

Creating Start-Up Success 101

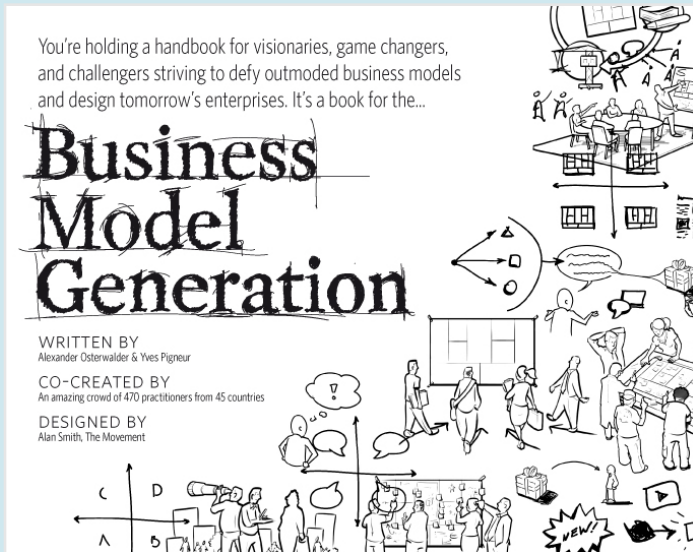
AlexOsterwalder.com
[@business_design](https://twitter.com/business_design)

SteveBlank.com
[@sgblank](https://twitter.com/sgblank)

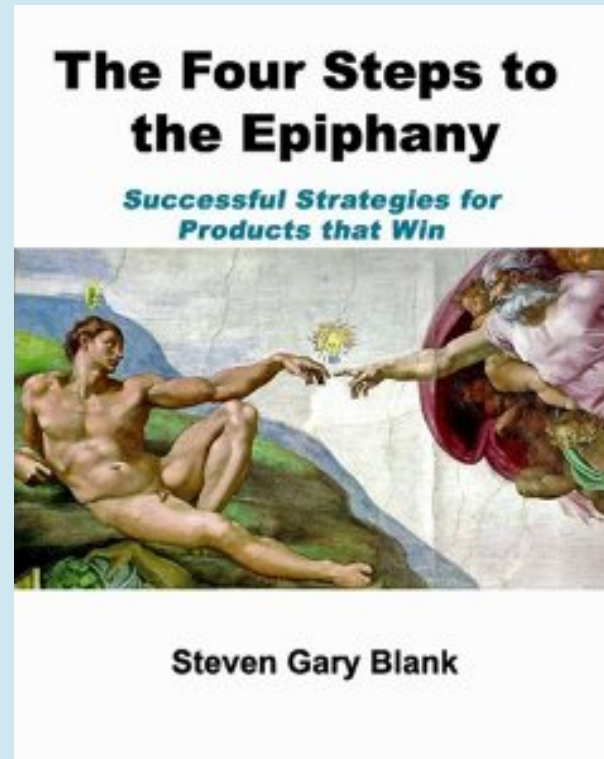
Contribution by [Alan Smith @thinksmith](https://twitter.com/thinksmith)



THIS PRESENTATION COMBINES TWO GLOBAL BESTSELLERS



+



BusinessModelGeneration.com

StevenBlank.com/books.html

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...

...member in
...research technol
...operations covering all
...responsible for project ma
...projects.

Major Accomplishments

- Produced state of the art
- Developed expertise
-
-
-

...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....

Business Plan



Great!

Based on the **credentials**,
research, and **plan**, Mike has
secured the final piece...



...VC Funding!

Money in hand,
Mike get's started on

A silhouette of a construction site at sunset. A large tower crane is the central focus, with its long jib extending across the top of the frame. In the foreground, several construction workers are silhouetted against the bright orange and yellow sky. They are working on a structure of rebar and formwork. The workers are in various poses: one is walking with a long pole, another is standing near a vertical rebar, and others are bent over, working on the ground level. The overall scene conveys a sense of active construction and industry.

...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.

1

*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.



2

*It's the
business
model,
stupid.*

Hey Mike, your plan was
to build a company, but
did your plan include a
Business Model?



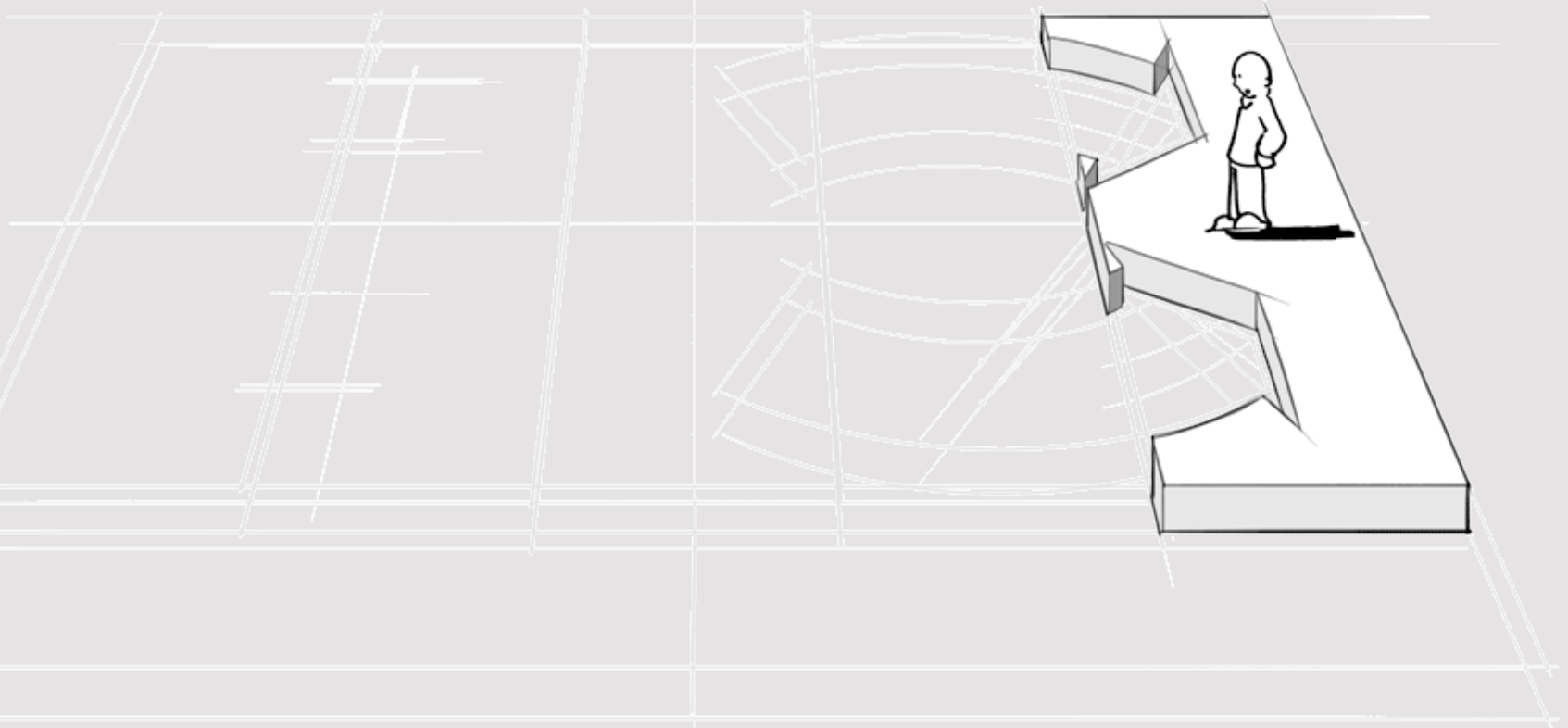
THE VITAL PART OF A
CONSIDERATION

11. **DEFINITION.**—A contract which induces a party to perform a substantial part of the contract. It is the substance of the contract inducing the parties to perform it. A SUFFICIENT

“A business model describes the rationale of how an organization creates, delivers, and captures value”

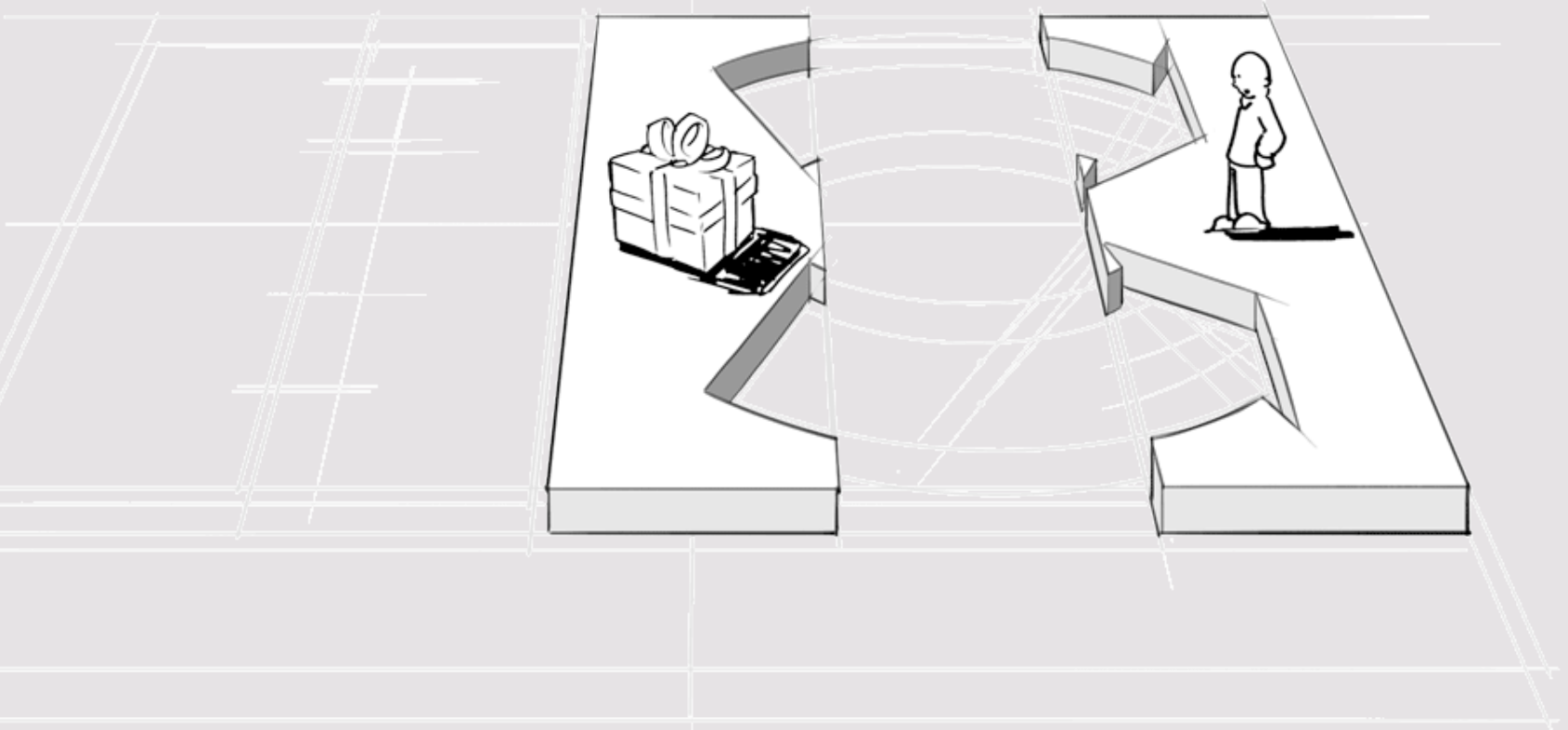
Here are the 9 building blocks of a business model:

CUSTOMER SEGMENTS



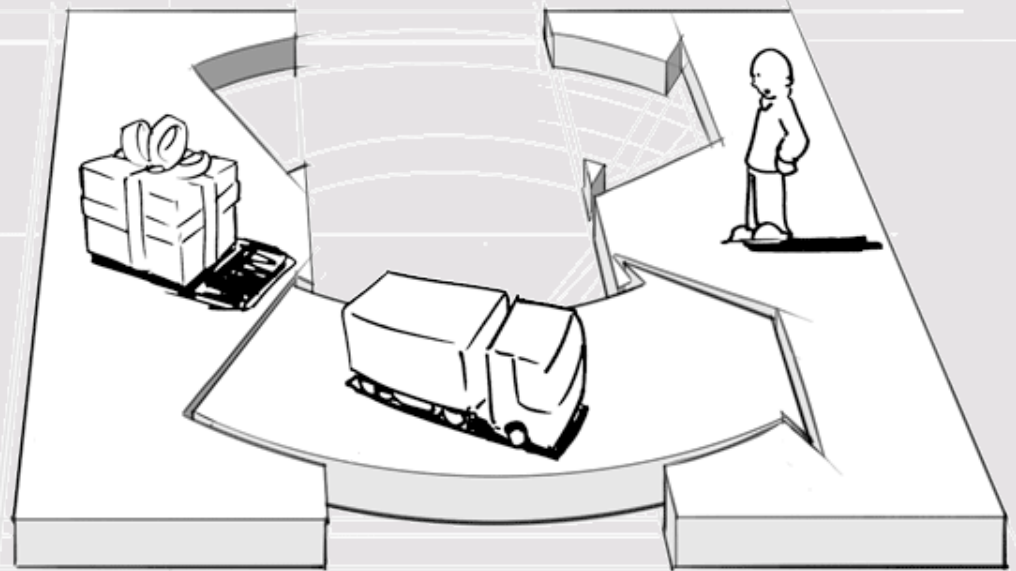
which customers and users are you serving?
which jobs do they really want to get done?

VALUE PROPOSITIONS



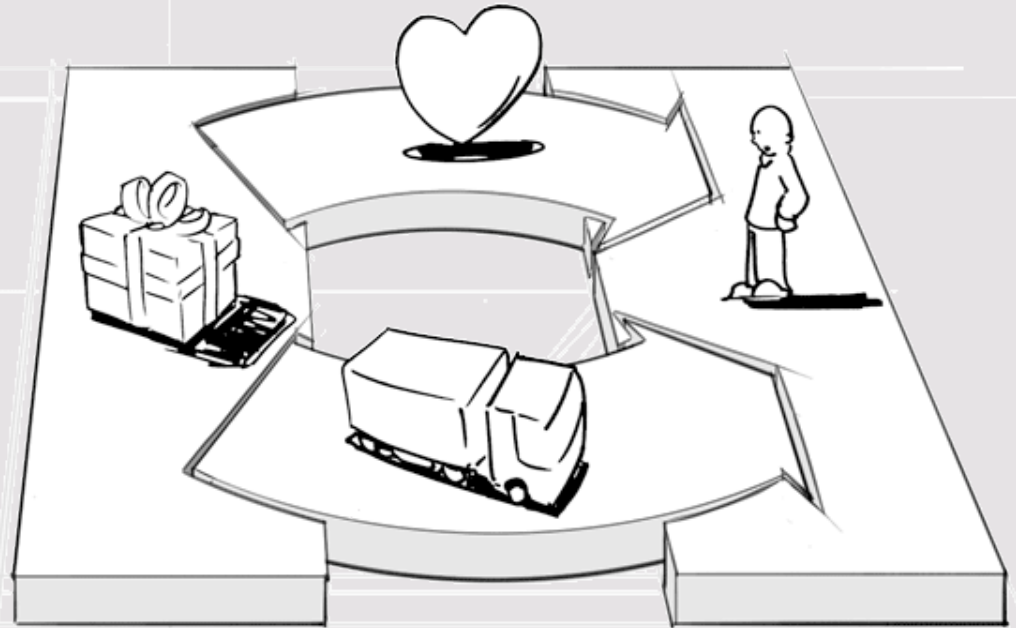
what are you offering them? what is that getting done for them? do they care?

CHANNELS



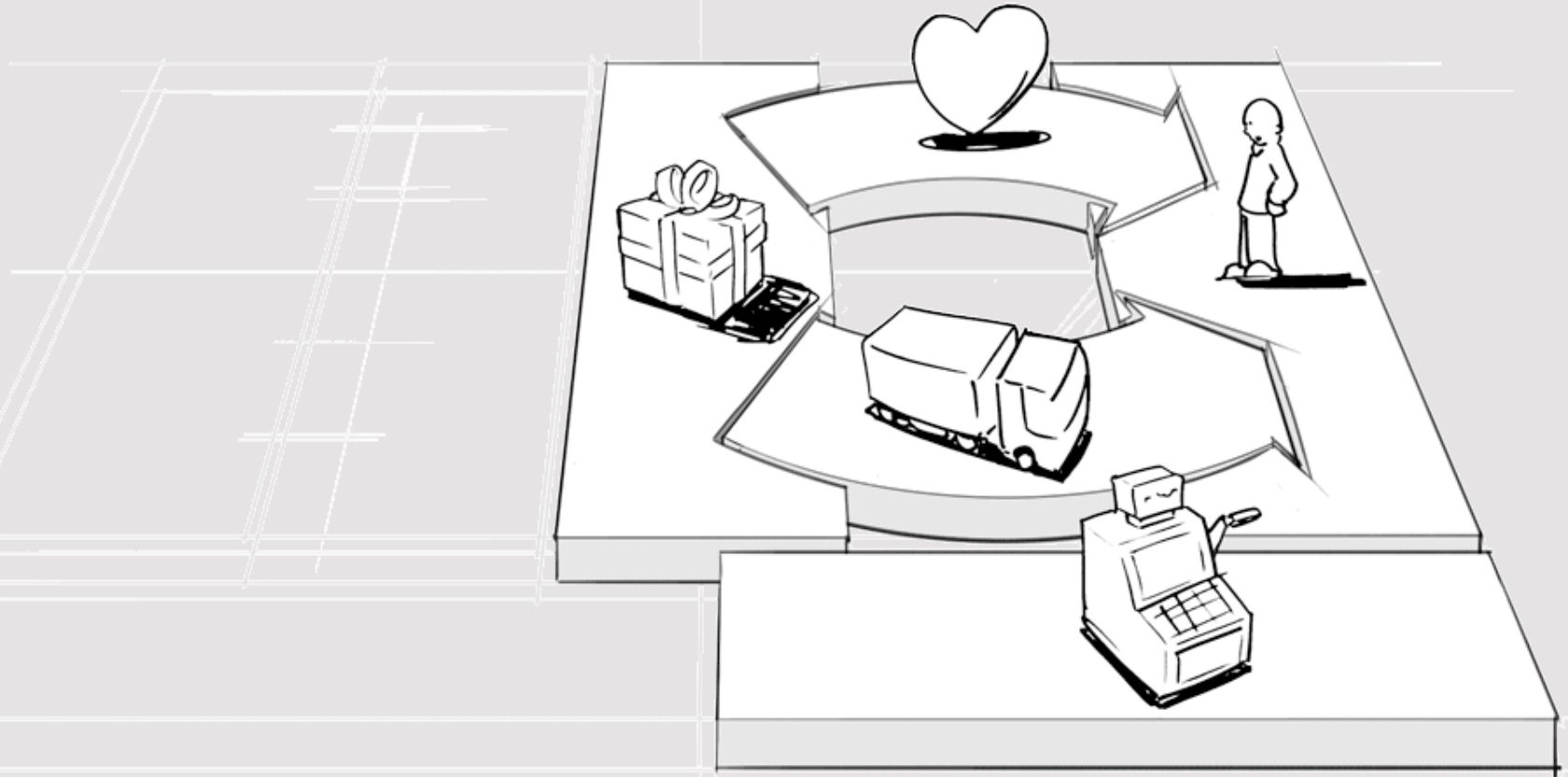
how does each customer segment want to be reached?
through which interaction points?

CUSTOMER RELATIONSHIPS



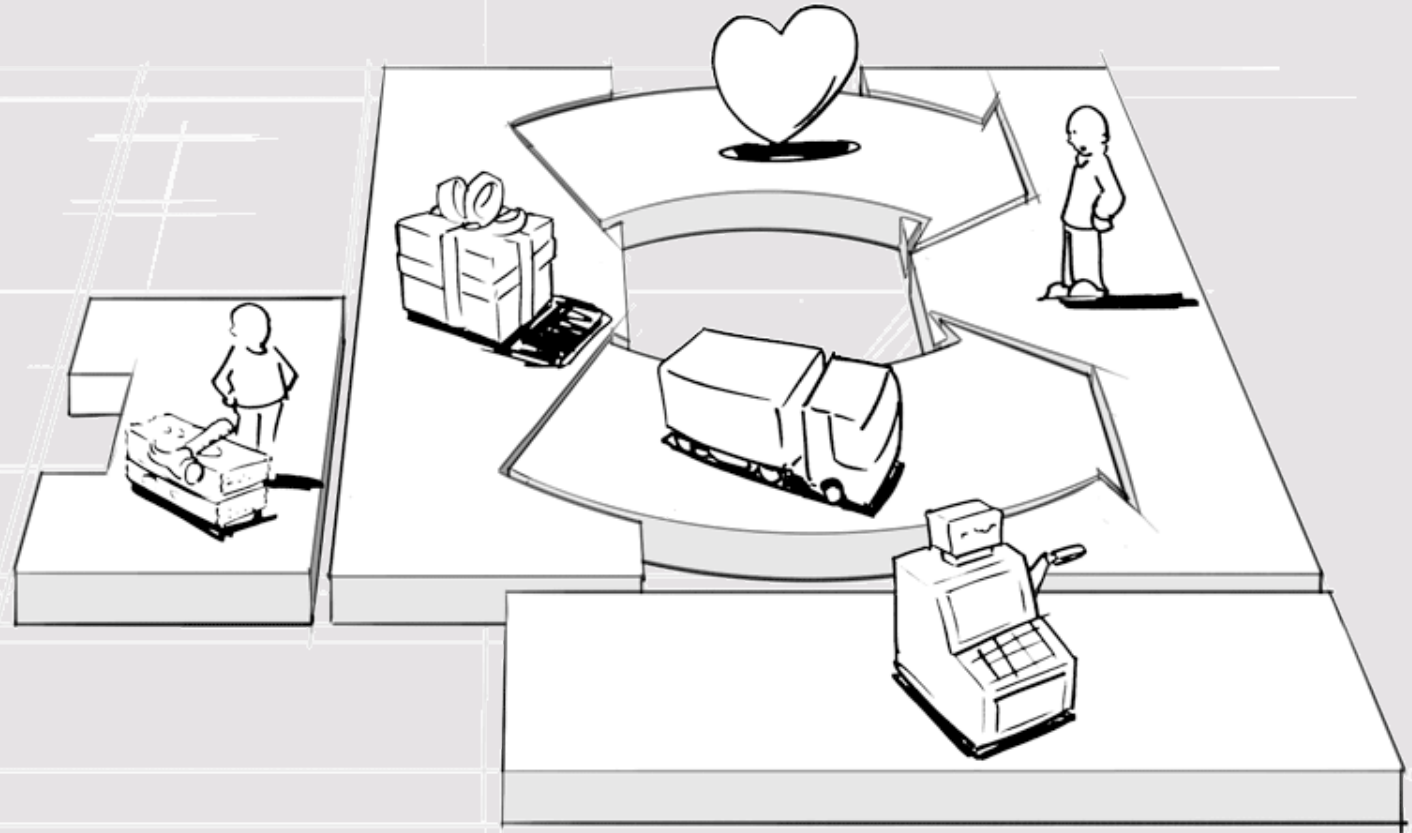
what relationships are you establishing with each segment?
personal? automated? acquisitive? retentive?

