

A Stepwise Framework towards Building a 360° Value Proposition

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Step 1: Selecting the Target Segment

The objective of this workshop is to identify and make solid decisions on the key differentiations that will enable your company to strengthen its market position in the selected segments. What **subsegment** within the major segments are you developing the value proposition for?

Segment name:

What is your current **customer value proposition** in this segment? What does your offering currently (2017) stand for to this particular segment, and how do you differentiate versus the competition? Describe in a few sentences your company's competitive advantages are in this segment. Avoid buzzwords, be specific, and make it simple to understand.

Customer Value Proposition (2017):

Step 2: Selecting the Reference Customers

In order to avoid the development of general statements and vague conclusions, I want you to refer to specific customers of your company.

With some customers, you will have been very successful, while with others less so. Please consider the 4 quadrants on the next page. You will have had success and failure stories with new as well as existing. The ultimate form of commercial success is of course the acquisition of new customers (hunting) and turning these customers subsequently into loyal customers (farming).

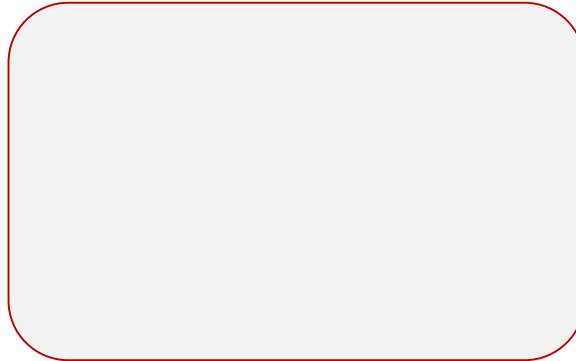
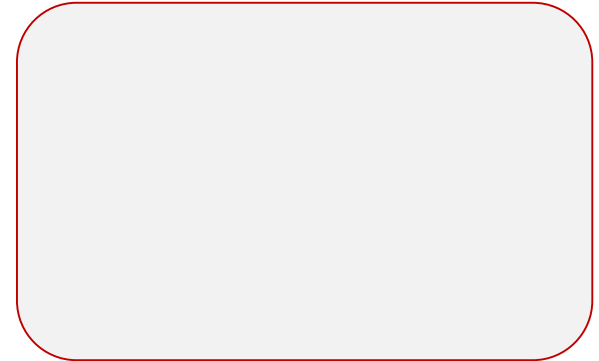
Can you name 2 or 3 prospects or customers in each quadrant? Explain to the other team members the nature of the company and what they are buying from your company. Check out their website, share insights and explain why you suggest this customer as a reference customer for this segment!

As you move along during this workshop, new customers will come to your mind. Simply update the list each time. Write down, for each customer or prospect the names and functions of key people who influenced the buying decision favourably or unfavourably.

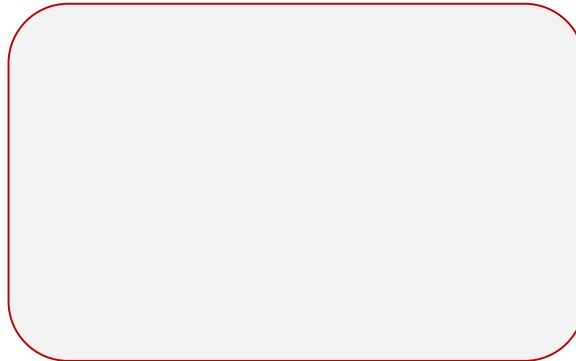
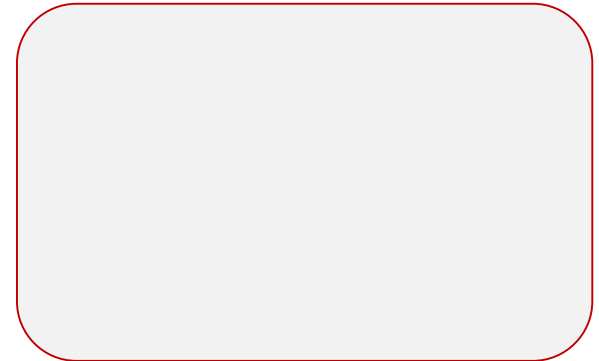
HUNTING

FARMING

SUCCESS

A large, empty rounded rectangle with a thin red border, intended for notes or a drawing related to success in hunting.A large, empty rounded rectangle with a thin red border, intended for notes or a drawing related to success in farming.

