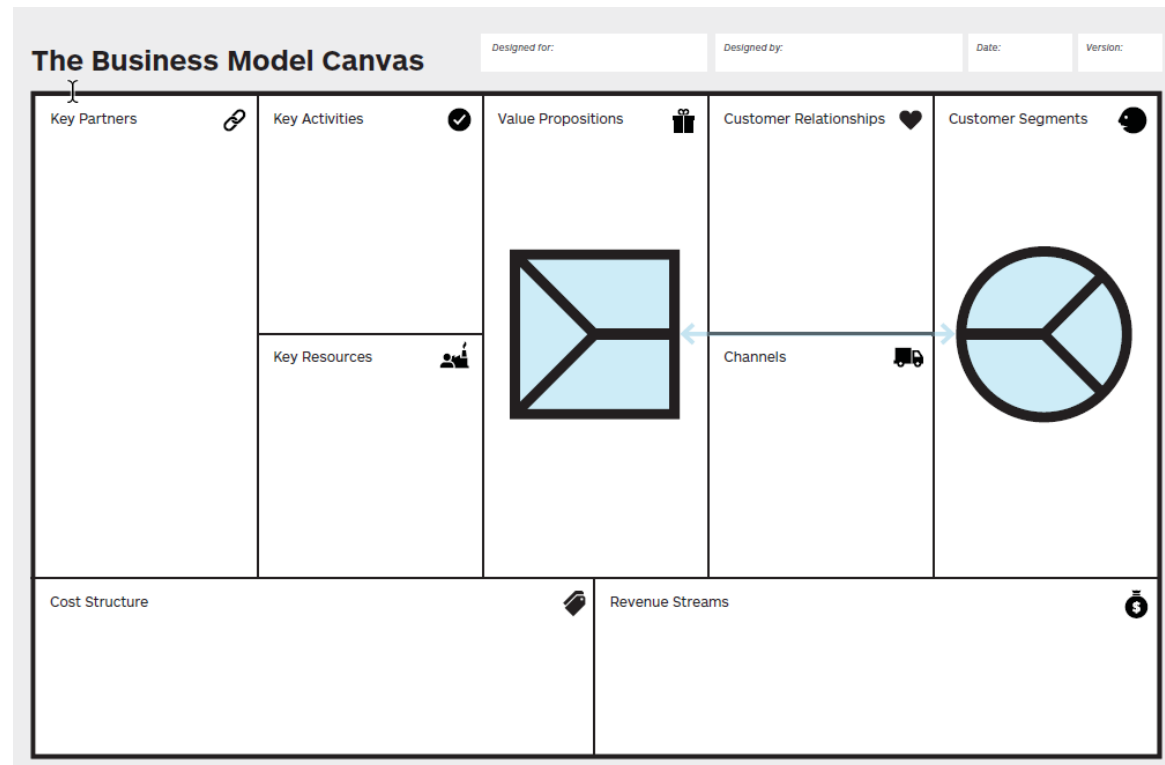# Value Proposition Canvas

Prof. Dr. Knut Hinkelmann

«People don't want a drill.
They want a hole.»

Prof. Theodore Levitt, Harvard

Value Proposition Canvas …

… is used to **invent** and **improve** value propositions

… zooms into the details of two of the building blocks of the Business Model Canvas

♦ Value Proposition

♦ Customer Segment

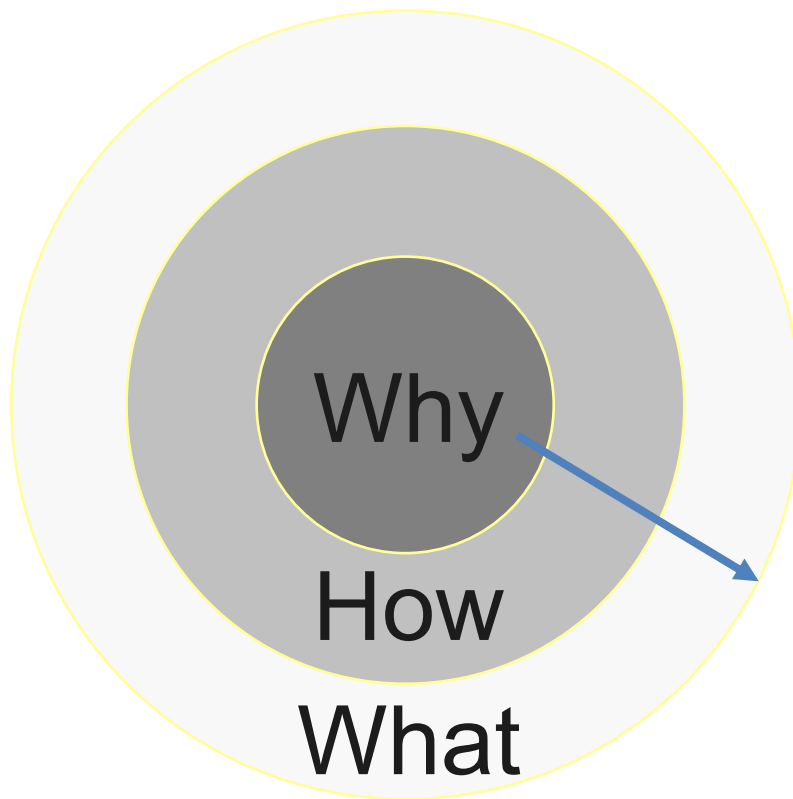(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. xiv, xvii, xx)

Start with Why

Simon Senek: Start with Why - https://www.youtube.com/watch?v=IPYeCltXpxw
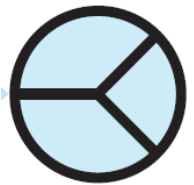Full Talk: https://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action
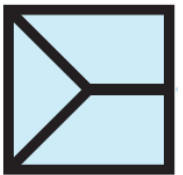
Start with Why – The Need of the Customers

The Business Model is determined by the needs of the customers.

