

TAILORING YOUR VALUE BUNDLE

by Christine Wilson, Corinne Alexander and Daniel Foley

Editor's Note: This is the second column in a two-part series.

What benefits are most important to your agricultural input buyers? When they evaluate your value bundle offering, what do they look for, and what will they pay for? Do value bundle preferences differ among buyer segments? In our column last month, we identified five agricultural input buyer segments (Balance, Performance, Price, Convenience, Service) and examined trends of each of these segments. In this month's column, the second of our two-part series, we will explore how to create a meaningful value bundle that provides the product, services and information benefits desired by each of the buyer segments.

UNDERSTANDING THE VALUE BUNDLE

Before developing your value bundle, you must first understand what makes the value bundle appealing to your customers. Understanding the value bundle means understanding the various buyer segments and who your buyers are. If you are knowledgeable about your buyers' characteristics and their preferences, then you understand what they want in terms of products, services and information. Different buyer segments want different value bundles. Armed with this knowledge, you're ready to create a meaningful value bundle for your customers, and one that they are willing to pay for.

BUILDING THE VALUE BUNDLE

The Price segment buyers are traditional economic buyers. Buyers in this segment are looking for the lowest priced product. As price buyers, they are the least loyal to suppliers and brands, and they look for the salesperson who will bring them the lowest price. They are the least likely to use customer service and the most likely to make purchases on the Internet.

WHAT TO EXPECT:

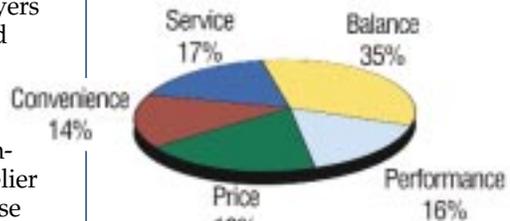
- Balance** (35%) segment will remain stable
- Price** (18%) segment will increase or remain stable
- Service** (17%) segment will increase
- Performance** (16%) segment will increase
- Convenience** (14%) segment will decrease

The Price segment value bundle consists only of the product. Buyers in this segment want service and information priced separately from the product. They are continually comparing prices from different suppliers and generally purchasing from the supplier who offers the lowest price. These buyers are relatively self-sufficient in terms of information and service (they usually have a lot of in-house expertise). They are willing to pay more only if they need service or information that they cannot provide themselves. These buyers are hypersensitive to efficiencies in their businesses and yours; they dislike seeing inefficiencies because they assume they are paying for them. Selling to them is like selling to Wal-Mart — every year they want you to be more efficient and offer a lower price.

Buyers in the Service and Convenience segments are traditional relationship buyers, and while the Convenience segment is declining rapidly, the Service segment is increasing. Buyers in both segments are the slowest to adopt new products, but they are the most loyal to brands and suppliers and are the most likely to buy from one supplier. They are willing to pay more for products from local dealers who provide good service and information.

The meaningful value bundle for the Convenience segment is location, while the meaningful value bundle for the Service segment is service and information. However, since the size of the Convenience segment is declining while that of the Service segment is growing, the important value bundle for these groups is service and information first and the product last. For this group, the importance of the salesperson cannot be overestimated.

BUYING BEHAVIOR SEGMENTS CROPS & LIVESTOCK



Source: Purdue University Center for Food and Agricultural Business

They view the salesperson as the physical embodiment of the service and information that comes with the product. In their ideal world, they will have one salesperson who they rely on entirely, and this person will have the relevant information to help them make product-related decisions. In pricing a value bundle for these segments, keep in mind that these are people who are willing to pay more for a product that is delivered by someone they trust.

The Performance and Balance segments are traditional business buyers. These segments are the most information-intensive of the segments. They use the Internet for acquiring information and for purchasing products considerably more than the other segments. Technical competence, product quality and brand name are very important to

buyers in these segments. These segments are more innovative than other segments, and members of the Performance group generally have the highest adoption rate for new products.

The meaningful value bundle for the Performance and Balance segments is product and information first, followed by service. This group cares the most about product quality and performance. They are often the first to adopt new products, which means the product supplier should keep current with new product introductions. For all the products they buy, the value of the product is enhanced by information that allows them to get the maximum performance from the product. For this group, service still matters and they are willing to pay for it. However, they will hire only the most technically competent person; this may be a local dealer, a manufacturer rep or a consultant. In pricing the value bundle for these segments, keep in

TYPES OF BUYERS

Business buyers generally give equal weight to factors such as price, product performance, service and convenience when making purchase decisions.

Economic buyers base a majority of their decision on the price of a product.

Relationship buyers are most heavily influenced by convenience level and customer service.

mind that these buyers are willing to pay for the product quality they receive, whether it is an inexpensive generic product or an expensive branded product.

YOUR CUSTOMERS AND THEIR VALUE BUNDLE

Customer segments have distinct value bundle preferences; they each place different values on product, service and information. Based on

your knowledge of your current customers or the customers you would like to serve, you can build the value bundle that brings them to you and prompts them to pay more. **AM**

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