

TE 250: Week 4

Business Model Canvas & Value Proposition

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Technology Entrepreneur Center



Mon | Sept 19 | 6-7pm

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Come learn about TEC's annual
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Silicon Valley Entrepreneurship Workshop Application Deadline Mon | Oct 3 | 11:59pm: go.illinois.edu/SVEW

Week 4 Topics

- Feedback on homeworks
- Describing value being created
 - Value Proposition Statement
 - Value Proposition Canvas
- Guest Speaker - Joe Jablonski, Co-founder and Chief Product Officer at Ocient

Homework feedback

- watch out for ambiguity
- someone needs to lead

Value Proposition Statements

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



value
proposition
val·ue
prop·o·si·tion |
\ 'val-(,)yü prä-
pə-'zi-shən \

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 Proposition Statement: Getting to WHO? WHAT? WHY?

My Company, _____,
(Team Name)

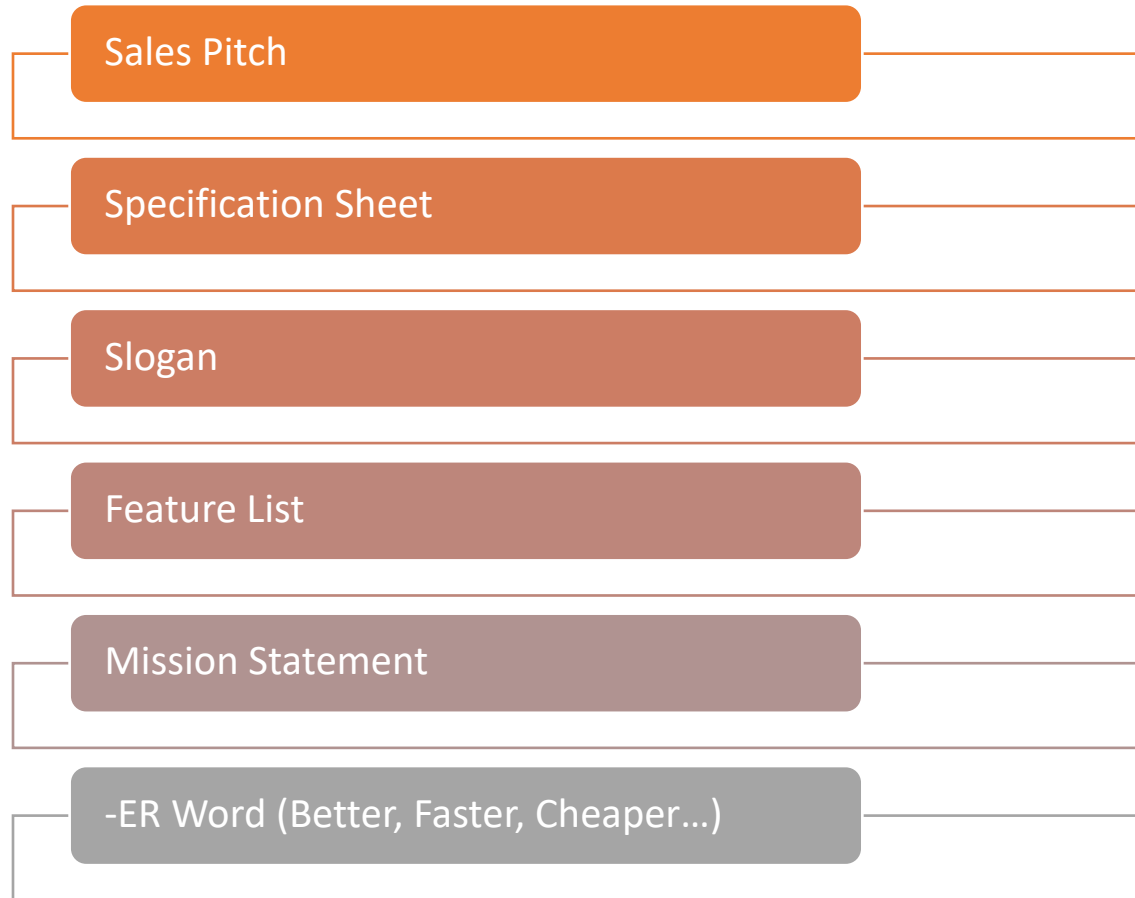
is developing _____
(Product/Service)

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)

Value Propositions Are Not.....



