# Value Proposition Matrix<sup>TM</sup> Building successful products and services

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"We believe successful value proposition development comes through the integration of user, concept, and market perspectives.

Using the value proposition matrix has two outcomes. First, it will prompt go/no-go decisions as the many, and various determinants of success are checked off the list. Second, the tasks worked through build up a complete definition of what you're going to launch and what it will take to make it a commercial success."

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Whitepaper Value Proposition Matrix<sup>™</sup>



### Frontier Smart Radio case study

In 2014, radio technology company Frontier Smart Technologies launched a chipset that enabled consumer audio manufacturers to create smart audio products incorporating voice assistants from Google or Amazon.

Five years later, the technology was discontinued and the \$10m invest in R&D was **The situation today** written off.

#### Could that outcome have been foreseen?

The smart audio technology that Frontier developed was highly regarded for its technical merit and the user experience it enabled. However, Frontier and its prospective customers were entering a market dominated by Amazon, Apple, and Google.

Frontier's business model was to sell its chipsets to device manufacturers who paid a per-unit price for the company's solutions. As a result, Frontier's revenues were closely tied to the volume of audio devices that the manufacturers were able to sell.

The problem for these companies was that their smart audio products were competing head-to-head with smart speakers offered by the tech giants<sup>1</sup> – at a time when Google and Amazon were subsidising their respective speakers (Google Home and Amazon Echo) as they battled to establish their respective ecosystems in consumers' homes.

The consumer audio brands could not compete against this pricing; their sales volumes fell far short of expectations, and Frontier was never able to generate the revenues required to recoup its investment. The company exited the sector in 2019.

In 2019, Frontier was acquired by Science Group, and today it develops and sells technology solutions for DAB/DAB+ radios and SmartRadio<sup>2</sup> devices. The company's technology is best-in-class, and its customers include leading audio brands such as Sony, Yamaha, and Panasonic.

Having sold over 50 million units and continued investment in technology enhancements, Frontier retains its core focus and delivers positive returns to its new owners.

#### Lessons learnt

Hindsight is a great thing. Many companies look back at successes and failures, postrationalising decisions made, and outcomes achieved. The challenge to innovators particularly those breaking new ground - is to do a better job of conceiving and executing new value propositions.

### This leads to a pointed question: What is best practice for developing new value propositions?

## Introduction to the Sagentia Innovation Value Proposition Matrix<sup>TM</sup>

The purpose of the Value Proposition Matrix<sup>™</sup> is to help clients develop successful new products and services. This task is important for two reasons:

- 1. New product development processes are timeconsuming and expensive.
- 2. Too many new products and services fail to meet their original forecast objectives.

Sagentia Innovation's Value Proposition Matrix™ addresses these issues, providing a framework for clients to develop and assess proposals using three lenses:

- User
- Concept
- Market

Whilst most organisations recognise the importance of these lenses, it can be challenging to apply appropriate levels of rigour and balance to all three perspectives.

The Frontier case study illustrates the point. User needs were clearly identified, and a robust technology concept was developed, but the market appraisal failed to adequately address the risks (and potential mitigations), which might have avoided a wasted investment.

#### How does the Value Proposition Matrix<sup>™</sup> help?

The Value Proposition Matrix<sup>™</sup> provides clients with a structure and focus for each lens.

 For users, the first steps are to define the target customer (consumer, medical or B2B) and identify core user needs or "jobs to be done".

1. Google Nest (previously Google Home) and Amazon Echo / Dot

2. Devices which can receive broadcast radio and online audio services (e.g., Spotify, podcasts, and online radio)

### What have we learnt?

For the concept, the focus is on three aspects product functionality, the enabling technology or IP, and its physical (or digital) embodiment.

• For the market, the focus is on commercial drivers: market size, growth, and segmentation; market attractiveness / competitive intensity; and the company's right to play and win.

The Matrix operates at two levels. It encourages thorough analysis of each perspective - ensuring that no critical stone is left unturned. It also enables teams to adopt a holistic view, incorporating all three perspectives when evaluating and refining potential new projects.

In over 35 years of working with clients on creating new value propositions across multiple sectors (food & beverage, consumer products, medical and industrial), Sagentia Innovation has learnt many lessons about how to define and select new products to bring to market.

