

The 2022 Imperative: The Focus on Customer Value



by Stephan
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The purpose of this article is to provide more information about what customer value means, how it is materialized in pricing and selling processes, and how buyers perceive value and manage it versus price. Customer value is now the number one imperative for all organizations as they build the plans for their next five to ten years, as the author explains. Stephan M. Liozu, Ph.D. (sliozu@gmail.com), is the Founder of Value Innoruption Advisors, a consulting boutique specialized in value-based pricing, industrial pricing, digital and subscription-based pricing. He is also an Adjunct Professor & Research Fellow at the Case Western Reserve University Weatherhead School of Management. He is a Certified Pricing Professional (CPP), a Prosci® certified Change Manager, a certified Price-to-Win instructor, and a Strategyzer Business Model Innovation Coach. He has authored seven books: The Industrial Subscription Economy (2022), Pricing: The New CEO Imperative (2021), B2G Pricing (2020), Monetizing Data (2018), Value Mindset (2017), Dollarizing Differentiation Value (2016), The Pricing Journey (2015), and Pricing and Human Capital (2015). Stephan sits on the Advisory Board of the Professional Pricing Society. He is a Strategic Advisor at DecisionLink and Monetize360 and a Senior Advisor at BCG.

In an era of supply chain disruption, cost explosion, and unpredictable business dynamics, CEOs and CROs (Chief Revenue Officers) alike must center their thinking and actions around one key priority: creating, quantifying, and capturing customer value. Right now, every single organization is probably reinventing themselves, reconsidering their value propositions, and refreshing their strategic plans. What is common in all three activities is the need to provide economic and monetary value to customers day in and day out. That is the purpose of the firm and one that is never going away. The purpose of this paper is to provide more information about what customer value means, how it is materialized in pricing and selling processes, and how buyers perceive value and manage it versus price. Customer value is now the number one imperative for all organizations as they build the plans for their next five to ten years. One thing is for sure: competing on cost is not sustainable. Learning to compete on customer value and becoming a true value champion is a competitive advantage in the new normal.

The Customer Value Discipline

Putting customer value at the heart of your organization's DNA requires tremendous discipline. You cannot simply adopt a value approach. You design it, you implement it, and you make sure it is assimilated and internalized at the organizational level. That includes integrating value at all phases of your go-to-market process.

A holistic and integrated value approach starts with a value-based innovation process that anchors all process, product, and service developments on creating value for customers and business partners. In that case, value means economic and financial value, i.e., cost savings and revenue generation, for example. Every single dollar that is invested in the innovation process is done so to create economic

value and a strong positive return for the organization. Innovation opportunities are therefore screened on the basis of how much value they create and how much differentiation they bring to the business. See [Figure 1](#).

True value creation in the innovation process includes making game-changing discoveries, uncovering customers' unmet needs through customer research, and solving customer pains through the creation of unique products, services, or software. This is not an easy proposition. Innovators must adopt and deploy the best-in-class voice-of-customer research methods, such as value-in-use analysis, ethnographic research, and user-based design methods.

Figure 1



Creating a value discipline in the innovation process makes the rest of the value management process somewhat easier. Differentiated and value-based innovations can then be marketed based on how much economic value they create for specific customers or entire market segments. The marketers oversee documenting value and creating the value toolbox, which might include value propositions, value stories, value calculators, and a value playbook, for example. Pricing teams support the customer value deployment by enabling value-based pricing strategies and calculating the differential economic value in dollars and cents that can be shared with and captured from customers. Then, the sales forces are trained on value-based selling methods, using all the value tools available in the toolbox and delivering impactful value messages. At the very end of the customer value approach, value-based negotiations increase the rate of value capture and value realization levels over time.

The alignment of all the go-to-market functions is essential in successful customer value management (CVM) programs. But this is not all. In addition to the functional buckets of the go-to-market, there are three steps in the CVM process that overlap with the go-to-market functions, as shown in [Figure 2](#).

First, customer value is created through innovation and marketing activities. Then, customer value is quantified using various methods such as total cost of ownership (TCO), ROI calculators, or economic value estimation models (EVE®). And finally, customer value is captured by suppliers and shared with partners and customers through pricing strategies and tactics. This simple graph depicts the complex role of a Chief Value Officer or any customer value executive. That person is the guardian of the customer value galaxy crisscross-

ing the organizational universe to make sure the customer value discipline is alive and well.