FAILURE

A large, empty rounded rectangle with a thin red border, intended for notes or a drawing related to failure in hunting.A large, empty rounded rectangle with a thin red border, intended for notes or a drawing related to failure in farming.

Step 3: Design the Customer Journey

A **customer journey** portrays visually the steps customers go through when evaluating, buying (or rejecting) and using your products. What are, for the chosen segments, the key phases a customer goes through and what are the customer touchpoints?

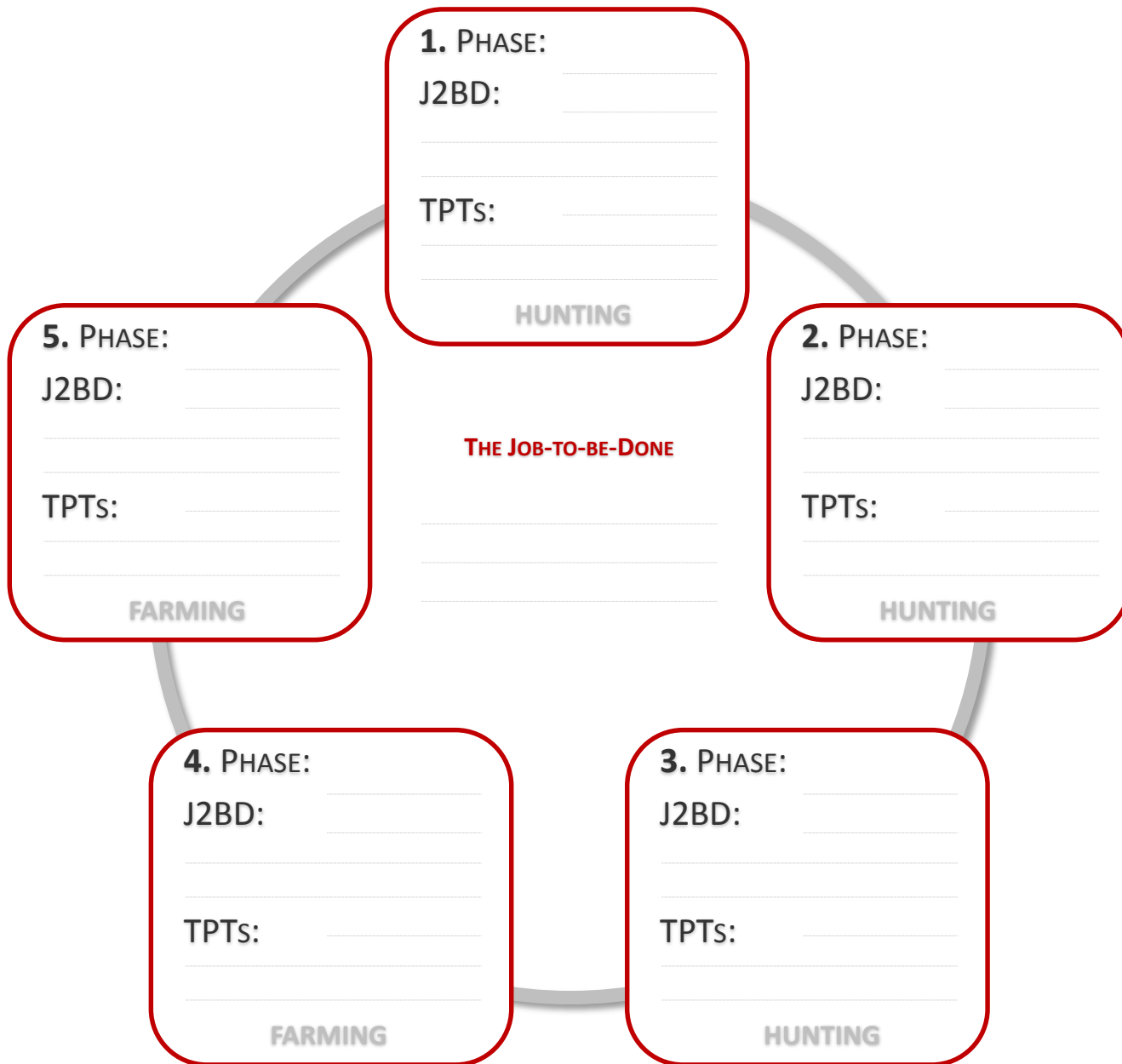
Each customer segment has its unique phases. However, often these will be variations on the following labels: need identification, information and supplier search, supplier selection, buying and procurement logistics, product use, after sales, rebuy (straight, modified, new task), stopping.

