Introduction: Crafting a value proposition

Whether you have an idea and would like to start a business or you already have a business and want to know how to accelerate growth, the first significant building blocks for any business are to craft a strong value proposition and a sustainable business model. These two elements depend on one another.

Workbook 1: Crafting Your Value Proposition

This workbook is the first in a series of two workbook guides that address the fundamentals of business strategy for startups.

- Workbook 1: Crafting Your Value Proposition
- Workbook 2: Business Model Design

Although the learning material is spread over two workbooks, you can consider them as two parts of a whole.

The workbooks have been developed specifically for early-stage startups, and they address the key issues that entrepreneurs and their teams face. The following guidelines were key in developing this material:

- The information is based on solid practices and methodology
- The workbooks are not about reading—they are about doing
- Speed and momentum are essential for startups

Who should use this workbook?

This workbook guide is created for people with a business idea—you might have started product development, some customers might have expressed interest and you might already have a few customers or users of your product.

The frameworks, practices and processes described in this workbook series work for early-stage startups as well as new ventures within larger organizations. If your idea is in the life sciences, military technology or any other highly regulated industry, then this workbook guide is not for you. The practices and key market assumptions that underpin this workbook are more applicable to new ventures operating under normal market forces.

For the purposes of this workbook, we assume that your technology works—or can work once you spend some engineering time on it. If that is not the case (e.g., you are working on a new chemical product, but for some reason the material is not stable), then you have a problem with the invention itself. This type of “invention problem” must be resolved before this workbook can aid you with reaching your value proposition.

The activities in this workbook are applicable once you have validated your technology. Its focus is on maximizing opportunity and reducing commercial risk by identifying and validating the underpinnings of a sustainable business model.
How to use these workbooks

1. Make it a team exercise
We recommend that entrepreneurs work with their team and advisors when going through the steps of this workbook. Doing so will ensure that together you develop a common understanding of where you are, the direction in which you are heading and the process of how to get there. Fundamentally, the issues addressed in these workbooks should not be explored by a single person or department in isolation—they should be a shared responsibility and experience.

2. Record and test your assumptions
When documenting the work in the workbook activities, establish a format that suits your working style and is not too labour-intensive. Overall, we recommend that documentation be done in such a way that it does not slow the process.

One such method would be to use a slide deck—a PowerPoint template accompanies this workbook for this purpose. The presentation format lends itself to documenting your plans and progress through shorter phrases and bullet points, and we recommend that format since much of what you write will be changed, clarified or expanded over time.

3. Use the icons for help
The MaRS workbooks are created under the assumption that you have little or no experience as an entrepreneur and the topics covered in this workbook. To help provide context for some of the ideas in these workbooks, we have clarified them by defining key terms and offering real-world examples. In addition, we have provided links to articles provided by MaRS through the Entrepreneur’s Toolkit. For this reason, you may find it easiest to use these workbooks on a computer with an Internet connection.

Look for these icons:

- denotes a key industry term that will recur in these workbooks
- indicates an example drawn from a real-world business in order to illustrate an important idea
- denotes a link to a more in-depth online article
- appears wherever you are asked to record something while completing the activities
Before you start
The following flowchart will help you to understand the process of crafting a value proposition, which is the basis for this workbook. Individual steps will be explained in greater detail later in the workbook. However, it is useful to note that crafting a value proposition is not always a linear process, but might involve several iterations before you settle on a final version.
Crafting Your Value Proposition

1. The importance of clarity and focus
Your value proposition forms the core of your business model. A clear and focused value proposition is required to determine your business model. Without a value proposition, it is impossible to know if and how your business will make money, which partners you need, the nature of your key operations, and how you will acquire and retain customers. Your value proposition also helps to ensure that when you put all this information together, your venture will be financially viable.

Furthermore, if you believe that to successfully bring your idea to market your business requires an injection of external capital (from an angel investor, a VC or another source), then you will need to demonstrate to potential funders that your business will make money in a sustainable manner. Even if you plan to build your business using “sweat equity” and your personal savings rather than external investment, we assume that you would want to know whether the business would be financially sustainable down the line (otherwise it would be classified as a hobby rather than a business).

Activity 1: Describe your idea
To start the process of designing a well-crafted and effective value proposition, consider the following aspects of your business idea. Be honest and answer as completely as possible.

