Software Product Management

Create business plan – Lean Canvas

BITS Pilani

Nandagopal Govindan

Contents

Introduction

- Once we have assessed an opportunity, it is good to put all our thoughts together on paper.

- A detailed business plan covering – problem, solution. USP, market size, revenue generation, etc. needs to be created

- A simpler 1-page plan can be created for quick understanding

Business Model Canvas by Alexander Ostervald

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 our partners? Which key activities do partners perform?	What key activities do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?	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?	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?	For whom are we creating value? Who are our most important customers? What are the customer archetypes?
	Key resources		**Channels**	
	What key resources do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?		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?	

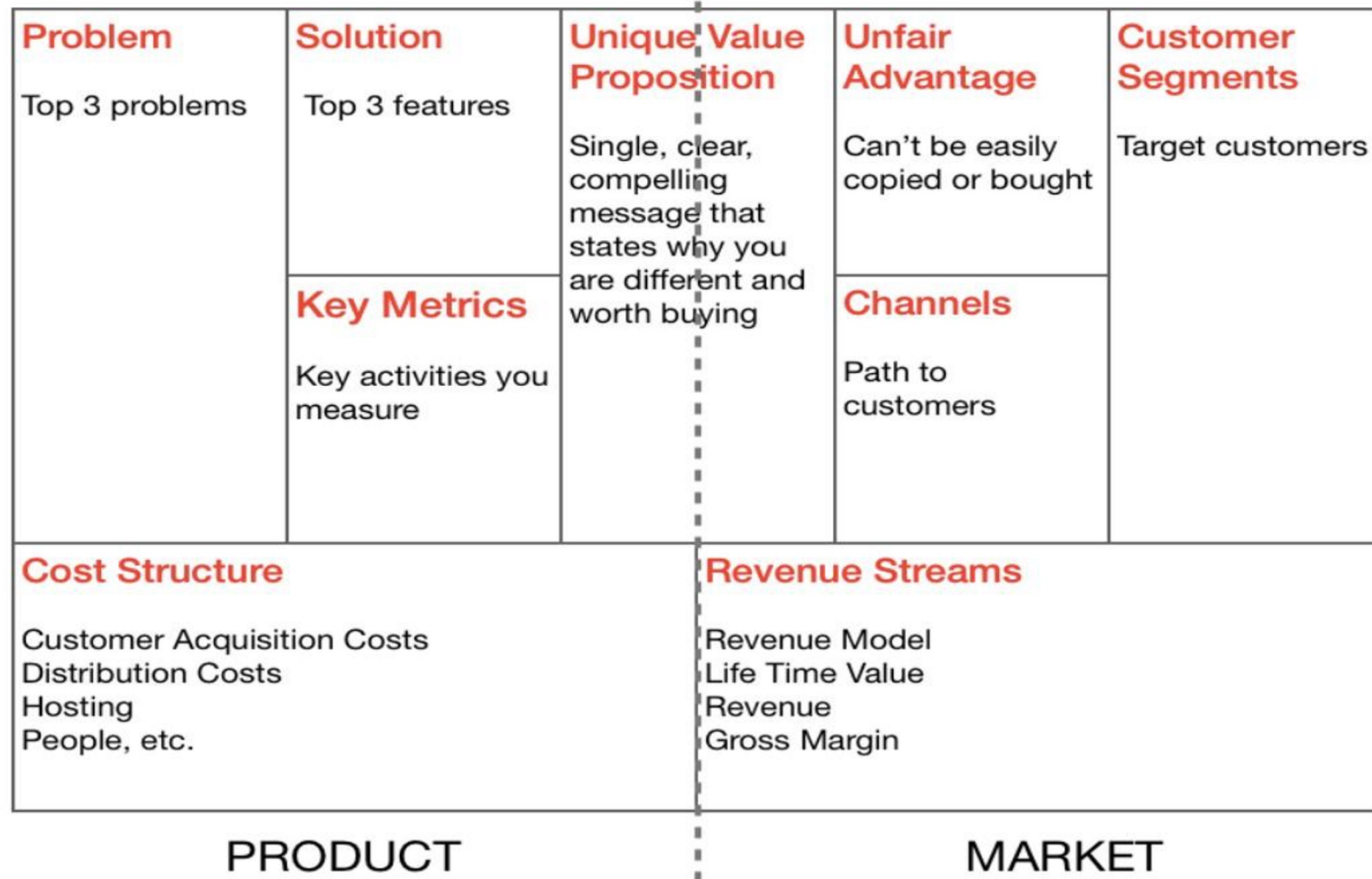| Cost structure	Revenue streams
What are the most important costs inherent to our business model? Which key resources are most expensive? Which key activities are most expensive?	For what value are our customers really willing to pay? For what do they currently pay? What is the revenue model? What are the pricing tactics?

