**Lecture – 11**
NPNSM- Creating Customer Value Proposition

Hello, welcome again to the next session on a managing new products, goods and services. During the last several sessions, I have often mentioned, that the starting point for a successful new product development, is to understand Customer Value Proposition. Another terminology that we also often use is Strategic Value Proposition. I have mentioned several factors about this value proposition in the earlier sessions.

But today, I am going to go deeper into the process of understanding, creating, formulating the Value Proposition brief, which is the fountainhead in some way for the entire new product management strategy. Now I have mentioned that, this, Value Proposition is also closely correlated with the set of tasks, that we do after creating the Value Proposition which is segmentation, targeting, and positioning on which we had some discussion earlier.

And, so the Value Proposition is actually, what creates the positioning for your offering in the market place.

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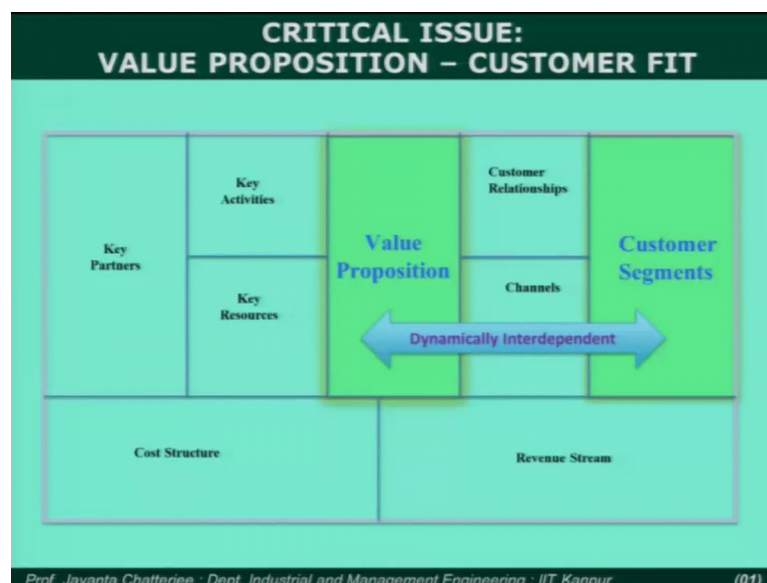
So, this particular diagram, that you have in front of you, tells you that, the Value Proposition ultimately must be correlated to a particular Customer Segment because, you do not try to Create a Value Proposition in the beginning as a big canvas, for a large number of people, all that will come later on, when you will create the product platform, and the product variants, and the product line, that we have discussed earlier.

To begin with, however, you have to focus on a particular type of, very well defined type of Customer Segment. And this diagram also shows you that, this process of identifying the Customer Segment, and creating the Value Proposition brief for them, is a part of a holistic process, which we call business modeling, where actually we will later on see that, it is quite related to the kind of channels you want to create, kind of relationships that you want to form. And on the other side, of the operation side, it involves a kind of partners, who will be your suppliers, who will be your designers and so on.

Key Activities, Key Resources, cost Structure all there, these are actually included in this canvas. One single canvas captures the whole thing that we call the business model, but of course, that will come later. If this diagram I put it here, only to highlight that this process of correlating the Value Proposition and Customer Segment is the part of a bigger holistic process. You will see, on the arrow we have also written Dynamically Interdependent. This inter dependency is a very important word, inter dependency is different from independency; independency means 2 sets of variables which move on their own.

Here, what it says is that, the dynamics of Value Proposition development, and the dynamics of Customer Segment identification and characterization are different, but related. They are not independent, they are interdependent. So, if you change the Customer Segment definition, most likely your Value Proposition brief will change. If for some reason, technical reason, resource reason etcetera, your Value Proposition needs to be edited, Value Proposition needs to be modified, then it will need a corresponding impact on your Customer Segment definition.

So, this is the point about interdependency. So, try to be clear about this issue that, they can differently move, but each move in one vector will be impacting the movement of the other vector.

The value discovery process, this value proposition brief creation, is something that is closely involved with the customer's opinions, reactions, feedbacks and so on.

