

Developing Compelling Value Propositions – easy to say, but not so easy to do.....

It's the buzz phrase of the moment - put the phrase 'Value Proposition' into Google and you come back with 1.4 million searches. Check out leading companies' press and every CEO will be telling you that he has been concentrating on ensuring that his value proposition is strong, particularly in this testing economic environment. Check out the CIMs own research and you will find that it is the one area where most senior marketers recognise they need to develop. The CIM/Accenture study titled 'In Search of a Strategic role for Marketing – Leading, Influencing, Supporting?' published in May 2008 stated that Strategic/cross functional skills were acknowledged as requiring development and in five years time '*Value proposition development and customer experience management skill development would still be critical*'.

So with all this emphasis on Value Propositions, are we sure that we are all using the term in the same way? Put the phrase 'Value Proposition Definition' into Google and the searches narrow – to a mere 5,250! And there are some very good definitions included in those searches. Some are very succinct and most share the key words 'customer' 'delivered benefits' and the 'total product and service package' and 'unique'. Many refer to the fact that it is a strategic or analytical process.

If we can find a definition that works well, and most definitions have the same constituent elements, why does the CIM/Accenture study identify this as one of the major areas of concern identified by senior marketers? Surely, if we can agree broadly what a Value Proposition is, producing one can't be that difficult? And therein lays the real challenge. Developing a ***compelling value proposition*** is easy to say and one of the hardest things that a senior marketer needs to do. So why is this? There are a number of reasons, some of which are interrelated.

Firstly, it means being totally ***honest*** about the ***entire product and service offering***, as defined by ***the customer***. This statement alone raises a number of questions. Which customers? This implies a very fundamental understanding of customer segmentation. In consumer markets, this may be based on a combination of demographics and behaviours. In B2B, it may also be based on demographics but is often complicated by many more people being involved in the buying decision and behavioural characteristics being obscured. Once you understand your customer segmentation, how do discrete segments define the entire end to end product and service offering? It is often easy to concentrate on the product and service combination up until point of sale, but in many instances the customers' view will be influenced by elements long after the sale is completed – witness the backlash in offshore customer service centres and the back-tracking by some organisation in reintroducing UK based call centres. And as importantly as identifying the segments and their needs, are you being honest about your own products or services performance against these criteria? Looking at your own products and services is a bit like looking at your children – you easily see the good points and although you may be aware of their 'development opportunities', it's hard to be objective about how far weaknesses deviate from what customers genuinely want or need.

Secondly, it means putting your products and services into the overall competitive context to really understand your differentiation. Again, implicit in this statement is that you understand the competitive environment ***as defined by the customer***. Whilst understanding the direct competitive environment may be relatively easy, on the whole your direct competitors tend to look like you and they are who you are actively meeting in the market on a daily basis, understanding the indirect competition may be more challenging, especially in the current environment. The problem with a customers' alternate method of meeting the same need, is that on the whole they don't look like you. They may compete on a totally different set of

criteria, with different product and service price offerings. Being blindsided by indirect competition has led to the demise of many companies who have been busy concentrating on direct competitors. And remember, different segments may have a totally different view of the competitive frame, which overlap in some cases whilst not in others. Look at how the introduction of downloads via services such as iTunes has impacted music buying behaviour. An interesting case study that combines digital technology, new distribution channels, pricing, and product fragmentation that has totally revolutionised customer buying behaviour. 'Foul' cried the music industry; they used to market CDs with 10+ tracks and a price that matched. I wasn't the only one who really only wanted 4 of those tracks and now happily downloads only these at a fraction of the previous CD price.

In getting to this point, 80% of the hard work is already done and in some cases, finally articulating the main elements of Value Proposition can seem relatively clear. In other cases, it can feel quite muddled. For example, if different segments have different needs and this can impact their view of what's most important, can you have only one value proposition for a product, or should there be a different value proposition for each segment? Not an easy issue and it depends. Is there sufficient overlap between the needs and what each segment sees as important? If yes, then a single value proposition may be possible. Are the needs of the segments very different and are they served by different channels? If so, it may be possible to articulate the value proposition for each segment in such a way that it appeals specifically to them.

But what if having come through this process, the value proposition falls short of customer needs? Then choices for investment and improvement are going to have to be made. If you know what is important to each segment and how well you and your competitors perform, you should be able to work out how to gain the greatest strategic impact for your investment. Of course it may take time, so you might want to make your value proposition slightly more aspirational and work towards delivery. But most importantly, your final value proposition should be easily understood, compelling and believable.

And finally, is everyone aligned both in their understanding of the Value Proposition and their ability to deliver it? A serious lack of alignment will inevitably lead to mixed messages reaching the customer. A lack of understanding of 'my part' in delivering the Value Proposition may equally lead to a dilution of its overall impact. And by that, I mean everybody in the organisation not just the obvious functions like sales and customer service, from the first contact at the switchboard through to the final point of after sales service. There is nothing worse than responding to a marketing campaign and having to explain to the sales or service centre what the campaign is all about!

So easy to say, not so easy to do, but absolutely fundamental to honestly answer the question 'why should I buy your product and service', with the emphasis on two key words, '**I**' - as a representative of my customer segment and '**your**' - as in specific to you, not a product or service from a provider a bit like you. And now is the perfect time to review your Value Proposition and ensure that when the CEO talks about the Value Proposition of your products and services in the Annual Report, it really is based on good quality strategic review and not just hope or empty words.

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