

Startups @

Value Propositions and Customers

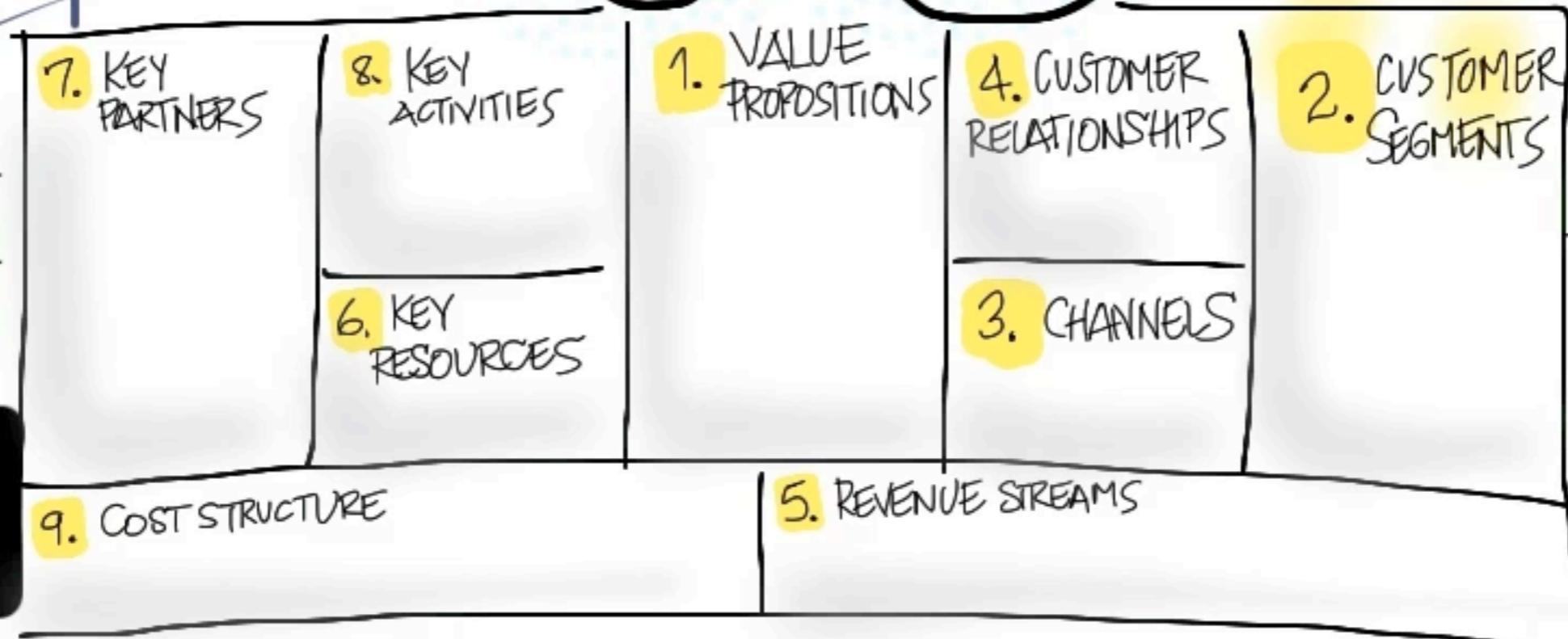
Keith McGregor
Director of VentureLab

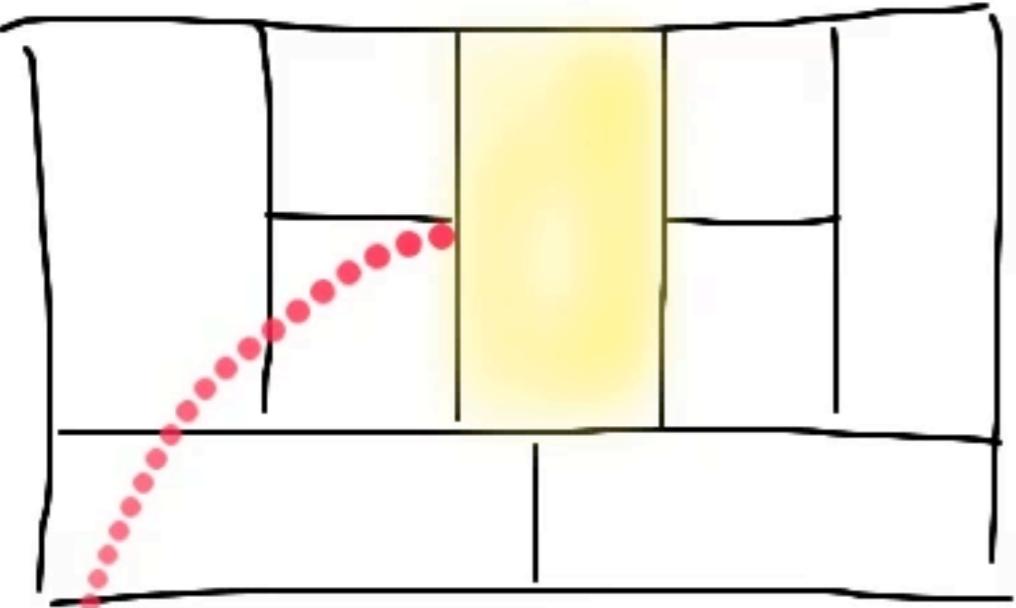
quick review

WHAT is a BUSINESS MODEL?

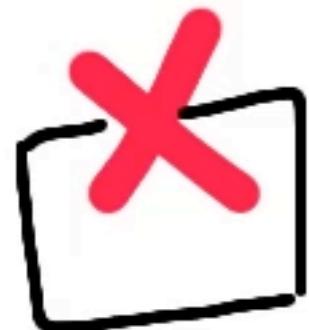
How a company **CREATES VALUE** for **ITSELF** while delivering products or services for customers.

9 Components...



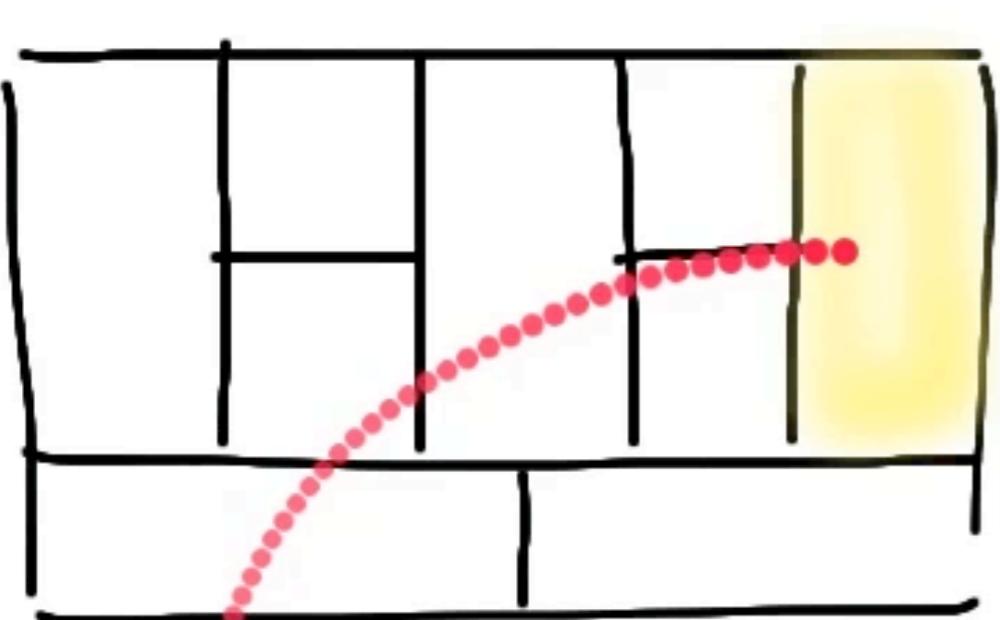


1. VALUE PROPOSITIONS



"It's not about your IDEA or PRODUCT!"





Customer
ARCHETYPE...



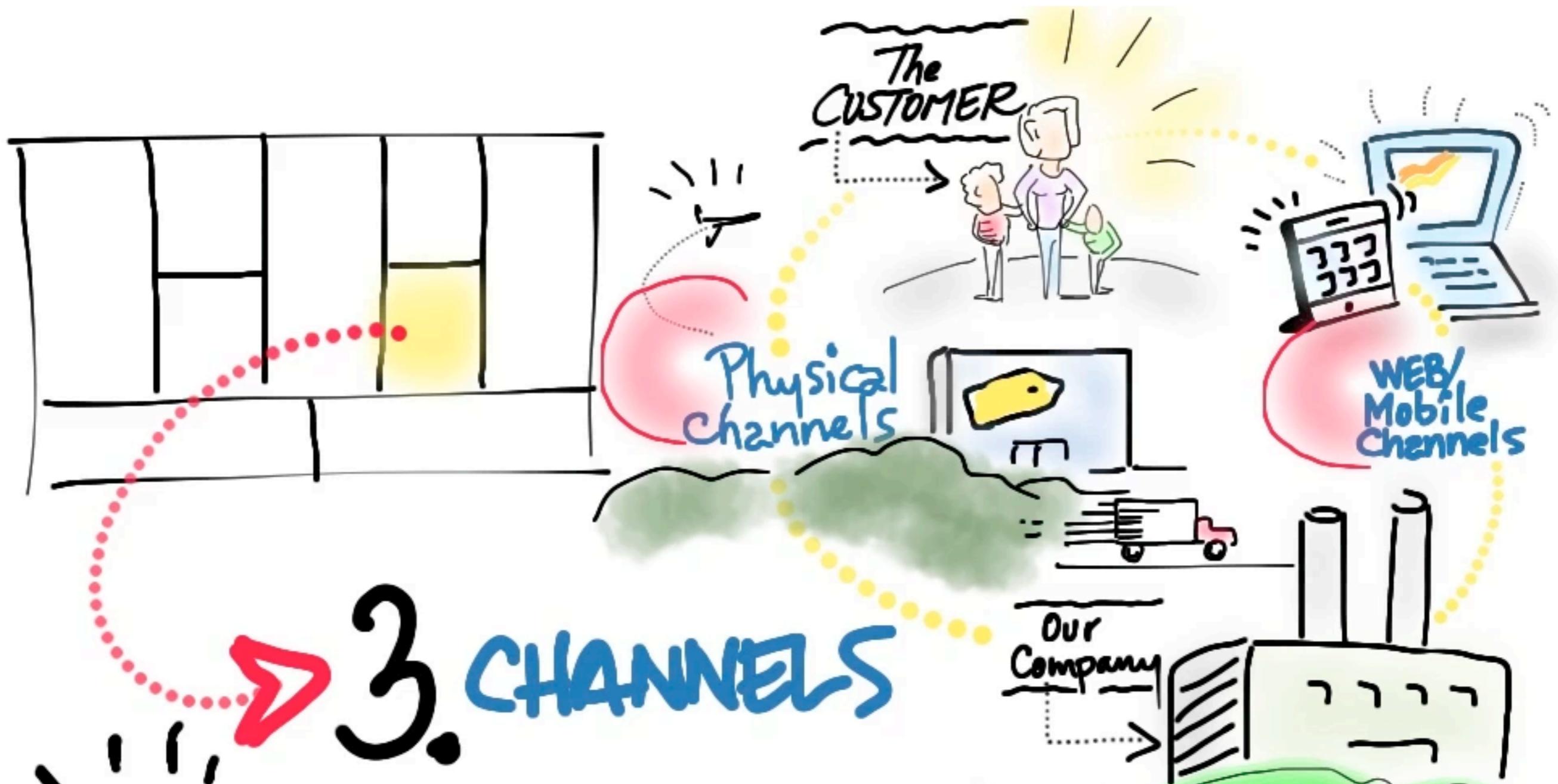
WHO are
they?
WHY would
they buy?