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CUSTOMER + YOU=VALUE DISCOVERY PROCESS

➤ Start with a vision (a solution to a problem)

➤ Customer Discovery 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!

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That is why, you see very, on the very top I have written, CUSTOMER PLUS YOU together you create the VALUE DISCOVERY PROCESS.

So, usually you start with a vision, important point, you do not first actually find and eureka solution in your lab, and then you go on searching for the problem. I mean earlier people have done that, and sometimes you may come up with a very radical discovery, or make some fantastic lab development, where you may have some vague idea about the customer, and then you will go in search of customers.

But usually that is not a very efficient process, and also often very costly in terms of mistakes, better approach is, first identify the problem, and that is what we are going to discuss that, what does it mean by discovering of a problem. The problem has to come from the customer side. So, once you understand the problem, then you develop the solution, and not develop the solution and then be in search of a problem.

Then once you have this identification of the customer's needs, pains etcetera, then you try to find a solution and therefore, this Value Discovery Process in conjunction with the customer is a problem solution fit process.
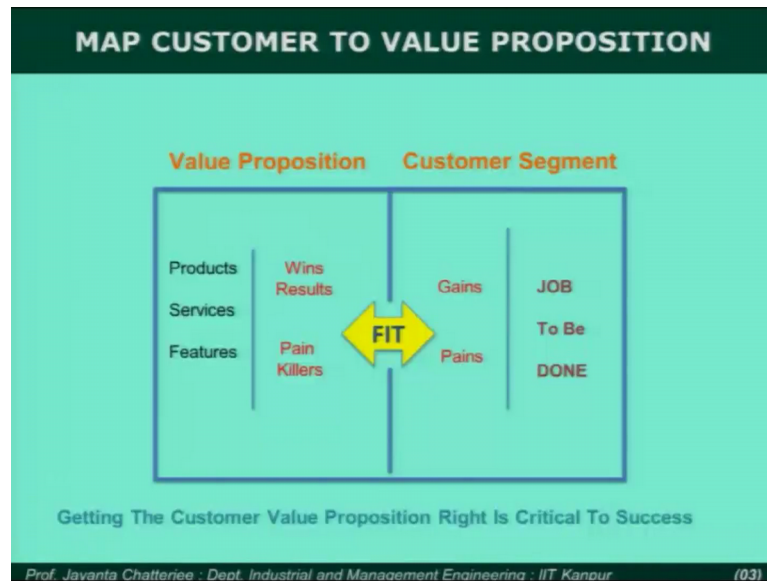
So, does your value proposition match the customer segment that you plan to target? And this I mentioned, just a little while back, that do not try in the beginning to create an entire product range.

First develop the product for the few, for the few chosen few, how to choose, the most important segment to begin with, those we have discussed briefly, you know that the size, the growth rate, the attractiveness, the fitment with your technical competencies, your commercial resources etcetera, but fundamentally if you have, you have to choose, and then develop this solution, and this we will discuss in the next session, this very important concept of the minimum viable product; that means, you do not actually in today's world where the velocity of new product introduction is continuously increasing.

And the product life cycles are getting continuously compressed, time to market is very important. So, you have to compress the time to market as much as possible, and for that reason, you do not want to complete all tests, all modifications, and all improvements and then go to the product. Today, that used to be the case earlier, that you did not go to the market till everything was, all the problems were solved.

But today, we know that, there are many problems that are impossible to identify at the design, development stage. That is why we say, come up with a roughshod product which will almost work. So, that is what good the minimum viable product, and get to the market, and then, you know, based on the customer feedback, you keep on modifying and so on. That is why we have these days, the terminologies like alpha product, beta product etcetera. We will discuss that in more detail in the next session.

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MAP CUSTOMER TO VALUE PROPOSITION

Getting The Customer Value Proposition Right Is Critical To Success

But let us progress, here as you see in this diagram, I have come from the previous diagram, but now, I am focusing only on these 2. My previous diagram, I mean, you know, I showed you, that this is the overall business modeling canvas, but now in this we are now only looking into the interaction, remember I said that they are interdependent. So, we look at these interdependency dynamics between Value Proposition and Customer Segment.

