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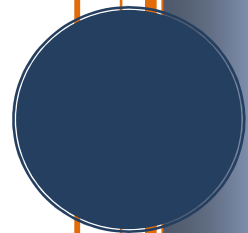
COMPELLING CUSTOMER VALUE PROPOSITIONS

Among the many challenges you face as a business owner in today's crowded market, perhaps the most difficult is effectively communicating your "story": What value does your business and its products and services deliver? Who is it delivered to, and how?

The key to winning business, selling more, and earning higher margins is developing clear, easily articulated customer-focused value propositions, and communicating them convincingly to your customers.

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WHY IS YOUR VALUE PROPOSITION SO IMPORTANT?

In simple terms, a ‘value proposition’ is the sum total of the benefits that customers receive when they purchase a specific product or service from your business.

Your product or service value proposition is a powerful statement designed to capture the mind and the heart of your customers by demonstrating a relevant advantage in purchasing from you. It is usually articulated as part of your branding, in advertising or sales literature, as a tag line appearing on product packaging, or is communicated directly when speaking with your customers.

Getting the value proposition right for what your business sells is important, because it provides the basis for your business relationship with your customers; that is, it answers the question foremost in every potential customer’s mind: *Why should I buy from you?*

Does Your Value Proposition Communicate Effectively?

As a business owner, you are passionate about what you do. You love each of your products and services, know them to be much better than those of your competitors, and understandably want to tell as many people as possible about them – how your bread is fresher, how your clothes are more fashionable, how your software has more functions, or how your doohickie has more whatyamacallits!

The problem is that when you use this style of language to talk about your products, the core message you are communicating is centred on *your* view of your products, which may not reflect your customer’s purchase motivations.

When talking about your products and services in this manner, your message often sounds to customers as “this is what I sell, and I am running through a long list of the reasons why I think you should buy it.”

What your customers want to hear, however, is a clear statement that demonstrates that you understand their situation – that you recognise the problem they wish to solve, or the outcome they wish to achieve – followed by a specific offer or explanation as to how you are going to help them address their situation.

Ideally, the value proposition will not only explain how owning your product or using your service will allow the customer to achieve a desired outcome; it will also explain how it is that your business is *uniquely* positioned to create that outcome.

Creating Compelling Customer Value Propositions

The most important guiding principle for creating a compelling, customer-focussed value proposition is this: the value proposition should focus on customer needs, not on product or service features.

To put it another way, do not simply explain the products and services you sell, or embellish their features. Instead, detail the *benefits* to the customer of owning your products or retaining your services.

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Consider, for example, the following statement, which could have come from the sales brochure of any number of consulting businesses:

Our professionally trained consultants have the full range of skills and experience needed to define, build, and deliver a successful solution, including a review of your strategic objectives, assessment of your business, project management, system design, application development, and systems integration. All our client projects are delivered using a comprehensive, proven methodology based on hundreds of engagements with major corporate clients across a wide range of industries.

The statement does communicate some important messages. It tells potential customers that the business has experienced consultants, who use a rigorous approach to delivering 'solutions' to their clients, and have a track record of success with other clients.

However, it is what this statement *does not* say that reduces its impact with potential customers. Specifically, it does not:

- Address any particular customer objective that the company will help its clients achieve;
- Outline a specific offer that is targeted at achieving client's objectives; or
- Provide sound reasons why a client should choose this company over any of its competitors.

Having read the above statement, a potential customer would be hard pressed understanding *what* solution the business offers, much less, whether it was a specific solution to their problem.

So what is missing?

In developing or refining a value proposition, you should ensure that it incorporates the following three components *as a minimum*:

- 1** The value proposition should define the business you are in using *customer-centric* wording; that is, it should describe the type of solution the business provides for its customers.
- 2** The value proposition must clearly demonstrate that you understand the customer's objective – why it is they are considering doing business with you in the first place.
- 3** The value proposition should outline your specific offer and pinpoint *exactly* how it is that it will meet the customer's objective.

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Once you establish these three things, your value proposition can then go on to explain how it is your product or service addresses those objectives and, where possible, provide tangible proof that backs up your claim(s).

The Importance of Congruence

Creating a compelling, customer-focussed value proposition is the first step to doing more business with your customers. What follows, however, is the hard part: delivering on your promise.

Your value proposition must be more than merely something you say to convince your customers to buy. It must be the core of what your customers actually experience when buying from you.

Customers are not stupid. They know when they have been duped. If you fail to deliver on what you promised, they will rightfully become very angry.

