Essentials of Innovation & Entrepreneurship (EIE) - I

Module [M6]:
Customer Value Proposition

Announcements (by Madhukar Sir)

1. Portions for EIE ISA-1/Assessment: **Module 1 to 5**

2. Format: **All MCQ**; designed to test understanding, applying concepts & reasoning

3. Duration: 45mins and # of Questions: **45**

4. *You have an opportunity to **build a startup/team** in this class!*

   *Showcase this in **PESU E-Summit (Oct)** and win **cool prizes**!*

5. *You/team can **submit your idea to other startup hackathons** as well;*

   Practice makes it perfect! (see several emails/announcements from CIE)
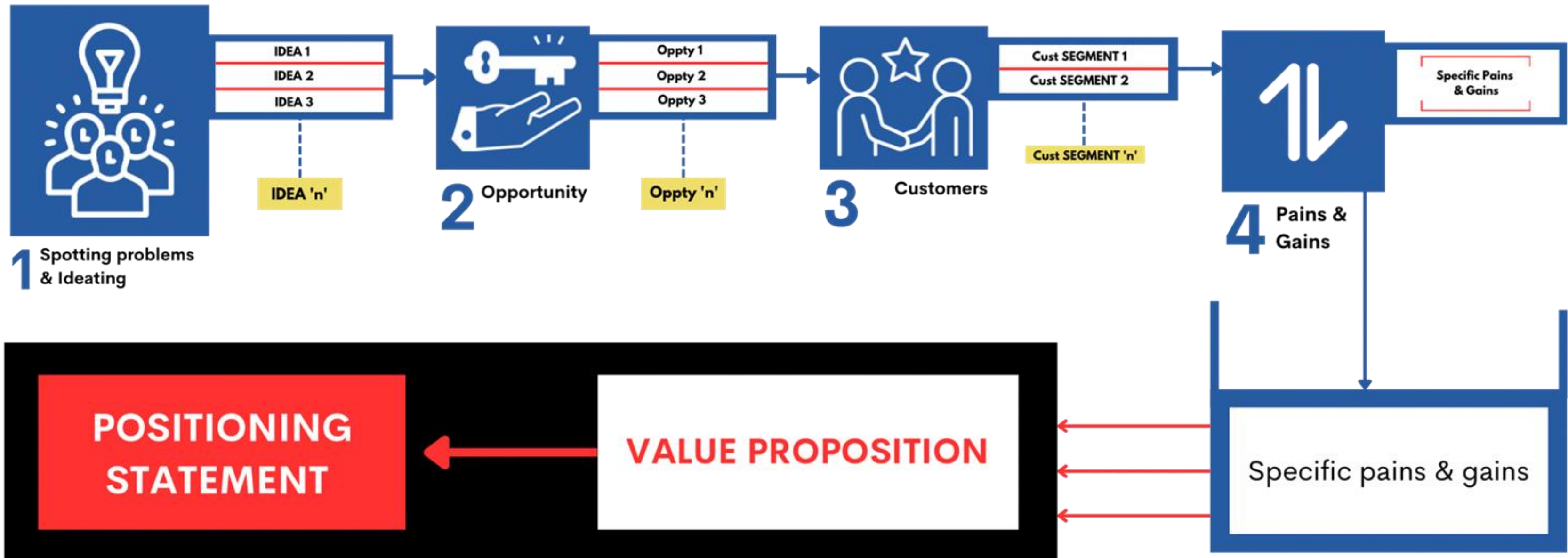
Today's Topics

What is
Value Proposition?
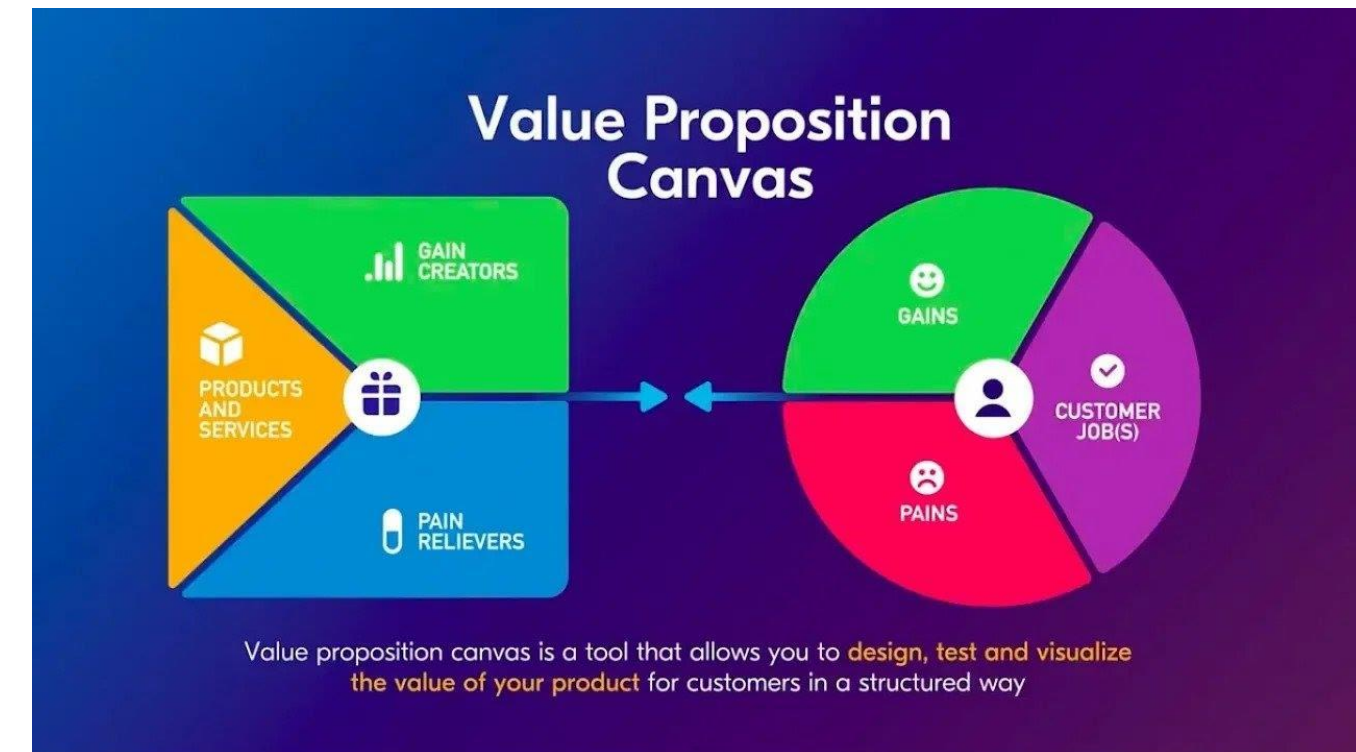
Capturing the
Value Proposition

