

Price vs Value

As business owners, customers, and people, when we buy something, we like to think we are getting the same amount of value for the money we are spending. This is true if we spend \$50, \$500, or \$5,000. We don't care as much about the dollar amount as we care about the value. If we were only concerned about the price, we would all stay at \$59 per night hotels, and obviously that doesn't always happen. In fact, we will spend \$100, \$150, or \$250 for a hotel to have a high-quality experience. After all, we don't just want to sleep anywhere, right?

The same can be said for just about everything we buy. As a business, we must provide value relative to the cost of our product or service. This value is what would incentivize people to purchase from our business rather than another. Most of the time, it doesn't matter if the cost is significantly higher than competitors because people know they are paying for the value. A customer's reasoning behind a purchase is not always logical and can be based on emotions such as pride, vanity, competitiveness, fear and pleasure.

What elements of your business are appealing to customers and stimulate their desire to buy your product or service? Knowing this and working to increase awareness to one or more of these elements could increase the attraction, discussion, sharing and purchase.

At Efficiency, we build custom websites for people that are looking to work with our experienced creative director, Tori Rose, to create a unique, visually appealing website that fits their specific brand. Other options are available for people to purchase an out-of-the-box website at a relatively lower cost. Sometimes, though, this option limits aesthetic qualities and functionality, but it still provides basic web

presence. Some customers only value web presence, while others value an attractive and compelling site that resonates with specific emotions they want to connect with.

Is your company focusing more on value or price? How are your products or services providing value to your customers that is worth the price?

What does it mean to create value?

What are you doing to create value? I'm sure you've heard, as I have, that business is all about creating value for those around you. I recently saw a post by [Robin Sharma](#) on five points to protect your company. The fifth point he made was: Become Obsessed with Value Creation. The point says "This is not some pie in the sky idea. It's a hard hitting business growth tactic. Obsess over how you can add more value to more people and the revenues will take care of themselves."

My success coach, [Steve D'Annunzio](#), talks about value from 2 points of view: subjective and contextual. He says that "we are moving out of the age of information and moving into an age of context" and "that no truth exists without context". For example, let's look at the context of a simple drug like pain medication. It can make you feel better from that kidney stone, but it can also become an addiction or it could alter your mind to the degree of committing suicide.

In the age of information, Steve defines value as a product, service or idea that eliminates threats, fulfills obligations

or capitalizes on opportunities. In the age of context, it is defined as any product, service or idea that energizes and empowers you MORE than the energy, time or money that you spend to get it.



So what does value mean to you? How do you know when you're providing value to your customers? I would say that increasing business is a good indicator. When your customers are waiting in line for your product or service, you are adding extreme value (think [Apple](#)). If you're

seeing a declining customer base and decreasing profits, it's probably a good time to start asking your clients how you can provide them more value.

