



# Topic 1

Business Models  
and  
Customer Development



# Overview

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



# What we *used to believe*



Startups are  
*smaller versions*  
of large companies



October 20-22, 2014



# What we *now understand*



**Startups search**

**Companies execute**



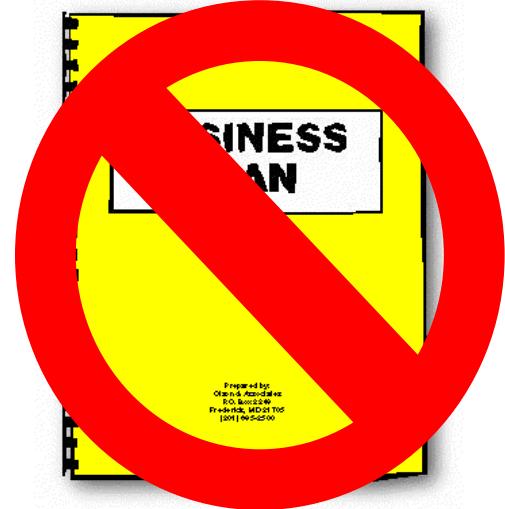
# Strategy



# Old definition of entrepreneurial strategy



Entrepreneurial strategy = Plan + Financial statements



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...for startups



SV



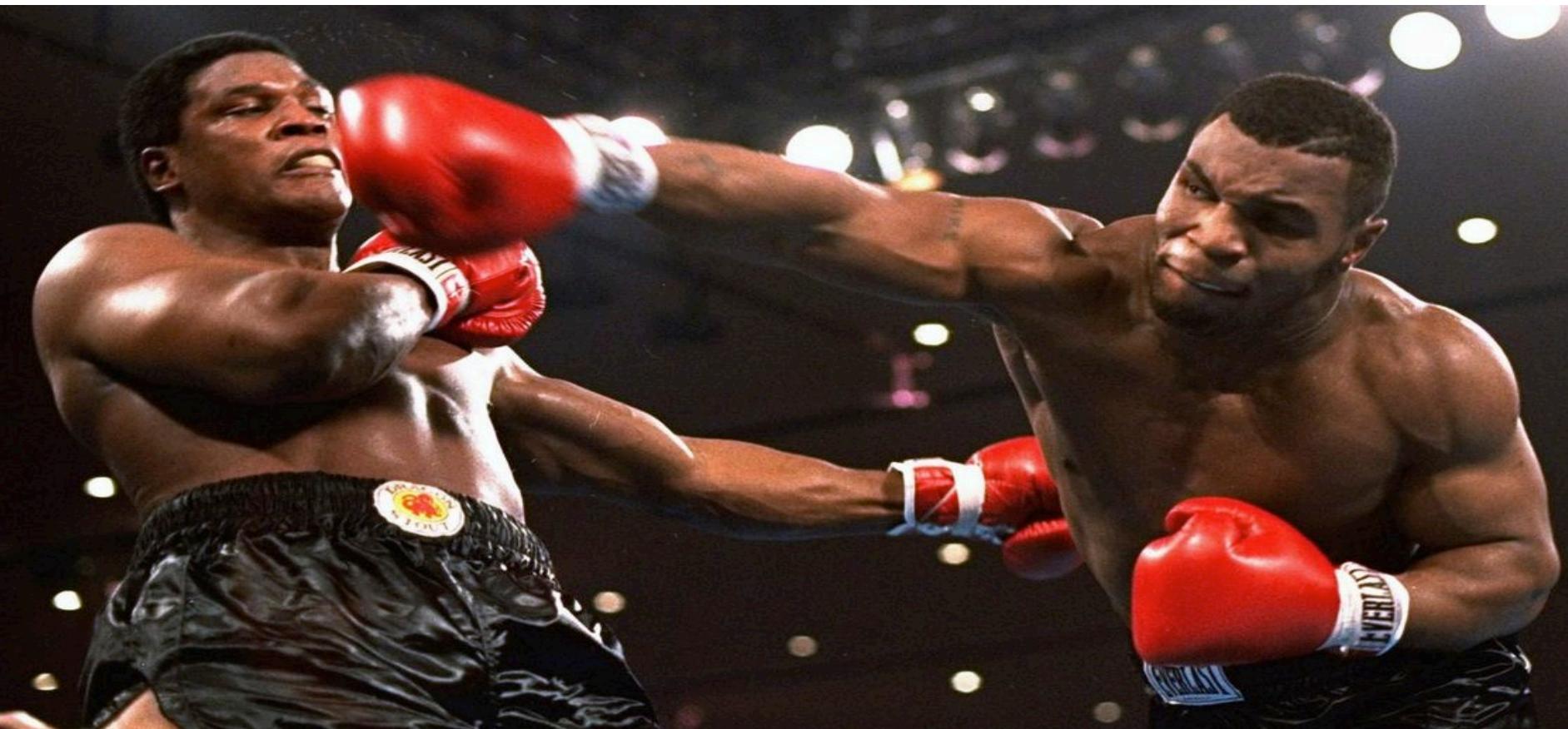
**SOUTHWEST  
I-CORPS**



**“Everyone has a *plan*...**



**...until he gets *punched in the face.*"**





Instead of creating  
business plans...

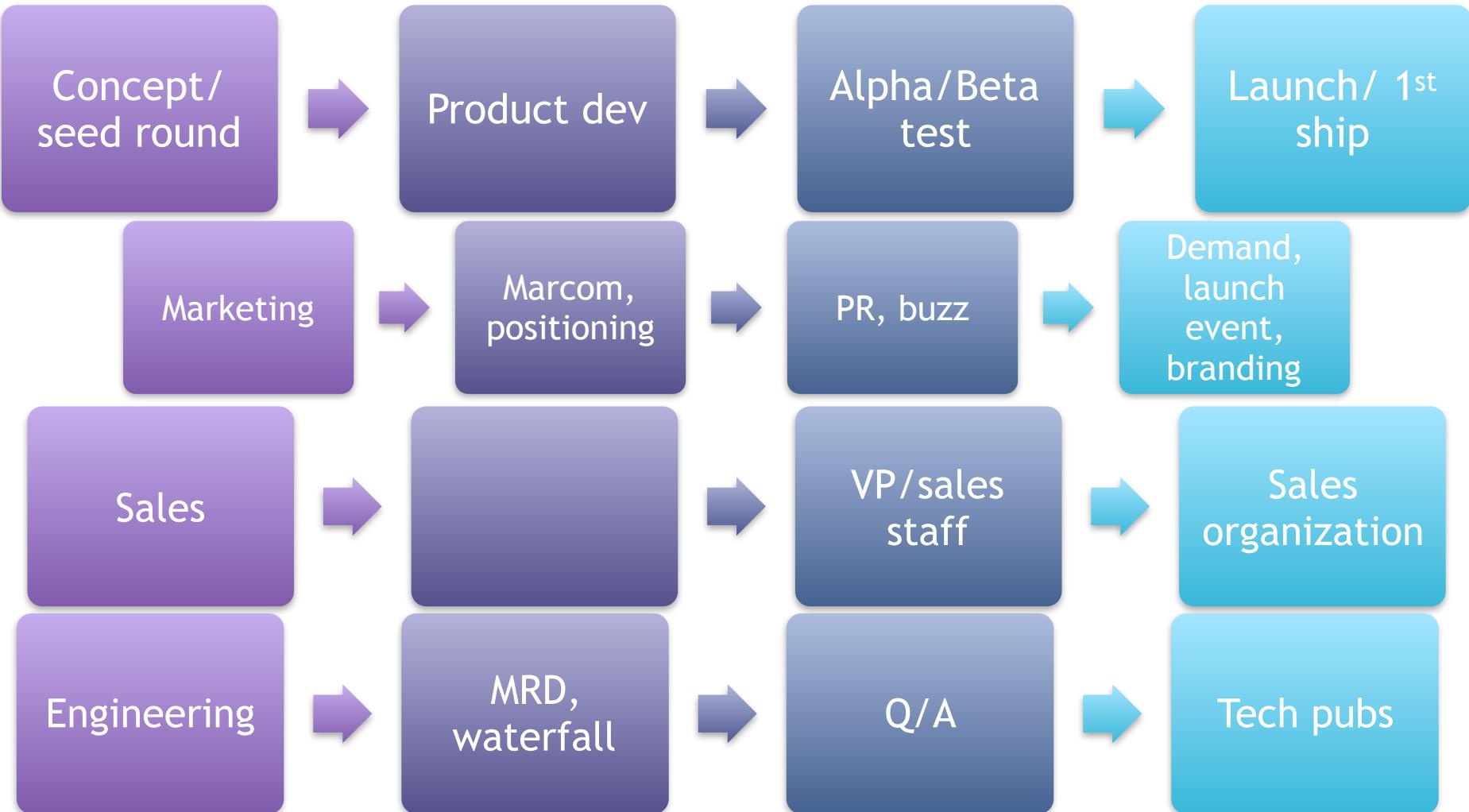
Today we discover  
*business models.*



# Process



# Classical view of process





**Startups don't fail from  
lack of process...**

**Startups fail from lack of  
customers.**



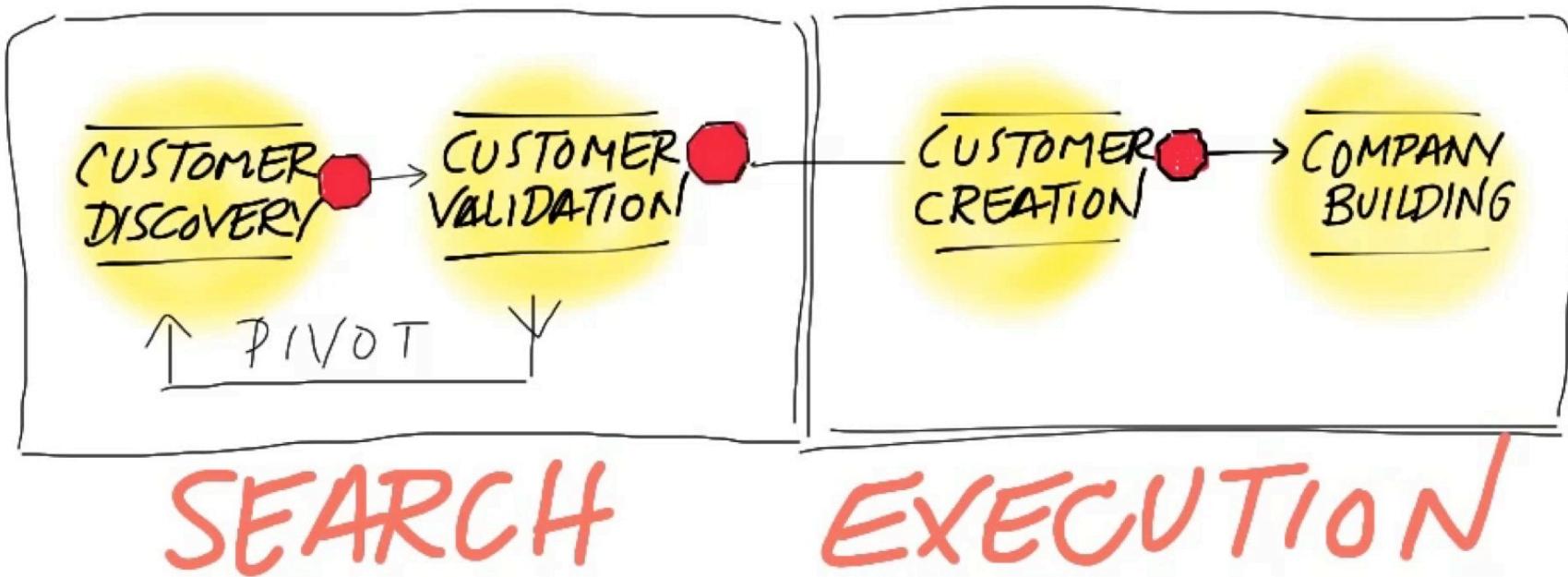
# Product introduction



You will **run out of time and money** before  
you run out of steps!



