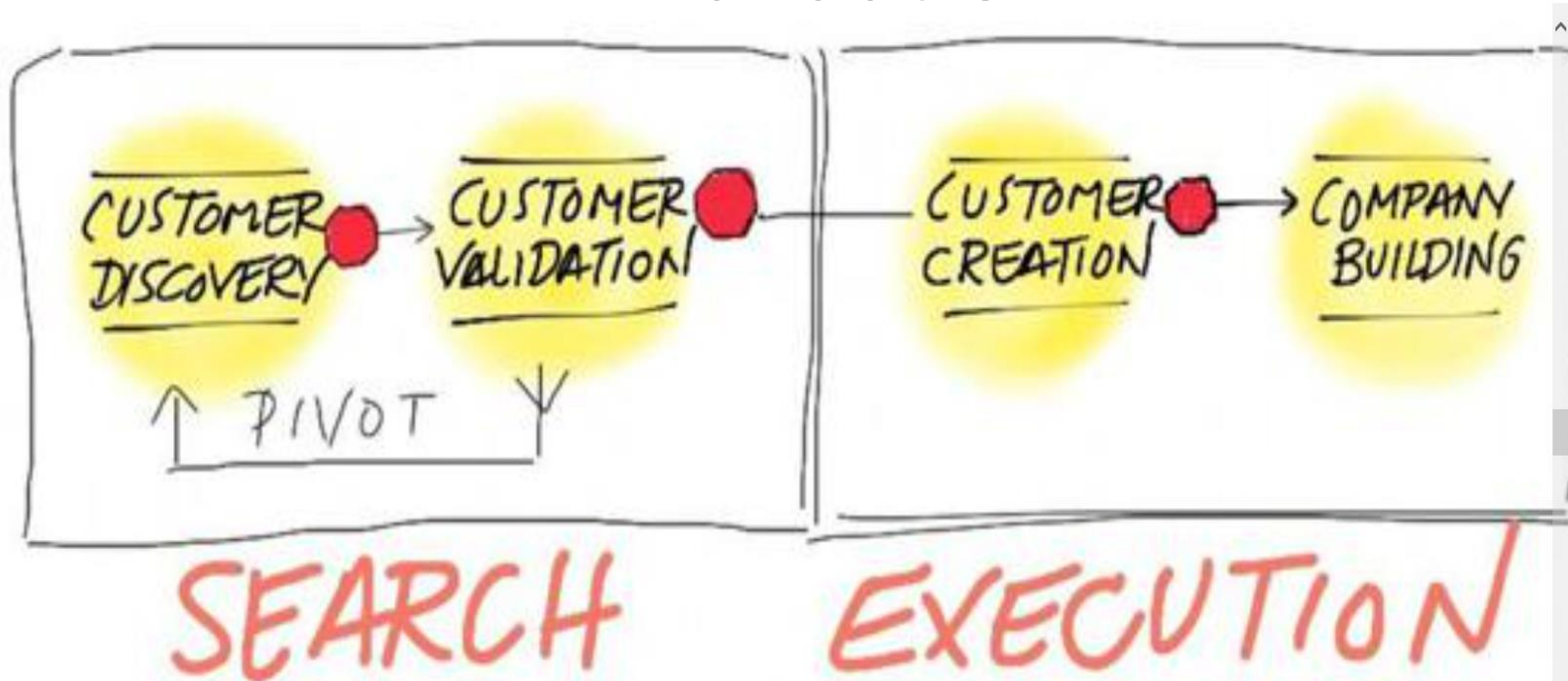


Customer Development

- Discovery
- Validation



Customer Development Process (Figure 2.1)

