

VALUE- OLOGY

ALIGNING SALES AND MARKETING
TO SHAPE AND DELIVER PROFITABLE
CUSTOMER VALUE PROPOSITIONS



SIMON KELLY, PAUL JOHNSTON AND STACEY DANHEISER

Value-ology

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Aligning sales and marketing to shape and deliver
profitable customer value propositions

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Preface

Today, 52% of the companies that were in the Fortune 500 in 2000 are no longer on the list. They fell off because of bankruptcy, mergers and acquisitions or because they were replaced by better-performing companies. As competition and innovation rapidly heat up, what is your organisation doing to survive or thrive? In this book we focus on the single biggest contributor to the success or failure of companies: staying in tune with what your customers value.

Without competitively differentiated and resonating value propositions, your firm will die. Without alignment between sales, marketing and customers, your firm will die. Bob Garrat, in his book *The Fish Rots From The Head*, describes the death of companies that fail to learn about markets, customers and themselves as 'often slow and grisly'.

To survive and thrive we argue that it's time to go back to the basics by putting a focus on creating value for your customers. Over the past two decades, we've seen first hand what can be accomplished when sales and marketing work together to understand and deliver customer value.

On the one hand, company marketing departments are producing more and more content than ever before. It would seem that much of this is ineffective as customers get bombarded, in their ever- crowded inboxes, with irrelevant material. Companies are creating a lot of noise, but failing to resonate with their customers. In fact, according to Corporate Executive Board (CEB) research, 94% of prospects have completely disengaged with vendors because their content fails to resonate, to put it politely. Despite the lack of effectiveness, marketers continue to waste millions of dollars on creating irrelevant messages and tools, unaware that the consequence is customer detachment.

This is happening at a time when, more than ever, it has become imperative to produce good marketing content. In this omni-channel era, where potential buyers get lots of product and company information online, 67 % of buyers have a clear picture of the solution they want before they engage a sales rep (Sirius Decisions 2014). CEB research showed that business-to-business buyers tend to be over 60 % of the way through the sales process before they contact a salesperson. It seems that if you fail to talk to customers about the things that are important to them, based on what they see as relevant value, they will have checked out of your electronic building before your sales rep gets in to see them.

On the other hand, we're witnessing a shift in how organisations are making purchasing decisions. Coming out of the recession towards the end of the first decade of this millennium, many organisations appreciated more than ever how volatile financial and economic conditions could threaten the very existence of their businesses. As a result they continued to keep a cautious attitude towards how corporate budgets were spent and how buying decisions were made. This financially prudent mind-set has resulted in an increasingly 'conservative consensus seeking' approach to purchasing. Now, more departments are involved and there is far less likely to be one central decision-maker, but rather a full team or committee. CEB research estimates that on average 5.4 people are involved in decision-making for a significant purchase. This means a greater opportunity for the deal to fall apart if all parties aren't involved in the process and bought in.

According to Qvidian (Sales Execution Trends 2014), 58 % of deals end up in 'no decision' because sales has not presented value effectively. We believe this number will continue to rise until organisations put in place a formal programme to continuously capture customer intelligence and insights and connect the dots for their prospects on how their organisation can uniquely solve their challenges.

There is ample evidence that the sunny uplands are worth striving for, as 91 % (CEB study cited in Pisello 2015) of executives said they would happily forward marketing content if they found it insightful and relevant. Aberdeen Group found that companies who leverage online resources to increase their customer understanding typically grew by over 21 %. Research by Professor Malcolm McDonald at Cranfield University, a leading UK business school, showed that developing a customer value-led approach could lead to at least a 10 % growth in revenue. We have seen similar uplifts in performance where we have helped companies implement the approach outlined in this book.

If you cannot resonate with the customer by tapping into what they value then you're left racing to the bottom on price. We know that a 5 % price

reduction typically leads to a 16% drop in profitability. So what's it to be: a 10% plus growth in revenue or a 16% plus drop in profitability? Money wasted on irrelevant customer content or invested in resonating value propositions that drive growth?

You may be wondering what's different and better about this book compared with others you may have seen or read. Well, some of the others give you simple models that allow you to start internally 'crowd storming' your value propositions. This is fine in and of itself but fails to take into account the complexity that's involved in understanding customer value, getting buy-in to this approach inside your organisation and, crucially, getting alignment between the customer, marketing and sales. All of this together is what makes up 'value-ology', a mix of objective analysis and creative insight. We'd like to think that this book is for 'thoughtful practitioners' who want to understand the what and why questions before jumping straight to how. We know that people within companies can differ widely about what they perceive as value. Jumping straight to 'crowd storming' the how can be short-term fun, quickly followed by failure. As Peter Senge in his book *The Fifth Discipline* says, proactivity is often just reactivity in disguise, and typically lacks a well-thought-through basis for action.