2. CUSTOMER SEGMENTS

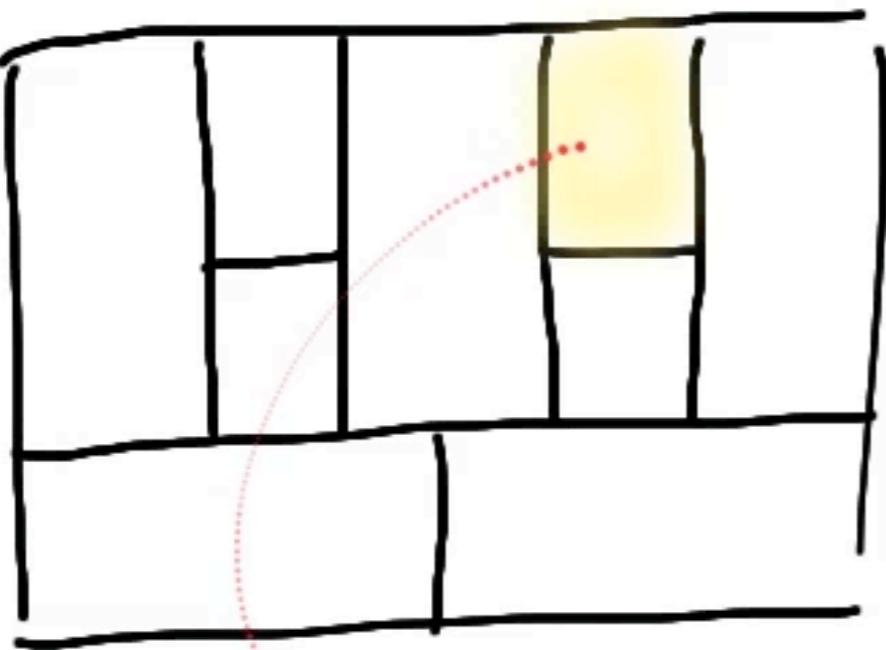
— GEGGRAPHIC
— SOCIAL
— DEMOGRAPHIC

 Your customers
do not exist to BUY.
You exist for them.

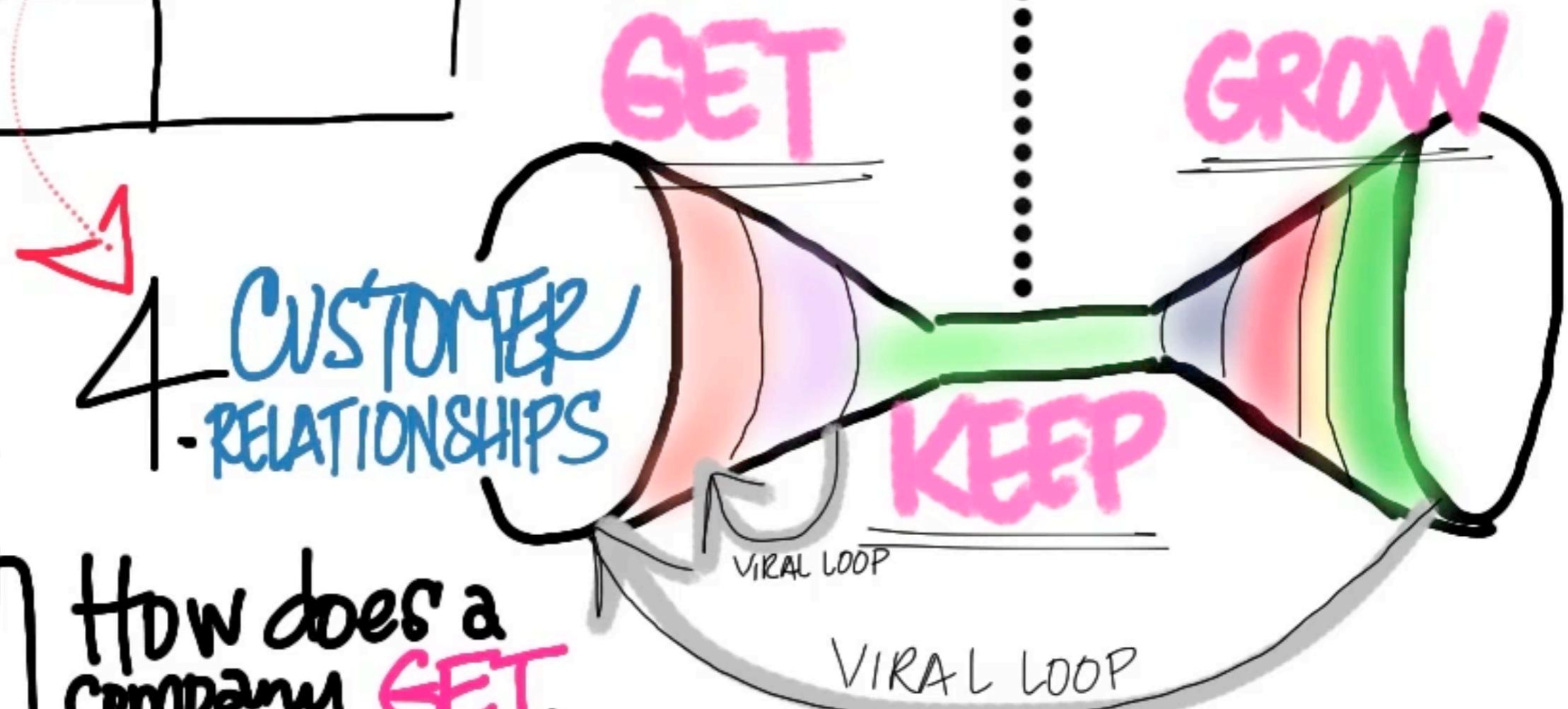




How does the product
get from our company
to the customer?



Just like in Channels,
these are DIFFERENT for
WEB/MOBILE versus
PHYSICAL...

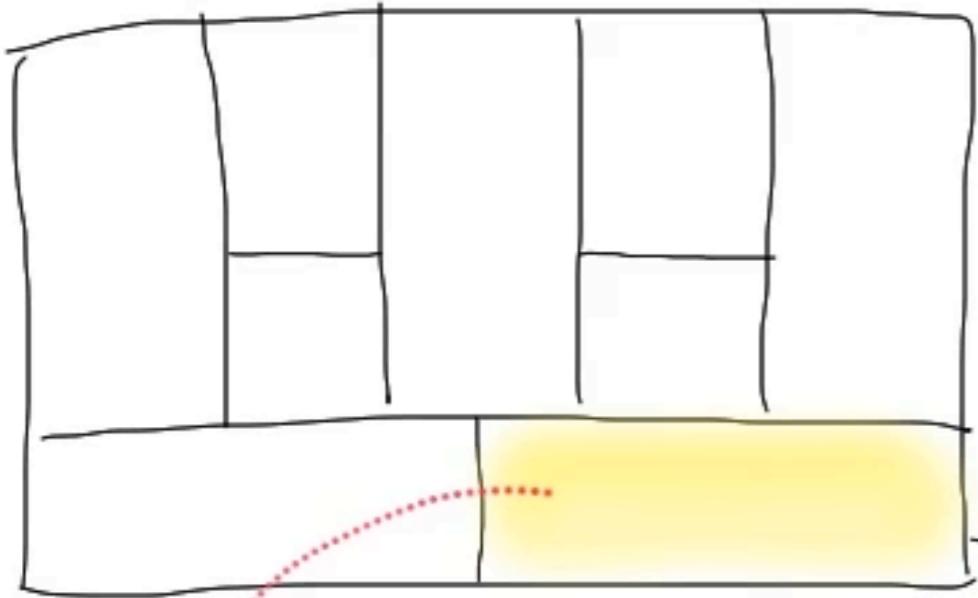


4. CUSTOMER RELATIONSHIPS

How does a company **GET**,
KEEP, **GROW**
CUSTOMERS?



• What **VALUE** is the customer paying for?



5. REVENUE MODEL

How does the company **MAKE MONEY** from each customer segment?

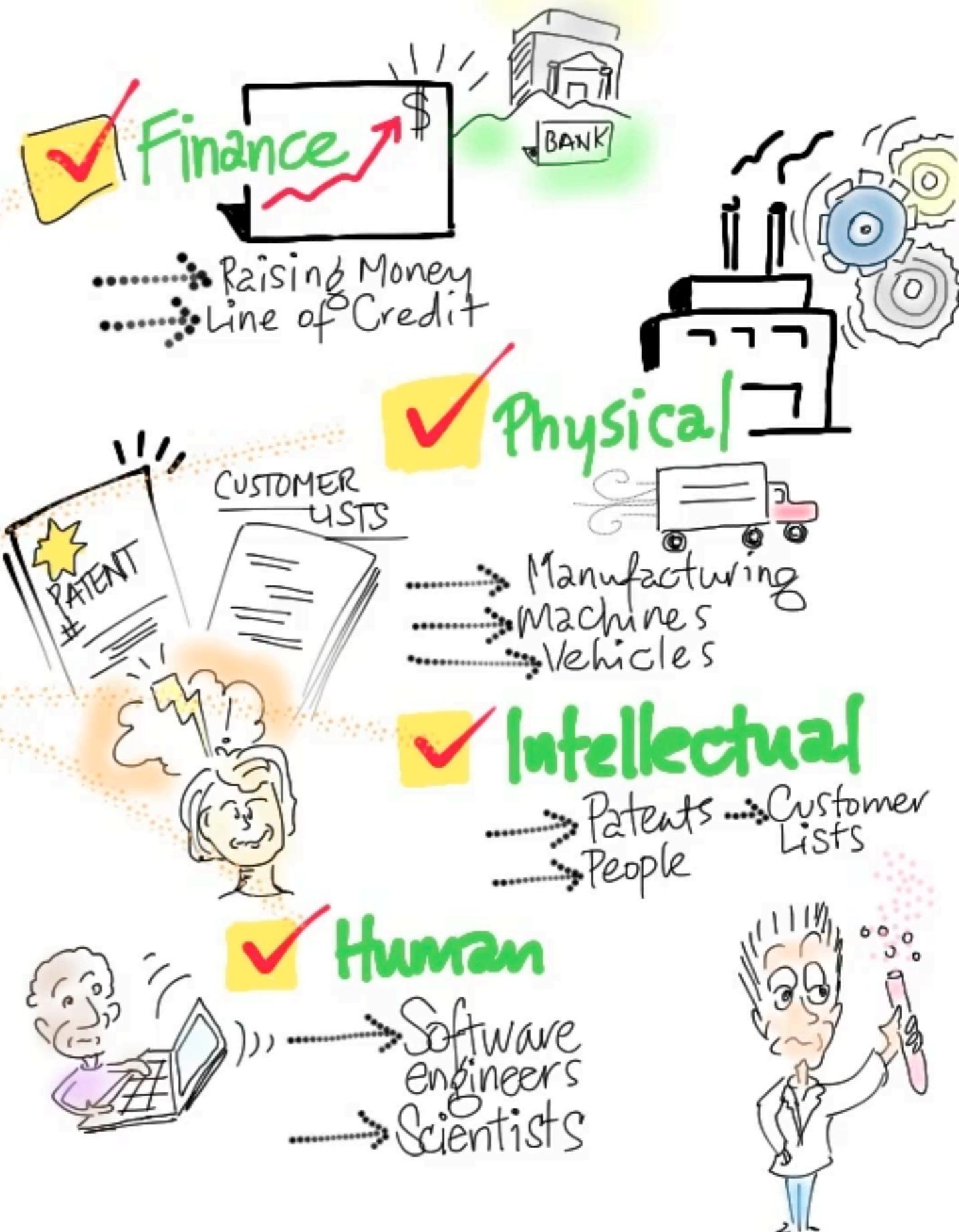
• **REVENUE MODELS** (i.e. direct sales) are the **STRATEGY**.



