Crafting Persuasive Customer Value Propositions in Business Markets

1. Positioning in business markets

2. Customer value propositions

3. Customer value management and customer value propositions
No generally accepted definition of positioning exists. For our purposes:

_Positioning_ is the process of establishing (and sustaining) an intended meaning for a market offering in the minds of targeted customers.
Guidance varies on writing positioning statements, but the critical components are:

- **Target** (customer characteristics)
- **Offering concept** (essential attributes)
- **Value proposition** (point-of-difference, relative benefits)

Depending on the situation, sales and delivery approach (channels), and claim support (reason-to-believe) may be components for inclusion.
Target customer descriptors come from finer-grained market segmentation, understanding how customer requirements and preferences, and thus the value of the market offering, vary.

Conventional bases
- Industry
- Customer size
- Customer behavior
- Geography

Progressive bases
- Application
- Customer capabilities
- Usage situation
- Contribution to profitability
Positioning in Business Markets

Considerations for Positioning Statement Success:

• Does it reflect reality?

• Does it take the customer’s perspective?

• Is it meaningful?

• Does sales “buy” it?

(adapted from Dovel, 1990)
Positioning in Business Markets

A positioning statement example:

"This portable fatigue-o-tron provides the highest performance in a portable package for corn growers who need in-the-field metal fatigue analysis."

-- Dovel (1990)
Arguably, *value proposition* has recently become one of the most widely-used terms in business marketing.

Yet, there is little specificity or agreement as to what constitutes a value proposition or what makes one persuasive.
Customer Value Propositions

Oregon Truss
...We're Just Better
17900 SE Wallace Road
**Customer Value Propositions**

**All Benefits:** Value proposition as all benefits customers receive from a market offering.

Answers customer question: “Why should our firm purchase your offering?”

To construct and have sales force deliver it requires knowledge of own market offering.

Potential pitfall: Benefit assertion.
**Favorable Points-of-Difference:** Value proposition as all favorable points-of-difference a market offering has relative to the next-best alternative.

Answers customer question: “Why should our firm purchase your offering instead of your competitor’s?”

To construct and have sales force deliver it requires knowledge of own market offering and next-best-alternative offering.

Potential pitfall: Value presumption
Resonating Focus: Value proposition as the one or two points-of-difference (and, perhaps, a point-of-parity) whose improvement will deliver the greatest customer value for the foreseeable future.

Answers customer question: “What is most worthwhile for our firm to keep in mind about your offering?”

To construct and have sales force deliver it requires knowledge of how own market offering specifically delivers superior value to customers compared to next-best-alternative offering.

Potential pitfall: Requires customer value research
Customer Value Propositions

Customer value research as a worthwhile “pitfall”: Resin supplier experience

Initial value proposition:
“The new resin provides coatings producers with VOC compliance while retaining the performance of similar noncompliant resins at a somewhat higher price.”
Customer Value Propositions

Customer value research as a worthwhile “pitfall”: Resin supplier experience

Initial value proposition:
“The new resin provides coatings producers with VOC compliance while retaining the performance of similar noncompliant resins at a somewhat higher price.”

Value proposition after customer value research:
“The new resin enables coatings producers to make architectural coatings providing higher film build and the ability to put on two coats within a single shift, thus increasing painter productivity while also being VOC compliant.”
Customer Value Management and Customer Value Propositions

A persuasive value proposition earns a supplier the chance to engage the customer in a conversation about the market offering.

Increasingly, supplier value propositions take the generic form, “Our product will save you money!”
Customer value management, where suppliers persuasively demonstrate and document the value of their offerings relative to the next-best alternatives, enables suppliers to substantiate resonating focus value propositions.

Value case histories and value calculators persuade the customer to try the market offering.
Customer Value Management and Customer Value Propositions

**Best Practice Example: Sonoco**

**Distinctive Value Proposition (DVP):**

1. Distinctive
2. Measurable
3. Sustainable

General manager performance scorecard and senior management review

*Customer value propositions* as the cornerstone and guiding beacon of superior business performance.
Sonoco Example: Constructing a DVP

A proposed package redesign for a European customer, that makes consumer package goods, provided six favorable points of difference.

Sonoco’s DVP:

The redesigned packaging has the same price as the present packaging, but delivers significantly greater manufacturing efficiency in the customer’s fill-lines through higher-speed closing, and provides a distinctive look that consumers find more appealing than the present packaging.
Customer Value Management and Customer Value Propositions

Award Winning Service through Documented Value Added savings.

$192,000

When a major juice producer in Central Florida experienced problems with the conveyor drive on their frozen concentrate capping machines, Applied Industrial Technologies was called to put a lid on the problem.

Applied's product specialist Jim Bearden worked with the customer's electricians to identify the problem. A thorough analysis uncovered a short service life of only three months on the current drive system. Jim recommended a new high cycle clutch and brake package from Kebo with a much longer life.

Kevin Dimond, Jim, Kevin and the electrician installed the system, and the capping machine was again up and running, saving the customer over $192,000 in downtime. So successful was the clutch and brake package that five more were ordered to replace the systems on the plant's other capping machines.

Documenting the value added to our key customers is just another way of offering what we as a company have come to be known for...Award Winning Service!
Customer Value Management and Customer Value Propositions

Award Winning Service through Documented Value Added $ savings.

At a major aluminum producer in the Midwest a problematic motor and gear box which operates a stub saw was causing costly repairs, downtime and production losses. Used to reclaim part of the cathode used in the raw aluminum making process, the saw is critical to the plant’s operation.

The company looked to Engineered Sales, a subsidiary of Applied Industrial Technologies, to design, manufacture and replace the failing gear box. Fluid power specialist Mark Beaver worked with the company’s representatives to meet their requirements on the new system.

Utilizing a Denison WorldCup variable volume piston pump, Denison directional and pressure control valves, a Reineer hydraulic motor and PALL filtration, the new unit increased production and reduced operating costs. In all, the unit provided more than $750,000 in cost savings.

Documenting the value added to our key customers is just another way of offering what we as a company have come to be known for...Award Winning Service!
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Reference Sources


