

UNIT – V

VALUE PROPOSITION DESIGN

BUSINESS VS START-UP:

At the risk of information gaps, while also focusing on rapid understanding and opening a thread that allows us to continue talking and delving into future articles, I will try to condense some of the criteria that should help you when choosing a methodology:

Design Thinking

Starting Point

- Start with a **problem or challenge** to solve (example: how to improve the customer service experience in our organization).
- Environment of **uncertainty**
- **No urgency** (the time we have to complete the entire process of research, definition, ideation, and prototyping is not a decisive factor)
- The team and **economic resources** are available to develop the process with guarantees.

Objectives

- To **understand** the depth of the **challenge**.
- To exactly **define** who our **clients** are.
- To **stimulate the creative process** through continuous flow of divergence and convergence.
- To **generate a great number of ideas** about how to resolve the challenge.
- To **refine solution ideas** until we find the best one to resolve the challenge in the eyes of the client.
- To search for **facts and truths** outside of the office.
- To **reduce the risk of failure in a new product by building prototypes** in order to, after successive iterations, validate with the client that the design best meets their expectations.
- The **process can be extended over time**, especially in those cases in which the investigation phase results in complexity.

Discoveries

- **Extensive information** resulting from research, categorized and grouped by challenge and solution.
- A **solution** that satisfies the actual needs of the client, that is technologically viable, and is realistically executable.
- The **connection** between the specific challenge and solution.
- Innovative ways to **resolve complex problems** through a systemic vision.
- The experience of **creative and collaborative** work.
- A new team mindset oriented around the resolution of problems using innovation.

Lean Startup

Starting Point

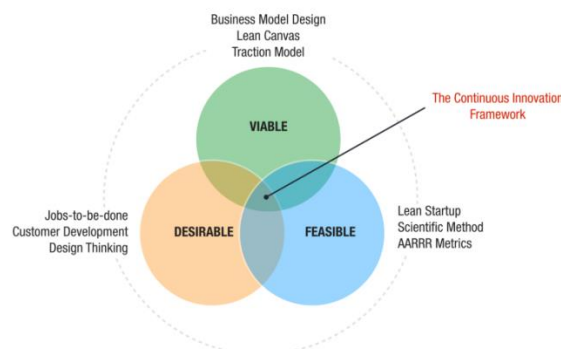
- Start with a **business idea** already in mind (example: a group of entrepreneurs have come up with a new formula and want to launch an energy drink for runners using only organic ingredients).
- **Begin with a hypothesis** about the problem, the solution, the clients, and every aspect that ties into the business model.
- There is an **environment of great uncertainty** (examples: new or barely explored market, no certainties of who the consumer will ultimately be, questions about the investment needed, etc.).
- **Shortage of resources** (time and money). This is not “cheap” innovation, but a focus that the “failure” isn’t expensive.

Objectives

- **Product/Market-fit**
- Confirm if potential customers really **experience the problem** like you assumed. See how much it affects them. Did you actually hit the target, or is your real customer base different from the one initially targeted?
- Test whether or not your **solution** really solves their problems.
- Is there a **market** big enough for your business model to be profitable, repeatable, and scalable?
- Search for **facts and truths** outside of the office.
- **Velocity**. The key is not to hit the market first, but to be the first to learn if the product can actually work. This needs to be determined as soon as possible, before the window of opportunity closes and resources are used up.
- Reduce uncertainty by building a **Minimum Viable Product** that allows for hypotheses validation, measurement, and learning as much as possible.

Discoveries

- **Sufficient information**, derived from the experiment metrics, in order to facilitate rapid decision making each time an MVP is built (do we stay the course or pivot?).
- A **validated business model** (problem-solution-market).
- A **solution** that satisfies the needs of the customer; a solution that you are certain fits the users’ expectations, it has been validated it with experiments.
- A **market** that has been confirmed through many tests that measured the capacity to grow your customer base.
- The understanding of your “**engine of growth**”, which will create traction for our business model.



BRIEFING THE PROBLEM:

DESIGN PROBLEM

A number of houses have been broken into on my street. It has been noticed that the number of strangers walking down our street has increased lately and house holders are becoming concerned about the security of their houses. The police have advised people to make their houses look as if they are occupied when they go away for a holiday or even out for the evening. This may deter a potential thief from breaking into either the house or garage.

The Neighbourhood Watch scheme has also been introduced recently and this has helped people feel more secure. However, even though neighbours will keep an eye on your property if you decide to go out and leave the house empty, they cannot watch twenty four hours a day.

