

# 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

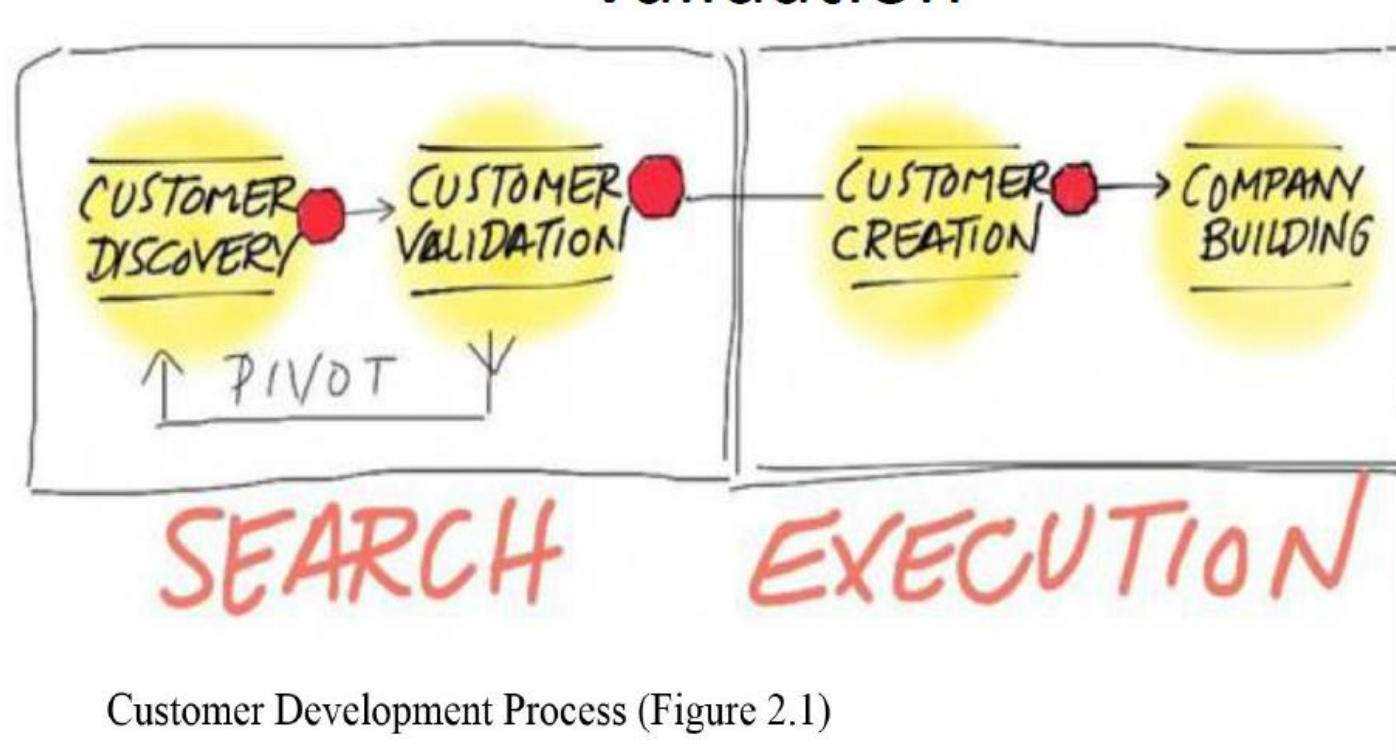
POLL #1

Session 9, Total Sessions in the Course : 26

# What have we been focusing on

## Customer Development

- Discovery
- Validation



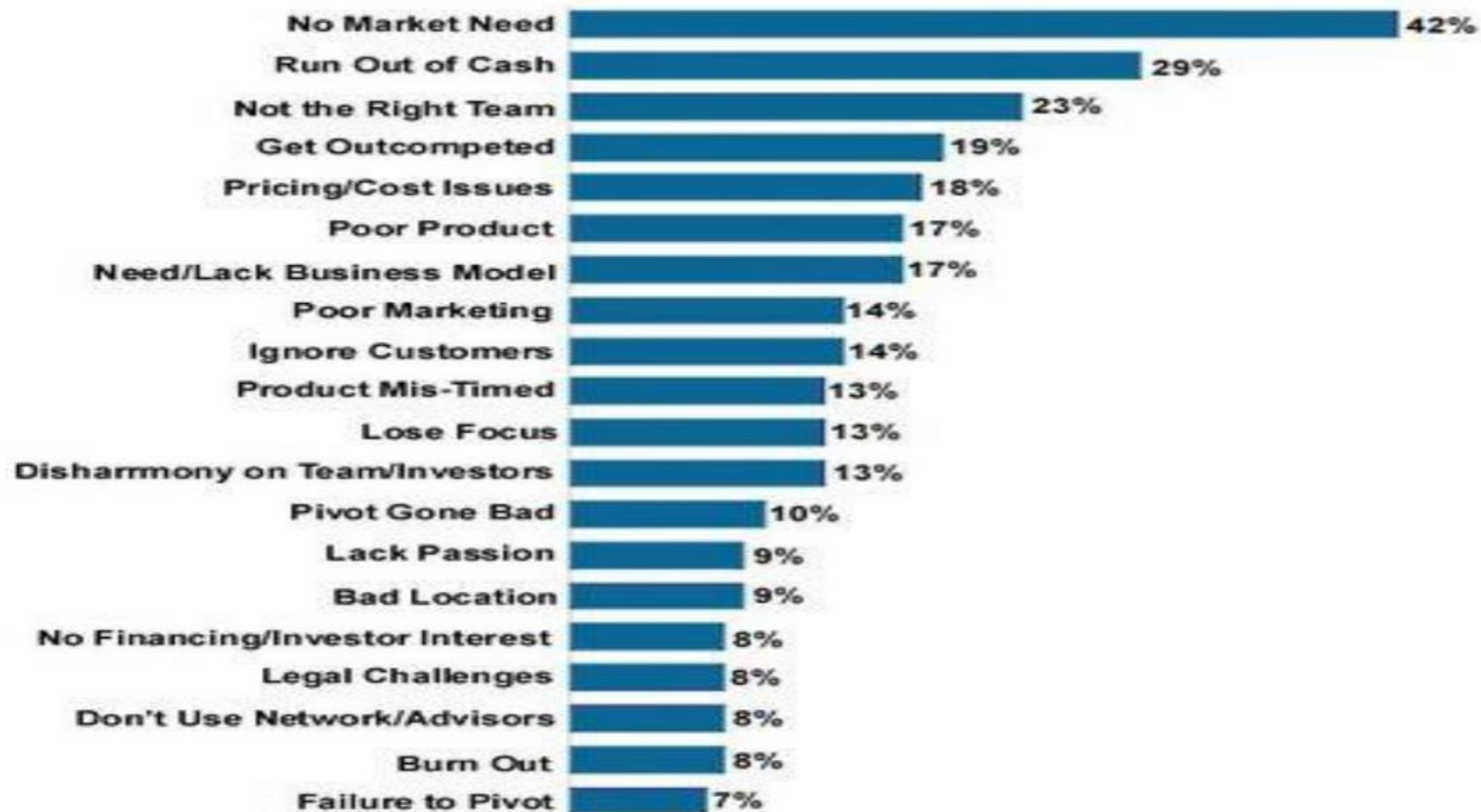
Customer Development Process (Figure 2.1)

