APPLIED ENTREPRENEURSHIP
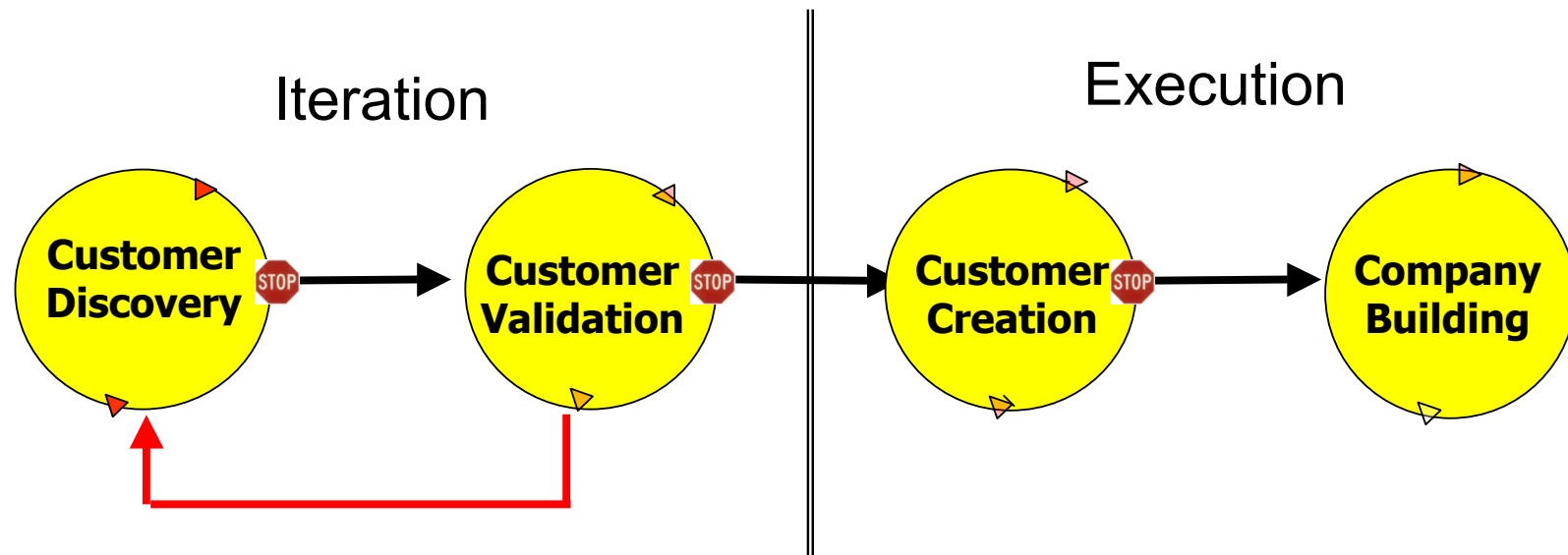
TODAY ;-)

NOVA

REMEMBERING.

3 Stages of a Startup

Customer Discovery		Customer Validation		Customer Creation & Company Building
Problem/Solution Fit	➤	Product/Market Fit	➤	Scale
Stage 1		**Stage 2**		**Stage 3**

Iteration

Execution

Customer Discovery STOP → **Customer Validation** STOP → **Customer Creation** STOP → **Company Building**

The Business Model Canvas

Designed for:

Designed by:

On:

Iteration:

Key Partners

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 Activities

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

Value Propositions

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?

Customer Relationships

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 Segments

For whom are we creating value?
Who are our most important customers?

Key Resources

What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

Channels

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?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

Cost Structure

What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

Revenue Streams

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?

The Business Model Canvas

Designed for:

Designed by:

On:

Iteration:

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this is what you're offering your customers

The Value Proposition Canvas

Designed for:

Designed by:

On: Day Month Year

Iteration: No.

Products & Services

List all the products and services your value proposition is built around.

Which products and services do you offer that help your customer get either a functional, social, or emotional job done, or help him/her satisfy basic needs?

Which ancillary products and services help your customer perform the roles of:

Buyer
(e.g. products and services that help customers compare offers, decide, buy, take delivery of a product or service, ...)

Co-creator
(e.g. products and services that help customers co-design solutions, otherwise contribute value to the solution, ...)

Transferrer
(e.g. products and services that help customers dispose of a product, transfer it to others, or resell, ...)

Products and services may either by tangible (e.g. manufactured goods, face-to-face customer service), digital/virtual (e.g. downloads, online recommendations), intangible (e.g. copyrights, quality assurance), or financial (e.g. investment funds, financing services).

Rank all products and services according to their importance to your customer. Are they crucial or trivial to your customer?

Gain Creators

Describe how your products and services create customer gains. How do they create benefits your customer expects, desires or would be surprised by, including functional utility, social gains, positive emotions, and cost savings?

Do they...

Create savings that make your customer happy?
(e.g. in terms of time, money and effort, ...)

Produce outcomes your customer expects or that go beyond their expectations?
(e.g. better quality level, more of something, less of something, ...)

Copy or outperform current solutions that delight your customer?
(e.g. regarding specific features, performance, quality, ...)

Make your customer's job or life easier?
(e.g. flatter learning curve, usability, accessibility, more services, lower cost of ownership, ...)

Create positive social consequences that your customer desires?
(e.g. makes them look good, produces an increase in power, status, ...)

Do something customers are looking for?
(e.g. good design, guarantees, specific or more features, ...)

Fulfill something customers are dreaming about?
(e.g. help big achievements, produce big reliefs, ...)

Produce positive outcomes matching your customers success and failure criteria?
(e.g. better performance, lower cost, ...)

Help make adoption easier?
(e.g. lower cost, less investments, lower risk, better quality, performance, design, ...)

Rank each gain your products and services create according to its relevance to your customer. Is it substantial or insignificant? For each gain indicate how often it occurs.

Pain Relievers

Describe how your products and services alleviate customer pains. How do they eliminate or reduce negative emotions, undesired costs and situations, and risks your customer experiences or could experience before, during, and after getting the job done?

Do they...

Produce savings?
(e.g. in terms of time, money, or efforts, ...)

Make your customers feel better?
(e.g. kills frustrations, annoyances, things that give them a headache, ...)

Fix underperforming solutions?
(e.g. new features, better performance, better quality, ...)

Put an end to difficulties and challenges your customers encounter?
(e.g. make things easier, helping them get done, eliminate resistance, ...)

Wipe out negative social consequences your customers encounter or fear?
(e.g. loss of face, power, trust, or status, ...)

Eliminate risks your customers fear?
(e.g. financial, social, technical risks, or what could go awfully wrong, ...)

Help your customers better sleep at night?
(e.g. by helping with big issues, diminishing concerns, or eliminating worries, ...)

Limit or eradicate common mistakes customers make?
(e.g. usage mistakes, ...)

Get rid of barriers that are keeping your customer from adopting solutions?
(e.g. lower or no upfront investment costs, flatter learning curve, less resistance to change, ...)

Rank each pain your products and services kill according to their intensity for your customer. Is it very intense or very light?

For each pain indicate how often it occurs. Risks your customer experiences or could experience before, during, and after getting the job done.

Gains

Describe the benefits your customer expects, desires or would be surprised by. This includes functional utility, social gains, positive emotions, and cost savings.

Which savings would make your customer happy?
(e.g. in terms of time, money and effort, ...)

What outcomes does your customer expect and what would go beyond his/her expectations?
(e.g. quality level, more of something, less of something, ...)

How do current solutions delight your customer?
(e.g. specific features, performance, quality, ...)

What would make your customer's job or life easier?
(e.g. flatter learning curve, more services, lower cost of ownership, ...)

What positive social consequences does your customer desire?
(e.g. makes them look good, increase in power, status, ...)

What are customers looking for?
(e.g. good design, guarantees, specific or more features, ...)

What do customers dream about?
(e.g. big achievements, big reliefs, ...)

How does your customer measure success and failure?
(e.g. performance, cost, ...)

What would increase the likelihood of adopting a solution?
(e.g. lower cost, less investments, lower risk, better quality, performance, design, ...)

Pains

Describe negative emotions, undesired costs and situations, and risks that your customer experiences or could experience before, during, and after getting the job done.

What does your customer find too costly?
(e.g. takes a lot of time, costs too much money, requires substantial efforts, ...)

What makes your customer feel bad?
(e.g. frustrations, annoyances, things that give them a headache, ...)

How are current solutions underperforming for your customer?
(e.g. lack of features, performance, malfunctioning, ...)

What are the main difficulties and challenges your customer encounters?
(e.g. understanding how things work, difficulties getting things done, resistance, ...)

What negative social consequences does your customer encounter or fear?
(e.g. loss of face, power, trust, or status, ...)

What risks does your customer fear?
(e.g. financial, social, technical risks, or what could go awfully wrong, ...)

What's keeping your customer awake at night?
(e.g. big issues, concerns, worries, ...)

What common mistakes does your customer make?
(e.g. usage mistakes, ...)

What barriers are keeping your customer from adopting solutions?
(e.g. upfront investment costs, learning curve, resistance to change, ...)

Customer Job(s)

Describe what a specific customer segment is trying to get done. It could be the tasks they are trying to perform and complete, the problems they are trying to solve, or the needs they are trying to satisfy.

What functional jobs are you helping your customer get done?
(e.g. perform or complete a specific task, solve a specific problem, ...)

What social jobs are you helping your customer get done?
(e.g. trying to look good, gain power or status, ...)

What emotional jobs are you helping your customer get done?
(e.g. esthetics, feel good, security, ...)

What basic needs are you helping your customer satisfy?
(e.g. communication, sex, ...)

Besides trying to get a core job done, your customer performs ancillary jobs in different roles. Describe the jobs your customer is trying to get done as:

Buyer (e.g. trying to look good, gain power or status, ...)

Co-creator (e.g. esthetics, feel good, security, ...)

Transferrer (e.g. products and services that help customers dispose of a product, transfer it to others, or resell, ...)

Rank each job according to its significance to your customer. Is it crucial or is it trivial? For each job indicate how often it occurs.

Outline in which specific context a job is done, because that may impose constraints or limitations.
(e.g. while driving, outside, ...)

