



Harnessing Your Customer Truth

From Value Propositions to Sales Propositions

A White Paper

by Helen Blake, Futurecurve

Introduction

Many companies face a fundamental problem: there is a sizeable and growing gap between what they offer and what their customers actually value. This value gap leads to lost sales, lower profits, commoditisation, failure to innovate and the wrong organisational structure potentially employing the wrong people. It can even threaten the company's very survival.

Here we explore why this value gap exists and how you can create a value proposition that sets your organisation apart from the competition, putting you on the path to success.



Why don't your customers value what you offer?

Companies face four key issues that stop them giving customers what they value:

1. They misunderstand what a value proposition is, so they cannot create one that meets their customers' needs
2. They only partially comprehend how customers perceive value and how to uncover their unmet needs
3. They often use an outdated value proposition that doesn't actually work for them today
4. Without the benefit of an effective company-wide value proposition, sales teams are forced to create sales propositions in a vacuum, ensuring they fail to communicate effectively the value the company delivers.

Let's explore each of these issues.

1. A value proposition is not what you think

For many years there has been much talk about putting the customer into the business mix. Business leaders will often say that they have an effective CRM system, that they do lots of Customer Listening and Voice of the Customer programmes, or that they use Net Promoter Scores. All of these things are fine but fundamentally only treat the customer as an asset to the company. In this way of thinking, a value proposition captures something you do to your customer.

As a result, in many organisations, a value proposition is seen as one of the following:

- a new name for a marketing story or statement
- a unique selling point
- another word for 'product' or 'service' or 'offering'
- a corporate positioning statement
- an elevator pitch
- a set of communication messages
- a list of benefits
- some sort of magic sales 'silver bullet'.

A value proposition is none of these things in isolation, but some of these things can come from your value proposition.

Here is our definition of a true value proposition:

The total value proposition is the sum of the **offerings and experiences** delivered to your customers, during all their **interactions** with your organisation

By 'offerings' we mean anything you sell and deliver to your customer, whether that's services, products or solutions. By 'experiences' we mean how you sell and deliver to customers and how they feel about the experience they've received from interacting with your organisation. So the offerings are usually the **WHAT** you sell and deliver, and the experience is the **HOW** you do it.

This means that the value proposition is the mechanism for capturing and harnessing the experience of your customers – your ‘customer truth’ – so it is something you create *with* your customers’ assistance. With the right value proposition you can design your offerings from the starting point of the desired experience.

2. Value goes beyond the rational

We know from more than a decade of focusing on customer research and value proposition development that behaviour and emotions fundamentally affect how customers interact with, and buy from, your organisation. This is equally true in both B2B and B2C organisations.

However, most organisations have only a limited understanding of value and think of it in purely rational terms: **what does the product do? How much does it cost? How does it work?** This fails to recognise that people have implicit needs. We have moved from a purely objective view of the world and now place greater emphasis on our intuitive and subjective responses. This affects the way that we buy products and services, including in business-to-business markets.

Because most companies only consider their customers rationally, their research has focused on purely rational issues. However, the key to successful value research is understanding the difference between what people say they want - their **EXPLICIT** wants, such as lower prices - and what they are **IMPLICITLY** asking for, which could be recognition that they’re important, want genuine dialogue and feel the need to be taken seriously. Emotional understanding goes beyond the obvious explicit requests.

The value that customers perceive they are getting from your organisation therefore depends not only on their rational analysis of the product or service but also on their emotional response (*‘How will this make me feel?’*) and their social or political response (*‘How will it make me look?’*, *‘What will others think of me?’*).

To succeed, your organisation must fully understand the rational, emotional and political elements of the value you deliver and use this as the basis for managing your business and approaching your markets. Genuine customer behaviour is rarely researched in the B2B space. If you bring together the behavioural, emotional AND rational factors that drive customers, you can bring out game-changing insights for both marketing at the company level and sales at the sales meeting level.



3. Your value proposition is out of date

The default value proposition that many companies were using a few years ago looks something like this:

“We’ll give you a little advice, help and service, in exchange for slightly better margins.”