Specifically, there are five things that are critical for customer value journeys:

1. **Develop cross-functional collaboration:** that is a given. It is all hands on deck for all functions that have customer-facing activities. Silos go down and people put the customers at the center of their daily work.
2. **Develop the tools and processes that allow for industrialized activities:** the goal here is to move away from the manual process of building customer value propositions one-by-one in PowerPoint or value calculations in Excel. There are digital tools that can accelerate the management of CVM steps and activities. The use of these tools in conjunction with a robustly designed and agile CVM process can do miracles.
3. **Reinforce the need to focus on customer value in the business through the process:** customer value management is not just a process. It needs to bring value to the organization and to the business units. So, we cannot just follow the process. It is business impact first and process second. Because value is shared with customers, impact must be delivered and realized jointly.
4. **Ensure that mindset change is happening and that it is irreversible:** repetition, repetition, and repetition. For most organizations, CVM is a new muscle that they must develop. To build that muscle, teams need to engage in CVM activities, and then practice and repeat the steps until they are absorbed into their daily routine. The end goal is to have people discuss customer value

each day without being asked to do so. It is part of their DNA.

5. **Make customer success the heart of the CVM process:** we are in business to succeed. So are our customers. The more in alignment we are with our customer goals, strategic priorities, and outcomes, the better it is for both of us. The more they succeed, the more we succeed. It is as simple as that. This is one of the reasons why usage-based pricing is becoming more and more popular in the SaaS world and outcome-based pricing is booming in the service world.

The customer value revolution is real. More software companies are investing in value management and customer success teams. More product companies are adopting and embracing value-based strategies and concepts. Make sure customer value management is managed holistically in your organization and that someone oversees it.

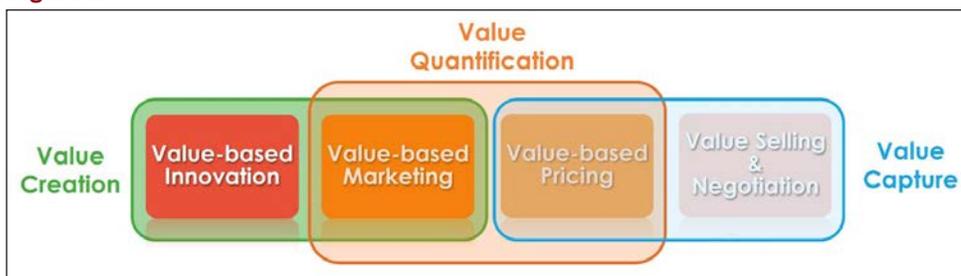
Value-Based Pricing and Selling Are Joined at the Hip

For years, organizations have tried to bridge the marketing and sales functions. One working without the other is a no-go. I argue it is the same with sales and pricing. You cannot design and execute successful pricing programs without having the sales force fully on board. Similarly, you cannot be successful at sales without clear pricing tactics governed by rules, guidelines, and transparent margin data. I posit that sales and pricing are joined at the hip. That relationship is even more critical when discussing the topics of value-based pricing and value-based selling. Let us consider the following:

Value-Based Selling Definition: “Value-based selling is the term for the overarching process of presenting your product or service in terms of the *value* it creates for customers. Value-added selling is the specific selling process during which the salesperson takes steps to provide customers with value at every stage of the selling process.” ([Value Selling: The Ultimate Guide to Value-Based & Value-Added Selling – decisionlink.com](#))

Value-Based Pricing Definition: “Value-

Figure 2



based pricing is a strategy which sets prices primarily, but not exclusively, according to the perceived or estimated *value* of a product or service to the customer rather than according to the cost of the product or historical prices.”

The connecting element in both definitions is the concept of customer value. There you have it! Case closed.

Value-Based Selling Without Value-Based Pricing

The goal of value-based selling is to justify and extract a price premium. We enter into value conversations with accounts and convince them of the superiority of our offer and of how much value they are going to receive from us. To do this, we must have a clear understanding of what our differentiators are, what incremental benefits we bring versus the competition, and how much financial value we can share with and realize for the accounts. This cannot be done without having generated customer value models for the specific offer and the customer segment. In fact, this exercise represents steps 3, 4, and 5 of the value-based pricing process which counts 6 steps in total (as shown in [Figure 3](#)). Value-based selling without quantifying value might still work, but it loses its power, especially when facing the almighty procurement teams and their bargaining tactics.

