



Value Propositions: Theory and cases

Episode 8 Fit between the Customer profile and the Value Map

*You are learning with the
Spring Saga of the year
From January 22nd to May 6th, 2024.
www.eleonoraescalantestrategy.com*



Value Propositions: Theory and Cases.

Outline

1. *Introduction* 
2. *The history of Marketing: The background of value propositions* 
3. *What is a value proposition?* 
4. *Problem solving in the context of value propositions.* 
5. *The philosophy behind the Osterwalder Canvas* 
6. *Customer profile. Gains. Pains* 
7. *Value map. Gain Creators. Pain relievers* 
8. *Fit between the Client and the Value Map*  **Today**
9. *Let's practice. Example 1. A Global Consumer Packaged Good (CPG)*
EASTER WEEK HOLIDAY No publication this week.
10. *Let's practice. Example 2. A Fast-moving Consumer Good (FMCG)*
11. *Let's practice: Example 3. A Technological Computer Peripheral Equipment Manufacturing*
12. *Let's practice: Example 4. A Luxury Precious Stone Mining*
13. *Let's practice: Example 5. A Global Transportation Services Enterprise*
14. *Let's practice: Example 6. A Financial Sector initiative*
15. *Let's practice: Example 7. An agriculture-food security product*
16. *Strategic Reflections about Value Propositions.*
17. *Summary and conclusions.*

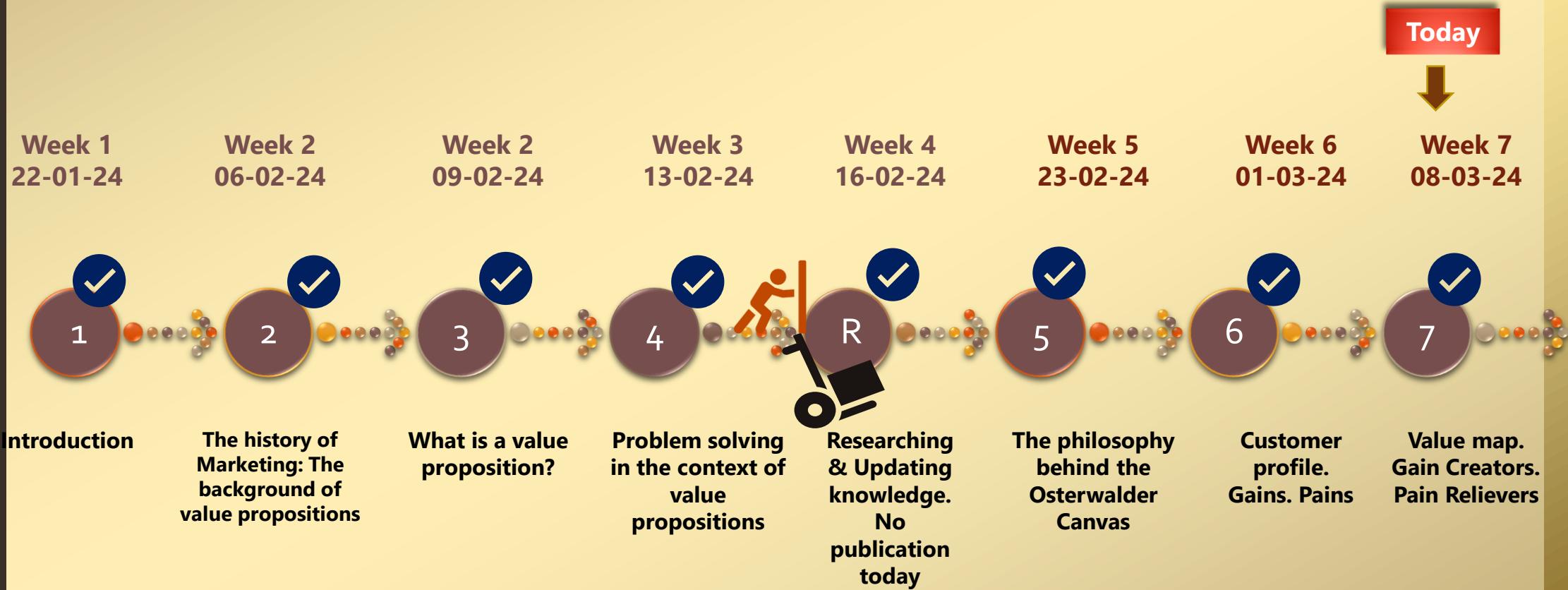
This outline is subject to change if the author considers it appropriate.



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Tentative Schedule Program (subject to change)

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Tentative Schedule Program (subject to change)

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Today



Week 8 15-03-24 Week 9 22-03-24 Easter Week 29-03-24 Week 10 05-04-24 Week 11 12-04-24 Week 12 19-04-24 Week 13 26-04-24 Week 14 03-04-24 Week 15 09-05-24 Week 16 17-05-24 Week 17 24-05-24



Fit between
customers
and value
map



Let's
Practice.
Example 1
Easter
Vacations
No
publication
this Friday



Let's
practice.
Example 2



Let's
Practice.
Example 3



Let's
Practice.
Example 4



Let's
Practice.
Example 5



Let's
Practice.
Example 6



Let's
Practice.
Example 7

Strategic
Reflections
about
Value
Propositions

Summary
and
Conclusions

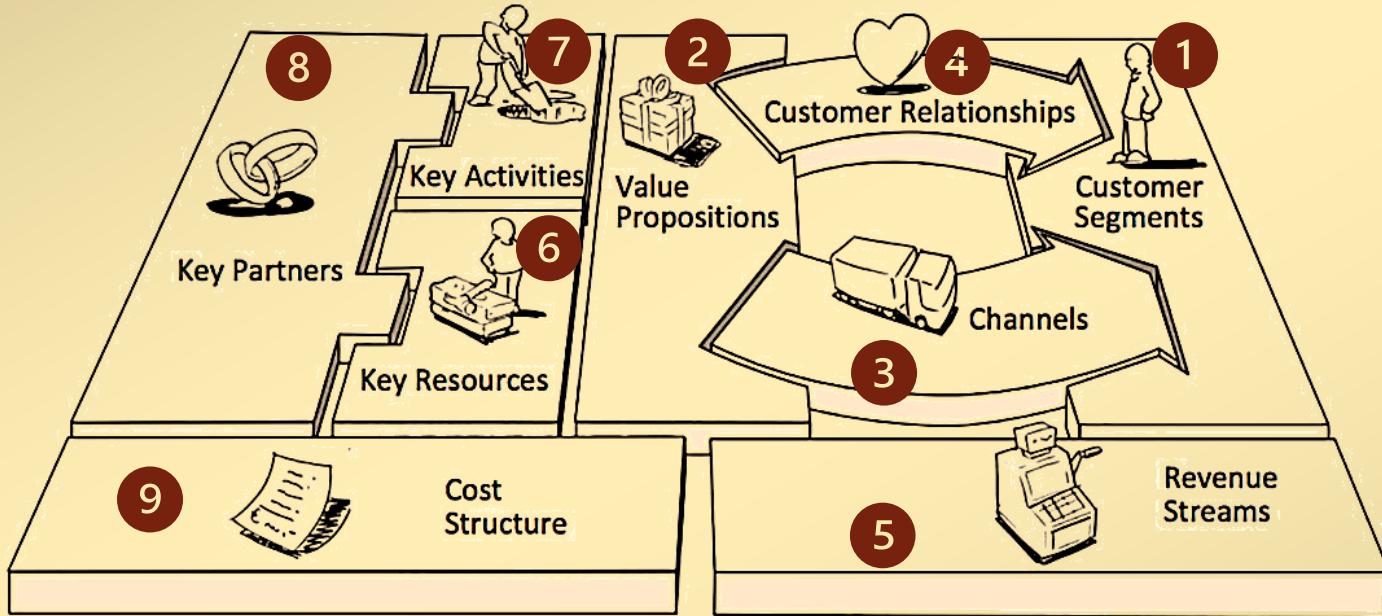
The Summer saga of the year will kick-off as of June 14th, 2024.



Value Propositions: Theory and Cases.

Today is the turn to show you how to search for the FIT between the Value Map and the Customer profile.

We have already explained the theory behind the customer profile and the Value Map. Today is about finding the FIT between both.



