

Launching Your Startup Using Lean Startup and Customer Discovery

Session 2

GASC 2013, September 26 – 28, 2013

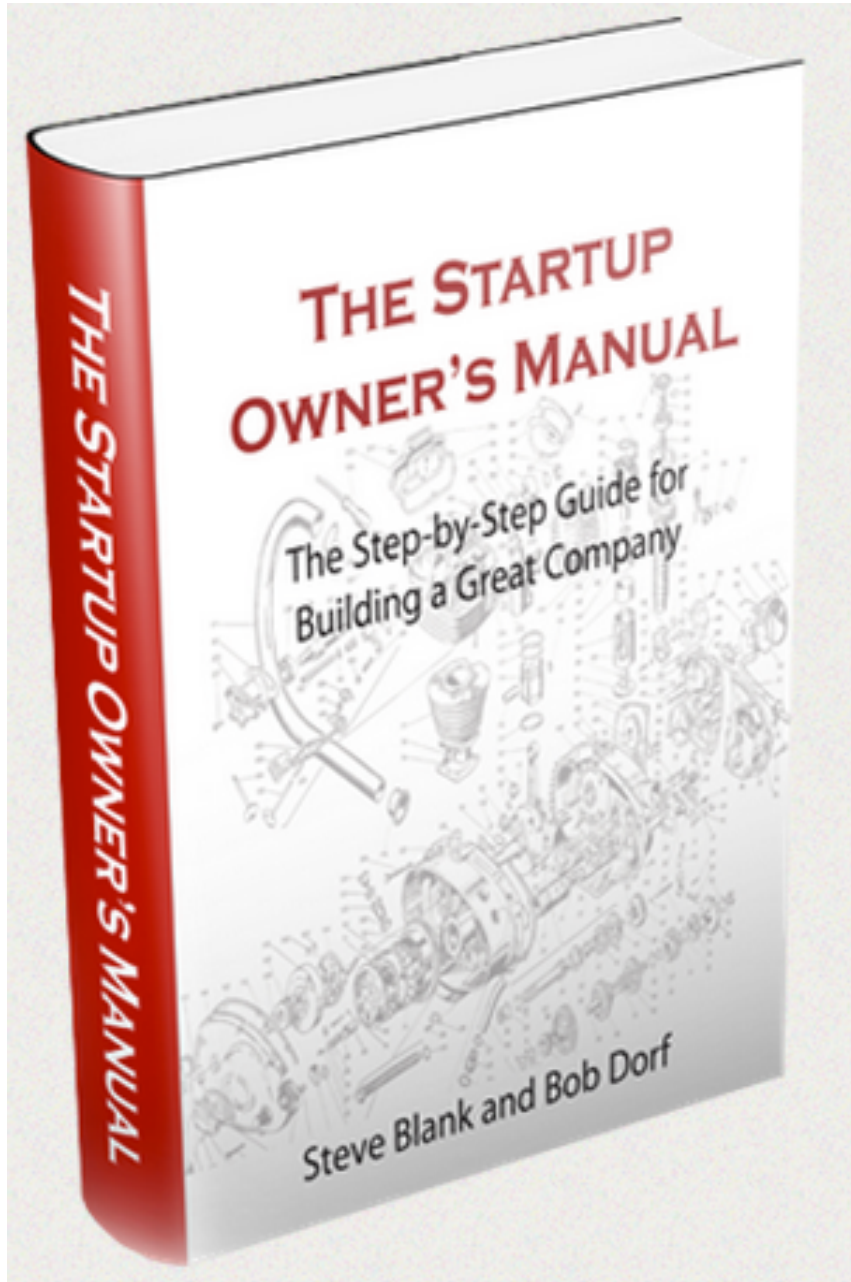
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Customer Development

Key Concepts



Blank, Dorf: The Startup Owner's Manual Vol. 1 – The Step-by-Step Guide for Building a Great Company; K&S Ranch Publishing Division, 2012

See also Steve Blank's blog at steveblank.com

"A startup is a temporary organization designed to search for a scalable, repeatable, profitable business model."

