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Nobody Buys a Value Proposition

The overwhelming abundance of information in today's world secures the issue of substance as the second major challenge in credible conversations. What is the one strategy that must be at the heart of every conversation with prospects and customers? What do you use to position yourself during the initial contact, when you enter into your first conversations and throughout the rest of the sales process? What is the one and only thing that your customers really want to know? In the sales world, especially in business-to-business sales, the answer to these questions is one word: *value.*

When I say this to an audience of sales professionals, I see nods all around and I can almost hear their thoughts: "*Check. That's exactly what I do; I'm very into selling value. I don't have to listen to this part.*" All salespeople are talking about value. Yet, at the same time, their sales cycle times are growing, the number of "no decisions" is increasing, and it's tougher than ever to engage C-level executives. If we've got the *value strategy* in play, why aren't customers responding?

Certainly, it is not because customers aren't vitally interested in value. The "V" word is overused, usually misunderstood, and has been bandied about for years, but it remains top-of-mind in the business-to-business markets. The reality is that if you can't position yourself and your company as a source of value, prospects will not want to talk with you. If you can't create and clarify value, your customers will not take any action and are not going to buy. The issue of value is inescapable, every conversation with a customer must be a conversation about value, and every solution provider must remain vitally concerned with value.

Today, and for the foreseeable future, the driving force of conversational substance and customer relevancy in the business world is *value.* It is at the top of the list of what really matters to customers in today's business-to-business sales environment. Customers want to know *how* your offering is going to add value to their business and help their careers, and how it will reduce their company's costs or generate additional revenues. Translation: *What's my incentive to change?* They also want to be assured that your solution will deliver as promised. They don't just want value added, they want value assurance. Translation: *Show me how this dream will become reality and give me the confidence to invest in your solution.*

There is a big challenge attached to the value imperative. Value propositions and value added were first introduced in the mid-1980s when the idea of selling customer value was news and it set you apart. Today, the critical importance of selling value is blindingly obvious to everyone in the world of complex sales. Sales professionals fully realize the customer demand for value and, thus, their presentations and proposals are focused on value. The ubiquity of the concept and the creation of value in this environment in which every customer is demanding it and every seller is promising to deliver it have created a major communication challenge. In the quest to differentiate our companies in the customer's eyes and to win complex sales, the more we focus on value, and the more we all sound the same. It's a *substantive* communication challenge that most sales professionals are failing to meet.

Commoditization of the Value Proposition

The roots of this problem are anchored in the widespread misunderstanding and misuse of value propositions. Companies create these propositions to articulate the value they plan to offer customers. These statements become the basis and guiding force of the collateral materials that marketers develop for the sales organization—sales messaging, brochures, PowerPoint decks, and so on. The salesforce dutifully takes all of this collateral and presents it to the prospect. They are selling value, right?

Not exactly. The salesforce is presenting the value proposition itself, a generic statement of value that requires the customer to translate that value into terms relevant to their businesses and their job responsibilities. For example, "Our adhesive agent bonds at a lower temperature. It does cost three cents per pound more, but the resulting energy savings make this the most cost-effective, environmentally friendly product on the market." That certainly sounds like value, at least in terms of the overall marketplace. However, we have no idea if our value has relevance with this customer.

Often, the customer doesn't either. In fact, the idea of depending on a value proposition to do the job is another example of the same error that we discussed regarding presentations in Chapter 1. It too frequently is an answer to a question that hasn't been asked.

This problem is magnified when value propositions are poorly conceived. The concept of the value proposition has been distorted and stretched well beyond its originally intended role. Given the emphasis that companies place on value propositions, you would think that they have been around since the dawn of business. Actually, a former McKinsey & Company consultant named Michael Lanning coined the term in a 1984 white paper. Lanning said that a business was a *value delivery system* and that this system could be articulated in a "value proposition." Fourteen years later, in his book *Delivering Profitable Value* (New York: Perseus Books, 1998), Lanning defined a value proposition as:

> *The combination of resulting experiences, including price, which an organization delivers to a group of intended customers in some time frame, in return for those customers buying/using and otherwise doing what the organization wants rather than taking some competing alternative.*

This was solid thinking, very coherent and comprehensive. But as usually happens, Lanning's concept has been misused and diluted in its real world use.

