

VALUE PROPOSITION OVERVIEW

What's this all about

Sometimes called an “Elevator Pitch” because it should be possible to deliver the Value Proposition in the time span of an elevator ride, or approximately thirty seconds.

The phrase “Value Proposition” is credited to Michael Lanning and Edward Michaels, who first used the term in a 1988 staff paper for the consulting firm McKinsey and Co. In the paper, which was entitled “A business is a value delivery system”, the authors define Value Proposition as “a clear, simple statement of the benefits, both tangible and intangible, that the company will provide, along with the approximate price it will charge each customer segment for those benefits”.

Key points about a Value Proposition

- Creating and delivering value is a significant issue that organisations need to consider in all its planning strategies.
- Value Propositions vary across industries and across different market segments within an industry.
- Once defined a Value Proposition should drive all business decisions.
- The Value Proposition helps the organisation understand what their primary focus and goals are and to help to understand the consumer's needs.
- The Value Proposition is to differentiate the brand from competitors.

When creating a Value Proposition, it's important to think about these key questions: What is the product or service? Who is the target market? What value does the product or service provide? How is this different from competitors? Many organisations that can answer these will have a relatively strong Value Proposition as they know how their product or service differentiates from competitors.

But it's more than just understanding and recognising what makes them different; it's about creating a statement that engages your customers to purchase your goods or service.

There are many benefits that the Value Proposition can have on a organisation:

- A strong differentiation between the organisation and its competitors
- Increase in operations efficiency and in revenue.
- A “northern star” to guide you in all decisions

Creating a more personal and honest relationship with your customers through the Value Proposition also gives them another reason to choose your organisation.

These benefits will help your organisation grow and succeed in the market.

VALUE PROPOSITION OVERVIEW



How long will it take?

A Value Proposition workshop will take at least a full day, providing all participants have done some homework before hand. (see the workshop agenda)

If you are running the workshop it is a good idea to send out the Workshop Paper and ask all participants to watch the videos beforehand and to attempt the questions. This way the debate can focus on the Value Proposition.

When to do this

You should create your Value Proposition:

- In the planning stages before you launch your organisation
- When there has been a major change to your organisation- such as a merger, acquisition, new product development, new competitor, new technology etc
- Or, if you simply don't have one

Definition

The Culture Firm Value Proposition definition is:

“What is it that your organisation does (or could do) better or differently than its competitors, that is valued by your target market”

There are many other definitions of a VP, including:

- “The reason why an organisation (Government, company, agency etc) should choose us instead of a competitor”
- “What unique value does the organisations product or service provide an organisation”
- “What superior benefit does our organisation offer”

These definitions contain three essential implied or overt sentiments:

1. How is the organisation different from competitors in benefits that matter?
2. What does, or can the organisation do that is better than its competitors
3. Who are the customers that the organisation is targeting, that would benefit from their solution?

So the Value proposition should address the target market and how your organisation is better or different and is valued by customers. If you complete this exercise and discover that your organisation does not have a competitive advantage, then redo the exercise with a view to the future and how you could re-engineer the organisation

Examples

Career Step

Career Step offers its students a more effective educational path to a higher income, while avoiding student-loan debt. And they do it with passion. Career Step leaders have a clear and enthusiastic vision, employees are in full support of that vision, and customers get the value proposition instantly. As for the competition, let's look at a few statistics.

VALUE PROPOSITION OVERVIEW

CEO Steve Tober explains, “There are now 38M student debtors in the US with an average of \$29,000 in debt, and 25% of them owe more than \$50,000. Yet, 44% of those with traditional degrees are un- or under-employed.” Tuition costs have increased 500% since 1985. That’s two times the rate of healthcare cost hikes, and six times the rate of food price increases. Because of this diminishing return on investment, students are rethinking the conventional practice of taking on substantial education debt in order to land a well-paying job.

Career Step’s value proposition makes sense for many. “Our certificate programs can be completed in under one year, cost less than \$3,000 in tuition, and raise our students’ annual income from \$20,000 to \$35,000 on average,” explains Tober. “We only offer education in high-growth areas like medical coding, transcription and billing. This has led to a job placement rate of 90% for our graduates.”

Source : forbes.com

Workshop exercises

See the workshop exercise attached, this exercise should take one a day to complete and will require executives from all relevant departments; finance, marketing, sales, human resources, product, operations etc

VALUE PROPOSITION WORKSHOP

Exercise: what problem is our organisation solving for our customers?

When you do this exercise, it is important to “have the mindset” of your customer. For some organisations this will be easy, for others it will be a bit more challenging. For example, organisations selling products or services directly to consumers or businesses need to simply focus on the end user. Some organisations will be selling via an intermediary, in which case they may need to focus on both the intermediary and the end customer.

All customers, want at least one of two outcomes.

1. They want to solve an issue or issues that are causing them some sort of pain. There are problems with their current solution, product, service or provider that is causing them to be unsatisfied with the status quo
2. They believe that there are one or more major benefits that they can gain, by changing their current provider. The benefit may be around reduced cost, better service, new benefit etc. The benefit may be tangible or intangible.

EXERCISE - part 1

Culture Firm recommend the use of an independent moderator to do this exercise. Someone with a background in marketing or business consulting. The Culture Firm website has a list of qualified consultants that can help.

Before you begin watch this video Simon Senik video:

https://www.youtube.com/watch?v=u4ZoJKF_VuA

And this video by Jim Collins:

<https://www.youtube.com/watch?v=JUrdbmNBpyY&t=44s>

And this video by Steve Jobs

<https://www.youtube.com/watch?v=keCwRdbwNQY>

And this by Elon Musk

<https://www.youtube.com/watch?v=QygpajJclm4>

All these videos are in the culture firm library.

VALUE PROPOSITION WORKSHOP

Describe your target market in as much detail as possible:
Who are they? - describe by segments, demographics, psychographics, attitudes etc

How do they currently use your product or service?

What would they do if your product or service was not available?

Why do they use your product or service?

List in order of priority, your top 3 competitors, their strengths and weaknesses and their value proposition (as close as you can guess if you don't have this information)

- 1.
- 2.
- 3.

List in order of priority, three "pain issues" that your organisations solution solves for your target market (the customers that your organisation sells to) better than or differently than most of your competitors:

- 1.
- 2.
- 3.

List in order of priority, three benefits that your organisations target market "gain" when they choose your solution instead of your competitors:

- 1.
- 2.
- 3.



VALUE PROPOSITION WORKSHOP

EXERCISE - part 2

Having completed exercise 1 it is now time to choose your Value Proposition. Let's have a look again at the Culture Firm Value Proposition definition:

“What is it that your organisation does (or could do) better or differently than its competitors, that is valued by your target market”

Now fill in the following statement for your organisation:

1. (Organisation name) will target the following customers (describe your target market) and offer them (describe your product or service).
2. Compared to (name your competition) our (product or service) has the following benefits (choose the best from your list of 3 pain or gain benefit statements)
3. Many organisations also choose to add to their value proposition some information about their history or their future; “since 2010” or “by 2025” “