



Aalto University

23E50010

MANAGING VALUE-BASED SELLING

Creating value with customers

25.10.2022

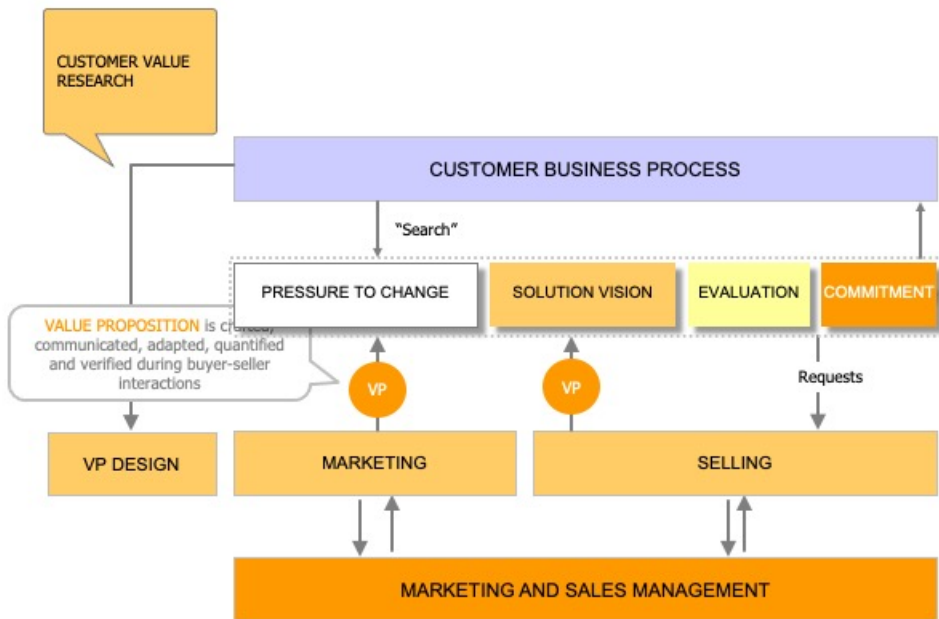
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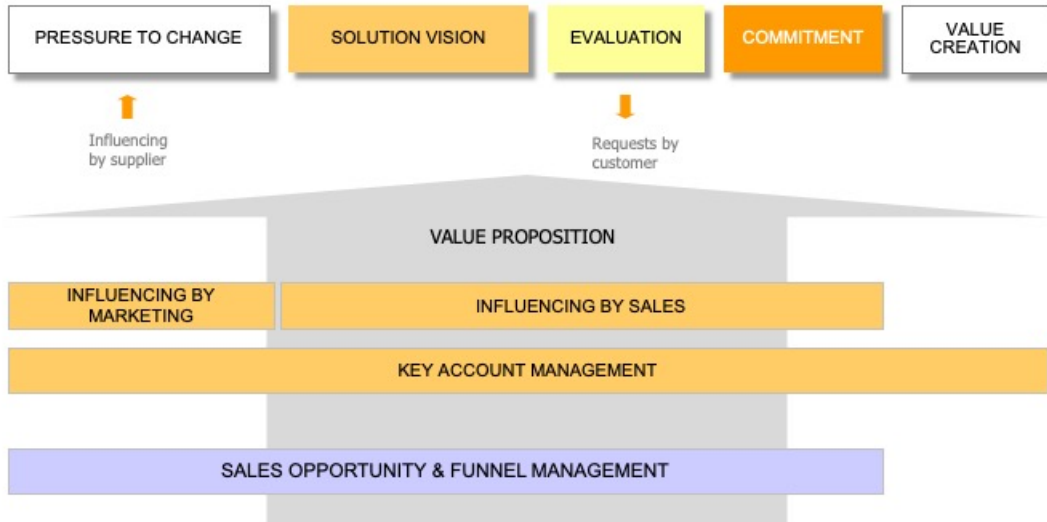
THE BIG PICTURE



Töytäri & Rajala, 2015; Töytäri, 2015

Tässä kuvataan asiakkuuden kehittämisen prosesseja kytkeytyen asiakkaan liiketoimintaprosessiin. Tavoitteena on toisaalta tunnistaa asiakkaan itse havaitsemia tarpeita toimintansa kehittämiseen, toisaalta aktiivisesti tunnistaa mahdollisuuksia systemaattiseen asiakastuntemukseen perustuen.

STRUCTURED INFLUENCING



SALES MANAGEMENT KEY PROCESSES



SALES MANAGEMENT KEY CONCEPTS

The sales management framework includes the following key concepts.

1. Customer's buying process

- We need to understand the customer's buying process. Buying process is influenced by the maturity of the market (the more mature the market is, the later the buyer needs help from the seller), the complexity of the offering and the value of the solution.

