Recap of Course thus far

- **What we have covered thus far**

  - **Introduction to the Course**

  - **The Innovation Trail**

  - **Metatrends of the Future – Peter Diamandis Deck**

  - **Entrepreneurs & Opportunity Identification – 5 Filter Framework**

  - **What it takes to be an Entrepreneur – Michael Dell Case, Young Guest Entrepreneurs, Bharat Desai**

  - **Business Model Canvas – Cheeky Chunk Case with Pratik Doshi**

  - **Project Team Formation , Idea Pitching & First BMC Draft**

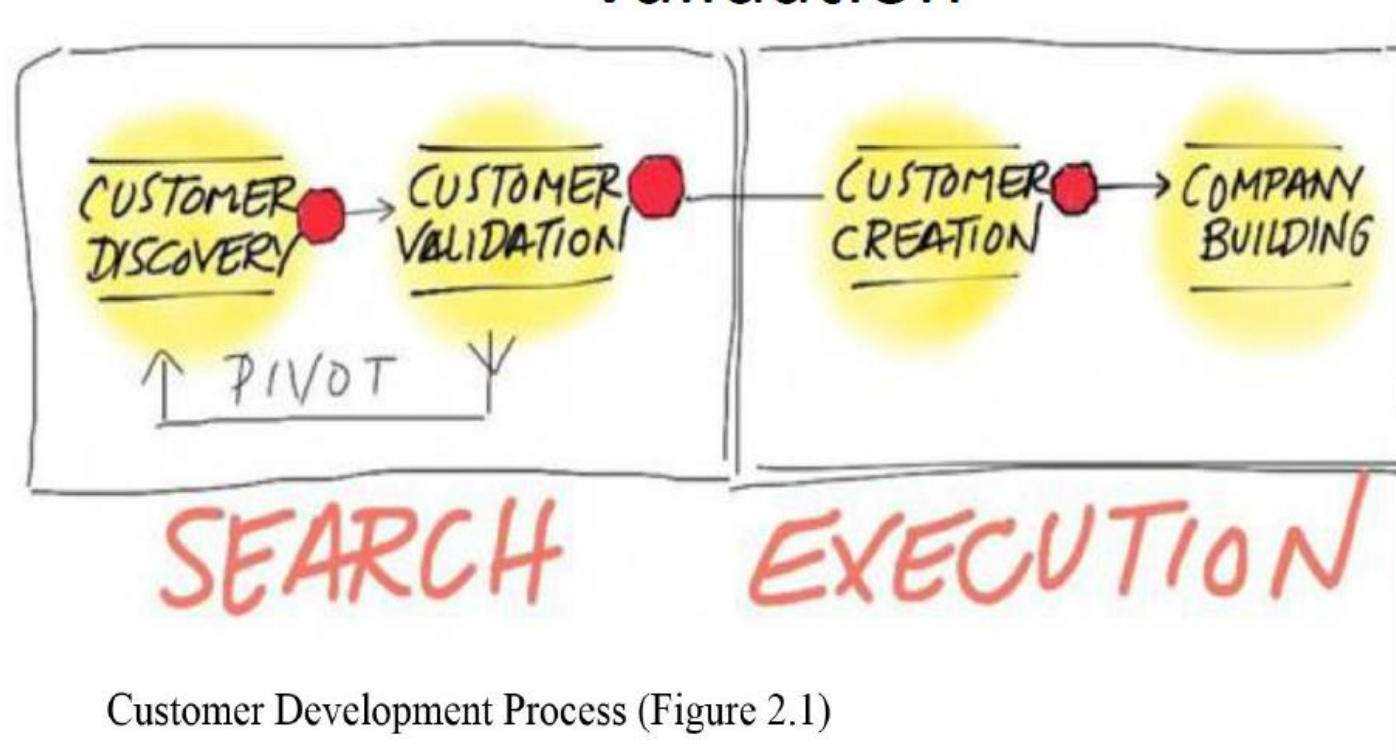   **POLL #1**

Session 9, Total Sessions in the Course : 26

Customer Development
- Discovery
- Validation

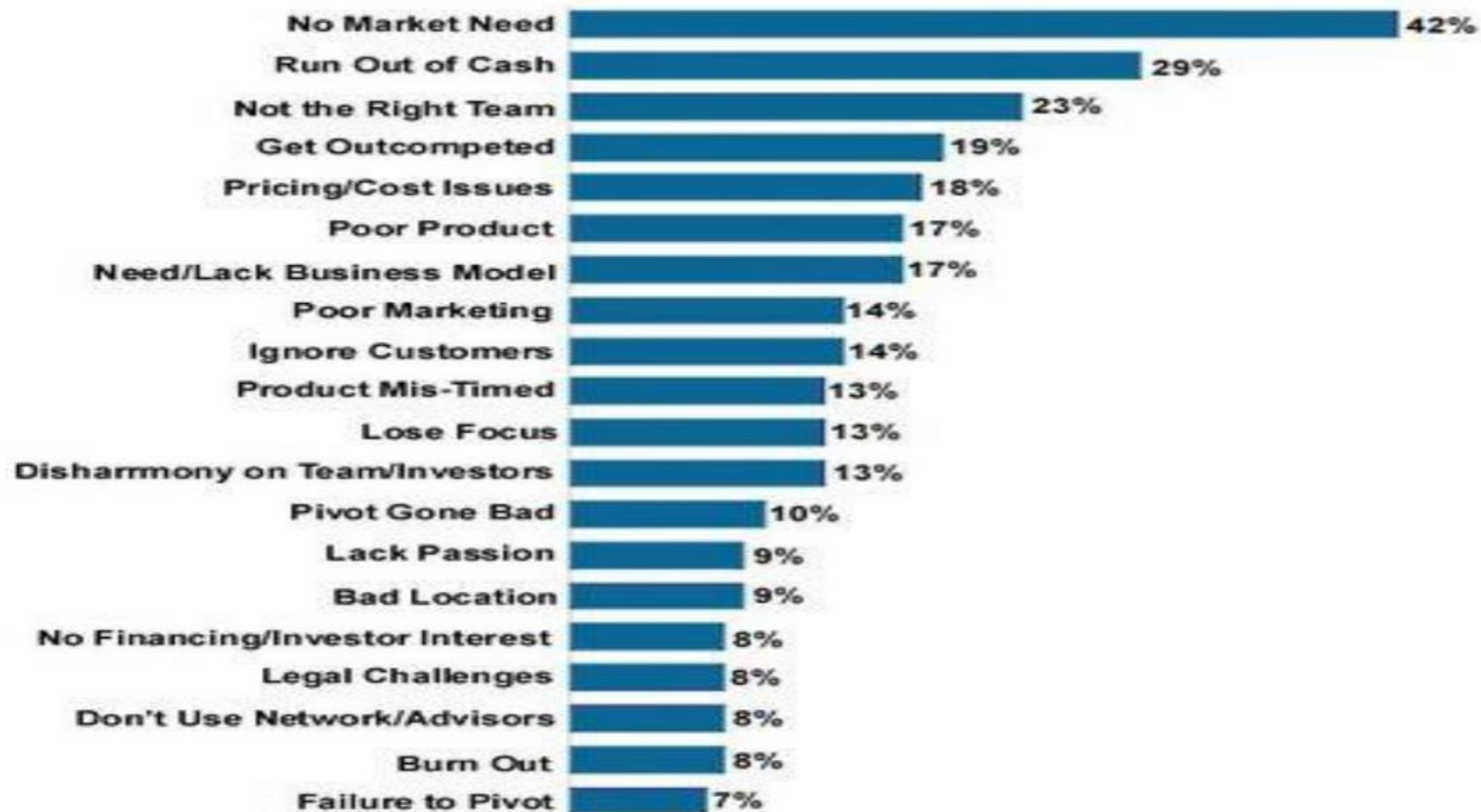Customer Development Process (Figure 2.1)

