

4 Steps To Building A Compelling Value Proposition



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I write on topics to help entrepreneurs go from idea to market leader.

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(In my [first article here on Forbes](#), I suggested how entrepreneurs might get started. Once you've found a worthy opportunity, building a compelling value proposition is often a great next step.)

As an entrepreneur turned venture capitalist, I enjoy collaborating with innovators on their planned ventures and helping them explore their value propositions. However, many entrepreneurs lose out, due to never truly articulating a compelling value proposition. Establishing a substantive value proposition is critical if you want to start the journey from your “idea” to building a successful company.

In its simplest terms, a value proposition is a **positioning statement that**

explains what benefit you provide for who and how you do it uniquely well. It describes your target buyer, the problem you solve, and why you're distinctly better than the alternatives

As you set out to create YOUR compelling [value proposition](#), consider the following four steps: Define, Evaluate, Measure and Build:

DEFINE the problem set to help vet whether it's a problem worth solving

A fellow inventor, Charles Kettering, once said, a problem well stated is a problem half solved and many entrepreneurs make the mistake of diving headlong into the solution before really understanding the problem they're looking to solve.

A significant part of defining a value proposition involves what I like to call the **4Us**. If you find yourself answering a definitive yes to the majority of these questions, then you are on the right path toward a compelling value proposition. If not, consider re-evaluating and revising your new venture.

Is the problem Unworkable? Does your solution fix a broken business process where there are real, measureable consequences to inaction? Will someone get fired if the issue is not addressed? **If the answer is yes – then that person will likely be your internal champion.*

Is fixing the problem Unavoidable? Is it driven by a mandate with implications associated with governance or regulatory control? For

example, is it driven by a fundamental requirement for accounting or compliance? **If the answer is yes – then that group will likely be a champion.*

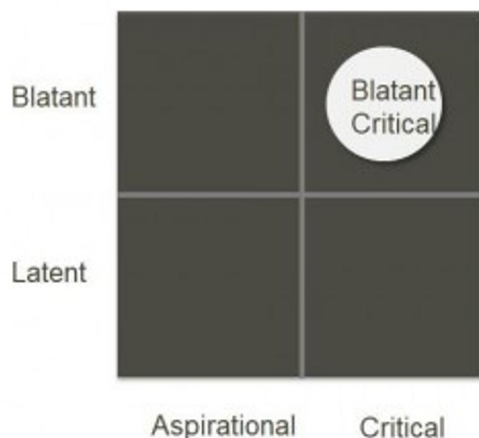
Is the problem Urgent? Is it one of the top few priorities for a company? In selling to enterprises, you’ll find it hard to command the attention and resources to get a deal done if you fall below this line.

**If the answer is yes – then you know you’ll have the attention of the c-suite.*

Is the problem Underserved? Is there a conspicuous absence of valid solutions to the problem you’re looking to solve? Focus on the whitespace in a market or segment. **If the answer is yes – then you know the market is primed for the solution.*

Qualify the Problem: Is it “Blac and White”?

Is it BLAC (Blatant, Latent, Aspirational, Critical) and does it address a WHITE space in the market, allowing you to capitalize on an open area of opportunity?



In B2B technology markets, you want to be in the position of addressing problems that are **blatant** and **critical**, as they are far more acute than those that are latent

and aspirational. Blatant and critical problems stand in the way of business. They put careers and reputations at risk. Latent problems are unacknowledged, which means they often require costly missionary selling. Aspirational problems are optional, which is the hardest of places for a B2B startup to sell. Though it should be noted that many successful B2C products are based on exposing latent aspirational needs. Facebook is a great example. When we discuss this topic in my classes, we discuss consumer needs through frameworks like Maslow's hierarchy of needs where one can think about what might have driven Facebook's success and of course it exposes our obvious **social** needs.

Or consider more obviously Evernote and its value proposition. The company set out to "help the world remember everything, communicate effectively and get things done". From saving thoughts and ideas to preserving experiences to working efficiently with others, Evernote's unique collection of apps makes it easy for users to stay organized and productive.

EVALUATE whether your breakthrough is unique and compelling

After you determined the problem you're solving and validated its criticality, ask yourself: What is unique and compelling about your breakthrough?

A useful approach is to think of your breakthrough in the context of the **3Ds**: What unique combination of (D)iscontinuous innovation, (D)efensible technology, and (D)isruptive business model are you bringing to bear and what makes it truly compelling — not just to you and your colleagues, but to your most skeptical customer?

Discontinuous innovations - offer transformative benefits over the status quo by looking at a problem differently.

Defensible technology - offers intellectual property that can be protected to create a barrier to entry and an unfair competitive advantage.

Disruptive business models - yield value and cost rewards that help catalyze the growth of a business.

Simply having a product or service that is faster, cheaper and better is not enough to make it compelling, but evaluate it in 3D and you can really open up the potential for a breakout.

MEASURE potential customer adoption using the Gain/Pain Ratio

Most entrepreneurs are so focused on the features they deliver they forget to examine how hard it will be for customers to learn to use their product. So the Gain/Pain ratio involves measuring the gain you deliver the customer vs. the pain and cost for the customer to adopt. As an investor, I look for non-disruptive disruptions: technologies that offer game-changing benefits with minimal modifications to existing processes or

environments. Simply put: disruptive innovation would ideally be non-disruptive to adopt.

Non-disruptive is critical to startups since the gain you deliver will also be discounted by the risk associated with betting on you as a young company. A successful venture delivers an order of magnitude improvement over the status quo. If you can't deliver a 10x gain/pain promise, customers will typically default to "do nothing" rather than bearing the risk of working with you.

Gain/Pain ratio



BUILD the Value Proposition

Once you have gone through the defining, evaluating and measuring steps, you are ready to BUILD your value proposition, for which I recommend the following kind of framework. (Note - this is not original. It is intentionally typical^[1] of positioning statements to be consistent and reusable as such):

For (target customers)

Who are dissatisfied with (the current alternative)

Our product is a (new product)

That provides (key problem-solving capability)

Unlike (the product alternative).

Well those are the four steps. But I lied, there's one more thing and it may be the most important of all. It's **YOU!**

Do not lose site of the fact that you are core to your venture's value proposition.

What problems do you understand uniquely well? What solution can you deliver uniquely well? What kind of disruptive business model can you bring? Be true to yourself as a thought leader and you will go far.

Additional insight can be found at www.startupsecrets.com where I also welcome input on your experiences and best practices, to share for everyone's benefit.

[i] With thanks to Geoffrey Moore



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