

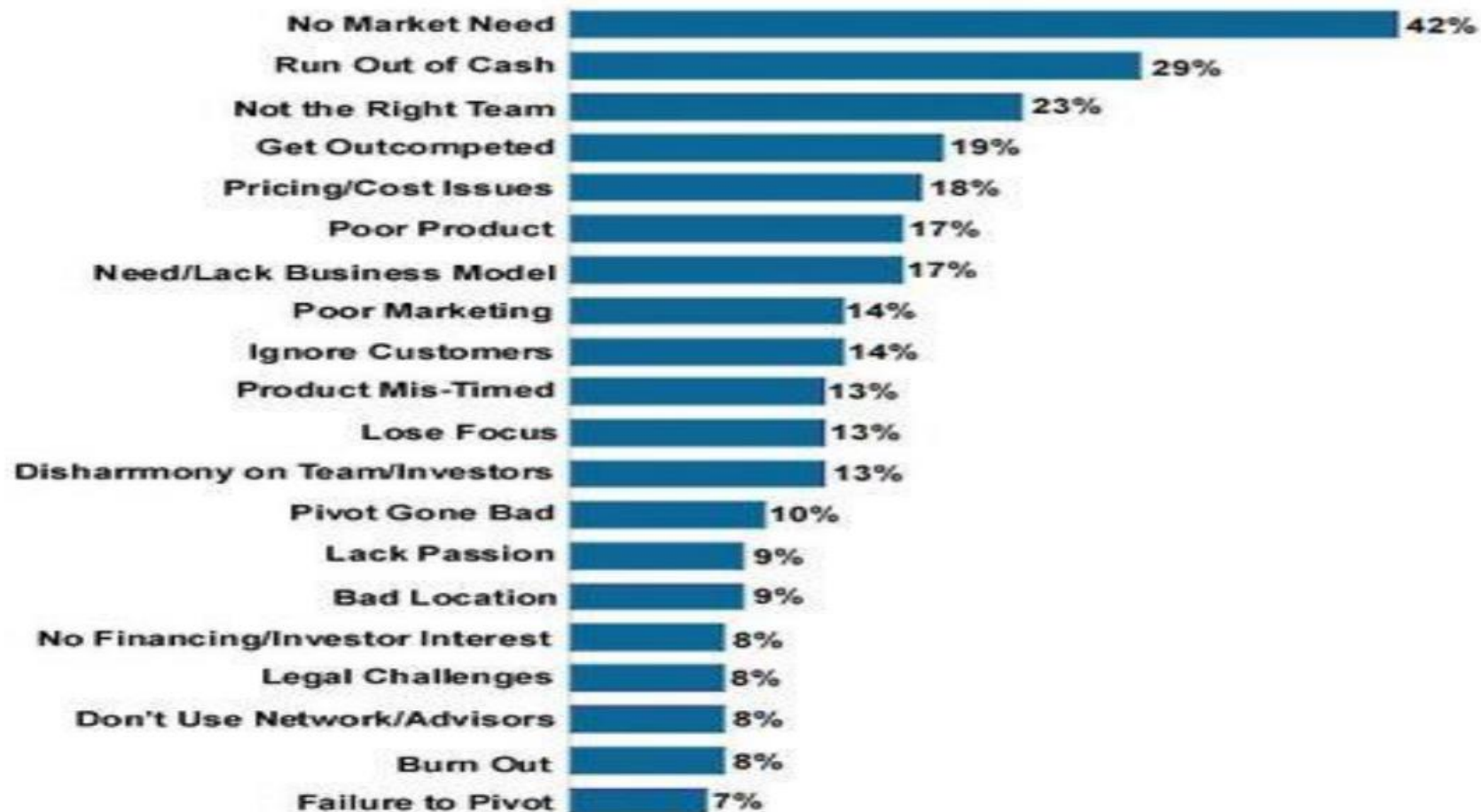
## **Customer Value Proposition** **8<sup>th</sup> Aug 2024, Session 4**

# Why High-Tech Startups fail



## Top 20 Reasons Startups Fail

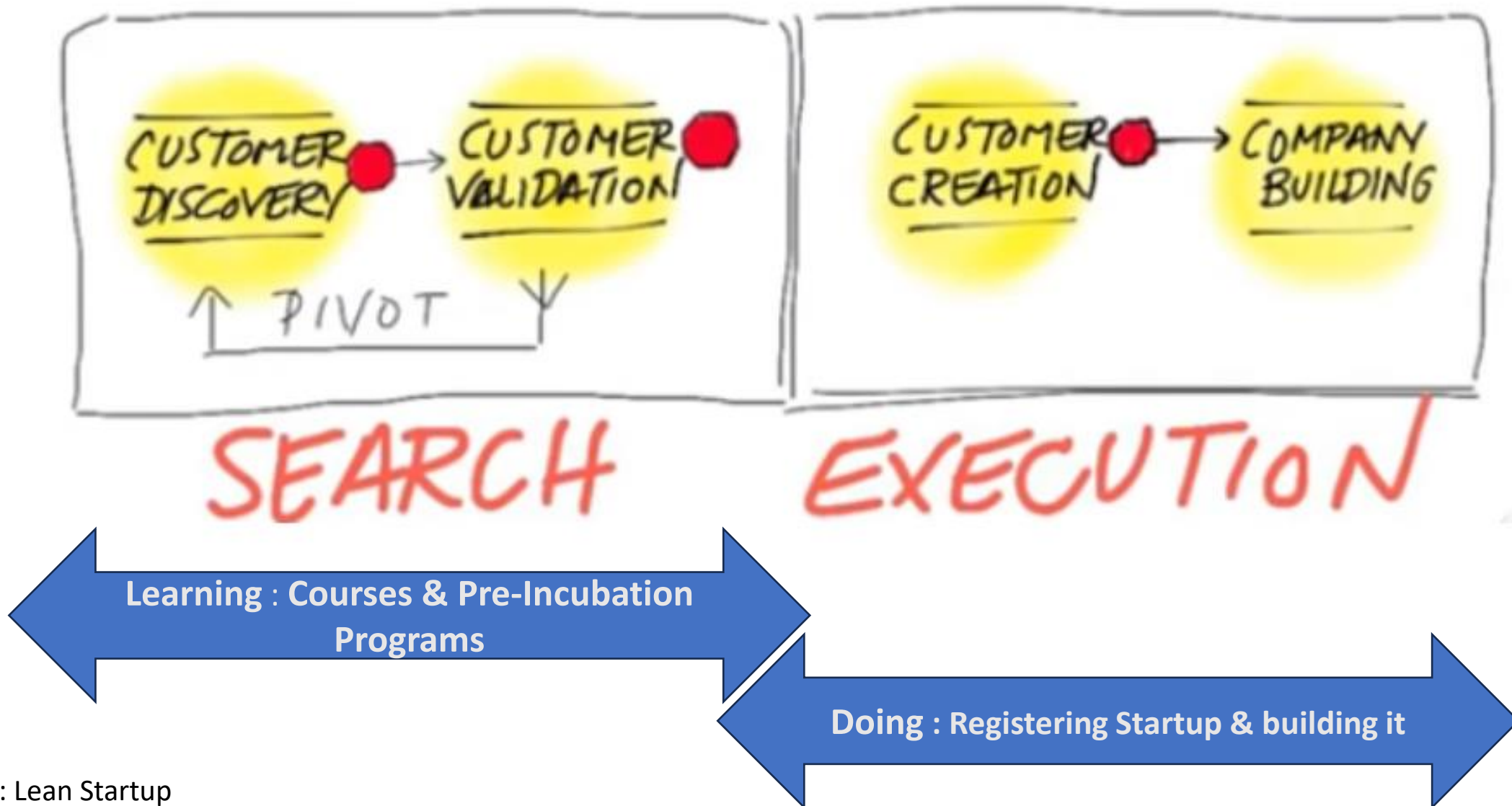
Based on an Analysis of 101 Startup Post-Mortems



