

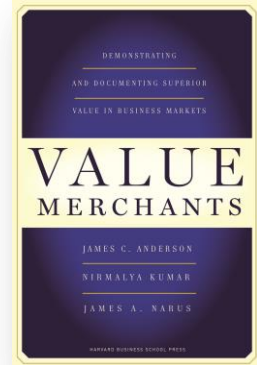


Best Practice in Customer Value Management



In today's business markets, suppliers find themselves increasingly challenged by customers to justify their prices and to prove the value of their offerings relative to competitors'. Some suppliers, though, that have become serious about customer value are successfully meeting these challenges and prospering.

In our book, *Value Merchants*, we share the results of our best practice research and provide a proven approach to managing customer value. The Customer Value Management Expert Toolset® (or CVET® for short) guides you through the process of measuring your customer value in monetary terms and then creating sales tools to persuasively demonstrate that value to target customers. Best practice companies have improved their sales close rates, win rates, and the profitability of business won.



Best Practice Firms Use Customer Value Models To:

- ⊖ Determine value-based customer segments
- ⊖ Identify high priority targets
- ⊖ Formulate pricing strategy and tactics
- ⊖ Craft persuasive value propositions with a resonating focus
- ⊖ Support value selling with value-based sales tools
 - Targeting tools
 - Value case histories
 - Value calculators
 - Value documenters
- ⊖ Lower costs by eliminating value drains and value leaks
- ⊖ Guide product development priorities

Developed jointly by Professor James Anderson of the Kellogg School of Management, Axios Partners, and Orange Orca, CVET streamlines the process of demonstrating and documenting the superior value delivered to customers. It is divided into two basic applications:

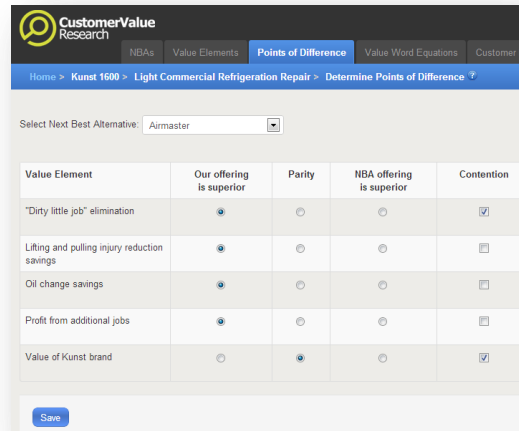
1. Research tool for discovering the superior value of offerings; and
2. Sales tool for demonstrating that superior value to customers.

Customer Value Research

CVET® enables your team to conduct customer value research on a market offering. It guides them to define your project, select market segments to study, identify value elements, write value word equations, research customers, build the value model, and generate reports.

Using the analysis capabilities, your team doesn't have to have extensive experience to achieve best practice in measuring and analyzing customer value.

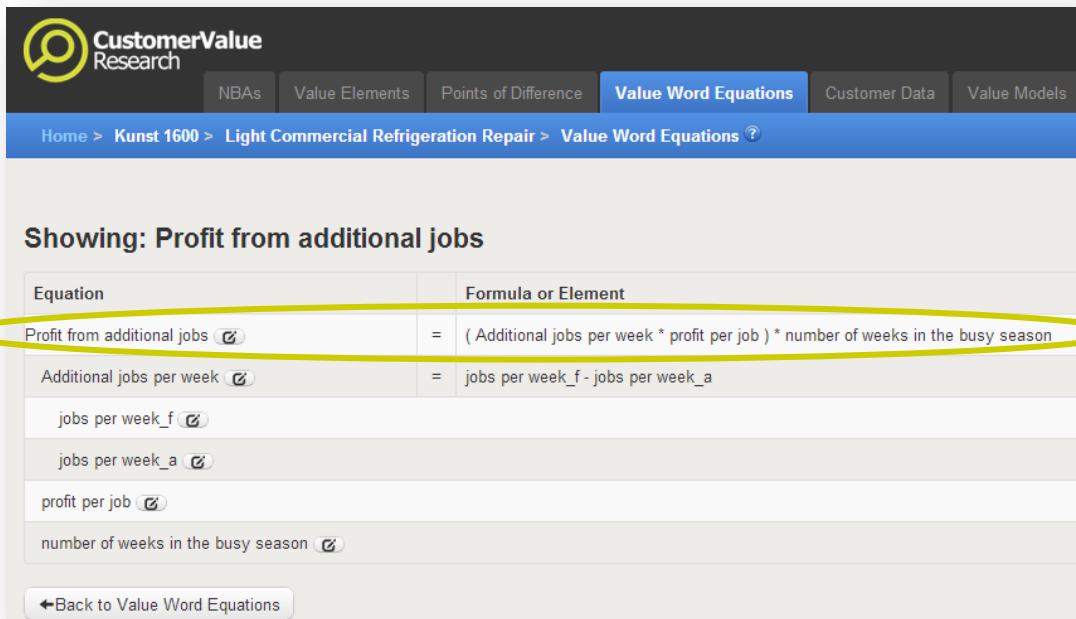
CVET focuses the research on points of difference from your competition. This is an important distinction from Total Cost of Ownership (TCO) Studies, which require data for both points of parity and points of difference. Why strain customer willingness to cooperate by gathering data that does not affect purchase decisions?



