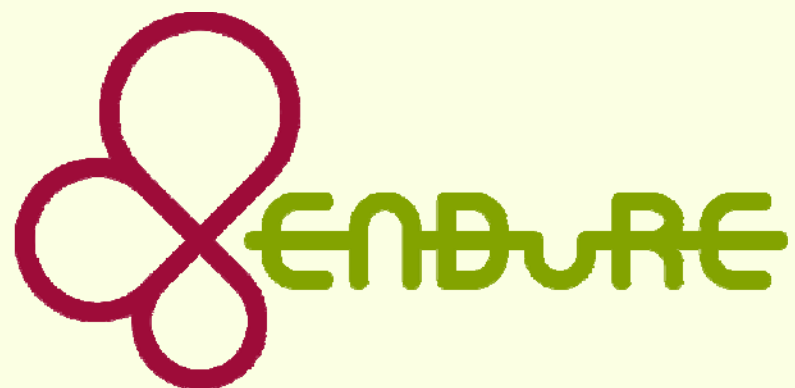




Go to market



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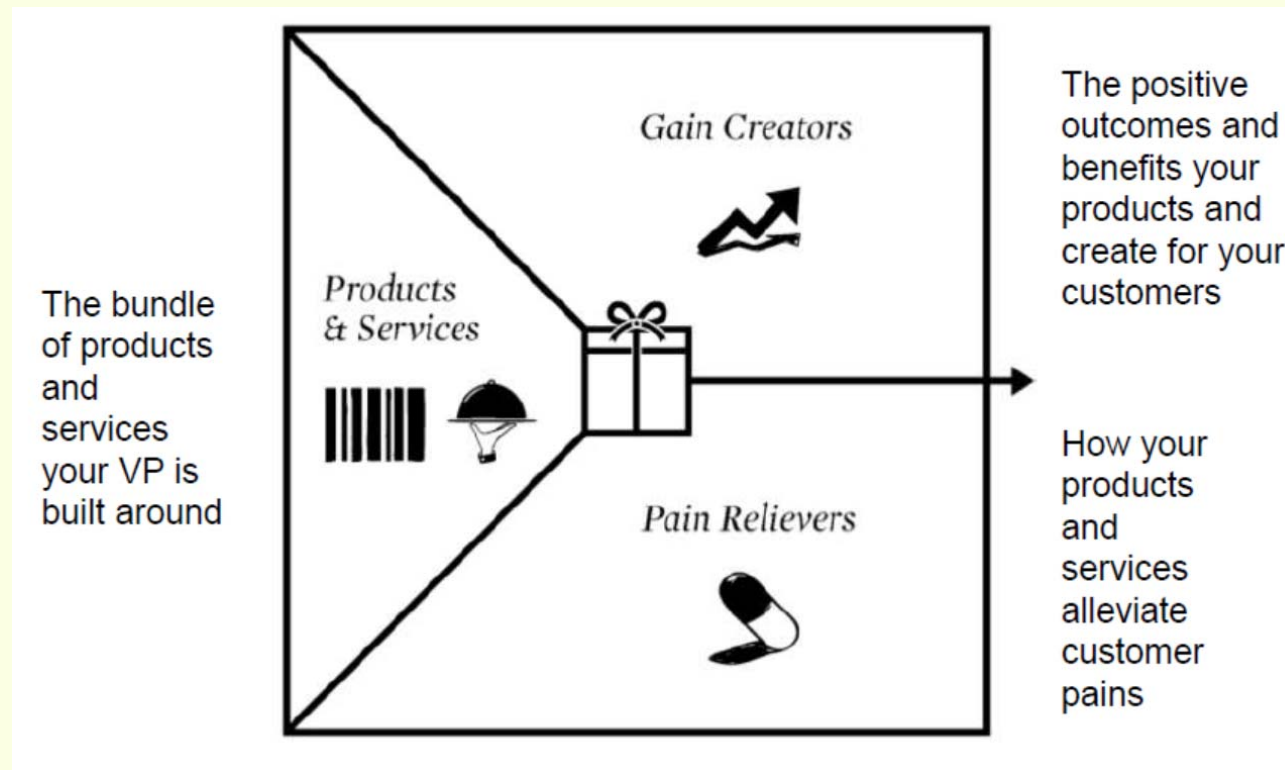
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Value Proposition Map



Problem-Solution 'Fit'



Product-Market 'Fit'

“Your customers are judge, jury and executioner of your value proposition...”

