

Developing Value Propositions

By BNET Editorial

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The purpose of a value proposition is to identify and satisfy an unmet need that your target market possesses. An effective value proposition describes what you do in terms of tangible business results for the customer. However, it's more than a statement of offer or a buy-line. It's a commitment to deliver a specific combination of resulting experiences, including a price, to a group of target customers, profitably and better than the competition.

What You Need to Know

Should a company focus on a single value proposition?

It can be difficult to create a single proposition that appeals to all customers and prospects. It is essential to recognize that the proposition should reflect value that is important to individual customers. Because their needs vary, you have to create value propositions that match individual needs.

What to Do

Recognize the Benefits

The purpose of a value proposition is to identify and satisfy an unmet need in your target market. Effective value propositions provide you with a number of important benefits:

- create a strong differential between you and your competitors
- increase the quantity and quality of sales leads
- win market share in your targeted segments
- align your business operations more closely to customer needs

Focus on Customer Needs

Your customer must have a need or a business problem it has to solve. There is little benefit in pursuing sales opportunities where the customer has no need to buy. Value is the benefit customers perceive when they select a solution to a real problem. Focusing only on product features and

benefits offers no value to the customer. For a value proposition to be successful, the customer must perceive that your proposition is superior to every alternative being considered.

These are examples of value propositions that meet different customer needs:

- help customers increase their revenue
- help customers decrease their costs
- help customers increase their profitability
- help customers better respond to the needs of their customers, to new opportunities that might be presented by their customers, or to threats
- help customers improve their productivity
- help customers improve the satisfaction, retention, and growth of their customers
- help customers improve their quality

Develop Individual Customer Value Propositions

Many companies try to develop a single value proposition. This is a wrong approach because each customer has different needs and business problems. Effective value propositions are customized to the specific needs of each customer. Although a marketing team can develop value propositions aimed at groups of customers or market segments, it is essential for the sales team to create a unique value proposition that fits individual customers' specific needs.

The proposition can be refined even further by tailoring it to the needs and concerns of individual decision-makers. To be successful, you need to present the value that means the most to each individual at the time the decision is being made.

Keep Value Propositions Up to Date

Customers' needs change, so effective value propositions must be updated to meet the changing needs of customers as well as competitive initiatives. Value based solely on product features, functions, performance, and pricing is not sustainable. If a competitor presents a better offer, your value proposition becomes meaningless.

Concentrate on intangibles

For some of your customers, value may reside outside the product you are selling in benefits that are intangible. These might include:

- the relationships the customer has with the company;
- ease of buying a product or service;
- reputation of the company;
- ease of doing business;
- trustworthiness of the sales people.

It is essential to take into account these intangibles when developing your value proposition.

Deliver on Value Propositions

Just creating great value propositions will not win and retain business. You must deliver real value! Failing to deliver on the value the customer thought they were buying will destroy a relationship over time. Your value proposition must be reflected in product and service definition and development. This assures that real needs of customers are addressed. Getting marketing, sales, manufacturing, research and development, and customer service operations to align their activities to customer value propositions can be challenging. Internal communications play an important part in building that company-wide commitment.

Develop a Process for Delivering Value

There are a number of key stages in developing an effective value proposition:

- Identify customer needs that you can meet.
- Review market research on your competitive positioning.
- Develop overall value propositions.
- Develop individual customer value propositions.
- Train sales staff to identify individual needs and tailor value propositions.
- Use internal communications to ensure customer-facing departments develop and deliver customer value.
- Integrate value propositions into internal processes and systems.
- Integrate value propositions into external marketing communications.
- Measure the effect of value propositions.

Recognize Customer Segments

In researching customer needs, it is important to recognize that customers' attitudes and business values can range from being extremely conservative to innovative. Understanding these dimensions can help you frame your value propositions. Commentators have suggested a number of different categories:

- companies who are struggling and really need help
- companies who want the best prices
- companies who want the best return on capital
- companies who are risk averse and want stability
- companies who are looking for partners to help them develop and improve business performance
- companies who are innovative and welcome new ideas

Information like this helps you segment your customer base and develop a matching proposition that delivers value at a price the customer is willing to pay and which gives you a profitable return. It can also help you to identify and avoid scenarios where your value proposition is unlikely to succeed.

Tell the Customers What Is in It for Them

Your prospects and customers probably do not want to hear about your product's performance, the technical advances you've made in development, or the complementary services you are offering—or any other piece of information you have available—unless it answers the question “What's in it for me?” Getting the value proposition right means understanding your prospects' needs and responding to that question in your communication,

Turn Features into Customer Benefits

Start by listing the features of the product or service you want to promote. Taking a computer hard drive as an example, the feature might be 40GB of storage space. To turn that into a benefit, ask how this fact or feature will improve the life of the prospect. The benefit might be “Having 40GB of storage means I have enough space to save all my files in one place, and back up my data. So, I can relax in the knowledge that all my business data is safe and easily accessible.” Information and insight like this can help you identify benefits and build communications around that understanding.

Develop a Creative Proposition

Using that same example, you can turn those customer benefits into a powerful creative proposition that sums up the offer and makes a promise of value that is relevant to the prospect. In this consumer example, the creative value proposition might be “Protect your business data.” This proposition summarizes the emotional appeal of the product or service, and shows the prospect how he or she will benefit. This creative proposition could underpin a series of communications by speaking directly to the needs of your target audience.

Communicate Your Proposition

Getting the value proposition right takes in-depth research, an interest in the needs of your prospective customers, and the discipline to keep refining and testing your proposition. These are the key preliminary stages.

- Understand the motivations and demands of your audience—this is the key to having emotional appeal within your communications.
- Distill the technical components of your product or service into benefits—this allows you to engage your audience with relevant information and to answer each reader’s, “What’s in it for me?” question.
- Establish the scope of your proposition—where, when, and how you intend to use it.

The next stage is to deliver your creative proposition across a variety of communication materials, reinforcing the message and communicating consistently across all media. To achieve this, you will need:

- a strong creative concept, an idea that not only grabs the readers’ attention, but also stays with them long after the initial exposure;
- a solid messaging structure that works in all media and draws each of your readers toward action;
- a communication that is strong enough to work in isolation, but also works with your overall messaging strategy.

Properly used and executed, a creative value proposition will make your marketing communications work harder and deliver a better return on your investment.

What to Avoid

Your Fail to Engage the Prospect

The absence of a creative value proposition explains why many communications fail to mention the benefits that the product or service will deliver to the reader. Instead, a list of features or technical specifications appears. This does nothing to engage the reader, to create empathy or to encourage action. In short, the communication fails to do its job properly.

Where to Learn More

Book:

Ries, Al, and Jack Trout, Positioning: The Battle for Your Mind, 20th Anniversary Edition. McGraw Hill, 2001.

Web Site:

Fast Company: www.fastcompany.com/online/37/ideazone.html