Entrepreneurial Frameworks and Concepts:

Help to minimize risk and increase opportunity for success

Consider how you could leverage these in your discussions with your Mentor Team

Topics Covered

Designing for Value and Product Market Fit

Investors, and Investor Presentations

Key Connected Methodologies – Design Thinking and Business Model Canvass, Lean StartUp, Agile, SWOT

Designing for Value and Product Market Fit

What is a Startup?

A **startup** is a company or project initiated by an entrepreneur to seek, effectively develop, and validate a scalable business model.

"A human institution designed to create new products and services under conditions of extreme **uncertainty**." – Eric Ries

*"A startup is an organization formed to **search** for a repeatable and scalable business model."* – Steve Blank
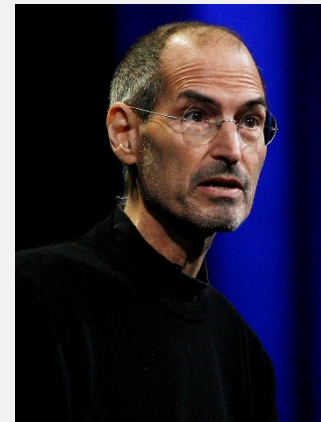
An **entrepreneur** is a person who organizes and operates a business or businesses, taking on greater than normal financial risks in order to do so.

Think of the products or services you love …

Why do you love them?

They provide Value

Think of the products you don't love

Why don't you love them?

46% of new product launches fail

75% do not meet revenue goals

72% fail expectations

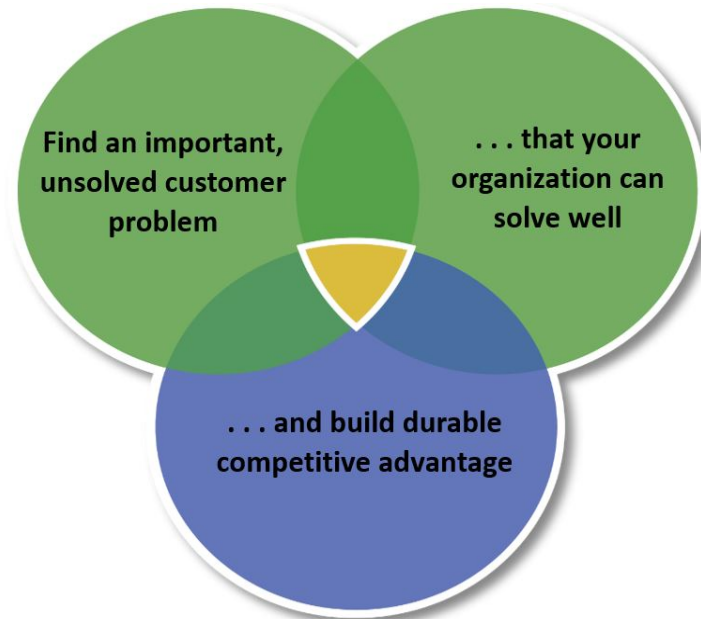**2yr.** average lifespan of "successful" products

2017's Startup Graveyard:
11 failed companies, $1B in VC funding

Build products for problems that are urgent, pervasive and that the market will pay to solve.

Solve for Delivering Sustainable Value

Three requirements for delivering value:

Find an important, unsolved customer problem

. . . that your organization can solve well

. . . and build durable competitive advantage

"The test of innovation lies not in its novelty, its scientific content or its cleverness. It lies in *success* in the *marketplace."* - Peter Drucker

"You've got to start with the customer experience and needs and work back toward the technology – not the other way around." – Steve Jobs

"We must learn what customers really need, not what they say they want or what we think they should want. What if we found ourselves building something that nobody wanted? In that case what did it matter if we did it on time or on budget?" – Eric Ries, The Lean Startup
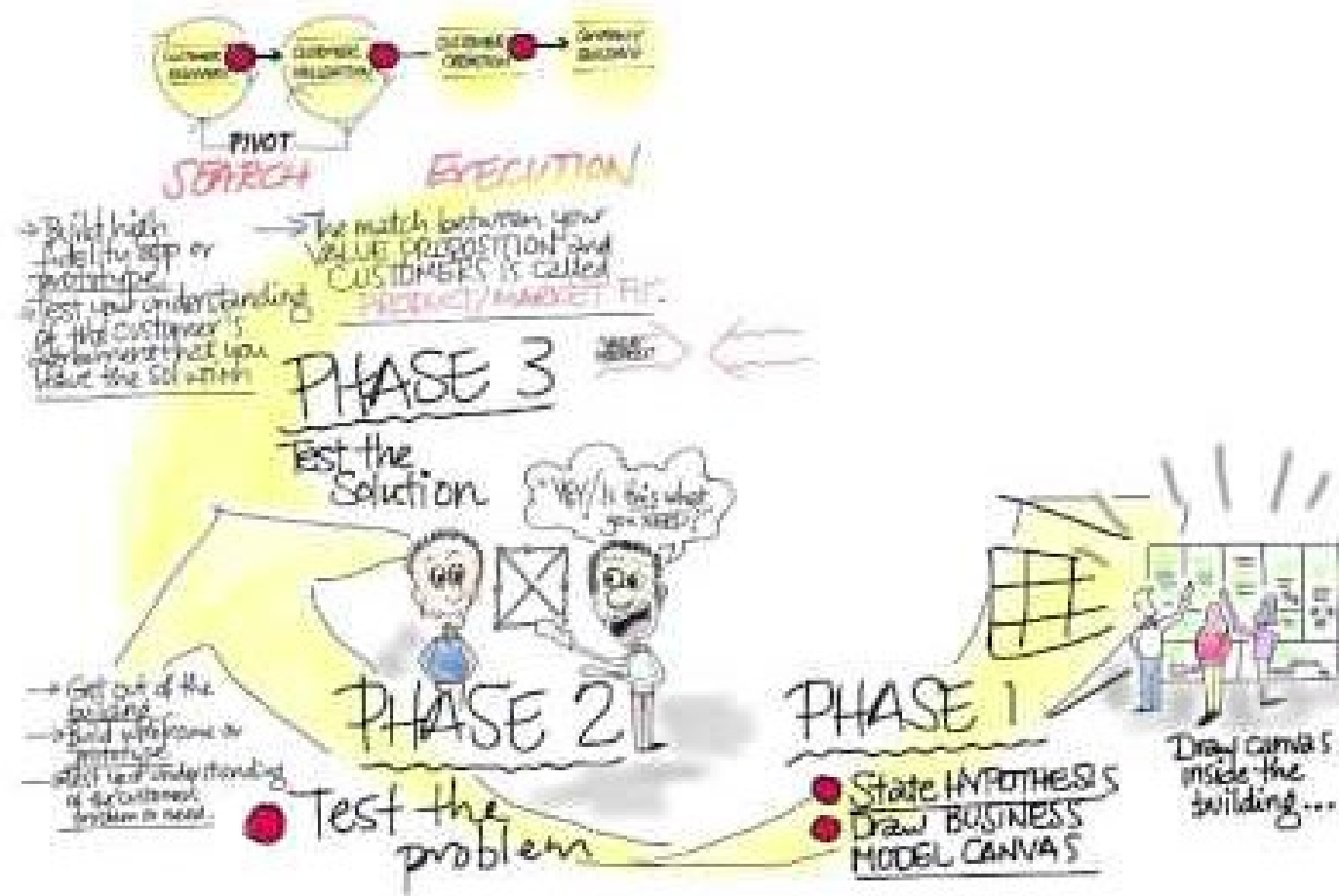
Start with Focus on Product-Market Fit

Build products for problems that are urgent, pervasive and that the market will pay to solve.

