

The Value Equation: Why I Still Use an Old Blackberry



My old Blackberry is due for an upgrade. It is only good for phone calls and reading email. Internet access is useless, it lacks a camera, and accessing apps is impossible.

Recently, I went to the Verizon store and checked out the latest Droid smart-phones. With all of the cool bells and whistles, it is clearly a tool that could change my life. If I purchase this smart-phone, I'll instantly go from ancient to hip in the eyes of my children.

The value proposition for the Droid appears to be very strong. I like the idea of watching NFL highlights on the smart-phone, using it as a GPS, taking great pictures with the 8meg camera, or reading the *NY Times* easily on the larger screen.

And yet, I haven't made the switch. What is wrong with me?

To answer the question, let's introduce a new way of thinking about how we define value.

Classically, when organizations describe value propositions, they focus on a product's benefits. Often, these benefits can be quantified. However, this way of thinking does not explain why I have yet to purchase a product with a seemingly strong value proposition.

In order to truly understand how customers perceive the value of a solution, one must look not only the benefits delivered but also the cost to the customer of obtaining those benefits.

The Value Proposition should really be viewed as The Value Equation.

VALUE = BENEFITS to the customer - COST to the customer to adopt a solution

If the benefits to the customer outweigh the costs of obtaining these benefits, then they will purchase the solution and implement it.

So regarding my indecision regarding the Droid phone, let's look at the costs associated with the phone. These costs go beyond the \$199 purchase price. For example, my consulting firm uses Outlook and the good people at Verizon told me that the Droid does not work with Outlook. Either I purchase additional software or I switch from Outlook. Neither option is appealing.

There are other costs to consider as well. Will I adapt to a different touch-screen interface? Often, my clients want me on their corporate email system; will a Droid be acceptable to my clients' IT departments? Will the Droid work overseas? Right now, these costs outweigh the benefits to me.

The Value Equation can be a powerful tool for companies that want to truly understand how a customer makes a decision to purchase and the product's true value. Incorporating it into your business planning can mean the difference from just launching a product to rapid product adoption and gaining market share. Look at the complete Value Equation; if the result is less than zero you need to make some choices:

- a) target a market segment for which the Value Equation is positive
- b) increase the benefits delivered to meet the market requirements or
- c) decrease the cost of implementation.

I've participated in many product launch meetings and the solution's value proposition is regularly reviewed. However, rarely does anyone bring up the customer's overall costs of choosing and implementing a solution.

Going back to my situation with the Droid, I have yet to make the purchase. I have considered all my costs and, for me, until the manufacturer makes a product that decreases my costs, the value is not positive. So, here I sit with my old phone only able to read email and make calls. And I need to think of other ways to impress my children.

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