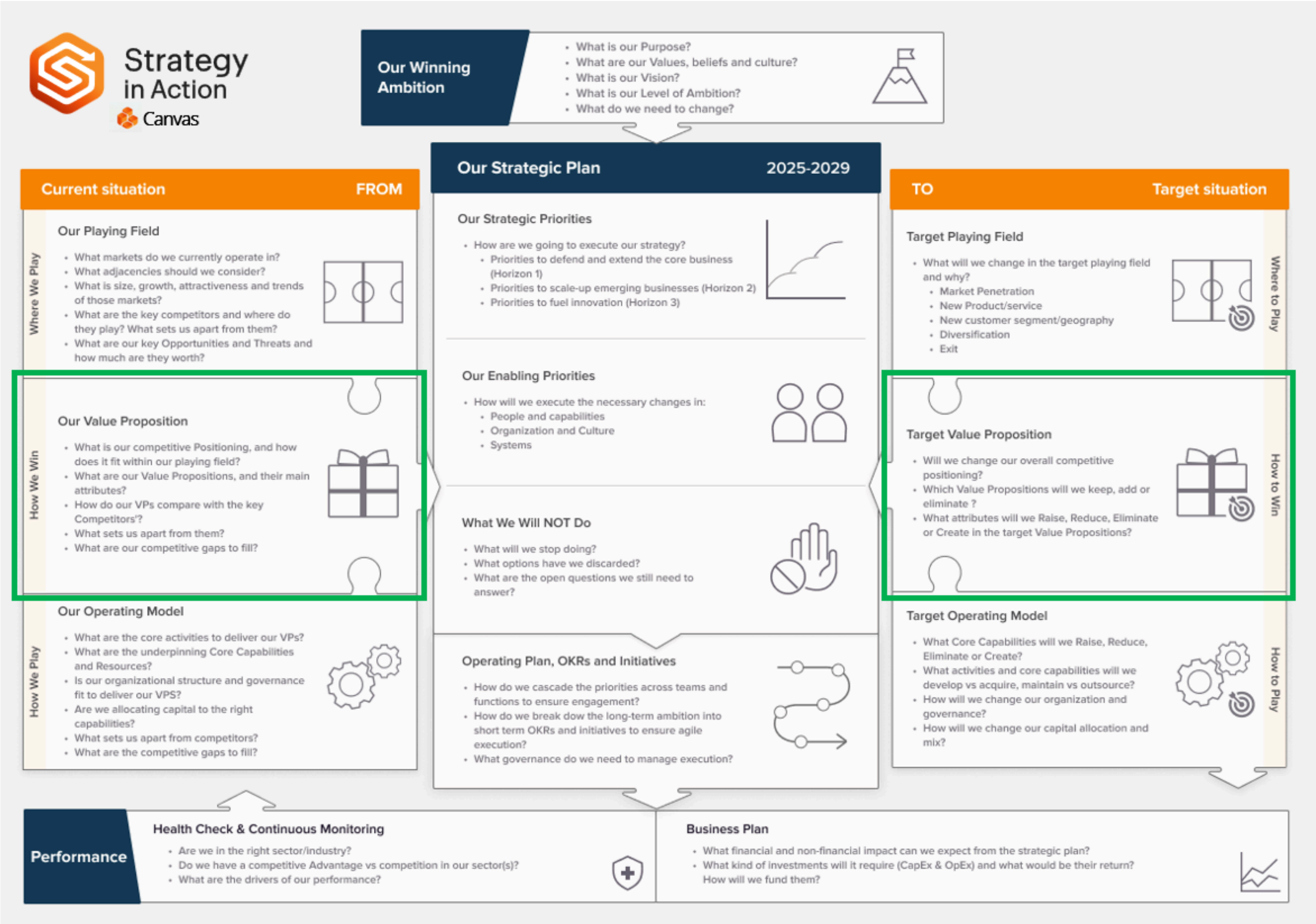
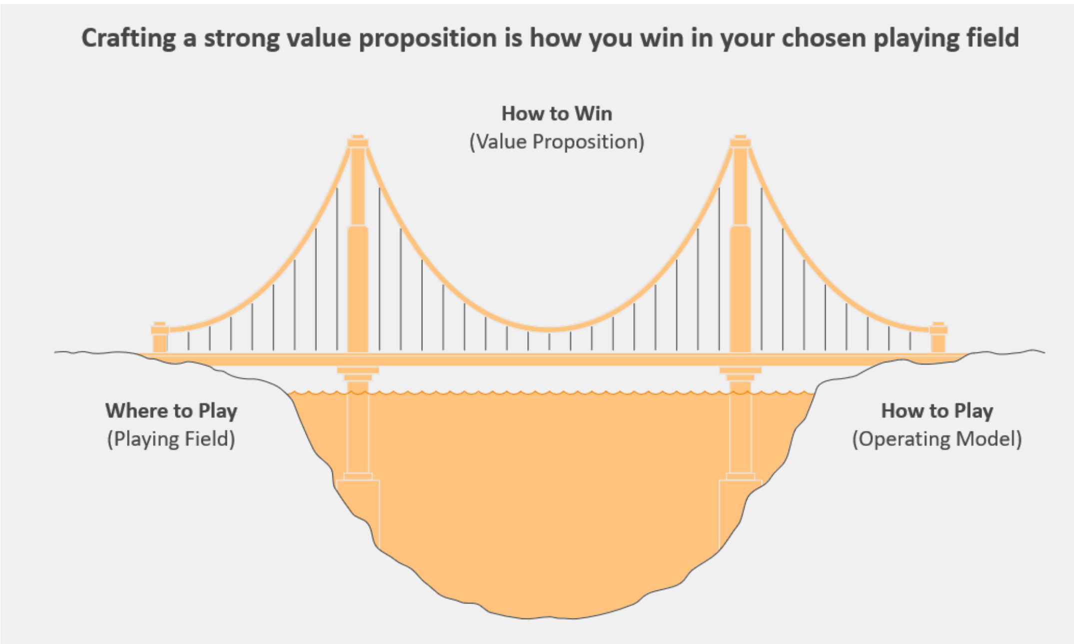
Training Script: Value Proposition Module

Table of Contents



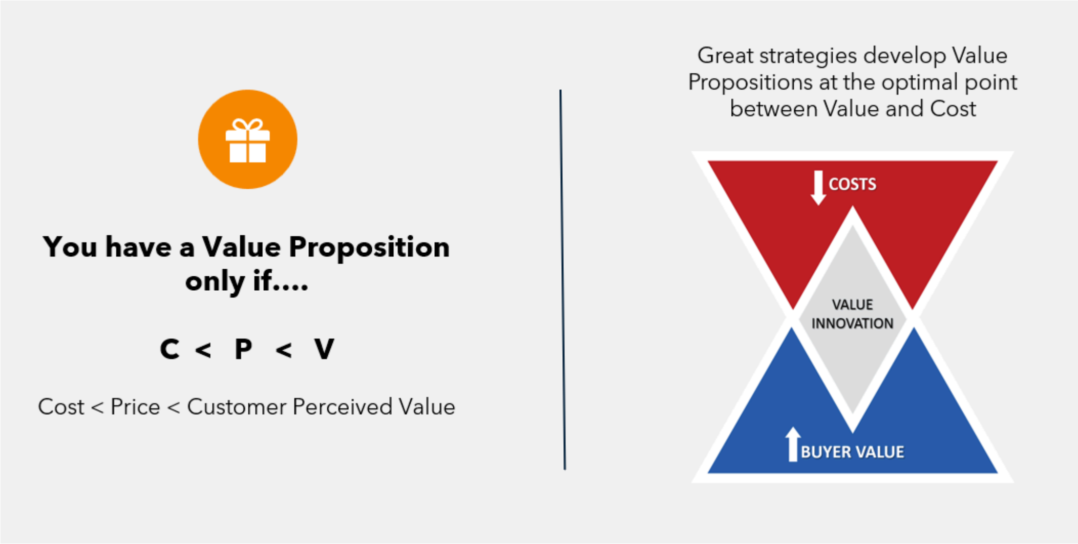
Section 1: Value Proposition - What It Is and Why It Is Important

Welcome to our module on the Value Proposition, the second critical element of the Strategy in Action Canvas. Today, we'll explore how organisations create and capture superior value for customers - the fundamental question of "how to win" in your chosen markets. This isn't just about product features or pricing; it's the **explicit promise an organisation makes to its customers about the specific and unique combination of benefits it will deliver and the relative price at which those benefits will be available**.



The Value Proposition represents the bridge between where you've chosen to compete - your playing field - and your internal capabilities, how you'll organise to deliver results - your operating model. It's the central logic that drives all other strategic decisions and the primary mechanism through which strategy translates into customer preference and ultimately, superior business performance.

But here's what makes value proposition design particularly crucial in today's competitive environment: traditional sources of differentiation are becoming increasingly fragile. Product features can be copied, cost advantages can be eroded, and technological innovations can be render existing product ans services obsolete, overnight.. In such context, the companies that thrive are those that understand value creation at a deeper level - those that can either **orchestrate multiple dimensions of value in ways that competitors find difficult to match or develop the dynamic ability to change and adapt their value proposition rapidly**.

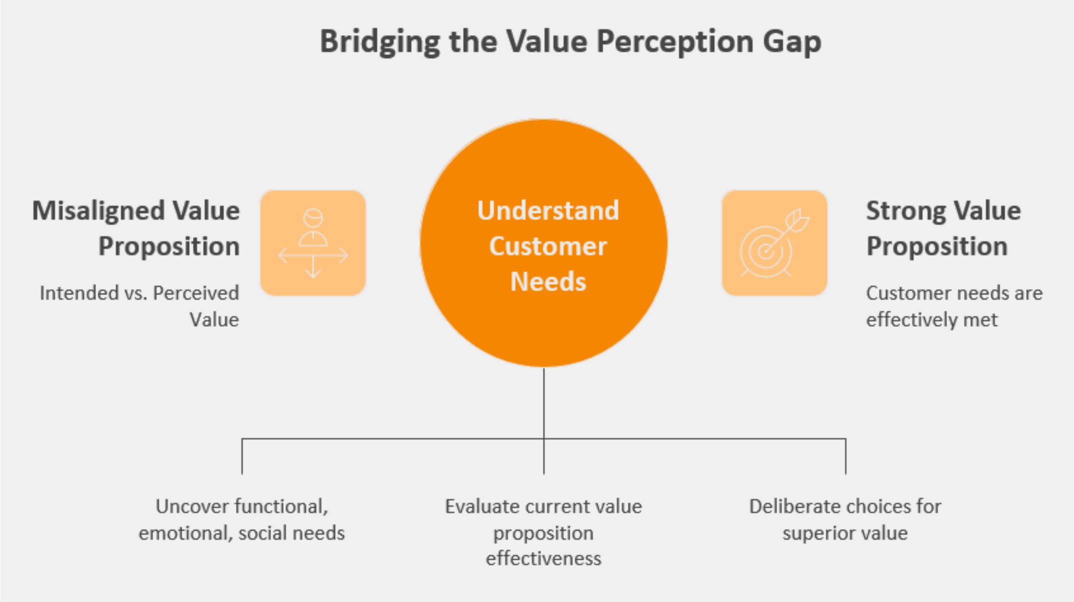


Think about this fundamental insight from Michael Porter: there are **only two generic ways to create additional value for your organisation** - increase what customers are willing to pay for your offering (we call it "**Willingness to Pay - WTP**"), or decrease the cost required for suppliers, employees and providers of capital (we call it "**Total Cost**").

Designing a winning value proposition means understanding the fundamental mechanics of value creation and making a **clear trade off choice between increasing WTP or minimising total cost**, always relative to competitors. Successful companies don't just compete on features - they orchestrate entire value systems through functional improvements, emotional benefits, experience enhancements, and strategic complements. Research shows there is more than twice as much room to grow profitability within industries through superior value propositions than by diversifying across industries, making value proposition mastery the key to enduring competitive advantage.

Critically, **this balance must be unique** - different from what competitors do. Designing a value proposition is like creating a new recipe. Just as a master chef selects and combines ingredients in distinctive ways to create a signature dish that diners can't find elsewhere, you must choose your combination of WTP-maximising and total cost-minimising ingredients in ways that competitors cannot or do not want to replicate. The ingredients themselves might uniquely yours, or available to everyone - better quality, faster service, lower costs, innovative features - **but it's your unique recipe, your distinctive blend and proportions of these elements, that creates competitive advantage**. This uniqueness comes not from using different ingredients entirely, but from combining familiar elements in unexpected ways that deliver distinctive value to your chosen customers.

As Michael Porter emphasized, strategy is as much about choosing what not to do as what to do. IKEA's value proposition illustrates this perfectly: they win through stylish, affordable furniture and instantly available, while explicitly choosing not to offer home delivery as standard, pre-assembled products, or extensive customer service. Instead, customers must navigate warehouse-style stores, transport their purchases themselves, and assemble their products at home. These trade-offs aren't limitations - they're strategic choices that enable their cost advantages and reinforce their unique position of democratic design accessibility and instant reward. The Value Proposition module addresses a critical dysfunction we observe in many organisations: the tendency to compete on easily copied attributes rather than creating truly differentiated value. Too often, companies fall into the trap of feature wars, price wars, or service wars without understanding the underlying mechanics of value creation. They compete on what's visible rather than what's valuable.

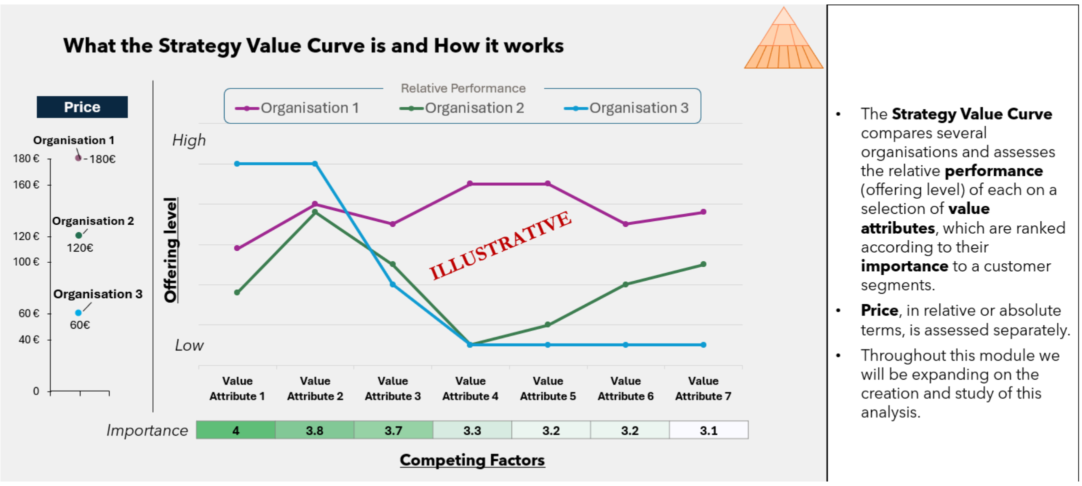


This brings us to a crucial point of attention: **your value proposition isn't what you think you deliver - it's what customers actually experience and value**. There's often a significant gap between intended and perceived value. Research shows that what customers claim to value most frequently differs from what actually drives their loyalty and purchasing decisions. This perception-reality gap is where many strategies fail.