Product:
- UX
- Feature Set
- Value Proposition

Product-Market Fit

Market:
- Underserved Needs
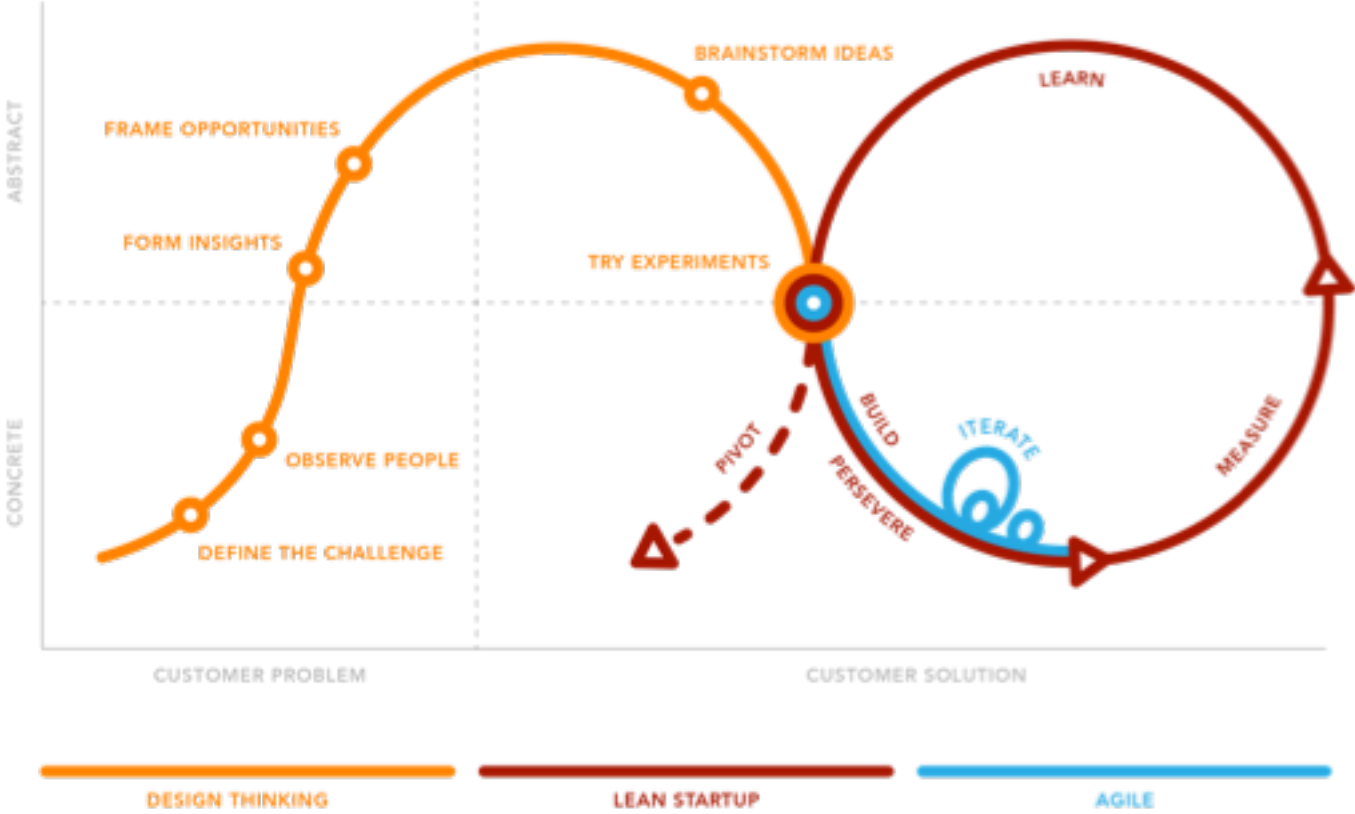- Target Customer

1. Be in a good market

2. Build something that customers in that market need and want

3. Satisfy customer needs and deliver value in a way that is better than alternatives

Use the frameworks of *design thinking, business model canvass, lean startup, agile, SWOT* during your journey to achieve Product-Market Fit
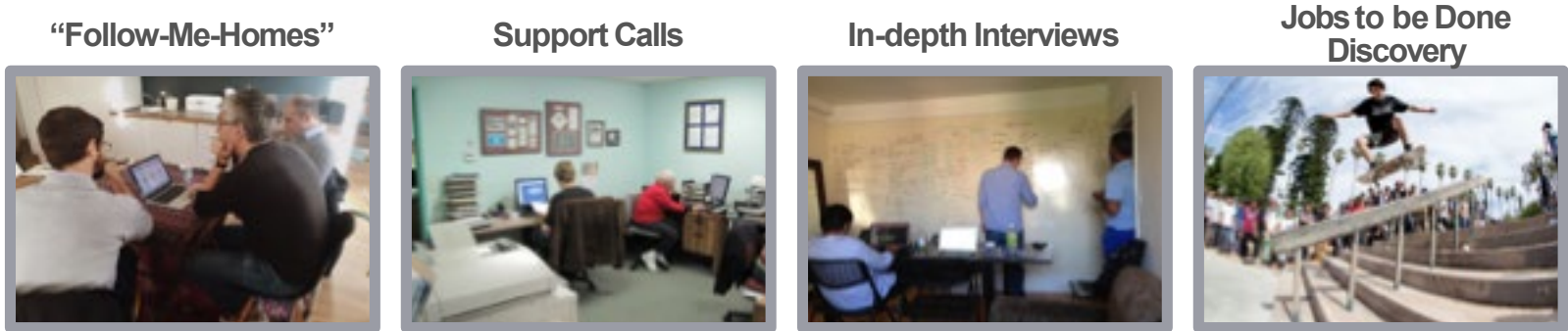
Continuous Customer Discovery

