

Elements of Customer Value

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Oy Swot Consulting Finland Ltd

- Is a management consulting company established in 1988.
- Develops the business of companies related to:
 - competitive edge
 - profitability
 - efficiency.



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Oy Swot Consulting Finland Ltd

- Bases its success on wide experience in international business management and effective analysis, planning and implementation tools utilized in the development of companies and organisations.
- Helps its customers
 - to clarify and crystallise their strategic choices and
 - to direct the energy of personnel to implement the decisions made.
- In development projects Swot Consulting concentrates in recognising the customer's real success factors, opportunities and pays special attention to achieving concrete results.
- With its ten employees, Swot Consulting executes 70 - 80 customer projects annually.



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Jouni Juuti's Background

Occupational experience:

- 7 years of production management
- 4 years of research
- 10 years of consulting.

Key competences and interests are in the development of production, in the improvement of order-delivery process.

Practical experience and studies were brought together in 2005 in a Doctoral Thesis:

Framework for Managing Activity-Based Optimisation of Order Delivery Process.



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ABO Principles

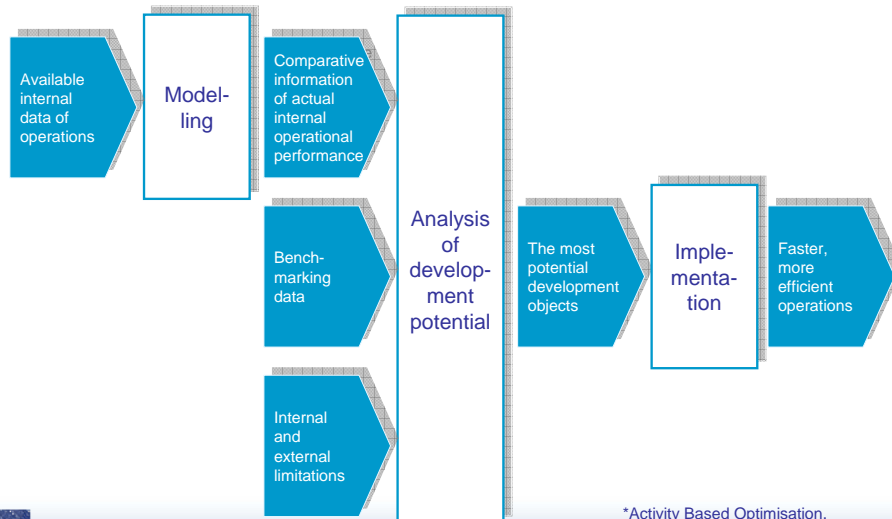
Goals for ABO have been to develop a method to identify development actions which optimise comprehensively business processes and

- In which the development goals are derived from higher-level strategic goals,
- Which applies objective analyses,
- Which proposes concrete and sufficiently detailed development actions and
- Which is process-based.



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Main Steps in the Improvement of Operational Performance with ABO*



What Adds Value?

- Foundation of the good business is to understand what customers really value.
- Focus of many development methodologies is to eliminate operations which do not add value.
- Very little attention has been paid on the definition of how much value has been added in different operations;

Which elements customer value is based on?

Basic Elements

CUSTOMER DEMAND



PRODUCTS
fulfill
the customer demand



OPERATIONS
realise
the products



RESOURCES
are consumed
in the operations

Business basis on the controlled satisfaction of chosen demands of chosen customers.

Products fulfill the customer demand. Products connect the company and the customer.

Products are realised in *operations* by consuming *resources*.

Concept of product includes all different product sorts;

- Physical products,
- Information and
- Service.

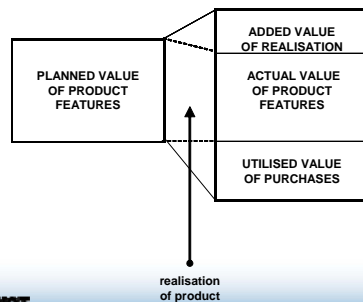
Value of Product Features

- The value of a product for the customer is largely determined on the basis of comparing product features with the customer's needs.
- The inherent value of product features is based on the planned features in the product (physical product, information and service).

PLANNED VALUE
OF PRODUCT
FEATURES

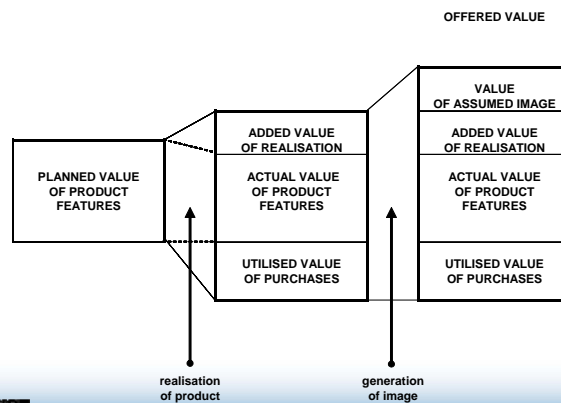
Added Value of Realisation

- *Added value of realisation* includes the share of added value which is generated in the context of product realisation.
- *The actual (realised) value of product features* may differ from the planned value of product features.
- The share of purchases of the value offered to customer does not frequently correspond to the financial value of purchases.



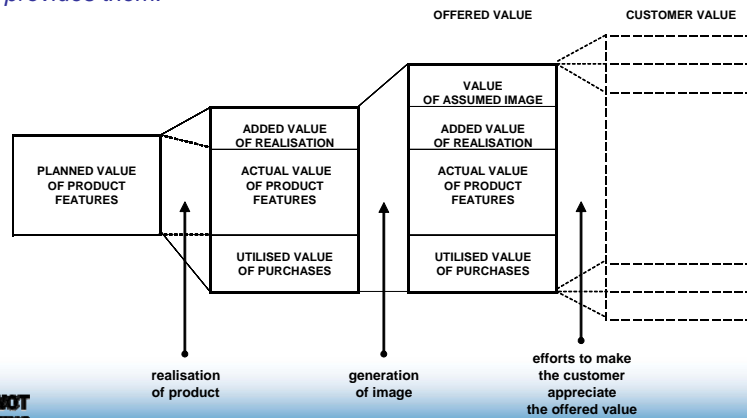
Offered Value

- The final value of the product is determined by the customer.
- The *offered value* corresponds to the company's conception of the customer's needs and expectations.



Customer Value

- Customer value depends both on the value offered to the customer and on the degree to which the customer identifies and appreciates this value.
- Porter: "Value is the amount buyers are willing to pay for what a company provides them."



Offered/Customer Value

- At the customer interface, companies attempt to maximise *customer value* by helping the customer recognise and appreciate as much of the *offered value* as possible.
- Understanding the real *customer value* requires a great knowledge of markets etc.
- When development of operations is under study, the interest in the first place is on the *offered value*.
- How much an individual operation adds value, depends on how much an individual operation adds the offered value of different products.
- It must be kept in mind: What you can't measure, you can't develop.

Value Strategy/Earning Logic

Analysis of the value added achieved through a value net's (or company's) key processes will concretise the value strategy and earning logic of the value net (or the company):

What are the key processes' shares of the offered value achieved in the value net?

	actual value of product properties	added value of realisation	value of assumed image	total value
CUSTOMER PROCESS			3 000	3 000
PRODUCT PROCESS	5 000			5 000
ORDER-DELIVERY PROCESS		3 960		3 960
total value	5 000	3 960	3 000	11 960
	+ utilised value of purchases			12 000
	= OFFERED VALUE			23 960



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