

## How to Develop a Value Proposition

What do you do better than anyone does?

What does your company offer that competitors can't match?

Why would customers buy one company's product or service as opposed to another's?

What is your competitive differentiation?

These are all definitions of a critical business concept called "value proposition."

What's the litmus test for a valid value proposition?

- If you can say it in front of a mirror and keep a straight face, that's a start.
- If you say it to your sales force and *they* keep a straight face, that's better.
- If you say it to your customers and they wholeheartedly agree, you're in business.

Sounds simple, right? Well, it's not. But it's such an effective acid test for determining if your company is on the right track. It is a great tool for testing and iterating business strategy, so it's worth the effort.

Deriving a company's value proposition is similar to a strategic planning process. First of all, this should be an executive staff exercise. It's not something to be delegate. Sales, marketing, operations, and product development should all be represented. As always, the fewer BSers and yes-men participate, the better. Here's an effective process that has been successful time and again:

### The Five-Step Value Proposition

1. SWOT. Start with a brutally honest and objective SWOT analysis with no sugarcoating - a process in itself, but a critical one. If you don't know where you stand versus the competition or you're breathing your own fumes, just give up and go home.
2. Brainstorm. Brainstorm what you do better than the competition. No boundaries or consensus; just put them all up on a white board. When that's done, discuss each one in terms of the SWOT analysis. Erase whatever doesn't hold up.
3. Coalesce. Then have each person independently, without discussion, put a sticky note next to their first (weight 3), second (weight 2), and third (weight 1) choices. Tally it up. The highest scorers are presumably your true competitive advantages. How many do you pick? That depends. Just look for a natural breakpoint that demonstrates consensus and use your honest judgment.
4. Feedback. Then do a couple of focus groups with 1) a diverse group - meaning from different disciplines - of insiders: top performers and opinion leaders from within the management ranks, and 2) a group of outsiders: analysts, consultants, customers, folks who know your company. Discuss your conclusions with them and pay attention to consensus feedback - what resonates and what doesn't.

5. Iterate. Take that input back to the executive staff and iterate. Then you should have a validated set of true competitive advantages. Converting that into a statement of your value proposition is a function of your specific business and some wordsmithing.

Now that you have a value proposition, what do you do with it?

Use it as a basis for company, product or service positioning, branding, strategy, marketing, communications, all kinds of content development.

By the way, product lines and services should also go through a similar exercise. The derivation methodology is essentially the same, just scaled down.