Rank each pain according to the intensity it represents for your customer.
Is it very intense or is it very light? For each pain indicate how often it occurs.

design

observe

Use in Conjunction with the Business Model Canvas

How does your Product
Get to Customers?

The CUSTOMER

Physical Channels

WEB/Mobile Channels

Our Company

3. CHANNELS

How does the product get from our company to the Customer?
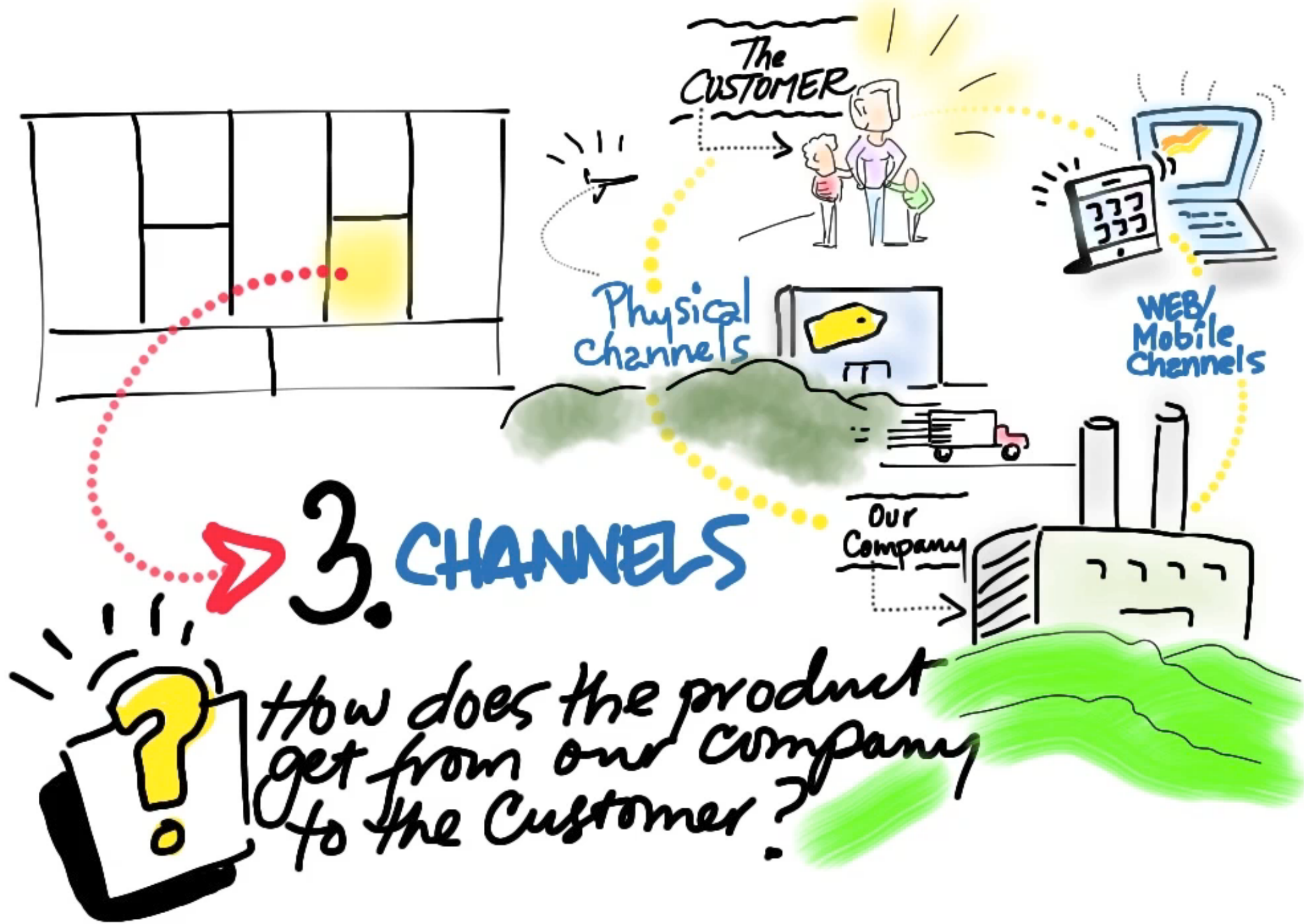
Physical versus Virtual Channels

Channel

Product

	BITS/VIRTUAL	PHYSICAL
BITS/VIRTUAL		
PHYSICAL		

- Food
- Household Goods

- Autos
- Planes

Channel

Product

	BITS/VIRTUAL	PHYSICAL
BITS/VIRTUAL		• Insurance • Stocks and Bonds • Enterprise Software • Shrinkwrap Software
PHYSICAL		• Food • Household Goods • Autos • Planes

HEALTH INSURANCE

STOCK

SOFTWARE SOFTWARE

Channel

Product

BITS/VIRTUAL — PHYSICAL

- Insurance
- Stocks and Bonds
- Enterprise Software
- Shrinkwrap Software

HEALTH INSURANCE

STOCK

SOFTWARE SOFTWARE

- Consumer Electronics
- Movies (Netflix)
- Books (Amazon)
- Shoes (Zappos)

NETFLIX NETFLIX

- Food
- Household Goods
- Autos
- Planes

The SECOND INDUSTRIAL REVOLUTION!

Channel → **FASTER**
- TESTING
- ADAPTABILITY to CHANGE
- OPTIMIZATION

Product

BITS/VIRTUAL — **PHYSICAL**

BITS/VIRTUAL quadrant:
- Google
- f (Facebook)

PHYSICAL (Channel) quadrant:
- Insurance
- Stocks and Bonds
- Enterprise Software
- Shrinkwrap Software
- HEALTH INSURANCE
- STOCK
- SOFTWARE SOFTWARE

BITS/VIRTUAL (Product) quadrant:
- CONSUMER ELECTRONICS
- MOVIES (Netflix)
- BOOKS (Amazon)
- SHOES (Zappos)
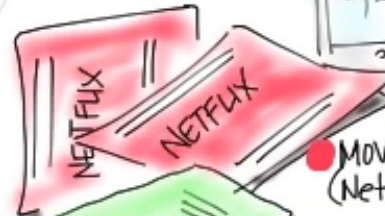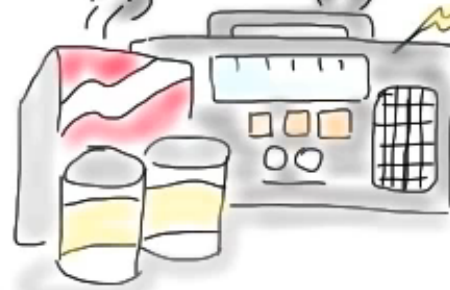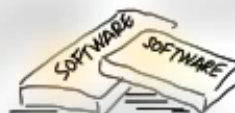
PHYSICAL quadrant:
- Food
- Household Goods
- Autos
- Planes

How Do You Want Your Product to Get to Your Customer?

Physical Distribution

Web Distribution

Our Company

Dedicated E-Commerce
Your company's

Platform App Store
Apple, Android...