In other words, to design a winning Value Proposition, you first need to have a deep and granular understanding of your target customers, and their specific needs, preferences and context. Clayton Christensen's reveals that customers "hire" products and services to accomplish specific jobs that encompass functional, emotional, and social dimensions. A morning commuter doesn't just hire coffee for caffeine - they might also be hiring it for the warm, comforting ritual that helps them transition into their work day, the social identity signal of carrying a premium brand, or the convenient excuse to take a brief break from their hectic schedule. Same product, different "Jobs To Be Done".

This module will equip you with frameworks to diagnose your current value position, identify opportunities for enhancement, and make deliberate choices about how to create superior value for your chosen customers. Remember, in an increasingly commoditised world, your value proposition isn't just part of your strategy - it is the **core of your strategy**.

Section 2: Key Strategic Choices



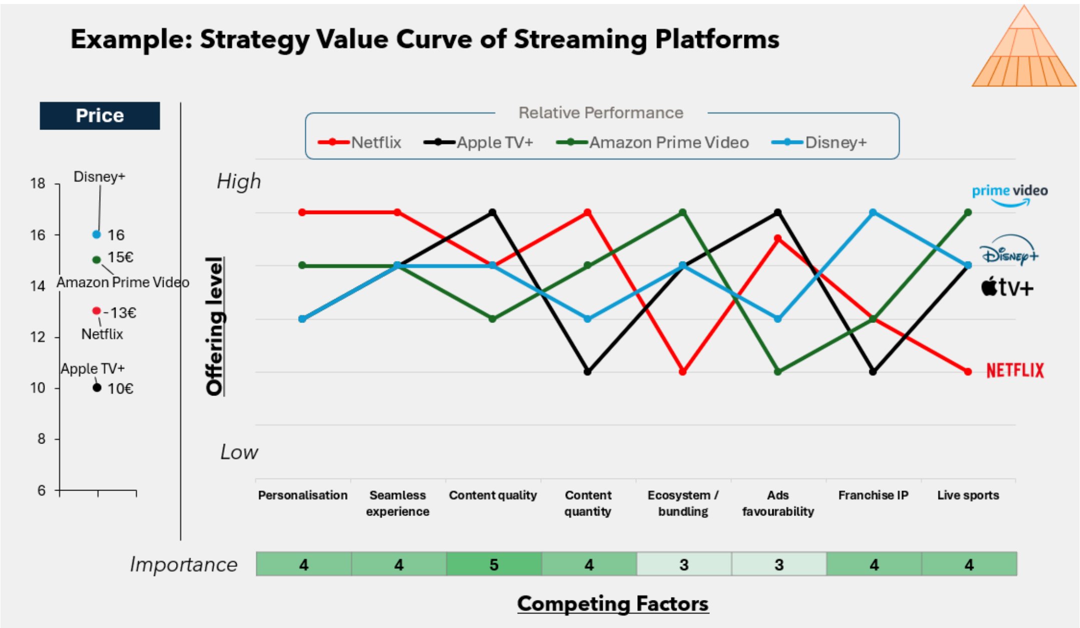
Consider how four streaming companies create distinctly different value propositions in the same market:

Netflix targets the broadest mass audiences with tiered pricing (USD 7.99-USD 24.99/month in the US as of January 2025, adjusted globally - just USD 1.46/month in Egypt vs USD 8.53/month in Saudi Arabia). They maximise WTP through algorithmic personalisation, USD 17+ billion annual original content investment, globally sourced contents, and seamless experiences across devices, achieving the industry's lowest churn rate under 5% monthly. Netflix has achieved a position of category leader and enjoys the benefits of scale.

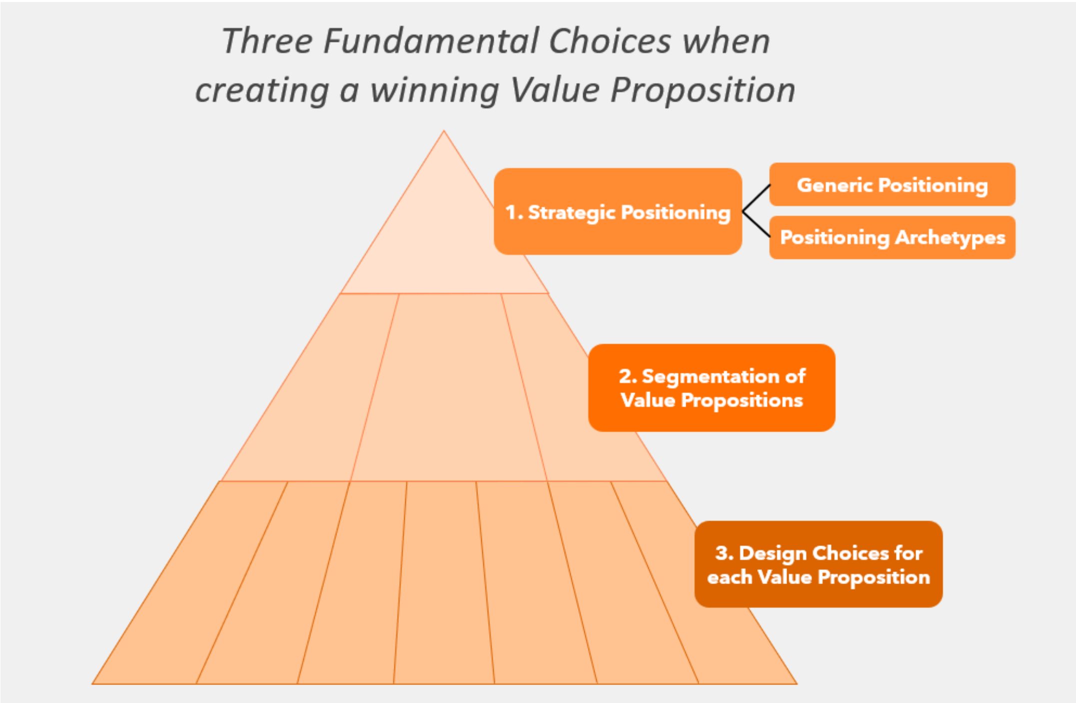
Apple TV+ employs premium content at penetration pricing - USD 9.99/month globally with no ads, targeting affluent Apple ecosystem users. They invested USD 20+ billion in award-winning originals like "Ted Lasso" while maintaining competitive pricing, using streaming as a loss leader for ecosystem lock-in rather than standalone profits. Multiple independent reports put Apple TV+ USD 1 billion-plus in the red every year and Apple openly tolerates the short-fall because the service is designed to pull consumers into (and keep them inside) the high-margin Apple hardware + services ecosystem.

Amazon Prime Video bundles streaming "free" with Prime membership (USD 14.99/month or USD 139/year), targeting convenience-seekers who shop frequently on Amazon. They employ a hybrid model with rental options for newer content, cross-subsidising losses through profitable AWS and retail operations while increasing Prime retention.

Disney+ commands premium pricing (USD 15.99/month standalone, but offers strategic bundles starting at USD 10.99/month with Hulu) through irreplaceable franchise IP (Marvel, Star Wars, Pixar, Disney), targeting families and nostalgic millennials. Their bundling strategy makes standalone services expensive but combined packages are more competitively priced.



Each represents a fundamentally different recipe for value creation, demonstrating how the same broad industry can support multiple value propositions, through unique combinations of pricing, targeting, and value attributes. Each player exploits a distinct corporate advantage—hardware (Apple), global scale (Netflix), IP franchises (Disney) or commerce (Amazon)—rather than racing to copy the others.



Now let's examine the specific choices you must make to create a winning value proposition. These choices determine how you'll differentiate your offering and capture customer preference in your chosen markets. The ultimate purpose is to design one or more distinctive Value Propositions, making explicit decisions about in what specific customer benefits you will outperform competitors, those in which you will settle for an "at par" performance, and those which you will eliminate or reduce.

These choices have profound implications for your organisation, your competitors, and your customers.

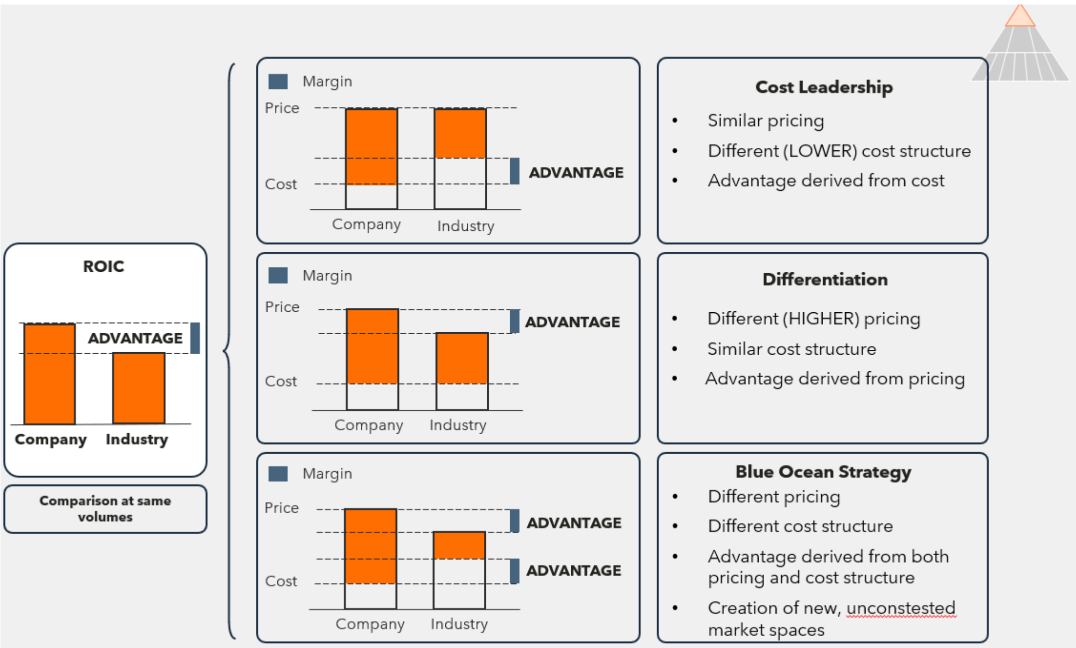
1. Choice of Strategic Positioning

The most fundamental choice in value proposition strategy is your strategic positioning - how you choose to be different and better than rivals in ways that matter to your target customers. This isn't about minor product tweaks or marketing messages; it's about selecting your unique approach to competing that becomes the foundation for all other strategic decisions.

We will explore this fundamental choice in two steps, the first one at higher level, consisting in choosing between three generic positioning options, the second, more detailed and nuanced, exploring a palette of 15 distinct positioning archetypes, which can be blended to form a distinctive and unique strategic position.

1.1 Choice of Generic Positioning.

At the highest level, there are only three generic approaches to strategic positioning: Cost Leadership, Differentiation or "Blue Ocean Strategies".



1. **Cost Leadership** means competing through low relative prices enabled by superior efficiency across the entire value chain. Cost leadership is fundamentally about achieving the lowest relative cost per unit compared to rivals while still meeting customers' threshold expectations for value. This is not simply about being a "low-cost producer" - a phrase that mistakenly implies cost advantages come only from manufacturing. Rather, sustainable cost leadership requires building cost advantages across multiple activities throughout the value chain, from research and development through customer service.
2. **Differentiation** involves commanding higher relative prices than rivals by creating superior customer value through unique benefits that customers are willing to pay premium prices to obtain. It refers specifically to a company's ability to charge higher prices because customers perceive superior value , not merely to the marketing concept of "being different."
3. **Blue Ocean Strategies** involve creating uncontested market space through value innovation - **the simultaneous pursuit of differentiation and low cost by reconstructing industry boundaries and eliminating the traditional value-cost trade-off**. Unlike traditional competitive strategies that accept industry conditions as given, blue ocean strategies fundamentally challenge and reshape the competitive landscape by **creating new demand rather than fighting over existing customers**. This approach rejects the conventional wisdom that companies must choose between differentiation OR cost leadership, instead demonstrating that both can be achieved simultaneously through systematic **value innovation**. While entirely possible, blue ocean strategies are rare and more difficult to achieve than traditional positioning approaches.

A deep Dive on Cost Leadership

Nucor historically ran a multibillion-dollar steel company from corporate headquarters about the size of a dentist's office, with the "executive dining room" being the deli across the street. This reflects how true cost leadership permeates organisational culture and decision-making at every level.

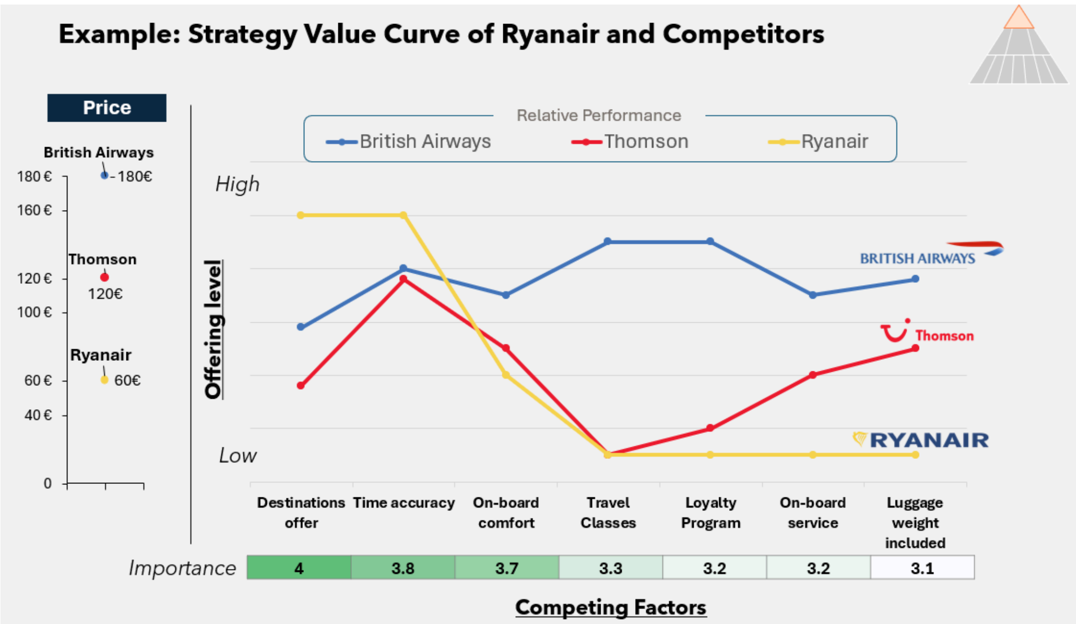
Cost advantages can arise from multiple sources within the value chain: more efficient processes, better capacity utilisation, superior supply chain management, streamlined organisational structures, technology that reduces labour or materials costs, economies of scale, learning curve effects, or more efficient use of working capital.

