

M1 - Why Startups Fail

Startup -> search for repeatable and scalable business model

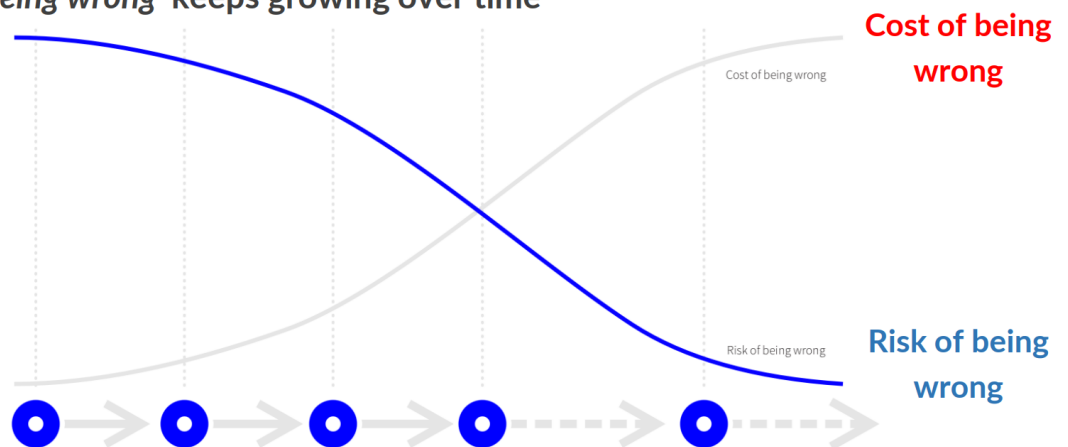
Why Conventional Product Development Fails

- Startups != small companies
- This approach focuses on the business plan first and testing later -> BIG assumption: customers + market already available
- Focus on implementation/tech instead of idea
- Linear process
- Most startups fail from lack of customers rather than a failure of their product development

The Lean Approach

- Components:
 1. Business Model Canvas
 2. Customer Development
 3. Agile Engineering
- Pivot: Substantive change to business model component
- Iteration: Minor, incremental change
- No plan survives without contacting customers first
- Create MVP -> simplest version of product that validates your business model
- Check for **scalable** business model

Cost vs Risk: 'Cost of being wrong' keeps growing over time



'Lean' (opposite of wasteful) attempts to minimize avoidable 'waste' by identifying risks upfront

BMC (reference)

