TOLPAGORNI
product management

Product Marketing for B2B companies based on
VALUE DEVELOPMENT MODEL

TOLPAGORNI
product management

Value Development Model is the result of work and research performed in various industries and corporate environments over the past 10 years. The conclusions from this work are extracted and summarized in the following paper. Product Marketing based on VALUE ENGINEERING is created for tech companies in the B2B world

CREATORS of the VALUE ENGINEERING CONCEPT

Magnus Billgren, CEO, Tolpagorni
Luca de Stefano, Sales Readiness Director, Ericsson

Tolpagorni Product Management AB.

Abstract

Many product managers have challenges in conveying the value of their products, internally as well as externally. There seems to be a disconnect between product management, product marketing, marketing communication and sales. It is so easy to talk about features and functions, rather than the value the products provide. But it is not like the domain knowledge, the information about the product, the customer, and their pains and gains, competition, etc. doesn't exist, it is just hard to document, share and communicate it in a structured way. Value Engineering helps you do this.

The Value Development model helps companies structure the activities of value creation in a B2B context. The model has been proven in a variety of industries including Hardware, Electronics, SaaS and Software intensive industries.

The Value Development model identifies values with high business impact and strengthens cooperation between Sales and Product Management. The Value Development model provides you with a toolbox for designing and communicating your businesses Value Proposition. The tools themselves are often simple and probably familiar to you – it is when you put them together that the real magic happens.

The Value Development Model has four phases:

- Discover – Understand your target market and value logic
- Define – Design your value proposition and resonating focus
- Connect – Create your story and identify compelling events
- Convey – Define the buyer's journey and choose customer engagement models to support the journey.

What is value?

If we ask people "What is *Value?",* everybody would probably propose a valid, but slightly explanation. As a consequence of that, we could have thousands of potentially good definitions of *value.* Most definitions would be able to stress different aspects of value, and would approach the word from different angles. In this book, we have decided to use the definition formulated by James C. Andersson et al. in the book "Value Merchants". (James C. Anderson, 2007)

"Value, in business markets, is the worth in monetary terms of the technical, economical, service and social benefits a customer firm receives in exchange for the price it pays for a market offering."

The definition gives us a starting point and allows us to develop principles and processes.

Value concepts are however often badly designed and rather useless. This is because we turn the value-work into a philosophical discussion and not into a business driver. To execute a value strategy, and truly leverage on the powerful concept of value, we will need principles and directions. We need to be concrete. We need to have principles. We need to have established ways of working.

CONCRETE	LOGICAL	UNIQUE
Translate the value in	Easy to be understood and conveyed	Significantly different from competitor's offerings
INSPIRATIONAL	RELIABLE	FLEXIBLE
Able to generate high impact in the customer	Aligned to the real capabilities of the product	Adaptable to different customer context

Figure 1 - The six criteria for a good value proposition.

A typical challenge is the capability to create qualitative value propositions. We can easily see the success in our Value work if the value proposition adheres to the following quality standards:

- *Concrete* – Translating the value of the product in to tangible benefits for the customers.
- *Logical* – Allowing the sales force and key stakeholders at all organizational levels to understand the logic of the Value proposition
- *Unique* – Identifying the resonating focus and sustainable vector of differentiation
- *Inspirational* – Ability to generate interest and impact in the customer for an effective engagement
- *Reliable* – Good adherent to the real capabilities of the product avoiding misleading or overselling

- *Flexible* – Adaptable to the different customer contexts starting from the value logic of the product.

In order to match all these needs it is necessary to have a structured approach to the value creation for our products.

Value Principles

There are five main principles for working with Values (according to Andersson et al. & Tolpagorni)

Let's analyze the five main principles connected to the value creation activity:

1. *All values can be more than what a single customer needs*

   The intrinsic value of a product can be huge. A single customer will not benefit from all Values. The Value delivery to a single customer is not the sum of all values of the product, but a subset of them. Hence, creating a one-dimensional value proposition for all customers will not be sufficient.

   We will need to "**Discover**" all the values we are delivering. We need to get beyond the simple value statement into the true logic of our value delivery. We need to understand and **"Discover"** the Value Logic that builds, shows and defends our Value concepts.

