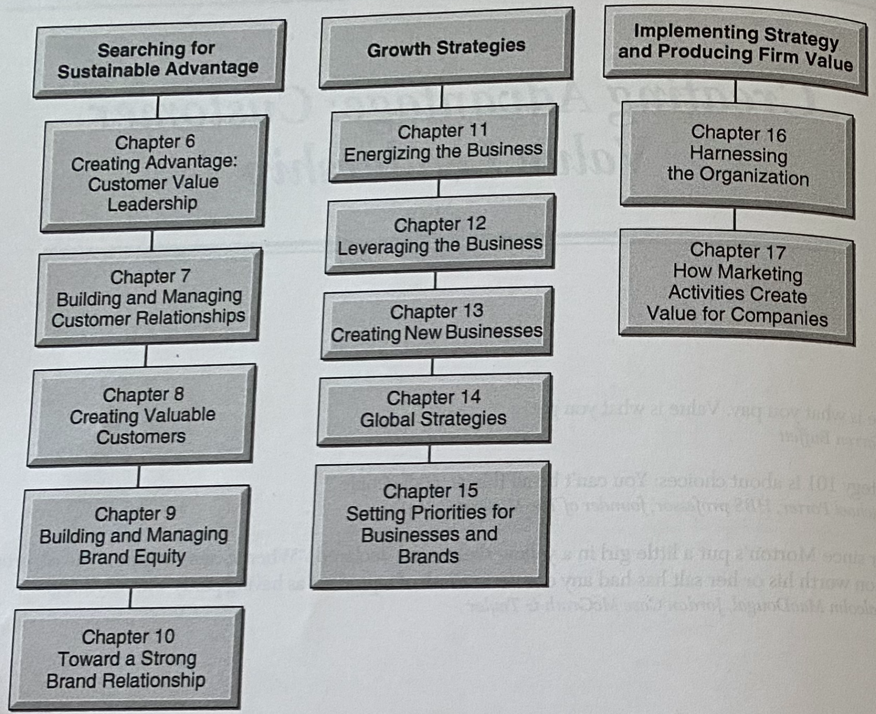

Figure 6.1 Remaining Chapters in the Book

Chapter 17 examines how strong marketing assets in the form of strong customer relationships and brands produce value for the company.

ALTERNATIVE VALUE PROPOSITIONS

Companies choose from a variety of ways to offer value to customers. Look at any market and you will observe an array of different types of offerings that are more or less attractive to different types of customers. This is a sign of a healthy marketplace. However, a closer look reveals a fairly common set of different types of customers and value propositions across markets. Three broad groupings exist—companies that compete on performance value, companies that compete on price value, and companies that compete on relational value. Each of these types of value is defined and different varieties within each broad grouping are outlined.

Performance Value

For performance value, the value proposition is all about having the best product or service offering, usually at a price premium. Performance value can take many forms but they all focus on peerless quality. This is not "quality" in the narrow sense of compliance with standards but in the broad sense of fitness for customer use. Customers who buy these products value this exceptional

quality and are willing to pay for it. To compete on performance value, the company must ensure that its products or services exceed customer expectations on valued performance attributes or benefits. There are five key types of performance value that dominate markets, which are discussed here.

Functional Quality

This is the most basic and straightforward type of quality—the product performs its basic function extremely well. The product works better or lasts longer than competitors, and customers are willing to pay for this type of quality. This type of performance value is why so many buyers of earthmoving equipment are attracted to Caterpillar and auto enthusiasts to BMW cars. Another example is Darn Tough socks. Darn Tough's mission is to "Create the world's best socks and stand behind them unconditionally." The company knits its socks using 100 percent merino wool on small needle, fine-gauge knitting machines to produce durable, high-density socks—without the bulk. To back up this quality, it offers a lifetime guarantee. By producing a product that performs its basic function extremely well, the company can charge high prices for its socks—the least expensive socks are $15 for a single pair, compared to other companies that sell packs of ten pairs of standard socks for $15 or less! Customers seem to agree with Darn Tough's claim that its socks are "the most comfortable, durable and best fitting socks you have ever owned."[1]

Innovation Quality

This type of quality focuses on offering novel sources of value that are not currently available in the marketplace. Companies such as Medtronic, 23andMe, and Tesla qualify. Medtronic dominates the market for implanted cardiac devices, such as pacemakers for treating patients whose heartbeats are too slow and defibrillators for patients whose heart rates are too fast. It has a long history of bringing new technology and performance-enhancing improvements to market ahead of its competition. 23andMe is a genomics and biotechnology company that offers a home-based saliva kit that is sent to a lab where DNA information is analyzed and compiled into reports, including ancestry, carrier, and DNA traits related to health. Tesla burst onto the scene in 2008 with the first all-electric car to use lithium-ion battery cells and the first to travel 200 miles per charge.

Design and Fashion Quality

The focus here is on an outstanding aesthetic or style. Hermès Paris makes the Hermès Birkin handbag that offers incredible design features, including exotic leathers, a goat-skin lining that matches the color of the outside of the bag, and hardware plated in gold or palladium to prevent tarnishing. Handmade in France by expert artisans, each is a reflection of outstanding craftsmanship and is one of the most expensive bags in the world (retailing between $11,550 and $150,000!). Both the design of the bag and its cachet in communicating a sense of fashion (enhanced by the fact that the company produces a limited number), contribute to its status as a fashion statement. As noted by the company, "Because of the slow manufacturing process and difficult task of procuring the best textiles, only a limited number of Birkins are made each year, adding to the exclusivity that can drive up prices, particularly those in the resale market."[2] The bag is usually only made available to Hermes boutique brand loyal and high purchasing customers, which also improves its fashion status.