# Why High-Tech Startups fail



## Top 20 Reasons Startups Fail

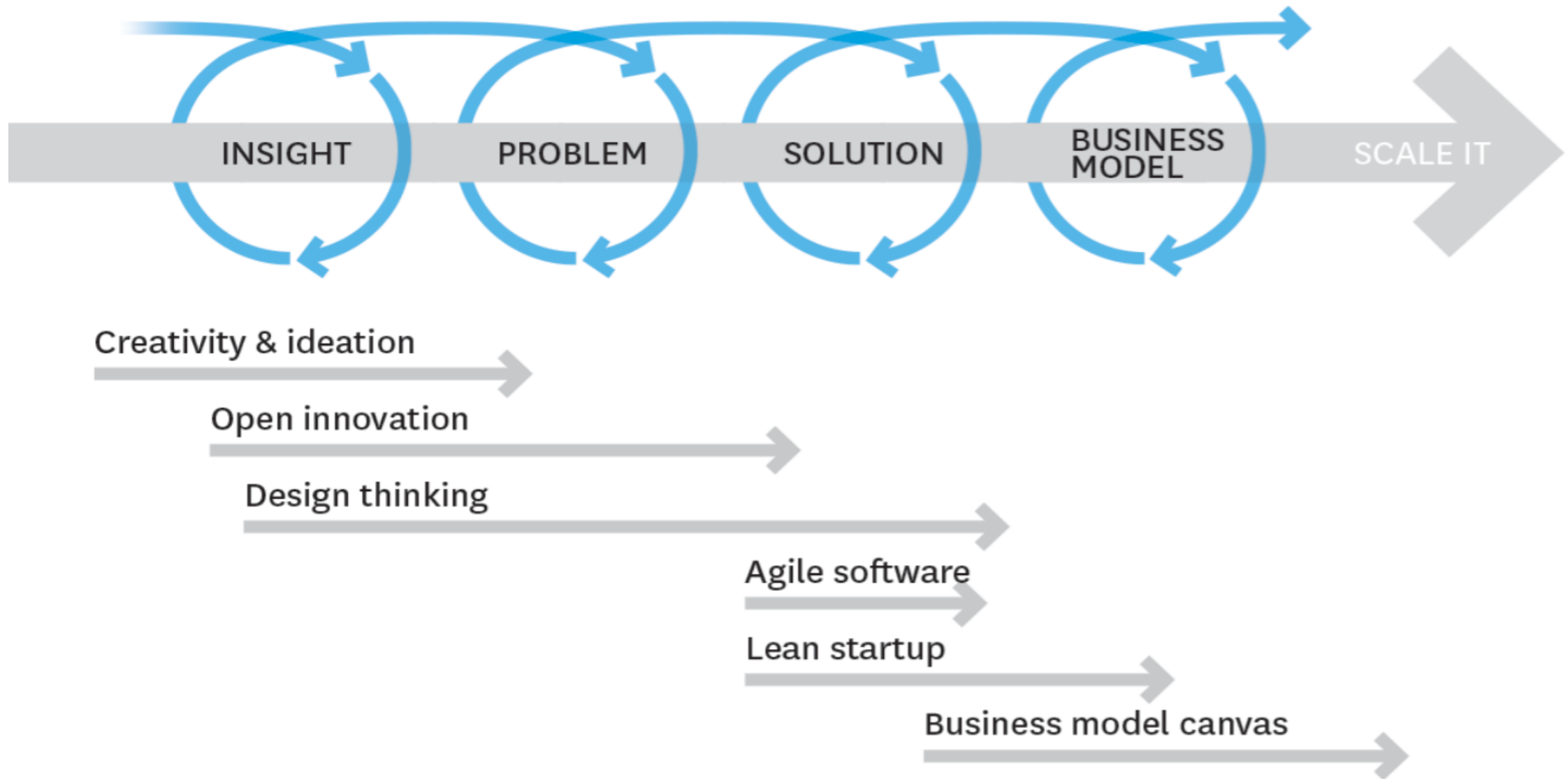
Based on an Analysis of 101 Startup Post-Mortems



