

**Entrepreneurship Essentials**  
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**Indian Institute of Technology, Kharagpur**

**Lecture – 08**  
**Value Proposition**

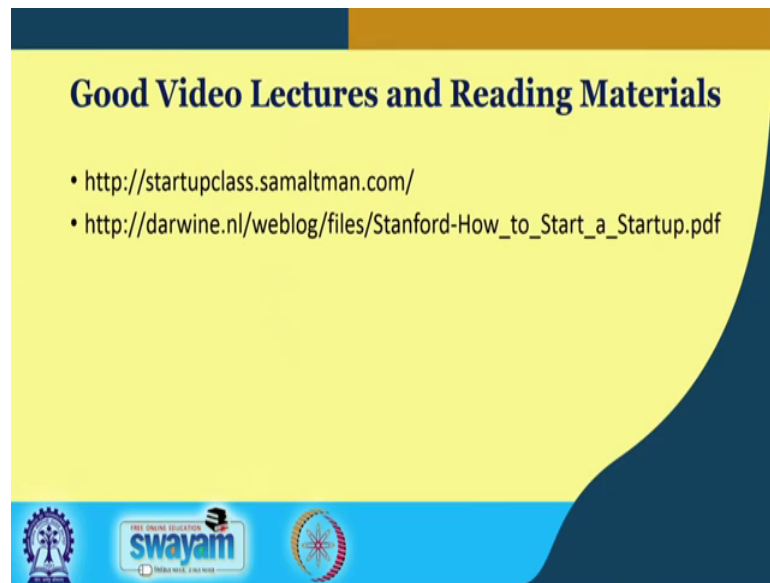
Hello and welcome to this session of Entrepreneurship Essentials. Our today's topic is Value Proposition.

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Today, we are going to discuss what value proposition is and why value proposition is important, and then how to design value proposition, we will be discussing about some template on value proposition.

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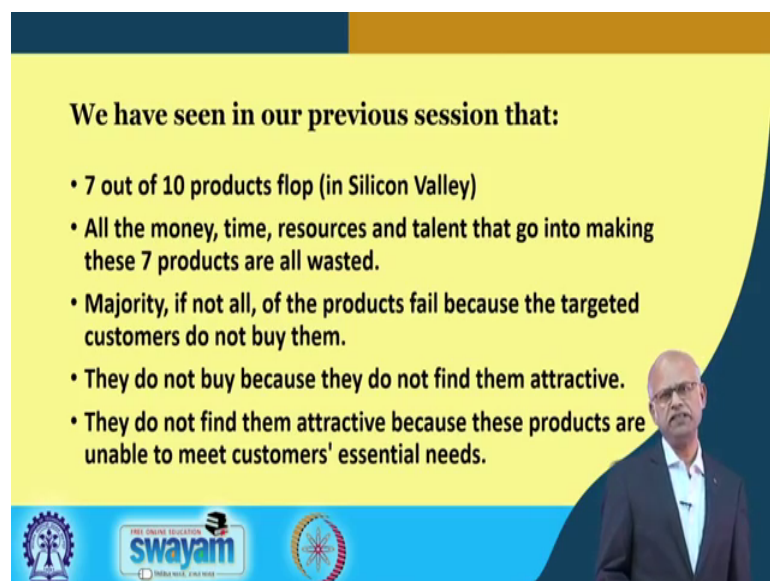
**Good Video Lectures and Reading Materials**

- <http://startupclass.samaltman.com/>
- [http://darwine.nl/weblog/files/Stanford-How\\_to\\_Start\\_a\\_Startup.pdf](http://darwine.nl/weblog/files/Stanford-How_to_Start_a_Startup.pdf)

Logos at the bottom: IIT Bombay, swayam (Free Online Education), and another circular logo.

Before I start here is a reference of very good wonderful reading material as well as video lectures by successful entrepreneurs, actually these were organized at a Stanford University for the students of Stanford University. And the people who deliver the lectures are all successful entrepreneur, there is the whose who of corporate world today. If you have any problem downloading, these are freely downloadable, there is one PDF file that may be 400 plus pages long I can send them.

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**We have seen in our previous session that:**

- 7 out of 10 products flop (in Silicon Valley)
- All the money, time, resources and talent that go into making these 7 products are all wasted.
- Majority, if not all, of the products fail because the targeted customers do not buy them.
- They do not buy because they do not find them attractive.
- They do not find them attractive because these products are unable to meet customers' essential needs.

Photo of a man in a suit and glasses in the bottom right corner.

Logos at the bottom: IIT Bombay, swayam (Free Online Education), and another circular logo.

We have seen in our previous lecture that about 7 out of 10 products flop. All the money that go into producing them, all the resources talents are all wasted. Majority, if not all, of this products fail, because targeted customer do not find them useful; they are not attractive to them. So, it is not they are not capable of meeting essential needs of the customer.

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**Solution**

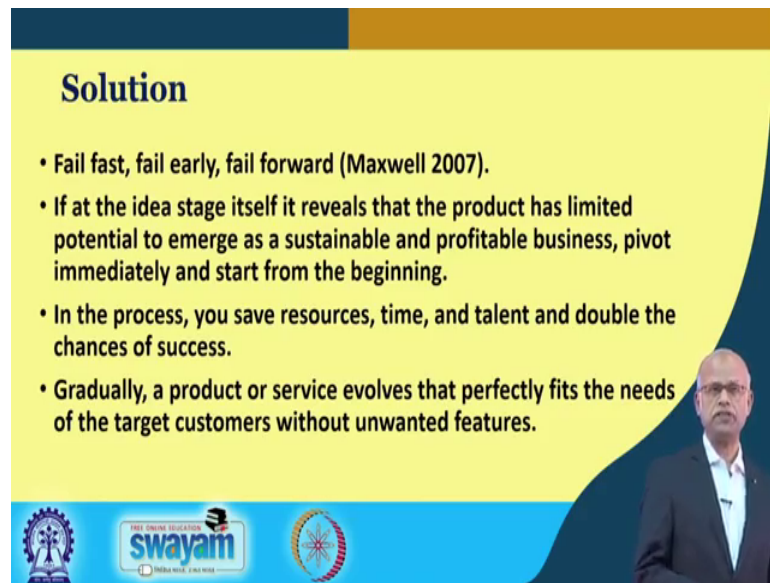
- Study customers well to define the pain. Profile the customers, understand and list what the customers (the majority of them) would value the most.
- Profiling the customer would help in delineating customer segment.
- Get product validated at the idea stage and at every incremental developmental stage.
- Proceed further only on positive signal from customers.
- Do not stick to the same set of customers for validating to avoid bias.

