

If you are considering a career in business-to-business (B2B) sales in technology-driven industries, this book is spot-on for you.

Sales in technology-driven industries is an interesting career option. The book describes and characterizes the work environment of B2B sales professionals through real-life cases, and discusses the basic concepts and tools used in B2B sales management.

The point of view of the book is that of engineering students: how they assess these concepts and tools in the early stages of their sales careers. Naturally, the book is recommended to anyone interested in sales in technology-driven industries, and it is suitable for executive education as well.

The book is constructed to support independent learning and ‘flipped learning’. The narrative of the book guides the reader to the sales world in a very organized way. The detailed explanations combined with five extensive cases and over 200 illustrated dialogues help the reader to understand how different concepts and tools are applied in practice.

ISBN 978-952-238-229-0

ISBN eBook (pdf) 978-952-238-230-6

ISBN eBook (epub) 978-952-238-231-3



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SALES IN TECHNOLOGY-DRIVEN INDUSTRIES

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**Technology Industries
of Finland**

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There are many books that cover the concepts and tools used in sales, but there are not so many books focusing on how to enter a sales career. Therefore, this book portrays the landscape that young engineers face when starting a career in sales in technology-driven industries. In addition to describing and characterizing the work environment of B2B sales professionals, this book discusses the basic concepts and tools used in B2B sales management. However, all this is done from the point of view of young engineers: how they see these concepts and tools in the early stages of their sales careers. Naturally, this book provides a nice starting package for anyone interested in sales in technology-driven industries, and is suitable for both self-study and executive education.

Engineering students are not famous for reading textbooks, but more for their orientation toward practical problem-solving. Therefore, this book is based on delivering insights into sales by combining traditional text with visual illustrations. The visuals not only make reading easier, they also help visual learners remember key concepts and other learning points. Furthermore, the cartoon-like visuals bring the readers close to the action, which also helps kinetic learners. Overall, the cartoon-like visuals help to illustrate the characteristics of sales work in technology-driven industries at a grass-roots level.

The vivid illustrations by Mr. **Matti “Niffe” Nisula** really make this book a unique reading experience, making even accounting concepts easy to approach. Thus, we would like to thank Matti for the time and effort he invested in the visual appearance of the book. We would also like to thank the Foundation for Economic Education (Liikesivistysrahasto), the Association of Finnish Technical Traders (Teknisen kaupan liitto), Technology Industries of Finland (Teknologiateollisuus), and the Technology Industries of Finland Centennial Foundation (Teknologiateollisuuden 100-vuotis-säätiö) for funding the illustration work. Many thanks to Mr. **Markku Uitto** and Dr. **Laura Juvonen** for helping us to organize the financial support.

Dr. **Päivi Talonen** (senior advisor, industrial business strategist) and Mr. **Harri Sjöholm** (chairman of the board at Robit) have not only supported the initiative but have also provided detailed comments on the chapters. Thank you very much for your time and effort! We would like to thank Dr. **Pauli Heikkilä** and Ms. **Satu Savelainen** (Finnvera) and Mr. **Igor Kilpeläinen** (OP Markets) for their help in writing the introduction to the management of financial risks in international transactions; this part of the book really adds value for young sales professionals. We would also like to thank Ms. **Maria Jazdzewska** and Mr. **Nikita Gavrilenko** for reading the first versions of the chapters and for bringing a student’s perspective into the writing process in the early stages.

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Publisher: Technology Industries of Finland
Publishing and sales: Teknologiainfo Teknova Oy
Eteläranta 10
FI-00130 HELSINKI, FINLAND
www.teknova.fi

ISBN 978-952-238-229-0
ISBN eBook (pdf) 978-952-238-230-6
ISBN eBook (epub) 978-952-238-231-3

© Teknologiainfo Teknova Oy
Graphic design and layout: Public Design Oy
Illustrations: Matti Nisula
Language editing: Semantix Oy
Printed in Finland: Grano Oy, Tampere, 2018