  **Products & Services**



 **Jobs to be done**

What are the functional, social, emotional jobs that customers are trying to get done?

 **Pain relievers**



 **Pains**

What are the things that annoy, frustrate or get in the way of getting a job done?

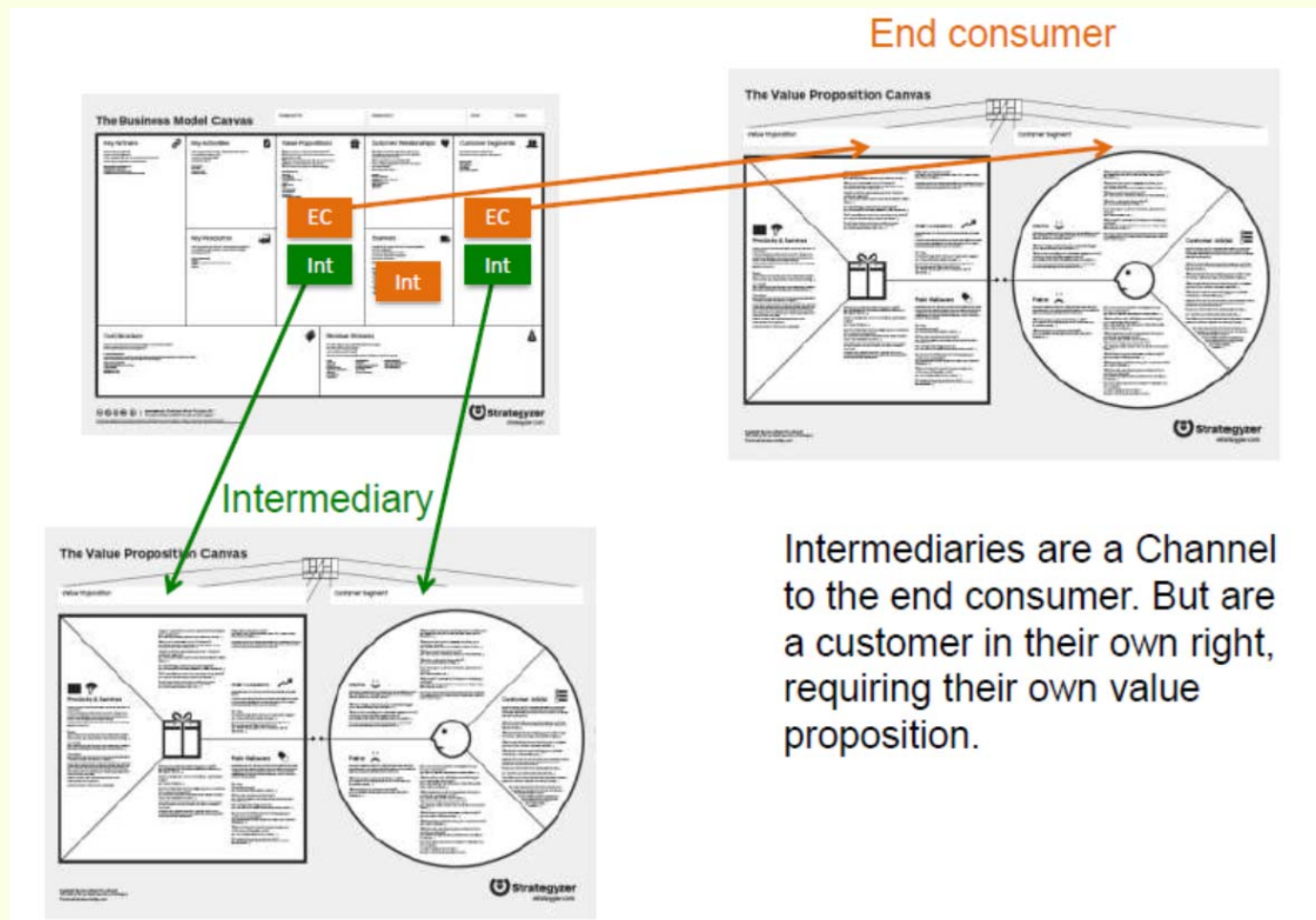
 **Gain creators**



 **Gains**

What are the functional, social and emotional outcomes and benefits that customers need, expect, desire or would love?

