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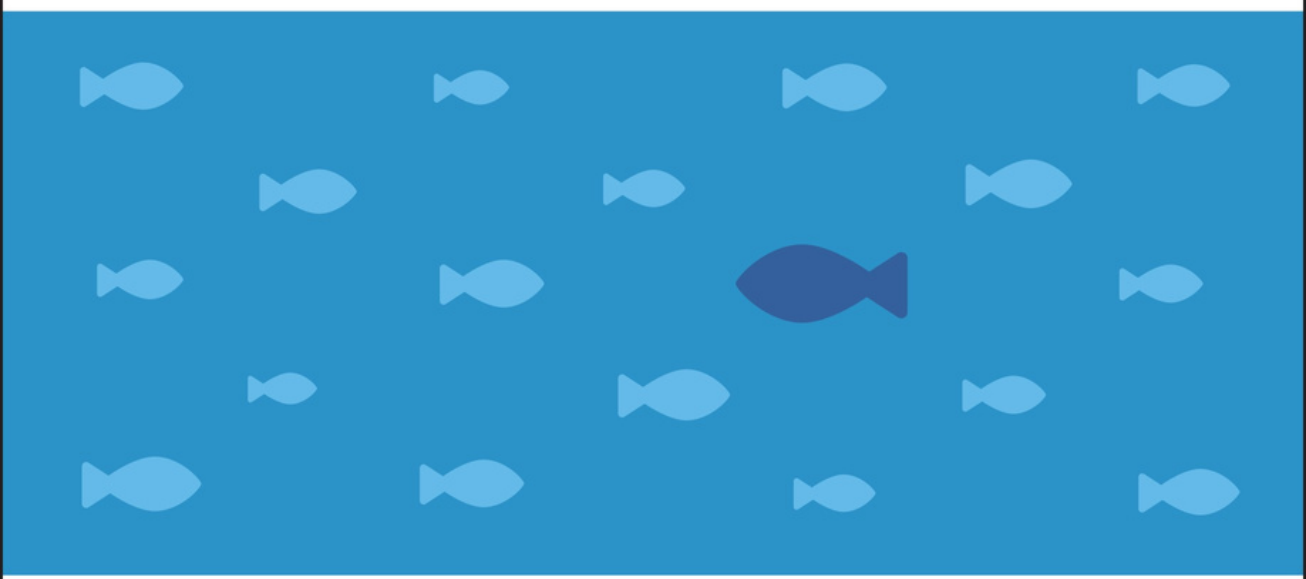
INSIGHT + IDENTITY + INNOVATION



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CHAPTER 4

DESIGN AND ALIGN VALUE PROPOSITIONS

"The value of identity, of course, is that so often with it comes purpose."

—Richard Grant, *actor, screenwriter, and director*

"What you think you become, what you feel you attract,
what you imagine you create."

—Buddha

"Design is a funny word. Some people think design means how it looks.
But of course, if you dig deeper, it's really how it works."

—Steve Jobs, *co-founder, chairman, and CEO of Apple, Inc.*

PURPOSE. MISSION. VISION. VALUES. There is a confusing array of concepts and terms. Which is which, and how do they relate? A cynic might consider such topics corporate navel-gazing at the expense of taking action.

Still, it's hard to argue with the power these inputs hold in strategy development. As we'll see in chapter 7, each profile company, and virtually every Fortune 500 company, uses corporate statements to guide decision making, align actions, build the brand, and steer the corporate culture.

Howard Schultz of Starbucks connects the company's purpose, brand, and culture this way: "I think the structural issue, first and foremost in building a brand and maintaining that equity, is establishing trust and confidence with the two constituencies, which are your people and your customers. And it can't be like 90 percent of the time, it's got to be 100 percent of the time. 'This is who we are, this is what we stand for.' This goes back to core purpose and reason for being. It all ties back. The equity of the brand has to be a reflection of the culture of the company. It can't be something off to the side. It is not an adjacency. It has to be fully integrated, where everything kind of matches up."[44]

THE ROLE OF CORPORATE STATEMENTS

Mission, vision, and values—which we collectively refer to as *corporate statements*—work together to inform decisions and obtain internal alignment:

Direction	Role	Analogy
Mission	Explains the organization's core purpose and direction.	The heart of your business
Vision	Describes the ideal future state. What do you want to be when you grow up?	The eyes of your business
Values	Describes what the organization believes in and how it behaves.	The soul of your business

Ask, does the decision we're about to make—where to invest, what we offer, who we hire—fit with the company's mission, vision, and values? If so, proceed. If not, reconsider.

Corporate Statement Limitations

Though mission, vision, and value statements are important inputs, there are limitations.

