



## Value Proposition Design

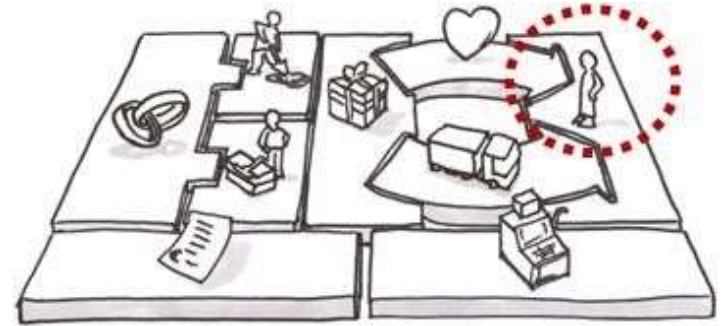
The Erasmus+ logo, which includes a stylized city skyline in the background and the text 'Erasmus+' in a bold, sans-serif font. The 'E' is gold, and the 'rasmus+' is blue. A hand holding a pen is visible in the foreground, appearing to write on a document.



- Understanding your customer and creating a customer profile
- Designing a value map that's fits with the customer demand
- Developing the customer segment and value proposition for the canvas
- Comparing your value proposition with competitor's offer

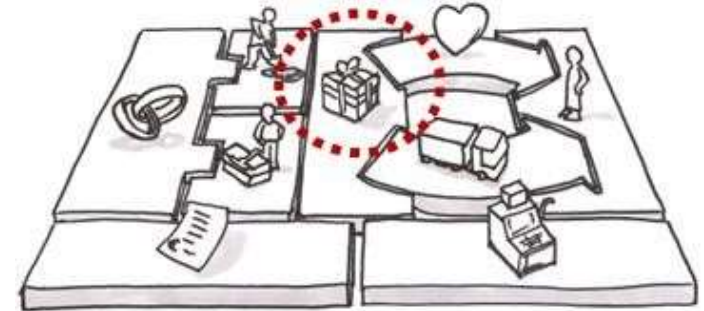
- Customer Segments and Value Proposition
- Creating a Customer profile
- Designing a Value map
- Benchmarking

- ❑ **Defining the different groups of people or organizations to reach**
- ❑ **Grouping customers into distinct segments with common needs, behaviors, or other attributes**
- ❑ **Customer groups represent separate segments if:**
  - Their needs require and justify a distinct offer
  - They are reached through different distribution channels
  - They require different types of relationships
  - They have substantially different profitability
  - They are willing to pay for different aspects of the offer



Source: Osterwalder et al. 2010

- Describing the bundle of products and services that create value for a specific Customer Segment
- Value Propositions may be innovative and represent a new offer or similar to existing offers (with added features and attributes)
  - Quantitative values: price, speed of service...
  - Qualitative values: design, customer experience...



Price  
Design  
Brand/status  
Cost reduction  
Accessibility  
Newness  
Convenience/usability  
Customization  
Performance  
Risk reduction  
“Getting the job done”

Source: Osterwalder et al. 2010

## Product/service benefit

### ❑ What can the product offer to customers?

Something ...

- ...that is good
- ...to feel good
- ...that makes me even better

That is good ...

Quality, benefit, etc.

i.e.: Symphony, Pran Frooto, Walton

To feel good ...

Narcissism

i.e.: #MakeYourSpace

or „Me and my Magnum“

That makes me even better...

