

CORPORATIVO Y COLEGIO INTERNACIONAL DE PROFESIONISTAS



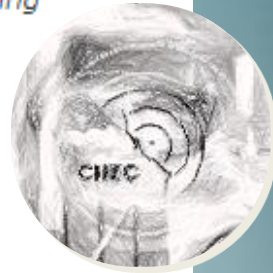
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- = Value Creation



"A business is a repeatable process that makes money. Everything else is a hobby." — **Paul Freet**, serial entrepreneur and commercialization expert

Key Ideas:

- Roughly defined, a business is a repeatable process that:
 - 1. Creates and delivers something of value...
 - 2. That other people want or need...
 - 3. At a price they're willing to pay...
 - 4. In a way that satisfies the customer's needs and expectations...
 - 5. So that the business brings in enough profit to make it worthwhile for the owners to continue operation.
- At the core, every business is fundamentally a collection of five interdependent processes, each of which flows into the next:
 - 1. **Value Creation** – Discovering what people need or want, then creating it.
 - 2. **Marketing** – Attracting attention and building demand for what you've created.
 - 3. **Sales** – Turning prospective customers into paying customers.
 - 4. **Value Delivery** – Giving your customers what you've promised and ensuring that they're satisfied.
 - 5. **Finance** – Bringing in enough money to keep going and make your effort worthwhile.
- Take away any one of these five parts, and it's not a business.
- When planning a new business or analyzing an existing venture, always begin with the five parts – they will help you discover any major issues or gaps quickly.



Questions for Consideration:

- Think of the business you're working on: what are the five core processes?
- Can you describe or diagram them in detail?
- How do they fit together?

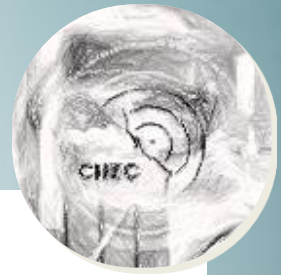


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Economically Valuable Skills

"Don't go around saying the world owes you a living. The world owes you nothing—it was here first." — **Mark Twain**, great American novelist

Key Ideas:

- Economically Valuable Skills are directly related to the Five Parts of Every Business.
- Not every skill or area or knowledge is economically valuable.
- To increase your value, focus on improving skills that are economically valuable.

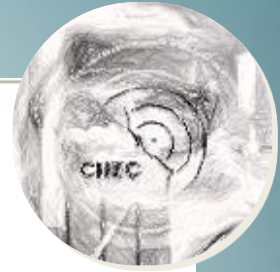
Questions for Consideration:

- What skills, talents, or knowledge do you possess that are related to the five core business processes? How are you using them now?
- How can you use your skills to benefit others?
- What skills could you develop to make yourself more valuable as a business professional?

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The Iron Law of the Market

"Market matters most; neither a stellar team nor fantastic product will redeem a bad market. Markets that don't exist don't care how smart you are." — **Marc Andreessen**, venture capitalist and founder of Netscape and Ning.com

Key Ideas:

- Even the most ingenious idea will fail if no one wants it – creating something no one wants is a waste.
- Find ways to serve existing markets vs. building something, then finding a market to sell it to.
- This "iron law" is cold, hard, and unforgiving – ignore it, and you *will* fail.

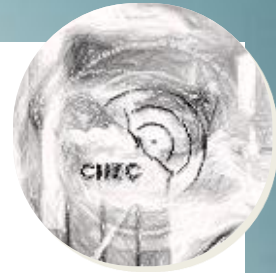
Questions for Consideration:

- Are you sure people actually want what you're creating?
- How can you find out before committing valuable time, energy, and resources to the venture?

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Core Human Drives

"Understanding human needs is half the job of meeting them." — **Adlai Stevenson**, politician and former governor of Illinois

Key Ideas:

- All humans have five core drives that influence their decisions:
 - Drive to Acquire: It's the desire to collect material and immaterial things, like a car, or influence.
 - Drive to Bond: Desire to be loved and feel valued in our relationships with others.
 - Drive to Learn: Desire to satisfy our curiosity.
 - Drive to Defend: Desire to protect ourselves, our loved ones and our property.
 - Drive to Feel: Desire for many emotional experiences, such as pleasure or excitement.
- Whenever a group of people have an unmet drive, a market will form to satisfy it.
- The more drivers your offer connects with, and the better you communicate those connections, the more attractive your offer will become.

Questions for Consideration:

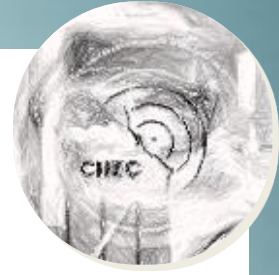
- What core human drives does your offer connect with?
- How can you potentially connect it with other drives?

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Status Seeking

"The society which scorns excellence in plumbing as a humble activity and tolerates shoddiness in philosophy because it is an exalted activity will have neither good plumbing nor good philosophy: neither its pipes nor its theories will hold water." — **John W. Gardner**, former president of the Carnegie Corporation

Key Ideas:

- Humans are social creatures, and we care intensely about our relative status.
- Status Seeking is a universal phenomenon.
- In general, we like to be associated with people and organizations that we think are powerful, important, exclusive, or exhibit other high-status qualities or behaviors.
- When opportunities to increase social appear, most people will seize them.
- Status considerations influence the vast majority of decisions and actions.

Questions for Consideration:

- Can you think of situations in your life in which you acted to gain social status?
- Does your offer increase or decrease your prospect's relative status?