2-Step Distribution
Amazon, Walmart

Aggregator
Lendingtree, Zappos

Social Commerce
Facebook, Twitter

Flash Sales
Groupon
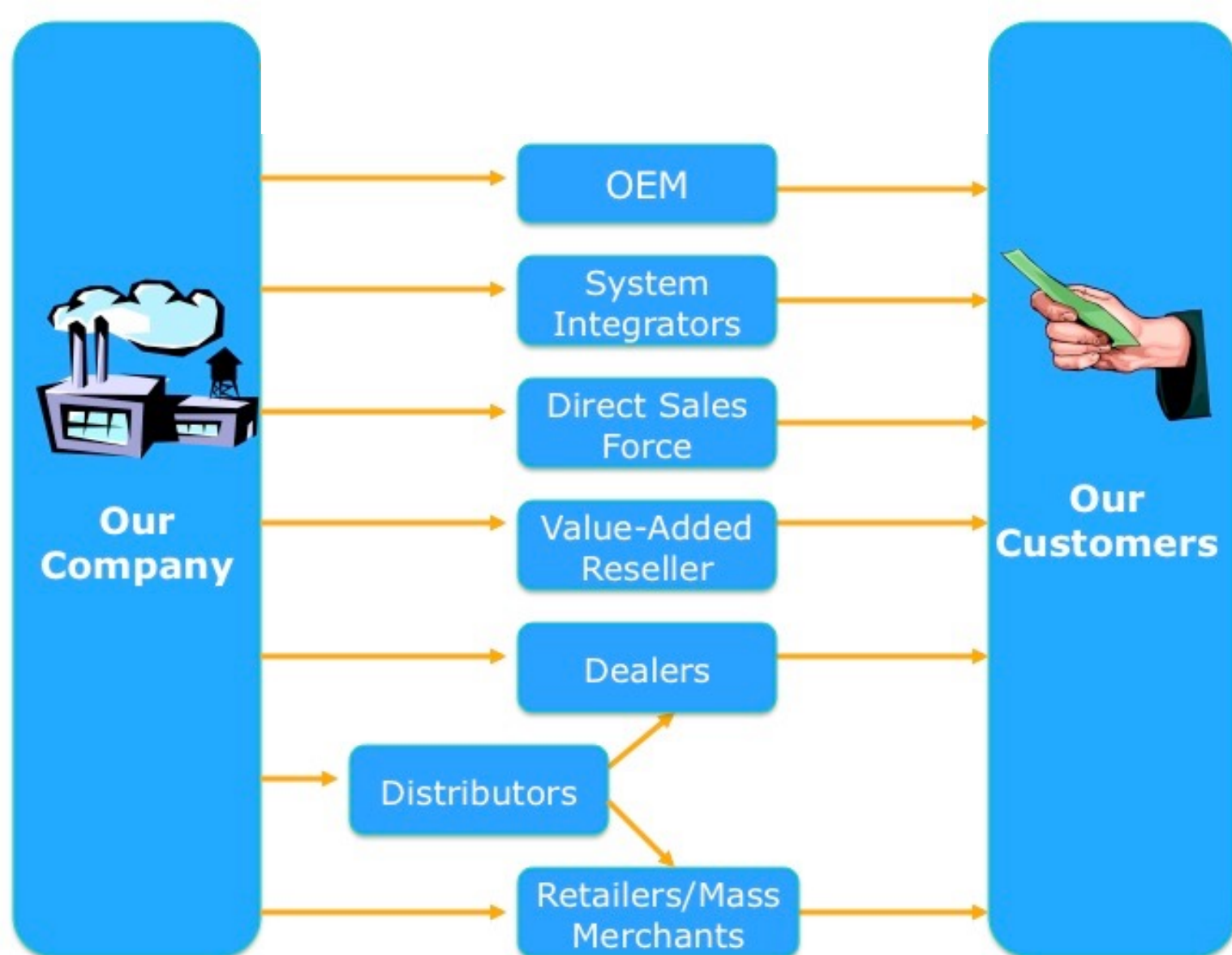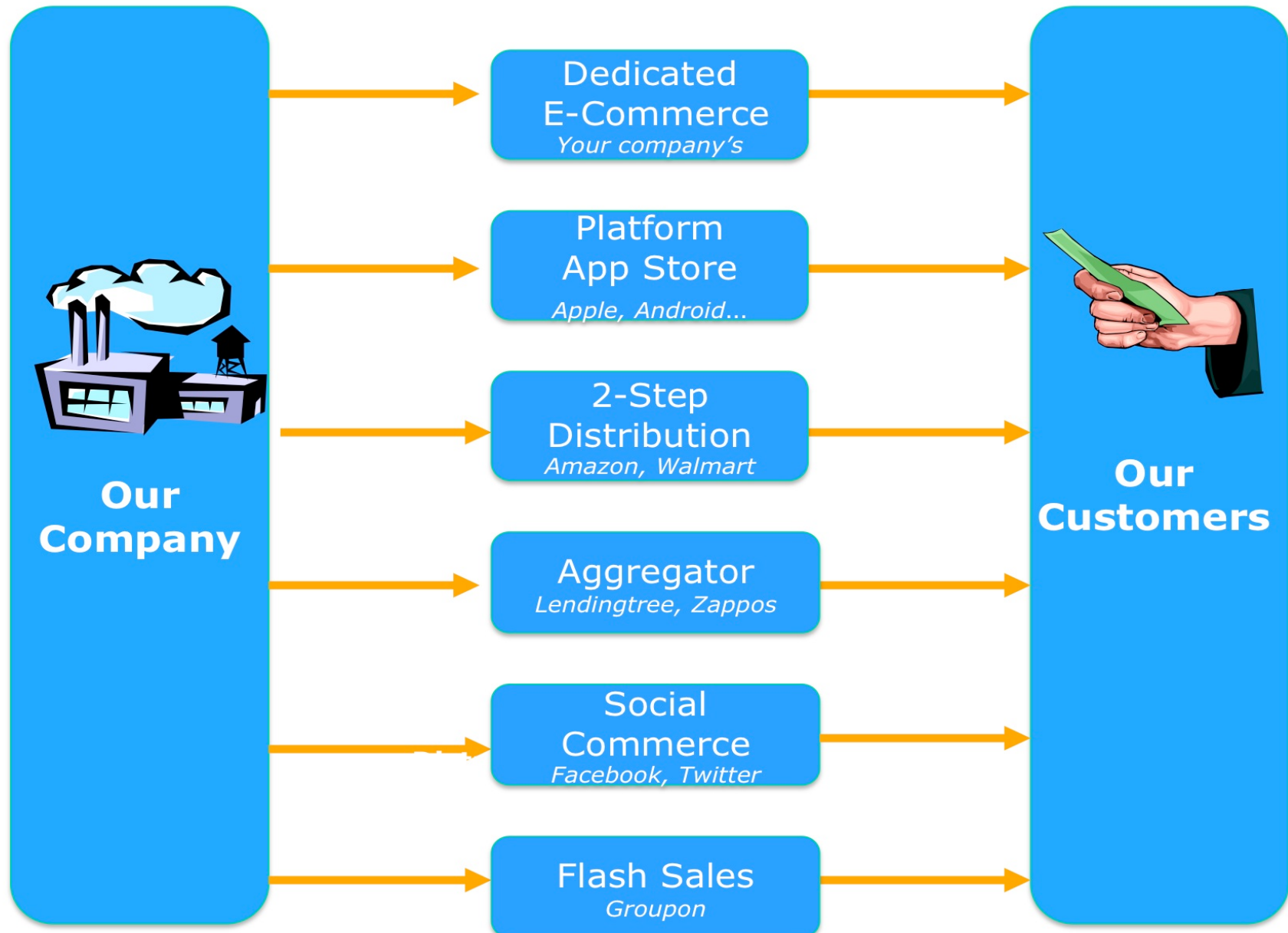
Our Customers

How Does Your Customer Want to Buy Your Product from your Channel?

- Same day

- Delivered and installed

- Downloaded

- Bundled with other products

- As a service

- …

Types of Channels

Direct

Indirect

Licensing

How Do the Economics Work in Different Sales Channel?

How Are Channels Compensated?

- Commission
- Percentage of sales price
- Discounted pre-purchase

Channel Economics: "Direct" Sales

List Price

Your Revenue

Cost of Goods (Supply Chain)

Profit + SG&A + R&D

Discounts

End Consumer

Source: Mark Leslie, Stanford GSB
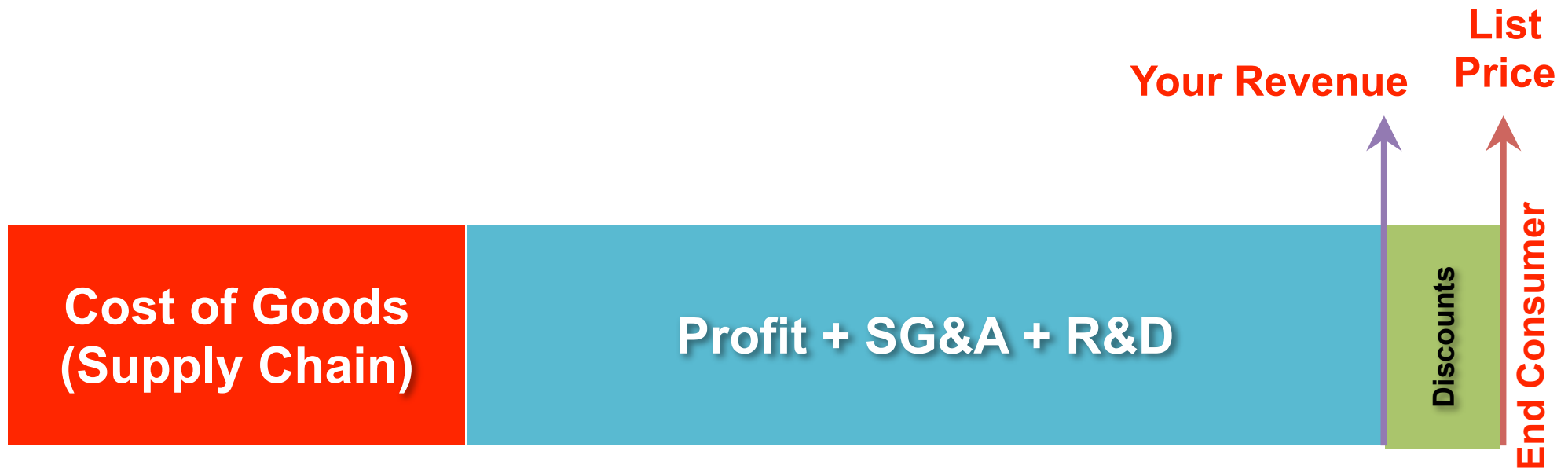
Channel Economics: Resellers

List
Price

Your Revenue

| Cost of Goods (Supply Chain) | Profit + SG&A + R&D | Reseller | Discounts | End Consumer |

Source: Mark Leslie, Stanford GSB
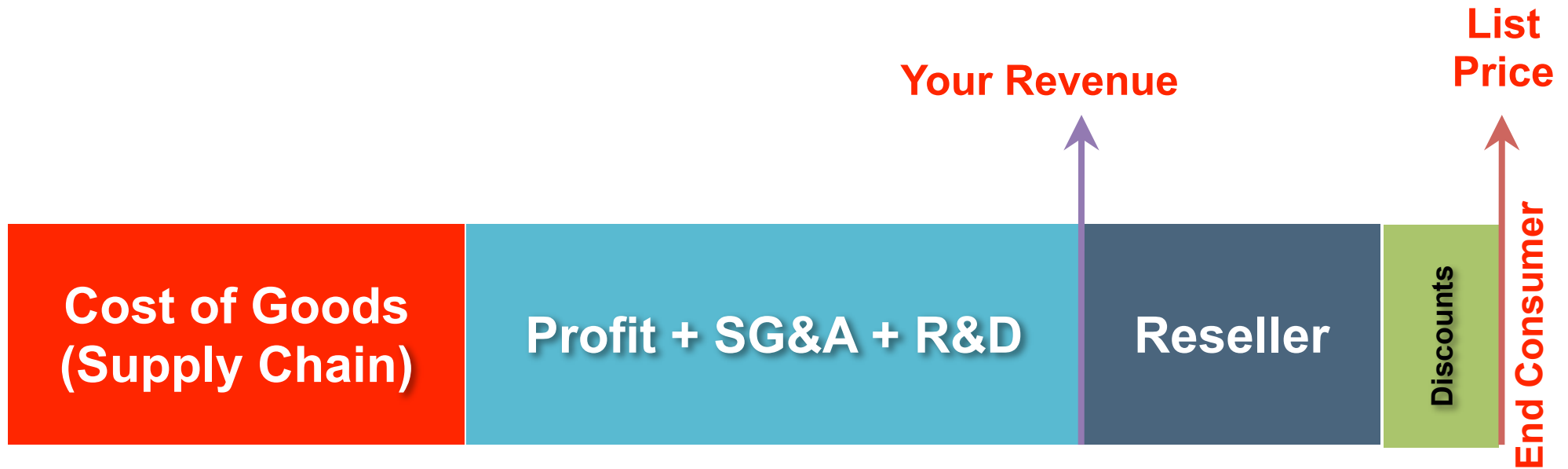
Channel Economics: Distributors/Resellers