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

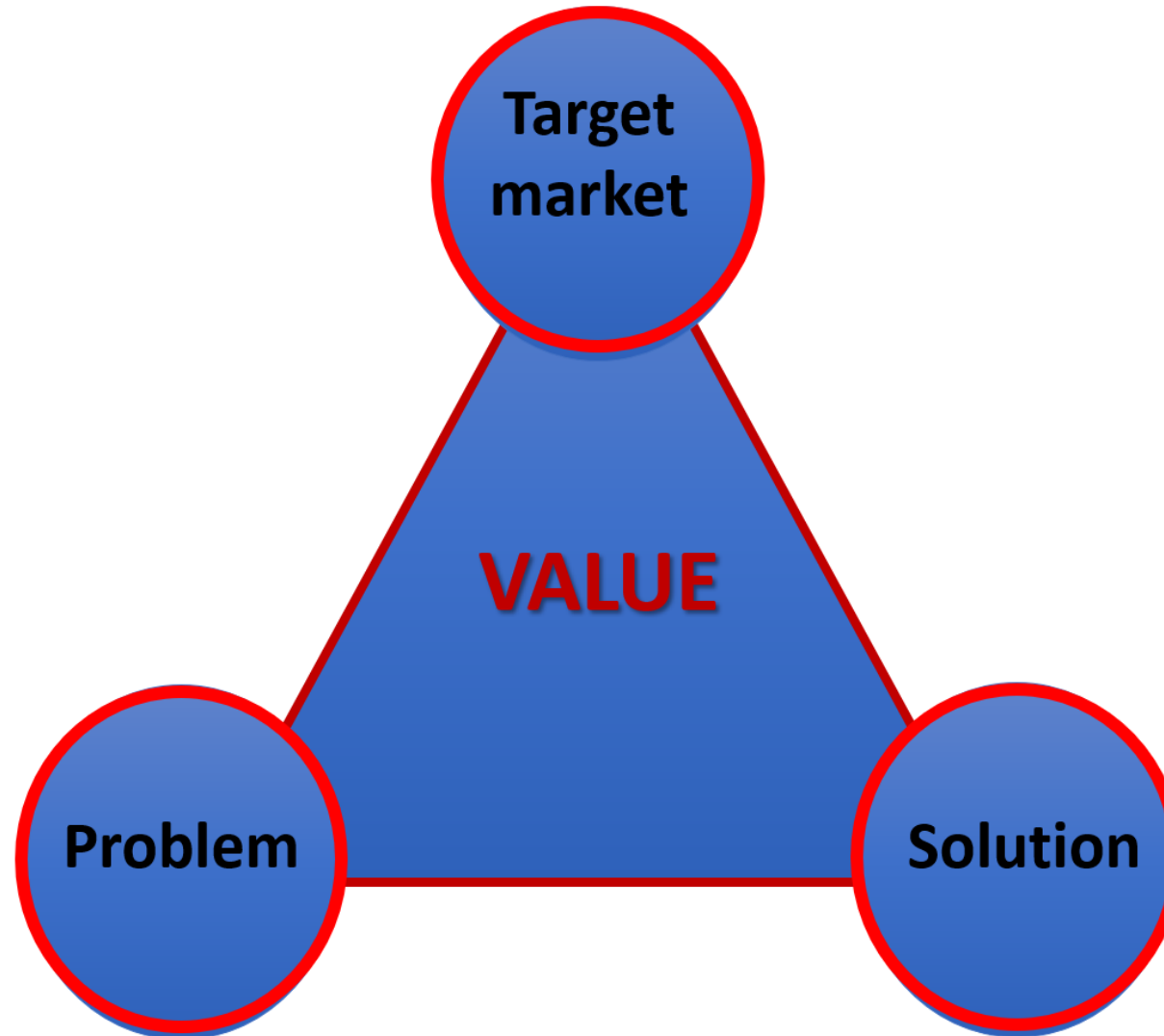
Source: CB Insights

# How the Innovation Process Works





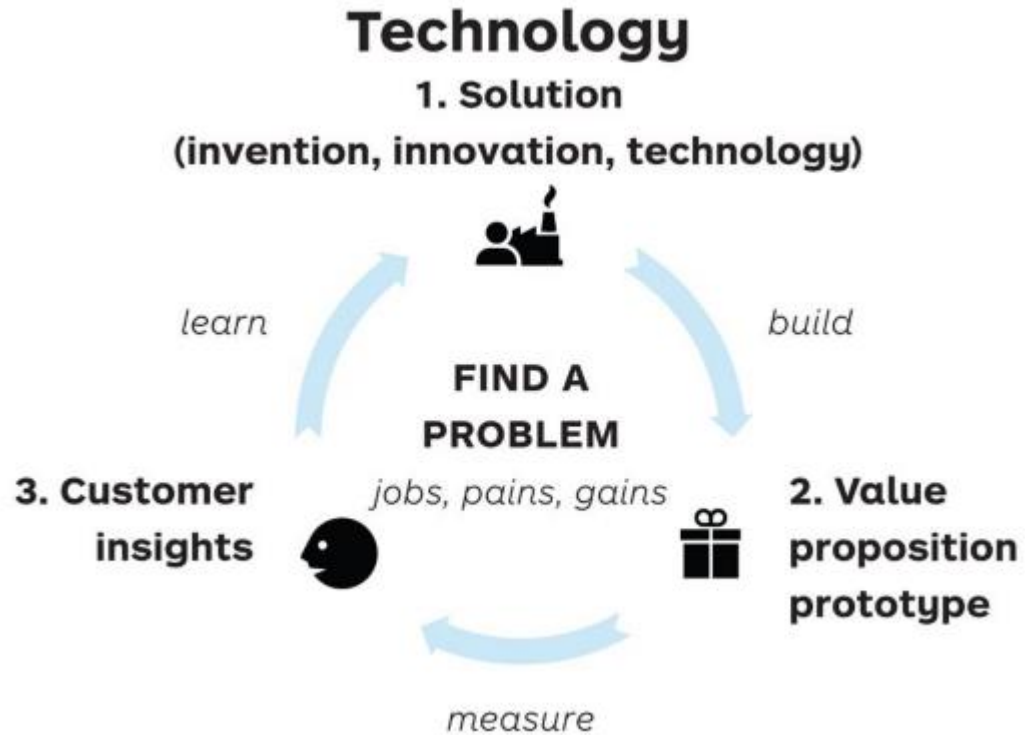
# Lets start with understanding Value



# Building the Customer Value Proposition

**Technology  
Push**

**Market  
Pull**



# Need to unearth the customer's unmet need



## **Self-actualization**

desire to become the most that one can be