Intermediated Business 'Double-fit'



Which Customers?

- **Consumer markets can be segmented by:**
 - Demographics
 - Geography
 - Psychographics
 - Behavioral
 - Sociocultural
 - Hybrids of the above
- **B2B markets by:**
 - Type of business (manufacturer, retailer, wholesaler, service provider)
 - SIC / NAICS Code
 - Size of Business
 - Financial Strength
 - Number of Employees
 - Location
 - Structure
 - Sales Level



Michael Porter's Model

A value proposition answers three questions:

**Which
customers?**

WHAT END USERS
AND CHANNELS?

**Which
needs?**

WHICH PRODUCTS,
SERVICES, FEATURES?

**What
relative
price?**

PREMIUM OR
DISCOUNT?

Example

SEGWAY: WHAT HAPPENED?

Cover more ground. Be more productive. Move more intelligently.

- Revolutionary/disruptive transportation device with serious “cool factor” never reached its expected potential
- It's value proposition didn't resonate:
 - Failure to properly segment the market: they targeted basically everyone
 - The problem they were solving was vague: “need” was missing
 - The product couldn't change behavior: We are hooked on cars
 - At \$5,000 priced too high for most



Customer Segmentation Examples

- Walmart – Geography (underserved rural areas with populations between 5,000 and 25,000)
- Progressive – Demographics (“nonstandard” or “high risk” drivers)
- Edward Jones – Behavioral (consumers who delegated financial choices or who needed a high degree of “hand holding” with financial advisors)



(Source: Understanding Michael Porter: The Essential Guide to Competition and Strategy
by Joan Magretta, 2011, Harvard Business Review)



Customer Needs Examples

- **Enterprise – Renting cars meets different needs at different times**
 - Fairly-priced convenient, home city rentals primarily for non business purposes
- **ZipCar – People who choose not to own a car but who occasionally need to use one**
 - Also based on home city, but for different needs



(Source: Understanding Michael Porter: The Essential Guide to Competition and Strategy by Joan Magretta, 2011, Harvard Business Review)

Relative Price Examples

- **NetJets** – Serves an “underserved” clientele who want enhanced service vs flying first class
 - Steep, steep premium
- **Southwest** – Serves an “overserved” customer base who prefers less frills and lower fares with a side order of convenience



(Source: *Understanding Michael Porter: The Essential Guide to Competition and Strategy* by Joan Magretta, 2011, Harvard Business Review)

Great Brands, Great VPs, Customer, Needs, or Price?

- Harley Davidson
 - "Harley-Davidson stands for independence, freedom, individuality, expressing one's self, adventure on the open road, and experiencing life to its fullest. This is what people are buying when they buy a Harley."
- FedEx
 - "When your package absolutely, positively has to get there overnight"
- Walmart
 - Leader in low prices and huge selection
- Nordstrom
 - "While Nordstrom was growing nationally, it focused on catering to customers' needs, individually. Instead of categorizing departments by merchandise, Nordstrom created fashion departments that fit individuals' lifestyles."
- McDonald's
 - As introduced by their founder, Ray Kroc, many years ago: "friendliness, cleanliness, consistency, and convenience."

In B2B Markets

- **All benefits**

- Lists all benefits whether they matter to customer or not
- Requires least knowledge of customer or competitors

- **Favorable points of difference**

- Recognizes the customer has an alternative
- Requires an intense understanding of competitive offering
- Points of difference may deliver little value to the customer

- **Resonating focus**

- The “gold standard”
- Firm delivers value on the criteria which matter most to target customers
- Can demonstrate and document the superior value



B2B Example #1

SUPPLIER: Paint Manufacturer

CUSTOMER SEGMENT: Painting Contractors

KEY CUSTOMER CHALLENGE: Cost of Labor

KEY INSIGHT DISCOVERED: Cost of paint is just 15% of total costs

VALUE DELIVERED TO CUSTOMER: Paint that dries so quickly two coats can be applied per day, greatly reducing labor costs