2. Sales process

- The sales process is defined to closely match and accelerate the buying process
- The sales process definition includes the stages, internal and external sales tasks, sales tools definition to support the sales tasks, criteria for determining the stage of the sales process, and so forth

3. Opportunity management process

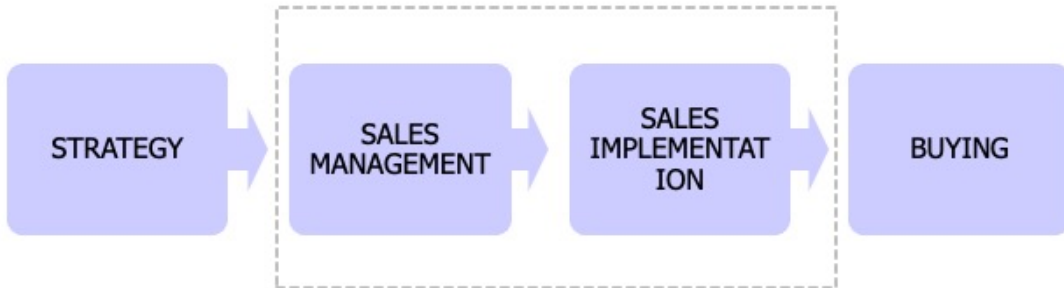
- Opportunity management is the process of analysing, deciding and acting on a sales opportunity
- Opportunity management ensures that right information is collected, right actions taken on the right opportunities, and all this done very efficiently

4. Funnel management process

- Funnel management is the process of managing the entire portfolio of active sales opportunities

5. Sales management system

- Sales management system defines the different meetings (with reporting) to coach and manage individuals and the sales team



Sales management is about managing the different sales resources (sales organization, tools, plans, and channels) in strategy implementation

LEARNING OBJECTIVES

- Understand, how the role & skills of the sales function are changing as a result of the service transformation, digitalization, and networked value creation
- By focusing on **customer value** as the core concepts of B2B exchange, learn the content and use of customer value proposition
- Learn the **structure and process** of the key organizational implementation processes **buying**, proactive **selling**, and **key account management**, as well as the internal sales **opportunity** and sales **funnel** management processes
- Learn the individual **skills** to successfully implement the value selling process, tasks, and tools.

TEACHING METHODS & GRADING

METHOD	DESCRIPTION	GRADING
Pre-reading, videos & Quizzes	Read the pre-reading article & watch the preparation video & take a quiz	10 %
Article reading & group presentations	In groups of 3-4 prepare a presentation on a pre-reading article	10 %
Guest presentations	Business guest speaker presentations	
Interactive lectures	Instead of extensive lecturing, the idea is to for you to prepare, for me to initiate the discussion by brief introductions	
Learning diary	Write a 1-page online summary of the weekly theme in a pre-specified format	15 %
Course essay	In groups of 3-4, write a 10 page essay by reading & reviewing a book on sales methodology. Each group member participates in the shared parts AND writes an individual contribution by focusing on selected topic of a book.	15 %
Course exam	The (online) exam will consist of 3 essay types of questions on key course topics	50 %
		100 %



VALUE COMMUNICATION EXAMPLES

CASE KONE
CTU SOLUTIONS

RESEARCH AND INNOVATE

"Getting workers and goods safely to the right place at the right time"

LESS WAITING

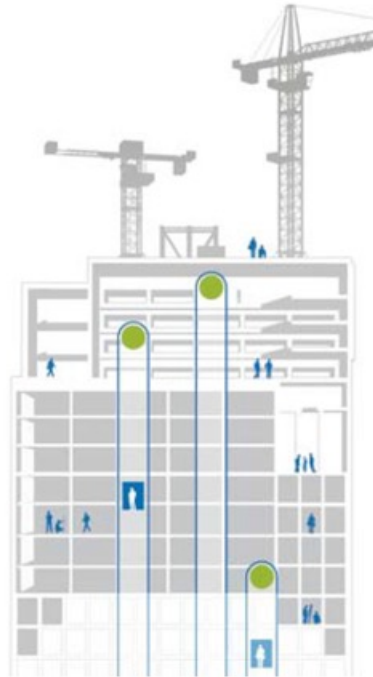
Faster transportation than with exterior hoists

CUT ENERGY COSTS

Better energy efficiency than with exterior hoists

REDUCE DOWNTIME

Maximise availability



LESS CONSTRAINTS

Façade of the building can be closed sooner for weather protection and concurrent construction work

RESULT:

SHORTER CONSTRUCTION TIME

This value communication examples identifies four benefits that differentiate the KONE CTU solution from the traditional alternative of using an externally installed hoist. The overall value (matching customer goal) is to speed up the construction time and ultimately delivering the building for commercial use early. So:

