

A Leadership Minute

ON VALUE

“Why should they hear the babble we think we mean?”

C.S. Lewis (British Scholar and Novelist. 1898-1963)



Charles Revson launched **Revlon** cosmetics during the Great Depression



He introduced brightly colored lipsticks with matching nail colors



“When it leaves the factory, it’s *lipstick*. But when it crosses the counter in the department store, it’s *hope*.”



Getting from *Value Creation* to *Value Capture*

- ❖ Does your company’s website and collateral boast about “delivering superior value”? But, you have few meaningful customer, competitive or financial assessments to support the claim?
- ❖ Has your leadership team thought about what “value” really means to your customer? That training video you developed may have cost your customer \$50,000 but may have also saved him \$250,000 in insurance premiums, employee churn, and customer satisfaction.
- ❖ Business people often talk about “leaving money on the table”? That’s usually a nice way to say that the money is staying in the customer’s pocket ... or that it’s going to a competitor. The explanation frequently includes something about the customer “not appreciating our real value”. Do you know what yours is?
- ❖ Is your value a list of your product’s features and functions and a price that beats the competition? Or is the real value in how your customer uses your product in his business?

Many executives equate value with price. And that’s how that “leaving money on the table” stuff begins. Price is just the mechanism by which companies get to **capture** some of the value they **create**.

Most companies know how to create value for their customers; fewer know the secrets of capturing some. Customers, on the other hand know precisely the reverse. And the customer gets to decide what value your product has when he uses it.

Value creation pays your customers’ bills. Value capture pays yours. So what’s the trick here?

No trick, really. Just recognition that capturing greater value depends on having a constructive **discussion** with your customers—we call that a **Value Dialog**.

Value Dialog is a communications technique that uses steps to generate, understand and agree upon common ground among varied stakeholder positions.



A **Value Dialog** isn't:

- ❖ An asymmetrical discussion—that's a negotiation
- ❖ About "before and after" your customers buys your product—it's about what happens to his business with your product or without it
- ❖ About calculating cost savings—it's about understanding benefits

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A **Value Dialog** starts with three questions:

1. How does your customer actually use your product or service?
2. What value does that create for his company and his customers?
3. Does your price capture a reasonable and achievable portion of that value?

A **Value Dialog** is:

- ❖ **Dancing with your customers.** They say Ginger Rogers did everything Fred Astaire did; but she did it backwards and in high heels. Ginger's part was harder than Fred's and less visible to the audience. But Ginger won an Oscar; Fred didn't. Your customer's perceived value won't often be aligned with the created value.
- ❖ **Hearing voices.** What value do you think you created? How does the market perceive that? And how much of that does your customer admit is valuable to him? If you listen hard enough, you'll hear it all.

