

Lean Startup & Innovation

A Disciplined
Entrepreneurship
Framework



Agenda

1. Introduction
2. Why?
3. Market
4. Value
5. Acquisition
6. Profitability
7. Your Product
8. Scaling start
9. Author and contact

Introduction to Lean Startup Framework

A structured and disciplined framework articulates the different innovation processes and comes up with clear and structured outcomes to validate and communicate each step.

The framework presented in this document is based on the Lean Startup methodology developed by the Martin Trust Center for MIT Entrepreneurship

This presentation is based on the training, passed certification and the materials acquired by the author of this presentation

*You have got a business when you have enough paying customers.
To be successful, innovation projects and startups need a
disciplined entrepreneurial framework.*

— Bill Aulet
Martin Trust Center for MIT Entrepreneurship

*In the range of Lean, Design Thinking approaches, and innovation methods, applied by startup teams or internally conducted by an organization, teams need **a disciplined framework to turn ideas into an actionable concepts, and concepts into a Minimum Viable Product that customers are willing to pay for.***

Indeed, innovation is not reserved for a special breed of people, inspired by cosmic forces or with a weird or artistic trait making them so special. Innovation mindset and method may be learned.

— Premises of Disciplined Entrepreneurship

Who is it for?

The proposed framework applies for a wide range of **startup and innovations projects at the ideation and early stage level** whether carried out by a stand-alone teams of entrepreneurs or an internal team of intrapreneurs. Investors would also find the relevant insights to assess their funding decisions.

As a comprehensive lean startup framework, it brings out **benefits** to:

1. Structure the whole journey
2. Map key insights and outputs
3. Sustain investor presentations
4. Challenge ideas, progress and repeat

Potential Owners



Entrepreneurs & Early-stage startups

At any stage or ideation and development, startups teams would need to discipline their work and gain time and relevance to add value



Intrapreneurship teams

Companies would help their intrapreneurs with sustaining through that framework.



Investors and Corporate Ventures

Investors and corporates Ventures teams also need a robust framework to assess and challenge early-stage investment opportunities.

—

What is it about?

A structured and disciplined framework articulates the different innovation processes and comes up with clear and structured outcomes to validate and communicate each step.

Eight stages raise the core questions that any entrepreneurial (startup, internal, special multi-parties projects), have to address.

The core questions covered by the methodology

1. What is the core idea ?
2. Whos is your customer?
3. What do you do for your customer?
4. How does your customer acquire your product/service?
5. How do you make money off your product?
6. How does your customer acquire your product/service?
7. How do you design & build your product?
8. How do scale your Business?

Why?

Why innovation takes to endorse a new mindset and disciplined methodology?

Pattern for analysis and strategy shifts to designing new and often disruptive value propositions. That approach span many steps and require to structure the business venture on a large and specific set of models.

- Innovation dual pattern
- Entrepreneurship: SME vs. Innovation-driven
- Start with your idea
- The Entrepreneurship Journey
- 24 working steps articulated in 6 themes
- Models and templates

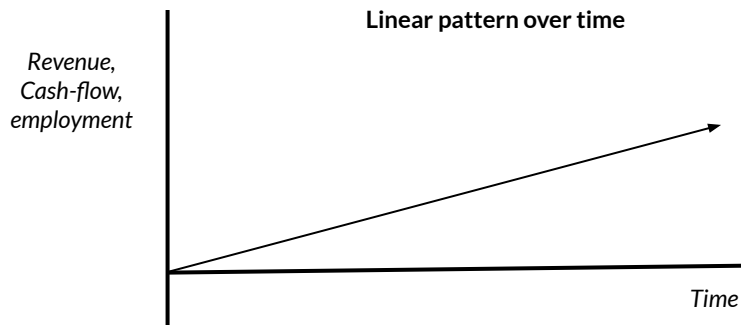
Innovation duality: Enterprise-focused vs. customer-centric

Innovation viewpoint	Enterprise-Centric	Customer-Centric
Perspective	Internal perspective	Market-oriented
Focus	Processes / internal resources and assets	Customers and other external stakeholders
Dynamics	Incremental improvement & streamlining	Innovate and create answers to unmet needs
Main features	<ul style="list-style-type: none">• Focus on cost improvement and capital efficiency• Improvement is focused on the existing situation	<ul style="list-style-type: none">• Focus on revenues• Introduction of new offerings and/or new market segments• Focus on the future
Risks/Impacts	<ul style="list-style-type: none">• Weak growth and no room for maneuver in the long term• Loss of competitiveness in the medium term• Possible loss of competitiveness	<ul style="list-style-type: none">• Longer time to create opportunities• Need for trade-offs in resource allocation• Cash-burning to reaching out profitability
Implementation background	<ul style="list-style-type: none">• Return to liquidity and product/service maturity• Proven underperformance in capital allocation• Moderate competitive intensity	<ul style="list-style-type: none">• Insufficient" growth or market losses• Consolidation of competitive positions in a market• ROCE tends towards the Cost of Capital

Entrepreneurship: SME vs. Innovation-driven

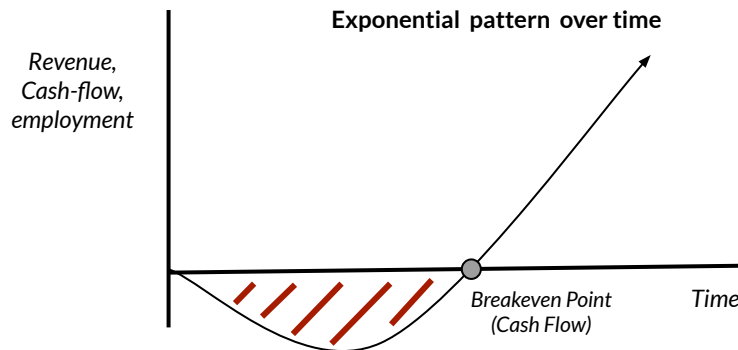
Small and medium-size Enterprises (SME)

- Address local markets
- Generally “non-tradable” work and assets (restaurants, services firms,...)
- External capital investment is low or nonexistent (private businesses)
- Sales, profitability and return follows a linear pattern
- Business with no real diversification and high sensitivity to any financials decisions or setbacks