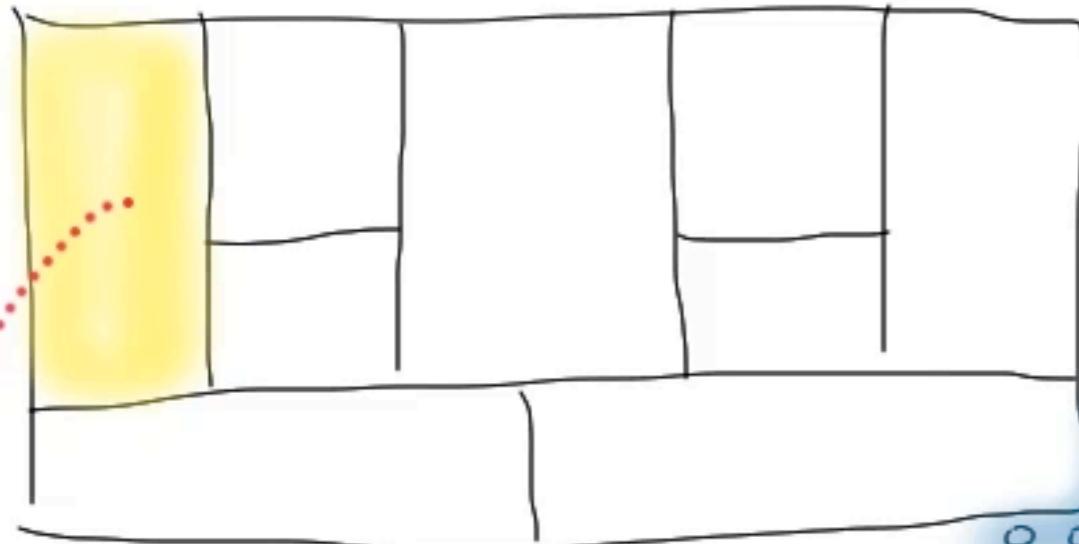
• **PRICING** is the tactics. (i.e. fees, subscriptions, etc.)

6. KEY RESOURCES

What are the **MOST
IMPORTANT ASSETS**
required to make the
business model WORK?



WHAT KEY RESOURCES
are we acquiring from
them?



What KEY ACTIVITIES do
they perform?

KEY PARTNERSHIPS

Who are the KEY
PARTNERS and
SUPPLIERS needed
to make the business
model WORK?

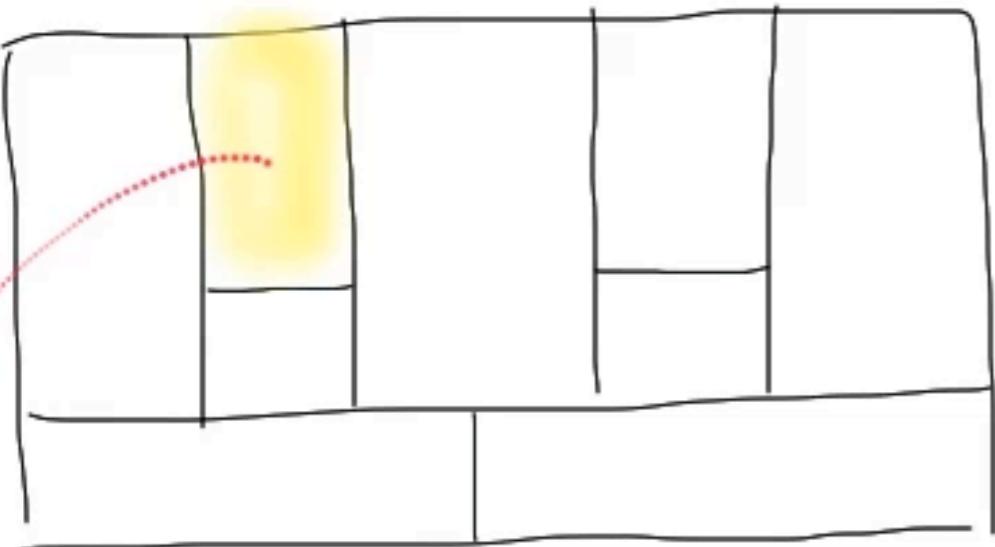


- STRATEGIC ALLIANCES between NON-COMPETITORS



- JOINT VENTURES





8. KEY ACTIVITIES

What are the **MOST IMPORTANT THINGS** the company must **DO** to make the business model **WORK**?

● **PRODUCTION**



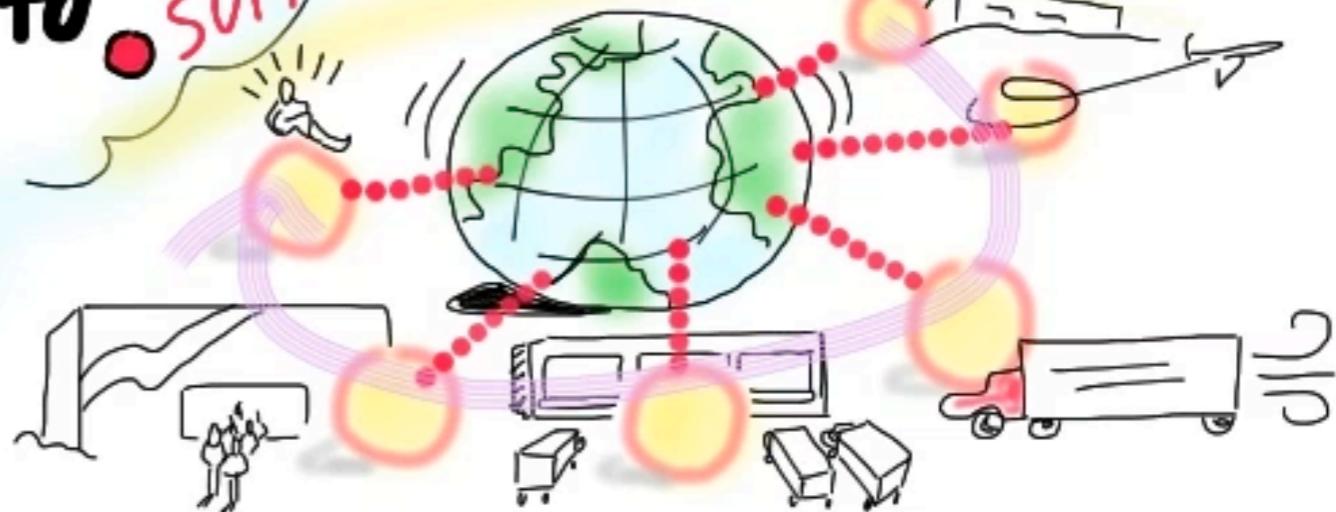
● **PROBLEM SOLVING**

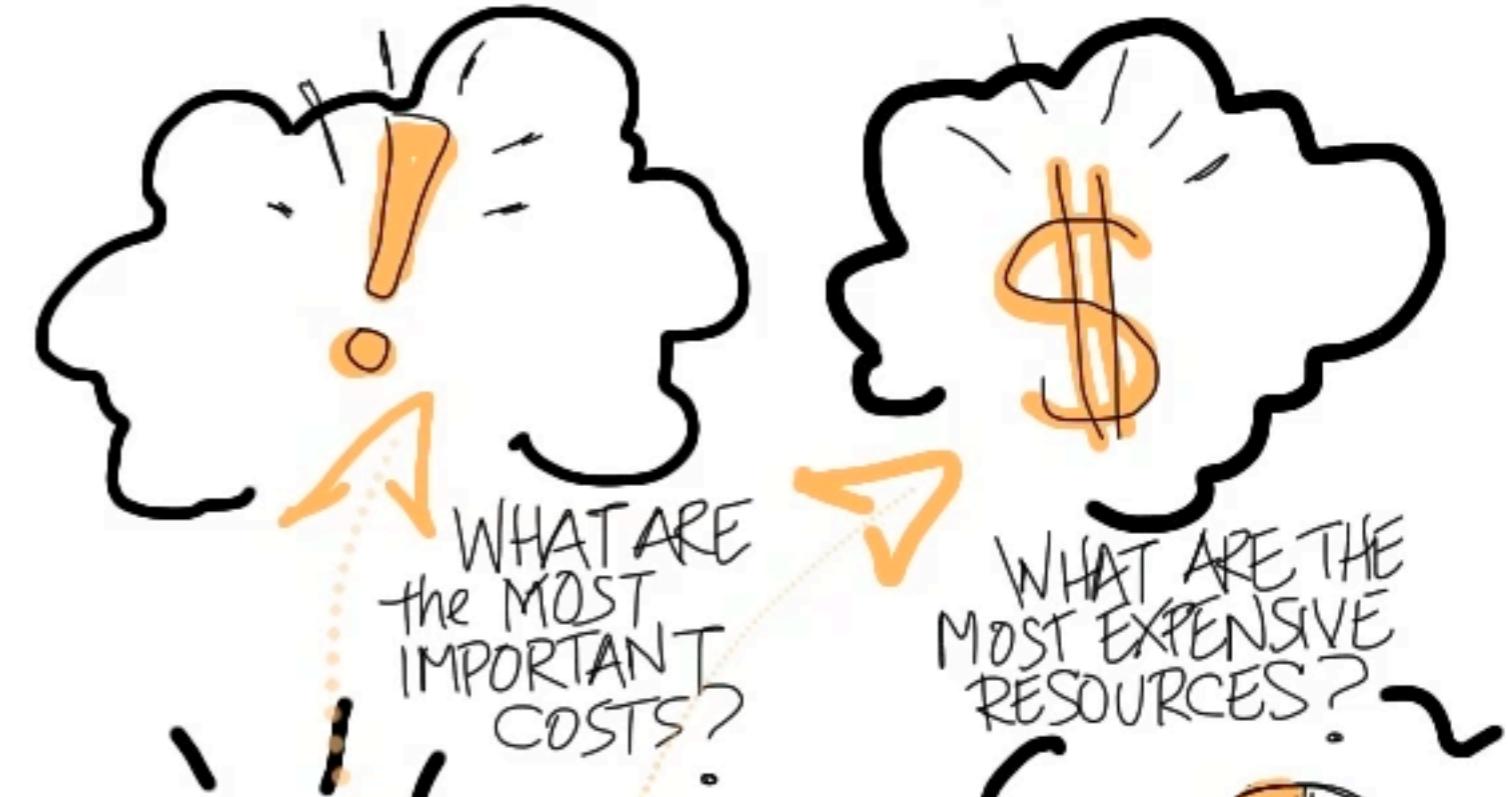
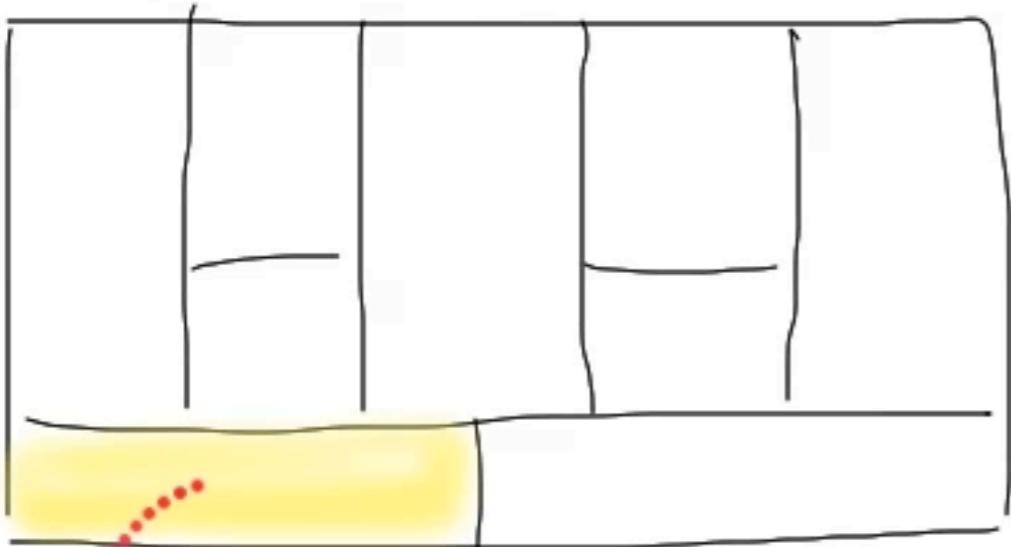
- CONSULTING
- ENGINEERING

WE CAN
SOLVE
THIS!



