The Value Proposition

Case Study
What is a Value Proposition?

• Provides an explanation of what benefit you provide, for who, and how you do it uniquely well. A positioning statement.
Pittsfield Plant
Before - Propane Set Up
Before Diving In

• Is the problem clear, is it workable?

• Is our proposition compelling?

• Yield Value and cost reward?
The Odds Were Against Me

• “They’ll never do it”
• “I wouldn’t waste too much time on that”
• “You have no shot”
• “They hate us”
Customer concerns – Request for additional information

• Solid relationship w/ current vendor - locked in Price, contract
• Numerous costs associated with conversion, large CIAC
• Price outlook
• Questions surrounding capacity constraints
• Major concerns relative to cut over and potential plant down time – Critical Dates
• Prior Bad Experience W/ Berkshire Gas
The Sale Inside the Sale

- Overcoming prior bad experience
- Current supplier tactics – salesmanship
The Initial Meetings, 90-10

- Initial introduction
- Who are the key players?
- Provided general outline of project, scope of our work
- Let the prospect vent regarding past experience. “I am sorry you feel that way”
- Took 3 to 4 meetings before customer stopped bringing up prior bad experience with Berkshire Gas
- GOAL – Trust. Create a sense that there could be value in re-establishing a relationship with Berkshire Gas
- NO SHOWING UP AND THROWING UP!
The Reunion Tour, 75-25

• Plant tour to gather BTU information on existing equipment. Plant MGR
• Get out of the board room
• Uncovered critical details regarding plant operation, underlying concerns – existing plant piping
• Our guy was willing to go all in
• Initial $ investment soon after, contracted local established engineering firm
Things are getting serious, 50-50

• Provided hard estimate – XL CIAC
• Major questions addressed by key BG personnel (Engineering, Regulatory & Pricing, Metering Dept.)
• Commit to bring proposal to annual corp. board meeting
The Numbers

- **BGC Project Detail: 8400’ Main Extension**
  - Extend Existing Gas Main: Project to serve Commercial Location at 101 Central Berkshire Boulevard.
  - Install new gas service: Service design to handle estimated existing load of 46,270,000 BTUH; installed service Max Capacity to be above 100 Million BTUH.
  - Install new gas meter and appropriate regulation: Meter design to handle estimated existing service load of 46,270,100 BTUH.

- **Required CIAC (Contribution in Aid of Construction):** $323,484.00

- **Estimated Payback Period (BGC Project Components):**
  - Best Available Consumption History: 245,825 Gallons Propane, **224,935 Equivalent Therms-annual consumption**.
  - Propane extension option @ $1.10 / Gallon
  - $1.10 Gallon Propane = $12.00 DTH or $1.20 Therm Equivalent
  - BGC Estimated Price Per Therm = $7.80 DTH or $0.78/Therm
  - Cost Differential: $1.20 - $0.78 = $0.42 Therm @ 224,935 Therms = $94,473 Estimated Yearly Cost Reduction
  - Estimated Payback: $323,484 / $94,473 = 3.42 years
  - BGC Delivered Cost of Gas for 2015 (G53 High Load) = $0.62/Therm
Relative Terms- Cost Breakdown

• **Comparative Thermal Value of One Million BTU (British Thermal Unit)**
  
  - Natural Gas 1,000,000 BTU = 1 Dekatherm (Dth)
  - Propane 1,000,000 BTU = 10.917 Gallons

  To determine your equivalent natural gas price, multiply your current propane price per gallon by 10.917. *Ex.: Propane at $1.10 per gallon would equal ($1.10 x 10.917) $12.00 per Dth ($1.20 / Them) for*

  - *natural gas.*

  OR by dividing the monthly BGC (Berkshire Gas Company) burner tip price by 10.917 you would obtain the maximum equivalent propane price per gallon you could pay in order to have propane be the better value.

  *Ex.: If The BGC estimated natural gas cost (Burner Tip = Supply & Local Distribution Combined) is $7.90 per Dth ($0.79 / Them), then the break even cost per gallon of propane would be $0.724 per gallon ($7.90 / 10.917). If your propane price is higher than **$0.724 per gallon**, natural gas is the more cost effective solution.

  - Basically, taking our BGC total Cost for Supply & Local Distribution and dividing by 10.917 (Gallon Content in 1,000,000 BTU) = Equivalent Propane Price to Compare.
Getting Close 10-90

• The Big Room
• Top Brass
• Overcame 11th hour objections
• Abundant Buying Signals
• Step by Step Walk Thru – Clear Pattern of Support
• Some different things of importance
Done Deal, Why did they Sign?

• Where is our value?
• For me, it’s “the three Ps.”

1. People – Are we likeable, trustworthy, and knowledgeable?

2. Process – Can we get the job done right, within the anticipated time frame. Do we have the expertise to make it happen?

3. Price – The Bottom Line, will this create a financially advantageous situation?
The Net-Net