

Value Proposition to Unit Economics

Value Proposition to Unit Economics

- Discussion about the **value** in terms of **economics**.

- Suggested process for Keio EDGE program

Core Value

Clarify what you deliver to your customer.

CVCA

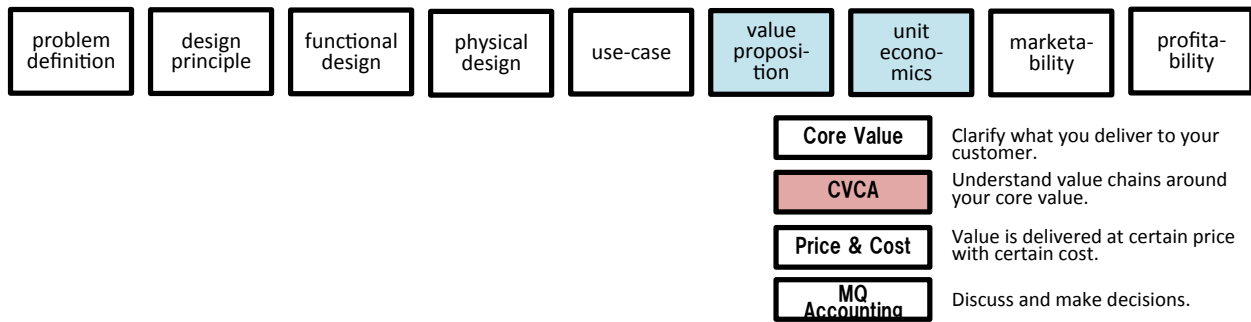
Understand value chains around your core value.

Price & Cost

Value is delivered at certain price with certain cost.

**MQ
Accounting**

Discuss and make decisions on how you are going to deliver your core value to your customer in terms of economics.



Customer Value Chain Analysis (CVCA) revisit

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Day 3 material

Systems Approaches we talk about today

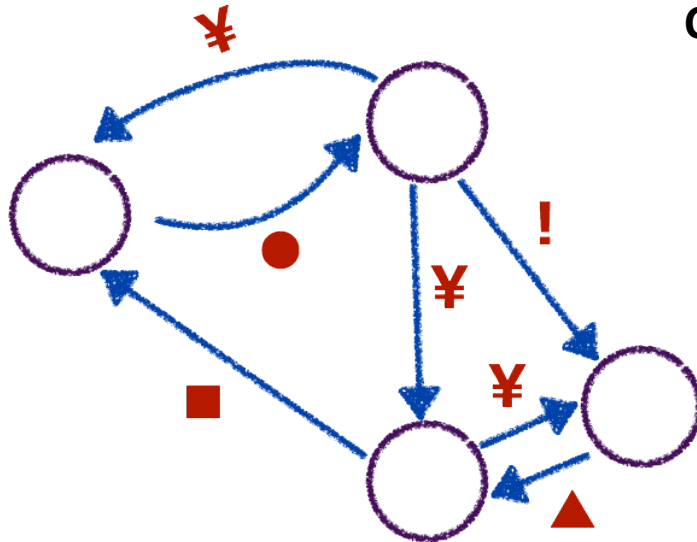
- **Function and Physical Architecture**
 - function and physical viewpoints
 - functions and physical structures
- **Value Graph (upper half)**
 - purpose and alternative viewpoint
 - higher purposes/value and alternative ideas
- **Causal Loop Diagram**
 - cause-and-effect viewpoint
 - causes and effects
- **Customer Value Chain Analysis (CVCA)**
 - value chain viewpoint
 - stakeholders and their values

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Customer Value Chain Analysis 顧客価値連鎖分析



- **Customer Value Chain Analysis (CVCA)**

- value chain viewpoint
- stakeholders and their values

CVCA can clarify;

Who are the stakeholders?

How does value flow?

