon this power dynamic. It fits the natural leadership structure where big decisions are made the higher you go.

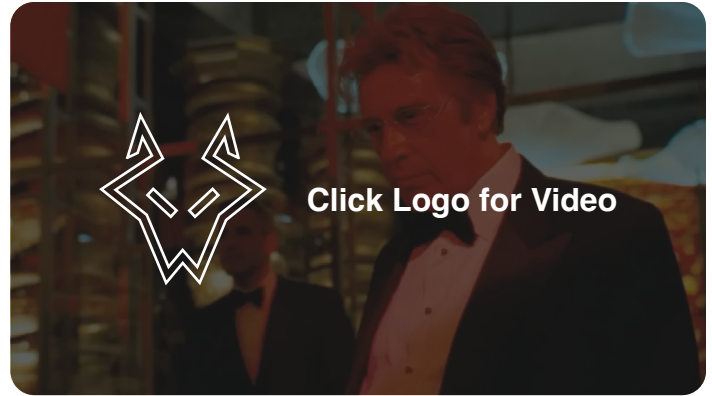
## **Our third mistake: We overestimate MV & underestimate EV for our ABL buyers, while neglecting MV entirely for BPL.**

Great example here of an MV-centric approach for ABL where EV was neglected entirely.

Before this clip, Vince saw the same pitch multiple times from agencies who wanted to sign him. In the end, he just wanted his agent and his friend to apologize, not to sell him. He didn't get that apology, and Ari got fired.

Don't ignore the importance of EV in ABL buyers. They're humans too, and they're often motivated by big personal successes, projects, and solving some of the greatest challenges in their fields. Helping them to do so makes for great partnership, and it's also equally advantageous to you as a seller - these are the people who will move heaven and earth to bring you into a new opportunity wherever they go.





In reality, the BPL actually had the power the entire time.

An overestimation and misguided decision here cost Al Pacino's character big. The perceived ABL was a plant, while the perceived BPL was actually the important champion he needed to secure his 5 Diamond hotel award. He was treated terribly, ignored, despite having full influence over the decision.

BPLs carry significant weight as both champions and power users, often to the point of being relied upon to do most of the investigative work and recommend a purchasing decision. That's something they'll need to not only feel good about, but see the MV impacts them day-to-day and in the long-term. Help them connect MV in the short and long-terms, and confidently navigate internal processes to sell on your behalf.



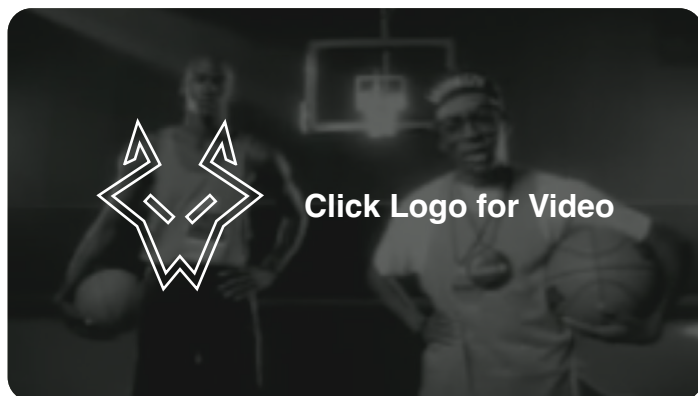
# THE IMPORTANCE OF PRICE PERCEPTION

Let's take a moment to discuss how Emotional Value and Material Value weigh on pricing perception, particularly when pricing is first presented or advertised to a customer.

The perception of price is a tricky aspect to sales. First impressions are everything, and that comes down to the fact that people immediately make snap judgements about a price based on a mix of EV and MV.

Because of that, there's advice that as a seller, you should disclose this early and often to disqualify those who cannot/will not purchase. BUT, some prefer to wait until you can diagnose the problem/pain OR quantify an issue as to provide context.

I think there's a time and place for both, and much of it depends on to whom you're speaking. But what's universally true is that pricing perception is heavily influenced by past experiences with both EV and MV. We have to better understand how our customers react to pricing, so let's look at some common examples.



## Air Jordan Shoes

Nike's Air Jordan basketball shoes have become legendary due to the accomplishments of Michael Jordan, and they occupy a special place in pop culture. The brand itself has surpassed basketball, with Jordans worn as casual wear, weddings apparel, corporate footwear, and more.

