

Prepared by Dr. Mohamed Soliman

ENT 624
Entrepreneurial Strategy

Lecture 04



Business Model Design

Lecture 04

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Entrepreneurial Strategy

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“I learned to always
take on things I’d
never done before.
Growth and comfort
do not coexist.”

- *Virginia Rometty*

Entrepreneur Quotes to Inspire Your Own Success



10. "The greatest accomplishment is not in never falling, but in rising again after you fall." - **Vince Lombardi, football coach and NFL executive**

11. "I had to make my own living and my own opportunity. But I made it! Don't sit down and wait for the opportunities to come. Get up and make them." - **Madam C.J. Walker, entrepreneur, philanthropist, and social activist**

12. "Anyone who stops learning is old, whether at 20 or 80. Anyone who keeps learning stays young. The greatest thing in life is to keep your mind young." - **Henry Ford**



Learning Objectives

- 1. Discuss the Lean Canvas: Its Origins, difference from Business plan, difference from Business Canvas Model (BMC), and Its Blocks.**
- 2. How to conduct a Lean Canvas Model.**
- 3. Explore some case studies to deepen the concepts.**

Lean Canvas

This method was created in 2009 primarily to work with SaaS startups. Nowadays many universities and educational institutions all over the world teach this approach as a part of the program of well-known startup accelerators. Lean Canvas is also practiced in many large companies. The author of this approach, **Ash Maurya** has admitted that he did not expect such popularity.

- **Lean Canvas** is an efficient approach to developing a one-page business plan for deconstructing your business idea into key assumptions for better analysis.
- It is a strategic document that helps managers to assemble hypotheses of a particular business model for launching any start up.
- **It will provide you with an actionable and entrepreneur-focused business plan.**
- The document is designed to be focused on problems and solutions, key metrics, competitive advantages and other important issues that will be described below in this article.
- Lean Canvas is quite similar to the Business Model Canvas structure, but it has some essential differences.
- The key advantages of Lean Canvas in comparison with a business plan are:
 - **Business plan** takes too long to write (and actually not everyone will read it)
 - **Lean Canvas** is designed to help creating a quick visualization of any idea, to share it and get a feedback.

Lean Canvas **vs** Business Plan

***Canvas Model Approach** : Visual, Dynamic, Action oriented and Focus on Key Activities. Based on an idea, innovation, entrepreneur facility etc.*

A **Business Plan** conveys the **organizational structure** of your **business**, including titles of directors or officers and their individual duties. It also acts as a management tool that can be referred to regularly to ensure the **business** is on course with meeting goals, sales targets or operational milestones.

*«Daily business operations and decisions should be aligned to long term company objectives and strategies, which are detailed in the **business plan**»*

Not only for use by third-parties, but for internal use!

Business Model Canvas **vs** Lean Business Model

Business Model Canvas : **by OSTERWALDER**

- **Outlines several prescriptions which form the *building blocks for the activities***
- A **strategic management and lean startup template** for *developing new or documenting existing* business models.
- A **visual chart** with elements describing a **firm's or product's value proposition, infrastructure, customers, and finances.**