Credit: Image Creator (Microsoft Bing)

Course Map - You are here

What is Value?

Applicable in a very broad sense:

Economic, Social , Political, Art, Entertainment, Human, Business, etc

What is Value?

Our interest is in the **_business_** context:

Startup,

Enterprise (large company),

Small-Medium-Business (SMB),

Intrapreneurship (entrepreneurship inside a company)

Others

What is Customer Value?

- Usefulness of a product/service to a customer

- The definition of value is not limited to money!

- Varies from customer to customer

  (same product/service can have different value)

- Market fluctuations may change cost/price but value can remain unaffected

Value Proposition

Bundle of products and/or services that create value for a *specific* customer segment.

Value Proposition – Example 1 (Art/Craft)

(Raw Wood)

+ **'X'** ➡ **Curio/toy**

Answer the below on Menti (www.menti.com, code: 6186 5963)

Q1. What is value addition ('X') to the wooden piece to create the toy?

Q2. Why do you think the value of the finished product is higher?

Value Proposition – Example 2 (Music)

Answer the below on Menti (www.menti.com, code: 6186 5963)

Q3. Which of the below has the highest **Price**?

Q4. Which of the below has the highest **Value?**

Tanpura

Tanpura

E-Tanpura

(Saraang Micro V6*)

E-Tanpura + E-Tabla

(Milan +*)

App

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Value Proposition – Example 4

Answer the below on Menti (www.menti.com, code: 6186 5963)

Clearly, the price of electric toothbrush is higher than a regular toothbrush

What do you think is the (relative) **Value** of electric toothbrush?

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Source of Value Proposition

Can you Think of Some Examples?

- Newness

- Performance

- Customization

- Design

- Brand/Status

- Price

- Cost reduction

- Risk reduction

- Accessibility

- Convenience/Usability

- "Getting the job done"

Value Proposition Builder

How to construct the Value Proposition?

- Which **one of our customer's problems** are we helping to solve?

- Which **customer needs** are we satisfying?

- What **value** do we deliver to the customer?

- **Why** should the customer choose **your solution**?

