Trinity College Dublin
Coláiste na Tríonóide, Baile Átha Cliath
The University of Dublin

CS7CS6: Part 2: Business Model Canvas Blocks

Presented by Gaye Stephens
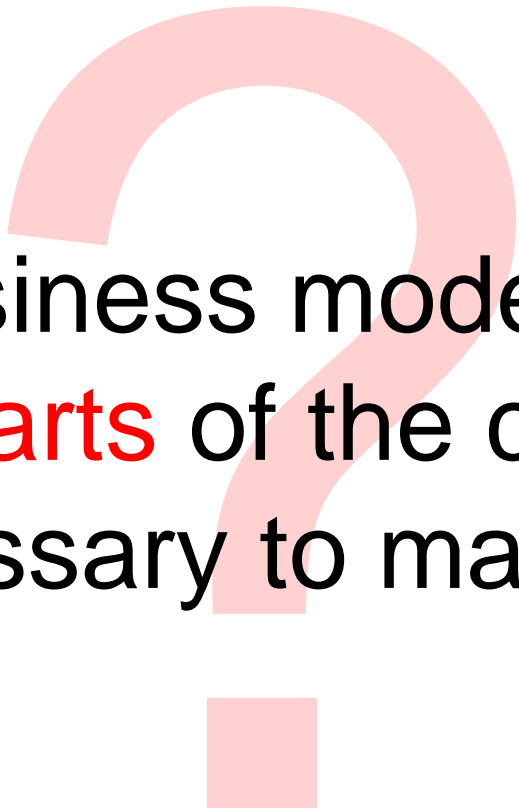
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ORI G.38

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

Core Idea or Technology
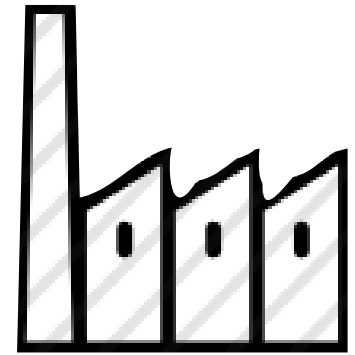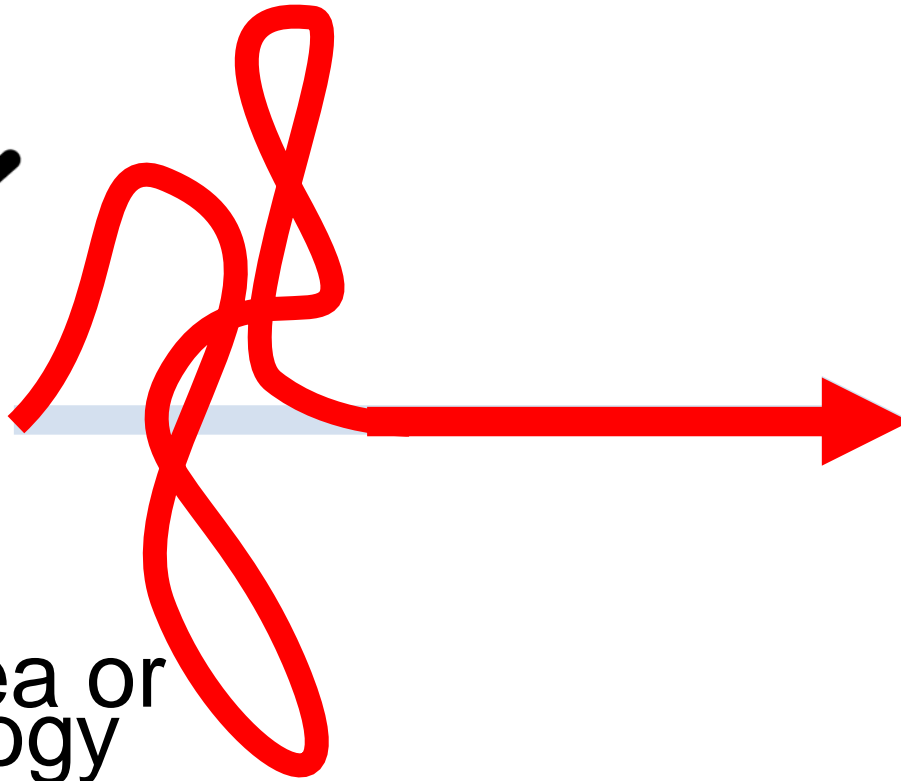
Company

to describe, challenge, design, and invent business models more systematically
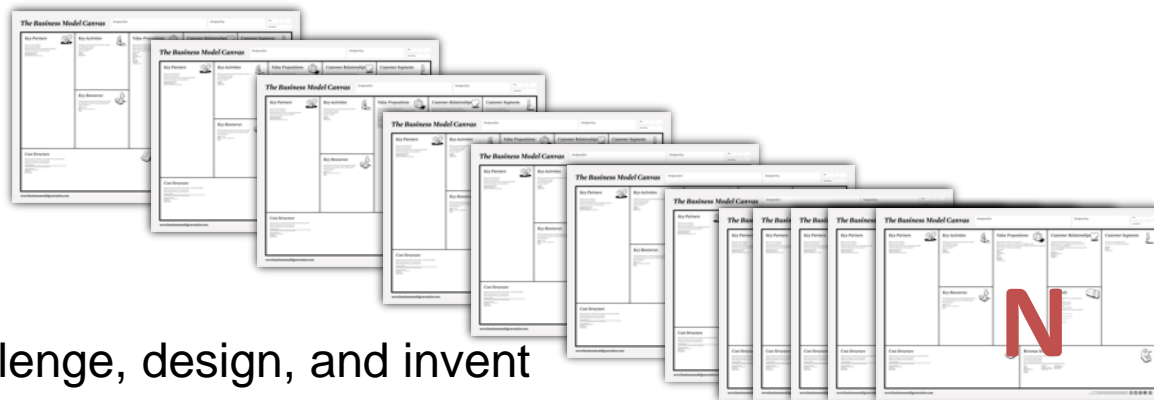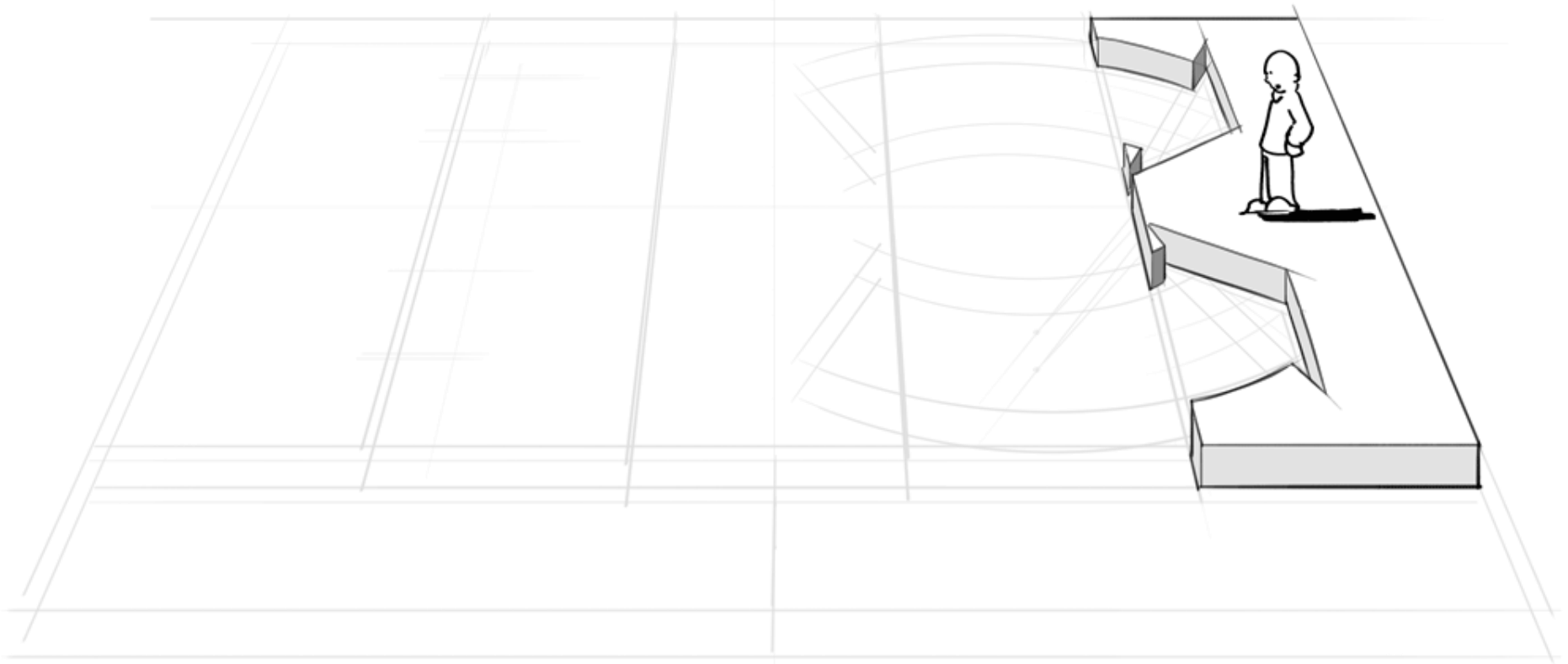
CUSTOMER SEGMENTS

