Value proposition and business model

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Lecture 5

Retrieval: the market brief

First customer

Whose buying situation did you choose?

Current alternative

Which customer episode supports a reason to switch?

Revenue unit

Whose payment did your estimate count?

Lecture route

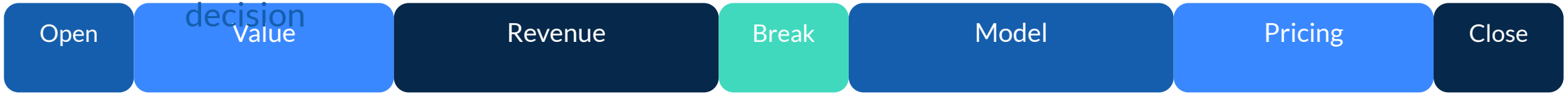
First part

Customer value • payer • revenue logic

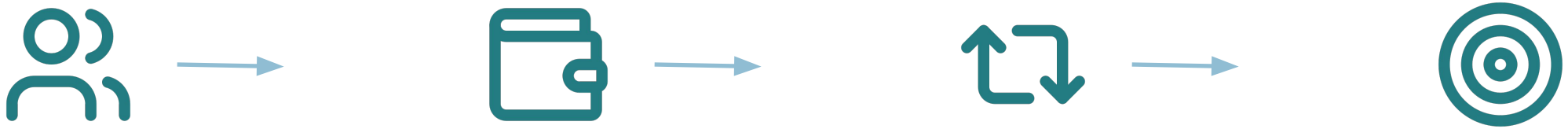
Second part

Marketplaces • model coherence • paid-offer tests

Case → concept → tool → decision



Today’s founder decision



Customer

Who values the outcome?

Payer

Who commits a budget?

Delivery

What must work repeatedly?

Price

What exchange will we test?

Choose a coherent business model and a testable pricing hypothesis.

A feature becomes value in a situation

Case: Notion — teaching interpretation of a team knowledge-sharing task



Feature

A searchable team wiki.



Customer outcome

A new colleague finds a procedure without interrupting teammates.

Value depends on what improves relative to scattered documents and repeated questions.

Value Proposition Canvas: define fit

01

Customer profile

Jobs are tasks; pains are friction; gains are desired results.

02

Value map

Name the offer, pain relievers and gain creators.

03

Fit test

Check whether use or switching beats the current alternative.

Nespresso: the product is a system

Nespresso is Nestlé's coffee system for homes and businesses. Machines use portioned coffee capsules.

Machine + capsule

The components work together to prepare coffee.

Customer situation

A person wants a repeatable cup with little preparation.



Official Nespresso Original machine image

DISCUSSION

What is the customer buying beyond the physical machine?

Nespresso: value depends on the alternative

Nespresso sells a capsule-based coffee system. Consider a household comparing ways to make its morning coffee.

Against a café visit

Convenience at home may matter more than the lowest cost per cup.

Against other home coffee

Ease and consistency must justify the machine and capsule commitment.

DISCUSSION

Which alternative would change the willingness to pay?

Notion: access to useful team knowledge

Notion is a workspace for documents, team knowledge and projects. Teams can organise shared information in a wiki.

Capability

Shared pages that organise procedures and decisions.

Value hypothesis

Employees find a current answer and spend less time asking colleagues.

DISCUSSION

What evidence would show that the wiki helps people complete their work?

Shopify: the selling context shapes the offer



Shopify provides commerce software for merchants. They can run an online store and sell in person using Shopify POS.

Online selling

A shopper browses products and checks out without a shop assistant.

In-person selling

Shop staff help the customer, take payment and handle the sale at a counter.



DISCUSSION

Why does selling the same product require different tools in these two settings?

A useful value proposition is specific

A useful working sentence

For [customer in a situation], help achieve [outcome] better than [current alternative].

An evidence check

Name the improvement, the trade-off and what would demonstrate it.

DISCUSSION

Which part of your sentence is supported by evidence, and which is still assumed?

User, buyer and payer can differ

01

User

Uses the product to get something done.

02

Buyer

Chooses or approves the purchase.

03

Payer

Controls the budget that funds it.

Notion: useful to users, approved by a buyer



Notion offers free and paid workspace plans. Its paid collaboration plans charge for members and provide different access controls.