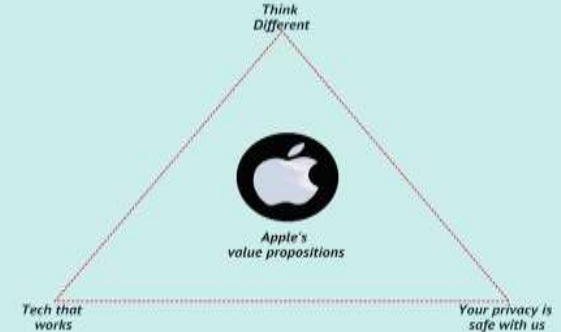
Self-enhancement, acceptance,  
group identity, etc.

i.e.: Ispahani Mirzapore Tea

or „Nike - Just do it“

### Apple's multi-sided value proposition

Apple is a tech giant, and as such, it encompasses a set of value propositions that make Apple's brand recognized, among consumers. The three fundamental value propositions of Apple's brand leverages on the "Think Different" motto; reliable tech devices for mass markets; and in 2019, Apple also started to emphasize more and more about privacy to differentiate from other tech giants.



## Product/service benefit

- ❑ **Understanding the patterns of value creation**
  - Organizing information about what customers want in a simple way that make the patterns of value creation easily visible
  
- ❑ **Value Proposition Design works for:**
  - New ventures
  - Established organizations

