Designing, Delivering, Marketing and Selling Customer Value

Business Operations Forum
ICMA General meeting, Berlin
May 8, 2010

Peter Lamb, President, Lamb Consulting, USA

Gerhard Köhle, Head Portal Manager, Informmedia/VM Group, Austria

Eero Korhonen, Managing Partner, Vaibmu Ltd, Finland

vaibmu
consulting and portfolio company

Content | Sharing and Working

- **10:00-12:00 Opening and warming up**
  - Introduction by co-chairs
  - Sharing: Defining Customer Groups
  - Sharing: Defining Customer Value Proposition

- **12:00-13:00 Lunch** (Please note it's shorter than the overall group!)

- **13:00-14:30 Small Group Case Studies**
  - Introduction to workshop (20min)
  - Working in groups (70min)

- **14:30-15:00 Coffee Break**

- **15:00-16:30 Presentation and Discussion**

vaibmu
consulting and portfolio company

Important | Household rules

- **Rule #1: Everyone is encouraged to participate**

- **Rule #2: If you have something to ask, please do!**

- **Rule #3: Fill the feedback form after the session**

- **Rule #4: Let's have fun**

- **Rule #5: Peter has the last word!**

Q: How does your company define who are its customers?

vaibmu
consulting and portfolio company

Q: Share an example of how many key customer groups your product has?

1? 2? 5? 10? More?

vaibmu
consulting and portfolio company

Q: How does your company share customer knowledge internally? Does everyone in IT know your customers in detail?

vaibmu
consulting and portfolio company

Customer Value Proposition | Definition

A successful company is one that has found a way to create value for customers - that is, a way to help the customers get an important job done.

By "job" we mean a fundamental problem in a given situation that needs a solution.

Once we understand the job and all its dimensions, including the full process for how to get it done, we can design the offering.

Source: Mark W. Johnson, Clayton M. Christensen, and Henning Kagermann, *Reinventing Your Business Model*, Harvard Business Review, December 2008.

vaibmu
consulting and portfolio company

Q: Do you have a clear Customer Value Proposition for your product? Does everyone know it internally?

vaibmu
consulting and portfolio company

Q: Share an example of Customer Value Proposition that your company has defined?

vaibmu
consulting and portfolio company

Q: How are the CVP's defined in your company?

Q: How are the CVP's taken into account in

1) ICT?

2) Marketing?

3) Sales?

vaibmu
consulting and portfolio company

Categories for Value Sources

- **Customers can get value added from almost indefinite amount of different sources**

- **To simplify the task of finding the key value sources, a rough categorization should be made**

- **As a basis for today's work we have chosen a model of nine value categories, from which we will use only four**

- **Value proposition may be a combination of several categories**

1. **Efficiency**

2. **Security**

3. **Convenience**

4. **Simplicity***

5. **Relationship Intimacy**

6. **Development***

7. **Fun & Entertainment***

8. **Image***

9. **Environmental Quality**

# Image | Building Customers' Personal Image

- ## Social Group
  - Normally you say that you are "meeting your university friends", but you also can say that "I'm meeting my friends from Cambridge". The great brand of Cambridge University associated to you also builds your image.

- ## Style & Fashion
  - When wearing a stylish business-suit instead of a tracksuit, people tend to think you are smarter.
  - Look at Zara: They copy and manufacture the latest fashion very fast, and then sell it at a low cost >> Customers can afford to look fashionable with limited budgets!
  - Look at Swatch: They make stylish wrist-watches at a fraction of the price of a similar looking high-end brand.

- ## Think about your product
  - Does your product help the customers to build their image? Could your product do it if the offering is strengthened?
  - Do you use it in your marketing?

$147

$22,125

\\vaibmu
consulting and portfolio company
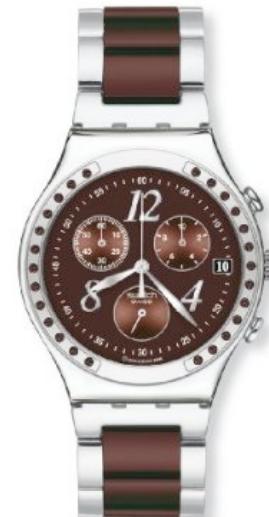
Development | Building Customers' Knowledge

- **Improving practical skills**
    - Turn to the back side of a package of green lentils and you find an easy recipe for a delicious lentil stew.
    - If you organize a professional seminar, one thing a customer (and her/his boss) expects are new practical ideas to manage daily tasks.

- **Growing knowledge**
    - Look at consulting companies: A Danish consulting company CoCoCo gave its key customers a book called *Business Development Management - Best Practices in Managing & Executing*. Customer's got new ideas from the book and those ideas were associated to CoCoCo.
    - Look at *Nature* magazine: One of its key value propositions is "learning something new about the surrounding environment". The same goes for traditional newspapers as well as their websites.