Adapted from 'Business Model Generation', Alexander Osterwalder, Wiley 2012.
www.businessmodelgeneration.com
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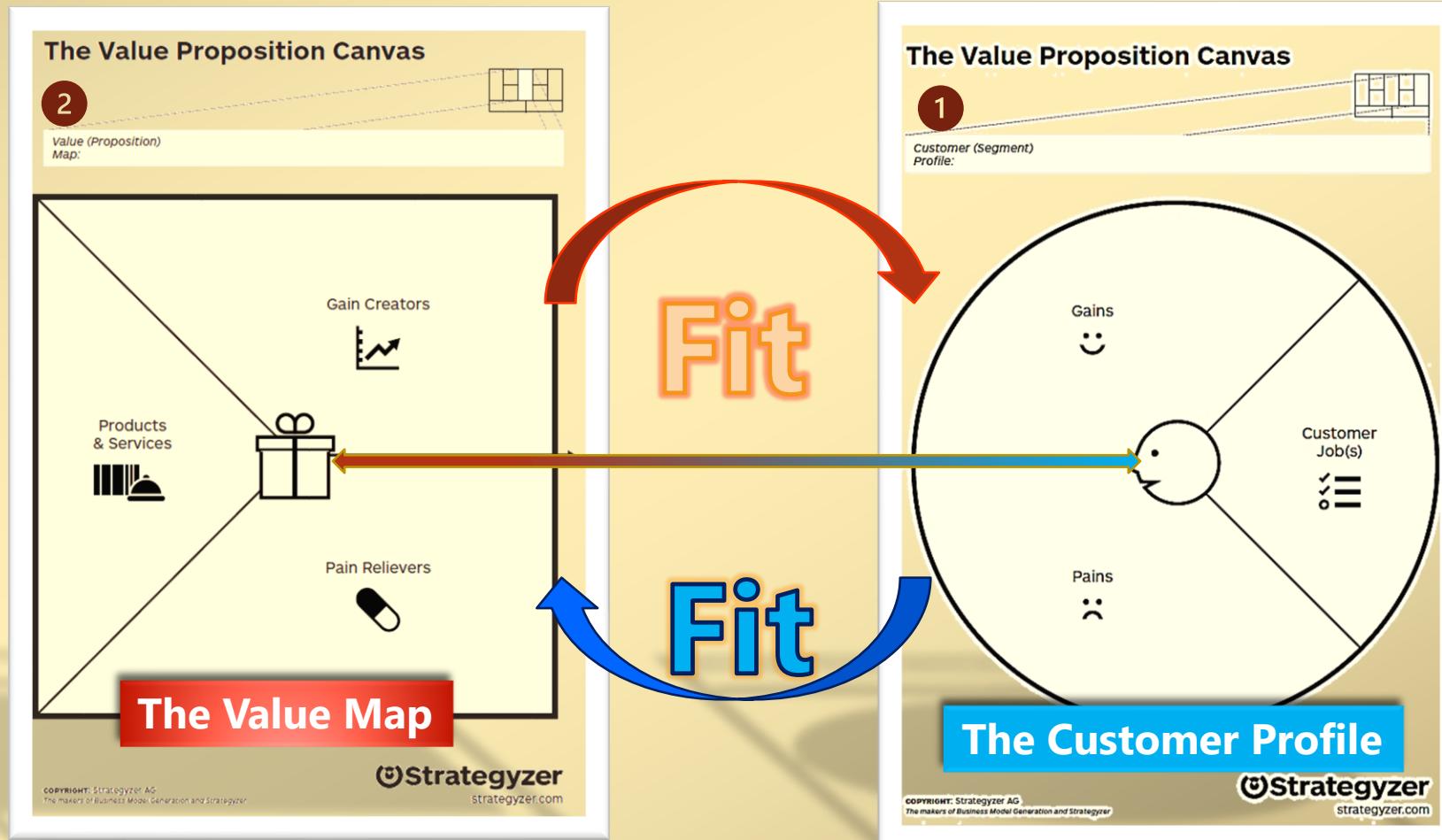
The CVP is the crucial component of the business model canvas. It is like the engine of the framework.

- For Osterwalder-Pigneur, their business model framework is a **TOOL** that encompasses a set of different concepts and their mutual relations. All these elements allow to express the business logic process of an entrepreneur or corporation.
- Osterwalder model is extremely explicit: he has designed it to illustrate how a company can create value (Value creation) from the inside out, considering the customer needs as the initial point, and then go for a progression of the 9 key components of BM.
- The CVP involves two of these components: The customer segments section called Customer profile **1** and the Value map **2** section.



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*Now that we have studied the two components of the CVP, it is time to understand what is a **FIT** or a match or a harmoniously compatible link between the customer profile and the value map...*

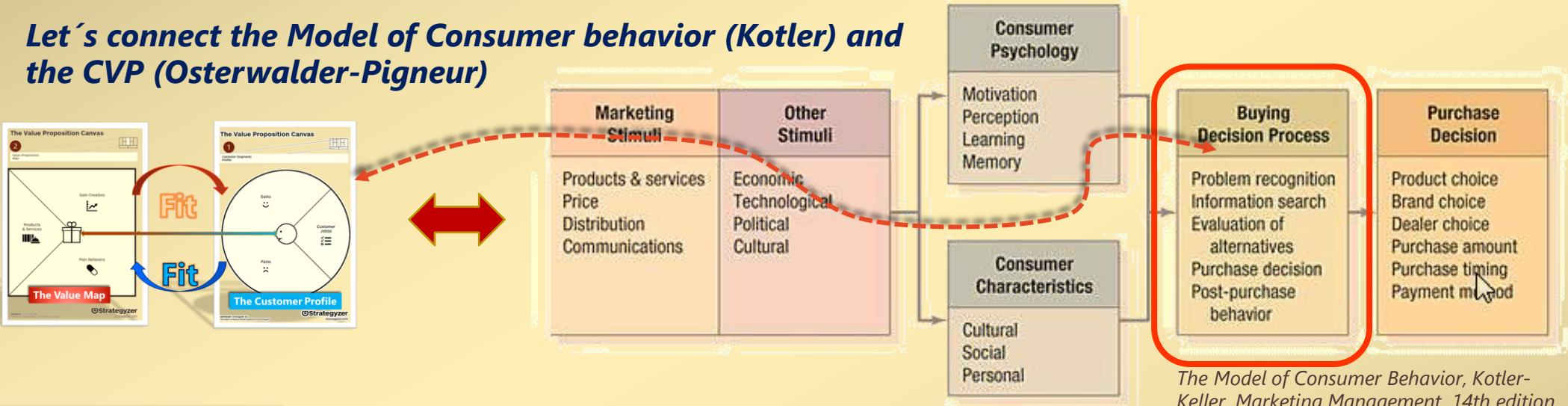




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You achieve "FIT" when customers not just accept but are motivated to explore the CVP that is embedded in your product/service. Striving for FIT is the essence of CVP design.

Let's connect the Model of Consumer behavior (Kotler) and the CVP (Osterwalder-Pigneur)



The meaning of FIT:
To be the proper size and shape for. To be appropriate. To make suitable.

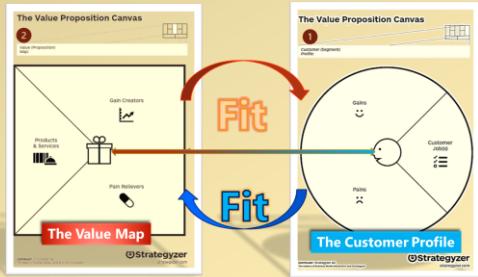
- The consumer behavior occurs when they perform their jobs, activities, tasks, chores, assignments, duties, situation, etc.
- When customers achieve their activities, they behave. By conducting themselves they may find a problem that needs to be solved. This problem is translated into a need (it is a pain for him/her that should be cured) or a want (it is a gain for him/her that should be satisfied). Got it!. Let's continue.
- To understand the consumer behavior of clients doing tasks (called jobs to be done by Osterwalder-Pigneur) we can't isolate the consumer from his/her context, the external stimuli and the existing marketing bombardment in which he lives.
- The Marketing and external stimuli enter the consumer's consciousness, and a set of psychological processes combined with his/her own consumer characteristics trigger in him a decision to buy what will solve his problem. This results into the buying decision process or a DIY quest for a solution.
- The client looks for information, evaluates options and then decides to purchase. In order to buy, the customer looks for the best FIT between several products and chooses the one that he "feels" or "thinks" will solve his problem during his activities (Jobs to be done). The last part of the model of consumer behavior process is the purchase decision