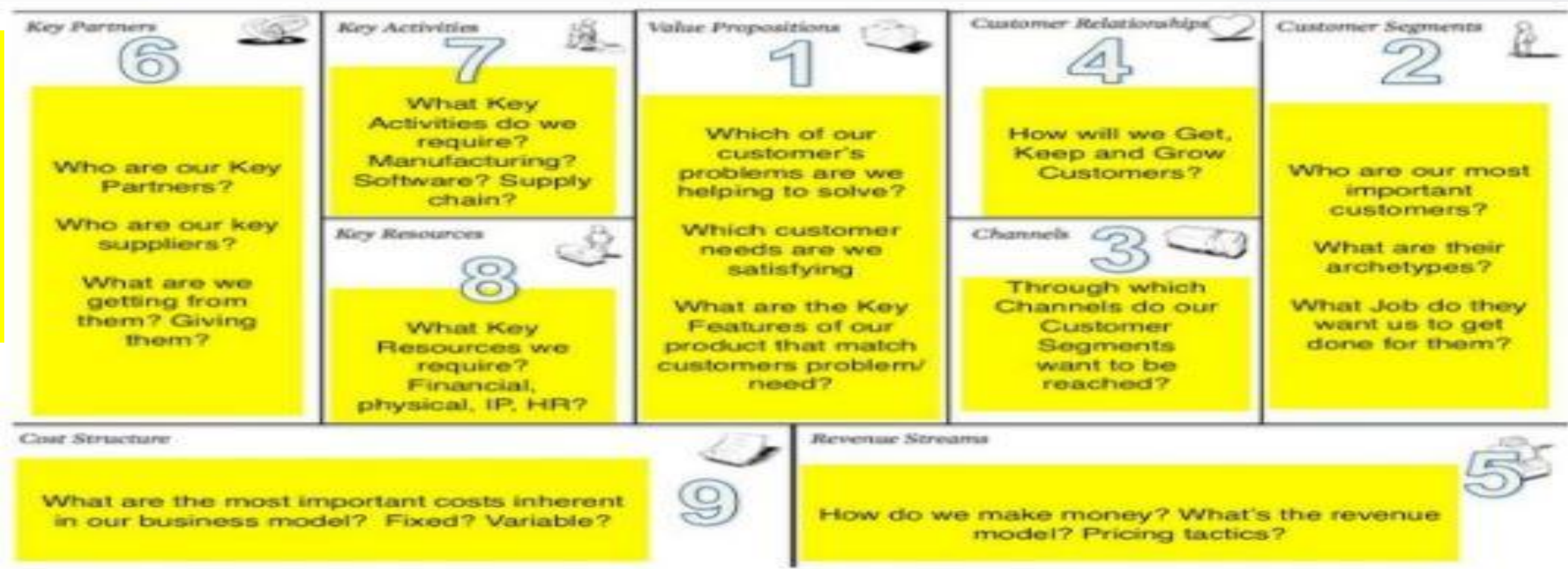


Lean Canvas : (why → [Answer is here...](#))

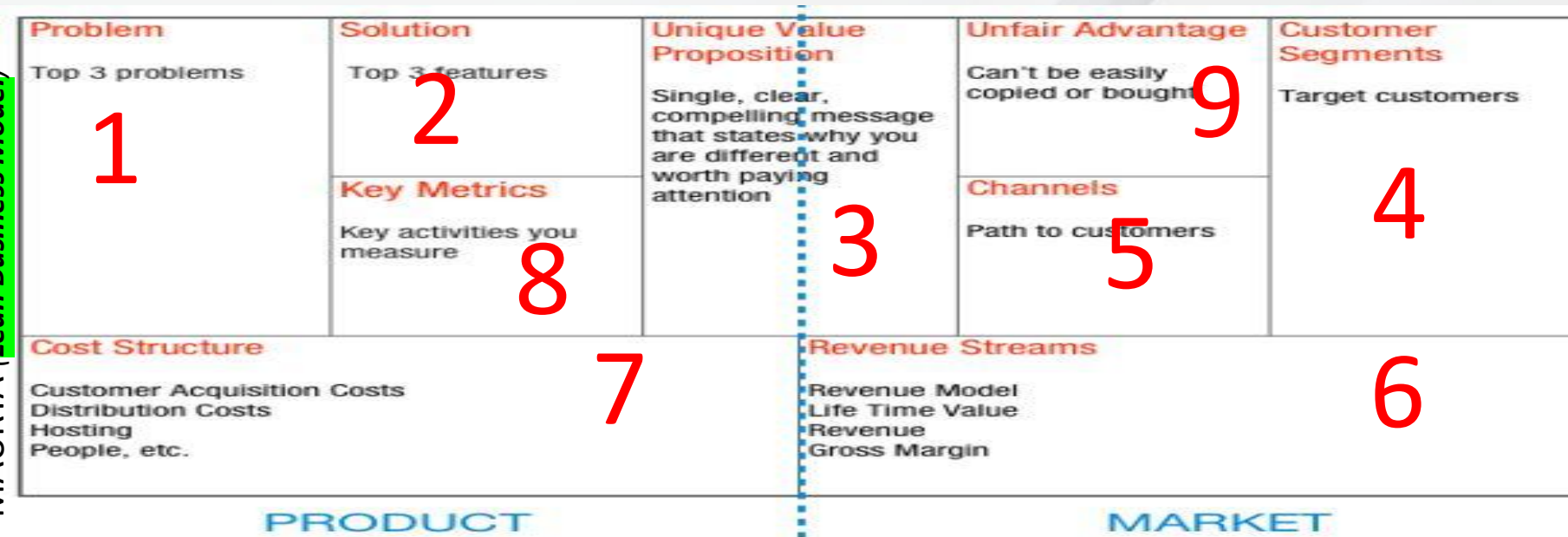
- **Outlines a more *problem focused approach* and it majorly targets *entrepreneurs and startup businesses***
- Adaptation of Business Model Canvas which **Ash Maurya** created in the Lean Startup spirit (*Fast, Concise and Effective startup*).
- Lean Canvas **promises an actionable and entrepreneur-focused business plan.**
- Focuses on **problems, solutions, key metrics and competitive advantages.**



OSTERWALDER (Business Model Canvas)



