

What is the Value Formula

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2013-08-09 - Baldor has used the Value Formula for more than 20 years to guide employee actions and behaviors related to taking care of customers. Now, it's coming to everyone in ABB North America.

After visiting several Baldor facilities during 2012, Enrique Santacana, Region Manager for North America, decided that the Value Formula was a best practice that should be taught to all ABB North America employees by the end of 2013. Enrique points out that ABB knows **how** to take care of customers using tools like 4Q, but the Value Formula helps us understand **why** we should focus on them more.

Perceived value

Customers have told us that there are four areas (quality, service, cost and time) that contribute equally to their perception of Value (V_p) - the worth someone puts on a product or service (what they are willing to pay for). What's most important is to realize that customers determine what Value is, not us; and we need to remember to see each situation from the customer's point of view.

Quality and service

Quality (Q_p) and Service (S_p) are factors we should work towards increasing to raise the perceived Value in the customers' mind.

The customer perceives quality based on the product meeting his specific requirements. Perceived service is about

how well you take care of the customer - our availability, our accuracy and our responsiveness.

Cost and time Cost (C) and Time (T) are factors that need to be reduced in order to also raise the perceived Value. We understand that the true cost of one of our products goes far beyond its purchase price. Total cost of ownership is measurable, including not only the purchase price but also operational, downtime and repair costs over the life of the product. Time is also measurable - when a product or information is available can mean getting or losing an order. It's important to always have a sense of urgency when dealing with a customer whether you are returning a call, shipping a product or delivering information.

Customers vote with their orders every day. We all have the responsibility to provide the value our customers' are willing to pay us for. By understanding how customers define value, we are better able to provide them with the goods and services they expect and require. **Training classes underway** Train the Trainer classes for the ABB locations began in late 2012 with classes being rolled out early this year. Approximately 4,600 of nearly 12,000 ABB North America employees have received the training so far.