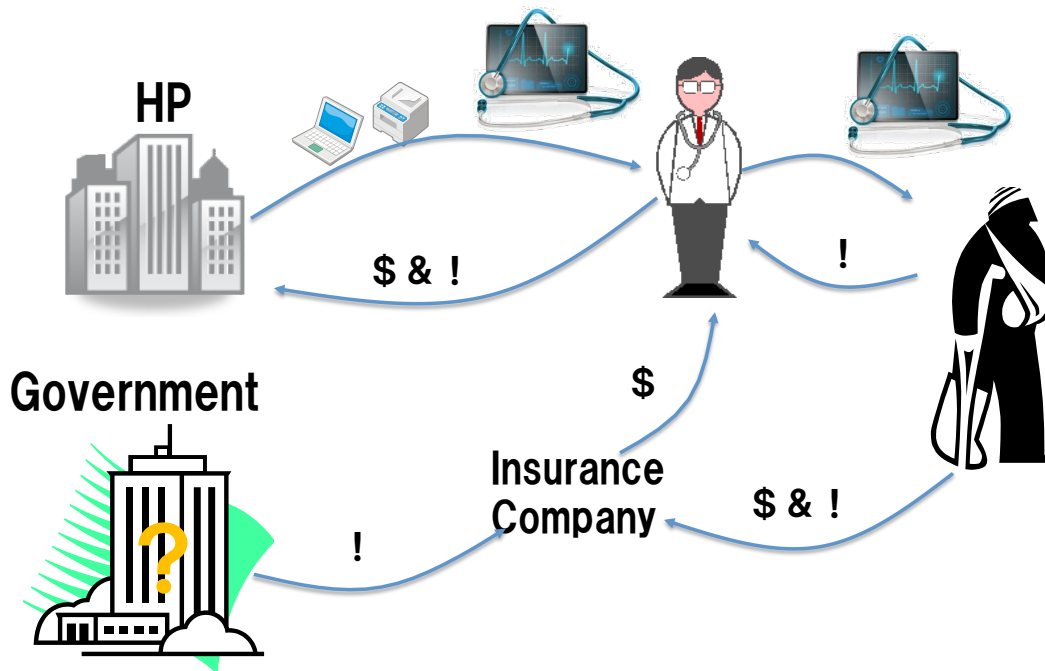
How does material or energy flow?

How does information flow?

Who you should designing for?

Who is your important customers?

HP: Electrocardiographic Monitor (心電モニタ)



CVCA Steps

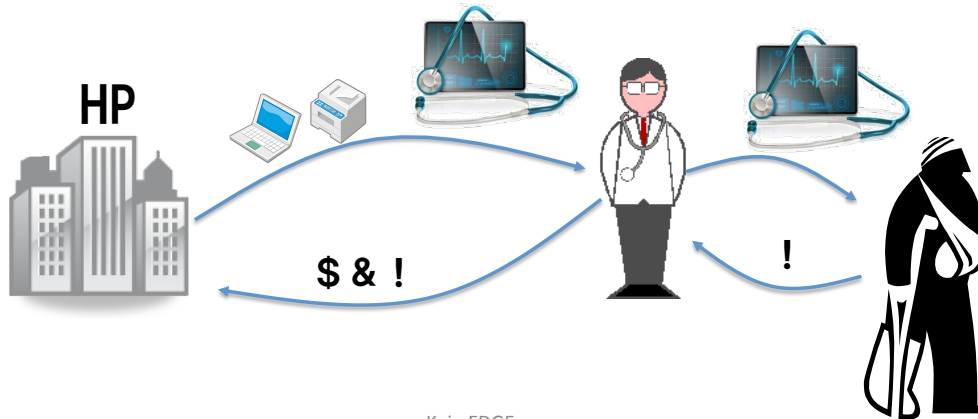
1. Identify important **Stakeholders**
 - Users, Payers, People around user, Business partners, Authority, etc.