## **Esteem**

respect, self-esteem, status, recognition, strength, freedom

## **Love and belonging**

friendship, intimacy, family, sense of connection

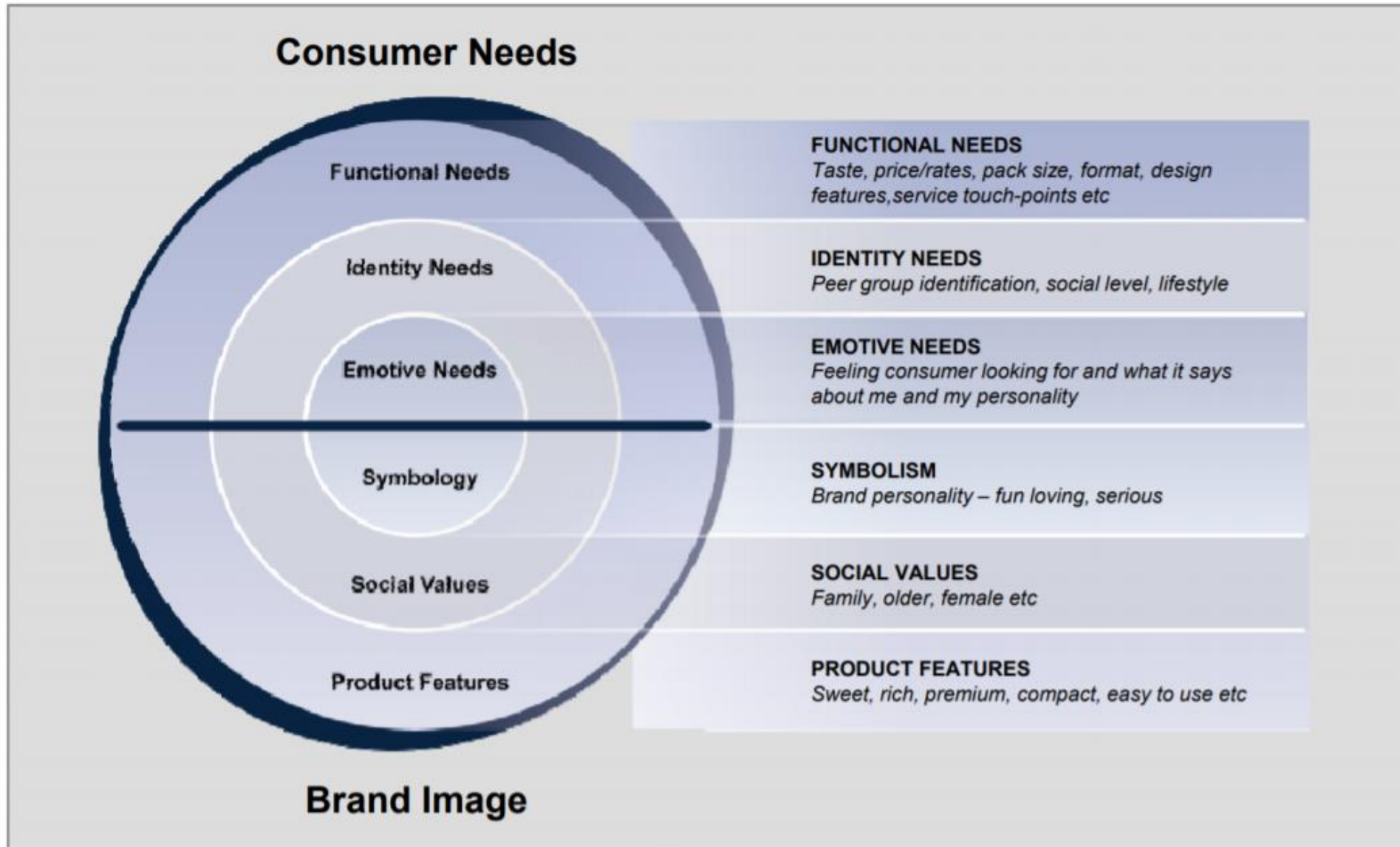
## **Safety needs**

personal security, employment, resources, health, property

## **Physiological needs**

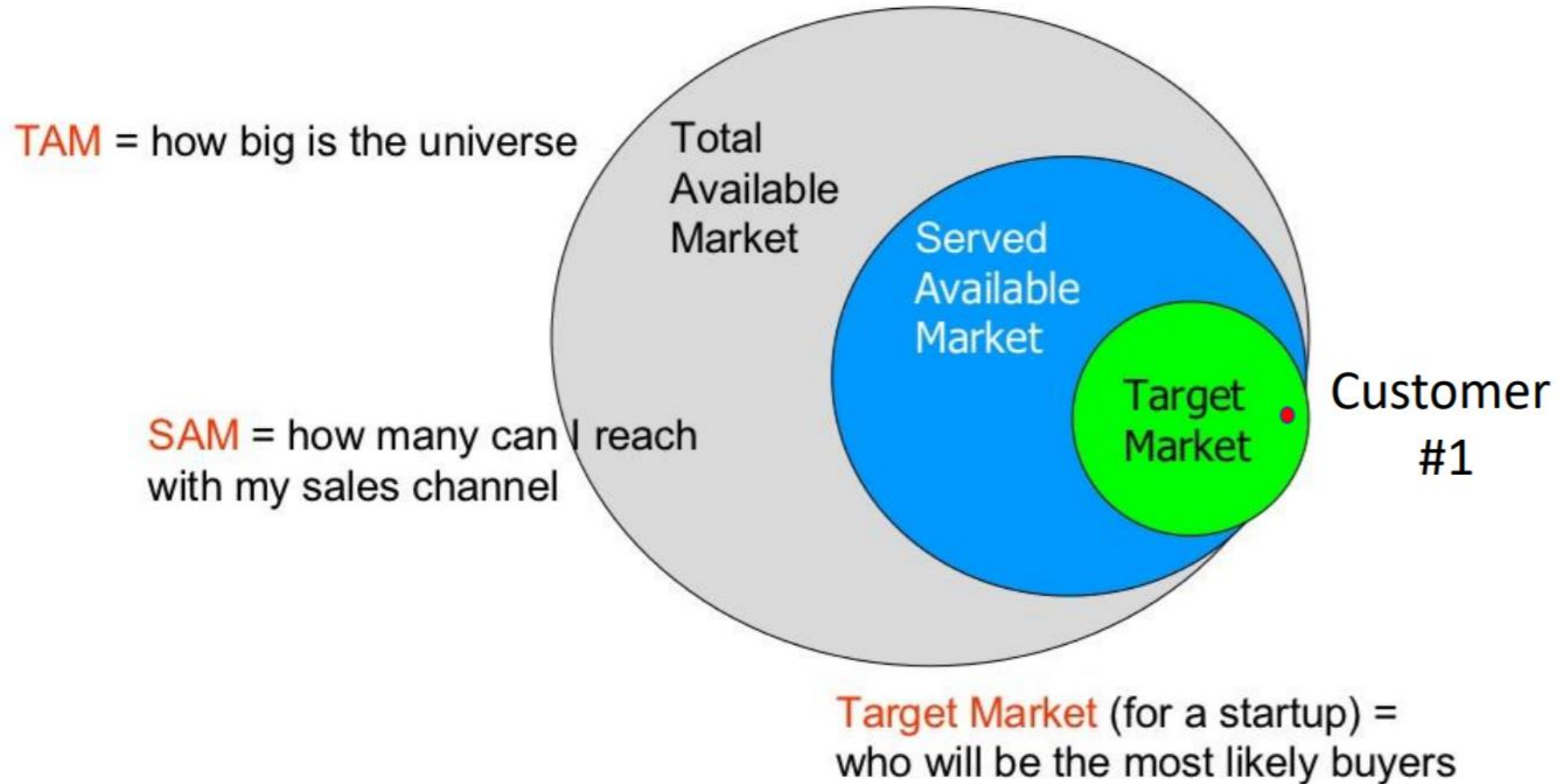
air, water, food, shelter, sleep, clothing, reproduction