The strategic power of cost leadership lies in creating sustainable structural cost advantages that competitors cannot easily replicate without fundamentally changing their own strategies. However, cost leadership does not mean competing solely on price - cost leaders must still deliver sufficient value to meet customer needs, but they achieve superior profitability by delivering that value at structurally lower costs than rivals.

Cost Leaders are often **not the cheapest providers, in absolute terms, but those which can compete within industry-average prices, their advantage stemming from the superior margin resulting from similar prices than competitors, at much lower costs**.

Ryanair exemplifies sustained cost leadership advantage across decades. Since the 1990s, Ryanair has maintained Europe's lowest unit costs through a comprehensive system of interconnected cost advantages: 1) **Streamlined value proposition** - offering minimal customer service, no meals, charging for seat selection and luggage, creating a no-frills experience that eliminates costly service elements which also add element of unpredictability to their operations; 2) **Human resources efficiency** - leveraging temporary work agencies and non-unionised labour, maintaining high employee productivity ratios, and cross-training staff for multiple roles; 3) **Point-to-point logistics** - eliminating hub operations and baggage transfer costs while enabling faster aircraft turnaround times (25 minutes vs. industry average of 45+ minutes); 4) **Route selection** - focusing exclusively on short-haul European routes under 2.5 hours, avoiding complex long-haul operations; 5) **Fleet standardisation** - operating only Boeing 737 aircraft, dramatically reducing pilot training, maintenance, and spare parts costs while enabling bulk purchasing power; 6) **Choice of airports** - choosing secondary and regional airports instead of major hubs, securing lower landing fees, gate costs, and ground handling charges.

Despite this radical cost structure, Ryanair delivers best-in-class value on customers' most critical attributes: **punctuality** (consistently achieving 85%+ on-time performance), **extensive route network** (over 240 destinations across 40 countries), and **flight frequency** (often multiple daily options on popular routes). Customers accept reduced service levels in exchange for fares that can be 70-80% lower than traditional carriers. This demonstrates how cost leadership succeeds not by racing to the bottom on price, but by systematically redesigning the entire business model to deliver core customer value at structurally lower costs than competitors can match.



A deep-dive on Differentiation

Differentiation works by increasing customers' willingness-to-pay (WTP) through functional improvements (better performance, features, quality), emotional benefits (status, convenience, peace of mind), or experience enhancements (service quality, ease of use, accessibility). The essence of differentiation is that customers value your unique benefits enough to pay more than they would for alternatives.

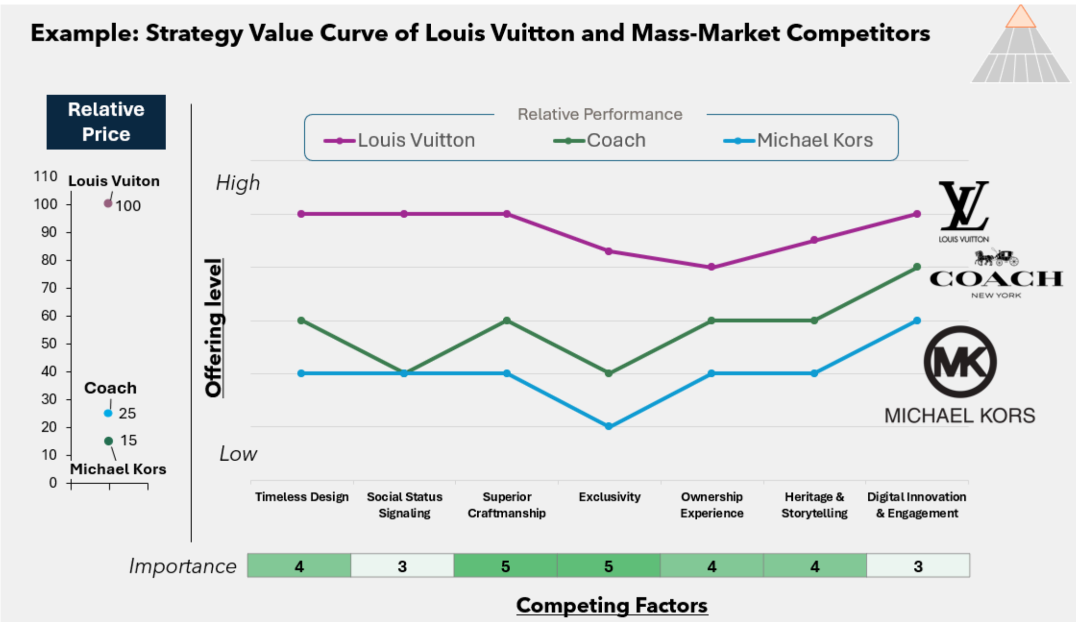
Differentiation can occur across multiple dimensions and throughout the value chain - in product design, manufacturing quality, delivery methods, service levels, brand reputation, customer relationships, or any activity that creates superior customer value. Even in commodity-like industries, there are often numerous opportunities "up and down the value chain" for differentiation - in delivery, in disposal, in certification and testing, and in financing.

Differentiation doesn't always mean "luxury". Consider how premium egg producers achieve differentiation in what was traditionally a commodity market. They command price premiums of 300-400% over basic commodity eggs through multiple differentiation dimensions: superior food safety (functional value), better taste through different production methods (sensory value), and humane treatment of hens (emotional/ethical value). Each addresses different customer value priorities within the same product category.

The critical insight is that differentiation must be economically sustainable - the additional costs of creating differentiated value must be more than offset by the premium prices customers are willing to pay. Differentiators often achieve "industry-level parity" in their cost performance, their advantage stemming from the superior margin resulting from higher prices at similar costs.

Louis Vuitton exemplifies sustained differentiation advantage across 170+ years. Since 1854, Louis Vuitton has maintained its position as the world's most valuable luxury brand through a comprehensive system of interconnected differentiation advantages: 1) **Exceptional craftsmanship and heritage** - preserving traditional French artisanal techniques with each product handcrafted by skilled craftsmen, requiring 100+ manufacturing steps for a single handbag, while maintaining 119 production facilities and craft workshops exclusively in France to ensure quality control and authentic heritage; 2) **Exclusivity and scarcity management** - deliberately limiting production volumes, creating waiting lists for iconic products like the Neverfull and Speedy bags, and offering limited-edition collections that sell out within hours, generating an aura of unattainability that reinforces prestige; 3) **Vertical integration and quality control** - controlling every aspect of the value chain from raw material sourcing (owning leather tanneries and textile mills) to retail distribution (operating 460+ directly-owned boutiques globally), ensuring consistent quality standards and brand experience while preventing counterfeiting; 4) **Innovation within tradition** - continuously collaborating with renowned artists and designers (Stephen Sprouse, Takashi Murakami, Jeff Koons) to create contemporary interpretations of classic designs while preserving core brand DNA and the iconic LV monogram; 5) **Storytelling** - investing heavily in brand narrative through flagship stores as "cultural destinations," partnerships with prestigious events (Formula 1, Olympic Games), and maintaining the highest price points in luxury categories to signal exclusivity.

To sustain 300-500% higher than mass-market alternatives, Louis Vuitton delivers unmatched value on customers' most critical luxury attributes: **timeless design** (products retain value and relevance across decades), **social status signalling** (instant recognition of the LV monogram as a symbol of success and sophistication), **superior craftsmanship** (products lasting generations with proper care), and **exclusive ownership experience** (personalised service in flagship stores, custom monogramming, and access to limited collections). Customers willingly pay premium prices because they perceive the total ownership experience - from purchase ritual to long-term value retention - as justifying the investment.



Despite commanding premium prices, Louis Vuitton demonstrates that successful differentiators don't ignore cost management. The brand actively pursues operational efficiency through multiple initiatives: implementing Demand Driven Material Requirements Planning (DDMRP) that achieved a 30% reduction in inventory levels and 50% improvement in delivery times; investing heavily in lean manufacturing and process optimisation across their 119 production facilities; leveraging vertical integration to control costs while maintaining quality (owning leather tanneries, textile mills, and the entire supply chain from raw materials to retail); deploying advanced analytics and technology to optimise manufacturing processes and reduce waste; and maintaining strict quality control systems that minimise defects and returns.

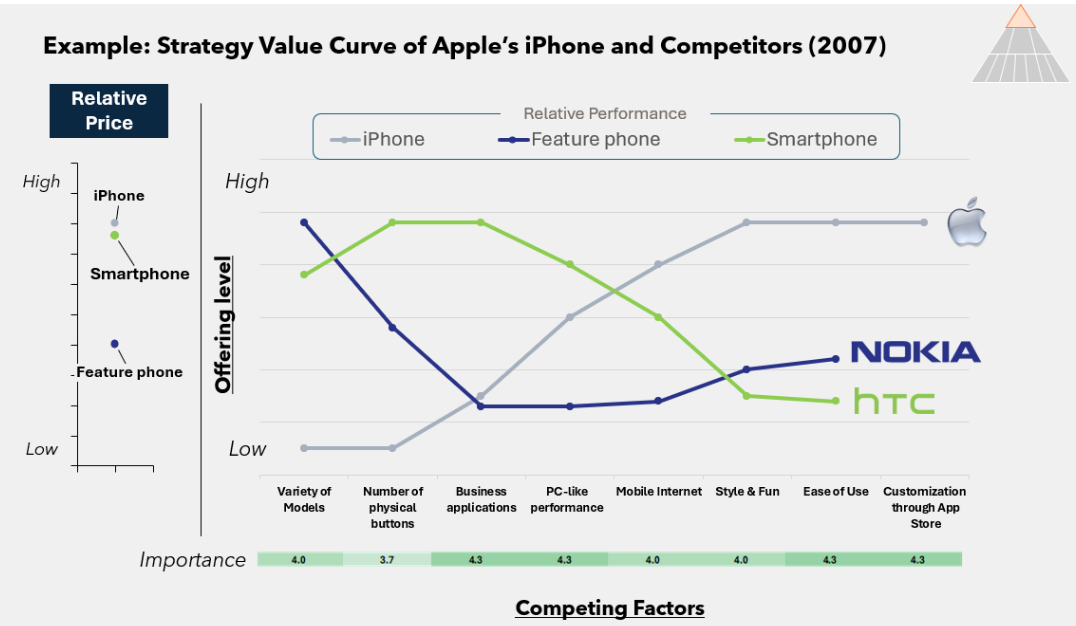
A deep-dive on Blue Ocean strategies

The strategic power of blue ocean strategies lies in creating new demand rather than competing for existing demand. By reconstructing market boundaries - looking across alternative industries, strategic groups, buyer groups, complementary offerings, functional-emotional orientations, and time - companies can discover uncontested market space that makes competition irrelevant. However, successful blue ocean strategies require whole-system alignment across utility, price, cost, and people propositions to sustain value innovation over time.

Example: Apple iPhone exemplifies blue ocean strategy through market boundary reconstruction. When Apple launched the iPhone in 2007, the mobile phone industry was trapped in fierce red ocean competition, with manufacturers adding increasingly complex hardware features - higher-resolution cameras, physical keyboards, email push buttons, multiple connectivity options - to differentiate their devices. Apple took a fundamentally different approach by reconstructing the mobile phone industry: 1) **Eliminating traditional complexity** - removing physical keyboards, styluses, multiple buttons, and complicated menu structures that required user manuals; eliminating the need for separate devices (phone, iPod, camera, GPS) by integrating core functions; 2) **Reducing hardware variety** - launching with minimal model variations (initially just one iPhone model versus competitors' dozens of SKUs), streamlining manufacturing complexity while maintaining focus on core user experience; 3) **Raising user experience standards** - elevating touchscreen responsiveness, internet browsing capability, visual design aesthetics, and intuitive interface usability far above industry standards; 4) **Creating industry-redefining elements** - introducing the revolutionary App Store ecosystem that allowed infinite customisation through third-party applications, transforming phones from fixed-function devices into infinitely adaptable platforms.

Value Delivery Through Platform Innovation: The iPhone's App Store represents the ultimate blue ocean innovation - creating an entirely new category of value that redefined customer expectations. Rather than competing on hardware specifications, Apple created a platform where customers could customise their devices for virtually any use case: business productivity (email, documents, presentations), entertainment (games, streaming, social media), lifestyle management (fitness, navigation, photography), professional tools (design, music production, scientific instruments), and countless niche applications. This platform approach delivered unprecedented **personalisation** (each user could create a unique device experience), **continuous value enhancement** (regular app updates and new applications), **ecosystem integration** (seamless connectivity across Apple devices), and **future-proofing** (new capabilities through software rather than hardware replacement).

Simultaneous Differentiation and Cost Leadership Through Platform Economics: The iPhone's genius lies in achieving both premium differentiation and manufacturing cost advantages through the App Store ecosystem. While competitors needed dozens of hardware models to serve different customer segments (business phones, gaming phones, camera phones, music phones), Apple could serve infinite customer diversity with minimal hardware variety. The App Store enabled Apple to: maintain extremely low SKU complexity (reducing manufacturing, inventory, and supply chain costs); achieve massive economies of scale through high-volume production of fewer models; shift differentiation from costly hardware variations to software-based customisation; capture ongoing revenue streams through app store commissions (30% of all app sales) rather than relying solely on hardware margins; and create powerful network effects where more apps attracted more users, which attracted more developers, creating a self-reinforcing ecosystem that competitors found impossible to replicate. This platform strategy enabled Apple to charge premium prices while maintaining cost structures lower than competitors who needed multiple product lines to serve diverse customer needs. The iPhone demonstrates how blue ocean strategies can transcend traditional either/or thinking by using ecosystem innovation to achieve both differentiation and cost leadership simultaneously.



1.2 Choice of Positioning Archetypes

Here's where it gets more sophisticated: the most successful and sustainable positions often combine elements from multiple approaches in ways that competitors find difficult to match. So while the three generic approaches are a starting point, they are often not granular enough to guide towards the choice of a winning position.

To bridge this gap between generic positioning and specific strategy, research has identified 15 fundamental Positioning Archetypes, that serve as building blocks for crafting distinctive strategic positions. Like primary colors that can be mixed to create unique palettes, these archetypes can be combined to form your company's distinctive way to compete.