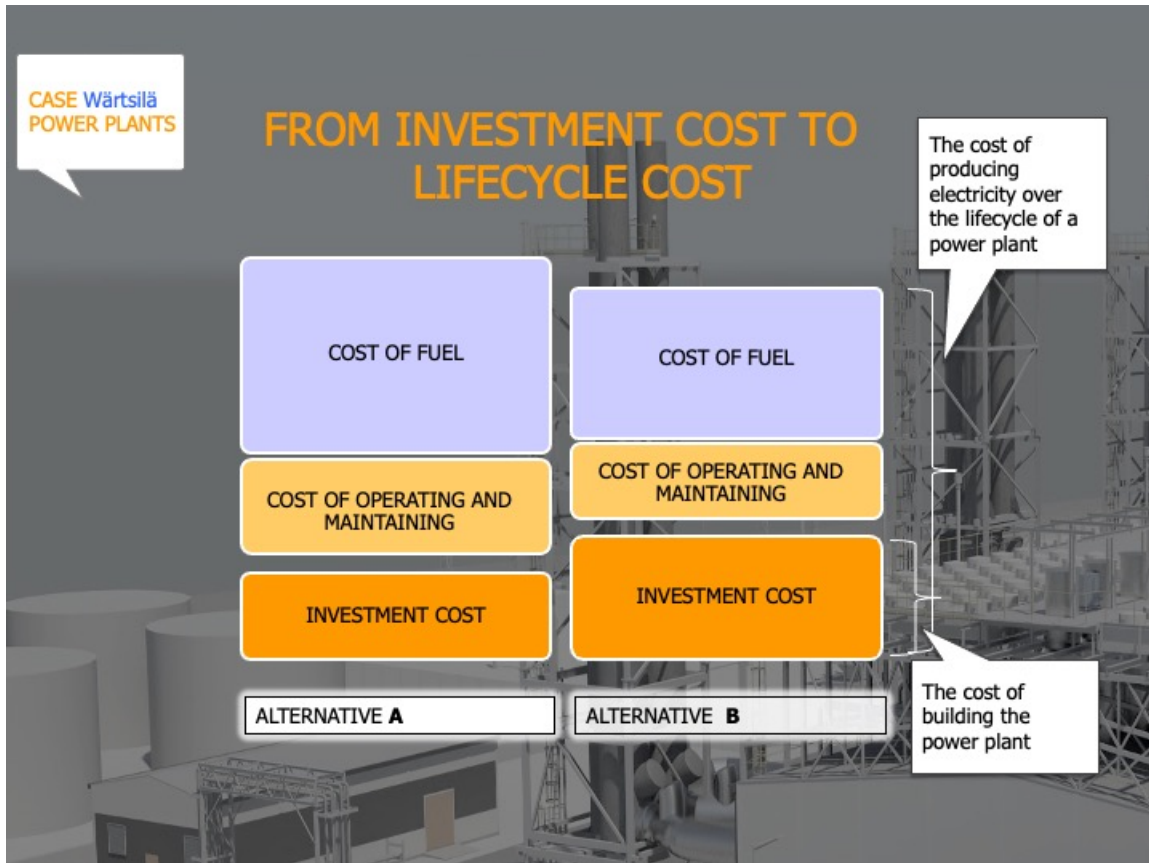
Value (matching customer goal) = shorter construction time

Bundle of benefits = less waiting, less energy consumption, less downtime, less construction constraints.

Solution = to use the final elevators during the construction time



This B2C value communication examples shows that the same principles apply in the consumer context as well. Here the runner's goal is to improve his/her running performance, to run faster. The solution is a running shoe that utilizes new technology, and delivers a "bundle of benefits" including two benefits: 4% lower energy consumption and reduced muscle fatigue.



This example conveys the message that the “right” scope for comparing alternatives is the total cost of ownership, not the component price

GROUP ASSIGNMENT 1

Based on these examples, let's discuss two questions:

- *How would you define **value proposition**?*
- *What are the **building blocks** of a value proposition? (What common elements do these examples share?)*

Ponder this question in a **group** for 10 minutes, and prepare to share your thoughts with the rest of the group.

VALUE PROPOSITION ELEMENTS



Value proposition communicates value toward customer's goal

Value proposition explains the benefits, "positive changes", which create the value

Finally, value proposition describes the solution that implements the benefits.