I worked with a major company in the industrial automation business that fell into this trap. This company was very focused on selling what I call *sources of value*—these are the elements of the solution that are capable of creating value for the customer. When their salespeople talked to customers, they proudly described how their company manufactured a high-quality product, a product built so efficiently that it could be sold at the best price on the market. That's a great thing: a high-quality product *and* a low price. You would think it couldn't be beat, but, as we'll see, that turned out to be an erroneous assumption.

The second thing that happened was that value propositions evolved into value clichés. Instead of being specific about the customer problems they could resolve and the "experiences" they could deliver, sellers began articulating value in generic, ultimately meaningless terms, such as *high-quality*, *fast*, and *world-class*. How frequently are you using words like this? As a self-check, compare your value proposition and sales collateral to those of your top three competitors. Shuffle them and reassign them. Can you tell the difference? I'll bet you can't. (And if you can't, what are the odds that your customer can?)

In highly competitive industries, which are now the majority of industries, the value propositions and sales collateral of various companies are indistinguishable from one another; and, too often, undistinguished to boot. When you communicate value with words like "rapid response" and "limited breakdowns," you are using the same words that all of your competitors are using. These are examples of what I call *loaded words* and customers use them, too. We'll talk more about their negative consequences and how to deal with them later in the book.

Now, let's go back to Lanning for a minute. By 1998, when he wrote the book on value propositions, the concept had become so misused that he felt the need to add another clause to its definition. He added that value propositions were "*not* the trivialized and garbled notions that have been wrongly ascribed to this term."

The consequences of the trivialization of the value proposition have flowed directly down the strategic chain to you and your customers. A value proposition might or might not be relevant and credible to a specific customer. For that matter, it might or might not have any basis in reality. Nevertheless, the vast majority of marketing communications and sales professionals are relentlessly presenting value propositions.

"Blah Blah, Fluffy"

How do customers react to this endless bombardment of value propositions? One of my favorite Gary Larson *Far Side* cartoons made this humorously and painfully clear. I don't remember the exact wording of the cartoon and I know I changed the dog's name, but the first frame shows a man arriving home to find that his dog has left a distinctly unpleasant deposit in the middle of his light-colored living room carpet. The first frame is titled "What the pet owner said" and it shows the man shaking his finger at the dog as he delivers a stern lecture: "Fluffy, you bad dog! What did you do, Fluffy, you ruined the carpet. You're a bad dog, Fluffy!" In the second frame titled "What the dog heard," we see the dog, wagging its tail, plainly overjoyed to see its master, and the caption: "Fluffy, blah blah blah! Blah blah blah blah, Fluffy, blah blah blah blah. Blah blah blah blah, Fluffy!"

When we tell the "Fluffy" story in our seminars, it usually generates a good laugh. But I always remind my audience that laughter does indicate guilt. We are all guilty of over-presenting generic value and can immediately recognize this scenario in terms of our engagements with customers. Here's how it usually plays out:

We present our value and Bob, the customer, who has been through this countless times before, nods along. He answers *and agrees when he is prompted. When we're finished, Bob tells us how informative and helpful our presentation has been. He can see how our technology is beneficial. He says he'll float this opportunity around the building and asks us to check back with him in a week to 10 days. (By the way, prospects have learned over the years that if they are positive during a presentation and suggest a next step, such as talking with others in the company about the new idea, salespeople will believe that the presentation has gone well and leave.) Customers know that it's much easier to go into hiding after the salesperson leaves than it is to try to end things while the salesperson is still in the room.*

Meanwhile, we go back to our offices and tell our managers that we think it went very well. "Bob really gets it," we say. "He's taking it to the powers that be internally and we've got an 80 percent chance of winning this one." But a week later, Bob isn't returning our calls; he has disappeared.

Bob doesn't call because we haven't established relevancy and credibility. We might be offering distinctly superior customer value, but what are the odds that Bob will clearly recognize that? With a twist here and there, our competitors are telling Bob all of the same things. It's all "Blah blah, Fluffy" to Bob. That's why I'm suggesting that customers don't buy value propositions. They don't buy value propositions because the more complex the value proposition, the more difficult it is for the customer to translate value proposed into value achieved. They don't buy value propositions in the sense that they don't find them relevant; they don't buy them in the sense that they don't find them credible; and they don't buy them in the very real sense of investing their hard-earned or, even more precious, their borrowed capital. Rightly or wrongly, customers dismiss value propositions as empty words. When they hear them, they shrug their shoulders and think, "So, what? You and who else? Every one of your competitors say they have a high-quality solution with a comprehensive service plan, but what's that got to do with me?"

