

Creating Start-Up Success 101

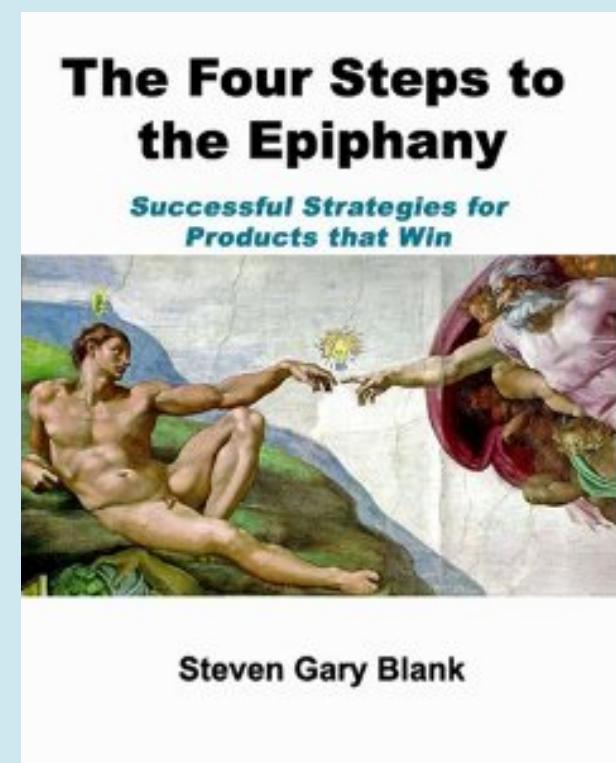
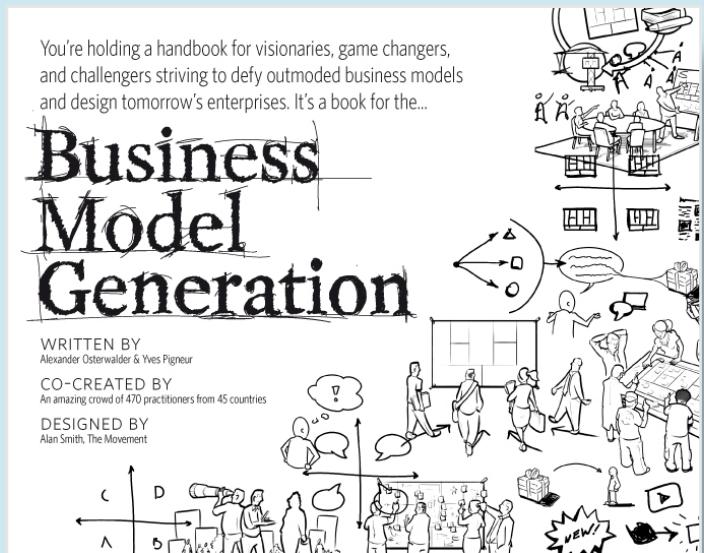
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Contribution by Alan Smith @thinksmith



THIS PRESENTATION COMBINES TWO GLOBAL BESTSELLERS



BusinessModelGeneration.com

StevenBlank.com/books.html

So what makes for a
successful start-up?

Start with a brilliant
founder like...

Mike, 34
Stanford
Alumnus



he used to be an...

Experienced Exec



All his operating
experience built up
some...

...outstanding
credentials!

- Major Accomplishments
 - Produced a
Development
Marketing

- .outstanding
residential
accomplishments**

 - Produced state-of-the-art residential designs
 - Developed unique architectural concepts
 - Directed construction of numerous residential projects

One day Mike has...

A “killer”
product idea!



A “killer”
product idea!
he’s really
passionate about it



Mike's experienced.

He knows how to test his
idea using...



...market research

The research looks good!

Mike moves forward, and writes a fantastic....

Business Plan



Great!
Based on the credentials,
research, and plan, Mike has
secured the final piece...



...VC Funding!

Money in hand,
Mike get's started on

A silhouette photograph of a construction site at sunset. In the foreground, several workers wearing hard hats are silhouetted against a bright orange and yellow sky. They are working on a structure made of vertical rebar rods and wooden formwork. A large construction crane stands prominently in the background, its arm extended. The overall atmosphere is one of industriousness and progress.

...building his
start-up.

He makes the headlines
of every major...



BUSINESS

... and is invited to give...

...keynote talks





Mike and his
start-up are
on a roll!

How likely is his
business to
succeed?

Despite the *experience*,
research and *plan*...



...Mike
slipped up.

Let's help Mike
with 5 things he
didn't know.

1

*No business
plan survives
the first
customer
contact.*

Sticking to a planning document works for a known future, not for a start-up context.

Plans fail in start-ups.



2

*It's the
business
model,
stupid.*

Hey Mike, your plan was
to build a company, but
did your plan include a
Business Model?



THE VITAL PART OF A CONSIDERATION

11. DEFINITION.—A C

hing which induces a P
tract. It is the substa
inducing the parties t
sufficient

“A business model describes
the rationale of how an organization
creates, delivers, and captures value”

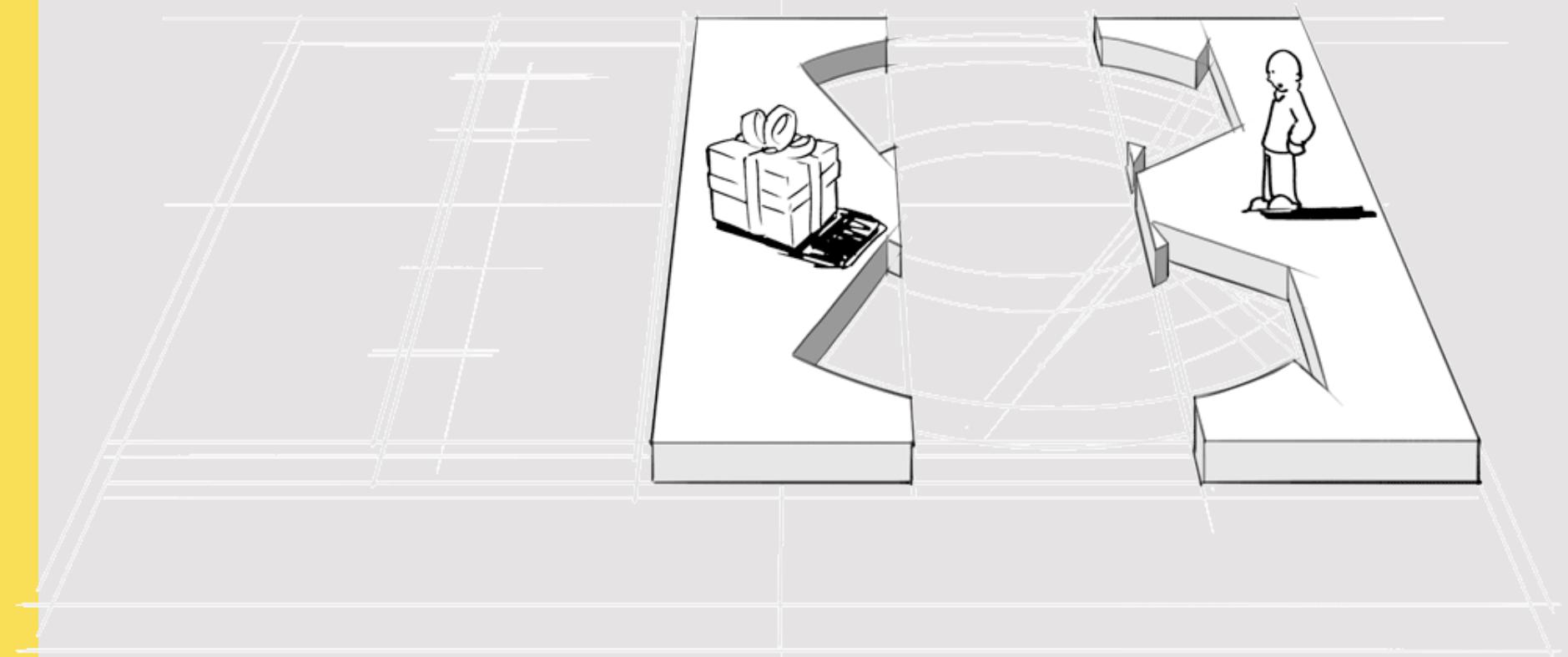
Here are the 9 building blocks of a business model:

CUSTOMER SEGMENTS



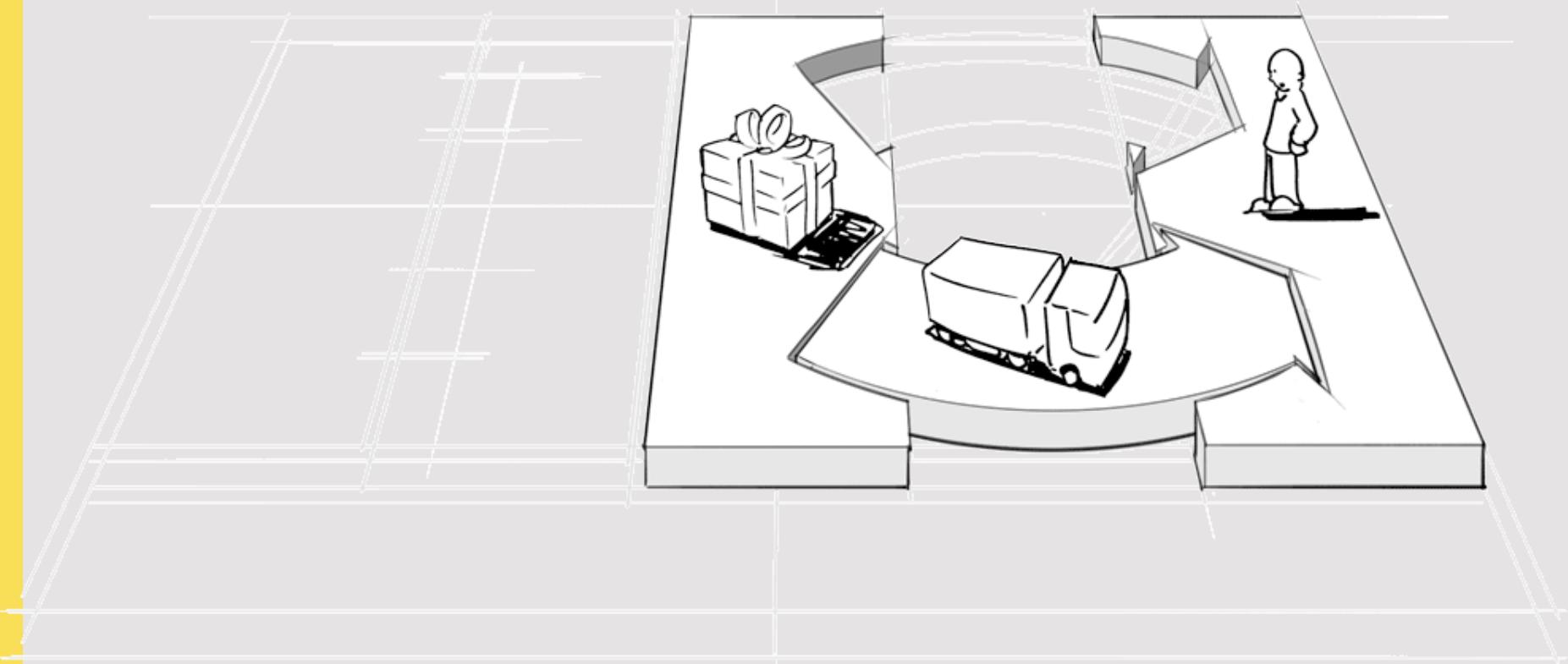
which customers and users are you serving?
which jobs do they really want to get done?

