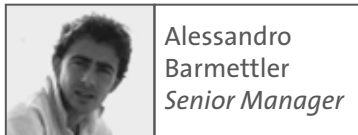


## Customer perceived value: to identify and close the gap in positioning



*Are you lost in useless market analyses and confused benchmarking against competitors? A **customer perceived value (CPV)** approach could be the tool you need.*



In order to guarantee its offer's sustainability and gain or defend a leadership position, it has always been essential for any company to deeply understand which product features are most influencing the customers' perception and their relative competitive positioning versus peers' products.

Despite the huge amount of available data, market research and opinions on products or services offered, often management doesn't have a clear view on:

- which are the key distinctive factors (or shortfalls) of its offering
- which features are worthy of investment to enhance or defend the offering/positioning
- how wide is the customer perception gap between company's offer and other alternatives available in the market.

The main issues for companies in evaluating their own positioning against competitors might be:

- *lack of competitive intelligence or shortage of information about competitors (either limited information and/or restricted access):* market & competitive intelligence systems aimed at measuring performance gaps versus competitors are either lacking or performing marginal and irrelevant analysis;
- *information are plenty but very fragmented across different business structures:* collecting these information is usually difficult and unhelpful in achieving a univocal and clear view of the situation;
- *lack of a clear framework to interpret available market data:* without an effective methodology it is difficult to achieve a objective picture of an offering's weak points, even when data are available, as it is drawn from many stakeholders with own interests and opinions.

An effective approach to manage this complexity is the CPV, developed in the nineties in the USA and successfully implemented in several industries, from automotive to consumer goods.

CPV is based on the empirical observation that customers' choices are based on **perceived value**, a measure that summarizes both the perception of benefits (related to performance, service level, relationship, image) and the total related cost (selling price and other costs). Benefits, costs and value are evaluated by continuously comparing alternative competitors' offerings.

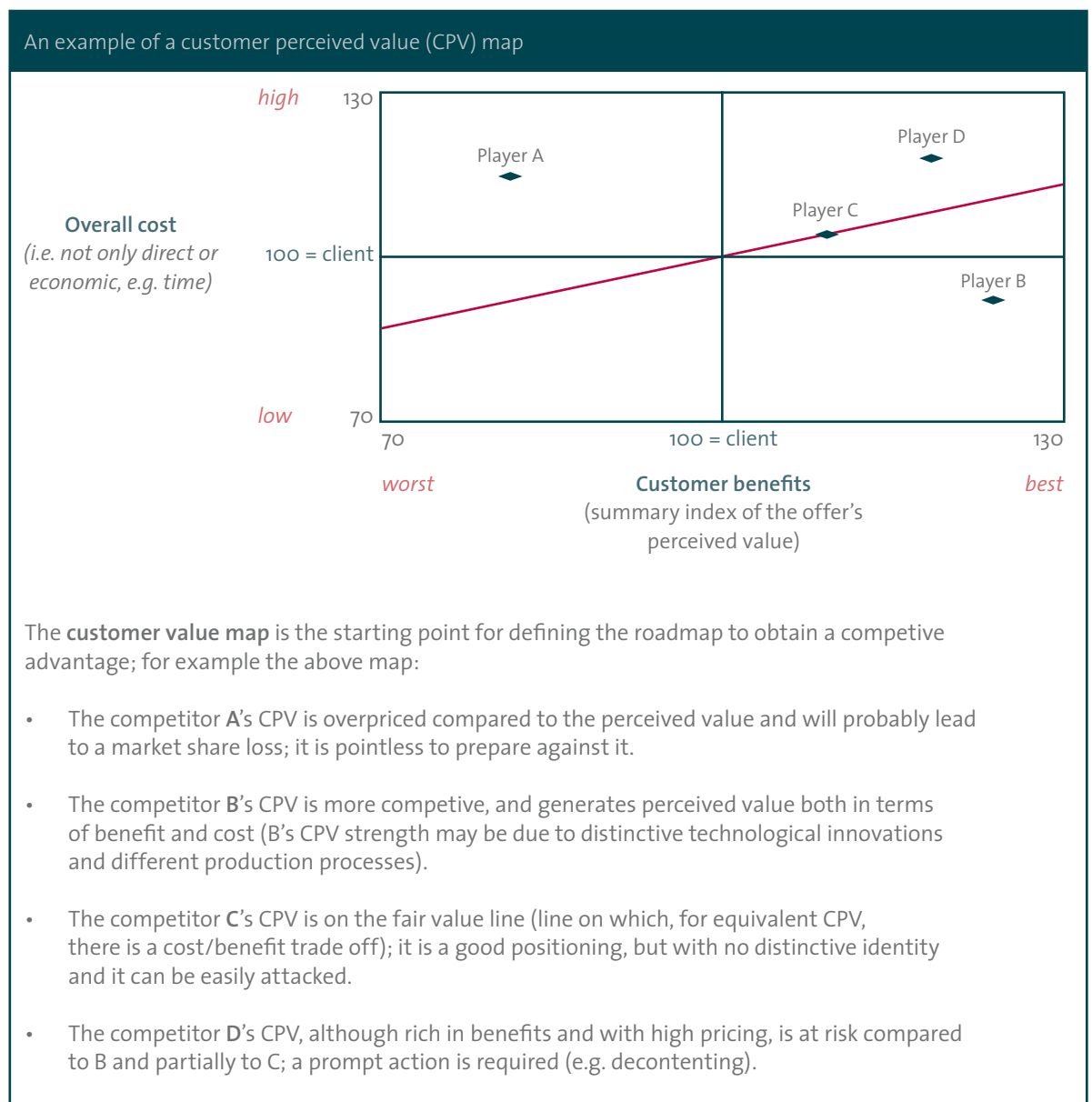
CPV is based on two simple and clear pillars:

- customers (all of them: traders, dealers, consumers, ...) select the **best offer** in terms of perceived value, measured by comparing alternatives;
- the **perceived value** is defined as the ratio between usage/consumption benefits and total cost sustained.

