COZAD NEW VENTURE COMPETITION 2018

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TechNexus VENTURE COLLABORATIVE
OCIENT™

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ILLINOIS BUSINESS CONSULTING
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ISG ILLINOIS STUDENT GOVERNMENT   HUAWEI

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COZAD NEW VENTURE COMPETITION 2018 THE NEXT GENERATION OF ENTREPRENEURS

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Module 1: *Intro to Customer Discovery*

75% of all VC backed ideas

1. Why do they fail?
2. What can we do about it?

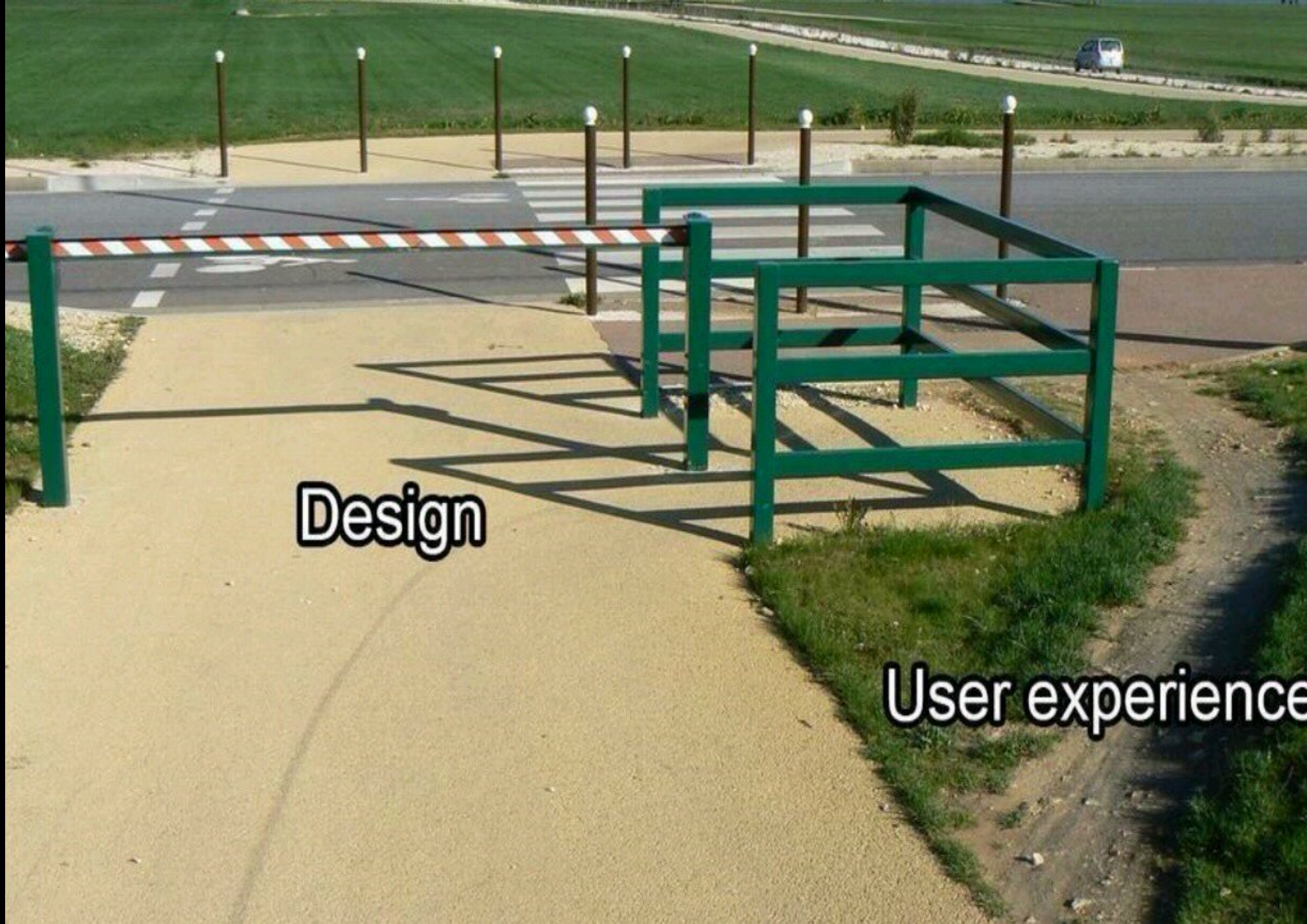#1, #2, #3, and #4 are all the result of building the wrong thing.

79%

Drastically increase your chances of success!

More startups **FAIL**
from a lack of customers
than from a failure
of product development

How can we **avoid**…

BUILDING SOMETHING THAT NO ONE CARES ABOUT

(… and find something they **DO** care about?)

Why is I-Corps different?

Traditional Approaches
**focus on reducing either technology risk
or execution risk.**

Both are hugely important.
Just not right now.

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Three Questions for Any New Innovation

- **What value are you delivering and to whom?**
  - Value Proposition and Customer Segment
  - Product-Market Fit

- Is there are viable business model for delivering that value?
  - Business Model Canvas

- Is there an appropriate return on investment for the project?
  - Market size
  - Project plan

**MUST ANSWER IN THIS ORDER**

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In The Past

- What value are you delivering to whom?
  - Value Proposition and Customer Segment
  - Product-Market Fit
- Is there are viable business model for delivering that value?
  - Entire business model canvas
- Is there an appropriate return on investment for the project?
  - Market size
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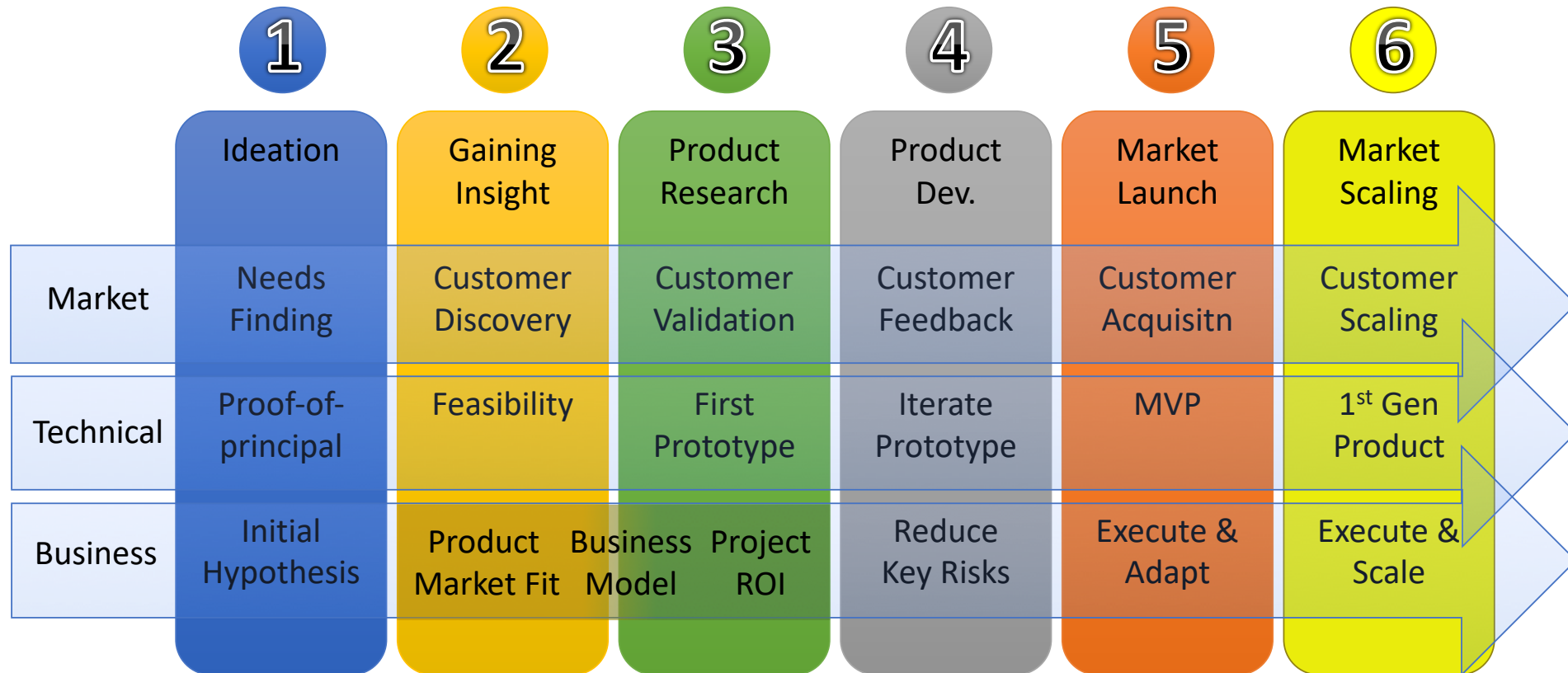People assumed the previous two questions were correctly answered.

