Dr. Marc Laperrouza

Value proposition

Customer and user-centric design

In 1 sentence…

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For whom and what type of value
a product/service is going to create

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Who could this be?

What could that be?

**For *whom* and *what type of value*
a product/service is going to create**

"Can we do this?"

"Do they want this?"

Feasible

Desirable

Viable

"Should we do this?"

"Can we/the planet afford this?"

Business model

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ENV-470 Development engineering – Value proposition
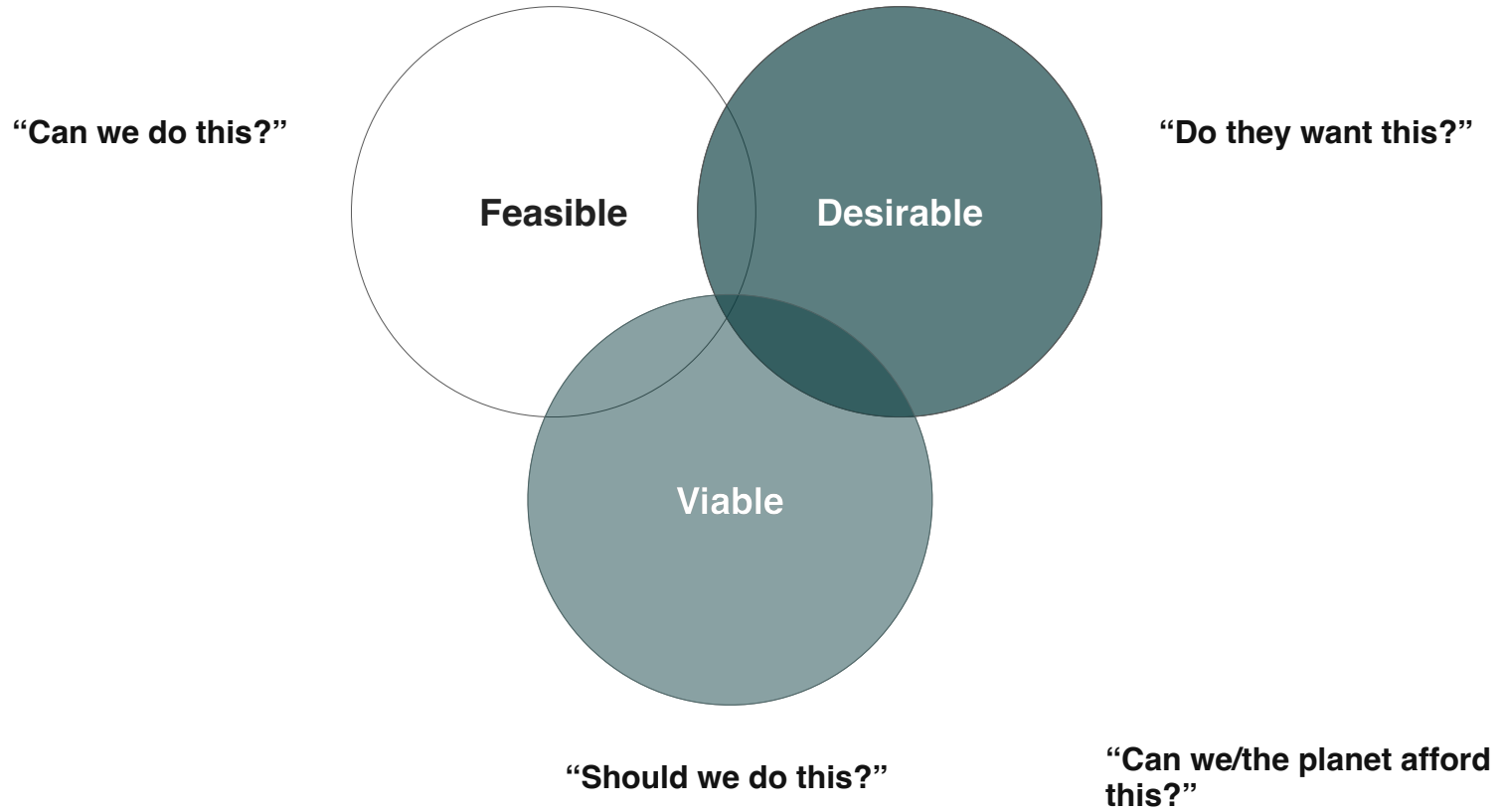
What r**esources, activities or partnerships** do you need to **create products, services or platforms** that **solve problems** or **create benefits** for customers and/or beneficiaries

Value creation
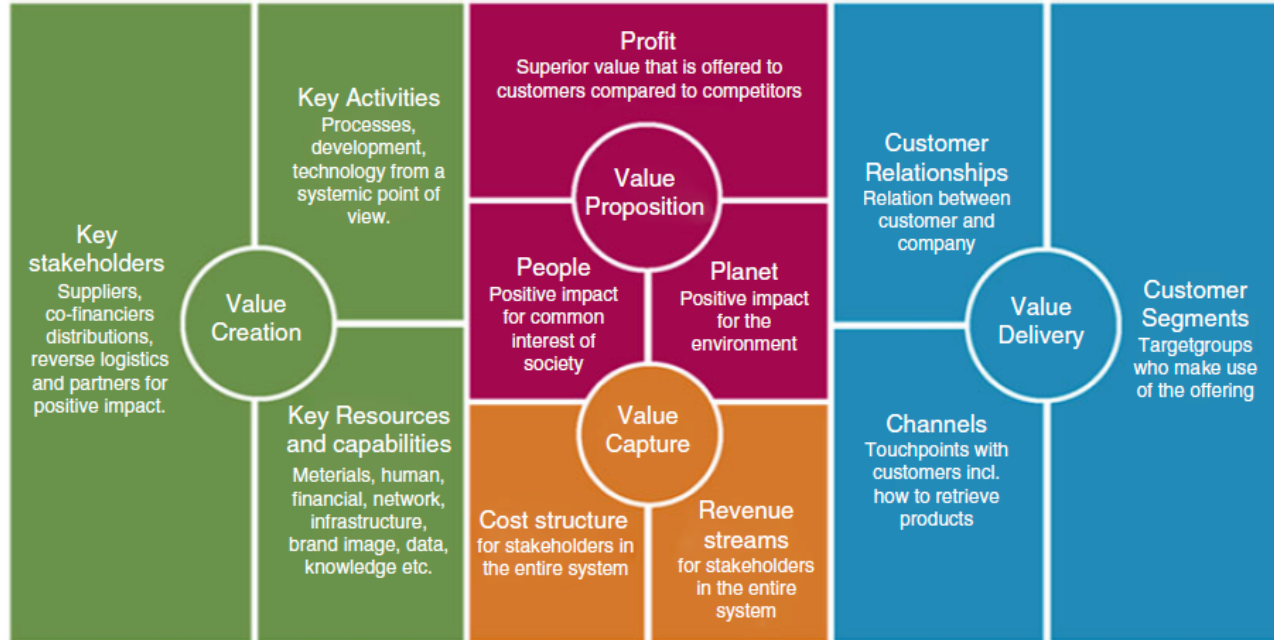
Value delivery

Value capture
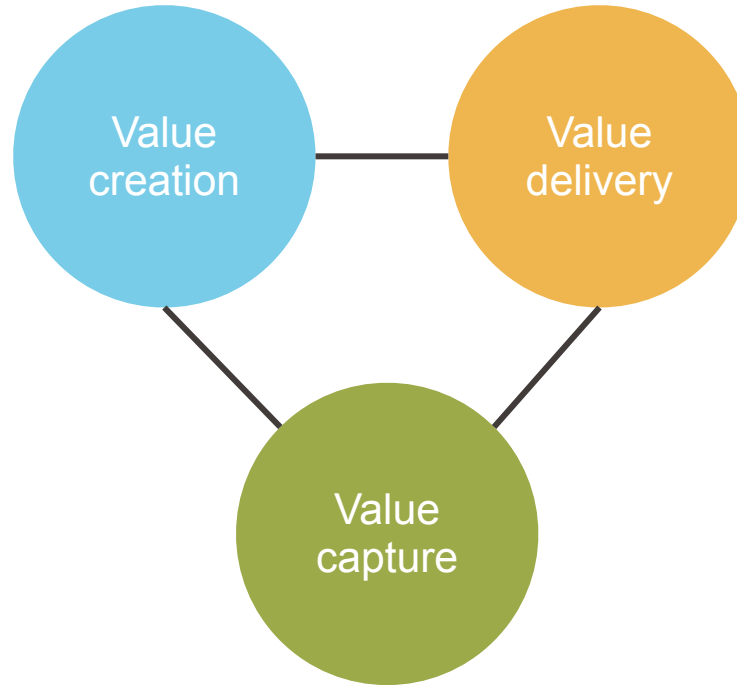
What **systems and channels** do you need to have in place to **deliver a product, service or platform** to customers and/or beneficiaries

How do you **generate revenue** from the product, service or platform offered

Feasible

Desirable

**Viable**
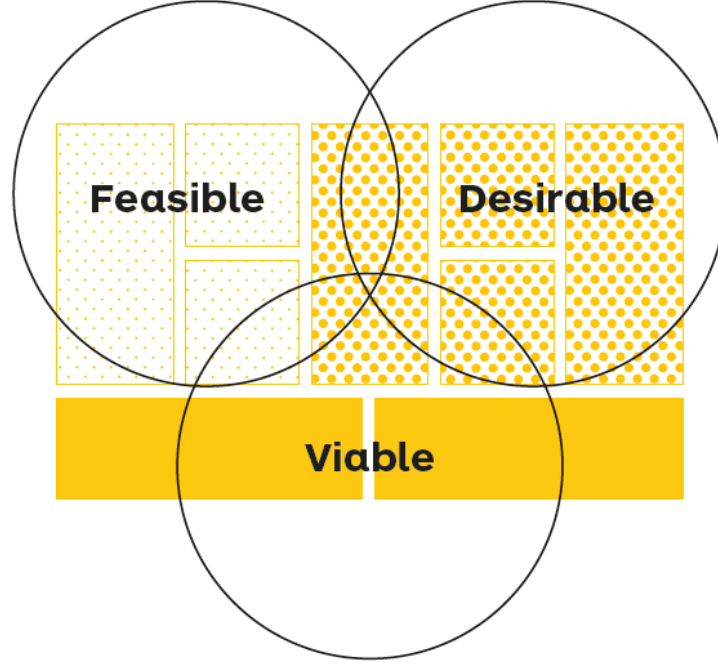
The pieces of the puzzle…

Source: Bocken, N. (2021). Sustainable Business Models. In Decent Work and Economic Growth. W. Leal Filho, A. M. Azul, L. Brandli, A. Lange Salvia and T. Wall. Cham, Springer International Publishing: 963-975.

Aims of the session

- By the end of the session, students should be able to:
  - Explain the concepts of value, job-to-be-done and value proposition
  - Describe the elements and mechanics of the value proposition canvas (VPC)
  - Apply the VPC to a project
  - Integrate the VPC into a (sustainable) business model

- Exposé/discussion on **job-to-be-done** and **value proposition**
- Application of value proposition **canvas** to your project

Agenda

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- Introduction – 10'
- Of value – 20'
- Job-to-be-done (video + article) – 15'
- Break – 15'
- Value proposition canvas with example – 40'
- Q&A – 5'
- Break – 15'
- Project work with coaches – 90'

Where does it fit?

29 April

Value proposition
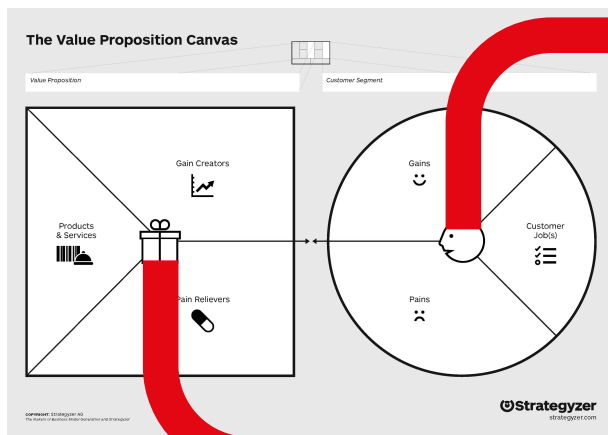
6 May
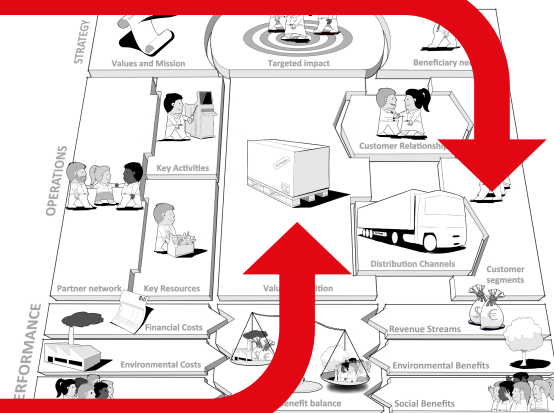
Business model

2 definitions

*business model**

how you create value for your organization

value proposition

how you create value for your customer(s)

* next week

sustainable business model

how you create value for your organization/stakeholders

sustainable value proposition

how you create value for your customer(s), user(s) and beneficiaries

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Of value

EPFL

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"The amount and nature of value in a particular product or service always lie in the eye of the beholder."

