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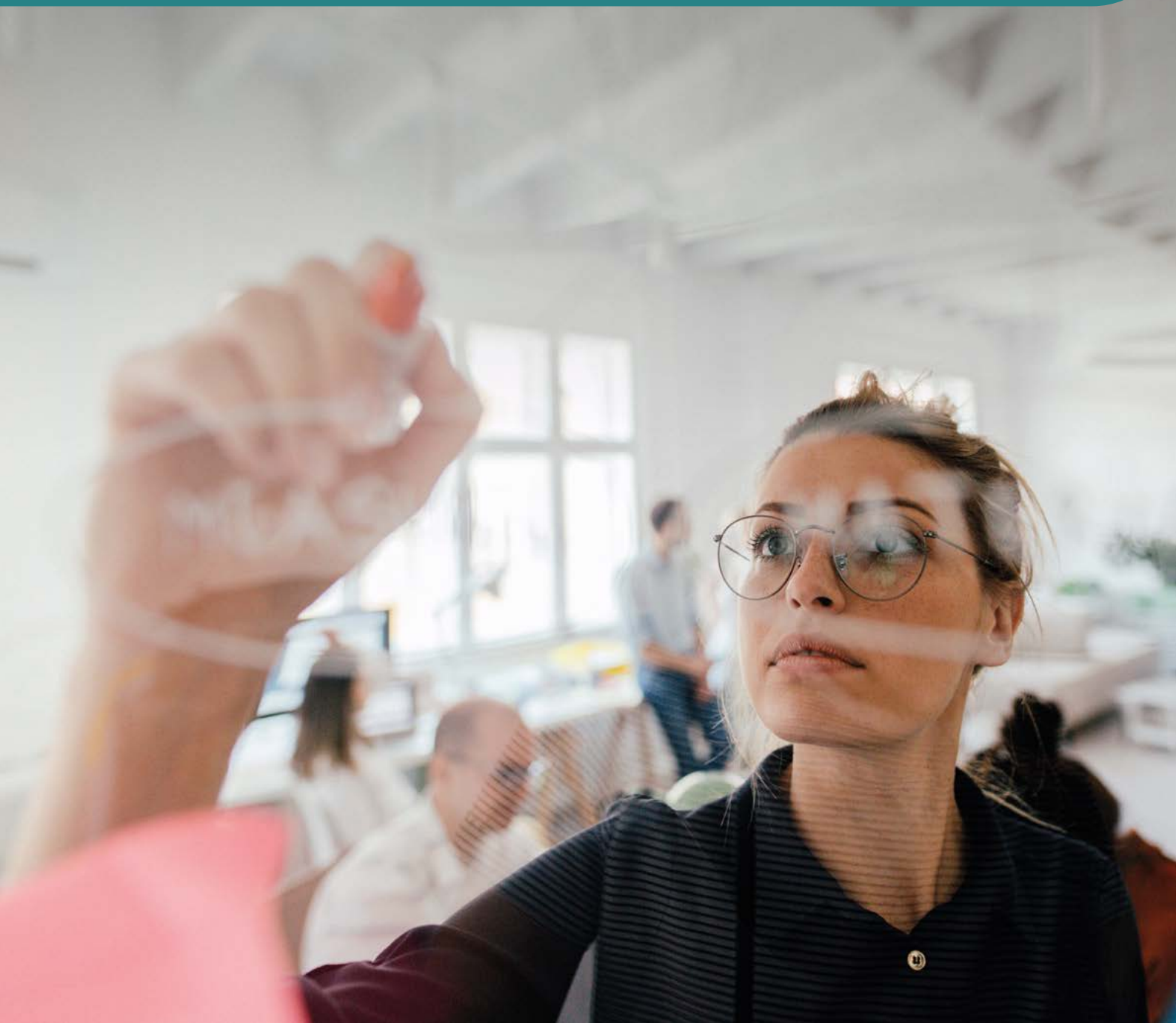
INNOVATION

WHITE PAPER

Value Proposition Matrix®

Building successful products and services

AUTHORS
Dan Edwards, Managing Director Science Group
Carl Hewett, Product Design & Innovation Leader Sagentia Innovation



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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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Frontier Smart Radio case study

In 2014 the radio technology company Frontier Smart Technologies launched a new chipset that delivered a better Smart Audio1 product than anything else on the market. Five years later, the technology – which by 2019 was still recognised as best-in-class – was discontinued and the $10m spent on R&D and operations over the lifetime of the technology development was acknowledged as not having returned value to the company.

