

5. VALUE DELIVERY BY JOSH KAUFMAN

A CHAPTER SUMMARY FROM THE BOOK
'THE PERSONAL MBA'

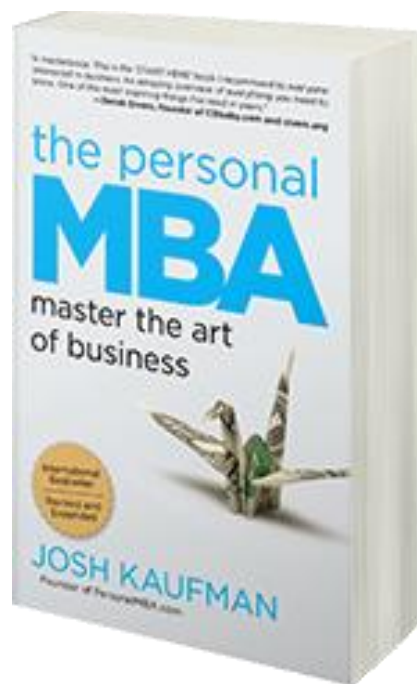


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VALUE DELIVERY (KAUFMAN 2012)

1 | VALUE STREAM

- ✓ A Value Stream is the set of all steps and all processes from the start of your Value Creation process all the way through the delivery of the end result to your customer.

- ✓ The best way to understand your Value Stream is to diagram it.

- ✓ The shorter and more streamlined your Value Stream, the easier it is to manage and the more effectively you'll be able to deliver value.

2 | DISTRIBUTION CHANNEL

- ✓ A Distribution Channel describes how your form of value is actually delivered to the end user.
- ✓ There are two basic types of Distribution Channels: direct-to-user and intermediary.

DIRECT TO USER

- ✓ Services are a classic example: when you get a haircut, the value is provided by the business itself directly to you, with no intermediary.
- ✓ Direct-to-user distribution is simple and effective, but it has limitations—you have full control of the entire process, but you can only serve as many customers as your time and energy allow.

INTERMEDIARY

- ✓ When you purchase a Product from a store, that store is acting as a Reseller.
- ✓ The store (in most cases) doesn't manufacture the Products—it purchases them from another business.
- ✓ Intermediary distribution can increase sales, but it requires giving up a certain amount of control over your Value Delivery process.

- ✓ Trusting another business to deliver your offer to your customers frees up your limited time and energy, but it also increases Counterparty Risk—the risk that your partner will screw up and diminish your Reputation.

- ✓ Distribution isn't a “set-it-and-forget-it” strategy—if you're working with multiple Distribution Channels, plan to devote time and energy to making sure they're representing your business well.

3 | THE EXPECTATION EFFECT

- ✓ A customer's perception of quality relies on two criteria: expectations and performance.
- ✓ Expectation Effect: $Quality = Performance - Expectations$.
- ✓ If performance is better than expectations, the customer's perception of quality will be high.

4 | PREDICTIBILITY

- ✓ When purchasing something of value, customers want to know exactly what they can expect—they want their experience to be Predictable.
- ✓ There are three primary factors that influence the Predictability of an offer: uniformity, consistency, and reliability.
- ✓ Uniformity means delivering the same characteristics every time.
- ✓ Consistency means delivering the same value over time.
- ✓ Reliability means being able to count on delivery of the value without error or delay.

- ✓ Throughput is the rate at which a system achieves its desired goal.
- ✓ Throughput is a measure of the effectiveness of your Value Stream.
- ✓ In order to measure Throughput, you need a clearly defined objective: Dollar Throughput is a measure of how quickly your overall business system creates a dollar of profit.
- ✓ The faster your business produces dollars of profit, the better.
- ✓ Unit Throughput is a measure of how much time it takes to create an additional unit for sale.
- ✓ Satisfaction Throughput is a measure of how much time it takes to create a happy, satisfied customer.

6 | DUPLICATION

- ✓ Duplication is the ability to reliably reproduce something of value.
- ✓ Duplication of information—text, images, music, video—is essentially free.
- ✓ The value of this information, however, can be quite significant.

7 | MULTIPLICATION

- ✓ Multiplication is Duplication for an entire process or System.
- ✓ Multiplication is what separates small businesses from huge businesses.
- ✓ There's an upper limit on what any single business system can produce.
- ✓ By creating more identical business systems based on a proven model, Multiplication can expand a business's ability to deliver value to more customers.
- ✓ That's the major benefit of franchising: instead of reinventing a business model, opening a franchise helps Multiply a model that already works.
- ✓ The easier it is to Multiply your business system, the more value you can ultimately deliver.

- ✓ Scale is the ability to reliably Duplicate or Multiply a process as volume increases.
- ✓ Products are typically the easiest to Duplicate, while Shared Resources (like gyms, etc.) are easiest to Multiply.
- ✓ Humans don't Scale. A person's effectiveness usually goes down as the demands on them increase.
- ✓ As a result, Services are typically difficult to Scale, since they tend to rely heavily on the direct involvement of people to deliver value.
- ✓ As a general rule, the less human involvement required to create and deliver value, the more Scalable the business.

9 | ACCUMULATION

- ✓ Small helpful or harmful behaviors and inputs tend to Accumulate over time, producing huge results.
- ✓ Many small improvements, consistently implemented, inevitably produce huge results.

- ✓ Every improvement you make to your Value Stream make it harder for potential competitors to keep up.
- ✓ Every benefit you deliver and every customer you serve make it harder for competitors to replicate you.
- ✓ Don't focus on competing—focus on delivering even more value.
- ✓ Your competition will take care of itself.

- ✓ One of the things that make humans unique is our ability to create and use tools.
- ✓ Tools are important because they multiply the effect of physical force, thought, or attention.
- ✓ The more a tool Amplifies or concentrates your effort, the more effective the tool.
- ✓ Investing in Force Multipliers makes sense because you can get more done with the same amount of effort.
- ✓ Factory production and distribution systems are examples of large-scale Force Multipliers—they make it possible to deliver value to thousands (or millions) of paying customers in a very short time.
- ✓ Quality tools give you maximum output with a minimum of input.

- ✓ System is a process made explicit and repeatable—a series of steps that has been formalized in some way.
- ✓ The primary benefit of creating a system is that you can examine the process and make improvements.
- ✓ Systems also help teams of people stay on the same page.
- ✓ Developing systems and clear processes for certain events and tasks can help everyone do what must be done with a minimum of misunderstanding and fuss.

REFERENCES

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ABOUT THE AUTHORS

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Josh Kaufman is the bestselling author of books on business, entrepreneurship, skill acquisition, productivity, creativity, applied psychology, and practical wisdom.

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