MAURYA (Lean Business Model)



Element	Business Model Canvas	Lean Canvas
Target	<i>New and existing businesses</i>	Startup businesses purely
Focus	<i>Customers, Investors, Entrepreneurs, Consultants, Advisors</i>	Entrepreneurs purely
Customers	Lays emphasis on <i>customer segments, channels and customer relationships for all businesses</i>	Does not lay much emphasis on customer segments because startups have no known or tested products to sell
Approach	It lays down the infrastructure , lists the nature and sources of financing and the anticipated revenue streams of the business	It begins with the problem, a proposed solution, the channels to achieving the solution, costs involved and the anticipated revenue streams
Competition	It focuses on value proposition in quantitative and qualitative terms as way to stay smart in the market	It assesses whether the business has an unfair advantage over the rest and how to capitalize on it for better grounding
Application	It fosters creativity, discussion and constructive analysis	It is a simple problem-solution oriented approach which enables the entrepreneur to develop step-by-step

Lean Canvas template is a simple one-page business plan that helps deconstruct their ideas into the key assumptions using 9 special blocks/ cells.

Here is a short explanation of each Lean Canvas block:

1) Problem

- All customer segments have separate sets of problems that they need to solve. This block is designed right for these problems. Here one, two, three or more problems can be placed. It's better to list up to 3 problems with higher priority.
- Identify your real pain. Try to understand the key customers needs and challenges. You may try user interviews, tests, surveys or questionnaires to understand your problems better.

2) Solution

- When you recognized the problem, the next thing is to find a solution for it.
- Interview your customers, ask them questions and get feedback. Any Lean Startup is validated learning through a continual cycle **Build — Measure — Learn**.
- How can your product solve the problems? Define the main features your product or service offers to solve customers' problems. Think about the strengths and flaws of each feature.

3) Key Metrics

- Key Metrics allow evaluating the success of business processes. Any business needs specific metrics for monitoring performance.
- Fill in this Lean Canvas section with the most appropriate metrics for you.
- A good idea is to visualize a funnel top down. One of the best model to help with this is **AARRR (Pirate Metrics)**.

4) Customer Segments (CS)

- Customer segments are one of the most important blocks. It describes the community of customers or businesses that you are aiming to sell your product.
- Customers can be segmented into the groups **based on their needs, behaviors and other traits**.
- They can be defined by **demographics** (*age, gender, ethnicity, profession, etc*) or **psychographic factors** (*behavior, interests, and motivations*).

5) Unique Value Proposition (UVP)

- **UVP is a promise of value that should be delivered**. It's about why you are different and why your CS should buy or invest time in you.

6) Channels

- Channels are the ways to reach your customers' segments.
- Think about the channels that will give you enough access to your CS and enough learning: **social media, emailing, ads, blogs, TV and radio, trade shows, webinars etc.**
- Do not use all of them, just where your CS is.

7) Revenue Streams

- People often pay not enough attention to the cost structure and revenue. However, these are also the key points that are worth doing.
- How you price your business will depend on the type of a model.

8) Cost Structure

- In this box, all the operational costs for taking the product/ service to market should be listed.
- Consider all your costs of doing business and make sure your customer lifetime value exceeds your acquisition cost.

9) Unfair Advantage

- Think about **what makes you stand out and what puts you ahead of your competitors**.
- For example, a great team, insider data, personal authority, getting expert endorsements, reputation, etc.
- Just think about something you have that no one can buy.

What is Lean Canvas Template?

Problem Top 3 problems 1	Solution Top 3 features 3 Key Metrics Key activities you measure 6	Unique Value Proposition Single, clear, compelling message that states why you are different and worth buying 2	Unfair Advantage Can't be easily copied or bought 7 Channels Path to customers 4	Customer Segments Target customers 1
Cost Structure Customer Acquisition Costs Distribution Costs Hosting People, etc. 5		Revenue Streams Revenue Model Life Time Value Revenue Gross Margin 5		

Problem Business Models need to be more portable Measuring progress is hard work Communicating learning is critical Existing alternatives: Intuition, business plan, spreadsheets	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments Startup Founders (Creators) Advisors/Investors (Collaborators) Early Adopter: Familiarity with Lean Startups, Customer Development, Business Model Canvas
	Key Metrics		Channels	
Cost Structure			Revenue Streams	

Problem Business Models need to be more portable Measuring progress is hard work Communicating learning is critical Existing alternatives: Intuition, business plan, spreadsheets	Solution	Unique Value Proposition Helps startups raise their odds of success. High level concept: Github Meets Weight-watchers for business models. Startup report card.	Unfair Advantage	Customer Segments Startup Founders (Creators) Advisors/Investors (Collaborators) Early Adopter: Familiarity with Lean Startups, Customer Development, Business Model Canvas
Key Metrics			Channels	
Cost Structure			Revenue Streams	

Unique Value Proposition

Dead-center in the Lean Canvas is a box for your Unique Value Proposition (UVP). This is one of the most important boxes on the canvas and also the hardest to get right.

