



Startup Accelerator

Test your value proposition

A handbook

startup-accelerator.org

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Developed by Johanna Seeliger and Ben Graziano

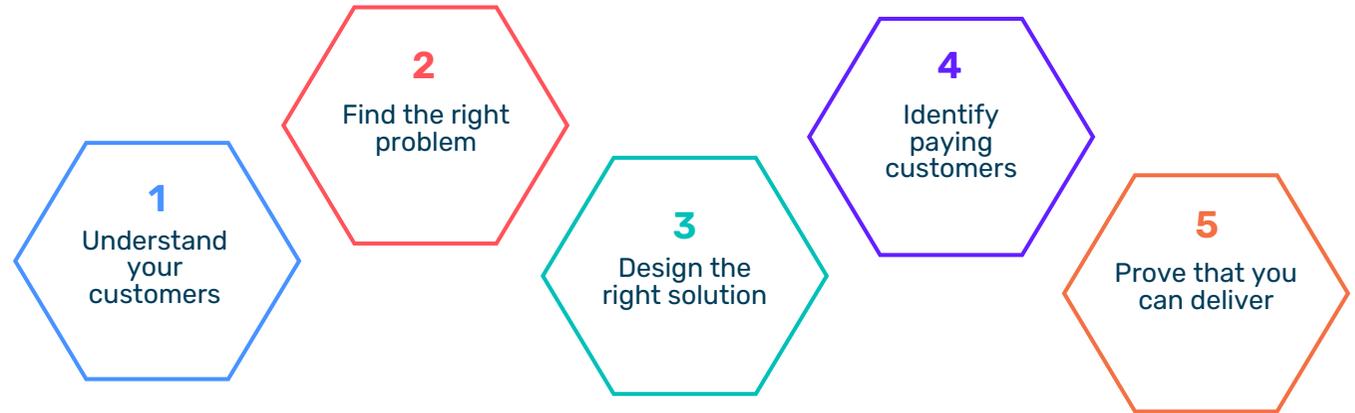


Check-out our accompanying online course "Design a scalable value proposition "

Introduction

As an entrepreneur or intrapreneur, you are doing something that has not been done before. So, your #1 task is to reduce risk and uncertainty. Testing early, often & continuously helps you to do this. This handbook guides you through the five phases of testing the most critical component of your business model; your Value Proposition.

How to test your value proposition



A few words about testing

- Do several tests with different methods to increase your strength of validation
- Start with a small group of test subjects and qualitative methods; then validate your findings in a larger sample (e.g. interview first, then survey)
- Choose “easy to do” over “strength of validation”
- Be curious and open-minded. The goal of testing is to become smarter, not to prove that you know everything beforehand
- Be aware that people want to validate you (or themselves) and are therefore not completely honest with you (or themselves). You can counteract this by not only asking about people's behaviour, but by actually observing it
- Test your value proposition is a continuous activity that can easily take several months, especially in the early stages of your business.



First define the customer profile and corresponding value proposition you want to test

Testing means checking the hypotheses behind your value proposition and customer profile. **Write down both and update them whenever you collect new information.** This will help you to stay focused and track progress throughout the whole process.



Check out the Value Proposition Design course on Startup Accelerator, where you can download our Value Proposition Canvas to help you define your Customer Profile and Value Proposition.

Customer Profile

Who is a typical customer in your customer segment? What is the customer's business/personal demographic profile? What are their relevant frustrations and goals?

Value Proposition Statement

We help [customer segment], who want to [goal(s)]. We do this by providing them with [promise(s)], which [differentiator(s)].

