



Tool Talk: The Value Ramp

Leading Learning Podcast
Transcript for Episode 315

Celisa Steele: [00:00:00] Why use the Value Ramp boils down to it helps you think about the value of your products and services, and it helps you translate that thinking into a logical approach to pricing. And pricing is a critical aspect of what all learning businesses do. I'm Celisa Steele.

Jeff Cobb: [00:00:23] I'm Jeff Cobb, and this is the Leading Learning Podcast.

Celisa Steele: [00:00:32] Welcome to episode 315 of the Leading Learning Podcast. This is the second episode in our informal series on tools for learning businesses. In the first episode in the tool talk series, number 312, we talked about the Market Insight Matrix.

Jeff Cobb: [00:00:49] In this episode, we'll focus our tool talk on the Value Ramp. And, if you're a long-time listener, you've heard us talk about the Value Ramp before, but we want to revisit it and apply the same why-what-how framework we used when talking about the Market Insight Matrix and that we'll use in all these tool talks. So let's jump in. Why use the Value Ramp?

Celisa Steele: [00:01:13] Pricing is a perennial issue for learning businesses. We often talk about our work as helping learning businesses improve their reach, revenue, and impact, and pricing is key to the revenue piece of that triumvirate.

Jeff Cobb: [00:01:28] It is key, and it's often difficult for learning businesses. Now we believe in value-based pricing. That is, you charge based on the value someone will get from what they purchase. And there are, of course, other ways to price—pegging the price to what competitive offerings cost, for example, or a cost-plus basis where you figure out what your underlying costs are and then add on top of that whatever margin you want to get. Those are common, but value-based pricing is really good for both the buyer and the learning business. I think more so than those other approaches. It helps the learning business not leave money on the table, to actually charge for the value you're delivering. And really it's good for the learners because what they're paying is tied to something of commensurate or even higher value than whatever the price is. And really that all flows out of knowing what learners value. It flows out of being

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in constant contact and communication with your learners, understanding how they perceive value, being able to communicate that value, being able to deliver that value. And, when you're doing all of that, you can do value-based pricing, and, of course, you're just simply going to be creating better products, the right products for your learners.

Celisa Steele: [00:02:52] Inherent in what you're saying there, Jeff, is this idea that what you're able to charge for your offerings depends on the value that your prospective customers place on those offerings. But what's really important to recognize is that that value is dynamic. It changes over time, and it changes from customer to customer. And, most importantly, learning businesses have the power to impact that value perception through product strategy, through marketing efforts, and through ongoing interaction with prospects and customers.

Jeff Cobb: [00:03:28] They do, and, when attempting to assess the value that prospective customers might place on your offerings—for example, through surveys, competitive analyses, the types of things that you would be doing with the Market Insight Matrix, which we've discussed—it's important when you're doing that to lay aside any biases you may have. If, for example, you start with the assumption, as so many learning businesses do, that education delivered online is inherently of lower value than place-based education, then that's almost certainly where you're going to end up with your customers. You're just going to default to that lower price and lower value perspective.

Celisa Steele: [00:04:07] That's right. So this is again, just want to emphasize it again because it's so important. Lay aside your biases about what any format might have that's inherently a value or not a value to your customers. And, instead, what you want to consider are the qualities that you think your prospects are likely to value. And we'll just note that, in general, there are a few things that can negatively impact perceived value—that is, that the perceived value of a learning product or service tends to be lower when these things are true. So, for example, if a product is highly generic, if it's designed for the largest possible audience, that tends to make it not be perceived as particularly valuable or not as valuable as some other offerings. If the product offers learners limited or no ability to get input specific to their individual needs, that also tends to be perceived as being of lower value. If the intellectual content of the product is produced by someone who's not known or not known very well, that also can lead to a perception of lower value. And then a final point we'll make here is that if free or lower-cost alternatives to your product are known about and easy to find, that also is going to negatively impact the perception of value usually.

Jeff Cobb: [00:05:33] So you're going to want to look at all of those and see what you might be able to do to combat them, to change how they relate to whatever you're offering. And keep in mind, too, that you have to consider the price of each offering in your portfolio in relationship to the other offerings in your portfolio. And, as we'll discuss shortly, you want to create an overall value story that makes sense, that helps prospective customers see how one offering delivers more or less value than another, and thus why it's priced the way it is. And the Value Ramp really helps you to clarify relationships among and differences in value between the offerings in your portfolio.

Celisa Steele: [00:06:18] Why use the Value Ramp boils down to it helps you think about the value of your products and services, and it helps you translate that thinking into a logical approach to pricing. And pricing is a critical aspect of what all learning businesses do.

Jeff Cobb: [00:06:38] At Tagoras, we're experts in the global business of lifelong learning, and we use our expertise to help clients better understand their markets, connect with new customers, make the right investment decisions, and grow their learning businesses. We achieve these goals through expert market assessment, strategy formulation, and platform selection services. If you're looking for a partner to help your learning business achieve greater reach, revenue, and impact, learn more at tagoras.com/services.

