

# Value Propositions: Theory and cases

## Episode 24

### Strategic Reflections About Value Propositions Part II: Examples 4 to 6

*You are learning with the  
Spring Saga of the year  
From January 22nd to August 9th, 2024.  
[www.eleonoraescalantestrategy.com](http://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* 
9. *Let's practice. Example 1. A Global Consumer Packaged Good (CPG)*   
*EASTER WEEK HOLIDAY No publication this week (Vacation from the 22<sup>nd</sup> to 31<sup>st</sup> March)* 
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 I and II* 
17. *Summary and conclusions.* 

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



# Value Propositions: Theory and Cases.

Tentative Schedule Program (subject to change)

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Week 1  
22-01-24

Week 2  
06-02-24

Week 2  
09-02-24

Week 3  
13-02-24

Week 4  
16-02-24

Week 5  
23-02-24

Week 6  
01-03-24

Week 7  
08-03-24



Introduction

The history of  
Marketing: The  
background of  
value propositions

What is a value  
proposition?

Problem  
solving in the  
context of  
value  
propositions

Researching  
& Updating  
knowledge.  
No  
publication  
today

The philosophy  
behind the  
Osterwalder  
Canvas

Customer  
profile.  
Gains. Pains

Value map.  
Gain  
Creators. Pain  
Relievers

The second saga of the year will kick-off in August 2024.

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



# Value Propositions: Theory and Cases.

**Tentative Schedule Program (subject to change)**

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Week 8  
15-03-24



Fit between  
customers and  
value map

Week 9  
22-03-24



Let's Practice.  
Example 1



Easter Week  
29-03-24



Easter Vacations  
No publication  
this Friday

Week 10  
05-04-24



Let's  
practice.  
Example 2



Week 11  
12-04-24



Let's  
Practice.  
Example 3



Week 11  
19-04-24



Research,  
Reading,  
and  
Preparation  
Example 4

Week 12  
26-04-24



Let's practice  
Example 4



The second saga of the year will kick-off in August 2024.



# Value Propositions: Theory and Cases.

Tentative Schedule Program (subject to change)

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Research Reading  
and Preparation  
Example 5  
No publication

Let's Practice.  
Example 5  
Section A

Let's Practice.  
Example 5.  
Section B

Let's Practice.  
Example 5  
Section C

Mandatory Pause  
No publication.  
I was sick

Let's Practice.  
Example 5.  
Section D

Let's Practice.  
Example 6.  
Section E



Confirmed.  
We have extended the Example 5 of the Global  
Maritime Industry to 7 episodes



# Value Propositions: Theory and Cases.

## Tentative Schedule Program (subject to change)

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Making our audience happy matters:

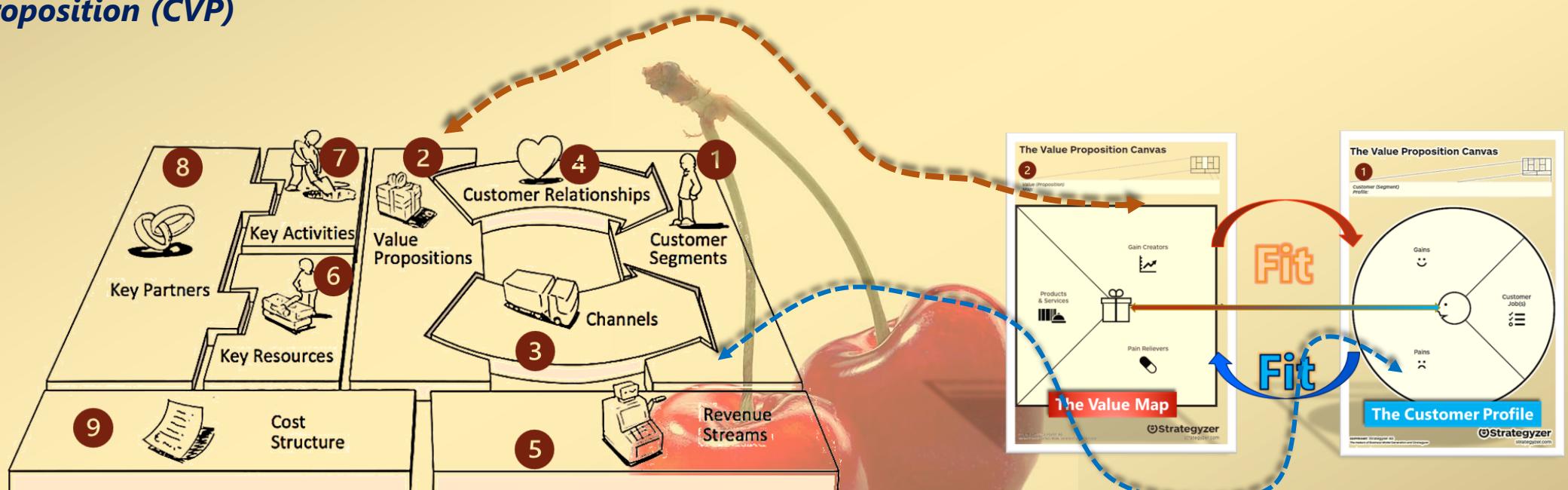
Our next saga of 2024 will be "Central America: A quest of progression of economic value", as of August 30<sup>th</sup>, 2024.  
The saga "A Glance to the Foundation of Business: Trade, Warfare, Women and Slavery" has been moved to January 2025.



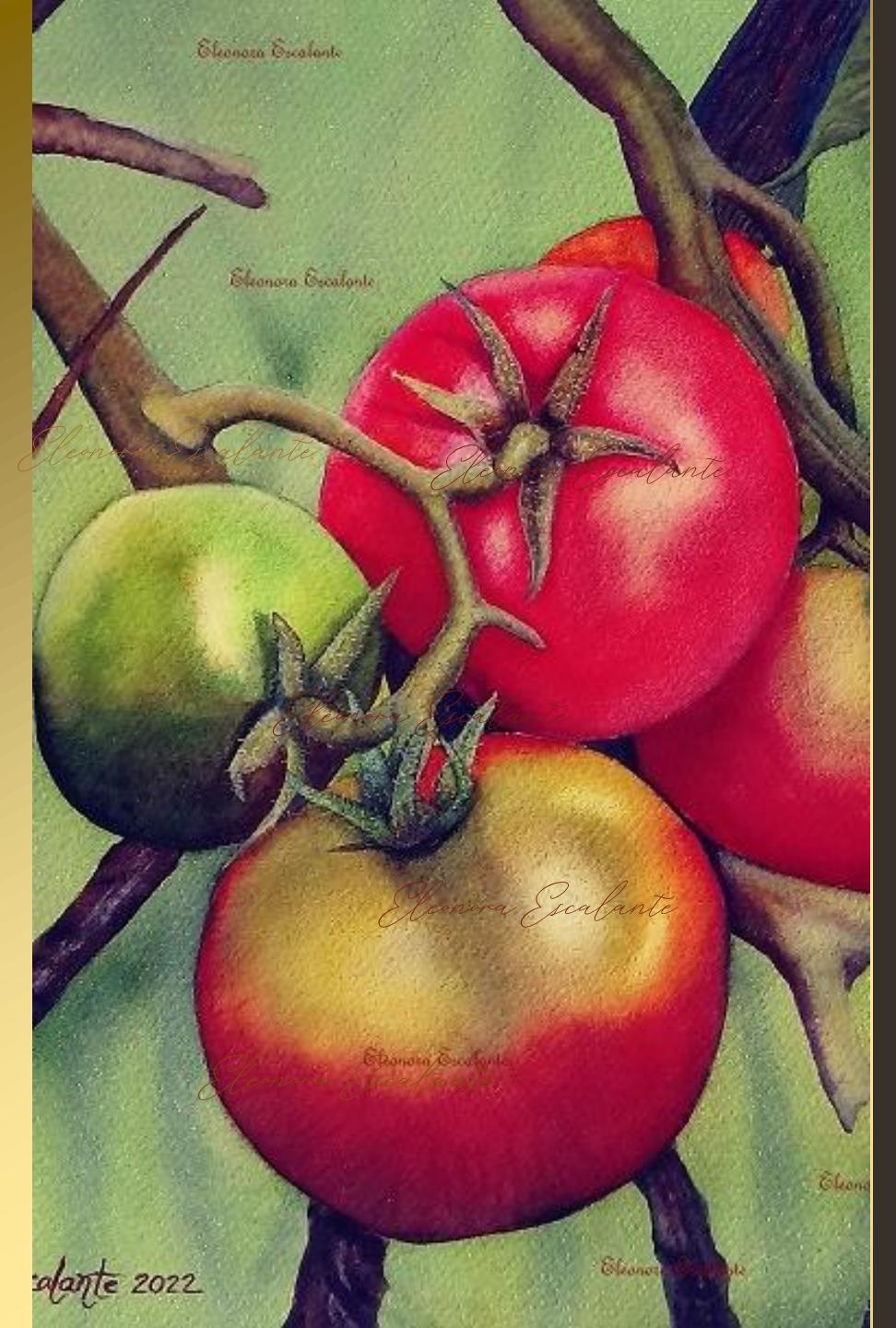
# Value Propositions: Theory and Cases.

*Today session is only about strategic reflections. We are more than cheerier for all what we have learned.*

*Please remember that we are simply at the initial step of business modeling: building the Customer Value Proposition (CVP)*



Adapted from 'Business Model Generation', Alexander Osterwalder, Wiley 2012.  
www.businessmodelgeneration.com  
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# Value Propositions: Theory and cases

## Theoretic Frameworks to evoke

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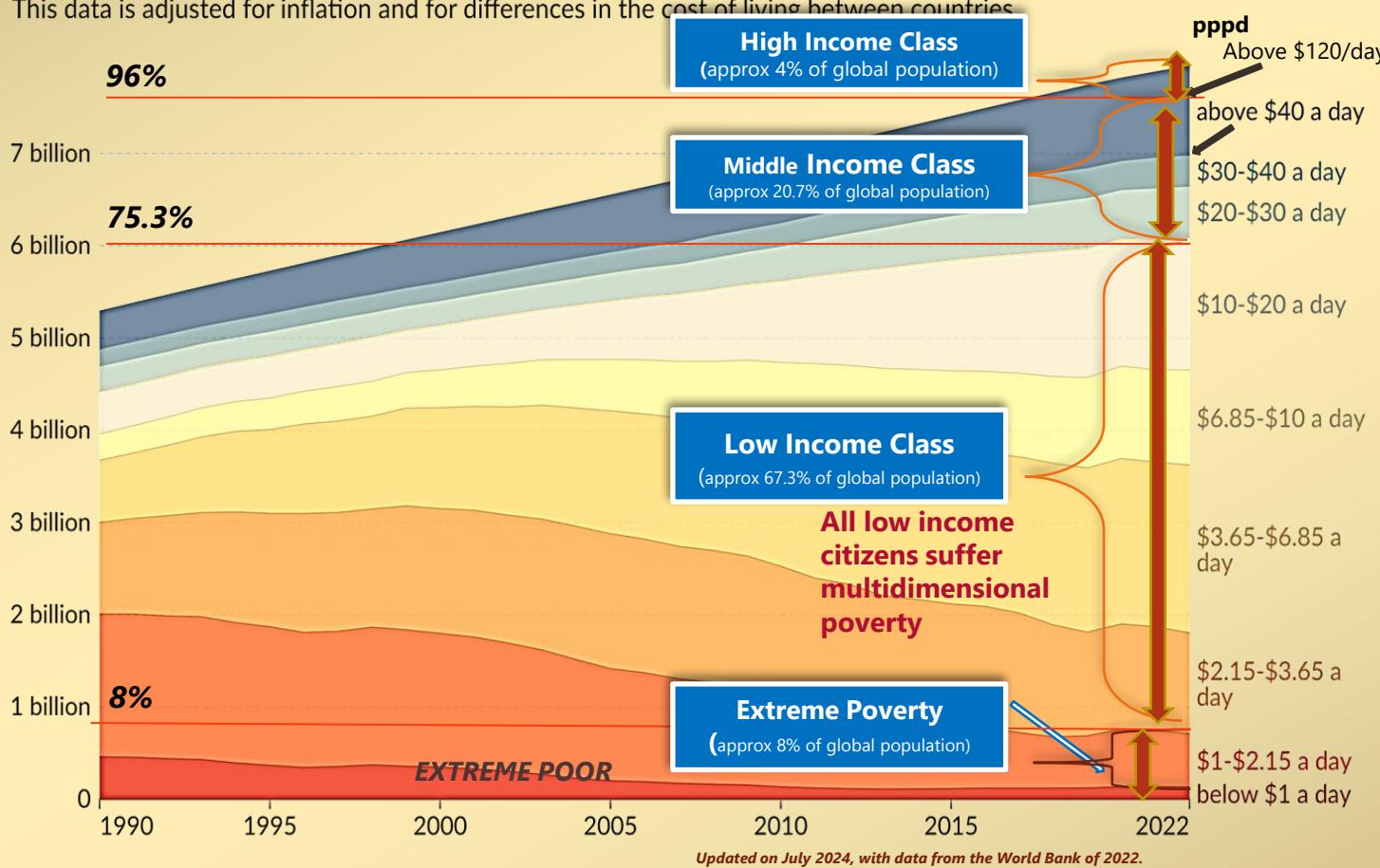


# Value Propositions: Theory and Cases.

***The distribution of people by income thresholds (updated to year 2022).***

Distribution of population between different poverty thresholds, World, 1990 to 2022

This data is adjusted for inflation and for differences in the cost of living between countries



Data source: World Bank Poverty and Inequality Platform (2024)

Note: This data is expressed in international-\$<sup>1</sup> at 2017 prices. Depending on the country and year, it relates to income measured after

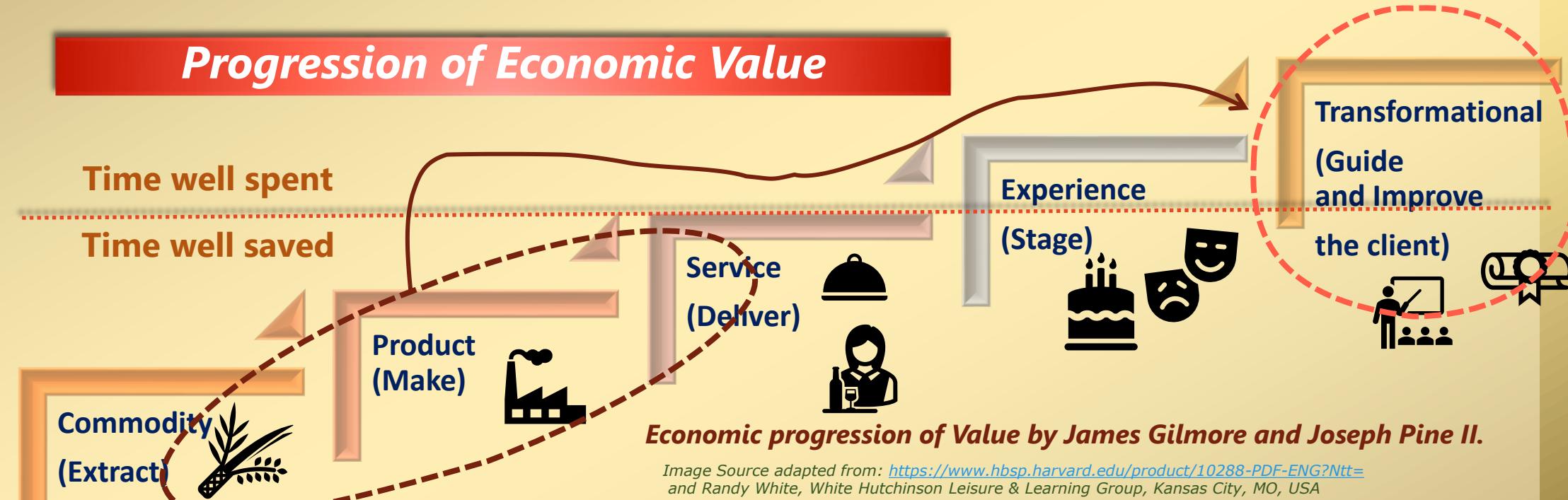
- The Middle-Class represents the 20.7% of the population globally.
- Globally, the Middle-Class income per household is between US\$20/day pppd to US\$120/day pppd
- US\$20/day pppd (for a Four Person Household) is the low threshold for Middle-Income Class
- US\$120/day pppd is the low threshold for High Income Class
- Our research discovery suggest that for a family of four, the middle-class families' household income should be between US\$28,800/year to US\$175,200/year (after effective tax burden).
- The rest of the global population (75.3%) is considered as low-income class or classified as multidimensional poor, regardless if it is low-income or extreme poor.
- The term pppd has been used as the equivalent of a living required daily income per person for a family of four, regardless if that family has one or more family members generating the disposable income.
- These numbers are Net disposable income (after tax-pension-social security-public healthcare deductions).