This book contains five extensive cases. Thus, we would like to thank the managers who have made this possible: Mr. **Jani Käkälä** and Mr. **Jukka Lyly-Yrjänäinen** (Avant Tecno), Mr. **Mika Arvaja** (Etra), Mr. **Hannu Jokela** (Kemppi), Mr. **Harri Sjöholm** (Robit), and Mr. **Mikko Kuitunen** and Mrs. **Johanna Pystynen** (Vincit). In addition to these extensive cases, this book also contains many real-life examples, and we would like to thank the managers of those companies: Mr. **Kalle Tuohimaa** (Bosch Rexroth), Mr. **Tomi Karsikas** (Cajo), Mr. **Mika Apell** (Evondos), Mr. **Mika Luopajarvi** (Finnpower), Mr. **Jarmo Arentti**, Mr. **Eero Lahtinen** and Mr. **Mika Saarinen** (FlexIT Finland), Mr. **Stefano Bertazzoni** (Intertraco), and Mr. **Mauno Kärki** (Safeplast). In addition, many other experienced managers have inspired the examples and illustrations. We would like to thank Mr. **Antti Lindfors** (Antti Lindfors), Mr. **Tommi Lahikainen** (Invenco), Mr. **Jukka Auramo** (Horton International), Mr. **Arttu Hujanen** (M-Files), Mr. **Hannu Lautamäki** (Satron), Mr. **Ossi Lindroos** (Solita), and Mr. **Aleksi Arpiainen** (TT-Gaskets).

We would like to thank Mrs. **Kristiina Kaski** (managing director of Teknova) for being open-minded enough to publish this book. As discussed with Kristiina, this book is a pedagogical experiment, and it will be very interesting to see how engineering students, young engineers, and our colleagues alike respond to this learning material. We would also like to thank Professor **Petri Suomala** (former Vice President of Education at Tampere University of Technology) for supporting this unorthodox initiative right from the beginning. Professor **Petri Nokelainen** (Professor in Engineering Pedagogy at Tampere University) helped us position this book pedagogically. Many thanks for writing the foreword providing the theoretical grounds for this book. We also wish to show our gratitude to Mr. **Bruce Marsland** for checking the language and Mr. **Vesa Junttila** for the editorial work. Thanks to these two gents, both the text and the visual appearance turned out very nicely. We would like to thank TUT Foundation (TTY-säätiö) for funding the language check and Mrs. **Terhi Yliniemi** for her support in the process.

This writing process has delayed many other projects and tasks; we would like to thank all our colleagues, friends, and families for their patience and moral support.

Most importantly, this book presents sales in technology-driven industries as a challenging and interesting career option, which we hope will help more and more young engineers and engineering students enter the sales world. We hope this book helps to educate the next generation of competent and motivated sales professionals for technology-driven industries!

The authors

This foreword is for a book entitled “Sales in Technology-Driven Industries”. As there are quite a lot of textbooks on this topic already available, I will discuss, in the context of engineering pedagogy, some issues that I think will make it stand out from the existing learning materials.

First, let’s start by defining what engineering pedagogy is. Briefly put, it is about finding the best ways to teach higher-education engineering students. By ‘best,’ I mean teaching that supports the development of students’ learning skills, develops their subject-related knowledge, and helps them to understand how theoretical issues are related to practice.

Abstract and complex subject-related concepts create a special challenge for university teaching. How is it possible to help students not only to understand theoretical concepts, but also to apply them in work-related settings? The vast majority of learning materials in the context of sales and sales management consists of theoretical textbooks. They are valuable *content-oriented* sources of information, but quite often lack *learning orientation*. In other words, the content is structured under the terms of the theoretical concepts instead of being structured from the point of view of learning.

Why, then, bother to take such a ‘learning’ approach instead of having a content-oriented one? I can see at least two clear benefits based on the notion that there is no “one-size-fits-all” education, as both teachers and learners are individuals. *Firstly*, teachers know the subject, but have different levels of pedagogical experience and knowledge. This is backed up by existing research that shows that teaching in technical fields is mostly content oriented. In addition to university pedagogy courses for teachers, innovative learning materials are a good channel for presenting new ways to teach demanding subject-related concepts. *Secondly*, when it comes to students, they have different amounts of prior knowledge on the subject, and their learning abilities and skills vary. Numerous studies have identified profiles of disoriented learners, learners who need different amounts of time to learn new things, and learners who need constant feedback on their learning and support to build their self-esteem.

This new learning material clearly deviates from the mainstream of existing books by having a strong narrative, graphical, and authentic learning approach. In this book, real-life examples are presented and worked out in a logical and progressive order with the aid of more than 200 illustrated dialogues. The book has clearly been composed with a ‘pedagogical script’ in mind: teachers who use this book will benefit from the authors’ mastery of the subject content, which is reflected in the way in which different theoretical concepts are presented and discussed in close relation to the learning tasks at hand. From the students’ point of view, the book is constructed

to support ‘flipped learning’ as it addresses issues related both to the visualization and conceptualization of subject-related concepts (cartoonish illustrations) and to authenticity (examples of real-life transactions between a customer and a service provider). The concepts are presented at a detailed level in the book to attract the students to deepen their knowledge (monological level of learning) as well as prepare them for the discussions with the teacher and peer learners (dialogical level of learning) and group works (triological level of learning).