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)

10 Characteristics of a Great Value Proposition

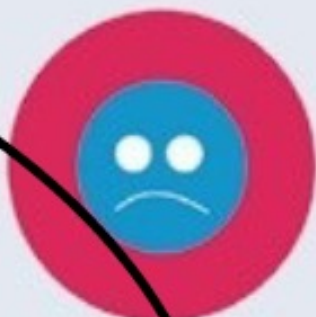
1 Is embedded in a great business model



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



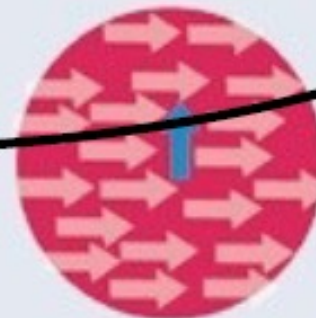
6 Align with how customers measure success



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



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, ...



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**

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



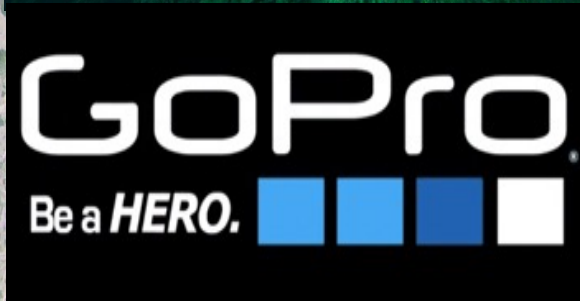
GoPro®
Be a *HERO*.



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



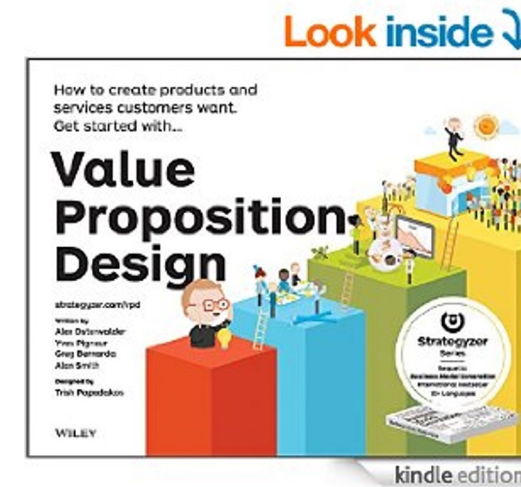
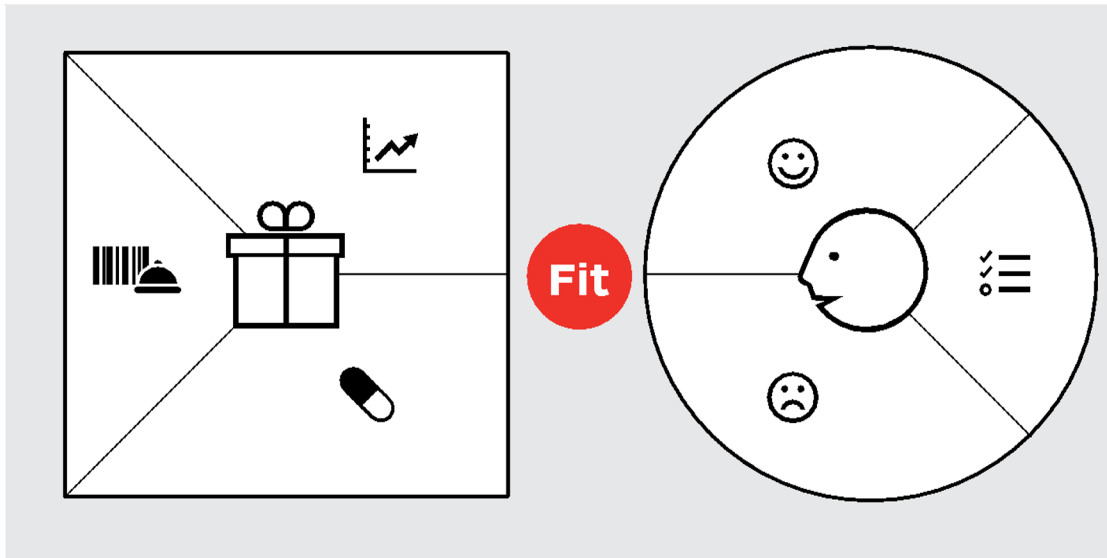
Why (Value) *does it do it?*



Building the VPS – start with the
Value Proposition Canvas

Value Proposition Canvas

How do we find product – market fit?



