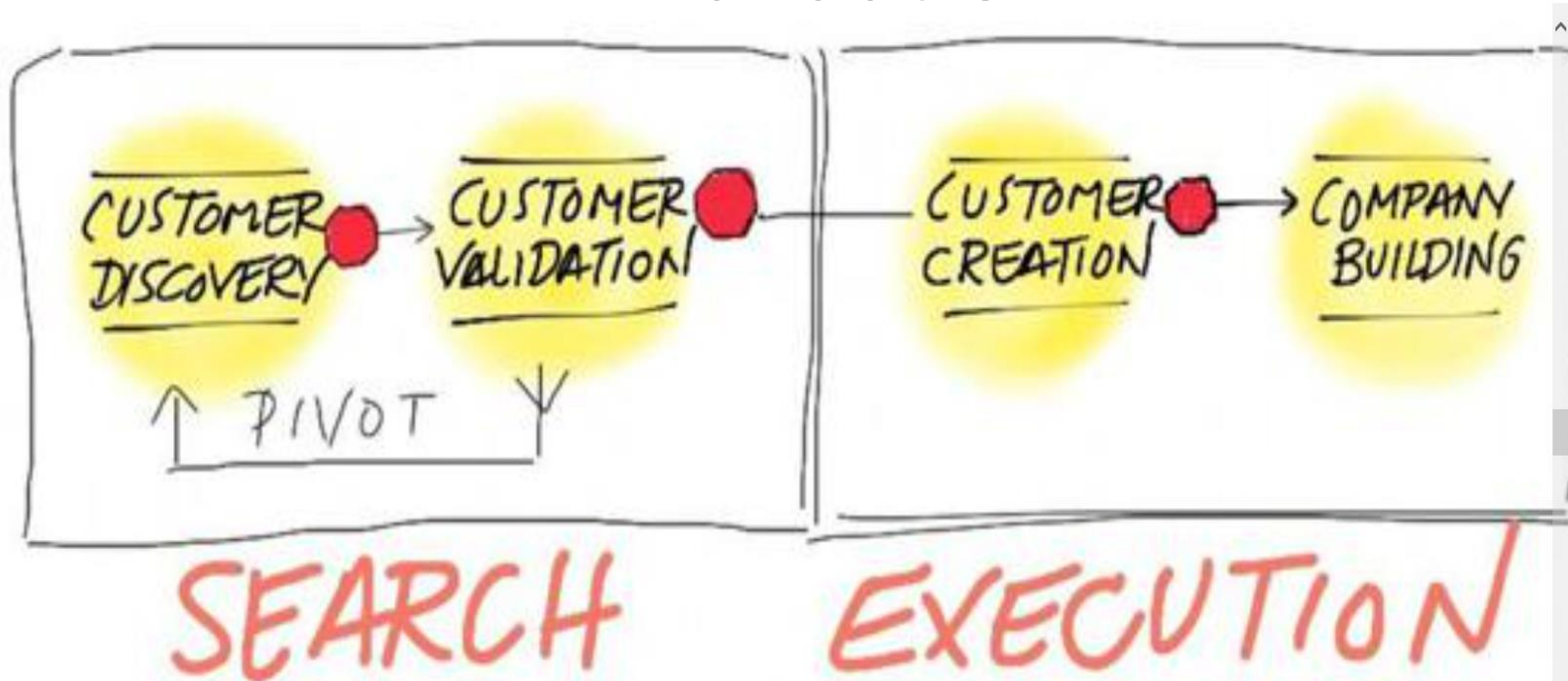


Customer Development

- Discovery
- Validation



Customer Development Process (Figure 2.1)

“The Search for a Business Model:” Steps, Iteration and Pivots

PROBLEM

List your top 1-3 problems.

SOLUTION

Outline a possible solution for each problem.

UNIQUE VALUE PROPOSITION

Single, clear, compelling message that states why you are different and worth paying attention.

UNFAIR ADVANTAGE

Something that cannot easily be bought or copied.

CUSTOMER SEGMENTS

List your target customers and users.

KEY METRICS

List the key numbers that tell you how your business is doing.

