



Value Propositions

A Comprehensive Guide



What are Value Propositions?

- It is a statement that specifically addresses how aspects of an offer positively affect a customer's business.
- It should provide customer-specific statements that are quantifiable and describe tangible and intangible value.
- It offers clients something they want and gives them a good reason to choose you over your competitors.

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Why do you need a Value Proposition?

- A good value proposition helps clients grasp the value of what you are selling compared to other options.
- It explains the benefits of using your product or service and what problems it solves to your ideal customer.
- It describes to your target buyer the pain point that you can solve.
- It outlines what makes your company or solution unique and superior to alternatives.
- A value prop may determine if a potential customer responds to a sales pitch or not.

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Best Practices



1. Sell the value based on client benefits.

- People make decisions based on recognition of your brand.
- A good value proposition takes the client's needs into account and is also sensitive to the role of the evaluator.
- It demonstrates your understanding and frames your solution in a way that matters to the buyer.
- Selling on value helps to organize your proposal strategy. Value grabs your client's attention and differentiates your proposal.

Best Practices



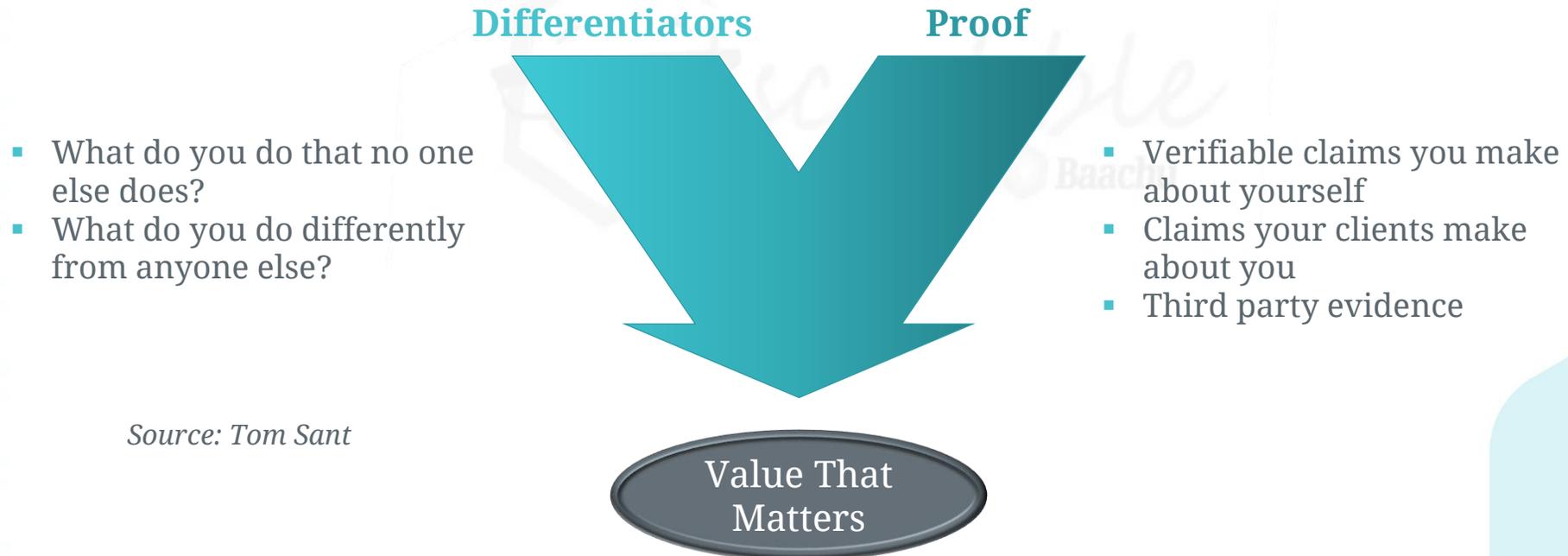
2. Link benefits to your unique selling points.

- Your value proposition is unique for every sales opportunity and relates to your theme and strategy statements.
- Introduce key win themes in a way that makes an impact on your client and demonstrates that you are the best choice.
- Involve your customers in developing and testing your value proposition.
- Support your claims with facts and third-party evidence.