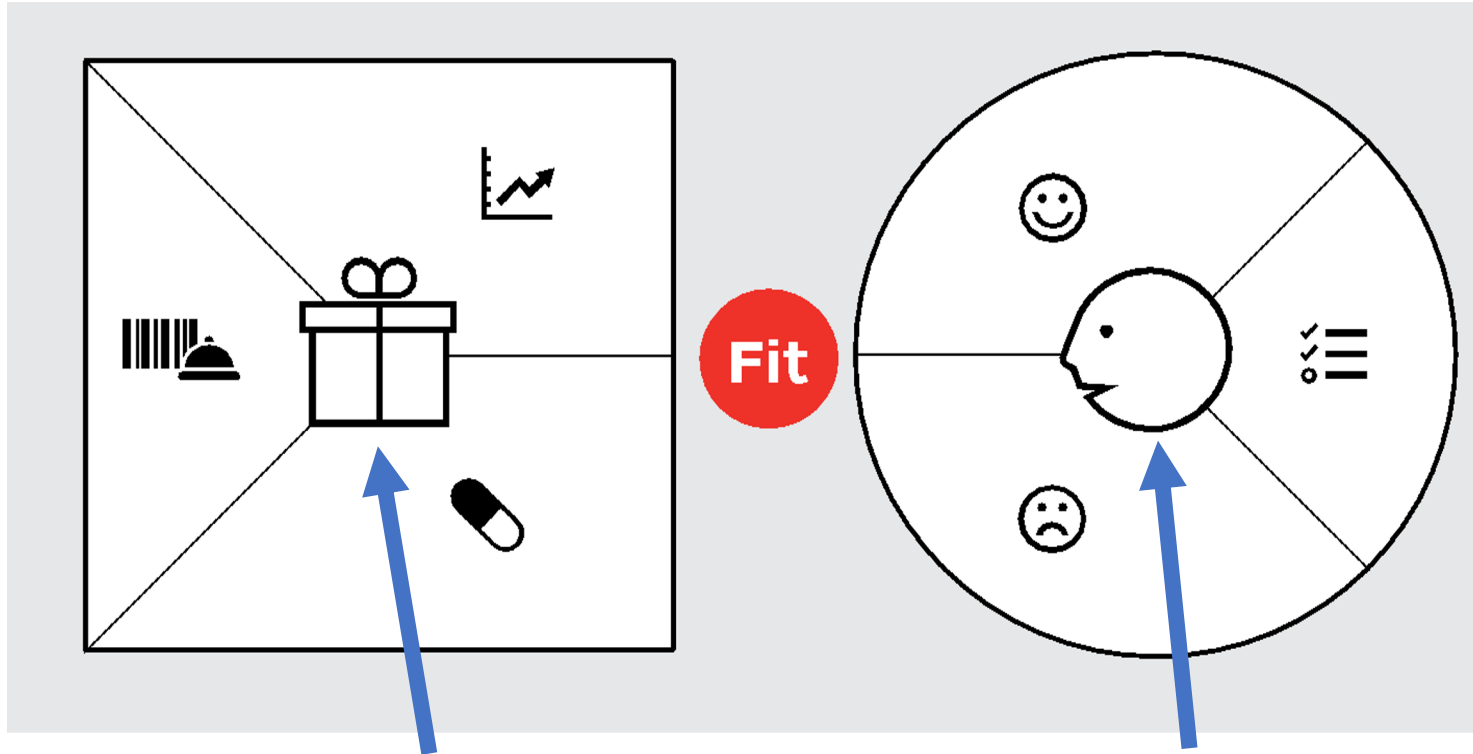
Alexander
Osterwald

WHO is the Customer and **WHY** do they buy?

