

TE 250: Week 5

Value Proposition

Mark Karasek
mkarasek@illinois.edu

Technology Entrepreneur Center



ILEE Dual Degree

The Grainger Engineering ILEE BS dual degree adds value to your primary engineering degree by helping you to develop an entrepreneurial and leadership skillset!

DEADLINE TO APPLY | APRIL 30

LEARN MORE | go.illinois.edu/ILEE



Marketing & Events Intern

TEC is seeking a Marketing & Events intern to help with general marketing and to assist with our events and programs. The intern will gain valuable skills in social media marketing, planning, coordinating, and organizing events.

Please email your resume to Kearsa Rawson and explain why you are interested in this internship.

DEADLINE TO APPLY | FEBRUARY 15

KEARSA RAWSON | klawson@illinois.edu

Agenda

- • Customer Segments/Roles
- Archetypes/Personas
- Value Proposition
- Examples
- Case Studies

Assignment #2 – Individual Assignment

Every team has a project. Every project proposes to solve a problem that we haven't yet proven to ourselves that we have identified a solution to that problem.

The assignment is to identify multiple possible solutions to the problem:

- Current Solutions: How do people currently solve the problem? It may not appear to be a direct competitor to your solution. Example: If I want to get to school on a scooter, I could ride a bike, take a bus or walk.
- Preventative Solutions: How can we prevent the problem from occurring in the first place?
- Competitive Solutions: How do (potential) business competitors solve the problem? Name at least three.
- Alternative Solutions: Is there another way you could solve the problem? Name at least three. Write and why?

This is a case where the more solutions you can identify, the better.

Assignment #3 – Individual Assignment

- Build a petal diagram to highlight your competition, and
- Perform a SWOT analysis for your team's idea.
- This is an individual assignment, not a team assignment.
- Submit in any format you prefer, graphic or list.

Agenda

- • Customer Segments/Roles
- Archetypes/Personas
- Value Proposition
- Examples
- Case Studies

Definition: Customer Segments

- A well-defined group of people that share the same need/job/problem and can be served by the same business model.

What Makes a Good Customer Segment?

- They are PEOPLE (not companies, departments, ...)
- They immediately grasp the value and “own” the metric
- Obvious who they are
 - You could go to LinkedIn and/or co. directory and search for them
- There are very few people that fit the description that won't buy your product
 - Laser focused on a well-defined group that ALL share the strong and direct value proposition
- Share the same business process and “why” for buying
- List ALL the key stakeholders

Customer Segmentation

Common Mistakes

- Too broad and vague
- Confused with industry segments
- Not traced through the value chain
- At organizational or department level
- Customer doesn't "own" the metric or value

Who is the customer?



Stakeholders Roles

End User

The person who will actually use the product or service.

Decision Maker

The person with the clout to decide which solution gets adopted

Payer

The person who has the budget for the solution

Influencer (external)

The person who 'weighs in' on the solution selection, adoption, and/or purchase

Recommender (internal)

A person tasked with making solution recommendations

Saboteur

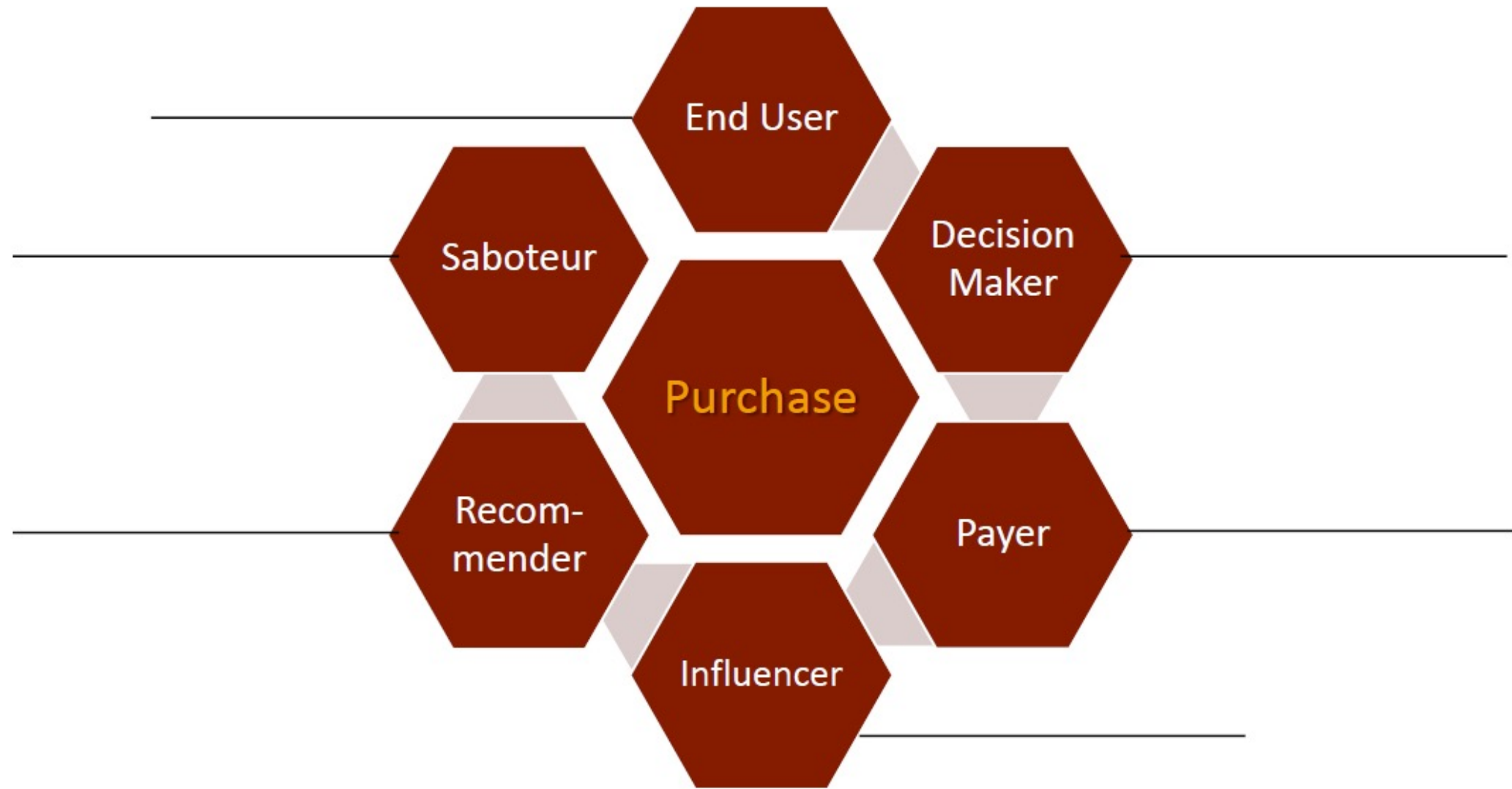
A person who loses out if the solution is adopted

Customer Roles



Customer Roles Worksheet

For your project, list the specific role/job title that is likely to represent the various influence roles in the customer buying center. Note that some roles may not be relevant in your situation (e.g., insurance companies or “payers” play a critical role in healthcare payment, but may not be a critical role in other industries).



Working Groups



10 minutes



Stakeholders

By Title & Organization

Agenda

- Customer Segments/Roles
- • Archetypes/Personas
- Value Proposition
- Examples
- Case Studies

Archetypes –Who Am I?

Soccer Mom?

- Jobs to be done
- What do I worry about
- How do I want people to feel about me
- What are my demographics (age, disposable income, where do I live, etc.)
- What are my psychographics (values, beliefs, contributions, volunteer, etc..)

Surfer Dude?

GM Engineer?

Volunteers? Where is your ideal place to live?

