

Startup 101

Welcome to Session 5



Energizer

Objectives of today

- Elevator Pitch
- Business Models
- Introduction to Lean Canvas
- Assignment 4

Elevator Pitches

- Each of you has 30–45 seconds to pitch your idea
- The rest of you are investors, you will analyse the businesses and pick 3 great ideas that you are willing to invest in.

BUSINESS MODEL

Definition of a Business Model

A business model is a description of how you **CREATE**, **DELIVER**, and **CAPTURE** value.

CREATE:

1. Customer segment (for who)
2. Their problems/needs (what)
3. Your solution (how)

DELIVER:

1. Value Proposition (what)
2. Cost structure (how does it work for you)
3. Channels (reaching your customers)

CAPTURE

1. Revenue streams/model
2. Pricing

3 Business Model Archetypes

Direct Business
Model

Indirect Business
Model

Marketplace Business
Model

Direct Business Models



How does it work:

- Sell products (coffee, cake, food etc.) directly to customers
- You need to generate more demand (customers) AND supply (your offering) consistently

Direct Business Model

Increase demand and be able to supply.

Success factors:

- Grow your customer base consistently (every week!)
- Improve your capacity to deliver quality consistently (enough stock, good quality, expand supply chain, etc.)
- MANY ways to structure revenue streams here: Subscription, licensing, selling goods/services directly, etc.

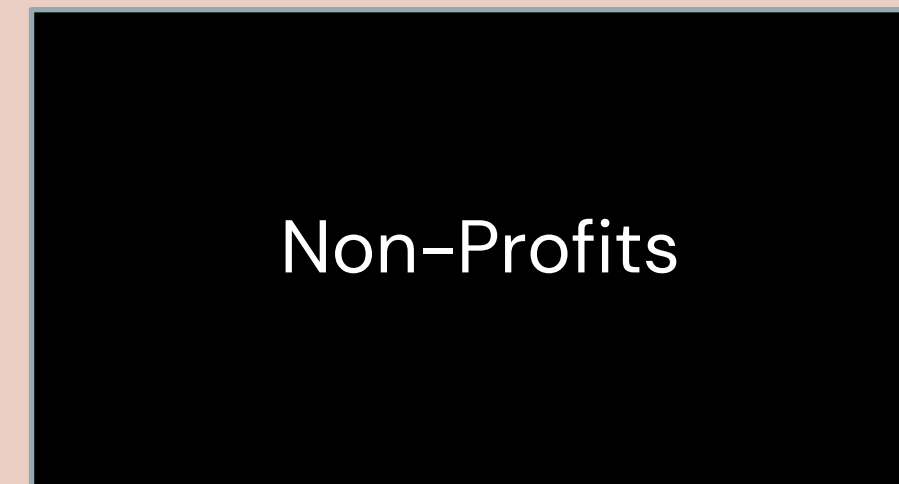
Indirect Business Model



How does it work:

- Users provide time (e.g. are active on platform)
- You find a customer that pays for the time e.g. to put advertisement in front of them
- The more time the user spends => the more ads

Non-profit ideas



How does it work:

- You provide services to beneficiaries (e.g. training to university students)
- The impact you create is so big, that a donor wants to pay for it (you sell impact)

Indirect Business Model

Deliver massive value to users (time on your website, impact, etc.), then monetize.

Success factors:

Commercial: Value for the users must be big AND to a customer

Non-Profit: You must generate **measurable impact** for your users to convince funders

Marketplace Business Model



How it works: enable relevant matches between a demand side and a supply side

- You offer value to demand side (e.g. renting out rooms)
- You offer value to supply side (e.g. making money through renting out rooms)
- Curate valuable matches (Nice pictures, price, location, getting in touch, airport pickups, etc.)
- Take a commission/transaction fee

Marketplace Business Model

Grow both demand and supply side while curating valuable connections.

Success factor:

- Both sides get value on the platform
- You manage to solve the need of the demand side through relevant matches
- Build density: Focus on smaller geographic areas or specific niches to offer high value for the demand side from the start (e.g. start with one part of a city or one city only for airbnb)

Business models

Everyone shares: Which business model type do you have and what is important for you to succeed?