# What Customer need does our offering serve ?





# Who is the customer whose needs we wish to serve



# What is the customer's persona ?

## 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

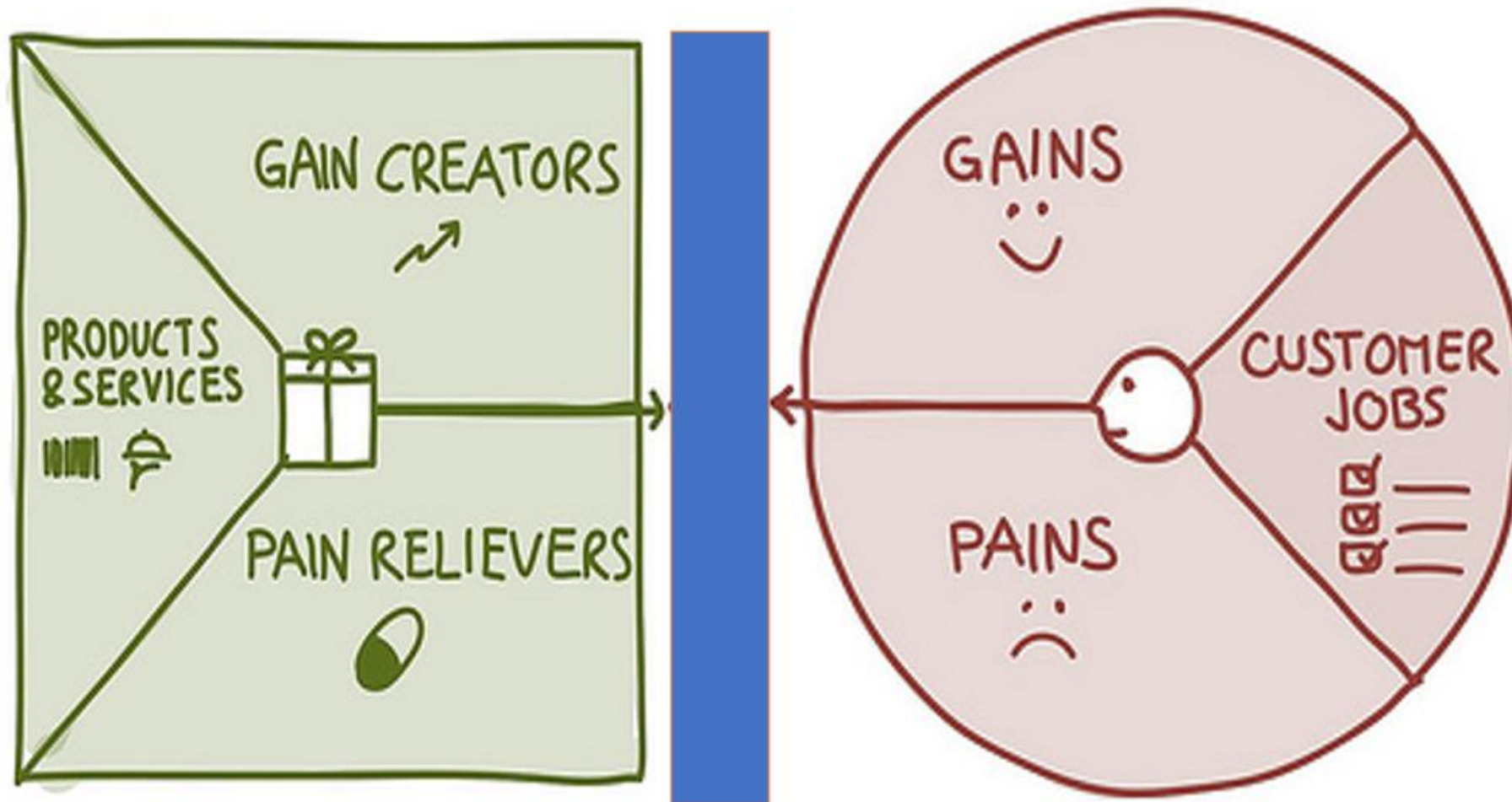
### Goals and Challenges

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

### How we can help

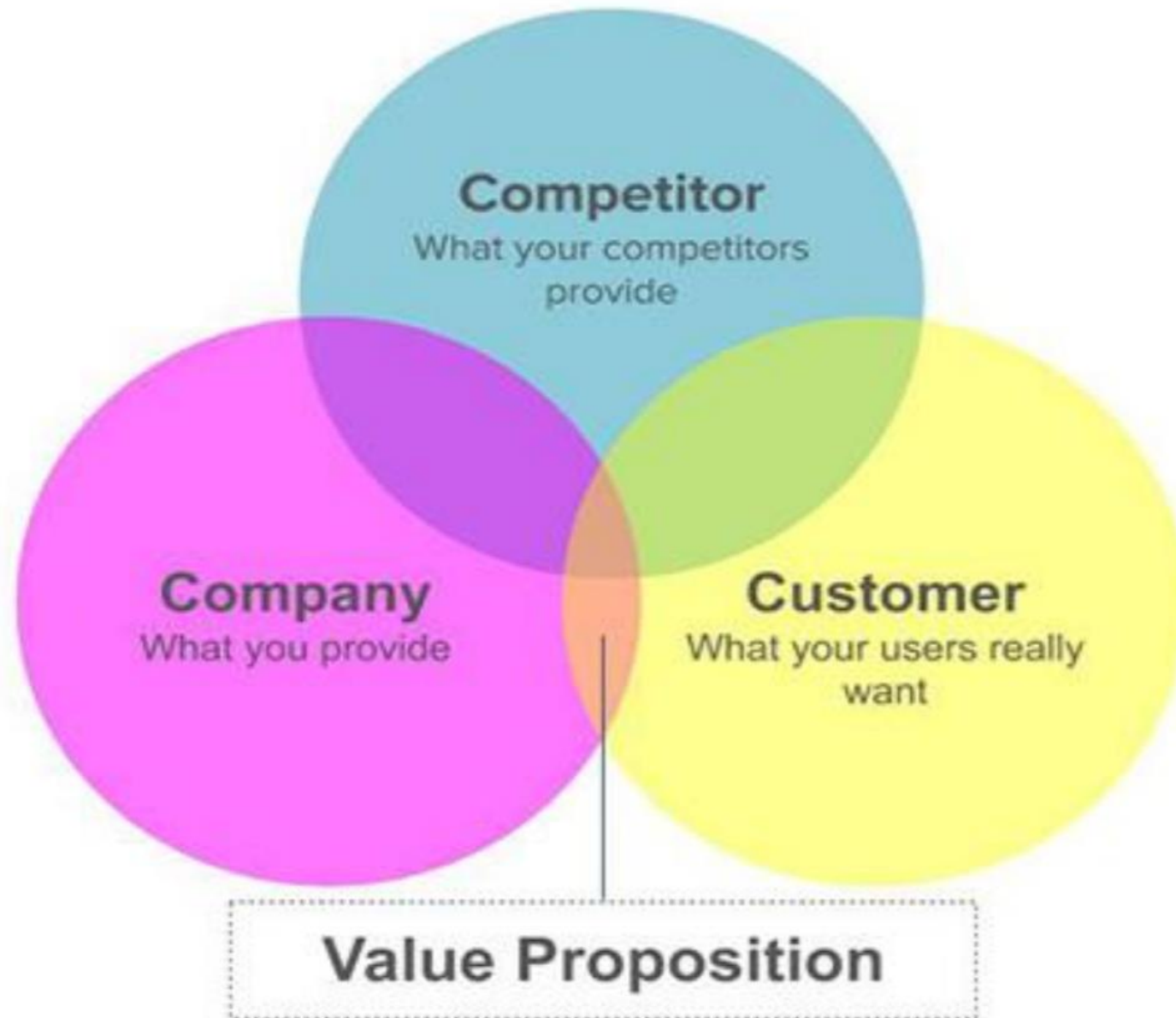
- Schedule posts to a queue
- Content suggestions