Could that outcome have been foreseen?

The Smart Audio technology that Frontier identified in 2014 and subsequently built was highly regarded for its technical merit (it was best-in-class) and for the user experience it enabled. But Frontier was embarking on a battle with three substantial and well-regarded brands - Apple, Google and Amazon - who between them set a price point for this category to suit their needs (which was not to generate margins on selling smart speakers but to gain access to consumers' smart home ecosystems). Moreover, the *volume consumer* (the largest segment of the Smart Audio buying public) was price sensitive. Although Frontiers product offered extra functionality including FM radio, consumers couldn't differentiate it from the big three brands' product offering and were therefore unwilling to pay extra for it. Unable to make an appropriate product margin on its Smart Audio products, Frontier eventually exited the category. In 2019 Frontier was acquired by Science Group and today it pioneers in technologies for connected audio and is the market leader in DAB/DAB+ radios and SmartRadio solutions. It provides chips and modules to leading consumer brands worldwide and are powering over 50 million devices.

Hindsight is a great thing. Many companies look back at successes and failures, post-rationalising 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.

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

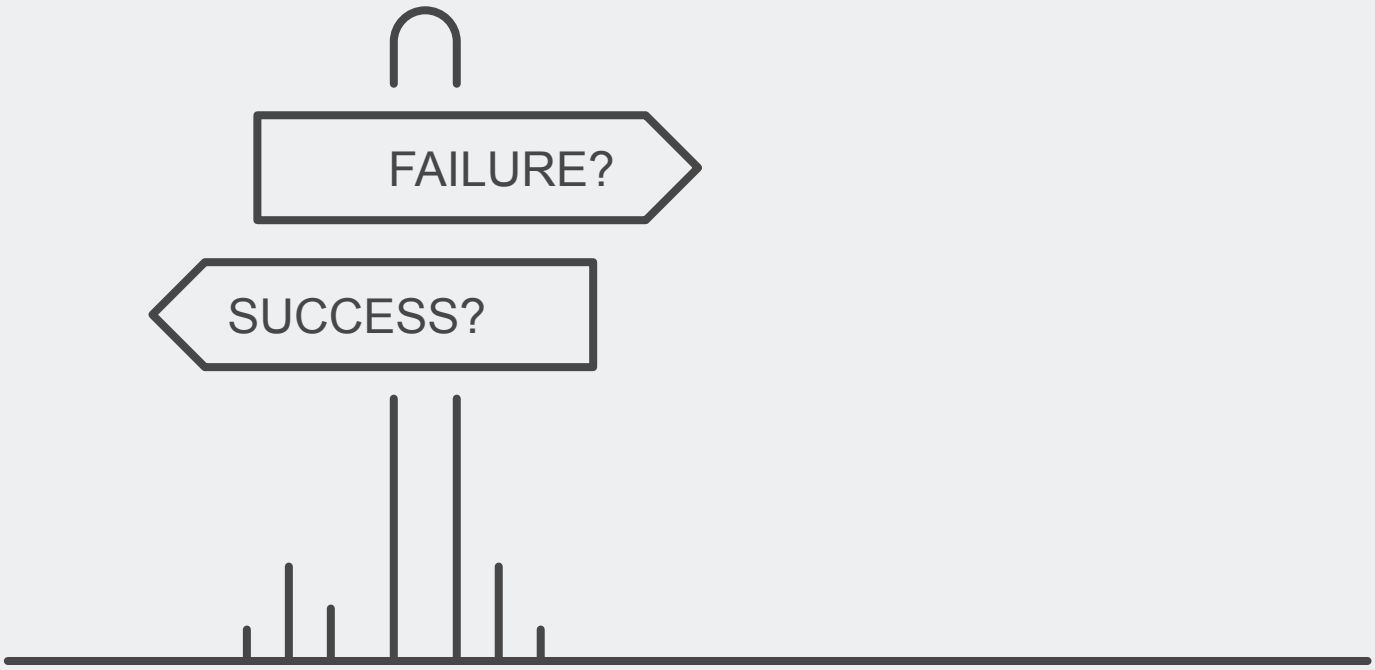
Introduction to the Sagentia Innovation Value Proposition Matrix®

