BEworks

A *Behavioral* Approach to Value Propositions

CODE RED
GRAFFITI MAGAZINE
Seasons

We are here because...

...you have a unique challenge and so, you want a unique solution. Maybe your team is developing a new product or service, or maybe you are revamping an existing product or service. Either way, you want to create an impactful value proposition that will draw customers in and entice them to engage with your product or service.

Most likely, you are here reading this article because you have the desire to use behavioral science to help you think *differently*:

- Think differently about WHAT IS value proposition
- Think differently about HOW to create it
- Think differently about HOW to find the solutions that will impact the bottom line

A different way to think about value propositions

Our starting point is the standard approach to "value propositions"

The industry standard perspective on value propositions is well-known. By definition, value propositions need to:

1. Express the value a company promises to deliver
2. Articulate the reasons why customers should buy
3. Map onto known customer needs

A value proposition, therefore, explains how your product/service solves problems or improves situations for the customer, and what specific benefits customers can expect. Ideally, the value proposition would also implicitly convey why customers should buy from you over competitors. As an example, a value proposition statement might be: "Start selling on Facebook/Google/Instagram in minutes... No expertise needed" (sixads).

Importantly, a value proposition is *not* a slogan (e.g., "There are some things money can't buy. For everything else, there's Mastercard." [Mastercard]), nor is it a positioning statement (e.g., "Apple focuses on the future of technology and the ways each new product could change the lives of its customers").

But, there are gaps in the current approach to developing value propositions

Current approaches to developing value propositions rely heavily on meeting customer preferences and needs. This approach rests on the assumption that people can accurately introspect and self-report what their preferences are, and that people can evaluate a product, service, or brand thoroughly by thinking through all its features, pros/cons, and information available.

The problem, however, is that people are limited in their time, resources, and access to information. These constraints make people boundedly rational[1],[2],[3], and therefore the calculus they follow is not always governed by cold logic.

Being boundedly rational means that people's assessment of a product or service is not as thorough as we may like to believe. This also means that people's introspection into their preferences can be skewed by what's currently salient or top of mind, what people can readily remember, and what people are willing to report.

Developing a value proposition, therefore, is not as easy as it seems. To create a value proposition that hits people directly in the psyche and that entices behavior change, we need to incorporate a behavioral science approach into the development of these value propositions.

The behavioral science perspective fills the gap on value proposition development

The behavioral science perspective on value proposition is a deeper layer to the standard industry perspective. To better understand the behavioral science perspective on value propositions, we need to start at the level of "branding".

To start, **branding** means building a representation of who you are as a business and how you wish to be perceived. Your brand informs the public and your customers about what they can expect from you.

From a psychological standpoint, a brand creates psychological associations between all aspects of your business, including your services and value propositions. It results in a halo effect that influences the perception of the quality and value of your services, and the trust that the public has in your business. The stronger a brand's reputation, the more trust people have, and vice versa. But this is a double-edge sword: if your brand does not match the values that customers are expecting, the halo effect can actually hurt your business reputation and erode trust.

---

[1] Simon, Herbert A. 1957. *Models of Man: Social and Rational; Mathematical Essays on Rational Human behavior in a Social Setting*. Oxford, UK: Wiley.

[2] Tversky, A., & Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases. *Science*, *185*(4157), 1124-1131.

[3] Ariely, D. (2010). *Predictably irrational: The hidden forces that shape our decisions*. New York, NY: Harper Perennial.

Correspondingly, the **value proposition** is a statement that answers the 'why' someone should care or take an interest in the product or service. It is what your customers will use to evaluate you. It should convince potential customers that your product or service will create value to relative to alternatives. That is, customer will recognize that that the product or service matches their practical and psychological needs. You know why your product or service is great, but you face strong headwinds.

