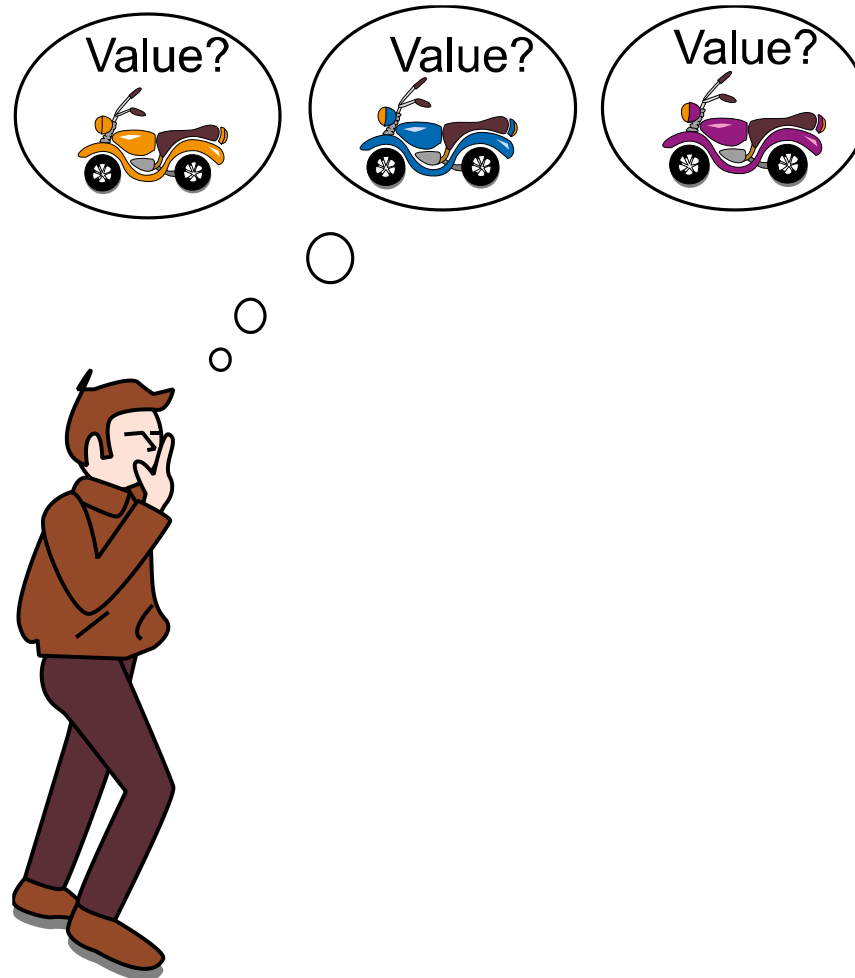


2. Customer Value: What business is all about





Learning objectives

- ▶ **Definition of Customer Value**
- ▶ **The S-curve, the evolution of Customer Value**
- ▶ **Summary**



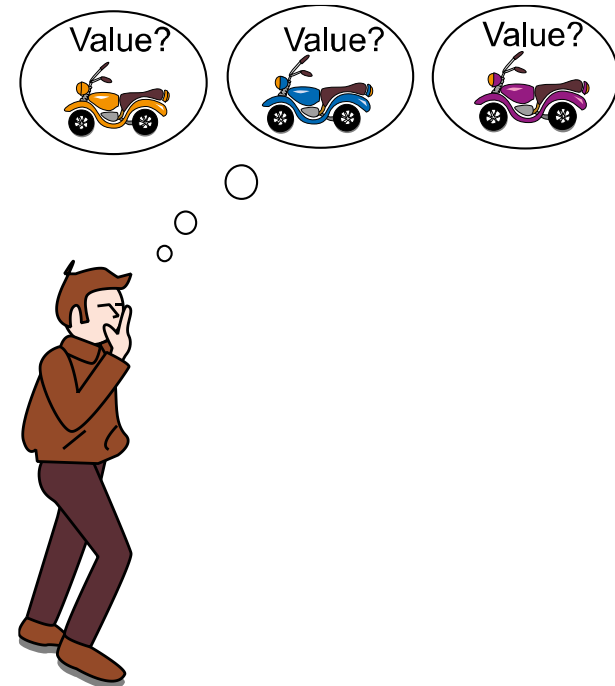
Writer's Witty Words

Customer value is a perception in the minds of the customers and not a property of your product.