So, once you have identified a particular customer segment, using the logic of selecting a segment, you then focus on what exactly is the customers job that you are wanting to assist in. Because any, as I, if you remember right in the beginning we said, customers do not buy goods or services per sake, they buy a solution to a particular problem, the meeting of a particular need is what they are after.

So, start with jobs to be done by the customer, and then look at, what are the current Pains that the customer is having, in getting this particular Job Done with the kind of solutions that are now available. And remember that, some of the Pains the customer may be able to articulate, because those are very strong Pains. Now those intensely felt pains or major problems will be identified by your competitors as well.

Because, these are pains which customers articulate right, and therefore, just as you can find it, there may be your competitors who will also find it, what is most important is to find, the pains which are not explicit, may not be articulated, the latent pains.

Pains which, a customer accepts today, but will be elated, if you solve right. So, for example, you know, just a simple example, if you are running a cafeteria for a breakfast.

And so, if the eggs are served hot. The obviously, it will delight, but the eggs are not that hot, or kind of coldish, I mean in the rush, in the morning people might accept it, they may live with it, but obviously, if you actually create a system where eggs are always served hot, in whatever configuration it is being asked for, that will be in that, you know, you are creating a customer delight. That is why you will see nowadays, sometimes in the breakfast cafeterias, they boil eggs.

Now, earlier; obviously, you normally do not boil the egg just on order. So, they used to boil the eggs, and if it is kept it used to get cold, but they now have to put those eggs in a salt bed. And, so the salt is kept heated and therefore, indirectly the inside of the egg remains hot, a good to taste. So, that that is a very very trivial example.

But the issue here is, try to observe, try to find Pains that the customer accepts, does not very, you know, strongly complain about, but if you actually solve; obviously, you have to solve all the strongly articulated Pains, but then you also try to find out through observation, through the ethnographic method that we discussed in an earlier session by spending a day with the customer, observing, observing, and you have tried to find these latent problems.

And come up with, in your, Value Proposition, when you design the Pain Killers, then you design, not only the solutions to the explicit pains, but also try to address the implicit or pains that are not articulated very strongly, and then you also try to create some Gains in your solution, which are not available from your competitors, some distinctiveness that you bring about here, those distinctiveness by the way can also come from this Pain Killers for the unarticulated latent pains.

And thereby, you create a basket of a bundle of Pain Killers and Winning Features, and that is your Value Proposition. So, that can be a Product, that can be Services, combinations, features and so on. So fundamentally, I mean this chart looks a bit complex, but the message is very simple, understand customers Pains and the Gains that you can offer, and offer them, that is it.

Now, we will go a little bit, you know, simple statements are not always easy. So, I am going to now, get into the deeper sets of processes in understanding customer pains.

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So, customer pains can be, you know, in terms of what the customer finds costly. And remember, costly it does not mean always money, but it can be too much time, it can be too much effort. So, you know if you have say, bottles which are with caps, and you know caps need openers.

So, this is an extra effort, at that, you want to open a cold drinks bottle, and you are searching for the opener. So, why not integrate the opener into the cap. So, now, you have those tabs, which you pull and the cap comes off. So, you are still offering, you know, soda or other bubble drinks, pressurized gas drinks, dissolved gas drinks and therefore, they need to have a cap, to keep it under pressure, you cannot do a screw cap they are usually.

So, that cap, are they are needed an opener, now you actually integrate the 2, and you have this tab based which you pull, and open, and voila. You have a solution to, in customer pain or kind of cost right. Key point, cost not only money, but also look at time cost, effort cost, etcetera. What makes your customers feel bad, right? I mean their frustrations their annoyances.

So, if you actually, you know, people find it annoying, people feel bad, that you walk into a toilet and you know it smells bad, and therefore, now if you can create solutions, where actually. So, people came up with the solutions that, it does not need to be that, you do not have to remind the customer to push the button to flush the system; you actually test it, that you put sensors. So, as soon as the customer moves away it automatically flushes.

But then it was found that, it was, it was consuming too much water, and then actually came odorless, but as well as toilets which use minimum amount of water. So, they, I mean the so called bio toilets have been developed. So, the point is that, customers feel bad, that is at the starting point, you come up with a solution, and you keep on improving, and the feeling bad means annoyances, frustrations. So, this is important here, that many of these are intangible.