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Ten Ways to Evaluate a Market

"So often people are working hard at the wrong thing. Working on the right thing is probably more important than working hard." —
Caterina Fake, founder of Flickr.com and Hunch.com

Key Ideas:

- These ten points help identify the attractiveness of a market:
 - ◊ Urgency: How badly do people need this right now?
 - ◊ Market size: How many people would purchase this?
 - ◊ Pricing Potential: What's the highest price people would be willing to pay?
 - ◊ Cost of Customer Acquisition: How easy is it to acquire a new customer?
 - ◊ Cost of Value Delivery: How much does it cost to create and deliver the offer?
 - ◊ Uniqueness of Offer: How unique is your offer versus the competition's? How easy is it to be copied?
 - ◊ Speed to Market: How quickly can you create and sell?
 - ◊ Up-Front Investment: How much do you have to invest before having an offer ready?
 - ◊ Up-Sell Potential: What related offers could you present to purchasing customers?
 - ◊ Evergreen Potential: Once the offer is created, how much work do you have to put into it to continue selling?
- You should rate them from 0 to 10, with 0 being extremely unattractive, and 10 being extremely attractive.
- When you're done with the rating you should add it up, and depending on the score, you'll have an idea of how promising your idea is.



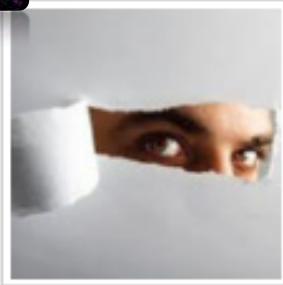
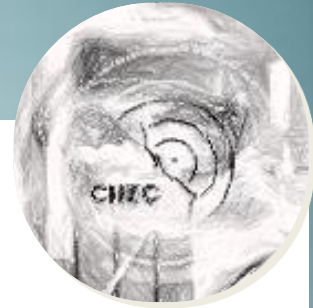
Questions for Consideration:

- How attractive is the market for your idea?
- Are there other markets that may be more promising?
- Can you alter the idea to appeal to a more attractive market?





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The Hidden Benefit of Competition

"The competitor to be feared is one who never bothers about you at all, but goes on making his own business better all the time." — **Henry Ford**, founder of the Ford Motor Company and assembly line pioneer

Key Ideas:

- When two markets are equally attractive, you should enter the one **WITH** competition.
- The hidden benefit of competition is knowing from the start that there's market of paying customers. The Iron Law of the Market is on your side!
- Become a customer of the competition to learn from them.

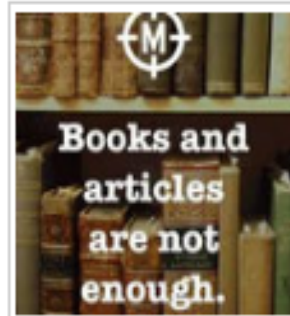
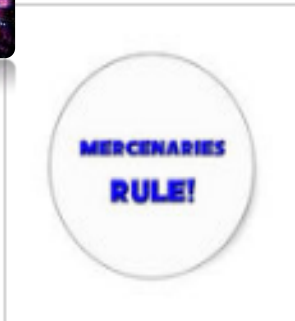
Questions for Consideration:

- Who does your competition serve? What value do they provide?
- What are they doing well? What are they struggling with?
- What can you do better than your competition?





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The Mercenary Rule

"Make money your god and it will plague you like the devil." — Henry Fielding, eighteenth-century novelist and satirist

Key Ideas:

- Don't be a mercenary: don't start a business for the money alone because it always takes more effort than you first expect.
- Building or finishing anything is mostly a matter of starting over and over again, so you should find a market that interests you enough to work on it every day.
- Don't ignore "boring" businesses – if you can find something that interests you, those markets can be very attractive.

Questions for Consideration:

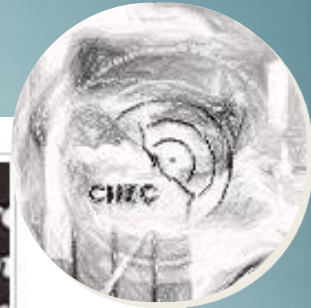
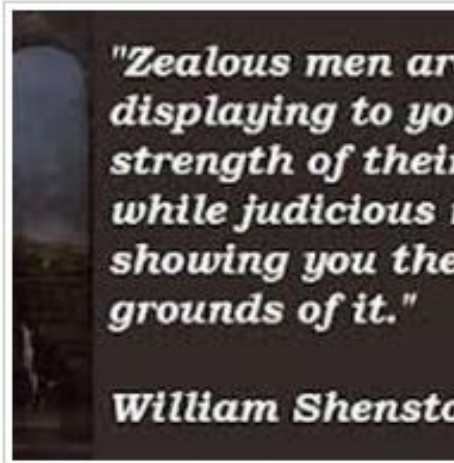
- How interested are you in the market you're evaluating?
- Does your mind return to the market of its own accord, or do you have to push yourself to work on it?
- How can you make the market more interesting?



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The Crusader Rule

"The zealous display the strength of their belief, while the judicious show the grounds of it." — **William Shenstone**, eighteenth-century poet and landscape designer

Key Ideas:

- There's huge difference between an interesting idea and a solid business. Remember that you have to be able to pay the bills!
- It's okay if some ideas don't have enough market support. Side-projects are valuable too, as long as you cover your finances first.
- It's crucial to be objective and analyze the idea before committing to it. This is where the Ten Ways to Evaluate the Market can help you.

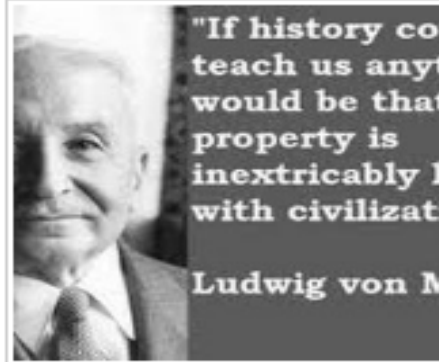
Questions for Consideration:

- Is your idea really a viable business, or would it make a better side project?