\*Many startups offered multiple reasons for their failure, hence why the percentages for each reason total more than 100 percent.

Source: CB Insights

# Process for Start up Creation

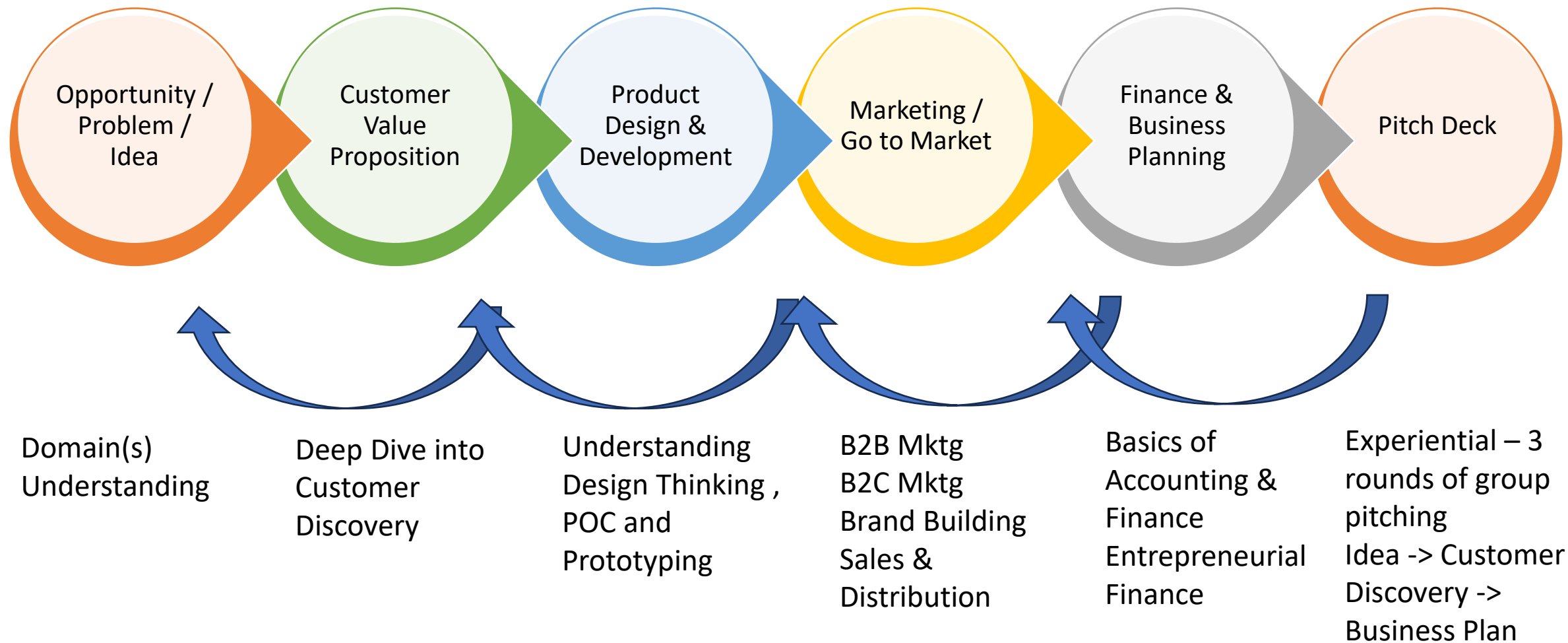


Source : Lean Startup

# Process for Start up Creation



## Continuous Learning & Iterative Process





# What kind of problem / idea to work with ?

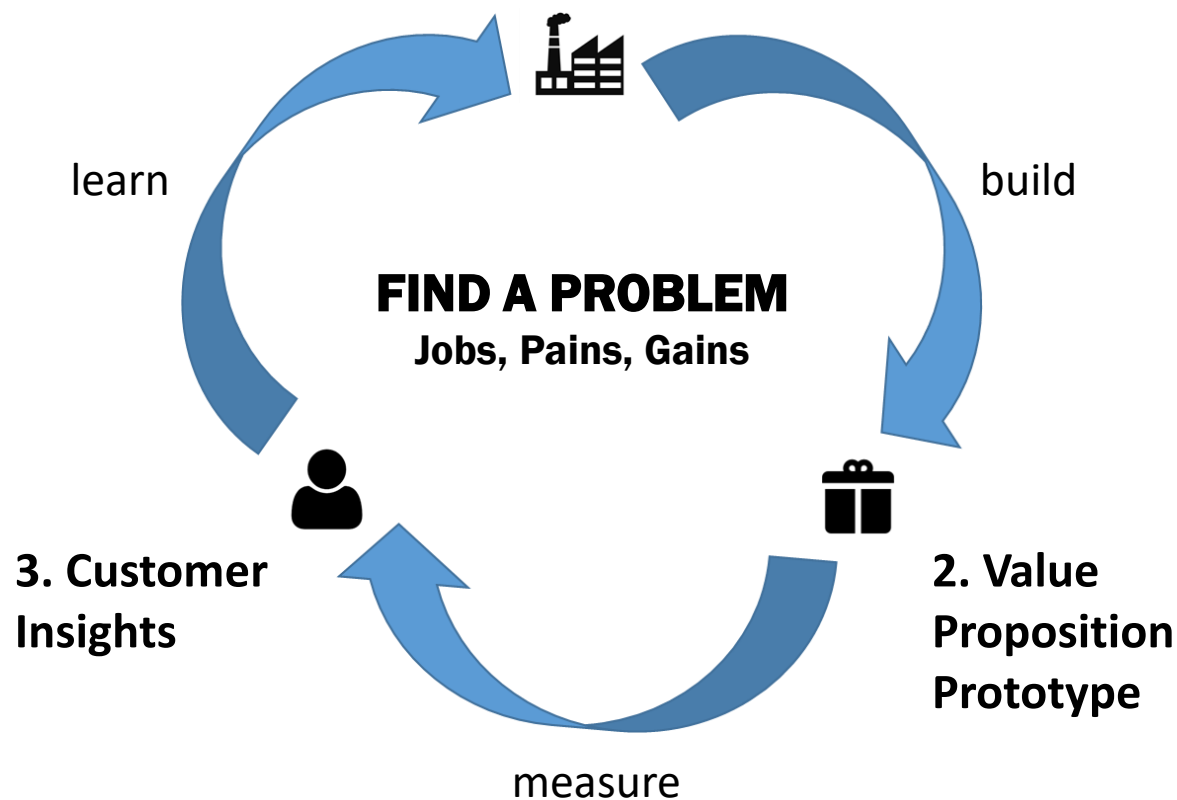