• Who is your target customer? What kind of problem do you solve for them?
• Is this an important problem for this customer? Is it an urgent problem?
• How do you plan to solve this problem for the customer? Describe how your solution will work in the customer’s hands and the benefits that it will generate.
• Who is your competition? How do they solve this problem for their customers today?
• What is unique about your way of solving the problem? Why are you better than anyone else in solving this problem? Is your advantage sustainable over time?

Write one or two brief sentences in response to the questions above in the corresponding section of the Crafting Your Value Proposition workbook template.
2. What is a value proposition?

Consider the following definition of a value proposition:

“A product’s value proposition is a statement of the functional, emotional and self-expressive benefits delivered by the brand that provide value to the target customer.”


Breaking down the above definition, we can see that the value proposition consists of several key components:

- What you offer to customers
- What type of value or benefit is associated with your offering (e.g., cost savings, time savings, revenue increase, customer/employee satisfaction) and how much of it the customer can expect as well as how the value is generated
- To whom you are offering that value

Read more about the definition and related topics of a value proposition.

The key point to note at this stage of the workbook is that the value proposition concerns the most fundamental aspects of a new venture. At the end of the workbook, we will return to crafting the value proposition statement. In the meantime, we will focus on which decisions entrepreneurs should make to inform the value proposition and how to get those decisions right.

Activity 2: The meaning of value

What is the practical meaning of value in the context of a value proposition? A simple brainstorming exercise will help you to explore this question. The purpose of this activity is to help you develop insights on ways to describe what you offer to your customers.

Question: What are the different types of value you derive from buying and doing things? Take five to 10 minutes and list as many different values as you can. Try to list about 15 to 20 values. Here are some questions to get you thinking:

1. Why do you spend money on the things you buy? (Consider your bank or credit card statement. What was your motivation for spending in each case? What was the specific benefit you sought?)

2. Think of various popular retail stores, including clothing stores, other retail outlets, coffee shops and restaurants. Why do different people go into different stores? What types of value do they get from each store?

3. Think about buses, cars, bicycles and motorcycles on the road. Why do people use different modes of transportation? Why are there so many different car features (e.g., size, brand, engine size, colour, fuel economy, tire size)? Contrast two or three car brands in terms of the value they offer their owners.

4. Why do people buy insurance, play a musical instrument, run marathons, recycle garbage, go to the movies, buy antiques and spend hours in line to get the latest smartphone?
Check your list to see if you have included product features as a value. These are not the same as values, but they can **produce** a value for the user.

From your list of values, create a short list of key values. Which values do you feel most accurately describe the value that your product offers your customers?

Write your responses in the corresponding section of the Crafting Your Value Proposition workbook template.

### 3. The value proposition process

**Frameworks and process**

For many entrepreneurs, identifying and validating a sustainable business model might sound like a daunting task. You might wonder where to begin. Product development? Partnerships? Sales? Market analysis? And you might wonder how entrepreneurs can find the time to learn and do everything that is required.

This workbook offers analytical frameworks and a process to help entrepreneurs prioritize and streamline the most important aspects of their business. As every startup is unique, it is impossible to account for every variation of a problem a venture might encounter. The entrepreneur and startup team will need to make many key decisions to best fit their situation. Nevertheless, this workbook attempts to strike a balance between being prescriptive where there are best practices to employ while maintaining the flexibility to allow startups to act on their individual opportunities and circumstances.

Informing this workbook are the principles behind **customer development** and the “Lean” movement as professed by Steve Blank, Eric Ries and Ash Maurya. They have helped to develop an approach to entrepreneurial management that seeks to minimize waste and reduce the risk of launching a new venture. These two ideas are critical for most entrepreneurs in today’s business climate.

The essence of their ideas is that the early stages of a startup (when little is known about customers, as well as their preferences and behaviours) must be treated as a learning experiment. As stated in Blank: “A startup is an idea searching for a business model.” The entrepreneur and the startup team are investigators who, through their roles in the startup, seek answers to gain a level of certainty that did not exist at the outset. Through a process of experimenting, learning and iterating, the entrepreneur can (and should) test the key assumptions underpinning the business.

The uncomfortable upshot of this learning process is that entrepreneurs might discover that some of the initial assumptions underpinning their business idea are not true—and cause them to either change or abandon the idea altogether. This is a good thing. Keep in mind that the purpose of the Lean philosophy is to avoid “waste,” whether you are bootstrapping or building a venture-capital funded business. Another implication of the philosophy is that the learning process will ultimately help you to glean a viable idea. This might differ from the idea you started with, but you will end up with a more sustainable venture.
Arriving at your value proposition and business model: A three-step process

As mentioned, your value proposition lies at the core of your business model. Without a well-crafted value proposition, most entrepreneurs find it difficult to determine what business model will be financially viable.