VALUE PROPOSITIONS
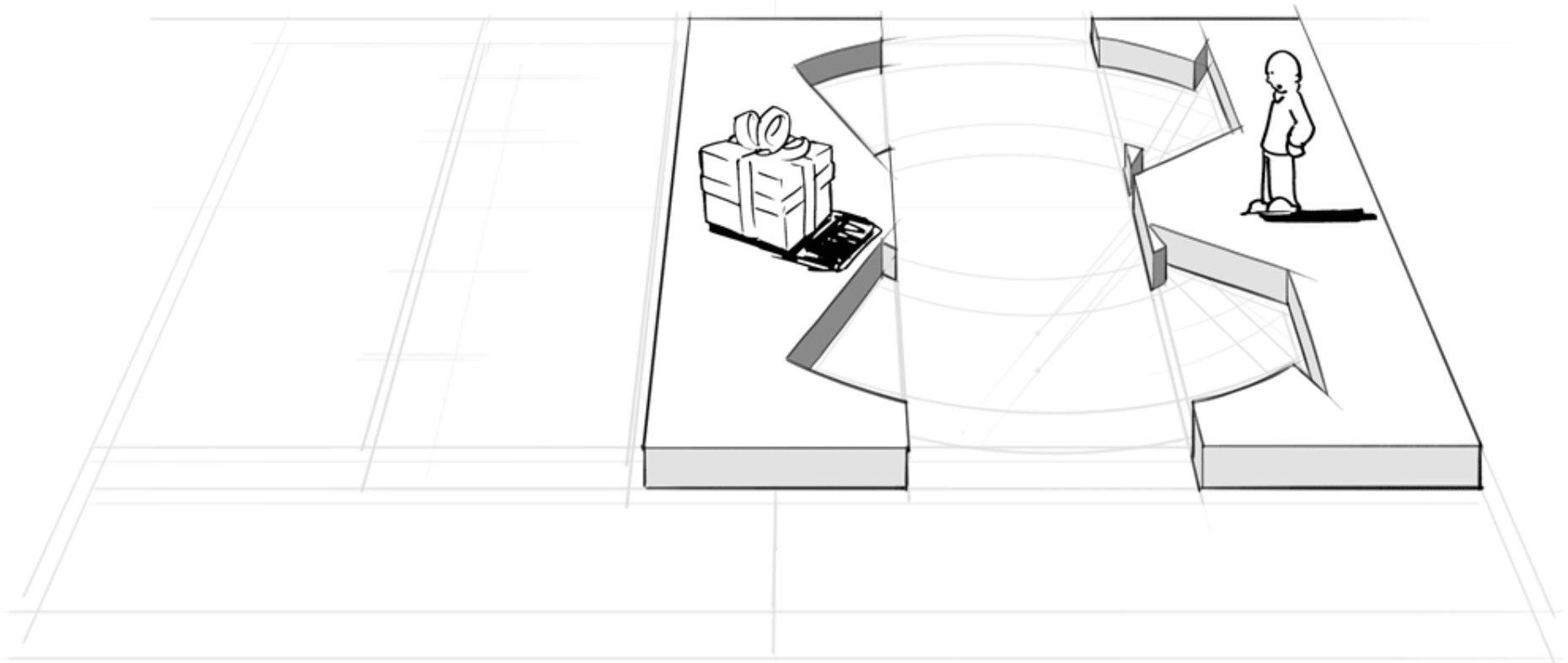
relationship between VPs and CSs is
Product Market Fit