Value-Based Pricing Without Value-Based Selling

Similarly, doing value-based pricing without executing on the outcome in the selling process is a waste of energy. Customer value propositions and models might be well defined, but they are stuck in static PowerPoint slides that might or might not be used by the salesforce. Customer value is what ties the pricing and selling processes together. That specific tie needs to be put into action mode and operationalized in the selling process. When the connection does not exist, sales teams revert to discounting and managing customer requests for concessions.

Practical Recommendation to Energize the Pricing and Sales Teams

I propose seven ways to connect the sales and pricing teams to work in an integrated value-based approach:

Figure 3: The 6 Steps of Value-Based Pricing



- 1. Adopt value quantification methods and be trained on them.** There are several well-known methods: total cost of ownership (TCO), return on investment (ROI), business value assessment (BVA), and economic value estimation (EVE[®]) models. There are others of course. Get started learning about these and ask for help from experts (pricing and value engineering professionals) to put together a quick training module for your marketers and sellers.
- 2. Create strong quantified business cases working together.** It is essential to focus on jointly creating very strong business cases, bringing together the hard methodology of value quantification with the soft knowledge from the sellers. That combination of skills is very powerful and extremely customer focused. So, you build the first models and business value assessments together and then you move to a systemic and automated process using a CVM platform.
- 3. Understand your differentiation in terms of economic and financial benefits versus competition.** Part of the modeling of differentiation value is knowing your competitors and how you compete against them. Here too both sellers and pricers need to work closely together with some help from your friendly competitive intelligence experts. They can agree on basic assumptions, value hypotheses, and core competitive differentiators. The fact that sales and pricing are working together, with possible other functions, helps accelerate the much-needed level of alignment and cooperation.
- 4. Focus on tracking delivered value that can measure jointly with customers.** Measuring your financial contribution to your customers is part of the selling process. Often, vendors forget that value needs to be delivered, tracked, and benchmarked against the promises you made. There are tools and methods you can quickly acquire to put this process in place, such as Six Sigma, value trackers, and value dashboards. There are also software solu-

tions you can deploy to professionalize this step. I recommend against trying to do this manually.

5. Embed hard financial numbers into the value-selling programs. Buyers are well equipped with numbers, hard facts, and a long laundry list of what went wrong. Sellers must be prepared in the same way. Business value assessments and value propositions need to have hard savings and gains numbers. It is hard numbers against hard numbers as we enter a negotiation dance. Pricing teams are wired this way and can coach the sales team to think in terms of quantified value.

6. Integrate customer and financial value in your key account plan. When you have completed steps 1 through 5, make sure all the relevant data is tracked and added to the key account plan template and to your CVM and CRM systems. Your sellers need to become value merchants. They need to sell and negotiate on value. You do not have the luxury of waiting six months to put this in place. Now is the time to become a trusted partner in your space and to sell hard customer value.

7. Train your front lines in customer value messaging and value selling. As in point 1, you must train your sellers on the art and science of value selling and negotiating for value. Part of the training is getting your pricing and value engineering teams to spend time on how to calculate value, how to use hard numbers in value conversations, how to respond to val-

ue and price objections, and how to exchange price and value.

Whether you have a pricing team, a value engineering team, or a customer value team, they need to be joined at the hip with the salesforce. And that connection needs to be strong in the context of value extraction and growth. Customer Value Management is a team sport. Marketing, pricing, value engineering, business consulting, customer success, and sales all have a role to play. The right platform acts as the anchor point to get everyone engaged.