This workbook series organizes and addresses the value proposition and the business model in a three-step process over two workbooks:

- In the first two steps of the three-step process (this workbook), we focus on the value proposition. The first step involves problem discovery and the second step validates your proposed solution—both key parts of your value proposition.

- In the third step (Workbook 2: Business Model Design), we use the validated value proposition to create a sustainable business model for the new venture.

This three-step process not only lessens the complexity of the decision-making process and makes it more manageable, but it also recognizes that the decisions underpinning the value proposition are of a higher priority than those that determine the business model. In other words, the decisions to identify your target customer, what problem you will solve for that customer and which features your solution should have (i.e., the key decisions that inform your value proposition) must be made before you begin designing your business model. Why? Because the decisions that concern your business model depend on your value proposition.

For example, you cannot determine what channels to use for customer acquisition, communication and distribution if you do not know your target customer. You also cannot decide what kind of relationship to have with those customers or how to charge them, since the basis for payment is tightly connected to the problem being solved and the characteristics of your solution to the problem. If you do not make the decisions concerning the value proposition before delving into the business model, then you risk becoming mired in a decision process that is not properly anchored and has no measurable end.

Activity 3: Crystallize your value proposition assumptions

This activity builds on the “Describe your idea” activity and helps you to examine the basis for each answer you provided about your target customer and the problem you will solve for them. Review what you wrote in the activity and check your answers against the following criteria:

1. Is the customer problem you are solving validated by a measurable fact?
2. Are you able to identify which customers are suffering the most from this problem?
3. Do you understand how the problem impacts the customer and their business?
4. Do you have evidence that links the customer problem to the target customer?
For each answer to the questions above, determine why you believe this answer is true. Do you have solid, objective evidence in the form of measurable facts or have you made an assumption that you believe to be true?

- In the cases where you have facts, label the answer as “Fact” and list the evidence. The evidence could be primary or secondary research, a series of observations made by you and your team, or a systematic problem reported by potential customers and industry insiders.

- In the cases where you have made an assumption, label the answer as “Assumption.”

Complete the activity by listing all the assumptions you have made regarding the customer problem and the target customer. The next section will address how to test those assumptions.

Write your responses to the questions above in the corresponding section of the Crafting Your Value Proposition workbook template.

4. Testing your target customer assumptions

“The meaning of value” activity illustrated that customer value is created when a customer need is satisfied. A customer need arises when a customer has a problem that he or she feels must be addressed. It follows then that when entrepreneurs create a value proposition, they need to focus on what customer problems exist in their field. The entrepreneur’s objective is to gain a detailed understanding of the nature of those problems. This begs the question, “How do you know when a customer has a problem?”

The presence of a problem tends to be more obvious in the world of business than in the consumer market. Most people in business pursue concrete and measurable objectives related to revenue, profits, cost, production and market share. A failure to meet those objectives often constitutes both an organizational and a personal problem.

On the other hand, in the consumer world, the objectives pursued are highly diverse and often more difficult to measure. Other than the obvious objectives driven by our need to eat, drink, sleep and be safe, consumers pursue a wide range of functional, social and emotional objectives—a meaningful career, a healthy body, great relationships, a cleaner environment, a safe family, a solid education and so forth. According to Clayton Christensen et al., the activities we undertake to reach these objectives are known as “jobs to be done.” Often, these “jobs” are less obvious and more difficult to quantify for consumers than those that exist for businesses.

Whether we are considering businesses or individuals, a problem arises when a person recognizes that they are failing to reach an objective.

Cognitive dissonance

Failure to reach an objective means that you find yourself in a lesser situation than you expected. The realization that your current situation is not what you desire causes cognitive dissonance—a sense of mental conflict, slight irritation or even anger about the situation being imperfect. Cognitive dissonance lies at the core of a customer problem: it triggers the motivation to find a solution. Advertising and other sales or marketing initiatives are designed to cause cognitive dissonance by suggesting to the customer that life is better with the advertised product than without it.
Latent versus obvious problems

At some point during the day, most humans will experience the realization that they are hungry or thirsty. Our bodies and brains are wired to automatically inform us when we are running low to avoid a shutdown. Hunger and thirst are obvious problems; as consumers, we are so aware of those problems that we have routines for dealing with them.

However, most entrepreneurs face a situation where people are generally unaware of their new product and are therefore unable to consider how life would be different with their new product.