images by JAM

CHANNELS

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CUSTOMER RELATIONSHIPS

images by JAM

REVENUE STREAMS

images by JAM

KEY RESOURCES

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KEY ACTIVITIES

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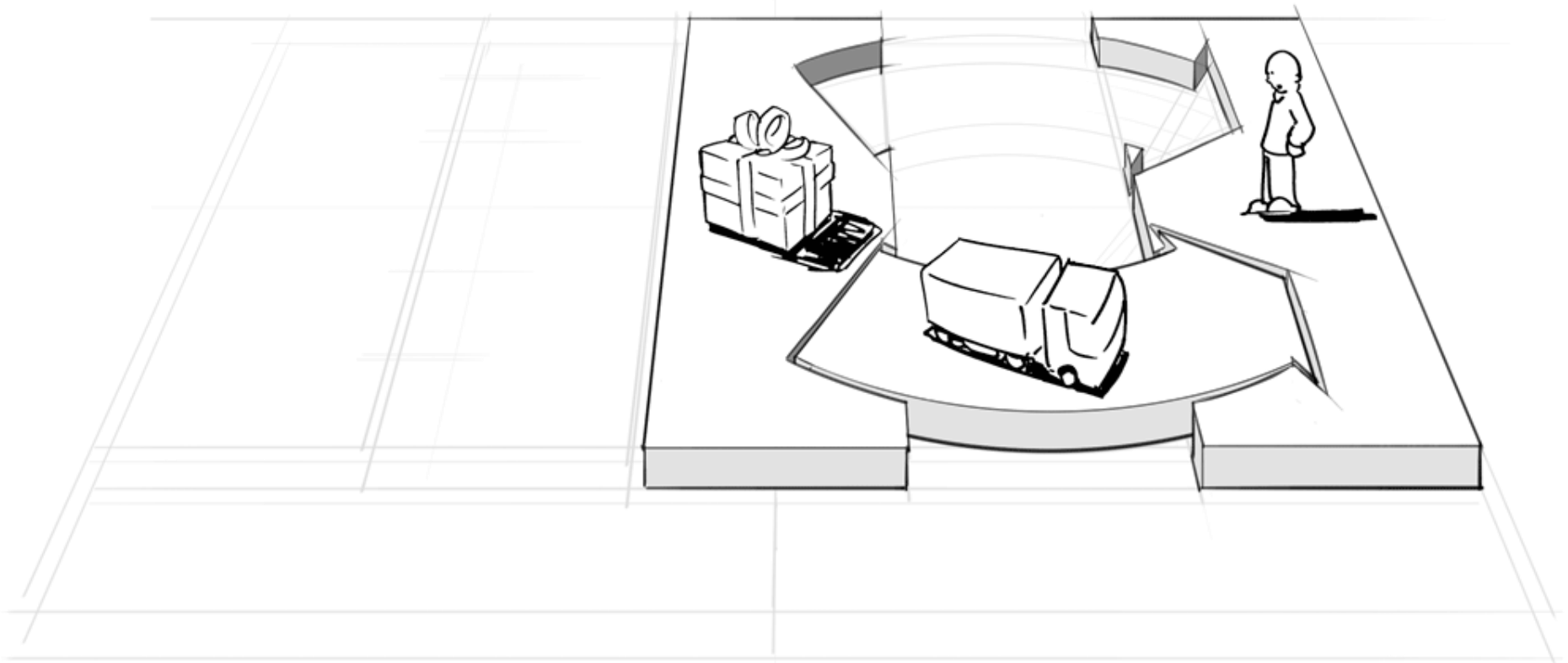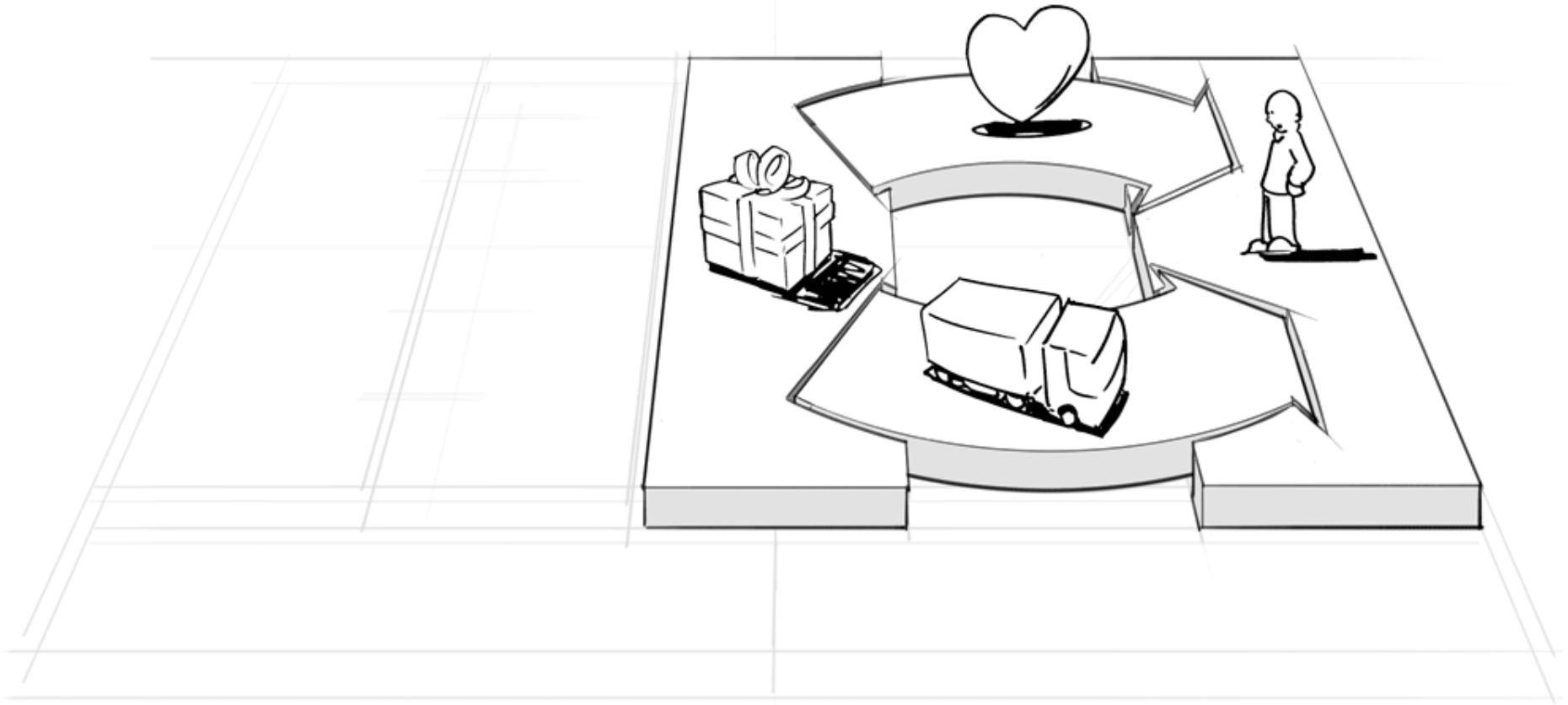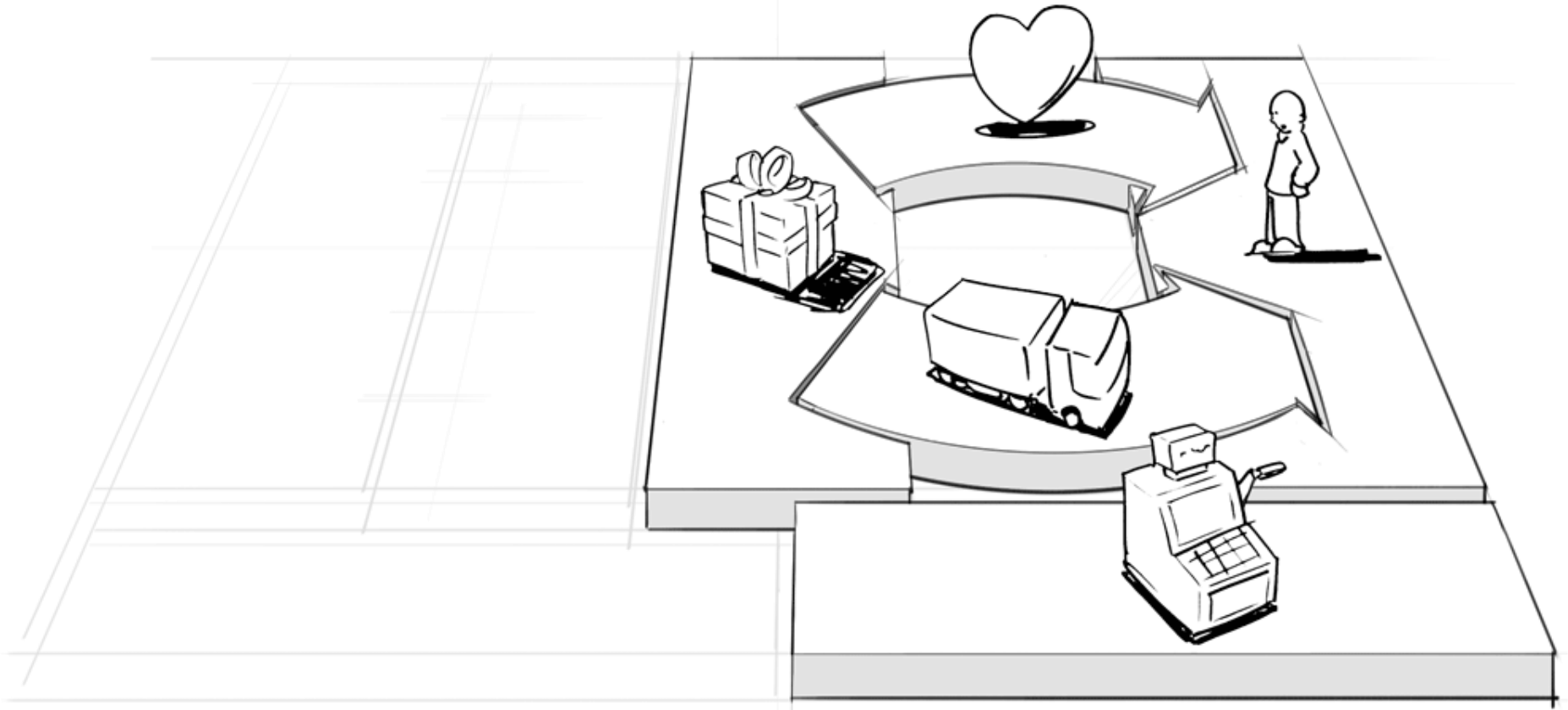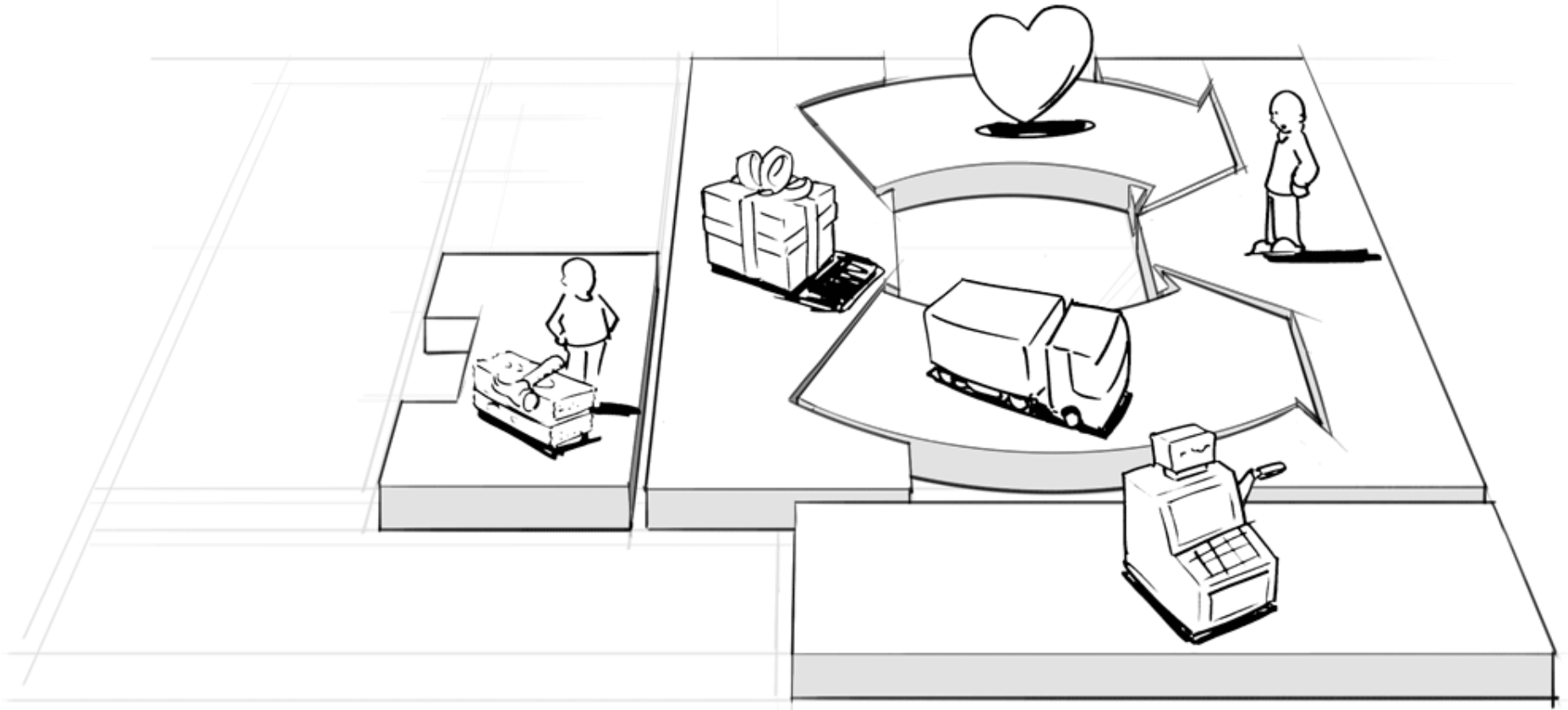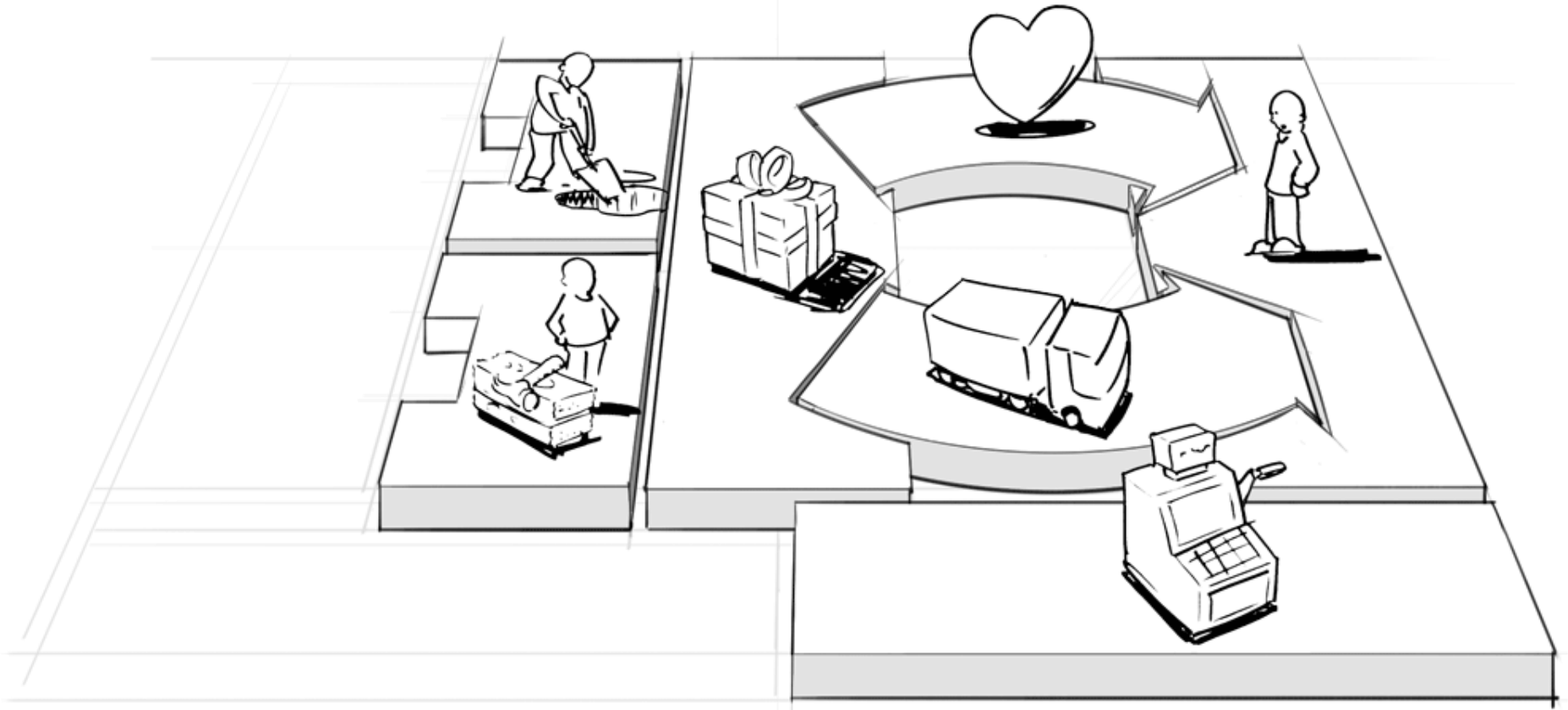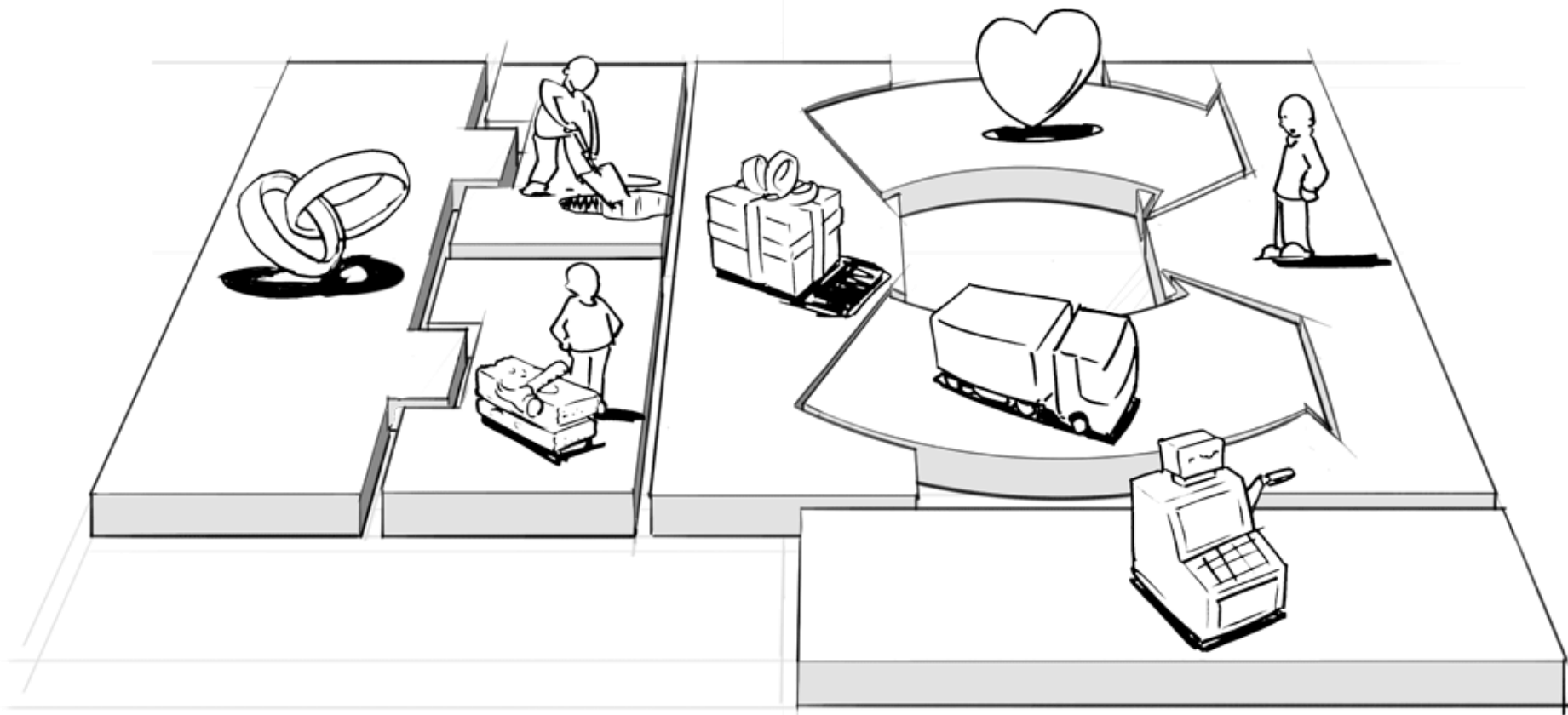
KEY PARTNERS

