



**Trinity College Dublin**

Coláiste na Tríonóide, Baile Átha Cliath

The University of Dublin

# CS7CS6: Part 2: Business Model Canvas Blocks

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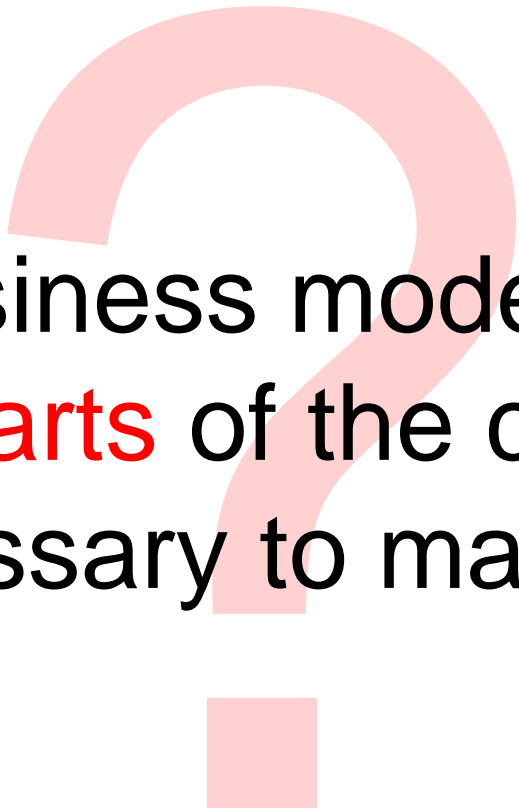
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**With thanks to:**

Steve Blank, Jon Feiber, Jon Burke, Liam Cronin

Based on <http://i245.stanford.edu/>

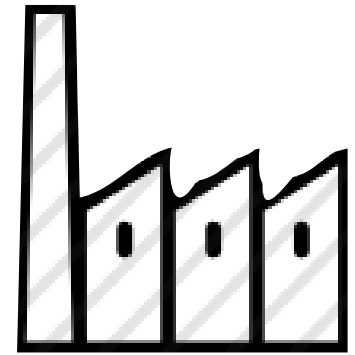
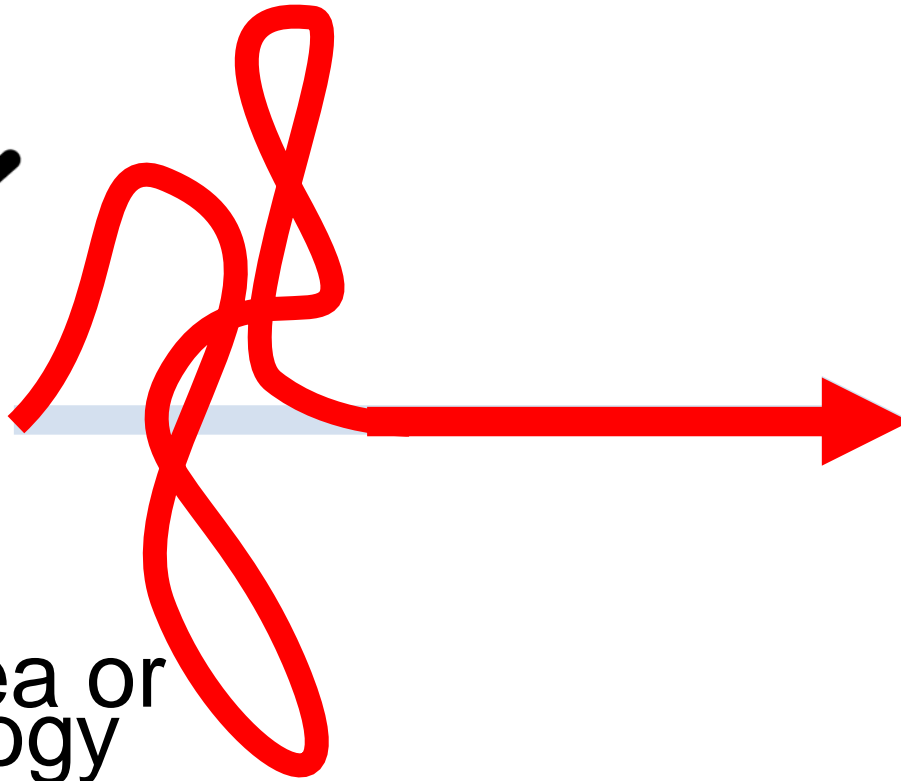
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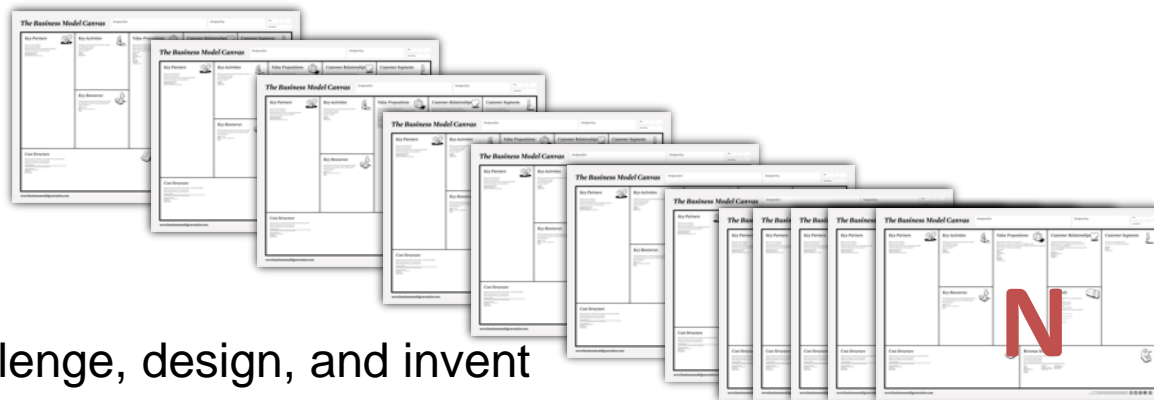
A business model describes **all the parts** of the company necessary to make money



Core Idea or  
Technology

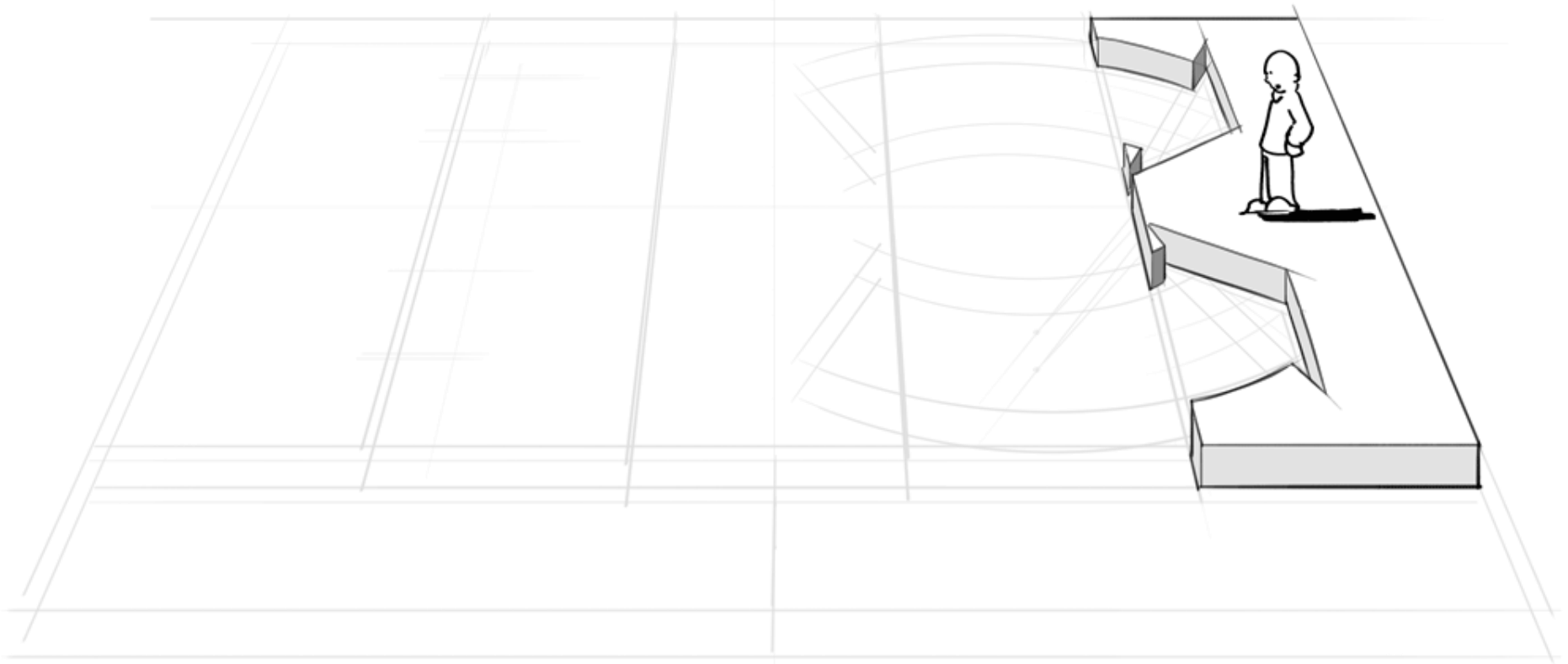


Company

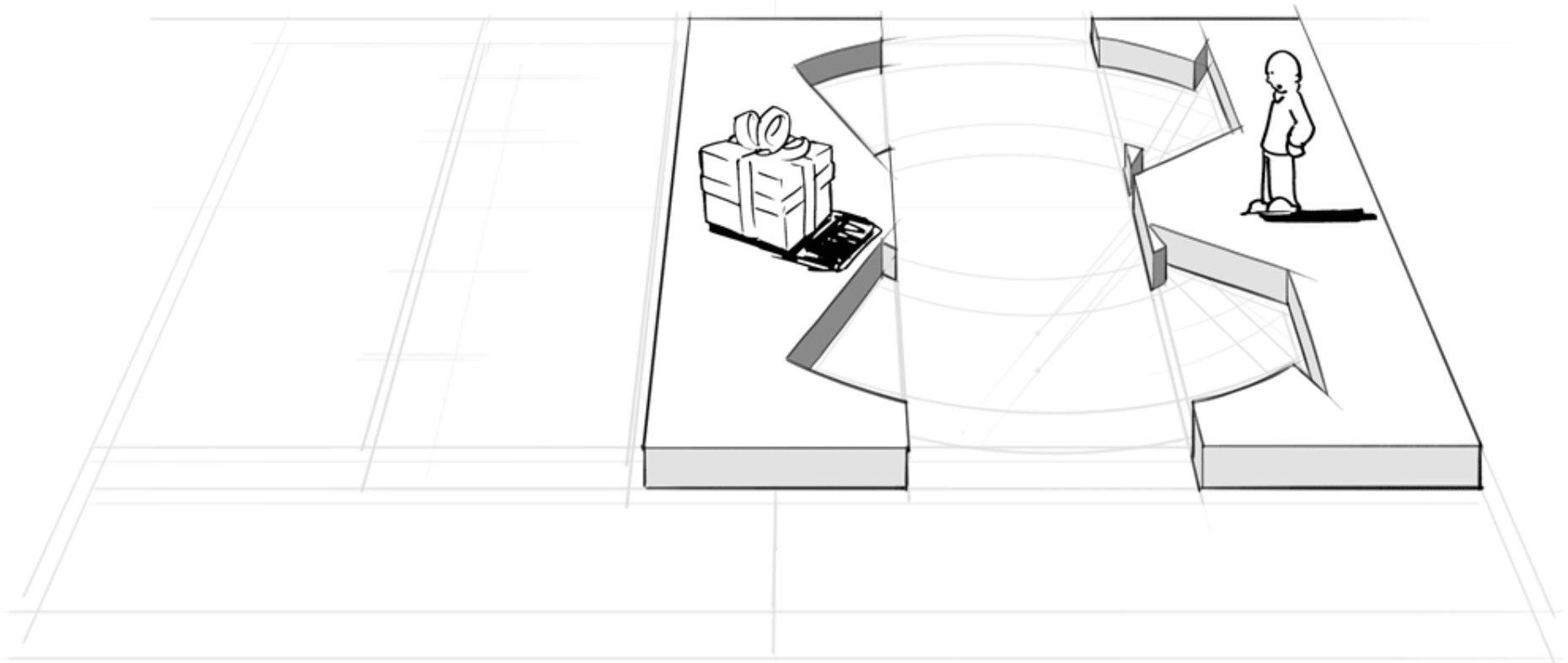


to describe, challenge, design, and invent  
business models more **systematically**

