SO FAR…

‣ We did an "Intro to Product Management"

‣ Then we plowed through the "Product Development Cycle"

‣ With 'Customer Development", we discovered the customer

‣ Today, we get into…

BUSINESS MODEL AND VALUE PROPOSITION DESIGN

chidi afulezi
co.founder, aKoma

LEARNING OBJECTIVES

‣ Understand the importance of a strong and decisive value proposition

‣ Describe the components of every business model and how the components relate to each other

‣ Develop a business model around a new product idea

HYPOTHESIS – "A SUPPOSITION OR PROPOSED EXPLANATION MADE ON THE BASIS OF LIMITED EVIDENCE AS A STARTING POINT FOR FURTHER INVESTIGATION."

5
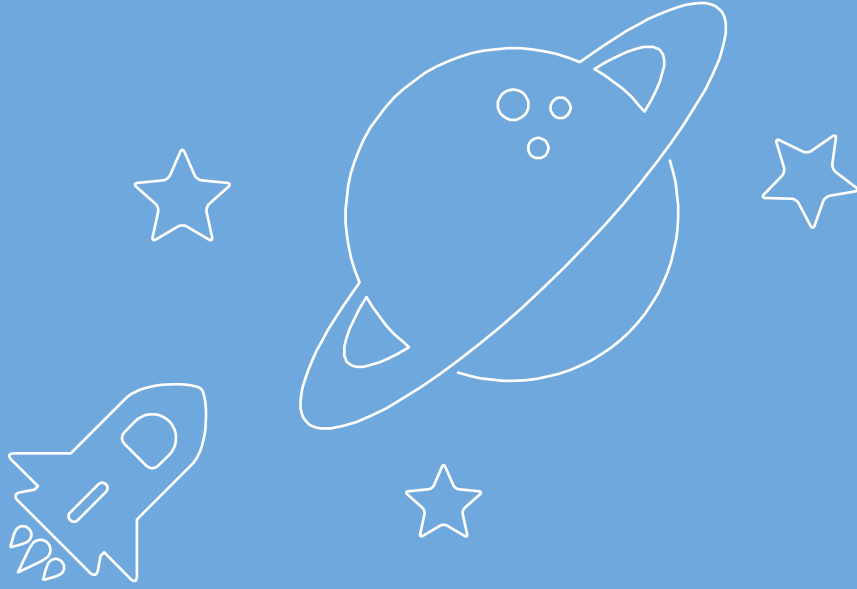
value propositions

value propositions are the central hypotheses of your company

6

value proposition

A simple framework articulating benefits, not features

▸ target market - who is buying and using
▸ value - what they are paying for
▸ offering - product offering required to deliver value
▸ prioritize benefits - most important to customers? to Turner?
▸ differentiate - what makes your product stand out against competition
▸ Prove it - provide evidence of value and benefits (POVs, testimonials, case studies)

7 observe customers, create value

Value Map

The Value (Proposition) Map describes the features of a specific value proposition in your business model in a more structured and detailed way. It breaks your value proposition down into products and services, pain relievers, and gain creators.
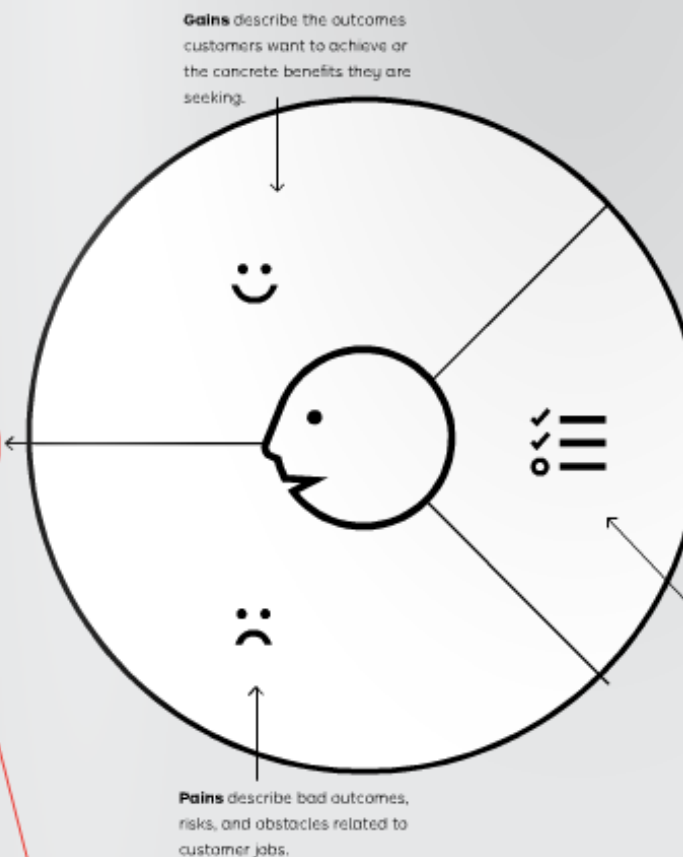
Gain Creators describe how your products and services create customer gains.

This is a list of all the Products and Services a value proposition is built around.