We've seen many books that are unashamedly about promoting a sexy new piece of research with a claim that the next new thing has been discovered. Here, there's a tendency to ignore all that has gone before. Hopefully you can see, right off the bat, in this short introduction that we've brought together highly reputable academic and commercial research from other authors and organisations. We've supplemented this with three pieces of original research that we have carried out ourselves. In using this 'mixed methods' approach, we're eating our own dog food, as this is the method we recommend you take for developing a value-based approach. Crucially, we provide an overall set of insights based on the best research available. Unashamedly we present research by CEB, Sirius Decisions and other credible organisations and add our own to it. Uniquely we use the best of academic input, mostly ignored by many commercial marketing practices, to add to the weight and credibility of our insights.

We know that some of you are looking for help with the 'how to', so we provide you with frameworks and specific action steps. These will help you create value across the entire marketing and sales value chain, to keep and grow existing customers, gain new customers and continue to create value for future purchases. Before we get to the how to in each chapter, we seek to help you improve your understanding of concepts and issues that will help you successfully drive a customer value-led approach into your business, developing

your value-ology. Importantly, we help you make the business case for this approach by providing lots of credible supporting data and insights.

What often gets ignored is the problems organisations seem to have in gaining alignment between sales and marketing. This book will help you understand what the issues are here and set you on a path to align marketing and sales together with the most important stakeholder—the customer. We believe that in order to grow fast, sales and marketing teams need to grow up and align. They need to work together to truly understand their customers' needs, wants, motivations and pain points so that they can offer compelling value. We offer an approach that takes you soup to nuts—from developing value propositions through to executing effective campaigns and communications, with lots more in between.

The book is based on our combined academic, corporate and consultancy experience. We've worked with marketing and sales teams of all sizes across dozens of industries. We've also surveyed and interviewed over 200 senior marketing and sales executives across the globe to get their input. We've successfully executed this approach inside organisations we've worked in and with companies we've worked for on assignments. Value-ology will teach you how to guarantee that the marketing content you produce and the sales conversations you deliver to potential customers produce profitable results.

It will help you understand that different people and organisations come from different places. This will help you navigate, communicate and motivate your organisation to adopt a value-based approach.

Good luck in your quest for value-ology.

Value-ology recognises that the quest to unlock customer value is a combination of objective analysis to unearth customer value, creative insight to tap into customer value, development of value propositions that resonate with customers, effective sales and marketing alignment, consistent execution and feedback mechanisms to improve value offerings.

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Most importantly, we express our sincere gratitude to our spouses and families for their encouragement and understanding as we worked through the creative process.

Thank you to Palgrave Macmillan for allowing us to publish this book.

Last and not least, to our former, current and future students for your willingness to learn new concepts and approaches.

Foreword

“So many people can’t answer the “what” and “why” questions and then head off on the “how” path wasting corporate resources and customer calories...I won’t let people talk to me about the “how” until we are grounded with confidence on the “what and why”...

Andrew Crouch, President, EMEA, Level 3 Communications

My own research confirms the findings of McKinsey that all organisations talk about quantified value propositions, but only 5% have them. In 2016 and after well over 100 years of marketing, this is a disgraceful state of affairs and reflects very badly on our discipline.

So I began a search to discover what has been written about this crucial topic and was extremely disappointed with what I found.

For a start, the word “value” itself is widely misunderstood, whilst processes for understanding and developing value propositions do not appear to exist. Furthermore, virtually no scholarly research has been done on the elusive issue of organisational value co-creation.

Given that differentiation today is more challenging than at any time in our history and that it lies at the very heart of marketing, it seems logical to me that, unless an organisation can demonstrate how dealing with them will create advantage for the customer, it will have no option but to move inexorably towards being a commodity supplier.

It is, therefore, with great pleasure that I came across the manuscript for this book, which is not only easy to read and underpinned by research, but is highly pragmatic and is a major step forward in filling the void in the domain of creating value for customers.

I personally have been looking forward to a book like this for a number of years and congratulate the authors on what I believe is a major contribution to marketing.

Professor Malcolm McDonald, MA (Oxon), MSc, PhD, DLitt, DSc
Emeritus Professor
Cranfield School of Management, Cranfield University

Value-ology

VALUE-OLOGY: Aligning sales and marketing to shape and deliver profitable customer value.

“A unique insight into understanding, developing and articulating customer value propositions that work in sales conversations and through marketing channels. Mobilising marketing and sales to work together to create value for the customer can deliver great results; I can vouch for that.”

Andrew Crouch, President, EMEA, Level 3 Communications

“The more you understand your customers the clearer things become. The key to building a great customer experience is to understand how customer value creating value propositions improve their lives. I’ve witnessed this approach in action and seen it deliver powerful results. Highly recommended reading.”

