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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.

## BUILDING VALUE PROPOSITIONS

### ■ Creating gains

There is no limit to creativity when it comes to creating gains for your customers. Here are some useful questions proposed by the « Business Model Foundry »:

- > Which savings would make your customer happy?
- > What outcome does he expect?
- > What would exceed his expectations?
- > What would make his life or job easier?
- > What positive social consequences does your customer desire?
- > What does he look for?
- > What does he dream about?
- > How does he evaluate success or failure?
- > What would increase his likelihood of adopting a new solution?
- > ...

### ■ Relieving pains

Likewise, the « Business Model Foundry » proposes some questions to identify pains that can be relieved from your customer

- > Which underperforming solutions need to be fixed?
- > What frustration or annoyances can you relieve
- > How can you make your customer's life easier?
- > Which challenges and difficulties could you eliminate?
- > Which negative social consequences could you avoid?
- > Which financial, health or other risks can you mitigate?
- > How can you make you customer sleep better?
- > How can you avoid customer mistakes?
- > Which barriers for adopting new solutions can you remove?
- > ...

### ■ Understanding buying motivations

When building value propositions by creating gains and relieving pains, it is key to understand buying motivations. A simple and widely used scheme for identifying motivations, summarized under the name « spices » can provide first insights. It assumes that the buying motivations of people can be classified in 6 categories:

- > S like Safety: reassurance, reliability, quality
- > P like Pride: recognition and differentiation
- > I like Innovation: curiosity, new stuff, thrill to discover
- > C like Comfort: convenience, simplicity, efficiency
- > E like Economies: best value for money, bargain
- > S like Sympathy: affection, relation, loyalty

Any value proposition needs to stimulate one or more of the principal categories. It is not necessary to address all of them to be efficient, but the more you address the more likely you will be convincing. Individuals are more or less sensitive to specific motivators. For some people safety is key while others are driven by recognition or thriving innovation.



### ■ Optimizing the value delivery chain

Value considerations are often focusing on product usage. But value and PODs can be found at any point along the purchasing process, throughout the entire lifespan of the product or service. Here are some examples on how value can be delivered along the value delivery chain:

- > Offer clearly structured communication tools to help customers retrieve the desired information quickly.
- > Know about customer needs and provide adequate tools to help with product selection.
- > Train your sales force to provide valued advice to the customer.
- > Develop your brand and make sure it is known and desired.
- > Make sure a dealer can be found easily and that registering is swift for customers. Make first purchase as easy as possible.
- > Understand when the purchasing decision is being made and why. Offer the right assistance at the right time.
- > Sometimes ordering is a pain, sometimes it is just a click. Streamline the process and make it a good experience.
- > Delivery can make a difference. Check what would be the best option from a customer perspective.
- > Is the product good enough, from first to last use? Benchmark honestly against competitors, run focus groups.
- > Can customers get rid of packaging easily? Provide value throughout the entire product life cycle. Anticipate end-of-life.

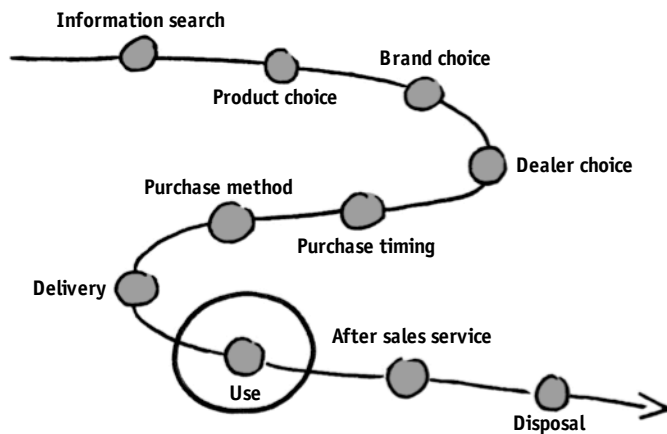


Figure 1: Value can be created and delivered in many place across the value chain.

■ **Measuring customer needs and satisfaction**

What can be measured can also be managed. Understanding customer satisfaction criteria is essential. Measuring the performance of your offering and benchmarking with competitors is as important. Very often these benchmarks are biased. If you see that you are better than competitors under more than half of your customer’s selection criteria, you should ask yourself why competitors are still in the market. Stay humble.