Steve Blank & Bob Dorf



Lessons Learned from dotcom-Boom

For products with high market acceptance risk ...

- New product
- Lots of unknowns

... the traditional (sequential) model for new product introduction is a recipe for disaster

- “On Day One, a startup is a faith-based initiative ...”
- “Relentless execution without knowing **what** to execute is a crime.”



A Better Approach

Systematically and iteratively develop your business model

- Document your (current) business model, uncover all the assumptions in there, and rigorously test them
- Deeply understand customers: customer discovery
- Quick, responsive development

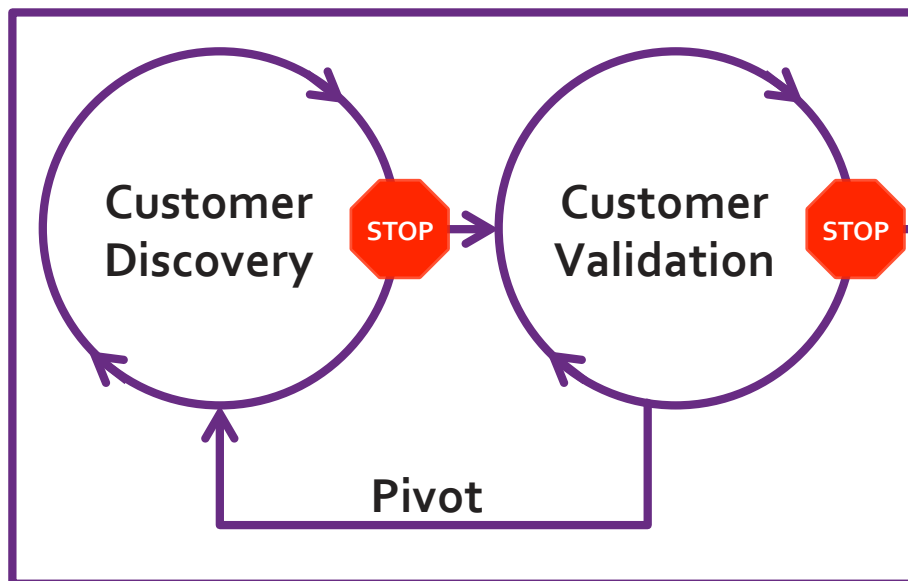
Get out of the Building

- “... no business plan survives first contact with customers”