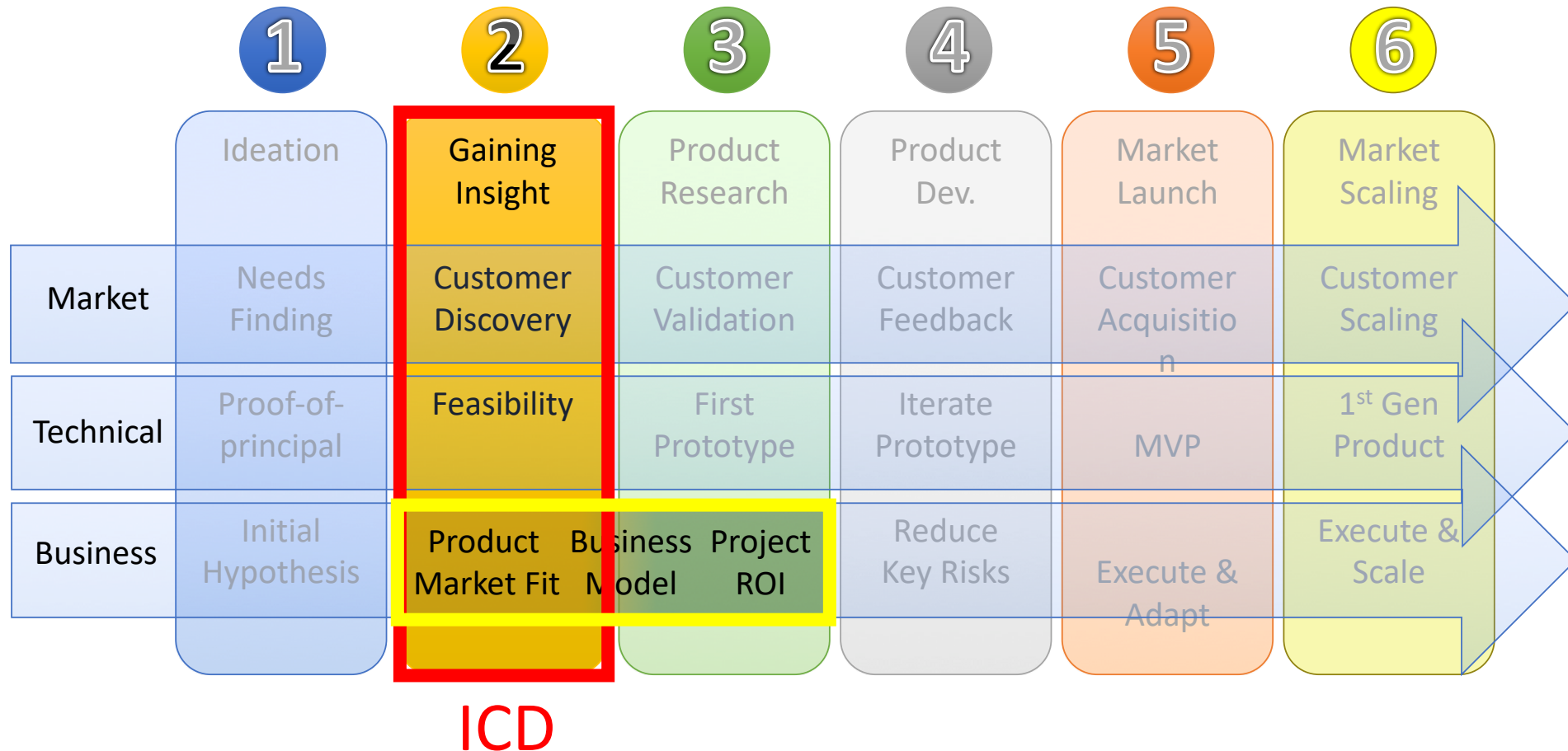ILLINOIS
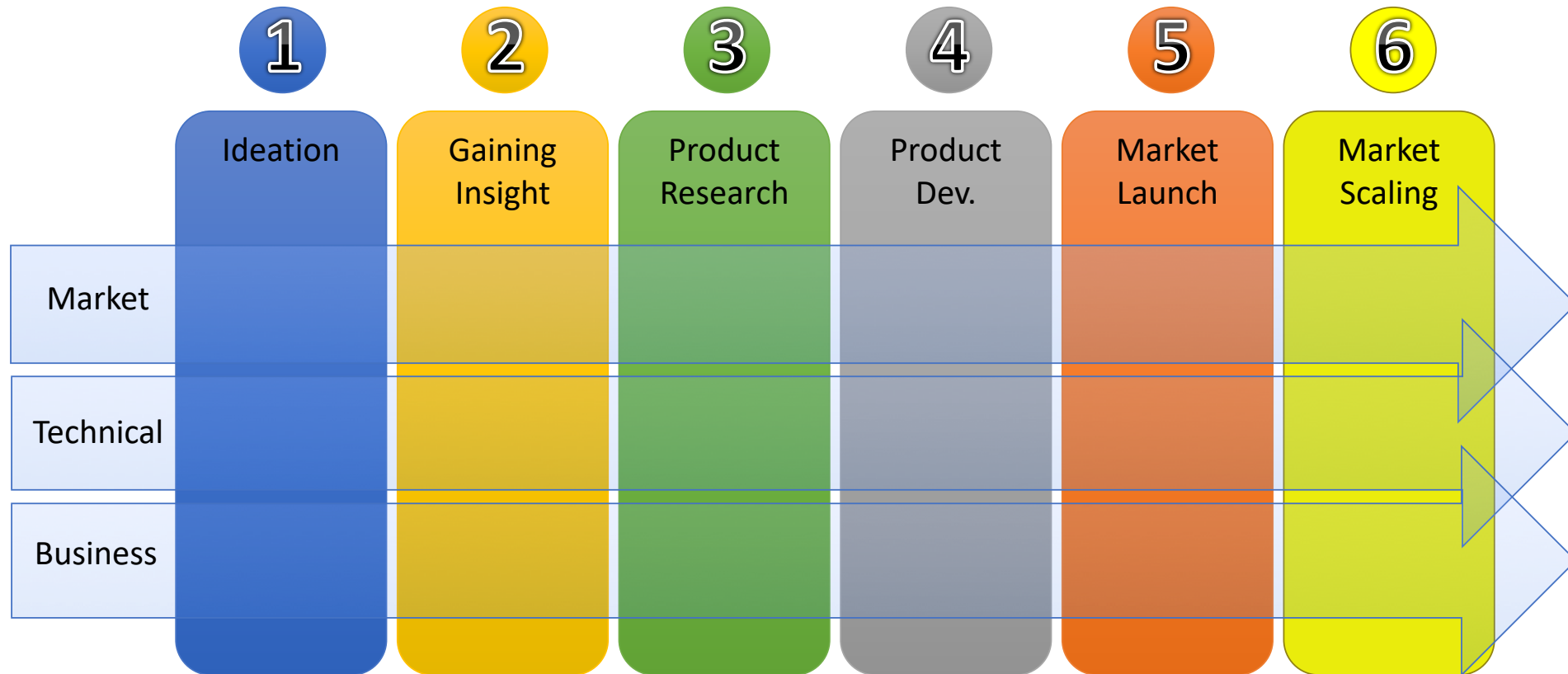
Where does this course fit?
The Stages of Innovation

Where does this course fit?

The Stages of Innovation

	① Ideation	② Gaining Insight	③ Product Research	④ Product Dev.	⑤ Market Launch	⑥ Market Scaling
Market	Needs Finding	Customer Discovery	Customer Validation	Customer Feedback	Customer Acquisitn	Customer Scaling
Technical	Proof-of-principal	Feasibility	First Prototype	Iterate Prototype	MVP	1st Gen Product
Business	Initial Hypothesis	Product Market Fit	Business Model / Project ROI	Reduce Key Risks	Execute & Adapt	Execute & Scale

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Where does this course fit?

The Stages of Innovation

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ICD

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weeks, instead of years

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Your business idea
needs to **solve a problem**
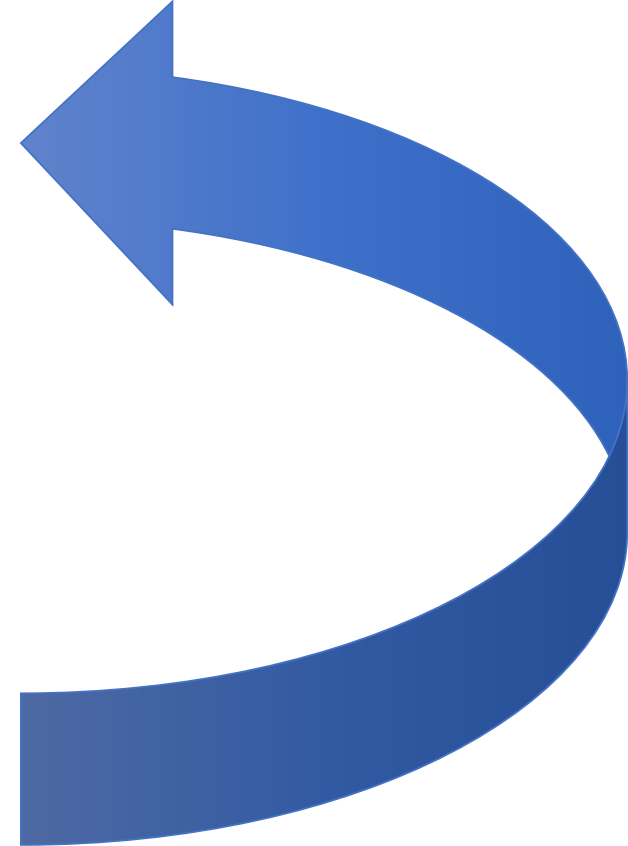your potential customer
will **PAY** for.
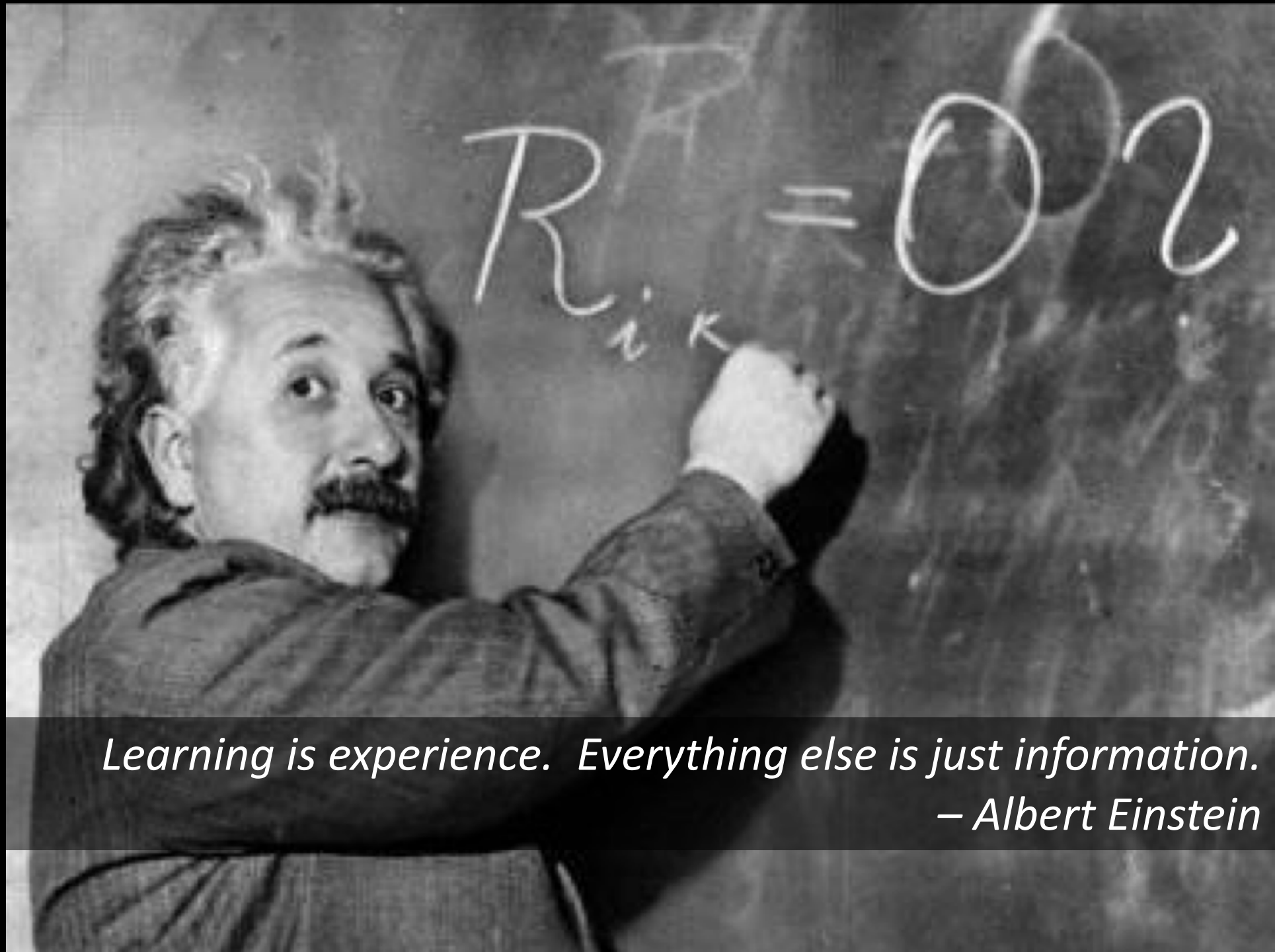
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Course Methodology