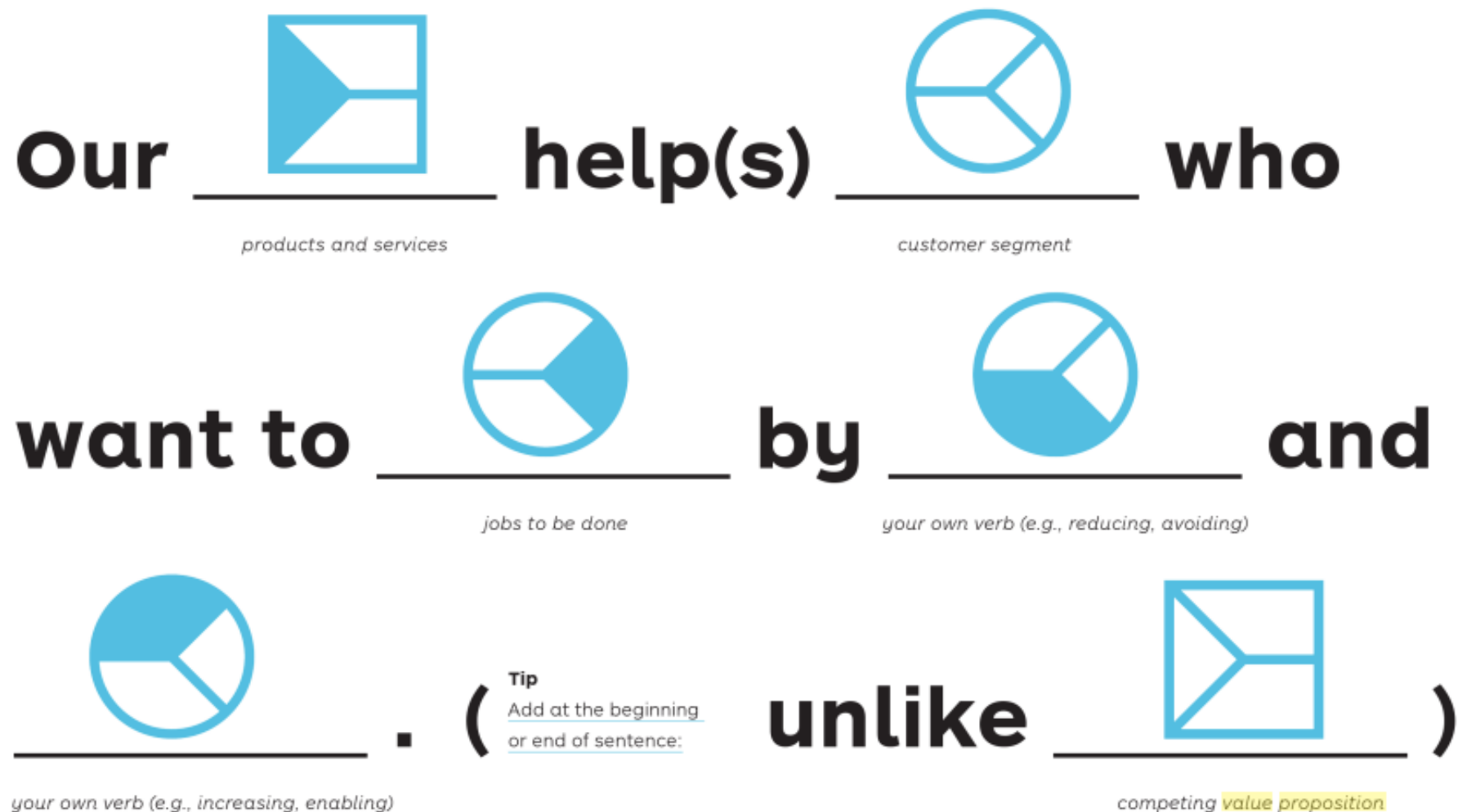**Pain Relievers** describe how your products and services alleviate customer pains.
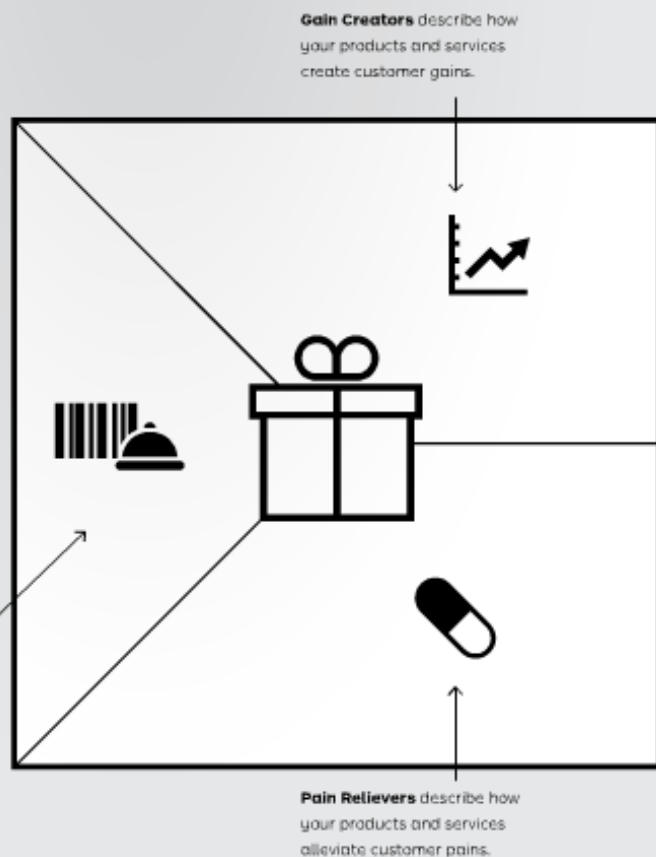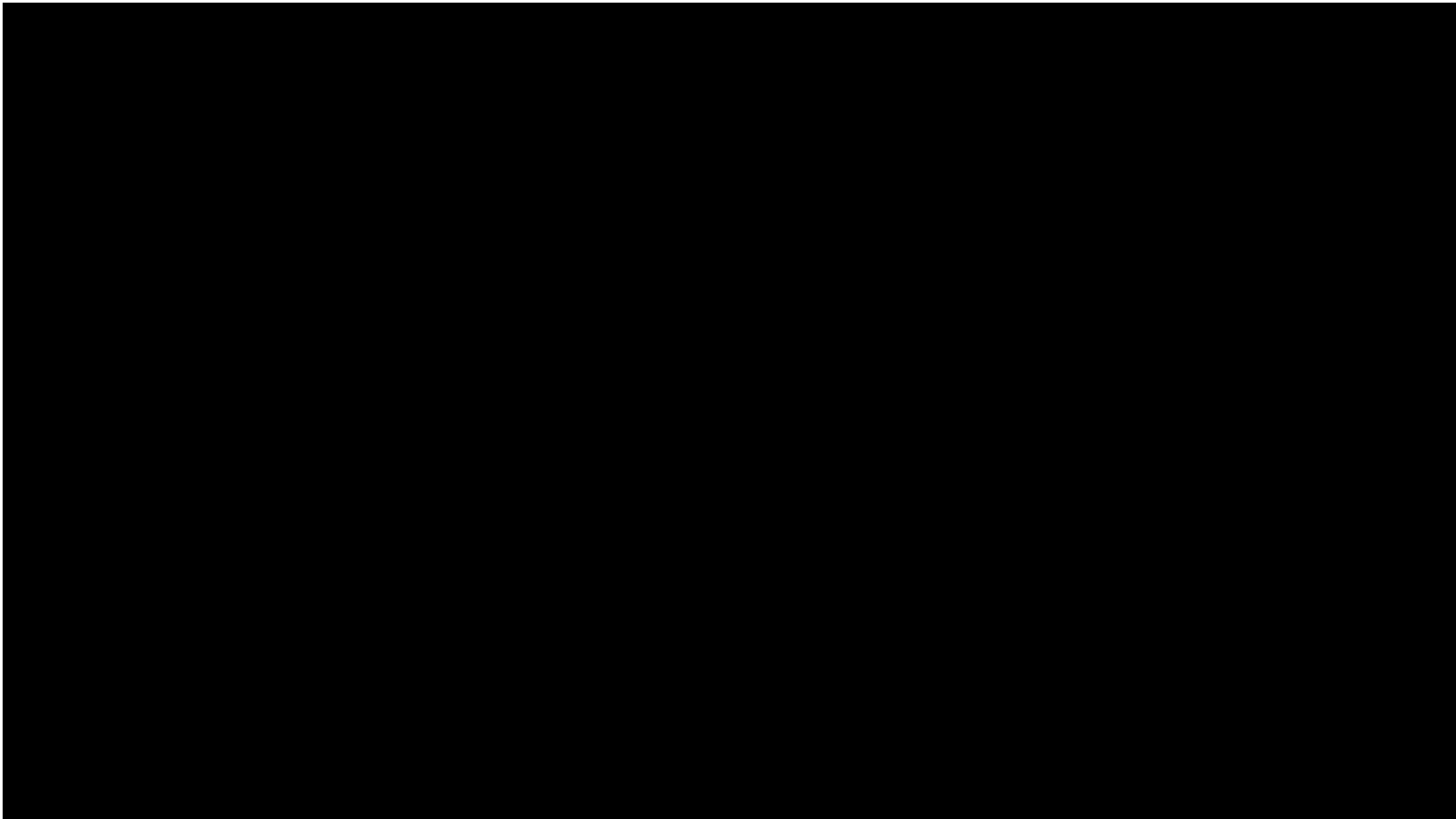
Fit

Customer Profile

The Customer (Segment) Profile describes a specific customer segment in your business model in a more structured and detailed way. It breaks the customer down into its jobs, pains, and gains.

Gains describe the outcomes customers want to achieve or the concrete benefits they are seeking.

Customer Jobs describe what customers are trying to get done in their work and in their lives, as expressed in their own words.

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

You achieve **Fit** when your value map meets your customer profile — when your products and services produce pain relievers and gain creators that match one or more of the jobs, pains, and gains that are important to your customer.

strategyzer.com/vpd

8

Our _____ help(s) _____ who

products and services   *customer segment*

want to _____ by _____ and

jobs to be done   *your own verb (e.g., reducing, avoiding)*

_____ . (

Tip
Add at the beginning
or end of sentence:

unlike _____)

