Value Proposition and Customer Segments: Crash Course Business - Entrepreneurship #3

Crash Course: Business - Entrepreneurship
https://youtube.com/watch?v=m2IPvT920XM
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When we use the word “value,” we’re usually trying to describe something’s worth, importance, or usefulness to us.

I value your opinion. That’s nice.

That hat seems like a great value for the price. Cha-ching! He had nothing of value to say and completely talked over the professor the whole time.

Rude. And when it comes to entrepreneurship, value is everything. Value is the core of any business, and it directs all future decisions, innovations, and customers that get targeted.

Even if we’ve thought about the big picture, if we can’t explain how an idea makes someone’s life better, then why should anyone pay attention? So let’s talk strategies to answer the two fundamental questions at the core of any business model: “What value do I deliver?” and “Who are my customers?” I’m Anna Akana, and this is Crash Course Business: Entrepreneurship. [Opening Music Plays] Sometimes business jargon can seem confusing, but here’s the trick: the words usually have pretty literal meanings. Since value means worth, a Value Proposition is the worth you offer to your customers.

Typically, a value proposition is a sentence or paragraph that clearly articulates what your service, business, or organization does, who it brings value to, and why it’s valuable for those people. It should be clear why someone should choose your company over the competition. Value can be something tangible like offering products at a lower price or higher quality, or something more abstract like better customer service.

For example, Slack is a messaging app designed to reduce email and streamline team communication -- or, in their words, “make work life simpler, more pleasant, and more productive.” Slack states the value for the customer right up front with their value proposition: Be more productive at work with less effort. No matter the business idea, a value proposition saves us precious time and money. Without thinking about value, we risk developing something that customers don’t need or want.

Cheetos lip balm anyone? No takers? You sure?

Alright. And don’t get me wrong, creating a value proposition can seem daunting. We have to be confident in ourselves and the work we’ve done to develop our ideas.

Anna 1: So… what are you worth? Anna 2: Excuse me? Anna 1: What are you worth?

What’s your value? Why should people care about you and your work? Anna 2: Uh, I guess...

I tell stories with my art that help people find meaning and feel less alone… but also, how do you even judge the value of a movie or a song or YouTube video or ANY art, you know??? When we write a value proposition, we have to think about two main things: first, the experiences of our customers and second, the capabilities of our product or service. If we’ve got those down, it’ll basically write itself!

To make sure we’re covering our bases, we can use the Value Proposition Canvas created by a company called Strategyzer. Half of the work is understanding customers. Gotta catch ‘em all!

And to do that, there are 3 main questions to ask: Number 1: What are their jobs? And this is a little confusing, but I don’t mean their literal jobs. More like… what do they do at work and in everyday life, and what problems do they have?

Number 2: What pains do they experience, like risks, obstacles, or bad outcomes? And number 3: What positive gains are they looking for and receiving? Everyone is trying to maximize gains and minimize pains, or at least strike a healthy balance.

So we entrepreneurs can try to tip the scales towards gains. After considering the customer experience, we can turn the spotlight onto our potential business with 3 response questions: Number 1: What products and services are we offering customers to help them complete jobs? Number 2: Is what we’re offering a pain reliever that cuts out risks, obstacles, and bad outcomes?

And number 3: Better yet, is what we’re offering a gain creator? Together, customers and products help us define our value! So let’s get down to the nitty-gritty details of writing a value proposition, shall we?

In order to figure out the jobs, pains, and gains of our customers, we have to find them and get nosy about their lives. But keep it professional -- this is entrepreneurship! Leave your Facebook stalking skills out of it.

Some might call this research finding your target market, the people most likely to buy from you. There are lots of ways to connect with potential customers, but industry favorites include: interviewing them one-on-one, holding focus groups, or conducting surveys -- either in person or through an online service like SurveyMonkey. Remember, the goal is to learn from potential customers to turn your idea into a top-notch solution to a problem, whether you’re working on spill-proof takeout containers or more affordable childcare.

So sleuth out the Who, What, Where, When, Why, and How of your target market. Who do you think or know is experiencing the problem? How old are they, do they have a family, or do they speak different languages?

Are they a cat? Please say they’re a cat. I understand them.

What are they doing when they experience the problem? Are they working at a desk job, crafting something, or exercising? Maybe they’re hiding under a blanket away from the world and their problems until they crumble into dust.

Where are they experiencing the problem? Are they at work or at home? On a plane?

A train? An automobile? When are they experiencing the problem?

Is there a time of day, week, or year? Is it a seasonal problem? Maybe it changes with the phase of moon and the flow of the tides -- we can’t help it when Mercury’s in retrograde.

Take it from a Leo. Why are they experiencing the problem? Why are others not experiencing the problem?

And, like, why me? Why is it always me??? And, finally, how are different people experiencing the problem differently?

