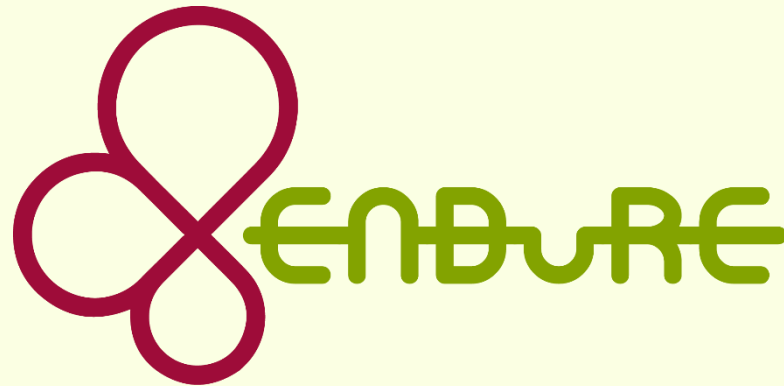




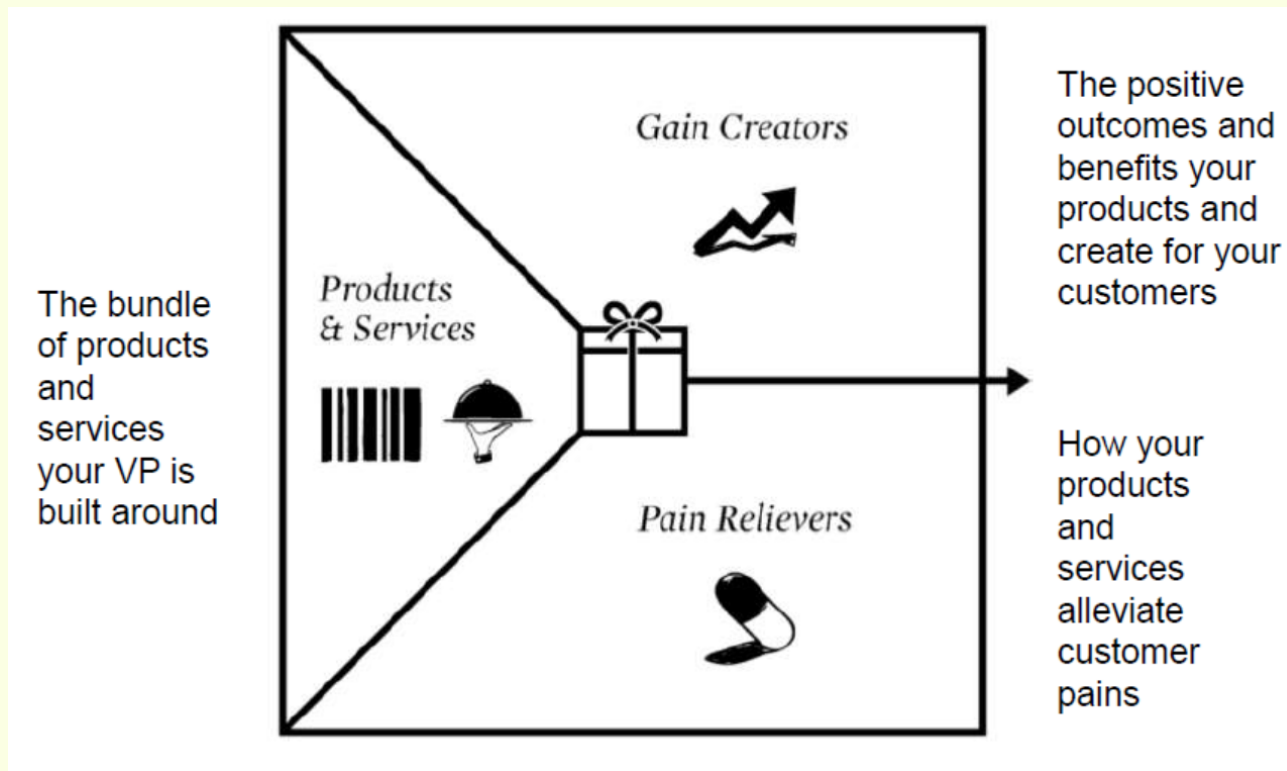
Pains & Gains, Value Proposition, B2B



Co-funded by the
Erasmus+ Programme
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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?