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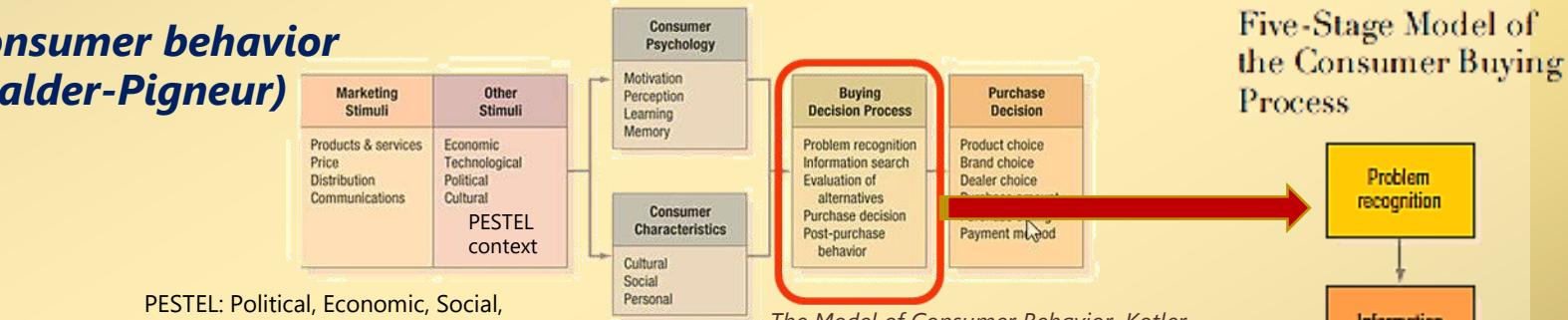
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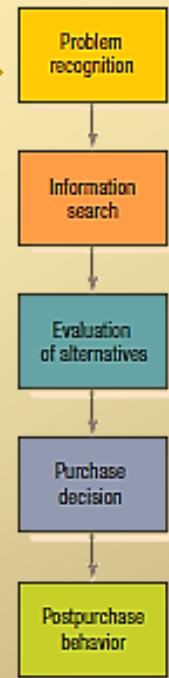
The meaning of FIT:
To be the proper size and shape for. To be appropriate. To make suitable.

The FIT between the product/service and the client occurs during a process called the "Customer Value Cycle". It is a fit by stages. The fit may be perfect if the client purchase fits before, during and after the product consumption.



PESTEL: Political, Economic, Social, Technological, Environmental and Legal external forces over the client.

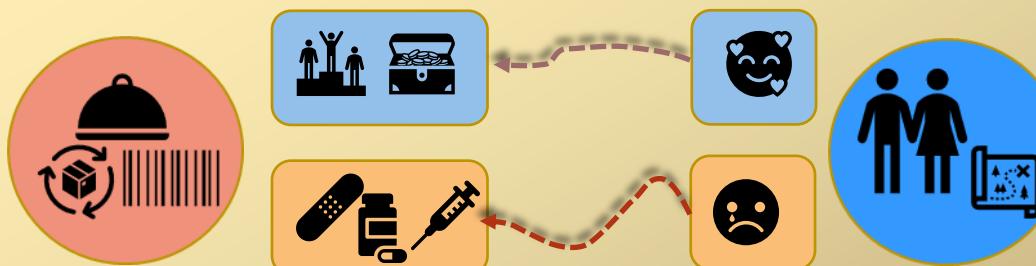
Five-Stage Model of the Consumer Buying Process



The Model of Consumer Behavior, Kotler-Keller. Marketing Management, 14th edition.

The rationale of the CVP canvas from Osterwalder Pigneur implies:

1. Customer segments with a similar pattern of consumer psychology and characteristics, are immersed in a specific marketing and PESTEL* stimuli environment,
2. These consumers encounter certain problems when they perform their activities. These problems can be clearly identified as pains (demanding needs) or gains (positive wishes).
3. The client can discern for products and services that can offer the pain relievers and the gain creators that address those pains and gains.
4. The segment market for that product is defined as a group of people who share similar jobs that are trying to get done.



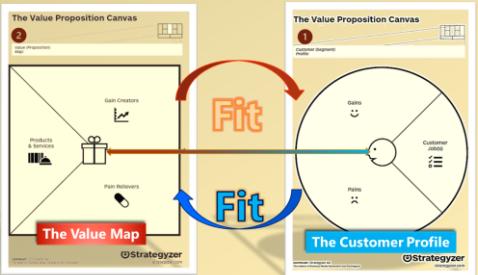
The Five-Stage Model of Consumer Buying Process. Kotler-Keller. Marketing Management, 14th edition.



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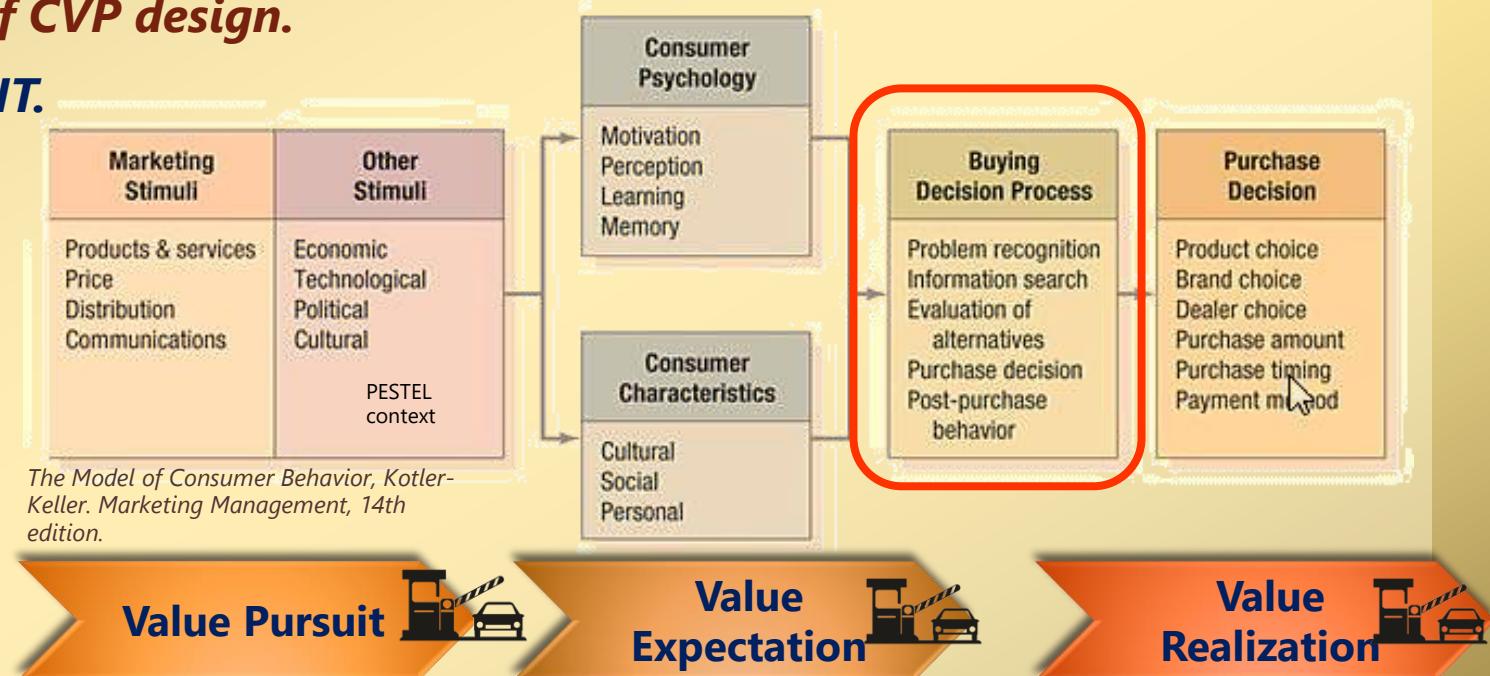
You achieve "FIT" when customers not just accept but are motivated to explore your CVP. Striving for FIT is the essence of CVP design.

Let's explore the meaning of FIT.



The meaning of FIT:
To be the proper size and shape for. To be appropriate. To make suitable.

The FIT between the product/service and the client occurs during a process called the "Customer Value Cycle". It is a fit by stages. The fit may be perfect if the client purchase fits before, during and after the product consumption.



Value Pursuit

- Consumer of a particular segment holds a particular Psychology for learning, motivation, perception and memory. He/she is part of a consumer segment.
- The consumer has several tasks or Jobs-to-be-done in which he uncovers expressed and non-expressed wants and needs
- The client has also Personal Preferences

Value Expectation

- The business (seller or retailer or Vendor) has an offering of products and services
- The fit between the Client profile and the Value map occurs when there is an Alignment with value pursuit, value expectation and value realization

Value Realization

- Proof of value: once the purchase is completed, the customer experience may occur at the moment of payment (as eating in a restaurant, or once a moto is repaired), and/or it may happen days or months after payment
- The client is satisfied 100% with the product that solves a problem (need or want) or he/she may not be totally satisfied.
- Consistency of delivery for repetitive purchase in the future.



