

Business Modeling and Customer Development

Gabriele Montelisciani, Phd Management Engineering

CEO Zerynth



What you will learn today

- **Thinking** as the customer, **acting** for the customer
- **Designing** your business model through iterations and testing



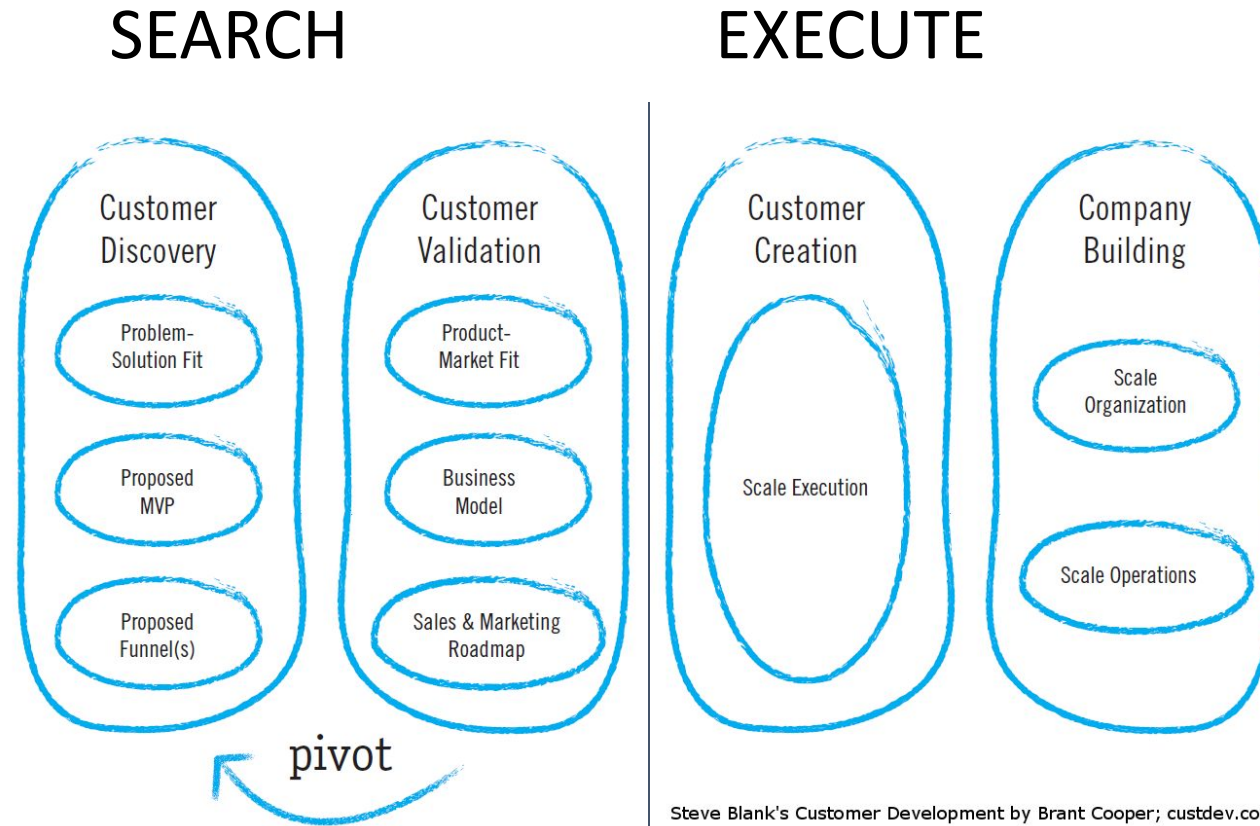
Customer Development Process and MVP

Steve Blanks' Lean Startup Manifesto

A **Startup** Is a Temporary Organization Designed to Search for a **Repeatable** and **Scalable Business Model**

1. **There Are No Facts Inside Your Building, So Get Outside**
2. Pair Customer Development with Agile Development
3. **Failure is an Integral Part of the Search for the Business Model**
4. If You're Afraid to Fail You're Destined to Do So
5. **Iterations and Pivots are Driven by Insight**
6. **Validate Your Hypotheses with Experiments**
7. Success Begins with Buy-In from Investors and Co-Founders
8. **No Business Plan Survives First Contact with Customers**
9. Not All Startups Are Alike
10. Startup Metrics are Different from Existing Companies
11. Agree on Market Type – It Changes Everything
12. Fast, Fearless Decision-Making, Cycle Time, Speed and Tempo
13. If it's not About Passion, You're Dead the Day You Opened your Doors
14. Startup Titles and Functions Are Very Different from a Company's
15. Preserve Cash While Searching. After It's Found, Spend
16. Communicate and Share Learning
17. Startups Demand Comfort with Chaos and Uncertainty