*“**Unique Value Proposition**: A single, clear compelling message that states why you are different and worth buying.”*

- Steve Blank

The Four Steps to the Epiphany

The UVP is hard to get right because you have to distill the essence of your product in a few words that can fit in the headline of your landing page. Additionally, your UVP also needs to be different and that difference needs to matter.

First-time visitors spend 8 seconds on average on a landing page. Your UVP is their first interaction with your product - craft a good UVP and they might stay and view the rest of your site. Otherwise, they'll simply leave.

The good news is you don't have to get this perfect right away. Like everything on the canvas, you start with a best guess and then iterate from there.

How to Craft a Unique Value Proposition

- **Be different, but make sure your difference matters**

The key to unlocking what's different about your product is deriving your UVP directly from the #1 problem you are solving. If that problem is indeed worth solving, you're more than halfway there already.

- **Target early adopters**

Too many marketers try to target the "middle" in the hopes of reaching mainstream customers and in the process water down their message. Your product is **not** ready for mainstream customers yet. Your sole job should be finding and targeting early adopters which requires bold, clear, and specific messaging.

- **Focus on finished story benefits**

You've probably heard about the importance of highlighting benefits over features. But benefits still require your customers to translate them to their worldview. A good UVP gets inside the head of your customers and focusses on the benefits your customers derive **after** using your product.

So for instance if you are building a résumé-building service:

- a feature might be "*professionally designed templates*"
- the benefit would be an "*eye-catching résumé that stands out*"
- but the finished story benefit would be "*landing your dream job*".

- **Pick your words carefully and own them**

Words are key to any great marketing and branding campaign. Look at how the top luxury car brands have used a single word to define themselves:

Performance: BMW Design: Audi Prestige: Mercedes

Picking a few “key” words that you consistently use also drives your SEO ranking.

- **Answer: What, Who, and Why**

A good UVP needs to clearly answer the first 2 questions - what is your product and who is the customer. The “Why” is sometimes hard to fit in the same statement and I’ll frequently use a sub-heading for that.

Here are example UVPs I have used in products:

CloudFire - Photo and Video Sharing for Busy Parents.

Get back to the more important things in your life.

USERcycle - Lifecycle Marketing Software.

Turn your users into passionate customers.

- **Study other good UVPs**

The best way to craft a good UVP is to study the UVPs of the brands you admire. Visit their landing pages and deconstruct how and why their messaging works.

- **Create a high-concept pitch**

Another useful exercise is to create a high-concept pitch popularized by Venture Hacks in their e-book “Pitching Hacks”.

A **high-concept pitch** usually **builds on other familiar concepts to quickly get an idea across and make it easily spreadable.**

Unlike a UVP, a high-concept pitch is best used in conjunction with something else that sets the right context such as an elevator pitch.

Examples:

- YouTube: “Flickr for video”
- Aliens (movie): “Jaws in space”
- Dogster: “Friendster for dogs”

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Cost Structure		Revenue Streams		

Solution

You are now ready to tackle solution possibilities.

As all you have are untested hypotheses, I don't recommend getting carried away with fully defining a solution just yet. Rather simply sketch out the top features or capabilities next to each problem.

Bind a solution to your problem as late as possible.

Case Study: Lean Canvas - Solution

For each of the problems outlined earlier, here is a feature or capability that solves the problem:

Problem: Business Models need to be more portable

Solution: Use the Lean Canvas format for capturing hypotheses on 1 page

Problem: Measuring progress is hard work

Solution: Provide a simple way to “dashboard” experiments

Problem: Communicating learning is critical

Solution: Need a sharing feature to facilitate sharing lessons learned

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Key Metrics			Channels 1. Blog/Book/ Workshops 2. Startup Accelerators / Investors	
Cost Structure			Revenue Streams	

Channels

The good news is that following a “Customer Discovery/Interview” process forces you to build a path to customers early. Unfortunately, unless you are in a direct sales business, that path may not scale beyond Problem/Solution Fit. In addition to defining the right product to build, it’s just as critical to start finding, building and testing a significant path to your customers from day one.

While there are a plethora of channel options available, some channels may be outright inapplicable to your startup, while others may be more viable during later stages of your startup.

I typically look for the following characteristics in my early channels:

FREE’er versus PAID

First of all there is no such thing as a free channel. **Channels we normally associate as being free like SEO, social media, and blogging, have a nonzero human capital cost associated with them.** Calculating their ROI is complicated because unlike a paid channel which is used up after you pay for it, these channels keep working for you over time.