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Twelve Standard Forms of Value

"Value is not intrinsic; it is not in things. It is within us; it is the way in which man reacts to the conditions of his environment." — **Ludwig von Mises**, Austrian economist

Key Ideas:

- To provide value to another person, it must take on a form that they are willing to pay for.
- Economic Value usually takes one of the following forms:
 - ◊ Product
 - ◊ Service
 - ◊ Shared Resource
 - ◊ Subscription
 - ◊ Resale
 - ◊ Lease
 - ◊ Agency
 - ◊ Audience Aggregation
 - ◊ Loan
 - ◊ Option
 - ◊ Insurance
 - ◊ Capital

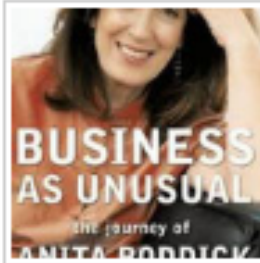
Questions for Consideration:

- Which forms of value make the most sense for your market?
- Are there any forms of value you haven't yet considered for your market? What might those offers look like?





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Form of Value #1: Product

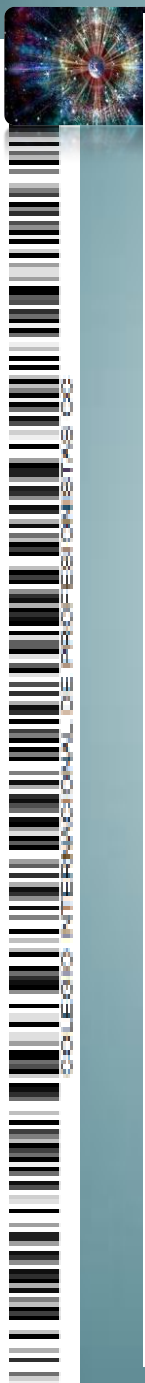
"Business is not financial science... it's about creating a product or service so good that people will pay for it." — Anita Roddick, entrepreneur and founder of The Body Shop

Key Ideas:

- Product-oriented businesses need you to:
 - ◊ Create something tangible that people want.
 - ◊ Produce it as inexpensively as possible while also having an acceptable quality.
 - ◊ Sell as many units as possible, at the highest price possible for the market.
 - ◊ Keep an inventory to deal with future orders.
- There are many kinds of products, like durable products, or consumable products, or even not physical products (think MP3).
- Products can be duplicated, multiplied, and therefore they scale better than other forms of value.

Questions for Consideration:

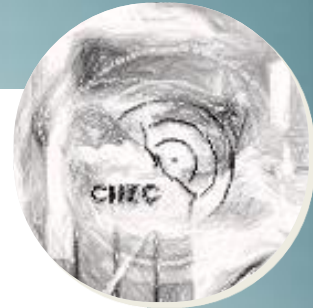
- Does delivering value as a product make sense for your business idea?
- If so, what do you need to plan for to make it successful?



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Form of Value #2: Service

"Everyone can be great because everyone can serve." — Martin Luther King, Jr., human rights activist

Key Ideas:

- A service is a form of value where you help and provide some type of benefit to someone, in exchange of a fee.
- Service-oriented business need you to:
 - Provide a skill (either yourself or through employees) other people require but can't or don't want to do by themselves.
 - Make sure that you are providing the service with consistent high quality.
 - Attract and retain paying customers.
- Services can be very lucrative but hard to duplicate, because your time and energy is finite.
- It's critical to charge enough to compensate the work put into it day after day.

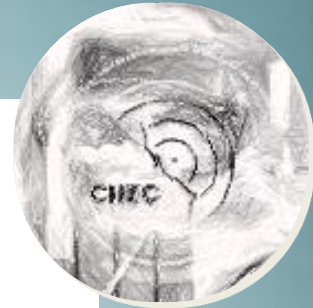
Questions for Consideration:

- Does delivering value as a service make sense for your business idea?
- If so, what do you need to plan for to make it successful?

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Form of Value #3: Shared Resource

"The joy that isn't shared dies young." — Anne Sexton, Pulitzer Prize-winning poet

Key Ideas:

- A shared resource is a durable asset that you create once, and then charge the customers for using it many times.
- To provide a shared resource form of value, you must:
 - Create an asset people want to use.
 - Serve as many people as possible without affecting each individual's experience.
 - Charge enough to maintain and improve the asset over time.
- Classic examples of this form of value are gyms, museums or amusement parks.
- It's critical to find a balance in usage levels of the asset: if you have few customers, you won't be able to spread out the costs, but if you have too many the asset will be overcrowded, which will diminish the experience for the user.

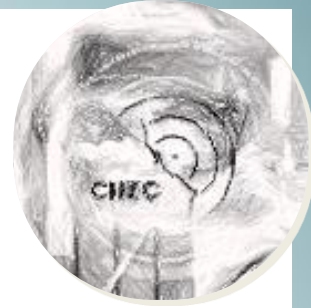
Questions for Consideration:

- Does delivering value as a shared resource make sense for your business idea?
- If so, what do you need to plan for to make it successful?





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Form of Value #4: Subscription

"Please accept my resignation. I don't want to belong to any club that will accept me as a member." — Groucho Marx, comedian

Key Ideas:

- Subscription programs provide tangible or intangible benefits on an ongoing basis in exchange for a recurring fee.
- To create a successful subscription you must:
 - Provide value consistently to each subscriber.
 - Build a subscriber base and constantly attract more subscribers to compensate for attrition.
 - Bill customers on a regular basis.
 - Retain subscribers as long as possible.
- The attractiveness of subscription models is its predictability. This form of value ensures a certain revenue in every billing period.
- The key is to keep customer attrition as low as possible by keeping your subscribers happy and constantly attracting new customers.

Questions for Consideration:

- Does delivering value as a subscription / continuity program make sense for your business idea?
- If so, what do you need to plan for to make it successful?



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Form of Value #5: Resale

"Buy low, sell high." — Stock Trader's Maxim

Key Ideas:

- Resale is, basically, purchasing an asset from another business to sell it later at a higher price.
- The keys to do this effectively are:
 - Purchase a product as inexpensively as possible, usually in bulk.
 - Keep the product in good condition until sale.
 - Find purchasers of the product quickly to lower inventory costs.
 - Sell the product for as high a markup as possible.
- Resale value lies in helping wholesalers sell without having to find individual customers.