VALUE PROPOSITIONS



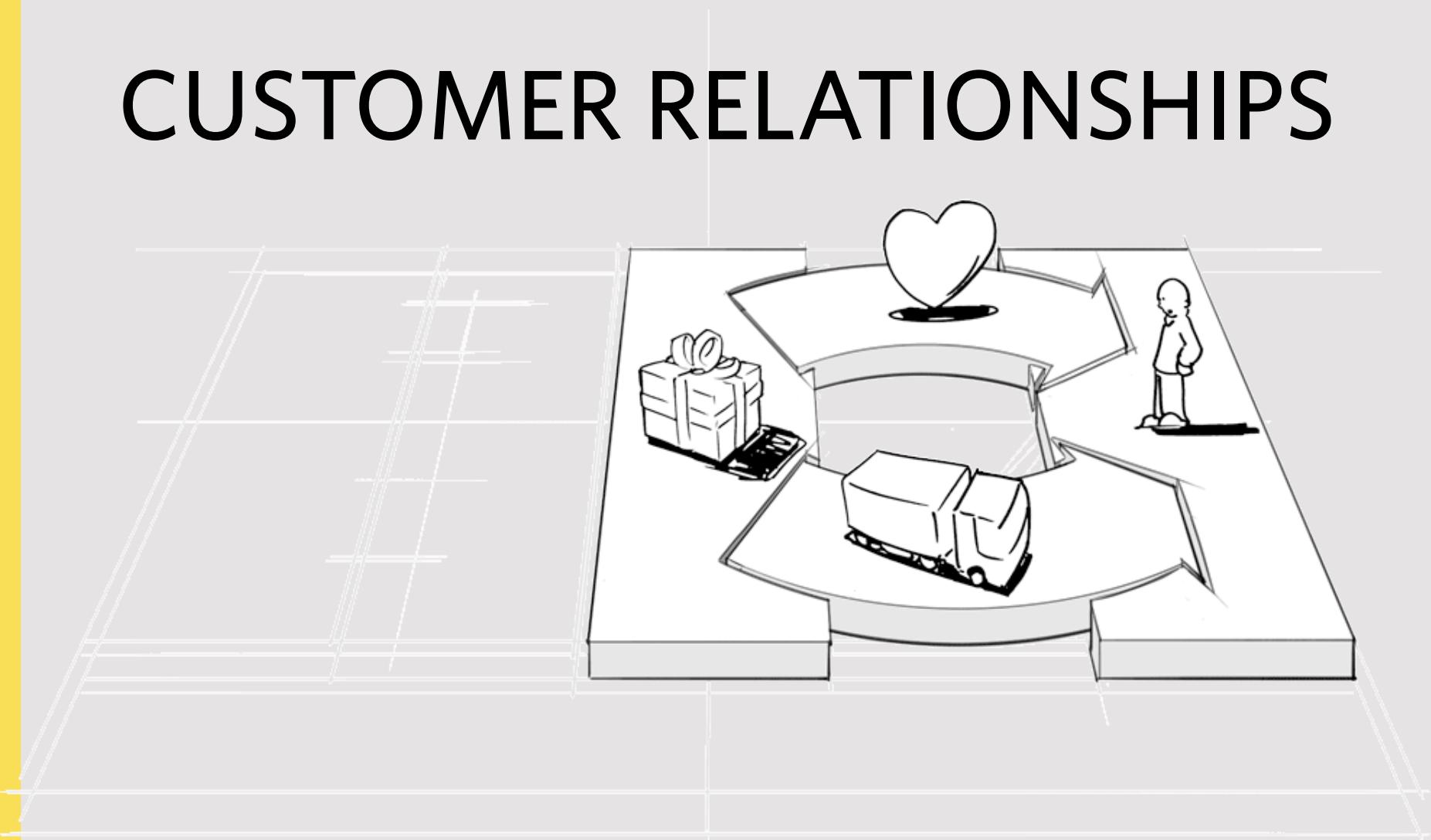
what are you offering them? what is that
getting done for them? do they care?

CHANNELS



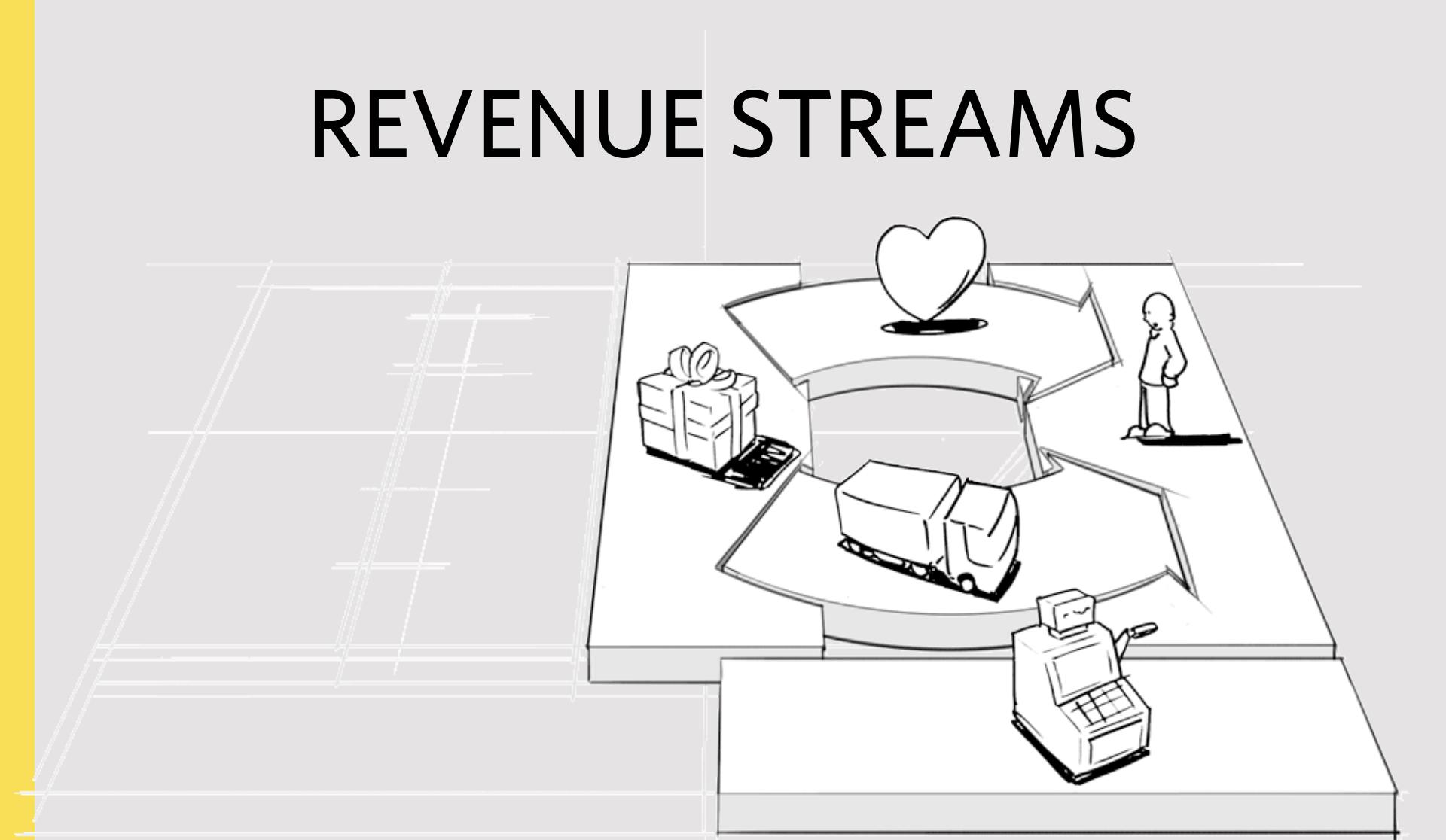
how does each customer segment want to be reached?
through which interaction points?

CUSTOMER RELATIONSHIPS



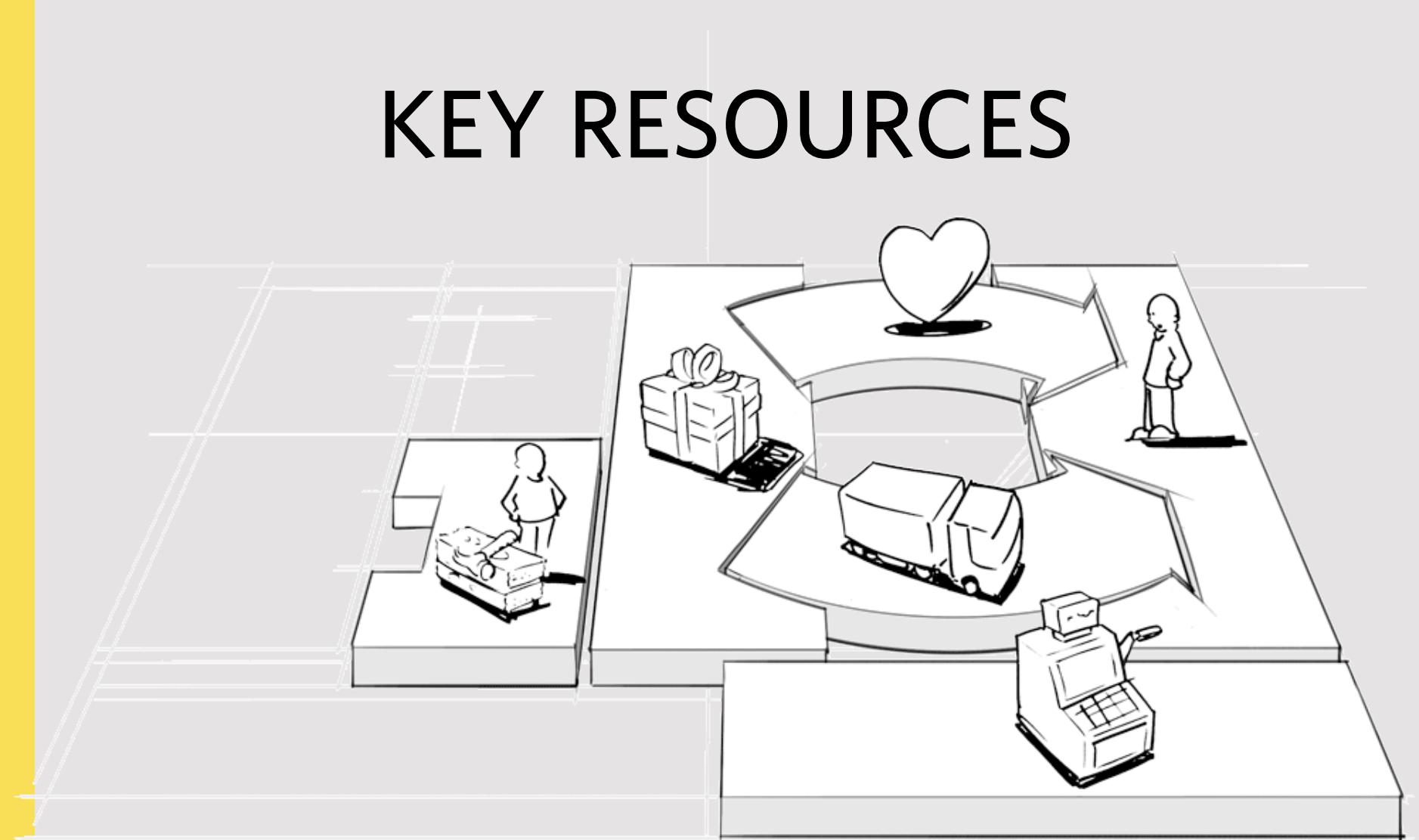
what relationships are you establishing with each segment?
personal? automated? acquisitive? retentive?