# Customer Development





# Organizations



**A founder does not run sales,  
marketing or business  
development...**

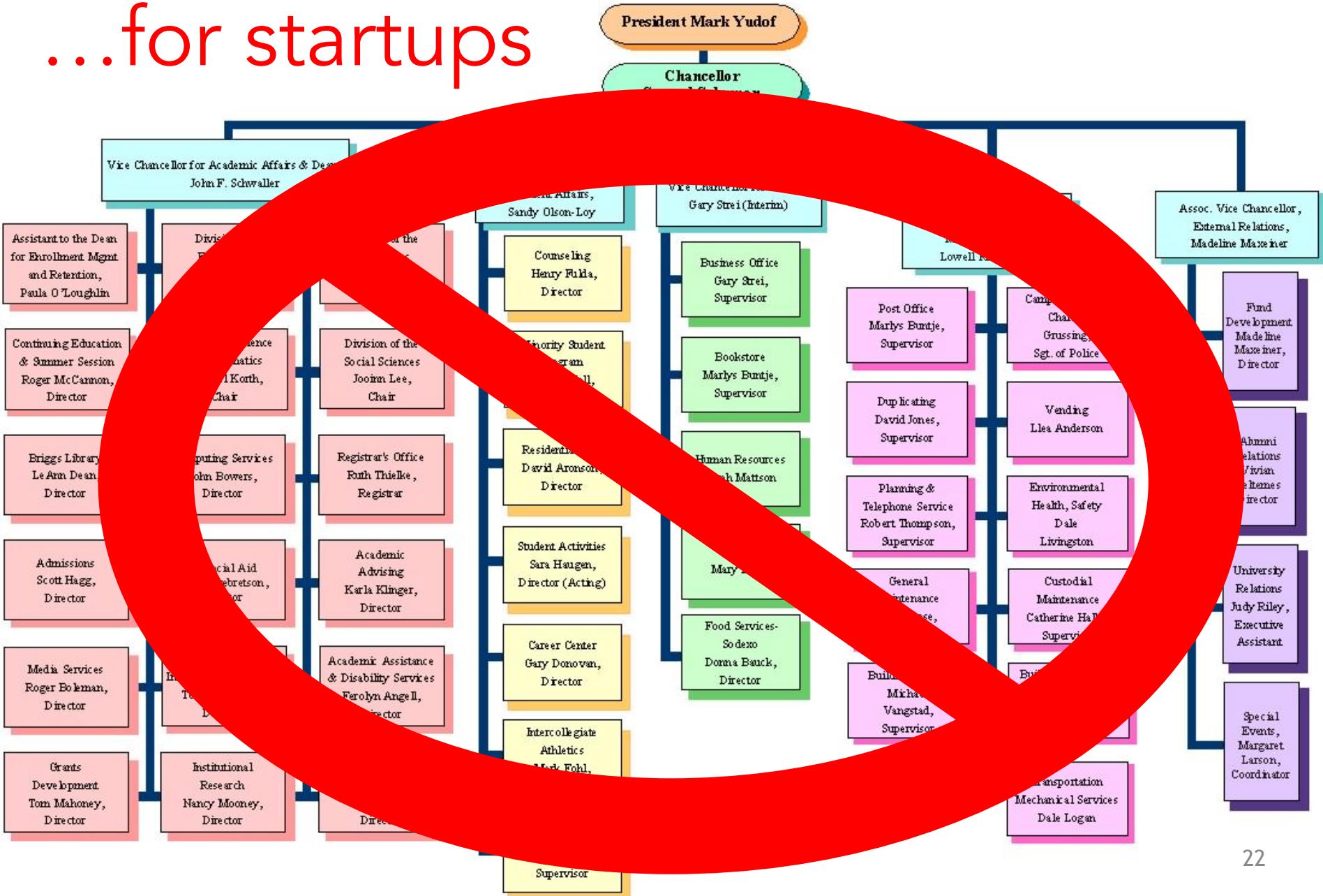
**A founder runs a customer  
development team.**



(February 2002)

## Administrative Organization University of Minnesota, Morris

# ...for startups

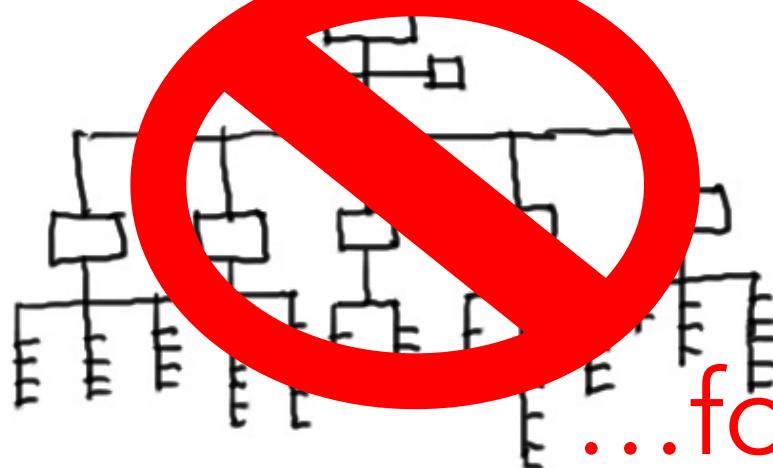




# Organizations



Classical company



Startup

...for startups

Team member

Team member

Mentor

Startups operate as teams, not as hierarchies.



# Rethinking startups

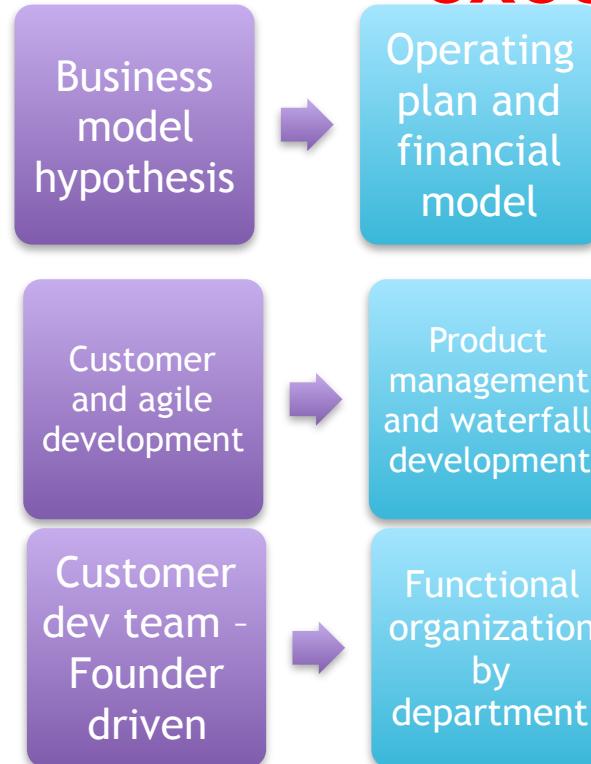
Strategy

Process

Organization

Startups  
search

Companies  
execute





# Companies vs. startups

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

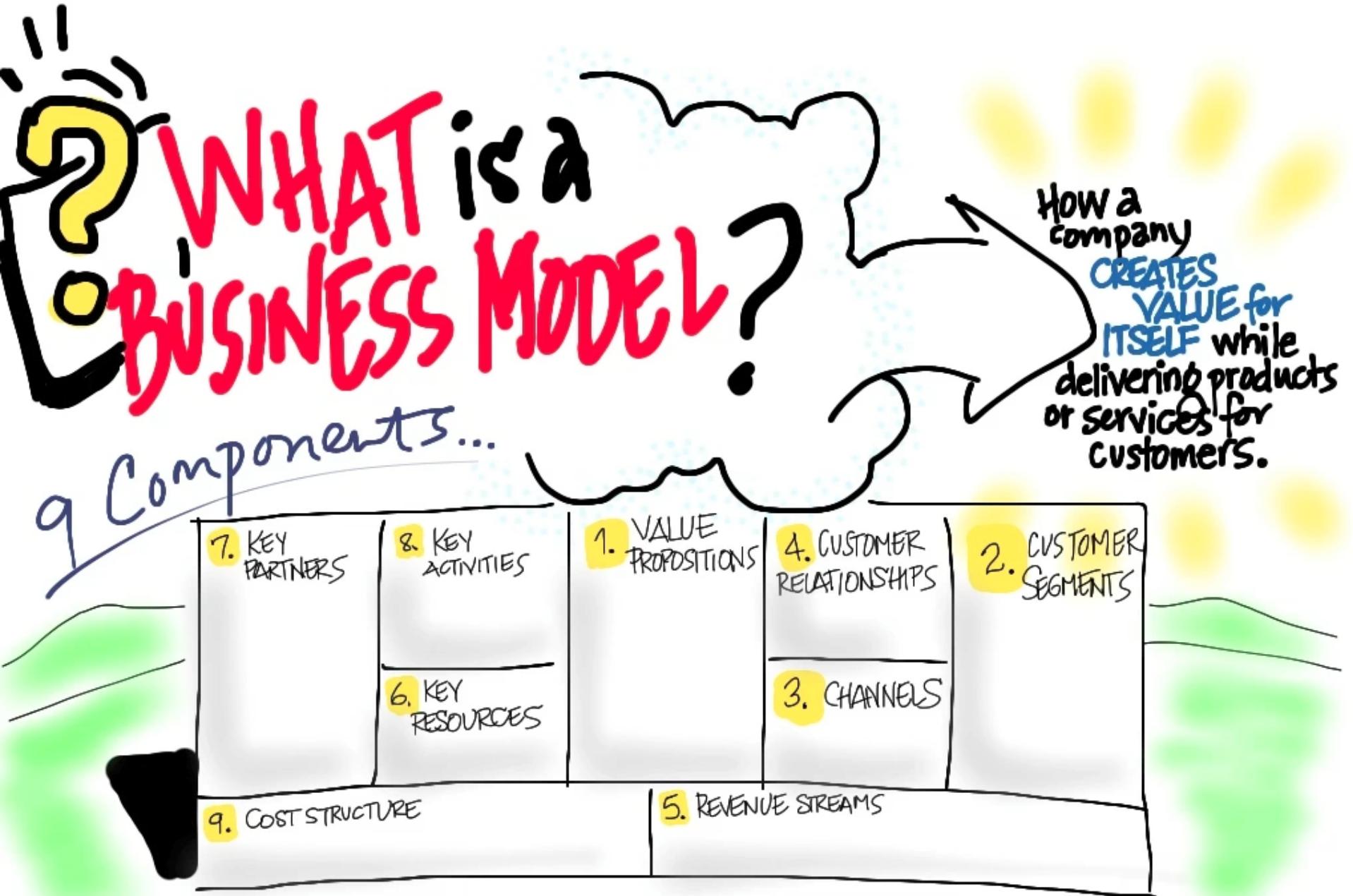
A startup is a temporary organization designed to *search for a repeatable, scalable and profitable business model.*