Value Propositions: Theory and Cases.

It is super important at this stage to raise the awareness of the meaning of the customer value cycle...

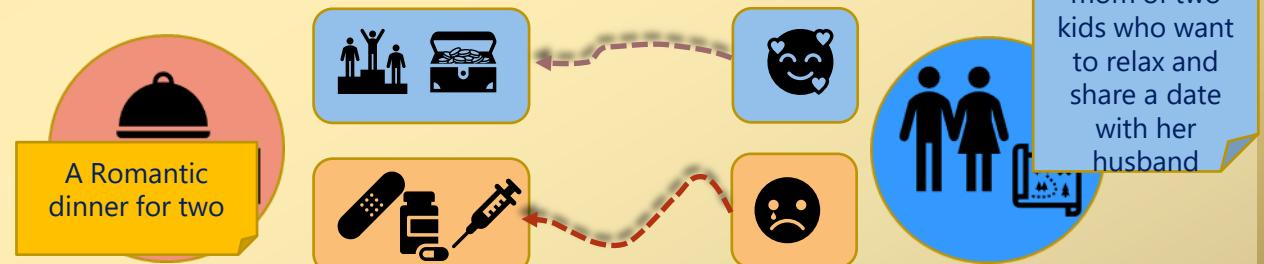
The fit between the client profile and the product/service that we have defined in the value map occurs in several phases, under a road map of several tollgates. Let's explore the Customer Value Cycle below (from Matin)



How to design a Value Proposition for this example:

- **There is a Value Pursuit stage:** The couple wishes to have a night off to relax and spend some time alone without the kids. To understand how this family pursues this value, the "elements of value" guide us to build a value proposition.
- **There is a Value Expectation phase:** The clients search for options. Evaluates. Gets recommendations. Analyze price-benefits. Anticipate the hiring of a nanny. Start to save.
- **And there is a Value realization:** the purchase of the experience occurs. Are the customers satisfied?

Look at this example that illustrates the different tollgates on how a customer perceives value? Look at the complexity of the process.



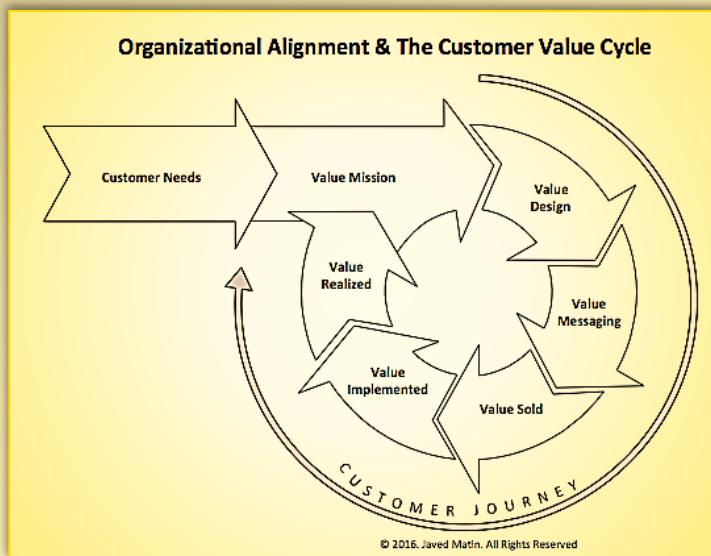
We will discover how to find a fit when doing a CVP for this example. Let's continue...



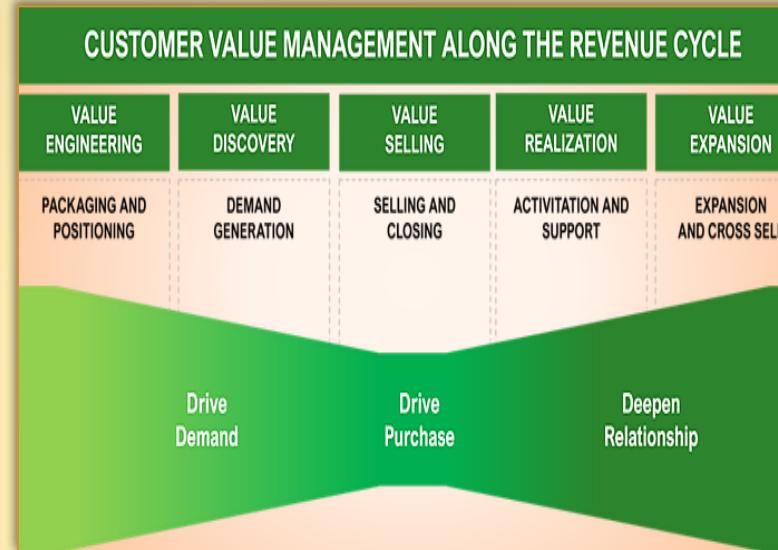
Value Propositions: Theory and Cases.

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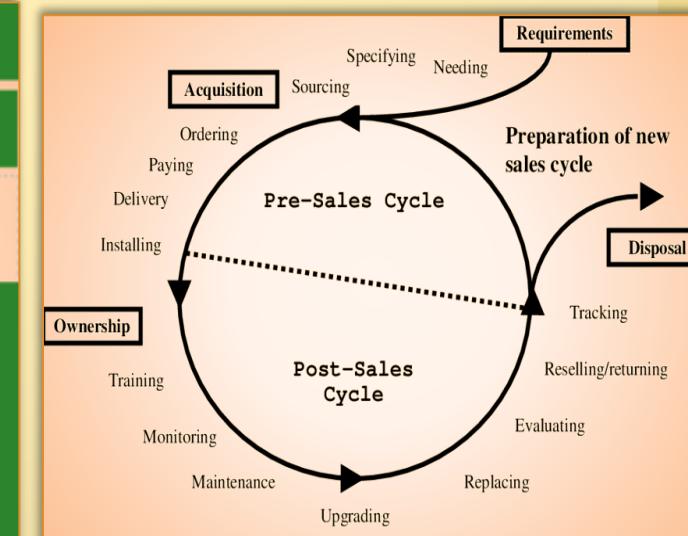
The fit between the client profile and the product/service that we have defined in the value map occurs in several phases, under a road map of several tollgates. There are several versions of the Customer Value Cycle.



Source:
<https://www.marketingjournal.org/a-blueprint-for-aligning-sales-and-marketing-javed-matin/> A framework by Javed Matin (2018)



Source: <https://www.revenueenablement.com/taking-a-lifecycle-approach-to-customer-value-management/> A framework from Chad Quinn.



Source: https://www.researchgate.net/figure/The-customer-value-creation-life-cycle-adapted-from-Ives-and-Learmonth-1990-This-value-fig1_221336561

A framework by Ives and Learmonth (1990)

Source References: See slide 22.