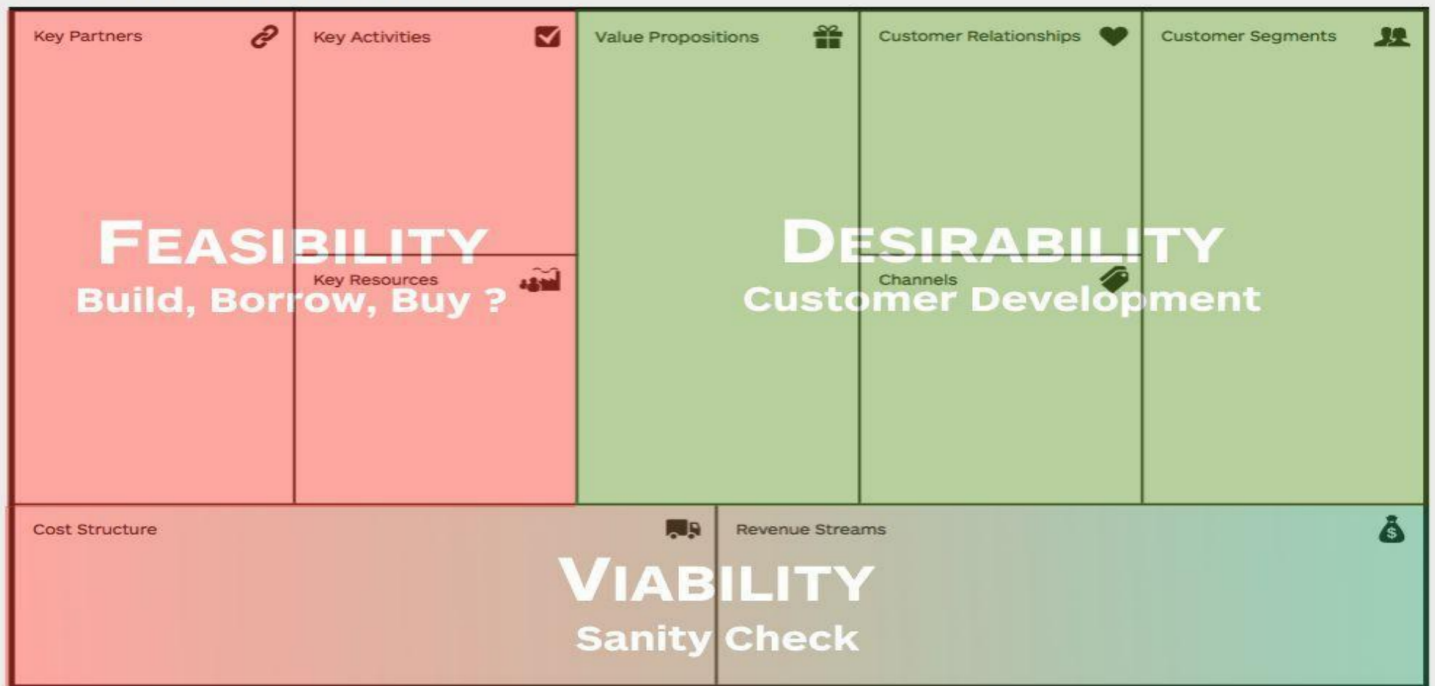
The Business Model Canvas

Designed for:

Designed by:

Date:

Version:



Submodule: Desirability (Customer Development)

Customer Segments:

- Which customers/users you are serving
- Mass market, niche market, diversified market (two or more unrelated groups), segmented market (distinct groups of customers with distinct requirements)

1. Segmented Market

- A market that is divided into distinct groups of customers with different needs, preferences, or characteristics.
- Businesses tailor their products or services to meet the specific demands of each segment.
- **Example:** An airline offers economy, business, and first-class tickets to cater to different customer groups.

1. Diversified Market

- A market where a business targets **two or more unrelated customer groups** with different needs.
- The company offers distinct products or services to serve these unrelated groups.
- **Example:** Amazon serves individual consumers with e-commerce while offering cloud computing services to businesses.

1. Mass Market

- A market where a business targets a broad customer base with a single product or service, aiming to reach as many people as possible.
- The focus is on high volume, standardization, and economies of scale.
- **Example:** Coca-Cola sells a standardized product worldwide, appealing to a wide audience.

1. Niche Market

- A market where a business focuses on a **small, specialized group of customers** with specific needs or interests.
- Products or services are highly tailored to meet the preferences of this group.
- **Example:** A company that sells luxury vegan leather bags caters to eco-conscious consumers in the luxury fashion niche.

Channels

- How you're reaching the customer and what they find convenient
- Eg: Web, own store, retail/distribution channels etc.

Value Proposition

- What you're offering the customer and whether they care

Customer Relationships

- Types of relationships established with customer (personal/automated/acquisitive etc)
- Customer acquisition -> customer retention -> Boost sales (upsell)

Submodule: Viability (Price Stuff)

Revenue Streams

- Where and how you're going to make money from; how much customers will be willing to pay and in what way
- Two types of revenue:
 - Transactional: One time payment for a purchase
 - Recurring: Repeating payment over a period of time

Cost Structure

- Minimise costs as much as possible without compromising quality
- Two types of costing:
 - Fixed: Price remains the same regardless of volume produced
 - Variable: Price varies with amount of goods produced
- Economy of Scale: Cost advantages achieved as a business increases production, leading to lower costs per unit due to higher efficiency
- Economy of Scope: Cost advantages gained by a business from producing multiple products or services using the same resources or processes

Submodule: Feasibility (All Them Keys)