Source: Almquist, E., J. Senior and N. Bloch (2016). "The Elements of Value" Harvard Business Review 94(9): 46-92.

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"...the value of a market offering is ultimately determined by the customer, and is conceptualized as a customer's willingness to pay or the benefit the consumer experiences."

Source: Chesbrough, H., Lettl, C., & Ritter, T. (2018). Value Creation and Value Capture in Open Innovation. Journal of Product Innovation Management, 35(6), 930-938.

mHealth

def·i·ni·tion
defəˈniSH(ə)n
: *use of mobile phones and other wireless technology in medical care*

*for **whom** and **what type of value**
a mHealth project could create in the Global South*
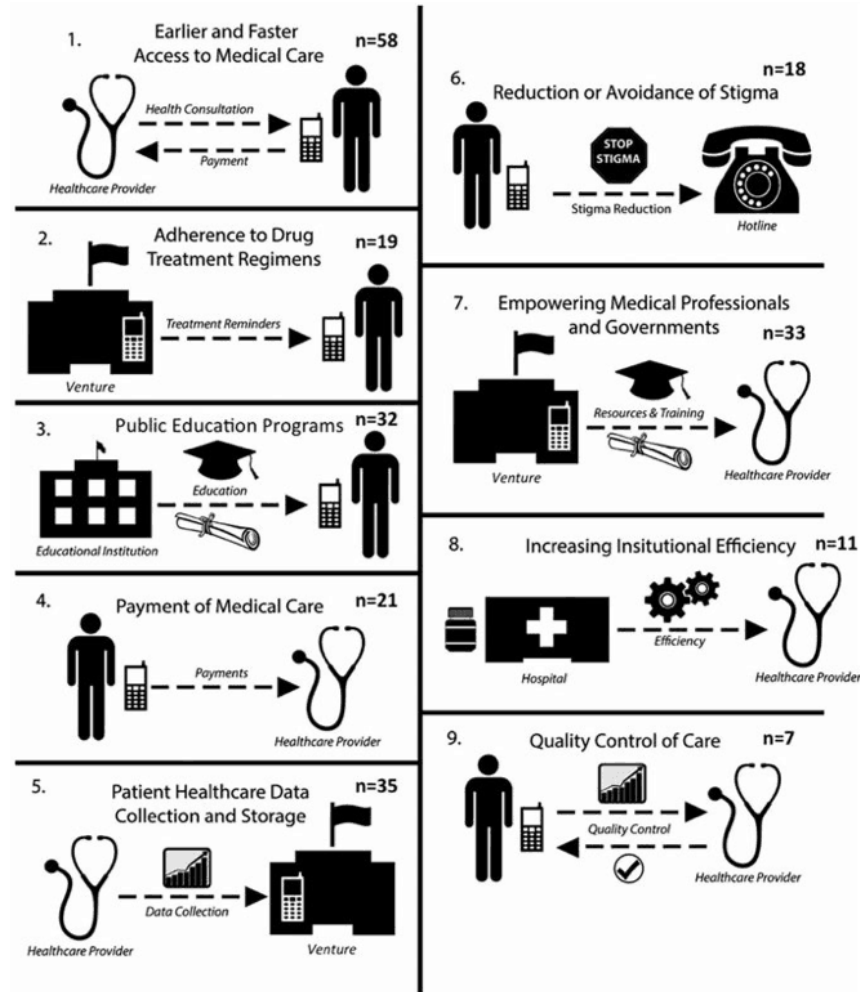
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Source: https://nextbillion.net/how-to-make-money-in-mhealth-in-emerging-markets/

Elements of value B2C

Social impact

SELF-
TRANSCENDENCE

Life changing

PROVIDES
HOPE

SELF-
ACTUALIZATION

MOTIVATION

HEIRLOOM

AFFILIATION/
BELONGING

Emotional

REDUCES
ANXIETY

REWARDS ME

NOSTALGIA

DESIGN/
AESTHETICS

BADGE
VALUE

WELLNESS

THERAPEUTIC
VALUE

FUN/
ENTERTAINMENT

ATTRACTIVENESS

PROVIDES
ACCESS

Functional

SAVES
TIME

SIMPLIFIES

MAKES
MONEY

REDUCES
RISK

ORGANIZES

INTEGRATES

CONNECTS

REDUCES
EFFORT

AVOIDS
HASSLES

REDUCES
COST

QUALITY

VARIETY

SENSORY
APPEAL

INFORMS

© COPYRIGHT 2015 BAIN & COMPANY INC.

- Extension of Maslow's hierarchy of needs
- 4 kinds of need—functional, emotional, life changing, and social impact
- Some elements matters more than others
- Differences across sectors

Source: Almquist, E., J. Senior and N. Bloch (2016). "The Elements of Value" Harvard Business Review 94(9): 46-92.

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Elements of value B2B
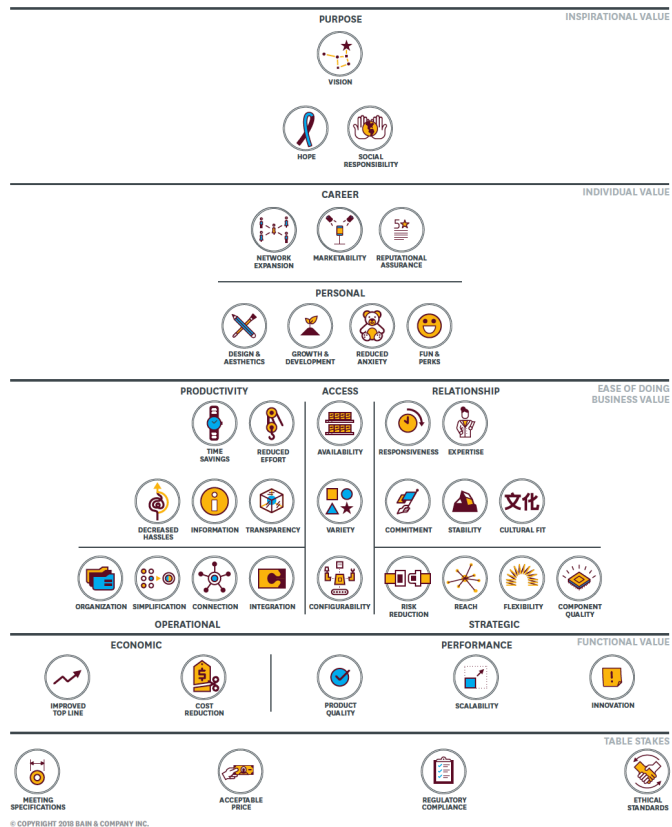

- Table stakes are pre-requisites for being in business
- Anything above is an area for differentiation
- Some elements matters more than others (but it depends on industry)

Source: Almquist, E., J. Cleghorn and L. Sherer (2018). "The B2B Elements of Value." Harvard Business Review 96(2): 72-81.

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Jobs-to-be-done

Clarifications

Jobs-to-Be-Done (JTBD)

What did you take away from the article?

Some take-aways

- The circumstances are more important than customer characteristics, product attributes, new technologies, or trends

- Good innovations solve problems that formerly had only inadequate solutions – or no solution

- Jobs are never simply about function – they have powerful social and emotional dimensions
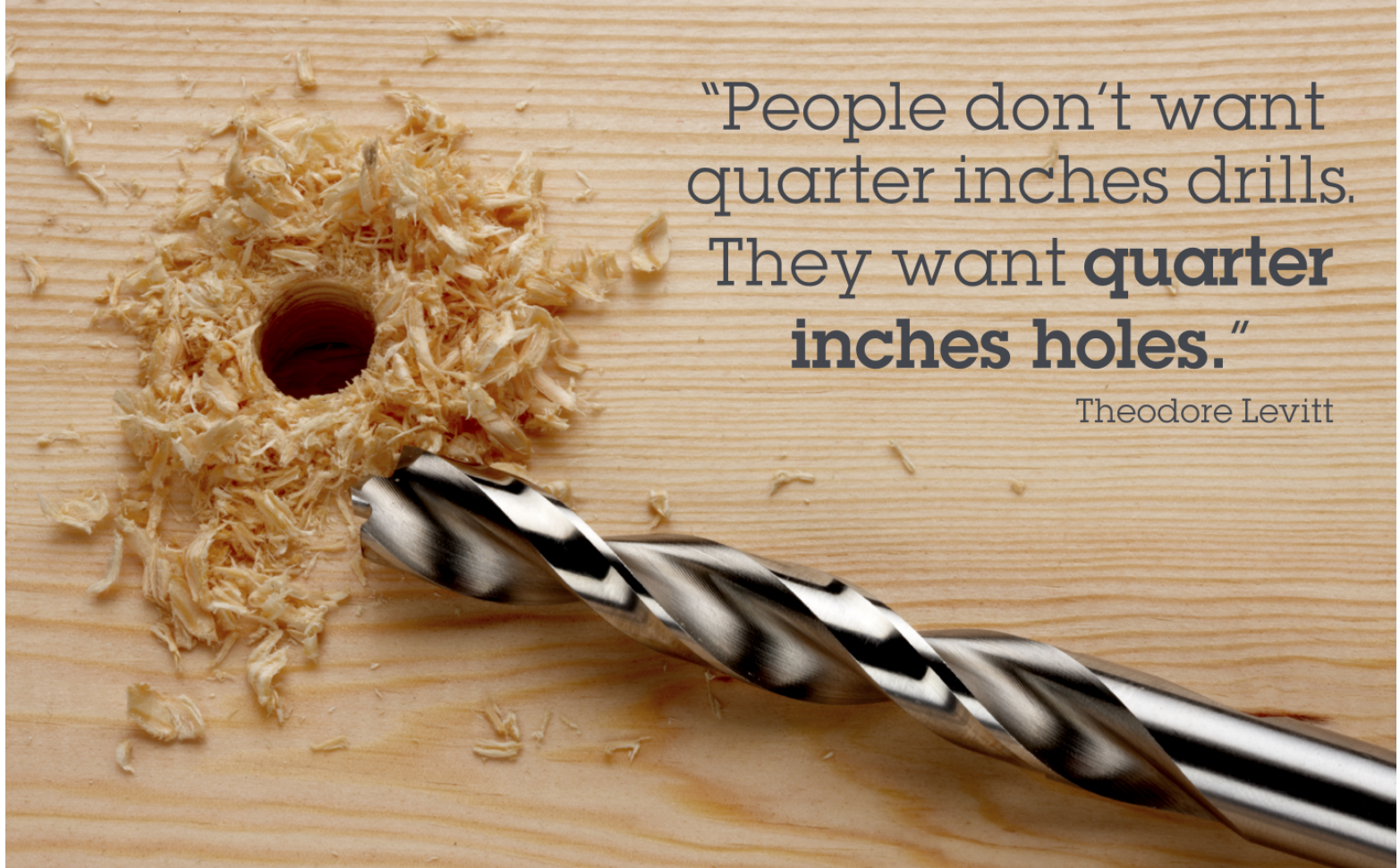
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10-15 minutes

Milkshake video

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Watch the video & identify 3-4 key concepts related to jobs-to-be-done

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"The focus should be on what jobs customers are trying to get done"

Tony Ulwick

"People don't want quarter inches drills. They want **quarter inches holes.**"

Theodore Levitt

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Q & A

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Value proposition canvas

Clarifications

Value proposition canvas (VPC)

The Value Proposition Canvas

Value Proposition

Customer Segment

Gain Creators

Products & Services

Pain Relievers

Gains

Customer Job(s)

Pains

COPYRIGHT: Strategyzer AG
The makers of Business Model Generation and Strategyzer

Strategyzer
strategyzer.com
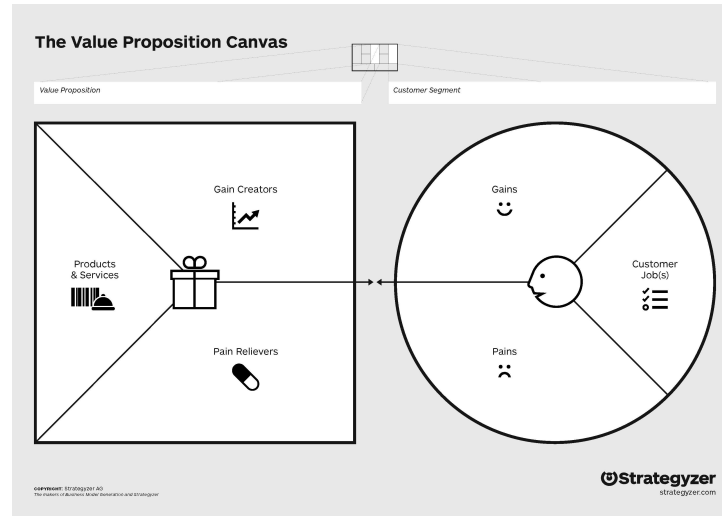
Any questions regarding the elements or mechanics of the canvas?