Like, in case of the first point that, what customer find it too costly? Many times you will be able to measure it, by way of money, by way of time, by way of effort, but in case of annoyance or feeling bad, it is a feeling oriented stuff. So, you will have to be careful and observant because, sometimes the customer may not mention it right. So, if a fresh, you know good smelling toilet is a kind of a, it is a product service combination and a scope for innovation. How are current solutions underperforming for your customer?

So, it may be some lack of features, or performances, malfunctioning, accuracy, you know, I will give you a simple example, like crutches, you know, people have during skiing or for different sports etcetera, people sometimes have a leg fractures right. So, you have a cast, and the problem is that, if this cast will be there for 1 month, or 2 months and so on, during that time for simple movements you may be given a crutch.

But the earlier designs of crutch, they serve the purpose, but they often created other Pains and it also kind of looked very unkindly. So, people came up with solutions, where the crutches look very modern, they are you know supporting from your elbow or downwards and they can be, you can create, therefore support. So, they are kind of walking stick, they can refold it, but they serve the purpose of the crutch, but looks much smarter, and can be modular and can be produced more easily, can be foldable, and telescopic, all kinds of stuff can be done.

And therefore, you are addressing, different annoyance problems as well as some underperformance problems, we even have these days, I mean casts for example, which you put for a broken leg, for the leg to heal, the bones to heal, you need to immobilize. Earlier this was done by plaster of Paris cast, but now we have, different other methods, where we can do the immobilization, the, it can be deployed much faster, and it can it can be deployed in a less messy manner, and those types of new modern casts are also takes care of a very irritating problem.

If you have had ever a fracture and unfortunate need of having a cast, you know that, you know, inside, it scratches and you are so eager to, you know, address that itch inside, but it is inside the cast so you cannot reach. So, it is terrible, but nowadays we have solutions for that as well. You see these are simple ways, where very popular and very successful products have been created by addressing the customers, it sometimes intangible pains or understanding under performance.

And then there are other issues. So, I am going to, at this moment say, that, initially up to this point, this, what does your customer find too costly? What makes your customer feel bad? And how are your current solutions under poor for underperforming for your customer? These are the 3 main points, that I will, at this moment feature because this will be related to the creation of the minimum viable product that we are going to discuss in the next session.

But there are other deeper issues, which you may have to depends on the kind of product, for example, this issue that what is, what is keeping your customer awake at night? I mean it is a figurative way of making a statement that your customers main worries. So, in industrial products, this is a very important way to create a Value Proposition, you know, that is why some of the industrial products they say, fit and forget, meaning that, once you use our product, you fit it in the machine, or a in the electrical system, or mechanical system and so on.

And it is, so reliable that you do not have to have this worry that, you know, if you are the maintenance manager, that something will break down in the middle of the night, and you will have to rush, for getting it attended to, you have use our product, you will not have that midnight wake up call. So, that is actually something that you know, what is keeping your customer awake at night, that kind of.

But there are of course, this can be thought of in different other ways, you know, big worries, basically the customer sense of risk that should be addressed, when you create your Value Proposition, or what are the common mistakes that are made by your customer while using the product? So, sometimes we want to make the product mistake proof; that means, even if the customer wants to use it wrongly, he will not have an accident. This is a very important one for a simple product, where you know, innovations are still happening, which is the hot water and cold water mixer in the bathroom.

So many times people come up with a very efficient in their opinion and, but very complex, and the customers may actually burn themselves by turning on too hot water, or you know, they may get actually a thermal shock by putting on the ice cold water. So, the mixer, at this water mixer, to come up with a water mixture, which is mistake proof, is an interesting exercise that you can engage in. You can look at the kind of mixer that you have today at home, where you know, sometimes people put red mark for the hot water knob, and blue for the cold water.

But sometimes the plumbers get mixed up, and so many times this a plumbers mistake will be terrible for the consumer, and people who are in the house they know and therefore, they manage too, they know that the blue is actually the hot water knob, but a guest may actually be completely surprised, and in the process may have a minor accident. So, creating products that are almost impossible to use wrongly, will be again a very interesting way.

