

Startup101

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Value Proposition & Business Model Canvas

Startup101 – Lecture 2



How **NOT** to articulate a Value Proposition

Value Proposition

A product's value proposition is a statement of the **functional**, **emotional** and **self-expressive** benefits delivered by the product/service/brand that provides **VALUE** to the **target customer**.

Answers...

- What you offer and how you offer it to target customers
- What type of value or benefit is associated with your offering (for example, cost savings, time savings, revenue increase, customer/employee satisfaction), and how much of it the customer can expect
- How the value is generated
- Why it differs from anything else on the market

Value Proposition

Functional Benefits:

- Based on the attributes of the product that provide the consumer with functional utility
- Goal is to demonstrate the benefits of using your product/service compared to those of your competitors – cost savings, productivity improvement, revenue increase, etc.

Examples:

- Jacket that keeps you dry/warm
- Car that has more safety features

Value Proposition

Emotional Benefits:

- Speaks to the experience and feelings consumers have when interacting with your product/service/brand
- This is the “feel-good” factor

Examples:

- Organic labeling on foods
- Environmentally friendly sources materials
- Feeling the atmosphere of a store conjures

Value Proposition

Self Expressive Benefits:

- Provide an opportunity for the user to communicate their self-image
- Focused on the act of using the product (vs. emotional benefits associated with the result of using the product)

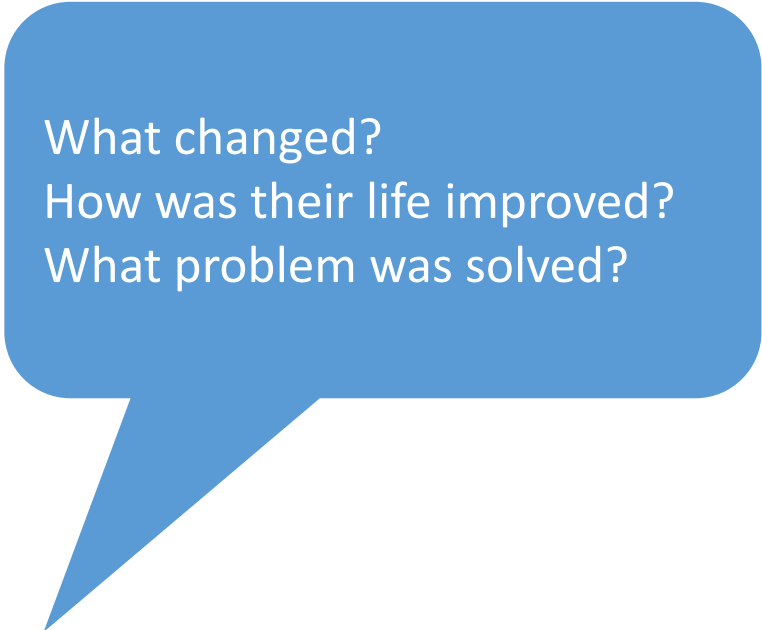
Examples:

- Designer brands in clothing
- Home improvement stores 'can do' attitude

Value Proposition

Target Customer:

- Who is going to buy your product or service?



What changed?
How was their life improved?
What problem was solved?

Exercise 1 – Create a Character

- Include age, sex, lifestyle, income, home life, work life, etc.