To build a CPV map, customers' perception has to be measured against two metrics:

- a **benefit index**, which expresses consumers evaluations on benefits received through different offers. The index is built as weighted average of the n-attributes considered in the analysis;
- a **cost index**, measuring the total costs incurred by customers, including additional costs beyond purchasing price.

The exhibit shows how to use CPV and what kind of implications can be derived from it.



Based on our experience in different industrial sectors, CPV has shown to be a valuable instrument in assessing the offer's positioning in the market and to evaluate the related strategic issues. For instance, for a multi-national component supplier in the automotive sector, CPV in a short time allowed to:

- *obtain an objective positioning of company's products against competitors' by comparing their performance against customers' perception.* This provided all company's departments with information coming from robust data and accurate analysis, hence avoiding mistakes or misunderstandings about the company's positioning;
- *identify the competitive gap's actual root causes.* These factors typically evolve over time, i.e. a successive analyses may identify different weak links, for example lack of technical quality and poor communication;
- *develop a focussed action plan targeting the critical issues* (thus no generic plan but well-defined investment targets), allowing them to reach a strong consensus on decisions till then controversial, such as:
  - which product features should be developed first among those mentioned by clients?
  - which targets must be defined to differentiate the offer from competitors?
  - how must we change our pricing schemes to improve clients' perception on most critical product components?

In this case-study, the adoption of CPV methodology has been so successful that it convinced the client to extend it to all its product and business lines, in order to continuously monitor their relative market positioning as well as the impact of the improvement initiatives.

In setting-up properly a CPV approach, two critical steps need to be carefully addressed:

- the set of features (product attributes) to be submitted to the customers' evaluation is critical as they will be the basis on which changes will be made. The set must, therefore, be comprehensive and aligned with the customer's product value map;
- it is always best to set up two different CVP maps: an external one based on the customer view point, and an internal one based on the management's perception of the competitive positioning. The comparison between these two pictures is extremely useful while evaluating important decisions.

In our advisory engagements, we have noticed that applying this methodology is a no-brainer as it always delivers. First of all it is a zero cost exercise; the products feature comparison undertaking by customers can replace existing market analyses or be already available albeit incomplete or requiring formatting. Moreover, if managed properly within the organization (for instance directly under the CEO's responsibility), CPV can be quickly accepted by every business structure, supporting and accelerating the decision process.

## Who we are

Since Value Partners' inception, the industrial goods practice has been one of our core areas of expertise. In the early nineties, we focussed primarily on Italian domestic operators and Italian multinationals, nowadays we serve a broad range of international clients worldwide. We have assisted the major European and world sector leaders in several engagements, including due diligences, acquisition processes, supply chain and sales network reviews, product segmentation, turnaround programmes, international development and go-to-market strategies.

Founded in Milan in 1993, Value Partners is a global management consulting firm that works with multinational corporations and high-potential entrepreneurial businesses to identify and pursue value enhancement initiatives across innovation, international expansion, and operational effectiveness.

Value Partners' rapid growth testifies the value it has created for clients over time. Today it draws on 25 partners and over 275 professionals from 23 nations, working out of offices in Milan, Rome, London, Istanbul, Dubai, São Paulo, Buenos Aires, Mumbai, Beijing, Shanghai, Hong Kong and Singapore. Value Partners has built a portfolio of more than 350 international clients – from the original 10 in 1993 – with a worldwide revenue mix. Over 60 percent of the management consulting revenues are made outside Europe.

Value Partners combines methodological approaches and analytical frameworks with hands-on attitude and practical industry experience developed in an executive capacity within each sector: telecommunications, new media, financial services, energy, manufacturing and hi-tech. In 2007 Value Partners acquired Spectrum Strategy Consultants – a leading UK company specialized in publishing, broadcasting, entertainment, IPTV and mobile – thus further strengthening its international presence. Today Value Partners is a leading advisor in the telco, media and technology sectors worldwide.

At the beginning of the 2000s, Value Partners decided to expand its service offerings beyond management consulting to include complex, innovative and business-critical IT services: Value Team was created and, in less than 10 years, reached on 3000 professionals active out of offices in 4 countries.

In April 2011 NTT DATA – one of the main players in the IT sector in Japan – acquired Value Team for an enterprise value of over 270 million Euros, to make its platform for growth in the key European and Latin American markets. Value Partners and Value Team will continue to co-operate on complementary projects for individual customers.

*For more information on the issues raised in this note please contact:*  
[alberto.calvo@valuepartners.com](mailto:alberto.calvo@valuepartners.com)  
[alessandro.barmettler@valuepartners.com](mailto:alessandro.barmettler@valuepartners.com)

Find all the contacts details on  
[www.valuepartners.com](http://www.valuepartners.com)

Milan  
 Rome  
 London  
 Istanbul  
 Dubai  
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