

# Maximizing Customer Value

The only valid rule for sustainable market share and higher profitability

If one target mission for a company management exists, it must be to maximize their customer value. Satisfied customers are the one and only guarantee for competitive advantage, market share and profitable growth.

A solely profit-oriented view drives a company systematically in the wrong direction, whereas in a customer-oriented view, the right 'object' – the customer with their problems and needs – comes to the foreground. This leads managers and employees to ask the right questions, bringing forth the right analysis and strategies.

As the big Management-Doyen Peter Drucker said:

*“The only purpose of a business is to create a customer”.*

But what is customer value? It is the “right” quality for the “right” price - perceived by the customer - according to the worldwide largest empirical research-program on strategy “PIMS – Profit Impact of Market Strategies”.

However, it is important to bear in mind that a customer-oriented approach will only produce practical results if there is enough measurement and systematic evaluation of customer value. There is a solid practical way to measure, evaluate and interpret the “Customer Value”. Eckert Caine implemented this concept and methodology successfully in modern, collaborative software.

## The empirical point of view on Customer Value

From empirical research we know the following (Source: PIMS Customer Value Framework/ Strategy Database):

1. Businesses with high relative price and low quality lose market share in spite of higher marketing expenditures
2. A superior relative quality creates and secures success
3. It is the combination of price and quality that counts

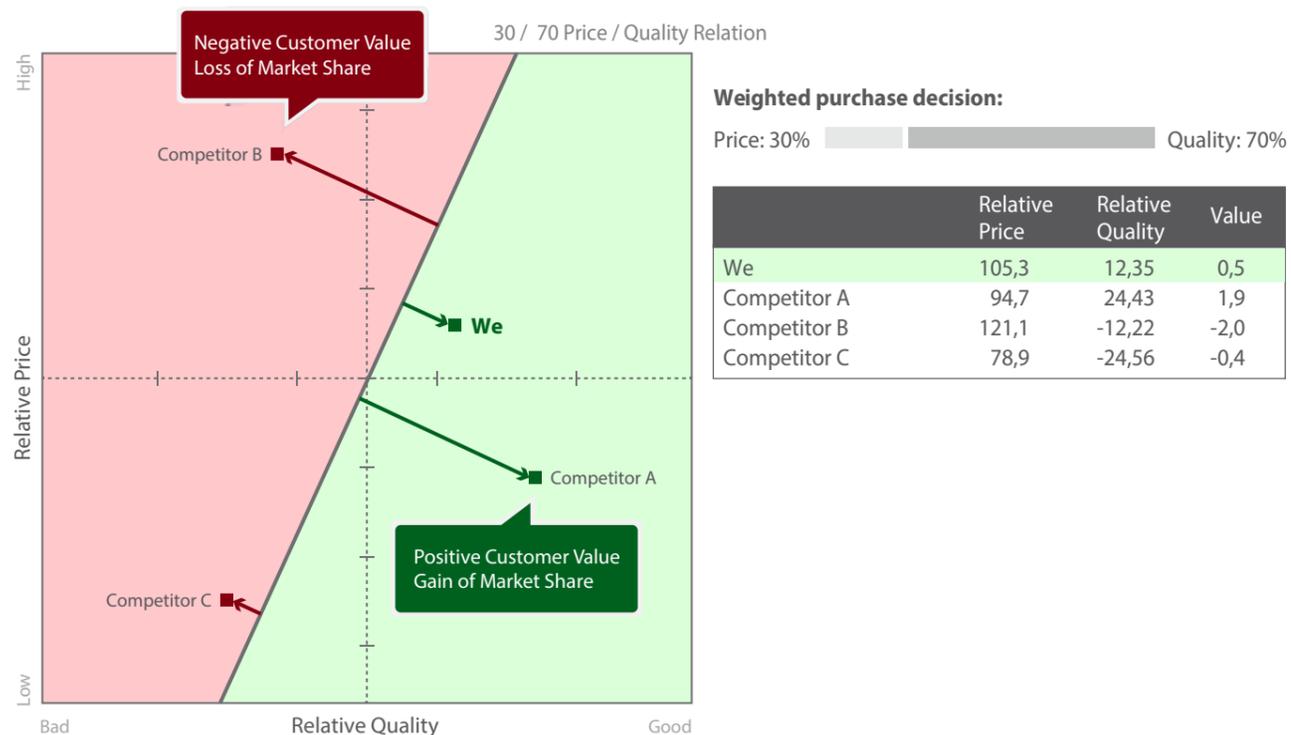
## The Value Map

You might be telling the customer what you are able to do, but are you telling them what they can gain from your skills?

