

Startup Canvas

Week 6

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Minimum Viable Product (MVP)

It is the simplest version of a product that includes just enough features to be tested by early customers. It helps validate an idea before spending too much time and money on development.

Why is MVP Important?

- ✓ Saves Time & Money – Avoids building unnecessary features.
- ✓ Reduces Risk – Tests if customers actually want the product.
- ✓ Enables Fast Learning – Entrepreneurs get real feedback quickly.
- ✓ Helps Secure Funding – Investors prefer startups that validate ideas early.

Examples of MVPs

Instagram → Initially launched as Burbn, a simple photo-sharing app before refining its core feature set.

Key MVP Question

What is the simplest version of my product that provides value to customers?

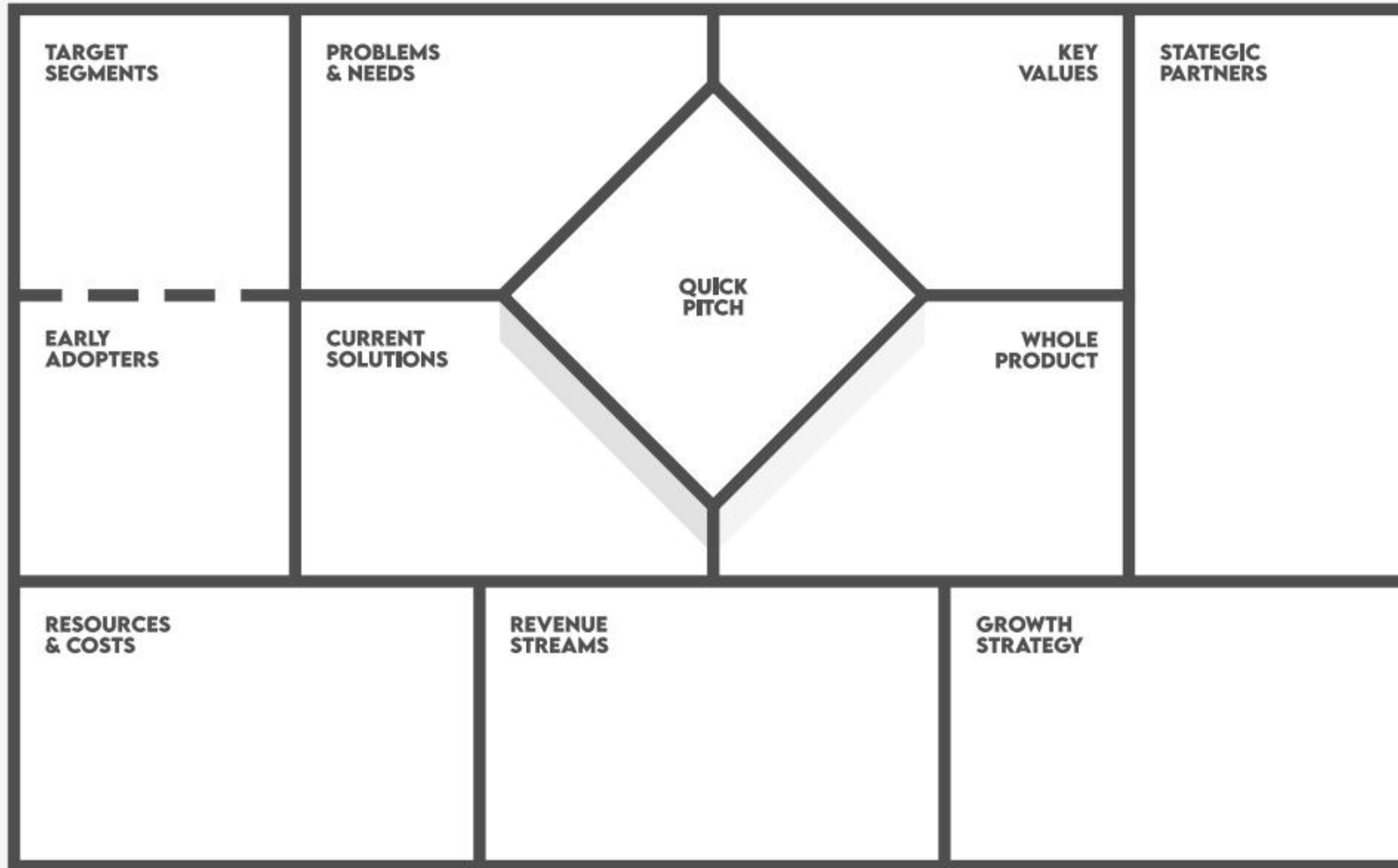
STARTUP CANVAS

V3

<https://www.basverhoeven.me/startup-canvas>



