# *The* Value Principle

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**The Principle**

How do our company's benefits – product, services, brand identity, and operations – become *valuable*? It's not through marketing or sales. It's not through building products we think are the wave of the future. Our benefits – value – become valuable because our customers get the *results they need* by using them.

*The Value Principle* is a rule that is grounded in the belief that customers do not buy features, bell and whistles; they buy results! Customers buy from us because they have problems to solve – defined in terms of their issues and needs – and we have solutions to those problems that adhere to *their* business standards and are implemented under *their* constraints. Growth occurs when we consistently provide solutions with this in mind. From this observation, we can state…

**…*The* Value Principle!**

**Total solutions and their benefits promote growth only when customers consistently experience the results they expect!**

Sounds obvious enough but it's important for two major reasons:

1. It emphasizes that *total solutions* are the *engines* of growth, and
2. Customer *experiences using the solutions* ultimately *define* how well the engines work.

Growth is the main goal of most companies; financial growth based on developing a customer base of repeat buyers. We think our "growth engines" may have all the necessary components to achieve this goal – quality, time to market, service, and the “right” products and services – but these *total solution building blocks* are only a part of the total solutions customers expect. Not only that, because these components are the entry fee we all pay to enter today's economy, our competition has them as well.

What will separate our companies from our competitors is making sure *all* value building blocks used to define value propositions are created, improved, and applied based on *The Value Principle* (building blocks such as perpetual innovation skills, customer communication, consistent execution, plus all others considered essential to success). Each building block must be defined with a focus on the *contribution they make to the results customers want*, understanding that this will lead to the results we want.

Which leads us to the second major reason *The Value Principle* is important: Just any old results won't do. All of our solutions deliver results. But we have to make sure it's *the* results customers expect to experience regardless of how appropriate we *think* our solutions are to solving targeted problems – i.e. our *perceptions* of our benefits. We don't get to define "appropriate" before or after the results are in; that's up to our customers. Therefore, our perceptions should be formed by proactively learning about the experiences our customers expect and not by assuming what those experiences should be.

If the "results" of our solutions end in a match between our perceptions and our customer's expected experiences then we have “Value Nirvana” – our company *and* the customer expected the solution to produce certain results and the customer *experienced* it. The companies that have the closest match are usually the competitive leaders.

When we build a value proposition we tend to put the efforts in terms of our *success* – probably financial – and not in terms of the *business results* our customers need. How many times have we put selling our goods and services in terms of solving our customers' problems *so they can sell more and by how much*? How many times have we put offering our value propositions in terms of our *customers' financial success*? Are these questions raising a distinction without a difference? Maybe. But ask yourself this: "Would we act differently and produce different 'total solutions' if we put our customers' goals ahead of our own?"

*The Value Principle* reminds us to *proactively define* our solutions – characterized in terms of products, services, knowledge, and operations – with the results our customers need to experience foremost in our mind.

**Applying the Principle**

From *The Value Principle* we can derive several rules. Since our goal is to maximize the probability that our customers will be able to create business success using our value, three such rules are:

1. *"Results" can only be accurately predicted if we know our customers' businesses – their goals, operations, customers, competitors, and industries.*

   Our companies can't create solutions that turns into the business results our customers plan for if we don't *profoundly* understand the "who, why, what, how, when, and where" of *their* business challenges.

2. *Value propositions need the proper "care and feeding" so they can always be positioned to create an equitable value exchange over and over again!*

   If we sell our customers something that is supposed to solve their problems and it doesn't, the value exchange that transpired probably won't occur again. It doesn't matter that we built the greatest "mousetrap" ever, it just matters that it caught mice. It's only then that customers feel they got their money's worth. Then they buy again and again which causes our company to *grow!*

   "Care and feeding" means we have to be vigilant about the quality of our value propositions' building blocks. We have to have the right assets with the right characteristics, possibly for each market we serve, recognizing they are constantly under assault by change, trends, customer needs, critical issues, and the competition.

3. *Customer expectations have to be pre-set; they tell us the results they want and we tell them what we can do, and vice versa, until both of us clearly understand expectations.*

   Even though we want to "delight" our customers, we have to let them know what we can and can't (or won't) do in light of their expected results and our abilities. They will be delighted when their problems are solved instead of getting "promises" that can't be kept due to our constraints.

   Pre-setting expectations will help keep surprises, especially negative ones, to a minimum. For example, we're surprised when:
   - Our computers crash after we load in a new program,
   - We expect a delivery to contain all items ordered and some are missing,
   - Our costs are not what they were advertised to be, and
   - New customers get a better deal on purchases than we do as loyal ones.

   Our customers rely on *our companies* to be an integral part of their value propositions – built around their total solutions – used to advance their business. When we don't set the proper expectations about performance and surprises occur – especially at inopportune times – then our growth expectations will be *re-set*, which could surprise us.

*The Value Principle* is only good if it drives us to take actions. Therefore, the following steps outline how to apply this principle to your value creation efforts (a list of questions for each step will follow):

Step 1: Develop a *deep understanding* of your customers' businesses' expected results – financially, competitively, and operationally. This includes understanding their goals plus future sales, marketing, and product development (etc.) activities. Put these "results" in terms of issues, problems and constraints your customers are facing and will face.