Intro: Lean Canvas

- Meet the Lean Canvas – a 1–page business plan for your business
- We are going to use this tool through the entire program
- Don't worry we will work on it step–by–step and by the end of the day, you will have your complete business mapped out

Lean Canvas

Problem	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments
Existing Alternatives	Key Metrics	High Level Concept	Channels	Early Adopters
Cost Structure		Revenue Streams		

Alice Coffee

To make it easier, we will use the same example throughout the entire Lean Canvas.

Alice wants to start a **coffee e-commerce business**.



In any business, we always start with focusing on **who we want to sell to & which problem / need we want to solve for them.**

Why?

Most phenomenal start-up teams create businesses that ultimately fail.

Why? They built something that nobody wanted.-

Eric Ries

Let's focus on

Target Market

Problem / Need they
have

**Our target group is called
customer segments**

What is a customer segment?

A group of people:

1. With similar needs / problems
2. With similar expectation how the product / service should be like
3. There is word of mouth among them (they talk to each-other)

You can further segment based on customer demographics eg. Age, location, income etc. and their spending habits

User vs. Customer

- In some cases, your user and your customer are different
- E.g. Children use video games and learning videos but parents pay for them
- In this case, you have to offer value to both, the user and the customer and consider both in your business model

Marketplace BM – Customers

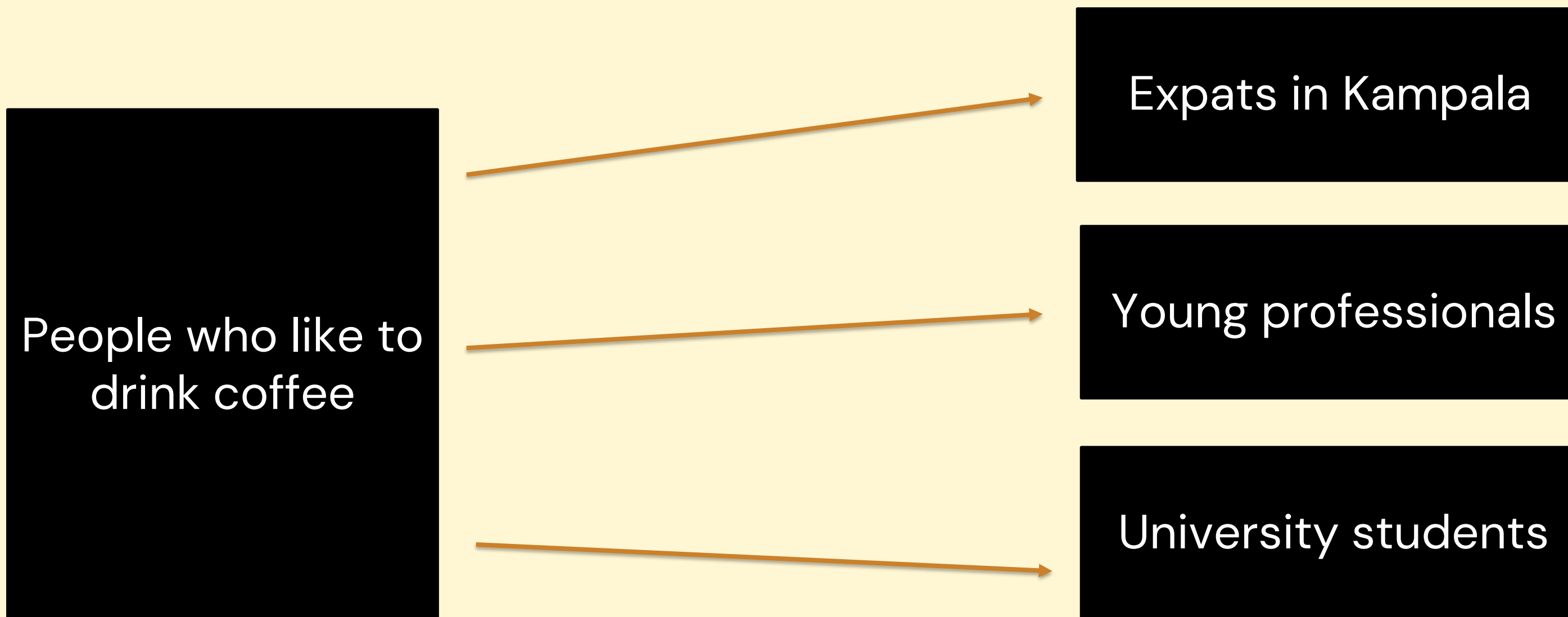
In case you have a marketplace business model, you have 2 customer sides; and you have to understand both sides, their needs, the value proposition etc. You need to fill **two Lean Canvases**.

