

10 Steps to a Killer Value Proposition

with

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Value

something of importance,
providing usefulness or benefit.

Value Proposition

how you will delight customers in a way that's clearly surprising and superior to the status quo.

Payoff refers to the objectives customers achieve when they use or buy your product.

Aspirations are desired
outcomes and benefits.

Frustrations are anything that annoy your customer before, during or after trying to achieve an objective.

Step 9 |
**Work on articulating your
value prop.**

Sample Value Proposition Template

For *(the target customer)*

Who *(has specific needs, aspirations, frustrations, etc.)*

We provide *(solution or product description)*

That *(specify benefits and value to customers)*

Unlike *(the competition or describe existing alternatives)*

Which *(describe deficiencies, shortcomings, limitations of competition/existing alternatives)*

We offer *(describe better approach, solution, benefits)*



**TYPICAL RETAIL SHOPPING
EXPERIENCE**

HOINTER





CLASSIC



NEW SIZE? NEED ALTERATIONS? FINISHED?





USE YOUR APP WE OFFER FREE ALTERATIONS
KEEP YOUR PANTS ON, AND HEAD TO THE ALTERATION STATION TAKE ITEMS TO THE CHECKOUT!



FINISHED? NEED ALTERATIONS? NEW SIZE?





USE YOUR APP WE OFFER FREE ALTERATIONS
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Hointer Value Proposition

For fashion-conscious men **who** hate shopping, **we provide** an automated in-store experience **that** allows them to quickly find, try on and even purchase garments without waiting on line.

Unlike traditional dept. stores **which** have crowded selling floors and long lines, **we** offer a streamlined end-to-end shopping process that saves time and increases the **likelihood of making a purchase.**

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Ikea Value Proposition

For budget-conscious young adults **who** want contemporary home furnishings, **we** provide stylish, low to moderate-priced goods.

Unlike conventional furniture retailers **which** carry traditional styles at twice our prices and long delivery windows, **we** offer modern, ready-to-assemble furniture that can be taken home in the same day.

Sample Value Proposition Template

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Who *(has specific needs, aspirations, frustrations, etc.)*

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We offer *(describe better approach, solution, benefits)*

10 Traits of Great Value Props



Focus on the jobs, pains, and gains that matter most to customers

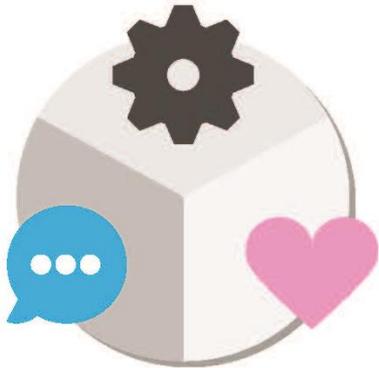


Focus on unsatisfied jobs, unresolved pains, and unrealized gains

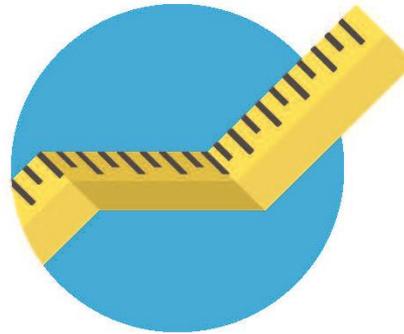


Target few jobs, pains, and gains, but do so extremely well

10 Traits of Great Value Props



Go beyond functional jobs
and address emotional and
social jobs

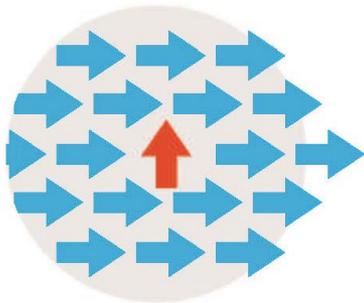


Align with how customers
measure success



Focus on jobs, pains, and
gains that a lot of people
have or that some will pay
a lot of money for