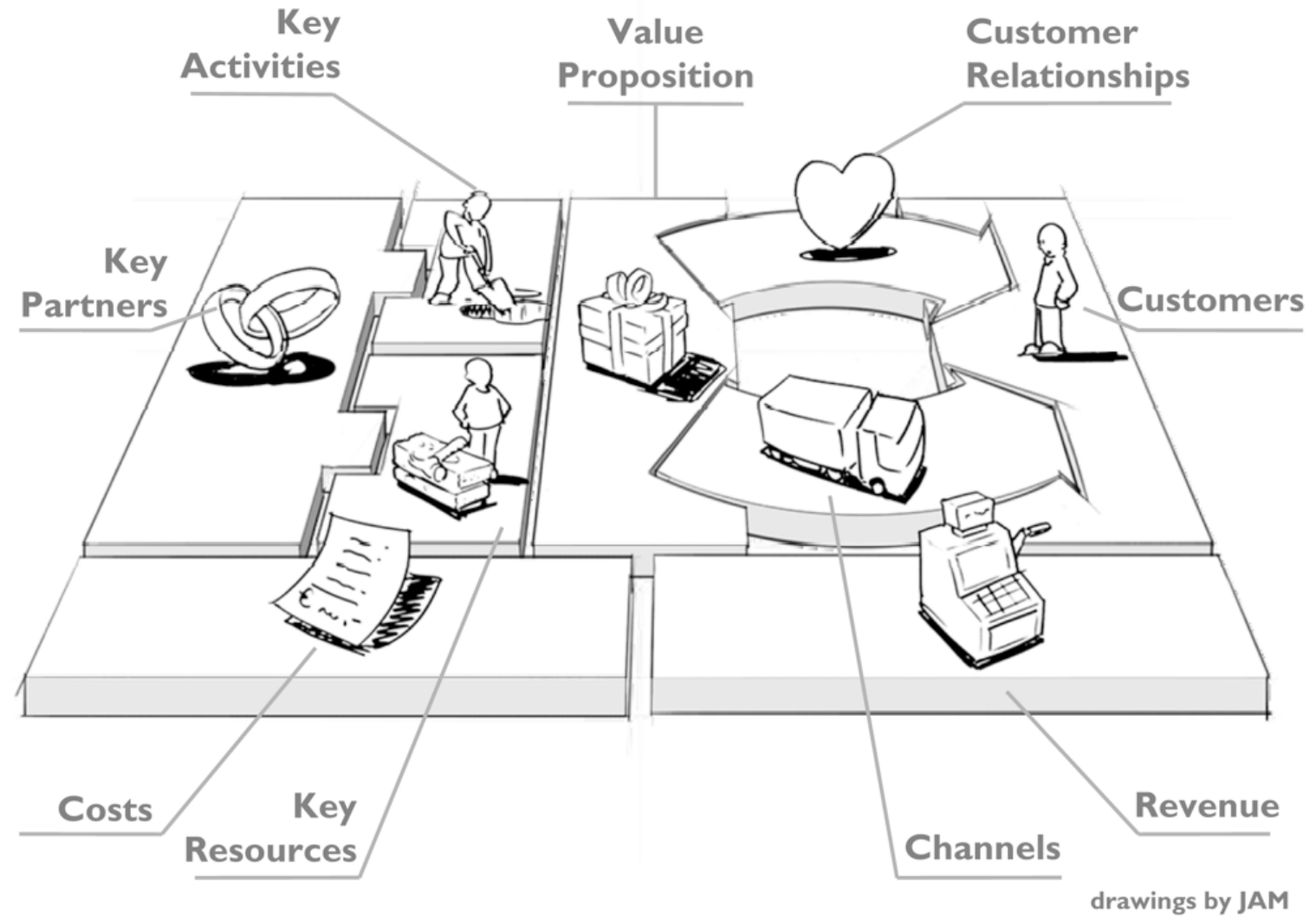*your own verb (e.g., increasing, enabling)*   *competing value proposition*

9

BUSINESS MODEL DESIGN

BUSINESS MODEL – "DESCRIBES THE RATIONALE OF HOW AN ORGANIZATION CREATES, DELIVERS, AND CAPTURES VALUE"

Alexander Osterwalder – "Business Model Canvas"

12
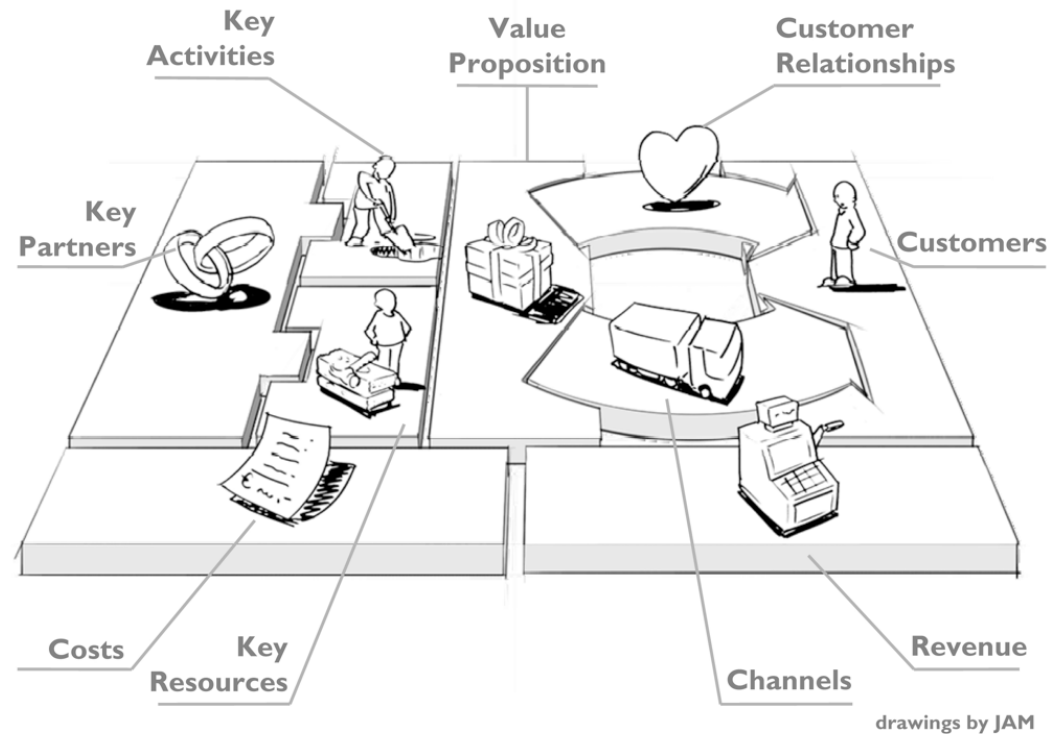
business model canvas

Key Activities

Value Proposition

Customer Relationships

Key Partners

Customers

Costs

Key Resources

Channels

Revenue

drawings by JAM

a tool to frame all the hypotheses and assumptions of your product.

BUSINESS MODEL CANVAS

drawings by JAM

Business Model Canvas is a tool to frame all the hypotheses and assumptions of your startup or product.

14 business model canvas

Key Partners
Who will help you?

Who are your key partners, suppliers, or collaborators? What are the most important motivations for the partnerships?

Key Activities
How do you do it?

What actions or activities does your value proposition require? What are the deliverables needed for your distribution channels, customer relationships, etc.?

Key Resources
What do you need?

What's needed to launch and operate the business. What key resources does your value proposition require?

Unique Value Proposition
What do you do? How is it unique?

What is your promise to your audience? What problem does your audience have and how are you solving it? Does your product or service solve your audience's need? Zero in on the heart of your service and highlight what stands out about the product you provide.

Customer Relationship
How do you interact?

How can you get, keep, and grow your audience? What relationship does your audience expect you to establish?

Distribution Channels
How do you reach them?

How will you inform them of your developments and services? Consider the most effective mediums to reach your audience.

Customer Segments
Who do you help?

What groups are you providing value for? Identify 3 to 4 user personas you envision turning to you for solutions. Try our User Persona Creator tool.

Cost Structure
What will it cost to launch and maintain your business?

What will it cost to launch and maintain your business? Consider each stage of your company from creating a website and acquiring users, to hiring employees and producing goods, to marketing products and getting them to consumers.

Revenue Streams
How much will you make?

What monetary sources will fuel your company? How will you generate income? Present a pricing model for your product or service, and then highlight other sources of revenue—ad sales, subscription fees, or asset sales.

15 lean canvas (*created by Ash Maurya)

The Problem

Top 3 Problems

What is the crucial problem faced by your consumers? Capture their central frustration.

Existing Alternatives

Define one clear, direct competitor. Consider the other ways customers can address their problems. What products or services exist as alternatives to what you're offering?

Your Solution

Top 3 Solutions

What is your solution to consumers' problems? Present the defining elements of your service: what makes it the top tool for addressing consumers' needs?

Key Metrics

Key Activities You Measure

How will you track consumer engagement, excitement, and usage of your product?

Unique Value Proposition

A Clear and Compelling Message

This message should explain what you do, how you are different, and why you are worth investing in. What is your promise to consumers? Zero in on the heart of your service and highlight what stands out about product you provide.

High Level Concept

How does your product fit into the bigger picture; where does it fall in the grand scheme of things?

Unfair Advantage

Your Differentiator

How do you stand out from competitors? What puts you ahead of the pack? Why should consumers have confidence in your service above others?

Channels

Path to Customers

How will you interact with consumers, inform them of your developments and services? Print ads, social media platforms, promotional events, or even word of mouth.

Customer Segments

Target Customers

Who can you help? Identify 3 to 4 user personas you envision turning to you for solutions. Try our User Persona Creator tool.

Early Adopters

Define the specific characteristics of your early adopters.

Cost Structure

Customer acquisition costs, distribution costs, hosting, people, etc.

What will it cost to launch and maintain your business? Consider each stage of your start-up from creating a website and acquiring users, to hiring employees and producing goods, to marketing products and getting them to consumers.