# How do we create our value proposition?



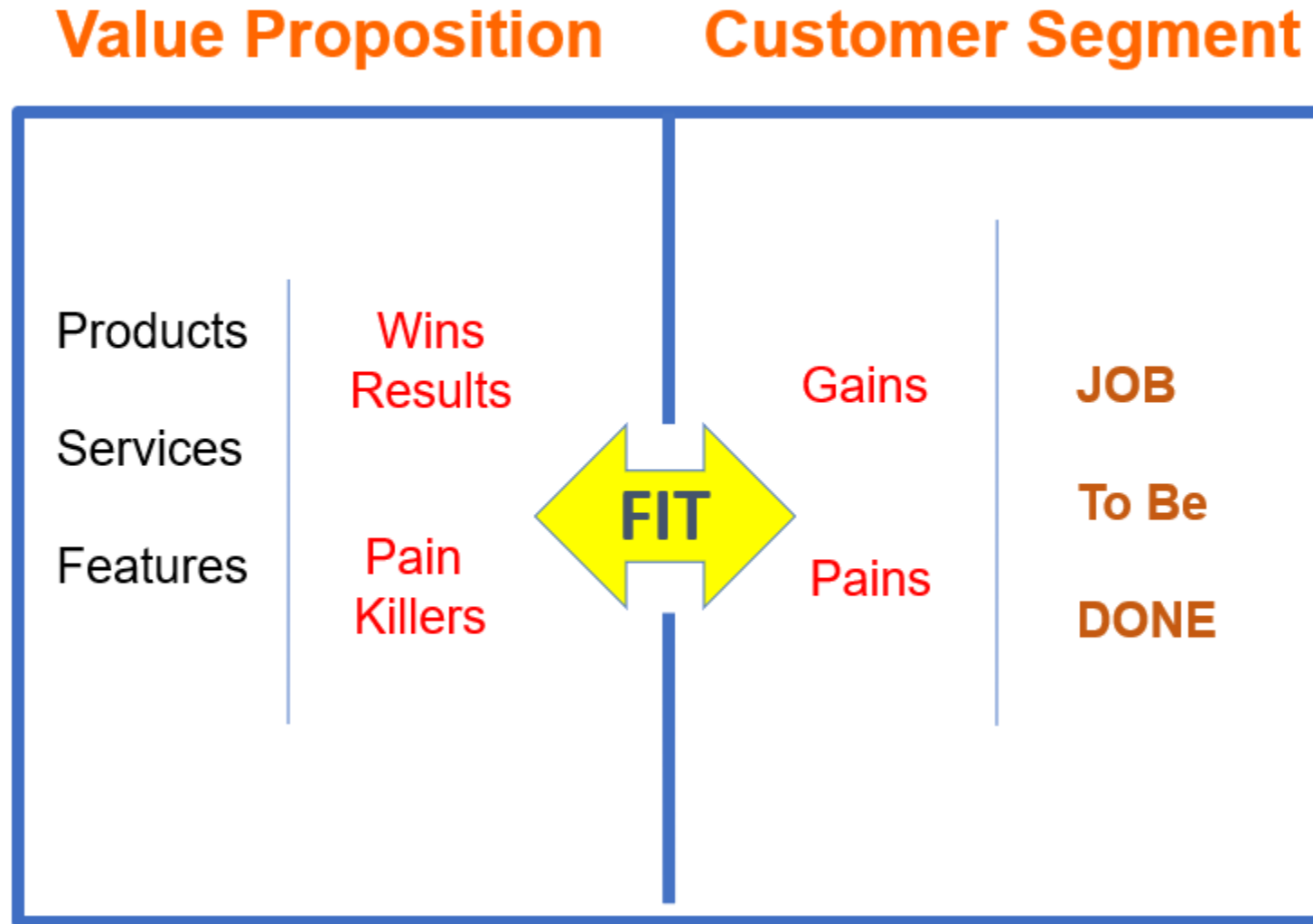


# How do we create our value proposition?





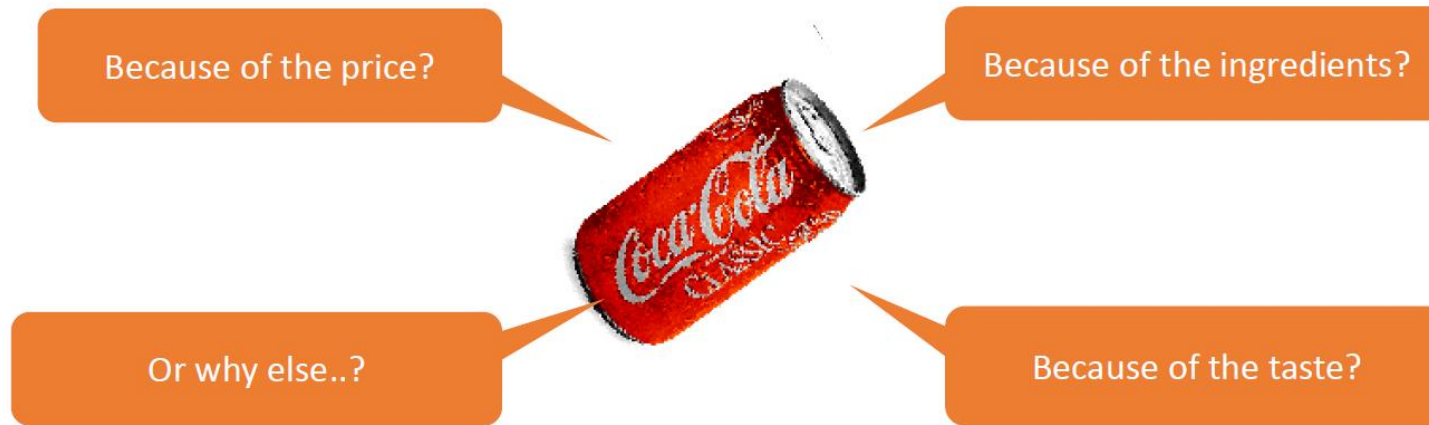
# How do we map Value Proposition to Customer Segment?



# 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 ..)

# Why do customers put money down to buy ?



*"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"*

## Who am I ? Why buy me ?

# Coke's Value Proposition



- 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 Proposition : Which one resonates ?

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

What is it?  
Who is it for?

Why is it valuable?

