

All contents, concepts and ideas developed in this document are the exclusive intellectual property of bb&b Communication et Marketing Industriel SARL, Paris.

VALUE PROPOSITIONS IN INDUSTRIAL B2B MARKETS

Building powerful customer value propositions (CVP) is more demanding in industrial B2B markets than in B2C environments. The reason lies in the complexity of client / supplier relationships as well as the multifaceted nature of the offering itself. Here are some basic guidelines for building successful B2B value propositions.

WHAT IS A CUSTOMER VALUE PROPOSITION?

Philippe Kotler, in one of his books defines a CVP as « The whole cluster of benefits that a company promises to deliver ». This rather wide definition, applied to B2B markets, often will look like the heap of promises in figure 1. It is a starting point that needs refinement to become efficient.

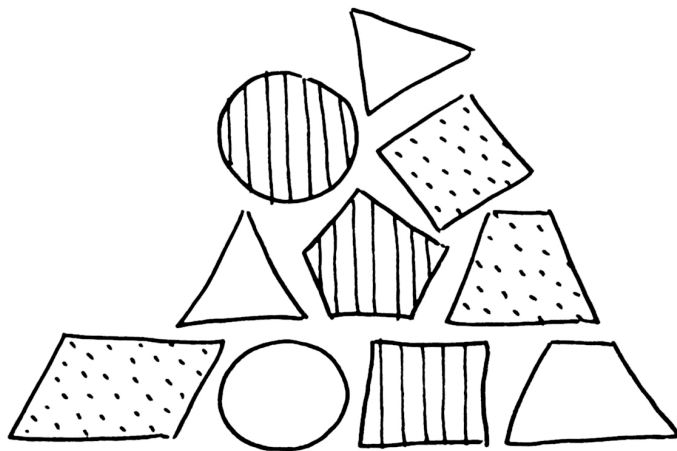


Figure 1: A pile of promises.

■ Distinguishing benefits

When we look at all the benefits one might claim, they fall in three categories:

- > Points of irrelevance (POI) are those benefits that you can offer but that do not interest your customer.
- > Points of parity (POP) are those benefits that you share with your competitors.
- > Points of difference (POD) are the specific benefits that you are alone to offer.

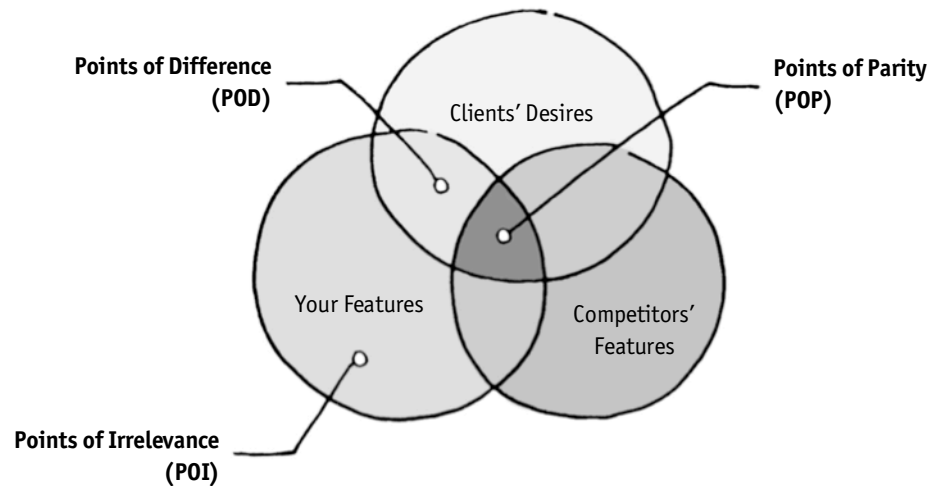


Figure 2: Points of Parity, Difference and Irrelevance

One common mistake is to focus on points of difference alone. But customers need points of parity to understand what your offering is about and how it relates to other competitive offerings. Points of parity thus establish category membership. For example, if your company is offering civil engineering services, it is worthwhile to state that you are specializing in heating and cooling. Even if this POP is not a point of difference, it enables the target to understand immediately whether it is concerned by your offering or not. Communicating on points of parity is meaningful also to neutralize competitor's features. For example, if you come late into the market with a product feature such as preventive maintenance, you still need to communicate this POP to neutralize the advantage of your competitors.

