

## What is a Value Proposition and Why Do You Need One?

By Christine Janssen, denken Research & Consulting

As an entrepreneur or small business owner, would you be able to clearly state what your value proposition is? Personal experience has shown me that nine times out of ten, people are unable to answer this question truthfully, succinctly, and confidently.

If there is any one thing you should do before you launch a new business, it is determining your value proposition. Before you let out that big sigh (you know the one... the one that accompanies the rolling of the eyes when you hear that you have *yet another* thing to add to your To Do list), relax...I'm going to show you how to craft your own and hopefully convince you that this exercise is well worth your time.

So what *is* a value proposition? While there doesn't appear to be a universal definition of the term, most experts agree that a) it should be defined from the customer's perspective and b) it plays a key strategic role within a business in developing its competitive positioning. A value proposition creates a mutual understanding of the exchange between a customer and a provider of goods or services. When both parties feel they are partaking in a valuable and mutually beneficial exchange, loyal relationships are established.

From a customer's perspective, the value of a product/service is strongly linked to quality. Customers feel they are getting a good value when the benefits outweigh the sacrifices (i.e. costs). Value is ultimately the reason consumers buy anything, and they – not the producers or service providers – are the ones who determine what is valuable in the marketplace and what is not. (Just one more reason why you need to listen closely to your customers.) Because customers define value, businesses must develop value propositions that support their desires.

It is the company's job, then, to explain their product offering while also highlighting their strengths and competitive advantages. Without question, companies must pay close attention to consumer behavior and purchasing motivators to ensure they are consistently delivering superior value to their customers. At the end of the day, all businesses exist to satisfy their customer's needs.

A value proposition is essentially a positioning statement, but it is rather brief and explicitly addresses the following components:

- *WHAT* is being offered
- *WHO* the target customer is
- *WHY* the customer should buy the product/service
- *HOW* the product/service is better or different from the competition

To give you an example, here's my value proposition for **denken Research & Consulting**:

*denken Research & Consulting provides end-to-end market research and professional writing services to small business owners, particularly start-ups. Our expertise lies in helping entrepreneurs competitively position their products/services in the marketplace to build successful and profitable businesses. Our greatest competitive advantages are: a) we have access to hundreds of databases with valid and reliable sources and can therefore conduct very focused and robust research, b) we have the ability to conduct primary, secondary, qualitative, and quantitative research, c) our team has nearly 50 years of combined experience in Marketing, Research, Product and Business Development, and Professional Writing, and d) our segment focus is specifically on serving entrepreneurs.*

Keep in mind that "value" goes beyond a list of features and benefits. When you think of value, put yourself in your customer's shoes and ask yourself a few questions: Would you honestly buy your own product/service? Why or why not? Does your product/service solve a problem? Does it make someone's life easier or more convenient? Are you saving them time or money? What is the next best alternative and why is your product/service superior?

Ultimately, a value proposition is a powerful tool that is used to differentiate oneself in the marketplace. A well-crafted value proposition for your own company will help you define or refine your competitive positioning. This is a critical exercise that will help you to:

- Increase the perceived benefits and/or decrease the perceived sacrifices in the eyes of your customers
- Focus on your core competencies and resources that surpass your competition
- Continuously tweak your offering to be recognizably different from competitors

Ladies and Gentlemen...take out your pencils. Now it's your turn. In 3-4 sentences, write down your value proposition without losing sight of the real reason you are in business. If you think you have a great product/service but it doesn't solve a real problem or enhance somebody's life, you are going to have a heck of a time staying at the top of your game and building your business. A solid and articulate value proposition is just one more tool in your toolbox that will help you intelligently launch and grow your business.

Never underestimate the power of knowledge. ■

[Christine Janssen](#) is the Founder and President of [denken Research & Consulting](#), a boutique research and consulting firm in New York City, providing end-to-end research and writing services to entrepreneurs. She is also a Doctoral Candidate at New York University where she is conducting a study on women entrepreneurs.