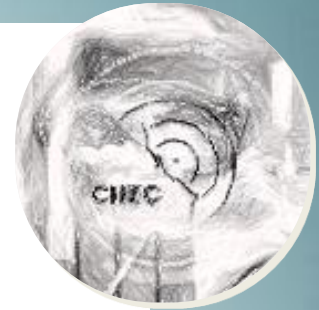
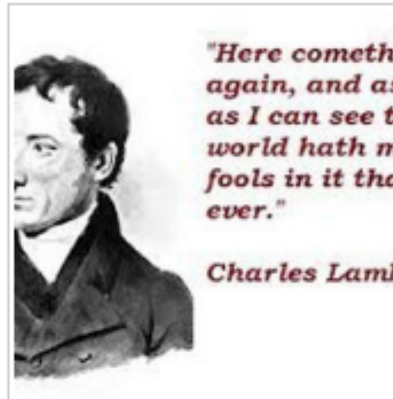
Questions for Consideration:

- Does delivering value as a reseller make sense for your business idea?
- If so, what do you need to plan for to make it successful?

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Form of Value #6: Lease

"The human species, according to the best theory I can form of it, is composed of two distinct races: the men who borrow and the men who lend." — Charles Lamb, essayist

Key Ideas:

- The lease is the form of value where you acquire an asset and then allow another person to use it for a specific period of time in exchange for a fee.
- The keys to the lease are:
 - ◊ Acquire an asset people want to use.
 - ◊ Lease the asset to a paying customer on favorable terms.
 - ◊ Protect yourself from negative events, such as damage or loss of the asset.
- Leasing benefits the consumer by allowing him to use an asset without paying the higher price to acquire it.
- Because assets have limited useful life, be sure to charge enough to cover the purchase price and repair and replacement costs before it wears out or is lost.

Questions for Consideration:

- Does delivering value via a lease make sense for your business idea?
- If so, what do you need to plan for to make it successful?





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Form of Value #7: Agency

"I wish to be cremated. One tenth of my ashes shall be given to my agent, as written in our contract." — **Groucho Marx**, comedian

Key Ideas:

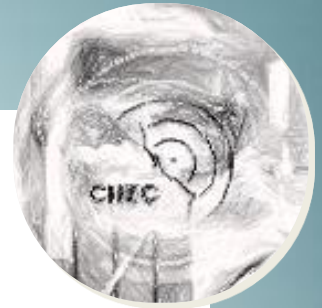
- The agency focuses on marketing and selling an asset you don't own. By establishing a new relationship between a source and a buyer, you earn a commission.
- The keys to success in this form of value are:
 - ◊ Find a seller with a valuable asset.
 - ◊ Establish contact and trust with potential buyers of that asset.
 - ◊ Negotiate the terms of sale until an agreement is reached.
 - ◊ Collect the agreed-upon commission from the seller.
- The benefit for sellers is generating sales that without an agency might not happen.
- Buyers benefit by finding assets to buy that the agent, whom they trust, filters for them.
- It's critical to keep a high enough commission to make the effort worth it.

Questions for Consideration:

- Does delivering value via acting as an agent or affiliate make sense for your business idea?
- If so, what do you need to plan for to make it successful?



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Form of Value #8: Audience Aggregation

"So long as there's a jingle in your head, television isn't free." — Jason Love, marketing executive

Key Ideas:

- Audience aggregation focuses on capturing the attention of a group of a people with similar characteristics, and then selling access to that audience to a third party.
- The keys to provide value are:
 - ◊ Identify a group of people with similar characteristics or interests.
 - ◊ Consistently attract that group's attention.
 - ◊ Find third parties interested in buying access to that audience.
 - ◊ Sell access to that audience without alienating it.
- This benefits the audience by providing something worthy of their attention.
- It benefits the advertiser because it gives him attention, which leads to sales.

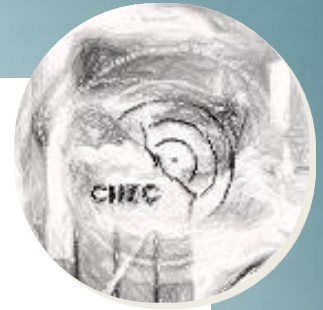
Questions for Consideration:

- Does delivering value via audience aggregation make sense for your business idea?
- If so, what do you need to plan for to make it successful?

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Form of Value #9: Loan

"Money talks — but credit has an echo." — Bob Thaves, cartoonist and creator of "Frank and Ernest"

Key Ideas:

- A loan is an agreement to let a borrower use a certain amount of resources for a period of time in exchange for a series of payments over a predefined period of time, equal to the original loan plus an interest rate.
- The keys are:
 - Have money to lend.
 - Find people who want to borrow that money.
 - Set an interest rate that compensates you for the loan.
 - Estimate and protect in case the loan is not repaid.
- Loans allow people immediate access to products that they couldn't purchase outright.
- Loans are beneficial to the lender by benefiting from excess capital.
- It's critical to identify how risky each loan is, and take the appropriate steps to protect the loan going sour.

Questions for Consideration:

- Does delivering value via lending assets to others make sense for your business idea?
- If so, what do you need to plan for to make it successful?

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Form of Value #10: Option

"You pays your money and you makes your choice." — Punch,
nineteenth-century British comic magazine, 1846

Key Ideas:

- An option means taking a predefined action for a fixed period of time in exchange for a fee. Movie tickets are options!
- To provide value with this form of value you must:
 - Identify an action people might want to take in the future.
 - Offer potential buyers the right to take that action before a specific deadline.
 - Convince buyers that the action is worth the price.
 - Enforce the specified deadline on taking action.
- Options allow the purchaser the ability to take an action without requiring them to do so.
- Options help keeping specific courses of action open for a period of time before another transaction takes place.

