



# Make A Deal

Thecasesolutions.com

## Customer Value Proposition

### What? Why?

- No consensus on what actually constitutes what is a customer value proposition
- Widely accepted in businesses for a persuasive offering or pitch



"most value propositions make claims of savings and benefits to the customer without backing them up... Customer managers, increasingly held accountable for reducing costs, don't have the luxury of simply believing suppliers' assertions" Anderson et al. 91

# Types of Customer Value Propositions

### All Benefits

#### Thecasesolutions.com

"Why should our firm purchase your offering?"  
**All benefits customers receive from a market offering...**  
 - Simply lists all of the benefits that the offering might deliver to target customers  
 - The most, the best

**Requires the least knowledge about customers and competitors...**  
 - Requires knowledge of the market, however  
 - Excludes value proposition to competitors

**Potential Drawback: Benefit Assertion**  
 - Claims advantages for features that actually provide no benefit to target customers  
 - Price/preferences may not be as beneficial as promised



### Favorable Points of Difference

#### Thecasesolutions.com

"Why should our firm purchase your offering instead of your competitor's?"  
**All favorable points of difference a market offering has relative to the next best alternative...**

- Explicitly recognizes an alternative  
 - Emphasizes "points of difference" or factors making an offering either superior or inferior

**Requires detailed knowledge of the alternative**  
 - Requires detailed understanding of the customer's requirements and preferences  
 - Offers cost savings, tradeoffs, solves the customer's problem in a different way

**Potential Drawback: Value Presumption**  
 - Assumes that favorable points of difference must be valuable for the customer



### Resonating Focus

#### Thecasesolutions.com

"What is most worthwhile for our firm to keep in mind about your offering?"

**Focuses on the few elements that matter most to target customers**  
 - Simply communicates value with regards to customer's business priorities and critical issues  
 - More is NOT better

**Requires knowledge of market, alternatives and customers**  
 - Demands a clear and documents the value of superior performance  
 - Effective, and not easy to duplicate  
 - May include points of parity, points of difference and/or points of contention

**Potential Drawback: Inadequate Customer Value Research**  
 - Demands customer insight to succeed  
 - Requires time, effort, penetration, & creativity



### Substantiate Customer Value Propositions

"To make customer value propositions persuasive, leaders must be able to demonstrate and document them." Anderson et al. 92



**Value Benefit Equations** - provide the ability to show points of difference and points of claim relative to the next best option

### Demonstrate Customer Value in Advance

Know your product's value up better than anyone - justify from the next best option

**Value Case Histories** - document the cost savings or added value that customers have actually received

**Value Calculators** - value assessment tools to demonstrate the value customers would likely receive

### Document Customer Value

"Demonstrating superior value is necessary, but suppliers must also document the cost savings and operational levels their offering delivers." Anderson et al. 97



