

VALUE MAPPING IN PRODUCT DEVELOPMENT

Value proposition fundamentals and a workshop

Dr. Ville Eloranta, Senior University Lecturer,
Aalto University, School of Business,
Dept. of Management Studies (IDBM)



Ville Eloranta

Senior University Lecturer, IDBM Master's Programme Director at Aalto University



About

TEACHING. Wide experience in various topics related to innovating, organizing, and operating business ecosystems and platform business models. Certified (AmO) and evaluated (TCAC: Excellent) performance.

Director of Aalto's interdisciplinary flagship International Design Business Management master's program (IDBM) since 2021. Running IDBM courses as a responsible teacher since 2018. Guest lecturer in over 60 courses in all levels of university education, including MBA.

Principal Investigator in 1,2 million euro EIT educational leadership and development project "C-ACCELERATE", which accelerates the role of creative communities through the exploration of entrepreneurial education.

RESEARCH. Awarded (by 1 Me EIC Innovation Prize, and EU Innovation Radar recognition) research related to exploring the transformative potential of digital goods' anti-rivalrous(*) characteristics to platform and ecosystem business models. A particular focus in how novel institutional technologies, such as blockchain, allow new anti-rival - compatible ways to approach incentivization, resource allocation, and institutional design in platforms and ecosystems.

Research background (11 years) in the fields of i) manufacturers' servitization, ii) platform-based value creation, and iii) governing and policy making platform ecosystems.

PI of a 2,75 million euro EU Horizon 2020 FET Open (currently: EIC Pathfinder) project ATARCA (2021-2023), which investigated incentivization and governance of anti-rival digital goods.

Research published in, e.g., International Journal of Operations and Production Management, Journal of Product Innovation Management, Technological Forecasting and Social Change, and Industrial Marketing Management.

ACADEMIA:



**Senior University Lecturer,
IDBM Master's Programme Director**
Sep 2021 – Present

University Lecturer
Aug 2019 – Aug 2021

Postdoctoral Researcher
May 2016 – Jul 2019

Doctoral Candidate
Aug 2012 – May 2016

INDUSTRY:



Planner
Jan 2014 – Oct 2015

Co-founder
Nov 2006 – Dec 2013

Vice President, Projects and Technology
Jan 2006 – Oct 2006

Production Manager / Concept Designer
Aug 2004 – Dec 2005

Concept Designer
May 2000 – Jul 2004

Interface Programmer
Aug 1999 – April 2000

New Media Designer
Jan 1999 – Jul 1999

Webmaster
Jul 1998 – Jul 1999

Freelancer
Jan 1995 – Jul 1999



“We”?

A”

Aalto-yliopisto



ACADEMY OF FINLAND



IDBM



Some related publications...

- Eloranta, V. Hakanen, E., & Shaw, C. (2024). **Teaching for paradigm shifts: Supporting the drivers of radical creativity in management education.** *Educational Research Review*.
- Hakanen, E., Eloranta, V., Shaw, C., and Töytäri, P. (in press). **Signaling Collective Action in Ecosystems.** *Academy of Management Perspectives*.
- Eloranta, V., Bengts, A., and Ganoo, A. (2024). **Managing the Complexities of Digital Goods' Anti-Rivalry in Contemporary Business Model Innovation,** *Academy of Management Proceedings. Chicago, US. August, 2024*
- Shaw, C., Eloranta, V., and Hakanen, E. (2024). **Performing Utopias: Values Practices in Blockchain-Enabled Commons Based Peer Production,** *Academy of Management Proceedings. Chicago, US. August, 2024*
- Bengts, A., Eloranta, V., Hakanen, E., Turunen, T., and Tullney, V. (2024). **Elevating Business Models to the Ecosystem Level: Evidence from Web3 and Beyond,** *Proceedings of the Hawaii International Conference on System Sciences (HICSS)*.
- Hakanen, E., Eloranta, V., Marttila, J., and Amadae, S. (2023). **Digital Protocols as Accounting and Incentivization Mechanisms in Anti-Rival Systems: Developing a Shareable Non-Fungible Token (sNFT),** *The Fifth Wave—BRIE-ETLA Collection of Articles*.
- Hakanen, E., Eloranta, V., and Shaw, C. (2022). **Forming Digital Commons: The Role of Signaling and Sociology of Translation in Decentralized Systems,** *Academy of Management Proceedings. Seattle, US. August, 2022*
- Eloranta, V., Ardolino, M., and Sacconi, N. (2021). **A Complexity Management Approach to Servitization: The Role of Digital Platforms,** *International Journal of Operations and Production Management*.
- Könnölä, T., Eloranta, V., Turunen, T., and Salo, A. (2021). **Transformative Governance of Innovation Ecosystems,** *Technological Forecasting and Social Change*.
- Töytäri, P., Turunen, T., Klein, M., Eloranta, V., Biehl, S., and Rajala, R. (2018). **Aligning the Mindset and Capabilities within a Business Network for Successful Adoption of Smart Services.** *Journal of Product Innovation Management, 35(5), 763-779*.
- Turunen, T., Eloranta, V., and Hakanen, E. (2018). **Contemporary Perspectives on the Strategic Role of Information in Internet of Things -Driven Industrial Services.** *Journal of Business and Industrial Marketing*.
- Hakanen, E., Eloranta, V., Töytäri, P., Rajala, R., and Turunen, T. (2017). **Material intelligence: Cross-organizational collaboration driven by detailed material data.** *Proceedings of the Hawaii International Conference on System Sciences (HICSS)*.
- Eloranta, V. and Turunen, T. (2016). Platforms in service-driven manufacturing: **Leveraging complexity by connecting, sharing, and integrating.** *Industrial Marketing Management, 55, 178-186*.