These statements, especially when reduced to a few words or phrases, can be ambiguous. Employees may wonder how to put the business into action: We have a mission statement . . . now what?

These aspirational statements tend to be internal rather than customer-driven. They may *talk* about being customer-driven, but the statements themselves are often void of specific customer benefits.

Furthermore, mission, vision, and values tend to operate at the corporate level and may lack relevance at the division or product level. In a desire to unify the organization, these statements get watered down. They don't provide the specificity necessary for strategic decision making.

Finally, corporate statements don't drive revenue growth. Customers can buy *into* a company's values, but they cannot purchase the statements. They buy offerings—products, services, and other elements of value.

TWO CRITICAL IDENTITY ELEMENTS

While corporate statements are useful, two additional strategy elements are needed for upstream marketing—the value proposition, and the brand strategy. The next chart describes both, and we discuss each in order.

Direction	Role	Analogy
Value proposition	Determines which benefits to stand for and deliver on to align with target customer needs.	The arms and legs of your business
Brand strategy	Establishes the long-term plan for developing and delivering an aspirational brand identity.	The face of your business

The *value proposition* is the missing link that connects customer needs with the organization, which guides how-to-win efforts.

Value propositions put customer insight into relevant business operational terms, making it easier to make decisions and develop action plans. A value proposition (or core offering) is where value is both delivered to and extracted from customers in the form of revenues.

Unlike a mission or vision statement, value propositions focus explicitly on customer needs, delivering concrete products and services people buy. Though an organization has one vision, mission, or set of values, it can have multiple value propositions and brand positionings across products and services.

Let's explore value proposition next, then pick up with brand strategy and positioning in the next chapter.

VALUE PROPOSITION EXAMPLE

In our consulting work, we often use Amazon to introduce the concept of a value proposition. First, we describe the core framework, then ask client team members to recreate it on paper or a dry-erase board, filling in and revising details as they go (see figure 4.1).

As you'll see, since the propositions tend to be multidimensional, the framework extends beyond a single statement. Also, to make it actionable, the template links customer needs with brand benefits and operational strategies.

Finally, the framework foreshadows the power of upstream marketing integration. Column one relates to insight. Column two to identity—communicable brand benefits. The third column relates to innovation.

When well-constructed, one value proposition element snaps into another like a magnet. As we'll show, a multiplier effect then occurs as each upstream principle—insight, identity and innovation—informs and reflects the other.

Value Proposition Template

What is Amazon's Value Proposition? **Amazon.com**

Customer Need/Situation	Customer Value Planks	Value Elements (Assets, Capabilities, Actions)

Figure 4.1

These are the prompts:

- In the first column, under Customer Need/Situation, describe Amazon's typical customer and broad need areas. Who is at the center of the bull's-eye, and what do they value? Group the needs into the top half dozen or so. Complete the statement: I need _____.
- Next, under Customer Value Planks in the second column (also called brand benefit planks) describe the benefits associated with Amazon. What does Amazon stand for and what core benefits does it deliver in meeting customer needs?
- Then, under the last column, Value Elements, list and organize individual assets, capabilities, and actions associated with Amazon. Individual value elements contribute to and build out the value planks and might include product and service components,

branded items, the online shopping experience, and other features. Across the organization, what is being done or could be done to deliver on the value planks? What are the reasons to believe?

- Revisit the summary template and improve it from two perspectives. First, moving from left to right, do the customer needs, benefit planks, and value elements align, so there is logic and order? Then, moving from top to bottom, are the key benefits that define Amazon captured?

Check and recheck the framework vertically and horizontally to determine other areas of value. Finally, present and discuss the draft framework with the group.

The result of the exercise? With surprising consistency, team members are able to describe Amazon's primary value set on one page. As massive as Amazon is, there is consistency in the brand's identity. Figure 4.2 shows an example developed from one workshop.

Value Proposition Development

Amazon Case example

Consumer Need/Situation	Value Planks	Value Elements (Assets, Capabilities, Action)
Convenient shopping experience	Any Time, Any Place Online Shopping	• 24/7/365 access, 1-Click ordering • Knows you, knows your preferences • Cross-channel capable (online, voice, in-person)
Variety and choice	Expansive Selection	• Widest product selection • Reviews and product information • Product suggestions
Speed and efficiency	Next Day, Same Day, Hourly Delivery	• One-day shipping, local deliveries • Logistics infrastructure • Low cost structure
Free shipping and easy returns	Amazon Prime (handled as sub-brand)	• With membership fee – Free shipping – Unlimited streaming of available movies – Book borrowing from Kindle – Etc.
Consolidated media purchases		

Source: EquiBrand Consulting analysis

Figure 4.2

Next, we probe and discuss Amazon. Which value planks are ante, driver, and reassurance benefits? How do customer needs sought and value planks relate?

