

# Creating Value with a Clear Value Proposition

Given increased global competition and the rise in digital as a major sales channel, a value proposition has never been more important for independent distributors today. Consolidation is also likely to accelerate over the next five years; distributors who have not differentiated will either get acquired or go out of business.

A value proposition tells customers who the company is and why they should do business with them. A clear and compelling value proposition has a direct and positive effect on a distributor's bottom line and should drive everything in a distributor's business. It affects how they communicate with customers, select customers and align their services around what customers value.

Unfortunately, more than 88 percent of distributors that responded to a Distribution Strategy Group survey placed a large emphasis in their value-proposition messaging on just a handful of features: product selection, availability, speed of delivery, pre-sales technical support and professional sales representatives. In other words, many distributors are telling prospects the same thing. For most, that will not differentiate them. What's more, the logistic functions of product selection, availability and speed of delivery are typically what the largest competitors do well, making it difficult for any distributor to make headway by highlighting these features, and reducing the relationship to one that is price-based.

## What's in a value proposition?

A value proposition should consider what a company does that differentiates it from its competitors, what's important to the customers and the market, and what competitors claim about their offering. See the Value Map Example on the second page.

## Areas of Opportunity

### Targeting the Right Customers

When distributors understand which customers they are best at serving – and what those customers value – they can align their organization around that. They can then target more of the same types of customers, resulting in market-share growth. They will also serve existing customers better for an increase in wallet share. What's more, when customers get what they like, they'll stick around longer. Customer retention will improve. For example, a distributor Distribution Strategy Group has worked with sells many of the same products that others do, including abrasives, safety products and hand tools. But their value proposition is their exceptional service with customized solutions, and they charge for it. This service proposition is engrained into front-line team members who interact with the customer from Day 1. As a result, they do not pursue customers that only care about the lowest price.

### Selling the Right Products and Services

If a distributor talks about product selection but their customers only care about how quickly they get the order to the jobsite, that distributor is wasting their breath. Similarly, many distributors tout the benefit of their own value-added services. Yet, few know whether or how much customers value these services. It's important to understand which products and services customers value – and which they don't. Distributors that are trying to be all things to all people are leaving money on the table. This doesn't mean that distributors must change

or remove any products and services; but they may want to add products and services or adapt their offerings based on customer feedback. Customers will share which products and services are most important to them.

This will vary by role and customer segment. For example, a purchasing agent may value easy-reorder capabilities while an engineer may value technical support. Targeting the right persona with the right message matters. Distributors need to shift their messaging to what customers care about.

### Assigning the Right Resources

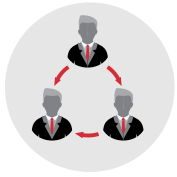
When a distributor knows what a customer values, it can align its customer-facing resources accordingly. For example, a customer that doesn't value the service provided by an in-person field sales rep could better be served by inside sales or a distributor's ebusiness channel at a lower cost. The field salespeople who remain can focus on consultative value-added activities such as generating more business from existing customers and targeting new customers that match a distributor's value proposition.

### Systematically Sharpening and Improving Your Offering

Distributors that have a strong value proposition know which direction they need to go. They won't be distracted by new ideas that don't align with what the market values and what they do well. They can continually refine their products and services to maintain a competitive advantage.

## Benefits: Alignment with the Right Value Proposition

The benefits of a strong value proposition go beyond selling the right products and services. Internally, distributors with the right value proposition will experience alignment across their organizations, which will lead to increased efficiencies and cost savings across the board. What's more, the distributor will see a greater return on its team's investment of time.



### Executive

With a clear value proposition, C-level management teams can focus on strategy and value creation because they have peace of mind that the organization is united around doing the right things right.



### Finance

Budget and oversight are focused and streamlined because the company has specific strategies around value. Departments have accountability, and are spending on the right initiatives and inventory.



### Operations

The company no longer sources everything for customers, plugging a value leak. It has optimized suppliers for the right product in the right places, resulting in more turns & less excess/obsolete inventory.



### Customer Service

Front-line team members, including customer service reps, understand the value the company provides. They prioritize their time with the right customers, delivering better service and satisfaction.



### Inside and Outside Sales

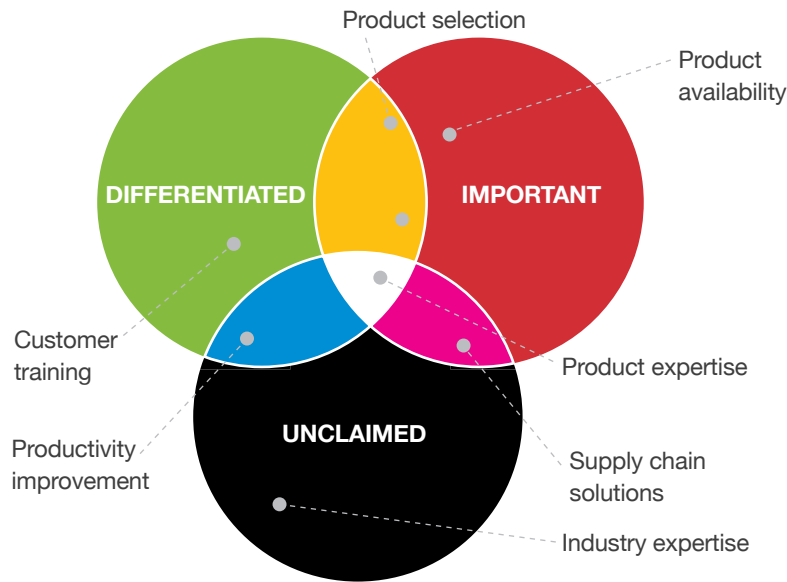
Sales teams don't compete on price as much, having a clearer definition of the right customers and prospects that will value the distributor's products and services.



### Marketing

The distributor's messaging is more targeted and relevant and focused on the prospects that will be most likely to respond, leading to greater return on marketing investment.

## Value Map: Example



## The Bottom Line

If a distributor sees itself as all things to all people, and aligns around that, it will bleed profitability. This is not just about a cool mission statement for a website. The importance of internal and external communication cannot be understated. Internal communication is critical to calibrating a distributor's engine before taking the message externally. Without that organizational alignment, a value proposition lacks strategic value. And without external communication across every customer-facing touchpoint, the distributor will remain undifferentiated in the customer's mind. That is a matter of life and death in today's market.

The development of a strong value proposition does not come quickly; it can take up to six months. Distribution Strategy Group works with distributors to identify and create a strategy around a clear and compelling value proposition. Contact Distribution Strategy Group today to learn more.

distributionstrategy.com // 303-898-8636 // 1195 Linden Ave., Boulder, CO, 80304-0744

Distribution Strategy Group brings unparalleled distributor marketing expertise from our time as successful executives, advisors, and implementers with MRO and OEM distributors of all sizes in a variety of market segments. Based on real results that we have achieved in the distribution market, we strike the right blend of strategy, execution, and measurement to transform your marketing department into a profit center.