CVCA Steps

2. Identify **value flow** between stakeholders

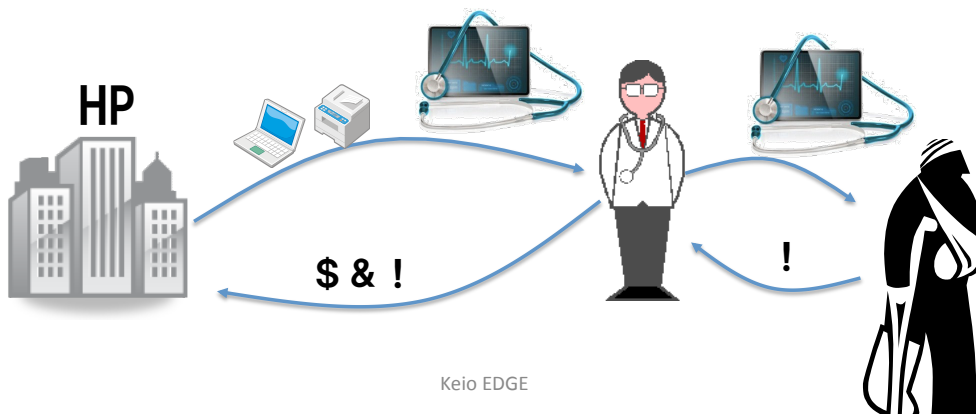
- “\$” for money, capital
- Icons for product, service and information
- “!” for claims, regulations



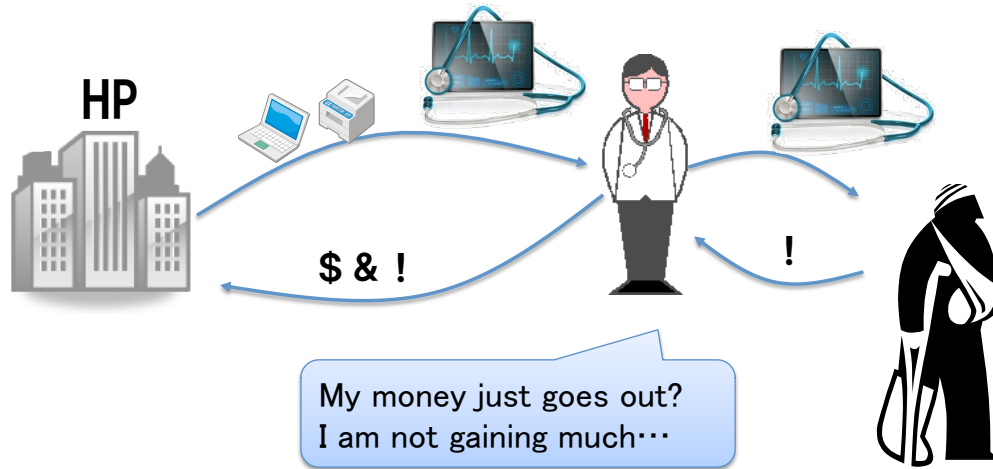
CVCA Steps

3. Perform **analysis**

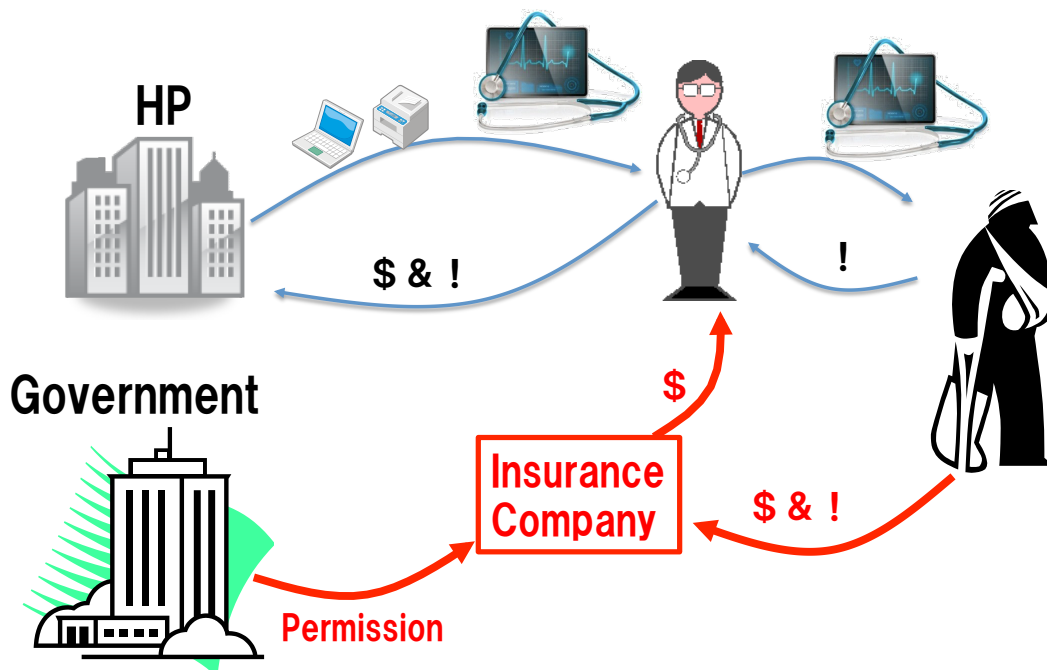
- Who is important customers? : Trace \$ and !
- Value balance? : Input and output
- Negative effects?