# CUSTOMER SEGMENTS

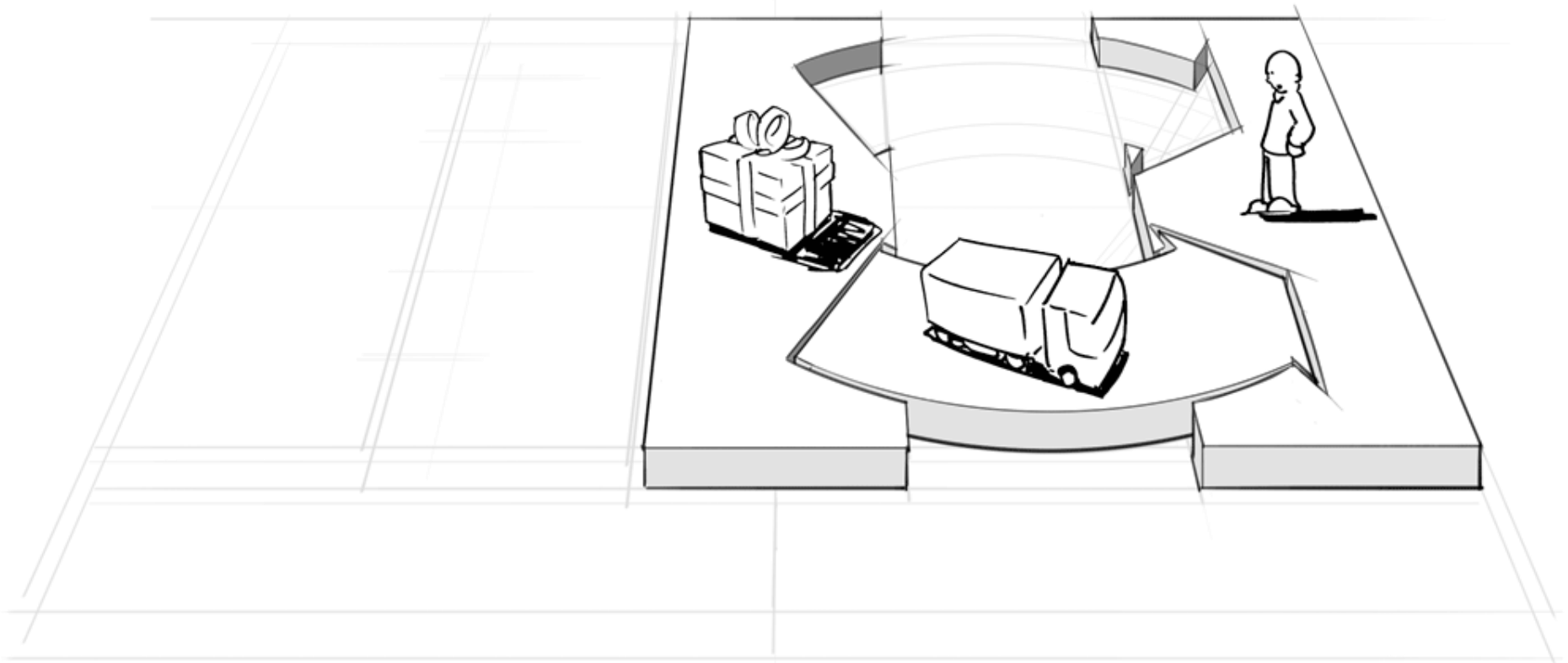


# VALUE PROPOSITIONS

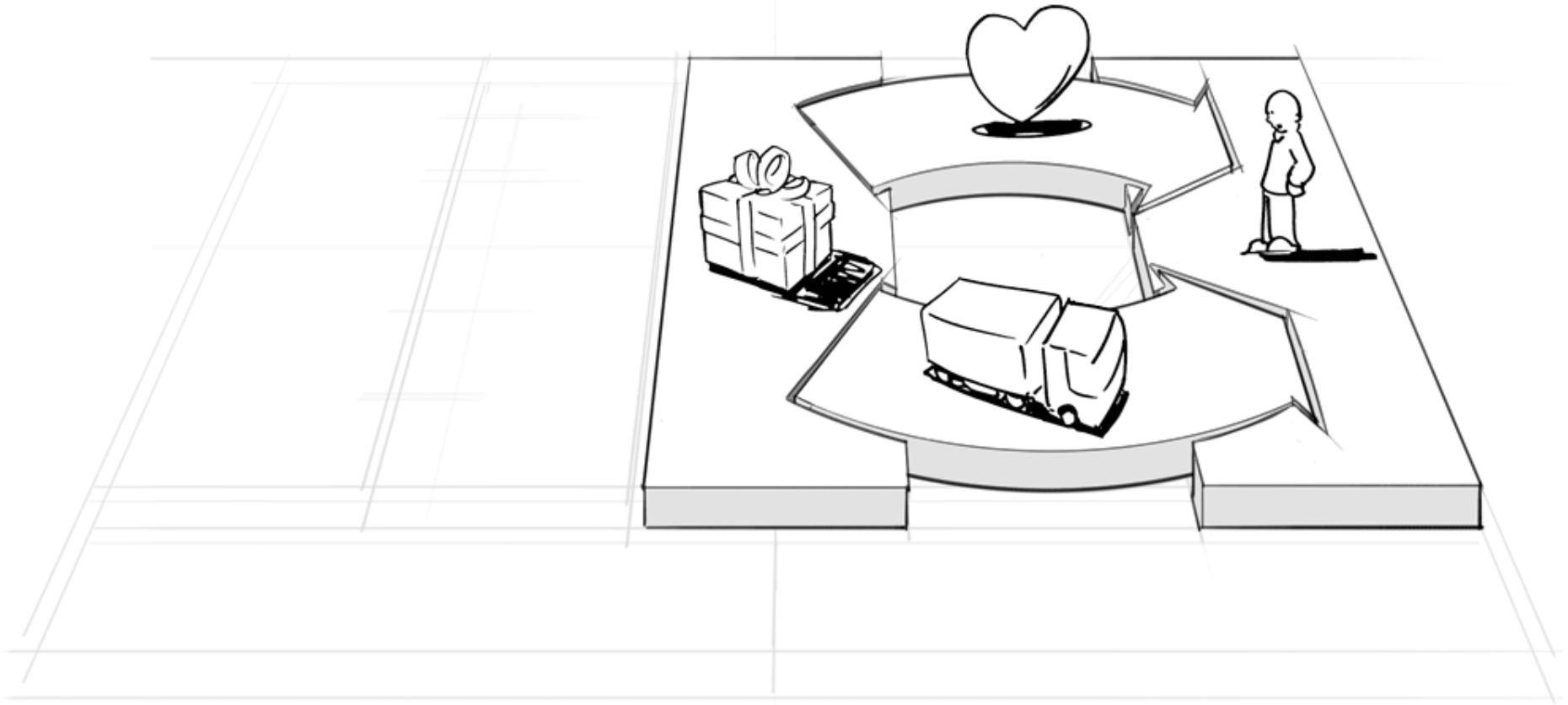


relationship between VPs and CSs is  
**Product Market Fit**

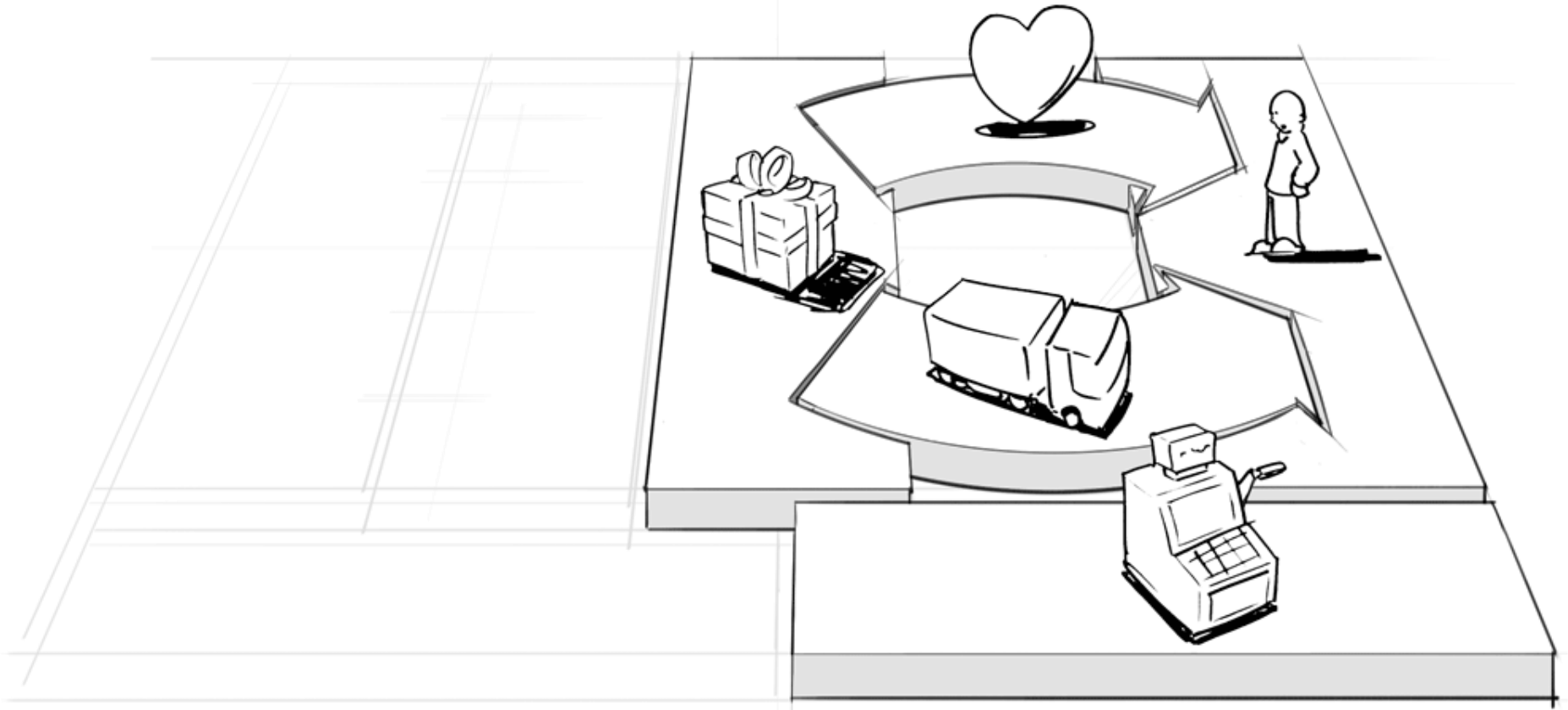
# CHANNELS



# CUSTOMER RELATIONSHIPS

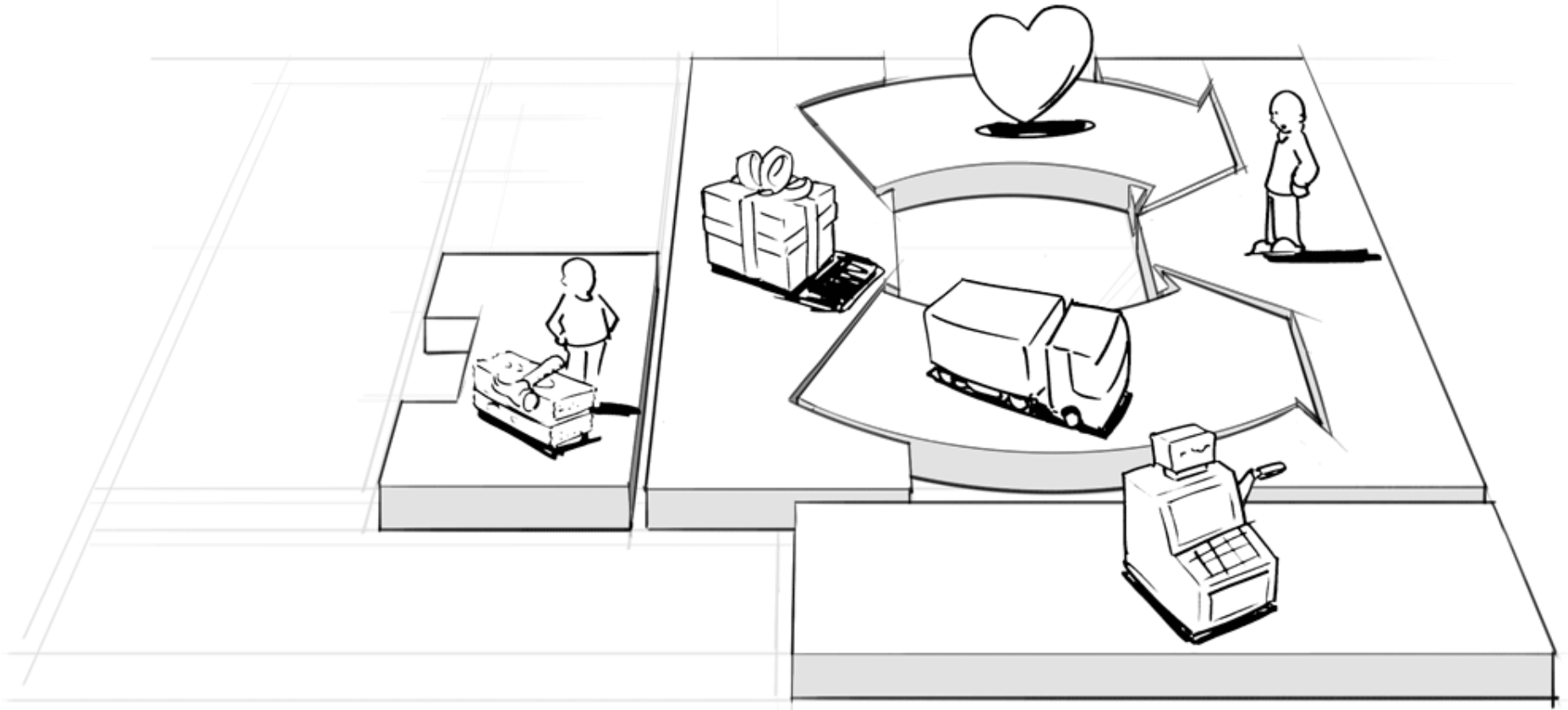


# REVENUE STREAMS

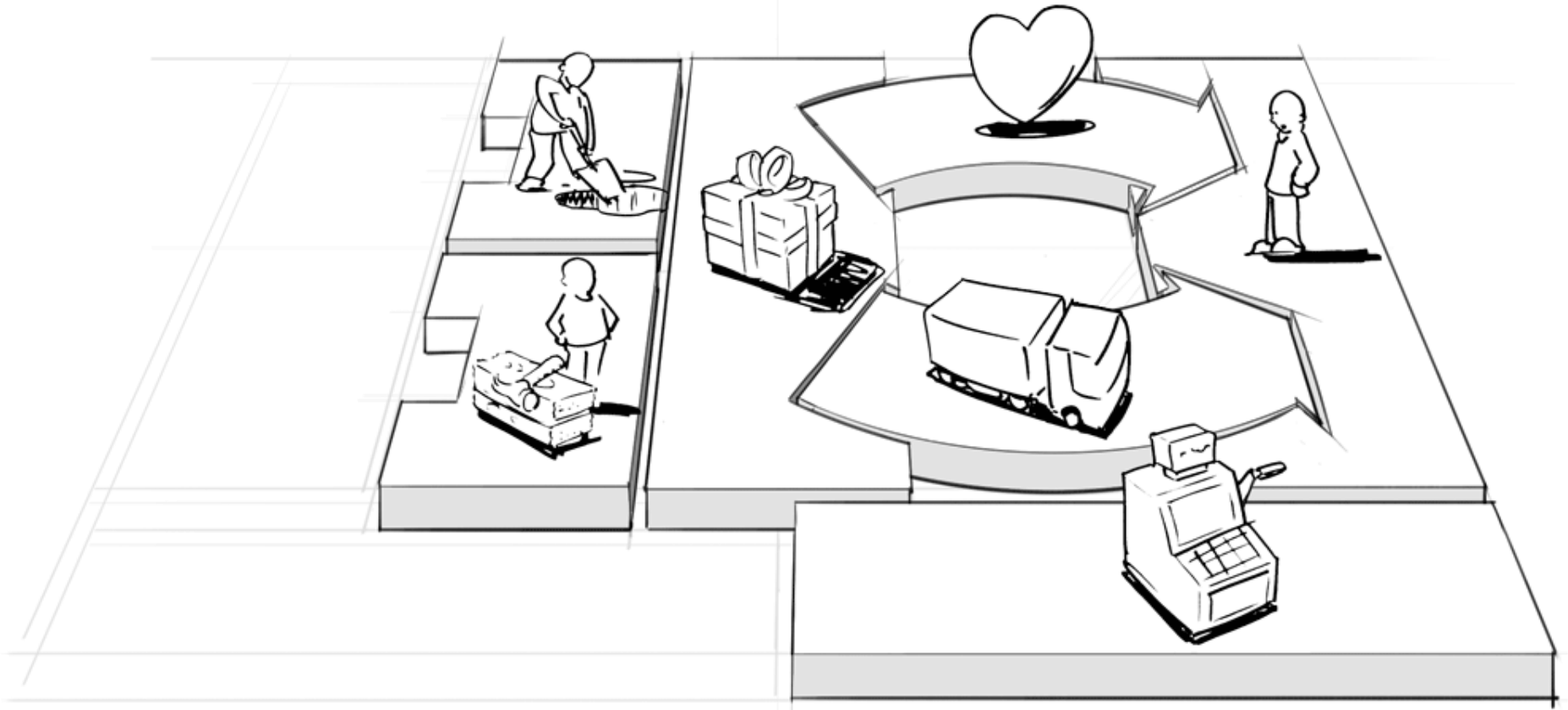




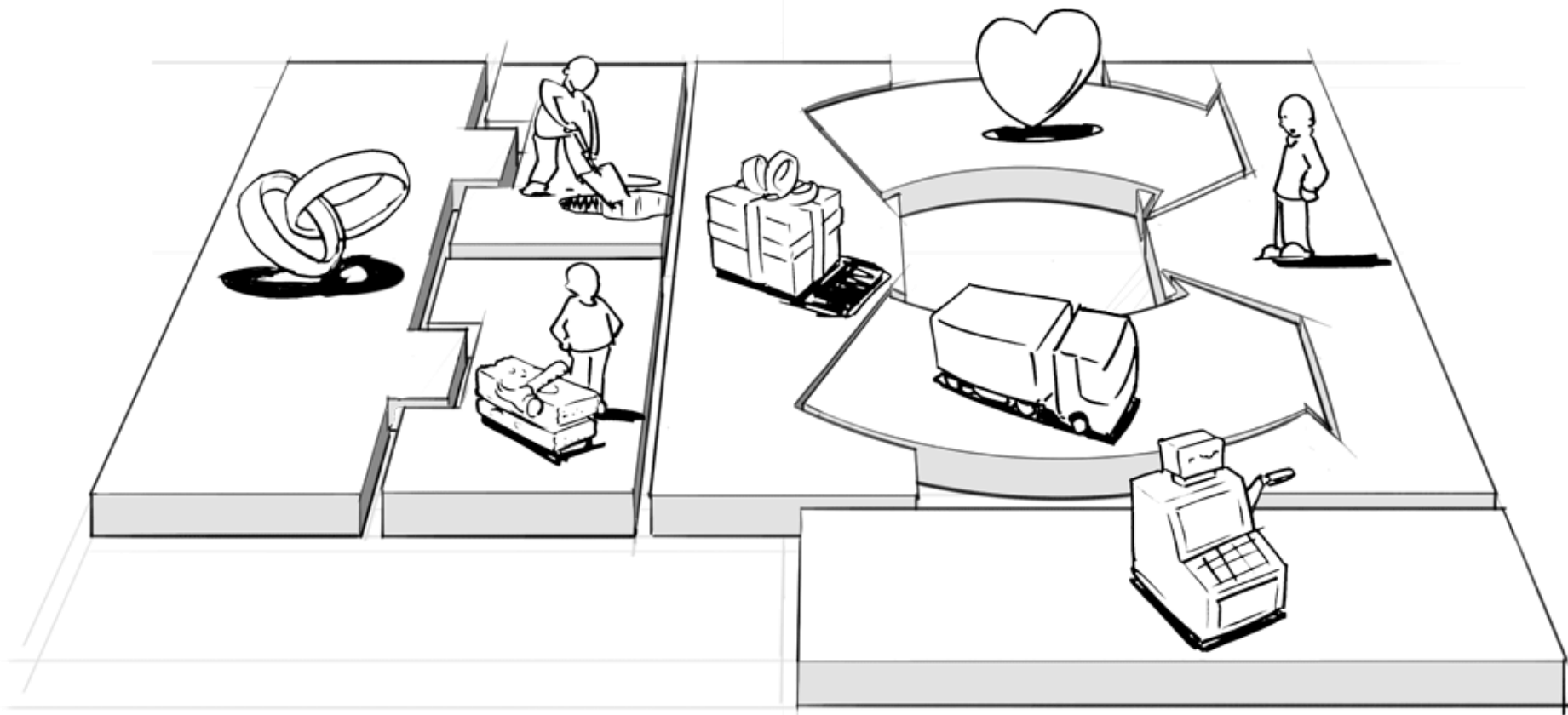
# KEY RESOURCES



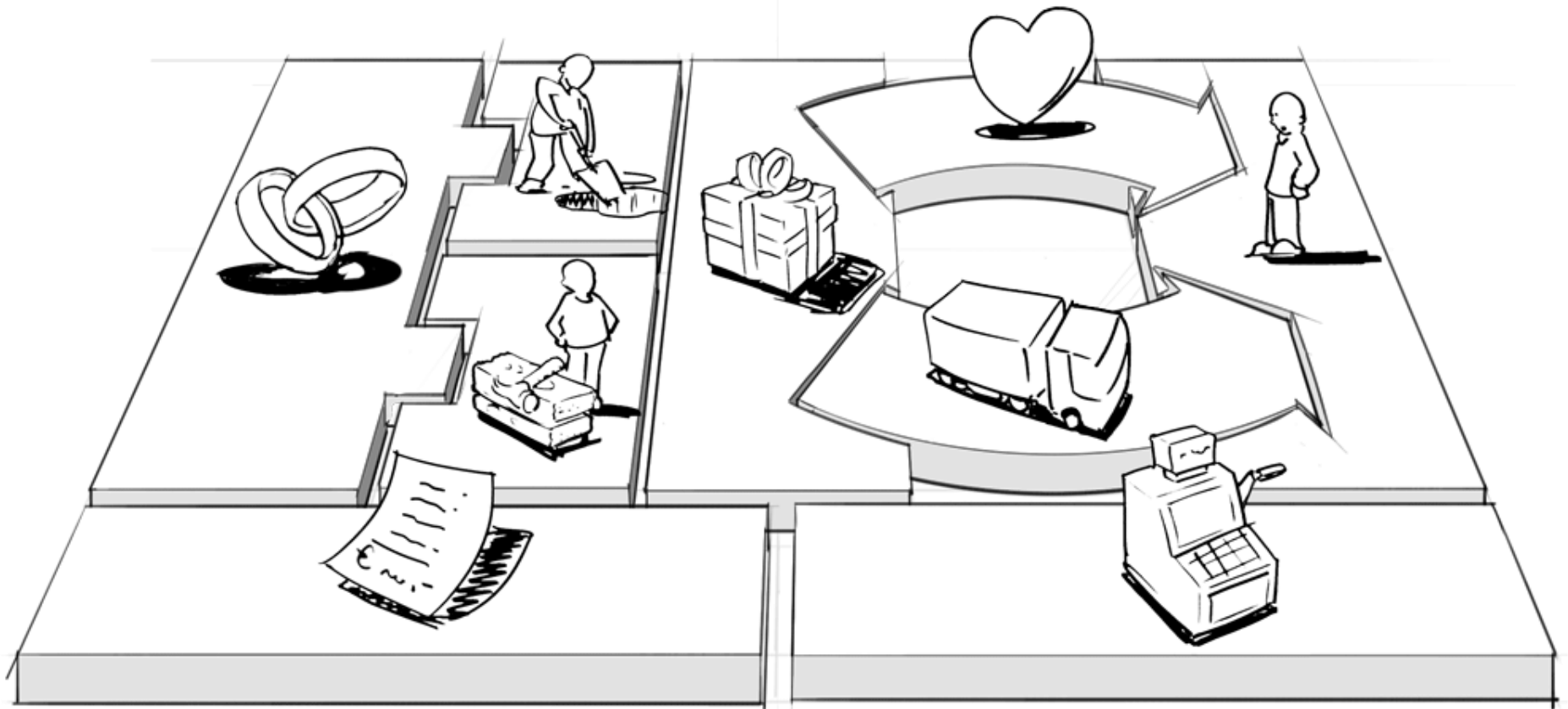
# KEY ACTIVITIES



# KEY PARTNERS



# COST STRUCTURE



for success  $\text{Cost} < \text{Revenue}$

# CANVAS OVERLAY

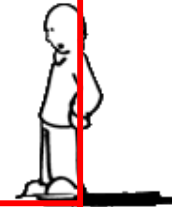
KEY  
PARTNERS

KEY  
ACTIVITIES

VALUE  
PROPOSITION

CUSTOMER  
RELATIONSHIPS

CUSTOMER  
SEGMENTS



KEY  
RESOURCES



CHANNELS



COST STRUCTURE



REVENUE STREAMS



# CANVAS OVERLAY

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITION	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS
	KEY RESOURCES		CHANNELS	
COST STRUCTURE			REVENUE STREAMS	










# The Business Model Canvas

Designed for:

Designed by:

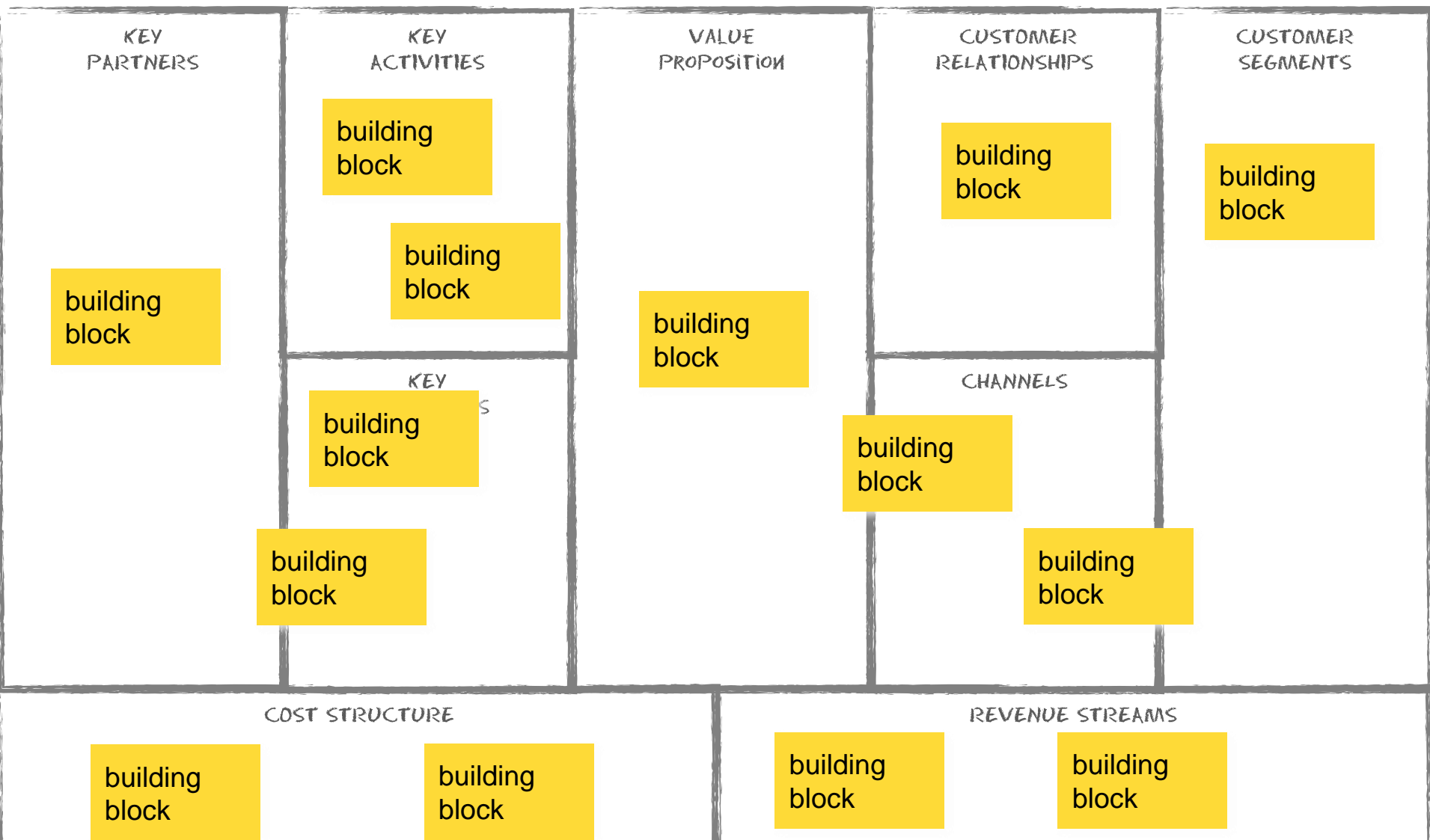
On: Day Month Year

Iterations

<h2>Key Partners</h2>  <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><b>EXAMPLES</b> Distribution and assembly Reduction of risk and uncertainty Acquisition of valuable resources and activities</p>	<h2>Key Activities</h2>  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</p> <p><b>EXAMPLES</b> Production Problem Solving Platform Network</p>	<h2>Value Propositions</h2>  <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? Which bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> <p><b>EXAMPLES</b> Newness Performance Customization "Stealing the Job Show" Design Brand Status Price Reduction Risk Reduction Accessibility Convenience/Usability</p>	<h2>Customer Relationships</h2>  <p>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?</p> <p><b>EXAMPLES</b> Personal assistance Dedicated Personal Assistance Self Service Automated Services Communities Co-creation</p>	<h2>Customer Segments</h2>  <p>For whom are we creating value? Who are our most important customers?</p> <p><b>EXAMPLES</b> Mass Market Niche Market Segmented Demographic Multi-sided Platform</p>
<h2>Cost Structure</h2> <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> <p><b>EXAMPLES</b> Cost Structure (dependent on activities, how price value proposition, distribution channels, external resources) Value Stream (based on value creation, premium value proposition)</p> <p><b>EXAMPLES</b> Production costs, materials, waste, utilities Salaries and wages Overhead costs Cost of goods sold Cost of sales</p>	<h2>Key Resources</h2>  <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p><b>EXAMPLES</b> Physical Intellectual (brand names, copyrights, patents) Human Financial</p>	<h2>Channels</h2>  <p>Through which Channels do our Customer Segments reach? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? Which ones are most effective at integrating them with our customer segments?</p> <p><b>EXAMPLES</b> A. Direct sales B. Indirect sales C. Distribution partners D. Retailers E. Franchises F. Partners G. Other sales H. Other sales I. Other sales J. Other sales</p>	<h2>Revenue Streams</h2>  <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?</p> <p><b>EXAMPLES</b> Fixed Price Subscription Usage-based Performance-based Freemium Advertising Licensing Royalties Sponsorship Referral fees Other</p>	<h2>Revenue Streams</h2>  <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?</p> <p><b>EXAMPLES</b> Fixed Price Subscription Usage-based Performance-based Freemium Advertising Licensing Royalties Sponsorship Referral fees Other</p>

CS7CS6

# Business Model Canvas





But,

Realize They're Hypotheses

i.e. They're Guesses

# 9 Guesses

## The Business Model Canvas

Designed for:

Designed by:

On:

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?

**IMPORTANCE FOR PARTNERSHIPS:**  
Specialization and synergy  
Reduction of risk and uncertainty  
Acquisition of particular resources and activities

**Guess**

### Key Activities



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

**IMPORTANCE:**  
Production  
Problem Solving  
Platform Network

**Guess**

### Value Propositions



What value do we deliver to the customer?  
Which one of our customer's 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?

**CHARACTERISTICS:**  
Novelty  
Performance  
Performance  
Customization (the more)  
Design (the more)  
Price  
Cost Reduction  
Risk Reduction  
Accessibility  
Convenience, Usability

**Guess**

### 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?

**Guess**

### Customer Segments



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

**Mass Market  
Segmented  
Niche  
Multi-sided Platform**

**Guess**

### Key Resources



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

**KEYS TO SUCCESS:**  
Physical  
Intellectual  
Human  
Financial

**Guess**

### 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 most useful?

**Guess**

### Cost Structure

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

**FIXED & VARIABLE COSTS:**  
Cost Drivers (depend on structure, low price value proposition, maximum automation, extensive outsourcing)  
Value Drivers (depend on value creation, premium value proposition)

**SCALES OF COST STRUCTURES:**  
Fixed Costs (rent, salaries, utilities)  
Variable costs  
Economies of scale  
Economies of scope

**Guess**

### Revenue Streams

For what value are our customers really willing to pay?  
For what do they currently pay?  
How are they currently paying?  
How would they prefer to pay?  
How much does each Revenue Stream contribute to overall revenues?

**REVENUE STREAMS:**  
Asset sale  
Usage fee  
Subscription fee  
Licensing  
Advertising  
Freemium  
Asset sale  
Usage fee  
Subscription fee  
Licensing  
Advertising  
Freemium  
Asset sale  
Usage fee  
Subscription fee  
Licensing  
Advertising  
Freemium

**Guess**

# Testing the guesses to Build up the business model canvas

The founders (you)

**Search for the Business Model**

**i.e. Test those Guesses**

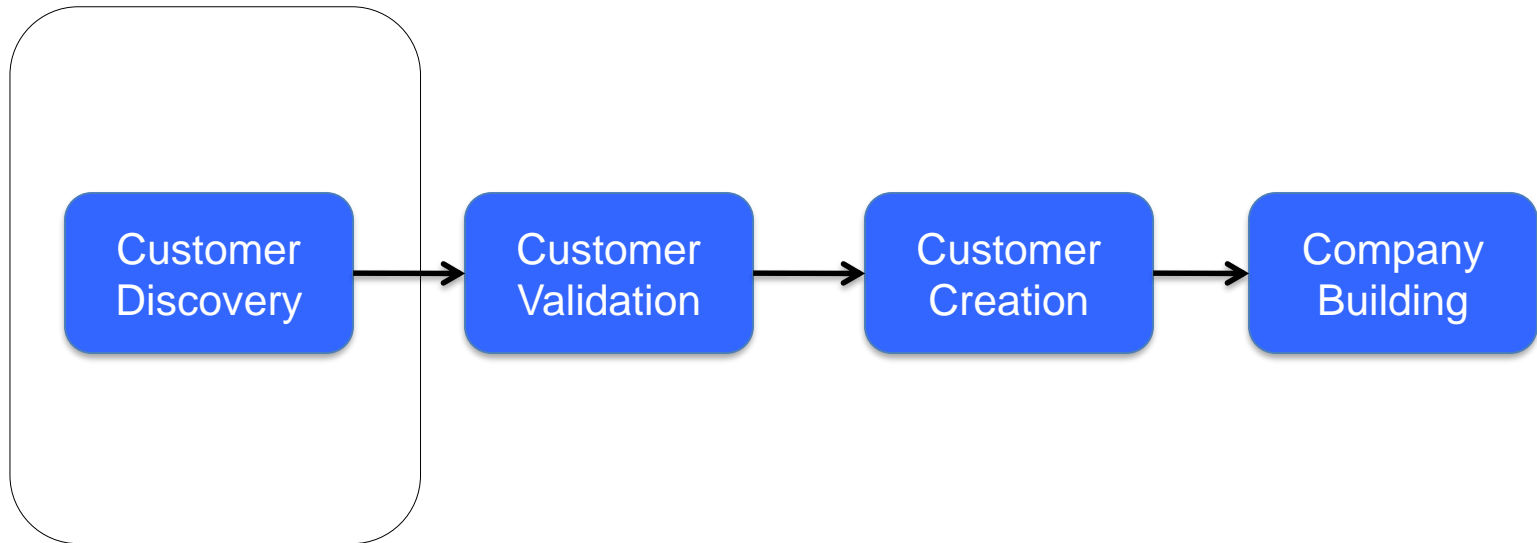
**Testing the guesses involves collecting information using a number of  
different techniques**