How to calculate the Low threshold disposable income/year (after tax burden) for a Middle-Income Class family of four? (Min Global average)  
$$\$20/\text{day pppd} * 4 \text{ persons} * 30 \text{ days} * 12 \text{ months} = \$28,800/\text{year (after income tax, pension-social security, healthcare deductions)}$$



# Value Propositions: Theory and Cases.

*Following the progression of economic value when designing CVPs*

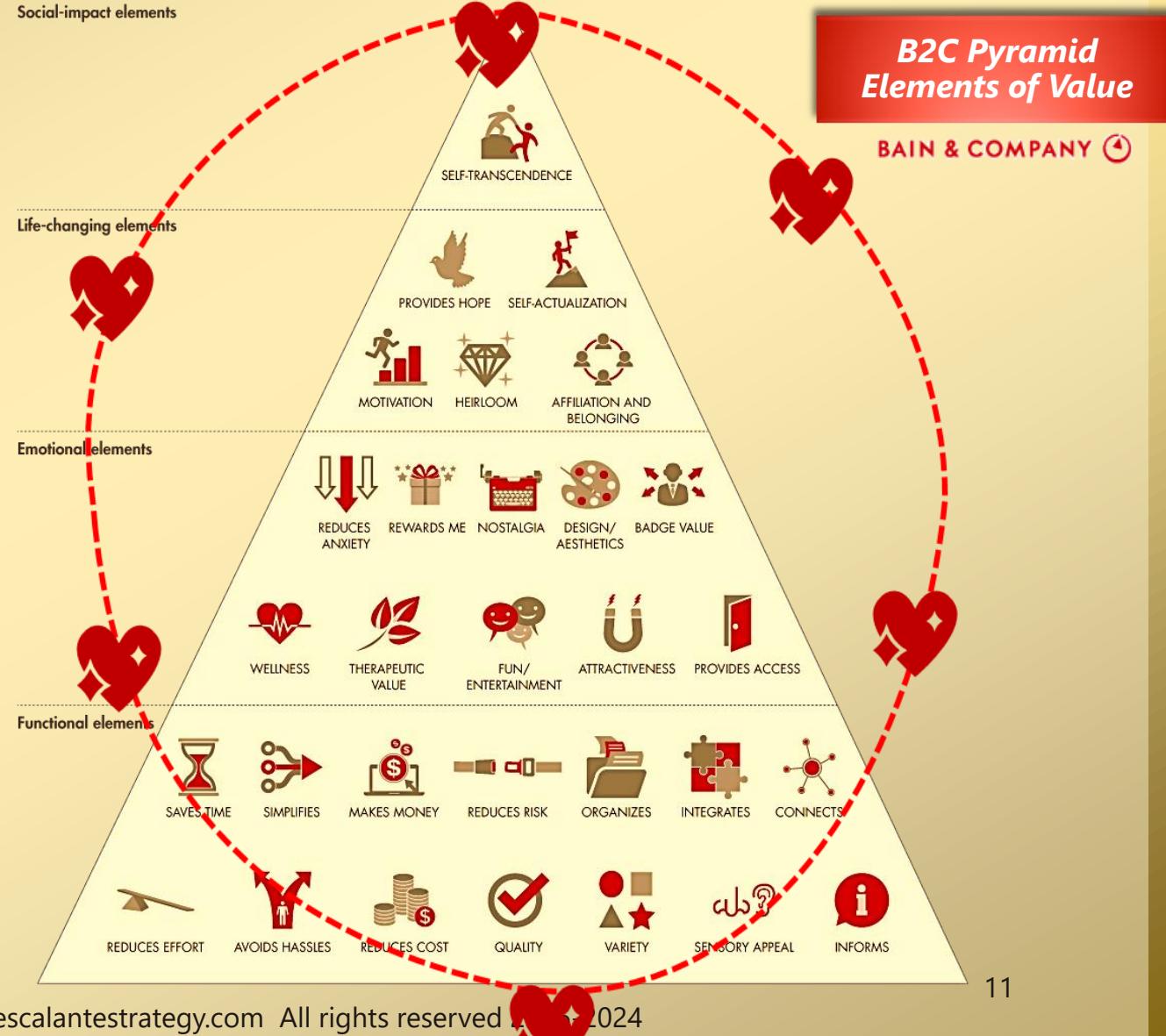




# Value Propositions: Theory and Cases.

***What consumers truly value is tied to the weight of priority of the perceived value of the product or service.***

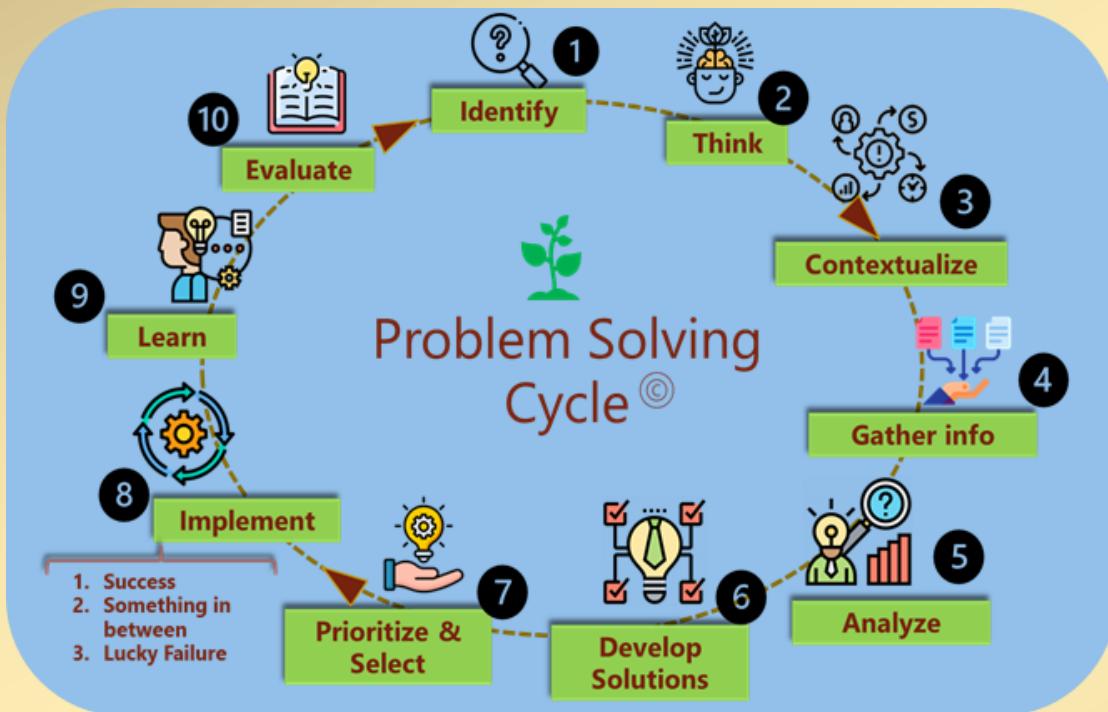
- When the CVP designer focuses on elements of value, the product definition is based not only in the customer gains and pain relievers, but in the "problem solving" and "progression of economic value" that clients foresee indirectly.
- Consumer's reactions to preconceived concepts of value help the CVP designers to understand what are the priorities of value of the clients.
- The Bain Pyramid of Elements of Value helps us to not focus only on the functional aspect, but to don't forget the rest of fundamental attributes at 4 levels or categories: functional, emotional, life-changing and transcendental (social-impact inspirational).
- The right combination of all these attributes help entrepreneurs to create opportunities, open new markets, refine the customer segments for the product, and find new products and services, otherwise never attained.
- The winner combination of values (after testing in real life) take us from the theory to the reality, in a successful manner.
- Fraternal Love must surround us to modify our products and services to avoid harm to our clients, to protect the environment and to restrain ourselves from selling what is not beneficial to humanity.





# Value Propositions: Theory and Cases.

*Checking our CVPs using problem solving process*



**This problem-solving cycle applies to every type of problem or a pain:**

Difficulty  
Obstacle  
Challenge  
Trouble  
Crisis  
Dilemma

Setback  
Study  
Fiasco  
Natural disaster  
Malfunction (crash)  
Collapse  
Pain  
Activities or tasks

**But what about the criteria for justification of a problem? What is the philosophical criteria in the framework? The pursuit of the satisfaction of the customer? Only?**

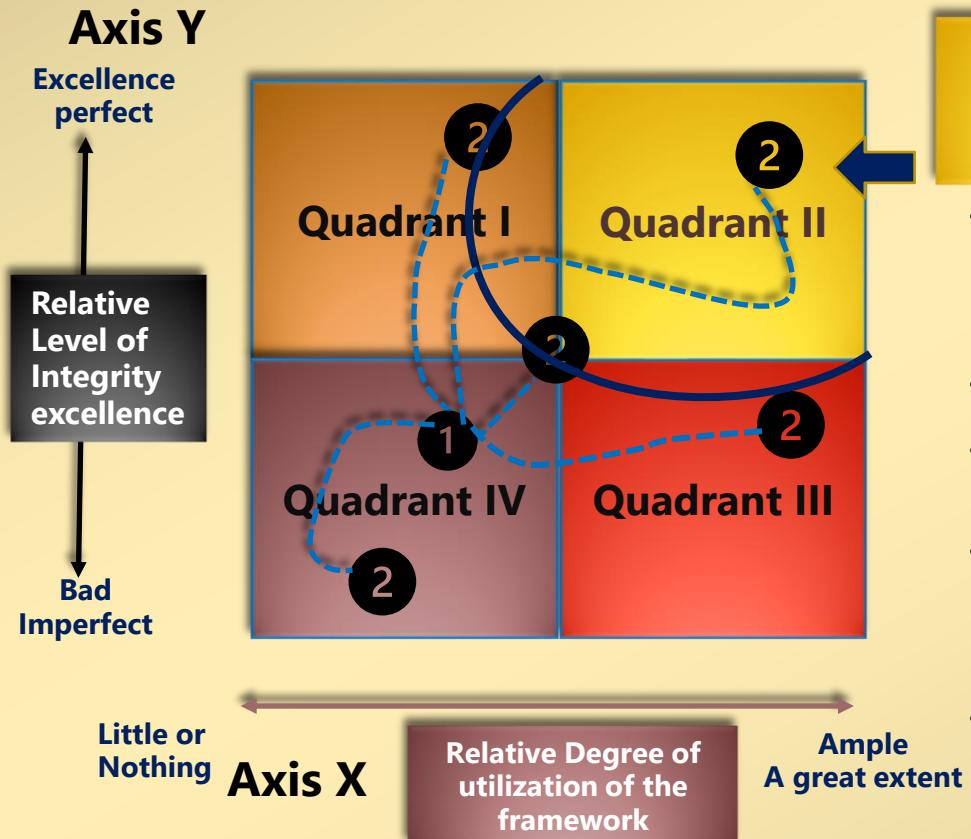
- When the Value Proposition Canvas is driven only by functional elements of value, or by the most basic low-level human needs and wants, without considering the psychological and behavioral emotional elements of value for self-transcendence (social-impact), then the irrational choices of humans are leading the race of competition.
- It is dangerous to establish a laissez-faire economics driven by the most functional basic needs and wants or the 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.
- In the design of CVPs, individualistic emotional-psychological functional factors may deviate CVPs to pursue only economic goals, forgetting the integral happiness of individuals in a community, or overlooking the wellbeing of societies.
- One example of wrong CVPs is the way in which Artificial Intelligence has come to our era: without knowing our civilization has taken the wrong path with ubiquitous tech as the Internet or the Smartphones.
- 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/non-regulated process for digitalization.



# Value Propositions: Theory and Cases.

*The practice of the Value Proposition Canvas has given us more than 15 years of consequences: trainings, pitfalls, lessons, and success stories. But under what philosophy of business? And in what position is this framework located in the matrix path of integrity-excellence?*

*What is the path and status of the framework of reference that you use for building value propositions?*



**An integral framework must be positioned around Quadrant II**

- Every framework of analysis is subject to evaluation and scrutiny after several years of implementation by practitioners.
- A framework may follow different paths from 1 to 2.
- The circular loop of practice and theory validation helps to define this path
- The problem-solving cycle can be applied to corroborate or not a framework, under specific criteria
- If the criteria is wrongly defined, the framework must be reviewed academically again.



- Our interest is to kick-off the consciousness that frameworks of reference can't be static, neither one rule apply to all.
- A theoretical framework designed for the practice of business modeling requires a constant review, an evolution, and a philosophical rationale with specific criteria, that should be academically world-wide evaluated and constantly established by the different schools of thought in business and corporate strategy.

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## Example 4. Diamonds Engagement Rings from Botswana



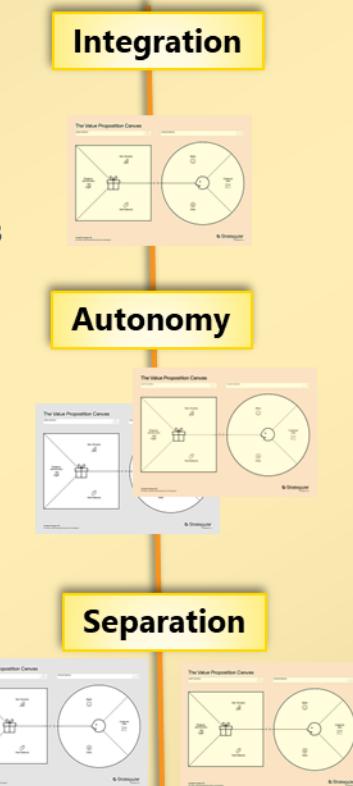
# Value Propositions: Theory and Cases.

*This case was considered as of two unbundled CVPs, given that most of the time (65% of the cases) the groom buys the engagement ring as a private matter to surprise the bride.*

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**

Customer profile		How to define and identify these clients
End User/Decision Maker	Bride	The person that is the ultimate responsible for the choice of the product and service. The ultimate beneficiaries of a product or service. They can be passive or active
Economic Buyer/Decision Maker	Groom	The person that is the ultimate responsible for the choice of the product and service. The person who controls the Budget and makes the purchase and payment



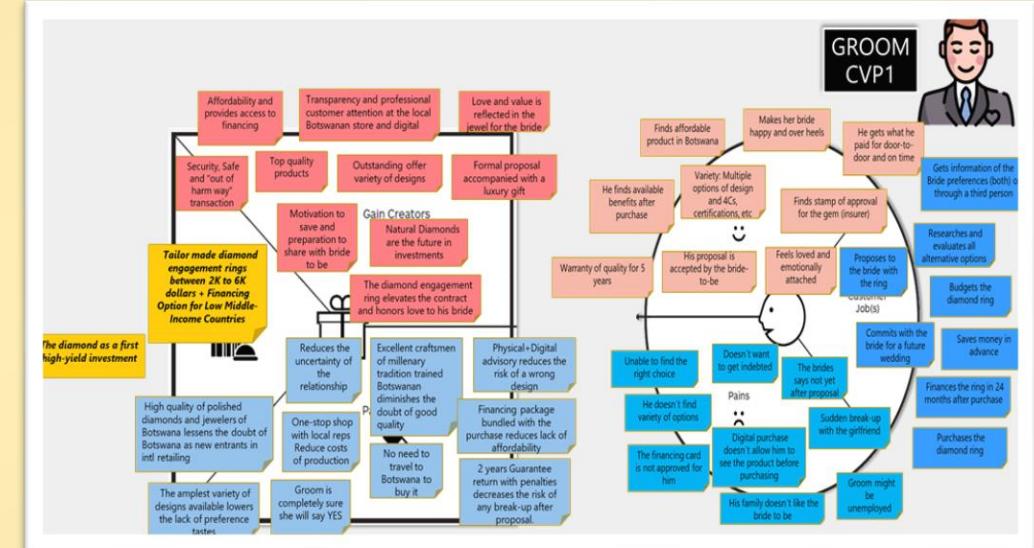
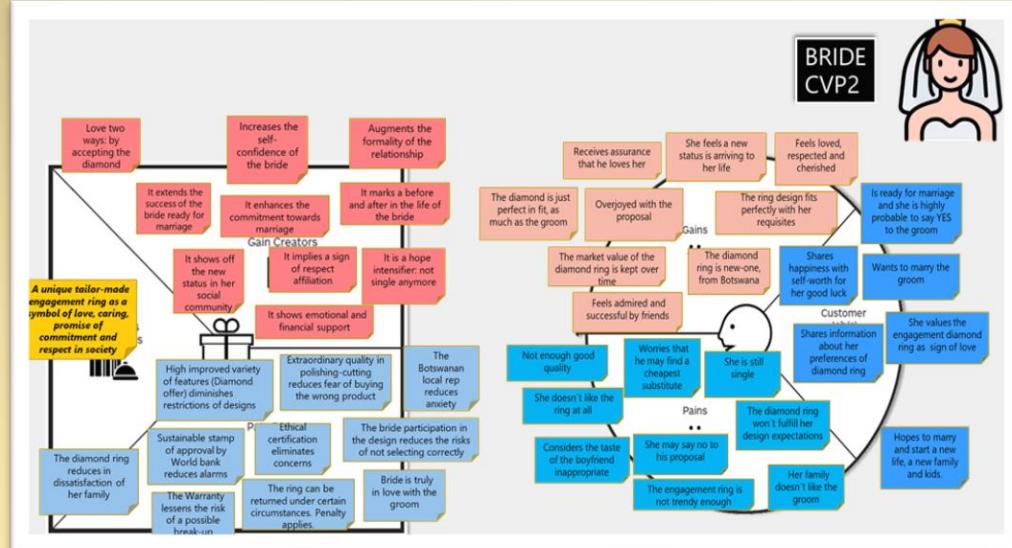
**Should we keep both CVPs separate and unbundled, or can we adjoin both in one? Or should we keep it them partially bundled with some degree of autonomy?**

We kept both CVPs separate, because there are elements of value completely different for the bride, in comparison to the groom's choice of buying the ring.



# Value Propositions: Theory and Cases.

*Let's check if we can integrate, or separate, or adjoin with some degree of autonomy both CVPs (the CVP of the Groom and the CVP of the Bride)?*



Our criteria is to keep both CVPs unbundled (separate).

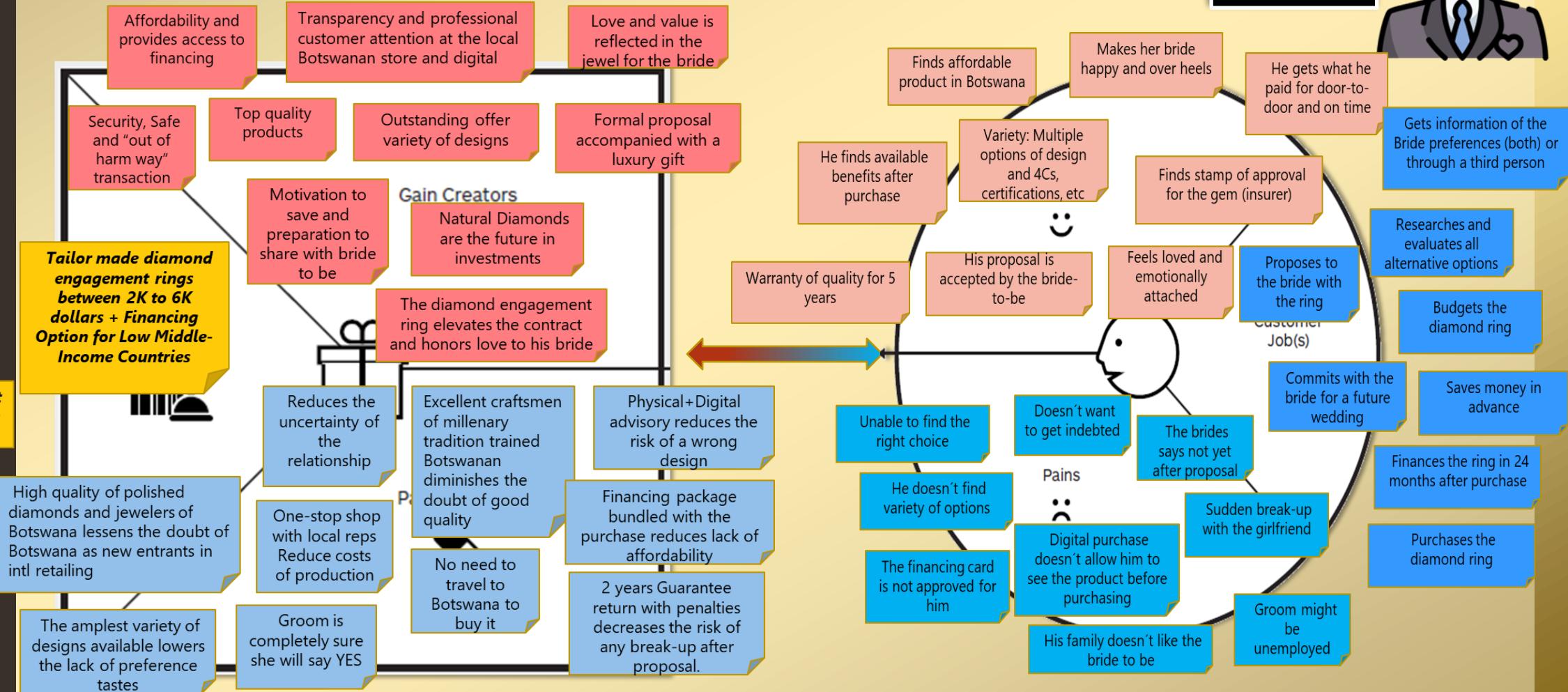
## Why?

