

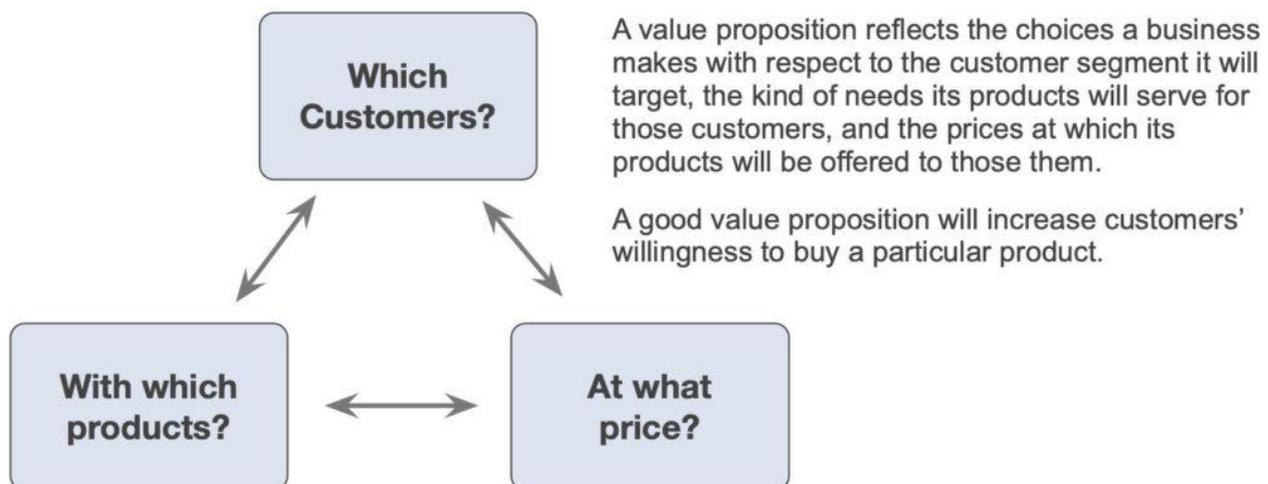
What is a Business Value Proposition?

Companies have three levers to act upon when trying to influence customers' willingness to buy their products.

They can choose the customer segments they will target, the needs they will offer to serve for those customers (i.e. through the design of their products and the benefits they offer), and the price at which their products will be offered to those customers.

Determining a Value Proposition

The decisions you make with respect to that triad of factors (customers, products and price) form the *Value Proposition* of the business for that particular customer segment, a concept that sits at the core of your business strategy.



A value proposition is the answer to these three questions

The goal of a value proposition is to create a "perception" of value in the minds of your target consumers, which influences how much they will be willing to pay to get the benefits of your products.

Because *value* is a relative term, you can see how a single product can have multiple value propositions based on the type of customers it is being promoted to.

For example, you may promote solar energy to global-warming activists as a way to reduce global emissions, and then offer the same energy to homeowners as a way to reduce their electric bill; same product, different customer value propositions.

Value Proposition versus Positioning Statements

Many classic business frameworks define a Value Proposition as some kind of *statement* outlining the benefits of the product. Things like "Get whiter teeth", or "Faster downloads".

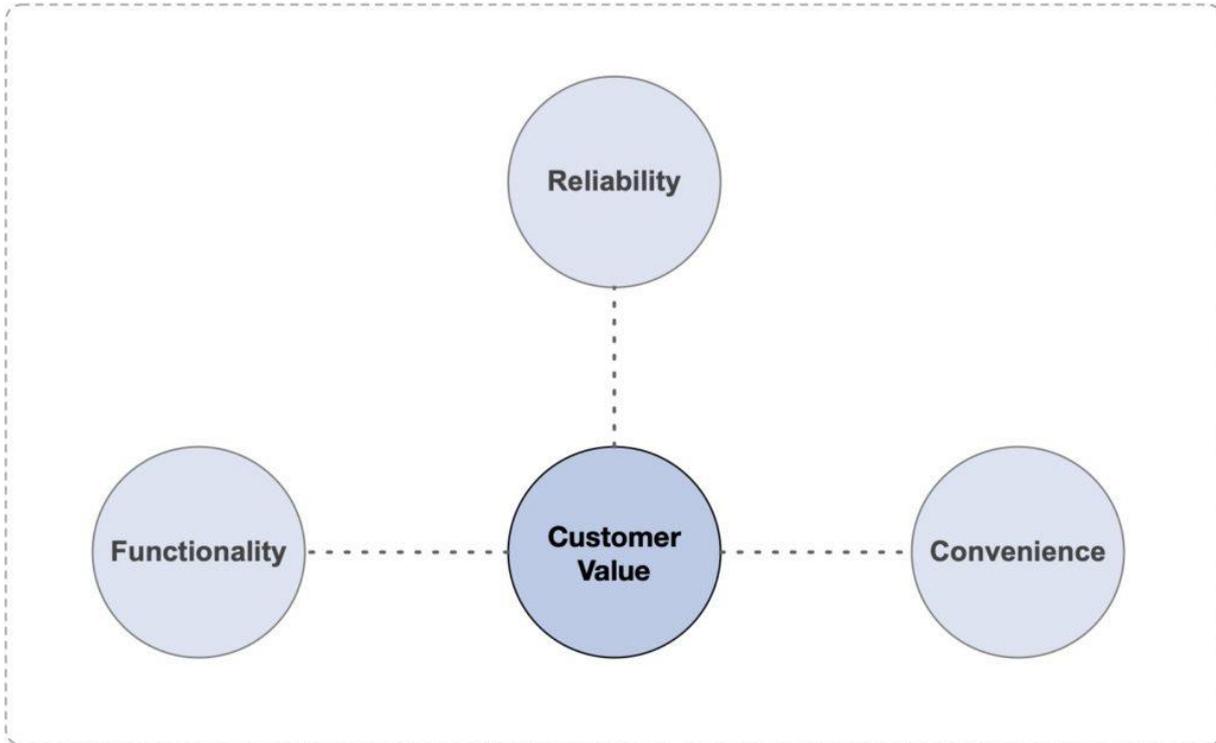
In reality, that's a simplified definition that doesn't really exploit the value that a more serious effort could have for strategy.

How to create a powerful Value Proposition

A good value proposition must be the result of thorough research to “prove” the superior benefits of a solution with respect to its competing alternatives in measurable (e.g. monetary) terms.

You then use the results of that research to make strategic decisions about product development, marketing and sales (i.e. the product’s value proposition for its different customer segments), and from that information you can also create *messaging campaigns* and a series of brand positioning statements to use in marketing and promotion.

But the value proposition itself must be an *internal* appreciation of the company’s approach to a particular market, which evaluates consumer choices and proposes a marketing strategy to make customers buy, and for that reason it is not something to be shared with the external world.



Customer value is created along three dimensions: Functionality, Reliability and Convenience

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