



Aalto University

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# BUYING AND SELLING CONNECTED

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## PREREADING

Anderson, J. C., Narus, J. a, & van Rossum, W. (2006). "Customer value propositions in business markets". *Harvard Business Review*, 84(3), 1–10.

- What did you learn by reading the article?
- Prepare to share your thoughts

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# Customer Value Propositions in Business Markets

by James C. Anderson, James A. Narus, and Wouter van Rossum

# VALUE PROPOSITION

# VALUE PROPOSITION

very popular, but not well understood

- Since 1988, value proposition has been a highly popular topic in marketing and management **research** (about 83 000 hits in Scholar) and in **business** (970 titles in amazon.com)
- However, value proposition is not well understood in **business**: Of **265** firms studied, **65%** use the concept in their business language, but only **8%** actually have one (e.g., Frow & Payne, 2008)



CASE  
OUTOTEC  
FLOTATION

## VALUE COMMUNICATION EXAMPLE

VALUE OF EXTRACTED METAL

VALUE OF EXTRACTED METAL

ENERGY COST

ENERGY COST

MAINTENANCE COST

MAINTENANCE COST

EXISTING PROCESS

NEW PROCESS

Increase of copper recovery by 1% equals to of **2Meur increase** of sales revenues

50 % energy decrease equals to **100keur decrease** of utility cost

50% life time decrease equals to **50keur saving** of maintenance expenditure

# VALUE PROPOSITION TEMPLATE

This template gives a handy tool for describing a value proposition.

EXERCISE

## Value proposition *template*

This tool summarizes elements of value communication: What goal do we believe the key person is striving for, what is our solution, and what benefits does the solution deliver?

\_\_\_\_\_, who wants  
Key stakeholder

\_\_\_\_\_  
Stakeholder goal

\_\_\_\_\_  
Our solution

helps

\_\_\_\_\_  
benefit

\_\_\_\_\_  
benefit

\_\_\_\_\_  
benefit

CUSTOMER

SUPPLIER

GOAL

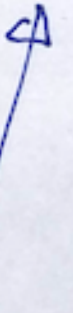
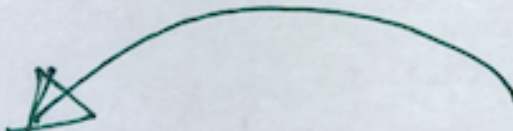
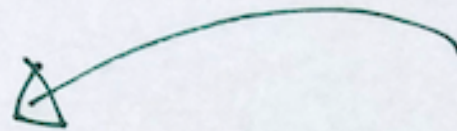
IMPACT ON GOAL

NEEDS

"BUNDLE OF BENEFITS"

VISION OF  
SOLUTION

SOLUTION





GOALS

"IMPROVE RUNNING RESULTS"



NEEDS

OPPORTUNITIES

CHALLENGES

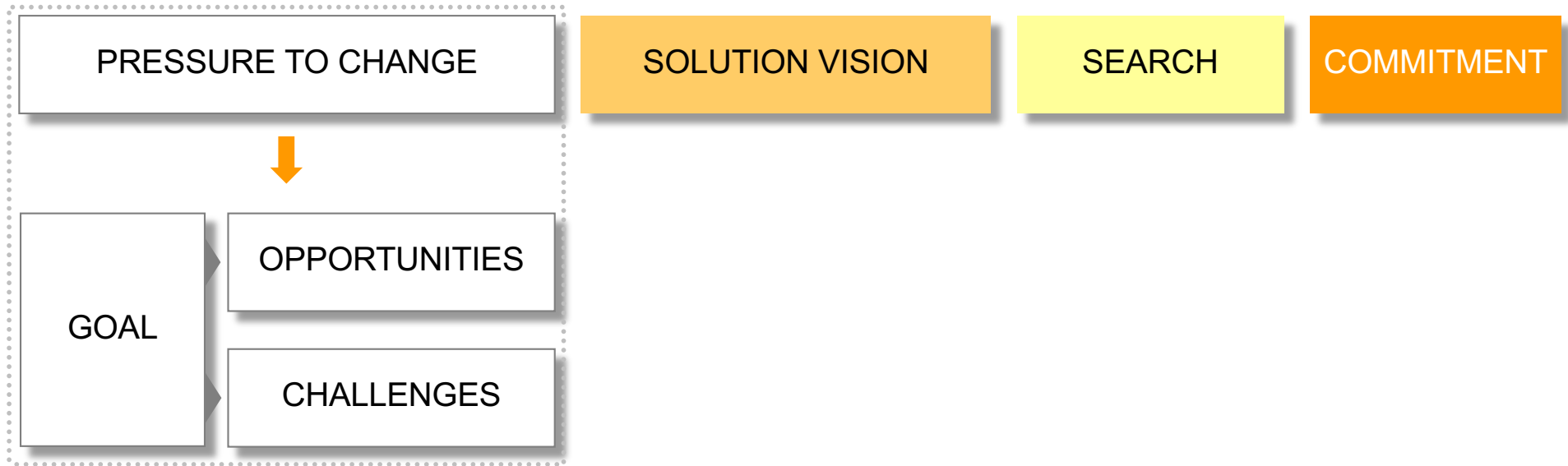
"DEVELOP RUNNING TECHNIQUE"  
"IMPROVE PHYSICAL CONDITION"