Ref: www.businessmodelgeneration.com/canvas

Lean canvas – a simplified model

- However when are in the early stage, it may not be necessary to go so much into detail, because our product is not yet ready, it has not been validated and many things will change which will yield the model redundant / waste.

- Hence a simplified canvas called Lean Canvas is recommended at this early stage. This was proposed by Ash Maurya. Helps get your idea(s) out from your head into a tangible format so that you can communicate that with others

Lean canvas

Problem	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments
Top 3 problems	Top 3 features	Single, clear, compelling message that states why you are different and worth buying	Can't be easily copied or bought	Target customers
	Key Metrics Key activities you measure		**Channels** Path to customers	

Cost Structure	Revenue Streams
Customer Acquisition Costs Distribution Costs Hosting People, etc.	Revenue Model Life Time Value Revenue Gross Margin

PRODUCT   MARKET

Ref medium.com

Some explanations

- Channels can be email, social, CPC ads, blogs, articles, trade shows, radio & TV, webinars etc.

- Metrics can be how many visited, how many signed up, what is the usage, how many continued using

- Unfair advantage can be insider information, a dream team, getting expert endorsements, existing customers etc

amazon

1994

PROBLEM

- Lack of online bookstores
- Hard to select books in offline stores (no rating, recommendati-ons, hard to find a book, etc.)

SOLUTION

Build an online bookstore with millions of titles

UNIQUE VALUE PROPOSITION

Buy books using a PC from home/office (without visiting several local stores to find a particular book)

UNFAIR ADVANTAGE

- Lower price (less employees, less rent payment and other costs)
- no competition for online booksellers

CUSTOMER SEGMENTS

Book readers

EXISTING ALTERNATIVES

- Interloc (future Alibris)
- Local booksellers
- Barnes & Noble

KEY METRICS

- Website traffic
- CAC
- ROI (sales conversion rate, revenue per visitor, percentage of shopping cart abandoned rate, etc.)

HIGH-LEVEL CONCEPT

Earth's biggest bookstore (company's original tagline)

CHANNELS

Affiliates
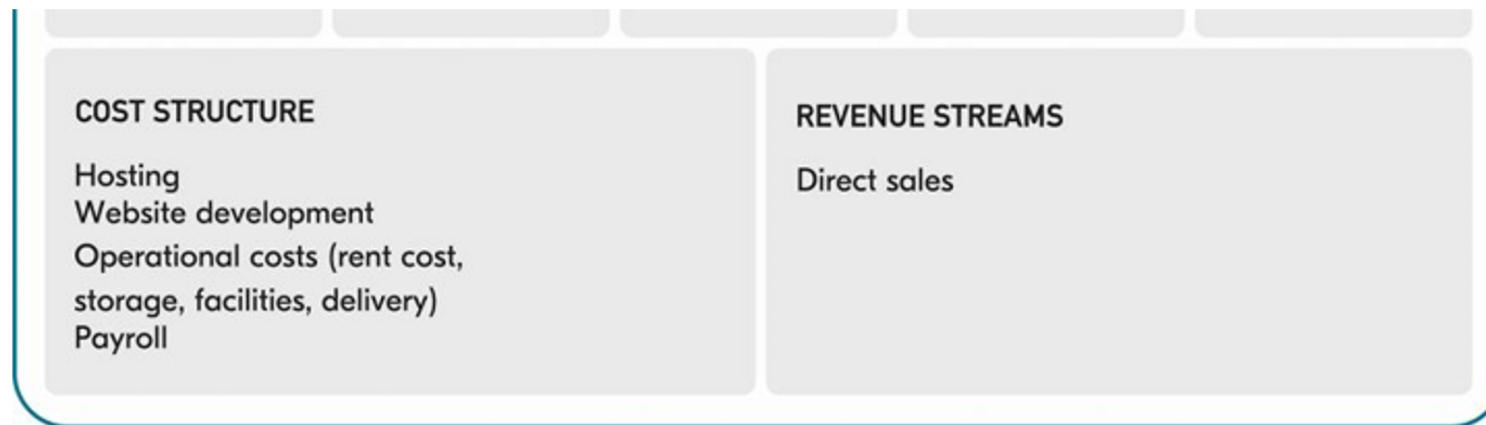Resellers

EARLY ADOPTERS

- Customers searching for rare and specialized books
- Internet users looking for bookselling services