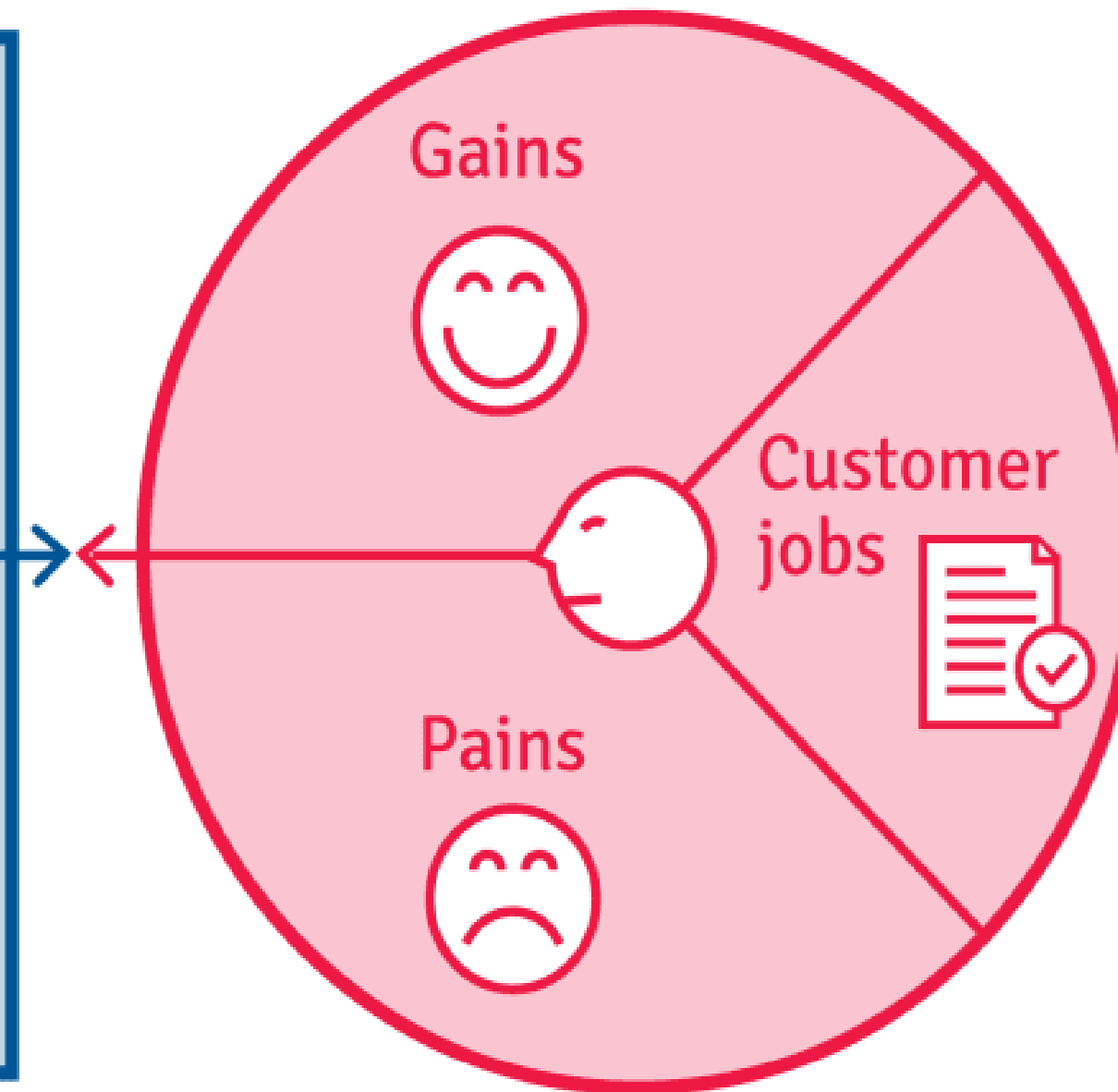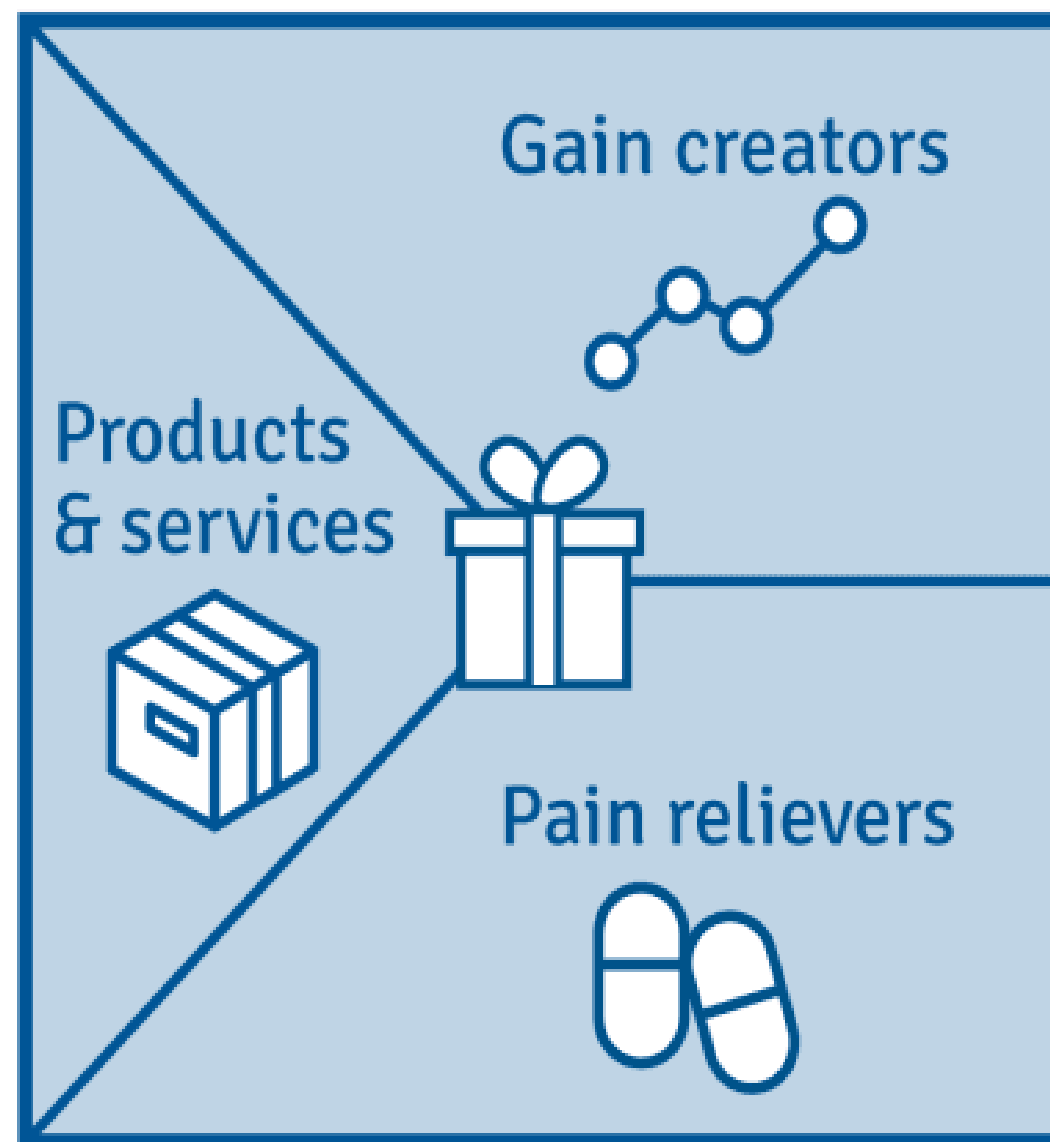- What **products/services** are we offering to each Customer Segment?