Colin Shaw, CEO, Beyond Philosophy, and award-winning author

“Easy to read, underpinned by research, and highly pragmatic. This is a major step forward in filling the void in the domain of creating value for customers.”

Professor Malcolm McDonald, Emeritus Professor,
Cranfield School of Management, Cranfield University

“About 20 years ago Flash had an advertising line ‘we do the hard work so you don’t have to’. Well clearly no book could be a substitute for hard work but it could be something that would really help you practically to deliver tangible improvements in customer value. Don’t make mistakes you don’t have to when the very wise authors have pulled together all this research and knowledge and put it at your fingertips.”

Amanda Mackenzie, OBE, Chief Executive, Business in the Community

“Top performing companies have one thing in common – they understand who their customers are and what they care about most. This book provides a practical, step-by-step guide to uncover and articulate customer value. A book foundational to delivering on customer value and to your business success.”

Tony Zambito, Founder, Buyer Personas

“Moving customer conversations from product to customer value sounds simple, but it’s not easy. Managing your sales and marketing assets in this way creates lasting competitive advantage because it is not easy to replicate. I have experienced the kind of growth the value-ology approach can help drive. This book can help you mobilise customer value in your own organisation. Highly recommended. A winning approach!”

Danny McLaughlin, former Managing Director, BT Major Business

Contents

Part 1 Building the Foundation of Value-ology	1
1 What Is Value?	3
2 Value Propositions: So What Are They?	25
3 The Value Proposing Professional	43
Part 2 Creating Your Value-ology Blueprint	71
4 Unearthing Customer Value	73
5 Aligning Products and Solutions to Themes: From Bombardment to Customer Value Conversations	91
6 Your Buyer's Journey: Developing a Consistent Message	107
Part 3 Mobilising Value-ology in Your Organisation	121
7 Developing Coherent Campaigns	123

8 Driving Results Through Account-Based Marketing	141
9 Align or Die? Ensuring Marketing and Sales Are Aligned with the Customer	153
10 Cohesion Is the New Differentiator: Are You Ready?	183
Glossary	191
Index	193

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Paul Johnston joined Sheffield Business School (part of Sheffield Hallam University) over ten years ago. Prior to this, he spent 20 years in the gambling and electronic games industry. He served on the boards of several companies in competitive strategy, research and product innovation roles. Paul has recently been involved with a customer centric services module of the Sheffield City Leadership Programme and a range of large corporate projects, as well as undergraduate and postgraduate student tutoring.

Simon Kelly has 35 years' experience in the ICT industry in customer service, sales and marketing. He was Marketing Director for BT Major Business, where he pioneered the move from 'product push' to 'value-based' selling and marketing. He led a canon of knowledge for the CIM on best practice B2B marketing. Now a 'pracademic', he has developed innovative marketing and sales skills modules for Sheffield Business School where he is a Senior Lecturer. He is co-founder of SHAKE Marketing Group, based in London.

List of Figures

Fig. 1.1	The value onion	9
Fig. 1.2	Assessing value types	20
Fig. 1.3	Mapping company value bias	21
Fig. 2.1	Value proposition stack	34
Fig. 2.2	Value propositions differ by chief executive officer	38
Fig. 3.1	Social contexts of supplier–seller interaction: Johnston (2014)	55
Fig. 3.2	Mapping the social contexts of customer interaction	66
Fig. 4.1	Impact urgency opportunity model	78
Fig. 4.2	Mixed method approach to gathering customer intelligence	80
Fig. 5.1	Simple company value chain	93
Fig. 5.2	Theme and product alignment canvas – aligning products to themes	98
Fig. 5.3	Developing a proposition ladder that takes a customer on an upward journey	99
Fig. 5.4	Elements of control proposition	103
Fig. 5.5	The solution play	103
Fig. 6.1	Buyer persona framework: (a) Buyer overview. (b) Buyer process	110
Fig. 6.2	The buyer’s journey	114
Fig. 6.3	Content mapping	118
Fig. 7.1	Campaign planning framework	129
Fig. 7.2	Focus on the sweet spot	130
Fig. 7.3	Discovery questionnaire	131
Fig. 7.4	One-page campaign plan	134
Fig. 7.5	Campaign messaging	135
Fig. 8.1	Moving the sale forward: A 5 step framework	145
Fig. 9.1	Components of sales buy-in (Adapted from Malshe and Sohi (2009))	158

Fig. 9.2	Alignment survey results	160
Fig. 9.3	Sophistication gap	167
Fig. 9.4	Customer alignment roadmap	172
Fig. 9.5	GRRIPS alignment framework	175
Fig. 10.1	The Cohesive Loop	184
Fig. 10.2	Value proposition maturity model	186

Part 1

Building the Foundation of Value-ology

1

What Is Value?