Why: Customer Pains and Gains

How: Gain Creators and Pain Relievers

What: Business Model and Operation
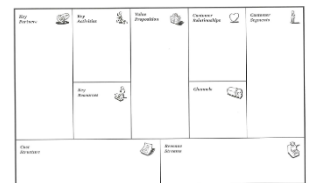
The Value Proposition Canvas
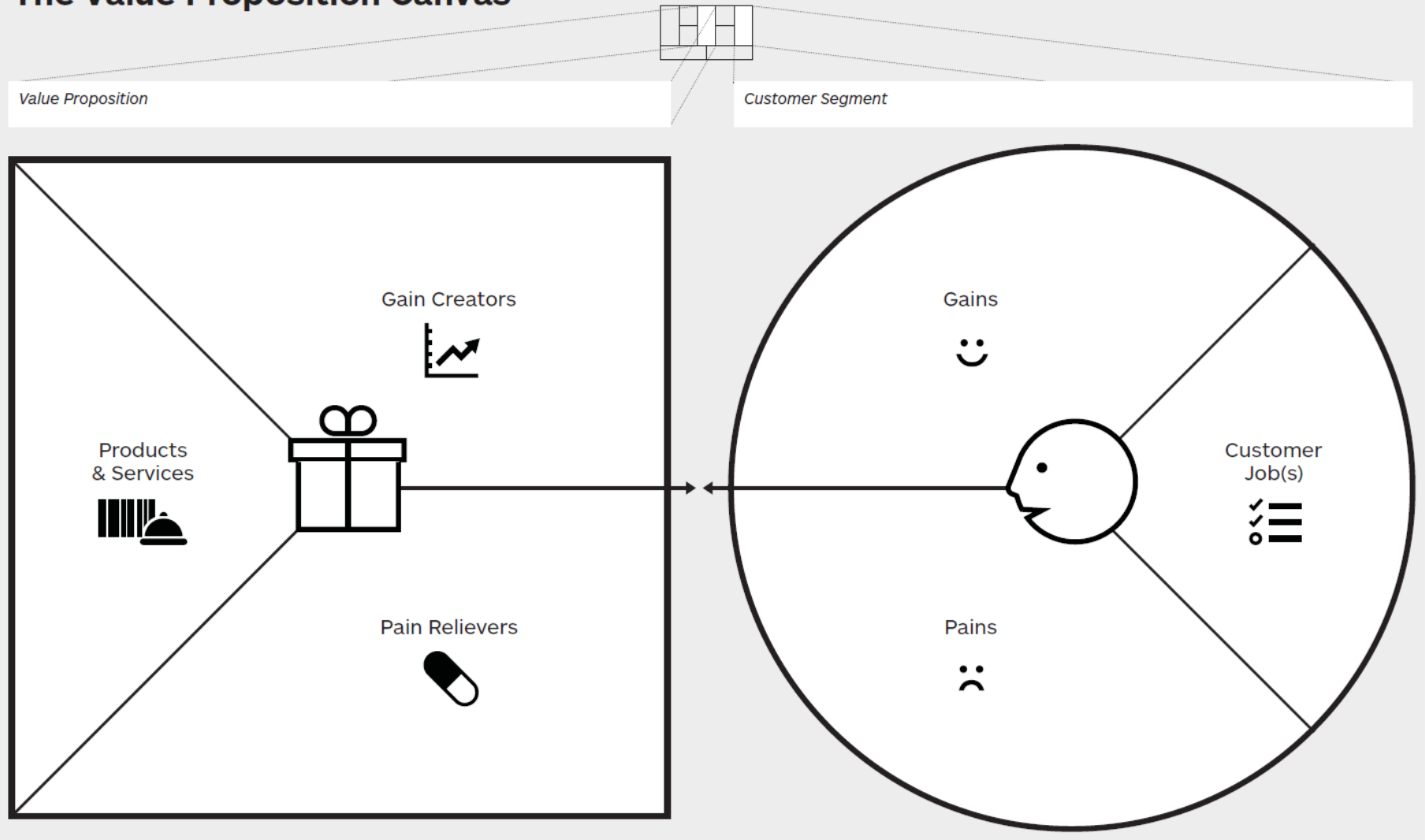
(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 61)

«People don't want a drill. They want a hole.»

Prof. Theodore Levitt, Harvard

However, there is a reason for a hole. People want to hang a shelve or build something.

«Think deeper to win customers and make them happy.»

Scott McKelvey

https://www.websearchsocial.com/why-that-whole-people-dont-want-a-drill-they-want-a-hole-thing-doesnt-go-far-enough/

Prof. Dr. Knut Hinkelmann — Value Proposition Canvas — 7

1
Select customer segment.

Select a customer segment that you want to profile.

2
Identify customer jobs.

Ask what tasks your customers are trying to complete. Map out all of their jobs by writing each one on an individual sticky note.
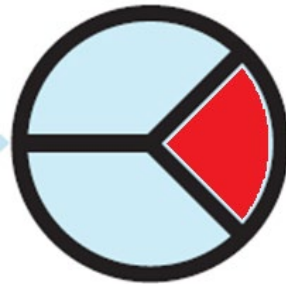
3
Identify customer pains.

What pains do your customers have? Write down as many as you can come up with, including obstacles and risks.

4
Identify customer gains.

What outcomes and benefits do your customers want to achieve? Write down as many gains as you can come up with.
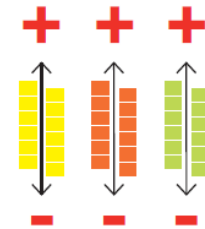
5
Prioritize jobs, pains, and gains.

Order jobs, pains, and gains in a column, each with the most important jobs, most extreme pains, and essential gains on top and the moderate pains and nice-to-have gains at the bottom.

Do this exercise online

(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 22)