Working Groups



10 minutes




Archetype Exercise

Agenda

- Customer Segments/Roles
- Archetypes/Personas
- • Value Proposition
- Examples
- Case Studies

A strong and direct value proposition for a well defined customer segment is the single biggest indicator of start-up success.



- 
- **Value Proposition** describes the **benefit** your customer (an individual) will derive by adopting your product or service.
 - Not what your technology can do but what threshold above which the customer will act
 - QRST

value

proposition

val·ue

prop·o·si·tion

| \ 'val-(,)yü

prä-pə-'zi-

shən \

noun

- A *brief* statement that explains how your products and services address the **important jobs**, alleviates the **extreme pains**, and creates the **essential gains that a particular set of customer** cares about.



Value Propositions Are Not.....

Sales Pitch

Specification Sheet

Slogan

Feature List

Mission Statement

-ER Word (Better, Faster, Cheaper...)



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?*

Looking for Value

Jobs to be done (Clayton Christensen)

Problems to be solved

Pain, fear, uncertainty, prestige, greed, joy

Metrics for evaluation (promotion, fired)

Time and Money

Risk reduction, elimination or mitigation

Watch Out:
Expected
Utility

The list of things your solution **MUST** do in order to even be considered.

These are not the value proposition but rather exclusion criteria.

Pain Killing Value Proposition

Magnitude of the Customer's Pain



Vague Future Ailment? Don't Care

Latent need, diffuse benefit, non-specific (vitamins)

Mosquito Bite? Nice to Have

Annoying, but not critical or life threatening (bug spray)

Shark Bite? Must Have

Life threatening (tourniquet)

Defining a great Value Proposition?

Uses the language of the customer

A direct benefit to the customer at an **individual** level

Customers would say it

Customers understand it immediately

Uniquely delivered by your company

Concise

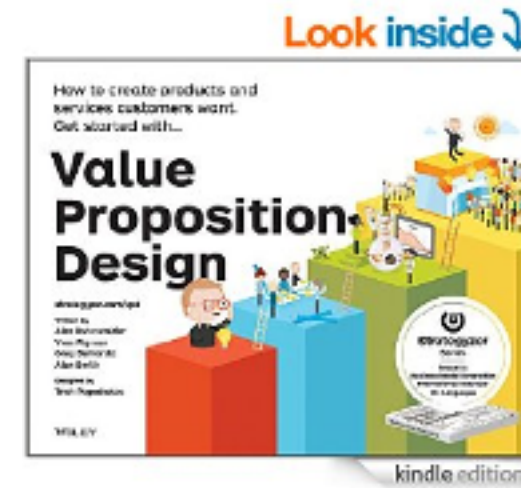
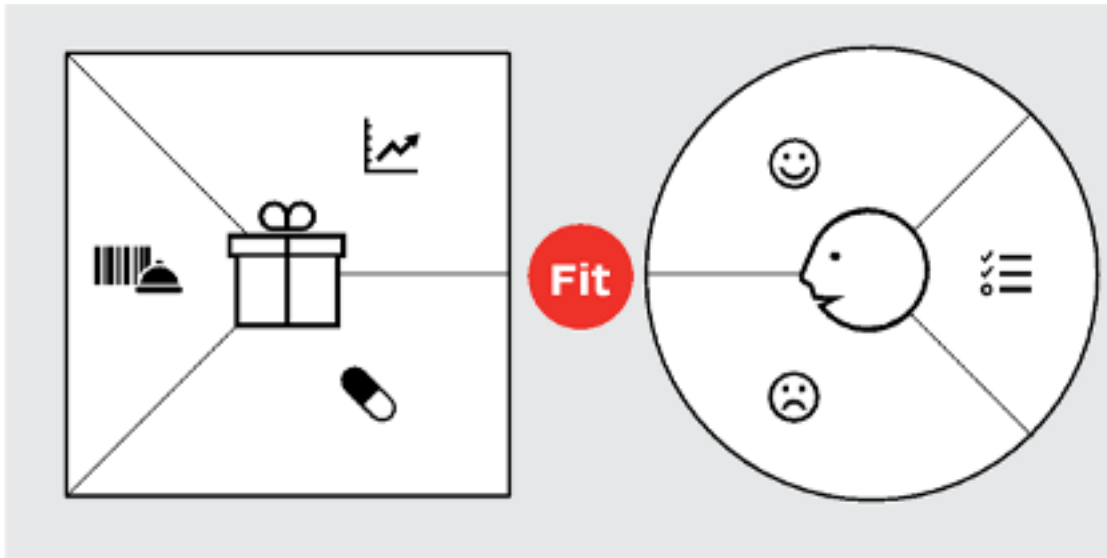
Quantitative, Specific, Relevant, Testable (QRST)

Value Proposition Common Mistakes

- Confusing features with value
- Uses any word ending in “-er”
- Not linked to a specific customer segment
- Lacks specificity
- “nice to have” instead of a “got to have”
- Not enough customers care (nonviable market)
- Not unique to your technology/solution
- Not owned by the individual
 - Cure cancer, solve world hunger, ...

Value Proposition Canvas

How do we find product – market fit?



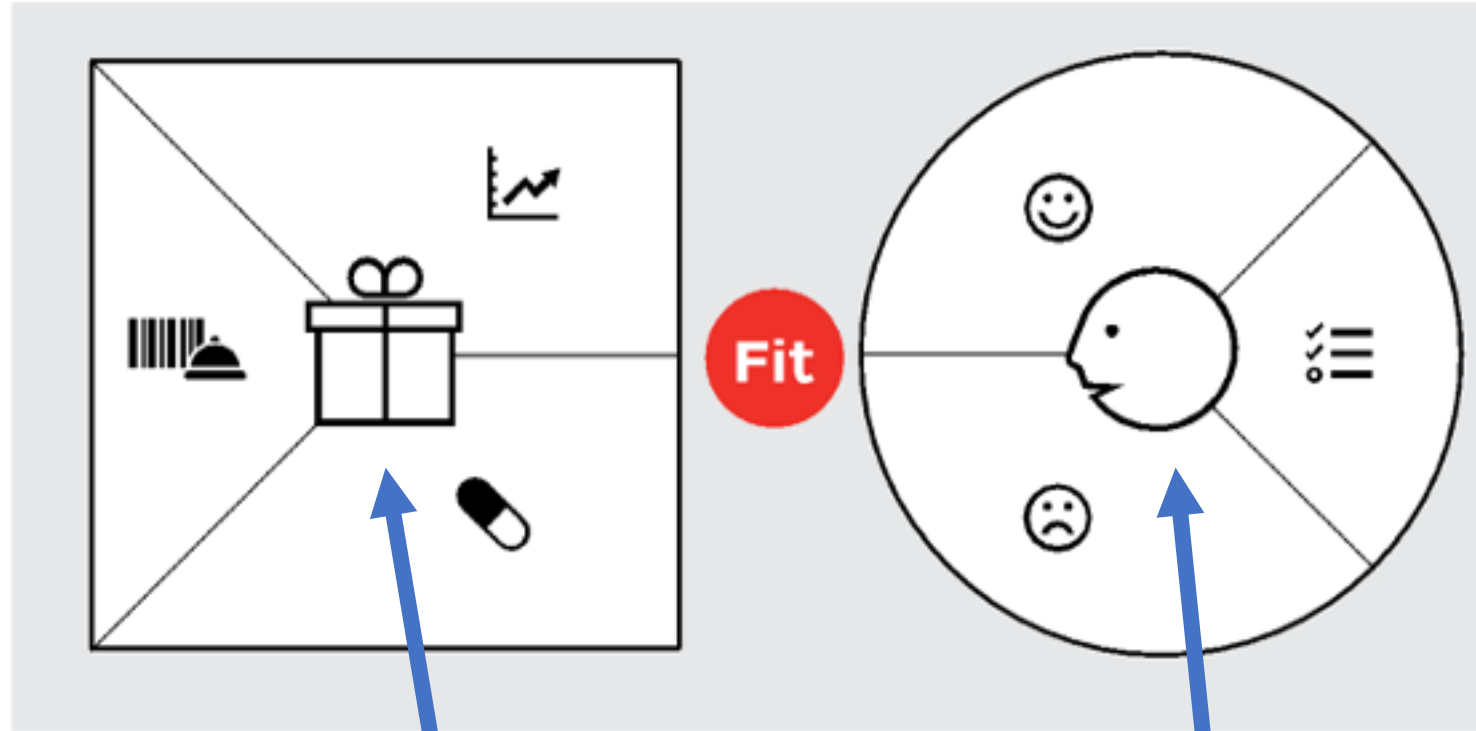
Alexander
Osterwald

WHO is the Customer and WHY do they buy?

