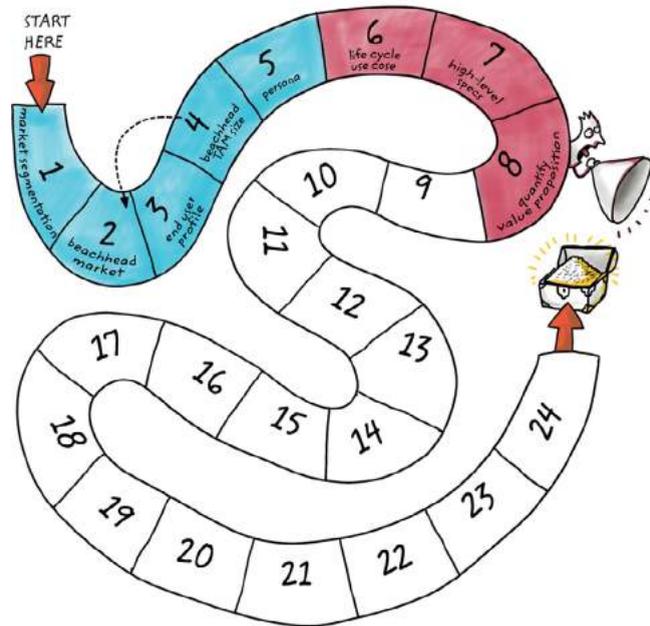


# STEP 8

## Quantify the Value Proposition

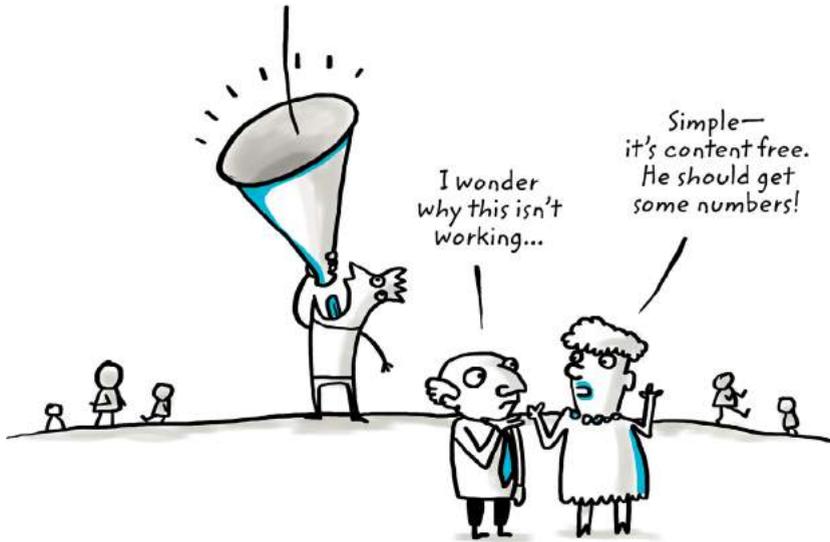


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## IN THIS STEP, YOU WILL:

- Determine how the benefits of your product turn into value that the customer gets out of your product.
- Calculate quantitative metrics (in most cases) to show this value to the customer.

Superfantastic!!!  
Awesome!!!  
Soooo much better  
than anyone else's!!!



*The relentless march for specificity continues. The Quantified Value Proposition gives you a concrete understanding of the measureable benefits your product will bring to your target customers.*

“When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it . . . your knowledge is of a meager and unsatisfactory kind.”

—*Lord Kelvin*

**Y**our Quantified Value Proposition converts the benefits your Persona gets from your product into a tangible metric that aligns with the Persona’s top priority, or in some cases priorities.

Products often have a large number of benefits. For instance, your product may help a customer simplify a process or reduce their environmental impact, or help a business gain additional sales for their own products. In a simple view of the world, benefits fall into three categories: “better,” “faster,” and “cheaper.” The goal of the Quantified Value Proposition is to clearly and concisely state how your product’s benefits line up with what your customer most wants to improve.

The Quantified Value Proposition focuses on what potential customers want to gain rather than going into detail on technology, features, and functions. When a customer purchases a product, they are asking themselves, “What value do I get out of this product?” Customers must justify the investment required to acquire your product by offsetting this against how much money your product will make for them, or how you will improve their life in a way that really matters to them.

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## **ALIGNING YOUR VALUE PROPOSITION WITH THE PERSONA’S PRIORITIES**

You’ve already identified the top priorities of the Persona. You have charted your Full Life Cycle Use Case, so you understand how your customer will use your product.