The customer value is measured and evaluated by means of the Relative Price/Performance Ratio, which has two dimensions: the **relative quality** of market performance and the **relative price**.

By combining both dimensions, you obtain the **Value Map**. This map illustrates the value of what you are doing for your customer.

It contains the line of weighted purchase decision, which defines the predominant ratio of quality and price in the market. Your company's position relative to this line helps you to conclude which dimension (quality or price) boosts your product's value for the customer's best.

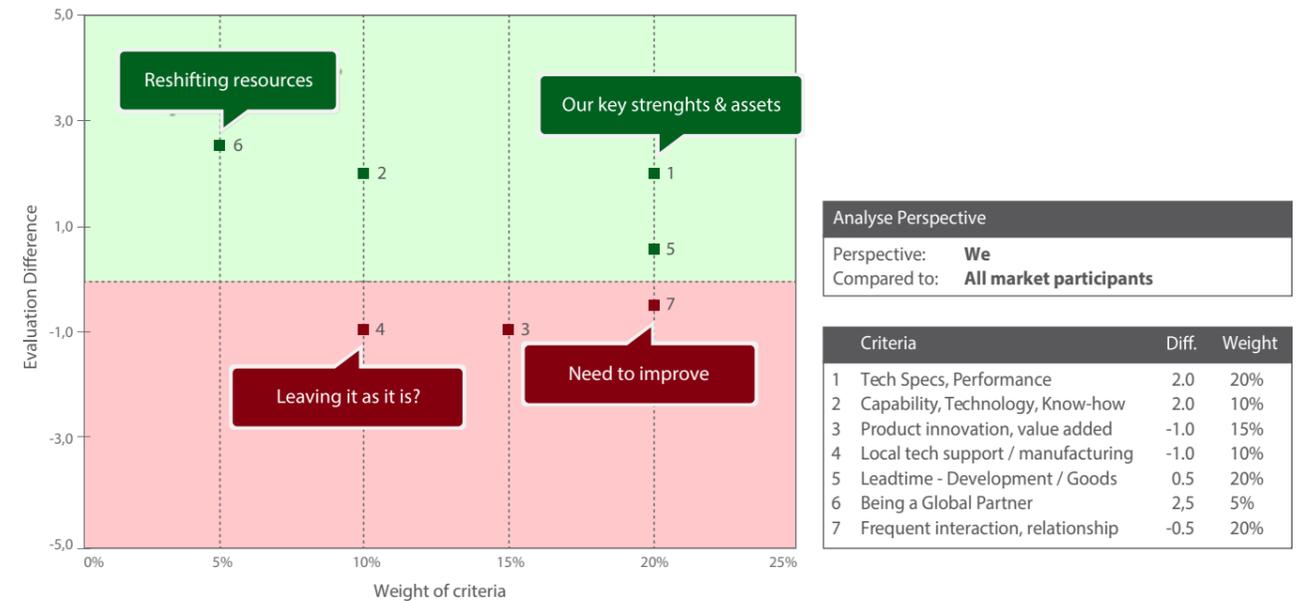


The Relative Price/Performance Ratio heavily influences both market share and profits. The position of your company in it indicates how high or low your product value is for the customer, leading your managers to strategically (re)think your mission and (re)design actions and initiatives to maintain or boost market performance. A high value for the customer usually leads, in the medium term, both to an increase in market shares as well as to growth in profitability.

But how to systematically go for increasing the strategic positioning, finding the right levers? For doing this we need to have a deeper look at the so-called Attribute Chart.

## The Attribute Chart – Pushing the right levers

The Attribute Chart shows competitive advantages / disadvantages compared to your competition and along the most important criteria from perception of your clients.