Value Proposition Canvas

Identifying the Solution

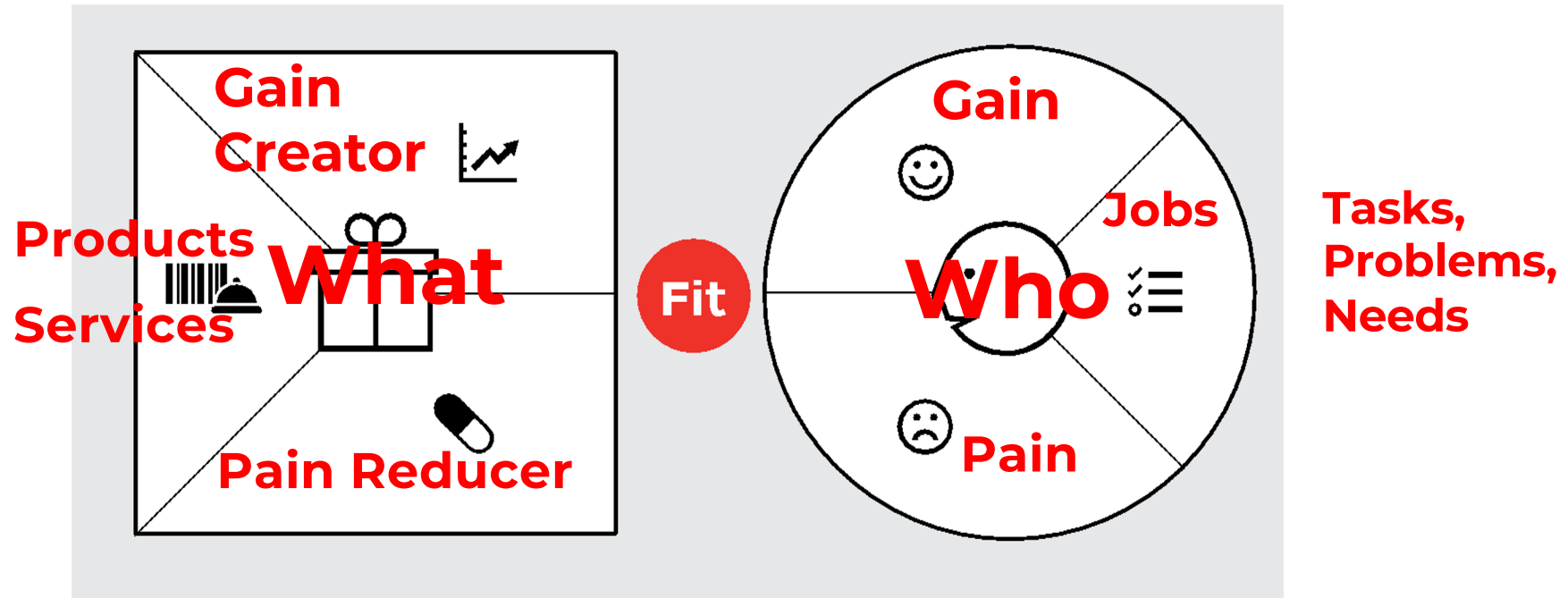
Defining the Problem



What
Your Innovation

Who
A person with a Role in
your ecosystem

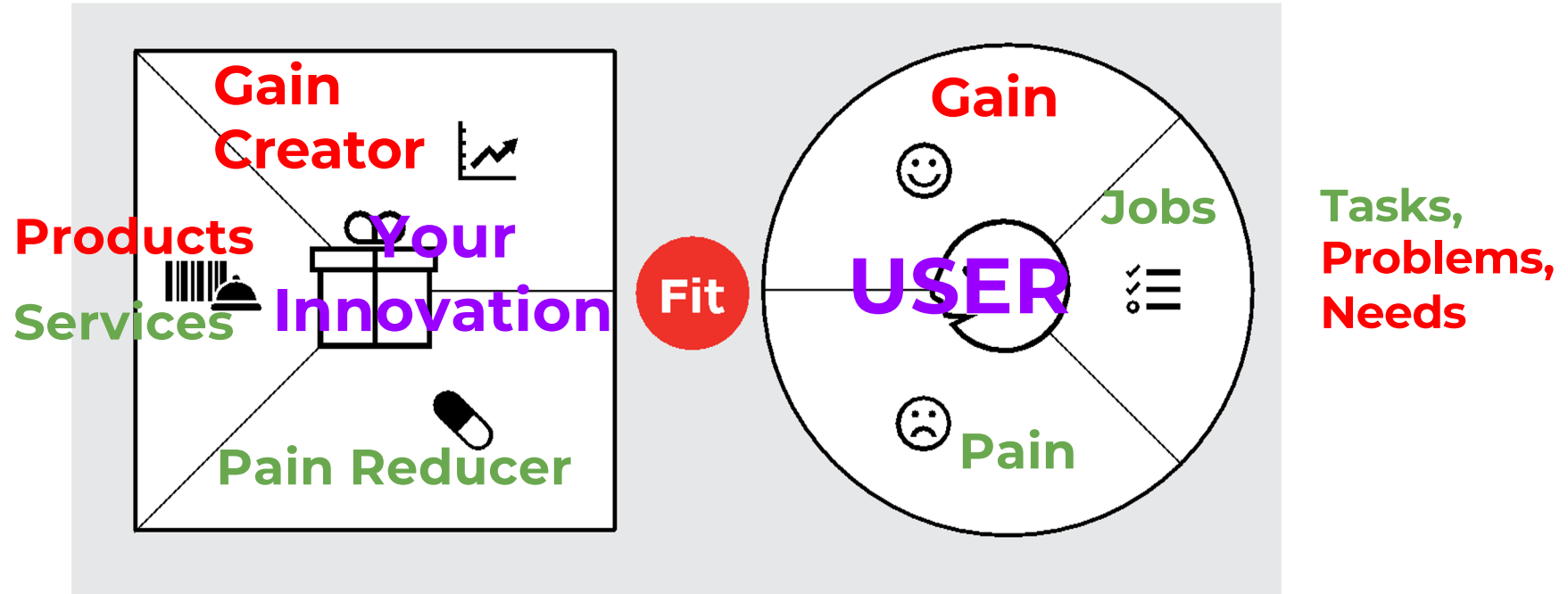
Value Proposition Canvas



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