## Two sides of the Value Proposition Canvas

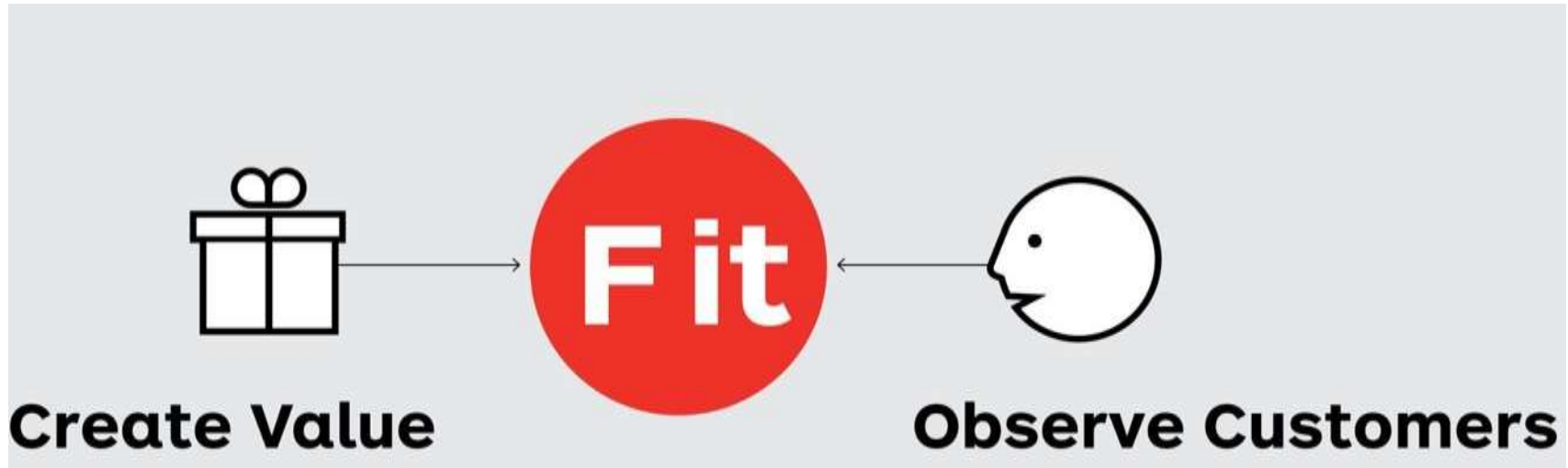
### Customer Profile

- To clarify your customer understanding

### Value Map

- To describe how you intend to create value for that customer



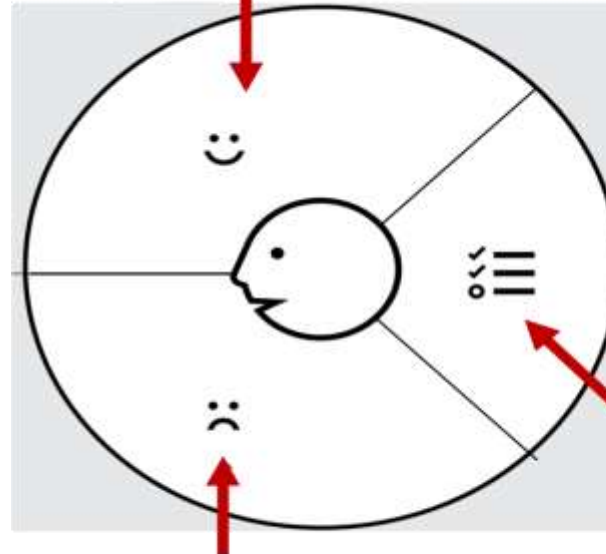


The set of value proposition **benefits** that you **design** to attract customers.

The set of customer **characteristics** that you **assume, observe, and verify** in the market.

The Customer (Segment) Profile describes a specific customer segment in your business model in a more detailed way (jobs, pains, and gains)

**Gains** describe the additional benefits the customers may seeking



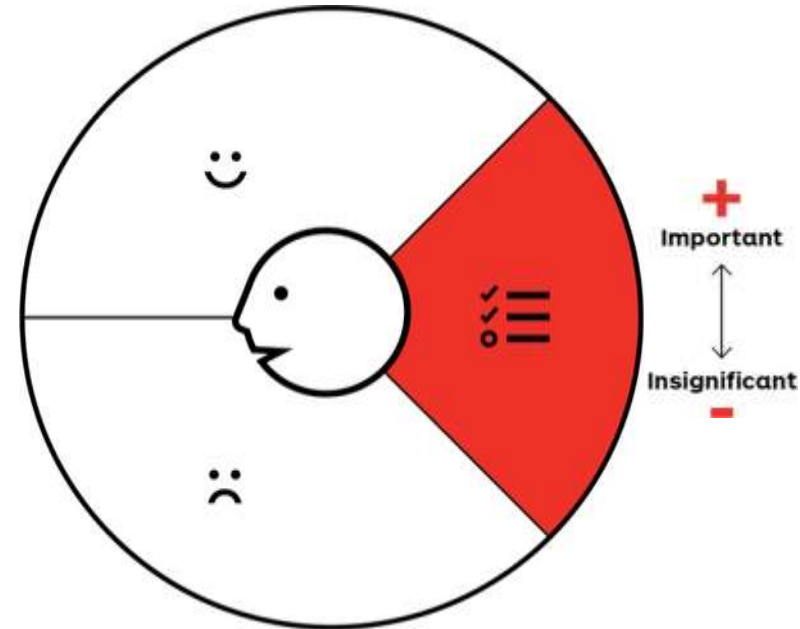
**Customer Jobs** describe what customers are trying to get done in their work and in their lives, as expressed in their own words

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

Modified from Osterwalder et al. (2014)

## Customer's jobs describe the things your customers are trying to get done in their work or in their life

- ❑ **Functional jobs**
  - When customers complete a specific task
- ❑ **Social jobs**
  - How customers want to be perceived by others
- ❑ **Personal/emotional jobs**
  - When customers seek a specific emotional state
- ❑ **Supporting jobs**
  - Buyer of value, co-creator of value, transfer of value
- ❑ **Job context**
  - Constraints or limitations



Source: Osterwalder et al. 2014

**Pains describe anything that annoys your customers before, during, and after trying to get a job done (obstacles, risks etc.)**

