Creating Start-Up Success 101

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THIS PRESENTATION COMBINES TWO GLOBAL BESTSELLERS
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...
...VC Funding!
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 condition which induces a particular action. It is the substance inducing the parties to a 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?

images by JAM
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?
KEY PARTNERS

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
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...
transactional vs. recurring revenues
niche market vs. mass market
capital expenditure vs. partnership
acquisition vs. retention
one customer segment vs. another
paid vs. free
distributed vs. centralized
product vs. service
direct sales vs. indirect sales
open vs. closed
physical vs. virtual
copyright vs. copyleft
in-sourcing vs. out-sourcing
scale vs. scope
blue ocean vs. red ocean
personal vs. automated
disruptive vs. incremental
tailor-made vs. mass production
fixed vs. variable costs
advertising vs. sales

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**

customer discovery -> customer validation -> customer creation -> company building

pivot
two different phases...
and it starts with...
... verifying every hypothesis
test your hypotheses

- **product**
- **market type**
- **competition**
test your hypotheses

Key Partners
Who are our Key Partners?
Who are our key customers?
Who are our key suppliers?
What key resources are we acquiring from partners?
What key activities do our partners perform?

Key Activities
What key activities do our Key Partners perform?
What key activities do our customers perform?
What key activities do our suppliers perform?
What key activities are our customers performing?
What key activities do our partners perform?

Value Propositions
What value do we deliver to the customer?
Which of our customers are we trying to reach?
Which of our customers are we trying to acquire?
Which of our customers are we trying to retain?
Which of our customers are we trying to upsell?

Customer Relationships
What types of relationships do our Customer Relationships require?
How are our Customer Relationships maintained?
How do we integrate with the rest of our business model?
How are our Customer Relationships measured?

Customer Segments
Who are our most important customers?
Who are our most loyal customers?
Who are our most profitable customers?
Who are our most frequent customers?
Who are our most valuable customers?

Key Resources
What key resources are our Value Propositions using?
How are our Key Resources acquired?
How are our Key Resources maintained?
How are our Key Resources distributed?
How are our Key Resources used?

Channels
Through which Channels do our Customer Segments interact?
How are our Channels integrated?
Which are the most cost-effective Channels?
Which Channels are most effective?
Which Channels are most efficient?

Cost Structure
What are the most important costs involved in our business model?
What key resources are most expensive?
How are our Key Resources used?
How are our Channels integrated?

Revenue Streams
For what value are our customers willing to pay?
For what value are our customers currently paying?
How much do our current customers pay?
How much do our new customers pay?
How much will our future customers pay?
test your hypotheses
test your hypotheses

channel
(customer)
(problem)

product
market type
competition

channel

demand creation

problem
customer
user
payer

validate business model

pricing model
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

customer discovery → customer validation → customer creation → company building

pivot
“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

pivot

execution
and build your org structures

customer discovery → customer validation → customer creation → company building

pivot

execution
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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