# Building the Customer Value Proposition



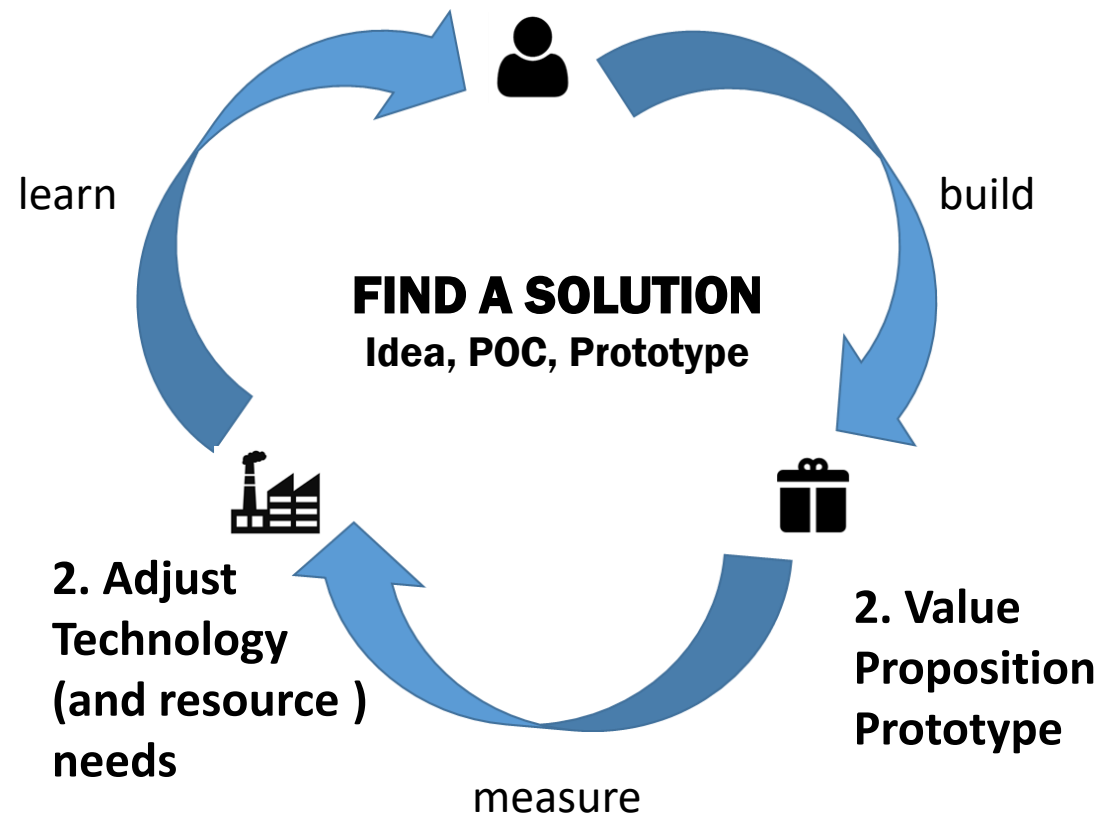
## Technology Push

**Solution Available**  
(invention, innovation, technology)



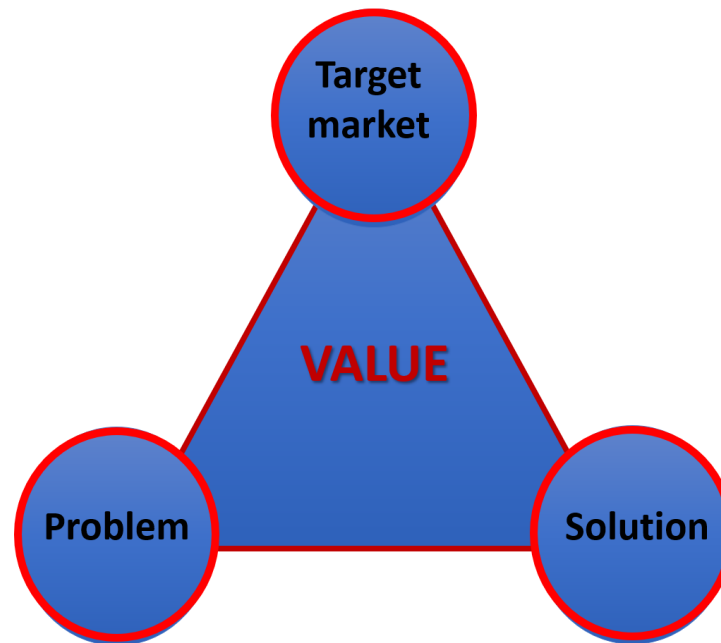
## Market Pull

**Problem Discoverable**  
(jobs, pains, gains)



# Elements of Value

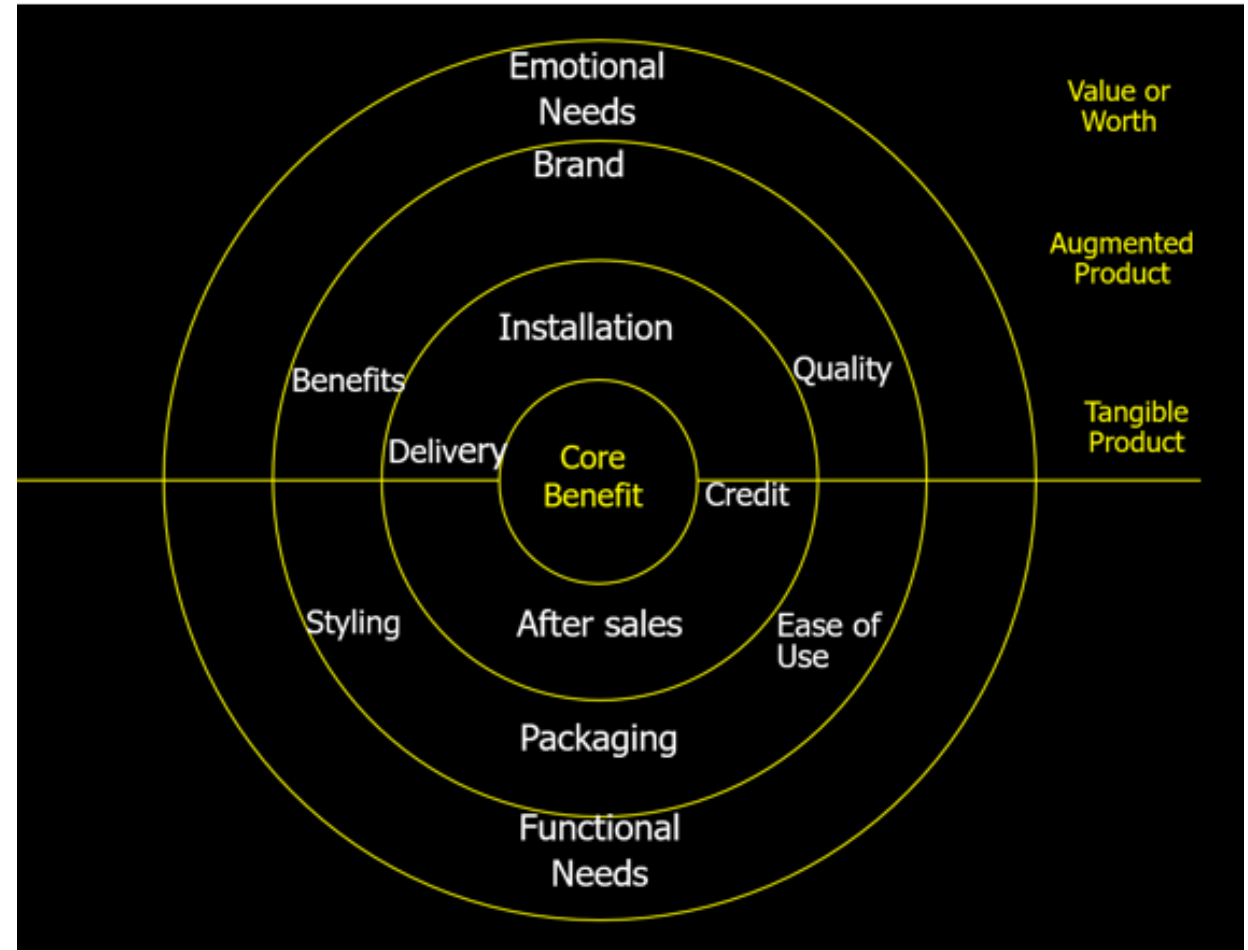
- **Value : worth, importance/relevance or usefulness**