You can, you can think of it in so many different, and in industry, that is why this is, this has attracted a lot of attention. The Japanese actually have a process of mistake proofing, a product or process they call it Poka Yoke. So, you can just Google, Poka Yoke, and you will find many interesting examples of for, mostly you will find it in industrial usages, but there are many in household equipment where this mistake proofing is done, again it can be a very strong Value Proposition, can give you a unique selling proposition, can give you a marketing advantage ok.

And of course, the very last one, which is the, what barriers are keeping your customers from adopting solutions? And again here, this is a major one, which is somewhat related to the very first one, the too costly.

So, this is, this adoption or barriers to adoption, may be often related to cost, but sometimes it may be related to the learning curve. So, you know, many people they are attracted to features of smartphone.

But they kind of stay away, they used to stay away from smartphone, because they felt it was too complex, a gadget many things have to be learned, but of course, when you make the interface easier, then you know, people just jump to it. And that is the reason why, apps which are inside, quite complex like WhatsApp, or you know, which actually uses many interesting technological developments, or say Facebook or twitter, but their user interface is so easy, millions and millions of people take to it quite easily.

So, your product should be that easy; that means, you should be almost able to, even if it is a complex product, it can be very complex inside, and it is a paradox of many products of today, say for example, these camcorders, or you know handheld movie cameras, if you open it, you will understand that, it is one of the most complex products created in the recent past, or you, if you think about the camera that is inside your phone, if you open it, and you try to see that, all that functionality you will see, so much has been packaged into, such a little tiny space inside your phone.

But today phone cameras are, almost as good as, the some of the earlier versions of movie cameras. They are pretty powerful, and the point is that, as user, you should not be bothered about that complexity. So, more complex the product is, more powerful the product is, the paradoxes, the more easier should be the user interface. And that is another way of looking at, creating Value Proposition. So, the Creating Value Proposition sometimes is, this kind of, make hard things soft, make tough things easy, that sort of paradox has to be managed.

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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 . . .)

Exploring Customer Gains, you had to look at what actually; obviously, it is coming from the pain; that means, what kind of saving you can offer in terms of time, money, effort, risk, what outcome does the customer expect? And what would go beyond expectations? I was talking about, you know, those latent needs and satisfying those latent needs, incidentally this is, excellently captured in professor Kenos model.

The Cano model again, you can Google and find out, and maybe I find to have time, I will discuss this kenos model, because that is a very powerful model, very simple, but extremely powerful and useful in deciding about product packaging, and product value proposition, and how your current solutions are delighting the customer? What can you do beyond that? How can you make your customers life easier? So, this is a whole list of things that you have to look at, in understanding Customers Gains.

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So, I would recommend that, you do this exercise; that means, you a choose a very well defined customer segment, for a particular type of situation, understand, list the pains, list the gains that you can offer, and that will give you the contour or a brief about a new product development. It can be a new product, it can be a new service any one of those.

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So, lastly I am going to talk a bit more about, this I briefly alluded I think in an earlier session, this ethnographic method what anthropologists used to do.

I did mention to you, that people like Nokia, have very gainfully used it, to come up with different models of phones that became very successful, they actually observed different types of customers.

I mean they observed customers, who are selling stuff in the open market, you know, the hawkers and in Thailand, and they came up with the phones, which became extremely popular there. So, they packaged together some simple leads, that is where, actually they put in a very nice camera inside the phone, because, and some applications which are predecessors to WhatsApp, where you could actually transmit an image, I think it was called mms or something like that.

And those phones by observing, the traders and hawkers in Thailand, and that kind of phone became extremely popular, in Southeast Asia for the market people, you know, vegetable market and fish market and so on. So, how is your customer currently dealing with the task problem? You simply, silently follow the customer, from the morning till the evening, spend the time, spend the day, with the customer and observe how they are trying to accomplish, what they are trying to do, the kind of outcome they are looking for, what kind of wish they have. So, you do not disturb the customer with a long list of questions, you observe and then ask, maybe few questions, at an opportune moment.