3 Connected Methodologies
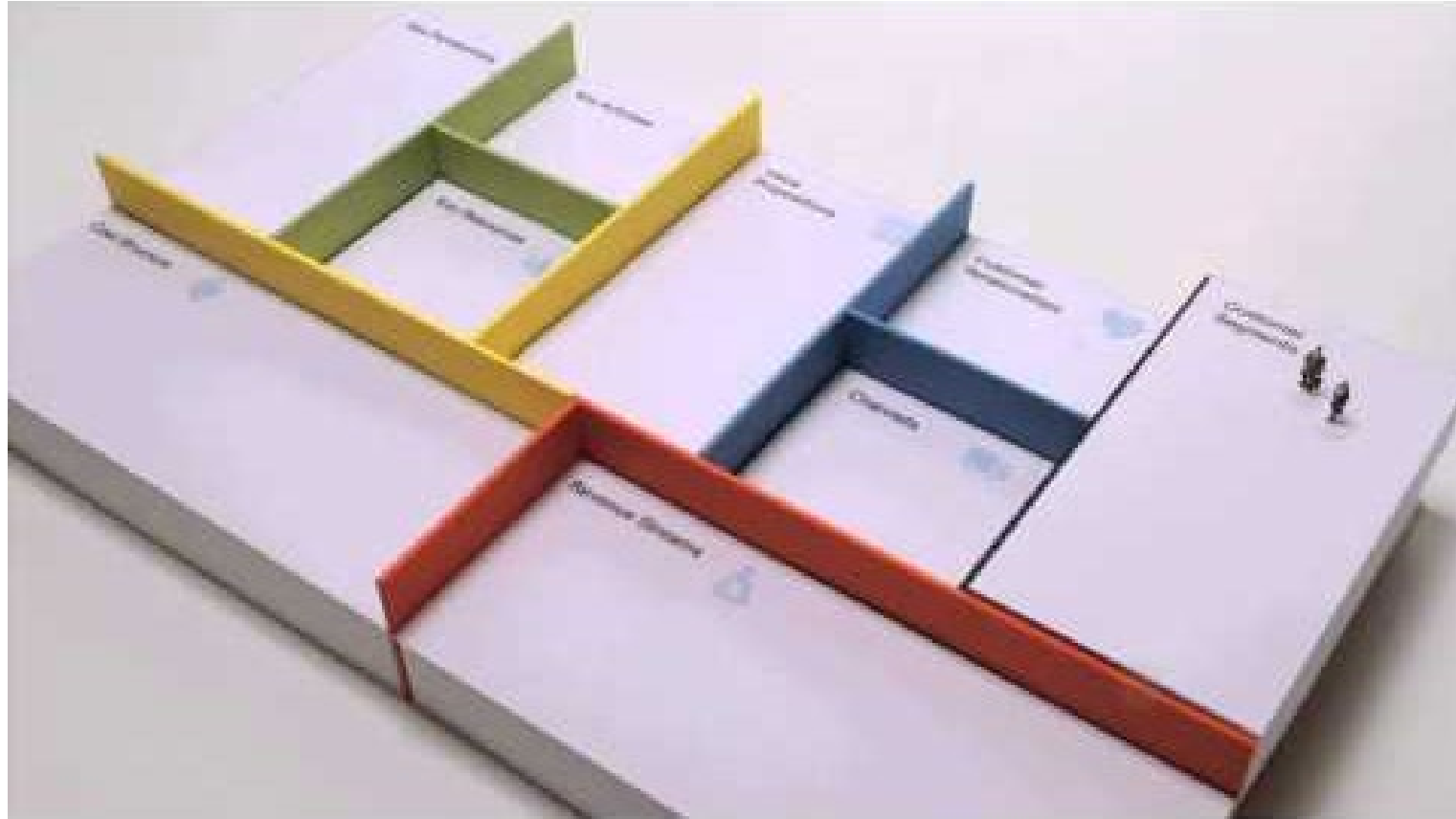
Design Thinking Methodology

"Follow-Me-Homes"

Support Calls

In-depth Interviews

Jobs to be Done Discovery

Go out in the field and observe people in real life

Observations & Ideas

Problems and Jobs
Root Causes
Possible Outcomes

Insights

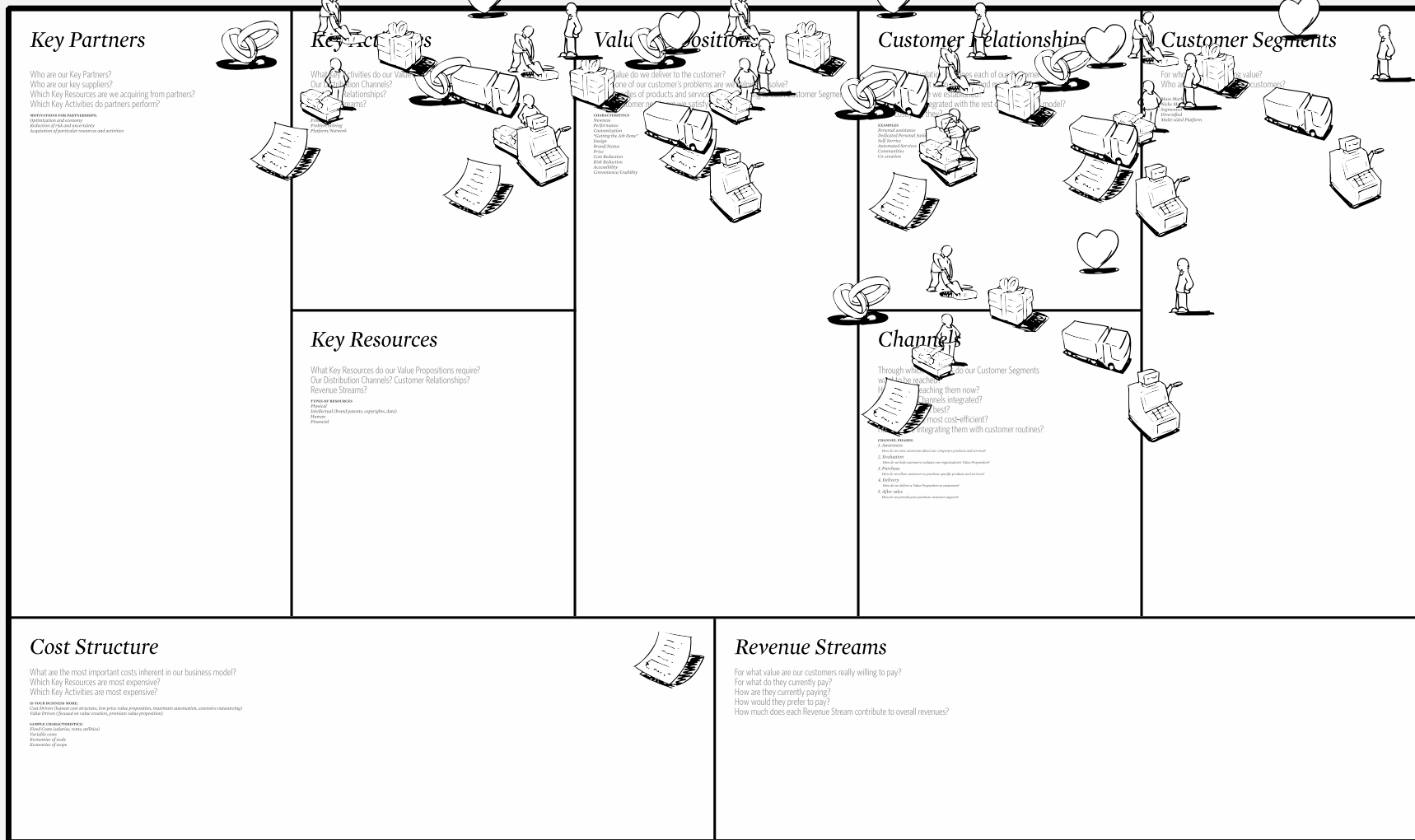Jobs, Outcomes and Higher Order Benefit.

