Lean Canvas (LC)

vis-a-vis the previously developed

Business Model Canvas (BMC)

Former is proposed by Ash Mourya and the latter by Alex Osterwalder

Lean Canvas (LC), according to Ash Mourya, is created using the Business Model Canvas (BMC) and the approach based on worksheets in the book 'The Four Steps to the Epiphany' by Steve Blank.

The idea of capturing business model hypotheses on one page (as in BMC) was retained for its convenience while making the proposed modifications, as follows:

- The Lean Canvas was used and tested with several start-ups for it's ability to enable increased learning and better pitching.
- The main objective in developing Lean Canvas was to make it as **actionable** as possible while remaining **entrepreneur-focused**.

Lean Canvas (LC)....Contd.

- It is more like a tactical plan or blueprint developed from scratch, influenced by Lean Startup principles to guide entrepreneurs while laying their course from ideation to building a successful startup.

- As Startups operate under conditions of extreme uncertainty, the approach was to make the Canvas actionable, that is by capturing the ones most uncertain, or in other words which is most risky.

- Due to constraints of space, as to keep in a single page (Like in BMC), while for maximizing the effectiveness, the boxes were rearranged and replaced.

- The logic and justification for such rearrangement and replacement is explicated in the following sections.

Problem and Solution Boxes

- The box in LC on '**Problem'** is added to BMC considering its importance**.** It is observed generally and according to Ash Mourya 'most startups fail, not because they fail to build what they set out to build, but because they waste time, money, and effort building the wrong product'. Lack of proper 'problem understanding' from the beginning is attributed as a significant contributor to this failure. A problem well stated is a problem half-solved (quoted by Charles Kettering), which is why the 'Problem' box is explicit and not a derivative of something else like Value Proposition, in developers version.

- The box in LC on '**Solution'** is added. The solution is what the entrepreneur is most passionate about and if left unchecked, will possibly embrace their first solution (as they often do) and end up cornering themselves into legacy.

Key Metrics in Lean Canvas

- **Key Metrics** is added as a box in the Canvas. Startups often get overwhelmed in an ocean of numbers as it attempts to bring order to the chaos of uncertainty. A startup truly can only focus on one metric and therefore to decide what that is. At any given point in time, there are only a few key actions (a key macro metric or goal that drives the experiments run by the entrepreneur) that matter. Such as, how is certain thing to be considered a risk? When testing any item on the canvas with an experiment, entrepreneur should formulate a falsifiable hypothesis which requires identification of a metric to be use for measuring success or failure.

- Failure to identify the right key metric can lead to disaster - through unwarranted activities like premature optimization or running out of resources while chasing the wrong goal.

- These key metrics should initially correspond to the startup's value metrics (such as, value or cost/price per unit) and progressively they shift towards the enterprise's key engines of growth (either singularly or in combination of the three*, namely, Sticky Engine of Growth, Viral Engine of Growth or Paid Engine of Growth).

Key Metrics in Lean Canvas....Contd.

- For a small business or startup, however, it is advisable to focus on one engine at a time. For example, if one is trying to go viral, has to make the product sticky**. And pay for customer acquisition, if it is difficult to figure out what's working. ****Sticky products** are those that raise user interest by delivering consistent value and are so engaging that users are compelled to use them regularly, increasing customer retention rate.

- The **Sticky Engine of Growth** means it is focused on retaining customers for the long term, when maintaining a low attrition is absolutely critical and one has to do everything possible. Focusing on current customers is vital, before attempting to find new ones.
- The **Viral Engine of Growth** is the realm of 'word of mouth' with **sticky product** that advertises for itself. Groups will be bigger with time and will result in compounding growth. However, banking on this engine of growth is exceedingly difficult, for one to rely on viral marketing, the product needs to be truly incredible and fit the startup's target market perfectly. Otherwise, the viral loop will collapse and the startup will run out of customers, if it does not include other marketing strategy (growth engine).
- The **Paid Engine of Growth**, which most business enterprises are familiar with and paid advertising, hiring venue for foot traffic or employing marketing and sales force fall into this category.

