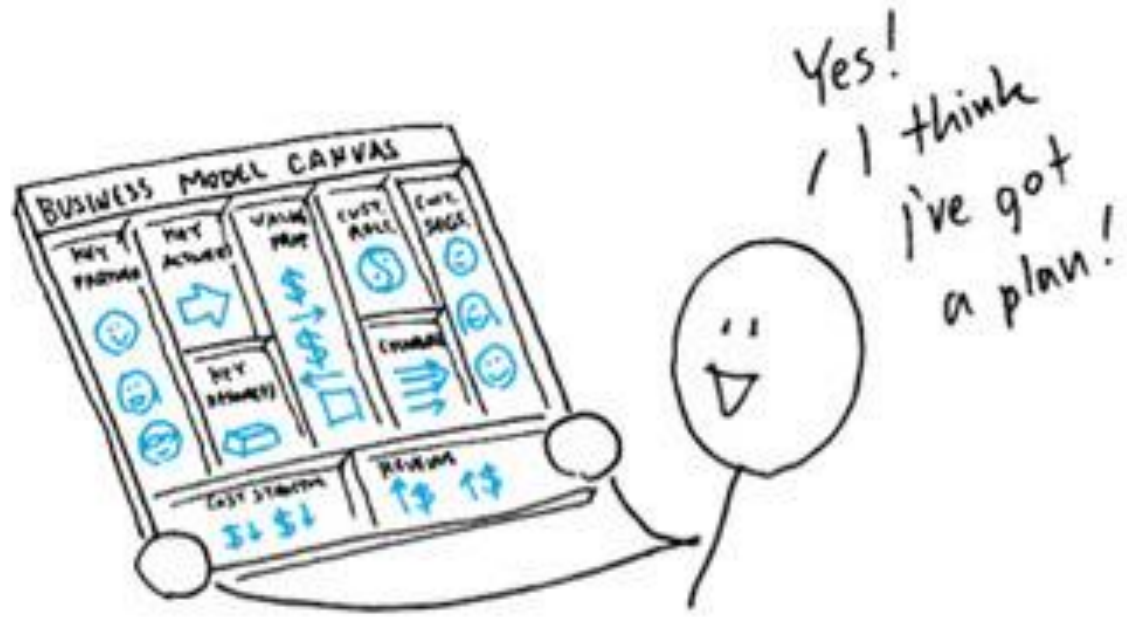Creating A Solution

STRATEGIC AND BUSINESS PLANNING WITH THE BUSINESS MODEL CANVAS
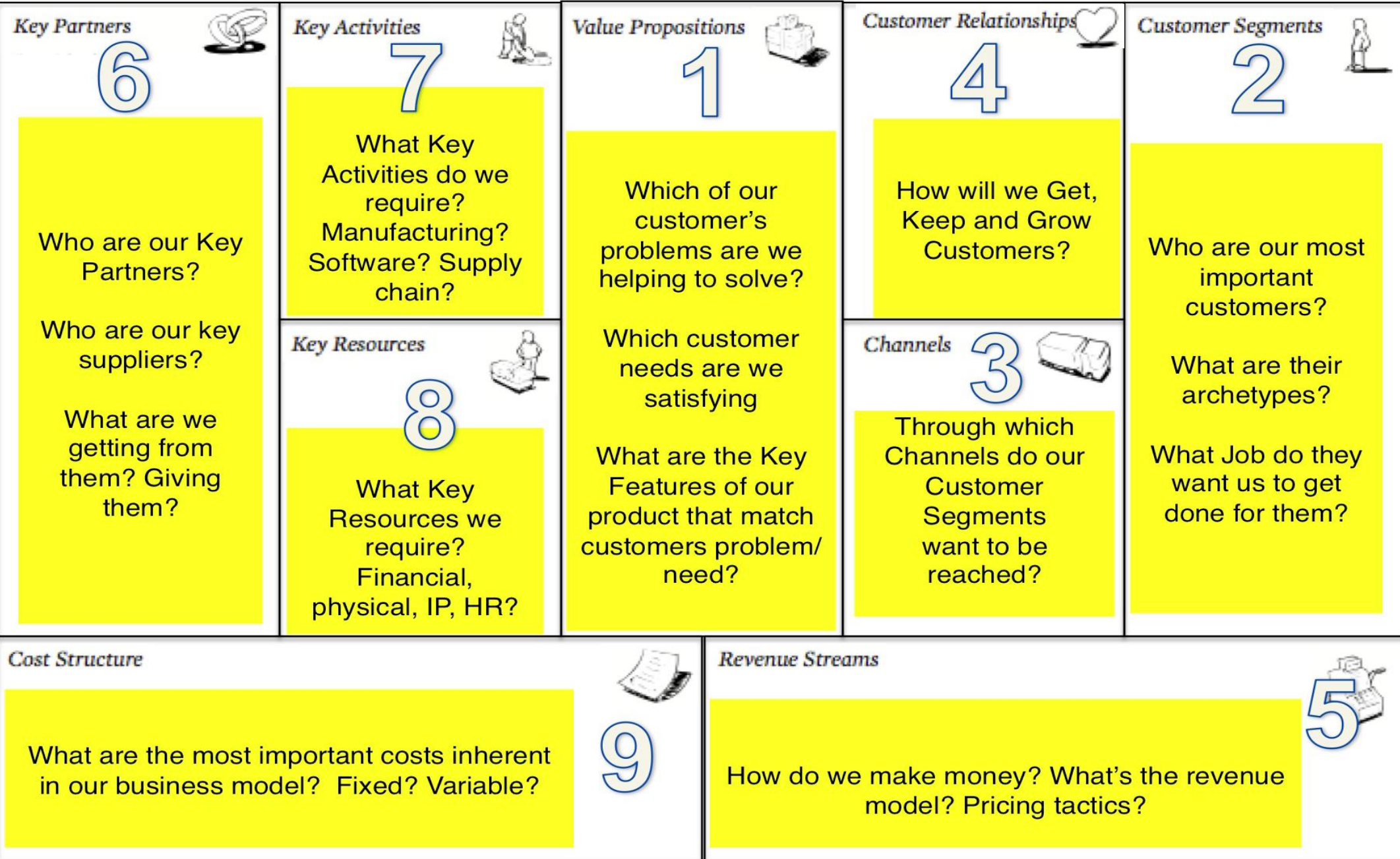
By Agnes Hove