Next...

1. **What is value**
2. Communicating value
3. Mapping value

Peer discussion

What is value?

“Value is what **I get** for what **I give**”

Zeithaml, 1988

“Value is what I **get** for what I **give**”

Zeithaml, 1988

Value exchange:

1. **Create** value for the customer
2. **Capture** a fair amount of the value created

“Value is what I **get** for what I **give**”

Zeithaml, 1988

Value exchange:

1. **Create** value for the customer
2. **Capture** a fair amount of the value created

Any **voluntary decision to transact** requires that both parties perceive: 0 < value = **benefits** – **sacrifices**

Töytäri, 2018

CASE
OUTOTEC
FLOTATION

VALUE OF PROCESS IMPROVEMENT

SALES REVENUE FROM
EXTRACTED MINERALS

SALES REVENUE FROM
EXTRACTED MINERALS

Increase of copper recovery by 1% equals to of 2Meur increase of sales revenues

ENERGY COST

ENERGY COST

50 % energy decrease equals to 100keur decrease of utility cost

MAINTENANCE COST

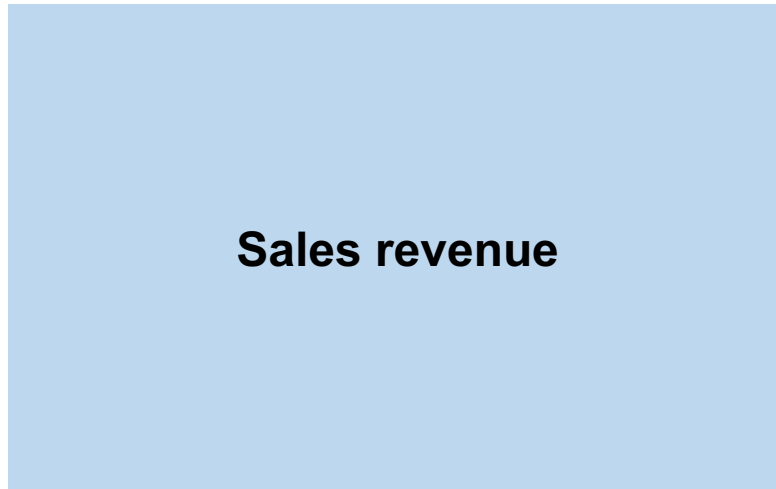
MAINTENANCE COST

50% life time decrease equals to 50keur saving of maintenance expenditure

OLD MIXING MECHANISM

NEW MIXING MECHANISM

Case:
A store selling products online

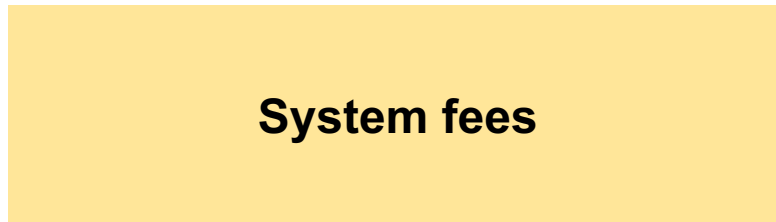


Sales revenue



Sales revenue

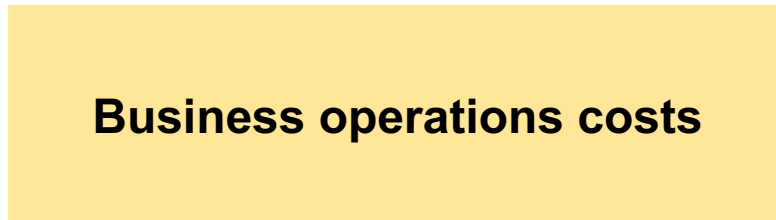
Less sales because of more verifications needed