In this white paper, we have distilled the most important steps in this process. We hope you find it stimulating and informative - and look forward to hearing from you with any questions or challenges.



### Learning 1 – Turn over all the puzzle pieces



In the Frontier example, 'critical questions' to challenge the value proposition were missed. This situation can be avoided if we are deliberate in our framing and execution of the work.

The key to success is to recognise the critical elements of the puzzle pieces and become fluent in their handling - specifically, we need to consider three perspectives:

- 1. Understanding the **user**, the use case environment, and the job to be done,
- 2. Creating or finding the right technologies to deliver the product /service concept,
- 3. Interpreting the company and market context.

In our experience there is no one route through these questions. It is reasonable to start with a view of a market, proceed with a study of user needs and then move into concept creation and technology selection. Equally, the starting point might be a

technology or operational asset for which a company is seeking to find value in a new market.

Regardless of the sequence, all the topics should be addressed at some point. Furthermore, as thinking matures in one area (for example, articulation of the user need), we may need to return to a previously explored area (for example, business model). In short, in any new value proposition, interdependencies will emerge that require us to challenge our early assumptions.



## Learning 2 – Different perspectives make a difference



When companies innovate, they are often strong in some perspectives but lacking in others. This tends to reflect both the culture and capabilities of the organisation.

To address this situation, it is important to understand the strengths and potential weaknesses of the different groups involved in innovation. The secret is to combine the perspectives of three distinct archetypes:

- **Designers** and design companies favour human-centred thinking. Sometimes this is to the exclusion of any other conceptual model. They want to know about the target customer and their motivations, and unmet needs. They are superb user advocates and excellent at discriminating against irrelevant products, "...Yes, but my consumers don't care about that feature, they are trying to achieve this...". They will champion subtleties of a service design that seem inconsequential to others but may hold the key to unlocking adoption.
- Scientists and engineers (the ones who can reduce technology challenges to physical/chemical/mathematical first principles) crack the code of hitherto impossible functionality. The most enlightened will both seek out existing technology to fulfil a brief and engage their creative intellect to solve a challenge with new technology. Their work makes user experiences faster, cheaper, simpler, or more effective. To take a leap forward and develop a protectable technical advantage, you need deep technical ability on the team.

However, engineers can be extraordinarily focused on the task at hand, meaning ready translation between a technology task and the reason for pursuing it is often stilted. We have seen technical

At Sagentia Innovation, we have a breadth of perspectives on what it takes to develop new products or business lines. Our approach is shaped by views from our science and technology teams, our commercial consulting teams, and our product designers. Each group has a perspective borne of its training and experience of what is important and what to focus on.

We corral these teams with a shared innovation model and regularly undertake work for clients to address some or all the preparation needed to launch a new product or service successfully.

teams voice cynicism because they don't understand the commercial context or don't really buy into the exposition of the user need that sits behind a change in the technology. Commercial and user insight conceptual models and language are hard work and take time to assimilate. Scientists and engineers need teammates to balance them out.

Market and commercial professionals are often separate from the technical team - leaving a dangerous and potentially costly gap that can cause delays in decisionmaking and even undo R&D programmes. The solution is to have an individual who can integrate technical and commercial insights, though this is rare. In most cases, organisations must find means to translate and bring together the language, priorities, and goals of R&D and commercial staff. In recent years, much has been made of the designer's role in leading product and service development work. However, surprisingly little has been written about the need for product/service innovation teams to better integrate commercial insight. Writing a templated business case is the least significant contribution of a commercially talented developer. What you really want to know is what it will take to win in the market and advocate that insight to the R&D team.

### Applying the Value Proposition Matrix<sup>™</sup>

Successful value proposition development comes through the integration of user, technology, and market perspectives. These inputs are built with tools and experience unique to each perspective. There is a hierarchy in any programme of work, as implied by the matrix diagram below.

At the top level sits a robust value proposition, supported by the work of specialists in the User, Concept and Market pillars below. 'Your value proposition' is the summary and integration of this work.



### Perspectives

### 1st Perspective - User



We only create value if people adopt our products and services. This may seem obvious, but many products and services are conceived with poor insight into what matters to users. Technology experts may make assumptions about user needs without recourse to good data. A good designer or human factors practitioner uses tools to articulate valid experiences that need to be delivered and is unafraid to challenge the product development activity if they think it is going off-course.