Many successful Strategies don't pursue a single archetype but rather combine several in unique ways that create their competitive advantage. The key insight is that while individual archetypes might be easily imitated, the specific combination and integration of multiple archetypes creates a distinctive strategic position that competitors find difficult to replicate.

- Aggregator - Provides the convenience of one-stop solutions by bringing together multiple suppliers or sources under a common experience. *Examples: eBay (diverse marketplace), Grainger (industrial supplies)*

- Category Leader - Maintains top market share in a category and uses that position to shape downstream channels and upstream supply markets. *Examples: Coca-Cola (beverages), Intel (processors), Microsoft (operating systems)*

- Consolidator - Dominates an industry through acquisitions to provide value benefits or platform access that smaller companies cannot offer. *Examples: Cisco Systems (networking), GE (industrial conglomerates)*

- Customiser - Leverages market intelligence to offer tailored products or services for specific customer needs. *Examples: Dell (custom computers), Burger King ("have it your way"), Priceline (customised travel)*

- Disintermediator - Helps customers bypass expensive distribution channels by providing direct access to otherwise inaccessible services and products. *Examples: Third-party logistics firms (3PLs), direct-to-consumer brands*

- Experience Provider - Builds emotional attachment through memorable experiences, strong brands, and customer engagement. *Examples: Starbucks (coffee experience), Apple (user experience), Virgin Airlines (flying experience)*

- Fast Follower - Leverages foundations laid by innovators to quickly introduce competing offerings at greater value or broader reach. *Examples: Hyundai (automotive features), Chinese manufacturers*

- Innovator - Introduces new and creative products or services through ongoing innovative capabilities. *Examples: Apple (technology innovation), 3M (materials innovation), Procter & Gamble (consumer products)*

- Platform Provider - Operates shared resources or infrastructure that others can access through doing business with them. *Examples: New York Stock Exchange (trading platform), FedEx (logistics platform), AWS (cloud platform)*

- Premium Player - Offers high-end products or services where customers pay for both status and perceived superior value. *Examples: BMW (performance), Nordstrom (service), Herman Miller (design)*

- Regulation Navigator - Provides access to otherwise unreachable products and services by expertly managing within government rules and influencing regulatory frameworks. *Examples: Health insurance companies, financial services firms in regulated markets*

- Reputation Player - Commands premium pricing or privileged customer access based on trustworthy brand reputation tied to specific values. *Examples: Volvo (safety), Whole Foods (organic/natural), Tata (ethical business practices)*

- Risk Absorber - Mitigates or pools market risk for customers, enabling them to operate with greater certainty. *Examples: Insurance companies, commodity hedge funds, financial guarantors*

- Solutions Provider - Provides bundled products and services that fully address complex customer needs through integration capabilities. *Examples: IBM (enterprise solutions), Johnson Controls (building systems), Lockheed Martin (defence systems)*

- Value Player - Offers lowest prices or tremendous value through superior cost structures while avoiding commoditisation spirals. *Examples: Walmart (retail), Ryanair (air travel),

These archetypes provide a more nuanced framework for strategic positioning than generic strategies alone. Companies like Apple combine Innovator + Experience Provider + Premium Player + Platform provider, while Amazon integrates Aggregator + Platform Provider + Value Player. The strategic art lies in selecting the right combination of puretones that leverages your distinctive capabilities while creating value that customers find compelling and competitors find difficult to match.

While positioning choices may initially seem abstract or intangible, they represent one of the most critical strategic decisions leaders must make. These choices fundamentally **shape organisational identity** by providing wa unique approach to creating and capturing value that differentiates the company from competitors. The power of positioning lies in its ability to serve as a **strategic filter for all subsequent decisions**. When leaders choose to position their company as "the Apple of pest control services" (combining Premium Player + Experience Provider + Innovator archetypes + Platform), this identity choice provides clear guidelines for detailed value proposition design. Service offerings must deliver premium quality and innovative solutions, pricing must reflect superior value rather than cost-plus approaches, customer interactions must create memorable experiences, and operational investments must support these positioning commitments. Without this strategic anchor, organisations struggle with decision coherence, often making contradictory choices that confuse customers and weaken competitive advantage.

2. Choice of Segmentation of Value Propositions

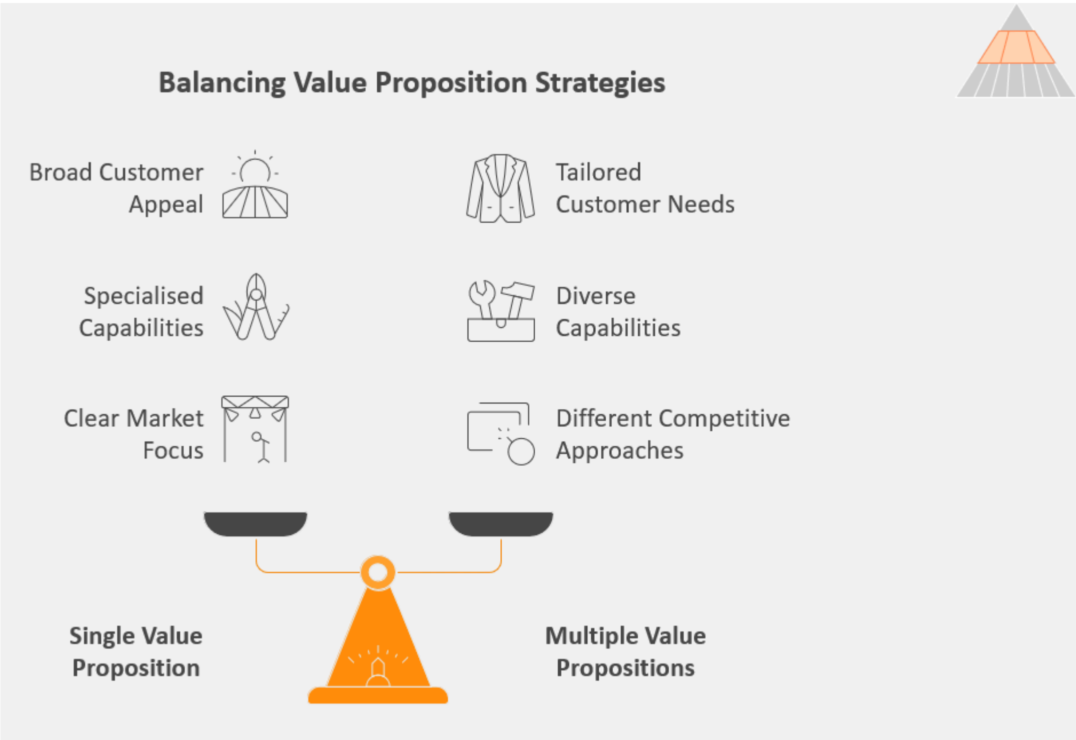
What is a Value Proposition?

We have defined earlier a value proposition as **the explicit promise an organisation makes to customers about the specific and unique combination of benefits it will deliver and the relative price at which those benefits will be available**.

This comprehensive definition recognises that value propositions operate simultaneously as customer promises, competitive differentiators, and organisational identities. They must be specific enough to guide decision-making yet flexible enough to evolve with changing customer needs and competitive dynamics. Most importantly, value propositions must **create sustainable economic value for both customers (through superior benefits relative to alternatives) and organisations (through profitable revenue generation that supports continued value creation)**.

Value Proposition Segmentation Choices

One of the most consequential yet often overlooked strategic choices in value proposition design is deciding **whether to offer a single, unified value proposition across all customer segments and offerings, or to develop multiple, distinct value propositions tailored to different customer groups**. This choice becomes particularly critical for organisations with large product portfolios, where the temptation exists to allow value propositions to emerge organically around different offerings rather than making deliberate segmentation decisions.



Single Value Proposition Strategy works best when target customer segments have similar value priorities, when organisational capabilities are highly specialised, or when economies of scale and scope provide significant advantages. Companies like Costco or In-N-Out Burger succeed with unified value propositions that appeal broadly while maintaining clear focus.

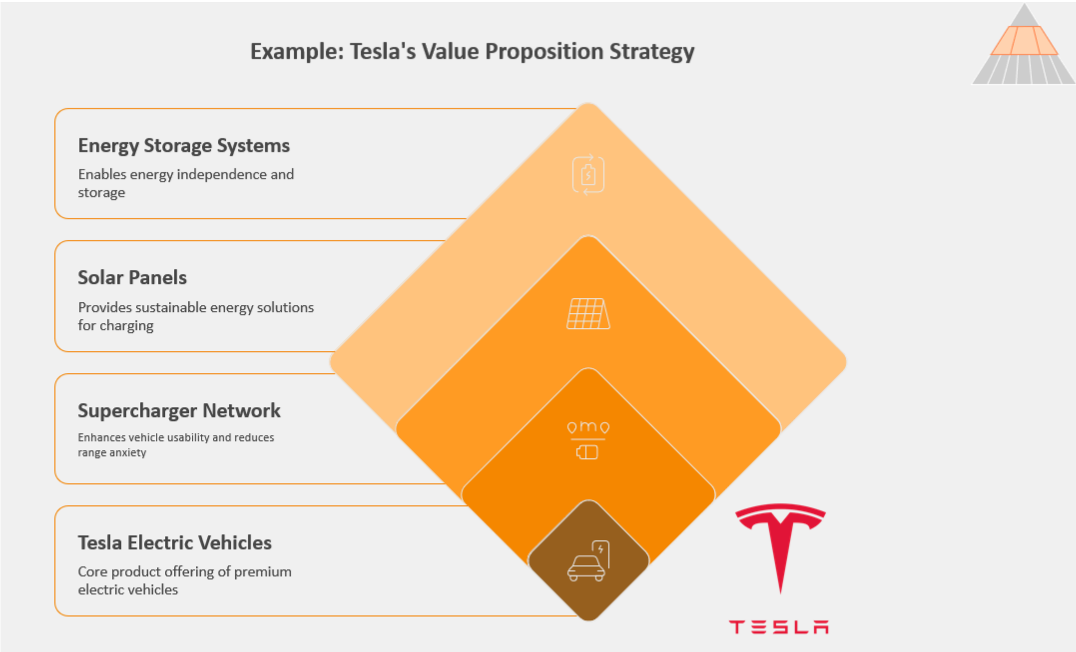
Multiple Value Proposition Strategy becomes necessary when customer segments have fundamentally different value priorities, when market opportunities require different competitive approaches, or when the organisation possesses capabilities that can serve distinct needs profitably. Companies like Johnson & Johnson or General Electric successfully manage multiple value propositions across different market segments.

The challenge lies in what strategy experts call **"value proposition drift" - the gradual evolution of unclear, overlapping value propositions that confuse customers and dilute competitive positioning**. Many organisations inadvertently develop multiple value propositions without conscious choice, leading to internal competition between business units, inconsistent customer experiences, and weakened market positioning.

Each distinct value proposition must be economically viable and strategically coherent. This means each segment must generate sufficient customer lifetime value to justify the required investments in capabilities, while each value proposition must align with organisational capabilities and competitive positioning.

Organisations that try to serve all segments with the same value proposition risk failing to meet any segment's needs optimally, while those that develop too many fragmented value propositions may dilute their competitive advantages and confuse their market positioning. The strategic craft lies in finding the right balance between focus and , based on customer value priorities, competitive dynamics, and organisational capabilities.

It is useful to distinguishes between core value propositions and complementary offerings. Core value propositions represent the primary way you create and capture value for distinct customer segments, while complements are products or services that enhance the value of your core offering. This distinction becomes crucial because complements can actually increase customer willingness-to-pay (WTP) for your core proposition through what economists call the "complement effect" - when the price of a complement declines, WTP for the core product increases.



Tesla exemplifies strategic complement design with unrelated products enhancing their core electric vehicle value proposition. Tesla's core value proposition centers on premium electric vehicles with superior performance, technology, and sustainability. Their complementary offerings - Supercharger network, solar panels, and energy storage systems - are entirely different product categories that enhance the electric vehicle experience. When Tesla expanded their Supercharger network and made charging more accessible and affordable, customers' willingness-to-pay for Tesla vehicles increased because range anxiety decreased and ownership became more convenient. Similarly, Tesla's solar panels and Powerwall batteries complement vehicle ownership by enabling home energy independence and vehicle charging from renewable sources. These unrelated energy products strengthen the electric vehicle value proposition while creating an integrated sustainable lifestyle ecosystem that competitors cannot easily replicate.

3. Design/Enhancement Choices for each Value Proposition

Once you've determined your segmentation approach, the next critical choice involves designing the specific architecture of each value proposition. This requires systematic decisions about how to structure and optimise each distinct value offering to maximise both customer appeal and organisational profitability. Effective value proposition design goes beyond intuitive product development to create deliberate, integrated systems that competitors find difficult to replicate.

