

Different concepts of value exist. How can it be that some customers see a \$10 hamburger as value and others see \$2000 hamburger as value? Please discuss this by introducing at least two concepts of value and clearly discussing how both products could be perceived as value.

In reality, the customers can evaluate the \$10 burger differently. The \$2000 burger because they have the value on subjective needs and their satisfaction. For the customer who spent their money on the cheaper bag of **McDonald's**, they apply the functional value which focuses only on the appropriate quality, good quality and acceptable price to carry and contain their belongings. In contrast, the customer who purchases the expensive one such as **Local Valtour**, pay attention to symbolic value or psychological meaning of the product. They concern more about their self-concept and the social meaning (how luxury the brand is) and to express their attitude, interests, and lifestyle through their bag as a symbol. Comparing the two products, even though they have different willingness to pay, they may get the different utilities (economic) value from owning them.



As can be seen from the figure, customers evaluate the benefit they get from buying a product. Therefore, the value can be calculated by deducting the price from the willingness to pay. In this case, the company has to apply other incentives such as **STP** and pricing strategies to set, provide and communicate the value of their products to the customers.

For the \$10 bag customers, they value the benefit of the bag from its function not from how luxury it is. Therefore, the price of the product is much lower than the \$2000 one. On the other hand, the customers who have higher willingness to pay have to spend more money on the symbolic product from their best case. The gap between benefit and the price is the value which the customer can enjoy from owning their bag. In addition, both companies have to make sure that they use the right materials to communicate and have value properly to the customers. Otherwise, it will destroy brand image and encourage customers to switch to other brands, in conclusion, because the companies use different concepts of value which are functional and symbolic to sell their product, thus, the price of the products are different.

**Additional Topic: Value Delivery System (Choose, provide, communicate the value), STP (Segmentation, Targeting, Positioning, Order, Qualifying, Criteria).**

The view of business models is becoming increasingly important. Please discuss what a business model is and use 40 examples of company, product, or brand, to analyze the business model behind it. Why is it important to understand the business model of a company, product or brand?

A business model is the plan implemented by a firm to run its business for gaining revenue and profit. The model includes business functions, revenue generation, and cost control plans. Furthermore, it shows how a company organizes its resources, creates value and delivers it to the customers.

Porter Value Chain: McDonald	Operational Excellence
<ul style="list-style-type: none"> <li>Subsidiary logistics: becoming partners with suppliers to deliver quality raw materials</li> <li>Operations: Monitoring food production process</li> <li>Outbound logistics: Selling products through franchise branches and setting high standard for them to follow. (Gain revenue from franchise)</li> </ul>	<ul style="list-style-type: none"> <li>Technology development: Using ordering machine allowing customer to customize their menu</li> <li>Human resource management: Training employees which allows them to increase value proposition.</li> </ul>

Another model is **Business Model Canvas**. This model is a system including setting structure, processes, and activities to create value proposition and value proposition. It presents how business exchanges value with its customers.

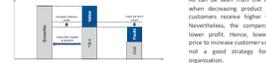
Business Model Canvas	Key Activities
	<ul style="list-style-type: none"> <li>Employee and franchise training</li> <li>Marketing campaign e.g. Happy Meal</li> <li>R&amp;D</li> <li>Sell the products</li> </ul>

To sum up, the reason why it is important to understand the business model is that it creates competitive advantage and high growth in the long run. In addition, it shows the core competency of a company by **1. How the business 2. Create value and deliver value to the customer, and 3. Maximize its profit while remains to the cost.** Employees can act on the business model to align around the value which a company wants to create. However, concerning a company business model, it could be said only knowing how the business perform best can't predict the success of its company.

A new concept is the art of pricing for value. Please discuss how pricing can be used to create value. Can companies only lower the price to create value for customers? Please illustrate how pricing can create value for the customer as well as the company.

The company use pricing strategies to create value by basing on the benefits they provide to the customers. First of all, the company have to understand their customers, competitors and the companies themselves before applying the price strategies. Companies generate the value after they deducted the production price from its benefit.