● **SUPPLY CHAIN MANAGEMENT**





9. Cost structure

FIXED COSTS?
VARIABLE COSTS?

Economies of Scale?



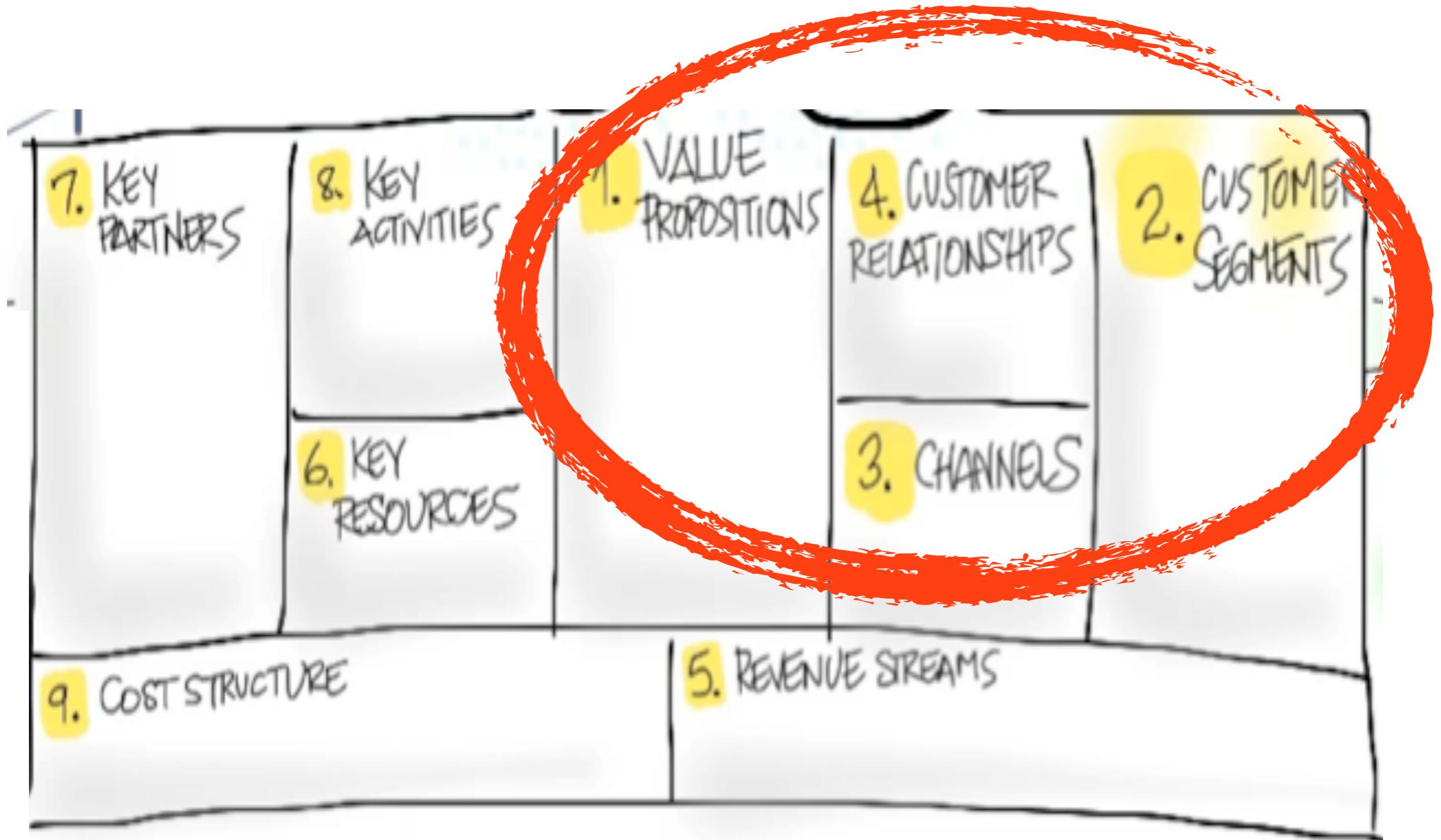
What are the **COSTS** to operate the BUSINESS MODEL?



What KEY ACTIVITIES are the MOST EXPENSIVE?

today....

the Business Model Canvas

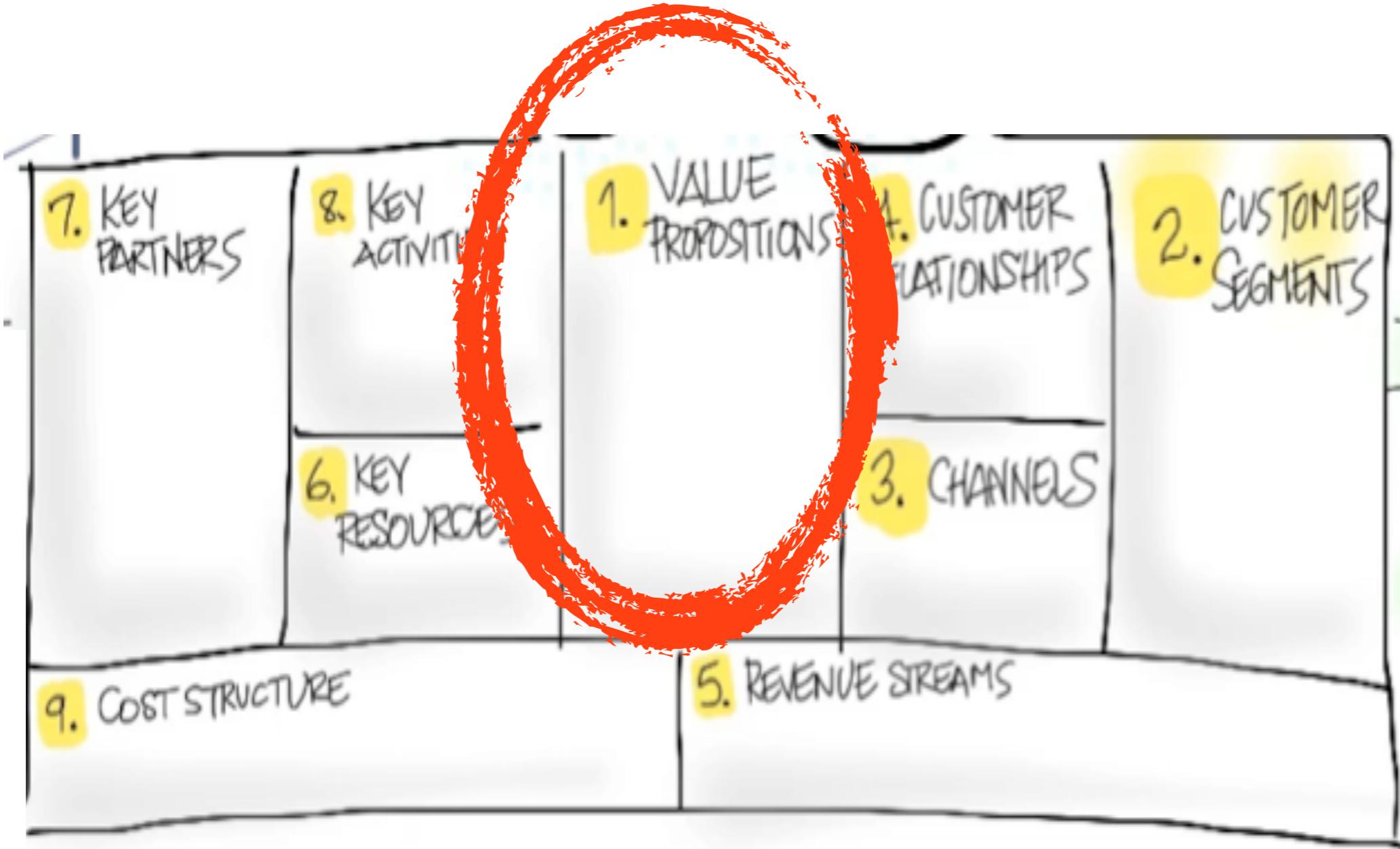


Value Propositions

Customer Segments

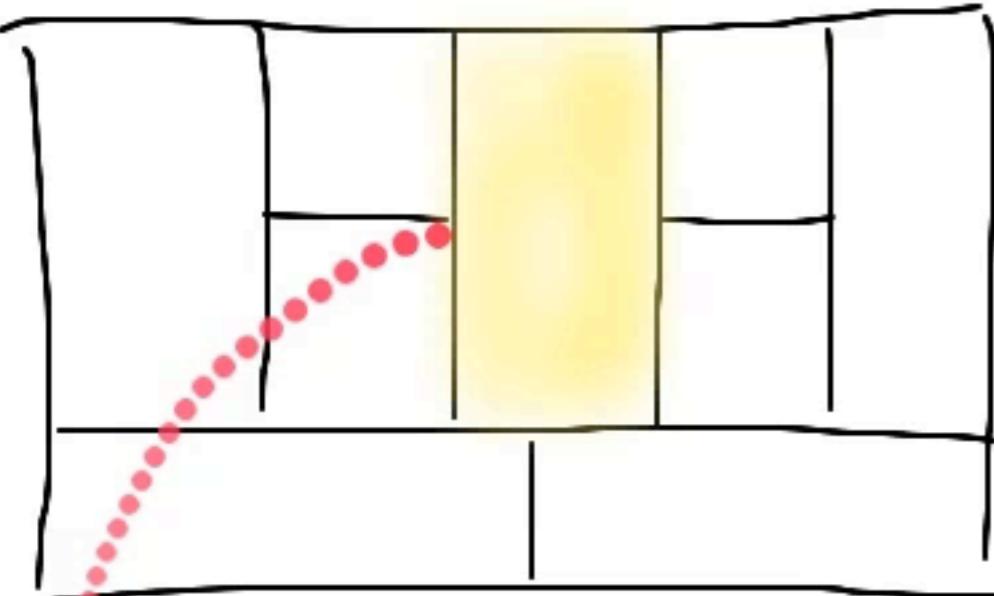
on Markets...

