

2. Update your Problem and Solution Statements

After conducting both problem-based and solution-based interviews, you may now update and/or revise the problem you wish to solve, and the solution you are hoping to propose.

3. Update your Value Proposition

Using the data collected from customer interviews, update your value proposition to strategically answer the three questions (What is it? Who is it for? What problem does it solve/value does it bring?).

Remember, there should be a unique value proposition for each type of stakeholder, as shown in the Google, Inc. example (users vs. customers).

SIDE II. THE BUSINESS MODEL

Introduction:

A business model is your roadmap for entrepreneurial success. While having a few ideas scribbled down on a sheet of paper – name ideas, product prices and ideal locations – is a great start, a proper business model takes time. You need to ensure you have the strongest foundation possible prior to producing your startup, to ensure entrepreneurial success. There are many moving parts when it comes to running a business and you don't want to be caught unprepared. For this reason, Side II of ICUBE's Side Guide shares the "Business Model Canvas", and how you may use it to your advantage.

In this Chapter:

- A) The Business Model Canvas
- B) MVP and Product Vision
- C) Workflow Map

The Goal of this Side:

There are several ways to define a business model, although most individuals understand that a business model typically describes how you are going to make money. For startups, this definition is not ideal as it merely focuses on one portion, or model: the revenue model. This guide will help you design your business model around your value proposition using the business model canvas, to facilitate the development of a more holistic business model from which to work.

By the end of Side II, you will have...

- Developed a sound understanding of the various components that collectively make up the business model canvas
- Designed an early business model, focused on your preliminary value proposition

For more information on the Business Model Canvas, and to learn how each section interacts, visit:

- Strategyzer (2013). "Visualizing Your Business Model" [Video]
- Strategyzer (2011). "The Business Model Canvas Explained" [Video]



A) THE BUSINESS MODEL CANVAS

Originally developed by Alexander Osterwalder and Yves Pigneur, the Business Model Canvas is a single-page document used by organizations to plan and design their structure. The tool itself contains nine varying aspects of a business, collectively used to properly plan how to go about designing a proper business plan and strategy. Osterwalder defined a business model as:

“A business model describes the value an organization offers its customers and illustrates the capabilities and resources required to create, market and deliver this value and to generate profitable and sustainable revenue streams.”

The Business Model Canvas serves as a comprehensive document that keeps you focused on all the important sectors of the business model. For mentors, investors, advisors, and other stakeholders, it allows them to quickly interpret data regarding current company plans. For startups, it is common to have the business model consistently change and adapt, as more information and brainstorming efforts arise.

Exercise 2.1 – Build your business model canvas

Below is an outline to help you address the nine various elements of the business model canvas. These descriptions and sample questions should help you review all the aspects that may pertain to your specific business, and many of the model’s elements might have been answered previously in Side I.

1. Value Proposition

- The first segment asks what your product/service is, what value (not features) it produces, and to which customer segment. For example, this asks, what is the primary reason someone would purchase your product/service? What is the value it would bring them? Notice this value may be different for different customers.
- Questions to consider:
 - o What is your unique value proposition?
 - o What are the major benefits?
 - o What makes your product/service different and worth the attention?
 - o What prevents others from copying you?

2. Customer Segments

- Review the different segments of the ‘total addressable market’ which will look to purchase your product/service. Again, remember that there will be different values associated with your product/service for different customers.
- Questions to consider:
 - o Who will buy your solution (identify your target customer and users)
 - o What is the total addressable market & segments you will pursue?
 - o How many customers or users are found within this market?
 - o What are the characteristics of your ideal customers (gender, income, etc.)



3. Channels

Consider how you will deliver your product/service to your customer segments.

Typically, this is broken down into 3 distinct channels: communication, sales, and logistics.

- Questions to consider:
 - o How will you interact with your customers, and how will they get information regarding your product/service?
 - o Do do your customers want to be reached (e-mail, phone, etc.)?
 - o How will your customers purchase your product/service?
 - o Who is best positioned to sell or distribute your product? Which channels are your customers being reached through today/now?

4. Customer Relationships

How do you intend to maintain positive customer relationships that will lead toward word-of-mouth recommendations?

- Questions to consider:
 - o How will your customers describe their experience with your solution?
 - o What would make your customers willing to give a reference?
 - o How will you address customer support as your business grows?

5. Revenue Streams

Revenue streams concerns the various ways in which your business will generate revenue, including recurring, transactional, project and services revenues.

- Questions to consider:
 - o What are the proposed sources of revenue for your business?
 - o What is the average price of your solution the customer will bare?
 - o What are customers willing to pay for your solution?
 - o What will your payment periods look like?
 - o How large will your inventory be?
 - o Will you have any obligations for external funding (i.e. government reporting, bank reporting, ROI from venture capitalists)?

6. Key Resources

Your key resources include any of your assets that can be leveraged to create and market your value proposition. Examples of key resources include intellectual property, human resources, financial assets, or physical assets.

- Questions to consider:
 - o What does your team look like (employee numbers, skills, etc.)?
 - o Do you require specific skills from your team members?
 - o When will you need to hire more employees, and how will you do so?



