

CUSTOMER VALUE PROPOSITIONS MATRIX

Which Alternative Conveys Value to Customers?

Suppliers use the term "value proposition" three different ways. Most managers simply list all the benefits they believe that their offering might deliver to target customers. The more they can think of, the better. Some managers do recognize that the customer has an alternative, but they often make the mistake of assuming that favorable points of difference must be valuable for the customer. Best-practice suppliers base their value proposition on the few elements that matter most to target customers, demonstrate the value of this superior performance, and communicate it in a way that conveys a sophisticated understanding of the customer's business priorities.

VALUE PROPOSITION:	ALL BENEFITS	FAVORABLE POINTS OF DIFFERENCE	RESONATING FOCUS
Consists of:	All benefits customers receive from a market offering	All favorable points of difference a market offering has relative to the next best alternative	The one or two points of difference (and, perhaps, a point of parity) whose improvement will deliver the greatest value to the customer for the foreseeable future
Answers the customer question:	"Why should our firm Purchase your offering?"	"Why should our firm purchase your offering instead of your competitor's?"	"What is most worthwhile for our firm to keep in mind about your offering?"
Requires:	Knowledge of own market Offering	Knowledge of own market offering and next Best alternative	Knowledge of how own market offering delivers superior value to customers compared with next best alternative
Has the potential pitfall:	Benefit assertion	Value presumption	Requires customer value research

The Building Blocks of a Successful Customer Value Proposition