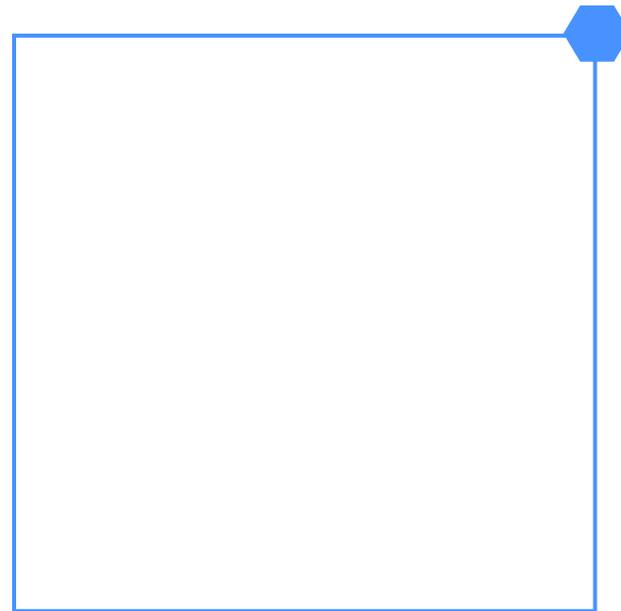
Stage 1 → Understanding your customers

Assumptions

Before you can solve a customer's problem, you need to understand them fully. Your job is to gather information about your main customer profile without being influenced by your business idea. Usually your value proposition changes fundamentally in this stage as you collect information about what your customers really need.

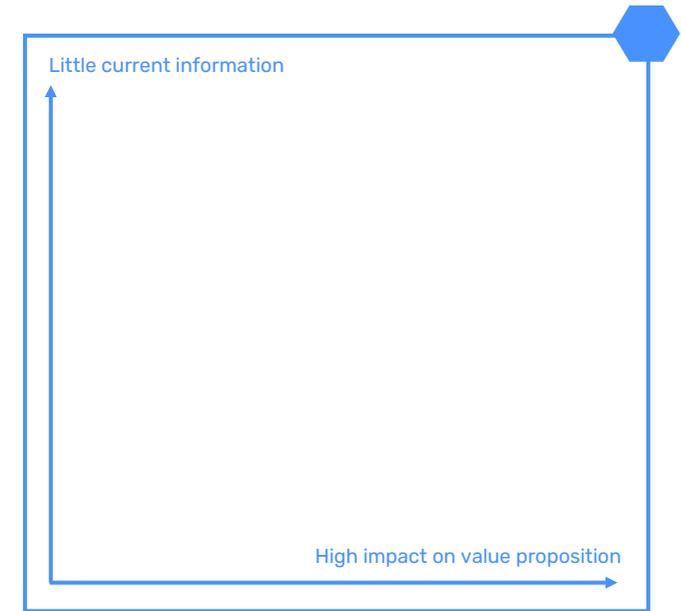
Brainstorm assumptions

What are the main activities of your customer profile?
What motivates them?
Who and what influences their decision making?
What are major challenges they face?



Identify the riskiest assumptions

Plot your assumptions according to your assessment of the amount of information that you have about them and the impact that they would have on your Value Proposition, then identify the riskiest assumptions that appear in the top right corner.



Run test



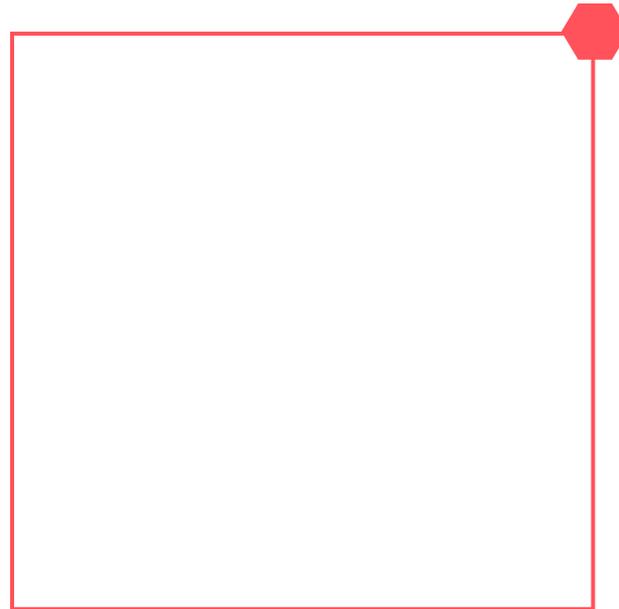
Stage 2 → Find the right problem

Assumptions

Successful businesses solve a pressing problem for their customers. Your job is to identify and rank the main problems of your customers. Keep in mind that problems can be functional (i.e. get things done), emotional (i.e. to feel good about something) and social (i.e. to belong to a social group).

