

Course title: Creating Innovative Business Models

Lecture 1. Value Proposition

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So Far, You Have...

- Defined the Problem your Team is Solving
 - Problem Statement
 - Who is affected by problem?
 - How are they affected by problem?
 - Why is it important to solve this problem?
- Assessed the Opportunity
 - Who currently addresses this problem?
 - How is the current solution delivered?
 - How effective is the current solution?
 - What can be improved? Alternative approach?

Now We Discuss Value

- Customer Value
 - Including patients, clients, customers
 - The groups who are affected by the problem

Now We Discuss Value

- Business Value
 - How you will operationalize your solution
 - How you will support/sustain your solution

Question Addressed Today

- What part of the problem are you trying to solve?
- What value do you deliver to the affected group?
- What are the costs / revenues associated with your solution?
- How will you sustain your solution?

It Takes A Community . . .

You must build a sustainable organization to help solve real-world problems and provide value to constituents (customers) over time.

What Is A Business Model?

A business model describes
the rationale of how an

ORGANIZATION

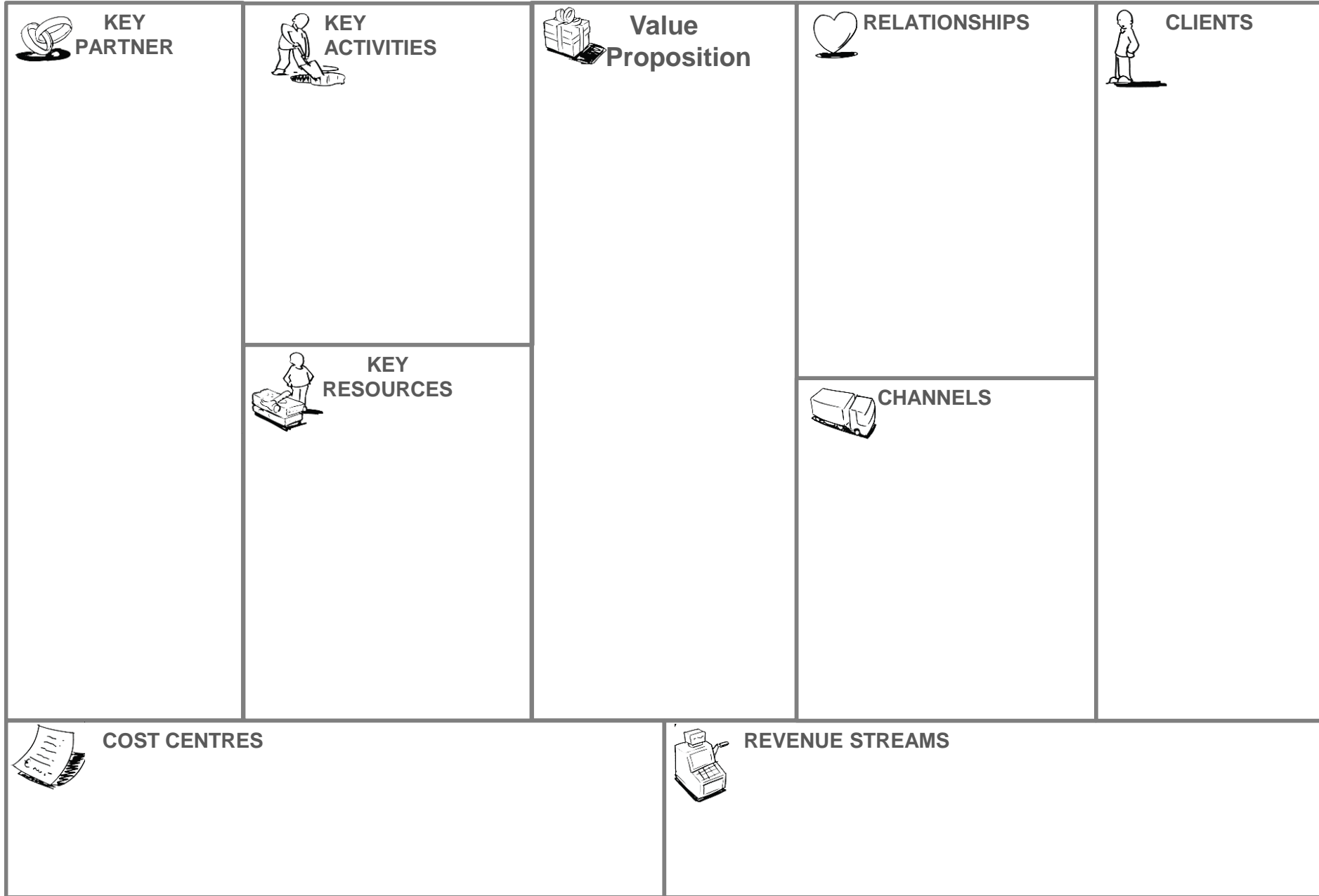
creates, delivers, and
captures value.

