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23E50010

MANAGING VALUE-BASED SELLING

Creating value with customers 2

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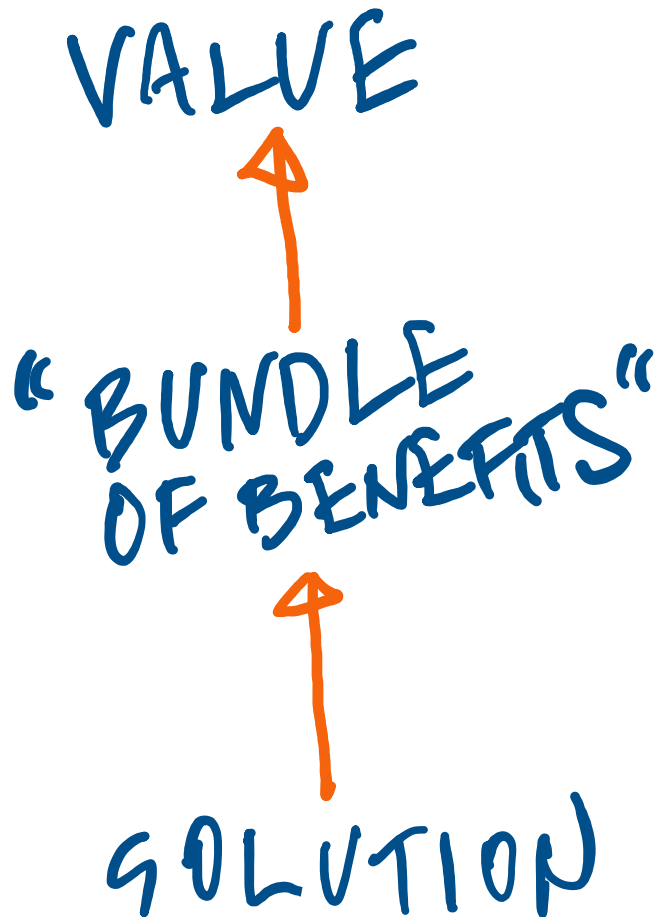
*ARTICLE REVIEW
PRESENTATION*

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.

VALUE PROPOSITION BUILDING BLOCKS



2. Each element in the “bundle of benefits” is translated (if possible) into an impact on customer’s goal(s).

1. At the heart of the value proposition is the “bundle of benefits”. The bundle of benefits explicate what are the changes in customer’s situation.