HP: Electrocardiographic Monitor (心電モニタ)



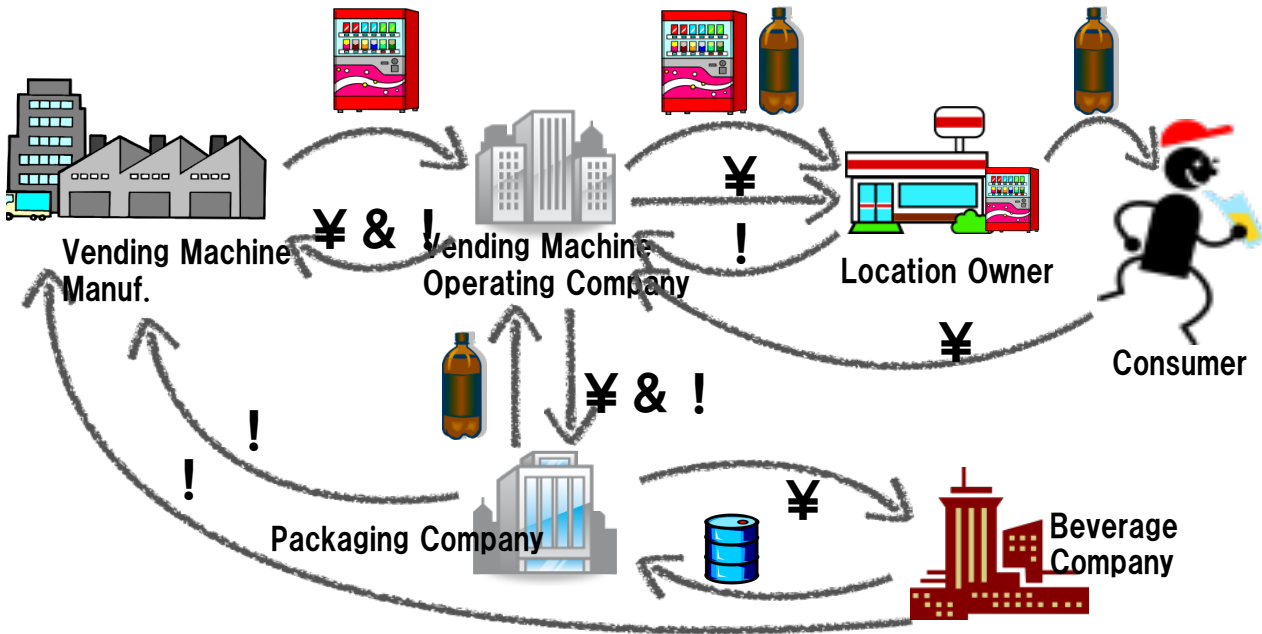
HP: Electrocardiographic Monitor (心電モニタ)