THE PERCEPTION OF VALUE

Any benefit comes at a cost. People therefore weigh the gains against the pains. The more your gains outweigh the pains, your value proposition will be considered attractive. Pains as well as gains can be of various kinds.

Gains

- > Functional benefits are the most evident. For example a production machine with specific characteristics.
- > Economic benefits include, for example, cost of ownership.
- > Psychological benefits can come, for example, from the self-esteem earned by working with renowned quality products.
- > Pains
- > Monetary cost, for example cost of acquisition or leasing conditions.
- > Time and Energy to obtain the solution. For example required homologation or adaptation.
- > Psychological pains might include the risk of being blamed for a wrong decision.

It is important to understand that efficient value proposition can be built by either approach: reducing pains or increasing gains.

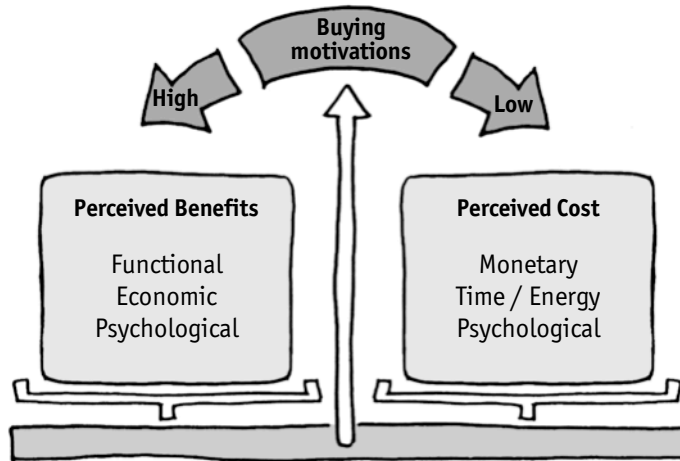


Figure 3: Customers weigh pains against gains to evaluate value

BUILDING VALUE PROPOSITIONS

■ Creating gains

There is no limit to creativity when it comes to creating gains for your customers. Here are some useful questions proposed by the « Business Model Foundry »:

- > Which savings would make your customer happy?
- > What outcome does he expect?
- > What would exceed his expectations?
- > What would make his life or job easier?
- > What positive social consequences does your customer desire?
- > What does he look for?
- > What does he dream about?
- > How does he evaluate success or failure?
- > What would increase his likelihood of adopting a new solution?
- > ...

■ Relieving pains

Likewise, the « Business Model Foundry » proposes some questions to identify pains that can be relieved from your customer:

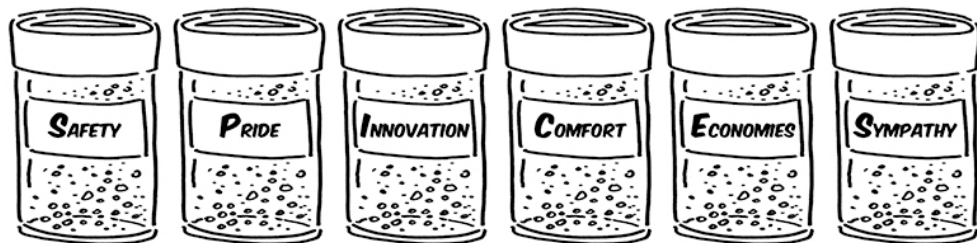
- > Which underperforming solutions need to be fixed?
- > What frustrations or annoyances can you relieve?
- > How can you make your customer's life easier?
- > Which challenges and difficulties could you eliminate?
- > Which negative social consequences could you avoid?
- > Which financial, health or other risks can you mitigate?
- > How can you make you customer sleep better?
- > How can you avoid customer mistakes?
- > Which barriers for adopting new solutions can you remove?
- > ...