Of course, some customers are going to buy. They have a problem or an opportunity that requires the kinds of solutions you provide. Some customers will make the value translation themselves and you are going to win a percentage of these sales. But these sales are going to be problematic, and you'll also be working much harder than is necessary.

Stand in the customer's shoes for a minute. The biggest mistake we can make is to assume that customers recognize all of their problems, understand the financial impact of those problems, are able to establish problem priority in terms of resolution, and will be compelled to act. We then go on to assume that they understand all their requirements, know what to look for and what to measure and compare in a solution and, the biggest assumption of them all, they understand our value because it is superior. The reality is that our customers have heard from a number of qualified solution providers who all sound very similar. They have received little or no help interpreting the value. So, what do they do? Most of the time, they simply reduce the sale to something that they can easily get a handle on and use as a basis for comparison, like the purchase price or availability. Now, you might win this sale, but you can count on tough price negotiations and taking a painful hit in your margins.

Salespeople usually act mystified by this pressure on price. They don't understand why their customer doesn't get it. They'll say things to me such as: "I took them through the unique value our solutions provide and they still treat us like a commodity." That is what happens when you present a value proposition and assume customers can and will interpret it on their own. You put the sale at risk and you put your margins at risk.

Key Thought

In the absence of a quality decision process, the decision will degenerate to the lowest common denominator: price.

I don't really think this is such a mystery to salespeople, because when I tell the "Fluffy" story, it becomes a running gag throughout the rest of the session. After that, whenever someone says something like, "Well, we tell the customer all about our six-sigma quality," someone else in the room responds, "Blah blah, Fluffy," and we get another good laugh.

The Burden of Proof

Remember, you can't count on customers to recognize on their own the value you bring to the table, to calculate what it's worth, or accurately determine if they should pay its price. (If they could, there would be little need for salespeople.) That's why, when you're sitting across the table from a prospect, you've come to a place where a value proposition is not enough to win the sale and get your full price. You must help the customer connect the dots.

The customer is the judge and jury in the sale, but you are the expert, the guide. The value proposition is nothing more than a capability, and your primary responsibility is to make it relevant in this trial. A generalized opening statement about value and a briefcase full of circumstantial evidence aren't going to fulfill that burden. To solve this issue, we introduce you to what we call the *value lifecycle*, which is designed to bring extreme relevance to your conversations.

I'm not saying that your company and other solution providers don't have real value to offer. I'm positive that they do. There is probably more value in the marketplace today than has ever existed in the past. It is also highly likely that your company is going to extraordinary lengths to create customer value. Look at all of the technology companies. They regularly and diligently invest hundreds of millions of dollars and years of effort to create and bring to market innovations that are capable of delivering even more value to their customers.

There is plenty of risk involved in the value creation gambles your company takes. Sometimes, the new offering simply doesn't work as intended. Sometimes, the competition beats you to the punch. Sometimes, the customer's need or desire for the offering disappears before it reaches the market or the market rejects it for a myriad of other reasons. Surprisingly often, however, value-rich new offerings do reach the market and the difference between success and failure comes down to a ridiculously short distance—the final three feet or the final meter. That's the distance across the table when sales professionals meet with customers. Too often, that's where value flounders in the marketplace.

That short final distance is a critical step in the journey across the *value gap.* The value gap, which I discussed from the macro perspective in my book *The Prime Solution* (Chicago, IL: Dearborn Trade Publishing, 2005), is the chasm that exists between what value sellers believe they provide to their customers and what customers are willing to pay for—and the chasm that exists between the value the customer expects and the value that the customer ultimately achieves. The sale itself is only one step in that journey, but it's obvious that if customers don't buy your offering, they aren't going to be achieving any value from it.

Translation Skills Required

The top sales professionals we have interviewed in the past 25 years have been able to take that step. They are experts at creating relevant and credible conversations. They bring great clarity to their customers' decision processes. These top professionals know how to translate their company's value proposition—that general understanding of their ability to create and deliver customer value—into a unique, individualized value lifecycle that is customized and confirmed for each customer. Invariably, their ability to translate *value proposed* to *value achieved* for their customers has resulted in exceptional sales success.

Once you know how to translate value, you are on your way to regular and predictable success in sales. If you can define value in stages that enable your customers to understand the absence of value and build confidence in their ability to acquire and achieve that value for themselves, you will compel them into action. When a value translation is done properly, the pieces of the customer's puzzle come together and you get the credit. They understand how your offering relates to their world and can evaluate its worth. They are able to answer for themselves those nagging questions that are always undermining the conventional sales presentation: "So what? Who cares?"