To do:

First, start listing - in brainstorming fashion - with your team, the various phases the customer goes through from initial need identification to the various forms of rebuy. Second, synthesize! You should be able to develop an analytically powerful and visually appealing customer journey of a maximum **5 stages**. If there are more, start clustering. One constraint: *3 phases must focus on new customer acquisition (hunting), 2 phases on customer loyalty and rebuys (farming)*. Admittedly, 'hunting' and 'farming' refer to a supply side perspective on the customer journey, but it is essential to integrate these two perspectives if your company wants to differentiate its offering sustainably.

Define for each phase you have identified **the job-to-be-done from the perspective of the customer**. What is it essentially that customers belonging to this segment want to accomplish (a) overall, and (b) in each phase specifically?

These steps cluster a number of **touchpoints** between the customer and your company. What are the typical touchpoints between the customer and your company in each of the phases? A touchpoint is any point where a member of the customer's DMU (decision making unit) is exposed to your company's offering. This may involve a conversation with a sales rep, but it might also be e.g. your company's website, an online publication, a company visit, etc.



Step 4: Developing the Persona

What is the **Decision Making Unit (DMU)** in each phase? The DMU is the group of key people, formally or informally linked within the buying organization, that ultimately influences the approval or rejection of your offering. Several roles can usually be distinguished. A typical classification will include the following roles: initiators, influencers, deciders, buyers, gatekeepers and users.

Who are typically the key people (or groups of key people) in the DMU of the companies belonging to this segment? Check the reference customers you have listed (step 2) and the customer journey (step 3) and list the typical persons/profiles you encounter along the stages of the customer journey. Maximum number of profiles: 8 (fortunately, it will often be less)! For each of these key persons, you are required to develop a **persona**. A persona is a semi-fictitious character who is synthesized on the basis of real members of the DMU of your customers. In B2B, a persona describes specific and typical members belonging to the DMU in this subsegment. In need of additional explanation? Type “persona B2B” on Google, and specify “images”, and start browsing 😊.

- (a) Give each persona a real name (e.g., John, Rita, etc.). Customer centricity implies knowing and caring about the customer. We do not care about abstractions, we care about real people.
- (b) Provide examples – real names – from the reference companies.
- (c) What is their role and how important are they in the decision-making process? Who do they report to?
- (d) What is their professional profile (management position, experience, education, etc.).
- (e) What are their business goals throughout the customer journey? What are the business KPIs they will use formally or informally?
- (f) What are their personal needs and goals? What are the personal KPIs they will use formally or informally?