When we ask our designers what perspective they bring and what they would like their technical and commercial colleagues to take on board, it is that empathy (for the user) drives competitive advantage.

### Empathy drives competitive advantage

In December 2006, LG released the Prada smartphone featuring the first commercially available capacitive-touch screen. The phone also featured a high-resolution camera, memory expandability and Bluetooth low energy that the generation-1 Apple iPhone could not match. Most people have never heard of the LG Prada because it was a market flop - when users tried it, they quickly rejected it due to poor user experience. By comparison, the experience of using the new Apple iPhone (which had weaker technology) was far more compelling.

The LG phone ported a user interface from a previous non-touch device, whereas Apple reconceived the user interface and introduced multi-touch control (the interface style now ubiquitous with smartphones). Users didn't specify the format for this new interface, but Apple's designers considered the experience they were delivering and worked on getting that right.

User experience can be the prime differentiator for modern product development. To unlock excellent user experience we must anticipate users' abilities (physical and cognitive), their

motivations, and their use environment to contextualise functional needs. This is not straightforward.

To deliver on this challenge, our designers share three lessons:

- 1. Useful market segmentation (as it contributes to product design) is grounded in behaviours, not demographics.
- 2. Users often don't recognise their needs.
- 3. Designers must stay involved throughout a development activity.

### **Useful market segmentation**

Market segmentation often involves manipulating data on large numbers of people - using easily collected information to divide a population into smaller groups. This form of segmentation can appeal to commercial teams as it enables them to quantify factors such as addressable market size and growth rates, thereby (on paper) fulfilling their obligation to the development effort.

Unfortunately, as an input to product or service innovation, demographic characteristics only offer limited value - in particular, they do not help us anticipate user needs or behaviours. For example, consider that this demographic description "Male, born 1948, married twice, raised in the UK, lives in a castle" applies to both His Royal Highness, Prince Charles and singer/ songwriter Ozzy Osbourne.

To be more effective, designers want to know what users are trying to achieve and their current experience of getting that done. This has little to do with age, sex or where they live (demographics) and everything to do with context and proficiency (Job To Be Done).

#### Personas

A common tool used to evoke a useful market segment is a 'persona' - a short-form description of a candidate user's situation and behaviours. Personas can be derived through primary research - study and discussion with target users - paying close attention to the setting in which they will experience the new product/service.

#### Here are some watchouts:

The assumed persona - If you're not speaking with representative users, you are designing by assumption, which often leads to designs that induce misuse, frustration, and poor user experience.

Sole reliance on the Key Opinion Leaders (KOL) - If we compare an expert/KOL to a novice surgeon, we observe very different experiences with the same device. By involving novice users in research, you mitigate expertise bias.

Accessible design - User segmentation containing averaged personas can often make designs inaccessible. When defining personas, be mindful and identify the outliers and ask how their needs may differ.

#### Users often don't recognise their needs

To capture high-value needs, and move beyond me-too products, it is important to recognise that individuals (customers) struggle to articulate why they do things or how they would behave in a hypothetical situation.

Developing bold product/service ideas requires us to use techniques that draw out conscious and unconscious user needs:



Conscious needs - Customers can verbalise these and are seen as existing pain points. They are important to address, and customers will recognise a new product or service that addresses a previous shortcoming in the market offering. Often a value proposition that builds on a conscious unmet need delivers better performance on the product category's traditional and recognised performance measures.

**Unconscious needs –** With new products that address unconscious needs, it is often not until a user experiences the product/ service that they understand the value of its design. Perhaps their latent need was masked by habituation (and remained unrecognised). Often products that address unconscious needs introduce a new metric of performance to the product category.

Qualitative ethnographic research techniques that empathise with users can unlock conscious and unconscious needs. Alighting on product/service concepts that address unconscious needs can also draw on an innovator's intuitive/creative flair. But when such creative leaps are suggested, they should be validated through research with users.

To validate such leaps designers have a range of tools, such as simulation and Computer-Aided Design, various prototyping techniques etc that can help unlock those user needs, and de-risk innovation.

#### Designers must stay involved in the development

It is still common for a development project to consider the user only at the start (requirements) and end (validation) of a programme. This is risky and can lead to products and services that their target market rejects.