Top 20 Reasons Startups Fail

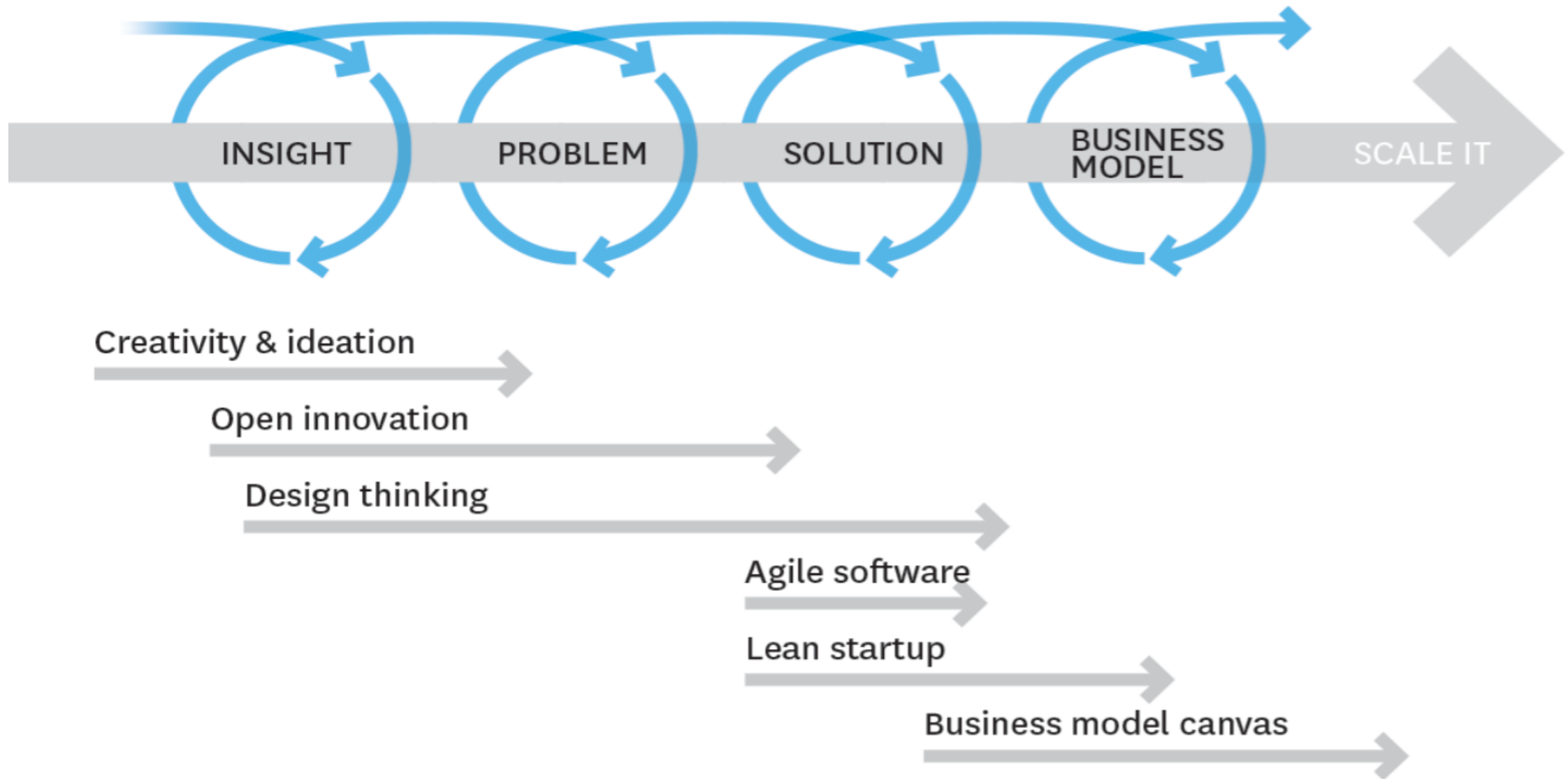### Based on an Analysis of 101 Startup Post-Mortems

Reason	Percentage
No Market Need	42%
Run Out of Cash	29%
Not the Right Team	23%
Get Outcompeted	19%
Pricing/Cost Issues	18%
Poor Product	17%
Need/Lack Business Model	17%
Poor Marketing	14%
Ignore Customers	14%
Product Mis-Timed	13%
Lose Focus	13%
Disharmony on Team/Investors	13%
Pivot Gone Bad	10%
Lack Passion	9%
Bad Location	9%
No Financing/Investor Interest	8%
Legal Challenges	8%
Don't Use Network/Advisors	8%
Burn Out	8%
Failure to Pivot	7%