Questions for Consideration:

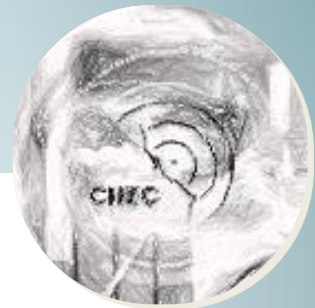
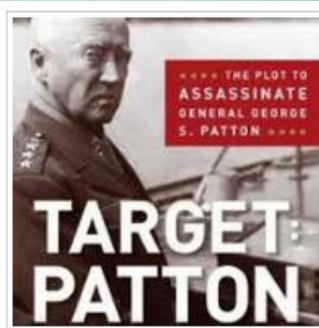
- Does delivering value via offering options make sense for your business idea?
- If so, what do you need to plan for to make it successful?



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Form of Value #11: Insurance

"Take calculated risks. That is quite different from being rash." —
General George S. Patton, commander of the U.S. Third Army in
World War II

Key Ideas:

- Insurance focuses on transferring a risk from purchaser to seller in exchange for a series of payments. If something bad happens the insurer is responsible for the bill, and if it doesn't, the insurer keeps the money.
- The keys are:
 - Create a binding legal contract that transfers the risk of a specific bad thing happening from the policy holder to you.
 - Estimate the risk of that thing happening using available data.
 - Collect the agreed-upon payments over time.
 - Pay out legitimate claims upon the policy.
- Insurance protects the purchaser from a downside risk.
- It works because it spreads the risk over a large number of purchasers.
- Insurers focus on maximizing payments while minimizing claims, and must be on the lookout for "bad risks" and fraudulent activity.

Questions for Consideration:

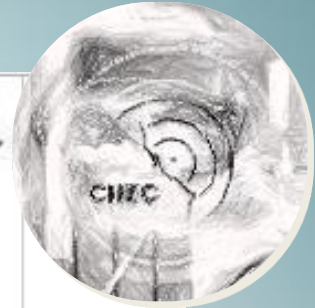
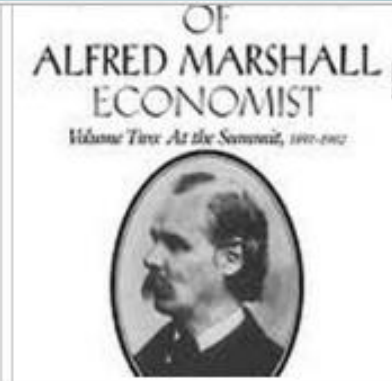
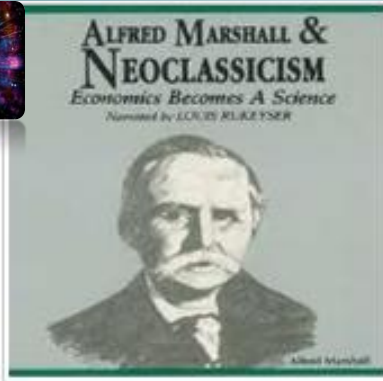
- Does delivering value via offering insurance make sense for your business idea?
- If so, what do you need to plan for to make it successful?

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Form of Value #12: Capital

"Capital is that part of wealth which is devoted to obtaining further wealth." — Alfred Marshall, economist and author of *Principles of Economics*

Key Ideas:

- Capital is the purchase of an ownership stake in a business. If you have resources to allocate, you can provide capital to business owners to help them expand their business.
- To provide capital you must:
 - ◊ Have available resources to invest.
 - ◊ Find a promising business in which you'd like to invest.
 - ◊ Estimate the business' worth, its future growth, and the possibility of negative scenarios that would cause the loss of your capital.
 - ◊ Negotiate the amount of ownership to receive in exchange for the capital.
- By taking on investors, business owners can gather enough funds to expand quickly.
- By acquiring a certain percentage of the business, investors benefit from its activities without active involvement. Investors hope to receive a higher rate of return than other methods, like leaving the money in the bank.

Questions for Consideration:

- Does delivering value via providing capital make sense for your business idea?
- If so, what do you need to plan for to make it successful?

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Hassle Premium

"All human situations have their inconveniences." — **Benjamin Franklin**, early American political leader, scientist, and polymath

Key Ideas:

- People are almost always willing to pay for things that they believe are too much of a pain to take care of themselves. Where there's a hassle, there's a business opportunity.
- The project or task in question may:
 1. Take too much time to complete.
 2. Require too much effort.
 3. Distract from other priorities.
 4. Involve too much confusion, uncertainty, or complexity.
 5. Require prior experience.
 6. Require specialized resources or equipment that's difficult to obtain.
- The more hassle a project or task involves, the more people are generally willing to pay for an easy solution, or pay someone to complete the job on their behalf.

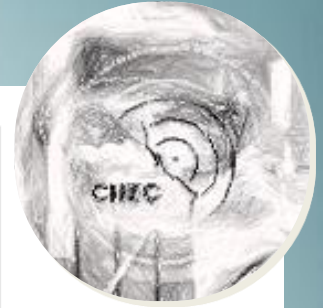
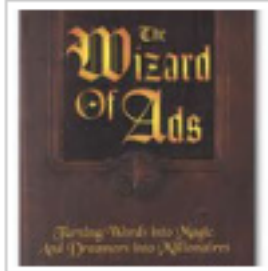
Questions for Consideration:

- Where is the hassle for your prospect?
- What can you do to eliminate it?





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Perceived Value

"People don't trade money for things when they value their money more highly than they value the things." — Roy H. Williams, *The Wizard of Ads*

Key Ideas:

- Perceived value determines how much your customers will be willing to pay for your offer.
- The less attractive the End Result, and the bigger the involvement it takes to the user to get the benefit, the lower the perceived value will be.
- Create forms of value with the least end-user effort and best End Result possible to have the highest perceived value.

Questions for Consideration:

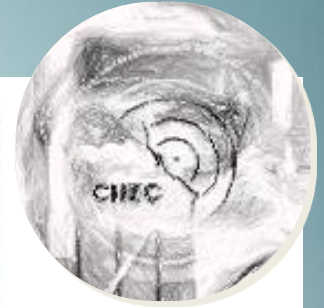
- Which forms have the highest perceived value?
- How can you remove effort or frustration for your customers?
- How much would they be willing to pay for those additional benefits?

