Canvas + Business model

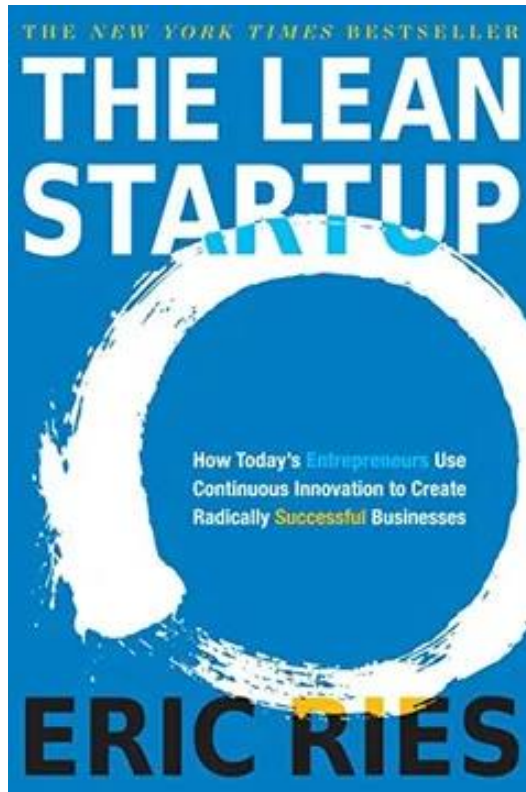Diseño de productos e innovación en TI

Arturo Henao

Starting from scratch

- Start-up, small business or a product initiative = hit-or-miss proposition

- Old school formula -> Business plan

- 75% of all start-ups fail*

- Making things less risky → "lean start-up"
        Favors experimentation over elaborate planning
        Customer feedback over intuition
        Iterative design over traditional "big design up front" development

*Harvard Business School's Shikar Ghosh

The Lean Startup (2011)

THE NEW YORK TIMES BESTSELLER

THE LEAN STARTUP

How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses

ERIC RIES

"The only way to win is to learn faster than anyone else."
— Eric Ries

"We must learn what customers really want, not what they say they want or what we think they should want."
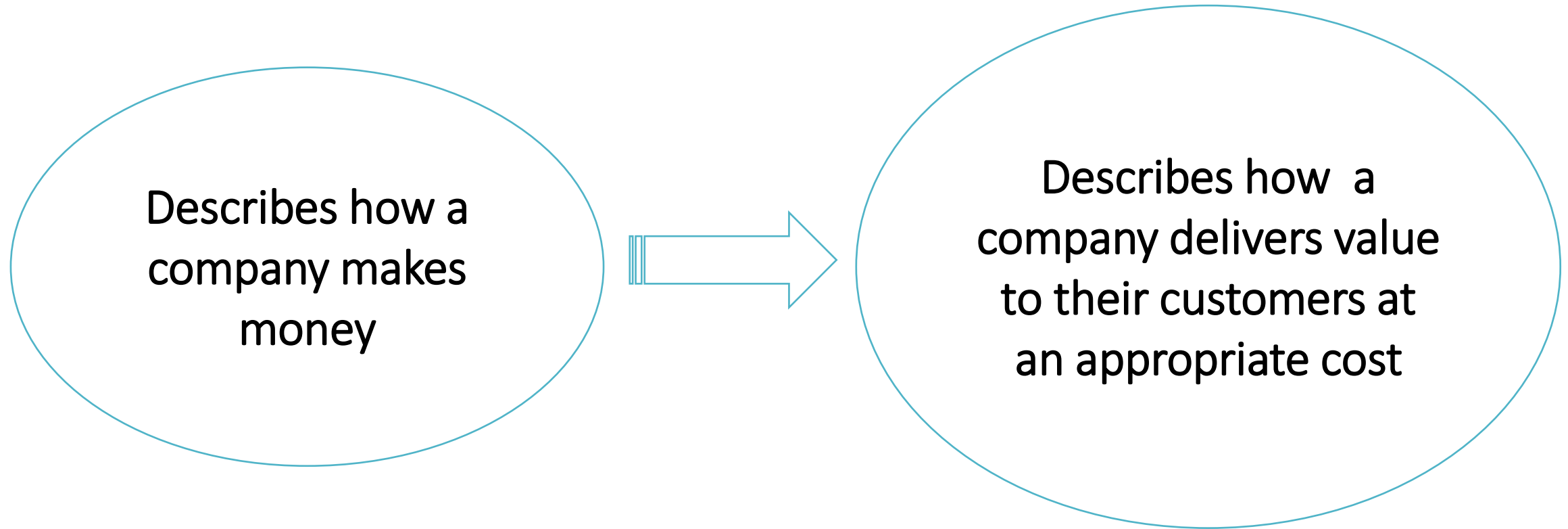— Eric Ries

"if you cannot fail, you cannot learn."
— Eric Ries

"A startup is a human institution designed to create a new product or service under conditions of extreme uncertainty."
— Eric Ries

Business model

Describes how a company makes money → Describes how a company delivers value to their customers at an appropriate cost

Business model canvas

An effective tool to help you project the future of your product, test hypotheses and pivot.

KEY PARTNERS

Who are our key partners?

Who are our key suppliers?

Which key resources are we acquiring from our partners?

Which key activities do partners perform?

KEY ACTIVITIES

What key activities do our value propositions require?

Our distribution channels?

Customer relationships?

Revenue streams?

KEY RESOURCES

What key resources do our value propositions require?

Our distribution channels?

Customer relationships?

Revenue streams?

VALUE PROPOSITIONS

What value do we deliver to the customer?

Which one of our customers' problems are we helping to solve?

What bundles of products and services are we offering to each segment?

Which customer needs are we satisfying?

What is the minimum viable product?

CUSTOMER RELATIONSHIPS

How do we get, keep, and grow customers?

Which customer relationships have we established?

