7.3 Product and value

Name: _____ Class: _____ Date: _____ **Total: 12 marks**

KEY WORDS three product levels • value proposition

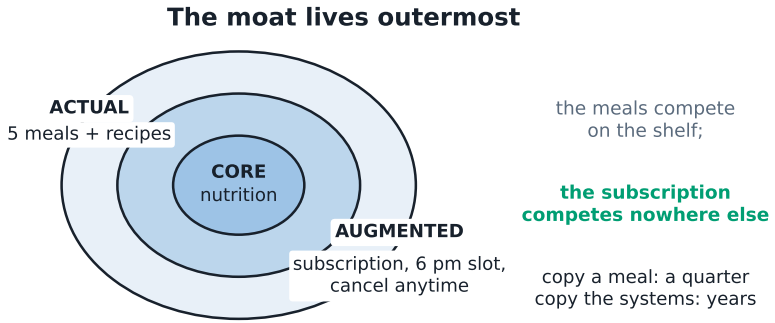
Objective

Place offering elements across the three product levels; build the customer's value ledger; price product decisions in retention points.

1 Key knowledge and worked examples

■ Levels and the ledger

Core (benefit), actual (the box), augmented (the services and the promise). Value = perceived benefits − perceived costs; the moat lives outermost; augmentations are priced in cohort math.



The meals compete on the shelf; the subscription competes nowhere else

■ Worked example. The bundle ledger

£35 takeaway avoided − £29 bundle = £6 visible surplus; time and mental load ride free. Each retention point is worth 214 × 0.05 × 5 × 2.70 = £144.45 a week ✓.

2 Practice

A laundry-subscription startup: £18 a month for two bags; variable cost £6; 800 subscribers; month-2 retention 70%.

2.1 Place each element at its level: the clean clothes; the two-bag plan; next-day pickup; the pause-anytime promise. [4]

2.2 Build the customer's monthly ledger: benefits (laundry shop £34 avoided, Sunday afternoon back) against costs (£18, remembering the doorstep bag). What is the visible surplus? [3]

2.3 The rival can copy the bag in a month and the price in a day. Which level does the startup defend, and how? [2]

2.4 A pickup-failure issue costs 4 retention points. Compute the monthly contribution at stake (800 subscribers, CM £12). [3]

Solutions

2.1

- Clean clothes: core.
- Two-bag plan: actual.
- Next-day pickup: augmented.
- Pause-anytime: augmented (the trust promise).

2.2

- Benefits: £34 + the afternoon (unpriced but real).
- Costs: £18 + remembering the bag.
- Visible surplus: £34 − £18 = £16 a month.

2.3

- The augmented level: pickup logistics and the pause promise are systems, not stickers.
- Defend with reliability data and the service record – the moat the price cut cannot touch.

2.4

- $800 \times 0.04 = 32$ lost subscribers a month.
- $32 \times £12 = £384$ of monthly contribution.