Value Proposition Canvas

Identifying the Solution

Defining the Problem



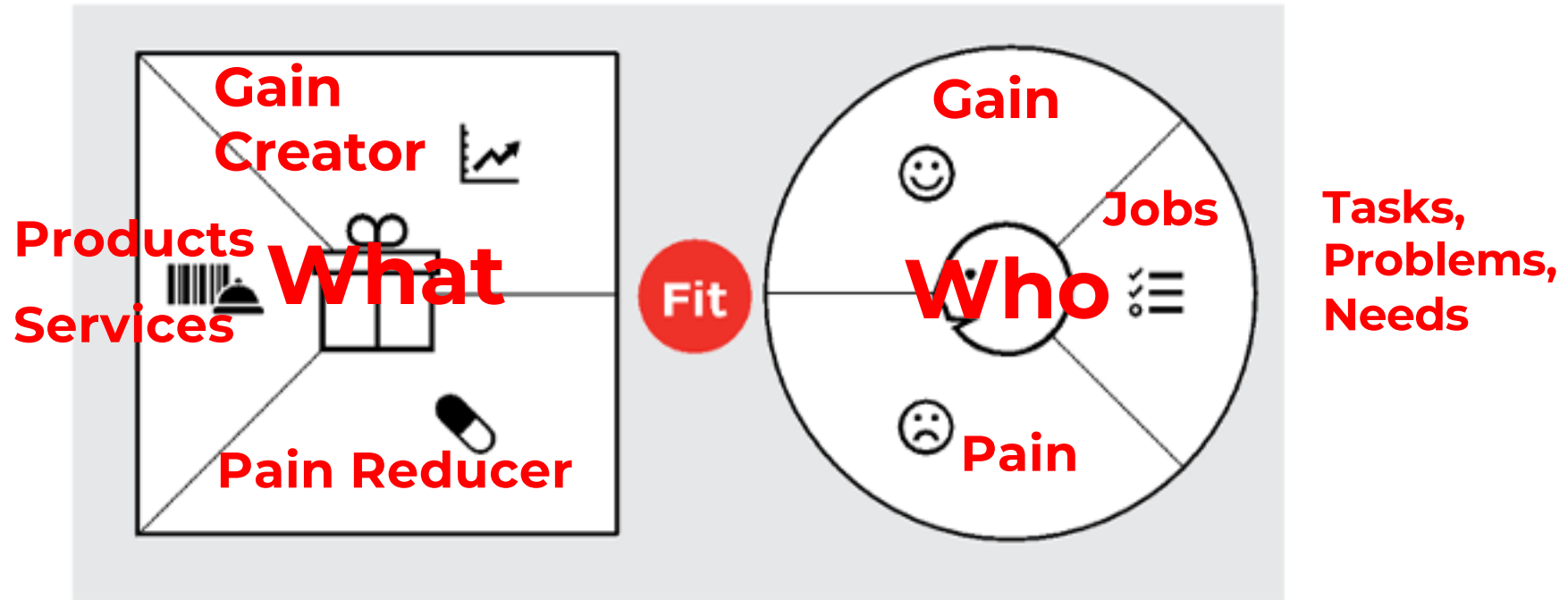
What

Your Innovation

Who

**A person with a Role in
your ecosystem**

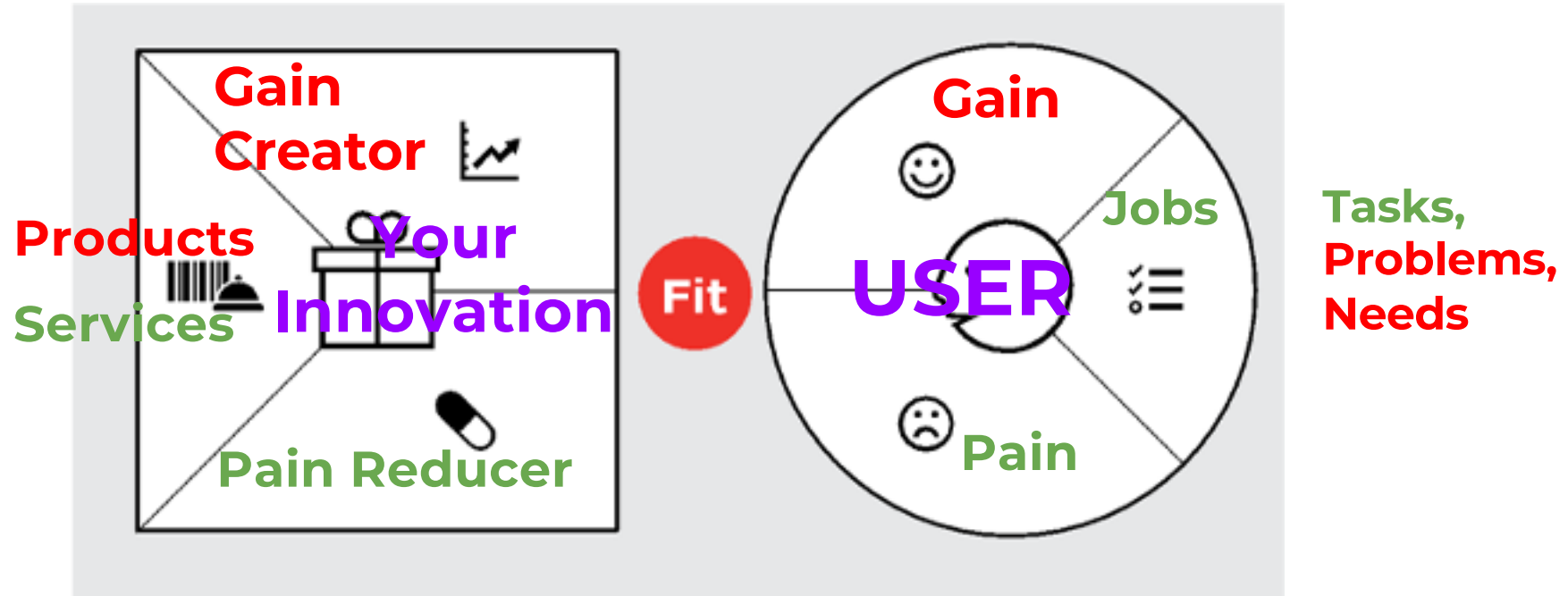
Value Proposition Canvas



Answering the question **Why requires you to complete the map.**

A person with a Role in your ecosystem

Value Proposition Canvas

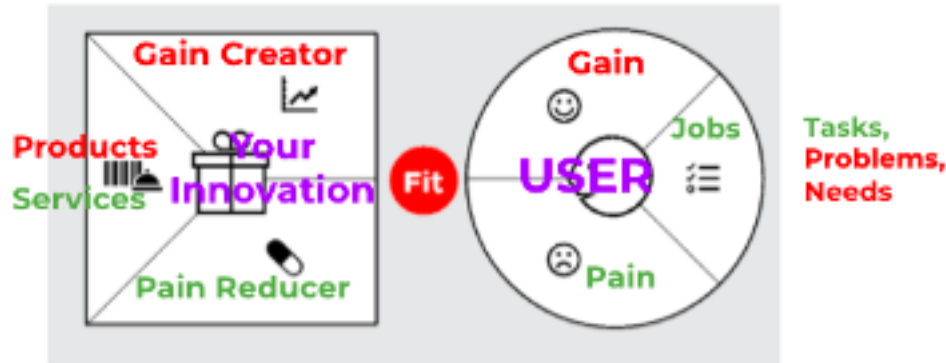


My **USER** must perform a difficult daily **TASK**. My innovative **SERVICE** provides a **PAIN REDUCER** that reduces their **PAIN** by X amount*.