How are they integrated with the rest of our business model?

How costly are they?

CHANNELS

Through which channels do our customer segments want to be reached?

How do other companies reach them now?

Which ones work best?

Which ones are most cost-efficient?

How are we integrating them with customer routines?

CUSTOMER SEGMENTS

For whom are we creating value?

Who are our most important customers?

What are the customer archetypes?

COST STRUCTURE

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

Which key resources are most expensive?

Which key activities are most expensive?

REVENUE STREAMS

For what value are our customers really willing to pay?

For what do they currently pay?

What is the revenue model?

What are the pricing tactics?

Learning from thousands of start-ups

After decades of watching thousands of start-ups follow this standard regimen, we've now learned at least three things:

1. Business plans rarely survive first contact with customers → "Everybody has a plan until they get punched in the mouth." Mike Tyson.

2. Almost no one requires five-year plans to forecast complete unknowns.

3. Start-ups are not smaller versions of large companies.

One of the critical differences is that while existing companies *execute* a business model, start-ups *look* for one.

Start-up: a temporary organization designed to search for a repeatable and scalable business model.

Lean vs Traditional

| Lean	Traditional
Strategy	
Business Model — Hypothesis-driven	Business Plan — Implementation-driven
New-Product Process	
Customer Development — Get out of the office and test hypotheses	Product Management — Prepare offering for market following a linear, step-by-step plan
Engineering	
Agile Development — Build the product iteratively and incrementally	Agile or Waterfall Development — Build the product iteratively, or fully specify the product before building it
Organization	
Customer and Agile Development Teams — Hire for learning, nimbleness, and speed	Departments by Function — Hire for experience and ability to execute
Financial Reporting	
Metrics That Matter — Customer acquisition cost, lifetime customer value, churn, viralness	Accounting — Income statement, balance sheet, cash flow statement
Failure	
Expected — Fix by iterating on ideas and pivoting away from ones that don't work	Exception — Fix by firing executives
Speed	
Rapid — Operates on good-enough data	Measured — Operates on complete data

Customer Segments
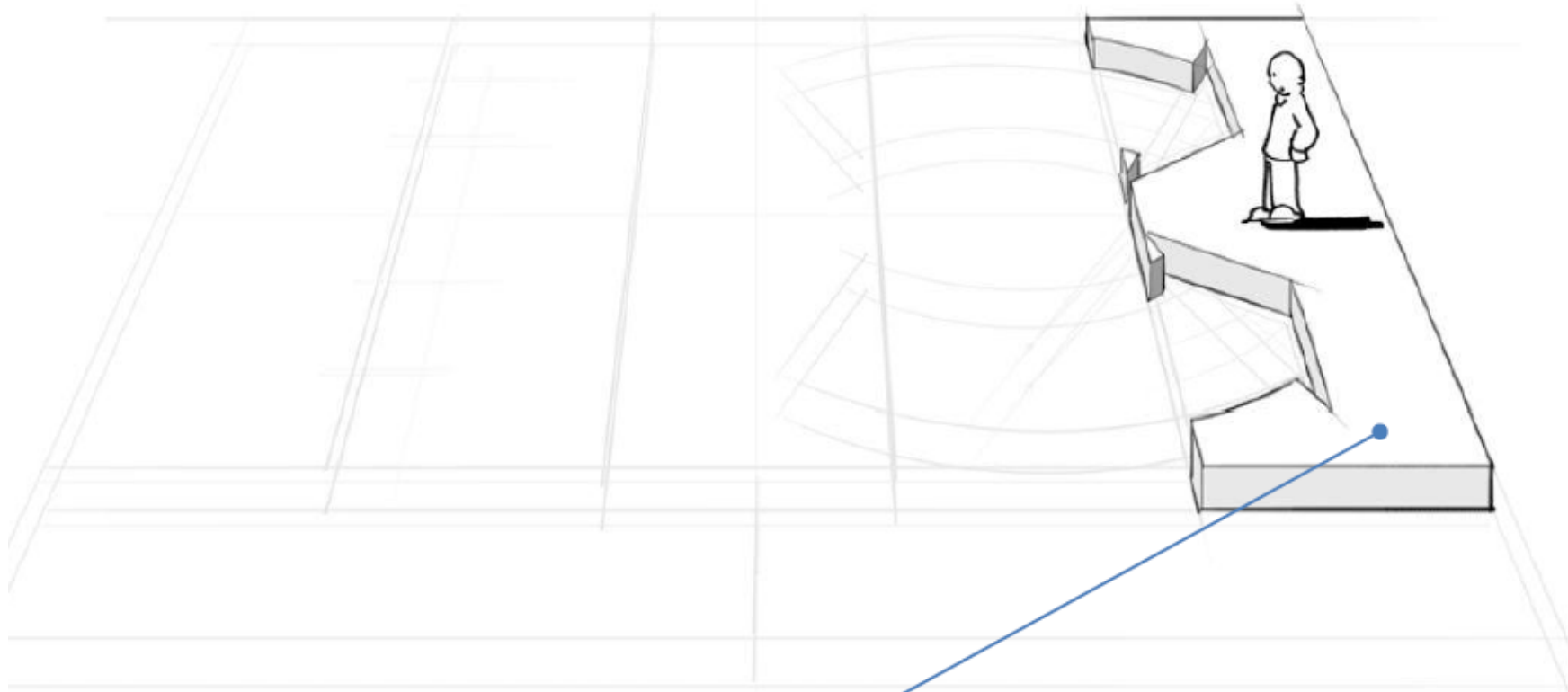
which customers and users are you serving?
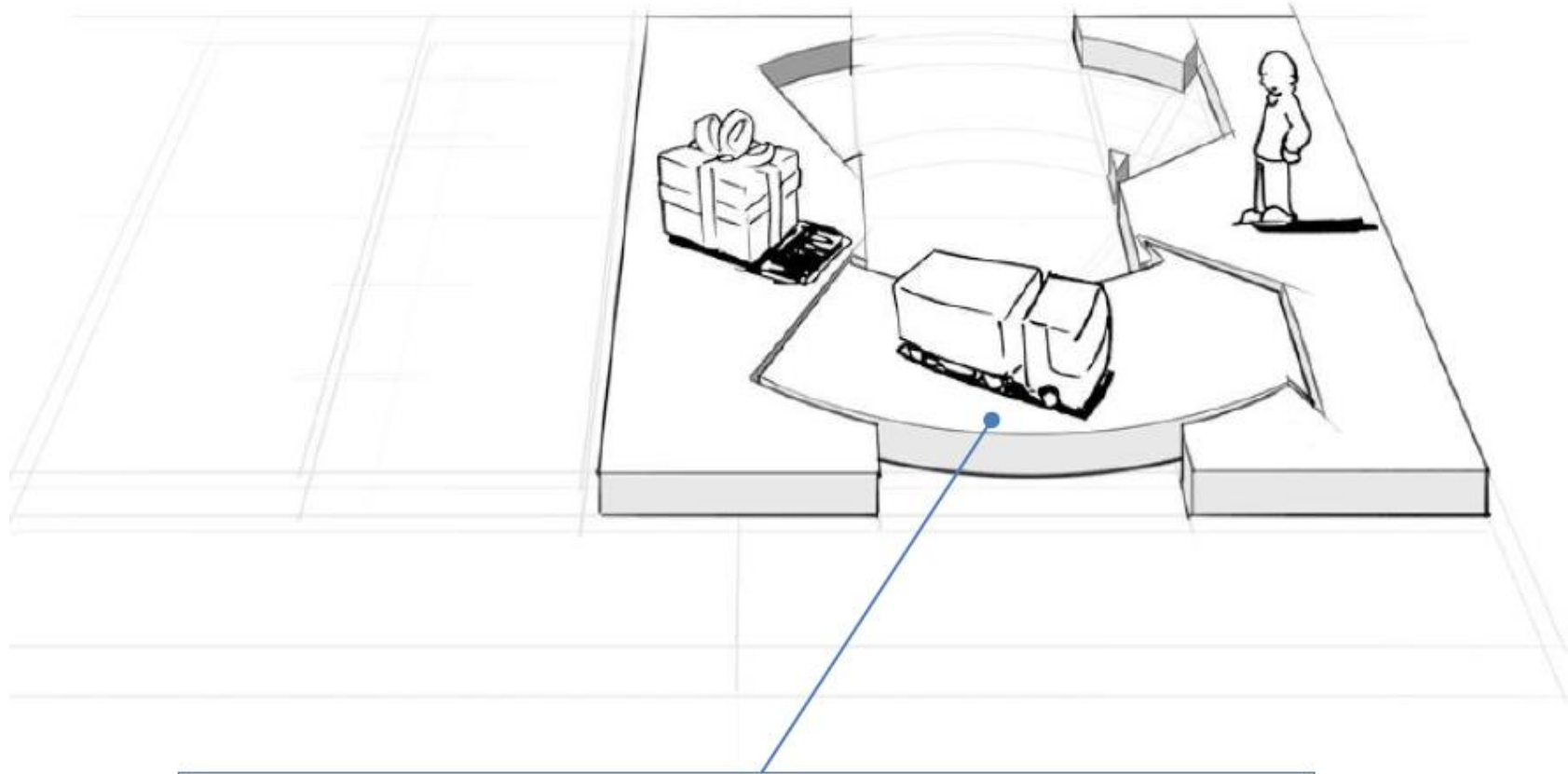which jobs do they really want to get done?