Töytäri & Rajala, 2015

VALUE

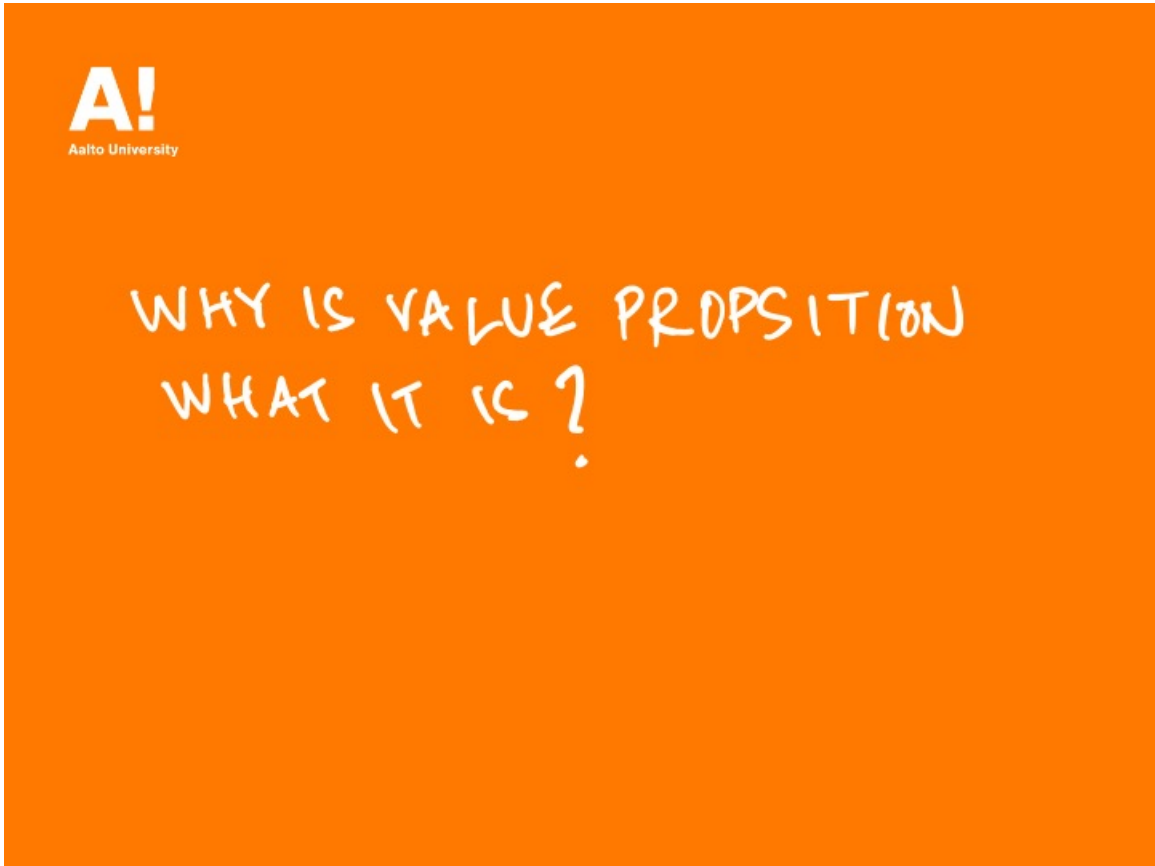
- Value proposition delivers value toward a customer goal
- To explore goals, you may ask something like "what development projects are you planning for this year" or similar

BUNDLE OF BENEFITS

- The bundle of benefits describes the change needed to achieve a goal. In many cases there are a number of complementary changes "benefits" required to achieve a goal
- You may ask "what must change for you to achieve that goal?"

SOLUTION

- Solution is what implements the "bundle of benefits" to achieve the goal.



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WHY IS VALUE PROPOSITION
WHAT IT IS?

ALL HUMAN ACTIVITY
IS DRIVEN BY

GOALS

All human activity is driven by goals, small or big. Big goals include getting a degree, making a risky and large financial investment, and similar. Small goals include satisfying hunger and similar. We organize and prioritize among our goals, and spend our time and other resources accordingly.

In sales goals are essential. An organization or an individual without a goal is satisfied with the situation "as is", and is very unlikely to be interested in change.

EVALUATION OF GOALS
LEADS TO

NEEDS

Needs emerge, when organizations and individuals try to figure out how to reach their goals by asking "what needs to change for us to reach our goal?". By answering this question, they identify needs.

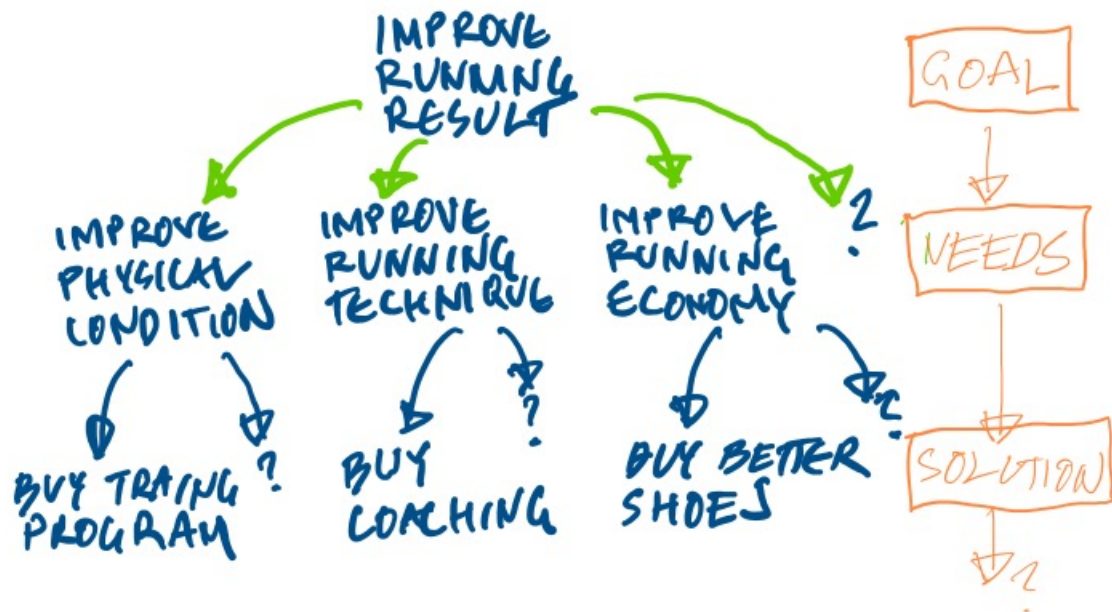
Please note that there are many potential needs for a given goal. What needs are actually identified and prioritized depend on what we know, believe in, prefer, and so on.