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Modularity

"Great things are not done by impulse, but by a series of small things brought together." — Vincent van Gogh, artist

Key Ideas:

- Most successful businesses combine multiple Forms of Value to offer value in multiple ways.
- Usually these offers are handled separately and the customer can choose which one to take advantage of.
- By making offers modular, the business can create and improve offers in isolation, and later mix them as necessary.

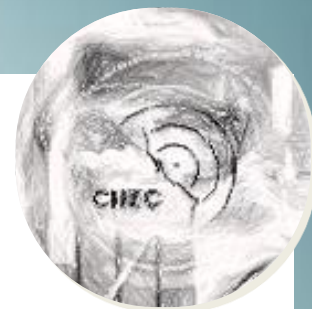
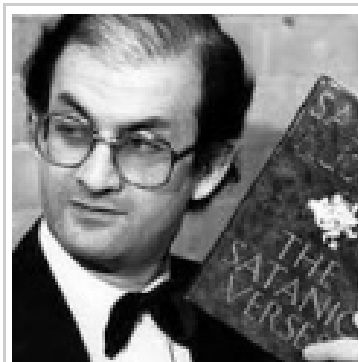
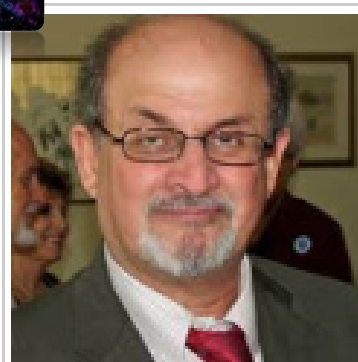
Questions for Consideration:

- Could you offer value in multiple forms?
- What is the smallest unit of value you can create in each form?
- How could those forms be combined?





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Bundling and Unbundling

"A bit of this and a bit of that is how newness enters the world." —
Salman Rushdie, novelist

Key Ideas:

- Bundling means repurposing value that you already created to create even more value by combining multiple small offers into one large offer.
- The more offers contained in a bundle, the higher the Perceived Value of the bundle will be.
- Unbundling is the opposite of bundling, it means splitting an offer into multiple smaller offers.
- Bundling and unbundling help creating value for different customers without having to create something new.

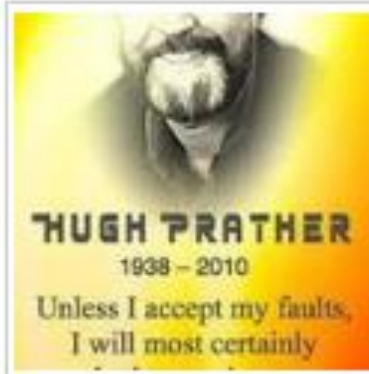
Questions for Consideration:

- Can you bundle or unbundle your offer? How?
- What could you offer if you did?

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Prototype

"It's this simple: if I never try anything, I never learn anything." —
Hugh Prather, author of *Notes to Myself*

Key Ideas:

- A prototype is an early representation of what your offer will look like.
- For best results, create your prototype as similar as possible to the finished model. The more realistic your prototype is, the easier it'll be for people to understand it and give you valuable feedback.
- The purpose is not to make it perfect. It's to quickly create something that you and others can see, evaluate and improve.

Questions for Consideration:

- How quickly can you create a prototype to show your potential customers?
- How tangible and realistic can you make it?
- Who can you ask for feedback?

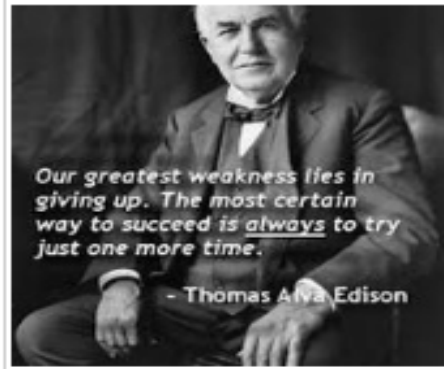


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The Iteration Cycle

"I have not failed. I've just found 10,000 ways that won't work." — Thomas A. Edison, prolific inventor

Key Ideas:

- The iteration cycle is a process that you can use to improve anything over time.
- It has six major steps, the WIGWAM method:
 - ◊ Watch: What works? What doesn't?
 - ◊ Ideate: What could you improve? What are your options?
 - ◊ Guess: Based on experience, which idea do you think will make the biggest impact?
 - ◊ Which? Decide which change to make.
 - ◊ Act: Make the change.
 - ◊ Measure: Was it positive or negative? Should you keep it or go back?
- Iteration is a cycle. Once you do it, you repeat it.
- The more clearly you define what you're after with each iteration, the better the feedback and the value you'll receive from each cycle.

Questions for Consideration:

- How are you currently using the iteration cycle?
- Which steps are you doing particularly well?
- Which steps do you typically skip?



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Iteration Velocity

"Our goal is to have more at bats per unit of time and money than anyone else." — Eric Schmidt, chairman and CEO of Google

Key Ideas:

- With every new offer, your primary goal should be to work through each iteration cycle as quickly as possible. The faster you move through the Iteration Cycle, the better your offering will become.
- The iteration is necessary extra work. The problem with creating the final version outright is risk: you are putting a lot of effort in something that may not sell.
- Iteration may take extra work, but after going through a few cycles, you'll have a deeper understanding of the market and your offer.

Questions for Consideration:

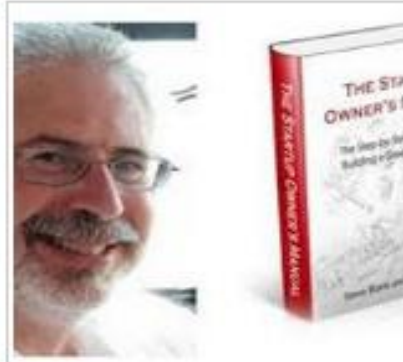
- Have you planned for multiple iterations?
- How quickly are you currently iterating?
- What can you do to make it easier to iterate even faster?