Revenue Streams

Revenue model, life time value, gross margin, etc.

What monetary sources will fuel your company? How will you generate income? Present a pricing model for your product or service, and then highlight other sources of revenue—ad sales, subscription fees, or asset sales.
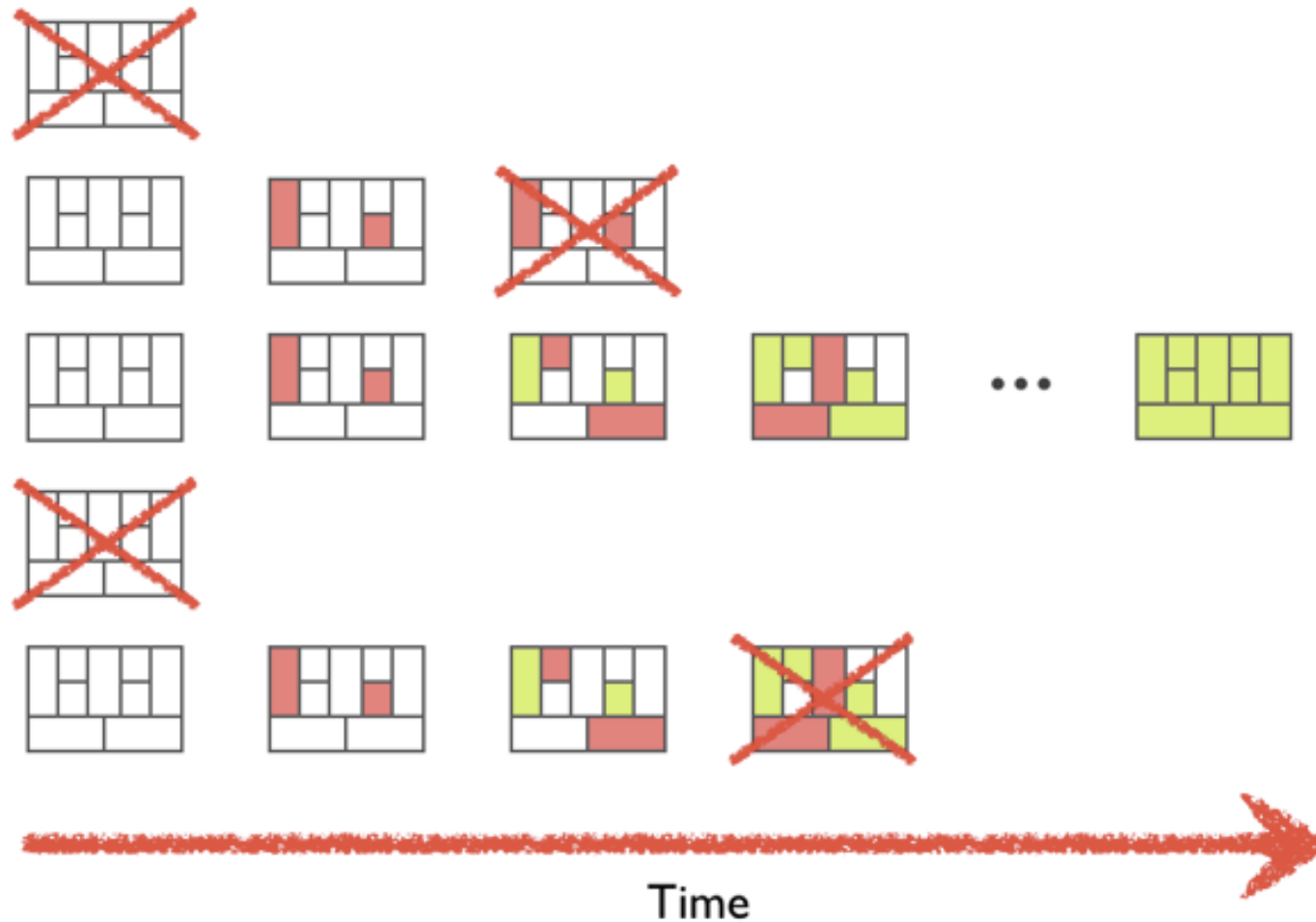
WHY LEAN CANVAS?

‣ New product, entrepreneur focused
‣ Highly actionable
‣ Much better at showing which piece of the business model is most risky

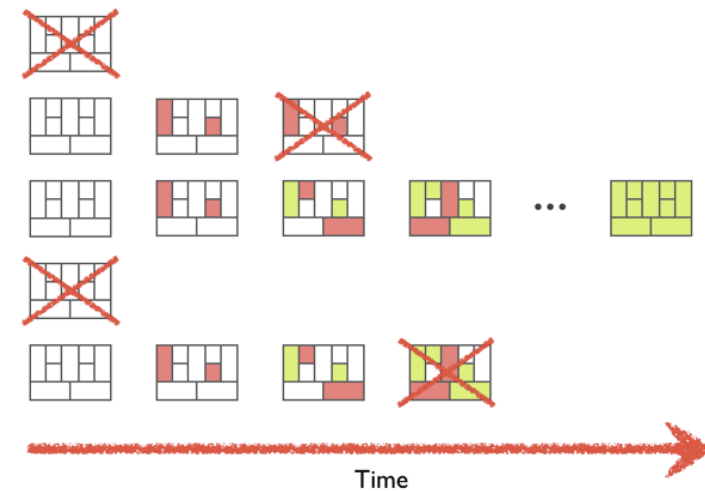# 17 use your canvas to test out your product

Systematically test your model

Time

DEFINE WHAT YOU ARE TESTING

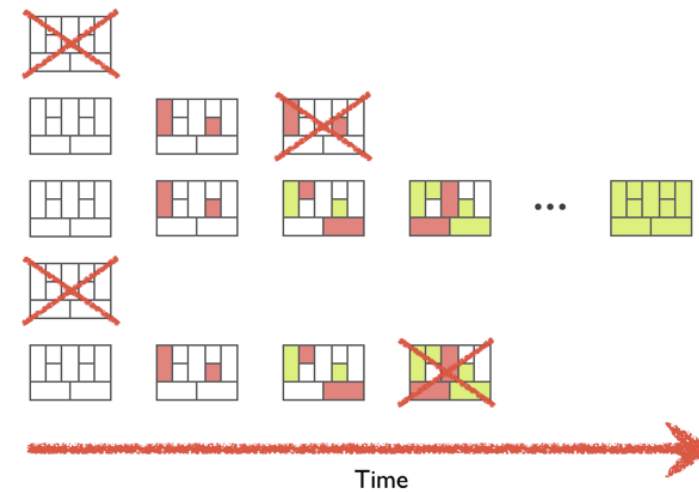Systematically test your model

Time

DECIDE WHO YOU WILL TEST IT ON

Systematically test your model

Time

BUSINESS MODEL VS LEAN CANVAS

Element	Business Model Canvas	Lean Canvas
Target	New and existing businesses	Startups
Focus	Multiple stakeholders	Entrepreneurs
Customers	Emphasis on customers, channels, relationships	No real customers yet
Approach	Business infrastructure, anticipated sources of financing, costs and revenue	Define problem and proposed solution, costs, channels and revenues
Competition	Focus on value proposition from quantitative and qualitative viewpoint	What is unique or unfair advantage that separates from others
Usage	Fosters strategic discussion, candid conversations and analaysis	Step by step "Problem-Solution" oriented approach