But at \$200 for a pair, do people still purchase them to wear playing basketball? Is there evidence they are still the best basketball shoe you can buy for performance at that price?

The craze about Jordans represent the massive Emotional Value we have as buyers, where we want something because it makes us feel good due to being popular, trendy, influential. We'll disregard the actual worth, how much we'll use those items, and any logic to satisfy that desire. The fact that Jordans are \$200 is somewhat irrelevant - many will pay whatever they cost, considering that price to be aspirational and a guarantee of good quality and performance. In reality, that Material Value is never truly tested.



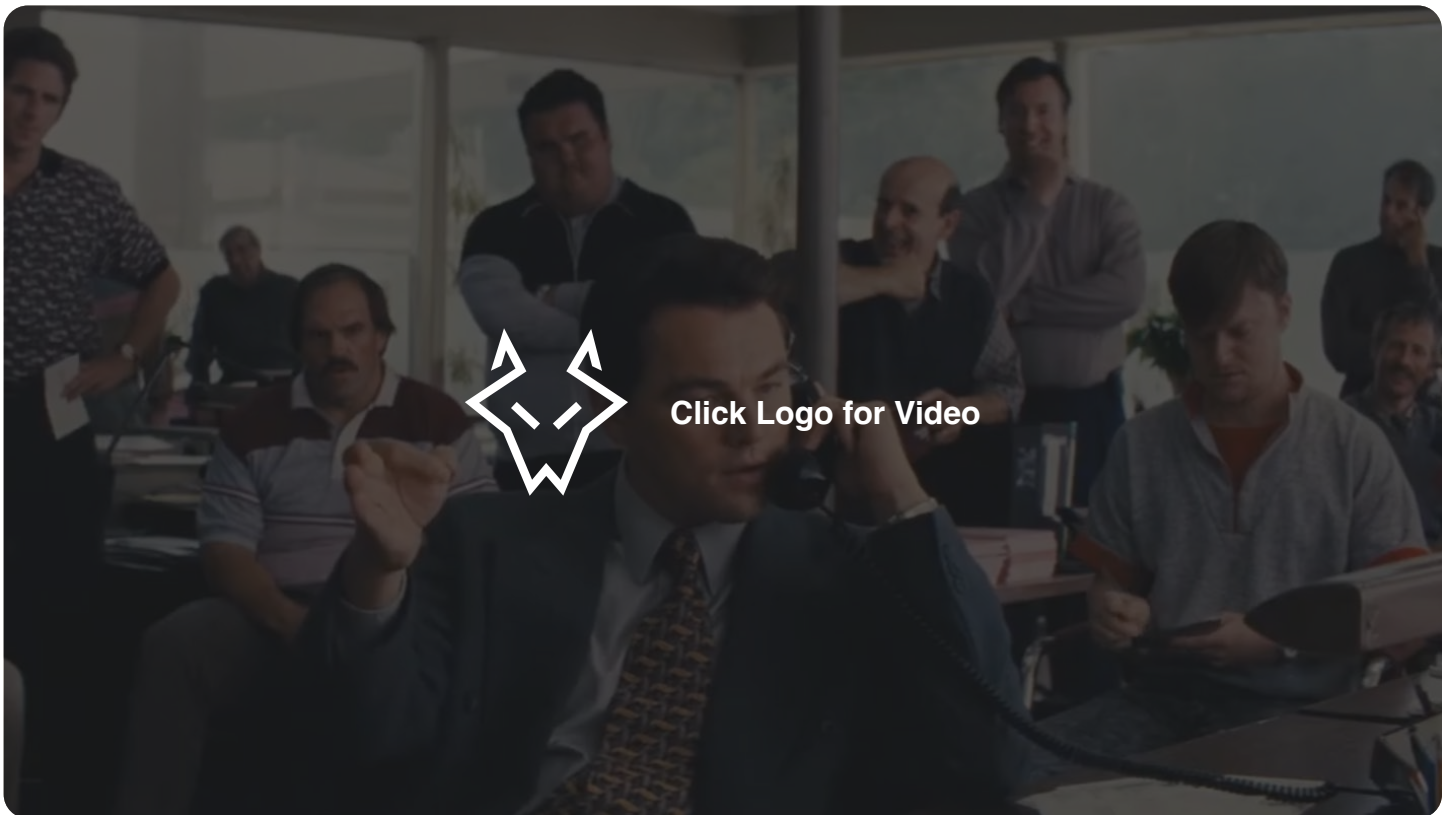
## Investment & ROI

Has anyone come to you with an amazing opportunity such as “If you just invest \$100 now, you can make it \$1000 in X years?!”

