

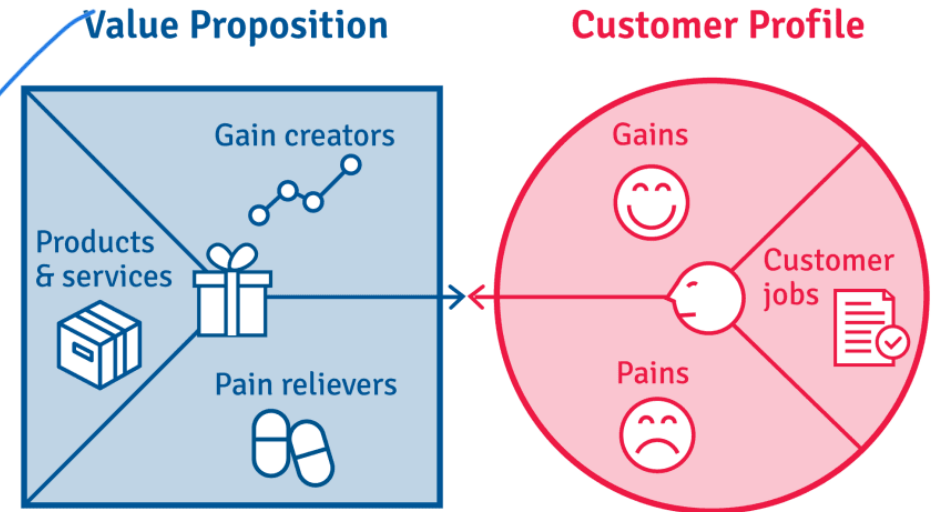
Differences between the Lean Startup approach and the traditional approach (for established companies)

Lean	Traditional
Strategy	
Business Model Hypothesis-driven	Business Plan Implementation-driven
New-Product Process	
Customer Development Get out of the office and test hypotheses	Product Management Prepare offering for market following a linear, step-by-step plan
Engineering	
Agile Development Build the product iteratively and incrementally	Agile or Waterfall Development Build the product iteratively, or fully specify the product before building it
Organization	
Customer and Agile Development Teams Hire for learning, nimbleness, and speed	Departments by Function Hire for experience and ability to execute
Financial Reporting	
Metrics That Matter Customer acquisition cost, lifetime customer value, churn, viralness	Accounting Income statement, balance sheet, cash flow statement
Failure	
Expected Fix by iterating on ideas and pivoting away from ones that don't work	Exception Fix by firing executives
Speed	
Rapid Operates on good-enough data	Measured Operates on complete data

Steve Blank (2013)

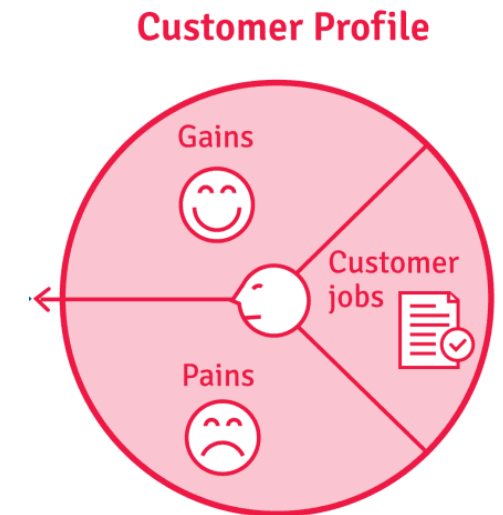
Value Proposition Canvas

- The Value Proposition Canvas helps you to design and test great value propositions in an **iterative search** for what customers want. Value proposition design is a never-ending process in which you must **constantly evolve the value proposition(s)** to keep it relevant to customers.
- The Value Proposition Canvas has **two sides**. With the **Customer Profile**, you clarify your customer understanding. With the **Value Map**, you describe how you intend to create value for that customer. You achieve Fit between the two when one meets the other.



Part 1: Customer Profile

- The Customer Profile describes **a specific customer segment** in your business model. It analyses what the customer does (customer jobs) and, in doing so, the gains that the customer wants and the pains it experiences.
- There are three components:
 - Customer Jobs: Describe what customers are **trying to accomplish** in their **work and lives**, as expressed in their own words.
 - Gains: Describes the outcomes customers **want to achieve or the benefits** they are seeking
 - Pains: Describes **terrible outcomes, risks, and obstacles** related to the customer's job.



Customer Jobs

- Jobs describe what your customers are **trying to accomplish** in their work or lives. A customer's job could be the tasks they are trying to perform and complete, the problems they are trying to solve, or the needs they are trying to **satisfy**. Make sure you **take the customer's perspective** when investigating jobs. What you think of as necessary from your perspective might not be a job customers are trying to get done.