After reading through the chapters of this book, I was quite strongly convinced (with very little expertise on the contents) that this kind of approach will satisfy and support the needs of various groups of learners and will also provide higher-education engineering teachers with new pedagogical insights for their work.

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1 CHARACTERISTICS OF B2B MARKETS

Engineering students and young engineers go to shops and restaurants where they buy products and services in cash or with a debit/credit card. As a result, most engineering students and young engineers are familiar with business to consumer (B2C) markets, meaning businesses that sell products and services to consumers. However, such shops and restaurants buy, for example, goods for sale, equipment, furniture, buildings, and many services. The companies selling such products and services to other companies operate in business to business (B2B) markets. When looking at B2B markets in more detail, there are many technology-intensive companies that most consumers have never even heard of, because they are hidden in the supply networks of large manufacturers and service providers.

Such B2B networks employ a large number of people with engineering degrees, in both engineering and sales. Learning to analyze the supply networks of different products and services is an important asset at the start of a young engineer's career. On one hand, many interesting engineering jobs can be found in such manufacturing networks. On the other hand, there are interesting business opportunities in the upstream of such supply networks.

Another important learning objective of this book is to understand what versatile sourcing needs companies have, and the role technical understanding plays for salespeople meeting those needs. First, when looking at sourcing needs, the marketing literature provides some frameworks for identifying the different purchase categories typical of industrial B2B markets¹. One such framework is shown in *Figure 1.2*, providing a nice overview of goods and services managed by sales and purchasing professionals in industrial B2B markets.

As shown in *Figure 1.1*, industrial goods can be categorized in different ways. The majority of industrial goods sold in B2B markets are raw materials such as steel, accessory materials such as adhesives or fasteners, fabricated materials such as customer welded

pipings, and components such as circuit boards. These goods are often directly used by the customers in manufacturing their own products. However, in addition to the goods consumed by the manufactured products, companies also need capital goods, including equipment such as machines, systems such as enterprise resource planning (ERP) systems, and perhaps integrated solutions such as inventory management or logistics solutions. In addition, companies require general supplies such as office supplies, and services such as consulting, less directly linked to the manufacturing process but important none the less.

When looking at the role of technical understanding in selling products and services in different categories, this book uses Avant Tecno as an example. Avant Tecno is a Finnish company selling compact loaders worldwide. Avant provides loaders of various sizes and a collection of attachments for different applications. *Figure 1.2* shows Avant compact loaders being sold in a local showroom. The customer on the left is a do-it-yourself husband looking for a small loader to use in a large home for snow removal, renovation work, and gardening. The customer on the right, on the other hand, is a building contractor who wants a bigger loader for small digging jobs, carrying materials, and cleaning up the yard when the building is finished. In both cases, the salesperson is helping the customer find the best machine for their need.

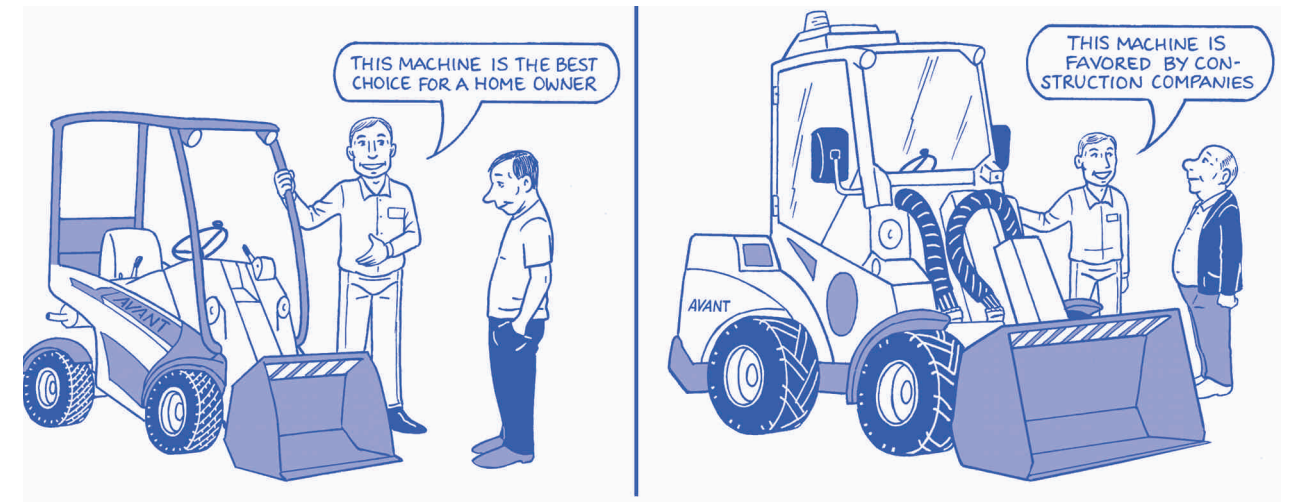


Figure 1.2. Avant compact loaders presented to the customers in the local dealer for both B2C and B2B customers.