SOLUTION

"BUY A TRAINING PROGRAM"

# FROM GOALS TO COMMITMENT

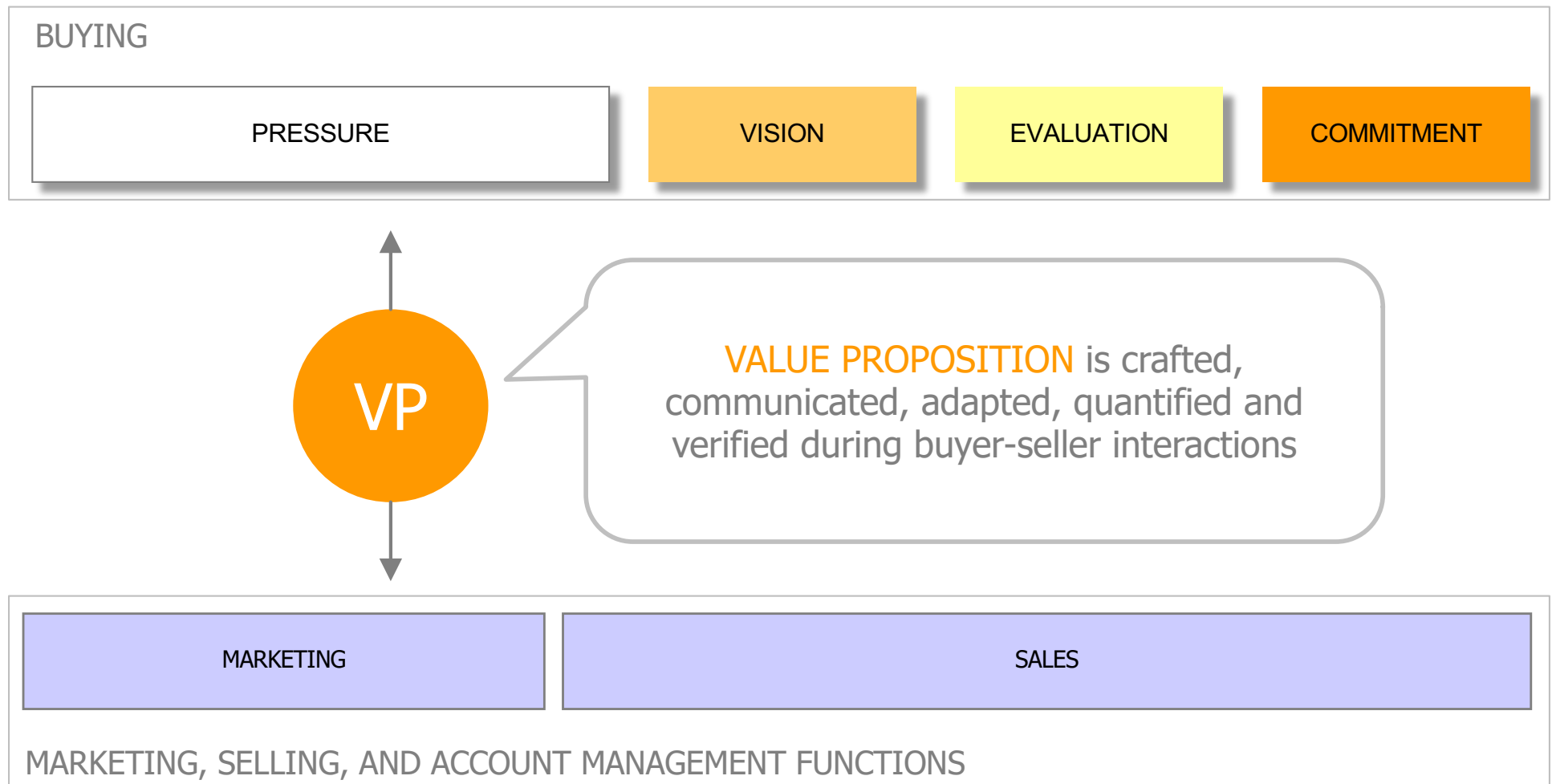


## EXERCISE

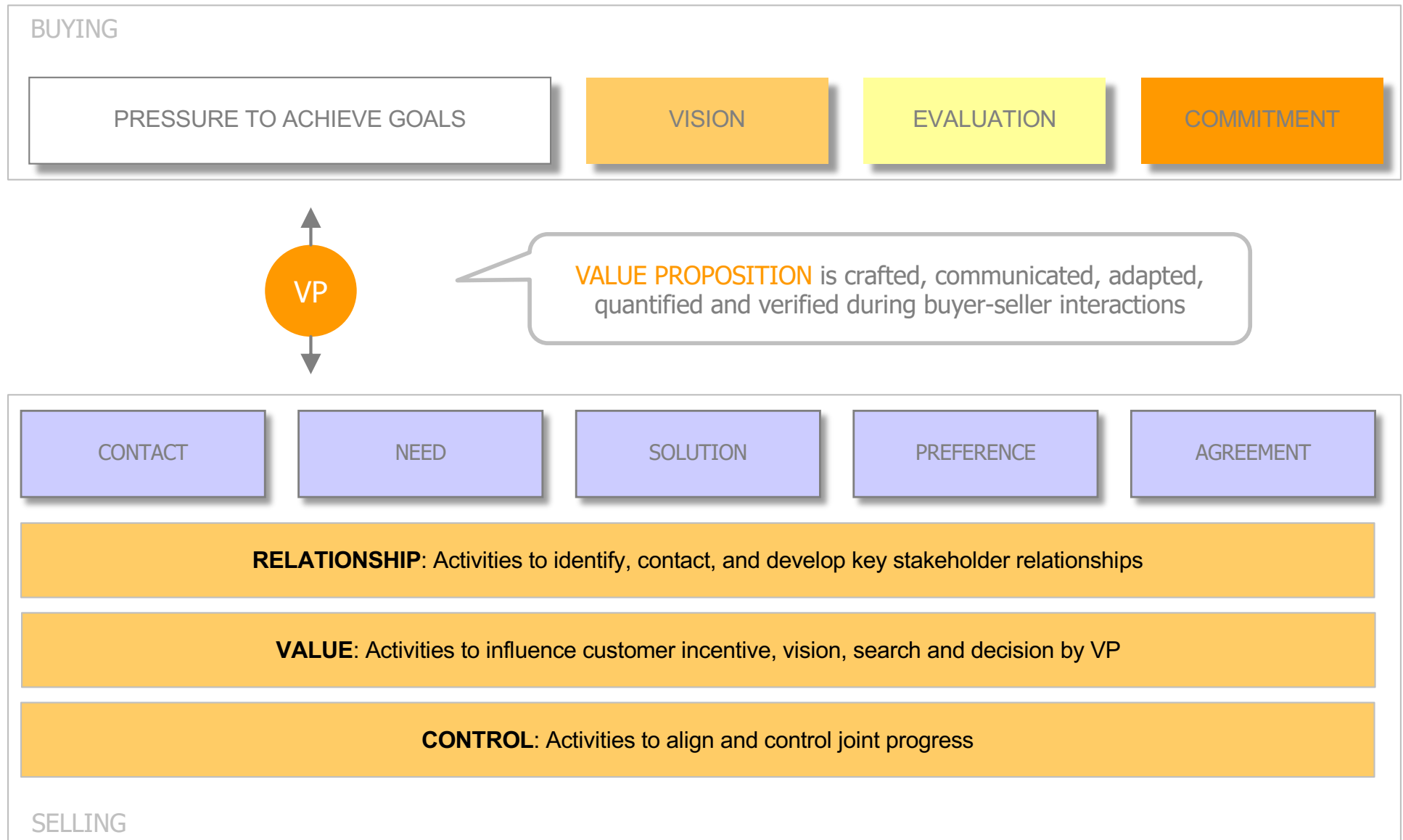
What is the difference between opportunities and challenges?

# VALUE PROPOSITION

is a key artifact in sales & marketing



# SALES ACTIVITY FRAMEWORK



# VBE CAPABILITY FRAMEWORK

## GAIN CUSTOMER INSIGHT

- Map customer process
- Understand customer business goals and challenges
- Analyze process for improvement opportunities

## BUILD VALUE PROPOSITION

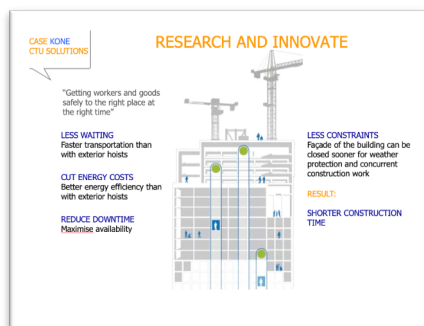
- Select goals and challenges to address
- Develop value propositions
- Mobilize value proposition (by tools)