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So, what is the solution? The solution is to study the customers well, to define the pain and then profile the customer regarding their needs, aspirations so that the proposed product convicts them. Profiling the customer the help would help to identify customer segment as well. Then you have to get product validated at different stages of product development. Proceed only when customer says yes this, this is the right direction to develop the product.

But one point of caution is that if you are talking to the same customer again and again chances are very high that the bias of single set of customers, will lead to a biased product, which will be suitable for a very small segment of the people. So, it is better that you talk to diverse groups of people at different stage or in every stage, so that you have a holistic picture about the entire segment order of the customers.

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**Solution**

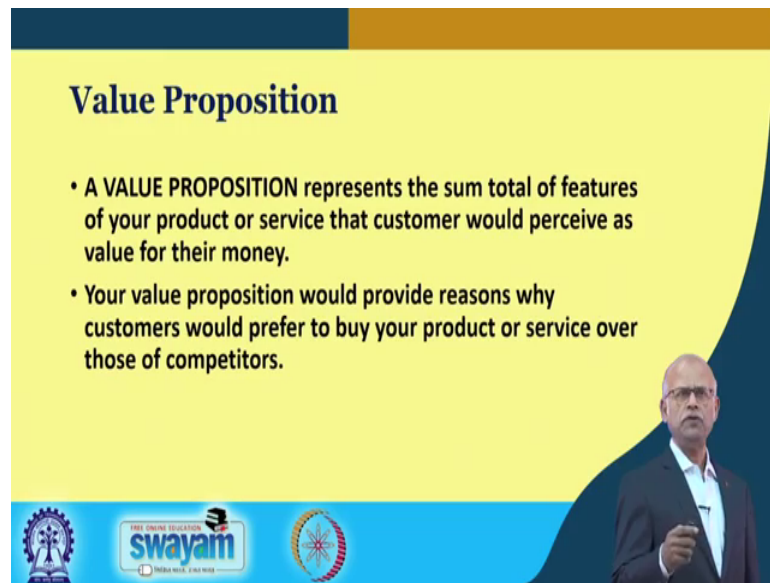
- Fail fast, fail early, fail forward (Maxwell 2007).
- If at the idea stage itself it reveals that the product has limited potential to emerge as a sustainable and profitable business, pivot immediately and start from the beginning.
- In the process, you save resources, time, and talent and double the chances of success.
- Gradually, a product or service evolves that perfectly fits the needs of the target customers without unwanted features.

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Part of solution is fail fast, fail easily early, and then fail forward as Maxwell said; so learn from failure, start over, and then start with new experience and new initiative that is how people, successful people actually did. In the process, suppose an idea is destined to fail; if it fails at the early stage, you save a lot of money resource and time.

So, you can start all over again and then eventually, you become successful with limited investment; otherwise money will be all exhausted, energy will be exhausted, so eventually you call it quit. Whereas, applying this process you gradually become successful step by step process of developing product with customer validation.

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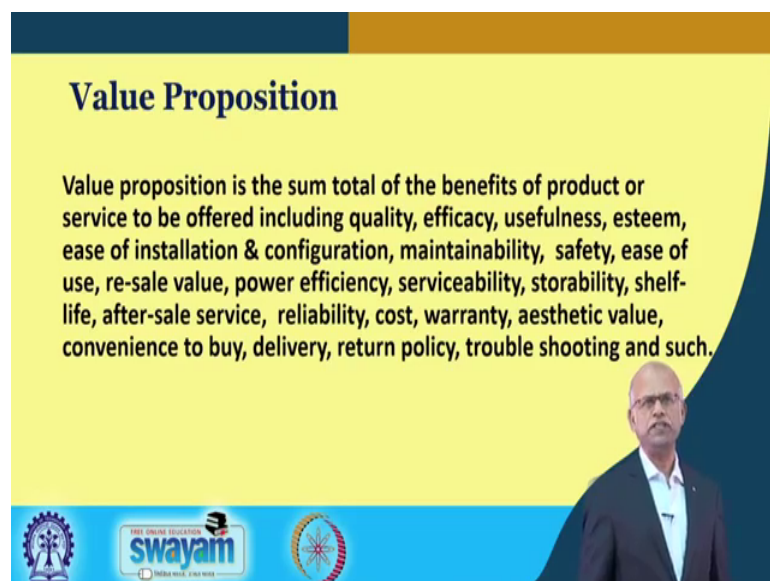
**Value Proposition**

- A **VALUE PROPOSITION** represents the sum total of features of your product or service that customer would perceive as value for their money.
- Your value proposition would provide reasons why customers would prefer to buy your product or service over those of competitors.

swayam

Now, value proposition, value proposition represents the sum total of favourable features of a product or service that customers would perceive as value for their money. Meaning they will see that your product is superior compared to whatever are available in the marketplace both in terms of features and cost meaning price. Your value proposition would give a sufficient reason for customers to prefer, your product over there of competitors.

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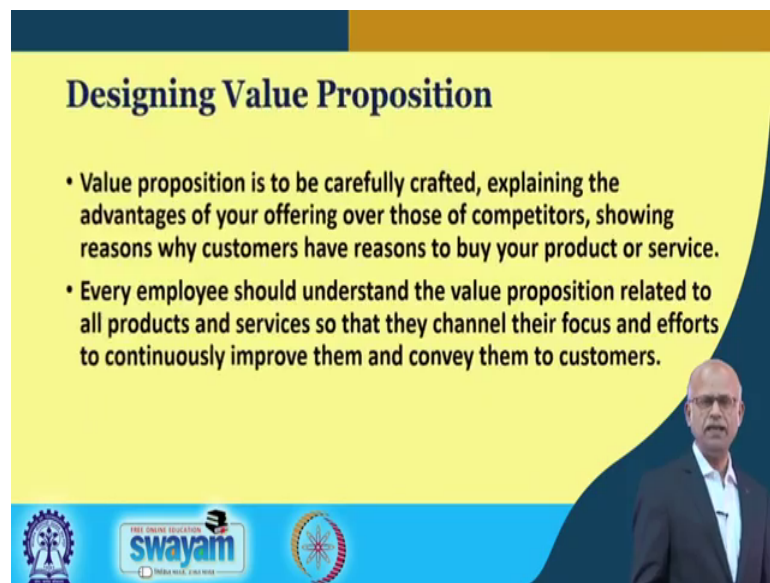
**Value Proposition**

Value proposition is the sum total of the benefits of product or service to be offered including quality, efficacy, usefulness, esteem, ease of installation & configuration, maintainability, safety, ease of use, re-sale value, power efficiency, serviceability, storability, shelf-life, after-sale service, reliability, cost, warranty, aesthetic value, convenience to buy, delivery, return policy, trouble shooting and such.

swayam

Here is a definition it is a kind of verbose, but I will restrict reading them out. Value proposition is the sum total of benefits as I said and these are, some representative list of features that customer normally consider while making a purchase decision. So, it is very important that we know all of them or maybe many more of them to get feedback about customers to what do they think about whatever we are offering as regards all these features that defines, that define competitive advantage of product.