Value Proposition Canvas (VPC)
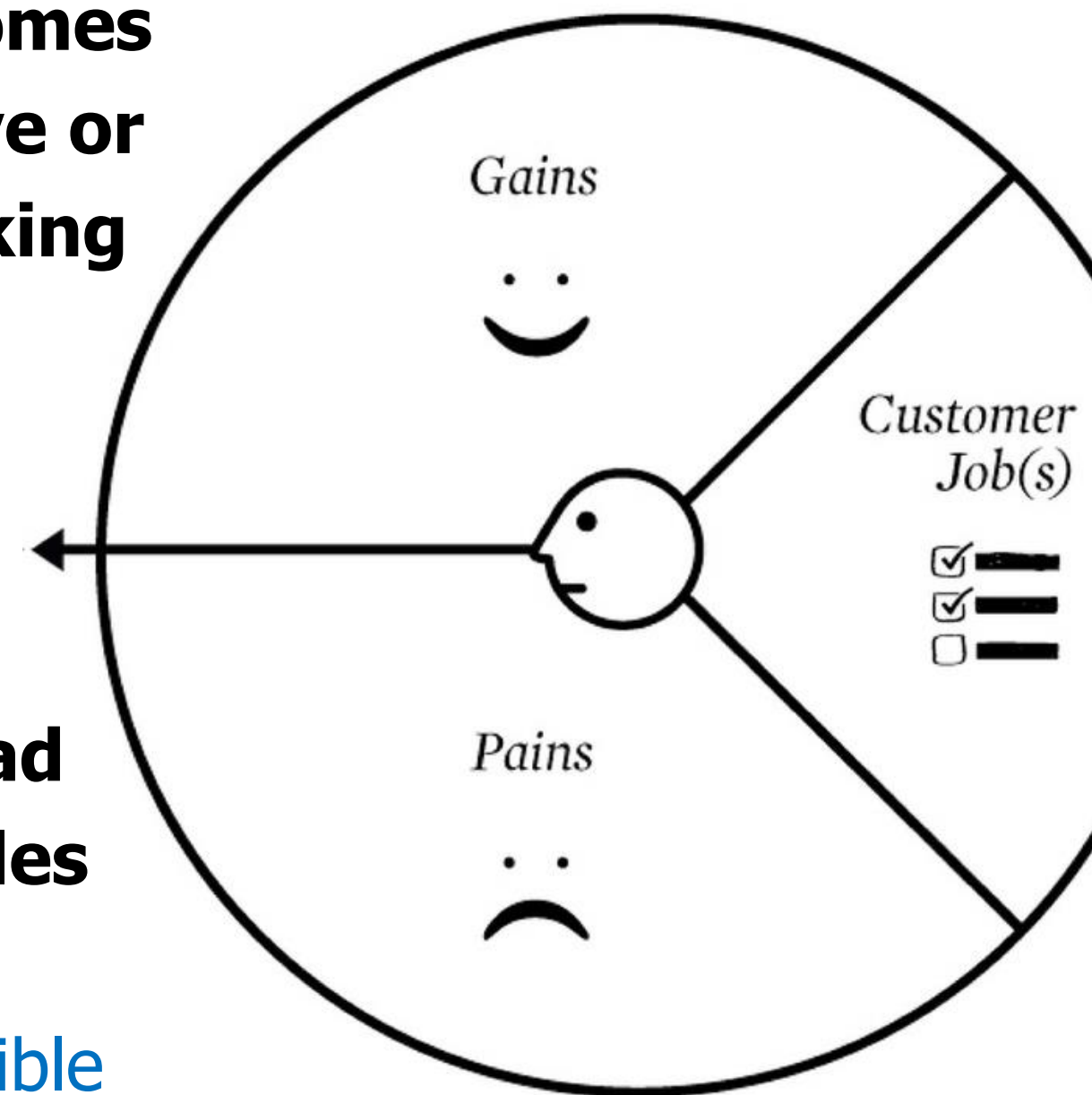
Building Customer Profile (Right Side of VPC)

Gains describes the outcomes customers want to achieve or the benefits they are seeking