A person with a Role in your ecosystem

Value Proposition Canvas

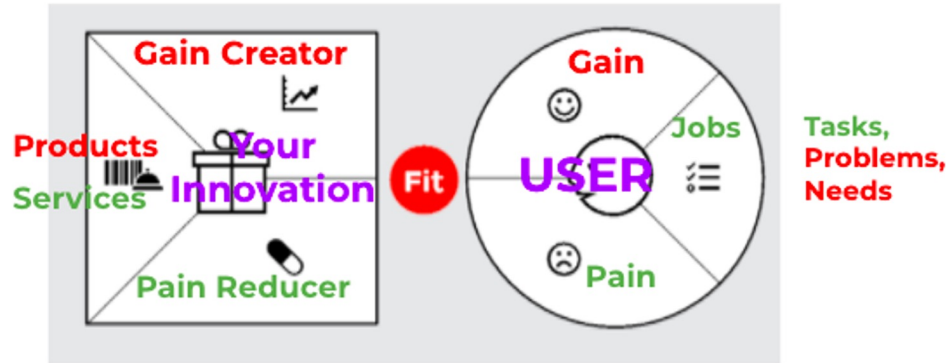


My **USER** must perform a difficult daily **TASK**. My innovative **SERVICE** provides a **PAIN REDUCER** that reduces their **PAIN** by X amount*.