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

Business

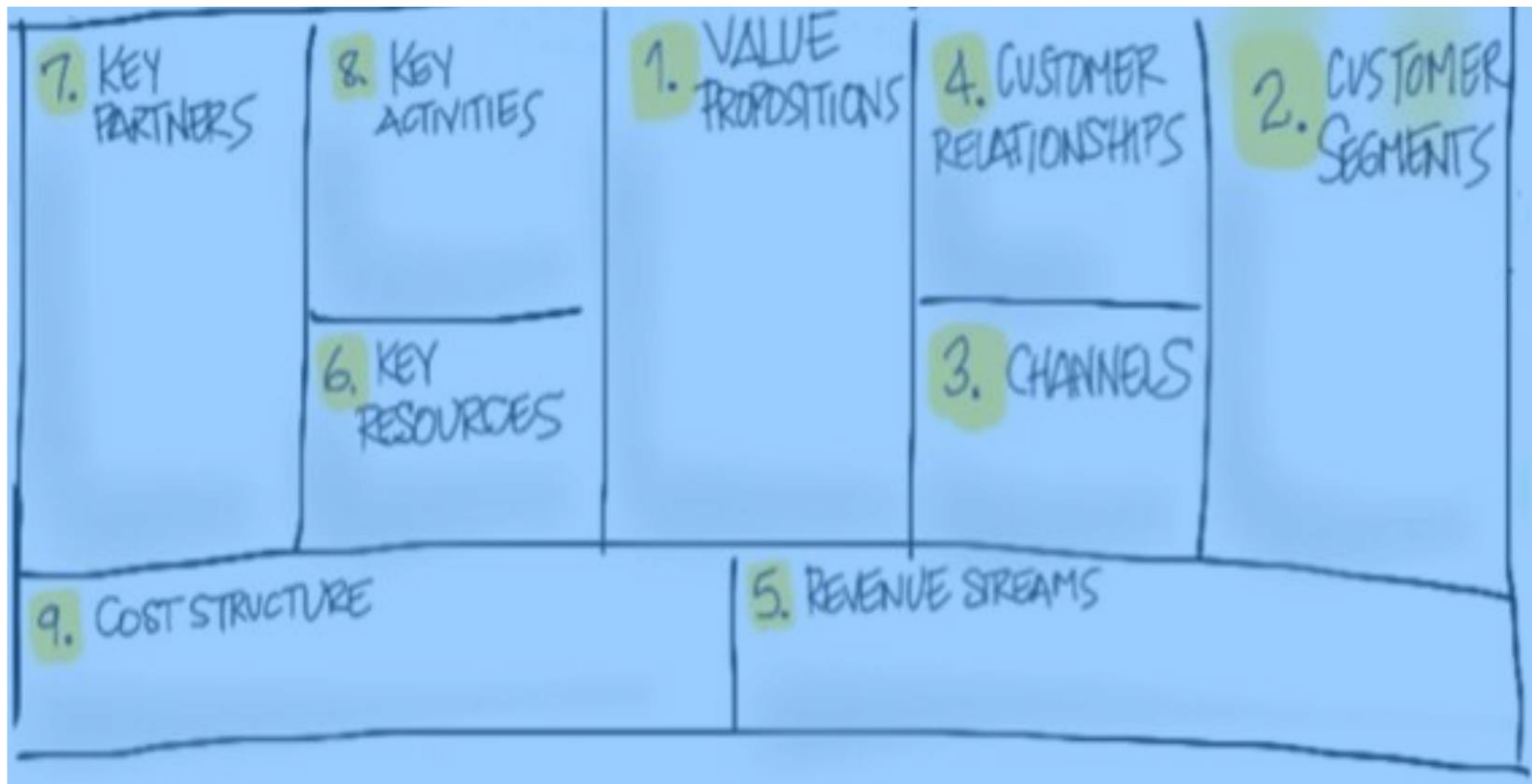
- An Organization that creates, delivers, and captures value
- Four main areas of a business are: customers, offer, infrastructure and financial viability
- Business model show the logic of how a company intends to make money
 - a blueprint for a strategy to be implemented through organizational structures, processes, and systems

Types of Business Models

- Unbundling Business Models for the 3 core types of businesses
 - Customer Relationship Businesses
 - Product Innovation Businesses
 - Infrastructure Businesses
- The Long Tail
- Multi-Sided Platforms
- FREE as a Business Model
- Open Business Model

