



PRICING & REVENUE ARCHITECTURE

What is a value proposition?

A value proposition names the buyer, alternative, difference, and evidence: a decision object, not a homepage slogan for teams.

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Management summary	2
What decision does a value proposition name?	3
What is the working formula for a value proposition?	3
How does a value proposition differ from positioning strategy?	4
How should teams calculate and interpret a value proposition by segment?	4
What data does a value proposition require?	4
Which failures show up on a complete-looking dashboard?	5
What auditable protocol keeps a value proposition honest?	5
Worked example: B2B industrial software shortlist	5
Worked example: SaaS seat expansion	6
Where are the empirical limits of value-proposition design?	6
References	7

MANAGEMENT SUMMARY

A value proposition is not a slogan and not a brand promise written for a homepage. It is a decision object that names the buyer, the job or problem, the next-best alternative, the differentiated change the buyer gets, and the evidence that makes the claim reviewable. This concept guide separates value propositions from positioning strategy, shows how to calculate and interpret the claim by segment and market, and gives a checklist that refuses portable uplift and private deal results as proof.

Keywords: Value proposition · Positioning · Willingness to pay · Value-based pricing

What decision does a value proposition name?

Payne et al. (2017) define a customer value proposition as a strategic tool that helps a firm communicate its ability to share resources and offer a superior value package to targeted customers. That scholarly definition is the evidence base for treating a value proposition as a communication and strategy object, not a homepage slogan. PFE17-C1

This essay's operating translation keeps that communication role and names the decision fields teams must fill before pricing or proof work begins. A value proposition is a commercial claim about why a defined buyer should choose one offering over a named alternative. It is a decision object, not a marketing sentence. The object has five parts that must be written before any dashboard or checklist is useful: the buyer, the job or problem, the next-best alternative, the differentiated change the buyer gets, and the evidence that makes the claim reviewable.

If any part is missing, teams usually fill the gap with slogans, category adjectives, or average metrics. Those fillers look complete and still fail when a buyer asks "compared with what?" or when finance asks "for which segment?" The proposition is real when a decision changes once the five parts are named, not when a homepage line is approved.

Figure 1 The value-proposition decision object

Field	What it must name	Failure if empty
Buyer	The decision unit that can choose	Teams write for "the market" and no one owns the claim
Job or problem	The work or pain the buyer is trying to resolve	Features replace outcomes and proof stays vague
Next-best alternative	The concrete substitute if the offer is absent	Buyers file the offer against a cheaper or more familiar set
Differentiated change	The change the buyer gets versus that alternative	Positioning language is treated as delivered proof
Evidence	A reviewable record of the difference	Dashboards and anecdotes stand in for proof

Author's operating framework. Scholarly CVP definition from Payne, Frow, and Eggert (2017); multi-actor boundary from Adner (2017).

What is the working formula for a value proposition?

A practical value-proposition formula is not a score. It is a structured sentence teams can audit:

For [buyer segment], who [job or problem], our offering [differentiated change] relative to [next-best alternative], as evidenced by [observable proof], so the buyer can [decision].

"Calculate" here means completing the fields with named objects, not inventing a universal index. "Interpret" means saying which field the number or dashboard tile describes. A dashboard that shows win rate without the alternative and segment is not a value-proposition dashboard; it is a sales outcome tile.

Refuse any formula that promises a portable conversion uplift or that treats a private deal anecdote as general proof.

How does a value proposition differ from positioning strategy?

Payne et al. (2017) distinguish a customer value proposition from a positioning statement: the positioning statement places points of differentiation in the buyer's mind and is typically treated as part of advertising or integrated communications, whereas the value proposition is a broader strategic communication of a superior value package. PFE17-C2

Positioning strategy chooses the comparison set and the category filing that shape willingness to pay. A value proposition uses that set. Confusing the two creates two failure modes.

First, teams write a value proposition without owning the comparison set, then wonder why buyers file the offer against a cheaper or more familiar alternative. Second, teams treat positioning language as if it were already evidence of difference. Positioning can change the set; it does not by itself prove delivered change.

Use positioning when the question is “which set and category should we own?” Use the value proposition when the question is “for this buyer and this alternative, what changes and how do we know?”