Avant provides an interesting example regarding the versatile needs that such a manufacturer has. The diversity of engineering competencies needed for selling raw materials, components, production equipment and services to Avant is illustrated with the following examples.

First, an Avant is a very lightweight machine with high lifting capacity. This lifting capacity is partly possible due to the special buckets and forks



Figure 1.1. Purchase categories typical of industrial B2B markets.

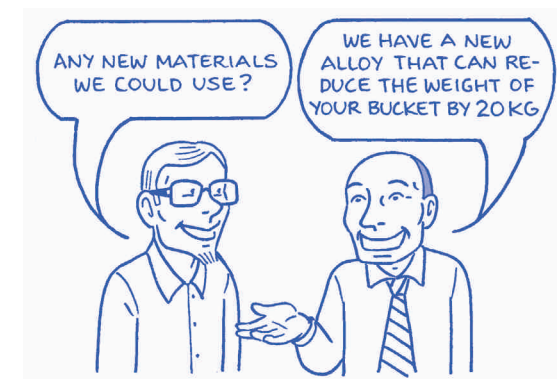


Figure 1.3. The salesperson of a steel supplier helping in material selection.

designed for Avant. The lighter the buckets and forks are, the heavier the load customers can lift. Even though they are manufactured by subcontractors, the buckets and forks have been engineered by Avant with the help of the material supplier. The salesperson of the raw material suppliers shown in *Figure 1.3* most likely has some materials science background combined with mechanical engineering. Thus, by reducing the weight of a bucket by 20 kg, the machine can lift 20 kg more, which is an example of how the supplier's salesperson adds value to the customer and customer's customer.

Second, an Avant loader is based on a very sophisticated hydrostatic drive system. The sales engineers of hydraulic component suppliers often help customers to design the systems based on the customer's needs. The systems are built using the components in the supplier's product portfolio, with the idea of continuing to supply the components for as long as the machines are produced. Whereas the salesperson in the example above helped mainly in material selection, in the case of a hydraulic system, the entire system is often engineered by the supplier's sales engineer. When the component supplier, for example, has new components available, they may suggest that the customer updates the entire system. If the customer agrees, they help the customer to design it. An example of such a discussion is shown in *Figure 1.4*.



Figure 1.4. A sales person helps a customer to design the machine.

As shown in the example above, the salesperson has designed a new drive system for the customer using the latest components in their product portfolio. The new high-pressure components are smaller, bringing down the machine weight and resulting in better fuel economy without any compromises in machine performance. However, the salesperson does not even expect to make a sale that day; instead, he has now ensured that the supplier is considered as a value-adding partner with state-of-the-art technology when the machine models are going through a major update.

Third, Avant has recently invested in 3D printing as a method of manufacturing machine parts and is constantly on the lookout for practical applications of such additive manufacturing. In *Figure 1.5*, the salesperson is pointing out that their technology would be very suitable for printing hydraulic blocks. Furthermore, he is also able to point out the key benefits of printed hydraulic blocks for Avant. First, when such a block is printed,

instead of drilling the channels into a large steel or aluminum block, much less material is needed. This, again, reduces the weight of the machine, helping to reduce fuel consumption. Second, when the channels are printed instead of drilled, the channels have rounded curves, reducing pressure loss in the hydraulic system. This, then, means more force from the same pumps. Thus, the salesperson not only knows 3D printing technologies, but is able to explain the benefits they offer to that particular customer.