## Customer Value Analysis: What is finally the big value?

There is a unique useful parameter for formulating a business "mission" or "vision": the customer value. It drives the focus of managers and employees to the main target and the only reason for existence of a company: customer satisfaction – existing and potential customers.

Customer value is one of the main ways of orientation in all markets.

- Market share will be increased not over lowering the price but within increasing the customer value.
- By increasing the customer value the price can be kept or raised.
- A positive customer value means competitive advantage.

A company is really customer-oriented only when its staff has taken the little but very significant step forward in their way of thinking. In most companies huge efforts are made in order to drive employees into a customer-oriented view. The **Customer Value Analysis** can be used to successfully find out how much people really think about categories which are suitable to 'customer perceived value quality'.

In addition to that, the Customer Value Analysis leads to following added value for your company:

1. The relative strategic positioning in a market is known from a client's point of view and can be "aligned" towards customer value
2. Own strategies as well as impact of those of competition can be simulated and best strategic initiatives can be figured out
3. Customer Value is the best foundation for business mission and market segmentation
4. The purchase relevant decision criteria from a client's point of view (regarding product, image, service) can be identified
5. Customer Value delivers valid input for pricing decisions, for marketing and targeted sales
6. Cost reduction potential can be identified in areas where no customer value is gained
7. Internal processes can be more easily oriented at the Customer Value

Eckert Caine implemented this methodology in the web-based management system BRIDGE®. It offers functionalities to support easy creation of Value Map and Attribute Chart, conclusion drawing and immediate derivation of measures. All in one integrated platform for Strategic Management.

Please contact us in order to learn more about this powerful concept and about our attractive offering regarding a pilot project.

ECKERT CAINE has offices in **Pelotas, Brazil** and in **Munich, Germany**.

#### **Pelotas Office**

Rua XV de Novembro, 667 sala 502, Pelotas, Brazil  
Lencia Sacramento, Office and Project Manager lsacramento@eckert-caine.com

#### **Munich Office**

Arnulfstraße 58, 80335 München, Germany  
Ronald Herse, Managing Director rherse@eckert-caine.com

### **About our product BRIDGE®**

Today's working environment is complex and dynamic. The Web-based management system BRIDGE® offers managers a constantly up-to-date picture of their organization and their central strategic activities. Strategy-relevant knowledge is bundled, processed, and always kept as a definitive current version. Bridge® covers those topics related to shaping, and developing complex business, and – at the end of the day – a manager's core tasks: strategy, innovation, organization alignment, management development, and all types of implementation processes. It is developed by experienced management consultants and software experts based on the holistic St. Gallen Management Model.



In 2011, Bridge® was awarded the IT Innovation Prize of the Initiative Mittelstand organization, which promotes and supports the IT midmarket.

In 2012, BRIDGE® has been selected as one of three top tools for strategic planning / roadmap & execution in a worldwide study of Cap Gemini Consulting comparing more than 50 tools.



ECKERT CAINE works at the interface of management consulting and IT. We support decision makers and decisions in complex organizations with innovative software and consulting services. Today's working environment is increasingly complex and dynamic.

Learn more about the company at [www.eckert-caine.com](http://www.eckert-caine.com)

#### **Ronald Herse, rherse@eckert-caine.com**

Ronald Herse founded his own Internet and media agency in the 1990s and then spent a few years in a line position. After that, he worked for over six years as a management consultant and project lead in more than 80 national and international projects at the Malik Management Center in St. Gallen before he became CEO of Eckert Caine in 2009. Since then, in his capacity as managing partner, he has been responsible for the expansion and management of Eckert Caine GmbH. He also teaches strategic management at the Vorarlberg University of Applied Sciences, Austria.



#### **Christian Ullbrich, cullbrich@eckert-caine.com**

Christian Ullbrich studied International Cultural and Business Studies at the University of Passau, Germany. He worked as a production manager for film productions and as a management consultant before he joined Eckert Caine in 2010. Today, he is responsible for Eckert Caine's operational business and the conceptual framework of the management platform BRIDGE®. He is also working as a management consultant for companies that are using Bridge® to run their business.