What are these headwinds? There are three main psychological concerns about branding and value propositions:

1. People's pre-existing beliefs can interfere with the perception of value of a product/service (e.g., the conflict between detergent strength and environment-friendliness led to the failure of Clorox Green[4]). Communication strategies, therefore, need to be compatible with people's beliefs in some way
2. Information that is not perceived as immediately relevant can detract from actual value[5]
3. People do not judge the value of a product based on its absolute value, but rather on many other factors such as its perceived efficacy relative to other products

Overall, although it is important to know what benefits – and costs – your product or service offers your customers, they are not necessarily the right benefits to share. Knowing *what* to share (messaging), *whom* to share it with (customer segments), *when* to share it (timing), and *where* to share (channel), are critical.

To address the psychological concerns about value propositions, the design of these value propositions therefore need to:

» Provide a heuristic people can use to understand a product/service

» Articulate why a product/service is psychologically appealing

» Eliminate psychological/behavioural barriers

Critically, it is worth noting that the true value of a product or service includes not only its material benefits to customers, but also its emotional and psychological benefits. The trick is that these emotional and psychological benefits are abstract and difficult for people to readily quantify.

---

[4] Luchs, M. G., Naylor, R. W., Irwin, J. R., & Raghunathan, R. (2010). The sustainability liability: Potential negative effects of ethicality on product preference. *Journal of Marketing*, *74*(5), 18-31.
[5] Meyvis, Tom, and Chris Janiszewski. "Consumers' beliefs about product benefits: The effect of obviously irrelevant product information." *Journal of Consumer Research* 28.4 (2002): 618-635.

Creating winning value propositions using a behavioral approach

Value proposition creation is heuristic creation

To sum up the behavioral perspective on value proposition creation, what we need to do is to *create a new heuristic* for customers to understand and perceive your product or service. This heuristic (or "mental shortcut") helps people readily understand and remember your product or service, and when the time is right, it will also be the heuristic they use to choose your product or service over competitor offers.

High level overview of the behavioral approach to value proposition creation

We use a systematic, scientific method to develop new value propositions that would appeal to the psychological needs of customers. In particular:

A. **Discovery:** establish current intuition and assumptions informing our understanding of the product or service; analyze the current state (including the baseline value proposition), and establish key target behaviours and metrics of success for the new value proposition

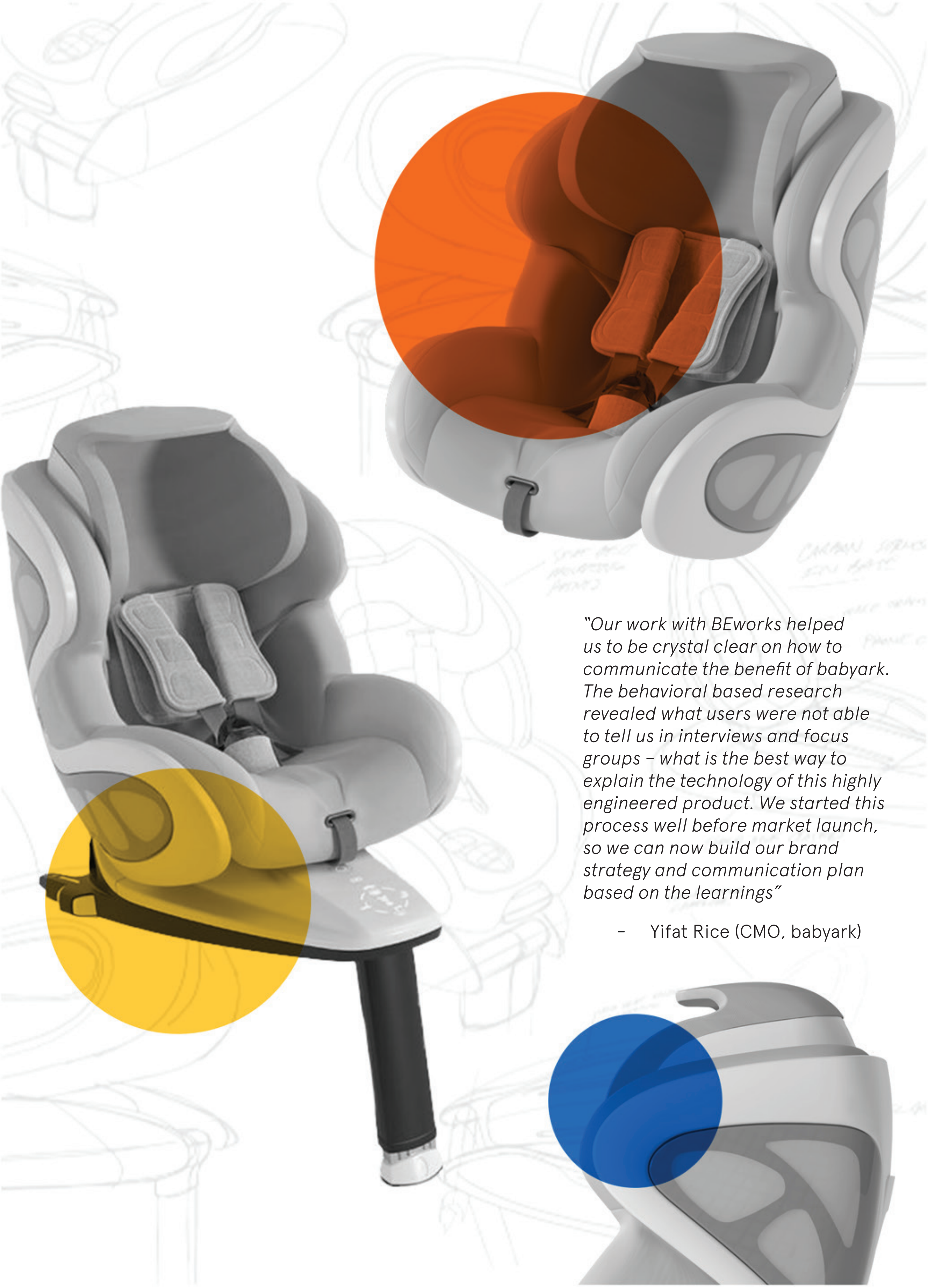
B. **Value Proposition Diagnostics:** determine the key ingredients necessary for your new value proposition (i.e., identify top psychological needs of customers, and top psychological barriers to overcome, potential psychological risks/benefits of proposition framings)