- Because the final result of the two CVPs show us two different conceptual meanings of the same engagement ring. For the bride the ring represents a different concept than to the groom. Two customer profiles which deliver two Value Maps with different meanings of the same product can't be adjoined without conflicts. Even if both clients merge for decision making, the fact that the groom envisions the product differently than the bride, that triggers us to keep it separate, and proceed with two separate CVPs for creating two business models. You will be surprised at the end of the business model design.



# Value Propositions: Theory and Cases.

**This is our first Customer Value Proposition 1.0 for the engagement ring  
Subject to review. Case of Economic Buyer (the groom)**

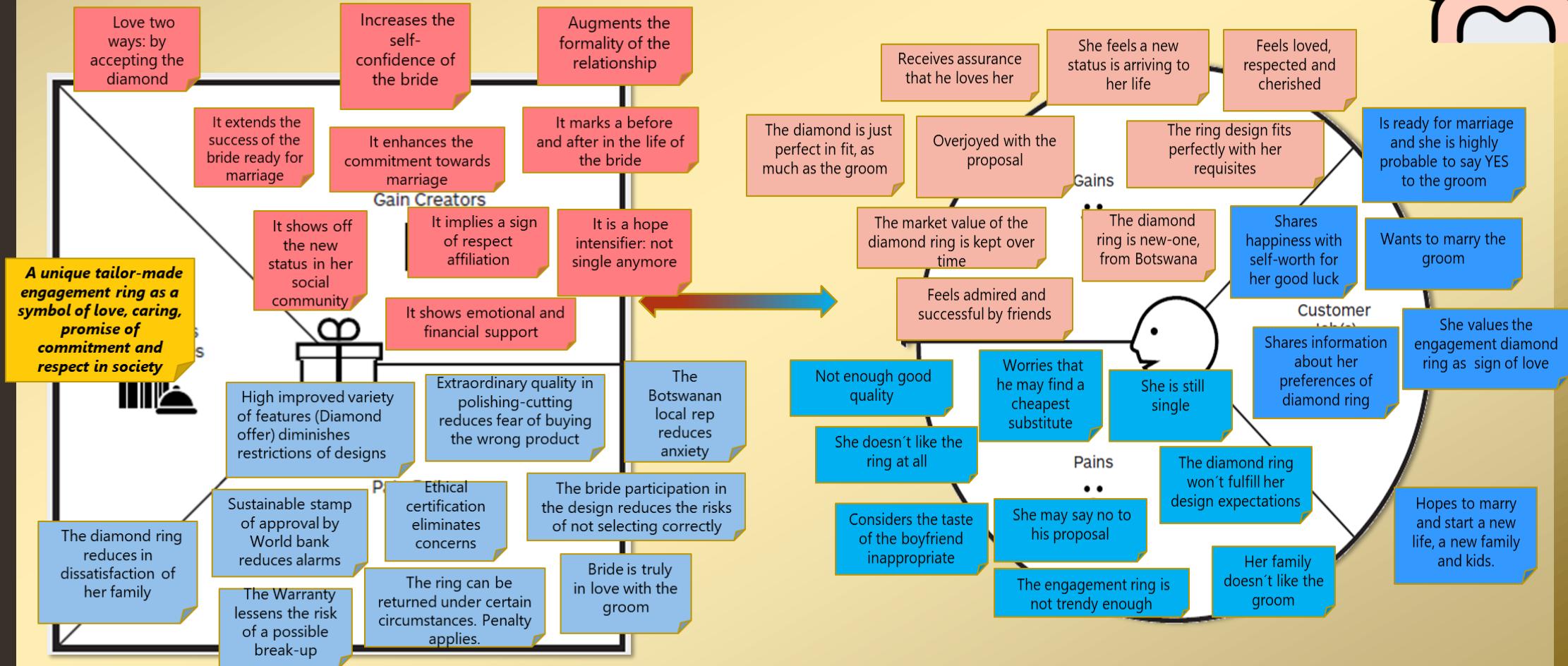




# Value Propositions: Theory and Cases.

**This is our first Customer Value Proposition 1.0 for the diamond engagement ring  
It is the CVP of the bride (the ultimate end user of the engagement ring)**

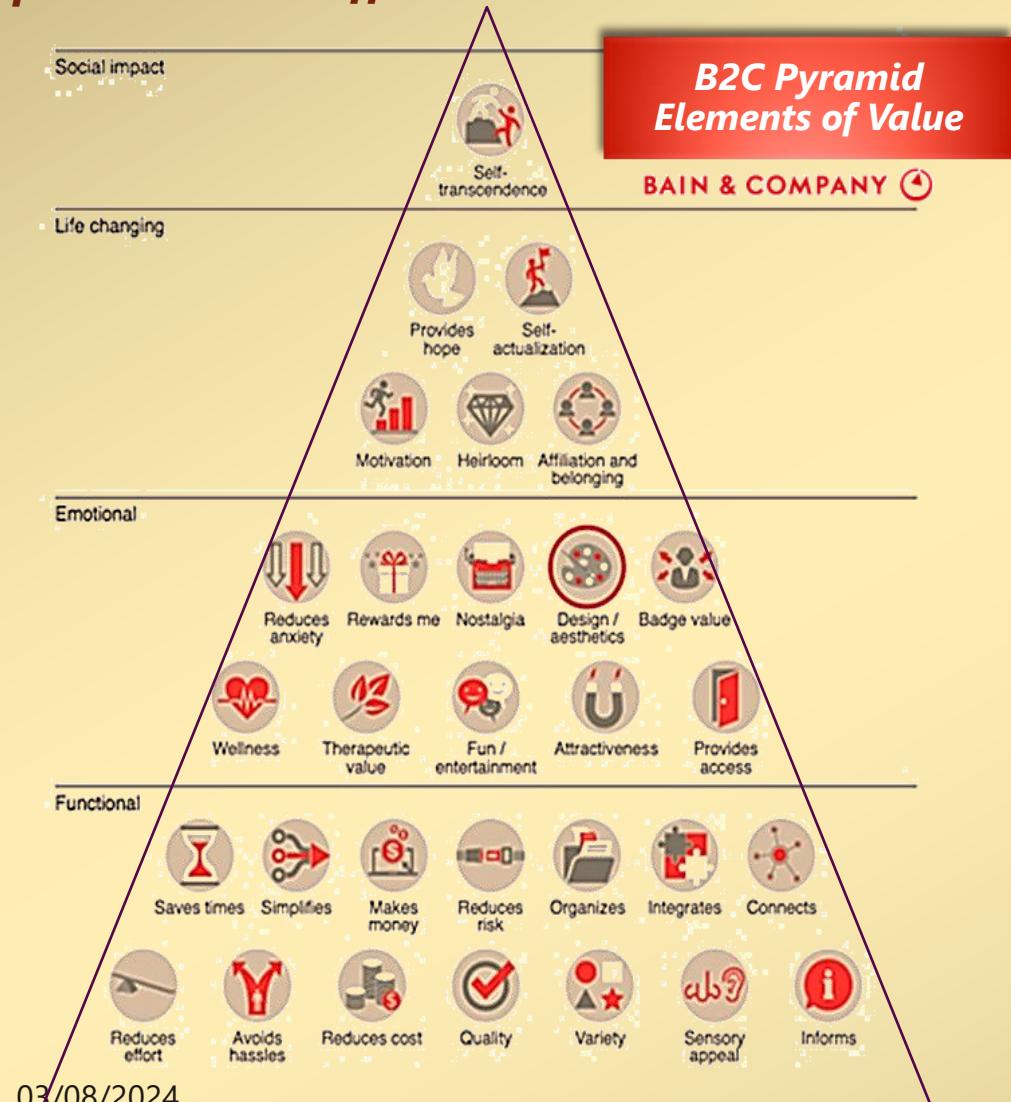
**BRIDE  
CVP2**





# Value Propositions: Theory and Cases.

*Let's remember which elements of value were included in two CVPs, and here you will find the prioritization differences between the bride and the groom*



Elements of Value	Each pain reliever or gain creator belongs to a category of Value. Description	Category Level
	Self Transcendence	Social Impact
	Provides Hope	Life Changing
	Self Actualization	Life Changing
	Heirloom	Life Changing
	Motivation	Life Changing
	Affiliation and Belonging	Life Changing
	Design Aesthetics	Emotional
	Attractiveness	Emotional
	Reduces Risks	Functional
	Quality	Functional
	Variety	Functional
	Provides access	Emotional
	Sensory Appeal	Functional
	Reduces Anxiety	Emotional



# Value Propositions: Theory and Cases.

*Our 4<sup>th</sup> example took us to explore the Diamond Industry of the world, and we landed into Botswana, Africa. The entrepreneurs squad want to sell Botswanan diamond rings in Developing countries.*

## Five top elements of Value for the groom CVP1: The economic buyer

**GROOM  
CVP1**



Category Level	Elements of Value	Priority	Category of Value. Description
Life Changing		1	<b>Provides hope:</b> Providing something to be optimistic about
Life Changing		2	<b>Motivation:</b> Spurring people to achieve their goals
Emotional		3	<b>Design Aesthetics</b> Providing an appealing form or design
Functional		4	<b>Quality</b> Providing high-quality goods or services
Functional		5	<b>Reduces Cost</b> , Saving money in purchases, fees or subscriptions. <b>Reduces Risk:</b> Protecting from Losses.

### Describing the prioritization of the elements of value of the groom:

- The progression of economic value of this CVP doesn't start with the functional aspects of the engagement diamond ring.
- For the groom it is a life changing event, a diamond ring implies a utility investment that "must" be included in the proposal: ask the bride to marry him. For the groom is an element of hope.
- Once the groom has matured enough to propose, it also implies a motivation to exercise a commitment with the future wife. Nowadays, most of European and American couples tend to live together before announcing their engagement. But that is not the case for other societies, in which the marriage is the motivation to "escape" or to "leave" the parents place.
- The third priority is emotional: Most grooms still prefer to do the research, evaluate all alternative options of the diamond ring in terms of price, aesthetics, 4Cs design, etc. But 35% of the newlyweds spend at least 3 months doing this research together to determine what ring is the best alternative for the bride. The design Aesthetics is the third priority.
- Then it comes the quality, the cost, and the reduction of risks by searching for financing (or saving).
- In the USA, statistics show that most of the grooms (80%) are the economic buyers of the diamond engagement rings.
- Most of the grooms are aware of the hazard of divorce when buying the ring. This is an element of stress that only the groom appraises (before the proposal), while admitting additional debt stress about wedding-related expenses.
- Only high-income brides can support the wedding expenses, which is not the case for Middle- or Low-Income couples, where both must save and afford (or get indebted) for the wedding spending.



# Value Propositions: Theory and Cases.

*Our 4<sup>th</sup> example took us to explore the Diamond Industry of the world, and we landed into Botswana, Africa. The entrepreneurs squad want to sell Botswanan diamond rings in Developing countries.*

**Five top elements of Value for the bride CVP2: The ultimate end user.**

BRIDE  
CVP2



Category Level	Elements of Value	Priority	Category of Value. Description
Social Impact		1	Self Transcendence: Helping other people or society more broadly
Life Changing		2	Self Actualization: Providing a sense of personal accomplishment or improvement
Life Changing		3	Affiliation and Belonging: Helping people become part of a group or identify with people they admire
Emotional		4	Design Aesthetics Providing an appealing form or design
Emotional		5	Reduces Anxiety Helping people worry less and feel more secure Badge Value: Representing achieved status or aspirations
Functional		6	Informs Providing reliable and trusted information about a topic

## Describing the prioritization of the elements of value of the Bride:

- This exercise is extremely interesting. If you compare the elements of value of the groom with the elements of value of the bride, there is not match. Why? The Groom is the economic buyer. The Bride is the Ultimate end user (recipient of the gift), and the meaning of the engagement ring is completely different for both.
- For the bride, the diamond of the engagement ring is a promise of love, caring, commitment to build a family-household, respect in society, and even "status", in consequence the first element of value is Self-Transcendence because it opens the door to "officialize" the opportunity of building a family. Marriage is usually associated to having kids.
- The second level of progression of value for the bride is related to self-actualization: her engagement ring is a meaningful milestone: it marks a before and after in the life of her and provides a sense of unique achievement.
- The third step in priority for the bride: by using the diamond engagement ring, she stops to be seen as "single", and she becomes part of the "married community", a new group to belong.
- Emotionally, the fourth priority is related to three elements of value. Design Aesthetics (hopefully the groom picks what she wishes), reduction of anxiety (a good marriage is a motive of security and less preoccupations, and a badge value: it is the culmination of a dream come true).
- Finally, the engagement ring informs to everyone that she is not available for any other men, and her ring is the upmost symbol of trusted information about her status.

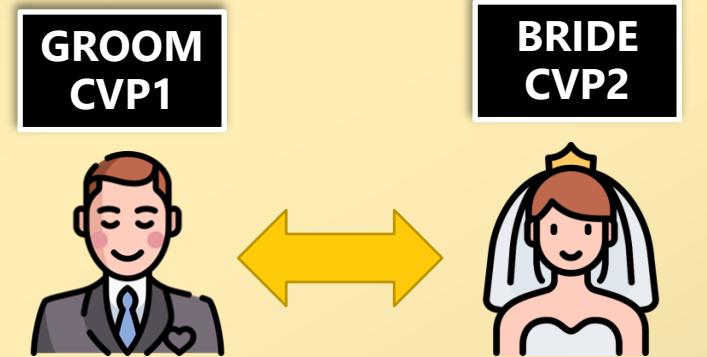


# Value Propositions: Theory and Cases.

*Our 4<sup>th</sup> example took us to explore the Diamond Industry of the world, and we landed into Botswana, Africa. The entrepreneurs squad want to sell Botswanan diamond rings in Developing countries.*

## **Strategic Reflections about this case:**

- This is a case that shows the unequivocal validation that women and men think and feel differently regarding a specific product: a diamond engagement ring.
- From the psychological point of view, the history of marketing thought took us to the Osterwalder-Pigneur methodology of doing CVPs. And by analyzing two CVPs, one for the economic buyer (Groom) and a second for the ultimate user (Bride), we can detect the subtle but bold differences between men and women, and between the one who pay in comparison to the one who uses the product.
- When entrepreneurs or marketing officers in corporations face the art of making CVPs for luxury items (as expensive jewelry), the difference between the economic buyer and the ultimate user must be crafted. If you utilize the Elements of Value pyramid, it is so evident to appreciate these differences. In addition, the role of religion, economic status and expectations for a future family dissolution play a crucial role here.
- Botswana future economy success depends on how will they position the "real diamond gem" globally in comparison to lab-diamonds.
- For example: The aspiration of a high-low-class couple (earning each of them around 1,200 dollars per month) to buy a diamond engagement ring of \$4,800 dollars, implies an investment of 4 times the salary of the groom (Assuming he earns \$1,200 net income/month). If the groom will buy it with savings, he will have to save \$300 for 16 months. If he buys it partially or totally with debt (credit card), the groom must be completely sure that he won't divorce in the next two years. Therefore, why this matters?
- The rate of divorce matters in the case of buying diamond rings. Why? The diamond may be sold at a higher price than what the groom paid for it. Is this possible?



- The lab diamonds are not an option for the economic buyer that sees the gift proposal as an investment. The Botswanan diamond surpasses it in quality, and it appreciates over time (is it?). If the marriage ends in divorce, the diamond engagement ring is seen as a piece that can be resold. Is it possible for Botswanan diamonds to appreciate their value over time in developing economies?
- Can Botswanan diamonds position themselves in developing economies as unique stones that can appreciate its value as reused gems? Are we opening a new concept in marketing gems: salvaged recycled diamonds?

Grooms in developing economies have a problem: Real diamonds are too expensive. The grooms of our case are requesting the option of Botswanan diamonds as an investment, not as a wedding expense. Given the Botswanan diamonds' highest quality, the grooms request is that in case of "divorce" can the diamond be sold at a higher price by the bride if she wishes?



# Value Propositions: Theory and Cases.

*Our 4<sup>th</sup> example took us to explore the Diamond Industry of the world, and we landed into Botswana, Africa. The entrepreneurs squad want to sell Botswanan diamond rings in Developing countries.*

## **Strategic Reflections about this case (continuation)**

- This is a case that requires a new approach on how to sell diamond engagement rings for the low-class in developing economies. To this day, the diamond industry has positioned the diamond as a luxury that can only be attained by rich economies. If Botswana wishes to expand its offer beyond the CVPs of DeBeers, their CVP must change at its core.
- If Botswana is working hard in developing a jewelry manufacturing robust industry, the CVP of these new jewelers must be focus outside DeBeers traditional territories.
- This CVP has been created to help Botswanan "X" non-branded jewelry manufacturing to move into regional retailers with an Integrated National Brand that can compete with Tiffany, Richemont, Bulgari at their economy segments.
- The Lab-Created diamonds will never compete against the Botswanan Natural Diamonds, if the Botswanan diamonds are able to position themselves as appreciating over time (even if second-hand).
- In consequence, if our entrepreneurs' squad wish to sell Botswanan Diamond Engagement Rings in developing economies, their CVP must be completely different and unique in comparison to the DeBeers successful diamonds last forever of 100 years ago.
- To create a demand of diamond in poor countries is only possible if the elements of value of our CVPs are correctly aligned with the meaning of marriage (and divorce).
- In developing economies, the groom will buy a diamond for his future spouse only if he believes his marriage will endure enough, only if it is seen as an investment that appreciates over time in value, and only if it has a financing option.

03/08/2024

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**Is "the diamonds last forever" CVP a good one for poor countries?  
Nope. It won't work**



In developing economies, a groom coming from the low-class will buy a diamond (between 2K to 6K US dollars) if he truly loves her. At the end of the day, if he belongs to the low-class segment, and he gives a diamond as a proposal to her, he can do it, only if he knows for sure that he loves her very much, beyond his own expectations of marriage success. The CVP for the low-class grooms can't be based on functional elements of value, but only on life-changing for him, and social-impact transcendence for her.