The purpose of our Value Proposition Matrix is to deliver success in next-generation product launches.

Launching new products is a costly and resource-consuming exercise. And yet it remains an uncomfortable truth that understanding, and good practice, in this matter is often lopsided. By which we mean that many organisations do well at addressing some, but not all, of the ingredients necessary to be consistently successful in developing new products and services.

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 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 have learned much. Two initial learnings are described below and frame the case for employing the value proposition matrix.



Learning 1 – Turn over all the puzzle pieces

In the Frontier example, ‘critical questions’ to challenge the full value proposition were missed. We find these questions reveal themselves at different times through an innovation programme however we can get to them quickly and reliably if we are deliberate in our framing and execution of the work.
The first learning is to recognise those various puzzle pieces and become fluent in their handling.

In summary, these critical questions fall into three groups:

- understanding the **user**, the use case environment, and the Job To Be Done (JTBD),
- creating or finding the right **technologies** to deliver the product/service concept,
- interpreting the company and **market** context.

In our experience there is no one route through these questions. It is entirely 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, for some companies, the starting point might necessarily be a technology or operational asset that they own and must find value for in a new (to them) market.

We have found different sequences of activities to be successful, but it is always the case that all the topics should be addressed at some point to prevent a killer question from going unaddressed. And we have also found that as thinking matures in one area (for example articulation of the user need being addressed) we may be forced to return to a previously explored area (for example the nature of the business model). In other words, interdependencies will emerge in any new value proposition that require us to challenge our early assumptions.

Learning 2 – Combining perspectives improves outcomes

At Sagentia Innovation we have a breadth of perspectives on what it takes to develop a new product or business line. It is shaped by views from our science and technology teams, our commercial consulting teams, and our product designers. Each group has a bias borne of its training and experience of what is important and what to focus on. We have formally corralled 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. We call this model the Value Proposition Matrix.

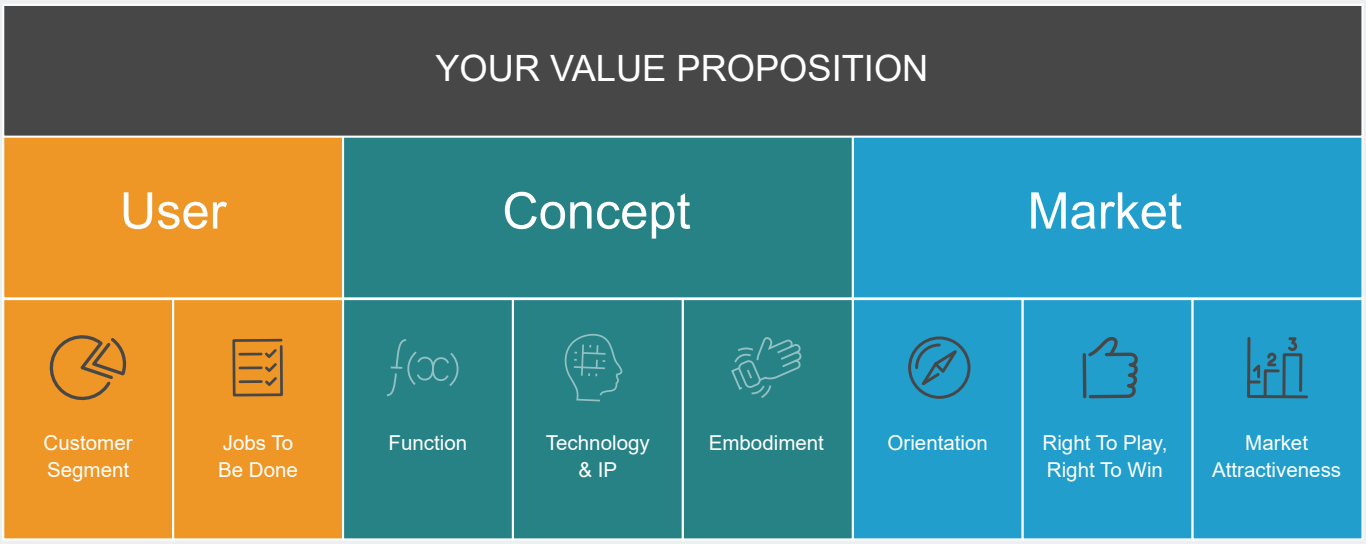
An observation of how companies tackle innovation is that they are often very strong in some perspectives but need support in others. We use the value proposition matrix internally and with client partners to improve outcomes and bring the right people to the work. Here are the three archetype perspectives that are needed in combination:

- **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 which 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 particularly enlightened ones 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. If you are going to take a leap forward and develop protectable technical advantage you need deep technical ability in the team.

  However, engineers can be extraordinarily focused on the task at hand, meaning ready translation between a technology task and why that task is being pursued is often stilted. We have seen technical teams voice cynicism because they don't understand commercial context or don't really buy into the exposition of the user need that sits behind a change in the technology. The conceptual models and language of commercial and user insight are hard work and take time to assimilate. Scientists and engineers need team mates to balance them out.
- **Market and commercial** savvy professionals are often separated organisationally from the technical team. This leaves a dangerous, and potentially costly, gap that can cause delays in decision making and even undo research and development programmes. The panacea is to have an individual who can integrate technical and commercial insight, 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. Much has been made in recent years of the role of the designer in leading product and service development work, but surprisingly little has been asserted 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.

Introducing the Value Proposition Matrix

We believe successful value proposition development comes through the integration of user, concept, 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 fully defendable 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 the work that has taken place on each topic.



1st Perspective - User

We only create value if our products and services are adopted by people. This may seem obvious, but many new products and services are conceived with poor insight of what matters to users. Technology experts are prone to making assumptions of their users' needs without recourse to good data. A good designer or human factors practitioner uses tools to articulate valid experiences to deliver and is unafraid to challenge the product development activity when it is going, in their judgement, off-balance.

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

Empathy drives competitive advantage

In December 2006, LG released the Prada smart phone which featured the first commercially available capacitive-touch screen. It 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. This is because when users tried it, they quickly rejected it because the experience of using it was not good. 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 style of interface now ubiquitous with smart phones). Users didn't express the right format for this new interface, but the Apple designers considered the experience they were delivering and worked on getting that right.

User experience can be the prime differentiator for modern product development. Unlocking great user experience requires that we anticipate users' abilities (physical and cognitive), their motivations and their use environment to contextualise functional needs, and this is not straightforward.

To deliver on this challenge our designers share three key considerations:

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 where easily collected characteristics can be used to bucket a population into smaller groups for the purposes of targeting a new product or service. This traditional form of segmentation is attractive to a commercial team because with numbers easily to hand they can make statements on addressable market size and growth rates, and fulfil their obligation to the development effort. As an input to product or service innovation, demographic characteristics (those which are easily collected) are unhelpful as they do a bad job of helping 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. Their behaviors and user needs are likely to be different therefore a product developed for one is not necessarily going to appeal to the other.

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). A common tool used to evoke a useful market segment is a 'persona'. This is a short-form description of a candidate user whose situation and behaviours are described. 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 watch outs:

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.

