

Welcome

Increase Your Chance of Success Through Lean Startup

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Commercialization Consultant

Agenda

- **Introduction & Overview**
- Business Model Canvas – Right Side (Customers)
- Break (about 10:40)
- Customer Discovery
- Business Model Canvas – Left Side (Business)
- Q&A

About CTC



- Wisconsin state-funded organization
- Assistance to early-stage emerging technology businesses
- Have supported clients in acquiring hundreds of millions of dollars in federal and additional funding.

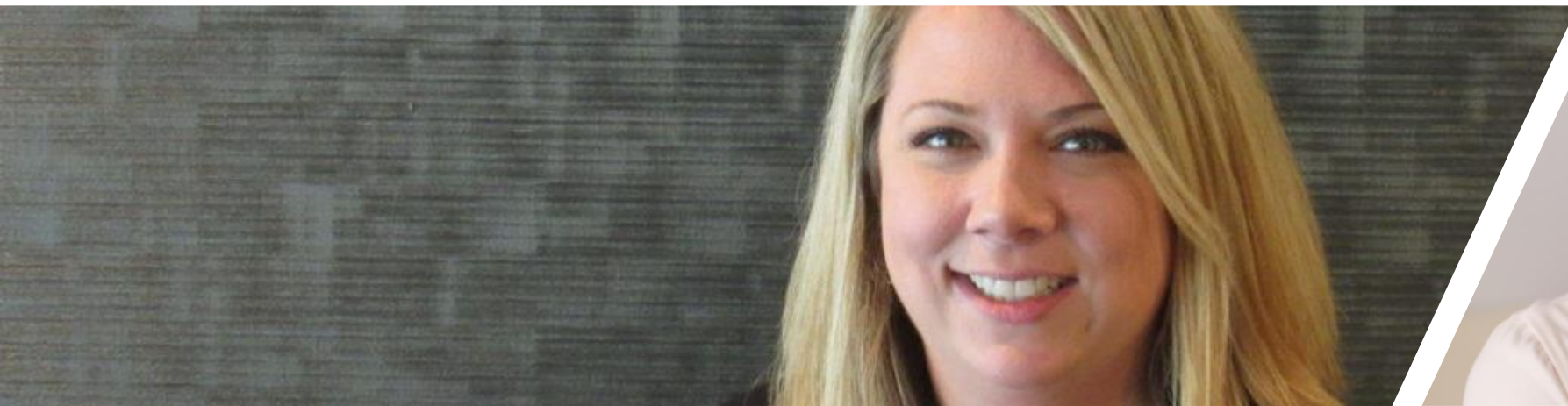




Our Team



Center for Technology
Commercialization



About me

- **Relevant Career Info:**
- Former business owner – Biotech equip
- Tech Transfer office with UW campuses
- Technology Commercialization
 - Peace Corps-Mexico
 - Center for Technology Commercialization
- **Lean Startup/BMC Experience:**
- Business mentor on I-Corps team
- CTC programs – Ideadvance and SBIR Advance





Focus

*Big companies with lots of resources can afford to work hard to gain incremental market share, but entrepreneurs don't have the luxury of resources... Take your resources and apply them to a **narrow, carefully defined new market** that you can dominate.*

Bill Aulet,
Entrepreneurship Professor and Guru



Pioneers in this Field

- Steve Blank: customer discovery method
- Alexander Osterwalder: Business Model Canvas
- Eric Ries: Lean Startup



What is a Business Model?

Describes the rationale of how an organization creates, delivers, and captures value

- Important for new and established businesses
- Can give you a competitive advantage
- Helps plan for growth
- Provides financial sustainability
- Lenders and investors interest

What is Lean Startup?

A methodology for developing businesses and products that aims to shorten product development cycles and rapidly discover if a proposed business model is viable.

- Hypothesis (assumption)-driven experimentation
- Iterative product releases
- Validated learning

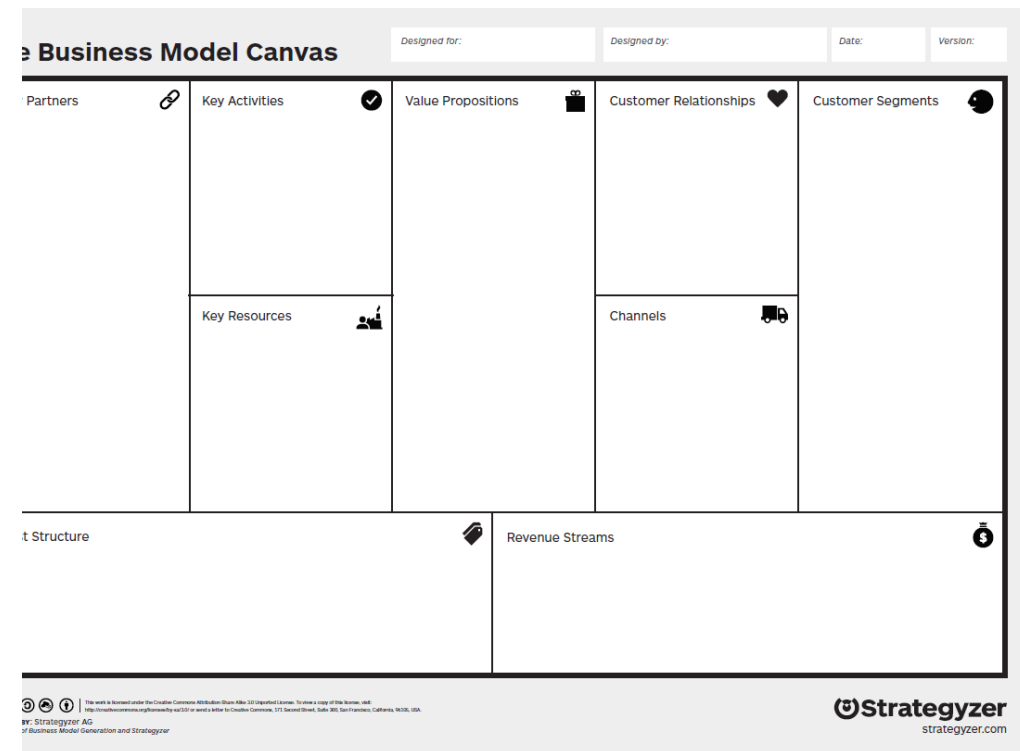
What is Customer Discovery?

A systemized approach to guide entrepreneurs in their search for repeatable and scalable business models.

- There are no facts inside your building.
- Test customer reactions to assumptions (hypotheses) about you have about your business.
- Turn assumptions into facts.