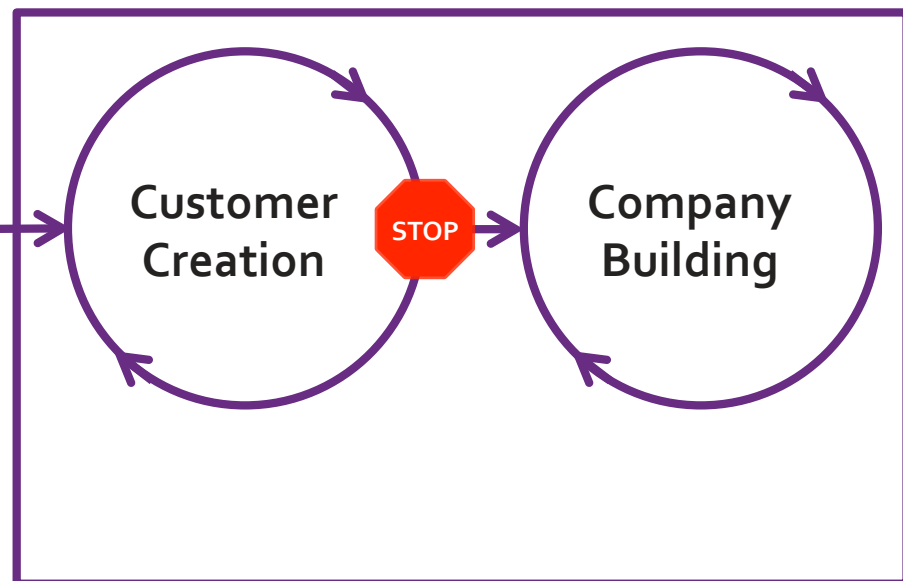


Customer Development Process

Search for Biz Model Startup Stage

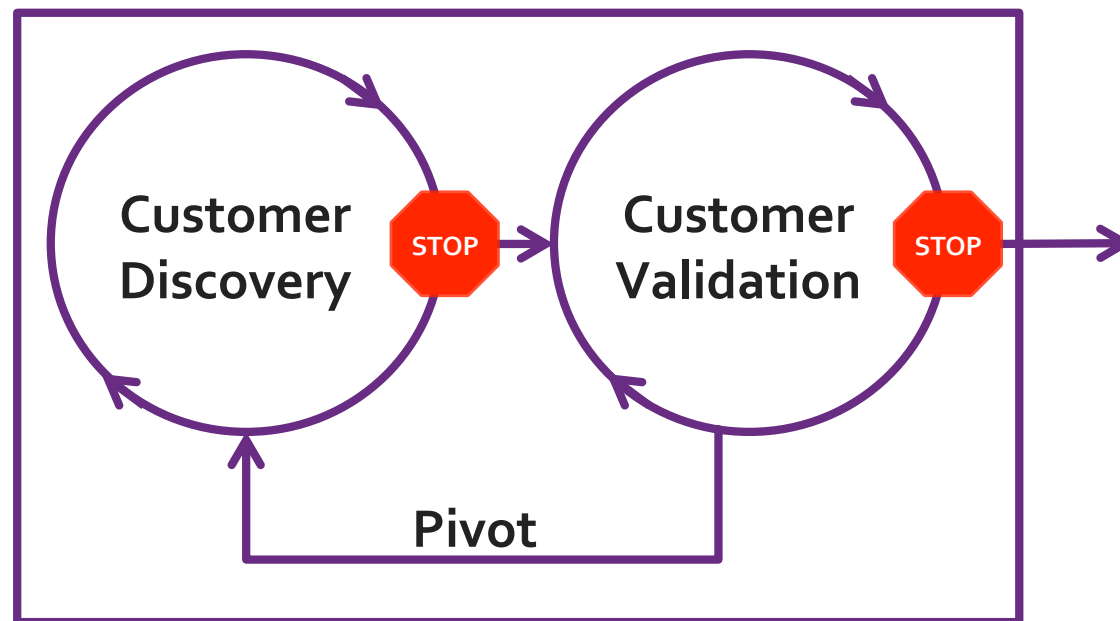


Execute Biz Model / Scale Growth Stage





Search for Business Model



Do our customers have a big enough problem (or desire)?
Does our proposed solution solve it?

Problem – Solution - Fit

Is there a big enough market for our solution?
Can we develop a repeatable sales process?

Solution – Market - Fit



The Business Model Canvas

Commonly used tool for documenting your evolving business model - providing a good overview and easy to revise



How to Document Your Business Model

Recap: objective of startup: develop proven business model

- „Proven“ business model: scalable, repeatable, profitable

Recap: working iteratively, frequent customer feedback

- Therefore: business model changing frequently

Need to document the evolving business model

- Ensure common understanding in team
- Track progress on what's "proven" and what not
- Plan activities

Challenge: how to document the evolving business model?

- Traditional / textual business plan? Not efficient!
- Solution: **Business Model Canvas**