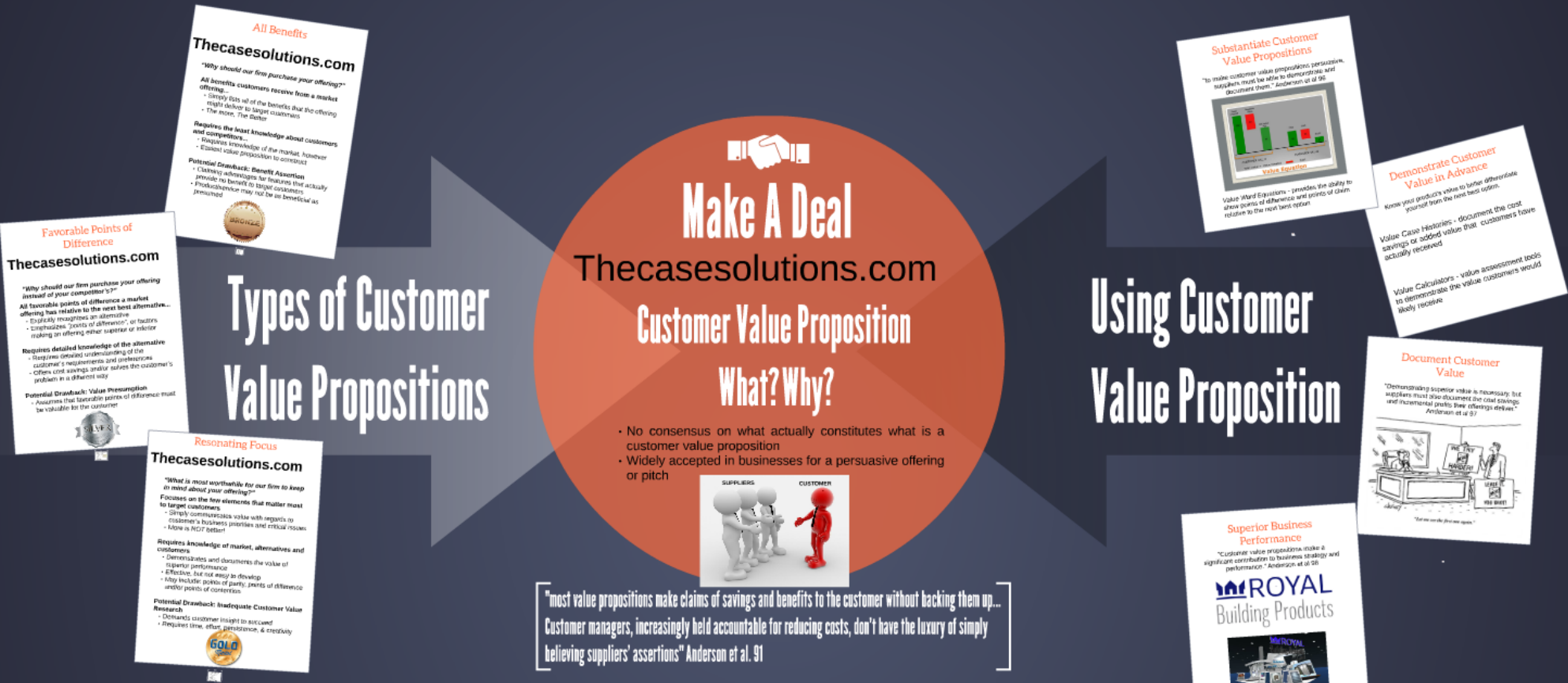
### Superior Business Performance

"Customer value propositions make a significant contribution to business strategy and performance." Anderson et al. 98



# Thecasesolutions.com

# Strategic value curve analysis: Diagnosing and improving customer value propositions



Thecasesolutions.com

Strategic value curve analysis: Diagnosing and improving customer value propositions



# Make A Deal

Thecasesolutions.com

## Customer Value Proposition

### What? Why?

- No consensus on what actually constitutes what is a customer value proposition
- Widely accepted in businesses for a persuasive offering or pitch



"most value propositions make claims of savings and benefits to the customer without backing them up... Customer managers, increasingly held accountable for reducing costs, don't have the luxury of simply believing suppliers' assertions" Anderson et al. 91

## All Benefits

# Thecasesolutions.com

*“Why should our firm purchase your offering?”*

**All benefits customers receive from a market offering...**

- Simply lists all of the benefits that the offering might deliver to target customers
- The more, The Better

**Requires the least knowledge about customers and competitors...**

- Requires knowledge of the market, however
- Easiest value proposition to construct

**Potential Drawback: Benefit Assertion**

- Claiming advantages for features that actually provide no benefit to target customers
- Product/service may not be as beneficial as presumed



# EXAMPLE

## Thecasesolutions.com

### High-Performance Gas Chromatographs Company

- Sold to R&D laboratories in large companies, universities, and government agencies
- **Main Benefit:** Maintain a high degree of sample integrity
- Seeking growth, it began marketing to commercial laboratories
- **Drawback:** Prospects routinely tested soil and water samples, and maintaining sample integrity was not a concern.



## Favorable Points of Difference

# Thecasesolutions.com

*“Why should our firm purchase your offering instead of your competitor’s?”*

**All favorable points of difference a market offering has relative to the next best alternative...**

- Explicitly recognizes an alternative
- Emphasizes *“points of difference”*, or factors making an offering either superior or inferior

**Requires detailed knowledge of the alternative**

- Requires detailed understanding of the customer’s requirements and preferences
- Offers cost savings and/or solves the customer’s problem in a different way

**Potential Drawback: Value Presumption**

- Assumes that favorable points of difference must be valuable for the customer



Ty

Va

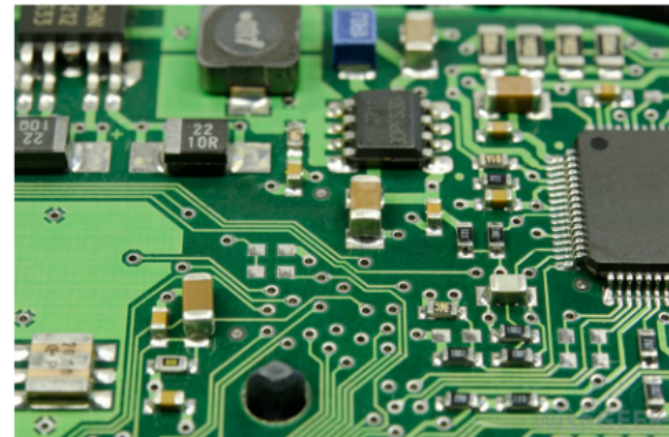
Resonance

# EXAMPLE

## Integrated Circuits (ICs) Company

# Thecasesolutions.com

- Hoped to supply 5 million units to an electronic device manufacturer for its next-generation product
- Competitor's price was 10 cents lower per unit
- Customer valued this offering, with a worth of actually 15.9 cents more per IC unit
- Salesperson offered 10 cent concession, unaware of product's value over competitor





## Resonating Focus

# Thecasesolutions.com

*“What is most worthwhile for our firm to keep in mind about your offering?”*

**Focuses on the few elements that matter most to target customers**

- Simply communicates value with regards to customer’s business priorities and critical issues
- More is NOT better!

**Requires knowledge of market, alternatives and customers**

- Demonstrates and documents the value of superior performance
- Effective, but not easy to develop
- May include: points of parity, points of difference and/or points of contention

**Potential Drawback: Inadequate Customer Value Research**

- Demands customer insight to succeed
- Requires time, effort, persistence, & creativity





# EXAMPLE

## Thecasesolutions.com Sonoco

- A global packaging supplier headquartered in Hartsville, S.C.
- Redesigned packaging provided 6 favorable points of difference relative to the next best alternative
- However, they emphasized...
  - Point of Parity**  
Same Price, Better Performance
  - Points of Difference**  
Cost savings from fewer shifts  
Revenue and profit growth
- Sonoco did not neglect to mention the other favorable points of difference, but they were selective in which points had more weight.