Per Lindstedt

All customers strive to maximize value:

- value explains why customers buy or don't buy your product.
- it can guide your organization toward the right decisions.
- value must be transformed into a practical tool.



$$\text{Customer value} = \frac{\text{Satisfaction of customer needs}}{\text{Use of customer resources}}$$

Customer Value is defined in the European standard EN: 12973

Needs and wants

Needs

Something the
customers have to
have.

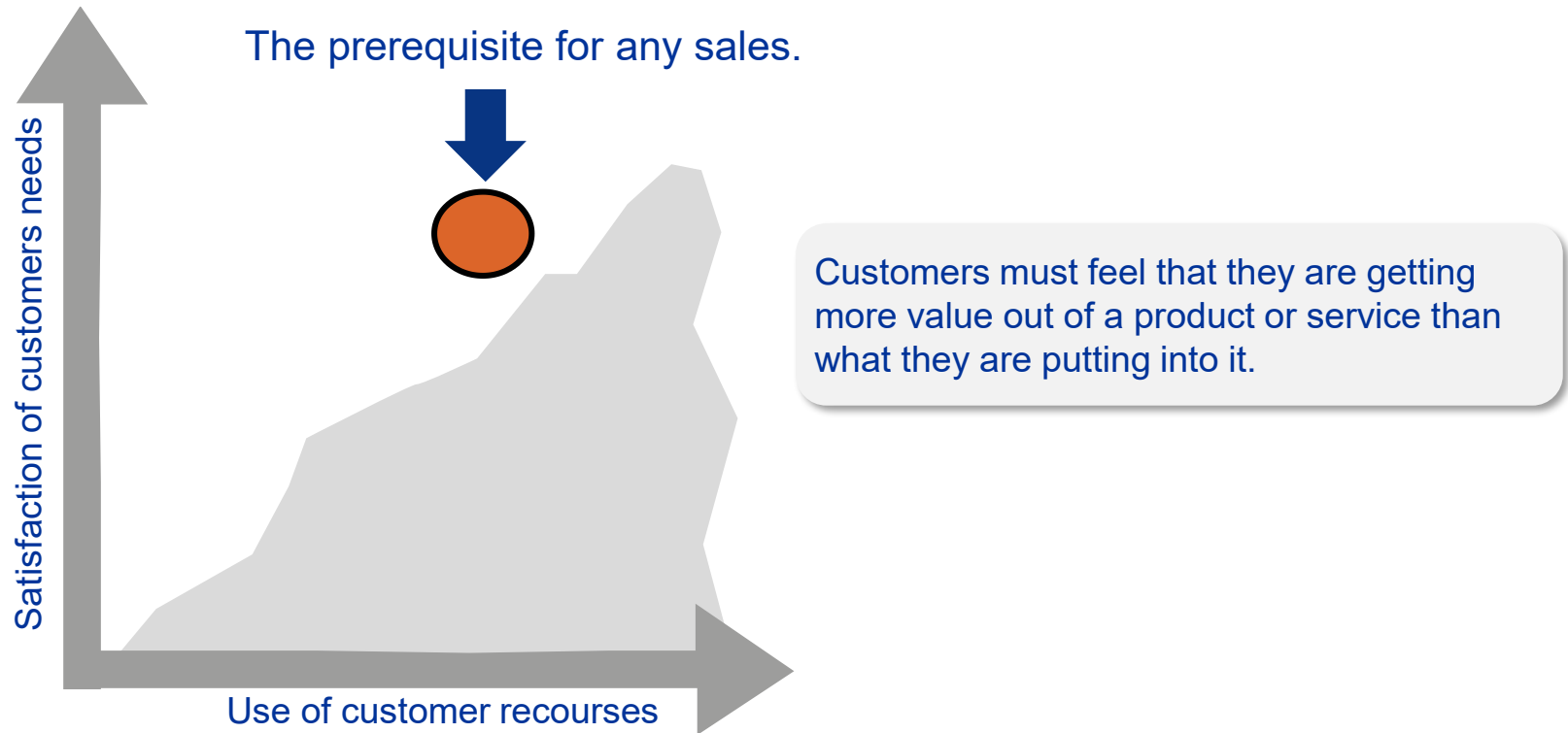
Wants

Something the
customers would
like to have.