- **Value and Price: Value (what you get) = worth of the social and economic benefits a customer pays (price; in monetary terms) for an offering**



# Elements of Value : Tech Based Products



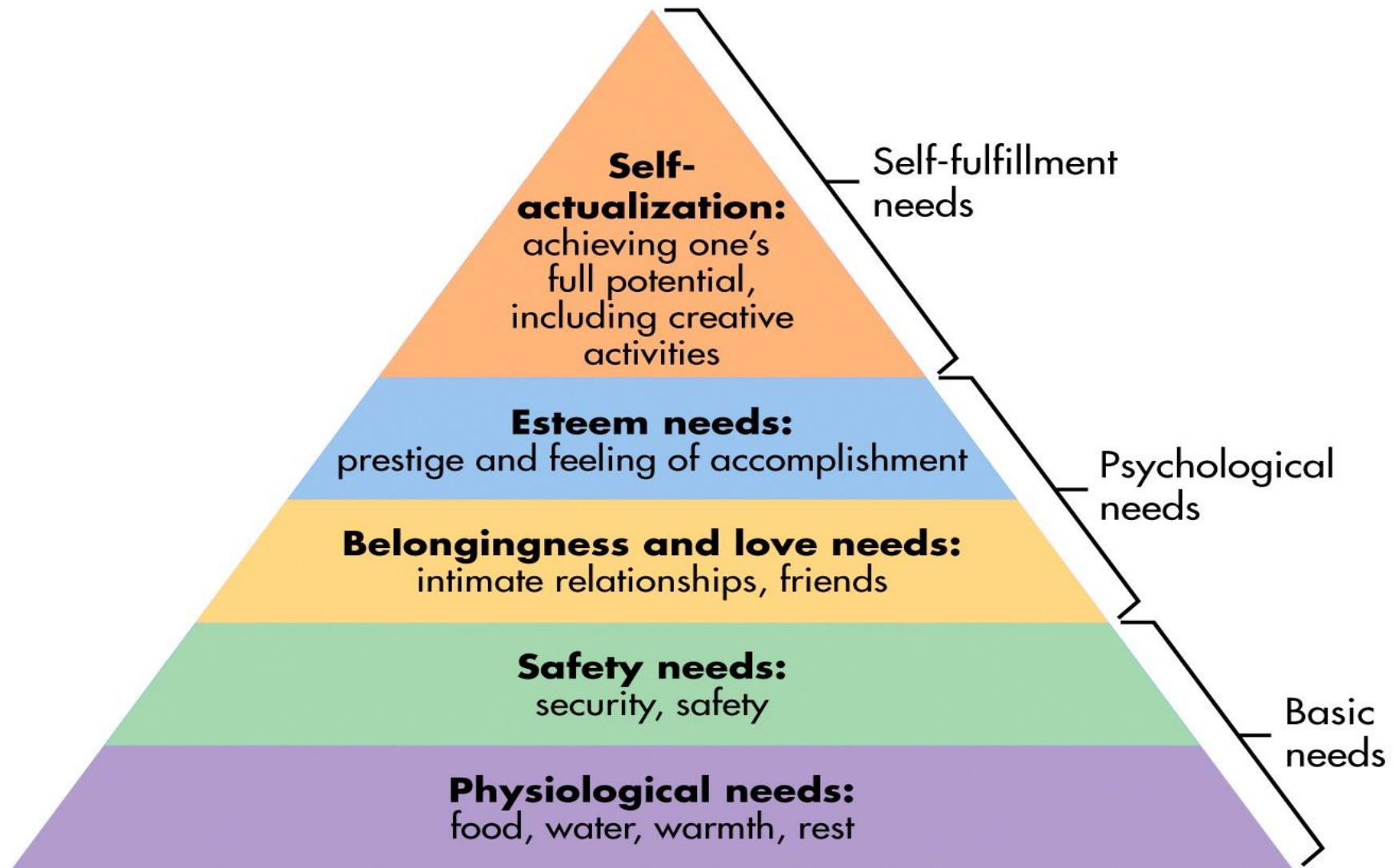
- **Product (Functionality, Performance)**
- **Service (Technical Service, Consulting)**
- **Price**
- **Access (Sales Channels; Sales Cycle)**
- **Customer Experience**