Value proposition canvas (VPC)

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The Value Proposition Canvas

COPYRIGHT: Strategyzer AG
*The makers of Business Model Generation and Strategyzer*
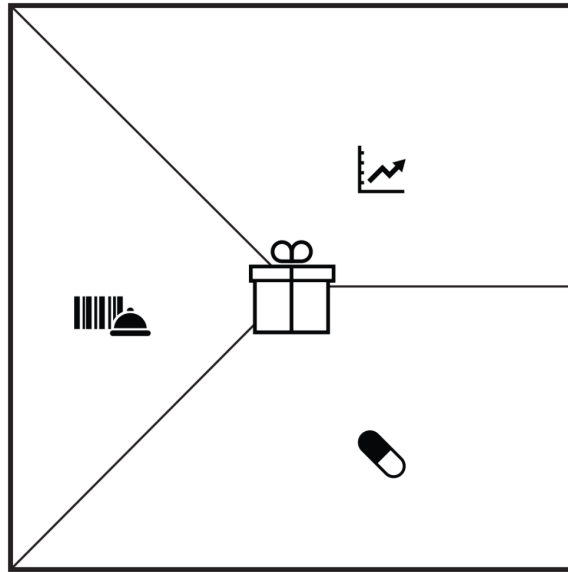
Strategyzer
strategyzer.com

In a nutshell

The Value Proposition Canvas has **two sides**

With the **customer profile** (right) you clarify your understanding of the customer(s)
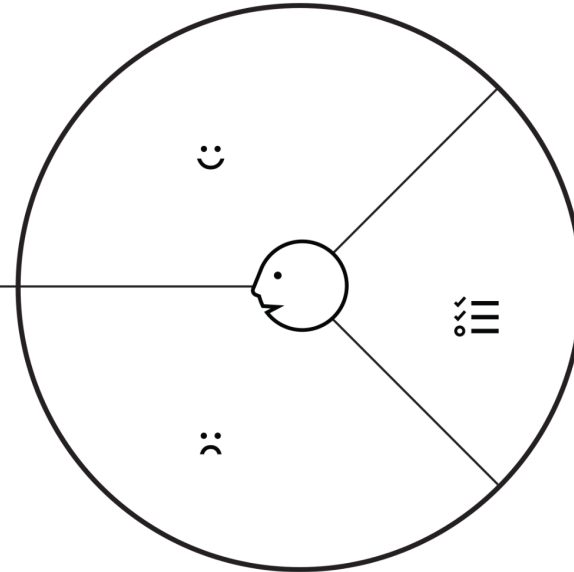
With the **value map** (left) you describe how you intend to create value for that customer

You achieve **fit** between the two when one meets the other…
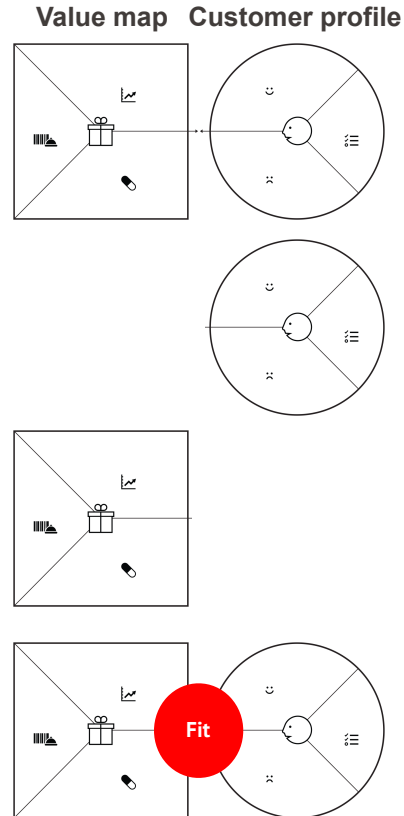
Value map   Customer profile

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Customer profile

Gains describe the outcomes customers want to achieve or the concrete benefits they are 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**

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3 (+1) types of jobs

- Functional: perform or complete a specific task or solve a specific problem (e.g., write a technical report, light the house)

- Social: seek social capital (e.g., be perceived as a competent engineer, reduce intergenerational tensions)

- Personal/Emotional: seek a specific emotional state (e.g., feel good about myself, achieve peace of mind during a divorce)

- Supporting: buy, co-create or transfer value (e.g., complete a purchase, post a product review or dispose of a product)

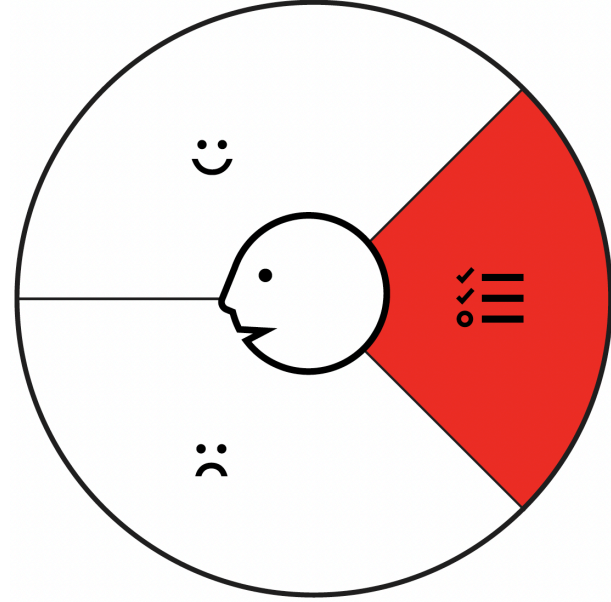ENV-470 Development engineering – Value proposition

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

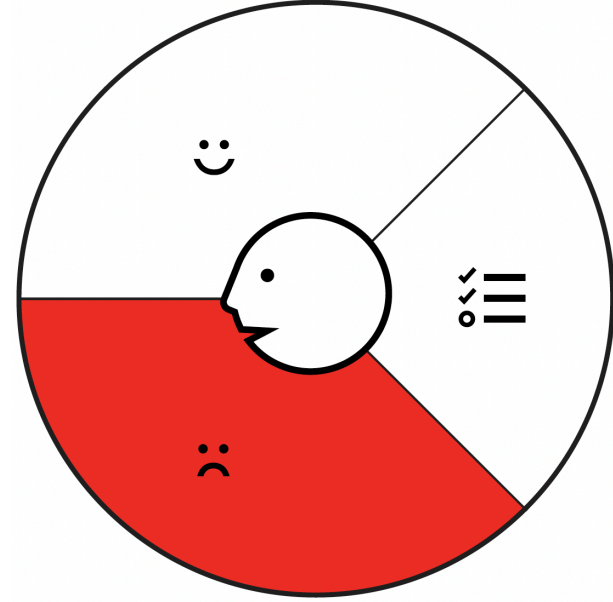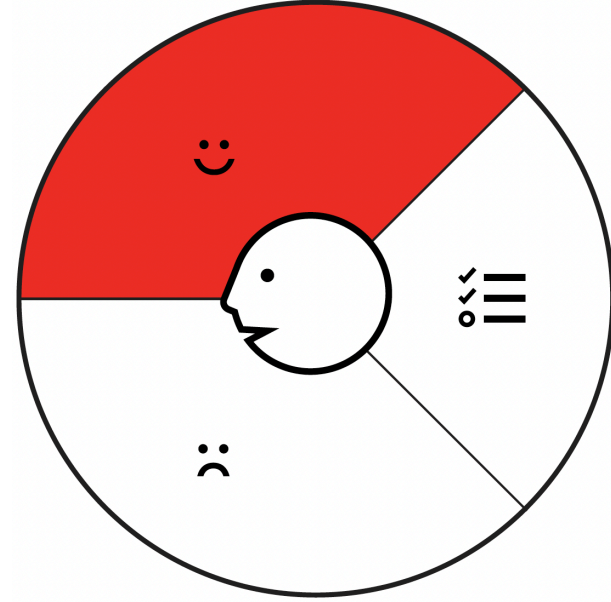**Pains** describe bad outcomes, risks, and obstacles **related to customer jobs**

Gains describe the outcomes customers want to achieve or the concrete benefits they are seeking

Ranking jobs, pains and gains
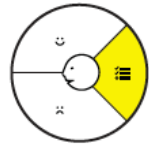
Job importance
Rank jobs according to their importance to customers.

+
Important

|
|

Insignificant

-

Pain severity
Rank pains according to how extreme they are in the customers' eyes.

+
Important

|
|

Insignificant

-

Gain relevance
Rank gains according to how essential they are in the customers' eyes.

+
Important

|
|

Insignificant

-

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

Value map: Products & services

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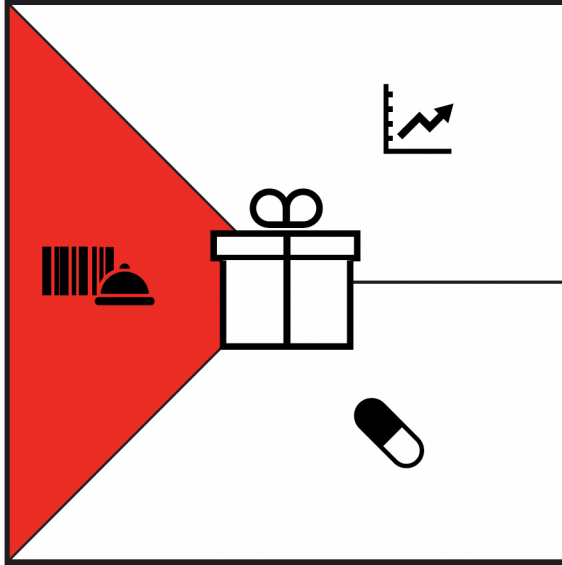
This is a list of all the **products and services** a value proposition is built around

Value map: Pain relievers

Pain relievers describe how your products and services alleviate **customer pains**