# Startup's goal

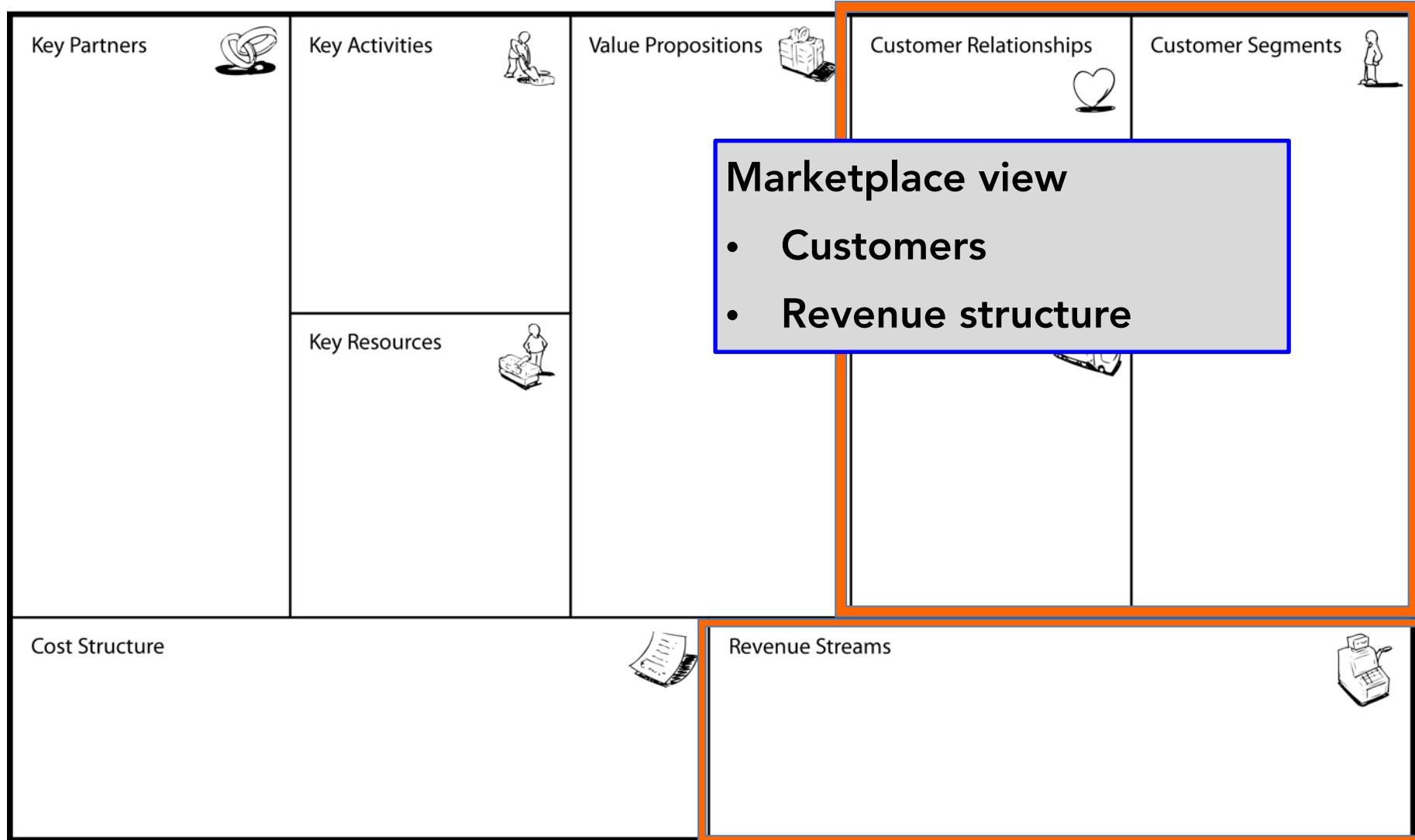
*To become a company!*

**A startup becomes a company after its customer discovery leads to a repeatable, scalable, and profitable business model.**