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Feedback

"No business plan survives first contact with customers." — **Steve Blank**, serial entrepreneur and author of *The Four Steps to the Epiphany*

Key Ideas:

- Feedback helps you understand how well is your offering meeting your potential customers' needs before development is complete, which allows you to make changes before you start selling.
- Few tips to maximize the value of Feedback:
 - ◊ Listen to real potential customers instead of friends and family.
 - ◊ Ask open-ended questions.
 - ◊ Steady yourself, and keep calm. No one likes hearing that their offer sucks.
 - ◊ Take what you hear with a grain of salt. The worst response isn't empathetic dislike; it's total apathy.
 - ◊ Give potential customers the chance to preorder. If they are willing to buy from you, that's a green light!
- If no one is willing to preorder you should ask them why, to find out about their Barriers of Purchase.

Questions for Consideration:

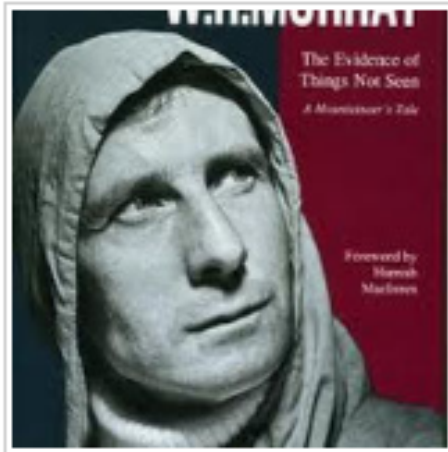
- Where can you find potential customers to ask for feedback? What will you ask them?
- How can you pre-test their willingness to purchase the offering when it's ready?



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Alternatives

"Until one is committed, there is hesitancy, the chance to draw back, always ineffectiveness. Concerning all acts of initiative and creation, there is one elementary truth the ignorance of which kills countless ideas and splendid plans: that the moment one definitely commits oneself, the providence moves too." — W.H. Murray, mountaineer and writer

Key Ideas:

- As you develop your offer, you have to choose between the competing Alternatives.
- You should appreciate the Alternatives your customers face to decide what to include and what to leave out.
- Once you know the options, you can examine the combination that would make the most attractive offer.

Questions for Consideration:

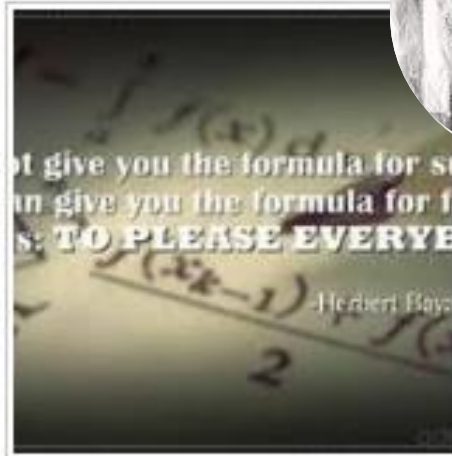
- What alternatives are you facing right now as you develop your offering?
- What choices are your customers facing when they decide whether or not to patronize your business?

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Trade-offs

"I can't give you a surefire formula for success, but I can give you a formula for failure: try to please everybody all the time." — Herbert Bayard Swope, Pulitzer Prize-winning journalist

Key Ideas:

- A trade-off is a decision that places higher value on one of several competing options. You can't do everything, resources are limited.
- When deciding what to include in your offer, you should look for patterns that will help you realize what your best customers value, and focus on improving your offering foremost of your best potential customers most of the time.
- You can't make everyone happy, perfection shouldn't be a goal.

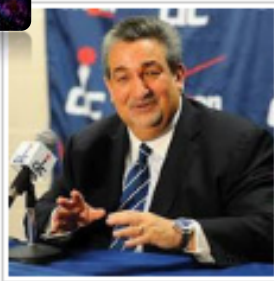
Questions for Consideration:

- What are some of the potential tradeoffs your customers are facing when they evaluate your offer?
- Where do these tradeoffs come from?

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Economic Values

"A successful business is either loved or needed." — **Ted Leonsis**,
former executive at AOL and owner of the Washington Wizards and
Washington Capitals

Key Ideas:

- If the benefits of an offering are appealing, there are nine common Economic Values that people consider when evaluating a potential purchase:
 - ◊ Efficacy: how well does it work?
 - ◊ Speed: how quickly does it work?
 - ◊ Reliability: can I depend on it?
 - ◊ Ease of use: how much effort does it require?
 - ◊ Flexibility: how many things does it do?
 - ◊ Status: what does it tell about me to others?
 - ◊ Aesthetic appeal: how aesthetically pleasing is it?
 - ◊ Emotion: how does it make me feel?
 - ◊ Cost: how much do I have to give up to get it?
- Most improvements focus either on convenience (Domino's delivery) or fidelity (table at Pizza Uno). It's very difficult to improve both.
- The trade-offs made in the development give the offering its unique identity and overall value.

Questions for Consideration:

- What values could you emphasize for your offering?
- Is your offering optimized for fidelity or convenience, or are you trying to be all things to all people?

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Relative Importance Testing

"Things which matter most must never be at the mercy of things which matter least." — Johann Wolfgang von Goethe, nineteenth-century dramatist, poet, and polymath

Key Ideas:

- People never accept Trade-offs, unless they are forced to make a Choice. Since perfection doesn't exist, people happily settle for the Next Best Alternative.
- Relative Importance Testing lets you determine what people actually want by asking them questions designed to simulate real life trade-offs.
- By asking the participant to choose, you collect more accurate information about how the participant would respond when faced with a similar choice in the real world.
- The more sets of questions each participant completes, the more clearly you'll be able to judge the relative importance of each benefit.
- Relative Importance Testing helps you define which benefits you should focus on to make your offer as attractive as possible.

