

Osterwalder, Alex et al. – Value Proposition Design

Wiley, 2014, [Business] Grade ★★★★★

This is a follow-up to the best selling *Business Model Generation* from 2010 and the sequel drills deeper into two out of the nine parts that made up the Business Model Canvas previously presented. *Value Proposition Design* aims to help the reader find a good fit between the value proposition offered to customers and the needs of the target customers. Alex Osterwalder is a Swiss business strategist, entrepreneur and author that have had great success by making his messages as simple and practically applicable as possible. The book seeks to help companies to take steps that will make them deliver what customers want to buy.

The core of what the authors name the Value Proposition Canvas is a three-step process. First, examine and list what customers in a segment do, what outcomes they wish for and which fears they have. Prioritize the above from the most important to the least in order to understand what matters for customers. Second, list products offered, outline which products help customers to achieve what they wish for and which help them avoid what they fear. Prioritize with regards to how important the products are for customers. Lastly, decide on a value proposition with a good fit with what customers want.

As defined by the book great value propositions have great business models with either high potential volumes or good pricing power. They focus on what matters most to customers, focus on unsatisfied customer needs, differentiate from competition and substantially outperform competition in at least one dimension, target a few things extremely well, align with how customer measure success and are difficult to copy.

So, in essence: understand what your customers want, offer them something of what they want most that they also are ready to pay for and that differs from what the competition is offering. It sounds like a fairly obvious strategic exercise for companies to perform now and then. This doesn't

mean that all or even most companies do, as they are trapped in old structures and hierarchies.

Value Proposition Design should, to deliver its full value, be read in conjunction with the previous *Business Model Generation* and it shows a lot of similarities with the predecessor. It presents a basic model that is simple and almost obvious when you have seen it but still have great value as prior to seeing it your thoughts aren't sufficiently organized. At least for me it started a process where I jotted down plenty of scribbles on issues regarding my own work. It is also a beautiful book in a designer type of way but at times it crosses the line and looks more like a children's book. Being pedagogical isn't always the same as drawing plenty of colorful stick figures.

Just as in the previous book my opinion is that the authors add too much adjacent material to the first important model. The Value Proposition Canvas is presented in the first 60 or so pages and the rest 200+ pages are basically about implementation issues. All these supplementary models from this or that cool art director, savvy venture capital investor etc. distract and diminish its practical value more than anything else. Implementation is important but the balance becomes too skewed in my opinion. I also got a bit disappointed as the authors start out with pointing to the fact that value proposition innovation occurs both in new ventures and through reinvention of existing businesses but then hardly touches on the later.

The target audience for the book is hardly the executive management of a crude oil refinery, a petrochemical plant or a mining corporation. It is rather the forerunners of the digital economy that benefit the most from the text. If you are setting up a new software company this is a book for you.

Value Proposition Design presents an illustrative and important base model that I will continue to use for a long time and many companies would benefit greatly from doing the same.

Mats Larsson, November 23, 2015