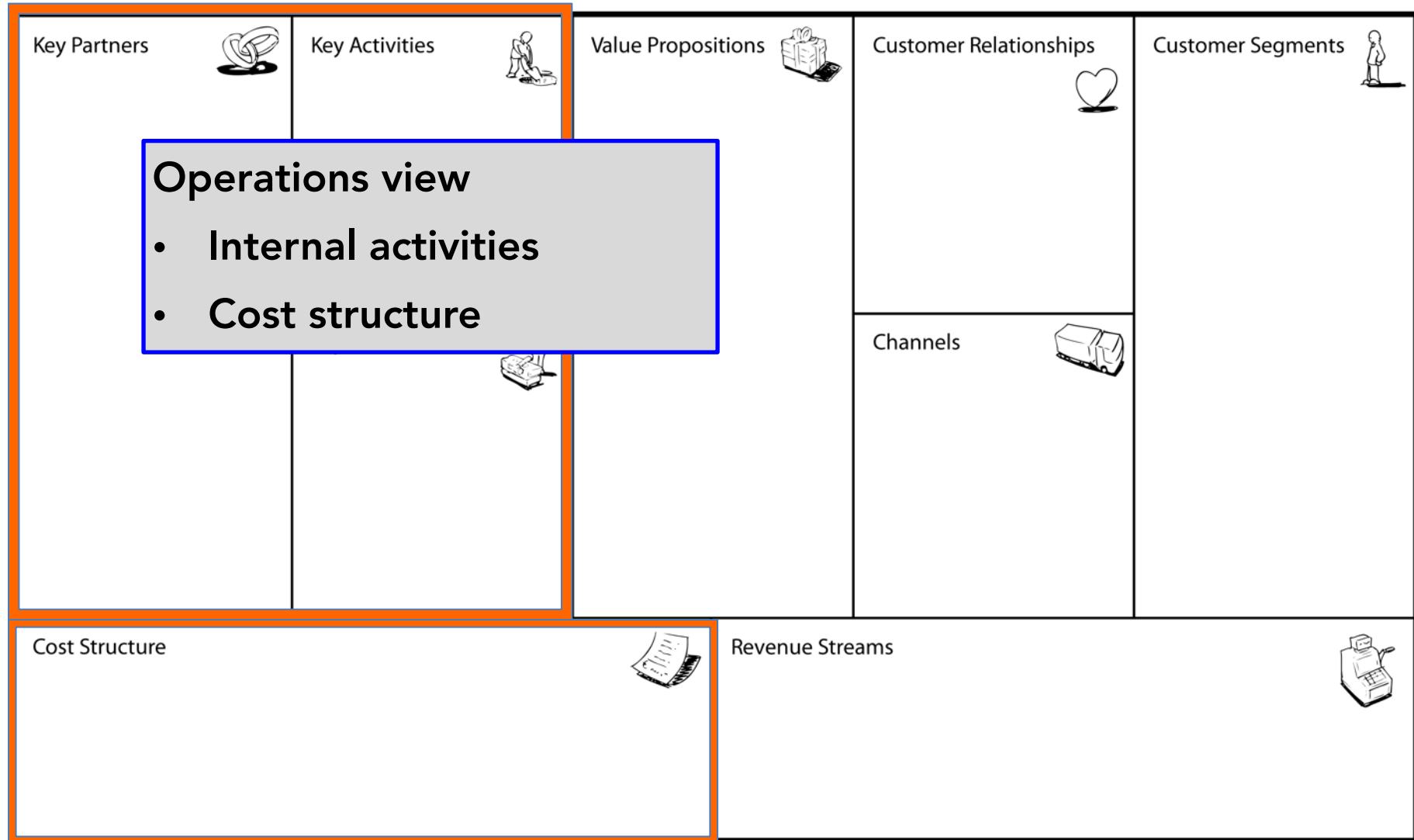


# “Right side” of canvas



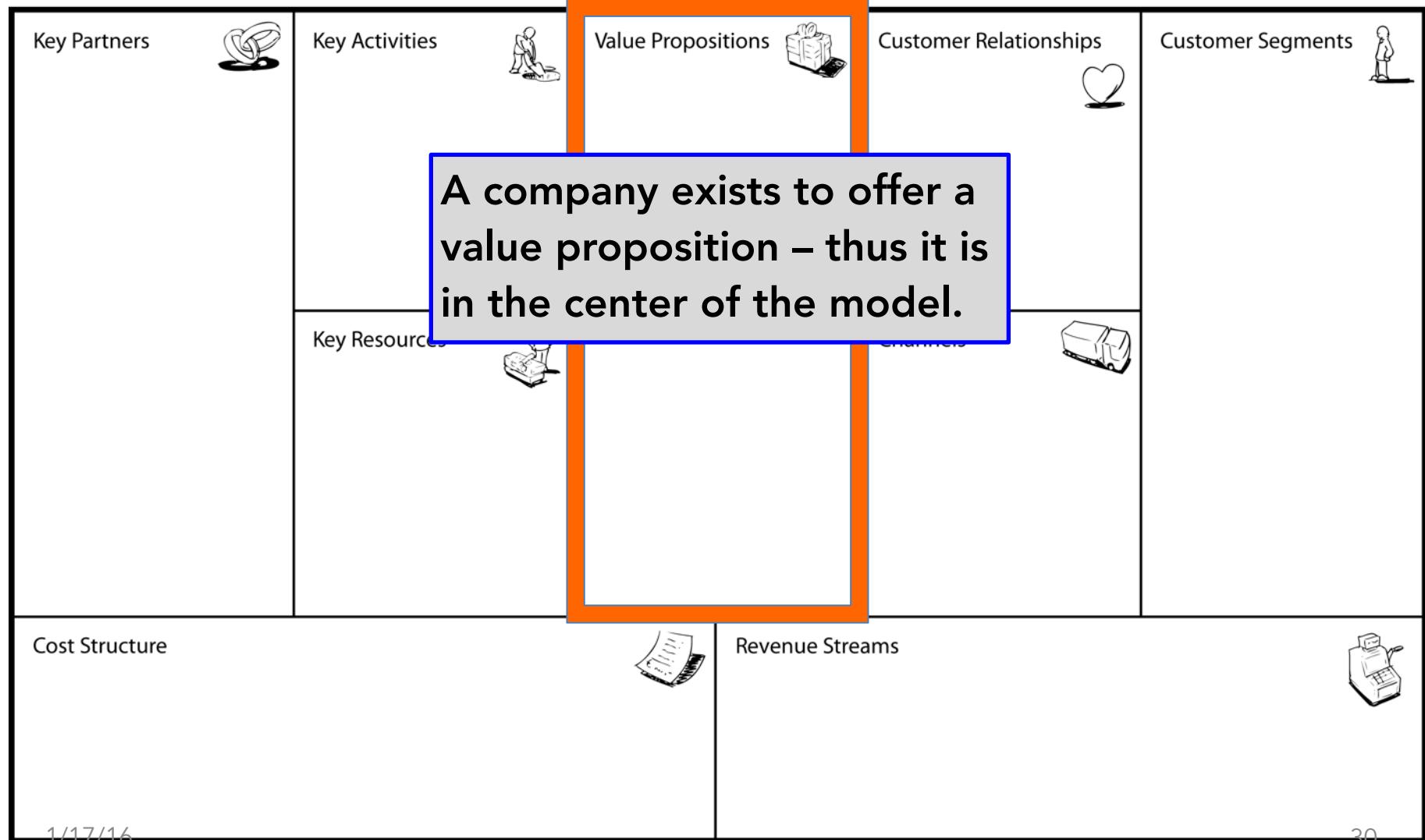


# “Left side” of canvas



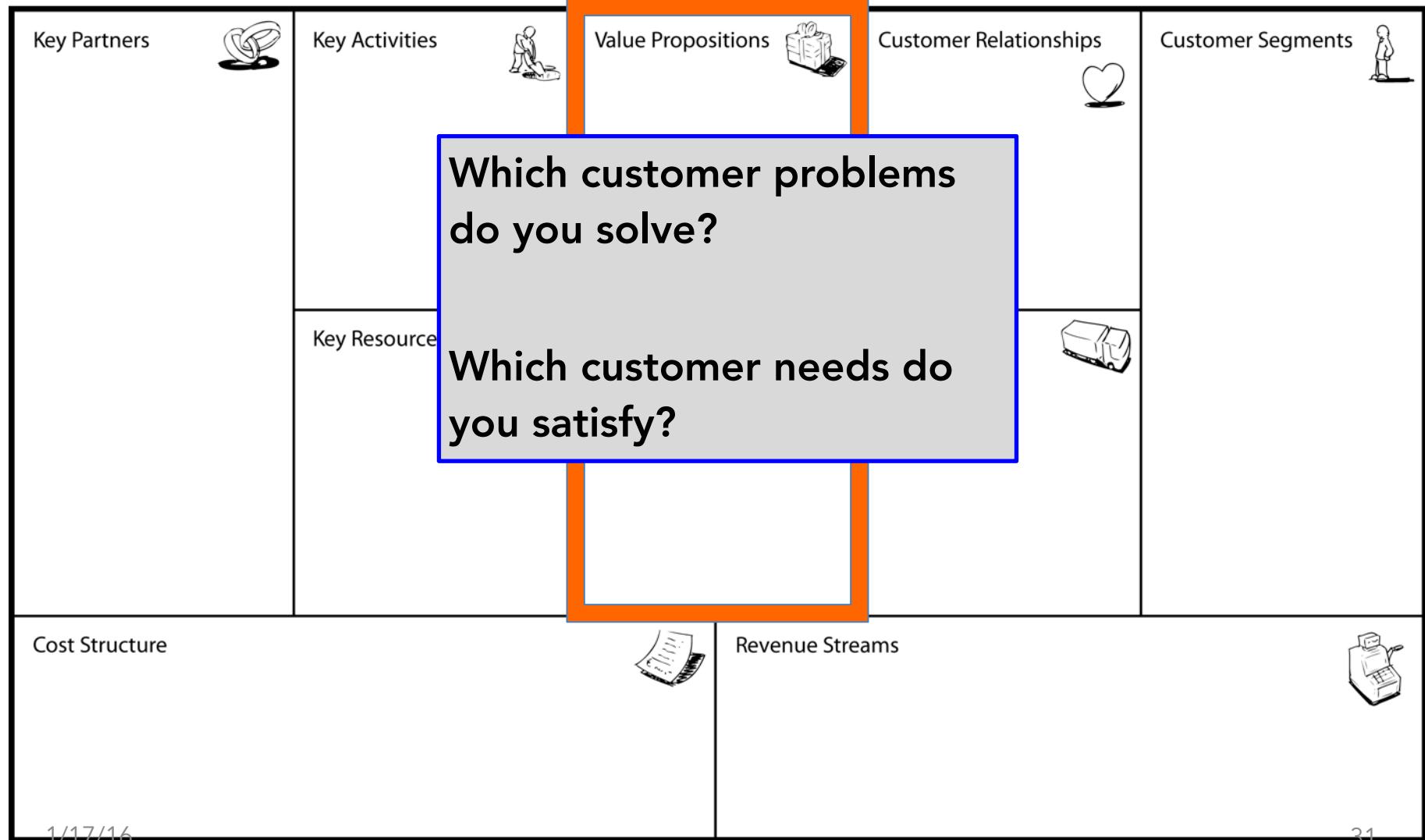


# Value propositions



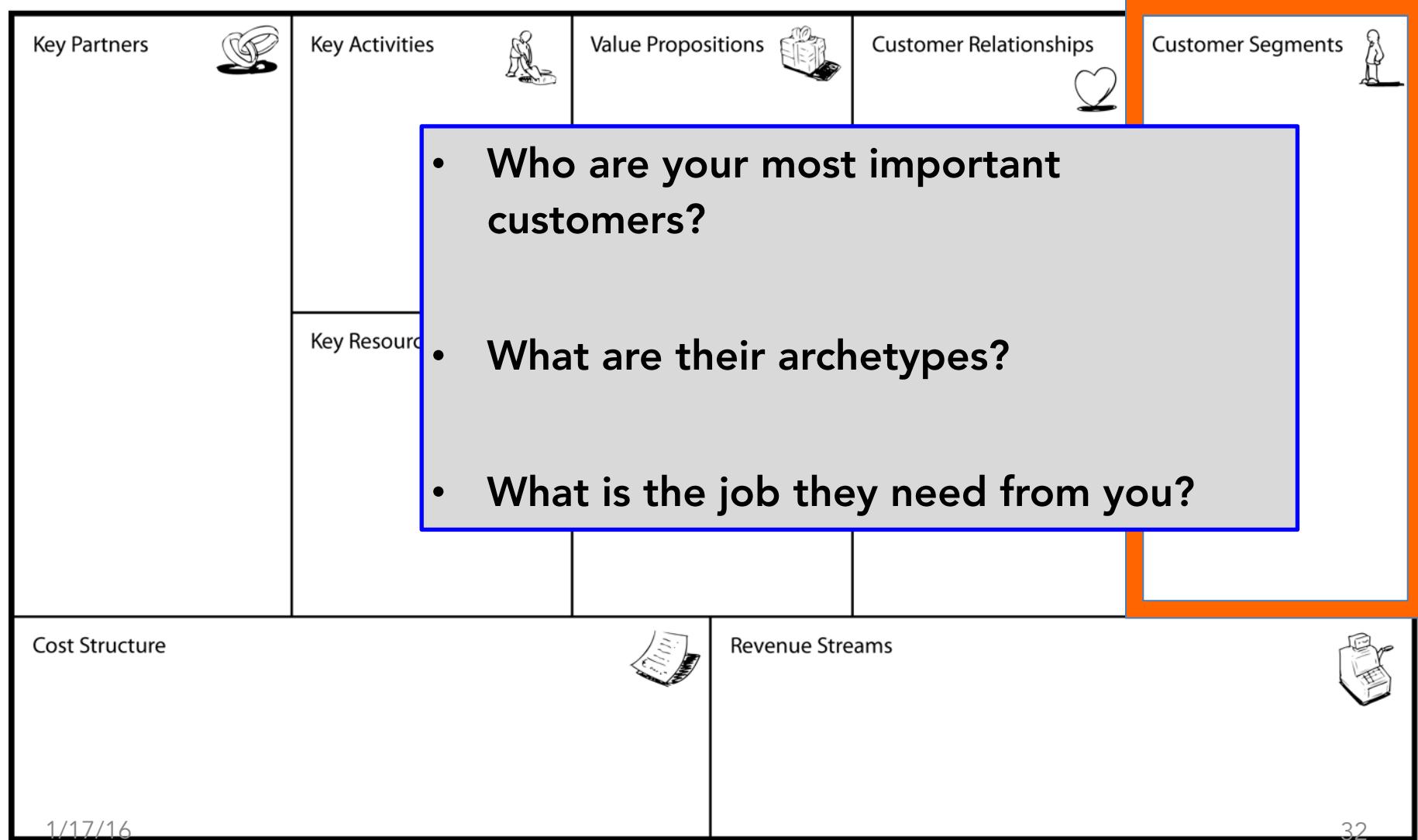


# Value propositions



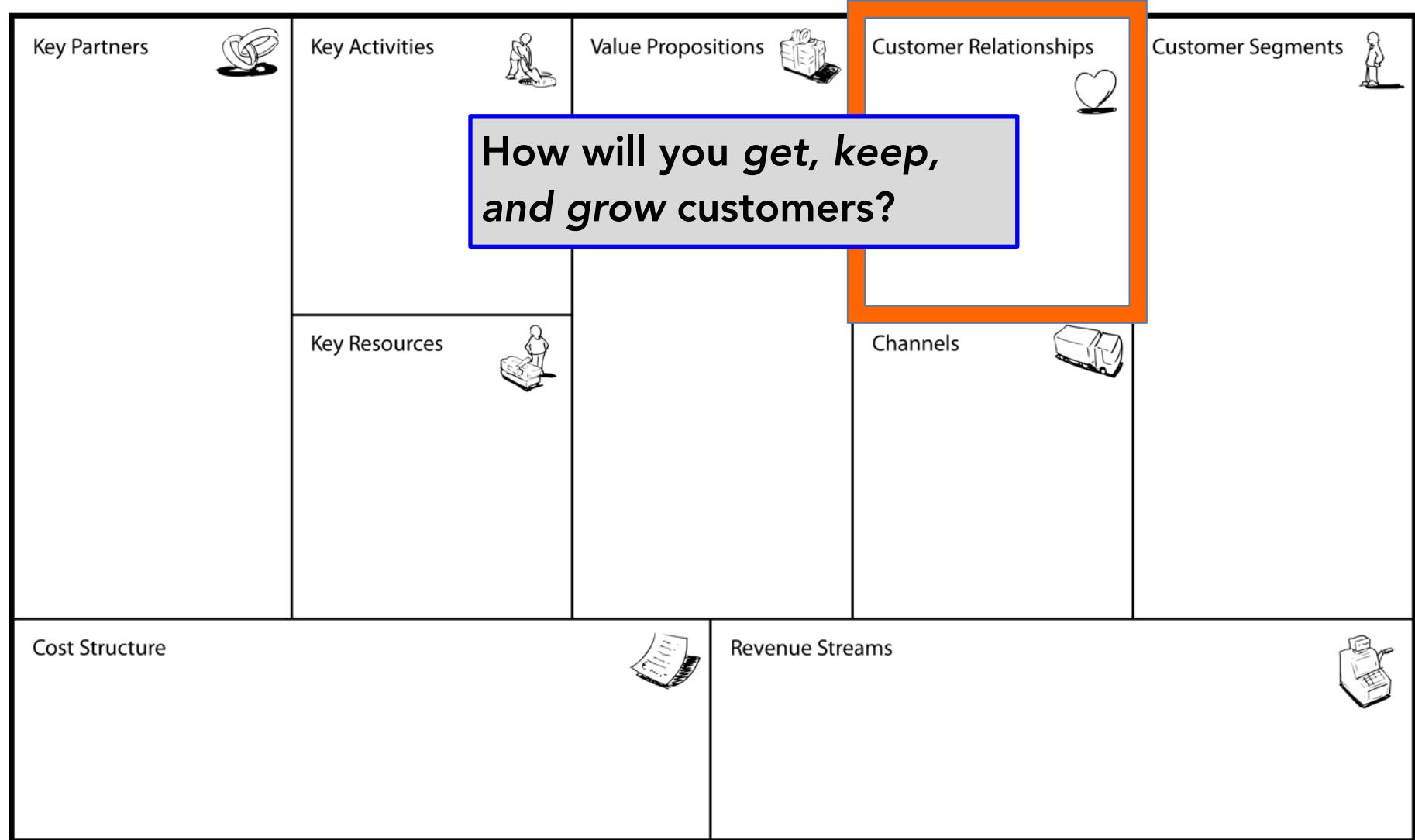


# Customer segments



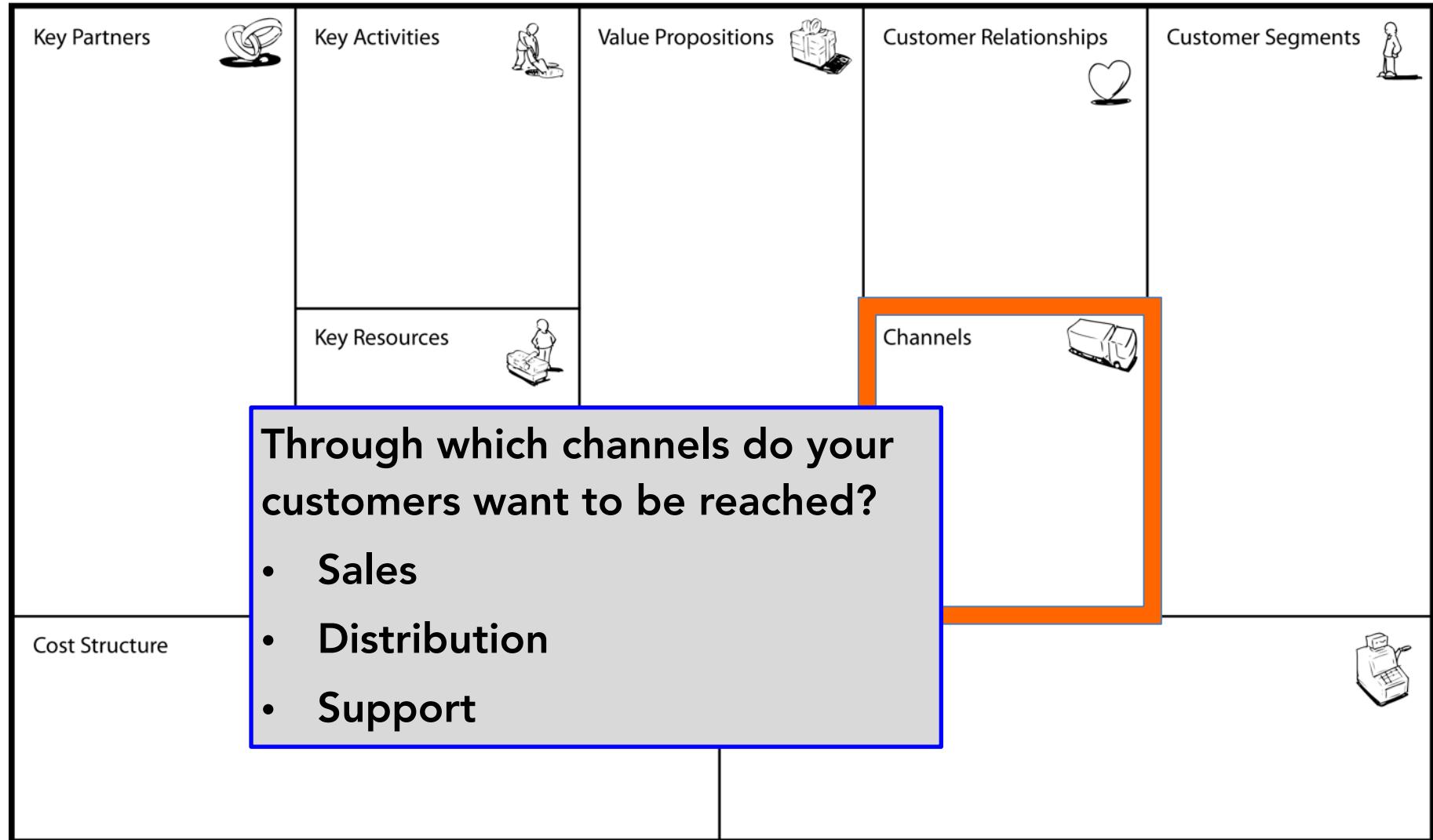


# Relationships



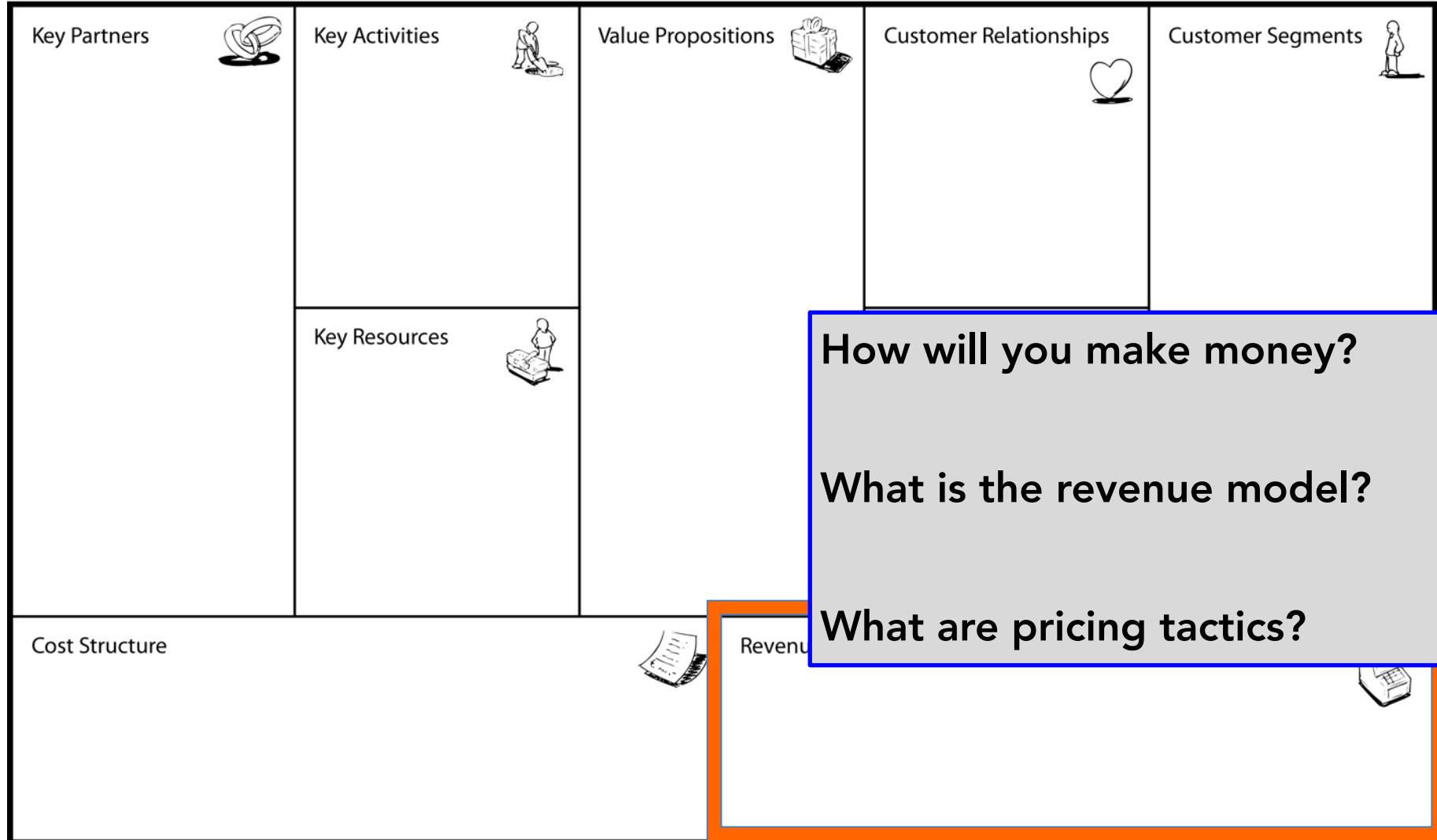