So, if your value proposition promises excellent service, make sure you *deliver* excellent service. If your value proposition promises the cheapest products, be sure that your pricing *is* cheaper than your competitors. If your value proposition promises to save your customers money, be sure that they *achieve* those savings.

Complaining Customers Are Your Best Friends

If, despite your best efforts, a customer complains that you are not delivering on your promises, you should pay very close attention.

Why? Because by complaining, the customer is actually giving you an opportunity – a second chance to deliver that which you promised. They are giving you the opportunity to convert them from a disappointed customer into a satisfied customer – someone who will buy from you time and again.

While repeat customers are highly desirable, there are even more significant reasons why you should care about what a disappointed customer has to say about your business, products, or services.

First, most customers do not bother complaining. In fact, only about 1 in 10 customers complain. The rest simply disappear, vowing never to do business with you again.

The math behind this consumer behaviour is very troubling. Nine out of ten disappointed customers never give you an opportunity to convert them into a satisfied customer. They will never spend another dollar with you. This is an incredible cost to your business, as it means you have lost the investment you made in marketing and other customer acquisition activities to get the customer to buy from you in the first place.

However, the potential losses do not end there.

The *Customer Rage* study conducted by the Customer Care Alliance in 2004 found that 85% of customers shared their experience in dealing with businesses with friends and other people. That is, they let their circle of acquaintances know when they have had a positive or negative experience with a particular business.

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This is not surprising, as we have all done this from time to time. We happily share positive experiences (especially when we believe a business has gone beyond what is expected of them), and encouraged our friends to use that business, so they, too, may have a positive experience. Equally, when we have a bad experience, we warn our friends to avoid businesses, for fear of experiencing a repeat of that bad experience.

What the *Customer Rage* study showed, however, is that there are differences in communication frequency, depending on whether we have a bad or good experience.

Specifically, when a customer is dissatisfied with the handling of their complaint, they tell 15 acquaintances about their experience. On the other hand, when a customer is satisfied with how they are treated, they only tell 6 acquaintances.

In short, you get **double the negative PR** when you fail to deliver on your promises, and then fail to take the opportunity presented to rectify the problem.

Worse yet, this is the most powerful kind of negative PR, as it is communication between trusted friends and acquaintances.

As the people hearing details of the negative experience trust the person telling them the story, they are more likely to both pay attention and place weight on that negative word of mouth – and avoid your business like the plague.

Today, the Internet – email, Web sites, blogs, discussion groups, social networks etc. – allow us to have conversations with literally hundreds of thousands (if not millions) of people, often simultaneously. In this environment, a motivated individual can actually communicate their dissatisfaction with your product or service to an **exponentially larger** number of people – potentially causing a significant backlash against your company, and considerable financial pain.

The Power of a Successful Value Proposition

A classic example of an attention-grabbing value proposition can be found in the approach that the rental car company, Avis, took when trying to win back market share from Hertz. The Avis story is also a dramatic example of how powerful it can be when you get the value proposition right, and how profitable it can be when you deliver on the promise you make to your customers.

In 1962, when Robert Townsend took over the reins as President of Avis, the company had entered its 13th year in the red, with a market share of just 10-11% of the car rental market. By 1996, Townsend was able to grow Avis' market share to 35%.

How did he achieve this?

Townsend launched a bold, daring advertising campaign that centred on the company's new strategy of focussing on good old fashioned service. Instead of proclaiming that it had the newest cars, or the cheapest prices (which may have been true), they used the following messaging:

We're No.2. We try harder!

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In this simple, self-deprecating phrase, Avis acknowledged an indisputable fact – that it was a distant 2nd in the car rental market – while also providing an irresistible value proposition: that Avis would work harder to prove they are worthy of your business.

This value proposition recognised that, for many car rental customers, prompt, caring, and friendly service (the ‘benefit’) was far more important than the car (the ‘feature’).

Townsend wanted to make it very clear that this was more than just a slick marketing campaign; that Avis was not just making feel good statements about its commitment to excellent customer service. He wanted all of his current customers, and prospective customers, to know that he was making a promise, and he expected the business to deliver on that promise.



How did Townsend reinforce both his and Avis’ commitment to service quality, and delighting their customers? By agreeing to publish his direct telephone line in an advertisement! How many business owners would be game enough to do that today?

Conclusion

In today’s crowded marketplace, with new competitors emerging from around the globe, and almost saturation marketing of products and services, it is more important than ever to ensure that when you have the attention of a potential customer, you are able to offer a compelling reason for doing business with you.

