January 10, 2018

UCI NEW VENTURE COMPETITION 2018

Workshop #1 : From Problem to Solution

Larry Wilk
Adjunct Professor, UCI Paul Merage School of Business
Agenda

- 5:30 – 6:30 : From Problem to Solution: Developing a Business idea and Transforming It Into a Business Model

- 6:30 – 6:45 : Team Formation Quick Pitches

- 6:45 - 8:00 : New Venture Competition – Social Hour
COMPETITION STRUCTURE

Teams are evaluated for using UCI intellectual property (IP)* as a core element of their business plan.

*If more than 8 semi-final teams in track
RULES & REQUIREMENTS

Your Idea…

- Must be **ORIGINAL**
- Not in existence before January 2017
- In pre-incubator form
- Have **not** received financial backing by professional third-party incubators, accelerators, existing companies or VCs exceeding $10,000

Participation…

- Open to **ALL** UCI graduate & undergraduate students
- Open to UCI faculty & staff
- Open to UCI alumni
- **4**-member minimum; **6**-member max
- At least **2** registered at UCI
NEXT STEPS...

1. FORM A TEAM
   4+ people
   Open to any UCI student, UCI alumni, faculty, and staff may also join teams

2. BRAINSTORM A SOLUTION
   Turn an idea or problem into a revenue-generating solution

3. CHOOSE A TRACK
   (unique considerations)
   - Consumer Products
   - Consumer Services
   - Business Products and Services
   - Life Sciences
   - Social Impact Solutions

4. TECH SURGE SPECIALTY AWARD
   Teams may win track prizes AND specialty award prizes
   Open to any team that leverages University IP

5. LEARN, APPLY, DO
   - Applied Learning
   - Specialized Workshops
   - Consult with Experts
   - Coaching / Feedback

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PHASE 1: Concept Paper
Submit a 3-page Concept Paper by February 20th

- Problem/pain you’re addressing
- Solution/value proposition
- Clearly-defined target market
- Market size & validation

- Clear competitive edge
- $$$ How you make money!
- Evidence to make it believable
- Team capability & completeness
From Problem to Solution

Developing a Business Idea and Transforming it Into A Business Model
75% of all start-ups fail.
Top 10 Reasons Start-Ups Fail

1. No Market Need - 42%
2. Ran Out of Cash - 29%
3. Not the Right Team - 23%
4. Get Outcompeted - 19%
5. Pricing/Cost Issues - 18%
6. Poor Product - 17%
7. Need/Lack Business Model - 17%
8. Poor Marketing - 14%
9. Ignore Customers - 14%
10. Product Mis-timed - 13%
“Know Your Customers’ Jobs to Be Done”
job to be done *noun*: the progress a customer is trying to make in a particular circumstance.
Correlation ≠ Causation
Understanding the Job to Be Done

4 Principles
1

Jobs aren’t just tasks—they involve experiences.
Circumstances are more important than customer characteristics.
Good innovations solve problems that had poor solutions—or none at all.
Jobs have powerful social and emotional dimensions.
Creating Customer Experiences
American Girl sold 29 million dolls. How?
By spotting an unfulfilled job.
American Girl isn’t just selling dolls—
it’s connecting kids with previous
generations of women.
The details of the experience matter a lot—even shopping and unwrapping play a part.
Aligning Processes
SNHU Grew to $535 Million a Year by Supporting the Job to Be Done
A neglected online program held the key to transformation.
Older students and traditional undergrads have different jobs to be done.
The competition wasn’t just other online programs—it was no schooling at all.
Pretty much everything had to change.
– Paul LeBlanc, president, SNHU
3 Questions for Aligning Processes with the Job
What will help customers make progress?
1. What will help customers make progress?

SNHU answered financial aid questions within eight and a half minutes.
What obstacles must be removed?
What obstacles must be removed?

SNHU cut decision-making time from months to days.
What are the social, emotional, and functional dimensions of the job?
What are the social, emotional, and functional dimensions of the job?