Describe what customers are trying to get done (in their work and in their lives, if possible, expressed in their own words)
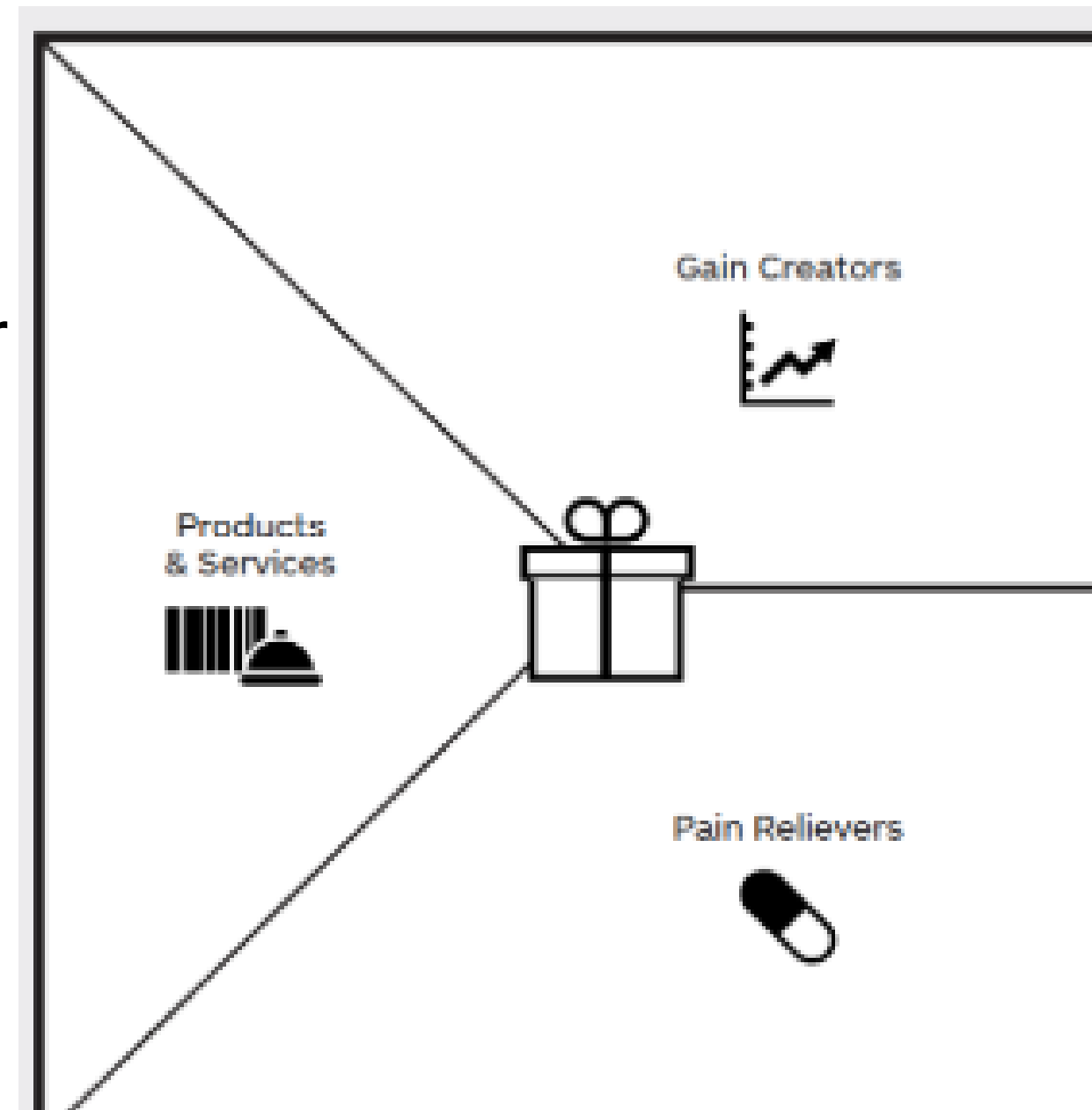
Include: functional, social, personal, emotional jobs

Pains describe problems, bad outcomes, risks and obstacles related to customer jobs

Tip: make it as specific as possible

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Building Value Map (Left Side of VPC)

Products/Service
you offer based on your
value proposition.

Helps **customers** do
either functional, social
or emotional **jobs**

Gain Creators:
how your products/services **create customer gains** (outcome, benefits, desires, functional utility, social gains, positive emotions, cost savings)

Pain relievers:
how exactly your products/services **eliminate**/**minimize customer pains**
Tip: Focus on the key pain points (need not be every pain point)

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Example: Value Proposition Canvas for Tesla

Credit: Strategyzer
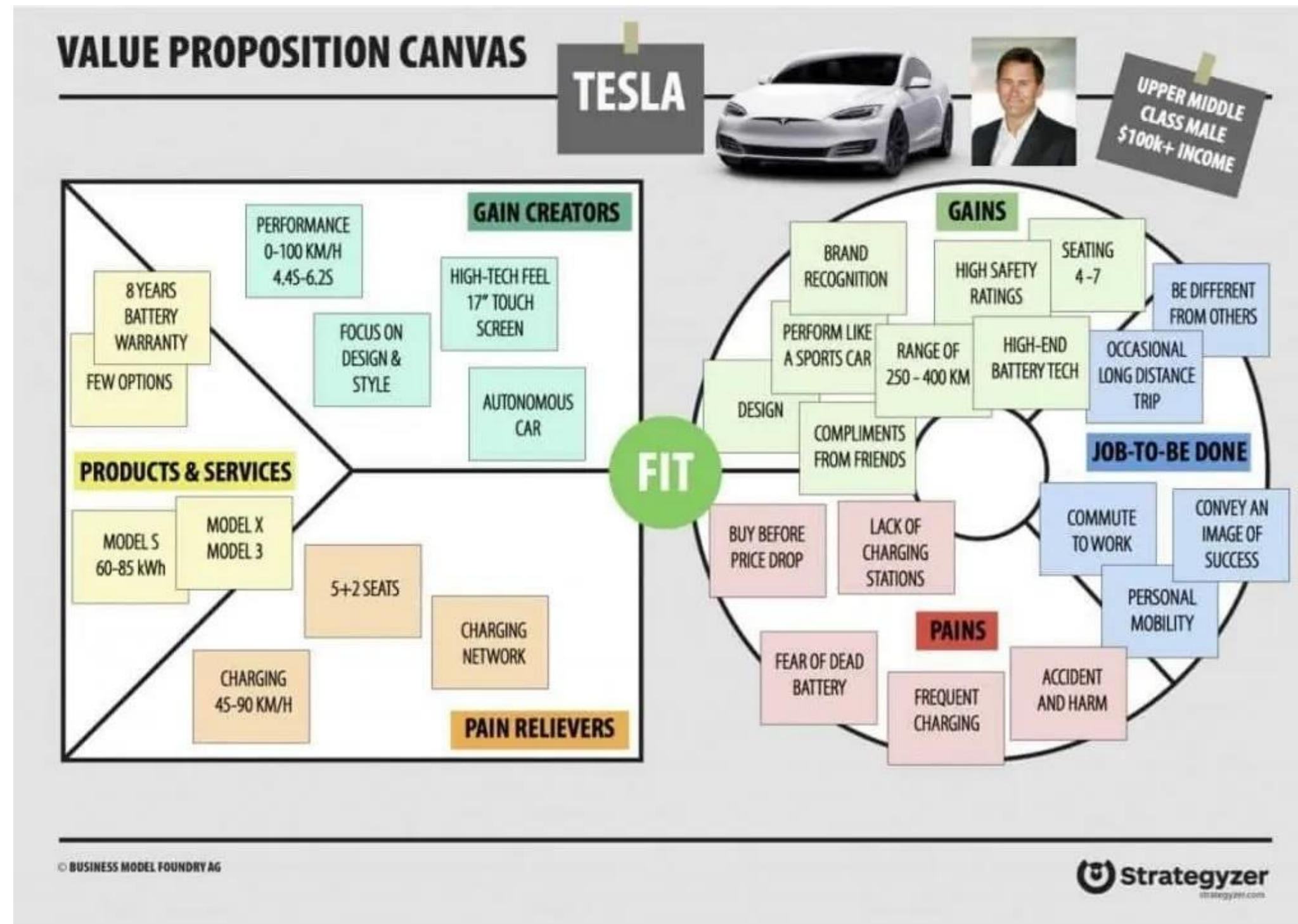
Positioning Statement - Template