When your target customers do not recognize that their situations have the potential to be different, they experience no cognitive dissonance and thus no perceived problem. In such a situation, your customers have a latent problem.

For most entrepreneurs with innovative products, the presence of a latent problem signals that their marketing must begin by discrediting the status quo, which is the current way of doing things. They need to show how current solutions are failing in the areas that they can address with their new technology.

However, when crafting a value proposition, it is important to understand that most target customers cannot be expected to explicitly know or understand the presence of latent problems for the reasons just explained. The focus of investigation must therefore involve understanding their “jobs to be done” (i.e., what they are trying to achieve) and what challenges they face in getting those jobs done. In other words, what stands in the way of the target customer being satisfied with their situation?

Activity 4: Test your target customer assumptions

If your idea is currently based on untested assumptions, then you must seek to validate those assumptions. In this section, please describe how you plan to obtain the evidence. Determine how to best validate the assumptions. For each assumption, assess:

- What key piece of information would validate or invalidate the assumption?
- Where does that information reside?
- What is the best way to gather that information?

Make a plan to carry out this validation activity. It might be helpful to consider what market research techniques are available to you.

Ensure that you test your assumptions so that you can answer the following questions with confidence:

- What objectives are your potential target customers pursuing?
- How are they pursuing the objectives?
- How does failure to reach those objectives affect them?
- Can the impact be measured in economic terms as a loss?
As mentioned earlier, it is critical that you document your work, as it allows your team to properly share information and establish a common understanding for the business. Once your team and advisors have had a chance to review the document and there is general agreement around its content, save it as “version one.” You now have a starting point for the process of establishing your value proposition.

Test your target market assumptions by writing your responses to the questions above in the corresponding section of the Crafting Your Value Proposition workbook template.

5. Conducting customer interviews

In most situations, you would undertake a series of face-to-face (or “live”) interviews with potential customers and key stakeholders in the field. Authors Steve Blank and Bob Dorf (The Startup Owner’s Manual) suggest that you should undertake at least 50 personal interviews at this stage. Keep the following factors in mind when planning and conducting the interviews:

1. Start your interviews with people you know. Unless you are a seasoned researcher, you will need a few attempts to get your questions right and the conversation flowing. Ask your interviewees for referrals to other potential interview candidates.

2. Remember to position the interview as a non-sales conversation (your purpose is not to sell). Try to have an open and natural exchange. This is not a sales situation, and you are not trying to convince someone that you are heading in the right direction. Even if the interviewee says something that you completely disagree with, do not become defensive because that might jeopardize the openness of the conversation as well as your ability to appreciate their perspective. Focus on listening to, and absorbing as much as possible about, the interviewee’s viewpoint. If they say something important that you disagree with, then try to understand why they said it and which facts they have that back up their position while accepting their story. Only then will you be able to learn more about their problems and what frustrates them.

3. Be well versed on key trends in your industry and what your interviewee and their organization are doing. (See “Prepare to talk to customers” below.) Keep in mind that the conversation should also interest the interviewee, so be prepared to share your perspectives on where your field is going and who and what are on the cutting edge. Having a two-way conversation makes it a rewarding exchange for the interviewee and will help pave the way to earning a referral to another potential interview candidate.

4. Ask open ended questions. This will get the conversation going and information flowing. If you would like to address specific issues, then make sure to cover those issues by asking probing and direct questions before you run out of time.

5. When the interview is over, systematically document the information gathered. In most cases, the interviewee will be happy to answer any follow-up questions.

6. Be respectful of everyone’s time and demonstrate proper meeting etiquette. Show up on time, end the interview when the allotted time is over, turn off your mobile phone during the meeting and follow up with a timely thank-you email. If the interviewee provided referrals and introductions to other candidates, then follow up to let them know the outcome of those introductions.
When interviewing for this purpose, we recommend that you check your “entrepreneur hat” at the door and assume the role of an investigator searching for the cold, hard facts of a case. Keep an open and inquisitive mind throughout the process. And, to reiterate, do not try to sell anything.

**Practical tip:** In his book *Running Lean*, Ash Maruya provided a range of practical tips on how to approach a potential interviewee and book an interview, including sample email texts. Also provided are lists of typical customer interview questions that could help you speed up the process of getting in front of the customer.

**Activity 5: Prepare to talk to customers**

**Objective:** Get up to date in your field.

**Method:** Identify the key issues by using secondary research:

- Subscribe to relevant blogs and newsletters.
- Track certain topics through Twitter, LinkedIn or Google News Alerts.
- Obtain recognized third-party research and analysis.