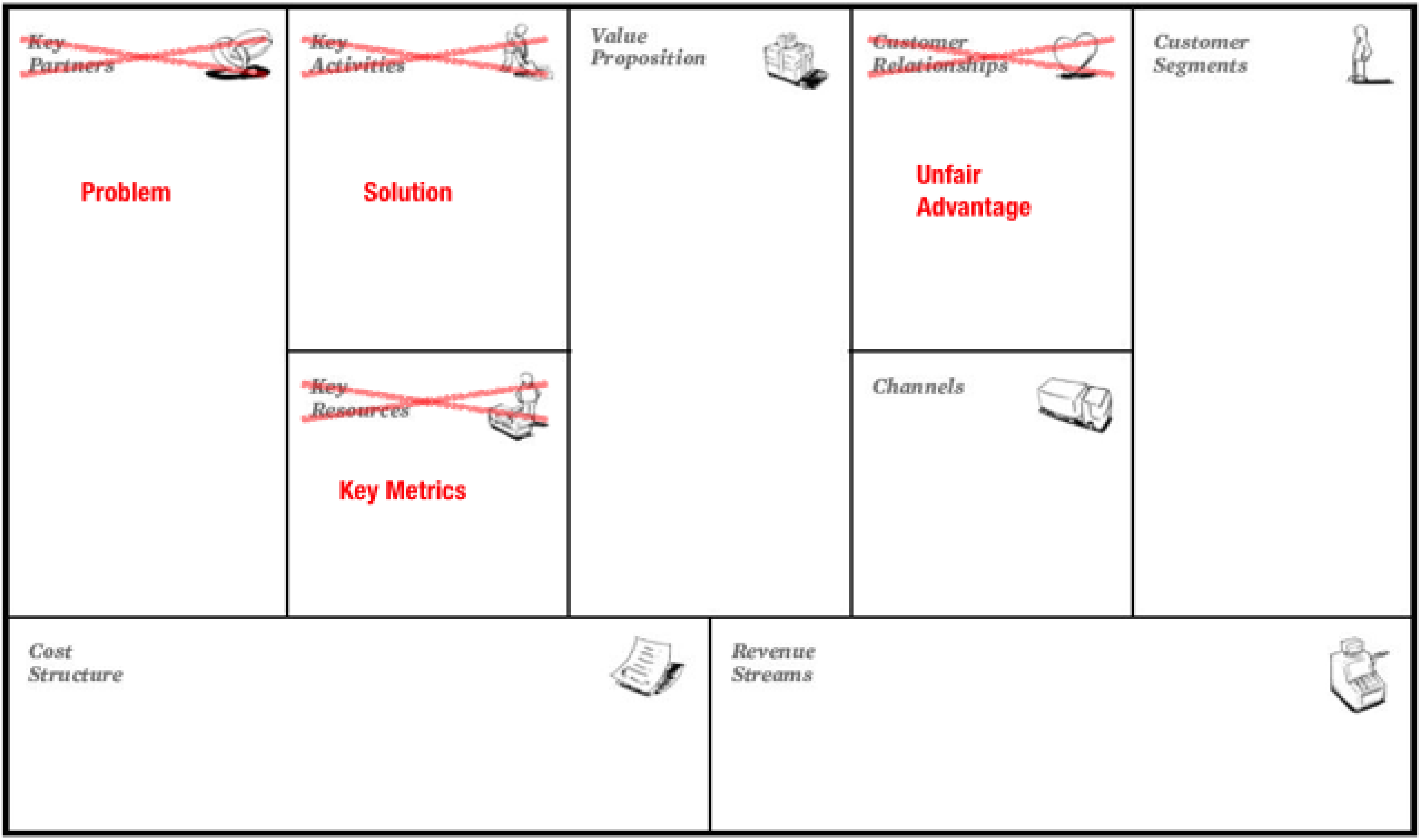
Unfair Advantage and UVP in Lean Canvas

- **Unfair Advantage (**Synonym for **‘**competitive advantage’ or ‘barriers to entry’ as found in B-Plans), which means something that cannot be easily copied or replicated.