■ Understanding buying motivations

When building value propositions by creating gains and relieving pains, it is key to understand buying motivations. A simple and widely used scheme for identifying motivations, summarized under the name « spices » can provide first insights. It assumes that the buying motivations of people can be classified in 6 categories:

- > S like Safety: reassurance, reliability, quality
- > P like Pride: recognition and differentiation
- > I like Innovation: curiosity, new stuff, thrill to discover
- > C like Comfort: convenience, simplicity, efficiency
- > E like Economies: best value for money, bargain
- > S like Sympathy: affection, relation, loyalty

Any value proposition needs to stimulate one or more of the principal categories. It is not necessary to address all of them to be efficient, but the more you address the more likely you will be convincing. Individuals are more or less sensitive to specific motivators. For some people safety is key while others are driven by recognition or thriving innovation.



■ Optimizing the value delivery chain

Value considerations are often focusing on product usage. But value and PODs can be found at any point along the purchasing process, throughout the entire lifespan of the product or service.

Here are some examples on how value can be delivered along the value delivery chain:

- > Offer clearly structured communication tools to help customers retrieve the desired information quickly.
- > Know about customer needs and provide adequate tools to help with product selection.
- > Train your sales force to provide valued advice to the customer.
- > Develop your brand and make sure it is known and desired.
- > Make sure a dealer can be found easily and that registering is swift for customers. Make first purchase as easy as possible.
- > Understand when the purchasing decision is being made and why. Offer the right assistance at the right time.
- > Sometimes ordering is a pain, sometimes it is just a click. Streamline the process and make it a good experience.
- > Delivery can make a difference. Check what would be the best option from a customer perspective.
- > Is the product good enough, from first to last use? Benchmark honestly against competitors, run focus groups.
- > Can customers get rid of packaging easily? Provide value throughout the entire product life cycle. Anticipate end-of-life.

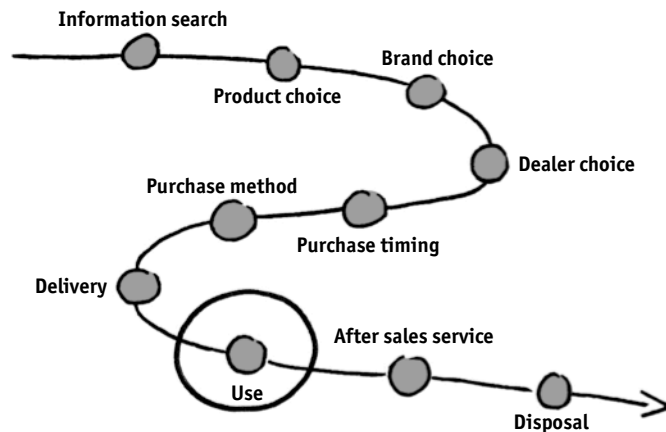


Figure 4: Value can be created and delivered in many places across the value chain.

■ Measuring customer needs and satisfaction

What can be measured can also be managed. Understanding customer satisfaction criteria is essential. Measuring the performance of your offering and benchmarking with competitors is as important. Very often these benchmarks are biased. If you see that you are better than competitors in more than half of your customers' selection criteria, you should ask yourself why competitors are still in the market. Stay humble.