- Flipped Classroom

- Customer Discovery

- Business Model Canvas

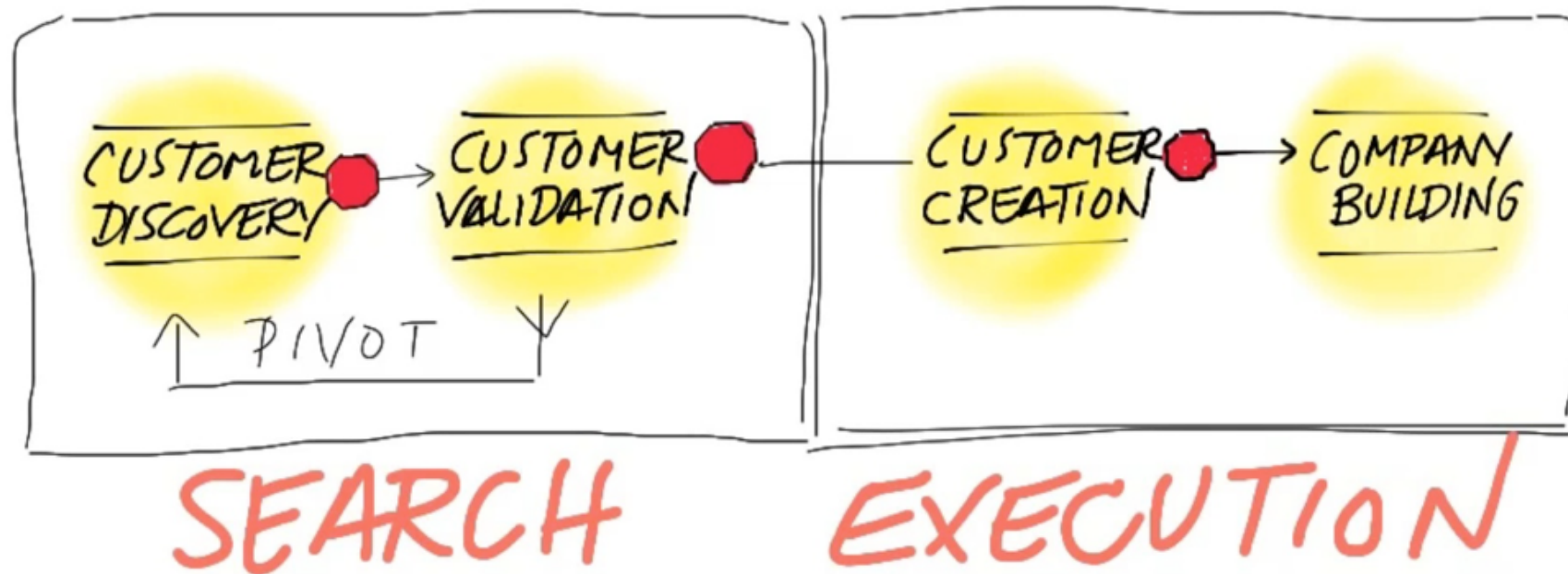- Direct Feedback

- Workshops + Office Hours

The Process

- Hypothesize
  Guess
- Test – Interviews
  Ask
- Assess & Analyze
  Listen
- Adjust – Pivot
  Guess Again

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Learning is experience. Everything else is just information.
– Albert Einstein

Founders Run A
Customer Development Team
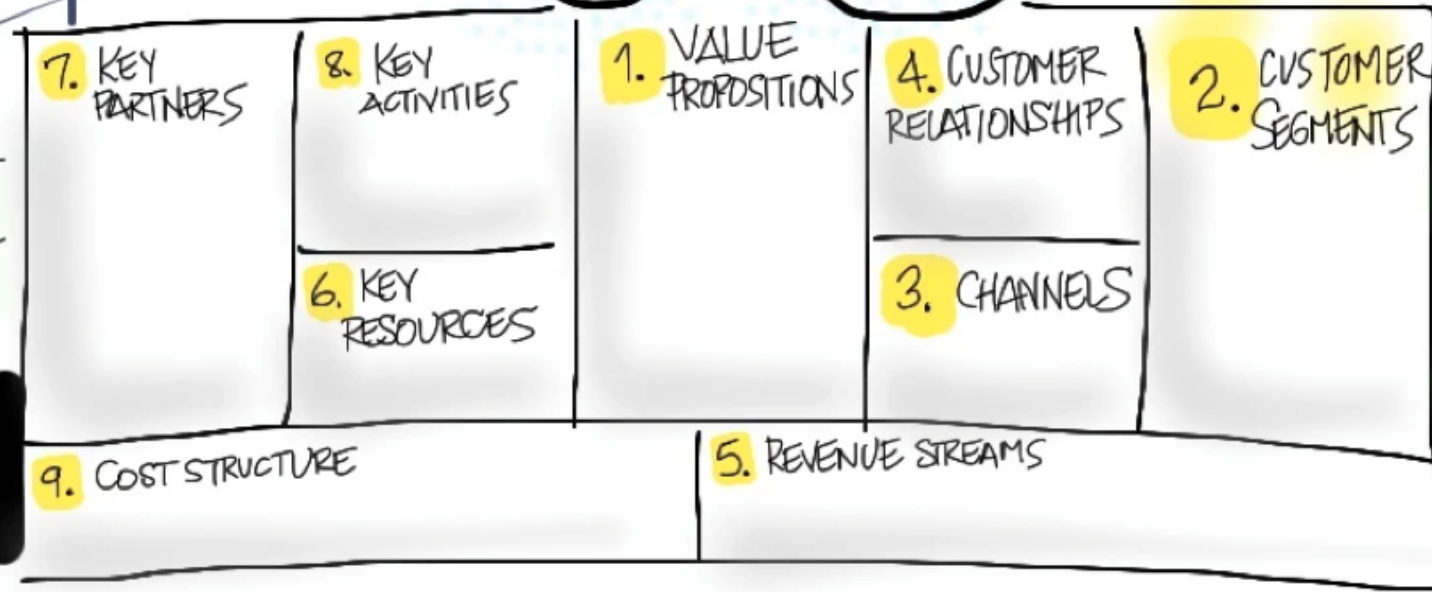# in Search of a Business Model

startup → COMPANY

WHAT is a BUSINESS MODEL?

How a company CREATES VALUE for ITSELF while delivering products or services for customers.

9 Components...

7. KEY PARTNERS	8. KEY ACTIVITIES	1. VALUE PROPOSITIONS	4. CUSTOMER RELATIONSHIPS	2. CUSTOMER SEGMENTS
	6. KEY RESOURCES		3. CHANNELS	

9. COST STRUCTURE	5. REVENUE STREAMS

The Business Model Canvas

Designed for:

Designed by:

On: | Day | Month | Year

Iteration: No.

Key Partners

Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

MOTIVATIONS FOR PARTNERSHIPS:
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Key Activities

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

CATEGORIES
Production
Problem Solving
Platform/Network

Key Resources

What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

TYPES OF RESOURCES
Physical
Intellectual (brand patents, copyrights, data)
Human
Financial

Value Propositions

What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

CHARACTERISTICS
Newness
Performance
Customization
"Getting the Job Done"
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability

Customer Relationships

What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

EXAMPLES
Personal assistance
Dedicated Personal Assistance
Self-Service
Automated Services
Communities
Co-creation

Channels

Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

CHANNEL PHASES:
1. Awareness
   How do we raise awareness about our company's products and services?
2. Evaluation
   How do we help customers evaluate our organization's Value Proposition?
3. Purchase
   How do we allow customers to purchase specific products and services?
4. Delivery
   How do we deliver a Value Proposition to customers?
5. After sales
   How do we provide post-purchase customer support?

Customer Segments

For whom are we creating value?
Who are our most important customers?

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

Cost Structure

What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

IS YOUR BUSINESS MORE:
Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)
Value Driven (focused on value creation, premium value proposition)

SAMPLE CHARACTERISTICS:
Fixed Costs (salaries, rents, utilities)
Variable costs
Economies of scale
Economies of scope

Revenue Streams

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

| TYPES:	FIXED PRICING:	DYNAMIC PRICING:
Asset sale	*List Price*	*Negotiation(bargaining)*
Usage fee	*Product feature dependent*	*Yield Management*
Subscription Fees	*Customer segment dependent*	*Real-time-Market*
Lending/Renting/Leasing	*Volume dependent*	
Licensing		
Brokerage fees		
Advertising		