Example

Day 3 material

Vending Machine



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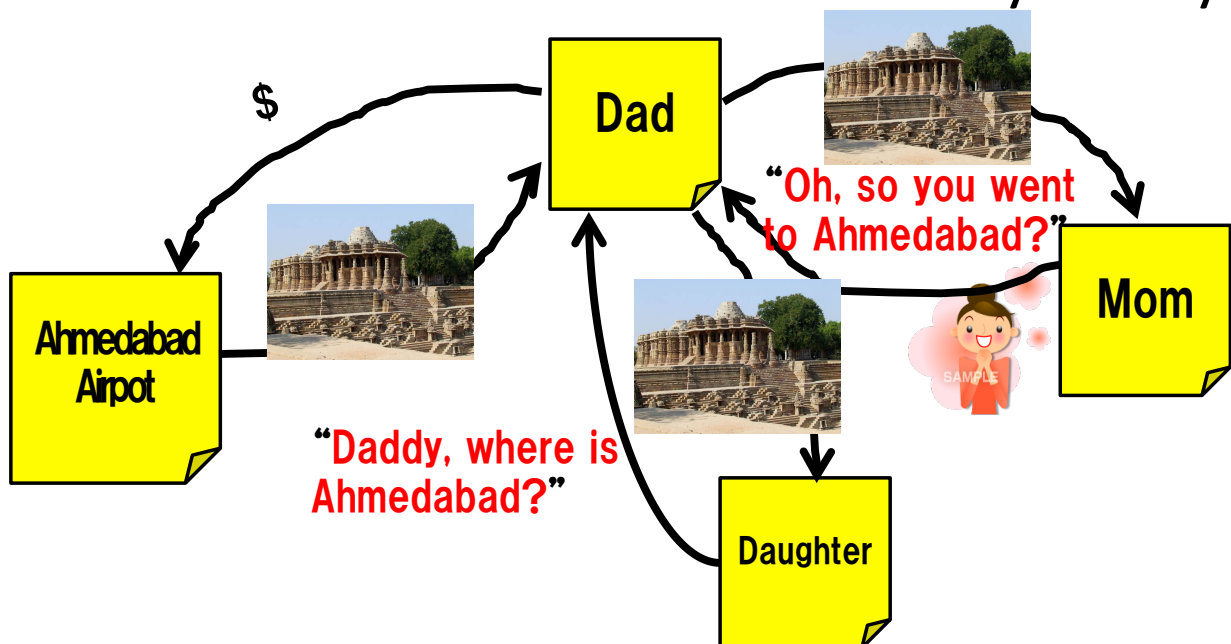
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Example

Day 3 material

Souvenir from Ahmedabad for my family



Values are not always tangible
They often are **intangible**

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Exercise

CVCA Exercise 1

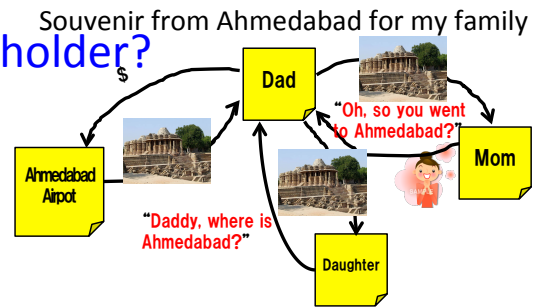
Day 3 material

- **Discuss and create CVCA** of one of your concepts or ideas.
- Consider the **values that are not only money and goods/services**.

□ Who are main stakeholders?

□ What are values for the stakeholder?

□ How is the value chained?



Visualize value chain so you can discuss, modify, and make it as a part of innovative solution!

Exercise

CVCA Exercise 2

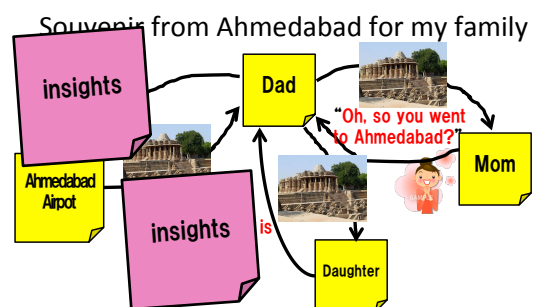
Day 3 material

- Discuss about your CVCA session. Both process and output.
- Write down **interesting finding** and **new questions found** during the discussion. They may be important insights.

□ All value flows okay?

□ Any chance for new value?

□ Any chance for less or more stakeholders?



Visualize value chain so you can discuss, modify, and make it as a part of innovative solution!