Lets take an example here



# Customer Needs – Unmet, underserved



## Offerings ( Product / Services ) – Value or Worth

# Uncovering Unmet Needs or Problems

- **Becoming the Customer : Discovering problems**
- **Anthropological Excursions** : Live with and observe customers
- **Talking to customers to learn the voice of the customer**
  - Indirect questions to discover wants and needs by leading customers through the ways they currently solve problems
  - Questions about functions rather than products
- **Customer Prototypes**
  - Draw pictures or create collages of people in the target market

# Defining Target Markets & Customers



# Market Segmentation

- **Mass Market** : Focus on one large group; e.g. consumer electronics
- **Niche Market** : Specific segments; i.e., supplier-buyer relationships like auto parts manufacturers. Or Luxury segment.
- **Segmented** : Different needs and problems
  - banks and professional services (engineering, consultants)
  - Lifestyle consumer products
- **Multi-sided platforms**:
  - credit card companies; i.e., card holders and merchants
  - e-commerce platforms

# Customer Segmentation

- **Demographic**
  - **Age, Gender, Income, Occupation, Family Status**
  - **Includes Geographical** : Global, National, Regional, State, City/Town/Village, Locality
- **Psychographic**
  - **Psychology, Lifestyle, Personality, Social Status**
- **Behavioral**
  - **Quantum of usage and Occasion of usage**



# What is the customer's persona ?

## Rachel Small Business Owner



- Social Media Marketing
- Key decision-maker

### Demographics

- Age 32-39
- Skews female
- \$90,000/yr
- Urban location
- Master's degree
- Married, no kids

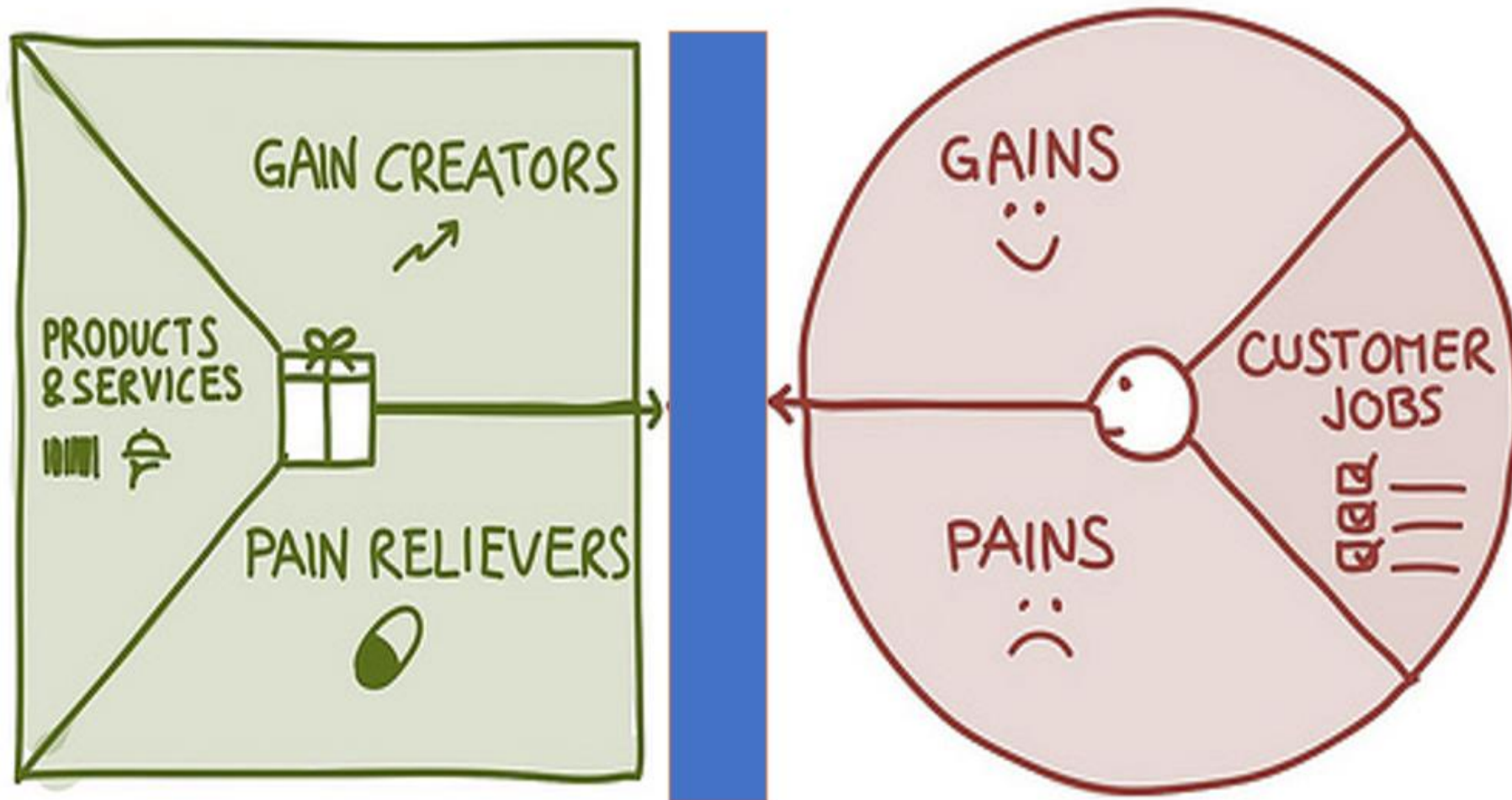
### Goals and Challenges

- Save time online
- Find interesting content to share
- Maximize social media resources

