Creating Start-Up Success 101

AlexOsterwalder.com
@business_design

SteveBlank.com
@sblank

Contribution by Alan Smith @thinksmith
THIS PRESENTATION COMBINES TWO GLOBAL BESTSELLERS

Business Model Generation

The Four Steps to the Epiphany

Steven Gary Blank
So what makes for a successful start-up?
Start with a **brilliant founder** like...
Mike, 34
Stanford Alumnus
he used to be an...
Experienced Exec
All his operating experience built up some...
...outstanding credentials!
One day Mike has...
A “killer” product idea!
A “killer” product idea! he’s really passionate about it
Mike’s experienced.

He knows how to test his idea using...
...market research
The research looks good!

Mike moves forward, and writes a fantastic....
Great! Based on the credentials, research, and plan, Mike has secured the final piece...
Money in hand, Mike get’s started on
...building his start-up.
He makes the headlines of every major...
... and is invited to give...
...keynote talks
Mike and his start-up are on a roll!
How likely is his business to succeed?
Despite the experience, research and plan...
...Mike slipped up.
Let’s help Mike with 5 things he didn’t know.
No business plan survives the first customer contact.
Sticking to a planning document works for a known future, **not** for a start-up context.

Plan's fail in start-ups.
It’s the business model, stupid.
Hey Mike, your plan was to build a company, but did your plan include a Business Model?
11. **Definition**.—A constituent which induces a particular contract. It is the substance inducing the parties to the contract.
“A business model describes the rationale of how an organization creates, delivers, and captures value”
Here are the 9 building blocks of a business model:
CUSTOMER SEGMENTS

which customers and users are you serving?
which jobs do they really want to get done?
VALUE PROPOSITIONS

what are you offering them? what is that getting done for them? do they care?
how does each customer segment want to be reached? through which interaction points?
what relationships are you establishing with each segment? personal? automated? acquisitive? retentive?
REVENUE STREAMS

what are customers really willing to pay for? how?
are you generating transactional or recurring revenues?
KEY RESOURCES

which resources underpin your b.model?
which assets are essential?
KEY ACTIVITIES

which activities do you need to perform well in your b.model? what is crucial?
which partners and suppliers leverage your model?
who do you need to rely on?
what is the resulting cost structure?
which key elements drive your costs?
“Hmm, interesting so what do I make of that?”
use it as a tool to...
sketch out your business model
The Business Model Canvas

Key Partners
Who are our Key Partners?
What are our Key Resources?
Which Key Activities are we performing?
Which Key Customers are we serving?
What Key Channels do we use to reach our Key Customers?
What Key Revenue streams are we generating?

Key Activities
What Key Activities are required to deliver our Value Propositions?
What Key Resources are required to perform the Key Activities?
What Value Propositions do we offer?
What Value Propositions do our Key Partners provide?
What Key Customers do we serve?
What Key Channels do our Key Customers use?
What Key Revenue streams do we generate?

Value Propositions
What Value do we deliver to the customer?
What Value do our Key Customers place on our Value Propositions?
What Value do our Key Partners place on our Value Propositions?
What Value do our Key Resources provide?
What Value do our Key Activities provide?
What Value do our Key Channels provide?
What Value do our Key Revenue streams provide?

Customer Relationships
What types of relationships do our Customer Segments expect to establish and maintain with us?
What type of relationships do our Customer Segments expect to establish and maintain with our industry?
How do our Customers and Partners interact with each other?
What are the key aspects of our Customer Relationships?

Customer Segments
For whom are we really building this?
Who are our most important customers?
What are the key features and benefits of our Customer Segments?
What are the key features and benefits of our Customer Segments for our industry?
What are the key features and benefits of our Customer Segments for our partners?

Key Resources
What Key Resources do we need to deliver our Value Propositions?
What Key Resources do our Key Partners need to deliver their Value Propositions?
What Key Resources are required to perform the Key Activities?
What Key Resources are required to establish and maintain our Customer Relationships?
What Key Resources are required to create and deliver our Value Propositions?