Reading down the first column, the first three customer needs—convenient shopping experience, variety and choice, and speed and efficiency—are table stake requirements of most online shoppers. Amazon, though, has introduced differentiation through individual elements—1-Click purchasing, customer reviews, same-day shipping—to win with consumers.

The fourth and fifth planks, regarding Amazon Prime, emerged over time. Initially launched in 2005, Prime was Amazon's answer to customers' desire for free shipping, offering free two-day shipping for an initial $79 fee.

After a while, the Prime sub-brand evolved organically to include a host of other services, including consolidated media purchases and streaming music and video.

Amazon and Amazon Prime show how value stacks occur at different levels. Corporately, Amazon delivers certain benefits—convenience, choice, speed, and efficiency. Amazon Prime then taps into these corporate benefit associations, adding new value elements for customers seeking a subscription service.

Of course, Amazon has numerous other brands and businesses. Each has its own value proposition and may link with Amazon's core online retail business.

Across its entire portfolio, Amazon starts with the customer and then works backward to craft innovative value planks and propositions.

VALUE PROPOSITION FRAMEWORK

At the most basic level, a value proposition defines how to win by linking three things—customer needs, benefits sought, and assets and capabilities. When all three parts align, the organization creates and captures value. Let's take a closer look at each component in figure 4.3.

Value Proposition Framework

Customer Need/Situation	⟷ Value Planks ⟷	Value Elements (Assets, Capabilities, Action)
Deep insight into target customers' situation and needs	The set of benefit planks that fulfill customer needs	Products, services, programs, and operations to deliver the benefits customers seek

Figure 4.3

The customer need/situation describes the base-level needs of the target audience. What does your target customer desire? As described in Principle 1 on insight, you can obtain customer clarity through a variety of methods, including in-depth interviews, ethnographic studies, and data analytics.

Value planks, the middle column, define key benefits delivered to the target customer. These can be functional, emotional, self-expressive benefits, or expressed as jobs to be done.

The final column describes operational components used to deliver on customer needs and benefits sought. This consists of individual value elements—capabilities, competencies, and other assets the organization can provide.

Individual value elements combine to create value planks, which in turn form the total value proposition.

To unlock growth, a company can improve existing value

propositions or create entirely new ones. In some cases, value can be created by combining *existing* value elements in *new* ways. Consider for example how Amazon, Amazon Prime, and Whole Foods combine value planks to play off one another. Or how Apple's ecosystem of products and services integrate and work together.

Value Defined—What You Get for What You Pay

Value proposition development recognizes two basic ways to win: either lowering cost or differentiating through enhanced benefits. Value is defined by a simple formula, where it equals what you get for what you pay:

$$\text{Value} = \frac{\text{what you get}}{\text{what you pay}}$$

Value is increased either by adding benefits (i.e., value elements or planks) or reducing what customers pay through lower pricing. Often, companies do both—increasing what you get while decreasing what you pay. It typically makes sense to improve value by focusing on "what you get" unless the business is the absolute lowest cost provider.

Though it may seem like value elements are over-emphasized in this chapter (including the profile examples), these are the very things that create compelling propositions. The profile companies are excellent operators and understand customer delight is delivered through the details.

Also, consider that value is determined through the eyes of the customer—whether the benefits are rational or emotional, or tangible or perceived.

In both creating and tracking offering development, consider the role of a value proposition canvas.

CUSTOMER INSIGHT TIP

A value proposition canvas is a useful tool to both manage and quantify value planks, by tracking performance metrics. Here is a simplified illustration.

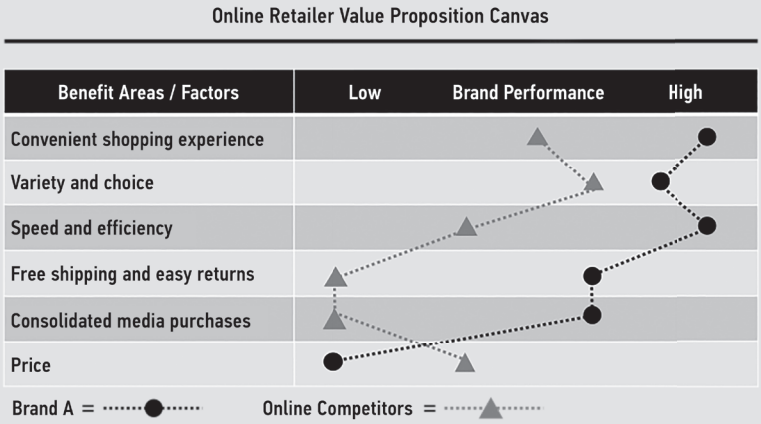

Figure 4.4

In this example, the benefit areas/factors in the left column are taken from the Amazon example from figure 4.2. Note Brand A's dominant performance across all factors, including benefit areas where competitor performance is nonexistent.