## ENGAGE WITH VALUE

- Select customer
- Adapt value proposition
- Define solution
- Quantify value
- Agree on value constellation
- Agree on value sharing

## LEVERAGE VALUE

- Value verification
- Enhance value repository







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# VALUE INNOVATION MAP

STEP 1:

Selecting right customers

Our customers' characteristics are diverse and our development must match them

**OUR INDUSTRY'S  
COMFORT ZONE**

Supplier  
Transaction  
Standardization  
Cost focused  
Product spec

**NEW GROWTH AND PROFIT  
OPPORTUNITIES**

Partner  
Co-creation  
Differentiation  
Value focused  
Life cycle impact

**MPP**



MANUFACTURING  
LIFE

STEP 2:

Understanding what customers do and  
how

# CASE KONE AND HILTI

Hilti and KONE: From customer insight into partnership

The relationship between a vendor and a customer can be quite remote, if the vendor's share of the customer's purchases is not very significant. Hilti (that provides assembly part for KONE) decided to invest in better understanding the elevator installation process and challenges, and to bring added value to KONE by innovating improvements into the process.

Hilti arranges workshops to discuss the daily routines of the technicians. Hilti also visited jobsites to take photos of the different stages of the installation process, and interviewed quality managers about the installation training key points. Their findings were summarized and connected to the strategic business drivers and goals for KONE (found in their annual report). Hilti recognized the installation efficiency as one of the biggest obstacles, and was able to demonstrate solutions based on their earlier analysis.

The procurement function of KONE was involved already at the early stages of the process, but selling the idea was initially directed towards the country organizations. Hilti knew by experience that to get to the strategic agenda of the top management required local success stories, that can be replicated to other countries. Internal resistance was lowered by involving the procurement function already at the early stages of the process.

KONE was surprised by the level and impact of the analysis by an outsider. As an end result, 7 of the 9 business units of Hilti were included in the elevator implementation processes.

Source: SAMA Pan-European Conference, 10-12 February 2008. ■

## EXERCISE

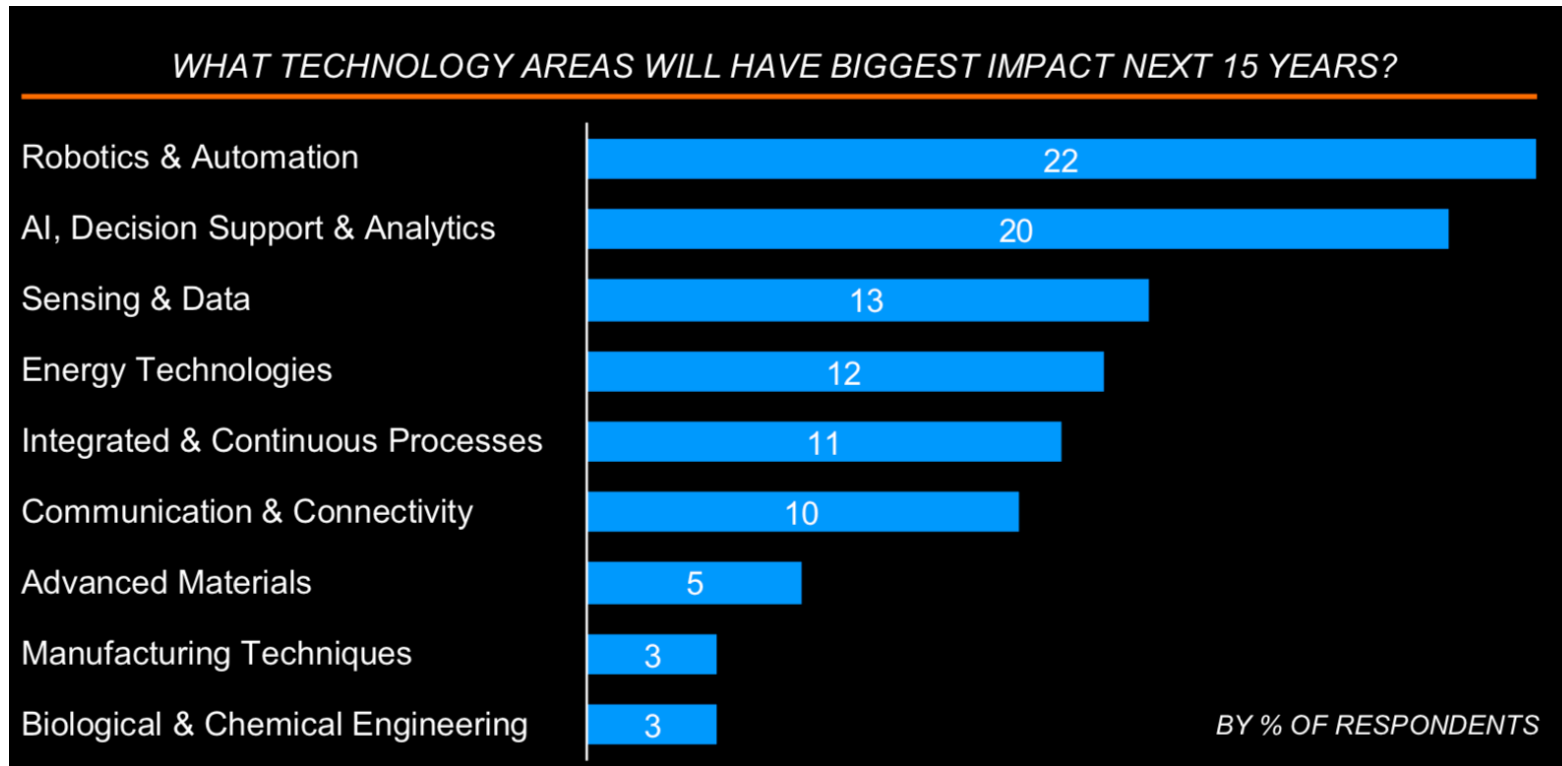
What are your thoughts about this story? Why did Hilti do this? Why did KONE do this?