A seller can influence needs by showing how specific needs help reaching given goals.

NEEDS ARE REALIZED BY A
SOLUTION

Finally, a solution is the collection of products and services that implement the needs to reach the goal.

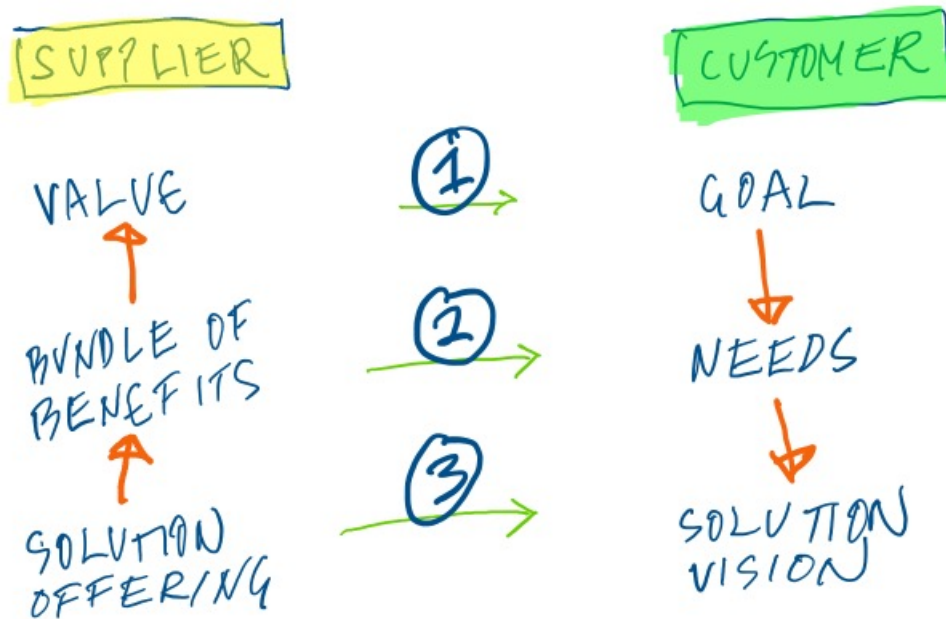
FROM GOAL TO SOLUTION



HOW THE NEED TO CHANGE EMERGES?



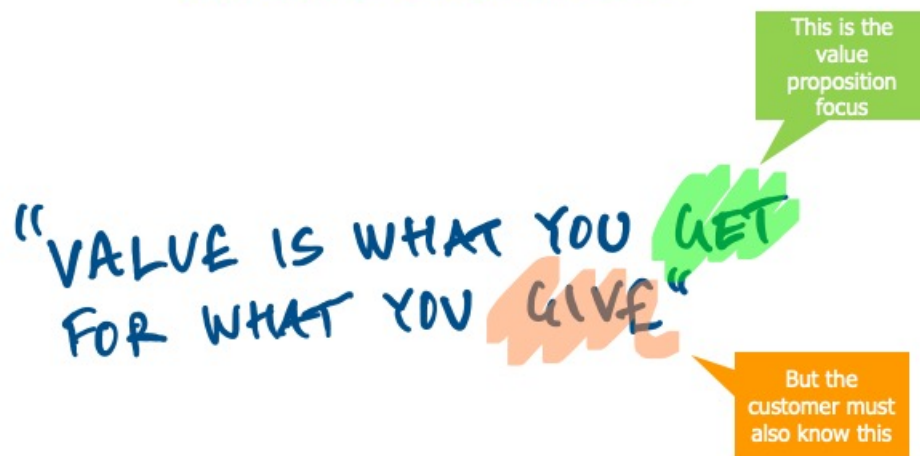
This drawing illustrates how individuals and organizations evaluate their situation against their goal. If the perceived gap is wide enough, the gap is prioritized and the search for needs gets started. Once the needs are identified, the solution vision is formulated by asking "How do we fulfill the needs?".



This drawing connects the customer's change and decision process to suppliers's value communication. Please note that there is a match at every level:

- 1) Supplier communicates value toward customer goal
- 2) Supplier communicates the bundle benefits to match and influence needs
- 3) Supplier communicates their solution proposal, hoping to match the customer's solution vision.

VALUE PROPOSITION FOCUS



The established definition of customer value is the difference between **benefits** received ("gets") and **sacrifices** ("gives") made. Both the benefits and the sacrifices are **multi-dimensional** and entirely **subjectively** evaluated, **contextual**, and **changing** over time.