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The Startup Canvas is a great tool for innovators, visionaries, and game changers who want to (re)design and/or validate their business models.

1- Target Segment

A Target Segment is a specific group of people who are most likely to buy your product.

For which group(s) of people do we create value? Who will pay for that value? Who is the decision maker?

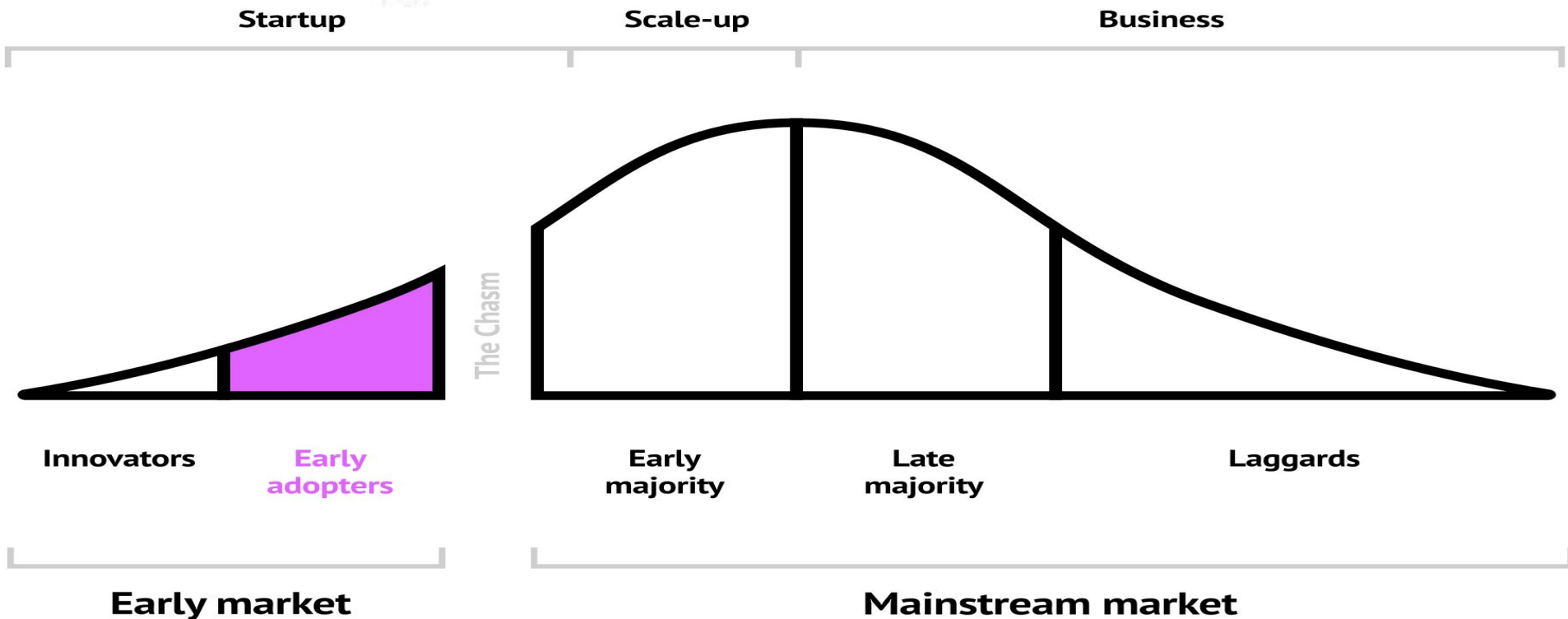
- ✓ Get to know the Target Segments in those markets and gain lots of insights by doing experiments.
- ✓ Target segments from different niche markets often do not meet in normal work settings. This blocks organic growth and you can only partially solve this problem with large and expensive sales or marketing campaigns.
- ✓ Better to narrow your focus and find a good niche market that is small enough to conquer but big enough to matter.
- ✓ Find the niche in the most pain.