**❑ Undesired outcomes, problems, and characteristics**

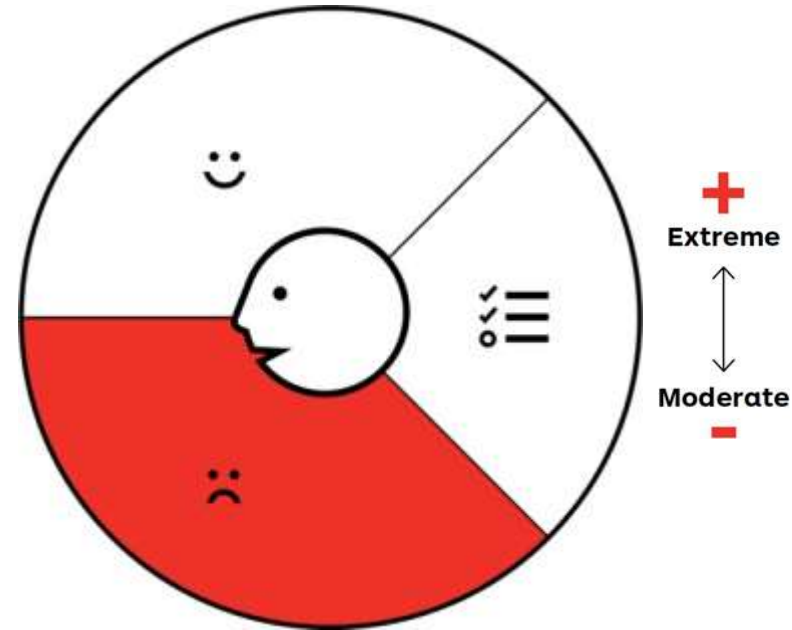
- Functional >>a solution doesn't work
- Social >>customer looks bad doing this
- Emotional >>customer feels bad doing this
- Undesired >>doing this is boring

**❑ Obstacles**

- Prevention >>customer lacks the time

**❑ Risks (undesired potential outcomes)**

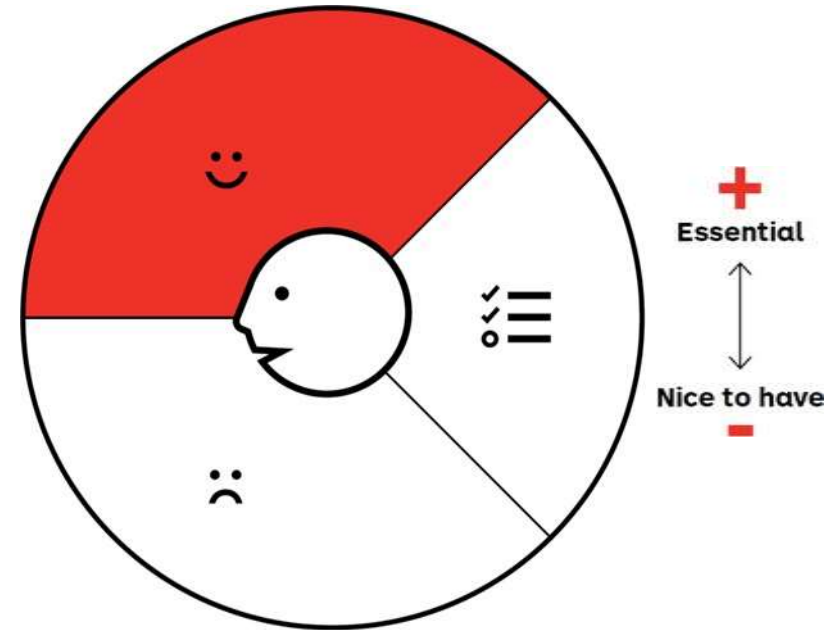
- Negative consequences >> customer might lose credibility doing this



Gains describe the additional benefits your customers may want.

