
Book Review

Value first then price: Quantifying value in business-to-business markets from the perspective of both buyers and sellers

A. Hinterhuber and T.C. Snelgrove
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Pricing is one of the most important marketing decisions for companies. Even though, current research shows that the most successful companies base their prices on value, value-based pricing is used relatively rarely. One reason for this is that companies lack the knowledge and tools to actually quantify and sell value. This book provides help to alleviate this problem. The book offers several practical tools, provides viewpoints and frameworks to conduct value-based pricing in B2B industries. The book is possibly the only book dedicated to the topic in the business market. This limitation is important to note since the tools for value quantification are different in business markets compared with consumer markets.

The book discusses value-based pricing from buyer and seller perspectives. It includes seven parts. Part one is introduction to the book. The second part “Selling value: value quantification capabilities” includes several chapters that address the processes associated with value-based pricing and capabilities required for value quantification. The first chapter highlights that pricing is not a standalone activity. Instead, successful implementation of value-based pricing requires understanding of quotation processes, company pricing capabilities and

change management program. The chapter provides models to approach these processes and programs. The second chapter introduces a three-stage model to implement a Customer Value Management, or CVM system. An industrial engineering company SKF serves as a case example of CVM system’s implementation. The third chapter discusses the importance of value quantification capabilities for strategic account managers. This interview also describes the antecedents of value quantification capabilities: ability to listen, ability to interpret weak signals and having financial acumen. The last chapter of the part one concludes that the most basic sales-force capabilities to value-based pricing require three Cs: confidence of the seller in their abilities, their levels of comfort in developing and deploying value-added documentation, and the credibility of the message they are creating.

Part three “Selling value – Best practices in value quantification” describes, in three different chapters, different processes for value quantification. The first chapter shows a five-step model for value quantification. The steps are customer insight, value creation, value proposition, quantify value, and implement and document. The second chapter describes

causes for value-selling success, which are value conceptualization, value-selling process, value-based sales tools, initial value-selling training, ongoing value-selling experience, sales compensation, value-buying options, business culture and customer culture. The model for value quantification described in the last chapter of the part introduces a three-step model that includes customer insight, value proposition and value sharing. All the three chapters back up the models with examples and several case studies.

Part four “Buying on value – Value quantification and B2B purchasing” considers value-based pricing from a buyer’s point of view. Contrary to commonly held assumptions, the authors argue that procurement is frequently willing to purchase based on value if – and only if – sellers are able to present a business case highlighting how a higher initial purchase price lowers costs and otherwise yields incremental financial benefits. Part four also contrasts three approaches that suppliers use to select vendors: price, total cost of ownership and best value. Understanding the alternative supplier selection methods may clear seller argumentation. Also part four includes several real-life examples and case descriptions that show how procurement works in practice in case companies.

Part five, “Value quantification and organizational change management” includes two interviews. The first interview discusses value quantification for industrial services. The interviewee argues that value quantification is especially important in industries where products or services are viewed by customer as commodities, and the competitive situation requires justification of prices. Value quantification just takes a lot of effort and a lot of work to get right. The chapter gives many practical examples of value quantification and some good hints on what kind of systems work in practice. For example, value quantification work becomes easier, the closer the seller

works with the customer. The second interview looks at value quantification for more complex B2B services. The importance of value quantification seems to become more important as the strategic importance of the customer increases.

Part six “Buying and selling on value – Value quantification tools” include three chapters that discuss tools used for value quantification. To set and justify prices that reflect customer value, one must be able to measure it. The first chapter compares two tools to quantify value: customer value mapping and economic value calculation. The second chapter introduces a process for value quantification in the start-up companies. The final chapter examines an example of how to work out and document revenue and cost-impact calculations for the customer.

The last part of the book is an epilogue and is a call to action for value quantification in B2B buying and selling.

The book has practice-oriented perspective and manages to offer several useful tools for value-based pricing. The book’s benefit is that it does not offer one solution that would fit all circumstances. It offers several viewpoints of the value-based pricing from which the reader can choose the solution that fits the best to their own needs. Furthermore, several case studies and descriptions of best practices make the book a very interesting read and also deliver a range of ideas and inspiration to all readers. Overall, the book has succeeded on delivering its purposes very well. The book is especially suitable for practitioners who wish to improve their pricing processes and practices.

Outi Somervuori
Aalto University, Helsinki 00120, Finland
E-mail: outi.somervuori@aalto.fi