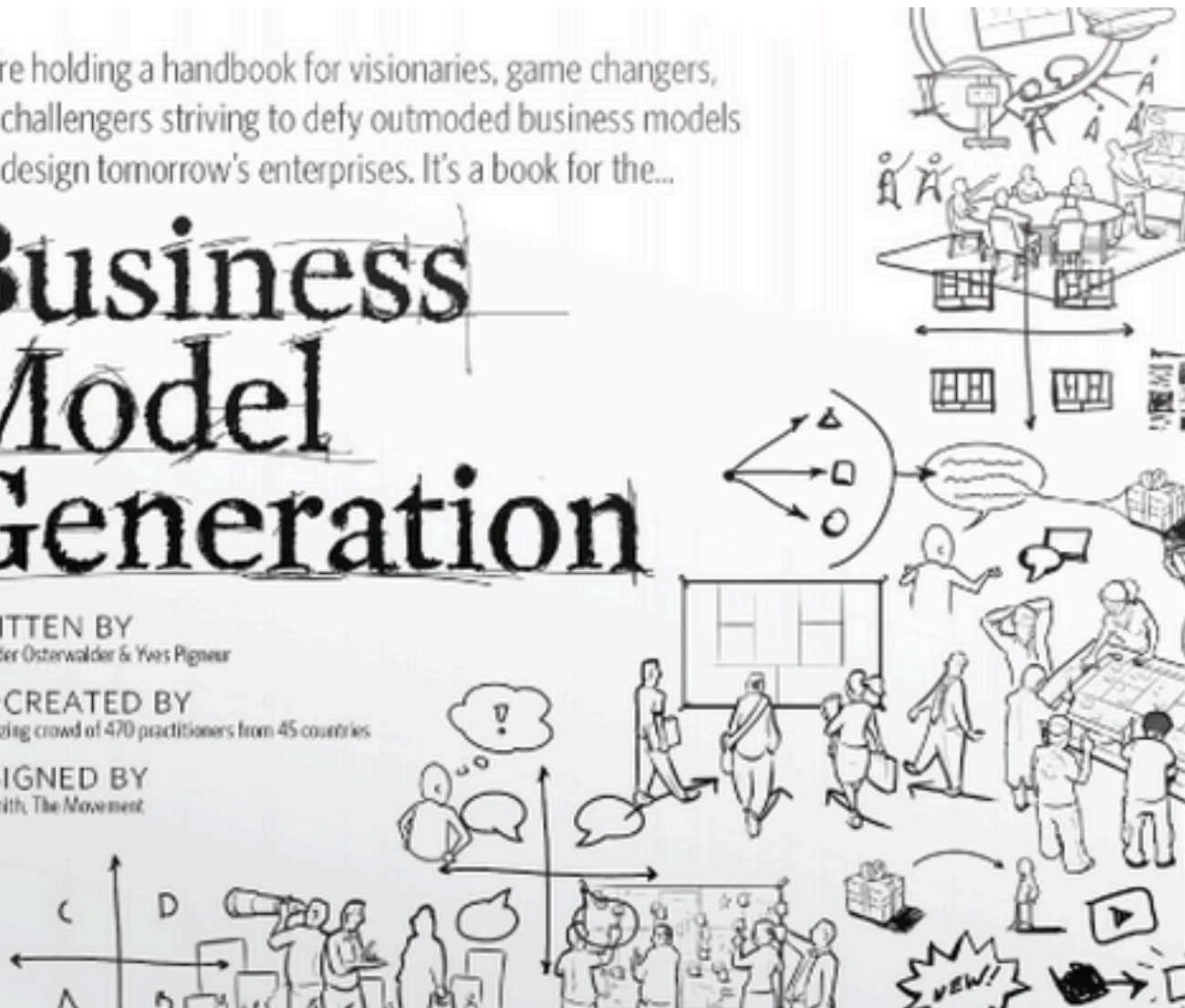
You're holding a handbook for visionaries, game changers, and challengers striving to defy outmoded business models and design tomorrow's enterprises. It's a book for the...

Business Model Generation

WRITTEN BY
Alexander Osterwalder & Yves Pigneur

CO-CREATED BY
An amazing crowd of 470 practitioners from 45 countries

DESIGNED BY
Alan Smith, The Movement



Osterwalder, Pigneur et al: Business Model Generation; John Wiley & Sons, 2010

First Chapter – introduction of the canvas – available as free pdf at










<http://www.businessmodelgeneration.com/>

The Business Model Canvas

Designed for:

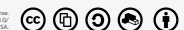
Designed by:

On: Day Month Year
Iteration: No.