System fees

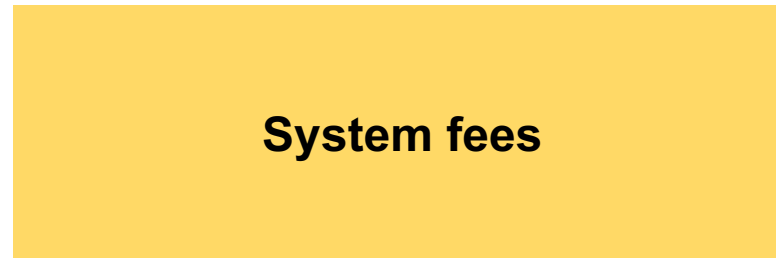


Order processing costs



Business operations costs

OLD order processing system



System fees



Order processing costs



Business operations costs

NEW order processing system

More expensive system

More accurate orders, less fraud

Thinking value first entails a mindset shift

DIMENSION	COST LOGIC	VALUE LOGIC
Exchange focus	Single transaction	Transactions over lifecycle
Decision criteria	Narrow (capex)	Holistic (capex+opex)
Optimization focus	Value-in-Exchange	Value-in-Use
Exchange scope	Product	Solution
Temporal focus	Short-term	Long-term
Relationship logic	Arms-length / independence / Power	Joint value creation
Primary exchange goal	Value capture	"Value first, sharing then"
Offering market cycle	Commodity	Innovation
Solution vision	Buyer's	Jointly created
Value sharing reference	Supplier cost	Customer value

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Value proposition

Value proposition is a **bundle of benefits**

Value proposition

Value proposition is a **bundle of benefits** that addresses **(business) goals** of a **specific target group**

Value proposition

Value proposition is a **bundle of benefits** that addresses **(business) goals** of a **specific target group**, and offers **superior value** for the customer.

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Hence, value proposition **differentiates** from competing alternatives and **resonates** with the stakeholders' value views by addressing timely and salient (business) concerns.



It can be very concrete!

Ad-Lib Value Proposition Template

Ad-libs are a great way to quickly shape alternative directions for your value proposition. They force you to pinpoint how exactly you are going to creating value. Prototype three to five different directions by filling out the blanks in the ad-lib below.

OBJECTIVE

Quickly shape potential value proposition directions

OUTCOME

Alternative prototypes in the form of "pitchable" sentences

Our _____
Products and Services

help(s) _____
Customer Segment

who want to

by _____ and a customer pain
verb (e.g., reducing, avoiding)

and _____ and a customer gain
verb (e.g., increasing, enabling)

(unlike _____ **)**
competing value proposition

But it is not trivial!

Peer exercise

Who are the **stakeholders** involved in value creation?

What are the **values** firms are trying to communicate to the stakeholders?



Peer exercise

Who are the **stakeholders** involved in value creation?

