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The concept of Customer Value Analysis and how it will benefit your business.

Customer value analysis is a crucial concept when it comes to the measuring of customer perception in relation to the goods and services sold by a company. This is a very important factor as it’s directly related to customer satisfaction.

The concept of customer value analysis arose out of the PIMS Principles, published by Bradley Gale and Robert Buzzel. According to this theory, long-term profitability depends on market share, which, on its turn, is dependent on customer satisfaction. Customer satisfaction, however, as mentioned earlier, is often measured by capturing customer perception.

**How does it work**

Customer value can be a concept which is hard to grasp at first glance. However, a simple formula can help to illustrate the concept:

\[ \text{Customer Value} = \frac{\text{Benefits}}{\text{Costs}} \]

Value can be defined as simply what the customer gets for what the customer pays. Therefore, to conduct a successful analysis, it is vital to define the exact benefits and costs for the customer. In this context, benefits are what the customers perceive as “gains” for them. The value, they award to it, is strongly related to the way they experience those benefits in their day-to-day lives. On the other hand, a cost is what the customer perceives as a “loss”. This can be described as what the customer perceives as lost and the value distributed to those loses.
Hereby, one can note, that costs and benefits are not only expressed in terms of money, but also in time, attention, reputation, privacy, status, comfort, ease of mind as well as excitement and other factors.

As an effect of the formula, customer value increases whenever the perceived benefits increase or their perceived cost decreases. This leads to the question of how one can maximize customer value while still making exceptional profits. Broadly speaking, to make profit a company should trade something, which is low cost for them but does represent something very valuable for the customer. In return, the customer gives something, which is valuable for the company to the very entity. Similarly, the item, which is given to the company, should hardly cost the customer anything.

What are the benefits of the customer value analysis?

Customer value analysis is a very valuable investigation as it measures the perceived value of a firm's products compared to the perceived value of its competitors. On a general basis, the customer value can be measured on two dimensions: price and quality.

Thanks to this analysis, an organization can answer multiple important questions to either improve or maintain their competitive advantage, such as: Does the firm offer a superior value compared with its direct competition? What actions are necessary to offer superior value? Where is the firm's market share headed? Furthermore, the analysis also helps to gain insights on how to improve internal financial measures. For instance, the analysis can show if the firm provides a certain level of customer value needed to achieve its financial goals.

Zulla Consulting & Partners with its strategic foresight and multiple years of experience will support your company by developing tailor-made solutions based on a wide series of methods and best practices identifying the relevant dimensions and the keys to achieve a higher perceived customer value.

Furthermore, we will help you to implement the sources of an increased customer value in your business in order to achieve superior market share and profitability.

For additional information and an initial consultation, feel free to contact Daniele Zulla at zulla@zulla-consulting.com.
Sources