REVENUE STREAMS



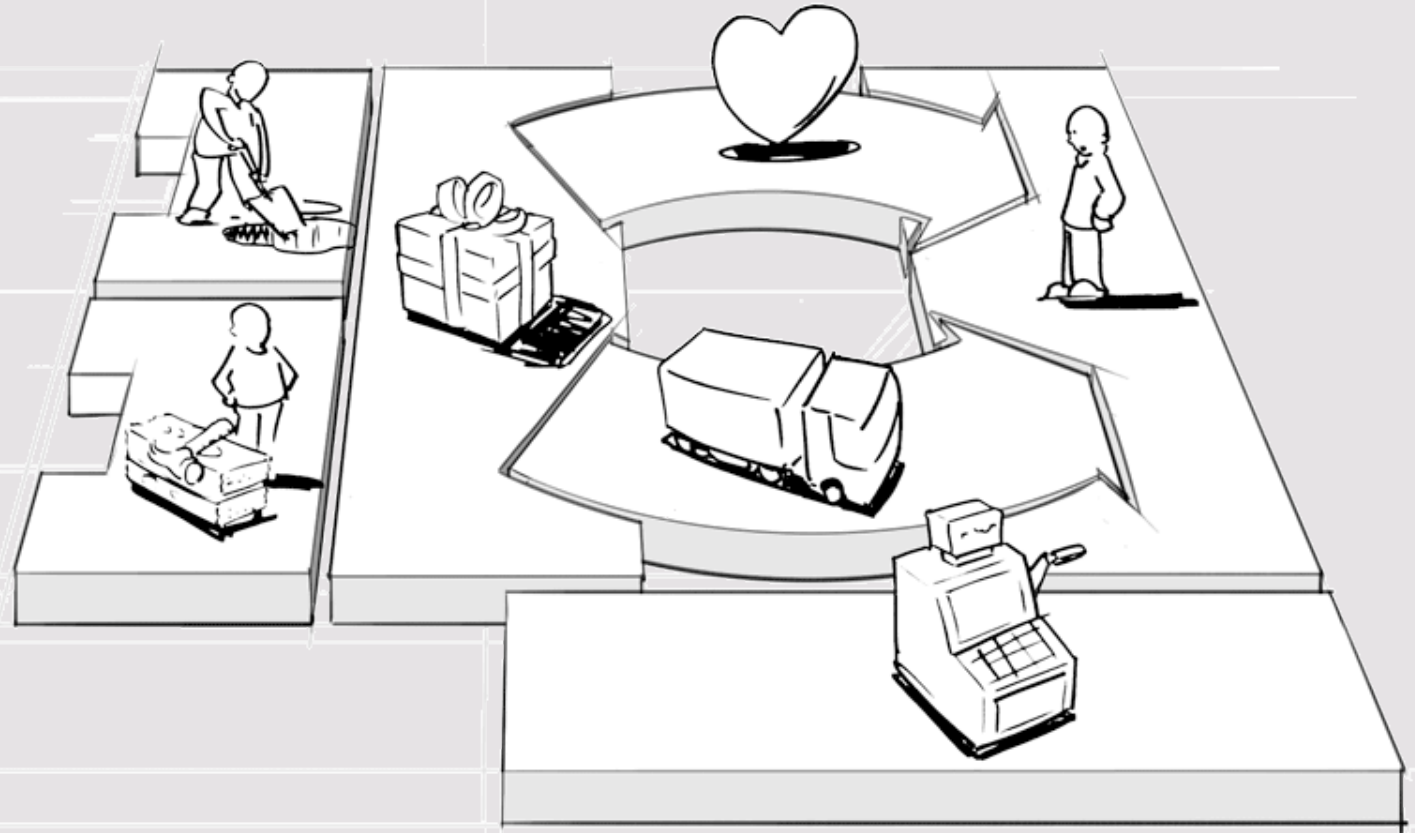
what are customers really willing to pay for? how?
are you generating transactional or recurring revenues?

KEY RESOURCES



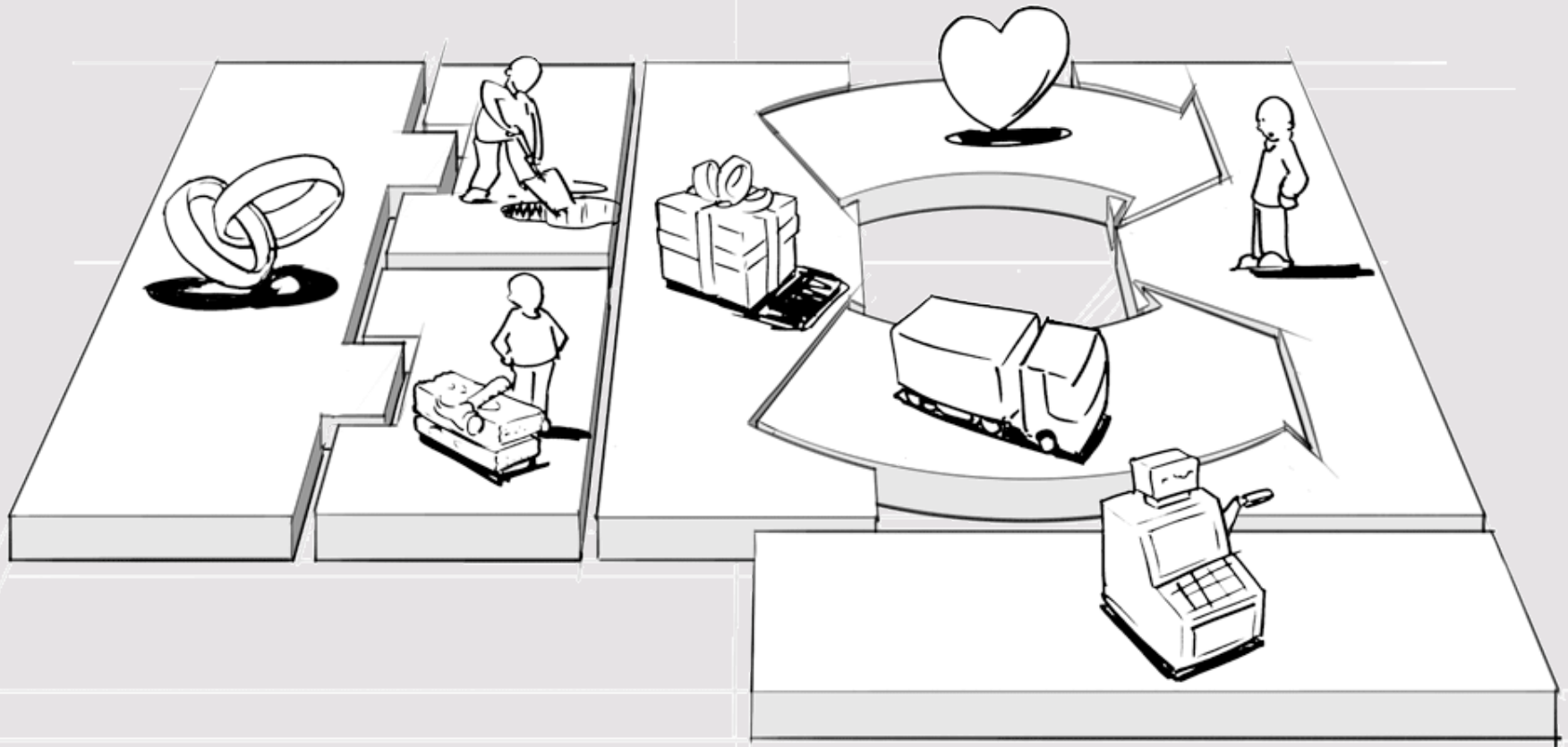
which resources underpin your b.model?
which assets are essential?

KEY ACTIVITIES



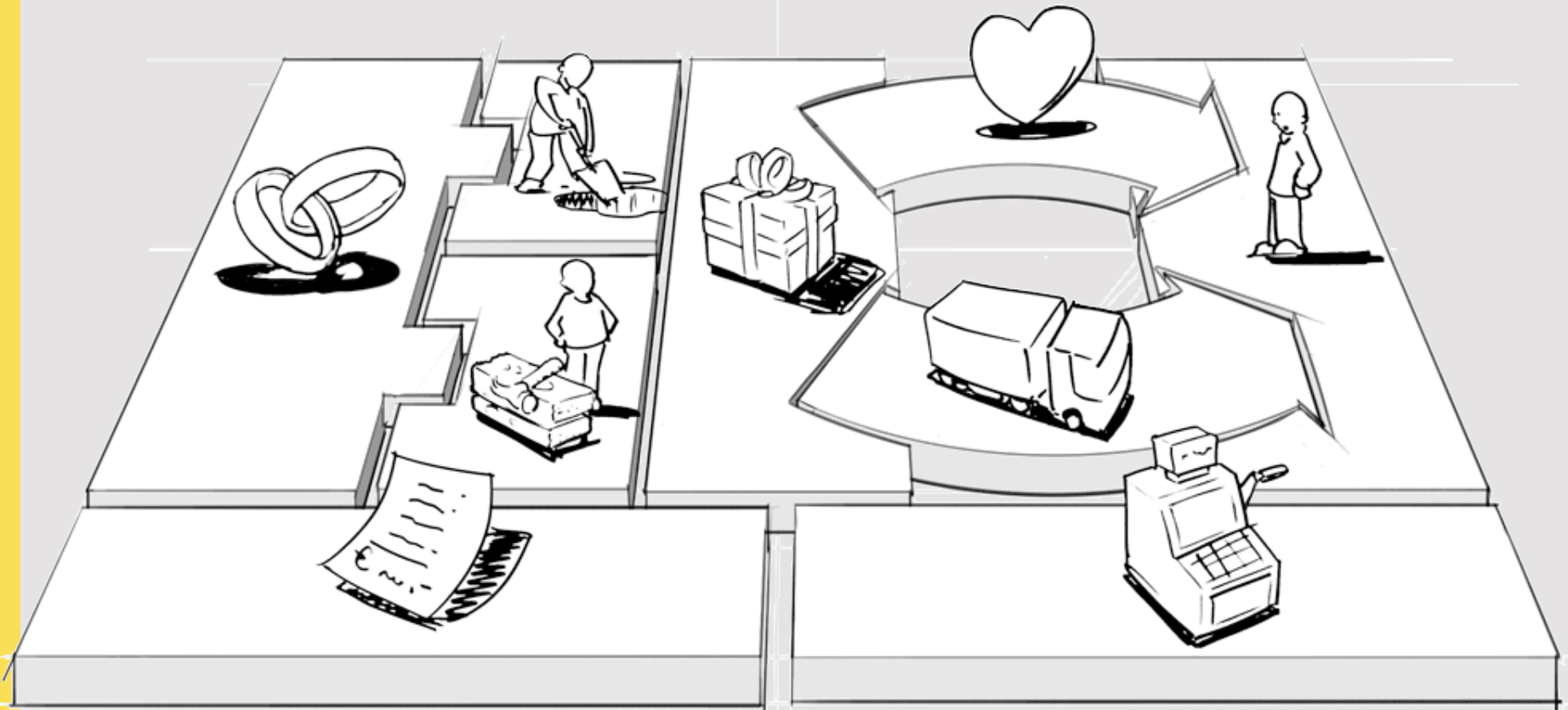
which activities do you need to perform well in
your b.model? what is crucial?