Each distinct core value proposition must contain **eight essential elements** of choice that work together to create coherent value for both customers and the Company's stakeholders:

Target Customer Segments - Clearly defined groups of customers with similar value priorities, purchasing behaviors, and competitive alternatives. These segments must be distinct enough to warrant different value approaches yet substantial enough to justify dedicated resources. *IKEA Example: Young furniture buyers who want style at low cost, are willing to trade off service for cost, likely to have children, work for a living, and need to shop at odd hours.*

Product/Service Portfolio - The specific combination of offerings that will serve each target segment. This portfolio must leverage shared capabilities while addressing segment-specific needs. *IKEA Example: modular, ready-to-assemble furniture designed in-house, displayed in room-like settings with clear in-store displays, plus complementary services like in-store childcare and extended hours.*

Relative Price Position - The deliberate choice of where to position your pricing relative to competitors and customer alternatives, reflecting your value creation strategy and target customer segments. This includes decisions about premium, parity, or value pricing approaches. *IKEA Example: Premium pricing relative to basic furniture retailers but value pricing compared to design-focused competitors, positioned at approximately 30-50% below comparable design furniture while 20-30% above basic furniture retailers.*

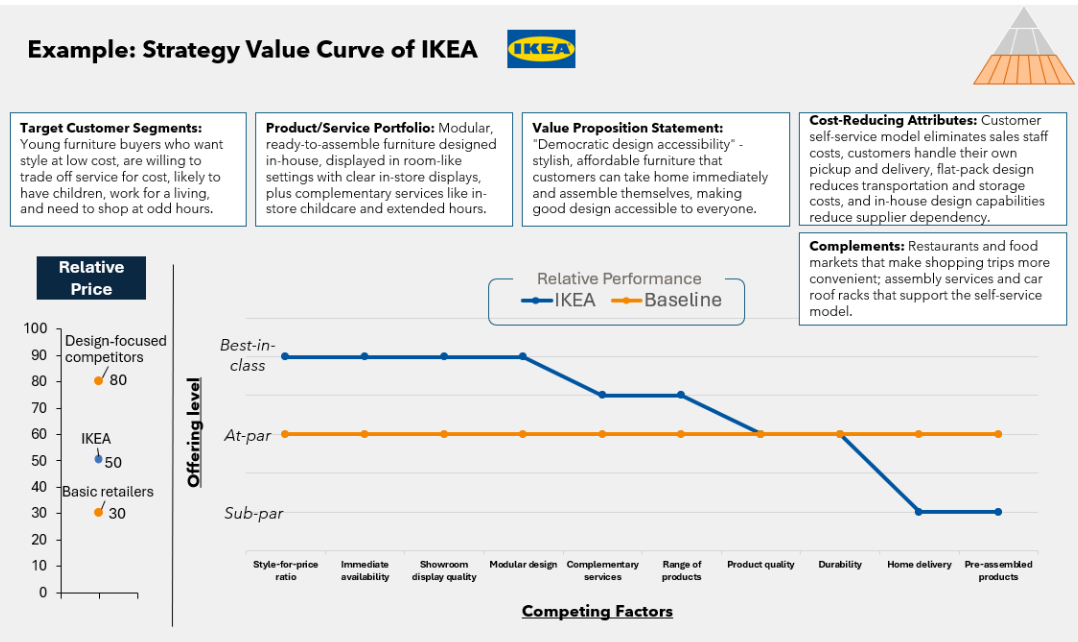
Complements - Products or services that enhance the value of your core offering and increase customer willingness-to-pay through the complement effect. When complements become more accessible or affordable, they increase demand for the core value proposition. *IKEA Example: restaurants and food markets that make shopping trips more convenient; assembly services and car roof racks that support the self-service model.*

Value Proposition Statement - A clear, compelling articulation of the unique value delivered to each segment. This statement must differentiate from competitors while being specific enough to guide operational decisions. *IKEA Example: "Democratic design accessibility" - stylish, affordable furniture that customers can take home immediately and assemble themselves, making good design accessible to everyone.*

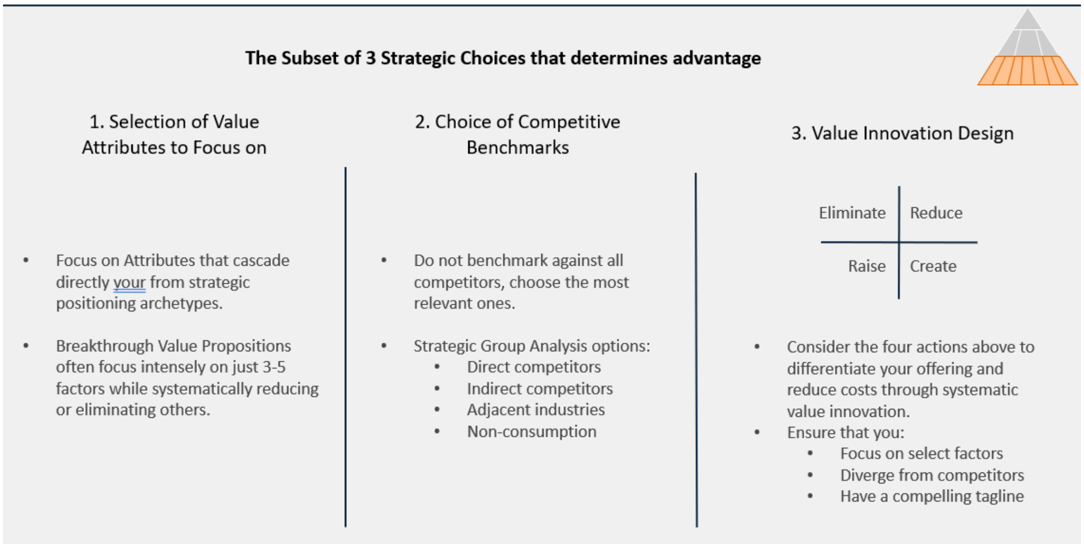
Customer Value Attributes - Carefully selected attributes that increase customer willingness-to-pay. These might include functional improvements (better performance, features, quality), emotional benefits (status, convenience, peace of mind), or experience enhancements (service quality, ease of use, accessibility). *IKEA Example: Stylish Scandinavian design, immediate availability, room-like showroom displays that help customers visualise complete solutions, unique complementary services (childcare, extended hours), modular design flexibility, and comprehensive range of products for complete home furnishing.*

Cost-Reducing Attributes - Specific attributes that impact your organisation's total cost structure, including operational efficiencies, purchasing cost, and personnel cost. *IKEA Example: Customer self-service model eliminates sales staff costs, customers handle their own pickup and delivery, flat-pack design reduces transportation and storage costs, and in-house design capabilities reduce supplier dependency.*

Relative Performance Levels - Explicit decisions about competitive performance on each chosen value attribute. Organisations must choose whether to achieve best-in-class, at-par, or deliberately sub-par performance on different attributes, recognising that trying to excel at everything typically results in mediocrity across all dimensions. *IKEA Example: Best-in-class on style-for-price ratio, immediate availability, and range of products for complete home solutions, at-par on product quality and durability, deliberately sub-par on customer service, home delivery, and pre-assembled products - trade-offs that enable their cost structure while serving their target customers' priorities.*



In defining the eight essential elements, effective value proposition design requires a subset of three strategic choices that determine whether your offering will create sustainable competitive advantage:



3.1 Selection of Value Attributes to Focus On

Critically, the choice of value attributes to consider **should cascade directly from your strategic positioning archetypes** rather than reflecting a comprehensive but neutral selection of the dozens of value attributes that any value proposition contains. Your positioning choice provides the filter that determines which attributes deserve focus. If a company chooses a "Value Player" archetype, they should expand on cost-related attributes such as purchase price, total cost of ownership, transactional costs, and maintenance costs. If a company has chosen an "Experience Provider" archetype, they should expand on attributes related to the end-to-end customer experience: how customers discover, evaluate, purchase, use, and get support for your offering - including convenience, emotional satisfaction, service quality, and experiential delight. An "Innovator" archetype would focus on performance breakthrough, feature advancement, technological superiority, and future-readiness attributes. This positioning-driven approach ensures coherence between your strategic identity and your value delivery, preventing the common mistake of competing on attributes that don't reinforce your chosen way to play.

The key insight is that industries typically compete on 10-15 major factors, but breakthrough value propositions often focus intensely on just 3-5 factors while systematically eliminating or reducing others. This focused approach prevents the "everything to everyone" trap that leads to mediocre performance across all attributes.

3.2 Choice of Competitive Benchmarks

Rather than benchmarking against all competitors, successful value proposition design requires deliberately choosing which competitors or strategic groups to compare against. This choice fundamentally shapes your value positioning and innovation opportunities.

Strategic Group Analysis Options:

- **Direct Competitors**: Companies offering similar solutions to similar customers
- **Indirect Competitors**: Alternative solutions customers consider for the same job
- **Adjacent Industries**: Solutions from related markets that could expand into your space
- **Non-consumption**: What customers do when they choose not to buy anything

The most powerful value propositions often emerge from looking beyond direct competitors to understand the broader set of alternatives customers consider.

3.3 Value Innovation Design

The final critical choice involves designing a new value curve that simultaneously differentiates your offering and reduces costs through systematic value innovation. This requires considering four types of actions to each Value Proposition:

- **Eliminate**: Which attributes should be eliminated because they add cost but little customer value?
- **Reduce**: Which attributes should be reduced well below industry standard because they are over-engineered relative to customer needs?
- **Raise**: Which attributes should be raised well above industry standard because they are under-served relative to customer priorities?
- **Create**: Which attributes should the industry create that have never been offered before but address unmet customer needs?

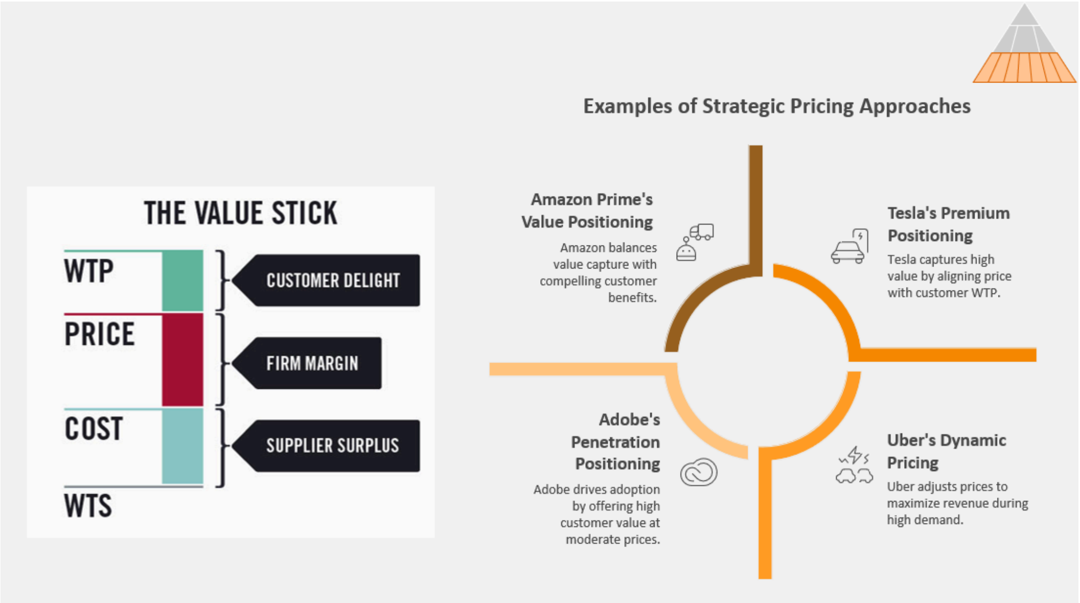
Successful value innovation requires meeting three essential criteria that ensure your new value curve creates sustainable competitive advantage:

- **Focus**: Your value curve should emphasise select factors rather than trying to excel at everything
- **Divergence**: Your strategic profile should look distinctly different from competitors
- **Compelling Tagline**: Your value proposition should have a clear, memorable statement that captures your unique benefit

This systematic approach to value innovation enables organisations to break free from industry assumptions and create uncontested market space where competition becomes less relevant because you're delivering unprecedented customer value at sustainable cost structures.

4. Strategic Pricing

Once you've defined the value attributes that determine customer Willingness-to-Pay (WTP) and your organisation's total cost, a critical degree of freedom remains: where to position your price within that range. This pricing decision fundamentally shapes how value is shared between your company, customers, and suppliers, directly impacting both customer acquisition and profitability.



Your pricing position within this range determines:

- **Customer Value Capture**: How much of the created value customers retain (WTP minus Price)
- **Company Value Capture**: Your profit margin (Price minus total cost)

Within the WTP-total cost range, organisations can choose from four distinct pricing approaches, each reflecting different strategic priorities and competitive dynamics:

Premium Positioning places price closer to WTP, capturing more value for the company while leaving customers with lower surplus. This approach works when you deliver superior value through multiple elements that customers highly prize.

Value Positioning balances customer and company value capture, pricing at moderate levels that provide compelling customer value while maintaining healthy margins. This approach often focuses on optimising the total value created rather than maximising company capture.

Penetration Positioning places price closer to total cost, leaving more value with customers to drive adoption and market share. This strategy works when scale advantages, network effects, or learning curves create increasing returns that justify initial margin sacrifice.

Dynamic Pricing adjusts pricing based on customer segment, usage context, or value delivered. This sophisticated approach requires understanding how different customers value your offering and their relative WTP levels.

Examples of Strategic Pricing in Practice:

Amazon Prime demonstrates sophisticated pricing positioning. Initially priced as penetration strategy at USD 79/year (closer to total cost), Prime captured market share while building scale advantages. As the service added more value elements - streaming media (fun/entertainment), unlimited photo storage (reduces risk), and faster delivery (saves time) - Amazon increased pricing to USD 139/year, moving closer to customers' increased WTP while maintaining compelling value.

Adobe's transition from perpetual licenses to Creative Cloud subscriptions illustrates value-based pricing alignment. The subscription model (starting at USD 20.99/month) aligns ongoing value delivery with revenue capture, while different tiers (Individual, Business, Enterprise) reflect varying customer WTP based on usage and features.

Tesla's pricing strategy combines premium positioning with value demonstration. Model S pricing at USD 80,000+ positions close to WTP for luxury car buyers, justified by multiple high-scoring value elements: quality (performance), innovation (technology leadership), badge value (status), and self-actualisation (environmental consciousness). This premium capture funds continued innovation and scale building for mass-market models.

Uber exemplifies dynamic pricing through surge pricing that increases rates during high-demand periods (bad weather, peak hours, special events), capturing more value when customer WTP is higher due to urgency or limited alternatives, while reverting to standard rates when demand normalises. This approach maximises revenue by adjusting prices in real-time based on supply-demand dynamics and varying customer value perceptions.

Customer Segmentation and Choice of Playing Field

A final remark: your value proposition choices should **cascade directly from the Playing Field decisions**, covered in the previous module - the explicit choices about which geographic markets, customer segments, product categories, channels, and value chain positions your organisation will prioritise to achieve its winning ambition. However, the relationship between these two canvas elements is inherently iterative and circular rather than purely linear.

While Playing Field choices (where to play) logically precede Value Proposition decisions (how to win), the process of defining your specific approach to creating and capturing value often **reveals new insights that require revisiting your playing field boundaries**. For example, as you develop your value proposition around premium customer experience, you might discover that certain customer segments within your chosen playing field cannot afford premium pricing, leading you to either refine your target segments or adjust your value creation approach. Similarly, designing a value proposition for personalised solutions might reveal that your current geographic scope lacks the scale economies needed for profitability, prompting playing field expansion or consolidation.

This iterative relationship reflects the fundamental interconnectedness of strategic choices. Your value proposition must be deliverable within your chosen playing field constraints, while your playing field must be sized and configured to support your intended value creation mechanisms. The strategic art lies in finding the optimal combination where playing field choices enable distinctive value propositions, and value propositions justify the playing field focus - creating what strategy scholars call "strategic coherence" between where you compete and how you win.

Section 3: Diagnostic Questions

Understanding your current value proposition is essential before making strategic choices about future direction. These diagnostic questions are organised around the three key strategic choices covered in Section 2, helping you assess your current position and identify opportunities for enhancement. The questions follow the strategic logic of the **Strategy in Action Canvas, recognising the iterative relationship between Playing Field and Value Proposition decisions**.

The first set of questions helps you understand your current strategic positioning and whether it provides clear competitive differentiation:

1. What is our current strategic positioning?

- Which Generic Positioning (Differentiation, Cost Leadership, Blue Ocean) better represents our Strategy so far?
- Which ones of the 15 positioning archetypes (Aggregator, Category Leader, Consolidator, etc.) best describes our current competitive position? Are we pursuing a single archetype or combining multiple archetypes?
- What is the positioning of your key competitors?
- How clearly can customers and employees articulate our distinctive way to compete?
- What evidence do we have that our positioning creates competitive advantage?
- Where do we see confusion or inconsistency in how our positioning is understood or executed?
- How coherent is our current positioning with our Playing Field choices? Do we see any conflict to be addresses?