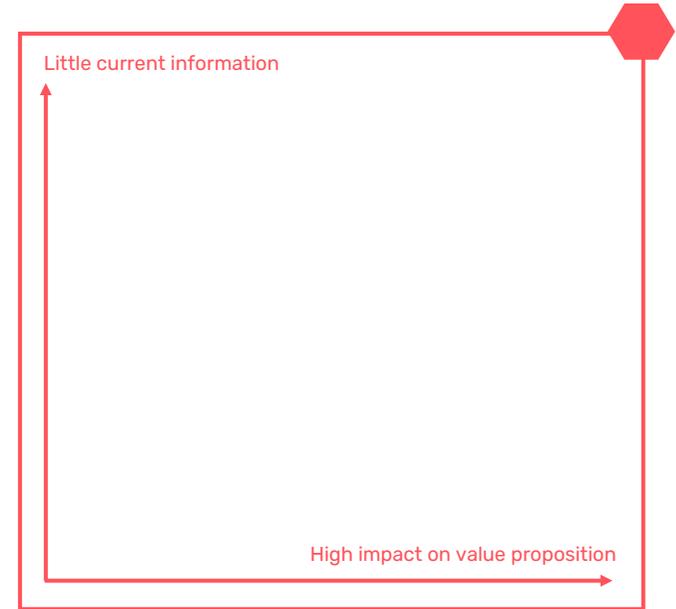
Brainstorm assumptions

What are the main tasks and responsibilities of your customers?
Which problems are they facing on a daily basis?
How can their life be improved?



Identify the riskiest assumptions

Plot your assumptions according to your assessment of the amount of information that you have about them and the impact that they would have on your Value Proposition, then identify the riskiest assumptions at the top



Run test



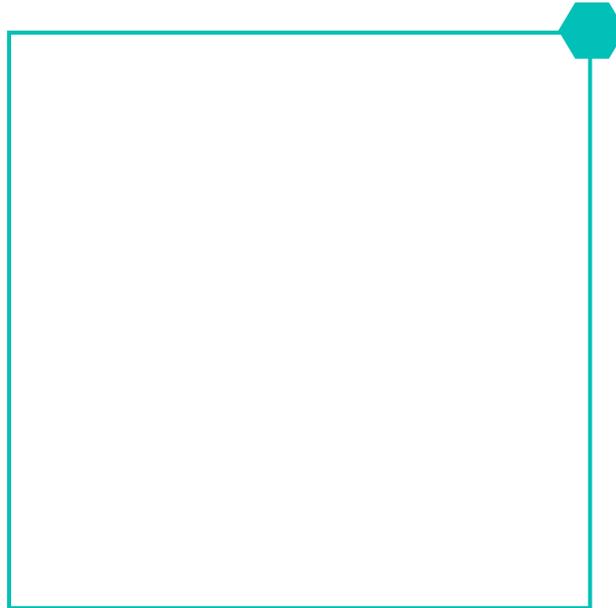
Stage 3 → Design the right solution

Assumptions

Your customers already solve their problem somehow. Your job is to find out how you can deliver a better solution. Keep in mind that changing a behaviour (or switching a service) is hard and your solution must therefore have a clear advantage. In many industries technical, legal and regulatory aspects further limit the possibilities of what can be done.

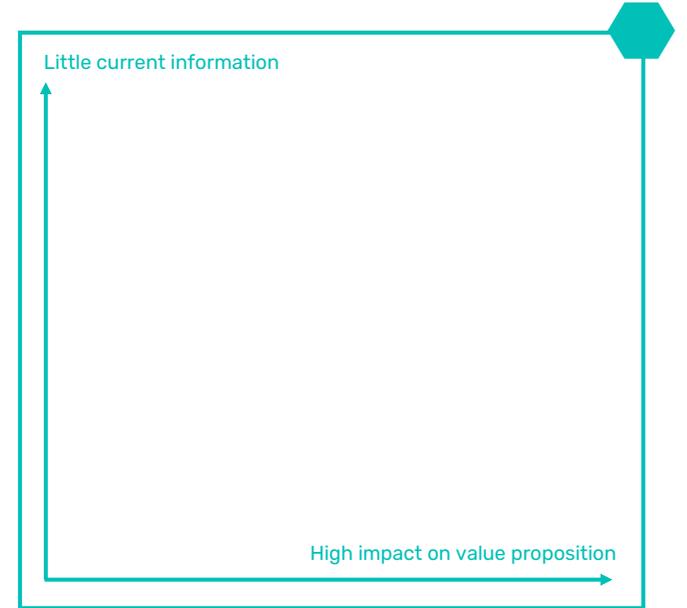
Brainstorm assumptions

How is the problem solved at the moment?
How is your solution better?
What are the benefits for the customer?
What do you need to consider from a tech, legal, regulatory etc. perspective?