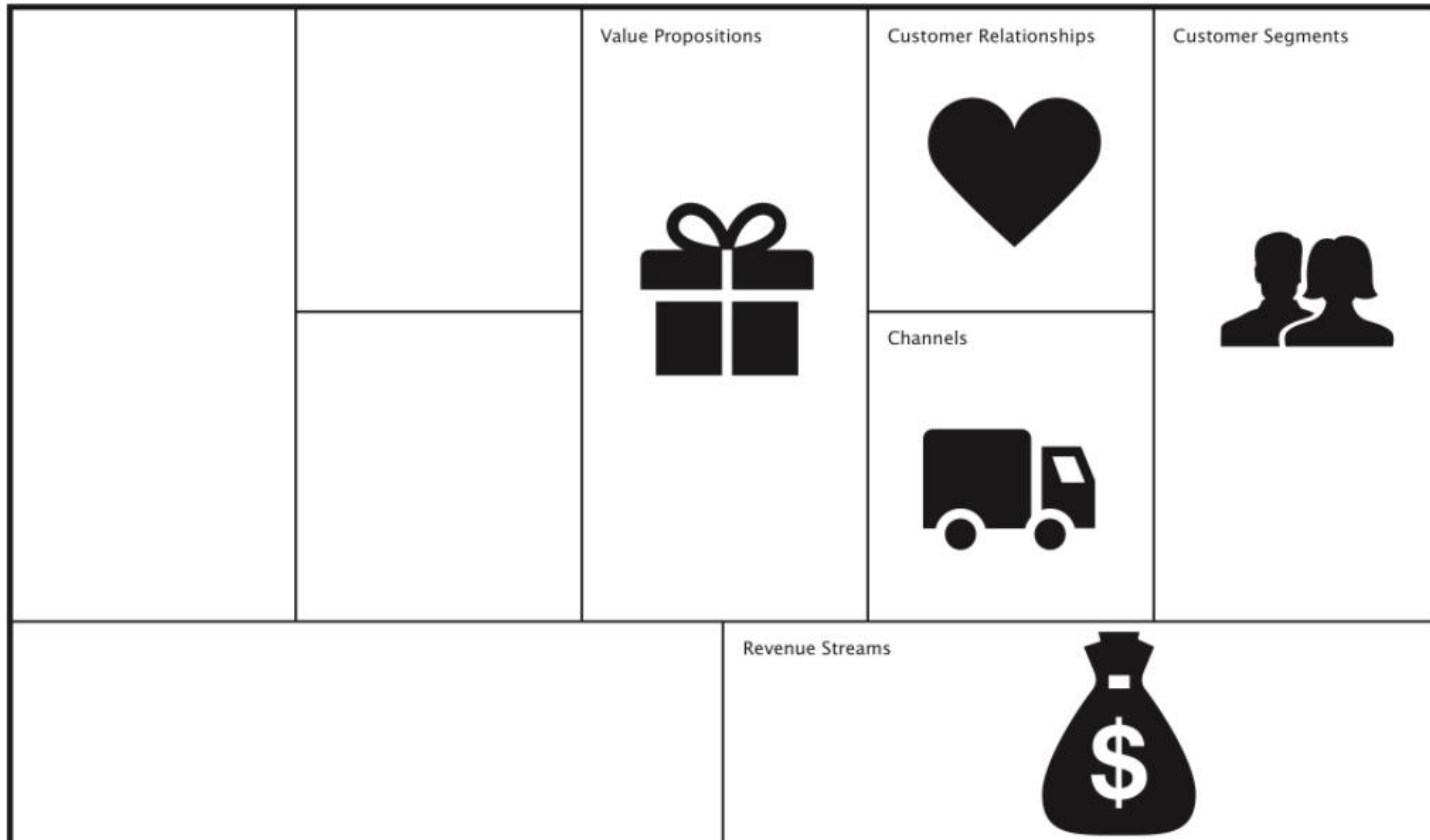
What is the Business Model Canvas?

- Strategic management tool
- Define and communicate a business idea/concept
- Versatile – startups, established businesses, new products, new markets, non-profits...
- Concise – 9 fundamental elements
- Dynamic/iterative



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Business Model Canvas - Right Side

- Start on this side
- Customer facing elements:
 1. **Customer Segments**
 2. **Value Proposition**
 3. Customer Relationships
 4. Channels
 5. Revenue Streams

Business Model Canvas

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

Customer Segments

For whom are we creating value?

Who are our most important customers?

What Customers Should You Identify Now?

Who wants to buy or use your product on **day one**?

5. **Has** or Can Acquire a **Budget**

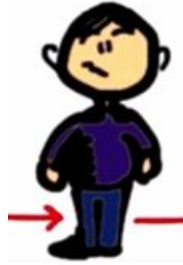
4. Has **Put Together** a **Solution** out of Piece Parts

3. Has Been **Actively Looking** for a **Solution**

2. Is **Aware** of Having a **Problem**

1. Has a **Problem**

Recommender



Saboteur



Influencer



Decision Maker



User



Archetypes: Who Should You Know?

Economic Buyer



Example Guess the Company



Customer Segments

- Price-conscious travelers
- Hosts (people who want to rent out their place)
- Travelers looking for a local experience

Example Guess the Company



Customer Segments

- Car enthusiasts who would otherwise buy a Porsche
- Early adopters of new and better technologies



Example Crystal Cakes – local bakery

Customer Segments

Neighbors and their friends:

- 50% View Park Residents who come back
- 30% One-time visitors
- 20% Catering and parties

Customer Profiles:

- Foodie millennials
- Busy professionals

Business Model Canvas

CHARACTERISTICS

Newness

Performance

Customization

“Getting the Job Done”

Design

Brand/Status

Price

Cost Reduction

Risk Reduction

Accessibility

Convenience/Usability

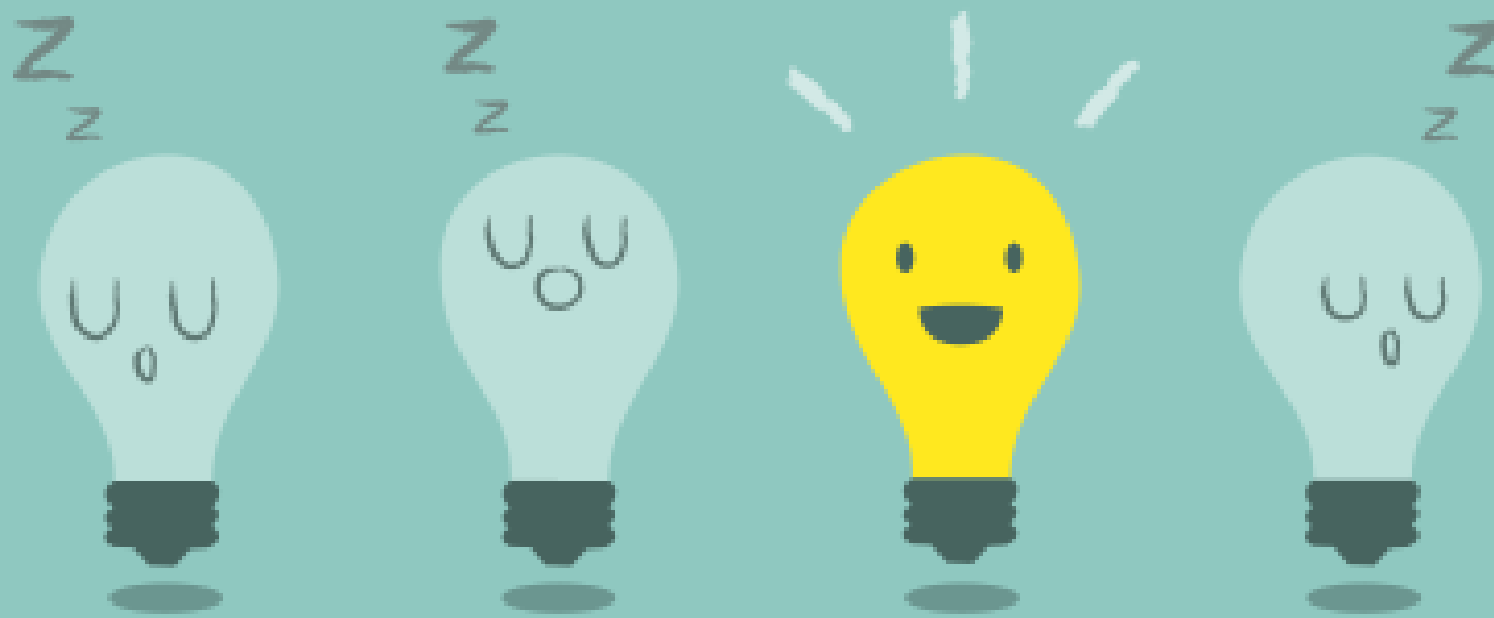
Value Propositions

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?

