

Value Creation Strategies: Improving Product or Service Value Propositions Before Selling a Business

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Abstract:

The Value Examiner (March/April 2025): At the center of every company is a product or service offering that delivers a value proposition to its customers. Over time, ever-changing macro environmental factors such as economic, industry, and market pressures alter the competitive marketplace. Value propositions that once drove business success may not be desirable or sustainable in current and future environments. Failing to adapt to these changes may make a business unsaleable. To gain insight on what a business owner might consider in advance of a business sale, a qualitative study was conducted with experienced business intermediaries and exit planning advisors to gain competitive insight on effective strategies used by companies to gain and maintain traction related to product and service offering value propositions. Responses from these business acquisition advisors were collected, anonymized, and coded with unique identifiers. The summarized responses provide business owners and consultants value creation ideas for delivering a more attractive company value proposition to increase potential acquirer interest and improve deal outcomes.

Keywords:

exit planning, business consulting, business for sale, entrepreneurial exit, business model, business acquisition, selling a business, M&A

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Value Creation Strategies: Improving Product or Service Value Propositions Before Selling a Business

By Kipp A. Krukowski, PhD, ASA, CVA

I ask the owner to tell me in his/her words, “why does someone choose to do business with you over all the other choices available?” Often the answer is a boring, generic one like “our customer service, our quality, blah, blah.” I point out that their competitors are likely saying the same thing. I keep asking the question in a different way to determine what the company does differently and what causes its customers to choose it and to continue to choose it over time. I use this information when preparing the valuation when comparing to peers and for the selling memorandum.

– Business Advisor Respondent #36



At the heart of every business is a product or service offering that delivers a value proposition to its customers. Successful companies identify unmet customer needs and craft value propositions that offer unique solutions, allowing them to grow and retain customers as they mature. However, businesses operate in dynamic landscapes with ever-changing macro environmental factors and economic, industry, and market pressures.¹ For example, inflation or rising raw material prices may affect direct production costs or overhead. Price wars among competitors, or new substitute products, may result in decreased demand. Trade policies, tariffs, or geopolitical tensions may affect supply chains. New laws and regulations may alter purchasing decisions. Advancements in technology may tweak the competitive marketplace. These factors may alter the price and deliverability of a product or service, ultimately affecting a customer's perceived value. Value propositions that once drove business success may not be desirable or sustainable in current and future environments.

Intermediaries, exit planners, and other business advisors have a unique opportunity to counsel business owners, gaining exposure to the many situations businesses face. In addition, these advisors gain competitive insights into effective business model strategies used to gain and maintain traction. Business models are generally built on four main foundational pillars: the offering, infrastructure, customers, and financial viability. The offering is at the core,² and the value proposition resides within it. Value propositions may be "quantitative (e.g., price, speed of service) or qualitative (e.g., design, customer experience)," satisfying customer needs that either were not previously satisfied due to the newness of a problem or were not sufficiently addressed due to subpar service from other providers.³ Regular evaluations of product and service offerings, taking into account the forces described above, help assure that a business owner has a salable business at the time of exit.

To gain insight into specific value creation opportunities related to the value proposition, I conducted a research study involving seasoned exit planning advisors and business intermediaries. The overall study was designed to uncover expert value creation strategies within the business model for evaluating the offering, infrastructure, customers,

and financial viability, as well as to uncover deficiencies in small businesses in advance of selling a business.⁴ The research applied a qualitative approach rooted in grounded theory. It delved into the perspectives of 50 certified intermediaries and exit planning professionals who provided their insights through open-ended responses to questions focused on strategies for enhancing client value. These participants had an average of 15 years of experience in small business mergers and acquisitions advisory roles. I employed the Qualtrics platform to systematically record the responses, which were anonymized and encoded to ensure confidentiality, and assigned a distinct code, BA01–BA50, to each participant. Participants received a \$50 honorarium to compensate them for the time they spent on the survey, which averaged 40 minutes.

Participants were also questioned regarding the frequency with which they suggest value creation strategies related to the offering and time it took for those strategies to produce measurable impacts. Surprisingly, a significant number of business advisors (42 percent) answered "always" to the question, "When you work with a business owner to help prepare for their transfer of ownership, how often do you offer value creation suggestions for improving elements of the business's value proposition?" At first blush, it may seem that modifying this component of the business model would be more difficult than modifying other areas of the business model. After all, value propositions related to products or services go to the core of a business's identity. However, an examination of the participants' qualitative responses reveals that value creation opportunities within the offering are plentiful, and many of these opportunities would not require significant pivots or expense, and would not be difficult to implement.

Regarding the timing of valuation creation strategies, participants were asked, "Generally, how many months, on average, are needed to implement and observe measurable impacts of value creation suggestions related to value propositions?" The participants' answers indicate that the time needed to realize results varies. This variation is likely due to differences in the scope of the value creation strategies suggested by the business advisors. The answers to the two questions described above are summarized in Figures 1 and 2.