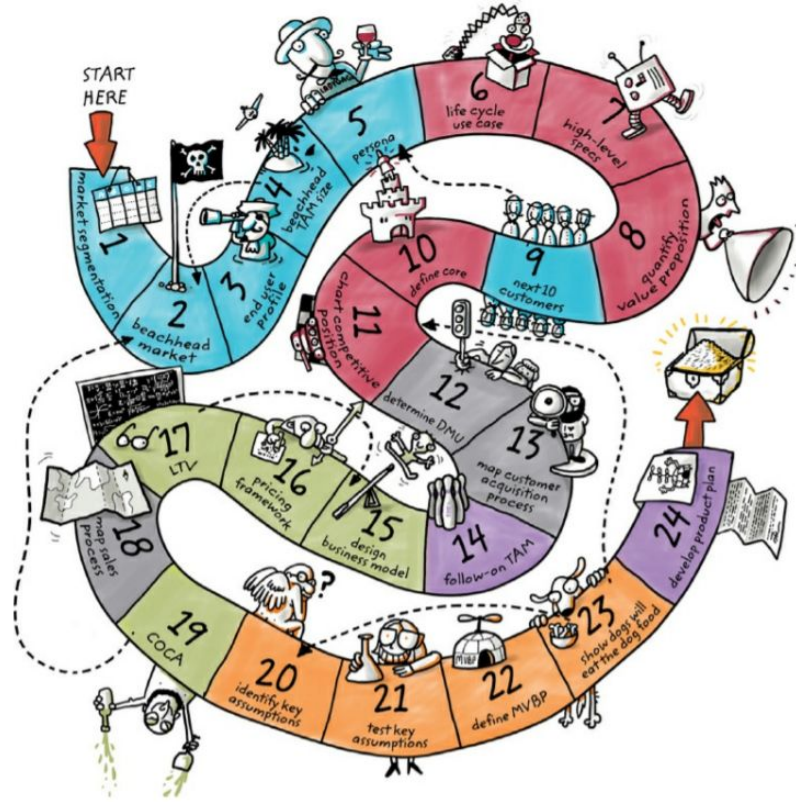


Innovation-driven Enterprises

- Focus on growth and global markets (scaling)
- Constant search from competitive advantage (technology, product, process, organization, ...)
- Equities are shared among several to many investors
- Initial investments are aimed to bridge the gap between a cash-burning initial period, followed by a stage to reach out to profitability, and then, if successful, an exponential growth sets out



— The Entrepreneurship Journey



- (1). Market segmentation
- (2). Select a beachhead market
- (3). Build end user profile
- (4). Calculate the TAM Size for the beachhead market
- (5). Profile the Persona for the beachhead market
- (6). Full Life Cycle Use Case
- (7). High-level product specification
- (8). Quantify the value proposition
- (9). Identify the next 10 customers
- (10). Define your core
- (11). Chart your competitive position
- (12). Determine your Customer Decision-Making Unit (DMU)
- (13). Map the process to acquire a paying customer
- (14). Calculate the Total Addressable Market Size for Follow-on Markets
- (15). Design a Business Model
- (16). Set your pricing framework
- (17). Calculate the Lifetime value (LTV) of an acquired customer
- (18). Map the sales process to acquire a customer
- (19). Calculate the Cost of Customer Acquisition (COCA)
- (20). Identify key assumptions
- (21). Test key assumptions
- (22). Define the Minimum Viable Business Product (MVBP)
- (23). Show that the dog will eat the dog's food
- (24). Develop a product plan

Source: Bill Aulet. *Disciplined Entrepreneurship*
24 Steps to a successful startup. Ed. Wiley

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24 working steps articulated in 6 themes

Who is your customer?

- [\(1\). Market segmentation](#)
- [\(2\). Select a beachhead market](#)
- [\(3\). Build end user profile](#)
- [\(4\). Calculate the TAM Size for the beachhead market](#) (Test & experiment)
- [\(5\). Profile the Persona for the beachhead market](#) (Test & experiment)
- [\(9\). Identify the next 10 customers](#)

How do you make money off your product?

- [\(15\). Design a Business Model](#)
- [\(16\). Set your pricing framework](#) (Test & experiment)
- [\(17\). Calculate the Lifetime value \(LTV\) of an acquired customer](#)
- [\(19\). Calculate the Cost of Customer Acquisition \(COCA\)](#)

What can you do for your customers?

- [\(6\). Full Life Cycle Use Case](#) (Test & experiment)
- [\(7\). High-level product specification](#)
- [\(8\). Quantify the value proposition](#)
- [\(10\). Define your core](#) (Test & experiment)
- [\(11\). Chart your competitive position](#)

How do you design & build your product?

- [\(20\). Identify key assumptions](#)
- [\(21\). Test key assumptions](#) (Test & experiment)
- [\(22\). Define the Minimum Viable Business Product \(MVP\)](#)
- [\(23\). Show that the dog will eat the dog's food](#) (Test & experiment)

How does your customer acquire your product?

- [\(12\). Determine your Customer Decision-Making Unit \(DMU\)](#) (Test & experiment)
- [\(13\). Map the process to acquire a paying customer](#) (Test & experiment)
- [\(18\). Map the sales process to acquire a customer](#)

How do you scale your Business?

- [\(14\). Calculate the Total Addressable Market Size for Follow-on Markets](#) (Test & experiment)
- [\(24\). Develop a product plan](#)

Stages	Models and templates
<i>Who is your customers?</i>	<ul style="list-style-type: none"> • Market segmentation • End user profile and Persona Profile • Total Addressable Market Size • Persona Profile • Your next 10 customers Target
<i>What can you do for your customers?</i>	<ul style="list-style-type: none"> • Full Life Cycle Use Case • High-level product specification • Quantification of value proposition • Core competencies required • Competitive position chart
<i>How does your customer acquire your product?</i>	<ul style="list-style-type: none"> • Customer Decision-Making Unit (DMU) • Process to acquire a paying customer • Sales Process Mapping
<i>How do you make money off your product?</i>	<ul style="list-style-type: none"> • Design a Business Model • Pricing framework • Lifetime value (LTV) of an acquired customer • Cost of Customer Acquisition (COCA)
<i>How do you design & build your product?</i>	<ul style="list-style-type: none"> • Key assumptions summary • Actual Minimum Viable Product (MVP)
<i>How do you scale your Business?</i>	<ul style="list-style-type: none"> • Product plan

Start with your idea to innovate

Title

Just a couple of key words to present the project (may be the slogan, a name that embodies the concept, a reference to a technology concept...)

Focus

*Ideally 3 short sentences to emphasize what problems your product or service solves (alternatively what unaddressed need is served). It should pinpoint how your product or service differs from existing alternatives and which customer segment it is primarily made for.
Some sort of “elevator pitch”*

The pitch

*The investor pitch develops the points made in the Focus. It builds a narrative (trends, context, economics and social drivers,... that accounts for business opportunities and how the team considers its value propositions as singular and appropriate to grasp profitable market segments.
Here, the entrepreneurs starts with distinctive perspectives depending on if they want to innovate from a disruptive idea, if they have already build a technology or if they want to leverage a passion.
The team has to respond to a more intimate question and convey a sense of consistency for this entrepreneurial journey : “What can we do well that I would love to do for an extended period of time?”
Innovation is a collective work. All successful startup teams have to gather and present capabilities around a couple of core capabilities adjusted for the peculiarities of your product or service : Technology (coding,...), R&D (Sciences), Operations, Business & Finance, Marketing*

Market

Who is your customer?

At this stage, we need to define and precisely understand your potential market, the customers and their behavior and assess its potential size.

- **Market segmentation**
- **Select a beachhead market**
- **Build end user profile**
- **Calculate the TAM Size for the beachhead market**
- **Profile the Persona for the beachhead market**
- **Identify the next 10 customers**

— (1). Market segmentation

Objectives

Once you have picked and polished your idea for innovation, it's time to define the market and figure out the relevant ways to segment it. Several dimensions need for a detailed analysis of the market (existing or potential).