Customer Profile
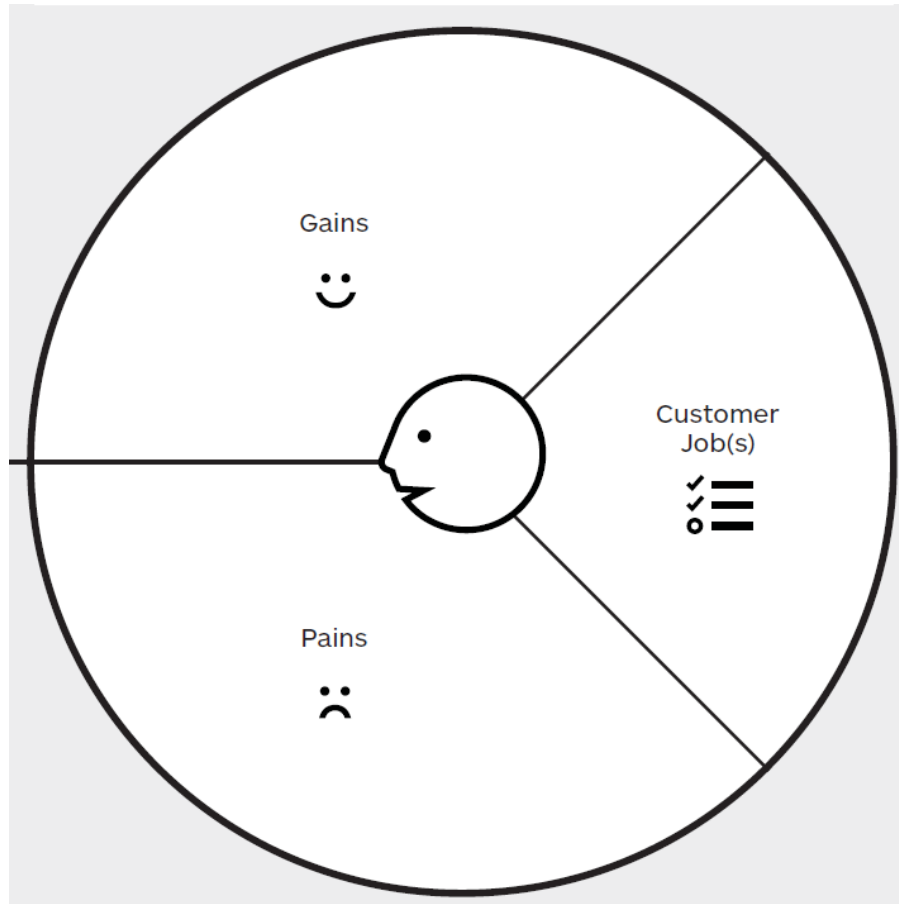
- Describes a specific customer segement

- Breaks the customer down into
  - ♦ Jobs
  - ♦ Pains
  - ♦ Gains

(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 9)
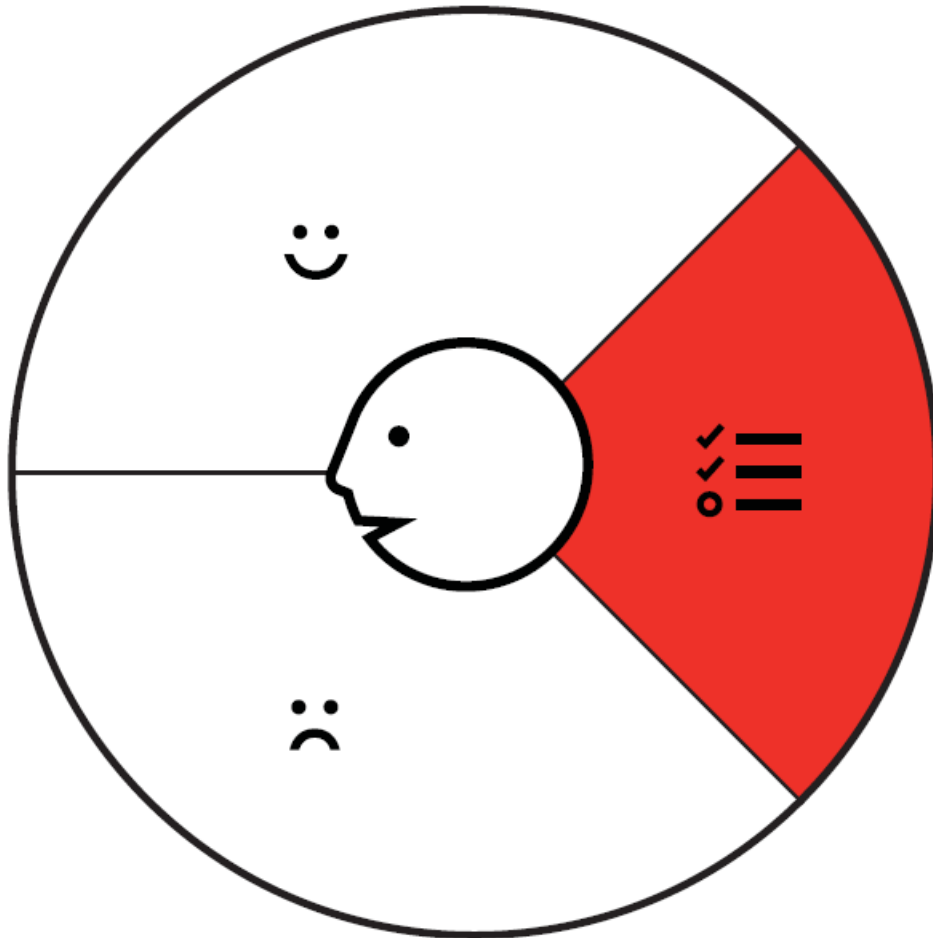
Jobs

- Jobs describe the things your customers are trying to get done in their work or in their life:
  - ♦ **tasks** they are trying to perform and complete,
  - ♦ **problems** they are trying to solve,
  - ♦ **needs** they are trying to satisfy.

- Types of jobs
  - ♦ Functional jobs
  - ♦ Social jobs
  - ♦ Personal/emotional jobs
  - ♦ Supporting jobs

(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 12fx)