kinds of Customers

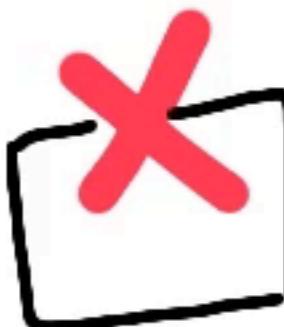


Value Proposition

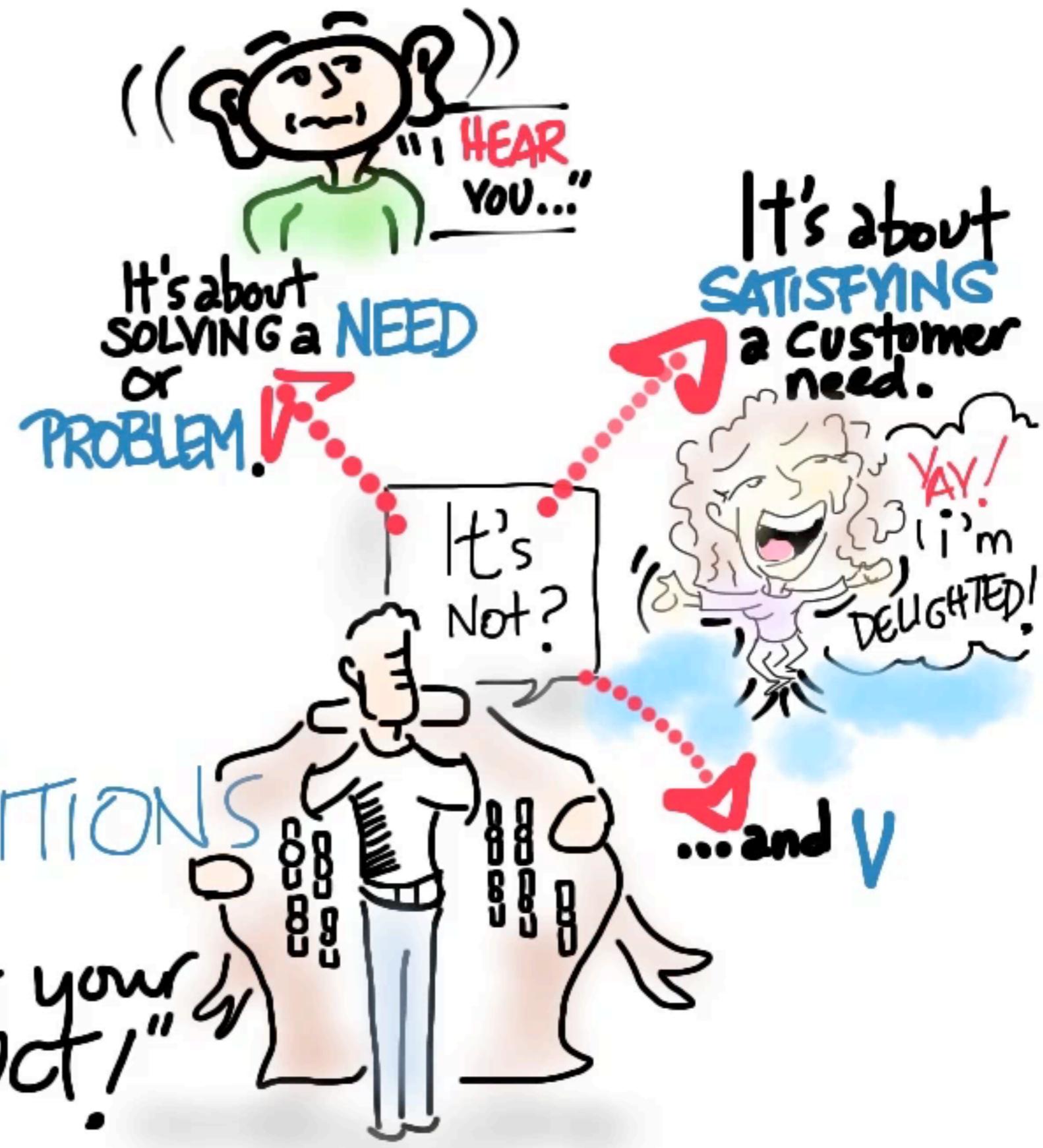
What Are You Building and For Who?



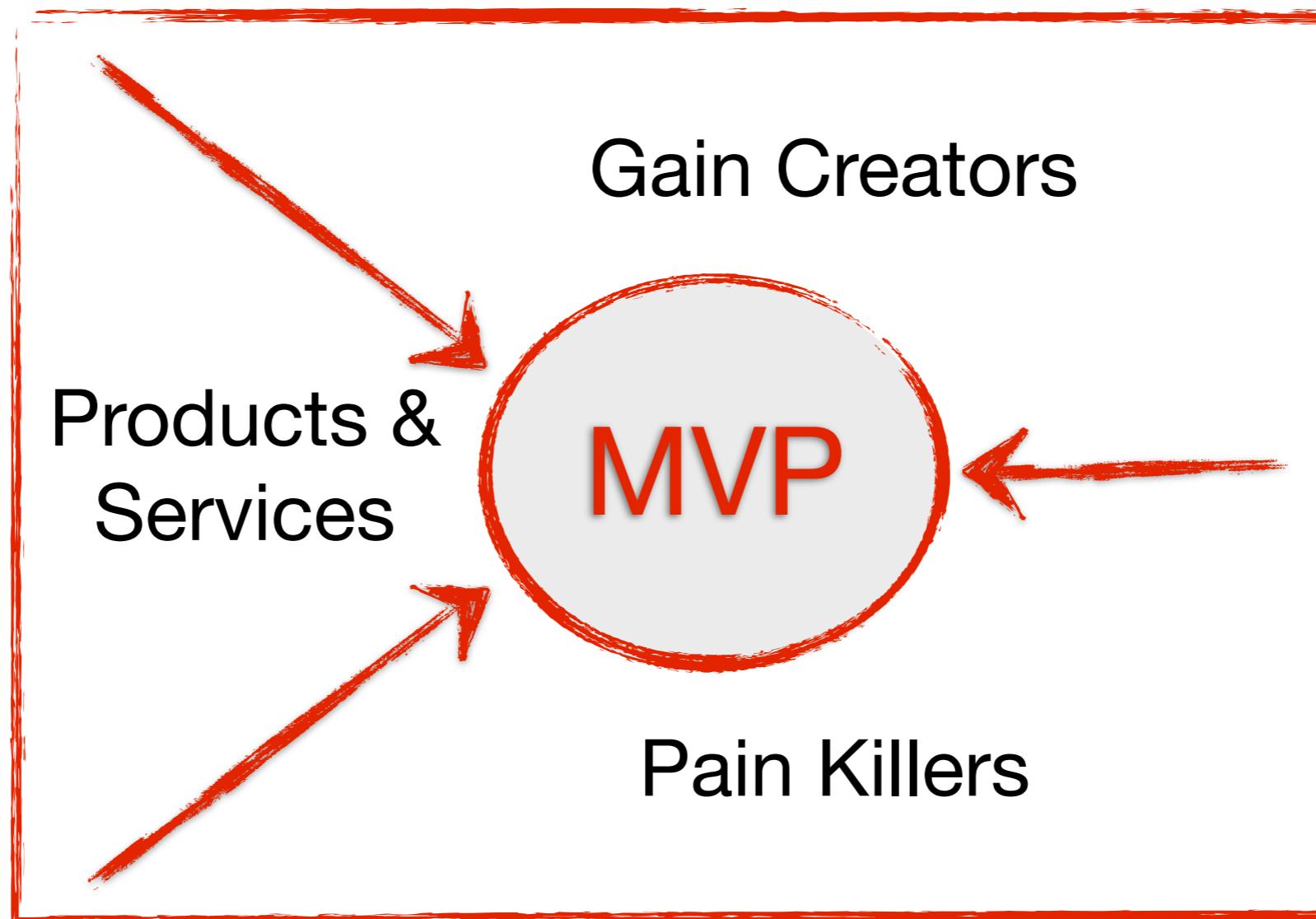
1. VALUE PROPOSITIONS



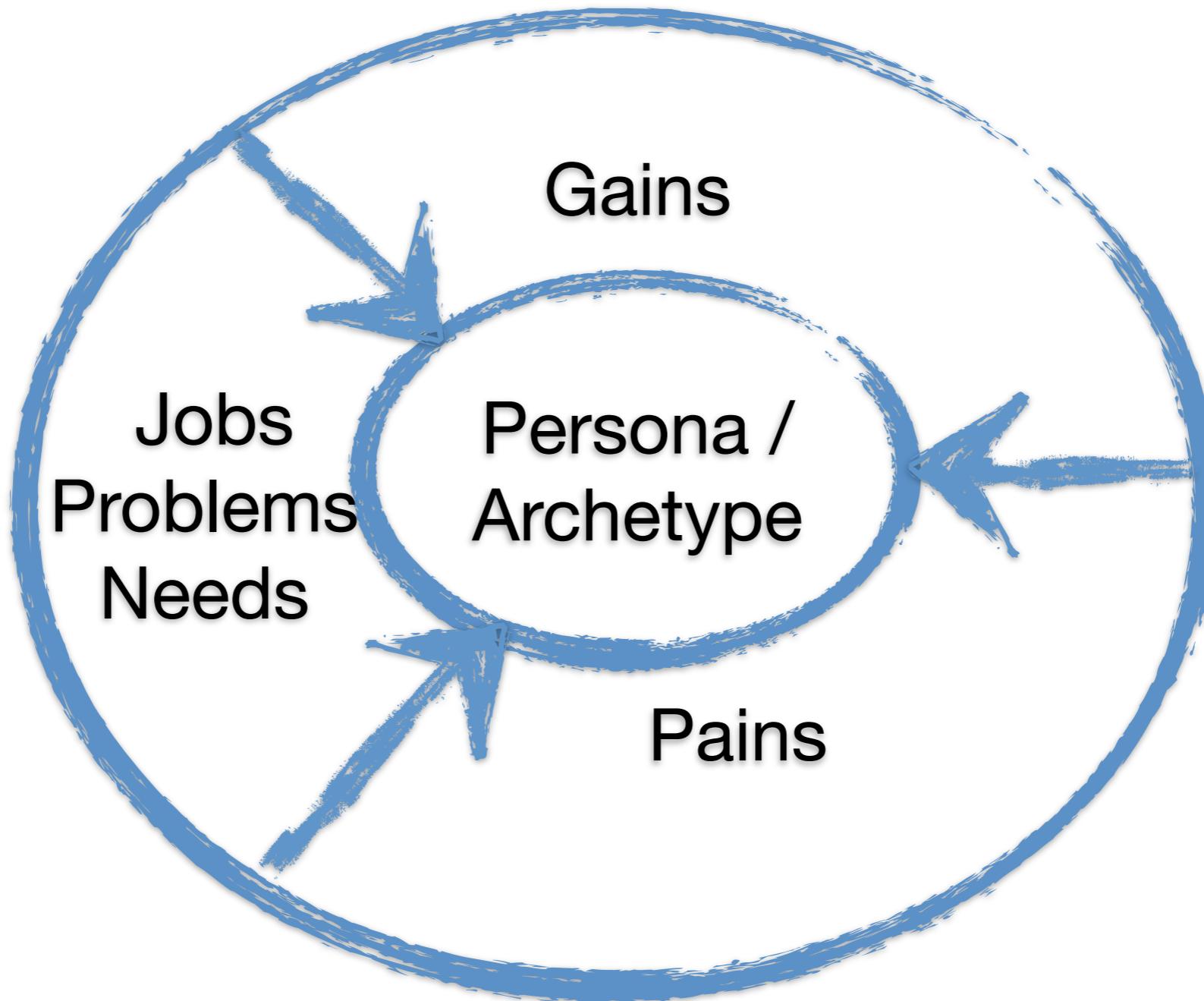
"It's not about your
IDEA or PRODUCT!"



a Value Proposition



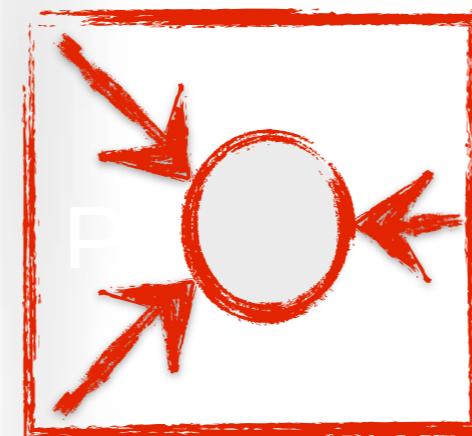
a Customer Segment



Product/Market

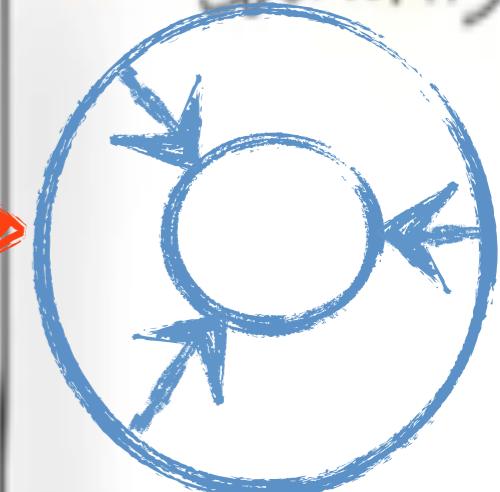
Fit

1. VALUE PROPOSITIONS



4. RELATIONSHIPS

3. CHANNELS



7. KEY PARTNERS

8. KEY ACTIVITIES

6. KEY RESOURCES

9. COST STRUCTURE

5. REVENUE STREAMS

Product/Services

Value Proposition - Products

- Which are part of your value proposition?
 - (e.g. manufactured goods, commodities, produce, ...)
- Which intangible products are part?
 - (e.g. copyrights, licenses, ...)
- Which financial products?
 - (e.g. financial guarantees, insurance policies, ...)
- Which digital products?
 - (e.g. mp3 files, e-books, ...)

