

Value Proposition Canvas

CONCEPTS COVERED

- ☐ Defining the value proposition
- ☐ Importance of understanding and defining value proposition
- ☐ How to design value proposition
- ☐ Template of value proposition
- ☐ Understand Product-Market-Fit





But!

- Most technocrats value their product by the years they spent developing it, how cutting-edge it is, how difficult it is for others to do the same, how ground-breaking it is, how excited s/he and friends are.
- They fail to even ask will some people buy it at a profitable price?

What is value? Or value drivers?

- Functional – features, efficacy, reliability
- Emotional
- Social
- Economical of financial reward
- Piece of mind

More integrated thinking. Wasterwalder makes analogy of the canvas with a Swiss knife for heart surgery.

Definition from Investopedia

Value proposition refers to a business or marketing statement that a company uses to summarize why a consumer should buy a product or use a service.

This statement convinces a potential consumer that one particular product or service will add more value or better solve a problem than other similar offerings will.

Companies use this statement to target customers who will benefit most from using the company's products, and this helps maintain an economic moat.

The Value Proposition Canvas

- First step is the target customers
- What problem you are going to solve – the insight
- There may be multiple problems but focus on one that you can solve.
- Why others failed to serve adequately?
- Our promise or benefits : is a function of the insight.
- Proof that we can deliver the benefits.
- Differentiators.
- Unique selling proposition.

Majority of Products Introduced in the Market FAIL.

- According to [Harvard Business School](#) professor [Clayton Christensen](#), there are over 30,000 new products introduced every year, and 95 percent fail.
- According to University of Toronto Professor Inez Blackburn, the failure rate of new grocery store products is 70 to 80 percent.
- Moot point is, how to create product that does not fail!
- Look at the following example:

Data Show that:

- 7 out of 10 products flops (in Silicon Valley)
- All the money, time, resources and talent that go into making these 7 products are all wasted.
- Majority, if not all, of the products fail because the targeted customers do not buy them.
 - They do not buy because they do not find them attractive.
 - They do not find them attractive because these products are unable to meet customers' essential needs.
 - 42% Well-Funded startups fail.

Wufoo founded by Kevin Hale

- Founded in 2006 and exited in 2011
- Raised only \$1,18,000
- Sold to SurveyMonkey for \$35 million in 2011.
- Gave a return of 29,561% to investors.
- Product: A web app that lets people create forms
- Motivation for the product: "We looked at other form builders, and we were like, 'All these people are crappy. And we don't want to be in that space.'"

Value Proposition

- A VALUE PROPOSITION represents the sum total of features of your product or service that customer would perceive as value for their money.
- Your value proposition would provide reasons why customers would prefer to buy your product or service over those of competitors.

Know Your Customers' Aspiration



Maslow's hierarchy of needs

Create a Correct Buyer-Persona

- A buyer-persona (a.k.a. "customer avatar") is a semi-fictional person who represents your ideal customer.
- The objective of defining a 'buyer persona' is to get crystal clear on the individuals who you are marketing to.
- Until you nail this down, you can't really be sure that your offerings and your marketing messaging are going to be successful. That's why the buyer persona is often based on real customers, and/or extensive research.

Solution

- Study customers well to define the pain. Profile the customers, understand and list what the customers (the majority of them) would value the most.
- Profiling the customer would help in delineating customer segment.
- Get product validated at the idea stage and at every incremental developmental stage.
- Proceed further only on positive signal from customers.
- Do not stick to the same set of customers for validating to avoid bias.

Solution

- Fail fast, fail early, fail forward (Maxwell 2007).
- If at the idea stage itself it reveals that the product has limited potential to emerge as a sustainable and profitable business, pivot immediately and start from the beginning.
- In the process, you save resources, time, and talent and double the chances of success.
- Gradually, a product or service evolves that perfectly fits the needs of the target customers without unwanted features.

Value Proposition

Value proposition is the sum total of the benefits of product or service to be offered including:

<u>Quality</u>	<u>Ease of use</u>	<u>Cost</u>
<u>Efficacy</u>	<u>Re-sale value</u>	<u>Warranty</u>
<u>Usefulness</u>	<u>Power efficiency</u>	<u>Aesthetic value</u>
<u>Esteem</u>	<u>Serviceability</u>	<u>Convenience to buy</u>
<u>Ease of installation</u>	<u>Storability</u>	<u>Delivery</u>
<u>Configuration</u>	<u>Shelf-life</u>	<u>Return policy</u>
<u>Maintainability</u>	<u>After-sale service</u>	<u>Trouble shooting and such.</u>
<u>Safety</u>	<u>Reliability</u>	

Designing Value Proposition

- Value proposition is carefully crafted pitch explaining the advantages of your offering over those of competitors, showing reasons why customers have reasons to buy your product or service.
- Every employee should understand the value proposition related to all products and services so that they channel their focus and efforts to continuously improve them and convey them to customers.