Customer Pains
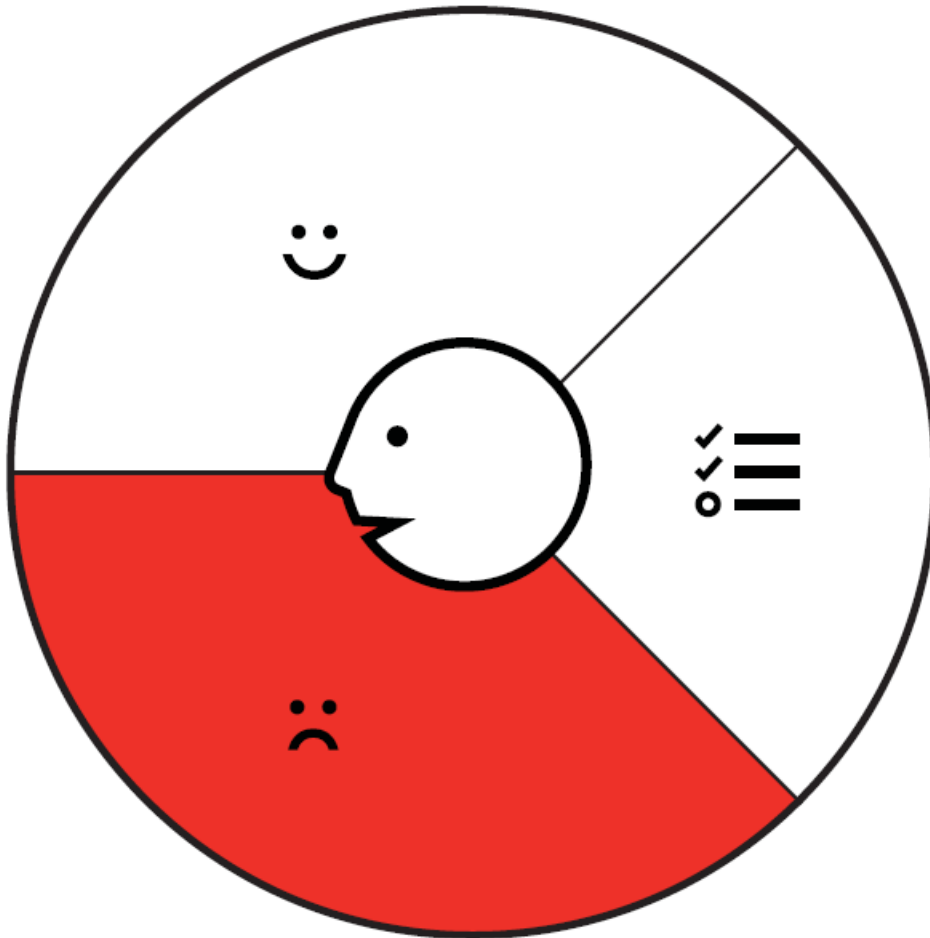
- Pains describe anything that annoys your customers before, during, and after trying to get a job done or prevents them from getting a job done.

- Types of pains
  - ♦ Undesired outcomes, problems and characteristic
  - ♦ Obstacles
  - ♦ Risks (undesired potential outcomes)

(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 14f)

Customer Gains
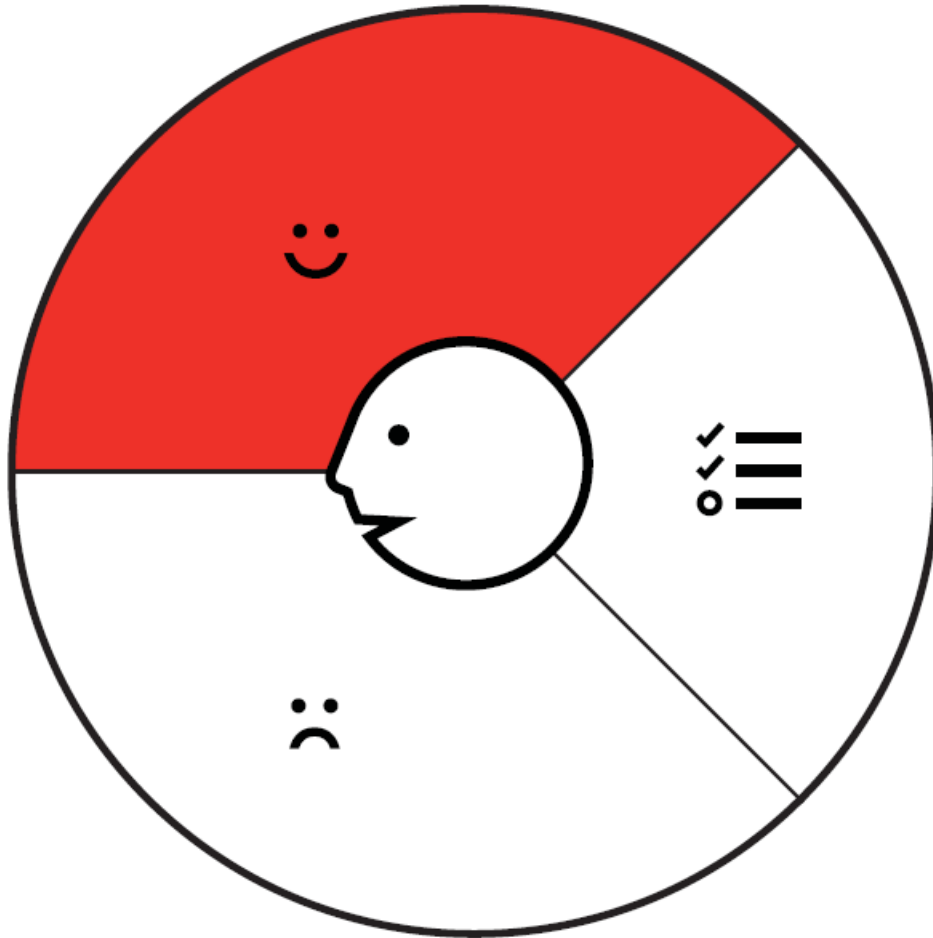
- Gains describe the outcomes and benefits your customers want.

- Types of gains
  - ♦ Required gains
  - ♦ Expected gains
  - ♦ Desired gains
  - ♦ Unexpected gains

(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 15f)

Profile of a Business Book Reader

leads to results (ideally quick wins)

clear indicators to measure progress

can apply with confidence

get recognized by team

easy to understand

help when stuck

buy-in from leadership + team

connect with like-minded people

look good with colleagues, boss, clients

applicable ideas

helps with promotion or pay raise

helps me communicate my ideas clearly

leads to better collaboration

improve skill set + advance career

make things people want

home run value propositions

concrete tips (e.g., to reduce risk)

biz book reader (generic)

convince others about preferred methods

improve or build a business

find, learn, + apply methods

lack of time

too much theory

getting stuck in career or jeopardizing it

communicate + sell ideas

make decisions with confidence

collaborate with others or help them

making things nobody wants

dealing with risk + uncertainty

"translating" methods to own context

stay up to date

run "day job" well

lack of sufficient budget

going down wrong path

management "not getting it"

boring content that's hard to work through

assess + reduce risk

being associated with a big failure

wasting time with ideas that don't work

no clear path to applying method

(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 19)

Ranking
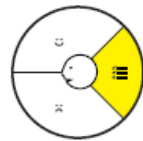
Job importance
Rank jobs according to their importance to customers.

Pain severity
Rank pains according to how extreme they are in the customers' eyes.