Exercise

objective: create a lean canvas and value proposition statement for Netflix India

activity (20mins): Focus on the problem, solution, value proposition, and customer segments. using the value proposition framework, come up with a value proposition that will appeal to the Indian market for a brand that is a late entry and joining a highly competitive market

research tools

- **user/customer interviews**
- **user surveys: quantitative insights**
- **focus groups: qualitative insights**
- **user testing: prototypes, betas**
- **A/B testing: show different versions of product**
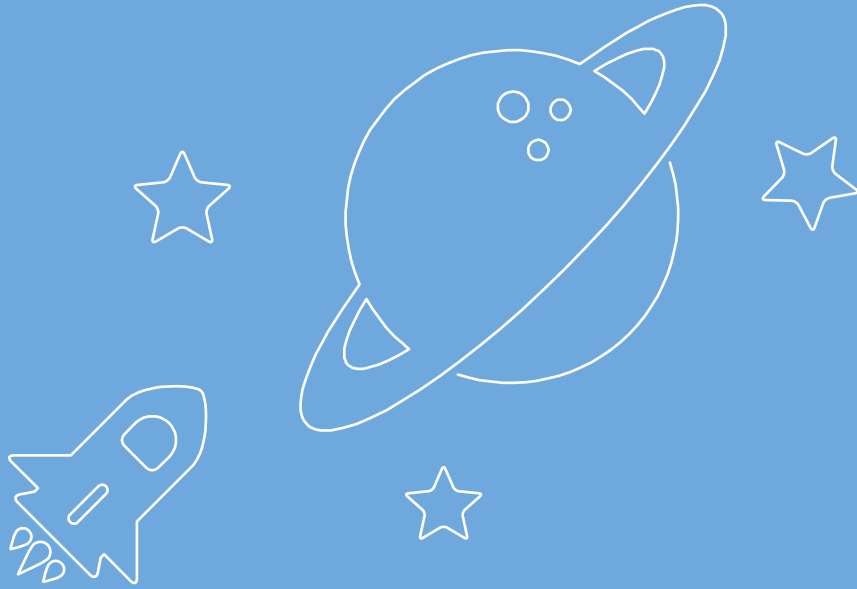
swot analysis

reliable go to for quick strategic look at problem

swot analysis

- **evaluate internal and external factors**
- **one of the best "back of the envelope" strategy tools**

strengths

‣ Things you're good at

‣ Experience, knowledge base

‣ Unique characteristics

‣ Resources

‣ Geographical location

‣ Brand, reputation

‣ Flexibility on product, pricing, distribution

weaknesses

‣ Things you need to improve

‣ Skill and knowledge gaps

‣ Financial issues

‣ Brand awareness and reputation

‣ Poor location

‣ Leadership/Mgmt issues

‣ Staff motivation &

opportunities

‣ Strategic alliances, acquisitions

‣ Diversity of the business

‣ Take advantage of new trends

‣ New Product Dev/R&D

‣ Enter new markets

‣ Reduce costs

threats

‣ Market and tech shifts

‣ Loss of major customer(s)

‣ Infrastructure costs

‣ Competition's new products and innovations

‣ Regulatory

‣ Seasonality

swot the hell??

- easy to do, but not solution oriented
- helps with quick decision making, but not prioritization
- again strong tool, need more
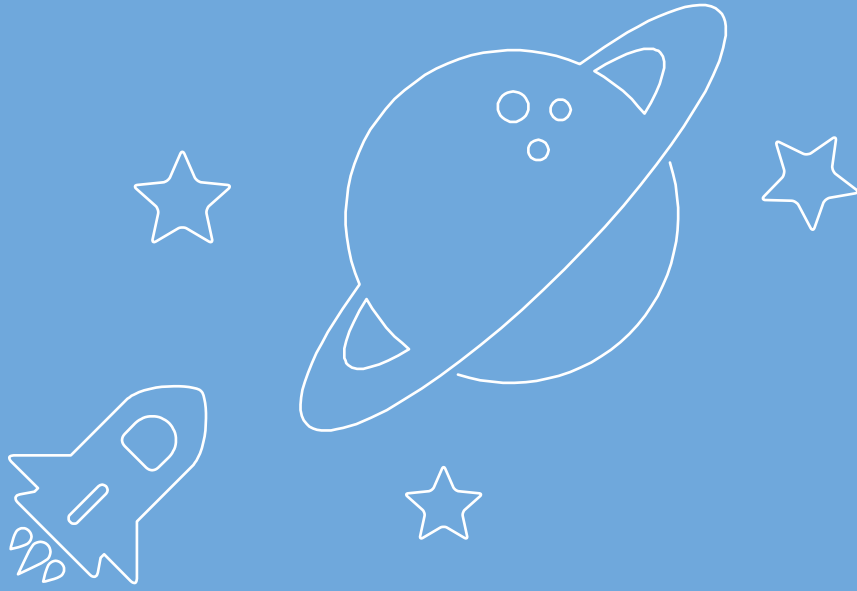
competitive analysis

are you building something that is more attractive than others?

competitive analysis

- why is your solution or product better, faster, cheaper, unique?
- what are potential substitutes?

LEARNING OBJECTIVES

‣ Define a feature.

‣ Define scope creep.

‣ Explain the Jobs To Be Done concept.

‣ Explain importance of prioritization.

‣ Identify the sequence of activities needed to effectively prioritize a list of features.

SEQUENCE THE FOLLOWING FOUR ITEMS IN ORDER OF IMPORTANCE: COST, DESIGN, QUALITY, TIME

FEATURES AND PRIORITIZATION

SCOPING FEATURES
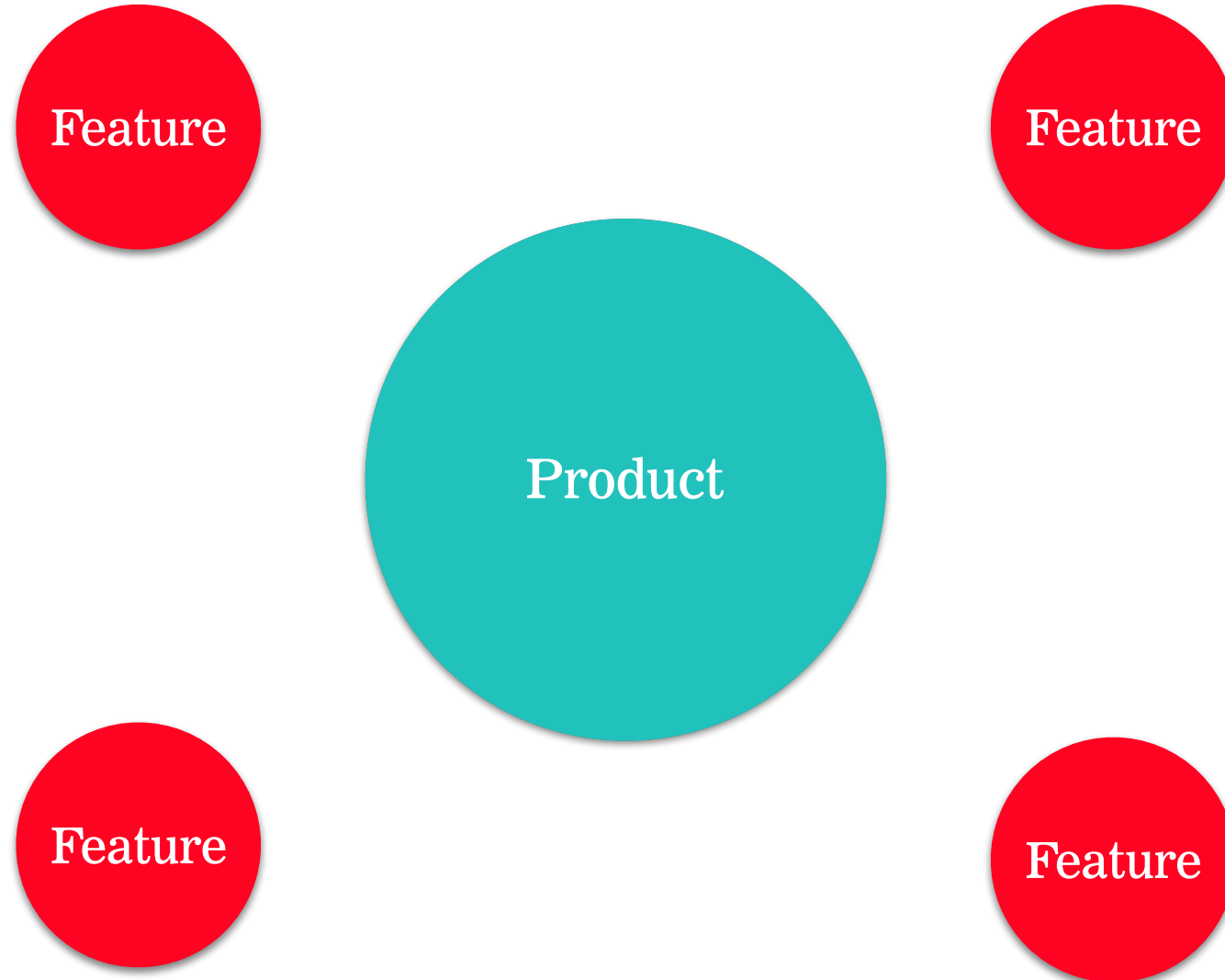
HOW DO WE DETERMINE PRODUCT FEATURES?

START WITH A USER'S WANTS AND NEEDS TO COMPLETE A GOAL.

