Money flows to value.

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Martijn Rozendaal


Marco Reijntjens

What do you spend your money on? Every person and every company spend their money on things they find valuable. Doesn't that sound like common sense? Most certainly, but when it comes to client retention, we all know that common sense is not always common practice.

The rule of economics that applies here is 'Money Flows to Value'.

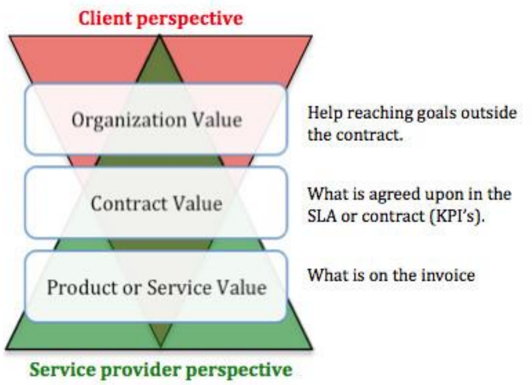
When told about this simple but powerful truth, every CEO nods in agreement. Of course, value is what their organizations strive to bring to their clients. But when we ask them to think about their commercial challenges with this rule of economics in mind, the frowning begins. They immediately understand that, by this rule, leaving - and price negotiating clients are telling them that the value their company provides is in decline.

Of course, this is a hard truth to accept. It is contradictory to their intentions and endeavors and fully counterintuitive. The fact that client satisfaction rates may remain high, provides them a false sense of security that makes the growing risk of loss even harder to accept.

But the numbers show that, when push comes to shove, when clients leave they perceived more value in another deal.

So, to turn the tides, the main question is: which value should we provide? This is where frowning deepens, because clients and companies perceive value differently. If you want your client's money flowing to your organization, it is vital to understand this difference well.
Clients perceive value on the same three levels as organizations are aiming to provide it:

- The product or service
- The contract
- The organization.



Importantly, there tends to be a difference in the way these levels are considered to be relevant. To a service provider everything mentioned on the invoice is most relevant: the services provided. This is also the most costly and visible element of the contract. Therefore it is commonly mistaken for the most valuable element.

Internal targets for account managers represent the focus of an organization. Targets are mostly turnover (revenue) based. Account managers therefore will be focused on selling as much of this ‘Product or Service Value’ as is possible. The target for operations is delivering on the KPI’s. They aim to deliver the ‘Contract Value’ in the most cost effective way. Usually this means doing enough to meet KPI’s, but not much more. The next level up, ‘Organizational Value’, is mostly seen as ‘going the extra mile’. Services outside the contract will be provided when asked for and billed when possible, but there are generally no specific targets set for this level of value.

From a client’s point of view, most certainly from C-level perspective, the product or service is something they can get anywhere. Contracts and SLA’s cover basic needs. What is immediately relevant to them is your help in reaching their goals. There are a lot of expectations with the decision makers on what you might help them achieve. It is an ample field for providing relevant value.

An example: A large insurance company hired a leading software company to replace their outdated and unmanageable systems. The contract stated the license fee and prices for consultancy and programming. The main KPI’s in the SLA were about technical performance and service. What was not on paper was the C-level goal to create a manageable system. Guess what happened in practice…. (When the software company started delivering value by their products and service…)?

Remember, C-level calls the shots. When they perceive the value you can provide is comparable to your competitors, what will the distinctive element of your proposal be? That’s right, price! (Not where you want to be.)

Since ‘Money Flows to Value’ let’s be relentless in focusing on ‘Relevant Value’ as perceived by our client!