<h2>Key Partners</h2>  <p>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p>KEY RESOURCES FOR PARTNERSHIPS: Integration and assembly Reduction of risk and uncertainty Acquisition of particular resources and activities</p>	<h2>Key Activities</h2>  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</p> <p>CUSTOMERS: Production Distribution Platform building Platform/Network</p>	<h2>Value Propositions</h2>  <p>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?</p> <p>CHARACTERISTICS: Design Performance Customization "Getting the Job Done" Design Brand Status Price Cost Reduction Risk Reduction Accessibility Convenience/Usability</p>	<h2>Customer Relationships</h2>  <p>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?</p> <p>RELATIONS: Personal assistance Dedicated Personal Assistance Self-Service Automated Service Communities Co-creation</p>	<h2>Customer Segments</h2>  <p>For whom are we creating value? Who are our most important customers?</p> <p>MARKET SEGMENTS: Mass Market Niche Market Segmented Diversified Multi-sided Platforms</p>
<h2>Key Resources</h2>  <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p>KEY RESOURCES: Physical Intellectual (brand, patents, copyrights, data) Human Financial</p>		<h2>Channels</h2>  <p>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?</p> <p>CHANNEL STRATEGIES: 1. Awareness How do we make ourselves visible to our target segments and services? 2. Evaluation How do we help customers evaluate our organization's Value Proposition? 3. Purchase How do we allow customers to purchase specific products and services? 4. Delivery How do we deliver a Value Proposition to customers? 5. After sales How do we provide post-purchase customer support?</p>		
<h2>Cost Structure</h2>  <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> <p>BY VALUE OF BUSINESS MODEL: Cost Driven (lowest cost structure, low price value proposition, maximum automation, extensive outsourcing) Value Driven (focus on value creation, premium value proposition)</p> <p>BY NATURE OF COST STRUCTURE: Fixed Costs (salaries, rents, utilities) Variable costs Economies of scale Economies of scope</p>		<h2>Revenue Streams</h2>  <p>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?</p> <p>REVENUE: Asset sale Usage fee Subscription Fee Licensing Brokerage fees Advertising</p> <p>REVENUE STREAMING: List Price Product feature dependent Customer segment dependent Volume dependent</p> <p>REVENUE STREAMING: Negotiation (bargaining) Pricing Management Real-time Market</p>		