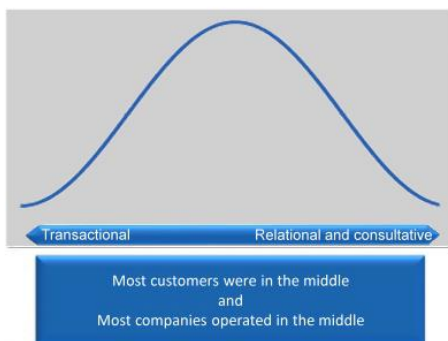
Ref: Adapted from Professor Neil Rackham

Ten years ago, this would have satisfied the majority of customers. Only a minority wanted businesses to sell to them transactionally. Similarly, most customers were not looking for relational or consultative selling.

Transactional selling works when customers know what they want to buy, products and services are standardised, customers are price-driven and a business simply communicates value to the customer. Often you don’t need expensive on-the-road sales people to do this. Transactional selling can increasingly be managed through online channels for simple purchases or with excellent telephone-based internal sales or customer service staff, if a higher level of interaction is needed.

Consultative or relational selling is needed when customers don’t know what they want to buy and need help to define the right solution. Products and services are customised to achieve the customer’s desired outcome, allowing the business to co-create value with the customer. This, of course, needs professionals trained in complex selling.

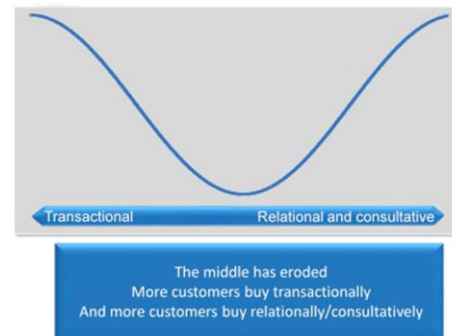
Ten Years Ago



Ref: Adapted from Professor Neil Rackham

Unfortunately for many companies, the world has changed profoundly in the last decade. The middle has become a no-man’s land to be avoided in any mature, polarised market. The rise of digital has created new competitors who are engaging a new generation of consumers. They have lean business models and are able to offer their customers better choice and value. Many legacy businesses have been left behind by the pace of change, a problem exacerbated by the emergence of mobile internet access and social media. These changes have taken place against a backdrop of the global financial crisis and ensuing recession and environmental resource depletion. The result is that customers’ expectations of organisations have been reset over the past few years. They expect greater speed but also different values and ethics, and different ways of being related to as a customer.

Today



Ref: Adapted from Professor Neil Rackham

Customers with complex needs have become more demanding of their suppliers and want to work with them to create something that precisely fits their circumstances.

Companies marooned in the middle will now please nobody. To succeed, they must abandon the middle ground and adopt one of the new value propositions.

3. Your value proposition is out of date (cont)

Depending on what they are buying, the new value propositions your customers want today are either:

“We’ll offer you cheap and convenient products, but don’t expect extras.”

(First generic value proposition)

Or

“We’ll use our expertise to bring you insights, solve your problems and co-create custom solutions with you, for which we’ll charge you a premium.”

(Second generic value proposition)

Ref: Adapted from Professor Neil Rackham

Now think about a situation where there are the same office products in the sales toolkit but the offering is about stock management and automatic fulfilment of office supplies to large corporate customers or government organisations. This is a different offering, providing customers with a different experience. There may be a need for innovative offering bundles and supply schedules, designed to make the customers’ and, importantly, their end users’ lives easier (the end users being office managers whose job it is to ensure that staff have all the equipment they want when they need it). Here a more complex managed service is being sold and this points to the second generic value proposition, for which skilled consultative sales people will be needed.

Neither is necessarily right or wrong. The key is for you to choose the one that is right for your business. You must decide what you want to offer, at what price and in what market space, and how you want to interact with your customers.

In some cases, this will be straightforward. If a business sells office products to many small businesses, for example, then product range, ease of purchase and price will be important to your customers. This points to the first value proposition.

