

Lecture summary # 12

Value Proposition and Business Model Canvas

The value proposition demonstrates the superior qualities that a company offers in terms of its products or services, including quality, efficacy, customer experience, customer satisfaction, and service.

These factors make the company's offerings more appealing compared to those of its competitors. The

value proposition communicates to potential customers why they should prefer the company's offerings over others. It provides reasons and explains how customers can receive better value for their money when they purchase the company's products or services, particularly highlighting the high value for the money that potential customers can expect. This information empowers them to make informed decisions when considering the company's products, clearly distinguishing them from those of the competitors.

The Value Proposition Canvas is a tool which can help ensure that a product or service is positioned around what the customer values and needs.

Many companies may have excellent products or services, but often fail to effectively communicate their value to customers. Without this knowledge, customers may continue to purchase products from other companies, potentially leading to the closure of a business that could otherwise provide great value. A value proposition is more than just a statement; it requires companies to innovate and then craft a compelling statement that provides detailed information about their offerings, enabling them to clearly convey their value to potential customers.



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The value proposition of a company must be clearly known to all members of the company for them to be able to comprehensively convey to outside stakeholders including prospects.

A value proposition would be termed successful if it can turn a prospect into a customer.

A value proposition helps positioning your offerings explaining benefits and how well your solution solves the pain of the target audience and how is it distinctly better than the alternatives.

The value proposition should be articulated lucidly for anyone to understand and should be conspicuously displayed in product packaging, hoarding, website, and other customer touchpoints, website search engine optimization, and more.

Some sample value proposition statements:

1. Shopify – The e-commerce platform made for you. Whether you sell online, on social media, in-store, or out of the trunk of your car, Shopify has you covered. They further add: Get straight to growing your business. Let us handle the rest. [Another one: Anyone, anywhere, can start a business.]
2. Uber – The Smartest Way to Get Around.
3. Zoom Video and Web Conferencing – #1 Video Conferencing and Web Conferencing Service (Zoom has an industry-leading NPS score of 69 based on 2017 Wootric surveys. It further adds the 'WHY' and explains:

Why Zoom?



One consistent enterprise experience for all use cases



Engineered & optimized to work reliably



Up to 500 video participants & 10,000 viewers



Easy-to-use, buy & scale



Most affordable, straightforward pricing

4. Apple iPhone – The Experience IS the Product.
5. Unbounce – A/B Testing Without Tech Headaches.
6. Slack – Be More Productive at Work with Less Effort (second one: Slack makes it downright pleasant to work together.)
7. Digit – Save Money Without Thinking About It.
8. LessAccounting – Bookkeeping, Without the Hassle.
9. CrazyEgg – Website Behavior Tracking at an Unbeatable Price.
10. Grammarly – Great writing, simplified.
11. Apple iOS 14 – Looks brand new. Feels like home.

How to build your value proposition?

Fortunately, Dr. Alexander Osterwalder has provided us with a valuable tool—a canvas that allows us to visually outline and present an enterprise's value proposition. This canvas is a key component of his broader '**Business Model Canvas (BMC)**,' which comprehensively illustrates a business model using nine building blocks, with the value proposition at its core.

The 'Value Proposition Canvas (VPC)' integrates two crucial blocks from the BMC: the value proposition and customer segment. In the VPC, the customer segment is represented by a circle containing three essential elements:

- i. Customer jobs or the tasks and objectives that customers want to accomplish.
- ii. Customer pains, which are the specific challenges or issues bothering the customers, for which they seek solutions.
- iii. Customer gains, referring to the additional benefits that customers appreciate beyond pain relief.

Conversely, the VPC presents the value proposition as a square with three corresponding components:

- i. Products or services designed to fulfil customer needs and address their jobs.
- ii. Pain relievers, which are features of the products or services that effectively alleviate customer pains, surpassing those offered by competitors.
- iii. Gain creators, which provide customers with a premium experience beyond pain relief.

When these three elements within the 'value proposition' align effectively with those in the 'Customer Segment,' it signifies a '**product-market fit**.'

The **Business Model Canvas (BMC)** is a strategic management tool used to define, analyze, and develop business models. It consists of nine key building blocks that provide a comprehensive view of how a company creates, delivers, and captures value. These blocks are:

1. **Customer Segments:** Defines the target audience or groups of customers the business aims to serve.
2. **Value Propositions:** Describes the unique products or services that create value for the customer segments.
3. **Channels:** Outlines how the company delivers its value proposition to customers, including marketing, sales, and distribution.
4. **Customer Relationships:** Details the type of relationship the company establishes with each customer segment (e.g., personal assistance, self-service).

5. **Revenue Streams:** Identifies how the company generates revenue from each customer segment.
6. **Key Resources:** Lists the assets necessary to deliver the value proposition, such as human, financial, or physical resources.
7. **Key Activities:** Describes the critical actions the company must take to operate successfully and deliver its value proposition.
8. **Key Partnerships:** Identifies the external companies or individuals that help the business achieve its goals, such as suppliers or strategic alliances.
9. **Cost Structure:** Outlines the major costs associated with operating the business, including production, marketing, and distribution expenses.

The BMC is a visual tool that helps entrepreneurs and businesses to clarify their business model, identify strengths and weaknesses, helps in investment pitching, experimentation & pivoting, making it easier to communicate, innovate, and align their strategy.