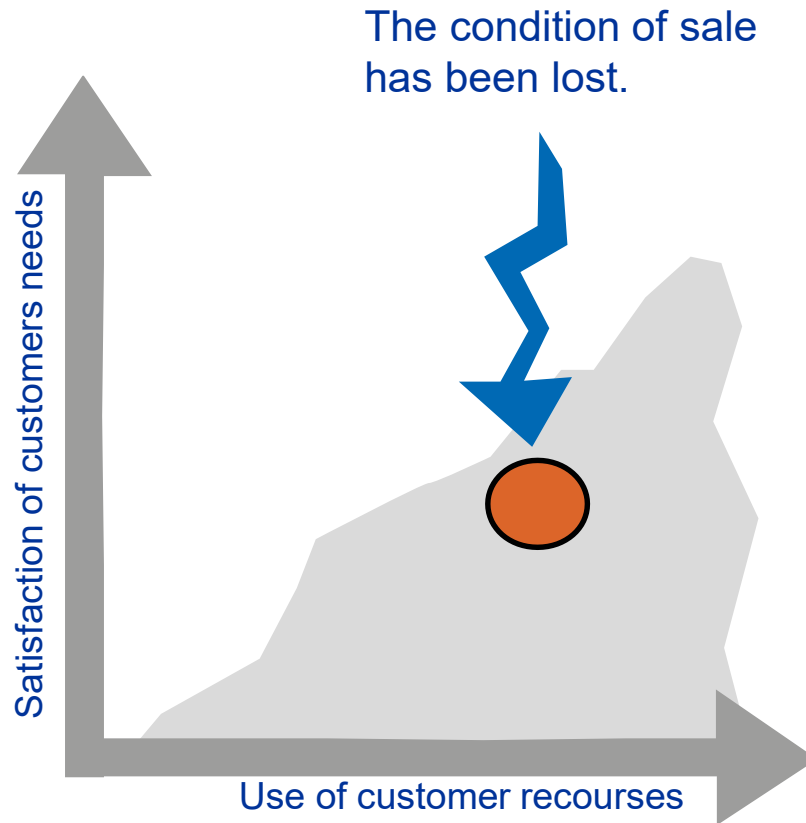


The standard makes no distinction between needs and wants.