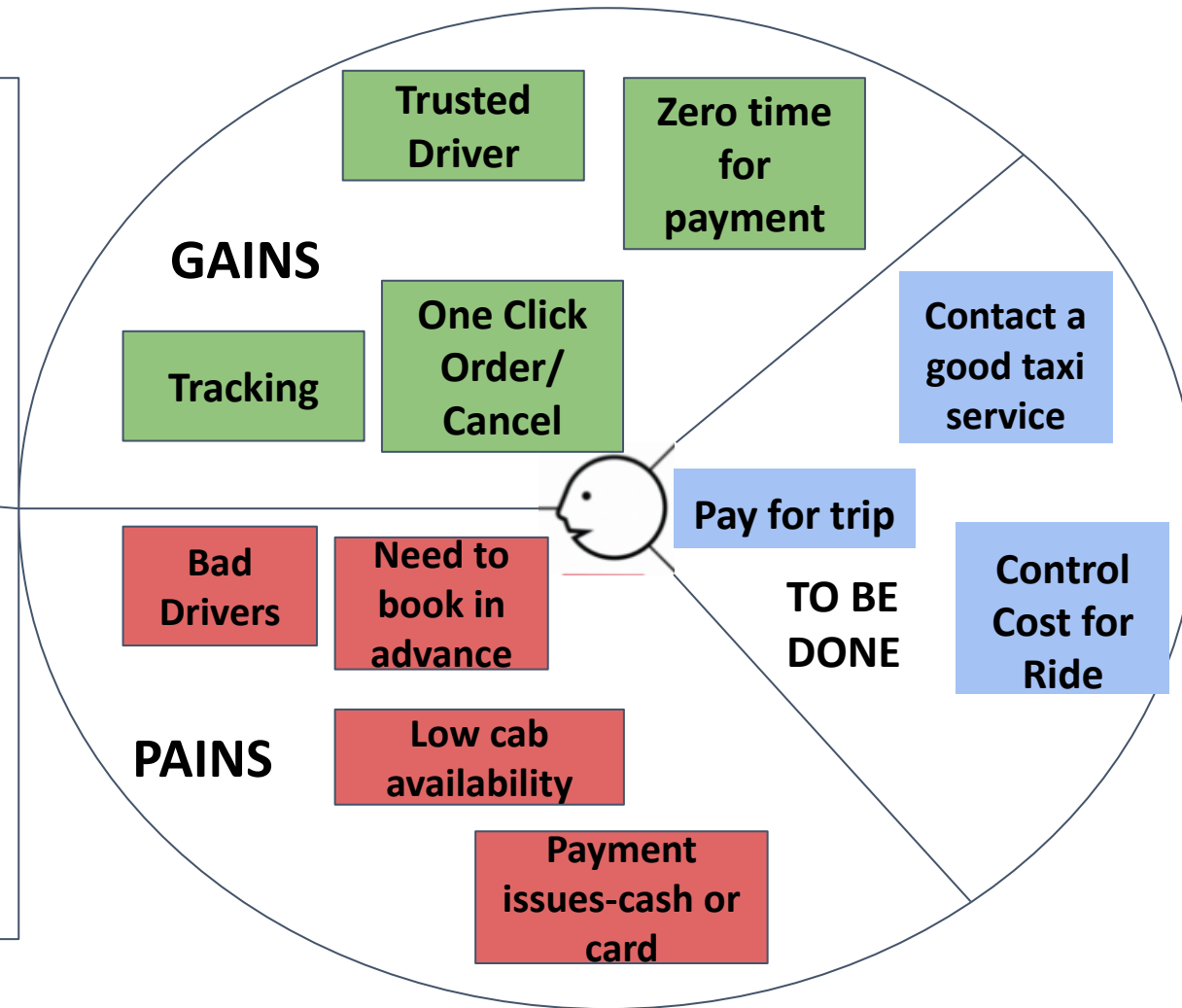
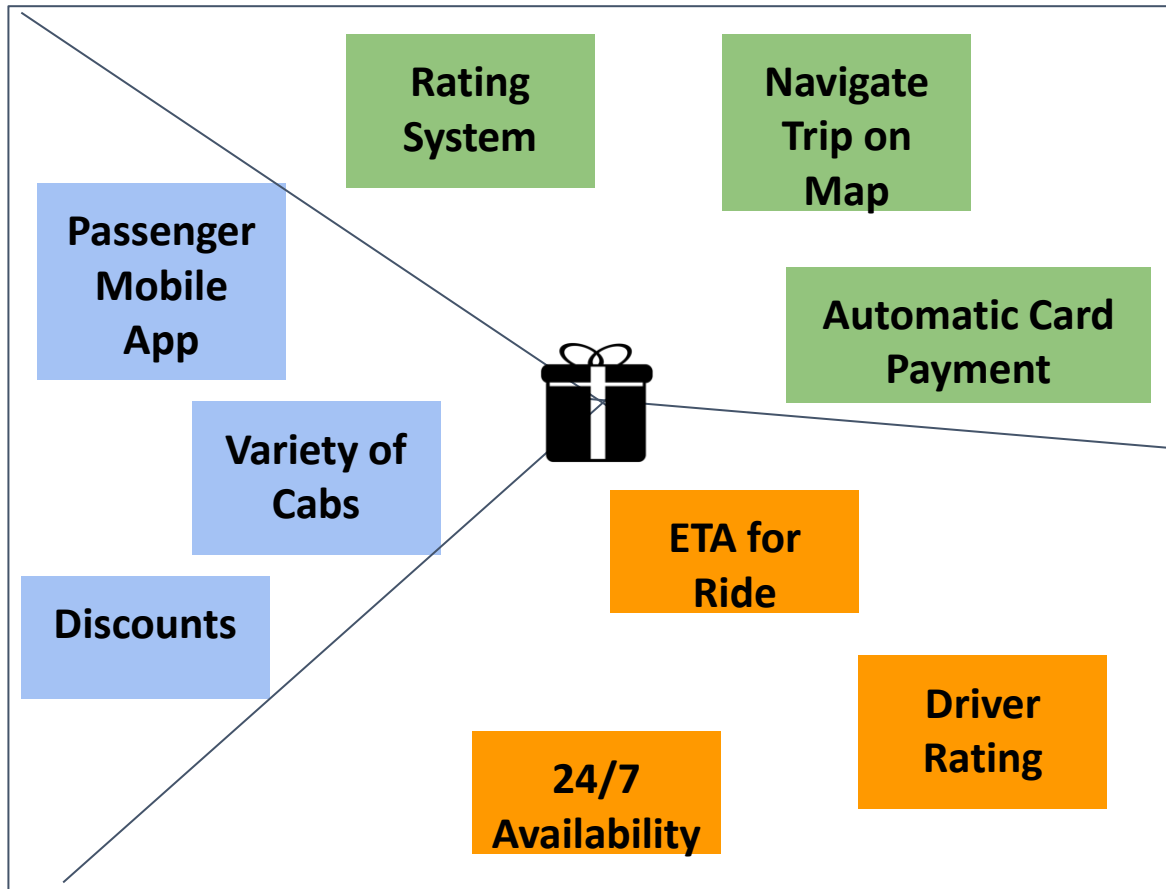
### How we can help