Two Different Approaches

- 01 Try to know your value proposition from the users by closely and deeply empathizing.
- 02 Building a product that ameliorates an acute pain, which the customers are either not aware of or do not think that a solution is possible.

You have to know for sure that you know what others do not know about their pain and you do know and have a solution.

The First Approach

- ❑ Involves detailed profiling of the customers (economic, social, cultural, intellectual status), defining their specific pain, understanding competing products or services, and possible features of the planned or developed solution help to define value proposition.
- ❑ Building product with superior value proposition is referred to as 'Product-Market-Fit'

Do Not Take the Value Proposition for Granted

- Value proposition is at times highly revealing to the founders.
- While creating one, they struggle to explain to themselves how their offering is superior compared to that of competitors.
- It is always good to put things in writing. You get a holistic picture of the issue. Else you have some hedgy, incorrect, and at times, inflated idea about it (Croll and Yoskovitz 2013).

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The Second Approach: Exceptional Product or Service

As Reid Hoffman of LinkedIn explains, lucrative startups are often the result of wildly audacious solutions to problems people didn't realize they had.

Exceptional Product or Service

- While it would be wonderful to have a perfect product-market fit, it may not always be realized for many reasons.
- Importantly, you may not have the vision to see how they would actually react when the product is in the market.
- In the case of disruptive products/service, customers may not be aware about the need. But they may actually be enamored to receive a solution.
- So you may actually be a contrarian with confidence: you know that others do not know what you know.
- Reid Hoffman explains how very smart people told his team "You must be nuts" when they pitched about LinkedIn.

- When Jack Ma started Alibaba, most people said 'you must be crazy. You know nothing about internet and you want to start a business using internet!'
- But then, there is no formula to really identify event when you are right and you know for sure that others are not and you be a contrarian.
- Unless you are starting as disruptive or breakthrough as LinkedIn or Alibaba, you are better of following the beaten path.

- When people, whatever smart, are reflecting on your idea, it is difficult, if not impossible, for them to have the same vision as yours.
- Their horizon may be narrow or shortsighted.
- These are flip side of validated learning process.

Example

- The Iridium communications service or Iridium SSC was launched on November 1, 1998 at a capital investment of US\$6 billion (Indian ₹ 42,000 crore).
- Motorola was the technology provider.
- This was launched at a time when cell phone service was in its infancy.
- What the founder assumed?
- Communication made possible from anywhere to anywhere, People have every reason to lap it up.



Facts

- Nine months later, on August 13, 1999, filed for bankruptcy. Why?
- Every single call has to be routed through all satellites. Required entire constellation of 66 active satellites to make any call.
- The cost of service was prohibitively high for the most users.
- Indoor reception was poor, if at all possible.
- The hand held device was bulky.
- The present owners bought it for US\$35 million.

Customers
did not
want it

Why did Iridium fail?

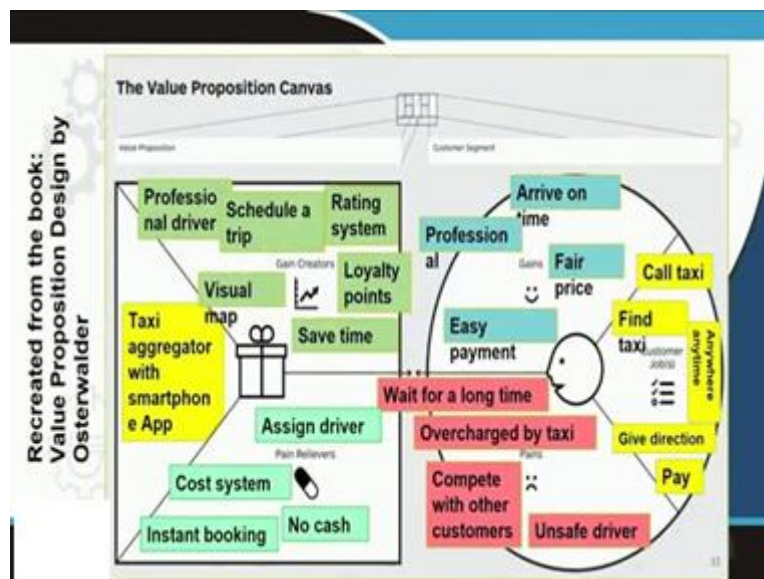
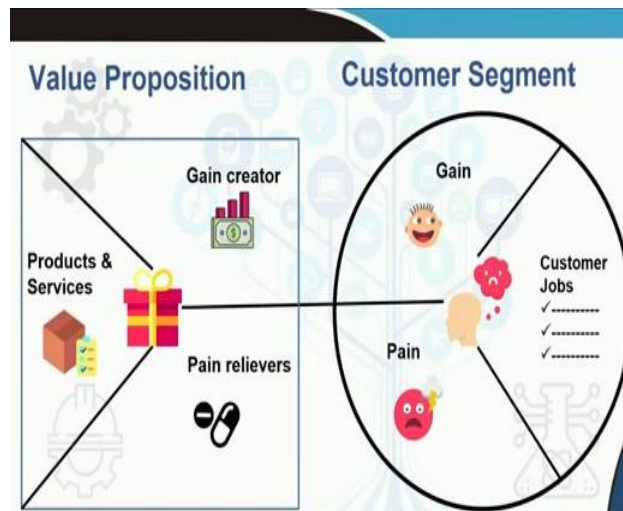
- The company lacked idea of the cost of the service and affordability.
- Customers were not ready to pay the price of the product and service.
- The products did not meet requirements of customers.
- The technology was ahead of time.
- Ancillary industries were not well developed.