Amazon Lean Canvas…

COST STRUCTURE

Hosting
Website development
Operational costs (rent cost,
storage, facilities, delivery)
Payroll

REVENUE STREAMS

Direct sales

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

AirBed&Breakfast

2008

PROBLEM

- Hard to find cheap/affordable accomodation options when travelling
- Staying in hotels travellers cannot get authentic experiences of a location
- It's not easy for a homeowner to monetize vacant areas on a day-by-day basis
- Uncultivated home sharing culture

EXISTING ALTERNATIVES

Booking.com
Hotels.com

SOLUTION

- An online service where travelers can rent an affordable local apartment, and homeowners can earn extra money by renting out vacant areas on a day-by-day basis

KEY METRICS

- Number of views-to-bookings per host
- Number of hosts applied
- NPS
- DAU/MAU

UNIQUE VALUE PROPOSITION

- Travelers can get authentic experience of local area
- Extra monetization of vacant areas for homeowners

HIGH-LEVEL CONCEPT

Everyone can become a host
Sharing economy

UNFAIR ADVANTAGE

- Any homeowner can rent out space
- Trust building: bi-directional rating system of hosts and visitors
- Insurance by default for hosts

CHANNELS

- Referrals
- Recommen-dations
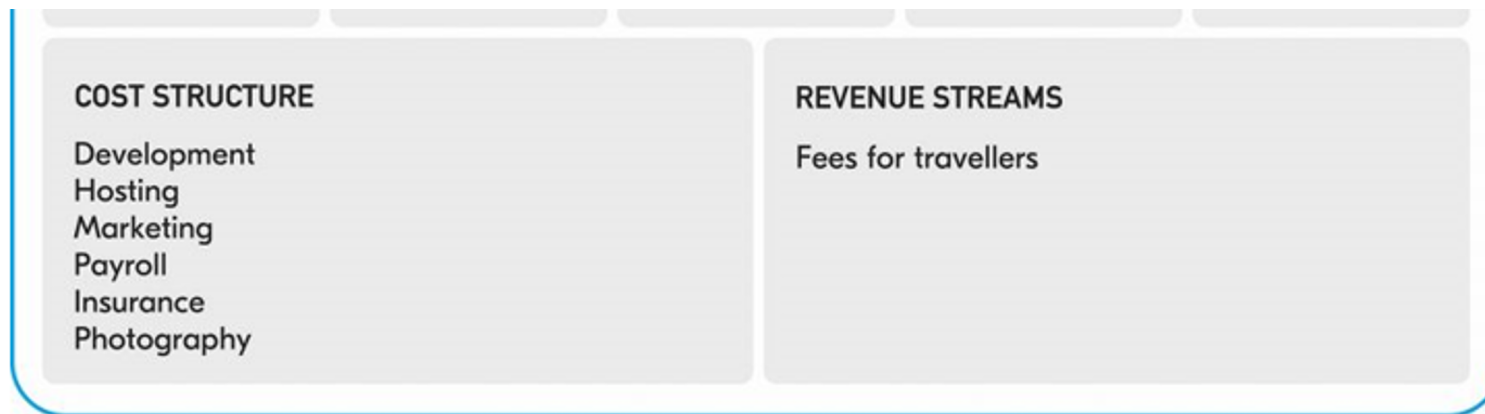- Advertising (both online and offline)

CUSTOMER SEGMENTS

- Travellers looking for an adequate accommodation experience for a low price
- People having some accomodation options to become a host

EARLY ADOPTERS

People ready to share their residence and earn money as hosts

AirBnB Lean Canvas...

COST STRUCTURE

Development
Hosting
Marketing
Payroll
Insurance
Photography

REVENUE STREAMS

Fees for travellers

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

Exercise

Create a Lean Canvas for

1. Rivigo
2. Qalara

Solution

Lean Canvas - Rivigo

Appendix