Conditions for Sale

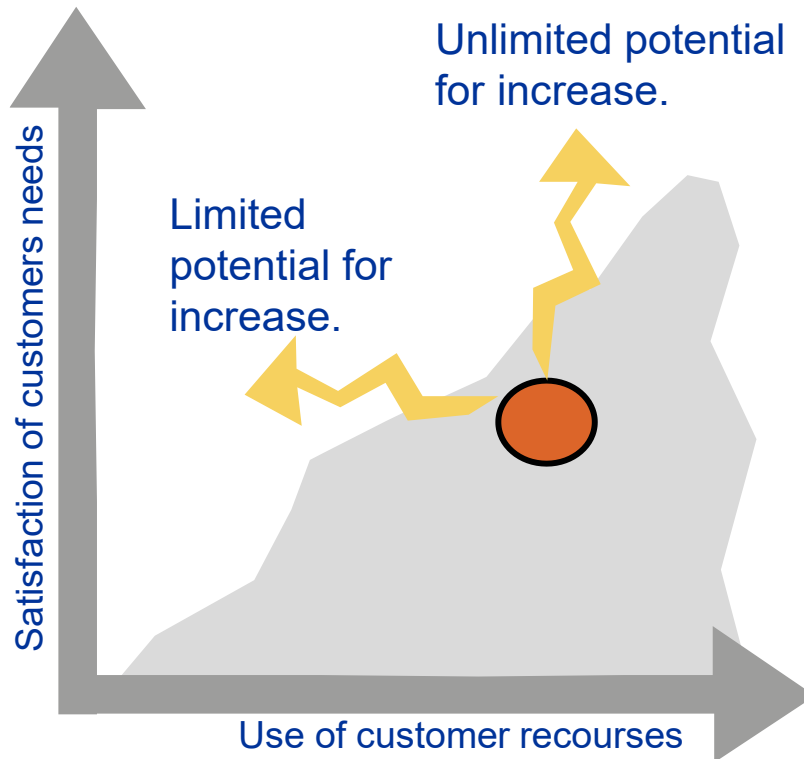


The race for customers



When competitors introduce better products, your product's value decreases in comparison.

