Software Economics

Value Proposition
Recap - What is a Company?

A business organization which sells a product or service in exchange for revenue and profit.

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August 31, 2015
What is value?

What creates value for someone?

- the amount of money that something is worth: the price or cost of something
- usefulness or importance

Value Proposition = describes the benefit customers can expect from your product and services.
Value Map (create value) - Customer Profile (observe customers)
Products and Services

A list of what you offer – as display of what the customer can see.

**Physical** such as goods and products

**Intangible** such as services

**Digital** such as music

**Financial** such as investment funds
Pain Relievers

Describes how exactly your product or service alleviate specific customer pains.

Remember, not all pains are equally relevant to relieve.
Gain Creators

Describes how the product or the service create gains for the customer.

Remember, not all gains are equally relevant, focus on the essential gains.
Product Market Fit

Fit is when your value proposition matches the customers needs.
Discussion

- What is the “need”?
- How is value produced?
- What role does technology play ("need" and "value")?
How can value be produced?

- **Newness** – New set of needs not previously perceived (cell phones, ethical funds)
- **Performance** – Improving product or service performance (PCs)
- **Customization** – Targeting specific needs of individual customers or segments
- **Getting the Job done** – helping with getting certain jobs done (Rolls-Royce Jet Engines)
- **Design** – stand out because of better design (fashion and consumer electronics)
- **Brand/Status** – value through brand/status (Rolex, “what is in”)
- **Price** – Offering lower price (Ryanair, free stuff)
How can value be produced?

- **Cost Reduction**— Help reducing costs (Salesforce.com)

- **Risk Reduction**— reducing risk when buying something (service guarantee)

- **Accessibility**— Making products or services available to customers who lacked access (Mutual funds, online trading)

- **Convenience/Usability**— simplify usage of something (iTunes)
Exercise

Look at the company you selected and made a customer profile for.

- What value are they delivering to the customer?
- Which one of the customers problems are they helping to solve?
- Which customer need are they satisfying?
- What bundles of products and services are they offering to each customer segment?
- What is the value proposition of your selected company?

About 20 minutes