The Business Model

Let' s go to the movies . . .

<http://www.businessmodelgeneration.com/canvas>

Business Model



Canvas Building Website

<http://www.canvanizer.com>

<http://canvanizer.com/canvas/BAdYUohxD2o>

Start-Ups ... a set of hypotheses

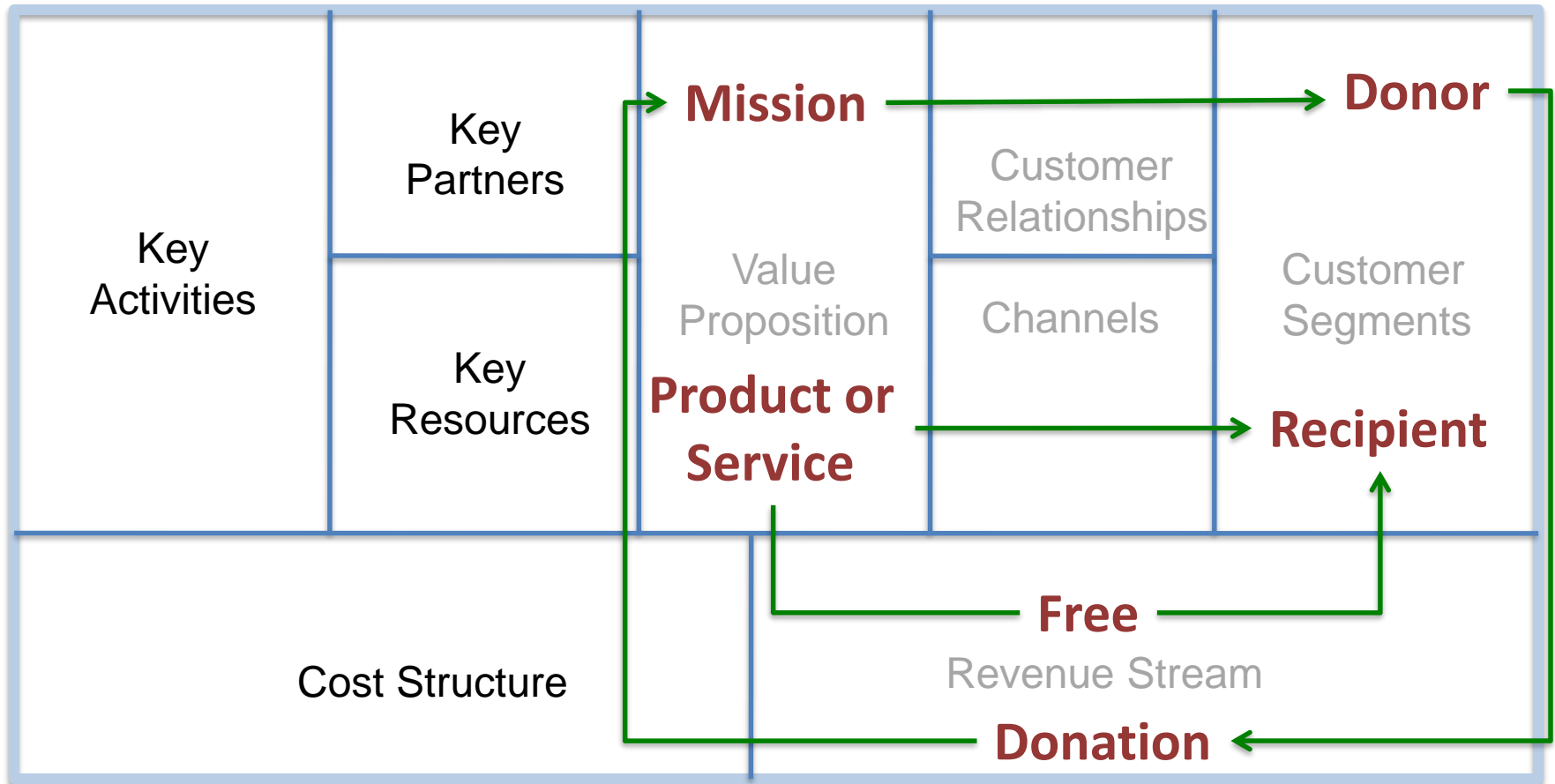


Student Name: Derek Coleman

Business Description: University Transportation service for students to travel to events safely

<p>Key Activities</p> <p>Create ecosystem to keep students on website, mobile, or marketing list</p> <p>Transport students safely, gain a good reputation</p> <p>Get feedback, improve</p>	<p>Key Partners</p> <p>Bus companies Venues Universities</p> <p>Key Resources</p> <p>Website Employees/legal team</p>	<p>Value Proposition</p> <p>Atmosphere on the bus, reputation</p> <p>Customer experience</p> <p>Transportation. (Safe, cheap, convenient) to events</p>	<p>Customer Relationships</p> <p>Trustworthy, brand worthy Fun, exciting, good time Cheap, safe, caring</p> <p>Channels</p> <p>Website Sign-up application On campus marketing Social media accounts</p>	<p>Customer Segments</p> <p>College students (who don't have a ride or want to travel with friends + friends who they travel with)</p> <p>Freshman</p> <p>Parents looking to keep their kids safe when going to events</p> <p>Socially responsible students</p>
<p>Cost Structure</p> <p>Cost more for trips with less people.</p> <p>Looking for \$500 profit after all variable expenses.</p>			<p>Revenue Stream</p> <p>Money generated from trips. Preferably \$500 profit per trip after COGS</p> <p>Selling booklets in advance for 10 trips that semester.</p>	