KEY PARTNERS

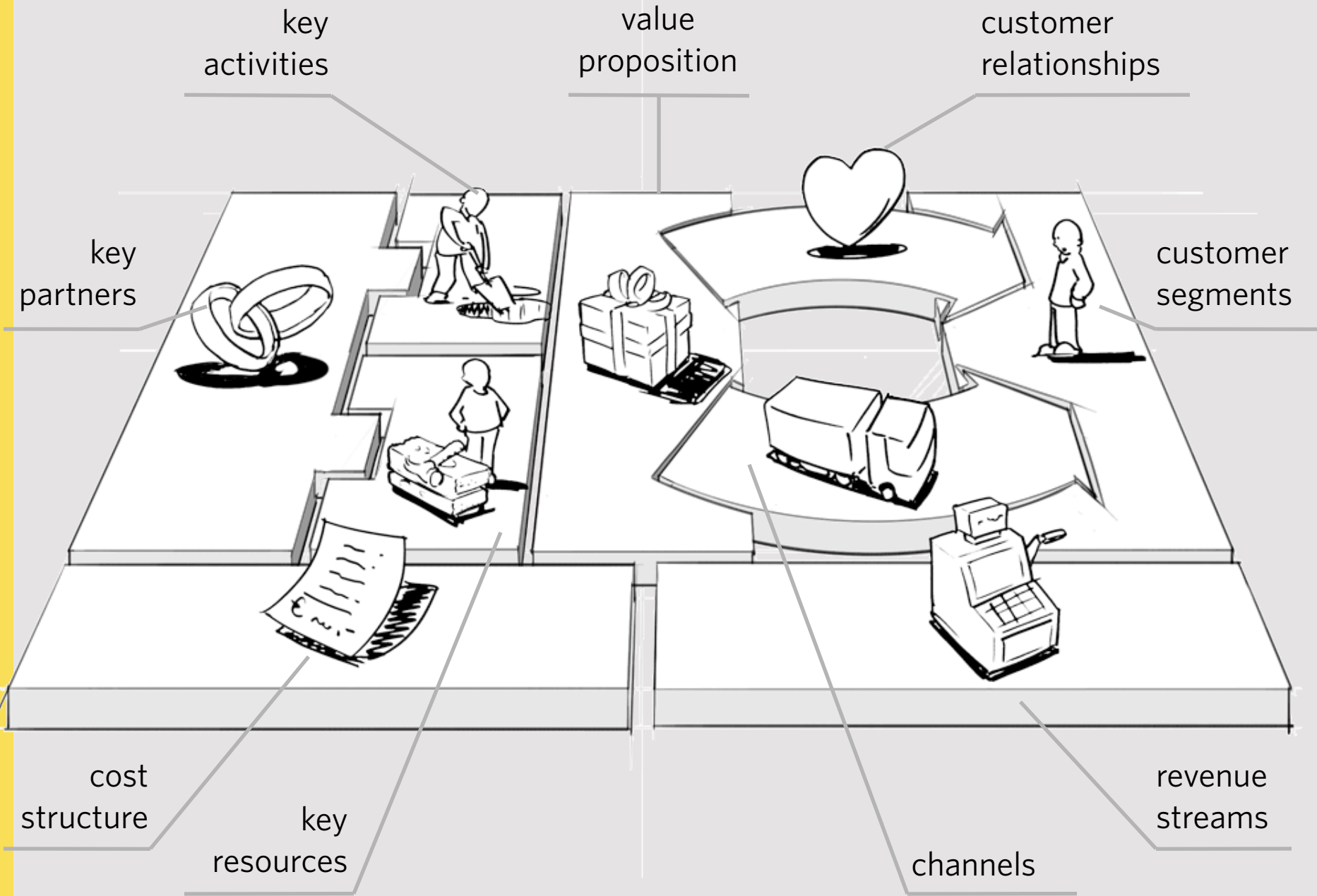


which partners and suppliers leverage your model?
who do you need to rely on?

COST STRUCTURE



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...



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 do we acquire from partners?
 Which Key Activities do partners perform?

Key Activities



What Key Activities do our Value Propositions require?
 Do 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?
 Do 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 are best?
 Which ones are most cost-efficient?
 How are we integrating them with customer relations?

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?
 How do they currently pay?
 How are they currently paying?
 How do they prefer to pay?
 How much does each Revenue Stream contribute to overall revenues?



sketch out your business model

The Business Model Canvas

Designed for:

Designed by:

On:

Iteration:

Key Partners



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building
block

Channels



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Revenue Streams

For what value are our customers really willing to pay?
 How do they currently pay?
 How and how often do they prefer to pay?
 How much does each Revenue Stream contribute to overall revenues?



The Business Model Canvas

Designed for:

Designed by:

On:
 Iteration:

Key Partners



Who are our Key Partners?
 Who are our key suppliers?
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 Which Key Activities do partners perform?

Key Activities



What Key Activities do our Value Propositions require?
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 Revenue streams?

building block

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building block

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building block

Key Resources



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building block

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Revenue Streams

For what value are our customers really willing to pay?
 How do they currently pay?
 How are they going to pay?
 How much does each Revenue Stream contribute to overall revenues?











The Business Model Canvas

Designed for: _____

Designed by: _____

On: _____
Iteration: _____

| | | | | |
|---|---|--|--|---|
| <h3>Key Partners</h3> <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>building block</p> | <h3>Key Activities</h3> <p>building block</p> | <h3>Value Propositions</h3> <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>building block</p> | <h3>Customer Relationships</h3> <p>What type of relationship does each of our Customer Segments expect us to establish with them? Which one? How easy is it? How costly?</p>  <p>building block</p> | <h3>Customer Segments</h3> <p>For whom are we creating value? Who are our most important customers?</p>  <p>building block</p> |
| <p>building block</p> | <h3>Key Resources</h3> <p>What Key Resources do our Value Propositions require? Do our Channels? Customer Relationships? Revenue Streams?</p>  <p>building block</p> | <p>building block</p> | <h3>Channels</h3> <p>building block</p>  <p>building block</p> | <p>building block</p> |

| | |
|---|---|
| <h3>Cost Structure</h3> <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>building block</p> <p>building block</p> | <h3>Revenue Streams</h3> <p>For what value are our customers really willing to pay? How are they currently paying? How and how often do they prefer to pay? How much does each Revenue Stream contribute to overall revenues?</p>  <p>building block</p> |
|---|---|

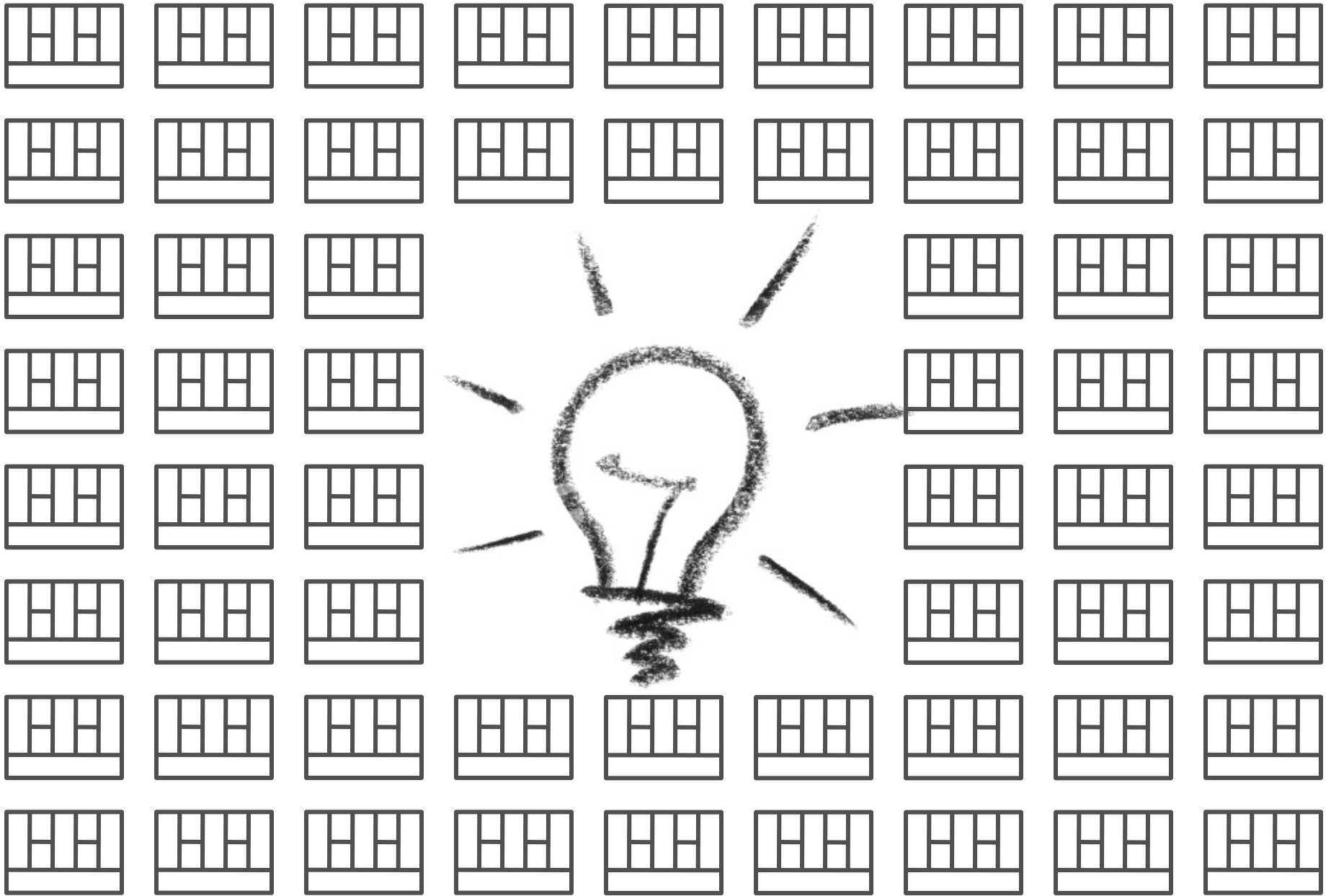
This tool is called the Business Model Canvas