VALUE PROPOSITIONS
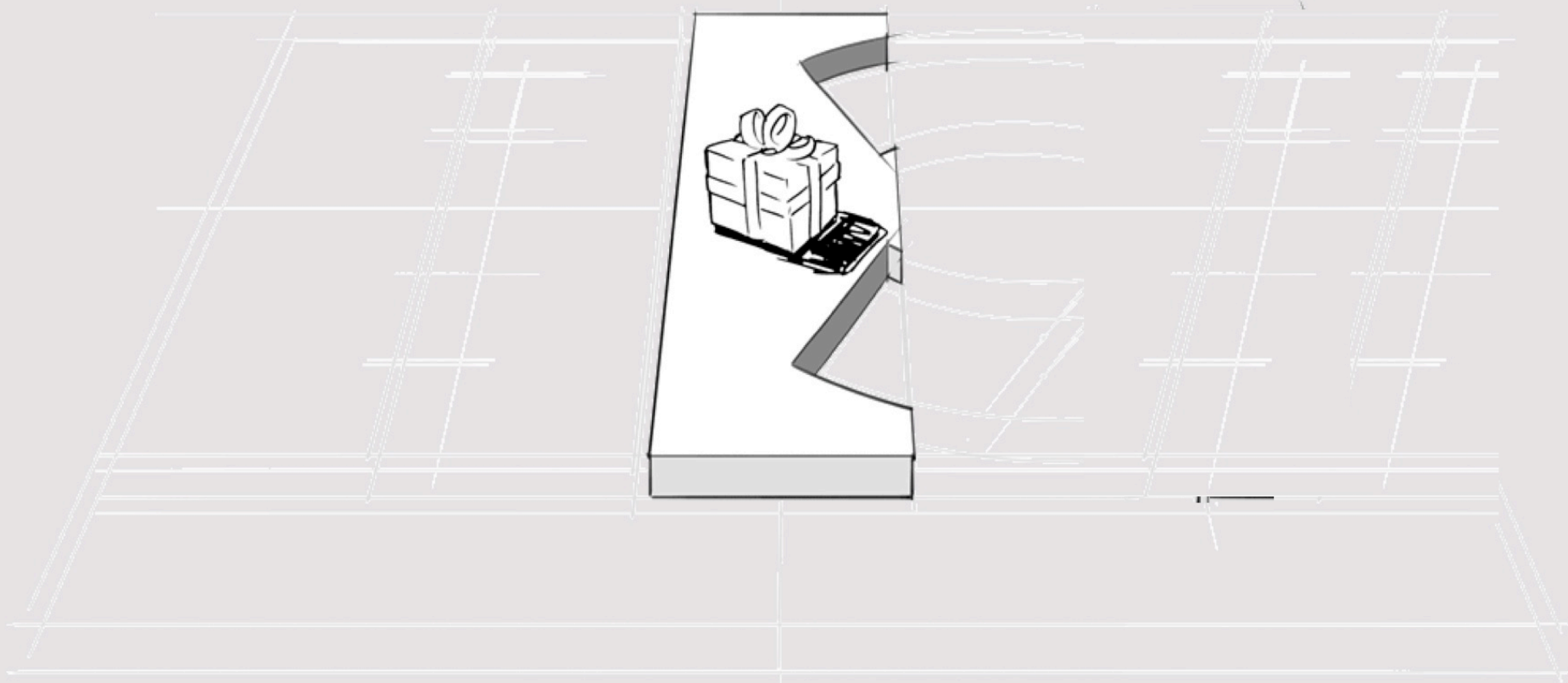
what are you offering them? what is that getting done for them? do they care?
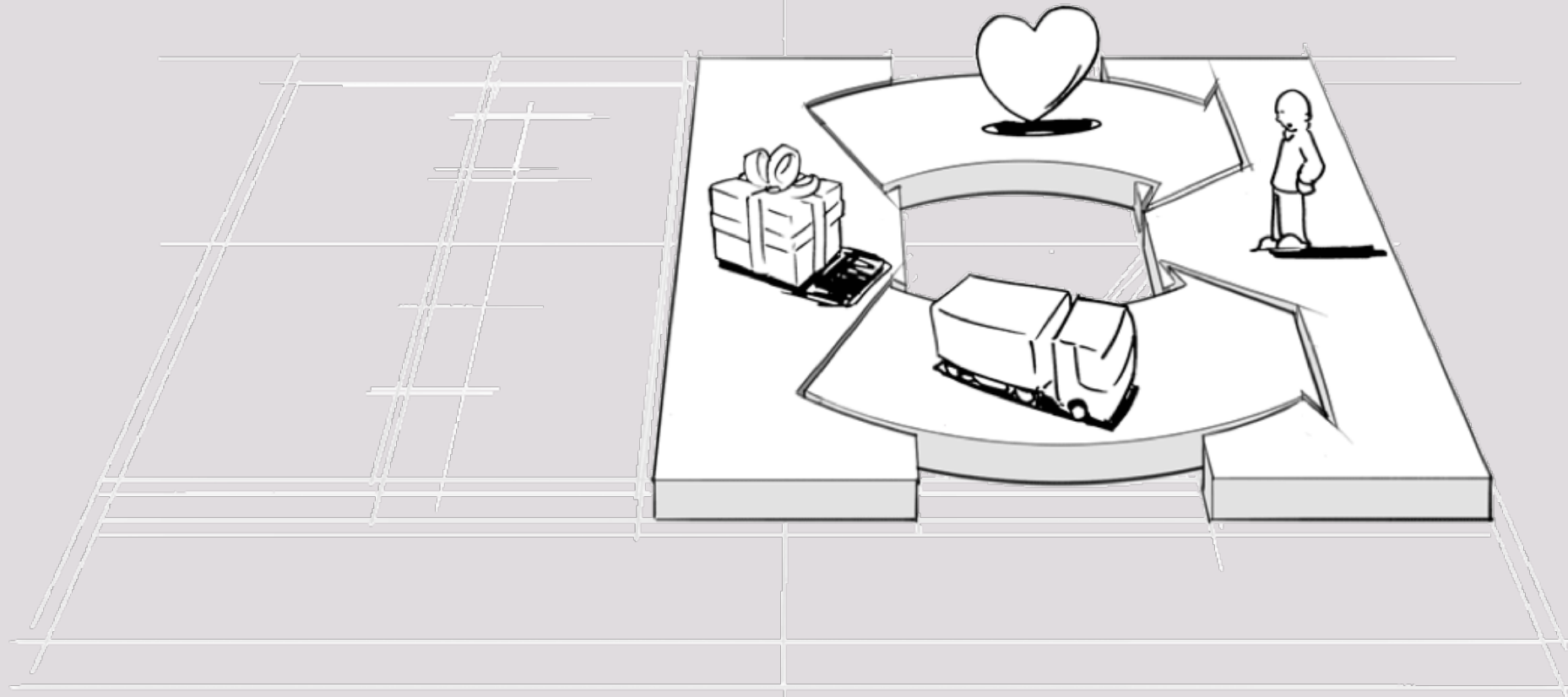
CUSTOMER SEGMENTS
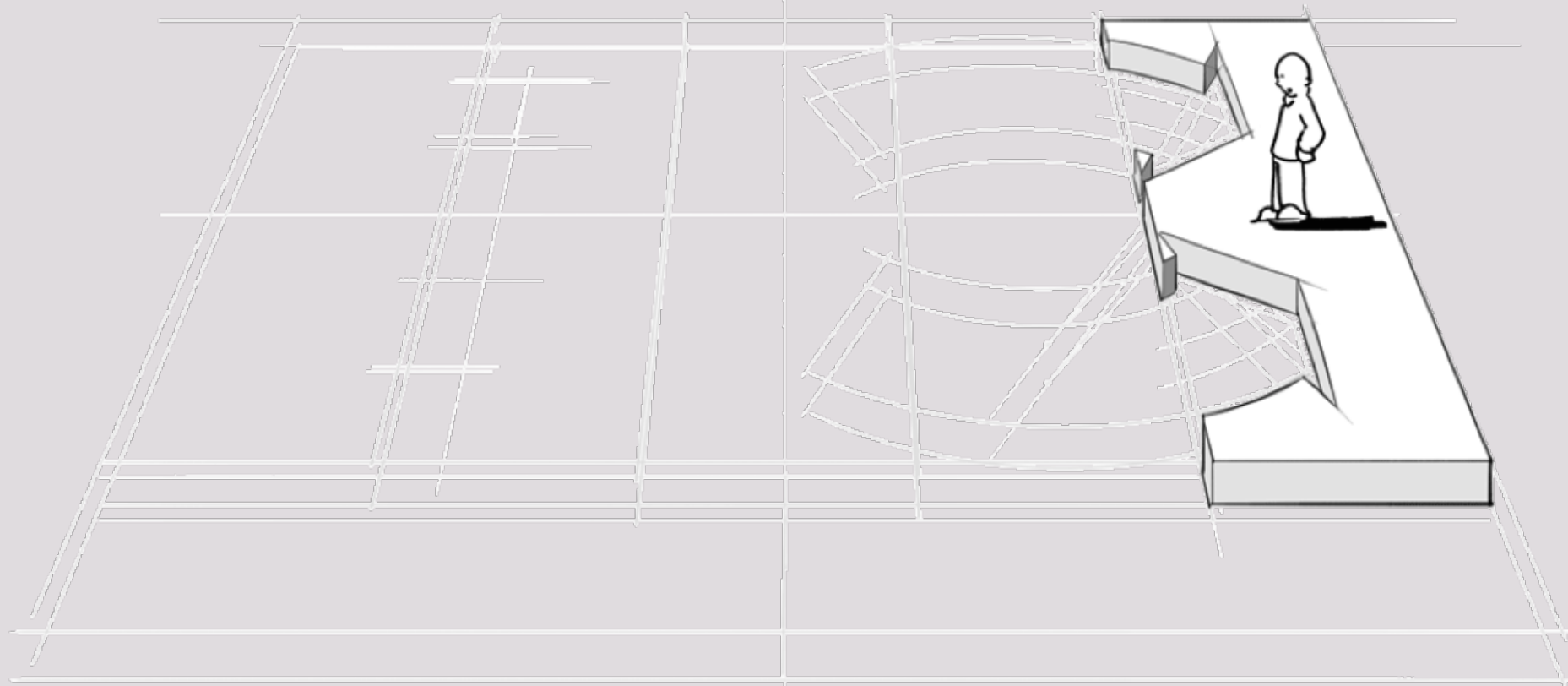
which customers and users are you serving?
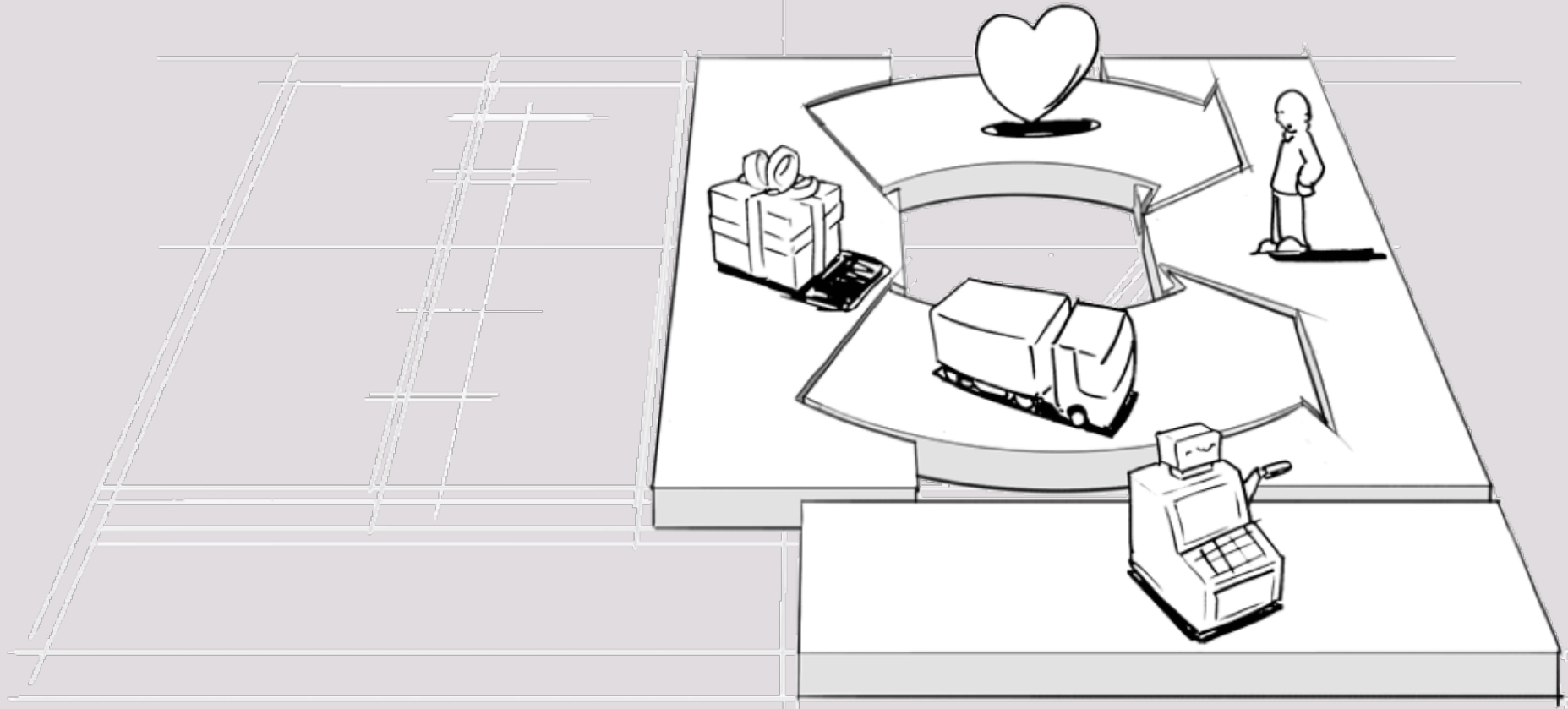which jobs do they really want to get done?