Value map: Gain creators

Gain creators describe how your products and services create **customer gains**

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Value map

Customer profile

Fit

Design

Observe

Three kinds of fit

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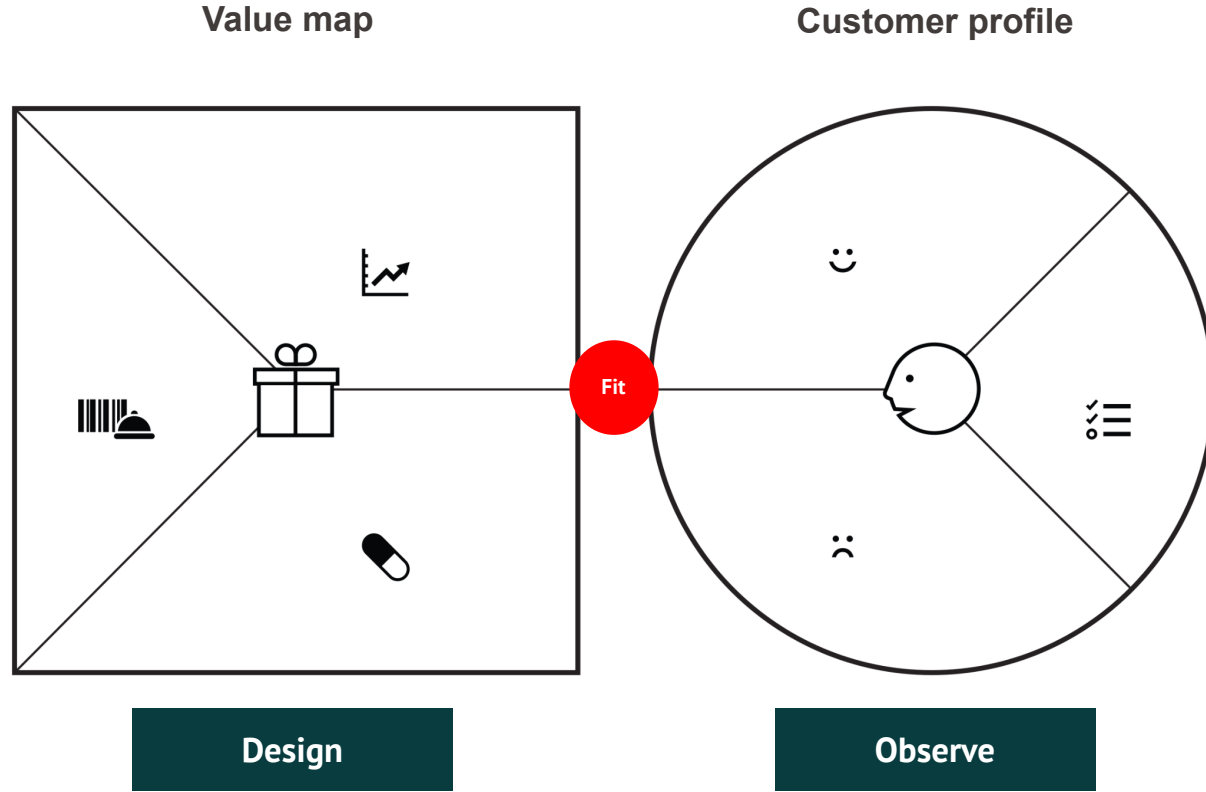
On Paper ⟶ In the Market ⟶ In the Bank ——

Problem-solution fit   **Product-market fit**   **Business model fit**

Only hypotheses   Validation of hypotheses
⋮   ⋮
Identify JTBD, pains and gains   Develop new value propositions
Prototype the corresponding
value proposition

Some questions regarding the VPC

- Does it **focus** on the most important jobs, most extreme pains, and most essential gains?

- Does it address functional, emotional, and social jobs **all together**?

- Does it **align** with how customers measure success?

- Does it **differentiate** from competition in a meaningful way?

- Does it focus on jobs, pains, or gains that a large number of customers have or for which a small number are willing to pay a lot of money?

Some mistakes to avoid

Value map

- List all your products and services rather than just those targeted at a specific segment

- Add products and services to the pain reliever and gain creator fields

- Offer pain relievers and gain creators that have nothing to do with the pains and gains in the customer profile

Customer profile

- Mixing several customer segments into one profile

- Mixing jobs and outcomes

- Listing jobs, pains, and gains with your value proposition in mind

- Identifying too few jobs, pains, and gains
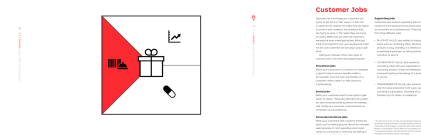
2 PDFs in your board can be of help

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Fit?

When we designed the value proposition for this book, we strived to address some of the most important jobs, pains, and gains that potential customers have and that are insufficiently addressed by current business book formats.

Check marks signify that products and services relieve pains or create gains and directly address one of the customers' jobs, pains, or gains.
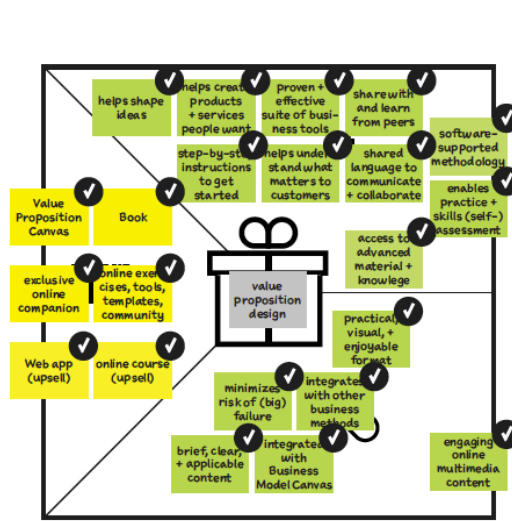
Xs show which jobs, pains, and gains the value proposition does not address.

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

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Milkshake example

Customer jobs

What customers are trying to get done in their work and in their lives

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Customer pains

Bad outcomes, risks, and obstacles related to customer jobs

Customer gains

The more or less expected benefits the customers are seeking

- fits into my hand
- full stomach until 1200
- arrive safe at work
- lasts for 20' at least
- happy wife!
- interesting sensations in my mouth
- good taste
- Satisfy hunger
- crumbs on clothes
- Food gone in 3'
- Keep commute interesting
- dirty car
- guilty feeling (Snickers)
- hungry by 730am
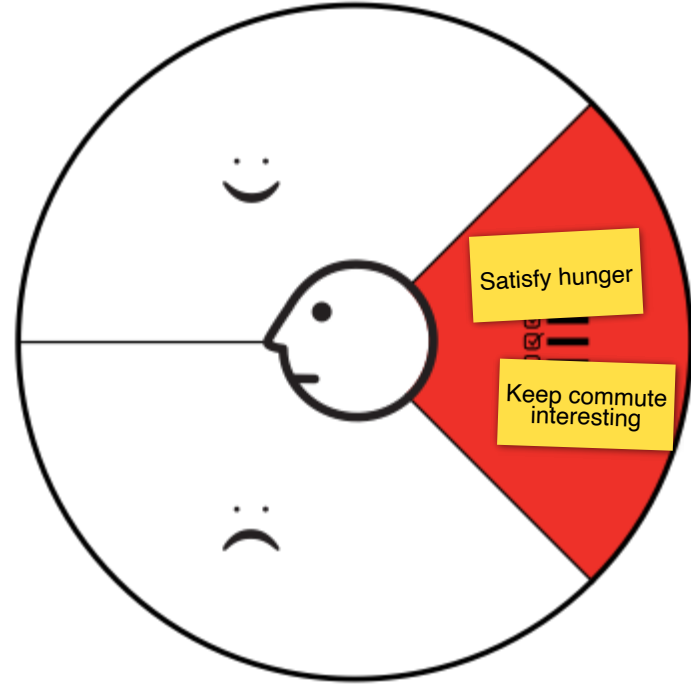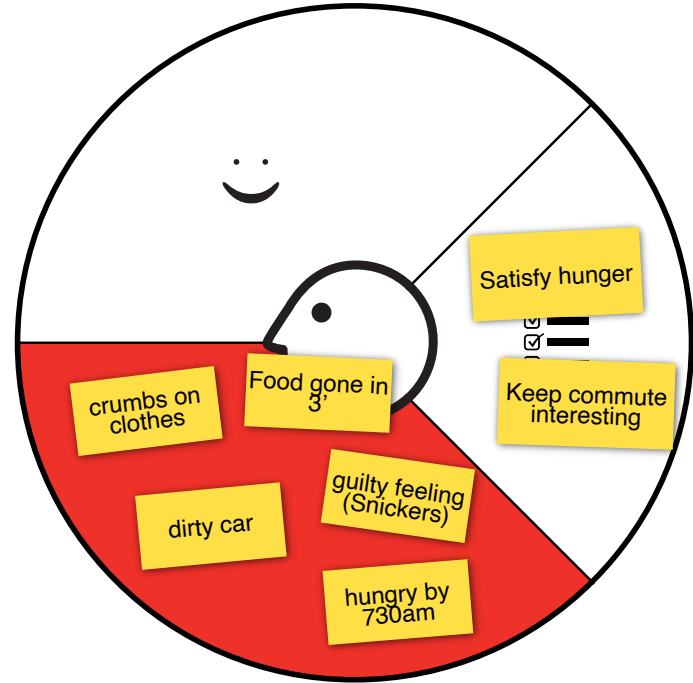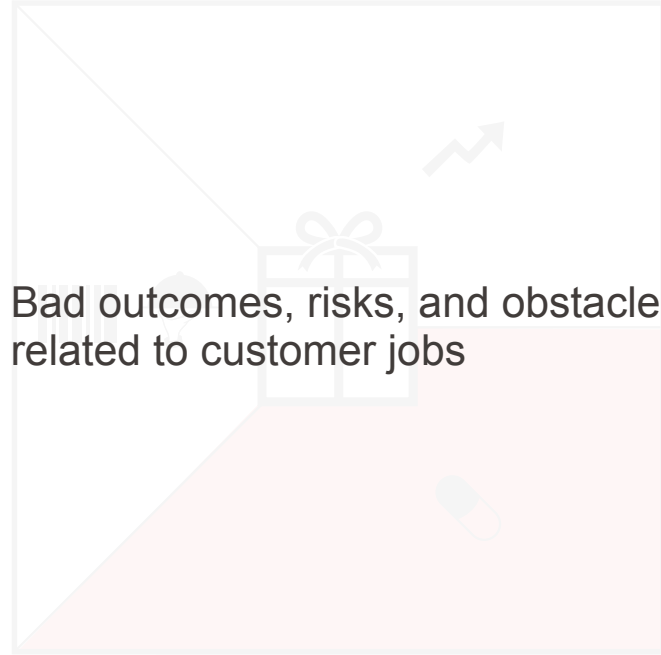
What is the best solution?

- fits into my hand
- full stomach until 1200
- arrive safe at work
- lasts for 20' at least
- happy wife!
- interesting sensations in my mouth
- good taste
- Satisfy hunger
- crumbs on clothes
- Food gone in 3'
- Keep commute interesting
- dirty car
- guilty feeling (Snickers)
- hungry by 730am

Products & services

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milkshake

fits into my hand

full stomach until 1200

arrive safe at work

lasts for 20' at least

happy wife!

interesting sensations in my mouth

good taste

Satisfy hunger

crumbs on clothes

Food gone in 3'

Keep commute interesting

guilty feeling (Snickers)

dirty car

hungry by 730am

Pain relievers

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milkshake

thinner straw to slow down speed

ergonomic design makes easy to drink on the road

fits into my hand

full stomach until 1200

arrive safe at work

lasts for 20' at least

happy wife!

interesting sensations in my mouth

good taste

Satisfy hunger

Keep commute interesting

crumbs on clothes

Food gone in 3'

guilty feeling (Snickers)

dirty car

hungry by 730am

How do your products and services address your customer's pains ?

Gain creators

- fruit chunks to make it more entertaining
- thicker shake so it takes longer to drink
- milkshake
- thinner straw to slow down speed
- ergonomic design makes easy to drink on the road

- fits into my hand
- full stomach until 1200
- arrive safe at work
- lasts for 20' at least
- happy wife!
- interesting sensations in my mouth
- good taste
- Satisfy hunger
- crumbs on clothes
- Food gone in 3'
- Keep commute interesting
- dirty car
- guilty feeling (Snickers)
- hungry by 730am

How do your products & services create gains your customers expect, want, or desire ?