Business Model Canvas

A strategic management template for developing new or documenting existing business models
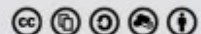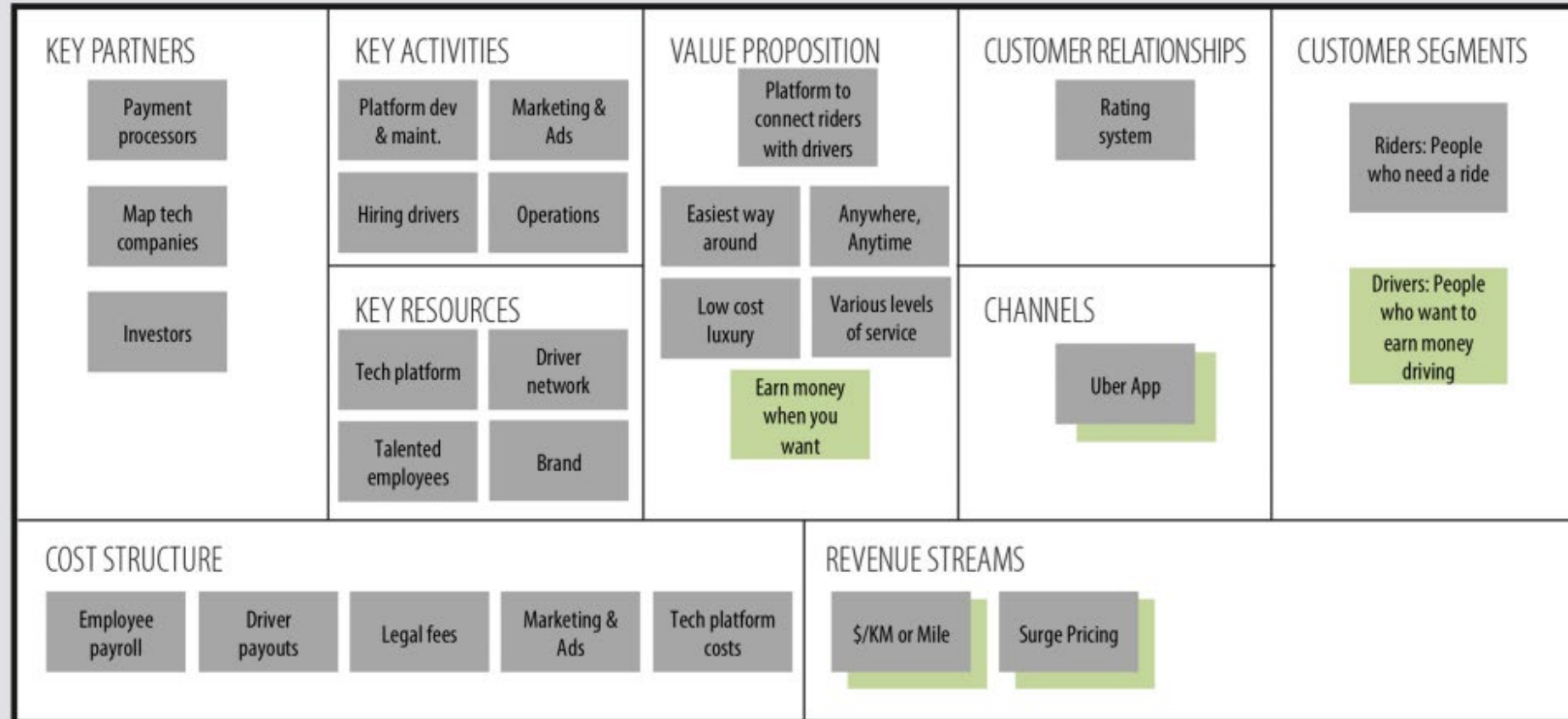
The Business Model Canvas

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?

MOTIVATIONS FOR PARTNERSHIPS:
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Key Activities

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

CATEGORIES
Production
Problem Solving
Platform/Network

Key Resources

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

TYPES OF RESOURCES
Physical
Intellectual (brand patents, copyrights, data)
Human
Financial

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?

CHARACTERISTICS
Newness
Performance
Customization
"Getting the Job Done"
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability

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?

EXAMPLES
Personal assistance
Dedicated Personal Assistance
Self-Service
Automated Services
Communities
Co-creation

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?

CHANNEL PHASES:
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?

Customer Segments

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

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

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?

IS YOUR BUSINESS MORE:
Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)
Value Driven (focused on value creation, premium value proposition)

SAMPLE CHARACTERISTICS:
Fixed Costs (salaries, rents, utilities)
Variable costs
Economies of scale
Economies of scope

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?

www.businessmodelgeneration.com

to Creative Commons, 171 Second Street, Suite 300, San Francisco, California, 94105, USA.

BUSINESS MODEL CANVAS

UBER

KEY PARTNERS
- Payment processors
- Map tech companies
- Investors

KEY ACTIVITIES
- Platform dev & maint.
- Marketing & Ads
- Hiring drivers
- Operations

KEY RESOURCES
- Tech platform
- Driver network
- Talented employees
- Brand

VALUE PROPOSITION
- Platform to connect riders with drivers
- Easiest way around
- Anywhere, Anytime
- Low cost luxury
- Various levels of service
- Earn money when you want

CUSTOMER RELATIONSHIPS
- Rating system

CHANNELS
- Uber App

CUSTOMER SEGMENTS
- Riders: People who need a ride
- Drivers: People who want to earn money driving

COST STRUCTURE
- Employee payroll
- Driver payouts
- Legal fees
- Marketing & Ads
- Tech platform costs

REVENUE STREAMS
- $/KM or Mile
- Surge Pricing

DESIGNED BY **BUSINESS MODEL FOUNDRY AG**

This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
http://creativecommons.org/licenses/by-sa/4.0 or send a letter to Creative Commons,
171 Second Street, Suite 300, San Francisco, California, 94105, USA.