Tip: Do you have multiple Target Segments? Then use a different color sticky note for each segment on the canvas.

2- Early Adopter

An Early Adopter is someone who tries new products before the majority of the market. They are tech-savvy, open to change, and give valuable feedback.

You Should Ask: *Who are the first to show an intrinsic interest in our product? What do these people have in common?*



Difference

1 Innovators (First Adopters) – The Risk-Takers

- These people love trying **new technologies first**, even before the product is fully polished.
- They are **tech enthusiasts** who enjoy experimenting.
- **Example:** The first people who bought Tesla cars when EVs were not mainstream.

2 Early Adopters – The Trendsetters (*Purple Section in the Image*)

- They adopt new products early but wait until they are somewhat **proven**.
- They influence the market because others **follow their lead**.
- **Example:** Early buyers of iPhones when Apple first launched them.

The Chasm

| Challenge | Strategy to Overcome It | Example |
|------------------------------------|---|---|
| 🚩 Customers don't trust new tech. | Focus on a small niche first . | Tesla's first customers were luxury buyers. |
| 🚩 Mainstream users need proof. | Provide case studies & success stories . | Dropbox's explainer video. |
| 🚩 Customers don't know your brand. | Invest in branding & partnerships . | Airbnb partnered with hotels. |
| 🚩 Product is too complex. | Make it simpler & more user-friendly . | Facebook started small & expanded. |
| 🚩 Mainstream users follow trends. | Use influencers & social proof . | TikTok gained popularity through viral content. |

How do you recognize an Early Adopter?

- An Early Adopter is among the first to adopt a new product or technology before the majority of the population does.
- Love to experiment with new technology.
- Willing to pay a premium for innovation.
- Strong influencers—they spread word-of-mouth reviews.
- An Early Adopter will come to you.
- An Early Adopter is a visionary and a risk taker.
- An Early Adopter has the insight to match an emerging technology or concept with a personal dream (B2C) or a strategic opportunity (B2B).
- An Early Adopter is easy to sell to, but very hard to please (and that's perfect for startups to learn and validate!).

3- Problems & Needs

A startup must identify real pain points customers face to create a valuable solution.

What is annoying or troubling our Target Segment(s)?

- Then think about the Problems & Needs they experience as they try to complete those jobs.
- Knowing and understanding the Problems & Needs is the only way your product can make a positive impact in a targeted manner.
- Solving problems and/or meeting needs is not an accidental side effect of your business, it's the core, the raison d'être of your business.

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Remember: any profitable product or service solves a problem and/or meets a need.

How to Identify Problems?

- **Surveys & Interviews** – Ask people about daily frustrations.
- **Competitor Research** – What do customers complain about in existing solutions?
- **Social Listening** – Check online reviews and forums.
- Example
 - Netflix Solved a Problem!
 - Before: People had to rent DVDs from stores and pay late fees.
 - After: Netflix offered online streaming with no late fees.

4- Current Solutions

How are customers currently solving their problems? This helps entrepreneurs understand gaps in the market.

Who is out there? Who or what is currently (partly) solving similar Problems and/or meets the needs of our Target Segments?

- There's always a current solution. If not, it probably means there's no Problem or Need and you should pivot (change your concept) right away.
- Exploring Current Solutions often yields a lot of valuable insights about the Target Segments and their Problems and Needs.

5- Key Value

Your Key Value Proposition (KVP) is the main reason customers should buy from you instead of competitors.

What value are we delivering to our Target Segments? What makes them love us? What makes us unique and stand out from the competition?