REVENUE STREAMS



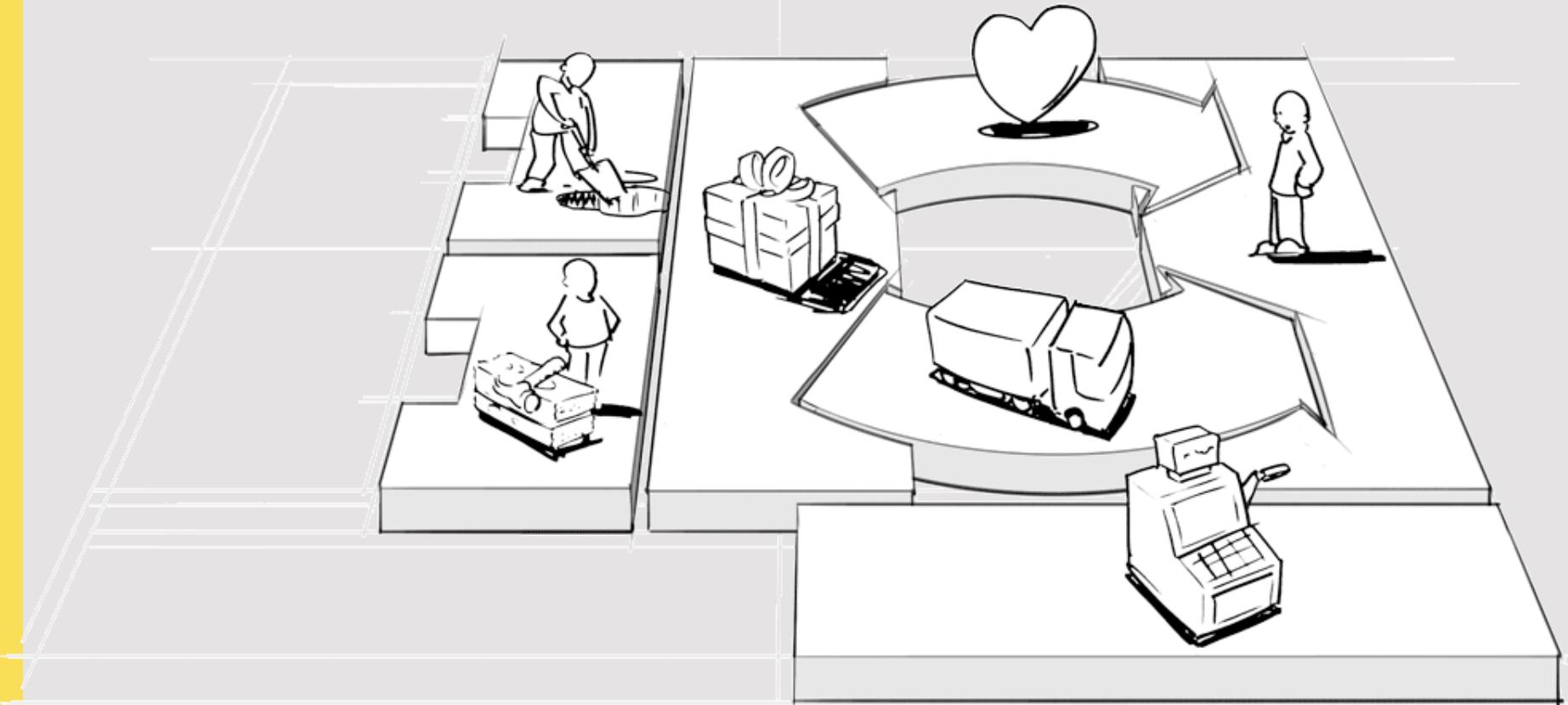
what are customers really willing to pay for? how?
are you generating transactional or recurring revenues?

KEY RESOURCES



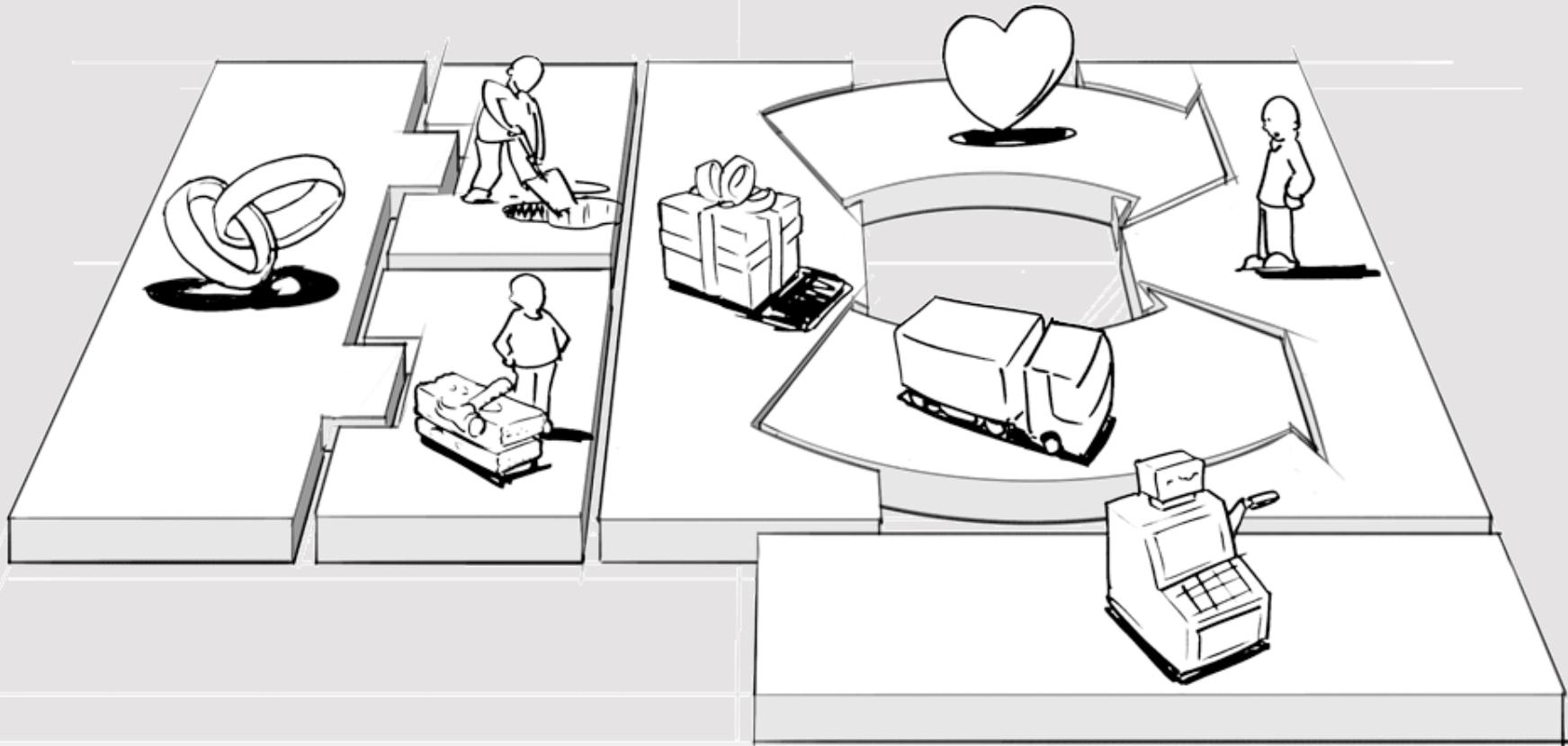
which resources underpin your b.model?
which assets are essential?

KEY ACTIVITIES



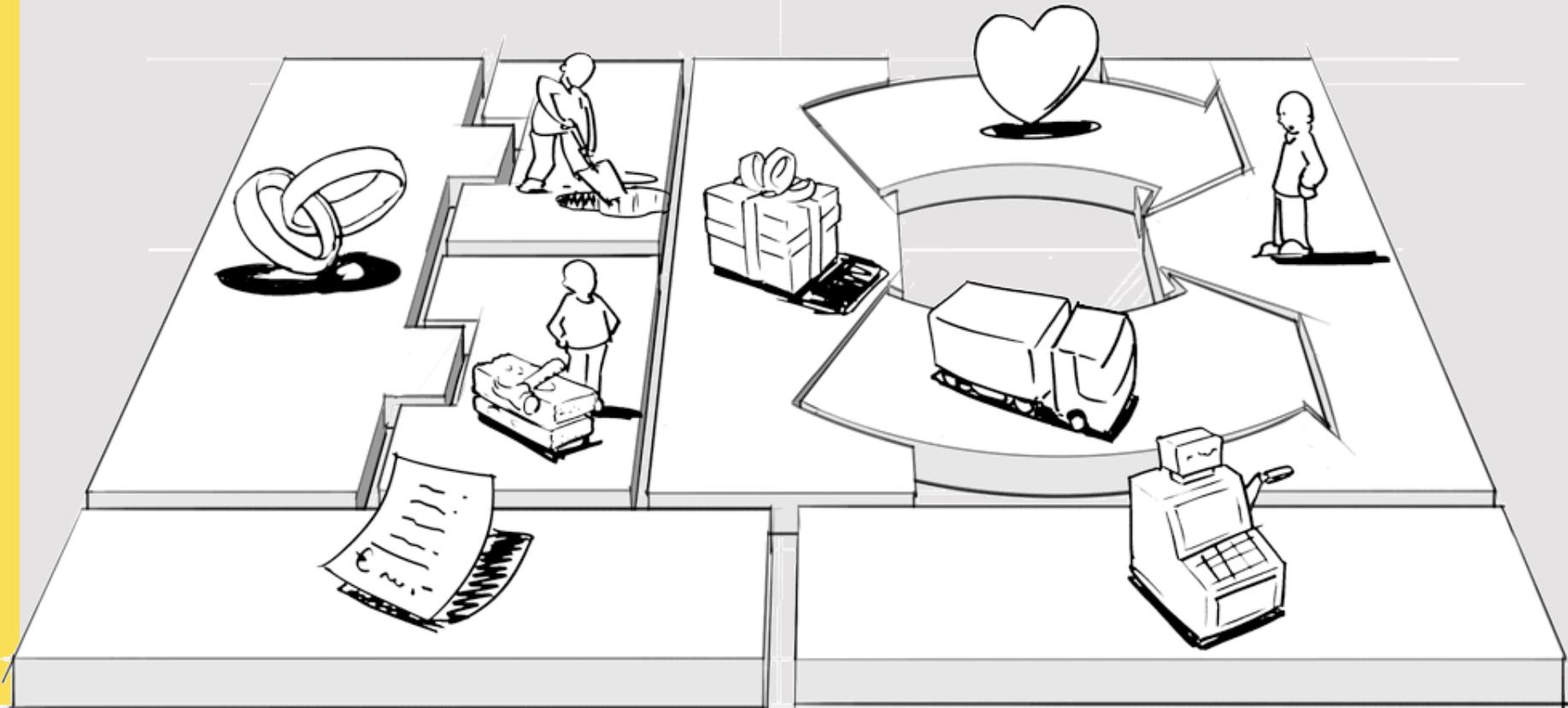
which activities do you need to perform well in
your b.model? what is crucial?