CHANNELS
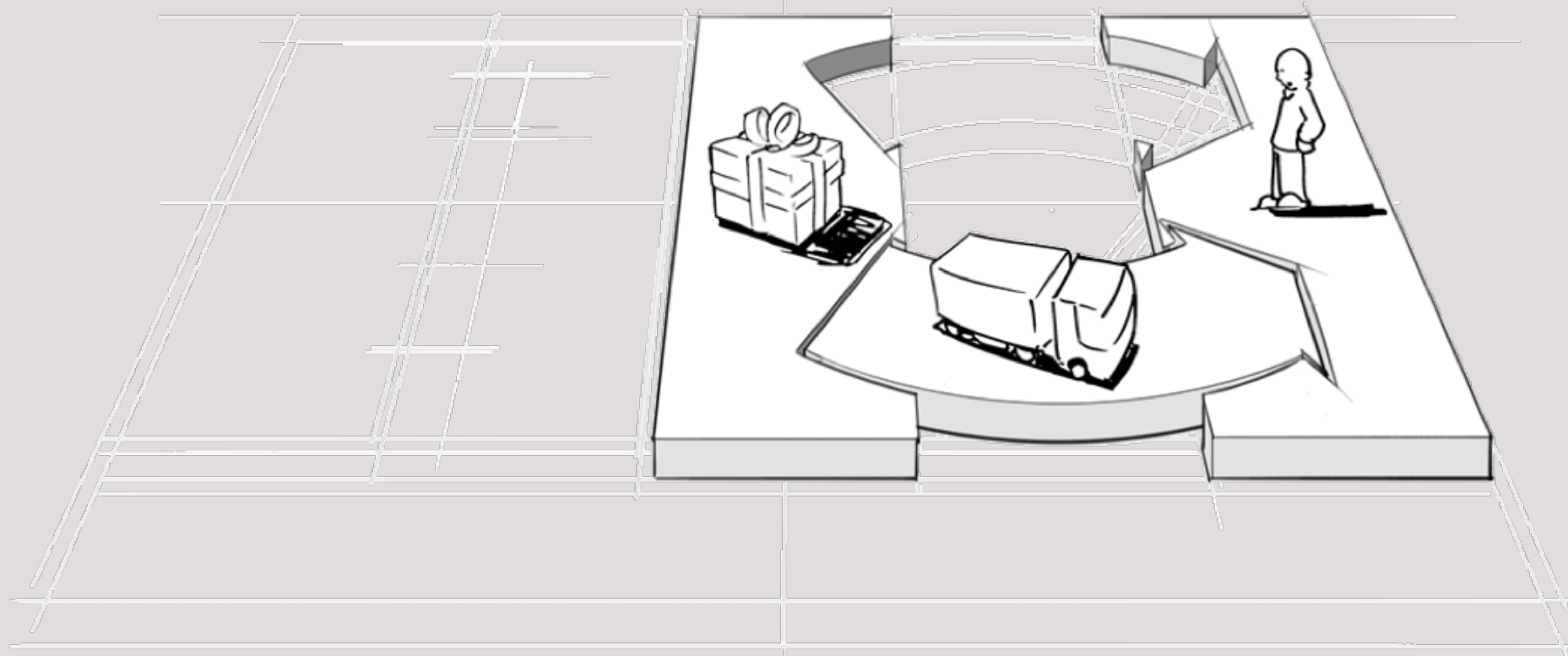
how does each customer segment want to be reached? through which interaction points?
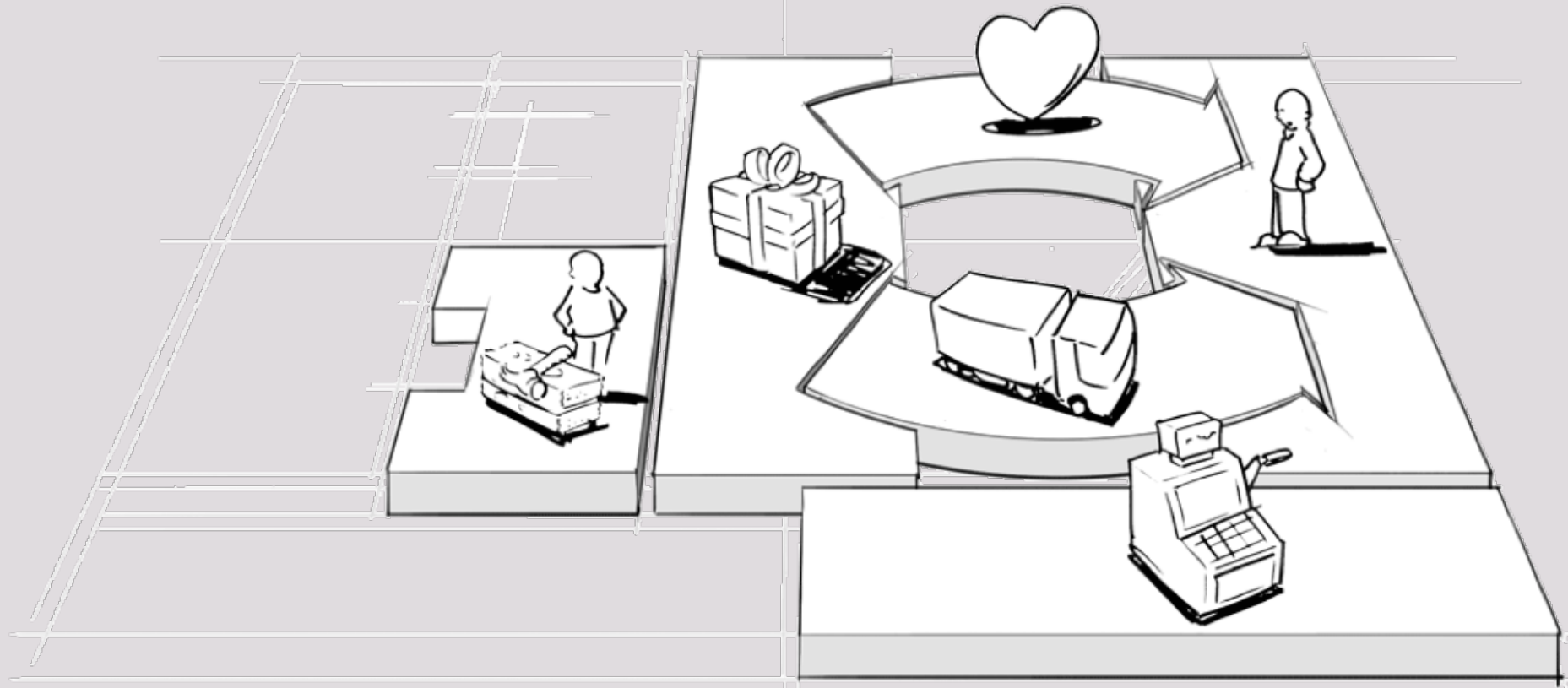
CUSTOMER RELATIONSHIPS

what relationships are you establishing with each
segment? personal? automated? acquisitive? retentive?
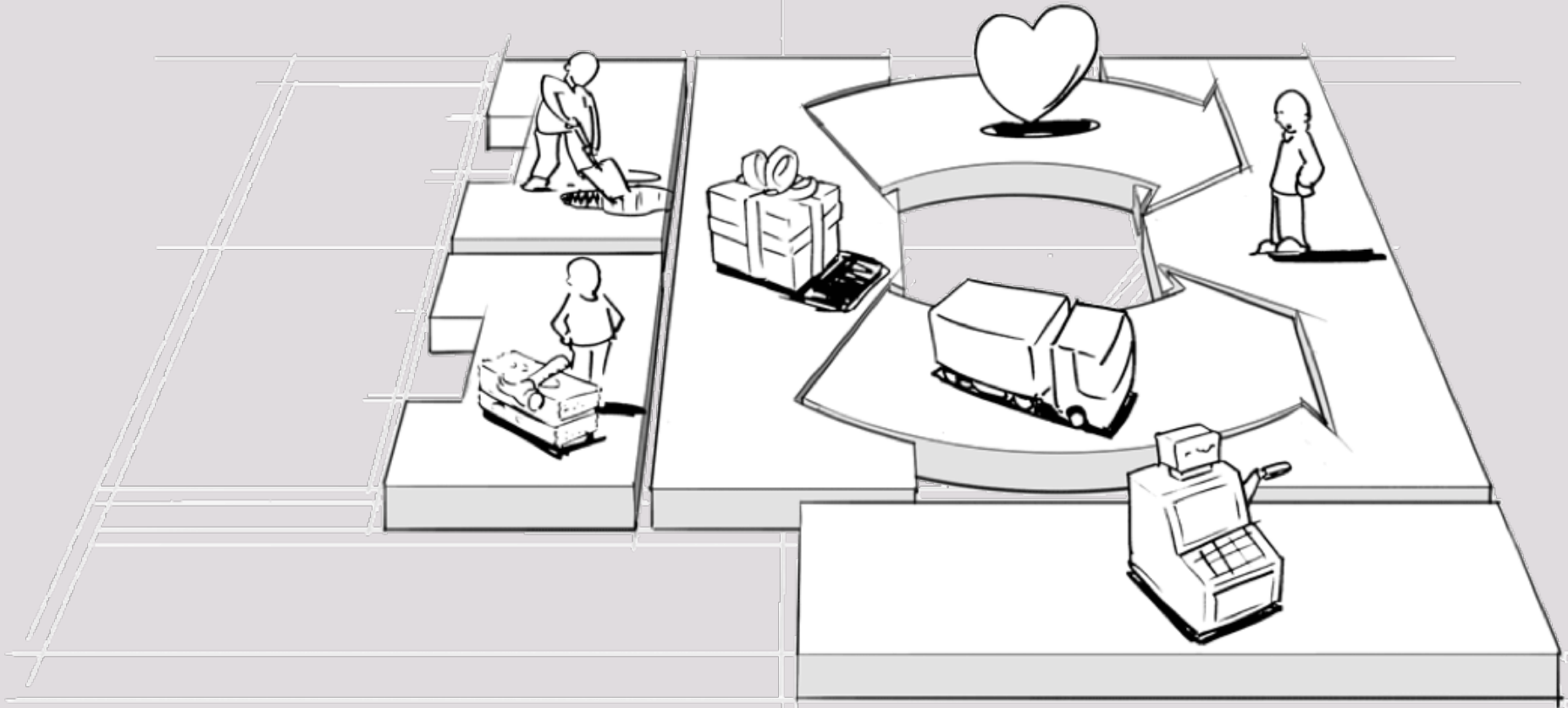
REVENUE STREAMS