User value

An employee wants answers and project information in one place.

Buying value

A manager needs reliable team adoption, appropriate permissions and manageable seat costs.



DISCUSSION

What would you ask the employee, and what would you ask the budget owner?

Spotify: two ways to fund listening

Spotify provides audio streaming. Its core music model combines paid subscriptions and advertising.

Premium listener

Pays for a subscription.

Advertiser

Pays to reach audiences using the ad-supported service.

DISCUSSION

If the listener does not pay, which customer still needs a value proposition?

Revenue logic: what triggers payment?

Sale

Pay for a product or defined deliverable.

Subscription

Pay for access over a period.

Usage

Pay according to a measured quantity.

Transaction fee

Pay when a sale or other exchange happens.

Shopify: one business, two revenue units



Shopify sells commerce subscriptions. Shopify Payments also charges merchants for card processing, with rates that vary by plan and market.

Subscription

The merchant pays for access to commerce software over time.

Payment processing

Fees are linked to processed transactions, often by value and a fixed amount.



DISCUSSION

What happens to each revenue stream if a merchant stays subscribed but makes no sales?

Nespresso: the repeat purchase matters

Nespresso combines machines and coffee capsules. A machine purchase enables future use of the coffee system.

Entry purchase

The household adopts a compatible machine.

Repeat purchase

Coffee consumption can generate further capsule orders.

DISCUSSION

Which matters more for the model: machines shipped or continued coffee use?

Nespresso: the promise has operating costs

Nespresso supplies coffee through a machine-and-capsule system. Analyse what must happen to deliver a reliable cup.

Deliver the experience

Source coffee, prepare capsules and support reliable machines.

Sustain the relationship

Fulfil orders, support customers and maintain distribution.

DISCUSSION

Which cost would be easy to miss if we modelled only coffee ingredients?

Patreon: creator revenue funds the platform

Patreon helps creators offer memberships and digital products to their fans. Creators receive fan payments through the platform.

Creator's offer

Fans pay for a creator's membership or product.

Platform's offer

Patreon provides tools and infrastructure and takes a percentage fee.

DISCUSSION

Are fan payments the same thing as Patreon's own revenue?

Patreon: follow the money

Patreon’s standard 10% plan applies to pages published after 4 August 2025. The €1,000 amount is hypothetical.

€1,000

Illustrative monthly fan payments to one creator.

€100

Illustrative platform fee at the standard 10% rate.

DISCUSSION

What additional deductions would you need before estimating the creator’s payout?

Return ready to connect the full model.

Next: marketplaces and model fit



Break

A marketplace needs two value propositions - dual market problem

01

Supply side

Why list, participate and keep standards?

02

Liquidity and trust

Can both sides find a useful match and transact safely?

03

Demand side

Why choose this offer and return?

Bolha.com: a marketplace for local listings

bolha.com

Bolha.com brings together people and businesses listing goods for buyers across Slovenia.

Buyer value

Find local listings and compare items, prices and seller details.

Seller value

Reach people already searching a Slovenian marketplace.

DISCUSSION

What must a buyer check before contacting a seller?

Bolha.com: trust needs transaction support

bolha.com

Sellers write listings with descriptions and photos. For eligible items, the optional BREZ SKRBI flow adds protected payment and delivery.

Visible promise

Clear listings and an optional protected purchase flow.

Work behind the promise

Accurate descriptions, problem handling, payment and delivery partners.

DISCUSSION

What happens if an item differs from its description?

Vinted: charging the buyer changes the choice

Vinted is a marketplace for second-hand items. Its US help page describes a mandatory buyer fee added to purchases.

Buyer’s decision

Compare the full price, including fees and delivery.

Platform’s decision

Choose who pays while keeping both sides willing to transact.

DISCUSSION

Why can moving a fee from the seller to the buyer change conversion?

Who should a marketplace charge?

Case: a new local resale marketplace — hypothetical options

Choice	Potential benefit	Main risk	Evidence needed
Seller fee	Lower buyer checkout	Sellers raise prices	Seller economics
Buyer fee	Attractive seller terms	Checkout abandonment	Full-price conversion
Both sides	Share the charge	Friction on both sides	Completed trades
Optional services	Low entry barrier	Weak service demand	Paid service uptake

Teaching choices, not Bolha.com's or Vinted's fee schedule.

