

Crafting A Compelling And Unique Value Proposition

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A value proposition is the sum total of the offerings and experiences delivered to customers during their interactions with an organization, product, or brand. If well crafted, it can sharpen the way an organization works by focusing activity to serve customers profitably. This article will: 1) discuss the importance of creating value propositions at various levels across your company, 2) propose a framework for developing value propositions, and 3) provide real-world examples of how value propositions have been effectively used by marketers to establish a competitive advantage and drive superior business results.

The Impact of a Strong Value Proposition: Samsung

In 1993 Samsung Chairman Lee Kun-hee, not happy with the way his company was performing or its perception around the world, instructed executives to *“change everything but your wife and children.”* Lee recognized the need to substantially change the way the company was doing business and transformed Samsung into the world’s largest electronics company, both by revenue and brand name. When Samsung announced the introduction of the Galaxy S4, thousands of people lined up around the block to buy it. The foundation of Lee’s success was a simple, resolute value proposition comprised of three specific pillars that jump-started the evolution: quality, design, and price. The imperative was for Samsung to be seen as a premium brand, and the company has been focusing relentlessly on this proposition ever since. Samsung established design centers around the world, hired the most talented designers, and put considerable money and emphasis behind the endeavor. Finally, it set aggressive price points in order to establish a favorable price comparison versus Sony, and enabling it to quickly build the brand and gain market share.

Elements of a Value Proposition: A Framework

Value propositions can be developed and implemented at various levels of an organization. Companies, business units, products and brands can all have unique value propositions, and in general, the same principles apply regardless of level. Additionally, there are many models and frameworks that can be used to build a compelling value proposition and companies should choose the framework that best suits their organization. For purposes of this article, we have chosen to use *The Value Proposition Builder* from Greener Consulting (see Exhibit) that incorporates six distinct elements, and leads directly to the creation of a compelling value proposition. Applying the tools and techniques demonstrated in this framework will result in generating focused actions to take to market.

1) Target Market

The first component of the Value Proposition framework is Target Market. Among other objectives, the purpose of this component is to identify the people who will be buying your products and services. In doing so, you should avoid the common mistake of stating, “our market is everyone.” While your company may in fact be willing to sell to anyone who is willing to buy, it is important to divide potential customers along relevant dimensions such as demographics, buyer behaviors, attitudes, or needs (i.e., segmentation), and then to identify the segments most attractive to you and the ones you are best able to serve (i.e., targeting). This is a critical first step in the value proposition development process in that it acknowledges not all customers value the same things, and it will force you later in the process to develop an offering that appeals most to your chosen target segment(s).

United Airlines

United Airlines segments its customers by motivations. For example, some customers choose United Airlines because of price, while others choose the airline because of schedules, frequent flyer programs or other forms of service. Through

segmentation and target selection, United Airlines has a better understanding of its core customers, the services they require, where and when they want those services, and how they would prefer to pay for them. Market segmentation therefore enables United Airlines to maximize the efficiency of its marketing efforts by moving the company to use a different strategy for each market segment. Specifically, through segmentation United Airlines is able to: 1) identify consumer needs and the proportion of customers who have those needs, 2) develop products and prices to meet those needs, 3) target communications at customers within each segment, and 4) allocate funds to support and develop each market opportunity. Additionally, with global executives chosen as its most important segment, the airline is able to craft its value proposition with this segment first and foremost in mind.

2) Value

Simply put, value is what you get in return for what you pay. With this definition in mind, it is easy to see the importance of the Target Market component above. For example, while one customer may consider Mercedes Benz to be a great value, another may consider it to be over-priced or a waste of money. The value equation you seek is inextricably linked to the segment of the Market you're targeting. Additionally when thinking about value, it is important to think about both the tangible and intangible attributes and benefits. Tangible attributes could include things such as a V-8 engine, cruise control, all wheel drive, and 32 mpg. Intangible attributes could include things like sportiness, comfort, exhilaration, prestige, etc. For customers who value a premium priced or luxury offering, it is often these more intangible aspects that drive their perceived value.

Barclays

Barclays, a global bank providing a range of financial services to both individuals and businesses, believes students constitute a very important market segment. Students may be choosing a bank for the first time and Barclays hopes to retain

these customers over time. Through market research, it discovered the student segment places value on developing a long-term relationship with their financial institution. They are not necessarily looking for a temporary arrangement that gets them through their academic years. If a bank makes a valuable and relevant offer, students are likely to remain lifelong customers. Barclays' initial goal was to increase the overall number of student accounts by 25%. This target was exceeded with an increase of 34%. As a result, Barclays increased its market share of the student market, moving from third to second among the top four market leaders.

3) Offering

With an understanding of perceived value in place, it is then possible to begin crafting the exact product and service offering required to deliver that perceived level of value. This is accomplished through analyzing the value your current offering brings to customers and mapping it against the type of buyer and price point, accordingly. It also requires evaluating your go-to-market strategy, or the manner in which you deliver your offer to customers. Finally, it is important to constantly innovate your offering to ensure it remains relevant and differentiated over time.