Key Resources

- The essential resources needed for your model to run

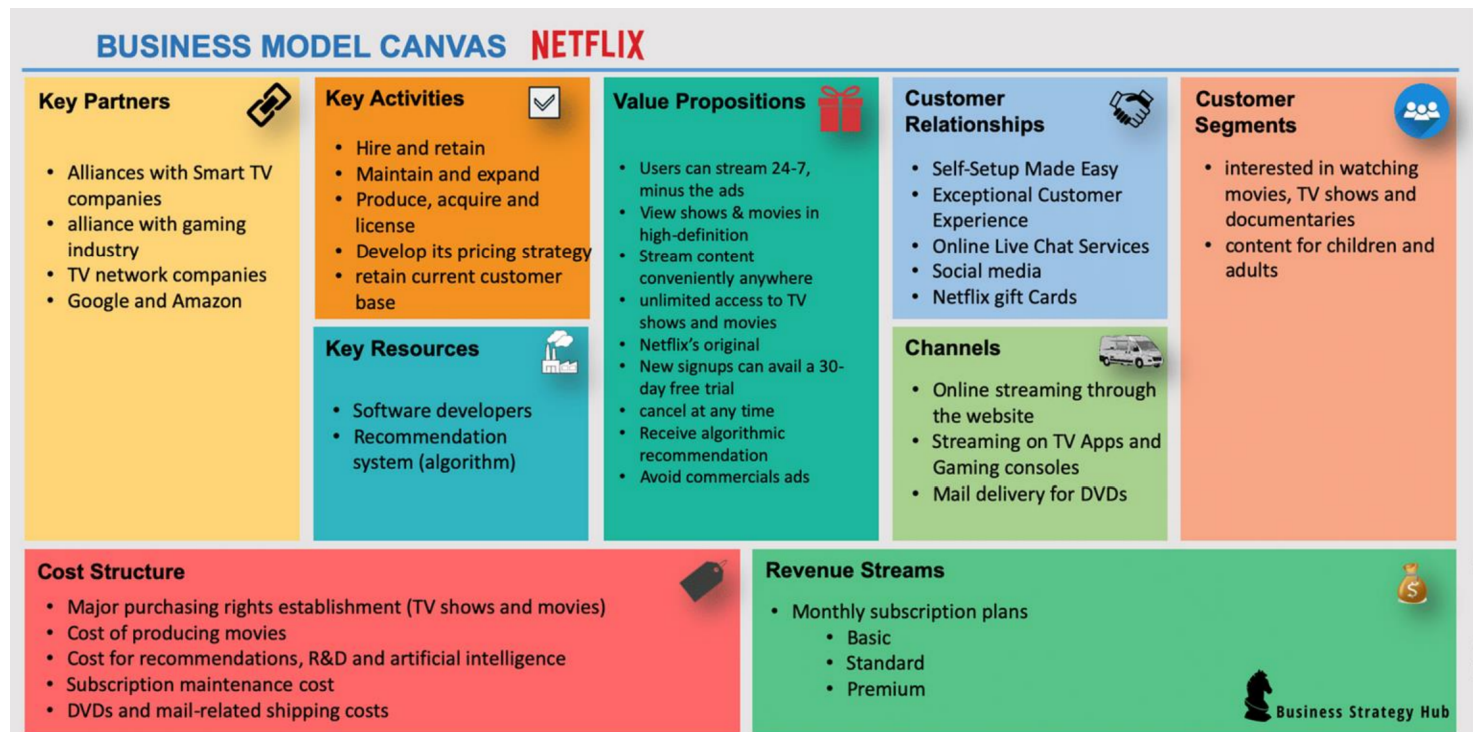
- Could be physical, intellectual, human, financial etc.

Key Partners

- Partners/suppliers you rely on in your business model

Key Activities

- Activities that need to be performed well to ensure the success of your model



Customer Development

- Parallel process to product dev
- Tied to **customer milestones**
- Learning and discovery before execution

Agile Development

- Prefer **flexibility** to perfection
 - Ship **early** and **often**
 - **Test-driven** to find and prevent bugs
 - **Continuous improvement** vs. ship-and-maintain
- Embrace **Change**
 - Build what you need 'today' (customer-centric)
 - Process-oriented development, so change is relatively painless