COST STRUCTURE
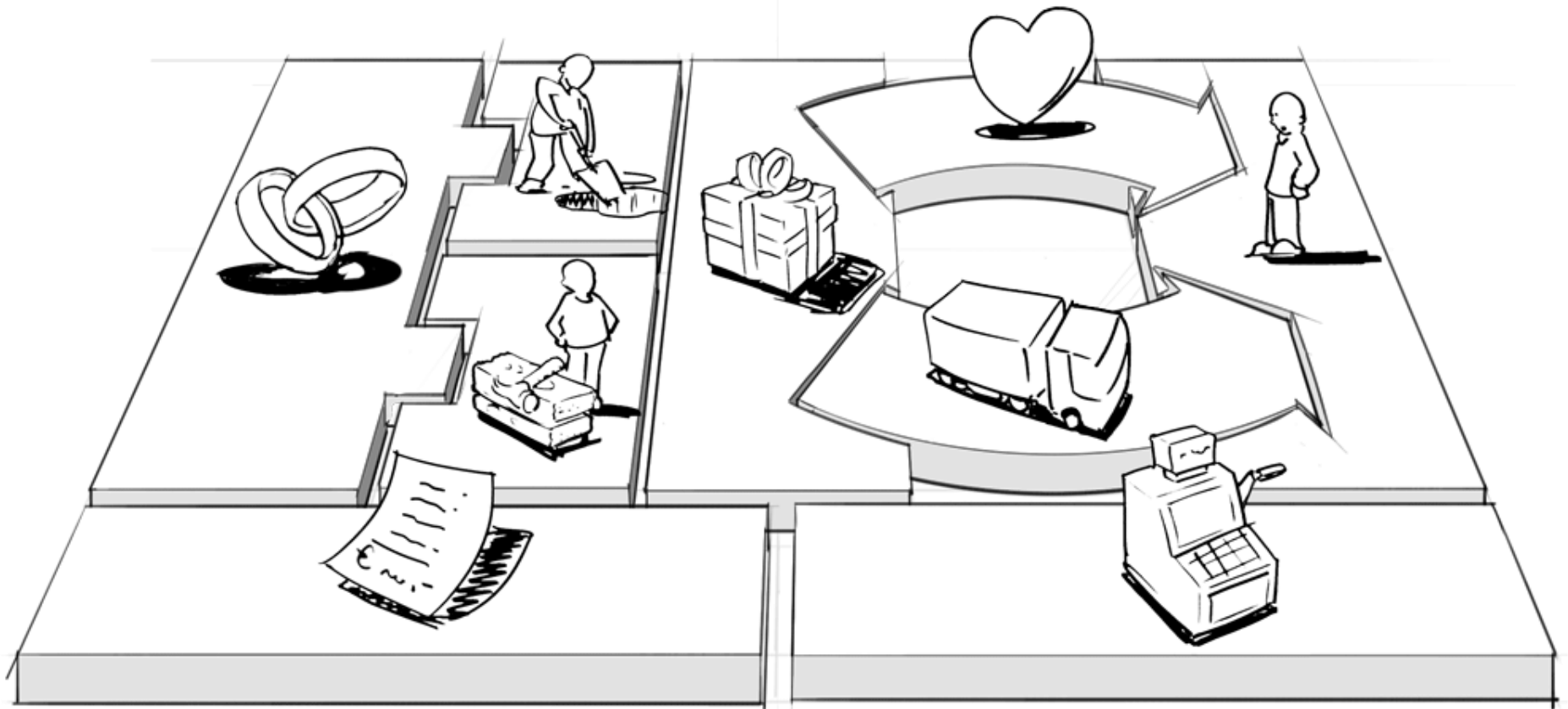
for success Cost < Revenue

CANVAS OVERLAY

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITION	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS
	KEY RESOURCES		CHANNELS	

COST STRUCTURE	REVENUE STREAMS

images by JAM

CANVAS OVERLAY

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITION	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS
	KEY RESOURCES		CHANNELS	

COST STRUCTURE	REVENUE STREAMS

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Business Model Canvas

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITION	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS

building block

building block

building block

building block

building block

building block

KEY

building block

building block

building block

CHANNELS

building block

building block

COST STRUCTURE

building block

building block

REVENUE STREAMS

building block

building block

But,

Realize They're <u>Hypotheses</u>

<u>i.e. They're Guesses</u>

9 Guesses

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
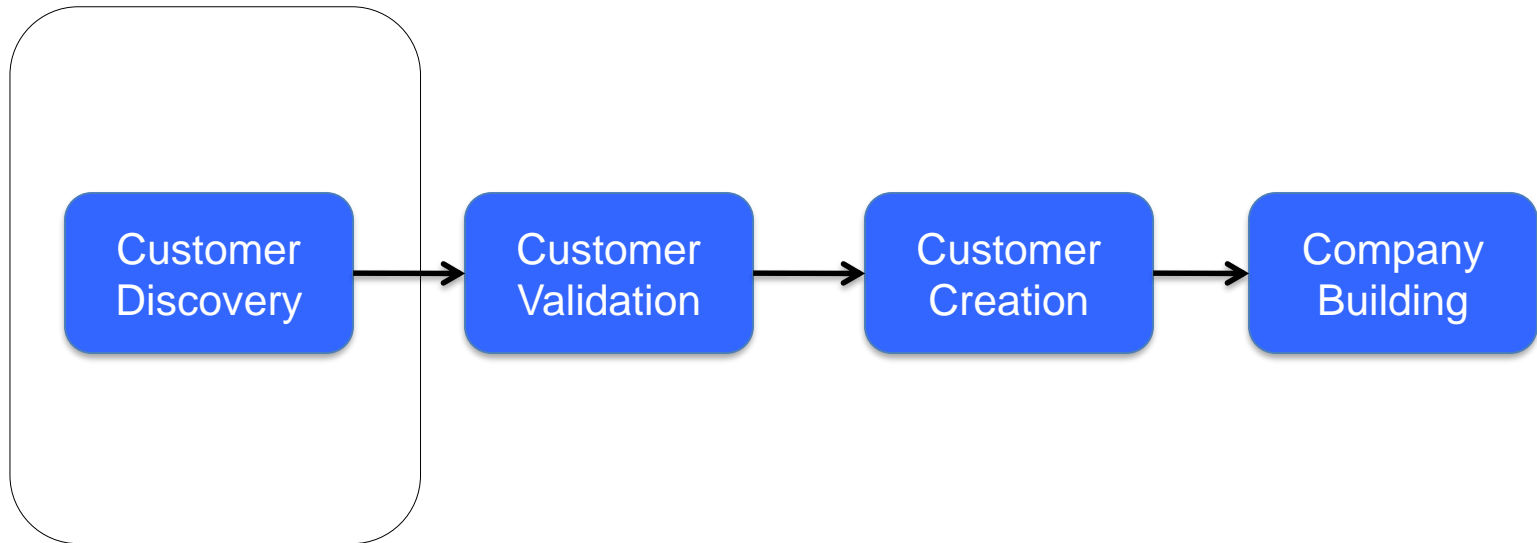
The Customer Development Process
Customer Discovery (this course)

```
┌──────────────┐      ┌──────────────┐      ┌──────────────┐      ┌──────────────┐
│   Customer   │ ───▶ │   Customer   │ ───▶ │   Customer   │ ───▶ │   Company    │
│  Discovery   │      │  Validation  │      │   Creation   │      │   Building   │
└──────────────┘      └──────────────┘      └──────────────┘      └──────────────┘
```

| Bus Model Canvas | → | Extract Hypotheses | → | Test Problem | → | Test Solution | → | Pivot or Proceed |
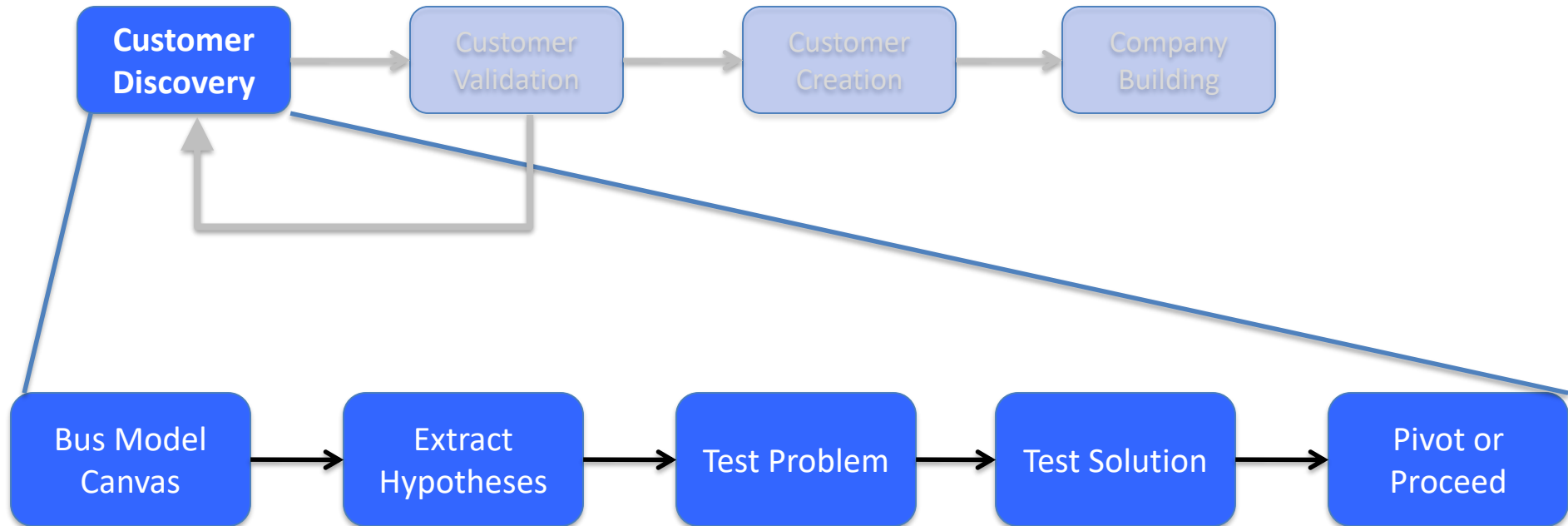
A <u>Pivot</u> is the **change** of one or more **Business Model** Canvas Components