*Many startups offered multiple reasons for their failure, hence why the percentages for each reason total more than 100 percent.
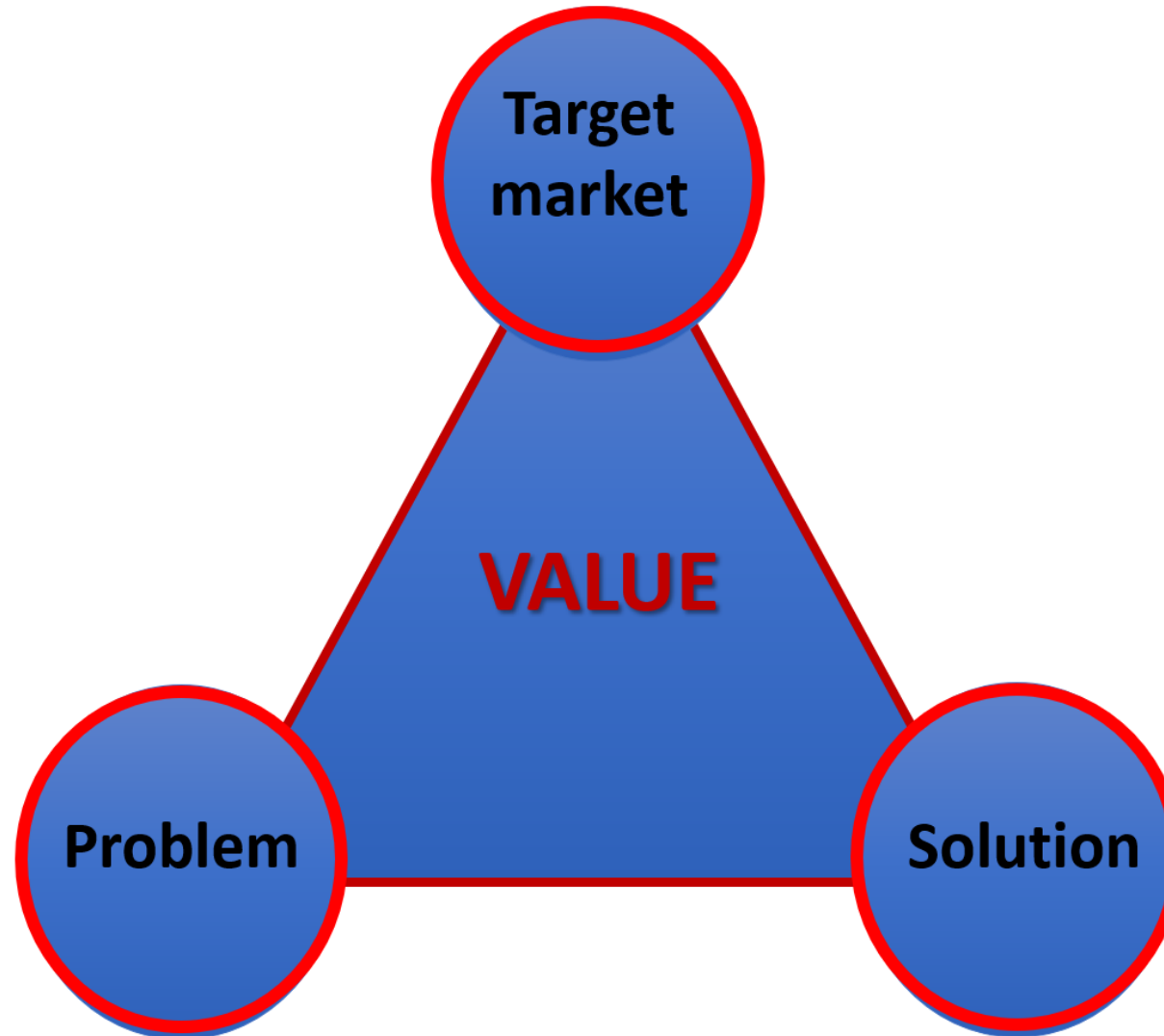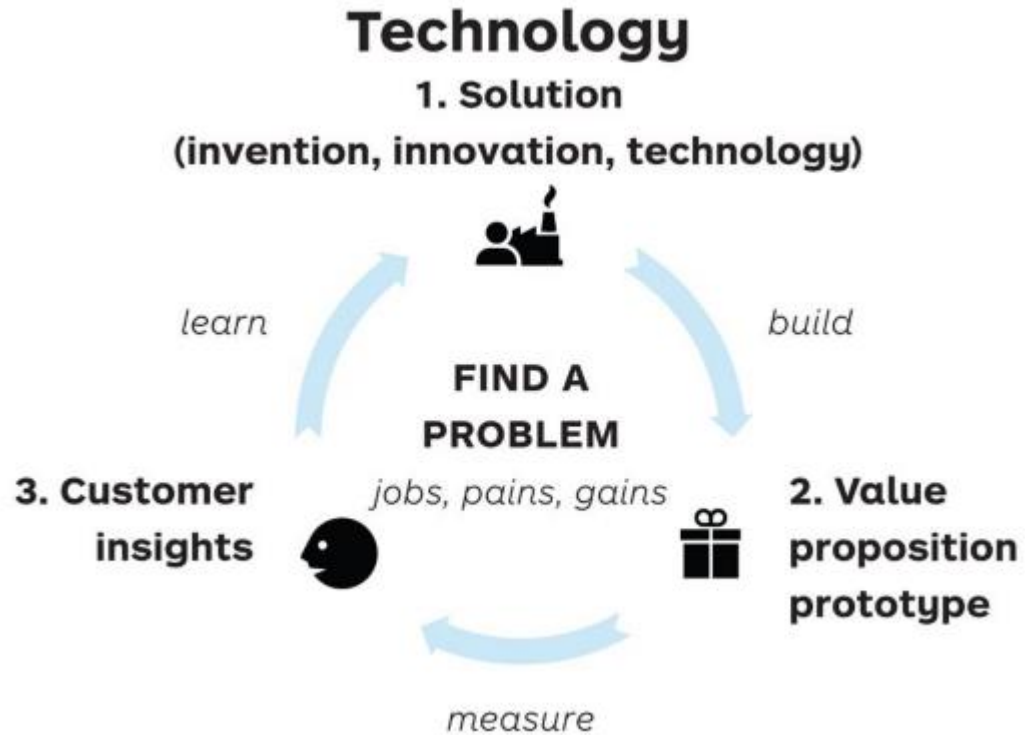
Source: CB Insights

