

Define Your Value Proposition

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Note – This is one from a sequence of exercises from the Competitive Positioning subject outlined in the Strategic Marketing Process eBook. Download the free e-book www.growthpanel.com/marketing-tools/index.html and subscribe to this subject at www.growthpanel.com/versions/get-started.html to download from Growth Panel’s Intelligent Marketing Platform.

Some of the graphics in this PDF might not display properly.

Your value proposition describes how your company delivers value to the market. It should be based on your company’s goals and objectives as well as the value provided by your competitors.

There are three core types of value that a company can deliver: operational efficiency (the lowest price), product leadership (the best product), or customer intimacy (the best solution & service). Determine which one you’re best equipped to deliver; your decision is your “value proposition.”

Most companies focus on one or two value propositions; it’s nearly impossible to deliver on all three.

A value proposition should reflect your company’s entire business strategy, but it’s possible that you’ll focus on one type of value for one customer segment (or market) and a different type of value for another segment or market.

Summary

EXERCISE SUMMARY	
When to Address	<p>If you’re creating your competitive positioning strategy and have completed your competitive evaluation, the next step is to define your value proposition.</p> <p>If you’re working on your brand strategy or reviewing campaign creative to make sure it’s aligned with your brand, make sure to reference your value proposition.</p>
Who Should Participate	<p>Business leaders: company founders, owners, presidents and vice presidents</p> <p>Marketing and sales leaders</p>
Where to Use the	<p>Your value proposition positions you in the market and compares and contrasts you to your other competitors. It is a pillar of your brand strategy. You’ll refer to it</p>

Results	there and in all campaign creative and messages.
Why it's Important	Since your value proposition is a pillar of your brand strategy, it should be apparent in almost all of your communications with the market.
What Builds Upon it	Your brand strategy, distribution, pricing, messaging, visual identity and all your campaign creative will reflect your value proposition. They should all be aligned for the most effective market penetration. For example, if your value proposition is product leadership, you shouldn't discount heavily and sell on price, competing with companies with an inferior product. It sends the wrong message to the market, and slows your growth.
Timeframe to Completion	This is a relatively short exercise if you've already completed the previous exercises in Competitive Positioning. Plan to spend one to three hours as needed.
Potential Business Impact	Substantial. Your company will reference your value proposition on a weekly basis as you make pricing decisions, design campaigns and manage the sales cycle.
Deliverable	You'll determine your competitors' value propositions, list how they solve your customers' problems, and determine your own value proposition.
Next Steps	After you define your value proposition, you want to finalize your competitive positioning in your competitive positioning strategy document.

Target Completion Date	
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PARTICIPANTS

TASKS TO GET STARTED	PERSON RESPONSIBLE	DUE DATE

Notes

Define Your Value Proposition

What to Complete

1. DETERMINE YOUR COMPETITORS' VALUE PROPOSITIONS
2. RATE YOURSELF AND YOUR COMPETITORS ON HOW YOU SOLVE YOUR CUSTOMERS' PROBLEMS
3. DETERMINE YOUR VALUE PROPOSITION

Where it Fits in Competitive Positioning

Create Customer View
Discover Potential New Markets
New Markets Requirement Overview
New Market Analysis Results
Define Market Size
Outline Market Characteristics
Determine Market Lifecycle State
Determine Positioning Strategy
Get to Know Your Market
Evaluate Your Market Research
Determine Your Segments or Personas
Profile Your Segments or Personas
Determine Your True Competition
Decide on Your Rating Criteria
Evaluate Your Competitors and Yourself
Analyze Competitive Analysis Results
Create SWOT Analysis



Determine Your Competitors' Value Propositions
Rate Your Market on How it Solves Customer Problems
Determine Your Value Proposition



Create Competitive Positioning Matrix
Map Your Market
Summarize Your Competitive Strategy

1. DETERMINE YOUR COMPETITORS' VALUE PROPOSITIONS

It's a good idea to start by understanding the value propositions of your competitors in the marketplace.

There are three basic value propositions:

VALUE PROPOSITION	WHAT IT MEANS
OPERATIONAL EXCELLENCE/COST LEADERSHIP	<ul style="list-style-type: none"> ▶ You can deliver your product at a lower cost than your competitors thanks to better manufacturing processes, better economies, or other advantages ▶ Your product is typical for the category – not the best and not the worst ▶ In mature industries, most companies are competing on operational excellence (costs); those companies that cannot produce at a lower price will lose in the market
PRODUCT LEADERSHIP/ INNOVATION	<ul style="list-style-type: none"> ▶ Your focus is innovation: new technologies, better products ▶ Because your products are new, different and unique, your prices are likely higher than your competition, but you're delivering a superior product
CUSTOMER INTIMACY/ SOLUTIONS	<ul style="list-style-type: none"> ▶ Your goal is to solve your customers' problems with a broad portfolio or customized set of products/services ▶ You're selling a relationship that is superior to the relationship offered by your competitors

Most companies focus on one or two value propositions; it's nearly impossible to deliver on all three.

A value proposition should reflect your company's entire business strategy, but it's possible that you'll focus on one type of value for one customer segment (or market) and a different type of value for another segment or market.