(download with instructions at
www.businessmodelgeneration.com/downloads)

3

*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...

transactional vs.
recurring revenues

product vs. service

scale vs. scope

niche market vs.
mass market

direct sales vs.
indirect sales

blue ocean vs. red
ocean

capital expenditure vs.
partnership

open vs. closed

personal vs.
automated

acquisition vs. retention

human intensive vs.
system intensive

disruptive vs.
incremental

difficult questions

one customer segment
vs. another

physical vs. virtual

tailor-made vs. mass
production

paid vs. free

copyright vs. copyleft

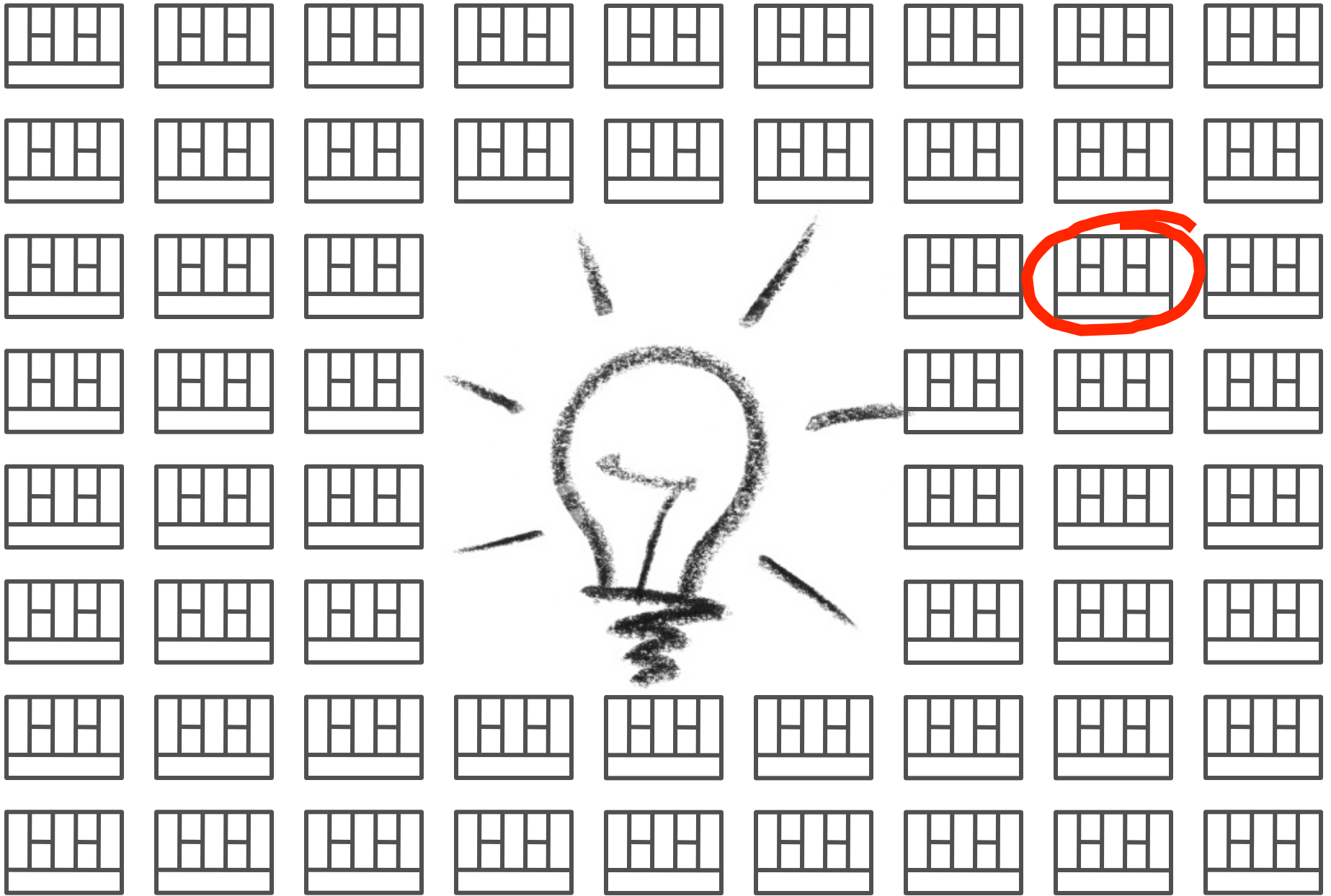
fixed vs. variable
costs

distributed vs.
centralized

in-sourcing vs. out-
sourcing

advertising vs.
sales

only make a first choice after prototyping
and thinking through several models...



OK. You've got your model,
but you're not done yet...

4

*Your business
model idea is
just a set of
hypotheses.*

... just a set of hypotheses

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?

GUESS

GUESS

Key Activities



GUESS

GUESS

Key Resources



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

GUESS

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?

GUESS

Customer Relationships



What type of relationship does each of our Customer Segments expect to establish with us?
Which ones?

GUESS

Channels



GUESS

GUESS

Customer Segments



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

GUESS

Cost Structure

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

GUESS

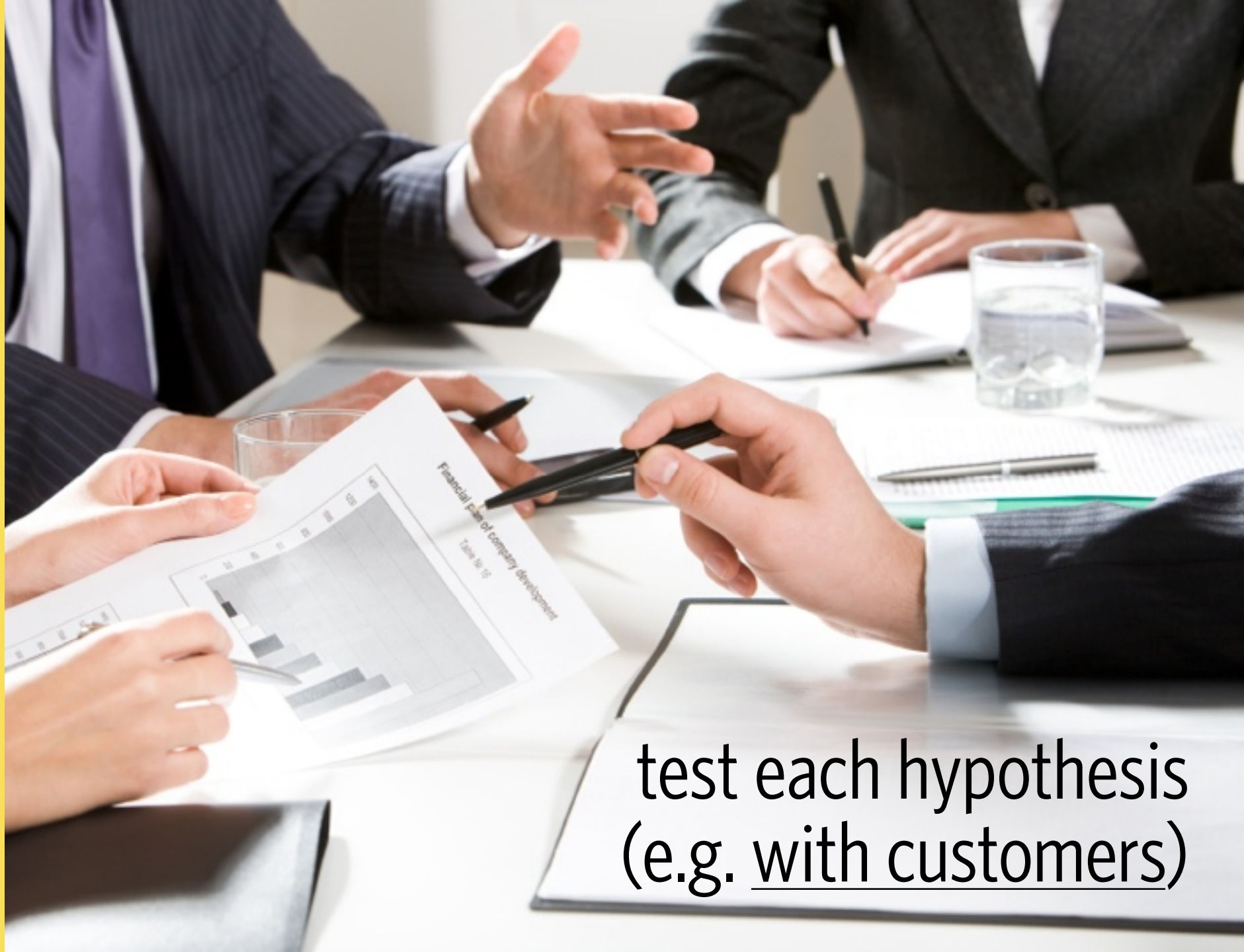
Revenue Streams

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How are they going to pay?
How much does each Revenue Stream contribute to overall revenue?

GUESS

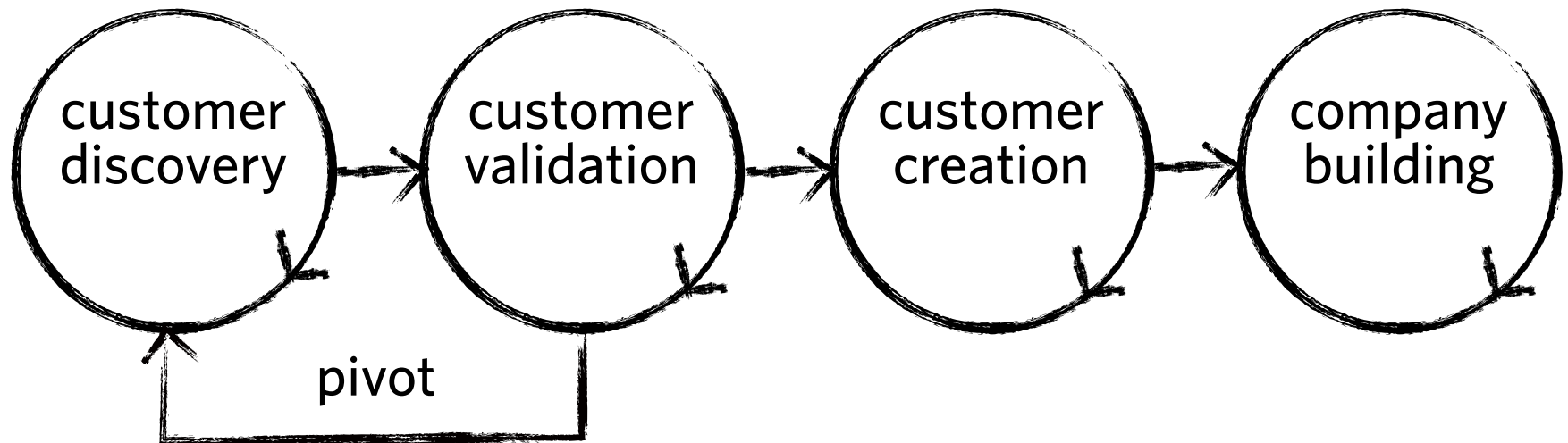


...so you need to get out of the
building and...