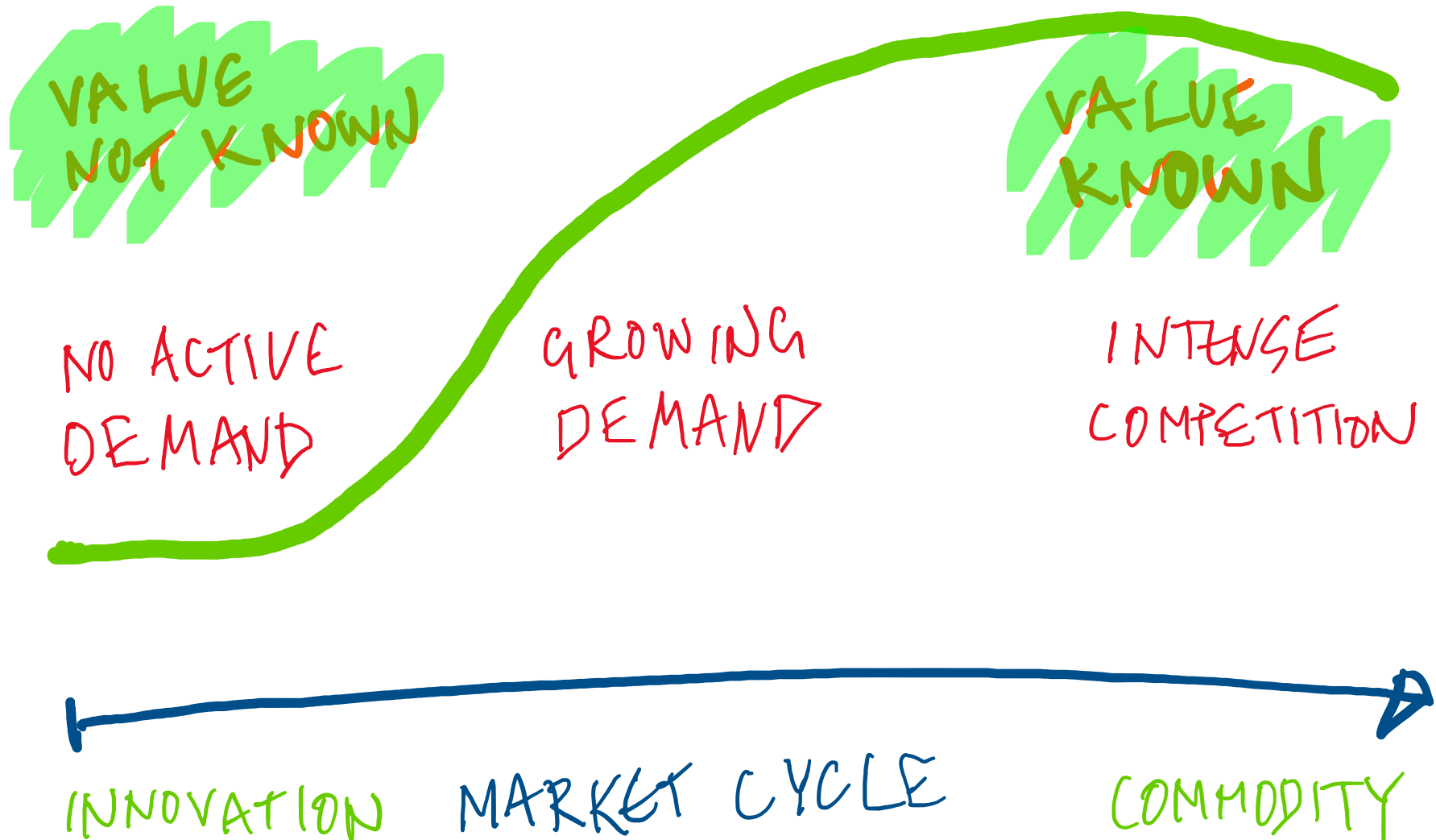
3. Value proposition describes the solution that implements the “bundle of benefits”.

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WHY VALUE?