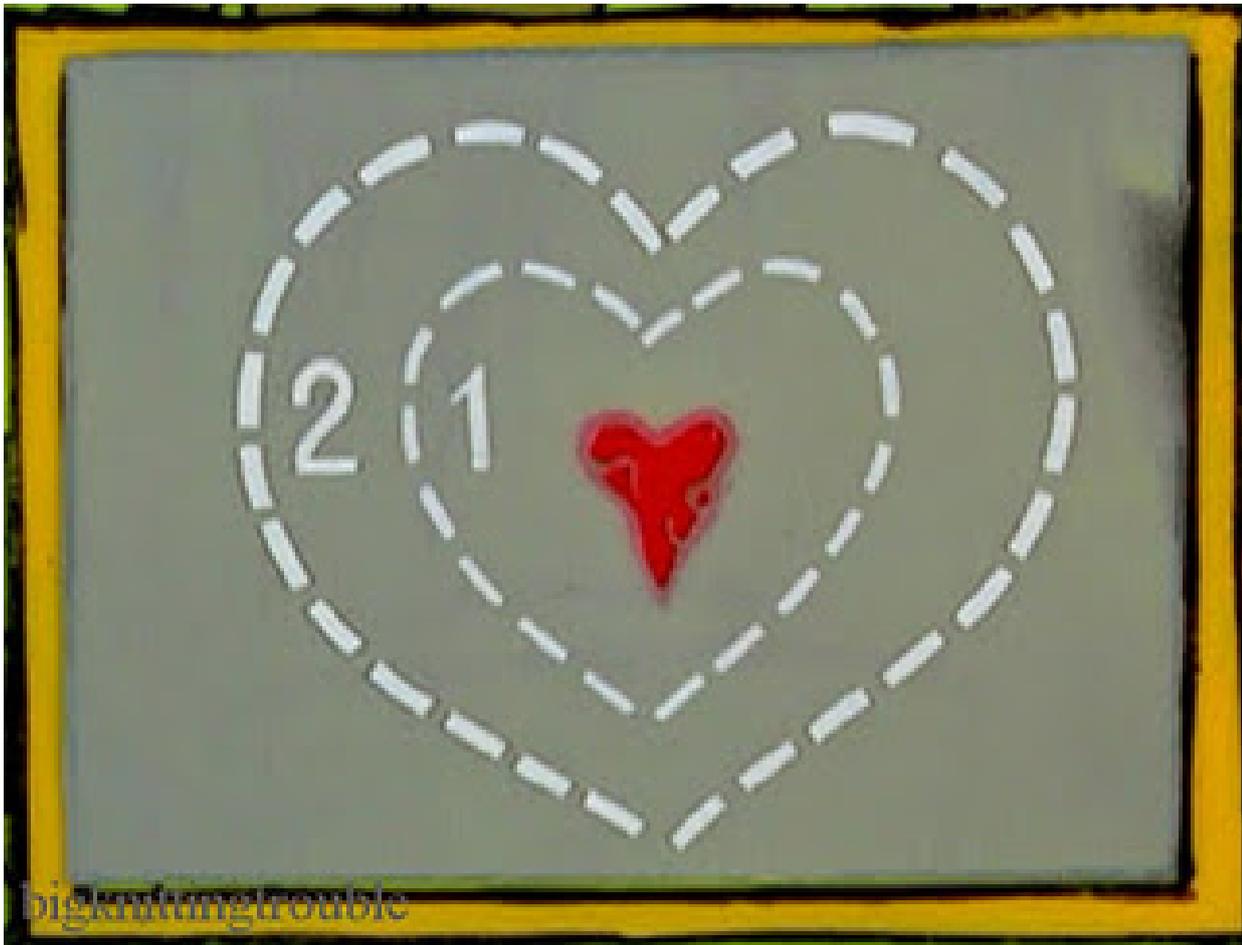
From my experience, you have to have thought and desire to find value. Sometimes it slaps you in the face with a client ranting "why the heck doesn't your service allow this?" If it's not slapping you in the face, simply ask your clients what they need from you that would eliminate a threat, fulfill an obligation or capitalize on an opportunity. Sometimes clients just don't know what they will find valuable until they have it.

The book [Blue Ocean Strategy](#) has an exercise that can come in handy to help find the value that you or your clients don't currently see. This is a great book, filled with lots of insight on how to swim out in the vast blue ocean of competitors instead of floating around in the red ocean of shark infested competition. Next week I will go further into value creation from the Blue Ocean perspective.

Three Things Scrooge Would Say About Our Business

As we approach Christmas and get to spend more time with our family and friends in a spirited, colorful environment full of lights, we open our hearts and our pocket books to give and share what we have with others. While I cannot speak for you, it makes me feel good to give to others. When it is done with sincerity, I feel it has that effect similar to when the [Grinch's](#) heart grows three sizes. It changed him. I look to the holidays to have that growing heart experience and hope the holidays have the same effect on you.

However, in certain areas of your business, I feel it is necessary to have a [Scrooge](#) mindset. I have experienced this in the areas of operations management, stop doing , and cash!



For operations management, I find it useful to go through all the expenses on a periodic basis and for each ask, “is this expense necessary and does this add value to my business?” I always do this at the end of the year and prefer to do it quarterly. I often discover things we are paying for that no longer need to be paid or that could be modified or reduced.

For example, during this end of year review, I found that we were paying to store outdated documents off-site. These can now be destroyed, thus stopping that expense. My team is also reviewing our servers for potential consolidation and fee reduction. What expenses could you reduce or end?

What can we STOP doing in the true Scrooge fashion? Many times we take on too much and have to stand up and be a scrooge and say, “No, I can’t do that at this time because it will affect my other work.” It can be most difficult to say no to clients, but as I have experienced, it can be the most important thing you say in business. You can read much more

on this in last week's [blog](#).

The last and most important area I'll discuss is cash. We all know that not having the cash to pay our bills is a bad place to be. Therefore, being cautious and miserly in this area is prudent in the right context. Ask the question, "what can we do in order to get cash in faster and pay it out slower?" Extending cash outflow for thirty days by putting some of our expenses on credit cards could be an option. What are the opportunities to negotiate getting paid upfront or sooner from clients in exchange for some benefit to our clients? We have lines of credit in place and credit card availability as a back-up in this area.

As we go into this holiday season and the New Year, I am shooting for balance between being a scrooge in some business areas and growing my heart three times. Wishing you all a wonderful giving and sharing holiday season!