

Why should customers buy from you?

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M Muneer



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Sustainable value is important for customers to do business with you. However, sustainable competitive advantage is probably a myth today when the customers have numerous choices not just from the same industry.



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We spend considerable time with our clients in flushing out their value proposition. Strategy gurus like Porter, Prahalad, Hamel and others had brought out frameworks for helping companies identify their value proposition, and their value creating processes/value chain. Companies make use of various tools such as PESTEL, SWOT, BCG, Five Forces and Blue Ocean, among others, for this. However, these things are passé today when industries themselves are competing with each other and not just companies. Who are the competitors to a bank? It is not just the other banks, but FinTech companies, Wallet providers like Google, crypto currency and even post office.

Matters are getting further complicated with entry barriers in most industries disappearing. You do not have to buy expensive storage or servers today to set things up. You can just use cloud services and run your business with low investments. Literally from a garage! There are companies that make products for you at very low costs so that you can go to market in no time. No need for elaborate factory set up, approvals, bribing bureaucrats, etc.

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Every business wants a differentiated value proposition as this uniqueness brings the orders and improves bottom-line. The trouble is that most businesses seem to have an also-ran proposition instead of a clearly defined one. In many cases, businesses try to be everything to everyone, resulting in no meaningful differentiation. Why should they buy from you then? Therefore, when the value proposition is weak, it pulls down the effectiveness of sales and marketing efforts, leading to poor

competitiveness.

It seems three out of four marketing executives are unable to consistently and effectively articulate their value proposition. This is mainly because they themselves are not clear on the trade-offs and different customer segments they intend to serve. They try to attract all possible customers including those of competitors in a vain attempt by keeping the value proposition as broad as possible. But really can you attract an Armani customer to Allen Solly?

Following are some of the broad patterns of value proposition companies have propounded and you will know most of them may not have done a proper analysis for themselves:

Identify and satisfy the needs of our target customers

A statement of the tangible benefits our customers get by using our products or services

A statement summarizing the customer segment, competitor products and the key differentiation of one's product from the competition

The issue here is that while the statements are well intended, it lacks the specificity that will close multiple interpretations. When you talk to the marketing folks, the value proposition tends to be a market positioning statement for the company or for a product. When you address the sales team it tends to focus on sales processes that create value.

In reality, a value proposition is nothing but a two-line description of the target customer, the value they would receive by doing business with your company, and what your company provides. Formulated well, a value proposition answers the question why a customer should consider doing business with you. A possible example is: "We partner with the best vendors from around the world to achieve the best quality of materials and on time delivery in order to bring in the lowest total cost of ownership for our customers. We also have the widest network of service technicians to address any quality issues and ensure almost 100% uptime."

Such a definition will differentiate value proposition from sales proposition. Unlike value propositions, great sales propositions provide a compelling and persuasive answer to each of a prospect's objections to a product or service that is being offered to them:

"Why should we meet with you?"

"Why should we change our current solution for a new one?"

"Why should we buy the service from you rather than from Company X?"

Contrast this to what most companies do today. They try to create a value proposition to answer all possible buyer objections to the sales offerings. By doing this, companies lose effectiveness in closing a sale.

By differentiating value proposition from sales proposition companies can compete better. Small and medium enterprises should have a high-level value proposition, which will generate interest and multiple sales messages for each of their offerings. Companies that successfully distinguish between their value proposition and their sales proposition drive more sales than others who do not do this. By developing the right value proposition based on the unique value chain, SMEs can achieve tremendous success just as many of our clients have done in the past. The most critical element of driving strategy comes from such deep analysis from the top management.

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