The screenshot shows the 'Points of Difference' section of the Customer Value Research tool. It features a table with the following columns: Value Element, Our offering is superior, Parity, NBA offering is superior, and Contention. The 'Select Next Best Alternative' dropdown is set to 'Airmaster'. A 'Save' button is visible at the bottom left of the table area.

| Value Element | Our offering is superior | Parity | NBA offering is superior | Contention |
|--|----------------------------------|----------------------------------|--------------------------|-------------------------------------|
| 'Dirty little job' elimination | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="checkbox"/> |
| Lifting and pulling injury reduction savings | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="checkbox"/> |
| Oil change savings | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="checkbox"/> |
| Profit from additional jobs | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="checkbox"/> |
| Value of Kunst brand | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input checked="" type="checkbox"/> |

Most value measurement efforts are what we call assumption heavy. The value is driven by the assumptions in the model, rather than the data. Others rely too much on the customer's perceptions of value. Unfortunately, customers don't have the time to perform a rigorous value analysis, so they rely on gut feel typically informed by anecdotal stories. CVET guides your team and your customers through a process of joint discovery...not merely recycling customer opinions. The fundamental tool to generate this new knowledge is the Value Word Equation. As you can see, a value word equation is simply the mathematical formula (stated in words and mathematical operators) that fairly estimates the monetary value of a specific value element. The value word equations are discussed with customers to gain their agreement. Then, CVET helps you and your customer collect and organize just the data that's relevant for the analysis.



The screenshot shows the 'Value Word Equations' section of the Customer Value Research tool. It displays a table with the following columns: Equation and Formula or Element. The equation 'Profit from additional jobs' is highlighted with a yellow oval. Below the table, there are buttons for 'Back to Value Word Equations' and a list of variables used in the equation.

| Equation | Formula or Element |
|------------------------------------|--|
| Profit from additional jobs | = (Additional jobs per week * profit per job) * number of weeks in the busy season |
| Additional jobs per week | = jobs per week_f - jobs per week_a |
| jobs per week_f | |
| jobs per week_a | |
| profit per job | |
| number of weeks in the busy season | |

[←Back to Value Word Equations](#)

Value-based Sales Tools

CVET® generates value-based sales tools that enable your sales force to easily and effectively demonstrate and document value with an individual customer. Here you gather data from customers, edit existing customer data, and use the Value Calculator. Your salesperson, truly doing consultative selling, makes use of the research findings by combining them with data that customers have to calculate the differential value for that customer's business. These tools increase the sales force's efficiency and effectiveness by reducing the number of calls required to win an order and/or increasing the "win" rate against the competition.

ValueBased SalesTool

Comparison Information | **Value Calculator** | Value Documenter

Home > Value Calculator

Value Calculator

Generate report

Refrigeration Repairs | Kunst 1600 vs. Almaster

| Points of Difference | Expected value |
|-------------------------------|----------------|
| Oil change savings | USD 207.60 |
| Profit from additional jobs | USD 720.00 |
| Subtotal Differential Value > | |
| USD 927.60 | |

| Differential Price | Expected value |
|----------------------|----------------|
| Differential price | USD 16.67 |
| Total Value In Use > | |
| USD 944.27 | |

| Value Placeholder | Description |
|-------------------|--|
| Environment | Some consumers and/or retailers prefer more sustainable packaging. |

Gain a Fair Return on Your Customer Value...

CVET, James Anderson and their implementation partners work together seamlessly to implement customer value management at client firms. We impart the knowledge, skills, and process of customer value management to client firm managers, enabling them to transform their company culture to one of doing business based on demonstrated and documented value, resulting in significantly enhanced profitability.

We accomplish this by providing management development, coaching, consulting support, and state-of-the-art tools to client teams that undertake defined customer value research projects aimed at improving specific business performance. In today's more competitive markets, can you really afford *not* to systematically manage your customer value?