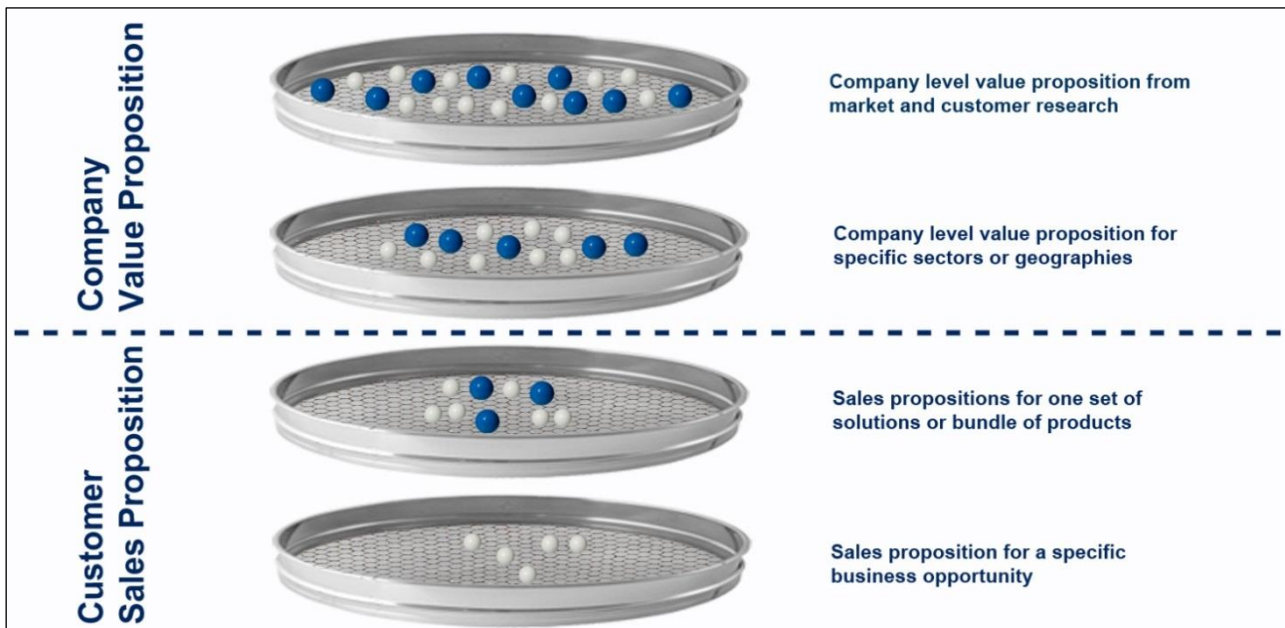
4. Your salespeople are creating sales propositions in a vacuum

Whether you know it or not, your salespeople will be using a sales proposition when they meet prospects. They will be using a pitch, a series of benefits and insights all woven together in a story. Without this being joined up to, and driven from, the company-wide position, this is most likely to be mis-targeted and much less effective than it could be.

Creating your company value proposition *first* provides the foundation for developing effective sales propositions and is also the repository for your organisation’s single ‘central truth’. Without this, organisations find themselves with multiple, conflicting ‘truths’ created at the sales level.

The diagram below illustrates the refining that must happen from the company value proposition at the top, where the macro level value is held, all the way down to the sales proposition. The stages in-between are most useful for marketing purposes eg. for specific sectors or geographies.

From value proposition to sales proposition - refining your value



Create your value proposition

The value propositions shown above are generalisations. To be effective, you need to create your own value propositions, which capture precisely what your customers want.

Before we look at how to do that, it's worth digging further into the definition of value, since a clear understanding of this underpins your value propositions.

Put very simply, value is all the good points that customers perceive – the positive functionality, attributes, behaviours and emotions – minus all the bad points. These bad points include negative functionality, attributes, behaviours and emotions, as well as cost and risk.

However, human beings are hardwired to avoid loss, meaning that the negative factors weigh far more heavily than the positive. This loss aversion means that value can be summarised as:

$$\text{Value} = \text{Benefits} - \text{Costs}^2$$

In fact, this may understate the importance of loss aversion. For some customers, subtracting Costs⁵ may be more appropriate. So this is not a simple linear equation of rational benefits minus rational costs.

Customers' perceptions of value are also affected by outside influences. People observe and copy others' behaviour and are encouraged to continue by their approval. Customers are more likely to value something highly if they believe it is scarce. They may also value something expensive more highly than a similar but cheaper item.

Thus, value is contextual and this means that a lot of digging around is necessary to uncover the subjective parts of benefits and costs. In fact, the only way truly to understand the value you deliver is to put yourself in your customer's shoes and also to bring the customer into the creation of your value proposition. This doesn't come easily to many organisations, who are accustomed to looking inwards rather than outwards. The inherent assumption is that everyone views the world in the same way that you do and will feel and act in the same way – they don't!



The Value Proposition Builder™

Creating an effective value proposition requires senior sponsorship, a strong business case and the right process. Futurecurve has therefore developed the Value Proposition Builder™ process to help organisations build their value propositions in a structured, rigorous way.