Investments represent the strongest of Material Value by definitively laying out the positive gains of “If  $A + B = C$ .” We usually see this delivered to the client in proposals where the Cost of Purchase will help enable someone to achieve a specific Return on Investment, such as a growth figure or operational metric.

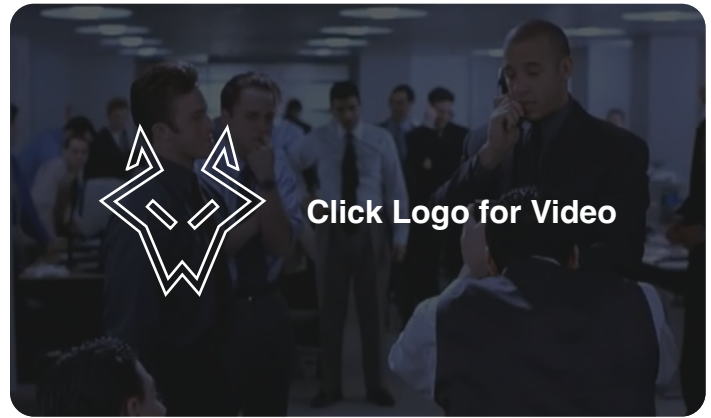
ROI is a compelling argument to justify price because it creates positive gains people can achieve, usually by focusing on an area people care most about (money.) It also quantifies the delta between the Current State and Future State, which also appeals to someone in an ABL position that cares deeply about that specific metric.

ROI projections are standard for many deals and it’s important any with buying influence understands the impact that can be made, but be warned - an overdependence on ROI can get you into trouble. At minimum, businesses get dozens of offers to help them solve problems that emphasize ROI gains. There’s a tremendous amount of competition relying on ROI so make sure that your buyers truly prioritize Material Value if you pursue this route.



## Cost of Inaction (COI)

Cost of Inaction plays perhaps the most important value metric because it directly attacks the status quo, the killer of most deals. By framing the negative impact of standing still, there's a tremendous appeal to both EV and MV that is painful, caused by underscoring negative consequences that generally spur people to take action quickly.



Can you notice the one difference between the two calls?

*"That's great, Doc, if you want to miss yet another opportunity here and watch your colleagues get rich doing clinical trials, then don't buy a share and hang up the phone."*

Leo sold the dream of paying off the mortgage (ROI.) Vin sold the fear of missing out on getting rich as colleagues were. (COI.)

Utilizing COI, the value of what would be the total share purchase price matters little because the painful effect of NOT participating has been judged to be MORE valuable - Vin didn't even share what it would cost the doctor to purchase! COI is a very powerful motivator that combines the best elements of EV and MV.

### Salary vs Software - The Wage Gap

As you're speaking to potential buyers, keep in mind this: the majority of companies you're speaking to can purchase thousands, even millions of dollars of what you have to sell. The employees? Most are making a fraction of that.

The front-line manager that loves your \$400K annual software solution may earn \$100K annually. What makes sense to you and on paper just rattled him when he realizes it's 4x as much as what he earns in a year.

Why would he take that solution forward to more senior stakeholders? How would he even feel doing so?

We have to be conscious of the BPL perceptions on our pricing, particularly in a sensitive area such as wages, which provide an easy comparative tool against our proposal. It's a hard sell to ask someone who hasn't seen \$400K in their life to take a solution up the chain to someone who wouldn't flinch at that number. That BPL buyer is likely fearful of such a comparatively high cost, and in turn fearful of what he will look like taking that to someone he feels would react the same (even though that may not be the case.)



# RECAP

1) Emotional Value trumps Material Value. People are people, not spreadsheets.

2) That's true largely because MV is processed through the EV.

3) We miss EV & MV opportunities with APL/BPL buyers because we misunderstand how they care. Dig in on a 1:1 basis to weigh their EV & MV.

If you're being questioned about communicating value in your next deal, you have an opportunity to go educate. Good luck!



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