



How to stay competitive without dropping your prices

Chances are that you started your business by finding a gap in the market and capitalising on it. You may not have seen it in those terms, but every business needs to sell something of value to their customers to remain competitive. Sounds obvious doesn't it?

What perhaps some businesses overlook though, is that things change; for your business to be sustainable you need to continue to provide a product or service that your customers want and need.

Here are a few tips on reviewing your products and services and how to maintain your competitive edge through your 'value proposition'.

What is a value proposition?

One simple definition of value proposition is: **'a clear statement of the contribution your product or service makes towards solving your customers problems'**. In my view, this doesn't tell the whole story; your value proposition needs to go beyond simply *communicating* what you do for your customers - it should be at the heart of your entire business.

If your products and services truly solve genuine problems that your customers face, and do so better than your competitors products, you have a winning formula. If you develop your products and services around your value proposition, rather than the other way around, you are far more likely to develop a sustainable business.

Why do you need a value proposition?

If you are in a niche business serving a highly targeted customer base you probably already have a really good proposition. It's easy to get complacent though and suddenly find that a competitor has entered your market leaving you on the back foot. By placing your customer's at the centre of everything you do and constantly reviewing the value that you are offering them, new entrants are less likely to pose a threat.

If, on the other hand, you operate in a commodity market where it is hard to differentiate your product or service, a strong and unique value proposition is imperative. If you don't have a strong proposition you may be forced to compete on price alone; a precarious position for any business to be in.

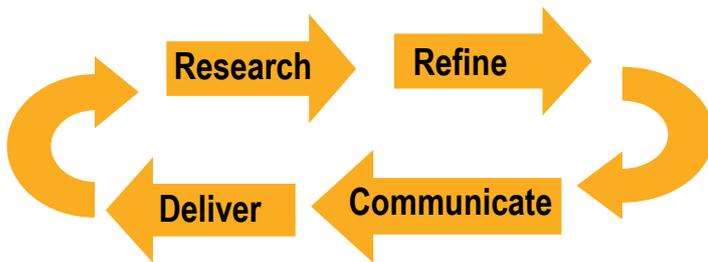
Riverford, the organic veg delivery company, is a good example of how understanding your customers helps develop a winning value proposition. In the early years Riverford focused their marketing messages on the value, quality and taste of their produce and the ethical origins of the company. All great marketing messages that brought them a dominant position in the market and many awards.

As the economic downturn hit, Riverford realised they needed to look to their customers to strengthen their proposition. Through research and engagement Riverford discovered that one of the biggest issues their customers faced was what to cook with the contents of their veg box. With this in mind Riverford developed a number of initiatives, including recipe cards, cooking demonstrations and even a mobile app, which now form a fundamental part of their value proposition.

Developing a value proposition

Developing your value proposition can not be done in isolation and a clear understanding of both your target customer and your competitors is essential. In an ideal world it should be a continuous process of listening to your customers and acting upon what you hear.

If it helps, you can think about developing your proposition in four stages:



-Research

Existing businesses may already have some form of continuous research in place to gauge customer satisfaction. If so, include questions around how customers are using your products, what they value about them and try to tease out what other problems they have that you could solve for them.

Research can be qualitative too and focus groups or simply engaging with your customers via social media can be a great starting point.

- Refine

Think big! Go beyond simply comparing your price, terms, product selection and service with that of your competitors.

Keep your proposition simple and test your assumptions by asking yourself 'so what'; your proposition must be relevant to your customer for it to hold any value.

Intelligent marketing for small businesses

- Communicate

Put yourself in your customers shoes and articulate your proposition using their language. Thinking in terms of the benefits customers derive from using your product or service is a good starting point.

- Deliver

It is vital that your value proposition is backed up by robust delivery systems. Make sure you have all the processes in place to support your promises.

Beyond the benefits

You may be aware of the importance of communicating product *benefits* as opposed to product *features*; whilst this is still an important distinction, you need to go beyond your product offering to create real value. This is particularly important if you operate in a commoditised market place.

Take, for example, an accountant who offers a standard set of services. It is extremely hard to differentiate this type of business simply on the services offered. The challenge is to create something that clients will value and that other accountants aren't doing; a networking group perhaps or series of business development seminars which will help clients develop *their* businesses.

The development of a compelling and differentiated proposition is not a new idea, yet many marketers and small business owners fail to realise its full potential when applied to the business as a whole.

*Brainwork Marketing specialise in developing marketing strategy for small and medium businesses. If you need help to develop an intelligent strategy for your business call or email to arrange a free consultation
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