2. *All values must be adapted to a specific context*

   The Value of a product is not found in the product itself. It is found in the customers' processes and usages of it. We need to truly understand the different customers' business logic, their pains, gains and their ways of working. This is also why you need to have different value propositions for different users.

   The "**Discovery"** of target markets and their characteristics are essential for the finding out the value of a delivery.

3. *All values in a product must be compared with an alternative*

   There is always an alternative for the customer. Either a customer finds a competing product, builds one, develops a workaround or builds manual processes. There are numerous alternatives. And our Values must be compared with the relevant alternative. Different target markets will have different alternatives. These alternatives are essential to "**Define"** the value we deliver.

4. *All values can be expressed in monetary terms.*

   The key values of a product should be explained in a way easily understood and processed by our customers. To do that we firstly need to "**Connect**" the relevant value proposition with the target market. In addition, the product (and the alternative) needs a financial analysis. How can the customer

monetize on our product? It is a cumbersome task to dig into the customers' ways of working and their business practice. But at the end of the day we will need to set a price and we need to understand the monetary value of our delivery.

5. *All values in a product should be transferred to the customer in an effective way, to secure the adequate money recognition*

All sales processes are complex. There are triggers for pursuing procurement. They vary over the buyer's journey. They are also accompanied by showstoppers. To communicate successfully we need to understand and **"Connect"** the triggers, showstoppers and stakeholders, in the buyer's journey.

We need to support the sales force with specific tools to "**Convey**" the relevant value of our product. The support tools should engage the customers with a clear and effective message of the relevant value.

It is very important to avoid the risk of selling our product at a lower price than the price it should be positioned at, considering the total benefits it is able to generate.

Just communicating the core Value Proposition is not enough. We need to engage the customer in our value delivery. Customers often need to experience the benefits provided by our product. Often this can be done by using three perspectives to **"Convey"** its value.

1. The past – Visualizing the issues and how our solution would have solved them

2. The present – Visualizing the savings and the earnings of using our product

3. The future – Visualizing the opportunities with using our product

To really experience this journey, it is not sufficient with a simple value proposition or a good storyline. It could be necessary to develop sales tools to engage the customer in the total benefit experience.

Based on these principles we can summarize the *Value Development* process into two main phases:

Value Design – This is where we initially *Discover* the value logic, and then connect them to the target markets and the market insights. In the Value Design phase, we also need to *Define* the resonating focus of the Value Proposition for the different target markets.