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Azuri (formerly Eight19)

An example of VPC

750+ million people still live without electricity*

*Source : World Bank (2019)

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Spin-off from Cambridge University
Developed fully printed plastic solar modules
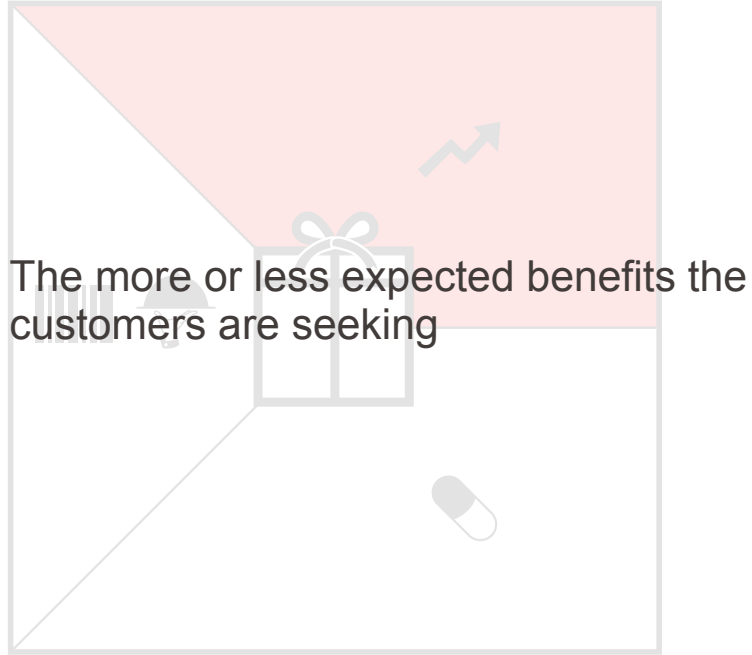Targeting the African continent
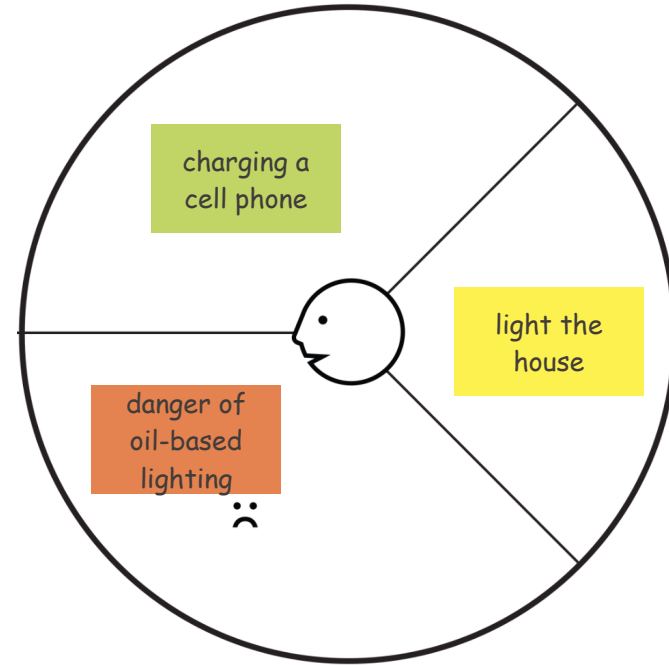
Azuri (formerly Eight19)

Rural African consumer

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

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Azuri (formerly Eight19)

Azuri VP$_0$

Rural African consumer

lighting & charging

charging a cell phone

cheap solar-based electricity

light the house

danger of oil-based lighting

safe & easy installation

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

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Azuri (formerly Eight19)
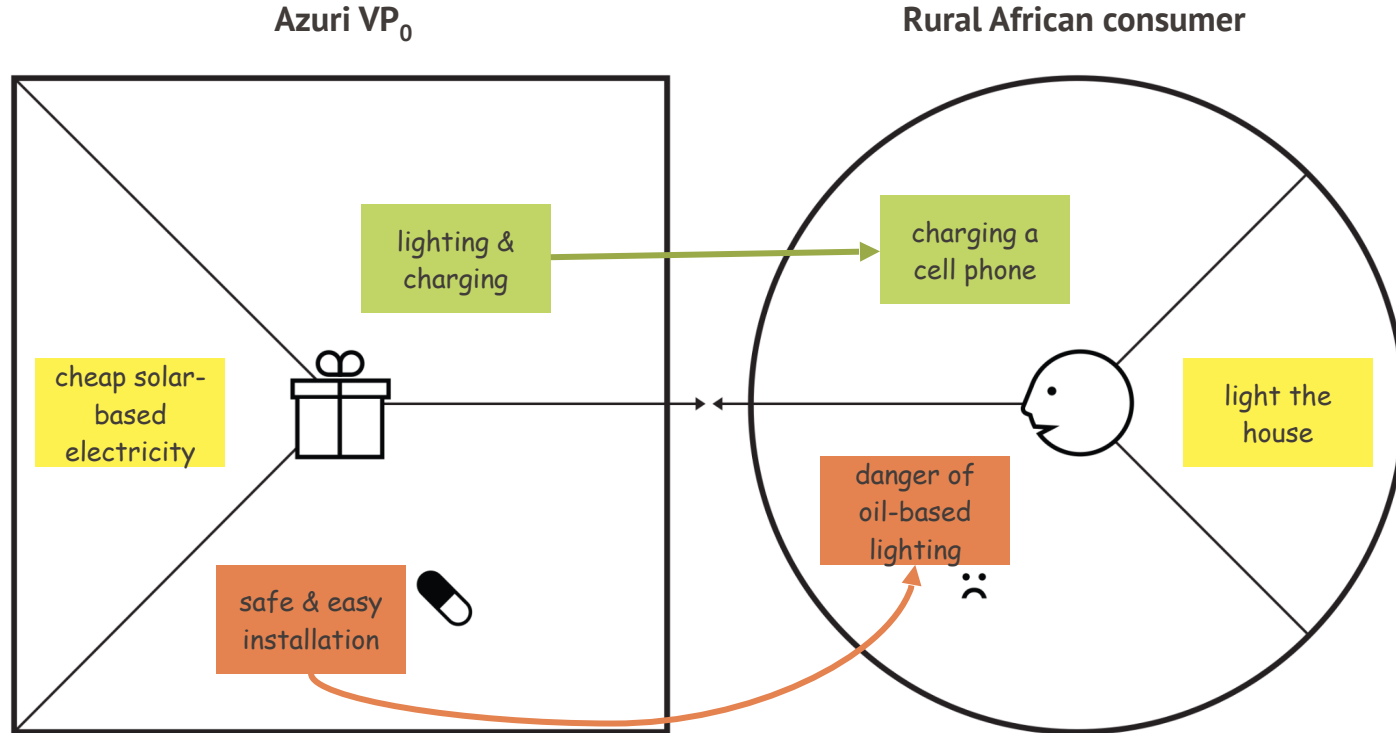
A rural farmer on USD3 per day struggles to afford a USD 70 solar power system

Rural African consumer

charging a cell phone

light the house

danger of oil-based lighting
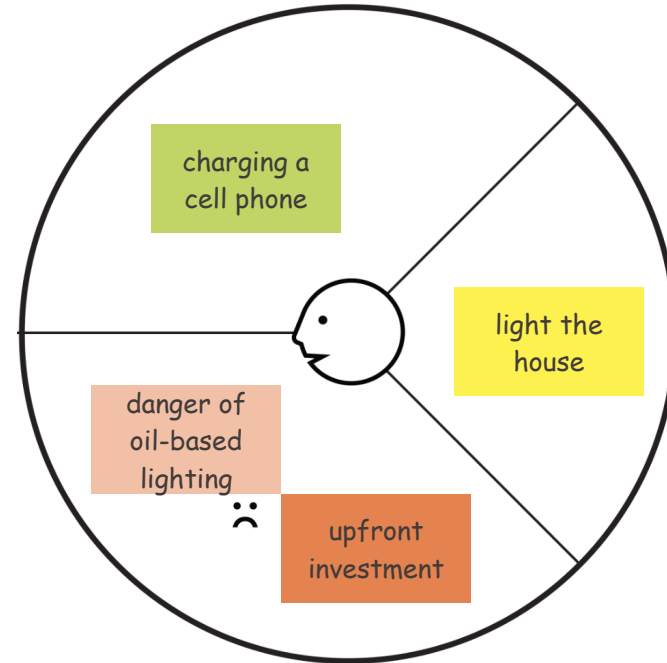
upfront investment

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

How to provide solar cell panels to users who have no money?

Give the solar installations away "**for free**"
(to eliminate the hurdle of upfront investment)

Azuri (formerly Eight19)

Azuri VP$_1$

Rural African consumer

lighting & charging

charging a cell phone

cheap solar-based electricity

light the house

leasing

danger of oil-based lighting

safe & easy installation

upfront investment

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

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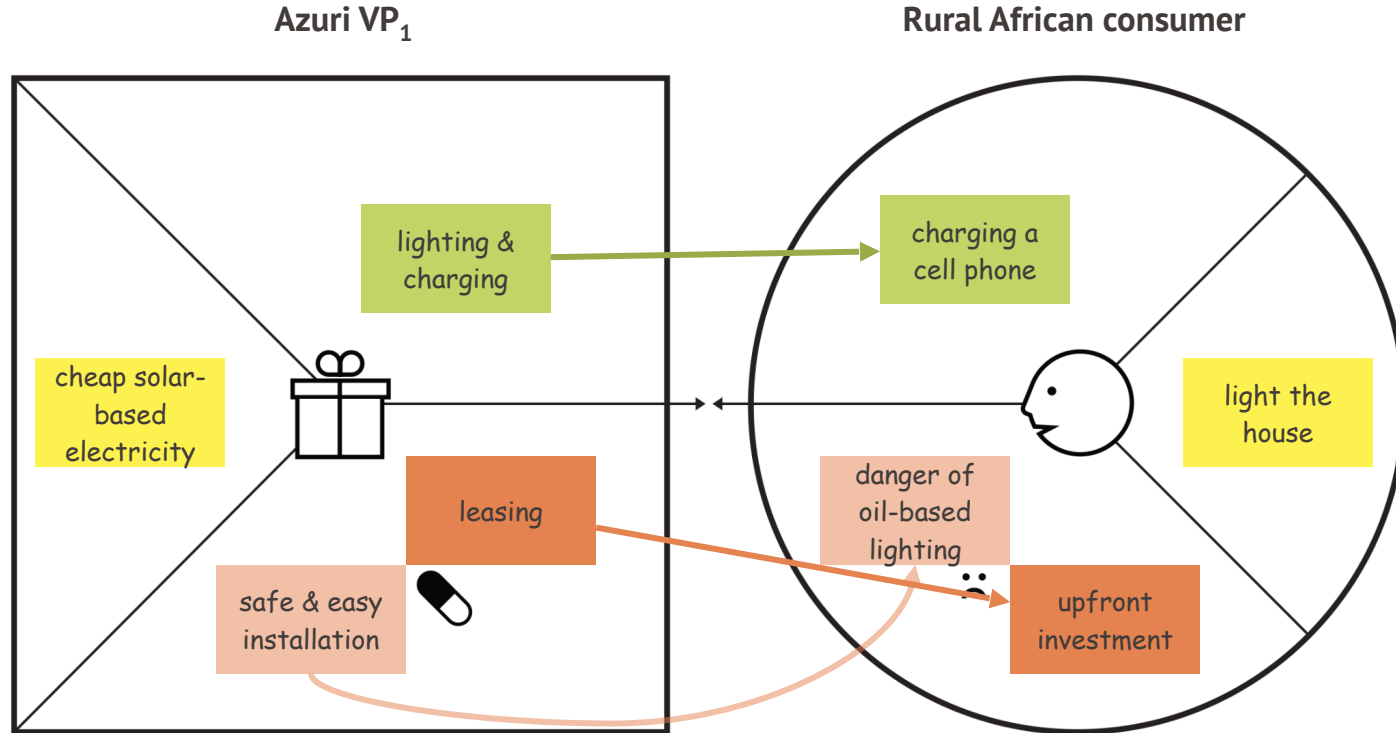# How can you provide **leasing** to spread out and "un-banked" rural African consumers?