INSIGHT — PROBLEM — SOLUTION — BUSINESS MODEL — SCALE IT

Creativity & ideation

Open innovation

Design thinking

Agile software

Lean startup

Business model canvas

Lets start with understanding Value

Building the Customer Value Proposition

Technology

1. Solution
(invention, innovation, technology)

learn

build

FIND A PROBLEM

jobs, pains, gains

3. Customer insights

2. Value proposition prototype

measure

Market

1. Problem
(jobs, pains, gains)

learn

build

FIND A SOLUTION

3. Adjust technology (and resource) needs

2. Value proposition prototype

measure

What Customer need does our offering serve ?
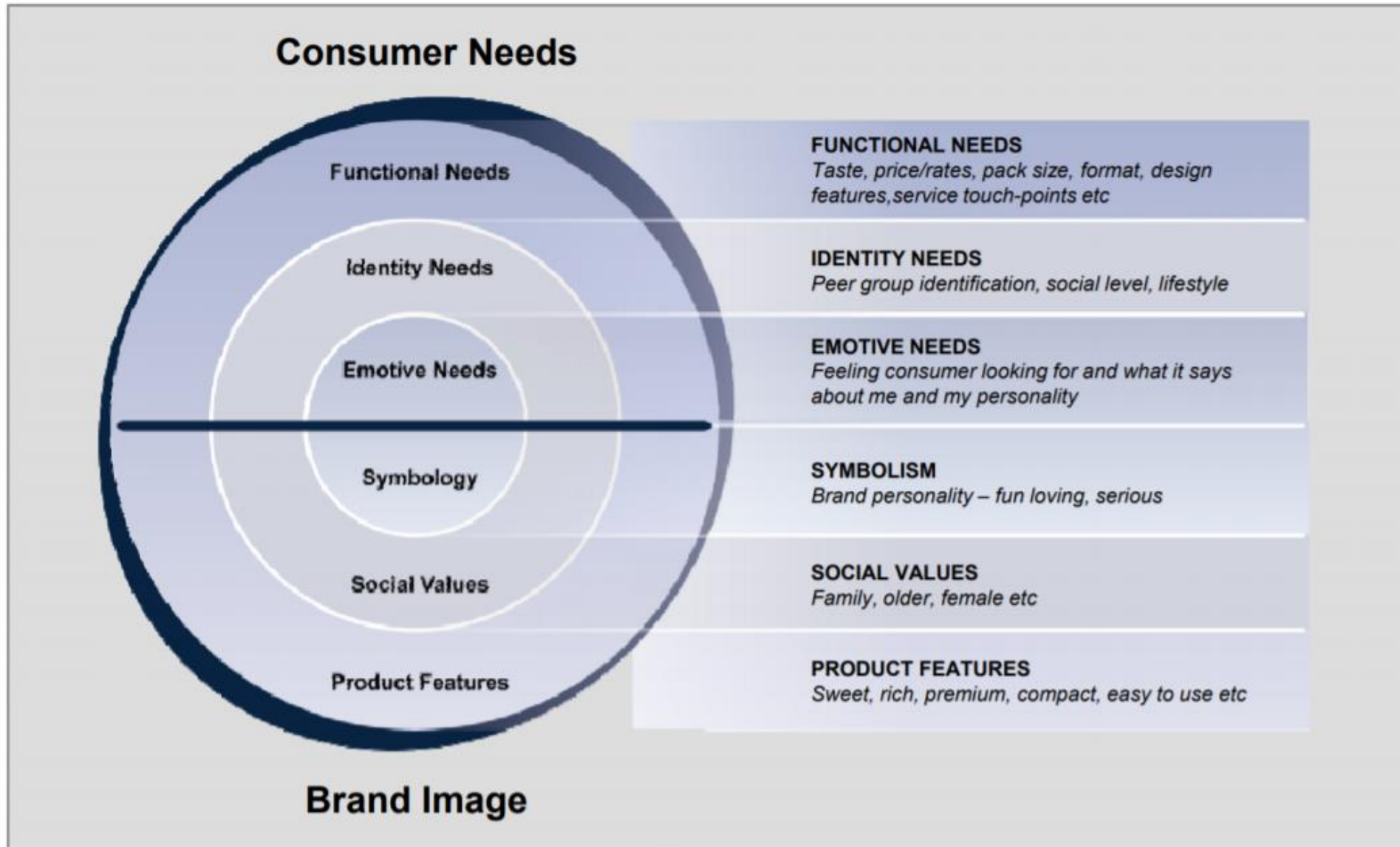
TAM = how big is the universe

Total Available Market

Served Available Market

SAM = how many can I reach with my sales channel

Target Market

Customer #1

Target Market (for a startup) = who will be the most likely buyers
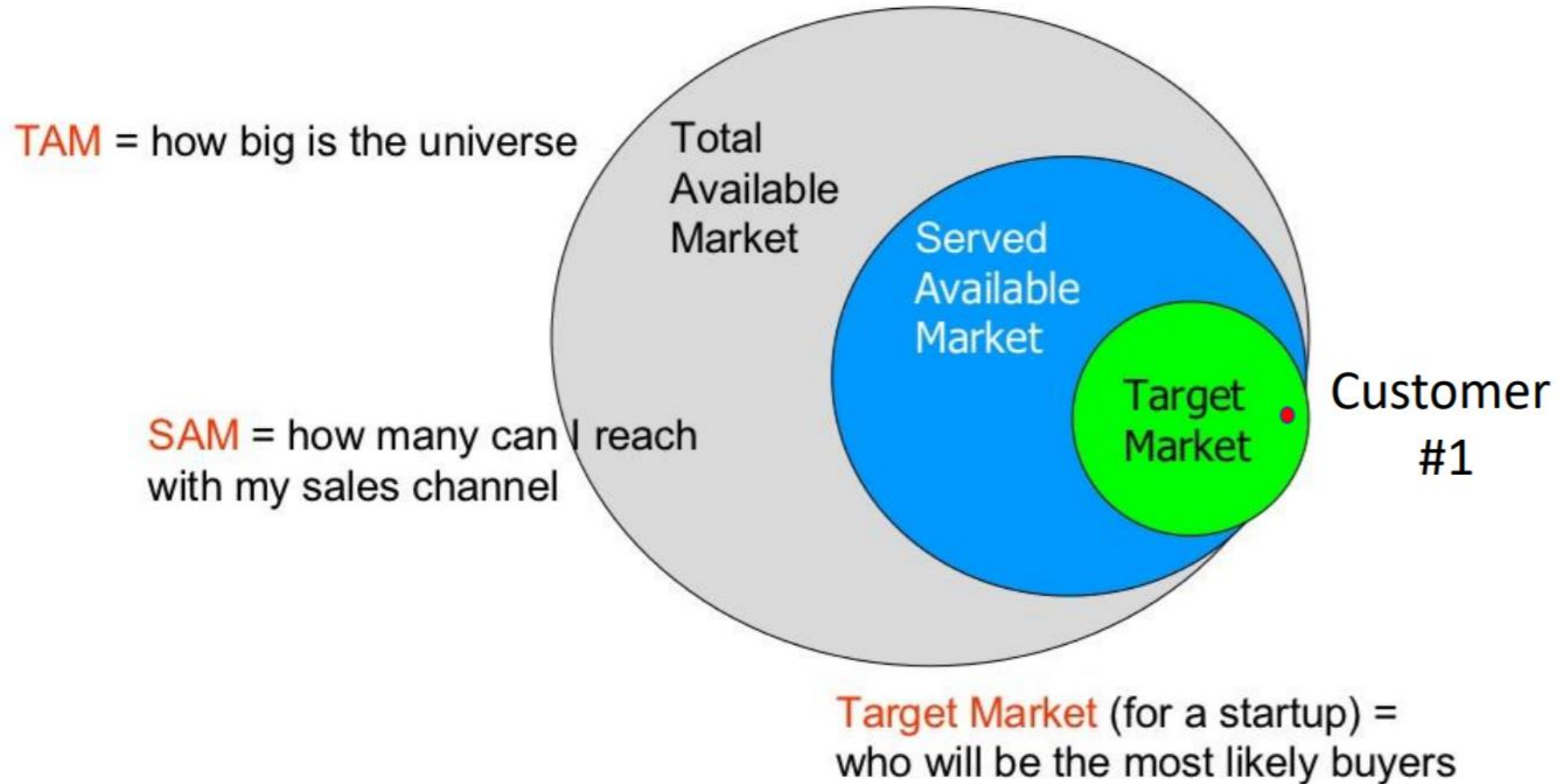
Rachel
Small Business Owner