How should teams calculate and interpret a value proposition by segment?

Calculation starts with segment objects, not with averages. B2B buyers, SaaS seats, and consumer cohorts are different decision units. A value proposition for B2B must name the economic buyer and the user when they differ. A value proposition for SaaS must name the entitlement and the usage object when price and value accrue on different clocks.

Cohort analysis belongs when the claim depends on tenure, adoption stage, or renewal state. Across markets, the same words can hide different alternatives and evidence standards. If the alternative or the proof changes by market, the proposition is not one object with a translation; it is a family of objects that share a template.

Interpretation rules:

- 1 Name the segment before reading a dashboard.
- 2 Name the alternative before reading a difference claim.
- 3 Name the evidence class before reading a proof metric.
- 4 Separate sales narrative from delivered-value evidence.

What data does a value proposition require?

Minimum data requirements are boring on purpose:

- Segment definition and inclusion rule
- Documented next-best alternative for that segment
- Observable difference the buyer can verify after purchase

- Evidence source and date, with a method note
- Decision the proposition is meant to change (shortlist, price acceptance, expansion, renewal)

Nice-to-have data that often pretends to be proof: brand awareness, unaudited case studies, blended win rates, and AI-generated benefit lists. Those can support discovery. They do not close the evidence field.

Which failures show up on a complete-looking dashboard?

Common failure modes:

- The dashboard tracks message tests without tracking whether the alternative changed.
- The segment field is a persona label without an inclusion rule.
- B2B claims cite user love while the economic buyer still compares on a different set.
- SaaS claims cite feature counts while value accrues on usage or outcome objects.
- Across-market roll-ups hide that proof standards differ by jurisdiction or channel.
- Checklists are treated as certificates.

A checklist is a diagnostic prompt. Completing it does not prove the proposition. It only shows which fields are still empty.

What auditable protocol keeps a value proposition honest?

- 1 Write the five-part object before creative work.
- 2 Record the decision the proposition is supposed to change.
- 3 Separate stated benefit from delivered-value evidence.
- 4 Re-open the object when segment, alternative, or entitlement changes.
- 5 Refuse portable uplift and private deal results as general proof.
- 6 Review with finance when the claim implies price or margin consequences.

Worked example: B2B industrial software shortlist

A mid-market operations buyer compares three vendors for plant-scheduling software. The next-best alternative is the incumbent spreadsheet-plus-planner workflow, not another SaaS brand. The differentiated change is a reduction in reschedule cycles that the plant manager can count from the dispatch log. Evidence is a time-stamped log extract from a pilot cell, not a homepage ROI calculator.

The value proposition object is then:

For operations buyers in mid-market discrete plants who currently reschedule with spreadsheets, the offering reduces reschedule cycles relative to the spreadsheet-plus-planner workflow, as evidenced by pilot dispatch logs, so the buyer can approve a shortlist and a price conversation.

If marketing instead writes “AI-powered scheduling excellence,” the comparison set stays vague and finance cannot connect the claim to margin. The slogan failed before pricing started.

Worked example: SaaS seat expansion

A SaaS customer success lead wants expansion revenue. The economic buyer is the department head; the users are analysts. Value accrues on active workflows, while price accrues on seats. The proposition must name both clocks. Evidence is workflow completion in the product analytics export for the paying department, not a company-wide activation average.

Across markets, the same product may face different incumbents and different proof standards. Then the template stays; the filled object changes. Rolling the objects into one global sentence recreates the slogan failure.

Where are the empirical limits of value-proposition design?

A value proposition does not replace willingness-to-pay measurement, value-based price architecture, or causal marketing measurement. It also does not travel unchanged across segments and markets when the alternative or the evidence changes. When delivery depends on partners outside the selling firm, Adner (2017) treats the focal value proposition as the foundation of an ecosystem-as-structure: the alignment of multilateral partners required for that proposition to materialize. That is a boundary condition for multi-actor offers, not a license to count partners as proof. ADN17-C1

Treat the proposition as a local decision object with a clear boundary, then connect it to pricing and evidence essays that own those neighboring problems.

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END OF ESSAY

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