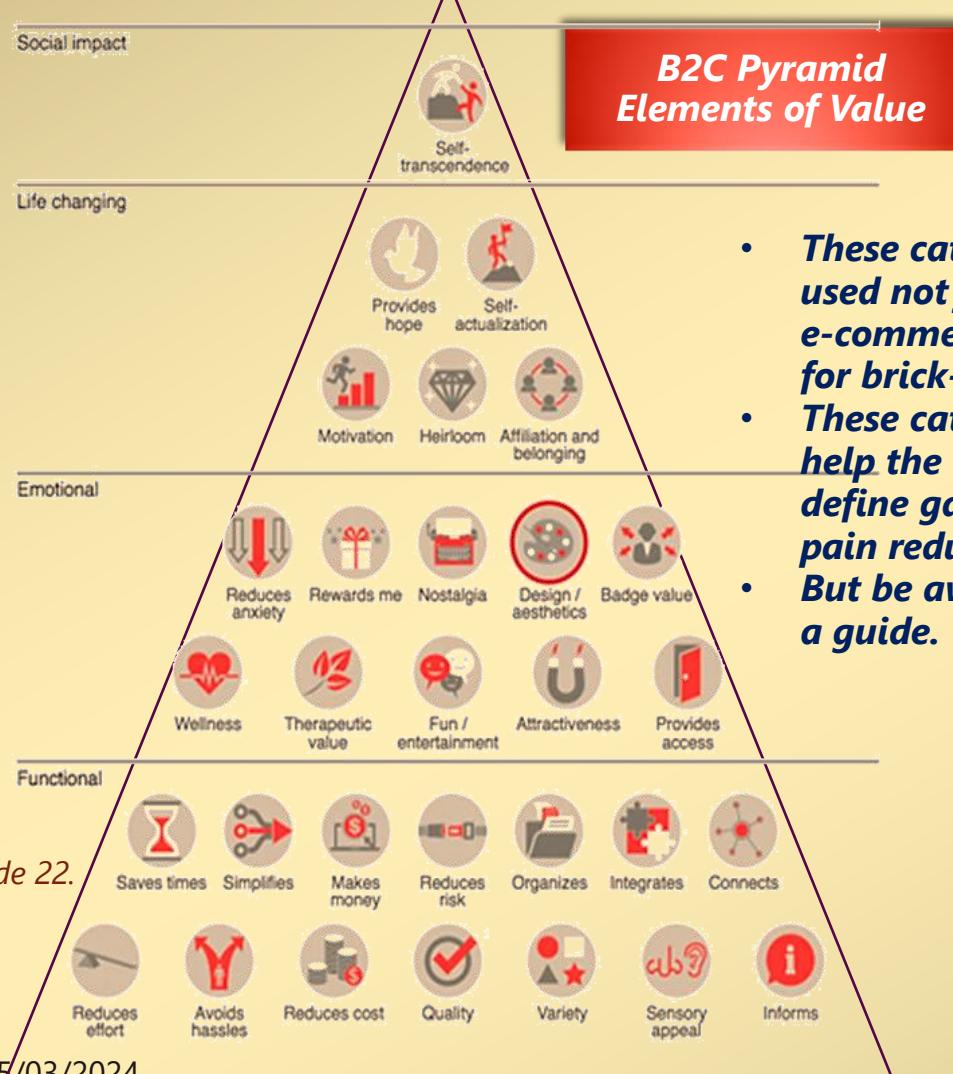


What is a tollgate? It is a gate or bar across a toll bridge or toll road which is lifted when the toll is paid. A tollgate in our context of customer values is also a standardized control point where value for the customer ends a phase, it is reviewed and/or audited and approved (or not) to continue with the next phase.

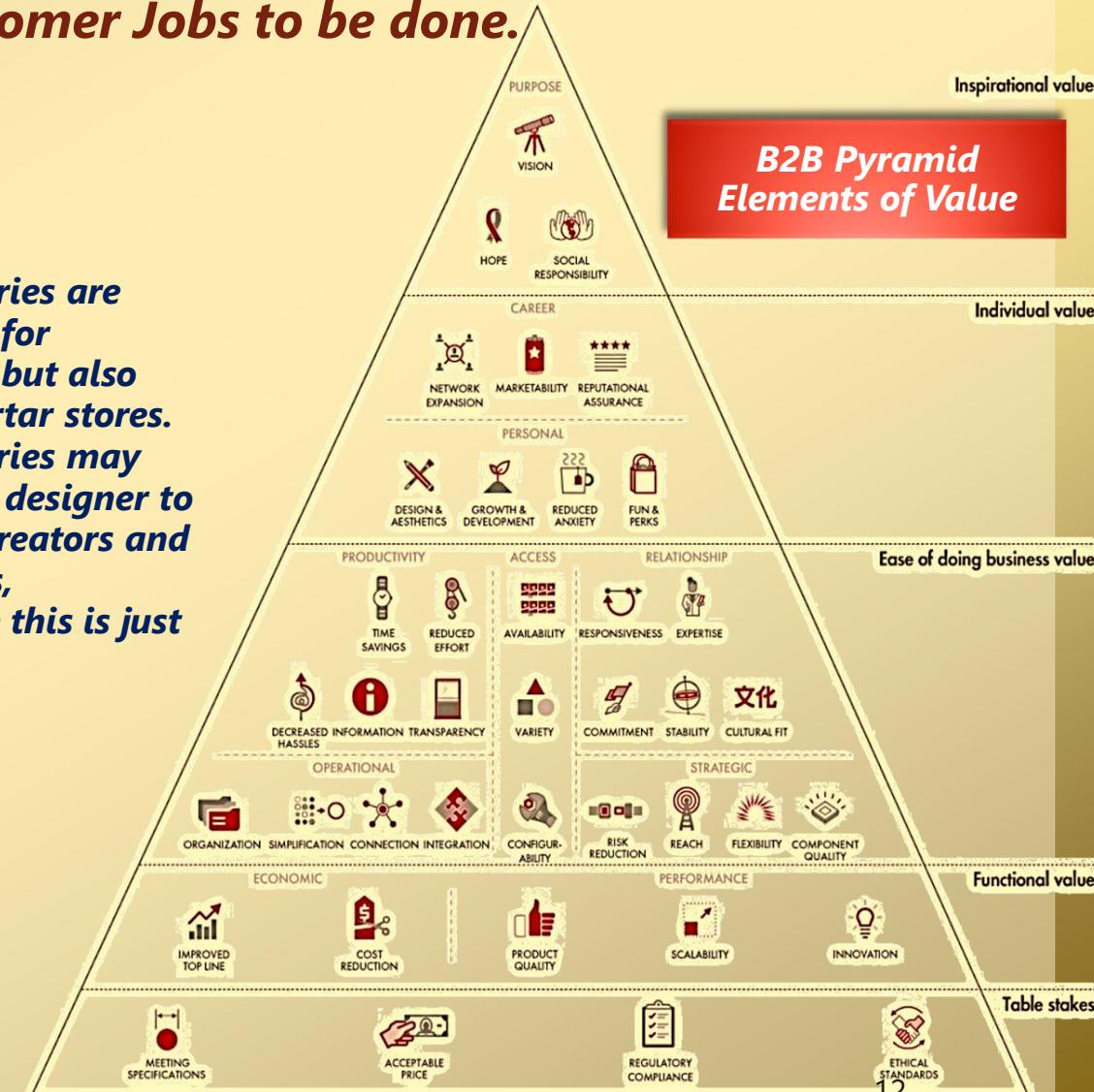


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The Value Pyramid categorizes the elements of customer value into general levels of gain creators or pain reducers for the Customer Jobs to be done.



- *These categories are used not just for e-commerce, but also for brick-mortar stores.*
- *These categories may help the CVP designer to define gain creators and pain reducers,*
- *But be aware this is just a guide.*





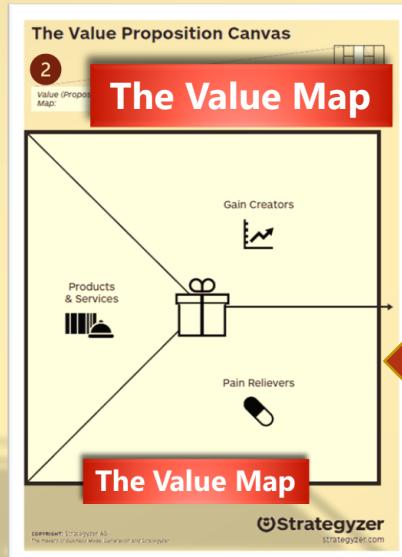
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Recommendations on how to check your fit between the customer profile and the value map.

To match the elements of value from the value map with the customers pains and gains may take several loops of trial and error.

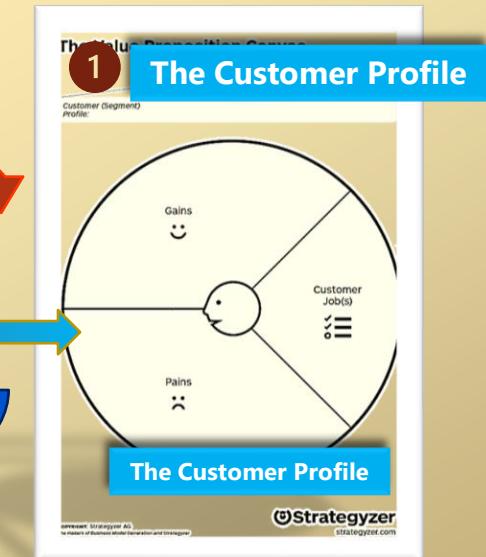
1 Verify if you are matching/harmonizing what matters to clients

- Put the customer profile and the value map in front of each other.
- Review each pain reliever and check to see if it fits a gain. Go through each gain creator, and check if it matches with a customer gain. Put a check mark on each one that does, or an X mark on those who don't.



2

Once the verification for each of the sticky notes between:
Pains-Pain Relievers
Gains-Gain Creators,
is finalized, then proceed to match between the product-services features and the customer jobs-to-be-done sticky notes.

