

Creating Value

Filigree
Consulting

The logo graphic for Filigree Consulting consists of a light blue, stylized grid or architectural structure. It features several overlapping rectangular frames of varying sizes and orientations, creating a complex, layered geometric pattern that resembles a modern building facade or a technical drawing.

Creating Value

Successful businesses create value for their customers. They provide customers with capabilities that enhance their ability to do something. These capabilities are most frequently delivered in the form of product and service function, but can consist of knowledge.

Filigree Consulting has developed an overarching hierarchy for value creation which encompasses Thought Leadership 2.0 and Customer Experience. The model's fundamental concept is based on our experience that it is very difficult to be successful at a higher level practice without mastering the lower levels of practice. Thought leadership, as we define it, depends on a high quality customer experience, which depends on delivery, ease of use and product and service quality. The hierarchy isn't about what a company can attempt to do. It's about what companies can do successfully. It's about what customers will accept.





The Value Creation Hierarchy

We have built our model for the value creation hierarchy in four layers. The names we have used to describe the layers are practice oriented (e.g. offer marketing and customer experience) but the real differences between the layers have to do with the type of value a customer receives.



Some readers will object to the placement of thought leadership on a level higher than customer experience. This is not a value judgment about importance; it is a statement about dependency. We believe that for a set of relationships engaged in a trust/knowledge sharing cycle to flourish (thought leadership 2.0) that the more basic needs of exceptional interaction and respect for individuals (customer experience) must first be served.

The Layers

At the lowest level of practices, companies offer value to their customers through product or services value and via marketing focused on products and services. To simplify, we call this level offer marketing. The value being delivered at this level is product or service functionality and generally it's what we call "table stakes" or the price of market entry.

As companies become aware that they can leverage the offer value they provide their customers with tailoring and ease of use they begin to focus on differentiation that is external to the basic product or service they sell. Generally, this is driven by customers asking for ease of use and other offer capabilities that help improve the productivity associated with the offer. Most frequently these features are used to tailor offers to specific segments. Another tailoring technique is to bundle offers for specific segments. This is the basis of differentiated marketing. The value being delivered at this level is a combination of ease of use and product or service quality.

Frequently companies realize that individualization of offers and communications will drive significant customer loyalty. They focus on their customer experience. Those would do it well have great results. Their profitability and return to their stakeholder is exceptional. At this level the value being delivered is a combination of individualization, exceptional service, ease of use and product or service quality.

Few companies make the leap to delivering thought leadership via knowledge-based relationships. These companies have recognized that the best way to become successful is to make their customer successful. Simply put, the way they create value is through sharing of knowledge that is valuable to their customers.

It is important to understand that we are not talking about information. Knowledge means "know how". Knowledge sharing is about sharing how to do something better or how to make better decisions. Knowledge-based relationships can establish a virtuous cycle of trust, knowledge transfer and value creation with your customers.





**Customers
decide.**

You can decide how high you want to climb in the hierarchy, but at the end of the day it's up to your customers to decide if they will let you.

Summary

Our model for value creation is based on what customers will accept. Several things happen as a company moves upward in the hierarchy but the most important is a deepening of the relationship between buyer and seller. There are several things important to note about the hierarchy:

Value is created at all four layers of the model. The nature of the value and the strength of the value changes as a company move up in the hierarchy.

- Offer value is based on product and service quality.
- Differentiated marketing value is based on usability or solution fit in a segment.
- Customer experience value is based on individualization and experience.
- Thought leadership value is based on sharing knowledge.

You can't start at the top. We believe the lower levels of the model must be mastered before a company can ascend. Trying to have an exceptional customer experience with products that don't work as advertised is a waste of time. Trying to have a trusted, intimate, knowledge sharing relationship without already providing a highly individualized and exceptional customer experience is difficult if not impossible.

Not every company and not every customer should get to the top. There are many companies that will remain product juggernauts and never climb upward (nor, perhaps should they). Not all companies or offerings should reach the top of the pyramid. There are many companies that are successful at the offer value level and provide acceptable returns to their stakeholders. Don't fall into the "all or nothing" trap. It may be appropriate to focus on knowledge-based relationships in your key customers only.

We have found that there are two things that are critical in moving to the next higher level. First you must have mastered the lower level and second the value you offer must be something that your customer really wants.



579 Hemlock Drive,

Lyons, CO 80540

303-823-0414

ascharer@filigreeconsulting.com

filigreeconsulting.com