PROMISING OUTCOMES

Better Relationships Stronger Bottom Line

The True Meaning of Value



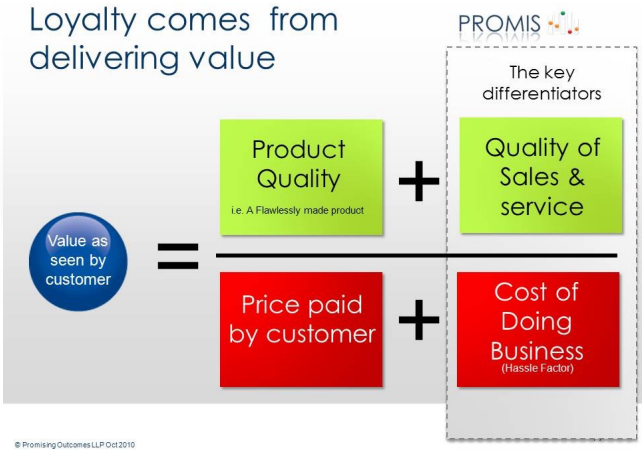
In a conversation with my financial adviser recently I was struck by how she used the word value.

In the financial industry, value is commonly used to mean profit. This, of course, is a very narrow definition of value; others use the word value in highly varied or loose ways. But we think the business world gives rise to a precise and very useful definition of value, or value for money, which is expressed by this equation.

As customers, we are the arbiters of what value is and what it is not. In the world of business, value should always be seen from the customer's perspective. In this equation, the top line is concerned with the quality of the product combined with the quality of service and the sales experience.

Using my financial adviser as an example, the product is the investment that she makes on my behalf and the service is the way that she interacts with me. As the interaction with her and her company has always been a great pleasure for me I feel positively towards them as a business. At the same time, the investment that she makes on my behalf has turned out to be performing above the overall market. Therefore I am pleased at the result and feel that I get value for money from her and her company.

Because of that, I have recommended them to others. The bottom line is a combination of the fees I pay to her plus the cost of doing business with her company. As the experience I have with them is one of reasonably low cost and minimal hassle, my perception is that they provide a high level of service.



The quality of service and the cost of doing business are therefore two sides of the same coin. The value equation has many uses. It is extraordinary in that it can be applied to every business on the planet.

When I explain it to business people, they learn a great deal about the way their business works. For example, a new customer will make decisions about buying the products and services of a particular company based on the product and the cost, in other words the two left-hand items. These are hurdle factors. Consideration of whether to repeat the purchase on the other hand, is based on the two right-hand items.

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Whenever I ask executives to give examples of companies that consistently provide outstanding value, the same names surface each time. In the UK they are Apple, First Direct, John Lewis, Waitrose, Richer Sounds and a few others. The common thread is, of course, their outstanding success. They appear to be impervious to recessions, and have grown consistently for many years.

The secret of their success is that they understand the value equation. In particular, all of them have made huge efforts to ensure that the two right-hand items of the value equation is where they invest to improve their business. They know that products rapidly become commodities and that true and sustainable differentiation from competitors resides in the service experience that they deliver to their customers.

These companies provide a consistent, hassle-free customer experience across the board. The experience provided by each company is differentiating, totally intentional and provides the customer with great perceived value every time.

First Direct has been in business for 25 years and has grown by more than 30,000 new customers per month simply on the recommendations of existing customers. This free marketing by their customers has ensured them a distinct niche in retail banking in the UK. Many of us would only wish that their competitors have copied at least a small part of the way they do business.

Behind the scenes in all of these companies, is a steely determination to ensure that the experience itself is enough to differentiate them from others. All of them know that customers can choose other providers and as a result go a long way to make sure that defection does not happen. Their methods and process run deep. For example: First Direct refuses to recruit people who have worked in banking before, fearing that the bad habits that employees learned in another bank will never change.

Organisations that understand value from their customers' perspective, and go to great lengths to deliver that value will always be successful. This requires defining value as their customers see it.

The value equation helps them to do this.

If you wish to define value for your business call the Promising Outcomes team who can explain how to do it.

Meanwhile, if you want a good financial advisor call Lee or Petronella at Investment Quorum!

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