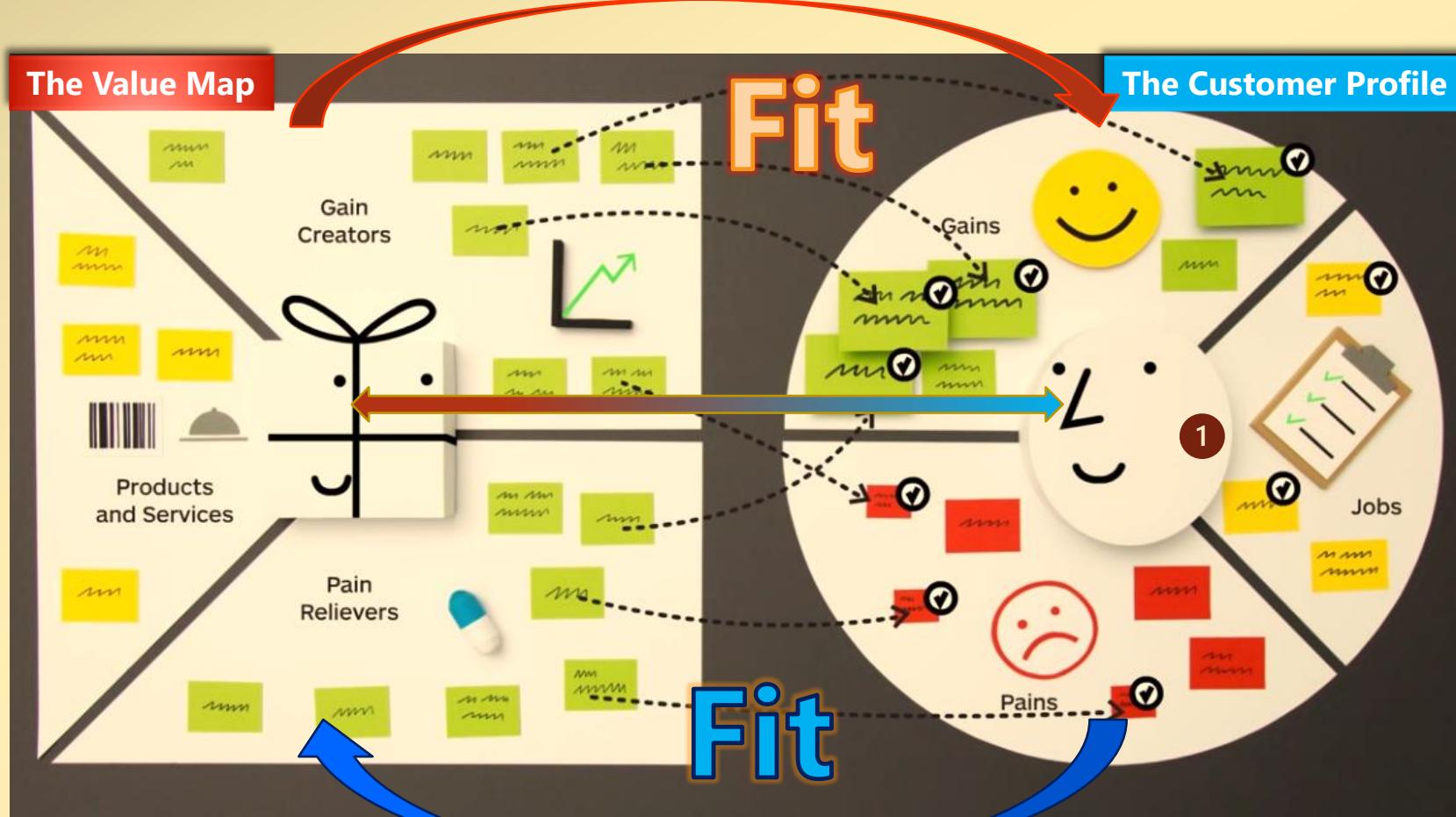


Fit



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Recommendations on how to check your fit between the customer profile and the value map.
This is an example of how your fit-match exercise might look like.



Source References: See slide 22.



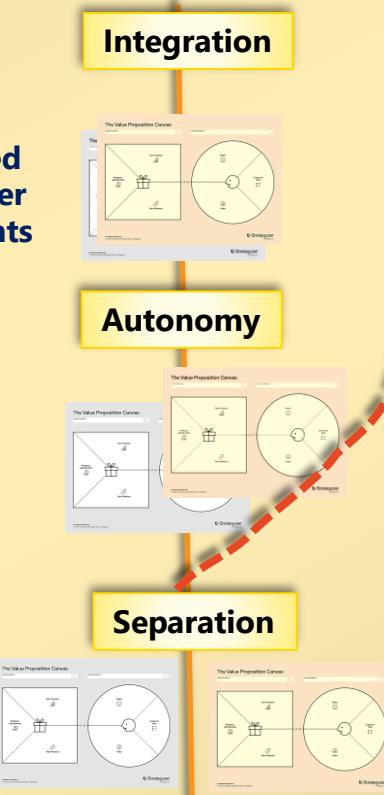
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Osterwalder-Pigneur advise what to do when we face several customer segments (or multiple CVPs): MULTIPLE FITS.

Similarity of the CVP	Potential for Synergies	Potential for Conflicts
++	++	--
++	+-	--
--	+-	++

Create synergies among the separated CVPs and coordinate between them as necessary.

Bundled Customer Segments



Avoid conflicts between the integrated CVPs and allow for necessary autonomy

What happen when customer segments have different Jobs to be done? We are facing distinct customer segments who are related to the same product. How to analyze the unbundled customer segments?

The answer: Analyze each CVP separately for each customer segment independently. Identify the most important ones and sketch out a CVP for each of them.

Customer profile	How to define and identify these clients
End User	The ultimate beneficiaries of a product or service. They can be passive or active
Decision Maker	The person that is the ultimate responsible for the choice of the product and service.
Economic Buyer	The person who controls the Budget and makes the purchase and payment
Recommender	Person who carries the search of choices and evaluation process, to recommend the best alternative option
Influencer	The person whose opinions count. The advisor to the decision maker and recommender.
Saboteur	The person who obstructs and derail the process or searching, evaluating and purchasing of the product/service

Source References: See slide 22.



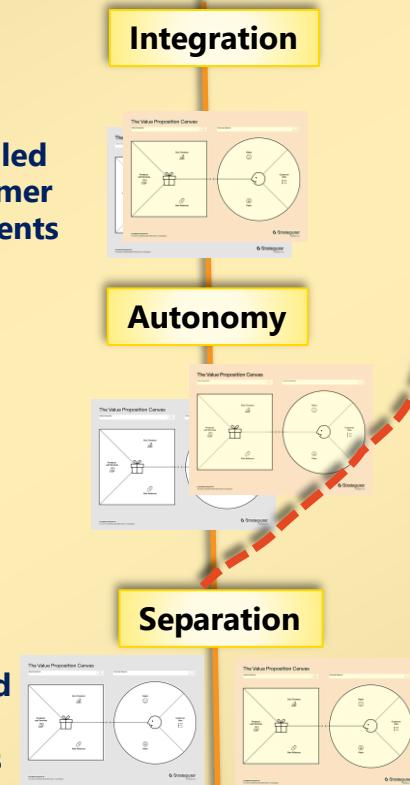
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Osterwalder-Pigneur advise what to do when we face the same client doing the same task or job-to-be done under different contexts (circumstances or settings are different).

Similarity of the CVP	Potential for Synergies	Potential for Conflicts
++	++	--
++	+-	--
--	+-	++

Create synergies among the separated CVPs and coordinate between them as necessary.

Bundled Customer Segments



Unbundled Customer Segments

Avoid conflicts between the integrated CVPs and allow for necessary autonomy

What happen when the customer segment has the same job-to-be-done, under a different context? We are facing the same customer segment who is related to the same product but under a different context.

The answer: Analyze each CVP separately, with the same customer who has separate jobs-to-be-done, even if it is the same client. Look the example below



A middle-class mother of 2 kids. 30 years old who loves to go to Starbucks

Customer profile	How to define and identify building the right CVP	
End-User		The kids afternoon Wednesday-off, after school, this Mom meets and greets two School mom's at Starbucks to chat. All the kids enjoy playing at the kids-ground.
End-User		Date night: On Saturday evening, after dinner, this Mom goes with her husband for a Coffee to the same Starbucks
End-User		Watercolor class: On Friday mornings, this Mom meets to Paint watercolors with her Church's Friends at the same Starbucks shop
End-User		Study French time: Every Tuesday, this Mom escapes from home to do her study assignment at Starbucks shop alone, meanwhile her kids are swimming.

Source References: See slide 22.



