

CONNECTIONS

Linking People and Ideas

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Personalised Value Innovation as a Strategy for Customer Entrenchment.

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The concept of adding value to one's product and/or service has been used by marketing strategists for years as a means of trying to create a competitive advantage. The belief is that by adding value to one's product and / or service offering, over and above what the opposition submits, customers will be attracted to the product with the greatest perceived value. The challenge for marketers has always been to develop added value that is meaningful in the customer's mind, and which places one's product on the top rung of that ladder in the customer's mind for the product category in question. However, owing to the pressures faced by management teams to grow their businesses in a manner that continually maximises shareholder value, another challenge has recently emerged. Marketers now need to develop on going, value-adding capability.

To meet this challenge effectively marketing thinking needs to be built around the concept of Value Innovation.

Value Innovation Needs Creative Thinking.

Value innovation is the process of innovatively and creatively adding value to a customer's life, lifestyle or business by the level of service that is provided. It has to start with having a proper vision coupled with a strong marketing infrastructure and customer orientated culture. Emanating from that, one's organisation has to regularly provide its customers with new value propositions, which must be focused on three issues: New Product Development, Service and Delivery Mechanisms... or even a combination of two or more of these issues. The aim is to develop on going customer satisfaction and ultimately customer loyalty, which in turn will provide sustainable and profitable growth for the company.

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Value Innovation Must be Customer, not Company Focused

True value innovation must therefore be customer orientated which means redefining what is meant by service within the organisation, and doing so on an on going basis. Only by bringing customers into the process and by asking them to define service excellence will the organisation be able to truly identify the opportunities for creating value innovation. Each of the abovementioned three issues are all customer service related. They all fall under the umbrella of customer service and care. Moreover, value innovation is not only a branding issue but has to reach to the very heart of the company, and has to cover all departments and functions. Therefore, true value innovation has to examine ways in which each individual can add value that is of benefit to his or her customer on an on going basis. Innovation that is created for innovation's sake will fall short of the mark and mean little to the customer.

The secret is to work smarter and to be customer focused in a most profound manner, backed up by innovative thinking in all departments of the organisation and in ways that are of vital importance to the customer. Real innovators challenge conventional wisdom and throw away the rulebook.

In the industrial marketing context, value innovation applies to everyone in the organisation innovatively providing better service to his or her customer in the customer organisation. In this context, value innovation can only succeed if everyone who touches the customer adds value in a highly innovative manner to the customer he or she deals with in the customer company. For example, a client of mine in the transport industry realised the importance of the manner in which invoices were presented to its customers, and the degree of information and accuracy that was required. It brought its invoicing clerks as well as its customers into the improvement process and developed a new system of invoicing customers that was more meaningful to customer companies.

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The value added in this example was that customers could process the invoices a lot faster with fewer queries. It also meant that they could neatly tie up the invoicing documentation with other supplier documentation such as proof of delivery. From my client's point of view, it meant they presented a more efficient image to the customer, and had the added incentive of being paid faster.

Value Innovation Works at Two Levels in an Organisation

Value innovation is also linked to the way the organisation sees itself, and has to take place in the first instance in order to add the right kind of value to the customer's perception. For this to be effective it has to be personalised, and undertaken at two distinct yet related levels in an organisation. The first level is at the corporate level. Here the supplying organisation should be aligning itself with its customer's vision, mission and even value system. The second level is that of the individual employee.

Each employee in the organisation needs to fully understand how he or she can add value to what his or her contact person in the customer company is doing. For example, a business development manager in an aerosol manufacturing company will be forever grateful if his packaging supplier can assist in the development of new designs of cans etc.

There may also be certain hot spots that the supplying organisation needs to attend to, and these have to be personalised too. For example, a factory manager may be concerned about safety issues, and the supplier of chemicals may well be able to align itself with these issues. However, these two levels are interrelated and are not mutually exclusive. They need to work in tandem for real benefit to be accrued.

By developing value innovation a company can move its customer up the loyalty ladder. The concept of the loyalty ladder suggests that different customers display different degrees of loyalty towards a supplier organisation.

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The ultimate degree is that of the customer advocate, who is not only proud to be associated with its supplier but is an advocate of the supplier's product and service, and can even indirectly help to promote the supplier's product through the high degree of loyalty shown. The trick is to have as many customers on one's customer base become customer advocates as possible. That way the supplier organisation can simultaneously lock in its customers and lock out its opposition.

The key to developing a high degree of value innovation is therefore to personalise one's efforts in this regard. This type of thinking must be taken down to the shop floor and must include everyone in the organisation. Employees need to be taught to automatically look for value adding possibilities and opportunities in whatever they do and with whomever they interact and incentives need to be put into place to make this happen. The challenge for most companies seems to be that value innovation is kept at the corporate level and does not permeate the whole organisation. People need to see and believe themselves to be a critical resource in the jobs that they do,

not just for the organisation but also for themselves.

Personalising value innovation allows for the differing service levels required in most customer organisations. A packaging development manager will require a different level of service to say a creditors clerk. By accurately defining one's interaction with one's customer in a highly personalised manner, one can be a far greater asset to customers without having to move into other diversified areas. Innovation is given more and more accurate direction. Personalising value innovation is the key to achieving that.

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