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**Designing Value Proposition**

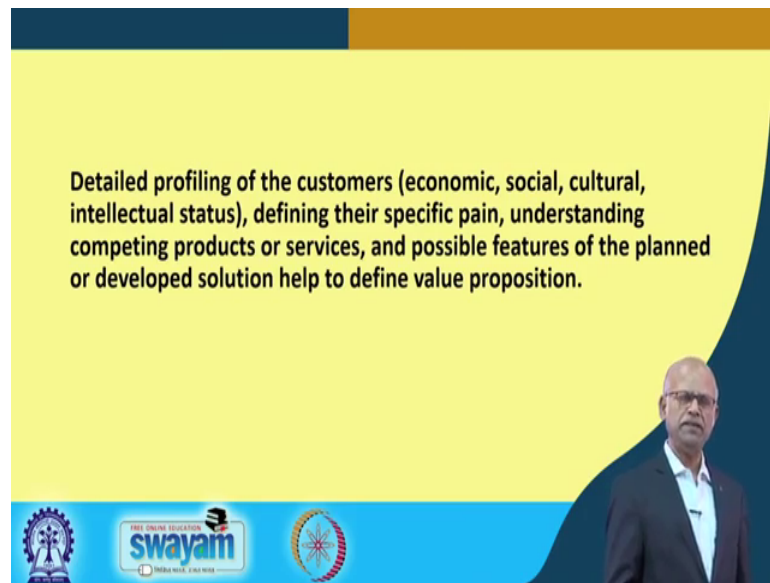
- Value proposition is to be carefully crafted, explaining the advantages of your offering over those of competitors, showing reasons why customers have reasons to buy your product or service.
- Every employee should understand the value proposition related to all products and services so that they channel their focus and efforts to continuously improve them and convey them to customers.

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Then designing a value proposition obviously from the previous slide and slides actually value proposition is to be carefully crafted, explaining advantages you can also include disadvantages. Meaning disadvantages that you partly solve that will make it more realistic offering over our those of competitors showing reasons why customer should buy your product. Furthermore all employees including sales people as well as operation people, even customer at the counter should be familiar should be completely clear about value proposition, so that they can convey the value proposition to the customer.

In fact, this is very critical, because many a times when people are interacting with customer they might very well say casually that this is better, because of this, this, this forgetting the most valuable element of your value proposition that is very important that is deciding factors for customers to make a decision to buy your product.

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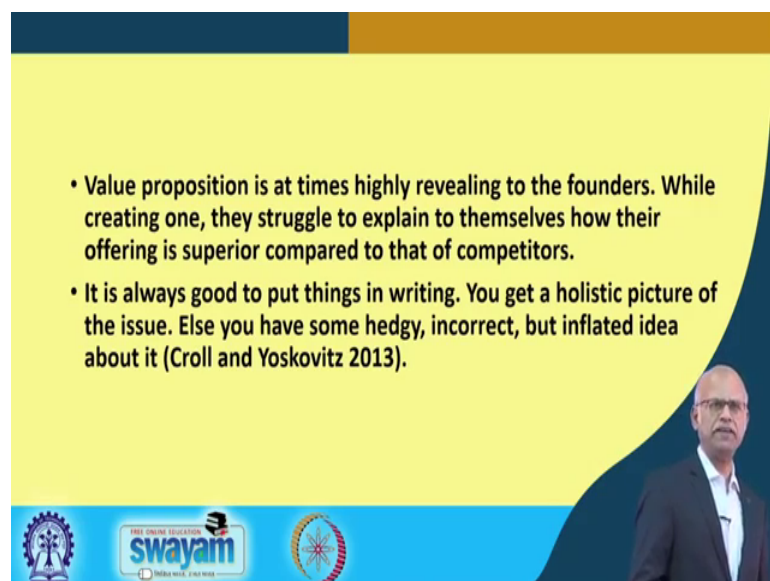


Detailed profiling of the customers (economic, social, cultural, intellectual status), defining their specific pain, understanding competing products or services, and possible features of the planned or developed solution help to define value proposition.

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Detail profiling of customer would help actually understand them better including economic, social, cultural, intellectual everything else. So, you can, plan the features that they may, like and some of the feature that you think good, but they may not like, like rich people will like some features, whereas middle class may not like those features, which are more related to esteem rather than usefulness; so it is very important to know their background.

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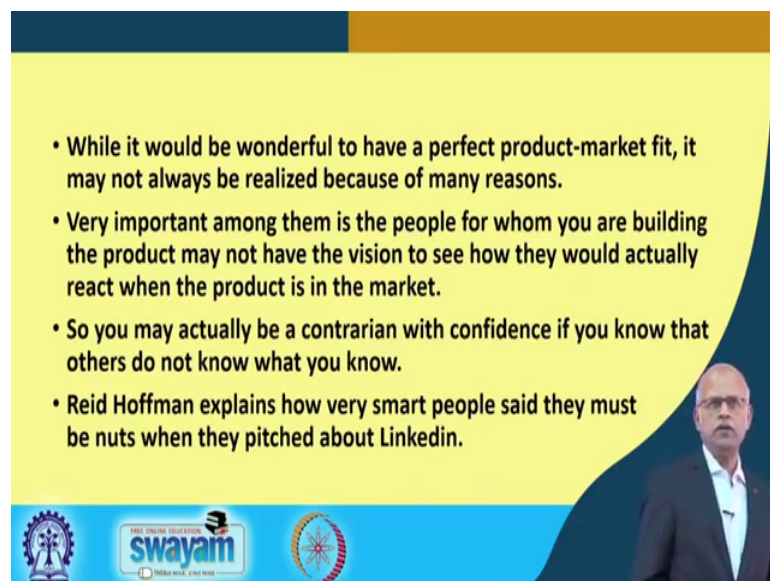
- Value proposition is at times highly revealing to the founders. While creating one, they struggle to explain to themselves how their offering is superior compared to that of competitors.
- It is always good to put things in writing. You get a holistic picture of the issue. Else you have some hedgy, incorrect, but inflated idea about it (Croll and Yoskovitz 2013).