KEY PARTNERS

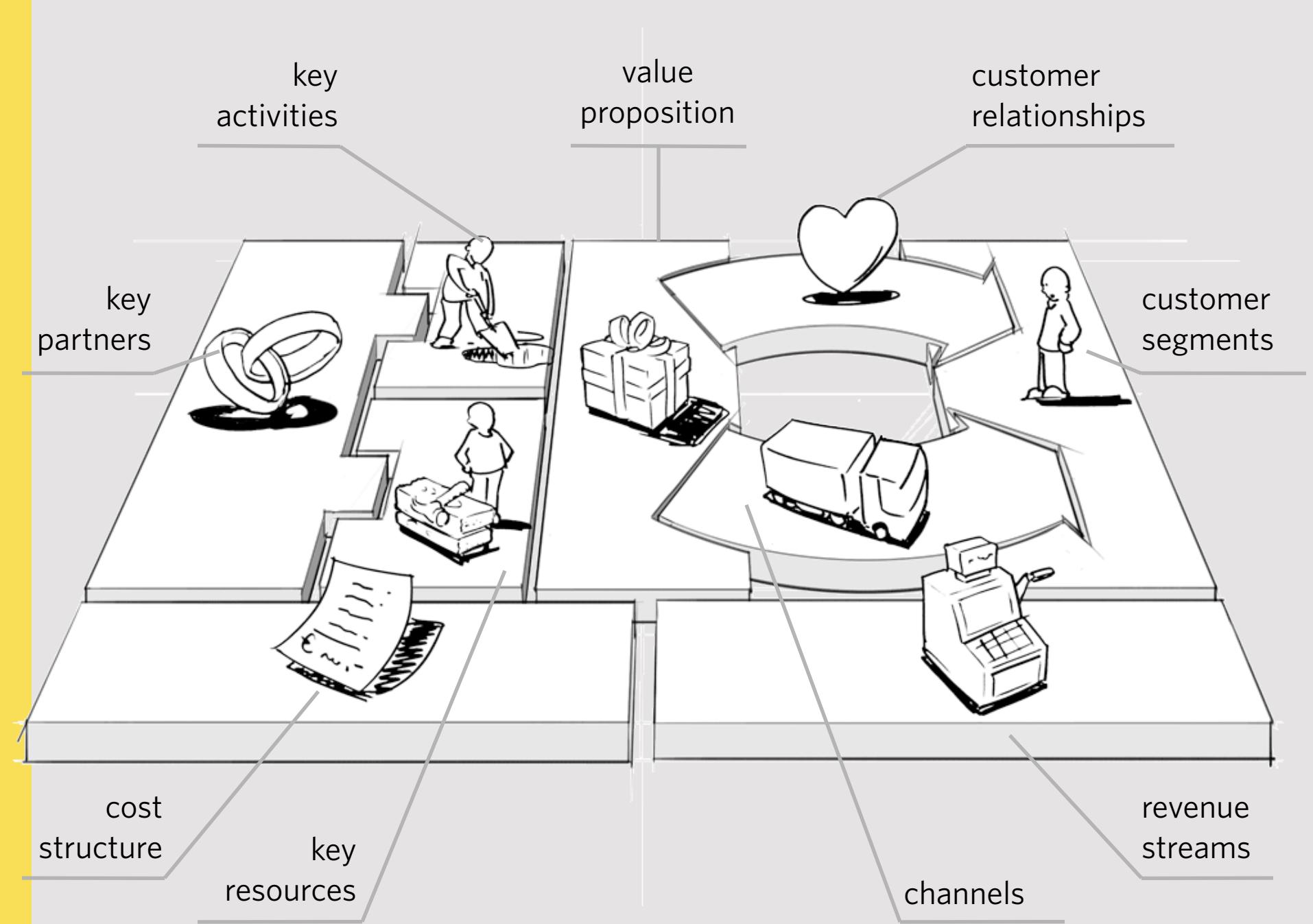


which partners and suppliers leverage your model?
who do you need to rely on?

COST STRUCTURE



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



*“Hmm, interesting so
what do I make of
that?”*



use it as a tool to...



The Business Model Canvas

Designed for:

Designed by:

On: Due: Month:
Iteration:

Key Partners



Key Activities



Value Propositions



Customer Relationships



Customer Segments



What are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

...and many more!

What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What kind of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

...and many more!

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?

...and many more!

For whom are we creating value?
Who are our most important customers?

...and many more!

Key Resources



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

...and many more!

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 are best cost efficient?
How are we integrating them with customer relations?

...and many more!

Cost Structure

What are the most important costs involved in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

...and many more!



Revenue Streams

How much are our customers really willing to pay?
How fast do they accept pay?
How much are they willing to pay?
How much do each Revenue Stream contribute to overall success?

...and many more!



The Business Model Canvas

Designed for:

Designed by:

On: Due: Month:
Iteration:

Key Partners



Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

Key Activities



What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

Marketing & Sales
Product Development
Manufacturing
Logistics
Customer Support
Human Resources
Finance & Accounting

Value Propositions



What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What kind of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

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?

Customer Segments



For whom are we creating value?
Who are our most important customers?

Market Segment
Demographic Segment
Geographic Segment
Customer Type Segment

building
block

Key Resources



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

Marketing & Sales
Product Development
Manufacturing
Logistics
Customer Support
Human Resources
Finance & Accounting

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 are best?
Which ones are most cost efficient?
How are we integrating them with customer relations?

Cost Structure

What are the most important costs involved in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

Marketing & Sales
Product Development
Manufacturing
Logistics
Customer Support
Human Resources
Finance & Accounting



Revenue Streams

What value are our customers really willing to pay?
How fast is the growth rate?
How much are people to pay?
How much does each Revenue Stream contribute to overall success?

Marketing & Sales
Product Development
Manufacturing
Logistics
Customer Support
Human Resources
Finance & Accounting

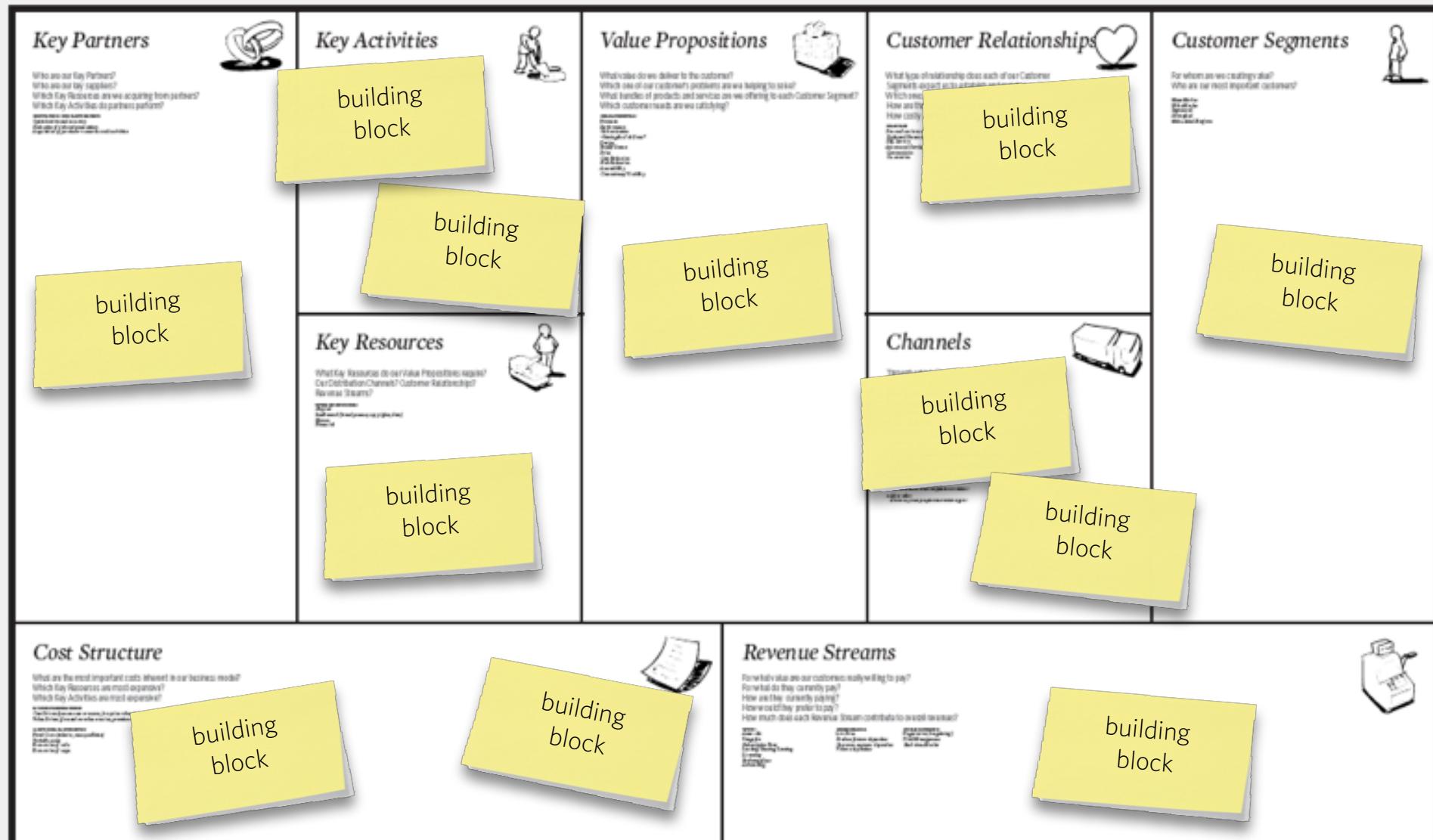


The Business Model Canvas

Designed for:

Designed by:

On: Due: Month:
Iteration:



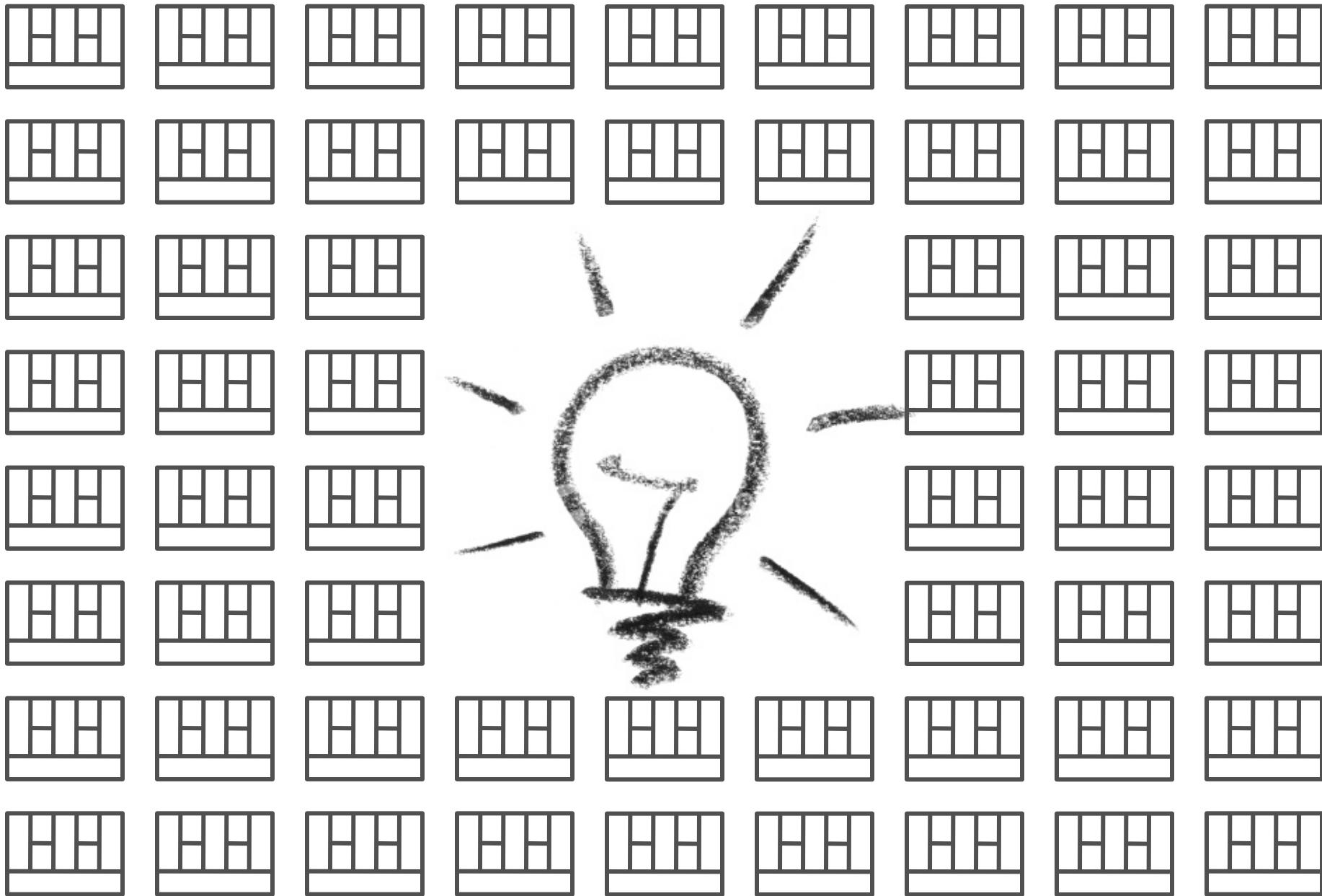
This tool is called the Business Model Canvas