- For now, let's forget about products and features. What actual value are we delivering to our Target Segments with our Whole Product?
- **Formula for a Strong KVP**
- “We help [target audience] solve [problem] by offering [unique solution].”
- Example:
- **Dulolingo:** "We help busy professionals and students solve the challenge of learning a new language by offering a fun, gamified, and personalized mobile learning experience."

6- Whole Product

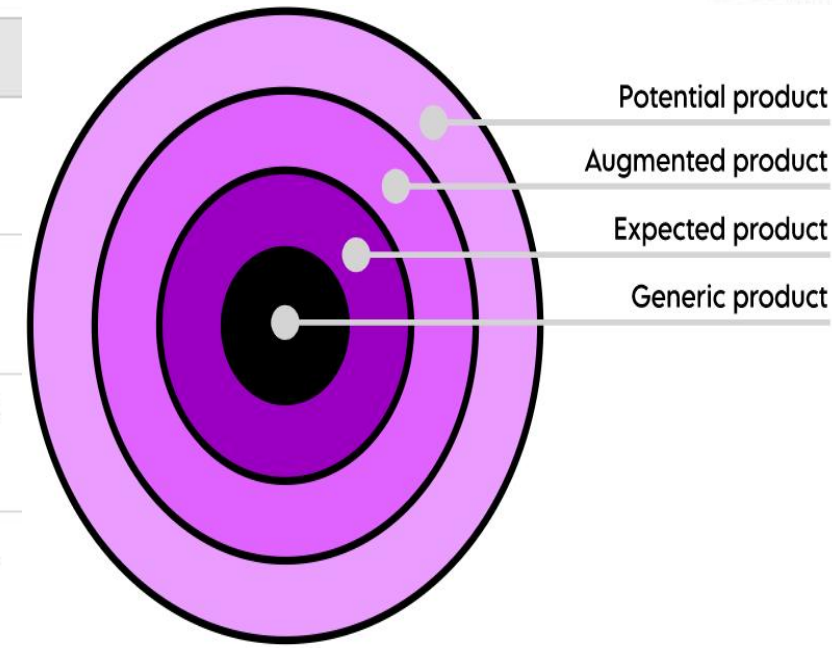
The Whole Product includes everything a customer needs for a complete experience (not just the core product).

What features are we shipping and what else is needed for our target segments to have a compelling reason to buy/ use?

Unfortunately, the early market is relatively small (16% of the total market) and it don't last forever.

Product Level Model

| Product Level | Explanation | Example (Apple iPhone) |
|-------------------|--|---|
| Generic Product | The most basic function that the product serves. | A mobile device used for communication (calling and texting). |
| Expected Product | Features that customers expect as standard in the product. | Touchscreen, internet access, camera, and App Store. |
| Augmented Product | Additional features and services that enhance the product and differentiate it from competitors. | Face ID security, ultra-wide cameras, iCloud storage, and AppleCare warranty. |
| Potential Product | Future possibilities and innovations that could be added to improve the product. | Foldable iPhones, brain-computer interface, or AI-driven personal assistants. |



Example

A good example of a Whole Product is Apple's first **iPod**. When Apple introduced the iPod in 2001, several MP3 players were already on the market. Innovators and early adopters saw the convenience of such a small music player, but the mp3 players did not really go mainstream. It was not due to the product itself, but because the whole product was not complete and mainstream markets simply expect a whole product.

The player on its own was useless without the actual music. But there was no store where you could simply buy MP3s. Instead, you had to convert your purchased CDs to MP3 files yourself. And it wasn't easy at all. You had to use a tool for that which asked lots of difficult questions about file formats, bit rate, codec etc.

