

Value Proposition Definition for Agricultural Value-Added Businesses

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Value-added businesses seek to be rewarded for addressing identified needs of specific customer segments. Because customers may be unaware of these needs or using solutions for them, value-added businesses must turn them on to their solutions by presenting their solutions clearly and persuasively. Value-added business can do this well if they have a well-defined and articulated value proposition.

This paper describes value propositions and provides an overview of how to discover and define them to increase customer value. It draws on the outside-in business development model, which encourages using an in-depth understanding of market gaps to craft winning solutions.²

What is Value Proposition?

Mrs. Fields' (www.mrsfields.com) product offerings consist primarily of fresh baked cookies, brownies, and other confectioneries. But Mrs. Fields is known for its baked-on-premises home-style cookies. Mrs. Fields' point of differentiation is freshness in locations where *freshness* is often in short supply.

Ron Verni, CEO of Best Software (www.bestsoftware.com) started life as an entrepreneur selling waterbeds in the late 1960s. To differentiate his company's offering in the cluttered furniture market, he positioned his beds not furniture on which to lie and sleep, but as a *sleeping aid*.

Harry and David (www.harryanddavid.com) flagship product is their Royal Riviera[®] Pears, "so big and juicy, you eat them with a spoon." These pears grow well only in southern Oregon, giving this Oregon company unique control over a scarce and unique product, desired attributes for specialty products. Harry and David present their Royal Riviera as "magnificence" and their customers agree.

In each of the foregoing examples, a special effort has been made to present a *common* product as different from all others in its category, making such a product unique with carefully orchestrated distinctiveness. The articulated and experienced points of differentiation surrounding a product or service are the ingredients of its value proposition. Well-defined and effectively articulated value propositions can transform ordinary products into extraordinary experiences.

Value proposition is how a product or service (solution) is distinguished from all others in its domain so that target customers consciously select it as a superior option. Mrs.

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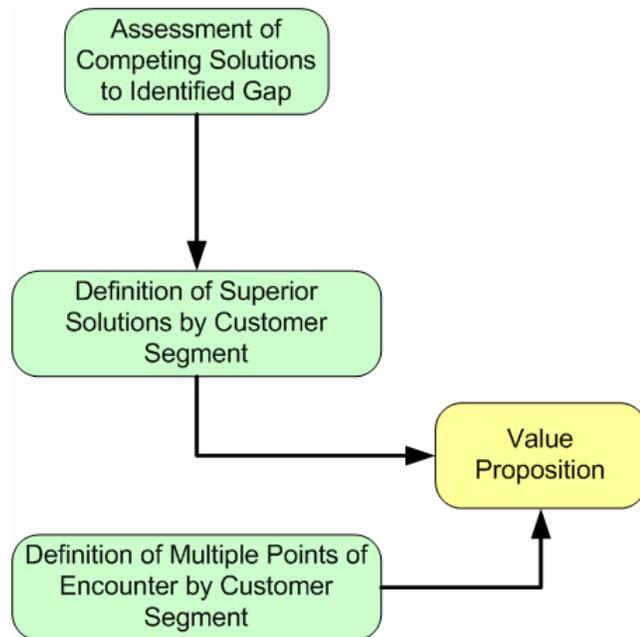
² See Amanor-Boadu, V. "Developing a Business that Makes a Difference," available at <http://www.agmanager.info/agribus/busdev/assess/Business%20that%20Makes%20a%20Difference.pdf>.

Fields' cookies can comfort road weary travelers on Interstate highways longing for the freshness of home-style freshness. Likewise, Harry and David pears can bring faultless delight in the middle of winter when fresh fruits are generally scarce and unappealing.

Discovering Value Propositions

The value propositions of many companies emerge from their interactions with customers. However, in highly competitive and rapidly changing markets, where customers are time starved and overloaded with information, it can be risky to pretend they will discover the uniqueness embedded in an offer on their own. The process of discovering, developing and communicating one's value proposition is as important to business success as one's ability to deliver on the value proposition itself. The steps involved in discovering value propositions are now discussed (see figure).

Value proposition emerges from the identified market gaps discovered during opportunity scoping. It recognizes that there are multiple approaches to addressing any market gap and begins with a thorough assessment of these competing approaches. The competing solutions are defined broadly to include both current and future solutions to ensure acute awareness of competitors as well as potential sources of obsolescence. For example, if reducing customers' input costs is an opportunity, it is prudent to compare the proposed approach to existing and potential solutions, looking at both inputs and processing protocols to determine the superiority of the proposed solution. This careful assessment of competing solutions to the problem can produce insights into how the defined solution can be improved to ensure its competitiveness.