# Channels



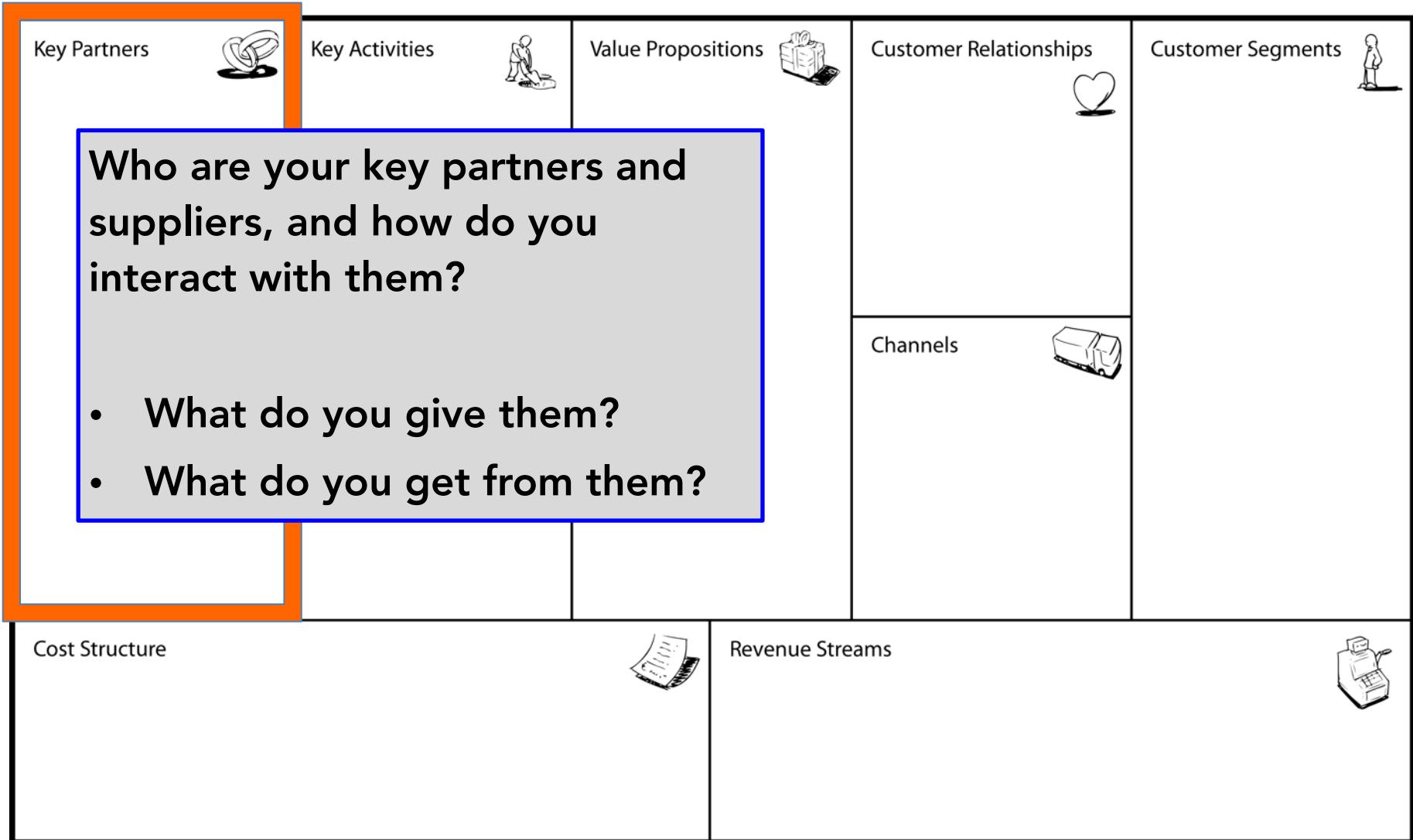


# Revenue streams



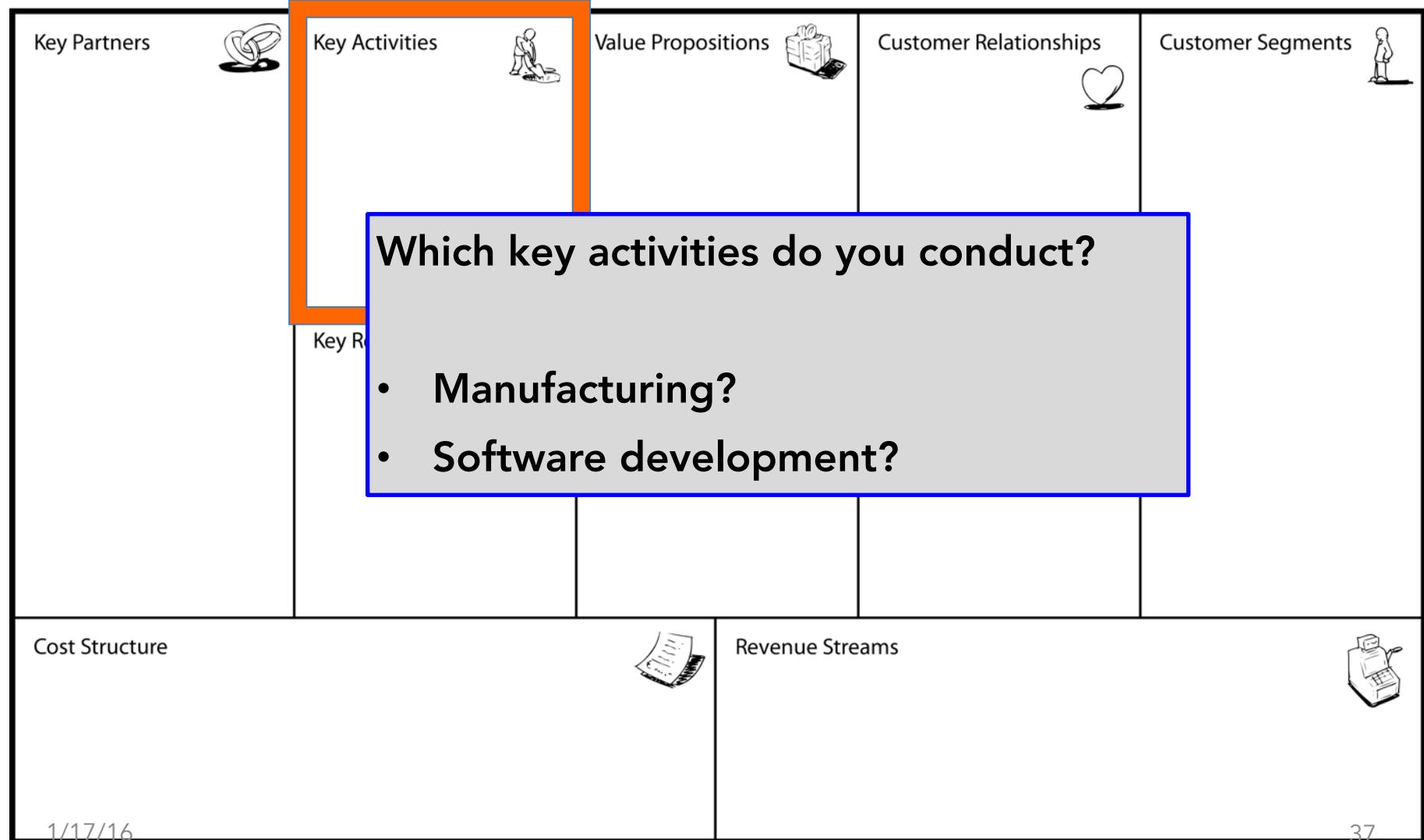


# Partners



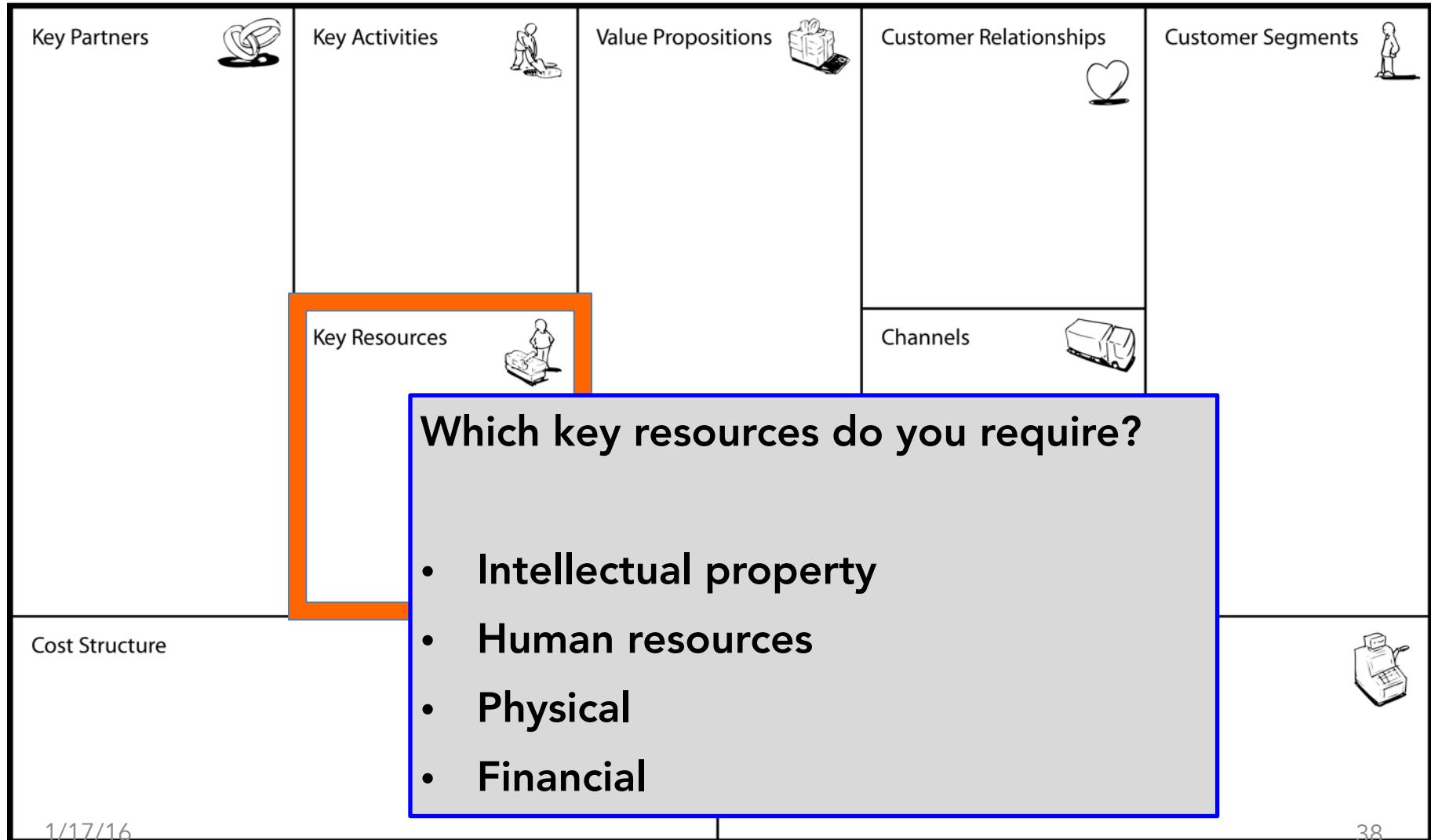


# Activities



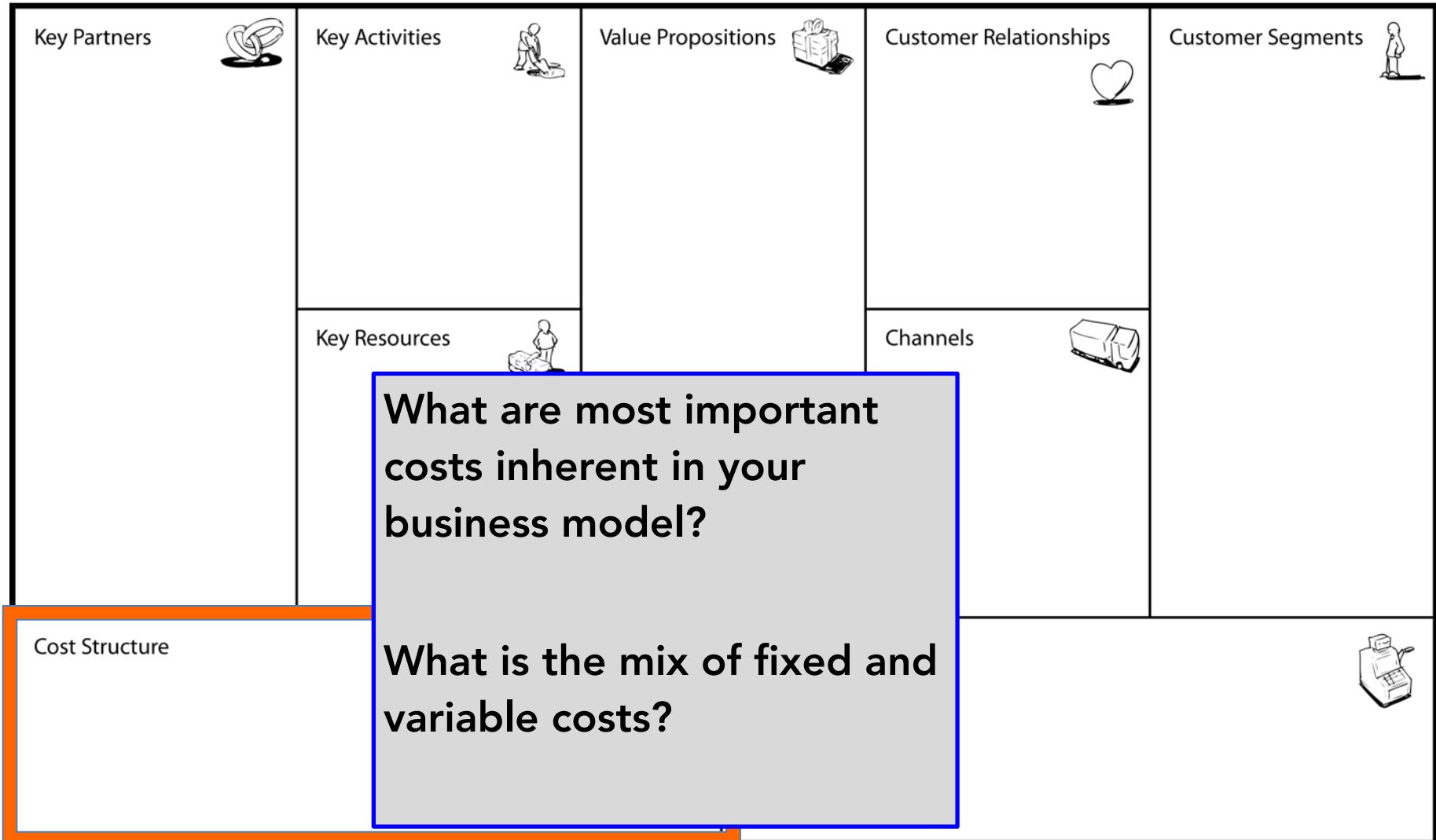


# Resources





# Cost structures



# DESIRABILITY

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KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITIONS	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS
	KEY RESOURCES		CHANNEL PARTNERS	
COST STRUCTURE		REVENUE STREAMS		

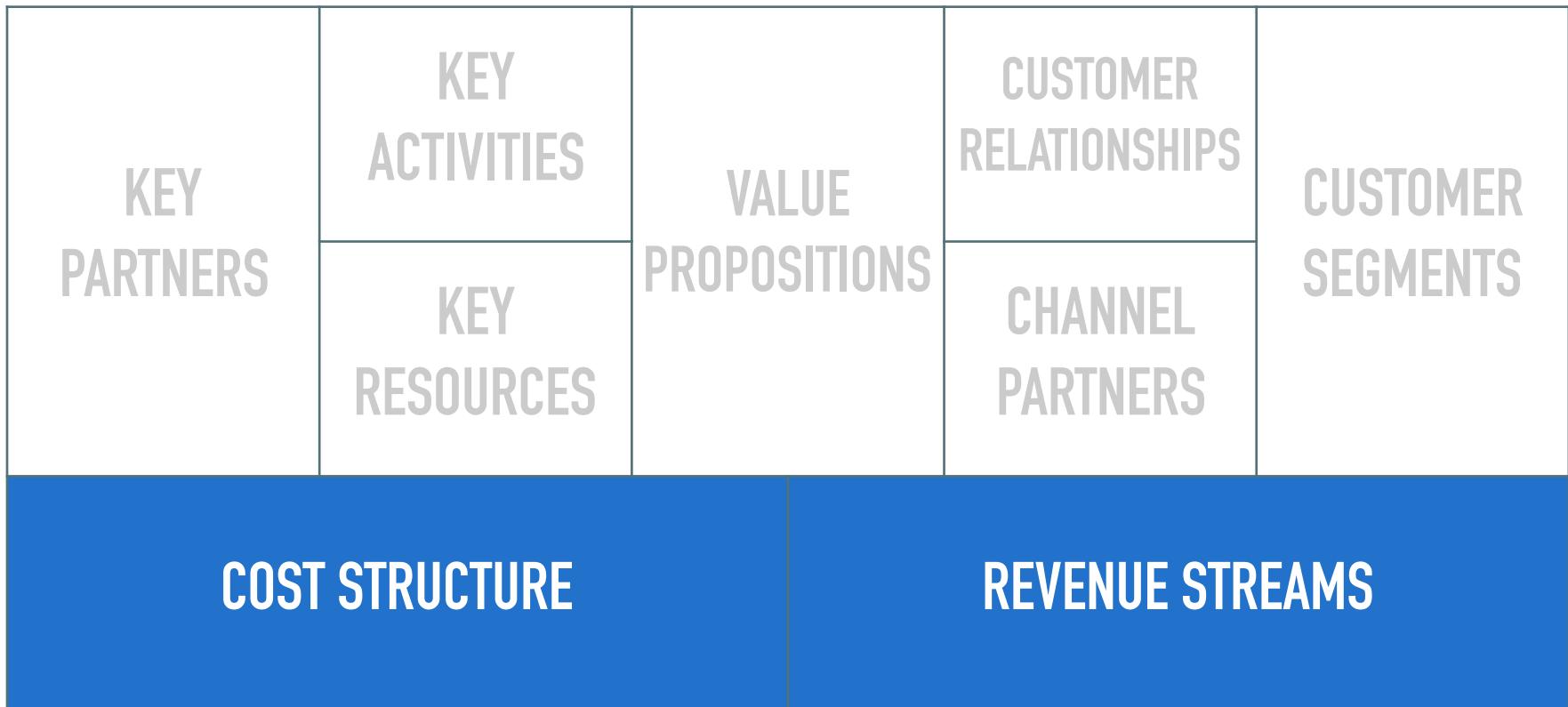
# FEASIBILITY

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KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITIONS	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS
	KEY RESOURCES		CHANNEL PARTNERS	
COST STRUCTURE		REVENUE STREAMS		