Supply: Restaurants
need to get value
and love your
solution!



Demand: Customers
need to get value and
love your solution!

Alice's Customer Segments



Break the market, into smaller segments.

Your turn

Identify different **customer segments (= paying)** for your idea.

The following guiding questions can help you

- Which individuals would care for your product?
- Which companies could you sell to?
- Why would they care if your product is better or cheaper?

1. Brainstorm as many different segments as possible
2. Pick **3 segments** and profile them in the template.

Customer Segments

	Segment 1:	Segment 2:	Segment 3:
What problem do they have?			
Why would they want your product?			
What characterizes them?			
Name of one real person / company in your network that fits the description			

Fill your Lean Canvas

- Write the 3 customer segments in your customer segment box on your Lean Canvas

Lean Canvas

Problem	Solution	Unique Value Proposition	Unfair Advantage	<div>Customer Segments<ul style="list-style-type: none">• Expats• Young professionals in good jobs• University students</div>
Existing Alternatives	Key Metrics		Channels	Early Adopters
Cost Structure			Revenue Streams	

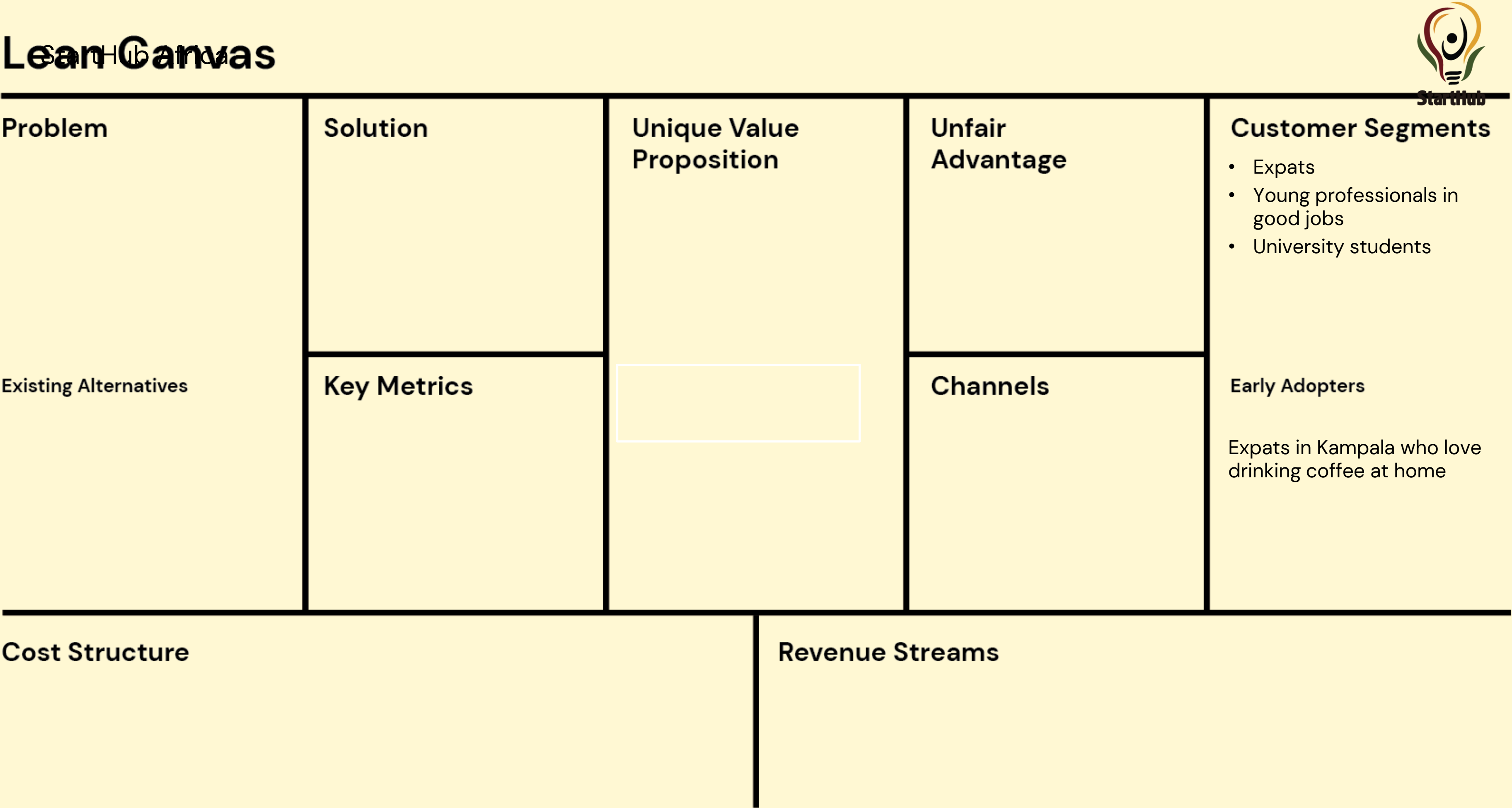
2. Early Adopters

= the people who need your product / service most urgently and are ready to pay even when everything is not yet perfect

- ✓ They have the problem
- ✓ They can pay
- ✓ You can reach them
- ✓ They are unhappy with other solutions
- ✓ You are excited serving them

Pick 1 segment from your customer segments and write it in the early adopter box in your Lean Canvas. During the bootcamp we will only focus on them.

Lean Canvas



Starthub

3. Problem

- Write the top 1 – 3 problems you think your **early adopter segment** on your Lean Canvas.
- Write them in the order of magnitude.

Lean Canvas

<div>Problem</div> <div>1. Many local coffee blends have a sour taste</div> <div>2. Other good brands are not always available in the supermarket</div> <div>3. Tools to prepare coffee are lacking</div>	<div>Solution</div>	<div>Unique Value Proposition</div>	<div>Unfair Advantage</div>	<div>Customer Segments</div> <div><div>• Expats</div><div>• Young professionals in good jobs</div><div>• University students</div></div>