CHANNELS

List your path to customers (inbound or outbound).

EXISTING ALTERNATIVES

List how these problems are solved today.

HIGH-LEVEL CONCEPT

List your X for Y analogy e.g. YouTube = Flickr for videos.

EARLY ADOPTERS

List the characteristics of your ideal customers.

COST STRUCTURE

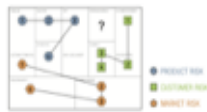
List your fixed and variable costs.

REVENUE STREAMS

List your sources of revenue.



CANVAS FILL ORDER



RISK ITERATION PATH

Lean Canvas

Created by Spark59 // Online version available at www.leancanvas.com



PROBLEM

- ❖ Here you describe the top one-three problems that your customers maybe facing.
- ❖ The best approach to use is the customer jobs to be done approach by Clayton Christensen.

When people need to get a job done, they hire a product or service to do it for them (Clayton Christensen, 2010).

- ❖ List existing alternatives:
 - For Slack, that would be email
 - When is an existing solution sufficiently painful to allow a switch?

“It’s better to
build something a
small number of
users love than
something a lot
of users like”
–Paul Buchheit YC





CUSTOMER SEGMENTS

- ❖ Here we define the different groups of people that a company aims to reach and serve.
 - Mass Market
 - Niche Market
 - Segmented Market
 - Diversified Market
 - Multisided Market
- ❖ Distinguish between customers and users.
 - In search, the customer is advertisers and users are the people doing searches.
- ❖ Identify your early adopters –
 - They will help your company to cross the chasm.



UNIQUE VALUE PROPOSITION

- ❖ The value propositions section how your product creates value for your customer segments.
- ❖ Why are you different worth buying from or getting attention.
 - Performance, Price, Design, Brand/Status, Convenience/Usability, Risk Reduction
- ❖ Be different, but make sure your difference matters to customers.



SOLUTION

- ❖ In this section, you provide a brief description of the solution you will provide to customers.
- ❖ List the possible products/features/solutions you may provide customers.
- ❖ Don't get carried away too much in the early stages, as this piece mostly makes sense after the problem hypothesis has been validated.



CHANNELS

❖ The channels section describes how a company reaches its target segments to deliver the value proposition.

- Free vs. Paid
- Inbound vs. Automated
- Direct vs. Automated

Channel Types			Channel Phases				
Own	Direct	Sales force	1. Awareness How do we raise awareness about our company's products and services?	2. Evaluation How do we help customers evaluate our organization's Value Proposition?	3. Purchase How do we allow customers to purchase specific products and services?	4. Delivery How do we deliver a Value Proposition to customers?	5. After sales How do we provide post-purchase customer support?
		Web sales					
Partner	Indirect	Own stores					
		Partner stores					
		Wholesaler					

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REVENUE STREAMS

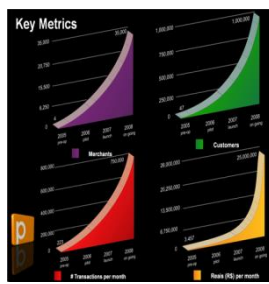
- ❖ The revenue section describes how the company generates money from its customer segments.
 - Asset Sale, Usage Fee, Subscription Fees, Lending/Renting/Leasing, Licensing, Brokerage Fees, Advertising
- ❖ Charge from day-one:
 - Remember price is part of the product
 - Price defines your customers
 - Getting paid is the ultimate form of validation