Value Communication – This is where we firstly *Connect* the key value messages with the buyers' journey and stakeholders. In the *Convey* phase we choose how to support the customers buying our product, and how we support the sales organization to sell our products.
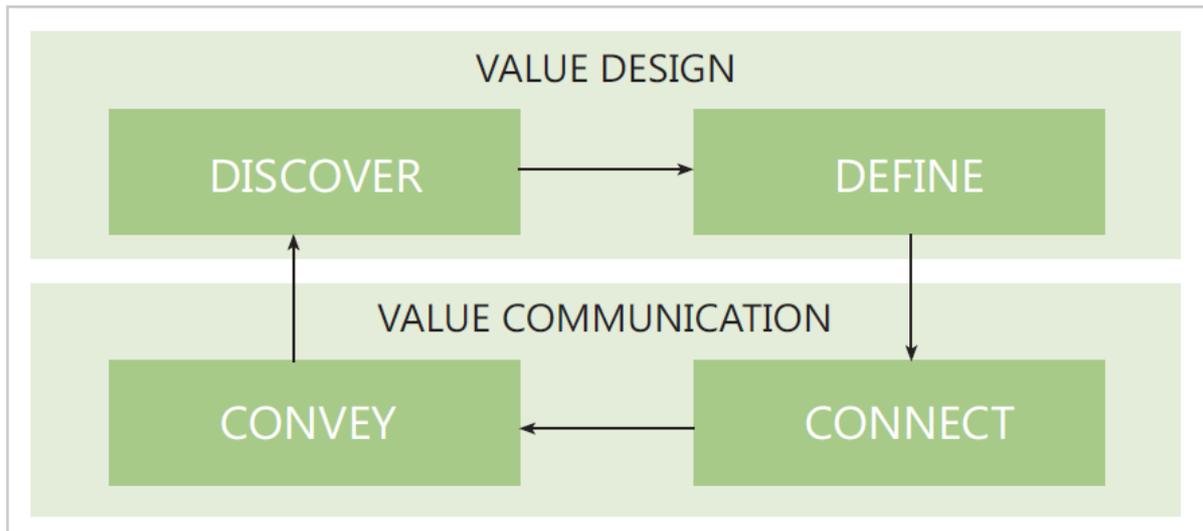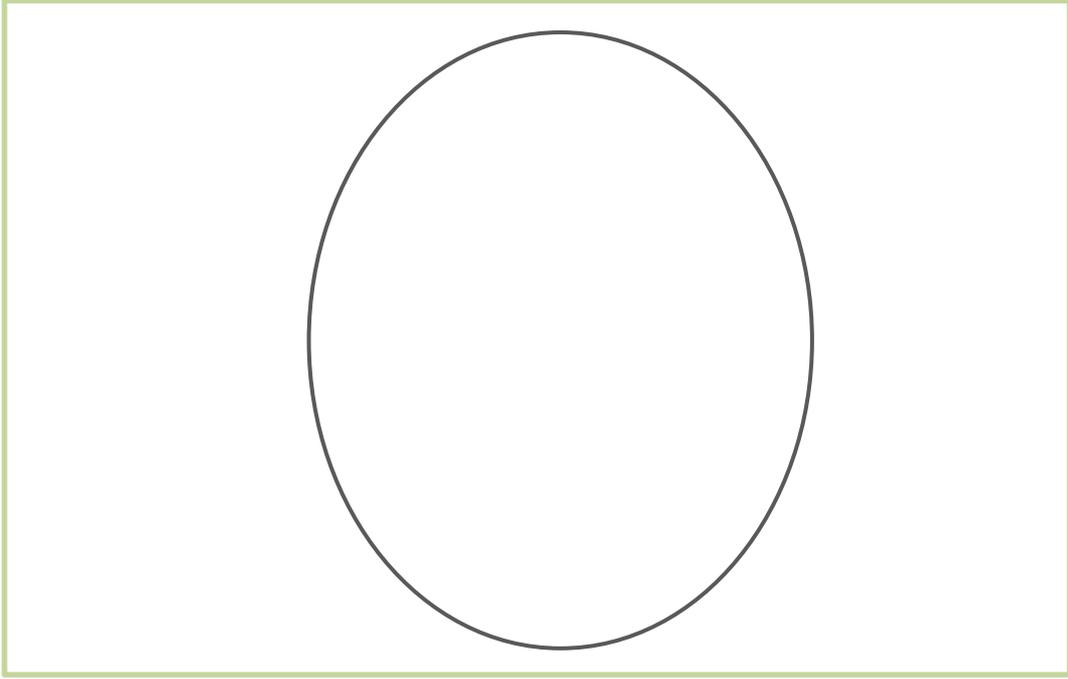
Figure 2 - The Value Development model.

TOLPAGORNI
product management

VALUE PRINCIPLE REFLECTION

How does the key customer stakeholder relate to you and your next best alternative.

1. Draw the face of your key customer stakeholder when he/she thinks about your product.

2. Draw the face of your key customer stakeholder when he/she thinks about the next best alternative compared with buying your solution.

