

# Value: art or science?

The concept of value is of particular interest to companies these days. **Martin Lee** is interested in why it has become especially resonant to brands. In this article, he explores the gap between what companies think they are giving and what consumers think they are getting, and explains why people in business can learn a lot from the art world about the principles of value

**F**OR MEMBERS of the public, getting value is a feeling. For businesses, giving value is a proposition. That is a chasm of difference. Let me illustrate.

Here is a member of the public talking about value in a focus group: "Value is something you feel you've got, because you've got that peace of mind. I bought two laptops recently. I didn't want to pay any more for them. I paid what I felt I needed to pay and that was fine."

Here, by contrast, is a client writing about value in a market research brief: "We need to be able to calibrate our value proposition to different customer segments, based on an understanding of their different value triggers and key drivers in relation to price and service."

At Acacia Avenue, we often spot business trends by the briefs we receive. This has never been more dramatically true than in the case of value. Between our formation in 2002 and the end of 2013, we received precisely zero briefs dedicated to understanding value from a customer perspective. In the next 18 months we had five. Not an avalanche, but considering how nebulous a brief 'value' is, and how relatively hard to apply the conclusions, compared to, say, ad evaluation or new product testing, it feels significant. So in addition to answering client briefs, we decided to work out why value is especially resonant for brands today.

'Value' first entered the English language in the 14th century, imported from old French and ultimately from the Latin verb *valere*, meaning 'to be strong'. In the Latin, there

is a clear flavour of moral strength. To this day, we retain this meaning, with the linked word 'values', as we often see in corporate brand architecture, for instance. But in the commercial sense, value was defined as 'price equal to the intrinsic worth of a thing'. When you think more about that meaning – price equal to the intrinsic worth of a thing – It suggests an absolute equivalence: you buy an item, it's worth its price. And the reason you know that is because there is a clear relationship between the price of a thing and the cost of production. Hence the word 'intrinsic' in that definition.

In those days, people would buy and sell from and to people that were always known to them. They didn't need brands to stand as a guarantee – if you were a merchant, you were wholly identified with your own products. Your reputation could be quickly destroyed within your village or town, and so the definition of price equating to intrinsic worth made absolute sense.

## WHAT THE MARKET WILL BEAR

Scroll forward to our era, and the idea of cost plus pricing is far more elusive.

As consumers intuitively understand, the pricing game now is all about 'what the market will bear'. We often hear talk these days of being in an era of transparency. I don't think so – that'll be the 14th century.

Nowadays, we routinely grapple with new markets such as cloud storage, where there is no relationship to the cost of production that any consumer could understand. And although that might be an extreme case, we increasingly buy services as much as products, and again, the relationship to

the cost of production is nebulous. And even when we do buy 'things', they can be mysterious. For example, have you ever seen a kilowatt of electricity? And while you digest that question, probably for the first time, do you know if every kilowatt is the same quality as every other kilowatt? You may be thinking, 'they're identical, surely', but how do you know?

The reality is that we take a vast amount of things on trust, having no choice. Most of our tools for assessing value are implicit, and based on nothing more than comparison. So a price comparison website might tell us about the relative price of Dropbox versus Google Drive for cloud storage, but that tells us nothing about the literal relationship to the cost of production. So it's not surprising that consumers are looking for more tangible demonstrations of value.

## GENERATIONAL DIFFERENCES

In addition to this type of consumer confusion around the link between price and value, we have also seen generational differences. In our work, we continue to hear people from the Boomer and GenX cohorts talking about brands as 'adding value'. They have been successfully trained by marketers to treat brands as having innate value that's worth paying for.

Millennials? Not so much. They have a robust, utilitarian approach to value. When we ask them to talk about value, they are far more likely to talk about price. Without even realising it, they are holding businesses accountable to the original manufacturing idea of a price being related to its cost of production. And as digital natives, operating in an era of radically empowered consumer power, there is no effort involved in finding best price.

In this context, paying more than you have to for something looks weak or lazy. They are certainly not remotely interested in the idea of a brand 'saying something about you'.