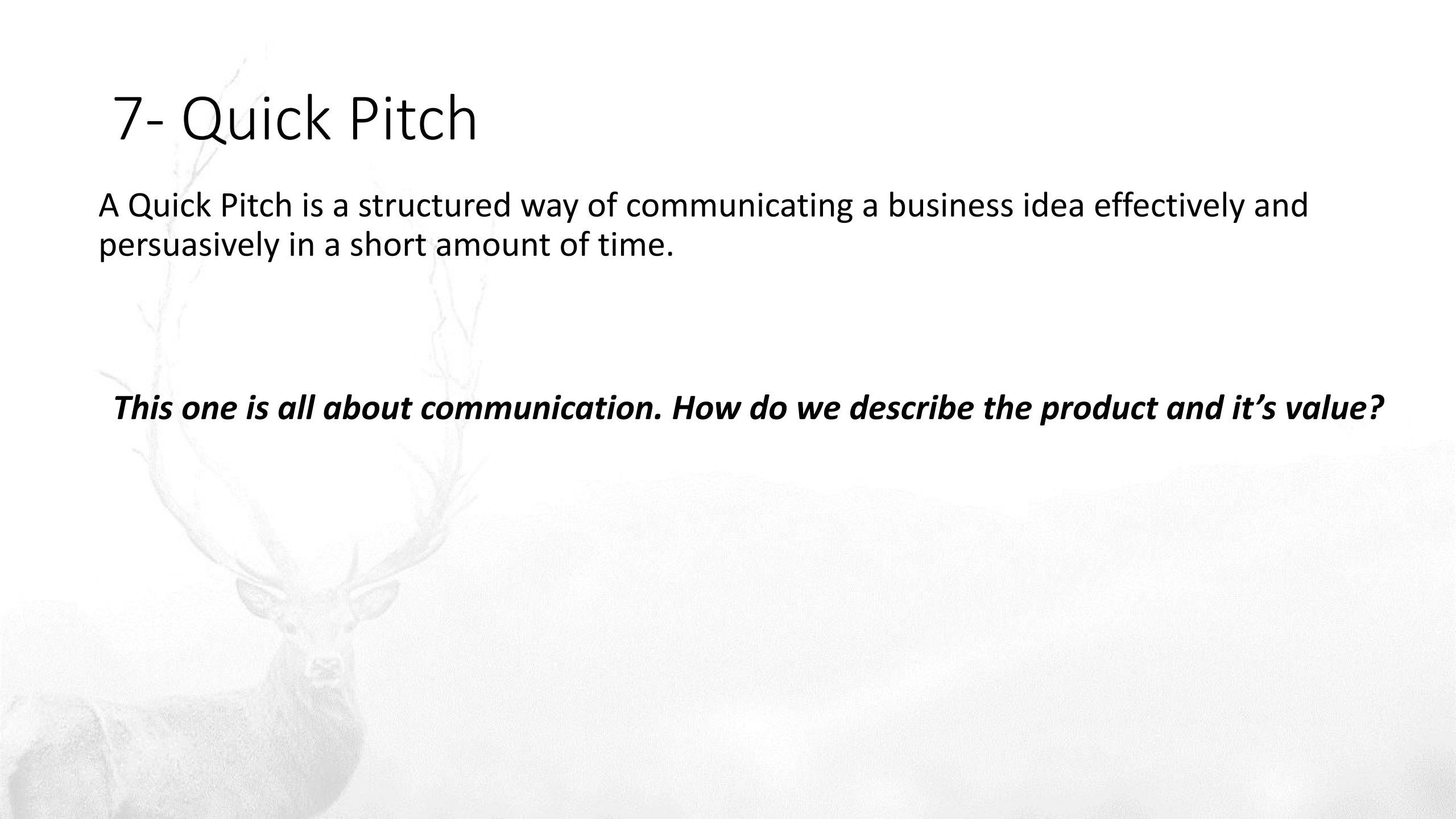
Apple was smart enough to think about the whole product. In addition to the MP3 player, Apple also introduced the iTunes store in 2001. A digital store where you could buy a song for 99 cents. With the push of a button, the music was on your iPod.

In addition, the iPod came with the well-known white earplugs. The whole product was therefore the MP3 player, earplugs and iTunes. Apple has chosen to develop the whole product entirely in-house (partly made possible by the acquisition of Sound Jam MP in 2000), but this is not necessary. You can also enter into strategic partnerships for this.