□ **Additional benefits that customers desires or would be surprised**

- Functional utility
- Social gains
- Positive emotions
- Cost savings





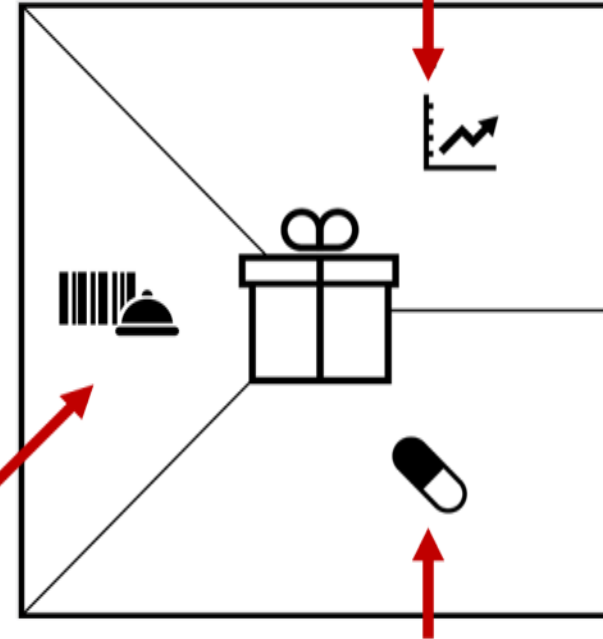
- Mixing several customer segments into one profile
- Mixing jobs and outcomes
- Focusing on functional jobs
- Identify too few jobs, pains and gains
- Being too unprecise in description of pains and gains



- One value proposition for each customer segment
- Jobs: Tasks, Problems to solve, needs to satisfy / Gains: Concrete outcomes to achieve or avoid
- Include also social and emotional jobs
- A good customer profile should be full of sticky notes
- Make gains and pains tangible (How long is „too long“)

Features of a specific value proposition in your business model in a more detailed way (products and services, pain relievers, and gain creators)

**Gain Creators** describe how your products/services create customer gains.



List of all **Product/Service Characteristics** a value proposition is built around

**Pain Relievers** describe how your products/services alleviate

The list of what you offer, all the service characteristics your customers can see in your “shop window”.

## □ Basis characteristics

- “Must have”
- Not mentioned by the clients
- The supplier does not advertise them
- Represent a market “threshold”

## □ Performance characteristics

- Essential decision-factors for the customer
- Directly compared to the ones of the competitors
- Directly related to the customers’ satisfaction
- Clients are disappointed if the functionality or quality decline





**Pain relievers describe how exactly your services alleviate specific customer pains.**

- ❑ **Elimination or reduction of the things that annoy your customers before, during, or after they are trying to complete a job or that prevent them from doing so**
- ❑ **Great value propositions focus on pains that matter to customers, in particular extreme pains**
  - No need for pain reliever for every pain you've identified in the customer profile
- ❑ **Focus only on few pains that they alleviate extremely well**



Gain Creators describe how your services create additional customer gains.

- ❑ Contribute to long term customer loyalty
- ❑ Unexpected benefits: they are not missed when they are absent
- ❑ May cause enormous satisfaction
- ❑ Focus on relevance for customers and where your services can make a difference





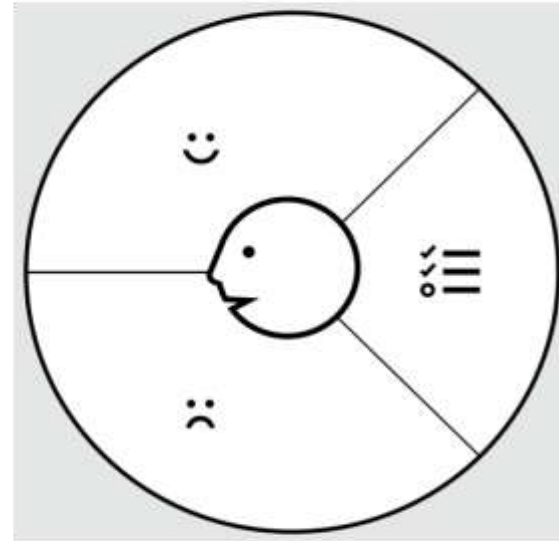
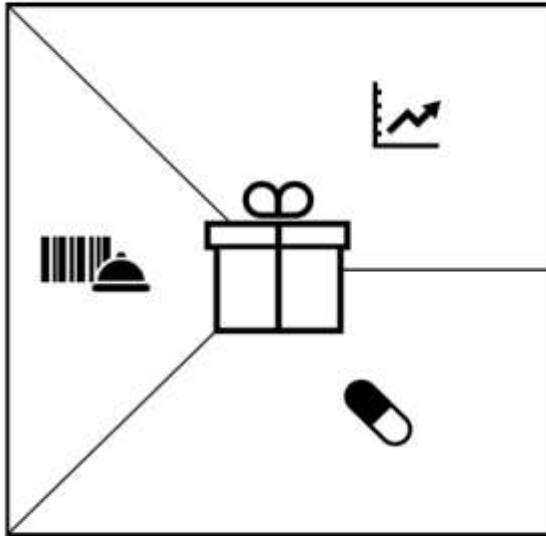
- ❑ List all your products and services for all customer segments
- ❑ Add products and services to the pain relievers and gain creator's field
- ❑ Offer pain relievers and gain creators that have nothing to do with the pains and gains of the customer profile
- ❑ Try to address all customer pains and gains