The company can decrease the price to increase customer value; however, it will have negative impacts on the companies themselves. First, it is too low for the companies to increase the price in the future. When customers recognize the price, they will set their standard level for it. Raising the price can make buyers feel unfair and stop buying the company's products. Second, companies have to invest more on good communication to let their customers know about the price change. Third, the company may lose profit from decreasing the price.



One example of a company applying price strategy to create value is **Apple**. The company adopts pricing for value and premium strategies to create value and deliver it to the customers. Apple targets its customers as a premium target group. Moreover, with high technology and less competitors in the market, the company uses this opportunity to set the price as high as it wants for its high quality products. It creates not only customer value, but also the organizational one. Company's premium Apple as a leading company in the IT market. People buy its products due to the unique design and the high-tech functions. This can positively affect company image and increase market value.

As can be seen, every time Apple launches its products such as iPhone, MacBook, Apple TV, and Apple Watch, the company sets the price to the value of its technology development not the market competition. And the price seems to be higher every time the products have been launched. Furthermore, Apple always decrease the price because the cost of capital from the company image and decrease customer's value perception. Because of those reasons, the company uses a good pricing strategy to create both customer and organizational value.

**Themes summary**

- 2 generic strategies**
  - Porter's Generic Strategies:** Focus on the comparison of the firm and the market on which to focus (Overall cost leadership, differentiation, segmentation, focus on the market)
- 2 generic strategies**
  - Operational excellence:** Producing customer value with reliable products and services at competitive prices and delivered with minimal effort and inconvenience. **Example:**
    - McDonald's: Fast food with consistent quality, quick service, low price
    - Dell: Flexible manufacturing, customized PCs delivered to door, cheap price, easy buying
    - Walmart: Best product available on shelves, low price all the time
    - Walmart: Fast production, in-time distribution, suitable price (Link with product leadership)
  - Disrupt: Fast responding to customers' demand, fast shipping**
- Product leadership:** Offering customers leading-edge products and services that consistently enhance the customer's use or application of product, making it the product solution. **Example:**
  - Nike: Allow customers to design their own shoes
  - Apple: Launch new IT devices such as telephone, laptop, TV and portable music player
- Customer intimacy:** Segmenting and targeting markets precisely and tailoring offerings to match exactly the demand of those niches. **Example:**
  - Master Card: Using customers' personal info related to their special preferences and services
  - ASK: Offer new products by analyzing from customers' profile, class and membership
  - Home Depot: Allow customers to solve their home repair problem and find the right product for them



**Porter's Value Chain**  
 • Deliver value to the clients. However, in reality, it is impossible for the company to become an expert in all aspects of the field. Now it has those areas, two areas and strengthen them to be unique in the market.

**Product Pricing**

The art of setting prices low in an attempt to eliminate the competition. Predatory pricing is illegal under antitrust laws, as it makes markets more vulnerable to monopoly. Companies may engage in a variety of activities that resemble to those of competitors, such as cross buying to serve new competitors or unethical production methods to increase costs.

**Value Proposition**

- Value is to delivered and acknowledge. Customers believe that value will be repeated and experienced.
  - For Customer (Supplier)
  - Who needs (customer's problem)
  - Our business (offerings or services)
  - This provides (customer's problem)
  - Unlike competitors
- The offering (cost of differentiation)
- Value to be created with customers
- Relationships are linked together in a firm and an another in an organizational network
- Co-created customer value is shared to all partners
- Marketing management and firm's general management have a shared responsibility for creating culture of customer-oriented, develop value proposition and value proposition
- Link to cultural difference: different culture have different approach

**Business Model Canvas**

This model is a system including setting structure, processes, and activities to create value proposition and value proposition. It presents how a business exchanges value with its customers.

- Working together to create products and services with value
- Value received by the customers through usage, consumption and experience.
- Co-creation with innovation - See the value inside

**Co-production**

- A component of co-creation relating to specific tasks undertaken by customers that may occur prior to or during usage, consumption and experience.
- Outsourcing is done because make or buy depending on where total costs are the lowest
- Distributed production arrangements in which different firms located in different countries produce different parts of the same end product. Engines, fuselage, tail-section, and wings of the Airbus, for example, are coordinated in different countries of the European Union.