  It is quite possible that a startups may not have a true unfair advantage on day one which means this box cannot be filled initially with statement and would remain blank. The purpose of this box need not discourage or deter entrepreneurs from moving forward on their vision but it is rather to continually encourage them to work towards finding/building the ‘unfair advantage’. This is important, as startups achieve some level of initial success; the entry of competitors and copy-cats is inevitable. Unless startup has a defense against it, stands a real risk of being replaced by fast-followers.

- **Unique Value Proposition (UVP):** The Problem box is to capture the top problems customers experience in their situations while the UVP is the marketing promise the entrepreneur makes to them that ensues from the intersection of the **Problem** and proposed **Solution** boxes

LC with Boxes Modified from BMC



Explanation on Addition and Removal of Boxes in LC

- **While the four boxes (namely, Problem, Solution, Key Metrics and Unfair Advantage) are added in LC**, an equal number of boxes had been removed from BMC. The logic of such removal or exclusion is stated and **the boxes those are taken out are presented in the following slides:**

Explanation on KA and KR

It was felt by the LC Modeller that both these boxes (**Key Activities and Key Resources)** were more ‘outside-in’ (not rather from the point of view of entrepreneur) focussed that is, they helped outsiders looking in to understand the startup’s activities and priorities. The statements usually listed in these boxes, such as ‘Customer Development’, ‘Software Development’, ‘Developers’, etc. that do not corroborate high enough on risk to endorse keeping them. Further, with the added boxes, some overlap is found; as it can be construed that the **Key Activities** can and should actually be derived from the Solution box once the MVP has undergone some initial testing/validation. And also the **Key Resources** align more closely with Unfair Advantage (However, while a Key Resource can be an Unfair Advantage, not all Unfair Advantages are Key Resources).

Explanation on CR and UA

‘Customer Relationships (CR)’ need not be assigned a box in LC, since it is advocated that starting of any product (no matter what is being built) is to be essentially based on customer interviews/observation which is in other words, a direct customer relationship.

And then identifying the appropriate **path to customers,** depending on the Solution and Customer Segment is necessary and can be captured by the existing ‘**Channel’** box, which is kept unchanged. Therefore the box ‘**Unfair Advantage (UA)’** replaces **‘Customer Relationships’** in **LC.**

Explanation on ‘Key Partners’

The box for **‘Key Partners’** is removed in LC on the ground that an unknown and new startup without yet a tested product, running after key partnerships from day one can be wasteful pursuit. Most products do not fall into the category where **‘Key Partners’** are of major considerations and unlike building a global renewable energy grid which has huge capital and regulatory requirements and would probably require establishing key partnerships during inception itself. Risk here isn’t the dearth of possible partners but it can rather be traced back to inefficiencies in **Cost Structure** and **Distribution Channels** for which those two boxes are kept in LC. Also, engaging partners at a very early stage can become critical to optimization of the business model.

Note on LC

Lean Canvas (LC) is designed for entrepreneurs, not investors or consultants/ advisors. However, the entrepreneur can greatly benefit by engaging all of those people while validating their canvas. LC has been used successfully from ideation to Product/Market Fit (and beyond) for several startups. The risks captured on LC aren't just early stage risks but recast and evolve throughout the startup lifecycle. One may suggest to start with LC and then draw up the BMC. There is a notion that Lean Canvas is too product-focused and which is entirely not wrong. If anything, the LC is heavily 'problem focused' and its methodology emphasize 'understanding the problem' as a necessary first step. The problem gets addressed through solution(s) that finally is availed through a product and entrepreneurs in their action are needed to build a 'product'. Entrepreneurs are expected to challenge themselves to also shift their definition of 'product' from building a solution to building a working business model.