Gain relevance
Rank gains according to how essential they are in the customers' eyes.
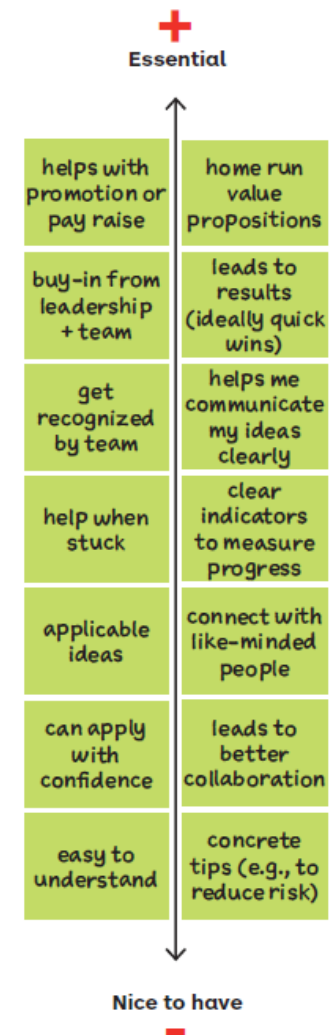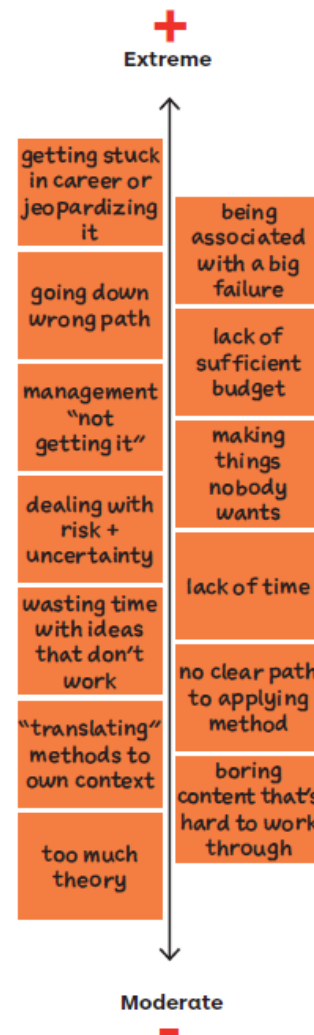
Important	Extreme	Essential

Important

improve skill set + advance career		getting stuck in career or jeopardizing it		helps with promotion or pay raise	home run value propositions
	look good with colleagues, boss, clients		being associated with a big failure		leads to results (ideally quick wins)
run "day job" well		going down wrong path		buy-in from leadership + team	
	make decisions with confidence		lack of sufficient budget		helps me communicate my ideas clearly
improve or build a business		management "not getting it"		get recognized by team	
	communicate + sell ideas		making things nobody wants		clear indicators to measure progress
assess and reduce risk		dealing with risk + uncertainty		help when stuck	
	make things people want		lack of time		connect with like-minded people
collaborate with others or help them		wasting time with ideas that don't work		applicable ideas	
	convince others about preferred methods		no clear path to applying method		leads to better collaboration
find, learn, + apply methods		"translating" methods to own context		can apply with confidence	
	stay up to date		boring content that's hard to work through		concrete tips (e.g., to reduce risk)
		too much theory		easy to understand	

Insignificant   **Moderate**   **Nice to have**

(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 21)

Creating Value Proposition

1

List products and services.
List all the products and services of your existing value proposition.

2

Outline pain relievers.
Outline how your products and services currently help customers alleviate pains by eliminating undesired outcomes, obstacles, or risks. Use one sticky note per pain reliever.

3

Outline gain creators.
Explain how your products and services currently create expected or desired outcomes and benefits for customers. Use one sticky note per gain creator.
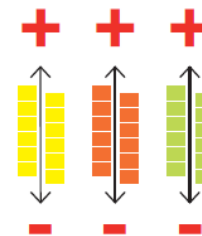
4

Rank by order of importance.
Rank products and services, pain relievers, and gain creators according to how essential they are to customers.

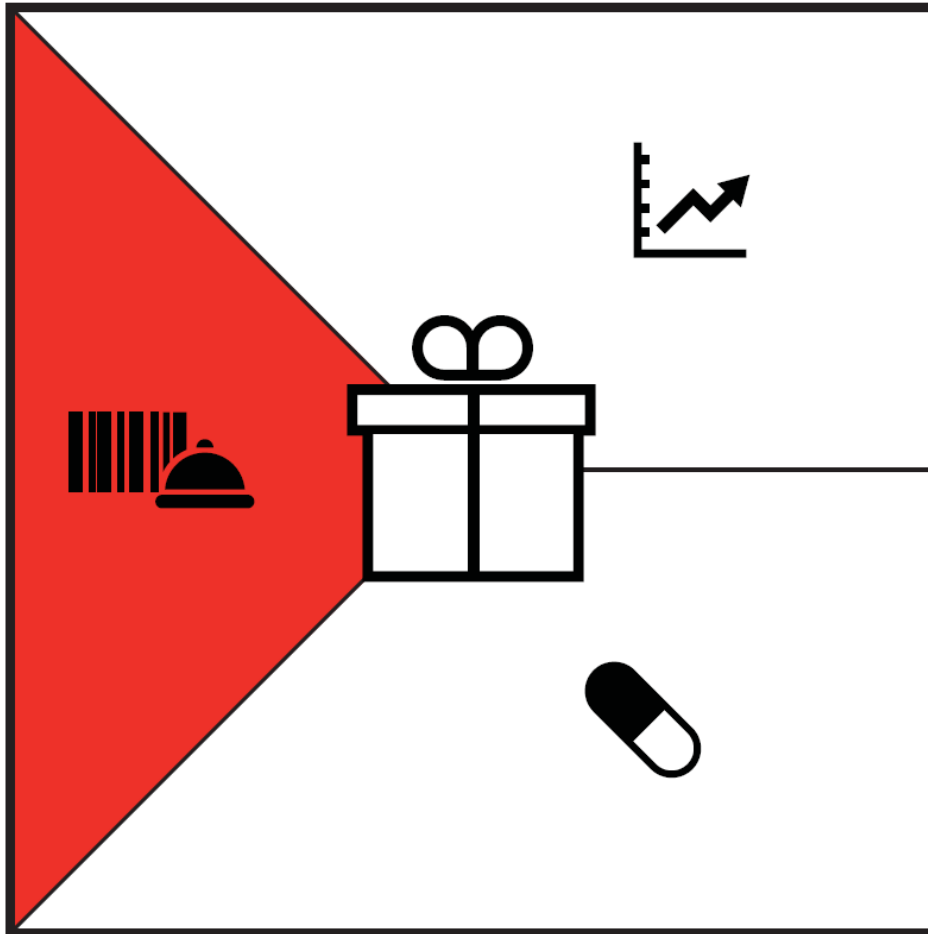(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 37)