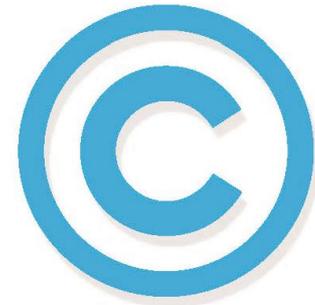
10 Traits of Great Value Props



Differentiate from competition on jobs, pains, and gains that customers care about

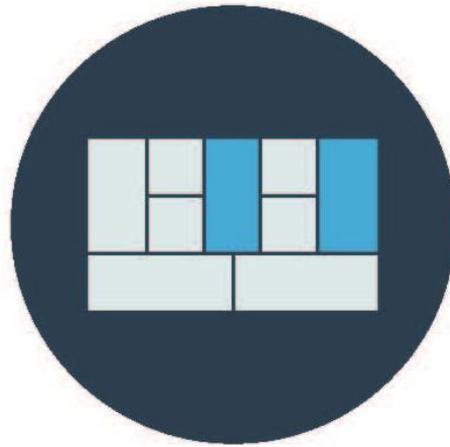


Outperform competition substantially on at least one dimension



Are difficult to copy

10 Traits of Great Value Props



**Are embedded in great
business models**

Writing Your Feasibility Analysis

fea·si·bil·i·ty
fēzə'bilətē/

Def.: Capable of being accomplished
or brought about; possible.

Feasibility Analysis

an examination and evaluation of the proposed venture's potential.



What adds up to feasible?



Opportunity &
Solution (40%)

Operations (20%)

Financial (20%)

Team (20%)

What adds up to feasible?



Opportunity & Solution (25%)



Social Impact (15%)



Operations (20%)



Financial (20%)



Team (20%)

Opportunity

Status Quo | Insight |
Technology & Intellectual Property

This section reveals...

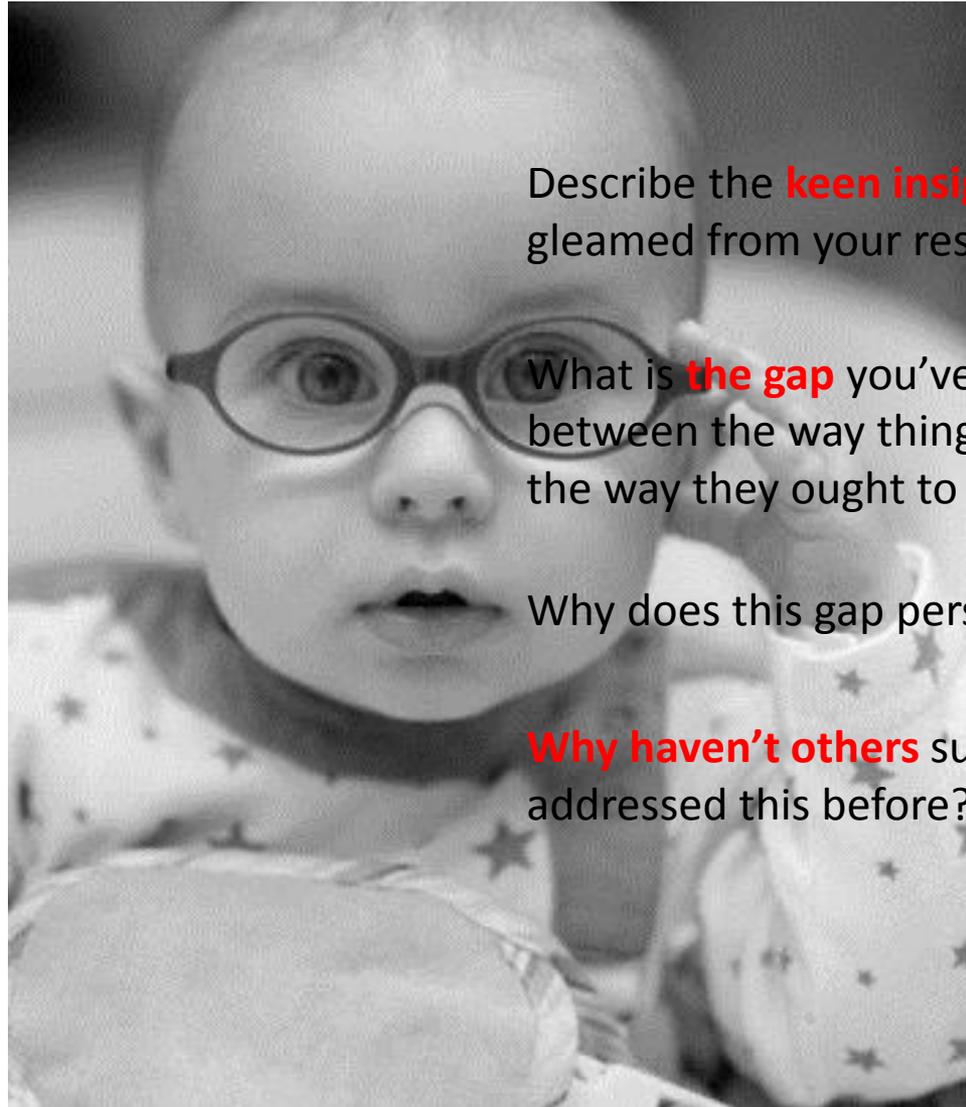
the extent to which you've identified a unique and compelling market gap.