Value Proposition Template

- Value proposition may be succinct one-liner or it may be elaborate for clear understanding.
- The book by Alex Osterwalder has provided a template for a one-liner value proposition.
- Your business's value proposition is arguably the most important element of your overall market messaging.
- A value proposition tells prospects why they should do business with you rather than your competitors, and makes the benefits of your products or services crystal clear from the outset.

Some Value Proposition Statements

- Uber – The Smartest Way to Get Around
- Apple iPhone – The Experience 'is' the Product
- Digit – Save Money Without Thinking About It
- CrazyEgg – Website Behavior Tracking at an Unbeatable Price



Must be defined as clearly as possible so that the advantages become glaringly and doubtlessly visible requiring no explanation (nobody will approach to get clarification. When in confusion, they would buy others' product).

State how your product better solves the problem than competition.

Value Proposition Is Usually a One-Sentence statement

- Our (products or service) help(s) (customer segment) who want to (jobs to be done) by (your own verb such as reducing avoiding) and (your own verb such as increasing or enabling). You may also add a mild criticism of the competing products in general, writing (unlike: competing value proposition).
- Our (book) help(s) (business professionals) who want to (improve or build a business) by (gaining latest knowledge on strategies) and (gaining deep insight) unlike books without focus on the real issues.



Images are from the book: Value Proposition Design by Alexander Osterwalder

Value Proposition: Example of an Entrepreneurship Book

- Our (book) help(s) (business professionals) who want to (improve or build a business) by (avoiding or making stuff nobody wants) and (creating: clear indicators to measure progress) unlike books without focus on the real issues.
- Our interactive pedagogy, built by professionals with deep experience and of proven effective learning, helps those who want to gain quick expertise in AI through a flexible & convenient schedule and regular feedback on the performance unlike the other rigid and monotonous online courses.

Value Proposition Canvas

- See the video at <https://strategyzer.com/canvas/value-proposition-canvas> by Alexander Osterwalder.

Notice that value propositions relate to customers who pay and not value in general.

The following may not be value proposition though they may be positive virtues:

- Our products helps your neighbors.
- Our products reduces global emission.
- Our services would increase GDP of our nation.
- Our company will enhance employment.
- The poor will be uplifted (as long as the poor are not your customers).
- We empower the have-nots.
- Our services empower women (not your target customers).
- Our services improve educational landscape of the country.
- Our product would reduce pollution in general.
- We are working towards an equitable society.
- We promote green revolution.

Value Proposition Canvas

- See the free slides at

<https://www.slideshare.net/esaife/value-proposition-canvas-101>

REFERENCES

- † Value Proposition Design - How to Create Products and Services Customers Want. Yves Pigneur, Greg Bernarda, Trish Papadacos, Alex Osterwalder, Alan Smith, (2014) Wiley,
- † Maxwell, J. C. (2007). *The 21 irrefutable laws of leadership: Follow them and people will follow you*. Thomas Nelson.
- † Croll, A., and Yoskovitz, B. (2013). *Lean analytics: Use data to build a better startup faster*. " O'Reilly Media, Inc."

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Good Video Lectures and Reading Materials

- <http://startupclass.samaltman.com/>
- http://darwine.nl/weblog/files/Stanford-How_to_Start_a_Startup.pdf

CONCLUSION

- People are generally infatuated about their own ideas. They mostly focus on the inventive steps, intellectual depth and novelty.
- They are frequently blind about the unique requirements of customers and cost of their products or services.
- They end up investing valuable time and resources only to eventually realize that the product or service they so assiduously made is not attractive to customers.
- A clear understanding of the value proposition, on the other hand, helps to choose the right idea early on saving the time and avoiding cash burn on potentially failing ideas.