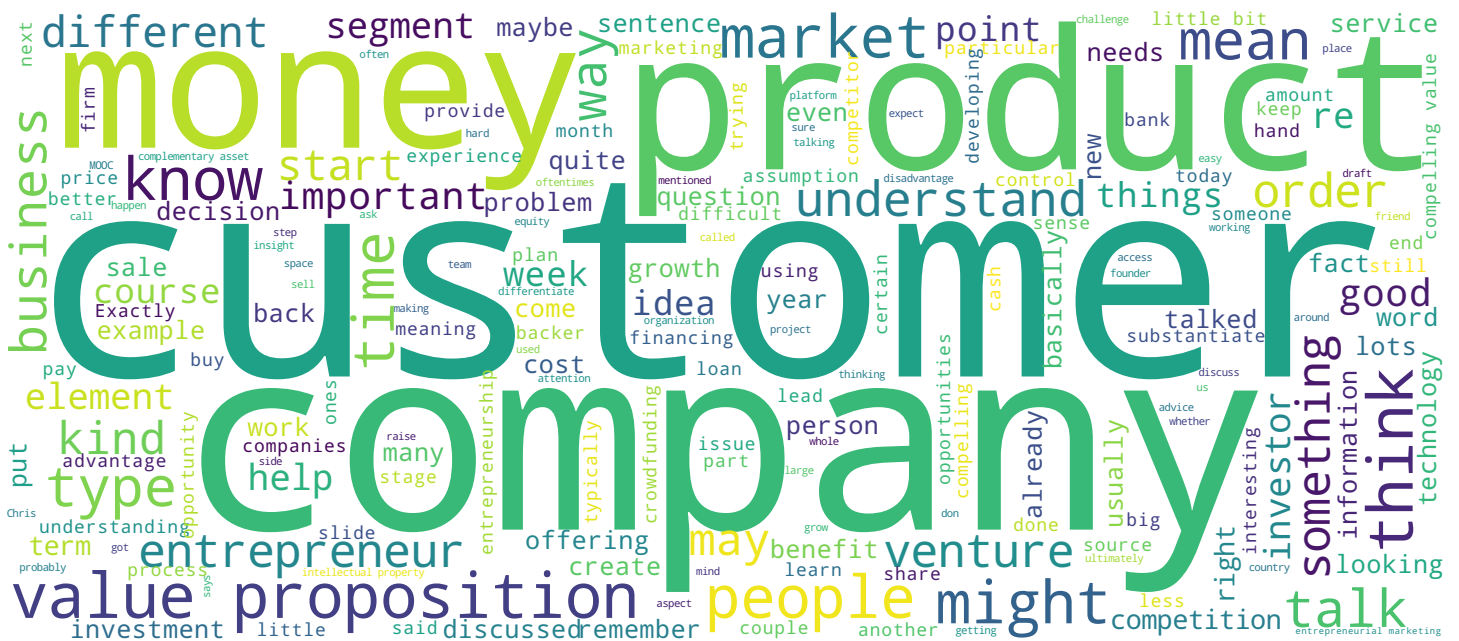




## What's Your Value Proposition?

## Launching New Ventures: Entrepreneurship & Strategy for Technology-Driven Startups

Prof. Chris Tucci and Prof. Marc Gruber



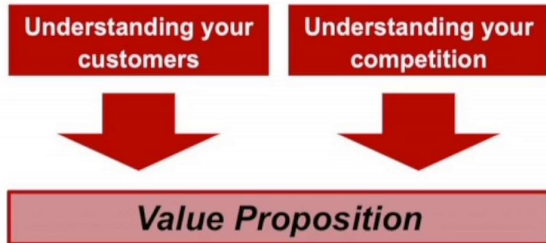
# Search MOOC



## Video



# What's your value proposition?



g New Ventures

Welcome back. This is week three, still, Entrepreneurial Marketing, and today we're going to talk about value propositions. We tie together the insights that we discussed in the previous modules, which was about understanding your customers, understanding your competition. With these insights, you actually have the right ingredients in place to, draft a compelling value proposition here.