drawings by JAM

Value Proposition
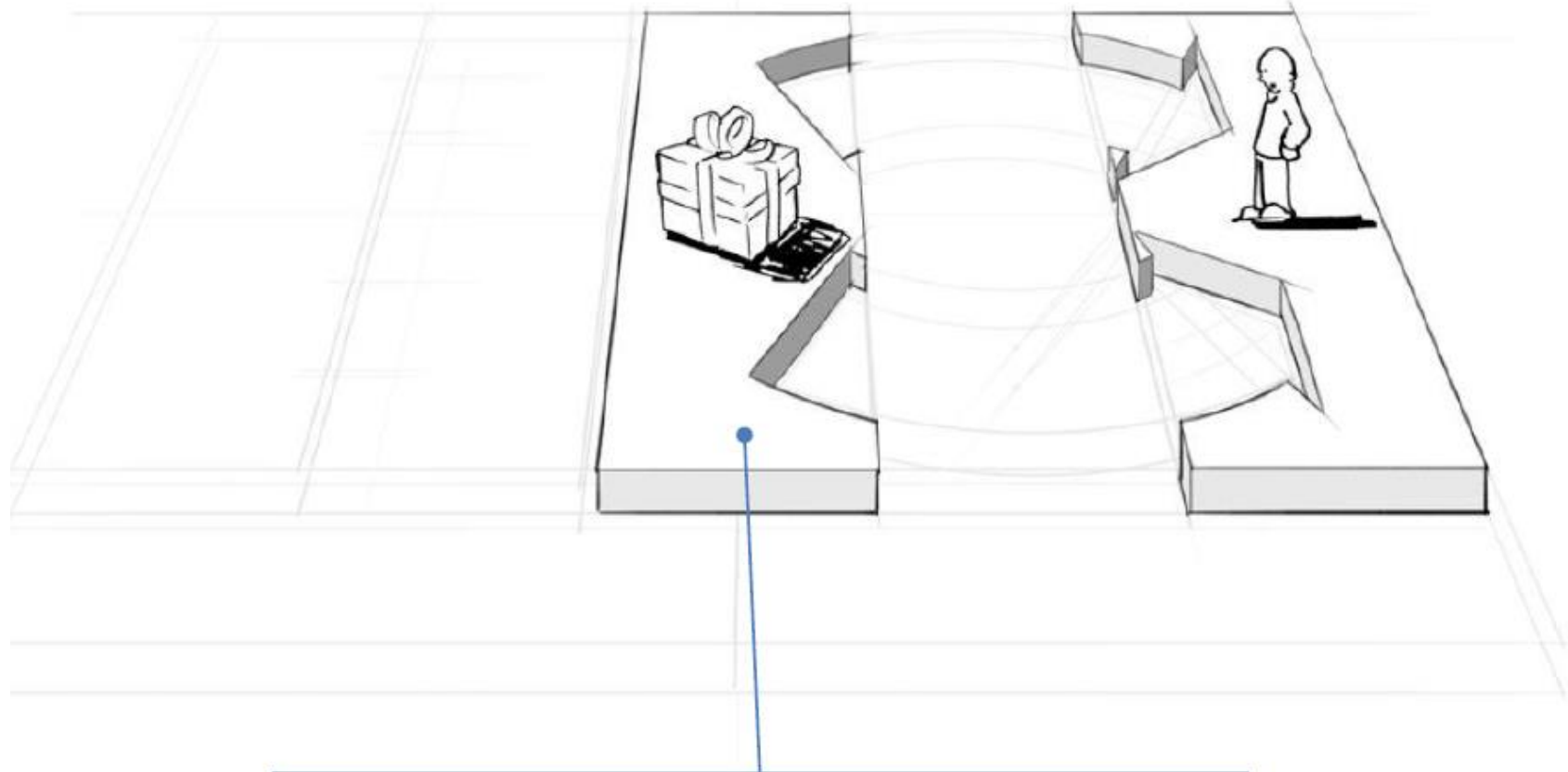
what are you offering them? what is that getting done for them? do they care?
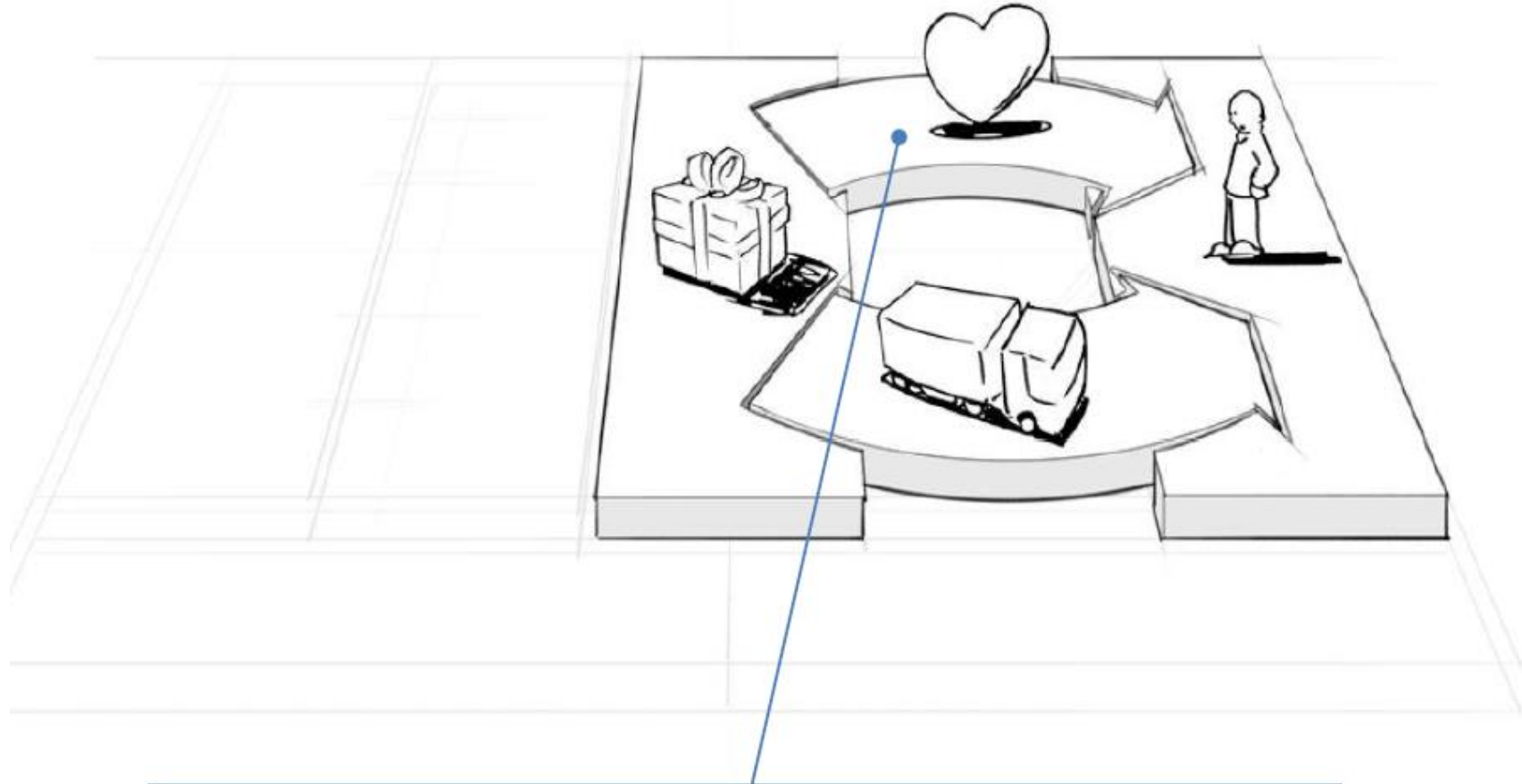
drawings by JAM