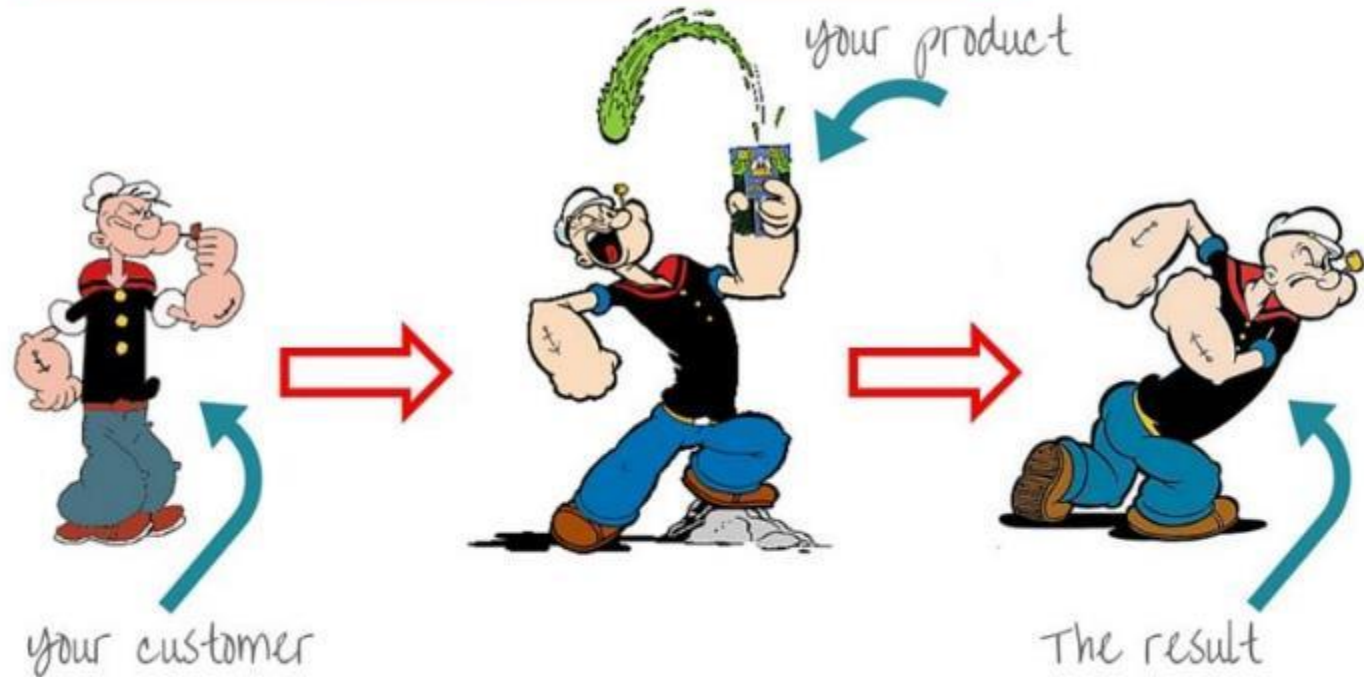


What is the Value Proposition?

Not Features Like These

- Dashboard with analytics
- Weighs 50% less than conventional products
- Easy interface across all web-enabled devices
- Results in less than 30 minutes

Sell the result, not the product



www.vappingo.com



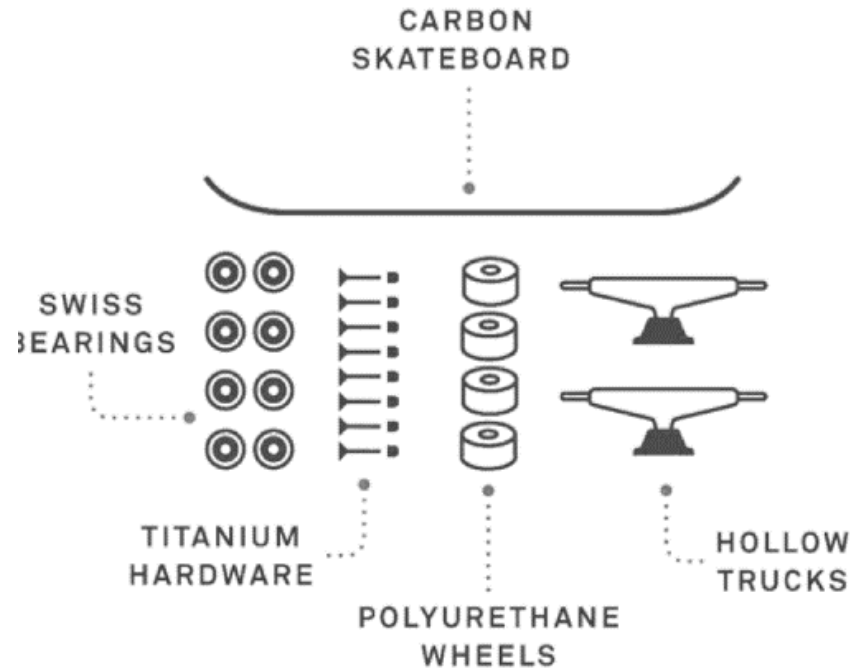
What is the High Priority Unmet Need?

- Spotify brings **the right music for every mood and moment**
- Lockheed Martin **helps its customers keep people safe**
- With Lean LaunchPad (developed by Steve Blank), **your students will do, rather than plan to do**



So What?

Even though customers buy this...



...they *really* want this



- Define your markets around the job-to-be-done
- Help customer get the entire job done.
- Target those who will pay the most to get the job done best.

Jobs-to-be-Done

Example – Airbnb



Value Proposition

- Travelers can book a homestay (instead of a hotel) for low prices
- Hosts can earn money by renting their flat/house effortlessly
- Travelers live in a local environment away from mass tourism

Example – Tesla



Value Proposition

- Electric cars that have great performance are a status symbol
- State-of-the-art technology
- High-quality electric powertrain

Example – Crystal Cakes



Value Proposition

- We make healthy and beautiful cakes at affordable prices.