Identify the riskiest assumptions

Plot your assumptions according to your assessment of the amount of information that you have about them and the impact that they would have on your Value Proposition, then identify the riskiest assumptions at the top right.



Run test



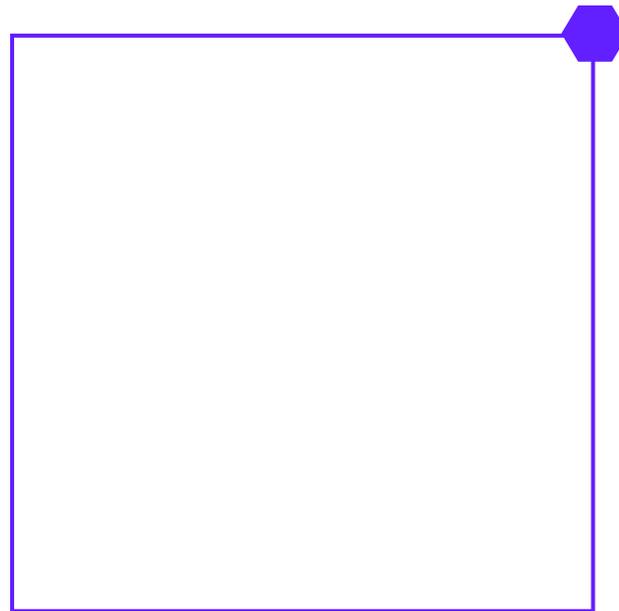
Stage 4 → Identify paying customers

Assumptions

Now it's time for action. Your job is to find out if your customers not only like your idea but are also willing to pay for it. Remember that people want to validate you and therefore might not be completely honest. So, do not rely on promises; let actions speak for themselves. Get your customers as close to buying your product as possible without actually manufacturing it.

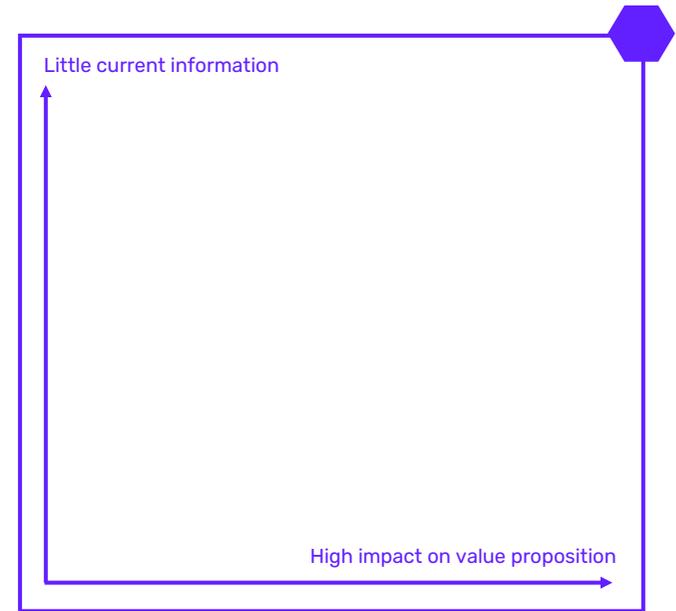
Brainstorm assumptions

How can you demonstrate the value without building the product?
How much are your customers willing to pay?
What else are they willing to invest to get the solution (knowledge, time, network, ...)?



Identify the riskiest assumptions

Plot your assumptions according to your assessment of the amount of information that you have about them and the impact that they would have on your Value Proposition, then identify the riskiest assumptions at the top right.