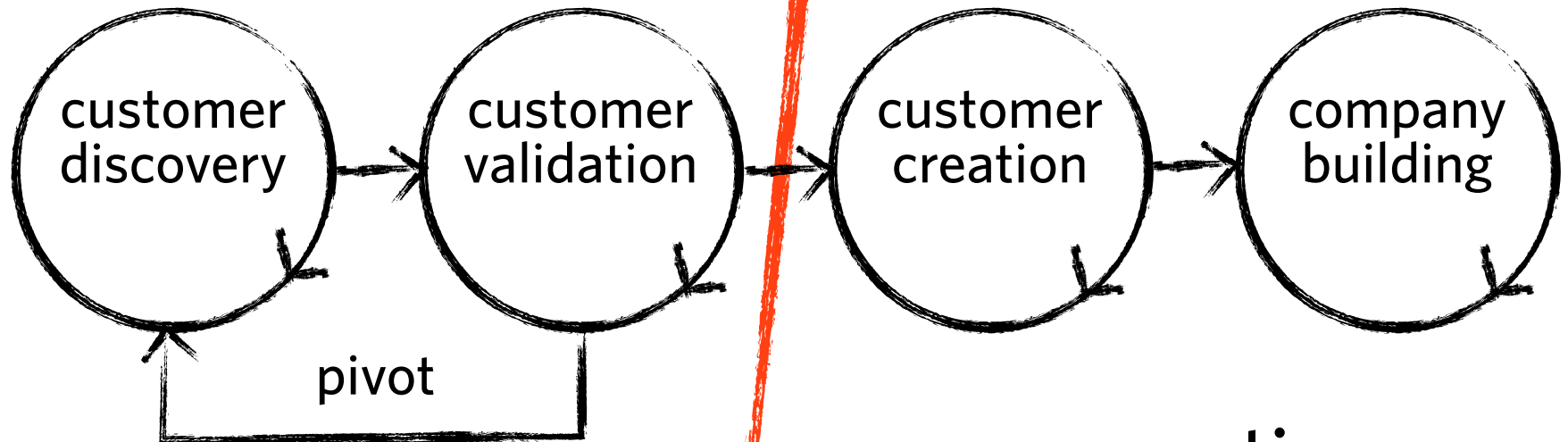
test each hypothesis
(e.g. with customers)

this business model testing process is called **Customer Development**



two different phases...

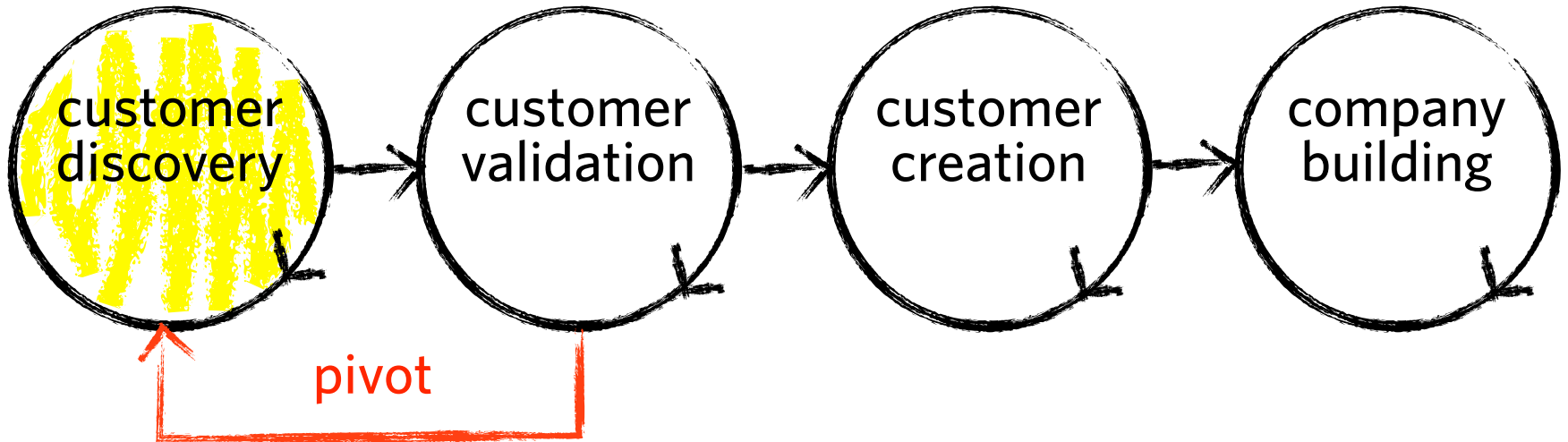
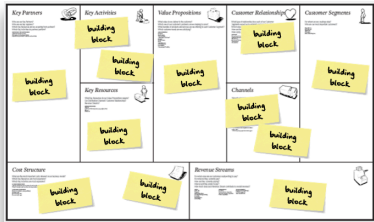
search



execution

and it starts with...

... verifying every hypothesis



test your hypotheses

Key Partners



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Key Activities



What Key Activities do our Value Propositions require?
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Value Propositions



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Customer Segments



For whom are we creating value?
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Key Resources



What Key Resources do our Value Propositions require?
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product
 market type
 competition

Channels



Through which Channels do our Customer Segments want to be reached?
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 Which ones are most cost-efficient?
 How are we integrating them into our customer market?

Cost Structure

What are the most important costs inherent in our business model?
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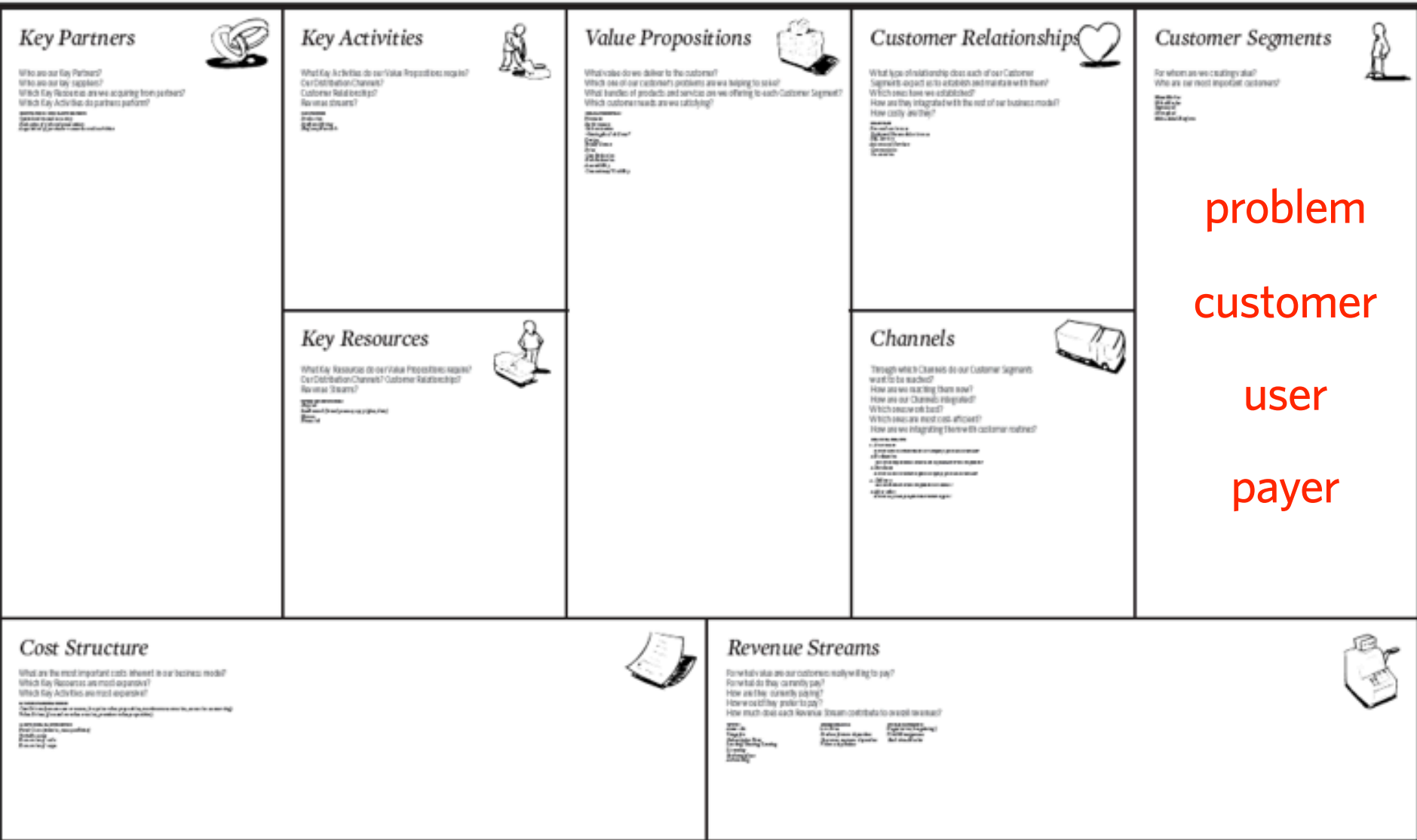


Revenue Streams

For what value are our customers really willing to pay?
 For what do they currently pay?
 How are they currently paying?
 How are our prices paid for?
 How much does each Revenue Stream contribute to overall revenue?



test your hypotheses



problem
 customer
 user
 payer

test your hypotheses

Key Partners



Who are our Key Partners?
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 Which Key Resources are we acquiring from partners?
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Business Model Canvas
 © 2010 Business Model Generation

Key Activities



What Key Activities do our Value Propositions require?
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Value Propositions



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Customer Relationships



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Business Model Canvas
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Customer Segments



For whom are we creating value?
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Key Resources



What Key Resources do our Value Propositions require?
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Channels



Through which Channels do our Customer Segments want to be reached?
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channel