Value Selling and Being Prepared for Buyers' Tactics

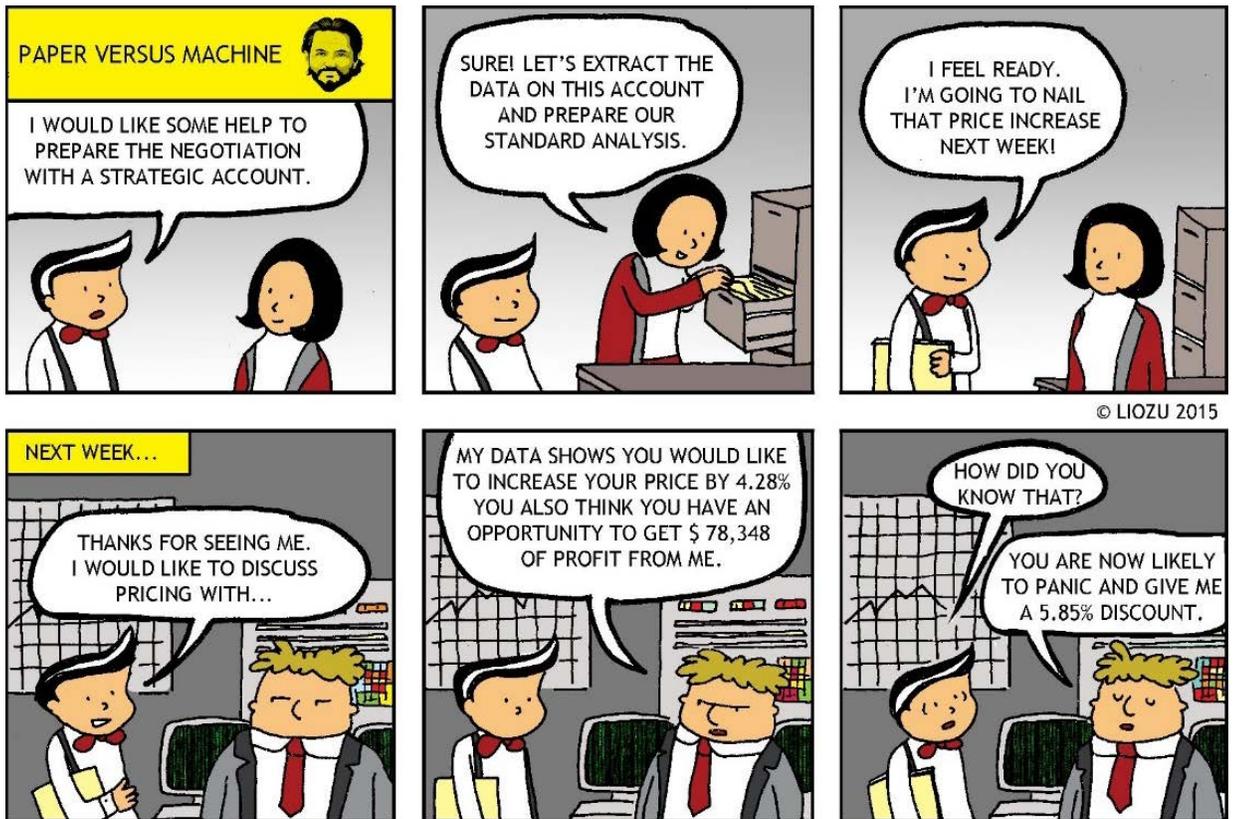
The procurement function has become much more professionalized over the past decade. With the emergence of new professional purchasing practices and advanced technologies, the new generation of buyers and procurement agents are fearless. They are tech savvy, well prepared with negotiation tactics, and well versed in the reverse engineering of value selling and value-based pricing proposals. Technologies have made their role super-efficient and focused on short-term cost savings and long-term business sustain-

ability. Today, it is well understood that most of the sales process has been replaced by advanced procurement technologies like e-cataloging, e-procurement, and marketplaces.

In 2015, I published the comic in [Figure 4](#) showing that data is also revolutionizing the procurement function and buyers are doing their homework. Sales reps must come prepared with rational facts and calculated delivered benefits. If not, you enter strategic negotiations at your own risk!!

It is undeniable that procurement technology will continue to evolve. What remains the same though are some aspects of the human interactions and game playing that are engrained in the purchasing process. I have read most of the value-selling books out there and I listed over 20 games that sellers must be aware of. These games are designed to destabilize the sellers, break their confidence, and obtain short-term concessions. Here are 12 that I list in my 2016 book "Dollarizing Differentiation Value" ([Dollarizing Differentiation Value: A Practical Guide for the Quantification and the Capture of Customer Value: Liozu, Stephan M.: 9781945815003](#);

Figure 4



[Amazon.com: Books](#):