How are they learning to cope with the problem or develop their own solutions? I mean, ignoring the problem is an option. But, uh, not always the best way to cope.

Says my therapist. All these questions paint a picture of who we’re dealing with, and give us a peek at their jobs. And when we’re dealing with value propositions, customer jobs can be functional, social, or emotional.

Functional jobs are what we’d traditionally recognize as work that

pays the bills. A big mistake when writing a value proposition is only focusing on the functional jobs of our customers. But customers feel social obligations to look good or support their community.

And emotional jobs are all the work we put in to grow as humans. The ultimate goal of understanding customer jobs is to get into their heads. What they do illuminates what they value, or what they'd like to value.

Entrepreneurs want to change the status quo. So if we know what customers value, we can figure out how to get them what they want in a new or better format. Remember the point of the value proposition: why should people choose you over everyone else?

Disruption is one strategy to give customers value, and it's a hot business vocab word. Instead of challenging existing markets and trying to make our idea stand out in a field of others, why not create a new market (often called a blue ocean) so our idea is like a seed sprouting a whole new garden? Here, we're not talking about value that comes from lower prices or faster delivery -- we're talking about letting customers achieve the same jobs in a totally new format.

Like once upon a time, radio was the cream of the crop for media in everyone's home. Radio listeners had two needs: one, to be entertained, and two, to stay informed. And radio met those needs by broadcasting different programs, from music to dramatic theater to news.

Then, along came television -- a new, disruptive media format that entertained and informed people. Because TV achieved similar customer needs in a fresh way, TV entrepreneurs didn't have to compete within the world of radio. They built their own world, created new value, and maybe even found new customers who weren't interested in radio at all.

Of course, we know jobs don't come without pains. We're all human. The struggle is real.

So when we think about our customers, we need to consider what risks or annoyances are getting in their way. If we can address those pains, that means we'll create a better business with more value. If a customer's job is applying to college, some pains could be: the clunky admissions website from 2002, application fees and tuition costs, a lack of family support, or the trade-off between working to earn money now and shelling out money for another degree.

And customers wouldn't do jobs at all without gains, which tell us what they need or want to experience before or after a job. Sticking with that college application example, the gains might be: better career prospects, a higher salary after graduation, exposure to new thoughts and ideas, a fresh start, or new friends. Now how are you going to help them - product Now that we've researched our potential customers, we've filled out half of our Value Proposition Canvas.

Or you can sort all that knowledge with one of those conspiracy investigation walls with pushpins, multiple colors of string, and newspaper clippings. You do you. It's your value proposition.

Using all this info, we can prune our big entrepreneurial idea to make sure our products and services are truly alleviating pains, creating gains, and adding value to people's lives. Once we've done this, our value proposition will be flourishing. To see how, let's go to the Thought Bubble.

Stitch Fix is a personal styling service that sends clothes and accessories to people. It has customers all across the U. S. and soon across the U.

K. Those customers have many jobs to do, but an obvious one is to shop for clothes. Let's think of Stitch Fix customers as busy, technology-savvy people ages 25-50 living in the U.

S., of all genders, and working across all fields. And they've been willing to consistently spend some money on fashion. They might be pained by lots of things, like no time as they try to juggle work and family, a limited budget, living far from clothing stores, or having no idea what their "body type" is.

Pear? Apple? ... Pineapple?

After exploring their target market, Stitch Fix offers pain relievers like a mobile app for convenience, different packages for different budgets, doorstep delivery, an easy return system, and personally styled wardrobes for different body types. Now, these customers might shop for clothes because they want gains of looking good and feeling confident in and out of the workplace. So Stitch Fix wants to deliver that gain.

But they also create new gains using technology, like their surveys for measurements and preferences, algorithms, and personal stylists to help their customers feel good about the clothes they get and save time by not wandering around a mall. Combining all this information, Stitch Fix came up with the elegant value proposition: "We save our clients time by doing the shopping." If we were to get a little more detailed for them, we might say, "Stitch Fix leverages technology to save working clients time by using personalized measurements, preferences, and stylists to shop for clothes, which are delivered straight to their doors." Thanks, Thought Bubble! After all this thinking and research, our value proposition is done.

So when you're asked "What are you worth?", squish down that panic. You put in the work, so show 'em what you've got. Anna 1: So… what are you worth?

Anna 2: My audience values entertainment and authentic connection. So I use writing, acting, motion graphics, and music to tell stories that make people feel less alone and highlight the complexities of the human experience. Also cats.

Today, we learned about value and how customer-driven thinking can help us show off what our business has to offer. By understanding customer jobs, pains, and gains, we can make sure our products and services alleviate pains or create gains. And then -- boom -- we have a value proposition, a statement basically saying why we're better than anybody else.

Next time, we'll target the competition. Well, not target them like in target practice. But we will talk about how to figure out who you're competing with in this entrepreneurship arena, and what can be learned from observing them.

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