The value proposition canvas helps to visualize a company's or product's current strategic position and chart future strategies.

During internal strategy sessions, start with the "as is" canvas and then share a strawman "to be" version for reaction. This forces the team to think in terms of customer benefits (instead of existing product or services) and invites feedback. Quantitative research can then be used to map and manage client's brand performance across relevant metrics.

VALUE PROPOSITION EXAMPLES

Southwest Airlines

Southwest Airlines built its business keeping essential things simple and implementing them consistently. Southwest offers one plane type, one class of service, and no preassigned seats. It has a limited set of destinations, often at secondary, less congested airports. If you want to fly to Chicago, you'll find more flights to Midway than O'Hare. Jetting to New York? On Southwest, you'll likely land in LaGuardia, not JFK. At each airport, you *won't* be spending any time in Southwest Airlines' airport lounge. Southwest doesn't offer one.

Contrast this with major airlines like United, Delta, or American, which offer more amenities. Do some flyers value full-reclining leather seats, surround sound, four-star meals, and first-class treatment? Sure they do. Southwest just chooses not to target them.

Southwest targets a specific customer and aligns its people-first culture and business operations to deliver a winning experience (see figure 4.5).

Value Proposition Development

Southwest Case example

Consumer Need/Situation	Value Planks	Value Elements (Assets, Capabilities, Action)
Safely get from point A to B	**Fun, Friendly Flying Experience**	• Safe, clean planes • People-first culture • Intentional hiring
At a reasonable cost	**Low Fares/Efficient Operations**	• Secondary airports • One plane type • No meals
No hidden fees	**"Tranfarency"**	• Free checked bags • No change fees • Free live TV
Hassle-free travel, with no surprises	**Simple Experience**	• No first class • No assigned seats
Convenient schedule and purchase process	**Convenience and Coverage**	• Point-to-point (vs. hub & spoke) • Frequent departure times • Secondary (less congested) airports

Source: EquiBrand Consulting analysis

Figure 4.5

Let's dissect Southwest's five value planks. For many people, air travel is about getting from point A to B safely. These are table stakes needs, but also where Southwest excels through its "Fun, Friendly Flying Experience" plank. Southwest's industry-leading customer satisfaction and customer loyalty scores, delivered through its people, are clear differentiators.

Here's a personal example. All airlines are required to explain safety guidelines before departing. Most flight attendants drone on about the dos and don'ts before departing. One early morning, the Southwest flight attendant improvised this version: "Buckle your seat belts low and tight across your waist . . . (wait for it) . . . like J.Lo wears her pants."

That line struck more than a few people as funny that morning. Now when hearing, "Buckle your seat belts . . ." the Southwest version gets completed, if only in their heads, and gives a good feeling about the brand.

The added cost to Southwest for this real-life commercial and deepened customer connection? Other than keeping its employees happy and engaged, zero.

Southwest's next benefit plank, low fares/efficient operations, aligns internally with company operations and cost-saving measures. One example: Southwest uses only one plane type, the Boeing 737. Compare this with United, Delta, and American, who may operate ten or more types of aircraft.

Having one plane type results in lower maintenance and operational costs, which are passed on to consumers through lower fares.

The "Transfarency" plank delivers on the customer need for no surprises. Competitors charge to check baggage. On Southwest, you can check two bags for free. Competitors charge change fees. Southwest does not. Southwest also offers free live TV and all food is complimentary. This Transfarency plank represents a branded initiative for Southwest and is central to its positioning.

The simple experience plank provides a hassle-free experience. With no first-class section, Southwest streamlines food and beverage service. No assigned seats mean they fill quicker, with shorter plane time at the gate. Grabbing differentiation and efficiency where it can, Southwest resists the path of its competitors who instead squeeze more out of consumers.

The final value plank, convenience and coverage, is delivered through the company's point-to-point route structure, rather than the traditional hub-and-spoke model. Since secondary airports are less congested, Southwest minimizes ground time and improves performance. This allows for more direct nonstop routes and more frequent, conveniently timed flights.

While Southwest has low fares, it's often not the cheapest. Still, brand value is what you get for what you pay. By linking and aligning value planks—a motivated team, deep focus on the customer, and efficient operations—Southwest delivers a superior value proposition and financial performance that make it the envy of the industry.

Starbucks

Starbucks is a great example of how "commoditized" products can compete on value by stringing together a number of brand benefit planks.