C. **Value Proposition Development:** author new value proposition statements that are grounded in key psychological insights

D. **Experimentation:** conduct empirical research using of state-of-the-art scientific methods to evaluate the value proposition statements with customers

E. **Strategic Recommendations:** provide guidance on which value proposition(s) to implement and what the next steps should be

This approach will allow you to gain a deep understanding of the psychological mindset of customers and give you confidence about what and should be said and what should not.



> *"Our work with BEworks helped us to be crystal clear on how to communicate the benefit of babyark. The behavioral based research revealed what users were not able to tell us in interviews and focus groups – what is the best way to explain the technology of this highly engineered product. We started this process well before market launch, so we can now build our brand strategy and communication plan based on the learnings"*

- Yifat Rice (CMO, babyark)

BE IN ACTION: A CASE STUDY

How we designed and evaluated Value Propositions for an emerging car seat company

Our client was preparing to launch a line of baby car seats featuring safety technology that had the potential to revolutionize the car seat market. To solve the challenge of capturing the attention of expecting parents who have no shortage of car seat options, we designed a behaviourally-informed value proposition.

First, we conducted several interviews with parents and car seat professionals, to identify what parents think they need from a baby car seat and the different dimensions of value that a baby car seat can bring to parents' life. Second, we designed a behavioural experiment to reveal what determines parents' decision to buy a baby car seat over another.

By measuring actual behaviours instead of asking parents to be introspective, we discovered that only two value propositions (out of seven hypothesized) really mattered and answered an important need in parents. We also discovered that two other hypothesized value propositions were actually *hurting* the product's perceived value because they were not matching any of the parents' psychological needs. Our experiment also revealed the heuristics that parents use to evaluate intangible benefits such a safety. Finally, our results also showed that the parent population is not segmented as previously hypothesized: new and experienced parents have the same psychological needs and purchase behaviour.

Using these insights, we generated messaging that were cross-tested with various pricing strategies to overcome the specific barriers to purchase. Our testing determined which strategies best resonated with parents. We found that the most effective branding and communication strategies resulted in unprecedented levels of interest in learning more about the product (>90%), an extremely high likelihood of purchase intention (>85%) and a significant boost in parents' trust in the safety of the car seat.