Exercise

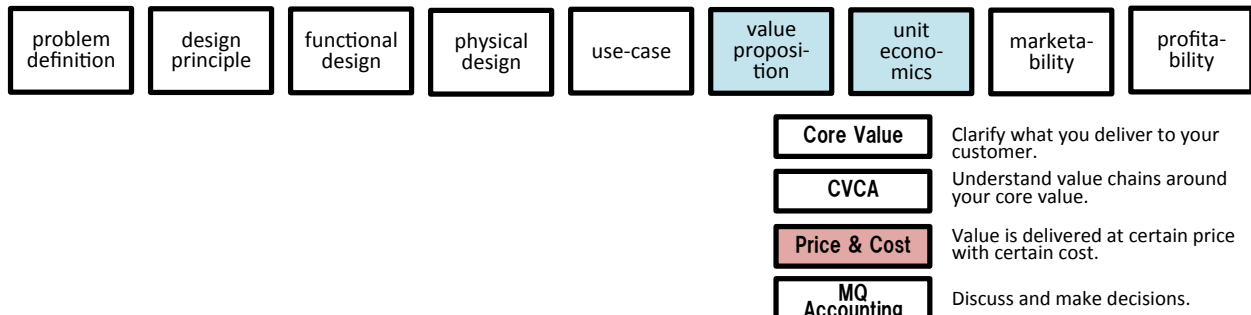
Create CVCA for your prototype

- Create CVCA for your prototyped idea.
 - Create multiple CVCA's if necessary.
- Discuss and identify **how your value proposition is embedded in your whole value chain.**
 - Which value chains are enabling your customer value proposition?
 - Which extended value chains (intangible values) are consequences of your customer value delivery?

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Value, Price, Cost

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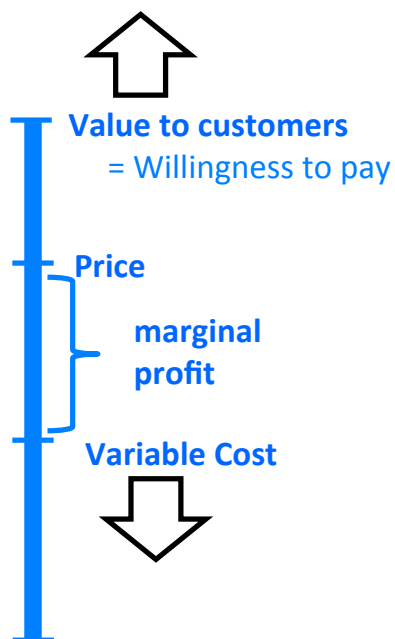
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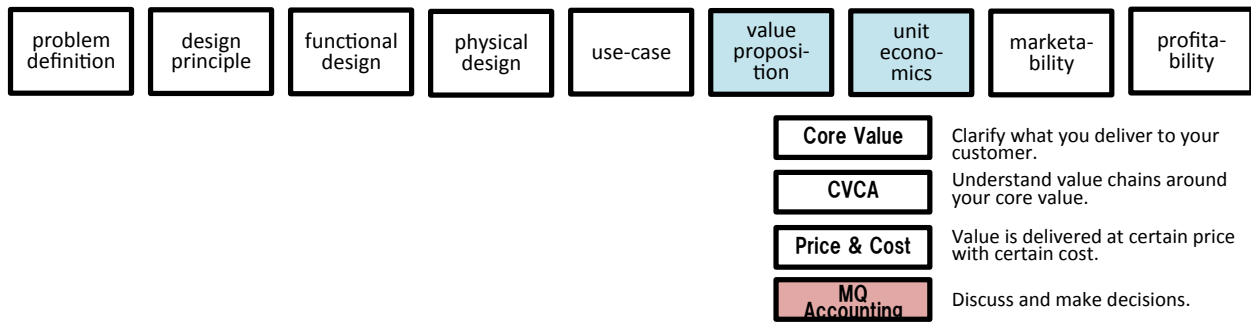
Value and Price

- Price = Value ???
- Price > Value ???
- Price < Value ???

Value and Price and Cost



- Value to customers must be higher than price
- You want to increase value / decrease cost for getting more marginal profit
- Value is not fixed:
 - ✓ it depends on customers
 - ✓ it depends on what story you deliver



Unit Economics & Managerial Accounting

Unit Economics & Managerial Accounting

- Discuss and make decisions on how you are going to deliver your core value to your customer in terms of economics.