Celisa Steele: [00:07:08] Now that we've talked about the why, let's turn to the what. The Value Ramp is a simple but powerful tool for assessing your learning offerings. In the show notes for this episode at leadinglearning.com/episode315, you'll find a link to download a visual of the Value Ramp, which is freely available on the Tagoras Web site, Tagoras being the parent company of Leading Learning.

Jeff Cobb: [00:07:34] But you can go ahead and visualize the Value Ramp even without the download. It's pretty simple. Just picture an L-shape, and then the horizontal axis of the L represents value, and the value increases up as you move to the right. So at the left side there is a lower value, and, as you move to the right across that horizontal axis, there's greater value.

Celisa Steele: [00:08:00] Then the vertical axis represents price, and the price goes up as you move up. So you have value as a horizontal axis, price as the vertical. And now imagine a curved line that starts near where those two axes join, and it continues up, growing steeper. And that curve and its upward slope, they demonstrate the relationship between price and value. Provide more value in the eyes of the potential purchaser, and you can and should charge more.

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Jeff Cobb: [00:08:33] And now a customer could arrive initially or at any point on really any point along that curve. But typically to get to a higher place on the curve from a lower place, you need momentum. So demonstrating value early and often is one of the surest ways to build significant value. More and more, this means providing significant value before you ever charge a dime, which is why there's so much buzz around stuff like content marketing, and that's unlikely to let up any time soon. I think people have been talking about content marketing for probably a decade now, and they will for the next decade, for good reason.

Celisa Steele: [00:09:09] And you need significant high value at the bottom left of the curve to create that momentum that Jeff was just talking about. And, when you view the Value Ramp, you'll see that the sample curve that we've put on our Value Ramp visual is flat at first because before that curve really starts to kick in and really starts growing up, you have to have some things of value that are free usually or certainly low-cost. And that's because you need to pull in learners and customers. You need to attract them to you. You need them to say, "I'm going to try you out," when they have all those other choices out there. And so a good chunk of the value you provide at that lower point of the Value Ramp, that lower part of the curve, it needs to be free. And so this initial part of the ramp, where you're providing value at no or low cost, is what we call the momentum zone.

Jeff Cobb: [00:10:08] And we'll also note that the impact of brand in this price value relationship can really be dramatic. And we find that very often learning businesses are not thinking enough about building their brand, strengthening their brand, and what impact that can ultimately have on what they're able to offer, who they're able to offer it to, and, of course, what they're able to charge for it. A strong brand can help you build momentum faster, and it can give more power to the price side of the equation, resulting in basically a steeper Value Ramp. Basically, the stronger your brand, the more and more quickly you're able to charge and charge more for the value you offer.

Celisa Steele: [00:10:48] So that's the generic Value Ramp: two axes (the horizontal one is value, the vertical one is price) and a curve that rises to the right. But the value of the Value Ramp is in moving beyond this generic version that we're describing to a version specific to your learning business where you lay out where your offerings fall along that curve.

Jeff Cobb: [00:11:15] So let's talk about how to use the Value Ramp. The way to use it is to plot out your offerings along the curve. Where do your products currently fit? And the hope is that once you've plotted your products—or this may be categories of products, if you have a large

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portfolio—your Value Ramp tells that logical, rational story we referenced earlier about increasing value and price. And, in internal discussions about your products and services, you should be able to clearly articulate the differences in value from one offering to the next and provide a rationale for those differences and a rationale for increasing price as you move up that curve and value is increasing. Whether implicitly or explicitly, it should be easy for your prospective customers to recognize this kind of value continuum that you've created in your portfolio.

Celisa Steele: [00:12:14] That's right. You need to understand it internally. You need to do the work so that it's telling a logical story. And then that's going to allow your prospective customers to look at your offerings, to look at your portfolio, and it's going to make sense to them. They're going to see, "Oh, I can choose this offering, or I can choose this higher-priced one, but I'm going to get more value out of that higher-priced one."

Jeff Cobb: [00:12:34] And I'll say it doesn't even necessarily mean that they're looking at your Value Ramp. This is in the background that you've done this work, but, once you put those products out there, they just make sense. People understand why Y is priced greater than X out of the offerings you have in your catalog.

Celisa Steele: [00:12:52] Then once you have your offerings plotted on the Value Ramp, you can self-assess. And really, ideally, you want to provide a variety of options all along your Value Ramp, all along that curve. The bottom left, where there's low value and low to no price, that might include things like blog posts or curated links that you're tweeting out, a white paper, or videos about a particular subject that's relevant to your audience. And I will make a quick aside that do be aware that, if you have things there in that lower left of your Value Ramp, they don't do a lot of good if they're behind a log-in. This is where you're really trying to cast your net broadly, pull people in, get them used to what you're offering, and, if they have to log in to do that, that's a huge barrier right there.

Jeff Cobb: [00:13:45] That's right. You might get them to sign up for an e-mail list. That's certainly fair game there. But if they have to have actually purchased a membership or something like that, some way establish themselves with your site in order to be able to access something, that's just a barrier to building that momentum that you want to build. And that's the lower part of the Value Ramp. Toward the middle should be higher value, somewhat more cost and labor-intensive items. And this might be Webinars or on-demand online courses that you're offering to your audience.