*almost infinite combinations

Defining a Great Value Proposition

Value Proposition Canvas



My **USER** must perform a difficult daily **TASK**. My innovative **SERVICE** provides a **PAIN REDUCER** that reduces their **PAIN** by X amount*.

*almost infinite combinations

- **Specific and quantitative**
- Customers would actually say it
- Customers understand it immediately
- **Specific and quantitative**
- A direct benefit to the customer
- Uniquely delivered by your company
- Concise
- **Specific and quantitative**

Testable Hypothesis

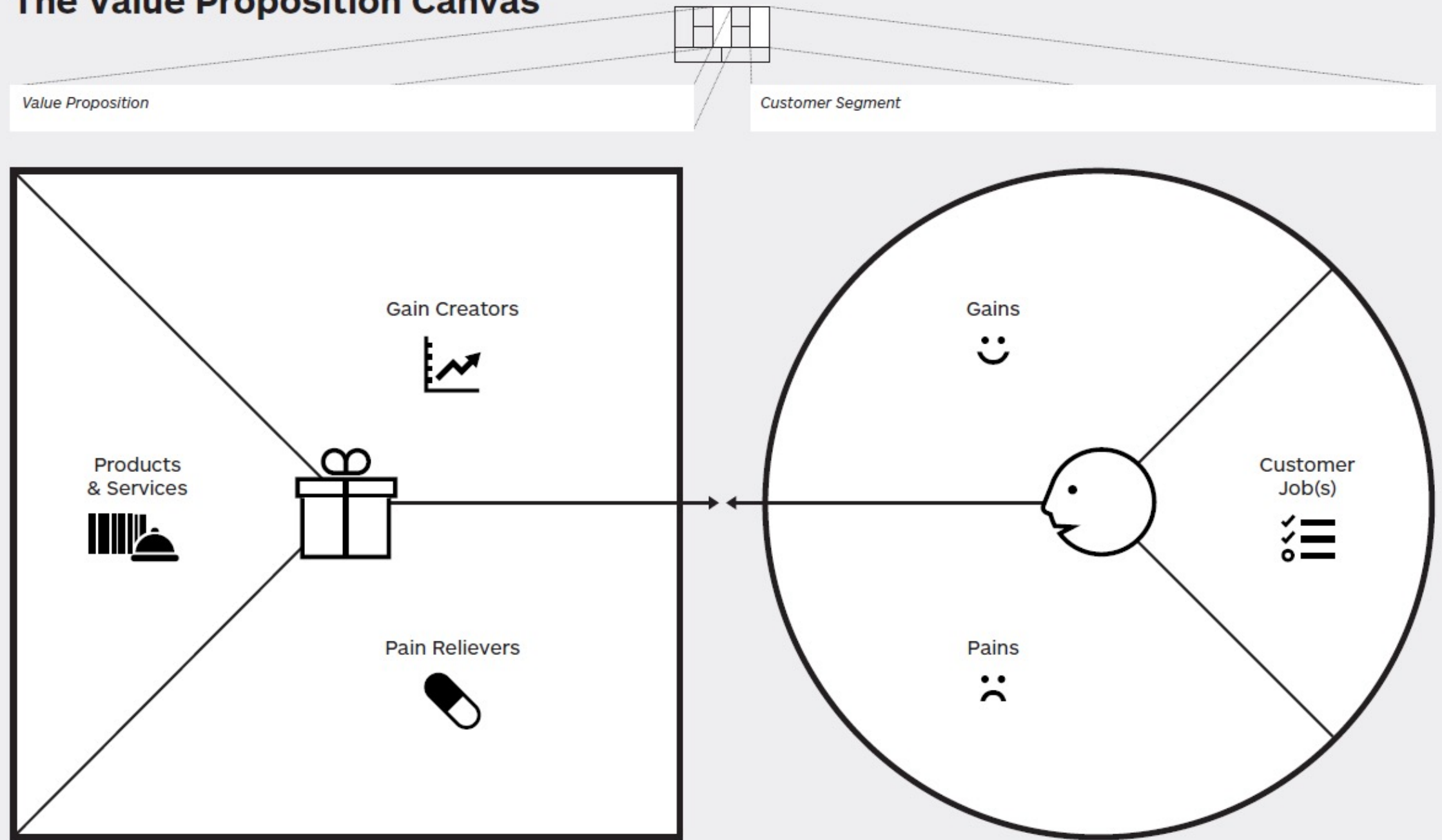
My **USER** must perform a difficult daily **TASK**. My innovative **SERVICE** provides a **PAIN REDUCER** that reduces their **PAIN** by X amount*.

*almost infinite combinations

Multiple Customer Segments

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

The Value Proposition Canvas



VP Canvas: Things to Consider

Start with Customer Segment on the right side of the canvas. Build your initial canvas around a **person (USER)** in your target customer segment who is performing a job for which your proposed solution can provide significant benefits. For example, your individual customer might be a lab technician performing a diagnostic test, a service technician repairing an HVAC system, or a plant manager optimizing a production schedule.

1. Name the customer segment and briefly describe the key characteristics of this segment that distinguish it from other segments.
2. Within that customer segment, describe the job your individual customer is trying to accomplish. What outcome does he or she want to achieve? How do they measure success (i.e., what metrics do they consider most important, and what level of improvement do they seek on these metrics)?
3. What are the critical steps in your target customers' workflow as they complete this job currently?
4. Define the problem. What is the fundamental problem you believe your customer is trying to solve while completing this job?
5. What 2-3 pains and/or potential gains do you believe are most important to them?

Working Groups



10 minutes



VP Canvas

Customer Segment/Role ONLY

10 Characteristics of a Great Value Proposition

1 Is embedded in a great business model



2 Focuses on what matters most to the customers



3 Focuses on unresolved pains



4 Target few jobs, pains, and gains but extremely well



5 Goes beyond functional jobs and address emotional & social jobs



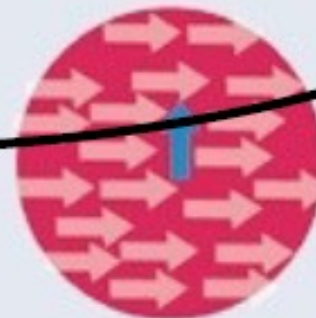
6 Align with how customers measure success



7 Focuses on jobs, pains and gains that people will pay a lot of money for



8 Differentiate from competition

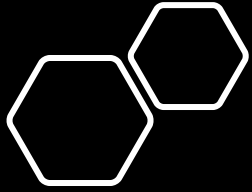


9 competition substantially on at least one dimension



10 It is difficult to copy





Assignment #4 – Individual Assignment

Draft 3 value propositions for 3 different stakeholders within the same Industry/Customer Segment (9 total). Use the VP format provided in class.