Building a Value Proposition:

This figure illustrates how discriminators and proof combine to demonstrate value to a customer.



Source: Tom Sant



3. Use effective price-to-win methods

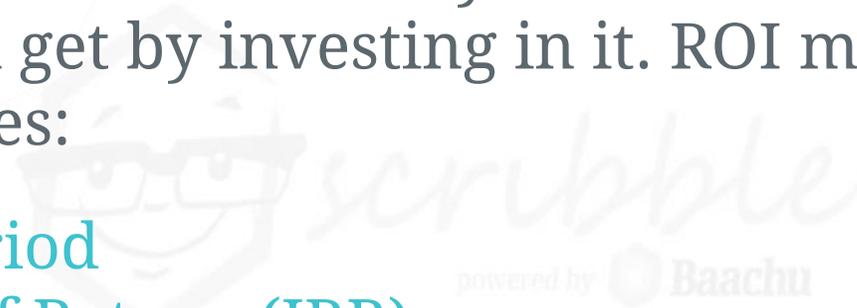
- Value rather than the lowest price quotation is the way the customer perceives price, and the winning proposal offers a client more value than any alternative options.
- Use **price-to-win** methods to arrive at a winning price.

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4. Quantify the payback.

- A good way to demonstrate the value of your solution is by quantifying the return that the client will get by investing in it. ROI may include one of the following typical measures:
 1. Time / Breakeven Period
 2. Rate / Internal Rate of Return (IRR)
 3. Value/ Net Present Value (NPV) / Economic Value Added (EVA)
- Use Proof Points (Pieces of information proposal developers use to support the soundness of a solution) to further convince the customer.



Best Practices



5. Make it visual

- Using pictures to explain your value proposition helps clients understand your value faster and remember it longer, and also adds emotion to persuade.



6. Structure your value proposition in a logical, orderly way.

- Some templates and examples to structure value propositions based on best practice that you may find useful in your proposals:

Best Practices



6.1. APMP's Tony Birch SMART approach:

- Make your value proposition SMART: Specific, Measurable, Achievable, Relevant (or results based), and Time sensitive.

Template:

- [Client name] can improve [what] [by how much/in what way] as a result of [doing what differently], over [what timescale] for an investment of [how much].

Example:

- Acme can improve customer satisfaction by 20 percent as a result of automating service desk functions over 6 months for an investment of \$2 million.

Best Practices



6.2. Shipley's Larry Newman Syntax

Template:

- [Prospect] **will realize** [quantified business improvement] **by purchasing** [our solution] **for** [total investment cost].
- **Beginning** [implementation date], **the improvement in** [specific business process or function] **will achieve an economic payback in** [timeframe].
- **We have agreed to document the delivered value by** [results measurement and tracking approach].

Example:

- BigCo will realize a 5-percent productivity improvement by purchasing our consulting solution for \$5 million.
- Beginning June 1, 2014, the improvement in factory output will achieve an economic payback in 6 months.
- We have agreed to document the delivered value by comparing the current baseline to increased output on a monthly basis.

Best Practices



6.3. Tom Sant's Syntax:

Value proposition can be presented in three parts:

- State the value the customer will get
- Identify the differentiator that will deliver that value
- Provide proof that the claim is credible

Example:

- One important benefit of accepting this proposal is that NewCo will see a decrease in energy consumption of 15 percent to 18 percent
- That decrease in energy consumption will come as a direct result of implementing our energy optimization software, which will automatically manage your energy costs to ensure that you pay the lowest possible price 24 hours a day. The only system of its kind, the software has been proven in controlled studies to reduce energy bills.
- When Gee Smelting implemented our software, it saw an immediate reduction in energy costs of more than 20 percent. Similarly, Mercy Hospital reduced energy costs by 17 percent during the first year of using our software.

