

## Value marketing

By Sieger Veenhoven ©2015

This short essay is the result of me lying awake one night thinking about marketing and what drives businesses. It's my 2 cents in fitting it all together. Think of it as the way I approach marketing and the way I do my job.

### Products create value

Every successful product or business – business are actually usually built around successful product – starts with an idea. An idea on how to solve a specific problem for a specific group of people, using a specific technology. Derek F. Abell called this 'PMT combinations'<sup>1</sup>; product-market-technology combinations and it defines the way you do business (your business scope).

The *product* is defined by Abell as a problem or need somebody has. This need is e.g. the need for transportation or a need to be able to communicate over long distances at any place and at any time.

The *market* is defined as the group of people that has this need and that you want to sell your solution to. So this market is actually smaller than 'all people' with this need or problem. You might choose to only sell your solution within a specific geographic region or to a specific age group.

The *technology* is how you are going to solve the problem or need your customer has. This can for example be an electric car or a train service (for the transportation need) or a handheld radio or a smartphone for the communication problem described above. So it's a specific solution to the problem, but your solution might be very different from what traditionally has been done to solve this problem or what your competitors are doing.

The value of your product lies in the fact that it will solve a problem or fulfill a need for your customer. The product will help them 'get a job done'. You can even view this as the customer 'hiring' a product to do a job.

Watch this 4 minute video of Clayton Christensen<sup>2</sup>:



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<sup>1</sup> Abell, D.F. (1990). *Defining the Business: The Starting Point of Strategic Planning*. Englewood Cliffs, N.J: Prentice-Hall.

<sup>2</sup> Youtube: <https://www.youtube.com/watch?v=s9nbTB33hbg>

Sometimes the problem your product is solving – the job it is getting done for your customer – might be very different from what you thought it was. As Clayton explains in the video, the milkshake turned out to be solving a very different problem than what it was created for. The manufacturer thought it was a refreshing drink and was constantly trying to improve it to be better than other milkshakes. But when you look at what most of the customers were buying the milkshake for, it turned out to be a very different job. They were hiring the milkshake to keep them busy during a long commute. This new definition of the problem also redefined the value that the product had to supply. Suddenly the milkshake was not only competing with other milkshakes, but it was competing with coffee, soft drinks, candy bars and donuts. And the value proposition changed from a milkshake being the ‘ultimate refreshing drink’, to ‘the perfect solution to keep you busy during your commute’: it’s not too hot, you won’t get sticky fingers and it’ll last long enough for the whole commute.

As you can see, the problem you’re solving for your customers is not always as clear and tangible as providing a solution to a transportation or communication problem. For a lot of products part of the job they get done is something along the line of ‘I want to be part of a movement’, ‘I want to make a statement’ or ‘I want to create a certain image for myself’. Take electric cars for example. They fix the transportation problem just as well as normal cars. But they fix a second problem for the customer too. The problem of the customer wanting to make a contribution to a better environment or the customer wanting to come across an early adaptor. The problems your product is providing a solution to come in all sorts and shapes.

So the problem your product is solving and the way it is solving it, that’s your *value proposition*. This is why people will pay for your product; because it will provide them with value. It will get them a job done, and that is valuable for them, so they will exchange money for that. That means that this is the *essence* of your product. Without a clear value proposition you will never be able to sell the product except to the people that ‘just get it’.

Recommended reading: *Value Proposition Design* (A. Osterwalder, Y. Pigneur, G. Bernarda and A. Smith)

### *From value to price*

The value your product is providing has a direct correlation with the price customers will pay for the product. The higher the value you’re providing, the higher the price you can charge for the product. But value is a perception that is always perceived compared to competing products and the value perception can be different across markets and audiences (that’s why it’s called ‘market value’, it’s the value perceived by the market). If you want to charge more for your product than a competing product, the value your customers are perceiving also has to be higher than the value they are perceiving from other products. Take for example smartphones. One smartphone might have a higher price tag than the other because it has more features. But the fact whether or not these extra features are perceived by the customer as ‘added value’ defines if they are willing to pay the higher price tag. Some will, because these extra features actually solve a problem they have, while others might be willing to pay the extra amount to have the ‘latest model’ first (to make a statement).

