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Adding Value To Your Products And Services

Gas Is Just Gas

by Fred Firestone

While doing a series of "how to add value" seminars for dealers of a major oil company, my first question was: "Is service good or bad today?" The overwhelming response: "It's bad." Follow-up question: "Is that good or bad for you?" Overwhelming response: "It's bad." My response: "It's good."

Why? The ability to stand out in the market place has everything to do with how well a business provides customers more and better benefits than those provided by competitors. And, the less customers expect, the greater the opportunity to stand out.

Let's begin with an assumption. Whether your business is accounting, telecommunication systems, healthcare, insurance or men's suits, your customers are essentially buying two things. They want your offering (product or service) to solve a particular problem, for example—buying gas so their cars will continue to run. And, they want to feel good about spending their hard-earned dollars with you. In order to differentiate your offering, then, you either gave your customers a better solution to their problems or a more favorable buying experience than they would get elsewhere.

The dealers were asked whether their product did the job any better than the competitions' products. They responded that in the mind of the customer all players in the market were perceived as providing the same "quality" gasoline; this was true, notwithstanding the "uniqueness" of their additives.

You don't play the differentiation card by merely offering a product that does the job just as well as your competitors' products. Having gas that works is merely a ticket of admission; it does not confer competitive advantage. It is hard to understand why some oil companies spend an amazing amount of advertising money trying to convince us of their product's superiority. Dealer friends said it best when they reported that according to the customer, "gas is just gas."

When, however, it came to giving customers a more pleasurable buying experience, the seminar participants agreed with the commonly held perception that it could work to their advantage when service in the industry was bad. They offered many examples of how customer loyalty was engendered with some type of desired service that went beyond what the competition was offering. These dealers saw that their investments in delighting the customer with a more favorable buying experience had bottom-line impact.

Here's another example of the need to differentiate. Remember the Miller Lite commercial featuring a man who is in his boxer shorts dancing with a Great Dane? Funny? Maybe. A message of differentiation? Hardly. While these ads were running, Miller's market share continued to fall—from the top spot of king of light beers until 1994, down to 21.2% in 1998—according to Beer Marketer's Insights, a trade newsletter. In referring to the dancing pair and other out-there spots, Jack Rooney, vice president of marketing for Miller, noted that the problem with the ads was that they didn't talk about taste or the ingredients that differentiated the product from others.

The model here is simple. Every product or service you sell is composed of a core and an outer core. Core is composed of what the market expects to get from the typical provider of your product or service. In the outer core are benefits you offer that go beyond expectation. Keep in mind these benefits fall in one of two categories: you exceed the expectation by either providing a better solution to the problem, or by providing a better buying experience.

The differentiation plan is to find a way to:

1. Discern what it takes to make your offerings more valuable to customers than what's being offered by the competition.

2. Package your offerings so they include these competitive advantages.

3. Effectively communicate to customers the advantages of your offerings.

How does your company successfully differentiate its offerings? E-mail me at firestone@sempact.com.

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