Now, as it happens, millennials do look for brands, but in terms of how they can help them run their lives. Function first, followed by, er, that's it. That's not a degree of difference, it's a mind shift, and if you're a mass brand trying to market your value proposition across age cohorts, then good luck with that. No wonder we're starting to see research briefs on value.

## HOW PEOPLE ASSESS VALUE: THREE THINGS

At an overall level, people use three simple, intuitive mental processes to evaluate value. Mostly these are so embedded as to be invisible, but they are crucial tools that we would be lost without.

# THE VALUE OF ART – OVER TO YOU

To dramatise the abstract nature of pricing in our recent client seminar on value, we invited Eames Fine Art, a leading print gallery, on Bermondsey Street, Southwark, to conduct a test on original prints (artworks that are created as prints, rather than reproductions of artworks).

We can recreate that exercise here. Below are three works of art. Knowing nothing more about them than that they are all limited

edition prints, what price would you put against each of them? Most people find that it's almost impossible and estimates were comically divergent. Have a go.

## KEY INFORMATION

What you need at this point is some information – some context from The Value Octagon. Here are some relevant details about each of the prints:

**1 Artist: Norman Ackroyd**  
**Title:** 'The Rumbings, Muckle Flugga, Shetland'

**Date:** 2013

**Edition:** From an edition of 90

**Medium:** Etching with aquatint

**Signed or unsigned:** Signed

**2 Artist: Francisco de Goya**  
**Title:** 'Dios La Perdona: Y Era Su Madre' ('For heaven's sake: and it was her mother')

**Date:** 1799

**Edition:** from the first edition of 300

**Medium:** Etching, aquatint and drypoint on paper

**Signed or unsigned:** Unsigned

**3 Artist: Anita Klein**

**Title:** Family Tree

**Date:** 2014

**Edition:** 25

**Medium:** Lithograph on paper

**Signed or unsigned:** Signed

Now try repricing. Specifically, knowing that number 2 is by Goya, does that make a big difference?

We should come clean: the actual prices are at the bottom right of the page. How did you do?

1



2



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3



1 Ackroyd: £11,500; 2 Goya: £7,500; 3 Klein: £475

■ **Anchoring:** Judgements about value are entirely context-dependent. You can't decide whether something represents value in a vacuum. People can and do make different anchoring decisions, which is why something can be a bargain to one person and a rip-off to someone else. If you anchor the price of a tin of branded coffee beans against supermarket own-label instant, it's going to look expensive, but if you think that it's the price of three coffees in Starbucks, your perception of good value will zoom up.

In fact, a lot of successful value marketing involves controlling the anchor. Rather than be at the mercy of whichever anchor a consumer happens to fix upon, a wise marketer will exert influence over the anchor by making the comparisons for us before we make our own.

The geniuses at this are second-hand car dealers. Think about how they always tell you two things – the mileage and the age of the car. Who ever said that these are the two critical things about a car? But what they are doing is controlling the anchor – simplifying complexity and giving us an easy way to shortlist our choices.

■ **The value model:** We don't need to be management consultants to sense the relationship between what we pay and what we get. When that ratio is in equilibrium, in ordinary language we say 'I got what I paid for'. When you get more than you pay for, or pay less for what you get, then it's a bargain – always a no-brainer. But often it's worth it to pay more than you strictly have to, maybe for convenience, or brand, or higher quality. It requires a rationale, but as long as it doesn't stray into the realm of rip-off, it's fine.

