

MODULE_4 CUSTOMER EXPERIENCE IN TOURISM AND HOSPITALITY INDUSTRY

Lesson_2_ VALUE OF A SERVICE

CONTENT OVERVIEW

In a modern world there are plenty of options for a consumer to choose from. Therefore, companies need more and more ways to make sure they are the ones customers turn to. Approximately 72% of the new product and service innovations fail to deliver on expectations (Simon-Kucher & Partners, 2014). One way to address this is to focus on the value proposition.

Value proposition is a promise of a clear and measurable value to be delivered, communicated, and acknowledged. It is important that value proposition creates value for customers in such way that customer's savings and benefits do not lower the price of the product too much. Companies must be able to present and prove the benefits consumer is getting as a customer of the company. The company needs to know their customers, position itself and observe things from the customer's perspective. Identifying and remembering customer behaviour is important because in that way, customer feels they are receiving personal service.

In this text we take a closer look at value proposition canvas, a tool, which enables to design and test how well a product or service creates value to customers. Value proposition canvas has two sides *customer profile* and *value map*. *Customer profile* covers a specific customer segment and seeks answers to questions about what are the *customer jobs*, *pains*, and *gains*, this helps to clarify the customer understanding. *Value map* describes how value is meant to be created for the customer, this section is divided into *products and services*, *pain relievers* and *gain creators*. Value proposition canvas can be used in both start-ups and established organizations.

1. Value proposition canvas

Value proposition canvas is a tool, which helps to create value to customers. Canvas is divided into two section *customer profile* and *value map*. *Customer profile* is divided into *customer jobs*, *pains*, and *gains*. *Customer jobs* describe the things, tasks, needs or problems customers are trying to get done, complete, satisfy or solve. There are three main types of customer jobs: *functional jobs* are something specific customer are trying to do, like book a hotel room or eat healthy. *Social jobs* describe how customers want to be perceived

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by others. It is about wanting to look good or gain power or status. *Personal/emotional jobs* are about seeking a specific emotional state for example, feeling good or secure and searching for peace of mind. It is common that the customer jobs depend on the specific context in which they are performed. For example, going to the restaurant with kids is different than going with partner.

Customer pains describe anything that irritates customers before, during and after they are trying to get a job done or that prevents them from doing it. Just like in *customer jobs* there are three different types of *customer pains*. First there are *undesired outcomes, problems, or characteristics*. These can be functional “this doesn’t work”, emotional “I feel bad”, social “I look bad”, ancillary “I’m annoyed”. These can also be undesired and unwanted characteristics “this is boring”. Second type of pains are *obstacles*, things that prevent customers from doing their job. Last type of pains are *risks* and undesired potential outcomes, things that could go wrong and have negative consequences.

Customer gains describe the benefits and outcomes customers want from the product or service. These can be *required gains*, which are necessary, the most basic expectations which without the solution wouldn’t work. Gains can also be *expected*, relatively basic gains and expected from the solution, even if it could work without them. Gains, that go beyond what the customers expect, but are still something they would love to have, are called *desired gains*. *Unexpected gains* go also beyond customer expectations but are something customers wouldn’t ever come up with.

It is also important, not to only find out what the *customer jobs, pains* and *gains* are, but acknowledge that some jobs have bigger importance or impact than others. The search for the right value propositions that meet the customer jobs, gains and pains is an iterative process that goes continuously back and forth between designing ideas and testing them, as quickly as possible.

Value map consists of *products and services, pain relievers* and *gain creators*. Section *products and services* simple consists of the products and/or services the company is offering. These can be physical/tangible (manufactured goods), intangible (services), digital (apps) or financial (investment funds). *Pain relievers* describe how products or services relieve customer pains and annoyances. It is important to concentrate on pains that matter to customers the most. *Gain creators* describe how product and services create customer gains, and how intended outcomes and benefits are going to be produced.

It is not realistic to come up with solutions to every single pain customer may have, instead a few wisely selected pains should be relieved extremely well. Same goes with gain creators, it

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is not necessary that gain creators address every identified gain. More importantly, attention should be drawn to the most relevant gains.

Learn more about value proposition canvas here

https://issuu.com/business.model.innovation/docs/vpd_sneakpeek and here

<https://www.youtube.com/watch?v=ReM1uqmVfP0>

Conclusions

Investing in value proposition is something companies should take seriously. If companies want to avoid wasting time and money on products and services that do not interest customers, they should involve customers in the development of the product and services from the very beginning. Value proposition should be one that assures the customer that this particular product or service gives the best possible value on the market. Value proposition gives companies a great opportunity to stand out and prove why they are the ones customer should choose. When choosing from two different options, customers are not only comparing differences within the product or service, but also what type of value they are providing. Customers will buy products and services only if they feel that it is the best deal available.

When using value proposition canvas, start with selecting your customer segment, then identify customer jobs, pains, and gains. After that prioritize jobs, pains, and gains. Now you have filled up customer profile. Start filling up value map by listing products and services, then outline pain relievers and gain creators. Lastly rank products, services, pain relievers and gain creators by order of importance.

Using tools like value proposition canvas, makes it easier to every team member to be on a same page and have a shared understanding of what is a good value proposition. Value proposition canvas helps to make patterns of value creation easily visible and to understand them. It also helps and makes it simple to organize information about what the customers want. This helps companies to design more effectively value propositions, that directly answer customer's *jobs*, *pains*, and *gains*. When using value proposition canvas properly it prevents companies from concentrating too much on products and features instead of creating value. Good sounding ideas and plans are useless if customers are not interested. That is why product development process should be customer-focused and constantly testing.

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