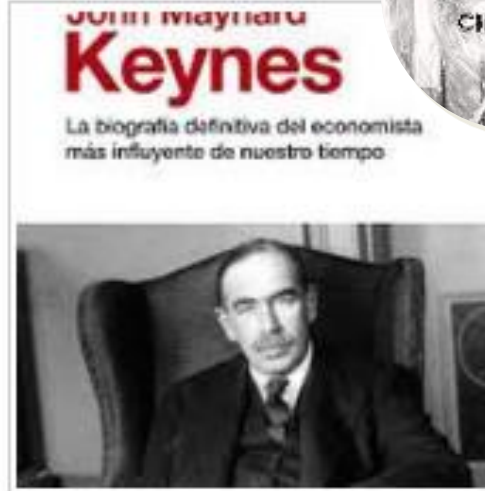
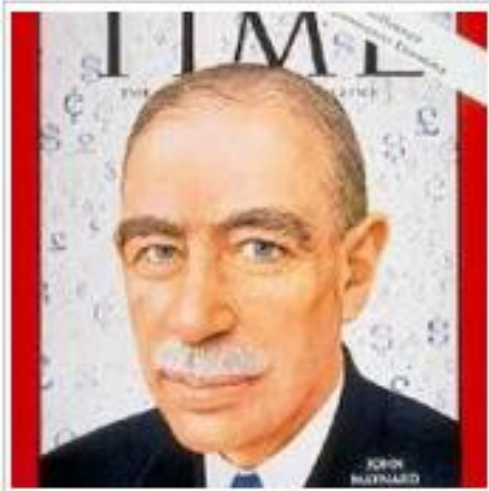
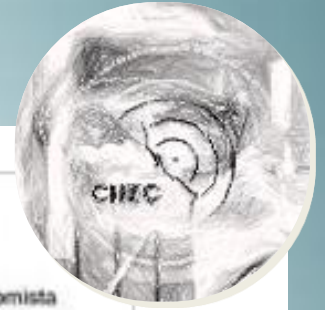
Questions for Consideration:

- What values or qualities could you test as you develop your offering?
- How could you use Relative Importance Testing to gain additional information about what your potential customers want?





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Critical Assumptions

"It is better to be roughly right than precisely wrong." — **John Maynard Keynes**, economist

Key Ideas:

- Critical Assumptions are facts or characteristics that must be true in the real world for your offering to be successful.
- Every business has Critical Assumptions that will define if it can survive or not.
- The more accurately you can identify and test these assumptions, the less risk you'll be facing.

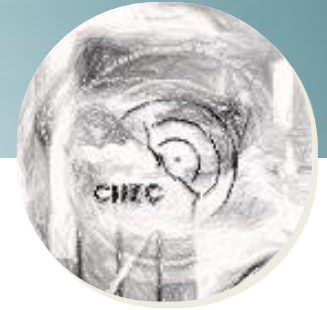
Questions for Consideration:

- What are the assumptions behind your idea that, if you found out they weren't true, would sink your idea?
- What has to be true in order for you to succeed?

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Shadow Testing

"Praemonitus praemunitus (forewarned is forearmed)." — Roman Proverb

Key Ideas:

- Shadow testing means selling an offer before it actually exists (you have to be upfront with your customers that the offering is still in development).
- Shadow testing allows you to get critical feedback: whether or not people are willing to buy your offering.
- You can minimize the risk of your project by gathering data from real customers as soon as possible.

Questions for Consideration:

- How can you test the accuracy of your critical assumptions quickly and inexpensively, before you commit to moving forward?
- What can you test before creating your entire offering?





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Minimum Viable Offer

"If you're not embarrassed by the first version of your product, you've launched too late." — Reid Hoffman, founder of LinkedIn

Key Ideas:

- A Minimum Viable Offer is an offer that provides the smallest number of benefits necessary to make a sale. In other words, it's a Prototype that people are willing to purchase.
- Creating a Minimum Viable Offer helps you gather Feedback from real customers quickly, and therefore test the idea's Critical Assumptions.
- The purpose of the Minimum Viable Offer is to minimize the risk of the project by keeping the investment small and quickly discovering what works and what doesn't.

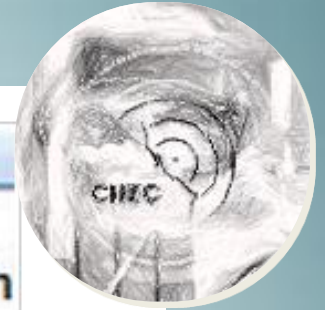
Questions for Consideration:

- What could your Minimum Viable Offer look like?
- What's the shortest path between right now and taking orders on your potential offering?
- How can you start testing your CIAs as quickly as possible?





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Incremental Augmentation

"Pick three key attributes or features, get those things very, very right, and then forget about everything else... By focusing on only a few core features in the first version, you are forced to find the true essence and value of the product." — **Paul Buchheit**, creator of Gmail and Google AdSense

Key Ideas:

- Incremental Augmentation is the process of using the Iteration Cycle to add new benefits to an existing offer.
- Incremental Augmentation helps you minimize the risk by not putting all the pressure in a single iteration.
- Incremental Augmentation has its limits. To enter a new market, or change the existing one, you may need to create something new.

Questions for Consideration:

- Have you planned for post-launch iteration?
- What features can you eliminate from your Minimum Viable Offer that you can add later, once you've validated your CIAs?

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Field Testing

"Any engineer that doesn't need to wash his hands at least three times a day is a failure." — **Shoichiro Toyoda**, former chairman of the Toyota Motor Corporation

Key Ideas:

- Field Testing means creating, using and iterating your offering before offering it to customers.
- Field Testing is a critical step in the Iteration Cycle, helping you find flaws in your offering.
- The purpose of Field Testing is to minimize risk, by making sure that the offering works before trying to sell it.

Questions for Consideration:

- Do you use what you make every day?
- How can you expose your offer to the rigors of field testing before and after it's made available to your customers?