Synthesize this information by creating a slide deck. Include the following information:

1. What are the key political, regulatory, economic, environmental, social, cultural and technological trends that affect the space you are in?
2. What are the key issues facing customers in this space?
3. Who are the key stakeholders?
4. Who are the analyst firms, analysts, journalists, bloggers and conference presenters that talk about relevant issues and technology?
5. What are the main conferences and events in the space?
6. What are the main media outlets that keep people informed about the industry and its technology?

The information gathered above serves two purposes:

- It informs your investigation as you start testing your assumptions about your target customers and their problems.
- It will inform some of the decisions you make about your product and your target customers, and how to market to them.

Prepare to talk to customers by writing your responses to the questions above in the corresponding section of the Crafting Your Value Proposition workbook template.
6. Evaluating test results

At this point we assume that you have conducted interviews or collected data in some other way for the purpose of validating your customer problem assumptions. You are now ready to evaluate the results of your test and update those assumptions. Were you able to validate your original assumptions about your customer problem? Did you uncover a new dimension of the customer problem that you had not thought of before? Have you been able to identify the target customer?

Activity 6: Evaluate market feedback

Conduct your evaluation by answering these questions:

1. **Is the market problem urgent?** Once you identify a problem that applies to the market, ensure that it is a problem worth solving. Is the perceived problem actually urgent? Will customers care if the problem is not solved? Do they have another way to solve this problem?

2. **Is the market problem pervasive?** Determine if the identified market problem applies to a significant percentage of your desired target market. Use quantitative research to collect the data. Methods of data collection include surveys, census information and other primary market research. You can accomplish these tasks without investing significant resources. Use free survey tools and your personal network (depending on the target market) to collect as much quantitative data as possible.

3. **Will your buyers pay to have this problem solved?** If the problem is significantly urgent and pervasive, chances are good that customers would agree to pay for a solution. The next step would be to understand how much they would be willing to pay for a solution to this problem. This can be achieved by conducting surveys or additional interviews with your target market, which will be addressed in “Testing the MVP.”

Now that you have the answers, which direction should you take?

- If you answered “Yes” to all of the preceding questions, then you will have identified a problem that is worth solving.
• If your answer is “No,” then it is time to step back and ask yourself whether you have identified another, slightly different problem to solve and

• If the answer is “No” and you haven’t identified a new customer problem worth solving, you may want to consider to exit the venture at this point to save yourself further time and money.

Read more on how to evaluate your findings and decide which market problems to solve.

Activity 7: Update your problem statement

Update your “problem statement,” which is a brief description of the specific problem your target customers face as well as the impact of the problem and its pervasiveness. The problem statement is the basis for many subsequent decisions regarding your product solution. For this reason, ensure that you are accurate and use details when describing the target customers, how they perform their work, the problem they face and the impact of the problem on their resources—time, people and money (i.e., Does the problem cause the customer to lose $x$ dollars or unnecessarily spend $y$ minutes on a task?).

Write your problem statement in the corresponding section of the Crafting Your Value Proposition workbook template.
7. Deciding on your first customers

It might seem like an odd idea to “decide” who your first customers should be. After all, most customers decide to become your customers by themselves; it is not your decision to make. However, through the process of validating the customer problem, you will have learned a tremendous amount about the marketplace and about individual customers and their needs. Based on that knowledge, you should be able to identify what your first target customers should look like. In fact, you will often be able to name them.

In *Crossing the Chasm*, Geoffrey Moore calls these customers “Visionaries.” Steve Blank calls them “Earlyvangelists.” In *The Startup Owner’s Manual*, Blank describes the characteristics of a typical Earlyvangelist. In his mind, this person:

- Has a problem
- Is aware of having a problem
- Has been actively looking for solution
- Has assembled a solution out of parts
- Has or can acquire a budget

The more traits a potential customer exhibits from this list, the higher you should rate them as a target customer. Additionally, if you are targeting businesses, your first target customers should be:

- Recognizable brands (so that you can use them later as reference customers)
- Seeking a leadership position or a competitive advantage through innovations in your field
- In a market niche that offers you growth opportunities

Your contact at these companies should ideally be an executive with a strategic mandate and a cross-departmental reach, and willing to be your sponsor and coach you to success.

