

Teaching Value Propositions as Part of the Business Model

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Abstract

This paper outlines and discusses one approach for teaching business students about the role of value propositions as an important part of any organization's business model. The course-wide approach is organized around understanding, creating and capturing value. The approach involves traditional teaching, interactive discussions, group work, pitching, and peer evaluation.

Keywords: customer value proposition, business model, teaching

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Introduction

Often marketers (and marketing students) are accused of focusing too much on customers and market research and not having the concepts and skills to communicate with other functions, outline the strategic or operational implications of marketing decisions, and demonstrate the value of marketing (Klaus et al., 2014). For instance, marketers are stereotypically adept at spotting new consumer trends, but might have a hard time describing how those trends might affect the organization's strategy and business model. This might reduce marketing's influence in the organization (e.g. Day and Moorman, 2010; Whitler et al., 2018), which might lead to the organization becoming irrelevant in the eyes of its customers, missing important external threats and opportunities, and ultimately losing its ability to operate in the marketplace (Day and Moorman, 2013; Klaus et al., 2014). Conversely, organizations that are more in line with actual customer needs tend to have superior financial performance (e.g. Hortinha et al., 2011; Shah et al., 2006; Whitler et al., 2018).

Building on the above discussion, our goal in teaching marketing has been to improve future marketers' strategic and operational capabilities outside the typical narrow perspective of marketing as a function. This paper describes an approach in which students learn how to develop, evaluate and manage an organization's customer value propositions (CVPs), and how the CVP relates to the organization's business model. They also learn what implications CVPs have for the design, management and organization of the business. As Payne and Frow (2014) report in their study of over 200 companies, many practitioners use the term 'value proposition' in their everyday discussions, but less than ten per cent of these companies formally develop, communicate and leverage CVPs in their business models.

The approach outlined in this paper gives students the concepts and the language needed to interact with other members of an organization at the strategic level. This approach has successfully been applied three times in its entirety as a course (Table 1) and one part of it has been used two times as an introduction to value creation on another course. Student feedback has been very good, averaging between 4.0...4.5 /5.

Marketing Management and Organization	
Course name	
Level	Bachelor
Credits	5 ECTS
No. of students	35-45
Learning outcomes	After the course, students should be able to develop, evaluate and manage an organization's customer value propositions (CVPs). They should understand the role of the CVP in a business model and what implications CVPs have for the design, management and organization of the business.

Table 1: Course information

The rest of the paper is organized as follows. First, the approach, including its phases and contents, is outlined. Second, key insights are presented. Finally, a summary and conclusions conclude the paper.

The Approach

This approach is designed keeping in mind with the principle of streamlined teaching: the learning outcomes are communicated to the students at the start of the course, and the contents, teaching methods, evaluation criteria and learning climate of the course are in line with these outcomes (Biggs, 2003; Biggs and Tang, 2011). By reading scientific articles, discussing CVPs and business models in class and in groups, and by applying this learning through developing a concrete CVP, the students will engage in deeper level thinking and learning, such as reflecting, applying, relating and arguing (Biggs and Tang, 2011).

The approach for teaching business students about CVPs and business models consists of seven phases (Table 2). The largest part of the approach is a group assignment. Each group of 4-5 students takes two roles: first, they are the marketing team tasked with developing a new CVP for a local firm of their choosing (a presenting role), and second, they act as potential funders of the CVP (an opponent role). Local firms are chosen, because the students might find potential employers this way, and the firms' representatives

Phase	Description	Themes and concepts	Materials
1 Introduction to customer value and customer value propositions	Traditional lecture and discussion based on the articles.	- dimensions of customer value - value propositions - points of difference, points of parity	Articles: Anderson et al., 2006; Rintamäki et al., 2007
2 The understanding, creating and capturing value framework	Brief lecture + 60-minute group work + discussions of work	- business model - outside-in and inside-out thinking	Articles: Johnson et al., 2008; Yrjölä et al., 2018 Book: Day and Moorman, 2010
3 Canvassing	Students work outside the classroom	- customer profiles - CVP elements	Book: Osterwalder et al. 2014
4 Pitching	Each group presents a 5-minute pitch. Each group selects another group as their potential funding target.	- crystallizing the idea	
5 Feedback	2-3 weeks before the presentation, the students submit their work in its current form and receive short feedback from both the teacher and their opponent group.	- characteristics of a good CVP	
6 Presentation	Each group has 20 minutes to present their solution using any visuals/media they wish. After each presentation, the opponent group can use 5 minutes to ask further questions or comment on the presentation.	- communicating the CVP and business model changes to potential funders/ gatekeepers	
7 Evaluation	The students receive a short evaluation from their opponents (potential funders) and a detailed evaluation and grade from the teacher.	- fit of CVP and business model	Article: Day, 2007 Book: Day and Moorman, 2010

Table 2: Phases of the teaching approach

might be available to comment on the final solutions. Further, this gives the students a concrete case to work on (in my experience, students have found it easier to improve on a concrete case rather than start from a general/abstract case).