To choose your value proposition, rate each of your competitors (and yourself) on each of these value propositions. You rated them on similar factors in Exercise 4, but you may want to do it again now that you're focusing on just these three criteria.

RATINGS	5 = the company offers extremely high value in this category 3 = the company offers average value in this category 1 = the company offers little or no value in this category
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Be very realistic and think like a prospect or customer or the exercise isn't valuable.

COMPETITOR	TYPE	APPROXIMATE MARKET SHARE OR POTENTIAL

1		<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
2		<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
3		<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
4		<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
5		<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
6		<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
7		<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
8		<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	

VALUE PROPOSITION	YOUR COMPETITORS (FROM EXERCISE 4)								AVG	YOUR RATING
	1	2	3	4	5	6	7	8		
Operational excellence/ cost leadership (5 = extremely low price)										
Product leadership/ innovation										
Customer intimacy/ Solutions										

In order to differentiate, what value should you focus on to beat your competition? For example, if all of your competitors offer the same value, it will be difficult to differentiate.

2. RATE YOURSELF AND YOUR COMPETITORS ON HOW YOU SOLVE YOUR CUSTOMERS' PROBLEMS

Now look at the problems your customers face [you identified them in exercise 3]. Plug them into the grid below and then evaluate how well your competitors are solving the each problem. Then rate your own company.

Again, be realistic!

RATINGS	1 = the competitor's solution for this problem is poor 3 = the competitor's solution for this problem is average 5 = the competitor solves this problem very well
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PROBLEMS YOUR CUSTOMERS FACE	YOUR COMPETITORS								AVG	YOUR RATING
	1	2	3	4	5	6	7	8		
Average										

Which customer problems are your competitors solving effectively?

Which customer problems aren't being solved effectively?

In which areas do you see the most opportunity for your company?

3. DETERMINE YOUR VALUE PROPOSITION

Based on your analyses, choose a primary and secondary (if desired) value proposition below.

CUSTOMER SEGMENT OR MARKET (OR "ALL")	
PRIMARY VALUE PROPOSITION	<input type="checkbox"/> Operational excellence/cost leadership <input type="checkbox"/> Product leadership/innovation <input type="checkbox"/> Customer intimacy/solutions
SECONDARY VALUE PROPOSITION	<input type="checkbox"/> Operational excellence/cost leadership <input type="checkbox"/> Product leadership/innovation <input type="checkbox"/> Customer intimacy/solutions

Reasoning

How well does your chosen value proposition differentiate you in the market?

Is it aligned with the problems your customers face? For example, if your customers need innovative solutions and you're competing on price, you're probably misaligned.

If your value proposition is identical to most of your competitors, do you see an opportunity to change your value proposition? If so, this could help differentiate you over time. This isn't always possible, and requires careful examination by senior leadership.

Define Your Value Proposition

Report

1. OUR COMPETITORS' VALUE PROPOSITIONS
2. RATINGS ON HOW OUR MARKET SOLVES OUR CUSTOMERS' PROBLEMS
3. OUR VALUE PROPOSITION

This report summarizes our results from completing Exercise 4 – Competitive Positioning: Evaluate Your Competition.

1. OUR COMPETITORS' VALUE PROPOSITIONS

[4]

COMPETITOR	TYPE	APPROXIMATE MARKET SHARE OR POTENTIAL
1	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
2	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
3	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
4	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
5	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
6	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
7	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	
8	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> Future	

	YOUR COMPETITORS (FROM EXERCISE 4)									
VALUE PROPOSITION	1	2	3	4	5	6	7	8	AVG	YOUR RATING
Operational excellence/ cost leadership										

(5 = extremely low price)										
Product leadership/ innovation										
Customer intimacy/ Solutions										

In order to differentiate, we should focus on:

2. RATINGS ON HOW OUR MARKET SOLVES OUR CUSTOMERS' PROBLEMS

RATINGS	1 = the competitor's solution for this problem is poor 3 = the competitor's solution for this problem is average 5 = the competitor solves this problem very well
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PROBLEMS YOUR CUSTOMERS FACE	YOUR COMPETITORS								AVG	YOUR RATING
	1	2	3	4	5	6	7	8		
Average										

PROBLEMS YOUR CUSTOMERS FACE	YOUR COMPETITORS								AVG	YOUR RATING
	1	2	3	4	5	6	7	8		

Our competitors are solving the following problems effectively:

Our competitors aren't solving the following problems effectively:

We see the greatest area of opportunity in:

3. OUR VALUE PROPOSITION

Based on our analyses, our primary and secondary (if desired) value proposition are:

CUSTOMER SEGMENT OR MARKET (OR "ALL")	
PRIMARY VALUE PROPOSITION	<input type="checkbox"/> Operational excellence/cost leadership <input type="checkbox"/> Product leadership/innovation <input type="checkbox"/> Customer intimacy/solutions
SECONDARY VALUE PROPOSITION	<input type="checkbox"/> Operational excellence/cost leadership <input type="checkbox"/> Product leadership/innovation <input type="checkbox"/> Customer intimacy/solutions

Reasoning