VALUE PRINCIPLE REFLECTION
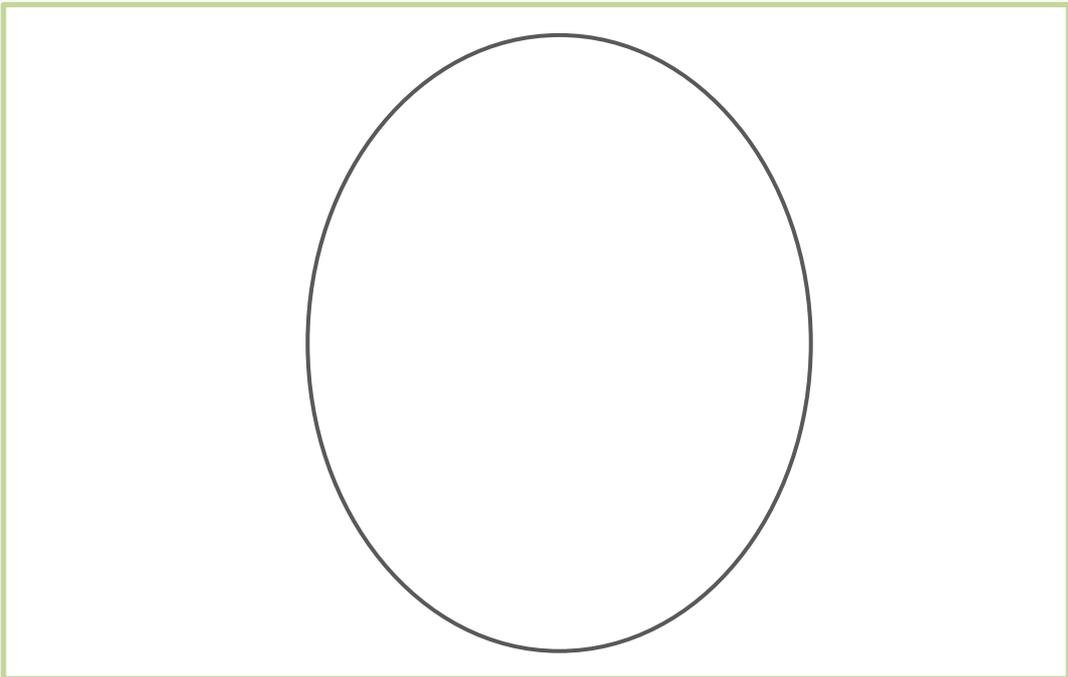
EXPERIENCE

The paper is written based on experience working with great companies like: Ericsson, ABB, Tacton, Infinera, Tetra Pak, Scania, Volvo, Hexagon, IBM, Atlas Copco and others.

Scientific foundations are found in research project participation at Blekinge Institute of Technology, Swedish Institute of computer science, Uppsala University and other fine institutions. In addition, we have used the models and results from Andersson et al at Northwestern University in Chicago.

Results have been discussed and tested in co-operation with thought leaders such as: Rich Mironov, Steve Johnson, Michael McGrath, Steven Haines, Adrienne Tan and others.

SOURCES of INSPIRATION and DISCUSSIONS

- Value Merchant, Andersson et Al
- Luca de Stefano, Product Marketing Director, Ericsson
- Nils Olsson, Product Director, Tacton
- International Software Product Management Association, ISPMA
- The Art of product management, Rich Mironov
- Brainmates team lead by Adrienne Tan and Nick Coster
- Professor Dr Tony Gorschek
- McGrath ME (2001) Product Strategy for high technology companies, second edition
- The conference Product Leadership Day (2009-2016) with 50-100 Product Managers
- Nine Product Management Networks, hundreds of training sessions with product managers
- Value Proposition Design, Osterwald et al
- Inspired – Creating product your customer love, Marty Cagan

About Tolpagorni

Research and knowledge are the key foundations of Tolpagorni. We take the lead in testing new strategies and in developing a framework of methods, tools and techniques for effective product management. We work closely with research organizations and we continuously build our skills framework through our ongoing projects. We also take an active part in building the Book of Knowledge (BoK) for the world's leading organization for Software Product Management (ISPMA).

However, the most important thing for us is to make sure we deliver value to our customers. We understand that this theory on its own will not deliver usable outcomes. We strive to apply our knowledge in a practical, hands-on approach so that our customers have tools and methods to use in their everyday work practice. This approach also develops the role of the Product Manager, so that they add value to their business.

All of us who work at Tolpagorni know product management from the inside, because we have done it ourselves. We believe that the combination of theoretical research and "on-the-floor" pragmatism is what makes us excel in what we do.

If you want to learn more about Tolpagorni go to www.tolpagorni.com.