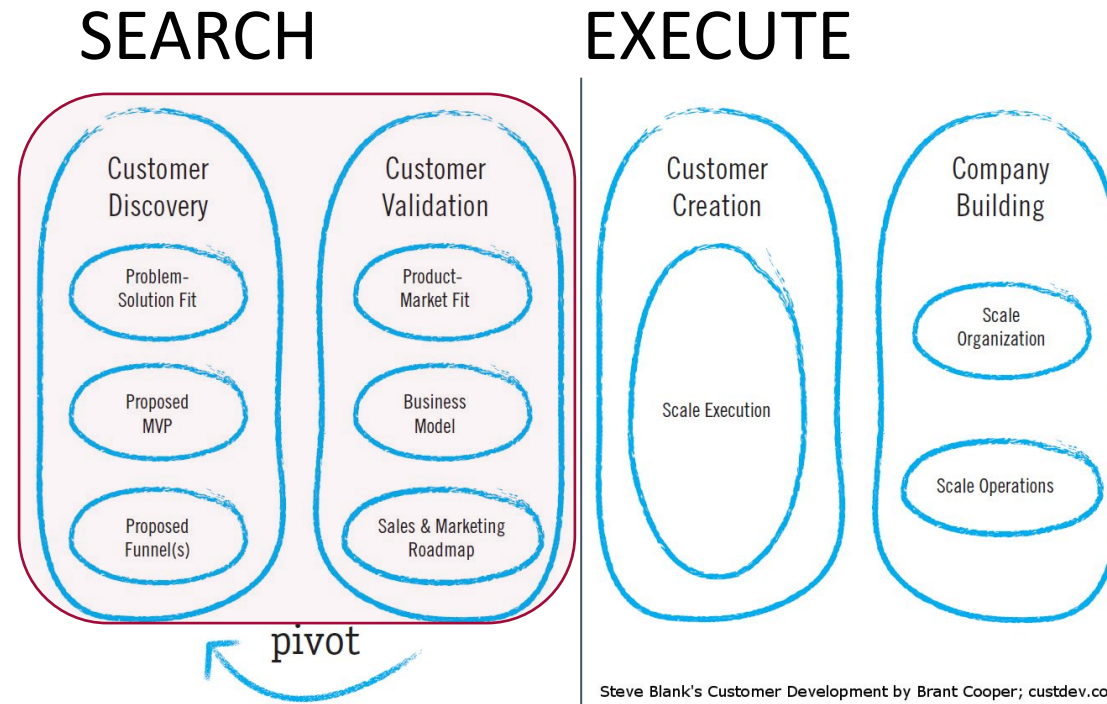
Customer Development Process



Focus: Validated Learning
Experiments: Pivots
Terrain: Qualitative

Focus: Growth
Experiments: Optimizations
Terrain: Quantitative

Customer Development Process



Focus: Validated Learning
Experiments: Pivots
Terrain: Qualitative

Focus: Growth
Experiments: Optimizations
Terrain: Quantitative

Minimum Viable Product

Minimum Viable Product



LEARN

Maximize information and learning about customers as soon as possible

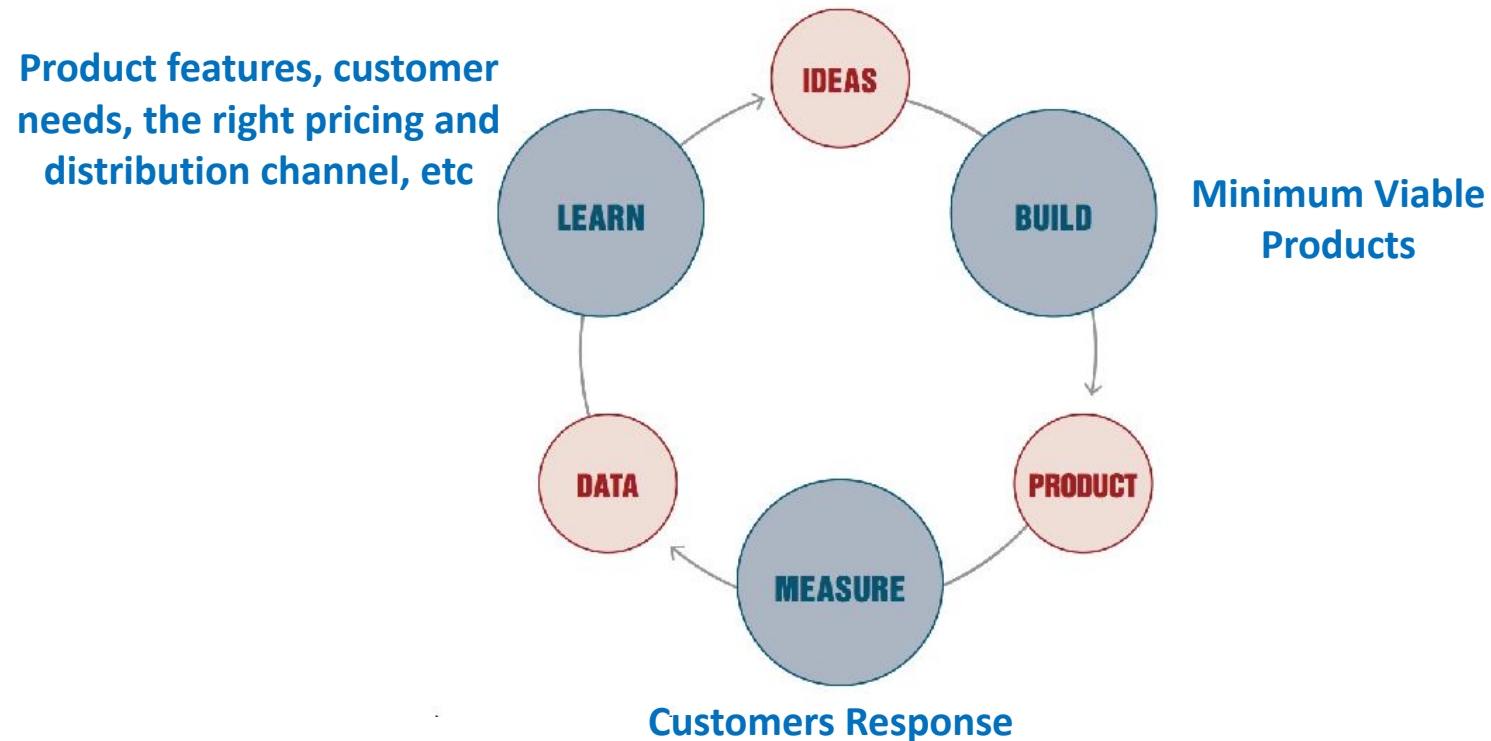
ELIMINATE RISK

Avoid developing products that customers do not want

Build-Measure-Learn Loop

Maximize learning through incremental and iterative engineering

Minimize the total time through the loop



Minimum Viable Product

The minimum amount of functions needed to provide speedy feedback to determine the viability of a product (Rob Kelly)

Minimum

There is usually just one or two core problems that excellent products are trying to solve.