Zeithaml, 1988

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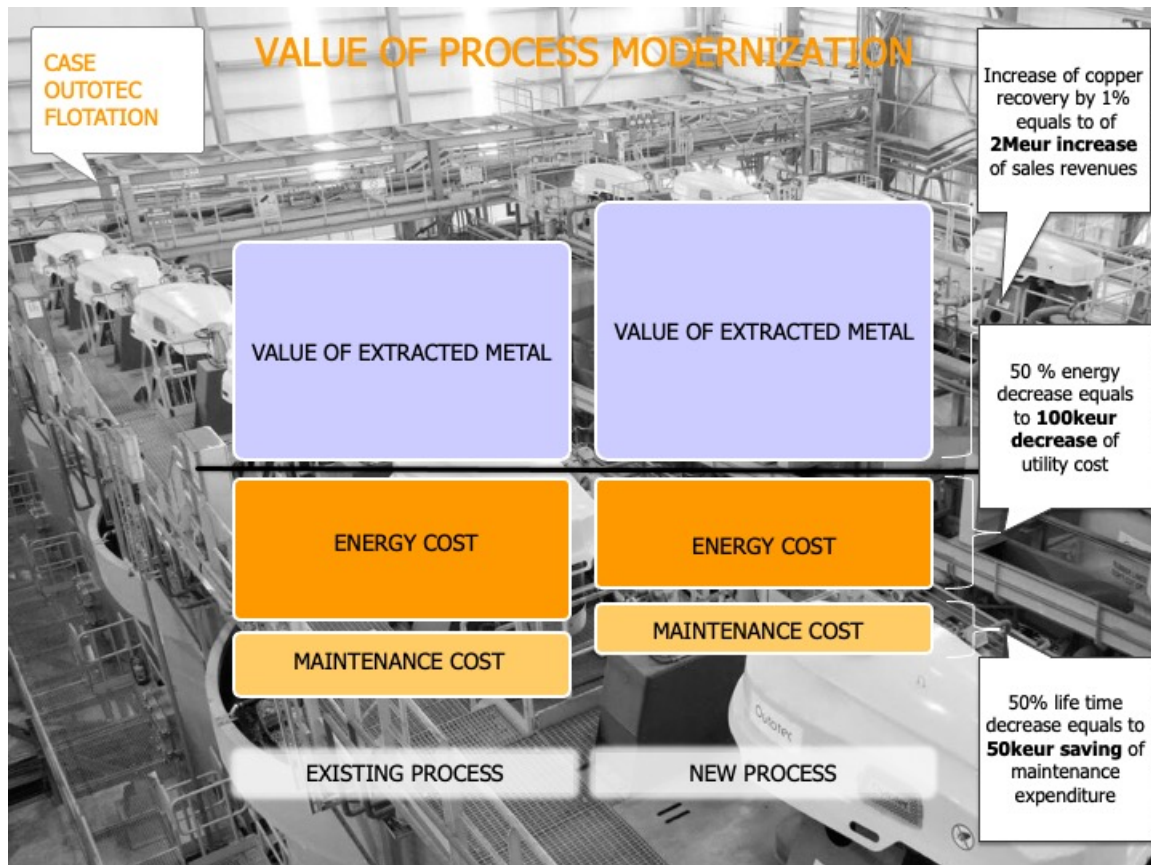
Both the benefits and the sacrifices are **multi-dimensional** and entirely **subjectively** evaluated, **contextual**, and **changing** over time.

Multi-dimensional means that, for instance, sacrifices include price, cost of change, risks, and many similar negative consequences of a decision.

Subjectivity means that people determine individually what benefits and sacrifices they appreciate and how much. Hence, sellers can only propose and motivate value, but eventually everybody decides based on their goals, personality, preferences, history, and similar influences.

Contextual means that value perceptions and expectation are different in different situations

Value perceptions also **change** over time, when people learn and experience different situations. For instance, the value of an insurance feels greater after an accident.



This value communication example from Metso-Outotec is quite complete:

1. The example compares two situations, before and after
2. The example communicates quantified customer value
3. The example identifies a "bundle of benefits" of three sources of value: improved metal recovery, lower energy consumption, and lower maintenance cost
4. The solution to implement the benefits and realize the value is to modernize the production process.