7- Quick Pitch

A Quick Pitch is a structured way of communicating a business idea effectively and persuasively in a short amount of time.

This one is all about communication. How do we describe the product and it's value?



7- Quick Pitch - Tesla

| Component | Definition | Example (Tesla) |
|-----------------------------------|---|---|
| Factual Tagline | A short and catchy phrase that sums up the essence of the brand. | <i>"Electric Cars for the Future"</i> |
| Value Proposition (~5 Seconds) | A concise statement explaining what the product does, who it helps, and why it's unique. | <i>"Tesla offers premium electric vehicles with self-driving technology and zero emissions, giving drivers a sustainable, high-performance alternative to gasoline cars."</i> |
| Elevator Pitch (~30 Seconds) | A short but persuasive pitch that includes the problem, solution, and competitive advantage . | <i>"Many drivers want sustainable transportation but don't want to sacrifice performance. Tesla solves this by offering high-performance electric vehicles that are stylish, fast, and equipped with cutting-edge autonomous technology. Unlike traditional cars, Tesla constantly improves through over-the-air software updates."</i> |

8- Strategic Partners

These are companies or individuals that help your business grow through collaborations, investments, or resources.

Who are our partners and suppliers? What parties could provide the parts of the whole product that we will not provide ourselves?

- Sometimes the whole product contains products or services that are too far from your core business. Luckily you don't have to create the Whole Product all by yourself. For Example: **Apple & Nike Partnership – Created the Apple Watch Nike edition.**
- Describe the parties you will work with to realize the Whole Product. What is their contribution and what is their role?

Note; a Strategic Partner is always aware of being your partner, if not, then it's not a Strategic Partner and most likely will fit in the Resources & Costs section of the canvas.

9- Resources & Costs

What resources do we need and what costs do we have to incur to make and deliver the Whole Product to our Target Segments? How can we minimize those costs?

- These can be physical necessities (such as an office) or non-physical (such as knowledge). And what does it cost?
- Therefore it can be useful to distinguish between two broad classes of business model Cost structures: **cost-driven and value-driven** (although most startups and businesses fall in between both):

Cost-driven

- Startups and companies with Cost-driven business models focus on minimizing costs wherever possible. This approach aims at creating and maintaining the leanest possible Cost structure, using low pricing, maximum automation, and extensive outsourcing. It is a common strategy in cases when there is no (or little) competitive advantage or when it is easier to achieve scale with production volumes, so they apply the strategy of cost advantage.

Value-driven

- Some companies are less concerned with the cost implications of a particular business model design, and instead focus on value creation. Premium quality products and a high degree of personalized service usually characterize value-driven business models.

10- Revenue Streams

What are our benefits and sources of income? In other words; what is the revenue model?

Why Understanding Revenue Models is Important?

- ✓ Helps businesses choose the best way to monetize their product or service.
- ✓ Allows startups to create multiple revenue streams for higher profitability.
- ✓ Understanding revenue models helps with pricing strategy & financial planning.

10- Revenue Streams

| Revenue Model | Definition | Example |
|----------------------------------|---|---|
| Transaction Model | A one-time sale of a product or service, where the customer makes a single payment. | <i>Apple iPhones, Amazon product purchases, Microsoft Office standalone version.</i> |
| Subscription Model (SaaS) | Customers pay a recurring fee (monthly or annually) to access a product or service, including Software as a Service (SaaS) , where users access cloud-based software instead of owning a copy. | <i>Netflix, Spotify, Adobe Creative Cloud, Microsoft 365 (SaaS), Salesforce (SaaS), Dropbox (SaaS).</i> |
| Freemium Model | A basic version is free, but users can pay for premium features or additional services. | <i>LinkedIn, Canva, Zoom, YouTube Premium, Duolingo.</i> |
| License Model | A company owns intellectual property rights and rents them to others for use. | <i>Disney licensing Marvel characters, Microsoft software licenses, Dolby licensing audio technology.</i> |