A commonly cited paid channel is search engine marketing. Eric Ries has written about how he tested his early product on \$5 a day using Google Adwords - driving 100 clicks at a CPC of 5 cents. If you can pull this off today, by all means use it, but unfortunately those days are long gone for most products. Keyword competition is so fierce now that you need to either out-spend or out-wit your competition. Both of these activities are better suited after product/market fit when your focus shifts to optimization versus learning.

Inbound versus Outbound

Inbound channels use “pull messaging” to let customers find you organically while **outbound channels** rely on “push messaging” for reaching customers.

- **Example inbound channels:** **Blogs, SEO**, E-books, white papers, webinars.
- **Example outbound channels:** SEM, **print/TV ads**, trade shows, cold calling.

When you don't yet have a tested value proposition, it's hard to justify spending marketing dollars or effort on outbound messaging. Getting “techcrunched” or seeking other forms of PR before then is a form of waste. Now might be the time to start building inroads to influencers but you are not ready to “get covered”.

Building the ideal early channel

- An early channel I recommend building that delivers on all the points above is **Content Marketing**.
- Content Marketing uses a combination of Content, **Search Engine Optimization (SEO)**, and Social Media to work.
- Rather than crafting the “perfect outbound message”, you instead incrementally test various aspects of your Problem/Solution using inbound channels like blogs, white papers, and webinars.
- **SEO and Social Media serve to further enhance the reach of your content.**
- **Content Marketing isn’t free, takes time to build, and does cost time.**
- But when it starts to work, “Content Marketing” turns from an expense into an asset. It could even become your “Unfair Advantage”.

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Cost Structure Hosting Costs - heroku (currently \$0) People Costs - 40hrs * \$65/hr = \$10K/month Break-even point: 743 customers			Revenue Streams 30-day Free Trial @ \$14/mo (1 private canvas / 3 collaborators)	

Revenue Streams and Cost Structure

A lot of startups choose to defer the “**pricing question**” because they don’t think their product is ready. Something I hear a lot is that a minimum viable product is by definition embarrassingly minimal. How can you possibly charge for it?

First, a minimum viable product is not synonymous with a half-baked or buggy product. Your MVP should address the top problems customers have identified as important to them. By that definition, it should deliver enough value to justify charging.

But, there is another line of reasoning frequently cited for deferring pricing - to accelerate initial learning. The argument goes that pricing creates unnecessary friction that should be avoided early on. While this strategy may work (especially if you are already funded), I find that it delays testing one of the riskier and critical parts of your business model. Furthermore, I have found that you don’t need a lot of users to support learning. You need just a few good customers.

I believe that if you intend to charge for your product, it’s better to be upfront about it. It sets the right expectations, raises customer commitment, starts generating cash flow, and lets you start tackling one of the riskier parts of your business model early.

What about Freemium?

Freemium is a popular model used by numerous web applications. It was first popularized by Fred Wilson on his blog where he described it as:

"Give your service away for free, possibly ad supported but maybe not, acquire a lot of customers very efficiently through word of mouth, referral networks, organic search marketing, etc., then offer premium priced value added services or an enhanced version of your service to your customer base."

- Fred Wilson

AVC Blog

On the surface, Freemium seems like the best of both worlds: Get users to try your service without having to worry about price, then up-sell them into the right premium plan later. But the reality is quite different.

First, I believe that unless you are deriving monetary value from free users, the Freemium model is less of a business model and more of a marketing tactic to fill your pipeline with potential prospects.

Second, I believe pricing is one of the riskiest (and most critical) parts of the business model and should be tested early. Freemium delays this learning.

While I agree Freemium can be a highly effective model, I don't advocate starting with it.

What is a good Free plan?

A good Free plan should ideally behave similarly to a Free Trial. The difference is that while a Free Trial is time-based, Freemium is usage-based.

If you understand the usage pattern of your product, you should be able to design the Free plan so that a user naturally outgrows it at some point X in the future that you can reasonably predict.

At that point the difference between Freemium and Free Trial is the perception of offering something FREE which is a big enough difference to warrant the use of Freemium for certain types of products.

When to use Freemium versus Free Trials?

Once you've built the right product, Freemium can be a powerful user acquisition strategy for consumer facing products that naturally tend to be more "FREE" driven.

Businesses, on the other hand have come to expect time-based trials and the added complexity of tracking and carrying free users may not be warranted here.

Case Study: Lean Canvas - Revenue Streams and Cost Structure *Revenue Streams*

Lean Canvas pricing will be largely determined by who will ultimately be the customer - bootstrapped founders, funded founders, larger companies, investors, etc.

