

## What is a value proposition? V3

### What is the purpose of this article?

- 1) Enable founders, investors, C-Suite, boards of directors, shareholders, etc. to understand what a value proposition is and to discuss their company's value proposition.
- 2) This article encompasses all members of your company's ecosystem, but focuses on customers and users.

### What are the critical learnings in this article?

- 1) A value proposition is someone else's perception of the value you provide, not your opinion.
- 2) All members of your company's ecosystem have a perception of your company's value proposition.
- 3) Your company's growth and survival depend upon your understanding of the key members of your ecosystem and their perception of your competitively differentiated value proposition.
- 4) Some members of your company's ecosystem may perceive a negative value proposition e.g. employees who are terminated as part of moving their jobs to lower cost employees elsewhere in the world.

### A value proposition is some else's perception of the value you provide, not your opinion

- 1) This perception can be influenced by: facts, emotions, family & friends, social media, etc.
- 2) Perceptions are both based on fact and emotions. E.g. many people in the US believe that Donald Trump won the 2020 presidential election, although there are no facts supporting this.

### How does someone perceive their value proposition?

Value proposition = (All their perceived achieved benefits) / (All their perceived incurred costs)

- 1) Perceived achieved benefits can include both financial and non-financial (e.g. time savings, convenience, status, alignment with personal purpose, values, morals, and ethics, etc.)
- 2) Perceived incurred costs can include financial (purchase costs, costs to switch to your company, other adoption costs, and ongoing costs) and non-financial (time, inconvenience, loss of status, mis-alignment with personal purpose, values, morals, and ethics etc.)

People may include in the value proposition impacts on other members of your company's ecosystem as well as their personal impact. E.g. cash paying customers considering buying from companies that pay employees a living wage or from companies that raise animals in a humane manner.

### All members of your company's ecosystem have a perception of your company's value proposition. E.g.

- 1) Employees may consider: compensation, working hours, working location, alignment of your company's purpose with their personal purpose, development programs which increase the value of the employee, etc.
- 2) Shareholders may consider: long-term shareholder price, company purpose aligned with shareholder purpose (reducing the company's impact on climate change, increasing diversity (gender, race, sexual identity, sexual orientation, etc.) at all levels of the company.
- 3) Society may consider: your company's impact on the environment, the % income tax your company pay's vs the average taxpayer, whether you pay your employees a living wage, etc.

### You need to understand both the customer and the competition.

- 1) What is the reason the customer wants or needs something?
- 2) How can you help the customer with what they need or want?
- 3) Do your customers believe your value proposition is more attractive than the customers' current situation?
- 4) How do your customers perceive your value propositions' competitive differentiators? And weaknesses?
- 5) How do your customers perceive your competitors' value propositions differentiators and advantages? And weaknesses?

### How is your company going to grow and survive in the marketplace?

Your company will fail if you are not competitively differentiated.

- 1) Your company's growth and survival depend upon your understanding of the key members of your ecosystem and their perception of your competitively differentiated value proposition.
- 2) How other members of your ecosystem perceive your value proposition for them may enable or destroy your company's success.
- 3) You may need to provide other members of your company's ecosystem with a competitively differentiated value proposition. E.g. your current and future employees.

**You need to provide your cash paying customers with a competitively differentiated value proposition.**

- 1) You must take market share and business away from competitors.
- 2) Your customers need to decide to stop dealing with current suppliers and start dealing with you.
- 3) Your customers need to stay with you.
- 4) Your customers need to recommend your company
- 5) You may be creating a new market (e.g. Apple with the iPad)

**What are your next steps?**

Understand how the critical members of your company's ecosystem think and feel about your company.

- 1) Survey the individual members of your board of directors, C-Suite, and key shareholder to identify who they believe are the critical members of your company's ecosystem.
- 2) Also ask them what they believe those members view as your company's competitively differentiated value proposition.
- 3) Then individually survey those critical ecosystem members to determine how they perceive your company's competitively differentiated value proposition.
- 4) Collect the facts regarding those critical ecosystem members e.g. customer/market share growth, customer churn, employee retention, etc.
- 5) Identify the implications of the above information.
- 6) Determine what needs to change, in your ecosystem's members of your company's value proposition, to enable your company's future growth and survival

**What further reading should you do?**

Do you understand your customers?

<http://koorandassociates.org/understanding-customers/do-you-understand-your-customers/>

An example of a business ecosystem: What does the Toronto Startup Ecosystem look like?

<http://koorandassociates.org/the-startup-journey/what-does-the-toronto-startup-ecosystem-look-like-v4/>

Thomas Ripsam and Louis Bouquet, "10 Principles of Customer Strategy", PWC Strategy& website,

<https://www.strategy-business.com/article/10-Principles-of-Customer-Strategy?gko=083a5>