



Aalto University

23E50010

MANAGING VALUE-BASED SELLING

Creating value with customers

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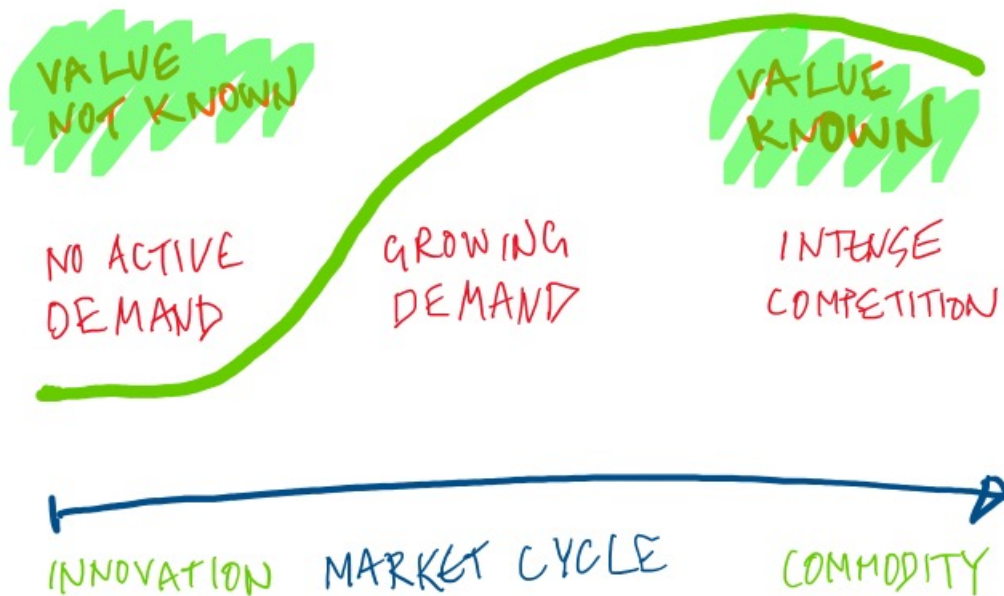
**READING FOR THE
NEXT MEETING**

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.

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

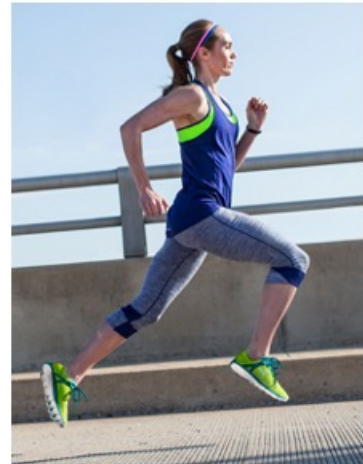
In your opinion, how does this change affect marketing and sales?