**Example: Software for banking industry**

A startup that was developing software for the banking industry conducted an initial analysis of the potential target customers and noticed that one bank stood out from the others in three ways:

1. Unlike the other large banks, this bank consistently highlighted its innovative technology in its marketing. The bank was clearly seeking to be considered a leader in the use of technology.
2. The bank had already built a partial solution that had been rolled out to a small segment of customers.
3. A corporate development officer had been appointed with a strong mandate to identify new technology solutions for the bank.

The startup decided to approach the bank even before its solution was working properly to share its vision with the bank and seek an introduction to the corporate development officer.
After a few meetings with mid-level technology executives with whom the startup had a pre-existing relationship, an introduction was made to the corporate development officer. This person immediately recognized the value of the solution, even though it only existed on paper at that point. After three to four months of conversations, the parties signed a letter of intent along with various confidentiality agreements to allow for more detailed discussions. Among other provisions, the letter of intent included the price the bank would pay upon launch and acceptance of the software.

Six months later, the product was launched and seamlessly integrated with much of the bank’s existing IT infrastructure. The startup worked with the bank’s training staff to ensure that the launch was aligned with the bank’s other organizational change and training initiatives (a point that many startups fail to consider). This level of integration would not have been possible without the early involvement of a visionary with significant political clout from the customer side, since the integration required the heavy involvement of executives and specialists from other business units. Another four months later, the startup delivered its software to another bank, a deal made possible because of the track record established through the agreement with the first bank.

Activity 8: Create your initial target list

- **For B2B (business-to-business) scenarios:** Examine your contacts and the conversations you have had with them. Create a list of target customers that fit with the criteria mentioned earlier in this section.

- **For B2C (business-to-consumer) scenarios:** Consider some of the characteristics mentioned earlier in this section. Take those characteristics that are relevant for you and use them as a basis for your initial marketing efforts.

Create your initial target list by writing a brief response to the points above in the corresponding section of the Crafting Your Value Proposition workbook template.
8. Identifying the right solution to the problem

Most entrepreneurs base their business on an idea about a need in the market and the desire to create a product to meet that need. In the earlier sections of this workbook, we implemented a process to investigate and validate which customer problems exist in the field and whose problems to solve first. Going through this process has furnished us with deeper
insights into our customers’ lives. The next step is to refocus on the product idea and determine how to best solve the problem to help the target customer achieve their objectives.

What we seek is a product solution that not only solves the customer’s problem, but also motivates them to buy and use the product. Specifically, the main objective for this section is to understand if your plans for a product solution are headed in the right direction. The starting point involves determining your product vision.

**Product vision**

The product vision is a description of how you imagine your idea as a fully developed product in the hands of the customer. The concept of the whole product might be helpful in terms of formulating the product vision.

At this stage, there are two key reasons to document your vision:

1. **Internal**: Initially, your vision is the target of your product development efforts. In other words, a description of the vision is critical to ensure that your team and partners are on the same page.

2. **External**: Your first customers (the Visionaries, as described above) buy products based on the potential rather than actual state. It is fully possible that you can land an order from a visionary based on a well-documented product vision and an 80% finished solution. In other words, a well-documented product vision is your most important sales tool in the early stages.

**Activity 9: Create a day-in-the-life scenario**

Use a day-in-the-life scenario to help gain insight into what your product should be doing/does for the target customer. The day-in-the-life scenario is similar to television shows in the “makeover” genre (e.g., Extreme Home Makeover) in that it describes a “before” situation where the customer does not have your product and then an “after” situation where the customer has your product. The “before” situation is covered by the first four questions below; the “after” situation is covered by the last three questions. Complete a day-in-the-life scenario by answering the following questions:

1. **Who is the target customer?** Personify your target customer: give them a name, an age, a gender and a job description. Imagine them as a real person with real problems.

2. **What is their objective?** What are they trying to do?

3. **What challenges are they facing in pursuing those objectives?**

4. **What is the economic impact of not achieving those objectives?**

5. **Imagine the customer using your product. What are your product’s qualities or capabilities?**

6. **In what way do those capabilities affect the customer’s ability to achieve those objectives?**

7. **What is the measurable benefit of achieving those objectives?**
It is important to address each question in a day-in-the-life scenario with as much accuracy as possible, especially the third, fifth and sixth points. In the end, the day-in-the-life scenario helps to pinpoint how your product changes the situation for the customer and the impact of that change.

Create a day-in-the-life scenario by writing brief responses to the questions above in the corresponding section of the Crafting Your Value Proposition workbook template.