40
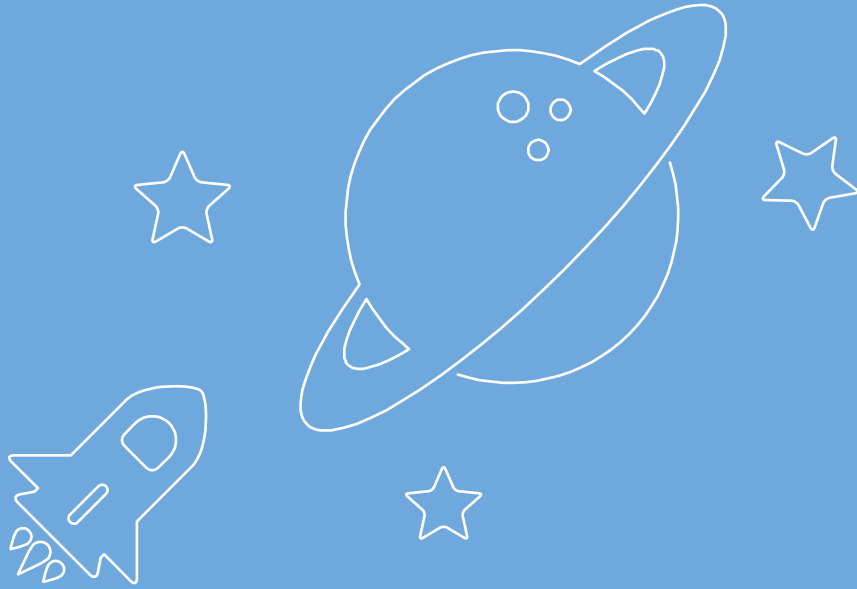
stories vs requirements

transition from product requirements to creating coherent user and job stories

41

product features should be determined via a smart translation of user needs, behaviors and jobs to be done

How the customer explained it

How the business consultant described it

How the project leader understood it

How the analyst designed it

How the programmer wrote it

What the beta testers received

How it performed under load

How the project was documented

How the customer was billed

When it was delivered

How it was supported

What the customer really wanted

the argument(s) against product requirements

: requirements are a waste

the argument(s) against product requirements

: focus on solutions, not problems

the argument(s) against product requirements

: out of date right out of the door

the argument(s) against product requirements

: unnecessary things get built

the argument(s) against product requirements

: usually open to interpretation

the argument(s) against product requirements

: reqs pass the buck

Alternative
Route

→

jobs to be done framework
- "what job is your product hired to do?

1/identify the jobs customer/stakeholder are trying to get done

2/categorize the jobs to be done
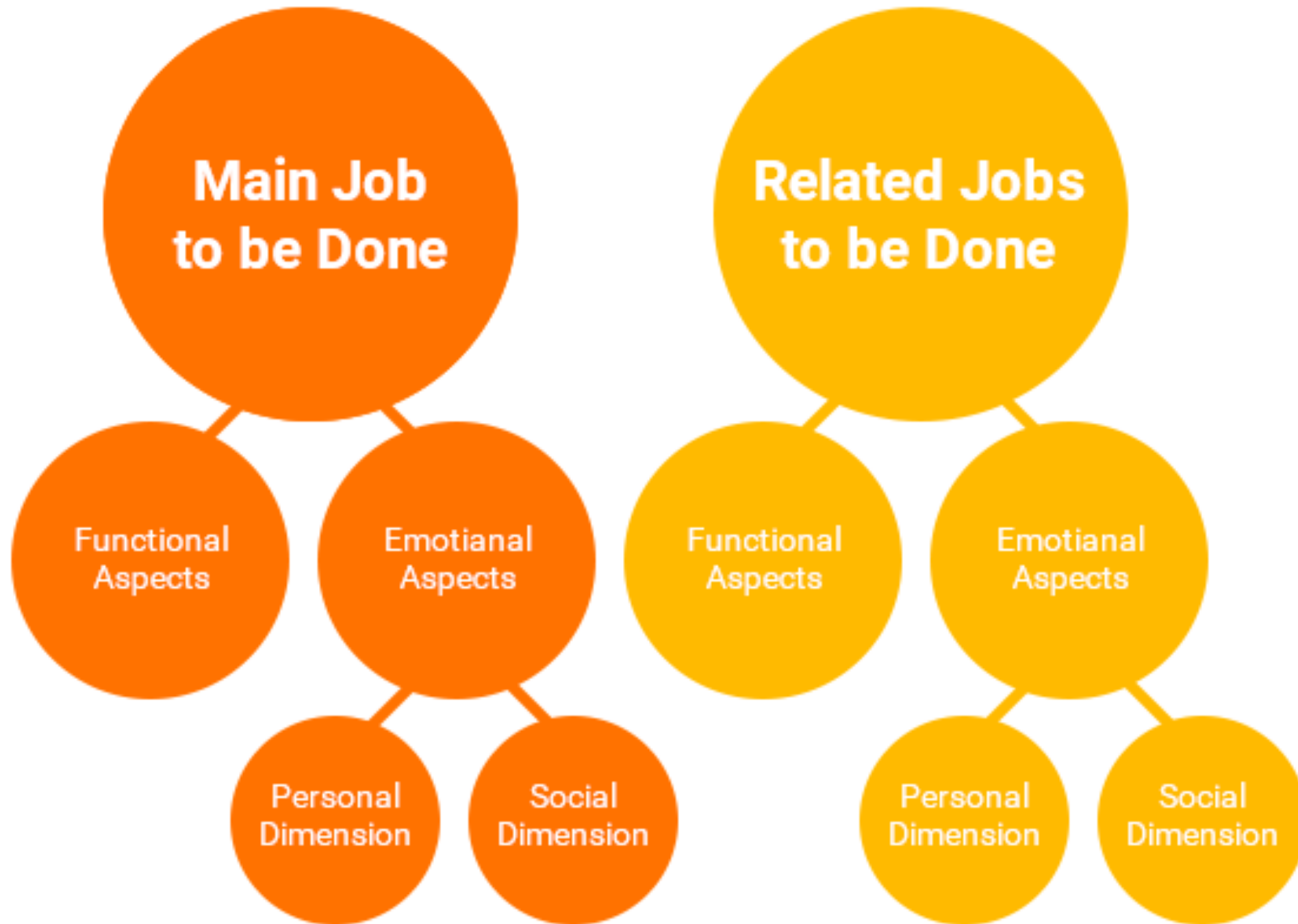
3/create job statements
action + object + context

verb

what is the customer trying to do

object of the verb

object of the action, the verb

contextual modifier

clarification of the context in which the job is performed

example

Automate	the use of financial and investment toolkits	via a cognitive interface and platform that is available 24/7/365

55

fly delta mobile app - chock full of features

- what actions would I want to accomplish when I need to plan my travel?

- what are key things I would need or want in order to make my travel planning both seamless and enjoyable?

translate user needs into products

"I need a way to have live and accurate information about my trip."

→

"I need a way to shorten the time from my arrival at the airport to boarding my flight at the gate."

→
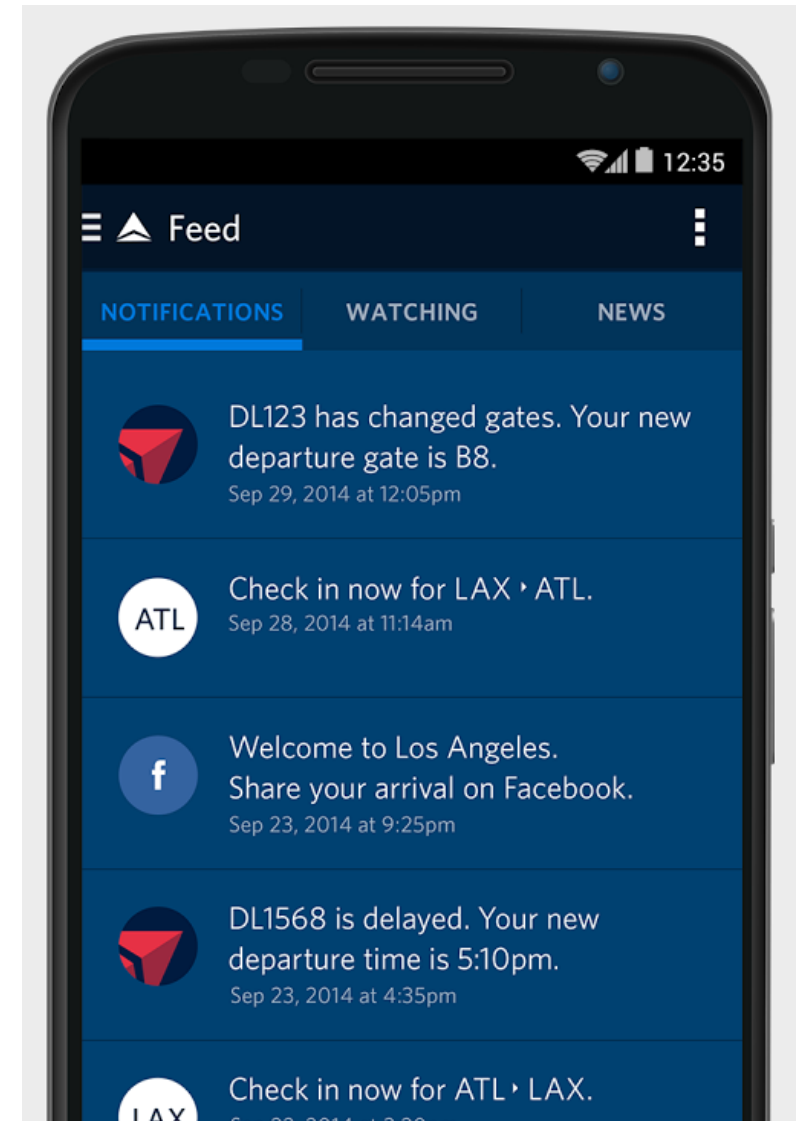
57 user stories are feature descriptions from users perspective

