

VALUE MEANS DIFFERENT THINGS TO DIFFERENT CUSTOMERS AND YOUR MISSION IS TO FIND OUT WHAT IS MOST IMPORTANT TO EACH CUSTOMER AND WHEREVER POSSIBLE QUANTIFY AND COMMUNICATE THAT OUTCOME CLEARLY.

Strengthening Your Value Proposition

by Ben Benson

RUNNING A BUSINESS can be tough and it's been especially tough over the last few years as companies all over the world struggle to come to terms with the new, down-sized and altogether more cautious economy.

Managers and business leaders are under increasing pressure to keep costs down and find and maintain customers. However using price cuts to lure in new customers is and always has been a very risky and short-sighted strategy. So are there any alternatives in a fiercely competitive environment?

Yes! Forget about slashing prices; instead focus on strengthening your value proposition. Strategy guru's Kaplan and Norton suggest that, "Strategy is based on a differentiated customer value proposition. Satisfying customers is the source of sustainable value creation."

In other words, if you want to win the game of business you need to identify what your individual customers need are, what is uniquely important to them and where possible differentiate your product or service to directly meet those needs. And that doesn't just mean working out what your features and benefits are and creating a glossy brochure. It means looking at each customer as a unique entity with unique challenges and priority requirements.

Your value proposition is therefore based on a thorough review and analysis of your customer's organisation not your own. Any self respecting

business knows what they create and the benefits that their product or service delivers. Identifying your value proposition requires that you look at your customers business and work out how your product or service can most benefit that individual customers needs. Telling prospective customers, "We can save you money", is not good enough anymore. You have to work out for them exactly how you will save them money, demonstrate the saving and identify that prevailing value. As such your value proposition will often alter slightly depending on who you are speaking to.

Your job is to outline those benefits, costs and value that your customer needs to achieve and present your product or service in those terms. Think of the foundation of your value proposition as:

Value = Benefits – Costs

And build from that starting point. Imagine you are a paint manufacturer; you produce high quality, high finish, fast drying paint. But you're struggling to compete against an influx of cheap paint suppliers. Your customers are always complaining that your paint is too expensive and it's always a sticking point with new clients. Re-iterating your quality message isn't working anymore and you are losing business. You could reduce the price of your paint but that will just eat away at your profit and once

you start competing on price it's very hard to stop. You set price related expectations in the mind of the consumer and that's extremely hard to change.

A far better solution would be to strengthen your value proposition and ensure you talk directly to the needs, aspirations and financial realities of your customers business. Every business must create value to survive – this is the foundation and where the 5th law of wealth begins. No money is made until a customer receives value, but often that value is implicit. It's your job to make the value explicit and hone in on individual needs. By researching your prospective customer you might discover for example that their biggest expense in their business is labour costs. As large contractors they make money when their painters can get in and finish the job quickly. The cost of paint may be a significant cost in their business but this information gives you the opportunity to strengthen your value proposition and make a direct and relevant pitch for the business. By using poorer quality paint the company is using more labour time to finish the contract because the surfaces require three coats, not two and the paint requires a longer drying time. Your paint dries faster and requires only two coats so you can demonstrate a time and cost saving that more than offsets the increased cost of the paint. Your prospective customer is happy because their painters are completing more work and bringing in more money and you're happy because you've just won a major new account without discounting the product and eroding your profit.

How to strengthen your value proposition:

1. Understand your customer – join industry associations and subscribe to industry magazines to greater appreciate the challenges your customers are facing.
2. Research each individual company to better establish their key challenges and how your product or service can help them. Focus on your strengths and your key points of difference from the next best alternative.
3. Wherever possible quantify the benefits your product or service would deliver over their current supplier or competitor.

Value means different things to different customers and your job is to find out what value proposition is most important to each customer and wherever possible quantify and communicate that outcome. Remember; in a transactional sale, the role is to communicate value, in a consultative relationship the role is to Create Value. What you consider valuable about your product or service will rarely be what your customer considers valuable. Your charge is to identify what your customer wants and needs and strengthen your value proposition around that concern.

Being good enough, is not good enough... Give customers a reason to be faithful.

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