Strategyzer
strategyzer.com

What is Lean Startup Methodology?

Provides a scientific approach to creating and managing the creation of products

A process for designing new products and services that minimizes risk and focuses on delivering customer value for building a repeatable & scalable business model

Concepts in the Lean StartUp Process

1. Vision and Idea
2. Leap of Faith
3. Experimentation
4. Learning

The Lean Startup Methodology

Lean Startup

A process for product managers to use reduce risk and uncertainty via hypothesis testing with rapid experiments and continual iterating and learning that is based on the observations and data from design thinking

User data

Customer feedback

Market knowledge

DATA

LEARN

MEASURE

THE LEAN STARTUP

How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses

ERIC RIES

CODE

IDEAS

BUILD

amount of validated learning

MVE MVP EVP

time

MVE, then MVP, then EVP
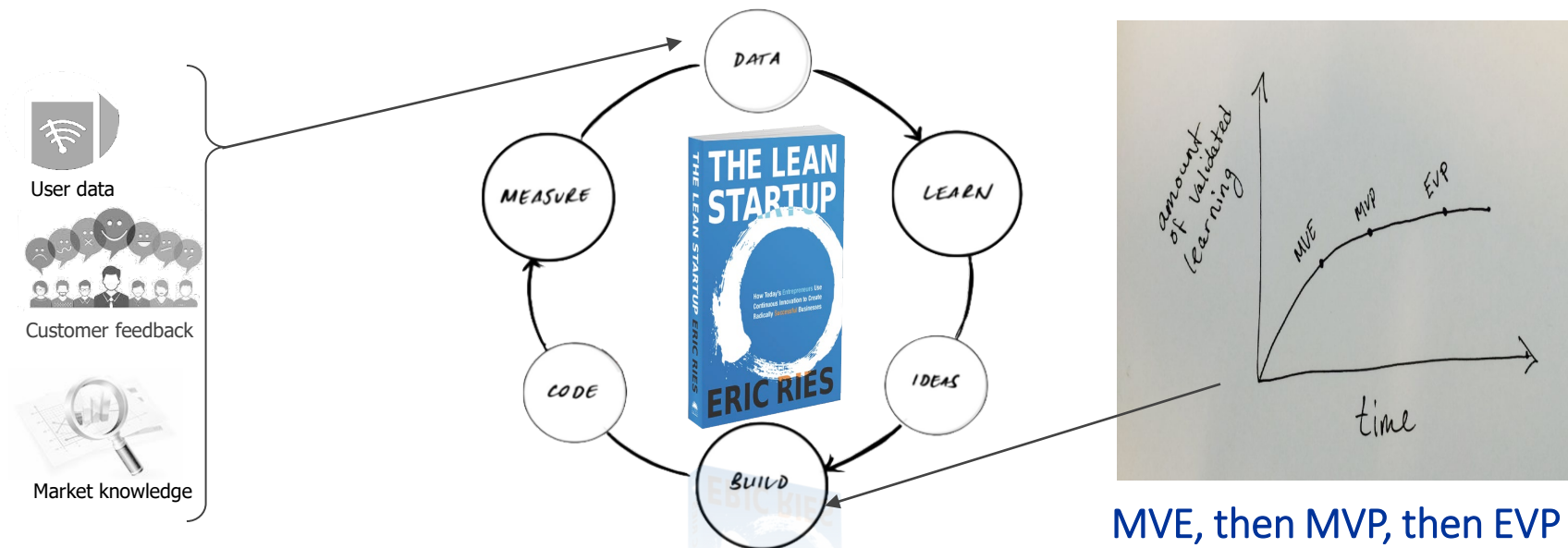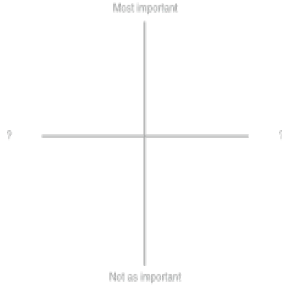
Lean Startup Minimizes Risk and Gain Learning

Reduces risk and uncertainty via hypothesis testing with rapid experiments
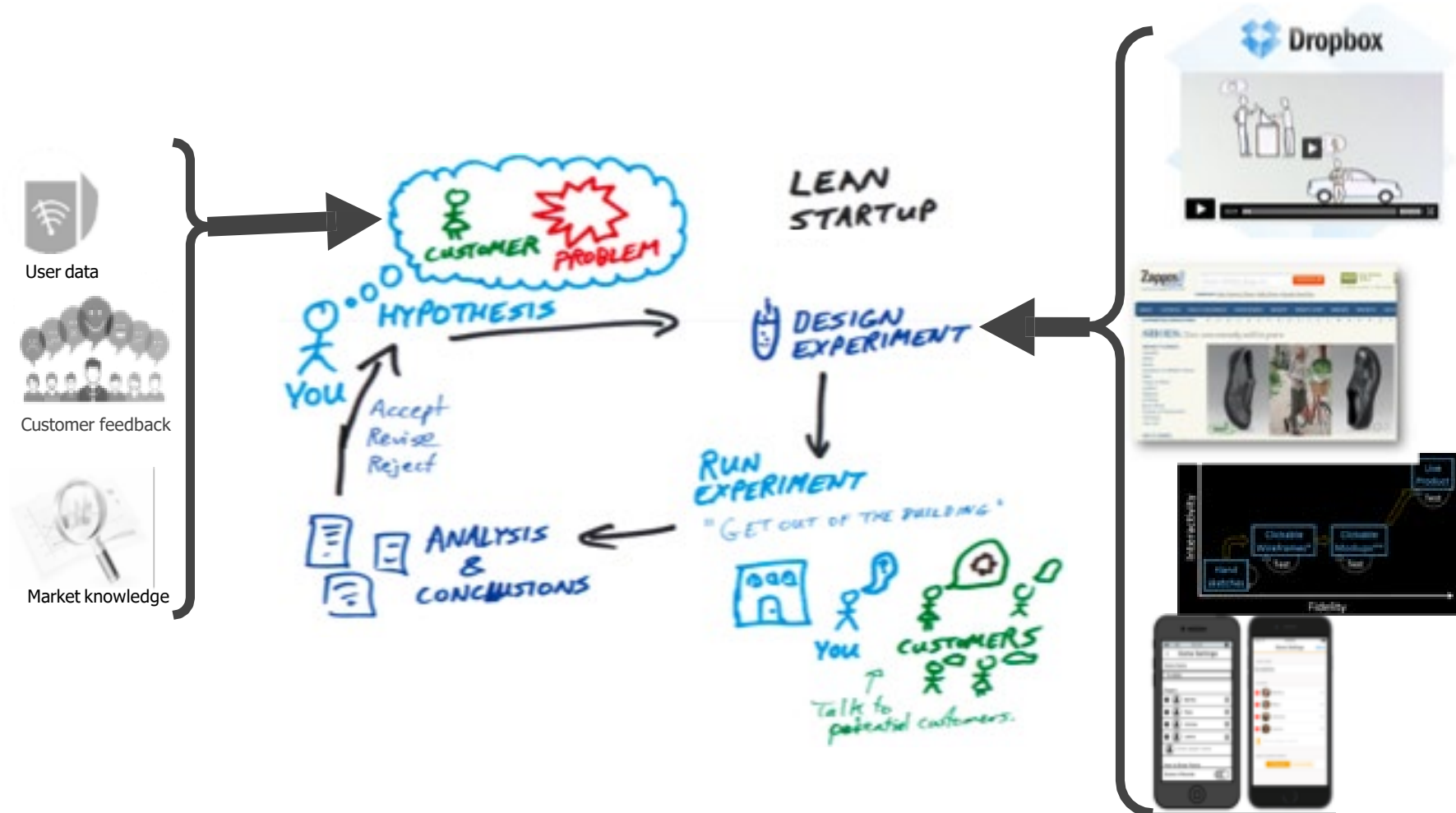
LEAP of Faith Canvass – Helps to Document the Process