"It is the business model that matters, not the industry anymore. What is the blueprint of your strategy? Business models start to matter because there are many more choices than before."
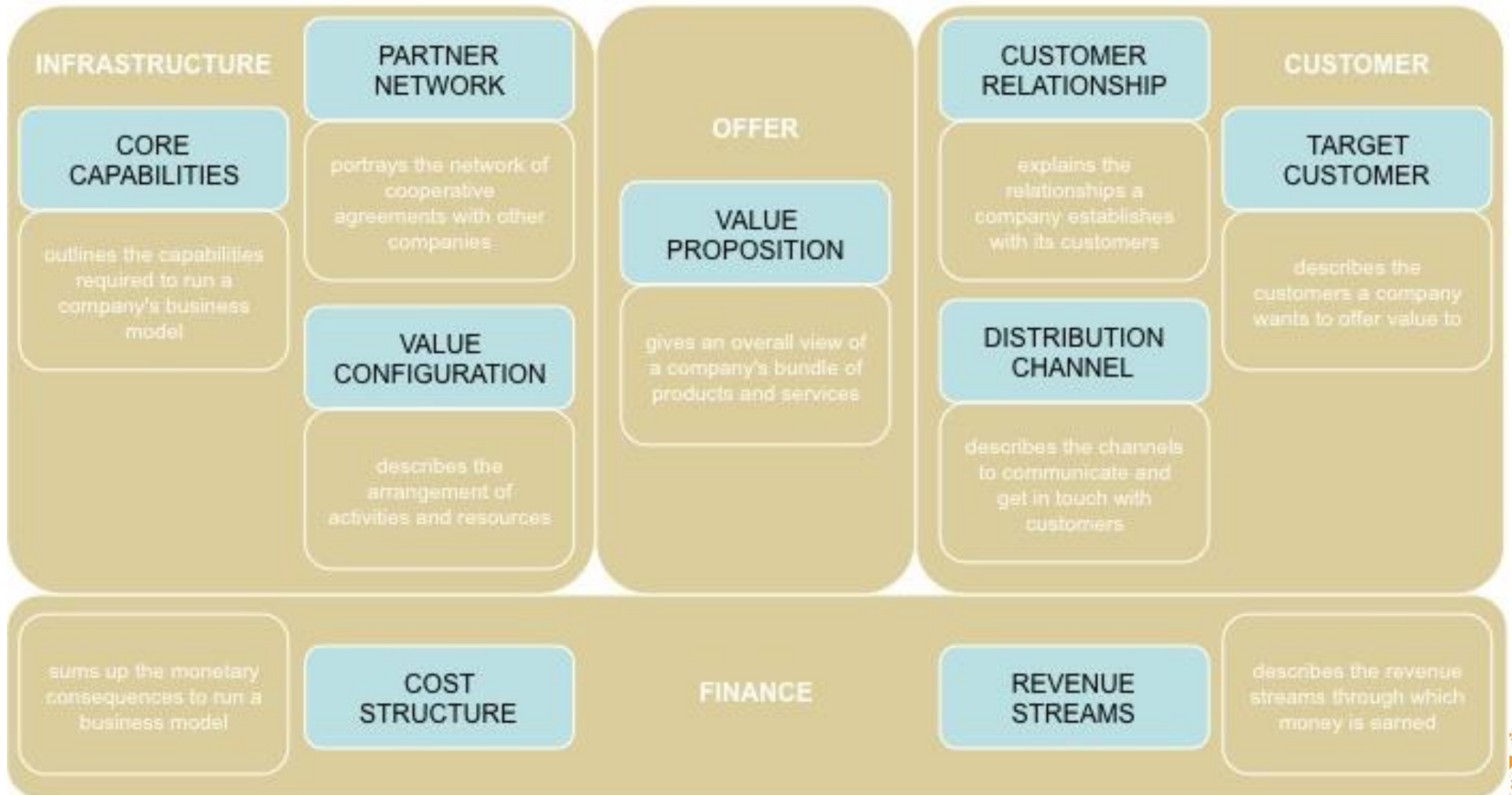
Dr. Alex Osterwalder
CEO, Strategyzer

Business Model Canvas

Key Partners (6)

Who are our Key Partners?