- The Low-Income Class in developing economies has not lost its religious identity: Most of them rigorously attend Sunday services, and they keep their "Christianity" Word as a guarantee of payment.
- Brides to be see marriage as a self-transcendent opportunity to be "moms", and the traditional wife's mindset remains intact, even if they must work because of necessity or meet the expense of obligation.
- In the low-class segment, there is a relationship between spending on the engagement ring and future marital dissolution. No groom will get indebted (or save) for a diamond proposal if he doesn't believe his marriage will last at least more than a decade.

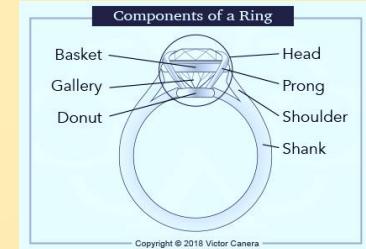


# Value Propositions: Theory and Cases.

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## Strategic Reflections about this case (continuation)

Let's practice. I invite you to visit the following website and choose a diamond Stone using the following variables. Try to find one diamond of your choice between \$2K up to \$5K dollars. Leave between \$300 to \$1,000 for the ring.



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<https://www.brilliantearth.com/diamond/botswana/>

### Size, Carat and Price

**Diamond Shape**

**Carat**

Choose between 0.25 to 15 carats. A carat is the unit used to measure a diamond's weight. One carat equals 200 milligrams or 0.2 grams

**Price**

### Color, Clarity, Cut

**Color**

**Clarity**

**Cut**

Fair Good Very Good Ideal Super Ideal

### Other filters

**Origin**

 Botswana Sort

**Certificate Report**

 IGI  
 GIA  
 HRD

**L:W Ratio**

 From 1.0 to 2.75

**Polish**

 Good  
 Very Good  
 Excellent

**Table %**

 From 48% to 88%

**Traceability**

 Blockchain enabled to check ESG standards

**Fluorescence**

 Very Strong  
 Strong  
 Medium  
 Faint  
 None

**Symmetry**

 Good  
 Very Good  
 Excellent

**Depth %**

 From 3.5% to 90.7%





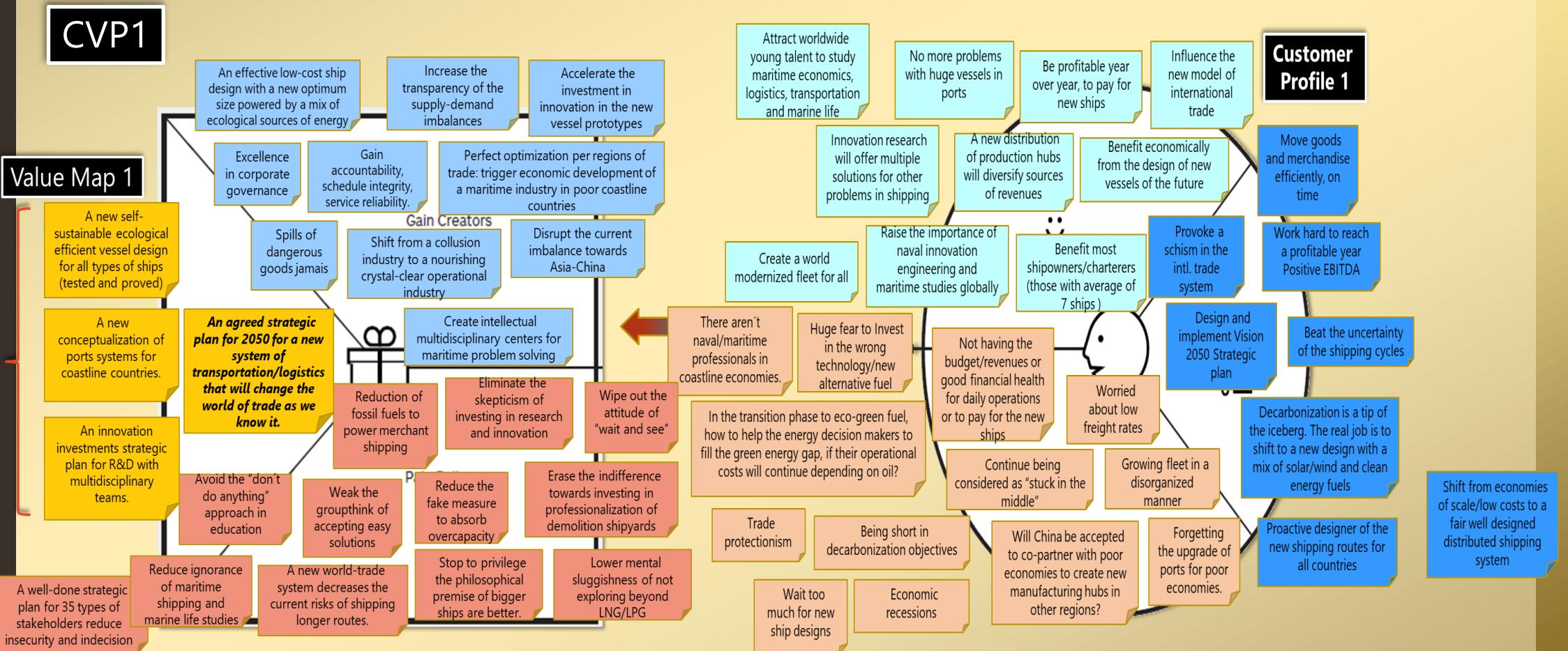
# Example 5.

## A new strategic plan 2050 for a new global system of trade



# Value Propositions: Theory and Cases.

*This was the result of the exercise that we implemented after studying and analyzing 35 CVPs of the main stakeholders of the Global Shipping Merchant community.*





# Value Propositions: Theory and Cases.

*Example 5 was a mega exercise for us. 35 CVPs were conceptualized before drafting the elements of value for each and all the stakeholders of the maritime industry.*

Elements of Value	Each pain reliever or gain creator belongs to a category of Value. Description	Category Level
1	Self Transcendence	Social Impact
2	Self Actualization	Life Changing
3	Heirloom	Life Changing
4	Provides hope	Life Changing
5	Affiliation and Belonging	Life Changing
6	Reduces Anxiety	Emotional
7	Provides Access	Emotional
8	Design Aesthetics	Emotional
9	Saves Time	Functional
10	Simplifies	Functional
11	Makes Money	Functional
12	Reduces Risk	Functional
13	Organizes	Functional

03/08/2024

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Elements of Value	Each pain reliever or gain creator belongs to a category of Value. Description	Category Level
14	Avoids Hassles	Functional
15	Reduces Costs	Functional
16	Increase Quality	Functional
17	Integrates	Functional
18	Reduces efforts	Functional

*This case is an example of the complexity of legacy projects: 18 elements of value for the CVP.*

**Each of the 35 stakeholders has its own priority of element of value.**

- The functional categories are more relevant for the operational players: The shipowners, the country nations with most of the fleet, shipbuilders, S&P market protagonists, charterers, freight market players, scrapping yards, private top companies, big volume shippers, port owners, insurers and brokers.*
- The Emotional factors are crucial for ship financers (equity and bank representatives), classification societies and the owners of huge fleet volumes (DWT).*
- The Life Changing categories matter the most to academic research influencers, cooperation agencies and regulators.*
- The top Inspirational-social impact values are only correlatedly vital for those who philosophically are leaving a legacy after a lifetime of experiences in the industry.*



# Value Propositions: Theory and Cases.

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Category Level	Elements of Value	Priority	Category of Value. Description
Social Impact		1	Self Transcendence
Life Changing		2	Heirloom
Emotional		3	Reduces Anxiety
Functional		4	Avoids Hassles
Functional		5	Increase Quality
Functional		6	Organizes

**To procure the first CVP (version 1.0) we had to organize our elements of value in a different way than what strategically has been pursued by the maritime industry: economies of scale and reduction of costs. Only then it was fluid to find elements of convergence within the 35 CVPs that we studied.**

**By elevating our elements of value, it is possible to create synergies with all the stakeholders above the functional values.** Eliescalante

***The Vision 2050 project (as the entrepreneurs called it) was born as a legacy contribution that possibly will transform the global maritime industry for the future.***

**Describing the global maritime industry took us more than a month and we believe there are certain aspects that still need profound analysis from our side:**

- As usual, we began with history. We started this case, with an evolution study of maritime transportation of goods and services as of Babylon. We described 5,000 years of the maritime hubs, and we followed the hub chronology trajectory of Professor M. Stopford: From Babylon to Tyre, then Athens, Rome, Constantinople, Venice, Bruges, The Baltic Hanseatic League, Antwerp, Amsterdam, London, the Americas (New York), Japan, and finally, China.
- From this historic trajectory, we can perceive 4 major reflections:
  1. The vessels have been continuously changing to adapt to the needs and wants of trade and goods transport. The fleet design, size, ownership, relevant port hub, trading routes, power, and urban development.
  2. The port hub of greatest relevance has been dynamically shifting, according to the prominence or significance of the corresponding empire in terms of production, financing, location, & point of distribution of goods for trade.
  3. The source of energy utilized to move the vessels has also shifted in terms of innovation archetypes that have been broken over time.
  4. Little attention has been given to sustainability or ecological maritime standards during 5000 years of sea trade.



# Value Propositions: Theory and Cases.

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**Understanding the global maritime industry took us, first, to understand the premises, the organization, and the fundamentals of the shipping business.**

- We defined the Global Shipping industry as the foundation of International Trade, in terms of the lowest cost medium that transports massive or high-volume amounts of goods (in bulk, containers or specialized cargo) through the oceans.
- We described the multiple stakeholders of the industry, and we also sat the limits of our analysis: Merchant shipping.
- The goods transported by merchant ships are commodities, intermediate goods and packaged final goods ready to sell.
- The merchant shipping is classified by the type of goods: Bulk transport (wet and dry), specialized cargo (ro-ro, forest, refrigerated, liquid gas, chemicals; and liners, as general cargos and containers.
- We also expressed to you a philosophical discussion of the TEU (Twenty-foot Equivalent Unit) and the GDP multiplier, as a reflection on how the container port throughput per year could indicate the GDP growth of the world. China is driving the container ships segment (32%), while Asia represents 66% of all containers worldwide.
- The world's merchant fleet and its composition (January 2023) represents 105,500 vessels moving trade goods. Over half of the world fleet tonnage in DWT is owned by Asian companies.
- Finally, we also explored the ownership FOC (40% of all planet ships are registered legally in Panama, Liberia and Marshall Islands), however the real ownership of the global fleet is mainly in the hands of the Greeks and Asians. All of them must face the drivers of the transport systems.

TRANSPORT SYSTEMS DRIVERS			
<b>Finance</b>	<b>Politics &amp; Policy</b>	<b>Energy &amp; Environment</b>	
• Finance mechanisms • Pricing and returns • Public / private partnerships	• Governance • Security • Regulation / taxation	• Energy availability • Alternative fuels • Climate change	
<b>Economics</b>	<b>Demography &amp; Society</b>	<b>Technology</b>	
• Economic growth • Global trade • Economic integration • Transportation costs	• Population growth • Aging / retirement • Urbanization • Changing work patterns	• Information technologies • Materials technology • Engine technology • Automation	

Source: adapted from ICF International (2008) Long Range Strategic Issues Facing the Transportation Industry, Final Future-focused Research Framework, National Cooperative Highway Research Program, Project 20-80, Task 2.  
<https://transportgeography.org/contents/conclusion/future-transportation-systems/Driver-change-future-transportation/>

***From here our main strategic reflection is originated in the complexity of the shipping industry.*** Anywhere you look for answers is extremely multifaceted and compounded, when questioning who are the players, what they do, and how they do it.

***No one can generalize with this industry, because each type of fleet answers to a specific need/want. Bulk carriers (liquid and dry) still represent more than 69% of the dwt carried year over year.***

***Every Single schism of our world is linked to the way we use the sea.*** Eliescalante



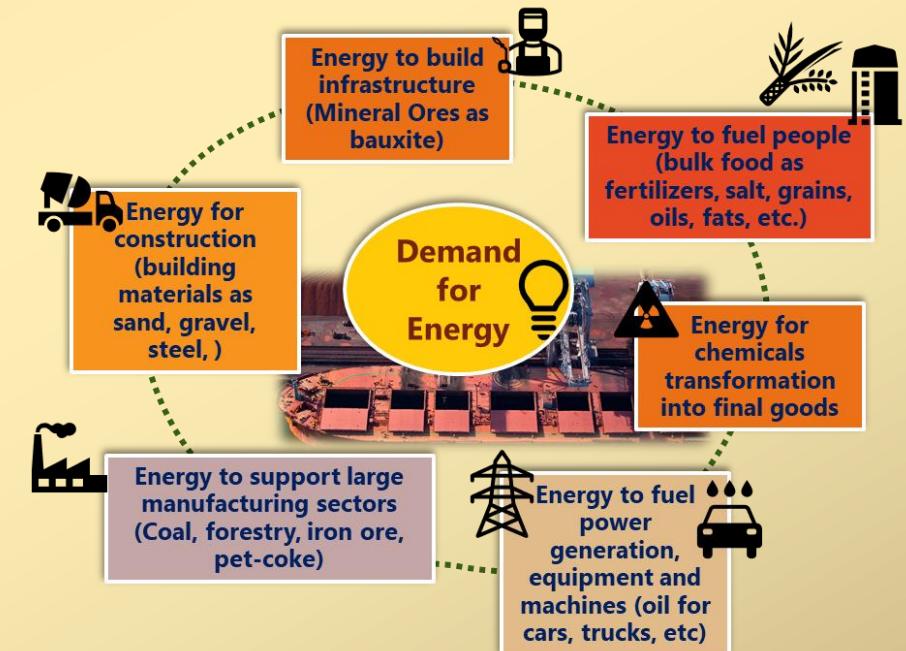
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Given the weight of relevance of the bulk carriers (dry and liquid, represent 2/3 of the DWT per year) we also decided to do a profound comprehension of it.

- To analyze the bulk business of shipping took us to ask what type of bulk commodity is the most relevant in terms of utilization of vessels in the planet: The answer is directly related to sources of energy: Crude Oil, Oil products, Steam Coal, LPG and LNG. After, the metal industry sources of energy-manufacturing: Iron ore, coal, etc.
- We discovered that regardless if dry or liquid bulk, humans are moving through the sea sources of energy, or energy trades to fulfill the requirements of industry or transportation.
- We also exhibited the philosophical meaning of bulk or massive large transportation as a constant demand of energy sources. Our civilization is set on a non-stopping demand for energy: Energy for transportation, for infrastructure, for manufacturing, for power generation, for food to empower our organisms.
- The need for bulk shipping is founded in the disparity or inequality of resources of energy in the world
- We also analyzed that the mentality of extracting reserves of energy from fossil fuels has driven our transportation systems, and this is a heritage of the mercantilism
- The pursuit of the cheapest has driven the bulk transportation business. The economies of scale are the trigger of the low-cost per unit of transportation. From here we can understand why the size of the fleet has been increasing during the last 75 years.



*If each country on earth could supply the resources of energy demanded by its citizens, there won't be bulk business for the shipping industry.*



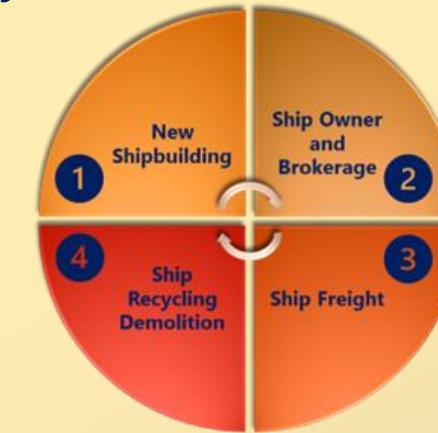
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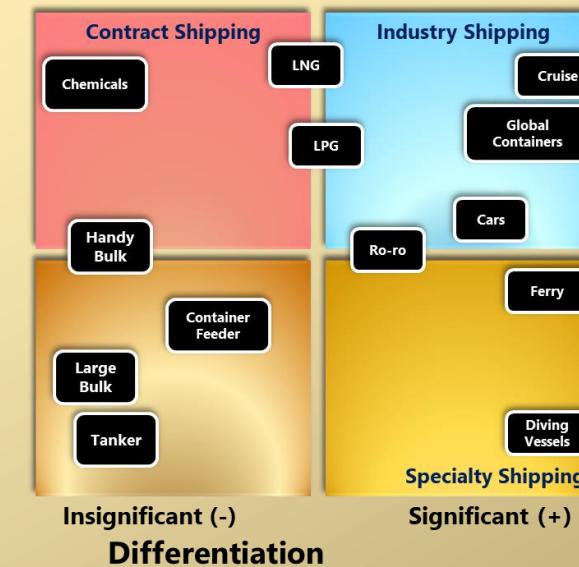
*The Vision 2050 project (as the entrepreneurs called it) was born as a legacy contribution that possibly will transform the global maritime industry for the future.*

**Our journey to comprehend the shipping industry also involved an analysis about the ship markets and the shipping cycles.**

- We illustrated our audience about the 4 main shipping markets:
  1. The new Shipbuilding Market: 93% of all new ships (2023) are built in China; South Korea and Japan.
  2. The S&P market: This is the second-hand market in which the broker plays an important role between the Shipowner and the Purchaser.
  3. The Ship Freight Market: This is the core main source of cash for shipping companies: The charters and the Freight Derivative Agreements (FFA).
  4. Ship Recycling and Demolition Market: When the life cycle of the ship arrives to 20 years on average, it is time to demolish it. The scrap yards business takes place in India, Pakistan, Bangladesh, China and Turkey.
- A framework to understand the two main factors of competitive advantage of the shipping industry: Economies of scale and Differentiation was produced in the 1980s decade (see at your right).
- And from there, each type of vessel shipping segment can be positioned in that graph.
- The elements of industry analysis for each segment must include at least: market definition and structure, the supply side, the demand side, the supply and demand equilibrium, competitive landscape, industry attractiveness (Porter forces), Industry cycles, critical success factors, technological transformations and Love for the Industry.