At the most basic level, Starbucks markets three things: product, service, and atmosphere, crafted into a "third place" experience. It then combines these with a diversity, inclusion, and social impact plank to round out the offering.

Starbucks elevates the coffee-drinking experience well beyond a cup of joe for an estimated 60 million visitors per week who don't seem to mind spending $5 or so for a venti, skinny, vanilla latte or similar drink. Let's break down Starbucks' proposition, plank by plank (see figure 4.6).

Value Proposition Development

Starbucks Case example

Consumer Need/Situation	Value Planks	Value Elements (Assets, Capabilities, Action)
Great-tasting coffee to start the day	**Best Coffee in the World**	• Highest quality coffee, from top growers • Proprietary custom roasting process • Supply chain leadership
Service experience that feels like I'm valued	**Uplifting Service Experience**	• Customer intimacy (names, drink orders) • Mobile app digital engagement • Starbucks rewards program
Fits my community	**Local Coffee House Ambiance**	• Store designed to reflect neighborhood
A comfortable place between home and work	**"Third Place" Experience**	• Place away from home and the office • Free Wi-Fi, comfortable seats • Designed for work, study, socializing
A place I feel welcome and can trust	**Diversity, Inclusion, & Social Impact**	• Paid college tuition for partners • Community, ethical sourcing, environment • Racial bias training

Source: EquiBrand Consulting analysis

Figure 4.6

The first value plank ties to the core product—coffee—and sets a lofty goal: offer the best-tasting coffee in the world. Starbucks does this by controlling its supply chain—working directly with growers, overseeing its custom roasting process, and controlling retail distribution. Starbucks invests heavily here, given how vital this is to its business proposition.

Customer intimacy and personalization is the second plank. Starbucks seeks to deliver an uplifting experience with every customer, offered both personally and digitally.

Personally, baristas are trained to use customers' names, remember their drink orders, and have intentional conversations with them for a more intimate experience.

Digitally, through Starbucks' app and Wi-Fi service—patrons can order, pay ahead, and manage their rewards program.

It's not easy to provide a personal experience across roughly 30,000 stores, but Starbucks makes it a core value plank to direct both its people and company operations.

The third value plank centers on in-store ambiance, designed to reflect local culture and characteristics of each neighborhood. Starbucks avoids cookie-cutter store designs, knowing this adds to customer intimacy, builds loyalty, and solidifies the bond with its consumers.

The fourth plank recognizes that for many people, Starbucks is a comfortable "third place" (outside of home and work) to socialize and get stuff done.

Describing the strategy, Howard Schultz said, "Providing the world with a warm and welcoming third place may just be our most important role and responsibility, today and always."[45]

Ever the marketer, Schultz describes "third place" in terms of consumer benefits, but it's also a good business strategy. Offering a third place with free Internet, comfortable seating, and relevant menu options throughout the day also increases revenue at off-peak times.

The final plank speaks to Starbucks' diversity, inclusiveness, and social impact. These are employee-related values woven into every other aspect of the business. Howard Schultz said, "We built the Starbucks brand first with our people, not with consumers. Because we believed the best way to meet and exceed the expectations of our customers was to hire and train great people, we invested in employees."[46]

Nike

Nike's corporate proposition has changed over time to reflect the brand's shifting environment and business strategy.

In its early days, Nike emphasized three planks: product design,

endorsements from star athletes, and brick and mortar distribution. In other words, create Air Jordans, have Michael promote them, and sell them at Foot Locker.

Relying on mall-based and emerging online retailers for distribution, though, left Nike one step removed from its consumers. Nike responded by expanding its focus on direct-to-consumer (DTC) activities, serving athletes one-on-one via digital technology and direct distribution.

Just like Amazon added Prime, Nike carved out Nike Membership (initially dubbed Nike Plus) to organize and combine its DTC efforts, including beefing up and integrating mobile apps and related tech-enabled offerings.

Creating a separate value proposition at a level below, but aligned with Nike's corporate proposition, allows Nike Membership to tap into corporate brand benefits while layering on other consumer-direct benefits (see figure 4.6).

Value Proposition Development

Nike Membership Case example

Consumer Need/Situation	Value Planks	Value Elements (Assets, Capabilities, Action)
Access to Nike products in one place	**Nike Branded Shopping Experience**	• Direct online access to Nike footwear and apparel products
Stay on top of what's new with Nike	**Member-Exclusive Products**	• Early access to new products • Exclusive access to member-only products • Favorite gear reserved in your size
Improve athletic performance	**Expert Guidance & Advice**	• Chat with real athletes to get recommendations on training and products
Connect me and my community	**Connect to Sport, Anytime, Anywhere**	• Access over 100 on-the-go workouts, weekly challenges, and personalized training plans
Expand and personalize my experience	**One-of-a-Kind Experiences**	• From courtside to race day, get priority access to events and sessions

Source: EquiBrand Consulting analysis

Figure 4.6

Nike Membership, which requires consumer email capture, integrates its fitness technology value elements all in one place, resulting in multiple benefits. Members reap the rewards, while Nike learns about consumer preferences and shopping habits to personalize future brand engagements.

