Understanding Your Value Proposition
by Matt H. Evans, CPA, CMA, CFM
June 30, 2015

Getting your value proposition right and knowing when and how to tweak it is extremely important. Intense competition and change are forcing many companies to re-visit their original value propositions. The best value propositions are those that solve major pain points for lots of people. Start by looking at how your customers spend their time – what frustrations do they encounter?

For example, I bought a push mower in an effort to reduce my environmental impact. However, my frustration level went through the roof because push mowers do such a horrible job of cleanly cutting grass. So I ended up back on the polluting four cycle engine mower. You have to solve the biggest pain point first before addressing the “nice to have” features. Functional pain points that impact thousands of customers represent your best value propositions; especially when other product offerings fail to address the fundamental problem.

In their book The Young Entrepreneur’s Guide to Starting and Running a Business, authors Steve Mariotti and Debra Desalvo describe six opportunities for creating value:

1. Problems – Identify a problem that you, your friends, co-workers or others encounter. Determine if the problem is big enough for developing a solution.
2. Change – Look at trends that are re-shaping the world. For example, we know that our infrastructure needs major investments. At some point we have to make these investments which equates to opportunities for companies that can solve this problem.
3. Unique Knowledge – You may have insights into needs not fulfilled by others. Issues not addressed by others can represent potential opportunities; especially if you have the unique knowledge to address these issues.
4. Technology – Some people are very inventive, able to produce products that no-one else has thought of. These ideas when tested can lead to new businesses.
5. Competition – The current product offerings do not measure up. You feel you can do a much better job.
6. Existing Products – You are an avid user of a product and you have ideas on how to improve the product.

“People who talk to customers tend to collect a list of features that, if added, will get one additional customer to buy. Soon there’s a 10-page feature list just for selling 10 customers. In contrast, in Customer Development the goal is to have a single-paragraph feature list that can be sold to thousands of customers.” – The Startup Owner’s Manual by Steve Blank and Bob Dorf

If you are nearing full development of a new product offering, you can easily test your value proposition by following Lori Greiner’s Hero or Zero Checklist. Greiner is a shark on the TV show Shark Tank. If you can check eight or more of the following, your product might be a hero:

- It serves a function
- It solves a problem
- It is unique
- People want it or need it
- It can be demonstrated
- You can sell it at a reasonable price
- It appeals to a mass market
There are not a lot of competitors
It is consumable (enables repeat sales)
It poses no danger to the public
You can explain it in a few short sentences
You have a patent or patents
It appeals to a wide age range
It’s manageable in size

If you need to understand the full process of developing a value proposition, check out *Value Proposition Design* by Alex Osterwalder, Yves Pigneur, Greg Bernarda, and Alan Smith. The authors describe different pain point levels and specific ways to connect with customers within the design process. The book includes templates and step by step instructions on how to get your value proposition right. And by getting your value proposition right, you will drive strong growth for your business.

“*Customer development starts with a shift in mind-set. Instead of assuming that your ideas and intuitions are correct and embarking on product development, you will be actively trying to poke holes in your ideas, to prove yourself wrong, and to invalidate your hypotheses. Every hypothesis you invalidate through conversations with prospective customers prevents you from wasting time building a product no one will buy.*” – *Lean Customer Development* by Cindy Alvarez

YouTube Video on Value Proposition Canvas > [https://www.youtube.com/embed/aN36EcTE54Q](https://www.youtube.com/embed/aN36EcTE54Q)