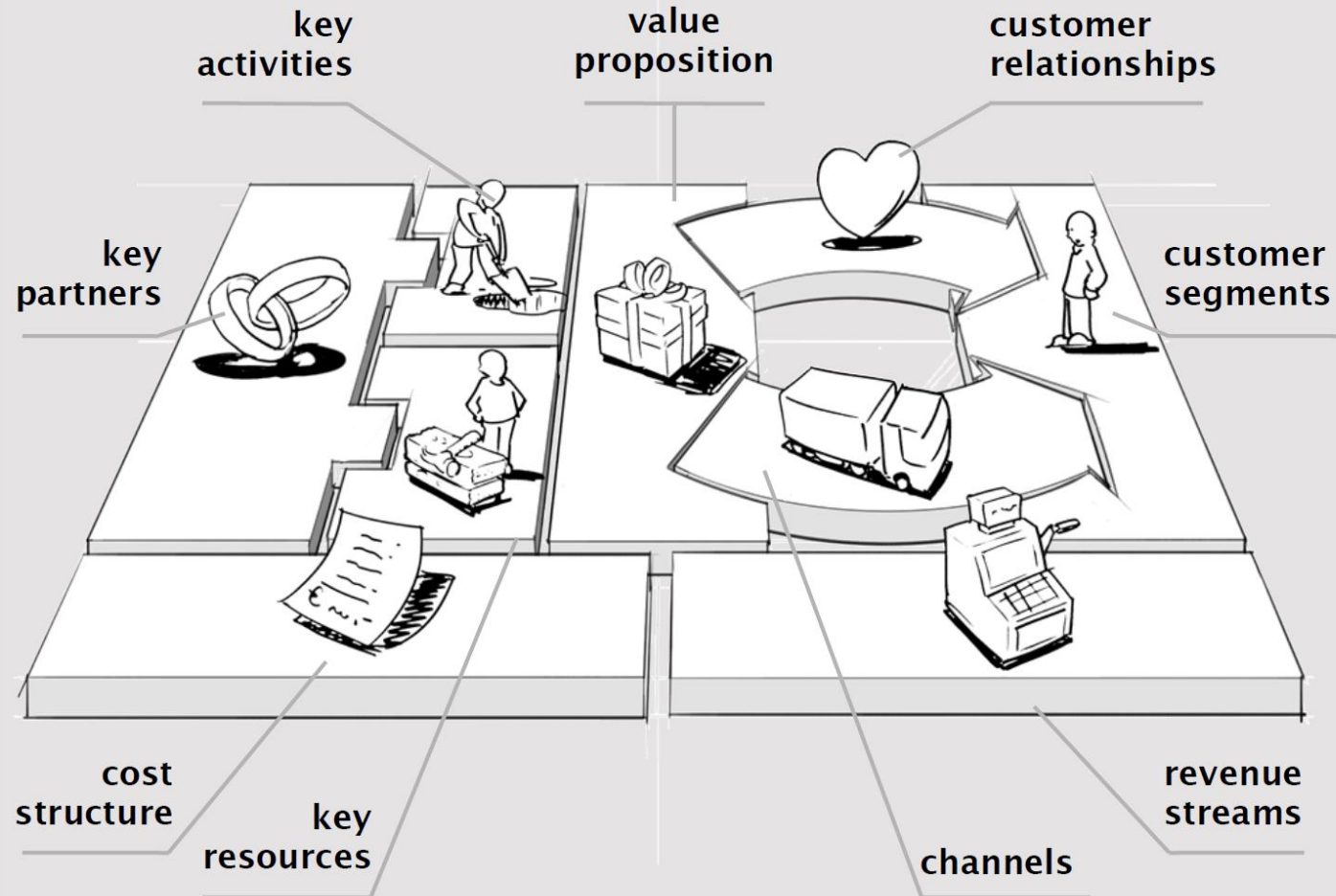
Business Model Canvas

poster at: www.businessmodelgeneration.com



Business Model Canvas (Figure 3.1)

The Business Model Canvas



Key Difference: Search vs Execution

	Search		Execution
Strategy	Business Model Hypotheses	→	Operating Plan + Financial Forecasts
Process	Customer Development, Agile Development	→	Product Management Agile or Waterfall Development
Organization	Customer Development Team, Founder-driven	→	Functional Organization by Department
<hr/>			
Education	Business Model Design, Customer Development, Startup team building, Entrepreneurial Finance, Agile Development, Marketing	→	Organizational Behavior, HR Mgmt, Accounting, Modeling, Strategy, Operations, Leadership, Marketing, Manufacturing
<i>Instructional Strategies</i>	Experiential, constructivist, learner-centered, inquiry-based	→	Case, Lecture, Small Group, Mentorship

