

VALUE FIRST THEN PRICE

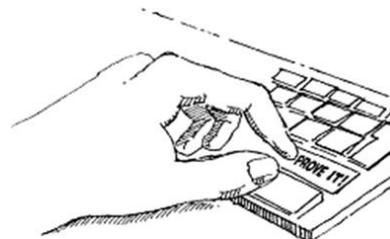
QUANTIFYING VALUE IN BUSINESS-TO-BUSINESS MARKETS FROM THE PERSPECTIVE
OF BOTH BUYERS AND SELLERS



A 'must read' for any B2B marketer. These seminal cases not only illuminate the essentials of value based business marketing, but with detailed examples show you how to implement a value based approach in the turbulent world of today's business market. Real, Good, Practical stuff from professionals who've done it.

Ralph A. Oliva, Director, Institute for the Study of Business Markets and Professor of Marketing, Smeal College of Business, Penn State University, USA

EDITED BY ANDREAS HINTERHUBER
AND TODD C. SNELGROVE



Experts In Value

Todd C. Snelgrove,
Experts in Value
Todd@expertsinvalue.com

The salesforce is the principal messenger of value to the customer and must understand and effectively communicate value to the customer base. If the salesforce isn't fluent in these skills, customers will eventually perceive parity between their choices in the market. When this happens, organizational efforts to leverage the value of technology, product, process, or services will not achieve their true potential.

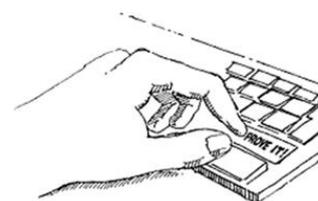
In 1996, a hit movie told the story of a sports agent, Jerry Maguire, and an aging football star, Rod Tidwell, hoping for a big contract. In one of the film's most memorable scenes, the two are talking on the phone, and Rod keeps saying to Jerry, "Say it . . . Yell it . . . Show me the money!" At the same time that *Jerry Maguire* became a hit, professional procurement was gaining traction in large companies. The procurement position and responsibility truly started the transformation from a tactical purchasing function, usually reporting into Finance, to a full-fledged group that has a seat with the CEO; the development of Strategic Procurement was rising. A gap we continued to see—and it continues to widen—was in the contractual negotiations with suppliers. Procurement seemed to want low costs (which translates into lowest price if you can't monetize your value) only (as we saw in the previous chapters), and salespeople would often wax on about this so-called value that they brought and others didn't and for which they therefore deserved a price premium. In the mid-1990s the users of the product or services, or business units, seem to be the ones telling Procurement what to buy and to just make sure all the terms and conditions were fair. Fast forward a decade, and now we see Procurement, and rightfully so, challenging the internal customer, and asking whether a company can truly deliver on its promise and really help it become more efficient and thereby profitable.

This book is the first to my knowledge to feature best-in-class sales organizations that show how, in a tough B2B environment, they have been able to demonstrate real value, quantify that value in terms the customer understands and cares about (cold hard cash), and then negotiate on what will be measured and delivered for the customer, and how, all while supporting Procurement’s evolution into a more strategic role. A role in which there are three bids—and in which “buy the lowest” is not the primary strategy or choice—and that asks, “Who can bring us real measurable value by helping us become more innovative, differentiating our products and services, taking costs out of our operation?”

In the previous chapters you saw that the sales and buying relationship is not a zero-sum game, and that when done properly, looking at real value, both the customer and the supplier can become more profitable. Pricing for that value can only occur once the customer believes that value is real and tangible.

Sales managers, new business development, marketing, and project managers should work with their Pricing counterparts to understand how they can and will create more meaningful value for their customers. Procurement professionals should keep asking suppliers to demonstrate why they deserve to be bought not on the lowest price but on the best value. Finally, Procurement should spearhead that value capturing for the organization, in order to continually be seen as a strong support function to the business, show how it can get the best suppliers to bring their best resources and therefore value. Suppliers and customers should be sitting on the same side of the table, and showing how we both sustainably win by measuring the best value created and received. The new era of collaborative procurement is coming to a customer or country near you.

Helping Companies be More Profitable, by creating, calculating, communicating, and profiting from value.



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