Nike Membership is the enabling platform for Nike's consumer-direct offensive. It is central to Nike's DTC strategy as the company seeks to lead consumer fitness technology and grow its online sales.

BENEFITS OF A STRONG VALUE PROPOSITION

A strong value proposition offers numerous company and customer benefits. It:

Creates a multidimensional definition of brand value. The strongest offerings encompass a broad set of customer benefits in the form of value elements and planks. Many brands launch with a narrow range of benefits and then expand them over time. Consider that each plank provides an opportunity to innovate and enhance overall value. So, improve planks and expand their numbers. In general, the more benefits, the higher the perceived value.

Surrounds and deepens the relationship with end customers. Creating customer experiences that extend far beyond a product sale leads to enhanced brand value. Wherever possible, surround the consumer with touchpoints to broaden and deepen their experience. Like Amazon and Nike, move beyond the core offering and provide new features, subscriptions, quality cues, and digital integration.

Drives strategies and actions across the organization. Think of a value proposition as a statement of strategy—what the brand should stand for and deliver on. The one-page framework is a great tool to literally get the team on the same page strategically. Each functional department should ask how it can better align and integrate with other departments to unlock growth and improve customer value.

Provides strategic guideposts to focus innovation and assess opportunities. While brands are valuable assets that can and should be extended selectively (as described in the next chapter), there is a risk of stretching them too far. A strong value proposition helps identify opportunities and makes it easier to say no to initiatives that don't align.

What Makes a Strong Value Proposition?

Successful brands and businesses must be relevant to customers, be unique versus competitors, and be sustainable, as shown in figure 4.7.

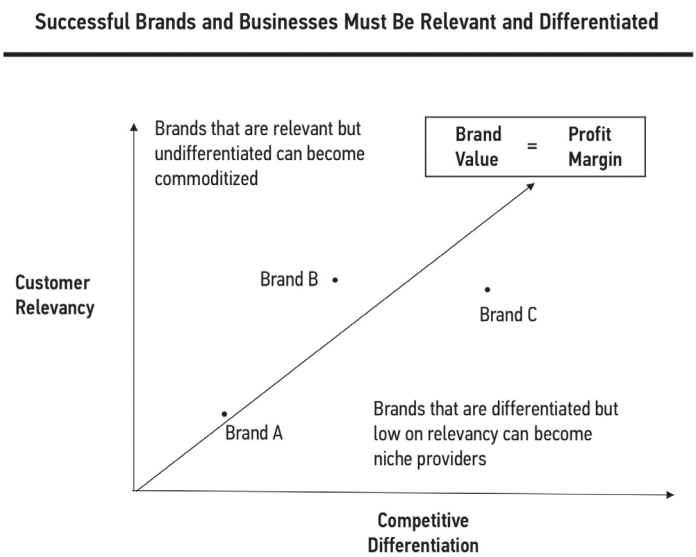

Figure 4.7

Ask the following questions when evaluating business propositions to ensure they clear three hurdles:

- **Relevance:** Do the value planks offer meaningful benefits to customers? Relevancy is the first-order requirement. If the value elements are not relevant, it doesn't matter how distinctive they are.
- **Distinctiveness:** Are the planks unique compared to other offerings in the marketplace? Not every value plank needs to be differentiated, but the sum of the whole must distinguish itself from competitor offerings.
- **Sustainability:** Can you credibly deliver the offering and make money, both today and in the future?

These same criteria are used to evaluate brand positionings, which is discussed in the next chapter.

HOW TO DESIGN AND ALIGN VALUE PROPOSITIONS

Creating a value proposition is more than organizing needs, benefits, and capabilities into a chart form. In some cases, it requires creating completely new business offerings—new companies, business models, products, and services—top to bottom. In others, it involves refining existing planks or establishing new ones. Here are some practical steps to design new offerings.

Step 1: Obtain Deep Customer Insight.

In Principle 1: Insight, we covered the need to define your purpose, look closer, think deeper, and establish the to-whom, for-what framework.

These inputs provide requisite consumer, marketplace, and technical insights for creating value propositions. What are the benefits customers seek, their trade-offs and friction points? What jobs do customers have that need to be done?

When creating value propositions, group similar needs, using the

benefit hierarchy or ante, driver, reassurance framework explained in chapter 2.

Step 2: Define the Scope—At the Corporate, Business Unit, or Product Level.