So the value proposition, the price tag, your competition and your customers go hand in hand. How your value proposition sets your product apart from the competition defines how much more you can ask for the product. But also how your customers are perceiving value defines the price. If they don’t perceive some of your features as value, they won’t pay for it. That’s why it makes sense to have multiple slightly

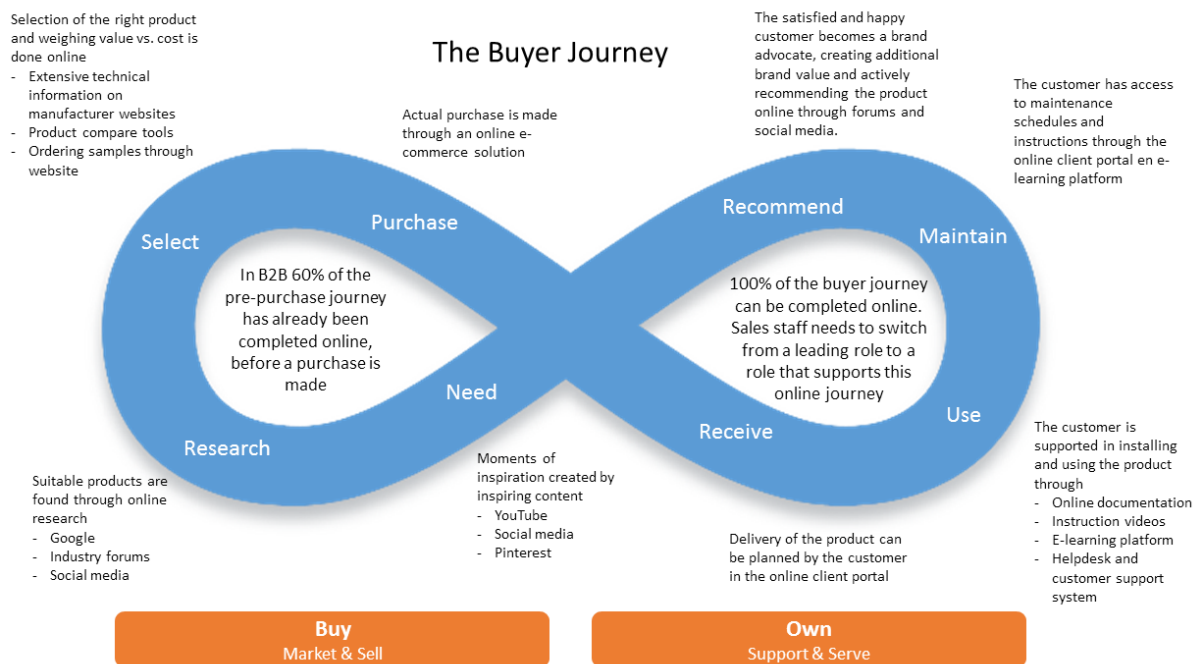
different products. They all have a slightly different value proposition and are targeted a different audiences who all perceive value differently. Knowing your customers and knowing your competition are what's most important to tune your value proposition and product.

Then there's also something called 'price elasticity of demand' which describes how the demand for a product will increase or decrease for a given amount of price increase or decrease. Consider for example that you lower the price of your product with 10%. This might open up a larger audience for your product, because the price tag is now more aligned with the value perception this audience has. It might very well be that this 10% price decrease results in a 20% higher revenue. But price itself can also be perceived as value ('I want a higher priced product because that has to be better quality' or 'I want that higher priced product because that reflects my image better') which can mean that a price increase will actually result in a higher revenue. So price always reflects perceived value.

### Communicating value

In a lot of businesses marketing communication is seen as the actual marketing, but I'd like to contest that. Marketing is about creating value for your customers. Real marketing driven businesses start and end with marketing; it's in their DNA and in everything they do. Marketing communication is only the 'promotion' part of marketing and indeed an important part (how else are you going to sell your product if you don't make your value proposition known to your target audience?).