Channels

how does each customer segment want to be reached?
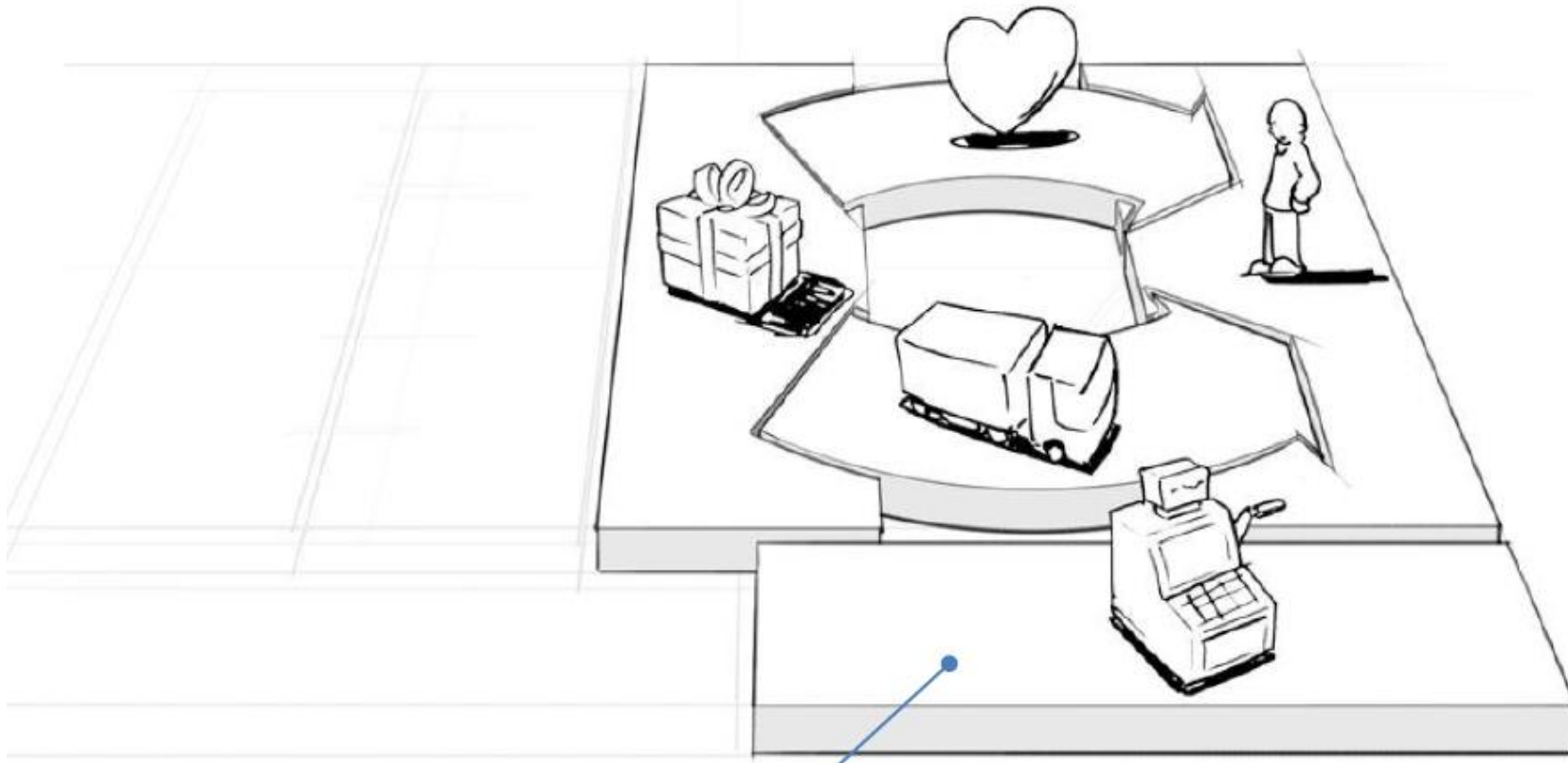through which interaction points?

drawings by JAM

Customer Relationships

what relationships are you establishing with each segment? personal? automated? acquisitive? retentive?

Revenue Streams

what are customers really willing to pay for? how?
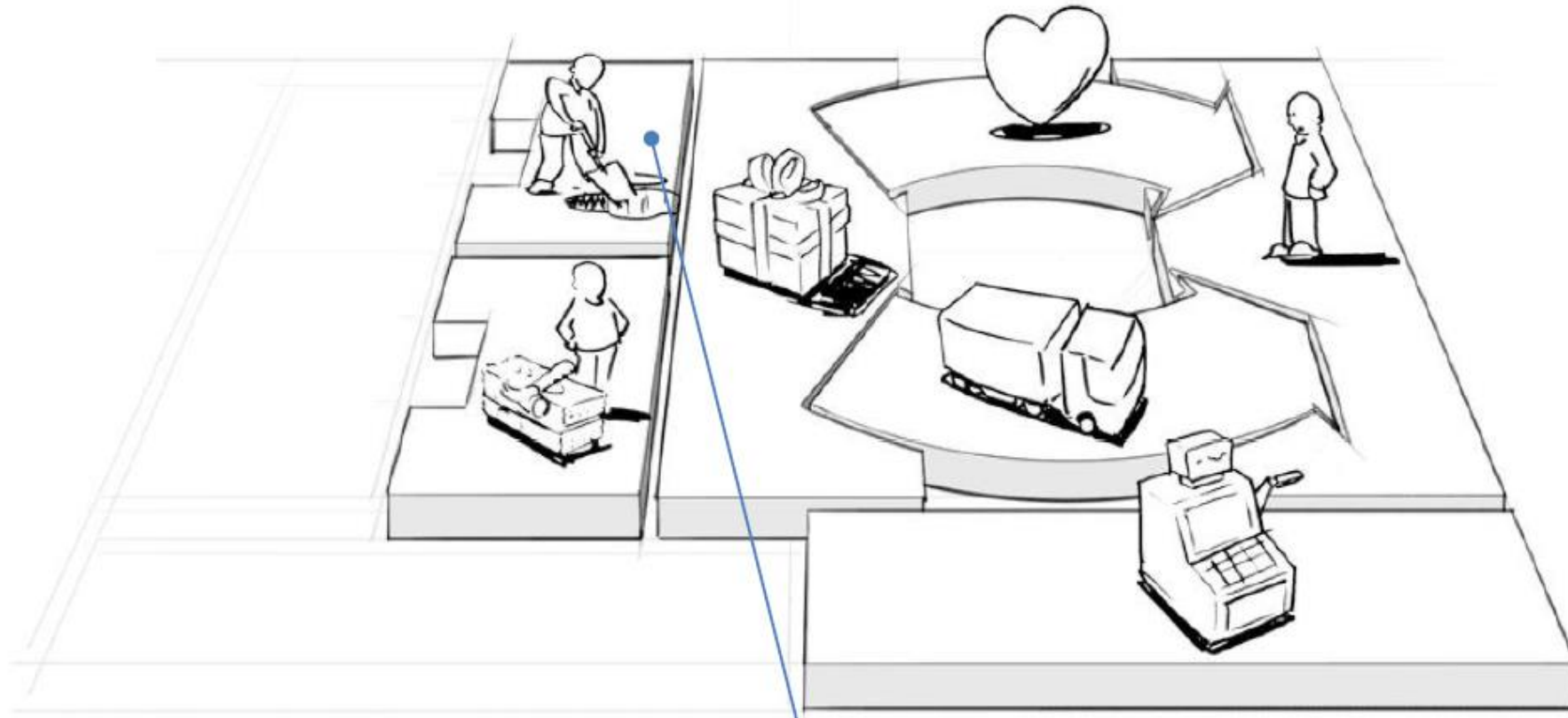are you generating transactional or recurring revenues?