Value Proposition Template

Our

 Products and Services

help(s)

 Customer Segment

who want to

 Jobs to be done

by

 verb (e.g., reducing, avoiding)

 and a customer pain

and

 verb (e.g., increasing, enabling)

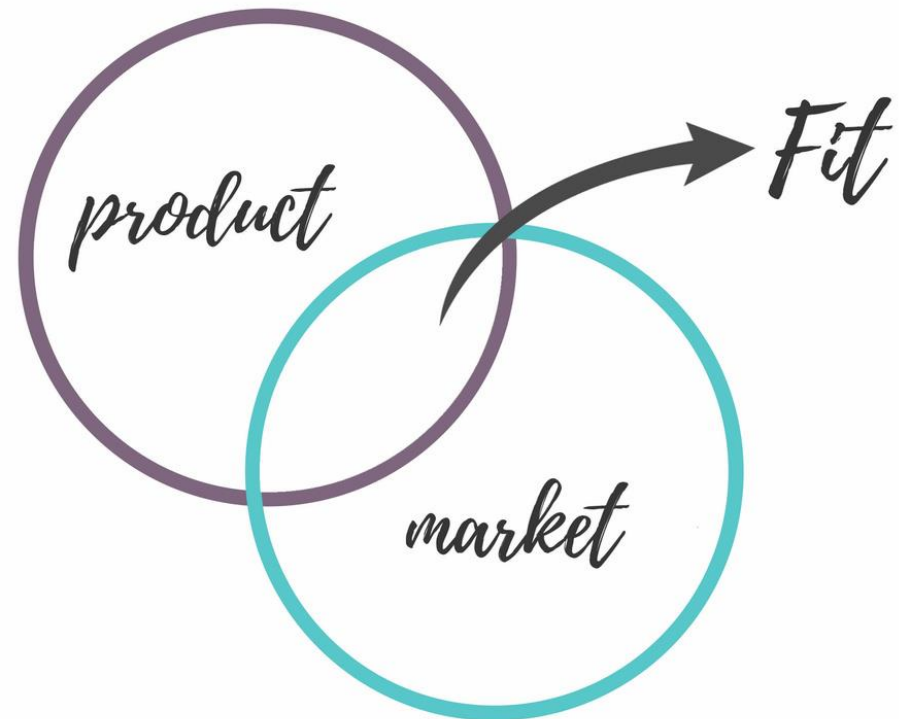
 and a customer gain

(unlike

 competing value proposition

Product-Market Fit

Being in a good market with a product that can satisfy the market



Business Model Canvas

EXAMPLES

Personal assistance

Dedicated Personal Assistance

Self-Service

Automated Services

Communities

Co-creation

Customer Relationships

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?

Airbnb



Customer Relationships

- Acquisition:
 - Professional presentation of accommodation
 - Home insurance to increase the willingness of hosts to participate
- Retention:
 - Support team
 - Customer service

Tesla



Customer Relationships:

- Acquisition:
 - Test drive
 - Customer events
 - Direct contact with product specialist
- Retention:
 - Maintenance service

Crystal Cakes



Customer Relationships:

- Our prestige and press coverage attracts visitors and passers-by from all over the world.
- Our primary focus is to serve and nurture our own neighborhood first.

Business Model Canvas

CHANNEL PHASES

1. Awareness

How do we raise awareness about our company's products 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?

Channels

Through which Channels do our Customer Segments want to be reached?

How are we reaching them now?

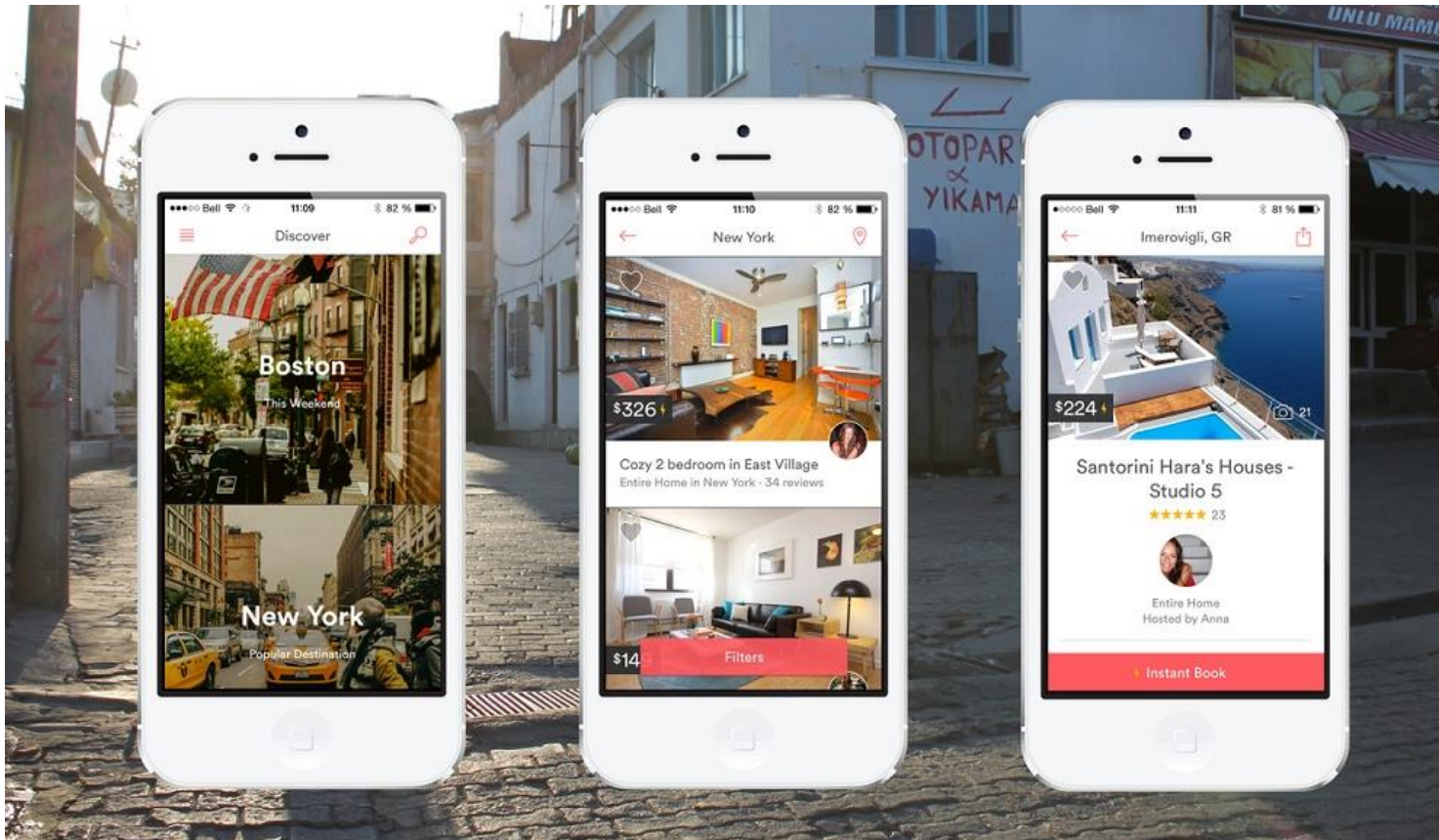
How are our Channels integrated?

Which ones work best?

Which ones are most cost-efficient?

How are we integrating them with customer routines?

Airbnb



Channels:

- Mobile App
- Website

Tesla



Channels:

- Showroom/product specialists
- Online marketing
- Print marketing
- Online distribution

Crystal Cakes



Channels:

- Word of mouth
- Social media

Business Model Canvas

TYPES

Asset sale

Usage fee

Subscription Fees

Lending/Renting/Leasing

Licensing

Brokerage fees

Advertising

Revenue Streams

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?

Airbnb



Your Airbnb Pricing Strategy

Revenue Streams:

- Commission: owners – 3% of booked place
- Commission: renters – 6-12% of booking fee

Tesla



Revenue Streams:

- Licensing agreements with Toyota and Mercedes for electric power train designs
- Direct sales – vehicles
- Direct sales – Powerwall solar chargeable batteries

Crystal Cakes



Revenue Streams:

- Walk-in sales, 80% of revenue
- Catering, 20% of revenue
- 15% profitability
- 4-7% growth since 2014

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What Am I Listening For?

