

B2B FRAMEWORKS

Value based marketing



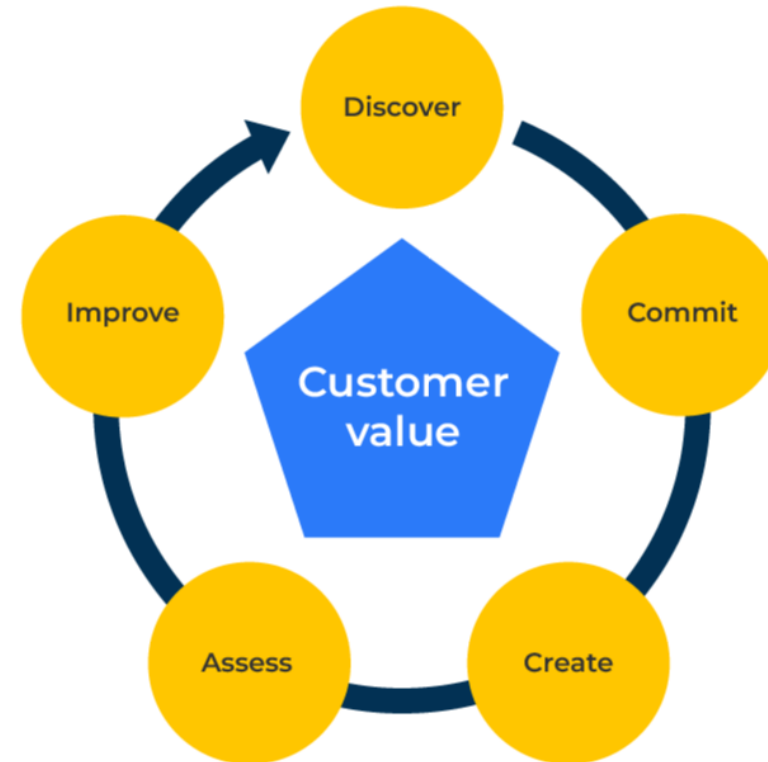
B2B FRAMEWORKS

Adding value to products or services

Use this model to make sure you are capturing the maximum value from your products and services

Value based marketing (VBM) recognises that not everybody has the same needs and values. Some people will appreciate the features and benefits of the product more than others and be prepared to pay for them. Segmentation is therefore important in value based marketing. The value based marketer targets only those customers who really want and value their product.

Obtaining value in a market uses a model with five steps as illustrated in the figure opposite.



Step 1: Discover

Most models are based on factual analysis of the situation. This value-based marketing model from Nicolas De Bonis, Eric Balinski and Phil Allen begins with a discovery phase. Many questions should be answered about the market and the customers that are being served:

- Who buys your product or are likely to do so?
- What is the nature of the decision making unit – who does it comprise?
- How would you describe the “persona” who is a key decision maker?
- How would you describe the “personas” who are influences on the decision?
- Why do people buy your product?
- What in particular drives them to choose your product rather than one from a competitor?
- To what extent do people also buy competitive products?
- When they buy competitive products, what prompts them to do so?
- What does your product offer that cannot be found in a competitive product?
- What do competitors shout about when they promote their (similar) products?
- Beyond the more obvious points of difference between your product and those of the competition, what are subtle differences?
- If customers could design the perfect product to meet their needs, how would it differ from your product?
- To what extent does your product fully meet the needs of customers? Where is the gap?
- In what way does your product not fully meet their needs?
- Whose needs within the decision making unit are not fully met?
- If you could fill the gap and fully meet the needs of your target audience, how big an advantage would this be over the competition?