Understanding your current positioning requires honest assessment of how customers and competitors actually perceive your approach to competing, not just internal assumptions about your strategy.

Data Sources for Positioning Assessment:

Question 1 Data Sources	Customer Interviews	Interviews with Sales Personnel	Competitive Intelligence	Voice of the Customer Studies	Management interviews	Mgt Control system
Which Generic Strategy describes us?	Yes	Yes	Yes	Yes	Yes	
What positioning archetypes better describe us?	Yes	Yes	Yes	Yes	Yes	
What is the positioning of your key competitors?	Yes	Yes	Yes	Yes	Yes	
How clearly articulated is our VP?	Yes	Yes		Yes	Yes	
Evidence of competitive advantage?	Yes	Yes	Yes		Yes	Yes
Where is there lack of coherence?	Yes	Yes		Yes	Yes	Yes

The next set of questions examines your current approach to value proposition segmentation:

2. What is our current segmentation of Value Propositions?

- How many distinct value propositions do we actually deliver to the market?
- Are these value propositions deliberately designed or have they emerged organically?
- Do we have clearly defined target customer segments for each value proposition?
- How well does our product/service portfolio fit with each segment's specific needs (is there any obvious gap)?
- Are we serving our target customers with sufficiently tailored Value Propositions?
- Is our relative price position deliberate and aligned with our Positioning?
- Where do we see "value proposition drift" or across segments?
- Do we have compelling value proposition statements that differentiate us?
- Which value attributes are more important to increase customer WTP and which have the greatest impact on our total cost?
- Where do we see gaps or inconsistencies across these elements?

This assessment helps identify whether your current segmentation approach creates competitive advantage or confusion.

Data Sources for Segmentation Assessment:

Question 2 Data Sources	Marketing assets review	Interviews with Marketing team	Interviews with Sales team	Customer Journey studies	Mgt Control System/CRM	Pricing Policies review
How many distinct value propositions?	Yes	Yes	Yes	Yes		Yes
Deliberately designed or emergent?		Yes	Yes		Yes	Yes
Clearly defined target customer segments?	Yes	Yes	Yes	Yes	Yes	
Product/service portfolio fit?	Yes	Yes	Yes	Yes	Yes	

Question 2 Data Sources	Marketing assets review	Interviews with Marketing team	Interviews with Sales team	Customer Journey studies	Mgt Control System/CRM	Pricing Policies review
Sufficiently tailored to target customers?	Yes	Yes	Yes	Yes		
Relative price position deliberate and aligned?	Yes	Yes	Yes		Yes	Yes
Where is there value proposition drift?	Yes	Yes	Yes	Yes	Yes	
Compelling value proposition statements?	Yes	Yes	Yes			
Value attributes for WTP vs cost impact?	Yes	Yes	Yes	Yes		
Gaps or inconsistencies across elements?	Yes	Yes	Yes	Yes	Yes	Yes

The final set of questions aims at assessing the comparative performance of your Value Propositions against the most relevant competitors:

3. How do our value propositions compare with our most significant competitors - what sets us apart?

- Who are our most significant direct and indirect competitors across each customer segment?
- How do customers compare our value proposition to these key competitors' ones (Voice of the Customer)?
- On which specific value attributes (functional, emotional, experience) do we outperform competitors?
- Where do competitors outperform us on attributes that matter most to customers?
- What attributes have the biggest impact on our costs?
- How does our actual price compare to competitors?
- Which competitors have the highest customer WTP and why?
- Where do we see clear value attributes that no competitor addresses well (customers are underserved)?
- How sustainable are our current advantages, and what could competitors do to erode them?

This comprehensive competitive assessment reveals where you have sustainable differentiation versus critical gaps that create competitive vulnerability.

Data Sources for Competitive Value Proposition Assessment:

Question 3 Data Sources	Interviews with customers	Interviews with Product team	Interviews with Sales team	VOIC studies	Mgt Control/CRM System	Price Benchmarks	Interviews with KOLs	Competitors research
Who are our most significant competitors?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
How do customers compare our VP to competitors?	Yes	Yes	Yes	Yes	Yes		Yes	

Question 3 Data Sources	Interviews with customers	Interviews with Product team	Interviews with Sales team	VOIC studies	Mgt Control/CRM System	Price Benchmarks	Interviews with KOLs	Competitors research
Which value attributes do we outperform competitors on?	Yes	Yes	Yes	Yes	Yes		Yes	Yes
Where do competitors outperform us on key attributes?	Yes	Yes	Yes	Yes	Yes		Yes	Yes
What attributes have the biggest impact on our costs?		Yes			Yes			
How does our actual price compare to competitors?	Yes	Yes	Yes		Yes	Yes		Yes
Which competitors have the highest customer WTP?	Yes	Yes	Yes	Yes	Yes		Yes	Yes
What value attributes are underserved by all competitors?	Yes	Yes	Yes	Yes			Yes	
How sustainable are our advantages vs competitor threats?		Yes	Yes		Yes		Yes	Yes

Diagnostic Pitfalls to Avoid

The Internal Delusion Trap

The most dangerous pitfall is confusing what you want your value proposition to be with what customers actually experience and believe. Be brutally honest about sticking to what customers are thinking of your value proposition rather than what you desire it to be. Your intended strategy is irrelevant if customers don't perceive or value what you think you're delivering. Always start with external customer perceptions, not internal assumptions about your value.

The Feature-Benefit Confusion
Organisations often mistake product features for customer value. Just because you've added capabilities doesn't mean customers perceive increased value. Focus on outcomes customers actually care about, not the inputs you're proud of delivering.

The Competitor Myopia Trap
Benchmarking only against direct competitors blinds you to alternative solutions customers consider. Your real competition includes indirect alternatives, adjacent industries, and non-consumption. Customers don't limit their thinking to your industry boundaries.

The Segmentation Assumption Error
Assuming all customers within a segment value the same attributes equally leads to generic value propositions. Even within segments, individual customers may prioritise different value elements. Test your segmentation assumptions against actual customer behaviour and preferences.

The Performance Measurement Distraction
Getting lost in operational metrics while ignoring strategic positioning clarity. High performance on individual attributes means nothing if customers don't understand how you're different from alternatives or why they should choose you.

The Coherence Blindness
Failing to recognize when the essential value proposition elements contradict each other. Inconsistent elements confuse customers and weaken competitive positioning. Every element must reinforce your strategic positioning choice.

Section 4: Typical Outputs

[This section to be completed separately]

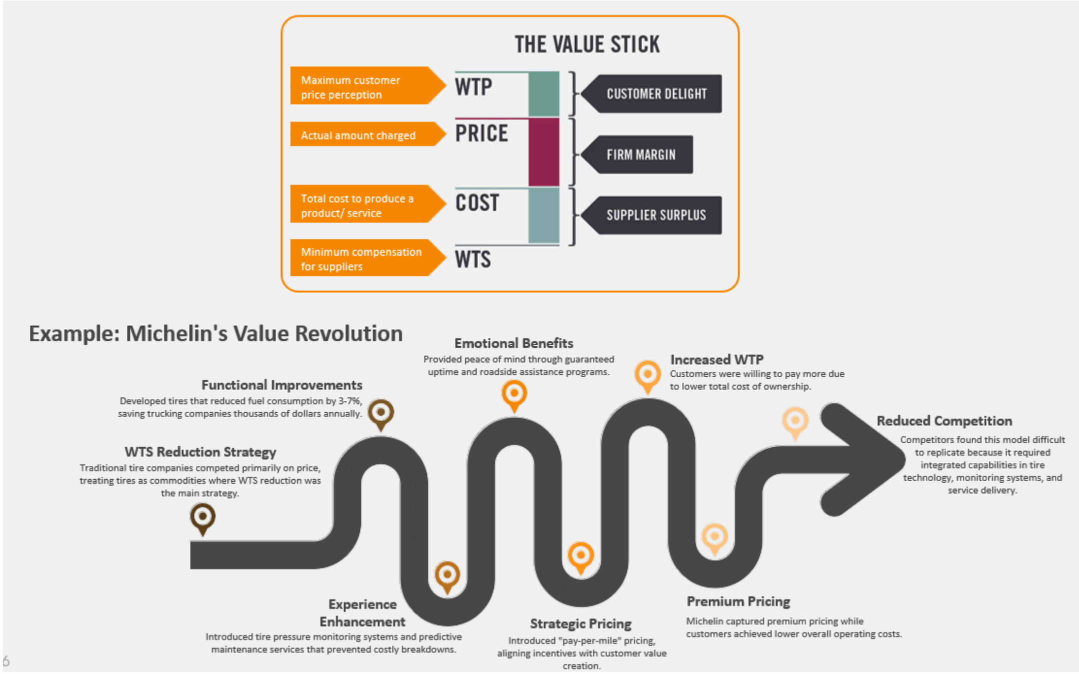
Section 5: Key Concepts and Frameworks Underpinning the Value Proposition

Let's explore the fundamental frameworks that provide the theoretical foundation for creating effective value propositions. These concepts help you understand the mechanics of value creation and guide your strategic choices about how to win in your chosen markets. These frameworks provide complementary perspectives on value proposition design.

Together, they form a comprehensive foundation for creating winning value propositions that customers find compelling and competitors find difficult to imitate. Remember, the most successful value propositions don't just deliver benefits - they create integrated systems of value that become stronger over time and harder for competitors to replicate.

1. The Value Stick Framework

(Better Simpler Strategy, Felix Oberholzer-Gee, 2019)



The Value Stick provides the foundational economic model for understanding all value creation and capture mechanisms in business strategy. As Oberholzer-Gee demonstrates, this framework reveals that strategy is fundamentally simple: companies that achieve enduring financial success create substantial value for their customers, employees, and suppliers.

Core Elements of the Value Stick:

The Value Stick visualises value relationships as a vertical line with four critical components:

- **Willingness-to-Pay (WTP)**: The maximum amount customers would pay before choosing alternatives or not buying. This sits at the top of the stick and represents the ceiling of customer value perception.
- **Price**: The actual amount charged, which must fall between WTP and WTS. This determines how value is shared between the company, customers, and suppliers.
- **Willingness-to-Sell (WTS)**: The minimum compensation required by employees and suppliers to participate in the value creation process. This sits at the bottom of the stick.
- **Value Created**: The total value generated, measured as the difference between WTP and WTS (the length of the stick). This represents the fundamental economic value the business creates.
- **Value Captured**: How the created value is distributed - customers capture the difference between WTP and Price, while the company captures the difference between Price and WTS.

Strategic Importance for Value Proposition Design:

The Value Stick framework is essential for this module because it provides the only two fundamental ways to create additional value in any business:

1. **Increase Customer WTP** through functional improvements (better performance, features, quality), emotional benefits (status, convenience, peace of mind), or experience enhancements (service quality, ease of use, accessibility)
2. **Decrease WTS** by making work more attractive for employees through better culture and development, or making partnerships more valuable for suppliers through collaboration and better terms

This framework transforms value proposition design from intuitive guesswork into systematic value engineering. Every strategic choice must ultimately contribute to increasing WTP or lowering WTS to create sustainable competitive advantage.

The Complement Effect Principle:

A crucial insight embedded in the Value Stick is that when the price of a complement declines, WTP for your core product increases. This creates strategic opportunities to shift value between complementary offerings and design ecosystem strategies that enhance overall value creation.

Real Example: Michelin's Value Stick Transformation

Oberholzer-Gee describes how Michelin revolutionised the tire industry by fundamentally rethinking the value stick for commercial trucking customers. Traditional tire companies competed primarily on price, treating tires as commodities where WTS reduction was the main strategy.

Michelin recognised that for trucking companies, tire costs represented only a small fraction of total operating expenses, but tire performance dramatically impacted fuel efficiency, maintenance costs, and uptime. They redesigned their value proposition around these broader customer economics:

Increasing Customer WTP:

- **Functional Improvements**: Developed tires that reduced fuel consumption by 3-7%, saving trucking companies thousands of dollars annually
- **Experience Enhancement**: Introduced tire pressure monitoring systems and predictive maintenance services that prevented costly breakdowns
- **Emotional Benefits**: Provided peace of mind through guaranteed uptime and roadside assistance programs

Strategic Pricing Innovation:
Instead of selling tires, Michelin introduced "pay-per-mile" pricing where customers paid based on actual tire usage. This aligned Michelin's incentives with customer value creation - the better their tires performed, the more profitable both parties became.

Results:

- Customer WTP increased dramatically because total cost of ownership decreased despite higher tire prices
- Michelin captured premium pricing while customers achieved lower overall operating costs
- Competitors found this model difficult to replicate because it required integrated capabilities in tire technology, monitoring systems, and service delivery

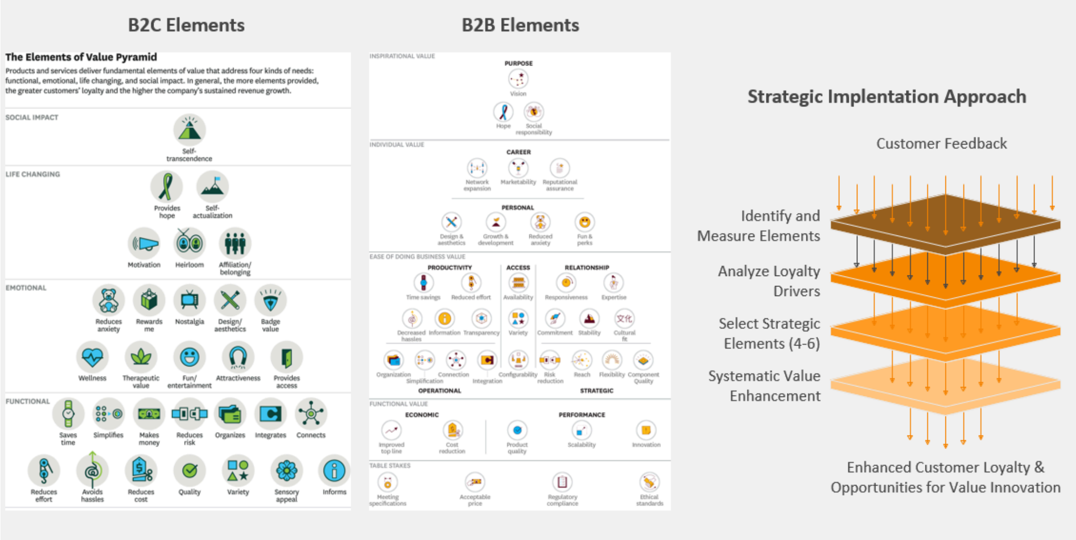
This example demonstrates how the Value Stick framework enables companies to escape commodity competition by systematically redesigning value creation and capture mechanisms. Rather than competing on price alone, Michelin created a new value equation where both they and their customers captured more value.