Customer Discovery
Interviews

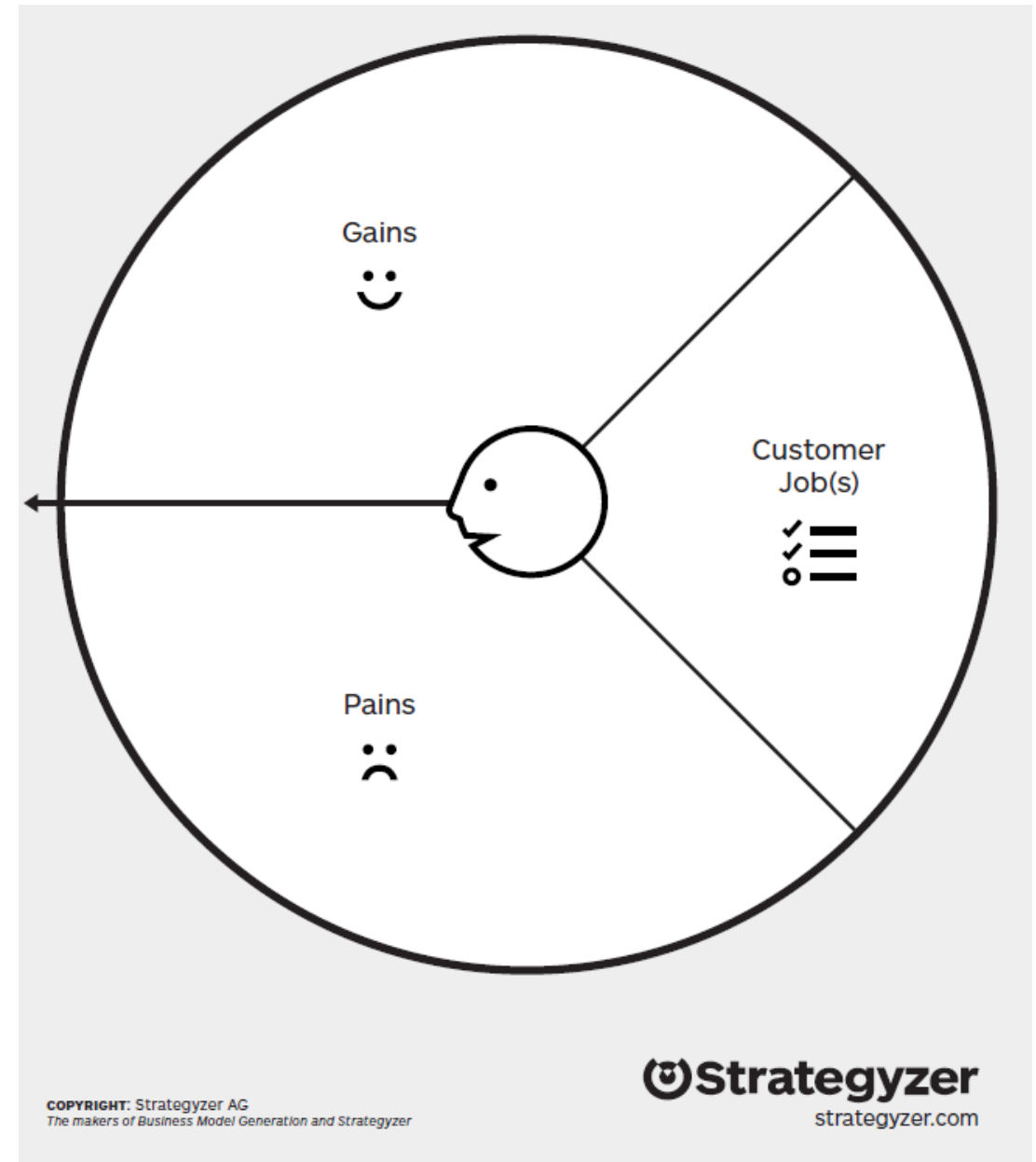




Ground Rules for Interviewing (Strategyzer)

1. Adopt a beginner's mind
2. Listen more than you talk
3. Get facts, not opinions
4. Ask “why” to get real motivations
5. Don't sell
6. Don't mention your solution too early
7. Follow up
8. Always open doors at the end

The Customer Profile



Trigger Questions: Customer Gains

- What savings in terms of time, money and effort would they value?
- What would make their lives easier?
- What quality levels to they expect, and what do they wish for more or less of?
- What positive social consequences do they desire?
- What do they dream about (in the context of the problem you are addressing)?
- How do they measure success and failure?



Trigger Questions: Customer Pains

- How do they define too costly (time, money, effort?)
- What are their frustrations?
- What features/benefits are current solutions missing?
- What are their concerns and worries?
- What barriers are keeping them from adopting a solution – up front costs, learning curve, etc.?

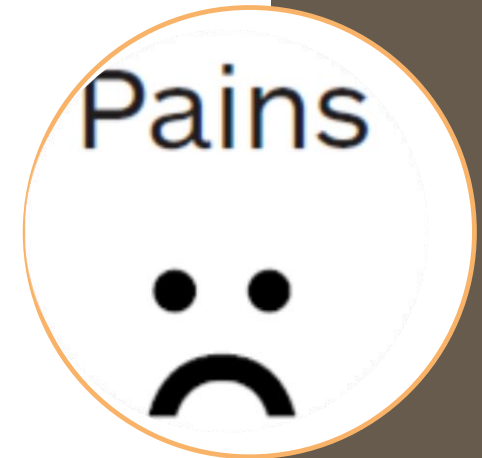




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What Job Does Your Product Do?

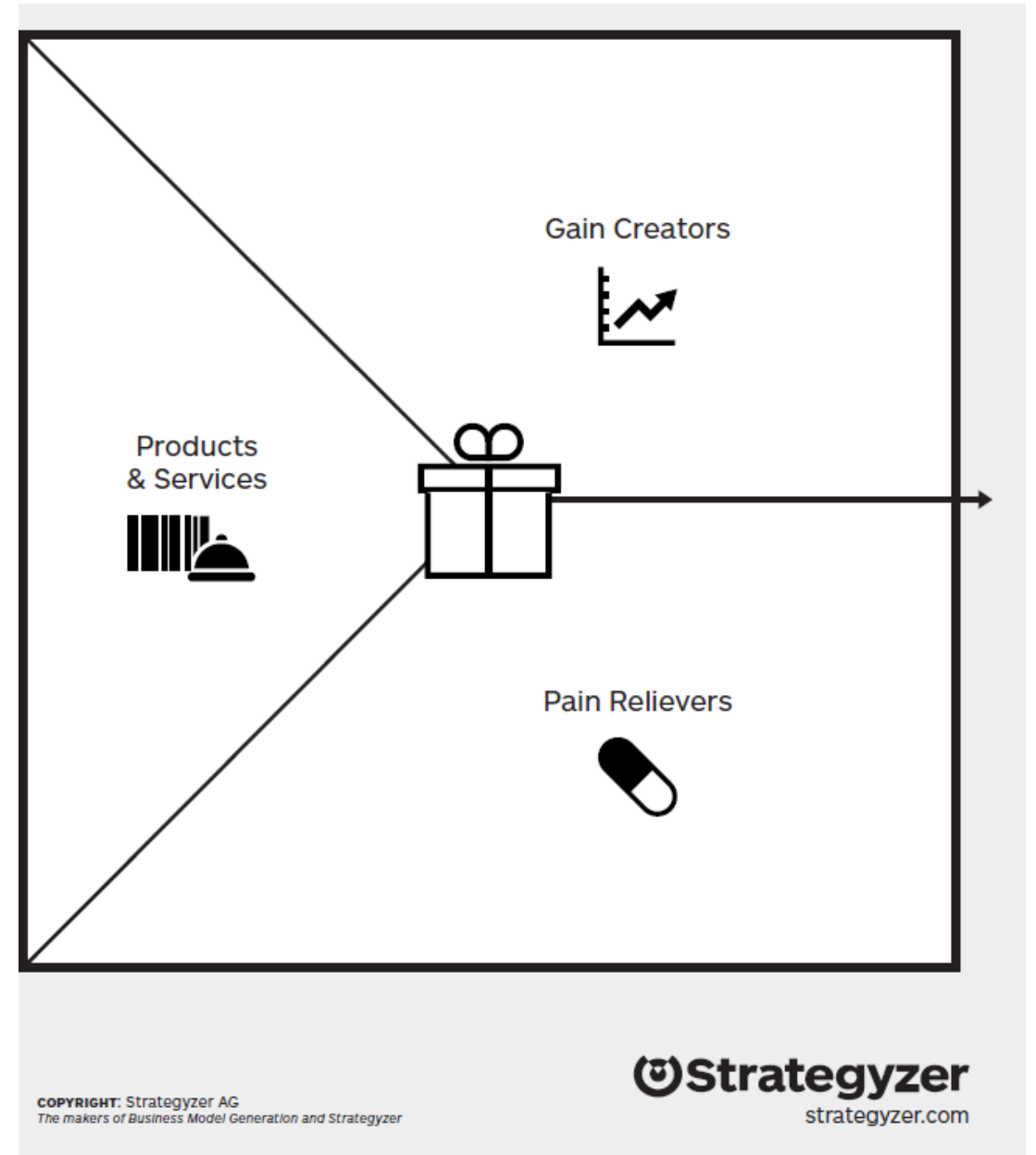
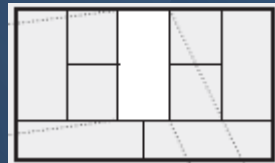
- Customers hire a product to do a job
 - Functional dimension
 - Emotional dimension
 - Social dimension

