



“The Competitive Value” Primer

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Competitive abilities - represented by your tangible and intangible value assets - are used to attract customers. Improving, creating and adding new assets - therefore, improving your competitive position - is what keeps them coming back! Because value exchange between a company and its customers is only realized when customers experience expected results from the benefits companies provide, successful businesses build enterprise wide cultures that “focus on value creation.” It’s a culture that continually identifies and implements new value opportunities - new and improved activities as well as benefits - that go to constructing compelling business solutions!

Customers buy from companies because the benefits offered are used to increase their success running their businesses, solving their problems, or enhancing their own value. More importantly, customers buy from companies who provide total solutions to their business needs and keep pace with their changing markets. They seek companies who understand all of their problems and needs, even those unrelated to their suppliers’ products and services. They seek companies which have a reputation for “excellent execution” because they know quality solutions depend on it!

In order to be successful, companies have to find and work with the right customers and provide the right solutions (i.e. value) for the right amount of exchange.

This value comes in three forms: 1) “customer knowledge based” products, related services and other services like “relationship management” and 2) the company’s abilities to create and 3) deliver the associated benefits.

As seen by customers, value is “what they get” in return for “what they pay,” represented by one (or, more likely, all) of the following equations:

Value = Benefits/Price, where “benefits” are described in terms of, for example, quality, uniqueness, time, and popularity.

Value = Utilization/Price, where “utilization” can be defined in terms of versatility, ease of use, and effort to learn.

Value = “Degree of Fitness for Purpose”/Price, where “fitness for purpose” can be defined by the varying skills needed to “use” the product or service, environmental traits, and business processes involved.

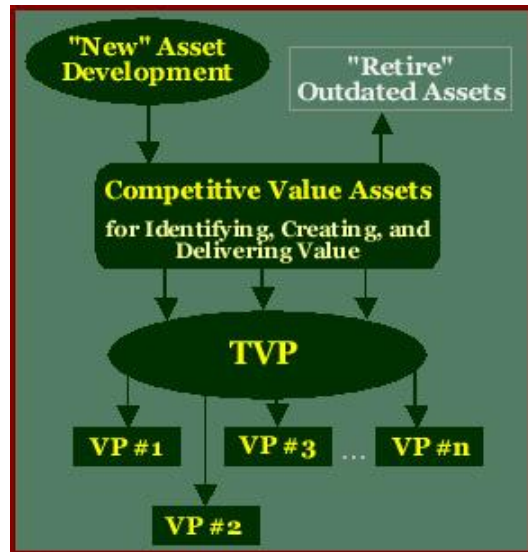
Increasing value involves developing assets to optimize both parts of the equation: making sure the benefits are the right ones for market (measured by revenue), and making sure the company’s operational performance – activities – matches stakeholder’s expectations (measured by costs). This optimization results in proper pricing.

Customers are presented solutions in the form of “value propositions” which companies develop from their entire value asset cache of benefits, activities and capabilities. The value proposition’s quality and the absence of critical issues define how successful a company is today and how successful it will be tomorrow.

The diagram to the right shows the importance of having quality competitive value and how it fits into the “Value Creation System.”

Competitive value is the set of assets companies use to build the propositions offered to well defined markets for sale. These assets are not static: they change with the markets and the company’s operational needs as defined by its strategic objectives. Value assets are enhanced when, for example, a new process is developed (or improved) or new knowledge is gained about markets, customers or technology. They are “retired” when, for example, technology is used in place of “manual” techniques or makes an activity obsolete.

A company uses these assets to construct everything all their targeted markets (individual customers) find valuable. This includes - but not limited to - products and related services, customer focused functions, operational procedures, and tools and technology for their infrastructure. This is their “Total Value Proposition” - TVP.



Because a company has multiple customers in multiple markets, there are multiple value propositions (VPs) offered for sale. Some competitive value assets are used in all VPs and others are used to build unique propositions. It all depends on the customer’s needs and the company’s objectives.

A quality competitive value assessment process, measuring for a company’s “Competitive Value Index” (CVI), focuses on...

- The business’ competitive abilities, which requires an absolute understanding of “core and non-core competencies,”
- Acquiring profound knowledge, which requires “a below the surface” understanding of the customer’s business, their needs for success and the provider’s ability to create and deliver the corresponding value, and
- Innovation, which requires ideas, knowledge and communication between company personnel, customers and other stakeholders,

...leading to value creation based on business issues that customers focus on and the critical issues that keep the company from execution excellence.