You will now create a value proposition focused on the criteria you identified as your Persona’s top priority. If their top priority is time to market for producing goods, and your product’s value is that it will lower the cost of production, your value proposition—“Our product saves \$XX per month”—will not persuade your target customer to buy your product. Your value proposition is not aligned with their highest priority, so purchasing your product will not be a high priority for the target customer, and will get lost in their pile of less-than-urgent things to do. If your product also lowers the time to market, you should focus your Quantified Value Proposition on that.

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## KEEP IT SIMPLE: THE “AS-IS” STATE VERSUS THE “POSSIBLE” STATE WITH YOUR PRODUCT

Once you know the priority of your Persona, simply focus all your efforts on this factor. Set up a simple comparison of the “as-is” state that does not involve use of your product and then compare this to the “possible” state that you are confident will exist when the customer is using your solution. In both cases, you make it as quantifiable as possible. The difference in value between them is your Quantified Value Proposition. It is that simple. Don’t make it too complicated.

Once you are able to state your Quantified Value Proposition in one sentence, create a supporting diagram showing the “as-is” state as compared to the “possible” state that visually illustrates the value your product has to the customer. Also, be sure to use the words of the customer in your diagram so they can understand that it is customized to them—or at least to their industry.

Define the “as-is” and “possible” states so clearly that any target customer will easily be able to understand, agree or disagree, and then comment on the assessment. It will also really help you understand in depth the key area where your new product will add value, and give you credibility with the customer.

Be sure to make the numbers in the “possible” state ones that you are highly confident your product can attain. You do not want to be too aggressive and fall short of what you set as an expectation. Often, entrepreneurs are much too aggressive in claiming how beneficial their product is to customers. As a result, they fall short of expectations and lose credibility. Even if they do something impressive, that value is offset by a loss of credibility for the new venture. Following the mantra of “underpromise, overdeliver” is very wise, especially for new B2B ventures trying to build up credibility, because the B2B environment depends on stable, consistent vendors.

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## EXAMPLES

### **SensAble Technologies**

The SensAble Persona we selected was an industrial designer in the toy industry. The Persona could be applied to the footwear industry as well because the two industries are similar. The top priority for the Persona (particularly because it was a priority for the Persona’s management, a critical part of the decision-making process for purchasing new products) was time to market for new toys. For new toys based on currently hot movie or video game characters, less time to market means less turnaround time before being able to sell toys around that temporary window of opportunity. For new toys based

on a movie, less time to market means the company can gather more information about how successful a movie might be before manufacturing toys for it. (Shoe designers also prioritize time to market, as it allows them to put out more designs in a year.)

As such, we first determined the average time to market for a new toy using the current software available. We were careful to see the development process the way the customer does—in this case the toy manufacturer—using the customer’s own words to describe the process. We iterated with one toy manufacturer until they believed we had it right; we then went to another toy manufacturer to see if their process was similar. After a while, we believed we had defined a very good “as-is” state for the process that captured the essence without getting into insignificant details. We also validated the process with footwear companies and found that the process was identical between the two industries.

Then, we mapped how long each stage of the process would take using our product (see Figure 8.1), based on our Full Life Cycle Use Case.