**Activity 10: Describe your product vision**

There are many ways to describe a product. In general, a product vision should be short on technical detail and rich in customer-relevant descriptions. A typical product vision should cover the following topics:

1. Your target customers and their problem
2. The product solution you are making
3. How the user goes about their job and will use the product solution
4. Customer outcomes and benefits
5. Three- and five-year scenarios for your product and company

Create your product vision by writing brief responses to the points above in the corresponding section of the Crafting Your Value Proposition workbook template.

**9. Testing the product solution: The minimum viable product**

For this phase of your planning efforts, it is important to remember that potential customers are rarely capable of discussing desirable features for products they have not seen or experienced. There can be expected talk about the desirable qualities of a process that they already know and the outcomes of that process. They might be able to suggest how to improve the process and the outcomes. It is up to you to translate that information into a desirable feature set.

The **minimum viable product (MVP)** is generally defined as the least amount of features that your first customers are willing to pay for (either directly with money or indirectly by spending their time using your product). However, in his book *Lean Startup* (2011), Eric Ries offers a slight variation on the definition: “The MVP is the minimum set of features required to learn from earlyvangelists.” This definition is very useful in our context, since the MVP’s primary goal at this stage is to expose it to potential customers and get their feedback on a number of critical business assumptions rather than induce an actual transaction.

Read more about the [MVP approach](#).
In line with the philosophy of customer development, the purpose of the MVP is to avoid spending time, money and other resources on developing features that customers are unwilling to pay for. Avoiding this type of waste will result in shorter product development timelines and a faster avenue to sales revenue.

**Activity 11: Create the MVP**

The MVP can be many things. However, since the purpose of the MVP is to learn through customer feedback, look for the most efficient way to help customers imagine having and using the product. MVPs range from slide decks to more functioning products or a combination of the following items:

- Slide deck
- Images or brochure
- Animated movie or video
- Non-functioning prototype
- Functioning prototype or beta version (software/web)
- “Light” version of product

Whatever format your MVP takes, make sure that the MVP is an effective way of getting feedback on your product idea. In this world of Internet-based media, applications and tablet/smartphone apps, the process of changing your solution’s features and iterating new solutions for further testing can be done both quickly and cost effectively. The advent of ever-improved 3D printing is creating similar opportunities for many physical products, although with larger product solutions the concept of iteration is naturally restricted to reviewing blueprints and possibly models made to scale (as most would recognize for new buildings and neighbourhoods being proposed by architects).

Describe the key aspects of your MVP for which you are currently seeking market feedback in the corresponding section of the Crafting Your Value Proposition workbook template.

**Activity 12: Test the MVP**

In general, testing the product idea involves presenting your MVP to potential customers and possibly having them use the product. As with testing the customer problem, make sure to inform users that you are not trying to sell something to them, as you are simply interested in their feedback. However, it is likely that your first customers will emerge from the group that you subject to the testing—a positive side effect of the time you spend learning about and improving your business.
As you engage with potential customers in this round of testing, you want their feedback on both functional and non-functional issues. Specific questions to which you want answers include:

- Is our understanding of the customer problem accurate and relevant?
- Does the MVP solve the customer’s problem?
- Does the product solve the problem better than a viable alternative currently on the market?
- Would they use the product? Can they imagine the product as part of their everyday life?
- What is their primary concern about buying and implementing the product?
- How much would they be willing to pay for the product?
- What process would the customer employ when deciding to buy such a product?
- Who is involved in the decision-making process?
- Whose budget will the funding come from?
- Who will be the users of the product?

Answers to these questions should be systematically solicited on an individual basis from each user as well from the economic buyer. You can also solicit answers during and after testing.

Write brief responses to the questions above in the corresponding section of the Crafting Your Value Proposition workbook template.

**Practical suggestion—testing for price**

Since the general customer preference is to pay as little as possible, the following approach is recommended when testing a customer’s willingness to pay for the solution:

1. Prepare a range of pricing options before entering the meeting.
2. Begin at the high end. Ask if they would be willing to pay the maximum price in your range. If the answer is “Yes,” then ask if they would be willing to pay more.
3. If the answer to the first price you suggested is “No,” then ask if they would be willing to pay the middle price in your range.
4. If the answer is still “No,” then ask if they would be willing to use the product for free.
5. Ask how much they would be willing to pay if your product is online/web-based.
6. If your pricing scheme is generally rejected, then it might indicate that the problem you have chosen to address is not serious enough.
10. Evaluation and next steps

This is the final step before crafting your value proposition. At this stage, we are looking for answers to two fundamental questions underpinning your business:

1. Has the customer problem been verified?
2. Has the product solution been validated?

There are two challenges in confidently and accurately answering those questions. First, in the messy world of reality, there are no clear-cut solutions; in all likelihood, you will receive vague answers. Second, most entrepreneurs have a positive can-do attitude, which means that they will treat most negative responses as a challenge to overcome rather than a reason to rethink the idea behind their venture.