A business model connects the choices

Create value

Customer, problem, offer and alternative.

Deliver value

Activities, resources, partners and channels.

Capture value

Payer, revenue unit, price and repeat use.

Make it work

Cost drivers and the evidence each link needs.

Lean Canvas: a one-page hypothesis map

Problem + customer

Who has a costly job, and what do they do now?

Value + solution

What result is promised, and how might we deliver it?

Route + economics

How do buyers arrive and pay? What drives cost?

Metrics + edge

What behavior matters? What is hard to copy?

Nespresso: a full Lean Canvas example



Teaching interpretation of the Nespresso coffee system; not an internal company canvas.

Problem

Home espresso can take effort; café visits cost time. Alternatives: home brewing and cafés.

Solution

A machine paired with portioned coffee capsules.

Key Metrics

Machines in use; repeat capsule orders; ordering frequency.

Unique Value Proposition

Consistent espresso-style coffee at home, at a button press.

Unfair Advantage

Brand, installed machines and an integrated coffee system.

Channels

Online shop, boutiques and retail partners.

Customer Segments

Home coffee drinkers seeking convenience. Early adopters buy the machine.

Cost Structure

Coffee, capsules, machines, distribution, service and marketing.

Revenue Streams

Machine sales and repeat capsule purchases.

Coherence is more useful than more features

A coherent promise

A defined customer, a valued outcome and a delivery system that supports it.

A hidden contradiction

A low price with unlimited costly service and no mechanism to fund heavy use.

DISCUSSION

Which part of the model would you change first, and why?

Shopify: two revenue mechanisms

Case: Shopify — commerce software and payment services for merchants

Mechanism	Store subscription	Payment processing	Founder question
Payment trigger	Access over time	Processed transaction	What earns revenue?
Merchant value	Operate a store	Accept card payments	What is worth paying for?
Cost drivers	Hosting + support	Processing + risk	What grows with activity?
Key uncertainty	Renewal demand	Volume + service cost	What should be tested?

Revenue mechanisms are documented; cost implications are teaching analysis. Rates vary by plan and market.

Cost drivers follow the delivery promise

01

Fixed for this range

Work that exists before the next customer arrives.

02

Variable with use

Work or resources consumed as service is delivered.

03

Step changes

A new support hire or capacity block when load rises.

CupCircuit: a cup that comes back



Case: CupCircuit — fictional reusable-cup service

Café

Serves takeaway drinks in reusable cups supplied by CupCircuit.

Customer

Returns a cup to a participating café after use.

CupCircuit

Collects, washes and redistributes cups to cafés.

Buyer and alternative

The café owner pays; today it buys single-use cups and lids.

CupCircuit: how the service works



Recap: CupCircuit — hypothetical service, not an operating company

Café

CupCircuit supplies reusable cups for takeaway drinks.

Customer

The customer receives a drink and later returns the cup to a participating café.

CupCircuit

The service collects, washes and redistributes the returned cups.

Buyer and alternative

The café owner compares the service with buying disposable cups and lids.

CupCircuit: a complete pricing hypothesis



Case: CupCircuit — fictional; price and demand are assumptions

Who + outcome

Independent cafés replace disposable cups without running washing logistics.

Package + unit

One café, up to 500 cup uses per month; supply, pickup and washing included.

Price + terms

€199 per month, monthly renewal; taxes excluded.

Evidence sought

Owners pay for a pilot and renew after seeing actual use and returns.

CupCircuit: estimate the café’s value

Case: CupCircuit — fictional value calculation; no measured savings

Illustrative saving

500 cup-and-lid sets × assumed €0.45 = €225 per month.

Illustrative price

€199 per café per month, before applicable taxes.

The €26 cushion assumes 500 displaced sets and ignores added café staff effort.

CupCircuit: does serving one café pay?



Case: CupCircuit — fictional monthly contribution calculation

Item	Assumption	Amount	What to verify
Café subscription	One paying café	€199	Paid acceptance
Pickup + washing	Routine monthly service	−€90	Route + wash cost
Losses + support	Replacement + help	−€35	Returns + handling
Contribution	€199 − €90 − €35	€74	Before fixed costs

€74 / €199 ≈ 37% contribution margin under these assumptions.

