



PACKALL

PackAlliance:
European alliance for innovation training
& collaboration towards future packaging

Linking **Academy** to **Industry**.

Training program: modules

- New materials and biomaterials
- Eco-design & novel manufacturing processing
 - Residue management and valorisation
 - **Citizen and Consumer Engagement**



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Value Creation and Circularity

Understanding value propositions as core tool for business modelling and stakeholder communication

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Value creation refers to benefits that different stakeholders, such as customers, companies, partners or sponsors, can achieve due their dyadic or multilateral actions. Benefits are connected to costs (money, time etc.) – there needs to be a balance.

Value is a core element of business model

- **Value proposition** is a central concept of business modelling that defines how the company aims at creating benefits/value for its customers/stakeholders.
- **Business model** is a system of interconnected and interdependent decisions and activities that determine how a company creates, delivers and captures value over the short-, medium- and long-term.
- Contemporary approaches emphasise value co-creation, which is joint creation of value by different stakeholders



Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?

MOTIVATIONS FOR PARTNERSHIPS: Optimization and economy, Reduction of risk and uncertainty, Acquisition of particular resources and activities

What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?

CATEGORIES: Production, Problem Solving, Platform/Network

What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?

TYPES OF RESOURCES: Physical, Intellectual (brand patents, copyrights, data), Human, Financial

Value Propositions

What value do we deliver to the customer? **Which one of our customer's problems are we helping to solve?** What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?

CHARACTERISTICS:

Newness, Performance, Customization, "Getting the Job Done", Design, Brand/Status, Price, Cost Reduction, Risk Reduction, Accessibility, Convenience

What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?

Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?

For whom are we creating value? Who are our most important customers? Is our customer base a Mass Market, Niche Market, Segmented, Diversified, Multi-sided Platform

What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?

IS YOUR BUSINESS MORE: Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing), Value Driven (focused on value creation, premium value proposition).

SAMPLE CHARACTERISTICS: Fixed Costs (salaries, rents, utilities), Variable costs, Economies of scale, Economies of scope

For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?

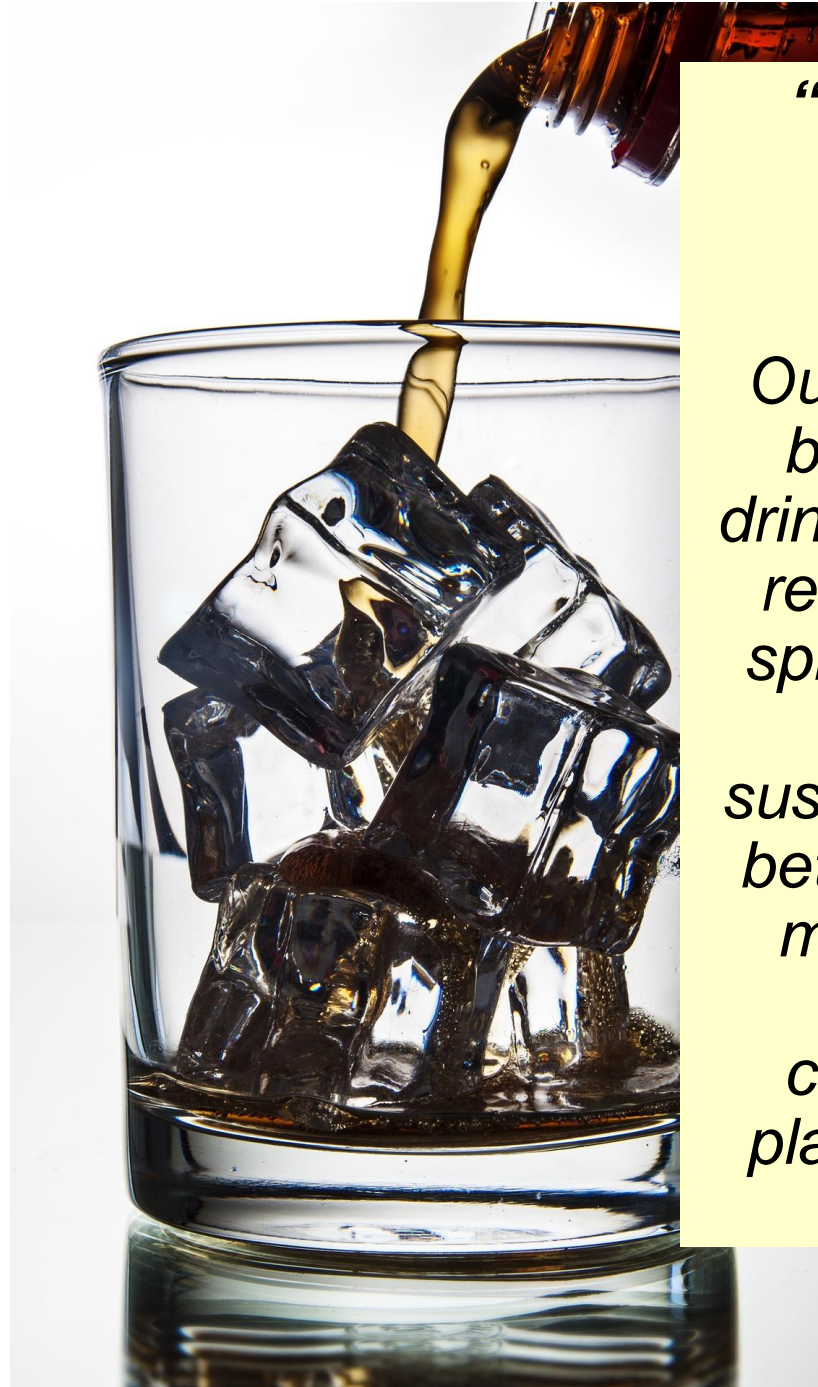
TYPES:

Asset sale, Usage fee, Subscription Fees, Lending/Renting/Leasing, Licensing, Brokerage fees, Advertising

FIXED PRICING: List Price, Product feature dependent, Customer segment dependent, Volume dependent

DYNAMIC PRICING: Negotiation (bargaining), Yield Management, Real-time-Market

Customer value propositions (CPVs) are strategic tools for articulating how firms create value to and with their customers and stakeholders. They offer reasons why a customer should buy a product and differentiates the product from competitors.



**“TO REFRESH THE
WORLD. MAKE A
DIFFERENCE”**

Our vision is to craft the brands and choice of drinks that people love, to refresh them in body & spirit. And done in ways that create a more sustainable business and better shared future that makes a difference in people’s lives, communities and our planet. Coca Cola 2021

Customer value propositions

- In single-use models, CVPs are specified, highlighting unique product features and monetary benefits for direct customers
- In circularity, CVPs usually are built on novel innovations that promise multiple benefits to broader societal stakeholders
- To make circular offerings competitive, and to facilitate their adoption in value chains and wider ecosystems, suppliers should be able **to communicate how their products/services create and deliver value** to their customers and relevant stakeholders.



Construction of customer value propositions

Elaborated from Ranta, Keränen and Aarikka-Stenroos 2020; Payne, Frow and Eggert, 2017

- Benefits element
- Recipient element
- Perspective element
- Focus element
- Explicitness element
- Granularity element



Benefits element

Articulates the types of value that target customers can expect regarding their purchases.

- Economic value = customer e.g. saves money or time
- Functional value = product/service is useful, performs desired function
- Environmental value = product/service advances sustainability
- Social value = product/service enhances social interaction and engagement
- Symbolic value = product/service support expressing individual identity and social membership
- Emotional value = product/service trigger emotions such as curiosity, novelty, wow, desire for knowledge



