



Business Models and Customer Development

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Idea to a Business

- What does it take to go from **idea to a business**?
 - Business Model + Customer Development
 - Hypotheses testing of the business model(s)
 - Get “out of the building”

What's A Company?

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A business organization which sells a product or service in exchange for revenue and profit

What's a Business Model?

What's a Business Model?

A business model describes all the parts of the company necessary to make money

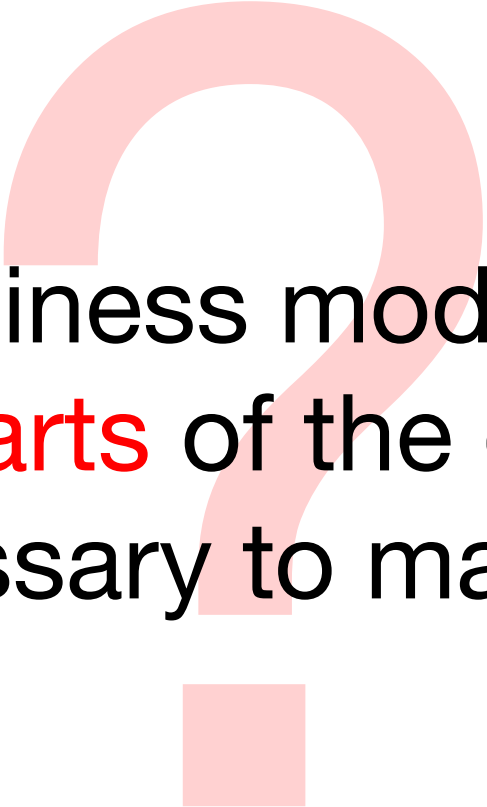
What About My Technology?

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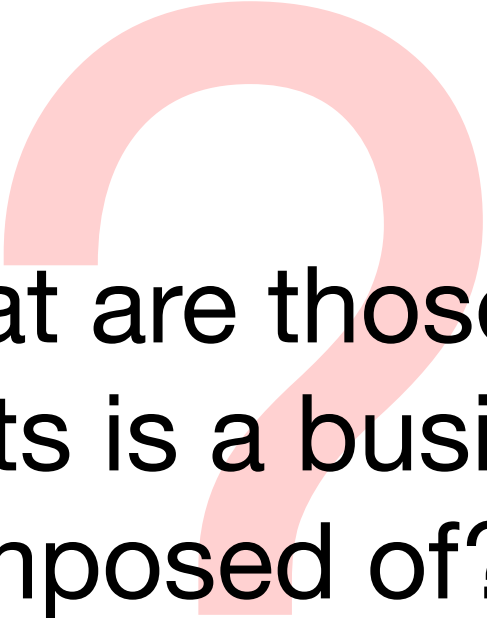
**Your technology is one of the many critical pieces necessary to build a company.
It is part of the “Value Proposition”**

What About My Technology?

Customers don't care about your technology
They are trying to *solve a problem*



A business model describes **all the parts** of the company necessary to make money

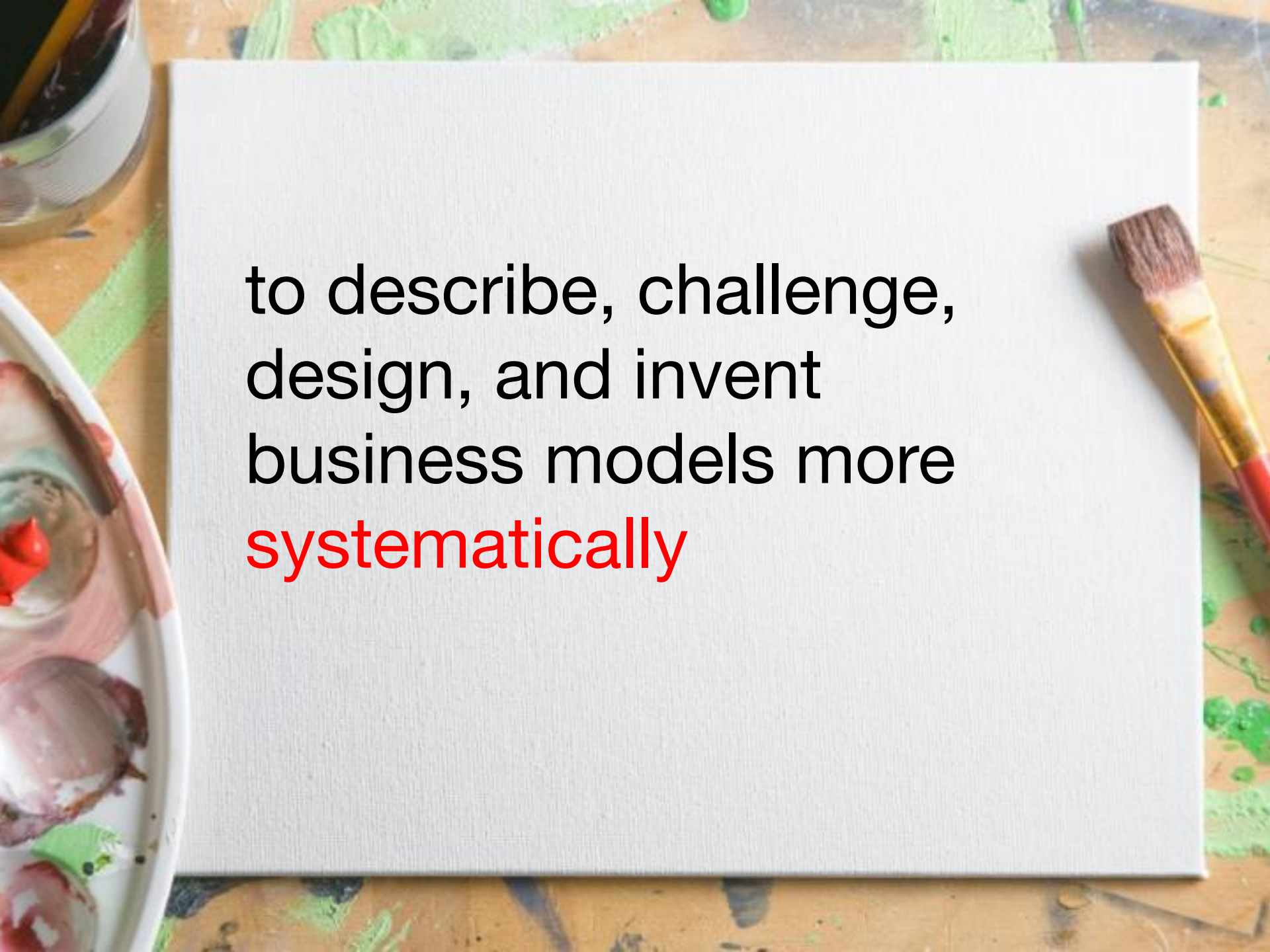


what are those **parts**? what
parts is a business model
composed of?




A blank white canvas is centered on a wooden table. The table surface is decorated with various paint splatters in shades of green and brown. To the left of the canvas, a white palette holds several colors of paint, including red, pink, and purple. To the right, a paintbrush with a wooden handle and a red grip lies on the table. The overall scene suggests a creative workspace.

Business Model Canvas

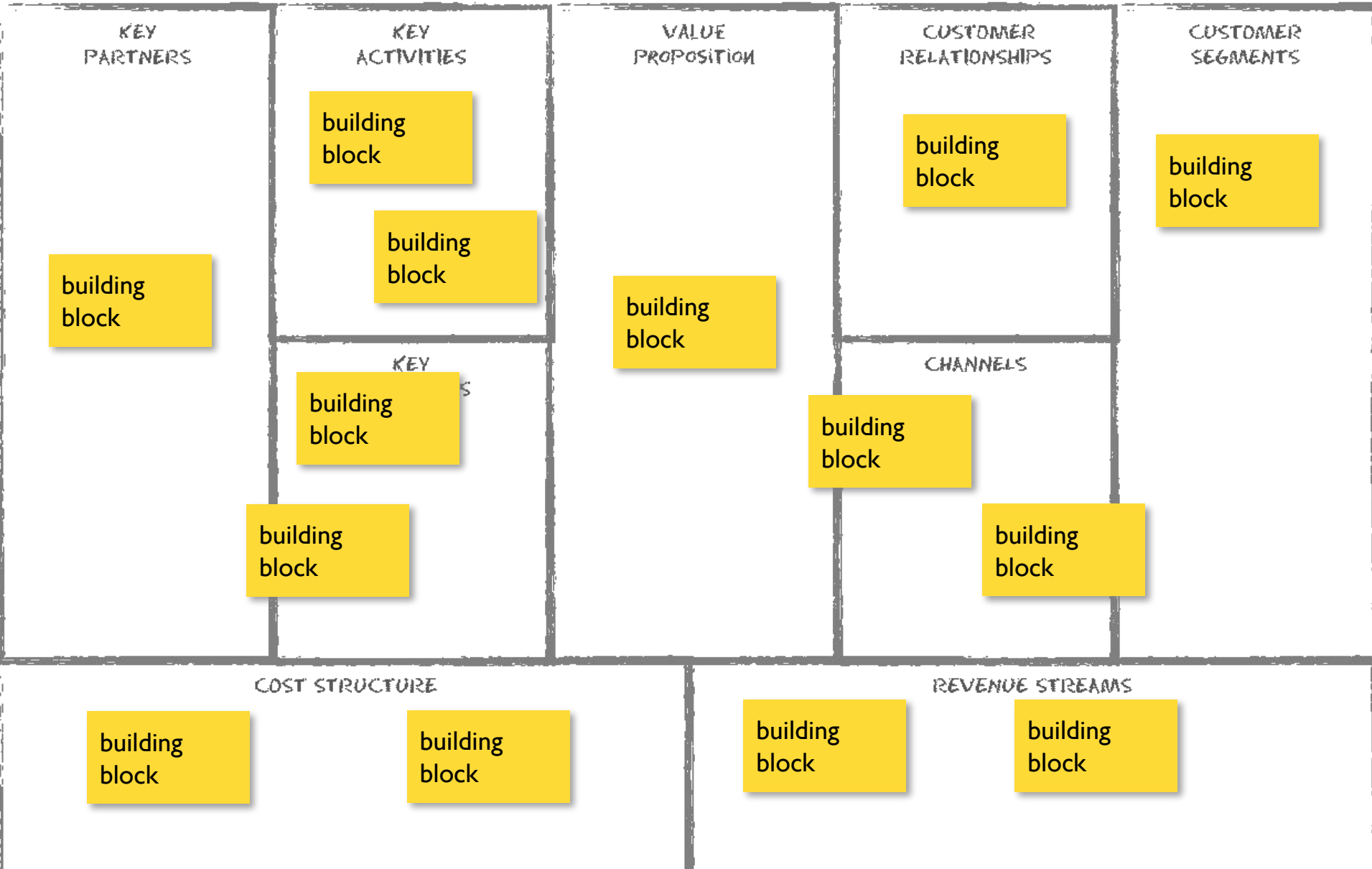
A blank white canvas is centered on a wooden table. The table surface is covered with various paint splatters, including green and brown. To the left of the canvas, there is a white palette with several wells of paint, including red, pink, and purple. To the right of the canvas, a paintbrush with a wooden handle and a red grip is lying on the table. The text is written in a clean, sans-serif font, with the word 'systematically' highlighted in red.