Pick one role/VP that best represents the PRIMARY VP for your business. Now complete a Business Thesis Template format as provided in class (Elevator Pitch).

The Business Thesis Template is available in the Resources Tab in Compass as well.

Business Thesis Exercise: Getting to WHO? WHAT? WHY?

My Company, _____,
(Team Name)

is developing _____
(Product/Service)

to help _____
WHO? (Main Customer Segment – individual name with archetype)

with _____
WHAT? (Solve what job/task/problem/need/metric/risk/reward?)

By (verb) _____.
WHY? (What is the benefit of your product/service – Quantify It)

Agenda

- Customer Segments/Roles
- Archetypes/Personas
- Value Proposition
- • Examples
- Case Studies

Susan Johnson



"I'm a very active person, enjoy a lot with my work, but I hate wasting my time"

AGE 28

OCCUPATION Marketing consultant

STATUS Married

LOCATION Brooklyn, NY

TIER Pro

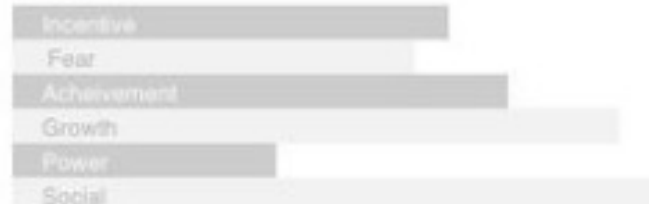
ARCHETYPE The advocate

Dynamic

Inclusive

Engaging

MOTIVATIONS



GOALS

- Improve the timing to design surveys
- Review and extract info from previous surveys easily
- Upgrade the communication channel

FRUSTRATIONS

- Writing initial draft without all the necessary knowledge
- Waiting for feedback and ability to reflect the changes
- Conflicting inputs between managers, partners and clients

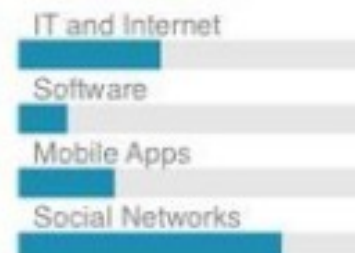
BIO

Susan is a marketing consultant who lives in the great city of New York. She is married one year ago. She love running, going out with their friends and family. At home, at work, she give the best of her, she knows how to deal with people. She is a hard worker that she need to get results soon and be rewarded.

PERSONALITY



TECHNOLOGY





GEICO[®]

15 minutes could save you
15% or more on car insurance.



WHAT does
GEICO provide?

Car Insurance

WHY does the
Customer care?

Low Cost

WHO is their
target customer?

**Cost
Conscious
Drivers**

I ILLINOIS

Business Thesis/Value Proposition Statement

For _____ **Early Elementary School Teachers** _____

Customer Segment

who want _____ **better student engagement in the classroom** _____

Social/Emotional Job to be Done

my company, _____ **CenterVention** _____

Company/Team Name

is developing _____ **ZooU, an evidence-based online game** _____

Product/Service

that _____ **increases test scores by 30%** _____

Functional job to be done

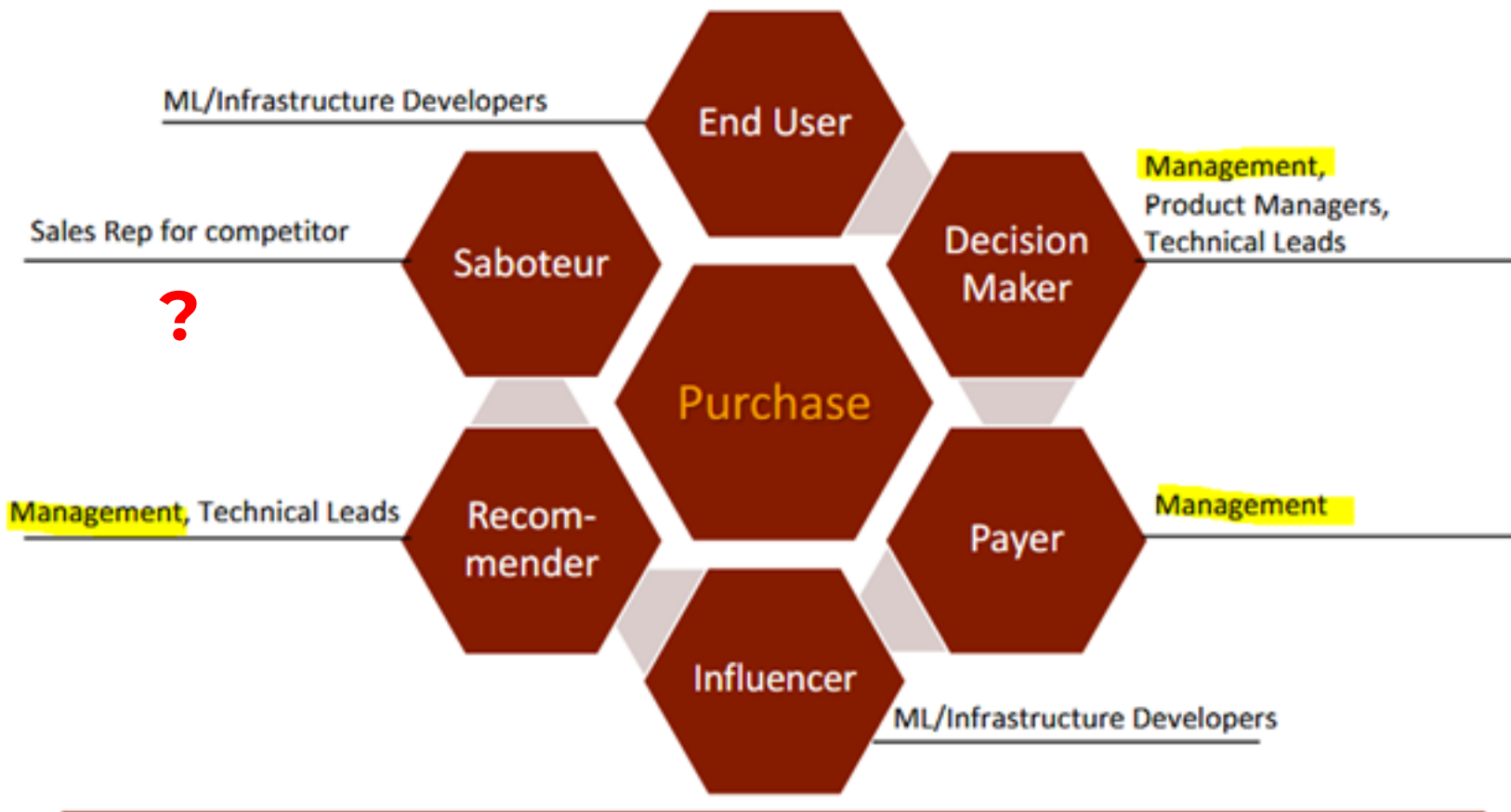
Business Thesis - Team 6 rAFO

Great First Draft!!! :)

One sentence business thesis: **Our Rapid Custom Ankle Foot Orthosis Kit** (product or service) **helps certified orthotists** (customer segment) **deliver custom composite AFOs in a single appointment** (job to be done) **by reducing** (verb such as “reducing”, “avoiding”) **the device fabrication time and expensive fabrication equipment** (a customer pain) **so that orthotists can increase** (verb such as “increasing”, “enabling”) **the profitability of their clinical practices and improve patient satisfaction.** (a customer gain).

How will this improve?