How is the **status quo** currently frustrating your customer?

What are your customers' aspirations, needs/desires?

What is the **high-level** need or problem you'd like to change or impact?





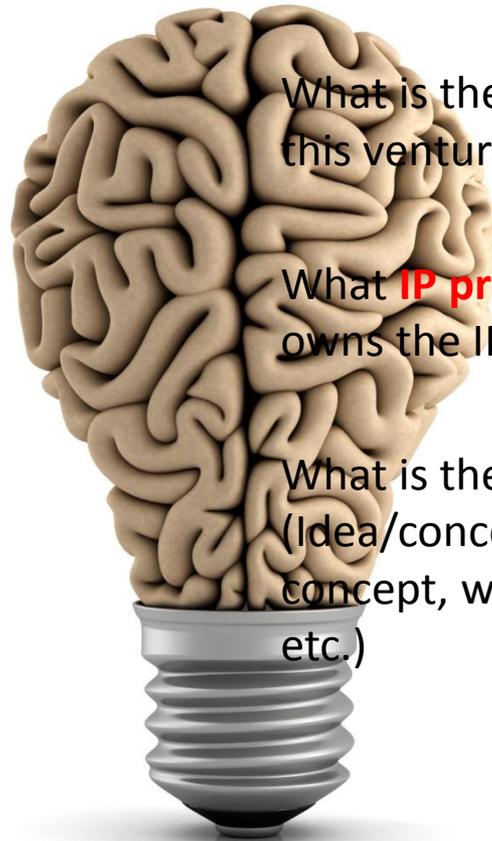
Describe the **keen insight(s)** you've gleaned from your research.

What is **the gap** you've observed between the way things are now and the way they ought to be?

Why does this gap persist?

Why haven't others successfully addressed this before?

TESTED



What is the **technology at the core** of this venture?

What **IP protection** exists? Who owns the IP?

What is the **state of the technology**? (Idea/concept, in research, proof of concept, working prototype, in trials, etc.)

Solution

Value Proposition | Customer Segments |
Opportunity/Solution Fit

This section reveals...

how diligently you sought to understand how your product can provide value to customers.