- Social Media Marketing
- Key decision-maker

Demographics

- Age 32-39
- Skews female
- $90,000/yr
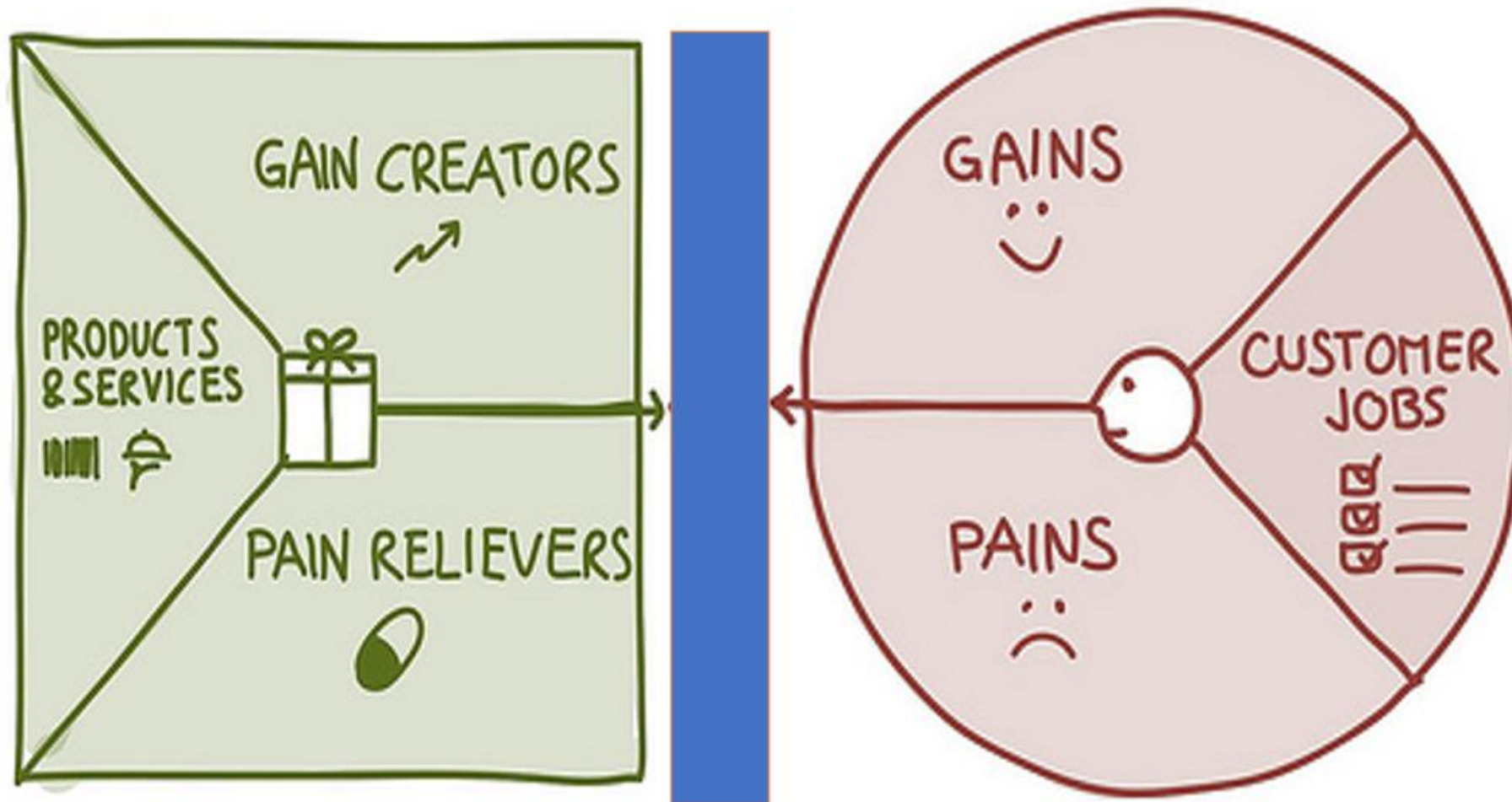- Urban location
- Master's degree
- Married, no kids

