

Essay 1: Value is a subjective concept – how do we form our conception of the value of a product or service, how is this reflected in the sales-situation, and how can you explain firm competition through this? Use examples.

Write an essay of between 500-750 words.

It is known that value is the foundation of businesses: It determines the business's goals and missions. Product value, or value-in-use, is what customers perceive to be able to address their problems. Service value is identical to that of product value, except that it is subject to IHIP (intangibility, heterogeneity, inseparability, perishability)

How consumers form their conception of the value of a product or service: According to studies, there are namely 5 types of values perceived by consumers. They are: functional, social, emotional, epistemic and conditional [2] In other words, value is what consumers perceive to be able to solve one of their particular problems, or satisfy a particular desire.

+ Functional values are the most obvious motivation for consumers to make purchases, because they will utilize these products/service to solve their beforehand problems (such as buying soaps to clean their hands and buying bikes to go to work).

+ Social value is what customers perceive to make them belong to a particular social group. For example, buying products from luxurious brands will make consumers believe they belong to elite groups of people, or buying plastic-free food to have a feeling of an environmentalist.

+ Emotional value either boosts or prevents some emotions of the consumers. For example, security companies sell their alarm systems for people to reduce their fear, or people buy painting or teddy bears to satisfy their affectional needs (aesthetic value)

+ Epistemic value is the most special in that the product/service does not directly solve problems of the consumers, but only satisfies the curiosity of consumers in the product/service itself.

+ Conditional value depends on values of other products according to PESTEL framework and cultural settings. For example, the government suddenly bans motorbikes, which increases the value of cars. Many products can only be sold during national holidays or seasons.

Obviously, the consumers will consider both the value-in-use and the exchange value then they make buying decision. Consumers will be unlikely to make a purchase if he/she deems the cost is more than what they are willing to pay, even if the product satisfies their need.

Conception of value reflected in the sales-situation: Traditional transactions traced back to the barter system, where people exchanged for goods or products they were in need of. In modern times, simply satisfying the basic needs of customers is not enough, and thus value-based selling is born.

The definition of value-based selling according to Josh Kaufman [1] is:

“Value-Based Selling is the process of understanding and reinforcing the reasons why your offer is valuable to the purchaser. Though Value-Based Selling, you increase the likelihood of a transaction as well as the price the purchaser is willing to pay. Always sell based on the value your offer provides, not the cost”

If the customers perceive the value of the product/service to far exceed the exchange value, they believe they have made a good purchase. Finding the value perception of potential customers and directing them to the value of products is mainly what value-based selling emphasizes

How firms compete through value-based selling: As discussed above, customers’ perception of values is greatly nuanced. By utilizing value-based selling, many companies have gained competitive advantages. Some of them are [3]:

- + Create emotional attachment. The products should closely serve the deepest desires of customers. Firms need to be extremely detailed on how the products can help the customers in a particular way. Customers tend to be influenced by attractive positioning strategies, such as cheapest, fastest, and cleanest. This strategy is often used by luxurious brands such as Gucci, Rolex or Cadillac. They emphasized the social values that the customers may lack
- + Building trust by being an educator. Firms now have many people delivering pitches to inform people of their products in a trustworthy manner. Customers are likely to purchase if they have trust in the products. This strategy is usually used by new entrants into the market to gain their first positive impression.
- + Underlining the personal benefits of the product. Nowadays, simply listing general benefits does not persuade customers to make purchases. Firms should stay in close contact with customers and figure out how their products help each individual customer. As discussed above, customers will be willing to make a purchase if they have some sort of emotional attachment. Personal benefits help them realize what they actually need. For example, environmentally friendly firms may persuade customers that their products fit in with their lifestyle.

[1] References: Josh, K. What Is ‘Value-Based Selling’? Available at <https://personalmba.com/value-based-selling/#:~:text=Value-Based%20Selling%20is%20the,offer%20provides%2C%20not%20the%20cost>. (Accessed 20/10/2020)

[2] Defining the Customer’s Concept of Value. Available at <https://2012books.lardbucket.org/books/modern-management-of-small-businesses/s06-01-defining-the-customer-s-concep.html> (Accessed 20/10/2020)

[3] Kent, H (September 8, 2019). Value-Based Selling: 6 Ways to Sell Value Rather Than Price. Available at <https://www.copper.com/blog/value-based-selling> (Accessed 20/10/2020)