**4 different markets in shipping**



**Positioning each vessel segment in terms of economies of scale and differentiation.**



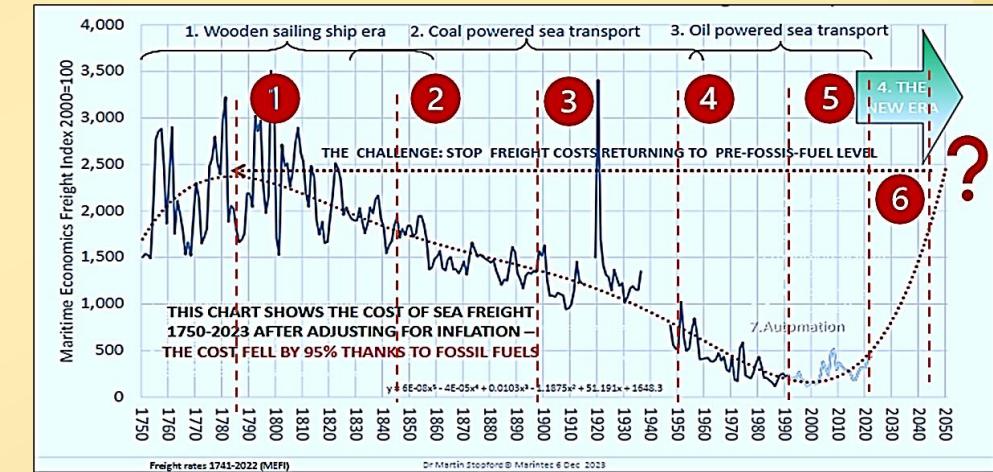
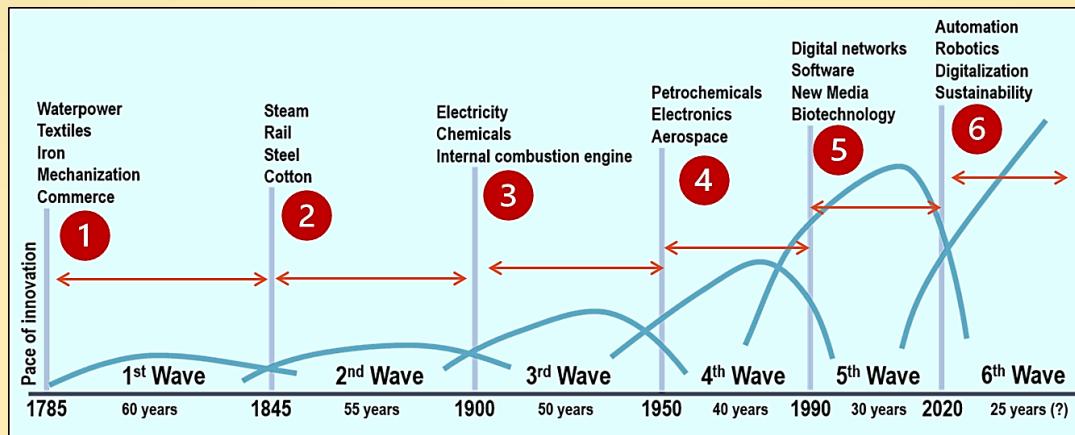
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We also were compelled to explore the shipping cycles.

- We began by exploring the definition of a shipping cycle, its two main elements (amplitude and frequency). There are long cycles of shipping, short-term cycles (called business cycles) and there are seasonal cycles.
- The freight rate cycles depend on the demand/supply. There is a positive correlation between the world GDP and shipping cycles in seaborn trade.
- We discovered that there is a relationship between the pace of innovation of human technological inventions measured in waves of time; the different stages of economic systems, the rising of new transportation systems, the long shipping cycles, the length of the short business shipping cycles and the cost of sea freight (adjusted for inflation).
- Let's see the graph of long wave cycles of innovation below:



In our quest to understand the key factors driving this industry, we inferred two main extrapolations:

- The cost of sea freight has moved down for more than 250 years. Fossil fuels have been the key explanation for this, but any new source of green energy will be expensive first, and then it will go down over time (more supply competitors, prices fall).
- The 6<sup>th</sup> wave of automation, robotics, digitalization and Zero Carbon fuel will shorten the long shipping cycle? We predict it is going to happen. But it also depends on the next generation of green ships, its designs and fuel technologies.

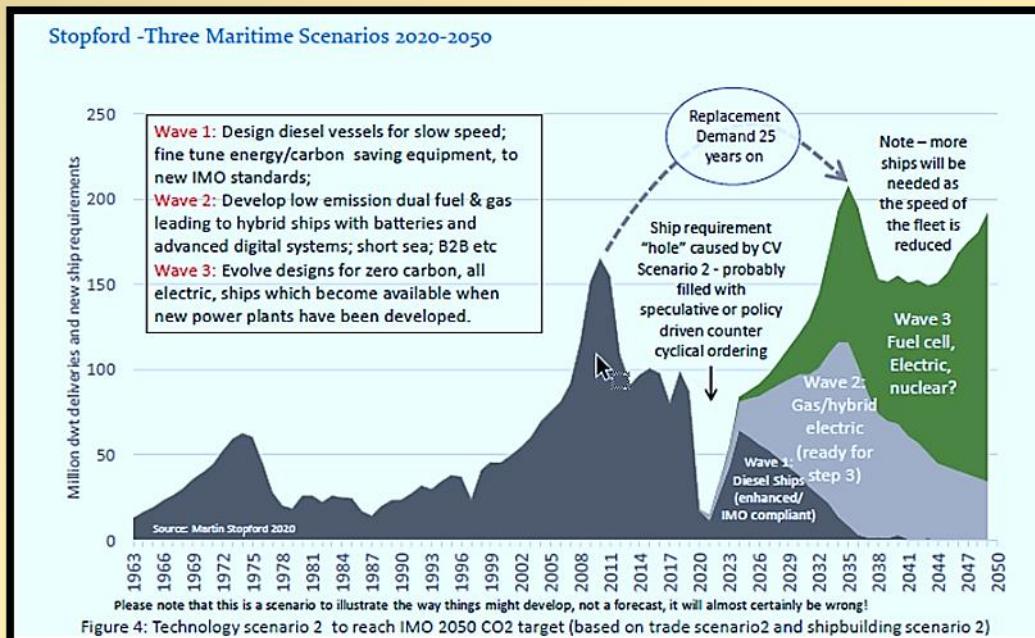


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**According to Martin Stopford, there is a clean green energy gap that no renewables will be able to fill, until year 2050.**



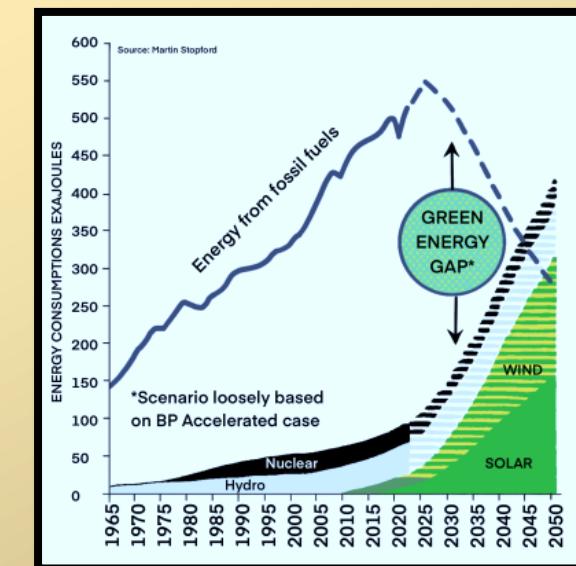
By 2030, the ship industry requires a new proven and correct engine-technology design of the vessels that will offer a very low carbon ship. Additionally, all the existing vessels should be reviewed through the eyes of its bio marine impact to the oceans ecosystems.

Source Image: Martin Stopford [https://www.smm-hamburg.com/fileadmin/presse/pm/sm/2020/Coronavirus\\_Technology\\_Smart\\_Shipping - Stopford 20 April 2020.pdf](https://www.smm-hamburg.com/fileadmin/presse/pm/sm/2020/Coronavirus_Technology_Smart_Shipping - Stopford 20 April 2020.pdf)

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- This scenario has been found by British Petroleum (BP), if this scenario is right, we can't dismiss the fossil fuels from the Maritime Industry (and the planet), because there isn't any better alternative for the next 25 years.
- But what we can do is to modify the formula of the fuel in such a way that decarbonization could begin.
- Decarbonization is simply a temporary measure to alleviate the pain of using fossil-fuels, but the problem will remain there, until the global ships use another green source of energy or a mix that could help in the transition to new vessels powered by new ecological technologies.



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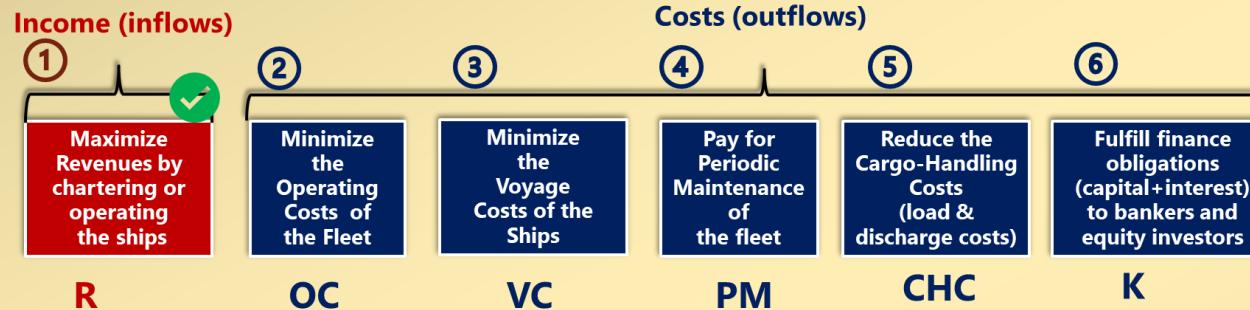


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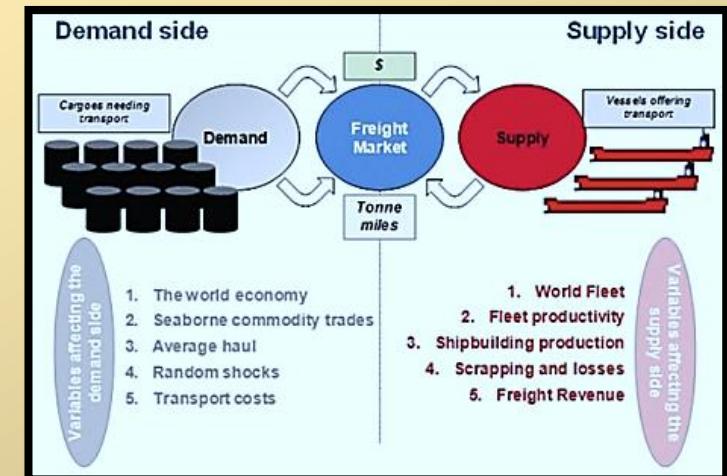
Finally, we explored the shipping economics fundamentals.



*Philosophically, the shipping economics rationale implies to pursue "the best alternative mix of the last 6 variables, while stretching the combination of age and size of the ship that can maximize its "cash in hand".*

- Our aim in exploring how the shipping income is calculated, was based in showing you the basic theoretical mechanisms of its calculation.
- But the COVID19 pandemic also show us what happens in practical reality: When freight rates augment, the reasons could be of several categories beyond the mismatch between a soaring demand and a reduced supply capacity. For example, labor shortages, or a continued series of restrictions (because of Coronavirus), or port congestion, or container shortages, or simply a decision making from shipowners and charterers based on their sentiments on the supply side.

- We dedicated several days to understand how revenue or income is received, in terms of dwt/annum. We also found out what variables are related to maximizing revenues: Optimum Average Operating Speed of the vessel, loaded days at sea, deadweight utilization, productivity, freight rate and the deadweight of the ship
- We discussed how the Freight rate is calculated and negotiated in the contracts (supply and demand)





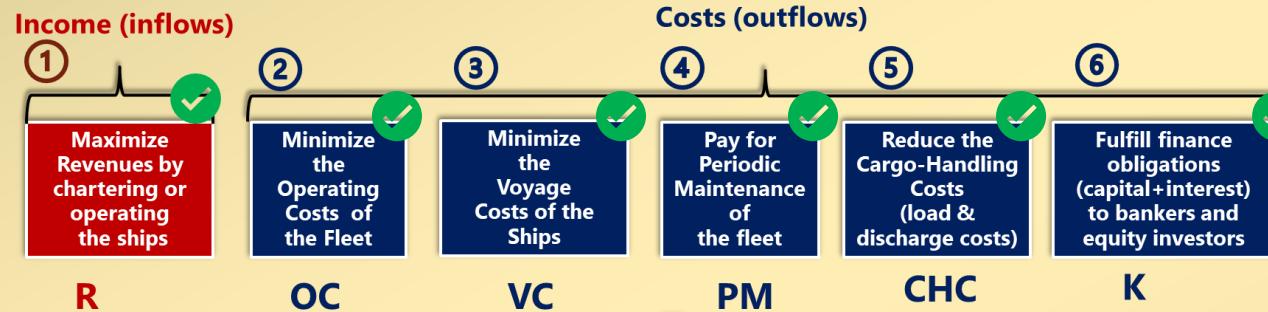
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**In relation to the rest of cost structure factors:**

We described each of them in detail, and we dedicated a long explanation of the Voyage Costs and the rest of costs segments:

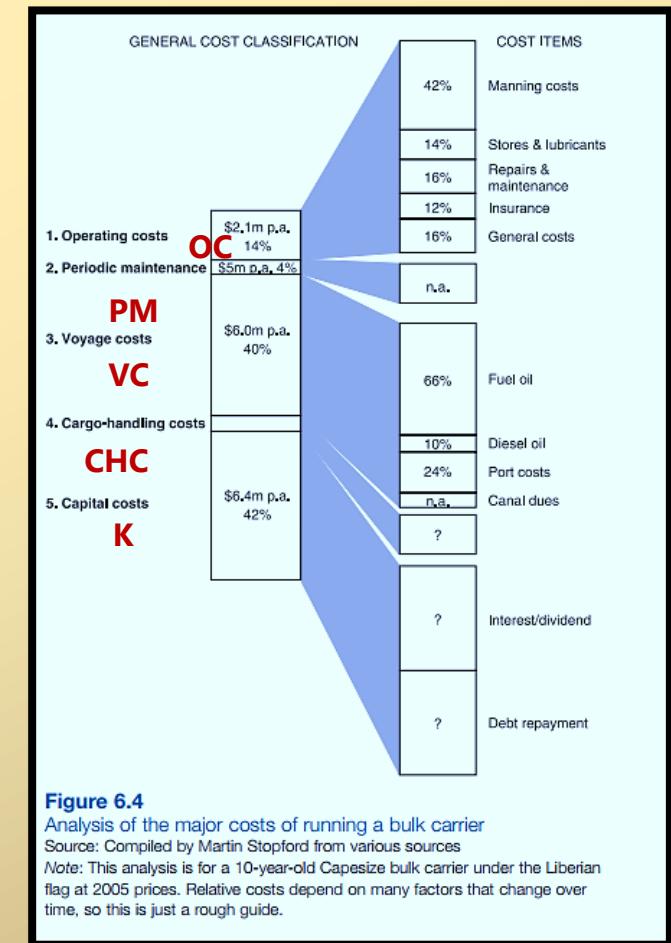


## COST AND AGE

- As the ship is older, its capital costs K reduces, but its Operating (OC) and Voyage (VC) costs increase in comparison to newer ships.
- New ships are more efficient due a combination of technical improvements (OC and VC are lower), but its capital costs are higher.

## COST AND SIZE (ECONOMIES OF SCALE)

- Using a bigger ship reduces the cost (cost per ton, cost per TEU or per cubic meter).
- OC, VC, and K costs do not increase in proportion to the deadweight capacity of the vessel
- The only penalty of the bigger sizes is the loss of flexibility at ports: not all can handle big size, and it is hard to reduce ballast time or obtain backhaul cargoes





# Value Propositions: Theory and Cases.

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**As a result of our shipping economics journey, we strategized as follows:**

***When will bunker ships stop to transport fossil fuels in their vessels?***

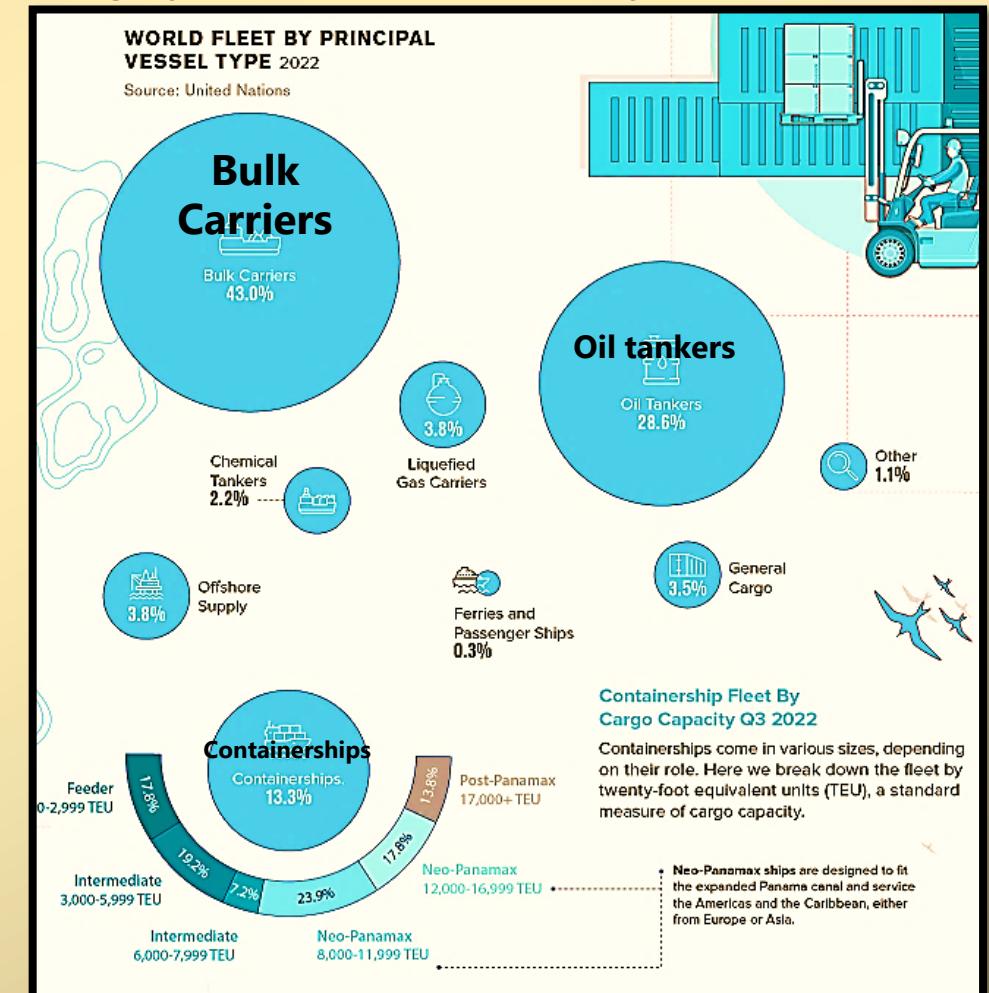
*Currently, around 1/4 of the world fleet mobilizes fossil fuels (oil tankers). This doesn't seem that will change during the next 25 years.*

*In consequence: What is the solution?*

1. *One thing is to stop using fossil fuels to ignite the engines and auxiliary engines of the ships: Decarbonization.*
2. *Another thing is to help countries to balance their energy matrix production locally, so stop moving oil to non-petroleum nations will unfold naturally.*
3. *And another thing is to design the new vessels of the future that will not hurt the marine ecosystems of the oceans.*

*Three different issues, that must be analyzed in our CVP.*

*We proceeded to organize the stakeholders in 12 categories, and we determined who was who (by rank of weight in decision making). The result was a matrix of 35 CVPs, and then we bundled it in one.*





# Value Propositions: Theory and Cases.

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**Let's see how we organized the different CVPs:**

- Let's see how many CVPs are we obliged to build for this case.
- Osterwalder-Pigneur have advised us to create different CVPs each for the different customer segments with their respective "jobs to be done", pains and gains.
- In total, for this legacy project, we defined 35 separate CVPs to be studied and analyzed (this is the minimum amount of CVPs).
- Each of these stakeholders should be considered with detail, because all of them have something to say in the intent to find a new integral solution for the entrepreneurs.
- We requested the entrepreneurs to don't provide their solution to us, until we performed the CVP analysis.
- Our goal was: As a result of the 35 CVPs, to ensemble a new solution (CVP) for them, by setting our attention to the wants and needs of all these 35 stakeholders.

