

# The value choice

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Scott Sandler, Vice President, Corporate Marketing and President of Springsoft USA, urges companies to understand their true value proposition because if they don't they won't be able to deliver the value their customers expect

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Companies make money by delivering value to consumers. Sometimes this value comes in the form of a commodity delivered more efficiently. More often in technology companies, it comes in the form of differentiated solutions that are not available from other suppliers. In every case, value is defined solely in the mind of the consumer: does the product make them feel good, or solve a real problem; does it work consistently well? These are the things of which customer satisfaction is made.

Great brands like Apple, Toyota, and BMW have distinguished themselves by differentiating their products from the commodity competition. People buy MacBooks for more money than

generic Windows-based PCs. They buy more Toyotas than GM cars, and when they buy a BMW, they're not buying a car; they're buying "The Ultimate Driving Machine." Consumers know WHY they buy these products – and it's not just the price!

Large companies often sell both commodity and differentiated products. This works out fine in many instances, when customers can choose to buy (or not) each of the company's products independently. But when the products are bundled such that customers are compelled to buy the less capable products in order to acquire the ones they strongly desire, then they might not be getting all the value they could.

One danger with this model is that

deals are negotiated on discount, not on value. While customers may initially get a lower price, everyone ultimately suffers in this Faustian bargain. In EDA, vendors may get higher volume, but profits are going to suffer, and end users get the short end of the stick because they don't get the best tools for every application.

It is crucial that companies understand their true value proposition in order to maximize the value they deliver to their customers. Are they in the business of aggregating solutions for more efficient delivery? Or are they specialising in solutions available nowhere else? And it is crucial that customers think carefully about why they're buying the products they're buying – is their motivation strictly price, even if that means lower productivity for their engineers, or do they want to maximize their return on investment and get more value out of their staff?

In EDA – where all the products are defined by esoteric algorithms, where Moore's law drives constant change in languages, formats, and methods, and where all the customers are engineers



– delivering and maintaining value is as hard as in any earthly market. But consumers are consumers, even when they're engineers. And even in this crazy, cozy corner of the world, value is the key to customer satisfaction and growth. Those companies that choose to "make it up in volume" will be forever vulnerable to change.