



Todd C. Snelgrove

THE BEARING INDUSTRY

VALUE FIRST

THEN PRICE

The opening conference presentation of the Bearing Reliability Conference & Expo which was held on 10 - 12 October 2018, was presented by Todd C. Snelgrove. Todd is what is referred to as a Global Value Merchant, always advocating the power of Increasing You and Your Customer's Bottom Line by demonstrating, documenting, procuring, pricing and selling based on best Total Profit Added™.

Global Vice President of Value with over 15 years' experience in being the team leader on understanding, presenting, calculating pricing, and purchasing on Total Cost of Ownership (TCO) or Total Profit Added™ (TPA™), Todd is acknowledged to be a leading subject matter expert in the field of value.

The topic of Todd's presentation was "The Bearing Industry, Value First Then Price"; referring to his new book. We tried to explore the key aspects of Value in the industrial maintenance and reliability world during an interview with Todd C. Snelgrove.

What was the reasoning of your new book?

To look at this concept of value and discuss not only best sales practices from companies that sell, price, market based on value and that have an institutionalized program such as DHL, Parker Hannifin, along with the newest academic research by the best in the business Dr James Anderson from Kellogg. Tied together by some of the best thinking from sales associations such as Strategic Account Management Association. Also looking from the buyer's perspective that explains, how I want to buy, how and when will I pay more for something? It seems all the different groups came back with the need to quantify the value, but numerous other things needed to be done on both the buyer and sellers perspective.

You described a new holistic measurement of measuring value called Total Profit Added™ vs Total Cost of Ownership – what's the difference and why was a new measurement of value needed?

Total Cost of Ownership has been used in the Information Technology environment for years to look at all the costs that will

be saved by using technology over the lifecycle of the hardware and service. I started applying this to the industrial world about 15 years ago or more, looking at the customers Acquisition, Installation, Operation, and Maintenance Phase, and finally the Disposal phase. However, the more I looked at all the ways a customer could make money the more I kept evolving TCO to not only look at COST savings, but what industrial companies can do to increase the other lever of business – that being the REVENUE side. Companies should look at which supplier of a product or service that can make them the most PROFITABLE – that being the positive revenue increases by increasing production, yield, time to market, flexibility PLUS the costs saved by using less energy or lubrication or manpower MINUS the investment in the solution (versus the next best alternative). I referenced two quotes from Procurement experts from the book about this evolution.

This book challenges many of the assumptions that exist in inter organizational relationships. It truly is possible to achieve win-win outcomes that drive mutual value and shared risks and rewards, Snelgrove

explores this proposition in detail, providing a great read for practitioners. Robert Handfield Bank of America Distinguished Professor of Supply Chain Management Director, Supply Chain Resource Cooperative North Carolina State University

Snelgrove's measurement of a new view on Total Cost of Ownership (TCO), a more holistic measurement focused around Cost, Benefit, and Value called Total Profit Added™ (TPA) is a great step in the evolution of enabling both buyers and sellers to make the right decisions based on best value not lowest price.“ Prof Thomas Choi Center for Advanced Procurement Studies and Professor Arizona State University

Will procurement pay for value?

The answer is a resounding yes. Five chapters were written by thought leaders in the procurement world. However they explained, what a sales organization has to do to get them to pay for that value. Such things as quantify it, be willing to get paid on the delivery or realization of the value, proactively bring them ideas to be more profitable versus waiting to respond to the RFP, RFI, RFQ etc.

What is the benefit for companies that are good at selling on Value?

So many. Professor Anderson's research, starting with the Seminole 2007 Value Merchants Book showed that customer churn decreased, sales cycles shorten, increased share of wallet, and reduced discounting. One of my favorite pieces of research comes from the Monitor Pricing Group, now part of Deloitte, that shows that when comparing companies in the same industry, the ones that were "Good at Value" were 24% more profitable than the industry average, ones that took the "Value Approach" but were not the best at it were still 6% more profitable than the industry average, and companies that took a Cost or Share driven strategy were 9% less profitable than the industry average. Seems low price that meets the minimum customer requirement is not the way too be sustainably profitable.

What is the benefits for companies buying on Total Profit Added?



I believe it's the companies that have the most innovative supply chains that will create a competitive advantage. Buying cheaper parts won't get the average cost per widget down, true efficiencies need to be created to win in a global market place, and suppliers will bring these to the companies that reward them. Some studies I reference, a study done by Manufacturers Alliance for Productivity and Innovation (an association I am a member of), showed that companies that procured on Total Profit Added™ – a wider view of TCO were 35% more profitable than ones that didn't. A study I was involved with by the global procurement consulting strategy group called State of Flux showed that suppliers that engaged using Supplier Relationship Management (SRM) received between 4-6% more value than the contract called for – just by engaging suppliers differently around value. Finally the award winning research from Prof Kate Vitasek at University of Tennessee, based on the Nobel Economic Prize winning 2009 research by Oliver Williamson, shows that companies that enter true partnerships, Vested Sourcing, are by far the best of breed.

What are some of the things that companies do taking a value approach that do not work?

The stick approach. Giving a sales force a number of success stories to log, or number of value cases to be created. One of my favorite quotes is the more you measure something the worse the quality gets. Yes the box will be ticked, but did you ingrain it in how you do business, or how you think.

How do you start to quantify the value of your products or services?

Three take ways I have. One is to walk the life of your product or service from the whole customer experience, how is it received, up packed, inventoried, installed, disposed of – then you can see the effects it has. Secondly, once you have a list of benefits – more reliable, faster, lasts longer etc. – sit down and do an exercise I run called SO WHAT? (Similar to the 5 Why's)– What is it worth for this to be faster etc. Finally, start by building a model on a piece of paper with some basic formulas, your numbers and ranges will become more accurate the more cases you log, but it's okay to start with a range and then evolve.

What are some of your key learnings?

It does not work when companies look at

a value strategy as an isolated Program, a silver bullet. It is not about just training your team, building a calculator, or incentivizing them. It is about an ongoing culture change program, and successful companies treat it this way. By having an owner to drive, evolve, champion and update it. In the book Professor Anderson and me discuss the two facets for a program really to work. One you need the ability to sell value – this is where most companies start and stop, the second component is the want to sell value. The second part is the ongoing cultural evolution that needs to happen to ingrain Value in everything your company does.

It is not easy, but it's not as hard as some people think. If you don't create incremental customer value, then don't be surprised at customers to focus on unit price. The journey is worth the investment, the payback is the biggest you can have in your business.

Todd can be contacted for Key Note sessions at Global Management or Sales Meetings, OEM / End User Customer Events or Distributor events to discuss buying, selling, pricing based on value, or employment opportunities at todd.c.snelgrove@gmail.com or www.linkedin.com/in/toddsnelgrove