Main actions

- Consider the segmentation at a strategy granularity level (Identify all possible dimensions to segment the potential customers keeping)
- Don't need to be detailed with what your persona is
- Prepare to have a clear understanding where your Beachhead market in comparison with your adjacent markets segments (and all other segment that you can identify today but may never tap even in the long run)
- Brainstorm a lot (List all relevant dimensions; Refine and focus on a limited number of dimensions defined in the perspective of the potential customer; Describe the core characteristics _and possible values_ for each of the 5 to 7 most relevant dimensions
You refine and create a map of "sub-markets")

Outcome (Template)

Base / Segmentations	Axis 1	Axis 2	Axis 3	Axis 4	Axis 5
The Idea / Segment title ->	Industries	Expertises or specialization	Earning status	Customer Category	Perceived level of expertise
Transform the traditional in-person interrelation between customers and service providers by a remote web-enabled experience	Education	General Practitioners	Salaries of public/semi-public institutions	Individuals	Nationwide reputed leaders
	HR recruitment	Part-time workers (salaries and independent workers)	Corporates	Visiting therapists to high-end institutions
	Health Care	Dietetics & well-being	Self-employed full-time professionals	Independent Professionals	Local recognised experts
	Retail banking	Wealth Manager	Occasional professionals	Public institutions	Other players
	Consulting	Psycho-therapy			
	Professional Training & Coaching			
	Life style - Dietetics & well being				
	Travelling Agencies				
	Professional social-media				
	Law counseling				
	Investment Advisory				

— (2.1). Select a beachhead market

Objectives

Selecting a first market segment requires to answer seven questions: Can customers in the segment afford to buy the product? Is the segment accessible to the "sales force"? Do customers have a real motivation to buy the product? At this time, with or without partner(s), is it possible to provide a complete solution? Is there competition that erects high barriers to entry? Does this segment have the potential to evolve into adjacent segments? Is this positioning in line with the values, passions and goals of the founding team?

Main

actions

Outcome (Template)

What defines a market segment : 3 features

- 1 - Customers buy the same products (homogeneity)
- 2 - The sales cycles is the same for the customers (sales force approach and words, etc.)
- 3 - "Word of mouth" is similar between customers (similar message and value expression)

For 3 to 7 core segments, perform a high-level strategic analysis on the following dimensions: End User Profile, Applications, Benefits, Lead Customers, Market Characteristics, Partners / Players, Market Size (Q @100% penetration), Competition, Platform, Complementary Asset Required

Consider the other segments as adjacent opportunities for potential future scaling

Features / Industry Segment	Target segment (Beachhead Market)	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6	Segment 7
End User Profile	Match Profile & Decision-Making Unit (DMU) High-level profiling (Different from Persona analysis)						
Applications	On the supply-side; On the demand-side What the end users are using your product for? What asks are improved?						
Benefits	What is the actual value that the end user would gain from the your of the new product/service?						
Lead Customers	Who are the most influential customers that other looks to for thought leadership and adoption of a new technology?						
Market Characteristics	What about this market would help or hinder the adoption of new technology (usage)?						
Partners / Players	Which companies will you need to work with to provide a solution that integrates into the customer's workflow?						
Size Market (Q @100% penetration)	Proxy : number of customers (two sides if necessary) assuming a 100% market penetration <1,000, or >1,000,000						
Competition	Who, if anyone, is making similar products, real or perceived?						
Platform	IT infrastructure / Information System / physical platform if relevant?						
Complementary Asset Required	What else does your customer need in order to get the "Full solution"?						

— (2.2). Select a beachhead market

Objectives

Define your Beachhead market as if you would pitch it to investors.

Outcome
(Template -
Illustration)

Title

Give a short title that summarize your market in terms of industry, addressed needs, customer profile, technology or whatever relevant dimension

Focus

Ideally 3 short sentences to illustrate your point. Make a summary of how your selections answers the key questions

Pitch

Make an extended 10 to 15 short sentences pitch

Develop your focus to make a compelling rationale of your choice. Build your pitch on your understanding and point you made when answering to the core questions: Can customers in the segment afford to buy the product? Is the segment accessible to the "sales force"? Do customers have a real motivation to buy the product? At this time, with or without partner(s), is it possible to provide a complete solution? Is there competition that erects high barriers to entry? Does this segment have the potential to evolve into adjacent segments? Is this positioning in line with the values, passions and goals of the founding team?

— (3). Build end user profile

Objectives

Describe the profile of your targeted end users in terms of socio-economics identity. Do it for the two sides if you address a two-sided market offer. At this stage, you try to understand what make the homogeneity of the segment, not yet the hands-on behavior of the user persona.

Main actions (Answer key questions)

- What is their gender?
- What is their age range?
- What is their Income range?
- What is their geographical location?
- What motivates them?
- What do they fear most?
- Who is their hero?
- Where do they go for vacation? For dinner? Before work?
- What newspapers do they read? Websites? What TV shows do they watch?
- What is the general reason they are buying this product? Savings? Image? Peer pressure?
- What make them special and identifiable?
- What is their story?

Outcome (Template)

End User profile	SUPPLY-SIDE (psycho-therapist)
Gender	Female (80%), Male (20%)
Age	30 - 50 year old (we assume that technology adoption might also exist beyond, but is difficult to assess)
Level at company	Private owner of their own professional practice (Independent workers). They may also have a part-time activity in institutions
Income	€30K - €50K per year (though some transactions may be unreported)
Education	Under The Country regulation, praticians are getting a certification plus an authorization depending on their practice (specialization). Post-graduate diploma in psychology may be completed with specialization from Master of Paris-Decartes in Psychology plus a practice specialization in Clinical Psychology for instance
History	Independent entrepreneurs, the psycho-therapists have most of the time created their own practice which they complement as a visiting doctor in public and private health institutions. Fundamentally those praticians, whatever their specialization, are keen on dealing with unrests of their customer that they consider as patient and not as paying counterparties of a service. That's just a posture and semantic. What they provide is not a service, that a journey they propose you to have inside you. For many of them, in their inner selves, are people who would have loved to embrace more renowned areas of human science such as medicine or surgery. Shall we investigate further we might unearth a real will to take care of people. That will has become an underlying pattern that account for the high level of requirements expressed by those professionals as well as a propensity to nurture an uncertainty about the exact scope of their discipline.
Context	Psychologists are professionals with expert profile. In general, they have acquired their expertise after extensive studies in which they have chosen to specialize in one or more areas (clinical psychology, labor etc.), public (children, adolescents, adults) and approaches (CBT, psychoanalysis etc.). They usually work in one or more institutions because it is difficult to have a full-time job and complete their schedule by a liberal practice. Few psychologists have a full-time private practice since it requires having built a strong reputation. As for most of the shrinks "dream" to have their own practice and be recognized on a local, national or international level. However, only a few stars reach this level of recognition
Personality	Psychologists acquire legitimacy by expertise. They are quite independent, loner (often work on their own, not necessarily team). They are generally efficient because they do not earn much money (except locally-renowned professionals, and of course the "stars"). They are professionals who like to group together in a professional association that shares a common vision and a common approach to psychological problems (these approaches are often opposed to each other so that shrinks are often grouped by common interest and form groups that could be similar to clans) Their Membership of professional organizations compensates for their individualistic side. During these moments of professional exchanges, they appreciate being able to share best practices, recommendations and opinions on developments in society in general. They have an acumen for well being in general (yoga, dance, etc.)