The biggest barrier to effective value translation is that salespeople don't have the translation tools they require. It's easy to see why: Most companies don't recognize that sales professionals need to make value translations and, thus, don't provide those tools. At the same time, sales professionals accept the standard collateral materials that their companies hand them and use them on customers. Bernard Baruch once said something that sums up the result: "If all you have is a hammer, everything looks like a nail." In other words, if you are stuck using the same old sales tools, you are going to be stuck with the same old sales results. You aren't going to be able to sell more effectively.

Happily, it is not tremendously time consuming or terribly difficult to create your own translation tools. In fact, I've found that most experienced salespeople already have the raw material they need in their heads. They have picked it up in their engagements with customers and all they need to do is reorganize it and put it to work. (If you're new to your position, you may have to ask a few questions to get this information, but it's readily available from your company, colleagues, and customers.)

You will be well on your way to becoming an expert value translator if you reorganize your value data into three separate categories that make up what I call *the value triad:* sources of value, uses of value, and absence of value (Figure 2.1).

Sources of Value

Sources of value or value capabilities are the most familiar to sales professionals. They are the elements of value inherent in your company and its solutions. They encompass the ability of the elements of your solutions (their features and

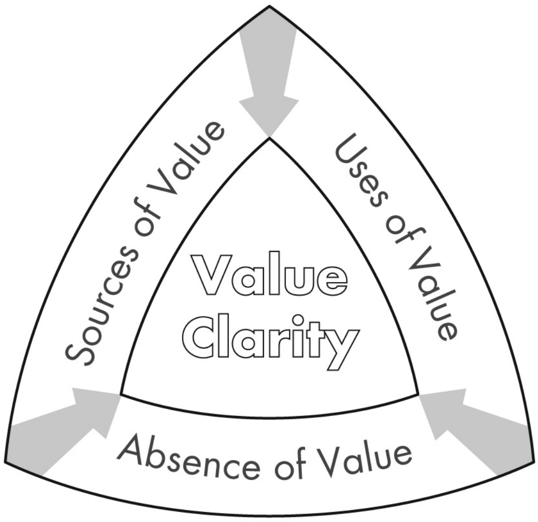

FIGURE 2.1 **Value Triad**

functions) to create value for customers or that enable customers to create value for themselves. They are the product and service attributes that you've probably been presenting all along. They represent the value that derives from your solutions and no doubt some of them are competitively superior in the marketplace. (By the way, one of my ambitions for this book is to help you transform and improve the substance and style of your sales communications such that you, and how you guide your customer, can become a source of value that your customers will find a differentiating factor in and of itself.)

What are your offering's most compelling value capabilities? List the top five and try to be as specific as you can about them. For instance, your company maintains a worldwide network of service technicians who will arrive on the scene, anywhere your customer is located, within eight hours.

Uses of Value

Now, let's turn our attention to the customer's world. In what way will they be able to use the value you provide or require the value you provide? Solution providers usually think about these questions less often, but if they know their customers, they have the answers they need. Uncovering customers' uses of value or their value requirements is as simple as asking how existing customers use your products and services and what they were experiencing prior to using your solution. Look at the customer case studies and the success stories that are used to market your products and services. What did those customers do with the solution that they can't do without it?

What are your customers' most compelling value requirements? List the top five requirements, again, being as specific as possible. For instance, your company's mildew-resistant plywood enables cabinetmakers in humid climates to offer an expanded warranty to their customers at no additional cost because it eliminates costly cabinet replacements.

Absence of Value

Finally, let's look at the absence of value. Because most salespeople spend so much time focusing on the value they can create for customers, they rarely consider this concept. Again, it is what we assume our customer has done or can do for themselves. The absence of value is what it looks like within organizations that *don't* have your value-creating solutions in place and/or what it looked like in existing customer's organizations before they implemented your solutions. What are the physical signs (the observable indicators) of the absence of your value? What costs did those organizations incur that your solution enabled them to eliminate? What revenues were customers not receiving that they now earn?

The generic definitions of the absence of value are only the first step. When we make initial contact with prospective customers, one of our very first tasks is to verify that these generic absences of value actually exist. If we don't, we are back to "Blah, blah, Fluffy" and no relevance.