Trigger Questions: Customer Jobs

- What functional problems are they trying to solve?
- What jobs give them a sense of satisfaction when completed?
- How do their activities and goals change based on different contexts?
- What do they need to accomplish that involves interaction from others?
- Questions to track their interaction with a product throughout its lifetime.



Value Proposition Map



Trigger Questions: Gain Creators

Ask Yourself: *Could my products and services...*

- Produce outcomes that exceed their expectations?
- Create savings in time, money and effort that will please your customer?
- Make them look good?
- Make their lives easier?
- Fulfill a dream?
- Provide a positive social consequence?
- Make it easier to adopt?

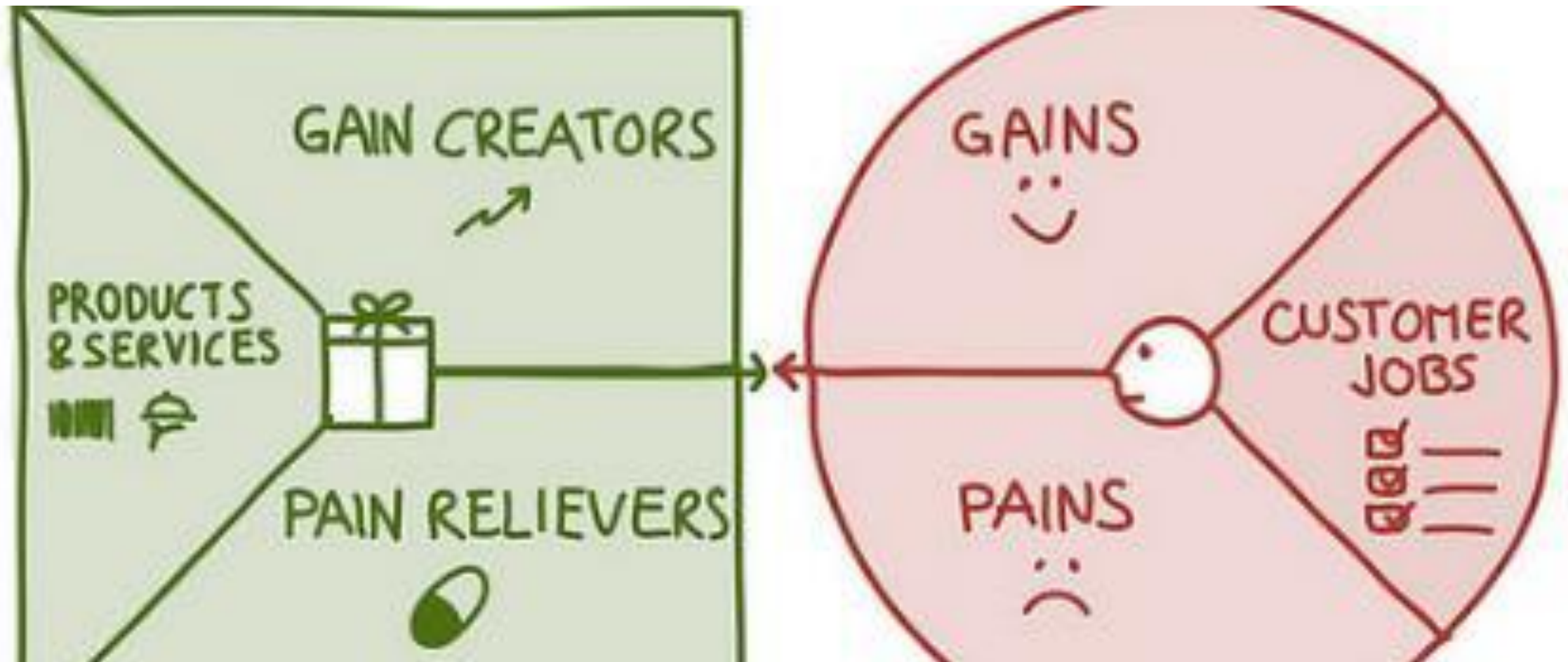


Trigger Questions: Pain Relievers

Ask Yourself: *Could my products and services...*

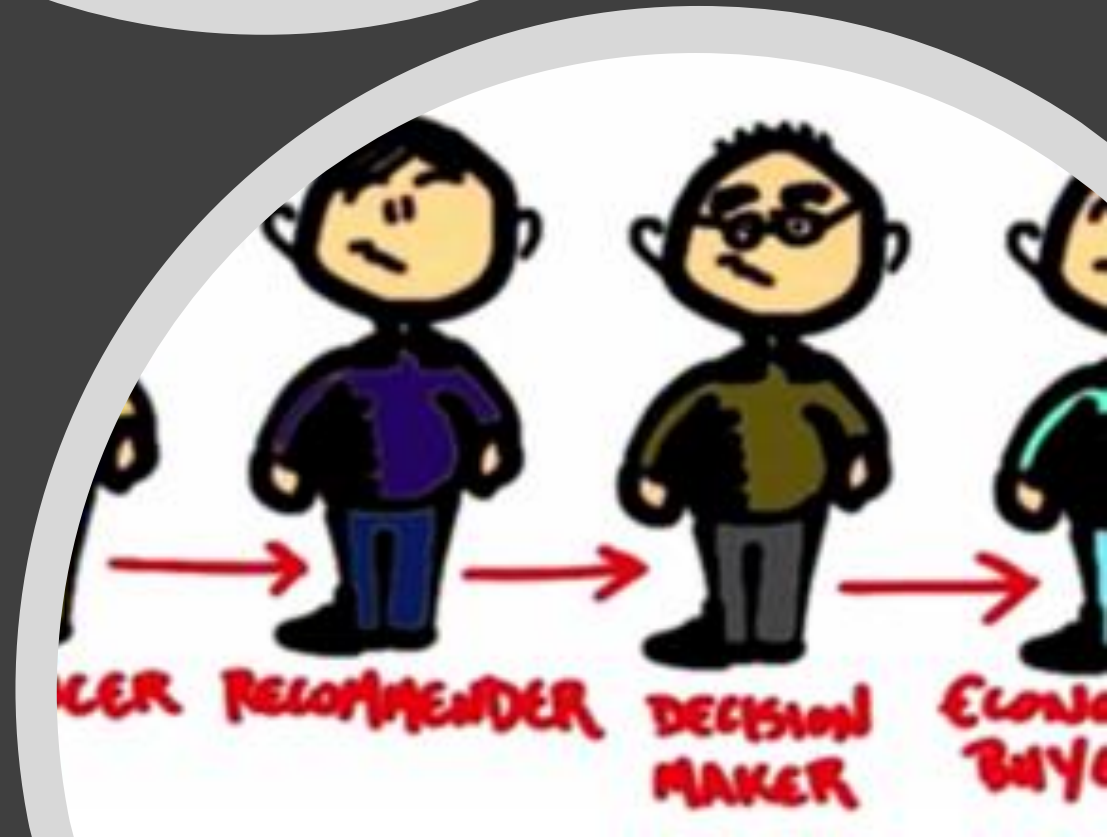
- Kill frustrations and annoyances?
- Fix under-performing solutions?
- Eliminate obstacles for the customer?
- Help your customer sleep better at night?





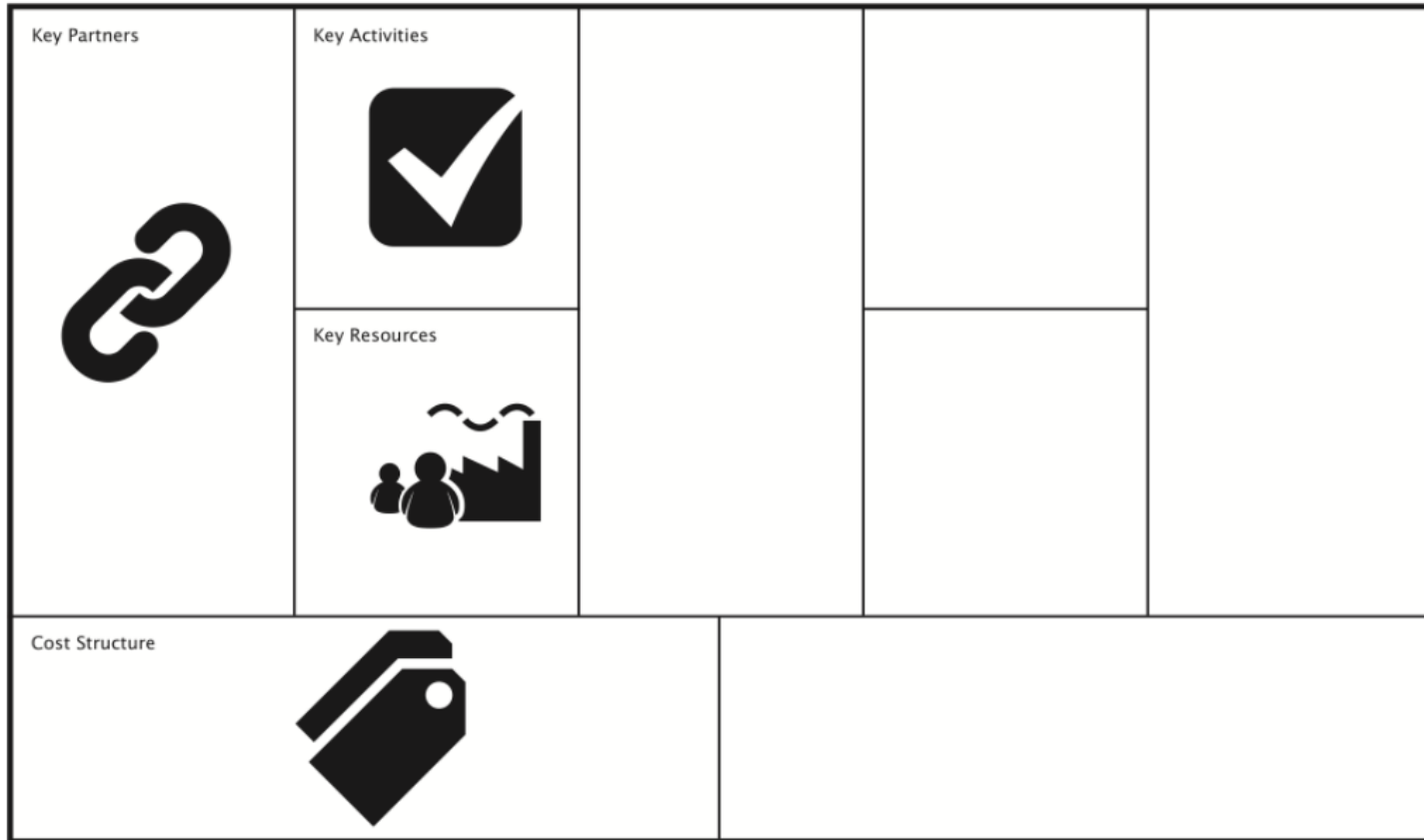
