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# Demonstrating Customer Value in the Value-Based Selling Process

HAGENBERG | LINZ | STEYR | WELS

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# Agenda

- Background
- Motivation for the topic
- Research Questions
- Theory
- Empirical Study
- Main findings
- Managerial Implications
- Limitations

# Background



**Thomas Johannes Arnold MA**

**Trader for Steel & Raw Materials  
VA Intertrading AG, Linz, Austria**

– **Education:**

- > Secondary College of Tourism
- > Global Sales & Marketing Bachelor and Master in Steyr
- > Double-degree program in Finland and semester abroad in Russia

– **International internships:**

- > Tourism-related: England, France, Italy
- > University-related: Germany
- > Voluntary work: Kazakhstan

# Motivation(s)

## Lack of knowledge

- Existing research body consists of theoretical frameworks
- Theory, that has been applied rarely focuses on managerial implications

## Moving away from price

- Price has the highest leverage effect on profitability. (Hinterhuber 2008, p. 397-398)
- Focusing on long-term binding objectives: Customer's Profitability

## Making Customer Value (CV) more tangible

- Reducing the perceived portion of Customer Value
- Empirical Research as a means of making CV more tangible for both customers and suppliers

## Personal motivation

- I wanted to improve my argumentation skills based on proven and factual information.

# Research Questions

- **1st: What are the requirements to conduct value-based selling in the literature?**
  - > Literature Review on VBS, Measuring CV, TCO Concept, CV Assessment, Demonstrating and Documenting CV, how to sell value, etc.
  
- **2nd: How do suppliers that use a value based-selling approach demonstrate value to their customers?**
  - > Answered by the empirical study
  
- **3rd: Which potential value elements could be calculated in the future?**
  - > Answered by the empirical study
  
- **4th: What recommendations for suppliers can be made when comparing to the literature?**
  - > Empirical Study & Literature review

# Theory

## Definitions of Value-based selling

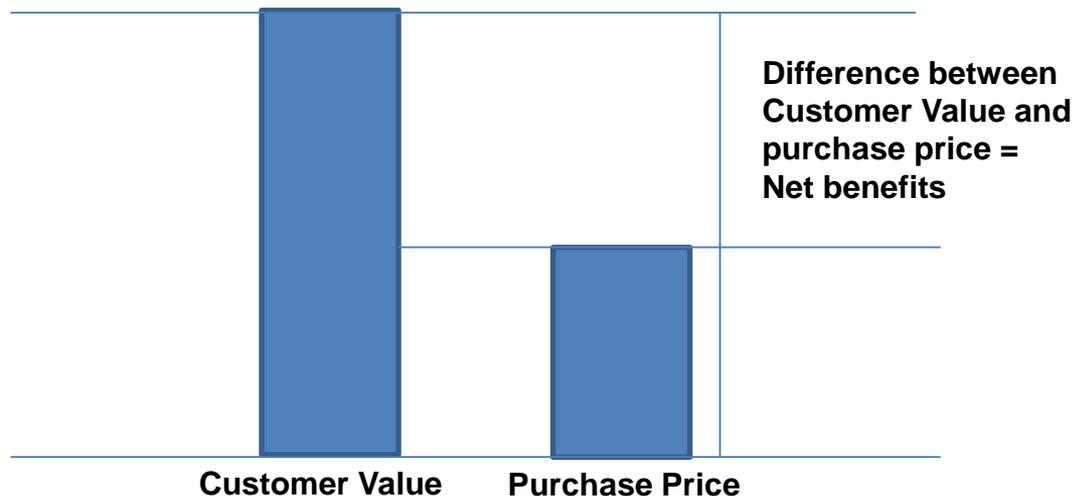
- Neither product features nor lower prices drive customers, but the uniqueness of the offering's benefits and the creation of a business relationship which both result in an increase of customer value.  
- (Schmäh 2008)
- „... VBS behavior is the degree to which the salesperson works with the customer to craft a market offering in such a way that benefits are translated into monetary terms, based on an in-depth understanding of the customer's business model, thereby convincingly demonstrating their contribution to the customer's profitability.“  
- (Terho et. Al 2012, p. 178)

Generally, Value-based selling should show what is the real value of an offering (products and/or services) and help to avoid price discussions.