what are customers really willing to pay for? how?
are you generating transactional or recurring revenues?
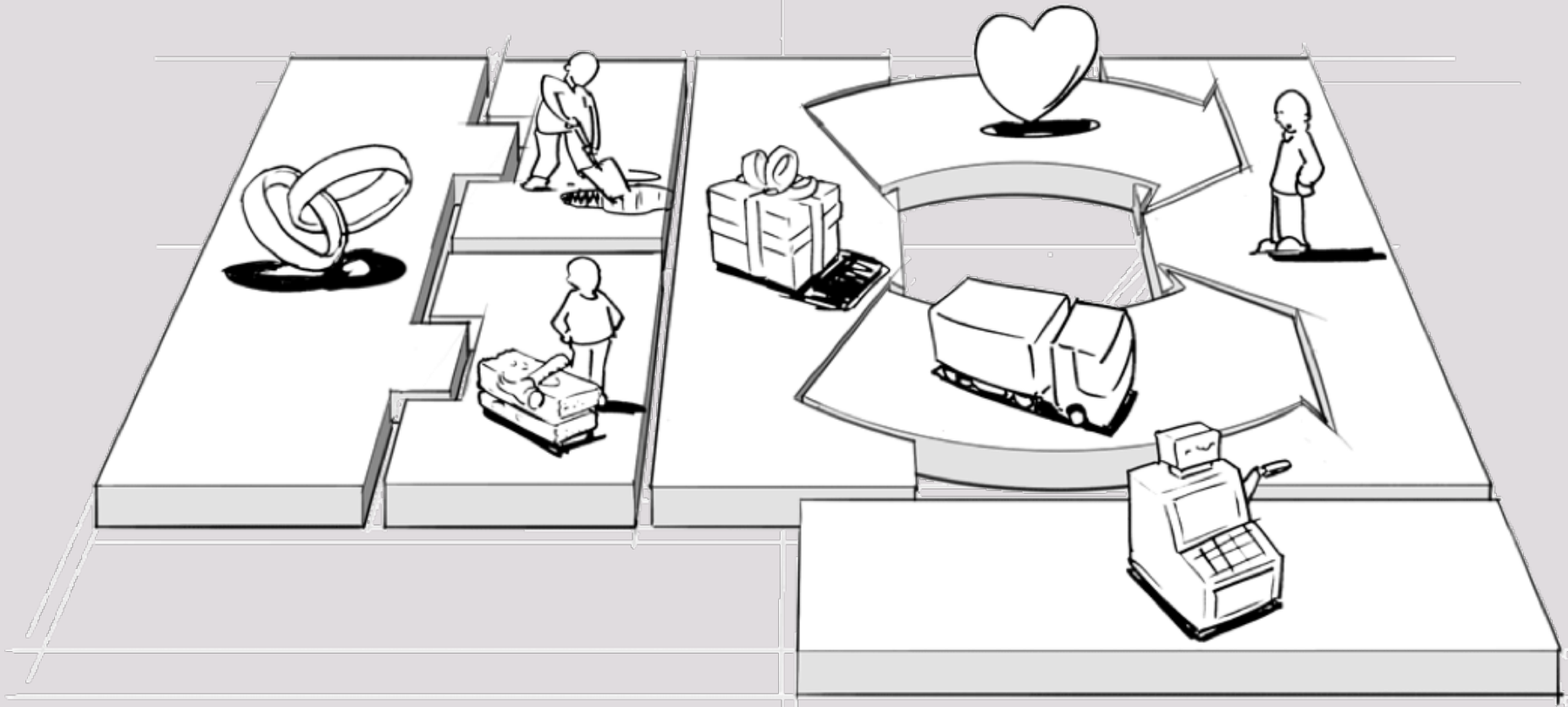
KEY RESOURCES

which resources underpin your business model?
which assets are essential?

KEY ACTIVITIES

which activities do you need to perform well in
your business model? what is crucial?

KEY PARTNERS

which partners and suppliers leverage your model?
who do you need to rely on?

COST STRUCTURE
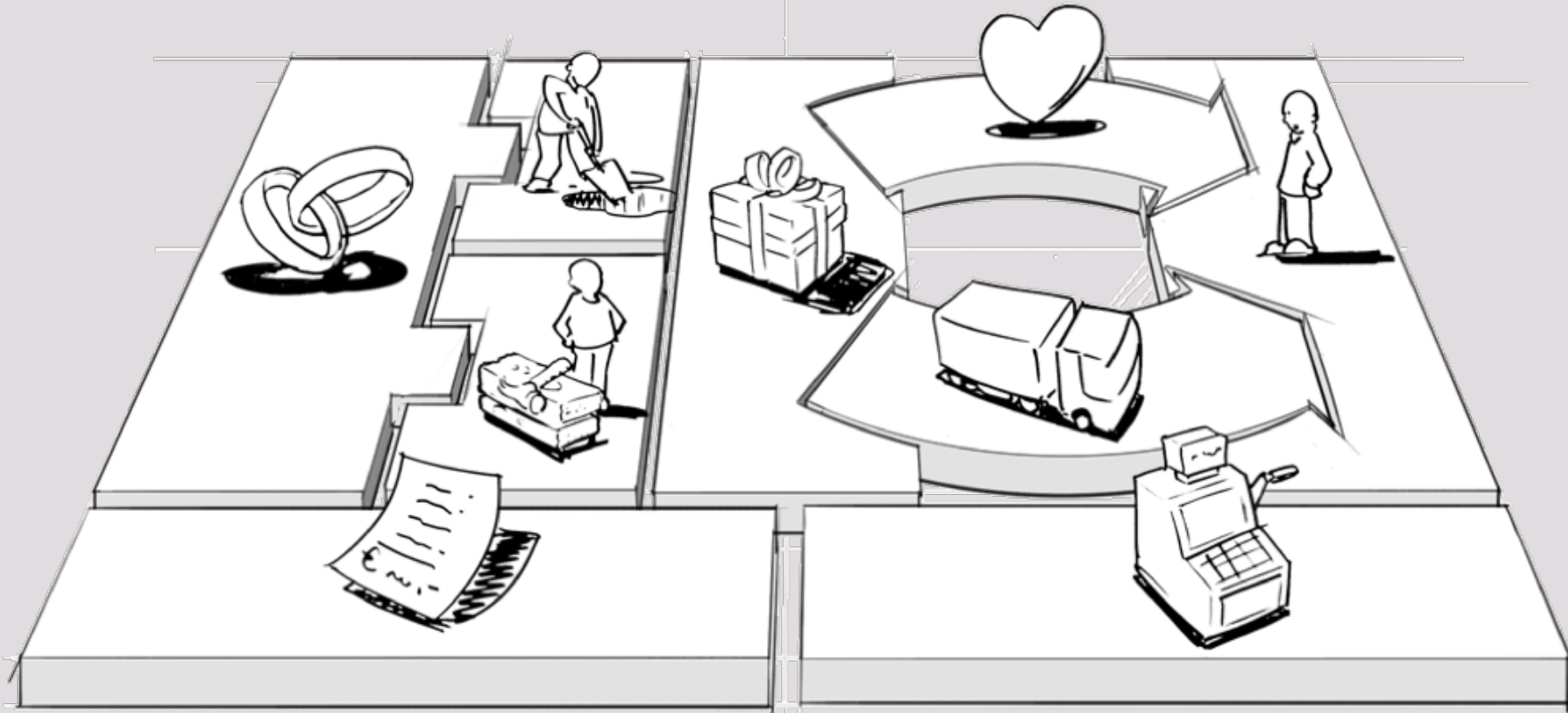
what is the resulting cost structure?
which key elements drive your costs?

key
activities

value
proposition

customer
relationships

key
partners

customer
segments

cost
structure

key
resources

channels

revenue
streams

images by JAM
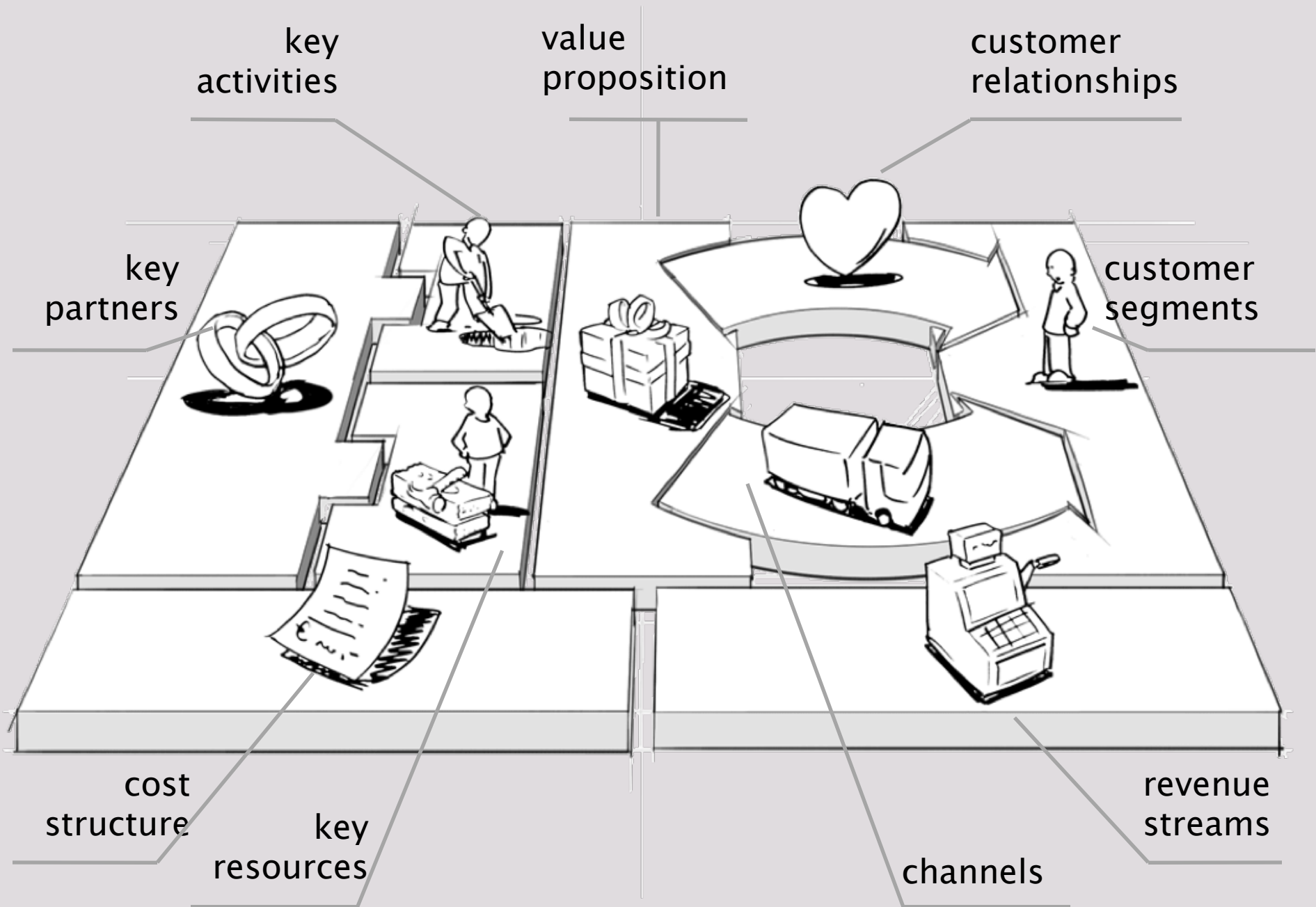
Customer Segment Mapping
"Who is on the battlefield?"