to describe, challenge,
design, and invent
business models more
systematically

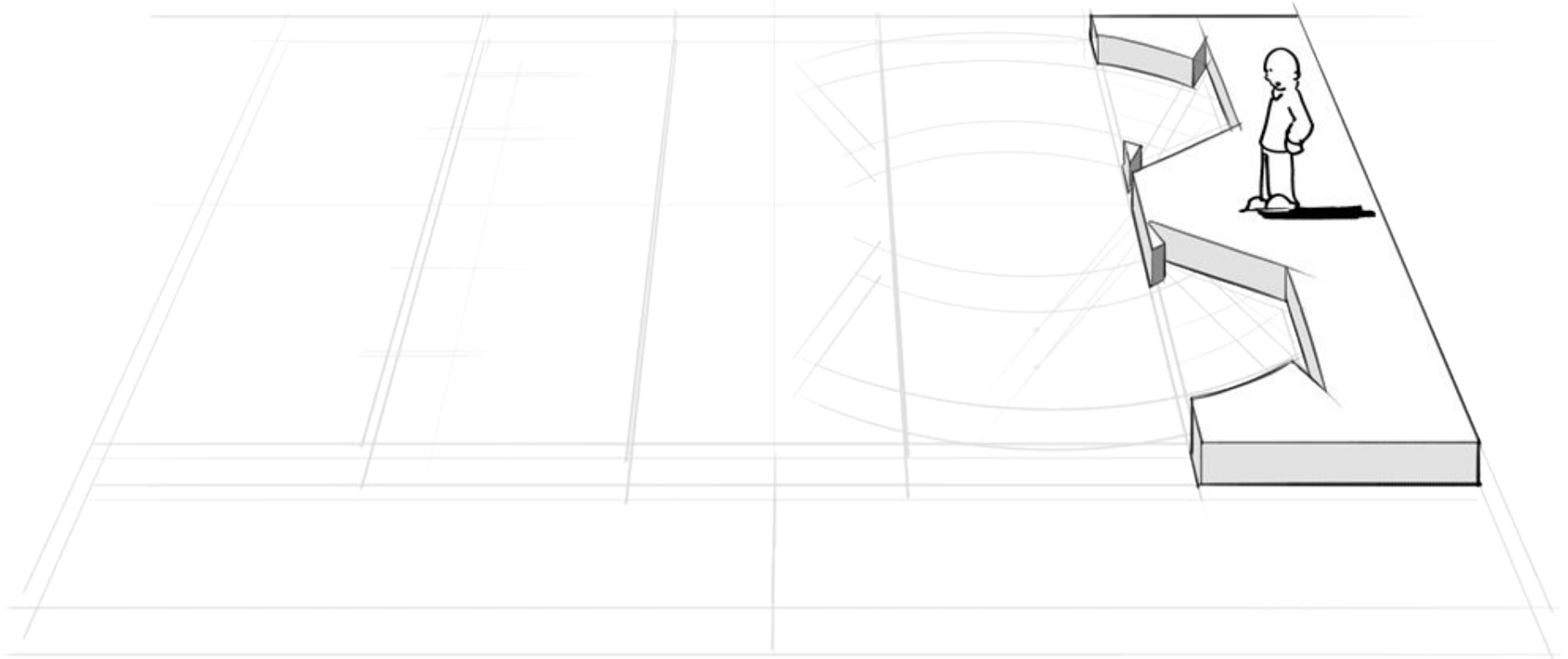
A white canvas is centered on a wooden table. The table surface is covered with various paint splatters, including green and brown. To the left of the canvas, there is a white paint palette with several wells containing different colors of paint, including red, green, and brown. To the right of the canvas, a paintbrush with a wooden handle and a red grip is lying on the table. The overall scene suggests an art studio or a workspace for painting.

