

Management tool #B-3:©

The fundamental 'Value Decision' that every business must make:

There's much confusion about what 'value' is and how to deliver it. Simply put, "value" is some combination of price plus other stuff that matters to our target customers. If it doesn't matter to them, it's of no value.

There are basically three kinds of value:

- Functional,
- Emotional...and,
- Financial value

Every business must make a fundamental 'Value Decision'...to be the cheapest, or **not** to be the cheapest. Why is this decision so important? Because this one decision affects almost every other decision we will make about...

- the products and/or services that we'll sell, and to whom,
- where and how we'll sell them,
- at what price we'll sell them,
- the compelling value package and customer experience that we'll offer,
- the Brand promise that we'll make and how and where we'll advertise and promote,
- who we'll hire and how we'll train them,
- what our policies will be,
- the systems and processes that we'll will put in place...and,
- the business model that we'll adopt.

Without clarity on the fundamental "Value Decision", none of these other decisions can be made wisely or effectively. And without clearly understanding our value proposition, how can our target customers know if we're right for them or not? If we don't know exactly who we are, our customers cannot know who we are.

You have 3 'value positioning choices' from which to chose:

- 1. Value positioning choice #1:** "We may as well tell you right now, we're not the cheapest...and here's why." If this is your choice, you must be absolutely clear about the compelling functional value and experiences that you will always deliver that will 'grab' your target customers, clearly differentiate you from your competitors and make your higher price understandable and acceptable. If you cannot explain your higher price with clear and compelling customer value and benefits, you'll be in trouble.
- 2. Value positioning choice #2:** "Let us save you some valuable time; we are the cheapest, and here's how we do it." With so many competitors claiming to be the cheapest, and with consumers generally being so confused and cynical, the only way we can make the "we are the cheapest" claim stick is to have some real and significant competitive or operational advantage and then to explain that to customers in a way that they understand and believe us.

Note: We cannot be the lowest price seller unless we truly are the lowest cost operator...and unless we can sustain that cost advantage over time. If our decision is to be the cheapest, just about everything we do will be focused on low overhead, cost control, world-class operational efficiency and effectively communicating our powerful "lowest price" message to a saturated and cynical marketplace. Wal-Mart, Costco and Southwest Airlines are great examples of companies that have succeeded wonderfully at "being the cheapest". They have a clear Vision, they're cheap, they're very efficient ...and they make money!

3. Value positioning choice #3: This is the most compelling positioning of all, if you can pull it off profitably. **"Let us save you some valuable time, not only are we the cheapest, but we'll also do 'these amazing things' for you...and here's how we do it."**

To be the lowest price and to also offer more service, amenities, easier payment terms, or some other compelling perks is certainly compelling...but not easy to pull off profitably. But if, because of some special direct connection with a product source, a super-efficient business model, or some other advantage that can't be easily replicated by your competitors, you can "own" customers with this powerful positioning.

Choosing your clear and compelling value position:

Choose one of the 3 value positions described above and, using the appropriate template below, clarify your value positioning in a way that will guide you in making better decisions in every part of your business.

Value position #1: We may as well tell you right now, we're not the cheapest, and here's why.

Note: List your specific and compelling value "here's whys" below. Make sure that they're 'benefits' ...not 'features'. A 'feature' is something that you are or something you do, like "We have the latest equipment." or "Now 4 locations to serve you." A 'benefit' is what that that means to your target customers in terms of delivering more functional, emotional or financial value.

1. _____
_____.
2. _____
_____.
3. _____
_____.
4. _____
_____.
5. _____
_____.

Value position #2: Let us save you some valuable time; we are the cheapest, and here's how we do it.

Note: Describe clearly and succinctly how you do it below. Only by explaining in a straightforward, believable way 'how you do it' will you create the credibility required to make this positioning effective in this cynical world where hundreds of businesses claim to be "the cheapest".

...and here's how we do it:

Value position #3: Let us save you some valuable time, not only are we the cheapest, but we'll also do these amazing things for you...

1. _____.
2. _____.
3. _____.
4. _____.
5. _____.

...and here's how we do it!

Final Note: Now that you've chosen and articulated a clear value positioning, start listing the changes must be made in each part of the business to consistently and profitably deliver and communicate this positioning? There will be dozens of decisions and changes to be made, but here's a small space to get started.

1. _____.
2. _____.
3. _____.
4. _____.
5. _____.