(download with instructions at
www.businessmodelgeneration.com/downloads)

3

*Take time
to think
through
alternative
possibilities.*

the same technology, product, or service
can have numerous business models



try sketching out alternative
business models by asking
yourself...

transactional vs.
recurring revenues

niche market vs.
mass market

capital expenditure vs.
partnership

acquisition vs. retention

one customer segment
vs. another

paid vs. free

distributed vs.
centralized

product vs. service

direct sales vs.
indirect sales

open vs. closed

human intensive vs.
system intensive

physical vs. virtual

copyright vs. copyleft

in-sourcing vs. out-
sourcing

scale vs. scope

blue ocean vs. red
ocean

personal vs.
automated

disruptive vs.
incremental

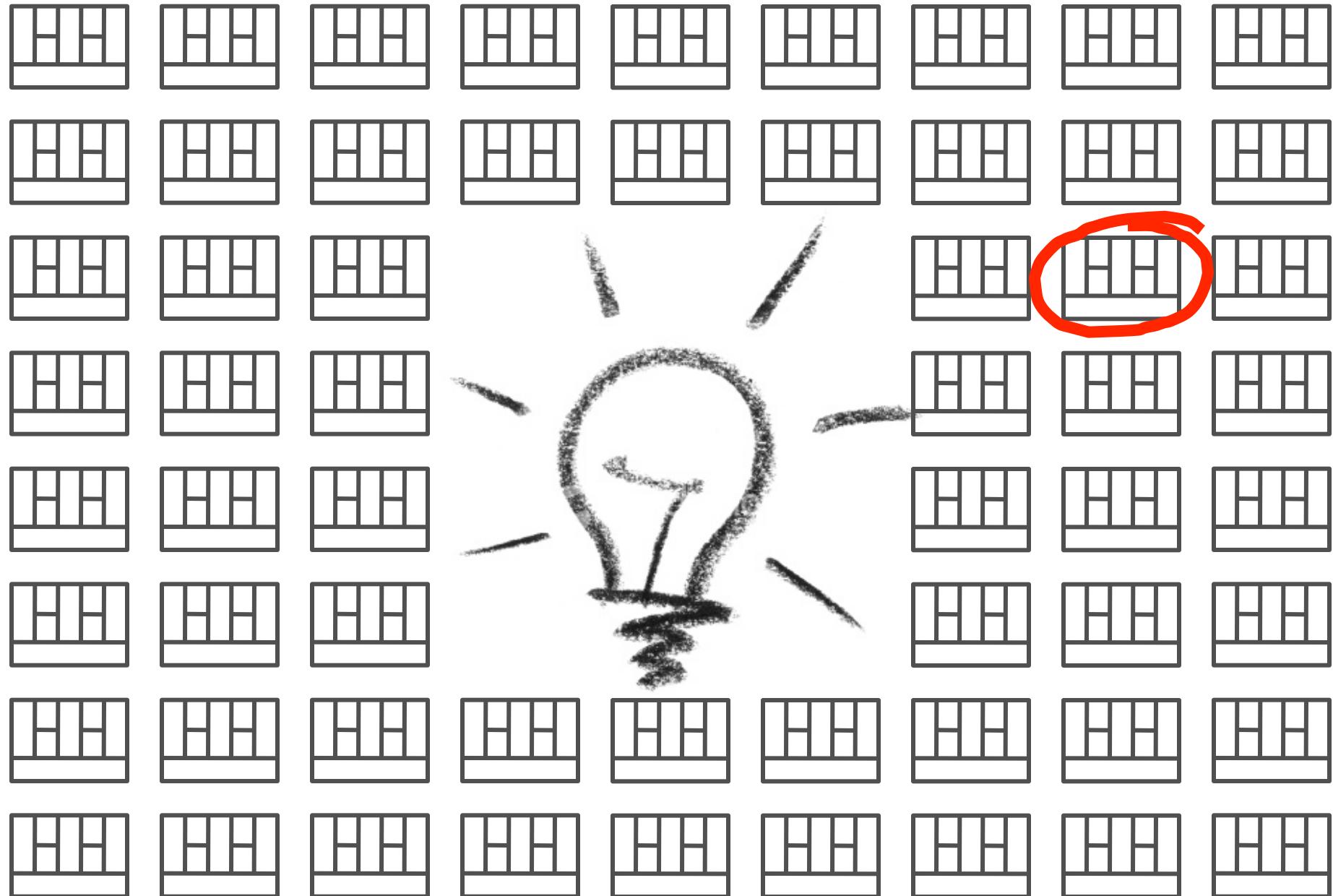
tailor-made vs. mass
production

fixed vs. variable
costs

advertising vs.
sales

difficult questions

only make a first choice after prototyping
and thinking through several models...

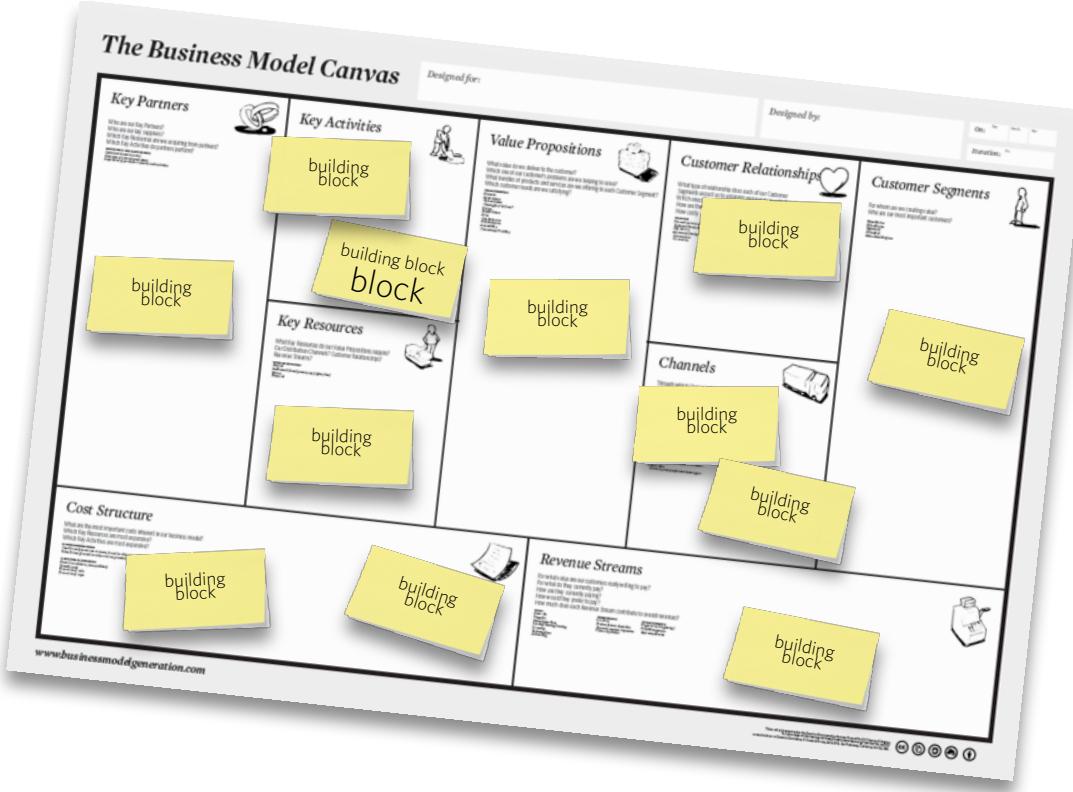


OK. You've got your model,
but you're not done yet...

4

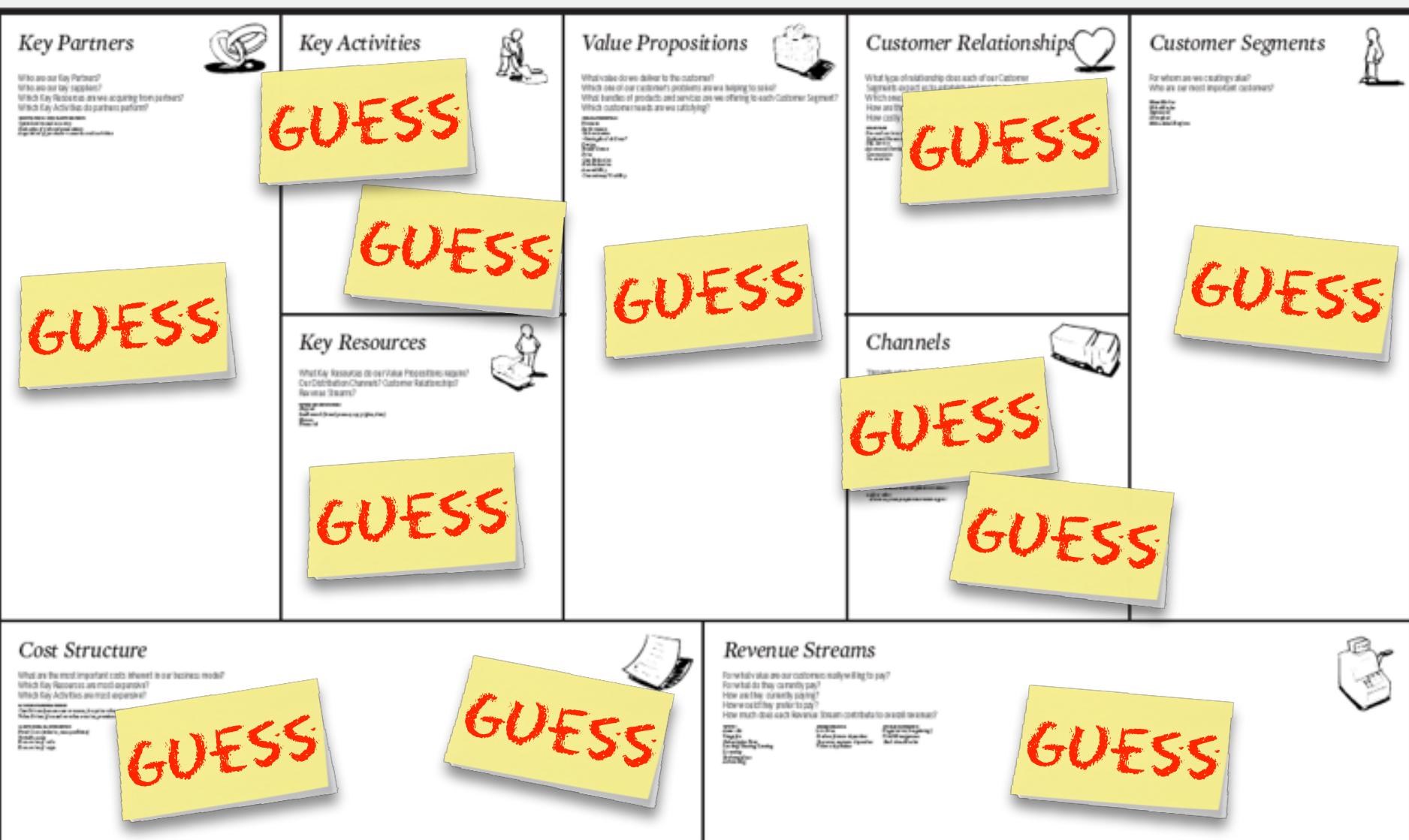
*Your business
model idea is
just a set of
hypotheses.*

a business model might look great on paper...