Azuri (formerly Eight19)

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Azuri VP₂

Rural African consumer

- lighting & charging
- charging a cell phone
- cheap solar-based electricity
- light the house
- leasing
- danger of oil-based lighting
- safe & easy installation
- scratch cards
- un-banked
- upfront investment

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley
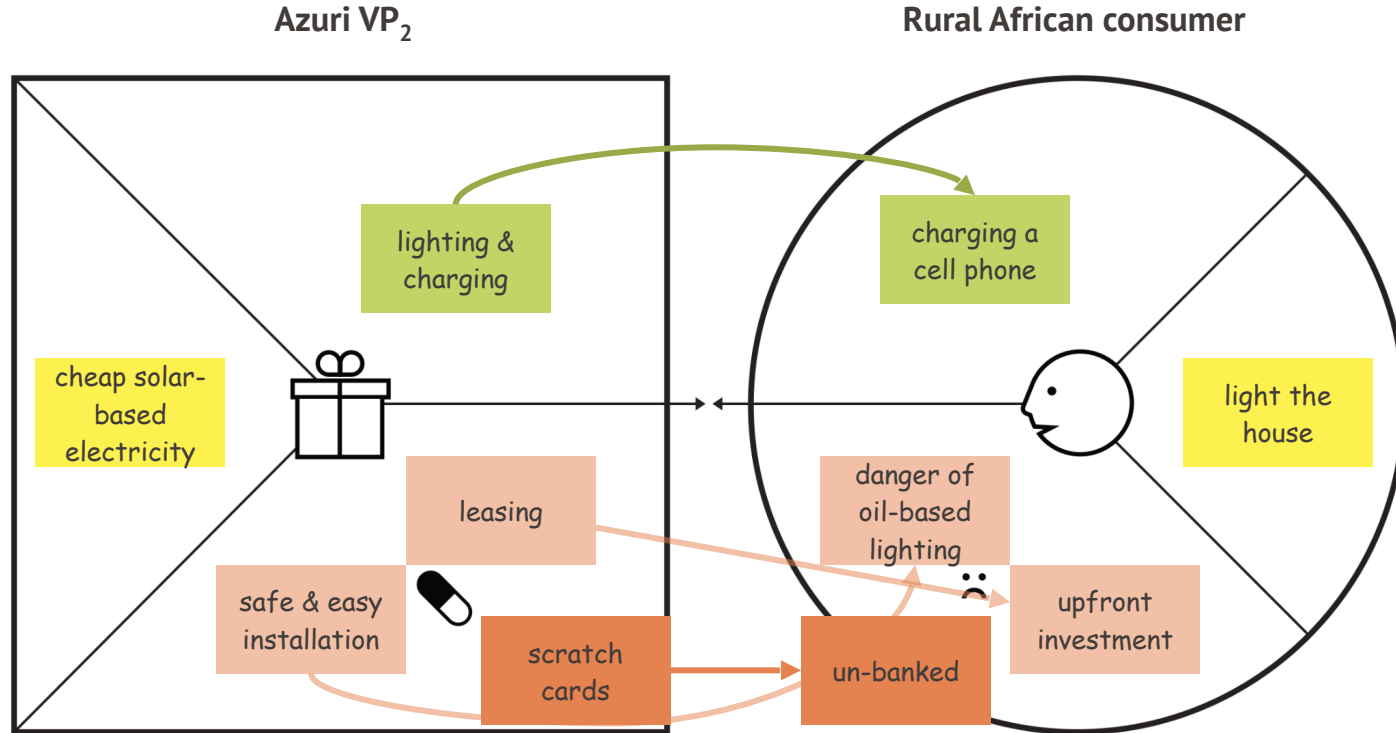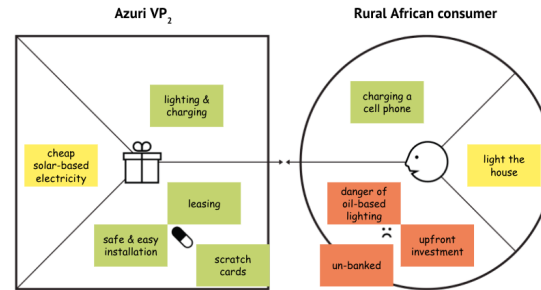
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Communicating your VP

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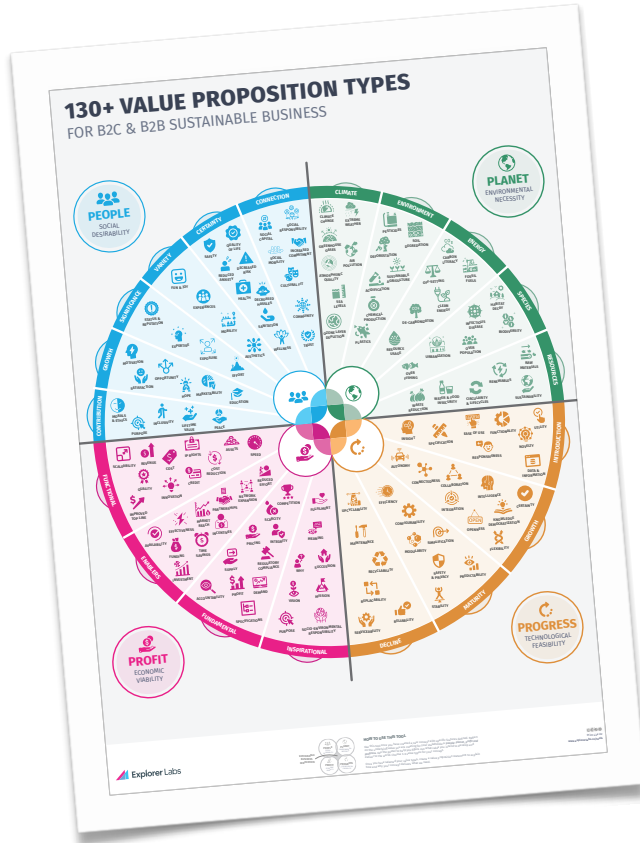
Communicating your value proposition

- The VPC is a tool to **observe** and **design**
- It can also be used to **communicate** your value proposition in a clear way

Our **cheap solar installation** helps **rural African consumers** who want to **light their house** by **avoiding oil-based lighting** and **charge their cell phones** (unlike kerosene lamps)

Source : Explorer Labs

A template to communicate your sustainable value proposition!

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3 SUSTAINABLE VALUE PROPOSITION STATEMENT
Use the helper to write your statement using your value types & KPI's above

Our `cheap solar installation` **helps** `rural African consumers`
PRODUCT, SERVICE, OFFERING, CONCEPT   USERS, CUSTOMERS, SOCIETY, ECOSYSTEMS, PLANET...

who have the need OR desire to `light their house`
SOLVE PROBLEM X, JOB-TO-BE-DONE, UN SDG GOALS...

by VALUE TYPE `avoiding` **+** `oil-based lighting`
ACTION VERB: (REDUCING, REMOVING, AVOIDING...)   PAINS: CUSTOMER, USER, ECOSYSTEM, PLANET...

and VALUE TYPE `enabling` **+** `phone charging`
ACTION VERB: (INCREASING, SOLVING, IMPROVING, ENABLING...)   GAINS: CUSTOMER, USER, ECOSYSTEM, PLANET...

so that `energy becomes accessible and affordable`
DESIRED FUTURE OUTCOME(S) X, Y, Z HAPPEN...

Unlike `kerosene lamps` **our solution is different because...**
COMPETITOR OFFER X

`reduces total cost of ownership (TCO)` **by** `a factor 5`
ACTION VERB: PROVIDES, ENABLES, CREATES...   OUTCOME QUANTIFIED KPI'S OR METRICS

Source : Explorer Labs

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A template to communicate your value proposition!

ENV-470 Development engineering – Value proposition

③ SUSTAINABLE VALUE PROPOSITION STATEMENT
Use the helper to write your statement using your value types & KPI's above

Our reusable modular battery solution **helps** people in busy cities with e-vehicles
PRODUCT, SERVICE, OFFERING, CONCEPT   USERS, CUSTOMERS, SOCIETY, ECOSYSTEMS, PLANET...

who have the need OR desire to quickly find and replace their batteries
SOLVE PROBLEM X, JOB-TO-BE-DONE, UN SDG GOALS...

by VALUE TYPE removing **+** the stress and need to wait for recharging
ACTION VERB: (REDUCING, REMOVING, AVOIDING...)   PAINS: CUSTOMER, USER, ECOSYSTEM, PLANET...

and VALUE TYPE solving **+** the problem of manufacturing excessive lithium cells
ACTION VERB: (INCREASING, SOLVING, IMPROVING, ENABLING...)   GAINS: CUSTOMER, USER, ECOSYSTEM, PLANET...

so that we only produce and use batteries we actually use
DESIRED FUTURE OUTCOME(S) X, Y, Z HAPPEN...

Unlike proprietary battery power e-vehicles that aren't interchangeable and must be individually purchased **our solution is different because...**
COMPETITOR OFFER X

it contributes to SGD 7, 11, 12 and 13 **by** delivering non-wasteful, sustainably produced, recyclable batteries that provide a scalable and profitable solution across global cities.
ACTION VERB: PROVIDES, ENABLES, CREATES...   OUTCOME QUANTIFIED KPI'S OR METRICS

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Q & A

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Conclusion

In summary

- Business model = how you create value
- Value proposition = what and for whom you create value

15 minutes

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Project time!

Time to apply this to your project

To do (1/2)

Value map

- List products and services
- Outline pain relievers
- Outline gain creators
- Rank the above by order of importance

Customer profile

- Select customer segment(s)
- Identify customer jobs
- Identify customer pains
- Identify customer gains
- Prioritize jobs, pains, and gains

Create the first iteration of your value proposition using the value proposition canvas (see template)

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To do (2/2)

- Identify the value types of your project using the SVPC
- Define the value proposition KPI's and metrics
- Draft the value proposition statement

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Value proposition template

Your Value Proposition

Selected customer segment: ●●●
List of alternative customer segments:

- ●●●

Your sustainable value proposition statement

Our ●●● (product(service/offering/concept) helps ●●● (users/customers/society/ecosystems/planet)
who have the need or desire to ●●● (solve problem x, job-to-be-done, UN SDG goals, etc)
by ●● (action verb: reducing/removing/avoiding) ●●● (pains: customer, user, ecosystem, planet, etc)
and ●● (action verb: increasing/solving/improving/enabling) ●●● (gains: customer, user, ecosystem planet)
so that ●● (desired future outcome(s) X, Y, Z happen).

Gain creators
- ●●●

Gains
- ●●●

Products & Services
- ●●●

Jobs
- ●●●

Pain relievers
- ●●●

Pains
- ●●●

Workflow
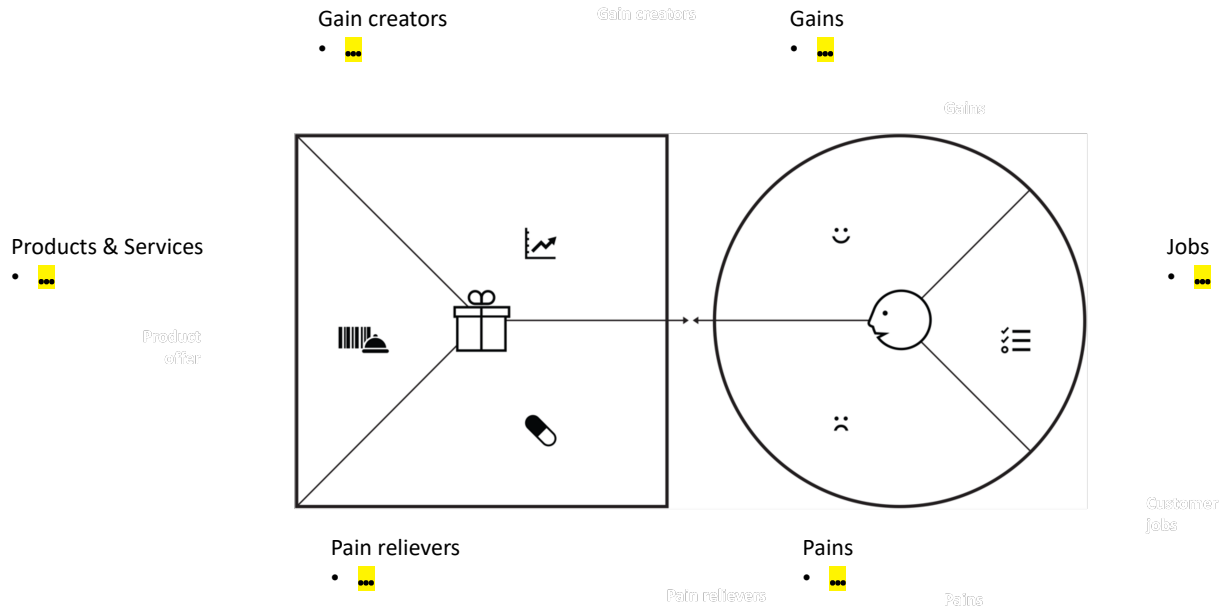
- April 29
  - till 19:00 : Work in teams on the first iteration of VPC (use template on Moodle)
  - 23:59 : Send 1st iteration to the course assistant/me* for feedback, indicating your group number (it's optional and not graded)
- May 6
  - Teams who have submitted a VPC on April 29 receive feedback

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Q & A

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Example of SVP

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A template to communicate your value proposition!

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③ SUSTAINABLE VALUE PROPOSITION STATEMENT
Use the helper to write your statement using your value types & KPI's above

Our reusable modular battery solution **helps** people in busy cities with e-vehicles
PRODUCT, SERVICE, OFFERING, CONCEPT — USERS, CUSTOMERS, SOCIETY, ECOSYSTEMS, PLANET...

who have the need OR desire to quickly find and replace their batteries
SOLVE PROBLEM X, JOB-TO-BE-DONE, UN SDG GOALS...

by VALUE TYPE removing **+** the stress and need to wait for recharging
ACTION VERB: (REDUCING, REMOVING, AVOIDING...) — PAINS: CUSTOMER, USER, ECOSYSTEM, PLANET...

and VALUE TYPE solving **+** the problem of manufacturing excessive lithium cells
ACTION VERB: (INCREASING, SOLVING, IMPROVING, ENABLING...) — GAINS: CUSTOMER, USER, ECOSYSTEM, PLANET...

so that we only produce and use batteries we actually use
DESIRED FUTURE OUTCOME(S) X, Y, Z HAPPEN...