## Basic categories

## Additional categories

1	2	3	4	5	6	7	8	9	10	11	12
Segments type Cargo	Size of Fleet Nation	Ship Markets	Per EBITDA	Weight Of Seaborn Trade	Academic Research Influencer	Brokers	Classific. Societies	Ship Finance	Insurance	Ports	Regulators
4 CVPs	4 CVPs	4 CVPs	5 CVPs	5 CVPs	3 CVPs	2 CVPs	1 CVP	2 CVPs	1 CVP	3 CVPs	1 CVP
<ul style="list-style-type: none"><li>• Oil bunkers</li><li>• Dry Bulk</li><li>• Containers</li><li>• Gas/alternative fuels</li></ul>	<ul style="list-style-type: none"><li>Japan</li><li>China</li><li>Greece</li><li>Singapore</li></ul>	<ul style="list-style-type: none"><li>• Shipbuilding</li><li>• Shipowners</li><li>• Freight Market</li><li>• Scrapping</li></ul>	<ul style="list-style-type: none"><li>• Maersk</li><li>• Hapag</li><li>• ONE</li><li>• HMM</li><li>• ZIM</li></ul>	<ul style="list-style-type: none"><li>• Cosco</li><li>• MSC</li><li>• Angelicouassis</li><li>• Starbulk</li><li>• Teekay</li></ul>	<ul style="list-style-type: none"><li>• Stopford</li><li>• 2 more academics to be selected</li></ul>	<ul style="list-style-type: none"><li>• 2 Brokerage firms</li></ul>	<ul style="list-style-type: none"><li>• Select one of the top ten: DNV, Lloyds, ClassNK, ABS, Veritas, etc.</li></ul>	<ul style="list-style-type: none"><li>• A Bank</li><li>• An equity investor</li></ul>	<ul style="list-style-type: none"><li>• One Insurance company</li></ul>	<ul style="list-style-type: none"><li>• 3 Ports:</li><li>• One from China</li><li>• Rotterdam</li><li>• Singapore</li></ul>	<ul style="list-style-type: none"><li>• European Commission/IMO</li></ul>



# Value Propositions: Theory and Cases.

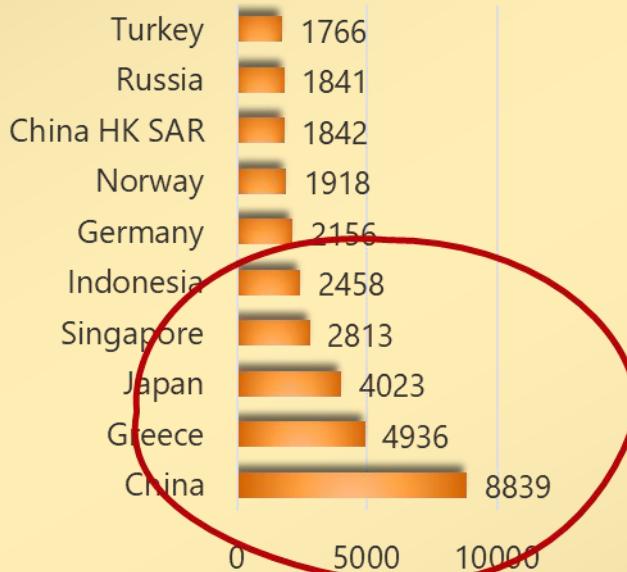
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*But we offered to them the most wide-ranging CVP to fulfill the expectations of all the main stakeholders of the global maritime industry.*



<https://www.hellenicshippingnews.com/greece-maintains-top-3-position-as-world-maritime-leader-with-fleet-worth-usd-169-billion/>

*Every Single schism of our world is linked to the way we use the sea. Eliescalante*



Made with data from  
<https://hbs.unctad.org/merchant-fleet/>

*The Vision 2050 project (as the entrepreneurs called it) was born as a legacy contribution that possibly will transform the global maritime industry for the future.*

## Strategic Reflections (continuation)

- Our result after preparing and analyzing 35 CVPs was to propose (for the first time in history) an integral and agreed strategic plan for 2050, to design a new system of transportation and logistics that could change all the current complexities of the world of trade as we know it.
- This strategic plan is accompanied of three additional products:
  1. A new self-sustainable ecological efficient vessel design for all types of ships (tested and proved)
  2. A new conceptualization of port systems for coastline countries
  3. An innovation investments strategic plan for R&D with multidisciplinary teams (including the Sealife marine scientists).
- In addition, 4 new projects were identified: one related to education for all coastline nations, another one related to local maritime industries (even if small), a new network of manufacturing hubs per regions to rebalance from its codependence from Asia, and finally to begin the reduction of transporting petroleum oil in tankers.
- Can you perceive the difference between our solution and what is called decarbonization?
- Our aim was to go beyond decarbonization, and we did it!



## Example 6.

# A Microfinance Initiative for the revival of rural abandoned villages in Europe



# Value Propositions: Theory and Cases.

**Example 6 took us to help a new group of entrepreneurs with a double purpose CVP: to resuscitate the abandoned rural villages of Spain, France, Italy and Portugal, through a microfinance solution for the new settlers of these countryside communities.**

**This project took us, first, to understand the context of the ghost towns, as well called "development traps" in Europe.**

- We started this interesting example with a pursuit in our mind: what are ghost towns in Europe, and what criteria is used to define them, identify them, and classify them.
- Instead of pursuing the 4 nations appointed by the entrepreneurs, we expanded to find out what was occurring in the European Union (EU-27).
- We began to explore three levels of urban-rural typologies used by the European Union in the EU-27: Grid Cells (raster cells of 1 km<sup>2</sup>); LAUs or Local Administrative Units, and NUTS (Nomenclature of Territorial Units for Statistics).
- The NUTS system has three levels:
  1. NUTS 1: 92 major socio-economic regions with a range of population between 3 to 7 million
  2. NUTS 2: 244 regions with population between 0.8 K to 3 million
  3. NUTS 3: 1,165 small regions all over EU countries, as a unit of territorial analysis.
- Most of the analysis about rural/urban ratios are found at the NUTS 3 level.
- We decided to utilize the data given by the EU of the year 2018 or 2019. It is the last year before COVID19 pandemic, that provides certitude of information for our inferences.



**What is the philosophy and the rationale behind migrating from the rural to the urban settlements?**

**Why do we separate rural from urban areas according to the following paradigm of ideas?**

Rural Areas	Urban Areas
Always Poor	Wealthier
Lower Literacy	Higher literacy
Weak Health Care Services	Better hospitals/healthcare
Little public and private infrastructure available	More developed infrastructure
Poor housing standards	Better housing conditions
Only primary employment (mainly agriculture)	More options of employment
Lower standard of living	Higher standard of living



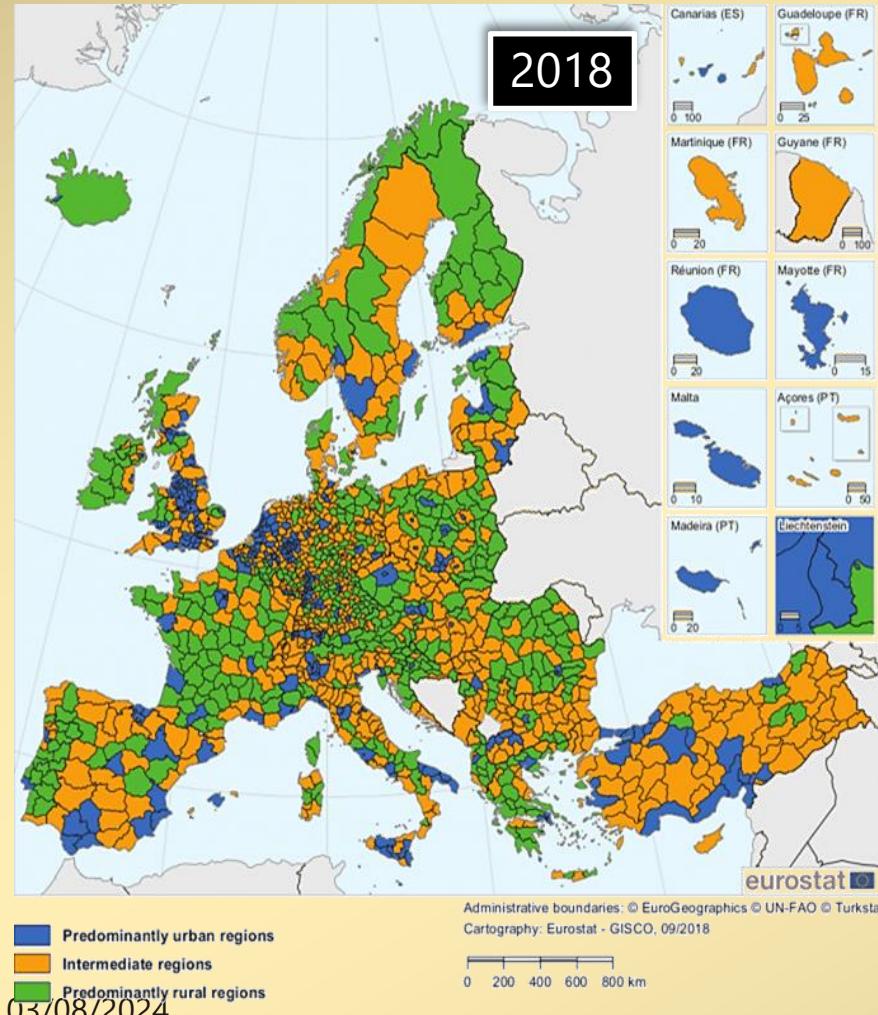
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**The European Union is imbalanced in terms of the ratio of density of population and rural/urban settings.**

- *The map at your left shows the proportion of predominantly rural regions, intermediate and predominantly urban regions.*
- *If you observe the colors, mostly the EU is rural (green) and intermediate (semi-rural or suburbs-called outskirts or greenbelt communities too). If you add these two typologies: we can infer that 90.1% of the European Union territories is rural or quasi-rural (using NUTS3 typology)*
- *Only the blue regions are predominantly urban and hold most of the people.*
- *The density of population of the rural and intermediate regions was 109 persons per km<sup>2</sup>; in comparison to urban cities such as Paris with 21,000 /km<sup>2</sup>; or Hauts-de Seine with 9,457 /km<sup>2</sup>.*
- *The density of population is peculiarly low in rural-semirural (intermediate) settings.*

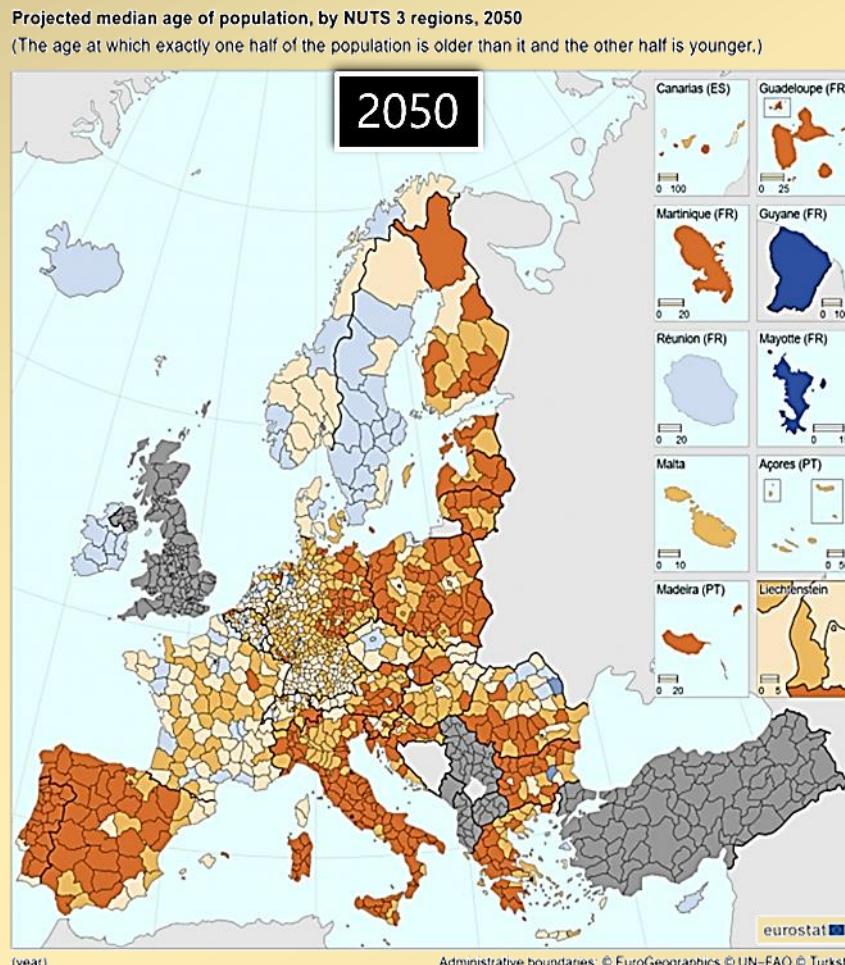


NUTS3 COLOR	Name ID	Regional Typology Descriptor
	Predominantly Urban Regions (9.9% of total EU27 land)	More than 80% of the population live in urban clusters. Rural population less than 20% of total population
	Intermediate Regions (45.4% of total EU27 land)	More than 50% and up to 80% of the population live in urban clusters. Rural people between 20% and 50% of total residents.
	Predominantly Rural Regions (44.7% of total EU27 land)	At least 50% or more of the population live in rural grid cells



# Value Propositions: Theory and Cases.

**Example 6 took us to help a new group of entrepreneurs with a double purpose CVP: to resuscitate the abandoned rural villages of Spain, France, Italy and Portugal, through a microfinance solution for the new settlers of these countryside communities.** *This project took us, first, to understand the context of the ghost towns, as well called "development traps" in Europe.*



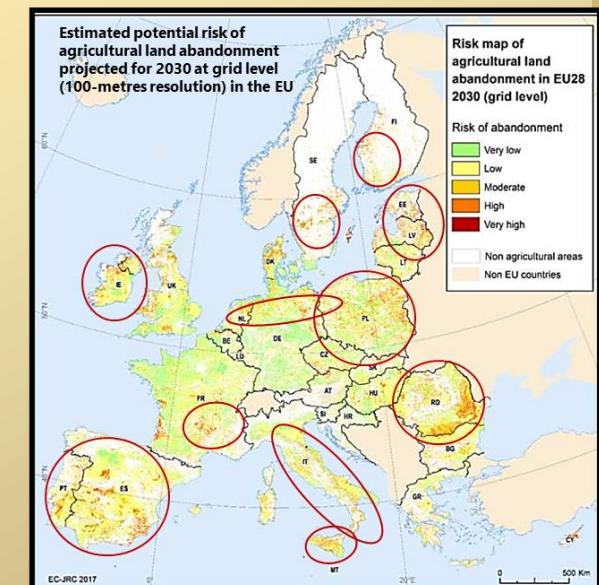
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**The European Union is getting old.**

- The EU has projected that in 25 years from now (2050), more than 90% of European towns will have a median age above 51 years old.
- In the case of rural regions, 65% of EU rural farms are run by farmers aged 55 and plus
- Only 11% of all farms are managed by people under 40 years old of age.
- The risk of abandonment of agricultural land exists in almost every nation of Europe, but it is a big issue for Spain, the south of France, Northeast of Germany, Ireland, Italy, Romania, Poland, and the Baltic countries.

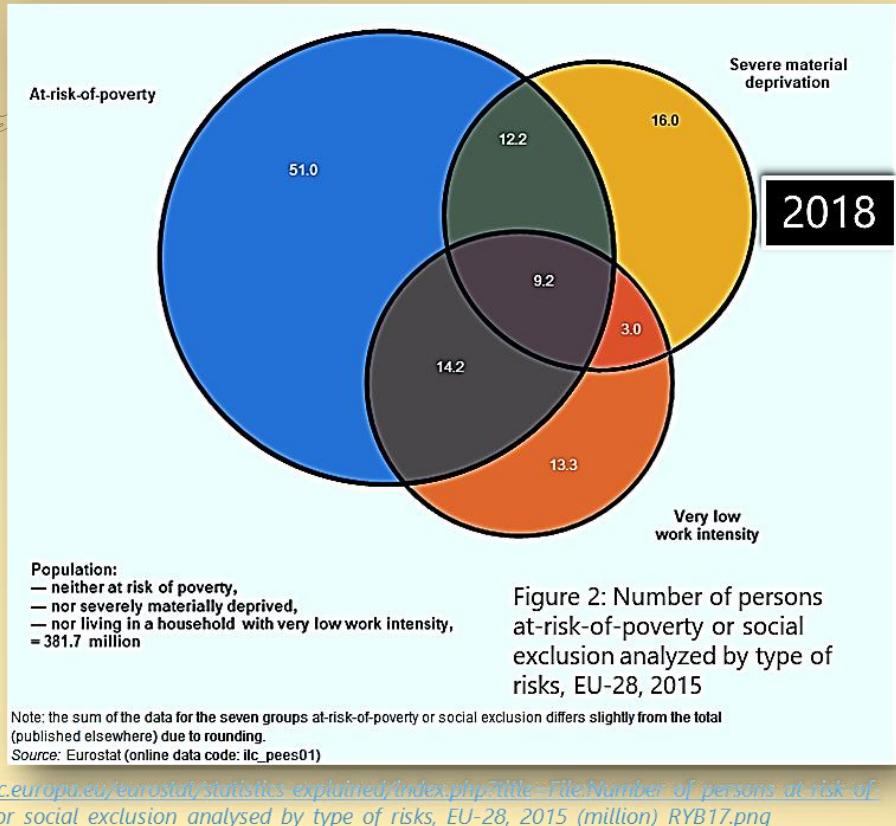
**Only 30% of the whole EU-27 live in 80% of the land predominantly rural and semi-rural (intermediate) regions. Currently, 50 NUTS 3 regions are already classified under the name of ghost towns or "development traps".**





# Value Propositions: Theory and Cases.

*Example 6 took us to help a new group of entrepreneurs with a double purpose CVP: to resuscitate the abandoned rural villages of Spain, France, Italy and Portugal, through a microfinance solution for the new settlers of these countryside communities.*



**An EU that loses population, also misses the mark of wealth, social cohesion, prospects for prosperity, and the privilege to offer quality of life to all its citizens...**

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*This project took us, first, to understand the context of the ghost towns, as well called "development traps" in Europe.*

**The European Union suffers of multidimensional poverty and income inequality.**

- The EU population was 516.2 Million on January 2018. After the COVID19 and Brexit, there were 447 Million.
- From 447 million EU citizens, 25.53% suffer of multidimensional poverty.

