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While there’s a good deal written about how to create a good value proposition, businesses’ embrace of the concept seems to be lukewarm at best. That’s probably because they overlook the *total* value behind developing and using the tool – which is what it is – throughout the organization; sales and product management just to name a few applicable (sub) process chains. There are several misconceptions that keep companies from realizing that value.

First (and the most written about), companies have a misconception about the definition of a value proposition and the guidance it provides to construct one. It’s mistaken to be, among other things, a list of company goals or some platitudinal statement about the company’s, for example, market position (“We lead the market in quality solutions.”).

But the most common misconception is it’s thought of as a list of products, product features or company core competencies (“We’re the leaders in service excellence!”). It’s none of these. Keep in mind that products, product features and related services are the *encapsulation* of a company’s benefits and activities that exist in the form of skills, processes, tools, and resources (like knowledge), which taken together form the company’s total solutions. Products are the “visible” manifestation of these solutions, not value propositions.

There are many workable proposition definitions and construction methods on the web, as a quick search will reveal. I define it as *the company’s promise to customers that the performance of their solutions will deliver the results customers buy and work for*. It states a problem, a unique solution and expected *customer* results. More importantly, the value proposition is a living entity, something that doesn’t remain static but is amended as customer problems, solutions, and result needs change.

The second misconception deals with “results;” they’re not stated in terms of the value the company will realize but in the value customers will realize. Propositions are communication tools that should help customers understand that their suppliers understand the results they buy and work for – results like cost savings, reduction in resource usage, more units sold, time saved, more customers, keep customers, etc. Customers are, generally, more interested in hearing that their suppliers know their buying goals and their business challenges and less interested in how a sale will help meet the supplier’s business objectives.

The value obtained by understanding “customer results” is hard work. It takes research, relationship building, data analysis and *non-product questions* to get a clear understanding of the customer’s business so the right, unique benefits and activities (total solutions) are developed for the right problems and the right spots in the customer’s value chain, leading to results competitors can’t deliver. In other words, the company better know what really matters to its customers.

Towards that end, it doesn’t hurt to learn and understand the “value propositions” customers build for their businesses. Remember, when a customer buys a “value proposition,” it’s, more than likely, *integrated* into theirs, either directly or indirectly. Make sure it can because the customer’s premises or assumptions must be correct about how their supplier’s benefits and activities fits into theirs so their expected results can be realized.

The third misconception is that a company only needs one value proposition. While it may be important to construct a high level one for the company, it’s more valuable to develop propositions for each market, industry served, customer groups (segmented by, for example, problem to solve), and even individual customer problems. I label the overall company or business unit proposition as the “total value proposition (TVP),” the basis for developing the customized ones needed for the purposes just mentioned.

Once a value proposition statement is completed then the company is finished with it - other than communicating it to their markets – is the fourth misconception. Companies need to continue the development process by validating propositions doing something that isn't well practiced and, yet, provides the most value: *they must break them down into the pieces and parts that make them work!*

When I see a "value proposition," I don't see a statement as much as I hear the *promise* that needs to be kept and see the complex system of *encapsulated* benefits and activities that must work together in concert and within the customer's own system of benefits and activities. What I know is that any proposition's offerings can only perform as well as the weakest element in this "results based" system.

Keep in mind, it isn't just the products and related services that must meet performance standards; it's everything that goes into the *total solution*. Therefore, without making any assumptions, it's valuable to break down the "promise" into its constituent parts of benefits and activities so the following elements can be identified; those that are weak, need to be strengthened, need to be added and needed to differentiate the proposition in its respective targeted market.

For example, if a company says their value proposition is "multi-level service that results in a 20% drop in time to achieve resolution," they know what "results" means to customers – for example, timeliness, minimum overhead costs, good customer "fault" recognition system, and a single "touch" experience – and what it means to the company in terms of execution – for example, response process, trained personnel (the company's and their customer's), good hiring procedures, and empowerment activities. Needless to say, each of these elements can be broken down as well.

The value proposition can be a powerful customer centric tool as well as a marketing and sales one. If companies "break it down," as suggested, then a natural alignment between the contributing benefits and activities – and those who perform or make them – and the customer's results occur. Contribution to customer centricity is greatly enhanced when everyone who has to keep the proposition's promises are aware of their direct contribution, even if it's minor, and whether or not they can meet the requirements that the company's solutions and customer results call for.

In today's economy, it's more important than ever to keep promises to customers, what with the uprising of social networking and other Web 2.0 tools. Make sure value propositions are valuable by developing each one to let targeted customers know what doing business with your company can do for them.