Lecture 11
Value Proposition Revisited, Personas and Competitors
Today’s Agenda

• Daily Scrum
• Elevator Pitch Contest Debrief
• Value Proposition Review
• Pitch Deck Continued
• Individual Office Hours Signup
• Key Takeaways
Let’s Scrum!

• Take a minute to reflect…
  – What have you done since yesterday?
  – What are you planning to do today?
  – Any impediments/stumbling blocks?

  – What else are you thinking about?
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Elevator Pitch Contest Debrief

• For each person:
  – How did it feel (as a spectator or presenter)?
  – How did you feel about our judges?

• For each team:
  – What feedback did you get about your business?
  – Will this change your focus? How?
  – How can we help you get to the next level?
Feedback from Judges

• Revenue model
  – Who’s paying you?
• Market size
• Go-to-market strategy
• Are you really solving a problem?
• Show them that you want it
• Ask for more feedback; put yourself out there!
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What is a Value Proposition?

• Why would my target customer find my product compelling and buy it?
• What kind and how much value does it create for him or her?
How to Define Value?

1. Define your target customer
2. Have a clearly defined persona (more on this next)
3. Understand who can provide the money
4. Quantify what the person with the money cares about, i.e. the benefits your product provides
   - What problem are you solving? What is it worth to them?
What is a Persona?

• **Not** just be a factual description of the buyer
• Social and emotional factors
  – What incents them
  – Their priorities
  – What they fear
  – What industry groups they belong to
  – Other factors that will influence the purchase and adoption of your product

Meeting the needs of your persona = meeting the needs of your market
Remember Vlad?

Male

Lives on Kutuzovskiy Prospect in Moscow

Little time

Recently moved into his new flat with his girlfriend

Works at VTB Investment Banking

He wants to be unique

Loves esquire, Forbes, afisha, pop, GQ

Current salary is USD 10,000/month

Loves Strelka and Ginza Projects

In summer he travels around the whole world

33 years old
Class Activity: Define Vlad

Tell us your company’s value proposition in 3 slides or less. Include the following:

1. Vividly describe your persona and his/her “as-is-state” today, pain point or great opportunity
2. Describe what your solution offers and the future possible state of the target user
3. Can you quantify the difference in a key metric?
4. How many Vlad’s are our there?
Help from Business Model Generation:
Value Proposition Presentations

• Things to think about:
  – What other problems might “Vlad” have?
  – Do you know “Vlad”? Make an introduction!
  – Is this solution valuable?
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#1: Define Yourself!

Who are you?
What do you do?
Why does it matter?
#2: Know Your Customers

• Clearly identify your target customers
• Group your potential customers
  – Students, Business Professionals, Farmers etc
• Why do this?
  – Potential for customization
  – Guidance for price setting
  – Targeted advertising
#3: Determine the Market Size

- Based on the customer profile and the market segment determine the total market size

- This is called the Total Addressable Market (TAM) – i.e. this is the maximum number of customers or dollars your product can acquire

- TAM is a key factor of a business plan
#4: Possible Pricing Schemes

- Free (but not for everyone…)
- Flat price for everyone
  - What is the price of alternatives?
  - What is your customer’s Willingness to Pay (WTP)?
- “Freemium”
  - Free for basic version
  - Charge to unlock other capabilities or to get another version
- Cost-based pricing vs. Price-based costing
  - Cost-based pricing: Determining the cost of a product, choosing a desired profit margin, and generating a sales price
  - Price-based costing: Choosing a desired sales price and costing out production to meet that sales price with a desired profit margin

More on pricing techniques later this week…
#5: What is the Competition?

• **Do your homework.** There is a competitor out there, somewhere. **Investors will ask.**

• Things to consider:
  – What are the alternatives to the service your product is delivering?
  – What else is out there? How accessible is it?
  – How is your product different?
    • Functionality
    • Quality
    • Price
    • Accessibility
Competitive Advantage

• Choosing your competition
  – Who do you want to compete with?
  – Why? How are they strong? Weak?
  – How is your product/service more appealing to customers? Why would they choose you?
Competitive Advantage

• Competitors have many advantages:
  – Existing customer base, and have tested the product
  – Financial resources and revenue streams
  – Existing infrastructure

• But you have:
  – Clean slate
  – Get closer to the customer and can see the problems that exist with established products
  – Can see from a new innovative perspective
Competitive Advantage

• Analyzing your competition
  – How long have they been in business?
  – What is their stated vision and mission?
  – What are their revenues?
  – What is their annual growth?
  – Who do they have key partnerships with?
  – How are they financed? Who are their investors?
  – What is their target market? What geographic location?
  – What are the advantages of their product?
  – What do customers think of them?
  – What is the web traffic on their website?
  – What patents do they hold?
  – What is their key competitive advantage?
Homework Assignment #9: Individual Exercise

1. List a group of your top competitors. If you cannot find any within Indonesia, find a similar international company.  
   – If you say you have NO competition, there is no market!

2. How do you group them (e.g. geography, size, focus)?

3. If you were YOUR competitor, how would you compete with you? List 5 weakness of your own business model, or places of improvement.

4. What creates value for your target customers? What is your major criteria to make your product better (i.e. price, quality, quantity, reputation, service)?

5. Best way to start is looking at customer, not your competitors.
Group Exercise

1. Go to your team and compare notes.
2. In 1 slide, provide a visual representation of your company vs. your closest competitors.
3. Present!
What does your customer value?
# Group Exercise Example

![Chart Key](chart_key)

## Chart Key
- Capability available / High Attribute Score (1)
- Capability available, but limited / Medium Attribute Score (0.5)
- Capability available / Low Attribute Score (0)

## Design Tool Capabilities

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<th>Collaboration Features (Designers/Social Networks)</th>
<th>Total Score</th>
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Pitch Deck Review

We’ve already accomplished a lot…

☑ Problem definition
☑ Solution description
☑ Market size
☑ Customer definition
☑ Competitor analysis and differentiation
Pitch Deck Review

What’s left?
☐ Revenue model
☐ Profitability analysis, financial forecasting
☐ Customer acquisition/go-to-market strategy
☐ The ask

Some this week, some in our team sessions
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Wrap Up and Review

• If we’re going too quickly, it’s ok, we know we are
• The goal of the steps is for you to gain an understanding for what you need to focus on as you look to make your idea a real business
• After the first 3 weeks of class, we will be spending the majority of the class time working individually with the teams
Office Hours Signup

- Each person will sign up for an individual 20-minute session with Lynn or Nicole
- Link will be posted on the AITI website
- Things to think about:
  - What is your favorite part of the class? The least favorite?
  - How is the workload? Are you enjoying it at least?
  - What can we do for you?
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Key Takeaways

• **Value Proposition**: help your customer understand why and just how awesome you are.

• Remember Vlad (your **persona**). He/she will unlock your market.

• A market without competitors is not a **market**. Find them, figure them out, and beat them.
• Check your e-mail and Facebook for any additional announcements.
• Sign up for individual office hours.
• Questions?
• See you tomorrow!