9 building blocks

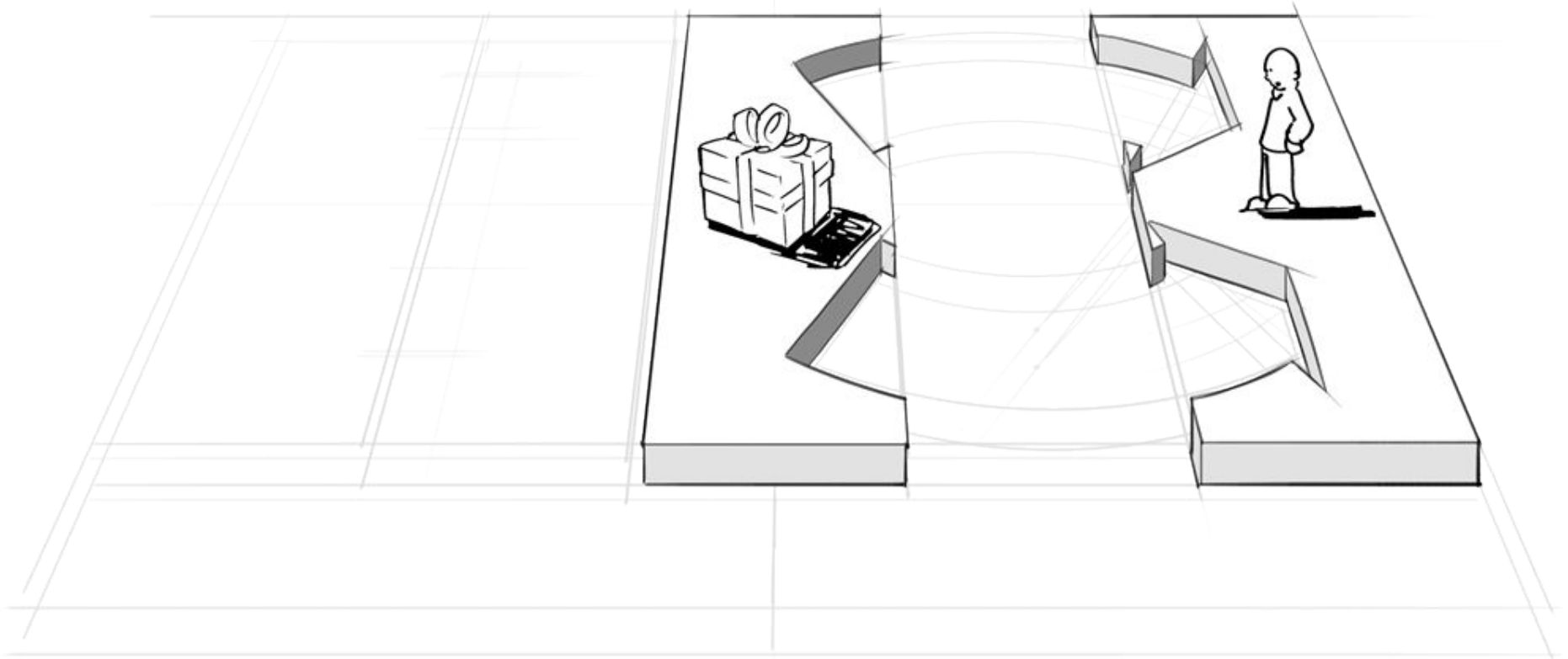
Business Model Canvas



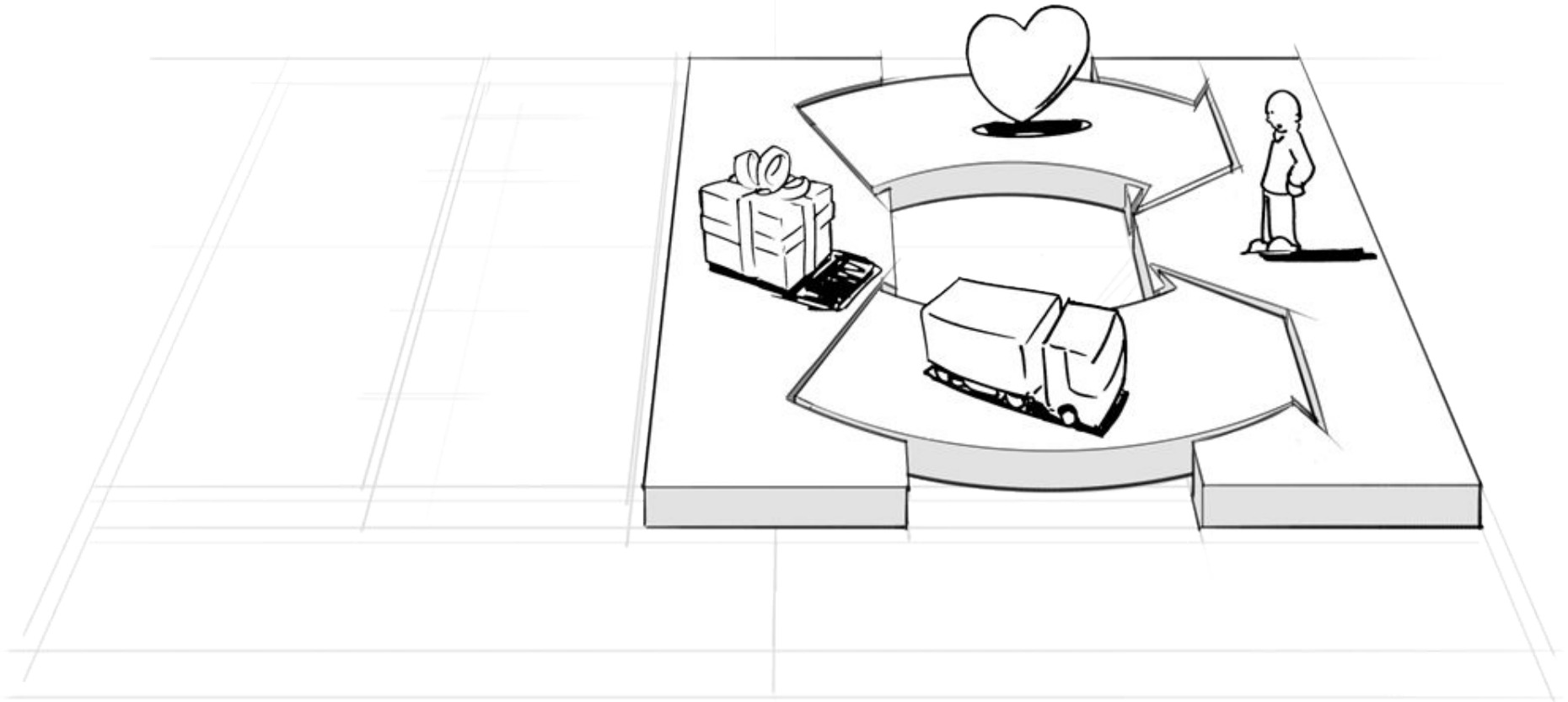
CUSTOMER SEGMENTS



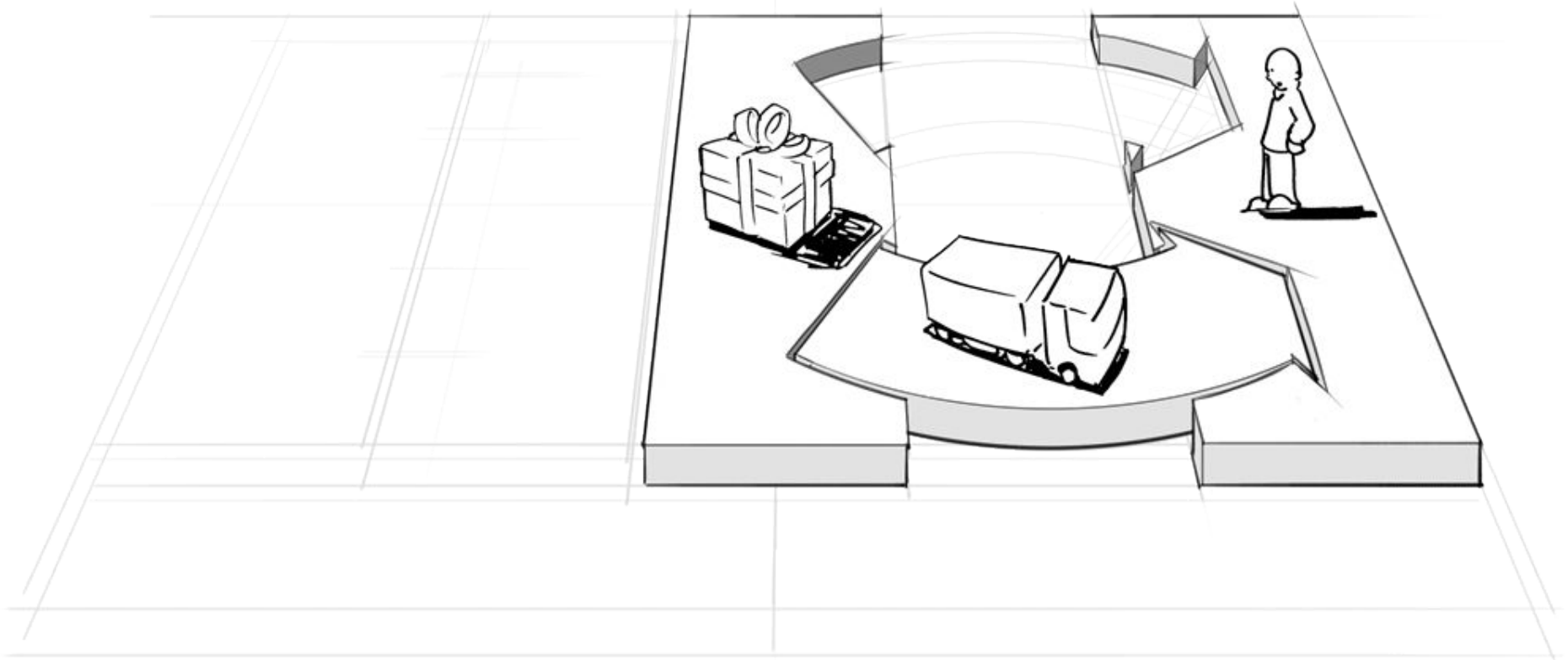
VALUE PROPOSITIONS



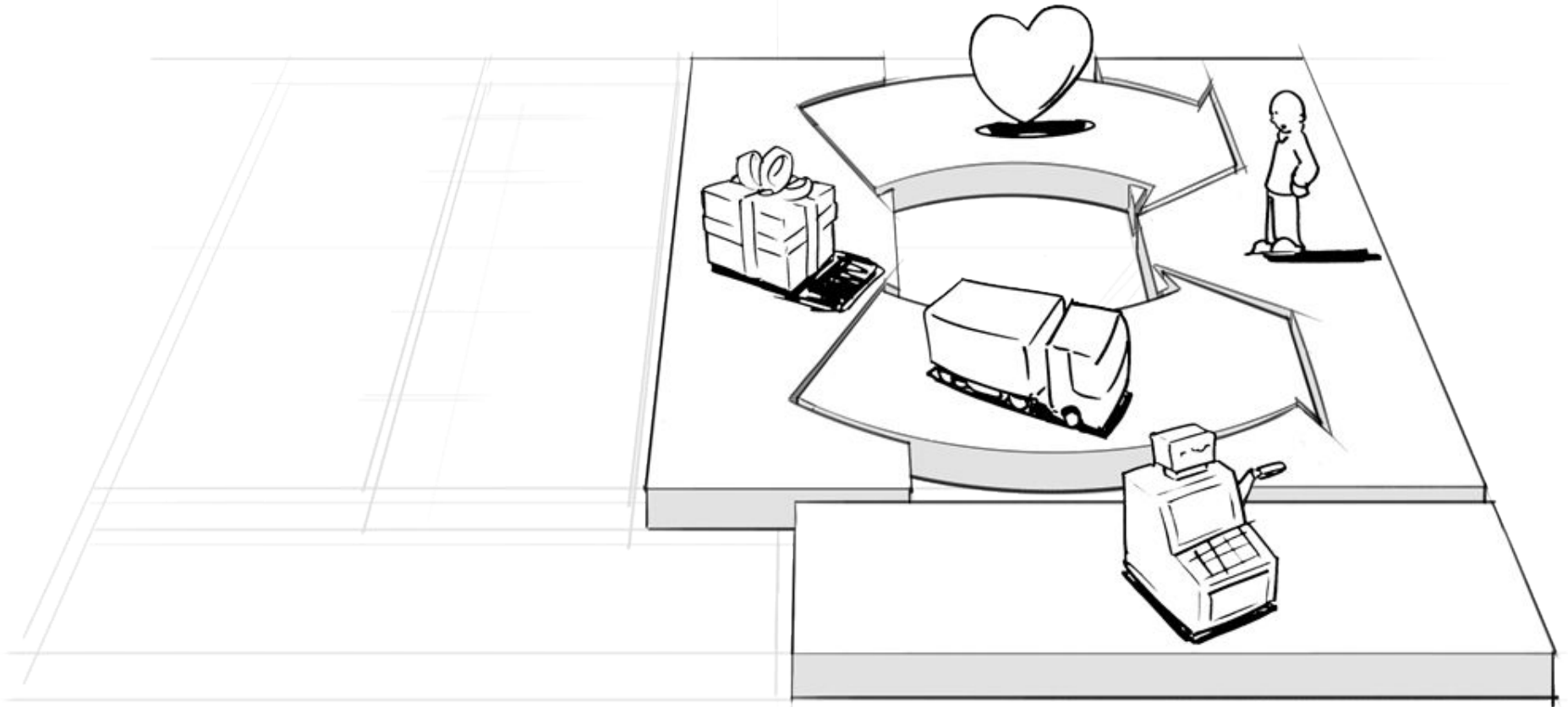
CUSTOMER RELATIONSHIPS



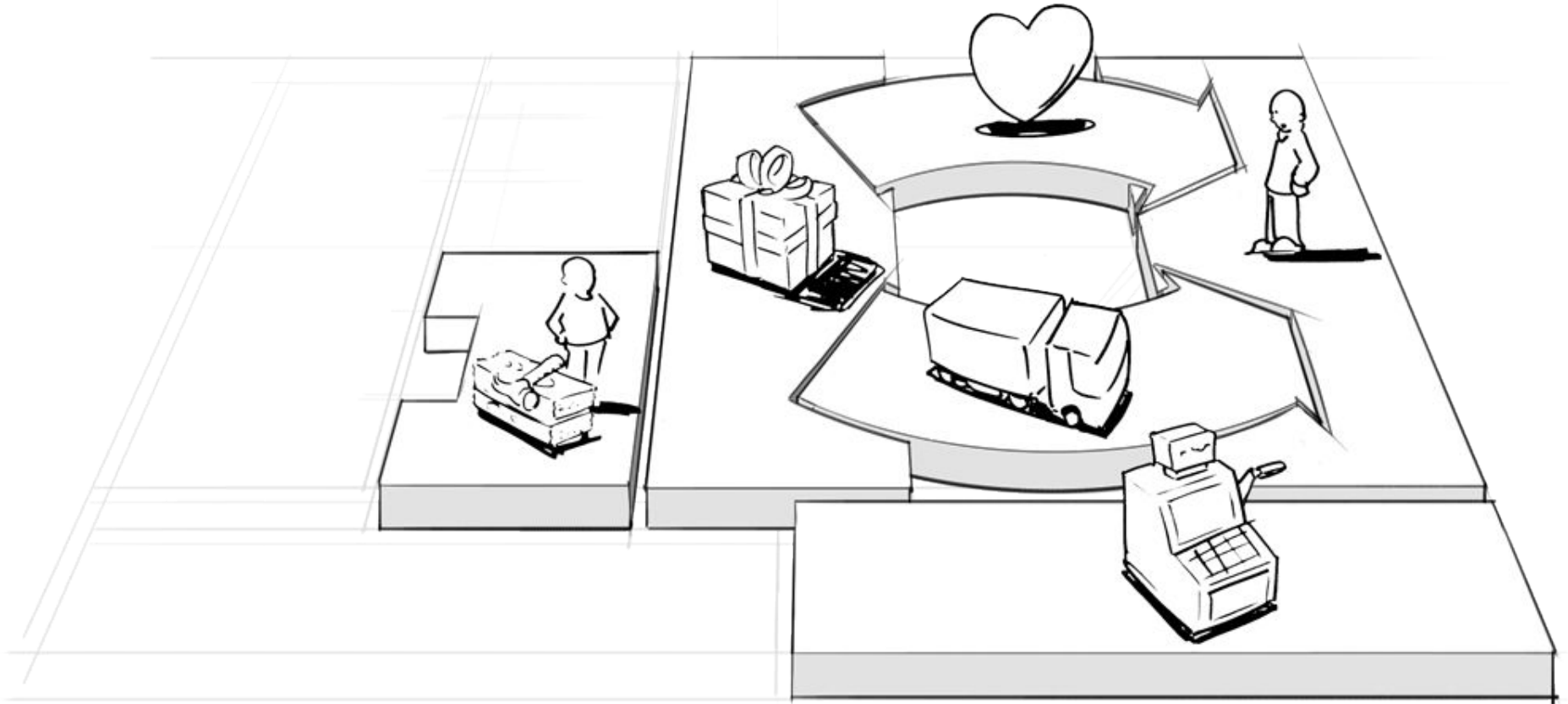
CHANNELS



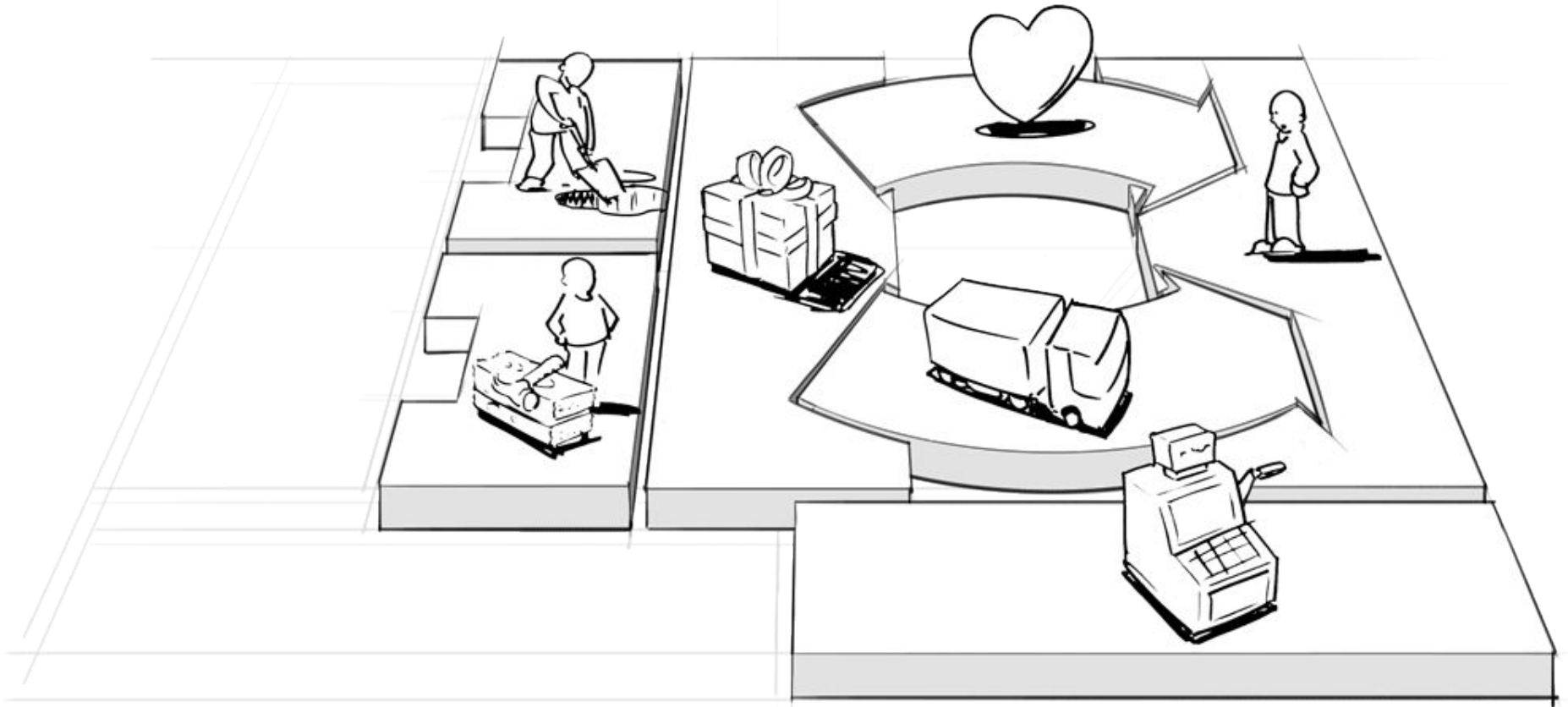
REVENUE STREAMS



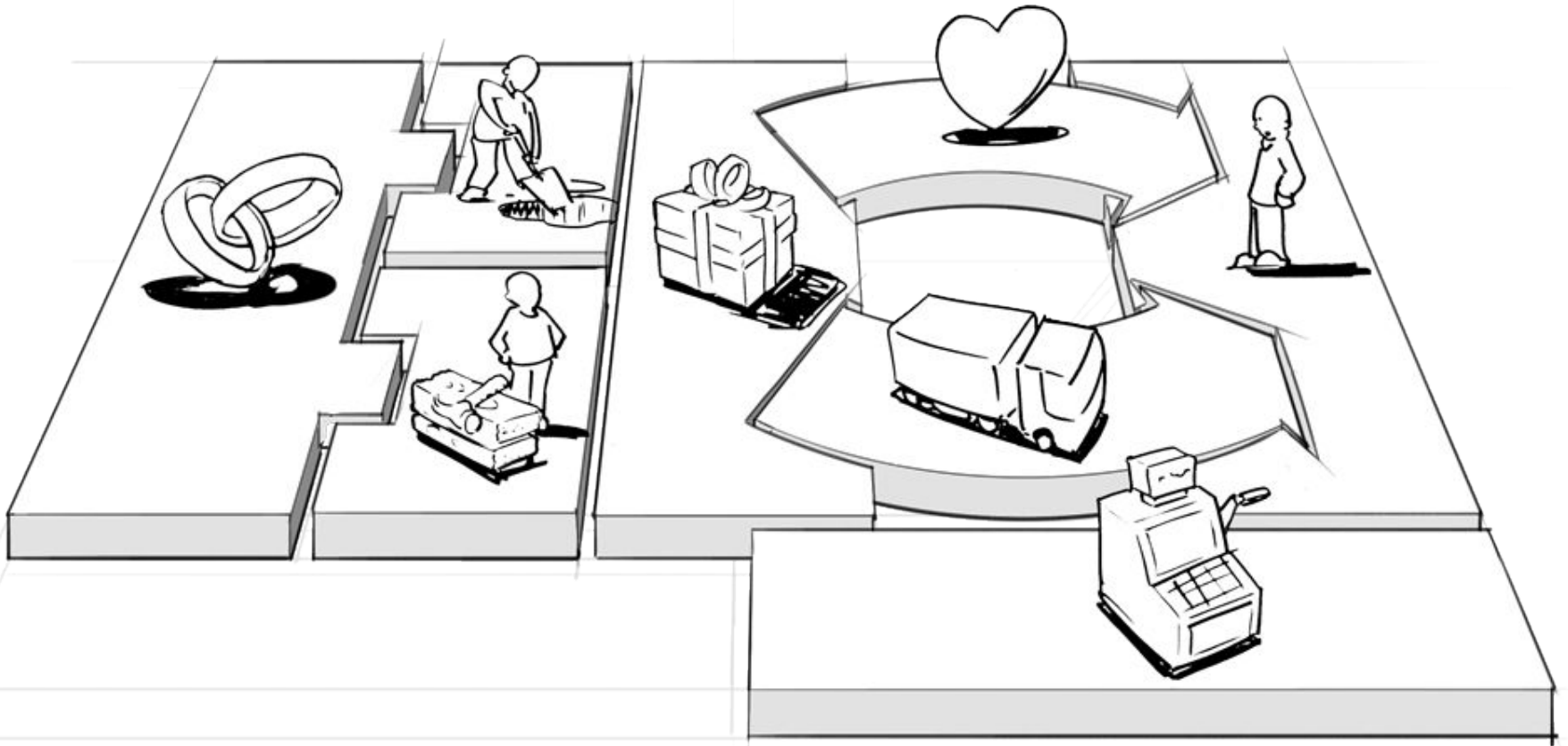
KEY RESOURCES



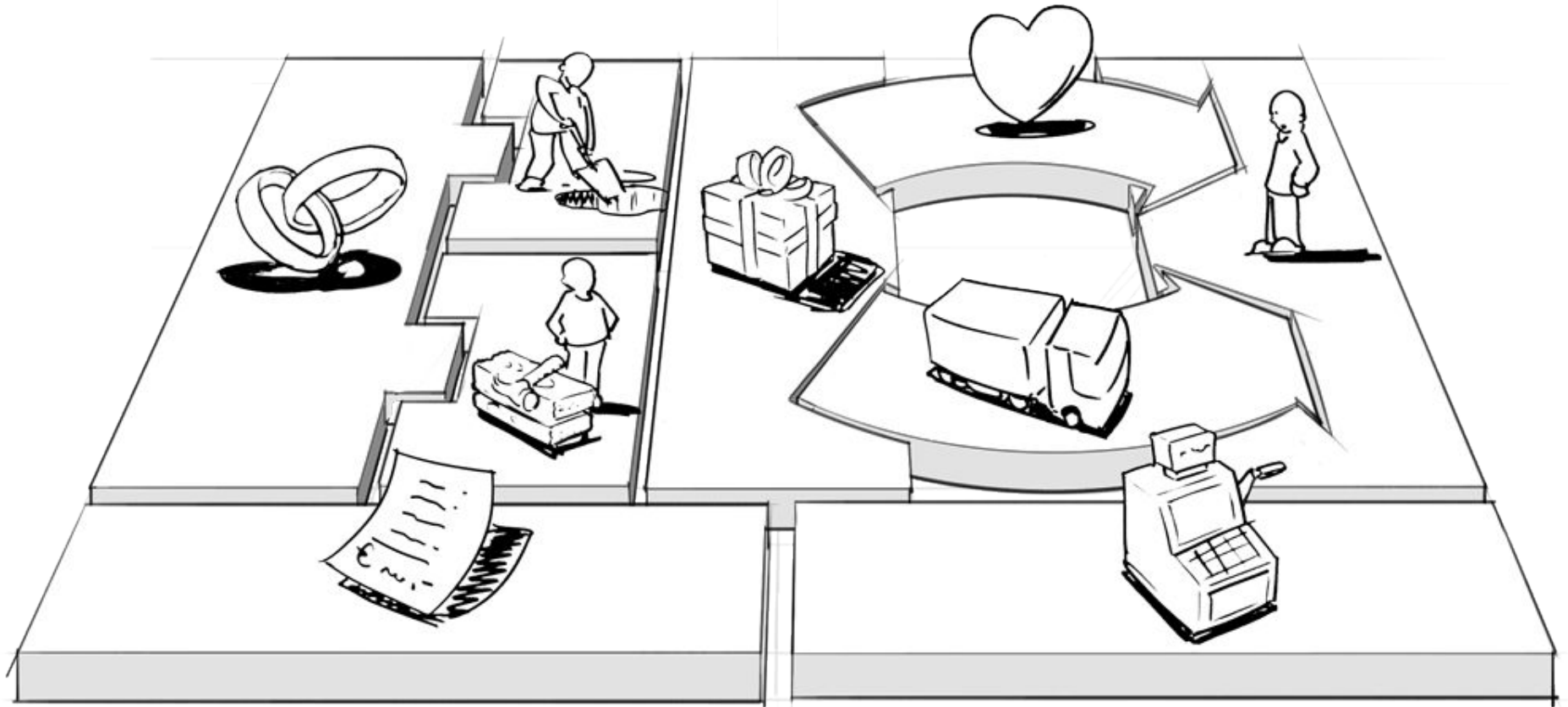
KEY ACTIVITIES

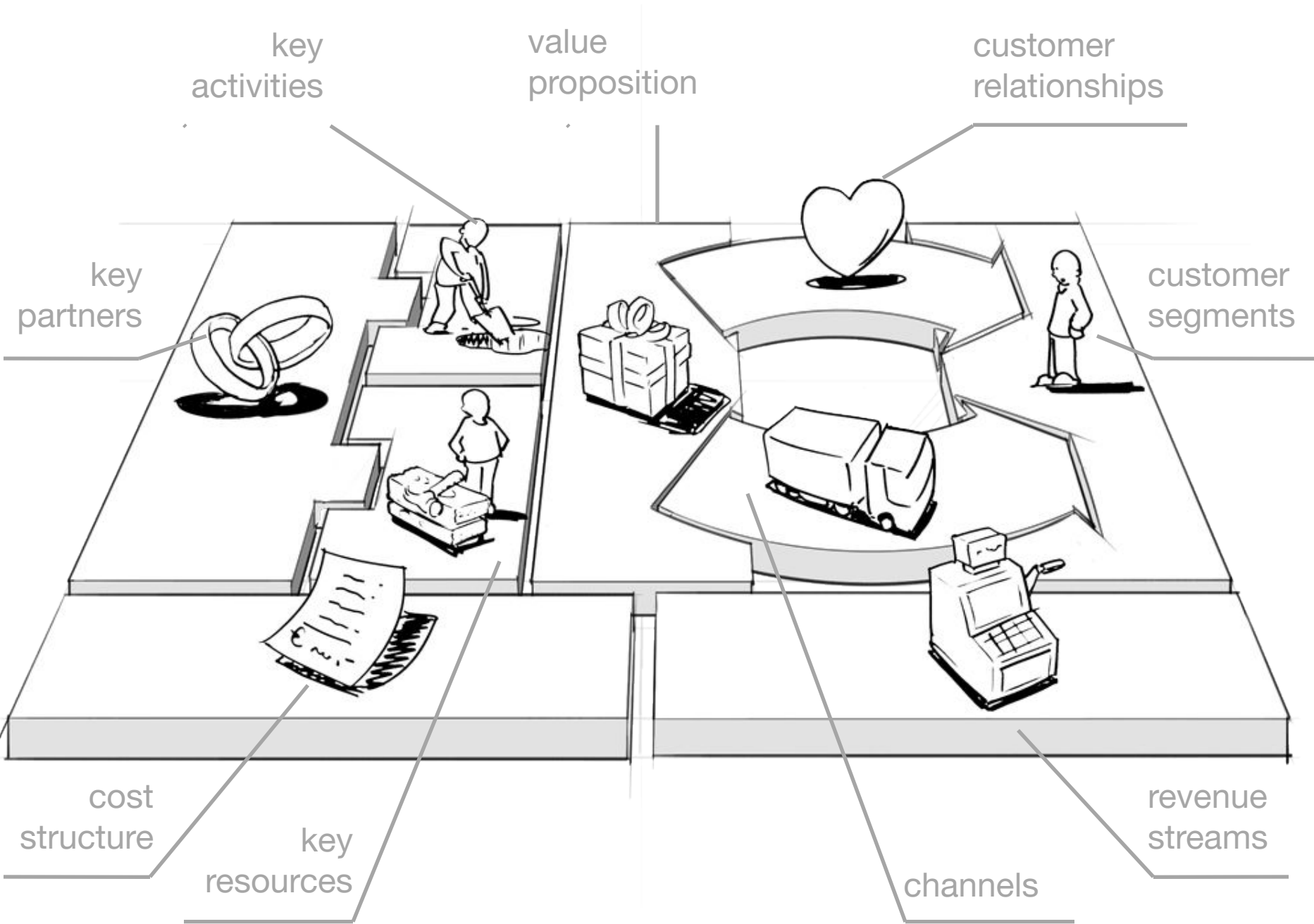


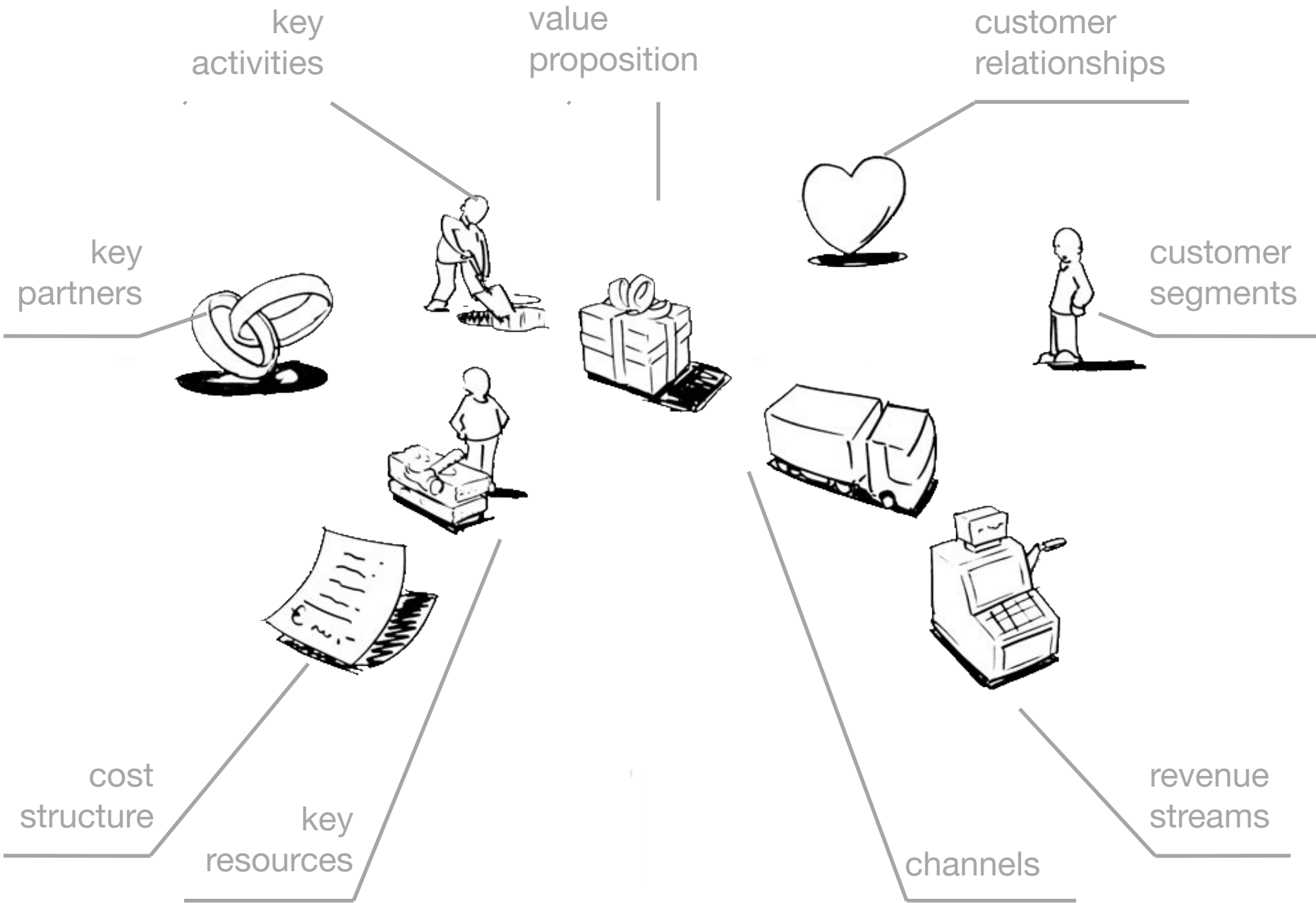
KEY PARTNERS

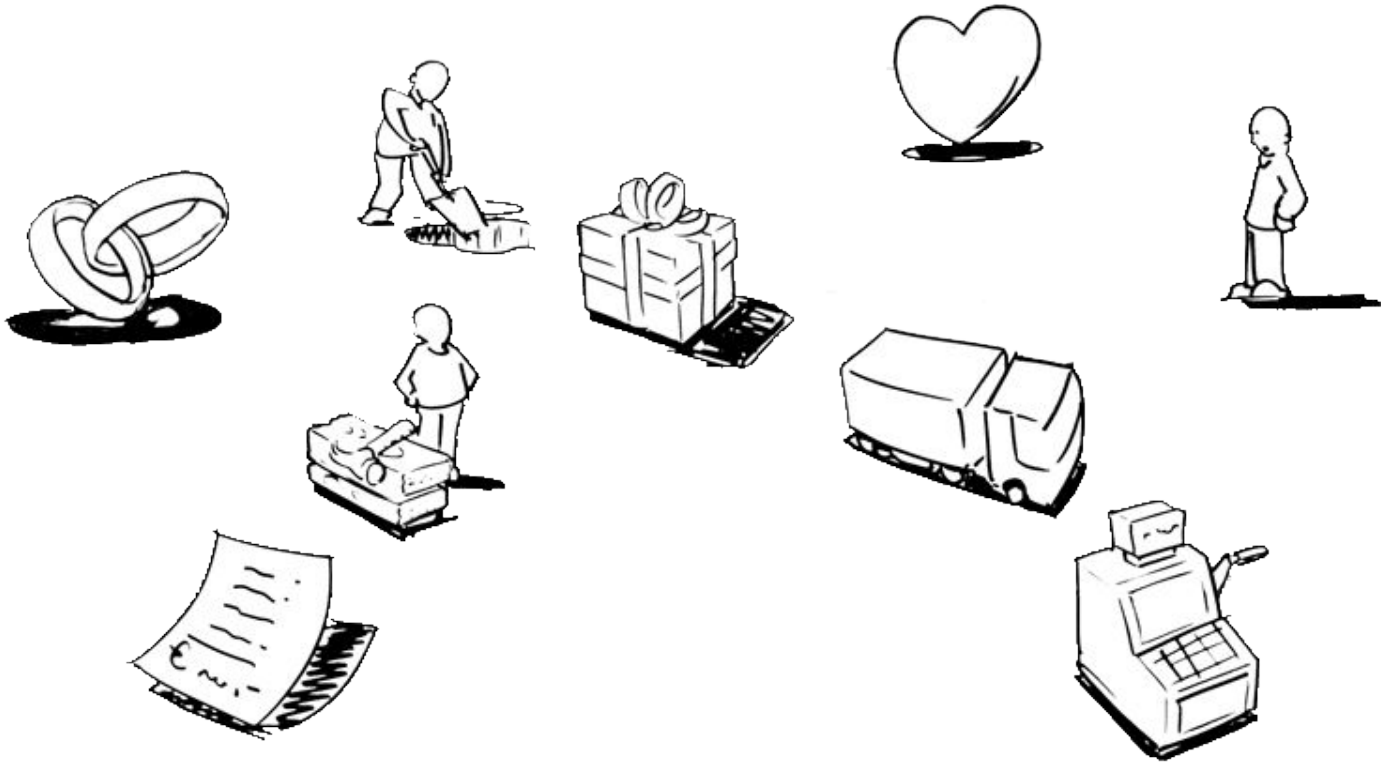


COST STRUCTURE









CANVAS OVERLAY

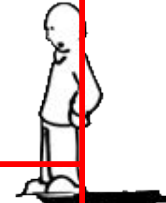
KEY PARTNERS

KEY ACTIVITIES

OFFER

CUSTOMER RELATIONSHIPS

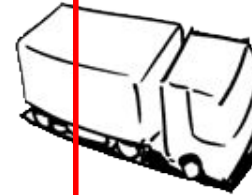
CUSTOMER SEGMENTS



KEY RESOURCES



CHANNELS



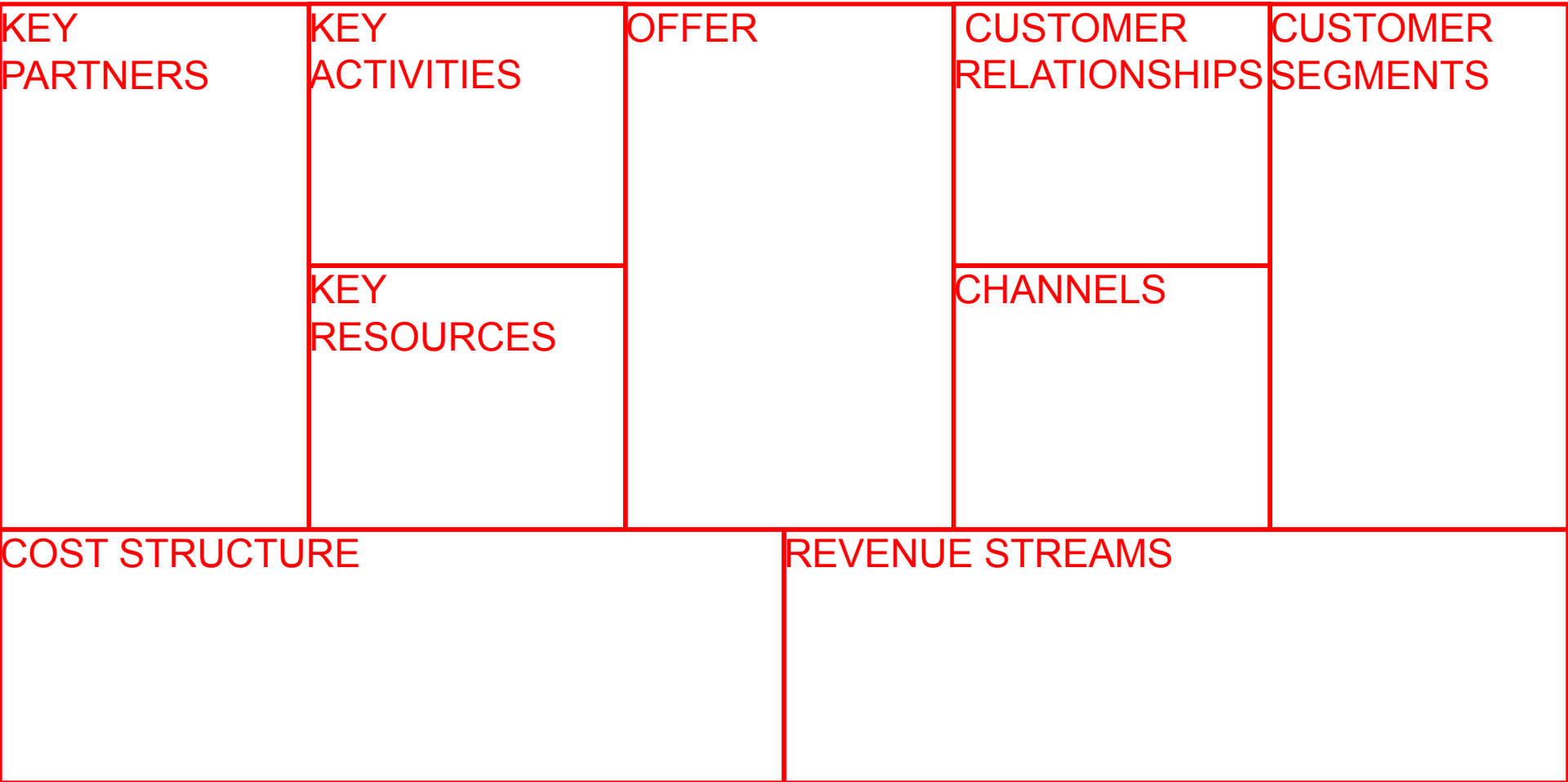
COST STRUCTURE



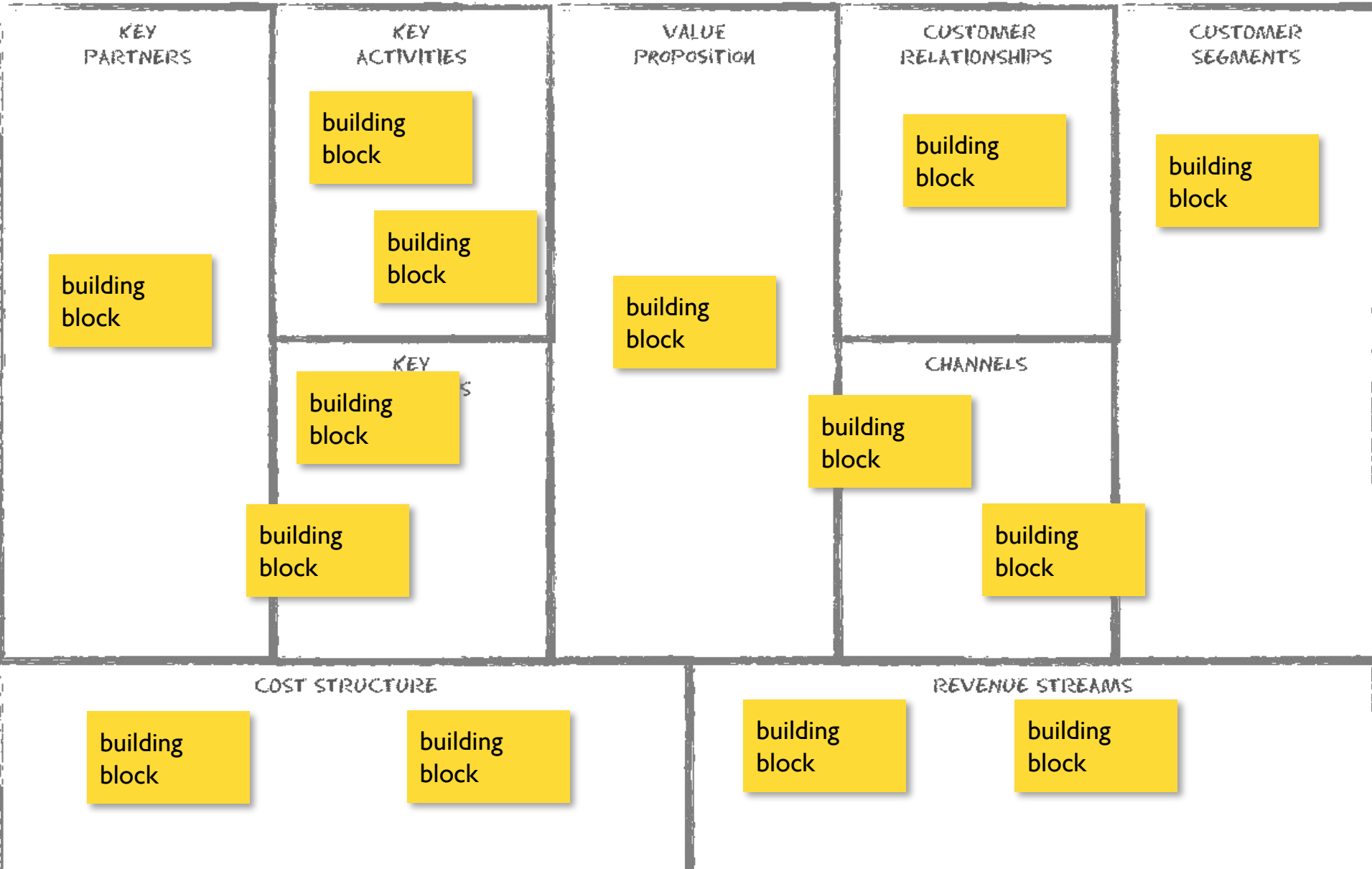
REVENUE STREAMS



CANVAS OVERLAY



Business Model Canvas



But,
Realize They're Hypotheses