This robust Value Proposition Builder™ process follows six steps, from understanding your market through to developing proof that your value proposition works.

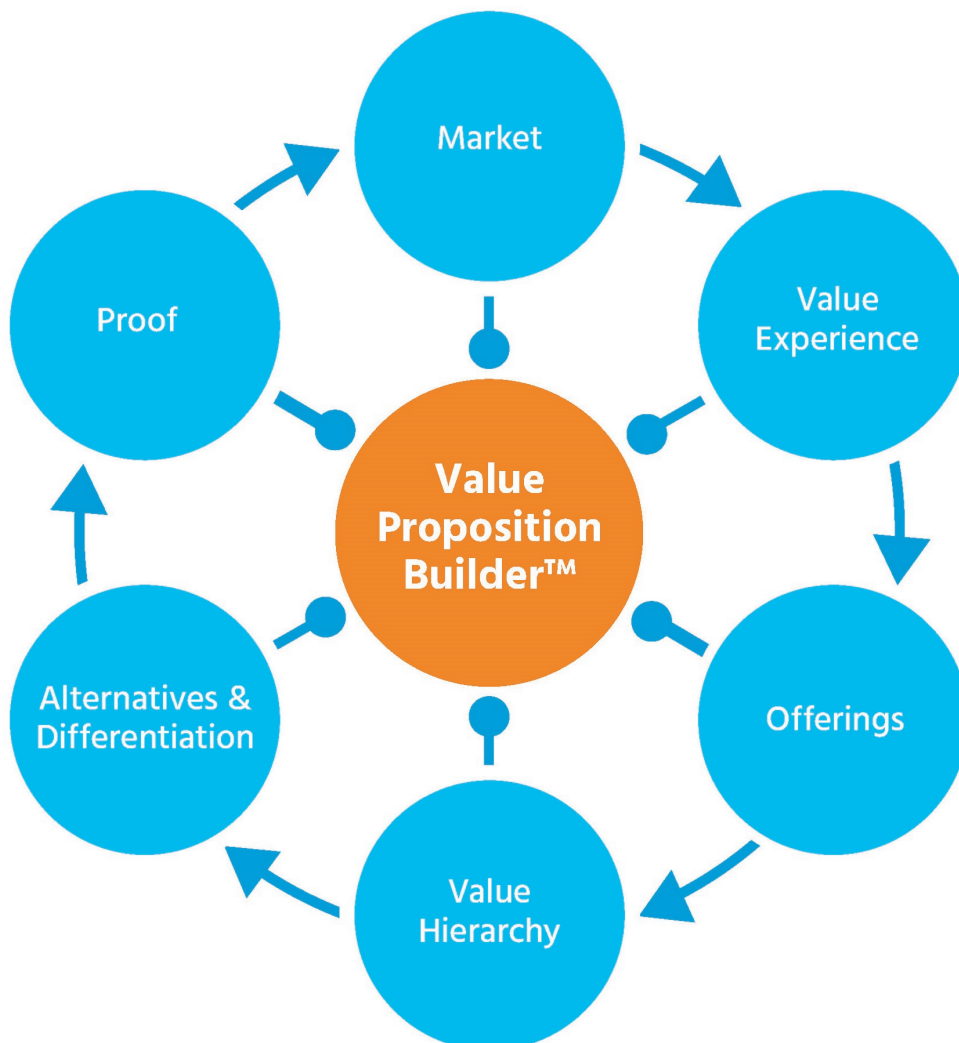
Organisations often have the information or intelligence that covers one or more of these boxes but have rarely thought about how to bring all of this together in a way that reflects back what customers want.

The Value Proposition Builder™ stages

1. Market

This first stage involves analysing your target markets in detail, starting at the strategic, organisation-wide level, then narrowing the focus down to sectors, regions, products or services, before looking at individual sales opportunities and marketing messages.

This exercise includes drilling down to specific organisations, buyers, influencers, original equipment manufacturers (OEMs), resellers and end customers. The analysis allows you to understand the cultural and political nuances of your markets and the risks associated with buying from you.



© 2003-2021 Futurecurve Limited. All Rights Reserved.

The Value Proposition Builder™ stages (cont)

2. Value experience

This key stage provides the customer experience research upon which your value proposition is built. This is not customer satisfaction or voice of the customer surveys but detailed, qualitative interviews with your customers and other groups that you need to understand, such as suppliers, OEMs, resellers and your staff. Where possible, these interviews should be done face-to-face. The research also includes customer observation studies and often finds that companies face quite different challenges from the ones they expected.