1 Kathleen R. Allen, *Launching New Ventures: An Entrepreneurial Approach* (Cengage Learning, 2015).

2 Heidi M. Neck, Christopher P. Neck, and Emma L. Murray, *Entrepreneurship: The Practice and Mindset* (Sage publications, 2019).

3 Alexander Osterwalder and Yves Pigneur, *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*, vol. 1 (John Wiley & Sons, 2010), 23.

4 Kipp A. Krukowski, "Business Advisor and Dealmaker Testimonies: Deficiencies in Privately Held Small Businesses Leading to Failed M&A Transactions," *The Value Examiner*, July/August 2024; Kipp A. Krukowski, "Examining the Business Model: Value Creation Strategies for Improving Financial Viability Before Selling," *The Value Examiner*, September/October 2024; Kipp A. Krukowski, "Value Creation Strategies: Improving Company Infrastructure Before Selling a Business," *The Value Examiner*, November/December 2024; Kipp A. Krukowski, "Value Creation Strategies: Improving Customer Segments, Channels, and Relationships Before Selling a Business," *The Value Examiner*, January/February 2025.



Figure 1: Frequency with Which Value Creation Strategies Are Recommended for the Value Proposition

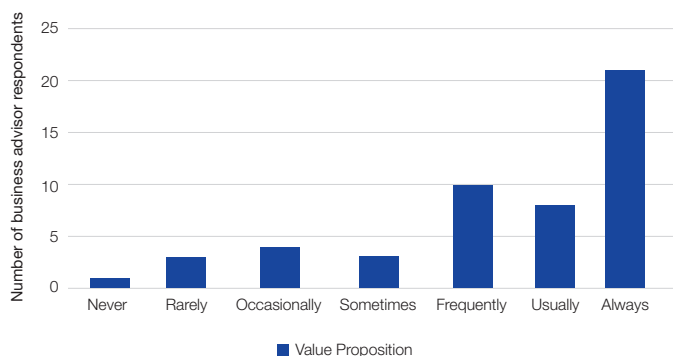
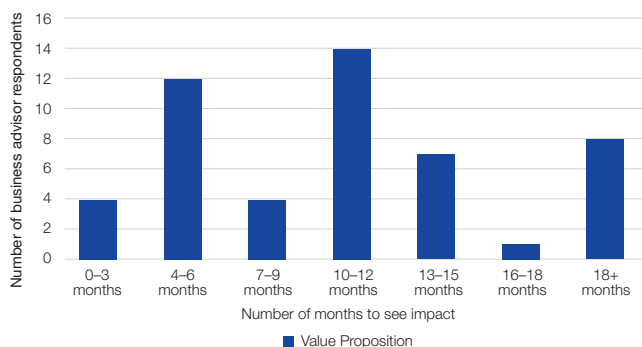


Figure 2: Average Implementation Time Needed to Have a Measurable Impact on Business



As part of the coding process, I grouped the qualitative responses by similar themes, creating a narrative of value creation strategies related to value propositions. The advisors' suggestions are shared below.

Value Creation Strategies for Improving Value Propositions

When working with business owners to pinpoint opportunities for value creation in their offerings, advisors frequently highlight the importance of enhancing the communication of the value proposition. For example, business owners might consider updating their websites to include client testimonials and case studies to help potential clients understand how a company's products and services have assisted others with similar problems [BA03]. As one business advisor [BA25] explained, "We identify value propositions as they currently exist so that we can convey that to prospective buyers." Some advisors ask clients to provide their view of the company's value proposition, since business owners often know best the reasons customers prefer their products or services over other solutions [BA35].

Sometimes, management needs help figuring out what the company's value proposition is and how to describe it. Once the value proposition is understood, an advisor can conduct an assessment to ensure that the company's activities are focused on delivering it [BA18]. The advisor should also evaluate whether the value proposition, as it currently exists, can be transferred to a new owner [BA35]. Such a transfer can be challenging for small business owners, who are often the faces of their businesses and the main drivers of their value propositions. One business advisor [BA35] suggests surveying customers to gain their perspectives on the company's value proposition. Gaining an understanding of the value proposition makes it possible to position "the business attributes to appeal to certain prospective buyers and drive a higher value" [BA12].

Business owners and advisors must recognize that acquirers purchase companies on the basis of their future prospects.

A key aspect of the value proposition that business advisors highlighted was the importance of differentiators. It is critical for potential buyers to understand the company's differentiators—not only what the company does differently but also why it does it that way—in order to accept the value proposition [BA04]. As one business advisor [BA13] explained, “I always ask the owner, ‘What makes you different/better? What is the secret sauce that will make a buyer want to own the business and continue with the success?’” Another advisor [BA10] asked the question, “Why would I do business with you versus anyone else?” This advisor further elaborated that the business owner better have three to five good reasons, and if the reasons are not top of mind, they should uncover them by talking with past customers or other business acquaintances.