Customer Roles - Team 17 MLProfiler



Customer Roles



**Constructive
Feedback**

Customer Roles - Team 13 C3 De-escalation

Currently looking at education as the next market

End User:

Elementary, Middle School & High School Teachers, esp Special Ed Teachers

Decision Maker: Director of Secondary Education

Payer: Accounts within school district. In Iowa, accounts within regional mental health districts.

Influencer: State Reps, State Senators, Staff at Education for Equity, parents, and others who pressure schools

Recommender: Primarily teachers & parents, but may include principal or superintendent.

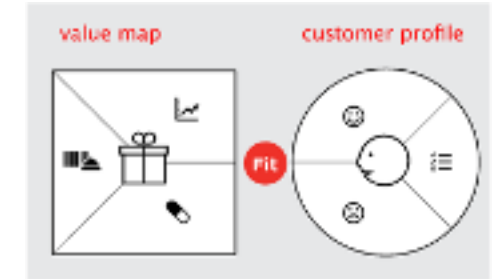
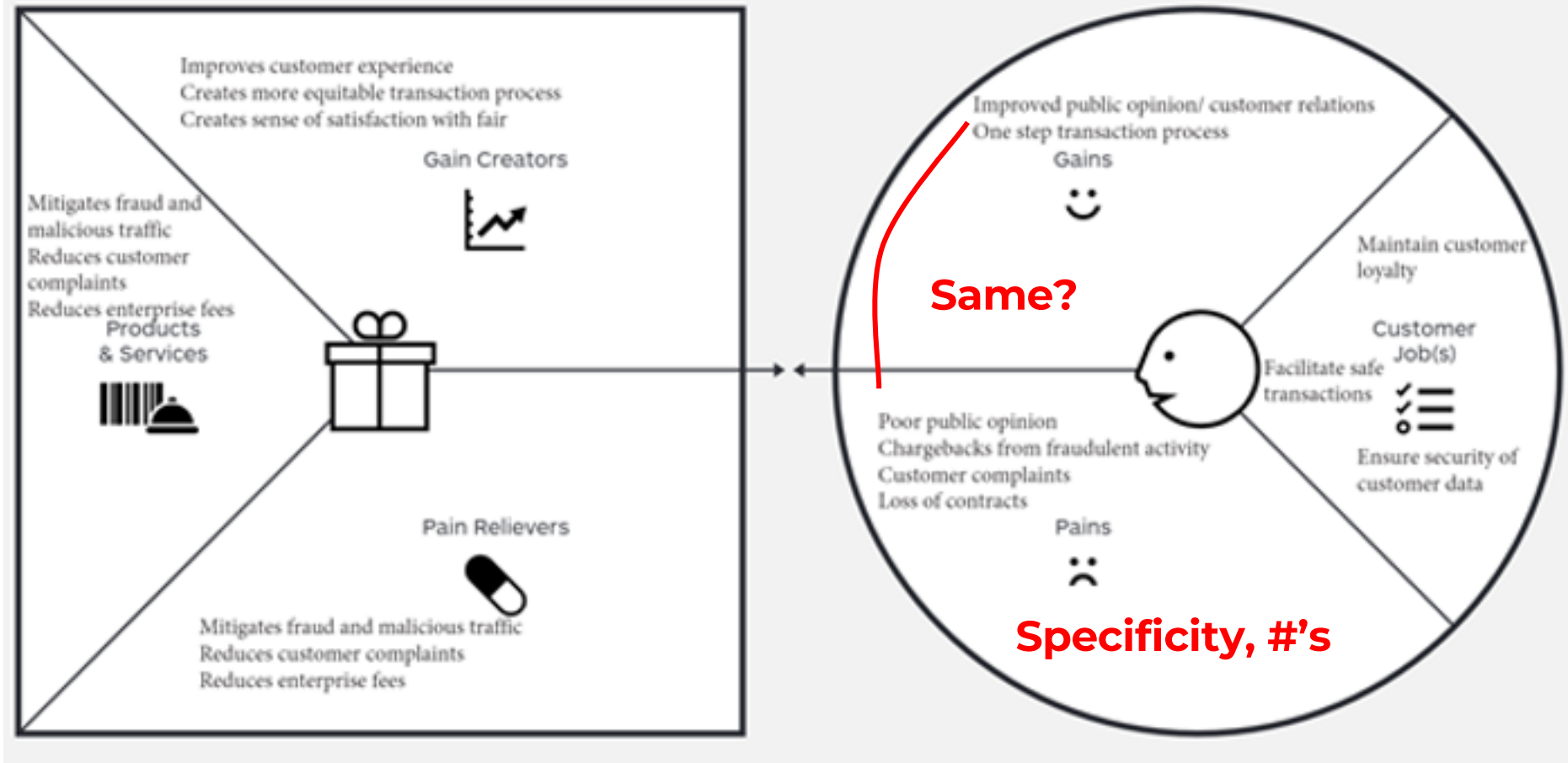
Saboteur: Oddly, a middle-to-high manager at a regional mental health district. Also a well-established local psychologist.



Kudos &

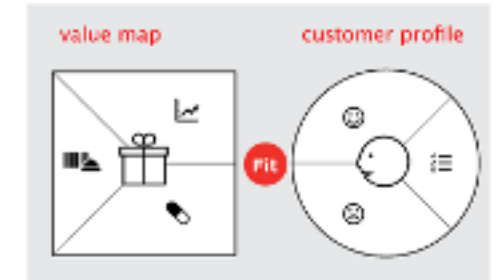
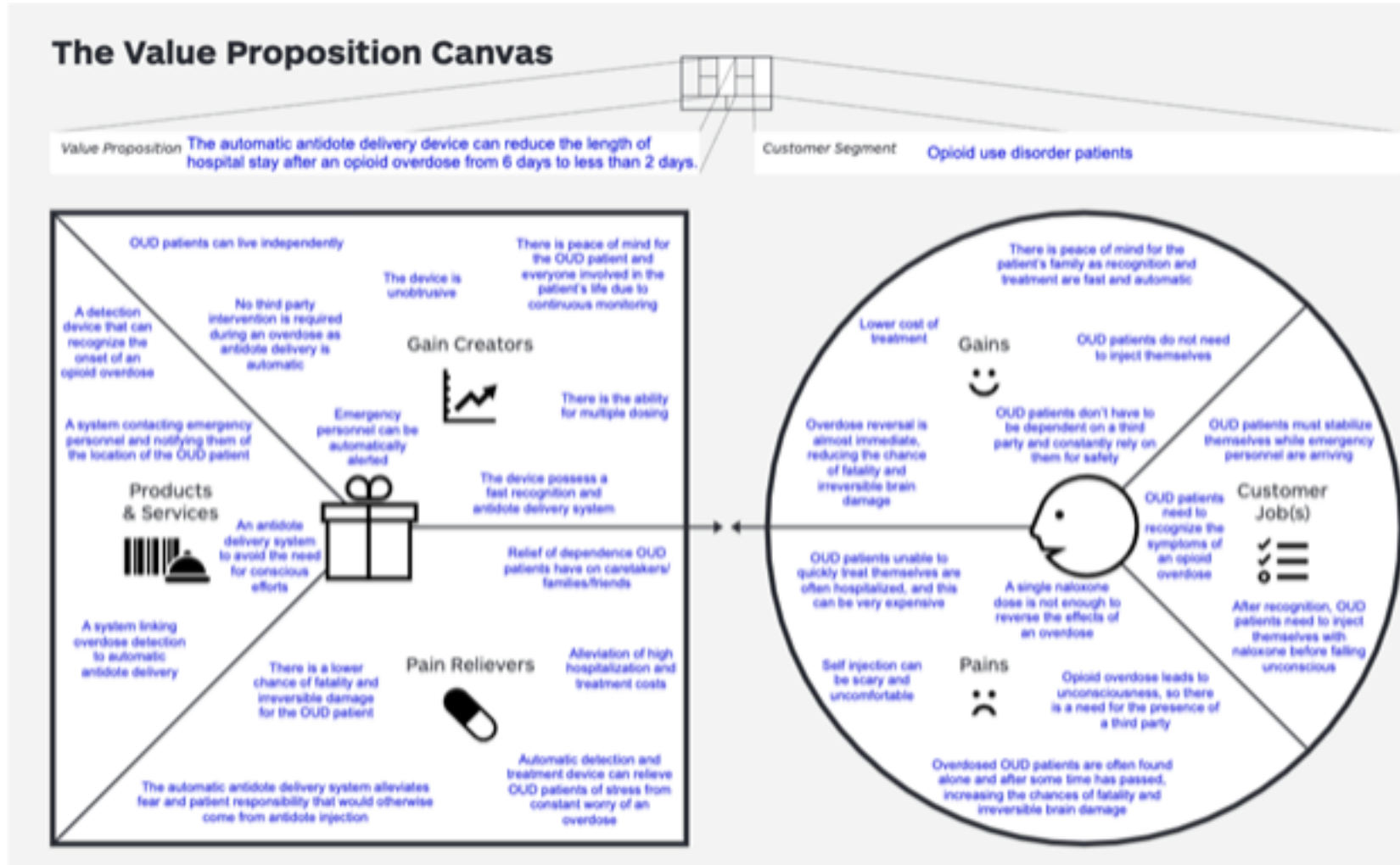
**Constructive
Feedback**