Source: Mark Leslie, Stanford GSB

Channel Economics: OEM or IP Licensing

List Price

Your Revenue

Cost of Goods (Supply Chain) | Profit + SG&A + R&D | Master Distributor | Distributor | Reseller | Discounts

End Consumer

Cost of Goods (Supply Chain) | Profit + SG&A + R&D | Reseller
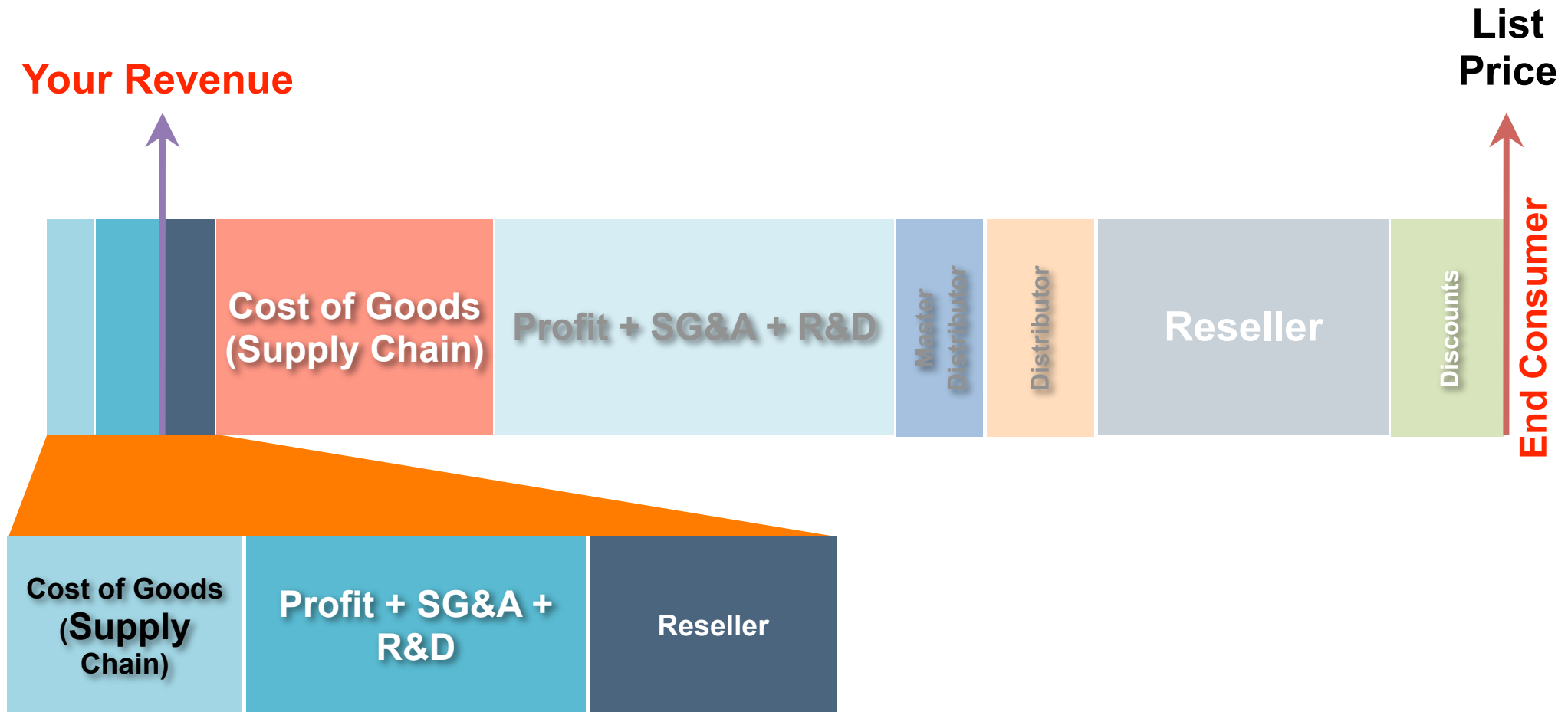
Your Product Becomes Your Customer's Cost of Goods

How Are Channels Motivated or Incentivated?

- Money! – Margin (what makes them the most?)
- Training - Knowledge and added value tools/content
- Marketing to the channel - Materials that enable more sales
- SPIF - Sales Performance Incentive Fund directly to the team
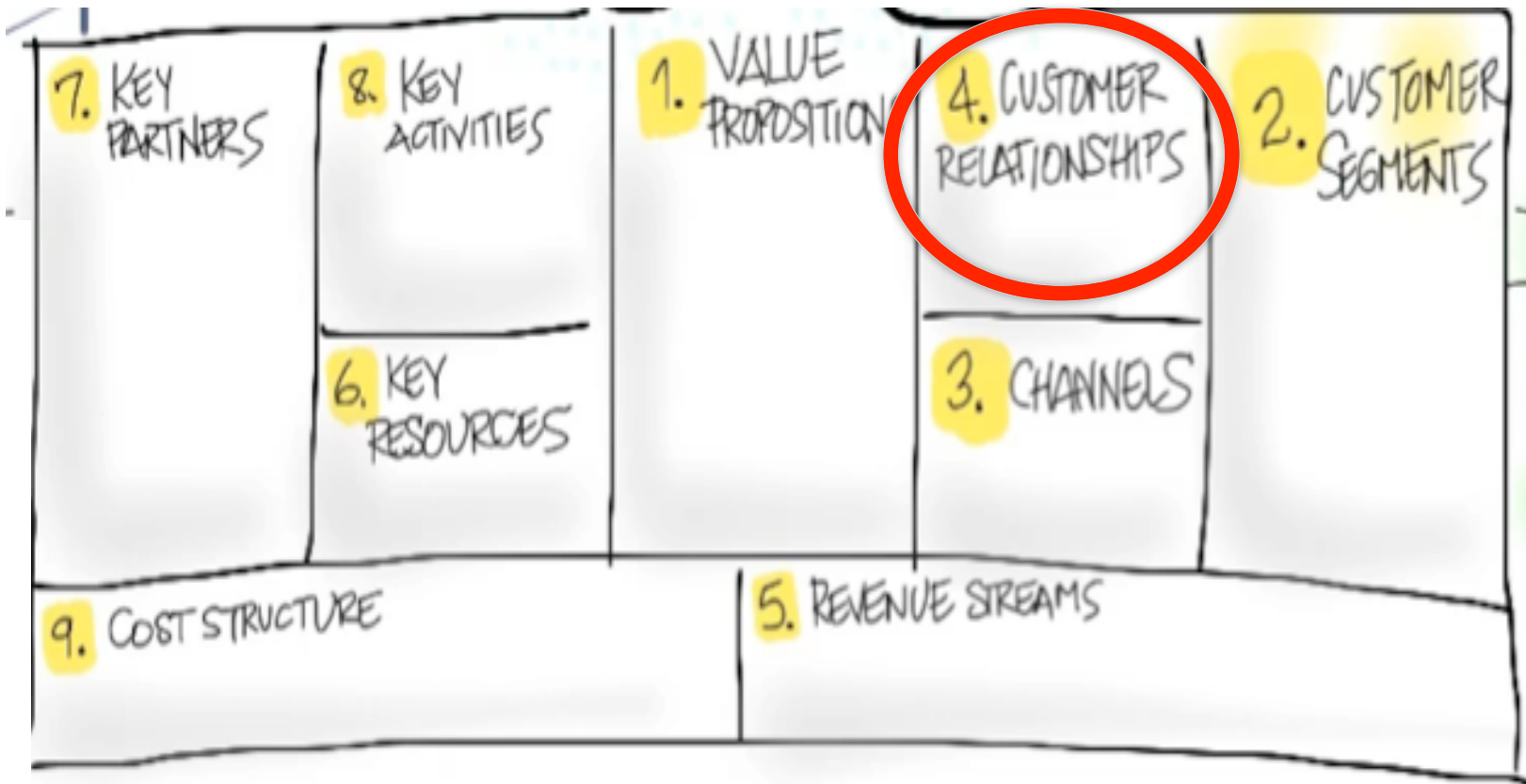
Customer Relationships
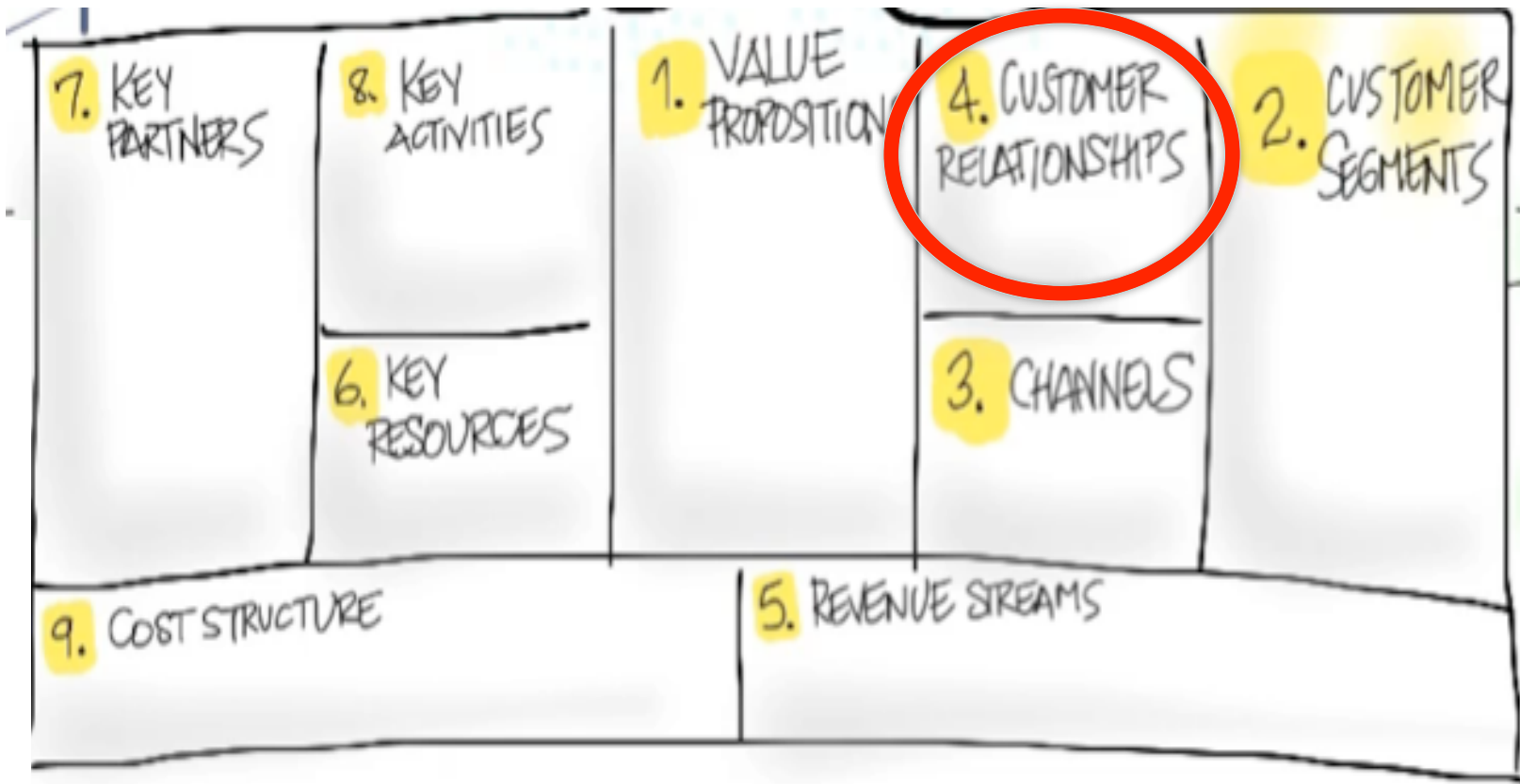
Customer Relationships