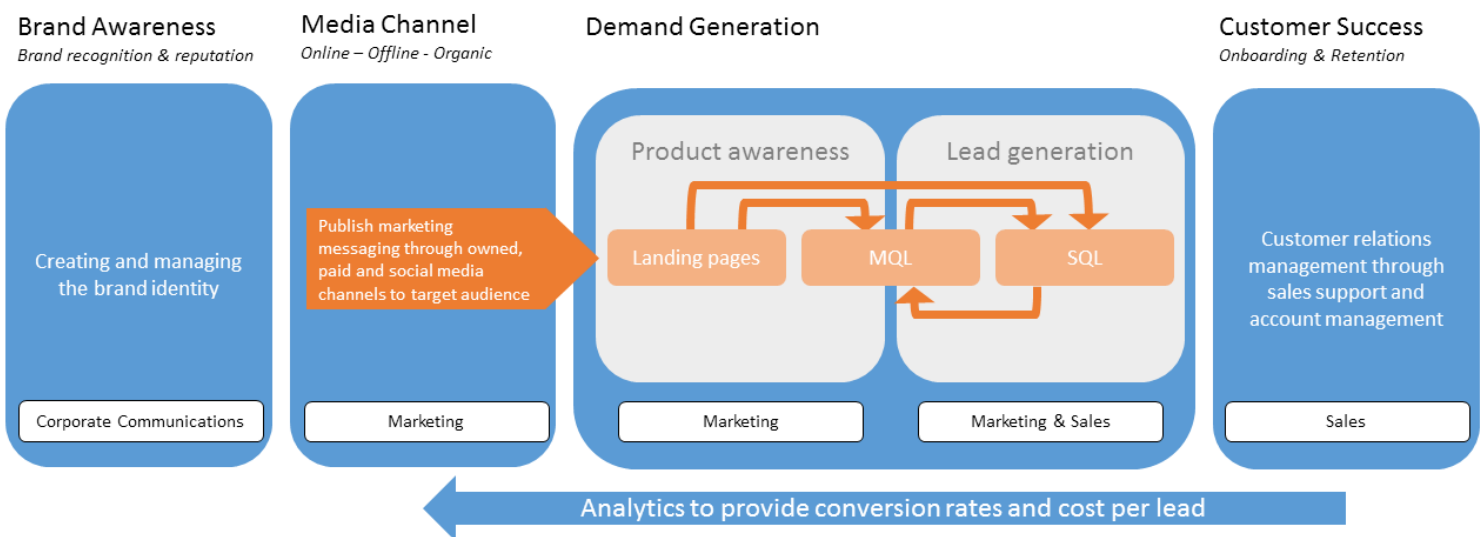
Marketing communication is the process of communicating your value proposition to your target audience, creating a desire for the product and finally converting that desire into action – the purchase. Traditionally this has been described as the AIDA model: Attention – Interest – Desire – Action. Which is supposed to be a linear model with a beginning and end. Nowadays though we like to think more in terms of the 'buyer journey' which is not linear, but circular and endless. Several models exist, but I like this one (because it uses the mathematical sign for infinity):



When you look closely to this model you see a sort of AIDA flow on the left hand side of the model. A customer has a need to solve a problem, he researches solutions, selects possible products and in the end makes a purchase. This corresponds very closely with the AIDA funnel. But the buyer journey doesn't stop there. Instead it goes on when the customer receives the product, uses it and there the biggest marketing opportunity lies in turning a satisfied customer into an advocate for the brand and product.

This buyer journey model implies that marketing and marketing communications is involved in all stages of the journey. From creating attention and interest to facilitating the purchase to onboarding the customer and turning him into an advocate of the product to a point where he will actually recommend the product to other possible customers, and makes repeat purchases himself.