- iPod: store a bunch of your music and play it on the go;
- Facebook: find friends and share information with them;
- eBay: sell used stuff or buy used stuff;
- Google: find information on the Web.

Viable

- Will people use it?
- Will someone pay for it?

Product

- A commercial product
- A service
- An entire business
- Any organism that generates value



Source: Rob Kelly <http://robdkelly.com/blog/entrepreneurship/minimum-viable-product-mvp/>

Minimum Viable Product

What is the Minimum Viable Product of a “full-optional” family car?



Minimum Viable Product



1



1



1

FRED VOORHORST

WWW.EXPRESSIVEPRODUCTDESIGN.COM

Minimum Viable Product

HOW **NOT TO BUILD** A MINIMUM VIABLE PRODUCT



1



2



3



4

ALSO HOW **NOT TO BUILD** A MINIMUM VIABLE PRODUCT



1



2



3



4

HOW **TO BUILD** A MINIMUM VIABLE PRODUCT



1



2



3



4

FRED VOORHORST

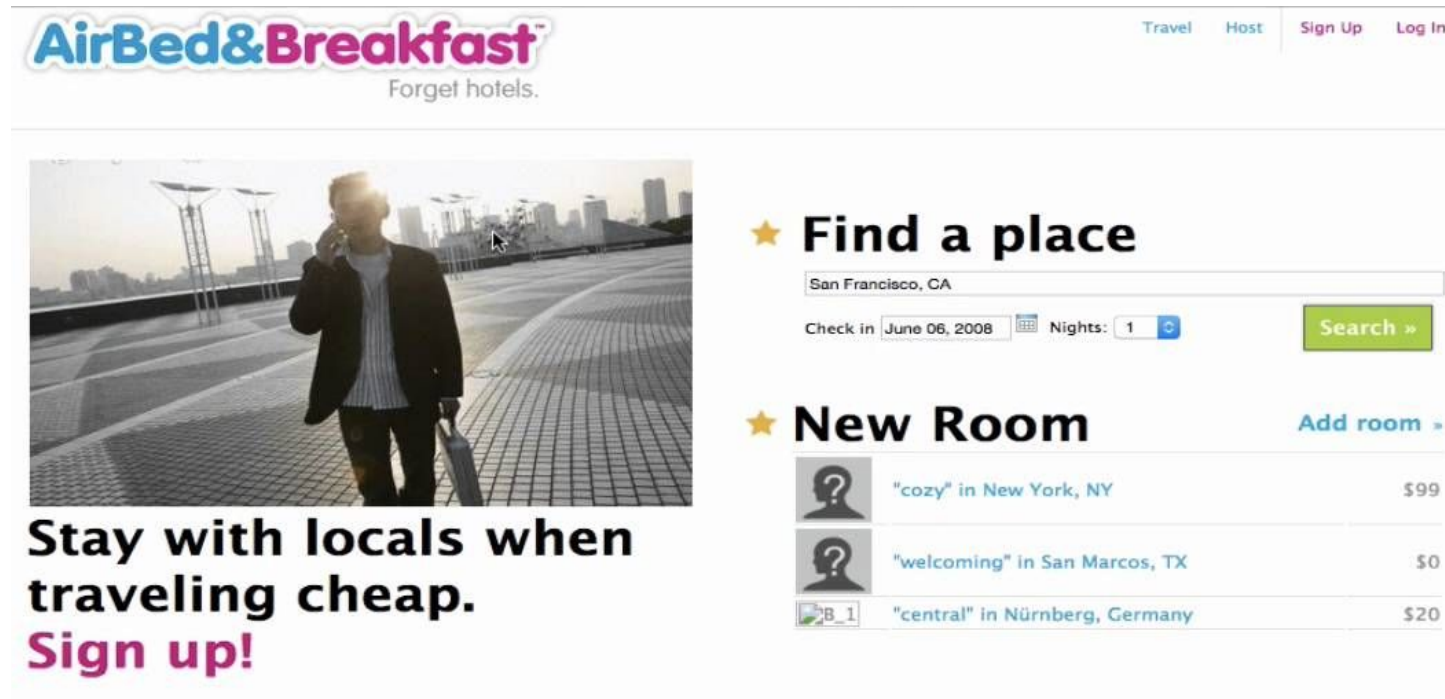
WWW.EXPRESSIVEPRODUCTDESIGN.COM

MVP Case Study - AirBnB

Aspiring entrepreneurs Brian Chesky and Joe Gebbia created **a simple website to advertise their loft** as a cheaper accommodation for people going to San Francisco.