**The European Union is mainly rural: 80% of all Europe in km2. Half of that is considered as continuously abandoned by the youth.**

- The regions classified as Mountains, Islands and SPAs (Sparsely Populated Areas) represent half of that 80% of rural land in Europe.
- The abandonment of rural land has mostly **occurred** in Eastern and Central European countries, Poland, Southwest Finland, all SPAs (mountainous Alps and Pyrenees).
- The high-risk abandonment land **occurs and will happen** in Portugal, coastal areas of Spain, southern France, Italy, Southern Greece, Turkey, northwestern parts of Ireland and UK, almost all Eastern European nations, and the Baltics.

**The European Union is losing its biodiversity**

- Who will take responsibility of the European Green Deal accomplishment in rural lands?
- The land use is changing no one is renovating the soil used for farming or forestry care anymore.

**In summary, the EU-27 is facing one of the most difficult times after WWII:**

EU Is getting old

EU is impoverishing

Rural EU is being abandoned

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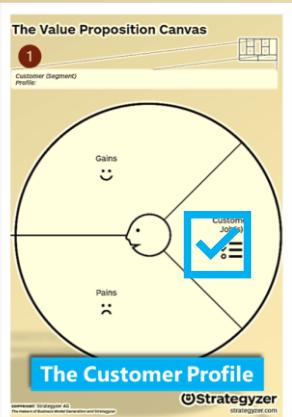


# Value Propositions: Theory and Cases.

*Our entrepreneurs are interested to provide financing for the resettlement of new rural communities in Spain, France, Portugal and Italy.*

## The Farmer's family jobs

*Let's see why do we need to understand the three indicators established by the FADN in Europe, because our entrepreneurs wish to elevate the FNVA per AWU of farmers who will produce between 100K to 500K per year.*



**Agricultural Work Unit AWU:** An AWU is an annual calculation unit of labor, where one AWU equals 2120 hours worked over the year.

**Family Work Unit FWU:** concerns own (family) labor input

**Final Production**

Three important Indicators in Agriculture come from this diagram.

Intermediate Consumption (COGS)

Farm Gross Value Added at Market Prices (Farm Income)

Subsidies

Production Taxes

Farm Gross Value Added FGVA

Depreciation

Farm Net Value Added FNVA

Interests & Rent

Farm Net Income FNI

Employees Compensation

Farm Family Income FFI

The European Commission defines three leading income indicators

- **FNVA/AWU**—Farm net value added expressed per agricultural work unit;
- **FFI/FWU**—Family farm income expressed per family work unit
- **FNI**—Farm net income.

- [https://agriculture.ec.europa.eu/system/files/2021-11/eu-farm-econ-overview-2018\\_en\\_0.pdf](https://agriculture.ec.europa.eu/system/files/2021-11/eu-farm-econ-overview-2018_en_0.pdf)
- Measuring farmers' incomes and business performance: <https://aei.pitt.edu/4880/1/4880.pdf>
- [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Performance\\_of\\_the\\_agricultural\\_sector#Value\\_of\\_agricultural\\_output](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Performance_of_the_agricultural_sector#Value_of_agricultural_output)



# Value Propositions: Theory and Cases.

***Our entrepreneurs are interested to provide financing for the resettlement of new rural communities in Spain, France, Portugal and Italy.***

***The entrepreneurs' squad wish to finance an integral community development for young farmers starting from the basis that each Farm Family Disposable Income will be €50,000 euros/year.***

Parameters	Description
Family farm unit of husband-wife	With kids or planning to procreate kids in the next 5 years. Below 41 years old and between 41 to 60. Every family will be analyzed case by case to avoid discrimination per age or racial origin.
Farm Family Disposable Income/year	€ 50,000/year (€4,166/month)
Small Farmer Economic Class size Farm	From 4K Euros to 50 K Euros income/month
Required Cluster of Farming together	A small farmers' strategic alliance of 10 to 50 small farm owners: together their annual output must reach the Size of 500K euros minimum or more (according to the number of farmers-settlers)
Interests	
Farmers Personal loan	200 bps below commercial bank rate
Farm Production Loan	150 bps below commercial bank rate
Grace Period	5 years
Tenor or Duration of the Loan	20 to 25 years
Collateral	A specific vehicle of farming production designed to tie the small farmers to the output, not to the land.
Incentives	CAP subsidies

## Rule book for financing

**The Small Farm Credit will be in two separate segments**

### Farm Production & Facilities

- **Acquisition of the land for farming**
- **CAPEX for farming: CAPEX include tractors, trucks, autos, machinery, buildings, land improvements, and miscellaneous capital expenditures for farming operations**
- **OPEX for farming: operating expenses, not including depreciation and interest**
- **Others case by case: training in farm management, hiring for temp. experts, etc.**

### Family Personal Farmer's Life

- **Acquisition of family house land**
- **CAPEX for building/rehabilitating housing facilities and personal relocation/amenities**
- **Family Personal Utilities**
- **Relocation expenses**
- **Temporal equivalent allowance until the farm can produce the Farmer's annual income of €50K**



# Value Propositions: Theory and Cases.

## ***This is our assembled Customer Value Proposition 1.0 for this case***

CVP V. 1.0

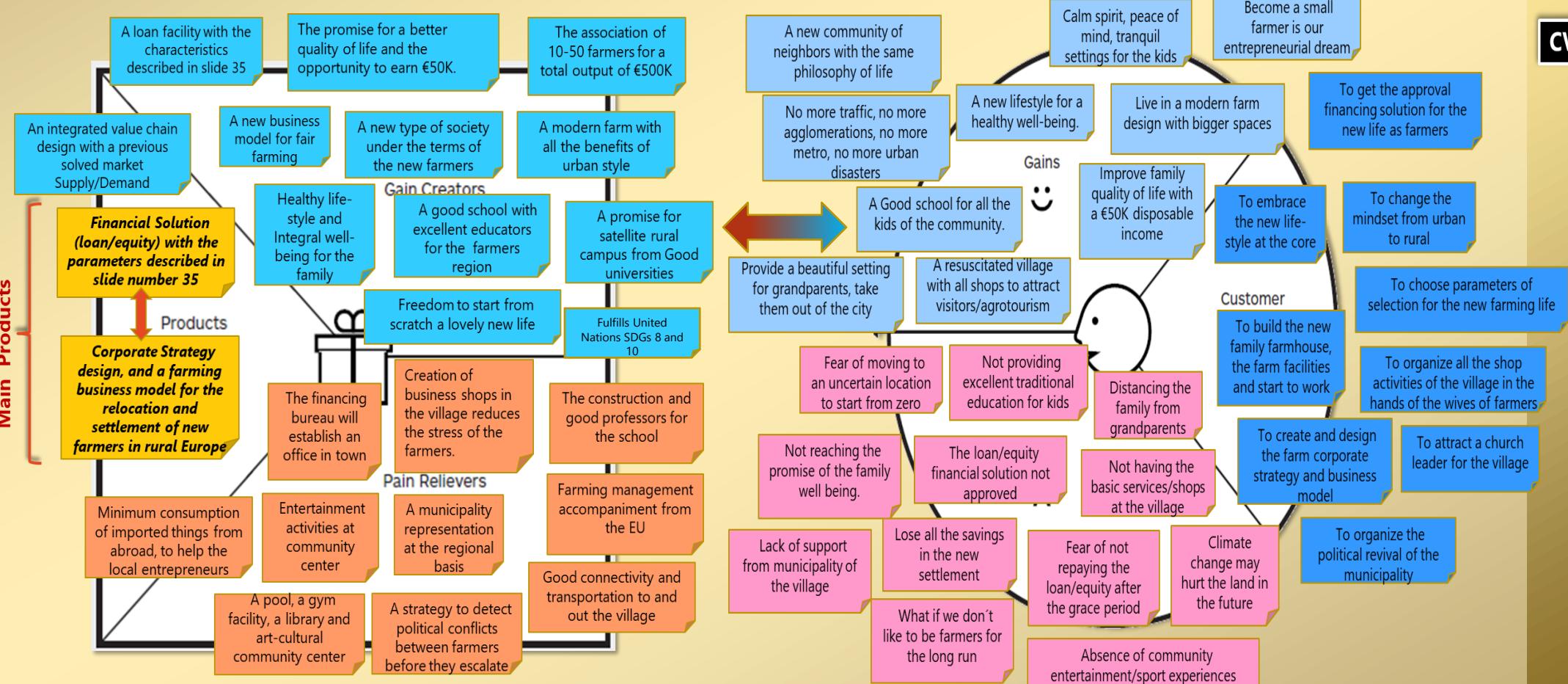
## Value Map 1.0

## Adjacent Products

## *Technical assistance in farm management*

## *EU commission aid accompaniment for first 5 years*

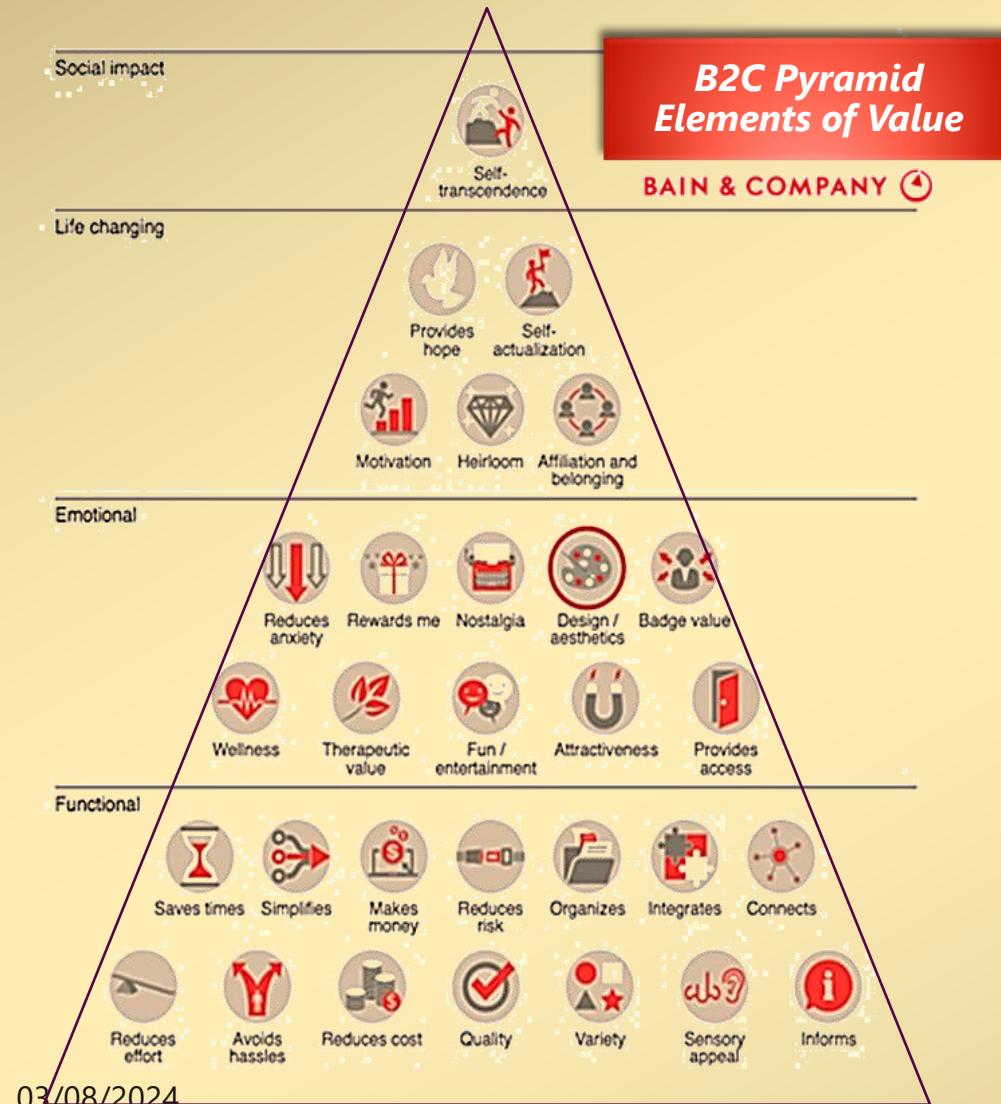
## *Design and Implementation of a New Village Society.*





# Value Propositions: Theory and Cases.

*The elements of value defined for this case were the following:*



Elements of Value	Each pain reliever or gain creator belongs to a category of Value. Description	Category Level
	Self Transcendence	Social Impact
	Provides Hope	Life Changing
	Self Actualization	Life Changing
	Heirloom	Life Changing
	Motivation	Life Changing
	Affiliation and Belonging	Life Changing
	Design Aesthetics	Emotional
	Reduces Risks	Functional
	Quality	Functional
	Variety	Functional
	Provides access	Emotional
	Sensory Appeal	Functional
	Reduces Anxiety	Emotional



# Value Propositions: Theory and Cases.

*When exploring example 6, we offered an economic model proposal to revive and develop the rural abandones ghost-towns of Spain, Italy, France and Portugal.*

## Five top elements of Value considered for this case

### Describing the prioritization of the elements of value of the groom:

- From the last slide elements of value, we only 6 as the priority, in our quest for building our CVP.
- Again, the first element of value is Self-Transcendence: To repot urban young people whose parents/grandparents have left the rural land is not to take lightly. It implies to start all over again, and it denotes a special attention to fix the troubles of brain drain, the migration of the youth to the cities, and rebalance the territorial disparities.
- Then our second element of value is Heirloom, leaving a legacy for the next generations that it is possible to build a living model in rural settings without losing education, good self-sustainable income (a Middle-class revenue).
- The accompaniment of the European Commission in the success story of these families reduces the anxiety to get indebted. Building clusters to secure a minimum Farm Family Income (FFI) per year of \$50,000 (disposable revenues), after paying the loan installment, interests, production taxes and workers compensation is the aim of this project.
- The strategic alliance of a minimum of 10 Family Farms in the same location is key for the success of this model: without a community around each resettle, the project won't work.
- Finally, the functional values of Increasing the quality of life, avoid hassles are simply the foundational steps for reaching long term hope for prosperity; affiliation and belonging in their new community of farmers.
- Subsidies play an important role: The CAP farm advisory services and Farm sustainability ecosystems will be instrumental in the transition.

Category Level	Elements of Value	Priority	Category of Value. Description
Social Impact		1	Self Transcendence: Nothing is as relevant as to leave a new model for living
Life Changing		2	Heirloom: Legacy elements in rural setting
Emotional		3	Reduces Anxiety: A community of self-sustaining farmers
Functional		4	Avoids Hassles: From a ghost-town to a flourishing village
Functional		5	Increase Quality of life
Life Changing		6	Provides long term hope for prosperity. Affiliation and Belonging:

*The big question: how to prepare and accompany the farmers to reach the required € ??? K thousand dollars in gross revenues, in order to procure a Farm Family Disposable Income of €50K per year for each resettled family?  
This will work only if the selected farming product is part of a bigger supply value chain.*



# Value Propositions: Theory and Cases.

*When exploring example 6, we offered an economic model proposal to revive and develop the rural abandones ghost-towns of Spain, Italy, France and Portugal.*

## **Strategic reflections about this case:**

**The context of the European Green Deal makes this project a potential reality: Each family disposable FFI is set to be €50,000 per year.**

- This is not a romantic project. It may be feasible, if there is a demand for the farming products. To ensure this demand is what the European Green deal must pursue for these small farmers.
- A new model of living only works if the resettling to rural areas allows the creation of local prosperity under new elements of value.
- This concept of small-farmers communities is tied to the core commitment of the farmers in pursuing the equilibrium of life success: If these elements are not in place in the new community, the project will erode itself into failure.
- Let's explore these key success factors please:



**The philosophical strength of this project is founded in the self-transcendence element of value.**

**To settle, self-sustain, and start a community in rural terms is more than a life-changing experience, it means to build role-models to begin prosperity from zero.**

**The mindset of building societies must change from its roots. The mentality that urban is better than rural must be eradicated for good in the youth.**

Rural Areas	Urban Areas
Always Poor	Wealthier
Lower Literacy	Higher literacy
Weak Health Care Services	Modern hospitals/healthcare
Little public and private infrastructure available	More developed infrastructure
Poor housing standards	Better living conditions
Only primary employment (mainly agriculture)	More options of employment
Lower standard of living	Higher standard of living

**Development traps are a failure to attract people of working age. To remedy this phenomenon, can't be forced. The youth exodus from ghost-towns will only stop when they consciously assert that they can attain a better quality of life in rural settings, much better than urban experiences.**



# Value Propositions: Theory and Cases.

*When exploring example 6, we offered an economic model proposal to revive and develop the rural abandones ghost-towns of Spain, Italy, France and Portugal.*

## **Strategic reflections about this case:**

### **More strategic reflections about how to tackle ghost-towns or development traps:**

All the nations of EU27 share a common problem: all have become development traps in the rural settings. Not even Germany escapes from this problematic situation.

- To transform rural settings into an attractive value proposition can't happen by emulating what is in the city and build it in the countryside.
- Everything begins with economic survival in the countryside milieu, filling the wants and needs of that specific region.
- I believe that universities must begin to build a rural university model (not online please) that could spread out awesome urban professors to the countryside. This means that the university should go to the rural, and not the students to the urban centers. In addition, the universities in rural settings must provide long term solutions (program studies) for the rural needs and wants of land productivity, agricultural economics, village development, etc. Otherwise, if education remains "urban", the youth educated under "urban rules" will continue flowing to the metropolitan cities.
- How to revive ghost-towns is a problem that should be included in all best-universities on earth, maybe a course can trigger a change of mindset, and urban people start their urban exodus to the ghost towns to make them flourish again.
- The EU Commission has spent billions of dollars studying the ghost-towns phenomenon. It is the time to implement solutions using CVPs as the one we created, to test and monitor in different villages in Europe. This CVP is only version 1.0. It is expected to change and be adjusted per each pilot testing group.

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**A development trap is a vicious circle that occurs when a territorial region shows :**

- 1) **A reduction in young working aged people**
- 2) **A relevant augmentation of older population**
- 3) **A high percentage of youth unemployment**
- 4) **A lack of good schools and privation of access to high-quality tertiary education (university programs that tackle rural problems)**
- 5) **A constant and massive youth exodus to urban cities or other countries.**
- 6) **A lack of access to service networks, government representation, cultural activities, and essential high quality public services.**

### **More strategic reflections about how to tackle ghost-towns or development traps:**

Smart Villages is a concept that is insufficient for rebuilding rural areas.