Step 2: Adding your knowledge from Step 1 to your knowledge about (e.g.) industry trends, technologies, emerging markets, and your company's abilities to create and deliver the solutions, form a complete picture of the solutions that will best help position your customers to attain their goals.

*Note: Your company's abilities could be constrained by, for example, resources, skills, market segments pursued, and time. Identify these constraints and either mitigate them or let your customers know how they could affect your solution's performance.*

Start developing your *perceptions* (or opinions) about potential solutions and what form you think they should take, how they should perform, and how completely they solve the problems.

Step 3: Understanding *expectations* is part of understanding requirements. Make sure you learn the outcomes your customers expect from using your solutions – "why, what, who, how, where, when" not to mention tangible *results* – and about what they expect *not* to happen implementing them. Adjust these expectations with your constraints and capabilities, communicate them to your customers and readjust based on their feedback.

Step 4: Develop a realistic (and as complete as possible) group of potential *experiences* (results) customers can have applying the value (along with the probability of each occurring). Work with your customers to verify that the experiences are going to help them meet their business goals. Evaluate the impact of any "negative" experiences on your and your customers' businesses.

Step 5: Based on the above, develop a *value proposition implementation feedback plan* to collect information on and monitor how well your prediction process is working: find out what the real experiences were versus what was predicted. Go to Step 1.

**The Questions**

Applying the Value Principle requires asking lots of questions. What follows are examples of the kinds of questions (to help prime the "question development pump") that can be asked at each step. The questions should support the goal to maximize matching perceptions with expectations with experiences.

**Step 1** requires that we develop a *deep understanding* of the customer's needs, wants and problems, which isn't done by asking them what their needs, wants, and problems are. We need to ask "results" oriented questions to uncover the "real ones." For example, ask:

- Why do customers need variations of your solutions to solve the same problem? (For example, is it due to different skill or training levels?)
- What would happen if all the variations were not delivered? Would customers still buy? If not, could your company afford that and would the customer become a negative reference?
- What will prevent customers from getting the results they want or need?
    - Do they lack skills to properly apply solutions to their problems?
    - Do they lack the technology?
    - Do they lack the resources, such as time, equipment, or people?
- What can be done to "help" the customer overcome their constraints? Can we supply missing or needed resources – e.g. training facilities or coaches?

- Do we have a good understanding how our solutions will affect our customers' bottom lines?
- Does our solution give our customers a competitive edge? In other words, does it help our customers provide "unique value" in their own right?

**Step 2** requires, through understanding our capabilities and applying our industry knowledge, that we develop our *perceptions* of how well our solutions produce the results our customers need. Ask the following questions:

- Can we describe a reasonable scenario that convinces our customers that the perceived value will produce the results they need to meet their business goals?
- Can we accurately describe the criteria – current state of our customers' businesses, industry requirements, and technology – on which our perceptions are based?
- Can we adequately separate how our customers operate from how we think they *should* operate?
- Do we have a realistic view on how well we operate and what we know?
- Do we tell the customer "we can do that" even though we can't or don't want to?

**Step 3** expects us to work with our customers to create a *set of expectations* about the scope and robustness of our solutions. Questions we might ask are:

- Have we developed an "economically sound" set of expectations covering the right set of customers (i.e., costs to develop and deploy are in-line and we can expect an ROI)? How about our customers – can they expect an ROI on using our solutions?
- Is our set of expectations clearly defined, with no ambiguity between the different items in the set?
- Can we map the developed set of expectations to our customers' business objectives? To our own?
- Did the process of developing expectations result in the need to add new features to our solutions?

**Step 4** requires that we do our homework and "research" on how our value will turn into *experiences* (i.e. results) that are expected and, more importantly, not expected or wanted. Ask the following:

- What are the common experiences we can expect to occur with respect to first, visible results (I load a new program on my computer and it doesn't crash) and second, the customers overall objectives (small number of crashes helps keep costs down)?
- What "errors" can take place?
- What harm can be caused by using the value? (For this example, will all customers get the help they need in a timely manner?)
- What is the most bazaar experience we can think of?
- Can we vary any of the solution's content instead of adding something new, and possibly redundant, to make sure we cover all the experiences we have defined?
- Can we map our internal operations (e.g., the use of our skills, processes, and tools) to our customers' results?
- Will the results of applying our solutions cause, for the most part, our customers to publicly praise or condemn us?

As our value evolves, our markets change, and our customer's needs and wants change, we apply the results of **Step 5** to the above activities to ensure the perceptions of how well our solutions work *remain aligned* with the results our customers experience.

The following questions will help us obtain the feedback we need to determine our next steps:

- What customers' needs have changed and does the value proposition need to be changed to accommodate those new needs? Were we able to predict the changes proactively?
- What experiences did we miss?
- Were we successful in creating and delivering the value proposition and how can we improve?

- Were there enough customer and company resources (funds, time, and people) applied to the implementation?
- Were our perceptions on target or did we have to change the solutions, after implementation, more often than anticipated?
- Are our customers more successful than we predicted? Why?
- What new/modified solutions do we need?

In summary, the *Value Principle* is valuable because:

- It gets us to act pro-actively.
- It gets us to think about the consequences of a "perceptions only" solution.
- It gets us to think about our value proposition in terms of results.
- It gets us to think about what really drives growth.
- Finally, *The Value Principle* encourages us to consistently update the proposition based on our customers' business objectives and operations.

Remember, it's our customers' growth that really defines our growth!

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