The slide features a yellow background with a dark blue curved shape on the right side. At the bottom, there is a blue banner containing the logos of the Indian Institute of Technology (IIT) Bombay, Swayam, and the Ministry of Education, Government of India. A man in a dark suit and glasses is visible in the bottom right corner of the slide.



Value proposition is at times highly revealing to the founders, even founded themselves should know what is, what are their; the features that they are offering to the customers, what constitute value proposition. So, they can compare their products with customers. In fact, importance of value proposition can never be overemphasized, it should be a written document, so that you also do not kind of forget to follow and prepare yourselves on a regular basis to build the product that is going to be a winning product; so keep it in writing.

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- While it would be wonderful to have a perfect product-market fit, it may not always be realized because of many reasons.
- Very important among them is the people for whom you are building the product may not have the vision to see how they would actually react when the product is in the market.
- So you may actually be a contrarian with confidence if you know that others do not know what you know.
- Reid Hoffman explains how very smart people said they must be nuts when they pitched about LinkedIn.

Well so long I have been insisting and maybe it during all my lectures in the past insisting that it is always important to find a product-market fit, and how do you get a product-market fit means how do you know that you have a product-market fit is by getting feedback from customer, feedback from potential customers, from friends and from smart people who are successful businessmen perhaps. But then it is very important to know that many people even customers, not just smart people, even customers may not have the same vision as yours. And they may not be able to look into the future and understand that if this product is available, how they are going to react.

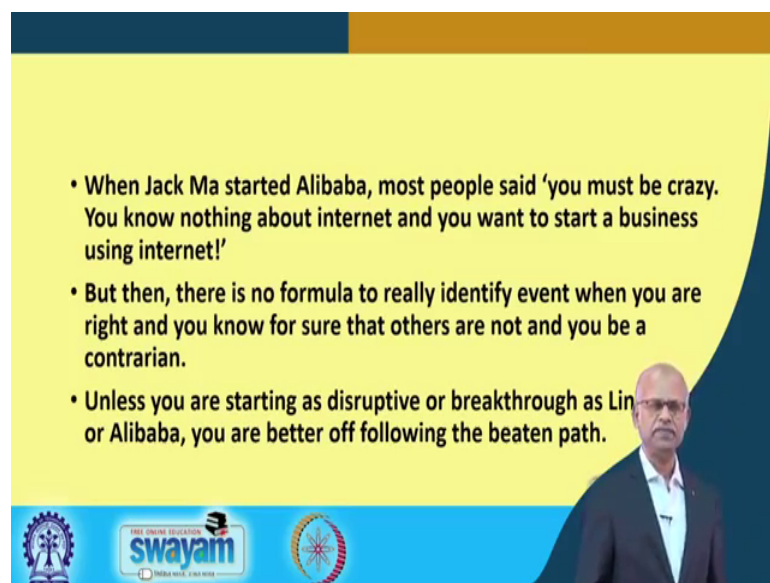
Many of the products were developed, when customers did not have any idea before, the product was in their hand. The moment the product was in their hand, they started thinking that they cannot live without that product. Blackberry, for example, when it actually emerged into the market many, many big even, even Barack Obama once said



that I cannot live without, without my Blackberry something like that Oprah Winfrey also said the same thing; you can Google and you will find them. So, it is very important to know that when you are, you have a cutting edge or breakthrough idea that that is going to change, the world, change the way people are using products or, or whatever. Be careful that there is every possibility that people may not share the same vision, but you have to be very, very sure that you are pretty sure, you are pretty confident that people actually need them.

So, you may actually be a contrarian on that part, but with confidence that you know that others do not know, what you know. So, if that is the case, then there is a winning proposition, Reid Hoffman, who actually delivered lectures in Stanford. The reference that I gave at the beginning explains how very smart people said to them that they must be nuts, when they pitched the idea of LinkedIn to them. They said you know we do not see how you are going to scale. This is not going to a scale, this is a failed product at the beginning itself, but all, all of us know LinkedIn is so successful today.

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- When Jack Ma started Alibaba, most people said 'you must be crazy. You know nothing about internet and you want to start a business using internet!'
- But then, there is no formula to really identify event when you are right and you know for sure that others are not and you be a contrarian.
- Unless you are starting as disruptive or breakthrough as Lin or Alibaba, you are better off following the beaten path.

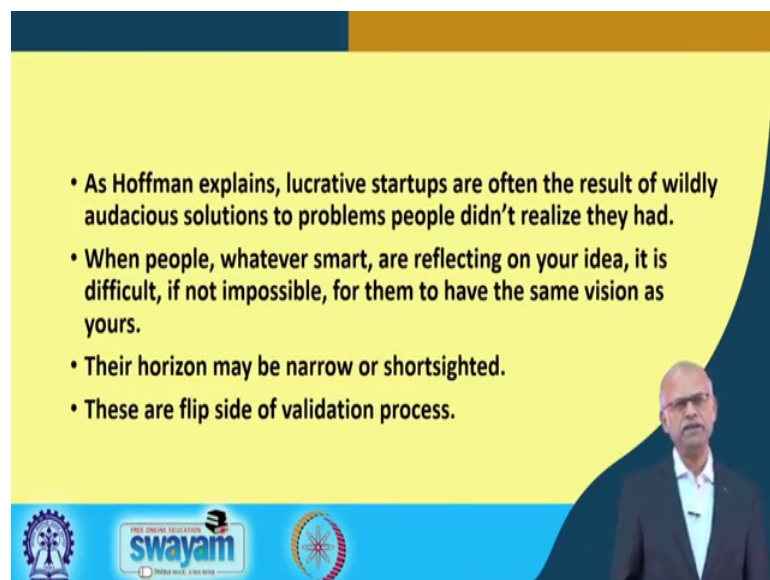
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The same thing is true about Jack Ma about even Dropbox. When Jack ma started Alibaba, most people said you must be crazy. This is as per his own statement. People said, you do not know what is internet, and you think you can run a business on internet, so you must be crazy. But then what Alibaba says that he knew, he could see that future

belongs to internet, and people, will definitely use internet to buy, because that is going to give so much of convenience that even people are not able to visualize.