Results

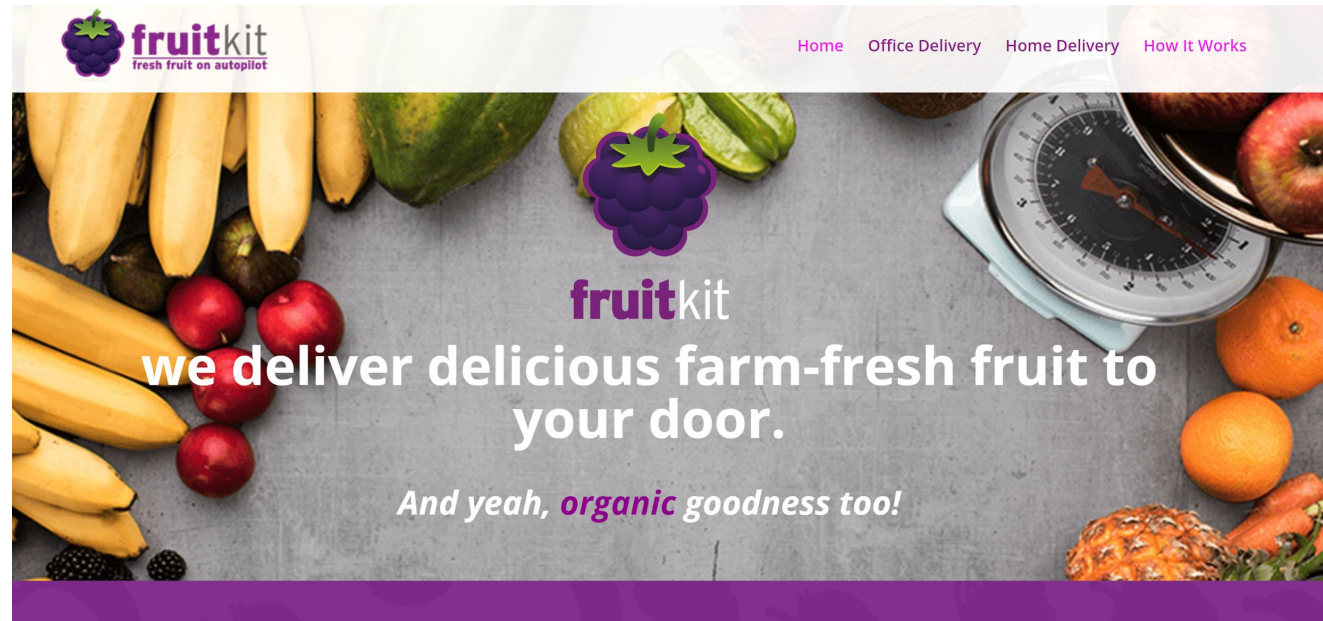
- 3 paying customers going to San Francisco for a conference
- People willing to pay to stay in someone else's home rather than a hotel
- The idea would be interesting for different kinds of people regardless the age
- 80 millions nights booked in 2015



MVP Case Study - Fruitkit

Fruitkit

- Started with just a **simple landingpage website**
- Received **first order through face-to-face conversation** with a potential customer
- **MVP**: invoice sent as attachment; procured the fruit through an importer; delivered the fruit the following Monday (and every week thereafter)
- **collected feedback manually** through customer calls, and gathered customer fruit preferences through a **postcard** that was included in each box



MVP Case Study – Google Glass

In 2012 Google announced development of Google Glass opening the field to smart eyewear