In terms of (e) and (f) these needs may be completely functional (e.g. a better performing solution), but also social (e.g., being viewed as a knowledgeable professional) and even emotional (e.g., having peace of mind when making a choice – remember the adagium long ago: “Nobody was ever fired for buying IBM”)? It is well-known in economics that people are more sensitive to losses than they are to gains. *So, in addition to asking what each persona wants to accomplish, ask yourself also what each persona definitely wants to avoid!*



1

NAME

REF. EXAMPLES

DMU ROLE

PROFILE

BUSINESS GOALS

PERSONAL GOALS



2

NAME

REF. EXAMPLES

DMU ROLE

PROFILE

BUSINESS GOALS

PERSONAL GOALS



3

NAME

REF. EXAMPLES

DMU ROLE

PROFILE

BUSINESS GOALS

PERSONAL GOALS



4

NAME

REF. EXAMPLES

DMU ROLE

PROFILE

BUSINESS GOALS

PERSONAL GOALS



5

NAME

REF. EXAMPLES

DMU ROLE

PROFILE

BUSINESS GOALS

PERSONAL GOALS



6

NAME

REF. EXAMPLES

DMU ROLE

PROFILE

BUSINESS GOALS

PERSONAL GOALS



7

NAME

REF. EXAMPLES

DMU ROLE

PROFILE

BUSINESS GOALS

PERSONAL GOALS



8

NAME

REF. EXAMPLES

DMU ROLE

PROFILE

BUSINESS GOALS

PERSONAL GOALS

Step 5: The Current Value Blueprint (2017)

Your company can differentiate itself in terms of offering, prices, customer process, image. However, whereas a customer value proposition focuses on a specific target customer, i.e., the buying organization as a whole (see: step 1), a **value blueprint** describes the benefits of your company's offering in each phase of the customer journey. During the "first buy" phase of the customer journey (i.e., hunting), each persona tries to reduce uncertainty on his or her KPIs. During the "loyalty phase" (i.e., farming) each persona tries to confirm the choices made.

To do:

- (1) List the names of the personas you developed in step 4, and briefly remind yourself of their most important KPIs.
- (2) Define the phases of the customer journey as you defined them in step 3.
- (3) For the next phase, it is better to work **row-by-row** rather than phase-by-phase. Working on a row-by-row basis enables you to really step into the shoes of each persona specifically. Working on a column-by-column basis, i.e., phase-by-phase for the whole DMU, is typically transparent for the decision phase only, but obscures the personal needs of the personas in most other phases. So, work persona by persona and cross out if that persona was not involved in that particular stage of the customer journey. If that persona was involved, colour the circle referring to a persona: green if your company's current proposition for that persona is positively convincing in favour of your company; orange if your current offering is viewed as neither favorable nor unfavorable; red if your company's current proposition for that persona is viewed convincingly negative.
- (3) Justify for each phase your choices: do you win (or lose) on basic requirements ('tickets to ride') or being better/being different ('tickets to heaven')? In the farming phase, a good question to ask yourself is: if one of your customers gets a really good offer from a competitor, and they decide nevertheless to stick with your company, why do they nevertheless stay with you? In this respect, it is very important to remember that your company does not only compete on products and prices, but also on customer processes and image (think in terms of sales, branding, communication, services etc.).

PERSONA KPI

_____	_____
_____	_____
_____	_____
_____	_____
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_____	_____
_____	_____

PHASE-1	PHASE-2	PHASE-3	PHASE-4	PHASE-5
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WHY DO WE WIN OR LOSE?

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Step 6: Identifying Points of Differentiation - 2020

How can you differentiate your offer more strongly in the future? You will find a comprehensive overview in Chapter 6 of “Marketing Strategy & Organisation” (Moenaert, Robben & Gouw). Adopting a customer-centric perspective, the KANO-model offers an excellent approach. Basically, we may distinguish three types of customer requirements:

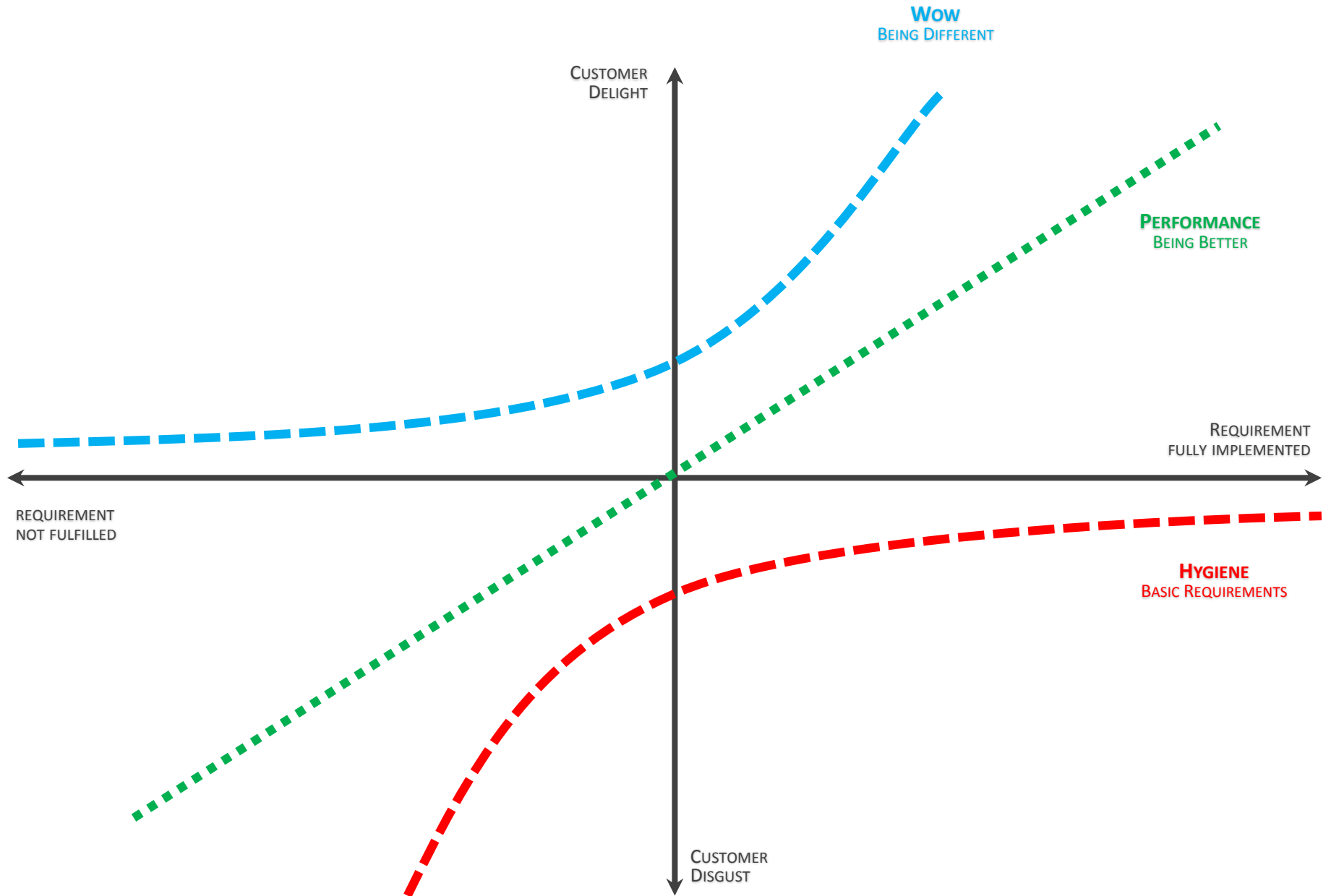
- **Hygiene** dimensions are the basic requirements. They are the non-negotiable tickets to ride. Fulfilling them will not win you the customer, but not fulfilling them implies you will definitely lose the customer. Being the threshold entry requirements into the race, not fulfilling them is basically unacceptable in the eyes of the customer. Consider them as the equivalent of an Olympic minimum: they allow you to participate in the race.

- **Performance** dimensions are attributes for which there exists important variation. These dimensions refer to existing customer requirements, on which industry competitors differentiate themselves. Outperforming the competition essentially means you perform significantly better than the competition. You excel on the existing rules of the game. Often, this refers to technical performance, flexibility, price/quality ratio, operating cost, service orientation, etc.