Often even the police ignore house alarms when they are activated because of the high number of false alarms.

DESIGN BRIEF

I am going to design and make a security device that will make my house look occupied when, in fact, it is empty. Police statistics clearly show that houses are much more likely to be broken into when they are empty. Consequently, if the house looks occupied it is likely to be safe.

The device will be mobile so that it can be moved from room to room, easy to set up and control and also cheap to make. It must not be powered by mains voltage and in this way it will be completely safe to be left 'on' for a long time and will not be affected by power cuts. It will be activated by anyone approaching the hose from the front or back.

It must deter even profession crooks from taking an interest in our house and even convince people in the street that the house is occupied.

PROBLEM VALIDATION AND USER DISCOVERY:

There are tons of ways to reach out to potential customers, including, but not limited to:

- Your existing network
- Your email newsletter
- Contacts on LinkedIn
- Facebook groups
- Reddit
- Slack communities

Customer discovery interviews are followed by a bigger step, which is customer validation. Customer validation revolves around building an MVP and trying to sell your product (hypothetically speaking) to the target groups you uncovered in the customer discovery process.

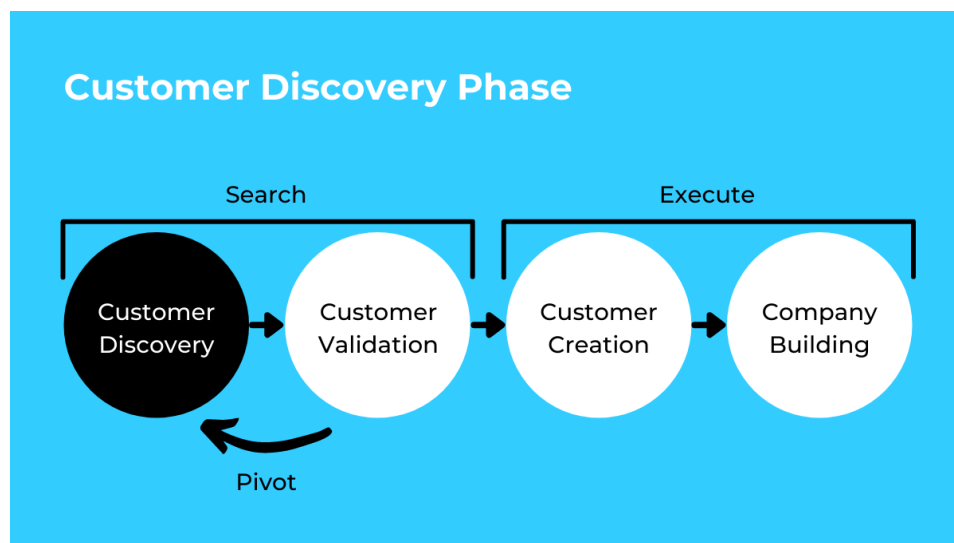
After validating your problem, it'll be time to do the hard work of actually developing the solution. You will now have all the necessary insights and feedback you need to create an amazing and useful product, so go ahead and do it.

Remember that the actual development phase is an iterative process as well. You might still need more customer feedback while building and testing your product, so don't be shy to conduct more interviews with customers from your problem validation stage.

Once you land on a product version that feels right, you can go right ahead and take your product to market.

The last thing you need to do before launching is to develop an effective **go-to-market strategy**. For this, you will need:

- Clearly defined goals for the business
- Target markets and audiences to tackle
- Brand positioning and product differentiation tactics
- Key channels for promotion and distribution
- Your marketing strategy for taking over the industry



CHALLENGE BRIEF:

The Challenge Brief consists of:

- A clear statement of the problem (root causes, key stakeholder groups, etc).
- A discussion of why it matters (what's at stake).
- An articulation of what's needed (prioritisation of gaps that need to be filled).
- A set of strategic objectives for meeting those needs.

The Challenge Brief will draw from the Starting Point Assessment and Root Causes and Contributing Factors, aggregating the results of the exercises and activities into a comprehensive, cumulative document. This document will include:

Problem Statement: A clear and concise description of the nature, characteristics and scope of the problem you are dealing with, or opportunity you are responding to. Who is this a problem for? How does it play out? Where? Why? It also articulates What's at Stake, laying out the case for action and the potential consequences of inaction.