STEP 3:

Understanding customer goals

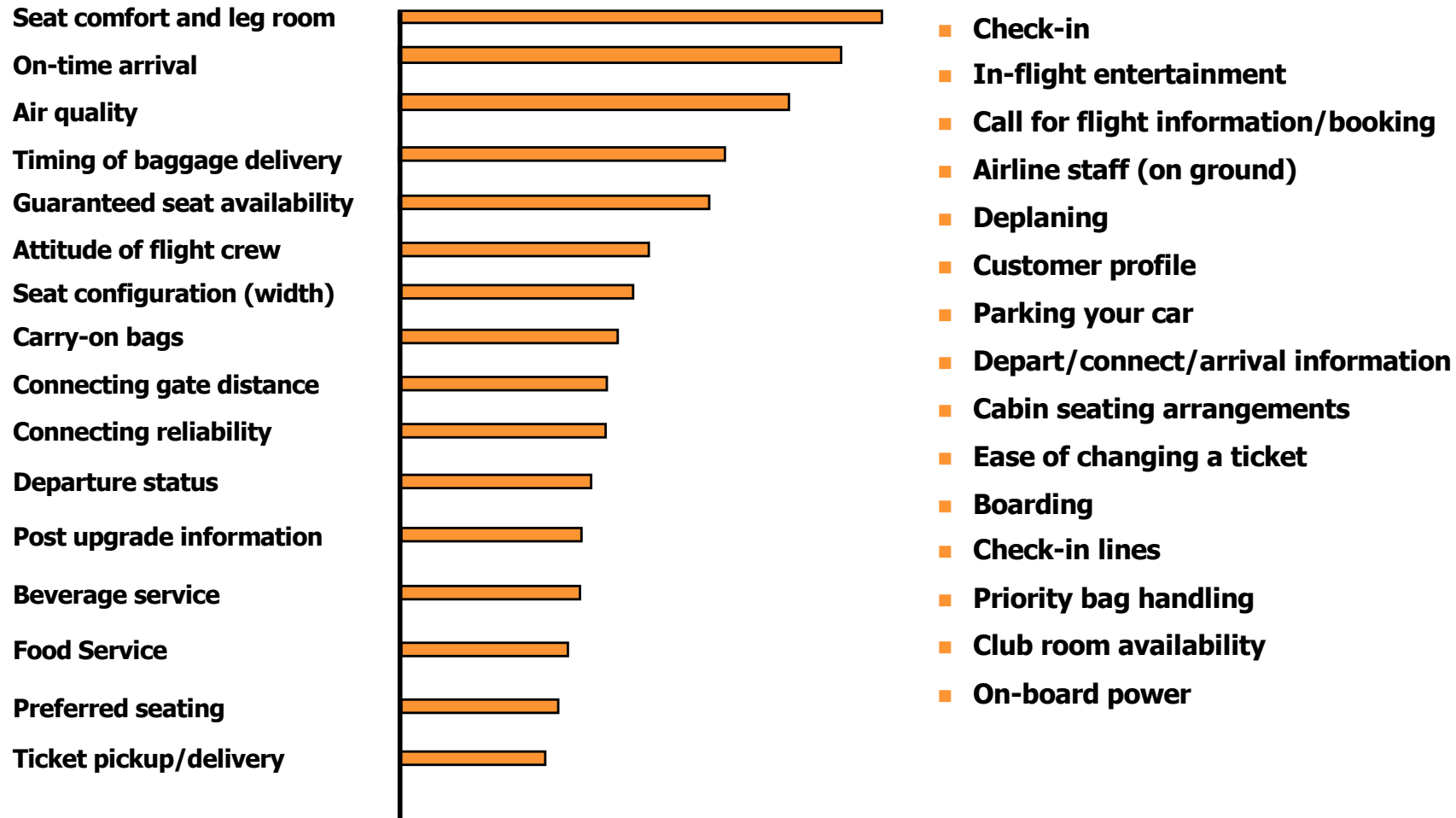
There are always  
timely & critical  
business challenges  
the customers strive  
to manage