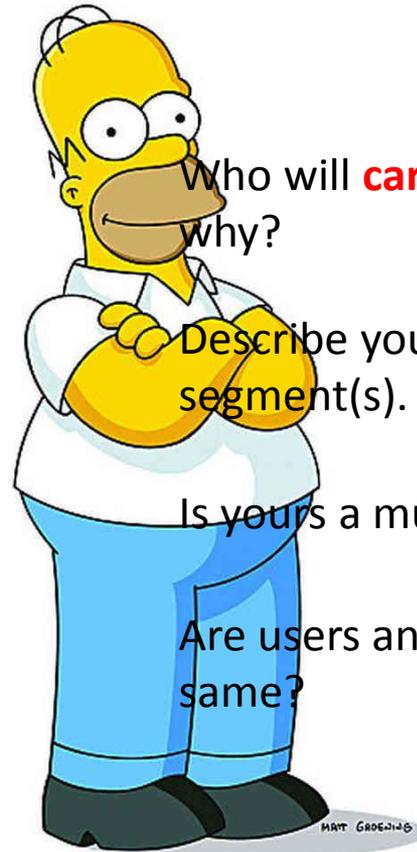


Describe your **product/service**.

Describe the **new bliss** your offering will provide.

What **unique** value will customers derive from your product/service?

How will your product/service **enhance the way people** live, work do business, or play?