Impact Goal: A clear and concise statement of the specific impact you wish to deliver, towards which all other elements in your endeavour are oriented. While you are not yet ready to develop solutions, now is the time to develop your vision of what an end goal for a solution would be. What is the ultimate goal that will guide an innovation team through the journey, and will enable you to get 'buy-in' from stakeholders? A good goal statement is expressed in terms of the change in conditions we wish to make.

Design Criteria: A set of measurable criteria that you can use to make a judgement on whether a proposed solution is viable and is likely to contribute effectively to you reaching your Impact Goal. Developing your design criteria helps you to 'ground' your goal. It provides those who will search for potential solutions, or look to invent a new solution, with a set of criteria that the solution should meet. What these criteria are will vary considerably from problem to problem. They may be very specific, or quite high level.

Questions: A set of questions that will guide the next phase of research. Even after your Starting Point Assessment and the work on Root Causes and Contributing Factors, you will find there may still be many unanswered questions. The next phase of work – where you search and then adapt or invent your solution – ought to be informed by additional, more in-depth research (now that you've honed in on your target).

Assumptions: A list of assumptions that have been made in your understanding of the problem. What assumptions have you made about the problem? Could you have made any about the potential solution, particularly in your design criteria? Tracking and testing these assumptions will be a major activity during the invention, pilot and scale stages of the innovation management process.

Risk: A risk matrix. Risk is a function of probability (likelihood) that an adverse event might play out, and the impact (or consequences) of that event. In humanitarian emergency environments, risk is compounded by the volatile nature of the operating context, and the vulnerability of crisis-affected populations (key stakeholders in your innovation journey).

PROBLEM INNOVATION SCORE:

Writing an effective design thinking problem statement requires research and brainstorming before you begin.

Let's go through the three steps to create a problem statement with a mock project management software company to make the process easier to grasp.

1. Identify

Ongoing product discovery is the basis for design thinking problem statements.

Establishing a product experimentation culture or sending out surveys about a particular job-to-be-done (JTBD) gives you a starting point. Ask yourself: what problems are users facing, and which are most important to them? How can we create customer delight?

For our mock project management company, identifying user problems could look like this:

- A product manager (PM) regularly reviews recordings of new users going through product onboarding. The PM notices that a particular user segment drops off more than others at Step 3 of onboarding, which is to migrate tasks from their current project management software into the new dashboard.
- The product team sends a survey to this user segment with open-ended questions to learn about their goals and challenges.

2. Frame

After identifying an opportunity, you need to investigate further to understand potential causes or paths forward. Nasko Terziev, a Senior Product Designer at Hotjar, recommends teams think of the product narrative and end-to-end user journey to home in on critical moments.

3. Outline

Now it's time to consolidate everything into a design thinking problem statement. Here are five formulas you can use as a starting point:

1. **(User) needs a way to (outcome) because (driver).** For example: new users need a way to quickly migrate tasks because they'll cancel their trial if onboarding takes too long.
2. **(Audience) wants (outcome), so we will deliver (product) to achieve (result).** For example: new users want to add existing projects to their new account quickly, so we'll create a way to import data so they spend less time onboarding.
3. **'How might we' statement.** For example: how might we make adding existing project information faster?
4. **Our users want to (task). How can our product achieve (result)?** For example: new users want to add current projects to the app. How can our product make setup easy and enjoyable?
5. **Who, what, where, why.** For example: new users want to migrate projects, but they're dropping off at the current step because input options are limited.

STRATEGY FOR ARRIVING NEW BUSINESS PLAN

A business strategy is a roadmap or plan that establishes your goals and the actions or steps needed to achieve the end goal. These guiding principles should be shared throughout the organization to help your company reach its objectives.

1. Develop a true vision.

Vision is an abstract word that means different things to different people. Classically, a vision or vision statement is a snapshot into the future. It should include aspirations of what type of company you want to be, and, unlike a mission statement, articulates what success looks like in clear terms (customers, markets, volume, etc.).

2. Define competitive advantage.

At the essence, business development strategy is identifying how a company can deliver unique value to its customers. In many sectors of the economy, companies are stuck in a sea of sameness. A well-thought-out business strategy should consider how a company can create space from competition in its service offering, pricing model, delivery system and more.

3. Define your targets.

One of the most significant barriers to a strategic business plan is poor targeting. Absent of very specific targets, companies suffer from unclear messaging and thus misalignment between sales and marketing. Defining niches and specialties allows companies to focus resources (of course, some companies are generalists by design).

Clear target markets give a company the ability to create an integrated sales and marketing approach, where marketing enables sales productivity. Sales and marketing plans are executed more effectively when targets are tight.