Unlike proprietary battery power e-vehicles that aren't interchangeable and must be individually purchased **our solution is different because...**
COMPETITOR OFFER X

it contributes to SGD 7, 11, 12 and 13 **by** delivering non-wasteful, sustainably produced, recyclable batteries that provide a scalable and profitable solution across global cities.
ACTION VERB: PROVIDES, ENABLES, CREATES... — OUTCOME QUANTIFIED KPI'S OR METRICS

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Linking value propositions and business models

Azuri's business model

Idea/opportunity

BM$_0$

Key activities

Cambridge University

printed plastic technology to deliver low-cost solar cells

help people light their home cheaply using solar power

Customer relationships

Channels

rural African consumer

Cost structure

Revenue streams

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

Azuri's business model

Azuri VP$_1$

Rural African consumer

lighting & charging → charging a cell phone

cheap solar-based electricity

light the house

leasing

danger of oil-based lighting

safe & easy installation

upfront investment

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

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Azuri's business model

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BM₁

Key partners
- Cambridge University
- manufacturing partner

Key activities
- distribution + installation
- development + manufacturing
- licensed to use patented technology

Key resources
- solar energy installations

Value proposition
- cheap solar installation
- rent

Customer relationships
- solar aid (NGO)

Channels
- local vendors

Customer segments
- rural African consumer

Cost structure
- installation cost
- manufacturing cost

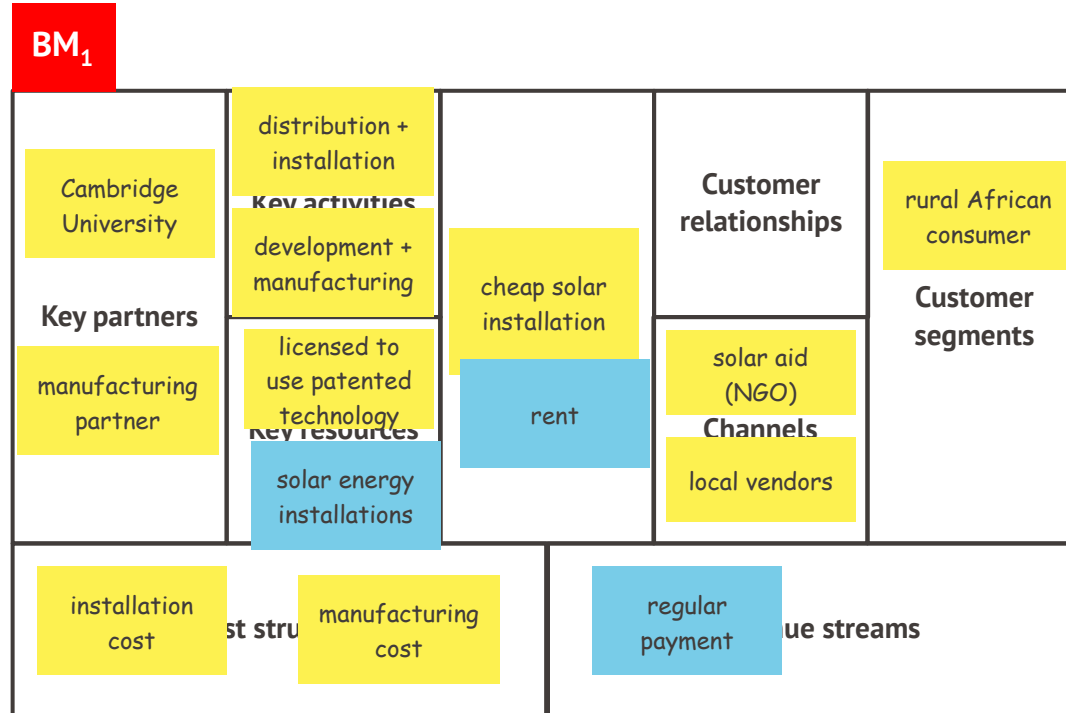Revenue streams
- regular payment

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

Azuri's business model

Azuri VP$_2$

Rural African consumer

lighting & charging

charging a cell phone

cheap solar-based electricity

light the house

leasing

danger of oil-based lighting

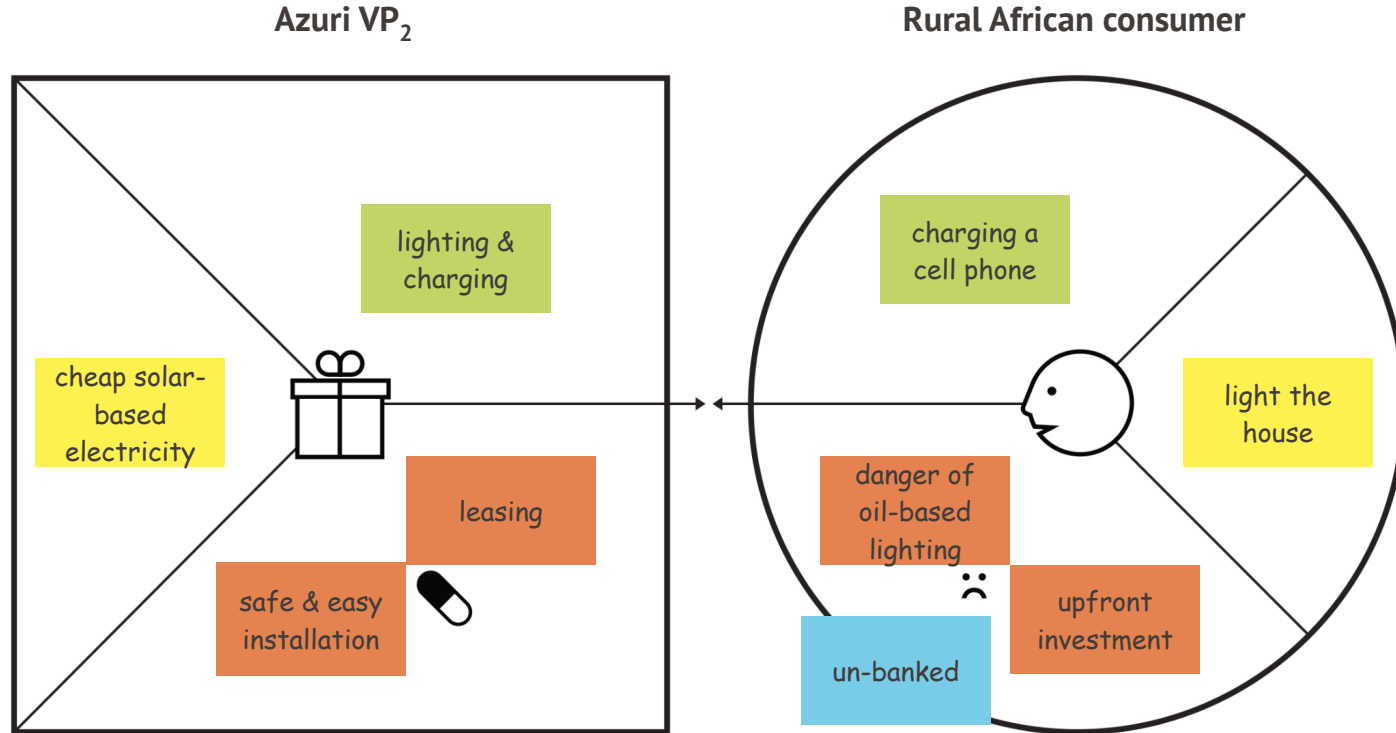safe & easy installation

upfront investment

un-banked

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

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Azuri's business model

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Azuri VP$_2$

Rural African consumer

lighting & charging

charging a cell phone

cheap solar-based electricity

light the house

leasing

danger of oil-based lighting

safe & easy installation

upfront investment

scratch cards

un-banked

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley
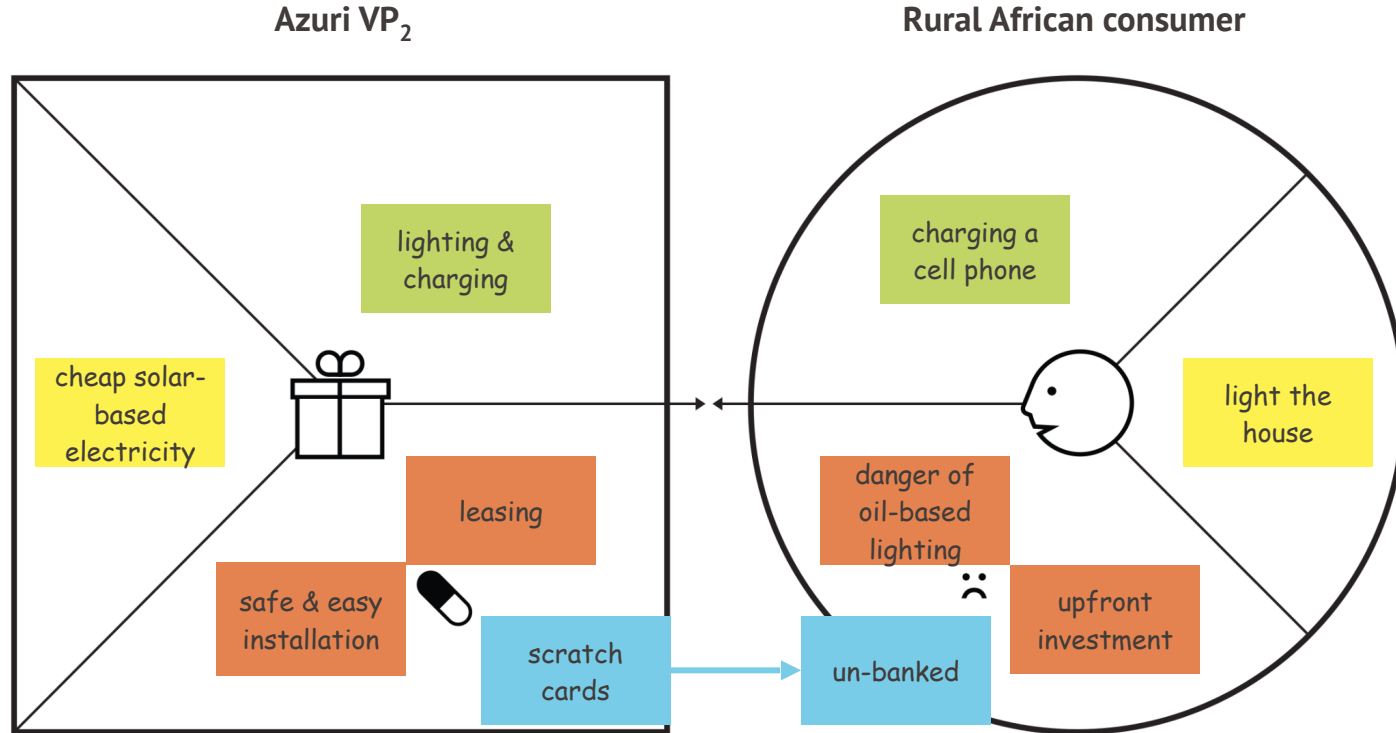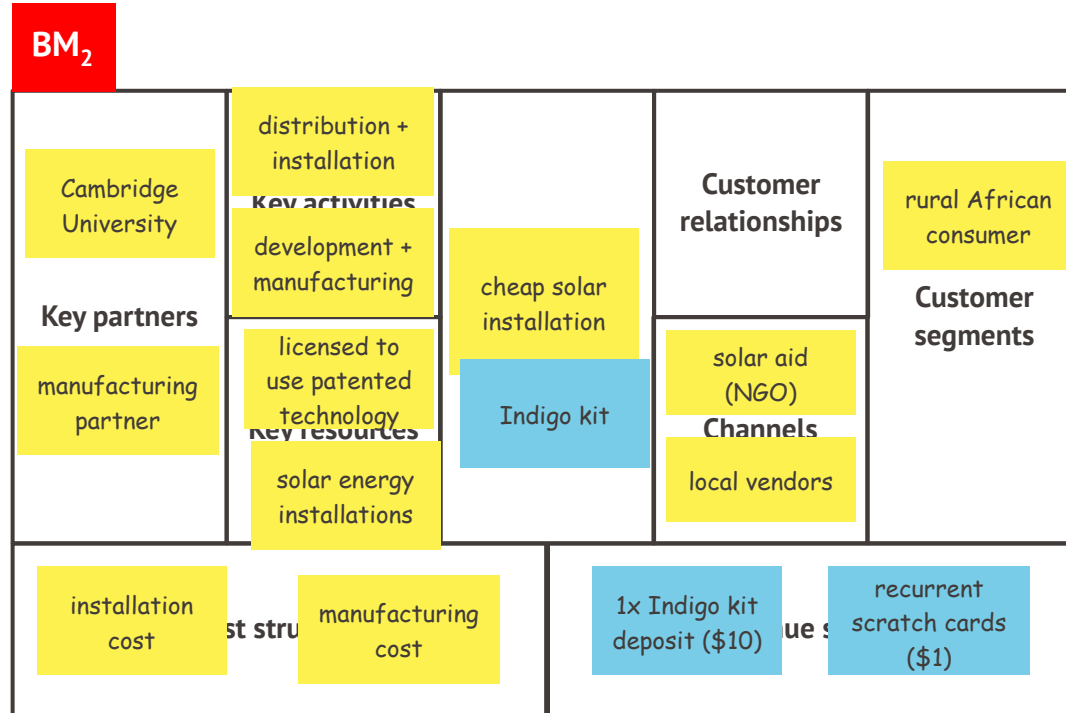
Azuri's business model