Who are our key suppliers?

What are we getting from them? Giving them?

Key Activities (7)

What Key Activities do we require? Manufacturing? Software? Supply chain?

Key Resources (8)

What Key Resources we require? Financial, physical, IP, HR?

Value Propositions (1)

Which of our customer's problems are we helping to solve?

Which customer needs are we satisfying

What are the Key Features of our product that match customers problem/need?

Customer Relationships (4)

How will we Get, Keep and Grow Customers?

Channels (3)

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

Customer Segments (2)

Who are our most important customers?

What are their archetypes?

What Job do they want us to get done for them?

Cost Structure (9)

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

Revenue Streams (5)

How do we make money? What's the revenue model? Pricing tactics?

So Far, You Should Have...

- Defined the Problem you are Solving
  – Problem Statement
  – Who is affected by problem?
  – How are they affected by problem?
  – Why is it important to solve this problem?

- Assessed the Opportunity
  – Who currently addresses this problem?
  – How is the current solution delivered?
  – How effective is the current solution?
  – What can be improved? Alternative approach?

Now We Discuss Value

- Customer Value
  - Including patients, clients, customers
  - The groups who are affected by the problem

- Business Value
  - How you will operationalize your solution
  - How you will support/sustain your solution

Questions Addressed Today

- What part of the problem are you trying to solve?

- What value do you deliver to the affected group?

- What are the costs / revenues associated with your solution?

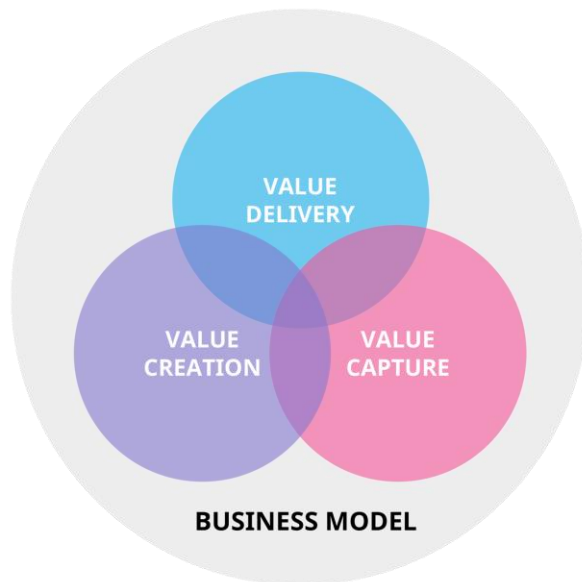- How will you sustain your solution?
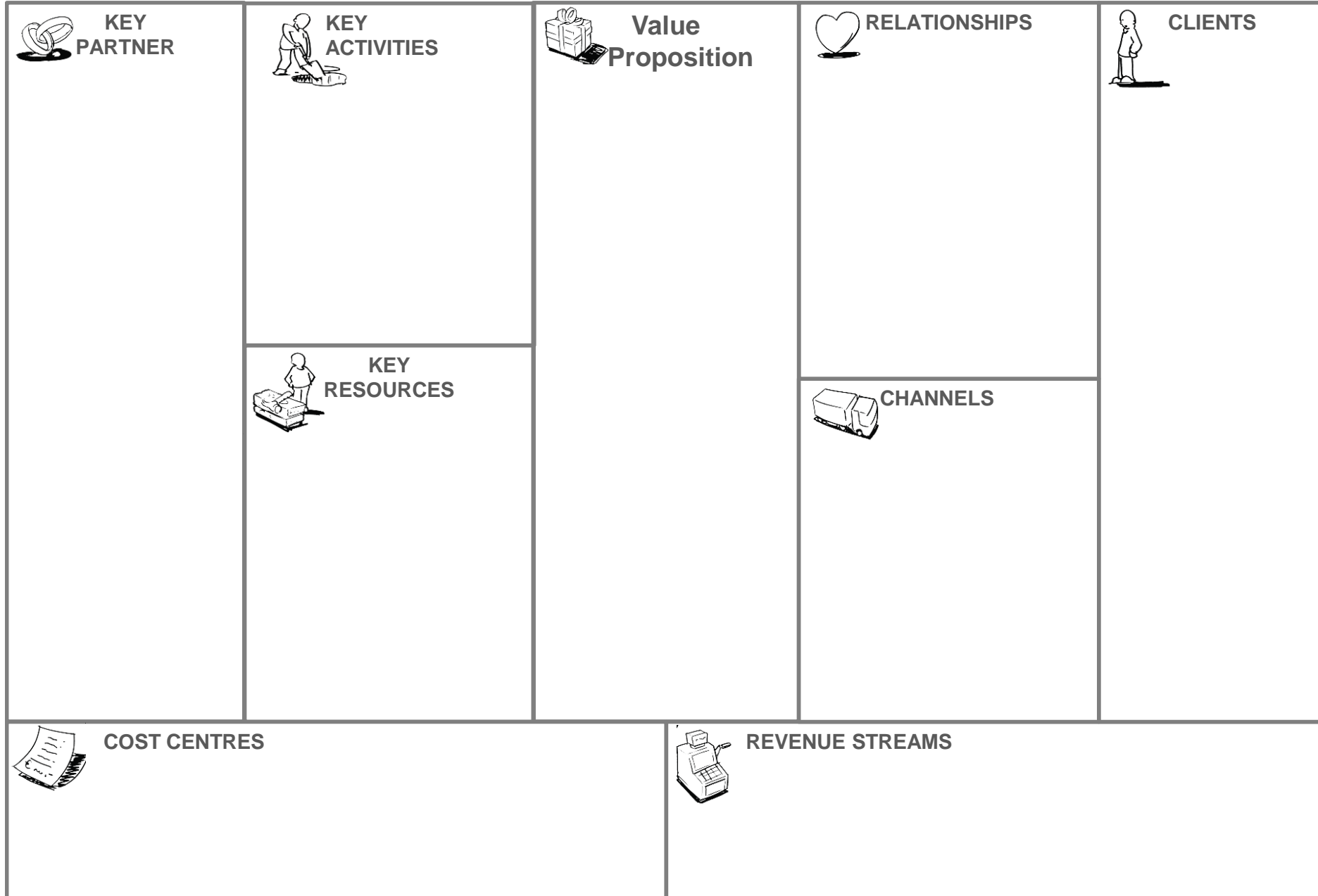
It Takes A Community . . .