*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

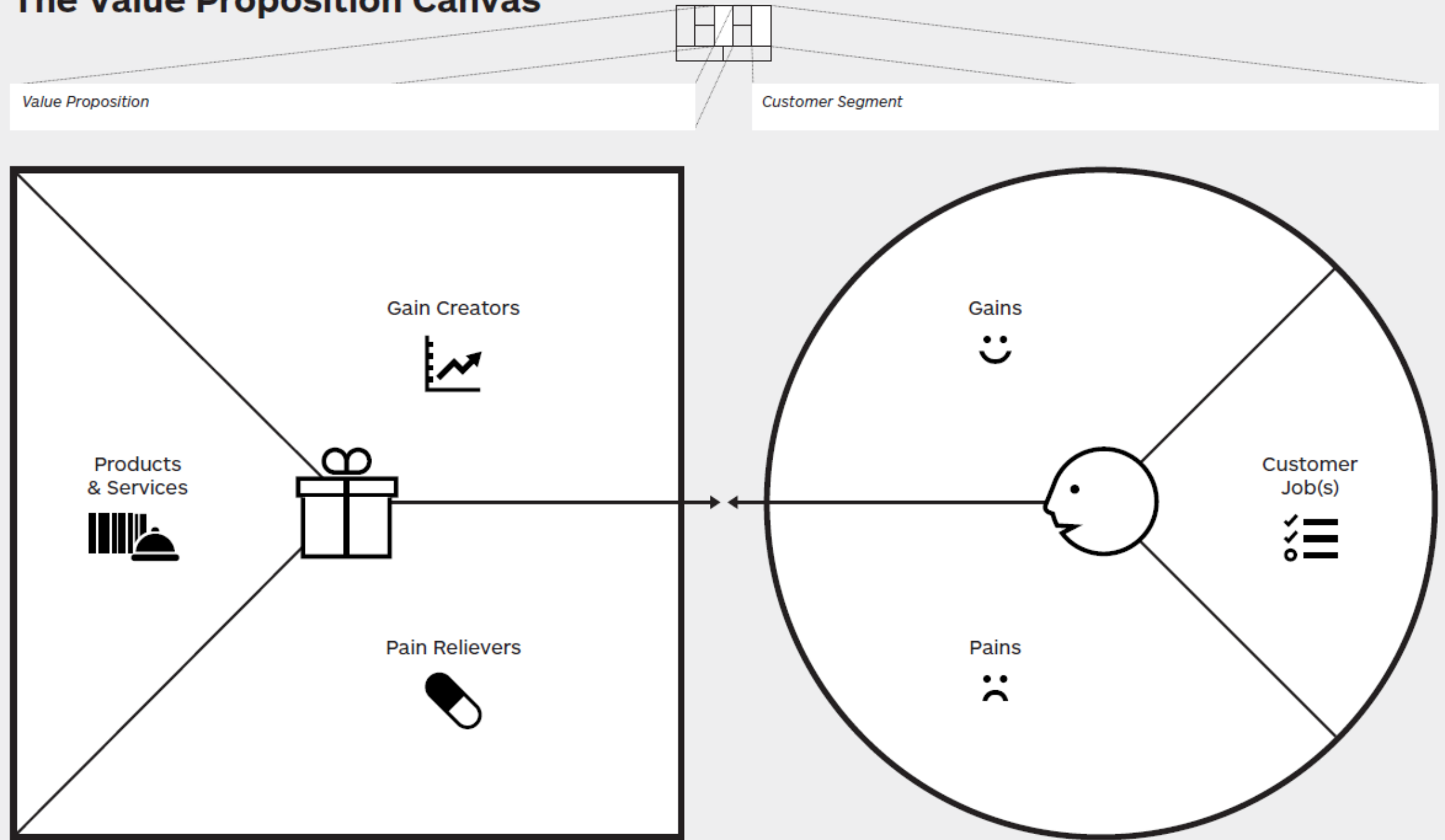
My **USER** must perform a difficult daily **TASK**. My innovative **SERVICE** provides a **PAIN REDUCER** that reduces their **PAIN** by X amount*.