“It looks like you haven’t finished the assignment yet—how can I help?”
SNHU’s Payoff

9.6 out of 10
Net Promoter Score

50%
Graduation rate
How Can You Uncover Jobs to Be Done?
Think about whether you have a job that needs to be done.
2 Look for nonconsumption.
Take note of work-arounds.
Consider tasks people want to avoid.
Be alert to new uses for existing products.
Control the Future of Your Health
with a New Kind of Doctor’s Office

https://goforward.com
How it works

Your membership for $149/mo:

• Unlimited access to your primary care doctor and care team
• Specialized visits for Heart Health, Cancer & Genetics, and Wellness
• Genetic analysis to better understand your risks
• Personalized digital health plans updated in your app
• Take home wearables to diagnose and monitor issues
• Immediate responses to questions, anytime/anywhere
# Jobs to Be Done – Exercise – Small Groups

<table>
<thead>
<tr>
<th>Exercise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify a job to be done  OR  Apply this framework to your Business Idea</td>
</tr>
<tr>
<td>What will help customers make progress?</td>
</tr>
<tr>
<td>What obstacles must be removed?</td>
</tr>
</tbody>
</table>
| Create a set of experiences  
  - functional, social & emotional                                         |
| What processes would need to be aligned / changed?                       |
The Principles of Lean Start-ups
The Classic Way to Start a Business

1. Write business plan
2. Build team
3. Introduce product
4. Sell, sell, sell
You Can’t Make Good Predictions Five Years in Advance
The Business Model Canvas
Sketch out hypotheses.
A business model describes the rationale of how an organization creates, delivers, and captures value
The Business Model Canvas


Based on the article by Steve Blank.
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<table>
<thead>
<tr>
<th>Step</th>
<th>Start-Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Proposition</td>
<td>What are you offering? What are the Gains? What are the Pains? What is the Job Being Done? Do they Care?</td>
</tr>
<tr>
<td>Customer Segments</td>
<td>Which customers will you serve? Primary vs. secondary? What is market potential? Where are customers located?</td>
</tr>
<tr>
<td>Customer Channels</td>
<td>How does each segment want to be reached? Through which interaction points?</td>
</tr>
</tbody>
</table>
The Value Proposition Canvas
# Business Design

<table>
<thead>
<tr>
<th>Step</th>
<th>Start-Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Activities</td>
<td>Which activities do you need to perform well in your business model? What is crucial? Proprietary? What can be added later?</td>
</tr>
<tr>
<td>Key Resources</td>
<td>Which resources underpin your business model (staff, R&amp;D, technology, facilities)? Which assets are essential?</td>
</tr>
<tr>
<td>Key Partnerships</td>
<td>Which partners and suppliers leverage your model? Who do you need to rely on? What is risk profile?</td>
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# Financial Model

<table>
<thead>
<tr>
<th>Step</th>
<th>Start-Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Streams</td>
<td>What are customers really willing to pay for?</td>
</tr>
<tr>
<td></td>
<td>What is pricing model?</td>
</tr>
<tr>
<td></td>
<td>Transactional or recurring revenues?</td>
</tr>
<tr>
<td></td>
<td>Market size and potential ?</td>
</tr>
<tr>
<td>Cost Structure</td>
<td>What are direct costs?</td>
</tr>
<tr>
<td></td>
<td>Indirect costs?</td>
</tr>
<tr>
<td></td>
<td>Overhead? Fixed vs. variable?</td>
</tr>
<tr>
<td></td>
<td>Development vs. on-going</td>
</tr>
<tr>
<td></td>
<td>Which are key elements?</td>
</tr>
<tr>
<td></td>
<td>What is variability/risk?</td>
</tr>
</tbody>
</table>
# Social Business Model Canvas

## Key Resources
- Kiva.org platform
- Brand
- Donor network

## Key Activities
- Proving loans
- Collecting loan capital
- Screening MFIs
- Managing platform
- Managing risk

## Partners + Key Stakeholders
- Local MFIs
- PayPal

## Type of Intervention
- Micro loans

## Segments
- Entrepreneurs in developing countries
- Family of entrepreneur
- Well-off individuals who are socially conscious
- Borrower

## Channels
- Kiva.org
- Local microfinance institutions

## Value Proposition
- Financial ability to start business
  - Beneficiary Value Proposition
  - Impact Measures
  - # of entrepreneurs
  - $ lend
  - $ repaid
  - # dependents

## Cost Structure
- Staff
- Online platform
- Repayment risk

## Surplus
- Marketing & platform development

## Revenue
- Optional donations
- Loans

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Workshop Exercise:
Make A Canvas

Use Your Initial Idea

- Start with Product-Market fit
- Fill in each section working right to left
- Make assumptions, do your best
- Be prepared to share
Value Proposition – Elevator Version

Our Products and Services help(s) Customer Segment who want to jobs to be done by verb (e.g., reducing, avoiding) and a customer pain and

and verb (e.g., increasing, enabling) and a customer gain.