## RESONATING FOCUS



# EXPECTATION MAP

## Remaining Attributes\*\*



\* Share gain resulting from achieving highest level of performance

\*\* In order of improvement opportunity



STEP 4:

Designing value propositions

# DESIGNING VALUE PROPOSITION

**WHAT** goal?

**WHICH** benefits?

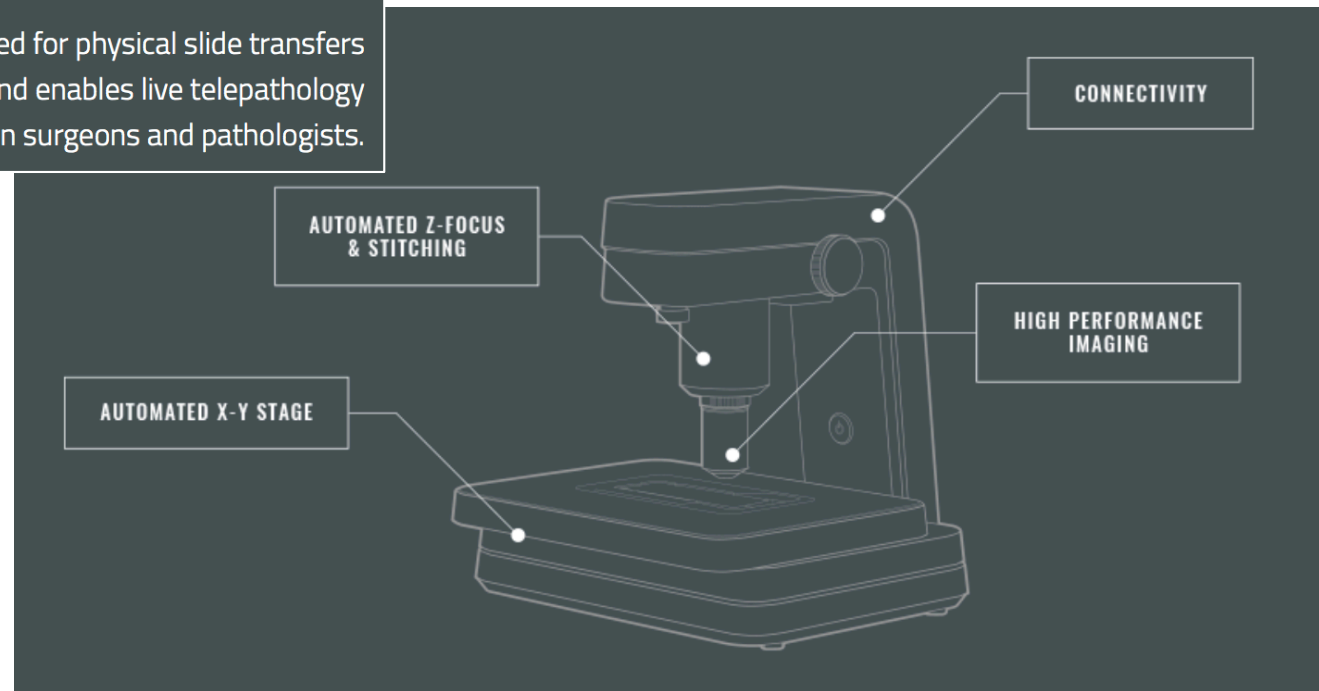
**WHAT** solution?

CASE  
GRUNDIUM

## INNOVATION

# PORTABLE WHOLE SLIDE IMAGING MICROSCOPE

The Grundium Ocus removes the need for physical slide transfers between the clinic and the lab and enables live telepathology consultations between surgeons and pathologists.



## EXERCISE

What are the benefits of this innovation? What could be the goal?