**Differences between CSR and CSV**

**CSR**-Corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance, and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships to all key spheres of influence: stakeholders, the environment, the supply chain, the community and the public policy realm. **Goal: Create, about responsibility**

**CSV** - corporate social practices and practices that enhance the competitiveness of a company while simultaneously advancing social and economic conditions in the communities in which the company sells and operates. **Profit center, about creating value**

**Sales VS Marketing**

Comparison chart	Marketing	Sales
<b>Approach</b>	Broader range of activities to sell products/services, client relationship etc. determine future needs and has a strategy in place to meet those needs for the long term relationship.	Makes customer demand match the products the company currently offers.
<b>Focus</b>	Overall picture to promote, distribute, price products/services, buffer customer's needs and needs through their own and/or services the company can offer.	fulfill sales volume objectives
<b>Process</b>	Analysis of market, distribution channels, competitive products and services, Pricing strategies, Sales, Marketing and market share analysis, Budget	Usually one to one
<b>Scope</b>	Market research, Advertising, Sales and public relations, Customer service and satisfaction	Once a product has been created for a customer need, persuade the customer to purchase the product to fulfill his needs
<b>Horizon</b>	Longer term	Short term
<b>Strategy</b>	pull	push
<b>Priority</b>	Marketing chooses how to reach to the Customers and build long lasting relationship	Selling is the ultimate result of marketing.
<b>Identify Marketing targets that connects a brand identity so that it becomes self associated with need fulfillment.</b>	Sales is the strategy of meeting needs in an opportunistic, individual method. It is driven by human interaction. There's no premium of brand identity, longevity or continuity. It's simply the ability to meet a need at the right time.	

**Order qualifying and order winning criteria**

- Competitive advantage that make customers choose the firm's goods and services over its competitor.
- A firm has to include customer's value in its company's offerings
- Order qualifiers** are the competitive characteristics which a firm must have to compete others in the market.
- Order winners** are the unique characteristics which a firm's competitive advantages, such as price/cost, quality, delivery speed, delivery reliability, product design, flexibility, after-market service, and image."

**EVA**

After-tax profit that exceeds the required minimum return on capital. Computed by deducting the cost of capital (both debt and equity) from the after-tax profit, it is said to be the best measure of the true profitability of an enterprise, and used to both flow and to earnings per share (EPS). EVA is a registered trademark of the US firm, Stern Stewart & Company.

**Capital Charge**

An amount of money equal to how much a business has tied up in assets multiplied by the weighted average cost of those assets. The computation of the economic profit of a business by its finance department involves subtracting its capital charge from its operating profit.

**Shareholder Value Added - SWV**

A value based performance metric that compares value to shareholders. The basic calculation is net operating profit after tax (NOPAT) minus the cost of capital from the income of debt and equity, based on the company's weighted average cost of capital.

**SWA - NOPAT - Cost of Capital**

**Dynamic pricing**

The process of determining a product's value in prices based on a fluid manner depending on current market conditions. Dynamic pricing is going from a fixed manner compared to the more traditional fixed pricing method. Also called real time pricing.

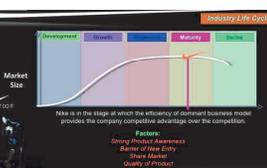
**Product Line pricing**

The prices used to relatives of repeating goods into cost categories. In order to create variety quality levels in the realm of Consumer. Effective product line pricing by a business will usually involve putting sufficient price gaps between categories to define prospective buyers of quality differences. Also called price lining.