drawings by JAM

Key Resources
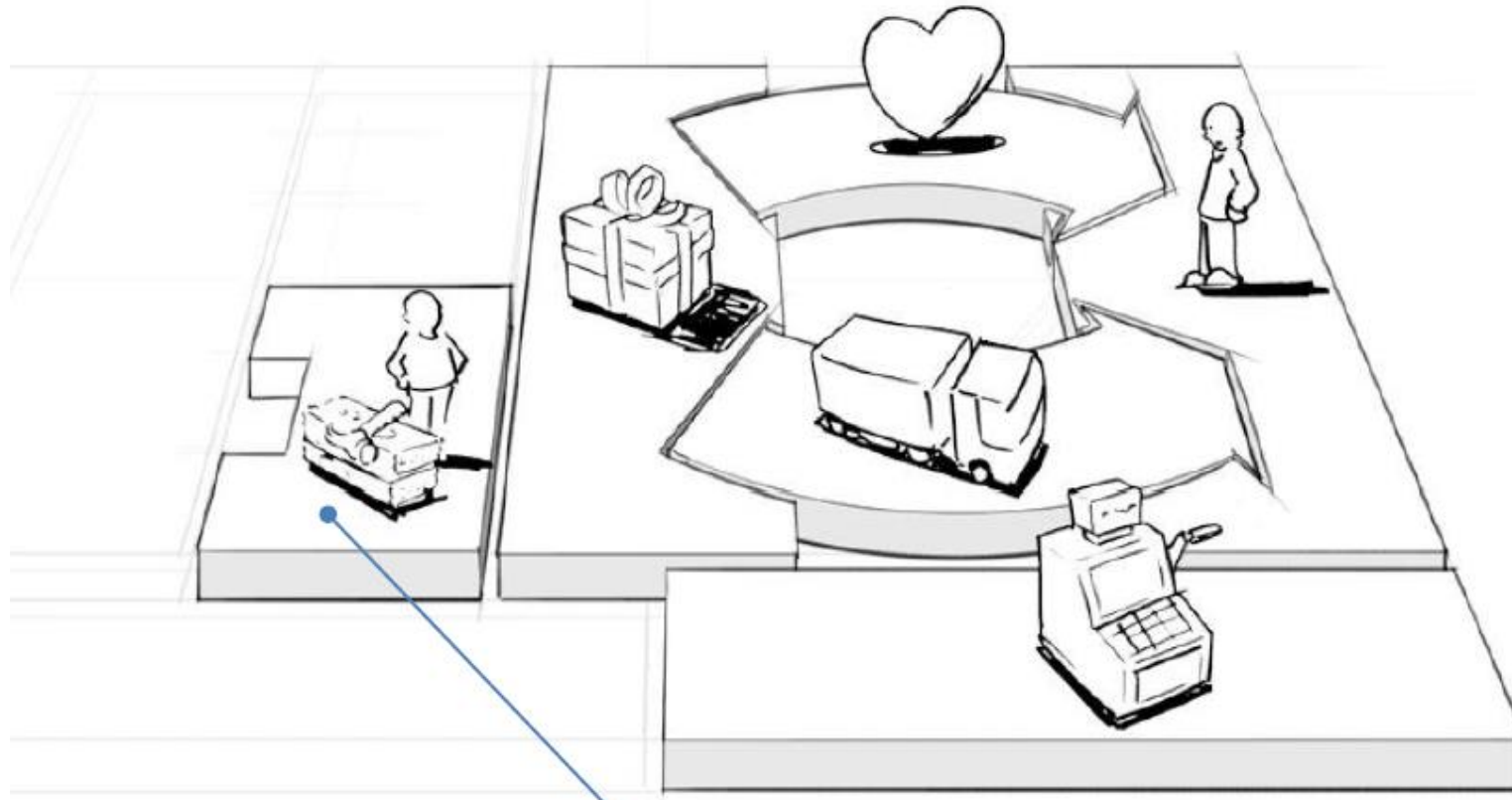
which resources underpin your business model?
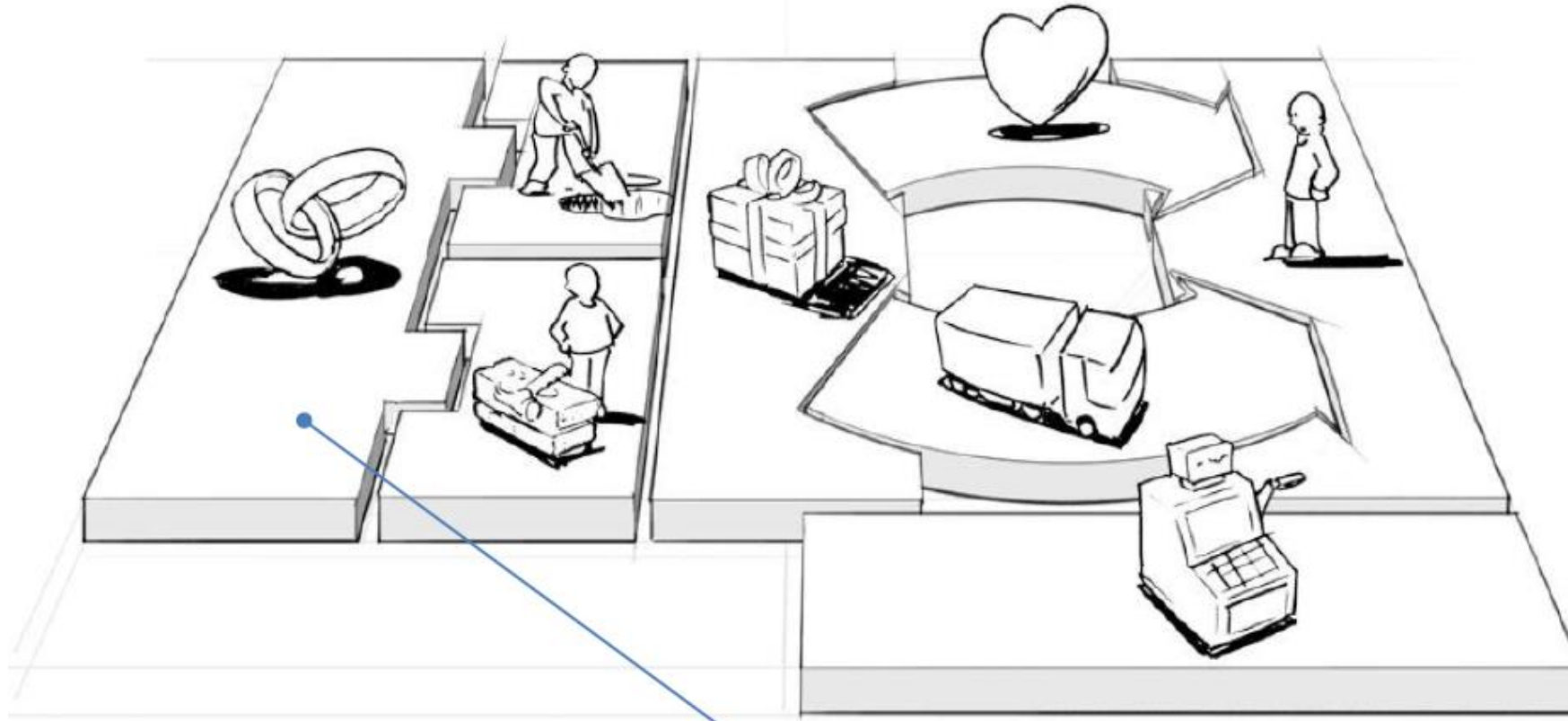which assets are essential?