MVP Case Study – Google Glass

Google Glass is back with hardware focused on the enterprise

Darrell Etherington @etherington / Jul 18, 2017

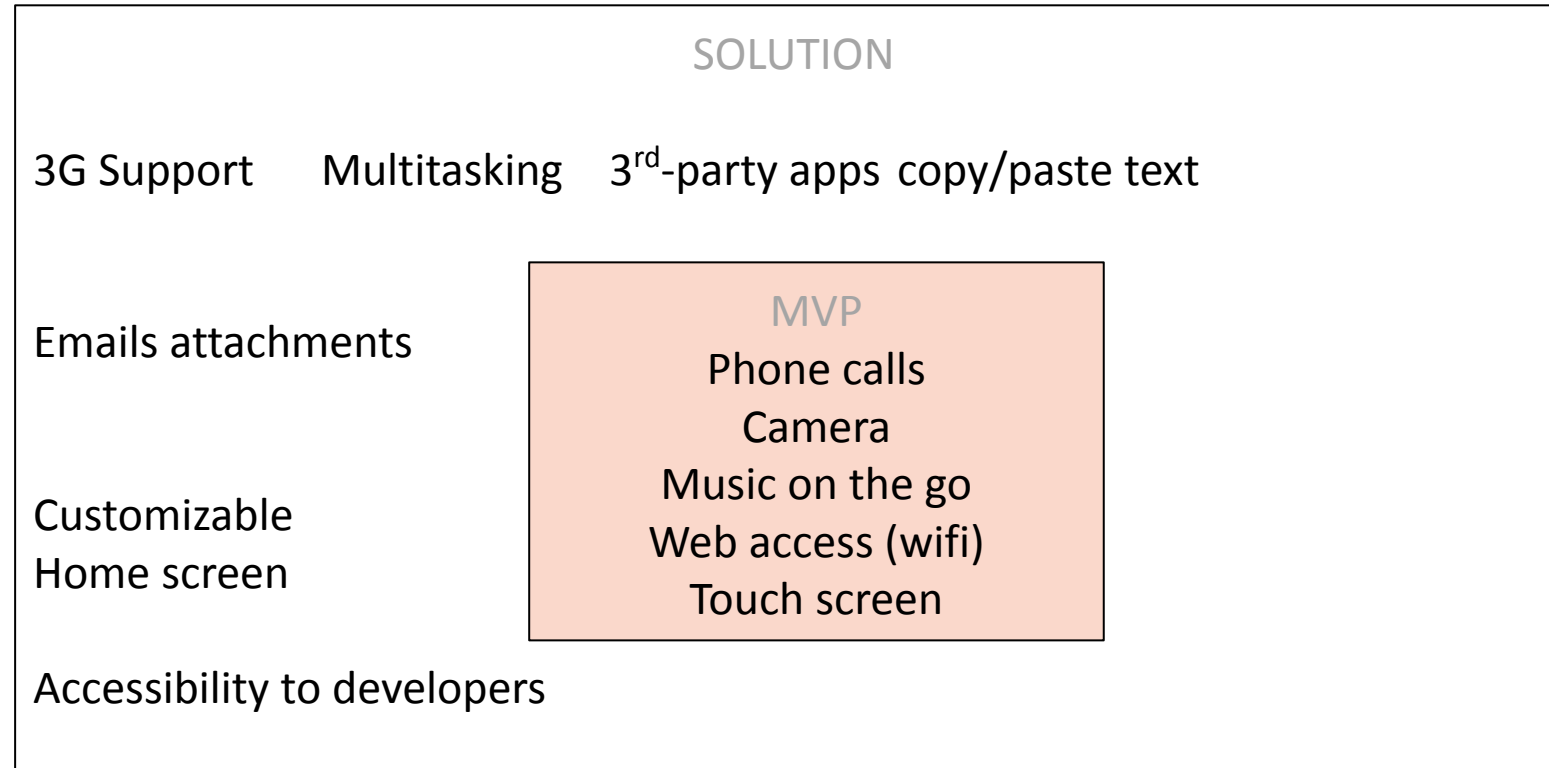
 Comment



Practice: You can easily Build Your MVP

Will people use it?

Will someone pay for it?



The Lean Canvas and how to test it

Lean Canvas

Based on the first customers – focus on early stage

Begins with the customer and the problem

Is built up of hypotheses: "I think that"

The hypotheses need to be tested and "proved" – validated (market, channel and pricing)

New hypotheses and insights lead to new business models

Prioritize - which are the most critical ones to your business?

PROBLEM List your top 1–3 problems 2	SOLUTION Outline a possible solution for each problem 4	UNIQUE VALUE PROPOSITION Single, clear, compelling message that turns an unaware visitor into an interested prospect 3	UNFAIR ADVANTAGE Something that can't be easily copied or bought 9	CUSTOMER SEGMENTS List your target customers and users 1
EXISTING ALTERNATIVES List how these problems are solved today	KEY METRICS List the key numbers that tell you how your business is doing 8		CHANNELS List your path to customers 5	EARLY ADOPTERS List the characteristics of your ideal customers
COST STRUCTURE List your fixed and variable costs 7			REVENUE STREAMS List your sources of revenue 6	

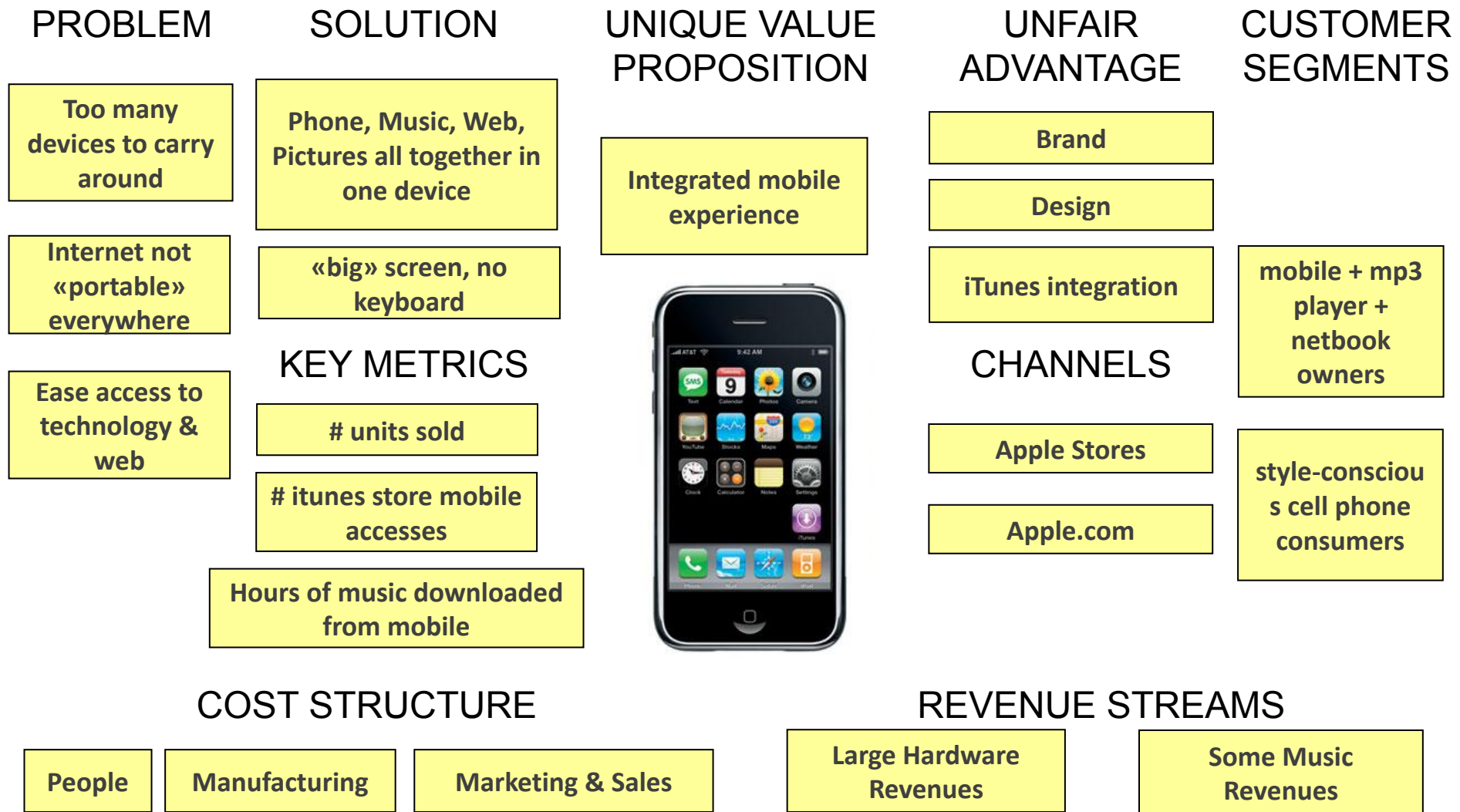
Lean Canvas is adapted from The Business Model Canvas (BusinessModelGeneration.com) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported License.