As a
{type of user},
I want to {some action}
so I can {expected outcome}

‣ captures user needs in short and simple syntax.

‣ powerful communication tool for product development and stakeholders.

‣ each story can be contained in a "card"

58 fly delta user story for "Sit-Down" Timer

flyer should be able to determine her "sit-down" time at airport

As a Fly Delta app user, I want access to a live, crowdsourced "time from airport arrival to sit down on plane" so I can plan my travel day itinerary

59

all user stories must have acceptance criteria

what does the product need to do to mark this user story as complete?

‣ does user story have a clear beginning and end?

‣ does acceptance criteria match the goals for the user?

60

a complete user card must have clear definitions

Feature: Login with LinkedIn

in list ICEBOX (user story yet to be vetted or completed. Not for MVP. Ideas sh̲
dropped here).

Labels

Product User Story is Complete and Ready for WDI Approval +

Description Edit

User Story
As a user
I want to log in to Screena with my LinkedIn account
Because I want to access my profile and application features on Screena

Acceptance Criteria

Given I am on the Screena home page
When I select to 'Sign In'
Then I am directed to a Screena login module

Given I have selected to 'Sign in'
When I am directed to a Screena member log in module
Then I am able to see the option to log in via LinkedIn

Given I am selected to log in via LinkedIn
When I enter valid LinkedIn account information
And I submit my information
Then I am directed to the Screena member profile

Given I am directed to a Screena member log in page
When I enter an unregistered LinkedIn account information
And I submit my information
Then error messages indicating I should review the corresponding invalid field
are displayed above the corresponding field
And I remain on the Screena login module

Given I am directed to a Screena member log in page
When I submit a registered email address
And I submit an incorrect password more than 7 times
Then a message that I have been locked out of my account is displayed
And I am unable to attempt to log in for 15minutes

‣ feature headline

‣ user story

‣ acceptance criteria that are clear, and match user goals

acceptance criteria

It works as coded → It works as intended
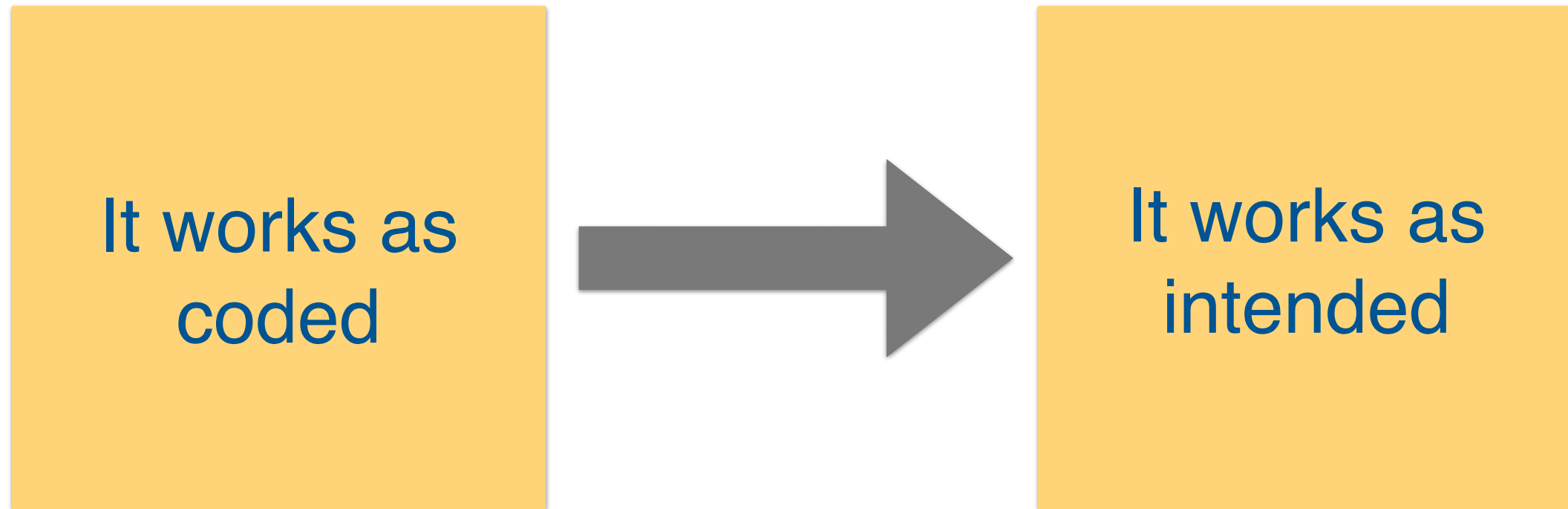
user stories are powerful. however there are too many assumptions

USER STORIES CAN LIMIT COMMUNICATION
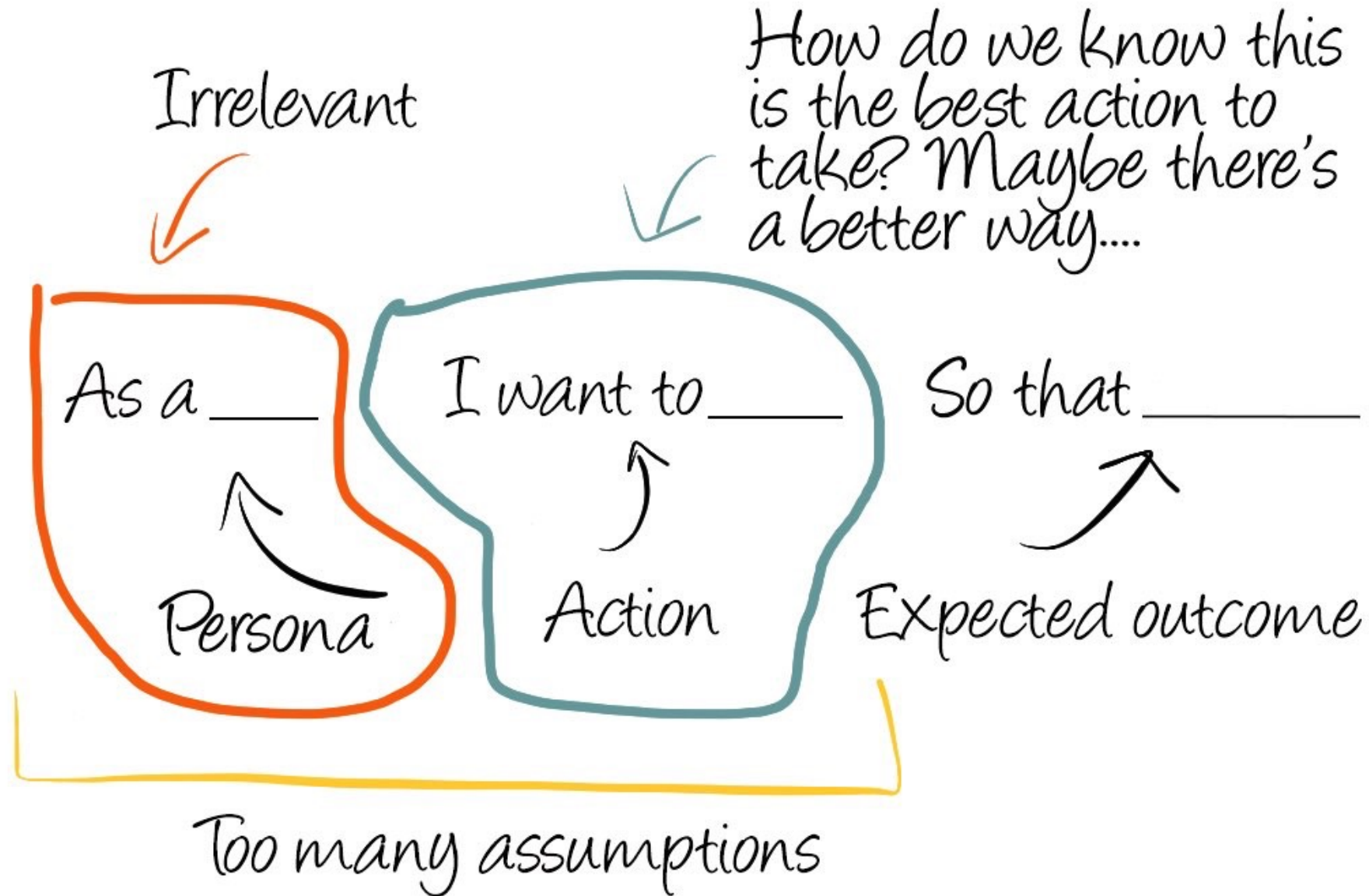
JOB STORIES

