



CUSTOMER INSIGHTS: WHAT ARE THEY WILLING TO PAY MORE FOR? **Adam Wallace**

Asking, “What problem do you solve?”

has become a popular way for investors and potential business partners to solve a problem they themselves face. When evaluating a company for investment, they must discern if it’s created a solution in response to an unmet need in the market—or if the founders have become enamored by “a solution in search of a problem.”

The former allows for the effective analysis of market potential and creates a firm footing for the business, while the latter is akin to funding scientific research. Sure, the business could turn into something someday, but you’d be investing in speculation; it’s a very different kind of investment requiring an even larger upside potential to fund the risk.

To uncover real value, we suggest you change the focus to what the customer values.

STOP FOCUSING ON “PROBLEMS”

While focusing on solving problems has its benefits, it glosses over two more valuable pricing positions:

1. BEING AN EMBODIMENT OF A BUYER’S DESIRED DESTINATION.

Think, for a minute, about the luxury hotel chain Four Seasons. It would be silly to say Four Seasons is solving a lodging problem. And it would take some unnecessary linguistic gymnastics to define them as a solution for how to spend one’s leisure time. Like many luxury goods, Four Seasons simply offers an embodiment of the destination itself.

Whether it's a \$3,000 vacation suite, a \$2,000 handbag, or a \$400 bottle service, selling objects or experiences is actually a cost-effective way to rent or own a piece of the destination customers hope to reach someday. It might take another few decades—or even another lifetime—to be able to own a private villa with a full-time butler, but for one week a year, you can live as if you already do.

The human brain is efficient at choosing relevant inputs from the environment based on our goals, which are simply instantiations of things we value.

2. OFFERING A SHORTCUT FOR GETTING WHERE YOUR BUYERS WANT TO GO.

Selling a shortcut, or an alternative way to get your buyers to the higher-valued place they want to be, has unique pricing advantages as well.

On one end of this spectrum are business-to-business transactions that follow a well-defined number of steps, each with a quantifiable time and cost. It's easy to calculate how much value a new offering might bring if it reduces the total number of steps or their duration. It's also easy to know in advance who the offering will create value for; these types of offerings are often well-suited for case studies and demonstrations.

The same applies to consumer products. The early iPhone ads didn't tell you about the smartphone's features; they showed little vignettes of how iPhones made everyday life better.

Even with the original iPod, Apple's total addressable market wasn't defined by people who had the problem of carrying around binders full of CDs. Once Apple showed you could walk down the street with your entire music library in your pocket, they created a shortcut for people to have something they valued more with less effort, and customers happily paid for it.

On the other end of the spectrum, away from quantifiable time and expense, is the potential for revolution, disruption by a new way of operating, or a technological breakthrough. This positioning taps into humans' well-known tendency to value the potential performance, *ex ante*, more than the proven performance of something we're already familiar with, *ex post*.

There's a premium that comes from being the next new thing. Many people will pay more for something that offers potential, even when it clearly eclipses their own verifiable bottom-up estimates of what they'll get out of it.

Selling a shortcut, or an alternative way to get your buyers to the higher-valued place they want to be, has unique pricing advantages ...

THE FINAL FOUR

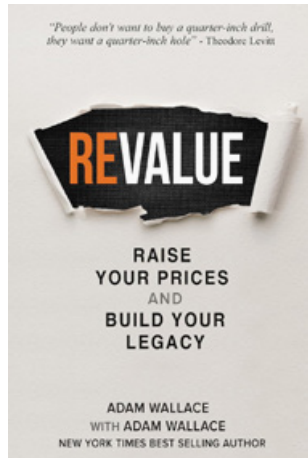
The human brain is efficient at choosing relevant inputs from the environment based on our goals, which are simply instantiations of things we value. At the atomic, behavioral level, what you sell only ever falls into one of four positions, in descending order, of what customers will pay for:

1. An embodiment of a motivating destination.
2. A pathway to get closer to where customers want to be.
3. A solution to overcome a problem that's in their way.
4. An obstacle in their way (a positioning that's critical to avoid with business-to-business stakeholders).

Isn't it time to transition from merely solving problems to helping customers reach these goals? 🚩



Info



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Adam Wallace has spent years unlocking pricing power for products and services. After more than a decade as a Fortune 100 corporate fixer, he now serves as an interim executive and board member for private companies.

His new book is *(Re)Value: Raise Your Prices and Build Your Legacy*.
Learn more at www.AdamWallace.com.

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