Lean Canvas

PROBLEM List your top 1–3 problems <div>2</div>	SOLUTION Outline a possible solution for each problem <div>4</div>	UNIQUE VALUE PROPOSITION Single, clear, compelling message that turns an unaware visitor into an interested prospect <div>3</div>	UNFAIR ADVANTAGE Something that can't be easily copied or bought <div>9</div>	CUSTOMER SEGMENTS List your target customers and users <div>1</div>
EXISTING ALTERNATIVES List how these problems are solved today 	KEY METRICS List the key numbers that tell you how your business is doing <div>8</div>		HIGH-LEVEL CONCEPT List your X for Y analogy (e.g. YouTube = Flickr for videos) 	
COST STRUCTURE List your fixed and variable costs <div>7</div>			REVENUE STREAMS List your sources of revenue <div>6</div>	

Lean Canvas is adapted from The Business Model Canvas (BusinessModelGeneration.com) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported License.

Lean Canvas



Lean Canvas is adapted from The Business Model Canvas (BusinessModelGeneration.com) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Unported License.

Remember Lean Startup Manifesto?

“There are no facts inside your building”

“Iterations/pivots are driven by insights from continuous pass/fail tests”

“No business plan survives first contact with customers”

Customer Development Process



Let's set up the test



ASSUMPTION (Presupposto) 1

ASSUMPTION 2

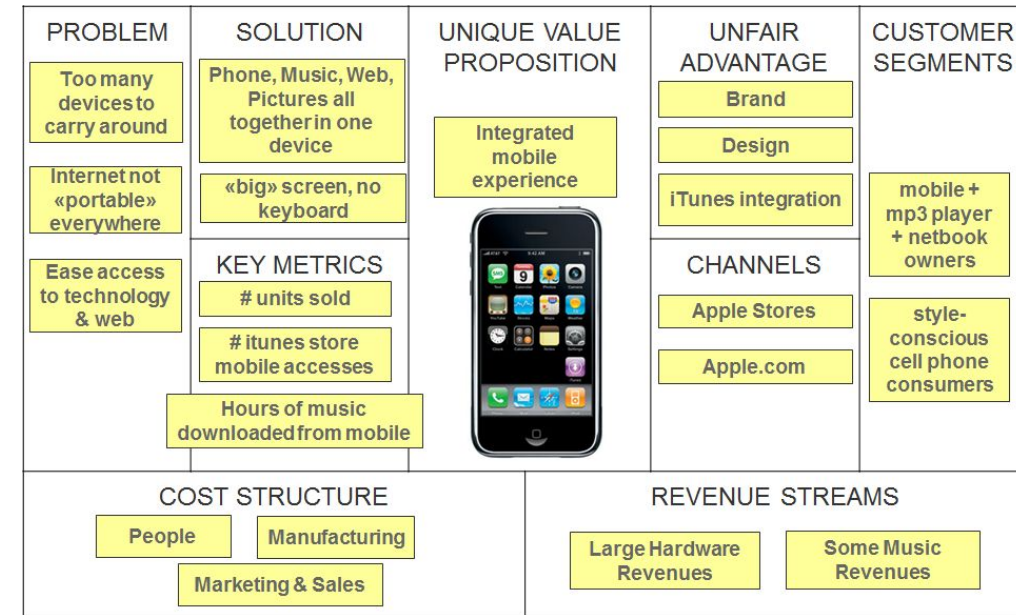
ASSUMPTION 3


...

ASSUMPTION n

KEY ASSUMPTIONS	LEAN CANVAS ELEMENTS	PRIORITY (1 - 2- 3)	HYPOTHESIS	TESTING METHOD and GOAL	VALIDATION
Assumption belonging to one or more elements of your business model	List numbers of elements of the lean canvas	3 High priority ... 1 Low priority	Precise hypothesis provable with a precise test with a YES/NO result	Methodology(es) and plan to test the related hypotheses	Outcome from the test

Validation Dashboard



KEY ASSUMPTIONS (PRESUPPOSTI)	LEAN CANVAS ELEMENT	PRIORITY (1 - 2- 3)	HYPOTHESIS	TESTING METHOD	VALIDATION
1) People don't want to carry around too many devices	PROBLEM	1	90% of netbook owners had at least one experience of not bringing the PC with them for space/battery reasons	50 Interviews asking personal stories on use on netbook use on the go	
			75% of Mac and iPod owners would like to use just one portable device when commuting	100 interviews in the store with specific customers sample	
2) Integrated mobile experience	VALUE PROPOSITION SOLUTION	1	50% potential users have positive reaction on ergonomics and usage on the go of a 3,5" device for music and reading	Pretotype it! Case Study (A. Savoia) "If I had a Pilot, would I actually carry it with me and use it?" 	