Best Practices



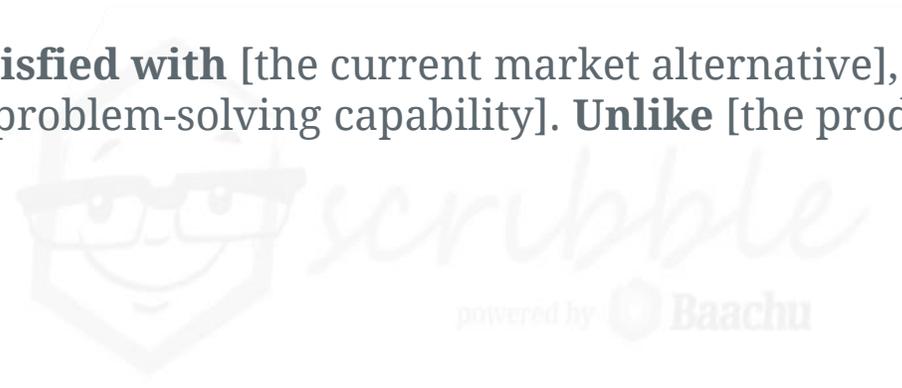
6.4. Geoffrey A. Moore's elevator pitch Method:

Template:

- For [target customers] who are dissatisfied with [the current market alternative], our [product name] is a [new product category] that provides [key problem-solving capability]. Unlike [the product alternative], our product provides [unique product features].

Example:

- For mobile businesspeople who are dissatisfied with heavy laptops with a limited battery life, our MobiJob is a solar tablet that provides 24 hours of battery life after only 1 hour of ambient light. Unlike regular tablet devices, our product weighs no more than a novel, requires no accessories, fits in your briefcase, and has more processing power than the average laptop.



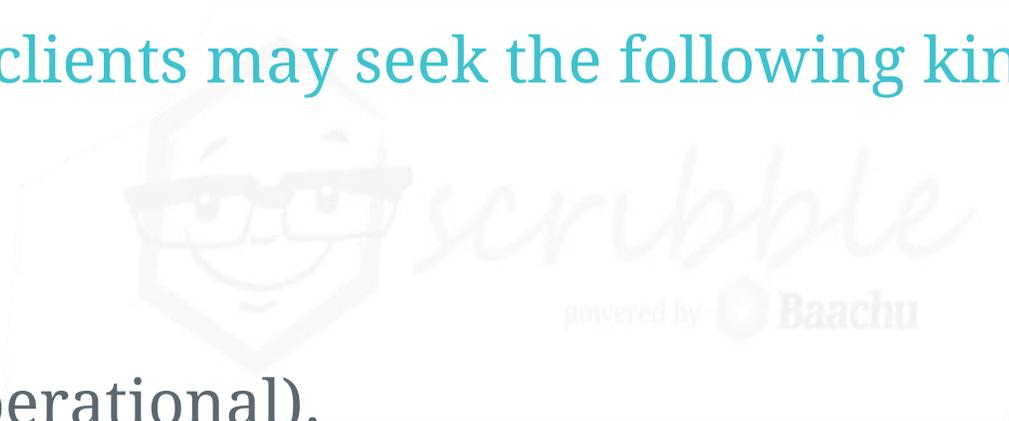
Best Practices



7. Focus on the right kind of impact.

According to Tom Sant, clients may seek the following kinds of impact:

- Strategic/Financial.
- Tactical/Technical (operational).
- Political/Social.