COST STRUCTURE

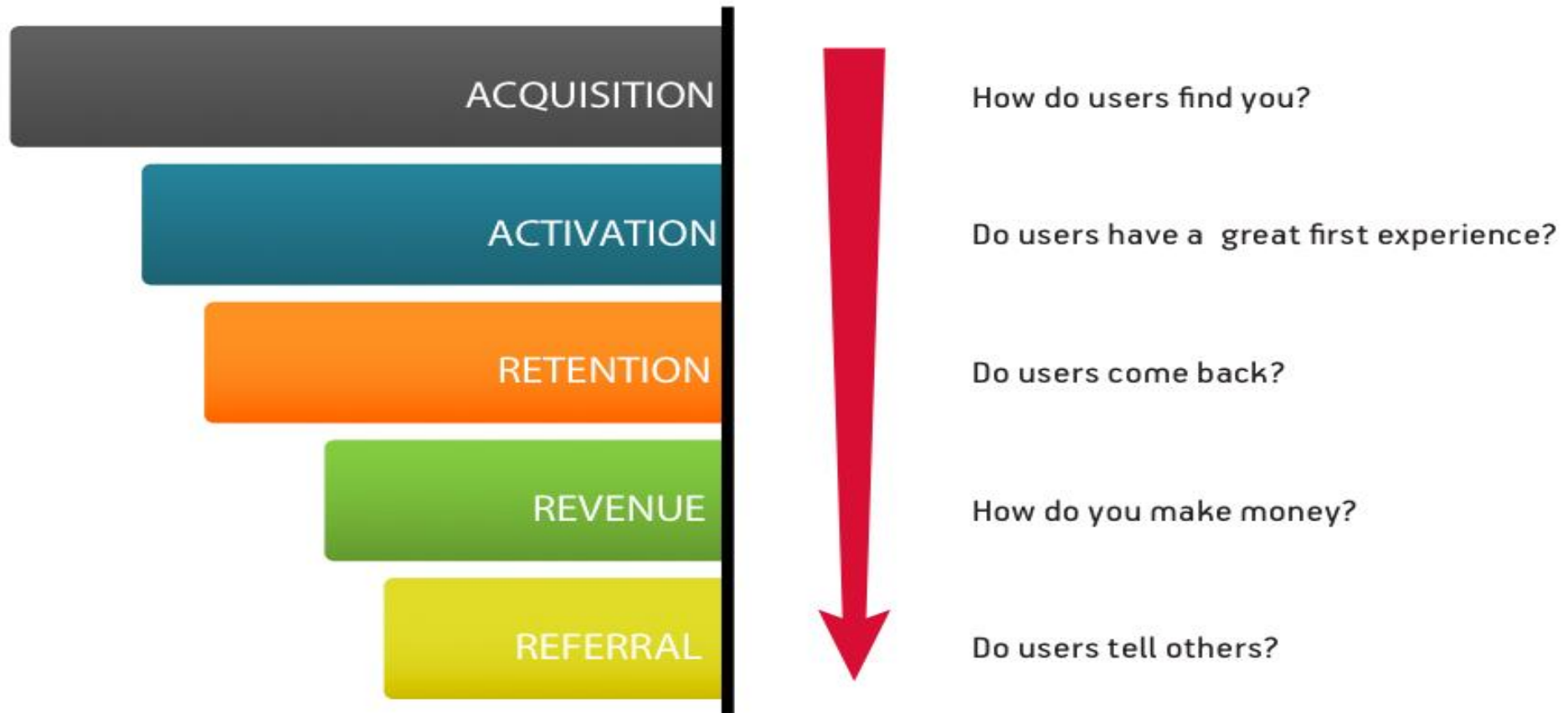
❖ The cost structure describes all the costs that are incurred to operate a business model.

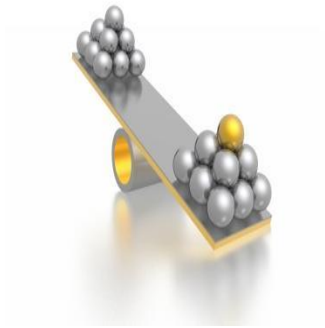
- Cost Driven
- Value Driven
- Fixed and Variable Costs
- Economies of Scale and Scope



KEY METRICS

- ❖ Find one key metric that is critical for success.





UNFAIR ADVANTAGE

- ❖ This is the most difficult part of the canvas to complete.
 - Most things that people call unfair advantage are just not an unfair advantage (e.g. first-mover).