- ❑ List only the bundle of products and services that jointly form a value proposition for a specific customer segment
- ❑ Pain relievers and gain creators are explanations or characteristics that of your product/service („helps save time, „well-designed“)
- ❑ Products and services create value relative to customer jobs, pains and gains
- ❑ Great value propositions are about making choices (be honest not unrealistic)

## Getting the customer excited about your value proposition

Are you **addressing** essential customer **gains and pains**?



Are you **addressing** the **relevant jobs** for the customer to get done?

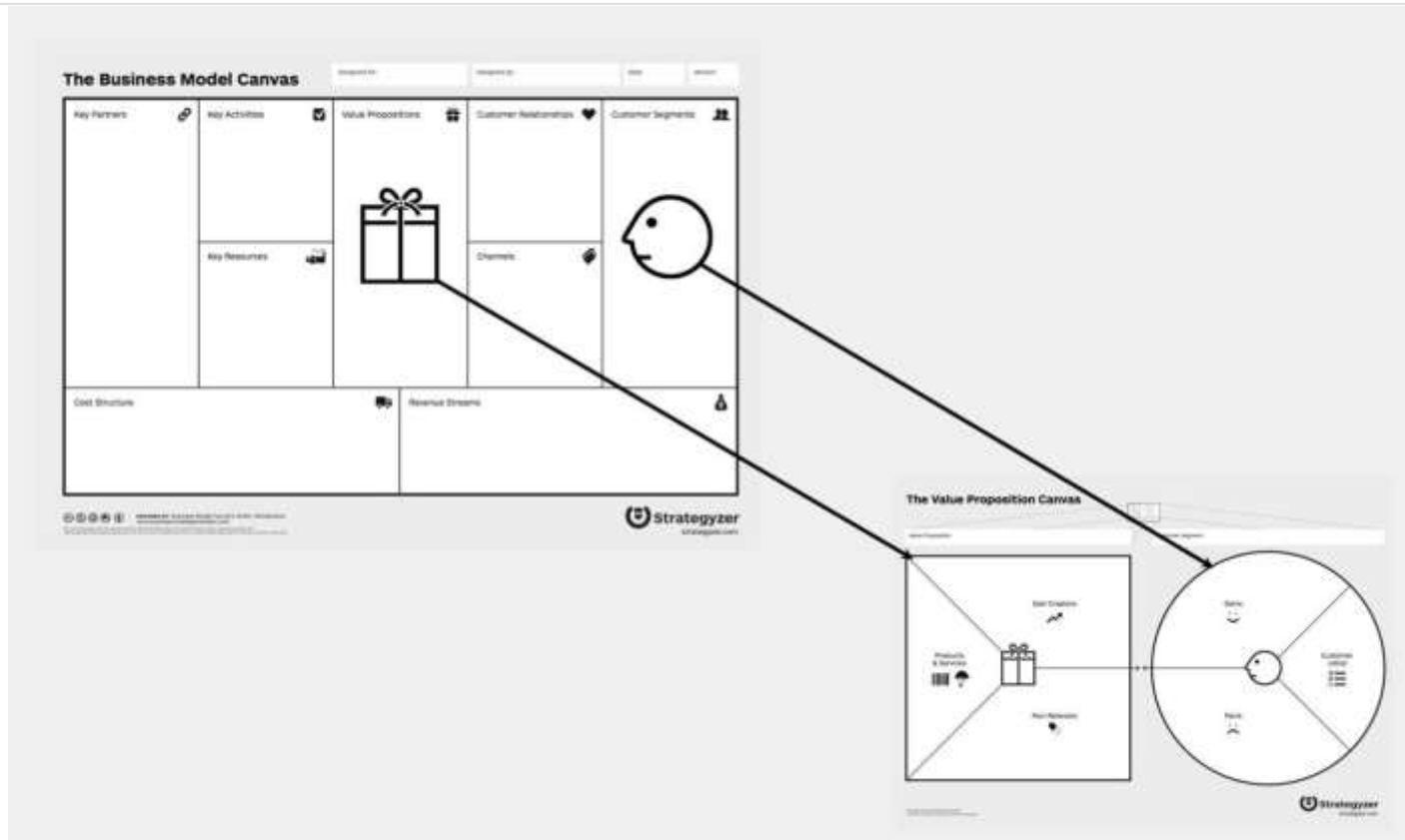
- ❑ Business models with a combination of several value propositions and customer segments
- ❑ Fit between each value proposition and its respective customer segment
- ❑ Example: SlowHop-Platform
  - SlowHop-Platform using the interaction between owners of unique, isolated places to rent and travelers looking for accommodation to „switch off”
  - Need to hold two value propositions, for the host and the traveler