Value Proposition - Services

- Which core services are part of your value proposition?
 - (e.g. consulting, a haircut, investment advice, ...)
- Which pre-sales or sales services?
 - (e.g. help finding the right solution, financing, free delivery service, ...)
- Which after-sales services?
 - (e.g. free maintenance, disposal, ...)

Pain Killers

Reduce or eliminate wasted time, costs,
negative emotions, risks - during and after
getting the job done

Pain Killers - Hypotheses

- Produce savings?
 - (e.g. time, money, or efforts, ...)
- Make your customers feel better?
 - (e.g. kills frustrations, annoyances, things that give them a headache, ...)
- Fix underperforming solutions?
 - (e.g. new features, better performance, better quality, ...)
- Ends difficulties and challenges customers encounter?
 - (e.g. make things easier, helping them get done, eliminate resistance, ...)
- wipe out negative social consequences?
 - (e.g. loss of face, power, trust, or status, ...)...
- Eliminate risks
 - (e.g. financial, social, technical risks, or what could go awfully wrong, ...)

Pain Killer – Is it a Problem or Need?

- Are you solving a Problem?
- Are you fulfilling a Need?
- For who?
- How do you know?

Pain Killer - Ranking

- Rank each pain your products and services kill according to their intensity for the customer.
- Is it very intense or very light?
- For each pain indicate the frequency at which it occurs

Gain Creators

How do they create benefits the customer expects, desires or is surprised by, including functional utility, social gains, positive emotions, and cost savings?

Gain Creators- Hypotheses

- Create savings that make your customer happy?
 - (e.g. in terms of time, money and effort, ...)
- Produce expected or better than expected outcomes?
 - (e.g. better quality level, more of something, less of something, ...)
- Copy or outperform current solutions that delight customer?
 - (e.g. regarding specific features, performance, quality, ...)
- Make your customer's job or life easier?
 - (flatter learning curve, usability, accessibility, more services, lower cost of ownership, ...)
- Create positive consequences that customer desires?
 - (makes them look good, produces an increase in power, status, ...).

Gain Creator- Ranking

- Rank each gain your products and services create according to its relevance to the customer.
- Is it substantial or insignificant?
- For each gain indicate the frequency at which it occurs.

Things to Consider

Value Proposition – Common Mistakes

- It's just a feature of someone else's product
- It's a “nice to have” instead of a “got to have”
- Not enough customers care

Key Questions for Value Prop

Problem Statement: *What is the problem?*

Ecosystem: For whom is this relevant?

Competition: *What do customers do today?*

Technology / Market Insight: *Why is the problem so hard to solve?*

Market Size: *How big is this problem?*

Product: *How do you do it?*

Technical vs Market Insight

Technical vs Market Insight

Technical Insight

Moore's Law

New scientific
discoveries

Typically applies to
hardware, clean tech
and biotech

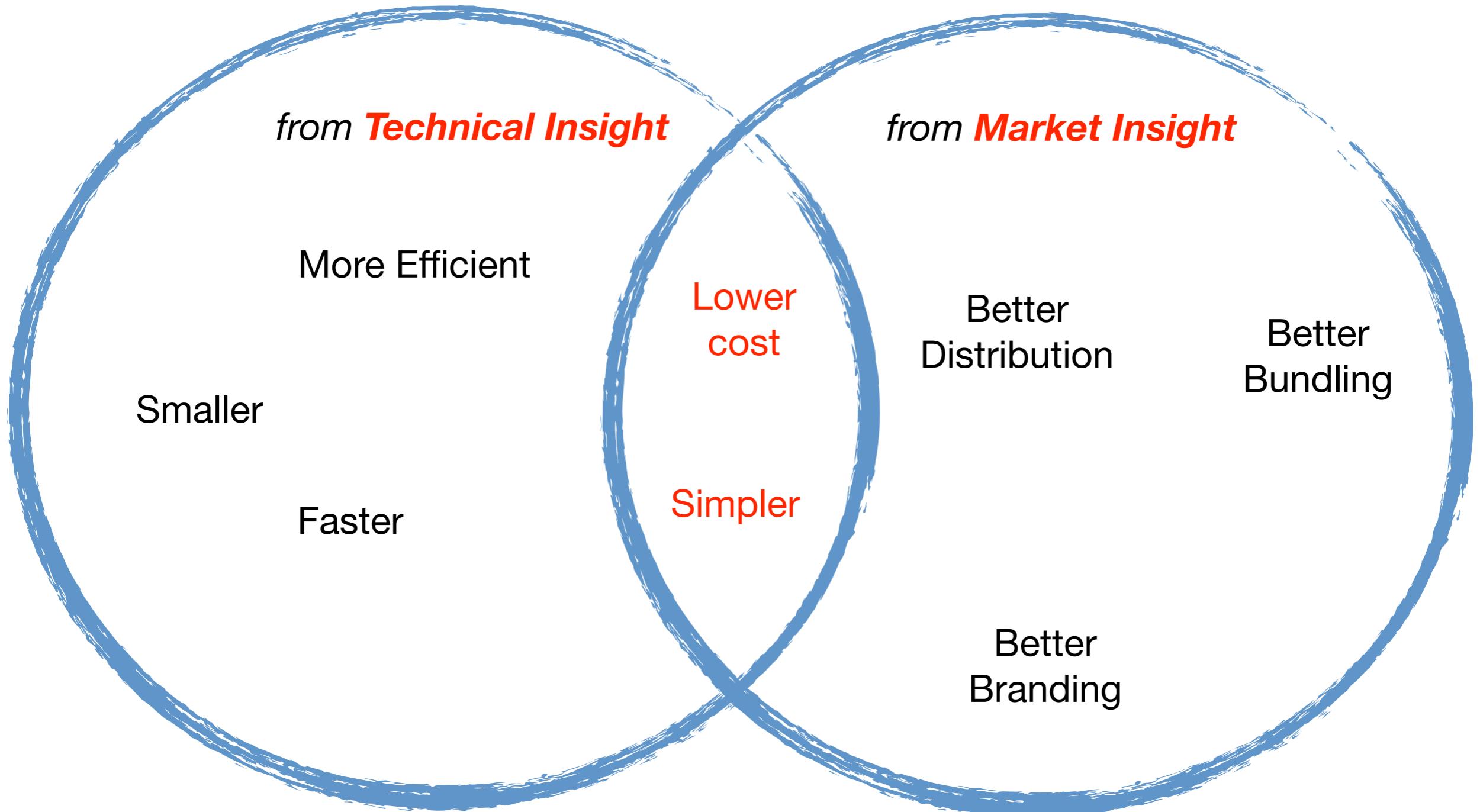
Market Insight

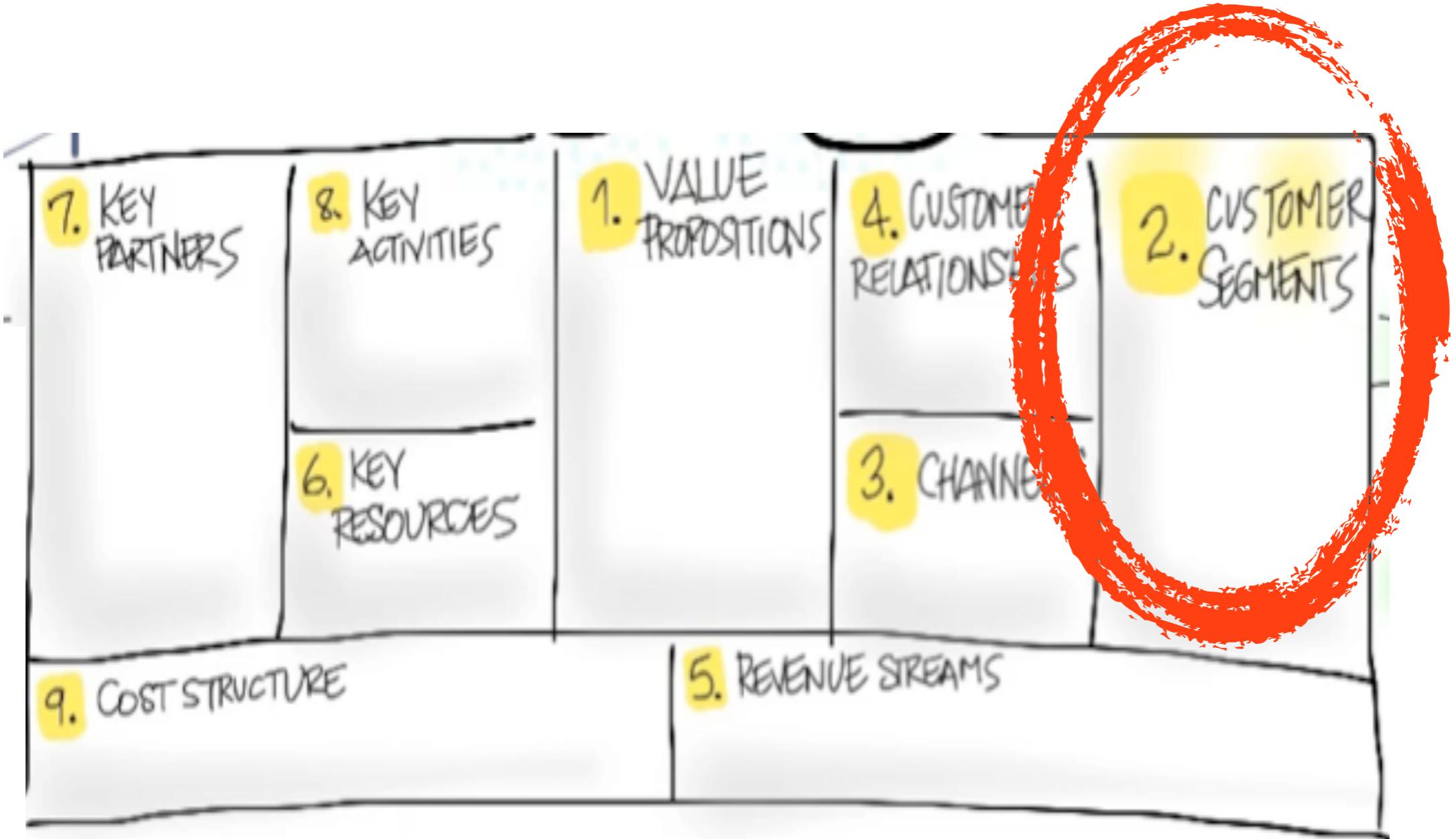
Value chain disruption

Deregulation

Changes in how
people work, live and
interact and what they
expect

Insight → Value Propositions

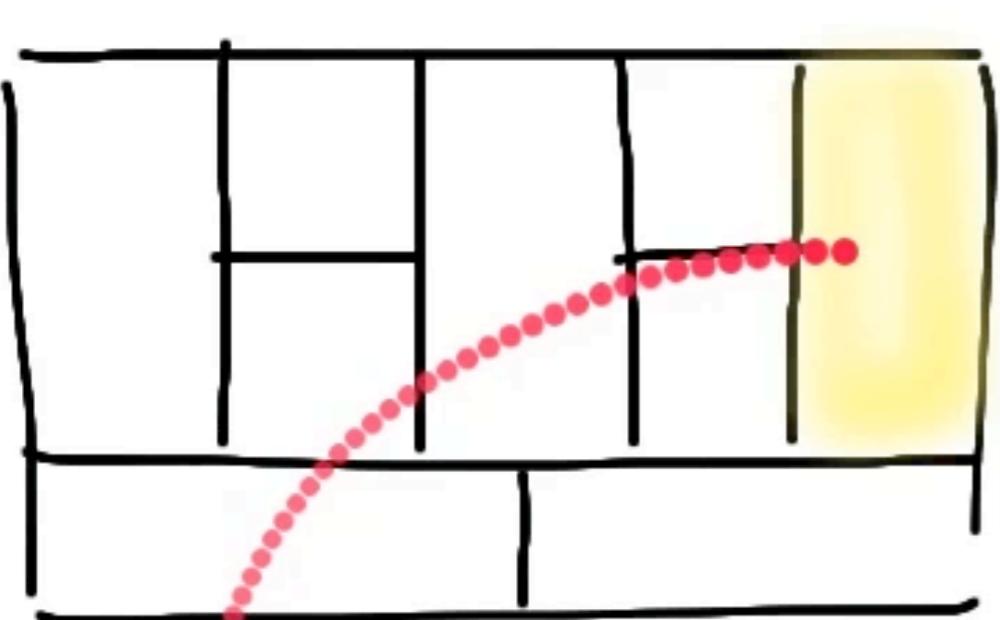




Customer Segments

Who are they?