- Schedule posts to a queue
- Content suggestions

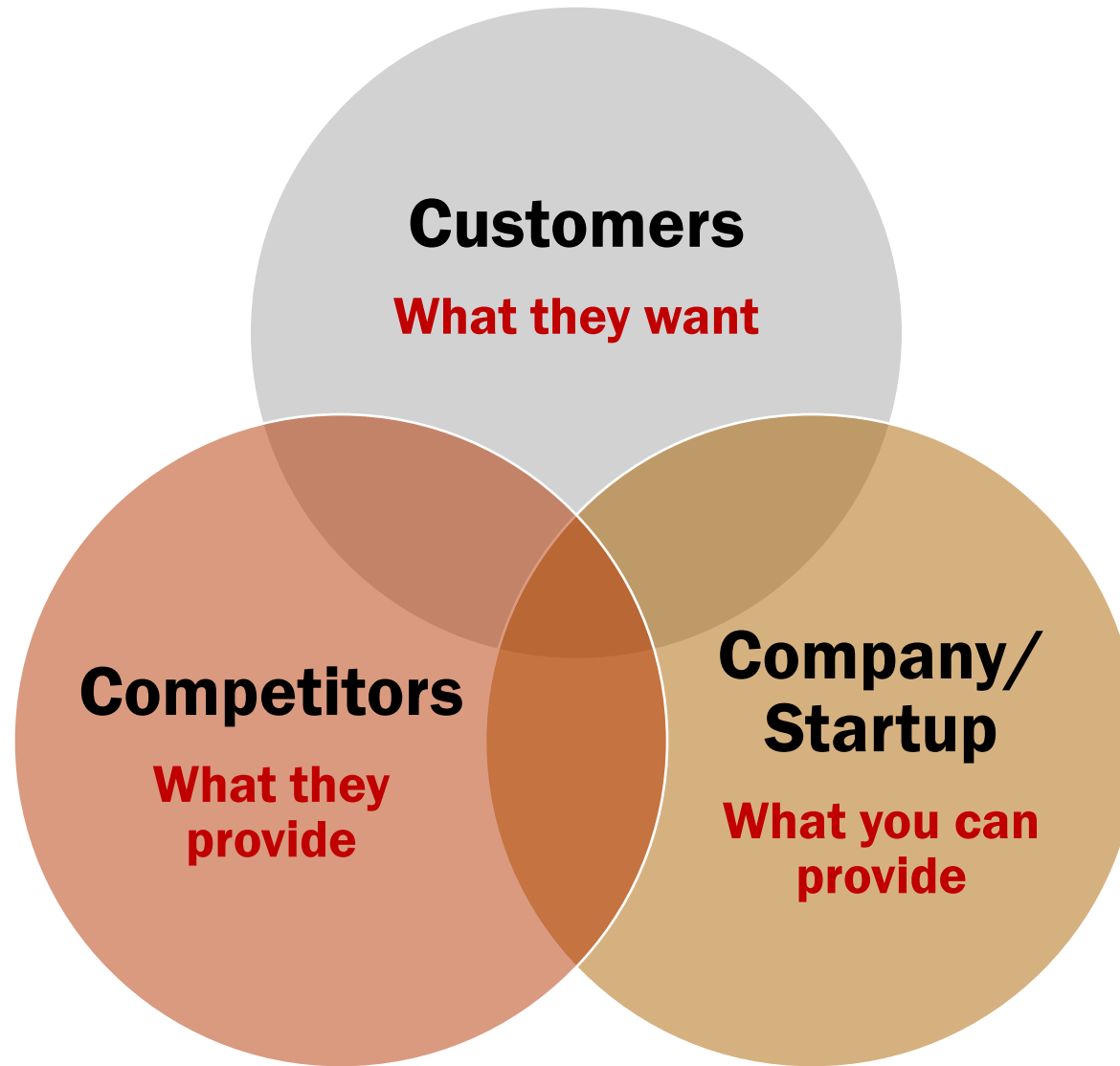
# How do we create our value proposition?



# Value Proposition : A Reference



# How do we create our value proposition?



# Google Proposition : Which one resonates ?



**“Google is the  
world’s largest  
search engine that  
allows Internet  
users to find  
relevant  
information quickly  
and easily.”**

**“Google uses a  
patented page-  
ranking algorithm  
to make money  
through ad  
placement.”**

**What is it?**  
**Who is it for?**

**Why is it valuable?**



# Product Definition

- **What will it do ?**
- **Who will buy it ?**
- **What is the context in which this product will be bought ?**
- **What are the major competitors ? Or replacements**
- **What are its rough dimensions ?**
- **What functional features should it have ?**
- **What are the psychological descriptors of the product ?**

**Product or Service or Solution or Offering**

## Concept Format

- Insight
- Functional Benefit
- Reason to Believe
- Emotional Benefit
  - Range (where applicable)

## Jacob's Concept

"Feel Good Snacking"

I love to eat between meals, but it's not always easy to make the healthy choice when it comes to snacking. (insight)

Jacob's crackers are a tasty and healthy way to snack between meals. (functional benefit)

Because they're made with the simple goodness of carefully selected ingredients and have 8 essential vitamins and minerals. (reason to believe)

Jacob's allows me to feel good about snacking. (emotional benefit)

- Available in several varieties: Cream Cracker, Hi-Fiber, Hi- Cal Slice and Sunlife Breakfast Biscuit (range)

# Writing a Winning Concept / Proposition / 'Prastaav'



- Insight
- Benefit
- RTB ( Reason to Believe )
- Payoff

# Value Propositions : 5 key components

- **Product : Performance, Quality, Features, Brand, Easy / Safe to use**
- **Price : Fair, Visible, Reasonable, Consistent, Of Value**
- **Access : Convenient, Found in reasonable time**
- **Service : Ordering, Delivery, Return, Check out etc**
- **Experience : Delivery on needs at basic and higher-order levels**

***One component selected to dominate value proposition, a second to differentiate, and remaining three meet the industry norm***

## Relevance & Differentiation



# Less is More

“It’s better to  
build something a  
small number of  
users love than  
something a lot  
of users like”  
—Paul Buchheit YC



## Less is More – On Attributes and Benefits too !



# Elements of Value B2C



## PROVIDES HOPE

**Definition:** Providing something to be optimistic about

**Example:** GNC stores sell a wide range of weight loss, nutritional supplements and other products designed to improve consumers' health and fitness.



### What elements are most important to consumers in different industries?

Click on each industry below to view the top five elements influencing loyalty for each.

- |                  |                      |
|------------------|----------------------|
| Apparel retail   | Discount retail      |
| Grocery          | Food and beverage    |
| Smartphones      | TV service providers |
| Consumer banking | Brokerage            |
| Auto insurance   | Credit cards         |