# Theory

## Anderson et al. (2008)

- $(\text{Value A} - \text{Price A}) > (\text{Value B} - \text{Price B})$
- Customer Value is solely whatever can be calculated in monetary terms and therefore is measurable

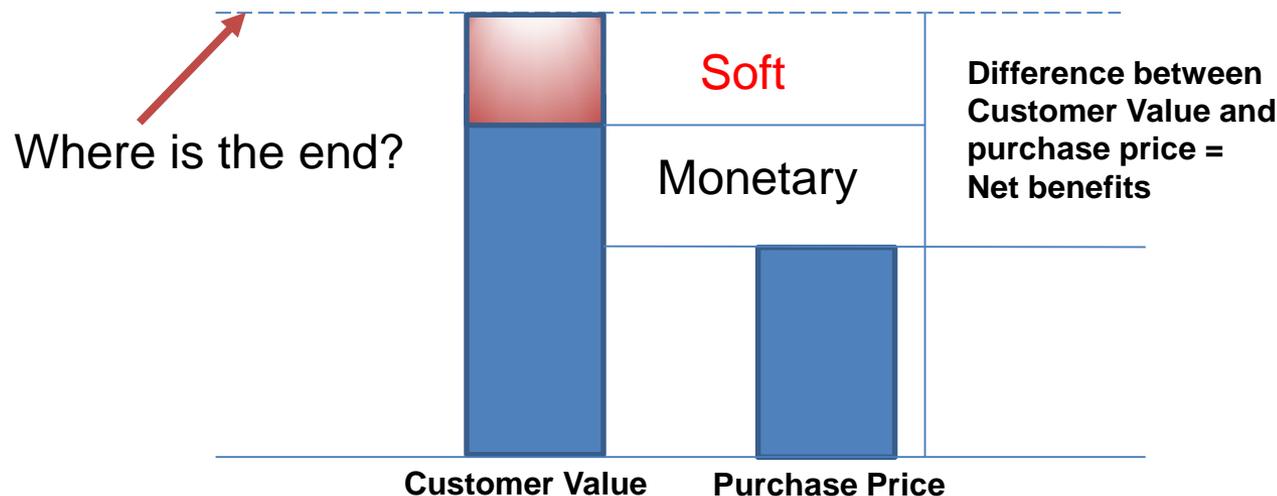


Created by the author based on Anderson et al. (2008)

# Theory

## Anderson et al. (2008) ... but with an extension

- $(\text{Value A} - \text{Price A}) > (\text{Value B} - \text{Price B})$
- Customer Value consists of monetary value that can be calculated and is supported by soft benefits that are difficult or impossible to be measured.



# Empirical Study

## Research Design

- Phenomenology (applicable when trying to understand human behavior. Assumes that it is impossible to separate people from the social context.)
- Research Strategy: Qualitative Research to gather in-depth information
- Semi-structured face2face interviews: Guideline and lattering questions
- Analysis: Audio records were transcribed, coded and analyzed.

## Requirements for the empirical study

- 10 interviewees working in sales
- Interviewees must prove that they use value-based selling tools to demonstrate customer value (either a program or handwritten tool)
- Interviewees must answer all main questions thoroughly

# Main Findings

# ***How do suppliers that use a value based-selling approach demonstrate value to their customers?***

## **Using Programs**

- Excel, homebrewed, and m.Apps
- Comprehensive visualizations prepared for sales negotiations

## **Focusing on ROI**

- The focus is on calculating ROI
  - Time to fully amortize
- Harald Hartl from Apostore:  
„A shorter amortization period makes more sense to customers“

## **Value elements**

- Monetary Value is split into value elements
- Energy costs, service costs, inventory optimizations, time to replace, penalty costs, assembly time, replacement costs, etc.