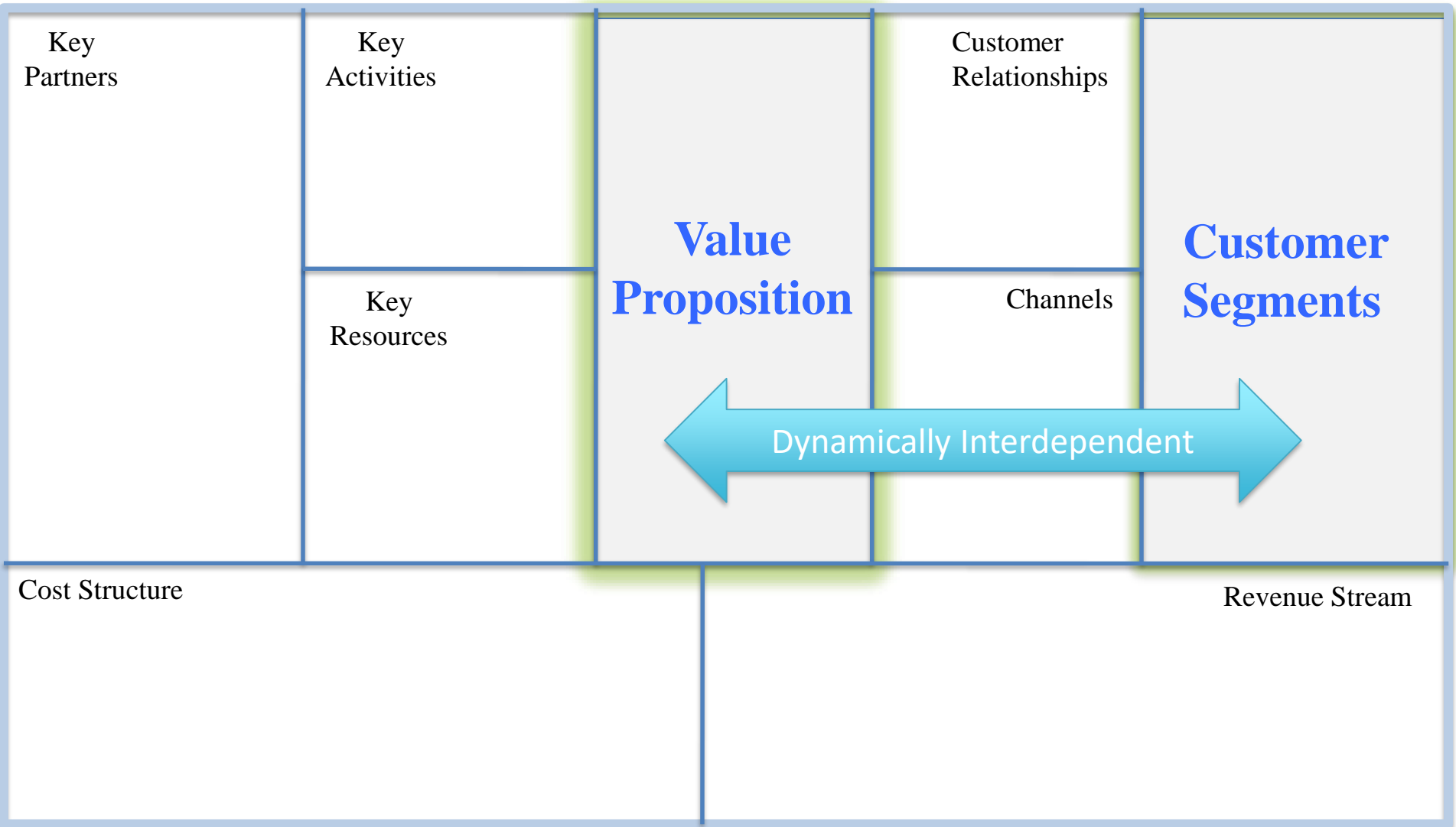
Not-For Profit Model



Lazarus House Ministry Inc.

<p>Key partnerships</p> <ul style="list-style-type: none"> Local & Corp. Businesses Charitable Foundation Individuals (Volunteers) Churches Social Enterprises Greater Lawrence Health Center 	<p>Key activities</p> <ul style="list-style-type: none"> Fundraising Coordinator Admission Management Donor Management 	<p>Value propositions</p> <ul style="list-style-type: none"> Meals Shelter Counseling Health Care <p>Gains</p> <ul style="list-style-type: none"> Empowerment A job Permanent housing Resources <p>Pain Relievers</p> <ul style="list-style-type: none"> Diminishes concerns Eliminating hunger <ul style="list-style-type: none"> Donors? 	<p>Customer relationships</p> <ul style="list-style-type: none"> Community Members Personal Assistance 	<p>Customer segments</p> <ul style="list-style-type: none"> People living in poverty (Recipients) Community Members Donors <p>Gains</p> <ul style="list-style-type: none"> Shelter Meals Community Security Work Prep <p>Pains</p> <ul style="list-style-type: none"> Overcrowded shelters Little privacy Time constraints
<p>Cost structure</p> <ul style="list-style-type: none"> Administrative costs Fundraising costs Utility costs 		<p>Free</p> <ul style="list-style-type: none"> Donations Fundraisers Thrift Shop Sales <p>Revenue streams</p>		