The Pivot

Customer Discovery → Customer Validation → Customer Creation → Company Building

Pivot
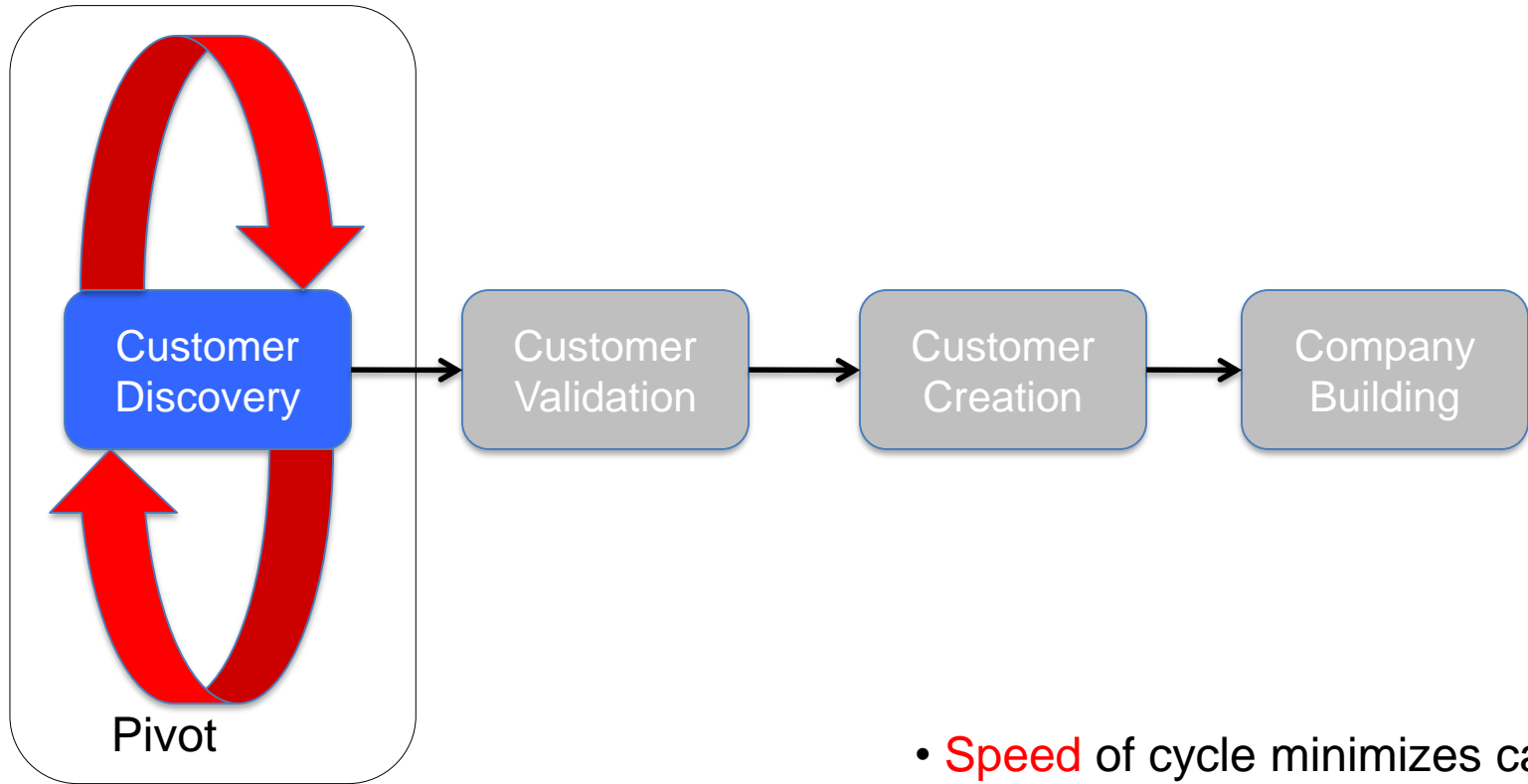
- The heart of Customer Development

- 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
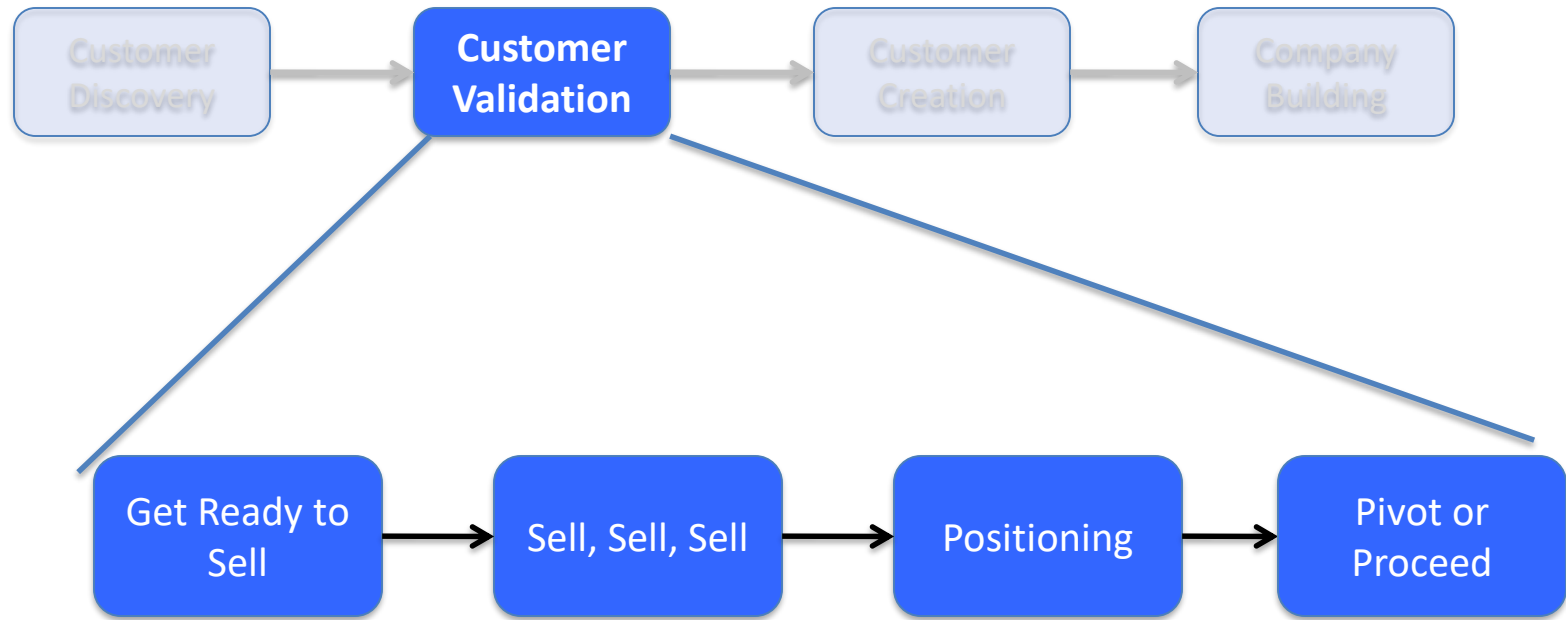
Validation is beyond what we have time for in CS7CS6

The Minimum Viable Product (MVP)
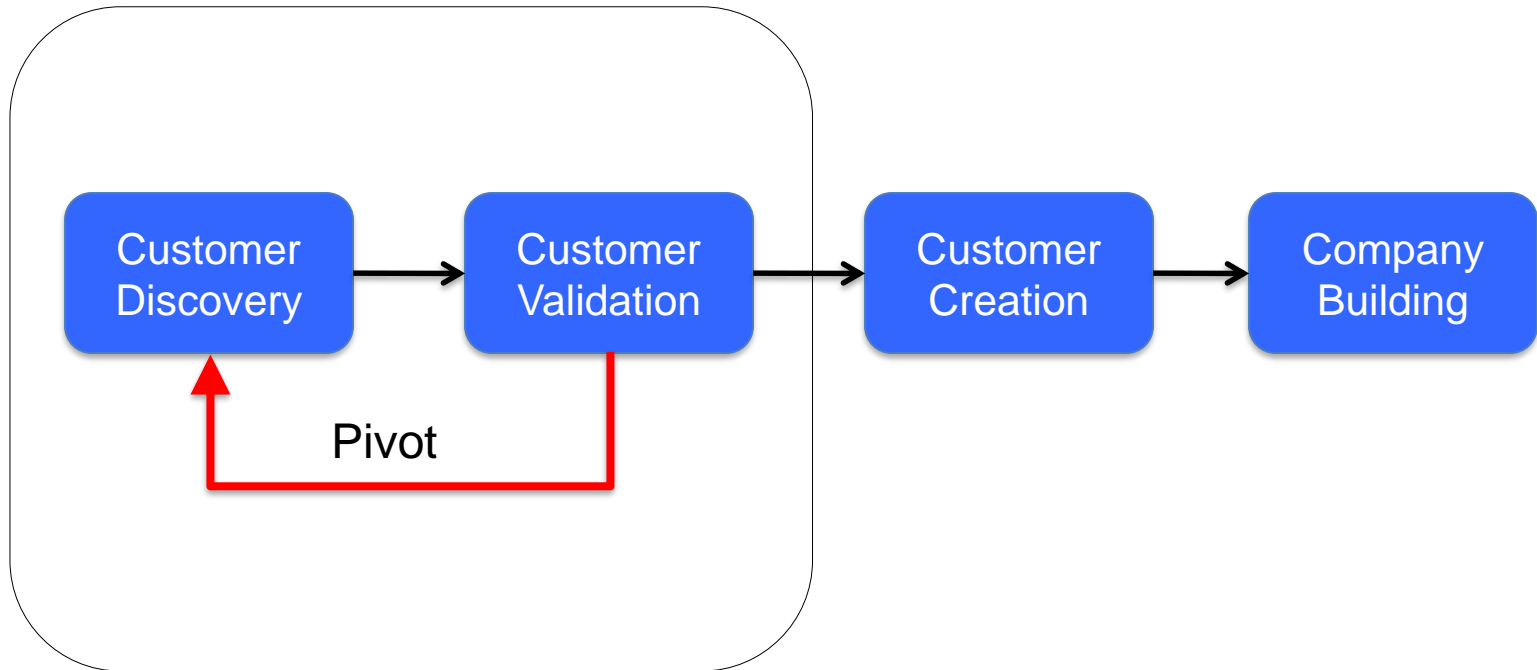
- Smallest feature set that gets you the most …

