

Don't cut your price, EARN it!

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A company's value proposition can't be carved in stone. The value you offer customers is constantly changing, and therefore must be flexible and adaptable.

The challenge businesses face is ensuring that a large percentage of customers, and particularly those customers who are critical to the firm's long-term success, view the value proposition consistently and see real value in it. The customer's perception of value is individualized and dependent on context and circumstances. What represents great value to one customer may be viewed as a waste of money to another.

What is Value Today?

In the interest of saving money, many consumers will forgo a vacation or delay buying a new car, but most retain a few items on which they are not prepared to skimp such as a new hairstyle, manicure or an occasional meal out. Some consumers see value in products and services that others might consider to be outside their price range, such as expensive cars.

Value perception is not always predictable. Where consumers perceive value is a fascinating study. Businesses need to explore the concept of value more deeply so as to better understand what customers consider valuable to them. Value is truly in the eye of the beholder and often has little to do with price. We regularly hear customers say of a business, "I'd actually pay more if they would only _____."

Consumers today are actually extremely value conscious. As a result, firms need to find new ways to add even further value for customers. Dropping prices is the easy option for companies, as is the offering of deals or specials. The world is full of these. But hidden amongst the flyers and screaming TV ads from big box electronics retailers are dozens of independent retailers who don't drop their prices and resist being drawn into an orgy of price cutting. They quietly continue to offer good prices, loads of advice and superb service.

These independents understand that their future depends on their ability to create customer connection by offering more than a great deal. They will go out of their way to accommodate customers with respect to delivery times; offer to consolidate their many TV/video remotes; continue to send technicians to customers' homes rather than defer to manufacturers' warranties. In short, they make it easy for customers to see their added value.

These kinds of companies have a very holistic view of value. They know that, by offering superb service, they are creating a situation where their customers will be prepared to pay more. They understand that their customers take a broad view of whether their prices are “worth it.” They also understand that price is not simply something they charge, it’s something they have to **EARN**.

The reason why some retailers do not have to resort to price cutting is quite simple. Most customers have a much more complex definition of value than many marketers seem to give them credit for. Customers have a unique and personal view of value. They see value in more than product and price. Customers who have less to spend will use their smaller discretionary budget where they feel they get the best total value. This doesn't mean opting for the lowest price.

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Delivering more value means getting creative and looking for ways to add what the customer will appreciate. Certainly, it is always important to offer good value for money, but how do you create value in the customer's mind that will allow you to earn the prices you want to charge?

Two Sides to Your Value Proposition

There are two sides to your value proposition. The first is the tangible, functional, "hard" side that involves the efficient delivery of all that customers would expect of a reliable company — good product quality, attractive prices, timely delivery, convenient access, accurate billing, etc. This view of the value proposition results from a "left-brain" definition of what constitutes value - most often represented as "value for money." This predictable view of value is what leads firms to offer a predictable array of cost-cutting deals, two-for-one offers and BOGO deals — not especially creative or effective in differentiating the company from the competition.

The second side of the value proposition is more important in producing a positive impression of your firm. It is the less tangible, more emotional, "softer" side of the value proposition that involves how employees interact with and deal with customers; how the company behaves toward its customers; what level of service is provided, how empathetic and caring employees are, and whether they look for opportunities to impress customers. This side of the value proposition involves not only the level of service that is offered, how speedy and efficient it is, but the kind of customer experience that is created.

While the concept of the customer experience has received widespread attention in recent years, many companies have not delved deeply enough into its potential to create impressive and differential value for the customer. When faced with a challenging competitive marketplace, most will revert to price cutting and reducing expenses by cutting back on precisely those resources that deliver the softer forms of value.

You need to create sufficient value to justify in the customer's mind why he or she is continuing to pay more for what you offer, rather than opt for the bargains down the street.

Four Softer Forms of Value

Consider how well you are delivering the following four types of experiential value:

1. *Make it easier for them to deal with you.* Reduce the effort that customers have to expend; get rid of rules that make them jump through hoops; reduce wait times; reduce the work they have to do. Customers don't need any more frustration in their lives and they'll leave at the drop of a hat if you put them through complex processes. So, answer the call more quickly, avoid handing them off to colleagues who will have them tell their story all over again, don't make them answer 15 questions when five will do.
2. *Treat them better than ever before.* Put your best foot forward, impress them with service. Consider how you can deliver impressive, story-worthy service. Too many companies cut back on service to reduce costs. Despite widespread advice to the contrary, they opt for a short-term solution that serves to reduce the level of service at precisely the time when it is most needed.
3. *Help them get things done.* Offer good advice; impress them with new ideas; deliver "I'll-look-after-that-for-you" moments. This will require that you make a greater effort to identify what the customer is trying to accomplish, what he or she needs to get done, and then looking for ways to make it happen. Anything you can do to facilitate that will be appreciated. Create that "one-less-thing-I-have-to-worry-about" response.
4. *Surprise them occasionally.* Think about how you can offer your customers more, not less. This does not necessarily mean offering more product or giving away things that the customer may not even appreciate. Instead, offer to carry things to the car, drop that item off at their house so they don't have to make a trip, or sew the hole in the pocket when the pants are in for dry cleaning. These may be viewed as little things, but they have the potential to make a big impression, especially when competitors aren't offering them.

More than Marketing

One last piece of advice — don't leave responsibility for the value proposition to your marketing department. The marketing department in most firms is responsible for advertising campaigns, packaging, label design, special price offers, and the like. But, value delivery is everyone's responsibility. Every department in the firm can create value, and also has the potential to enhance or diminish the value that customers see in what you bring to the table.

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Everyone in the company has the potential to cause customers to leave. The people who we put in front of them, the design of telephone and online systems, the time we leave them waiting on hold, the stupid rules that cause them to solve their own problems – all such frustrations contribute to creating an experience that might just turn a customer into a former customer.

Customers today are smarter than ever and quite willing to leave to get better value elsewhere. Don't give them a reason to take their business to a competitor. They want better value and you have to deliver it if you are to persuade them to stay. Pay greater attention to the right-brain, softer side of your value proposition, that's where you can gain the greatest advantage over the predictable left-brain value proposition of your competitors, where you can add the kind of compensatory value that customer will notice and appreciate, and that will allow you to EARN the prices you want to charge.