(Guesses)

9 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?</p> <p>KEY ACTIVITIES FOR PARTNERSHIP: Operational excellence Allocation of risk and resources Specialization of particular resources and activities</p> <p>Guess</p>	<p>Key Activities </p> <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</p> <p>KEY ACTIVITIES: Production Problem Solving Platform Network</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?</p> <p>VALUE PROPOSITIONS: Benefit Performance Customization "Convenience" (Saving the Job Done) Design/Access Price Risk Reduction Social Features Accessibility Greenness/Sustainability</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?</p> <p>Guess</p>	<p>Customer Segments </p> <p>For whom are we creating value? Who are our most important customers?</p> <p>KEY SEGMENTS: Mass Market Segmented Diversified Multi-sided Platform</p> <p>Guess</p>
	<p>Key Resources </p> <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p>KEY RESOURCES: Channel Infrastructure Human Financial</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?</p> <p>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?</p> <p>KEY COST STRUCTURES: Cost of Production and Creation Cost of Distribution and Delivery Cost of Sales and Marketing Cost of Service and Support Cost of Risk Cost of Compliance</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?</p> <p>REVENUE STREAMS: Asset Sale Usage Fee Subscription Fee Licensing Freemium Advertising</p> <p>REVENUE MODELS: Lump Sum Product/Service-dependent Customer-specific/Algorithm Customer or market</p> <p>REVENUE STRATEGIES: Subscription Usage-based Freemium Multi-sided Market</p> <p>Guess</p>		



BMC Section	Information Needed	Rubric Column
Value Proposition	What problem are we solving? What value do we deliver to the customers? What bundles of products and services are offering? Which customer needs are we satisfying?	Opportunity Recognition Market Research
Customer Segments	For whom are we creating value? Who are our most important customers?	Opportunity Recognition Market Research
