



insight

VALUE

e-newsletter

 **Huthwaite**
International

"... knows the price of everything and the value of nothing" from 'Lady Windermere's Fan', by Oscar Wilde

This witty description of the cynic, coined by Wilde, identifies the notion of 'value' as this month's Insight topic. And we're taking a long hard look at a commonly repeated but misunderstood strategy associated with it.

In today's tough business climate, sellers are exhorted even more to 'create value' and 'add value' for their customers. Many sellers interpret this as pressure to go that extra mile, provide that additional service or give the customer that further product enhancement in order to generate customer loyalty. The goal is to outperform the competition in pleasing the customer for favourable consideration in return.

The trouble is that this added customer value is mostly provided free, with two unfortunate consequences.

First of all, has the seller really created value? That extra mile, the additional level of service, the product add-on may be given free but they have a cost to the sales organisation. The seller may have added value for the customer by exceeding expectations, but not by creating value. The value has simply been **transferred**, at the expense of the sales organisation's profitability.

Secondly, the cost to the seller of that one-way transfer of value may be substantial, but how will the customer see it? Sadly, from our research into negotiation, we know a dispiriting truism – **something given free has little value**. The seller may see it as a huge additional concession on their part, which should delight the customer and engender loyalty. How disappointing it is then, when the customer simply nods acceptance and moves on!

Real value is only created when it is recognised, captured and realised so that both parties can gain from it. Real customer value is often greater insight into the business processes that support their value chain and how the seller might be able to improve them. The sales value may be financial, but can also be less tangible – a referral, the opportunity for further orders, agreement to act as a reference or feature in a case study. The key is that the value is explicitly realised.

You can read more about our thoughts on the whole business of creating real customer value in our article **Adding value without losing out - how to create value for you and your customers**.

IN THIS ISSUE

Maximising selling opportunities in tough times

How to create real value for you and your customers

NEXT ISSUE

Building a winning organisation

PREVIOUS ISSUE

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There is one final point though. If creating real customer value lies in improving their business processes, who in your organisation is best placed to recognise it? The answer is of course your service staff – engineers, distribution staff, even your finance people. They have close access to the customer's operations, which may be denied to sellers in a slowdown. However, they need to know **what to do** and **how to do it**. To learn more about that, read our article on **Maximising selling opportunities in tough times**.

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