

Adding value without losing out - How to create real value for you and your customers



 **Huthwaite**
Improving sales performance *International*

Change behaviour. Change results.

Adding value without losing out - How to create real value for you and your customers

Many people talk about 'adding value' in the context of the customer/seller relationship. Surprisingly however, when we scratch beneath the surface of this idea, we've found there's often not much 'value' and it's very rarely 'added'. Let's elaborate:

Value, in this context, is the benefits or pay-offs deriving from a commercial transaction; it has two forms, the value derived by the customer and the value derived by the seller. In the most simplistic terms, the customer gets your product or service and you get paid. Of course, in reality it's a lot more complex than that, not least because value isn't necessarily monetary, in fact it often isn't even tangible. Indeed the term 'goodwill' in a business context was coined as a way of defining the intangible value inherent in a business.

So, firstly we need to bear in mind both elements, what the customer gets, let's call it customer value, and what the seller gets, sales value. Then we need to look more closely at 'adding':

Put in its simplest form, customers buy when the value of having your product or service is greater than the cost of acquiring it. The job of sales is to tip this 'value balance' in your favour by building, in the

customer's eyes, the value of your solution. Bear in mind value is usually more than a simple financial gain or saving; less hassle, improved reliability or ease of use are all examples of customer value, whilst references, a good reputation or high customer satisfaction ratings are all sales value.

In many situations when a sale happens the seller provides the value the customer has requested for the 'price' that has been agreed with both customer and supplier getting what they expected from the deal, nothing more, nothing less. In effect value is 'delivered'.

However, many organisations now talk about 'adding value' by which they mean giving the customer more than they expected. However, in most cases 'adding' isn't really the right description. What actually happens is the seller gives the customer more than was agreed by, for example, spending more time on a job than had been agreed and, significantly, not billing the extra time. The customer feels they've got something extra for nothing and hence have more value. However, for the selling organisation the value of that extra time has been lost. It's a one-way street with value added for the customer but taken away from the seller. The value has, in fact, not been added, but transferred.

In very few cases, the seller recognises opportunities to provide

additional value for the customer which at the same time has sales value for the supplier. For example, the seller recognises the customer can be saved a future problem by buying an enhanced solution now. By skilfully raising this with the customer it creates genuine new real value for the customer (an averted problem) whilst at the same time creating new sales value (additional revenue) for the seller.

It sounds simple but what's really involved in creating real value?

Firstly, something has to happen which has the potential to create new value, for both the customer and the seller. Let's take a simple example – your delivery drivers are told to always phone ahead to each drop-off point to tell the customer when the van will be arriving. This helps the recipient organise receipt of the delivery and hence has created new, additional potential customer value.

As the customers appreciate the notice they're given, then real customer value has been created. If, as a result, your customers regard you more favourably then there's potential sales value too, even if that value (a feeling of goodwill towards you) is at this stage intangible.

The next step is to recognise that sales value. Someone within the seller organisation, perhaps someone in sales, has to realise the

customer does genuinely appreciate what they're getting; in effect recognise the intangible value that's been created. This may be informal - in our example for instance, hearing good things about your service on the business grapevine - or formal, say a customer satisfaction survey. Whichever way, effective organisations have a mechanism for recognising newly created value in order to...

..... capture the value. This, for the selling organisation, is where your value becomes real and is the point at which real, mutual value is finally created. In our example it might be your organisation taking your 'call ahead' policy and using it in marketing material or sales proposals and then reaping the benefits that brings. As with all value it doesn't have to be monetary so, whilst it might ultimately be additional orders, it could equally be, for example, more enquiries or a move up the league table of suppliers in your market.

Many selling organisations seek to create value but fail to equip their people to do so and end up transferring value instead. By equipping your people to recognise, convert and capture real value, genuine value creation, for both you and your customer, can be achieved.



publisher Huthwaite International

telephone +44 (0)1709 710081

facsimile +44 (0)1709 710065

email info@huthwaite.co.uk