— (4). Calculate the TAM Size for the beachhead market

Objectives

The Total Addressable Market (TAM) size for the beachhead market (and for ongoing market segments addressed) is the amount of annual revenue, provided the assumption that to obtain a theoretical 100% market share of this segment.

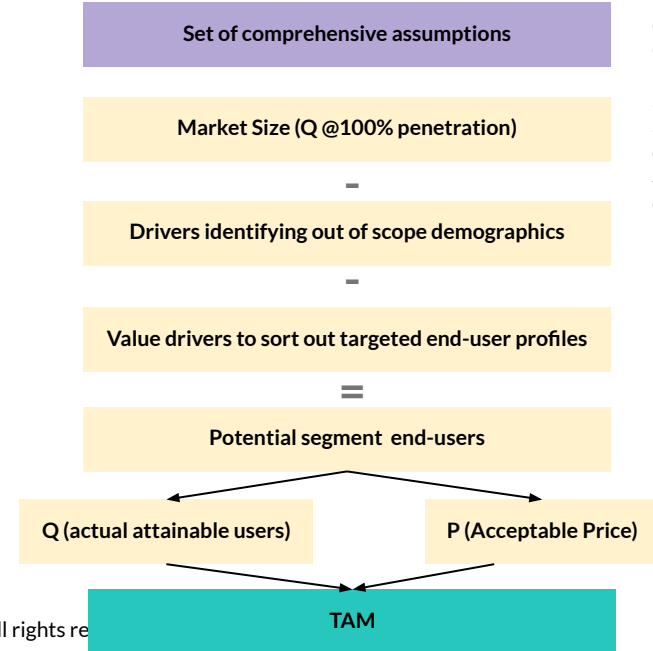
Main actions

- Choose an Top-down or a Bottom-up approach or both as a matter of consistency checking)
- Understand the key markets dynamics and value drivers
- Have a micro-economic approach (try to identify the top list of potential clients of a selection in liaison with the end-user profile determined previously)
- Beware of macro-economics approach as it doesn't tell about your ability to grasp a share of a market

Focus:

Fresh and context-compliant data
Beware the trap of the “1% rule” on big markets
Selection of data relevant to the end-user definition
Detailed or individual information when major organization or clients may be identified

Outcome (Illustration) - As many modeling as innovative projects



We need here the detailed and the consolidated Financial modeling with all macroeconomics and market segmentations assumptions

— (5). Profile the Persona for the beachhead market

Objectives

Describe and map out the identity as well as the behavior of the reference customer (i.e. Persona) belonging to the group of end-users identified in step 3.

Main actions

- Build an overall **Persona Profile** with relevant information for your project:
 - Identity (Photo, Name; Organization, Title,...)
 - Demographics (Age, Income, Schooling,...)
 - Social and cultural background (Music, Socializing,...)
 - Personal Information (behavior, Heroes, What He Fears Most?...)
 - Priorities when using product and services
 - Other Noteworthy Items
- Build a **Persona summary**
 - Intro
 - Personal Story
 - Goals
 - Needs
 - Pains:

Outcome (2 templates : Profile + Summary)

Catherine

48-years old

*Own Psycho-therapist Practice, gives some lectures and conferences (Independent worker listed at the Local Psycho-therapist Society)
28-year experience, 10 years as a practitioner in Public Hospital, 10 years now running his private practice
160K revenue (reported)*

STORY:

Though not a nationwide renowned expert, she is a local recognized professional who may still leverage her experience in a high-end public institution
Balances her personal time with professional commitments
Is an independent worker who used to be a visiting psycho-therapist to a renowned public hospital
Is proud of a activity and is keen to develop her practice though the revenue of a household is quite good
A lonely person when working but belongs to the professional organization of her city which is part of the Society of Psycho-therapists Of the Country

GOALS:

Develop her practice as patients shall hopefully recover and pursue their journey
Find a fair pricing for consultations all the more than what she does may be perceived mainly intangible
Be wary of new practices that could alter her professional reputation
Stay openminded to what her professional connections may bring up that would help to fuel the viability of a own practice
Keep up with the society changes and the way people (her customers) behave

NEEDS:

To book the patient consultations is always a pain as some of them are under duress with their professional agenda
To keep in touch with customers travelling or being temporarily assigned to another working place
To be more reactive to some of her patient who are more and more needing a support with short notice
To keep up with the communication and technology evolutions that her patients are fully involved in
To experience new way of working as long as it does not disrupt her freelance activity and hands-on her own clientele

PAINS:

She is a bit reluctant about teleservice may enlarge the Practitioner/patient workout, not alter it
A teleservice may enlarge the Practitioner/patient workout, not alter it
A web consultation might be associated to "a low cost experience", if ill constructed
Articulate old fashion protocol (face-to-face consultation) with the communications means available

— (g). Identify the next 10 customers

Objectives

Verify that the previous steps are relevant by identifying the "next 10 clients". List potential 10 customers outside your persona, but you want to verify that they are similar to it. As the TAM calculation is a safeguard against hyper-focus, this list is another one to check how to find out other customers and second-check your persona definition.

Main actions

- Make a real list (in fact, there is no limit beyond 10)
- Present, discuss and get feedback from each customers about your Full Life Cycle Use Case, High-level Product Specifications, Quantified Value Proposition (see next Part)
- Don't be afraid of negative feedback, inquire openly
- Fact-check your assumptions (TAM)
- Find out patterns and relevant new pieces of information
- Summarize and tackle data to verify if your list of customers is homogenous (if not, repeat previous steps)
- Spiral to determine if your persona is valid

Outcome (Illustration)

The next 10 customers

1. Company Name, subsidiary, organization, groupe of B2C persons
2. ...
3. ...
4. ...
5. ...
6. ...
7. ...
8. ...
9. ...
10. ...

Value

What can you do for your customers?

As you try to define a singular or even disruptive value proposition, you have to make a high-level description of your product to figure out its market potential and how it compares to existing competitors.