Notes

Summary



0m 04s



## What's Your Value Proposition?

Launching New Ventures: Entrepreneurship & Strategy for Technology-Driven Startups

Prof. Chris Tucci and Prof. Marc Gruber

Most of you have heard of the term “value proposition”, but let’s bring us all on the same page and try to understand what a compelling value proposition is, how you can formulate one, and what type of information you might still have to collect in order to sharpen your ideas about your value proposition. So your value proposition is the collection of reasons why a person or a company benefits from buying your product or a service. So it’s your promise of performance and value. It is expressed, typically, in a short statement that is aimed at creating, occupying a space in your customers’ mind. And it conveys the message, “It’s the best buy for this type of problem.” So it’s really an element, a message that combines the competition and your customer insights. In order to create and occupy such a space in your customers’ mind, your value proposition must be compelling. It must resonate with the customer. And it must be differentiated. So what does this mean to be compelling? It needs to provide key attributes to the targeted customers, so to speak, the customer value drivers. And it should, in order to be differentiated, it needs to clearly state how the key attributes of your offering are *better* than the ones of your competitors.

Notes

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0m 00s



To create and occupy such a space in your customers' mind, your value proposition must be **compelling** and **differentiated**.

- To be **compelling** it needs to provide key benefits to target customers
  - Called **customer value drivers**
  - These must **resonate** with the customer
- To be **differentiated** it needs to clearly state how key attributes of your offering are better than the ones of your competitors.

Source: adapted from: Jose Campos & Jean-Claude Balland (2011) - The Voice of the Customer in Product Development  
Geoffrey A. Moore (1991) - Crossing the Chasm

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So, the competition *and* the customer insights that you have collected are of vital importance in developing a compelling value proposition.

Notes

Summary



# Content of a good value proposition

As a result of our offerings, customers  
profile, who are facing compelling reason to act,  
 will do, experience, for investment cost  
 and enjoy benefit, return, within or by (timeframe),  
 compared to alternatives. The advantages  
 of using our offerings are advantages.



Source: adapted from: Jose Campos & Jean-Claude Baland (2011) – The Voice of the Customer in Product Development

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So a value proposition can come in many forms, but in my experience, the content of a good value proposition can be stated in one clear-cut sentence. And this is the sentence I share on this slide with you. It's a [inaudible], it looks like a simple sentence, but in fact, you know, it will take you quite a bit of time to *really, really* draft it and phrase it in a way that it's compelling. It says, "As a result of our *offerings*, customers with a certain *profile*, who are facing *some kind of compelling reason to act*, "will *do, experience something*, for a *cost that they face* and enjoy *some benefits, some return, within or by a certain time*, "compared to *some alternatives*." You know, you can name the alternates here. "The advantages of using our offerings are *bing, bing, bing*." So, this one sentence-- it's a long sentence, granted-- but this one sentence can give you the ability to put very succinctly what your company is about.

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1m 51s

# What's your value proposition?



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And, for some of you, this might be looking like a simple sentence to draft, you know. But please do it, it's so of vital importance, and you will realize, well, to find a compelling way to put it. It's not so straightforward, you know, so I've typically-- the teams that I consult to and work with, it takes them a couple of hours in order to come up with this sentence. And then there's over time, even some honing and some fine tuning on the sentence. Because ultimately, if you can phrase that sentence, you've understood, also, why you should be successful vis-a-vis the competition. This will help you in talking to customers. This will help you even to talk to investors, because the investors will get a good understanding that you are— have command of your venture and know what you do. So of course, when you look at this sentence, there are a couple of elements that you may or may not know yet. So, I've drafted this little table here, to help you understand what type of elements I still need to do research on, and what type of elements you can say, "I already have sufficient information on here." So let's quickly look at this. So there are two columns. One is facts that you know, evidence that you actually have.