Amazon.com

Amazon.com topped the 2013 Harris Interactive *"Most Trusted Brands"* poll, edging past Apple, Disney, Google, and Johnson & Johnson. Amazon keeps some things consistent regardless of product category or line of business and its value proposition remains price and convenience. No matter the product or service, low prices can be sustained by ensuring its customer relationships continue to be mostly automated and self-service, which in turn allows Amazon to extend into new markets and deepen its customer relationships. In order to deliver value, Amazon is always developing new offerings for customers. Over the years, these offer enhancements have taken the form of peer reviews, recommendations based on browsing history, best sellers, currency converters, credit cards, reward

programs, Amazon Prime, and an ever-expanding array of partner offers.

4) Prioritizing Benefits

Utilizing the output from Market, Value, and Offerings above, a benefits mapping exercise can produce a refined view of how customers perceive your value. You can then start the process of prioritizing benefits that will allow you to develop a compelling value proposition. Businesses often get stuck at this stage because they want to include all of their key benefits without considering: 1) which ones are most important to customers, and 2) the interrelationship between benefits. The former is self explanatory, but the latter warrants some explanation. Recall the Mercedes Benz example referenced earlier in this article. There is a clear hierarchy (almost Maslowian in nature) that emerges when one considers: 1) product attributes such, as a V-8 engine; 2) the functional benefits they produce, such as acceleration; and 3) the emotional benefits experienced as a result, such as fun and exhilaration. This relationship and hierarchy mapping exercise is a central part of value proposition development.

Blue Shield of North Carolina (BCBSNC)

Blue Cross and Blue Shield of North Carolina's was, like all health insurance companies, experiencing the need to shift to a more business-to-consumer model. Through market research, BCBSNC was able to better prioritize the issues that were having the greatest impact on their members. Specifically, it discovered that members were confused about claims, benefits and coverage. As a result, BCBSNC was able to understand and implement ways to make things simpler and friendlier for their customers. One way was through the use of standard terminology and clearer language across their product offerings and marketing materials.

5) Differentiation

As your value proposition begins to take shape, it is important to compare it

against your competitors' value proposition, or at least your best estimate of what those are. This is different from—and more challenging than—merely comparing tangible product and service offerings. In comparing value propositions, it is important to look at potential alternative solutions, not just immediate substitutes. For example, if your company is an airline, should it be compared only to the value propositions of other airlines, or more broadly, to those of transportation companies? Or if the airline in question is attempting to compete on the basis of a more desirable customer experience, should it even be compared to entertainment alternatives? In the world of brand and marketing, this is sometimes referred to as expanding the frame of reference, and it is an especially critical step when considering new-to-the-world type value propositions. Finally, it is also important to evaluate your value proposition relative to the 'do nothing' and 'we'll do it ourselves' alternative. In general, value propositions are compelling when they demonstrate why your customers should choose you over any other option.

Nike Fuelband

Nike recently introduced the new FuelBand SE (2nd Ed.) for \$149. Like competitors Fitbit Force and Jawbone, the FuelBand tracks activities such as steps taken, stairs climbed and calories burned. When Nike FuelBand first came out, because there was not much else in the marketplace, they could really focus on the unique features. Customers bought a Nike FuelBand because they wanted something that monitored calories, steps, energy, etc., and there really wasn't much choice. However, the second generation of the Nike FuelBand focused more on the way customers were using the product and less on the way Nike thought it should be used.

Specifically, many people using the FuelBand did not want so many devices on their wrist and they wanted to use it as a watch. So Nike allowed FuelBand SE to tell the time. Its time display sets it apart from other wristband fitness trackers that don't have a time display, namely the Jawbone UP, LarkLife band, and the FitBit Flex.

Additionally, its wireless syncing capability sets it apart from the manual-syncing Jawbone UP. In this sense, the Nike Fuelband SE is more customer-focused, giving customers what they want and giving them a reason to buy this over the competition.

6) Proof

A final and important component of a value proposition is tangible proof that it works. This requires creating and continually reinforcing “evidence” to ensure customers will derive the benefit and value you’re promising. Examples of proof include case studies, testimonials, provocative points of view, and fact sheets. They can also include calculations or statistics such as total cost of ownership (TCO) and return on investment (ROI) models. Proof can be a powerful tool to show customers why they should choose you over any other option, how they can build their internal business case and justify their investment in using you and, more importantly, the benefit they’ll derive by solving their problem. Not surprisingly, this can also lead to creating powerful messaging around the value proposition.

Deloitte

Deloitte is a Big 4 professional services firm providing audit, consulting, financial advisory, risk management and tax services to clients worldwide. As with any firm in this industry, it is critical for Deloitte to consistently demonstrate its expertise in order to give potential clients the assurance they need to select them for audit or advisory services. Two ways Deloitte does this is through eminence (i.e., thought leadership) and case studies. If you visit the firm’s website, you will see numerous articles, white papers, speeches and videos that demonstrate their expertise and highly relevant experience in this space. Case studies documenting the work they’ve performed for past clients lends additional credibility. Importantly, Deloitte does this in a manner that is most relevant for the way clients think about this space—by function (e.g., audit, tax, consulting) and by vertical (e.g., industry and sector).

Developing strong value propositions makes it easier to connect with target audiences and to establish a strategic foundation for a company's marketing and sales functions. It also provides employees with a consistent and cohesive way to talk about their brand. Following a framework like the one showcased above can help ensure you remain highly relevant among your target audience, and differentiated from your competitive set.

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