Opportunities exist to create a feedback loop with users throughout the innovation process - from conceptualisation and design to prototyping and testing. These staged 'Voice of Customer (VoC)' inputs should be planned for and acted upon.



There are three human-centred questions a designer should be able to answer and keep returning to throughout a development:

- 1. Does the solution (still) address valid needs?
- 2. Can an existing technology deliver the user experience?
- 3. Is the emerging concept costed at a level that customers can afford?

If a project ceases to address user needs, the designer should have the courage (and support) to press a project 'kill switch' and save everyone's time and money.

### 2nd Perspective - Concept



There is a difference between professional technical innovators and those who tinker. A professional has an approach and tools that allow them to be consistently effective (avoiding a 'hit-or-miss' reputation) – thereby gaining the trust of the marketing department and others. Successful technologists offer:

- An instinct and habit to frame the context for the application of technology.
- A tool kit to journey from need to concept (product/service).
- · A deep and broad technology insight.
- A willingness to consider make vs buy technology options.
- A clear view on handling IP (creation and navigating others' IP).

#### **Context is King**

#### "Never, think outside the box!"

The box we refer to is the set of boundary conditions (market and user) and performance surprising how much expectation and measures (what do users value?) within and against which we are required to innovate. Without context to guide the technical innovation work, there is a genuine risk of boiling the ocean with endless 'technical options' being uncovered and documented.

In practical terms, on day 1 of the technical work, we must press a broad senior audience to put their assumptions for 'in or out' criteria on the line. There is no suggestion that these are fixed in stone, but it is often constraint lie in the heads of the commercial and design teams that are not self-evident to the technical team. And so, the technical team must start by drawing these boundary conditions out, writing them down for reflection and challenge as they steer their subsequent work.

### The journey from need to concept

The most common starting point for searching and selecting technology is a user need. In the discussion below, we'll assume this is the case.

For the record, there are instances where a technology perspective is the first to act, and these require specialist handling. For example, chemical companies often demand a technology-push innovation activity since they must find application and revenue from incumbent chemical processing assets. Another example of technology-push is a scientific leap - where a technologist is staring at a step-change technology (consider graphene) - requiring purpose and users to serve. Both technology-push situations - 'asset utilisation' and 'eureka' - can be successfully managed by our value proposition matrix.

As a developer of products, it is important to be aware of, and have the language to describe, where you are in your concept development process. The anatomy of a product or service concept is:

User **needs**, that are addressed by core functions (technology agnostic), enabled by selected **technology** (with the option of supporting functionality that completes the user experience).

When technical teams are trying to compare ideas and are talking at cross purposes it is often because they are at odds on whether they are positioning a need, a function, or a technology.

#### Journey Part 1 - from need to technology

Before thinking about enabling technology, the technical innovator (working with the designer) must be flexible in their assessment of 'functionality'.

Functionality is the intermediate step in this journey and captures the role we want technology to play in a user's endeavour. If the user is a surgeon, the functionality might be to 'remove tissue'. If the user is a consumer the functionality might be to reassure the person brushing their teeth that they've done a good job by 'confirming plague removal'. In both examples, the function is technology agnostic and provides great stimulus to reimagine the product category. This invites the technical team to think broadly about how to intervene in the user's experience before considering which technology to employ. Where innovators jump directly from need to a technology solution (and bypass function) they give up their opportunity to explore 'what if' guestions that focus on the user experience.

With desired functionality articulated, a diverse technical team is then ready to think about technical solutions. In the teethcleaning example, the functionality challenge 'confirming plaque removal' invites one to scan various technical domains; biochemical, imaging, predictive algorithms and so on. There could be a neat technical solution in any one or a combination of those domains. Each of those technologies should be assessed for their applicability, availability (including timeframe) and affordability.

### Journey Part 2 - from technology to concept

the journey.

The systems engineer must lead an exploration of different possible versions (or embodiments) of the product. In a simple example of a dentist's tool enabled by a new technology, we have several options to consider: the device format could be handheld or cart-mounted, the power source could be mains electricity or compressed air, and the dentist's user interface could be haptic feedback (vibration in the handpiece) or TV screen. A good team will systematically vary how the product can be put together and assess (on commercial and usability measures) the merit of each embodiment. This step has nothing to do with choosing the core technology and everything to do with the parts that surround that technology. If you get the embodiment wrong, you leave the door open to a competitor to deliver a more compelling offering by simply reconfiguring your product/service.