Topics	Details
<b>Company/Brand/Product:</b>	<ul style="list-style-type: none"> <li>McDonald's</li> <li>Operational Excellence: fast food, with consistent quality, quick service, low price</li> <li>Product Leadership: customized menu</li> </ul>
<b>Porter Value Chain:</b>	<ul style="list-style-type: none"> <li>Operational Excellence: becoming partners with suppliers to deliver quality raw materials</li> <li>Operations: Monitoring food production process</li> <li>Outbound logistics: Selling products through franchise branches and setting high standard for them to follow</li> <li>Subsidiary logistics: becoming partners with suppliers to deliver quality raw materials</li> </ul>
<b>Value Proposition:</b>	<ul style="list-style-type: none"> <li>Deliver consistent, safe and high quality food.</li> <li>Fast service</li> <li>Affordable price</li> <li>Customer Segments: families, young people, workers</li> </ul>
<b>Order Winner and Qualifier:</b>	<ul style="list-style-type: none"> <li>Qualifiers: safe, high quality menu, affordable price, convenience</li> </ul>
<b>Business Model Canvas:</b>	<ul style="list-style-type: none"> <li>Key Activities: Employee and franchise training, Marketing campaign e.g. Happy Meal</li> <li>Key Channels: Sell the products</li> <li>Other info: Please use the additional note</li> </ul>
<b>Stakeholders:</b>	<ul style="list-style-type: none"> <li>Suppliers</li> <li>Customers</li> <li>Community (CSR)</li> </ul>
<b>Conclusion:</b>	Please use the table below

Company	Order Qualifiers	Order-Winners
<b>Oliver's Real Food</b>	<ul style="list-style-type: none"> <li>Efficient Service</li> <li>Location</li> <li>Convenience</li> <li>Appropriate quality</li> </ul>	<ul style="list-style-type: none"> <li>Fresh and organic products</li> <li>High quality food</li> <li>Healthy food</li> </ul>
<b>McDonald's</b>	<ul style="list-style-type: none"> <li>Efficient Service</li> <li>Location</li> <li>Convenience</li> <li>Appropriate quality</li> </ul>	<ul style="list-style-type: none"> <li>Fresh and organic products</li> <li>High quality food</li> <li>Healthy food</li> </ul>
<b>Corporate Social Responsibility</b>	<b>Energy</b>	<b>Employee</b>
<b>McDonald's</b>	<ul style="list-style-type: none"> <li>Using Energy Efficient Operations (EEO) program</li> <li>Using LED light bulbs</li> <li>Participating in Earth Hour</li> <li>Using Low Oil Vapour Fry Vats to use less oil</li> <li>Using sustainable tools to improve yield</li> <li>Leaving less trash in Street Clean</li> </ul>	<ul style="list-style-type: none"> <li>Recruiting Regional Training Organizational to train employees</li> </ul>
<b>Other's Real Food</b>	<b>Environment</b>	<b>Customer</b>
	<ul style="list-style-type: none"> <li>Using electric scooters to reduce CO2</li> <li>Using recycled waste water</li> <li>Being open to children through Child Friendly program</li> </ul>	<ul style="list-style-type: none"> <li>Offering special menu and dietary alternatives across states like: Low Carb, Vegan, and lacto-ovo vegetarian food</li> </ul>
	<b>Community</b>	<b>Supplier</b>
	<ul style="list-style-type: none"> <li>Offering support to the customer about home repair</li> <li>Offering installation service after sales</li> <li>Worker: Customer service, Cheaper (the competitors), Quality assurance program</li> <li>Qualifier: Selling equipment, wide range of products and brands, timely delivery and colors, and its own products</li> </ul>	<ul style="list-style-type: none"> <li>Offering support to the customer about home repair</li> <li>Offering installation service after sales</li> <li>Worker: Customer service, Cheaper (the competitors), Quality assurance program</li> <li>Qualifier: Selling equipment, wide range of products and brands, timely delivery and colors, and its own products</li> </ul>