*almost infinite combinations

What if you have 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?*

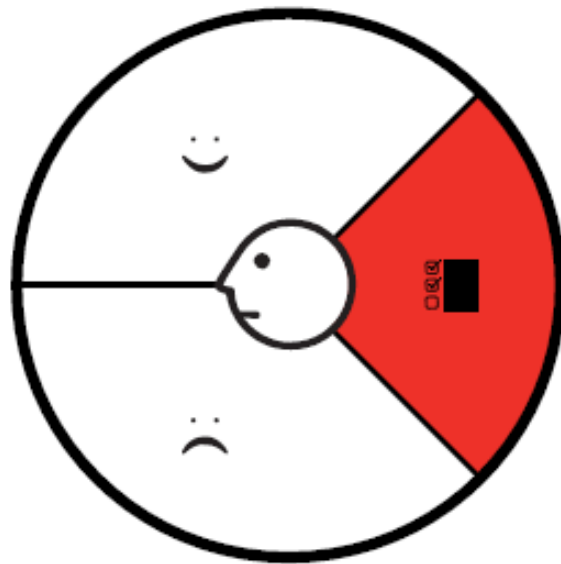
The Value Proposition Canvas



Focus on the right side first

customer jobs*

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



✓ Customer A

✓ Customer B

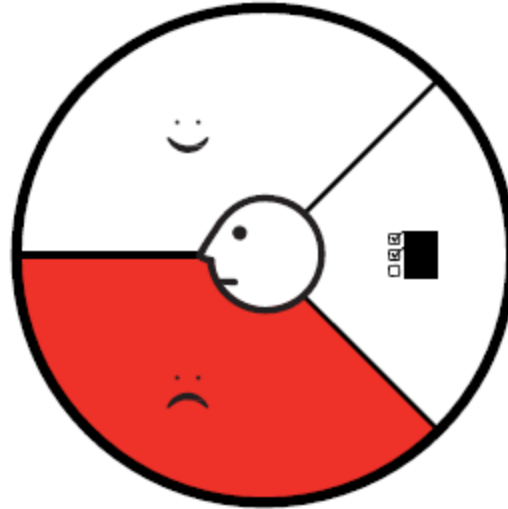
✓ Customer C

✓ 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

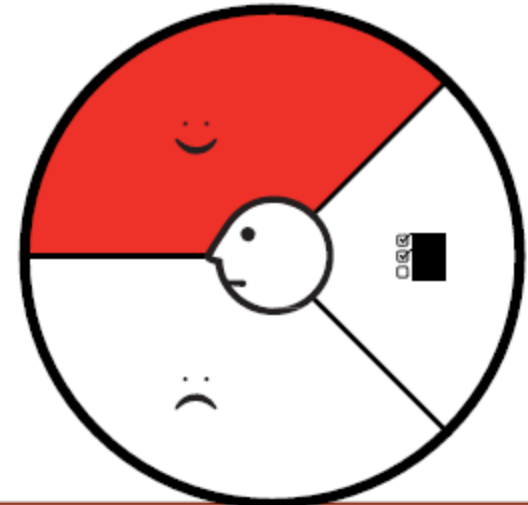
✓ Customer B

✓ 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?

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?

Some examples

R-Zero – Valued at \$500M+ in 2 years

- Dealing with Covid sanitation was a big issue for nursing home and schools
- Nursing homes and schools don't use ultraviolet light to disinfect because medical grade systems cost \$100k+
- Alternatives
 - Sanitizing surfaces by hand is labor intensive
 - HEPA filters only filter air
- Leasing mobile device for \$17/month that can zap room clean in minutes

Customer Segment

Customer Segment: Nursing homes

Gains:

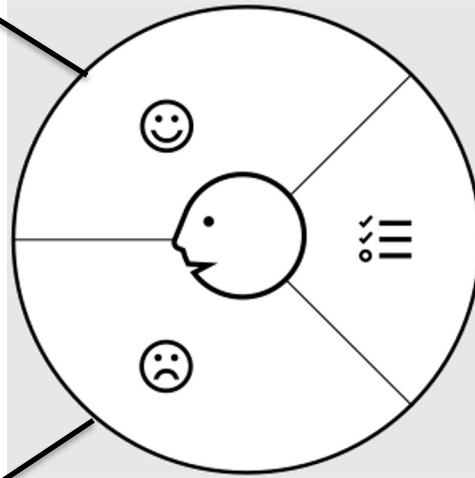
- Minimum labor required
- Safe for individuals
- Would like fast results
- No chemical odor

Pains:

- Hand sanitizing is takes a lot of labor
- Chemical sanitizers smell bad and may cause damage to surfaces
- Must wash soft surfaces.