Goals and Challenges

- Save time online
- Find interesting content to share
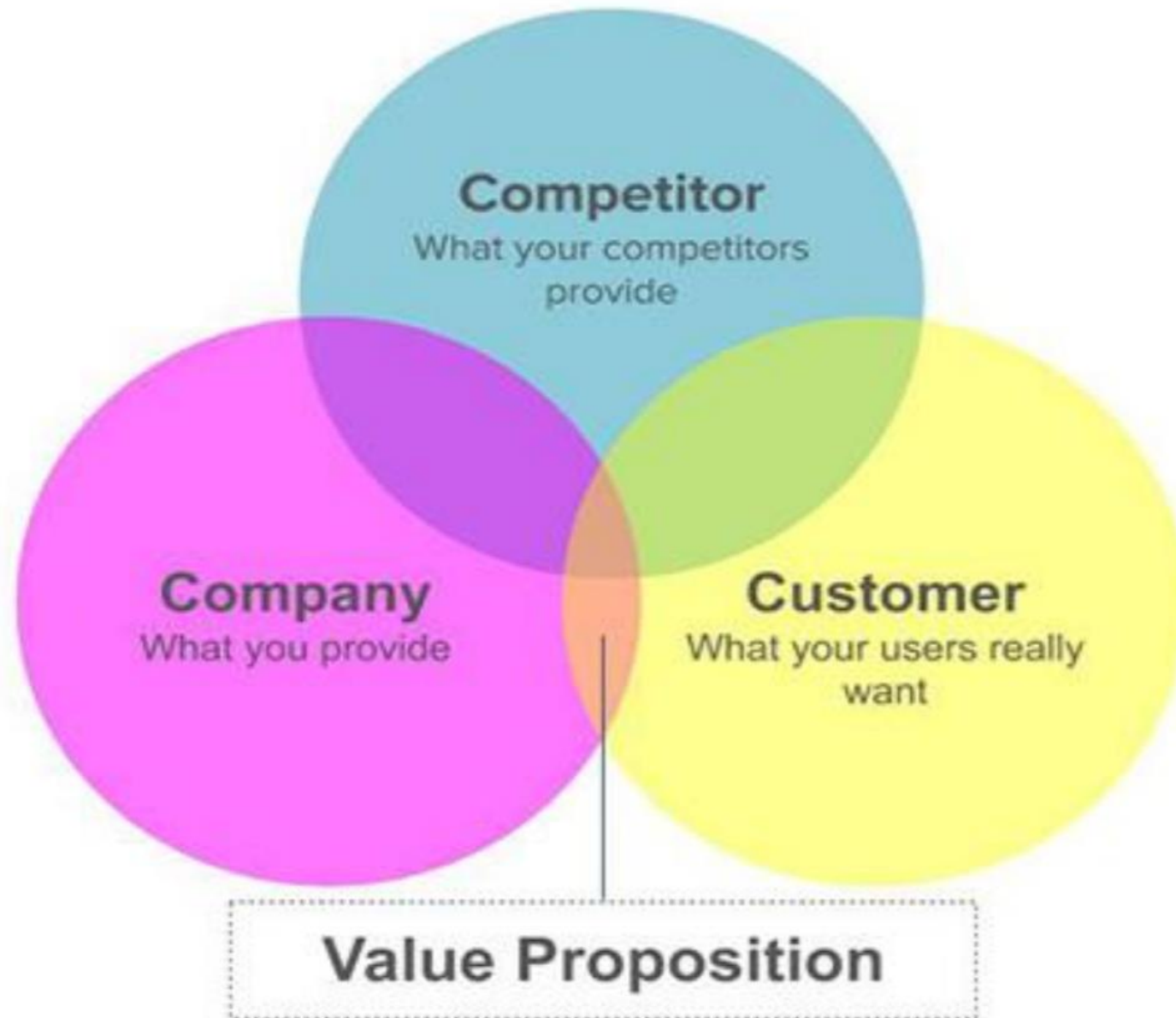- Maximize social media resources

How we can help
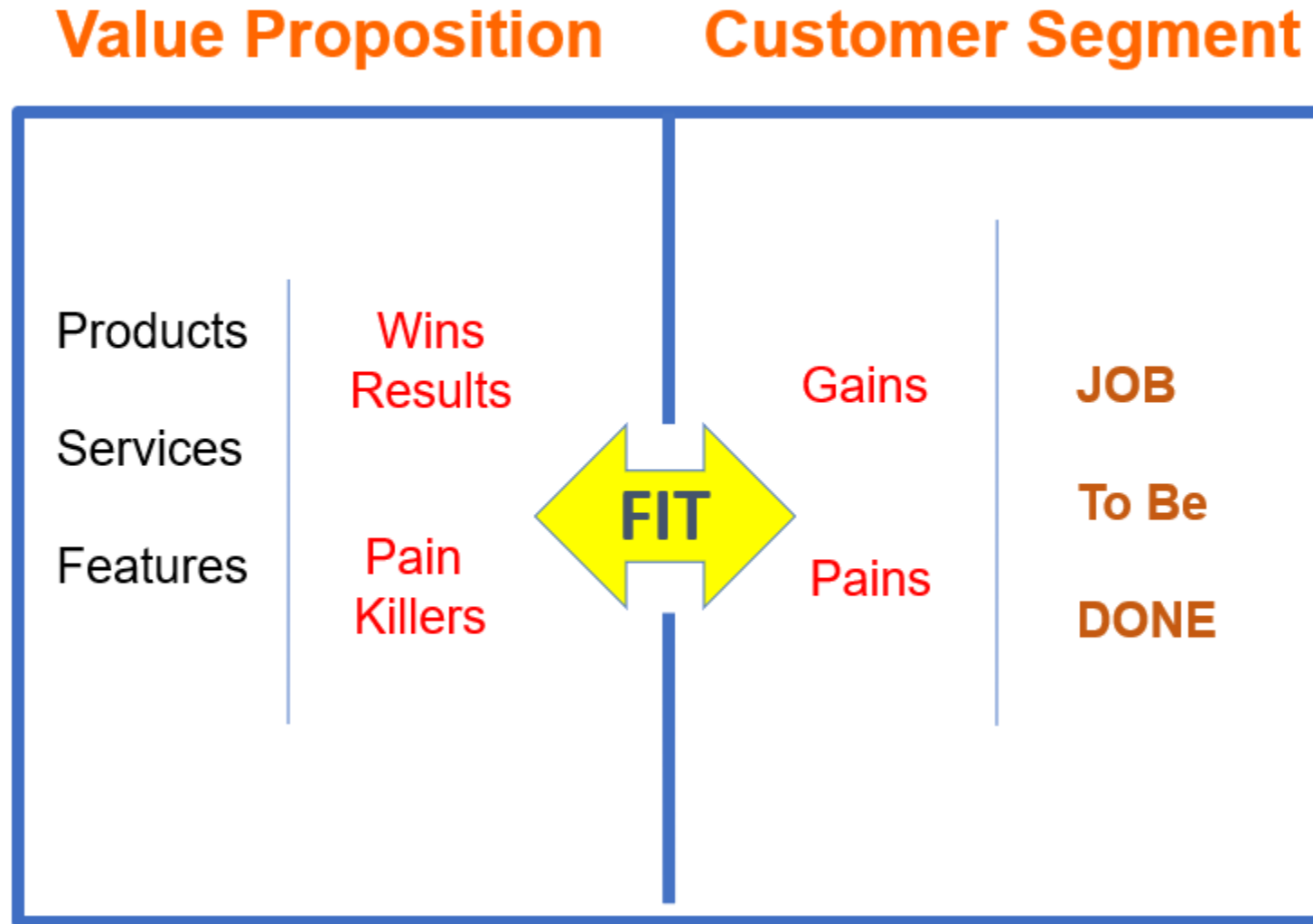
- Schedule posts to a queue
- Content suggestions

www.tellmeyourgoal.com

What therefore are Value Propositions

- Is a bundle of products and services that create value

- Describes why a customer should buy the product / service

- Targets a well-defined customer segment

- Convinces prospective customers that a particular product or service will add MORE VALUE or BETTER solve a problem than competitive products or services

- Value Propositions can be Quantitative (Price, Speed, Efficiency ..)

