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Thought Leadership for the Wholesale Distribution Professional

The Chicken or the Egg - Value Propositions or SWOT?



*A Thought Leadership White Paper
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I just recently caught-up with a Harvard Business Review blog that discussed, at length, some common strategy mistakes that can derail a company's strategy.

(http://blogs.hbr.org/cs/2011/12/five_common_strategy_mistakes.html)

A few of the mistakes; "confusing marketing with strategy" and "confusing competitive advantage with what you're good at" - got me thinking more about "**value propositions**" and also why, "**SWOT Analysis**" often doesn't live up to expectations. I think there's a connection, a common thread, between value propositions and SWOT.



The Concept of a Value Proposition

Value Propositions is most often defined as a collection of reasons why your customer benefits from buying products and/or services from you. It's meant to convince a prospective or current customer that what you have to offer, in products and services, adds value or better solves a problem than what your competitor(s) offer – a sustainable competitive advantage.

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The concept often seems easy to understand but requires some deeper thinking if one wishes to use it to their advantage – that is, going beyond just providing some basic economic or value link to customers.

Often it's said that the ideal value proposition is a concise “statement” and appeals to the customer’s strongest decision-making drivers. But, is a statement enough? Does it just lead to a statement or two that doesn’t fully “put in a nut shell” the value you provide while at the same time what makes you different from your competitors? So, sometimes we end up with jargon like; “we are experienced”, “our service is the best”, etc., etc.

Rather if we think about value propositions as a concept – why customers buy something - then maybe we can find more to work with, instead of trying to boil it down to a few statements that have little substance remaining.



The 3 Keys to a Value Proposition

I think the reasons customers buy can fall into three (3) key categories (rules) that, in total, could become a winner of a unique value proposition.

- **It has to *resonate* with them** – buyers have to need what you are offering.
(I want – I need)
- **You have to *differentiate*** – buyers have to see why you stand out from other options
(No alternatives as good)
- **You have to *substantiate*** – buyers have to believe that you can deliver on what you say
(I trust, I believe)

If you just take away any one of these “keys”, it will make it much more difficult to message.



So, if you want to **resonate, differentiate and substantiate**, you need to do more than just write a few sentences – a summation that doesn’t carry much weight.



Consider your actual value proposition as a collection of reasons why customers buy from you, that is;

- It’s ingrained into the fabric of your company and your customer relationships
- It’s supported by your employee’s attitudes and execution
- It’s supported by having the company’s work processes available to fulfill the promises.

Communicate it by bringing forward a “collection of messages” to your market, instead of some simplified statement. Focus on understanding the “3 Keys” of your winning value propositions.

I think you’ll be way ahead of your competition. Why? Because they’ll, like most, likely stop at a short statement - and think they’re done with it!



SWOT Analysis – (Is It Linked to a Value Proposition?)

A good SWOT Analysis is one of the basic tools of developing good strategy. It’s been around awhile and pretty familiar to most managers. Yet, it can provide a simple, comprehensive, method for examining the strategic fit between a company’s internal capabilities (**S**trengths and **W**eaknesses) and external possibilities (**O**pportunities and **T**hreats).

I think there is a strong link between developing your value propositions and understanding your strengths, weaknesses, opportunities and threats.

Strengths and weaknesses, the internal factors, are generally what we have some control over. They may include such factors as skills, resources, processes, staffing, brands, culture, etc. Put another way:

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- **Strengths** – What do we have? These are the factors that make your company more competitive, provide you with a distinct advantage at doing – what you do – and can be effectively used to achieve your performance objectives. They are the core competencies that the organization does best – they add value and are not easily copied by competitors.
- **Weaknesses:** These are the limitations, the faults you have, that may keep you from obtaining your objectives. At this point in time, not something that represents a “value proposition”, that’s for sure! These may include areas where the organization should improve its processes, products and services. It’s a reason to loose business.

Opportunities and threats, the external factors, are things that we can generally influence, but not necessarily control. Put another way; what can/might we do about them? Opportunities and threats (external) may include such factors as demand/economic conditions, competitor activity, technology, niches, market penetration/saturation, etc.

- **Opportunities** - These represent you current situation in your market place that is favorable; a trend, an overlooked need that could enhance your competitive position, an opportunity to expand or grow. They could become an eventual value proposition!
- **Threats:** These represent any unfavorable situations that could damage or threaten your ability to favorably compete; some barrier(s) or constraint(s) that potentially inflict some harm to your company. In some cases, you may feel/be compelled to implement new offerings, processes or procedures.



Why A Tight SWOT?

Since a SWOT Analysis is done to generate insights about your business, there are some cautions you need to be aware of that could result in you “bombing-out”.

1. When you start making your list under each of the elements (S,W,O,T), it’s usually easy to come-up with or think that there are 7 to 10 factors each. That’s good for your first draft, but based on order-of-importance, there should probably be no more than 3 to 5. Yes, it takes some mental discipline to move forward with greater clarity and focus!

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2. If you are listing things like “service”, “quality” or “communication” (pretty general), that’s about as useful as listing the word “and”. You need to be specific so that a third party, not in the same room as you, could reasonably understand what you mean. “Service” in “x” hours means a lot more (assuming it beats your competition).
3. Don’t list “effects”; rather list the “cause”. For instance, if one of your strengths is: “first in market share”, what would be better, is to list the cause – “great consultative sales reps”. So, it’s also helpful to keep asking “**why**” to develop a list – “why” is a great way to drill-down to what you really mean.
4. Remember, that if you can allocate your resources to a factor and control it; it’s a strength or weakness. If you resources can influence but not control the factor; it’s an opportunity or threat.
5. “Quantify” as much as possible. For instance, if you don’t quantify an opportunity or threat, how do we know how important it really is? You want to provide the greatest return on your limited resources, don’t you? Even if you don’t know exactly, a rough percentage or ratio is better than nothing. In other words, quantify what the “new reality” will be.



Linking SWOT to Value Propositions

Of course, we don’t want these exercises to have become a “snooze-fest” either. So, what now? Align your strengths and weaknesses with the opportunities and threats to further develop and align your value propositions. In other words; use the opportunities and threats to prioritize, based on probability and impact, and to enhance your overall strengths - “eliminate or diminish” your weaknesses.

This brings us right back to value propositions. There’s no “what came first – the chicken or the egg?” **Your value propositions only come from a tight linkage to SWOT.**

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