Best Practices



Political / Social

Internal

- Morale
- Absenteeism
- Turnover

External

- Public Support
- Approval
- Recognition



Tactical / Technical

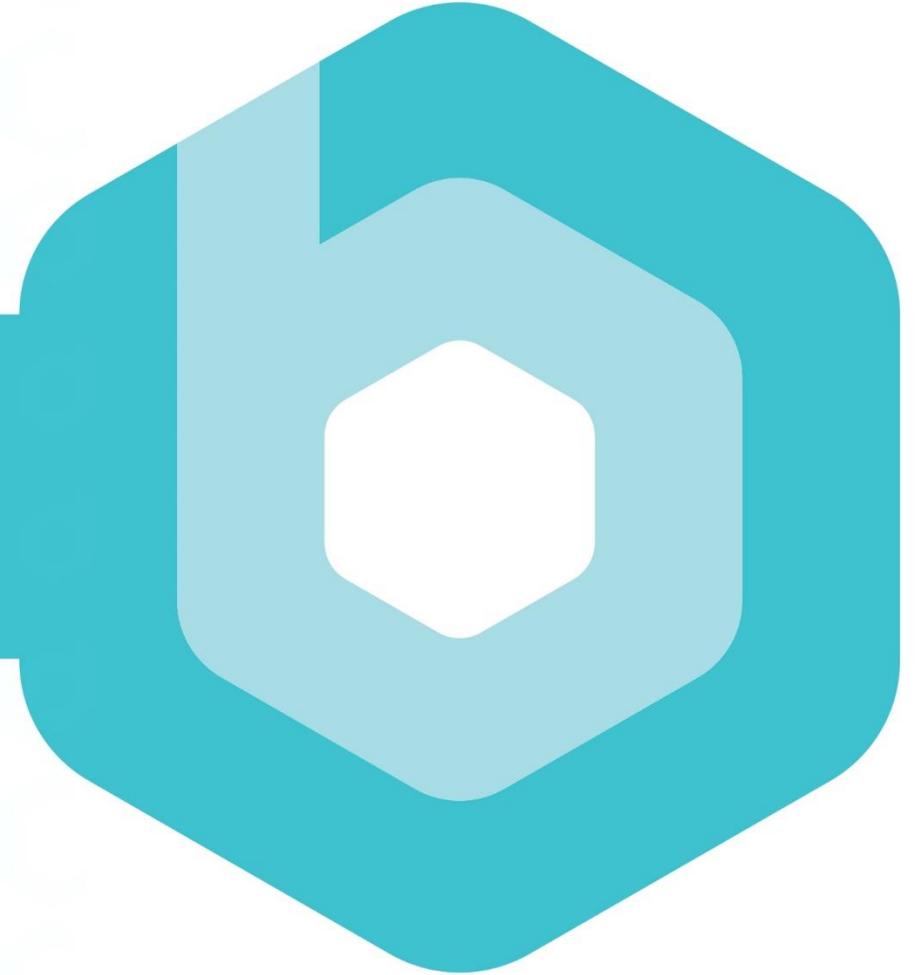
- Automating a Manual Process
- Adding Flexibility
- Improving Quality Control
- Enhancing Information Sharing or Processing



Strategic / Financial

- Increased revenue
- Growth in Market Share
- Budgetary Compliance
- Profit Improvement
- Downsizing

Value Proposition Generation Checklist



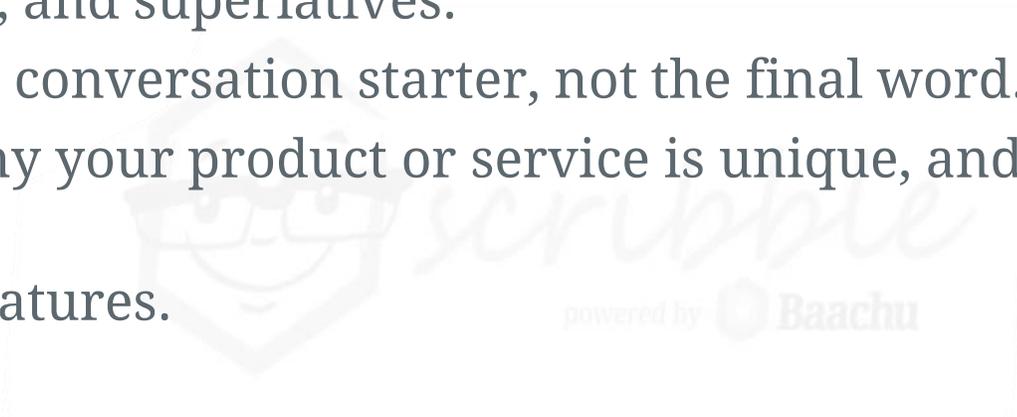


1. Who is the target customer?
2. Why should the customer buy your product or service?
3. What does the product or service do?
4. What does it feel like to use the product or service?
5. What are the features?
6. What are the rational and emotional drivers behind the customer's purchase?
7. What are the customer's hidden needs?
8. What are the benefits to customers for using the product or service?
9. Are there any risks to switching to the product or service?
10. What do people do now to solve the problem the product or service will help them with?
11. What are the unique differentiators that your product or service provides?
12. What is the value of that uniqueness?