Reset

### Social impact



Self-transcendence

### Life changing



Provides hope



Self-actualization



Motivation



Heirloom



Affiliation and belonging

### Emotional



Reduces anxiety



Rewards me



Nostalgia



Design / aesthetics



Badge value



Wellness



Therapeutic value



Fun / entertainment



Attractiveness



Provides access

### Functional



Saves times



Simplifies



Makes money



Reduces risk



Organizes



Integrates



Connects



Reduces effort



Avoids hassles



Reduces cost



Quality



Variety

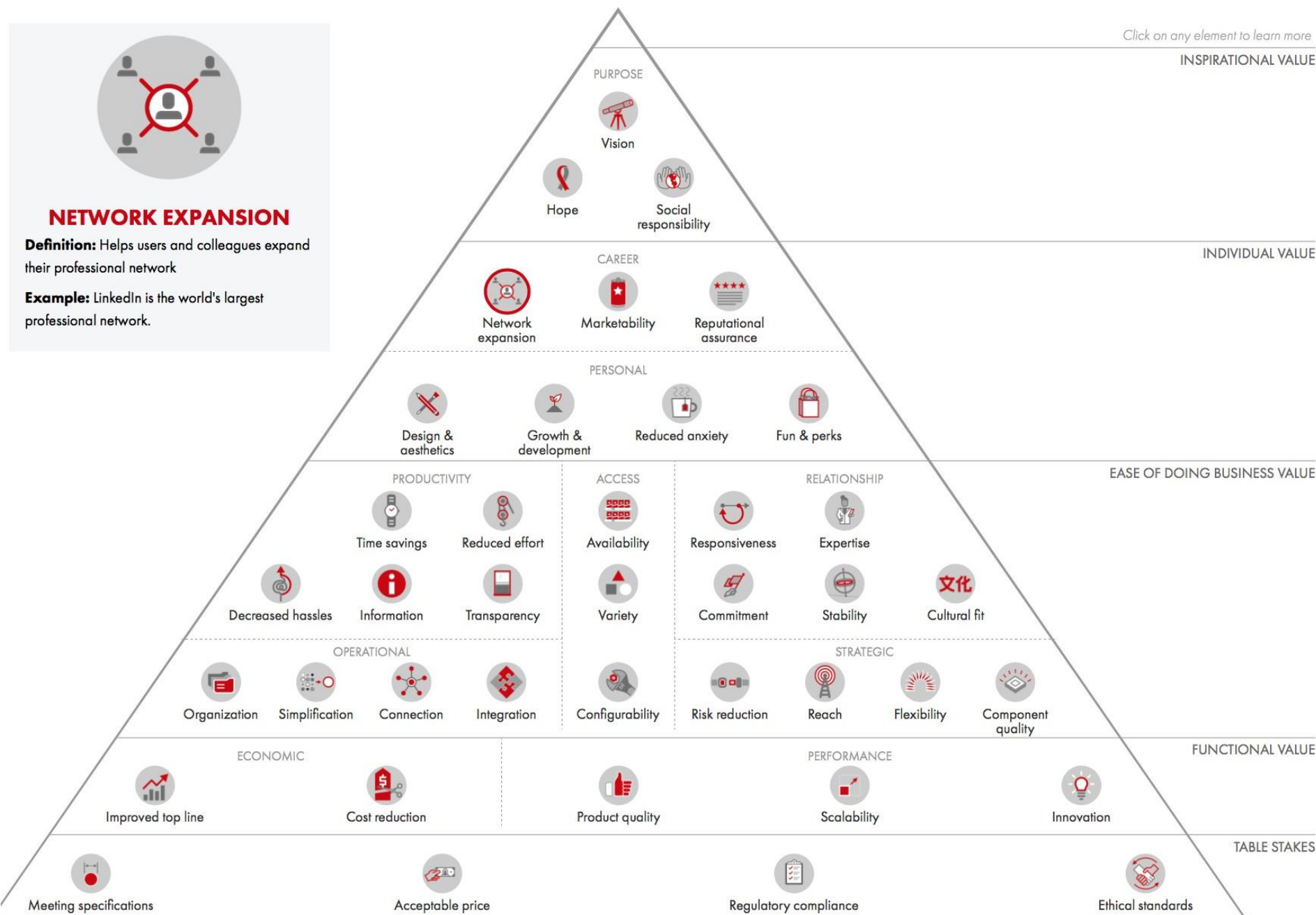


Sensory appeal



Informs

# Elements of Value B2B



# Enhancing Value Propositions using Quantitative method

## Need

- **Not:** The market is growing fast
- **Rather:** Our market segment is \$2B/yr and growing at 20%/yr

## Approach

- **Not:** We have a clever design
- **Rather:** We have created a patent-protected, one-step process that replaces the current two-step process with the same quality

## Benefits

- **Not:** The ROI is excellent
- **Rather:** Our one-step process reduces costs by 50% and results in an expected ROI of 50% per year with a profit of \$30M in year 3

## Competition

- **Not:** We are better than our competitors
- **Rather:** Our competitors are Evergreen Corporation and Bigway, which use the current two-step process

**Superiority only gets this far... Differentiation goes farther**



# Customer's persona

## Coffee Shop Marketing Persona



How much of this is about the product?

Sarah Student

*"I need to be able to go somewhere to relax, re-focus, and get inspired without breaking the bank."*

### A DAY IN THE LIFE OF SARAH

- Early mornings, late nights describes her daily routines, so she lives on coffee
- She goes to school all day, studies at nights and works freelance jobs
- She has a cat that keeps her grounded with a sense of responsibility
- She's a carefree college student
- Her house is never in order, her fridge is empty and she's always buried in a book or her laptop
- She takes the train and Ubers everywhere

### BACKGROUND

- 20 years old
- Single
- Lives in San Francisco, CA
- Full-Time Interior Design Student, Part Time Worker

### FINANCES

• Prefers to use her credit / debit cards

### ONLINE BEHAVIORS

- Facebook is her life-line
- Active on Twitter, Instagram, and Pinterest
- Looks for coupons and good deals on cool, new experiences or restaurants

### WHAT SHE'S LOOKING FOR

- A place to de-compress after a hectic week
- A quiet place to study where she's not distracted by her messy room
- A good deal to make her feel better about purchases
- A sense of stability in her chaotic world
- Cool, new experiences or adventures

### WHAT INFLUENCES HER

- Her friends and colleagues
- Magazines, blogs, articles, and design publications

### BRAND AFFINITIES

- Starbucks, H&M, Forever21, American Eagle, Target

### HOPES & DREAMS

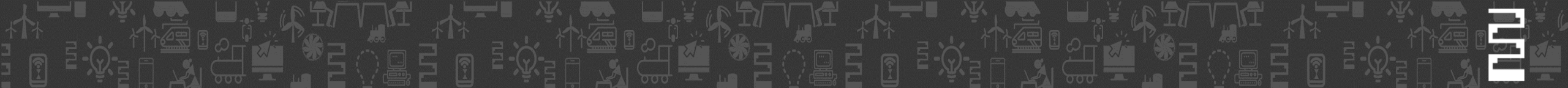
- Become a reputable interior designer
- Travel the world
- Have the flexibility to be able to pick up and go as she pleases
- Not have to worry about finances

• Getting stuck somewhere and not being able to travel

- Not having enough time with her cat
- Not being able to pay back her school debt

### MAKE HER LIFE EASIER

- Funky atmosphere that's inviting and relaxing
- Deals and coupons
- Provide a job-board inside the coffee shop for freelance jobs
- Cozy seating with plenty of charging stations
- Order drinks to-go online or through an app
- Social media engagement incentives for discounts



## Back Ups