# VIABILITY

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# Initial business model canvas

Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
<b>Guess</b>	<b>Guess</b>	<b>Guess</b>	<b>Guess</b>	<b>Guess</b>
Key Resources 	Channels 			<b>Guess</b>
Cost Structure 		Revenue Streams 		
<b>Guess</b>		<b>Guess</b>		



# 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

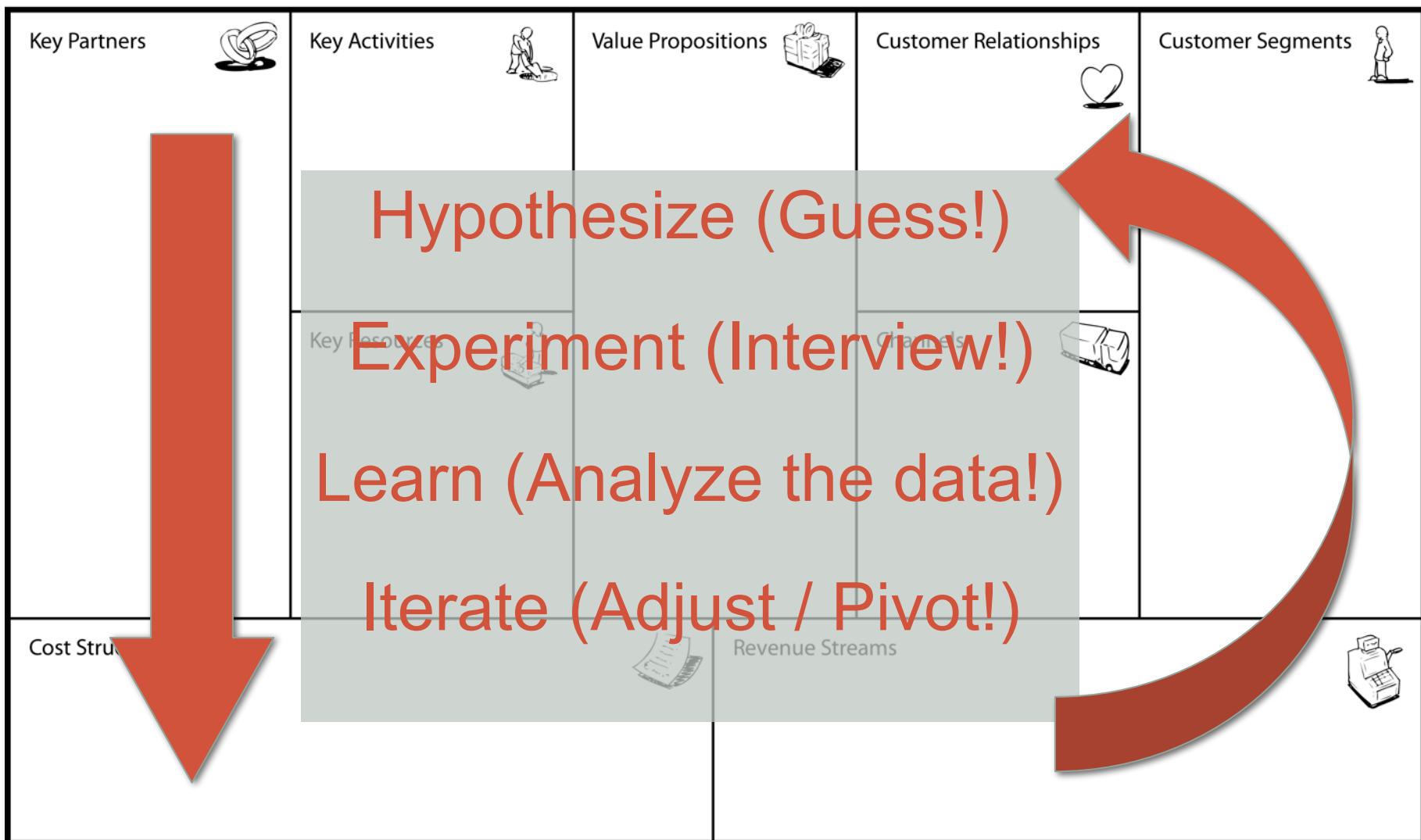
Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
Guess	Guess	Guess	Guess	Guess
Key Resources 			Channels 	
Cost Structure 		Revenue Streams 		
Guess		Guess		

We use a process called:

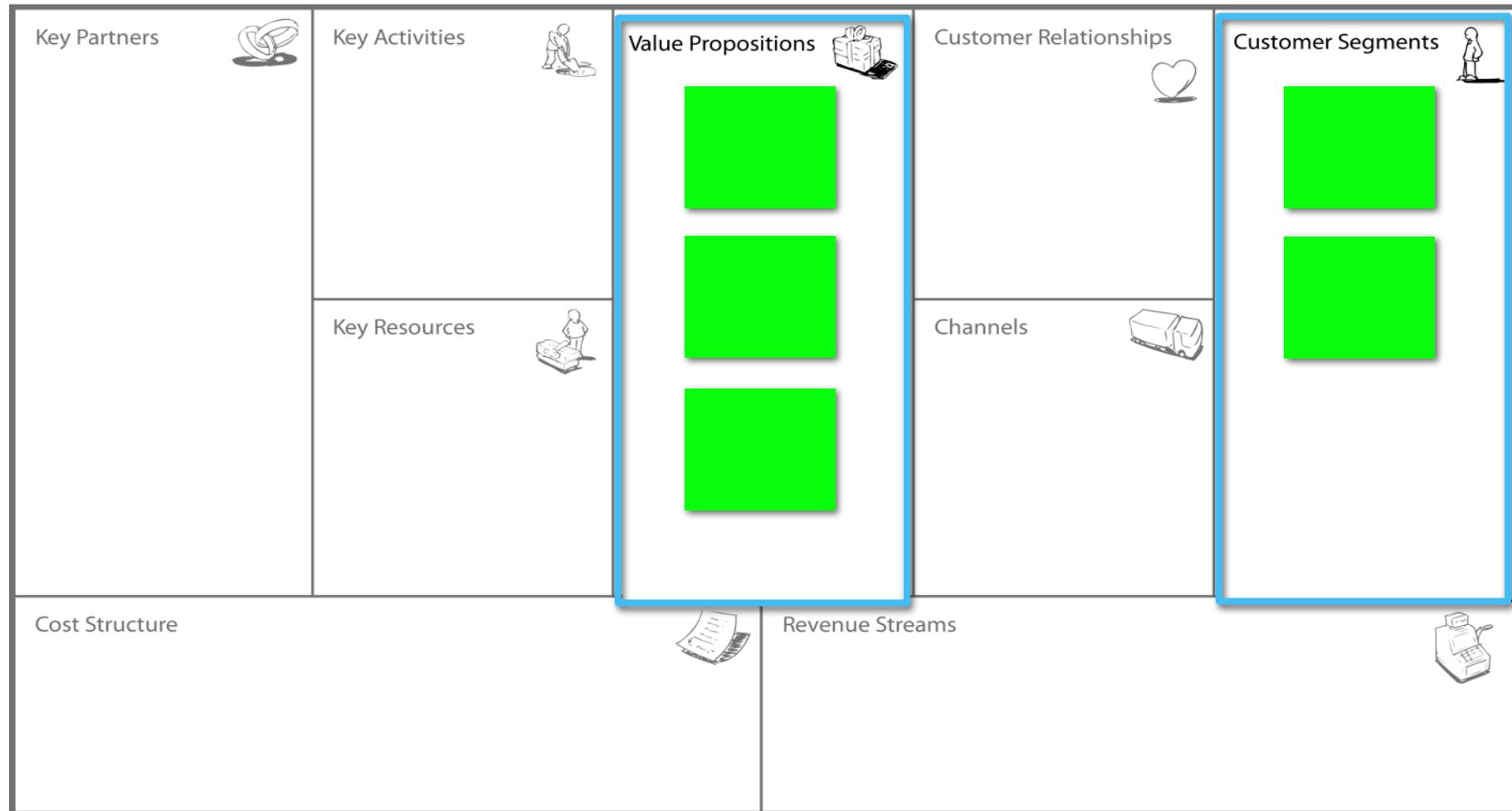
Customer Discovery

*and apply the Scientific Method*

# The Scientific Method: Explained



# State your Guesses...



# Test the *Problem*

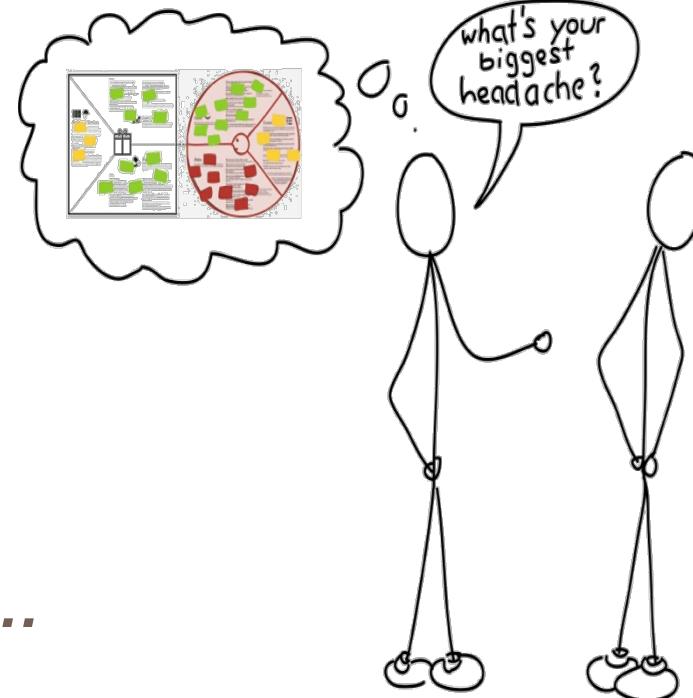
Value Propositions



Customer Segments



Identify customer  
***problems*** and ***needs***...