- Value Propositions can also be Qualitative (Design, Customer Experience ..)

Poll#2

Because of the price?

Because of the ingredients?

Or why else..?

Because of the taste?
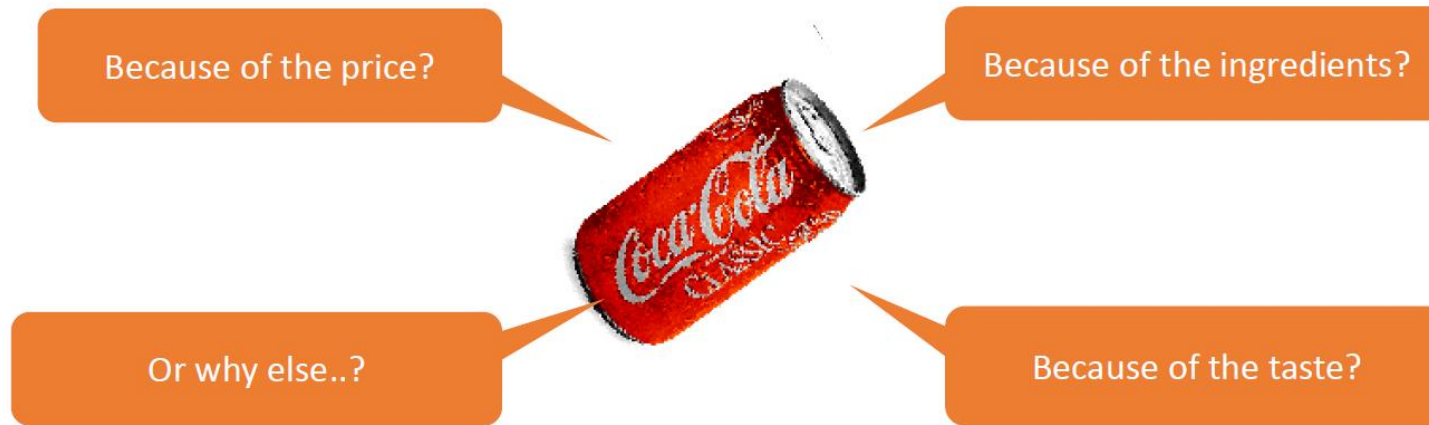
"To consumers across the world, Coke is THE beverage that provides deep refreshment for the body, mind and spirit better than any other alternative because only Coke combines the unique Coke taste with a sense of what's real and genuine which makes the moment more enjoyable"

- Target

- What is It ? Frame of Reference
- Benefit & Point of Difference

- Support

- Key Takeaway

- To consumers around the world

- COKE is THE beverage
- That provides deep refreshment for the body, mind and spirit better than any other alternative

- Because only Coke combines the unique coke taste with a sense of what's real and genuine

- Which makes the moment more enjoyable

Who am I ? Why buy me ?

"Google is the **world's largest search engine** that allows **Internet users** to find **relevant** information **quickly** and **easily**."

"**Google uses a patented page-ranking algorithm** to make money through **ad placement**."

What is it?
Who is it for?
Why is it valuable?

Enhancing Value Propositions using Quantitative method

Need

- Not: The market is growing fast
- *Rather:* Our market segment is $2B/yr and growing at 20%/yr

Approach

- Not: We have a clever design
- *Rather:* We have created a patent-protected, one-step process that replaces the current two-step process with the same quality

Benefits

- Not: The ROI is excellent
- *Rather:* Our one-step process reduces costs by 50% and results in an expected ROI of 50% per year with a profit of $30M in year 3

Competition

- Not: We are better than our competitors
- *Rather:* Our competitors are Evergreen Corporation and Bigway, which use the current two-step process

"It's better to build something a small number of users love than something a lot of users like" –Paul Buchheit YC

Poll#3

Going about the process of Customer Discovery

Who
Potential Customers, suppliers, partners

Earlyvangelists

~ 100

What
Testing hypotheses

Be goal-directed

Development of MVP

How
Networks & references

Use questionnaire / discussion guides

Record and learn

Adaptive Interviews
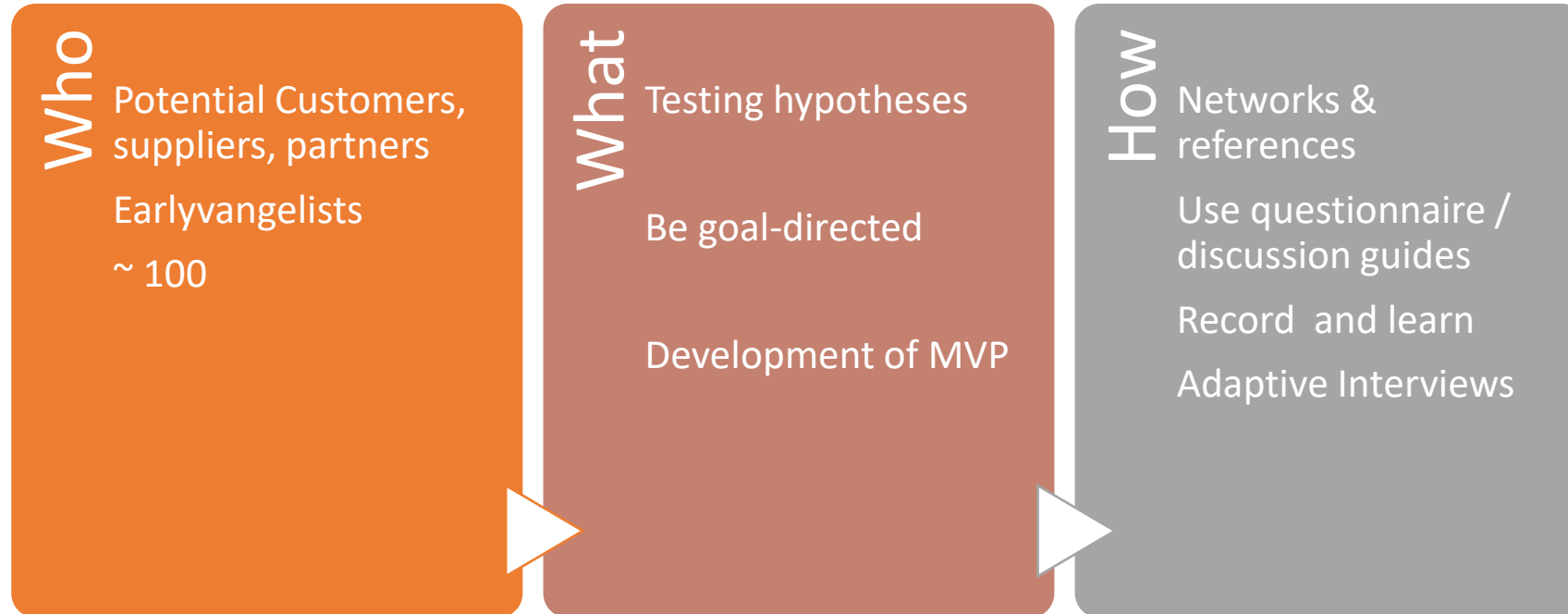
Interview as Entrepreneurs, not census workers