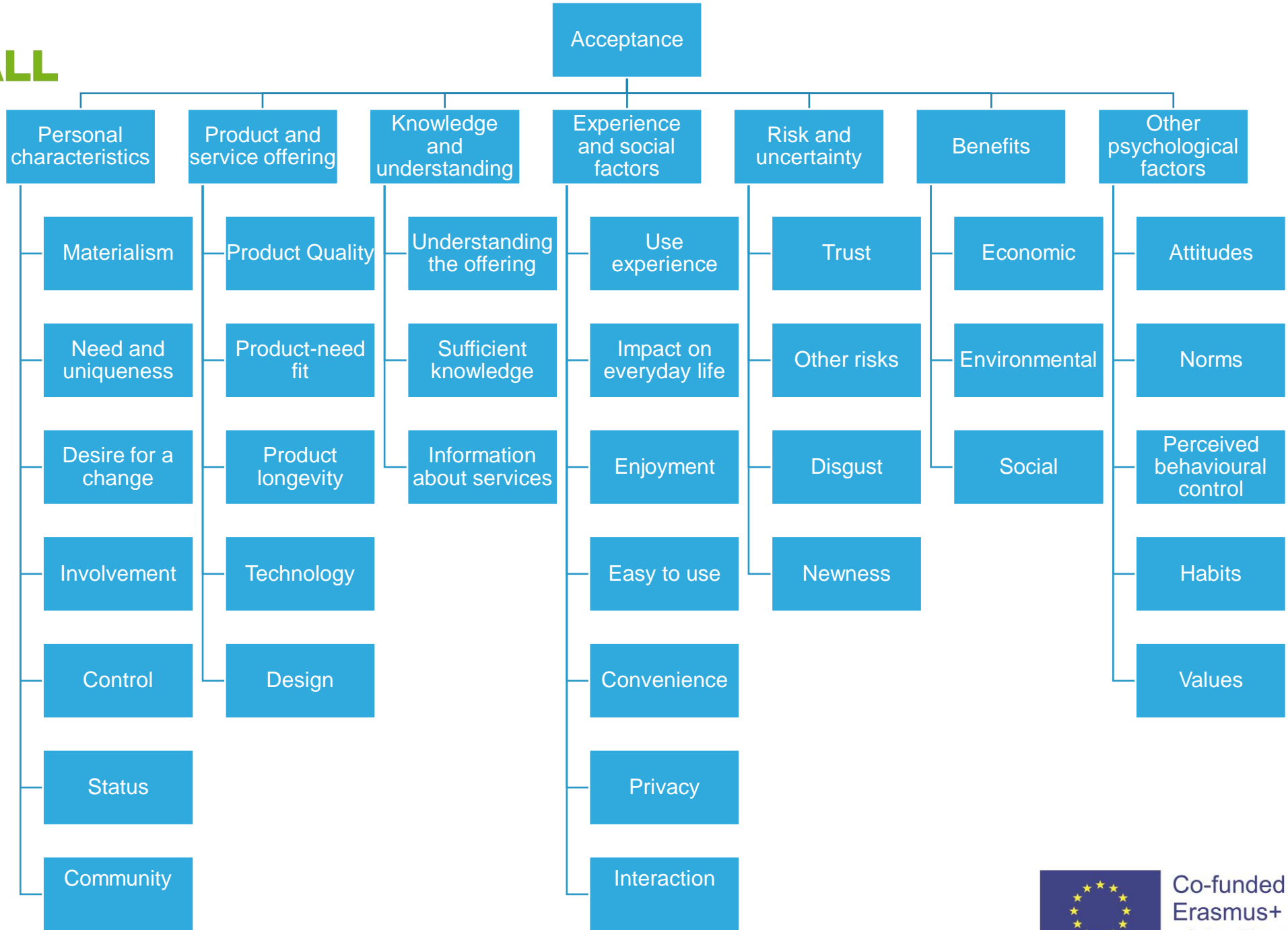
Benefits element examples in packaging

Value type	Examples
Economic	Price: Desired benefits at right cost. Deposit: a consumer gets a bottle deposit while returning an empty bottle to a shop (e.g., in Finland the deposit is 0,20-0,40 €)
Functional	Packing protects the product Packing supports taste and performance. Packing enhances convenience and easy to use. Packing enhances healthy nutrition Offering variety: e.g., beverages at multiple size and price points.
Environmental	Packing enhances sustainability/ saves resources or nature
Social	E.g., community building trough digital apps
Symbolic	Trading up: Ability of packaging to signify high value branding
Emotional	Fun: packaging can add positive experience Gives consumer confidence in product



In the first lecture, factors that **drive** or **hinder** the consumption of circular solutions (Camacho-Otero, Boks & Pettersen 2018) were presented.

How would you place these factors to 6 different value/benefit types?



Recipient element



Articulates to whom CVPs are addressed, who can expect to benefit from the CVPs

- direct consumers or customers
- wider stakeholder groups (e.g. investors or an industry sector)
- society/world

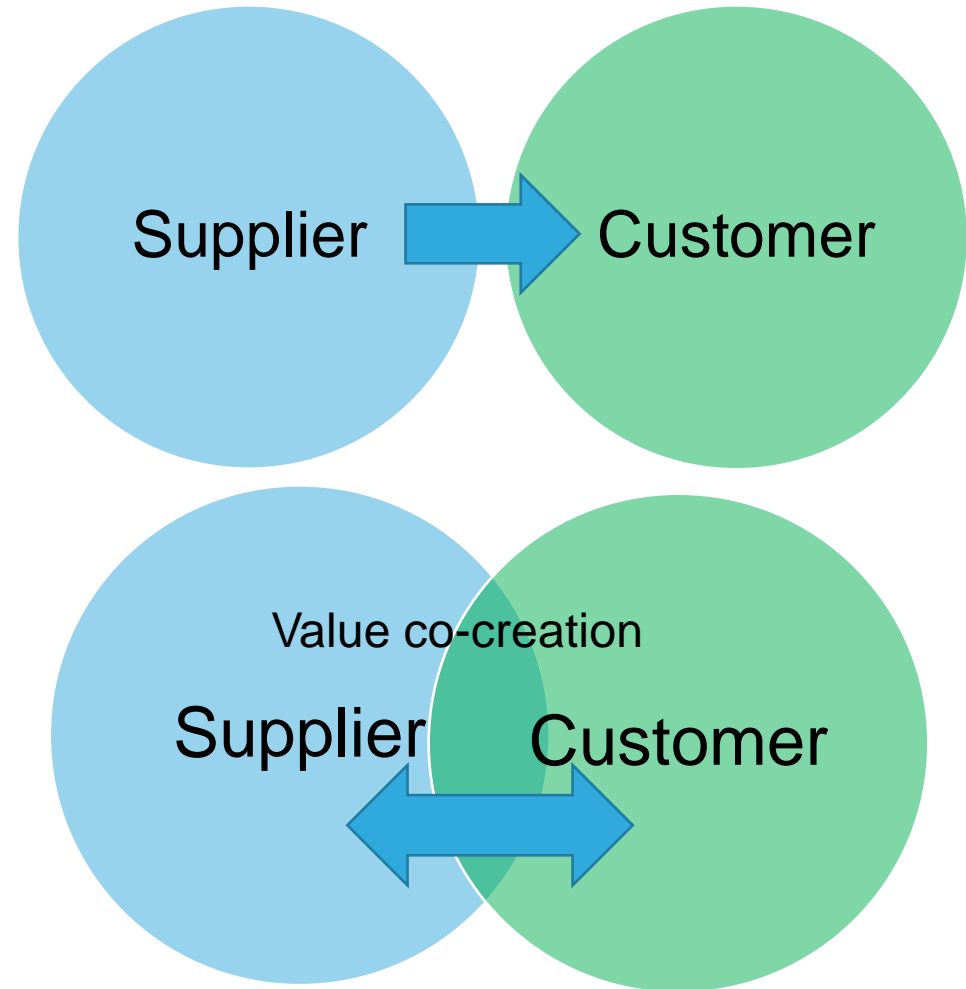
Whole society as recipient: Dole Sunshine for all campaign