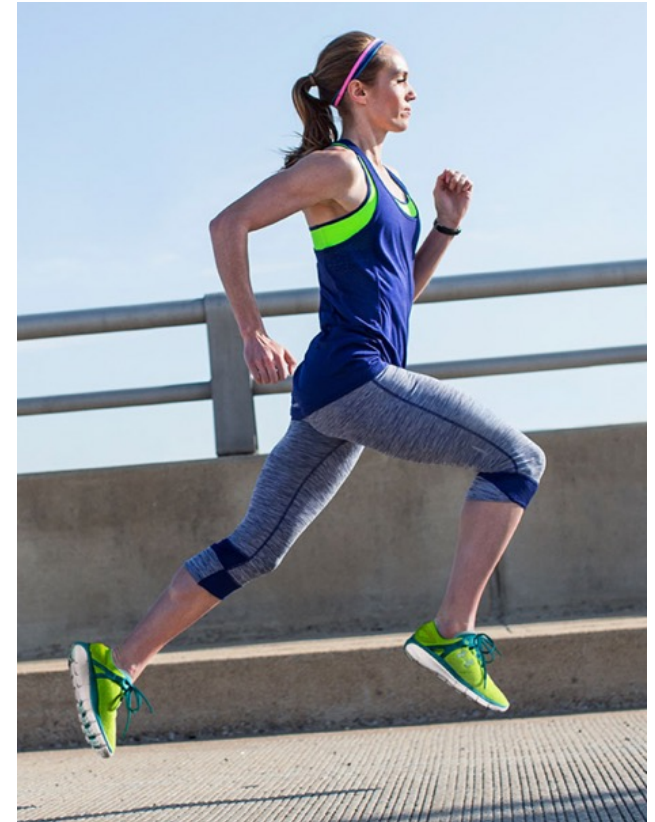
COMMODITIZATION DRIVES VALUE INNOVATION



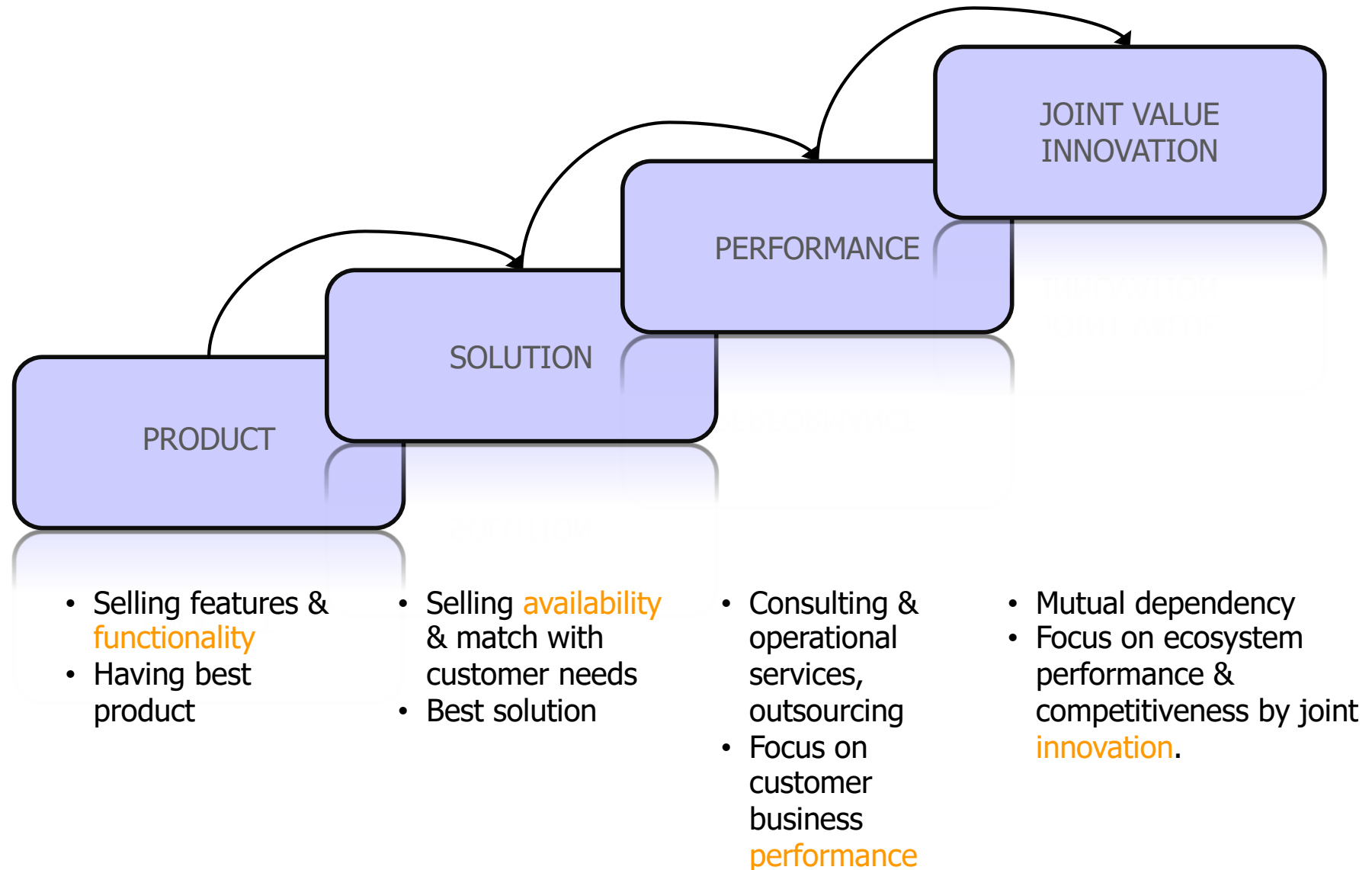
NEED TO DIFFERENTIATE
BY INNOVATING

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



SYSTEMATIC DIFFERENTIATION BY EXPANDING INTO CUSTOMER SPACE BY (SERVICE) INNOVATION



INNOVATIONS REQUIRE CONVINCING
EVIDENCE OF BUSINESS VALUE

VALUE OF PROCESS MODERNIZATION

CASE