Functional Jobs	When your customers try to perform or complete a specific task or solve a specific problem , for example, write software, write a report, or help clients as a <u>professional</u> .
Social Jobs	When your customers want to look good or gain power or status , these jobs describe how customers want to be perceived by others. For example, they are perceived as competent as a professional or look trendy .
Personal & Emotional Jobs	When your customers seek a specific emotional state , such as feeling good or secure. For example, <u>seeking peace of mind regarding one's investments</u> as a consumer or achieving job security at the workplace.

Customer Pains

- Pains describe anything that annoys your customers before, during and after trying to get a job done or prevents them from getting a job done. Pains also describe **risks**, that is, potential bad outcomes related to **getting a job poorly done or not at all**.

Undesired outcomes, problems and characteristics	Pains are functional (e.g. a solution doesn't work or doesn't work well, or has adverse side effects), social ("I look bad doing this"), emotional ("I feel bad every time I do this"), or ancillary ("it's annoying to do it"). This may involve undesired characteristics customers do not like (e.g. the user interface is ugly).
Obstacles	These are things that prevent customers from even getting started with a job or that slow them down (e.g. "I lack time to get this done accurately" or "I cannot afford any of the existing solutions").
Risks (undesired potential outcomes)	What could go wrong and have important negative consequences (e.g. "I might lose credibility when using this type of solution" or "A security breach would be disastrous for us").

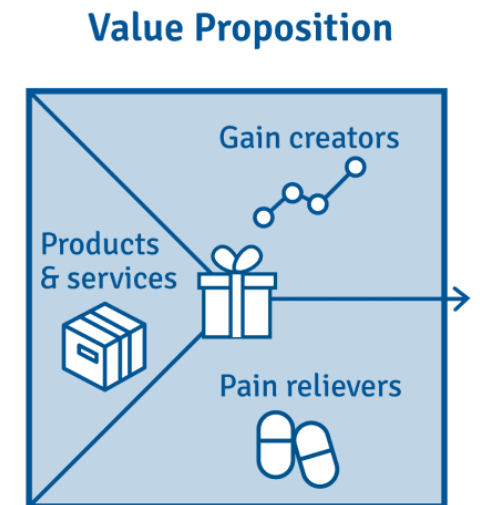
Customer Gains

- Gains describe the outcomes and benefits your customers want. Some gains are required, expected or desired by customers, and some would surprise them. Gains **include** functional utility, social gains, positive emotions and cost savings.

Required Gains	These are gains <u>without which a solution wouldn't work</u> . For example, the <u>most basic</u> expectation from a smartphone is that we can make a call with it.
Expected Gains	These are relatively <u>basic gains that we expect from a solution</u> , even if it could work without them. For example, we expect <u>phones</u> to be well-designed and look good since Apple launched the iPhone.
Desired Gains	These gains <u>go beyond what we expect from a solution</u> , but we would love to have them. These are usually gains customers would come up with if you asked them. For example, we want smartphones to integrate with our other devices seamlessly.
Unexpected Gains	These are gains that <u>go beyond customer expectations and desires</u> . They <u>wouldn't even come up with them if you asked them</u> . Before Apple brought touch screens and the App Store to the mainstream, nobody really thought of them as part of a phone.

Part 2: Value Map

- The Value Map describes **how you create value for your Customer Segment**. It is a **combination of** gain creators and pain relievers that addresses the pains and gains of your customers.
- There are three components:
 - Product offering: It is the **product offering** and its **associated features**.
 - Gain Creators: It describes how your product offering and its associated features **create customer gains**.
 - Pain Relievers: It describes how your product offering and associated features **alleviate customer pain**.



Product Offering

- This is simply your product offering, including the list of features.

Types of Product Offering:

Digital	Products such as software as-a-service (SaaS), marketplace platforms, music streaming etc.
Physical/ tangible	Goods, such as manufactured products.
Intangible	Products such as copyrights or services such as after-sales assistance.
Financial	Products such as investment funds and insurances or services such as the financing of a purchase.

Pain Relievers

- Pain Relievers describe how exactly your product offering alleviates specific customer pains. They explicitly outline how you intend to eliminate or reduce some of the things that annoy your customers before, during or after they are trying to complete a job or prevent them from doing so.
- Great value propositions focus on pains that matter to customers, particularly extreme pains. You do not need to develop a pain reliever for every pain identified in the customer profile – no value proposition can do this. Great value propositions often focus only on a few pains that they alleviate exceptionally well.

Gain Creators

- Gain creators describe how your product offerings create customer gains. They explicitly outline how you intend to produce outcomes and benefits your customer expects, desires, or would be surprised by, including functional utility, social gains, positive emotions, and cost savings.
- As with pain relievers, gain creators don't need to address every gain identified in the customer profile. Focus on those relevant to customers and where your product can make a difference.

Part 3: Fit



- You achieve fit when customers get excited about your value proposition, which happens when you address important jobs, alleviate extreme pains, and create essential gains that customers care about.