Developing an understanding of differentiators may require some digging by advisors assisting in the value creation process. An advisor [BA49] cautioned that “‘really good service’ isn’t differentiation,” as they heard this same answer many times. But another advisor had a different take on service: “Competition is fierce in almost all industries, and I have found the top value proposition for successful businesses is customer service. Even if their pricing is not the lowest, often clients are willing to pay a bit more for truly exceptional service. I encourage all owners to put special focus on that and usually the rest follows” [BA06]. If service is truly a key differentiator, it is important to convey exactly how this exceptional service is being achieved. One advisor [BA23] emphasized the need to question business owners regarding specifics: “Each industry/profession is somewhat different. I do not want to hear ‘good customer service.’ All companies think they deliver it. How do you do it and what is the experience at your company compared to your competitors? More automated? More services online? Less online and more phone availability?”

Other advisors [BA19, BA21] emphasized that, to uncover a business’s “secret sauce,” it is important to communicate how a company is achieving success. They suggest documenting strategies [BA16] and using systems and processes. One advisor [BA43] explained: “In order to properly market and sell a business, I need to understand what makes this business better than their competitors. I will replay back to the owners

what I learn during my conversations with them and look to validate what I sense. A red flag occurs when I struggle to see the differentiation and the owners are not really sure themselves. These businesses tend to be struggling.” Another advisor [BA44] noted, “Oftentimes [owners have] been doing what they [are] doing so long they forget this and usually this is when the owner has relationships with the top clients. Defining ... what makes the company special is something that we have to engage with the sellers on [in] virtually every business transaction.” “Our confidential information memorandum (CIM) is created only after multiple in-depth conversations with the business owner. We listen and ask a lot of questions, with the outcome being to figure out what are the key value propositions. ... The key is listening and then providing some key testimonials from some of the business owner’s existing and former customers” [BA37]. Several advisors suggested going through a strengths, weaknesses, opportunities, and threats (SWOT) analysis with the business owner [BA26, BA50]. Capturing these perspectives allows the seller to frame a story that is consistent with what is being represented [BA26].

While much of the sale process focuses on the current business offerings of products and services and their associated value propositions, business owners and advisors must recognize that acquirers purchase companies based on their future prospects. For example, a potential acquirer may be interested in purchasing a business to integrate horizontally or vertically to gain synergies with the acquirer’s existing company. On the other hand, a financial buyer, such as a private equity firm, may be interested in expanding the business or reducing costs to put the company in a more favorable financial position over time. Individual buyers may see an opportunity to bring past experiences and relationships into an existing company as a way to propel growth. These acquirers want to see growth avenues but might view opportunities differently based on their situations and goals. Owners need to distinguish their businesses from other opportunities that might be out there for buyers, and demonstrate why their businesses have momentum behind them that can lead to further growth under a new owner’s leadership [BA47]. Expansion opportunities can excite potential buyers [BA39]. Says one advisor [BA48],

Value Creation Ideas for Improving the Value Proposition Before a Business Sale

- Reflect on offerings with management to identify what makes the company different/better than competitors
- Survey customers to understand what drives them to return
- Perform a strengths, weaknesses, opportunities, and threats (SWOT) analysis
- Identify “secret sauce” that would attract a potential acquirer, turning it into something tangible and sustainable that can be transferred
- Enhance website and marketing with client testimonials and case studies
- Position messaging to targeted buyer segments to drive higher value proposition through differentiation
- Keep abreast of general market and industry changes and pivot accordingly
- Understand potential alternative solutions from competitors and potential market entrants
- Develop processes to deliver consistency
- Prepare a list of growth opportunities for potential acquirers to pursue, but explain why those opportunities have not been pursued by current ownership

“These suggestions center around ... the key growth opportunities that the business has for a potential buyer, which may require additional sales or marketing efforts, additional strategic locations, or brand awareness (especially if the business lacks an online presence).

Identifying and communicating opportunities requires business owners and their advisors to keep their fingers on the pulse of the industry. “Business owners also need to stay current with market developments so they can respond accordingly,” says one advisor [BA10]. This includes staying on top of competition and geographic market areas [BA02]. An advisor [BA30] recommends that owners reflect on these questions:

- Are there competitors?
- How easy would it be for a competitor to enter the market?
- What are the competing products or services?
- What are the alternatives to the business’s products or services?

Industry and market research plays an important role, whether one is running a business into the future or preparing it for an eventual sale. Either path requires the company to be positioned to take advantage of opportunities that present

themselves. “Many business owners [assume] that business value propositions need to be drastically different from their competitors in order to stand out. This isn’t always true. Market research is important to determine where possible gaps may exist among competitors. Differences can many times be tiny little things that have a huge impact. Once the competition realizes why you’re doing so much better than they are, it’s too late for them to catch up in any substantial way” [BA33].

Conclusion

As reflected in the responses from study participants, seasoned intermediaries and exit planning advisors frequently suggest value creation suggestions associated with product and service offering value propositions. Companies have many opportunities to articulate what they are already providing with their offerings, enhance efforts to gain customers by targeting specific audiences, and frame these opportunities to increase their appeal to likely potential acquirers. Although this research does not uncover every tactic used to create value within the offering component of the business model, the suggestions provided act as a foundation and catalyst for generating additional ideas to increase potential acquirer interest and improve the outcome of an eventual business sale. **VE**



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