

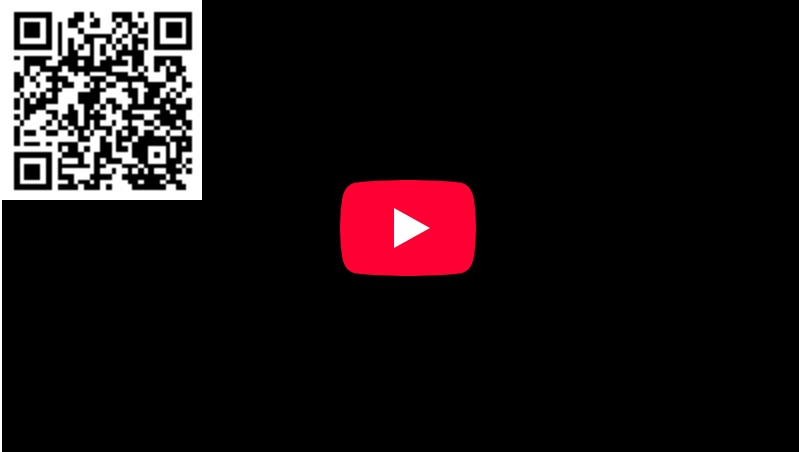
## 2.1: The Value Proposition

### Learning Objectives

1. Explain what a value proposition is.
2. Understand why a company may develop different value propositions for different target markets.

### What Is a Value Proposition?

### Video Explaining -- What is a Value Proposition?



Individual buyers and organizational buyers both evaluate products and services to see if they provide desired benefits. For example, when you're exploring your vacation options, you want to know the benefits of each destination and the value you will get by going to each place. Before you (or a firm) can develop a strategy or create a strategic plan, you first have to develop a value proposition. A value proposition is a thirty-second "elevator speech" stating the specific benefits a product or service offering provides a buyer. It shows why the product or service is superior to competing offers. The value proposition answers the questions, "Why should I buy from you or why should I hire you?" As such, the value proposition becomes a critical component in shaping strategy.

The following is an example of a value proposition developed by a sales consulting firm: "Our clients grow their business, large or small, typically by a minimum of 30–50% over the previous year. They accomplish this without working 80 hour weeks and sacrificing their personal lives" (Lake, 2009).

Note that although a value proposition will hopefully lead to profits for a firm, when the firm presents its value proposition to its customers, it doesn't mention its own profits. That's because the goal is to focus on the external market or what customers want.



Figure 2.1: Like any other company, [Beaches](#), an all-inclusive chain of resorts for families, must explain what its value proposition is to customers. In other words, why does a Beaches resort provide more value to vacationing families than do other resorts?

Firms typically segment markets and then identify different target markets, or groups of customers, they want to reach when they are developing their value propositions. Target markets will be discussed in more detail in Chapter 5. For now, be aware that companies sometimes develop different value propositions for different target markets just as individuals may develop a different

value proposition for different employers. The value proposition tells each group of customers (or potential employers) why they should buy a product or service, vacation to a particular destination, donate to an organization, hire you, and so forth.

Once the benefits of a product or service are clear, the firm must develop strategies that support the value proposition. The value proposition serves as a guide for this process. In the case of our sales consulting firm, the strategies it develops must help clients improve their sales by 30–50 percent. Likewise, if a company's value proposition states that the firm is the largest retailer in the region with the most stores and best product selection, opening stores or increasing the firm's inventory might be a key part of the company's strategy. Looking at Amazon's value proposition, "Low price, wide selection with added convenience anytime, anywhere," one can easily see how Amazon has been so successful<sup>1</sup>.

Individuals and students should also develop their own personal value propositions. Tell companies why they should hire you or why a graduate school should accept you. Show the value you bring to the situation. A value proposition will help you in different situations. Think about how your internship experience and/or study abroad experience may help a future employer. For example, you should explain to the employer the benefits and value of going abroad. Perhaps your study abroad experience helped you understand customers that buy from Company X and your customer service experience during your internship increased your ability to generate sales, which improved your employer's profit margin. Thus you may be able to quickly contribute to Company X, something that they might very much value.

### Key Takeaway

A value proposition is a thirty-second "elevator speech" stating the specific value a product or service provides to a target market. Firms may develop different value propositions for different groups of customers. The value proposition shows why the product or service is superior to competing offers and why the customer should buy it or why a firm should hire you.

### Review Questions

1. What is a value proposition?
2. You are interviewing for an internship. Create a value proposition for yourself that you may use as your thirty-second "elevator speech" to get the company interested in hiring you or talking to you more.

<sup>1</sup>"How Do You Develop a Unique Value Proposition?," <http://www.infomarketerszone.com/public/182.cfm> (accessed February 12, 2012).

### References

Lake, L., "Develop Your Value Proposition," <http://marketing.about.com/od/marketingplanandstrategy/a/valueprop.htm> (accessed December 7, 2009).

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