



Session 10 – Solutions and Unique Value Proposition

“Perfect is the enemy of the good.”

This proverb, which is commonly attributed to the French enlightenment writer Voltaire, is useful for entrepreneurs to keep in mind when they begin to create solutions for their customers’ problems. Seeking a perfect solution – one that will satisfy all potential customers completely – is a fool’s errand that will rob you of your most valuable asset – your time.

This video focuses on the process of developing a viable solution by developing solution hypotheses and a compelling unique value proposition. Then, in the next video, we’ll talk about how to gather evidence to validate these crucial components of your business model.

The first step toward developing a good solution is to know what benefits it needs to provide to your customers. Thinking about the job customers are hiring you to do and what they’re really willing to pay for can help you to make educated guesses about the key benefits your solution needs to provide. Your best guesses about key benefits are solution hypotheses.

To provide a concrete example of how to develop solution hypotheses, consider The coIN Loft in Wilmington, DE, which offers shared, co-working office space to its customers. The job The CoIN Loft is being hired to do is to provide office space and a sense of community. Its customers are individuals or small teams who need a place to work and social support while they are starting new businesses or working as freelance designers and developers.

There are lots of features and benefits the coin Loft could provide to its customers – it could provide private, lockable office space, wireless internet access, access to conference rooms, free coffee, legal and accounting services, photocopying, printing, social and networking events, free parking, business mentoring, educational workshops, computing resources, the list goes on and on. The key for the coIN Loft is to figure out the set of features and benefits their customers **MUST** have to be willing to pay for the service and choose it over competing alternatives. Otherwise they’ll end up trying to do too much and add a lot of unnecessary costs. The coin Loft’s best guesses about the set of features and benefits their customer **MUST** have are their solution hypotheses.

Once you’ve developed your solution hypotheses, you can begin to think about the single most important question any startup business needs to answer: “Why will

customers buy your solution instead of a competing offering?" Your answer to this question specifies your unique value proposition.

A product's unique value proposition can be defined as "a clear statement of the benefits the solution will provide to customers that are different from and superior to the benefits provided by competing products."

A compelling unique value proposition is crucial to startups because customers will only be attracted to something new if it offers vastly superior and differentiated value; otherwise, it'll just be easier and less costly for them to continue doing whatever they're already doing to solve their problems.

To develop a compelling unique value proposition, you'll need to think about what your solution will actually do to solve your customers' problem, what points of pain you're relieving, and what gains you are creating.

A good value proposition gets customers attention. It gets inside their heads and focuses on the benefits they're going to receive when they use your product.

For example, what's the unique value proposition for most Apple products? Are iPhones technically superior to Android? Do they offer more functionality? I'd argue generally "no," but they are easier to use and have very attractive design factors that give their owners a sense of style and superiority over users of other types of phones. So, the answer to why someone buys an iPhone over a Samsung phone is because the iPhone is easier to use and more stylish.

There's a wide variety of potential benefits or sources of value that can make a product unique relative to competitive offerings and appealing to customers. These include the products:

- performance or function – what it does
- its newness
- its degree of customization or personalization
- the way its designed or its form factor
- the symbolic meanings that it conveys to others when they see a person using it – like status meanings
- its potential to reduce the customers costs or risks
- the convenience and usability of the product
- the positive feelings and emotions it evokes when you use it
- its price or affordability

The trick with determining your unique value proposition is to make sure you are emphasizing something about your solution that will be perceived as highly desirable by customers. If your solution isn't different and better in ways that customers care about, then you'll have little chance to succeed.

A story from Peter Hay's *Book of Business Anecdotes* provides a good illustration of this point. When F.W. Woolworth opened his first store, a merchant on the same street tried to fight this new competition. He hung out a big sign: "Doing business in this same spot for over fifty years." The next day Woolworth also put out a sign. It read: "Established a week ago; no old stock."

For some customers, the fact that a store has been in business for a long time might be important; but having new, fresh inventory seems like a more compelling value proposition for most customers.

One important thing to remember when you are figuring out what makes your solution unique is that "true competition isn't defined by who you think they are, it's defined by who your customers think they are." For example, a bike company might need to think about skateboard and scooter companies as competitors if customers view them as alternative forms of personal transportation. If a customer uses something else to solve the same problem you are trying to solve, that something else is your competition, even if you think their product has nothing to do with yours.

Ernest Addo: "Unique value proposition is a very big term, but all that it means is whatever you are offering to the market you have to have something unique about it. Think about the analogy I always use is the Apple iPad and the Kindle. The Apple iPad is expensive it has good resolution and able to do exactly what the customer is looking for, but it's expensive. It's not meant for nearly everyone. Whereas the Kindle does nearly the same thing the Apple iPad does, but it's relatively inexpensive. So that unique value proposition was doing something nearly the same as your competition was doing, but figuring out if you can do it better and cheaper. That is a unique value proposition."

Once you have figured out your unique value proposition, you'll know how to communicate with customers about your product. All of your communications and all other aspects of your marketing program need to convey and reinforce your unique value proposition.

For example, all communications about BMW cars tout them as "the Ultimate Driving Machine" and IBM consistently emphasizes that its products are helping to "Build a smarter planet." These short, simple statements convey the company's unique value propositions to their current and potential customers.

One final point, try to keep your unique value proposition as simple and straightforward as possible, because, in the words of Albert Einstein: "If you can't explain it to a six year old, you don't understand it yourself."