Critical Issue: Value Proposition – Customer Fit



Customer Discovery Process

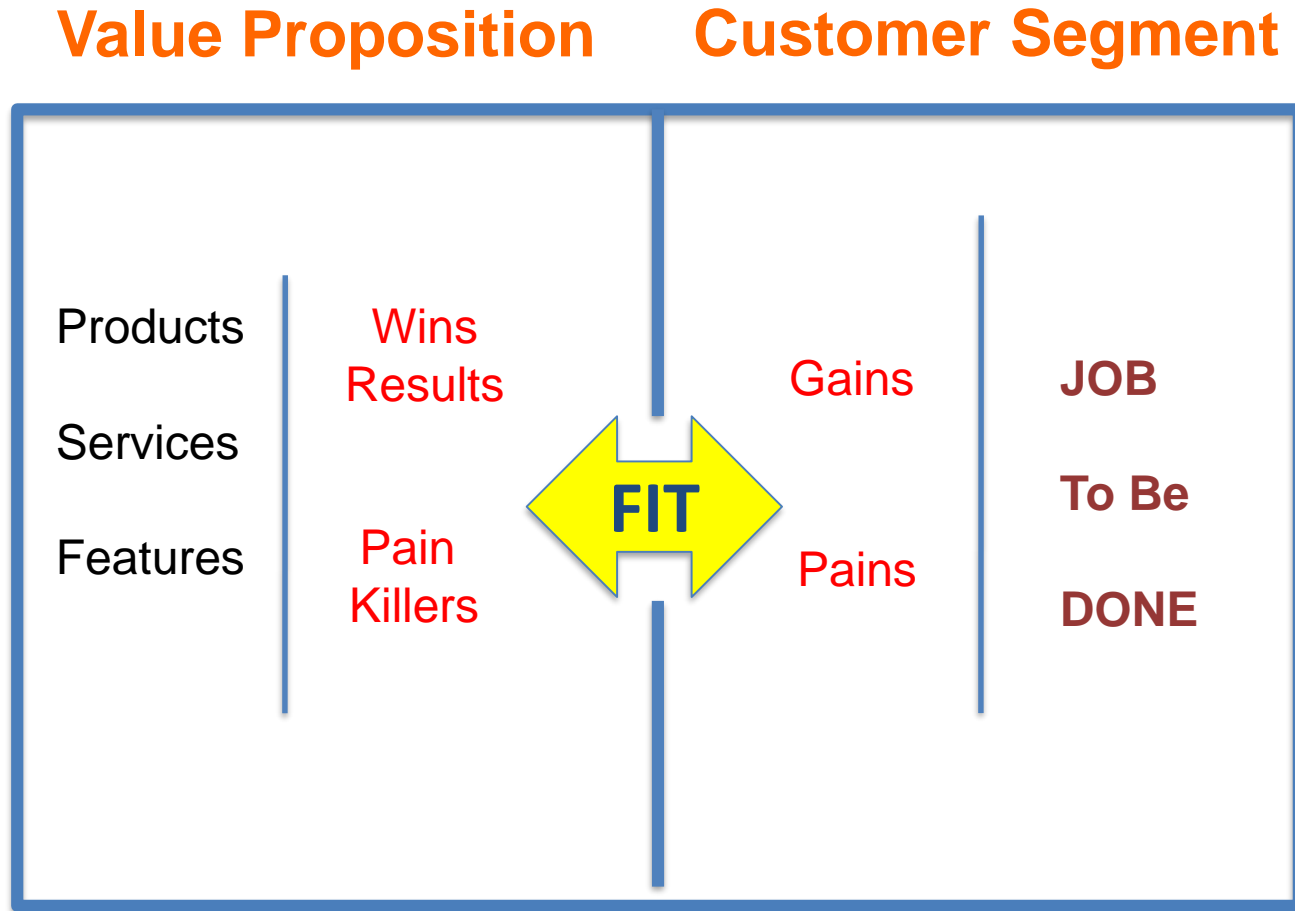
- Start with a vision (a solution to a problem)
- Customer Discover process searches for problem/solution fit
- Does your value proposition match customer segment it plans to target?
- Develop the product for ‘the few’, not everyone
- Get Market Feedback
 - Build a ‘minimum viable product’ (MVP)
 - Don’t add features without feedback!

WHAT IS A VALUE PROPOSITION?

Let's Go Back to The Movies

<http://ecorner.stanford.edu/authorMaterialInfo.html;jsessionid=C88A82434C120C7FE39B9D5ABDD0494A?mid=2877>

Map Customer to Value Proposition



Getting The Customer Value Proposition Right Is Critical To Success

Explore Customer Pain

What does your customer find too costly?

(e.g., too much time, too much money, requires substantial effort, ...)