- **For** target customer

- **Who** (statement of need or opportunity)
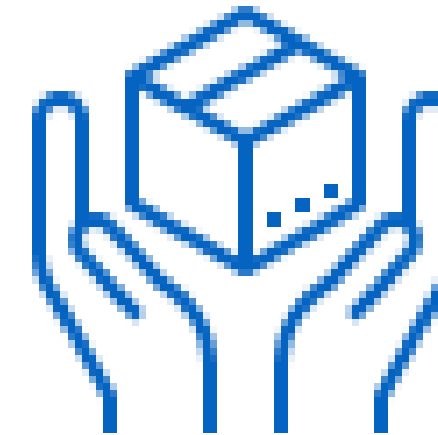
- (Product name) **is a** (product category)

- **That** (Statement of benefits)

Differentiation

- **Unlike** (Primary competitive alternative)

- **Our Product** (statement of primary differentiation)

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Positioning Statement - Example: Tesla

- **For** wealthy individuals & car lovers

- **Who** want an environmentally friendly & high-end sports car

- The Tesla Roadster is a an electric automobile
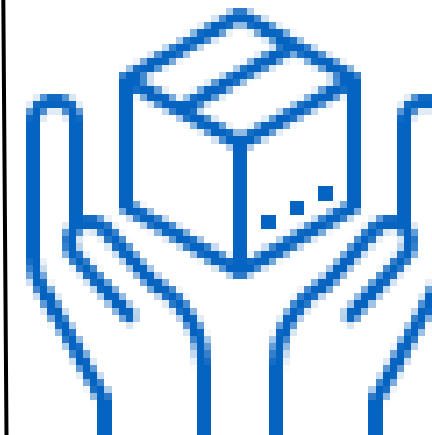- **That** delivers unprecedented performance without damaging the environment
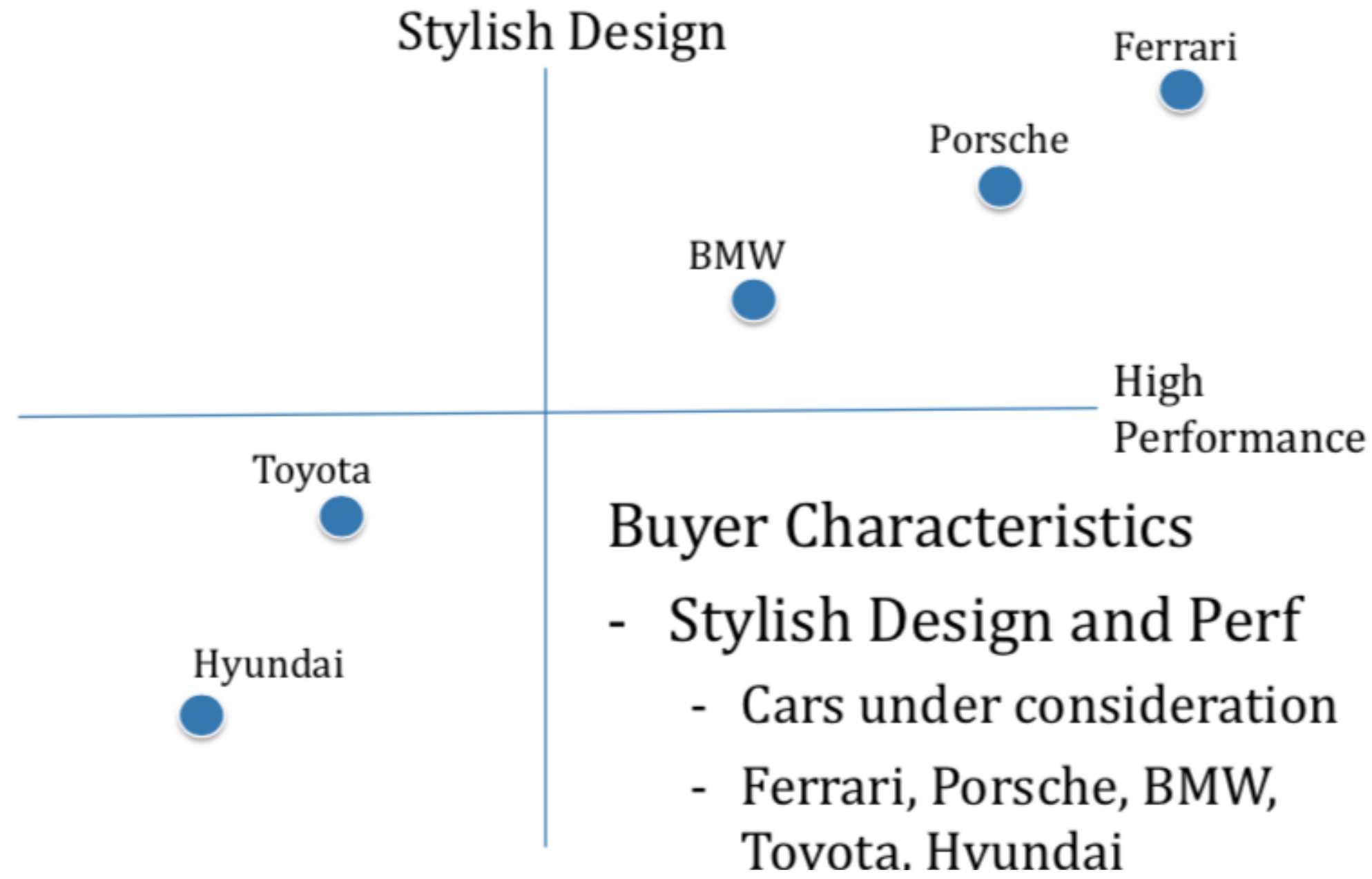
Differentiation