To arrive at a finished product or service concept we must 'play' with the specific embodiment of the technology. This is the realm of the Pugh Matrix and Morphological Maps. We needn't worry about those tools here, but it's important to recognise what needs to be done at this stage to complete



### Multidisciplinary teams are best



There are at least two good reasons for employing a multidisciplinary team to create new product and service concepts:

1. More disciplines = broader range of technology options 2. Dissonance begets creativity

On the first point, consider the challenge a food company faces in improving its frozen pizzas and the need to prevent them from being served with a soggy base. A food scientist will consider the physical chemistry of the dough mixture, a physicist will play with the pizza's geometry and the cooking space's thermodynamics, and a material scientist will want to change the material of the baking tray. If the food company only employs food scientists in its R&D team, it is unlikely that it would ever consider developing a pizza with a hole in the centre or a proprietary range of baking trays.

On the second point, consider the exciting opportunity to innovate at the interface of technical disciplines. It is a fundamental teaching of innovation that new ideas regularly occur at the intersection of thinking styles. In the pizza example above, consider that the physicist might propose an altered dough geometry (with a hole in the centre) and work with the food scientist to understand how the resulting greater surface area to volume ratio for the dough would affect its mallard (cooking) reactions. When they collaborate, they can push one another to an optimum concept.

### Make versus buy



An important question to be addressed by an innovation team is whether technology solutions should come from outside (buy) or from its own laboratory (make).

We have an interesting heritage at Sagentia Innovation which includes the union of a technology advisory company (that was acquired) with a product development company. When it comes to considering new products, each company has had a distinctive cultural influence on this question. Product developers historically presumed to create the technology and the advisors presumed to search for it in the outside world.

Of course, the answer is that you should consider both, albeit with an understanding of each approach's baggage, particularly regarding timeliness. Typically, a technology sourced from the outside world will be more mature and therefore faster to deploy than your own creation. The disadvantage is that it may not do what you need it to, and you will likely be paying someone else for its use. A typical roadmap in product/service innovation is to see a fast turnaround application of an existing technology for an 'OK' product introduction followed by a 'leap forward' with the introduction of a proprietary new technology.

### When to worry about IP



IP must be carefully tackled at some point, but the appropriate timing can vary. We should also bear in mind that IP analysis can serve several purposes,

as follows:

IP analysis pre-concept development (to stimulate thinking)

- 2. Provides creative stimulus

IP analysis post-concept development

4. Gives assurance of Freedom to Operate (FTO)

The discussion on when to engage in IP analysis is strongly influenced by the perception of how congested the IP space for the desired product/service already is. In general, we advocate not becoming too IP-analytic too early in the process because the work must be thorough if it is to be meaningful. Also, in the period before a definite concept is articulated, the potential IP to survey can be overwhelming.

## 1. Shows where competition is active and investing (and where it is not)

#### 3. Enables sourcing of technology to be utilised in the concept

That said, some medical device executives will stop an innovation programme in its tracks if they are not assured that the IP space has been reviewed early.

As with many other themes in value proposition development, the decision on when to consider IP is one of judgement. It comes from experience in sizing up the nature of the innovation task at hand and deciding which unknowns to tackle first.

### 3rd Perspective - Market



The market perspective can be the starting point in a company's search for opportunity or the finale to confirm a proposition has legs and merits investment. Commonly it will form part of an iterative process as you journey through the development of a value proposition. It is founded on three activities:

- 1. Orientation (or market landscaping).
- 2. Confirming your right to play and right to win.
- 3. Assessing market attractiveness and timing.

#### Orientate in the market before framing an opportunity

Market familiarity is both a blessing and a curse. Companies that 'know' the market can move at pace but risk making dangerous assumptions. Whether experienced in the market space or a novice, there is merit in the rigour of market orientation, sometimes called 'landscaping'.

Market orientation starts with a segmentation, which may describe types of customer, product or technology. It defines basic market financials (size and growth) and industry dynamics (including market maturity). It describes leading players and the nature of the **competition** (including the dominant value parameter), and it may overlay prevailing **trends.** It imparts structure and provides a common language. The orientation need not be exhaustive but should be representative; it is a process of characterisation, not audit. It is a valuable body of reference, but in isolation, it's unlikely to reveal the unmined value within the space.