Topics	Details
<b>Company/Brand/Product:</b>	<ul style="list-style-type: none"> <li>Home Depot (Home improvement specialty retailer)</li> <li>Customer intimacy: deliver customers to solve their home repair problem and find the right products for them</li> </ul>
<b>Porter Value Chain:</b>	<ul style="list-style-type: none"> <li>Market and Sales: Selling construction equipment with Service: Helping customers to solve home repair problems, giving professional advice in selecting and using the products, offering installation service</li> <li>Outbound logistics: offering training quality and knowledgeable employees, continue training program</li> <li>Subsidiary logistics: offering training quality and knowledgeable employees, continue training program</li> </ul>
<b>Value Proposition:</b>	<ul style="list-style-type: none"> <li>Offering professional advice to customer about home repair</li> <li>Find the products the customers need</li> <li>Offering installation service after sales</li> <li>Worker: Customer service, Cheaper (the competitors), Quality assurance program</li> <li>Qualifier: Selling equipment, wide range of products and brands, timely delivery and colors, and its own products</li> </ul>
<b>Order Winner and Qualifier:</b>	<ul style="list-style-type: none"> <li>Qualifiers: Selling equipment, wide range of products and brands, timely delivery and colors, and its own products</li> </ul>
<b>Business Model Canvas:</b>	<ul style="list-style-type: none"> <li>Key Activities: Procurement and construction products and services</li> <li>Key Channels: Helping customers to repair their home</li> <li>Key Partners: Suppliers</li> </ul>
<b>Stakeholders:</b>	<ul style="list-style-type: none"> <li>Employees</li> <li>Customers</li> <li>Suppliers</li> </ul>
<b>Conclusion:</b>	The support of Habitat for Humanity, the program to provide homes for those without, by Home Depot. Home Depot's customer service actually help build homes and is connected to a higher purpose and Home Depot values. The firm donates materials and expertise to build. Over time Habitat for Humanity became one of the associations for Home Depot and helps communicate a core value that potentially strengthens the customer loyalty.



Topics	Details
<b>Company/Brand/Product:</b>	None

**What is your value proposition?**

A value proposition is a promise of value to be delivered. It is the primary reason a prospect should buy from you.

- It explains how your product solves customer's problem or improves their situation (relieves pain)
- delivers specific benefits (quantified value)
- tells the ideal customer why they should buy from you and not from the competition (unique value proposition)

You have to provide your value proposition as the first thing the visitors see on your home page, but also to include it in all major entry points of the site.

**What is your value proposition consist of**

The value proposition is usually a block of text (a headline, sub-headline and one paragraph of text) with a visual (photo, bar, chart, graphic).

- Headline: What is the end benefit you're offering, in 1 short sentence? Can mention the product and/or the customer. Attention grabber.
- Sub-headline or a 2-3 sentence paragraph: A specific explanation of what you do/differ, for whom and why it's useful.
- 3 bullet points: List the key benefits or features.
- Visual: Include communicable much faster than words. Show the product, the hero shot of an image reinforcing your main message.

Evaluate your current value proposition by checking whether it answers the questions below:

- What product or service is your company selling?
- What is the end benefit of your offer?
- Who is your target customer for this product or service?
- What makes you offering unique and different?

Use the headline-paragraph-bullets-visuals formula to structure the answers.

**What makes a good value proposition:**

- Headline: What is the end benefit you're offering, in 1 short sentence? Can mention the product and/or the customer. Attention grabber.
- Sub-headline or a 2-3 sentence paragraph: A specific explanation of what you do/differ, for whom and why it's useful.
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- Clarify it's easy to understand.
- It communicates the concrete results a customer will get from purchasing and using your product and/or services.
- It says how it's different and better than the competitor's offer.
- It avoids hype (like "never seen before amazing product"), superlatives ("best") and business jargon ("cutting-edge breakthrough").
- It can be read and understood in about 5 seconds.

Also, in most cases there is a difference between the value proposition for your company and your product. You must address both.

**Booster for your value proposition**

Sometimes it's the little things that tip the decision in your favor. If all major things are pretty much the same between you and your competitor's offer, you can win by offering small value-adds. I call them boosters.

- Free shipping
- Fast shipping / Next day shipping
- Free bonus with a purchase
- Free setup / installation
- No setup fee
- No long term contract, Cancel any time
- License for multiple computers (e.g.)
- (Better) Money-back guarantee
- A discounted price (for a product)
- Customizable

Make sure the booster is viable with the rest of the proposition.