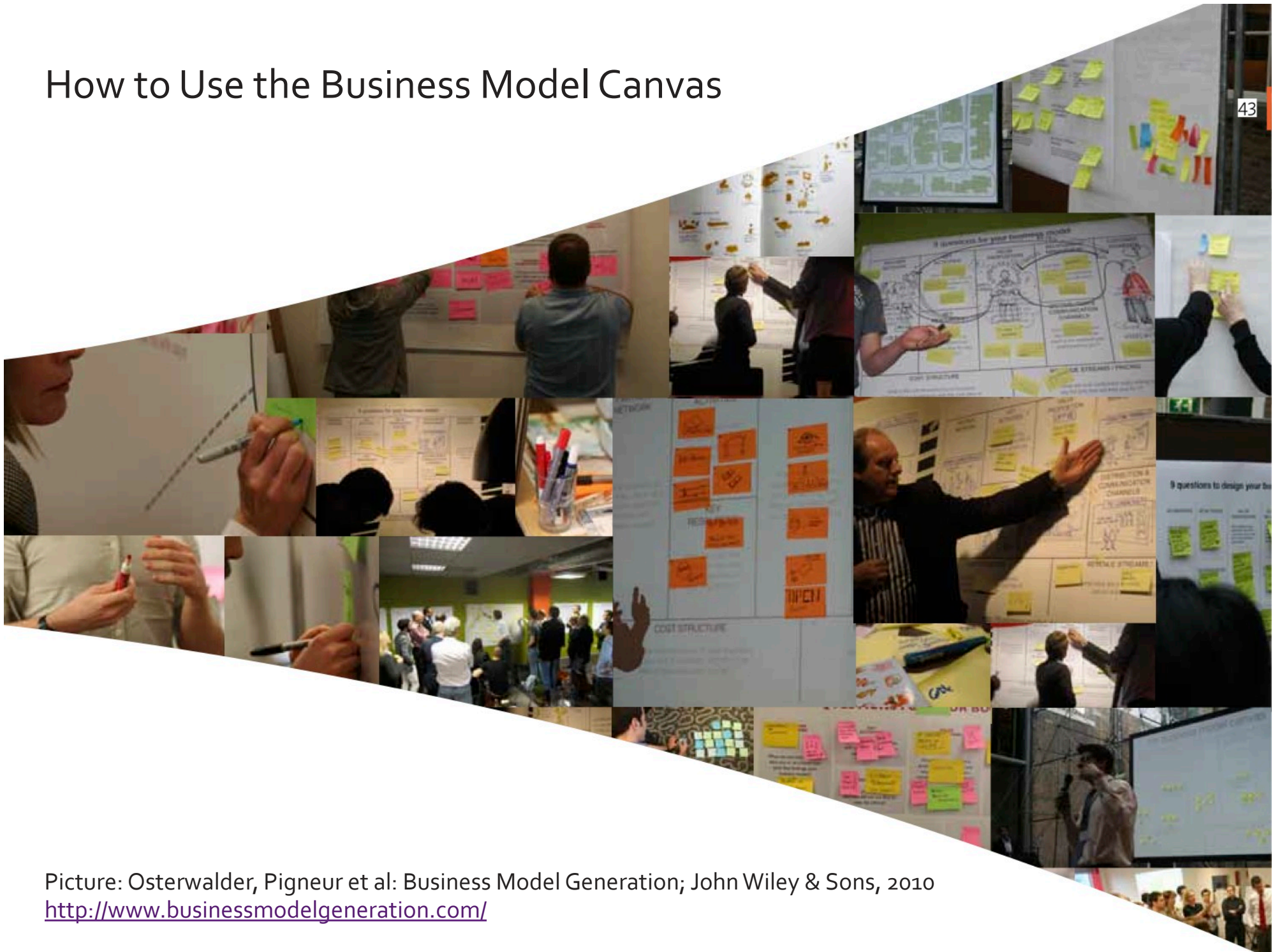
www.businessmodelgeneration.com

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How to Use the Business Model Canvas