There is no formula. So, therefore, there is no formula that to identify, the winning product, the very beginning, but then unless you are starting something as, as disruptive as LinkedIn or Alibaba or say Dropbox it is a better to treat the beaten path meaning, it is better to follow the rules that are written in the books like get customer validated. But then at the same time remain concerned that there are the flipside of it, remain mindful that people may not share the same vision.

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- As Hoffman explains, lucrative startups are often the result of wildly audacious solutions to problems people didn't realize they had.
- When people, whatever smart, are reflecting on your idea, it is difficult, if not impossible, for them to have the same vision as yours.
- Their horizon may be narrow or shortsighted.
- These are flip side of validation process.

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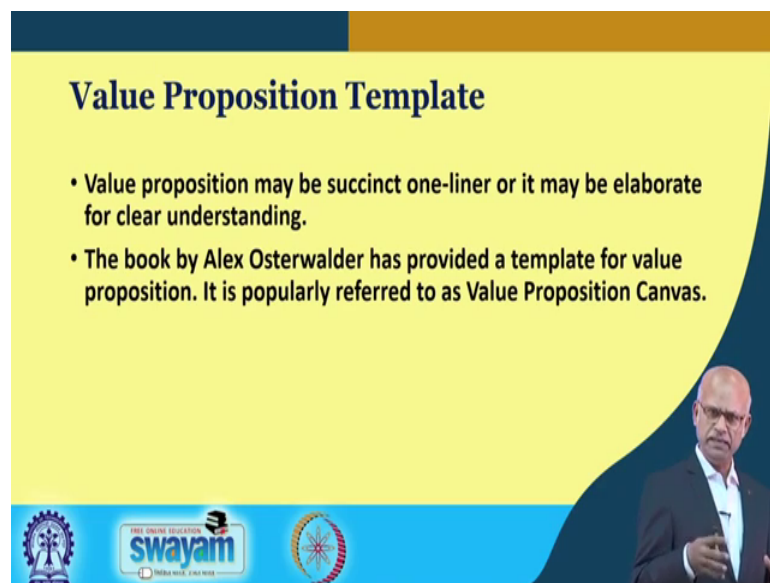
As Hoffman's explained, explains, lucrative startups are often the result of wildly audacious solutions to problems people did not even realize that they had. When people, whatever smart, are reflecting on your idea, it is difficult, if not impossible, for them to have the same mission as yours.

Because people are mostly not so serious, they will not look beyond certain, certain horizon, they have some limitation there ok. Let me even if they are serious, they will be looking after some distance, then they will not means, they will not have the capacity to do, because then they are not going to put your pain in their brain or the pain that you are trying to solve into their brain, and then they may not empathize or realize the ultimate benefit.

So, because of this, this short sightedness, whether you talk to customer or very smart people, you may not have the solution. But at the same time, you should also realize like say for example, Jack Ma he is not the smartest of people, I am sorry, I am not undermining his business capability. Now, he is one of the most successful businessman on the surface of the earth, I have strong regard and if I do not have regards, then I am actually nobody.

So, when he started Alibaba, why I say that he was not the smartest guy on the surface of the earth, he failed 30 times in job interviews. And then he settled down in a very knives job in a college, third grade college that is what he says. So, obviously, he, he was not the smartest guy. But still he started this, he could see this. So, it is not always necessary that you have to be the smartest of all, you should be able to see you should be, you should, you must have the vision that this is the problem and people actually need, need a solution for this problem.

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**Value Proposition Template**

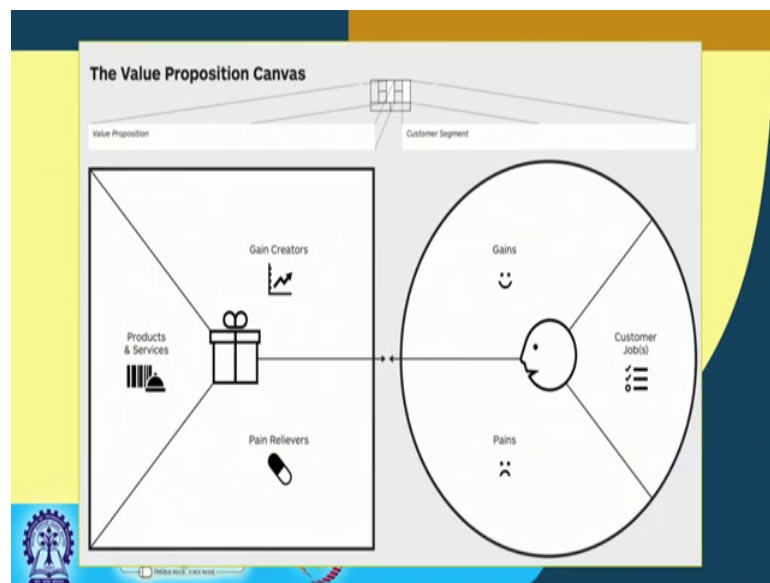
- Value proposition may be succinct one-liner or it may be elaborate for clear understanding.
- The book by Alex Osterwalder has provided a template for value proposition. It is popularly referred to as Value Proposition Canvas.

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Now, how to do, how to make value proposition, canvas, value proposition I said now we have entering into value proposition canvas. There are, there are there is one particular term template that that was propounded by Alexander Osterwalder. And today I am going to discuss about that. And that is the template that most people use. So, value proposition should be normally a succinct one-liner that is not the canvas that is a statement. And at the same time, it must be it much must convey all the message.

So, Osterwalder actually came up with a canvas that, that will enable you to do everything that is necessary to make a wonderful value proposition without really forgetting any element of it, because, because he has delineated with all necessary items in different blocks.

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Next slide is that part this is the canvas that normally people use for making value proposition. So, there are different items into this. Look carefully on my right, extreme right is there are two components, one is customer, customer segment, and then the other is the product or service that is being offered that is to be offered by, by entrepreneur. So, there are tools the circle is the customer and the square is the product.

Now, look at the circle extreme right is, is a jobs that customers want you to get done to be done. So, there may be umpteen numbers of jobs, you may target to do only single job perhaps. And then below the person, the head is the pains. So, they need a job why, because they want to alleviate some of their pains. So, pain, jobs actually alleviate the pain. And the upper part is the gains. So, other than solving the pain if you can offer something better that is what their expectation that give me something more, so that is the gain.