Value propositions occur at multiple levels within an organization. Think Amazon versus Amazon Prime, Nike versus Nike Membership, or Disney versus Disney+.

In designing value propositions, if you can, start at the corporate level so these planks can then cascade down to division, category, and product levels, where they can be leveraged, modified, or supplemented with new ones to improve target-specific relevance.

This further promotes a clear identity and consistency across the organization.

Step 3: Unpack and Assess Individual Value Elements.

Unpacking and evaluating assets, capabilities, and actions helps uncover new opportunities.

Start by listing things like core competencies, brands, products, services, programs, and other elements of your business that add value. Does your organization have strong capabilities in technology, design, sourcing, logistics, or advanced manufacturing?

After unpacking individual value elements, consider assembling them in new ways to create new value. You may find your organization lacks specific capabilities, in which case plan to build or acquire them.

Also, consider the role new technologies—digital products, network models, and Internet-of-Things applications—might play in creating value.

Step 4: Ideate, Prototype, and Test Value Propositions.

Drawing on inputs from Steps 1–3, begin modifying existing or creating new value propositions, using focused ideation and iterative concept optimization. The process involves several sub-steps and is fully detailed in Principle 3: Innovation.

In the early stages, create and optimize concepts at the individual plank level. Then, combine them into the integrated whole. After initial feedback, refine ideas, moving from written concepts to drawings, mock websites, and physical prototypes. With greater confidence in the concept, allocate more resources to moving toward completion, iterating as you go.

The phrase "design thinking" is sometimes used to describe this process, which is further explored in chapter 6.

DESIGN THINKING IN UPSTREAM MARKETING

Design thinking is a concept used in strategy development that has gained broader acceptance within the business community. While the phrase is relatively new, the approach is not.

Walt Disney used design thinking to bring his ideas to life. This included brainstorming, storyboarding, and concept optimization—all standard methods in design thinking.

A case in point involved creating Snow White and the seven dwarfs—Scrappy, Dirty, Cranky, Sappy, Jumpy, Weepy, and Hungry. Did you catch that? These were some of the earlier possibilities the Disney development team considered before landing on Grumpy, Happy, Sleepy, Bashful, Sneezy, Doc, and Dopey.[47]

The core premise of design thinking is to solve problems creatively by beginning with the end in sight.

The process is iterative and can involve several rounds of ideation, prototyping, and testing. Customer feedback is obtained early and often, to reshape solutions and get closer to the final answer.

With its roots in product design and human factor engineering, design thinking has broad applications across marketing, product development, and

continued

other functions. Use it to build innovative products and systems and enhance the total customer experience.

While the profile companies may not explicitly use the phrase, design thinking is evident in the sleekness of an Apple device, the interior of a Starbucks store, and across Nike's product portfolio.

Their products have a clear design orientation, and this is carried over into how they conduct business.

Step 5: Align Your Organization to Deliver.

The final step in validating and launching new businesses includes filling operational gaps and aligning your organization to deliver.

Practically, this means working in tandem with cross-functional teams to understand, prioritize, and align internal initiatives with benefit planks.

Deliverables from this step include business strategy rationale (what worked and why), overarching strategic implications, prioritization of initiatives, and the plan to bring the value proposition to life.

MINI CASE EXAMPLE

It's conceivable to be so focused on end customers that you miss other factors in creating value propositions. We were hired by a mobile tech startup to help develop a consumer value proposition and brand strategy for a new mobile phone concept. The product concept was brilliant: a simple, five-button mobile phone so tweens and their parents could safely stay in touch. While families loved the idea, large phone carriers, which commanded over 90 percent of the market, had no interest in opening their infrastructure to the startup. The lesson: A well-designed value stack should consider and align all marketplace factors in operationalizing the offering.

VALUE PROPOSITION Q & A

Q: Is there a right number of value planks?

A: In general, the more value planks, the better. This is because customers typically prefer more, rather than fewer benefits. Still, adding benefits can get overly complicated and costly. While there is no target number of benefit planks, four to six is a good starting point.

This range offers customers enough value to derive benefits while providing the company with a reasonable set of planks to manage.

Also, it's better to develop fewer, more robust benefit planks than create too many that compete for your customers' attention. In other words, put more wood behind fewer arrows by combining individual value elements into broader plank ideas. Amazon and Southwest did this through Amazon Prime and Transfarency, respectively.

CUSTOMER INSIGHT TIP

Quantitative research can help determine the appeal of individual value planks and how they combine to represent the optimal set.