For the case of startup founders, they tend to be quite price sensitive and given the fact that their existing alternatives are all free, I decide to start with the following:

“A 30-day Free Trial plan priced at \$14/mo that lets them create 1 canvas and invite up to 3 collaborators.”

Cost Structure

In my blog post on Lean Canvas, I made a public call for help building out this tool and got a dozen responses from developers around the world. I selected 3 people from this list and am currently building Lean Canvas with them - Lukas Fittl (Austria), Ross Hale (Santa Barbara), and Andrew Elliott (Santa Barbara). They are all seasoned entrepreneurs in their own right and have a passion for Lean Startups.

We came to an agreement to spend just enough effort to get the Minimum Viable Product built over 2 weeks and evaluate how we move forward after that. We agreed not to pay ourselves till the service had positive cash flow.

That said, I still used the following analysis to figure out the opportunity cost for building and testing the MVP and more importantly determine my break-even point.

Costs

Problem/Solution Fit:

2 interviewers * (50 interviews * 30 min per interview) = 50 hours

Effort to get ready for interviews (mockups, scripts, etc.) = 40 hours

Build MVP:

2 developers * 2 weeks * 20 hours per week = 80 hours

Cost to launch = 170 hours * \$65/hr = \$11K

Ongoing People costs = 4 ppl * 10 hours per week * \$65/hr = \$10,400/mo

Hosting costs currently \$0 (thank you heroku)

Revenue

Break-even point @\$14/mo = \$10,400K / \$14/mo = 743 paying customers

Break-even point @\$24/mo = \$10,400K / \$24/month = 434 paying customers

Key Metrics

“Find the key number that tells you how your business is doing in real time, before you get the sales report.”

- Norm Brodsky and Bo Burlingham

The Knack

Startups are inherently chaotic, but fortunately, there are only a handful of key metrics that drive a web startup. We'll cover five key startup metrics (Dave McClure's Pirate Metrics) a little later but for right now document the one or two key activities you think will drive usage of your product.

So for example, if you are a blogging platform writing a blog post would be the key activity.

Case Study: Lean Canvas

Creating a lean canvas is the first key activity users would complete but using the tool to **track running experiments** is the ongoing key activity that will drive use of the tool.

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Unfair Advantage

This is usually the hardest section to fill which is why I leave it for last.

Most founders list things as competitive advantages that really aren't. An interesting perspective, via Jason Cohen, to keep in mind is that anything worth copying will be copied. So imagine your co-founder steals your source code, sets up shop in Costa Rica, and slashes prices. Do you still have a business?

You have to be able to build a successful business in spite of that which leads to the following definition:

"A real unfair advantage is something that cannot be easily copied or bought." - Jason Cohen

A Smart Bear

You may initially have to leave this box blank but it's here to have you really think about how you can make yourself different and make your difference matter. Some examples of unfair advantages - insider information, the right "expert" endorsements, personal authority.

Case Study: Lean Canvas

In the course of writing my blog and book, I have been able to attract a growing and active audience of readers and "experts" interested in Lean Startups which has taken me over a year to build. Only time will tell if this "reputation" and channel proves to be an unfair advantage.

Case Studies

The Lean Canvas

Facebook

Designed for:

Designed by:

Date:

Version:

Problem  • Harvard University's online network is very limited in functionality and not fun • Students want a solution to communicate online	Solution  Online communication for Harvard students with the possibility to connect with Friends (share,photos,interests), chat and other stuff.	Unique Value Prop.  Harvard Student-oriented communication platform	Unfair Advantage  • Person to person interaction • Friends' activities push other friends to use the network • Invention of a new website type – social network with social features	Customer Segments  • College students • Students of other colleges and universities
Existing Alternatives  • MySpace • His • Friendster	Key Metrics  DAU/MAU North star netric	High-Level Concept  Frienster for college students	Channels  • Referral among Havard students society • Cross-Friends students in other colleges	Early Adopters  Harvard university students
Cost Structure  • Hosting • Development • Payroll			Revenue Streams  • Investment • Advertising revenue	

The Lean Canvas **Airbnb**

Designed for:

Designed by:

Date:

Version:

Problem  • Hard to find cheap//affordable accommodation options when travelling • Staying in hotels travellers cannot get authentic experiences of a location • It's not easy for a homeowner to monetize vacant areas on a day-by-day basic	Solution  An online service where travelers can rent an affordable local apartment, and homeowners can earn extra money by renting out vacant areas on a day-by-day basic	Unique Value Prop.  • Travelers can get authentic experience of local area • Extra monetization of vacant areas for homeowners	Unfair Advantage  • Travelers can get authentic experience of local area • Trust building: bi-directional rating system of hosts and visitors • Insurance by default for hosts	Customer Segments  • Travellers Looking for an adequate accommodation experience for a low price • People having some accommodation options to become a host
Existing Alternatives  • Booking.com • Hotels.com	Key Metrics  • Number of view-to-bookings per host • Number of hosts applied • NPS • DAU/MAU	High-Level Concept  • Everyone can become a host • Sharing economy	Channels  • Referrals • Recommendations • Advertising(both online an offline)	Early Adopters  People ready to share their residence and earn money as hosts
Cost Structure  • Development • Marketing • Insurance • Hosting • Payroll • Photography			Revenue Streams  Fees for travellers	

The Lean Canvas **Amazon**

Problem  - Lack of online bookstores - Hard to select book in offline stores (no resting recommendations, hard to find a book, etc.)	Solution  Build an online bookstore with millions of titles	Unique Value Prop.  Buy books using a PC from home/office (without visiting several local stores to find a particular book)	Unfair Advantage  - Lower price (less employment and other costs) - No competition for online booksellers	Customer Segments  Book readers
Existing Alternatives  - Interloc (future Alibris) - Local booksellers - Barnes and Noble	Key Metrics  - Website traffic - CAC - ROI (sales conversion rate, revenue per visitor, percentage of shopping cart abandoned rate, etc.)	High-Level Concept  Earth's biggest bookstore (company's original tagline)	Channels  - Affiliates - Resellers	Early Adopters  Customers Searching for rare and specialized books
Cost Structure  - Hosting - Website Development - Operational costs (rent cost, storage, Facilities, Delivery)			Revenue Streams  Direct sales	

The Lean Canvas **Google**

Designed for:

Designed by:

Date:

Version:

Problem  • Hard to find what you are searching for. • Irrelevant search results of existing search engines	Solution  Develop a tech that would allow users to search a find relevant content.	Unique Value Prop.  Single, clear and compelling message that states why you are different and worth buying	Unfair Advantage  Innovation. Google PageRank tech (combined citation – ranking system)	Customer Segments  All web users
Existing Alternatives  • Excite • Yahoo • AltaVista	Key Metrics  • Number of search requests • Percentage of users who end their search on the first page.	High-Level Concept  Fast web search based on the relevancy of web pages	Channels  User references	Early Adopters  Stanford students
Cost Structure  • Hosting • Development			Revenue Streams  • Advertising revenue • Investment	

The Lean Canvas **Uber**

Designed for:

Designed by:

Date:

Version:

Problem  - Expensive Taxi Service - Availability of cards - Lack of Driver Profile - Know who you drive - Part – time job opportunity	Solution  - Cheaper Ride - Wide Car Network - Driver / Passengers Ratings - Flexible Work Schedule	Unique Value Prop.  - All Services in One App , which Allows you to find a Safe Ride 24/7/365 - Work on your Own Schedule and Revenue, Navigate the Route Through the App.	Unfair Advantage  Low Prices Rides at the Push of a Button	Customer Segments  - Passengers - Drivers
Existing Alternatives  - Public Transport - Classic Taxi Service	Key Metrics  - Number of Users - Number of Rides - Income	High-Level Concept  Uber is like a Taxi but Cheaper, safer and More Flexible	Channels  - Word of Mouth - PR - User Referrals	Early Adopters  - Public Transport - Classic Taxi Service
Cost Structure  - Product development - Marketing Expenses - Salaries			Revenue Streams  25% of the Pay for Each Ride	

The Lean Canvas

Designed for:

Startup Name

Designed by:

Name1, Name2, ...

Date:

DD/MM/YYYY

Version:

X.Y

Problem



Top 3 problems

Solution



Top 3 features

Unique Value Prop.



Single, clear and compelling message that states why you are different and worth buying

Unfair Advantage



Can't be easily copied or bought

Customer Segments



Target Customers

Existing Alternatives



List how these problems are solved today.

Key Metrics



Key activities you measure

High-Level Concept



List your X for Y analogy (e.g. YouTube = Flickr for videos)

Channels



Path to customers

Early Adopters



List the characteristics of your ideal customers.

Cost Structure



List your fixed and variable costs.
Customer acquisition costs
Distribution costs
Hosting
People
Etc.