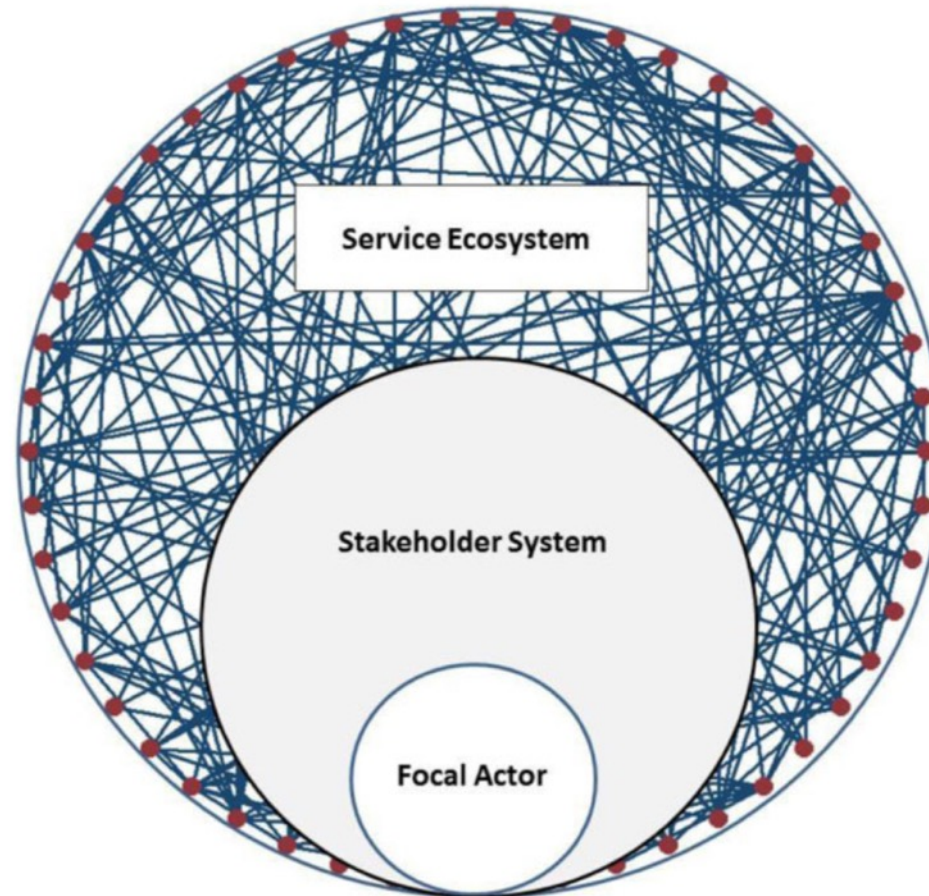
What are the **values** firms are trying to communicate to the stakeholders?



Beyond dyads?

ECOSYSTEM PERSPECTIVE TO VALUE PROPOSITIONS

- **Macro view:**
market perspective
- **Meso-level:**
network of key actors connected to the focal firm
- **Micro-level:**
buyers and sellers



ZOOM LEVELS

Micro level

- Value proposition as a “promise” or “proposal”

Meso level

- Value proposition as an “Invitation to play” or “bridge connecting our worlds”

Macro level

- Value proposition as a “wild card” or “journey to a destination”

Table 1. Illustrative value offered, value sought and value shared shaping an ecosystem.

Actor	Value offered	Value sought
Employee	Pay (premium/fair) Equity in business Job security Training and career path Work–life balance Pride in job/community status Health and safety	Staff loyalty Championing company Ideas for improvements Involvement and commitment Productivity
Customer	Product/service performance Choice Convenience Responsiveness Security Feel-good	Retaining existing customers Broadening/deepening relationships Recommendations to prospects Expansion of customer base Improving customer profitability Ideas for improving service
Supplier	Volume guarantees Price (premium/fair) Payment terms/contract length Status (platinum, etc.) Information sharing Recommendation	Supply security Supply prioritisation Cost savings – supply chain integration Cost savings – price paid Information sharing
Partner	Performance Status (platinum, etc.) Information/IP sharing Recommendations/introductions Shared marketing Training	Partner performance Status/accreditation enjoyed Information received Recommendation/introductions Shared marketing
Shareholder	Risk profile Returns profile (capital growth, dividend, etc.) Profits growth Economic value added	Shareholder loyalty (as appropriate for private, private equity and public ownership) Support for further fundraising Premium valuation Referrals/introductions
Society	Ethical behaviour/example Investments in sustainability Carbon usage reduction Compliance (match/exceed) Charitable support Staff development	Enhanced reputation Lower risk of regulatory investigation/savings on mandatory investigations Support from government Regulatory benefits

Source: Adapted from Springman (2012).

Frow et al., 2014

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waze

That way looks awesome today

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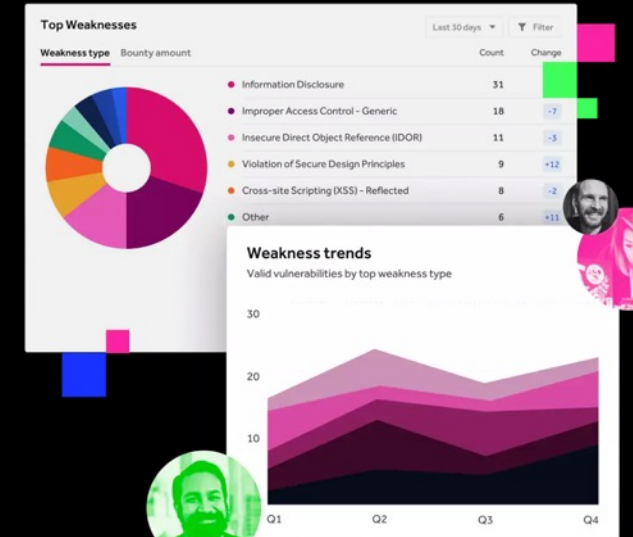
hackerone

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Explore the Platform

Request a Demo



Waze. A community-driven ecosystem where millions of drivers contribute real-time data, making every drive faster and safer. By joining Waze, you become part of a global network actively improving daily commutes for everyone.

