



## Do Customers See The Value?

“Price! It seems to be the only thing that matters to customers anymore.” Do you hear this lament? Is it a sentiment you sometimes feel? You may be right, depending on the customers that your company focuses on. For example, research shows that in most markets, 25% of customers buy on price alone. There may be little you can do with these customers. The first thing to do is decide if you even want to pursue them. If you decide to do so, make sure you have low costs so that you can make money with these customers.

What about the other 75%? What can you do to better position your company in the minds of these customers? I use the term “minds” because I am talking about how customers perceive things. Perception is not reality but it is ultimately what matters. Perception must be created, ultimately, by the actual experiences customers have.

### Calculating Value—What Do Customers Think?

Before discussing the value proposition, think about it from the perspective of a customer. How do your customers see things? In the minds of most customers, the value calculation is rather simple:  $\text{Value} = \text{price paid} + \text{quality received}$  (quality is defined in its broadest context). If the quality received is less than expected, value goes down and, ultimately, the price with it. Likewise, if quality increases, customers perceive greater value and are willing to accept the price (higher in some cases).

Again, looking at things from the perspective of your customers, to what do they attach value? One client involved in the distribution business attaches great importance to having accurate product inventories. This client knows that customers attach a great value to having inventories that are accurate down to the last unit. This attention to detail has allowed the company to grow and prosper in a market in which customers are quite price sensitive.

### Working on Your Company’s Value Proposition—Some Suggestions

The value proposition in too many companies is not clear. Sometimes, managers are either unwilling or afraid to claim a strong value proposition because they feel (1) customers may not see it as credible and (2) the performance may not be sufficiently consistent to make the claim. I cannot address the second reason but I will deal with the first. Some suggestions:

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- **Define your company's value proposition—succinctly.** Assuming your price is competitive, what other things do you provide your customers? For example, a major component of a Caterpillar dealer's value proposition is unparalleled product support. They help keep machinery running, which is how the contractor makes money. One ink manufacturer has rigid quality control procedures. The ink is highly consistent from one batch to the next. For the printer, this makes setup and press operation much easier. List all the ways you provide value to the customer. Every single one of them! Consider the following things that often matter to customers and the impact they might have on the customer's business:
  - Products delivered on time—Manufacturing processes are not interrupted
  - Technicians arrive when promised—Broken down equipment is repaired when expected and the customer can get back to work more quickly
  - Products work as promised—Eliminates one more risk point

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Perhaps the best example of a succinct, effective tagline that captured one company's value proposition was a past FedEx tagline. It was simple: “When it absolutely, positively has to get there...” They have a system in place that could deliver packages and letters consistently when promised. They also knew that this was a quality that many customers valued highly. That is why FedEx was able to charge what they did then (and do now) to deliver that letter.

A point to be made: A value proposition is not just a “tagline” though this may be part of it. A clever tagline does help to encapsulate what you define as the critical value(s) your company is providing the customer.

- **Promote the value proposition—clearly!** Often I work with companies where there is a compelling value proposition. However, it may not show up on the web site, in brochures, or at other points of “customer touch.” In some cases, it is not clear and not stated in a way that helps the customer understand why it matters to them. Look at all the points at which customers touch your company. Is the value proposition being communicated in a way customers understand? Things to consider:



- Without becoming overwhelming, are there reminders of the value proposition whenever a customer “touches” your company? For example, are subtle reminders included on invoices?
- “Tell stories” to your customers about your value proposition that vividly illustrate what you mean. Several years ago, one client, a designer and distributor of sophisticated chemical process systems, promoted its responsiveness. Late one Saturday evening, a customer had a major pump to fail. He called the emergency number fully expecting to hear that the replacement pump would be shipped out on Monday. Instead, the person on call went to the plant, loaded a replacement unit on a company truck, and drove five hours to deliver it. He then helped the customer get it running. This happened before the customer was forced to shut down the plant. A version of this story was told in much of their marketing materials—with the customer speaking about the experience. Let your customers talk about your company’s value proposition that they experience. Very effective!
- Measure and promote what you do. Too many times companies perform well but customers don’t know it. Remind them. Tell them how many orders were shipped on time. Look for other performance indicators that will demonstrate a strong value proposition.
- **Look for ways to improve value—constantly!** The world does not stand still and neither should your company. Enhancing the value proposition is an ongoing process. How do you do it?
  - Create the urgency. If things are going well it is often hard to do this. If nothing else, “invent the burning bridge” to encourage the urgency. In the case of one client, a lost order is carefully analyzed. This is not an exercise in looking for the guilty but, rather, a process by which the organization really analyzes why the order was lost, what could have been done differently, and what, systematically, needs to change.
  - Stay connected with customers. One of the best ways to do this is to “wire” it into the company. One long time client has established a partnership with several key customers to look for ways to enhance the value. From the conception of the program three years ago, it is amazing what they have learned and the sales and profits that have been generated.

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## **Parting Thoughts!**

The reality about value propositions is that they are experienced by customers. If they are written by you and not experienced by customers, there isn't a strong value proposition there. Your objective is to make sure, assuming the value is there, that customers experience it.

Lastly, it isn't all about price for all customers. In the absence of other "aspects of value," price becomes the primary thing customers think about. That value proposition does matter. It helps to define the other things you provide, besides price. Consider that value proposition from the perspective of a customer and ask two questions. Do you understand it? Would you "buy" into it?

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