ABC Workshop #1

Business Models
and
Customer Development
Overview

• Start-ups and companies – how they differ
• Strategy
• Process
• Organization
• Impact on start-up launches
Startups search

Companies execute
Instead of creating business plans…

Today we discover business models.
Old definition of entrepreneurial strategy

Entrepreneurial strategy = Plan + Financial statements

...for startups
# Social Lean Canvas

## Purpose
Clearly defined in terms of the social/environmental impact that is intended and any financial goals as well as any other key aspects of the vision. This will include the overarching problem/s that the venture will look to solve. This box is not really part of the canvas as it is not part of the business model that needs to be validated. This needs to be in place before starting on the rest of the canvas as it will serve as a set of guiding principles for the development of the business model.

## Problem
What are the biggest problems? Note these are specific problems faced by the customers (in customer segments) not the overarching problems that arise in the Purpose section.

### Existing Alternatives
How are these problems currently being solved?

## Solution
What solution will deliver the UVP/s to the different customer segments?

## Unique Value Proposition
What single or multiple value propositions remove the problems faced by the different customer segments?

## Unfair Advantage
Why will this venture succeed?

## Customer Segments
Who do you need to move to make this business model work?
- Customers
- Users
- Investors/Funders
- Volunteers etc

## Key Metrics
What key numbers tell you whether your venture is succeeding?

## Channels
How will you reach your customers in a scalable way?

### Early Adopters
Which customers will move first?

## Cost Structure
How much will it cost to deliver your solution to customers at scale?

## Financial Sustainability
1. Traditional Revenue Model - ongoing income, e.g. customers paying for your product/service, ongoing donations etc.
2. Funding Model - individuals or organisations contributing initial capital (also include the ownership structure proposed for this venture)

## Impact
What social or environmental impact will result and who are the beneficiaries? Including defined metrics for how these outcomes will be measured (these assumptions will be validated (and potentially pivoted on) like every other part of the business model).

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V1.04 Available at www.socialleancanvas.com
Our curriculum

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Propositions</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
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</thead>
<tbody>
<tr>
<td>Who are your Key Partners?</td>
<td>What Key Activities do you require?</td>
<td>What customer problems are you helping to solve?</td>
<td>How will you get, keep, and grow customers?</td>
<td>Who are your most important customers?</td>
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<tr>
<td>Who are your key suppliers?</td>
<td>Manufacturing? Software development? Personal concierge service? Etc.</td>
<td>What customer needs are you satisfying?</td>
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<td>What are their archetypes?</td>
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<td>What are you getting from them...and giving to them?</td>
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<td>What job do they want you to get done for them?</td>
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<th>Key Resources</th>
<th>Channels</th>
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<td>What Key Resources do you require?</td>
<td>Through which channels (sales, distribution, support) do your customers want to be reached?</td>
<td>Who are your most important customers?</td>
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<td>Financial? Physical? Intellectual property? Human resources?</td>
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<th>Revenue Streams</th>
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<td>What are most important costs inherent in your business model?</td>
<td>How will you make money?</td>
<td>Who are your most important customers?</td>
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<td>What is mix of fixed and variable costs?</td>
<td>What is revenue model?</td>
<td>What are their archetypes?</td>
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<td>What are pricing tactics?</td>
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Companies vs. startups

A company is a business organization that sells a product or service in exchange for revenue and profit.

A startup is a temporary organization designed to search for a repeatable and scalable business model.
Organizations and business models

A company organizes itself to *deliver value via its business model.*

A startup organizes itself to *discover opportunities and create a business model.*
Startup’s goal

To become a company!

A startup becomes a company after its customer discovery leads to a repeatable, scalable, and profitable business model.
# What is a Business Model?