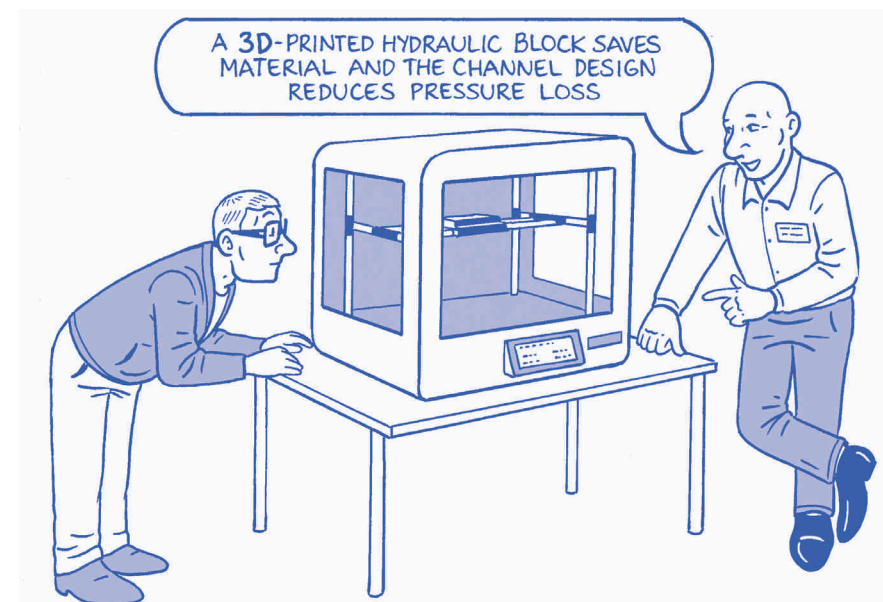


Figure 1.5. The salesperson needs to know the customers' manufacturing needs.

All the examples above have focused on either product- or production-related technologies. However, in addition to these, companies also buy different services, ranging from cleaning services to strategic consulting. The last example is a salesperson selling an IT solution to help management with the annual budgeting process. For a solid budget, the company needs an estimate of their future sales. When the front line has provided some estimates of the different machine models and attachments they plan to sell the following year, Avant management needs to convert that into sourcing and manufacturing budgets to see their direct costs. This means that the sales budgets have to be connected to bill of materials (BOM) data of all the machine models. This can be done by linking the sales and production IT systems together in a business intelligence solution. As shown in the



Figure 1.6. The financial manager asking tools for the budgeting process.



Figure 1.7. The best sales people know their own technologies and customer's business.

dialogue in *Figure 1.6*, the financial manager is interested but asks for some reference cases. Reference cases in this context means solutions that the IT consulting company has built for other customers similar to Avant.

These Avant examples show how a company manufacturing machines has very diverse sourcing needs. As also shown in the above examples, all the salespeople are specialists in their own fields, with a good understanding of their own technologies, the customer's needs, and even the customer's business. *Figure 1.7* illustrates this in the context of a company offering IT consulting.

As illustrated in the figure above, the top-notch salespeople today have a broad understanding of the technologies they are selling and of the customer's business environment, but most importantly, they are able to explain how their solutions will help the customer. It is also important to note that such salespeople may not represent the traditional stereotypes at all. As a matter of fact, in many cases, introvert specialists are better appreciated by the customers. When helping customers improve their business, one needs to invest time in listening to the customer to find out what sort of solution the customer needs.

The purpose of this book is to help young engineers and engineering students understand the B2B business environment of technology-intensive products and services. This book does not go too deeply into the presentation and negotiation tools, but rather sets the stage for young professionals to enter the B2B sales profession. This first chapter introduces some elements characterizing such a technology-intensive B2B business environment and differentiating it from the B2C environment, which is a more familiar environment to most young engineering students. The special characteristics are divided into five categories:

- Need to create customer value
- Market structure
- Product characteristics
- Purchasing behavior and decision making
- Sales and distribution

The introduction of these special characteristics does not mean that the business of every technology company selling to business customers displays all the characteristics. Instead, these special characteristics represent some guidelines one can pay attention to when starting to work in a new industry. As the first step, one needs to understand the need to create customer value and what it means in the B2B context.

1.1 CUSTOMER VALUE

Engineers have a bad habit of falling in love with their technologies and the product features enabled by those technologies. Even though technology plays a key role in technology-intensive products and services, it is still 'only a tool' to solve the customer's problems. That is why sales today does not focus on technologies or product features, but on the benefits the technologies and product features provide for customers. When the offering provides benefits to the customer, it also creates value. Customer value, therefore, is one of the key concepts in B2B markets².

Customer value is also important in B2C markets, which provide a more familiar setting for young engineers. For example, when buying a new car, the buyer considers what benefits the new car will bring. Most likely, the benefits will be something like power, aesthetics, and road feel. In that case, the buyer will be most interested in a car that has the best bundle of benefits at a reasonable price. However, the problem is that very seldom in B2C markets can customer value be quantified in terms of euros, and as a result, consumers tend mainly to focus on comparing the prices of different alternatives.

One of the few B2C areas in which an offering can provide quantifiable customer value is in home heating systems. For example, a ground heating system for an average detached home is an investment of about 10,000 euros. However, if the system saves 1,000 euros per year in electricity, it pays for itself in 10 years. In other words, one can consider that the company selling and installing the ground heating system 'donates' 1,000 euros to the customer every year. This donation, however, does not come for free; instead, the customer has to pay 10,000 euros for it and, hence, only after 10 years does the investment start to 'save' money for the customer. If the average lifetime of such an investment is about 15 years, the customer eventually saves about 5,000 euros.