- **Unlike** Ferraris and Porches,

- **Our Product** product has fantastic mileage, unparalleled performance and no direct carbon emissions.

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Product Positioning - Example

Stylish Design

Ferrari

Porsche

BMW

High Performance

Toyota

Hyundai

Buyer Characteristics

- Stylish Design and Perf
  - Cars under consideration
  - Ferrari, Porsche, BMW, Tovota. Hvundai

Product Positioning - Example

Good Price

Hyundai

Toyota

Reliability

BMW

Porsche

Ferrari

Buyer Characteristics

- Price and Reliability
  - Cars under consideration
  - Ferrari, Porsche, BMW, Toyota, Hyundai
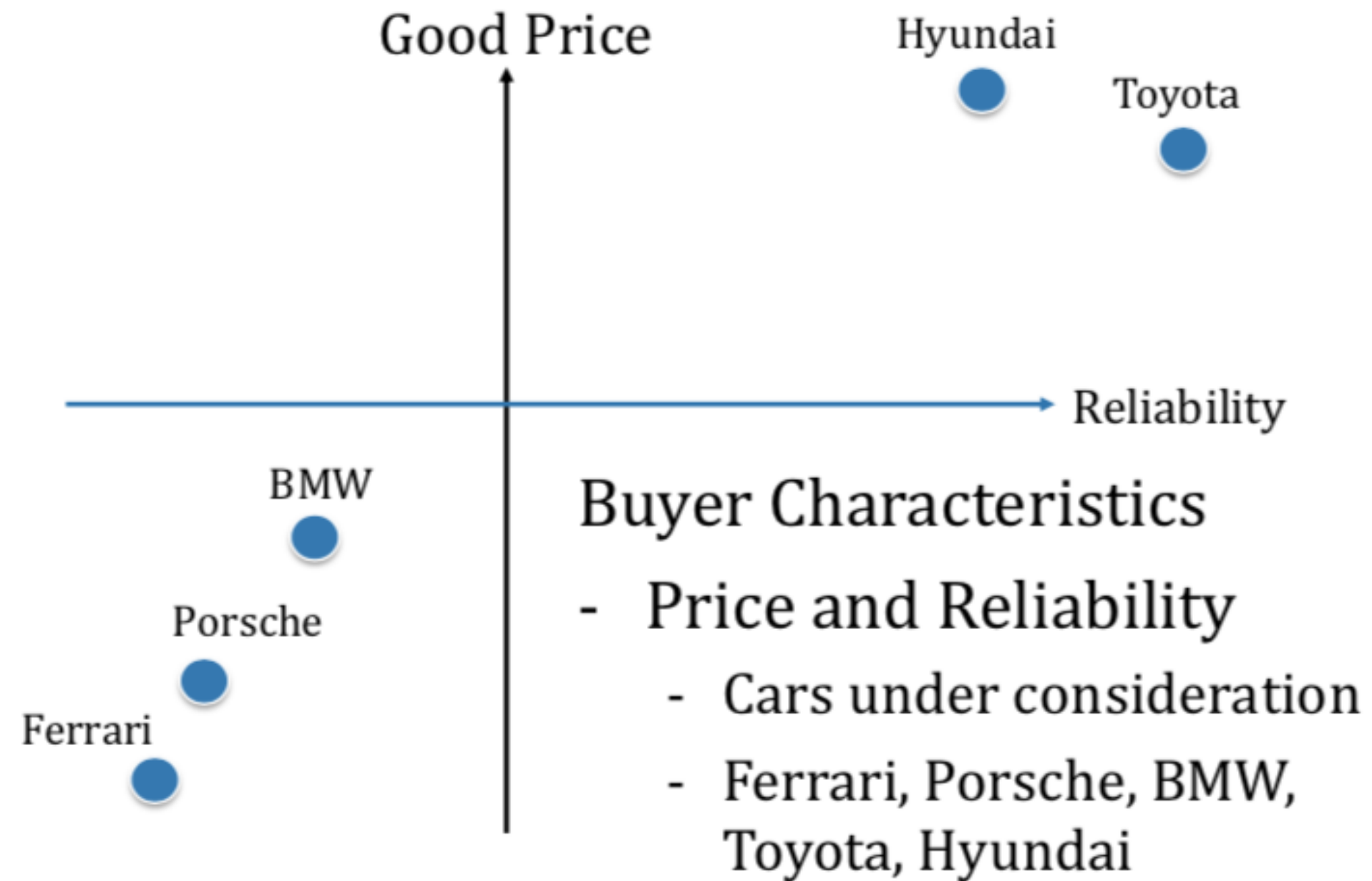
What is your Product Positioning?

