

*Customer Value, Inc.*  
Developing Successful Product Strategies

**Resources for Building a Customer Value Analysis and Management Capability**

(Customer Value, Inc. -- January 2012)

Having a mastery of Customer Value Management (CVM) is a major asset for people responsible for pricing, marketing, and product management. It can lead to better functional execution and better focus and coordination across functions. CVM can help:

- *pricers* to avoid the twin hazards of overpricing (leading to loss of market share) and under pricing (“leaving money on the table”).
- *marketers* formulate a winning value proposition
- *new-product introducers* evaluate the market attractiveness of a new concept
- *product line managers* develop a family of products that offer attractive levels of price and performance relative to the competition.

CVM is an excellent discipline for giving a company’s marketing programs a common focus, and helping business teams develop, position, price, market, and sell successful products.

*Resources for building CVM Competence*

Leaders who want to establish widespread competence in using CVM within their companies have access to a number of resources that can help them in that effort. First, of course, they can retain CVI to run training sessions or conduct action-learning workshops for business unit teams. Such engagements have been proven to be good starting points.

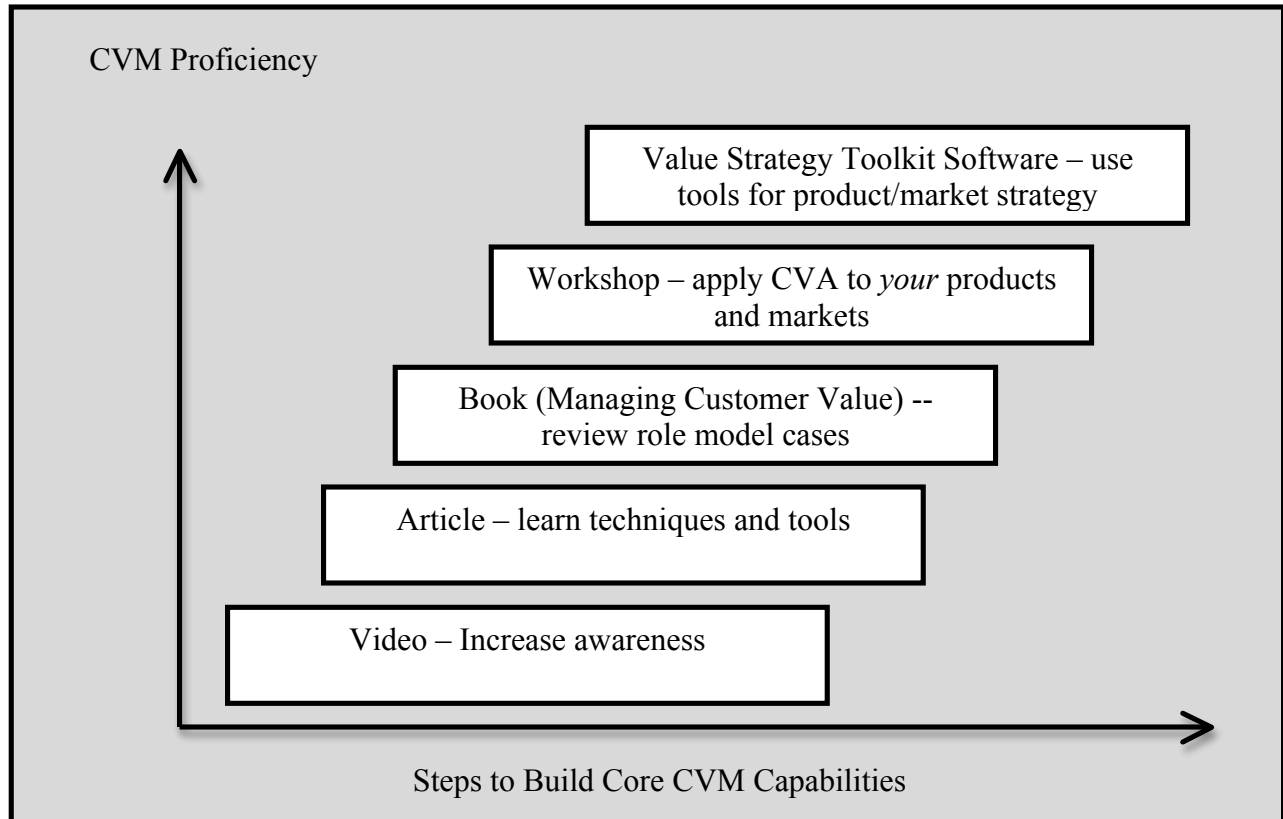
Beyond commissioning such engagements, leaders have access to a number of resources that can be used to raise awareness of CVM and teach the basic principles. They can be used by business unit teams or by interested individuals. These are summarized in the table below.