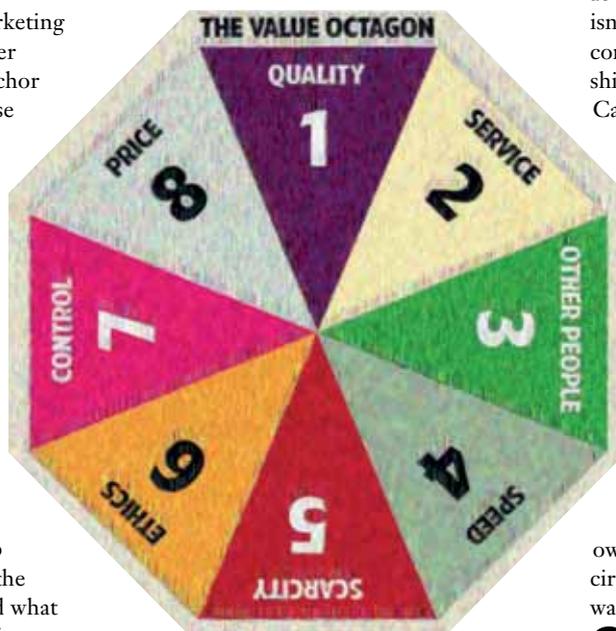
■ **The effort equation:** In any transaction, we have learnt that people put a disproportionate value on ease. Anything that feels like it's going to be hard work will not get started. We have summarised what we have seen time and time again in the effort equation:

$$\text{Time} + \text{mental energy} < \text{reward}$$

In other words, unless something is expected to offer greater benefit than the time, concentration and effort required to acquire it, it won't get done or bought. As semiotician Nick Gadsby said in his 2015 MRS paper, *The Knew New*, even innovative products need to be 75% familiar for consumers to adopt them. Ease is coded into the way we value anything.

## THE VALUE OCTAGON

We have identified eight components of value, each of which can be separately identified, even though they tend to work together. For any one person, one or more of these components could be a definitive marker of value that swings a purchase one way or the other. We haven't got the space to do full justice to them in this paper, but they will be familiar to all. If your brand, product or service is not operating within the octagon, you're in trouble.



**1 Quality:** A dangerous 'fat word', but in essence it is most often associated with product performance that is relentlessly better than being simply fit for purpose. Every time. Le Creuset cookware is a classic example.

**2 Service:** Acceptable service, of the 'does-what-it-says-on-the-can' level, no longer cuts it. For service to be a source of value, it has to carry a dose of the unexpected, such as Pret A Manger's current initiative, in which staff are empowered to give free coffee to customers at their own discretion.

**3 Other people:** People place disproportionate value (more than they realise) on the endorsement of others, or of fitting in. Whiskas famous 'Eight out of 10 cat owners' campaign tapped into this phenomenon. Word-of-mouth recommendation is always the most powerful endorsement, and formal marketing will always be a substitute.

**4 Speed:** Value isn't always about being quick, such as for fast-track delivery services. Value can also be about taking your time, such as malt whiskies that rise

in price exponentially with the length of ageing, or the value ascribed to the wait for a Guinness to be poured.

**5 Scarcity:** Items that exist in limited editions are always associated with value. Most luxury brands thrive on notions of scarcity, and events trade on both scarcity and transience, with tickets for the Wimbledon final or 2015's Kate Bush concerts commanding high prices.

But this is also true in other markets. For example, Cunard's value proposition at the top of the cruise holiday market isn't all about the product – it's conditional on the line operating three ships, as opposed to the fleet of 25 Royal Caribbean ships.

**6 Ethics:** Many companies are moving ethical behaviour from the backwater of CSR to be more prominent in marketing, such as Barclays' Digital Eagles initiative, which is empowering 8,000 members of the bank's front-line staff to support customers in all aspects of digital literacy, whether or not they relate directly to banking.

**7 Control:** Increasingly, consumers are placing value on being given control. The recent icon of this is the Waitrose 'Pick your own offers' campaign. We have come full circle from Henry Ford's 'any colour you want as long as it's black'.

**8 And not forgetting... price:** Historically, every market has players that have only price in their value proposition. But in more recent times, brands have succeeded by having more to their proposition than pure price.

Ikea is the poster child for this: price is baked into its whole philosophy. Minimal service isn't about cutting corners – it's part of a system of belief around democratic design that understands that customers who build their own furniture love it more. MFI also had cheap prices, without a philosophy underpinning the notion of value, and it is no longer with us.

The problem with price as your only pillar of value is that someone can always come along and take it away from you. Don't forget the famous maxim of Sir Ken Morrison: "Long after they've forgotten the price, they'll remember the value."

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