Run test

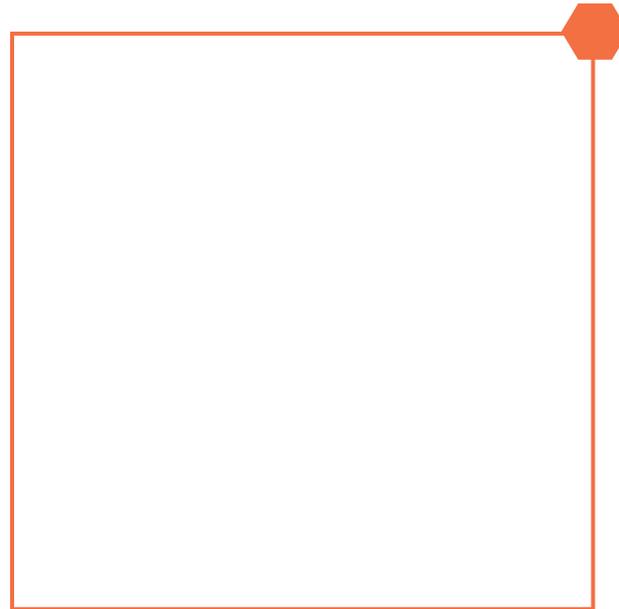


Stage 5 → Prove that you can deliver

Now that you (almost) have paying customers you need to prove that you can deliver what you have promised all along. Figure out exactly how you will deliver your value proposition. Start with the minimum requirements of your solution that are critical for creating a viable product and keep an eye on the costs.

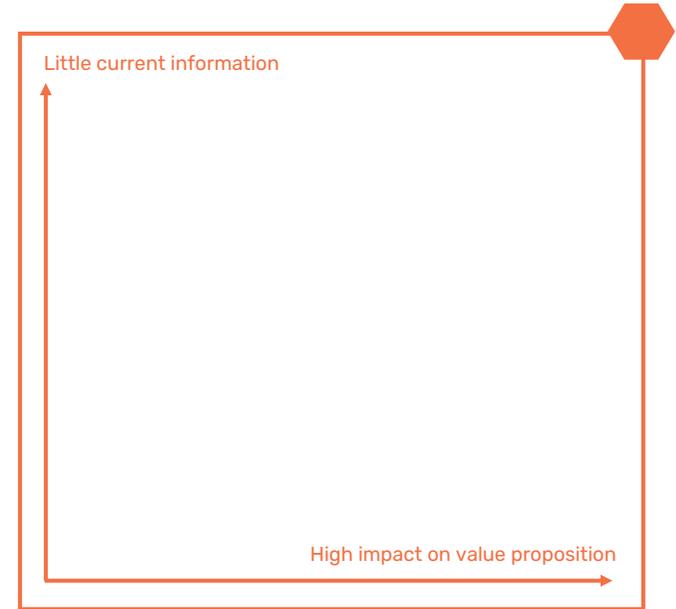
Brainstorm assumptions

What needs to be in place to actually deliver the promised value?
What are the most difficult aspects of the solution from a tech, legal, regulatory, etc. perspective?
How much does it cost to deliver the value at the right quality?



Identify the riskiest assumptions

Plot your assumptions according to your assessment of the amount of information that you have about them and the impact that they would have on your Value Proposition, then identify the riskiest assumptions at the top right.



Run test 

Test Worksheets to run
for each stage



Test Step 1 → Test Identification Worksheet

A smart test is easy to perform while delivering robust results. The strength of validation increases drastically when multiple tests that use different methods are combined.

Brainstorm possible test methods

Write down as many suitable testing methods as you can find and develop your own ideas.



Find suitable testing methods for this stage



Identify the smartest test methods

Plot your test methods according to your assessment of how easy they are to carry out and the strength of validation they would provide, then identify the smartest tests at the top right.

Easy to do (time, money, people, knowledge)



Strength of validation



Define your test

Carefully define the key aspect being tested (We believe that), how you will conduct the test (To verify we will) and what you will measure (And measure).

We believe that _____

To verify we will _____

And measure _____

Test Step 2 → Test Execution Worksheet

The trickiest aspect of testing is to not fool yourself by interpreting results in your favour.

Test Outcome

Define the worst possible outcome and the best possible outcome beforehand in order to objectively evaluate your test result. Mark your result on the continuum between the two boxes at the bottom.

Worst possible outcome

Best possible outcome

1

10



Key Learnings

What have you observed?
What did you learn from the observation?
What are the implications for your value proposition and customer profile?

1

2

3



Test Step 3 → Checklist

This checklist helps you to determine if you have tested all relevant assumptions before you go to the next stage.