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

# 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

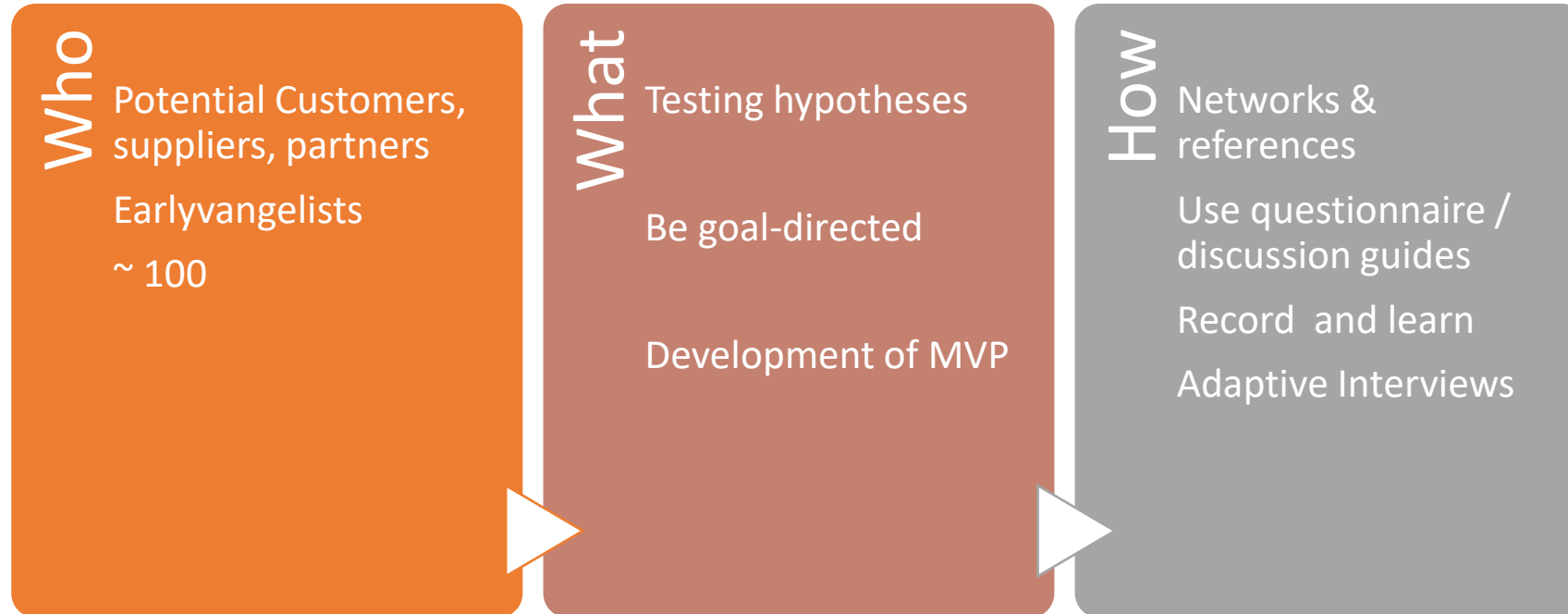
# Less is More

“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



**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



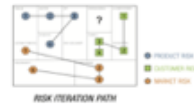
- Rule No. 1: There Are No Facts Inside Your Building, So Get Outside.**
- Rule No. 2: Pair Customer Development with Agile Development**
- Rule No. 3: Failure is an Integral Part of the Search**
- Rule No. 4: Make Continuous Iterations and Pivots**
- Rule No. 5: No Business Plan Survives First Contact 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



<b>PROBLEM</b> <i>List your top 1-3 problems.</i>	<b>SOLUTION</b> <i>Outline a possible solution for each problem.</i>	<b>UNIQUE VALUE PROPOSITION</b> <i>Single, clear, compelling message that states why you are different and worth paying attention.</i>	<b>UNFAIR ADVANTAGE</b> <i>Something that cannot easily be bought or copied.</i>	<b>CUSTOMER SEGMENTS</b> <i>List your target customers and users.</i>
	<b>KEY METRICS</b> <i>List the key numbers that tell you how your business is doing.</i>		<b>CHANNELS</b> <i>List your path to customers (inbound or outbound).</i>	
<b>EXISTING ALTERNATIVES</b> <i>List how these problems are solved today.</i>		<b>HIGH-LEVEL CONCEPT</b> <i>List your X for Y analogy e.g. YouTube = Flickr for videos.</i>		<b>EARLY ADOPTERS</b> <i>List the characteristics of your ideal customers.</i>
<b>COST STRUCTURE</b> <i>List your fixed and variable costs.</i>			<b>REVENUE STREAMS</b> <i>List your sources of revenue.</i>	

Lean Canvas is adapted from The Business Model Canvas (www.businessmodelgeneration.com) and is licensed under the Creative Commons Attribution-ShareAlike 3.0 Unported License.



## Lean Canvas

Created by Spark59. If Online version available at [www.leancanvas.com](http://www.leancanvas.com)