SLOWHOP



Hey, book a charming accommodation or an exciting expedition!



Source: Osterwalder et al. 2014

## Benchmark for comparisons





### “Best-Practice-Company”/“Best-In-Class-Company”

#### ❑ Continuous comparison of:

- Products
- Services
- Operational methods and processes

#### ❑ Objectives:

- Answer to the question: What characterizes the “best”?
- Identification of own weaknesses
- Motivation through learning from the best

|            | COMPETITOR 1  | COMPETITOR 2  | COMPETITOR 3  | MY PRODUCT  |
|------------|---|---|---|---|
| Criteria 1 | 1   | 3   | 5   | 4   |
| Criteria 2 |  |  |  |  |
| Criteria 3 |   |   |   |   |
| Criteria 4 | -   | +   | +++   | ++  |
| Criteria 5 |   |   |   |   |



# BENCHMARKING TABLE - RESTAURANT

| Criteria               | Weight      | Competitor 1 | Competitor 2 | Competitor 3 | My Company  |
|------------------------|-------------|--------------|--------------|--------------|-------------|
| Availability of tables | 10%         | 8            | 8            | 7            | 8           |
| Staffs' friendliness   | 10%         | 6            | 8            | 8            | 8           |
| Cleanliness            | 20%         | 5            | 7            | 6            | 8           |
| Price                  | 10%         | 6            | 9            | 8            | 6           |
| Food Variety           | 15%         | 8            | 8            | 7            | 3           |
| Food Taste             | 35%         | 5            | 10           | 7            | 8           |
| <b>Total Score</b>     | <b>100%</b> | <b>5.95</b>  | <b>8.60</b>  | <b>7.00</b>  | <b>7,05</b> |



- ❑ Osterwalder, A. et al. (2014): **Value Proposition Design: How to Create Products and Services Customers Want**, New York: John Wiley & Sons
- ❑ Osterwalder, A. et al. (2010): **Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers**, New York: John Wiley & Sons