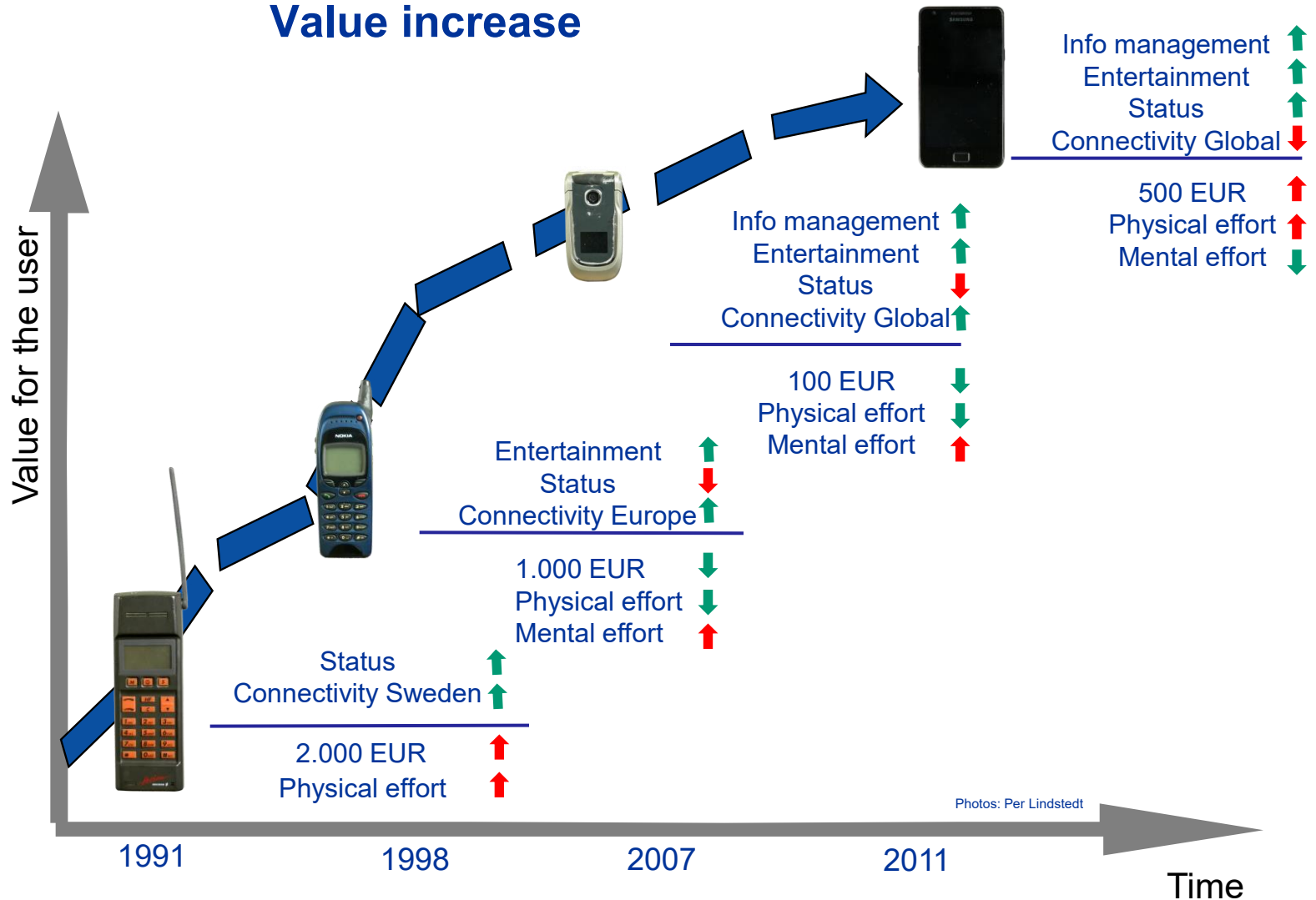
Strategies to increase value



Your two only options, satisfy more needs better or reduce the use of customer resources.