# The Business Model Canvas



## Identify your key assumptions – Your “Best Guesses”

The Business Model Canvas		Designed for:	Designed by:	On: <input type="text"/> <input type="text"/> <input type="text"/>
				Iteration: <input type="text"/>
<b>Key Partners</b>  <small>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we sourcing from partners? Which Key Activities do partners perform?  Key Partnerships create and preserve: 1. Economies of scale 2. Economies of scope 3. Reduced risk 4. Access to new channels 5. Increased liquidity 6. Reduced costs 7. Increased revenue</small>	<b>Key Activities</b>  <small>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?  Key Activities include: 1. Production 2. Distribution 3. Logistics 4. Procurement 5. Technology development 6. Infrastructure development 7. Human resource management 8. Procurement management 9. Logistics management 10. Production management 11. Distribution management 12. Logistics management 13. Procurement management 14. Technology development 15. Infrastructure development 16. Human resource management 17. Procurement management 18. Logistics management 19. Production management 20. Distribution management</small>	<b>Value Propositions</b>  <small>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 include: 1. New products 2. New services 3. New channels 4. New relationships 5. New revenue streams 6. New cost structures 7. New business models 8. New value propositions 9. New customer segments 10. New distribution channels 11. New customer relationships 12. New revenue streams 13. New cost structures 14. New business models 15. New value propositions 16. New customer segments 17. New distribution channels 18. New customer relationships 19. New revenue streams 20. New cost structures</small>	<b>Customer Relationships</b>  <small>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?  Customer Relationships include: 1. Personalized 2. Self-service 3. Automated 4. Community-based 5. Peer-to-peer 6. Co-creation 7. Co-branding 8. Co-marketing 9. Co-distribution 10. Co-production 11. Co-innovation 12. Co-development 13. Co-design 14. Co-testing 15. Co-validation 16. Co-launching 17. Co-selling 18. Co-distributing 19. Co-producing 20. Co-innovating</small>	<b>Customer Segments</b>  <small>For whom are we creating value? Who are our most important customers?  Customer Segments include: 1. Mass 2. Niche 3. Segment 4. Market 5. Customer 6. User 7. Buyer 8. Seller 9. Provider 10. Partner 11. Supplier 12. Distributor 13. Channel 14. Agent 15. Broker 16. Intermediary 17. Facilitator 18. Enabler 19. Supporter 20. Complementor</small>
<b>Guess</b>	<b>Guess</b>	<b>Guess</b>	<b>Guess</b>	<b>Guess</b>
<b>Key Resources</b>  <small>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?  Key Resources include: 1. Human 2. Financial 3. Physical 4. Intellectual 5. Social 6. Technological 7. Organizational 8. Cultural 9. Environmental 10. Political 11. Legal 12. Regulatory 13. Economic 14. Social 15. Cultural 16. Environmental 17. Political 18. Legal 19. Regulatory 20. Economic</small>	<b>Channels</b>  <small>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?  Channels include: 1. Direct 2. Indirect 3. Personal 4. Non-personal 5. Physical 6. Digital 7. Hybrid 8. Multi-channel 9. Omnichannel 10. Cross-channel 11. Multi-touch 12. Cross-touch 13. Multi-point 14. Cross-point 15. Multi-stage 16. Cross-stage 17. Multi-step 18. Cross-step 19. Multi-path 20. Cross-path</small>	<b>Guess</b>	<b>Guess</b>	
<b>Cost Structure</b>  <small>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?  Cost Structure include: 1. Fixed 2. Variable 3. Semi-variable 4. Mixed 5. Hybrid 6. Multi-tier 7. Cross-tier 8. Multi-level 9. Cross-level 10. Multi-stage 11. Cross-stage 12. Multi-step 13. Cross-step 14. Multi-path 15. Cross-path</small>		<b>Revenue Streams</b>  <small>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 include: 1. Transactional 2. Subscription 3. Usage-based 4. Performance-based 5. Outcome-based 6. Risk-based 7. Equity-based 8. Debt-based 9. Hybrid 10. Multi-tier 11. Cross-tier 12. Multi-level 13. Cross-level 14. Multi-stage 15. Cross-stage 16. Multi-step 17. Cross-step 18. Multi-path 19. Cross-path</small>	<b>Guess</b>	<b>Guess</b>

# The Business Model Canvas – Locate Chaat



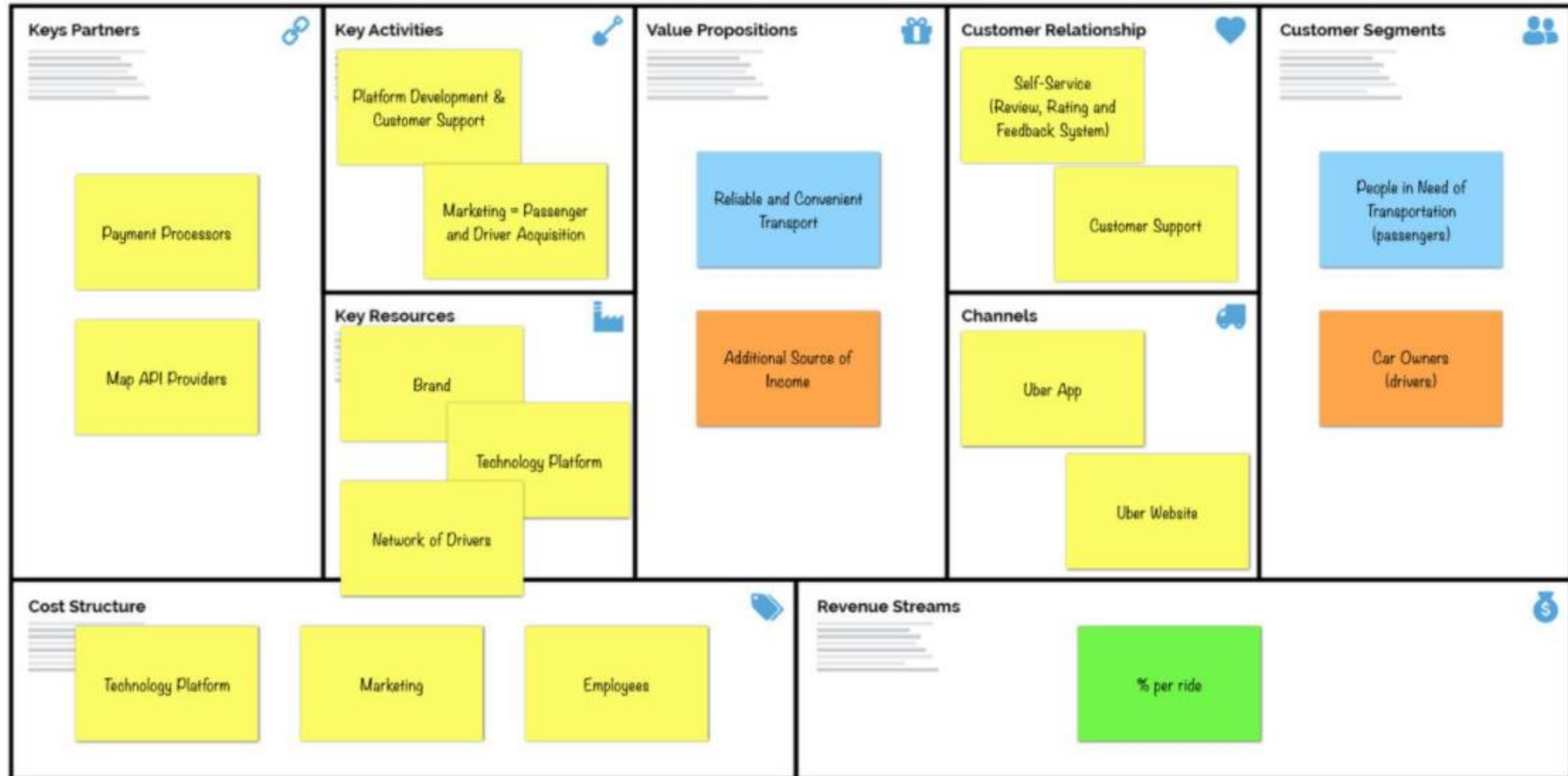
<b>KP</b> <b>Key Partners</b> <ul style="list-style-type: none"><li>• End Users</li></ul>	<b>KA</b> <b>Key Activities</b> <ul style="list-style-type: none"><li>• Customer Development</li><li>• Software and Database Development</li></ul>	<b>VP</b> <b>Value Propositions</b> <ul style="list-style-type: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



# The Business Model Canvas – Cheeky Chunk



## Uber - Business Model Canvas



# Feedback to Teams : BMC Draft 1

- 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 1<sup>st</sup> 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 30<sup>th</sup> – 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 31<sup>st</sup> Aug**
- 4 students who are still not on teams , I am going to allocate to existing teams , thank you