10- Revenue Streams

| Revenue Model | Definition | Example |
|--|---|--|
| Rental Model | Instead of selling products, companies rent them to customers for temporary use. | <i>Hertz car rentals, Airbnb, WeWork office spaces, Rent the Runway (fashion rentals).</i> |
| Consumption Model | Customers pay based on how much of a product, infrastructure, or service they use. | <i>Dropbox (storage usage), AWS (cloud computing usage), Uber (pay-per-ride).</i> |
| Premium Model | In addition to the base product, a premium version or extra features are offered for an additional cost. | <i>YouTube Premium, Spotify Premium, LinkedIn Premium.</i> |
| Intermediary or Affiliate Model | A company facilitates transactions between buyers and sellers and earns a commission or fee from each sale. | <i>Ebay, Amazon Affiliate Program, Booking.com, Google Ads.</i> |

10- Revenue Streams

| Revenue Model | Definition | Example |
|---|---|---|
| Advertising or Sponsorship Model | Revenue is earned from third parties by promoting their products or services through ads or sponsorships. | <i>Google Ads, Facebook Ads, Instagram influencer sponsorships, news websites with banner ads.</i> |
| Production Model | A company manufactures products on behalf of another business and earns revenue from production costs and profit margins. | <i>Foxconn producing Apple devices, private-label manufacturing, white-label products.</i> |
| Hybrid Model | A combination of multiple revenue models to diversify income streams and adapt to market demands. | <i>Amazon (e-commerce + AWS cloud services + Prime subscriptions), Apple (hardware + App Store + iCloud subscriptions).</i> |

11- Growth Strategy

A Growth Strategy outlines how a startup will expand and gain more customers.

How do we get, keep and grow our users and customers?

Describe the different ways in which you will bring in new customers and users, keep them in, and how you will grow with your existing customers and users.

11- Growth Strategy

| Growth Strategy | Definition | Mainstream Example |
|---|---|--|
| Viral Growth | Growth achieved through user referrals and word-of-mouth marketing . This happens when existing users bring in new users by sharing the product. | <i>Dropbox grew rapidly by offering free storage to users who referred their friends. Instagram became popular as users shared posts and stories.</i> |
| Paid Growth | Growth that comes from investing in advertising, sponsorships, and paid promotions to acquire customers. | <i>Facebook and Google generate billions in revenue from paid ads. Apple uses high-budget marketing campaigns to promote new iPhones.</i> |
| Sticky Growth (Retention-Based Growth) | Focuses on keeping existing customers engaged and reducing churn by offering high value and incentives for loyalty. | <i>Netflix retains users by continuously providing new and exclusive content. Amazon Prime keeps customers loyal with exclusive benefits like free shipping and streaming.</i> |
| Product-Led Growth (PLG) | Growth driven by the product itself , meaning that user experience and built-in features encourage organic adoption and expansion. | <i>Slack's free version led to company-wide adoption as teams upgraded for premium features. Zoom became widely used due to its easy interface and free plan.</i> |

11- Growth Strategy

| Growth Strategy | Definition | Mainstream Example |
|---|---|---|
| Network Effect Growth | Growth occurs when a product becomes more valuable as more users join , making it harder for competitors to disrupt. | <i>WhatsApp became the dominant messaging app because more users made it more useful. LinkedIn benefits from network effects as more professionals join.</i> |
| SEO & Organic Growth | Acquiring users through search engines and organic content marketing rather than paid ads. | <i>Wikipedia ranks highly on search engines due to high-quality content. YouTube creators attract audiences through organic search rankings.</i> |
| Partnership & Affiliate Growth | Growth achieved by collaborating with other businesses, influencers, or affiliate marketers to reach new audiences. | <i>Amazon Associates Program allows bloggers and influencers to earn by promoting Amazon products. Starbucks and Spotify partnered to enhance in-store music experiences.</i> |
| Freemium-to-Premium Growth | Attracting users with a free version and converting them into paying customers by offering premium features. | <i>Spotify provides free music streaming with ads, but users pay for an ad-free experience. LinkedIn offers free accounts but charges for premium networking tools.</i> |