    - orders, learning, feedback, failure…

Would be in next steps if you take you product beyond CS7CS6
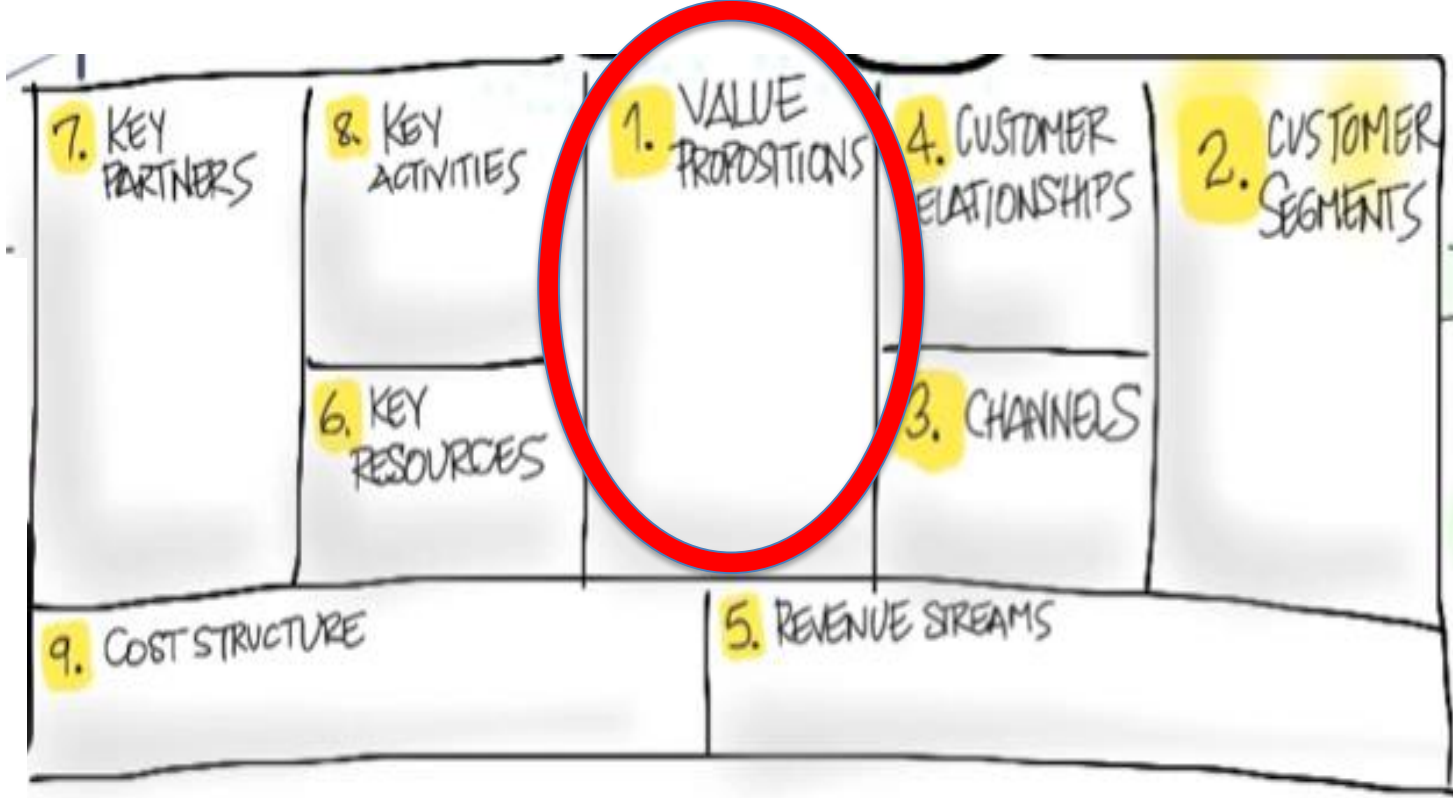
Value Proposition

Value Proposition

What Are You Building and For Who?
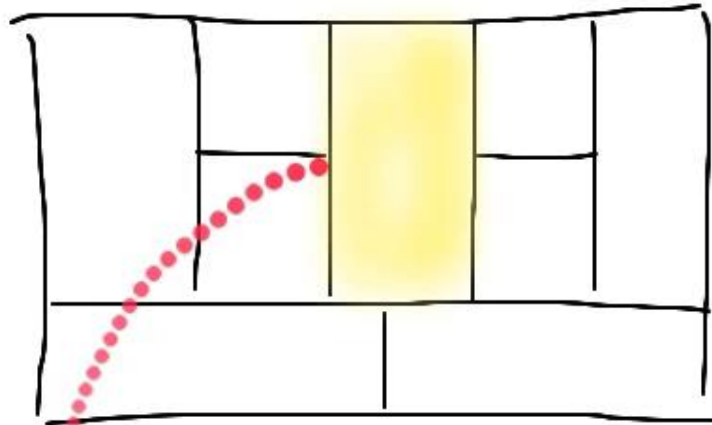
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Product/Market Fit