Another similar example is a change from a gasoline car to a natural-gas-powered car; the lower fuel cost brings quantifiable savings to the consumer. This is illustrated in *Figure 1.8*. Unfortunately, most products and services that consumers buy do not bring quantifiable value. For example, a person needs a place to live, and yet that is only an expense without any quantifiable benefits.

In the B2B world, on the other hand, companies buy products and services to be used as factors of production. In other words, raw materials and machines are purchased to be used as

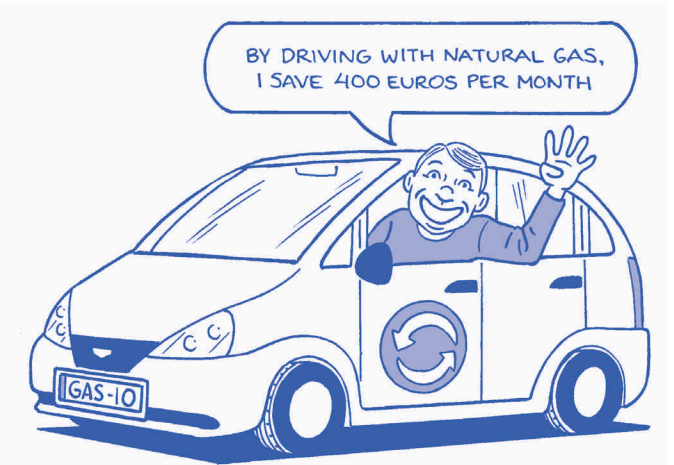


Figure 1.8. Quantifiable value is not so easy to find in B2C markets.

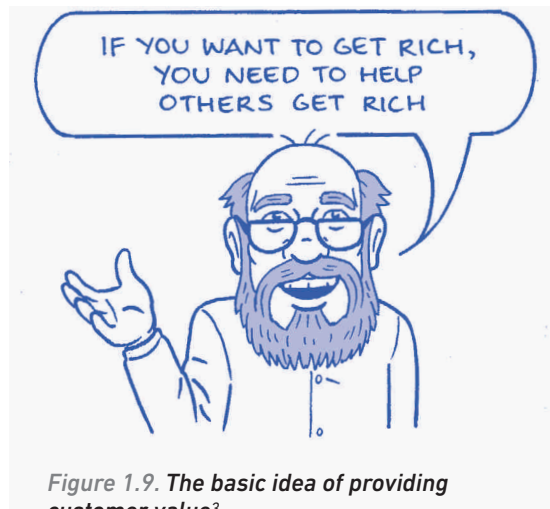


Figure 1.9. The basic idea of providing customer value³.

inputs for the products and services provided, and they are then supposed to be sold at a profit. Thus, products and services in the B2B world often bring financial benefits by helping a customer sell more or at a better profit. On one hand, a new, improved component may help a B2B customer capture more market share and, thus, gain more profit. On the other hand, the new component may simply be cheaper and, hence, enable the customer to make a better profit on current sales. Figure 1.9 illustrates the basic idea of customer value.

The comment in Figure 1.9 illustrates well the basic idea of customer value. The supplier is entitled to make money as long as it is providing quantifiable benefits to its customers, meaning that it is helping its customers make money. This section now shows some examples of how customer value is provided in B2B markets. However, before going further, it may be worthwhile making a clear distinction between two key concepts: customer value and customer perceived value.

Customer value (sometimes also called total customer value) is the sum of all benefits that an offering provides to a customer⁴. These benefits, however, do not come for free. To gain these benefits, the customer needs to make some sacrifices. Typical sacrifices needed to gain the benefits are the purchase cost, usage costs, and possible disposal cost, which make up the total customer cost⁴. The difference between the total customer value and the total customer cost is then the customer perceived value, or in other words, the value the supplier provides to the customer⁴. Figure 1.10 illustrates these concepts.

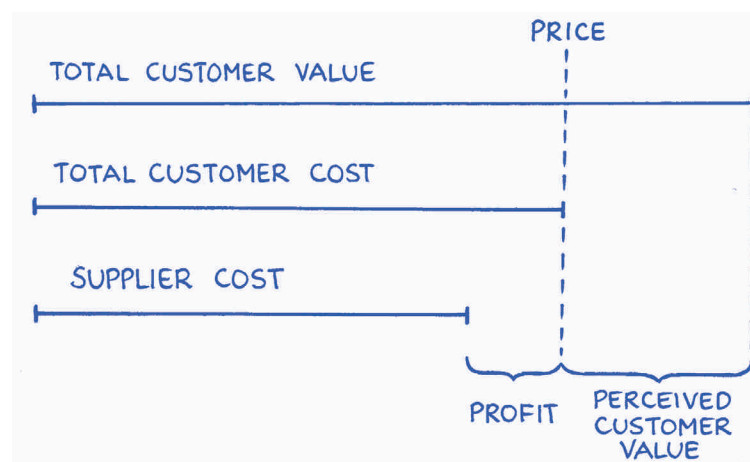


Figure 1.10. Total customer value, customer perceived value and supplier's profit.