drawings by JAM

Key Activities

which activities do you need to perform well in your business model? what is crucial?
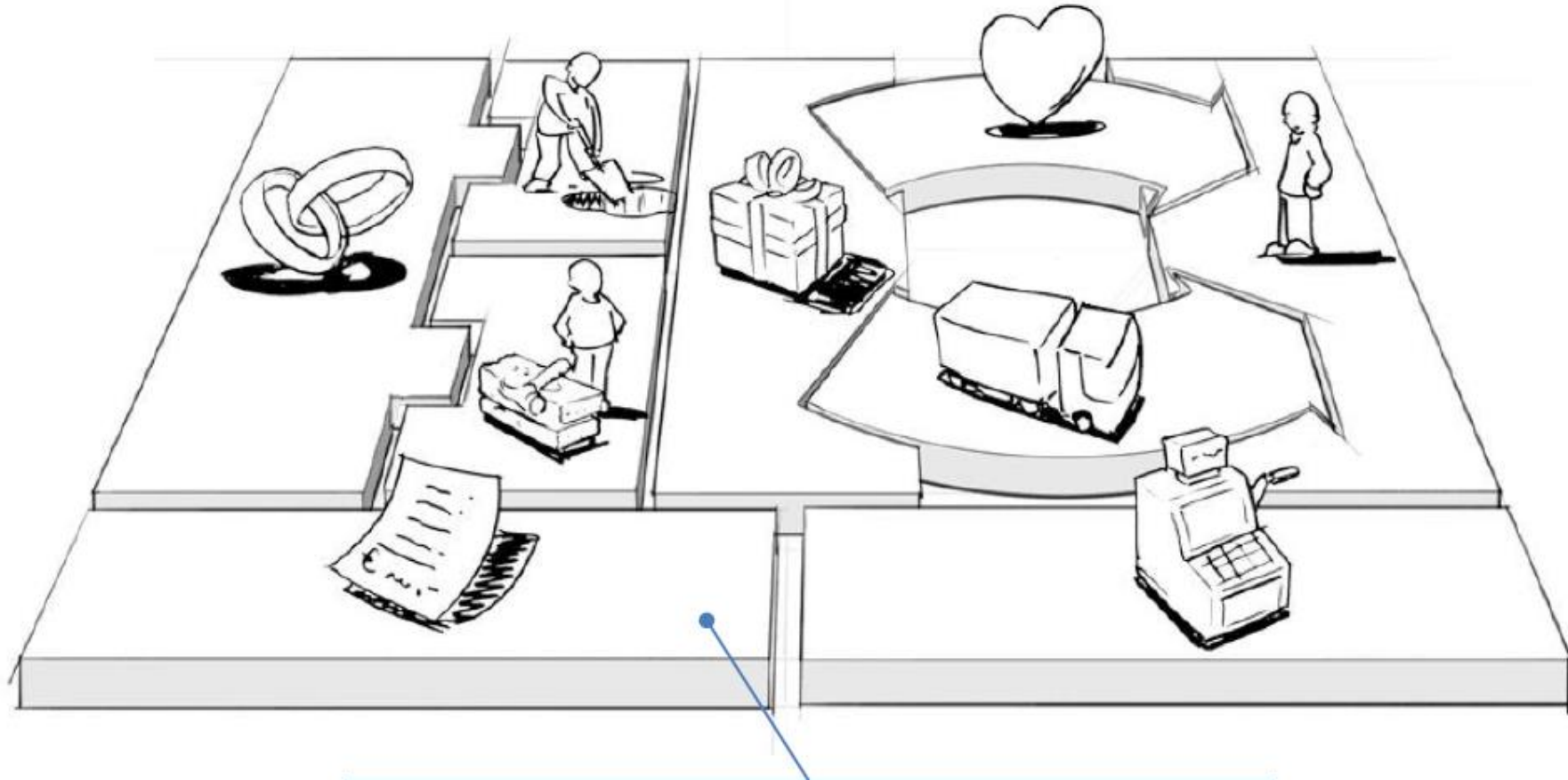
drawings by JAM