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What's the story of your innovation?

- Who are your **key players**?
- How does your innovation come into **being**?
- How does your innovation create **value** for the **end user**?
- How does your innovation get **purchased**?
- How is it **regulated**?

Discovering Your Customer

What are the features of your envisioned product?

Who do you think cares about those features?

What other people surround that customer? Why do they care?

Why do they care about those features?

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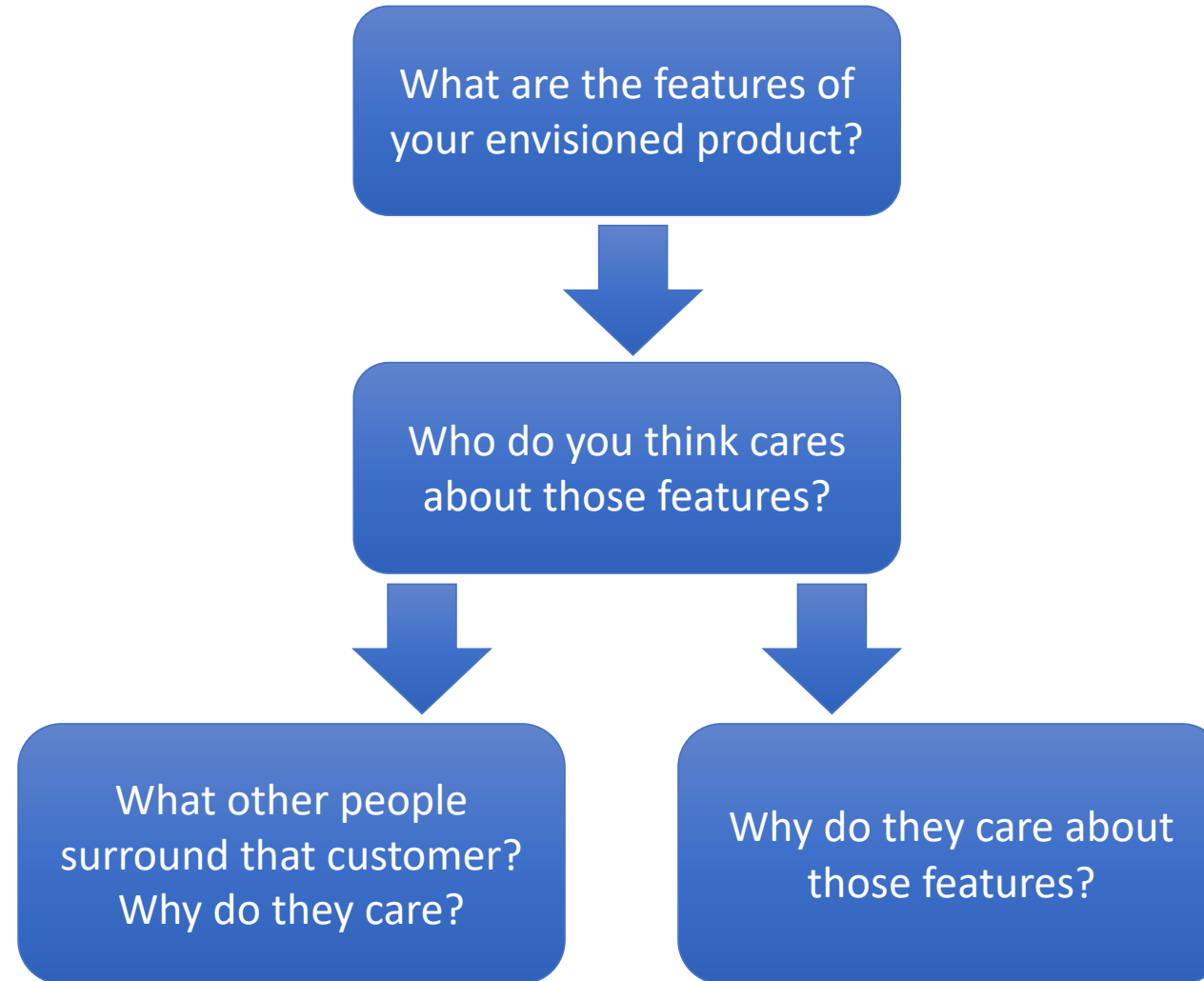
It takes a village …

A **customer** is **anyone** that appears on any of the workflows, decision trees or value chain maps that could be involved in your business in any way.

You **must** talk to them *all*.

Instead of "customers," let's call them "stakeholders".

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Many Types of Stakeholders

- **Decision Maker:** Makes the final decision to purchase

- **Economic Buyer:** Issues the PO or signs the check

- **End User:** Day to day users of the product/service

- **Influencer:** Can sway the decision but stops short of direct yes/no recommendation

- **Saboteur:** Hurt by the proposed solution and actively seeks to undermine its adoption

- **Early Evangelist:** Early adopter and advocate for your solution

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Maps Help You Keep Track

- Do I have information about all aspects of my business?

- Have I talked to all stakeholders involved in adopting or using my innovation?

- Do I understand how my stakeholders interact?

- Do I understand how the world will have to change to adopt my solution?
  - Who are the winners/losers?
  - Does everybody have the ability/willingness to change?

Maps Help You Identify

- Required changes in behavior
- Disincentives to change
- Gaps in skills or education
- Hidden requirements
- Unintended downstream consequences
- Missing complimentary technology
- Gaps in your understanding of an industry or your customer's world

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Said another way

DETAIL
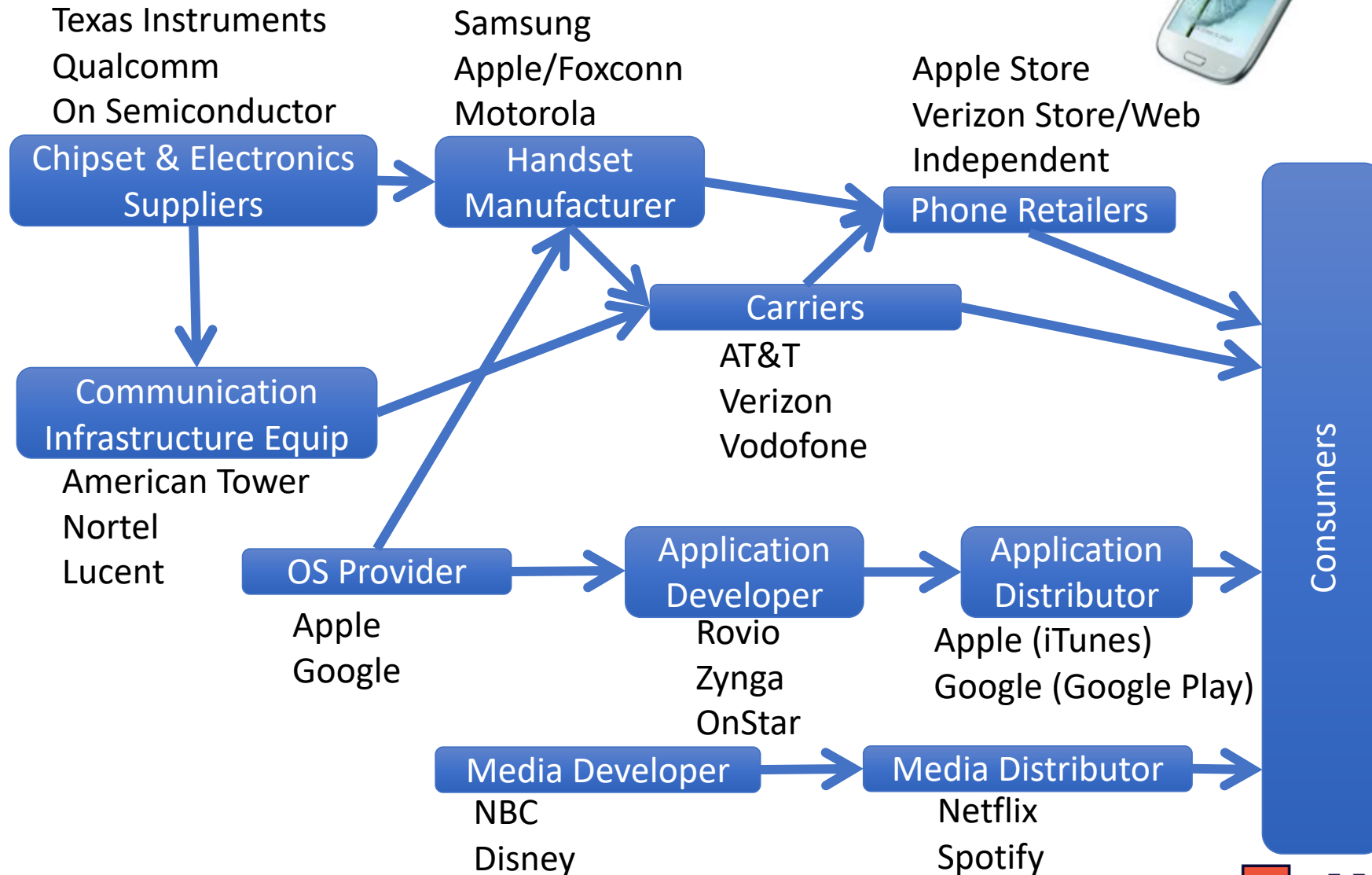**DE VIL**

It is all about people

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Value Chain = WHO

The chain of steps a product takes from FIRE and EARTH to the END USER

A value chain map traces the flow of money, materials, personnel, and data

Example: Wireless Phones

Texas Instruments
Qualcomm
On Semiconductor

Samsung
Apple/Foxconn
Motorola

Apple Store
Verizon Store/Web
Independent

Chipset & Electronics Suppliers → **Handset Manufacturer** → **Phone Retailers**

Communication Infrastructure Equip

American Tower
Nortel
Lucent

Carriers

AT&T
Verizon
Vodofone

OS Provider

Apple
Google

Application Developer

Rovio
Zynga
OnStar

Application Distributor

Apple (iTunes)
Google (Google Play)

Media Developer

NBC
Disney

Media Distributor

Netflix
Spotify

Consumers

Value Chain – Key Takeaways

- Who supplies whom?

- Each block is a key STEP in the process NOT a company
    - Companies will often do multiple blocks
    - Which block(s) do YOU do?

- Who is your customer(s)?

- Get the detail where you need to

- What is your Value Prop for every step of the chain?