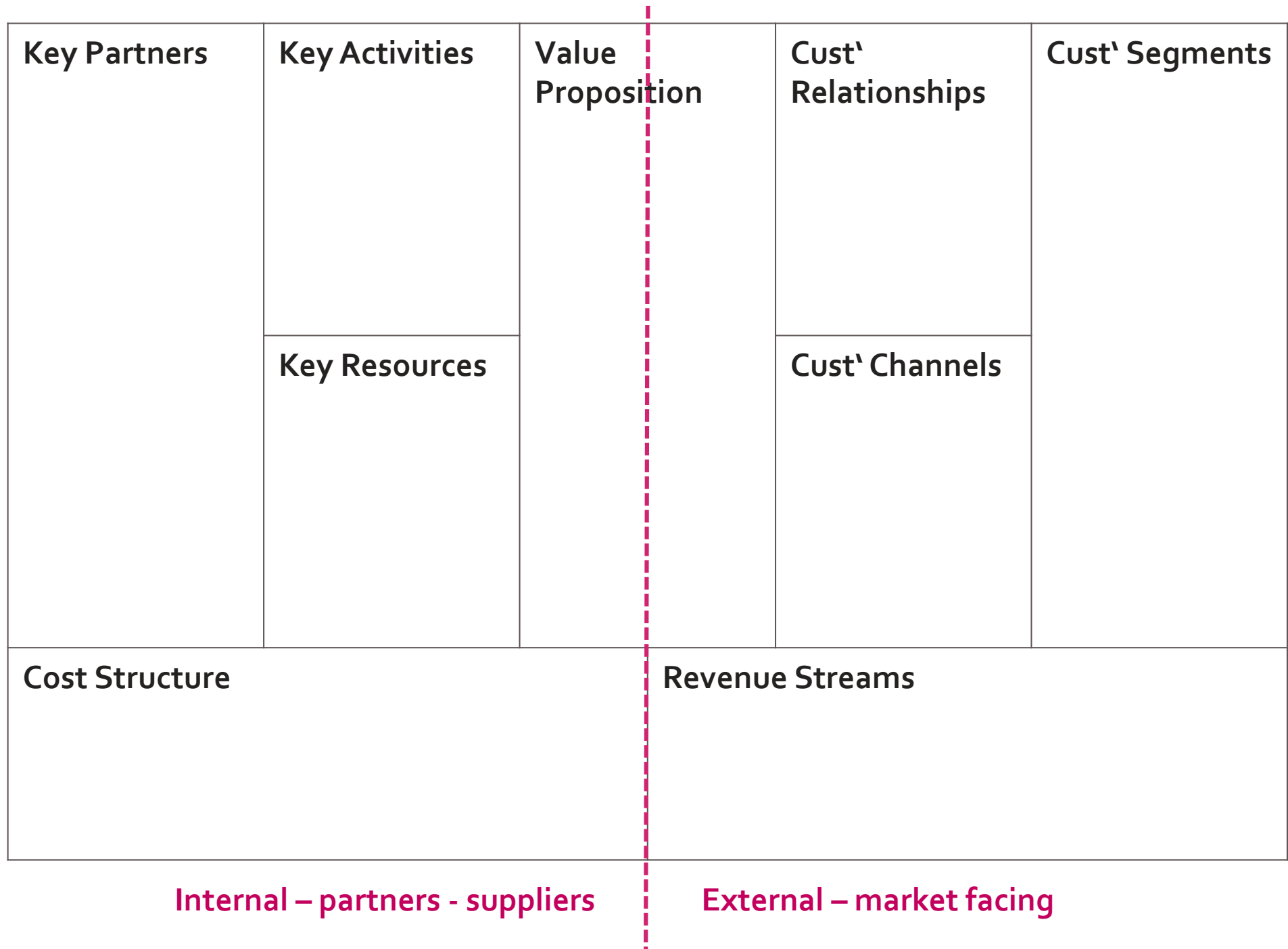


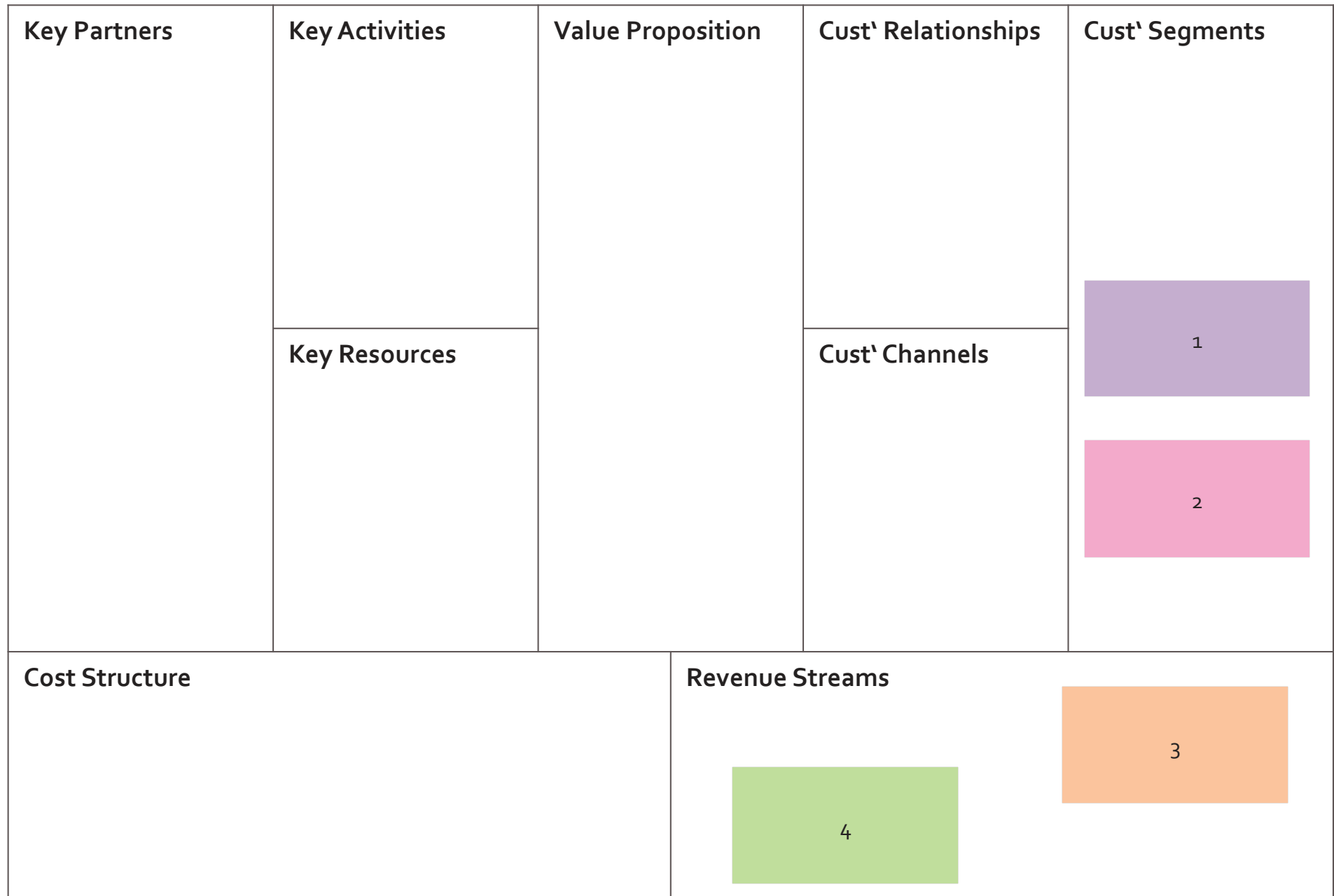
Picture: Osterwalder, Pigneur et al: Business Model Generation; John Wiley & Sons, 2010
<http://www.businessmodelgeneration.com/>



Key Partners Which partners/ suppliers do we need to deliver the value proposition?	Key Activities What activities do we need to master to be successful?	Value Proposition Value delivered to customer – focus on a burning customer problem that is solved Or a compelling gain (esp. B2C)	Customer Relationships How do we build and maintain a relationship with our customers?	Customer Segments Who do we serve / provide value to?
	Key Resources Which resources (people, IP, ...) do we need to be successful?		Customer Channels How do we reach our customers in the various stages of the buying process?	
Cost Structure Key cost drivers			Revenue Streams Who pays and how (model)?	

Source: www.businessmodelgeneration.com





<Company> Business Model Canvas - <Version Description>

Source: www.businessmodelgeneration.com

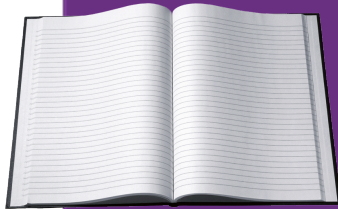
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Key Partners	Key Activities	Value Proposition	Cust' Relationships	Cust' Segments
	Key Resources		Cust' Channels	
Cost Structure			Revenue Streams	



Exercise: Business Model Canvas Basics

Write



Do a quick draft of the business model canvas for your startup

Business Model Canvas

- Understand the 9 segments
- Start filling the segments, using PostIt notes
- Document additional information elsewhere, e.g. more details on customer segments, value proposition, pricing model, ...