Why would they buy?



Customer
ARCHETYPE...



WHO are
they?
WHY would
they buy?

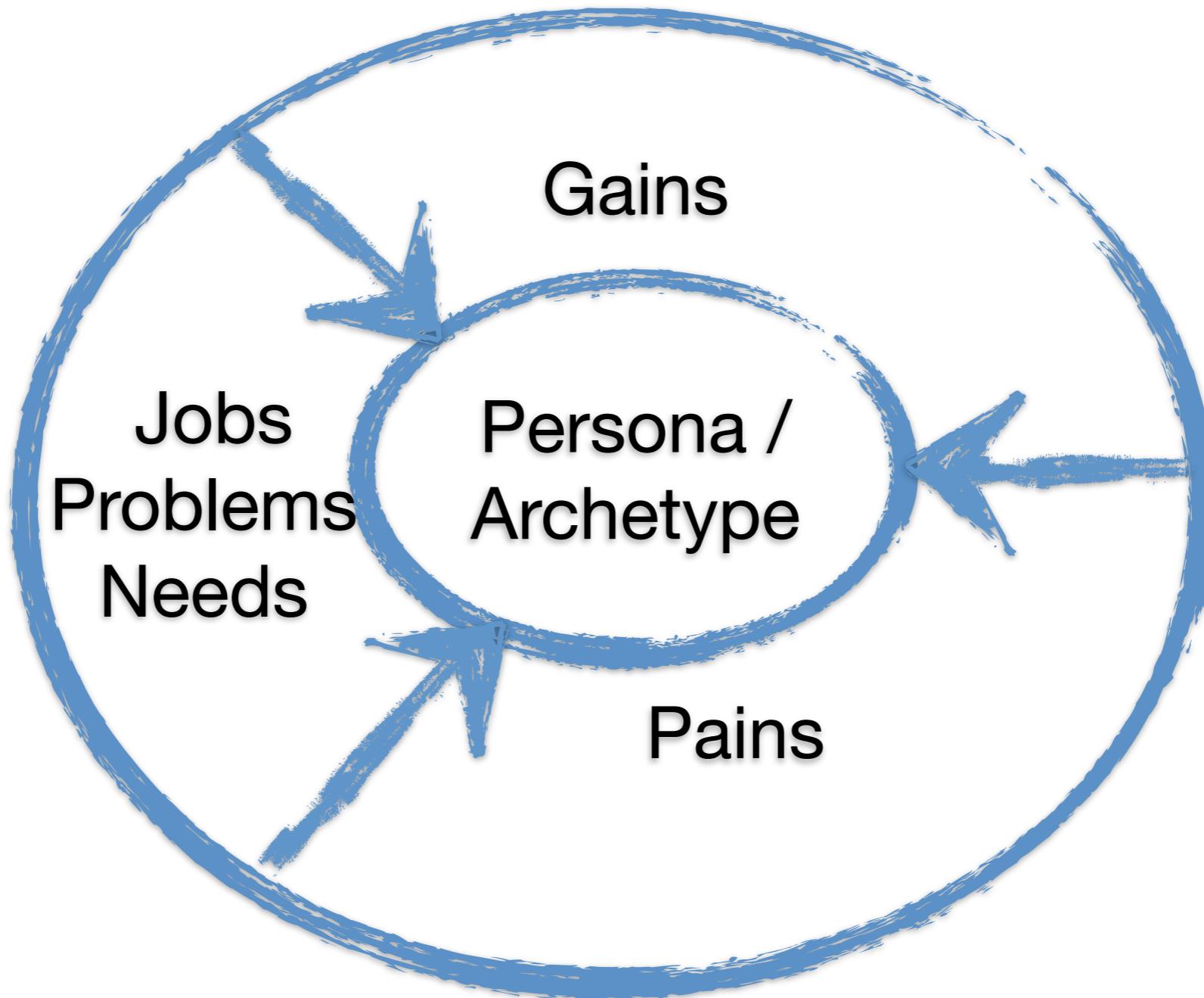
2. CUSTOMER SEGMENTS

— GEGGRAPHIC
— SOCIAL
— DEMOGRAPHIC

~~Your customers
do not exist to BUY.
You exist for them.~~



a Customer Segment



Jobs to Be Done Problems/Needs

What is the customer segment trying to get done?
Is it a problem or a need?

Customer Segments – Jobs/Needs

- What functional or social jobs are getting done?
 - (e.g. perform or complete a specific task, solve a specific problem or trying to look good, gain power or status, ...)
- What emotional jobs?
 - (e.g. esthetics, feel good, security, ...)
- What basic needs are you helping your customer satisfy?
 - (e.g. entertainment, communication, sex, ...)

Buyer/Co-Creator/Transferor

- Are they a buyers
 - (e.g. comparing offers, deciding, buying, taking delivery of a product or service, ...)
- Are they co-creators
 - (e.g. co-designing with solution providers, contributing value to the solution, ...)
- Are they transferors'
 - (how customers dispose of a product, transfer it to others, or resell, ...)

Customer Segment Jobs - Rank

- Rank each job according to its significance to the customer.
- Is it crucial or is it trivial?
- For each job indicate the frequency at which it occurs.
- Outline in which specific context a job is done, because that may impose constraints or limitations
 - (e.g. while driving, outside, ...)

Customer Pains

undesired costs and situations,
risks, negative emotions

Customer Segments – Pains

- What do your customers find too costly?
 - (e.g. takes a lot of time, costs too much, requires substantial efforts, ...)
- How are current solutions underperforming?
 - (e.g. lack of features, performance, malfunctioning, ...)
- What are the customers main difficulties and challenges?
 - (difficulties getting things done, resistance, ...)
- What's keeping your customer awake at night?
 - (e.g. big issues, concerns, worries, ...)

Customer Segments – Pains

- What barriers are keeping customers from adopting?
 - (e.g. upfront investment costs, learning curve, resistance to change, ...)
- What makes your customers feel bad?
 - (e.g. frustrations, annoyances, things that give them a headache, ...)
- What risks do customers fear?
 - (e.g. financial, social, technical risks, or what could go awfully wrong, ...)

Customer Gains

benefits the customer expects, desires
or is surprised by.

includes functional utility, social gains, positive
emotions, and cost savings

Customer Segments – Gains

- Which savings would make your customer happy?
 - (e.g. in terms of time, money and effort, ...)
- What outcomes do they expect and what would go beyond their expectations?
 - (e.g. quality level, more of something, less of something, ...)
- How do current solutions delight your customer?
 - (e.g. specific features, performance, quality, ...)
- What would make your customer's job or life easier?
 - (e.g. flatter learning curve, more services, lower cost of ownership, ...)

Customer Segments – Gains

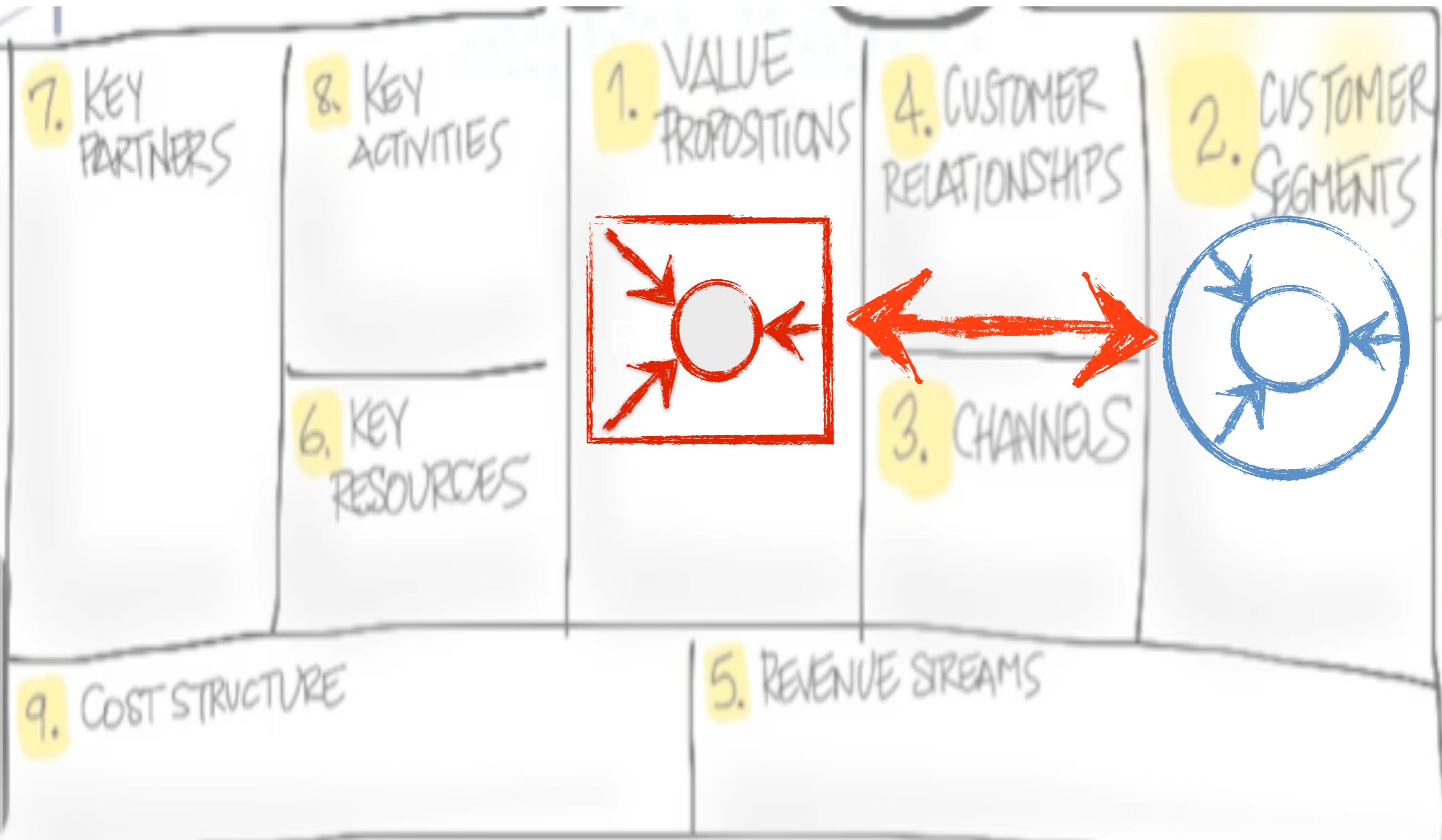
- What positive social consequences do they desire?
 - (e.g. makes them look good, increase in power, status, ...)
- What are customers looking for?
 - (e.g. good design, guarantees, specific or more features, ...)
- What do customers dream about?
 - (e.g. big achievements, big reliefs, ...)
- How does your customer measure success and failure?
 - (e.g. performance, cost, ...)
- What would increase the likelihood of adopting a solution?
 - (e.g. lower cost, less investments, lower risk, better quality, performance, design, ...)

