

Silicon Valley Best Practices:

Developing Your Value Proposition



 **Next Stage**

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The “NABC” Value Prop

- Comes from SRI in Silicon Valley
- Source: “The Five Disciplines of Innovation” by Curt Carlson
- Why:
 - It is comprehensive
 - It is operational
 - It is the core of elevator pitch, executive summary and customer, partner and investor pitch
 - Easy to remember the letters “NABC”



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This is a somewhat expanded Value Proposition Concept developed by Curt Carlson and SRI in Menlo Park. It has been applied at countless companies and has been used to develop their \$500 Billion USD business.

I consider it a Silicon Valley Best Practice, which is why I include it in my workshops. It serves our purpose for the workshop very well because:

It is comprehensive

It is operational

It is the core of elevator pitch, executive summary and customer, partner and investor pitch

It's easy to remember the letters “NABC”

The four components of this Value Proposition together form the foundation for all company communications including tag line, mantra, elevator pitch, executive summary, customer pitch, partner pitch and investor pitch.

This is a great place for our cleantech companies to start in developing their speed dating pitch and the other collaterals they will need.

The “NABC” Value Proposition

- NEED: What is the Problem You Are Solving
- APPROACH: How do you uniquely address the problem
- BENEFITS: What is the benefit to the customer relative to the cost
- COMPETITION: How else could the problem be solved - be sure to include “do nothing” as an alternative

This slide shows the 4 components of the Value Proposition – I believe it is self-explanatory.

Important things for the companies to remember though: since they are going to be pitching to potential partners they need to think about these components relative to 1) the end customer and 2) the partner.

The partner certainly cares about the end-user need, approach, benefits and competition/alternatives, but he also cares about “what’s in it for him” as the partner. Both of these dimensions need to be incorporated into the value proposition and will later be part of the pitch as well.

This is crucial!

Need

- Who is the customer?
- What is the specific customer need your company is addressing?
- How many customers like this are there?
- What is the partner's interest in this problem and customer?

1. Customer Need is the fundamental element in a value proposition. Without need there is no value. Need can also be articulated as the Customer Problem. WHAT is the PROBLEM your company is solving, and for WHOM?

2. WHY does the customer CARE? How does this problem rank compared to the other challenges the customer is dealing with. Be very specific. Most entrepreneurs talk about their product or technology and forget that value starts with a compelling NEED.

3. How many customers are there in your addressable market? The addressable market is the one your company can actually reach with the funding and resources it expects to have. Best to build this from the bottom up rather than from the top down. Start from the expected production of one sales person and then multiply up. You can also state the potential market but that is a different "animal".

4. WHY does your prospective partner care? For you to have a compelling value proposition he/she must already sell to this type of customer or want to sell to this type of customer? Be clear about what you think the partner need is.

A

pproach

- How does your company solve this problem?
- What is unique or different?
- Why will your solution work?
- How could this be even better together with partner?

1. What is your solution to this problem? A schematic or illustration of the solution is good here.
2. What is different about your solution and what is compelling about that?
3. Why should the partner believe your solution will work, and how do you defend it in the market place?
4. How can your approach be made even better through the partnership you are proposing?

Benefits

- Cleaner planet?
- Energy independence?
- Lower cost of energy?
- Sustainability?
- Savings through efficiency?

1. For Cleantech companies the benefits provided are often lower emissions, greater energy independence, savings through greater efficiency, etc.

2. Quantify benefits.

3. Quantify the costs for the customer.

4. Even better if you can show an ROI table that correlates quantitative and qualitative benefits with costs.

3. WHY does your prospective partner care? For you to have a compelling value proposition he/she must already sell to this type of customer or want to sell to this type of customer? Be clear about what you think the partner need is.

C

ompetition and alternatives

- How is the customer currently solving the problem?
- What happens if customer does nothing?
- What other solutions are out there?
- What is your advantage over the alternatives?
- Why should the partner choose you?

1. If the problem you are solving is important, the customer must have some other solution they are currently using? What is it?
2. If the customer decides to just keep doing what he is doing, what are the consequences?
3. Aside from you, what are the other solutions the customer could choose?
4. What is better about your solution – convenience, cost, sustainability, ease of delivery, what?
5. Which of your advantages would be most important to the partner you are pitching?

Format

- Use 5 PowerPoint Slides as in the following example
- Slides should correspond to
 - 1) Cover Slide
 - 2) Need
 - 3) Approach
 - 4) Benefits per Cost
 - 5) Competition and Alternatives

1. Cover Slide

- Company Name: PowerSense (example is fictive but based on RegenEnergy)
- What We Do: Help commercial and industrial customers use power more efficiently, reducing cost and emissions

2. Need

- Power usage is difficult to monitor and control.
- Companies have no visibility of where, when or how they are consuming power.
- They cannot program consumption to leverage energy pricing incentives.
- As a result they pay more than 50% more than they need to for energy.
- Because of the negative impact of carbon emissions, the government plans to introduce a cap and trade system that will further increase companies' costs
- Companies' carbon footprint is impacting their public image.
- There are 1000 industrial customers and 2300 commercial customers in Northern California alone who could have immediate benefit of this solution
- For the US as whole the numbers are at least 10 X as big

3. Approach

- Use monitor/controllers to sit in front of devices and equipment
- Measures energy usage on a per device basis
- System knows time of day and demand pricing
- System can be programmed to automate most efficient usage patterns on a per device level
- System receives and adjusts to dynamic pricing from utilities
- One day installation or less with up to 10 controllers

4. Benefits/Costs

- CUSTOMER
 - Efficiency: Reduces electricity costs up to 30%
 - Emissions: Reduces emissions up to 30%
 - Tariffs: Eliminates risk of pending carbon tax
 - Payback period of 1 year or less
- PARTNER
 - New product for existing Commercial and Industrial Markets
 - Access to \$3 Billion USD market
 - Supports current sustainability image building efforts
 - Complementary to Supply Side grid management offerings

5. Competition/Alternatives

- CUSTOMER
 - Do Nothing but at risk of higher energy costs and tariffs
 - Wait for EMS (Energy Management System) provider to come up with solution but uncertain and 10X more costly
- PARTNER
 - Do not enter this market
 - Do it in-house but more expensive than startup and slower