# GROUP ASSIGNMENT

Discuss the Grundium example in groups

- *What are the benefits of their solution?*
- *What could be the goal?*

Discuss this question in your **teams** and prepare to share your thoughts in Zoom chat

CASE POWER  
PLANTS

## INVESTMENT ALTERNATIVE COMPARISON

The cost of  
producing  
electricity over  
the lifecycle of a  
power plant

COST OF FUEL

COST OF FUEL

COST OF OPERATING AND  
MAINTAINING

COST OF OPERATING AND  
MAINTAINING

INVESTMENT COST

INVESTMENT COST

ALTERNATIVE **A**

ALTERNATIVE **B**

CASE Siemens



### Re-energise your kitchen with Kitchen Stories.

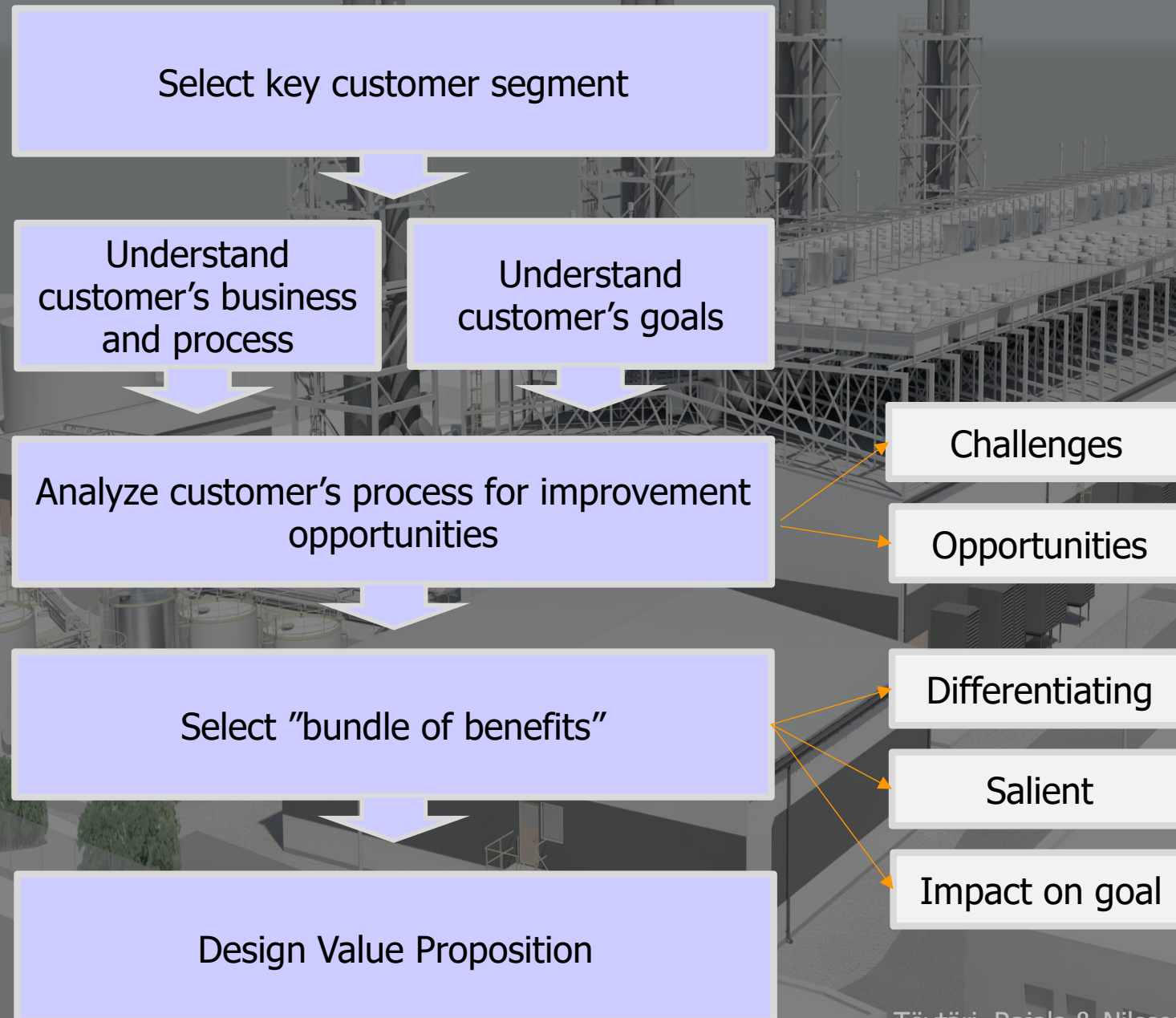
Introducing the new culinary partner of Siemens Home Appliances, Kitchen Stories. Experience Kitchen Stories recipes created with your Siemens home appliances.

## Creativity meets technology with Kitchen Stories and Siemens.

Founded by hobby chef Mengting Gao and cooking novice Verena Hubertz, Kitchen Stories inspires food lovers all over the world to cook and connect – via app or website. The Kitchen Stories platform is not only about great recipes but also offers practical kitchen tips and informative food articles. Combined with Siemens' innovative home appliance features including varioSpeed and coolStart, Kitchen Stories will boost your passion for fabulous food.