**Literature**

**Online resources**

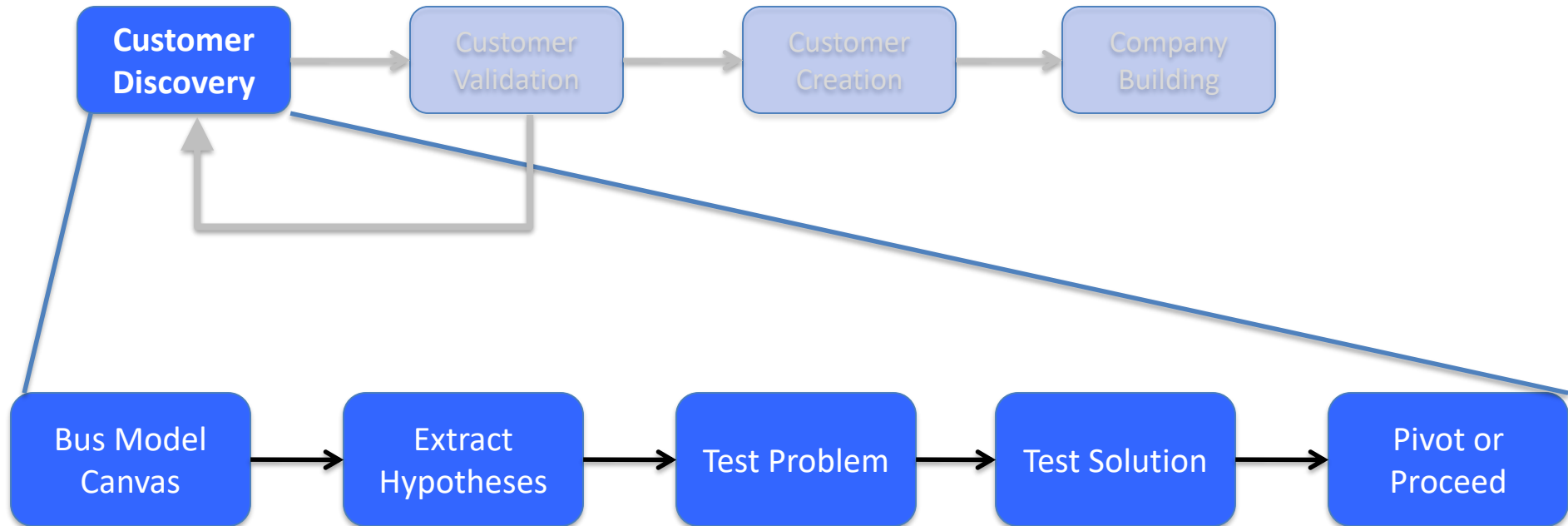
**Interviewing/surveying people**

# The Customer Development Process



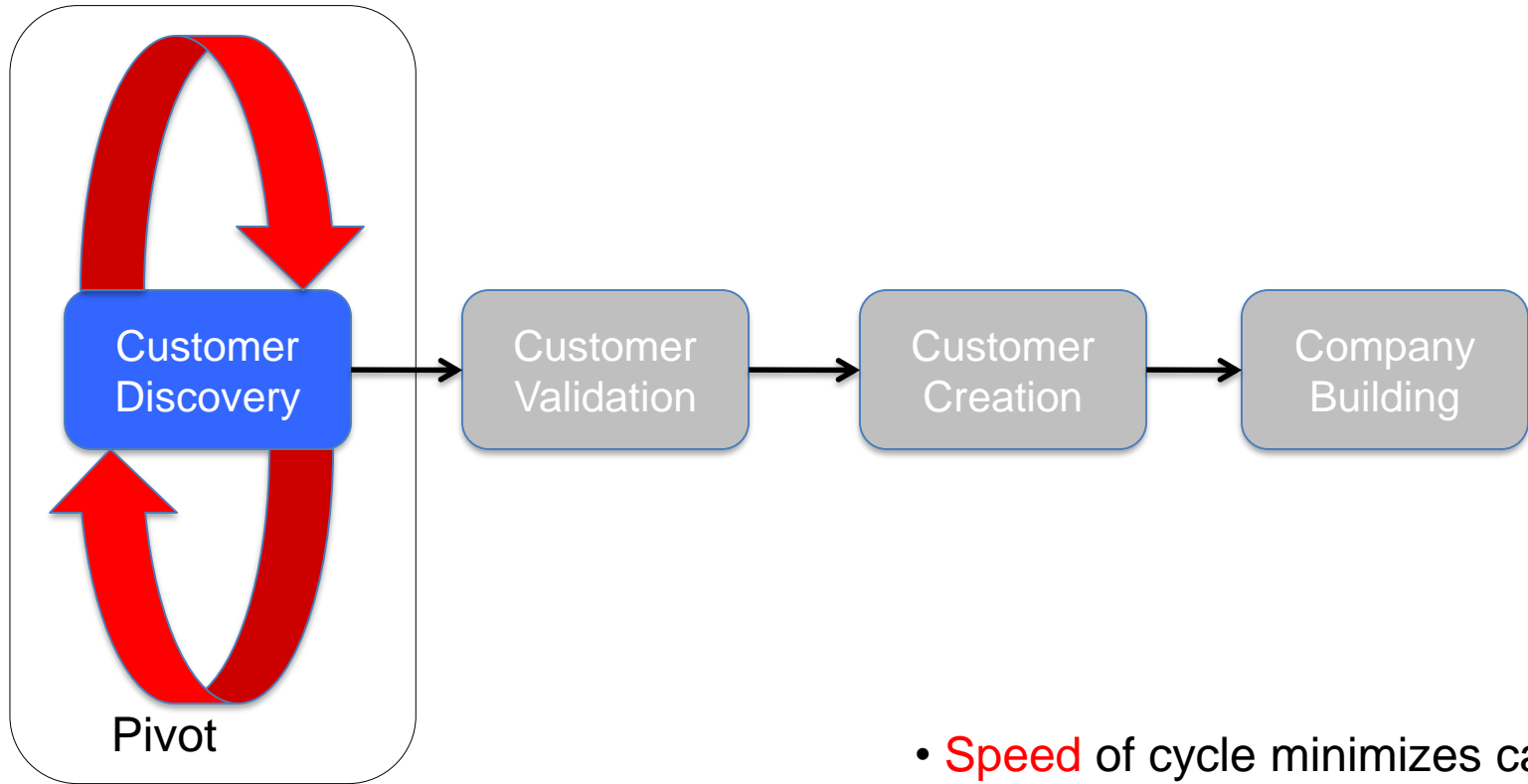
# The Customer Development Process

## Customer Discovery (this course)



A Pivot is the **change** of one or more **Business Model** Canvas Components

# The Pivot

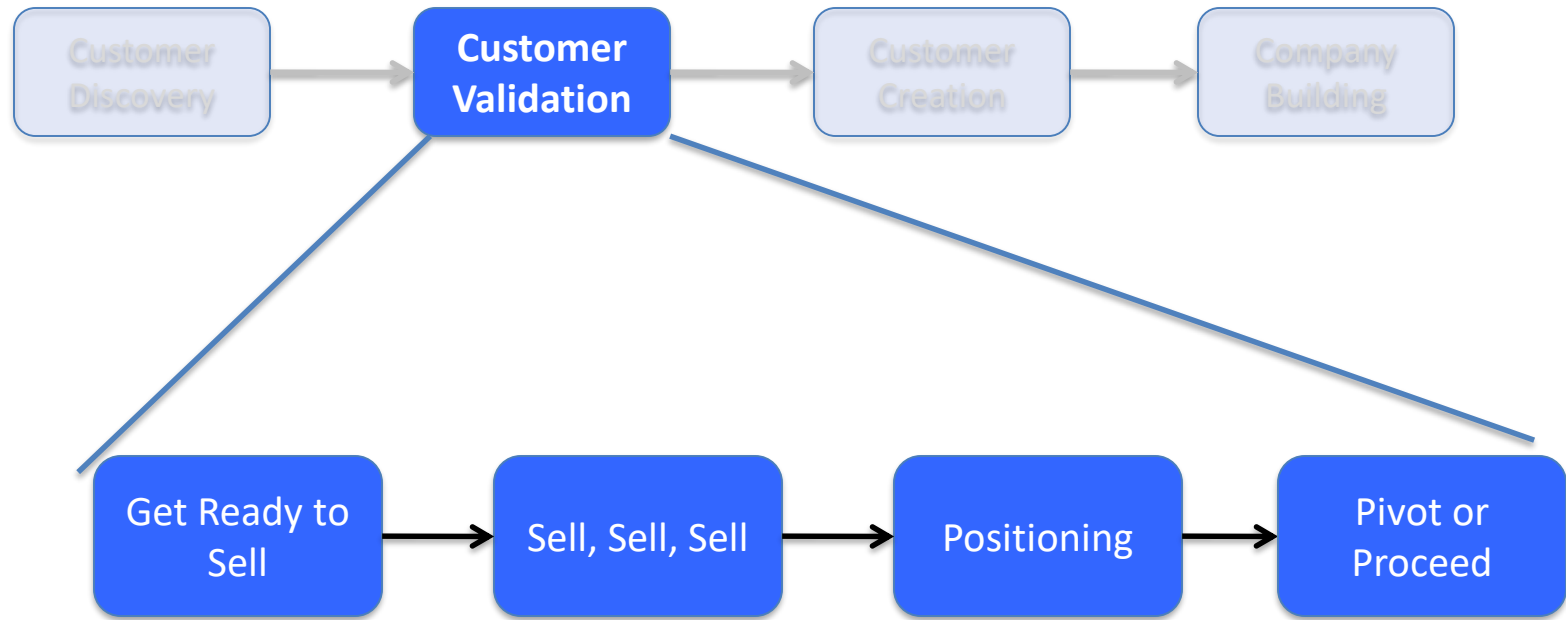


- The heart of Customer Development
- **Iteration without crisis**
- **Fast, agile and opportunistic**

- **Speed** of cycle minimizes cash needs
- **Minimum feature set** speeds up cycle time
- **Rapid customer feedback drives feature set**

# The Customer Development Process

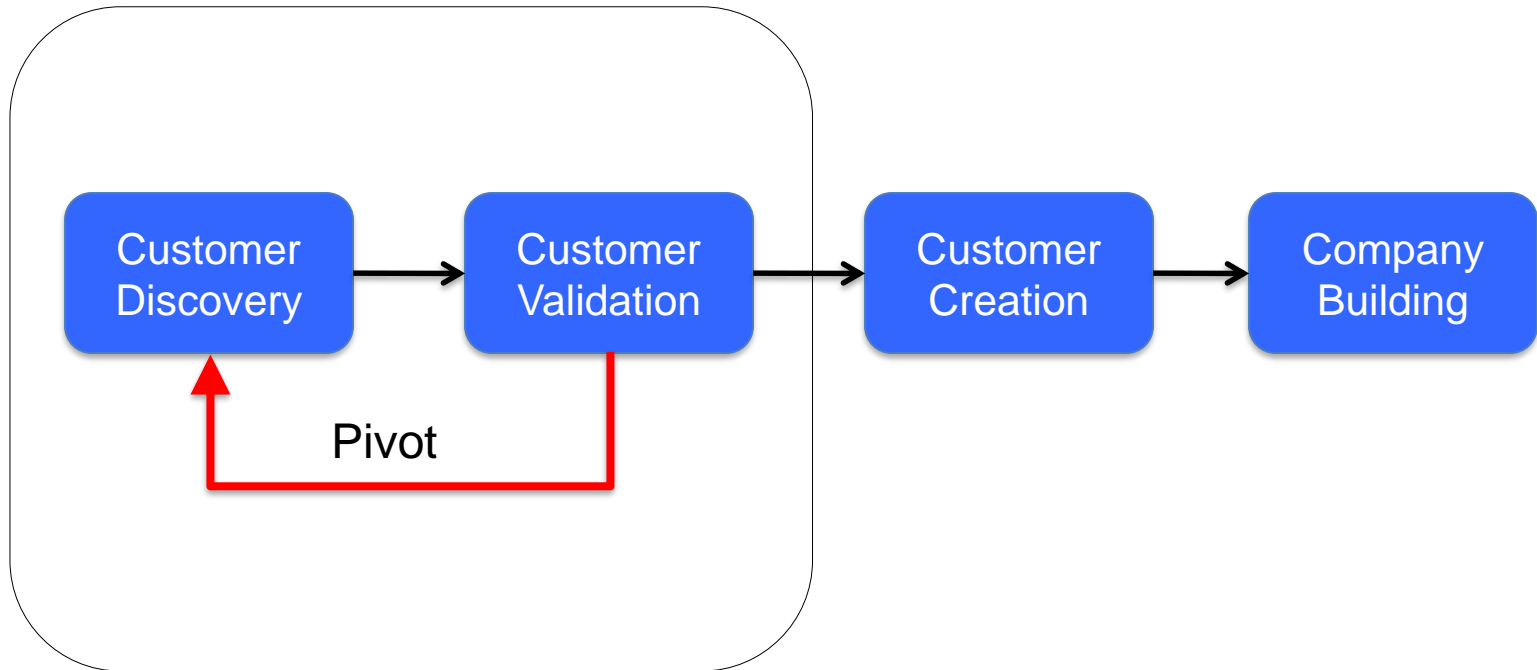
## Customer Validation



Validation is beyond what we have time for in CS7CS6



# The Minimum Viable Product (MVP)



- **Smallest feature set** that gets you the most ...
  - orders, learning, feedback, failure...