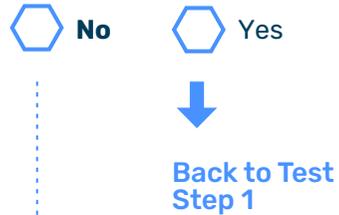
Have new assumptions emerged that need to be tested?

If yes restart the process at **Stage Assumptions**



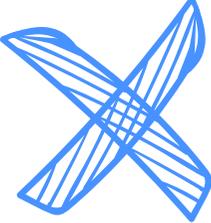
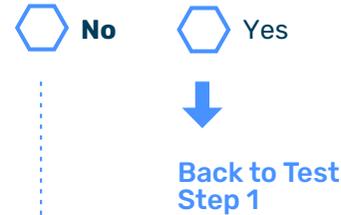
Do we need another test to collect further evidence for this assumption?

If yes restart the process at **Test Step 1**



Are there any risky assumptions that have not been tested yet?

If yes restart the process at **Test Step 1**



If you have answered **all questions with No**, proceed to next stage.

↓
Next Stage



Examples for filled in Value Proposition, Assumptions and Worksheets



Define the Customer Profile and Value Proposition you want to test

EXAMPLE

Customer Profile

Who is a typical customer in your customer segment? What is the customer's business/personal demographic profile? What are their relevant frustrations and goals?

High-income parents in European cities.

They have worked hard for their success and want their children to be as well off as they are.

They want to be sure that the little time they spend with their children is well invested.

Value Proposition Statement

We help [customer segment], who want to [goal(s)]. We do this by providing them with [promise(s)], which [differentiator(s)].

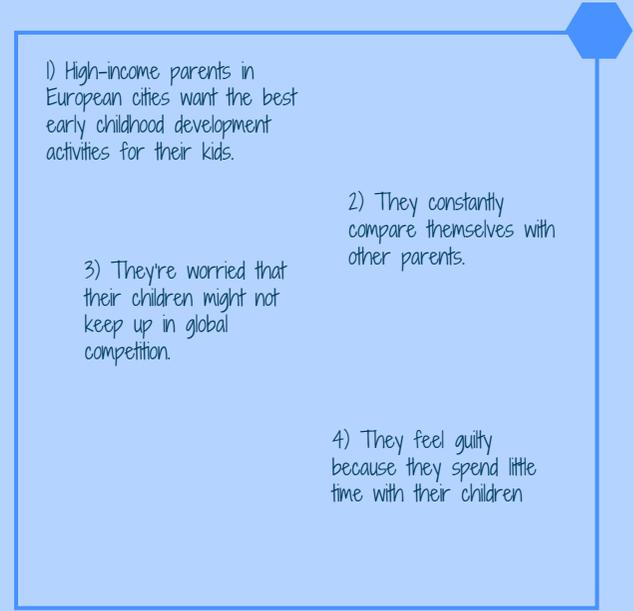
We help parents who want to support the development of their children in the best way possible. We do this by providing them with a research-backed app that offers insights and activities which can be performed at home.

Stage 1 → Understanding your customers

EXAMPLE

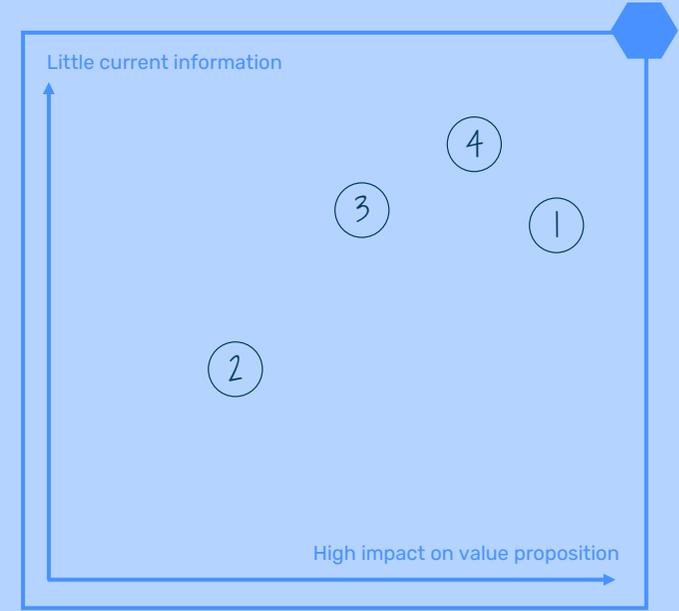
Brainstorm assumptions

What are the main activities of your customer profile?
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Who and what influences their decision making?
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Identify the riskiest assumptions