CupCircuit: returns drive the margin



Case: CupCircuit — fictional sensitivity; €199 monthly price stays fixed

Monthly item	High returns	Base case	Low returns
Revenue	€199	€199	€199
Service cost	€75	€125	€210
Contribution	€124	€74	−€11
Margin	62%	37%	−6%

Same 500 cup uses; losses and pickup costs vary. Margins are rounded.

Run a paid-offer test

Buyer + terms

Ask the budget owner; state scope, price and start date.

Choice + record

Request a paid pilot; log yes, no and why.

Delivery + rule

Track use, costs and renewal against a threshold.

Follow-up

If rejected, test value, timing or buying authority.

Test the price with a real decision

Weak evidence

“Sounds useful” or “I would probably pay.”

Stronger evidence

An authorised buyer accepts a clear offer, pays and later renews.

DISCUSSION

What must be held constant to compare two price offers fairly?

CupCircuit: keep evidence and guesses separate



Case: CupCircuit — fictional; no café research has been conducted

Claim	Status	Current basis	Next check
Cup set costs €0.45	Assumption	Value estimate	Check invoices
500 uses / month	Assumption	Package design	Count pilot uses
Owner pays €199	Hypothesis	Proposed offer	Paid decision
Service cost ≤€125	Assumption	Cost estimate	Track routes + losses

A completed model is a map of claims to test, not proof that the venture works.

CupCircuit: the model brief

Case: CupCircuit — fictional model and pricing hypothesis



Recommendation

Test a bounded service with independent cafés.

Value + payer

A café avoids some disposables; its owner decides.

Revenue + delivery

€199/month, up to 500 uses; collect, wash and replace cups.

Key risk

Low use, lost cups or staff work can erase café value or service margin.

CupCircuit: set the rule before the pilot

Case: CupCircuit — fictional pilot; thresholds are provisional

Offer

A one-month, €199 pilot to 10 qualified café owners.

Track

Paid acceptance, cup uses, returns, avoided cost and service cost.

Provisional threshold

At least 3 pay; at least 2 renew at the same terms.

Decision

Continue if buyer value is evident and service cost stays ≤€125 per café.

Closing discussion

Hypothetical discussion scenarios. CupCircuit is a fictional venture.



Notion

Users love it. The budget owner declines. What is missing?



Bolha.com

More listings, more inaccurate descriptions. Which model link breaks?



CupCircuit

Cafés pay, but lost cups leave a €11 loss. What changes first?

Value proposition and model: key takeaways

Value is relative

A specific customer compares an outcome with an alternative.

Payer is a choice

User, buyer and budget owner may differ.

The model is connected

Revenue depends on delivering the promised experience.

Price is a hypothesis

Test the offer, payment and cost together.

Next: MVPs and experiments

Outside class

Use external customer evidence to draft the model and price hypothesis; mark assumptions.

In Lecture 6

Choose a low-cost test, a success threshold and a rule for continuing or revising.

Sources: methods and customer value

Value proposition

Strategyzer: Value Proposition Canvas

Strategyzer: testing roadmap

Business model

Strategyzer: model toolkit

LEANSTACK: Lean Canvas

Nespresso

Nestlé: products and timeline

Nespresso: company history

Notion

Notion: team knowledge

Notion: plans and billing

Sources: software and revenue logic

Shopify

Shopify: commerce plans

Shopify: payment processing fees

Patreon

Patreon: product and pricing

Patreon: creator fees

Spotify

Spotify: music business model

Scope and dates

Policies checked 28 September 2026.

Local terms and legacy plans can differ.

Sources: marketplaces and teaching assumptions

Bolha.com

Bolha.com: listings and sellers

Bolha.com: BREZ SKRBI

Vinted

Vinted: US buyer-fee policy

Teaching scenarios

CupCircuit is fictional.

All its quantities are assumptions.

Reading the cases

Facts are separated from interpretations.

Source links and limits are in notes.

Homework 5: Lean Canvas and business model

Lean Canvas

Complete all nine blocks for your venture; mark assumptions to test.

Business model

Describe the customer, offer and delivery; name who uses, buys and pays.

Revenue and costs

Explain how the venture earns money: revenue unit, price and main costs.

Submit

Add 2–3 exam slides; save the full canvas and calculation sheet in the folder.