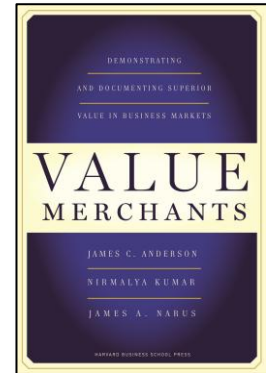




Best Practice in Customer Value Management

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® 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**
- **Guide product development priorities**
- **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**

Developed jointly by Professor James Anderson of the Kellogg School of Management, Axios Partners, and Orange Orca, the Customer Value Management Expert Toolset® (CVET®) streamlines the process of demonstrating and documenting the superior value delivered to customers. CVET® 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?

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.

Customer Value Expert Toolset®
Demonstrating and Documenting Superior Value in Business Markets

Home Project Market Segment NBA Value Element **Value Word Equation** Customers and Data Value Model Reports
VWE Definition Data Definition

Project Selection Details

Kunst Vacuum Pumps

Client: Kunst Vacuum Pumps, Inc. ▾
Project: Kunst 1600 ▾
Market Segment: Light Commercial Refrigerat ▾

Edit Value Word Equation

Click on the name of the Value Word Equation below to create or edit its formula.

In constructing a Value Word Equation, use words and simple mathematical operators: "+" for addition, "-" for subtraction, "/" for division, and "*" for multiplication. To indicate that a defined variable is for our offering, use underscore f, "_f", as a tag at the end of the last word for the variable. To indicate that a defined variable is for the next best alternative (NBA) offering, use underscore a, "_a", as a tag at the end of the last word for the variable.

For example: Assembly savings = (Assembly time_a - Assembly time_f) * worker wage rate

You can use parentheses: (). Numbers can be used in the equation. For example: purchase price / 5. In this example, the variable 'purchase price' will always be divided by 5. A number used in a variable name is seen as part of that name. For example: oil price1. Or: oil price2. These will be interpreted as two different variables.

Remember: Please use "*" instead of "x" to indicate multiplication.

Value Word Equation: ◀◀ Profit from additional jobs ▶▶

Write/Edit (sub)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	

Login

Welcome Eric
Change Account Password
logout

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.

Customer Value Expert Toolset®

Demonstrating and Documenting Superior Value in Business Markets

[Home](#) | [Value Calculator](#) | [Value Documenter](#) | [Reports](#)
[Customers](#) | [Estimate Value](#)

Project Selection Details




Client:
Kunst Vacuum Pumps, Inc. ▾

Project:
Kunst 1600 ▾

Market Segment:
Light Commercial Refrigeration ▾

Value Calculator - Expected Value

Customer: Cool Savings Inc.
NBA: Airmaster
Value Model: Light Commercial Refrigeration Repair




To enter customer data for a particular Value Word Equation (VWE), click on it. You will be brought to the related screen to enter the data.

To get the detail underlying a given monetary estimate in the "Expected Value" column, click on the monetary estimate. The underlying VWE and the data entered for it will be shown.

Value Word Equation	Value Element	Expected Value
Oil change savings	Oil change savings	USD 213.30
Profit from additional jobs	Profit from additional jobs	USD 720.00
Subtotal Differential Value		USD 933.30

Price Word Equation	Expected Value
Differential price	USD 16.67

Total Value in Use	USD 949.97
Value Placeholder	Description
"Dirty little job" elimination	Technicians regard changing the oil as a dirty little job that is a hassle.
Lifting and pulling injury reduction savings	The lighter weight of the Kunst 1600 may lead to fewer injuries.
Value of Kunst brand	In its traditionally-served markets, Kunst is regarded as a top brand.

 Click the icon to Print the Value Calculation (in PDF)

Gain a Fair Return on Your Customer Value...

James Anderson and Axios Partners work together seamlessly to implement customer value management at client firms. They 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?