



Customer Value Management Case History: *Building a Profitable Add-on Fee-based Service Business*

Business Issue: A Fortune 500 supplier to the automotive industry had its core product under severe price pressure. With declining margins, the management team was searching for additional sources of profitable revenue. The challenge was to identify supplementary programs, systems or services that could be profitably sold into unionized companies. Past attempts to charge for services had not been successful. Nevertheless, management believed that one service had particular promise despite the initial negative reaction from customers.

What was done: The client formed a dedicated team to redefine the service offering and quantify the value to the customer from the new offering. The team was trained in the Customer Value Management methodology and tools. Following that approach, value word equations were defined to jointly measure the value of the services with targeted customers. Once customer data had been gathered, a customer value model was created and analyzed. With proven customer value, value-based sales tools (called a value calculator) were designed for the sales force.



What was learned: The new service, which customers had previously turned down, delivered value to customers in excess of four times the originally offered price. The service reduced customer total costs by minimizing the cleaning and maintenance of equipment used to apply the core product in the manufacturing line. In addition, the line would perform at the “optimum level” with reduced product usage/waste and greater control over process emissions. These demonstrated performance improvements muted union calls to perform the service in-house.

Results:

- One year later, a plant that had turned down service on four lines purchased that same service on five of their lines at 3 times the previously-offered, but declined price.
- Overall service revenues more than doubled in 3 years.
- “The Value Selling Model is a cornerstone to our services business.”
 - Global Director of Services