Practice: create your Lean Canvas

- Start from the Business Model canvas you have done
- Be CONCISE and SPECIFIC
- Start from the 3 key elements, fill the rest if you have time
- Each element has to be a demonstrated FACT or an ASSUMPTION to be tested

PROBLEM List your top 1–3 problems <div style="text-align: center; font-size: 2em; color: #00a0e3;">2</div> EXISTING ALTERNATIVES List how these problems are solved today	SOLUTION Outline a possible solution for each problem <div style="text-align: center; font-size: 2em; color: #00a0e3;">4</div>	UNIQUE VALUE PROPOSITION Single, clear, compelling message that turns an unaware visitor into an interested prospect <div style="text-align: center; font-size: 2em; color: #00a0e3;">3</div> HIGH-LEVEL CONCEPT List your X for Y analogy (e.g. YouTube = Flickr for videos)	UNFAIR ADVANTAGE Something that can't be easily copied or bought <div style="text-align: center; font-size: 2em; color: #00a0e3;">9</div>	CUSTOMER SEGMENTS List your target customers and users <div style="text-align: center; font-size: 2em; color: #00a0e3;">1</div> EARLY ADOPTERS List the characteristics of your ideal customers	
KEY METRICS List the key numbers that tell you how your business is doing <div style="text-align: center; font-size: 2em; color: #00a0e3;">8</div>	CHANNELS List your path to customers <div style="text-align: center; font-size: 2em; color: #00a0e3;">5</div>	<table border="1" style="width: 100%;"> <tr> <td data-bbox="479 1058 1276 1318" style="width: 50%;"> COST STRUCTURE List your fixed and variable costs <div style="text-align: center; font-size: 2em; color: #00a0e3;">7</div> </td> <td data-bbox="1276 1058 2074 1318" style="width: 50%;"> REVENUE STREAMS List your sources of revenue <div style="text-align: center; font-size: 2em; color: #00a0e3;">6</div> </td> </tr> </table>		COST STRUCTURE List your fixed and variable costs <div style="text-align: center; font-size: 2em; color: #00a0e3;">7</div>	REVENUE STREAMS List your sources of revenue <div style="text-align: center; font-size: 2em; color: #00a0e3;">6</div>
COST STRUCTURE List your fixed and variable costs <div style="text-align: center; font-size: 2em; color: #00a0e3;">7</div>	REVENUE STREAMS List your sources of revenue <div style="text-align: center; font-size: 2em; color: #00a0e3;">6</div>				

6 Techniques to gain customer insights

6 Techniques to gain customer insights

The **data detective**

Does research with secondary data eg customer data; analytics; industry reports



1. Google Trends
2. Google Keyword Planner
3. Google Analytics
4. Patent Databases
5. Third party research reports
6. Social Media Analytics
7. CRM system

Source: Value Proposition Design: How to Create Products and Services
Customers Want Di Alexander Osterwalder,Yves Pigneur,Gregory
Bernarda,Alan Smith

6 Techniques to gain customer insights

The **impersonator**

Step in the shoes of your customer



Source: Value Proposition Design: How to Create Products and Services
Customers Want Di Alexander Osterwalder, Yves Pigneur, Gregory
Bernarda, Alan Smith