Exercise

Case Study

- You are an owner of an Italian restaurant. Your restaurant's unit economics and profitability are shown below.
- For improving your restaurant's profitability, you have some options about menu reformation and advertisement investment.

| Unit Economics (yen) | Volume (persons) | Whole Economics (yen) | | | | | | | | | | | | | | | | | |
|---|---------------------|--------------------------|--|------------|---|--|----------|--|---|---|-----------------|-----------------|--|--|---------------|--------------|--|--|-----------|
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;">P 3,000</td> <td style="text-align: center; padding: 5px;">V 2,000</td> </tr> <tr> <td></td> <td style="text-align: center; padding: 5px;">M 1,000</td> </tr> </table> | P 3,000 | V 2,000 | | M 1,000 | × | <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; padding: 5px;">Q 900</td> </tr> </table> | Q 900 | | = | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;">PQ 2,700,000</td> <td colspan="2" style="text-align: center; padding: 5px;">VQ 1,800,000</td> </tr> <tr> <td></td> <td style="text-align: center; padding: 5px;">MQ 900,000</td> <td style="text-align: center; padding: 5px;">F 800,000</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center; padding: 5px;">G 100,000</td> </tr> </table> | PQ 2,700,000 | VQ 1,800,000 | | | MQ 900,000 | F 800,000 | | | G 100,000 |
| P 3,000 | V 2,000 | | | | | | | | | | | | | | | | | | |
| | M 1,000 | | | | | | | | | | | | | | | | | | |
| Q 900 | | | | | | | | | | | | | | | | | | | |
| PQ 2,700,000 | VQ 1,800,000 | | | | | | | | | | | | | | | | | | |
| | MQ 900,000 | F 800,000 | | | | | | | | | | | | | | | | | |
| | | G 100,000 | | | | | | | | | | | | | | | | | |

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Exercise

Case Study: Menu Options

A:
"Premium Menu"
Option

- You can shift your restaurant's menu toward premium one.
- In this option, V will be increased by 500 yen.
- F will be increased by 200,000 yen because you have to replace your cook to more expensive one.

B:
"Existing Menu"
Option

- Of course, you can keep your current menu.
- In this option, V and F will not be changed.

C:
"Casual Menu"
Option

- You can shift your restaurant's menu toward more casual one.
- In this option, V will be decreased by 500 yen.
- F will be decreased by 100,000 yen because you can replace your cook to less expensive one.

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Exercise

Case Study: Advertisement Options

a:
**DO Advertisement
Option**

- You can spend certain money on advertisement.
- In this option, Q will be increased depending on the amount you'll spend for advertisement.

b:
**NO Advertisement
Option**

- Of course, you can choose no advertisement option.
- In this option, Q will not be changed.

Exercise

Case Study: Price vs Demand Curve

- In each menu option, you can set the price.
- Demand forecast based on pricing will be as follows:

A: Premium Menu

| Price | Quantity |
|-------|----------|
| 3,000 | 2,000 |
| 3,200 | 1,500 |
| 3,400 | 1,150 |
| 3,600 | 900 |
| 3,800 | 700 |
| 4,000 | 600 |
| 4,200 | 520 |

B: Existing Menu

| Price | Quantity |
|-------|----------|
| 2,400 | 2,000 |
| 2,600 | 1,500 |
| 2,800 | 1,150 |
| 3,000 | 900 |
| 3,200 | 700 |
| 3,400 | 600 |
| 3,600 | 520 |

C: Casual Menu

| Price | Quantity |
|-------|----------|
| 1,800 | 2,000 |
| 2,000 | 1,500 |
| 2,200 | 1,150 |
| 2,400 | 900 |
| 2,600 | 700 |
| 2,800 | 600 |
| 3,000 | 520 |

Exercise

Case Study: Effect of Advertisement

- Effect of advertisement, Q increase, is estimated as follows.
- Advertisement cost should be added to F (fixed cost).

| Advertisement Cost | Quantity Increase |
|--------------------|-------------------|
| 50,000 | +100 |
| 100,000 | +170 |
| 150,000 | +240 |
| 200,000 | +300 |
| 250,000 | +330 |
| 300,000 | +350 |

Exercise

Case Study

- Discuss within your group.
- Which menu option would be the best one?
- How much would you charge to your customers as price?
- Will you do advertisement investment or not?

Managerial Accounting

- In real business, everything is uncertain.
 - You cannot estimate demand(Q)/price(P) curve clearly.
 - You cannot estimate advertisement effect (Q increase) easily.
 - Even variable cost (V) and fixed cost (F) can be changed by unexpected reasons.
- However, you should make a decision under uncertain environment.