“A real unfair advantage is something that cannot be easily copied or bought”

Jason Cohen, *A Smart Bear*

- Insider information
- A dream team
- Large network effects
- Community
- Expertise and reputation

First: A Validated Business Model

A business model describes the flow between key components of the company:

- value proposition, which the company offers (product/service, benefits)
- customer segments, such as users, and payers, or moms or teens
- distribution channels to reach customers and offer them the value proposition
- customer relationships to create demand
- revenue streams generated by the value proposition(s)
- resources needed to make the business model possible
- activities necessary to implement the business model
- partners who participate in the business and their motivations for doing so



More than 15 million
on

GLOBAL

.net domain names
are hosted in more
than 200 countries

Net Innovation Challenge 2014

Date 09 04 2014
D D M M Y Y Y Y

Pay

Chaat

Rupees

Seventy Five
Thousand

₹ 75,000

Sample BMC: Locate (CHAAT)

KP Key Partners <ul style="list-style-type: none">• End Users	KA Key Activities <ul style="list-style-type: none">• Customer Development• Software and Database Development	VP Value Propositions <ul style="list-style-type: none">• Empower the search services with crowd wisdom.• Central Platform for one to locate places based on custom searches using the experience of the crowd.• Efficiency increases in terms of time and money spent and quality of decision.	CR Customer Relationships <ul style="list-style-type: none">• Customer is the source and target of information• Social Media Marketing• Word of Mouth• Learning customer preferences to give better search results	CS Customer Segments <ul style="list-style-type: none">• People aged between 15-45 years of age residing in Urban areas of Tier I & II cities• Smartphone user base in India (~ 63m)• Population with access to Internet services (~ 24 m)• Most important customers would be youth and working population.
	KR Key Resources <ul style="list-style-type: none">• Software Platform• Cloud Storage		CH Channels <ul style="list-style-type: none">• App stores: Service will be provided on Apple/Android platforms.• A Website will cater to internet users.• Facebook/ Pinterest can be used to share relevant information within the social circle of the user.	
C\$ Cost Structure <ul style="list-style-type: none">• Server• Domain name• One time fixed setup costs			R\$ Revenue Streams <ul style="list-style-type: none">• Advertising Revenue- Targeted Advertising	

Identify your key assumptions – Your “Best Guesses”










The Business Model Canvas

Designed for:

Designed by:

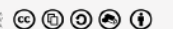
On: Day Month Year

Iteration: No.

<p>Key Partners</p>  <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? KEY RESOURCES FOR PARTNERSHIPS Logistics and shipping Distribution of channels and networks Availability of specialized resources and technology</p> <p>Guess</p>	<p>Key Activities</p>  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams? KEY ACTIVITIES Production Problem Solving Platform Development</p> <p>Guess</p>	<p>Value Propositions</p>  <p>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? VALUE PROPOSITIONS Features Performance Customization Convenience Design Brand Image Price Other Attributes Risk Reduction Compatibility Environmental Sustainability</p> <p>Guess</p>	<p>Customer Relationships</p>  <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? Guess</p>	<p>Customer Segments</p>  <p>For whom are we creating value? Who are our most important customers? KEY SEGMENTS Mass Market Niche Market Segmented Diversified Multi-Sector Platform</p> <p>Guess</p>
<p>Key Resources</p>  <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams? KEY KEY RESOURCES Channel Human Physical Financial Intellectual Social</p> <p>Guess</p>		<p>Guess</p>	<p>Channels</p>  <p>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Guess</p>	
<p>Cost Structure</p>  <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive? KEY COST STRUCTURE Fixed Costs Variable Costs Cost of Goods Sold Selling, General & Administrative Research & Development Marketing Infrastructure Other</p> <p>Guess</p>			<p>Revenue Streams</p>  <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? REVENUE STREAMS Fixed Variable Subscription Licensing Advertising Other REVENUE STREAMS Product Sales Product Service Revenue Customer Support Revenue License Revenue Other REVENUE STREAMS Subscription Revenue Usage-Based Revenue Other</p> <p>Guess</p>	

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<http://www.businessmodelgeneration.com/> accessed September 21, 2010.

✦ Canvas Rules

- You don't write on the canvas (use post-its).
- Everyone writes (no team boss).
- One idea per post-it note (no lists!).
- Be concise and think in the present.
- Quantity over quality (no self-censoring).
- For double sided market use different colour post-its.