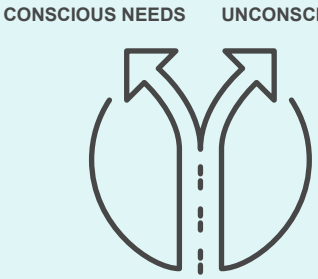
Sole reliance on the Key Opinion Leader (KOL) - If we compare an expert/KOL to a novice user (e.g. surgeons), we observe very different experiences for the same device. By involving novice users in research, you mitigate expertise bias.

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 future situation (95% percent of human cognition occurs in the subconscious mind[1]). There is often a strong dissonance between what people say they will do and what they actually do.

Bold product/service ideas require us to use techniques that draw out conscious and unconscious needs:



Conscious needs – These can be verbalised by customers and are expressed as pain points in their current experience. They are important to address, and customers will recognise a new product or service that is addressing 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 measures of performance.

Unconscious needs – With new products that address unconscious need, it is often not until a user experiences the product/service that they express the value of its design. Perhaps their latent need was masked by habituation and remained unrecognised. Often products that address unconscious need 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 need can also draw on an innovator's intuitive/creative flair. But when such creative leaps are suggested, they should then be validated through research with users.

Much like simulation and Computer Aided Design transformed electromechanical design effort, modern insight-capture and prototyping techniques can target design, unlock user need, and de-risk innovation.

Designers must stay involved in the development activity

It is still commonplace for a development project to only consider the user formally at the very start (requirements) and end (validation) of a programme. This is a risky approach and could well lead to products and services that are rejected by their market. There are many opportunities to be seized throughout conceptualisation, design, prototyping and testing to enjoy a feedback loop with users. It should be planned for that these staged Voice of Customer (VoC) inputs will influence/modify the emerging product or service definition.

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

1. **Does the solution (still) address valid needs?**
2. **Can an existing technology deliver the user experience?**
3. **Is the emerging concept cost at a level the 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. The difference is that a professional has an approach and tools that allow them to be consistently effective (avoiding a 'hit-or-miss' reputation) and therefore gains the backing of - amongst others - the marketing department. Our successful technologists describe:

- An instinct and habit to **frame the context** for the application of technology
- A tool kit to **journey from need to concept** (product/service)
- Having a deep and broad technology insight
- A willingness to consider **make vs buy** technology options
- Having a clear view on **handling IP** (creating it 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 measures (what do users value) within which we are required to innovate. Without context to guide the technical innovation work, there is a very real risk of boiling the ocean with endless 'technical options' being uncovered and documented.

In practical terms, this means that 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 surprising how much expectation and constraint lies in the heads of the commercial and design team that is 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 the search and selection of technology is a user need. In the discussion to follow we'll assume this is the case and that the technical team are answering a call from the marketing or commercial teams. 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. A further example of technology-push is a scientific leap – where a technologist finds themself 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, though the sequence is less familiar to many.

It is important as a developer of products 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.

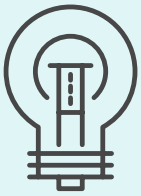
Journey Part 1 – from need to technology

Before thinking about enabling technology, the technical innovator (working alongside the designer) must be agile 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 plaque removal’. In both examples here, the function is technology agnostic and provides great stimulus to reimagine the product category since it 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’ questions that focus on the user experience.

With desired functionality articulated, a diverse technical team is then ready (and perfectly stimulated) to think broadly and creatively about technical solutions. In the teeth cleaning example, the functionality challenge ‘confirming plaque removal’ invites one to scan across differing 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. Those technologies must be shortlisted and assessed for their applicability, availability (including timeframe) and affordability.

Journey Part 2 - from technology to concept



To complete the journey with a chosen technology in hand to 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 in detail here, but it’s important to recognise what needs to be done at this stage to complete 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 options to consider: the device format could be handheld or cart mounted, the power source could be mains electricity or compressed air, the dentist’s user interface could be haptic feedback (vibration in the hand piece) 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 crucial step has nothing to do with choosing the core technology and everything to do with all the parts that surround that technology. If you get the embodiment wrong, you leave the door open to a competitor to deliver a much nicer offering by simply reconfiguring your product/service.