Dimension1

("High")

Dimension2

("Low")

Dimension2

("High")

Dimension1

("Low")
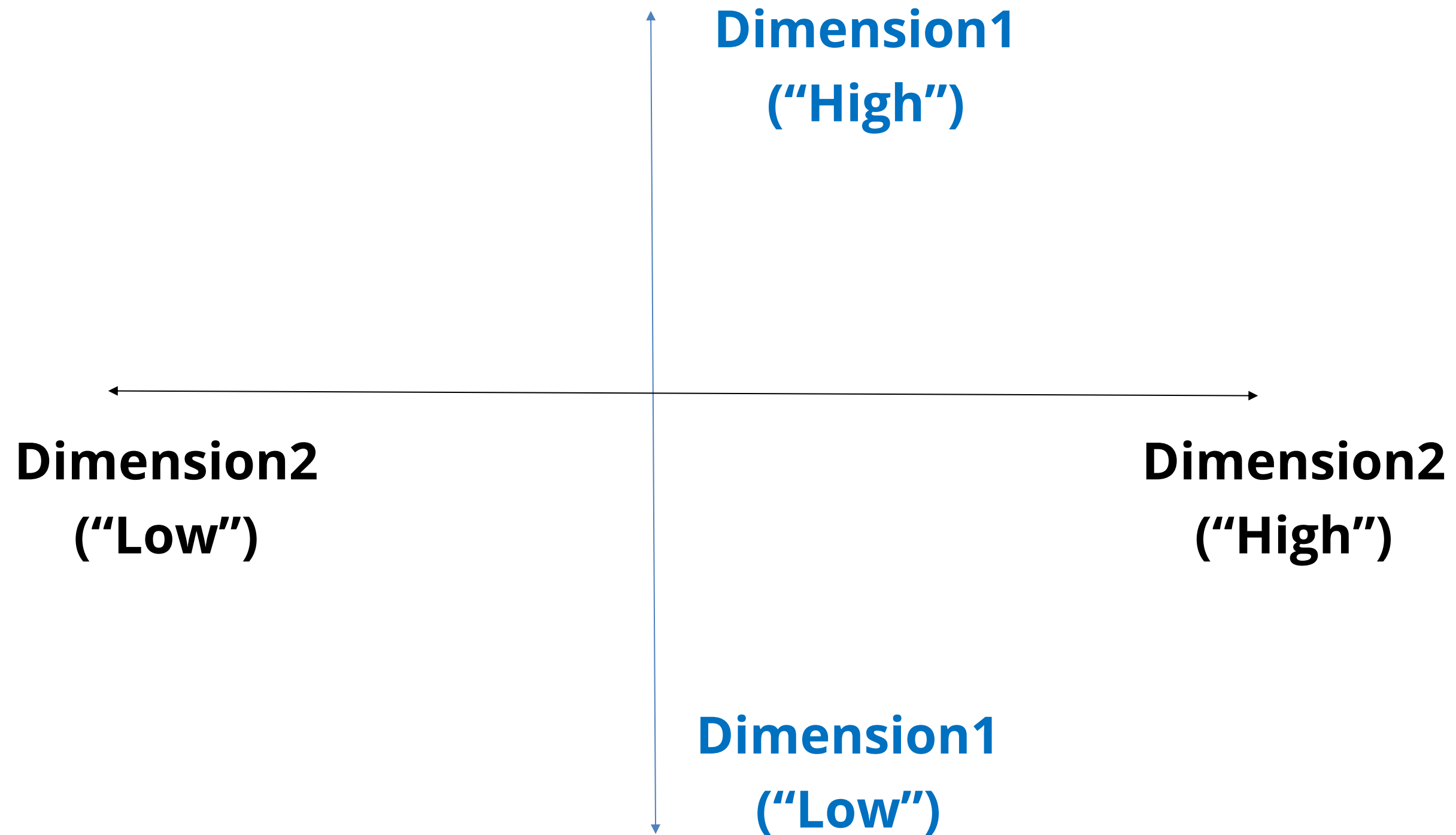
Post-Session Activity: Create a Value Proposition Canvas

To do : For each Customer Segment identified

1. Brainstorm <u>Customer Jobs</u>, <u>Pains & Gains</u>

2. Brainstorm <u>Pain Relievers & Gain Creators</u> & <u>Product/Services</u>

   that can address 'pain relievers' and 'gain creators'

Result : A VPC (for each customer segment) showing

1. **Gain/Gain Creators** & **Pain / Pain Relievers**

2. **Potential product/service** that will create value for customer

Post-Session Activity: Positioning Your Solution

Identify the 2 (important) dimensions you want to position

your product and why you chose it (compared to competition)

Post-Session Activity: Create a Positioning Statement

To do : Identify 2 dimensions/attributes for your product/service

1. Draw the positioning map (P.map) along the 2 dimensions

2. Place your new product/service along with competitors in the P.map

3. Write the Positioning Statement for your product/service offering

Result : Your Customer Value Proposition expressed as

1. Value Proposition Canvas

2. Positioning Statement *(see next slide for template)*

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Template: Positioning Statement

Create your Positioning Statement along below lines:

- **For** (target customer)
- **Who** (statement of need or opportunity)
- (Product name) **is a** (product category)
- **That** (statement of benefits)

Differentiation

- **Unlike** (primary competitive alternative)
- **Our product** (statement of primary differentiation)

Summary

Session Feedback

Please share your feedback on Mentimeter

Join at www.menti.com

Use code: xxxx xxxx