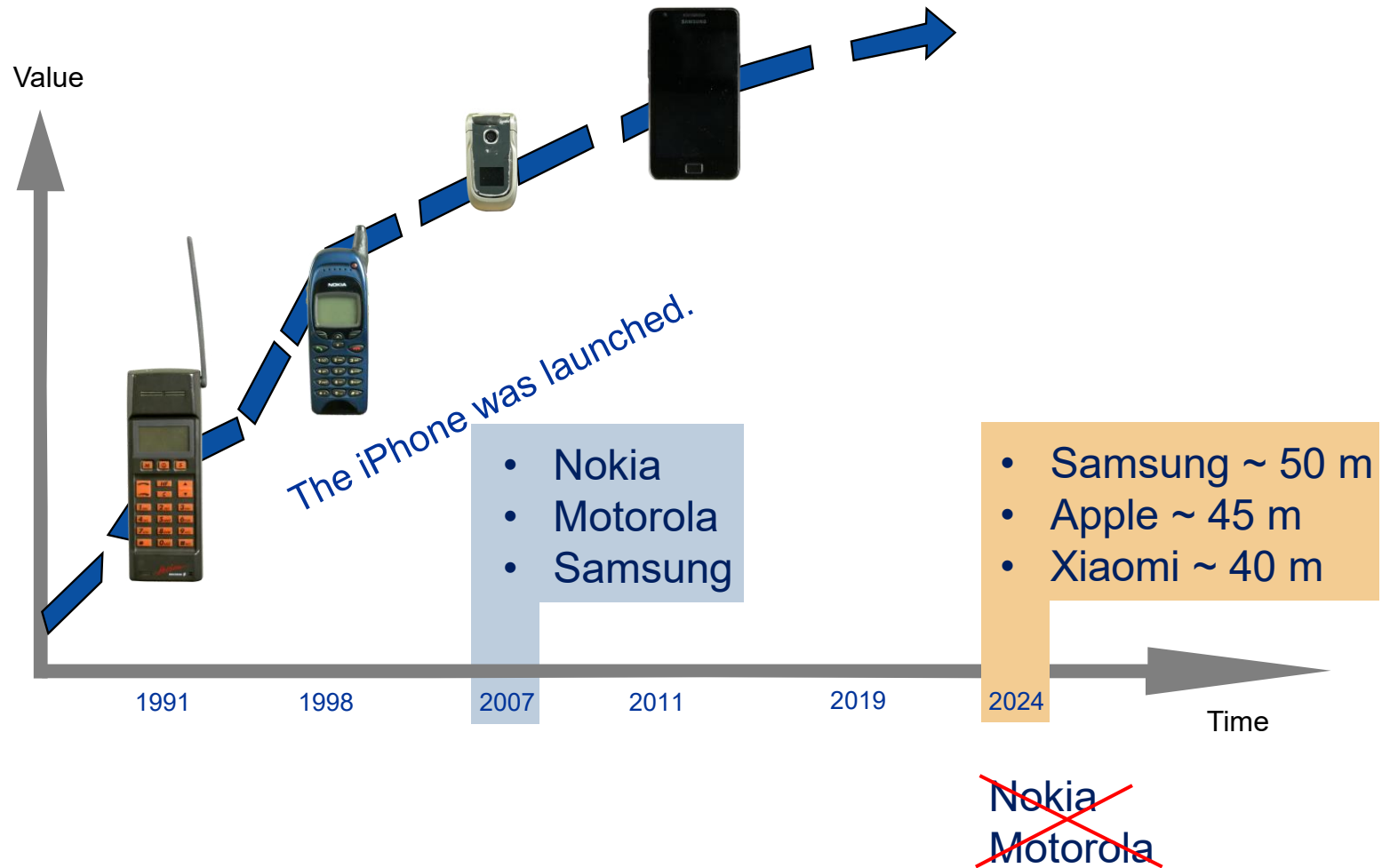
If you only cut costs, you're not just trimming the fat – you're also trimming your chances of success!