# VALUE PROPOSITION DEVELOPMENT by VALUE RESEARCH



# VALUE CONCEPTION CHALLENGES



# CONFLICTING GOALS

*"We have a case from 2009 when our procurement made a deal to purchase inexpensive sealings. Our technicians then ended up travelling around the world to replace the failing sealing after a while".*

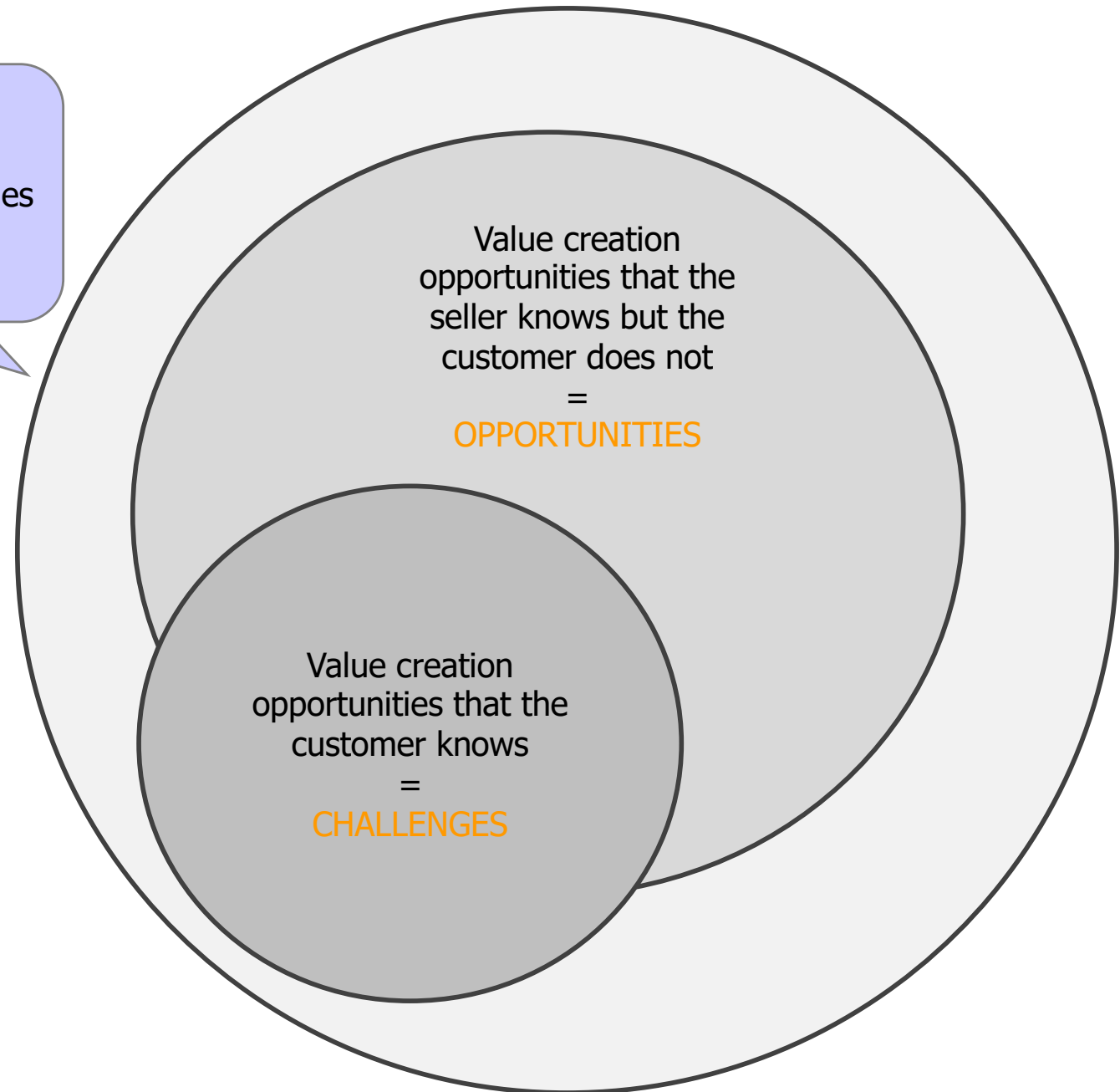
*"I have been let to understand that procurement managers have bonus plans that reward reducing direct procurement costs including consumables, spare parts, and energy. The (short-term) savings achieved are often not favourable long-term".*

## DISCUSSION

*What is the reason for this failure?*

# VALUE CREATION OPPORTUNITIES

All value creating opportunities



# GROUP ASSIGNMENT

Customers pursue their goals by buying

- *What activities are included in the buying process?*

Discuss this question in your **teams** and prepare to share your thoughts by describing buying process and the related activities by using the BUYING worksheet.