Value Curves

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This is an approach developed by the team which introduced the idea of Blue Ocean strategy (http://www.blueoceanstrategy.com/). It has links with competitiveness profiling and offers a way of exploring where and how to differentiate products or services to create strategic advantage. It is very much focused on understanding user needs, both explicit and unconscious and sits alongside tools like the Kano method and ethnography.

To construct a value curve, first list the dimensions of performance which users currently value. For example for a car these might be speed, fuel consumption, safety and flexibility (being useful for many different situations). In the picture below it is the product/service offering from a furniture company.

Then, taking each competitor, plot their performance on these in the form of a profile or curve. This benchmarking gives an idea of relative strengths and weaknesses and where – in the existing industry space – there is room for improvement. It can drive an incremental innovation agenda and explains why most products in a given segment look broadly similar.

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The power of the tool comes in asking 'what else?'. What other dimensions might users value and how could we create competitive space by offering that? For example in the car case what if we were to add 'reduced environmental impact' to our list? Not everyone might value this but amongst a key segment it might represent an important differentiator. (This is what Toyota did with the Prius, opening up considerable market space for a sustained period before other competitors began offering their versions of the hybrid car).

Clearly not every value idea will be feasible to implement but the tools helps start a discussion around potential avenues for radical innovation. If a new source of value can be found what will it take – technology, acquisition of key resources, etc. – to make it happen?

The principle can be applied not only to find new sources of value but to check whether existing models are still appropriate. For example in the Blue Ocean strategy approach four questions are used to help develop strategy around value curves.

- What if we eliminate one or more value dimensions and change the basis of competing in the industry? Maybe people do not really want some of what we offer? (This is the underlying principle of low cost airlines – eliminate the frills and focus on the core valued thing which is safe and low cost flying)

- What if we reduce and simplify the delivery of the core value dimensions? Is there an overshoot in what is offered compared to the 'good enough' which people want? Many software programs are laden with features which very few people use and which add to the cost and complexity – is there a simpler version?

- What key value features should we amplify and increase?

- What new features might we add to delight customers and surprise them with things they find they do value?

See also Kano method, competitiveness profiling, and Blue Ocean strategy.