Product-Market Fit

What Am I
Observing?



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Business Model Canvas – Left Side

Things you need to do to serve the right side:

- Key Partners
- Key Activities
- Key Resources
- Cost Structure

Business Model Canvas

MOTIVATIONS FOR PARTNERSHIPS

Optimization and economy

Reduction of risk and uncertainty

Acquisition of particular resources and activities

Key Partners

Who are our key partners?

Who are our key suppliers?

Which key resources are we acquiring from our partners?

Which key activities to partners perform?

Crystal Cakes:

- Local farms
- Marketing firms
- Local NGOs
(employment opportunities)

**Tesla:**

- Automobile suppliers
- Local governments
- Fronius
- Panasonic

**Airbnb:**

- Insurance companies
- Bloggers
- Photographers
- Legal institutions



Key Partners - Examples

Business Model Canvas

CATEGORIES

Production

Problem Solving

Platform/Network

Key Activities

What Key Activities do our Value Propositions require?

Our Distribution Channels?

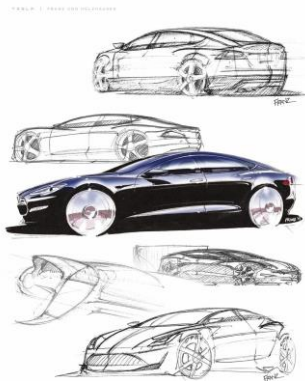
Customer Relationships?

Revenue streams?