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 that a food company faces in improving on its frozen pizzas and the need to prevent them being served with a soggy base. A food scientist will consider the physical chemistry of the dough mixture, a physicist will play with the geometry of the pizza and the thermodynamics of the cooking space, 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 develop either 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 and technical disciplines. 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 maillard (cooking) reactions. When they collaborate, they 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 the heritage of 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 the baggage each approach brings, particularly in respect of 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 common 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

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

IP analysis pre-concept development

- **Provide description of where competition is active and investing (and where it is not)**
- **Creative stimulus**
- **Source technology to be utilised in the concept**

IP analysis post-concept development

- **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 terms we advocate not becoming too IP-analytic too early in a value proposition programme because the work must be done thoroughly if it is to be meaningful. Also, in the period before a definite concept is articulated, the potential IP to survey can be overwhelming.

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 the practice of value proposition development, the decision on when to worry about IP is one of judgement. It comes from experience in being able to size up the nature of the innovation task at hand and decide 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. **Orientate in the market**
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 a 'landscaping'.

Market orientation starts with a segmentation, which may describe types of customer, product or technology. It will define basic market financials (size and growth) and industry dynamics (market maturity). It must describe 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 an audit. It is a valuable body of reference but in isolation unlikely to reveal unmined value that sits within the space.

A more sophisticated orientation looks at the relationship of the target market to adjacent market spaces and challenges the accepted boundary lines. It re-thinks the segmentation using different lenses to reveal new veins of opportunity. It considers the impact of 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 the business model.

It is this orientation that helps to establish if and where opportunity exists and how it relates to other market plays. It can provide the basis from which to explore and describe 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 is set to realise it; conception is not a free pass to market success. It is important to look for evidence that the commercial assets and business experience needed to play and win are 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 complete 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 'right to play'. On a first assessment a company may lack specific resources. Partnerships or acquisitions may resolve these gaps. If the company is lacking in one of these more critical areas, then the 'right to play' should be questioned. As an 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 (key success factors) – Companies with a tick in the box for 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. The listing of PureCycle on the NASDAQ which exploited a P&G process technology and its partnership with Clorox in the food wrap market provides one of many such examples.

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 – Is now the right time to launch, and will our value proposition endure?**

Market 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; relying on data taken from generalised market reports. The 'market size' test requires both good data along with entrepreneurial spirit and commercial insight. Two points of guidance when assigning value to a market segment:

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. 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 be able to secure an attractive share of a market with your product/service the potential customer base must be both 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). 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 of 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 bear in mind 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 launching a vegan meat substitute whilst uncertainty remains as to regulator attitudes to new genetic techniques may be ill-advised.

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 society 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 and when they do the strength of any given value proposition should be questioned.

In the case study of Frontier (as the start of this paper) the entry of Google, Amazon and Apple into the smart speaker market changed Frontier's value proposition and weakened it. 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 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/no-go 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.

References

1. Smart Audio is a class of digital radio product that combines FM, DAB (digital audio broadcast), internet radio and voice control through connection with services such as Alexa, Siri and Hey Google.

About Sagentia Innovation

Sagentia Innovation provides independent advisory and leading-edge product development services focused on science and technology initiatives. Working across industrial, chemical, energy, food and beverage, and consumer markets, Sagentia Innovation works with start-up disruptors through to world leading brands to extract maximum value from R&D and innovation investments.

sagentia.com/innovation

For further information visit us at:
sagentia.com/innovation or
email info@sagentiainnovation.com

Sagentia Ltd
Harston Mill
Harston
Cambridge
CB22 7GG
UK

Sagentia Ltd
First Floor
17 Waterloo Place
London
SW1Y 4AR
UK

Sagentia Inc
1150 18th Street
Suite 475
Washington
D.C. 20036
USA

sagentia
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