VISION - A bold statement [...] unity (based on our insights)

OUR IDEA - [...] deli [...] ion

LEAP OF FAITH A[...]ON - Key assumption about our idea that's keeping us up at night (i [...] is false, nothing else matters)

1 Hypotheses -
Brainstorm a list of hypotheses associated with our leap of faith assumption.

Hypothesis = "If we do X, Y% of people will behave in way Z"

2 Mapping our hypotheses -
Map our hypotheses on the 2x2 to narrow to one that we need to test right away.

Most important

?   ?

Not as important

3 Our hypothesis -
Capture the most important hypothesis we will test in this round of experimentation based on step 2.

What do you think? Is this hypothesis true or false?

4 Our Experiments -
Brainstorm potential experiments we can run quickly (starting tomorrow for example) to test our hypothesis. Select 2 experiments, build them and go out in the real world to test them.

⚠ NO SURVEYS

Experiments we could run (go broad)

Experiments we will run (narrow to 2)

Experiment 1	Experiment 2
Description:	Description:
Me[...]	Metrics:

5 What did we learn? -
What did our experiments reveal about our hypothesis. What did we learn? What surprised us? How would we run the experiment differently?

6 Our decision -
Based on our learnings, what would we do next?

Change the idea (Pivot)?
We *invalidated* our leap of faith assumption. We need to pivot our idea and go back to the drawing board.

Keep going (Persevere)?
We did NOT invalidate our leap of faith assumption. We need to run more experiments or start testing our next leap of faith assumption.

# MVE - Experiment with Iterative Levels of Fidelity
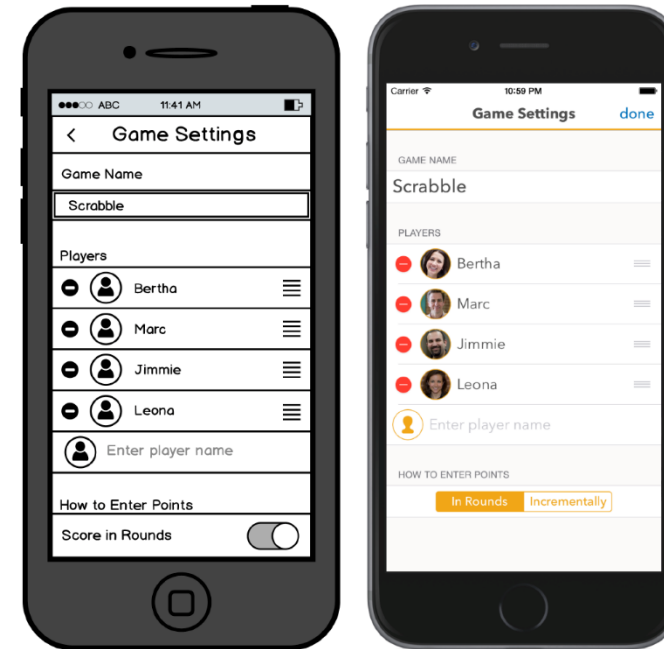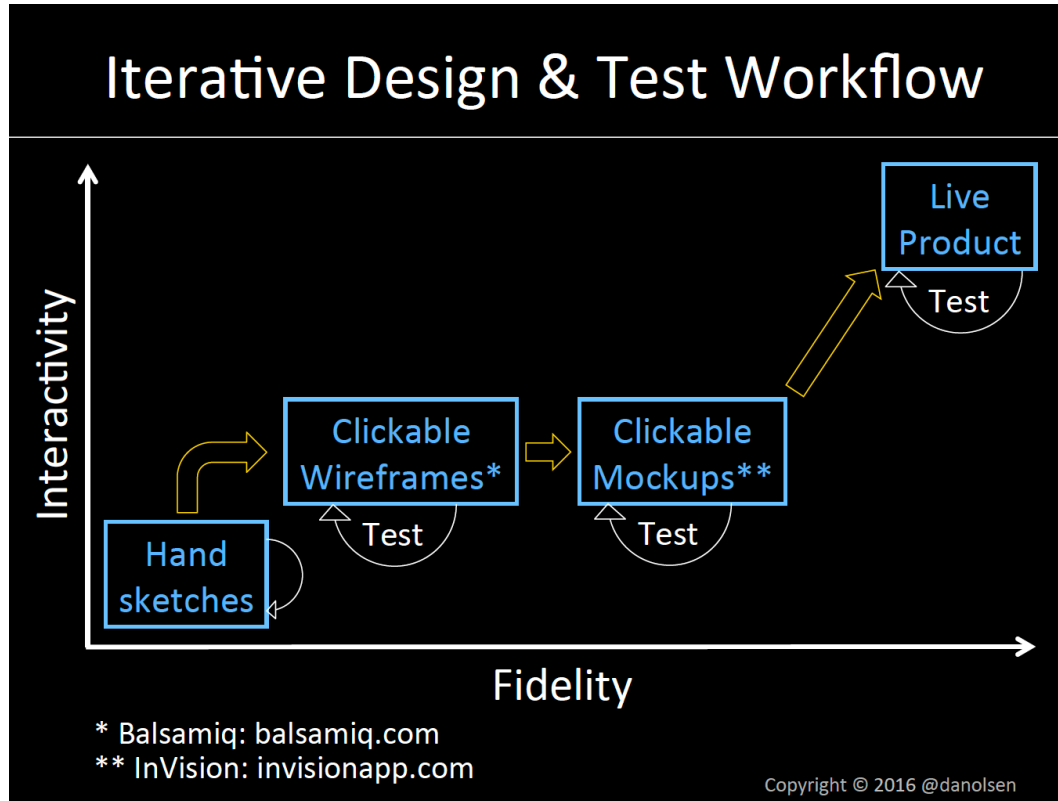
Ways to Experiment with for Validated Learning – and not build a complete product