Tips for building an effective Value Proposition

- ✓ Keep it short and simple.
- ✓ Know your audience.
- ✓ Be clear.
- ✓ Be aware of hype, jargon, and superlatives.
- ✓ It should be considered a conversation starter, not the final word.
- ✓ It should help explain why your product or service is unique, and why your company is special.
- ✓ Focus on benefits over features.
- ✓ Be specific.
- ✓ The less your company is known, the better your value proposition needs to be.
- ✓ Focus on the value to the customer.
- ✓ Be relevant to customer needs.
- ✓ Tell a story.



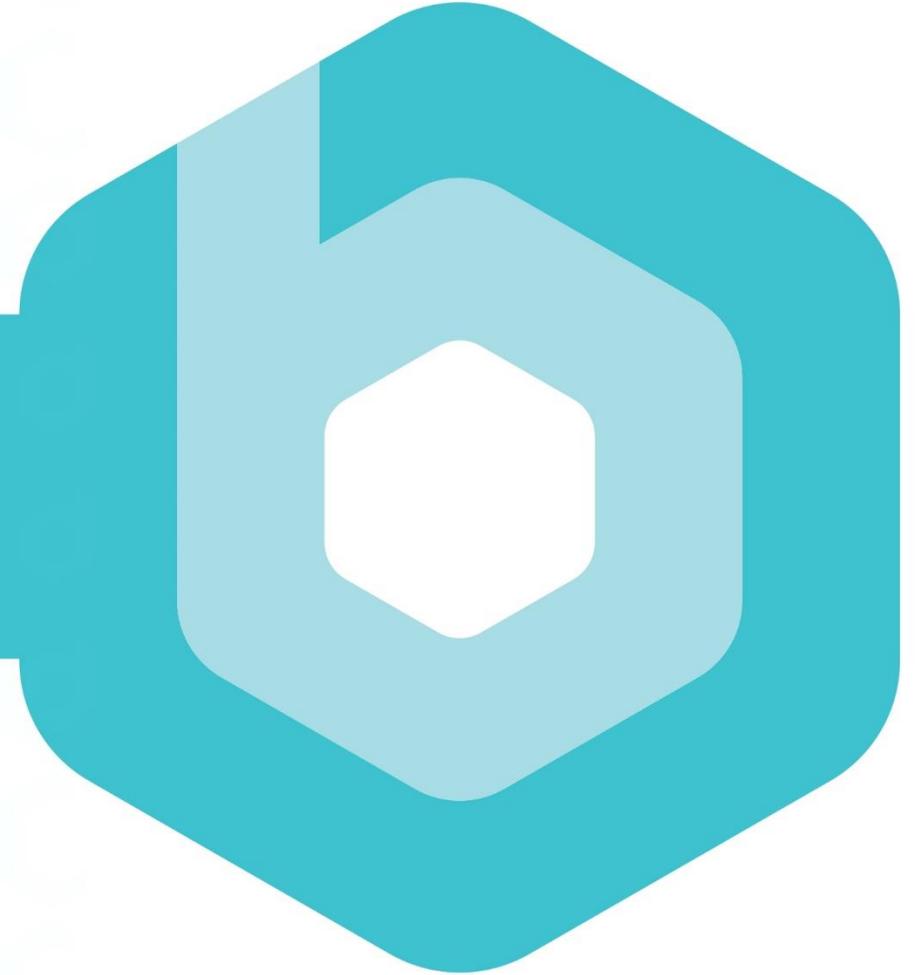


Examples of effective Value Propositions

There are many value propositions in the world. Once you know how to identify them, you'll recognize them just about everywhere you look.

1. Slack: All your tools in one place.
2. QuickBooks: Send invoices in minutes and get paid two days faster.

Summary





Failure to sell on value will result in the client choosing on price or doing nothing.



Overcome obstacles to using the value proposition to increase your chances of winning.



A value proposition offers clients something they want and gives them a good reason to choose your organization rather than your competitors.



The value proposition forms the foundation of the executive summary.



You don't have to offer the lowest price to win a deal; you must show more value than your peers.



Quantify the payback using a measure of time, rate, or value.

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Make the payback visual and add emotion by including a graphic, even when the value is intangible.



There are many ways to structure a value proposition; choose the method that works for your organization and the proposal you are working on.



Focus on the right kind of impact, which may not necessarily be financial.

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