RESULT: Customer switched products and paid a 40% premium on price for it



B2B Example #2

SUPPLIER: Plastics Mold Manufacturer
CUSTOMER SEGMENT: Medical Device

KEY CUSTOMER CHALLENGE: Sticking Parts
KEY INSIGHT DISCOVERED: Customer not using release agents or coated molds

VALUE DELIVERED TO CUSTOMER: Mold manufacturer developed a custom solution that reduced sticking parts by 99.5%

RESULT: Received 85% of the business while also charging 10% premium on the molds

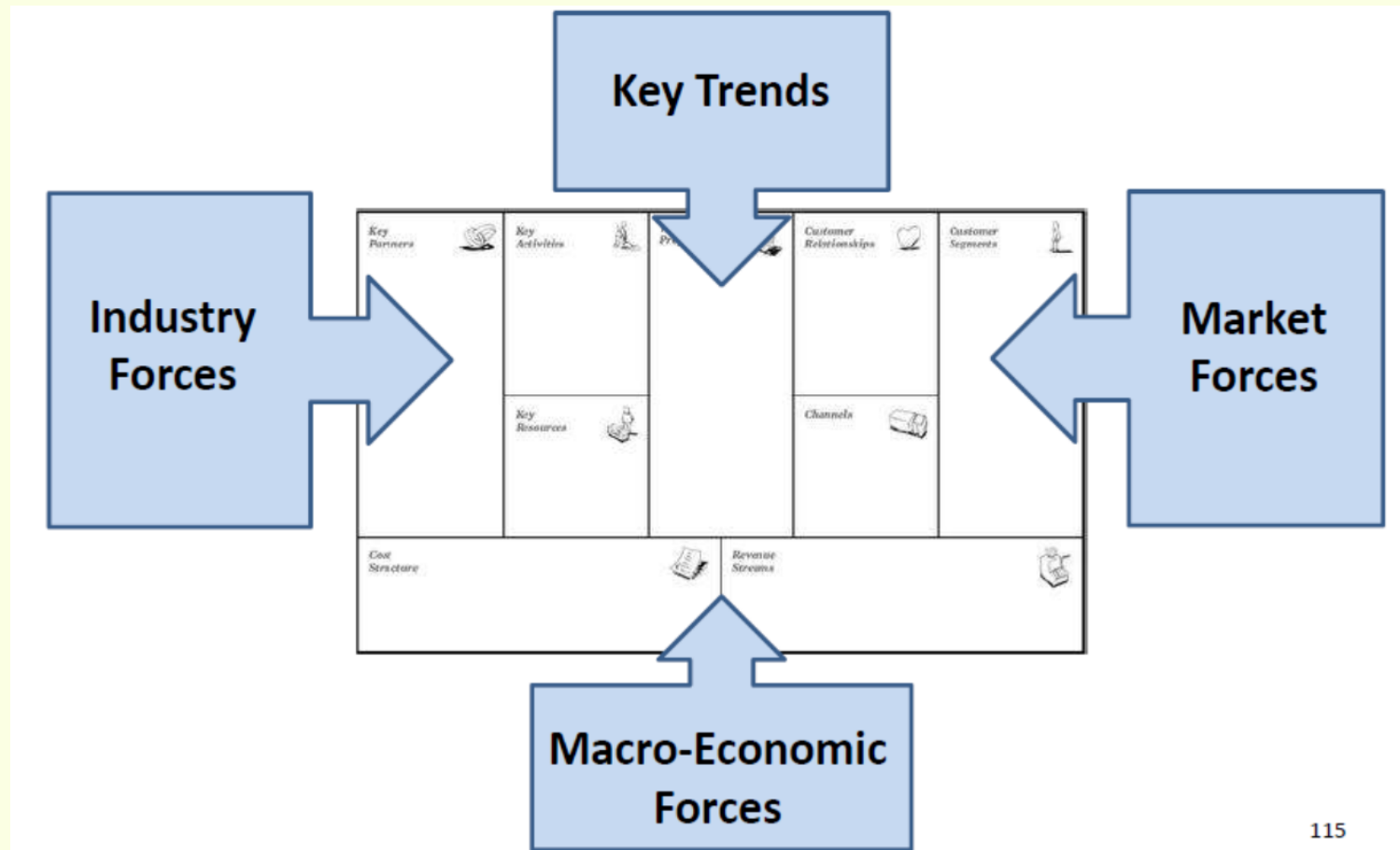


Value Proposition Summary

Your value proposition must...