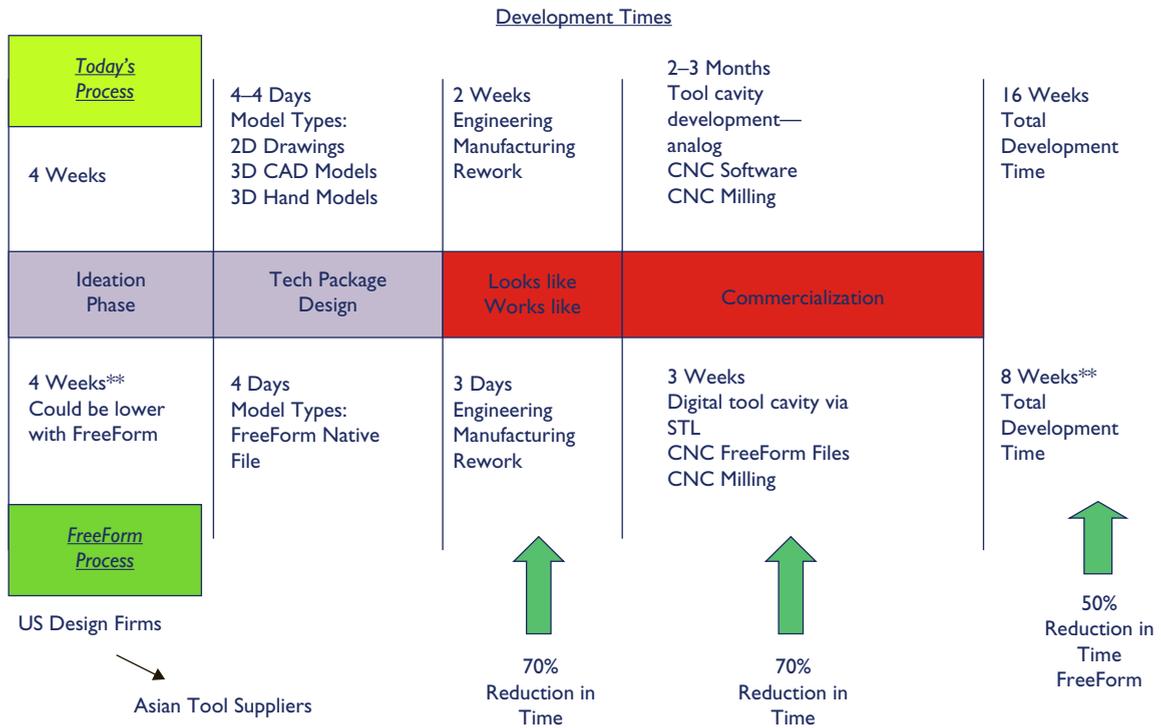


Figure 8.1 SensAble quantified value proposition.

The 50 percent reduction in time to market our offered product could mean both increased profits of hundreds of thousands to millions of dollars per toy or shoe line. We did not have to express our value proposition in dollars because the actual dollar amount would vary widely. Also, manufacturers were fluent enough in their process to know what a 50 percent reduction in time meant for them. The manufacturers could take that number to anyone in the company and they would understand that value. This worked extremely well and is an excellent example of a Quantified Value Proposition.

### **InTouch**

Not every value proposition is a clear-cut number. One example is InTouch, a hardware/software product for first-time mothers-to-be who wanted a higher level of intimacy with their unborn child. The system would be a patch or belt the pregnant mother wears, with sensors near the fetus that would read the heartbeat and other vital signs of the unborn baby. The system would then take all of the data it had collected and put it through their proprietary algorithm and indicate whether the baby was healthy, stimulated, and happy. For instance, the mother could read to the unborn baby and then see if this made the fetus more or less “happy.” Or, it could be simply to check the baby’s heartbeat and general health.

You might consider this an unconventional idea (and you are in the majority), but that does not matter as long as there is a large enough target market that finds this concept attractive and compelling and, most of all, is excited enough about it to motivate them to pay for such a product.

The team knew the Persona’s top priorities were to have reassurance that the fetus was okay and to establish intimacy with the unborn child. The team determined the “as-is” state to include expensive and cumbersome heart-rate monitors, imprecise and unpredictable intuition, costly and inconvenient professional ultrasounds, and the haphazard and uncomfortable consultation with “Dr. Google” online (Figure 8.2).

The “possible” state was using the inTouch product—which only existed as a High-Level Product Specification at this point—and gaining deep intimacy rapidly. They did not have to quantify the intimacy gain because their visual representation of the “as-is” versus “possible” states resonated with the first-time mothers, who validated it for them.

### **Meater**

This team started with biosensor technology that was significantly better than what was currently available in the market at the time in terms of size, efficiency, and pricing. They went through the

At the moment, Michelle can use...



Heart-rate monitors



Intuition



Professional ultrasound

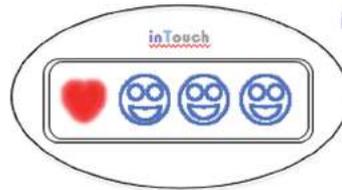


Consult "Dr. Google"

With **inTouch**, Michelle may...



read to her baby,



then receive feedback.

**inTouch** technology is proven

- Data Collection
  - Heart-rate
  - Movement
- Intellectual Property
  - Algorithm that correlates data to positive response

**Facilitating intimacy and providing reassurance.**

**inTouch**

Connecting mummies with their babies

Photos: gadgetrivia.com  
mothering.com  
sheknows.com  
parents.com  
allvoices.com

Figure 8.2 *inTouch* value proposition example.

process to determine an appropriate beachhead market and settled on the cattle ranching industry. The proposed solution was a biosensor that could be affixed to a cow's ear, much like how cows are currently tagged, to detect disease earlier. Sick cows identified earlier can be separated from the herd, reducing infection rates, and allowing more effective treatment of diseases due to earlier detection than current methods.