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

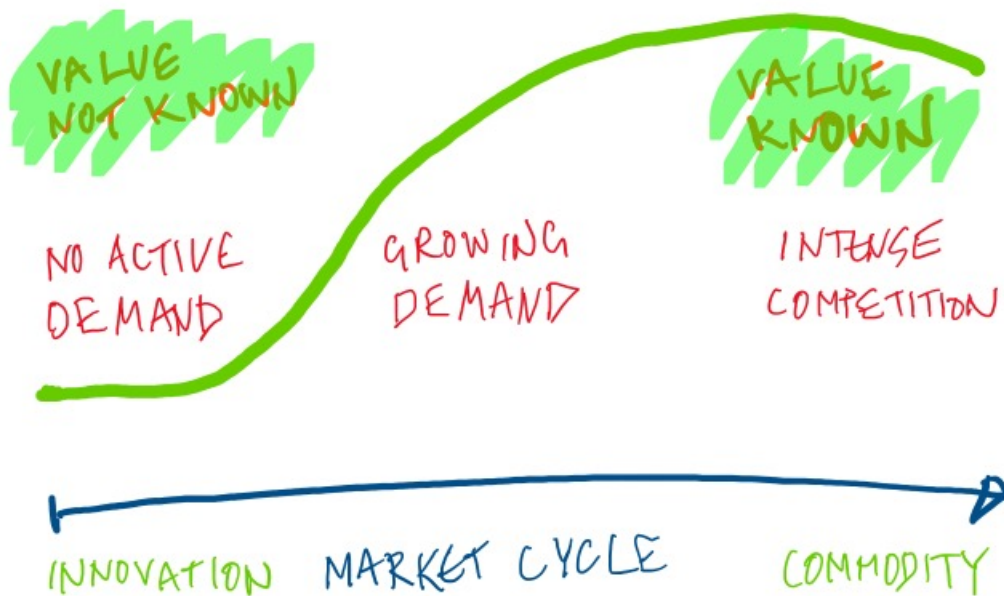
helps

benefit

benefit

benefit

COMMODITIZATION DRIVES VALUE INNOVATION



This graph illustrates a life-cycle of an innovation.

In the beginning:

1. The value of the innovation is not known (and hence must be shown)
2. There is no active demand
3. There is no competition
4. Buyers are visionaries and early adopters (Moore 1993)

In the end:

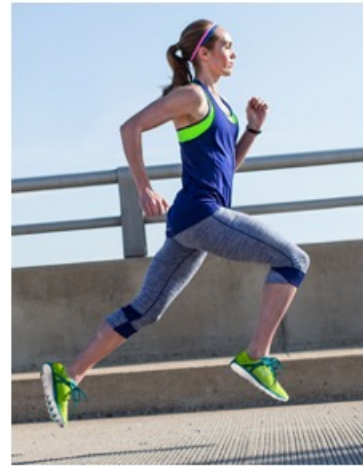
1. The value is widely known (and hence is not discussed)
2. There is active demand
3. There is intense competition
4. Buyers are professional buyers

In your opinion, how does this change affect marketing and sales?

→ Need to differentiate by innovating

CASE Under Armour

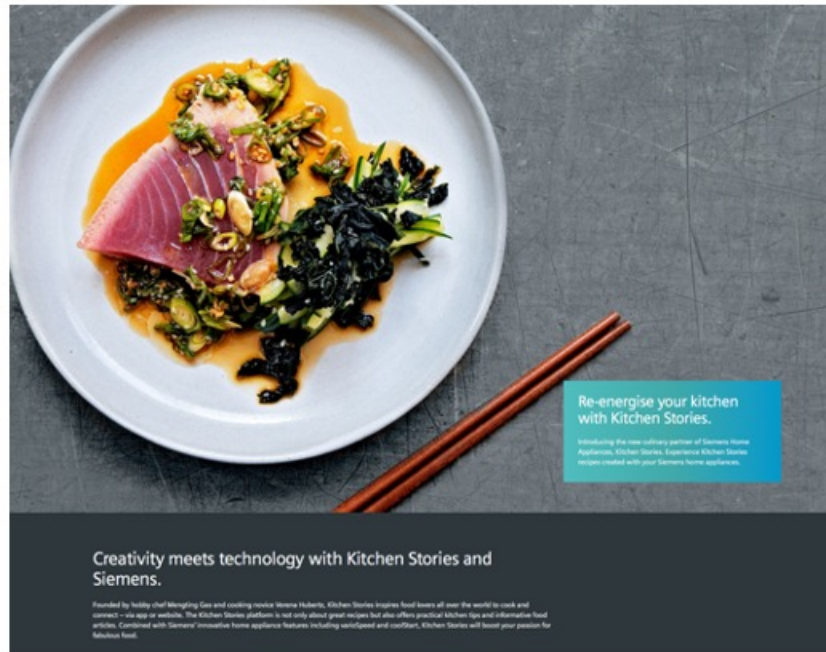
FROM PRODUCTS TO SERVICES



- Sensors integrated into sports equipments provide run-time and real-time information on performance
- This information can be used for performance-enhancing services
- The combination of product & services is more valuable for the end-user than the product only