All in all, our approach allowed us to maximise the perceived value of the product by addressing parents' psychological needs. This case shows that the use of a behavioral approach can help young brands lay the foundation for impactful communication strategies at launch and in the long-term.

Getting started with value proposition using a *behavioral* approach

To help you add the behavioral approach to your value proposition development process, here are a few questions that can get you started:

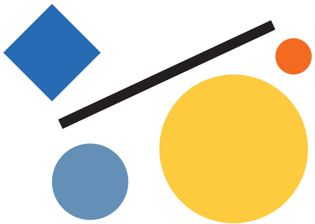
1. Are you working on an existing or new product/service?
    - A. Is there already a value proposition? Or are you developing something from scratch?
    - B. What is the current public perception of your brand? Of your product/service?

2) Who is the target customer? What is the behavior you want to change in the target population?

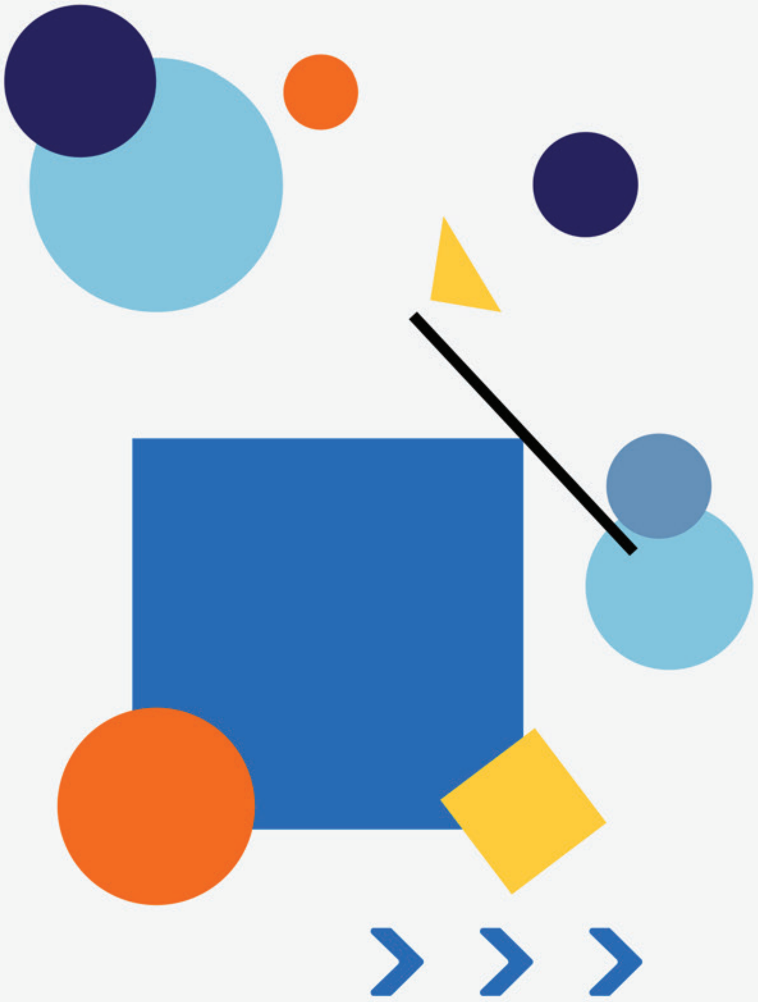
3) What research, if any, have you done already with the target customer?
    - A. What methods were used?
    - B. What did you find?
    - C. Were there any gaps in insights with this prior research?
    - D. What are some outstanding questions you have?

4) What hypotheses do you have about the psychological needs of the target customer?
    - A. Why would they find your product/service desirable?
    - B. How does your product/service improve their lives?

5) What hypotheses do you have about the psychological barriers that customers have



Statistics
Marketing histogram
100%
January
February
March
April
May
Content
Marketing
Diagram
100%



BEworks

For more information:
T: 416-920-1921
E: info@BEworks.com

BEworks BEworks BEworksInc BEworksInc