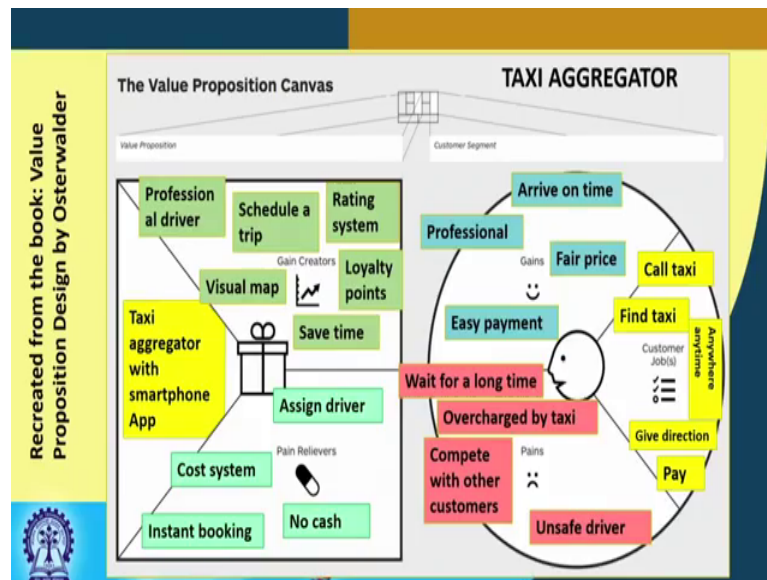
On the left the square, the bottom part is a pain reliever. So, you come up with something that relieve the pain then far left is a product. So, using the product you relieve the pain. At the top, you give something extra some premium. So, that is the gain creator a very

easy, easy example would be suppose, you are thinking in terms of say providing some antacid tablet. Normally, people you know gobble up antacid, whenever they eat something rich or they feel that they are not doing well some, some kind of problem. So, what they do is they, they keep antacid tablet a good percentage of people always carry them. Now, most of them know that antacid tablets are not good, you gobble them up regularly to create problem for yourself.

So, what you suppose come up with is say using natural herbs, you come up with a new antacid tablet that will not have the side effect. So, what you can do this, your offering is that you give them a natural product herb based antacid tablet or whatever that perhaps has better efficacy meaning, it does better work than available antacid and then it does not have the side effect. So, you have actually some gain creator over the existing products or competing products. On top of that you can also create more value by offering something more with that tablet meaning that maybe that may come up with some kind of nutrition or something.

Now, so you have a product which is natural, so it has less side effect and it has better efficacy perhaps. So, it works better meaning people will not have to consume too many of them number one. And then how you are going to create again is you suppose whatever herbs that you use perhaps there might be some micronutrient into that. And then in the process, you are actually offering them more gain meaning they are getting nutrient along with along with the medicine, so that makes wonderful value proposition. So, that is what the value proposition canvas is.

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Now, we have another example. This is about taxi aggregator is a very nice example and it is very easy to understand all the elements that are there, because we all fail feel the pain. So, we can empathize with the target audience. And we can understand or appreciate the gain or the value that the company can bring. So, I took this from Alexander Osterwalder's book that is the Value Proposition Design, Value Proposition Design is the title of the book, I have the reference at the bottom.

So, we start from the job any customer, who is looking for a taxi has a job, I mean wants a job to be done meaning finding a taxi immediately. So, he has, he has what are the jobs he has to call a taxi, find a taxi, then he has to make payment he needs a taxi next at the doorstep, and then what not. And then, he may not know the direction as to how to reach somewhere or the shortest route.

So, the taxi driver actually can take him in a roundabout way to make inflate the bill. So, there are many, many problems that a customer has. So, he is looking for elevating these pains. And suppose what taxi aggregators do like Ola, like Uber, what they do is this, is this is wonderful actually this is, this is this creates lot of other social value, but social value is not part of the value proposition canvas or value proposition percent.

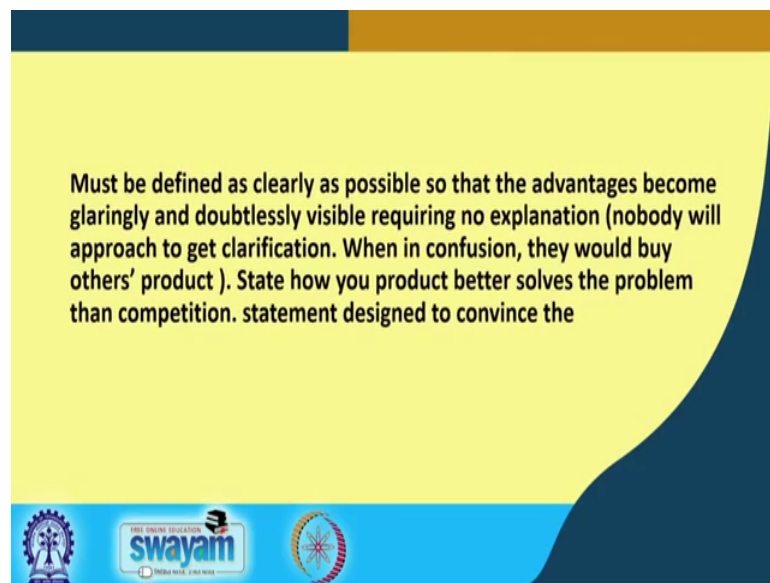
So, what they do is just to telephone, they have an app, you download the app on your mobile and then you have the solution. So, but just by clicking on the app, they capture your location and immediately they identify a nearest taxi driver with sitting for giving



the job and with the shortest possible time without even travelling to the taxi stand, you are this taxi is in front of you. And this driver is registered with the company, so you feel safe and there is no cash transaction involved, you can just swipe your card or you can have a digital wallet or something.

