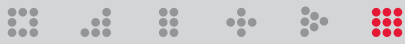


BUILDING A STRONG BRAND



BRAND COMMUNICATIONS THAT WORK

WHITE
PAPER

COMMUNICATE A MEANINGFUL VALUE PROPOSITION

In the end, an organization only exists to create value

Start With Your Market Positioning

Before you can clarify and communicate your brand, you must decide on your market positioning. Once you gain clarity on one of three basic strategies your company will pursue, developing your brand strategy becomes relatively easy.

Market positioning starts with understanding that different kinds of customers buy different kinds of value. In general, customers fall into three basic categories. One segment of customers wants consistently low prices with a minimal level of customer service. Another segment wants state-of-the-art products and services. These customers constantly seek performance improvements and are much less sensitive to price. The third category looks for companies that will customize a solution to meet their unique needs. These customers demand a very high degree of service and look to establish long-term relationships with their vendors. You can try to serve all three groups of customers, as many companies do, but you will never achieve market leadership with that approach.

A better approach is to choose one customer segment, narrow your focus and dominate your market. In their book *The Discipline of Market Leaders*, authors Michael Treacy and Fred Wiersema outline three generic strategies that market leaders pursue. These strategies apply to Fortune 500 companies as well as small- to mid-market firms. Think of a market leader in any industry and chances are they will fall into one of these three broad strategies. Based on that belief, winning companies relentlessly drive themselves to deliver extraordinary levels of value to carefully selected customer groups. The upshot is that no company can succeed by trying to be all things to all people.

Some Important Concepts

At the core of this model lie three fundamental concepts:

1. The **value proposition** represents the implicit promise a company makes to deliver a particular combination of values — price, quality, performance, selection, convenience and so on.
2. The **value-driven operating model** is the combination of operating processes, management systems, business structure and culture that gives a company the capacity

to deliver on its value proposition. It's the system, machinery and environment for delivering value.

3. The **value discipline** represents one of three ways that companies can combine operating models and value propositions to be the best in their markets. Each discipline produces a different kind of value. Choosing to master one discipline does not mean that you abandon the other two. Instead, you pick one dimension of value on which to stake your reputation while maintaining (at least) minimally acceptable standards with the other two.

The first value discipline involves **operational excellence**. Companies that pursue this value provide middle-of-the-market products at the best price with the least inconvenience. They don't strive to be product or service innovators, nor do they cultivate deep, one-to-one relationships with customers. Instead, they focus on low price and hassle-free delivery. **Their value proposition to customers is simple: the lowest total cost.** Examples of operationally excellent companies include Wal-Mart, Home Depot, Taco Bell, Dell, McDonalds, Motel 6 and Federal Express.

Companies that pursue **product leadership** focus on their products. They strive to push product performance boundaries, not just with just one innovation but year after year, product cycle after product cycle. **Their value proposition to customers is clear: the best product, period.** Examples of product leader companies include Porsche, BMW, Sony, Intel and Apple. For these and other product leaders, competition is about innovation and product performance, not price.

The third value discipline involves **customer intimacy**. Companies in this category focus on delivering customized solutions to unique customer needs. Leaving the general market to others, they prefer lifetime relationships over one-time transactions. They offer customers the best solution and all the support needed to achieve optimum results and/or value from the products they buy. **Their value proposition to customers is also clear: the best total solution.** Examples of customer-intimate companies include IBM, Ritz-Carlton and Nordstrom.

How to Achieve Market Leadership

In summary, market leaders refuse to deviate from four essential rules:

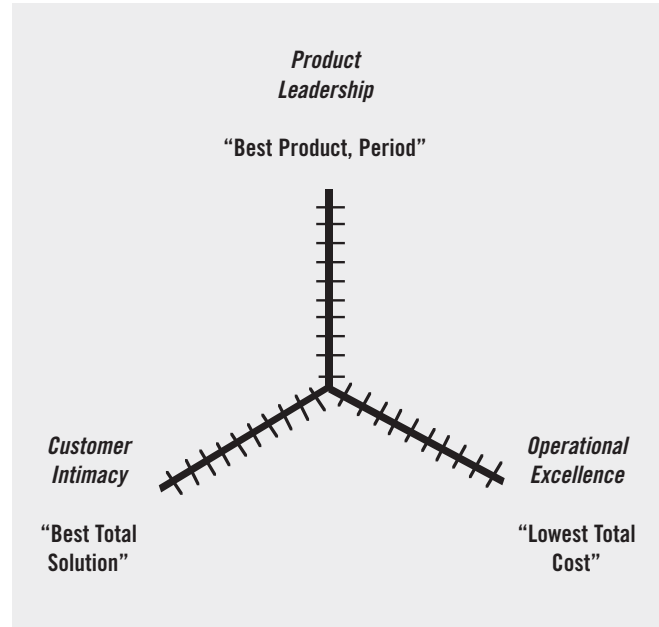
1. Provide the best offering in the marketplace by excelling in a specific dimension of value.
2. Maintain threshold standards on the other two dimensions of value.
3. Dominate the market by improving value and resetting the competitive standard year after year.
4. Build well-tuned operating models dedicated to delivering unmatched value.

How does all this relate to branding?

Quite simply, the selection of a value discipline impacts every brand decision going forward. It shapes your value proposition, your brand strategy and all of your brand messages, particularly your brand promise. It provides a compass and a bearing for every aspect of your brand program. Yet, research and experience have shown that less than one in ten companies has a clearly-chosen value discipline to focus upon.

Lack of a clear value discipline means that you send contradictory messages to your customers, both internal and external. In good times, when markets are far more forgiving, you may be able to get away with vague or conflicting value propositions. In difficult times, failure to focus on one clear and compelling value discipline will extract a heavy toll on branding efforts, the bottom line and, ultimately, the value of your business.

To take the first step in communicating a meaningful value proposition, see the Idea for Action entitled "Communicate a Meaningful Value Proposition."



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*If you would like to discuss ways
to increase the value of your brand,
contact us. We can help.*

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