You must build a sustainable organisation to help solve real-world problems and provide value to constituents (customers) over time.

What Is A Business Model?

A business model describes the rationale of how an ORGANISATION creates, delivers, and captures value.

Business Model

KEY PARTNER	KEY ACTIVITIES	Value Proposition	RELATIONSHIPS	CLIENTS
	KEY RESOURCES		**CHANNELS**	

COST CENTRES	REVENUE STREAMS

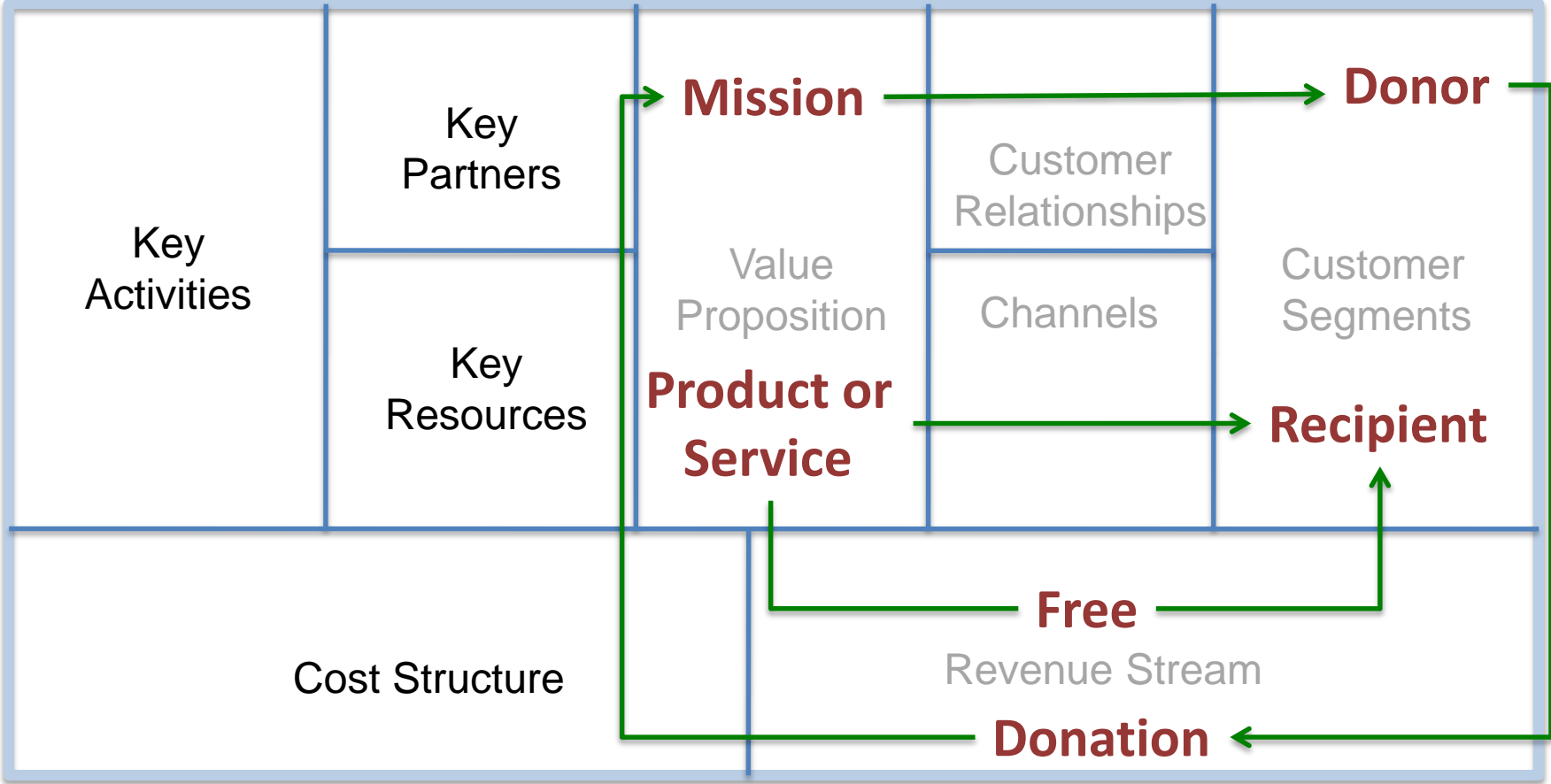# Start-Ups   ... a set of hypotheses

Student Name: Derek Coleman

Business Description: University Transportation service for students to travel to events safely

Key Activities	Key Partners	Value Proposition	Customer Relationships	Customer Segments
Create ecosystem to keep students on website, mobile, or marketing list	Bus companies Venues Universities	Atmosphere on the bus, reputation Customer experience	