Value Map

- How your Products and Services Create Value

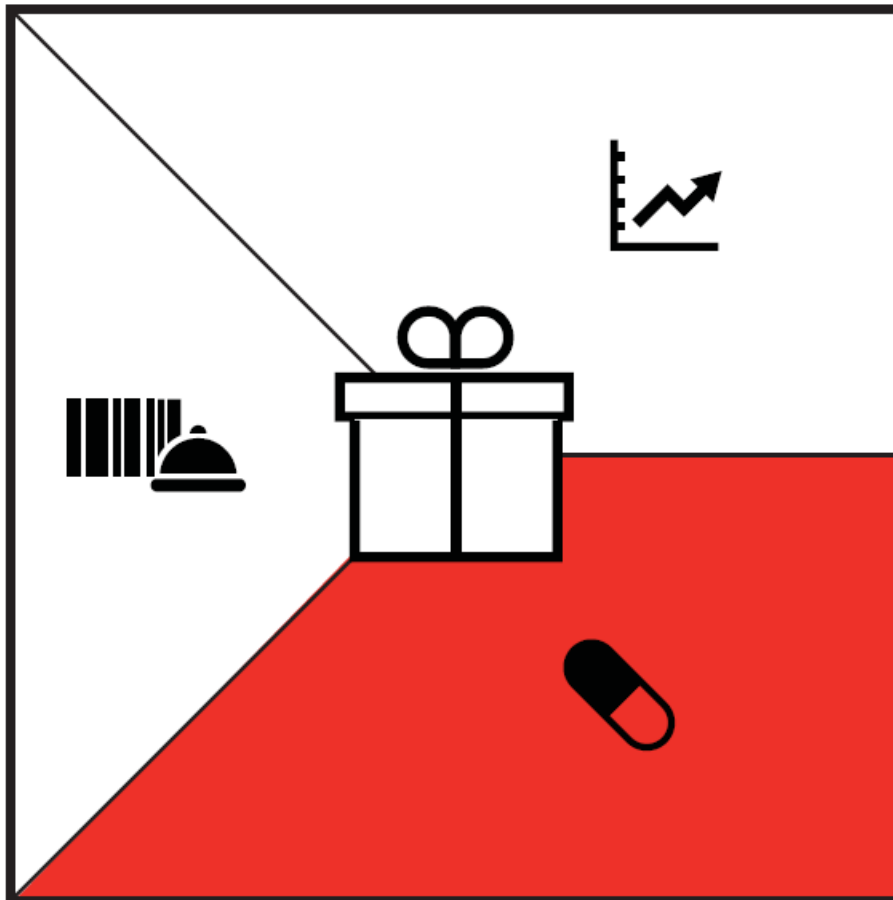(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 36)

Products and Services

- Products and Services help your customers complete either functional, social, or emotional jobs or satisfy basic needs

- Products and services **don't create value alone**—only in relationship to a specific customer segment and their jobs, pains, and gains.

- Types of Products and services
    - ♦ Physical/tangible
    - ♦ Intangible
    - ♦ Digital
    - ♦ Financial

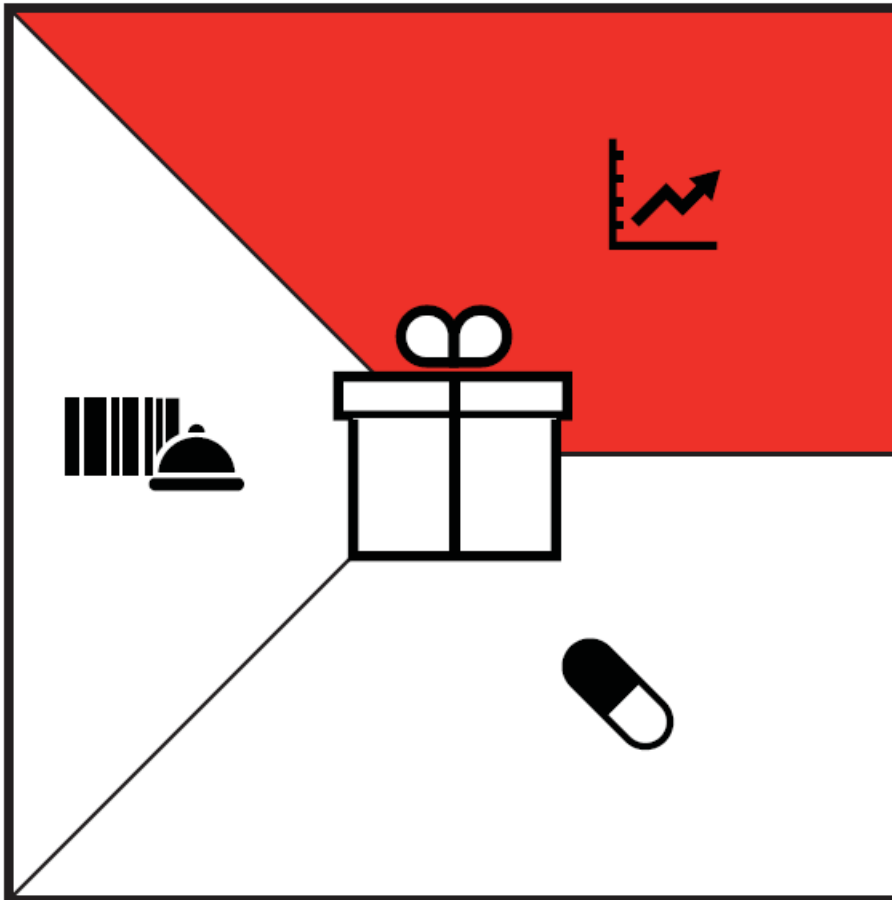(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 28f)

Pain Relievers

- Pain relievers describe how exactly your products and services alleviate specific customer pains