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

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Azuri's business model

BM₂

Cambridge University	distribution + installation		Customer relationships	rural African consumer
Key partners	**Key activities** development + manufacturing	cheap solar installation		**Customer segments**
manufacturing partner	licensed to use patented technology	Indigo kit	solar aid (NGO)	
	Key resources solar energy installations		**Channels** local vendors	

installation cost — manufacturing cost — Cost structure

1x Indigo kit deposit ($10) — recurrent scratch cards ($1) — Revenue streams

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley

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For the customer

What does Azuri's VP look like for a customer?

- $10 — Buy the Indigo kit (solar panels, lamps, charger)
- $1 — Buy scratch cards, use SMS from a mobile phone, enter the resulting passcode into the Indo unit, and use the installation for a period of time (typically a week)
- "Free" — Own your box after 80 scratch cards, or…
- Upgrade — Escalate to a large system and access more energy; continue to buy scratch cards

Source: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). Value proposition design: how to create products and services customers want. Hoboken, NJ: Wiley
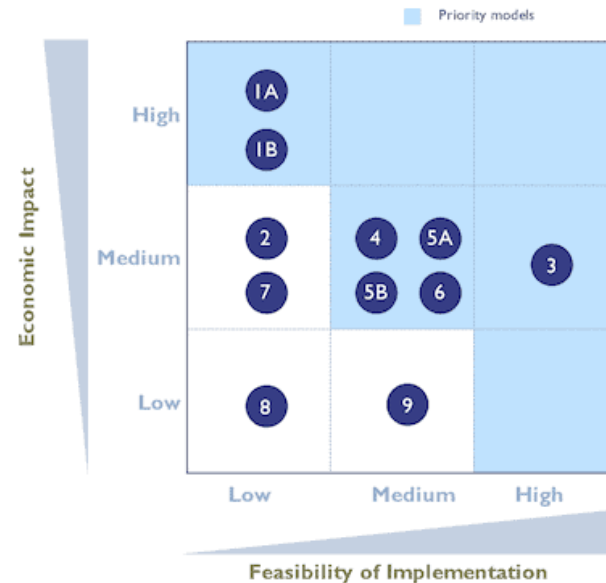
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One step further

Operational Responsibility

	Developer	Partner	Community
Developer	1A Key Maker model / 1B Processing Centre Model	2 Developer-funded External Operator model	3 ProductiveUse Appliance Funding (PUAF) model
Partner	4 Facility Manager model	5A Off-taker model / 5B Fee for service model	6 External Creditor model
Community	7 Community-contribution Developer Operated model	8 Community-contribution Partner Operated model	9 Utility model

Credit Risk

Source: https://nextbillion.net/nine-business-models-productive-use-electricity-africa-framework-generating-profit-impact-off-grid-energy/

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One step further

Source: https://nextbillion.net/nine-business-models-productive-use-electricity-africa-framework-generating-profit-impact-off-grid-energy/

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Willingness-to-Pay

3 types of pricing

- Value-based: based on the customer's perceived value of the product/ service
- Cost-based: based on manufacturing/production costs and a desired profit margin
- Competition-based: based on prices set by competitors in the market

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Willingness-to-pay (WTP)

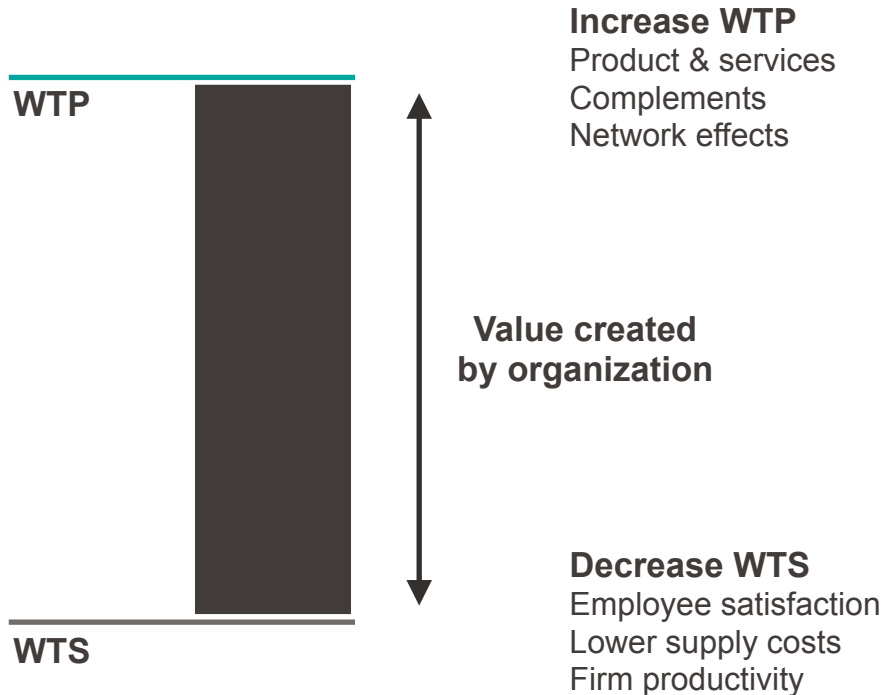ENV-470 Development engineering – Value proposition

The maximum amount a consumer is ready to spend to acquire a good or service

Determining WTP for a charity

- Contingent Valuation (Survey-Based): ask potential donors directly: "What is the maximum amount you would be willing to donate to support this cause?" Use open-ended questions, payment cards, or bidding games

- Conjoint Analysis (Choice Modelling): present donors with different combinations of campaign features (e.g., impact, transparency, gift incentives), then analyze which combinations lead to higher donation preferences

- Field Experiments & A/B Testing: test different suggested donation amounts, donation formats, or messaging in real campaigns

Value stick

Maximum price that customers
would be willing to pay

WTP

Increase WTP
Product & services
Complements
Network effects

**Value created
by organization**

Decrease WTS
Employee satisfaction
Lower supply costs
Firm productivity

Minimum price/wage that suppliers/
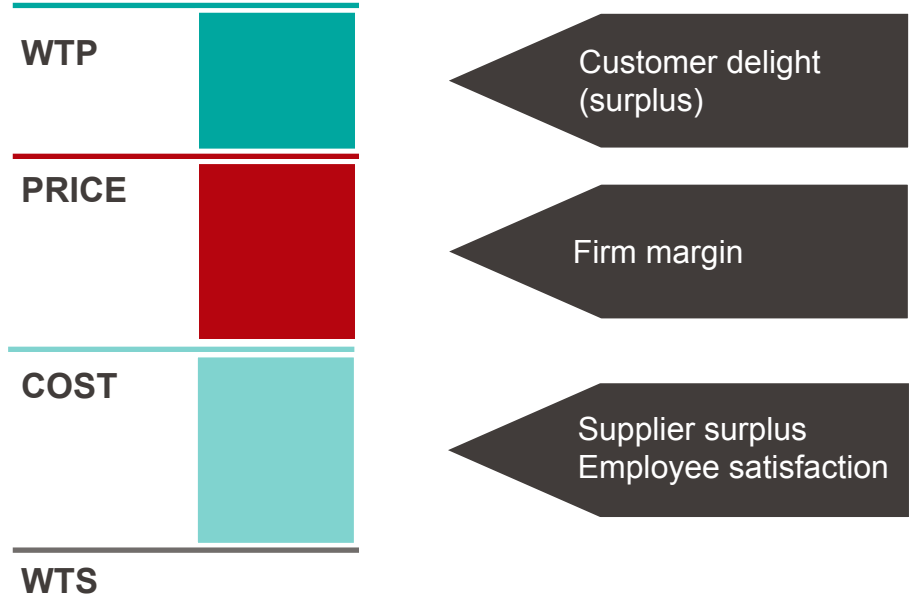employees would be willing to accept

WTS

Source: Oberholzer-Gee, F. (2021). Better, simpler strategy : a value-based guide to exceptional performance. Boston, MA, Harvard Business Review Press.

Value stick

Maximum price that customers would be willing to pay

WTP

Customer delight (surplus)

Customer price

PRICE

Firm margin

Compensation/cost

COST

Supplier surplus
Employee satisfaction

Minimum price/wage that suppliers/ employees would be willing to accept

WTS

Source: Oberholzer-Gee, F. (2021). Eliminate Strategic Overload. Harvard Business Review, 99(3): 88-97.

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3 things about value

- A value proposition implies the creation of different types of value

- Value can be created for customers (B2C) or businesses (B2B)

- Value (propositions) should be sustainable

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Value

Definitions

Bowman and Ambrosini (2000, 2010) address the challenge of understanding the concept of value by distinguishing between use value and exchange value. The total value created by a product or service is defined as the sum of its use value and exchange value.

- *Use value*, also called consumer surplus, is associated with a product or service. It is defined by the *specific qualities perceived* by the customer about their needs and jobs addressed after deducing all costs. It is subjective and different from customer to customer.

- *Exchange value* is defined as the *price* a customer is willing to pay in exchange for a product or service. It is the *monetary amount* exchanged between the organisation and its customers for use value. In contrast with use value, which the customer defines, the exchange value is based on an agreement between two stakeholders, the customer and the organisation. Its upper bound is called willingness to pay.
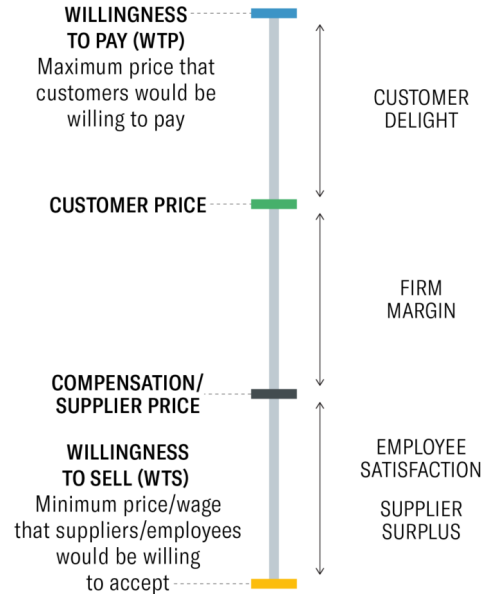
Source: Dietrich, C. (2024). Design thinking Strategy. Cham: Springer.

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Pricing

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3 types :

- Value-based: based on the customer's perceived value of the product/service

- Cost-based: based on manufacturing/production costs and a desired profit margin

- Competition-based: based on prices set by competitors in the market

Value stick

The Value Creation Opportunity

When companies find ways to increase customer delight, employee satisfaction, and supplier surplus, they expand the total amount of value they create and position themselves for extraordinary financial performance.

WILLINGNESS TO PAY (WTP)
Maximum price that customers would be willing to pay

CUSTOMER DELIGHT

CUSTOMER PRICE

FIRM MARGIN

COMPENSATION/ SUPPLIER PRICE

WILLINGNESS TO SELL (WTS)
Minimum price/wage that suppliers/employees would be willing to accept

EMPLOYEE SATISFACTION

SUPPLIER SURPLUS

Source: Oberholzer-Gee, F. (2021). Eliminate Strategic Overload. Harvard Business Review, 99(3): 88-97.