METHOD OF A COMPANY VALUE CHAIN TRANSFORMATION WITH THE PURPOSE OF INCREASING VALUE FOR CUSTOMERS

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In this article the author suggests the method of a company value chain transformation with the purpose of increasing the value for customers. This method considers the changes in customer perception of value. The method is based on the analysis of customer expectations from each stage of customer-company interaction.

Nowadays the value perceived by the customer, depends not only on the importance and utility of goods, but also on customer-company relations. It means that approaches to create higher customer value should be changed. David Rickard suggests the enterprises to move its focus from consumer properties of production, to the processes of customer-company interaction.

Using the principles and logic of D. Rickard approach, the author offers the method of the analysis and transformation of a company value chain which includes three steps:

1) the first step is to describe the chain of customer-company interaction and to develop key indicators of customer satisfaction;

2) the second step is to estimate the current value and target value of KSI;

3) the third step is to make decisions on business process optimization.

At the first step the author suggests to determine the stages of customer-company interaction, to define business process and key indicators of customer satisfaction. Some examples of KSI, business processes and stages of customer-company interaction are illustrated in the table.

The author suggests eight typical stages of customer-company interaction in B2B sector: selection of supplier, making contract, order placement, control of producing, receiving of production, starting-up and adjustment, instruction and consulting, problem resolution and general support.

Each business-process adds to customer value a different part of value, that's why the author suggests estimating the weight of each stage of customer-company interaction for the customer.

On the next step of the method for estimating the current values of KSI it is necessary to make a customer survey, in which they fill in their marks for every KSI. In this survey the author uses the mark scale from -2 to +2.

Target values of KSI are defined taking into account three factors. The first factor is the minimum customer expectations.

The second factor is the difference between the current values of the company's KSI and current values of competitors KSI for each stage of interaction with the customer.

The third factor is the level of impact of KSI improving or KSI deteriorating on the customer value.

KSI example

The stage of customer-company interaction	Business processes	Key indicators of customer satisfaction
Making a contract	Contract preparing, contract negotiation, making contracts with subcontractors	Promptitude of making a contract
		Compliance of contract terms to an initial offer
Problem resolution	Claim obtaining, Problem research, Problem solving	Promptitude of claim response
		Promptitude of problem solving
		Flexibility in problem solving

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The current Values of competitors KSI	level of impact of KSI improving or KSI deteriorating on the customer value			
	Case 1: high impact of KSI improving and KSI deteriorating on the customer value	Case 2: high impact of KSI improving and low impact of KSI deteriorating on the customer value	Case 3: low impact of KSI improving and high impact of KSI deteriorating on the customer value	Case 4: low impact of KSI improving and KSI deteriorating on the customer value
-2	2	2	-2	-
-1	2	2	-1	-
0	2	2	0	-
1	2	2	0	-
2	2+	2+	0	-

Fig. **Matrix of target values of KSI**

The author's matrix of target values of KSI is illustrated in figure. This matrix takes into account all three factors.

At the last step of the method the author offers four different variants of business processes transformation leading to achieving the target values of KSI. These variants depends on the level of KSI impact improving or KSI deteriorating on the customer value.

In the case when the KSI improving and KSI deteriorating has high impact on the customer value the author suggests to invest into improving these business processes to achieving a competitive advantage.

In the case when KSI improving has high impact, and KSI deteriorating has low impact on customer value the author suggests to act in the same way.

In the case when KSI improving has low impact, and KSI deteriorating has high impact on the customer value the author advices to bring down the costs of these business processes without deteriorating the quality level and service level.

In the case when KSI improving and KSI deteriorating has high impact on the customer value the author raises a question about the advisability of doing these business processes.

The results of using the author's method are the set of decisions for core business processes of the company, and the set of KSI measuring target parameters of the necessary changes in these business processes.

The author's method allows to find the best arrangements for creating customer value higher than competitors by transformation its business processes.

Rickardo D. Winning by understanding the full customer experience / The Boston Consulting Group, Inc, 2006.