How do you Get, Keep and Grow Customers?

4. CUSTOMER - RELATIONSHIPS
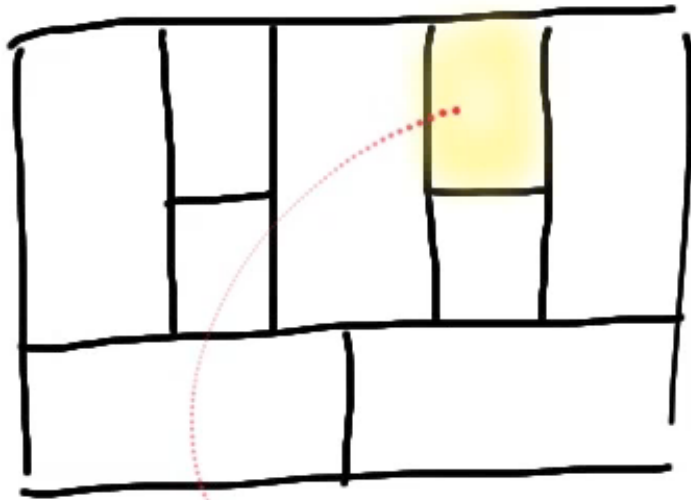
How does a company GET, KEEP & GROW CUSTOMERS?

GET

KEEP

GROW

VIRAL LOOP

VIRAL LOOP
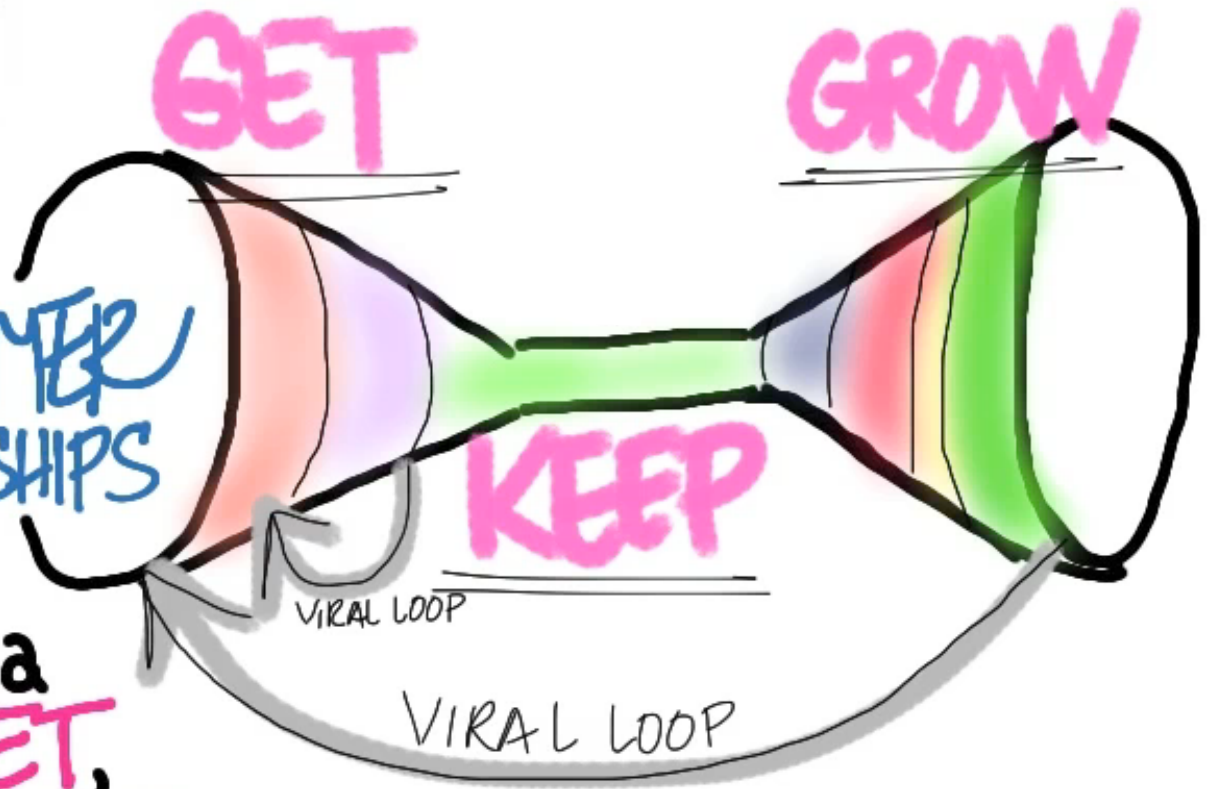
Customer Relationships
Physical & Web Mobile **Are Different**
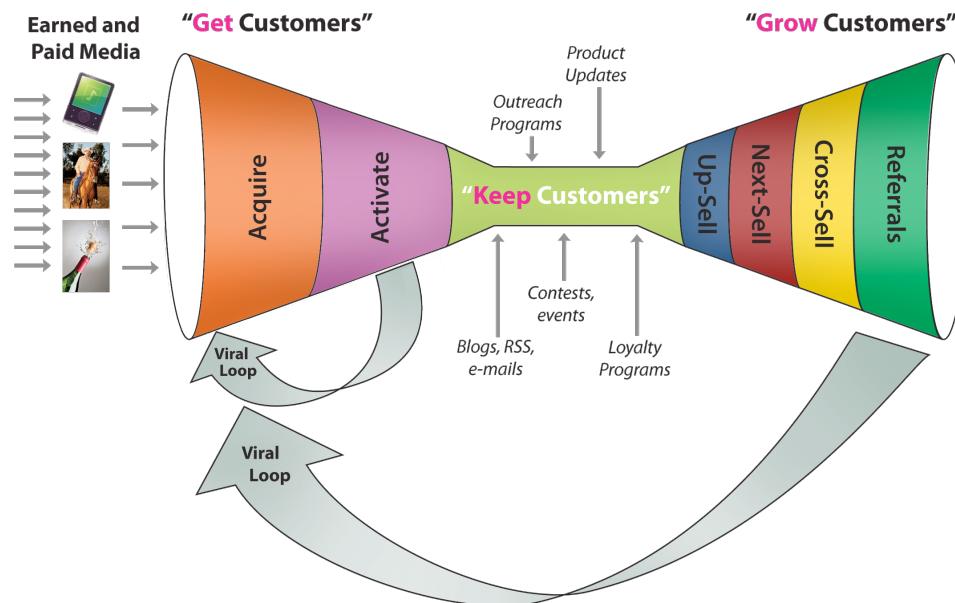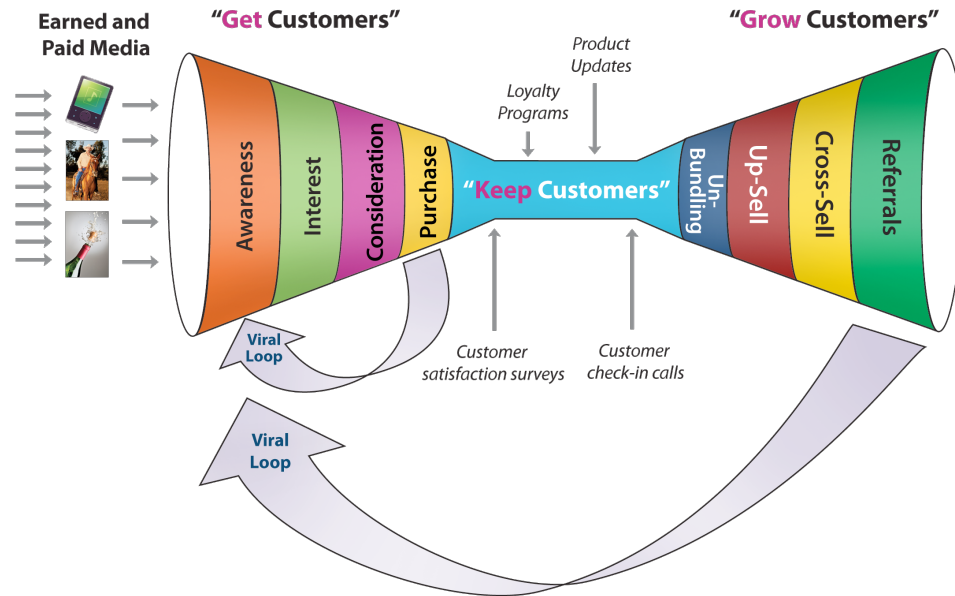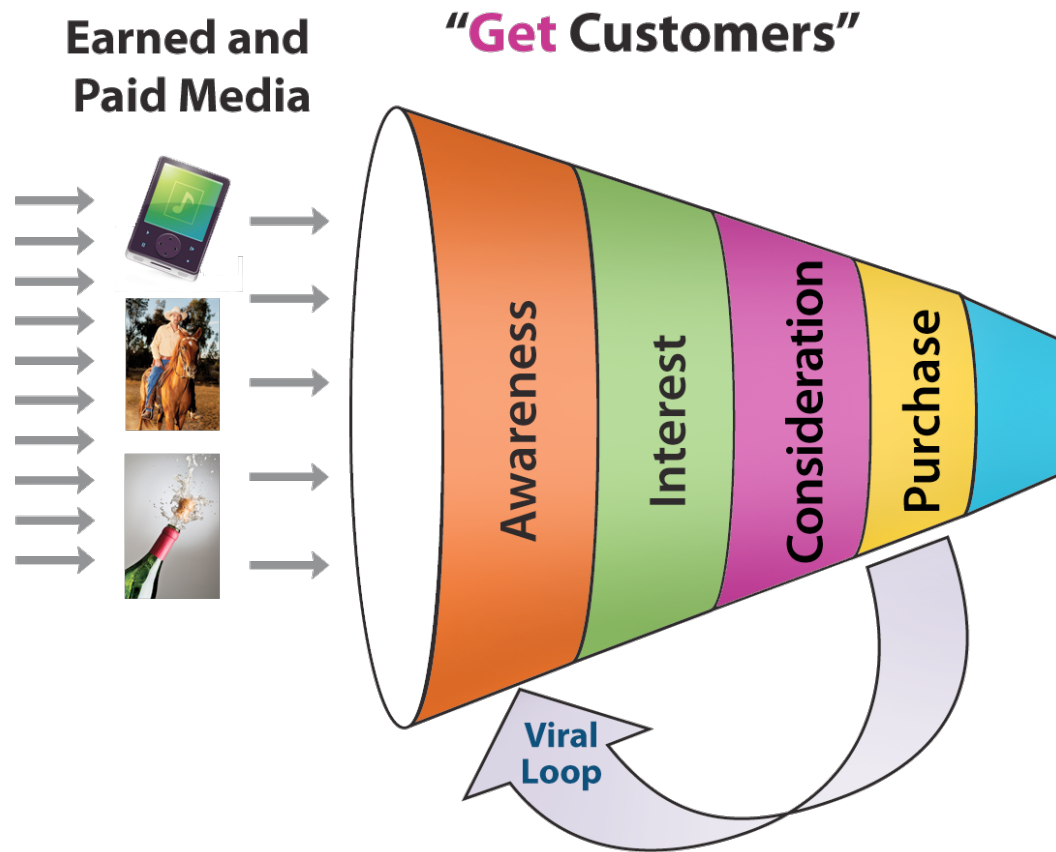
Earned and Paid Media — "**Get** Customers" — "**Grow** Customers"