Notes

Summary



0m 04s



# What's your value proposition?



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And then there's assumptions. It oftentimes, just as a footnote here, you start your entrepreneurial journey with lots of assumptions, you know, and over time, you're collecting information, you're collecting facts and evidence that helps you to replace these assumptions with concrete stuff that you know. So, one key element that is part of the value proposition is, of course, who's your target customer? What types of facts have you collected on that front? What are your assumptions? Have you talked to customers? And that would be vital in that role. What is the problem that you're solving, and what types of benefits will you create for your customers? Or another question, who are your competitors, and what do they offer in order to solve the above mentioned customer problem? Why is your product offering superior, or your service offering superior? What is unique about it? That brings in the competitive dimension again. Is this superiority of key relevance to the customer? Will it influence the buying decision? These are all vital questions that you need to understand thoroughly before being able to draft a compelling value proposition.

Notes

Summary



0m 06s

# What do you know? What do you still have to learn?

	Fact (evidence)	Assumption
Who is your target customer?		
What is the problem that you solve and what types of benefits will you create for your customers?		
Who are your competitors and what do they offer in order to solve the above-mentioned customer problem?		
Why is your offering superior? What is unique?		
Is this superiority of key relevance to the customer? Will it influence the buying decision?		



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So I really urge you, and suggest to you, print out that slide here, and try to fill it in. Take a pen, fill it in, and learn about it. Learn about your venture and learn about the ways how you want to create value with your venture by crafting the value proposition with facts as much as you can. Try to be precise. And that's what I also said when we talked about the previous slide, that this is a learning journey, and you, over time, you're going to hone in, you're going to fine tune your value proposition, because, in fact, you learn about your venture, you collect more evidence and facts over time.

Notes

Summary



5m 12s



## Top 10 Pieces of Information to Gather



Bring out the

- **Personality**
- **Strength**
- **Soul**
- **Benefits**

of your **Product**

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So when you develop your value proposition, of course you'll have lots of information needs, and these are listed here in our Top 10 list, so to speak. Let me start by looking down to the bottom here. It says your value proposition must express the *personality*, the *strength*, the *soul*, the *benefits* of your product, as such, it must sound personal. And there are words like *strength* and *soul* in here, which means you have to have a deep understanding, and *intuitive* understanding, as well, of what your value proposition, what your offerings are about.

Notes

Summary



5m 52s

8. Creatively define your competition: What are the real alternatives?
9. Identify your key **differentiators** – in terms of both what you *will* do and what you *won't* do
10. Engagement: How do you **involve** the customer in the offering to create a **memorable** experience

Source: adapted from: Jose Campos & Jean-Claude Balland (2011) - The Voice of the Customer in Product Development  
Geoffrey A. Moore (1991) - Crossing the Chasm

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More concretely, we have drafted this Top 10 list, as I mentioned, and this Top 10 list helps you to go through the questions that you need to answer in order to understand your value proposition. It's about analyzing your offerings. It's about creating a profile of your target customers. It's about identifying the compelling reasons to act for your customers. It's about thinking about the customer experience, we talked about this before. It's about expressing benefits of your offering as a direct response to the customers' compelling reasons to act. It's about evaluating the cost to customers in terms of money, resources, troubles, risk, and lost opportunity, which mean you really have to stand in the shoes of your customer. It's about noting when your customer will experience the benefit of your product, so the timing component. It also means you have to creatively define your competition. What are the real alternatives that the customer faces? It's also about identifying your key differentiators in terms of both what you *will* do and what you *won't* do. And finally, it's also about finding engagement. How do you involve the customer in the offering to create a memorable experience?

Notes

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6m 26s

# What's your value proposition?



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I know this is a long list. So, together with the previous slide, I urge you to print this out, and think about each of these points, because they are so vital to developing a good and compelling value proposition. And then you also double-check your value proposition in order to *really* understand whether it's compelling. And there are three key elements that you need to keep in mind in order to check your value proposition. And these are the components of strong value propositions. It's *resonate*, meaning "I want, I need this product." from the customers' perspective. It's *differentiate*, meaning no alternatives are as good. And there's *substantiate*, which means, from the customers' perspective, that the customer says, "I trust, I believe that you are able to deliver this type of product, service, this type of promise." Typically, if you have all three components, this creates the foundation for premium pricing, it leads to generation success, and also to customer loyalty because customer will make positive experiences about your company. So now, let's take one of those elements away. You have a product, for instance, with *weak resonance*, so the "I want, I need" is not strong.