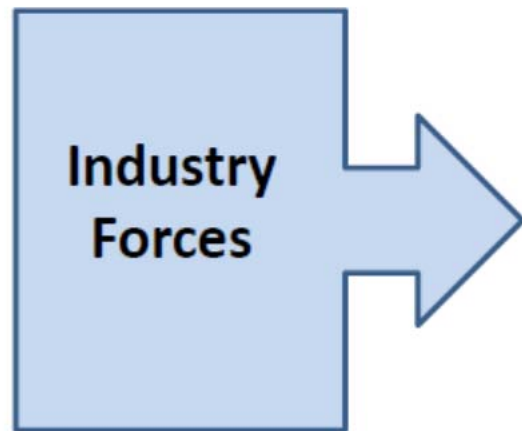
- ✓ Be based on what the customer perceives will add value
- ✓ The firm's value chain must be specifically tailored to deliver the value proposition
 - i.e. Activities that a firm performs in order to deliver something of value (product or service)
- ✓ It must be based on truth, not “marketing spin”
- ✓ Must address a specific customer segment
- ✓ In most cases will address relative price

External Forces Shape The Business Model



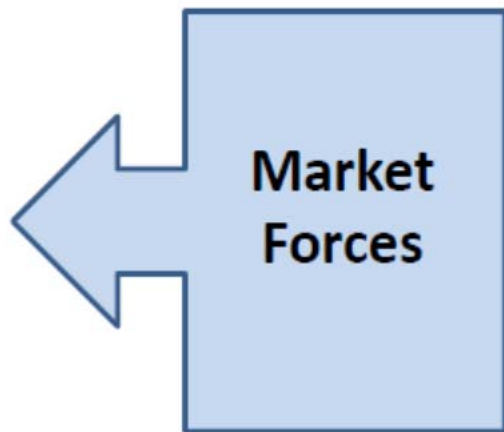
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Industry Forces



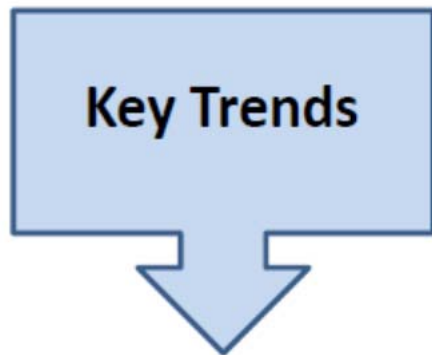
- Suppliers and other value chain actors
- Stakeholders
- Competitors (incumbents)
- New Entrants (Insurgents)
- Substitute products and services

Market Forces



- Market segments
- Needs and demands
- Market issues
- Switching costs
- Revenue attractiveness

Key Trends



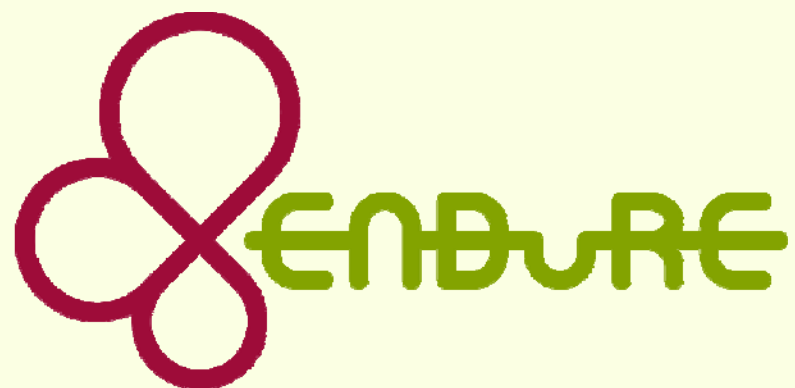
- Technology trends
- Regulatory trends
- Societal and cultural trends
- Socioeconomic trends

Macro-Economic Forces



- Global market conditions
- Capital markets
- Commodities and other resources
- Economic infrastructure

DISCUSSION



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