The first two phases introduce the key concepts, tie in CVPs with business models through value creation, and orient the students toward the group work. Especially the 60-minute group work around the understanding, creating and capturing value framework

has proved to be useful in sparking the imagination and helping the students get started on their group assignment (Table 3). When introducing the concept of CVPs to students, I have found it most useful to start from customer value and different dimensions of customer value (e.g. economic, emotional, symbolic). After students have read the first articles at home, the classroom discussion starts by discussing how a company might create economic value (e.g. low prices, discounts, value for money), how other companies might create functional value (e.g. convenient

	Creating value:		
	Understanding value: What are the concrete benefits and sacrifices? What is the CVP?	Which business model elements (e.g. resources, partnerships, and processes) support the CVP?	Capturing value: Which BM elements (e.g. cost structure, revenue model) are needed to capture value?
Economic value
Functional value
Emotional value
Symbolic value

Table 3: The understanding, creating and capturing value exercise

opening hours, easy product comparisons, fast shipping) and so on (e.g. Rintamäki et al., 2007). Then the lectures naturally move on to CVPs and business models. The second phase ends with a 60-minute group work where each group is given a value dimension (economic, functional, emotional or symbolic) and an industry (e.g. fashion, consumer electronics, retail), and the task is to answer the questions in Table 3 related to understanding, creating and capturing value. (One could also try this exercise with different value dimensions and more nuanced levels, such as metrics, but then I would advise giving the students more time. In the book by Day and Moorman, 2010, there is an excellent table that could be made into such an extended exercise: "Table 4-1 Customer value leadership strategy, organization, and metrics", p.80).

The third phase, canvassing, is about developing an initial solution for the assignment case using the book *Value Proposition Design* (Osterwalder et al. 2014; also available as an e-book). The students follow the four steps and techniques outlined in the book, but also benefit from what has been learned during phases one and two. From experience, I do not recommend using the book alone without prior theoretical knowledge as the book's simplistic and 'comic book' -like feel might leave the students confused and unmotivated.

In the fourth phase, pitching, the groups present their initial solutions in a bite-size way and then each group selects another group as their 'potential funding target'.

The pitches last 5 minutes each and consist of three points: 1) what is the chosen company?, 2) why does its CVP need to be redesigned?, and 3) what does the initial solution look like? The five-minute time limit is absolute: once the time is up, the audience applauds, and the group must make room for the next presenters. This forces the students to crystallize their work and reflects practices in business conferences. (Pedagogically, there are two benefits to the pitching exercise. It gives a chance to check how far the students are in their canvassing work and correct any major misunderstandings, and the pitching is also a control measure since it means each group should have started working on their solution.)

The fifth phase, feedback, involves the groups submitting a work-in-process version of their solution to the teacher and to their potential funders (opponents). In a week's time, they receive short written feedback from both, consisting of suggestions and ideas for improving and presenting their solution. The opponents are especially requested to think about what makes a good value proposition. For instance: is the target customer segment clearly defined and does the CVP answer its specific needs? how are the key benefits marketed and demonstrated to customers? is the proposed CVP likely to be profitable (e.g. in terms of pricing, growth, costs)? can the current business model deliver on the CVP and what changes need to be made?

During the sixth phase, each group has 20 minutes to present their solution using any visuals/media they

wish. While many groups end up having a typical PowerPoint or Prezi presentation, some groups have creatively used music, costumes and videos to engage the audience. After each presentation, the opponent group can use five minutes to ask further questions or comment on the presentation. On some occasions, I have invited the chosen firms' representatives (e.g. managers, CEOs) to comment on the final solutions. In their presentations, the students are asked to address the following questions:

- Why should the case organization develop a new CVP?
- How the new CVP has been developed?
- What are the objectives and contents of the CVP?
- How should the organization's business model be changed to be aligned with the CVP?
- Which metrics should be used to evaluate the new CVP?

Finally, the seventh phase is the evaluation of the group work. Based on the presentations, the opponent groups give short oral and written evaluations. The opponents evaluate their potential funding target using the Real-Win-Worth-it screen (R-W-W), originally developed by Dominick Schrello (Day, 2007). The R-W-W consists of three main parts with each part having sub-questions (Table 4). I have found it a good template for peer

Area of evaluation	Sub-questions
Real: Is the market and the solution real?	Does the CVP answer a real customer need? Is the target customer segment large enough? Can the organization deliver on the CVP?
Win: Is the CVP competitive and can the organization deliver on it?	Is the CVP likely to be unique and superior to competition? Can the organization sustain the CVP over time?
Worth it: Is the CVP profitable and strategically logical?	Are there opportunities for growth? Are the revenues likely to be greater than costs? Are the risks acceptable? How does the CVP fit with the organization's business model and strategy?