Bike Lanes by Casey Neistat

6 Techniques to gain customer insights

The **anthropologist**

Observational studies; diary studies

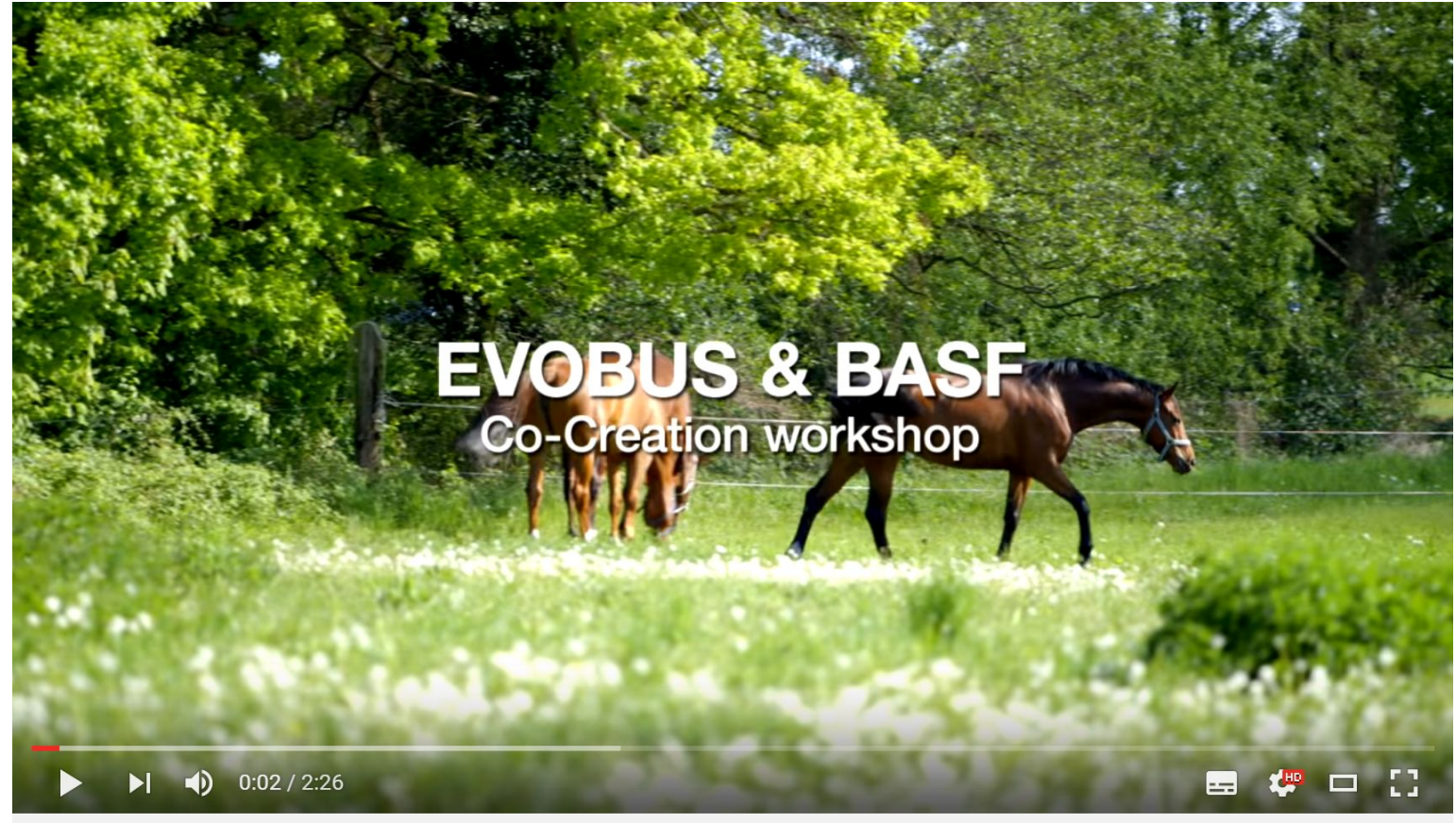
1. (B2C) Stay/live with the family, participate in daily routines, learn about what drives people
2. (B2B) Work alongside, observe, what keeps these people awake at night?
3. (B2C) Observe shopping behaviour
4. (B2C) Shadow customer for one day



Source: Value Proposition Design: How to Create Products and Services Customers Want Di Alexander Osterwalder,Yves Pigneur,Gregory Bernarda,Alan Smith

6 Techniques to gain customer insights

The **cocreator**



Source: Value Proposition Design: How to Create Products and Services
Customers Want Di Alexander Osterwalder,Yves Pigneur,Gregory
Bernarda,Alan Smith

New formats create new ideas — Customer Co-Creation with Daimler Buses

6 Techniques to gain customer insights

The **scientist**

The Lab is everywhere



The World's Deepest Trash Bin (Fun Theory)

Source: Value Proposition Design: How to Create Products and Services Customers Want Di Alexander Osterwalder,Yves Pigneur,Gregory Bernarda,Alan Smith

6 Techniques to gain customer insights

The **journalist**

Conversations/Interviews with customers 1:1 or even in focus groups

1. What's the hardest part about _____ [problem context]?
2. Can you tell me about the last time that happened?
3. Why was that hard?
4. What, if anything, have you done to solve that problem?
5. What don't you love about the solutions you've tried?



Source: Value Proposition Design: How to Create Products and Services Customers Want Di Alexander Osterwalder,Yves Pigneur,Gregory Bernarda,Alan Smith

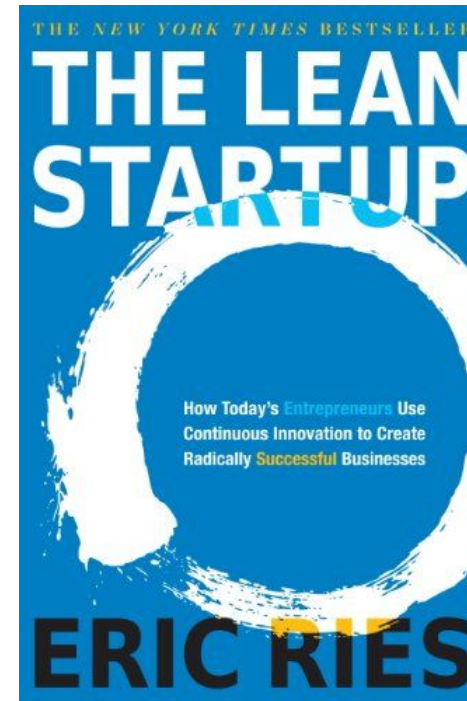
Practice: validate the main hypothesis

Pick one hypothesis to be tested with an interview and write your short interview:

- 1. What's the hardest part about _____ [problem context]?**
- 2. Can you tell me about the last time that happened?**
- 3. Why was that hard?**
- 4. What, if anything, have you done to solve that problem?**
- 5. What don't you love about the solutions you've tried?**

What (I hope) you learned today

- **Thinking** as the customer, **acting** for the customer
- **Designing** your business model through iterations and testing



Grazie!

Gabriele Montelisciani, Phd Management Engineering

CEO Zerynth

g.montelisciani@zerynth.com