Cost Structure

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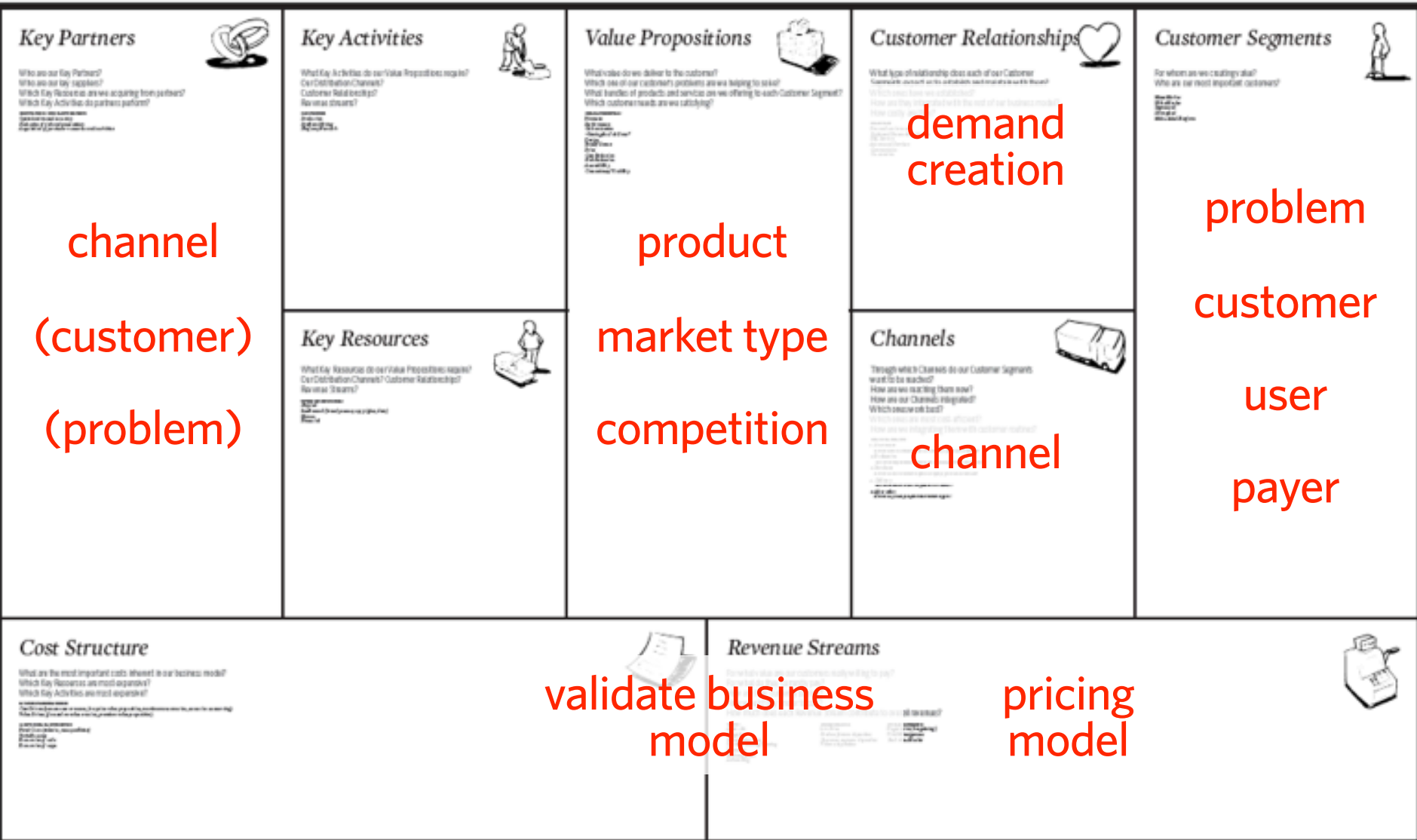
Revenue Streams

For what value are our customers really willing to pay?
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 How much does each Revenue Stream contribute to overall revenue?

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test your hypotheses



to accomplish this you will need a special
and agile ...

customer development team

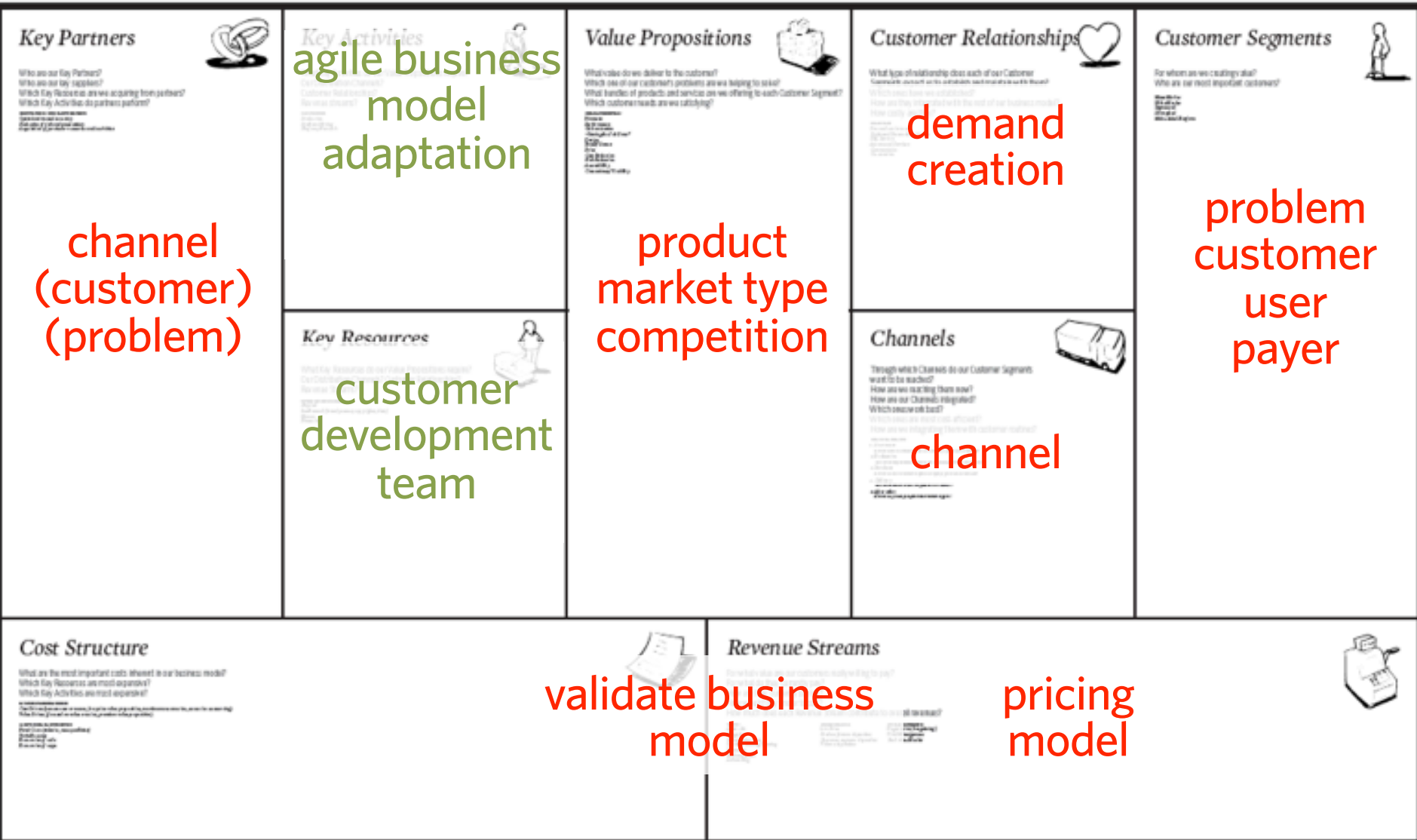


A team that ...

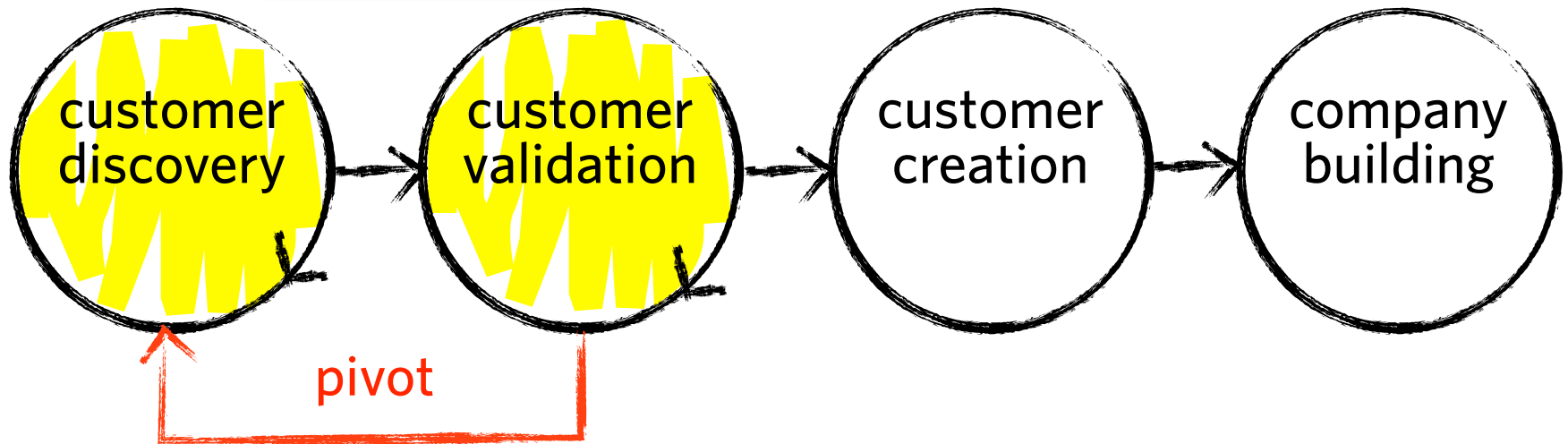
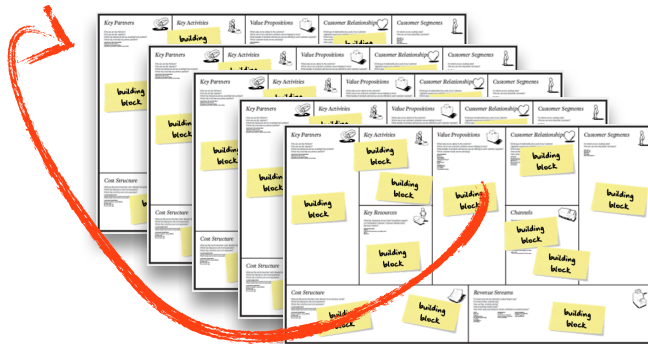
... gets out of the
building!