- [Dole Sunshine for All](#) (2021) is a campaign and a fund for increasing access to good nutrition and reduction of waste.
- The Fund works with investors, start-ups, social enterprises, NGOs, influencers & R&D networks.



Perspective element

Articulates whether the CVP is primarily a unidirectional and supplier-determined promise of value, or a reciprocal and mutually determined proposal of value (value co-creation).



Focus element

Articulates whether the CVP promises

- value-in-exchange

focuses on effective production, product features and buying occurrence in which value is regarded as economic value i.e. price (traditional focus)

- value-in-experience

focuses on total customer experience of using the good(s)

- value-in-use

focuses on customer value-in-use in broader ecosystems



Case plastic fishing trips

Plastic Whale is a social enterprise that organizes plastic fishing trips in Amsterdam since 2011

- Read <https://plasticwhale.com/plastic-fishing> marketing page and watch video <https://www.youtube.com/watch?v=fX5EwdabcDA>.
- How value-in-exchange, value-in-experience and/or value-in-use categories can be found from the plastic fishing trip service?



Explicitness element

Indicates how explicitly or implicitly organizations articulate their VCPs to external and internal audiences (e.g. quantified vs. qualitative propositions).

“Our product uses 10 % less energy than ...”

Measuring circularity in CPVs; check DS Smith [Circular Design Metrics tool](#) (2021) for the customers (<https://tinyurl.com/3cac9th8>)

Check again Dole Sunshine for all promises (slide 13)



Granularity element

Articulates whether the CVP is formulated at the firm, customer segment, or individual customer level



CVPs in linear and circular economy

CVP Design elements	CVP answers the question	CVPs in linear economy	CVPs in circular economy
Value/ Benefits	What type of value/benefits CVP emphasises.	Economic value	Economic, environmental, functional, social, symbolic, emotional
Recipients	To whom CVPs are targeted	B2B customers	B2B customers, value chain stakeholders, end users, stakeholders in societal ecosystems
Perspective	Unidirectional from supplier to customer/ reciprocal value co-creation of stakeholders	Supplier-initiated statements, customers are passive recipients	Mutual value creation: customers and other ecosystem actors are treated as active participants
Focus	Value-in-exchange, value-in-experience or value-in-use	Superior product features or value embedded in offerings (value-in-exchange)	Enhanced customer, outcome and usage experiences (value-in-use)
Explicitness	How explicitly CVPs are articulated to audiences	Unique offering features	Enhanced customer and use experiences
Granularity	Firm, customer segment, individual customer level	Non-specific firm-level	Customer-segment level

CPVs, circularity and consumers

“Green Marketing Myopia” occurs when environmental benefits are overemphasized at the expense of customer needs:

Few brands tend to succeed in framing their sustainable value propositions beyond being sustainable - emphasising collective, planetary benefits instead of individual ones. This often forces the consumer to compromise between functionality, cost efficiency, and environmental responsibility. The consumer will still wonder, what's in it for me?

Haig and Lembachar 2018



Value co-creation with consumers matters

- Rather than relying on consumers' goodwill to pay a premium for sustainable products, brands should adopt a consumer-first approach in creating circular products.
- When sustainability has focused on doing less (emitting, producing, consuming) - circularity challenges us to do consume differently than before. E.g., novelty value needs to be reinvented: what does newness mean in circularity?
- In the core of the reinvention is involving consumers as active participants in the journey to circularity

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