To deal with that challenge, we recommend that you get your team of advisors—who have agreed to keep you accountable—involved in evaluating your feedback and answering those questions.

Read more about how to conduct the evaluation.

Activity 13: Take the next steps

The evaluation will have three possible outcomes depending on the answers to the questions:

1. If the answers are “Yes–Yes”: Write the value proposition statement, product roadmap and product requirement documents (see below) and move on to crafting your business model.
2. If the answers are “Yes–Partially”: Iterate, adjust your MVP and test again as described in the section “Testing the product solution.”

3. If the answers are “Yes–No” / “No–Yes”: It appears that you have not identified a firm foundation upon which to build a business. In this case, it is recommended that you exit this venture and move on to your next idea.

Write brief responses to the fundamental questions above in the corresponding section of the Crafting Your Value Proposition workbook template.

11. The value proposition statement

You have completed the process of determining your target customer, the problem you are solving for that customer, the product solution you are offering and the specific value being provided to your target customer. You are now ready to write the value proposition.

The value proposition is often referred to as a statement that summarizes the above-mentioned points. It is important to create a value proposition statement that is clear and concise so that it can be clearly communicated to stakeholders. A template for a simple value proposition looks like this:

For _______________ (insert specific target customer)

Who is looking for/challenged with________________ (insert their need/problem)

We have developed _____________ (insert what it is)

That helps/generates/creates/saves/improves __________ _______ (list values)

A great value proposition can usually be summarized in a single sentence (sometimes two, but rarely more). Given the complexity of the issues outlines above, significant time and effort are required to condense that information into a brief statement without losing too much of its intended meaning and impact.
Some of that effort can best be described as wordsmithing; however, it is important to note that this only involves putting the final polish on the content. The real secret to developing a great value proposition involves possessing deep insight into the issues that make up the value proposition. Nevertheless, there are several factors to keep in mind when crafting your value proposition statement.

1. **Use concrete facts:** If possible, use numbers in your value proposition statement. Numbers communicate well, as they carry very specific meaning and are ideal for illustrating the value you offer your target customer. Examples:

   - The software will shorten process ABC by 30%.
   - My talent marketplace will save companies $1000 in HR cost per hire.
   - This energy-saving device will save each household 10% on their electricity bill.
   - This marketing technology will increase customer retention by 50%.

   Note that it might be difficult in the beginning to quantify customer benefits in such a way as described above. However, you should attempt to gather the information required to do so in the course of proceeding through this workbook and interacting with key customers.

2. **General versus specific:** Value is in the eye of the beholder. In other words, when selling your product, the value you can offer a customer is determined by that customer's specific need. In personal sales, the seller should always create a tailor-made value proposition for each customer they approach. However, it is not always possible (as in web sales or consumer sales). Also, when pitching to investors, you should make a value proposition that matches your long-term vision, and not your current stage of development.

3. **Multi-stakeholder value propositions:** If your company is a media property, a social enterprise or a marketplace, craft a value proposition for each stakeholder required to make the business work. For example, if you plan on being paid through advertising, you need one value proposition for the end users of your media property and a separate value proposition for the intended advertisers. Since the value generated by your media property is different in each case, but both stakeholders depend on each other, you have to find a way of making the media property serve both stakeholders simultaneously.

**Examples of value propositions**

- Using an innovative, play-centered curriculum, PlayLab has created after-school and online projects, for students in Grades 1-6, designed to teach critical thinking, creativity, collaboration, communication, and leadership skills.

- OTEP is developing an adaptive game engine for parents of children with difficulty in school, Think2Learn™, that identifies a child's learning profile and improves cognitive weaknesses through game play. OTEP supports parents with reporting that helps them understand what makes their child unique while offering targeted recommendations and interventions.
Activity 14: Create your value proposition

Use the aforementioned value proposition template to create your value proposition.

Create your value proposition in the corresponding section of the Crafting Your Value Proposition workbook template.

Before moving on to the task of designing your business model, we recommend that you take the time to update (or create) your product roadmap as well as your product requirement document.

12. Next steps: Developing your business model

Once you have validated and crafted a value proposition, it is time to expand the planning horizon to include the other elements that make up the business model of a new venture.