The basic idea is to measure the appeal of one value plank—first on its own, and then as part of the entire set—to understand the combined effect of the offering. In other words, how many people find a single value plank appealing? Then, after adding a new plank to the existing one, how many new customers are attracted to the offering?

continued

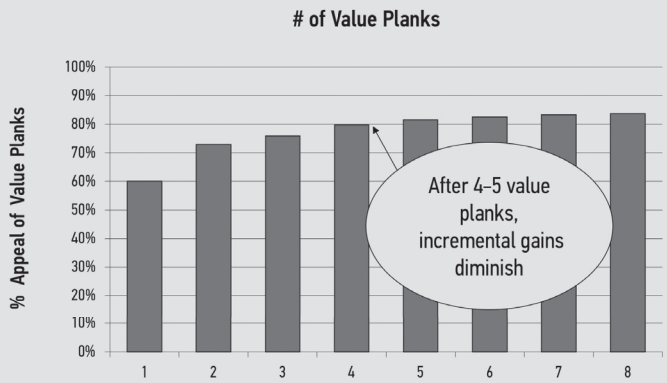

Figure 4.8

As shown in figure 4.8, while adding new planks increases value, at some point diminishing returns set in. After that, the customer attraction levels off.

The implication? Stop adding new benefits and invest elsewhere. Returns are unlikely to increase after a certain point.

Q: Is there a desired order to the planks?

A: Customers tend to consider and purchase complete value propositions rather than individual planks. Therefore, the plank order shouldn't matter. Internally, however, identifying the most critical planks first can help focus your organization.

Often one benefit—typically the category ante benefit—outsizes the rest in terms of customer appeal. Other planks then increase overall appeal, bring in new customers, or differentiate your organization from competitors.

Planks work best when they work as a team. One plank establishes the ante, additional planks differentiate from competitors, and another offers reassurance.

Consider a hypothetical example for Nike running shoes. Most of

the value is in the product itself—what a runner laces up before heading out the door.

Let's say this contributes 70 percent of the utility—it's the main reason to purchase Nike. There is also value, though, with Nike Membership to inspire fitness and record workouts. Maybe this adds another 10 percent of the worth. Then there is the intangible value of the Nike brand, say another 5 percent tied to *Just Do It* and the emotional benefits associated with the brand. Layer on ancillary benefits and the Nike value proposition outperforms that of its competitors.

Of course, consumers don't actually calculate value this way, but it's a useful exercise for business leaders. The more you can do to elevate brand benefits, the better the overall value proposition for consumers.

Q: Do individual planks need to differentiate?

A: The short answer is no. It's the *combination* of value planks—the entire value stack—that must differentiate your organization from competitors.

Individual planks often operate at the ante or table stakes level: All banks need to offer easy access to your money, fast-food restaurants should be quick, convenience stores must be convenient. These benefits are required to get in the game, with limited opportunity for differentiation.

Value planks extending outside core category benefits provide the potential for distinctiveness. Figure 4.9 provides examples of value planks only tangentially related to the core that increased competitive differentiation.

Category	Value Plank	Capability/Action
Medical Devices	Patient education to help reduce anxiety with device implant	Standard-setting patient resources at every touchpoint (in office, online, at home, post-op)
Credit Cards	Extend membership privileges beyond standard services	Preferred seating at concerts and sporting events
Home Repair	More convenient scheduling to fit the way people live	Ability to track service calls online, with a guaranteed 2-hour service window
Packaged Food	Homemade taste with coffeehouse presentation	Online recipes with a few accessible mix-in ingredients instead of "just add water."

Figure 4.9

The key is uncovering customer needs, then using creative problem solving to define value planks and operational activities to support them. Find a need and fill it.

Q: Where's the cost plank?

A: While cost and pricing are important considerations, a separate cost plank is typically *not* part of a value proposition. Instead, price is the basis by which customers evaluate the *entire* offering. So, set cost aside, at least for a moment, and focus on value first.

You may find customers are willing to pay more than you initially thought for a combination of unique value elements. Use strategic pricing to deliver enhanced value through a good, better, best pricing model, for example.

Programs like subscription services, extended warranties and money-back guarantees can provide value perceptions that outweigh

the cost of service. Ultimately, a cost-benefit analysis needs to be performed, though by elevating value perceptions, you can often obtain better pricing and higher margins.

Developing value propositions and making customers aware of them are related but separate concepts. It's possible to have a strong offering that is poorly communicated and nobody knows about.

In this case, a value proposition is like a light under a bushel—it cannot offer benefits if no one is aware it's there. In creating value propositions, it's equally important to develop a strong brand in support of the offering, as described next.

QUESTIONS TO CONSIDER

1. What value propositions are offered today at the corporate, division, and product level?
2. Is there alignment across customer needs, brand value planks, and company operations?
3. What opportunities exist to increase value by introducing new benefit planks or by surrounding the customer in more meaningful ways?