

THE VALUE- PROPOSITION TOOL

HOW TO POSITION YOUR BUSINESS FOR RESULTS

Your Value Proposition is a very important part of your business strategy. Use this tool to refine your thinking about your overall strategy, how you will target your customers, and to define what you have to sell and how you will sell it to your prospects. You should plan to spend at least 4 to 8 hours working on this tool as this will be vital to your success. Some people will need to spend much more time in order to really think this through. Do not take short cuts with this effort as doing so can have much larger rework costs further ahead.

**THE SUM TOTAL OF BENEFITS WHICH PROMISES WHAT A CUSTOMER
WILL RECEIVE IN RETURN FOR PAYMENT AND OTHER COSTS.**

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Value-Proposition Tool

DEFINING WHAT BUSINESS YOU ARE IN, WHAT YOU OFFER TO YOUR CUSTOMERS, AND WHY THEY SHOULD SPEND MONEY WITH YOU.

BACKGROUND

VALUE-PROPOSITION AS A MARKETING TOOL

A value-proposition will assist you in defining your marketing strategy, and should guide your business to target a particular market segment. Typically, there are three ubiquitous elements in a value proposition:

- Convince (who?),
- That (what?),
- Because (why?).

It must be compelling, clear and comprehensive. This framework will help you structure your value proposition in a fully integrated and cohesive manner that must make sense internally and externally.

This document needs to reflect your deep thinking because it will allow your firm to see how well its competencies align with the segment that it plans to target.

EXAMPLE

Company X has the value-proposition of helping their customers increase market share and grow revenue by:

1. providing superior customer service
2. providing tangible desired benefits that they cannot get elsewhere
3. product differentiation
4. operational efficiency

The Value-Proposition must be written from the customer's perspective. It must distinguish your business from your competitors. How well can you succinctly and clearly define for them what you do? If you can't do this, you may not have a business.

STEP ONE: SELF ASSESSMENT - WHERE ARE YOU NOW?

RESPOND TO THE FOLLOWING TEN STATEMENTS USING THE SCALE BELOW:

Y = AGREE, **N** = DISAGREE, **?** = NOT SURE

1. When someone asks me, I can clearly articulate two things - what my business is and what I do for my customers and I can do this in 60 seconds or less.
2. I can distinguish both the features I offer and the benefits my customers will receive from my services.
3. I believe that companies who first develop a great idea and then try to find a market for that product are making a mistake.
4. I have designed my business and services to fit what the market wants and I have continuously tested aspects of this by talking to people who are my prospects.
5. I believe I have discovered some unmet needs that no other business is responding to right now.
6. I have targeted my business to a clearly identified market segment that I understand and know well.
7. I have identified my customer's needs and hot buttons and understand how and why they make buying decisions.
8. If you build a better mousetrap, customers will seek you out and find you.
9. At this point I have not yet decided what the best markets are that I should target.
10. I often feel that marketing is a burden for me – I feel it is better if I focus on developing my product or service.

Scoring explanation: Five yourself 5 points for each Y response to questions 1 through 7 and to N responses to 8, 9 and 10.

STEP TWO: BUSINESS FEATURES LIST

Develop a list of at least 10 things that describe the features that your business provides. Succinctly list bullet points using short sentences of what these are. What can you do for others? These should distinguish you from all others in your field. Be sure to include some of the coolest things that you can do.

A feature is a unique listing of what you do. Each point is a desirable element of your service offerings. This is the starting point of distinguishing what you do in the marketplace

STEP THREE: CUSTOMER BENEFITS LIST

The next step is to develop a list of the benefits that your customers will receive from each of the features you listed in step two. Each feature must have an accompanying benefit statement. If not, eliminate the feature and replace it with something else. Succinctly list bullet points that map your features to what your customers will receive. Make the benefits statements compelling to your prospective customers. At least half your benefits should address psychic needs. (for example, “gives you confidence that you know what your customers think of your repair services.” “Eliminates or reduces the risk of IRS audits.”

A benefit is what others get that they want. It is not written from your point of view – it is written from the perspective of the customer. It appeals to both their rational and emotional needs. What would someone buy your service? What’s in it for them? Remember – weak benefits mean no sales. People buy benefits not features.

STEP FOUR: VALUE TO WHOM?

This step will require you to think about and identify who, of all your possible customers, will be most attracted to your statements in step three. This requires you to think about the characteristics of your ideal or best customers. What are the attributes of the customers who will most likely buy from you? From a marketing standpoint, where is your “low hanging fruit?” You will need to think where your statements have the strongest resonance. Brainstorm market categories and segments where you can deliver the greatest value to customers.

Focus is important. A business that does something for everyone is no business at all. You must find your market niche. Where do your best prospects reside?

STEP FIVE: YOUR ELEVATOR PITCH

In this step you will draft your compelling “Elevator Pitch.” This will become your signature introduction of you and your business. You must be able to deliver it in about 30 seconds. You will first refine this over time and then memorize it so that at any opportunity you can answer the question: “**what do you do?**” The first sentence of your pitch is more important as it sets the stage. It will most likely be the last thing you add to your pitch and might begin with I or We.

The concept of the elevator pitch began with the venture capital industry. The idea is to refine what could you say about your business if you found yourself on an elevator with an investment banker. The movie industry also shares a similar belief about a movie concept. The cold belief behind this idea is that if you can't quickly summarize, in a compelling way, what you do, that it isn't well thought out nor worthwhile. Failure to have a pitch means to many people that you don't exist as a viable business. It's a tough world – get used to it.

STEP SIX: BENEFIT TEST CHECKLIST

In this step, you will evaluate what you have done so far. This will provide a double-check and an opportunity to go back and improve what you have done so far.

1. The benefit to the customer are tangible and clearly stated. They are not fuzzy. People in my target market will know what these are and why they are important.
2. The benefits I can provide are unassailable from the standpoint that they represent things that are recognized as “good” and that do not invite questions or challenges to this goodness.
3. The benefits are believable.
4. At least some of my benefits challenge the imagination. They create the sense that if this is possible, it will open up many other opportunities for my customers.
5. I can back up my benefits with proof statements that provide tangible examples of where this customer benefit has been gained from my efforts and/or achieved in the real world.

These five points provide a critical test of your business viability.

STEP SEVEN: FEEDBACK EXERCISE

In this step, you will interview at least two friends or associates to test the power and clarity of your features, benefits, and elevator pitch.

Feedback is the breakfast of champions. It is impossible to evaluate the quality of an idea without getting honest and candid feedback from others.

STEP EIGHT: FIX IT!

What did step seven tell you? Note the positive and negative points that you received. What needs to be changed about your features, benefits, and elevator pitch? If you didn't gain anything useful, try to interview others.

Fine tune your F, B and EP based on the feedback you got.

STEP NINE: YOUR VALUE PROPOSITION

Now you are ready to draft your complete value proposition.

This is where you will describe your value proposition as you will express it publicly. Make it crisp and direct.

STEP TEN: PUBLISH IT!

You will need to get your Value Proposition out there. On this page you will list your plan to get this to your prospects.

*List where you intend to publish the proposition so that your market and the public can see it.
Determine where: Your website, handouts, business cards, marketing brochures, business plan, etc*