- **Wow** dimensions are at the core of the ‘blue ocean strategy’ doctrine. It is fundamentally a new way of differentiation: you change the rules of the game. Think of the design of a Tesla (and compare it to a Prius), the versatility of the first iPhone (and compare it to Nokia and BlackBerry) or the online offering of industrial silicons by Xiameter (a Dow Corning division). Offering wow-factors greatly enhances your position, not offering does not necessarily hurt you... for the moment. Remember also, however: *the wow of today, is the performance of tomorrow, and the hygiene of the day after tomorrow.*

To do:

What will be the important customer value drivers in your industry in the near future (2020)? How does the customer view these drivers (Kano: Hygiene - Performance - Wow)? Use PostIt-notes to position your suggestions along the three curves. Don’t screen ideas now, just focus on brainstorming, and suggesting ideas!



Step 7: The Future Value Blueprint (2020)

In Step 6, you identified the customer requirements in this market segment in 2020. What will you now do to differentiate yourself from the competition? Otherwise stated: on the basis of the previous analyses, what will be the **value blueprint for the future**? More specifically, for each phase in the customer journey, how will you convince the relevant DMU to give your company a 'Go'. Make a distinction in your value blueprint between wow, performance and hygiene factors.

Take into account:

- We have emphasized it before, and we restate it here: successful differentiation in competitive markets involves much more than merely a unique product assortment or a very low price. Equally important is customer process differentiation (e.g., logistics, account management, service etc.) and image differentiation (the power of strong branding and communication).
- The true value of a good customer journey analysis is to be found in those stages that we ignore. We often tend to focus on the decision phase. However, is it possible to reduce the uncertainty of the DMU-members significantly earlier? For instance, the earlier you are involved in the customer journey, the higher the likelihood of success. Similarly, what can you do to ensure your customers in the farming phase that they made all the right choices?
- You cannot succeed on every customer requirement that you identified in Step 6. More importantly, trying to do everything will most likely be highly inefficient and ineffective. Choose or lose!
- Strategic choices are always the result of (1) the current resources and business model, (2) the arena you are competing in, (3) the ambition and corporate policy of your own organization. Take this into account when making choices. This also means that designing a value blueprint for 2020 does not mean that you must fully ditch the current value proposition of 2017. Sustainable success is based on optimally exploiting the present and exploring the future.
- While it is not a scientific fact, we often recommend that a successful differentiation will be based on allocating 40 % of your efforts towards getting the basic requirements right, 40 % towards investing in being better on the existing rules of the game (performance), and 20 % towards investing in being different and changing the rules of the game (wow) (see also: Chapter 6: Marketing Strategy & Organisation).

Once you have finished the top part of the next page, conduct a **reality check** and colour the personas (green, orange, red). As a general rule: no red should remain, and as few as possible orange.

VALUE BLUEPRINT

HYGIENE
PERFORMANCE
Wow

PHASE-1

PHASE-2

PHASE-3

PHASE-4

PHASE-5

PERSONA KPI

Step 8: Our Strategy Canvas - 2020

Let us make a final check of our analysis. Will your company be truly better in this industry segment than the competitors? Towards that end, we use the **strategy canvas**.