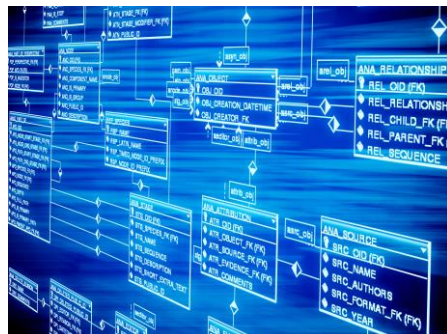
Crystal Cakes:

- Daily baking
- Large scale production for events
- Made-to-order cakes



Tesla:

- Production & design of cars
- Battery management
- Technology development
- Educate & demonstrate to customers



Airbnb:

- Build & maintain host network
- Matching algorithm, host/traveler

Key Activities-Examples

Business Model Canvas

TYPES OF RESOURCES

Physical

Intellectual (brand patents, copyrights, data)

Human

Financial

Key Resources

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

Crystal Cakes:

- Real estate/bake shop
- Equipment
- Energy from renewable sources



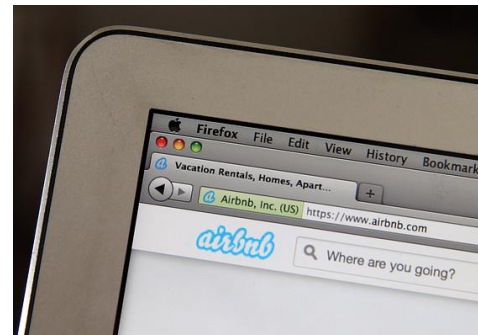
Tesla:

- Technology leadership regarding electric vehicles
- Battery production
- Infrastructure
- Brand



Airbnb:

- Community of home providers & travelers
- User data (search behavior, destinations, etc.)
- Brand



Key Resources-Examples

Business Model Canvas

SAMPLE CHARACTERISTICS

Fixed Costs (salaries, rents, utilities)

Variable costs

Economies of scale

Economies of scope

Cost Structure

What are the most important costs inherent in our business model?

Which Key Resources are most expensive?

Which Key Activities are most expensive?

Airbnb:

- Platform development & design
- Marketing
- Community management for hosts

Tesla:

- R&D costs
- Costs per car unit
- Service centers
- Charging station energy & infrastructure costs

Crystal Cakes:

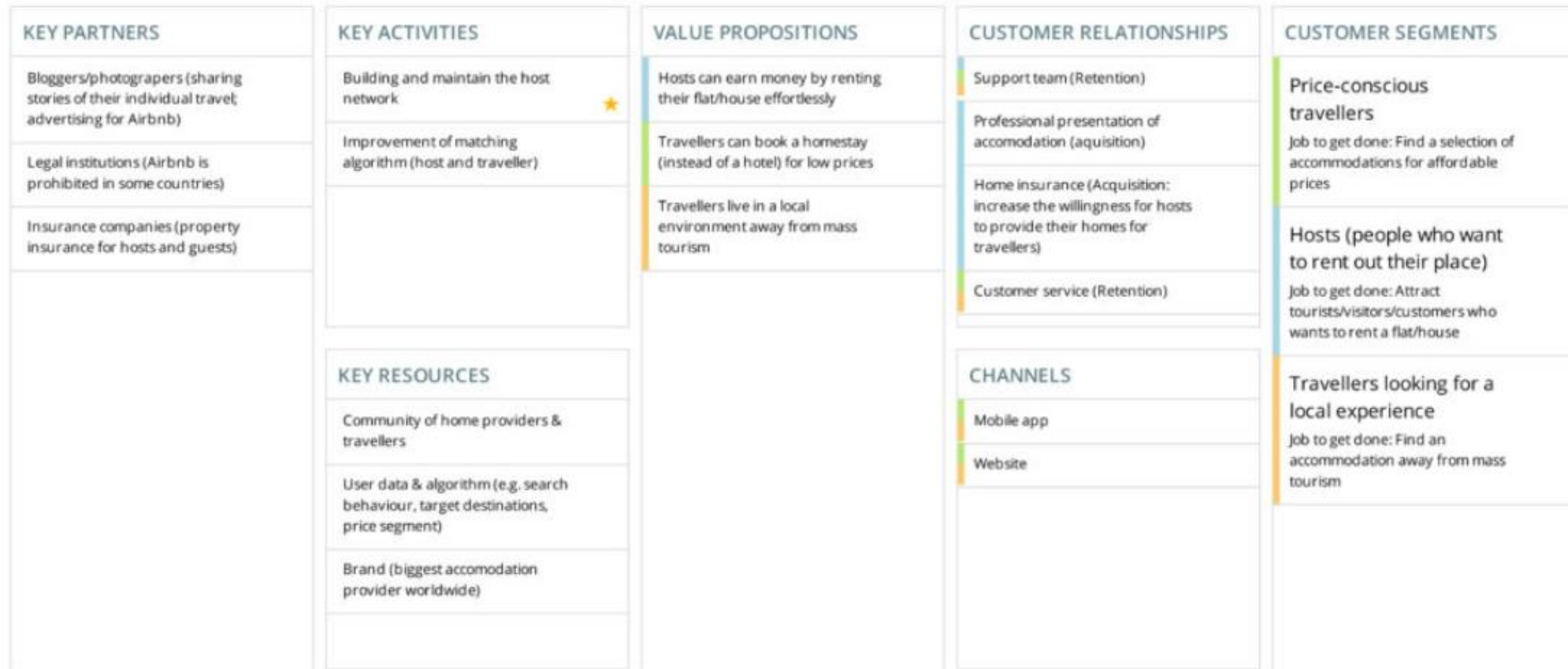
- B-corporation tax exemptions
- Efficiency
- Sustainability



Cost Structure-Examples

Business Model: Air BnB

★ Important element



COST STRUCTURE	REVENUE STREAMS
Platform development & design (running costs)	Commission home/ apartments owners (3% of each booked place)
Community management for hosts (conferences, presents)	Commission renters (6-12% of booking fee)
Marketing (building a brand value)	

Business Model: Tesla

★ Important element

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITIONS	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS
Suppliers (e.g. AGC Automotive: windshields; Brembo: brakes; Fisher Dynamics: power seats)	Production and design of the cars ★	High-quality electric powertrain (B2B)	Test drive (customer aquisition)	Car enthusiasts who would otherwise buy a Porsche (B2C)
Fronius (building parts of the production line)	Battery management of the company ★	Electric cars that have a great performance are a status symbol within society (B2C)	Customer events (customer aquisition)	Job to get done: Getting from A to B with high performance and a sporty design
Local governments (stimulating legislation for electronic cars; federal loans for environmentally friendly designs help fund significant part of the operations; state subsidies)	Development of latest technology ★	Electric cars that have a great performance and are state-of-the-art in terms of technol-ogy (B2C)	Direct contact with product specialist (customer aquisition)	Early adopters of new and better technologies (B2C)
Panasonic (cooperation: battery research and development)	Educate and demonstrate to potential customers ★		Maintenance service (customer retention)	Job to get done: Getting from A to B experiencing a new and better technology
	KEY RESOURCES		CHANNELS	Car manufacturers (B2B)
	Technology leadership regarding electronic vehicles (leading engineers, designers)		Online marketing (homepage, social media) and print marketing	Job to get done: Electric cars with high performance to satisfy the needs of their customers.
	Brand		Product specialist (Tesla showroom)	
	Battery production		Online distribution	
	Infrastructure (Supercharger, service, maintenance and repair shops)			

COST STRUCTURE	REVENUE STREAMS
Energy and infrastructure costs of the Tesla Supercharger (Superchargers are free connectors that charge the car in minutes instead of hours)	Licensing agreements with Toyota and Mercedes for Electric Power Train Designs
Research and development costs (battery and cars)	Direct sale of the the Model 3, X and S
Variable production costs per car unit	Direct sale of the Tesla Powerwall (a rechargeable battery that stores energy from solar panels)
Tesla service centers	
Manufacturing plant ★	

Is This A
Business
That Makes
Money?



Thanks!

Questions?



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