Notes

Summary



0m 11s

# ...and double-check your value proposition!

## Components of a strong value proposition:



## What buyers say:

- "I want" "I need"  
*strong resonance*
- "No alternatives as good"  
*strong differentiation*
- "I trust" "I believe"  
*strong substantiation*

## Creates foundation for :

- Premium pricing
- Lead generation
- Loyalty

## What happens if you are missing a component?



- "I don't need"
- "Not important enough"

- "I'm skeptical"
- "Can't risk it"

- "What's your best price?"
- "I can do without you"

Source: adapted from: Mike Schultz & John E. Doerr (2011) – Rainmaking Conversations: Influence, Persuade, and Sell in Any Situation

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But you still have one that is difficult to substitute and you're able to substantiate your claim. So what does this lead to? The buyer will say, because there's *weak resonance*, "I don't need it. It's not important enough." And this is quite a problem for a start-up, because that means he won't buy your product. Same story with taking away the differentiate. You know, so you have a product that is easy to substitute. You would have still strong resonance, you're able to substantiate, but there are other options out there. So what would the customer say? Well, he would say, "What's your best price? I can do without you." You know, and that means, you don't make the sale. Or it's hard to make the sale, at least. And finally, if you have the substantiate out there, you know, you would say, "Strong resonance is there. Yes, difficult to substitute is there." But the not able to substantiate will lead the customer to say, "Well, I'm skeptical, I can't risk it." What does that mean? It means, you don't make the sale. So if you have one of these three elements taken away, you're really in trouble. So with a good value proposition, these three elements should be present, so really go for them, and try to craft a value proposition that you can tick all these three elements.

Notes

Summary



9m 00s

# Example 1 of a value proposition

## ILLUSTRATIVE

As a result of our eye movement tracker, customers market  
*offerings* *profile*  
researchers, who are facing the need to be aware of where buyers look  
*compelling reason to act*  
at in a shopping environment, will successfully track areas of attention,  
*do, experience*  
for \$1,000 and enjoy non-biased simulation results, within a short time  
*investment cost* *benefit, return* *within or by (timeframe)*  
delay, compared to questionnaires. The advantages of using our  
*alternatives*  
offerings are non-biased research results, and therefore lead to an  
*advantages* *advantages*  
improved product placement within a shopping environment.



Source: adapted from: Jose Campos & Jean-Claude Bolland (2011) – The Voice of the Customer in Product Development

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So here's an example. And, here we filled in basically some information about a company that is producing an eye movement tracker for the marketing domain. And it reads the following, as a result of our eye movement tracker, customers, which are the market researchers who are facing the need to be aware of where buyers look at in their shopping environment, will successfully track areas of attention for only a price,-- let's say, of \$50 per month in a subscription-based model,-- and enjoy non-biased simulation results within 20 seconds of recording the eye movement. Compared to conventional forms of gathering data, like questionnaires or surveys, the advantages of using our offerings are non-biased research results, and therefore we can lead to an improved product placement within your shopping environment.

Notes

Summary



10m 20s

Good value  
propositions

- a. Resonate
- b. Differentiate
- c. Substantiate



**You *NEED*  
that sale!**

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These are the ingredients of a compelling value proposition. Please try it out for your venture, because it's so important that you understand in a very succinct way what your venture's about. This is important, when you talk to customers, other stakeholders, any type of conversation, this will help you to succinctly say why you are so good. And that's something that young companies need even more than established ones, because you have to get that foothold in the market. So remember, that one sentence that we discussed, and also remember to double check. A good value proposition needs to *resonate*, it needs to *differentiate*, and it needs to *substantiate*. And if you take one of these away, you will not make that sale. But you need that sale! So better you look at your value proposition twice, three times, try to improve it and get it done. Okay, I see you next week. Thank you very much.

Notes

Summary



11m 13s