Trustworthy, brand worthy Fun, exciting, good time Cheap, safe, caring	Umiversity students (who don't have a ride or want to travel with friends + friends who they travel with New Students Parents looking to keep their kids safe when going to events Socially responsible students
Transport students safely, gain a good reputation Get feedback, improve	**Key Resources** Website Employees/legal team	Transportation. (Safe, cheap, convenient) to events	**Channels** Website Sign-up application On campus marketing Social media accounts	

Cost Structure

Cost more for trips with less people.

Looking for R 5 000 profit after all variable expenses.

Revenue Stream

Money generated from trips. Preferably R 5 000 profit per trip after COGS

Selling booklets in advance for 10 trips that semester.
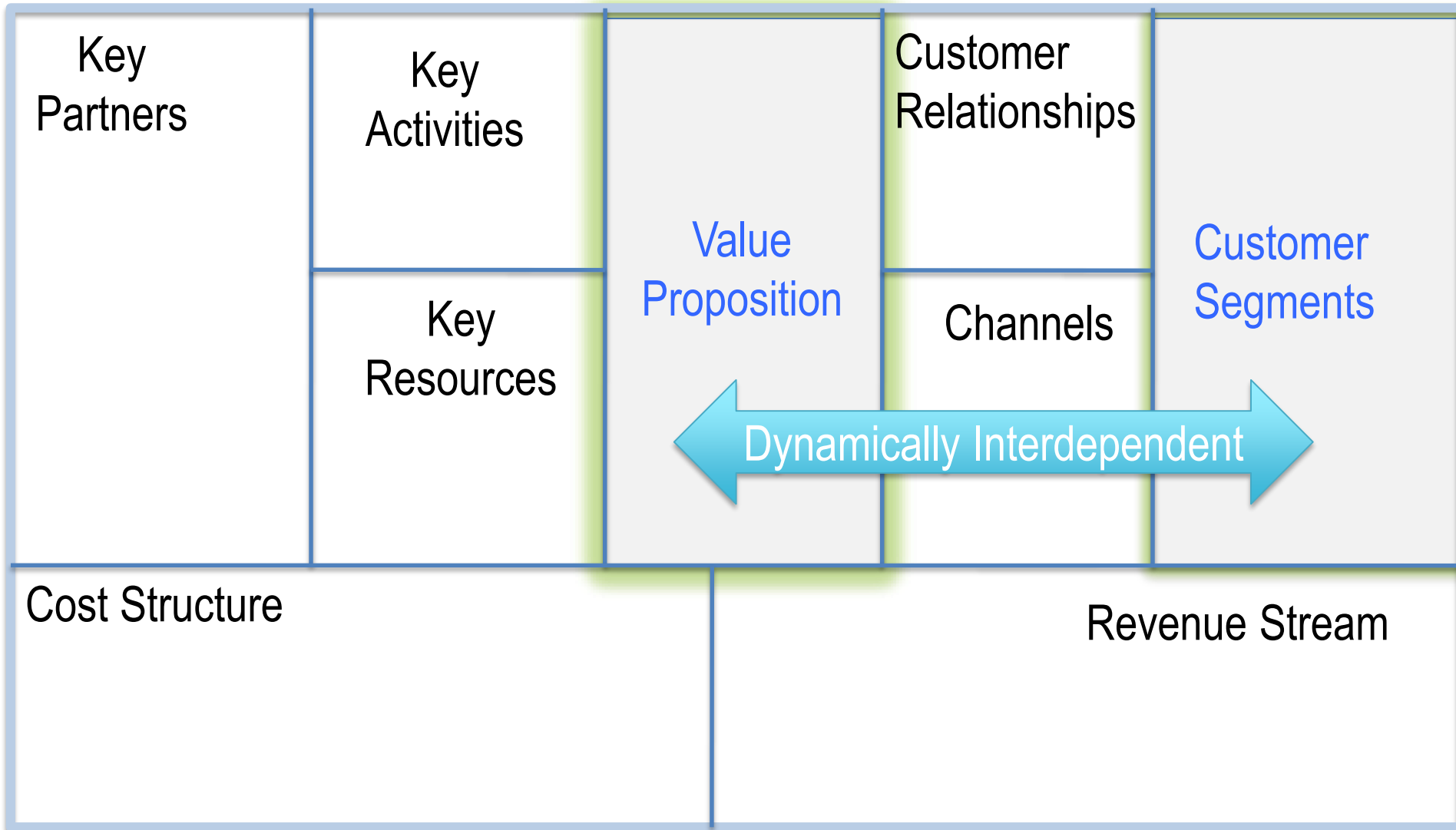
Not-For Profit Model