The Persona, a rancher, was primarily driven by money. The Persona had no personal attachment to the cattle; making as much money as possible was by far the rancher's top priority.

First, the team determined the current economics for a typical herd of cattle (the "as-is" state), verifying it with numerous ranchers and refining it until it was clearly valid and credible. The team then determined the "possible" state from using their product, making some conservative assumptions they could support with compelling validity evidence, and then showing how much money a

## Disciplined Entrepreneurship

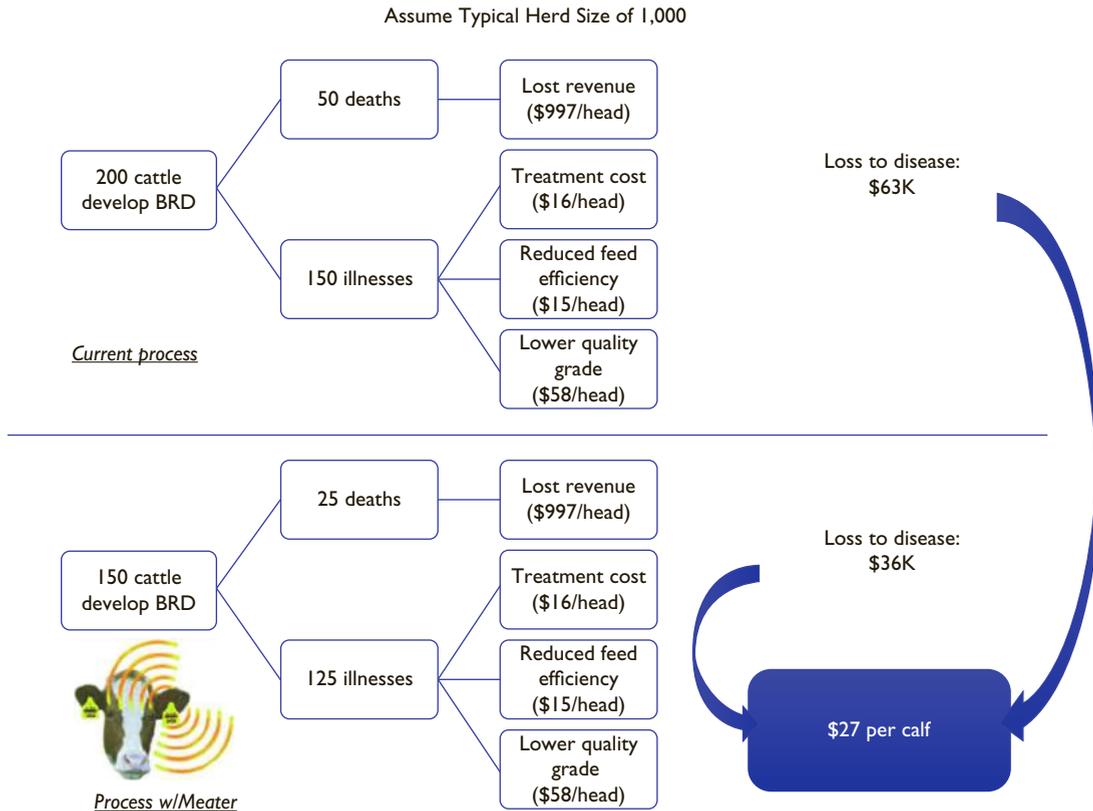


Figure 8.3 Meater loss-to-disease comparison.

rancher would save by using their product (Figure 8.3). The difference between these was their Quantified Value Proposition. This could easily be quantified because the Persona's top priority was something very measurable—money.

This was a compelling and highly specific Quantified Value Proposition that made it much easier to engage and quickly close their target customer on acquiring the product. It will also be of great help in later steps when the team looks to determine its Business Model and Pricing Framework.

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**SUMMARY**

The Quantified Value Proposition is framed by the top priority of the Persona. You first need to understand and map the “as-is” state in a way familiar to the customer, using the Full Life Cycle Use Case. Then, map out the “possible” state of using your product, clearly indicating where the customer receives value based on the Persona’s top priority. A visual, one-page diagram is best, because the customer can easily see the Quantified Value Proposition and can show it to others for validation. When done well, this will be of immense value to you throughout the process of launching your business, so extra effort spent to get this optimized is well worth it.