**Would be in next steps if you take your product beyond CS7CS6**

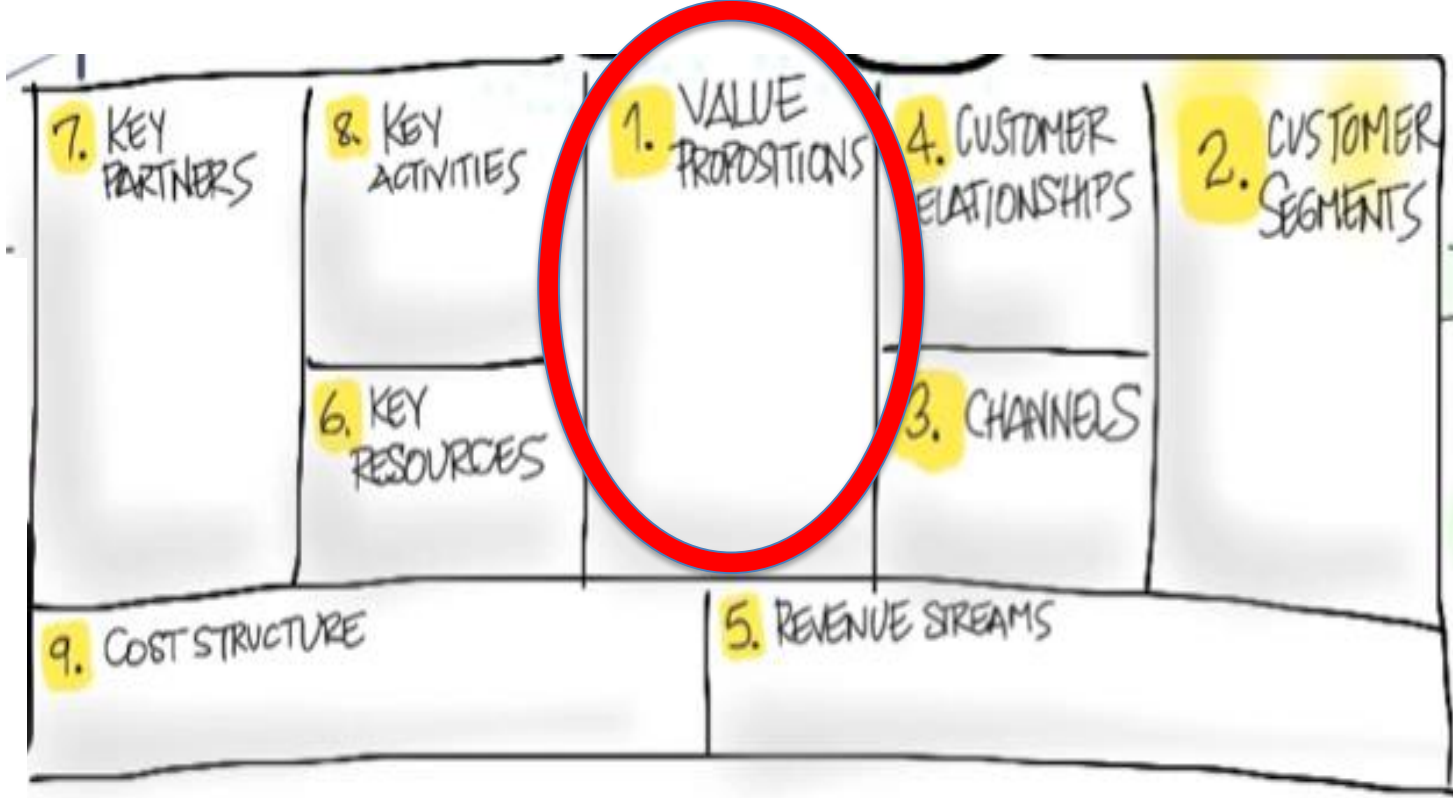


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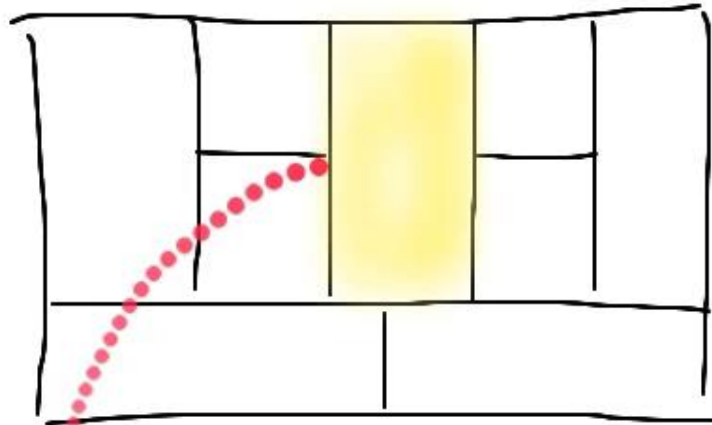
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# Value Proposition



# Value Proposition

What Are You Building and For Who?




It's about **SATISFYING** a customer need.



It's Not?

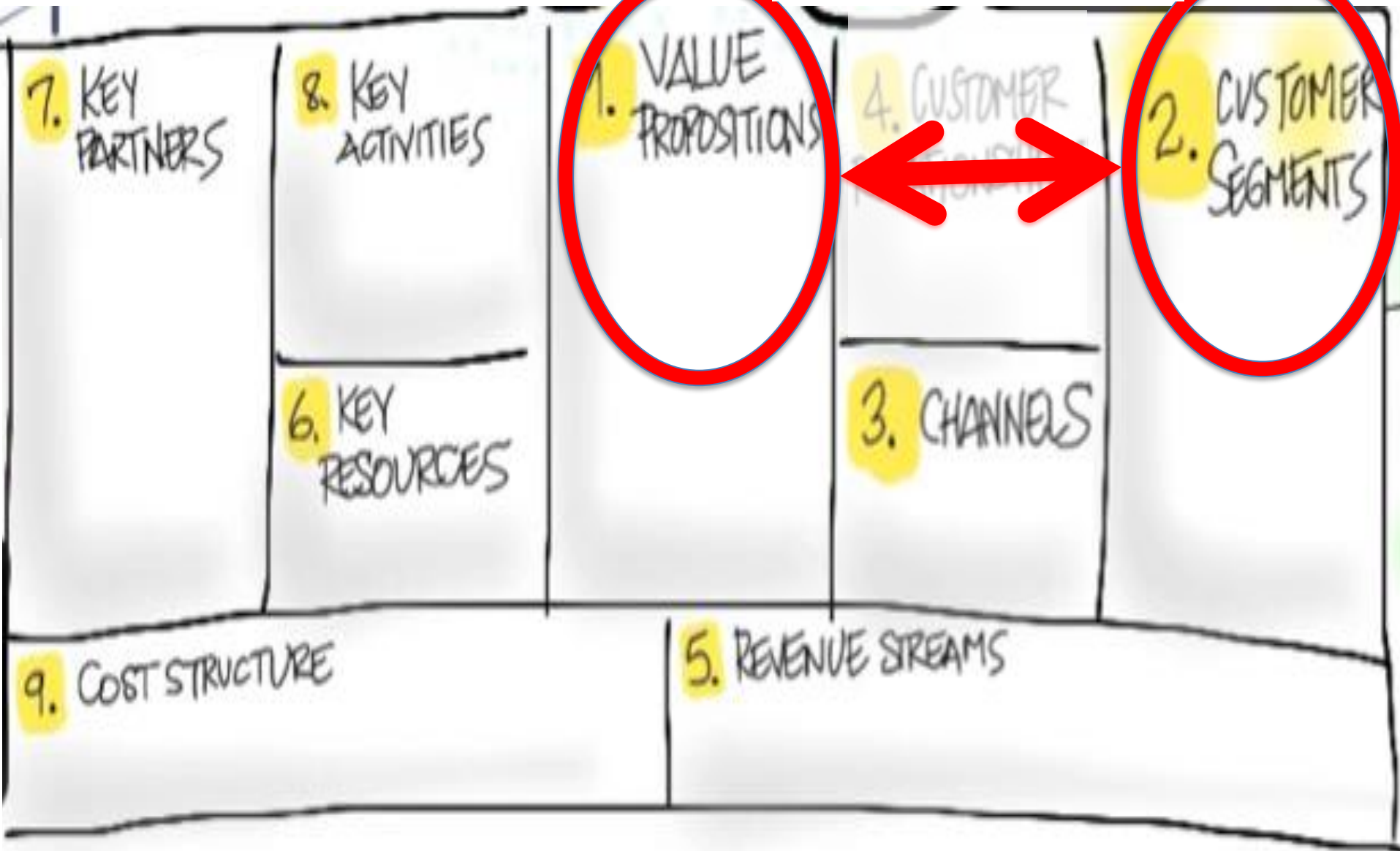
...and **WHO** are your customers?

# 1. VALUE PROPOSITIONS

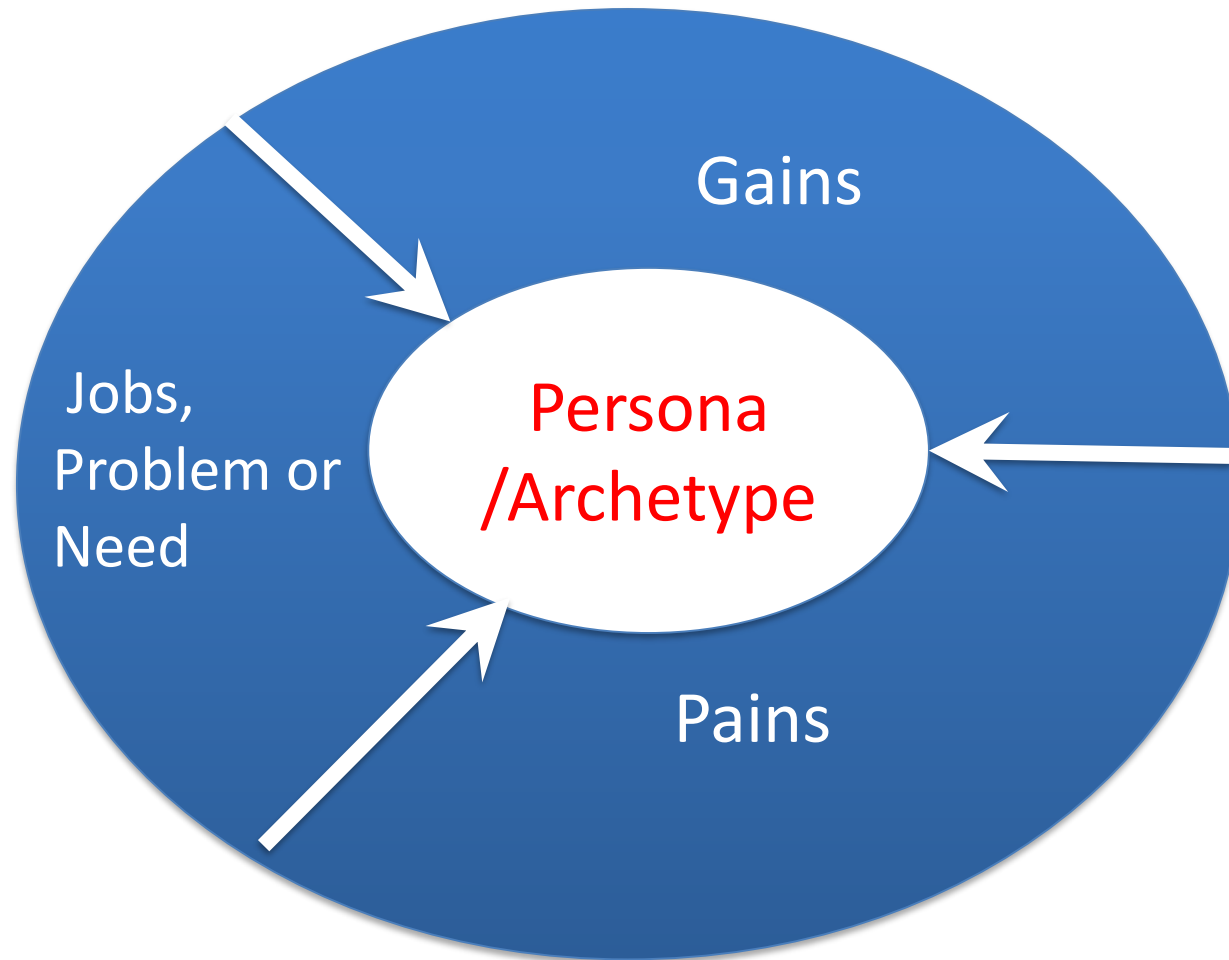
 "It's not about your IDEA or PRODUCT!"