- Full Life Cycle Use Case
- High-level product specification
- Quantify the value proposition
- Define your core
- Chart your competitive position

— (6). Full Life Cycle Use Case

Objectives

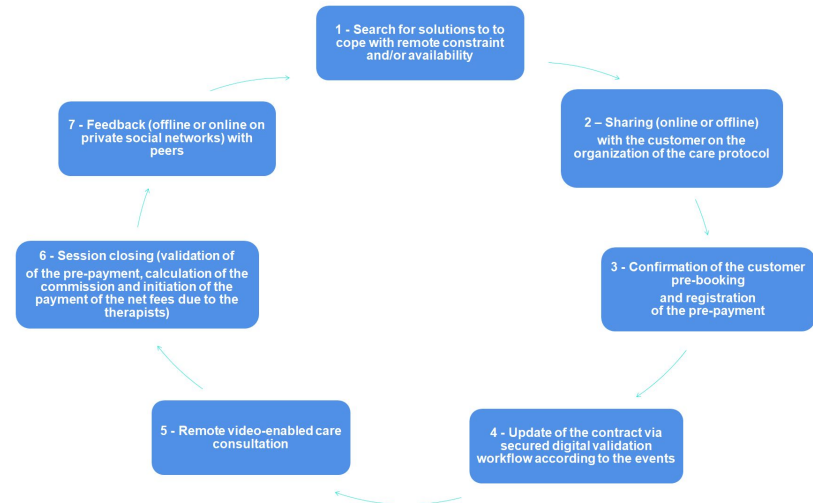
Identify usage drivers, describe the flow of actions as well as the possible barriers that intervene in the customer purchase cycle from the expression of his need, the search for information, ... to the acquisition of the product/service (including installation and after-sales service).

Main actions

- How do customers express their needs or identify an opportunity to do things differently?
- How do they find the product/service?
- How do they analyze the product/service offering?
- How do they actually acquire the product/service?
- How do they install the product/service? If relevant
- How do they use the product/service?
- How do they determine the use value ("benefits") of the product/service, compared to what they had before?
- How do they pay for the product/service?
- How do they access information and VAS for this product/service?
- How do they share feedback with other customers to broaden their experience and continue to purchase?

Outcome

e.g. Business Case. Two-side e-Health Care Service



— (7). High-level product specification

Objectives

Create a functional representation and first visual of the product/service by focusing on the benefits from the customer's point of view. At this step, it is still an outline way far from a prototype.

Main actions

- Create a consensus among the team of features or functionalities worth presenting
- Create a visualization (low-cost mockup, storyboard, application stack,...) that best capture what your product or service enable the customers to gain
- Build a brochure to summarize the product and/or service specification

As we have analysed in details the end users of our segment and what the Persona feels, expect and experience as pains in particular situations, then it is possible to outline the main features of the product or service to best serve the customers, not the way around.

Outcome (Illustration)

- Functional Brochure
- Mockup,
- Application stack
- Storyboard (software)
- ...

— (8). Quantify the value proposition

Objectives

Provide a tangible measurement of what the Persona would gain ("benefits") from using your product/service, taking into account its main priorities expressed in terms of needs (How does the offer meet the customer's priorities and why the customer would choose it). NB. general analysis at this stage.

Main actions

- Recap the top priorities of the Persona in terms of what he or she wants to get from the product or from the service
- Determine a tangible metric that best measure the benefits obtained by the Persona in function with the identified expected benefits
- Build a "as-is" comparative analysis of the current situation of the market (without your future product) versus what the benefits would be with your product
- Challenge the comparative analysis, pick relevant base comparisons, make sure benefits may be feasible
- Refine and realign the value proposition with the Persona's top priorities

Outcome (Illustration)

What tangible value (drivers) do we create for the customer? How do we ensure to get and measure it? How does it compare to the existing situation or the competitors' proposition? Overall, how the value created builds up a unique and greater product?

<u>Value for customer</u>	<u>Metrics</u>	<u>Existing situation</u>	<u>Benefits / Δ</u>
Value driver #1	KPI #1	Situation #1	<ul style="list-style-type: none">• New capabilities• Gain of time• Cost reduction• Increased productivity• Quality improvement• Other tangible positive impacts
Value driver #2	KPI #2	Situation #2	
Value drivers ...	Other KPIs.	Situations ...	

— (10). Define your core

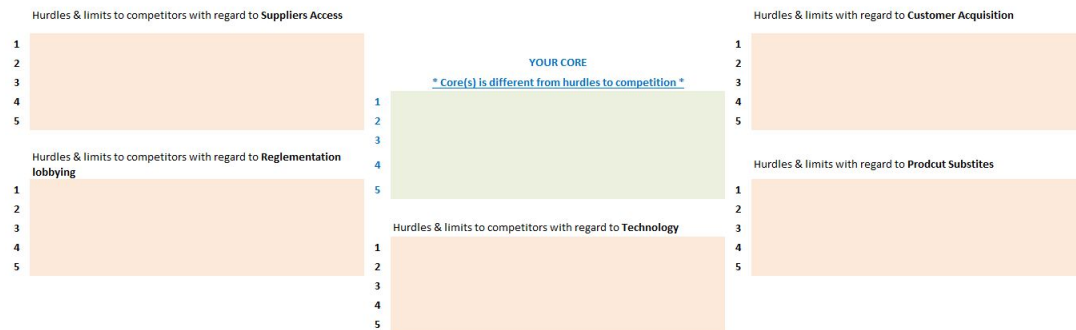
Objectives

Identify the skills/capacities that give the innovative company an edge and a sustainable leverage (viability and profitability) in order to deliver the benefits expected by the targeted customers segment(s), and with more efficiency than a competitor would do.

Main actions

- Turn to your business and your team to determine what makes your special and where your singularities lie
- Survey different dimensions of your value proposition such as customers' needs, asset you have, what you want to do, financial goals,...)
- Get inspired from different strategic framework (customer-centric excellence, value chain and cost impact, network effect in digital economies, user experience,...)

Outcome (Illustration)



Note: be concrete and specific

The core competencies are different from the competitive position. The core competencies are how your company build capabilities to create a differentiated value proposition from the competition. As it is specific it cannot be easily replicated.

— (11). Chart your competitive position

Objectives

Highlight

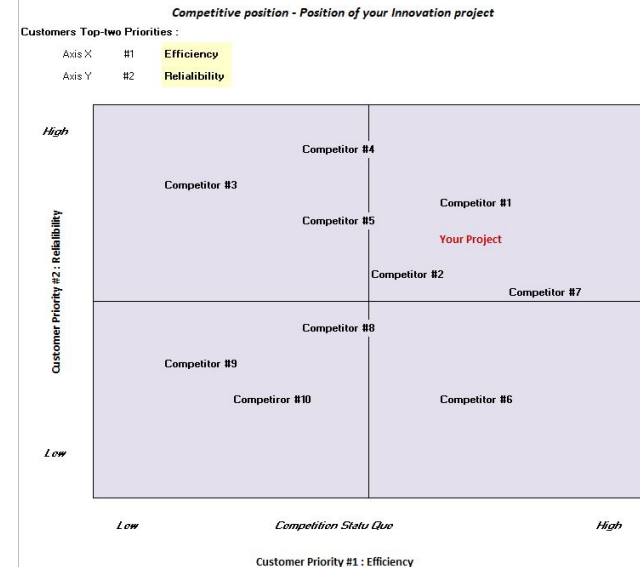
1. how the company compares to the competition when it comes to meeting the two main priorities of customers; 2. the existence of the core competencies and their translation into perceived customer value.