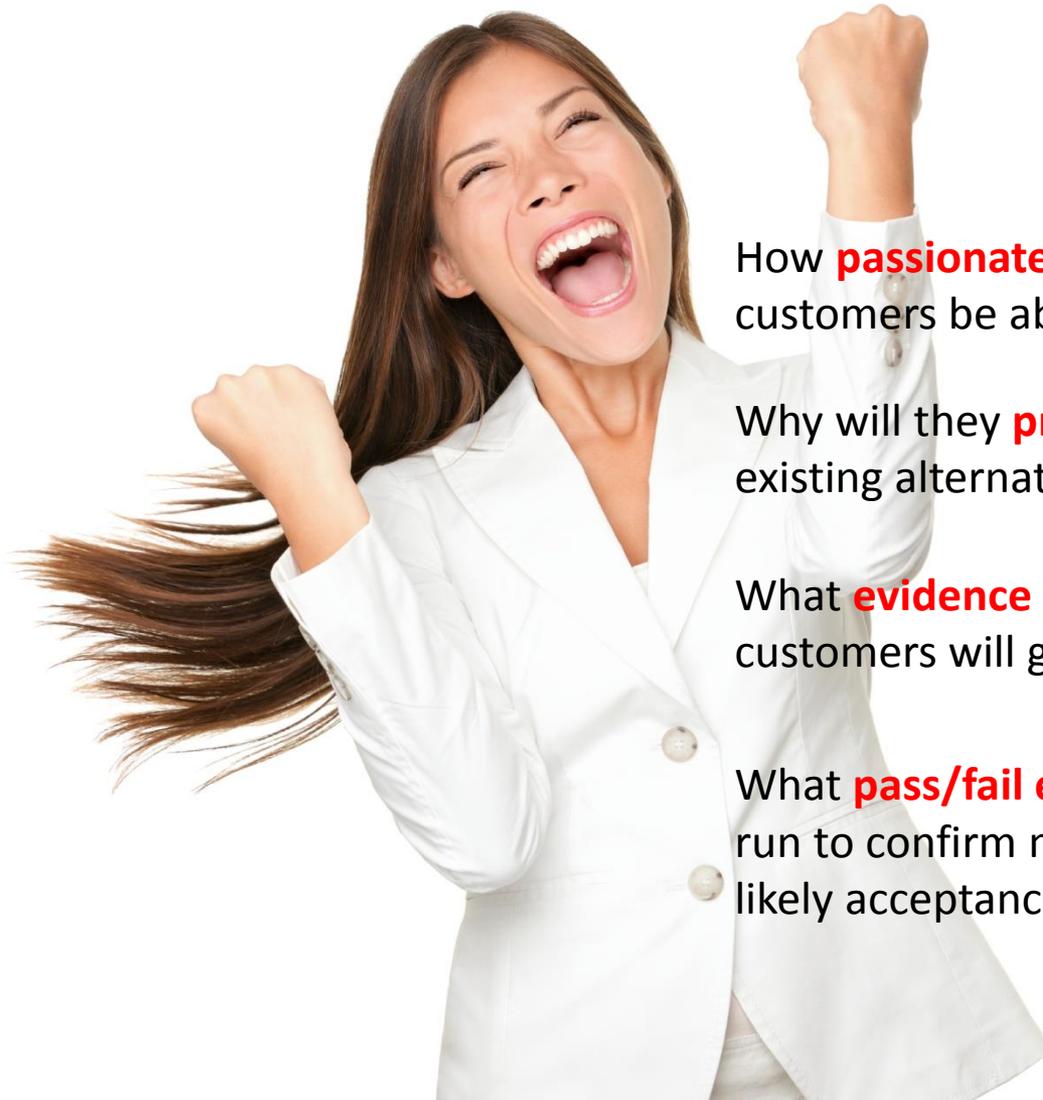


Who will **care** about your offering & why?

Describe your **initial target** segment(s). What is the **archetype**?

Is yours a multi-sided market?

Are users and buyers one and the same?



How **passionate or enthusiastic** will customers be about your offering? Why?