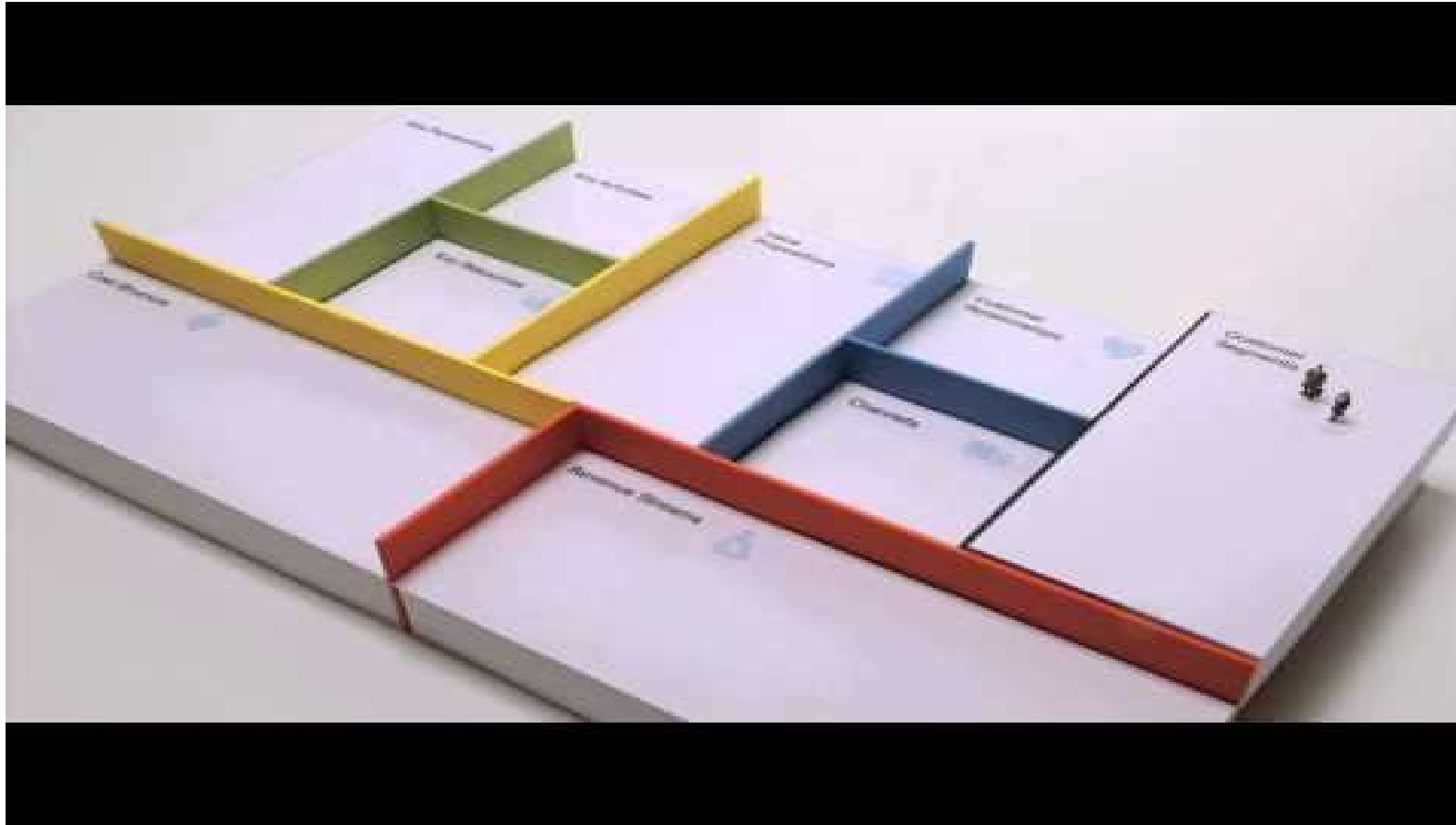
Exercise 2 – Day-in-the-Life

- Create a scenario where your character goes through their day without your product/service/brand
- Create a scenario where the character has purchased your product/service/brand

Value Proposition - Worksheet

Business Model Canvas

- A business model describes the value an organization offers to its customers. It illustrates the capabilities and resources required to create, market and deliver this value, and to generate profitable, sustainable revenue streams.
- Identifying and implementing a sustainable business model is one of the major steps towards creating a business.
- The canvas is a great tool for testing out ideas and assumptions, and to quickly iterate several scenarios.



Business Model Canvas

Business Model Canvas - Components

Value Proposition – It is the central piece that illustrates how you plan to bind the supply side with the demand side.

Target Customer/Customer Segments – Who is your target customer, what is their motivation to buy your product/service/brand?

Customer Relationships – Consider the relationship you want to have with your customers. What does the transaction look like? (do they buy it once? Is it recurring? How do you keep them coming back?)

Business Model Canvas - Components

Distribution Channels – How you will reach your customers? Keep in mind that your offering in combination with the relationship you would like to have with your target customer has strong implications for your choice of distribution channel.

Key Activities – List the activities or next steps you need to take to move your venture forward. These will become more apparent as you develop the rest of the canvas (e.g. patent the idea, raise capital)

Key Resources – what resources does your startup require to operationalize and execute on the value proposition? Consider how your product/service is made.

Business Model Canvas - Components

Key Partners – Consider who you will have to work with to develop your business. Will you need to enlist an IP lawyer? Manufacturers/Suppliers? Distribution partners? Etc.

Cost Structure – Calculate the costs you'll incur to run your business model (e.g. monthly fees, manufacturing costs, IP protection, website hosting, etc).

Revenue Streams – Evaluate the streams through which you'll earn your revenues from value-creating and customer-facing activities. Consider your channels and the types of revenue they will generate for you. Will you focus on bulk sales, unit sales, or services? Will the revenue come from recurring or one-off transactions?

Business Model Canvas- Exercise