Customer Relationships	What type of relationship does each of our customer segments expect us to have with them? Which ones have we established? How are these relationships integrated with the rest of our business model? What do they cost and how will that affect the business model?	Market Research Promotion and Sales Business Financials
Channels	Through which channels do our customer segments want to be reached? How are we reaching them now? How are our channels integrated? Which works best? Which is most cost-effective? How do they integrate with customer routines?	Market Research Promotion and Sales Business Financials
Revenue Streams	For what value are our customers really willing to pay? For what and how much are they currently paying? How are they currently paying? How would they prefer to pay? How much does each revenue stream contribute to overall sales?	Opportunity Recognition Promotion and Sales Business Financials

Key Activities	What key activities do our value propositions, distribution channels, customer relationships, and revenue streams require?	Promotion and Sales (Product Development)
Key Resources	What key resources do our value propositions, distribution channels, customer relationships, and revenue streams require?	Business Financials (Product Development)
Key Partners	Who are our key partners? Who are our key suppliers? Which key resources are acquiring from partners? Which key activities do partners perform?	Business Financials (Product Development)
Cost Structures	What are the most important costs inherent in our business model? Which key resources are most expensive? Which key activities are most expensive?	Business Financials

How Does This Really Work?

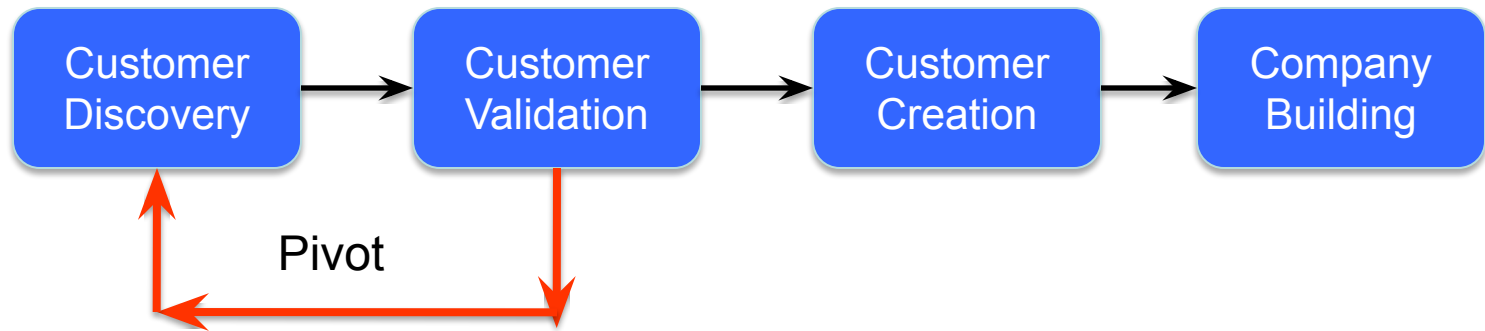
**(Pitch for the TTU Lean
LaunchPad Class)**

10 Weeks and \$\$\$\$ From an Idea to a
Business

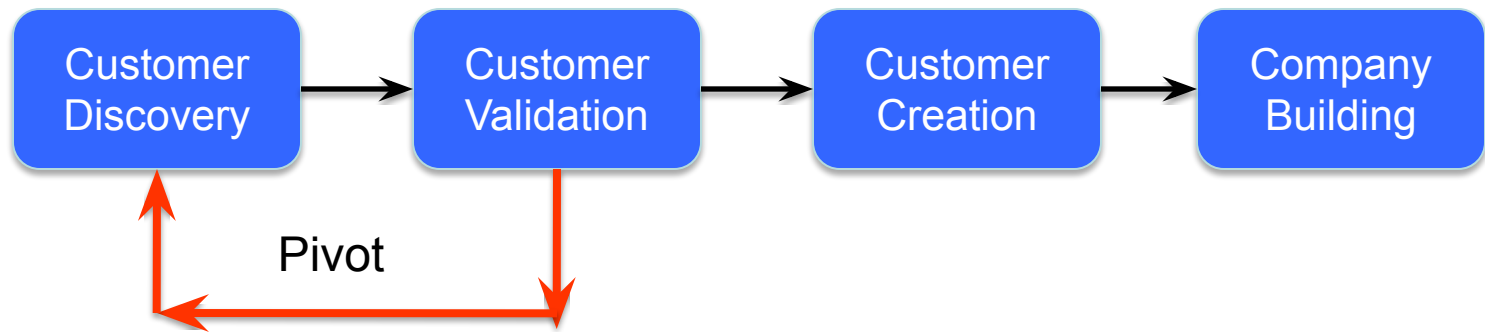
Participate in the TTU – NSF I-Corps
Site Program (coming 2016)

Questions?

The Customer Development Process



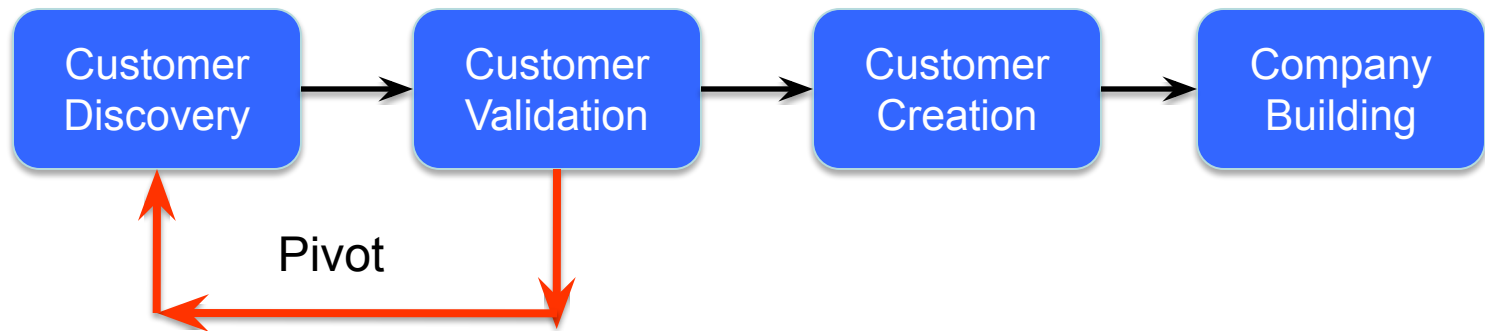
The Minimum Viable Product (MVP)



- **Smallest feature set** that gets you the most ...
 - orders, learning, feedback, failure...