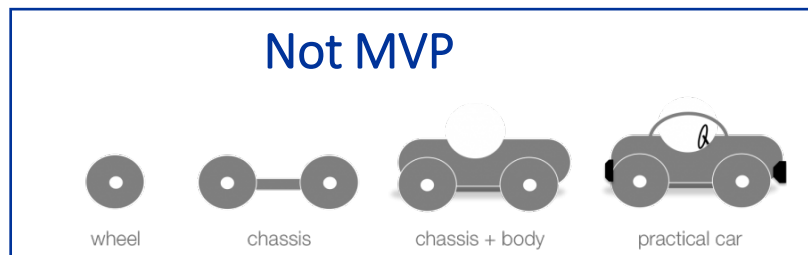| Type of Experiment		What You Are Testing
	Problem exploration	Validate that you have a problem worth solving through problem exploration interviews
	Mafia offer	Validate your solution by making an offer so compelling that it is an offer "you can't refuse"
	Smoke test	Validate your solution has the right messaging to attract a sizable market by tracking clicks on a "dummy" landing page
	Pre-order Non Existent Product	Receive purchases for a product that doesn't yet exist
	Concierge	Validate you have the right solution through a hands-on, manual implementation
	Piecemeal	Mock up your product using only currently available tools and technologies, manually integrating them
	Wizard of Oz	Create a polished customer-facing product, but with no back-end (all done manually)
	A/B Testing	Evaluate solution options by releasing them to a subset of your users and validating the impact on customer related metrics

DropBox – Used a Video as their MVE

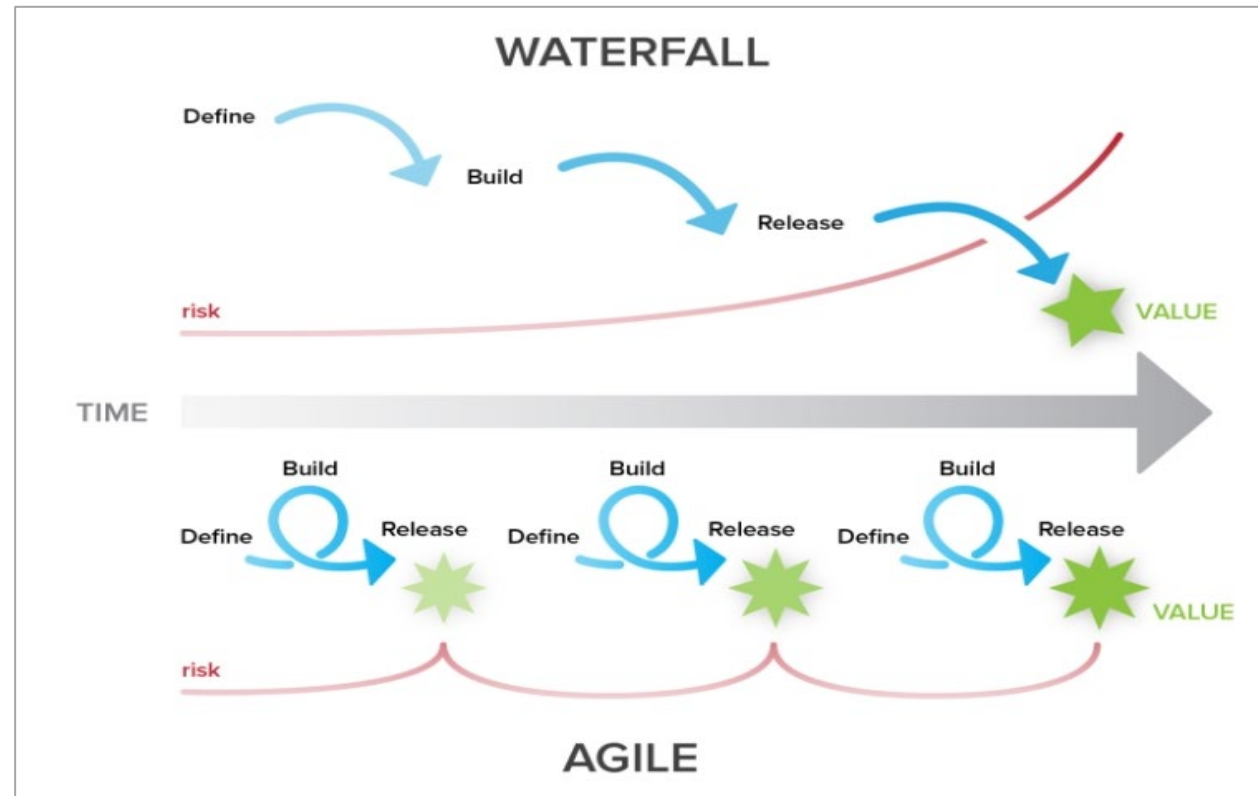# Zappos – Used a Wizard of Oz and Concierge
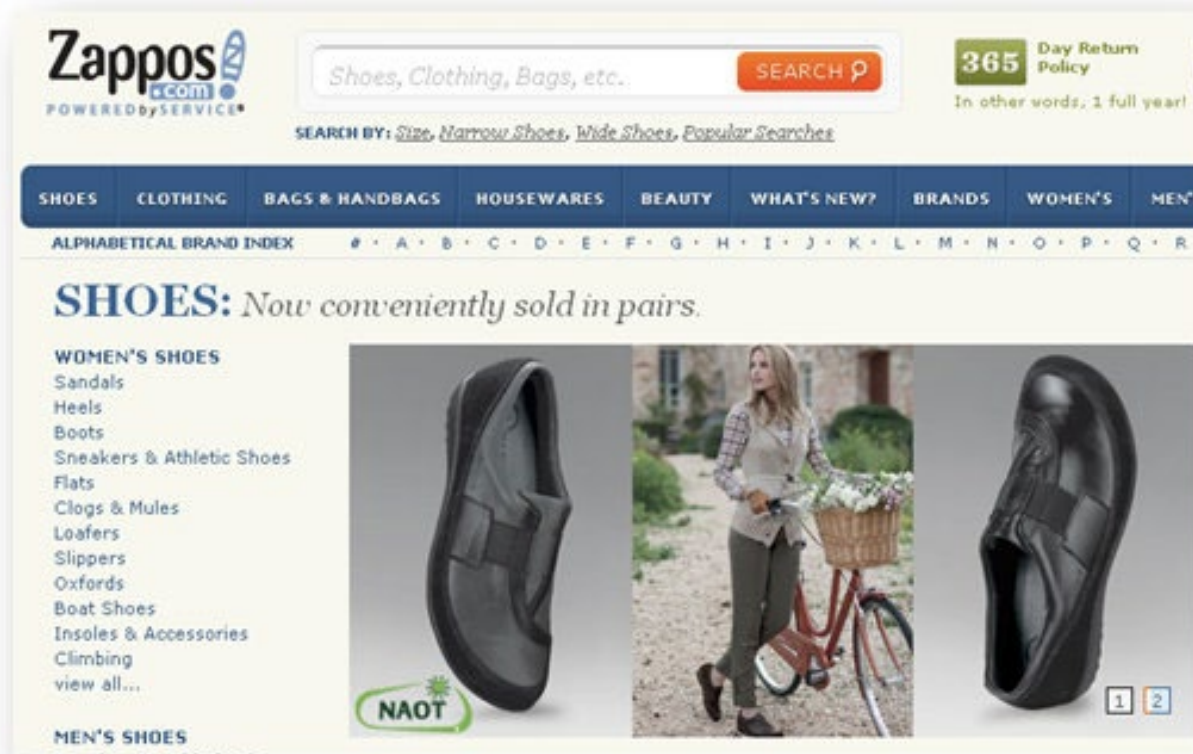
For MVP - Iterative Development Is Still Key