Main actions

- Identify the top two priorities of the target customer (i.e. from the end-user profile and Persona analysis, what they would value in your product? What benefits would they obtain from it?)
- Define X-Axis as Priority #1 of the Persona
- Define Y-Axis as Priority #2 of the Persona
- For each axis define the comparative state relevant for your analysis (e.g. “Low” vs. “High”)
- Plot your project and the competitor you collected accurate data from
- Show the theoretical “Status quo” state considered as the point where customers would not change their preference for another product

both:

Outcome (Template)



Acquisition

How does your customer acquire your product?

You will have a business worth your efforts only if you have enough paying customers which makes it critical to model how you will acquire customers.

- **Determine your Customer Decision-Making Unit (DMU)**
- **Map the process to acquire a paying customer**
- **Map the sales process to acquire a customer**

— (12). Determine your Customer Decision-Making Unit (DMU)

Objectives

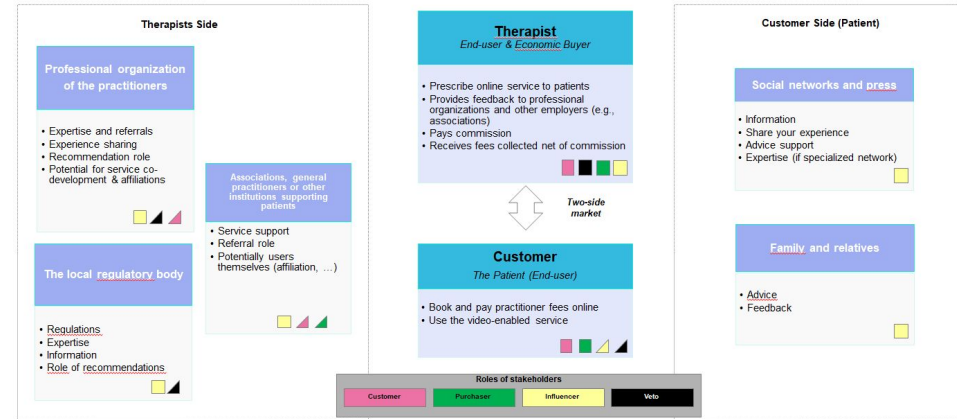
Identify all stakeholders, their very specific role, their weight, the nature of their impact in all information and decision processes and their interrelationships in the overall purchasing decision cycle (from the customer standpoint) all the way to to buying your product or services.

Main actions

- Identify the people and the roles they play in the Decision-Making unit
 - > Advocates
 - > End Users
 - > Primary (and secondary Economic Buyer)
 - > Influencers
 - > People empowered with veto
 - > Purchasing Department
- Inquire with the people to map the whole decision-making organization and processes
- Refer to the Persona analysis about who influence the Persona and who he: she interacting with
- Build the visualization of the DMU (see Illustration)
- Refine to ensure a pattern emerge for all the customers of your target segment

Outcome

e.g. Business Case. Two-side e-Health Care Service



— (13). Map the process to acquire a paying customer

Objectives

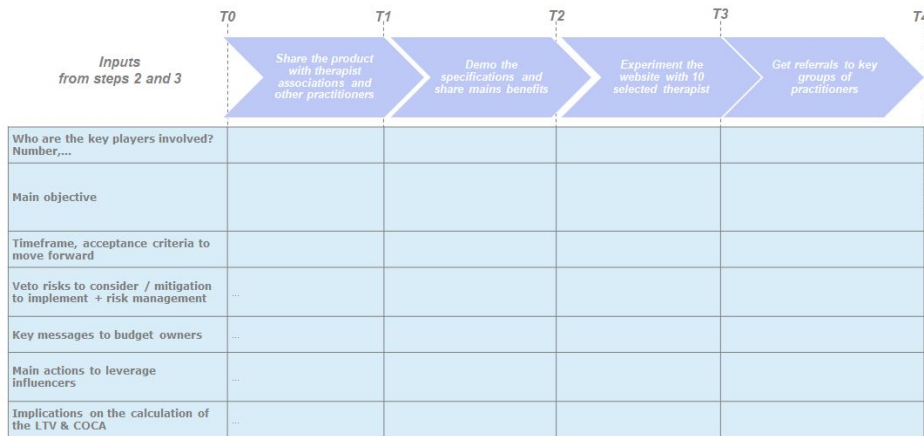
Define of the decisions that support the purchase process, describe and measure the sales cycle (formal steps and timing). Identify the obstacles to completion (budget, regulations, compliance).

Main actions

- Build on the insights from the [Full Life Cycle Use Case step](#)
- For each stage of the process, precise:
 - Who are the key players from the DMU?
 - What are their impacts in the process?
 - What is their budget authority?
 - How long does it take to complete all the steps of the process?
 - What are the inputs/outputs?
- Check your process with regard to the Time dimension

Outcome

e.g. Business Case. Two-side e-Health Care Service



— (18). Map the sales process to acquire a customer

Objectives

Design a sales strategy over different time horizons and determine the main marketing levers of actions.

Main actions

- Create a time-horizon breakdown (Short/Mid/long-term)
- Determine which sales channel you will use
- Define how the channel will be use over time
- Build a robust Sales process to articulate your proposals to address the [Full Life Circle Use Case](#)

Outcome (Illustration)

SHORT-TERM	% of Customer addressed	Customer profile	Sales strategy details
Direct Sales			
Distributor or Value-Added Resellers			
Through own website			
Other Web/mobile marketing			

MID-TERM	% of Customer addressed	Customer profile	Sales strategy details
Direct Sales			
Distributor or Value-Added Resellers			
Through own website			
Other Web/mobile marketing			

LONG-TERM	% of Customer addressed	Customer profile	Sales strategy details
Direct Sales			
Distributor or Value-Added Resellers			
Through own website			
Other Web/mobile marketing			

Profitability

How do you make money off your product?

Over the life time of your product, your business model must be robust and flexible enough to grasp a relevant share of value and to sustain your expected profitability at any stage of your market growth..

- Design a Business Model
- Set your pricing framework
- Calculate the Lifetime value (LTV) of an acquired customer
- Calculate the Cost of Customer Acquisition (COCA)

— (15). Design a Business Model

Objectives

Analyze and choose the framework by which your company will get money for the value of your product and services serving some specific customer needs. This mechanism must take into account 4 key dimensions: what the customer is willing to do; the share of the added value produced by the company in the overall value added to product/service; the competition; the distribution constraints.

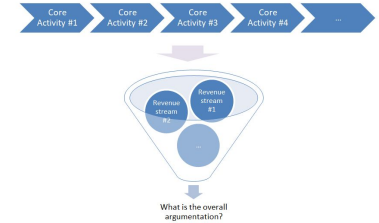
Main actions

- Design the framework by which you will extract from your customer a portion of the value your product create for them
- Consider your specific situation when considering to choose among the possible Business Model frameworks
- Get into the details pertaining to:
 - Customer (ref. [DMU](#) and [Process to Acquire a Paying Customer](#))
 - Value Creation (ref. [Your Quantified Value Proposition](#))
 - Competition
 - Distribution

Outcome (Two-stage approach)

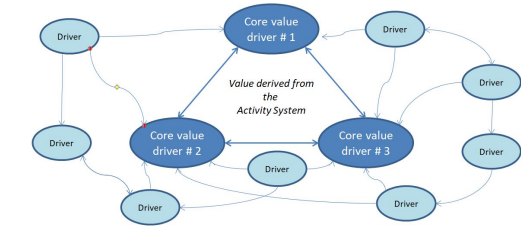
1

Where and how you extract value?