# Test the *Problem*

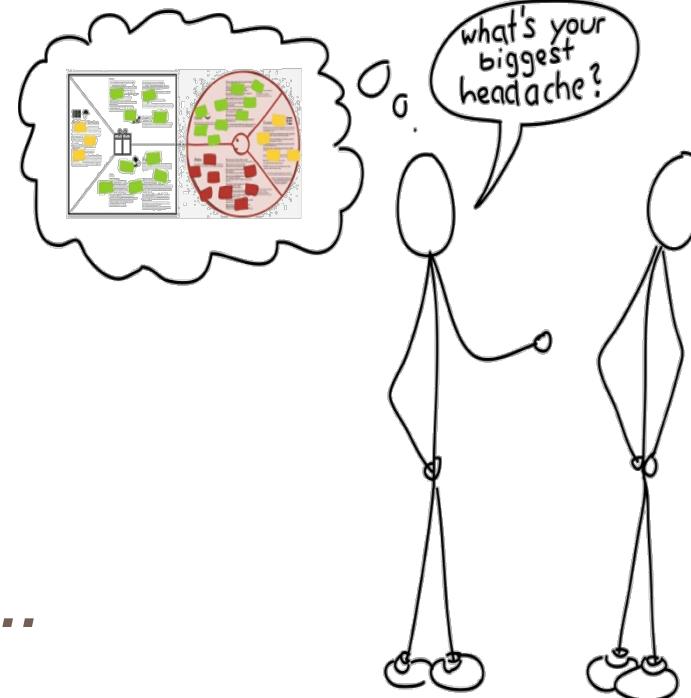
Value Propositions



Customer Segments

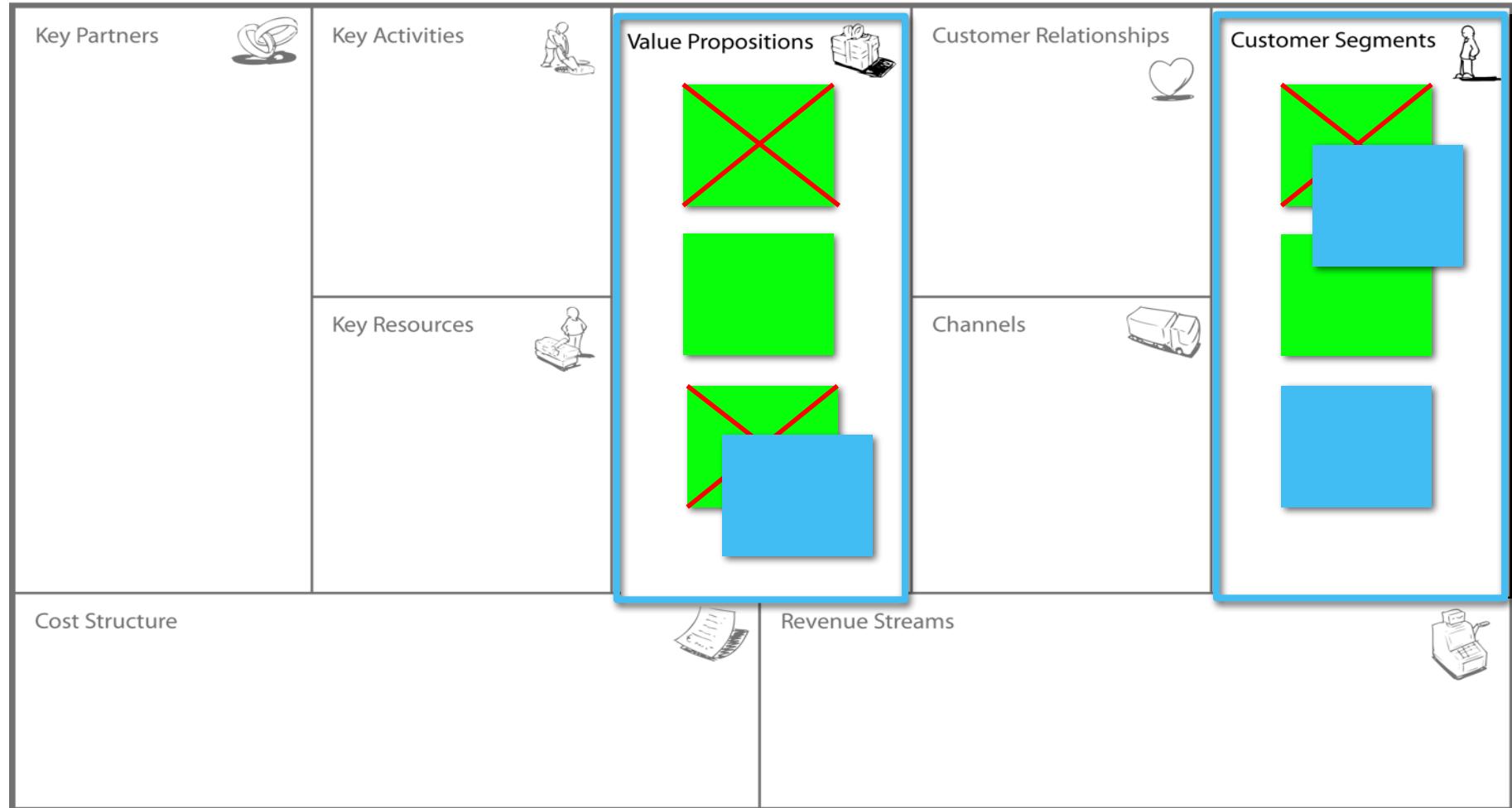


Identify customer  
**problems** and **needs**...



focus on customer **pains**, desired **gains**, and **jobs**.

# Iterate and Pivot...



Repeat  
*as needed*



# Project goal



Key Partners		Key Activities		Value Propositions		Customer Relationships		Customer Segments	
<b>Fact</b>		<b>Fact</b>		<b>Fact</b>		<b>Fact</b>		<b>Fact</b>	
Key Resources						Channels			
		<b>Fact</b>				<b>Fact</b>			
Cost Structure						Revenue Streams			
			<b>Fact</b>					<b>Fact</b>	



# Your Business Thesis

*What is it that you do?*

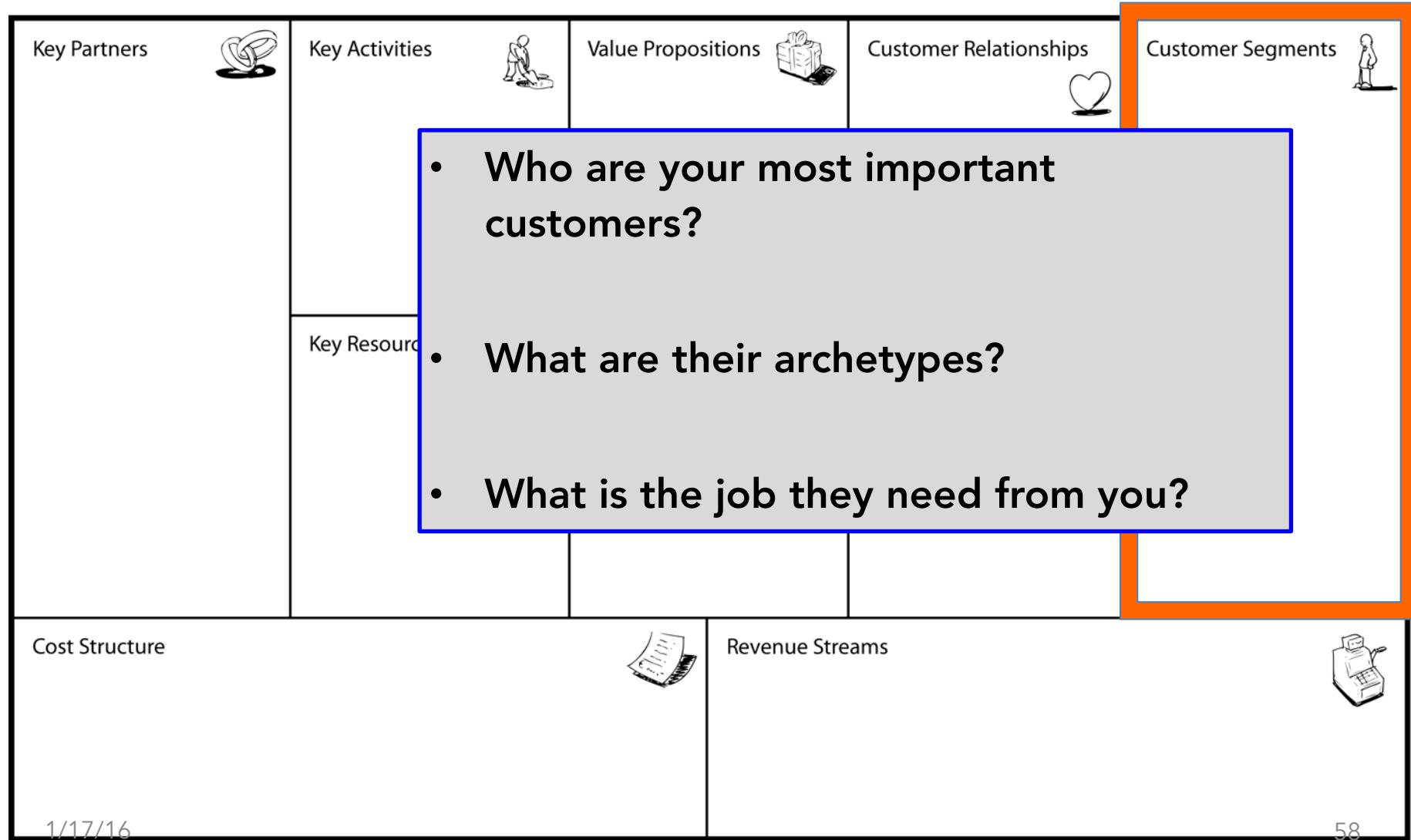
*Who is your customer?*

*Why would they buy it?*



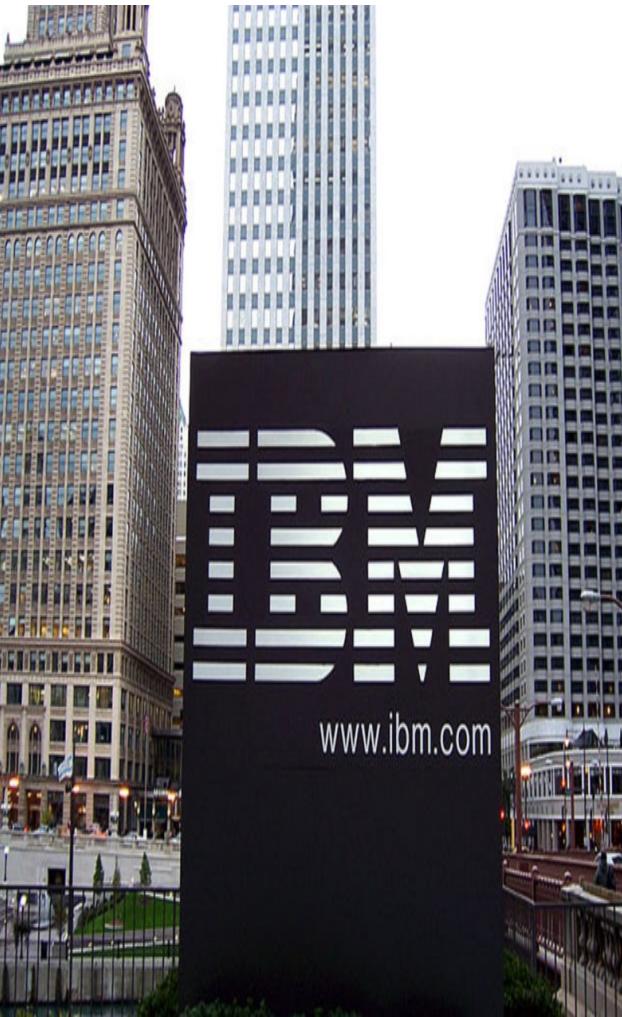


# Customer segments



# **CUSTOMERS ARE NOT**

**Companies**



**Industries**



**Organizations**



# The MOST Important Rule of Customer Segments

**CUSTOMERS ARE PEOPLE**



*Why do you want to group  
customers into  
Customer Segments?*

Different Customer Segments  
often have

*Different Business Models*  
*Each CS makes business*  
*decisions in a defined way*

**Customer Segments can be  
sub-divided into**

***Customer Types***

***Their role in the market place***

# Customer Types

## User

- Directly benefits from adoption
- Actually touches the product/service, uses it

## Influencer

- Drives adoption
- Sways the decision, but doesn't say yes/no

Decision Maker – decides to adopt

Economic Buyer – pays to adopt

Evangelist – advocates for adoption

Saboteur – undermines the adoption (Note: they don't introduce themselves!)

# Define Customer Persona

Who are they?

- Position / title / age / sex / role

How do they buy?

- Discretionary budget (name of budget and amount)

What matters to them?

- What motivates them?

Who influences them?

- What do they read/who do they listen to?

Draw a Day in the Life of the customer



# Personas: Starbucks



# Segmentation

## Professional Cyclist

- Solely concerned with performance



## Average Cyclist

- Performance and cost sensitive
- “One less thing to carry” effect



## Prospective Cyclist

- Cost sensitive
- Learning barrier