A more sophisticated orientation looks at the relationship of the target market to adjacent market spaces and challenges the accepted boundaries. It re-thinks segmentation using different lenses to reveal new veins of opportunity. It considers alternate scenarios that may stem from prevailing trends. It discerns how, where and by whom value is created and may consider the consequences of reconfiguring the value system and/or business model.

This orientation helps establish if and where opportunity exists and how it relates to other market plays. It can provide the basis for exploring and describing the 'Jobs To Be Done'.

#### Does your company really have the right to play and to win?

A company may have developed a brilliant and compelling product concept, but that does not mean it will succeed in the market. It is essential to look for evidence that the commercial assets and business experience needed in order to play and win is present in the company planning to take the idea to market:

Right to play (hygiene factors) - The concept is at the core of the value proposition, but its successful execution requires a set of resources with which to 'go to market', including capabilities, regulatory approval, physical assets, skills and even partnerships. These are the table stakes that establish the right to play. On a first assessment, a company may lack specific resources. Partnerships or acquisitions may resolve these gaps. The right to play should be guestioned if the company lacks in one of these more critical areas. For example, a consumer products company with a brilliant new packaging solution does not automatically have the right to play in the industrial packaging market. A better route may be to license that solution to a packaging company and allow them to do the heavy lifting in return for some share of revenues.

#### Right to win (critical success factors) -

Companies with a tick in the box for the right to play do not necessarily have the right to win. The right to win should describe assets that grant a company an advantage over its competition. These assets may be taken from the right to play list above or involve less tangible themes like **brand**, **sales networks**, or service model. The critical competitive advantage that determines whether you take 20% market share rather than 5% might be founded in a brand that clearly 'resonates' with the proposition. For example, companies that sell pet food only to vets are not necessarily well-placed to go forward with a proposition that is founded on sales through a retail channel.

The passion and energy of the team that conceived the original idea can overwhelm business logic. Difficult though it can be companies must try to view themselves as an investor might. The likes of Procter & Gamble provide plenty of evidence for the value of this type of assessment and demonstrate how alternative routes can be leveraged to take a product to market. PureCycle's journey from a P&G process technology to a standalone company with a NASDAQ listing is a case in point.

#### Market attractiveness and timing

Don't be seduced by an eloquently expressed 'Job To Be Done' or well-presented concept in isolation. Alone these are insufficient to lay claim to a compelling value proposition. Value will only be realised if the market embraces and adopts your proposition at sufficient scale and over a reasonable timespan. Candidate propositions must satisfy three tests:

- 1. Segment size Is there sufficient value in the market segment?
- 2. Market share Can a new concept access, compete and win in the market?
- 3. Timing When is the right time to launch, and will our value proposition endure?

**Segment size** - To be a source of value for the company, a concept must satisfy a significant need in a sufficiently large set of customers. Value may be realised directly through sales of the product/service. It can also be secured indirectly, the proposition creating a beachhead that allows another bigger goal to be realised (consider the role of Smart Audio devices in the home for the likes of Google, Amazon, and Apple). There are standard tools and methods to size markets but avoid slipping into a mechanistic mindset: adopting an 'off the shelf' segmentation or relying on data taken from generalised market reports. The 'market size' test requires good data along with entrepreneurial spirit and commercial insight. Here are two points of guidance when assigning value to a market seament:

#### 1. Method matters less than segmentation

- Market sizing is necessarily pragmatic. Either bottom-up or top-down methods can be used, though doing both and comparing the results is better. The method is less critical than how the space has been framed and segmented (see 'market orientation'). Avoid defaulting to segmentations that conveniently fit with the 'accepted wisdom' and existing datasets (e.g. founded on say geography, or customer demographic). Although these defaults may provide an easy path to 'a' valuation, an intelligent segmentation may significantly change the scale of the market space.

#### 2. Sense check using market analogues

- The use of 'market analogues' can be a powerful tool for sense checking market value predictions. For example, look at the pace and scale of adoption of polycarbonate headlights as an analogue for plastic glazing in car quarterlights. Draw on what has gone before to improve the chances that your assumptions are sound.