What makes your customer feel bad?

(e.g., frustrations, annoyances, . . .)

How are current solutions underperforming for your customer?

(e.g., lack of features, performance, malfunctioning, accuracy...)

What negative social consequences does your customer encounter or fear?

(e.g., loss of face, trust, power, status . . .)

What's keeping your customer awake at night?

(e.g., big issues, concerns, worries . . .)

What common mistakes does your customer make?

(e.g., usage mistakes, inappropriate priorities . . .)

What barriers are keeping your customers from adopting solutions?

(e.g., upfront investment, learning curve, resistance to change . . .)

Explore Customer Gains

Which savings would make your customer happy?

(e.g., time, money, effort, risk . . .)

What outcomes does the customer expect and what would go beyond expectations?

(e.g., quality level, more or less or something . . .)

How do current solutions delight your customer?

(e.g., specific features, performance, quality . . .)

How would you make your customer's job or life easier?

(e.g., flatter learning curve, more services, lower cost of ownership . . .)

What positive social consequences does your customer desire?

(e.g., makes them look good, increase in power or status . . .)

What are customers looking for?

(e.g., good design, guarantees, specific or more features . . .)

What do customers dream about?

(e.g., big achievements, big reliefs . . .)

How does your customer measure success or failure?

(e.g., performance, cost . . .)

What would increase the likelihood of adopting a solution?

(e.g., lower cost, less investment, lower risk, better quality . . .)

Exercise:

Customer	List Pains	List Gains
1.		
2.		

Job To Be Done

http://www.youtube.com/watch?v=s9nbTB33hbg&feature=player_embedded

Customer Discovery Interview

[http://startupweekend.wistia.com/
media/tao3s8hf7l](http://startupweekend.wistia.com/media/tao3s8hf7l)

Exercise

A Day In The Life Of Your Customers

Question	Customer 1 _____	Customer n _____
1. How Is Your Customer Currently Dealing With This Task/Problem?		
2. What Are They Trying To Accomplish? Desired Outcome? Wish They Could Do?		
3. What Approach Are They Attempting		
4. What Are The Interfering Factors?		
5. What Are The Economic Consequences? –Costs?		

A Day In The Life . . .

Question	Customer 1_____	Customer n_____
6. Your New Approach . . .		
7. Enabling Factors?		
8 Economic Rewards?		
9. Is Our Price Consistent With Budget? – Problem Solved?		

How can I find customers before I've even built a product?

How were you planning on finding them after you've built a product?

Finding People . . .

- AdWords / Facebook Ads /Tweets
 - Summarize your idea – get it on search engines
- Twitter Search
 - Search for people who discussed _____
 - @username Would love yr feedback on [product/problem/solution] – shd only take 2mins [URL] thanks!
- Google Alerts
 - Monitor the web for product/problem/solution
 - I read your [post/comment] about [product/problem/solution]. I'm currently trying to validate a related idea and I think your opinion would be very valuable to me – could you take 2 minutes and check out [URL]? Thank you – I'd be happy to return the favor any time.
- LinkedIn to ask for Introductions

Customer Segments

(Customer Archetype)

Groups That Rank Importance Differently!