Value increase

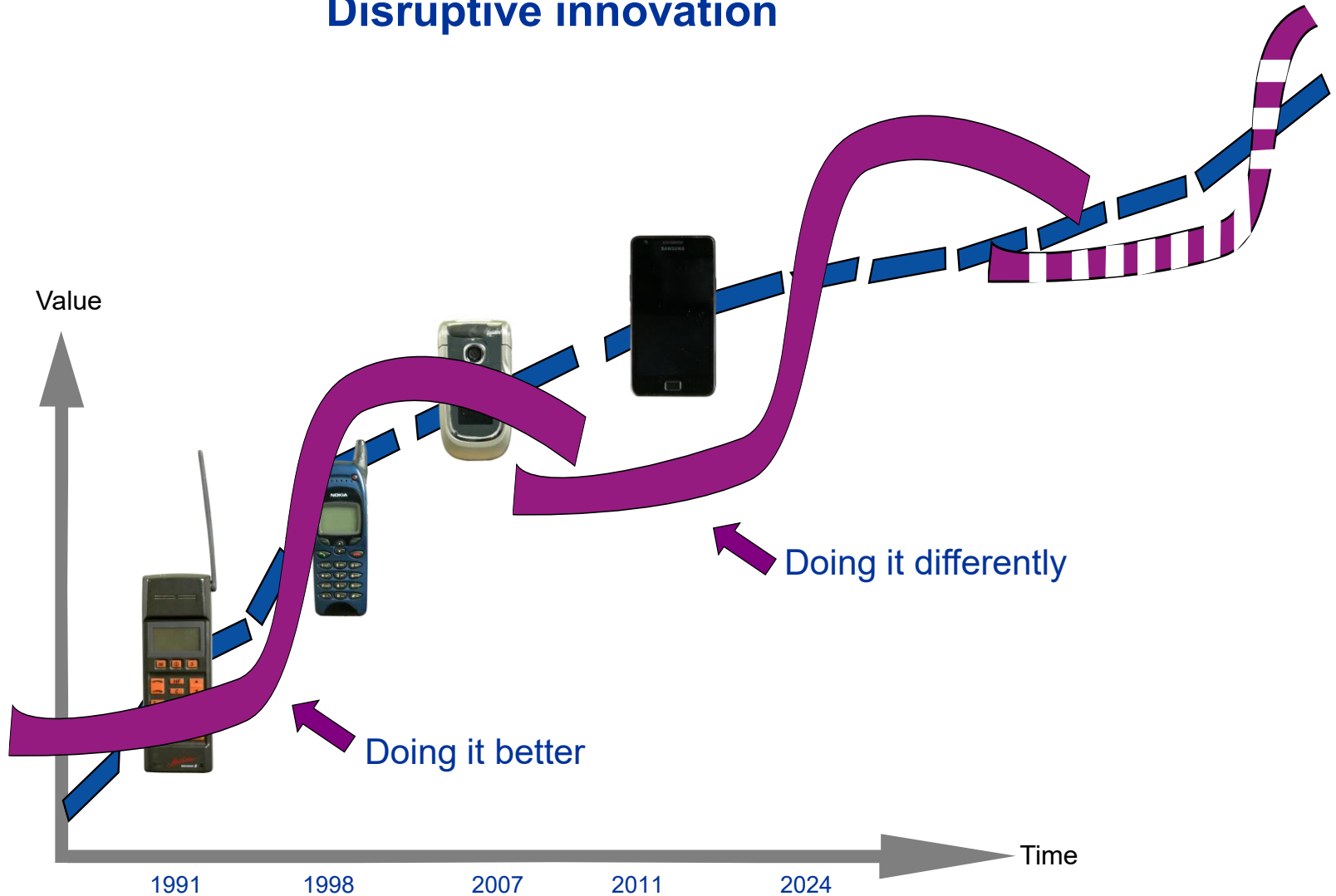


The same principle applies for all products and services !

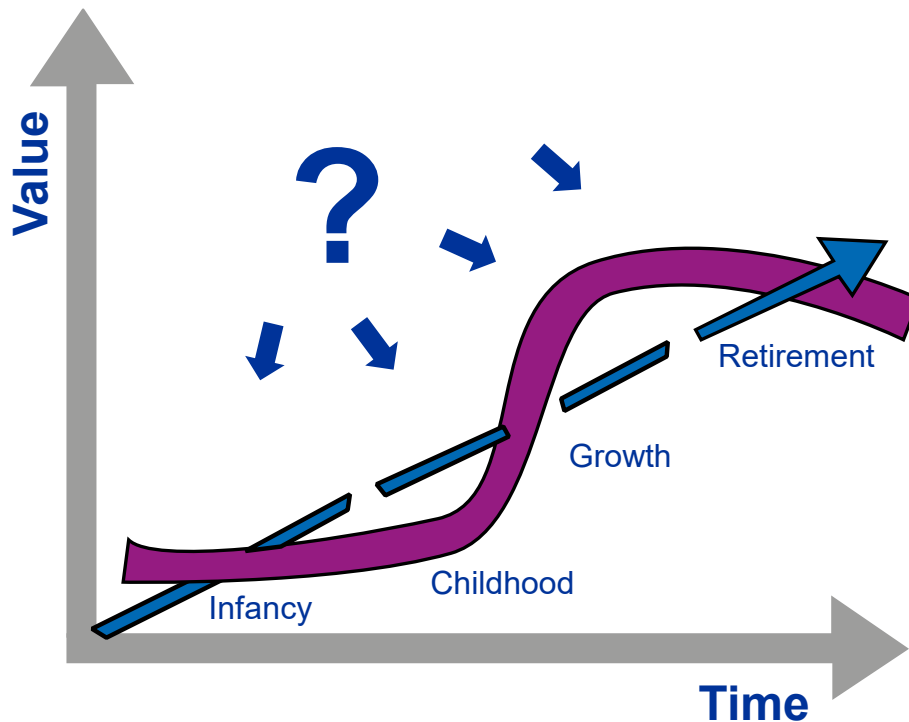
Disruptive innovations



Disruptive innovation



The position on S-curve?



The position can be defined by analyzing:

- patent activity
- market player dynamics
- profitability trends
- customer value growth
- system evolution.

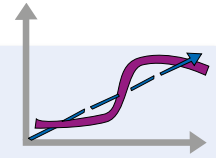
Completely different development strategies should be used along the S-curve.

Summary



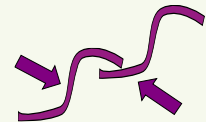
Customers drive to maximize value force all companies to continuously increase the value in their products to survive.

The value increase over time follows S-shaped curves.



Two radically different strategies exist to increase value

- *Doing better* – follow the existing S-curve
- *Doing differently* – break paradigms and move to the next



Very few organization survive the shift to the next S-curve.

Facit (mechanical calculators) **Blockbuster** (video rental) **Kodak** (film photography) **Nokia** (mobile phones) **Borders** (bookstores) **Toys "R" Us** (toy retail) **MySpace** (social networking) **Digital Equipment** (Minicomputers) **Tower Records** (Music Retail) and many more.



To learn more read the chapter and see the video!