VP: Value Propositions

- VP describes the bundle of products and services that create value for a specific Customer Segment
 - It seeks to solve customer problems and satisfy customer needs with value propositions
- Values are quantitative (price, speed of service...) or qualitative (design, customer experience)
- Some element of VP
 - Newness, Performance, Customization, Getting the job done
 - Syntel logo: Consider IT done
 - Design, Brand/Status, Price, Cost Reduction, Risk Reduction, Accessibility, Convenience/Usability

CS: Customers Segments

- CS defines the different groups of people or organizations an enterprise aims to reach and serve
 - An organization serves one or several Customer Segments
- Many Types
 - Mass Market
 - Niche Market
 - Segmented
 - Diversified
 - Multi-sided Markets

CH: Channels

- CH describes how a company communicates with and reaches its Customer segments to deliver a Value Proposition
 - Value propositions are delivered to customers through communication, distribution and sales Channels
- Channel types
 - Own or Partner
 - Direct or Indirect
- Examples are: Sales force, Web sales, Own stores, Partner stores, Wholesaler, Distributor...
- The 5 Channel Phases
 - Awareness, Evaluation, Purchase, Delivery, After sales

CR: Customer Relationships

- CR describes the types of relationships a company establishes with specific Customer Segments
 - Customer relationships are established and maintained with each Customer Segment
- Motivations for CR:
 - Customer Acquisition
 - Customer Retention
 - Boosting sales by Upselling
- Types of CR:
 - Personal assistance
 - Dedicated Personal assistance
 - Self service
 - Automated services
 - Communities
 - Co-creation

RS: Revenue Streams

- RS represents the cash a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings)
 - Revenue streams result from value propositions successfully offered to customers
- Two types:
 - Transaction Revenues – one-time customer payment
 - Recurring Revenues – on-going payments
- Ways to generate RS:
 - Asset sale, Usage fee, Subscription fees, Lending/Renting/Leasing
 - Licensing, Brokerage fees
 - Advertising
- Pricing Mechanisms
- Fixed Menu: List price, Product Feature or CS or Volume dependent
- Dynamic Pricing: Negotiations (bargaining), Yield management, Real-time-market, Auctions

KR: Key Resources

- KR describes the most important assets required to make the business model work
- KR can be owned or leased by the company or acquired from key partners
- KR categories:
 - Physical
 - Financial
 - Intellectual
 - Human

KA: Key Activities

- KA describes the most important things a company must do to make its business model work
- KA categories:
 - Production: for mfg companies
 - Problem solving: for service companies
 - Platform/Network: for networks, matchmaking platforms, software and brands

KP: Key Partnerships

- KP describes the network of suppliers and partners that make the business model work
 - Some activities are outsourced and some resources are acquired the enterprise.
- Three motivations
 - Optimization and Economy of scale
 - Reduction of risk and uncertainty
 - Acquisition of particular resources and activities

CS: Cost Structure

- CS describes all costs incurred to operate a business model
- Two types of business models
 - Cost-driven
 - Value-driven
- CS characteristics
 - Fixed costs
 - Variable costs
 - Economies of scale
 - Economies of scope

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
- cost structure resulting from the business model

The business model canvas (see [Figure 3.1](#)) presents a visual overview



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 PARTNERSHIP 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 Newness Performance Customization Convenience Design Brand Image Price Other Attributes Risk Reduction Compatibility</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 Individual Network of Segments</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 Semi-variable Costs Cost of Sales Distribution Costs Marketing Costs Research and Development General and Administrative Overhead Costs</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 Revenue Variable Revenue Semi-variable Revenue Subscription Revenue Licensing Revenue Advertising Revenue Other Revenue REVENUE STREAMS Fixed Revenue Variable Revenue Semi-variable Revenue Subscription Revenue Licensing Revenue Advertising Revenue Other Revenue</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.

Business Plan vs Business Model Canvas

The GOAL: The Business Plan

(<http://www.slideshare.net/goldfinger80/investor-presentation-template-1227413>)



12 slides is all you need

1. **Cover Page/Introduction**
2. **Overview**
3. **Problem**
4. **Market**
5. **Team**
6. **Technology/Solution**
7. **Customers/Revenue Model**
8. **Go to Market**
9. **Competition**
10. **Financials**
11. **Milestones**
12. **Summary**