2

- *What are the unique drivers that differentiate the value proposition?*
- *What are the value drivers related to the value proposition?*
- *How the drivers fit into a system of activities?*
- *What is the potential to reinforce integration of activities?*
- *How the overall integration creates competitive edge?*



— (16). Set your pricing framework

Objectives

Based on steps [8](#) & [15](#), define one or several first pricing plans depending of the category of product/services or class of customers.

Main actions

- Build a first price strategy that will allow to calculate the [Life Time Value of an Acquired Customer](#)
- Design your pricing with close consideration about your overall profitability
- Create a tradeoff between attracting as much revenue as possible and as many customers as possible
- Address core concepts
 - For innovation project, cost is not a price driver
 - Capitalize on findings about [DMU](#) and [Acquire a Paying Customer](#) to identify the main price drivers
 - Analyse customers' alternatives
 - Differentiate prices according to different customer categories
 - Assess maturity of customers (Tech enthusiasts, early adopters, early majority, late majority,...)

Prepare to drop prices at a certain point of development

Outcome (Modeling)

1. One-time Up-Front Charge and Maintenance
2. Cost Plus
3. Hourly Rates
4. Subscription (or Leasing Model)
5. "Cell-Phone" Plan
6. Licensing
7. Consumables
8. Upsell with High Margin Products
9. Advertising
10. Reselling the data Collected/Temporary Access to it
11. Transaction Fee
12. Usage-Based
13. Parking Meter / Penalty Charges
14. Microtransaction
15. Share savings
16. Franchise
17. Operating and maintenance
18. Other

— (17). Calculate the Lifetime value (LTV) of an acquired customer

Objectives

Calculate the total discounted revenue that the company can obtain from a customer before the customer turns to a replace your product/service.

Main actions

- Keep refining this calculation to understand your business and determine what drive both the sustainability and the profitability of your business
- Model key inputs:
 - One-time revenue streams
 - Recurring revenues
 - Additional revenue opportunities
 - Gross margin of each revenue streams
 - Retention rate
 - Life span of your product.s
 - Next product purchase rate
 - Cost of capital relevant to your business

LTV is about profit (not just revenues). Overheads are excluded of the calculation.

Outcome (Model)

LTV is the Net Present Value of your profits over a sustainable period (e.g. 0 to 5 years). LTV is expressed as a monetary unit per customers

$$\text{Present Value} = \text{Profit} (1 - \text{Cost of Capital})^t$$

Revenue, euros / Time period (year)	0	1	2	3	4	5
Upfront revenue:						
Onetime sales (including repurchase)	10 000					10 000
Next product purchase rate		75%				
Gross margin for main product/service	65%					65%
Profit on upfront sales	6 500,00	0,00	0,00	0,00	0,00	4 875,00
Recurring revenue :						
Price of services/products (new streams), per period	750	1 500	1 500	1 500	1 500	750
Retention rate (r)	100%	90%	80%	70%	60%	
Cumulative retention rate (=r ⁿ)	100,0%	90,0%	64,0%	34,3%	13,0%	13,0%
Next product/service purchase rate						75%
Gross margin on recurring revenues	85%	85%	85%	85%	85%	85%
Profit on recurring streams	637,50	1 147,50	816,00	437,33	165,24	61,97
Present value of profits @ Cost of Capital	7 137,50	769,19	366,65	131,72	33,36	668,15
LTV = Net Present Value of profits	9 106,57					
Inputs						
Cost of Capital (k)	40%	40%	40%	40%	40%	40%
Net Present value factor @ e ^{-k} .t	100,00%	67,03%	44,93%	30,12%	20,19%	13,53%

— (19). Calculate the Cost of Customer Acquisition (COCA)

Objectives

Evaluate, track it over time how much it costs to acquire a new customer according to the [sales strategy](#). Monitor the impact of marketing and sales expenses on profitability while comparing the evolution of COCA with the [Life Time Value](#) of a product or service, per customer.

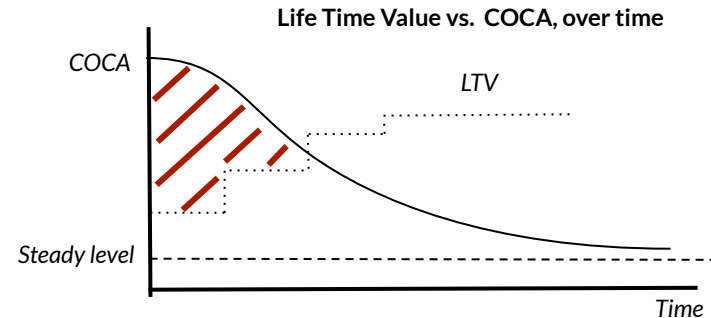
Main actions

- Aggregate all sales and marketing expenditures in liaison with all dimensions of your [Process to Acquire new Customers](#), per nature and destination (To-down approach)
- If you have opted for a Bottom-up approach, articulate calculations with your detailed sales plan and organizational design
- Optimize COCA:
 - Use direct sales when relevant (expensive)
 - Automate tasks
 - Improve conversion rates
 - Decrease the cost (and improve the quality) of leads
 - Improve speed through sales funnel
 - Build Business Model while integrating the COCA variables
 - Focus on target market and keep learning

Outcome (Calculations)

$$COCA_t = TMSE_t - IBSE_t / NC_t$$

where *TMSE* is Total Marketing and Sales Expenses; *IBSE* is Installation Base Support Expenses; *NC* is New Customers of the period



Your Product

How do you design & build your product?

Now you need to define over and over what your Minimum Viable Product looks like to gain both market share and profitability on the way.

- Identify key assumptions
- Test key assumptions
- Define the Minimum Viable Business Product (MVBP)
- Show that the dog will eat the dog's food

— (20). Identify key assumptions

Objectives

Summarize the key assumptions that establish the backbone of your business plan. Reconsider all the way to this step, to which extent your work is consistent and singular and which adjustments you may make to improve the value of your innovation project.

Main actions

- Review the previous steps and recap your big assumptions on the basis of logical conclusion you proceeded through
- Dive deep into the feedback from [The next 10 customers](#) and the [DMU](#)
- For each assumption assess how the reality works (not how you would like it to be or how some segment of customers would desire)
- Test and challenge your assumptions with an empirical approach
- Reiterate some part of the analysis when assumptions are debunked

Outcome (Illustration)

Dimension 1 (e.g. Producer)

1. Assumption
2. ...
3. ...
4. ...
5. ...
- 6.

Dimension ...