Table 4: Real-Win-Worth-it Screen for peer evaluation of the CVP solution (modified from Day, 2007)

evaluation, since it is simple enough, yet guiding the students' attention to key themes of the course.

Finally, the teacher evaluates the assignments on a scale from one to five. The criteria are:

1. demonstrating understanding of the relevant aspects and use of course materials (e.g. articles)
2. being able to make arguments for the chosen contents of the CVP
3. presentation of the solution (including visuals, structure, language)
4. being able to document and reflect on the development and learning process (e.g. showing how the ideas have been modified along the way, using photographs to show which ideation methods have been used)
5. demonstrating unique, critical or constructive perspectives.

In line with the principle of streamlined teaching, these criteria are communicated to the students at the start of the course (Biggs, 2003; Biggs and Tang, 2011).

Key Insights and Reflections

The described teaching approach is motivated by a goal to improve future marketers' strategic and operational capabilities outside the typical narrow perspective of marketing as a function, especially teaching business students about the role of value propositions as an important part of any organization's business model. After applying the approach three times in its entirety as a course and two times as an introduction to value creation on another course, I have made the following observations:

- working on concrete cases is good way to teach about CVPs and business models that might otherwise remain quite abstract,
- comparisons to other industries/other cases help free students' the imagination,
- sometimes it is good to restrict the amount of time to present (or the space for writing) to force the students to crystallize their arguments, and
- applying multiple teaching methods can, at best, lead to deeper levels of thinking and learning (Biggs and Tang, 2011).

Thus, the approach can provide students with business skills, intra- and interpersonal skills, and leadership skills (Hogan and Warrenfeltz, 2003).

Summary and Conclusion

The purpose of the method discussed in this paper was to teach business students about the role of the CVP in a business model and what implications CVPs have for the design, management and organization of the business. This approach was designed with the principle of streamlined teaching (Biggs, 2003; Biggs and Tang, 2011), and it consists of seven phases:

1. Introduction to customer value and customer value propositions
2. The understanding, creating and capturing value framework
3. Canvassing
4. Pitching
5. Feedback
6. Presentation
7. Evaluation

This approach has multiple advantages. Firstly, by using concrete cases and having an active opponent, the students learn that a change in a company's CVP will require changes in its business model (e.g., Johnson et al., 2008). Secondly, the students learn valuable, transferable skills such as group work, argumentation and presentation (e.g. through canvassing, pitching and giving feedback). Thirdly, the group work is especially relevant here since only rarely are CVPs and business models designed and developed alone. Fourthly, the students receive feedback often: (1) verbal feedback on their pitch, (2) short written feedback at the halfway point of the course (both from the teacher and their opponent group), (3) peer evaluation after presenting their final solution, and (4) a written evaluation from the teacher.

In terms of limitations and requirements of the approach, the class size is one important consideration – this approach is difficult to scale. In my view, the 45-student limit is a maximum, since after that the teacher's workload increases and the amount of attention each student and student group receives diminishes. Secondly, and partially related to the previous point, the teaching and interaction culture needs to be open and motivated. While creating or changing a classroom culture is difficult, I would advise the teacher to try to adopt an exploratory/ inquiry orientation to teaching (Vehviläinen, 2014). This means asking the students open questions, such as “why do you think company A's CVP works?”. Thirdly, group work as a teaching method inherently has risks in terms of freeloading, group dynamics, and making sure everyone learns something. Fourthly, this approach will only work if the students have enough knowledge of the basics and concepts of marketing and management, since the traditional lecture part is quite limited. It would be interesting to see this approach applied on an MBA course, where the managers themselves arguably have the required subject knowledge and experience and could, ideally, work on developing CVPs for their own organizations (Hogan and Warrenfeltz, 2003).

In the future, the various article and book materials can be changed, or new ones added. For instance, there exist various competing conceptualizations of customer value dimensions and the components of CVPs. The concluding presentations (phase 6) could also be made as videos. The videos, ideally, would be under ten minutes in length. The students should be instructed to upload their videos on YouTube under the privacy setting of 'unlisted', meaning that only those with the direct link will see the video and it will not appear in any search results. Then the links could be shared on an online learning platform, such as moodle, for other students to view. This is also another solution for the scalability problem, since these videos could be viewed from home.

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