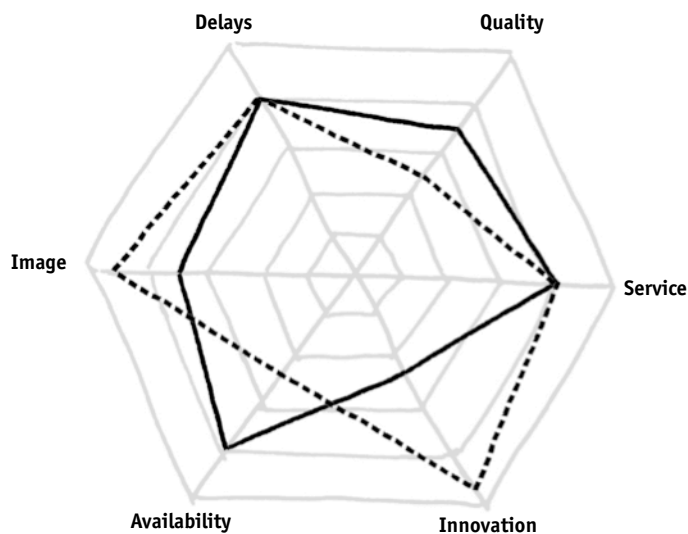


Figure 5: Establish a set of KPIs and benchmark your product against competitors.

■ Detecting unmet customer needs

Value propositions respond to customer needs. The question is: which needs?

- > Expressed needs are identified verbally. They can be detected by attentive listening.
- > Unexpressed needs are not expressed verbally, but are implicitly included in the need expression. They can be detected by interpretation, intuition and empathy. The young man in the street asking for a "good" restaurant nearby expects different directions whether he is accompanied by a young lady or by a business colleague.

- > Unknown needs are not expressed at all and can only be deduced by some kind of extrapolation from what we know. If Henry Ford would have asked people what they want, they would have responded “a faster horse”. If Steve Jobs would have asked people, they would have replied “a smaller cell phone”. In both cases they got something different: real innovation.

Value propositions respond to expressed needs. But very often, value propositions address unexpressed needs without naming them. Farmers need tractors but desire powerful toys.

Some breakthrough value propositions respond to unknown needs by innovation: nobody asked for an iPhone before it was invented.

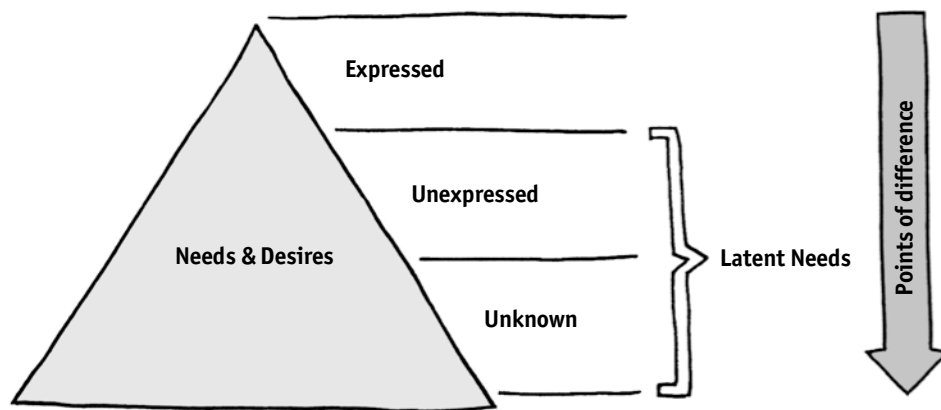


Figure 6: Latent needs are not directly expressed.

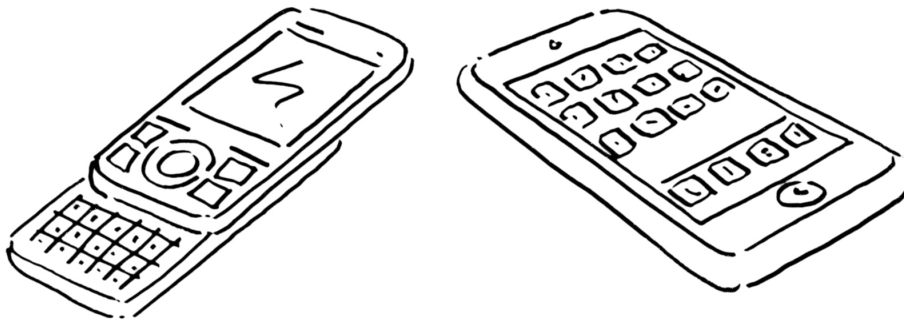


Figure 7: Disruptive products respond to latent needs.