... but be
honest that it's

... just a set of hypotheses

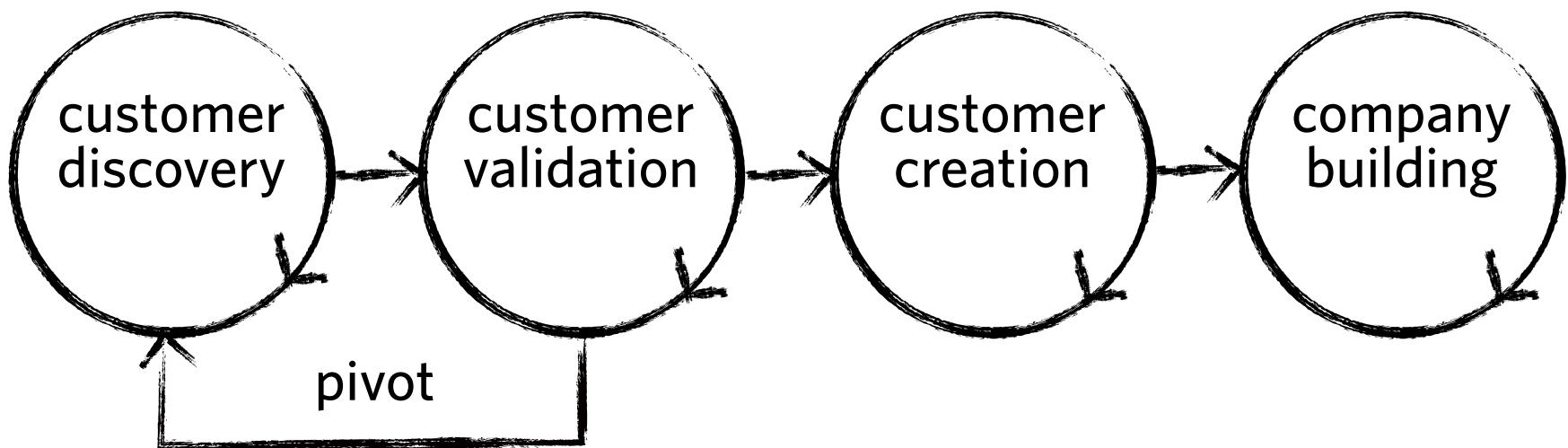


...so you need to get out of the
building and...



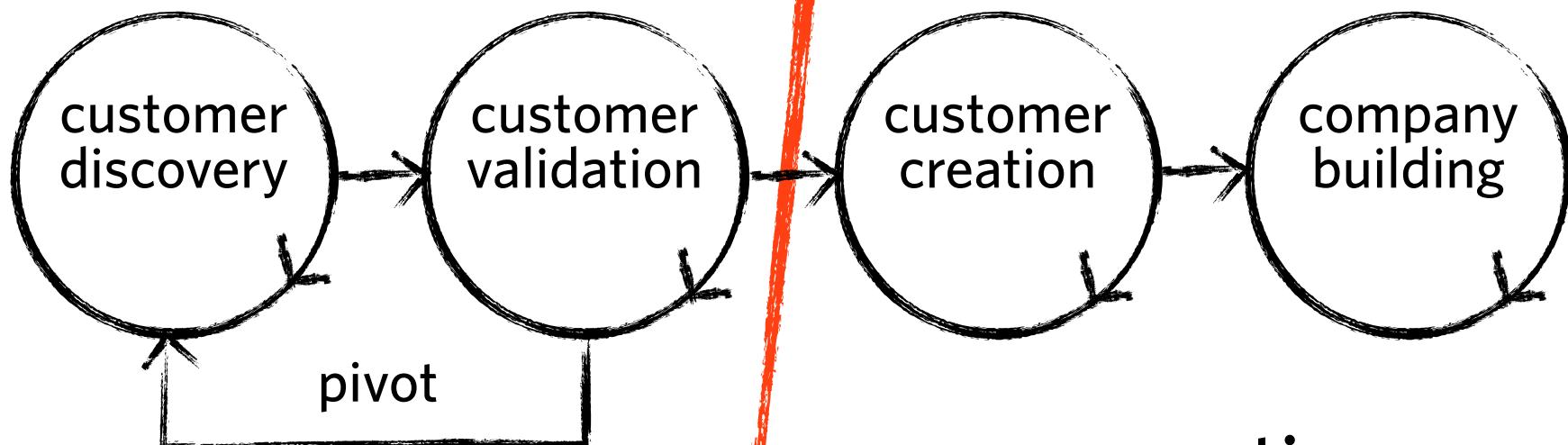
test each hypothesis
(e.g. with customers)

this business model testing process is
called **Customer Development**



two different phases...

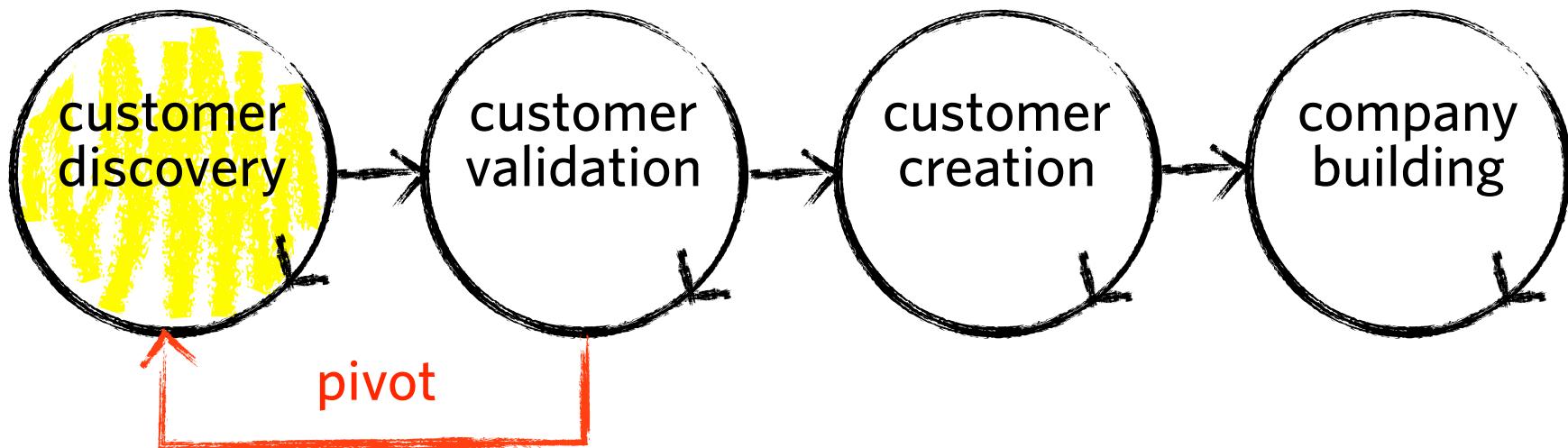
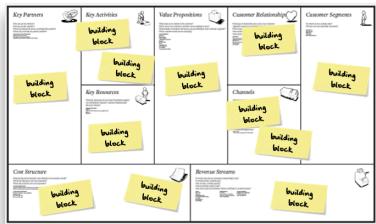
search



execution

and it starts with...

... verifying
every
hypothesis



test your hypotheses

Key Partners



Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

Key Activities



What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationship?
Revenue streams?

Value Propositions



What value do we deliver to the customer?
What are our customers 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?

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 integrating with the rest of our business model?
How costly are they?



Customer Segments

For whom are we creating value?
Who are our most important customers?
How do we serve them?
How do we reach them?

product

market type
competition



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 are best?
Which ones are most cost efficient?
How are we integrating them with customer relations?

Cost Structure

What are the most important costs within our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

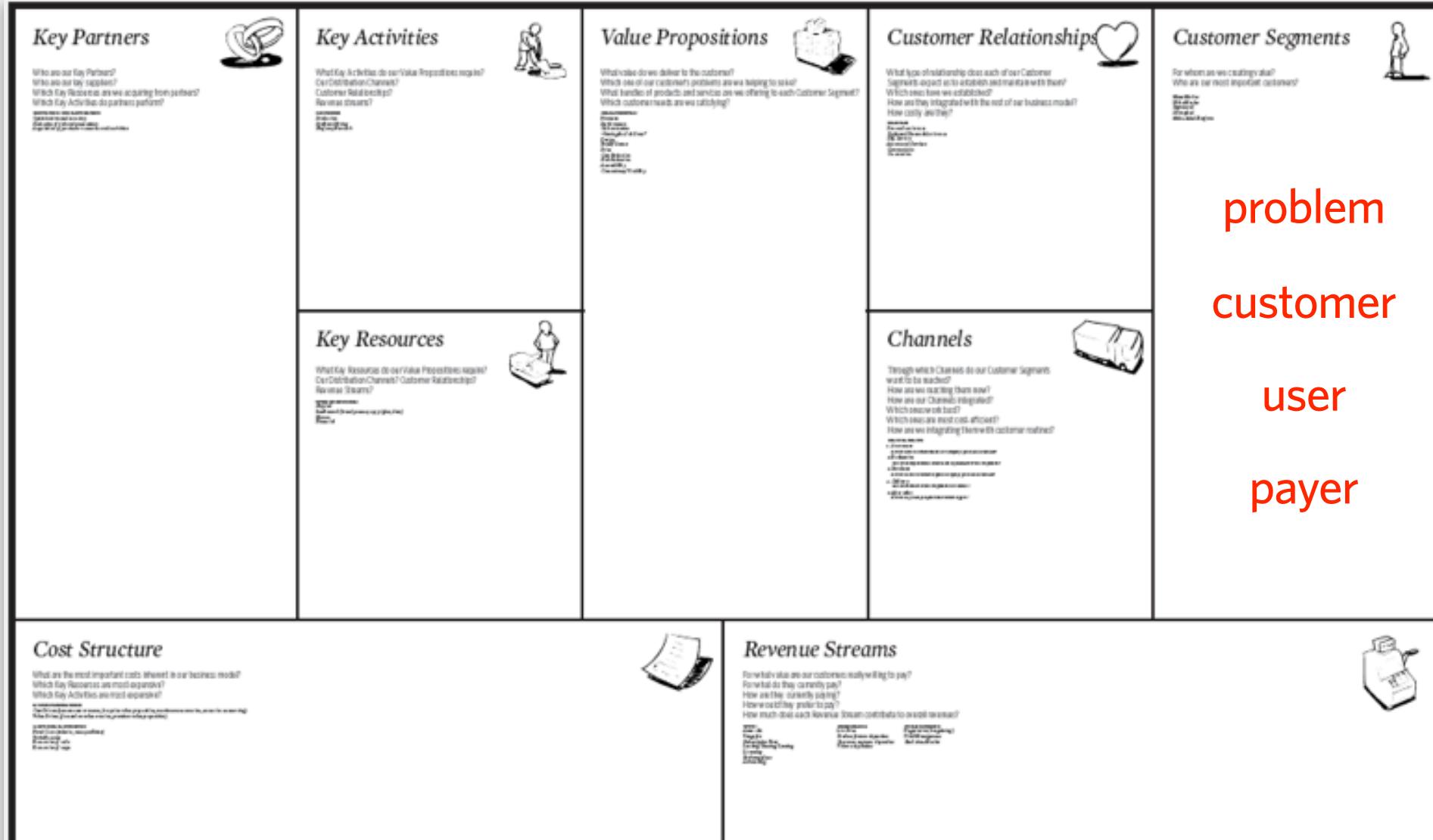


Revenue Streams

How high value are our customers really willing to pay?
How tall do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenue?