- Playing the relationship card: we have been friends for so many years.
- Acting out the “pity position”: my business is really struggling right now.
- Taking the “my way of the highway” story: bullying and aggressiveness.
- The rush and “no time to wait” position: playing you against the competition.
- Taking the “I need a price now” stand: putting you in a corner with no time to prepare.
- Taking the low-ball approach: throwing low numbers and lies to see what sticks.
- Acting the “good cop, bad cop” scenario: trust me, I am doing this to help you.
- Throwing the “last minute scope change” curve ball: re-open negotiation and try to get more.
- Adopting the scare tactic: 100% of your business is at scope and you might lose it all.
- Playing the whole mighty powerful buyer: I am calling the shots around here.
- Playing the “white board” game: your competitors were just in ...look!
- The “bring-the-boss” in to get more

leverage: the CEO is coming in, it is serious.

- The “showing-the-fake” invoice trick: I can prove it to you.
- The “your quality is not to expectation” objection: give me, give me, and give me!
- The “you’ve got to give me something” game: everything counts!

If you are in sales, you certainly recognize some of these in your daily interactions with price buyers and other poker-playing purchasing agents. The key is to recognize the games and to prepare well for them. But the combination of these games and very well-prepared buying agents is powerful. It is one of the reasons why the sales enablement and customer success functions are booming these days. It is in fact to counterbalance the power of purchasing teams. Sales teams can no longer wing it, get prepared at the last minute, rely solely on the value of the relationship, and improvise with their realized value numbers. They must respond to pricing objections and discount requests with equally rational and hard-realized value facts. They can no longer provide fuzzy numbers or high-level lists of activities they have done for customers. **It is hard numbers against hard numbers!** See [Figure 5](#).

Now you understand why preparation and strategizing are critical parts of the value selling and negotiation processes. Customer value tools are important to support the value selling process and can be brought into the process at any point in time. Your sales force must first recognize the type of accounts they are facing and then utilize tools from the toolbox as needed. A value buyer might only need to receive a customer value file or value realization report. A pure price buyer might require even fewer tools. A poker player might need to be convinced with more advanced tools, including internal value testimonials and case studies. This is part of the sales playbook which needs to be focused on value! See [Figure 6](#).

A lot of the tools proposed in the value toolbox can and must be automated. It should take a few minutes and a few clicks for your sellers to produce a value realization report or a customer value journal. Having the value toolbox connected to your marketing and selling engines will give you the velocity that is needed in the SaaS world and the precision and depth that is required in the industrial and CPG sectors. Imagine your sales team fully equipped with the value tools produced in real-time with the latest value data and delivered to their customers via a plat-

Figure 5



Figure 6



The Toolbox to Support Value Selling

- Value Documentation:**
 - ✓ No charge invoice
 - ✓ Customer Value File
 - ✓ Value Realization Tracker
 - ✓ Quantified Case Studies
 - ✓ Customer Service Action Reports
 - ✓ User Value Testimonials
- Value Reminders:**
 - ✓ Weekly Win Reports
 - ✓ Joint Call Activities
 - ✓ Testimonial Letters
 - ✓ Contract Anniversary with Value Data
- Value Audits & Meetings:**
 - ✓ Formal Audits of Promised versus Realized Value
 - ✓ Quarterly Value Realization Meetings
 - ✓ Customer Satisfaction Surveys
 - ✓ Supplier Performance Appraisal

form, an email, or face-to-face. It is time to consider customer value management a full fledged function and to make it as good as procurement. There is no reason not to do so. Customer value management technology is available and is being rapidly adopted. With the democratization of customer value management tools, we can now face the almighty powerful buyers with confidence and hard facts! That is a game changer.

Concluding Thoughts

You might read this article and think about the implications for your business. You might have gotten started on your value journey and, so far, it is going great. Keep pushing ahead and be fearless in achieving strong levels of customer value maturity. If you did not get started, there are ways to leapfrog to the forefront of the value playbook. Value transformations are not what they used to be. There are skilled individuals you can hire to get you started and technology platforms

you can deploy to boost your value proposition to the market. CVM software vendors can propose a turnkey solution with value modeling and business value consulting as a service. This is a great alternative to waiting and starting from scratch. You will need to develop internal value and pricing capabilities at some point and in parallel, but the market is ready for more value propositions and business value assessments. Your buyers need to hear your value stories. Be bold, and join the customer value revolution. ❖