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Product development excellence

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Value Proposition Development

A roadmap

Most organizations do not have a shortage of ideas. What they do miss is a structured approach to develop a customer oriented value proposition that can be realized.

Questions many organizations have are:

- **When do you start value proposition development?**
- **How do you develop a value proposition?**
- **How do you determine which value proposition is the best?**
- **How do you transform a value proposition into an implementation plan?**
- **How do you measure the benefits of the value proposition?**

The lead architect

thoroughly reviewed the application and thinks it is possible to integrate with SAP. He discovered an open source module on the internet enabling the development team to quickly build a set of Web Services. "This will open up the SAP market for us!" he claims enthusiastically. The developers have been informed as well as the development manager and the team can start working on building the integration capabilities immediately.

The sales director

Just visited a prospect and returns to the office enthusiastically. This is a large company with an excellent image he wants to add as a customer. On his way back to the office he exactly worked out what proposition he needs to close the deal. He asks the team to already start developing the proposition.

Two examples of good ideas, but do they really satisfy any customer needs? And is this a specific need of a single customer or of an entire market segment? Does the proposition stand a chance in the market? Can the proposition be realized? How much does it cost to implement the proposition and what are the customers' benefits?
These are all relevant questions which you want to be answered to be able to make the right choices and decisions, ensuring you will offer the right proposition to the right audience at the right moment in time, maximizing the return on your investment.

How do you develop a value proposition in a structured way? Synergio's roadmap for value proposition development helps you to improve your propositions. As a result you know what to do and how to make the right choices and decisions to develop the right value proposition.

When to start with value proposition development?

Companies continuously monitor the market through conversations with customers and prospects, keeping a close eye on the

competition and timely detecting changes in technology and regulatory. Companies do this to be able to decide if updates of the current products and services portfolio are needed.

Basically there are two situations that imply the need for a review of your portfolio:

1. The performance of the current products and services does not live up to the expectations of the company anymore. Revenue is behind target, the number of new customers is decreasing or profit is lower than expected.
2. There are new and relevant developments in the current market place, for example changes in regulatory. Acquisitions, mergers or bankruptcies have occurred or new technologies have become mature enough to enter the market.

If one of these two situations occurs, it might be time to review your portfolio and identify required updates and changes.

How do you develop a value proposition?

Companies like Unilever and Philips use the Value Proposition House (VPH) to develop differentiating products and services for their customers.
The VPH serves as a reference point for the marketing department to develop a communication and promotion plan. In addition the VPH is used as a starting point for the development of the product or service.

The VPH includes the following elements:

- Target audience
- Voice of the Customer and Business
- Benefits
- Reasons to believe
- Competitive environment
- Discriminator
- Brand positioning

Value proposition development starts at the company's vision and strategy. Each new proposition needs to contribute to the overall company goals. The proposition development process provides information to the development, marketing and sales teams, enabling them to realize the proposition and capitalize on it.

Synergio's roadmap for value proposition development distinguishes 4 phases, helping you to take a structured approach to develop each new value proposition:

1. Develop market and customer insights
2. Develop concept value propositions
3. Specify the value proposition
4. Assess the commercial viability of the value proposition

Develop market and customer insights

Companies mostly have a good view on who their customers are, which market segments they successfully operate in (or not) and which products and services are successful in the market.
This information is useful to identify which additional customer needs can potentially be satisfied in addition to the current needs.
The goal is to learn which customer needs in adjacent market segments can be satisfied with an adjustment or extension of the current portfolio. This is low hanging fruit and an opportunity to grow!

To measure is to know

Roadmap

1. *Determine goals and scope of the proposition*
2. *Collect available information and identify missing information*
3. *Collect missing information*
4. *Share and discuss the newly acquired information in workshops and develop new market and customer insights*
5. *Validate the new insights with customers in the target audience, select and refine the best insights*
6. *Validate the selected insights against the vision, strategy and brand positioning of the company*

Develop concept propositions

As a result of the above steps you have developed a better view of what the customers in your target audience need, enabling you to develop concept propositions.

The goal is to choose the best concept proposition for further development.

To be able to choose the best concept proposition you have to rate each proposition.

Use the elements of the proposition house by scoring each proposition house element from 1 to 5 for each concept proposition.

How well does each concept proposition score against the customer needs? In addition how well does each concept proposition score from a discriminator perspective?

You can add as many criteria as you need. For example: How well does the concept proposition contribute to the vision and strategy of the company?

Trial = error

Roadmap

1. *For each concept proposition fill in the proposition house*
2. *Validate the concept propositions with the customers in the target audience, select and refine the best concept propositions*
3. *Validate the concept propositions against the vision, strategy and brand positioning of the company and with the purchasing intention of the target audience*
4. *Start with the initial assessment of the technical and commercial feasibility.*

Specify the value proposition

The best value proposition is going to be developed into a product or service or a combination of the two.

Important is to align customer needs with your company's goals and ensure you identify and eliminate discrepancies.

The goal of this phase is to gain a better and more detailed view of the proposition, by specifying the characteristics of the value proposition.

That's when you really demonstrate the value proposition satisfies specific customer needs.

Clarity

Roadmap

1. *Formulate customer needs and company goals (Voice of the Customer and Voice of the Business) and identify additional stakeholders and their needs/goals*
2. *Identify the most important components that make up the value proposition*
3. *Formulate the characteristics of each component of the value proposition. This makes the proposition specific.*
4. *Validate the characteristics of the value proposition really contribute to satisfy one of more needs/goals*
5. *Write an initial implementation plan*

Don't fling money

Roadmap

1. *Identify the market size and the market share your company wants gain*
2. *Relate benefits to goal and needs of the value proposition and translate these into time and money*
3. *Relate the cost to the components of the value proposition*
4. *Calculate the expected return of investment in terms of time and money*
5. *Identify risks in terms of project risks (unable to realize the value proposition), business risks (unable to get a return of the investment) and identify mitigations for each risk.*

Assess the commercial viability of the value proposition

An important aspect in deciding whether to invest in the development of a new product or service is the prediction of the return of investment.

Not all details of the proposition are clear at this stage, but it is important to start an initial estimation of the cost and revenue of the new proposition.

This initial estimate is worked out in more detail during the development of the value proposition.

In short: Make a first business case and keep refining this business case as more details become clear during the development of the value proposition.

Conclusion

Synergio's roadmap for value proposition development enables you to develop new value propositions in a structured way. It helps you to improve your view on customer needs and to translate this view into a new product or service that customers truly value.

The flow of new ideas in your company can continue and now you have a structured process to validate whether to invest or not. In other words a guarantee for success!

If you would like to know more about Synergio's roadmap for value proposition development and how your organization could benefit from it, please contact Synergio via e-mail info@synergio.nl or phone +31 (0)85 273 5185