<div>Existing Alternatives</div>	<div>Key Metrics</div>	<div></div>	<div>Channels</div>	<div>Early Adopters</div> <div>Expats in Kampala who love drinking coffee at home</div>
<div>Cost Structure</div>			<div>Revenue Streams</div>	

How to talk to customers / users

- You will go out and talk to your customers
- So far, everything we have written down about them and their problems are **only assumptions**.
- Through talking to them, we will **either confirm** that we are on the right track **or make changes**, so we don't end up building something nobody wants.
- Let's learn how to do it well!

How to talk to users

Watch y-combinator video: <https://youtu.be/MT4lg2uqjTc>

Eric is the founder of **Pebble**, who made smartwatches and sold their IP later



Let's hear from you

- What did you pick from the video
- Why is it even important speaking to users?

Five questions

1. What is the hardest in doing xy?
2. When was the last time you encountered the problem?
3. Why was it hard?
4. What have you done to solve the problem?
5. What don't you like about the solutions you have tried?

Don'ts

1. Don't talk about your idea, learn about their life
2. Talk specifics, not hypotheticals (***"Would you use xyz...?"*** is not a good question)
3. Listen more than you talk (80 / 20 Rule)

Intro & Outro

Intro:

- Keep it casual
- Introduce yourself and why you want to have this conversation (You are working on a new idea, and you are doing research)
- Ask them some easy questions first to break the ice and know a bit of background about them

Outro:

- Thank you
- Ask them to take their contact to reach out in case you develop a product / service

Assignment 4

Go talk to your customers either from the elevator pitch or from a new problem-customer that you are super passionate about.

1. Decide on how you will reach your customer segment
2. Phone calls are okay if physical interviews are not possible (if they are outside Dar es Salaam)
3. At the back of your template collect some demographics (gender, age-range, income level, education, location, ethnicity, etc)
4. Use the 5 questions from the video + your own to understand the problem in depth.
5. Get their contact to reach out in case you develop a product / service
6. Use template to document your interviews.
7. Fill the lean canvas on the Customer Segments + Early Adopters and Problem + Existing Alternatives

[illegible]