7. Key Partners

• Your key partners will include any partnerships that compliment your resources and activities. Partnerships should be strategic, and are important to generate leadership within the market and sustain your market presence. Examples of key partnerships would include well-respected retailers who may give your brand or product (or both) a sense of credibility with consumers.

- Questions to consider:
 - o How will your business achieve market leadership?
 - o What do you have to offer to a potential partner?
 - o What companies/businesses are in adjacent markets that may offer you potential infrastructure partnerships?

8. Key Activities

• This section should describe the processes that are required for you to connect your resources with those offered by your partners, so that you may deliver your value proposition, manage channels and customer relationships, and generate revenue for your business. Examples include R&D, manufacturing, marketing, sales, etc.

- Questions to consider:
 - o What activities are required to maintain/grow revenues?
 - o What activities are required to maintain/grow customer relations?
 - o What activities are required to maintain/grow market share?
 - o What activities are required to maintain/grow demand/channels?
 - o What activities are required to maintain/grow partnerships?

9. Cost Structure

• Your cost structure will examine the costs associated with the delivery of your value proposition to the customer, and includes the costs of all of the resources and key activities required to do so. In this section, the critical question to answer is: Does the cost structure provide a reasonable profit?

- Questions to consider:
 - o How much money will you need to spend before your profits begin to cover your costs?
 - o What is your customer acquisition cost?
 - o What are the most important costs inherent to your business model?
 - o Fixed costs and variable costs – differentiate between them.

Tips & Tricks for creating your Business Model Canvas

When reviewing and testing your business model canvas, try to push yourself to consider as many models and nodes as possible; 'predictable' and easily-replicable models will rarely give your business a competitive advantage, so you should be using this model to think as creatively as possible.



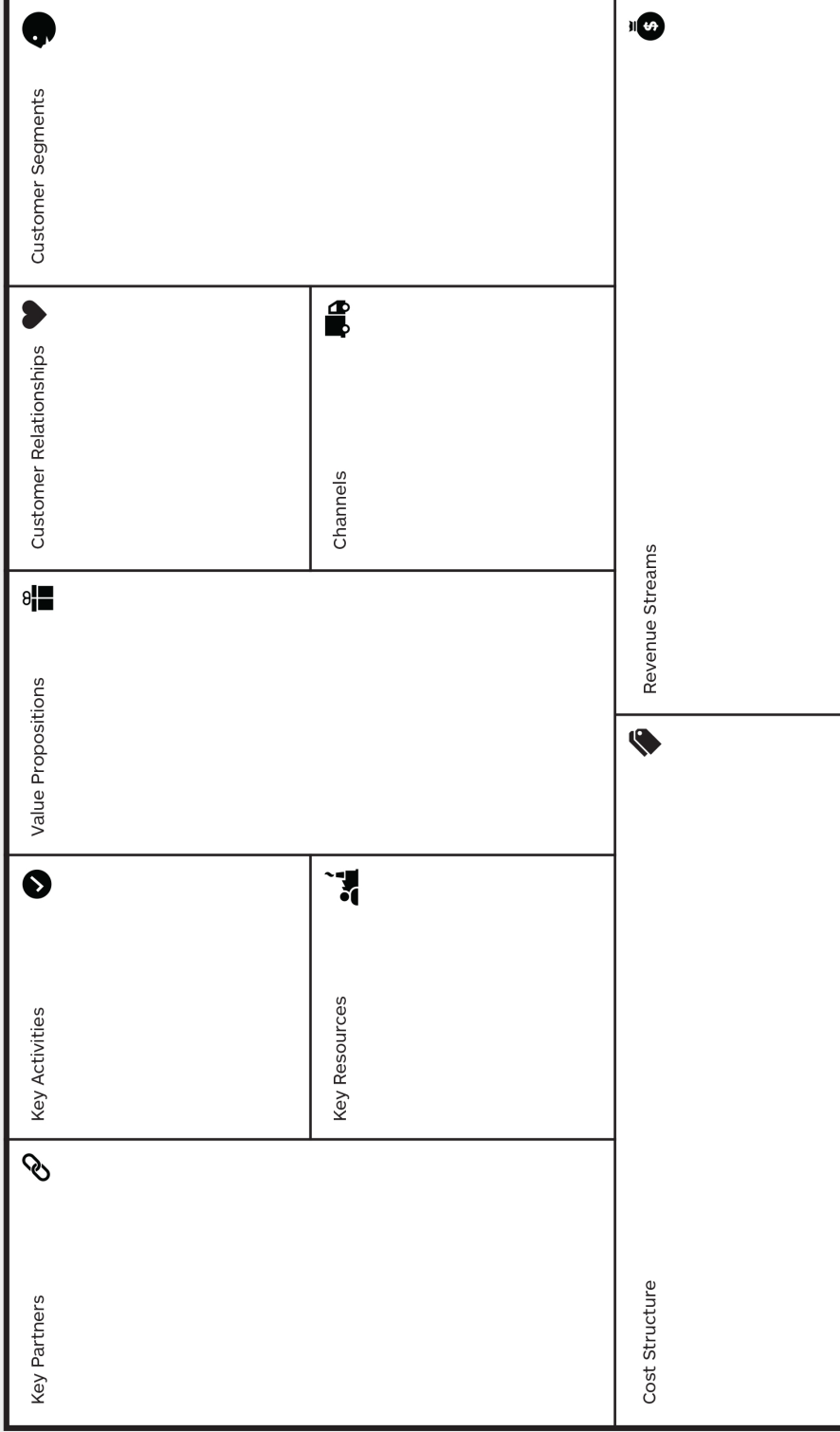
The Business Model Canvas

Designed for:

Designed by:

Date:

Version:



B) MVP & PRODUCT VISION

Your MVP is not a prototype nor a 'beta' version of your solution; rather, it is the most basic version of your solution that solves the defined problem and creates value for the customer (that you can sell). For example, say you believe your final solution holds 10 specific benefits for customers. Your MVP, which is merely the minimal product you can produce that a customer will buy, may only hold 3-5 of these benefits as it represents your bare minimum solution. Through product testing and research/development, more features/benefits may be added to your MVP to create version 1.1, 1.2, etc., but these are not essential to solving your defined problem – the characteristics included in the MVP are the essential ones.

Example: A Mobile Phone Company's MVP

The primary value of having a mobile phone is that it allows you to communicate with others over long distances, while the added values of owning a mobile phone include texting, the ability to use apps, or even physical values such as having a long battery life or a futuristic touchscreen. Since the technology of the mobile phone has long been available, its primary function – or MVP – is no longer a differentiator between competing firms, and as such, they now compete over added values, features and benefits. This example is important to remember, as it shows that over time, many values and benefits become standard and are no longer differentiated values to a customer.

Exercise 2.2 – Product Vision

List the major, or main values that are required to satisfy your customer. How will these values be provided via your product/service?

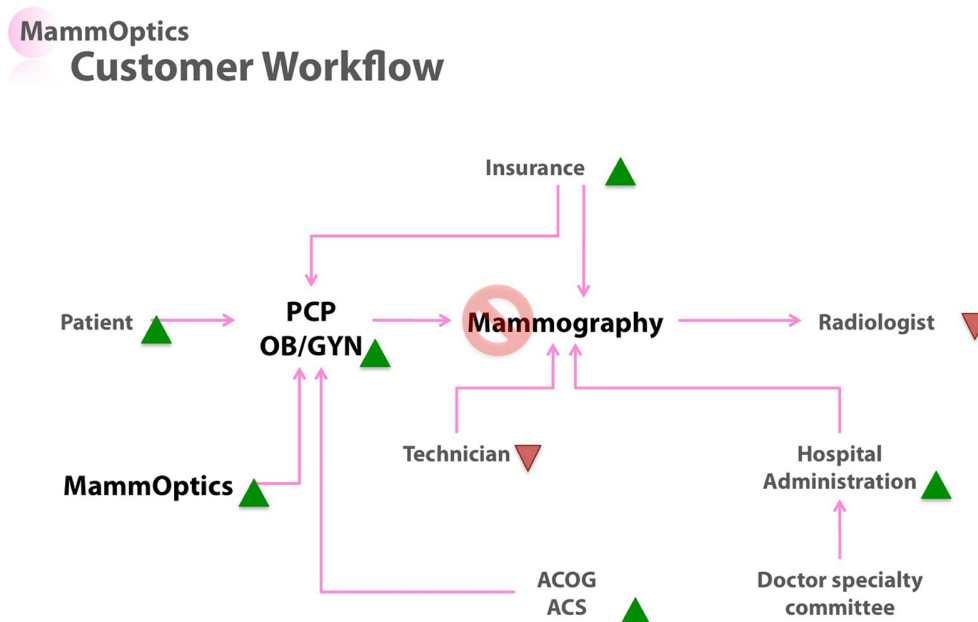


C) WORKFLOW MAP

A workflow map depicts a series of actions that define a job or how work should be done. The map visualizes how tasks will flow between resources, whether they're machines or people and what conditions allow the sequence to move forward. Following your customer interviews, you should have a strong understanding of the ways in which potential customers are currently mitigating the issues your solution will look to fix. Using this information collected, you should now be able to construct two workflow maps, illustrating:

1. What the customer is doing now without your solution
2. What the process looks like after implementing your product/service.

Below is a sample workflow map found in Steve Blank's The Startup Owner's Manual, and although it serves as an example, there is no specific format for workflow maps; your own may be as unique as you'd like, so long as it satisfies the two required questions above.



Exercise 2.3 – Creating Your Own Workflow Map

Create two workflow maps, illustrating:

1. What the customer is currently doing to mitigate the issue you are looking to solve
2. What a customer’s process will look like after you introduce your solution to the problem

Smartdraw.com offers a free, online tutorial on creating your own workflow map. You may find it, along with more information, here:

- Smartdraw (2017). “Workflow Diagrams” [Webpage]