Value Proposition Canvas - Team 20 meUI



**Constructive
Feedback**

Value Proposition Canvas - Team 18 Automatic Opioid



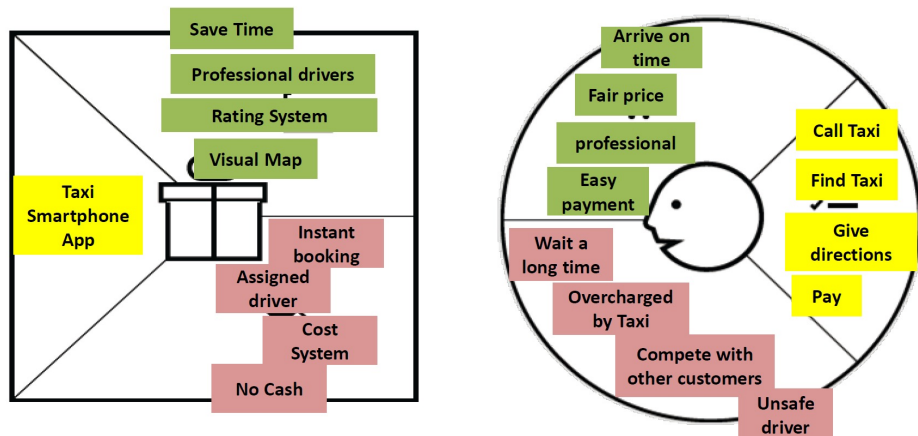
On the Right Track!

- Linkage
- Developing Specificity

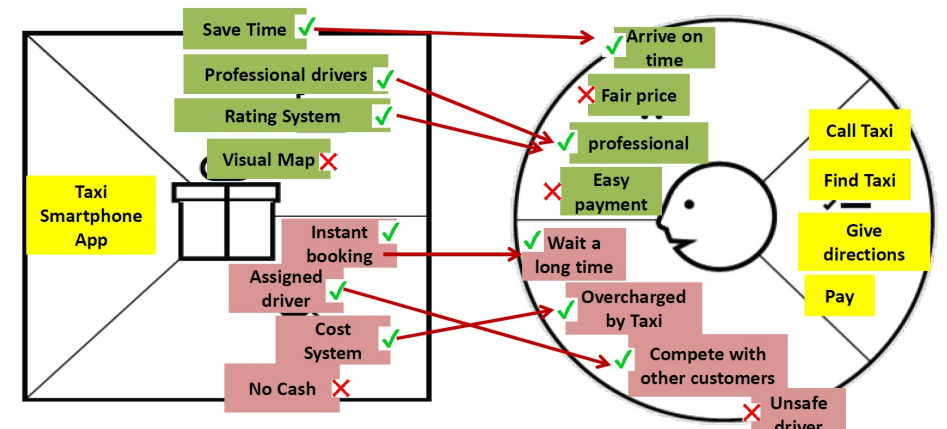
How will this improve?

Value Proposition – Taxi App

Ranked VPC



Taxi Smartphone Application



SO, YOUR INVENTION... IT DETECTS WHEN YOU'RE HAVING A HEART ATTACK AND THEN WHAT? IT NOTIFIES FAMILY? CALLS AN AMBULANCE? DOUBLES AS A DE-FIBRILLATOR?

IT CLEARS YOUR BROWSER HISTORY.

GENIUS!



Value Proposition Map – Resources

- <https://vimeo.com/152440212> Customer Map - Right Side
- <https://vimeo.com/152440705> Value Map - Left Side
- <https://www.slideshare.net/esaife/value-proposition-canvas-101>

Agenda

- Customer Segments/Roles
- Archetypes/Personas
- Value Proposition
- Examples
- • Case Studies



GoPro®
Be a *HERO*.



Be a *HERO*.



What (product) *does it do?*



How (features) *does it do it?*

- 4k30 resolution
- 12MP Burst at 30FPM
- Capture single photos
- Time lapse mode
- Night settings
- WiFi / Bluetooth connectivity
- HiLight tagging
- Ultra-engaging wide angle view
- Protune mode for Photo+
- Improved Camera Control



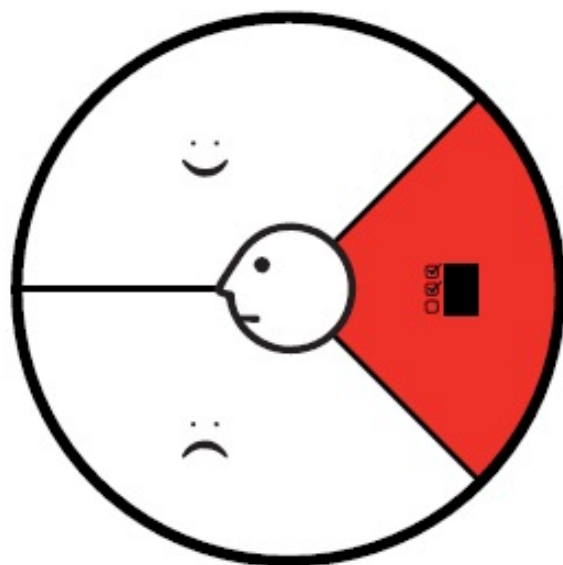
Why (Value) *does it do it?*



Backup

customer jobs*

what customers
are trying to get
done in their work
and in their lives



✓ Customer A

✓ Customer B

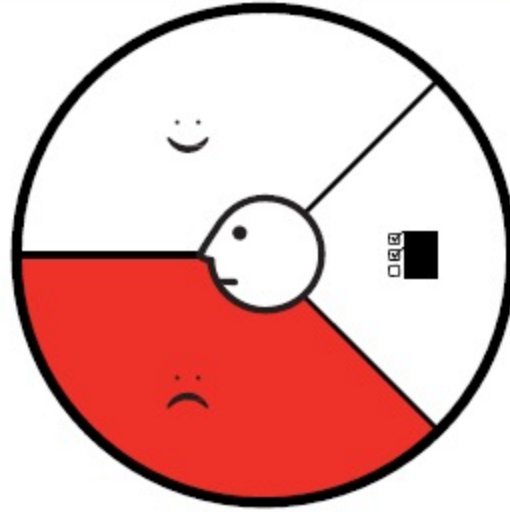
✓ Customer C

✓ Customer D

task to perform, problem to solve, needs to satisfy

customer pains

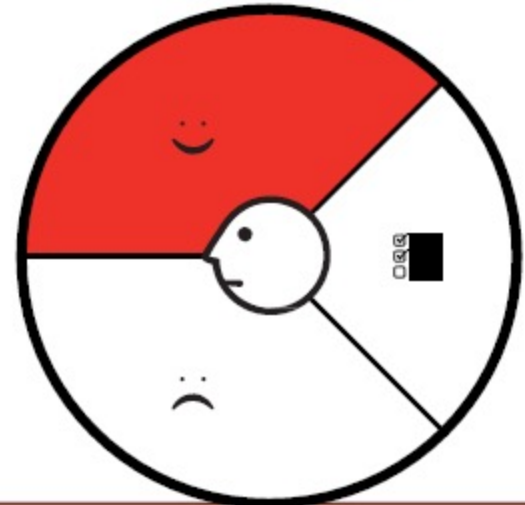
describe bad outcomes, risks, and obstacles related to customer jobs