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Test Step 1 → Test Identification Worksheet

Brainstorm possible test methods

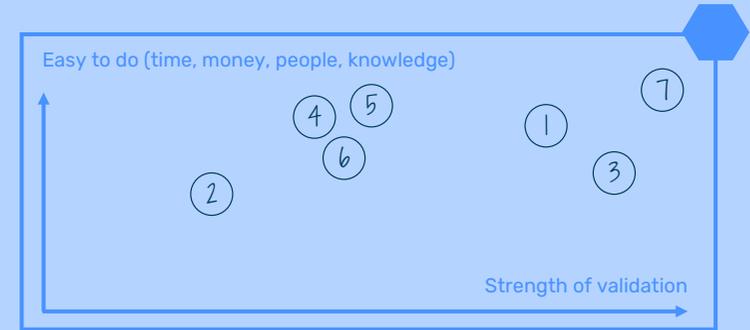
Write down as many suitable testing methods as you can find and develop your own ideas.

1) Interview parents	3) Interview operators of private day care centres / nannies / doctors / psychologists	6) Analyse trend research
7) Survey parents	4) Analysing advertising for early childhood development activities	5) Analysing the content of parenting magazines / blogs / influencers
2) Research studies concerning early childhood development activities		



Identify the smartest test methods

Plot your test methods according to your assessment of how easy they are to carry out and the strength of validation they would provide, then identify the smartest tests at the top right.



Define your test

Carefully define the key aspect being tested (We believe that), how you will conduct the test (To verify we will) and what you will measure (And measure).

We believe that	high-income parents in large cities want the best early childhood development activities for their kids.
To verify we will	interview high-income parents in large cities about the activities they conduct for the early childhood development
And measure	if/which activities they conduct, how often/long, how they chose the activities, which activities they outsource to daycare/nanny.

Test Step 2 → Test Execution Worksheet

Test Outcome

Define the worst possible outcome and the best possible outcome beforehand in order to objectively evaluate your test result. Mark your result on the continuum between the two boxes.

Worst possible outcome

0/10 parents rank early childhood development activities as a priority.

They state that they do not possess any knowledge as they fully trust the external childcare providers to do a good job. They think that the topic is hype and that parents who focus too much on their kids may damage them rather than doing them any good. They also have a rather tight budget or are not willing to pay for such activities. Overall, other topics are more important for them, e.g. physical health.

Best possible outcome

Parents mention early childhood development activities on their own in 10/10 interviews.

In each interview 4-5 of the following aspects are mentioned: Parents research the best activities and exchange with professionals and other parents about the topic; they spend a significant amount of their monthly budget on certain activities; they inform themselves about the background and concept of childcare providers (institutions / individuals); and, they discuss their ideas with providers and try to implement them.

Key Learnings

What have you observed?
 What did you learn from the observation?
 What are the implications for your value proposition and customer profile?

1

When being asked about development activities, all parents say it's important for them, but most of them do not mention it on their own. → we need more evidence.

2

Some Parents state that the topic is very important for them but it seems that they do not have enough time to research and perform all the activities. → a new assumption.

3

At this point we are not sure how important the topic really is for the parents we have interviewed. Also time seems to be a restricting factor for most parents. Maybe we should strengthen this aspect in our value proposition. At this point we want to speak to professionals in the field to check how often parents proactively bring up the topic of early childhood development. → a new test is needed.

Test Step 3 → Checklist

Have new assumptions emerged that need to be tested?

If **yes** restart the process at **Stage Assumptions**

No Yes



Back to Stage Assumptions

Do we need another test to collect further evidence for this assumption?

If **yes** restart the process at **Test Step 1**

No Yes



Back to Test Step 1

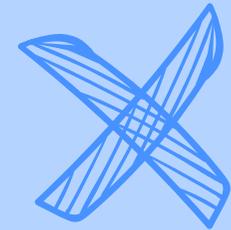
Are there any risky assumptions that have not been tested yet?

If **yes** restart the process at **Test Step 1**

No Yes



Back to Test Step 1



If you have answered **all questions with No**, proceed to next stage.



Next Stage