Lazarus House Ministry Inc.

Key partnerships

- Local and Corp. Businesses
- Charitable Foundation
- Individuals (Volunteers)
- Churches
- Social Enterprises
- Greater Lawrence Health Center

Key activities

- Fundraising Coordinator
- Admission Management
- Donor Management

Key resources

- Lazarus Locations
- Volunteers
- Staff
- Donated Items/monies

Value propositions

- Meals
- Shelter
- Counseling
- Health Care

Gains
- Empowerment
- A job
- Permanent housing
- Resources

Pain Relievers
- Diminishes concerns
- Eliminating hunger

- Donors?

Customer relationships

- Community Members
- Personal Assistance

Channels

- Online donations (www.lazarushouse.org)
- Thrift Shop
- Good Shepherd's Center
- Lazarus Locations

Customer segments

- People living in poverty (Recipients)
- Community Members
- Donors

Gains
- Shelter
- Meals
- Community
- Security
- Work Prep

Pains
- Overcrowded shelters
- Little privacy
- Time constraints

Cost structure

- Administrative costs
- Fundraising costs
- Utility costs

Revenue streams

Free
- Donations
- Fundraisers
- Thrift Shop Sales

Critical Issue: Value Proposition – Customer Fit

Key Partners	Key Activities		Value Proposition	Customer Relationships	Customer Segments
	Key Resources			Channels	

Dynamically Interdependent

Cost Structure

Revenue Stream

Customer Discovery Process

- Start with a vision (a solution to a problem)

- Customer Discover process searches for problem/solution fit

- Does your value proposition match customer segment it plans to target?

- Develop the product for 'the few', not everyone

- Get Market Feedback
  - Build a 'minimum viable product' (MVP)
  - Don't add features without feedback!

WHAT IS A VALUE PROPOSITION?

A value proposition is a promise of value to be delivered, communicated, and acknowledged. It is also a belief from the customer about how value will be delivered, experienced and acquired.