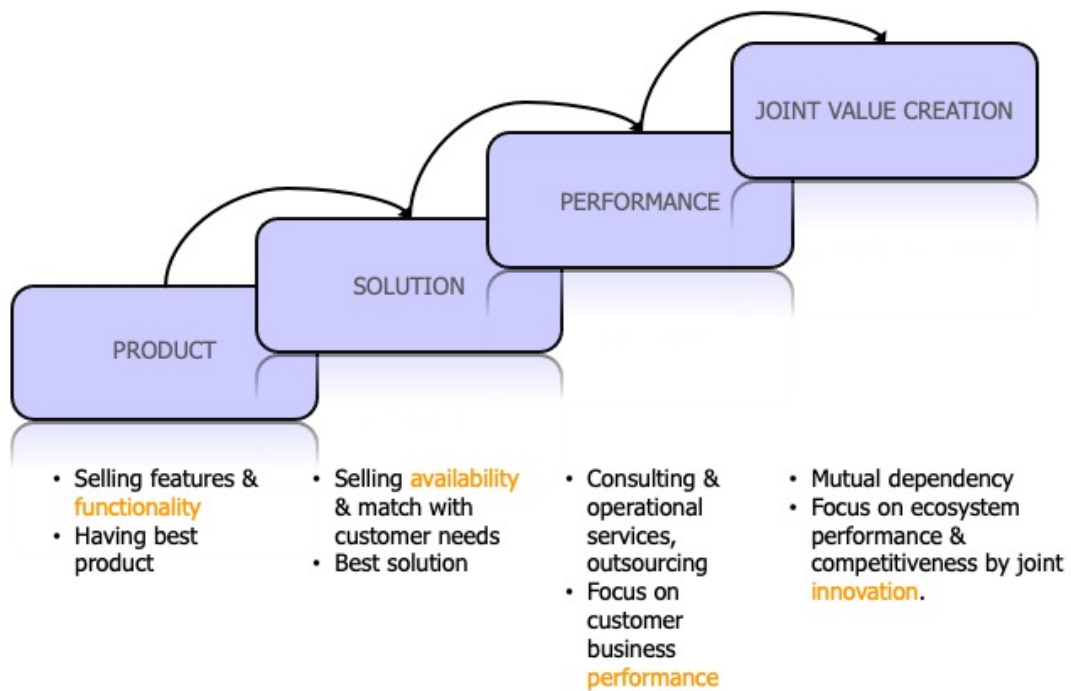
CASE Siemens



Siemens is adding intelligence into their kitchen equipment to provide additional services and integrate the equipment better with their customer's "life process".

This is a good example of an attempt to differentiate in a business area, which is highly commoditized.

SYSTEMATIC DIFFERENTIATION BY EXPANDING INTO CUSTOMER SPACE



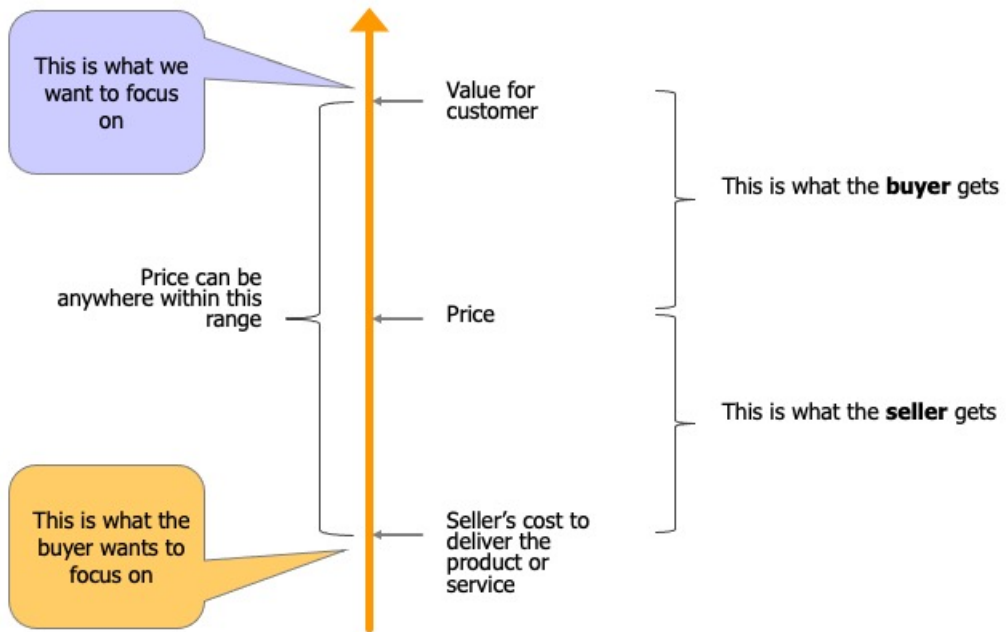
This drawing conveys a number of messages:

1. A starting point for a customer relationship is often a product (or productized service) which is easy to buy, and involves low risk for the buyer. Customer choice is based on product differentiators
2. Once the product differentiation is lost while market matures, the next step to differentiate is by moving to sell more comprehensive solutions, i.e. Product + services to ensure smooth operation of the product (maintenance, preventive maintenance etc.)
3. Once the solution differentiation is lost, the logical next step is to instead of selling tools for the customer to run a process, is to take over the process and sell performance instead. Different performance ensuring arrangements also belong to this category.
4. The final stage of differentiation involves mutual dependency and strategic cooperation to differentiate from other similar industry clusters for competitiveness.

Innovations require convincing evidence of business value

How to benefit from value?

GET PAID FOR VALUE, NOT COST



**READING FOR THE
NEXT MEETING**

Customer Value Propositions in Business Markets

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

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