- Great value propositions focus on pains that matter to customers

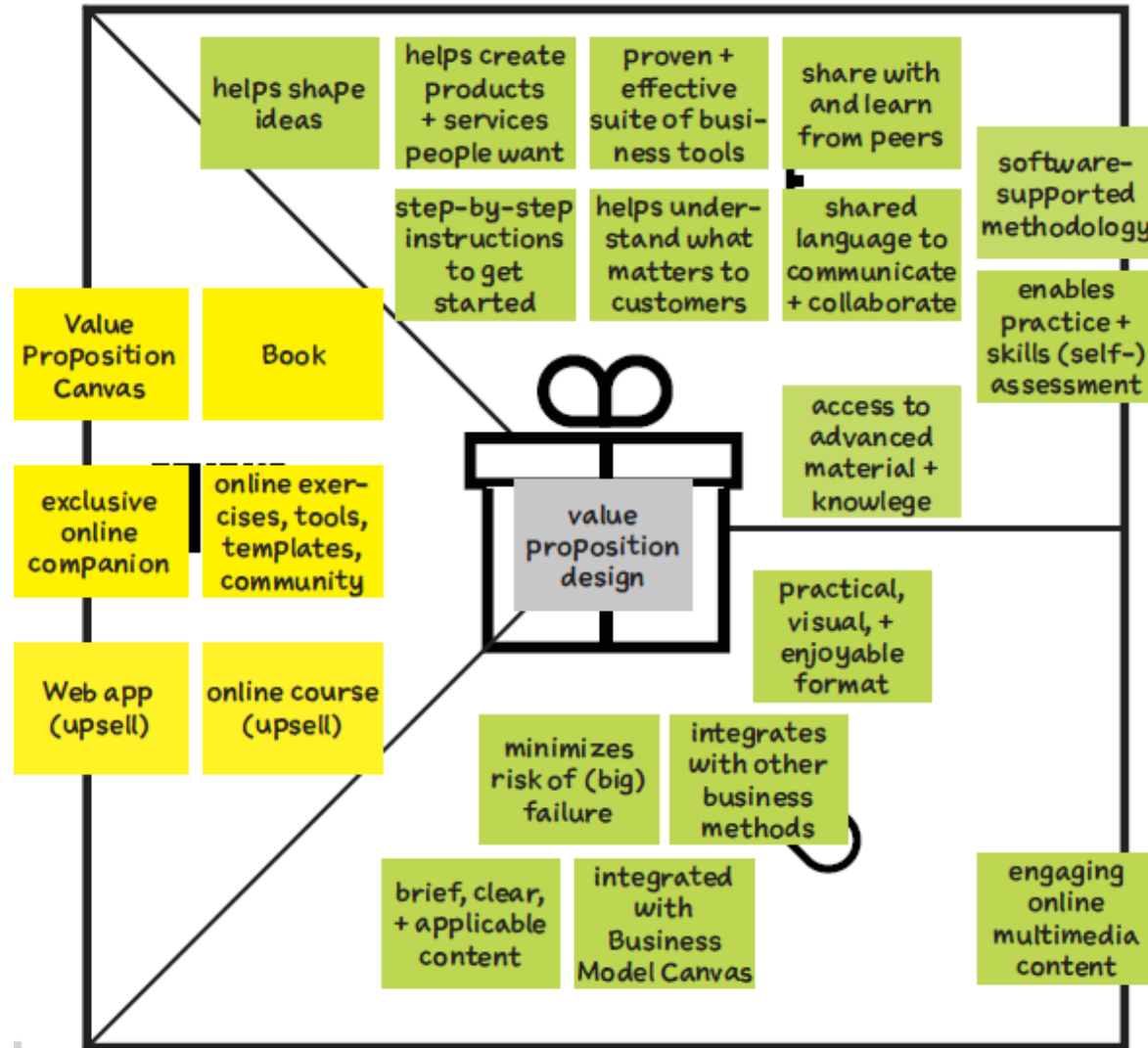(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 30f)

Gain Creators

- Gain creators describe how your products and services create customer gains.

- Focus on those that are relevant to customers and where your products and services can make a difference
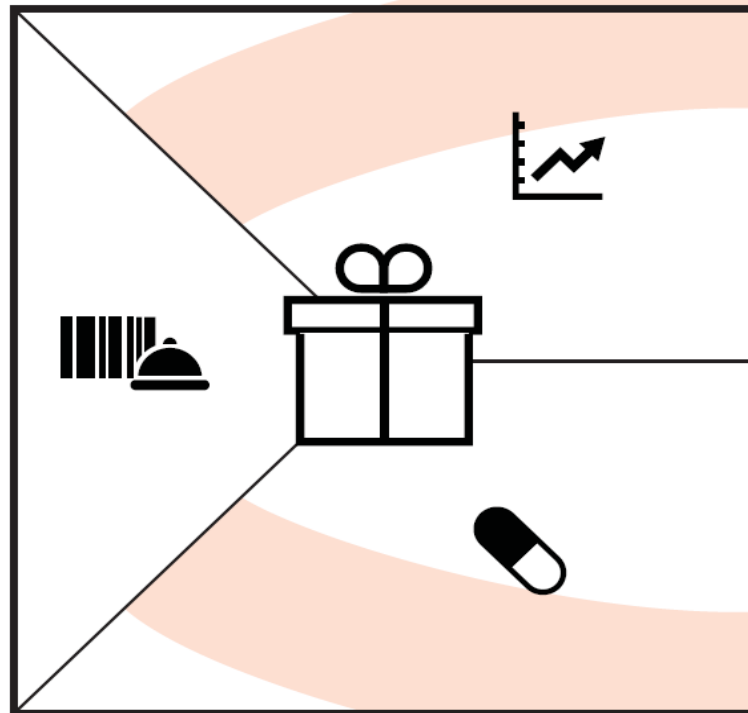
(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 32f)

Value Proposition Design: Business Book

(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 34)

Customers expect and desire a lot from products and services, yet they also know they can't have it all. Focus on those gains that matter most to customers and make a difference.

Are you addressing essential customer gains?