7. KEY PARTNERS

8. KEY ACTIVITIES

6. KEY RESOURCES

1. VALUE PROPOSITIONS

4. CUSTOMER RELATIONSHIPS

3. CHANNELS

2. CUSTOMER SEGMENTS

9. COST STRUCTURE

5. REVENUE STREAMS
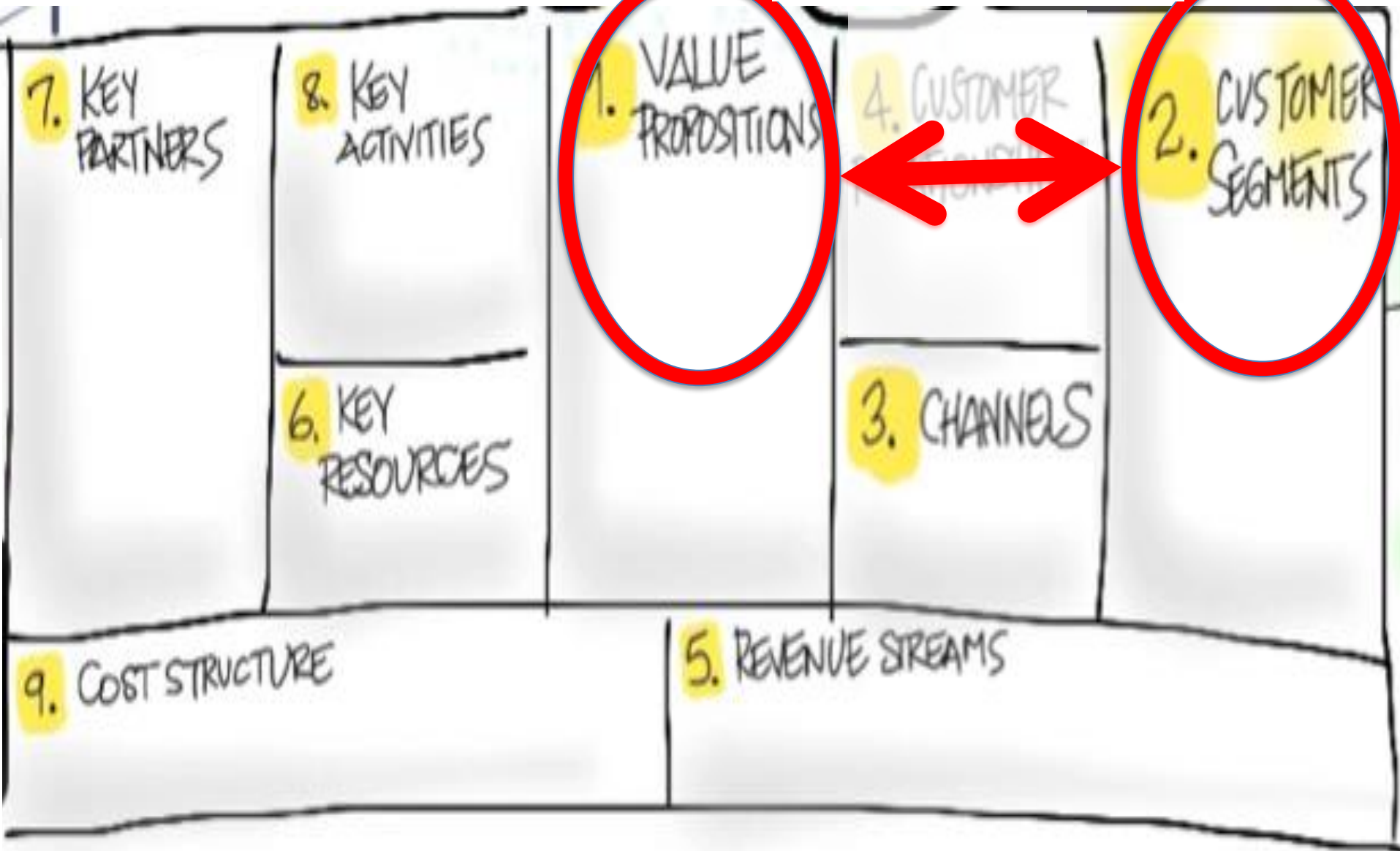
The Customer Segment
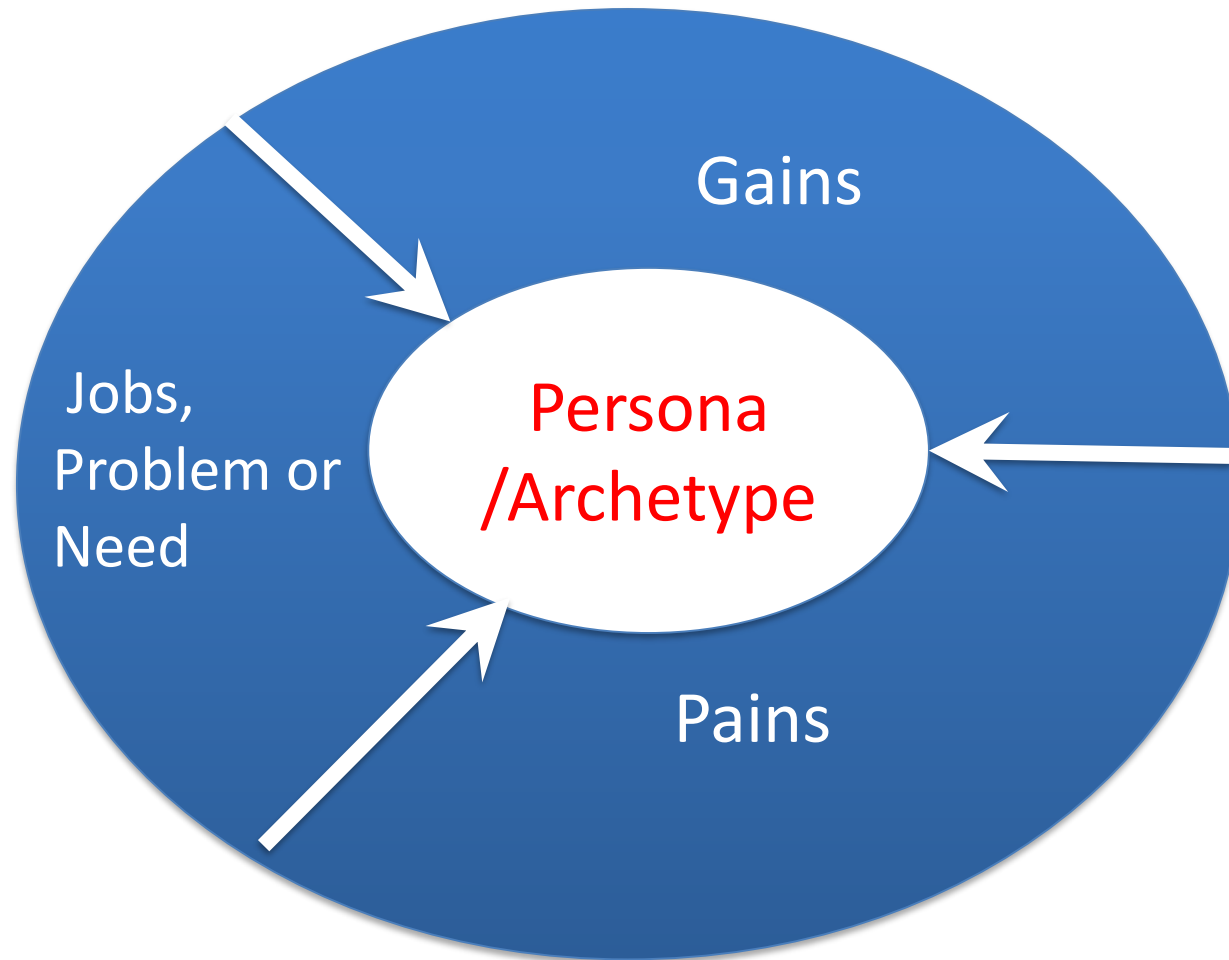
The Value Proposition
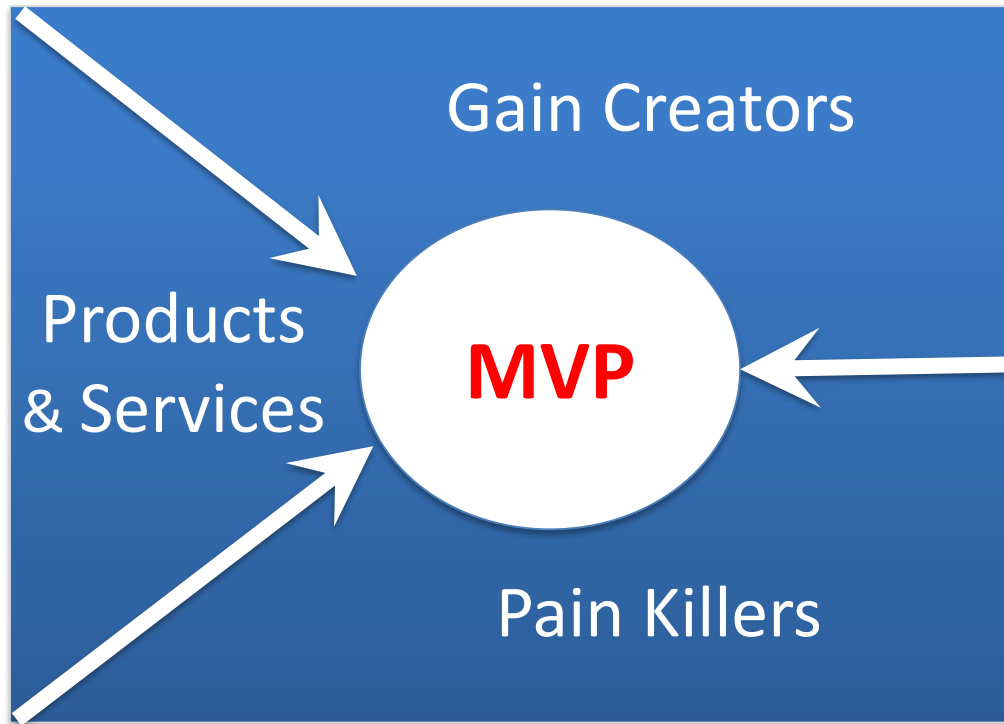
MVP=Minimum Viable Product
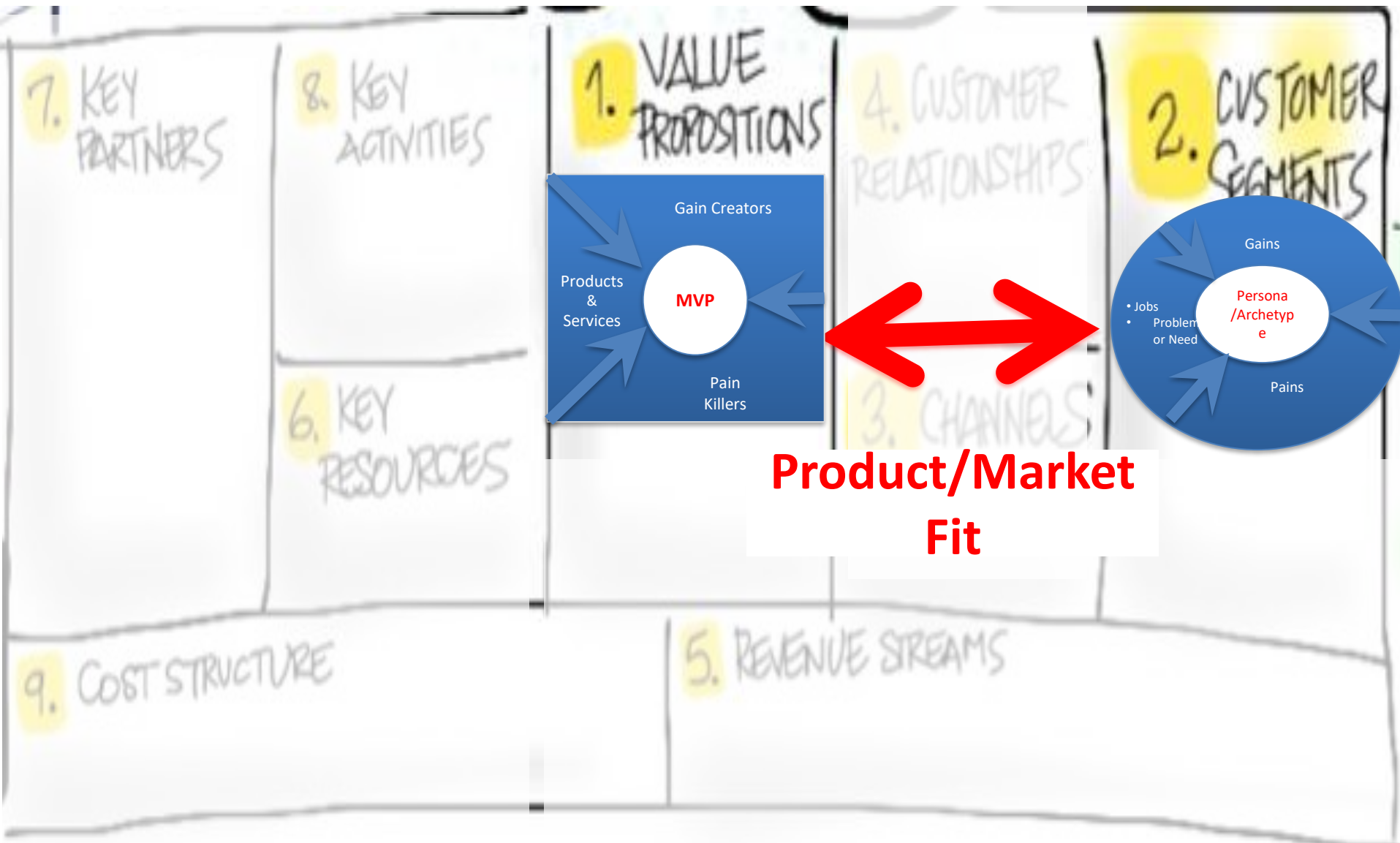
Value Proposition

A Value Proposition is a statement that explains how some <u>bundle</u> 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

- <u>Rank</u> each pain your products and services kill according to their intensity for the customer.

- Is it very <u>intense</u> or very <u>light</u>?

- For each pain indicate the <u>frequency</u> 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

- <u>Rank</u> each gain your products and services create according to its relevance to the customer.

- Is it <u>substantial</u> or <u>insignificant</u>?

- For each gain indicate the <u>frequency</u> 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
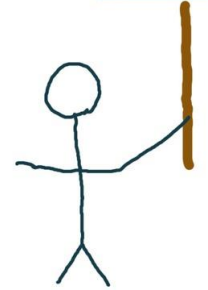
Minimum Viable Product