Map Customer to Value Proposition

Value Proposition   **Customer Segment**

Products   Wins   JOB
                  Results   Gains

Services   FIT   To Be

Features   Pain   DONE
                  Killers   Pains
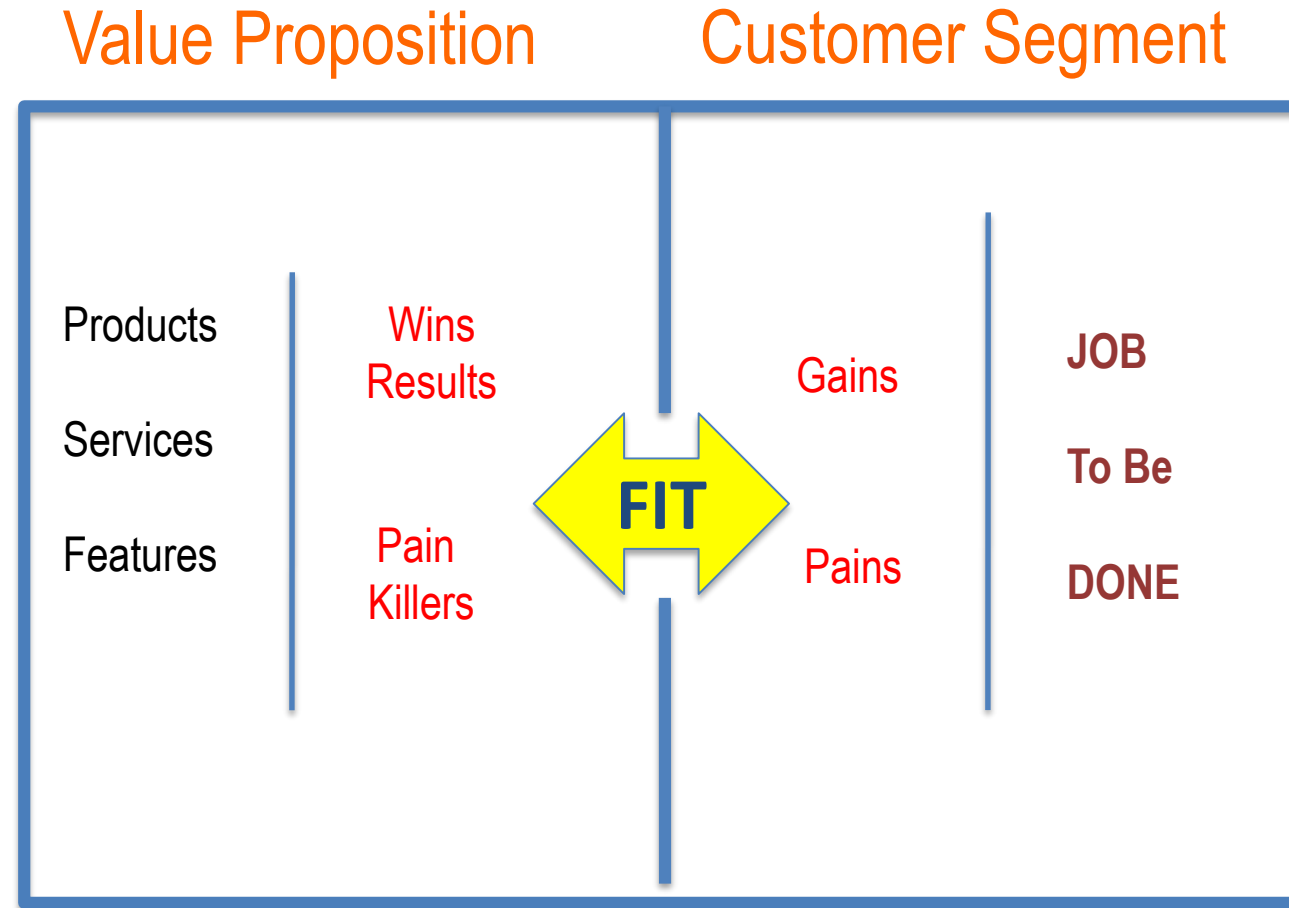
Getting The Customer Value Proposition Right Is Critical To Success

Explore Customer Pain

What does your customer find too costly?

(e.g., too much time, too much money, requires substantial effort, …)

What makes your customer feel bad?

(e.g., frustrations, annoyances, . . .)

How are current solutions underperforming for your customer?

(e.g., lack of features, performance, malfunctioning, accuracy…)

What negative social consequences does your customer encounter or fear?

(e.g., loss of face, trust, power, status . . .)

What's keeping your customer awake at night?

(e.g., big issues, concerns, worries . . .)

What common mistakes does your customer make?

(e.g., usage mistakes, inappropriate priorities . . .)

What barriers are keeping your customers from adopting solutions?

(e.g., upfront investment, learning curve, resistance to change . . .)

Explore Customer Gains

Which savings would make your customer happy?

    (e.g., time, money, effort, risk . . .)

What outcomes does the customer expect and what would go beyond expectations?

    (e.g., quality level, more or less or something . . .)

How do current solutions delight your customer?

    (e.g., specific features, performance, quality . . .)

How would you make your customer's job or life easier?

    (e.g., flatter learning curve, more services, lower cost of ownership . . .)

What positive social consequences does your customer desire?

    (e.g., makes them look good, increase in power or status . . .)

What are customers looking for?

    (e.g., good design, guarantees, specific or more features . . .)

What do customers dream about?

    (e.g., big achievements, big reliefs . . .)

How does your customer measure success or failure?

    (e.g., performance, cost . . .)

What would increase the likelihood of adopting a solution?

    (e.g., lower cost, less investment, lower risk, better quality . . .)

Exercise:

Customer	List Pains	List Gains
1.		
2.		

A Day In The Life Of Your Customers

Question	Customer 1_____	Customer 2_____
1. How Is Your Customer Currently Dealing With This Task/Problem?		
2. What Are They Trying To Accomplish? Desired Outcome? Wish They Could Do?		
3. What Approach Are They Attempting		
4. What Are The Interfering Factors?		
5. What Are The Economic Consequences? –Costs?		

A Day In The Life . . .

Question	Customer 1_____	Customer 2_____
6. Your New Approach . . .		
7. Enabling Factors?		
8 Economic Rewards?		
9. Is Our Price Consistent With Budget? – Problem Solved?		

How can I find customers before I've even built a product?

How were you planning on finding them after you've built a product?

Finding People . . .

- AdWords / Facebook Ads /Tweets
  - Summarize your idea – get it on search engines
- Twitter Search
  - Search for people who discussed _____
    - @username Would love yr feedback on [product/problem/solution] – shd only take 2mins [URL] thanks!
- Google Alerts
  - Monitor the web for product/problem/solution
    - I read your [post/comment] about [product/problem/solution]. I'm currently trying to validate a related idea and I think your opinion would be very valuable to me – could you take 2 minutes and check out [URL]? Thank you – I'd be happy to return the favor any time.
- LinkedIn to ask for Introductions

Customer Segments
(Customer Archetype)
Groups That Rank Importance Differently!