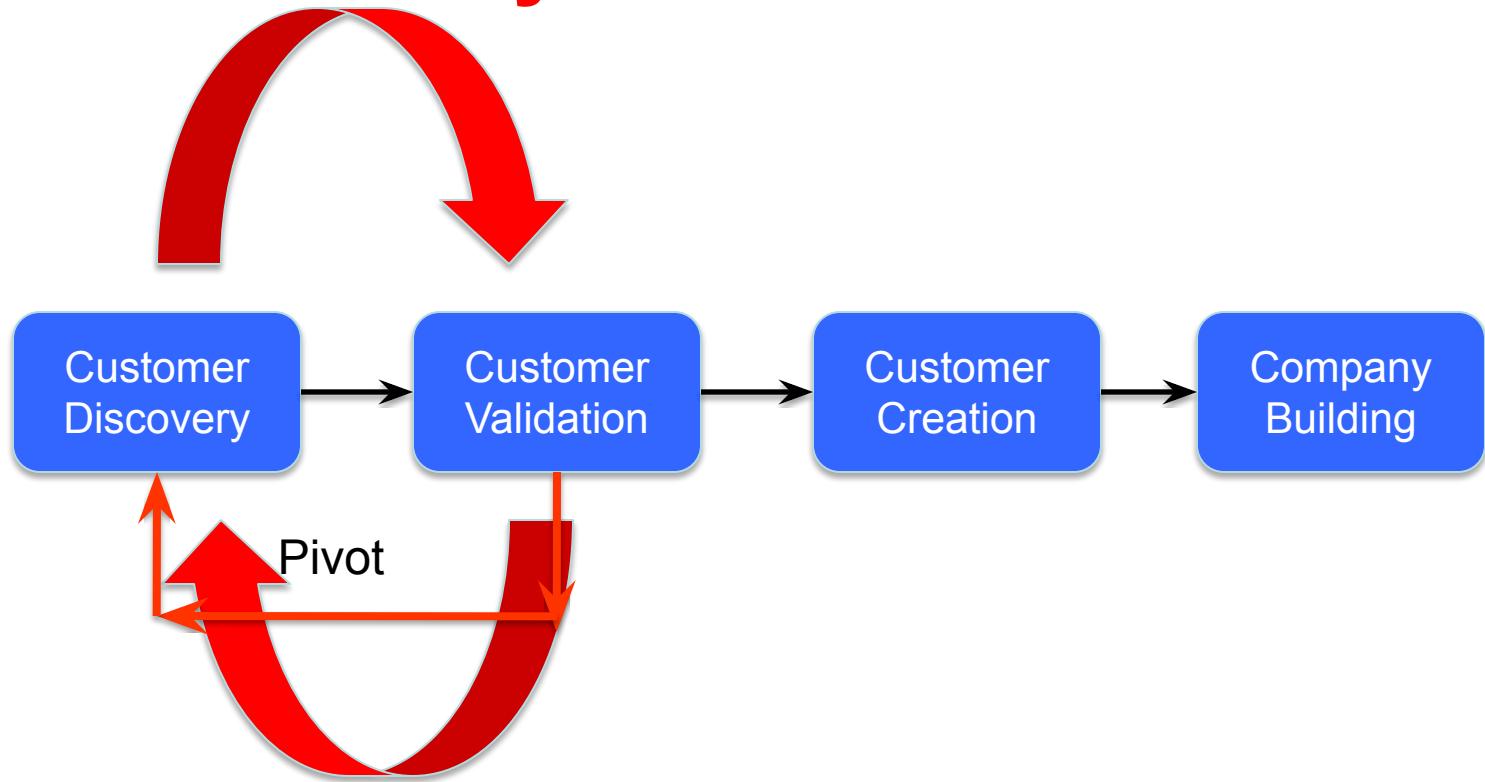
A Pivot is the **change** of one or more **Business Model** Canvas Components

The Pivot



- The heart of Customer Development
- **Iteration without crisis**
- **Fast, agile** and **opportunistic**

Pivot Cycle Time Matters



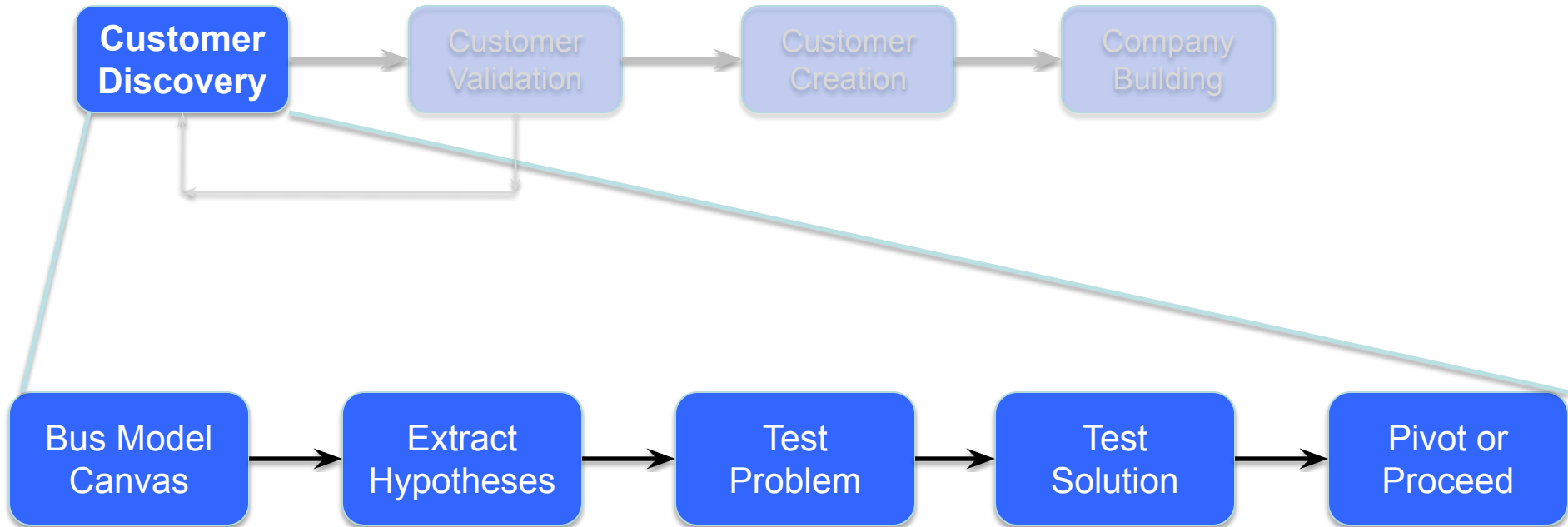
- **Speed** of cycle minimizes cash needs
- **Minimum feature set** speeds up cycle time
- **Near instantaneous customer feedback** drives feature set

Doing a Cust-Dev Interview

1. One person at a time
 2. Know your goals and questions ahead of time
 3. Separate behavior and feedback in discussion
 4. Get psyched to hear things you don't want to hear
 5. Disarm "politeness" training
 6. Ask open ended questions
 7. Listen, don't talk
 8. Encourage but don't influence
 9. Follow your nose and drill down
 10. Parrot back or misrepresent to confirm
 11. Ask for introductions
 12. Write up your notes as quickly as possible
- Afterwards: Look for patterns and apply judgement.

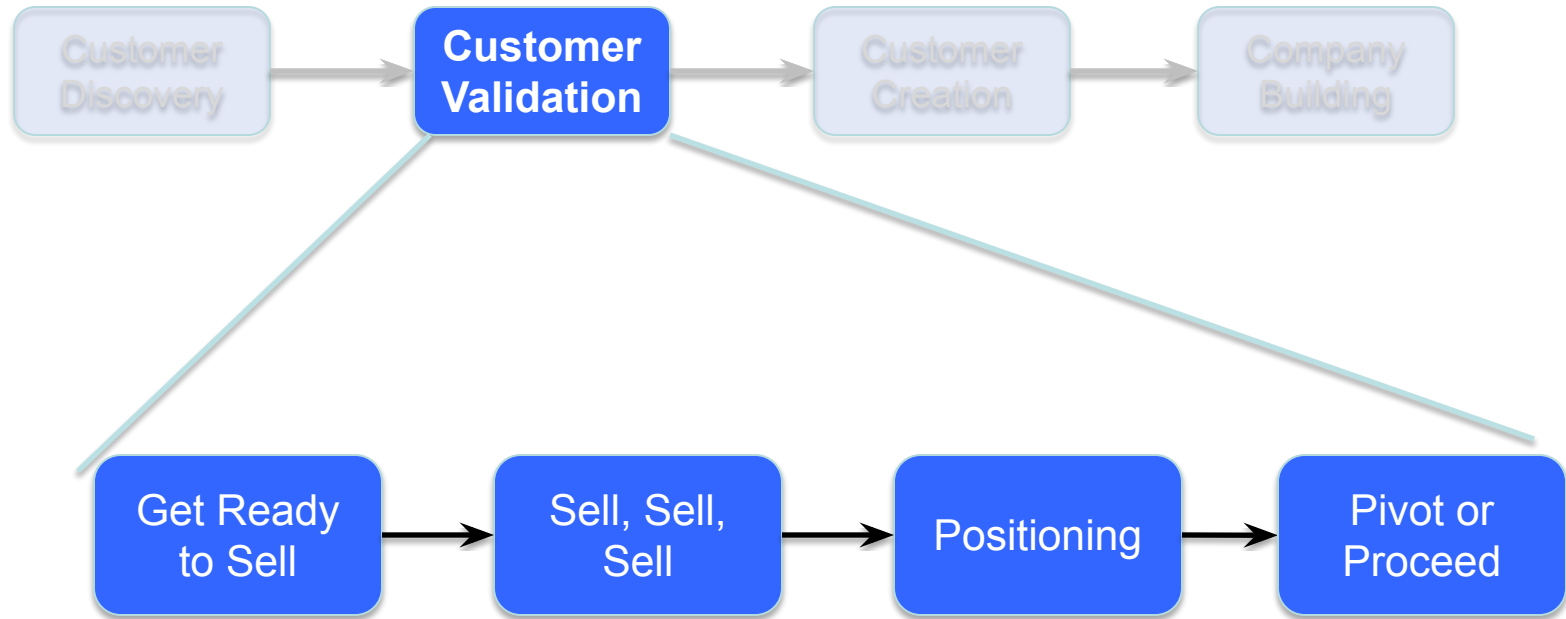
The Customer Development Process

Customer Discovery



The Customer Development Process

Customer Validation



How to Succeed in Eagleworks, 2016

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