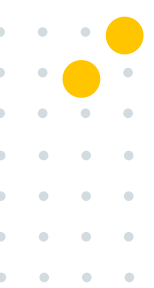
Use answers to these questions to generate segments of the market made up of customers who are aligned with your product offering

Step 2: Commit

In this second step the company aims its products/services at segments that value its offer. It may be necessary to make some modifications to the offer to ensure that it fully aligns with its needs. People within the company need to understand the customer targets, how the segmentation will be used, and what products and services will be offered. Key performance indicators will be developed to ensure that the company delivers against its promise. For example:

	Individual KPI's
Quality KPI's	Customer ratings on quality Product failure rates Length of life of product
Delivery KPI's	Speed of delivery On time in full delivery Ease of ordering
Value KPI's	Cost of product in use Value relative to competition Key benefits for the customer

Step 3: Create



In order to justify and capture value it will be necessary to deliver excellent customer experience. This will be achieved by a high performance on six pillars. Ask yourself how your company performs on each of these pillars:

Commitment: Delivering excellent customer experience takes time. When times get tough, money is short and it is easy to slip into compromise mode. There must be a commitment to deliver customer excellence - come what may.

Fulfilment: Customers have expectations when they do business with a company and they want to see that what was promised is delivered. Customers want every customer experience to be fulfilled consistently, not just once or twice, but every time. It is usually the hardest part of any marketing program.

Seamlessness: Doing business with a company should be pleasurable. A company that is difficult to work with will not deliver excellent customer experience. Difficult companies are those that believe the complications of serving the customer should be shared with the customer. Customers do not want to know about the internal difficulties faced by the company; they want a purchase process that is seamless and easy.

Responsiveness: Customers have become used to quick responses in other aspects of their daily life and this requirement has become an essential ingredient in excellent B2B customer experience.

Proactivity: Excellent customer experience is achieved by going beyond expectations. This requires a high level of imagination and proactivity in order to make the experience better, different, faster, or cheaper.

Evolution: Customers get used to service and, what is considered excellent customer experience today, will seem “old hat” tomorrow. The customer experience recipe needs to be constantly changing and improving.

Step 4: Assess



A value based marketing company is a listening company. It takes into account feedback from customers to understand the reason for complaints. It knows why customer orders are lost and what improvements customers want. The company is rigorous in assessing its performance against customer expectations and constantly seeking to improve customer satisfaction. Consider your performance on how you assess the following:

- How do you receive feedback from customers – surveys, complaints, salesforce reports?
- How do you respond to feedback from customers?
- How do you know you are meeting customer's expectations?
- What is your Net Promoter Score? How does this rate against best in class?
- What is your overall customer satisfaction score? How does this rate against the competition and best in class?
- What is your customer satisfaction score on aspects of quality, delivery, price and customer service?
- What evidence have you got of improving your offer to customers over the last one or two years?

Step 5: Improve

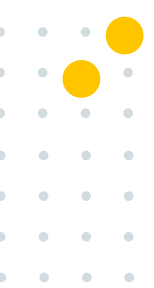
Following on from the assessment and customer feedback, the value based marketing company will be aiming to spot gaps between expectations and delivery and will close those gaps wherever it can. The company will aim to be proactive in understanding customers' needs, and wherever possible, anticipating them so that it is one step ahead in delivering them. Consider the following:

What data do you have on the current performance and the cause of any problems?

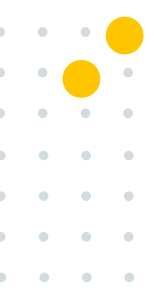
- Customer survey data on satisfaction levels with different aspects of performance
- Number of complaints
- Frequency of calls on customers
- Market share
- Etc

Targets for performance levels can be determined in a number of ways:

- Past levels of performance
- Competitors' levels of performance
- Performance of companies in parallel industries
- Arbitrary levels of performance (such as increase the Net Promoter Score from 20 to 30)



Things to think about



- Many companies sell products rather than value. They set the price of their product on the cost of manufacturing and add a margin. Value based marketing starts with the perceptions of value as seen by the customer. What do your customers value? What aspects of your offer are special, different and valued?
- How could you improve the value of your offer? What are the features and benefits that customers would like to be improved and how much would they pay for them?

Thank you.

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