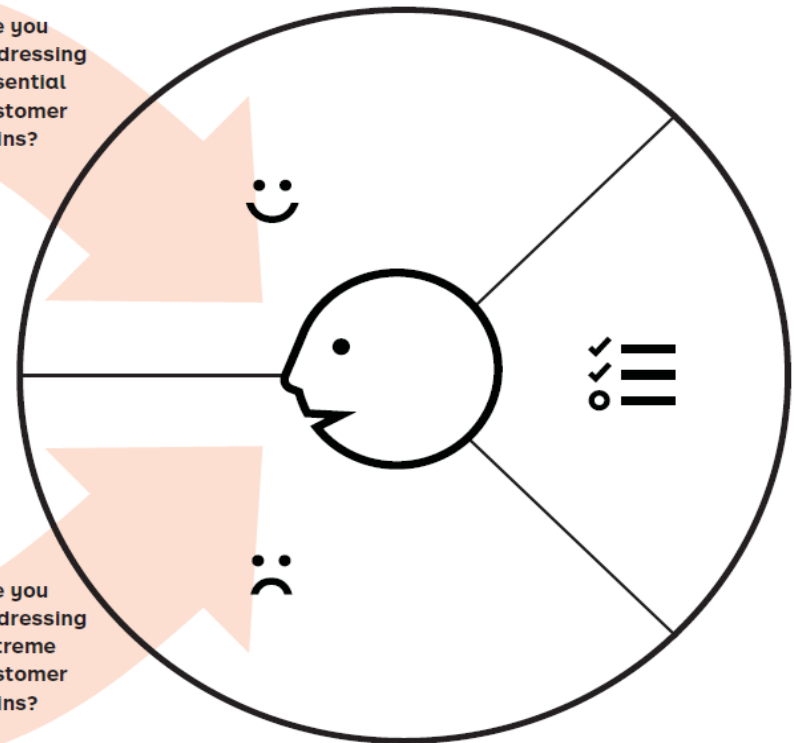**Fit**

Are you addressing extreme customer pains?

Customers have a lot of pains. No organization can reasonably address all of them. Focus on those headaches that matter most and are insufficiently addressed.

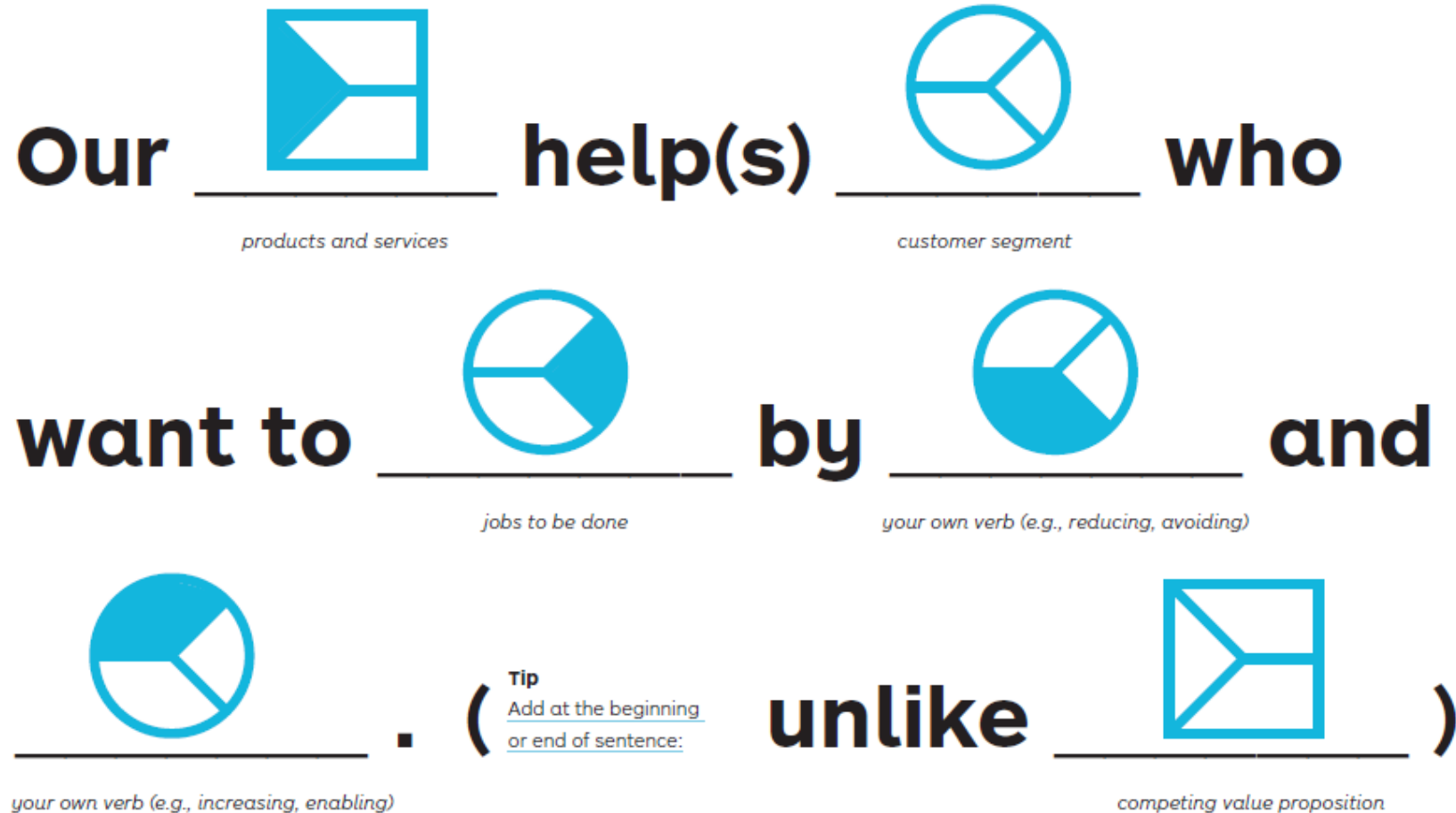(Osterwalder, Pigneur, Bernarda, Smith, 2014, p. 42/43)

Fit

Products and services relieve pains or create gains and directly address one of the customers' jobs, pains, or gains.

jobs, pains, and gains the value proposition does not address

Our _____ **help(s)** _____ **who**

products and services *customer segment*

want to _____ **by** _____ **and**

jobs to be done *your own verb (e.g., reducing, avoiding)*

_____ **. (** **Tip** Add at the beginning or end of sentence: **unlike** _____ **)**

your own verb (e.g., increasing, enabling) *competing value proposition*

Our ___[book]___ help(s) ___[business professionals]___ who

want to ___[improve or build a business]___ by ___[avoiding] [making stuff nobody wants]___ and

___[creating] [clear indicators to measure progress]___ .

Relation of Value Proposition Canvas to Business Motivation Model

The Fit of the Value Proposition Canvas corresponds to thatpart of the Business Motivation Model, which starts with the customer-related external influencers