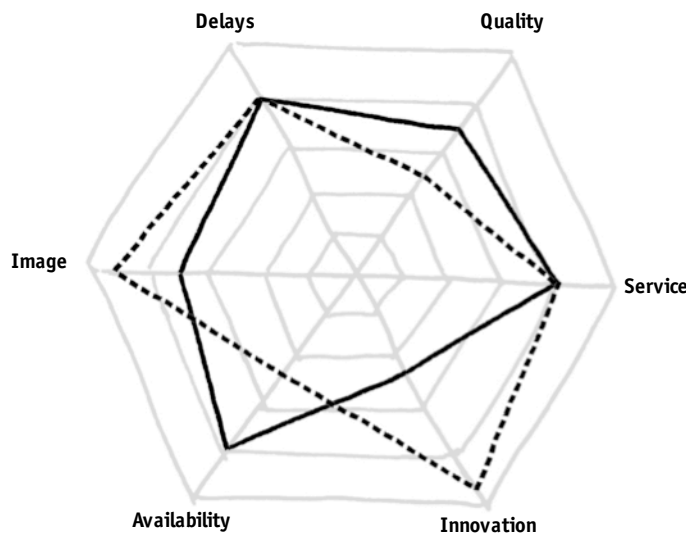


Figure 2: Establish a set of KPI and benchmark your product against competitors.

■ **Detecting unmet customer needs**

Value propositions respond to customer needs. The question is: which needs?

- > Expressed needs are identified verbally. They can be detected by attentive listening.
- > Unexpressed needs are not expressed verbally, but are implicitly included in the need expression. They can be detected by interpretation, intuition and empathy. The young man in the street asking for a “good” restaurant nearby expects different directions whether he is accompanied by a young lady or by a business colleague.
- > Unknown needs are not expressed at all and can only be deduced by some kind of extrapolation from what we know. If Henry Ford would have asked people what they want they would have responded “a faster horse”. If Steve jobs would have asked people they would have replied “a smaller cell phone”. In both cases they got something different: real innovation.

Value propositions respond to expressed needs. But very often, value propositions address unexpressed needs without naming them. Farmers need tractors but desire powerful toys. Some breakthrough value propositions respond to unknown needs by innovation: nobody asked for an iPhone before it was invented.

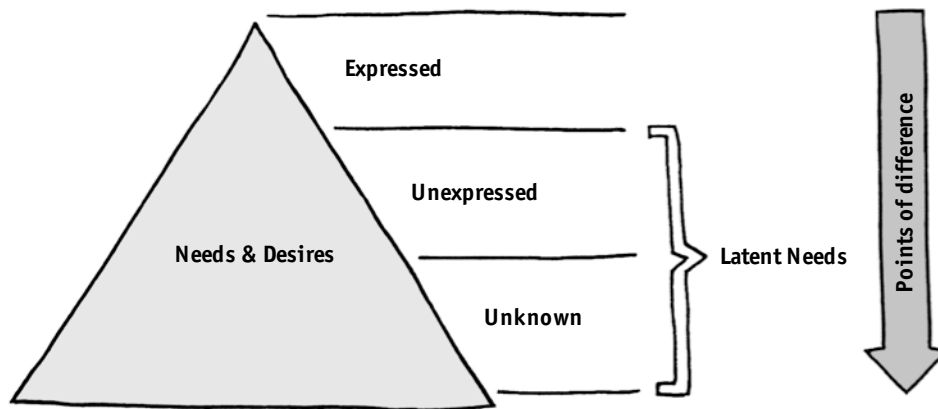


Figure 3: Latent needs are not directly expressed.

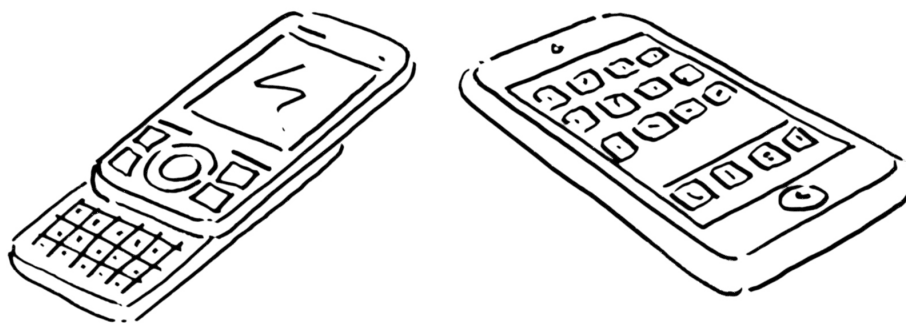


Figure 4: Disruptive products respond to latent needs.