Customer Persona/Archetype

Define Customer Archetype/Persona

- Who are they?
 - Position / title / age / sex / role
- How do they buy?
 - Discretionary budget (name of budget and amount)
- What matters to them?
 - What motivates them?
- Who influences them?
 - What do they read/who do they listen to?
- Draw a Day in the Life of the customer

Product/Market Fit



on Markets...

four kinds of Markets

Existing

Resegmented

New

Clone

Existing

Incumbents exist, customers can name the market
Customers want/need better performance
Usually technology driven

Positioning driven by product and how much value customers place on its features

Risks:

- Incumbents will defend their turf
- Network effects of incumbent
- Continuing innovation

Resegmented Existing

Low cost provider (Southwest)

Unique niche via positioning (Whole Foods)

What factors can:

- be eliminated that your industry has long competed on?
- be reduced well below the industry's standard?
- should be raised well above the industry's standard?
- be created that the industry has never offered? (blue ocean)

New

Customers don't exist today
How will they find out about you?

How will they become aware of their need?
How do you know the market size is compelling?

Which factors should be created that the industry has never offered? (blue ocean)

Clone

Takes foreign business model and adapts it to local conditions

- Language
- Culture
- Import restrictions
- Local control/ownership

Need market large enough >100 million

kinds of Customers

B to B

B to C

B to B to ... to C

Business to Business (B to B)

What do they want you to do?

- Increase revenue?
- Decrease costs?
- Get them new customers?
- Keep up with or pass competitors?
- How important is it?

Who's the Customer in a Company?

- User?
- Influencer?
- Recommender?
- Decision Maker?
- Economic Buyer?
- Saboteur?
- Archetypes for each?

How Do They Interact to Buy?

- Organization Chart
- Influence Map
- Sales Road Map

Pass/Fail Signals & Experiments

- How do you test interest?
- Where do you test interest?
- What kind of experiments can you run?
- How many do you test?

How Do They Hear About You?

- Demand Creation
- Network effect
- Sales

Business to Consumer (B to C)

What do they want you to do?

- Does it entertain them?
- Does it connect them with others?
- Does it make their lives easier?
- Does it satisfy a basic need?
- How important is it?
- Can they afford it?

Consumer Customers

- Do they buy it by themselves?
- Do they need approval of others?
- Do they use it alone or with others?

How Do They Decide to Buy?

- Demand Creation
- Viral?
- SEO/SEM
- Network effect?
- AARRR (Dave McClure)
 - the “pirate” metrics
 - **Acquisition, Activation, Retention, Referral, Revenue**

Pass/Fail Signals & Experiments

- How do you test interest?
- Where do you test interest?
- What kind of experiments can you run?
- How many do you test?

The Consumer Sales Channel

- A product that's bits can use the web
- But getting a physical consumer product into retail distribution is hard
- Is Wal-Mart a customer?

Business to Business to Consumer (B to B to C)

Who's The Customer?

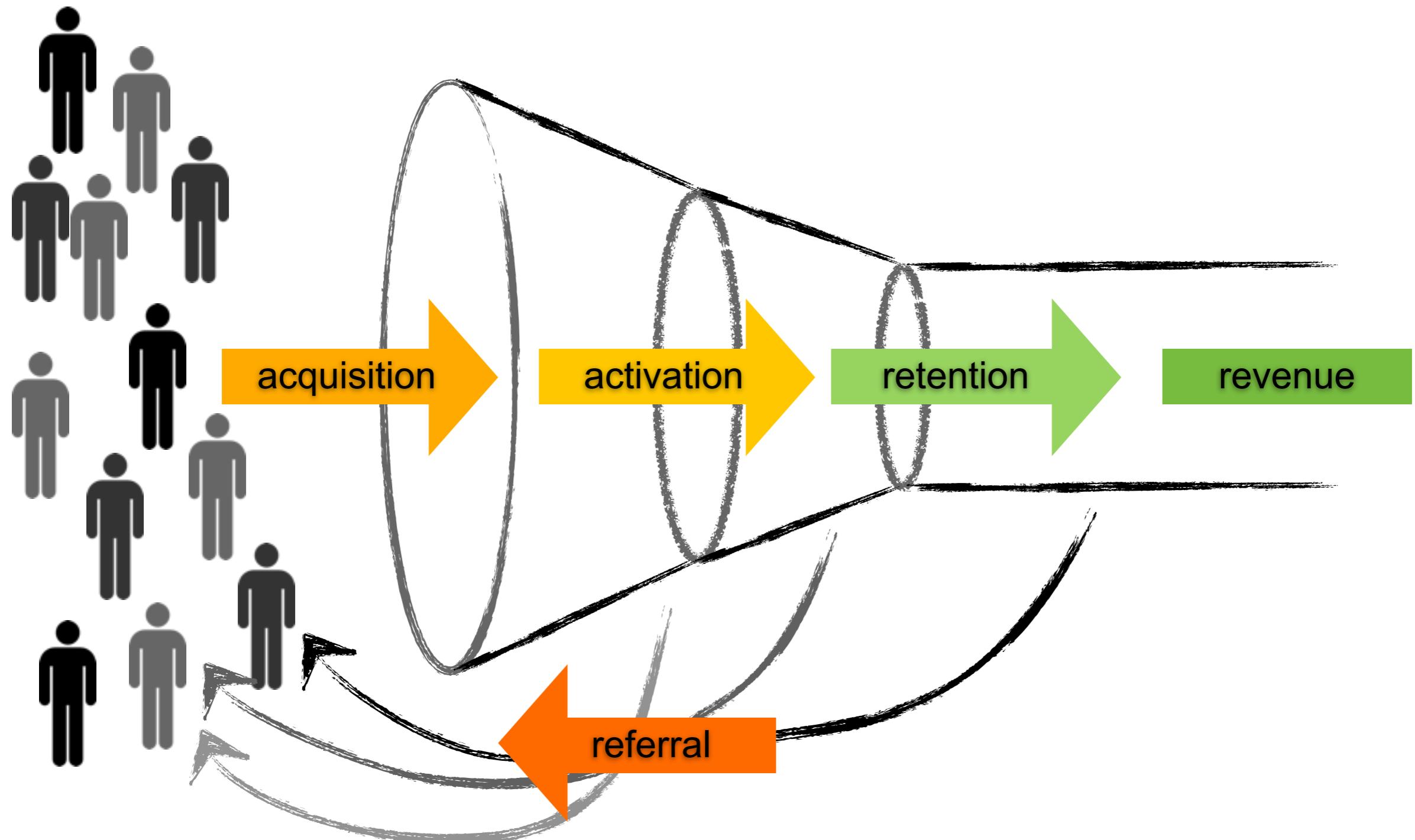
- Consumer End Users, Corporate Customers Pay
- Multiple Consumers
- Etc.

Multiple Customer Segments

- Each has its own Value Proposition
 - Each has its own Revenue Stream
 - One segment cannot exist without the other
-
- Which one do you start with?

the Pirate Metrics

**Acquisition
Activation
Retention
Referral
Revenue**



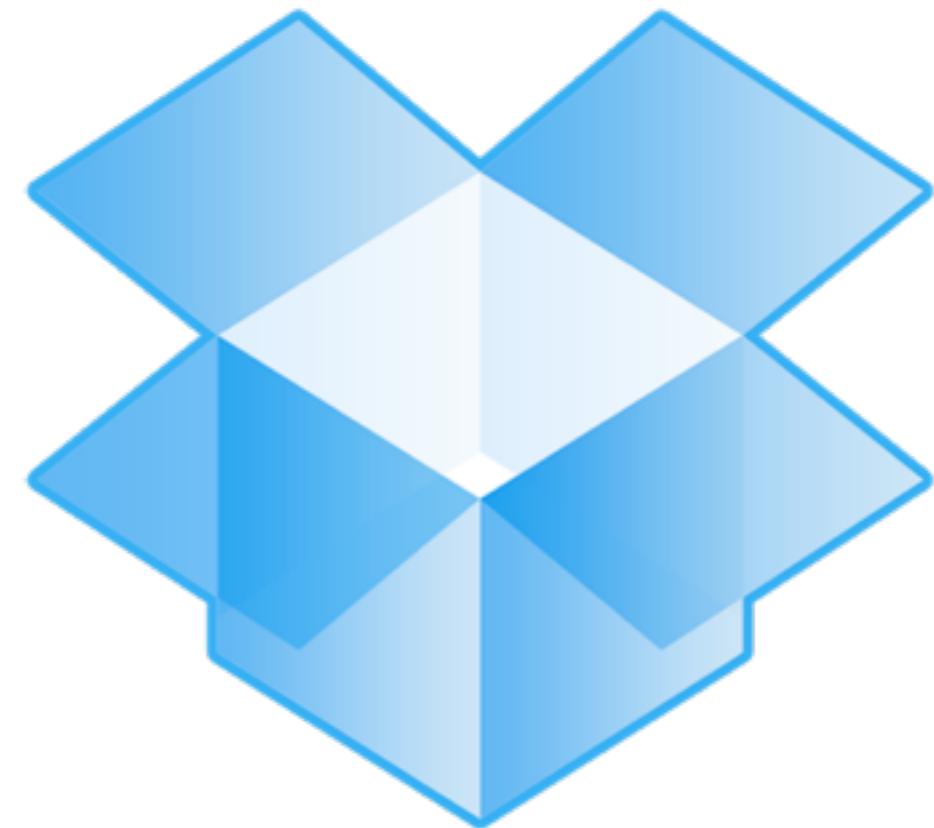
RRAAR for B2C Free

- Retention - users want to or must come back
- Referral - massive growth requires referrals
- Activation - optimize conversion
- Acquisition - through referrals and activation!
- Revenue - millions of users? Monetize!



RRRAA for B2C or B2B Freemium

- Retention - users want to or must come back
- Revenue - figure out what they'll pay for
- Referral - create passion
- Activation - optimize conversion
- Acquisition - perhaps PR?



RRAAR for B2B

- Revenue - prove that someone wants to buy
- Referral - publicly referenceable customers
- Activation - understand your sales and marketing
- Acquisition - earned and paid demand
- Retention - maintenance and support



salesforce.com®

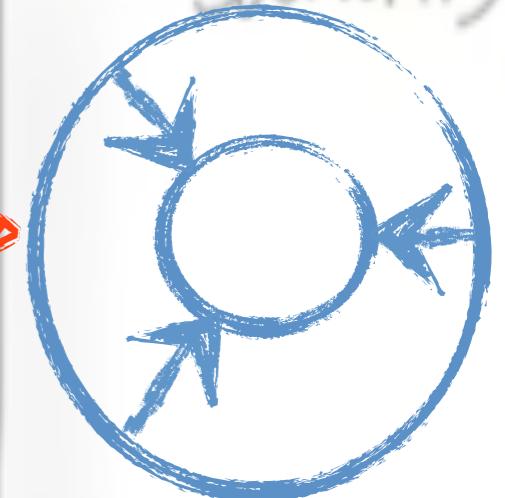
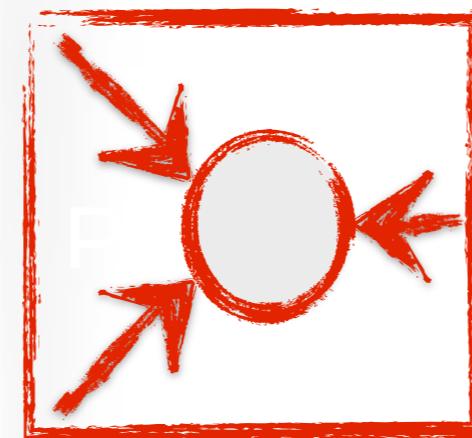
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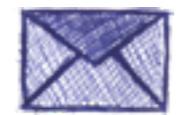
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