Needs

Amateur Camera
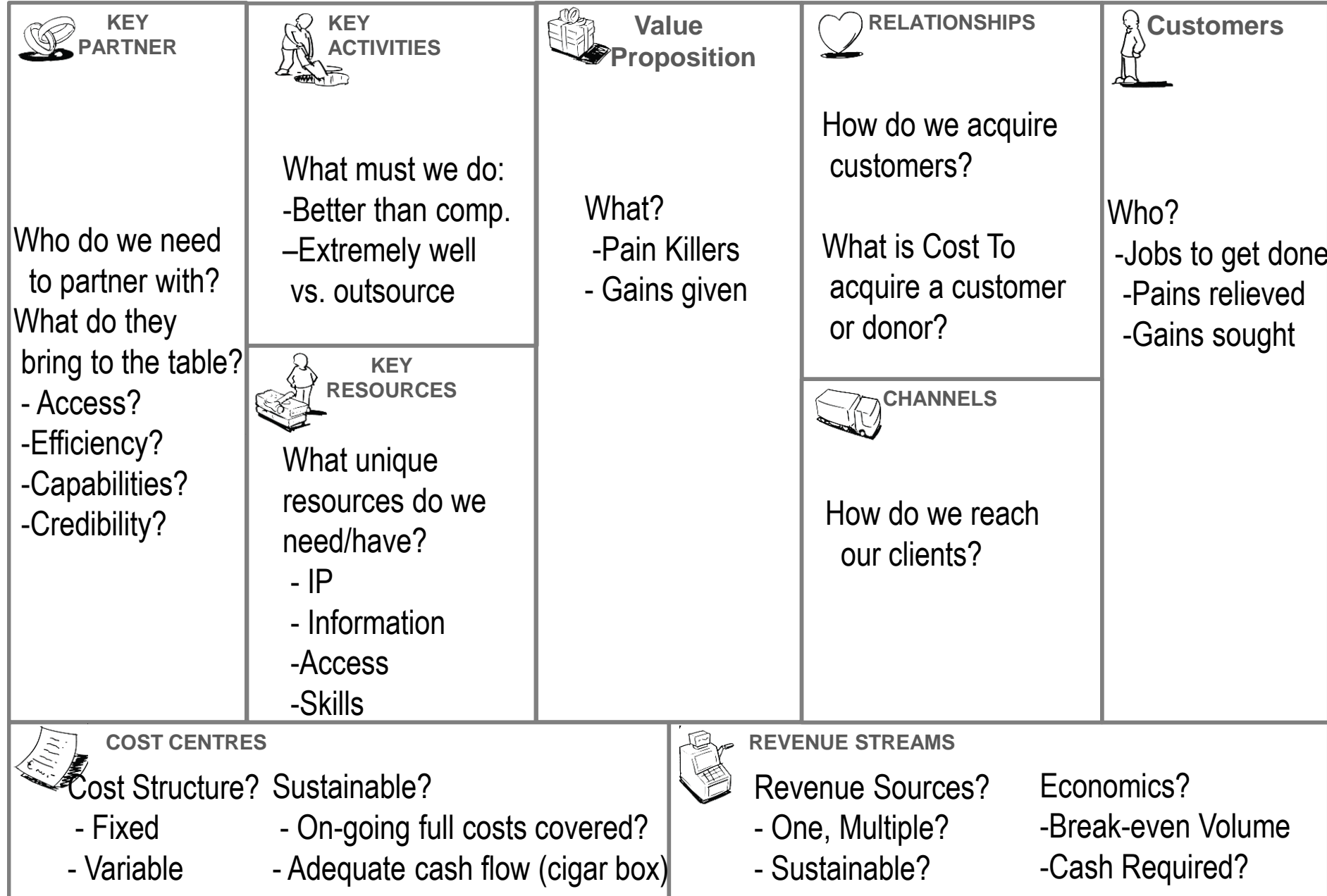
Professional Camera

Ease of Use
Weight
Lens
Options
Size
Auto Focus

Lesson: Customers Buy Your For Your Strengths

Business Model

KEY PARTNER	KEY ACTIVITIES	Value Proposition	RELATIONSHIPS	Customers
Who do we need to partner with? What do they bring to the table? - Access? -Efficiency? -Capabilities? -Credibility?	What must we do: -Better than comp. –Extremely well vs. outsource	What? -Pain Killers - Gains given	How do we acquire customers? What is Cost To acquire a customer or donor?	Who? -Jobs to get done -Pains relieved -Gains sought
	KEY RESOURCES What unique resources do we need/have? - IP - Information -Access -Skills		**CHANNELS** How do we reach our clients?	

COST CENTRES

Cost Structure? Sustainable?
- Fixed   - On-going full costs covered?
- Variable   - Adequate cash flow (cigar box)

REVENUE STREAMS

Revenue Sources?   Economics?
- One, Multiple?   -Break-even Volume
- Sustainable?   -Cash Required?

Go Build Your Initial Business Model

(But Revise It Often
As You Learn and Expect To Grow)