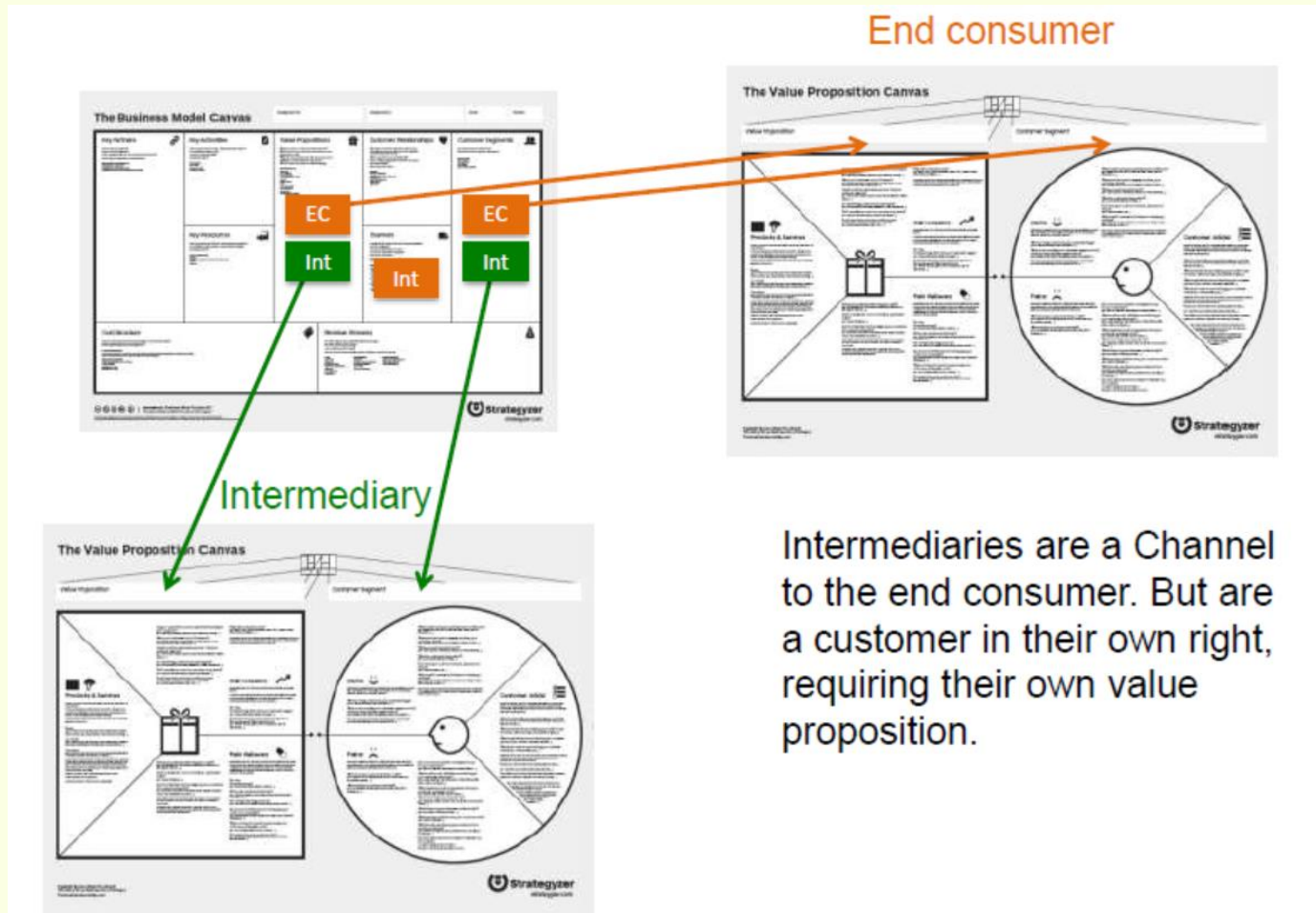
Gain creators



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

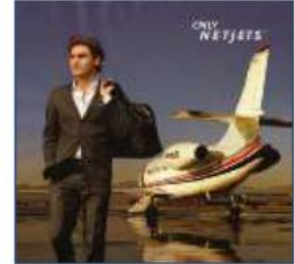
- **Enterprise – Renting cars meets different needs at different times**
 - Fairly-priced convenient, home city rentals primarily for non business purposes
- **ZipCar – People who choose not to own a car but who occasionally need to use one**
 - Also based on home city, but for different needs