1. Assumption
2. ...
3. ...
4. ...
5. ...
- 6.

— (21). Test key assumptions

Objectives

Build your own test and trial experience to confirm or invalidate the key strategic assumptions made so far (and in case of invalidation, obtain first-hand information in order to revise your premises and choices).

Main actions

- Design experiments to test your assumptions
- Comply with a constraint to experiment in a cheap, quick and practical way
- Experiment with your potential customers and DMU
- Gather data and learn from it to validate or invalidate your assumptions
- Improve your knowledge of your targeted customers

Instance. Test supposed early-adopter if they are willing to do any of the following
-Prepay for a solution
-Put down a deposit
-Provide a letter of intent
-Agree to a pilot
-Consent to purchase at some specific conditions...

Outcome (Illustration)

- Title
- Assumption tested
- Empirical means and solutions used
- Describe the test (methodology)
- Customer and situation targeted
- Detailed description of cost and/or pricing items tested
- ...

— (22). Define the Minimum Viable Product (MVP)

Objectives

Build the MVP integrating the set of priorities and capabilities expressed by the target client (Persona), under the constraints that maximize the probability that the product or service will be actually purchased by customers. **Minimum Viable Business Product** extend the challenge to gain a tangible paying customers base providing vital feedback to move forward to a more sophisticated version of your product/service.

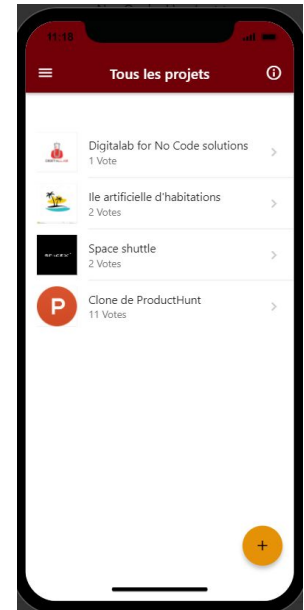
Main actions

- Create a real prototype to display the value your product or services provide to your customers
- Extend the reach to a Minimum Viable Business Product (MVBP) that comply with three elements:
 - The customer gets value out of use of the product
 - The customer pays for the products
 - The MVP is sophisticated enough to nudge the customers to give feedback useful for the product improvement
- Balance simplicity (and cost) with capability to test and account for value

Outcome (Illustration)

Project Funding platform Smartphone App

- MVP Mockup
- Nocode solution (Adalo) used to build MVP
- All the UX/UI architecture tested to an extended level
- User experience and navigation complete
- Customers can test with their own smartphone and sign up to enlarge the test customer base



— (23). Show that the “*dog will eat the dog's food*”

Objectives

Provide a quantitative demonstration that customers will actually pay for your product or services as built in the [MVP](#).

Main actions

- Build a real-life test & measure approach to verify who is ready to buy and under which conditions (check your initial price proposition, the terms of usage adoption, ...)
- Measure the existing usage of your MVP whether customers are already paying for it, testing it for free or considering to use it
- Develop metrics that demonstrate the level of customers' acceptance and willingness to buy the products or services
- Consider special items of focus such as:
 - Market access (generating leads)
 - Sales process (Actual sales in relevant unit volumes)
 - Deliver value (based on the [Quantify Value Proposition](#) step, measure to which extent the customers actually capture value from your product or services)

Outcome (Illustration)

Project Funding platform Smartphone App

- Adjusted MVP
- Updated specification brochure and operational product/service in real customer conditions
- Selection of customers to monitor in detail (e.g. Beta testers)
- Proposal of special price terms for the trial (e.g. free trial for 30 days or based on a usage volume)
- Measure unit volume actually used and purchased by customers (including aborted purchase or usage)
- Measure value capture by customers
- ...

Scaling start

How do you scale your Business?

To grow is then to plan how you improve your product and extend your value proposition. You may pursue your development embracing an Agile framework.

→ **How do you scale your Business?**

— (14). Calculate the Total Addressable Market Size for Follow-on Markets

Objectives

Based on the concept and methodology of the Total Addressable Market ([TAM](#)) already calculated when assessing the potential of the [Beachhead market](#) (your selected entry segment), your team want to anticipate future development over adjacent and promising segments already identified when you made the [Market Segmentation](#).

Main actions

- Check and update if need your [Market Segmentation](#) that provide at this stage a detailed analysis of 5 to 6 follow-on markets
- Define and prepare to demonstrate on what criteria you determine your follow-on markets and how you protect or improve your [Core](#)
 - Selling the same customers additional products or services (upselling)
 - Sel the same base-product to adjacent markets with a limited need for product or service adjustments
- Identify different sets of variables to take into account variations in demographics, economics and financial cost and price driver among each segment
- Calculate TAM for each segment
- Design a consolidated structure for calculating the overall

the TAM and aggregate relevant secondary results

Outcome (Illustration)

- Same concept and modeling requirements
- New segments and group of target customers may mean different variations of your economic and financial modeling
- Have in mind to build a minimum common structure of the TAM and secondary results to create a consolidation

— (24). Develop a Product Plan

Objectives

Plan the evolutions both from the point of view of: 1. Selling proposition beyond your existing [MVP](#) features (extended and new features, options, functionalities); 2. Entry into [adjacent market segments](#) (market diversification).

Main actions

- Present the new features and capabilities your are or will develop and integrate to your product and your services
- Choose a relevant planning granularity (e.g. distinguish parts according to market segments and product)
- Choose the set of time horizons accurate pertaining to:
 - Your sustainable development pace
 - The advancement of your competitors
 - Marketing commitment made to the customers for future release
- Match the Product Plan with the Marketing and Sales agenda

Outcome (Illustration)

Markets	Periods			
	Current	Semester 2. Year N	Next Year	Year 2+
Beachhead Market				
Product 1	Feature #1	Feature #2 Feature #3	Feature #4	
Product 2		Feature #1 Feature #2	Feature #3	Feature #4 Feature #5 Feature #6
Number of features	1	4	2	3
Development Plan, K€	n,nnn K€	n,nnn K€	n,nnn K€	n,nnn K€
Segment Market 2 Upselling				
Product 1 (Upselling of existing product)			Feature #5 Feature #6	Feature #7
Number of features			2	1
Development Plan, K€	n,nnn K€	n,nnn K€	n,nnn K€	n,nnn K€
Adjacent Segment 1 (Diversification)				
Product 3			Feature #5 Feature #6	Feature #7
Number of features			2	1
Development Plan, K€	n,nnn K€	n,nnn K€	n,nnn K€	n,nnn K€

Author and contact

Cyril Lagrange helps his clients explore their strategic opportunities, solve open problems, and make sense of data to create impacts and achieve sustainable performance beyond financials.

As a post-graduate of *Toulouse Business School* and with an MSc in Strategy and Corporate Finance from the *Conservatoire National des Arts et Métier* (Paris), he developed a hybrid career in corporate management job positions and consulting firms (PwC, Bearingpoint) in the USA, France, and international organizations.

Certified SAFe® Program Consultant (SPC), he proposes to coach and lead the change, to support the ideation and design phase, and implement Agile framework in the context of digital transformation programs for companies of all sectors.



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