Using established psychological and behavioural techniques uncovers customers' emotional drivers, as well as the social and rational drivers of their behaviour. It is important to know how to ask the right questions to elicit these responses, using appropriate questioning techniques.

The qualitative research allows you to create a hypothesis about the problems you face and to find innovations. You can then test these with a larger sample, using a quantitative approach. This is where quantitative surveys can be useful for validating what you find in the qualitative research, but it's essential to do the qualitative research first.

Analysis then goes beyond the purely rational to understanding your customers' emotional and social or political responses. Only by drawing out these rational, emotional and social responses can you gain a complete understanding of your customers, so you can map their existing behaviour and start to predict their future behaviour.

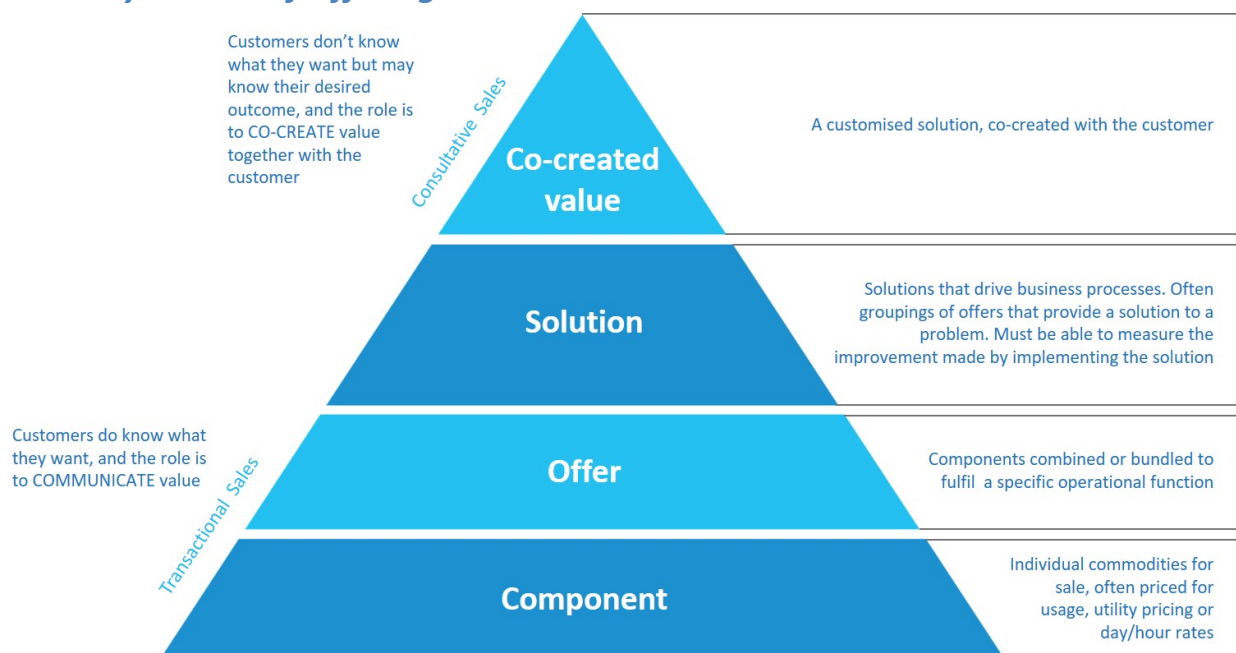
3. Offerings

The third stage is a detailed analysis of your offerings to customers, using a powerful tool – the Value Pyramid™. This maps your product and service offerings against the value they deliver to your customers.

The Value Pyramid places each of your offerings into one of four categories, enabling you to manage, position and sell your offerings to maximum effect. It helps you to:

- analyse the value that your offerings bring to your customers
- map your offerings against the type of buyer and price accordingly
- ensure your go-to-market approach is right – consultative and relational or transactional
- innovate, often at no additional cost, and discover under-served markets
- create real differentiation

The Value Pyramid™ of Offerings



©2003-2021 Futurecurve Limited. All Rights Reserved.

The Value Proposition Builder™ stages (cont)

4. Prioritising Benefits

By this point, you will have deconstructed and clarified your value. The next stage is to take the outputs from the market, value experience and offering analyses and use a benefits mapping exercise to produce a refined, pictorial view of how customers perceive your value. You can then start the process of refining and prioritising benefits that will allow you to develop a compelling value proposition.