COMMUNICATING VALUE PROPOSITIONS

■ The trouble with trust

Our relation to communication in general and advertising in particular has changed. Today's world is characterized by a lack of trust. Trust has eroded and many citizens over the world do not trust politicians, media or even their own physician. And they surely distrust advertising. A claim is no longer believed only because it has been printed. Figure 8 displays a highly efficient ad... from 1885. Apart from its form, who today would believe in the claims it makes? In our postmodern world, distrust is the rule, and communication needs to work around this obstacle. This is one of the reasons, consumer brands today mostly focus on creating desire rather than trying to convince people.



Figure 8: A highly efficient ad... in 1885. A new factory was built upon its success.

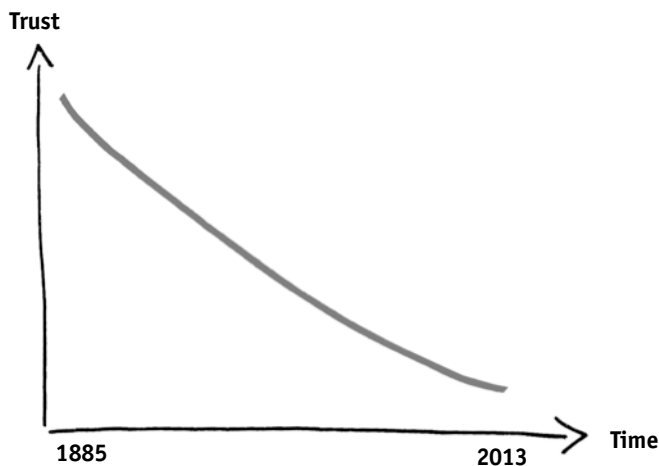


Figure 9: Trust in all kind of communication has eroded over time.

■ Trust and credibility are key assets

While trust is lacking, it has become the most valuable asset in communication. Social media have become such a popular vector of communication because they rely on personal, trusted, relations between people. But distrust is a ramping disease and will affect social media too. And social media are not responding to every need, especially in b2b markets. So, trust is a desirable asset in communication. It leads to credibility, which in turn enables relationship building and, ultimately, sustained sales.

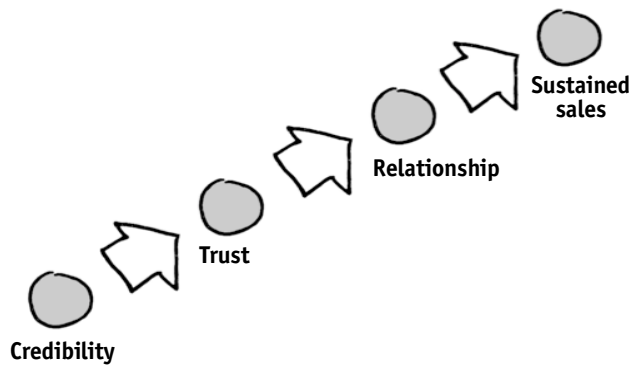


Figure 10: Trust leads to credibility, enables relationship and ultimately sustained sales.

■ Building trust and credibility

How to become trusted? Following are some proven ways to create trust and credibility:

- > Consider your target as bright as you.
- > Tell only the verifiable truth
- > Let someone else do your bragging
- > Purge all vague modifiers (best, unique, leading edge, unrivalled, ...)
- > Substitute general descriptions with specific facts
- > Admit your weakness
- > Be consistent

CHECKING YOUR VALUE PROPOSITION

Once your value proposition is formulated, evaluate it with the following checklist:

- ☒ Establishing category membership?
- ☒ Addressing important customer needs and desires?
- ☒ Addressing latent needs?
- ☒ Focusing on key buying motivations (SPICES)?
- ☒ PODs relevant to customers?
- ☒ PODs distinctive and superior?
- ☒ PODs credible?
- ☒ Convincing without bragging / use of modifiers?
- ☒ Consistent with brand essence and values?
- ☒ Expressing quality, service, innovation without naming them?
- ☒ Feasible and sustainable?