It is important to be able to communicate *why* your product or service is cheaper, more economical, more durable, of higher quality, covered by a better warranty,

has greater market acceptance etc. than any of your competitors. However, it is *imperative* that you are able to convey how your product or service is uniquely positioned to provide the customer the precise outcome they are seeking to achieve with your product or service.

By couching your discussion of the desirability of your product or service in language that speaks directly to the customer’s actual needs, rather than focussing on product or service functionality, you will go a long way towards answering the most important question on a customer’s mind: why should I buy from you?

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Checklist – Issues To Address With Your Value Proposition

To maximise the effectiveness of your value proposition, you must go beyond typical statements of product or service benefits, and drill down into precisely what outcome the customer is looking to achieve, and how it is that your product and service will help them achieve it.

In deciding on how best to structure and word your value proposition, ask yourself the following questions:

- What is the customer's current situation?
- What problems do they currently face, what are their causes, and their effects?
- What does the desired outcome (i.e. post-purchase) look like?
- What functional benefits might customers want from our products?
- What would the customer be prepared to spend to achieve the outcome?
- What other investments (time, effort etc.) would they be prepared to make?
- How will customers measure or value the benefits of the proposed solution?
- How soon do they reasonably expect to achieve the desired outcome?
- What might capture their attention?
- What concerns might they have about the utility of our product or service?
- What bad experiences might they have had buying from us in the past?
- What bad experiences might they have had dealing with other businesses?

If there are multiple decision-makers involved in the purchase decision, you may need to construct a unique value proposition that addresses the needs and perspectives of each decision-maker.

For example, when selling to a company, more than one stakeholder may need to approve the purchase. In such a case, be prepared with different language for each stakeholder's perspective. The value proposition for an executive will differ from that of a technical buyer, which may differ again from the person or group who will actually use your product or service.

Tailor your value propositions to each type of customer, buyer, or influencer. Know your customer, and adapt your value proposition to the situation.

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Table – Building Your How Customer-Focussed Value Proposition

The table below outlines the different components that should be included in a value proposition.

It also provides a useful checklist of questions that you should ask yourself to ensure you create the right impression when explaining the solution offered. Addressing each question raised below will allow you to presenting your product or service in the context of the outcome desired by customers.

Summary of Value Proposition Components

Component	Description	Customer Perspective
Business Definition	What business are you in (as seen through the eyes of your customers)?	This is the kind of business I think I should be talking to.
Customer Objective	What specific customer objective(s) are you trying to solve?	This is about what I am trying to achieve!
Your Offer	What are you offering to help them achieve this objective?	This is how you are going to help me!
Value Created	What specific value do you create for the customer?	This is what I get if I choose you!
Hard Proof	What quantitative proof do you have that you can deliver the value promised?	This is why I should believe you!
Point of Differentiation	How does what you are offering differ from those of your competitors?	This is how you are going to help me in a way no one else can!

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About Mark Neely

Mark Neely has successfully run his own consulting business for over 10 years, and is actively involved – either as a founder, director, or mentor – in a number of other successful businesses.

He is a speaker, writer, and consultant on subjects related to business improvement and growth, profitability, and customer-focussed strategy. He is a former lawyer, holds a Masters of Science & Technology Commercialisation, and has written over 10 books on a range of topics, including the *Australian Business Guide to the Internet*.

How Can I Help?

As a small business owner, you may find yourself confronted by a particular decision or challenge that threatens to disrupt your business.

In many cases, the real risk to your business is **not** that you will make a bad decision (these can usually be fixed), but that you will delay making a decision until it is too late – when changing events effectively take the decision out of your hands, and you lose control of the issue.

I offer a range of services for business like yours. My objective is to give you the confidence to make the right decisions that will keep your business on the path to growth and increased profitability.

My goal for NeelyReady.com is very straightforward: to give you the advice, insight, and guidance you need to confidently make the right decisions to grow your business, become more profitable, and to get ahead of the waves of change affecting your industry.

New Service - MyAdvisor

Wouldn't it be great to have a trusted advisor that you could email any time of the day or night with any business questions or challenges? Someone you could use as a sounding board or sanity check before you committed yourself to an important decision.

For a **flat fee**, I will provide exactly that...a practical, responsive, and reliable email-only advisory service. There are no 'gotchas' or small print with this service. You can cancel anytime you wish. You are not locked into long-term subscriptions.

Whether your needs are sales, marketing, business, technology, finance, project management or operational, you may send me an unlimited amount of email and cover an unlimited amount of subjects.

For more details, visit neelyready.com, or email me at mpn@neelyready.com

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