Key Partners

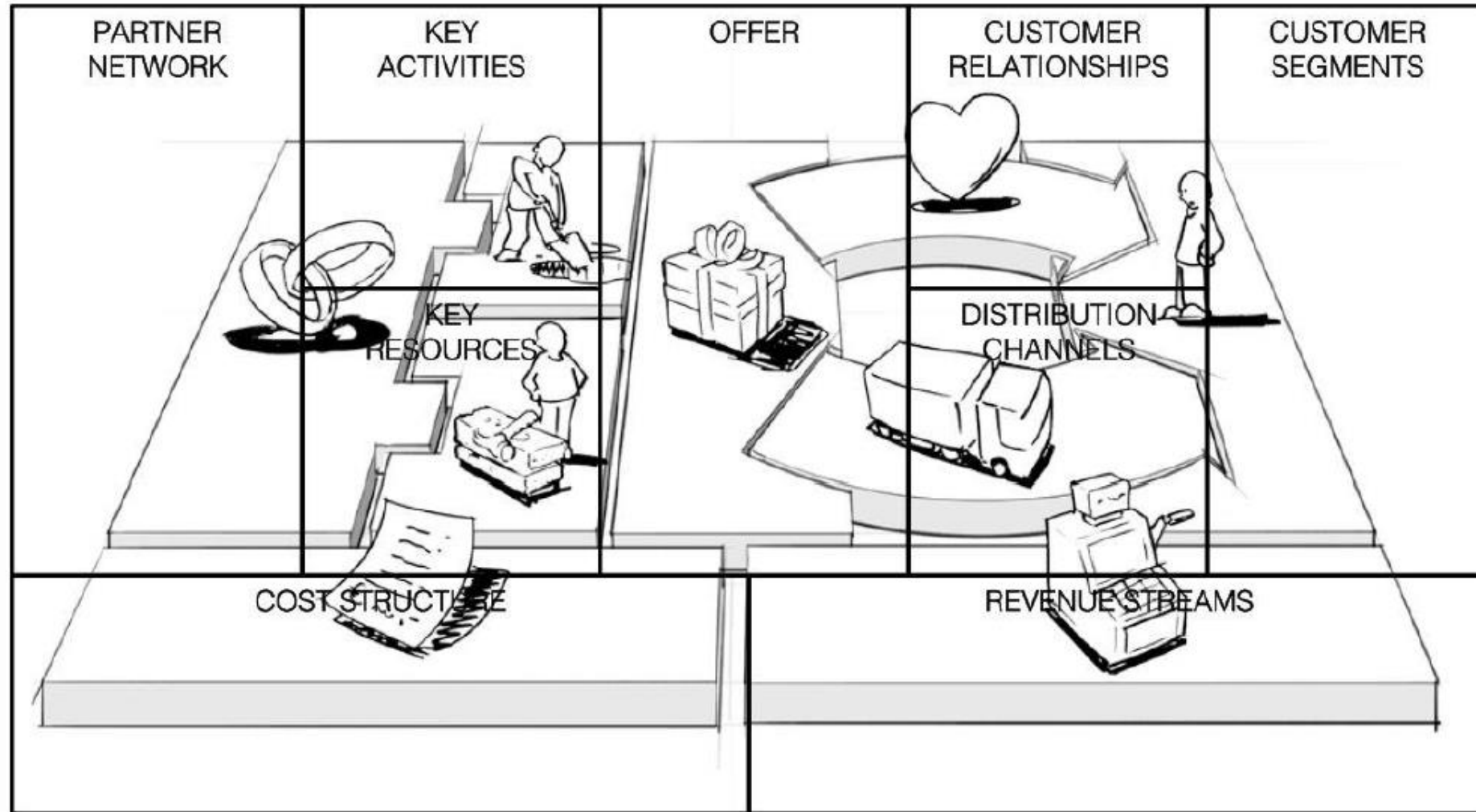which partners and suppliers leverage your model?
who do you need to rely on?

Cost Structure

what is the resulting cost structure?
which key elements drive your costs?

drawings by JAM

Business Model Canvas

Let's review some examples

https://railsware.com/blog/5-lean-canvas-examples/