

All Benefits
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"Why should our firm purchase your offering?"

All benefits customers receive from a market offering...

- Simply list 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
- Enables value proposition to construct

Potential Drawback: **Benefit Assertion**

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



Favorable Points of Difference
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"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 recognize an alternative
- Emphasize 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 readily 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
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"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

- Communicates and documents the value of superior performance
- Effective, and 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, penetration, & creativity



Make A Deal
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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



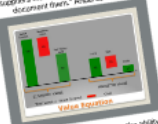

"most value propositions make claims of savings and benefits to the customer without backing them up... Customer managers, increasingly held accountable for reducing costs, don't have the luxury of simply believing suppliers' assertions" Anderson et al. 91

Types of Customer Value Propositions

Using Customer Value Proposition

Substantiate Customer Value Propositions

"To make customer value propositions persuasive, leaders must be able to demonstrate and document them." Anderson et al. 96



Value-Based Examiners - provides 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 to better differentiate yourself 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 coverage and incremental profits 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



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Pricing, Profits and Customer Value



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Requires detailed knowledge of the alternative:

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- Offers a cost savings and/or solves the customer's problem in a different way

Potential Drawback: **Value Assumption**

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

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

Focuses on the key 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:

- Demystifies 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 contrast

Potential Drawback: **Inadequate Customer Value Research**

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

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Value Word Equations - provides the ability to show points of difference and points of claim relative to the next best option

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"Let me see the 2008 sales report."

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ROYAL Building Products

MicroRoyal

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Pricing, Profits and Customer Value



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EXAMPLE

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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.



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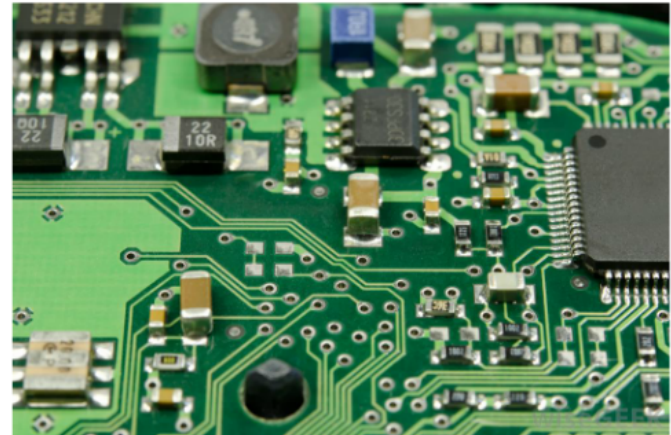
Resonance

EXAMPLE

Integrated Circuits (ICs) Company

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- 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





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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.