What are the observable indicators of absence of value among your customers? List the top five and again, be specific. For instance, "Stores that don't use our antishoplifting security system have inventory shrinkage rates 10 percent above the industry averages."

The three elements just discussed are essential components of the value triad (see Figure 2.1). Value capabilities in and of themselves are inert unless and until customers can connect them to a confirmed absence of value and valid value requirements within their business. Take penicillin as an illustration. How valuable is penicillin to a person who has no infection? Penicillin's value capability is of no value to you unless you also have an indicated absence of value (high fever) and a value requirement (fever is being caused by a life-threatening infection).

As we get deeper into the book, you'll be refining and applying the value triad—capabilities, requirements, and the absence of value—throughout your conversations with customers. For now, it's enough that you have identified the components. You've started to get a handle on value relevancy and you've got a preliminary list of reality checks that you can use to quickly and accurately evaluate the true value of your sales opportunities.

Leverage Your Value Triad

The best sales professionals take the value triad another step and put it into motion. They leverage the capabilities, requirements, and absence of value through the interplay of two variable factors. The first factor is all about *positioning* and the second is all about *perspective*.

Across-the-Spectrum Positioning

Value can be delivered anywhere along a spectrum. You can deliver value at the product level. That's the level you're working at when you speak with customers about features, quality, and acquisition cost. You can also deliver value at the process level. That's the level you are working at when you talk about how your product or service will enhance the customer's business processes, such as reducing downtime. Finally, you can deliver value at the performance level. That's the level you're working at when you discuss the impact of your product or service on the customer's business results, as in "Our product will allow you to expand the market for your product."

All three levels in the *value spectrum* represent valid value capabilities (Figure 2.2). A basic rule of thumb is that the further along the spectrum toward the performance range that you develop your value, the more valuable and compelling it becomes. We need to remember that all three levels offer customers distinct value capabilities and that customers have corresponding value requirements at all three levels. It's just good business to be able to cover the entire spectrum, all the time. Those who can't or don't do this substantially reduce their odds of success. Sales profes-

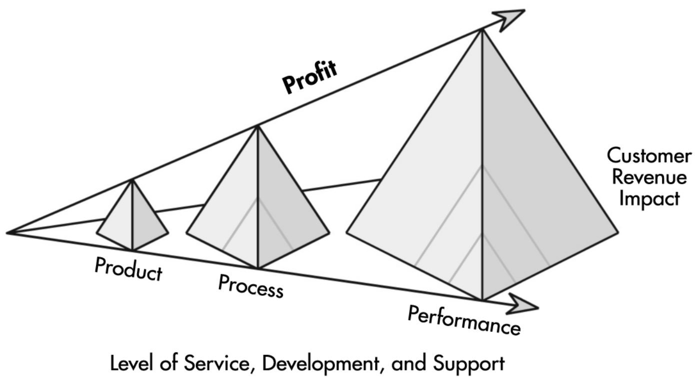

FIGURE 2.2 **Value Spectrum**

sionals who *can* identify the indicators of value requirements for their customers throughout the spectrum and align those requirements with their value capabilities become a triple threat to their competitors and will stand out in their customers' eyes.

Speaking in Perspective

Knowing where and how to position your offering on the value spectrum also has a lot to do with the job responsibilities and concerns of each person you are talking with. In other words, each individual's situation determines what is of value to him or her personally, and what level(s) of the value spectrum you should be working on.

When salespeople neglect the customer's perspective, they put both their credibility and relevancy at risk. This is one of the primary reasons why salespeople have a difficult time working with C-level executives in customer organizations. For instance, CEOs don't really care about the actual rate of the mean time between failure of the component you sell that fits into a subassembly within one of their company's best-selling products. However, what the CEO does care about is the consequences of that low rate on the company's results in terms of customer satisfaction, market share, and earnings. The CEO certainly will be open to a productive conversation on those topics.

We talk more about perspective later in the book, as well as devoting a chapter to C-level conversations and C-level selling, but for now, start to picture the customer's organizational structure as an elevator. As you enter the elevator and move between floors, your perspective is going to change. If you reposition your value based on those changes, you're going to be able to shape your conversations with customers much more effectively.

Imposing Order on the Value Translation

Let's look at the substance of sales conversations with some thoughts on how to sequence your value. Value has a lifecycle and, as a sales professional, you can use it to bring order to the sales process and the conversations you have with customers. In doing so, you can quickly prioritize your sales opportunities, always keep your efforts focused on the optimal customers, *and* enhance each customer's comprehension of the value he requires and the value your solution is capable of delivering.

