



## Stanford eCorner

### Guaranteeing Business Value to Customers

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Video URL: <http://ecorner.stanford.edu/videos/1448/Guaranteeing-Business-Value-to-Customers>

Liemandt talks about how Trilogy moved on from just producing the best enterprise software in the market to adding and guaranteeing business value for its customers.



#### Transcript

So we did great during the 90's, made a ton of money. People were writing us \$25, \$30, \$40, \$50 million checks. And were selling software like crazy. We prided ourselves at having the best engines. And we expanded from configuration to price and commission. All these just esoteric, very hard to do engines. The company doesn't pay us a lot of money for. In 2000, we had a couple of big meetings. Where a couple of big insights where we decided, "Wow! Maybe we need to change." One of them was with Steve Ward. He now runs Lenovo, the PC vendor.

At that time I think he was CIO of IBM or something one of our big customers. And he came in and he's like, "Joe, we've given you guys a lot of money over the years. And it reminds me of this health club I joined." What? He said, "Well I go to this health club. I joined a year ago and I walked in. And it has all the most awesome equipment I've ever seen. Like it's got the cool stair step of thing. And all this gadgetry. And like they'll hook you up and do all this stuff. And I know that in this health club, there is the top of the line equipment. Best products on the market." He's like, "But it's a year later and I'm not in better shape." "And I didn't join the health club for the equipment.

I joined it to loose weight. And that's sort of like with you guys. I know your stuff's the best in the market. We buy it like crazy. But we're not getting the business value that we want." I was like, "Ah! Ok, hmm. Well you know we signed a contract and if you don't like it, you can return the software. I mean it works according to spec." So second discussion. Jack Welch, GE was a customer. Jack Welch came in and said... We'll call it mentoring.

Most of the people in the room will call it being yelled at. Well, he's explaining to me that GE Med is not getting an ROI on their software. And I'm trying to explain to him that this product just won E-commerce Product of the Year. And I don't understand why he's yelling at me because obviously it's his teams problem. Because we have the greatest product in the world. And we built the greatest products in the world. And he explained to me he doesn't care of his products because it's the product of the century. Comes done from heaven above. If GE doesn't get an ROI, the product sucks, I suck, Trilogy sucks. It's hard being an entrepreneur.

I have this big hard thoughts. And so I fly back and I'm writing down on the pad of paper everything we're going to do so that GE can get a return. And first of all I'm like, "I wonder how they're going to get the business done. I don't even know how to use that software." And all these stuff. And we write it down. So we go re-engaged with GE. We worked with them to get them business value. And do the same thing at IBM. Right? And talked to Steve Ward. And I guess not to leave that hanging before I

jump is in Jack's last annual report that he wrote for GE was, "We've saved about a billion eight through digitization.

And one of the company's I want to thank is Trilogy." And so we have obviously been able to switch it. And once again being you know that Stanford education coming though I was like I bet all our customers are like this. And we realized that we want to move from just being selling products for tons of money where our customers don't get any value. To actually guaranteeing business value to our customers. So we started in 2000 where we create what we now call "technology-powered business services". Which is a long way of saying we guarantee the value. So when you engage with Trilogy today, what you actually do is sign a contract that says, "Trilogy will deliver to me \$100 million of business value." Business value as measured by their CFO. They get to decide. Then after they get that value, they then give us back some of it. Because technology can unleash huge business value.

Most of the time it doesn't, right? A lot of the tech down turn was because the products did deliver the value but when it actually does provide the value, you get it. So for example, we'll give you some examples today. We had to set the price of every Goodyear tire. We watched, we do, we create demand forecast and demand curve down to a zip code level. And we know whether that tire should be \$50 or \$52. And if they're charging \$50 for it and it should be \$52, we tell them to change the price. They get the \$2, they'll throw us \$0.20 or whatever the contract says. Actually in Goodyear's case, if you look at the back of Fortune Magazine, the CEO is like, "I installed Trilogy and six months later I got \$35 million." And then they pays us part of that. We do the same thing in automotive where we watch you on the web. And if you actually go to an OEM's website, one of the big auto manufacturers, we do it for most of them.

If you stay on that website for three minutes or more, we can identify you as a buyer or not. If you are a buyer, we then start watching what you want. Because most of the time you start shopping eight weeks before, eight to 12 weeks before you actually buy a car. We watch what you are and then we just make sure that Ford builds it. So that when you go to the dealer, it's there for you. And our predictive ability is dramatically better than what the OEM's can do on their own. And actually having a car that you want on a dealer's lot is worth approximately per car, approximately a thousand dollars more. You're willing to pay a thousand dollars more for that car. For one exactly you want rather than one that's close but it's not the color and all these other things. If one that's close, they end up having to start to give you free accessories and options that you don't want.

But it helps you get into the white one when you want the red one. And then they have spent all this money giving it to you. And how we calculated is we calculate their order so they go through and calculate this is the order we're about to send to the factory. We then look at it and say, "Oh, you're about to do 20% of your Armada with leather." Consumer demand from watching people on the web is actually 70%. And so why don't you build 70% with leather that will make you \$2000 extra per car, that Delta we get paid on after we deliver. Those kinds of things. And so we create these big services now where the only way you have an on-going relationship with us is if you're getting the value. And every six months they get together, sign off on this and they pay us a various amounts. It's a step beyond. If you're an auto maker, it's a step beyond.

Google's pay-per-click where their big innovation, which is awesome, is don't just pay broadcast advertising. Only pay for people who come to your website. We take it. We're focused on verticals. In the verticals we're in, we take it a step further. Which is we only get paid if the guy actually buys a car, right? And so instead of the Google you get \$5 a click, the auto makers go into our website and they say, "I'll pay \$2500 for every pick-up truck buyer that you can sell for fun."