(Unlike competing value proposition)
“Business Model Generation” book

Purpose
- Support Project with frameworks, models and examples

Key Sections
- Business Model Canvas
- Business Model Patterns
- Design
- Strategy
- Evaluating Business Models
- Business Model Design Process

Other Reference Materials
- “Value Proposition Design”  Alex Osterwalder
- Strategyzer website – Tools & Forms
- “The Lean Startup” – Eric Ries
- “Talking to Humans” – Giff Constable
- “Start-Up Owners Manual” Steve Blank
<table>
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<th>Business Model Canvas Template</th>
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<td><strong>Key Partners</strong></td>
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The Business Model Canvas
Validate the Hypothesis
Most product developers don’t get customer feedback until it’s too late.
IF I WERE OUR TEENAGE GIRL TARGET, I WOULD LOVE OUR NEW PRODUCT.

HAVE YOU ACTUALLY TALKED TO ANY TO MAKE SURE?

WHAT? AND LEAVE THIS ROOM?
Customer Validation

- Who do you want to learn from?
- What do you want to learn?
- How will you get to them?
- How can you ensure an effective session?
- How do you make sense of what you learn?
Who Do You Want to Learn From?

HOW WAS THE CUSTOMER INTERVIEW?

GREAT! I LEARNED FROM MY GRANDMOTHER’S BRIDGE GROUP THAT OUR DATING APP SHOULD HAVE A ROTARY PHONE VERSION.
Talk to a Variety of Customers

Technology Adoption Curve

Credit: Geoffrey Moore in his seminal book *Crossing the Chasm*
Talk to a Variety of Partners, Channel Participants

The Business Model Canvas
What Do You Want to Learn?

BEFORE WE GET TO OUR RISKY ASSUMPTIONS THAT COULD CRATER OUR ENTIRE BUSINESS, WHAT DO YOU THINK OF THE FONT COLOR ON THIS PACKAGING BURST?
Great Value Propositions Checklist

- Are embedded in great business models
- Focus on few pain relievers and gain creators, but do those extremely well
- Focus on jobs, pains, or gains that a large number of customers have or for which a small number is willing to pay a lot of money
- Align with how customers measure success
- Focus on the most significant jobs, most severe pains, and most relevant gains
- Differentiate from competition in a meaningful way
- Address functional, emotional and social jobs all together
- Outperform competition substantially on at least one dimension
- Are difficult to copy
- Focus on unsatisfied jobs, pains, and gains
How Do You Make Sense of What You Learn?

I'm seeing a pattern here. We just need to talk to 1,385 more people before we're confident enough to make a decision.

TOM FISHER
Hypothesis

STEP 1: HYPOTHESIS
We believed that

STEP 2: OBSERVATION
We observed

STEP 3: LEARNINGS AND INSIGHTS
From that we learned that

STEP 4: DECISIONS AND ACTIONS
Therefore, we will

Validation
Or
Pivot
NEXT STEPS…

1. **FORM A TEAM**
   - 4+ people
   - Open to any UCI student
   - UCI alumni, faculty, and staff may also join teams

2. **BRAINSTORM A SOLUTION**
   - Turn an idea or problem into a revenue-generating solution

3. **CHOOSE A TRACK**
   - **(unique considerations)**
   - Consumer Products
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**LEARN, APPLY, DO**
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## Business Model Canvas → Concept Paper

### Key Partners
- Problem/pain you’re addressing
- Clearly-defined target market
- Market size & validation
- Clear competitive edge
- How you make money!
- Evidence to make it believable
- Team capability & completeness

### Key Activities
- Solution/value proposition

### Value Propositions

### Customer Relationships
- Key resources
- Channels
- Key activities
- Value proposition
- Customer relationship
- Customer segments

### Customer Segments

### Key Resources

### Channels

### Cost Structure

### Revenue Streams

- Source: Businessmodel.com, Canvas concept developed by Alexander Osterwalder and Yves Pigneur.

- **Business Model Canvas**
- **Concept Paper**

- Powered by the Beall Center for Innovation and Entrepreneurship and UCI Applied Innovation
Team Formation : Quick Pitches
Thank You!

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Time to Network!