- The smallest thing you can build that delivers customer value

  o enough value that people are willing to use it or <u>buy</u> it initially (early adopters)
  o demonstrates enough future benefit to retain early adopters
  o enables gathering of feedback to guide future development

- The final, complete set of features is only designed and developed after considering feedback from the product's initial users.

Not MVP

wheel   chassis   chassis + body   practical car

Not MVP

transportation   improved control   bigger distance   motorised   practical & fun = convertible car!

MVP

MVP: Plain donut   Iteration 1: Frosted donut   Iteration 2: Frosted donut with sprinkles   Iteration 3: Frosted and filled donut

AGILE Methodology for Building

AGILE is a development methodology that has dramatically improved the ability to build offerings consistently, with continual releases earlier and faster; incorporating build, measure, learn cycles
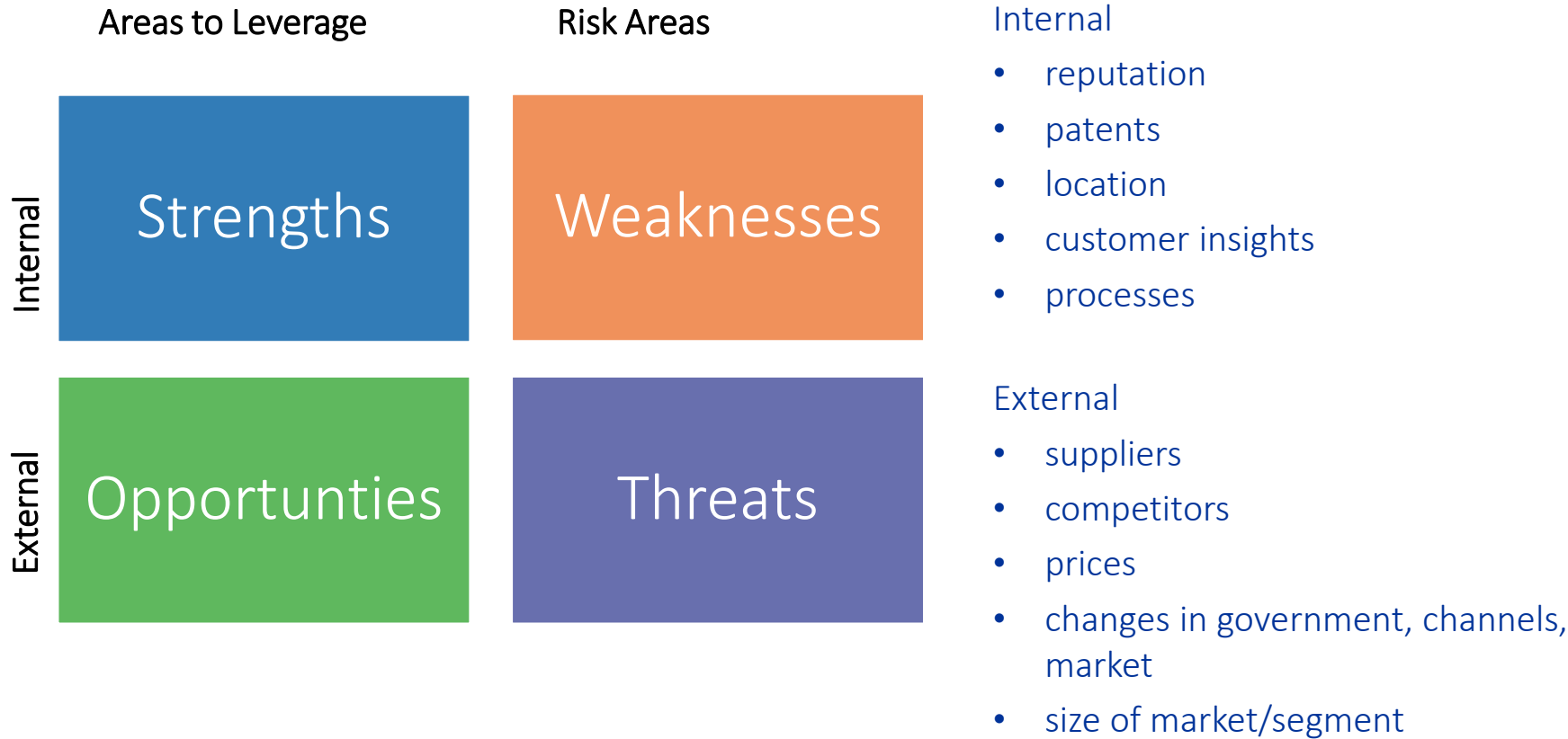
Things to Consider

https://articles.bplans.com/how-to-perform-swot-analysis/

SWOT – Helps to Develop Strong Strategy

Areas to Leverage   **Risk Areas**

Internal

| Strengths | Weaknesses |

External

| Opportunties | Threats |

Internal
- reputation
- patents
- location
- customer insights
- processes

External
- suppliers
- competitors
- prices
- changes in government, channels, market
- size of market/segment

In Summary – Principled Frameworks Help

Minimize cost, time, uncertainty and risk

- Fast release cycles

- Minimal viable products

- Fail FAST

- Lightweight EXPERIMENTS

- DEEP CUSTOMER IMMERSION

- CONTINUOUS iteration