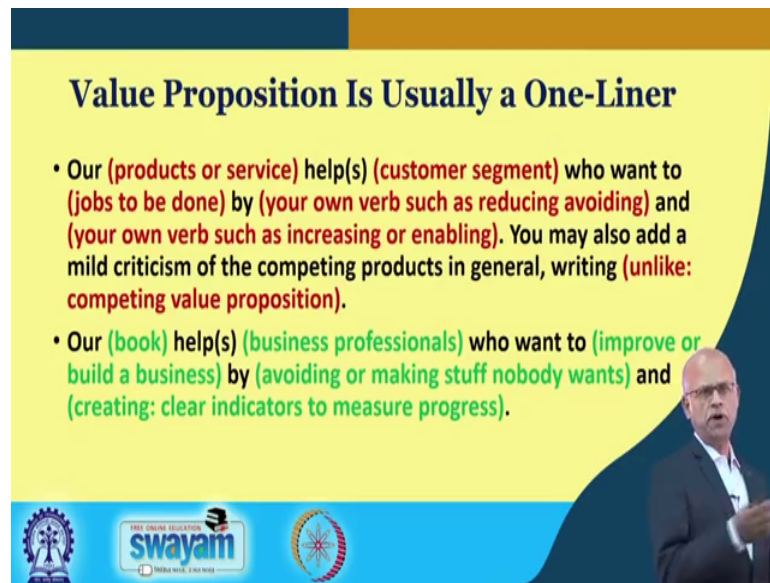
Then you can keep on adding value like taxi on demand or taxi at any time anywhere. So, you can actually book it and then you can book it on a prior date before your journey. And then on the date of the journey right at the dot on, the dot the taxi will be available. So, there is no waiting time either. So, your life is kind of wonderful, so that is how business model canvas can help you to put things in a, in the right perspective, and you have the entire value depicted before your investors before your of course, customers will not see this.

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But then what customer we will see is this customer, we will see a one-liner well this is not the one-liner we will come to that. So, we will come to that, but before that it must be defined as clearly as possible, so that the advantage has become glaringly and doubtlessly visible requiring no explanation of to be done. So, state how product how your product is by product better solves and the problem than competitors.

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**Value Proposition Is Usually a One-Liner**

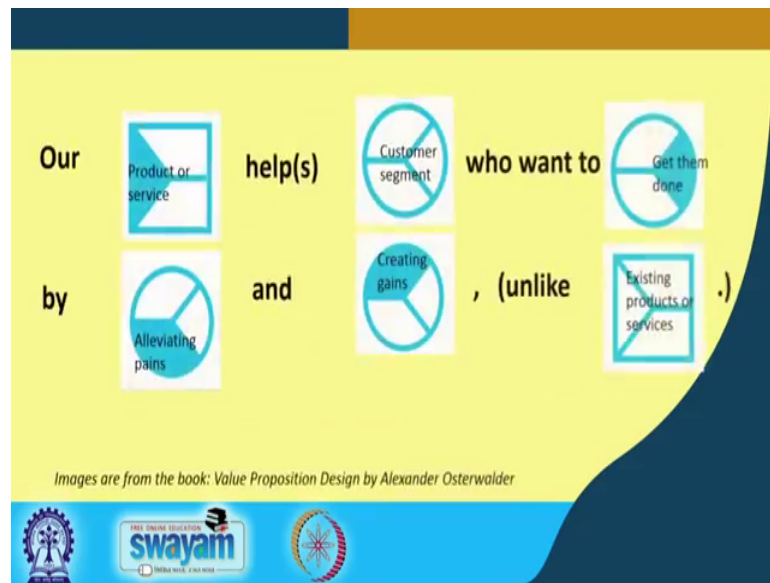
- Our (products or service) help(s) (customer segment) who want to (jobs to be done) by (your own verb such as reducing avoiding) and (your own verb such as increasing or enabling). You may also add a mild criticism of the competing products in general, writing (unlike: competing value proposition).
- Our (book) help(s) (business professionals) who want to (improve or build a business) by (avoiding or making stuff nobody wants) and (creating: clear indicators to measure progress).

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So, here is the one-liner, this is also this has also been suggested by Oster Walder, but internet is full of one-liner value proposition is usually one-liner like the red once maybe a blank space. So, you say our dash, helps dash, who want to dash by so and so and dash complete. And then in fill in the blanks is you get your value proposition statement. What is that our product or service helps, you or our customer who want this job to be done by, by enhancing by increasing efficacy of your product or whatever your product is doing. And easing the life something like that.

You can also add your competitors into this which may not always sound very, very sober. So, you can mention, where competitors products actually are inadequate to solve this problem. Suppose, you are thinking in terms of an of a book say written for entrepreneurship, because Alexander's book is written for entrepreneurship, I have taken it from there. So, he says our book helps business professionals, who want to be, who want to improve or build a business by avoiding or making stuff nobody wants, you do not want to make stuff that nobody wants. And creating maybe product or service that will become a winner something like that.

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So, here is a graphical representation. Our job or our product helps customer segment, who want to get jobs done by say alleviating pain points and also gaining make means creating gain, gain creator unlike the competitors.

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### Value Proposition: Example of an Entrepreneurship Book or Course

- Our (book) help(s) (business professionals) who want to (improve or build a business) by (avoiding or making stuff nobody wants) and (creating: clear indicators to measure progress).

The same example given again.

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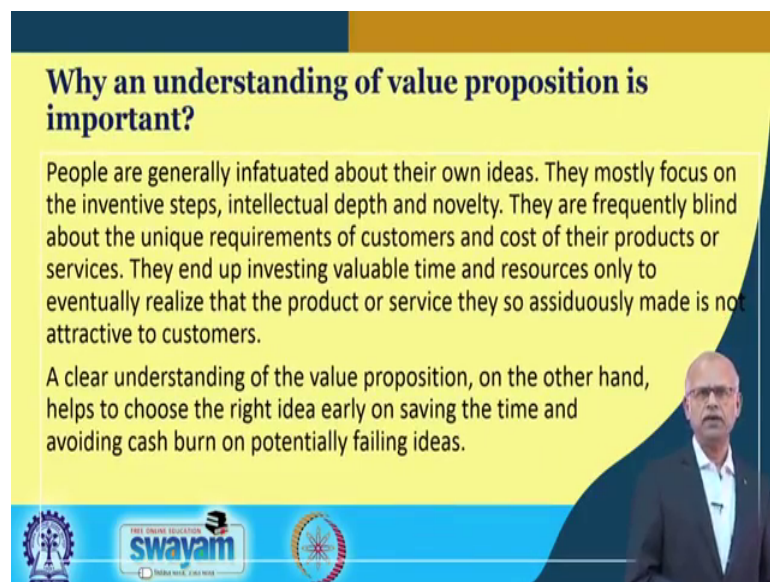
**Value Proposition Canvas**

- See the video at <https://strategyzer.com/canvas/value-proposition-canvas> by Alexander Osterwalder.