Translating this buyer journey into marketing activities you can create the following model (which I borrowed slightly from Mark Appel<sup>3</sup>):



The model begins with branding. As we saw earlier, branding creates additional perceived value for customers because the customer can use the brand to solve a secondary problem like 'wanting to be seen as an early adopter' (if you have a highly technical and innovative brand), or being seen as caring for the environment (if you have a 'green' brand). In any case having a strong brand creates value. Simon Sinek already talked about this in his TEDx Talk.



<sup>3</sup> Link: <https://www.youtube.com/watch?v=IXbnLnQfhkY>

As Simon explains it's important for a business to have a clear purpose, a clear 'why' for what you're doing. This 'why' is what creates added value. If you can communicate this 'why', customers can identify with you and your products and your brand starts filling a need for customers to express their identity through your products.

The second step in the model is getting your potential customer's attention. Advertising is of course one of the many ways this can be done. But these day's content marketing is a much more powerful tool. Provided you know your audiences very well and you know what makes them tick, you can create powerful moments of inspiration by creating content in places your potential customer visits. And this last part is important. It's important to note that your website is not the center of the internet universe. More likely your website is like an asteroid on the outskirts of the solar system. It is very unlikely that they will find you on their own and visit your website and buy your product from there.

Instead you need to create effective content in places they already visit like social media, YouTube, Pinterest, etc. On these channels you use original content to create moments of inspiration, both for branding and to draw visitors to your website.

Once they have found their way to your website, they arrive on a specially crafted landing page for their specific audience where you lead them from attention to interest and desire. Again by using original and inspiring content that clearly communicates your value proposition. Once your potential customers are interested and really desire your product, they'll be ready to be converted into Marketing Qualified Leads or Sales Qualified Leads. And technology can really help you with this (it's great to live in 2015!). Because by using the latest technologies we are able to predict a visitor's next click or search and from their online behavior we can determine the type of persuasion<sup>4</sup> a visitor is most susceptible to. This means we can really tailor a website real time and on the fly to make it most likely for a visitor to convert. And once they are converted into a marketing qualified lead, we can again use automated tools to serve them other inspiring content on a regular basis to nurture them into sales qualified leads.

Measuring will enable you to test and optimize all of this. It will allow you to test content and use the most effective content that creates the best moments of inspiration. It will allow you to optimize your landing pages to get the most conversions. It will tell you anything you want to know about your customers and their needs, so you can understand them even better which will allow you to improve your products.

The after sales process is just as important. It's important to keep listening to your audience; through social media, forums, blogs, etc. To know what they think of your product after they've bought it and are using it. You have to listen and respond to any problems they might be experiencing. After all, you want them to become brand and product advocates, right? Tools like extranets, sales portals and client platforms help in keeping tabs on how you're customers are using your products and serving their needs after the sale was made.

## Delivering value

The actual transaction is the last element marketing I want to talk about. How the sale is made and how the product is delivered depends a lot on what type of product it is, but for every possible scenario, an online scenario can be thought of. Yes, I'm talking about e-commerce here.

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<sup>4</sup> Cialdini, <http://www.mindtools.com/pages/article/six-principles-influence.htm>

Once you have a visitor on your site – and you worked hard to get them there – why not close the deal immediately when they're there anyway. Web shops are these days very capable of handling any possible type of distribution model. Are you selling a digital subscription product, than it's easy – you deliver on the spot. But maybe you sell a B2B product that's heavy and bulky, so you're using a worldwide distributor network; no problem! These days your web shop can facilitate it all. Don't lose customers by making them go offline at the moment they are most inspired and most ready to buy, close the deal on the spot! Digitally! That's creating value and customer experience.

### It's all about adding value

As you can see, marketing is all about creating value. Your products create value by solving a problem for your customers. Your brand creates value because your customers can and will identify with a strong brand. Your content will create value because it creates moments of inspiration. Your customer experience will create value, because your customer experience is more entertaining, more enjoyable and just plain easier. And lastly you create value by taking care of your customers, by listening to them and solving any problems they might experience after the sale has been made. That's what closes the buyer journey loop and creates strong brand and product advocates.