- Is the industry's organization changing?
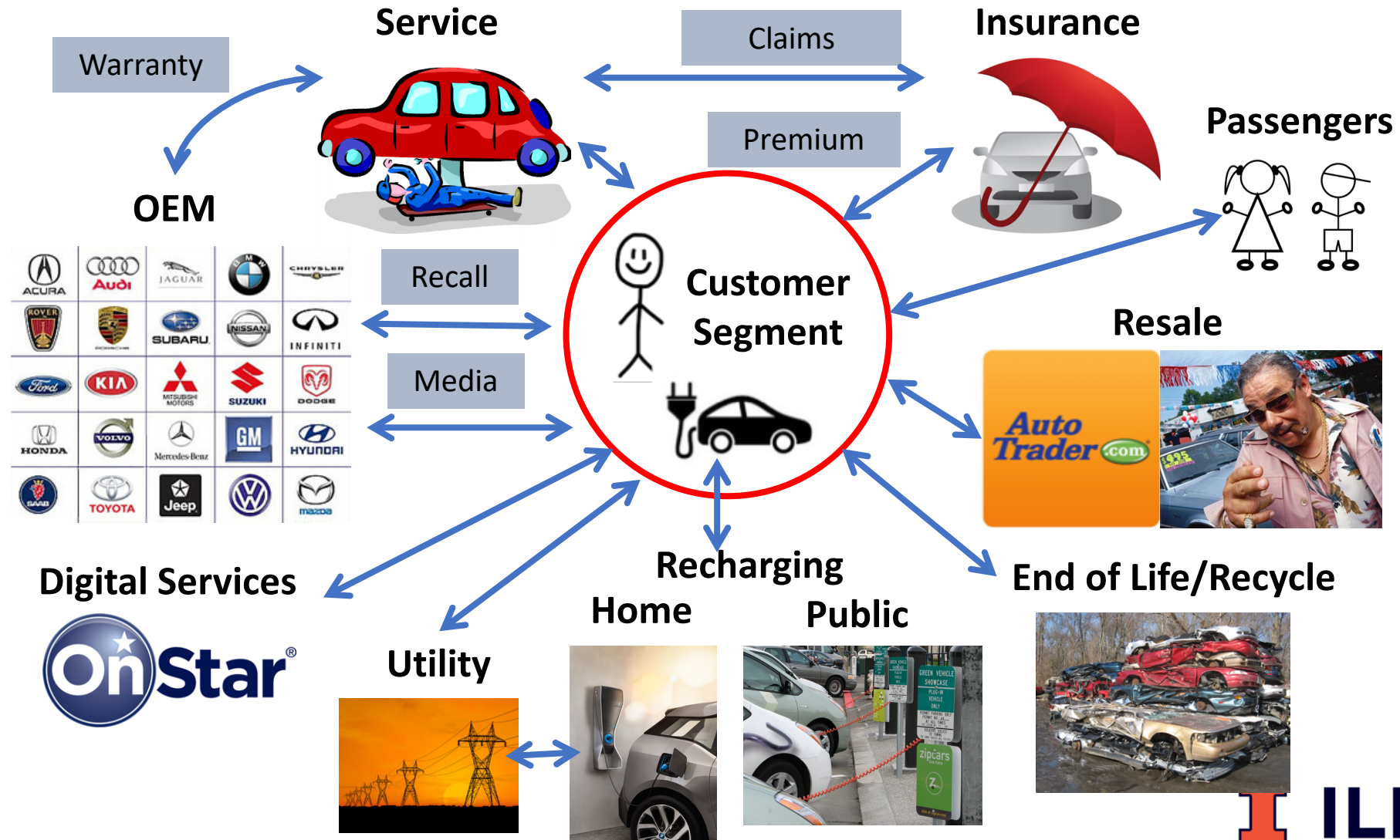

Informs WHO to talk to

Ecosystem Map = WHAT

How your product interacts with the world once it is in the hands of the customer.

Helps you identify the value to the end user.

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Eco-System Map
Battery Supplier into the Electric Car Industry

Eco-System Map – Key Takeaways

- When in use …
    - How does money flow?
    - How does data flow?
    - What actions are associated with your product?
    - What other services/products are associated with your product?
- Questions to ask
    - Service, maintenance, repair, upgrades, …
    - End of life, disposal, recycling, resale
    - Data associated with the product/service?
    - Liability
- How does your innovation affect this system (pro or con)?

Informs WHAT to ask

Work Flow Map

How does your immediate customer solve the problem today?

- What are the steps in the process?
- What materials/data/people are needed when?
- What are the key decision points and how do they get made?
- How does this workflow change when your solution is adopted?

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Work Flow
Cathode supplier -> Battery Cell Manufacturer

You

Start with the value chain and identify your immediate customer
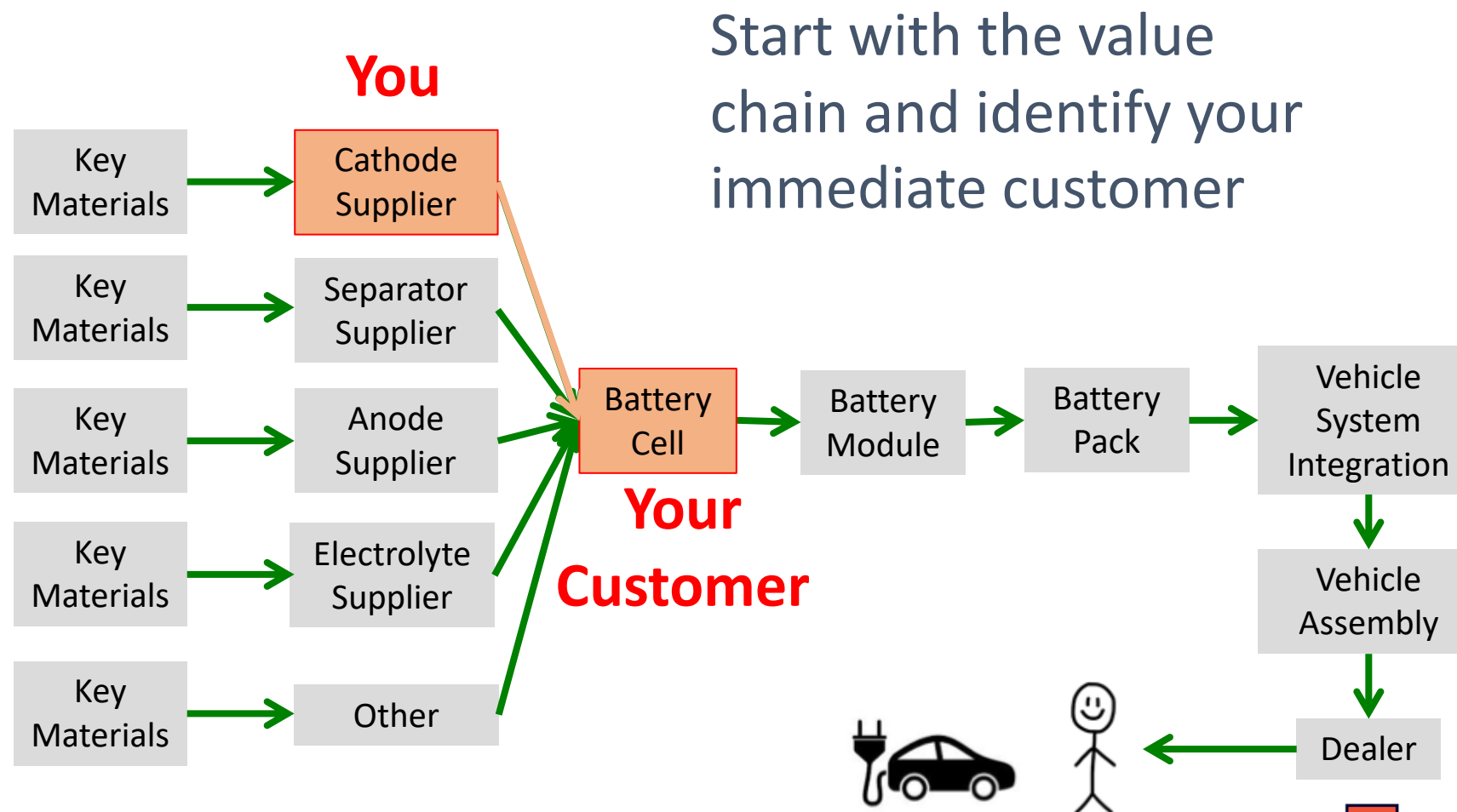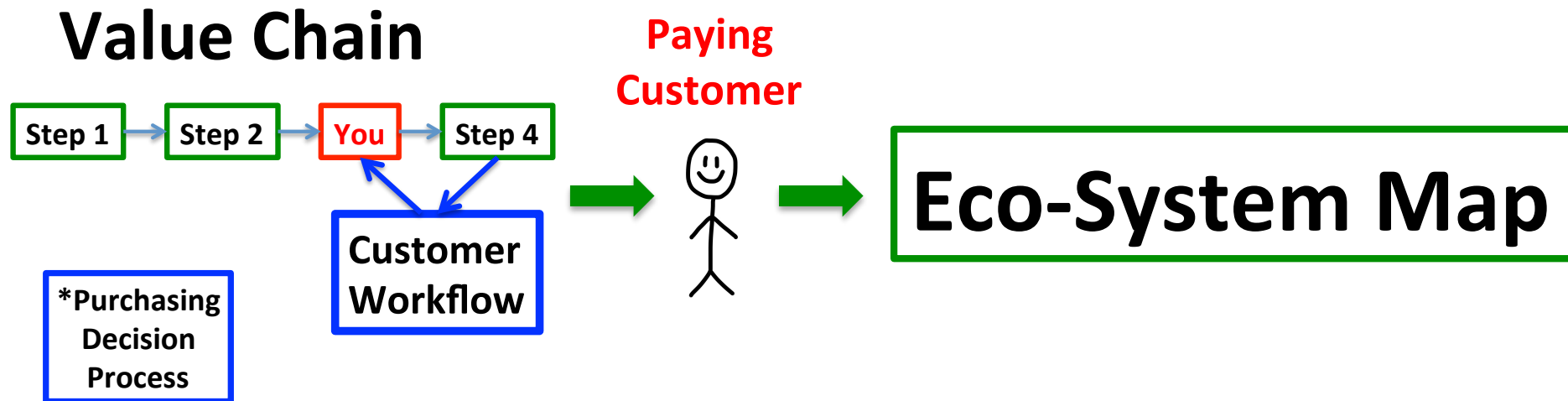

Your Customer

Work Flow – Key Takeaways

- How do people, information, materials and money flow? Who does what/when?

- Where does your product come in?
  - What form should it be in?

- Will your customer have to change their process?
  - If so, how much will that change cost?

- Does everyone have the ability/desire to do what you need them to?

Informs Value Proposition -
we'll talk more about this in two weeks

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Hypothesis testing should be used to populate the tools with data.

Value Chain

Paying Customer

| Step 1 | → | Step 2 | → | You | → | Step 4 |

*Purchasing Decision Process

Customer Workflow

Eco-System Map

Break-out Work Session

(30 Minutes) Deliverable:

Value Chain & Ecosystem Map

- Draw your value chain & ecosystem maps
- Draft 5 Customer Discovery questions

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