Why will they **prefer your offering** to existing alternatives?

What **evidence** do you have that customers will go wild for your product?

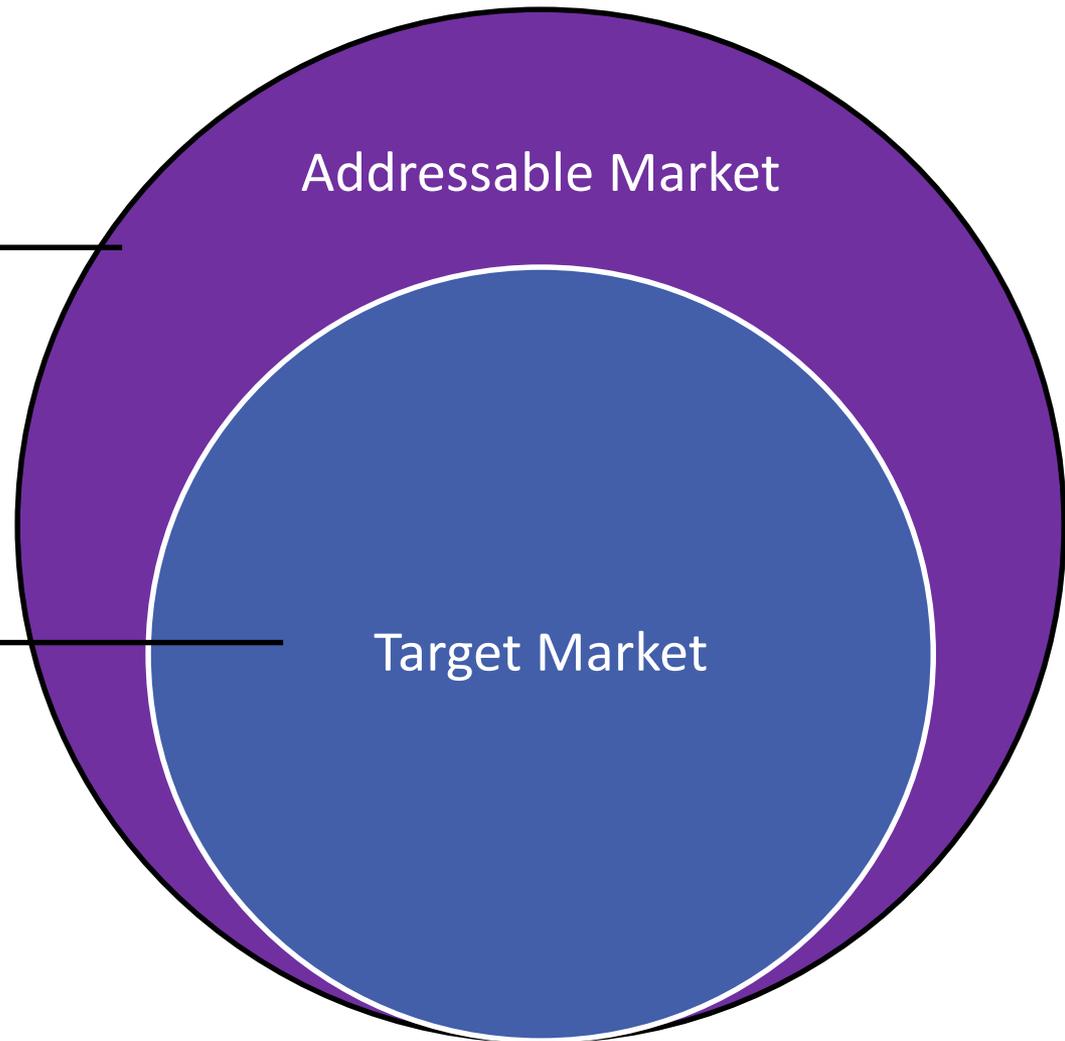
What **pass/fail experiments** did you run to confirm market potential & likely acceptance?