User Story

As a

{type of user},

I want to {some action}

so I can {expected outcome}

Job Story

When

{situation},

I want to {motivation}

so I can {expected outcome}

JOB STORIES

When _____ , I want to _____ , So I can _____

Situation   Motivation   Expected Outcome
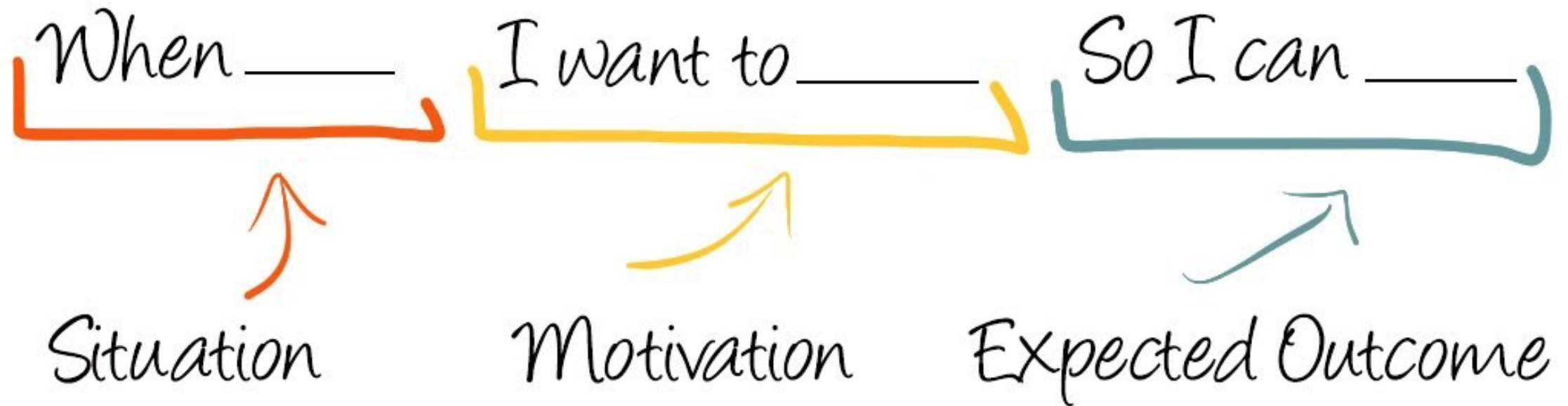
‣ Job stories - about motivation, context. Deemphasizes specific implementations

‣ Focus on the why, opens up creative and original solutions

JOB STORIES

User Story - As the product manager, I want to receive a notification, so that I can know when an important new customer signs up

Job Story - When an important new customer signs up, I want to be notified, so I can start a conversation with them.

create job statements
action + object + context

verb	object of the verb	contextual modifier
what is the customer trying to do	object of the action, the verb	clarification of the context in which the job is performed

example

Automate	the use of financial and investment toolkits	via a cognitive interface and platform that is available 24/7/365

- use job stories to expand

4/prioritize jobs to be done

5/list out outcomes and expectations for jobs to be done

Outcome expectations are solution-neutral and reside at a higher level

- **desired outcomes customers want to achieve**
- **undesired outcomes customers want to avoid**

- **desired outcomes Videa wants to achieve.**
- **undesired outcomes Videa wants to avoid**

FEATURE PRIORITIZATION

"WE CAN'T LAUNCH WITHOUT THOSE FEATURES!!"

I'M NOT A COMPLETE IDIOT SOME PARTS ARE MISSING

WHY IS IT IMPORTANT TO PRIORITIZE STORIES?

PRIORITIZATION METHODS

THE MOSCoW METHOD

M	Must
S	Should
C	Could
W	Won't

Each feature is assigned a priority label based on its relative importance.

PRIORITIZATION

high impact

expected ← → unexpected

"must-have"

"wow!"

"who cares?"

"neat"

low impact

THE STACK-RANK METHOD

FEATURE	CUSTOMER VALUE (1= LOW VALUE 5 = HIGH VALUE)	LOE (1 = HIGH EFFORT 5 = LOW EFFORT)	SCORE	RANK
Compose Email	5	3	15	1
Create Draft	3	3	9	2

PRIORITIZATION MATRIX – FORCED RANKING

aKoma Product Priority Matrix

chidi@akomanet.com

File   Edit   View   Insert   Format   Data   Tools   Help   All changes saved in Drive

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1			Weights total to 100. Every feature is rated in each weighted column with a whole integer from 0-5. 0 is low importance, 5 is high importance.											Total Points
2					Weight:	25	5	15	5	10	15	20	5	100
3		Feature	Notes	Category	Requestor	User Value (0 = low, 5 = high)	Revenue Impact (0 = low, 5 = high)	Complexity and Time (0 = highly complex, 5 = simple)	Cool Factor (Unique: 0 = uncool, 5 = very cool)	% Users Impacted (0 = limited impact, 5 = impacts every user)	Cost/Budget (0 = big budget, 5 = low)	Strategic Value (0 = low, 5 = high)	Dependencies on other features (0 = very dependent, 5 = non dependent)	TOTAL SCORE
4		aKoma Magazines	Users can create their own magazines and publications	Editorial	Chidi	0						0	0	0
5		Admin Dashboard	Admins get access to the backend for basic and advanced admin functions such as creating/editing site copy, email management, site management, user management, style guide implementations etc	Platform	Chidi	0						0		0
6		Offline Access	Users can read and write content offline.	Platform	Chidi									0
7		Remove Hero Sections	Remove hero sections from homepage and categories	Editorial	Zain									0
8		Flipboard and iCloud News Publisher Feeds	Add capability to publish aKoma stories to Flipboard and iCloud News Publisher: - aKoma admin can designate a story for Flipboard and iCloud News Publisher feed	Editorial	Chidi									0
9		aKoma Username and Password	Require aKoma users to create username and password on aKoma which is paired to social media sign on profile:	Profile	Chidi									0
10		Change aKoma URL	Change current url from akomanet.com. Current choices in order of preference: ako.ma, akoma.it, akoma.io, akoma.tv	Platform	Chidi									0
11		Resize Images while Uploading (integrate Aviary)	Give the user the ability to resize image to dimensions prescribed by aKoma, while uploading to aKoma. Integrate Aviary SDK	Authoring	Zain									0

Feature Matrix   ▾   Score Conversion   ▾   Sheet3   ▾

ACTIVITY: PRIORITIZING FEATURES.

DIRECTIONS (15 MINUTES)

1. Brainstorm a list of features for Amazon Go.

2. Classify each of them using the MoSCOW method. Which features would you definitely include for an Amazon Go MVP?

3. Create a priority matrix for the same feature set (take your best guess on LOE).

DELIVERABLE

Two methods of prioritization of features.

EXERCISE

WHAT TWO FACTORS SHOULD ALWAYS BE CONSIDERED WHEN DETERMINING THE PRIORITY OF A FEATURE?

CUSTOMER VALUE
VS
LEVEL OF EFFORT (LOE)