## Components...

1. Value Propositions
2. Customer Segments
3. Channels
4. Customer Relationships
5. Revenue Streams
6. Key Resources
7. Key Partners
8. Key Activities
9. Cost Structure

How a company creates value for itself while delivering products or services for customers.
"Right side" of canvas

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Key Resources

Cost Structure

Revenue Streams

Marketplace view
- Customers
- Revenue structure
“Left side” of canvas

Operations view
- Internal activities
- Cost structure

Key Partners
Key Activities
Value Propositions
Customer Relationships
Customer Segments

Key Resources

Cost Structure
Revenue Streams
A company exists to offer a value proposition – thus it is in the center of the model.
Value propositions

Which customer problems do you solve?

Which customer needs do you satisfy?
## Customer segments

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- **Who are your most important customers?**
- **What are their archetypes?**
- **What is the job they need from you?**

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Customer segments and customer types

A *customer segment* is a subset of the marketplace that makes decisions in a defined way.

A *customer type* defines the role in the marketplace.
Customer types

- End User
- Influencer
- Recommender
- Decision Maker
- Payer
- Saboteur
How will you get, keep, and grow customers?
Through which channels do your customers want to be reached?

- Sales
- Distribution
- Support
## Revenue streams

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- **Key Resources**

- **Cost Structure**

### Questions:

- How will you make money?
- What is the revenue model?
- What are pricing tactics?
Who are your key partners and suppliers, and how do you interact with them?

- What do you give them?
- What do you get from them?
Which key activities do you conduct?

- Manufacturing?
- Software development?
Which key resources do you require?

- Intellectual property
- Human resources
- Physical
- Financial
What are most important costs inherent in your business model?

What is the mix of fixed and variable costs?
Initial business model canvas

Key Partners

Key Activities

Value Propositions

Customer Relationships

Customer Segments

Key Resources

Channels

Cost Structure

Revenue Streams

Guess

Guess

Guess

Guess

Guess

Guess

Guess
Launching the canvas

We begin with hypotheses.

We begin with educated guesses.

We urgently need facts!
Customer Discovery: Four (easy?) steps
1. State your guesses

- Key Partners
  - Guess
- Key Activities
  - Guess
- Value Propositions
  - Guess
- Customer Relationships
  - Guess
- Customer Segments
  - Guess

- Key Resources
  - Guess
- Channels
  - Guess

- Cost Structure
  - Guess
- Revenue Streams
  - Guess
2. Test your hypotheses

Identify customer problems and needs

Test hypotheses about CS and VPs... ...iterate and pivot
### Gathering data

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**What are your needs?**

**How do you learn about new products?**

**Where do you buy today?**

**What is the solution to your problem worth to you?**

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**Cost Structure**

**Revenue Streams**
3. Test your potential solution

Test potential minimum viable product features: Do they satisfy *problems* or *needs*?
Tracking the changing BMC

Key Partners
- Audio Middleware Companies

Key Activities
- Problem Solving: Refine and improve 3D audio algorithms
- Value Propositions: Better Performance
  - 3D immersive sound
  - Higher gaming scores
  - More realism
  - Reduced ear fatigue
  - Pinpoint sounds

Key Resources
- Intellectual Property: Proprietary knowledge, brand, patents, trade secrets,
- Audio experts, software developers

Customer Relationships
- Personal Assistance and Self-service: Small support staff, emphasize web support

Customer Segments
- PC Gamers
- PC Game Developers

Cost Structure
- IP License Fee to UMD
- Software development tools

Revenue Streams
- SW License, Per Title, Per Seat for Plug-in

Note changes from last iteration
4. Pivot or proceed

Value Propositions

Customer Segments

Fact

Fact

New Guess

New Guess
Iterations: Pivot or proceed
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Relationship: CS and BM

Different customer segments have different needs, and may require different business models to serve them.
Customer discovery in a nutshell

We are learning about customer needs…

… not asking them to define a product…. 

… or asking them to buy!
The most important skill

Your customers have needs.

They will be happy to tell you - if you give them the chance.
Acknowledgments

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• Thank you to the National Science Foundation, award # 1444080