test your hypotheses



test your hypotheses

<h3>Key Partners</h3>  <p>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p><small>What is the role of our partners in our Value Propositions model? Our Distribution Channels / Customer Relationships? Revenue Streams?</small></p>	<h3>Key Activities</h3>  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p><small>What value do we deliver to the customer? Which one of our customer segments are we helping to serve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</small></p>	<h3>Value Propositions</h3>  <p>What value do we deliver to the customer? Which one of our customer segments are we helping to serve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> <p><small>What is the role of our Value Propositions in our Business Model? Our Distribution Channels / Customer Relationships? Revenue Streams?</small></p>	<h3>Customer Relationships</h3>  <p>What type of relationship does each of our Customer Segments expect with us? How do we establish and maintain them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?</p> <p><small>What is the role of our Customer Relationships in our Business Model? Our Distribution Channels / Value Propositions? Revenue Streams?</small></p>	<h3>Customer Segments</h3>  <p>For whom are we creating value? Who are our most important customers?</p> <p><small>What is the role of our Customer Segments in our Business Model? Our Distribution Channels / Value Propositions? Key Resources?</small></p>
<h3>Key Resources</h3>  <p>What Key Resources do our Value Propositions require? Our Distribution Channels / Customer Relationships? Revenue Streams?</p> <p><small>What is the role of our Key Resources in our Business Model? Our Distribution Channels / Value Propositions? Customer Relationships?</small></p>	<h3>Channels</h3>  <p>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones cost least?</p> <p><small>What is the role of our Channels in our Business Model? Our Customer Segments / Value Propositions? Key Resources?</small></p> <p style="text-align: center;">channel</p>			

test your hypotheses

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?	What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationship? Revenue streams?	What value does our business offer to the customer? Which one of our customers' problems are we helping to solve? What kind of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?	What type of relationship does each of our Customer Community members have with our business? How do they interact with the rest of our business model? How costly are our relationships? What is the level of commitment?	For whom are we creating value? Who are our most important customers? How do our customers perceive us? How do our customers feel about us?
channel (customer) (problem)	product market type competition	demand creation	Channels	problem customer user payer
Cost Structure	Revenue Streams	validate business model	pricing model	

to accomplish this you will need a special
and agile ...

customer development team



A team that ...

... gets out of the
building!



... to test and adapt your model

Key Partners



Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

...and many more questions

channel
(customer)
(problem)

Key Activities



agile business model adaptation

Key Resources



customer development team

Value Propositions



What value do we deliver to the customer?
What are our customers 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?

...and many more questions

product
market type
competition

Customer Relationships



What type of relationship does each of our Customer
Community members have with us? How can we improve this through
Which ones have we lost?
How can they interact with the rest of our business model?
How costly are our relationships?

...and many more questions

demand
creation

Customer Segments



For whom are we creating value?
Who are our most important customers?
How do we serve them best?
What are their needs?

...and many more questions

problem
customer
user
payer

Cost Structure

What are the most important costs involved in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

...and many more questions



Revenue Streams

What revenue streams are contributing to your
business model?

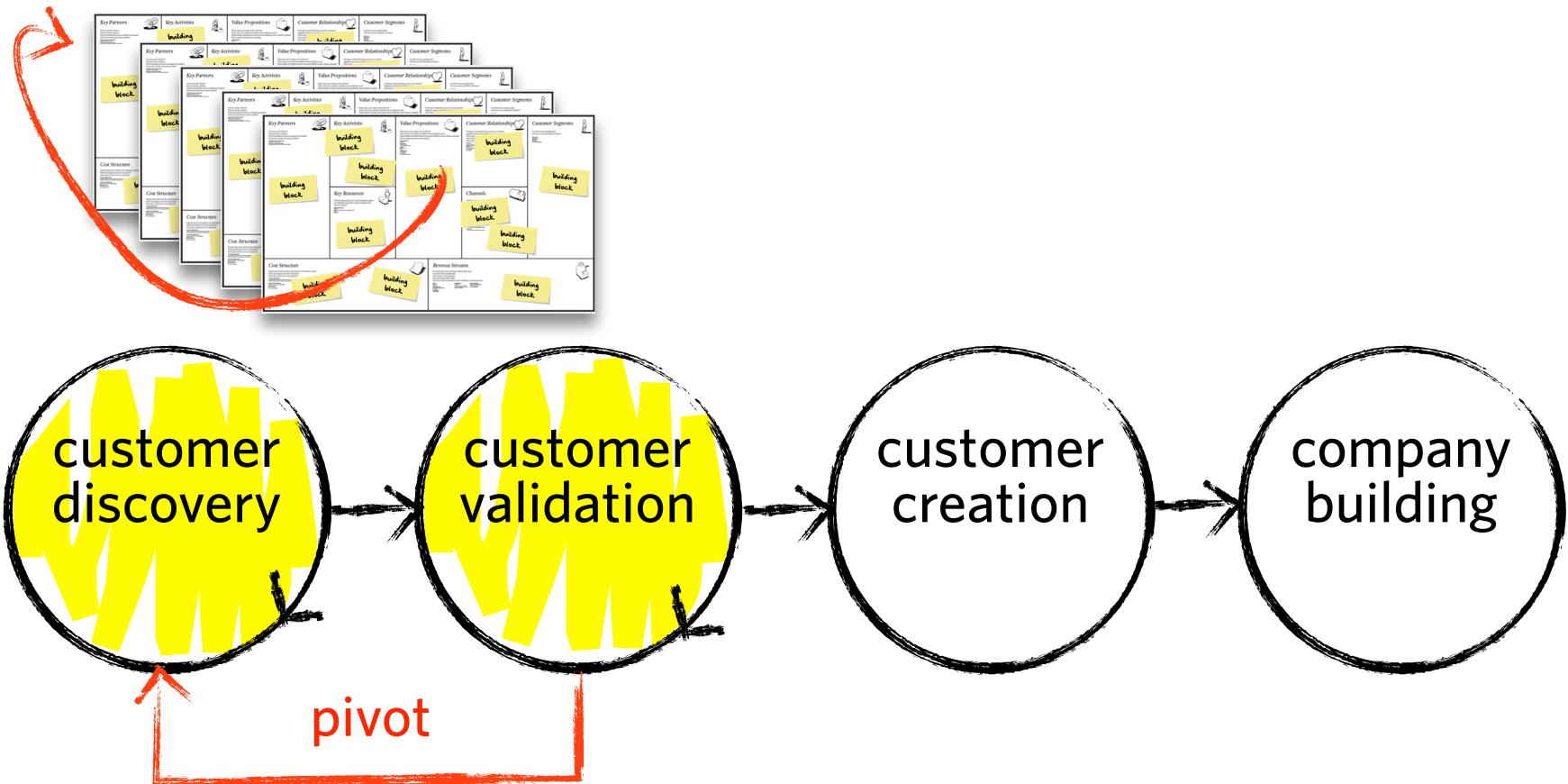
...and many more questions

validate business
model

pricing
model



you need to adapt the business model until you can prove it works



*“How do I prove
a business
model works?”*



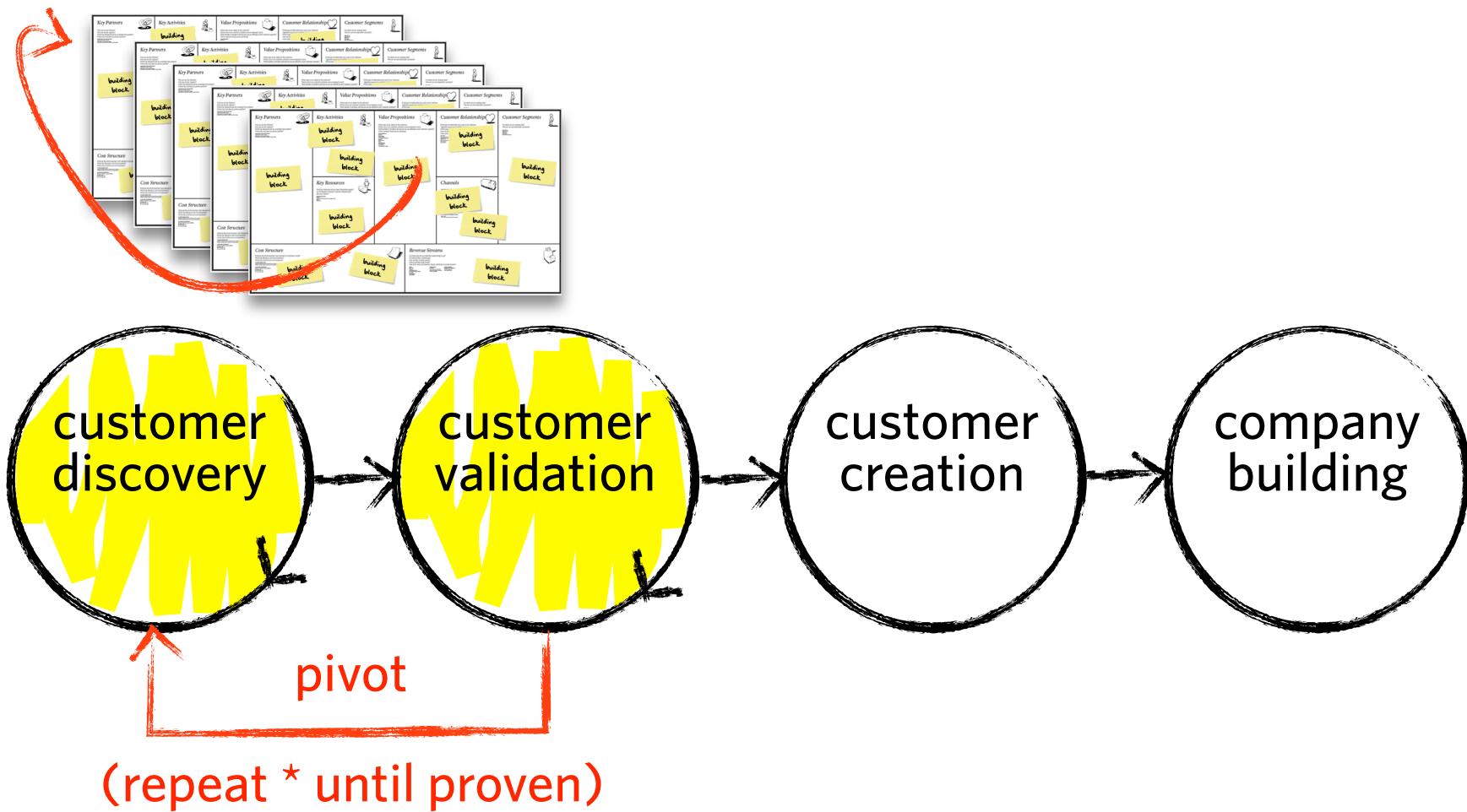
One example of “proving” is
concluding the ...

