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Identifying, Building, and Selling the Value in YOUR Business

by

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In the August 2004 *Smart Marketing* article, I discussed the issue of selling based on value rather than price in one's business. Admittedly, this concept is easier to discuss than implement. In this article, I will take a closer look at "value" - its attributes, what constitutes value, and how value can be identified.

Value itself is not a new concept in the business world. In fact, it has been recognized by the accounting profession in a term called "good will." "Good will" can, in fact, be assigned a numeric value and accounted for on financial reports. When a business is sold, it is not uncommon for the buyer to pay more for "good will" than the tangible assets of that business. A critical and key task is to assign a financial value to this "good will" that is believable by the rest of the world. This has been and will most likely continue to be an issue of much discussion in the financial world as it is based primarily on individual beliefs and opinions.

While it might be beneficial to determine a dollar figure associated with a business's "good will," we must first understand what characteristics are in place, and how they increase the value of a business to a point where they could be classified as "good will." To keep things simple, rather than getting into a dollar valuation of "good will," I will focus on identifying attributes that might create value and influence the

buying decision. The assistance of a good financial advisor would be required to properly assign a dollar value to “good will.”

To briefly summarize a key point from last month’s article: Value is a combination of benefits, both tangible and intangible, that must be present in order for a buyer, whether a corporation or an individual, to feel that the purchase contained an appropriate level of benefits to satisfy the need that drove the desire to purchase in the first place. Essentially, what this means is that attributes of value are industry, company, and situation specific.

This is not to say that attributes of value are random. There must be reasons behind each and every value attribute. Some common value attributes one can consider include:

- Product safety
- Personal safety
- Curiosity
- Convenience
- Variety
- Quality
- Price
- Order method
- Order convenience
- Delivery method
- Pack size
- Color
- Package material
- Seasonality
- Family ties
- Emotional ties
- Product story

The list of possibilities is not finite. Essentially, value attributes are anything that could separate you, your product, or company from direct competition or anything that could serve as a substitute for your product or service.

However, determining what attributes to consider for providing value to a particular business is done individually. Knowledge of one’s customers and market will guide which attributes to considered. One important and key attribute not to be dismissed is one’s reputation. An example found in the recent press is that some poor business decisions of a private nature caused a drastic decrease in company worth of an established company owned by a certain household maven. This example demonstrated how personal reputation can raise or ruin one’s business. What this means is that awareness of personal relationships as well as past business relationships must be considered in determining what value might be present.

To maximize the success when selling based on value, one needs to understand that value is an internal and variable feeling. When assessing one's business, and what value is provided, there are some key considerations to keep in mind:

- Value varies by individual or demographic group – The methods and styles of marketing specialty vegetables, meats, and cheeses demonstrates the depth of this concept. Other more common categories would include convenience foods, organic and natural foods.
- Value can vary from year to year – Remember the olive green appliances from the early 1970s? What would a consumer pay for an appliance in that color today?
- Value can change across the year – Would you want to be selling jelly beans in July? Maybe if you were a wholesaler taking spring shipment orders. Large retailers have clearly identified the seasonal value factor. Look at when you can buy snow blowers in the store. Now consider when they are put on sale and the associated price reductions to sell them quickly.
- Economic climate affects the value decision – Gourmet products are in much more demand when the economy is doing well.
- Regional consumer taste shifts – Look at the styles of barbecue sauce and how strongly attached to them the people of the region are. Ask a person from the South East (vinegar based sauce region) how much they would pay for a bottle of tomato based barbecue sauce from the north, and vice versa.
- Geographic region determines what is perceived as having greater value – How much value is there in earthquake insurance in New York versus California? The value is minimal even though the Hudson River is a fault line.

In short, when looking at how to price one's services or products by value offered, three factors – customer, product and environment – need to be considered and balanced against each other. However, by far the most important area of understanding lies around the customer. Learning who they are, where they are from, and what brings them to be your customer will provide insight into learning what attributes you should have or strengthen, and those that need work. You will also learn what value customers place on

your product or service to determine whether you are pricing correctly or need to adjust your price up or down. One more thing to keep in mind – once you have completed this analysis it is then time to start over, as time never stops and customers never stop changing.

As you continue to work at and adjust the value proposition of your business the process will become easier, you will increase your sales success, and your customer base will continue to grow. The net and ultimate benefit of all this is differentiation from the competition and a sales advantage that makes your business the one to beat.

"Smart Marketing" is a monthly marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews the elements critical to successful marketing in the food and agricultural industry. Articles are written by faculty members in the Department of Applied Economics and Management at Cornell University.

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