And find out therefore, how to fill this particular list. And here the important point is that, you may have to observe number of customers, customer 1 to customer n, to come up with a complete picture because, just by observing 1 customer, you may not be able to, but remember this customer 1 to customer n, is in the same customer segment, you are not going different places so, but within that segment, you spend the day with number of customers, observe number of customers, and come up with a solution.

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And that then of course, after observing what is, what is, then you think about what if. That, this is how it is being done today. What if, it could be done in this particular way. So, your new approach, your new enabling factors, what kind of rewards, and what kind of pricing, all of these things you will have to then put together.

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Now, once you have found a solution, you know you can also sometimes use today, this powerful platform, social media platforms like Facebook, or twitter, or goggle alert, or LinkedIn for example, where you can actually generate a discussion.

That, I have observed such and such problem, and I have this particular product idea, and this is called crowd sourcing of ideas.

Of course, be careful about one point, which I discussed earlier, that do not give your whole store away; that means, do not leak your idea to the extent, that it can be picked up by somebody else, and before you have developed, your product had come to the market, somebody else has come, but this is a way of seeking feedback. So, very often you will use at the social media, but you will use it in a way, that you are approaching, your trusted customers, or friends, or an audience where you will have a minimal chance of leakage.

But even then leakages may happen. So, be careful of your questions, you do not have to you know, do not give away some of the USPS that you have thought of, a distinctive solutions that you have thought of, you rather ask that, you know, what if type of questions, and see what kind of responses come, but the key point is therefore, after observing customers, coming up with solution through that ethnographic study, you can actually test it with more people.

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Just to give you an a simple example, to sort of illustrate, like say, you are looking at camera, Amateur Camera, Professional Camera these are some simple.

Obviously here, I have just taken 5, just to illustrate. In reality, you may have to look at, but do not go for 35, you know, normally people say that identify 5 to 7 top needs, and thereby actually, you make this particular chart. So, you identify that, with camera whether Professional or Amateur, these are the needs, ease of use, weight, lens capacity, lens capability, options, size and autofocus for example.

And then you can see, in Amateur Camera, autofocus will be very important, but in Professional Camera it may be not that important. In the Professional Camera, the lens variety or detachable lens or different lenses for different purposes may be very important, not so in case of a Amateur Camera. So, by creating this kind of chart, you can create, what we call, CUSTOMER ARCHETYPE. So, you are actually, typifying, and creating package of values, that will be most important. The top of the line, or the top 5, top 7 features, that will be part of your Value Proposition.

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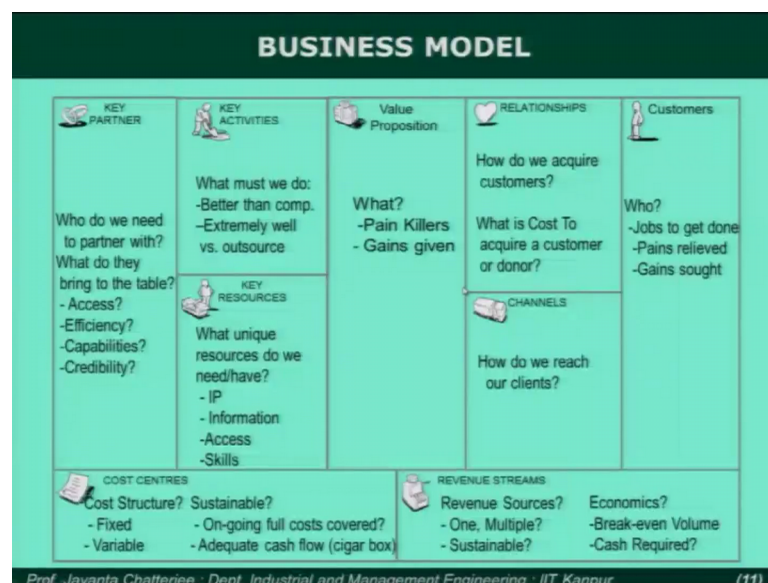
And, so I bring you back to that, earlier business model canvas, and just to show that, this aspect in that Value Proposition, and this your customer segmentation, and the 2 of them are part of a much bigger canvas, which is in front of you. We will discuss this business canvas, as we understand different other activities on this, and then we will put it all together towards the end of the course, that is all for today.

Thank you.