IDEA ➔ BUSINESS MODEL
ABOUT ME

• BFA, Photography, San Francisco Art Institute
• MBA, Paul Merage School of Business, UCI
• MS, Business Analytics, Stern School of Business, NYU
• Hardware
• liveBooks
• Pinhole Press
• Edgefort Capital
• Column Five Media
• UCI Applied Innovation
THE PROBLEM WE WANTED TO SOLVE
WEBSITES IN 2003

How It Works

1. Look at the picture below
2. In the yellow box, click to rate the person
3. See what others thought on the left. Repeat

HOT or NOT
As seen in People, Time, Newsweek, NY Times, and USA Today

Meet Me at HOT or NOT - click here

Please select a rating to see the next picture.

Show me: men and women of any age

Click Here to Meet Me

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WEBSITES IN 2003

The Power Mac G5.
The world's first 64-bit personal computer.
liveBooks™ 4.0
editable website and marketing software for photographers

1. shoot
2. upload
3. drag & drop
4. live on web
A business model describes the rationale of how an organization creates, delivers, and captures value.
BUSINESS MODEL

Create

Product / Service

Deliver

Capture

Revenue $$$

Customer
A tool to create & analyze business models.
Advantages

– Create new business models easily
– Shared understanding with team and others
– Analyze & update your existing business model
– Quickly test assumptions and pivot where needed
– Track progress over time
which customers and users are you serving?
which jobs do they really want to get done?
what are you offering them? what is that getting done for them? do they care?

drawings by JAM
how does each customer segment want to be reached? through which interaction points?

drawings by JAM
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?

drawings by JAM
which resources underpin your business model?
which assets are essential?
which activities do you need to perform well in your business model? what is crucial?
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?
Flickr: Photo Sharing

**Key Partners**
- Yahoo!

**Key Activities**
- Platform management
- Selling

**Key Resources**
- Flickr platform brand

**Value Proposition**
- Free basic photo sharing
- Premium photo sharing

**Relationships**
- Mass customized

**Customer Segment**
- Casual users
- High volume users

**Channels**
- Flickr.com
- Yahoo.com

**Cost Structure**
- Platform development
- Storage cost

**Revenue Streams**
- Free limited basic account
- Annual subscription pro account
EXAMPLES

**Gillette: Razors & Blades**

- **KEY PARTNERS**
  - Manufacturers
  - Retailers

- **KEY ACTIVITIES**
  - Marketing
  - R&D
  - Logistics

- **VALUE PROPOSITION**
  - Razor handle
  - Blades

- **RELATIONSHIPS**
  - Built-in “Lock-in”
  - Mass customers

- **CUSTOMER SEGMENT**
  - Retail

- **KEY RESOURCES**
  - Brand
  - Patents

- **COST STRUCTURE**
  - Marketing
  - Logistics
  - Manufacturing R&D

- **REVENUE STREAMS**
  - 1x handle purchase
  - Frequent blade replacements
Make a canvas

- Choose a company or product you know reasonably well
- Start with Product-Market fit
- Fill in each section working right to left
- Make assumptions, do your best
- Be prepared to share with the class
The Value Proposition Canvas

Gain Creators

Products & Services

Pain Relievers

Customer Job(s)

Gains

Pains

Value Proposition

Customer Segment

Video Overview
VALUE PROPOSITION CANVAS

design
observe
value proposition canvas

design
observe
“A man who carries a cat by the tail learns something he can learn in no other way.”

- Mark Twain
IT’S NOT ABOUT WHAT YOU THINK
“More startups fail from a lack of customers than from a failure of product development.”

- Steve Blank
CUSTOMER DISCOVERY

So how do you find out?

- Get out of the building and interview customers
- Learn, don’t sell
Talking to Humans

Free download: http://www.talkingtohumans.com/download

- Who do you want to learn from?
- What do you want to learn?
- How do you find your interview subjects?
- How to ensure an effective session?
- How do you make sense of what you learn?
Who do you want to learn from?

- Early adopters
- Mainstream customers
- Critical partners
- Life cycle use case participants
- Decision-making unit
What do you want to learn?

• Focus on most risky assumptions
• Get stories, not speculation
• Ask open-ended questions
• A guide, not a script
• Observation can be more powerful than questions
How do you find your subjects?

• Get creative
• Find the moment of pain
• Referrals
• Gatekeepers
• Use your student status
How to ensure an effective session?

• In person
• One at a time
• Note-taker
• Curb your biases
• Get interviewee to tell you a story
How to make sense of what you learn

- Take good notes
- Get quantitative
- Look for patterns
- Expect false positives
- The Truth Curve
Truth of Learning
Cost of Learning