Figure 1.10 also shows the supplier's costs and profit. The sales price can be set somewhere between the total customer value and the total supplier costs. However, if the price is set too close to the total customer value, the perceived customer value given to the customer may be too small to motivate the purchase. That is why the customer perceived value is sometimes also called the customer's incentive to buy⁵. If the price, on the other hand, is set too close to the total production cost, the supplier has no incentive to be in the business. As such, this benefit-sacrifice model illustrates rather well the incentives of both the customer and the supplier⁶.

The relationships between total customer value and customer perceived value can be illustrated with a simple example from the manufacturing environment. Figure 1.11 shows a company manufacturing balls. At the end of the production line, a worker packs the balls into a box. When a machine supplier proposes an automated packing machine, the situation changes.

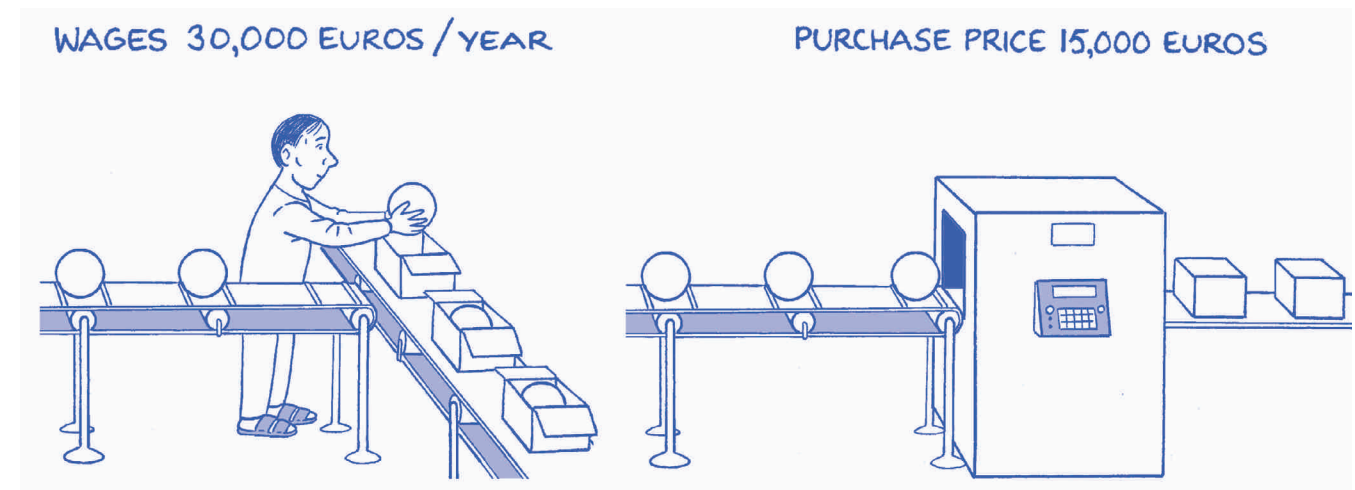
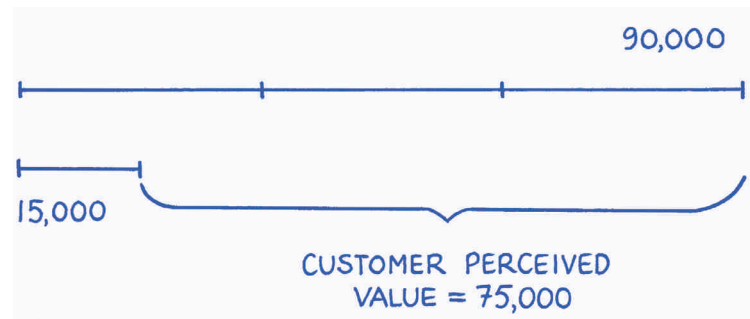


Figure 1.11. Customer value in B2B context when a product reduces labor costs.

The labor cost for such a blue-collar worker in Finland is about 30,000 euros per year. If the expected lifetime of the machine is three years, the total customer value is 90,000 euros (3 x 30,000 euros). Thus, the total customer value of the machine is the monetary value of the 'work' it can do. In other words, the total customer value is the salary the company would have to pay for the worker over the three years. This value, however, does not come for free. To have access to this value, the company has to pay 15,000 euros for the machine. Naturally, there will be some electricity costs and maintenance costs, but for the simplicity of the case, these can be ignored. In a sense, the supplier 'gives' 75,000 euros to the customer over the three-year lifetime of the machine, with a payback period of six months. Figure 1.12 shows the total customer value and perceived customer value of the offering.