Needs

Amateur Camera

Professional Camera

Ease of Use

Weight

Lens

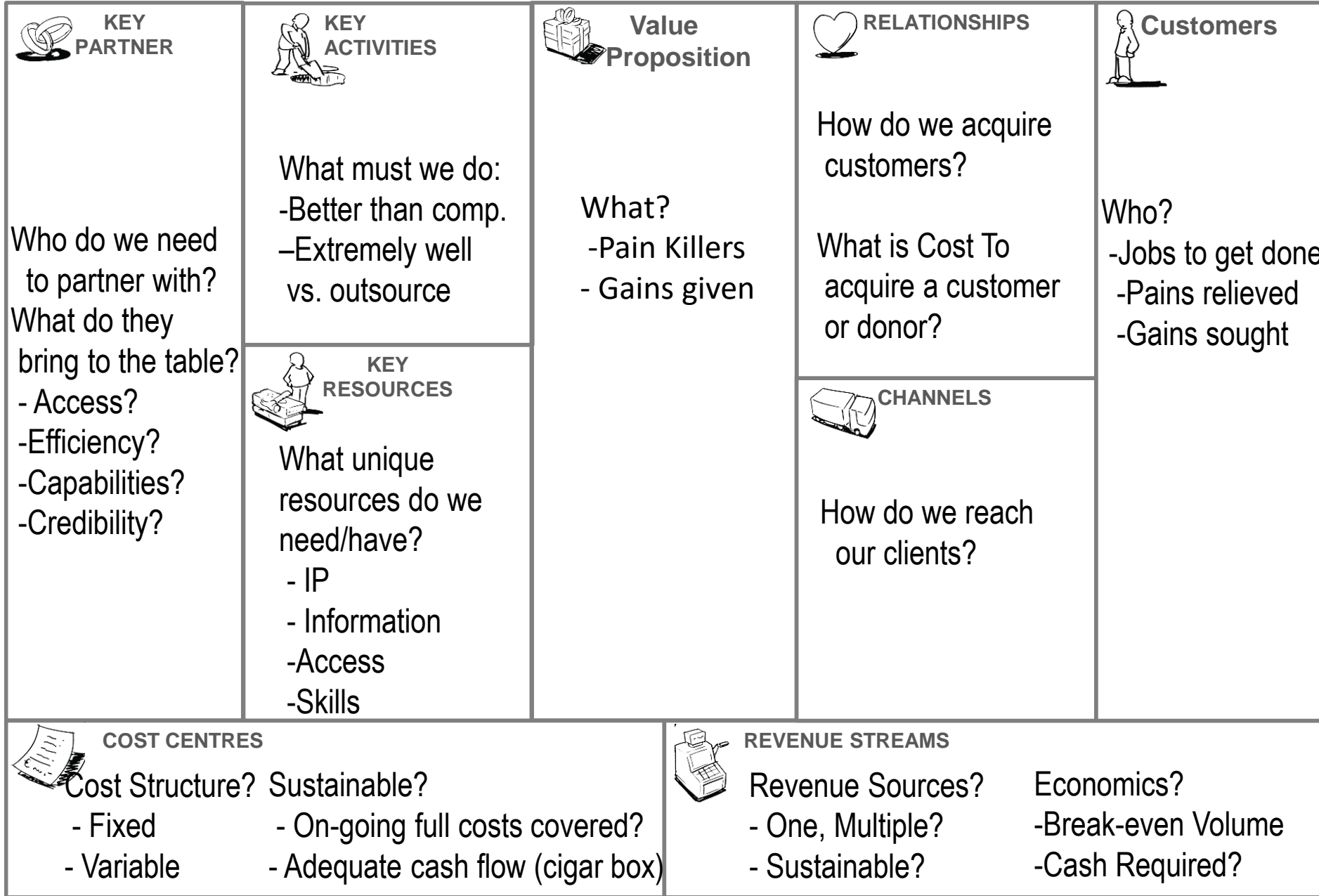
Options

Size

Auto Focus

Lesson: Customers Buy Your For Your Strengths

- Business Model



KEY PARTNER

Who do we need to partner with?
What do they bring to the table?

- Access?
- Efficiency?
- Capabilities?
- Credibility?

KEY ACTIVITIES

What must we do:

- Better than comp.
- Extremely well vs. outsource

KEY RESOURCES

What unique resources do we need/have?

- IP
- Information
- Access
- Skills

Value Proposition

What?

- Pain Killers
- Gains given

RELATIONSHIPS

How do we acquire customers?

What is Cost To acquire a customer or donor?

CHANNELS

How do we reach our clients?

Customers

Who?

- Jobs to get done
- Pains relieved
- Gains sought

COST CENTRES

Cost Structure? Sustainable?

- Fixed
- Variable
- On-going full costs covered?
- Adequate cash flow (cigar box)

REVENUE STREAMS

Revenue Sources? Economics?

- One, Multiple?
- Sustainable?
- Break-even Volume
- Cash Required?

Go
Build Your
Initial
Business Model

(But Expect To Revise It Often
As You Learn and Grow)

Reference

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