Next...

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2. Communicating value
- 3. Mapping value**

Team exercise (45mins)

Focus on your **teams' cases**. Conduct a value mapping exercise with **Value Proposition Canvas**.

After the exercise, let's come back to the lecture hall and review shortly the results and experiences.

1) Defining your customer profiles. Identifying your customer's major jobs-to-be-done, the pains they face when trying to accomplish their jobs-to-be-done and the gains they perceive by getting their jobs done.

2) (if you have time) **Visualize the value you create.** Defining the most important components of your offering, how you relieve pain and create gains for your customers.

3) (during the rest of the course) **Achieve product-market fit.** Adjusting your Value Proposition based on the insights you gained from customer evidence and achieve Product-Market fit.

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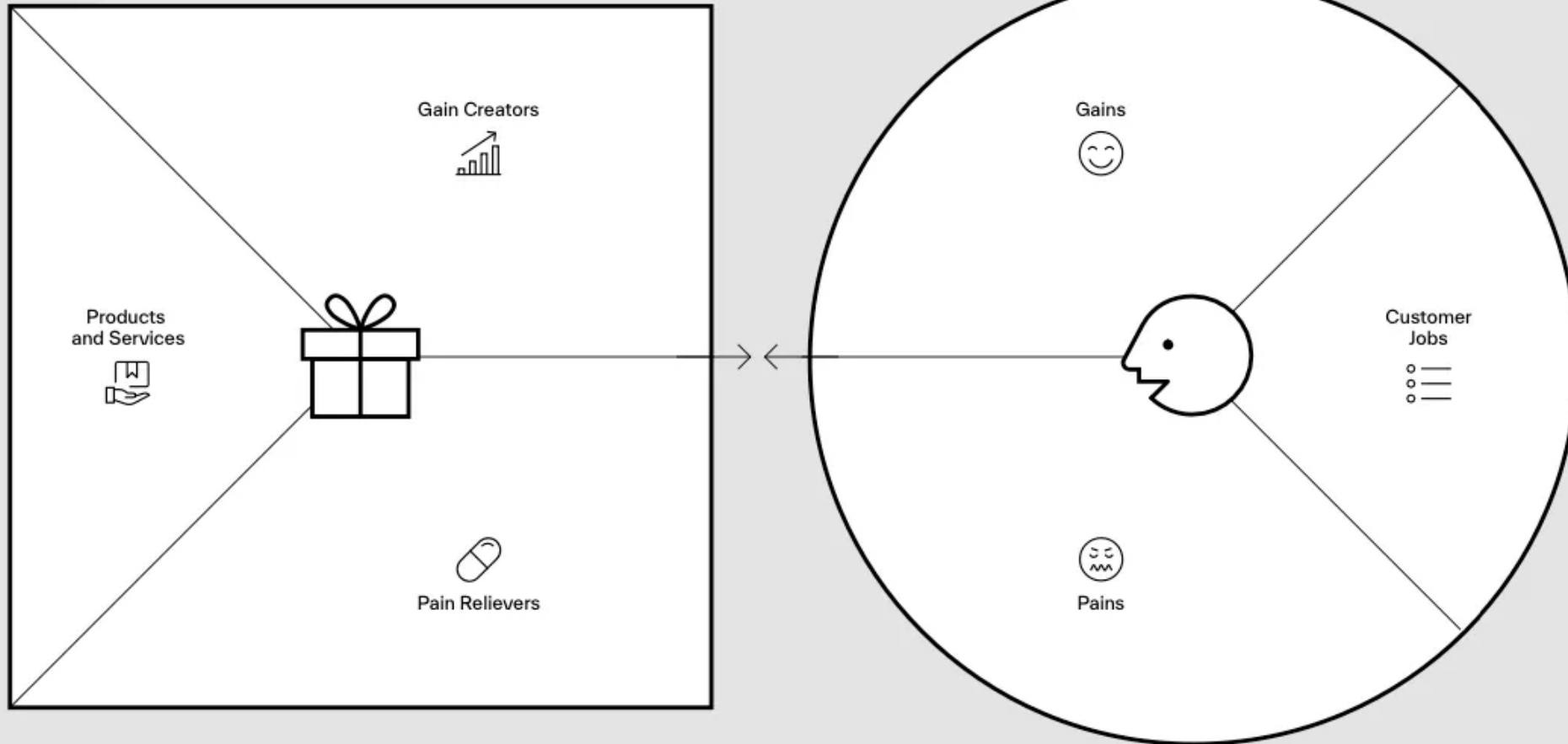
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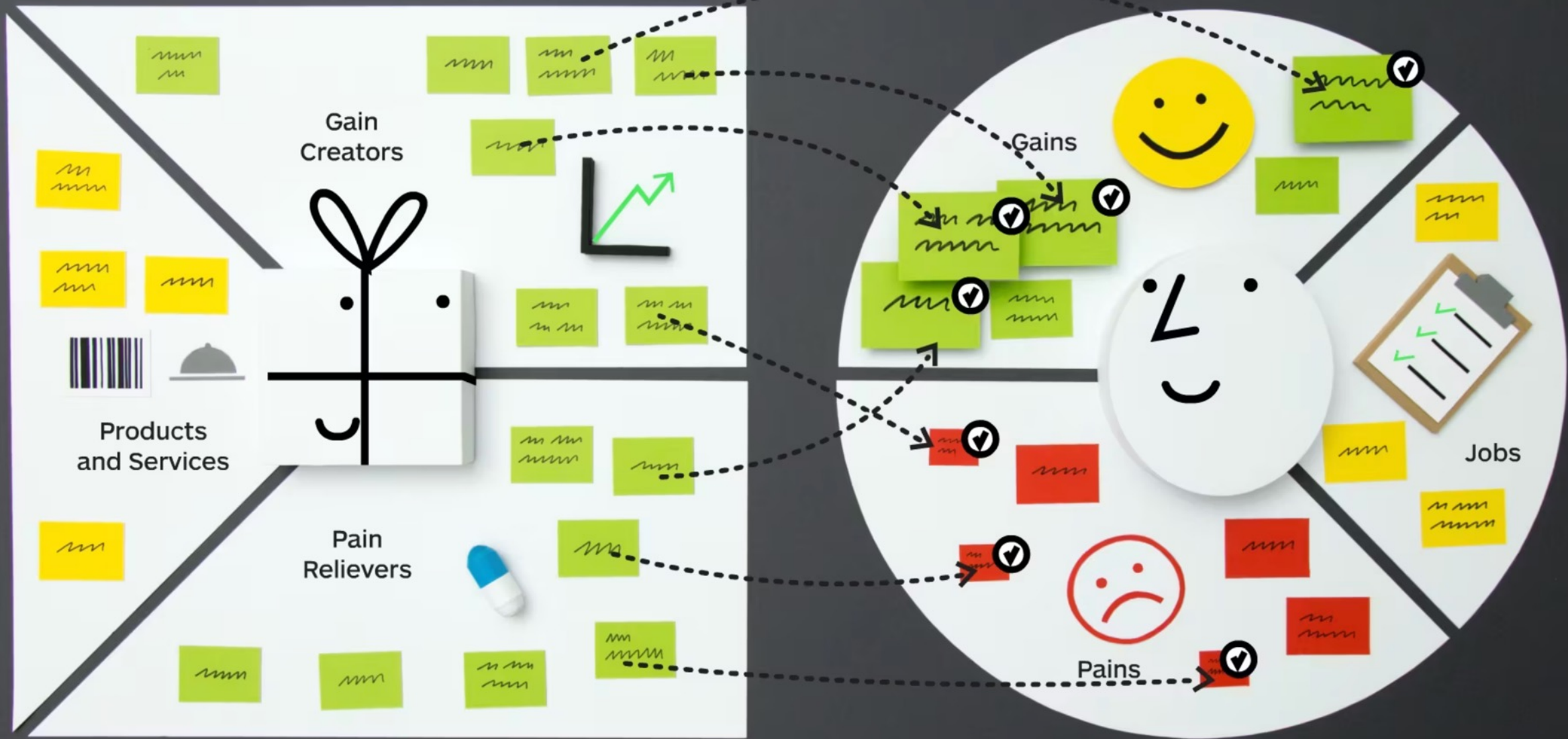
The Value Proposition Canvas

Value Proposition:



Customer Segment:





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Q&A



MORE INFORMATION

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