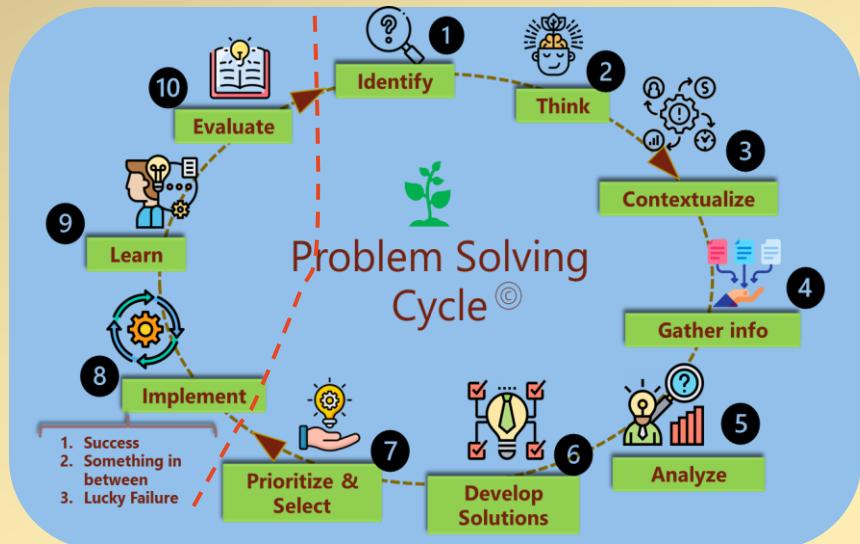
To connect rural families through the Internet only answers functional elements of value (look at the three functional values of Smart Villages CVP: Connects, Integrates and Saves time). But the Smart Villages CVP is not founded in social-impact or life-changing elements of value. We predict it won't work for the long-term. Only a CVP that is based in Social-impact and life-changing elements of value can rise above all and be solid enough for the future of Europe.

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# Value Propositions: Theory and Cases.

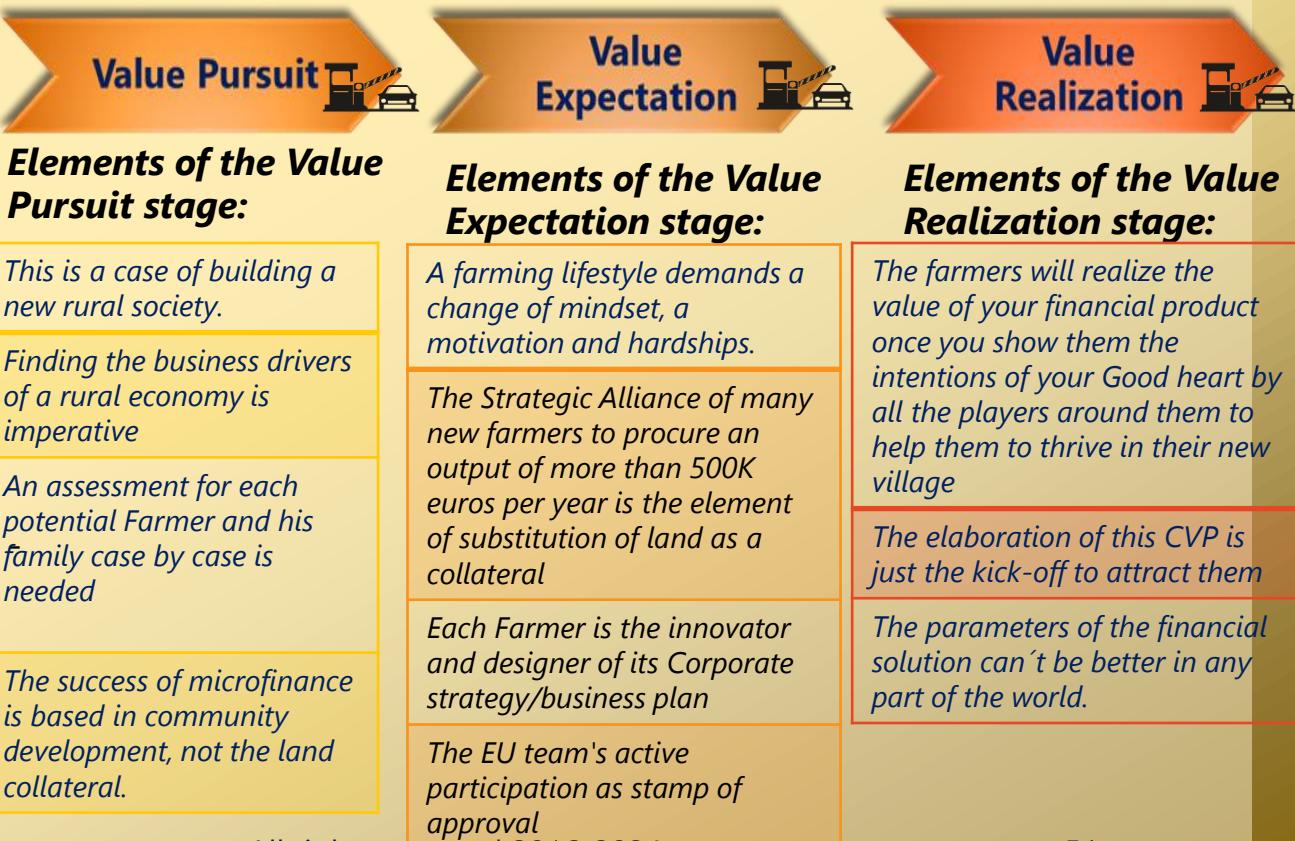
*What is the connection between our problem-solving cycle and the fit of the CVP version 1.0?*



**The problem-solving cycle is the way to go to implement the CVP 1.0.**

**We must help to solve a problem without adding more hassles to the new farmers. In addition, we must comply with the appropriate SDGs of United Nations, the European Green Deal and all the ethical implications of moving young families to rural (isolated or remote) areas. It is a huge responsibility to do a CVP for this case, and its respective business model must be tested several times.**

- Do not forget that the customer value cycle doesn't begin with the value realization. Our testing analysis must convene to explore elements of value previously**





## Example 7.

### Launching a new agriculture product in Central America: Extra Virgin Olive Oil



# Value Propositions: Theory and Cases.

**This was our last example: We were contacted by three agro-investors. They perceive there is possible to plant olive trees in Central America and yield olive oil products for the region.**

**We focused the project from the point of view of procuring health from inside out. We explored the MED Diet as an alternative dietary pattern, in which the Extra Virgin Olive Oil (EVOO) is essential.**

**We analyzed the minimum budget to afford the MED Diet. And this is the proportion of expenses.**

Med Diet Group Food	% of total
Fruits	22%
Veggies	16%
White Meat and Diary	19%
Red Meat	7%
Legumes (dry beans/peas)	2%
Breads & cereals	6%
Nuts, Oils, others	16%
Red Wine or Grape-Berry Juices	12%
<b>TOTAL</b>	<b>100%</b>



- The most expensive items in this dietary pattern are Fruits, White Meat and Diary (poultry, fish and lactic-products); Veggies and Nuts-Oils, and finally Grape Products.
- The MED Diet always recommends to consume local products with high content in polyphenols and antioxidants. Bad fats should be replaced by Extra Virgin Olive Oil and occasionally or rarely we can consume genuine butter/coconut oil.
- Berries are essential for our well being, and our white meat proteins should be consumed at least twice a week.

**By observing the distribution of expenses of the MED Diet, then we decided that the approach to the World Bank couldn't be based pivotally and only with the Extra Virgin Olive Oil products.**

- If this greenfield Project wishes to be of impact for most of the population in Central America, the project must involve an integral innovation to be categorized as of a premium impact for food-security in Central America.
- In addition to Olive Oil cultivars, we counselled to consider the cultivation of high polyphenol- antioxidant Fruits, Grapes, Nuts and Cacao; under a multidimensional agriculture project.
- In consequence this CVP can't be done, without core changes to the initial idea of the three agro-investors.
- To appeal to the World Bank, the solution is a multidimensional agricultural project that truly can change the habits of eating in Central America because it is imperative to self sustain and procure enough regional supply of:

**Olives + High Polyphenol Fruits + Cacao + Grapes + Nuts**

A greenfield project is a term used to describe a project that starts from scratch in an empty field

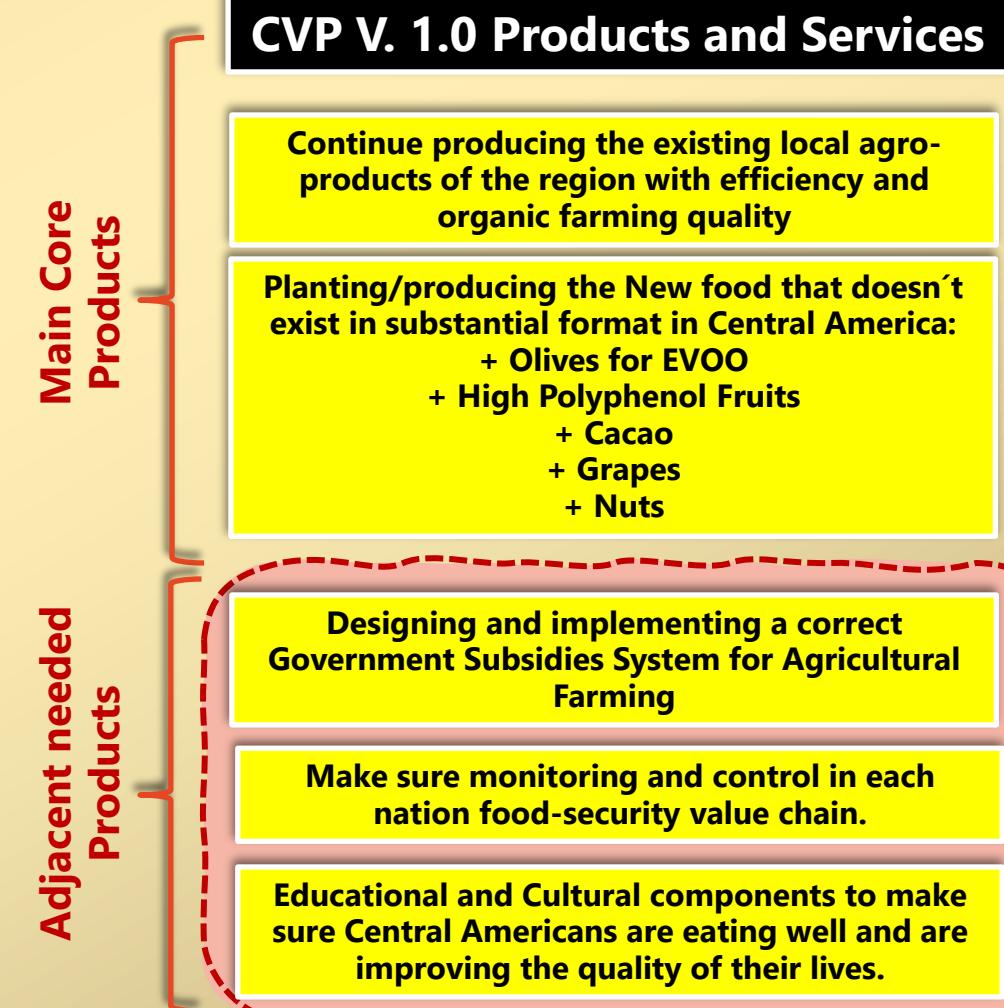


# Value Propositions: Theory and Cases.

*Once the product was shifted from planting olive trees and manufacture olive oil, to an integral transformation of dietary patterns for the multidimensional poor population in Central America, the whole vision of the project also changed.*

*When we analyzed the case, we indicated that a greenfield project plant olive trees and manufacture olive oil products wasn't the correct CVP for this case.*

- Agricultural projects are extremely risky for any bank or development financing institution.
- In the case of **greenfield** agriculture projects, the risk multiplies much more.
- To appeal to the World Bank, the solution is a multidimensional agricultural project that truly can change the habits of eating in Central America. A healthy population is helpful for the economic development of the region: it tackles obesity which is the main cause of metabolic and cardiovascular diseases.
- A healthy Central America will be the result of several life-style transformations, but the most basic one starts with what we EAT. It is imperative to eat well, and we proposed to provide a MED Diet dietary program to all the population, particularly to most of it: the low-class population.
- By shifting the project from merely agriculture, to offer key nutritional determinants of a solid and well respected (proven over centuries) dietary pattern: The Mediterranean diet, we are changing the nature of the CVP and the core elements of value that we must consider.
- A MED Diet for those families who earn less than the disposable income of \$2,400 dollars per month is not a dream, it is attainable, and it is well possible if there is a conjoined "willpower" for doing it, by using the local food (already existing in the region) and planting/producing new food (as olive oil, berries, grapes, cacao, nuts) to supply them at the cheapest possible prices.
- It will also require the same 5 elements of the European Green Deal, from the Farm to the Fork; and by implementing a subsidies system that can guarantee certain risk management measures to the group of agroinvestors for each nation.



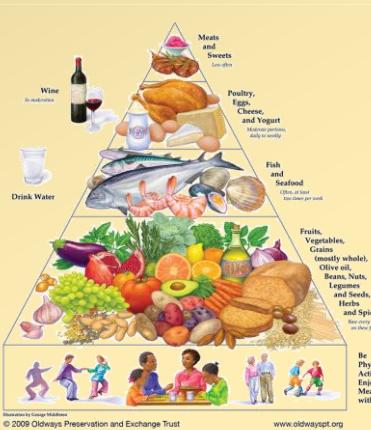


# Value Propositions: Theory and Cases.

*Once the product was shifted from planting olive trees and manufacture olive oil, to an integral transformation of dietary patterns for the multidimensional poor population in Central America, the whole vision of the project also changed.*

*Central America must move towards a more healthy and sustainable food system. This is the same cornerstone of the European Green Deal.*

Make Sure Central Americans get, healthy, affordable and sustainable food.



Tackle climate change in each microregion of Central America



Fair economic return in the Food security value chain local, national and regional stakeholders



Protect the environment and preserve biodiversity



Increase the domestic organic farming.



Main Core Products

## CVP V. 1.0 Products and Services

Continue producing the existing local agro-products of the region with efficiency and organic farming quality

Planting/producing the New food that doesn't exist in massive format in Central America:

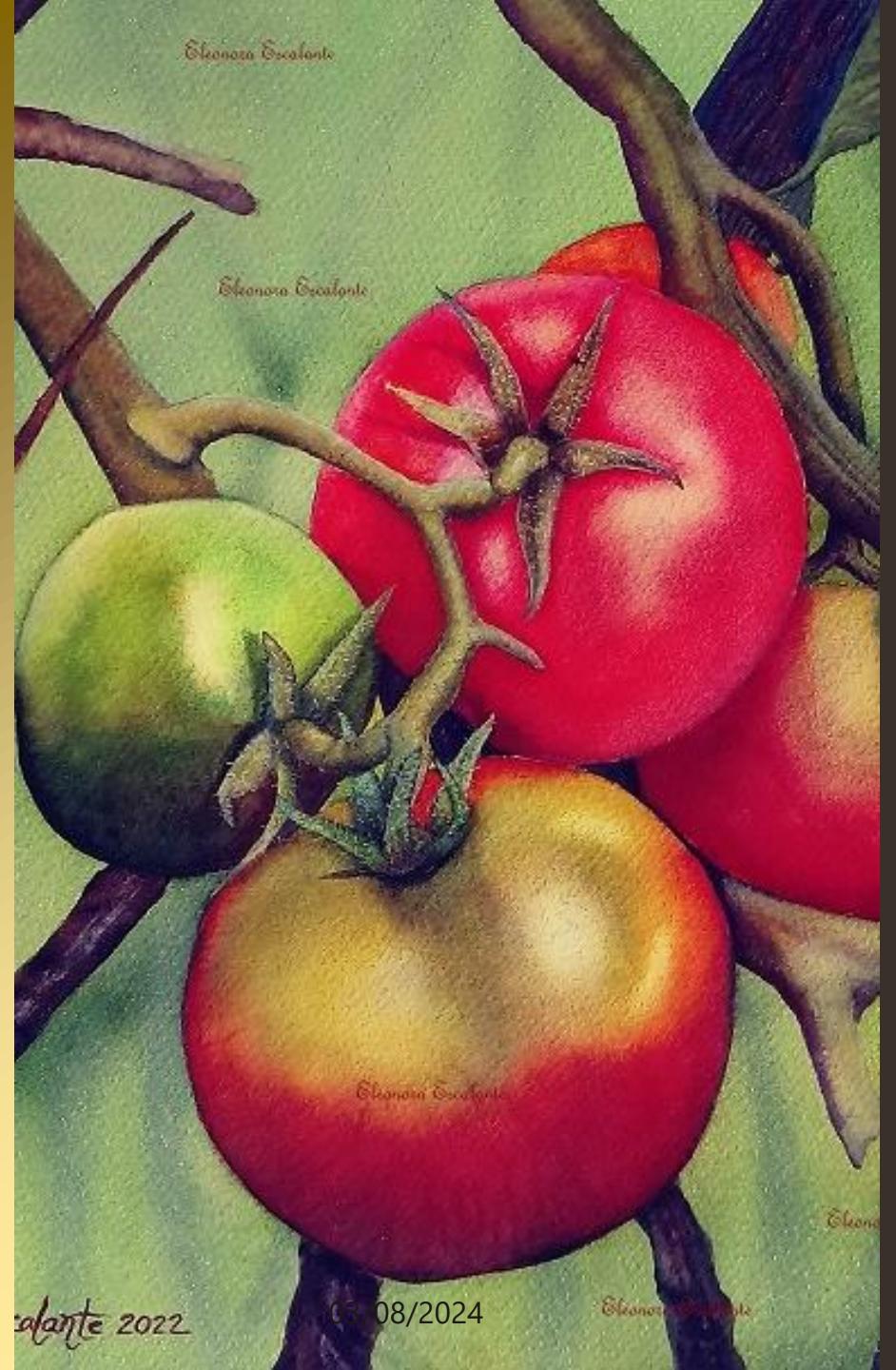
- + Olives for EVOO
- + High Polyphenol Fruits
- + Cacao
- + Grapes
- + Nuts

Adjacent needed Products

Designing and implementing a correct Government Subsidies System for Agricultural Farming

Make sure monitoring and control in each nation food-security value chain.

Educational and Cultural components to make sure Central Americans are eating well and are improving the quality of their lives.



Next Friday, we will summarize and conclude all the work we have done during the last 7 months.

Value Propositions: Theory and Cases.  
From January 22nd to August 9th, 2024.