Framework Application for Value Proposition Strategy:

The Value Stick provides the analytical foundation for every value proposition decision in this module. When designing your eight essential elements, evaluating competitive positioning, or making segmentation choices, the fundamental question remains: "How does this choice increase customer WTP or decrease our WTS?" This framework ensures that value proposition design creates real economic value rather than just marketing differentiation.

2. The Elements of Value Framework

(Almquist, Senior, Bloch & Cleghorn, 2016-2018)



The Elements of Value Framework provides a comprehensive taxonomy of value sources that customers perceive across both consumer (B2C) and business (B2B) markets. This framework enables systematic identification and measurement of value elements that drive customer loyalty and revenue growth, moving beyond intuitive assumptions about what customers value to evidence-based value proposition design.

Core Framework Principles:

The framework organises value elements into hierarchical pyramids that parallel Maslow's hierarchy of needs but apply specifically to customer value perception. Research demonstrates that companies excelling on multiple value elements achieve significantly higher customer loyalty and revenue growth. Companies scoring high on four or more elements had three times the Net Promoter Score and four times the revenue growth compared to companies with only one high score.

Universal Value Insights:

Across both B2C and B2B markets, certain patterns emerge:

- **Quality is foundational**: No other elements can compensate for significant quality shortfalls
- **Multiple elements matter more**: Companies excelling on many elements outperform those focused on few
- **Customer perception differs from stated importance**: What customers say matters often differs from what statistically drives their loyalty
- **Higher-level elements create stronger differentiation**: Emotional and aspirational elements often provide more sustainable competitive advantage than functional ones alone

B2C Elements of Value Framework:

For consumer markets, the framework identifies **30 fundamental value elements** organised into four categories:

Functional Elements (Address practical needs):

- Saves time, reduces cost, simplifies, organises, connects, reduces effort
- Avoids hassles, reduces risk, makes money, provides access
- Quality, variety, sensory appeal, therapeutic value

Emotional Elements (Address personal feelings):

- Reduces anxiety, rewards me, nostalgia, design/aesthetics
- Badge value, wellness, fun/entertainment, attractiveness, provides hope

Life-Changing Elements (Enable personal transformation):

- Self-actualisation, motivation, heirloom, affiliation and belonging

Social Impact Elements (Address societal concerns):

- Self-transcendence

B2C Application Example: Amazon Prime Evolution

Amazon demonstrates systematic multi-element value creation through Prime's evolution:

Initial Focus (2005): Functional elements - *reduces cost* and *saves time* through unlimited two-day shipping for USD 79 annual fee

Expansion Strategy: Systematically added elements:

- *Provides access* and *fun/entertainment* through streaming media
- *Reduces risk* via unlimited photo storage
- *Variety* through expanding product selection
- *Avoids hassles* through one-click ordering and returns

Results: Prime achieved nearly 40% penetration of U.S. retail market, enabling Amazon to raise annual fees to USD 99 while maintaining customer loyalty. Each new element attracted additional customer segments and increased switching costs.

B2B Elements of Value Framework:

For business markets, the framework identifies **40 fundamental value elements** organised into five categories, reflecting the additional complexity of organisational decision-making:

Table Stakes (Prerequisites for consideration):

- Meeting specifications, acceptable price, regulatory compliance, ethical standards

Functional Elements (Address economic and operational needs):

- Cost reduction, improved top line, product quality, scalability, innovation
- Risk reduction, flexibility, component quality, reach

Ease of Doing Business Elements (Enhance operational efficiency and relationships):

- Time savings, reduced effort, availability, responsiveness, expertise
- Decreased hassles, information, transparency, variety, commitment
- Stability, cultural fit, organisation, simplification, connection
- Integration, configurability

Individual Elements (Address personal buyer concerns):

- **Career-focused**: Network expansion, marketability, reputational assurance
- **Personal**: Design & aesthetics, growth & development, reduced anxiety, fun & perks

Inspirational Elements (Address higher-order organisational aspirations):

- Vision, hope, social responsibility, purpose

B2B Application Example: Microsoft Azure Success

Microsoft Azure demonstrates B2B multi-element excellence, achieving the highest Net Promoter Score among IT infrastructure providers by excelling on 20 of 36 elements:

Functional Excellence: *Product quality, scalability, innovation* through continuous platform advancement

Ease of Doing Business: *Time savings, decreased hassles, responsiveness* through automated cloud management, immediate file recovery, and auto-scaling capabilities

Individual Value: *Reduced anxiety* for IT professionals through reliable performance and comprehensive support

Inspirational Value: *Vision* by enabling digital transformation and future-ready architectures

B2B vs B2C Value Distinctions:

While both frameworks share common principles, B2B value creation differs in several key ways:

Decision Complexity: B2B purchases involve multiple stakeholders with different value priorities, requiring elements that address both organisational and individual needs

Risk Sensitivity: Business buyers face higher consequences for poor decisions, making *risk reduction* and *reputational assurance* particularly important

Relationship Intensity: B2B transactions often involve ongoing relationships, making *cultural fit*, *commitment*, and *responsiveness* critical differentiators

Dual Value Creation: B2B offerings must create value both for the organisation (functional and operational) and for individual decision-makers (career and personal)

Industry-Specific Variations:

Value element importance varies significantly by industry context:

B2C Industry Examples:

- **Smartphones**: Quality, reduces effort, variety, organises, connects (multi-functional integration)
- **Food & Beverages**: Quality, sensory appeal, variety, design/aesthetics, therapeutic value
- **Financial Services**: Quality, provides access, heirloom, avoids hassles, reduces anxiety

B2B Industry Examples:

- **IT Infrastructure**: Product quality, expertise, responsiveness, hope, integration, vision
- **Commercial Insurance**: Risk reduction, cost reduction, availability, stability, reduced anxiety
- **Manufacturing Equipment**: Expertise, configurability, reputational assurance, productivity enhancement

Strategic Implementation Approach:

Step 1: Element Identification and Measurement
Survey current customers and prospects to understand which elements your organisation currently delivers and how performance compares to competitors. Use 0-10 rating scales for consistency.

Step 2: Statistical Analysis of Loyalty Drivers
Analyse correlations between element performance and customer loyalty metrics (Net Promoter Score, repurchase likelihood, customer lifetime value) to identify which elements truly drive business results versus those customers merely say are important.

Step 3: Strategic Element Selection
Choose 4-6 elements for excellence based on:

- Statistical impact on customer loyalty
- Alignment with organisational capabilities
- Differentiation opportunity versus competitors
- Resource requirements for delivery

Step 4: Systematic Value Enhancement
Develop integrated approaches to deliver chosen elements through:

- Product/service design modifications
- Process improvements
- Experience enhancements
- Communication strategy alignment

Framework Application for Value Proposition Strategy:

The Elements of Value Framework provides the systematic methodology for identifying, measuring, and prioritising specific value sources that matter most to your target customers. When designing your eight essential value proposition elements, use this framework to ensure you're addressing value dimensions that statistically drive customer loyalty rather than relying on assumptions about what customers want. The framework also reveals opportunities for value innovation by identifying under-served elements that competitors neglect but customers value highly.

3. The Three Value Disciplines Framework

(Customer Intimacy and Other Value Disciplines, Treacy & Wiersema, 1993)

The Three Value Disciplines Framework provides one of the most influential models for understanding how companies achieve market leadership through focused excellence. Based on extensive research of 40 companies that redefined performance expectations in their markets, Treacy and Wiersema discovered that market leaders typically excel in one of three distinct value disciplines while meeting industry standards in the other two.

Core Framework Principles:

The New Rules of Competition: Market leaders operate under four fundamental rules that have replaced traditional competitive approaches:

1. **Provide the best offering** in the marketplace by excelling in one specific dimension of value
2. **Maintain threshold standards** on other dimensions of value to remain viable
3. **Dominate your market** by improving value year after year in your chosen discipline
4. **Build a superior operating model** dedicated to delivering that specific value proposition

Customer Value Segmentation: Different customers fundamentally seek different types of value, and this segmentation is more predictable than previously understood. Customers primarily want one of three value types: best product (performance/uniqueness), best total solution (personalised service), or best total cost (price plus convenience).

The Value-Performance Link: Companies that focus all their assets, energies, and attention on delivering one type of customer value can nearly always deliver better performance in that dimension than companies that divide their attention among multiple value types.

The Three Value Disciplines:

1. Operational Excellence

Definition: Providing customers with reliable products or services at competitive prices and delivered with minimal difficulty or inconvenience. Companies pursuing operational excellence are indefatigable in seeking ways to minimise overhead costs, eliminate intermediate production steps, reduce transaction and friction costs, and optimise business processes across functional and organisational boundaries.

Strategic Characteristics:

- Focus on price and convenience as primary value drivers
- Optimise entire business systems for efficiency and reliability
- Eliminate hassles and reduce customer effort throughout the value chain
- Build operations around information systems that emphasise integration and low-cost transaction processing
- Create cultures focused on discipline, standardisation, and continuous improvement

Dell Computer Example: Dell revolutionised the PC industry by focusing not on the product but on the delivery system. By selling directly to customers, building to order rather than inventory, and creating an extremely low-cost culture, Dell undercut competitors while providing high-quality products and service. Dell's operational excellence model enabled faster delivery, lower costs, and better customer service than traditional dealer-based distribution systems.

2. Customer Intimacy

Definition: Segmenting and targeting markets precisely and then tailoring offerings to match exactly the demands of specific niches. Companies that excel in customer intimacy combine detailed customer knowledge with operational flexibility so they can respond quickly to almost any need, from customising products to fulfilling special requests.

Strategic Characteristics:

- Focus on customer lifetime value rather than single transaction profitability
- Build infrastructure that facilitates multiple modes of producing and delivering products/services
- Invest heavily in understanding individual customer needs and preferences
- Create organisational structures that empower front-line employees to respond to customer requirements
- Develop information systems that collect, integrate, and analyse customer data from multiple sources

Home Depot Example: Home Depot clerks spend whatever time is required with customers to figure out which product will solve their home-repair problem. The company's business strategy is built around customers' needs for information and service, not just inexpensive products. Individual service is Home Depot's forte - clerks help customers understand their options, recommend solutions, and ensure they get exactly what they need, whether the purchase is $59 or 59 cents.

3. Product Leadership

Definition: Offering customers leading-edge products and services that consistently enhance the customer's use or application of the product, thereby making rivals' goods obsolete. Product leaders strive to produce a continuous stream of state-of-the-art products and services through creativity, rapid commercialisation, and relentless pursuit of new solutions.

Strategic Characteristics:

- Focus on innovation, creativity, and time-to-market as competitive advantages
- Build organisations that encourage new ideas regardless of source ("not invented here" is not in their vocabulary)
- Emphasize speed in decision-making and commercialisation (better to make wrong decisions quickly than right decisions slowly)
- Create entrepreneurial environments that attract and retain innovative talent
- Develop risk management capabilities that enable large investments in uncertain outcomes

Nike Product Leadership: Nike excels in product leadership in sport shoes by continuously pushing performance boundaries through innovation in materials, design, and technology. The company invests heavily in research and development, partners with elite athletes to test cutting-edge concepts, and rapidly commercialises innovations that enhance athletic performance while making competitors' products obsolete.

Strategic Implementation Insights:

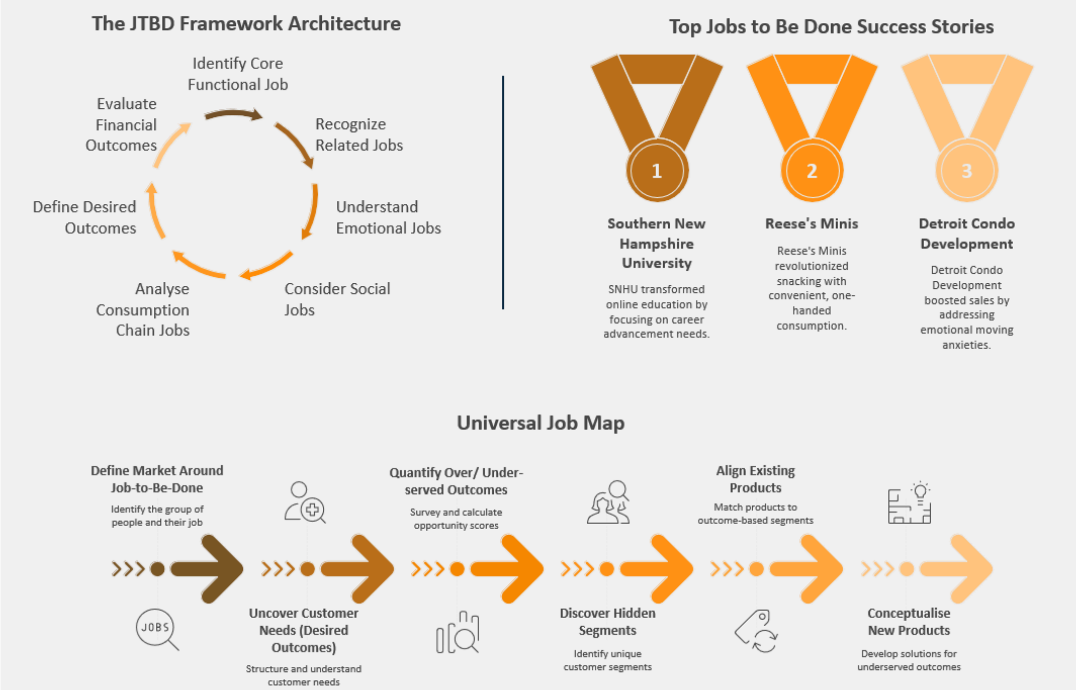
The Choice Is Also Customer Choice: When companies choose a value discipline, they simultaneously select the category of customers they will serve. The choice of business discipline and customer category is actually a single strategic decision, as different customer segments define value differently.

Organisational DNA Similarity: Companies pursuing the same value discipline have remarkable similarities regardless of industry. Federal Express, American Airlines, and Wal-Mart have strikingly similar business systems because they all pursue operational excellence. An employee could transfer between these companies and feel at home after orientation.

Mastery of Two Disciplines: While rare, some companies successfully master two disciplines by resolving inherent tensions between different operating models. Toyota combines operational excellence with product leadership. USAA masters both customer intimacy and operational excellence. Staples excels at both operational excellence and customer intimacy through different approaches to different market segments.

4. The Jobs to Be Done Framework

(Know Your Customers' "Jobs to Be Done", Clayton Christensen, 2016; Outcome-Driven Innovation, Anthony Ulwick, 1991)



The Jobs-to-Be-Done (JTBD) framework revolutionises innovation by shifting focus from customer demographics to the underlying progress customers are trying to make in specific circumstances. This framework transforms innovation from a hit-or-miss endeavour into a predictable process by understanding the causal drivers behind customer choices.