Revenue Streams



List your sources of revenue.
Revenue Model
Life Time Value
Revenue
Gross Margin

Recap

- **Lean Canvas and Its 9 Blocks**
- **Difference between Lean Canvas and Business plan**
- **Difference Lean Canvas and Business Canvas Model**
- **How to conduct a Lean Canvas Model.**
- **Case studies**



Summary of Lecture Objectives

- 1) The Lean Canvas was created in 2009 by Ash Maurya, primarily for SaaS startups. It has since gained widespread popularity in universities, educational institutions, and large companies worldwide.
 - **Business Plan:** A detailed document outlining the organizational structure, management, operations, and financial projections of a business. It is comprehensive and often lengthy, serving both internal and external stakeholders.
 - **Lean Canvas:** A one-page, visual, and dynamic document focused on key assumptions and actionable insights. It is designed for quick visualization, feedback, and iteration.
 - **Business Model Canvas:** Developed by Alexander Osterwalder, it outlines the building blocks for both new and existing business models, emphasizing customer segments, value propositions, and revenue streams.
 - **Lean Canvas:** An adaptation focusing on startups, emphasizing problems, solutions, key metrics, and competitive advantages. It is more problem-focused and entrepreneur-oriented.

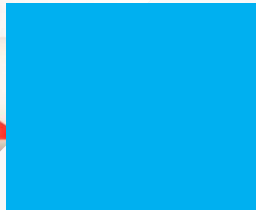


Summary of Lecture Objectives

1)

Blocks of Lean Canvas:

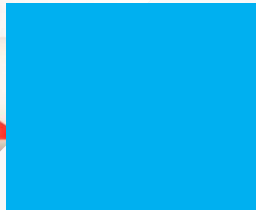
1. **Problem:** Identifies the key problems faced by customer segments.
2. **Solution:** Proposes solutions to the identified problems.
3. **Key Metrics:** Defines metrics to measure the success of the business.
4. **Customer Segments:** Describes the target customers.
5. **Unique Value Proposition (UVP):** States why the product is different and worth buying.
6. **Channels:** Outlines how to reach the customer segments.
7. **Revenue Streams:** Lists how the business will generate revenue.
8. **Cost Structure:** Identifies the operational costs.
9. **Unfair Advantage:** Highlights what makes the business stand out from competitors.



Summary of Lecture Objectives

2) How to Conduct a Lean Canvas Model

1. **Identify Problems:** List the top problems your target customers face.
2. **Propose Solutions:** Develop solutions that address these problems.
3. **Define Key Metrics:** Choose metrics that will help you measure success.
4. **Segment Customers:** Identify and describe your customer segments.
5. **Craft UVP:** Create a unique value proposition that differentiates your product.
6. **Select Channels:** Determine the best channels to reach your customers.
7. **Outline Revenue Streams:** Identify potential sources of revenue.
8. **List Costs:** Estimate the costs associated with your business.
9. **Identify Unfair Advantage:** Highlight what gives you a competitive edge.

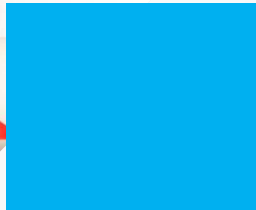


Summary of Lecture Objectives

3) Explore Some Case Studies to Deepen the Concepts

Case Study: Facebook

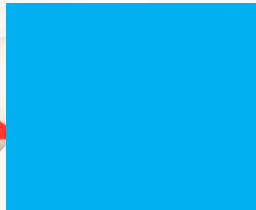
- Problem: Limited online communication options for Harvard students.
- Solution: A social network for students to connect and share.
- Key Metrics: Daily Active Users (DAU) and Monthly Active Users (MAU).
- Customer Segments: College students.
- UVP: A social network tailored for college students.
- Channels: Referrals, word-of-mouth.
- Revenue Streams: Advertising revenue.
- Cost Structure: Development, hosting, payroll.
- Unfair Advantage: Built-in network effect and user engagement.



Summary of Lecture Objectives

Case Study: Airbnb

- Problem: Difficulty finding affordable accommodations and authentic local experiences.
- Solution: An online platform for renting local apartments.
- Key Metrics: Number of views-to-bookings per host, Net Promoter Score (NPS).
- Customer Segments: Travelers and homeowners.
- UVP: Authentic local experiences and extra income for homeowners.
- Channels: Referrals, recommendations, advertising.
- Revenue Streams: Fees for travelers.
- Cost Structure: Development, marketing, insurance, and hosting.
- Unfair Advantage: Trust-building through bi-directional rating systems.



Summary of Lecture Objectives

Case Study: Amazon

- Problem: Lack of online bookstores and difficulty finding books in offline stores.
- Solution: An online bookstore with millions of titles.
- Key Metrics: Website traffic, conversion rates.
- Customer Segments: Book readers.
- UVP: The world's largest bookstore.
- Channels: Affiliates, resellers.
- Revenue Streams: Direct sales.
- Cost Structure: Development, operational costs.
- Unfair Advantage: Extensive inventory and low prices.

See you next lecture 05

Thank You