THE VALUE OF ‘VALUE’

By Larry M. Weiner, APR

A not too recent article in the Harvard Business Review – actually, from 1998, but still germane -- once asked the question, “How do you define value? Can you measure it? What are your products and services actually worth to customers?”

Then, we have this definition of value from Wikipedia, “Value in marketing, also known as customer-perceived value, is the difference between a prospective customer's evaluation of the benefits and costs of one product when compared with others. Value may also be expressed as a straightforward relationship between perceived benefits and perceived costs: Value = Benefits / Cost.”

Miriam Webster defines ‘value’ as “the amount of money something is worth, utility or importance of a good or service.” None delivers a completely satisfying answer.

Brand equity, customer lifetime value, brand attributes, value proposition, and other marketing terms all ultimately funnel down to the notion of value.

All economic activity – the buying and selling of goods and services -- ultimately boils down to value, and, to answer the question posed in the HBR, value is subjective. Everyone perceives the value of a product in their own unique way. Some people value jewelry highly. I, on the other hand, see absolutely no value in it. I wouldn’t pay 14 cents for 14 carat ring or necklace, unless it’s a birthday or holiday present for my wife. Then, I value it highly, or I should say I buy it because I know my wife values it highly.

Value measures an individual’s decision to either buy something or not. When we buy a product – whether it’s a Harry Potter book, or a Macbook Air, we are making the determination that product is more valuable to us than the money we’ve got to purchase it. The $900 Macbook Air is more valuable to us than the $900 in cash we have. If we went to the Apple store with $900 in our pocket and walked out with the money still in our pockets, we’ve determined the cash is more valuable than the Air. If we spend $300 for a pair of tickets to a Broadway show, you can be sure we’ll go, but would you make the same commitment to go if someone gave you the tickets? Only if Kelli O’Hara’s in it. It’s ‘value.’ If you also place value on your time, and the choice was to go to the Broadway show, or go drinking with your friends, how would you decide? Value - but in this case the measure is time not money.

Take the theory of cognitive dissonance -- the state of having inconsistent thoughts, beliefs, or attitudes, especially as relating to behavioral decisions and attitude change. Cognitive Dissonance is an intrapersonal discussion we have with ourselves about value. Do we buy the really fashionable sunglasses we always wanted, or get new brakes on the car? Do I buy or don’t I buy? We ultimately decide which is more valuable.

‘Value’ is what market segmentation is all about. It’s more than demographics -- age, income, and other statistical data; or psychographic data – lifestyle choices. The whole business of segmenting markets is the belief that similar people hold similar perceptions of value. And, so manufacturers strive to make products that will be viewed as having the same value by a large enough piece of the market segment to make those products profitable. Market research hopefully confirms that sense of value before the manufacturer commits to going into production.

Price obviously also influences value. I love my Dunkin Donuts coffee, and gladly pay $1.59 for a small cup (from their website), but if that same cup cost five dollars, I might conclude the five bucks was more valuable to me than a Dunkin Donuts coffee.

The job of marketers/advertising/public relations is to communicate the product's perceived value to the target. With jewelry or cars, value is easy to see, but how about bottled water? Then, the marketer has to convince the consumer that bottled water has more value than what they can get for free from their tap. Of course, with jewelry or cars, companies have to convince consumers it would be more valuable to purchase from them than their competitors. Is it more valuable to have a Michael Kors watch or a Movado time piece?

New products that have no competition suffer from an interesting dilemma because consumers have no way to determine whether the product's price is a good value to them. Is the Apple watch or the Fitbit a good value or not? Fortunately for those products, they look like watches, so consumers have a reference for measuring value, but how about a pair of Google glasses? They seem pretty expensive to the ordinary consumer who might spend a couple of hundred bucks for a pair of glasses. But, this is why – thanks to Rogers' Diffusion of Innovations – we have the innovator class. They'll typically buy anything technologically new before the rest of us, regardless of price. Their measure of value is the "neatness" and "newness" of the technology.

So, when companies undertake branding strategies, those strategic plans have to be rooted in real consumer value. There's a tendency to toss the word – and all the other fancy marketing terms -- around without giving it much thought. Always keep the concept of value at the forefront of your marketing strategies.

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