

The Value Chain

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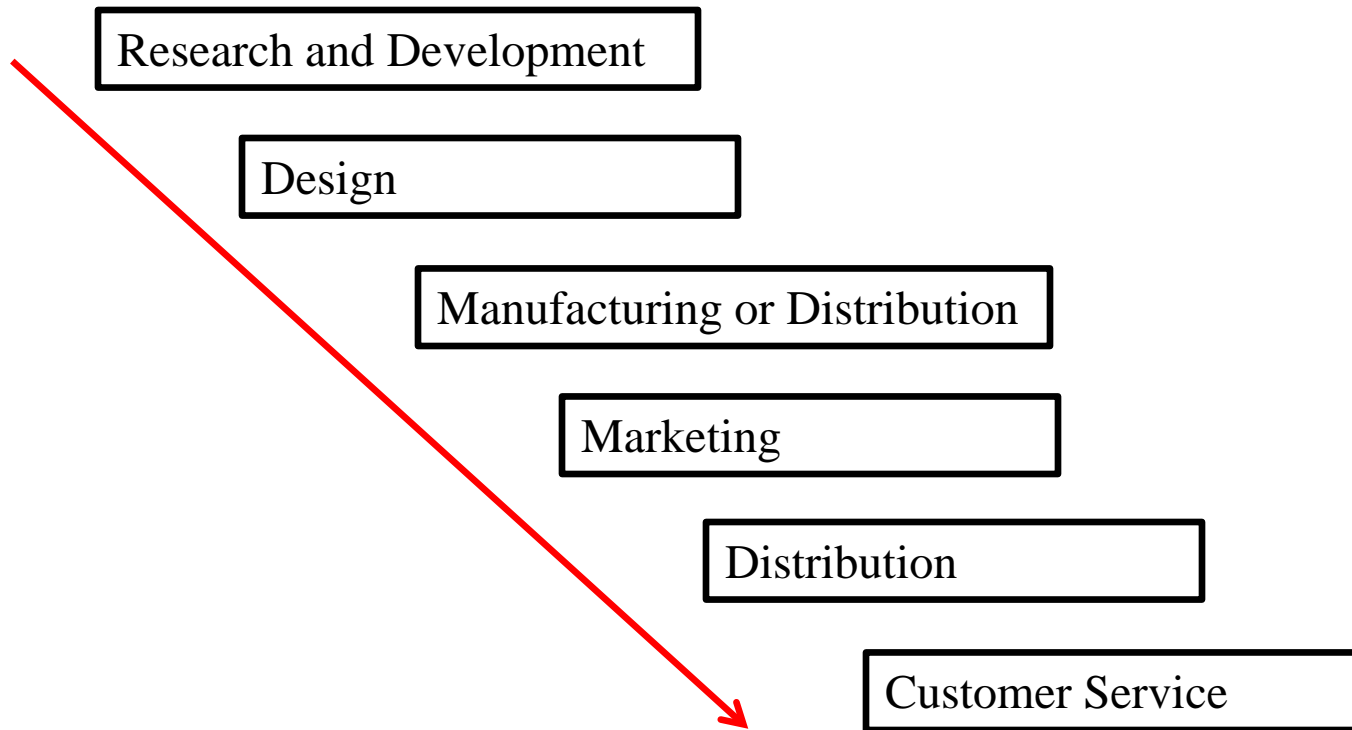


The Value Chain

- The value chain is what adds value to the product.
- This value must be appreciated by the customer.
- Therefore, while keeping your workshop clean is important, required, and appropriate, it is not part of the value chain.
- However, the customer must pay for housekeeping.

The Value Chain

- One of many possible value chains.



The Value Chain

- Research and Development
 - Figuring out what the consumer wants or needs.
 - Figuring out if it can be provided.

The Value Chain

- Design - You know the consumer wants it so,
 - You need to figure out if you can design it for a production effort which the consumer will appreciate.
 - The (Ford Motor Company's) Edsel was a fantastic step forward in technology. The consumer did not like the way it looked. It died an early death.

The Value Chain

- Manufacturing or Distribution
 - You need to manufacture it at a cost beneficial to the company and the consumer.
 - Building a better mouse trap to replace the \$0.99 item currently in many hardware stores is unacceptable if its cost is \$249.99 on the shelf.

The Value Chain

- Manufacturing or Distribution
 - Distribution must put the product in front of the consumer at the time the consumer wants to buy it, in a condition acceptable to the consumer.
 - Wet bath towels at the beach are not a go.
 - Wet sand bags during a flood are probably a seller.

The Value Chain

- Marketing
 - Advertising is one of the toughest expenses on a business.
 - How do you know if the sale was made because of the ad or because of something else?
 - Marketing is putting pressure on the mind of the consumer to make a positive decision.

The Value Chain

- Distribution
 - This is the one item that the Internet has really changed.
 - Getting the product to the consumer to handle, to smell, to hold, and to fondle used to a major requirement.
 - Internet sales with a different generation of buyers has changed distribution.

The Value Chain

- Distribution
 - The product still needs to be in the consumer's hands when the consumer needs it.
 - I will wait a week or more for a book.
 - I need an auto repair part NOW!
 - The companies supplying these items have different distribution requirements.

The Value Chain

- Customer Service
 - How much customer service do you **NEED** at the supermarket?
 - How much customer service do you need at the auto repair facility?
 - How much customer service do you need at the bank?

The Value Chain

- Customer Service
 - The reputation of customer service is often more important than their actions.
 - One of the reasons many customers purchase electronics at CostCo is their Concierge Service for two years. Studies show less than 5% of the customers use the service.

The Value Chain

- Customer Service
 - Frequently it is peace of mind and comfort of security rather than an action.

The Value Chain

- Interlacing all of the elements
 - The value chain is one of several reasons for cross-discipline teams.
 - R&D, design engineering, manufacturing, marketing, sales, distribution, and customer service all need a voice.
 - Do not expect total unity.

The Value Chain

The end.