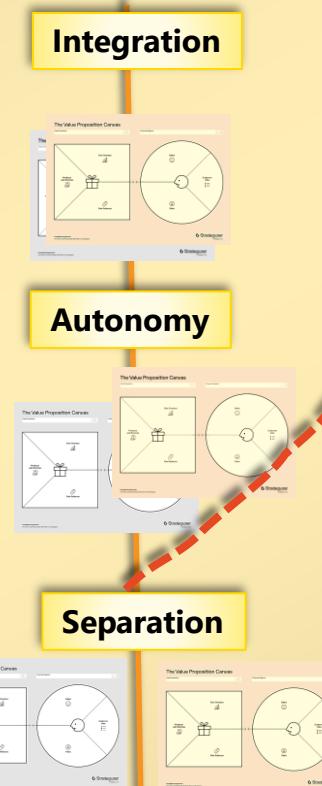
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Osterwalder-Pigneur advise what to do when we face the same client facing different products/services)

Similarity of the CVP	Potential for Synergies	Potential for Conflicts
++	++	--
++	+-	--
--	+-	++

Create synergies among the separated CVPs and coordinate between them as necessary.

Bundled Customer Segments



Unbundled Customer Segments

Avoid conflicts between the integrated CVPs and allow for necessary autonomy

What happen when the customer segment who has the same job-to-be-done and face different products/services?

The answer: Analyze the customer with the same job-to-be-done under separate CVPs, each addressing the different solutions, even if it is the same client. Look the example below



A middle-class mother of 2 kids who goes to a date night with her husband every weekend. The couple job-to-be-done is to share a moment of fun and connect to each other.

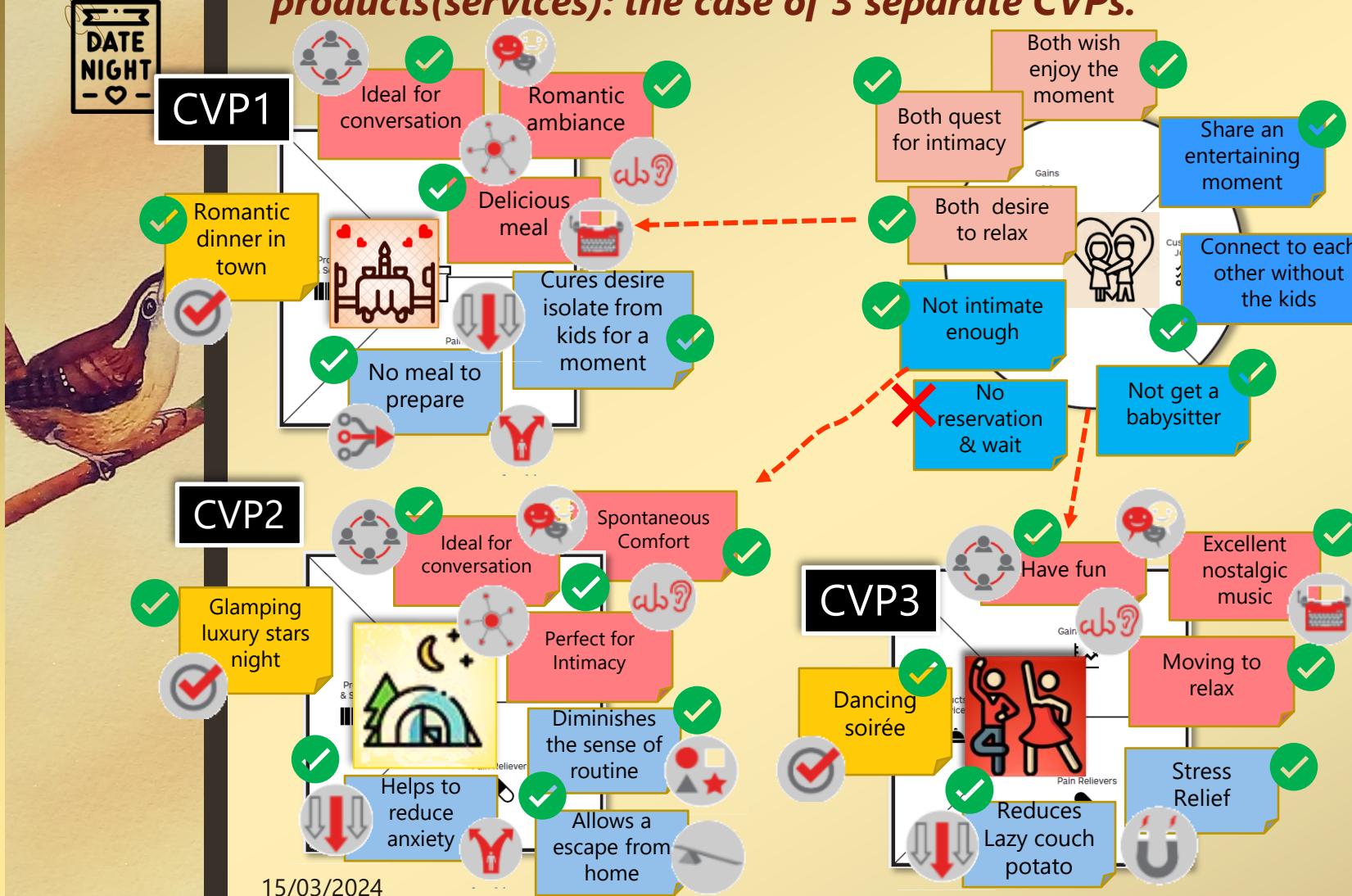
Customer profile	Different CVPs with a different Product/Service
End-User	A romantic dinner in town: ideal for conversation and intimate setting 
End-User	A glamping night to observe the stars: Adventurous occasion for a romantic setting 
End-User	A dancing night at a chic club in town: An opportunity to have fun while wiggling with music 
End-User	A spa for couples: Ideal for relaxing, reduce stress, and enjoy intimacy 

Source References: See slide 22.



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Osterwalder-Pigneur advise what to do when we face the same client facing different products/services: the case of 3 separate CVPs.



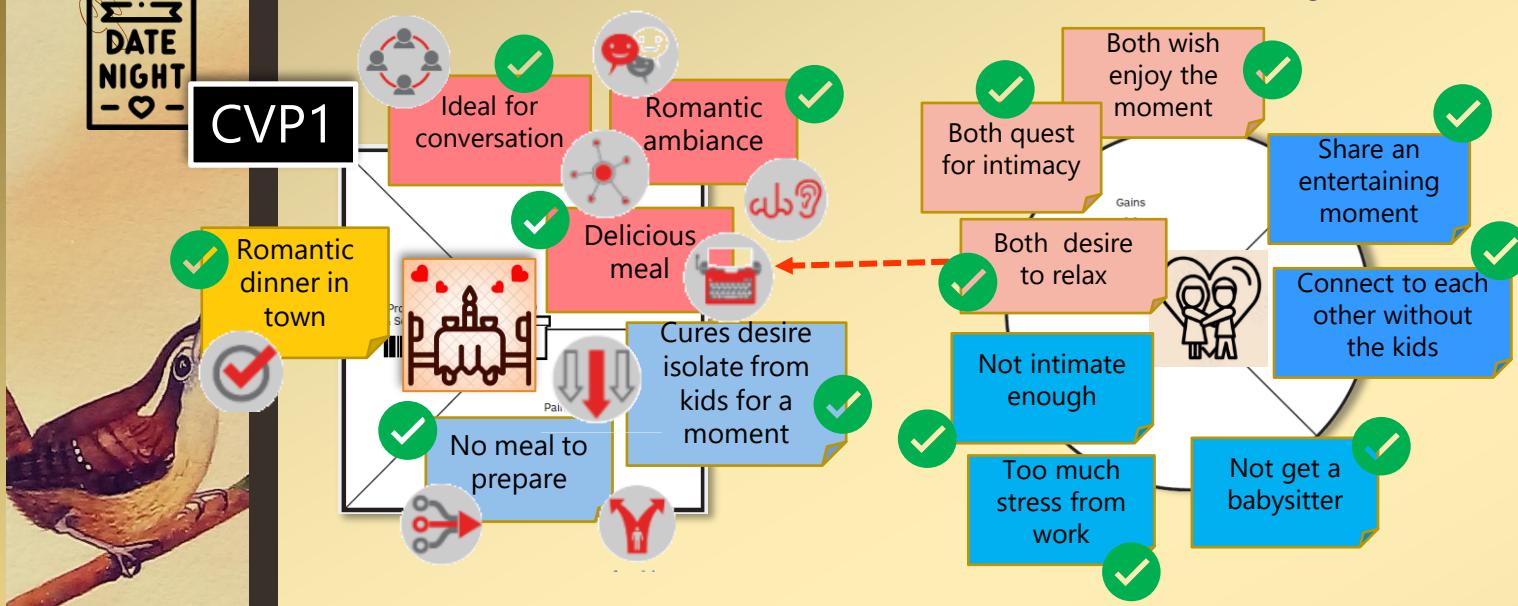
Elements of Value	Each pain reliever or gain creator belongs to a category of Value.
	Fun/Entertainment: Offering fun or entertainment
	Affiliation and Belonging: Helping people become part of a group or identify with people they admire
	Connects: Relating and creating bonds with other people
	Sensory Access: Appealing in taste, smell, hearing and other senses.
	Nostalgia: Reminding people of something positive in the past
	Variety: Providing a selection and multiplicity of things to choose from
	Reduces Effort: Getting things done with less effort
	Reduces Anxiety: Helping people worry less and feel more secure
	Attractiveness: Helping people feel more eye-catching and good-looking
	Quality: Providing high-quality goods or services
	Simplifies: Reducing complexity and simplifying
	Reduces Hassles: Avoiding or reducing hassles/difficulties/annoyances



Value Propositions: Theory and Cases.