- ✓ Customer A
- ✓ Customer B
- ✓ Customer C
- ✓ Customer D

customer gains

describe the more or less expected benefits the customers are seeking



“Pains”

Frustrating outcomes, risks and obstacles

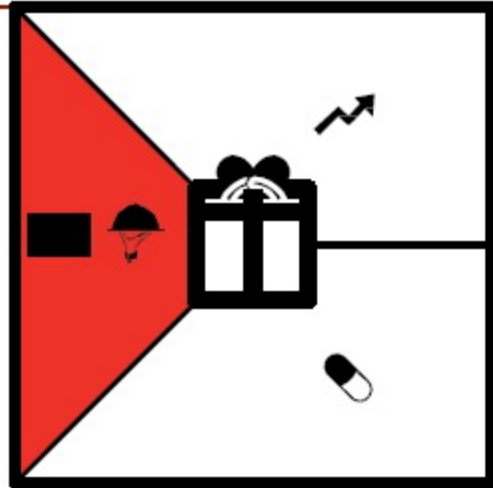
- ✓ What do they find too costly about current options?
- ✓ How are current solutions underperforming (slow, too expensive, lack of features, malfunctioning, poor quality, etc.)?
- ✓ What are their top 3-5 challenges, difficulties or frustrations with current options (convenience, quality, reliability, interoperability, accessibility, etc.)?
- ✓ What keeps them awake at night (issues, worries, concerns)?
- ✓ What barriers are keeping customers from adopting other options?

“Gains”

Benefits stakeholders are seeking

- ✓ What outcomes do they expect (articulated needs) and what would exceed their expectations (often unarticulated needs)?
- ✓ How do current options satisfy / not satisfy them?
- ✓ What would make their job or life easier / less frustrating?
- ✓ What positive social consequences do they desire (perception, status, power or influence, etc.)?
- ✓ What would increase the likelihood they would adopt a solution?

products & services



A list of all the products and services a value proposition is built around

- ✓ Customer A
- ✓ Customer B
- ✓ Customer C
- ✓ Customer D

Your Idea: Products or Services

Deliver on the Value Proposition

- Hardware
- Software
- Training / consulting
- Bundling
- Warranty
- Brand
- Customization / personalization / access
- etc.

Elements needed
for a complete
solution needed to
get and keep
customers

pain relievers



describe
how your
products and
services
alleviate
customer pains

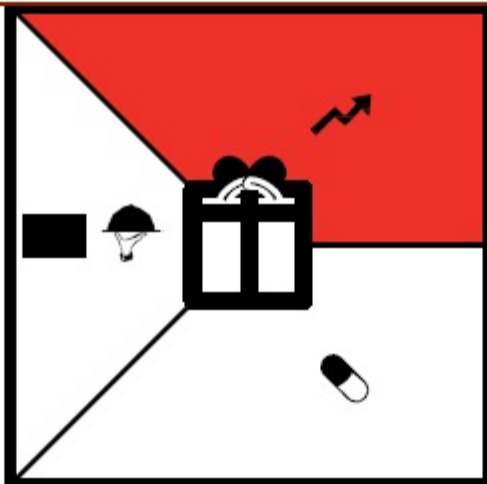
✓ User A

✓ User B

✓ User C

✓ User D

gain creators



describe
how your
products and
services create
customer gains

Gain Creators

"Delighters"

⚡ Does your idea:

- ✓ Create savings that make your stakeholders happy? How?
- ✓ Deliver outcomes that exceed your stakeholders' current expectations? How?
- ✓ Fulfill something stakeholders are dreaming about? How?
- ✓ Help achieve better success metrics? How?
- ✓ Create positive social or emotional consequences? How?
- ✓ Make adoption easier? How?

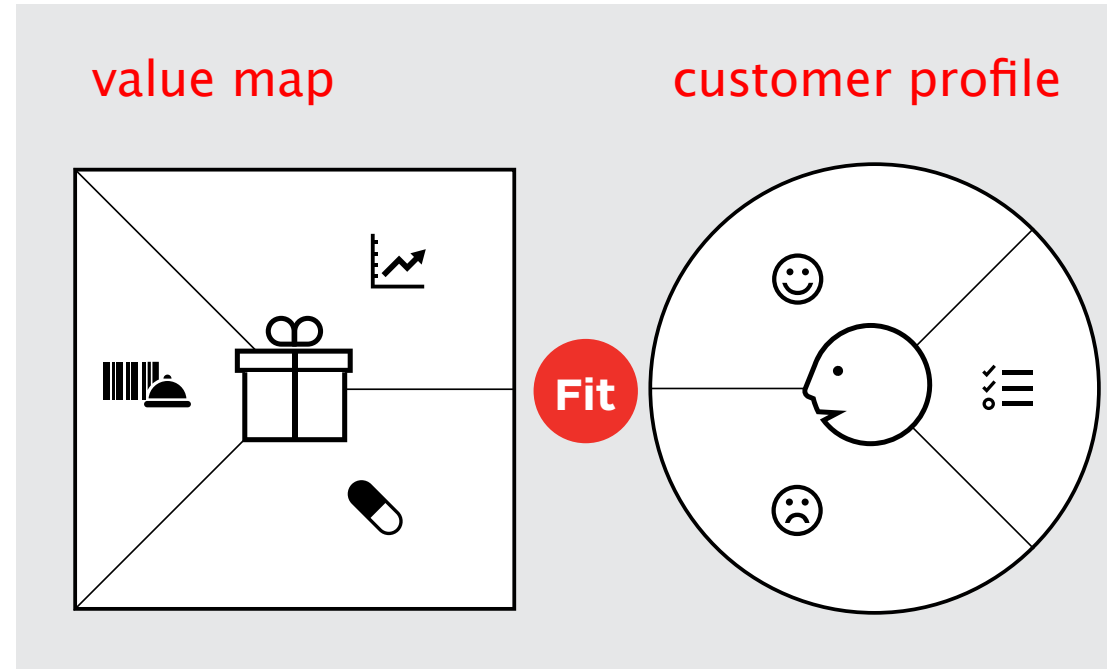
Pain Relievers

Alleviate "Pain Points"

⚡ Does your idea:

- ✓ Produce savings? How?
- ✓ Fix underperformance or limit human error? How?
- ✓ End stakeholder difficulties or challenges? How?
- ✓ Eliminate negative social consequences your stakeholders encounter or fear? How?
- ✓ Eliminate risks or barriers stakeholders fear? How?
- ✓ Make stakeholders feel better? How?

Product Market Fit?



Are you addressing customer **gains**?
Are you addressing customer **pains**?
Do you understand the customer's **jobs**?