

# Value Creation: How Is Customer Value Created & Measured?

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# What Is Value?

- Customer value is the total benefit expressed in monetary terms a customer gets in exchange for the price paid for the market offering.
- In simplest terms, it is the degree of goodness derived from consumption.



## What Is Value Creation?

- Value creation is the business process of developing value for the customer through the organization's purpose, strategy, and business model, taking into account all resources, capitals, and relationships.
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# Value creation stands on three key pillars:

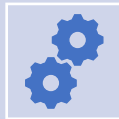
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**Organisation's Purpose**



**Business Model**



**Resources and Processes Utilization**

# Why Is Value Creation Important?

Value creation is a cycle where the business focuses on developing value for the customers while benefiting from the same in terms of higher revenues.

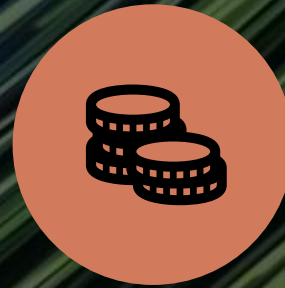


# Types Of Value Created

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**Functional  
Value**



**Monetary  
Value**



**Social Value**



**Psychological  
Value**

# How is Value Created?

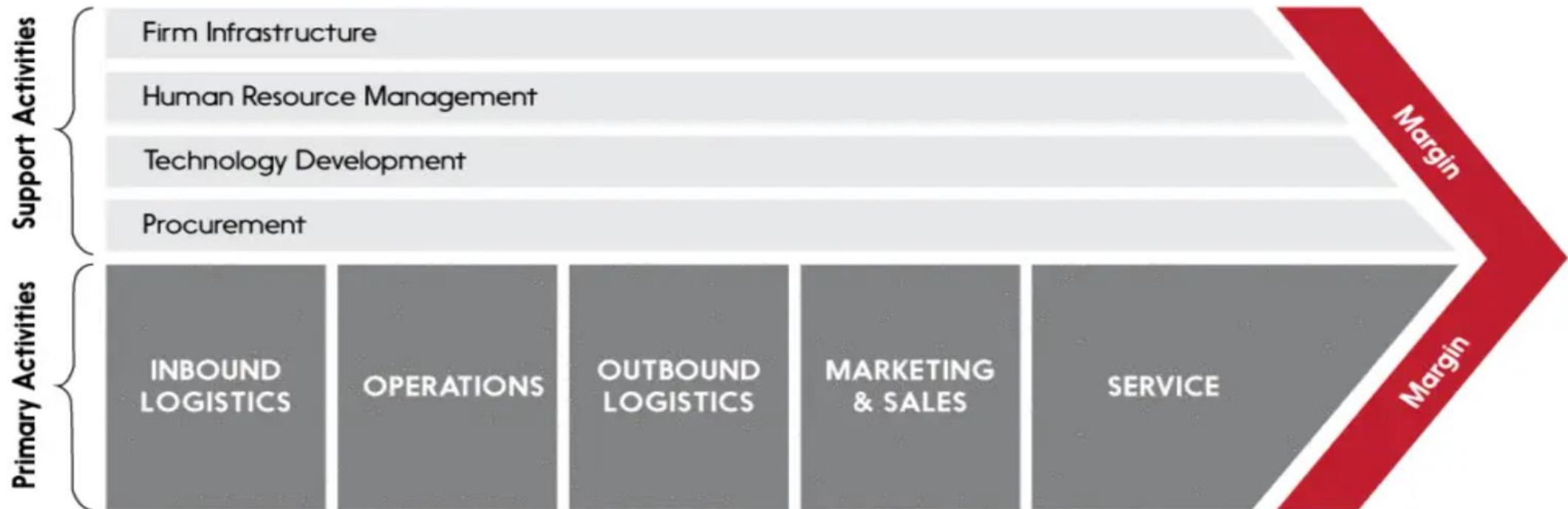
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- Value is created whenever a business uses its resources to provide benefits to the customer.
- This happens during business processes, at every business department, and at every stage a customer interacts with the business.



# Value Creation Chain

## Value Chain Analysis





# How much value a business creates depends on certain value drivers.

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**UNSUBSTITUTABLE**



**UNIQUE**

# How Value Creation is Measured

- Revenue
- Retention





# Bottom-Line?

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- A business can sustain only if the customers believe they get something of value from it.
- Value leads to demand, results in revenue, and brings in profits.

Price is what you pay.  
Value is what you get.

Warren Buffett

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THANK

YOU!!!