Top funnel: Awareness | Interest | Consideration | Purchase | "**Keep** Customers" | Un-Bundling | Up-Sell | Cross-Sell | Referrals

Loyalty Programs — Product Updates

Viral Loop — Viral Loop

Customer satisfaction surveys — Customer check-in calls

Bottom funnel: Acquire | Activate | "**Keep** Customers" | Up-Sell | Next-Sell | Cross-Sell | Referrals

Outreach Programs — Product Updates

Blogs, RSS, e-mails — Contests, events — Loyalty Programs

Viral Loop — Viral Loop

Customer Relationships
Physical Products – Get Customers

Customer Relationships
Physical Products – Get Customers
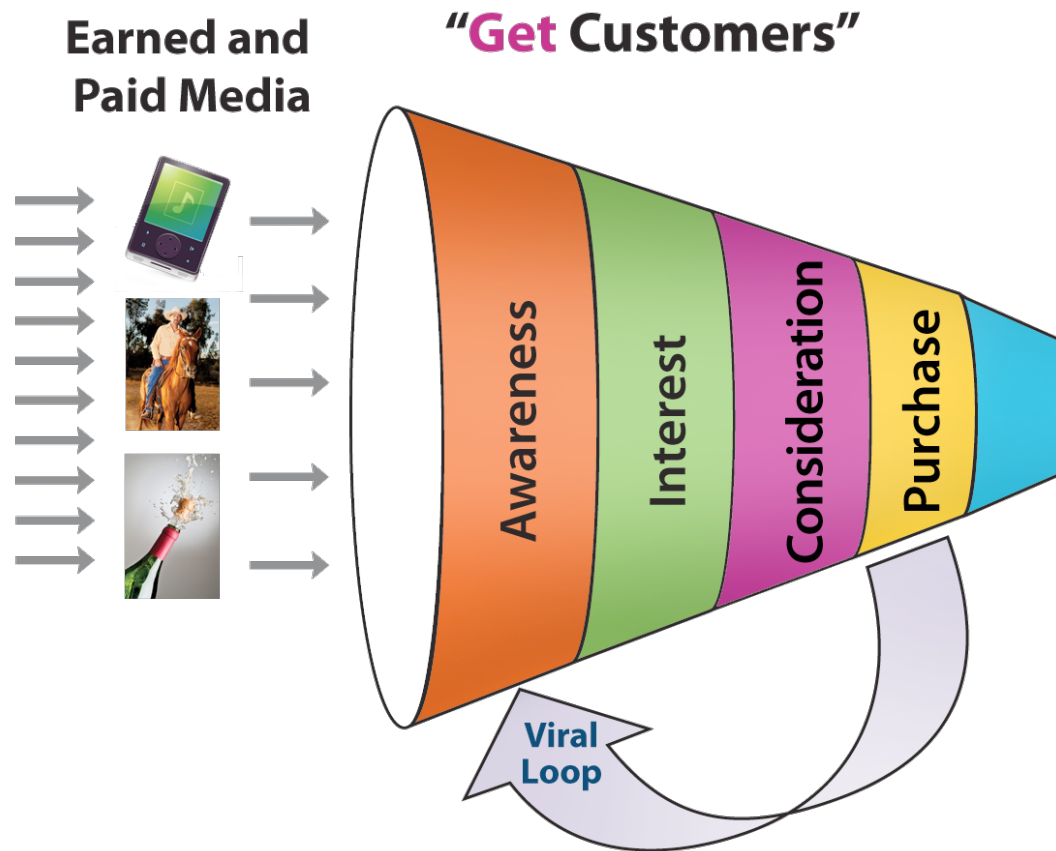
Customer Relationships
Physical Products – Get Customers
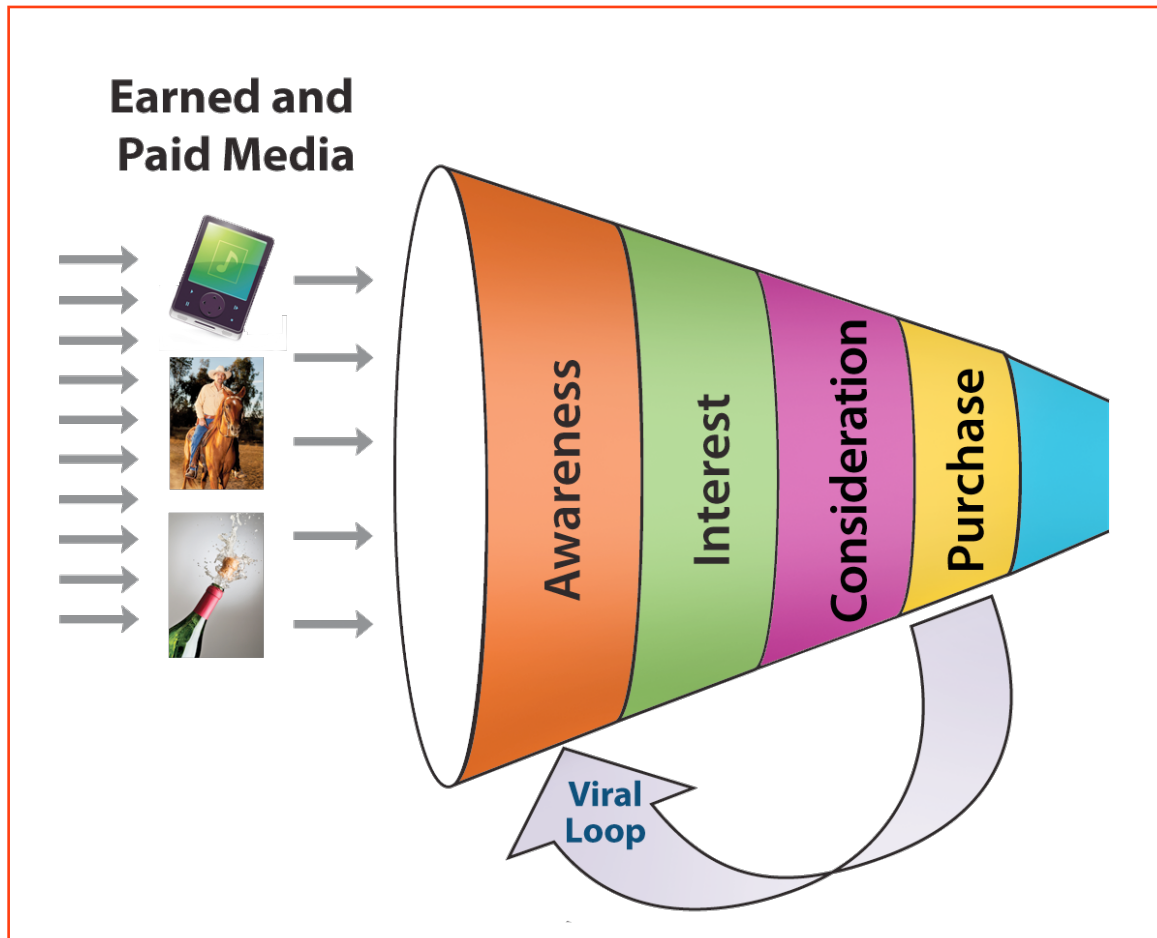
CAC =
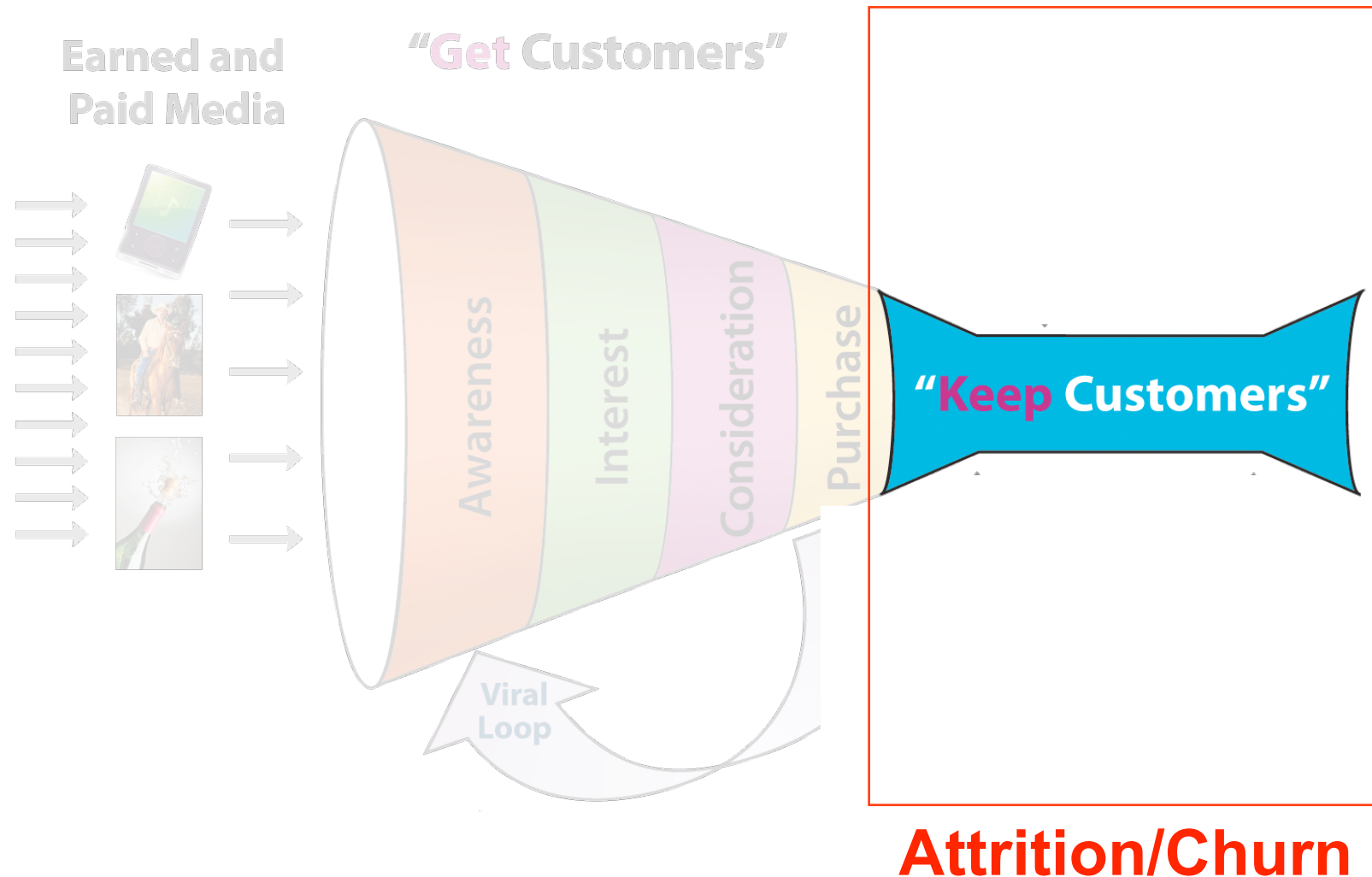**Customer Acquisition Cost**