Osterwalder-Pigneur template for a value-proposition statement.

A value Proposition statement is an alternative way to describe the CVP in the form of "pitchable" sentences.



A customer value proposition canvas

- Our product/service: High Quality Romantic Dinner must be the answer to the MAIN customer pains and gains.
 - The features of our product and service must offer the MAIN pain relievers and gain creators.
 - The fit occurs when our high-quality romantic dinner becomes more than a delicious meal, but a "unique experience" for a value realization of the customer.

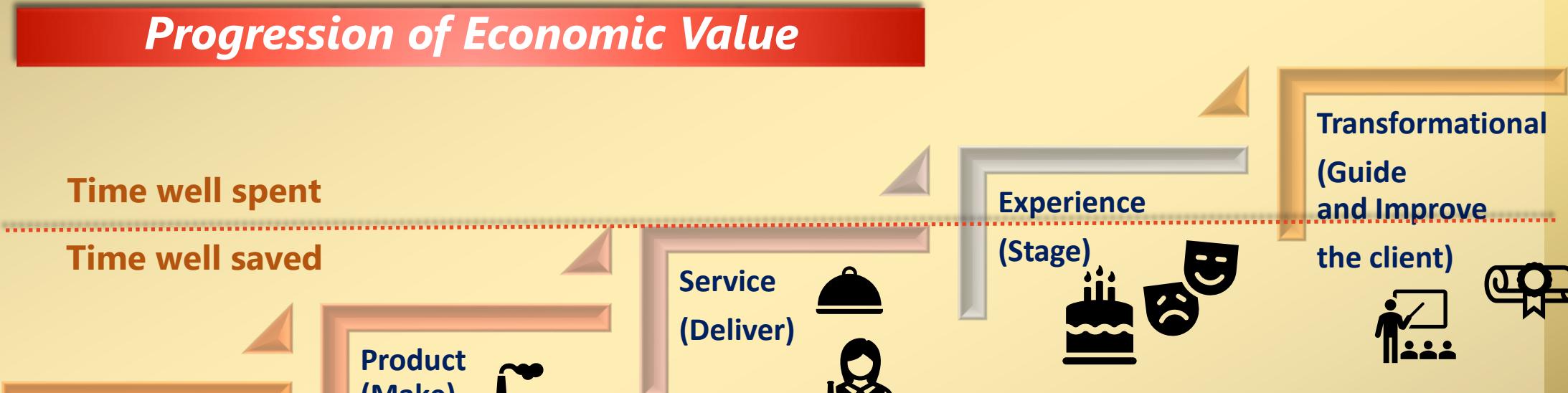


A value proposition statement



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Economic progression of Value by James Gilmore and Joseph Pine II.



It is extremely important to don't confuse your distribution and marketing channels with your type of product/service

- Your CVP is the essence of what you offer to a specific customer "Niche" who perform actions that require your solution.
- Your business model must be ready to work with or without the Internet, with or without AI, with or without a mobile payment application, and even without electricity. That should be the measure of your CVP testing phase.
- In short, your CVP must stand the testing of sustainability and love for the environment too.

Source References: See slide 22.

Image Source adapted from:
<https://www.hbsp.harvard.edu/product/10288-PDF-ENG?Ntt=>

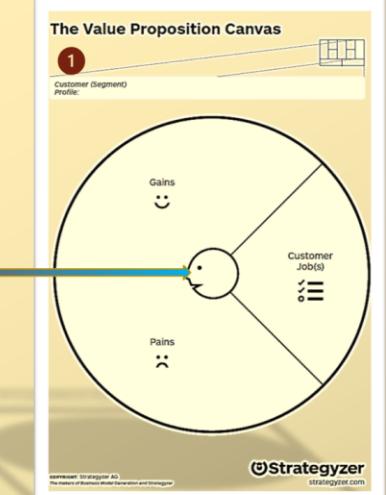
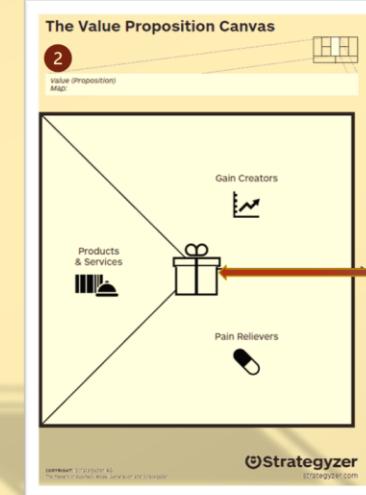
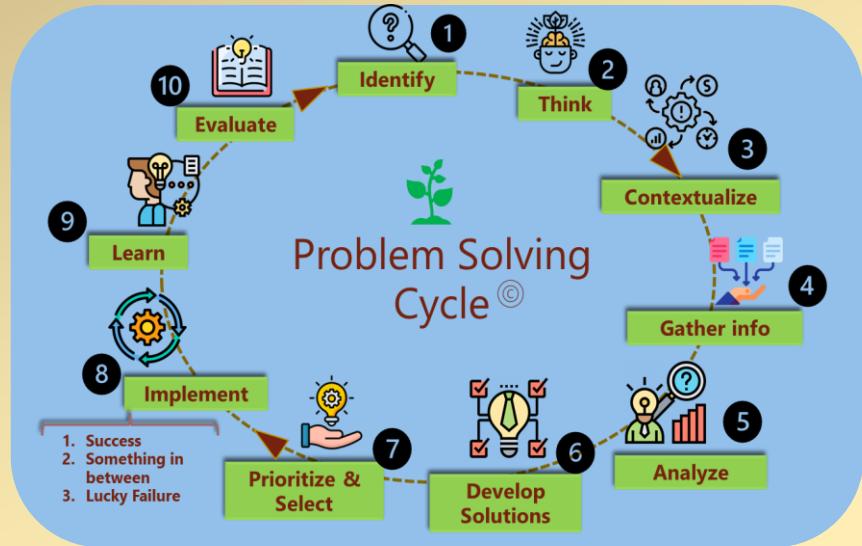
Randy White, White Hutchinson Leisure & Learning Group,
Kansas City, MO, USA

15/03/2024



Value Propositions: Theory and Cases.

What is the connection between our problem-solving cycle and the fit of the CVP?



- When the Value Proposition Canvas when driven by psychological and behavioral emotional elements of value (at the top priority), then the irrational choices of humans are leading the race of competition.
- It is dangerous to establish a laissez-faire economics driven by subjective/emotional elements of value. As much as in a relationship, love is not enough for the long term, but only compatibility within several areas. The rational fit helps to keep a balance when CVPs are driven by emotions that may blow-up later.
- In the design of CVPs, individualistic emotional-psychological factors may deviate the good health of individuals and the wellbeing of communities: the consequence is that bad outcomes to our brain will end up causing more troubles in our civilization, if the product/service becomes ubiquitous as the Internet or the Smartphones.
- Rational Problem solving can provide an equilibrium to an excessive domain of irrational pursuit of needs/wants that will make our brains null and void in a disorganized process for digitalization.

Eleonora Escalante Strategy



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14. <https://www.marketingjournal.org/the-elements-of-value-an-interview-with-jamie-cleghorn/>
15. <https://www.revenueenablement.com/taking-a-lifecycle-approach-to-customer-value-management/> A framework from Chad Quinn
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Our next publication
is already in progress.
We will start to
practice with
examples.

Value Propositions: Theory and Cases.
From January 22nd to May 6th, 2024.