The slide features a yellow background with a dark blue header and footer. A small inset video shows a man in a suit speaking. Logos for Swamyam and other institutions are visible at the bottom.

So, to get a very nice idea about business proposition canvas, I would recommend that you see this video. This lecture has been delivered by Alexander Osterwalder; so, enjoy that.

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**Why an understanding of value proposition is important?**

People are generally infatuated about their own ideas. They mostly focus on the inventive steps, intellectual depth and novelty. They are frequently blind about the unique requirements of customers and cost of their products or services. They end up investing valuable time and resources only to eventually realize that the product or service they so assiduously made is not attractive to customers.

A clear understanding of the value proposition, on the other hand, helps to choose the right idea early on saving the time and avoiding cash burn on potentially failing ideas.

The slide features a yellow background with a dark blue header and footer. A small inset video shows a man in a suit speaking. Logos for Swamyam and other institutions are visible at the bottom.

Why an understanding of very value proposition is important is no longer necessary to explain, because I have been you know emphasizing over and over again. But still there is a some new, new context. People are generally infatuated about their own idea meaning if you are thinking about an ideas like your baby and you cannot see its

limitation, you also you can only see how, how earth shattering, ground breaking your idea is and you think that this is going to be a sure-short winner.

So, you focus on the inventive step on the intellectual depth on the novelty on what not, but you frequently remain blind about the unique requirement of the customers. So, and as well as the cost aspect normally, we first generation entrepreneur particularly, those who have not worked in an industry, we are kind of drawn away from the cost aspect. So, the end of investing valuable time, resources, talent and eventually to develop a product that customers do not buy. So, a clear understanding therefore, is highly necessary.

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Notice that value propositions relate to customers who pay and not value in general.

The following may not be value proposition though they may be positive virtues:

- Our products helps your neighbors.
- Our products reduces global emission.
- Our services would increase GDP of our nation.
- Our company will enhance employment.
- The poor will be uplifted (as long as the poor are not your customers).
- We empower the have-nots.
- Our services empower women (not your target customers).
- Our services improve educational landscape of the country.
- Our product would reduce pollution in general.
- We are working towards an equitable society.
- We promote green revolution.

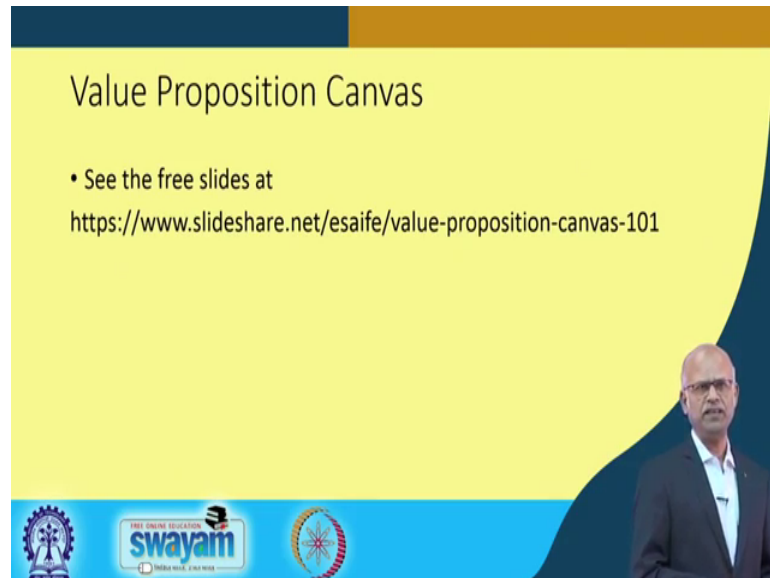
The slide also features logos for IIT Bombay, Swayam, and another organization, along with a photo of a man in a suit.

This is also necessary to understand that your value proposition should not if not must not contain some of the things that customers are not, not bothered about, but otherwise, they are very highly valuable statement. Suppose you say that your product, we will lead to employment generation and you talk to a customer the customer we will say. So, what I have to pay a 100 rupees to buy a competing product, where I have to pay 200 rupees to buy your product, why should I pay that unless there is other reasons why should I be bothered about generating employment for other people.

So, likewise there may be many statements where customers are not you know they do not have any reason to, to follow any of these items like say environmental say green revolution, or say it is friendly environment friendly. So, these are some of the things that people like suppose there is a made in China good and a made in India good, you say that

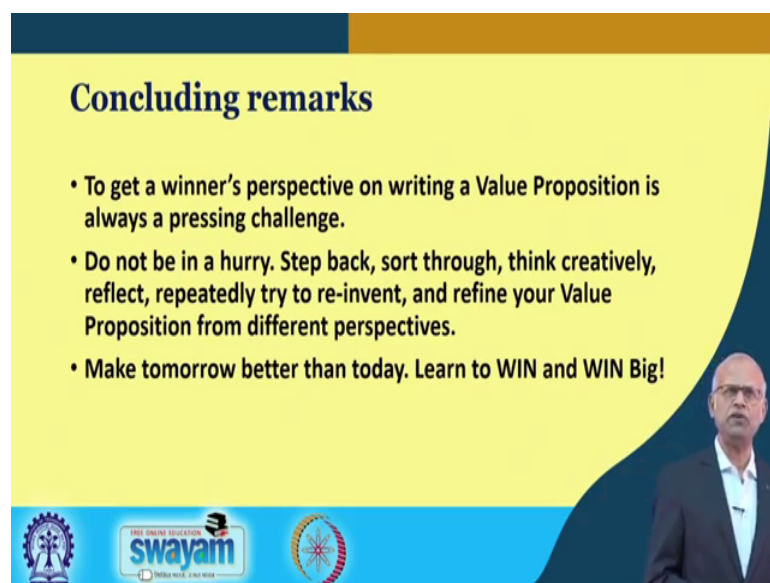
this is made in India who buy this, but a made in China good is superior in any respect or they are cheaper chances are very high that even you will buy them.

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So, you cannot really include those points which are emotional. So, you should include only those that pinches the customer and you are alleviating those pain. And there are free slides here also and slide shares.

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So, you can see this for supplementing your knowledge to conclude to get a winners perspective on writing a value proposition is very difficult is a pressing challenge. So, do



not be in a hurry. Step back, sort through, think creatively, reflect, repeatedly try to re-invent, and refine your value proposition from different perspective. Make tomorrow better than today. Learn to WIN and WIN Big.

Thank you.