*CVI Resources for building customer value analysis and management capabilities – a checklist*

Resource	Title of resource	What it does
Video	<p>“Customer Value Assessment for Value-Based Pricing” -- an on-demand seminar presentation  <a href="http://hstalks.com/main/browse_talk_info.php?talk_id=1802&amp;series_id=480&amp;c=250">http://hstalks.com/main/browse_talk_info.php?talk_id=1802&amp;series_id=480&amp;c=250</a></p>	Dr. Bradley Gale, author <i>Managing Customer Value</i> , introduces the CVM discipline for product/market strategy and value-based pricing
Article	<p>“Implementing strategic B2B pricing, Constructing value benchmarks,”  <i>Journal of Revenue and Pricing Management, Jan. 2012.</i>  <a href="http://cval.com/pdfs/ImplementingStrategicPricing.pdf">http://cval.com/pdfs/ImplementingStrategicPricing.pdf</a></p>	Shows how to use CV mapping to calibrate the value of products when your customers have <i>multiple alternatives</i> . Contrasts the key purchase criteria typically found in B2B versus B2C markets. Relates product appraisal to property appraisal techniques.
Book	<p><i>Managing Customer Value</i>, The Free Press, Hardcover 1994, E-book 2009, Paperback 2010.</p> <ul style="list-style-type: none"> <li>• Paperback from Amazon.</li> <li>• Discount on bulk orders, Simon &amp; Schuster, T: 212.698.2105</li> </ul> <p><a href="http://www.amazon.com/exec/obidos/tg/detail/-/0029110459/qid=111651171/sr=8-1/ref=pd_csp_1?view=glance">http://www.amazon.com/exec/obidos/tg/detail/-/0029110459/qid=111651171/sr=8-1/ref=pd_csp_1?view=glance</a></p>	Illustrates how business teams deployed CVM at AT&T, J&J, Milliken, Parke-Davis, and Sonoco Products. Contains empirical evidence linking a business unit’s profit rate to overall quality/performance and market share.
Action-learning courses	<p>Workshops on “Getting started with Customer Value Management.”  <a href="http://cval.com/action-learning.htm">http://cval.com/action-learning.htm</a></p>	Two-day workshops with product line teams. Participants learn how to adapt CVM to their product-market categories and segments.
Software	<ul style="list-style-type: none"> <li>• Value-Strategy Toolkit™ *</li> <li>• Brochure describes applications  <a href="http://cval.com/pdfs/VSTSuccessfulStrategies.pdf">http://cval.com/pdfs/VSTSuccessfulStrategies.pdf</a></li> <li>• VST leasing information  <a href="http://cval.com/contact.htm">http://cval.com/contact.htm</a></li> </ul> <p>* (Patent No. US 8,108,246 B2)</p>	Guides users to do a proper, thorough customer value analysis. Handles complexities when changing the number of products or key buying factors in an analysis.

### *A Path to CVM implementation*

A typical path in applying these resources involves creating a widespread awareness of what the tools can provide and then following with activities that provide hands-on experience. The following diagram illustrates one such path. This basic introductory path can be supplemented with material introducing special topics as necessary.



*Steps to build additional CVM capabilities on special topics for specific market situations*

Special topics:

*Integrating Total Cost of Ownership (TCO) into customer value analysis.*

Use this technique when costs in use are as important to the customer as the selling price itself. Understanding this technique is particularly important when customers calculate costs in use and weigh them against performance. (See “Customer Value Accounting for Value-Based Pricing”, Journal of Professional Pricing <<http://cval.com/pdfs/PPSReprint.pdf>> and the Air cleaner cases provided to VST software users.)

*Measuring price and relative price when the size of a project varies from bid to bid.*

For some services, like IT outsourcing, the cost of a project can differ greatly between small and large engagements. In such situations, one can use the technique of measuring each supplier’s price relative to the industry average. One can also use this technique when the bulk of the

products in each supplier's product line tend to be priced up or down somewhat relative to the industry average. (See the cordless impact wrenches case provided to VST software users.)

### *The Concept of Customer Value Management*

Customer Value Management (CVM) is a key to developing successful product line strategies. The simple idea behind CVM is that, regardless of the product category, customers want value – performance for price. In most markets, customers have an assortment of alternative products to consider. The one that they select will be the one that provides the best value to them. It is important for a company to be able to see the alternatives through the customers' eyes and to design their product offer to be that best-value choice for a sizable number of customers. CVM provides a roadmap on how to do this. Deploying CVM makes business teams more market driven, customer focused, forward looking, and competitor savvy. CVM also improves coordination among functions within a business.

### *Features of the CVM Approach*

- *Document what really matters to the customer:* The list of high-level attributes provides insights useful for becoming more customer centric, developing marketing collateral, and focusing sales. The discipline helps you see the market through the customers' eyes.
- *Organize your data using a Comparative Performance Scorecard:* You probably have lots of important competitive data – market research, product specs, competitive intelligence, and price lists -- scattered across various files. This streamlined template helps you integrate the key facts about how your product compares with the competition – all on a single page.
- *The Value Strategy Toolkit software:* Used in action-learning workshops and available for lease, the software provides a roadmap to our intuitive, systematic, and repeatable process for comparing a product to the competition and assessing its worth
- *Value Mapping helps you understand your customers' alternatives:* A simple visual display of data shows how much customers are currently willing to spend for better product performance – from you, or from your competitors.
- *How much is your product really worth?* The Product-Appraisal Table helps you do a comprehensive review of the various components of performance from a customer perspective and provides a list of your product's comparative strengths and weaknesses based on their impact on the product's value.
- *Use data analysis to guide your product strategy:* Craft winning value propositions for your products, set prices consistent with performance, pre-test new-product concepts, and understand and manage market-share trends, guided by Customer Value Analysis.