(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

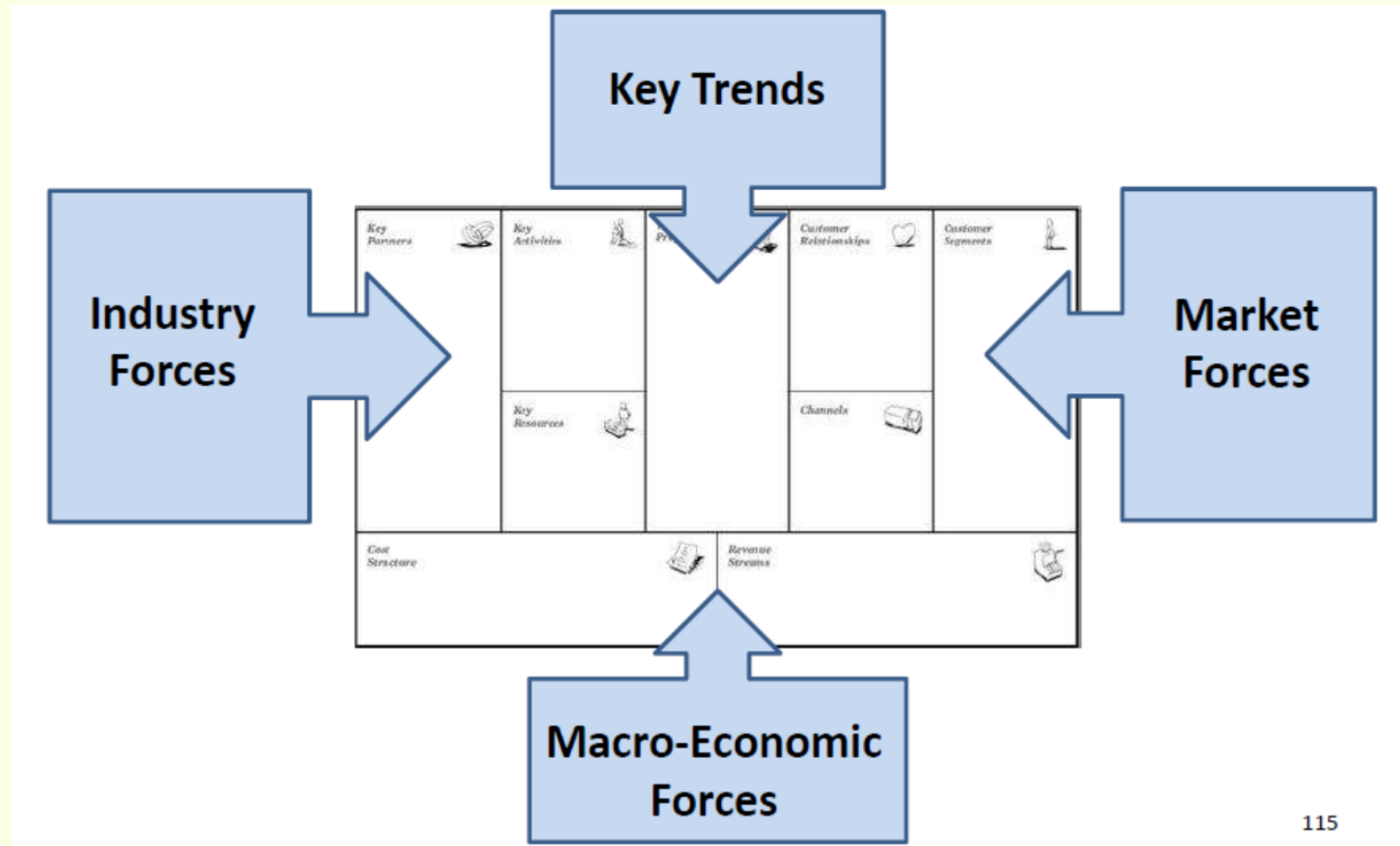


Value Proposition Summary

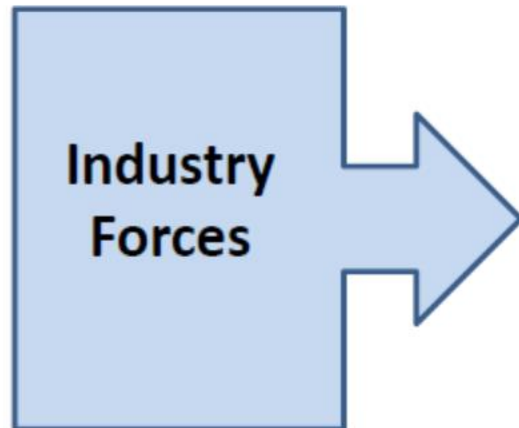
Your value proposition must...

- ✓ 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

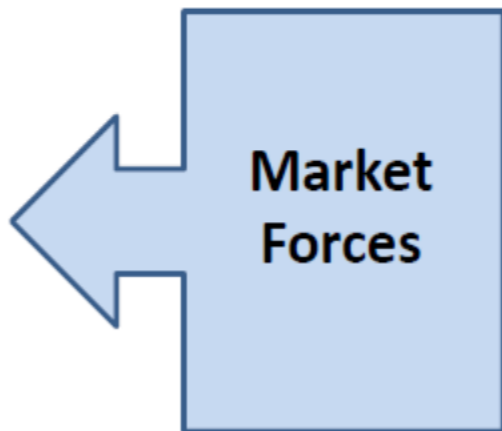


Industry Forces



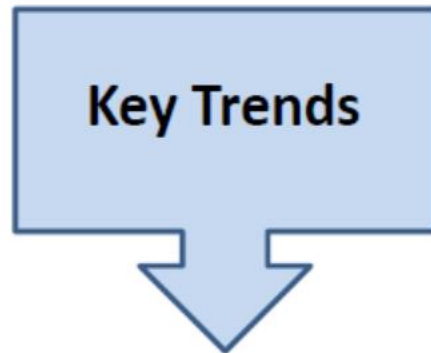
- Suppliers and other value chain actors
- Stakeholders
- Competitors (incumbents)
- New Entrants (Insurgents)
- Substitute products and services

Market Forces



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

Key Trends



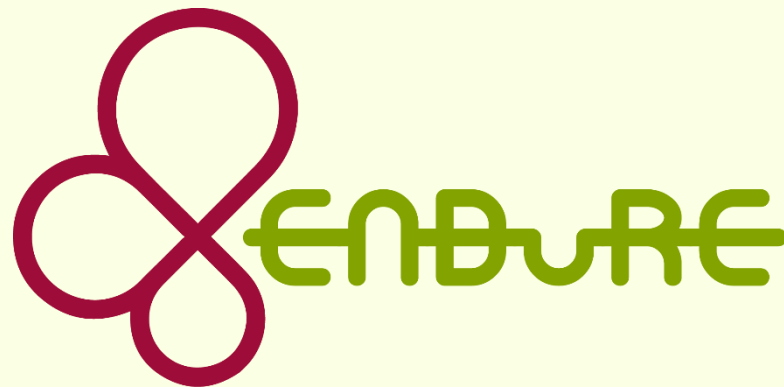
- Technology trends
- Regulatory trends
- Societal and cultural trends
- Socioeconomic trends

Macro-Economic Forces



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

DISCUSSION



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