Jobs To Be Done:

Sanitize surfaces particularly against pathogens like Covid



Albedo – raised \$58 less than 2 years from founding

- Precision agriculture, forestry management, power line wildfire prevention
 - Need high resolution optical and thermal imagery
 - Current satellite imagery is cheap but not high enough resolution
 - Expensive alternatives are drones, camera equipped Cessnas
- Very Low Earth Orbit satellites for imagery

Customer Segment

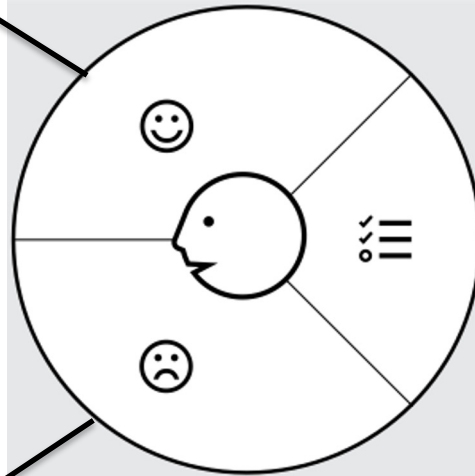
Customer Segment: Power companies with wildfire issues

Gains:

- Cost competitive with satellite imagery
- Can cover large areas quickly
- No people needed in field to survey

Pains:

- Satellite imagery resolution not good enough
- Drones are not reliable and have limited range
- Cessna based cameras are too expensive
- Drone and Cessna approaches are too labor intensive



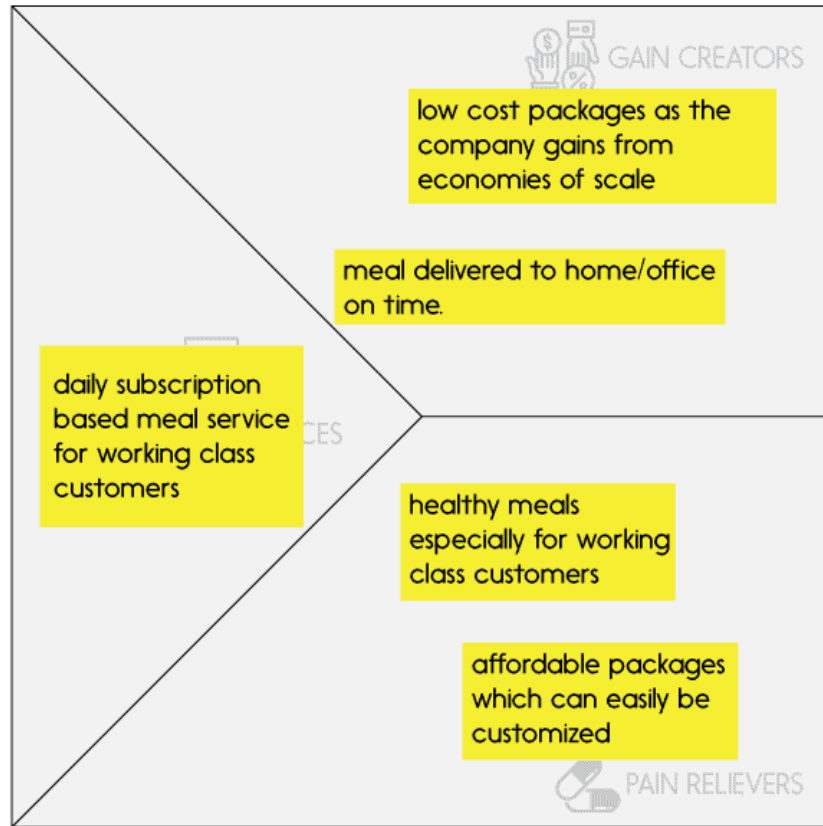
Jobs To Be Done:

High resolution imagery of power lines to facilitate wildfire prevention

Unhealthy Harvey

- Harvey is in his twenties and has recently got his job. He doesn't earn much and can't spend on a gym or other healthy habits. Since he has recently started living on his own, he doesn't know how to cook and usually eats fast food as it's cheap and doesn't take a lot of time to get served.

VALUE PROPOSITION CANVAS



GoPro example

Getting ready for Week 5

- Individual assignment – fill out both sides of VP Canvas for assigned company
- Team assignment – Meet as a team
 - Describe your target customer in two or three sentences.
 - Fill out the right side of the VP Canvas for your target customer
- Watch the Week 5 videos

Guest speaker – Joe Jablonski
Co-founder and Chief Product
Officer Ocident.

Joe Jablonski

- BSEE, Electrical Engineering from UIUC
- MBA, Finance from Kellogg
- Serial entrepreneur
 - Visibility Systems
 - Acumence LLC
 - WeGather
 - Endstor LLC
 - Ocient