Channels
How are we reaching and engaging our Key Customers?
How are we reaching and engaging our Key Partners?
How are we reaching and engaging our Key Resources?
What are the key aspects of our Channels?
What are the key aspects of our Key Channels?

Cost Structure
What are the most important costs we incur?
Which Key Resources are the most expensive?
Which Key Channels are the most expensive?
Which Key Activities are the most expensive?
What are the key costs of our Customer Relationships?
What are the key costs of our Key Segments?

Revenue Streams
How much do we currently charge?
How much do our Key Partners charge?
How much do our Key Customers charge?
What are the key aspects of our Revenue Streams?
What are the key aspects of our Key Revenue Streams?
What are the key aspects of our Key Partners' Revenue Streams?
The Business Model Canvas

Key Partners

Key Activities

Value Propositions

Customer Relationships

Customer Segments

Key Resources

Channels

Cost Structure

Revenue Streams

Building block

building block

building block
This tool is called the **Business Model Canvas**

(download with instructions at [www.businessmodelgeneration.com/downloads](http://www.businessmodelgeneration.com/downloads))
Take time to think through alternative possibilities.
the same technology, product, or service can have numerous business models
try sketching out alternative business models by asking yourself...
difficult questions
only make a first choice after prototyping and thinking through several models...
OK. You’ve got your model, but you’re not done yet...
Your business model idea is just a set of hypotheses.
a business model might look great on paper...

... but be honest that it’s
... just a set of hypotheses
...so you need to get out of the building and...
test each hypothesis (e.g. with customers)
This business model testing process is called **Customer Development**.
two different phases...
search

customer discovery ➔ customer validation ➔ customer creation ➔ company building

pivot

execution
and it starts with...
... verifying every hypothesis
test your hypotheses

product
market type
competition
test your hypotheses

problem
customer
user
payer
test your hypotheses

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Propositions</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who are our key partners?</td>
<td>What key activities do we perform?</td>
<td>What value do we deliver to the customer?</td>
<td>Customer relationships?</td>
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<tr>
<td>What key resources do we need to perform our activities?</td>
<td>Internal cost structures</td>
<td>Customer relationships?</td>
<td>Customer segments?</td>
<td>Through which channels do our customer segments engage?</td>
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<tr>
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**Channel:**

- Through which channels do our customer segments engage?
- How are our channels integrated?
- Which channels are most important?
- How are they integrating with the rest of the business model?
test your hypotheses

channel
(customer)
(problem)

product
market type
competition

channel

validate business model

pricing model

problem
customer
user
payer
to accomplish this you will need a special and agile ...
customer development team
A team that ...
... gets out of the building!
... to test and adapt your model

channel (customer) (problem)

agile business model adaptation

customer development team

product market type competition

demand creation

channel

problem customer user payer

validate business model

pricing model

www.businessmodelgeneration.com
you need to adapt the business model until you can prove it works
“How do I prove a business model works?”
One example of “proving” is concluding the ...
... sales of a "minimum viable feature set"
This adaptation process is called ...
the pivot

(customer discovery) → (customer validation) → (customer creation) → (company building)

(repeat * until proven)
so do you have any “factual” proof?
Congratulations!
You finished the search process!
So don’t ever forget ...
Don’t build your company, until you’ve verified your Business Model
or you’ll risk ...
Burning your cash while searching for a working business model
execution is not search
execution follows search
Build when you’ve found your model
only then execute:
scale your marketing

customer discovery

customer validation

customer creation

company building

execute
and build your org structures
No business plan survives the first customer contact.

It’s the business model, stupid.

Take time to think through alternative possibilities

Your business model idea is just a set of hypotheses.

Don’t build your company, until you’ve verified your Business Model
YOU CAN READ MORE ABOUT BUSINESS MODELS AND THE CUSTOMER DEVELOPMENT PROCESS HERE:
Good Luck!

BusinessModelGeneration.com
AlexOsterwalder.com
@business_design

StevenBlank.com/books.html
SteveBlank.com
@sgblank

Contribution by Alan Smith @thinksmith