Customer Relationships
Physical Products – Keep Customers
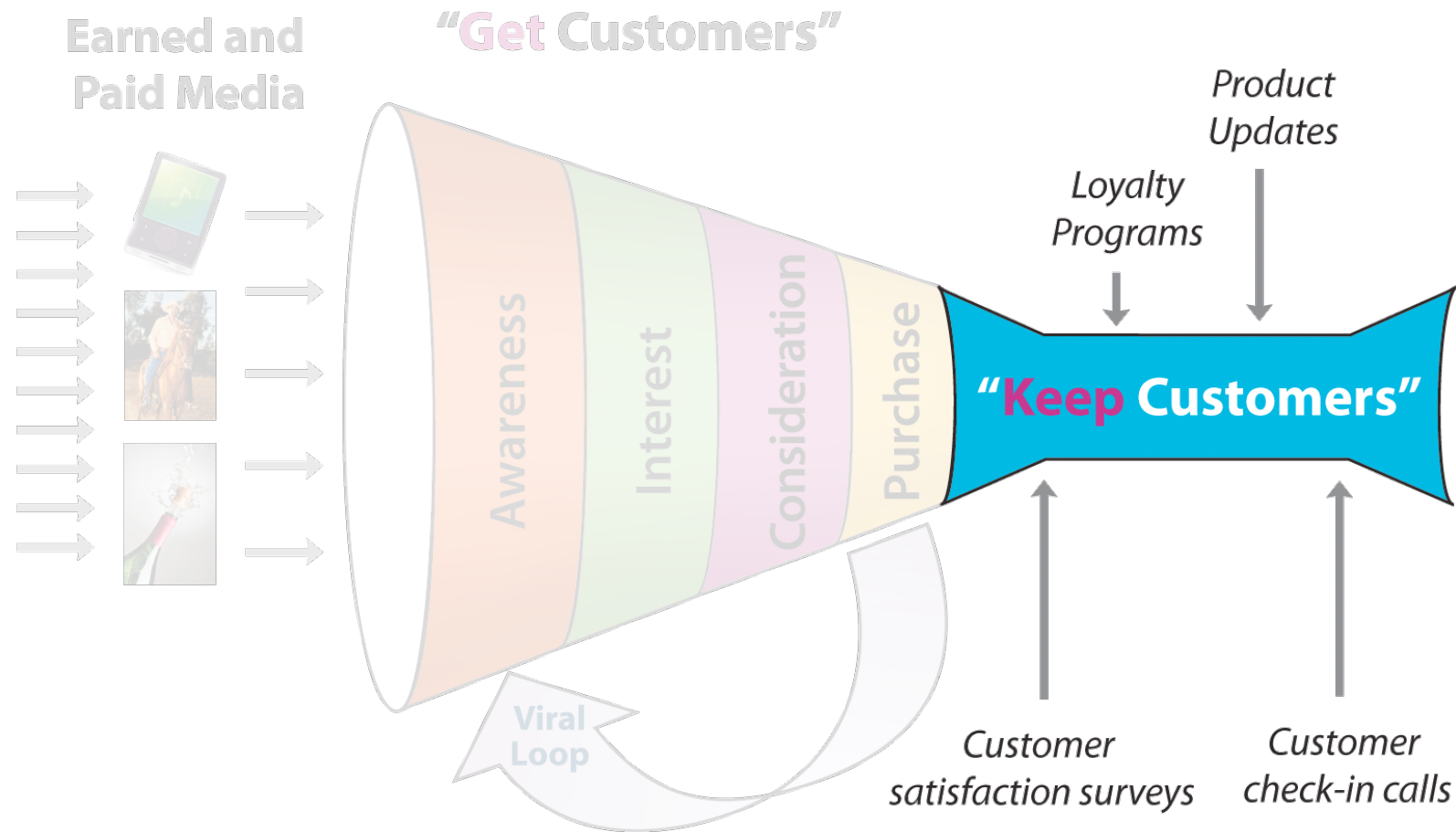
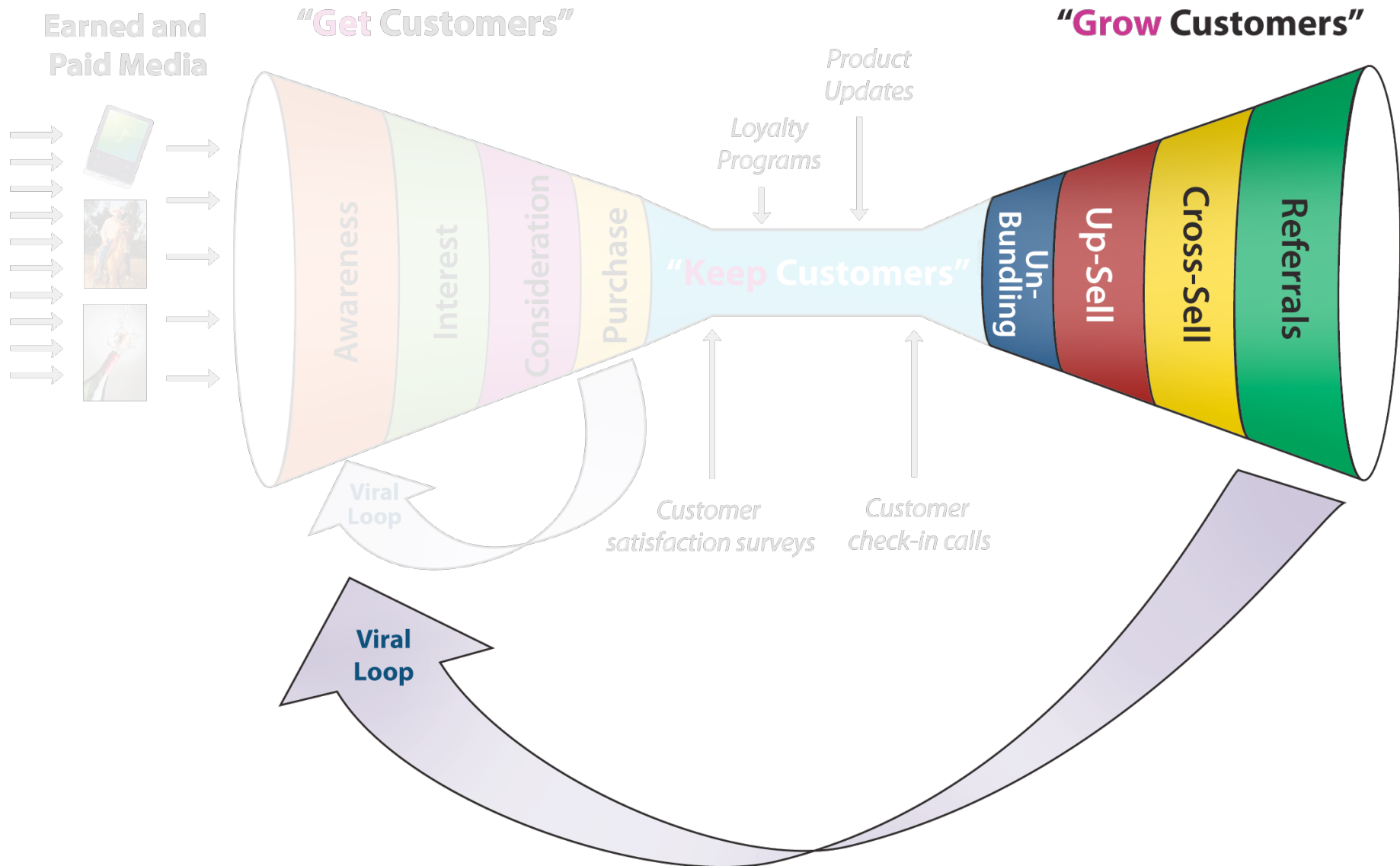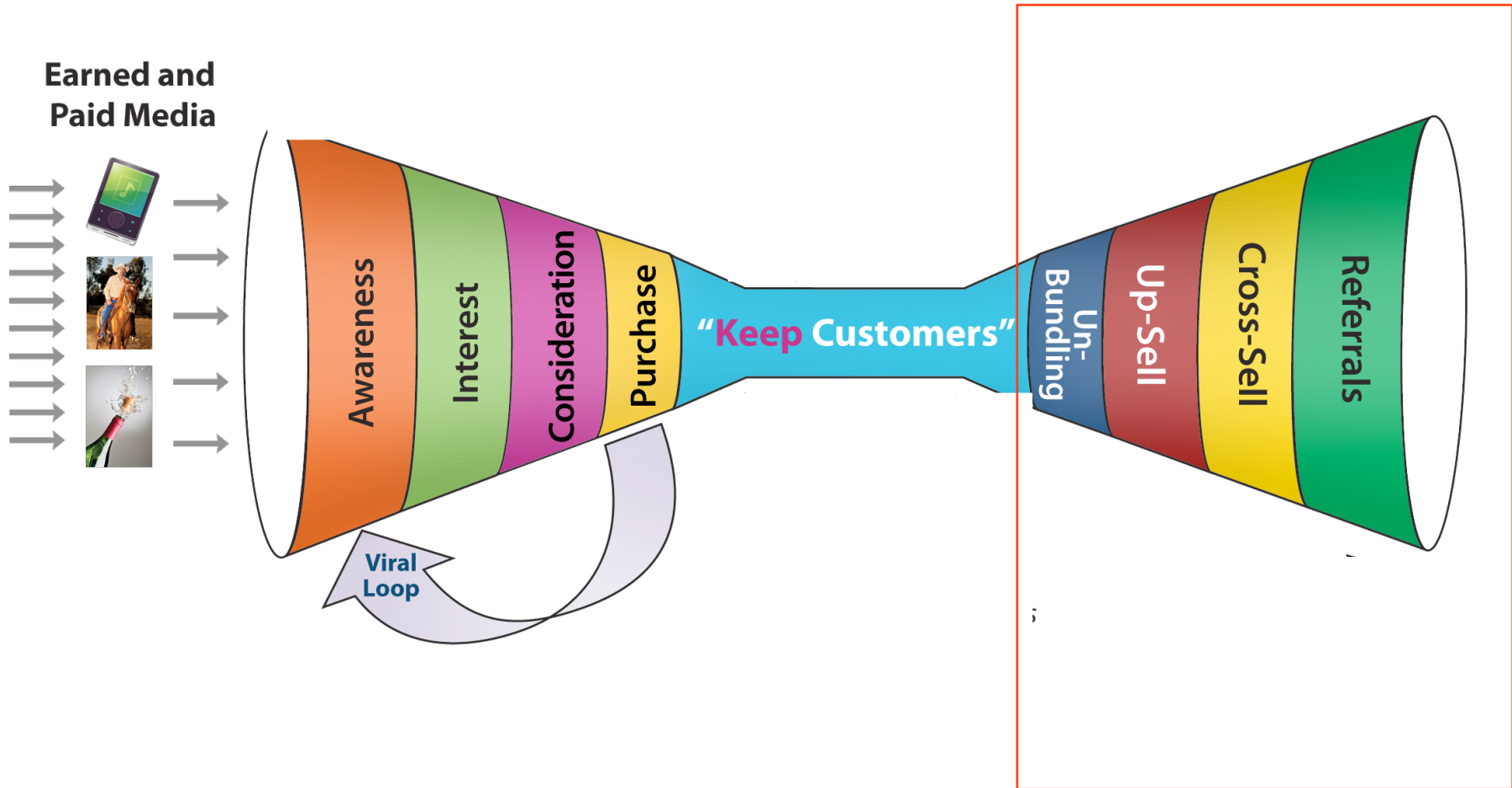Earned and Paid Media