Value Proposition Pyramid

SOCIAL IMPACT



Self-transcendence

LIFE CHANGING



Provides hope



Self-actualization



Motivation



Heirloom



Affiliation/belonging

EMOTIONAL



Reduces anxiety



Rewards me



Nostalgia



Design/aesthetics



Badge value



Wellness



Therapeutic value



Fun/entertainment



Attractiveness



Provides access

FUNCTIONAL



Saves time



Simplifies



Makes money



Reduces risk



Organizes



Integrates



Connects



Reduces effort



Avoids hassles



Reduces cost



Quality



Variety



Sensory appeal



Informs

Functional

Value Proposition	Definition	Example
Saves time	Saving time in tasks or transactions	Target, REI and other retailers have in-store pickup for online orders and/or same-day rush delivery from store.
Simplifies	Reducing complexity and simplifying	Amazon's 1-Click feature simplifies the order checkout process.
Makes money	Helping to make money	Google's AdSense helps independent blogs and websites to generate advertising revenue.
Reduces risk	Protecting from losses	Charles Schwab's Accountability Guarantee refunds fees if clients are not fully satisfied with the investment product.
Organises	Becoming more organized	The Container Store helps people organize their possessions at home.
Integrates	Integrating different aspects of life	Square offers invoice management, payroll and other services that integrate billing functions into its point-of-sale hardware and software.
Connects	Connecting with other people	Energy drink maker Red Bull sponsors extreme sports competitions and communities that connect enthusiasts around the world.
Reduces effort	Getting things done with less effort	Facebook added the ability to send money directly to friends via its Messenger app.
Avoids hassles	Avoiding or reducing hassles	Zappos offers free shipping and generous return policies.
Reduces cost	Saving money in purchases, fees or subscriptions	Nordstrom, J. Crew and other retailers introduced budget brands.
Quality	Providing high-quality goods or services	USAA delivers high-quality insurance, banking and investment products and services tailored to its members—those who have served in the military and their families.
Variety	Providing a variety of things to choose from	Fitbit has branched out from a simple step counter to different products for everyday users and high-performance athletes.
Sensory Appeal	Appealing in taste, smell, hearing and other senses.	Starbucks acquired tea company Teavana and bakery La Boulange to improve its non-coffee products.
Informs	Providing reliable and trusted information about a topic	Vanguard added low-fee advice to its core investment services.

Emotional

Value Proposition	Definition	Example
Reduces anxiety	Helping people worry less and feel more secure	Discover allows cardholders to instantly freeze and unfreeze their accounts without canceling their cards.
Rewards me	Providing benefits for being a loyal customer	Starwood has earned strong customer loyalty among frequent travellers through a robust rewards program.
Nostalgia	Reminding people of something positive in the past	Volkswagen's Beetle line of cars emulates the popular design originally created in the 1930s and produced through the 1970s.
Design & aesthetics	Providing an appealing form or design	Apple's attention to design has helped differentiate its computers, smartphones and other products from those of competitors.
Badge value	Representing achieved status or aspirations	Prada's understated luxury clothing and accessories are designed to be recognized by fashionistas.
Wellness	Improving people's physical or mental state	Westin added fitness equipment in some guest rooms, "superfoods," and exercise clothing rentals to reposition the brand as part of the well-being movement.
Therapeutic value	Providing therapeutic value or well-being	Dr. Scholl's products aim to soothe a broad range of foot conditions.
Fun & entertainment	Offering fun or entertainment	Norwegian, Royal Caribbean and other cruise lines offer almost round-the-clock entertainment ranging from indoor sky diving to bumper cars to art auctions.
Attractiveness	Helping people feel more attractive	Victoria's Secret created bold retail designs in an undergarment industry that had been quiet and discreet.
Provides access	Providing access to information, goods, services or other valuable items	CVS Health added in-pharmacy clinics that provide basic medical services and assorted wellness services.

Life Changing

Value Proposition	Description	Example
Provides hope	Providing something to be optimistic about	Fitbit sells wearables designed to help people to live a healthier and fitter lifestyle, as well as for other purposes such as reducing weight.
Self-actualisation	Providing a sense of personal accomplishment or improvement	Students whom undertake online courses on Udemy or Coursera engage in their own personal and/or professional development.
Motivation	Spurring people to achieve their goals	Spotify added a music-streaming feature for runners that detects their tempo and finds music to match it.
Heirloom	A good investment for future generations	Bitcoin positions itself as an alternative to currencies and gold to store and retain value for the current and future generations.
Affiliation and belonging	Helping people become part of a group or identify with people they admire	Facebook enables people to connect with people whom they know, as well as new people based on common interests.

Social Impact

Value Proposition	Description	Example
Self-transcendence	Helping other people or society more broadly	When Tesla sells an electric car, the driver is helping humanity in its fight against climate change.