Define the Minimum Viable Product – *Web/Mobile*

EARLY build a "low fidelity" app for customer feedback

– tests your <u>understanding</u> 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, <u>at most </u>consider <u>wireframes</u> to help <u>communicate</u> VP ideas to test in interviews
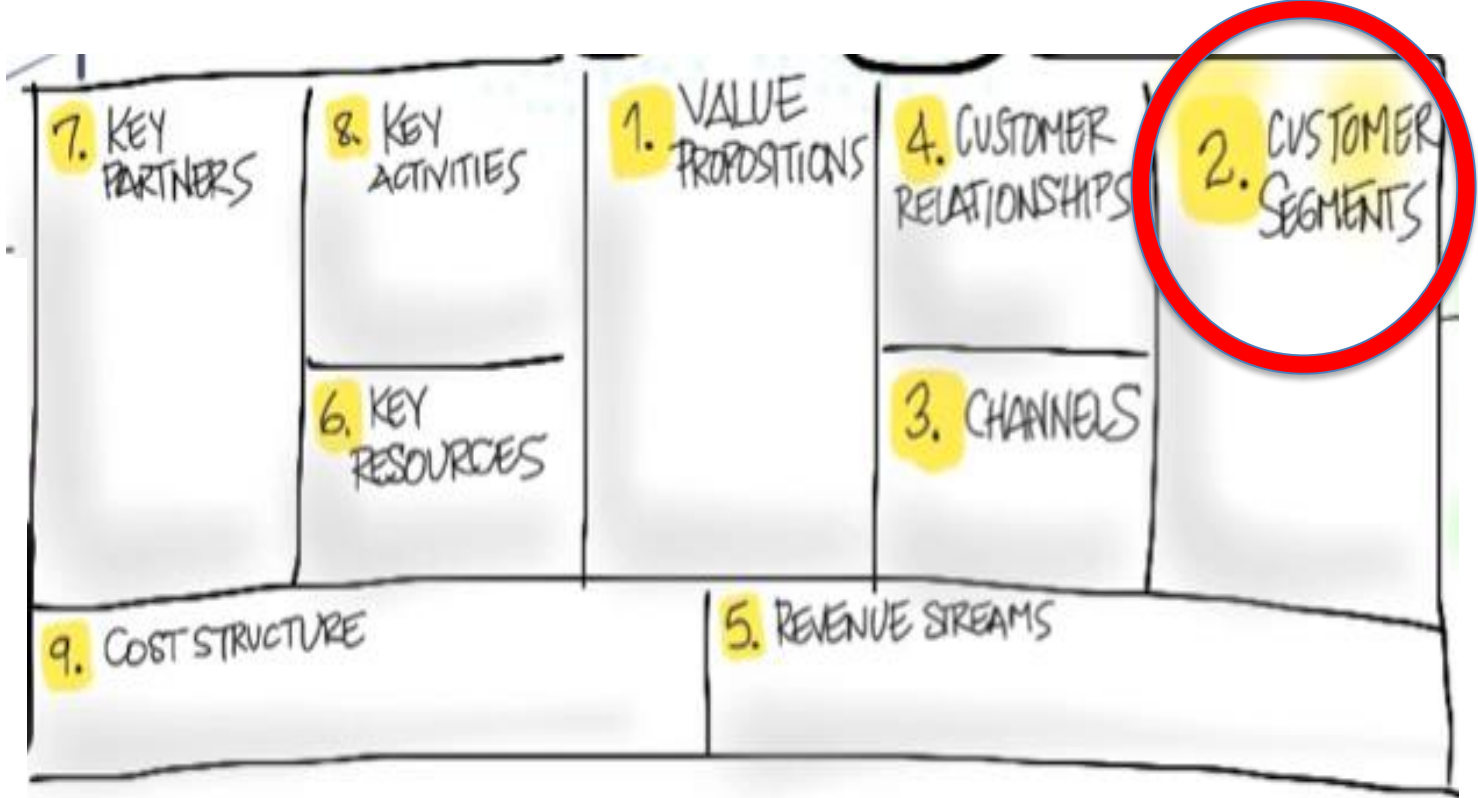
Customer Segments

Customer Segments

Who Are They?

Why Would They Buy?
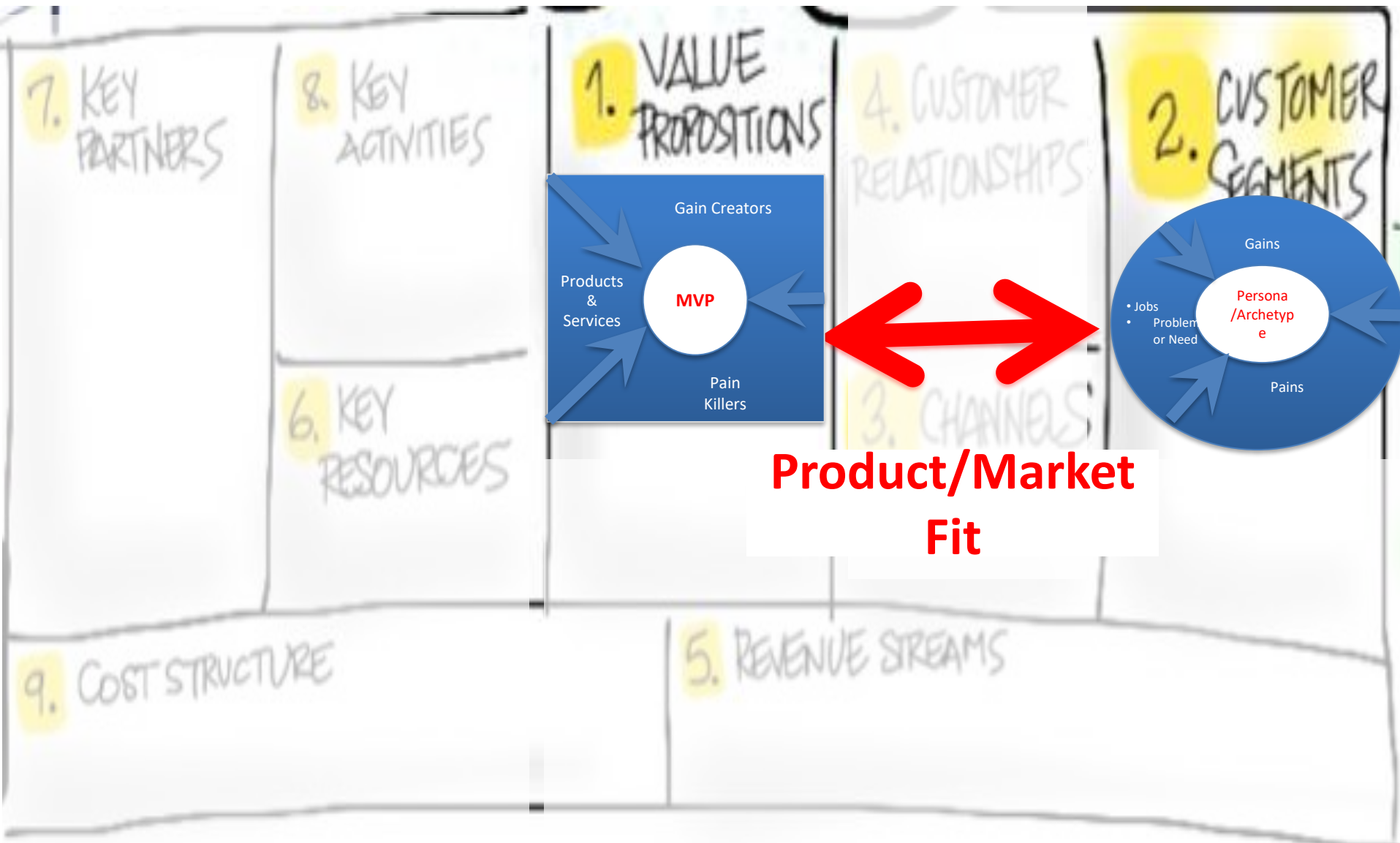
Pain = Customer Problem
Gain = Customer Solution

The Customer Segment
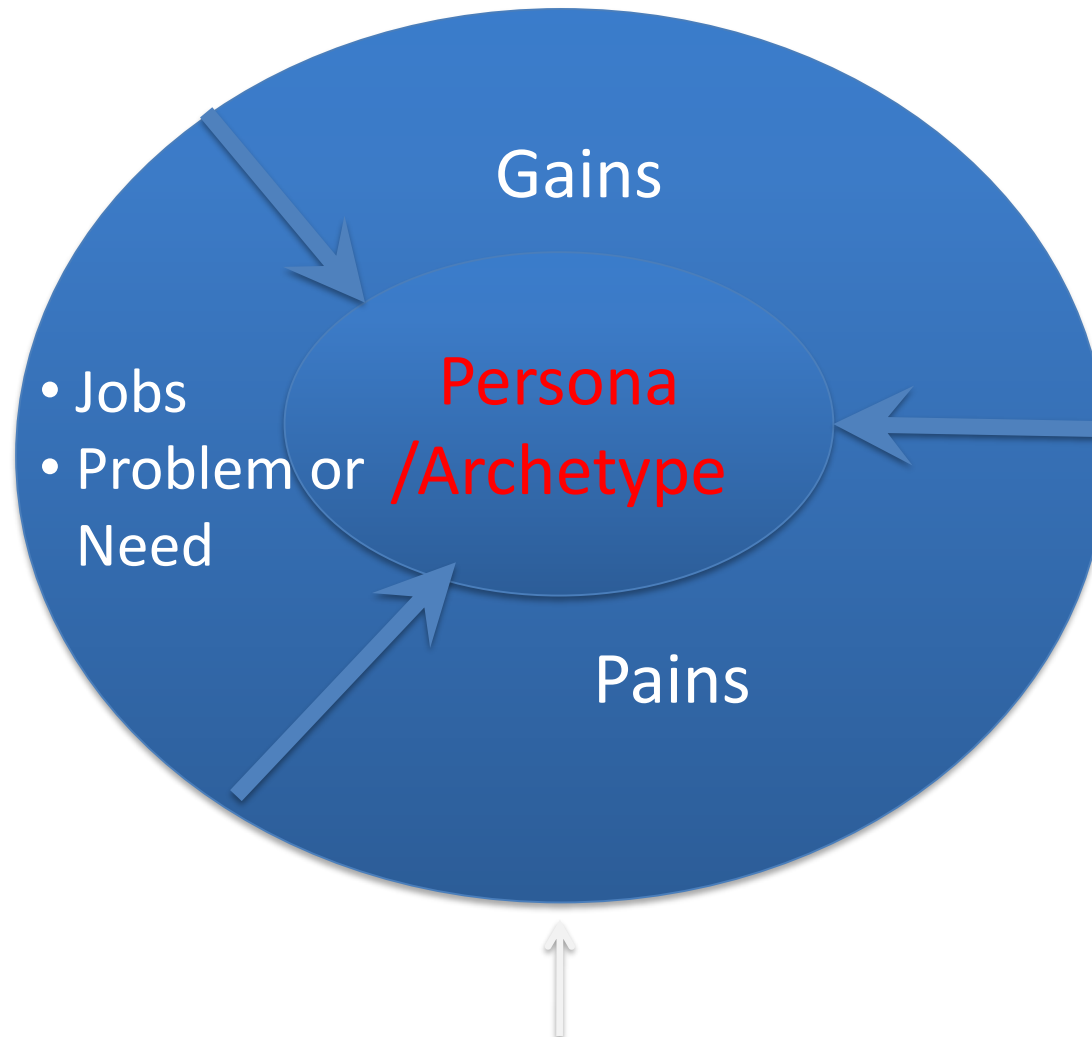
Jobs to Be Done Problems/Needs

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
Customers	Known	Possibly Known	Unknown	Possibly Known
Customer Needs	Performance	Better fit	Transform-ational improvement	Local version
Competitors	Many	Many if wrong, few if right	None	None
Risk	Lack of branding, sales and distribution ecosystem	Market and product re-definition	Evangelism and education cycle	Misjudge local needs
Examples	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 <u>cannot exist</u> without the other**

- **Which one do you start with?**

Having multiple <u>unrelated</u> customer segments (i.e. <u>not a multisided</u> market) means you are working on <u>multiple different</u> business models – you needs to settle on <u>one</u> - 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

ISI Emerging markets Database

Hoovers Industry profiles

Standard and Poor's Industry survey's

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

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 – <u>open ended explorative questions</u> – seek facts not speculation

- Allow the conversation flow to maximise the chances of uncovering key customer insights

- Avoid the <u>pitfall of trying to pitch</u> 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 <u>insights</u> and uncover concrete <u>patterns</u> 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