OUTOTEC
FLOTATION

VALUE OF EXTRACTED METAL

VALUE OF EXTRACTED METAL

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

ENERGY COST

ENERGY COST

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

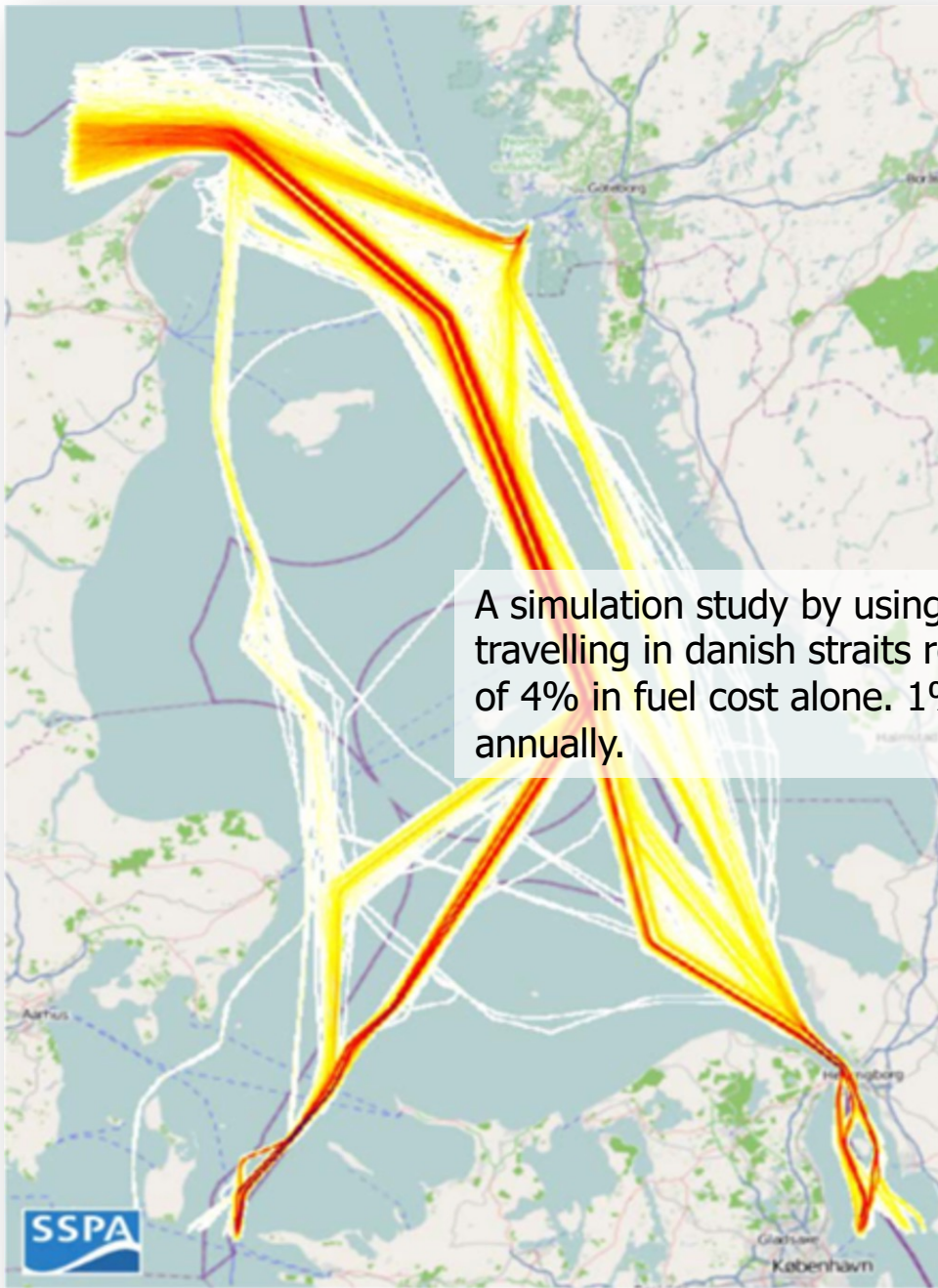
MAINTENANCE COST

MAINTENANCE COST

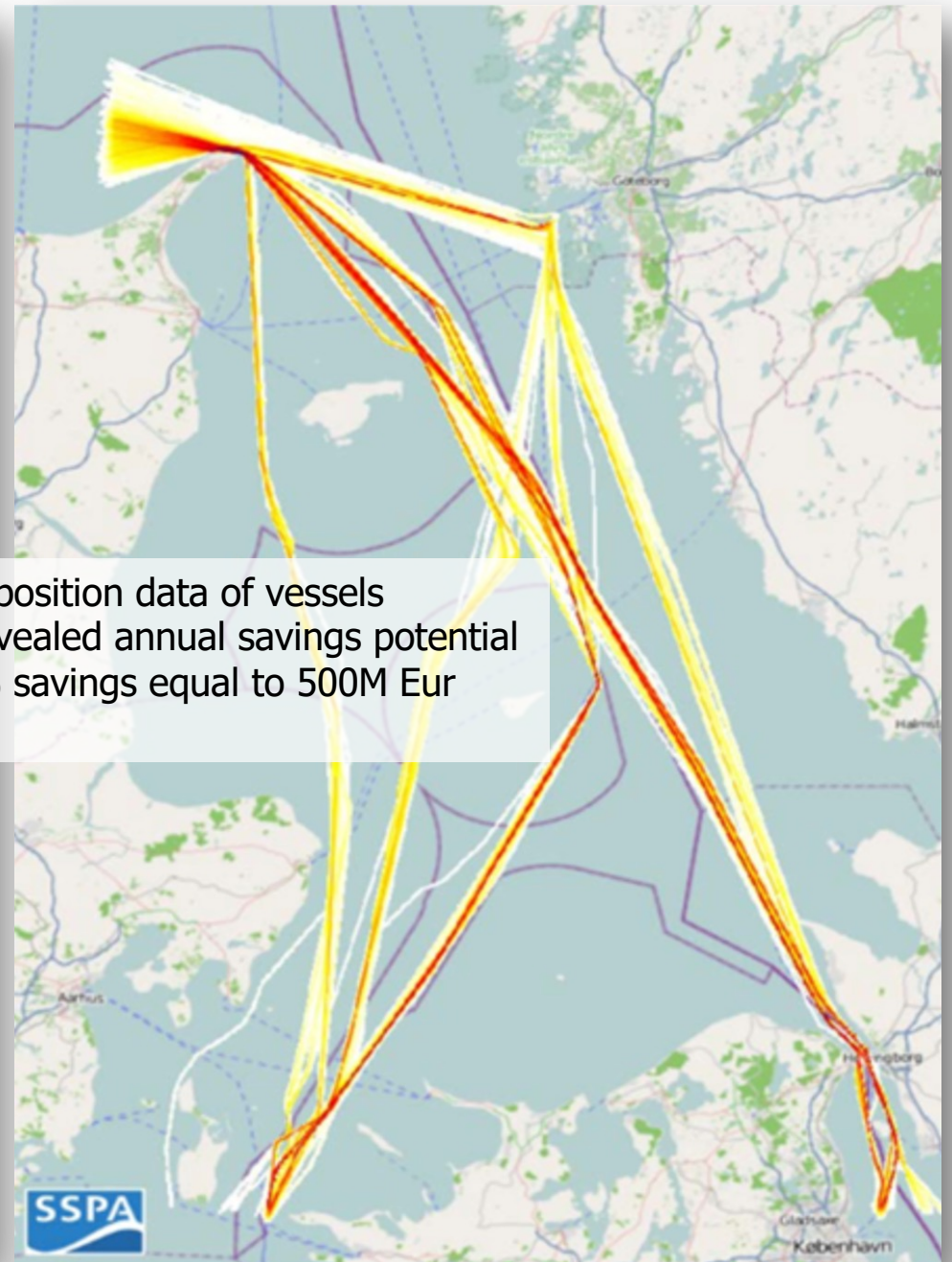
50% life time decrease equals to **50keur saving** of maintenance expenditure

EXISTING PROCESS

NEW PROCESS



A simulation study by using position data of vessels travelling in danish straits revealed annual savings potential of 4% in fuel cost alone. 1% savings equal to 500M Eur annually.





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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

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?

ENGAGING OTHERS WITH BUYING