In this chapter we will look at:

- Bringing the value conversation into the open
- Defining value
- Understanding different types of value
- A word on value and values
- The dynamic nature of value
- Mapping your value perspective

The Elephant in the Room

As businesspeople, we know that marketing is an activity that helps a company to make money by achieving sustained competitive advantage. It does this by knowing what the customer needs and making sure the business gives it to them in a way that is different from and better than competing offers. Many sales and marketing professionals have received training and education in colleges and universities and have become familiar with the *classic* marketing management tools of business analysis and decision-making, such as customer segmentation, targeting and positioning, and how to manage the marketing mix.

Right at the heart of sales and marketing practice lies the concept of 'value'. Yet pick up a typical marketing or sales management textbook and it is barely mentioned. It's as if the idea of value is so self-evident that it hardly warrants

further discussion. We all know what it is, we all know how to create it, we all know how to deliver it and we all know how to communicate it. And that's exactly where a company's problems on the subject of value can begin because value is the elephant in the room. Something big and obvious that we all know we should pay more attention to really understanding, yet choose not to do so.

Here is an example to show you what we mean. We can remember being part of a meeting with one of the largest licensed hospitality retailers in the UK. This company owned a large chain of pubs and they were very keen to improve the image and experience of pub visiting in order to attract women and families. The retailer's representative (who had significant influence over how many products were placed) opened the conversation with 'we are all about giving our customers value for money'. Everyone in the room naturally agreed, and soon everyone in the industry was coming up with product developments that they believed delivered 'value for money'. The thing was, everyone interpreted what the customer and customer's customer wanted differently, and large amounts of time were devoted to debating the merits of new product concepts without ever establishing what 'value for money' really meant and for whom. For some, it was increased revenue for the pub owner, for some it was increased consumer dwell time in the pub, for others it meant designing less male-oriented products, and so on.

Everyone, it seemed, had a different point of view about how value for money could be delivered, and overlooked the fact that they hadn't made it clear what was meant by value in the first place.

Why Is Getting a Common View on Value Difficult?

The challenge of coming to a common understanding of what value looks like lies deeper than just solving the everyday communication problem of making sure people in the organisation talk to each other and share the information they have about what customers need, what their attitudes and behaviours are and how they make buying decisions.

Simply collecting every last detail about the customer doesn't necessarily lead to a better understanding of what makes them tick. This is because the people we work with often have different views about the most significant aspect of the value conversation. What is seen as important to one person might be ignored by another. This happens because we are selective in the way we process information: we tend to pay attention to information that con-

firms our world view and reject information that challenges it. Furthermore, experienced executives can fall prey to what Ron Westrum of Eastern Michigan University in his article 'Social intelligence about hidden events: Its significance for scientific research and social policy' called 'the fallacy of centrality'. This is where individuals such as seasoned sales and marketing professionals are convinced they know everything that is going on in their market sector and with their customers, so they treat anything new or unusual as completely implausible and deny it matters to the business. In other words, if they don't know about it, how can it possibly be true?

Therefore people in different roles and at different levels have diverse views about value. The chief financial officer (CFO) might only pay attention to what the customer has to say about price because his/her world revolves around finance, whereas the key account manager might place particular importance on information sharing and idea creation because his/her world revolves around customer service. Alternatively, the chief marketing officer (CMO), who has been head of the department for several years, disregards input from a junior sales executive when s/he reports back that customers are saying the basis of the present market offering is off target because customers are saying they place more value on access to the supplier's business network rather than the future proofing of products promoted in the current marketing campaign. Value for each individual is regarded as such a self-evident thing they don't spend time thinking too deeply about it and they don't expect their co-workers to have a significantly different take from their own.

Organisational psychologist Chris Argyris has studied how professionals avoid thinking deeply about the assumptions they have about their business world and how it works. In his book *On Organisational Learning* he says we take our assumptions for granted and fail to realise the powerful influence they have on the way we interpret information, make decisions and take action. This means we have to put extra time, thought and energy into bringing these taken-for-granted assumptions to the surface if we are to solve the puzzle of what customer value really means. It needs to done before we even start to discuss our personal ideas on how to deliver and communicate value, otherwise we might jump to conclusions and get locked into a cycle of talking past each other in the value conversation.

This means that before anything else we need to establish *what* we are talking about. Doing this is not as easy as it seems. Organisations are places where personal reputations, power and ambitions reside. Argyris tells us that because of this we engage in defensive reasoning to protect our positions and our egos. Therefore, in the case of something as profound as the question 'so what do you actually mean by value' people feel too embarrassed to ask or too fearful