## **Soft Skills of Sales People**

- Soft skills must not be underestimated
- Anonymous interviewee: „If the customer feels annoyed by me, I will not make the deal regardless of the monetary value“

# ***Which potential value elements could be calculated in the future?***

- **Availability of spare parts (customers' cost focused)**
  - > Calculate the monetary value created through prompt world-wide delivery
- **Customers' increase in turnover and profit (customer's profitability focused)**
  - > Calculate profits before and after purchase of the supplier's offering
- **Reduced number of sick leaves and accidents (customers' cost focused)**
  - > Calculate the monetary value because of enhanced product safety that results in more productive employees
- **Reduced number of new purchases (customers' cost focused)**
  - > Calculate how much the customer saved because of avoiding purchasing the same product more frequently.

# Managerial Implications/Recommendations

- Make more use of value assessment methods
- Calculate other above-mentioned value elements
- Persuade customers to monitor their cost centers more and to share the information
- Ask customers for more information to calculate additional value elements
- Adapt the compensation schemes for sales people (Commission based on Profit)
- **FIND OUT WHETHER VALUE-BASED SELLING IS IN GENERAL THE RIGHT APPROACH!**

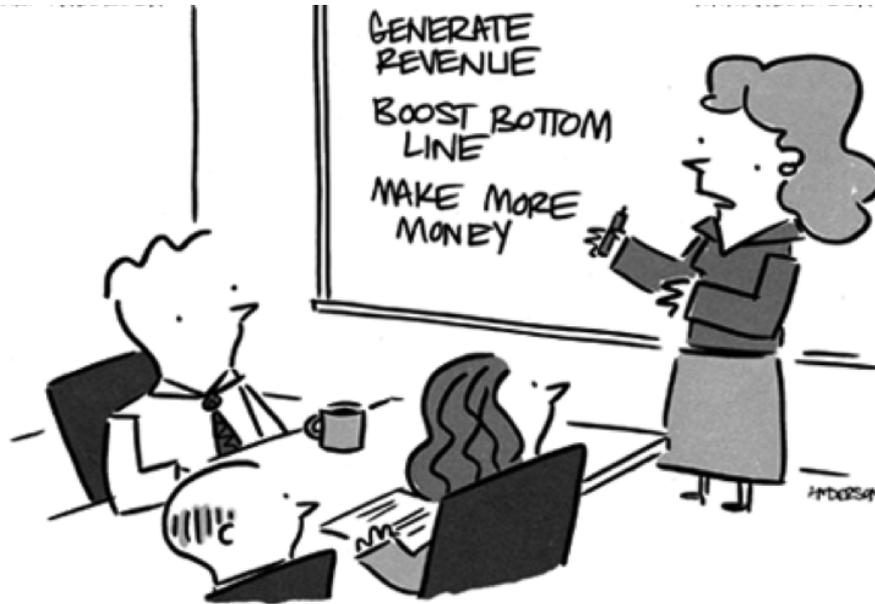
# Limitations

- 10 Interviews in different industries
- Sampling method: convenience sampling and based on the requirements
- Interviewer bias
- Empirical data is difficult to compare with other papers and theses
- Brand Value not considered
- ...

## Further Research possibilities

- A similar study could be conducted in the same industry to improve comparability between the interviews and to give industry-specific recommendations.
- Further research could evolve into the direction of how to persuade customers to reveal more information about their cost centres.

# Thank you for your attention!



"It's a good start, but does anyone have any more specific ideas for increasing profits?"

# References used in the presentation

Hinterhuber, A. (2008), *Advances in Business Marketing and Purchasing: Creating and Managing Superior Customer Value - Value delivery and value-based pricing in industrial markets*. Bingley: JAI Press.

Schmäh, M. (2008), *"Spitzenverkäufer und Value-Selling Anforderungen aus Kundensicht."*

Terho, H., Haas, A., Eggert, A., & Ulaga, W. (2012), *"It's almost like taking the sales out of selling'-Towards a conceptualization of value-based selling in business markets,"*. *Industrial Marketing Management*, 41(1), 174–185.  
[<https://doi.org/10.1016/j.indmarman.2011.11.011>]

Anderson, J. C., Kumar, N., & Narus, J. a. (2008), *"Business Market Value Merchants. Marketing Management,"* 17(2), 31–35. [<https://doi.org/Article>]