

<http://www.qdistrategies.com/valueforone.php>

Value for One

Until you know how to create value to profitably “win” one customer, you cannot master the challenge of creating value for many customers which is the requirement for growing Market Share.

To create Value for One, you must understand what defines the customer's perception of value.

Value is in the mind of the beholder.

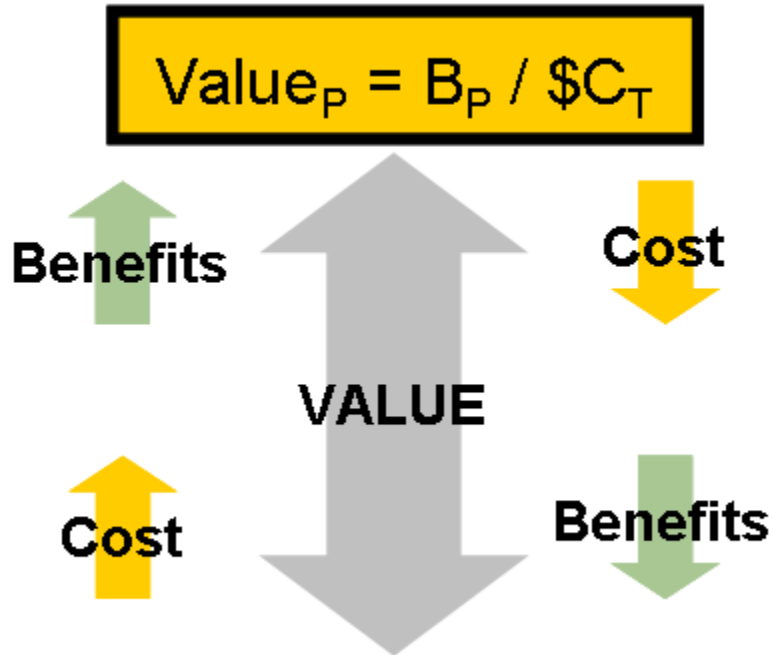
The customer defines value, not the supplier. No matter how much a supplier thinks the customer should value his products or services, the sole judge of value is the customer. Thus, the ability to see value through the customer's eyes is absolutely critical to creating breakthroughs.

Value is about perception.

Both benefits and costs are perceived. Perception – what the buyer thinks – is reality. While most buyers do not have a formal scale to measure each of the elements, more and more buyers are evaluating value. Quality programs implemented throughout the industry are focusing on the “total cost,” which looks at both the hard and soft costs and benefits of doing business with fewer suppliers. Likewise, more and more businesses are training their sales team to sell based on value. Value-based sales tools focus on selling the “total value” or “value-add” which includes services and relationships. Additionally, customer satisfaction scores often index performance on criteria that are similar to the benefits used in QDI's Value Model.

As the benefits move away from the product or service, the beneficiary of the benefits may change. Logistical benefits (the ability to reduce supply chain costs) or engineering support benefits (the ability to help customers select products that will save them time and money) are often not valued by the person who makes the purchase decision. Therefore, it becomes necessary to “sell” these benefits to the appropriate buyer or influencer and work with that person to ensure that the decision-maker understands and properly values the benefits you offer.

Finally, researchers can measure these elements for individual customers or groups of customers using a variety of market research techniques. The most critical element to creating breakthroughs is the marketer's collective understanding of what the customer perceives as value. As the formula below illustrates, there is an inverse relationship between perceived benefits, total cost, and perceived value.



To increase value, businesses must either increase the benefits and maintain the level of costs, or maintain the level of benefits and decrease costs. Value decreases when:

- Benefits decrease and costs stay the same, or
- Benefits stay the same and costs increase.