"Get Customers"

Awareness

Interest

Consideration

Purchase

"Keep Customers"

Loyalty Programs

Product Updates

Customer satisfaction surveys

Customer check-in calls

Viral Loop

Customer Relationships
Physical Products – **Keep Customers**

Earned and
Paid Media

"Get Customers"

Awareness

Interest

Consideration

Purchase

"**Keep** Customers"

Viral
Loop

Attrition/Churn

Customer Relationships
Physical Products – Grow Customers

Customer Relationships
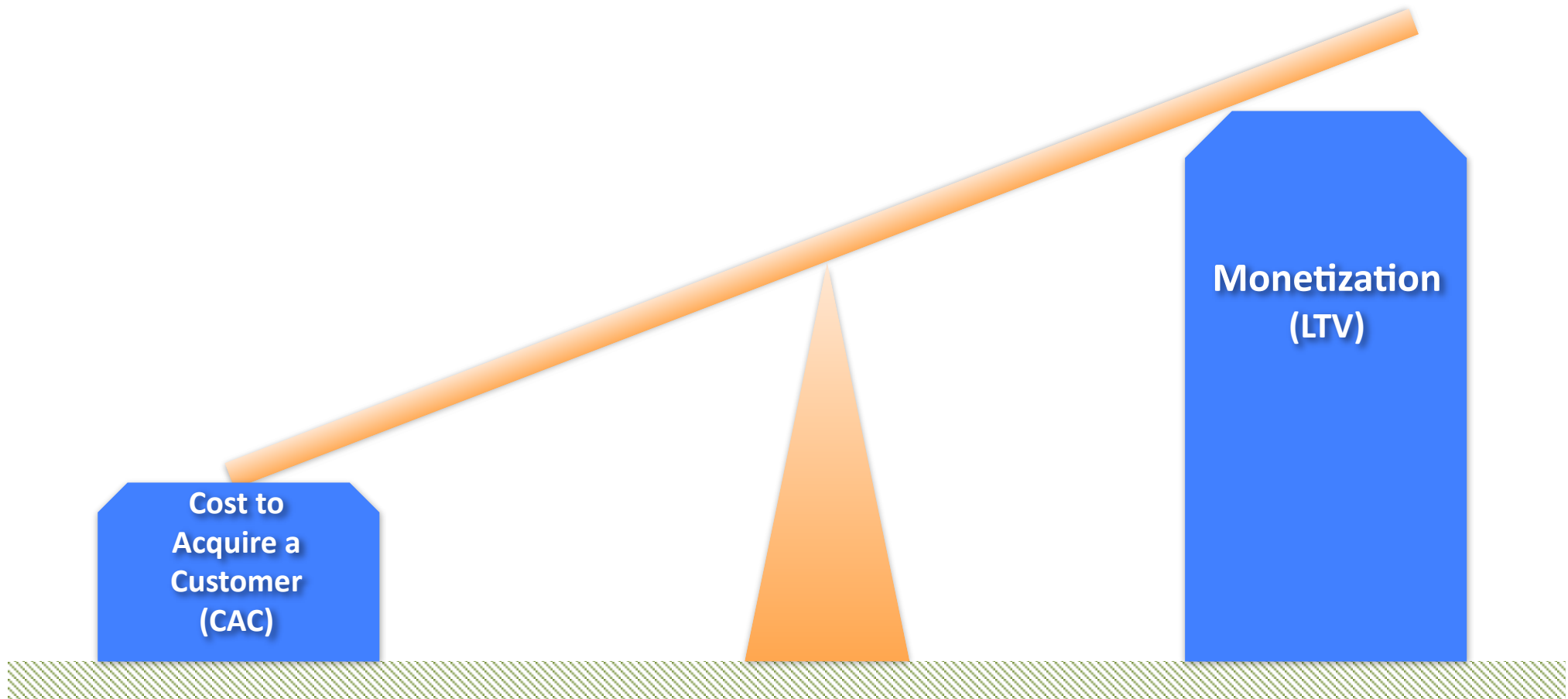## Physical Products – Grow Customers

Earned and Paid Media

Awareness | Interest | Consideration | Purchase

"Keep Customers"

Un-Bundling | Up-Sell | Cross-Sell | Referrals

Viral Loop

LTV = Customer Lifetime Value

What Investors are Looking For

A well *balanced* business model

Cost to Acquire a Customer (CAC)

Monetization (LTV)

APPLIED ENTREPRENEURSHIP

THANK YOU.

NOVA SCHOOL OF
BUSINESS & ECONOMICS