

## Why It's Probably Time to Evaluate Your Value Proposition

By Alec Kotopoulos

As a provider of products and services, we know that we are operating in a highly competitive and unpredictable market. Buyers are bombarded with offers and incentives every day, and have a plethora of choices. Add to this that switching providers is typically accomplished at virtually no cost to the buyer. Inevitable conclusion: "getting the business" and maintaining brand loyalty is increasingly difficult.

You have probably noticed that the buyers and influencers that comprise your company's customer and prospect base are changing their behavior.

- The perceived relationship of value and price is increasingly important.
- Pre-purchase homework is on the rise, the result of the easy accessibility of information.
- Consumers and corporate buyers are more circumspect with their money because they do not trust the past to predict the future in any way.
- In spite of the above, the fear of choosing the less than optimal product or service is strong and nerve wracking.

Companies that are winning market share are focusing on these factors and repurposing their value proposition. Their common goal: to present themselves to lucrative target audiences as the best providers of the optimal product/service solution.

Who are some of these companies, and what are they doing?

- **Geico and Progressive Insurance:** Both companies have changed the auto insurance industry by offering quality products and services at significantly lower prices. Carriers that succeeded in the past by offering products that were differentiated by features (e.g. claims servicing, agent relationship, types/amount of coverage, etc.) have been forced to compete on price.
- **Wal-Mart:** Wal-Mart has built its dominant market position by promising the lowest prices. But recently the company has added a twist to its value proposition. While Wal-Mart has always offered grocery offerings at low prices, the company is now selling healthy, locally grown produce at reasonable prices.
- **E-Trade, Schwab and Fidelity:** Historically, individual investors paid upwards of \$30 to complete an online securities trade with firms such as E-Trade,



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Schwab and Fidelity. Over time, stiff competition resulted in declining prices and improved services, primarily in the areas of investment research and trading. Today the industry's value proposition has changed dramatically, as evidenced by Fidelity's recent decision to price a trade at a mere \$7.95.

- **Spirit Airlines:** Airlines have been scrounging for revenue. The result: travelers are now expected to pay for checked baggage, food on board and even blankets. Spirit Airlines, a low-cost carrier, just announced that passengers will be charged to store luggage in the overhead bins. Their argument: fewer luggage pieces results in more efficient plane travel – which translates into lower ticket prices. The jury is out on how consumers will react to Spirit's policy.

What is interesting is that all of these companies have instituted business policies which have changed their fundamental value proposition. Will travelers accept a \$45 fee to store a bag in an overhead bin? Regardless, we hypothesize that Spirit Air is undermining their core value proposition as a low-cost airline.

What does this mean for your company? It's a great time to reevaluate your firm's value proposition along with your communications/messaging strategy. Here's how:

- 1. Start by examining how your target audiences value key features and benefits today vs. two years ago.** You may see fundamental changes. In the financial industry, the value of risk management has significantly increased. In the auto industry, gas mileage has become increasingly important.
- 2. Ask yourself objectively whether your company can fulfill the promises made to customers and stakeholders.** Is Spirit Airlines a "low cost" airline if it charges \$45 for carry-on bags, regardless of the ticket cost?
- 3. Check for consistent and flawless execution around each of the "touch points" where customers and prospects interact with your company and representatives.** This makes for a great relationship between buyer and provider that is resistant to competitive encroachment.
- 4. Employ targeted communications strategies and messages to reach distinct buyer groups with different wants and needs.** These should be unified under a simple, consistent communications umbrella. The result: it's easy for them to understand what your firm is offering and to find whatever is most important to them.
- 5. Institute a culture of innovation to insure that value propositions keep evolving.** Responding well to ongoing changes in market dynamics is essential for success and perhaps even survival in today's climate.

We observe that successful companies – those who prosper by adapting and leveraging the ever-changing business climate to their advantage – are constantly scrutinizing their offerings and value proposition to insure they are best meeting the needs of their target audiences.

**This is what we do at Trinity. Call us at 617.292.7300 or email us at [info@trinitynet.com](mailto:info@trinitynet.com) – we would love to talk with you.**