Prioritising benefits is critical. Businesses often get stuck at this stage because they want to include all of their key benefits, without understanding that only their customers will know what is of real value to them. Companies may have many benefits they could legitimately claim but, crucially, customer research will have identified that only three or four of these add significant and real value to customers.

Another reason for prioritising benefits is that behavioural economics has shown us that giving too much choice merely slows purchasing decisions. Being clear, direct and succinct wins the day.



5. Alternatives and Differentiation

This stage compares your value against your competitors' value, which is a radical departure from most competitor research which generally compares products and services. Thus it can only be done at this later stage in the process.

Other alternatives and substitutes are also compared, including the 'do nothing' and 'we'll do it ourselves' customer responses. Value propositions are compelling when they demonstrate why your customers should choose you over other options.

6. Proof

The clinching element of a powerful value proposition is the proof that it works. The final stage is to design the evidence tools you need, such as case studies, testimonials, fact sheets and genuine total cost of ownership (TCO) and return on investment (ROI) models. Your proof needs to be backed up by clear examples, to show your customers how this could apply to them.

The proof stage of creating your value proposition is also a very powerful de-risking element for your customers. It shows them why they should choose you over any other option, how they can build their internal business case and justify their investment in using you and, more importantly, the return on solving their problem. This last stage leads into the start of creating powerful messaging.

The Summary

In this paper, we have looked at the widening gap between what companies offer and sell and what their customers actually value and are willing to pay for. This problem is coupled with outmoded business models, which haven't kept up with customers' changing expectations. Part of this disconnect with customers is that value isn't only rational; it's also about how your customers feel about and experience your company.

You can start to close this gap by truly understanding what your customers value, looking at both your products or services and how you interact with them – your 'customer truth'. This means that value needs to be understood from both the quantitative and rational aspects as well as from the more qualitative and/or emotional and social perspectives. Your value proposition is not something you make up internally: it must have input from your customers or it simply cannot be a true *value* proposition.

We then introduced Futurecurve's framework for creating value propositions, The Value Proposition Builder™. We took you through each of the six stages and explained what is needed at each point to start to develop your value proposition.

Customers have an **implicit** hierarchy of why they do business with you.

Finding out what the hierarchy is and making it **explicit** is at the heart of developing your company's value proposition.

From value propositions to sales propositions

Once you have created your company value proposition, you can use it as the basis for your sales propositions.

Creating your company value proposition first means that you have one version of your **company truth** that is drawn from your **customer truth**, one master blueprint from which all the sales stories and marketing messages can come.

This saves huge amounts of effort. It saves the time and resources of sales people, marketing staff, internal communications and product people, who otherwise are each creating multiple 'truths' for multiple purposes.

As well as helping your sales and marketing people to be more effective, it also significantly reduces marketing agency spend by ensuring that you have the right, customer-validated and researched content from the start.

The benefits of creating a value proposition

The outcomes from creating your value proposition and working this through into your sales propositions can be significant. The following are real examples of companies that created a genuine value proposition for their organisation:

- An engineering company increased sales by more than 110% in one year
- A software company increased its contract renewal rate by more than 35% in the first 12 months
- A credit card company was able to reduce customer churn from 15% to 6% and increase profits by 12% over a two-year period.

You can achieve similar success, overcoming your sales and marketing challenges.

Other Resources

Read our bestselling book, the only book to detail how to create a value proposition

www.futurecurve.com/value-proposition-book

Read our latest articles/insights

www.futurecurve.com/insights

Helen Blake

About Futurecurve

We are the leading experts in uncovering what customers, and all key stakeholders, really value and from this designing product, service and company-wide innovation and communication to drive better business for all.

Futurecurve is run by former senior directors from global consulting, technology and telecommunications companies. Our difference comes from a combination of our:

- psychological and behavioural approach and proven mechanisms for identifying and harnessing customer value from your customers' and stakeholders' experience
- multi-language, multi-cultural research capability with a network of over 120 business and psychology researchers in 22 countries
- our clients' results and recommendations

Our clients range from large multinationals to small and medium-sized organisations and start-ups, across many sectors including not-for-profits and government.



Futurecurve
91 Wimpole Street
London
W1G 0EF

Tel: +44 (0)20 3457 0950

Email: helenblake@futurecurve.com