The value lifecycle starts in the same place we started this chapter, with the *value proposition.* As we have already seen, most value propositions are not designed for presentation directly to customers. Rather, value propositions typically are directed at a broad segment of prospective customers and, in that sense, they provide only the first checkpoint in the sales process.

As you identify, research, prepare, and make initial contact with an individual prospect chosen from this field of opportunities, the value proposition begins to evolve into a *value assumption.* A value assumption is just what it sounds like: It's a preliminary hypothesis that the value capability you have can be matched up to relevant value requirements within this customer's organization at a defined potential financial risk to the customer in the absence of your value. This assumption is one that you and the customer agree on as a premise for further discussion and investigation. (If you don't or can't agree, you need to consider that the odds of a successful sale may not be worth the additional investment, and it may be advisable to move on to more viable opportunities.)

The agreement is that there will be a mutual contribution of resources to investigate to what degree the hypothesis holds true. You are saying to the customer that there is a possibility of value, not *a surety of value.* You are willing for the hypothesis to be true or not true. This is a critical difference between the typical sales approach that sounds something like, "We have provided blah blah value for many companies like yours and I'd like to have the opportunity to show you how we can do the same for you." The value assumption is a critical component in your credibility, your differentiation, and your relationship.

When a mutually agreed upon value assumption is reached, it marks the beginning of the customer engagement, and it's time to begin the process of validation. The first step in validation connects directly to the one area that has the greatest power to compel customers to act—the absence of value, or the problem/opportunity. The absence of value is where the customer's dissatisfaction resides. As we'll see in greater detail in a later chapter, this is the customer's *negative present*, and it is where and when customers make the decision to change/buy. When the consequences of the absence of value are identified, quantified, and deemed worthy of addressing, you have reached a new plateau on the value lifecycle, which I call *value required.* This is where the customer's value requirements are confirmed and their incentive to change is established.

This next checkpoint in the value lifecycle is also based on confirmation. This time, though, it is focused on your solution. You and your customer are now working to establish the parameters of an effective solution—its characteristics, delivery timing, the appropriate investment, and so on. This is the *value expected* stage of the lifecycle, where the customer's value expectations are confirmed and their confidence to invest is established.

There is only one step left after that—*value achieved.* Now, your solution is delivered and implemented; the value is measured and reported. Of course, that doesn't end your communication with the customer. It simply signals the start of a new engagement in which you run through the cycle once more and, if appropriate, deliver a new, enhanced level of value.

This lifecycle of value is the track that the most successful sales professionals follow as they translate value capabilities into value requirements, value expected and, finally, value achieved for their customers. The time to complete this process will vary according to the complexity of the sale. If it's 20 minutes or 20 conversations, if you follow this track, you ensure that your conversations with customers have substance by rigorously clarifying value through each stage of the value lifecycle (Figure 2.3). If value doesn't exist for either the customer or the seller, the

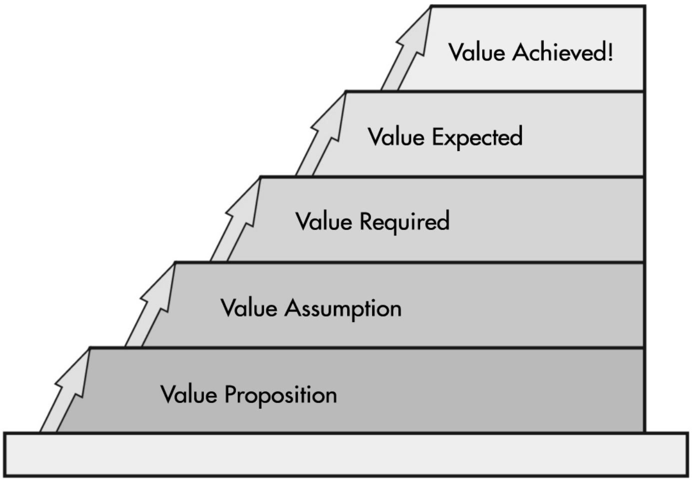

FIGURE 2.3 **Value Lifecycle**

checkpoints along the track ensure that you will quickly discover that fact and be able to move to a more viable opportunity. Better yet, as long as the opportunity remains viable, you are making value real for your customers and, as a result, you are on the inside track to win the business.