Core JTBD Theory:

The fundamental insight is that customers don't buy products—they "hire" them to get a job done. When a product does the job well, customers hire it again. When it fails, they "fire" it and look for alternatives. This perspective reveals that correlation-based customer data (demographics, psychographics) fails to capture causation—the actual reasons behind purchase decisions.

The JTBD Framework Architecture:

Jobs-to-Be-Done encompasses multiple interconnected dimensions that must be understood holistically:

- **Core Functional Job**: The primary task customers are trying to accomplish (e.g., "prepare a hot beverage for consumption")
- **Related Jobs**: Secondary jobs that support the main job (e.g., "clean up after beverage preparation")
- **Emotional Jobs**: How customers want to feel during job execution (confident, relaxed, energized)
- **Social Jobs**: How customers want to be perceived by others (sophisticated, environmentally conscious, efficient)
- **Consumption Chain Jobs**: Jobs related to acquiring, using, and disposing of solutions
- **Desired Outcomes**: Customer-defined performance metrics for measuring success at each job step
- **Financial Outcomes**: Economic considerations throughout the job execution process

Defining Jobs Correctly:

The most critical step is defining the job at the right level of abstraction. Too narrow limits growth opportunities; too broad creates non-actionable insights. The Universal Job Map breaks all jobs into eight fundamental steps: Define → Locate → Prepare → Confirm → Execute → Monitor → Modify → Conclude.

Key JTBD Principles:

- **Jobs are stable, solutions change**: People have hired entertainment for millennia, but means evolved from live performances to radio to television to streaming
- **Circumstances matter more than customer characteristics**: A 64-year-old Harvard professor buying the New York Times isn't driven by his demographics but by specific situational needs
- **Jobs have functional, emotional, and social dimensions**: Beyond task completion, customers seek experiences that make them feel confident, connected, or accomplished
- **Competition is defined by the job, not product categories**: Morning milkshakes compete with bananas, energy bars, and coffee—anything that provides sustenance during commutes

Comprehensive Case Studies:

Detroit Condo Development (Bob Moesta):
A construction company targeting downsizers struggled with sales despite focus groups requesting features like bay windows. JTBD interviews revealed the real barrier: anxiety about giving up dining room tables loaded with family memories. The insight: "We're in the moving business, not the building business." Solution included moving services, two years of storage, and space for dining tables. Results: 25% growth during a 49% industry decline, $3,500 price increase.

McDonald's Morning Milkshakes (Clayton Christensen):
80% of milkshakes sold before 8:30 AM puzzled McDonald's. Traditional analysis found no demographic patterns. JTBD research revealed customers hired milkshakes for long, boring commutes—they're caloric, delicious, and take time to consume. Competition wasn't other milkshakes but bananas, bagels, and coffee. The job: "Help me stay awake and occupied during my morning commute."

Southern New Hampshire University (Paul LeBlanc):

Online students (average age 30) had different jobs than traditional students (age 18-22). Traditional students hired college for "coming of age experiences." Online students hired SNHU to "step up their careers" with four key needs: convenience, customer service, credentials, and speed. SNHU redesigned everything around this job—8.5-minute response times, personal advisors, streamlined financial aid. Results: From 500 to 130,000+ online students, revenue from $109Mto$1.2B, 9.6/10 NPS score.

Reese's Minis (Hershey's):

Traditional peanut butter cups were "fired" in situations requiring one-handed consumption (driving, gaming, crowded spaces). Original cups were too messy; smaller cups required two hands to unwrap and left guilt-inducing foil trails. Reese's Minis solved the job with no foil wrapping and resealable packaging for easy one-handed access. Result: $235 million in first two years.

Outcome-Driven Innovation Process:

Step 1: Define Market Around Job-to-Be-Done

- Market = "Group of people + job they're trying to get done"
- Provides stability (jobs don't change), accurate competition definition, and protection against disruption

Step 2: Uncover Customer Needs (Desired Outcomes)

- Structure: "Direction of improvement + Performance metric + Object of control + Contextual clarifier"
- Example: "Minimise the time it takes to get songs in desired order for listening"
- Characteristics: Measurable, controllable, stable over time, solution-free

Step 3: Quantify Over/Under-served Outcomes

- Survey 180-3,000 customers on importance and satisfaction for each outcome
- Calculate opportunity scores to prioritise underserved (high importance, low satisfaction) and overserved (low importance, high satisfaction) outcomes

Step 4: Discover Hidden Segments

- Outcome-based segmentation reveals customers with unique sets of unmet needs
- Example: 30% of circular saw users had 14 unmet outcomes due to specific job complexities (finish cuts, angle adjustments)

Step 5: Align Existing Products

- Match current offerings to outcome-based segments
- Communicate strengths using outcome-based value propositions
- Example: Coloplast wound care promoted "prevent complications" rather than "heal faster"

Step 6: Conceptualise New Products

- Address underserved outcomes through new features, partnerships, acquisitions
- Goal: Create solution that gets entire job done on single platform

Identifying JTBD Opportunities:

1. **Look for Nonconsumption**: Where people aren't using any solution (SNHU's older learners)

2. **Observe Workarounds**: Customers cobbling together makeshift solutions (small businesses using personal Quicken for accounting led to QuickBooks)
3. **Find Negative Jobs**: Tasks people want to avoid (long ER waits led to CVS MinuteClinics)
4. **Discover Surprising Uses**: NyQuil used for sleep (not colds) led to ZzzQuil
5. **Notice Switching Patterns**: When and why customers change solutions

JTBD for Value Proposition Design:

The framework transforms value proposition development by:

- **Revealing True Competition**: Understanding all alternatives customers consider, not just direct competitors
- **Identifying Emotional Dimensions**: Beyond functional benefits to how customers want to feel
- **Uncovering Hidden Segments**: Groups with unique job circumstances requiring different value propositions
- **Guiding Feature Prioritisation**: Focus resources on outcomes that matter most to target segments
- **Enabling Predictive Innovation**: Test concepts against known underserved outcomes before development

Framework Application for Strategy:

Jobs-to-Be-Done provides strategic clarity by:

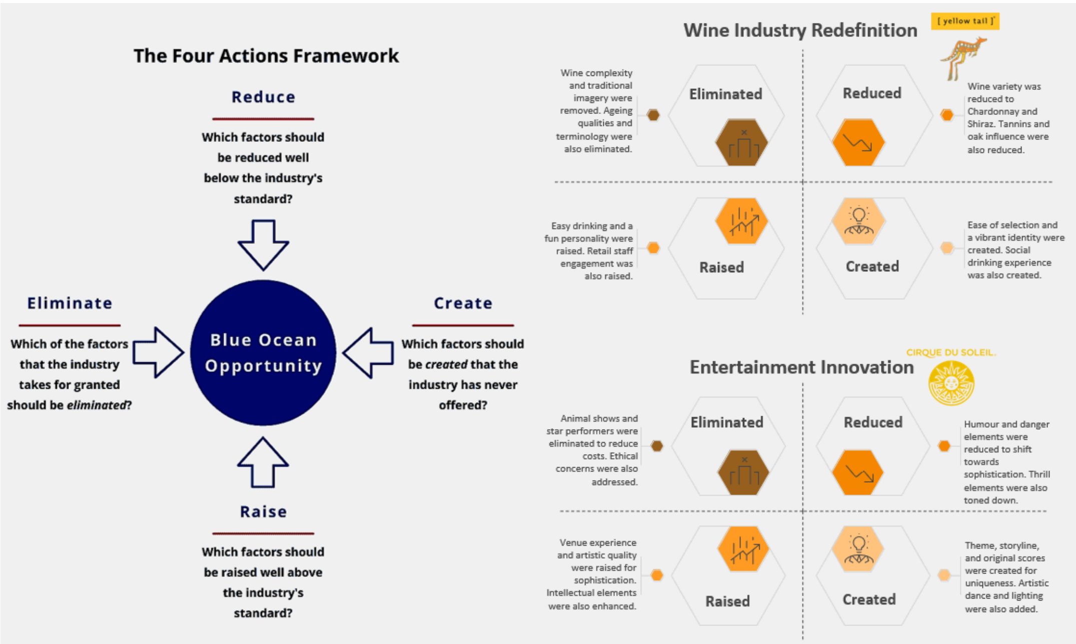
- **Market Definition**: Stable, long-term focus around customer jobs rather than changing technologies
- **Innovation Direction**: Clear targets for product development based on underserved outcomes
- **Competitive Strategy**: Understanding true competitive landscape across job alternatives
- **Customer Segmentation**: Grouping customers by job circumstances rather than demographics
- **Growth Opportunities**: Identifying adjacent markets where similar jobs exist

The JTBD framework's power lies in making innovation measurable and predictable by focusing on the causal mechanisms behind customer choice, transforming strategy from intuition-based to insight-driven decision making.

This framework fundamentally reframes value proposition thinking by focusing on the progress customers seek to make in specific circumstances rather than traditional demographic or product-based segmentation.

5. The Four Actions Framework

(Blue Ocean Strategy, Kim & Mauborgne, 2005)



Blue Ocean Strategy revolutionises competitive thinking by shifting focus from competing within existing market boundaries to creating uncontested market space through value innovation—the simultaneous pursuit of differentiation and low cost. This framework challenges the fundamental strategic assumption that companies must choose between differentiation and cost leadership.

Core Value Innovation Principle:

The framework breaks the value-cost trade-off by recognising that buyer value comes from utility and price, while company value comes from price and cost structure. Value innovation is achieved when the entire system of utility, price, and cost activities is properly aligned. This whole-system approach makes value innovation strategic rather than operational, requiring companies to orient their entire system toward achieving a leap in value for both buyers and themselves.

The Four Actions Framework:

To reconstruct buyer value elements and craft a new value curve, the framework poses four key questions that challenge an industry's strategic logic and business model:

1. Eliminate: Which factors that the industry takes for granted should be eliminated?
This question forces companies to consider eliminating factors they have long competed on but no longer create value or may even detract from it. Often these factors are taken for granted even though there has been a fundamental change in what buyers value. Companies focused on benchmarking competitors fail to perceive or act on these changes.

2. Reduce: Which factors should be reduced well below the industry's standard?
This question determines whether products or services have been overdesigned in the race to match and beat competition. Companies often overserve customers, increasing cost structure for no gain. This reveals where industries have created unnecessary complexity and cost.

3. Raise: Which factors should be raised well above the industry's standard?
This question pushes companies to uncover and eliminate compromises their industry forces customers to make. It identifies where the industry underserves customers and where significant value can be unlocked by exceeding current performance levels.

4. Create: Which factors should be created that the industry has never offered?
This question helps discover entirely new sources of value for buyers, create new demand, and shift the strategic pricing of the industry. It forces companies to look beyond existing industry boundaries for inspiration.

Strategic Logic Behind the Framework:

The first two questions (eliminate and reduce) provide insight into dropping cost structure versus competitors. Research shows that managers rarely systematically eliminate and reduce investments in competitive factors, resulting in mounting costs and complex business models. The second two questions (raise and create) provide insight into lifting buyer value and creating new demand.

Of particular importance are eliminating and creating actions, which push companies beyond value maximisation with existing competitive factors. These actions change the factors themselves, making existing rules of competition irrelevant.

The Eliminate-Reduce-Raise-Create (ERRC) Grid:

The ERRC Grid is a supplementary analytical tool that pushes companies to act on all four dimensions simultaneously. The grid provides four immediate benefits:

1. **Breaks Value-Cost Trade-off**: Forces simultaneous pursuit of differentiation and low costs
2. **Flags Overengineering**: Identifies companies focused only on raising and creating, thereby lifting costs and overengineering offerings
3. **Creates Engagement**: Easily understood by managers at any level, generating high engagement
4. **Drives Scrutiny**: Completing the grid challenges companies to examine every competitive factor, revealing unconscious assumptions

Comprehensive Case Studies:

[Yellow Tail] Wine Revolution:
Casella Wines created the fastest-growing wine brand in both Australian and US history by redefining the wine industry problem from "how to make complex, prestigious wine" to "how to make fun, easy-to-drink wine for everyone."

- **Eliminated**: Wine complexity, ageing qualities, oenological terminology, vineyard prestige, traditional wine imagery
- **Reduced**: Wine variety (started with only 2: Chardonnay and Shiraz), tannins, oak influence, technical jargon
- **Raised**: Easy drinking characteristics, approachability, fun personality, retail staff engagement
- **Created**: Ease of selection, Australian adventure personality, vibrant visual identity, social drinking experience

Results: Became #1 imported wine in the US, surpassing French and Italian wines, with 4.5 million cases annually within two years. Grew the market by attracting beer and cocktail drinkers to wine, with no promotional campaign initially.

Cirque du Soleil Entertainment Innovation:
Cirque du Soleil created a new form of live entertainment by looking across the boundary between circus and theatre, eliminating the declining circus industry's cost structure while capturing theatre's sophisticated appeal.

- **Eliminated**: Animal shows (high cost, ethical concerns), star performers (expensive, low impact), multiple show arenas (viewer confusion, high performer costs), aisle concession sales (poor customer experience)
- **Reduced**: Humour and danger (shifted from slapstick to sophisticated), thrill and danger elements
- **Raised**: Unique venue experience (glamorised tents), artistic performance quality, intellectual sophistication
- **Created**: Theme and storyline, multiple productions, original musical scores, artistic dance, theatrical lighting

Results: Achieved both differentiation and low cost, pricing tickets at theatre levels (several multiples above traditional circus) while dramatically reducing cost structure through elimination of expensive elements.

Value Innovation vs. Technology Innovation:

Value innovation differs from technology innovation by focusing on value rather than technology. Many technology innovations are incremental improvements that reinforce existing competitive positions without creating new market space. Value innovation makes competition irrelevant by changing the competitive factors themselves.

Framework Application for Value Proposition design:

The Four Actions Framework transforms value proposition development by:

- **Revealing Hidden Assumptions**: Exposing industry conventions that no longer create value
- **Enabling Systematic Innovation**: Providing structured approach to value curve reconstruction
- **Breaking Trade-offs**: Showing how to achieve differentiation and low cost simultaneously
- **Creating New Demand**: Unlocking value for noncustomers who currently avoid the industry
- **Simplifying Strategy**: Focusing efforts on factors that matter most to target buyers

The framework's power lies in making innovation systematic and predictable by providing clear methodology for reconstructing market boundaries and creating uncontested market space. Companies using this approach can break free from competitive benchmarking and create their own strategic space where competition becomes irrelevant.

Thank you for your attention. In our next module, we'll explore how to translate your value proposition choices into organisational reality through the Operating Model components of the Strategy in Action Canvas.