

## Time to Grow



An organization with a solid customer data driven growth strategy and a thorough understanding of the evolving market is ready to begin the important execution work to accelerate growth. The objective is to grow faster than the overall market so your share is growing rather than shrinking. Understanding your customers and the market should guide every action you take including product development, cross-selling, targeting, value propositions, pricing and negotiations.

An excellent value proposition is critical yet for many organizations it is an assumption based on outdated customer and competitive dynamics. In many cases it offers little that differentiates one seller from another. At it's worst it is a generic statement that any competitor can brand with their logo.

Recent work in behavioral economics has cast aside many of the broad assumptions of how customers perceive value. Richard Thaler, one of the founding fathers of behavioral economics has demonstrated through various experiments and empirical data that humans do not always act as "Econs" calculating the greatest economic utility of every purchase. We are guided by a far more complex set of values and judgments.

The September HBR article, "The Elements of Value" challenges us to look beyond the common assumptions and examine a broader set of issues that guide customer's perception of value. It acknowledges that understanding what customer's value is difficult. Customers are unique and often value emotional factors, such reducing anxiety, as much as price and function. Successful organisations take the value proposition serious and tailor the messages to what is most important for each buyer.

The internet has provided us with many benefits and one of these is the ability to conduct marketing experiments to improve our understanding of customers behaviour. Modern marketing techniques enable us to test customer's perceptions of value and the motivators to purchase. Experiments can offer more effective ways to segment customers and provide insights in how to best meet and influence buyer behaviour.

Amazon book recommendations have shed light on our human nature to do what we believe others are doing. This is a powerful and pervasive technique for influencing behaviour. Robert Cialdini, PhD has conducted countless experiments highlighting the importance of “social proof” and our natural inclination to do things we see others doing. Leverage this understanding to more effectively influence behaviour.

Pricing is also an important lever for growth. It is not always best to lower the price to attract more sales, nor is maximising the price each customer pays the best way to maximise firm revenue. The objective is to maximise overall firm revenue and selectivity in pricing is often the best way to achieve this. Two-sided markets prove that subsidizing one set of customers to attract another set is a very effective way to maximise revenue and profits. Lower discounted pricing for functionally reduced products may be a good way to capture underserved markets and add a completely new customer segment to your business.

Employing this set of techniques can assist your organisation to accelerate growth. This accelerated growth can lead to higher market share and a greater ability to shape market dynamics. In turn this will establish a strong foundation to better serve customers, increase profitability and enhance employee morale.