Figure 1.12. Total customer value and the perceived customer value of the packing machine.



The packing machine example above is a very simple one, mainly illustrating the basic idea of the importance of customer value, as well as some possibilities for showing it in monetary terms. In many cases, such cost savings are not as easy to identify and, more importantly, to measure in euros⁷. Avant provides an example of clear value to the customer that is not, however, easy to quantify in euros.

In the USA, Avant loaders are used in service companies that cut down trees and conduct other landscaping work for both B2B and B2C customers. In the US, most homeowners buy such work as a service from professional service providers. Such service companies used to use ‘tank-like driven’ skidsteers that tend to break the turf. This results in extra work that creates costs for the service provider: either they place plywood on the lawn and build ‘roads’ for the skidsteer to operate on, or they dedicate manpower to fix the lawn after the job. An Avant, on the other hand, has articulated steering, which reduces the impact on the turf and creates value in the US market by reducing these costs. However, the cost savings change from case to case, depending, for example, on the area under construction and the condition of the turf. Even though an Avant is slightly more expensive than a skidsteer with the same lifting capacity, most Avant customers still consider the benefits of the low turf impact clearly to justify the higher price. Figure 1.13 illustrates the difference between a skidsteer and an Avant in the effect on the turf.



Figure 1.13. Avant provides value by reducing the need to protect the turf.

The examples illustrate customer value created by reducing the customer’s costs. The other way in which customer value can be created is by helping customers to sell more. One such example can be found in the medical device/service industry. Evondos is a Finnish company that provides medicine distribution services for home-care patients. Home-care patients still live in their own homes, and home-care nurses visit them to provide them with social and medical care. The home-care nurses visit some patients only a few times a week but some patients even several times a day.

Administering the medication of an elderly patient with dementia is one reason for nurses to visit a patient several times a day. The elderly person may be able to manage all their daily activities but needs help ensuring that all the medications prescribed are taken on time. Evondos offers a robot that reminds the patients when it is time to take their medicine, and notifies the home-care organization if the medicine is not taken. The medicine dispensing robot uses prepackaged multidose sachets (i.e. medicine bags) sold by pharmacies. Figure 1.14 shows an elderly person taking the sachet from the dispensing robot. The figure also shows what the prepackaged multidose sachet looks like. Each sachet has the patient’s name printed on it, as well as the date and time when the pills in the sachet are to be taken. It is important to note that many elderly people appreciate the privacy, independence, and feel of control over their own daily life enabled by the service.

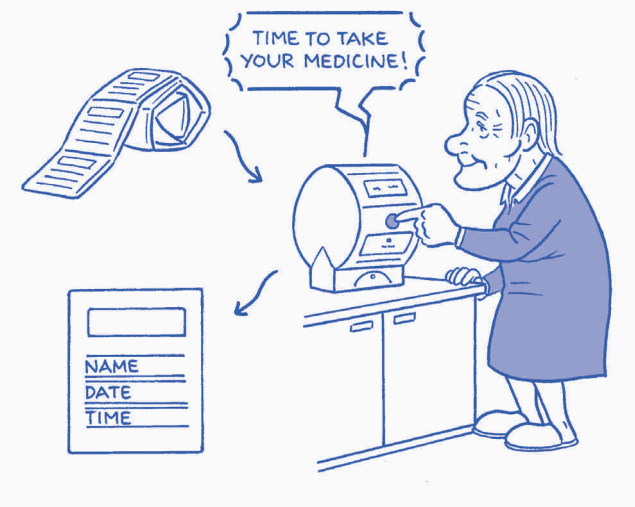


Figure 1.14. Evondos helps home-care patients administer their medication.

In Scandinavian countries, the Evondos service is mainly sold to public-sector home-care organizations. However, in some countries where private healthcare organizations are more responsible for such services, pharmacies compete for their share of the home-care business. In these countries, the competition is often quite harsh, with several pharmacies competing on the same city block. Interestingly, the Evondos service provides pharmacies with a new tool to provide a competitive advantage; by being the sole provider of automated medicine distribution, a particular pharmacy becomes more attractive than its competitors. The pharmacy, thus, would not only get a small advantage by providing Evondos to new customers, but more importantly, the service enables the pharmacy to get customers that were previously their competitors’ customers. Hence, they also get access to selling medicine to these customers, stealing market share from their competitors. Thus, the Evondos service can be seen as a tool to help pharmacies increase their revenue. This is demonstrated in Figure 1.15.