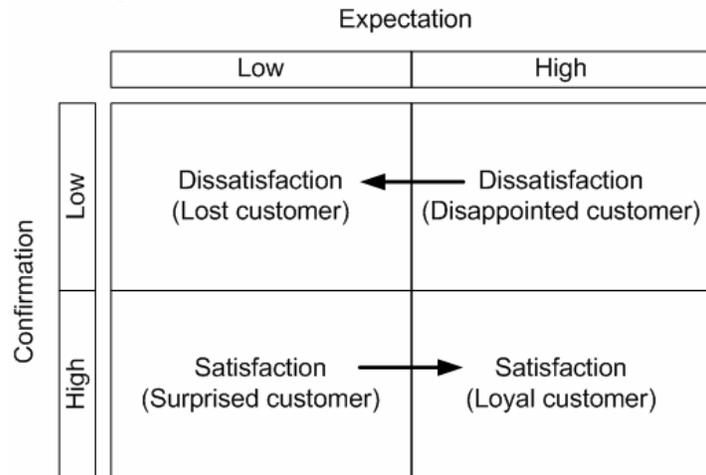


Different customers use products differently and demand products for different reasons. For example, consuming organic food products may address the basic need of nutrition and sustenance, but some customers may be motivated by different forces: food safety, environmental protection, an antidote to corporate farming, enhanced self-image, community support, etc. The challenge is to identify and organize these different factors into reinforcing "stories" for the different customers. For example, since organic production uses less chemicals, food safety and environmental protection may be synergistic in their motivation but corporate farming may not since organic farming is not synonymous with small. By identifying and organizing the different customer needs for a

product into synergistic “stories,” the product is positioned to provide multiple points for engaging the customer as well as broadening the product’s appeal.

Value is a customer perception, defined as the satisfaction-to-acquisition cost ratio. Low satisfaction and high acquisition costs yield low values and high satisfaction and low acquisition costs generate high values. Acquisition cost includes money, time and effort expended in acquiring and using

a solution. Satisfaction is a function of expectations and confirmation of expectations (see figure). High expectation and low confirmation create disappointment, and hence dissatisfaction, leading over time to losing the customer. Contrarily, low expectation and high confirmation can result in pleasant-surprise satisfaction. At any given acquisition cost, customer loyalty is higher for solutions that create the highest satisfaction.



Value proposition is a promise of high satisfaction/cost ratio. It is an attempt to extract customer loyalty by setting the appropriate expectations about a solution and ensuring that those expectations are consistently confirmed at high levels. Confirmation is based on a solution delivering what it promised. Suppliers generally control their solution’s ability to solve a customer’s problem, but constructing expectations is extremely complex. Therefore, value-added businesses must be acutely sensitive to the promises they make and fastidious about delivering on those promises.

It is sagacious to avoid the temptation to “under-promise and over-deliver” to create pleasant-surprise satisfaction because under-promising may increase the difficulty of switching customers from their current solutions. The strategy, therefore, is to use the fine points of differentiation embedded in the solution to create high expectations, and then deliver on those fine points of differentiation to confirm the formed expectations. Skyline Connections (www.skylineconnections.com) CEO Randy Evans talks about “sharpening the pencil and coming up with good numbers” for his customers.³ The “good numbers” are the tangible cost savings Skyline promises its customers. Customer value is high if the “good numbers” are better than can be found anywhere at the same or better acquisition costs.

Conclusion

Value-added business leaders must know how their customers define value and the factors that influence their satisfaction. They must work these into their promises about

³ Mike Hofman. Emotional Branding: How much of your life story should you use to market your company? *Inc. Magazine*, May 2002, (<http://www.inc.com/magazine/20020501/24173.html>).

solutions they present, ensuring that they create and deliver on high expectations. They must also verify that the relationship between the acquisition costs for their solutions and the satisfaction levels they create produce superior value experiences for their customers compared to the value experiences from all other solutions. A well-defined and well-articulated value proposition helps value-added businesses do the right things and do them right. It helps them, above all else, to focus on promising and delivering high value to their customers to ensure their ability to profitably gain and maintain market share.