Finding your Earlyvangelist

5. Has or Can Acquire a Budget

4. Has Put Together a Solution out of Piece Parts

3. Has Been Actively Looking for a Solution

2. Is Aware of Having a Problem

1. Has a Problem

Ground Rules for Customer Interviews

- Explore customer pains and gains with Fresh Ears

- Listen more than you talk

- Look for non-verbal cues

- Ask Why's. A set of Why's.

- You are not there to sell, you are there for Learning

- Do not jump to your solution eg our prototype does this

- Cut short failed interviews

- Follow up, seek permission, send a thank you message

- Keep doors open

A Reference Discussion Guide

- **How are you currently dealing with the task / problem**

- **What do you wish you could do ? What is the outcome you would like to achieve ?**

- **What is the approach you have been trying towards the result they want ?**

- **Can you tell us what the interfering factors are ?**

- **What are the consequences of these factors ? Economic consequences**

- **Share Approach and continue to listen intently**

- **Our approach is this…**

- **We think it can enable..**

- **What do you think could be the benefits ? What do you think could be some fallouts / side effects ?**

- **How well does it solve your problem ?**

- **How much do you think this solution is worth paying for ?**

Ask for an order if the customer's problem is solved

What does Customer Discovery result in

- **Get to Product Market Fit via Customer Discovery**

- **Discover before you build your product**

- **Understand your market through customer discovery**

- **Develop customer archetypes – Burning Need customer**

- **Build an MVP (Minimum Viable Product) that solves a critical need – Ask for an order**

Entrepreneur Manifesto

Rule No. 1: There Are No Facts Inside Your Building, So Get Outside.

Rule No. 2: Pair Customer Development with Agile Development

Rule No. 3: Failure is an Integral Part of the Search

Rule No. 4: Make Continuous Iterations and Pivots

Rule No. 5: No Business Plan Survives First Contact with Customers So Use a Business Model Canvas

Rule No. 6: Design Experiments and Test to Validate Your Hypotheses

Rule No. 7: Agree on Market Type. It Changes Everything

Rule No. 8: Startup Metrics Differ from Those in Existing Companies

Rule No. 9: Fast Decision-Making, Cycle Time, Speed and Tempo

Rule No. 10: It's All About Passion

Rule No. 11: Startup Job Titles Are Very Different from a Large Company's

Rule No. 12: Preserve All Cash Until Needed. Then Spend

Rule No. 13: Communicate and Share Learning

Rule No. 14: Customer Development Success Begins With Buy-In

The Lean Canvas

PROBLEM
List your top 1-3 problems.

EXISTING ALTERNATIVES
List how these problems are solved today.

SOLUTION
Outline a possible solution for each problem.

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

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

HIGH-LEVEL CONCEPT
List your X for Y analogy e.g. YouTube = Flickr for videos.

UNFAIR ADVANTAGE
Something that cannot easily be bought or copied.

CHANNELS
List your path to customers (inbound or outbound).

CUSTOMER SEGMENTS
List your target customers and users.

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

The Business Model Canvas

Identify your key assumptions –
Your "Best Guesses"

The Business Model Canvas

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

The Business Model Canvas – Locate Chaat

KP Key Partners	KA Key Activities	VP Value Propositions	CR Customer Relationships	CS Customer Segments
• End Users	• Customer Development • Software and Database Development	• 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.	• Customer is the source and target of information • Social Media Marketing • Word of Mouth • Learning customer preferences to give better search results	• 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 • Software Platform • Cloud Storage		**CH Channels** • 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	R$ Revenue Streams
• Server • Domain name • One time fixed setup costs	• Advertising Revenue- Targeted Advertising

The Business Model Canvas – Cheeky Chunk

Uber - Business Model Canvas

Keys Partners
- Payment Processors
- Map API Providers

Key Activities
- Platform Development & Customer Support
- Marketing = Passenger and Driver Acquisition

Key Resources
- Brand
- Technology Platform
- Network of Drivers

Value Propositions
- Reliable and Convenient Transport
- Additional Source of Income

Customer Relationship
- Self-Service (Review, Rating and Feedback System)
- Customer Support

Channels
- Uber App
- Uber Website

Customer Segments
- People in Need of Transportation (passengers)
- Car Owners (drivers)

Cost Structure
- Technology Platform
- Marketing
- Employees

Revenue Streams
- % per ride

THE BUSINESS MODEL ANALYST

businessmodelanalyst.com

- **Many teams had taken BMC template from the net** ✓

- **Many project team ideas are Multi-sided platforms**

- **Value Propositions written as features or a list , needs to be strung together**

- **Sometimes too many disparate customer segments – FOCUS**

- **In some cases confusion between Customers and Consumers . B2C vs B2B2C**

- **Customer Relationships not understood well – intent is to figure how you will get, keep, grow customers**

- **Revenue Streams need sharpening**

- **Some teams BMC looked like they were a large, running company taking on too much**

Poll#3

Individual Team Feedback : Fri, Sat, Sun : Set up a time

Announcements

- Set up project team time with AN for BMC feedback – Fri / Sat / Sun

- Submit Second Draft of BMC on Wednesday 1st Sep – Assignment 4 – Team Assignment

- Evaluation Break up

  - Mid Sem & End Sem – 50%, Open Book Exam

  - Project Team Mid Sem (BMC write up) & End Sem (Business Plan Competition) – 30%

  - Assignments / Attendance / Participation – 20%

  - On Monday 30th – we will share a Google Sheet with Marks for 10

- Course Evaluation – Mid Term – Please do this over the weekend on the ASC external site

  - If you want to wait till you see the evaluation on Monday, that's OK

  - Last Date 31st Aug

- 4 students who are still not on teams , I am going to allocate to existing teams , thank you