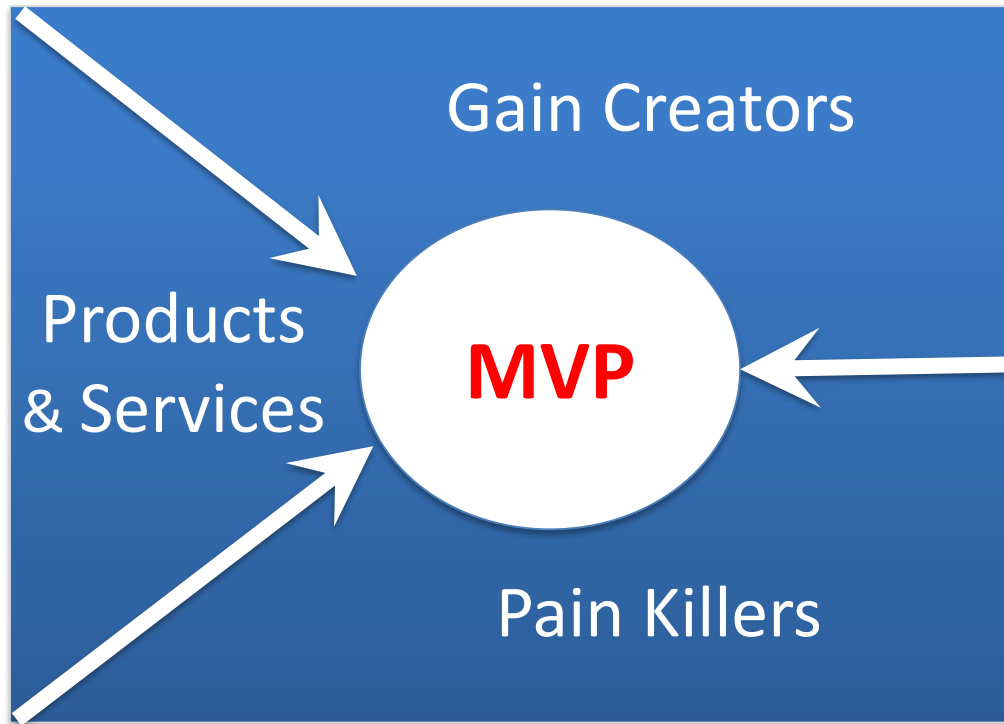
# Product/Market Fit



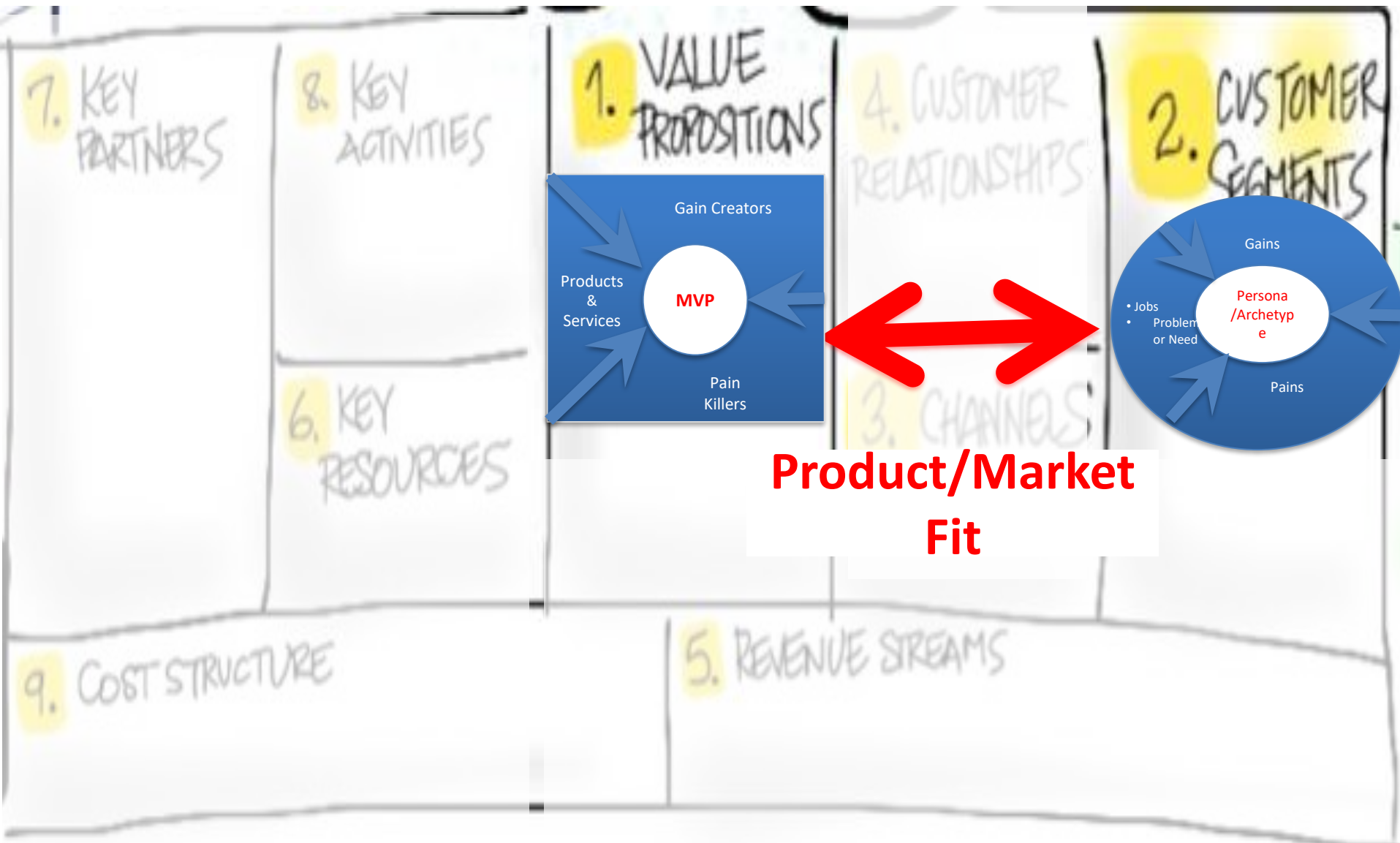
# The Customer Segment



# The Value Proposition



**MVP=Minimum Viable Product**





# Value Proposition

A Value Proposition is a statement that explains how some bundle of your products and services addresses the **important jobs**, alleviates the **extreme pains**, and creates the **essential gains** that a customer **cares about**.

# Value Proposition (VP) products

## **Which physical products are part of your VP?**

- (e.g. manufactured goods, commodities, produce, ...)

## **Which intangible products are part of your VP?**

- (e.g. copyrights, licenses, ...)

## **Which financial products are part of your VP?**

- (e.g. financial guarantees, insurance policies, ...)

## **Which digital products are part of your VP?**

- (e.g. mp3 files, e-books, ...)

# Value Proposition (VP) - Services

**Which core services are part of your value proposition?**

- (e.g. consulting, a haircut, investment advice, ...)

**Which pre-sales or sales services are part of your value proposition?**

- (e.g. help finding the right solution, financing, free delivery service, ...)

**Which after-sales services are part of your value proposition?**

- (e.g. free maintenance, disposal, ...)

# Pain Killers - Hypotheses

## **Produce savings?**

- (e.g. time, money, or efforts, ...)

## **Make your customers feel better?**

- (e.g. kills frustrations, annoyances, things that give them a headache, ...)

## **Fix underperforming solutions?**

- (e.g. new features, better performance, better quality, ...)

## **Ends difficulties and challenges customers encounter?**

- (e.g. make things easier, helping them get done, eliminate resistance, ...)

## **Wipe out negative social consequences?**

- (e.g. loss of face, power, trust, or status, ...)

## **Eliminate risks**

- (e.g. financial, social, technical risks, or what could go awfully wrong, ...)

# Pain Killer – Is it a Problem or a Need?

**Are you solving a Problem?**

**Are you fulfilling a Need?**

**For who?**

**How do you know?**

# Pain Killer - Ranking

- Rank each pain your products and services kill according to their intensity for the customer.
- Is it very intense or very light?
- For each pain indicate the frequency at which it occurs

# Gain Creators- Hypotheses

**Create savings that make your customer happy?**

- (e.g. in terms of time, money and effort, ...)

**Produce expected or better than expected outcomes?**

- (e.g. better quality level, more of something, less of something, ...)

**Copy or outperform current solutions that delight customer?**

- (e.g. regarding specific features, performance, quality, ...)

**Make your customer's job or life easier?**

- (flatter learning curve, usability, accessibility, more services, lower cost of ownership, ...)

**Create positive consequences that customer desires?**

- (makes them look good, produces an increase in power, status, ...).

# Gain Creator- Ranking

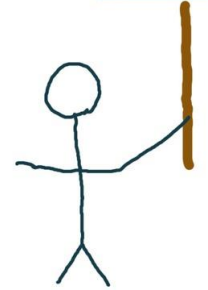
- Rank each gain your products and services create according to its relevance to the customer.
- Is it substantial or insignificant?
- For each gain indicate the frequency at which it occurs.



# Hypotheses about pains and gains

- Make guesses about pains and gains that your product will address - These are the hypotheses
- The hypotheses can be informed by research
  - *What do customers do today?*
  - *What is the problem?*
  - *Why is the problem so hard to solve?*
  - *How big is this problem?*
- Collect information to test the hypotheses.
  - Have some idea in mind for pass/fail criteria for each hypothesis

**KEEP IT  
SIMPLE  
STUPID.**



# Minimum Viable Product

# Define the Minimum Viable Product – *Web/Mobile*

**EARLY build a “low fidelity” app for customer feedback**

- tests your understanding of the problem

**LATER build a “high fidelity” app tests your understanding of the solution**

- Proves that it solves *a core problem* for customers
- The minimum set of features needed to learn from earlyvangelists

**-Avoid building products nobody wants**

**-Maximize the learning per time spent**

**In CS7CS6, at most consider wireframes to help communicate VP ideas to test in interviews**

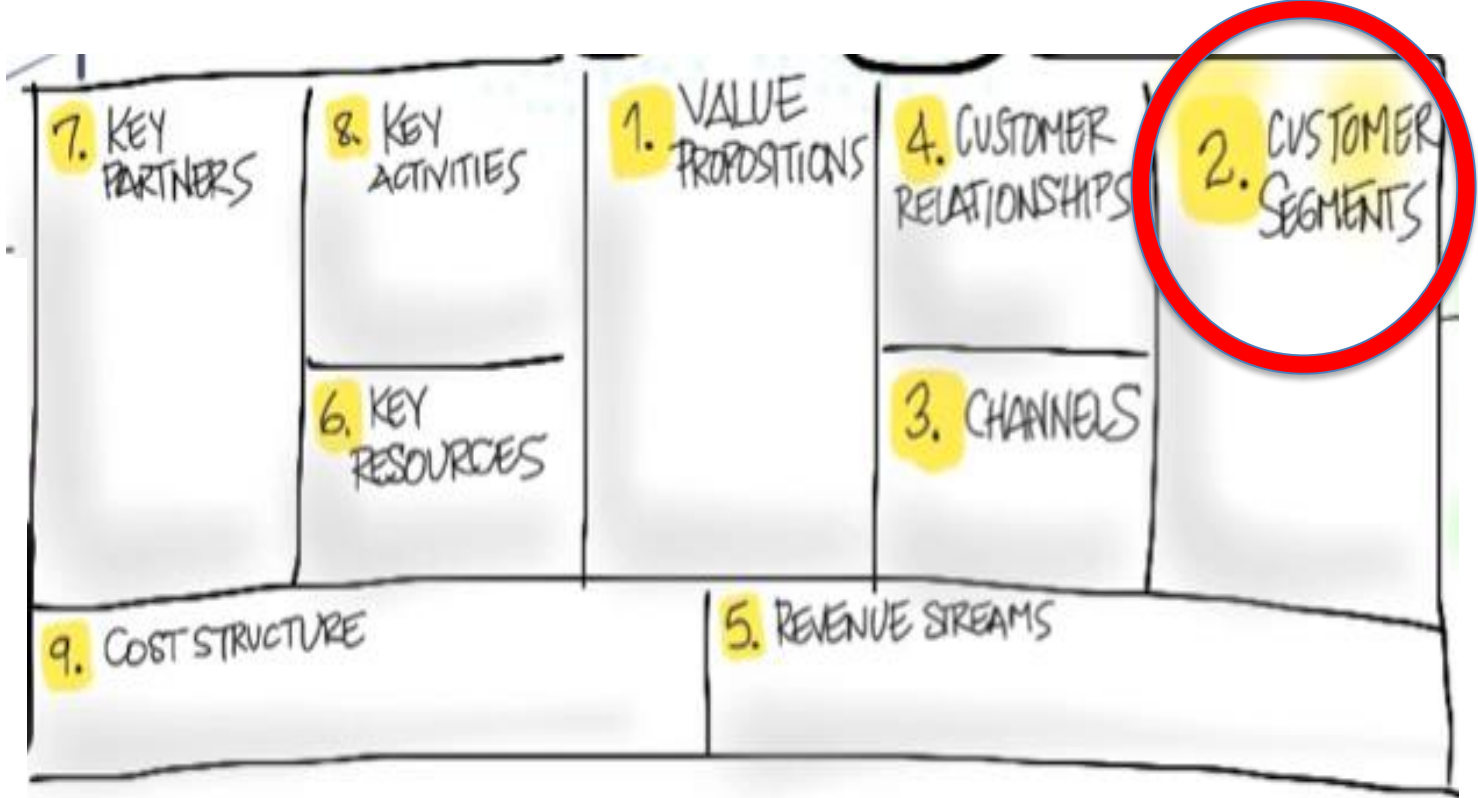


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# Customer Segments

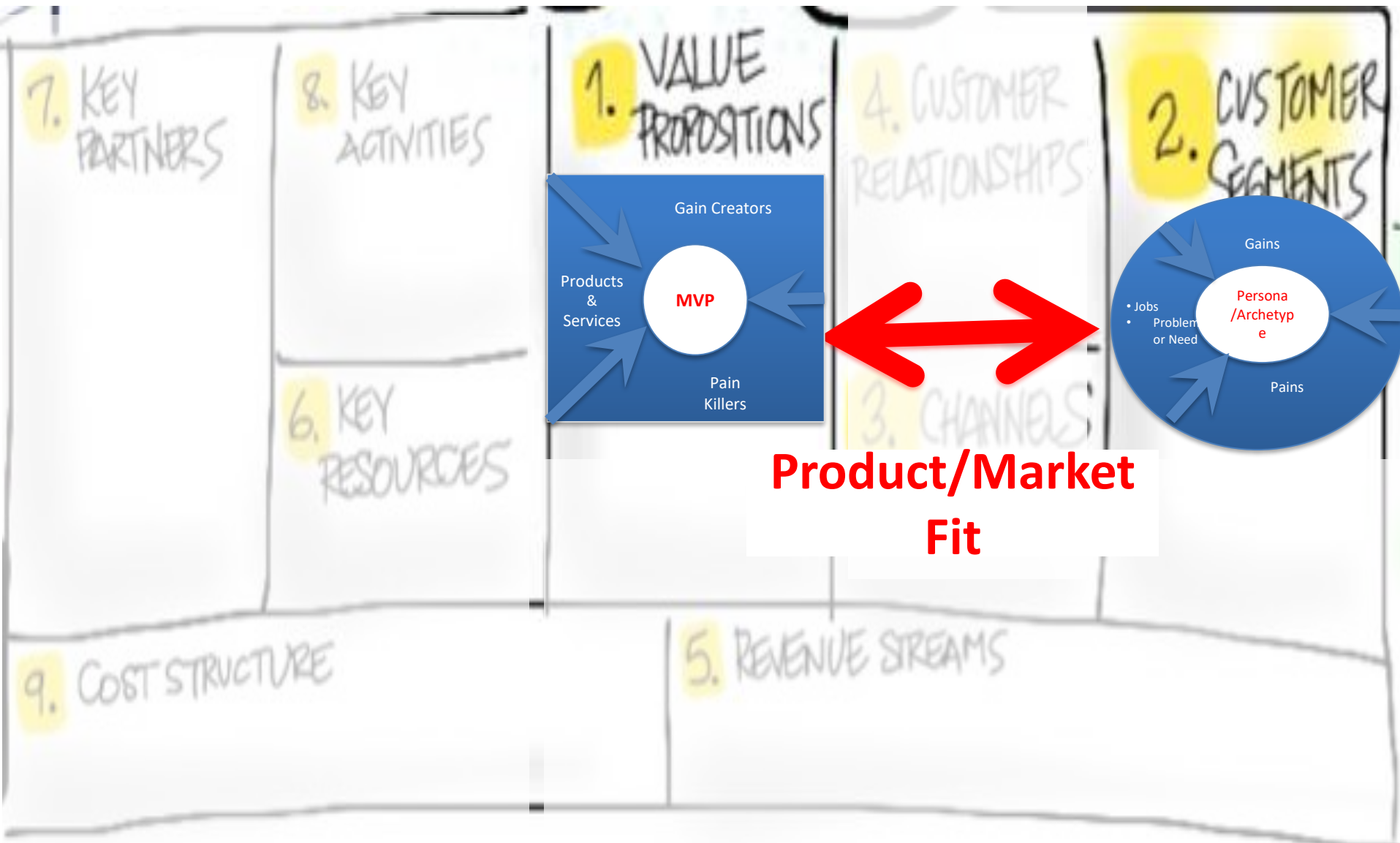


# Customer Segments

Who Are They?