... to test and adapt your model



you need to adapt the business model until you can prove it works



*“How do I prove
a business
model works?”*



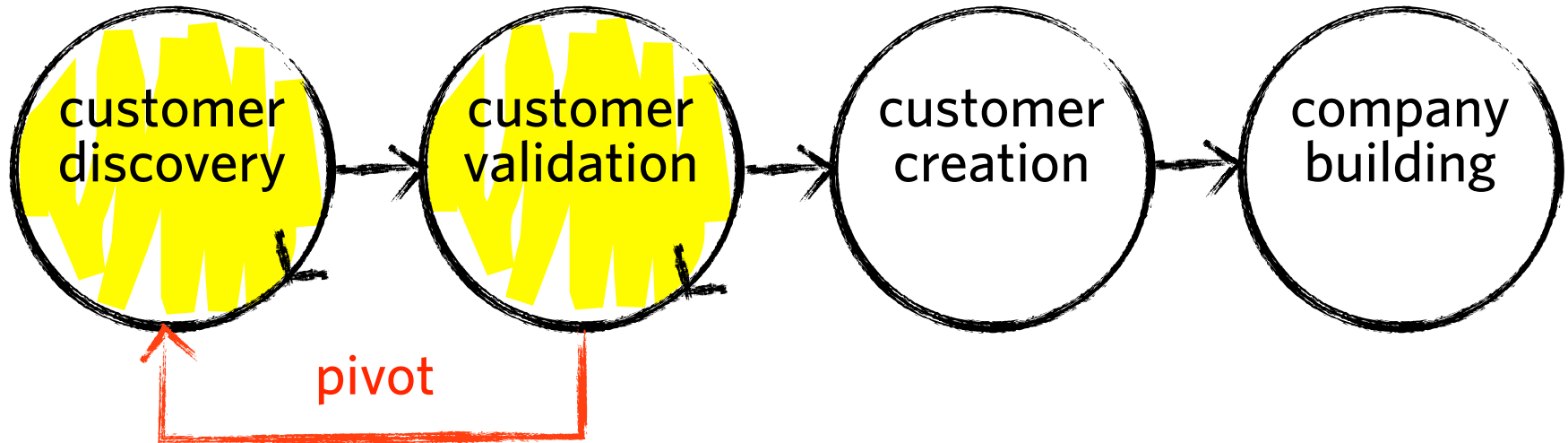
One example of “proving” is
concluding the ...

... sales of a “minimum viable feature set”



This adaptation process is called ...

the pivot



(repeat * until proven)



so do you have any "factual" proof?

Congratulations!

You finished the search
process!



So don't ever forget ...

5

*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

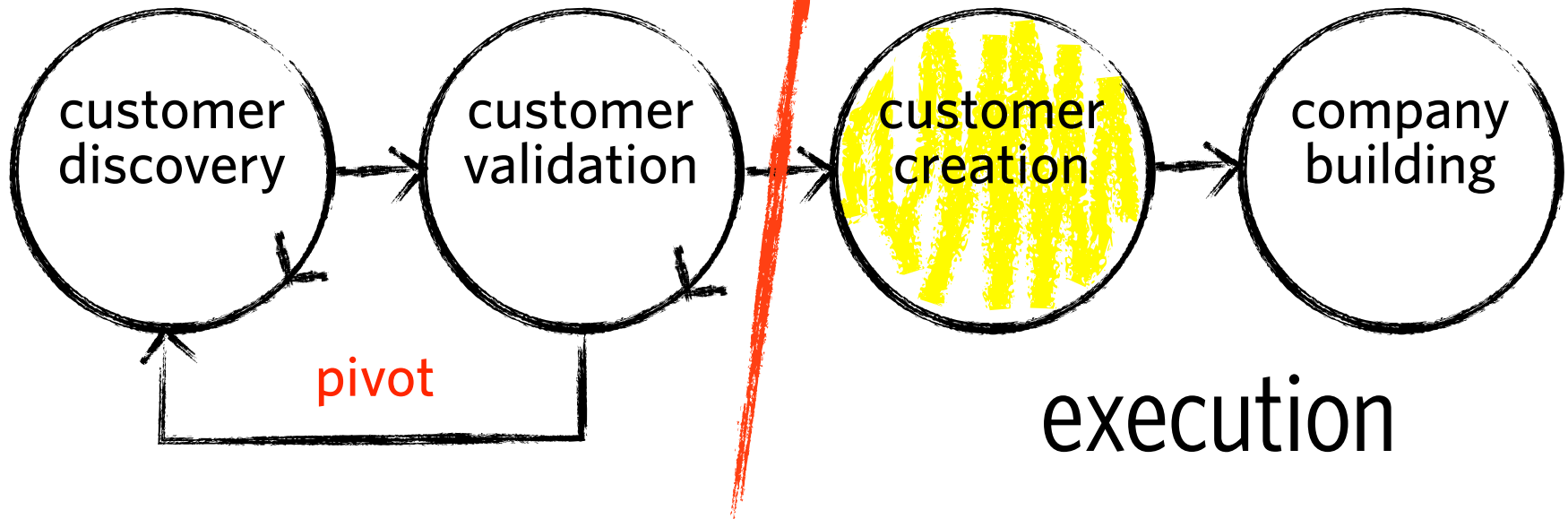
execution follows search

Build when you've found
your model

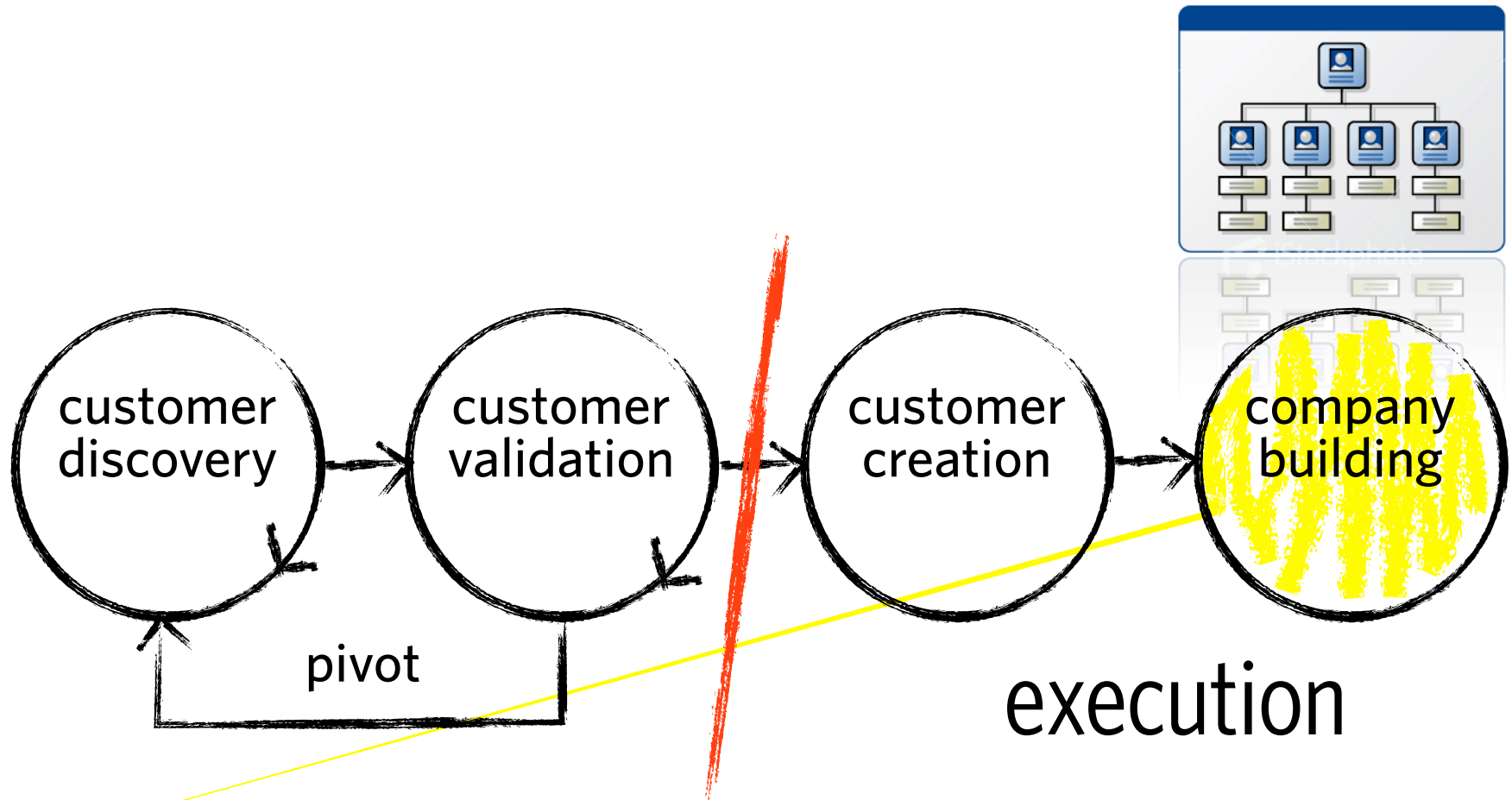


only then execute:

scale your marketing

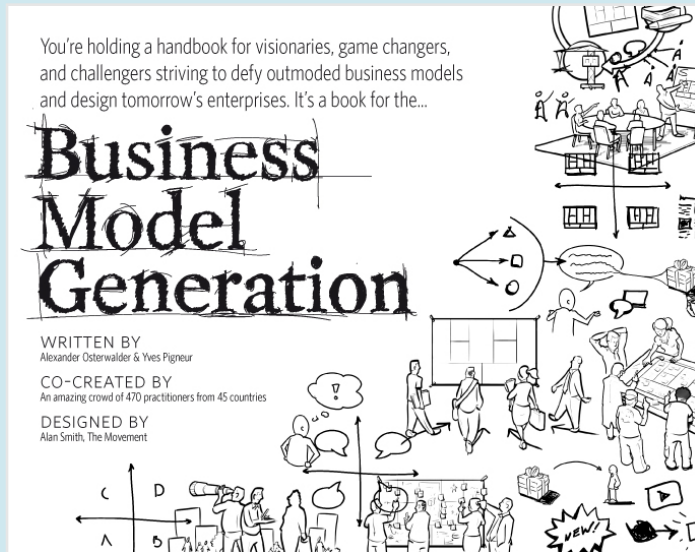


and build your org structures

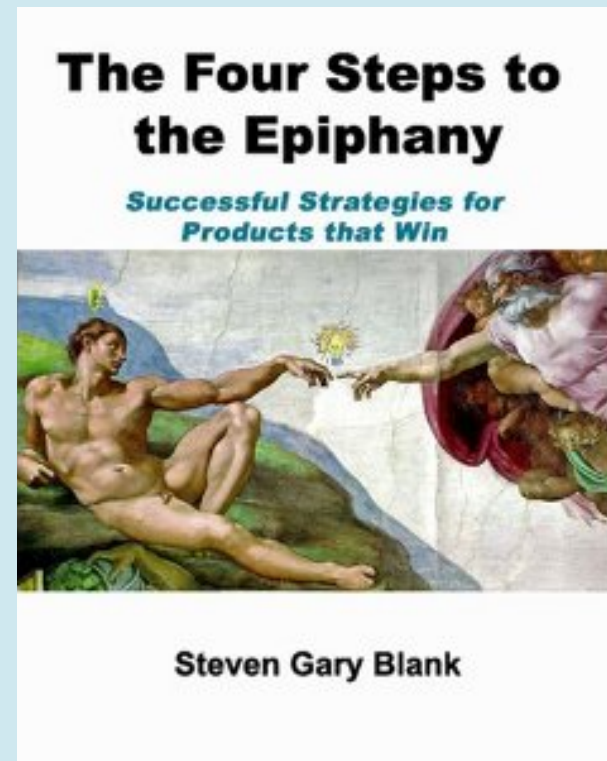


- 1** *No business plan survives the first customer contact.*
- 2** *It's the business model, stupid.*
- 3** *Take time to think through alternative possibilities*
- 4** *Your business model idea is just a set of hypotheses.*
- 5** *Don't build your company, until you've verified your Business Model*

YOU CAN READ MORE ABOUT BUSINESS MODELS AND THE CUSTOMER DEVELOPMENT PROCESS HERE:



+



Good
Luck!

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