... sales of a “minimum viable
feature set”



This adaptation process is called ...

the pivot





so do you have any “factual” proof?

Congratulations!

You finished the search
process!



So don't ever forget ...

5

*Don't build your
company, until
you've verified
your Business
Model*

or you'll risk ...

Burning your cash while searching for a working business model



execution is not search

execution **follows** search

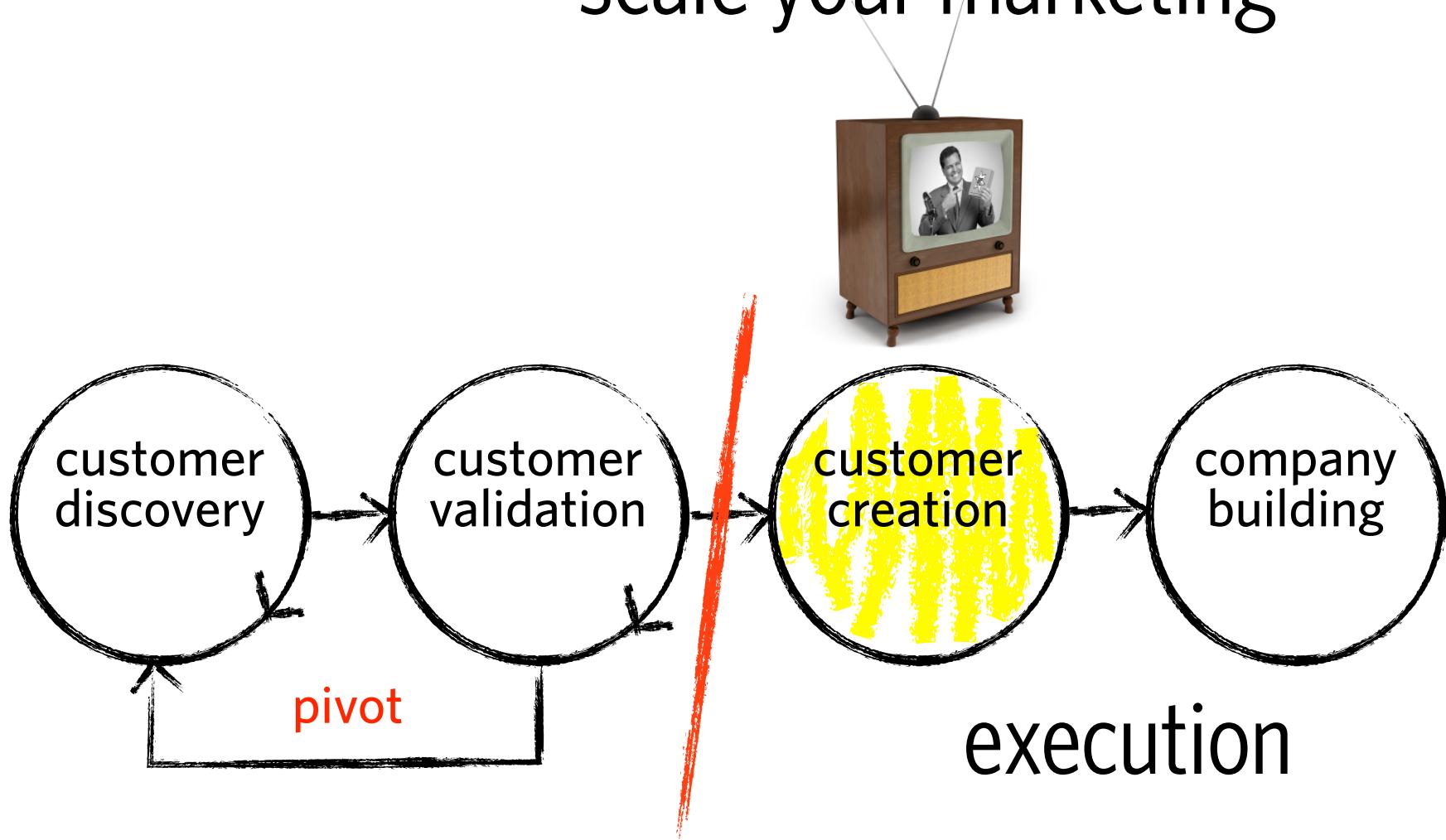


Build when you've found
your model

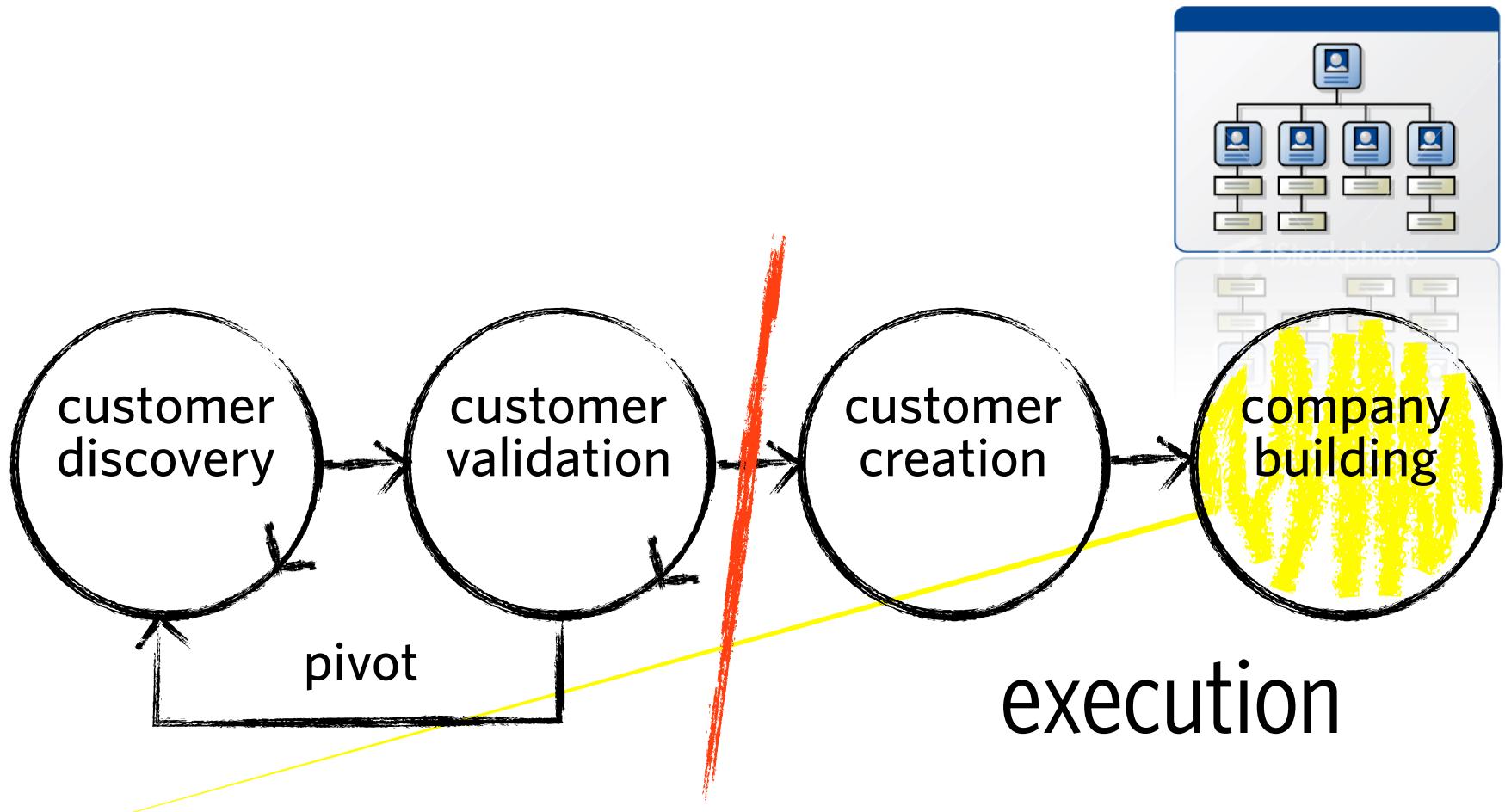


only then execute:

scale your marketing



and build your org structures



1

No business plan survives the first customer contact.

2

It's the business model, stupid.

3

Take time to think through alternative possibilities

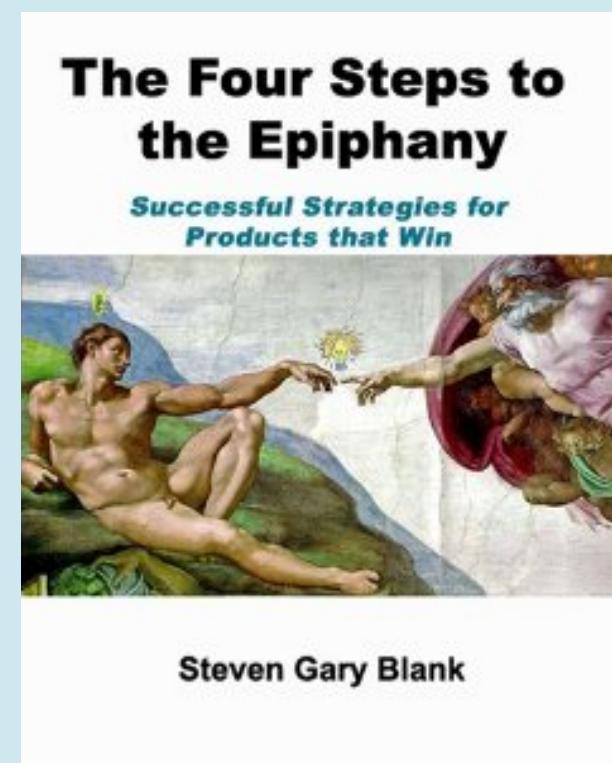
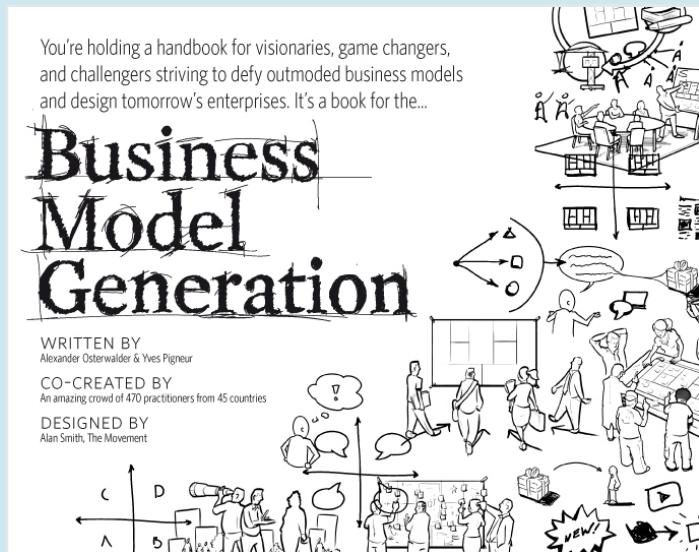
4

Your business model idea is just a set of hypotheses.

5

Don't build your company, until you've verified your Business Model

YOU CAN READ MORE ABOUT BUSINESS MODELS AND THE CUSTOMER DEVELOPMENT PROCESS HERE:



Good Luck!

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