TESTED

How big is the target market, given your business model?

Who can you capture initially?

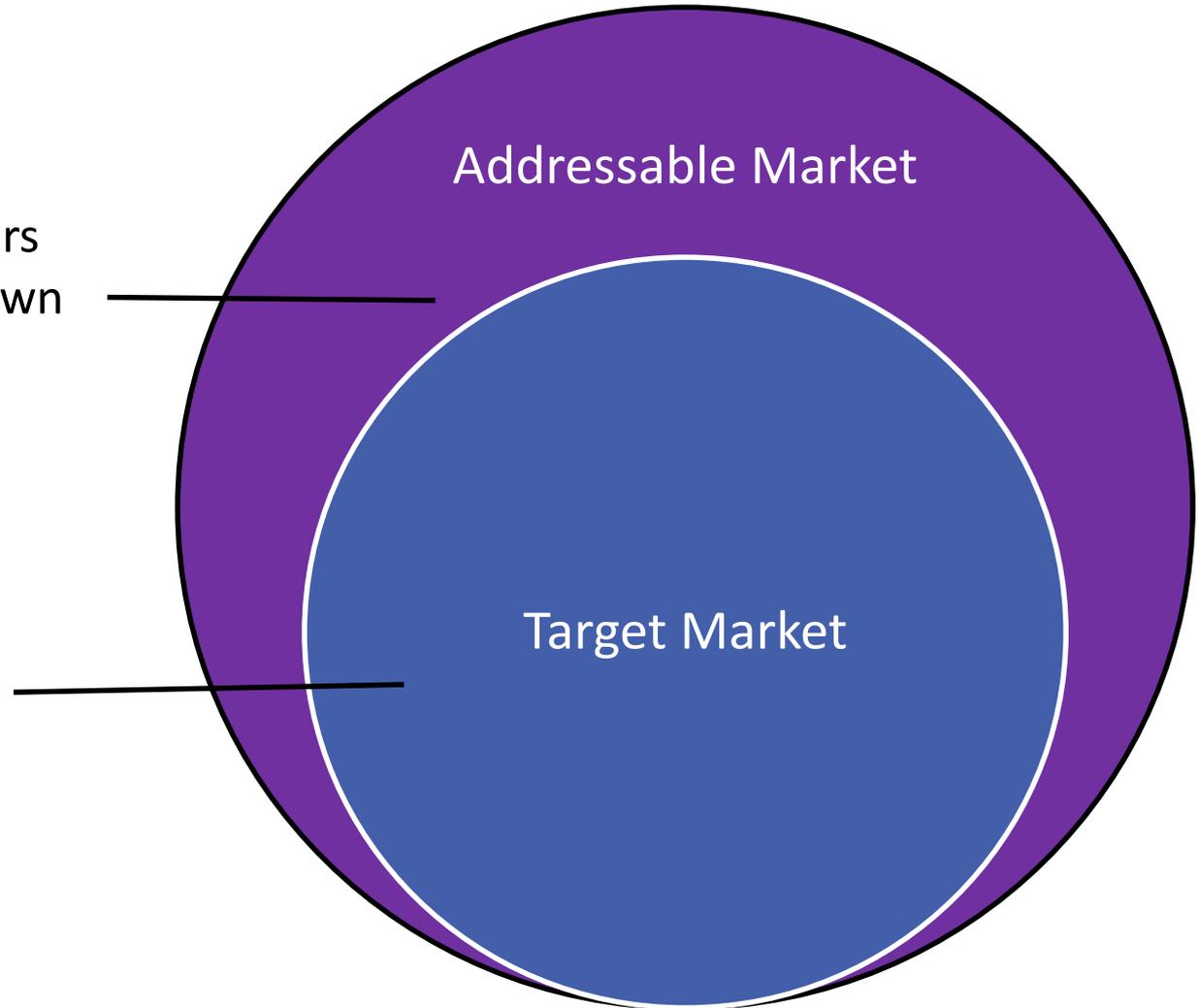




U B E R

Smartphone owners
who use taxis & town
car services

iPhone owners
who use taxi &
town car services
in San Francisco



Social Impact

Theory of Social Change | Assessing Social Impact

Operations

Channels | Key Partners | Key Resources |
Status & Traction | Critical Risks

This section reveals...

whether you're cautiously optimistic or dangerously naïve about the challenges ahead.



How do you plan to **sell and market** your product/service to customers?

What **distribution** methods will you use? (Web? Brick-n-Mortar? OEM? Direct? Distributors?)

What are the **financial and operational** implications of your channel strategy?



What **partnerships** must you forge?

What **strategic alliances**, if formed, could help you reduce risk?

What **joint ventures or coopetition** arrangements will enable you to acquire necessary resources/inputs?



November 2013



November 2013



October 14, 2013



October 2013



November 2013



November 2013



October 18, 2013



November 2013



October 2013



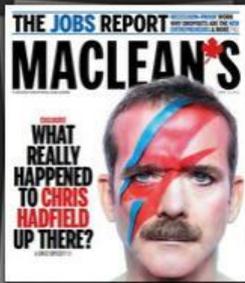
November 2013



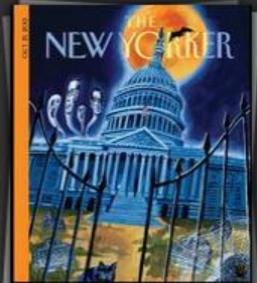
November 2013



October 28, 2013



October 14, 2013



October 21, 2013



November 2013



November 2013



November 2013



November 2013



November 2013



November 2013



November 2013

Tap and hold on any cover to pin or unpin that issue - it will be stored on your device until you unpin it.



What physical, intellectual or human **resources must you have** to make your business model work?

What are the **most important assets** required to deliver your proposed value proposition?

Will you **be able to acquire** the resources needed?



What's your **current status**? Describe **milestones achieved** so far, e.g., beta testing, prototypes, users/customers acquired, orders placed, etc.





How can you insure your **product will work** as planned?

What **legal or regulatory issues** could adversely impact the business?

What are the **key technical hurdles/milestones** that must be overcome?

Finances

Sources & Uses of Capital | Unit Level Cost |
Breakeven | Pricing & Revenue Model |
Profit & Loss Statement

This section reveals...

how well you understand the economics of the business and have thought through the financial implications of key assumptions.



What are your anticipated **startup expenses**?

How much cash will you need to reach important milestones?

Prepare a **startup budget**.