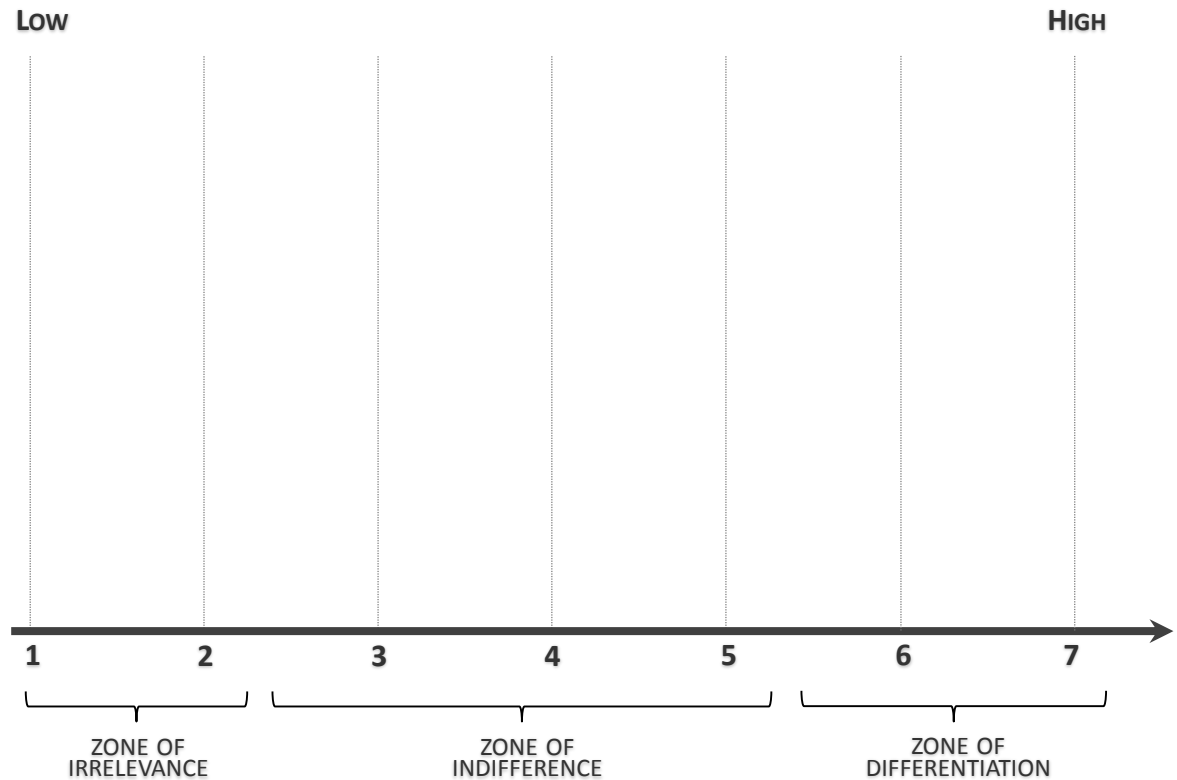
- How does your company score on say the 10 most important dimensions in 2020? This implies you will have to synthesize customer value drivers across phases in the customer journey and across persona.
- How do your most important competitors score on these dimensions? Where are they outperforming/underperforming?
- If you want to, you may also plot your current value proposition (2017) in this canvas.
- In order to avoid a very common confusion, I have used the terminology 'relative performance of your company'. That implies that being able to offer a low price, will be scored high.
- As mentioned in Step 7, you can't be the best on all dimensions! However, a score of below 2 is considered below the competitive threshold on hygiene or performance drivers. A score of between 3 and 5 means you're performing average on that dimension.

CUSTOMER REQUIREMENTS

(RANKED IN TERMS OF IMPORTANCE)

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10

RELATIVE PERFORMANCE OF YOUR COMPANY



Step 9: Our Customer Value Proposition - 2020

For internal and external communication, you will need a positioning statement, i.e., a **customer value proposition**. What does your offering stand for to this particular segment? What are you truly being better at, what are you truly being different at, and what are the key requirements you fulfill. How does this help your customer? Avoid buzzwords, be specific, and make it simple to understand.

OUR CUSTOMER VALUE PROPOSITION (2020)

Step 10: Sharpen the View

Strategy development is rarely a linear process.

Michelangelo once observed: “I saw the angel in the marble, and I carved to set it free.”

Once you have finished Step 9, re-visit this document some days later, and fine-tune the process.

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Prof. **Rudy Moenaert** (1961) is a professor of strategic marketing at TIAS School for Business and Society. His research interests focus on marketing strategy, business development and innovation management. Rudy Moenaert advises B2B and service companies on their marketing strategies, and has won the TIAS best teacher award three times. Having published in top journals such as the 'Journal of Product Innovation Management' and 'Management Science', he has also authored or (co-authored) 'Marketing met Ballen' (2016), 'De pijn van het ondernemen' (2012), and 'Marketing Strategy & Organization' (2011).

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