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VALUE PROPOSITIONS IN INDUSTRIAL B2B MARKETS

Building powerful customer value propositions (CVP) is more demanding in industrial B2B markets than in B2C environments. The reason lies in the complexity of client / supplier relationships as well as the multifaceted nature of the offering itself. Here are some basic guidelines for building successful B2B value propositions.

WHAT IS A CUSTOMER VALUE PROPOSITION?

Philippe Kotler, in one of his books defines a CVP as « The whole cluster of benefits that a company promises to deliver ». This rather wide definition, applied to B2B markets, often will look like the heap of promises in figure 1. It is a starting point that needs refinement to become efficient.

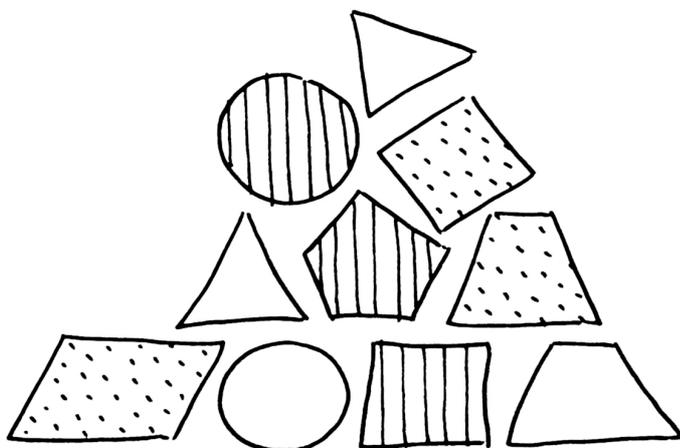


Figure 1: A pile of promises.

■ Distinguishing benefits

When we look at all the benefits one might claim, they fall in three categories :

- > Points of irrelevance (POI) are those benefits that you can offer but that do not interest your customer.
- > Points of parity (POP) are those benefits that you share with your competitors.
- > Points of difference (POD) are the specific benefits that you are alone to offer.

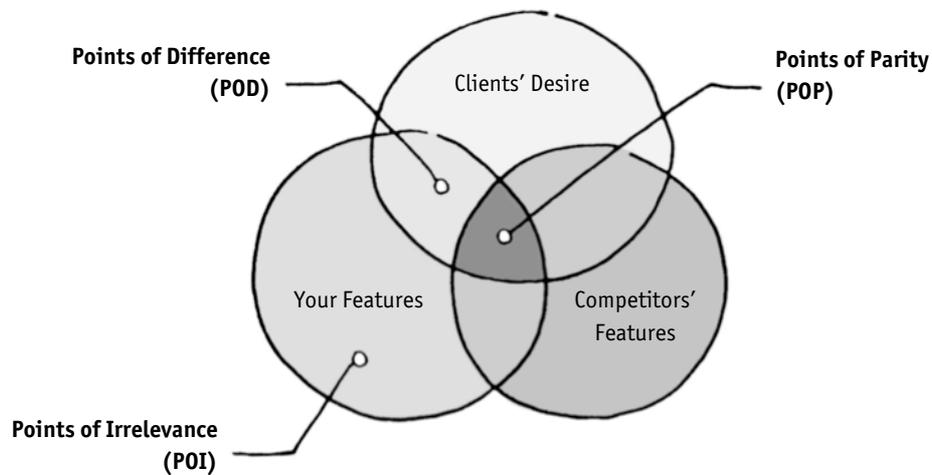


Figure 2: Points of Parity, Difference and Irrelevance

One common mistake is to focus on points of difference alone. But customers need points of parity to understand what your offering is about and how it relates to other competitive offerings. Points of parity thus establish category membership. For example, if your company is offering civil engineering services, it is worthwhile to state that you are specializing in heating and cooling. Even if this POP is not a point of difference, it enables the target to understand immediately whether it is concerned by your offering or not. Communicating on points of parity is meaningful also to neutralize competitor's features. For example, if you come late into the market with a product feature such as preventive maintenance, you still need to communicate this POP to neutralize the advantage of your competitors.

THE PERCEPTION OF VALUE

Any benefit comes at a cost. People therefore wage the gains against the pains. The more your gains outweigh the pains, your value proposition will be considered attractive. Pains as well as gains can be of various kinds.

Gains

- > Functional benefits are the most evident. For example a production machine with specific characteristics.
- > Economic benefits include, for example, cost of ownership.
- > Psychological benefits can come, for example, from the self-esteem earned by working with renowned quality products.
- > Pains
- > Monetary cost, for example cost of acquisition or leasing conditions.
- > Time and Energy to obtain the solution. For example required homologation or adaptation.
- > Psychological pains might include the risk of being blamed for a wrong decision.

It is important to understand that efficient value proposition can be build by either approach: reducing pains or increasing gains.

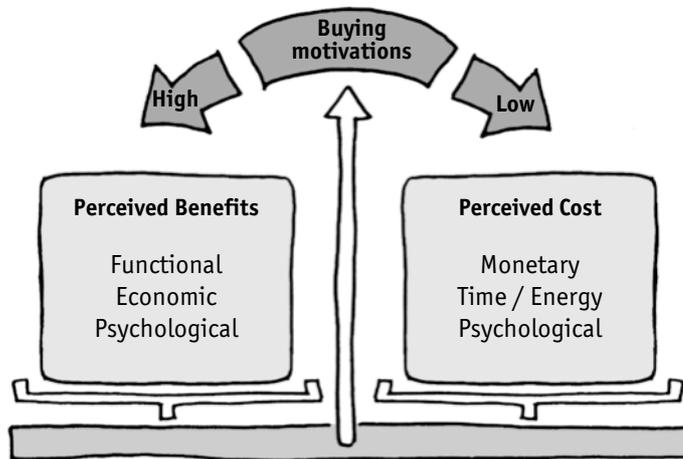


Figure 3: Customers weight pains against gains to evaluate value