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Celisa Steele: [00:14:15] And then as you move up the curve, you'll hopefully have plotted some items that are increasingly unique to your organization and unique to the value that you can provide. And these items tend to be more targeted to specific customer segments. But do keep in mind that it doesn't mean that they have to be significantly higher in terms of labor and costs. Take, as an example, an exclusive facilitated community. If you can get people to participate in that, people in a particular job role, that can be very appealing to them. But that facilitation doesn't necessarily have to require a heavy lift on your organization's part. So you might be able to charge a significant fee and still have relatively low effort because, again, this gets back to value. It's not that cost-plus. It's not that just because it costs you less to produce something that doesn't necessarily say anything at all about the value. If you can find a product that delivers really high value and actually doesn't cost that much to produce, well, then that's just brilliant.

Jeff Cobb: [00:15:19] Now there are typically two problems in our experience that become clearer once an organization starts to look at its Value Ramp. First, there are either few or no items at the low and high ends of the curve, which means most learning businesses are kind of stuck in the middle. Without enough at the lower left of the curve, initial momentum is limited. It's hard to really get people coming up the curve. And the impact of not enough on the high end of the curve is to bring things to a screeching halt just as the prospective learner enters the highest-priced, highest-value areas of engagement.

Celisa Steele: [00:15:59] You want to think about the ultimate value that you could provide to your best customers. What would that look like? What items would you put at the top right of the curve to get people to that ultimate value? In our experience, most organizations have not really thought out that high end of the curve. But it's, of course, an area where some mental effort is really merited because, again, if you can crack that nut, that's where you're delivering high value, and you're able to charge for it because the value is so high.

Jeff Cobb: [00:16:31] Yeah, that's definitely an area that is well worth some brainstorming. We've talked about things frequently, particularly lately, like credentialing. There may be credentialing to offer up there. There may be things like coaching and mentoring, which, you know, we've also covered mentoring at times on the podcast. We'll be talking about coaching in the future. So what are some of those things you can do to add value to what you already have to maybe place a different version of them higher up the curve? It doesn't even have to be a totally new offering. So that's one problem. But we mentioned that there are two. That first one was that there are just no items at the low and high ends of the curve, but the second is that there are often significant gaps along the curve. So it's kind of like potholes on a highway. These

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gaps are going to slow down your engagement with learners or even create the risk of losing them entirely when they hit a place where there's nothing to fill in the value that they need, and they're going to go looking somewhere else.

Celisa Steele: [00:17:29] After plotting your Value Ramp, if you see big gaps, then that's something you want to address. You want to think about how can we smooth out our curve? Think about what you can add so that that way and that path along the curve is easy from that first engagement, which is likely to be on that lower left, to those higher-value, higher-ticket items on the upper right of your curve. Now the curve, the Value Ramp, does not provide a complete product strategy, but we hope that you're beginning to see that it can clarify things really quickly.

Jeff Cobb: [00:18:02] It really can. One of the best ways to use the Value Ramp is to bring people together from across the organization—representatives from all those silos that touch your learning products and services—and discuss the Value Ramp. Put it up there on a whiteboard or whatever you use to project things in front of your group of people, and then discuss it together, and ask that group, “How are we building momentum? What does ultimate value look like for our key customers? How well have we told a value story along the curve? How are we building and managing brand to positively impact the curve?”

Celisa Steele: [00:18:46] Yes, those are all great things to talk about. And then, of course, you want to also ask, “What could we do to be better in each of those areas?” If you can do that, if you talk about those questions, Jeff, that you just mentioned, and then if you also engage in this “what could we do better,” you're going to be most of the way there on having a strong product strategy.

Jeff Cobb: [00:19:07] Yeah. At the very least you'll have a very nice portfolio analysis done and the basis for some ongoing work to really improve what you're offering. And, of course, using the Value Ramp doesn't require a ton of time either, which is one of the things that makes it really attractive. You can make heavier or lighter use of it. Just get the people in the room or on a Zoom call for an hour and maybe over lunch, even with that, just that, a little bit of effort, you may be really surprised what an eye-opening experience it can be. So that's our look at the Value Ramp, a valuable tool for learning businesses that we have in the lower left of our own Value Ramp. To get a copy of the Value Ramp visual, please go to leadinglearning.com/episode315.

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Celisa Steele: [00:20:00] At leadinglearning.com/episode315, you'll also see options for subscribing to the podcast, and we hope you will subscribe if you haven't yet. We like subscription numbers because they give us some insight into the impact of the podcast.

Jeff Cobb: [00:20:14] We'd also be grateful if you'd take a minute to rate us on Apple Podcasts, especially if you enjoy the show. Celisa and I personally appreciate reviews and ratings, and they help the podcast show up when people search for content on leading a learning business. Go to leadinglearning.com/apple to leave a rating.

Celisa Steele: [00:20:31] Lastly, please spread the word about Leading Learning. In the show notes at leadinglearning.com/episode315, you'll find links to connect with us on Twitter, LinkedIn, and Facebook.

Jeff Cobb: [00:20:42] Thanks again, and see you next time on the Leading Learning Podcast.

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