Market share - To secure an attractive market share with your product/service, the potential customer base must be willing and able to adopt your new product or service, and the barriers to you entering the market must be surmountable. Two truths are worth consideration:

#### 1. A better product is not always enough

- Business literature is littered with examples of products that failed despite their functional superiority over incumbent solutions. These often stem from a failure to consider the power dynamics, market inertia and associated barriers to entry that new products encounter (Porter's 5 Forces are useful here<sup>3</sup>). If work has been done that describes right to play and right to win; then commercial assets will already have been highlighted as hygiene factors and key success factors, the latter being an input into estimating what market share a new entrant might hope to attract.

## 2. Pricing must satisfy both market positioning and company need -

On the one hand, the differentiation (or not) of a value proposition dictates whether we can price at a premium to the market. The level of that premium is in the gift of the customer and their price elasticity. On the other hand, the company itself has demands on the price (costs to address, gross margins to return). If both sides of the equation are met, you have a business case, if not, you don't (as in the Frontier case study). And remember that pricing is not static – competitors respond, supply changes, and markets mature.

**Timing** – The time must be right to get traction in the market, and the market sufficiently long-lived and defendable to allow the new proposition to earn a return as described below:

 Is now the time to launch? A strong value proposition may be undone by bad launch timing. Timeliness is a critical go/no-go decision. For illustration, new technology aimed at transforming the speed and safety of the car paint shop may be compelling, but if the industry has recently seen many players driven to invest in capital that is incompatible with the new solution, the launch should be stalled. Similarly, it may not be advisable to launch a vegan meat substitute if there is uncertainty over regulator attitudes to techniques used in its production.

## • Will this market provide a sustaining source of value?

### Recognise the essence of your defence

 A winning value proposition may spark competitive interest and catalyse some response from some or all incumbents, new entrants, and substitutes (Porter's 5 Forces, again). There must be a reason that a position can be defended. If technology is central to the value proposition, then the answer may sit with IP. However, even water-tight IP may be trumped by commercial assets such as scale and/or being part of an advantaged ecosystem (see right to win).

#### Scan the horizon for opportunity and

**threat** – Consider how market trends might change the assessment of your proposition. For example, regulations or societal attitudes may change the trajectory of the opportunity; anticipating a change in regulation that limits drone use beyond 'line-of-sight' might prompt a rethink of a drone-based value proposition.

With market share, pricing, and timing assumptions now explicit, a first-pass revenue model can be created. The assumptions driving that model should remain subject to periodic and objective review as it is common for markets to change. When they do, the strength of any given value proposition should be questioned.

In the case study of Frontier (at the start of this paper), the entry of Google, Amazon and Apple into the smart speaker market changed and weakened its value proposition. Frontier lost the right to price its offering at the level needed to earn an acceptable profit and as a consequence, it was forced to exit.

### Conclusion:

To ensure success in next-generation product launches, the Value Proposition Matrix<sup>™</sup> should be front of mind throughout. Companies need to understand their strength and weakness areas by identifying which pillars they address well themselves and which they are likely to need external support with to ensure they have all the ingredients required to be consistently successful and reduce financial risk in developing new products and services.

The business case needs to be backed by research, evidence, and understanding to have confidence in the crucial go/nogo decisions and to ensure the tasks in the Value Proposition Matrix build up a complete definition of what you're going to launch, and what it will take to make it a commercial success.

In 35 years of handling product and service creation with our own staff, and observing it in our client partners, we are well placed to support clients in finding the Value Proposition Matrix balance and we would love to hear about your product and service launch plans.



Our team would love to talk to you and your team about your Value Proposition. Contact us to arrange a meeting:

info@sagentiainnovation.com



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#### **About Sagentia Innovation**

Sagentia Innovation provides independent advisory and leading-edge product development services focused on science and technology initiatives. Working across the medical, industrial, chemicals and energy, food and beverage, and consumer sectors, Sagentia Innovation works with a broad range of companies from some of the world's leading and best-known brands, to start-up disruptors, new to the market. It is part of Science Group (AIM:SAG), which has more than ten offices globally, two UK-based dedicated R&D innovation centres and more than 400 employees. Other Science Group companies include Leatherhead Food Research, TSG Consulting and Frontier Smart Technologies.

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