NEED TO DIFFERENTIATE
BY INNOVATING

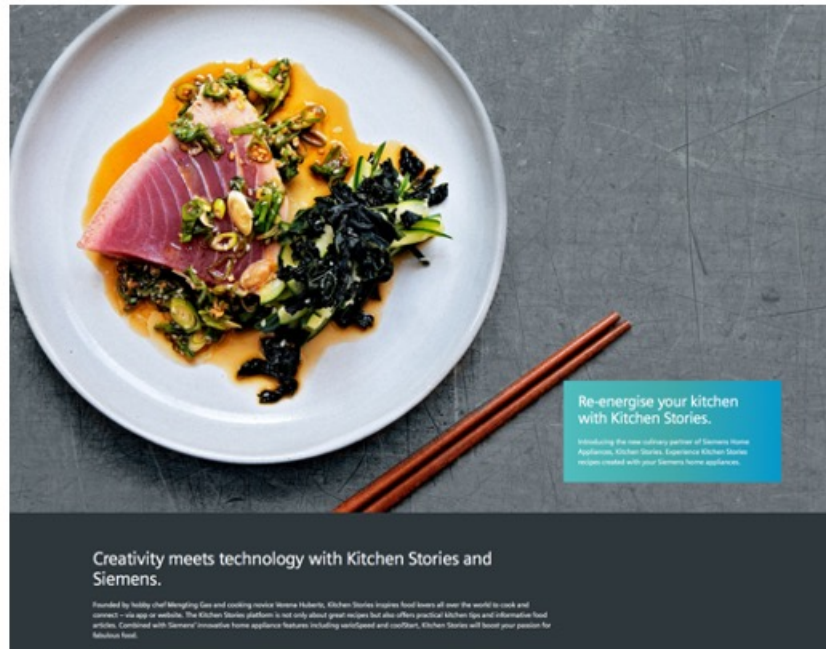
CASE Under
Armour

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



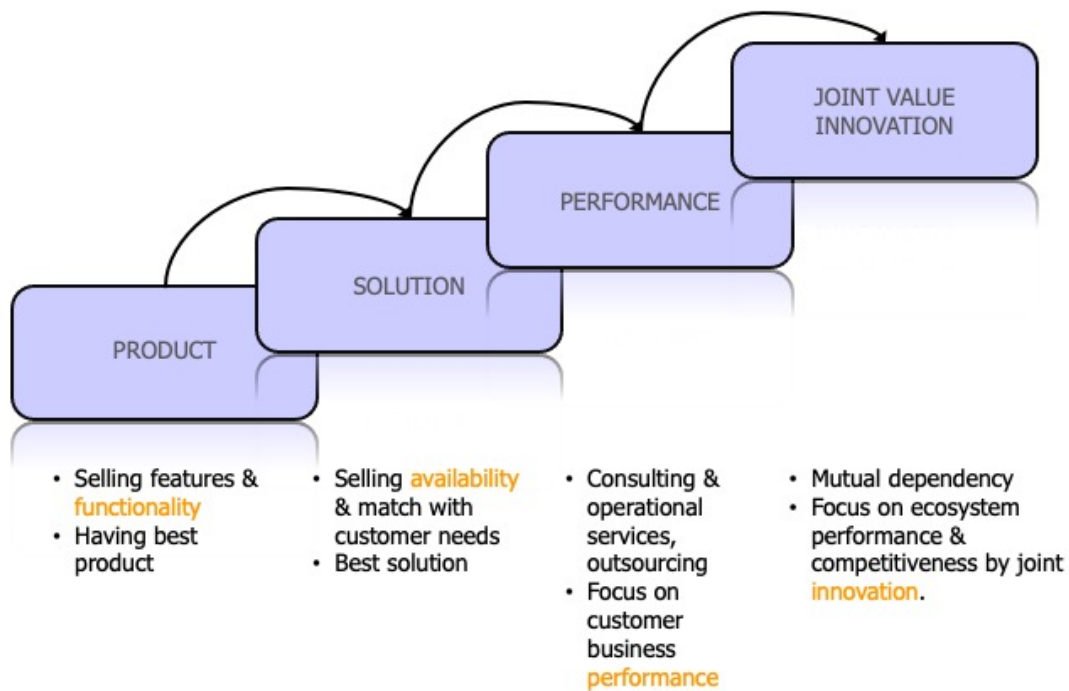
CASE Siemens



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 BY (SERVICE) INNOVATION



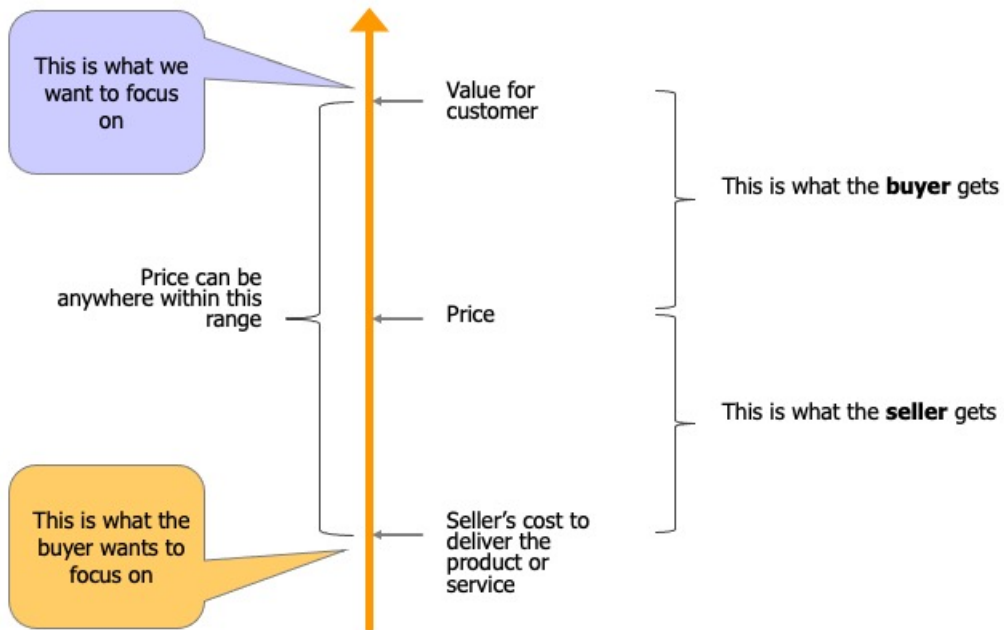
This drawing conveys a number of messages:

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





HOW IS VALUE PROPOSITION
USED IN VALUE SELLING?

- 1 DISCOVER VALUE CREATION OPPORTUNITIES WITH VALUE RESEARCH
- 2 DESIGN VALUE PROPOSITION AND VALUE COMMUNICATION TOOLS
- 3 CREATE INTEREST WITH SUCCESS STORY
- 4 EXPLORE OPPORTUNITIES AND CHALLENGE
- 5 LINK OPPORTUNITY TO SUCCESS STORY
- 6 QUANTIFY CUSTOMER VALUE

These are the first six steps of value based influencing.

1. Exercise the value discovery process to uncover value creation opportunities by process change, skill change, governance change by process outsourcing
2. Prepare for proactive influencing by designing the value proposition and associated communication tools
3. Approach the right stakeholder with relevant success story for interest to explore
4. Explore the challenges that the customer has already discovered and explore the significance of the opportunities that the step 1 has discovered
5. Connect the challenges and opportunities identified to a relevant success story for trust, solution vision, and value impact
6. Quantify the value creation potential