Value Merchants: Demonstrating and Documenting Superior Value in Business Markets

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Value Merchants recognize that what being *market-oriented* means in business markets is changing:

Features of an offering

↓

Supplier needs to translate

Benefits of an offering

↓

Suppliers needs to translate

What the offering is *worth* in the customer’s business
What is value in business markets?

*Value in business markets* is the worth in monetary terms of the technical, economic, service, and social benefits a customer firm receives in exchange for the price it pays for a market offering.

**The fundamental value equation:**

\[(\text{Value}_f - \text{Price}_f) > (\text{Value}_a - \text{Price}_a)\]
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\[
\Delta Value_{f,a} > (Price_f - Price_a)
\]
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The essence of *customer value management*:

-- Deliver superior value to targeted market segments and customer firms.

-- Get an equitable return on the value delivered.

Increasingly, to get an equitable return, suppliers must provide customers with persuasive evidence of the superior value their offerings deliver.
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Customer Value Management

- Conceptualize Value
- Formulate Value Propositions
- Substantiate Value Propositions
- Tailor Market Offerings
- Transform Sales Force to Value Merchants
- Profit from Value Provided
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Conceptualize Value:

Points of Parity

Points of Difference

Points of Contention

Construct a *value word equation* for each point of difference and point of contention.
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Formulate Value Propositions:

Rather than formulating customer value propositions as *all benefits* or *all favorable points-of-difference*, *Value Merchants* formulate *resonating focus value propositions*.

Substantiate Value Propositions:

Increasingly, supplier value propositions take the generic form, “Our product will save you money!”

*Value Merchants* substantiate their resonating focus value propositions with *value case histories* or *value calculators*.
Value Merchants tailor their market offerings to varying customer requirements and preferences, putting together naked solutions, with options for each market segment.

Case study: Dow Corning Xiameter
## Value Proposition: Xiameter Versus Dow Corning

<table>
<thead>
<tr>
<th>Value Attributes</th>
<th>Low</th>
<th>High</th>
<th>Xiameter Business Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast delivery</td>
<td></td>
<td></td>
<td>7-20 days shipping date</td>
</tr>
<tr>
<td>Rush order penalty</td>
<td></td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>Technical service</td>
<td></td>
<td></td>
<td>None</td>
</tr>
<tr>
<td>Order size flexibility</td>
<td></td>
<td></td>
<td>Truck, tank, or pallet load</td>
</tr>
<tr>
<td>Communication vehicle</td>
<td></td>
<td></td>
<td>Email only</td>
</tr>
<tr>
<td>Ability to change shipping date</td>
<td></td>
<td></td>
<td>5% surcharge</td>
</tr>
<tr>
<td>Credit terms</td>
<td></td>
<td></td>
<td>30 day net, 18%</td>
</tr>
<tr>
<td>Order cancellation</td>
<td></td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>Order entry</td>
<td></td>
<td></td>
<td>$250 email / phone</td>
</tr>
<tr>
<td>Product variety</td>
<td></td>
<td></td>
<td>350 vs. 7000 products</td>
</tr>
<tr>
<td>Price attractiveness</td>
<td></td>
<td></td>
<td>15-20% lower on average</td>
</tr>
<tr>
<td>Order confirmation</td>
<td></td>
<td></td>
<td>1 day by email</td>
</tr>
<tr>
<td>Price &amp; inventory transparency</td>
<td></td>
<td></td>
<td>“Check website often”</td>
</tr>
<tr>
<td>Product returns</td>
<td></td>
<td></td>
<td>Only if damaged</td>
</tr>
</tbody>
</table>

**Xiameter**

**Dow Corning**
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Transform the sales force into *Value Merchants*:

A *Value Merchant* recognizes the supplier’s own costs and the market offering’s value to the customer and works to obtain a fair return for both the supplier firm and the customer firm.

*Value Spendthrifts*, in contrast, squander the superior value of the supplier’s market offerings, getting little in return.

**Value Merchant or Value Spendthrift?**

Our salespeople:

1. Routinely trade more business for lower prices, or routinely gain more business at the same price.
2. 
3. 
4. 
5. 
6. 
7. 
8. 
9. 
10. Tell us customers are only interested in price, or tell us customer insights to improve the value of our offerings.
Fostering Value Merchants:

- Compensation based on profitability of accounts is necessary, but not enough.
- Put a value-selling process and value-based sales tools in place
- Ensure initial and ongoing value-selling experiences with customers
- Instill and invigorate a value merchant culture

Just as salespeople can be thought of as value merchants, so too can the businesses for which they work.
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Profit from Value Provided:

Customer Contribution to Profitability

Willingness to Pay
- Price Premium
- More Profitable Mix of Business
- Greater Share of Customer’s Business

Cost to Serve
- Eliminate Value Drains & Value Leaks
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Prosper in Business Markets:

Customer value management is a methodical approach for gaining insights into changes in market offerings that target customers would value.

Customer value management enables suppliers to gain a better return on superior value through demonstrating and documenting the superior value that the market offerings do deliver.

Yet, it is not a panacea: it is an enabler, not a substitute, for technical prowess; and it is an enabler, not a substitute, for implementation prowess.

We provide ample evidence that, implemented with integrity, customer value management makes a significant contribution to superior business performance.
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