



Archived Newsletter Articles

Creating Value is Not Enough

Value



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Creating value does not in itself guarantee business success. There are two other steps that must be executed once a valuable new offering has been created: communicating value; and capturing a fair return for the value delivered. This article focuses on successfully communicating value. The next newsletter will discuss capturing a fair return for the value delivered.

Effectively communicating value is a tremendous challenge for most businesses. Competitors point out your weaknesses. The sales force does not successfully communicate your products' strengths. Customers don't know their needs well enough to choose the right supplier, or don't give you enough access to help you find out.

As a result, you lose deals that you shouldn't have, or you have to cut price so deeply that you lose money instead.

This is particularly evident when new products are being sold.

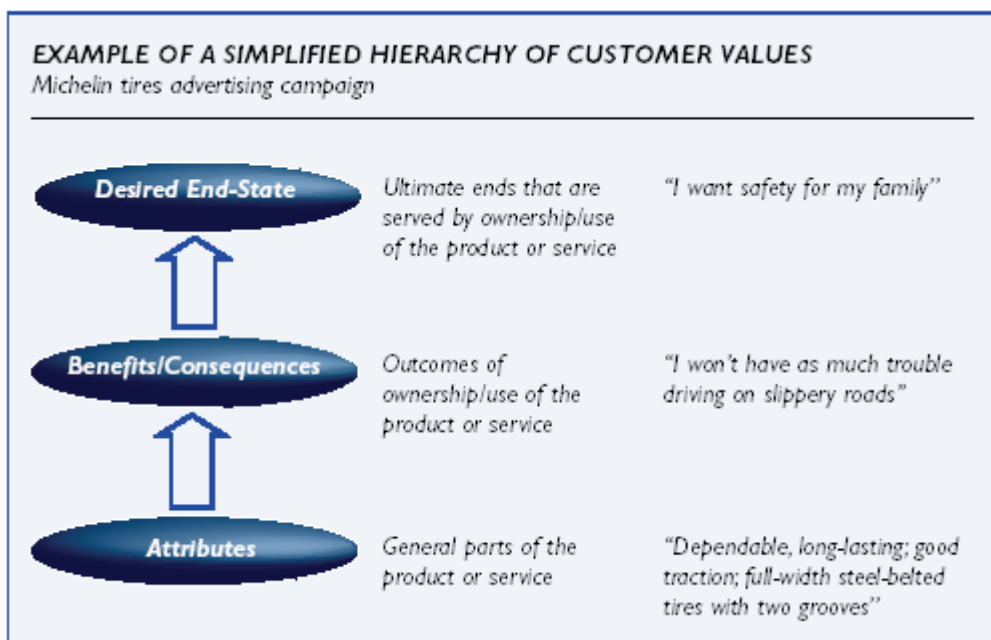
I vividly recall in the early '90s attending a new-product presentation being made by a young technology developer. He had invented a PDA before these devices were commonplace. For the first half-hour, he spoke about how it would help save time and enhance productivity. I was interested, and thought this new product might be just the thing I needed. But he could not contain his enthusiasm and close the deal. He was so excited about the technology that he went on to present a series of unique features that he was proud of having developed. At first, I thought: "Cool. That's kind of neat. I could use something like that." However, after a half-hour of discussing features, I became fatigued and couldn't wait to get out of the presentation. The bottom line was that he lost his audience.

Over the years, I have noticed sales people getting excited about a new service and then wondering whether it was of greater interest to them, rather than to the customer. Sometimes it was definitely the former, and they almost always lost the sale.

The key is to always keep your eye on the customer and to ask yourself: how it is relevant to him/her? One of the best ways to determine this is by asking lots of good questions. That gets customers talking about themselves and their needs in a way that helps them articulate those needs. As they do this, they will often have those "aha" moments when they realize something about themselves.

Once you have done this, you are in a position to communicate how your offering will help them achieve what they are seeking. This is highly beneficial to the customer. The key is to link your offering to the customers desired end states. Once you have made this link you have eased your need to use price to make the sale. A good guideline of whether you are working to link your offering to desired end states is the extent to which you have mentioned pricing during a sales call. Effectively communicating value means focusing on everything but price. In fact, you should not discuss price until the very end of the sales call. If you have done so earlier, it means that you have probably not probed deeply enough into their needs or spent enough time linking your offering to their desired end states.

This is not easy to do, but it is achievable. One tool that I have found particularly helpful in helping sales people in linking their offering to customers' needs is the value hierarchy. It is a wonderful tool that appears simple on the surface but takes time to master. However, once you have done so, you will have a powerful ally in your efforts to effectively communicate value.





Earlier, I mentioned a presentation I had attended on a new PDA technology. For the first half-hour, the presentation was focused on linking attributes/benefits/ desired end states. The last half-hour was all about the attributes (the gizmos, gadgets, etc.). Consequently, he lost the crowd, and that resulted in lost sales and/or deep discounts. Here is an example of how the value hierarchy could be applied to that presentation.

Example of a Simplified Heirarchy of Customer Values

Desired End States	<i>I want to be successful at my job</i>
Benefits/Consequences	<i>I will be able to increase my productivity</i>
Attributes	<i>Access (to calendar, contacts, flight information, etc.)</i>
Easy to Use	<i>(intuitive, user-friendly)</i>
Durable	<i>(withstand +50°C)</i>

Creating value is not enough; you must be able to communicate the value you provide to ensure you get a good price. The key to effectively communicating value is asking good questions and properly linking your offering to customers' desired end states.

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