Why Would They Buy?

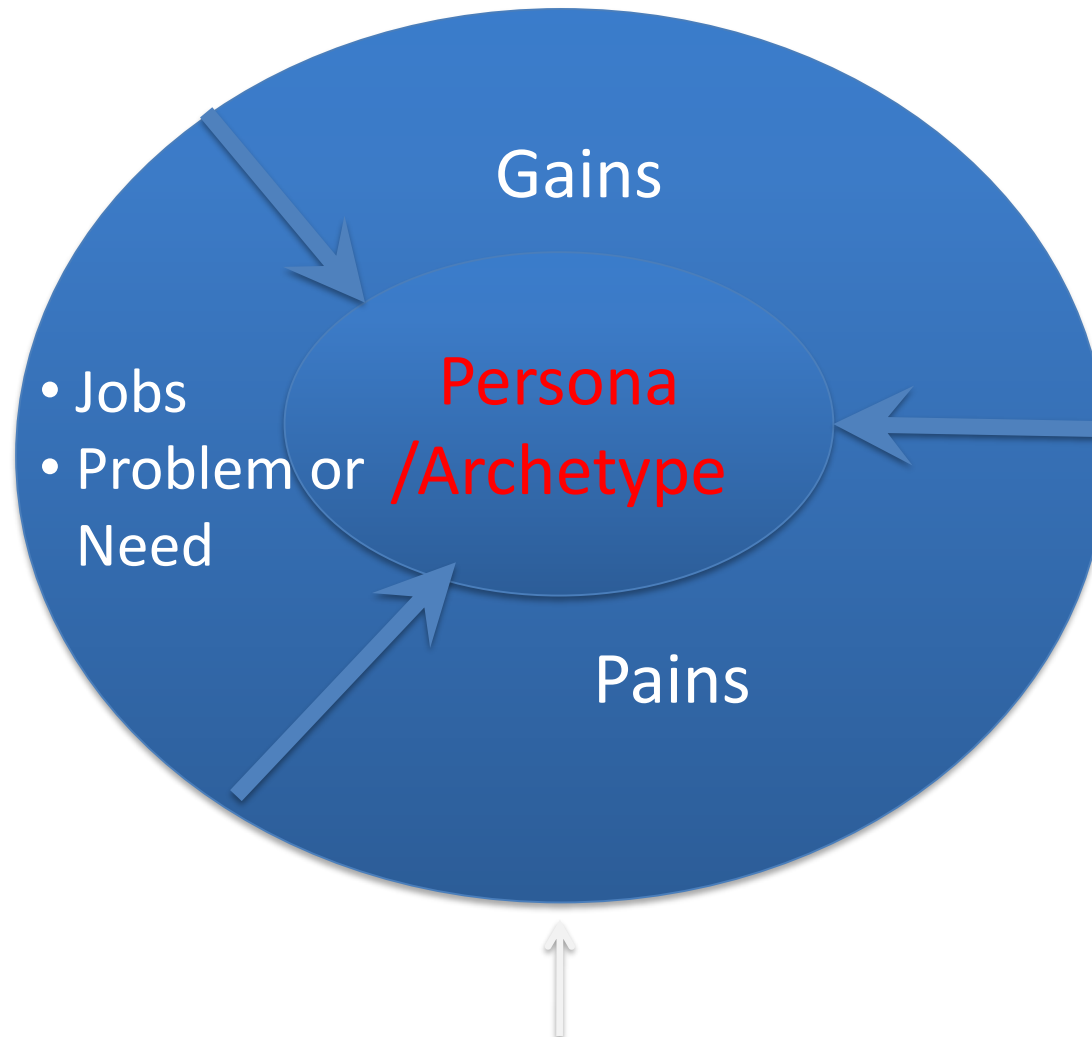




**Pain = Customer Problem**  
**Gain = Customer Solution**



# The Customer Segment



# **Jobs to Be Done Problems/Needs**

**What is the customer segment trying to get done?**

**Is it a problem or a need?**

# Customer Segments – Jobs/Needs

## **What functional or social jobs are getting done?**

- (e.g. perform or complete a specific task, solve a specific problem or trying to look good, gain power or status, ...)

## **What emotional jobs?**

- (e.g. aesthetics, feel good, security, ...)

## **What basic needs are you helping your customer satisfy?**

- (e.g. entertainment, communication, dating, ...)

# Customer Segment Jobs - Rank

**Rank each job according to its significance to the customer.**

**Is it crucial or is it trivial?**

**For each job indicate the frequency at which it occurs.**

**Outline in which specific context a job is done, because that may impose constraints or limitations**

**— (e.g. while driving, outside, ...)**

# Customer Pains

undesired costs and situations, risks,  
negative emotions

# Customer Segments – Pains

**What do your customers find too costly?**

- (e.g. takes a lot of time, costs too much, requires substantial efforts, ...)

**How are current solutions underperforming?**

- (e.g. lack of features, performance, malfunctioning, ...)

**What are the customers main difficulties and challenges?**

- (difficulties getting things done, resistance, ...)

**What's keeping your customer awake at night?**

- (e.g. big issues, concerns, worries, ...)

# Customer Segments – Pains

## **What barriers are keeping customers from adopting?**

- (e.g. upfront investment costs, learning curve, resistance to change, ...)

## **What makes your customers feel bad?**

- (e.g. frustrations, annoyances, things that give them a headache, ...)

## **What risks do customers fear?**

- (e.g. financial, social, technical risks, or what could go awfully wrong, ...)

# Customer Gains

benefits the customer expects, desires or is surprised by.

includes functional utility, social gains, positive emotions,  
and cost savings



# Customer Segments – Gains

**Which savings would make your customer happy?**

- (e.g. in terms of time, money and effort, ...)

**What outcomes do they expect and what would go beyond their expectations?**

- (e.g. quality level, more of something, less of something, ...)

**How do current solutions delight your customer?**

- (e.g. specific features, performance, quality, ...)

**What would make your customer's job or life easier?**

- (e.g. flatter learning curve, more services, lower cost of ownership, ...)

# Customer Segments – Gains

**What positive social consequences do they desire?**

- (e.g. makes them look good, increase in power, status, ...)

**What are customers looking for?**

- (e.g. good design, guarantees, specific or more features, ...)

**What do customers dream about?**

- (e.g. big achievements, big reliefs, ...)

**How does your customer measure success and failure?**

- (e.g. performance, cost, ...)

**What would increase the likelihood of adopting a solution?**

- (e.g. lower cost, less investments, lower risk, better quality, performance, design, ...)

# Customer Persona/Archetype

# Define Customer **Archetype/Persona**

## **Who are they?**

- Position / title / age / sex / role

## **How do they buy?**

- Discretionary budget (name of budget and amount)

## **What matters to them?**

- What motivates them?

## **Who influences them?**

- What do they read/who do they listen to?

## **Draw a **Day in the Life** of the customer**



**DON'T RECORD** real personal information –report as fictional archetype constructed from real data

# Collect data to determine interest

**How do you test interest?**

**Where do you test interest?**

**What kind of experiments can you run?**

**How many do you test?**

# Market Type

# Definitions: Four Types of Markets

Existing Market	Resegmented Market	New Market	Clone Market
-----------------	--------------------	------------	--------------

## **Existing Market**

- Faster/Better = High end

## **Resegmented Market**

- Niche = marketing/branding driven
- Cheaper = low end

## **New Market**

- Cheaper/good enough can create a new class of product/customer
- Innovative/never existed before

## **Clone Market**

- Local adaptation

# Market Type

	Existing	Resegmented	New	Clone
<b>Customers</b>	Known	Possibly Known	Unknown	Possibly Known
<b>Customer Needs</b>	Performance	Better fit	Transform- ational improvement	Local version
<b>Competitors</b>	Many	Many if wrong, few if right	None	None
<b>Risk</b>	Lack of branding, sales and distribution ecosystem	Market and product re- definition	Evangelism and education cycle	Misjudge local needs
<b>Examples</b>	Google	Southwest	Groupon	Baidu

## Market Type determines:

- Rate of customer adoption
- Sales and Marketing strategies
  - Cash requirements



# Multisided Markets - Who's The Customer?

**Common for Digital Platforms: Consumer End Users, Corporate Customers Pay Multiple Consumers, e.g. Google Search – searchers and advertisers**

- Each has its own Value Proposition
- Each has its own Revenue Stream
- One segment cannot exist without the other
- Which one do you start with?

**Having multiple unrelated customer segments (i.e. not a multisided market) means you are working on multiple different business models – you need to settle on one - FAST**

# Who's the Customer?

**User?**

**Influencer?**

**Recommender?**

**Decision Maker?**

**Economic Buyer?**

**Saboteur?**

**Archetypes for each?**

# Market analysis: Sources of Competitive information

**Yellow pages**

**Competitor websites**

**[www.Export.gov](http://www.Export.gov)**

**ISI Emerging markets Database**

**Hoovers Industry profiles**

**Standard and Poor's Industry survey's**

**[www.Globaledge.com](http://www.Globaledge.com)**

**Credit rating reports**

**Company registration office website**

**Chambers of Commerce**

**Published Industry reports e.g  
Datamonitor, Euromonitor**

**Market research consultancies**

**Business Journalists**

**Enterprise Ireland local office**

**Irish Embassies**

**Irish people working in the market  
you are researching**

**Trade associations**

**Trade magazines**



**Trinity College Dublin**

Coláiste na Tríonóide, Baile Átha Cliath

The University of Dublin

# Customer Discovery Techniques

# Customer Discovery Interviews: Before you Leave the Building

Preplanning customer interviews, drawing up contact lists and tips for getting someone's time

Think about a dry run

Customer discover must be done by founders (YOU), employees or consultants can't test and pivot

Designing Pass/Fail Experiments - deciding in advance which hypotheses you want to explore when conducting an interview

# Discovery Interview

- Being persistent, assertive and opportunistic in getting interviews
- Setup meeting to maximise the opportunities to listen and understand – keep it casual
- Build a deep understanding of the customer through interview – open ended explorative questions – seek facts not speculation
- Allow the conversation flow to maximise the chances of uncovering key customer insights
- Avoid the pitfall of trying to pitch and instead focus on turning the guesses from you model into fact, to size the commercial opportunity and understanding the market type and therefore the competition
- Searching hard through undertaking lots of interviews to find key customer segment insights and uncover concrete patterns in what customers want that you can then pivot towards

# Discovery Interviews

- Don't do Death by demo/powerpoint: understanding the problem/needs before attempting to show any solutions
- Only exploring solutions AFTER you've discovered their specific problem and explore suitable solution - engage customers with your value proposition to maximise learning
- Understanding customers
  - people prefer being nice to being frank - do they really love it?
  - some want to tell you how to do it, rather than revealing their problems - get them to tell their stories
  - empathising with your customer

# Discovery Interviews

- Understanding the different customer types, users vs. buyers vs. recommender vs. saboteur
- Interview with more than one person from your team: roles, turns, cues
- Grasp unexpected turns in interviews – pursue them
- Customer discovery in new market value propositions – explore day in the life, reflect hypotheses in that context
- Approaching people in public setting
- Always ask for referrals



# Back in the building

- Looking for 'early evangelists', customer who have anticipated the benefits of your value proposition and who could be enthusiastic early adopters
- Making sure the rest of your team can share your customer insights – Update BMC, deliberate on pivots
- The Minimum Viable Product (MVP), e.g. wireframe, as a means for learning what the customer wants
- Paying attention to the outliers and pivoting to insight gathered and looking at the people not using the MVP as you are searching not executing

1. One person at a time
  2. Know your goals and questions ahead of time
  3. Separate behavior and feedback in discussion
  4. Get psyched to hear things you don't want to hear
  5. Disarm "politeness" training
  6. Ask open ended questions
  7. Listen, don't talk
  8. Encourage but don't influence
  9. Follow your nose and drill down
  10. Parrot back or misrepresent to confirm
  11. Ask for introductions
  12. Write up your notes as quickly as possible
- Afterwards: Look for patterns and apply judgement.