- **Think about your product**
    - Are you part of a customer's value chain, where she/he has to develop additional skills or knowledge to "get the job done"?
    - Could you help the customers gain those skills?
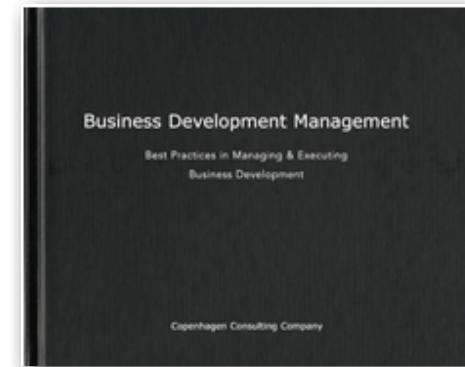
Fun & Entertainment | Some excitement, please!

- **Swap your cost savings to customers' entertainment**
  - Look at IKEA: Installing your stylish furniture together with your family can also be great fun. For Ikea, letting the customers build the furniture at home is among other things, a way of keeping their cost low.

- **Make learning also social and entertaining**
  - At Alambique cooking school in Madrid, small groups of customers gather to learn new skills from top class chefs. They can also taste great samples of food, enjoy a glass of wine with the result of the class and chat about gastronomy. It is not only skills, but fun and entertainment.

- **Think about your product**
  - Do you make people smile? Do you make them laugh and share that laugh with others?
  - Does your product make life happier or does it give an opportunity to "kill time"?
  - Can you be the center of a social network? Can you be the center of the conversation? Are you relevant? Are you making *remarkable* products?

\\vaibmu
consulting and portfolio company

Simplicity | Let's get the job done, fast.

- **A simple thing needs a simple process**
    - Have you installed a Mac computer lately? Was it simple? Well, yes it was.
    - Look at newsletter subscriptions: If you want to receive an email newsletter from a site, what else do you have to give besides your email address?

- **Reduce complexity and make it intuitive**
    - Look at Thermomix (a German food robot): First, it may look a bit complex, but when you get closer you find out that there is only one blade, the cooking temperature is simple to set, and in general it has a very easy user interface. Moreover, it is easy to wash and the package includes a simple manual with dozens of recipes.

- **Make nuisance so simple that it doesn't bother**
    - Look at the Finnish *taxman*: Basic tax filing used to be a yearly nuisance. Not only the mess with receipts, but it also reminded everyone of how much they really pay! Today, taxation is fully automated. You receive a letter once a year, if it looks ok, you don't do anything.

- **Think about your own products and services**
    - Are they really easy to use? Do they make customers puzzled or do they guide them through the steps? Can you reduce the workload that falls on the customer to gain competitive advantage?

vaibmu
consulting and portfolio company

Working | Split to Five Groups

- **Group 1: Car Classified Portal**
  - Customer group 1: Private Car Buyer
  - Customer group 2: Mid-sized independent car dealer

- **Group 2: Real Estate Portal**
  - Customer group 1: Private buyer
  - Customer group 2: Real Estate Agent

- **Group 3: Recruitment Portal**
  - Customer group 1: HR Manager
  - Customer group 2: Job seeker

- **Group 4: Holiday Real Estate Magazine**
  - Customer group 1: Private rental customer
  - Customer group 2: Real estate developer with multiple destinations
  - Customer group 3: Advertiser (not in real estate business)

- **Group 5: Pet Portal & Magazine**
  - Customer group 1: A pet owner
  - Customer group 2: A pet appliance and food companies

Working | Task & Instructions

- **Object of the workshop**
  - To learn how make a theoretical value proposition work in practice
  - To share practical -small but executable- ideas with colleagues
  - To reflect on your own (home company) way of doing with the things learned here

- **Create a value proposition for your product**
  - Use only the four value categories mentioned
  - List all possible practical ideas of bringing the value for the customer. Example: "We will publish a monthly sudoku competition in our magazine" - Fun & Entertainment.
  - Target the ideas only to the given target groups (next slide)
  - Think and discuss how your team's ideas of building value would be 1) **technically done**, 2) **marketed** and 3) above all **sold**?

- **Prioritize**
  - Discuss and prioritize your value proposition from the business point of view
  - Create a prioritized value proposal for your customer groups. This time only from the four available value categories.

- **Presentation**
  - Note: Let all group members join the presentation
  - Present your customer value proposition
  - How do you practically deliver the value to your customers? 1) ICT, 2) Marketing, and 3) Sales
  - Each presentation takes maximum 12 minutes - let's leave time for discussion!

vaibmu
consulting and portfolio company

Working | *Development* as an EXAMPLE

DEVELOPMENT for A PRIVATE SNOW MOBILE CUSTOMER

Customer value	Description	How is it marketed	How is it technically done	How is it sold / monetized
Customer values knowledge that helps her/him to extend the life of his/her expensive snow mobile. Instrument: Practical tips how to extend the life of a snow mobile	*Online booklet that can be printed out. Contains practical maintenance recommendations on how to keep the customer's snowmobile up and running for years to come.*	*"Our customers are invited join the "Gold Club Maintenance Program", which helps to maintain your snow mobile and enjoy its virtues for many years".*	*A simple wiki-type online source for publishing practical tips. Community features to share peer to peer information.*	*Advertisement from local service providers and appliances stores. CPA based partner program if customers order services or use printable coupons. Sales team "A" will contact potential customers.*

\\ *vaibmu*
consulting and portfolio company

Thank You

Remember the feedback

vaibmu
consulting and portfolio company