Common Startup Expenses



- ✓ Programmers
- ✓ Equipment
- ✓ Inventory/Materials
- ✓ Legal fees
- ✓ Licenses
- ✓ Supplies
- ✓ Labor
- ✓ Printing
- ✓ Travel

Unit Level Cost Analysis



- ✓ Fixed versus variable costs
- ✓ Cost of goods sold
- ✓ Channel costs and margins
- ✓ Customer acquisition costs

Breakeven Analysis



Fixed costs

$(\text{unit selling price}) - \text{variable costs}$

Quick example:

Assume fixed costs of \$1000

Selling price = \$10

Variable costs = \$5

Breakeven = ? Units

Breakeven Analysis



Fixed costs

$(\text{unit selling price}) - \text{variable costs}$

Quick example:

Assume fixed costs of \$1000

Selling price = \$10

Variable costs = \$5

Breakeven = 200 Units

Pricing & Revenue Model



Describe how you will **make money**?
For what will you charge and how much?

Will you have multiple **revenue streams**?

What price will you charge? What is your **pricing strategy**?

Revenue Models

Asset Sale: Sale of ownership rights
(Dept stores)

Usage Fee: Fee is proportional to
usage (phone service, utilities,
FedEx)

Subscription: Flat fee for continuous
access (Salesforce.com, Netflix)



Revenue Models

Renting: Fee for temporary access
(Chegg, Hertz)

Licensing: Fee for use of some IP
(software, music, Getty Images)

Intermediation: Broker fee (Airbnb,
E*trade)

Advertising: Fee paid to get in front
of potential customers. (Google,
Mint, NYT, Facebook)



Developing a P&L statement at this stage forces you...

to examine the logic (or lack thereof) that underpins your financial model. Doing so, helps you make the connection between strategic decisions and the impact on financial feasibility.

Profit & Loss Statement



What are your projected sales?

What are total expenses?

What are your fixed and variable costs?

Are margins sufficient to cover operations?

Team

Founders | Advisors | Key Hires

This section describes...

the relevant skills, experience and qualifications the founding team will bring to the venture.



Highlight **prior startup or related industry experience.**

Explain the **primary role** of each person will play.

Identify any **key advisors** meaningfully involved with the venture.

Describe **whom missing** from the team.

Word to the Wise

Do's & Don'ts

- Do use the questions to help guide you toward writing a **compelling** story of how you will deliver value.
- Don't approach this like a series of essay questions on an exam.
- Don't use industry jargon. Write to express not to impress.

Do's & Don'ts

- Do emphasize **specific evidence** that supports your assumptions, whenever possible.
- Do **cite sources** and statistics used.
- Do proofread and spell check your work.

Watch Out For

- Failure to demonstrate that the solution proposed would provide **meaningful value** to the marketplace.
- Lack of an **intimate understanding** of the target customer.
- **No evidence** of capturing unique insights from primary research.
- Operational details are thin or poorly thought out.

Watch Out For

- Fuzzy math on financial statements--unrealistic sales forecasts, inaccurate expense projections.
- Not convinced management team has ability to launch and can successfully execute the plan
- Use of cliches such as:
 - “First-mover advantage”
 - “We have no competition.”
 - “All we need is 1% of the market...”
 - Hockey stick projections

Submission

Please follow instructions
exactly as described.

Format

- Must not exceed 8 pages
 - Feasibility Analysis = 4 pages
 - Financial Analysis = 3 pages
 - Supporting visual or diagram = 1 pages
- 11-point type; 1-inch margins

Deadline

- Due: **Nov. 11, 2015** by 1:00 pm
- Submit online through Gust.
- Be sure to provide your Team Eligibility Statement.

Upcoming

Oct. 27: Ask Us Anything

5:00-7:00 pm, Patron's Lobby, Tisch Hall

Oct. 29: New Tech City: How Startups Are Transforming NYC

5:30-7:30 pm, Paulson Auditorium, Tisch Hall

Nov. 2: How Smart Startups Avoid Common Legal Pitfalls

5:00-7:00 pm, Paulson Auditorium, Tisch Hall

Final Thoughts



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