



QDI's Market Vision

July 15, 2015

INSIGHT INTO THE CURRENT MARKET

True Value

by Steve Bassill

A few days ago I ordered a product on Amazon. I've held a Prime Membership for a few years, and when I'm looking for a good deal or unique product, I usually check Amazon first. Recently, I was duped. The product that I purchased was not only falsely identified, but because of shipping costs, it could not be returned. Frustrated, I emailed Amazon's customer service right away. Not only did they respond in less than their allotted 12 hour return time, but they also refunded the full amount and told me I could keep or donate the product.

I found myself surprised that Amazon went above and beyond my expectations to deliver 100% customer satisfaction. Why, as customers, when we are dissatisfied with a product we dread contacting customer service? Is it because more often than not, we feel like we're fighting to get the value that we deserve?

Insight

Sometimes companies lose sight of what really drives their bottom line. It is important, as a business, that you take a fresh look at your customers and distribution to assess the impact of value you deliver. Sometimes

forces exist that are breaking your channels and hindering your chase for higher value. Your ability to communicate and deliver value through your channels is at risk. You can't capture the value you create if you can't clearly define that value and be sure it is superior to the customer's alternatives.

When trying to increase the value they offer, the issue for decision makers is to identify what part of the value equation they should fix – benefits or costs?

Should they increase benefits? If so, what benefits are meaningful to customers? Are there groups of customers that value different sets of benefits?

Or, should they reduce costs? If so, what can they do to reduce costs? What can they do more effectively?

Deciding the right changes to make quickly become complex. On top of this, the trap most marketers fail to consider is the interdependency.

IN THIS ISSUE



True Value

In the marketplace, the only perception that matters is the customer's. Learn how to effectively communicate your value to your customers.



About QDI

QDI Strategies is an International consulting organization that helps clients create and execute breakthrough go-to-market strategies in commercial and industrial markets.

For example, downsizing reduces internal costs and allows a manufacturer to decrease prices to his customers. This reduces the customer's cost and increases his perceived value of the supplier's products or services.

However, downsizing often also reduces the benefits, making it harder to do business with the supplier, disrupting long-term relationships and, therefore, reducing value to the customer.

The question in cutting internal costs is simply, "Will this change reduce or increase the value the customer perceives? And, will it change the value positively enough to change the customer's behavior?" The answer to these questions comes from an in depth understanding of the customer's perception of value.

Perceived Value

Perceived Value is what the customer thinks he gets. The value the customer perceives is not only a function of the product, but also of the services associated with that product and the relationship/trust the customer has in the product and the supplier. Therefore, you also must see value from the customer's perceptions.

Often the value he perceives is not only a function of the product you offer, but also of the service associated with that product and the relationship and trust he has in the product and his supplier. Accordingly, you need a more inclusive definition of value.

One of the key questions for marketers is, "Which of the perception problems do I have?"

- ➔ **Am I not effectively communicating my value?**
- ➔ **Have I not understood the customer well enough and therefore designed a value proposition that he sees as inferior?**

Designed Value

Designed Value is the value you plan to deliver to customers. For example, in the automobile industry cars are designed to meet a specific performance in crash test safety standards. This is one element of the car's Designed Value. If the car does not meet the crash test performance criteria, then the engineers need to re-engineer the car to provide the Designed level of Value required by these tests.

Crash test performance is just one of the many value elements needed to provide overall customer value. For each of the performance elements that manufacturers think is important to their customers, manufacturers need to meet a Designed Value level of performance.

The Bottom Line

We may not all be a business powerhouse like Amazon, but assessing our own designed value and understanding our customer's perceived value will allow us to design products and services that provide customers value that is superior to their alternatives.

To further define your goals, you can use the tools provided by [QDI's Value Management Workbook](#), which helps sales and marketing teams quantify their internal perceptions of the value they and their competitors provide customers. Remember, capturing value requires presence to your target customers, effectively communicating your value proposition, and then using pricing and your marketing programs to seize the economic value.

FOR MORE INFORMATION

Visit our [website](#), or call us:

Steve Bassill 847.566.2020 x229

Michael Barr 847.566.2020 x225

www.qdistrategies.com

STAY CONNECTED

