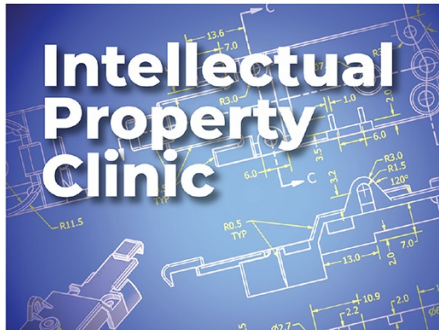


TE 250: Week 4

Business Model Canvas & Value Proposition

Mark Karasek
mkarasek@illinois.edu

Technology Entrepreneur Center



IP Clinic

Take advantage of this opportunity to get FREE patent and trademark assistance!

FRIDAY, FEBRUARY 11 | 12:30-2:30pm

RSVP | go.illinois.edu/ipclinic



ILEE Dual Degree

The Grainger Engineering ILEE BS dual degree adds value to your primary engineering degree by helping you to develop an entrepreneurial and leadership skillset!

DEADLINE TO APPLY | APRIL 30

LEARN MORE | go.illinois.edu/ILEE



Marketing & Events Intern

TEC is seeking a Marketing & Events intern to help with general marketing and to assist with our events and programs. The intern will gain valuable skills in social media marketing, planning, coordinating, and organizing events.

Please email your resume to Kearsa Rawson and explain why you are interested in this internship.

DEADLINE TO APPLY | FEBRUARY 15

KEARSA RAWSON | klawson@illinois.edu

Teams Update

- Make sure all team members meet this week
- Any changes in problem being addressed?

Run of Show

- • Review: Competition
- Review: Why Lean?
- Intro To Business Thesis
- Intro to BMC
- Value Proposition
- Zero2One presentation – Shane Landon Olson

Assignment #2 – Individual Assignment

Every team has a project. Every project proposes to solve a problem, but we haven't yet proven to ourselves that we have identified the best business solution to that problem.

The assignment is to identify multiple possible solutions to the problem:

- Current Solutions: How do people currently solve the problem? Hint: it may not appear to be a direct competitor to your solution. Example: Instead of an electric scooter, I could ride a bike, take a bus or walk.
- Preventative Solutions: How might someone prevent the problem from occurring in the first place?
- Competitive Solutions: How do your (potential) business competitors solve the problem? Name at least three.
- Alternative Solutions: What's another way you could solve the problem? Name at least three. Which is your favorite and why?

This is a case where the more solutions you can identify, the better.

Competition

Every good idea has competition. **Period.**

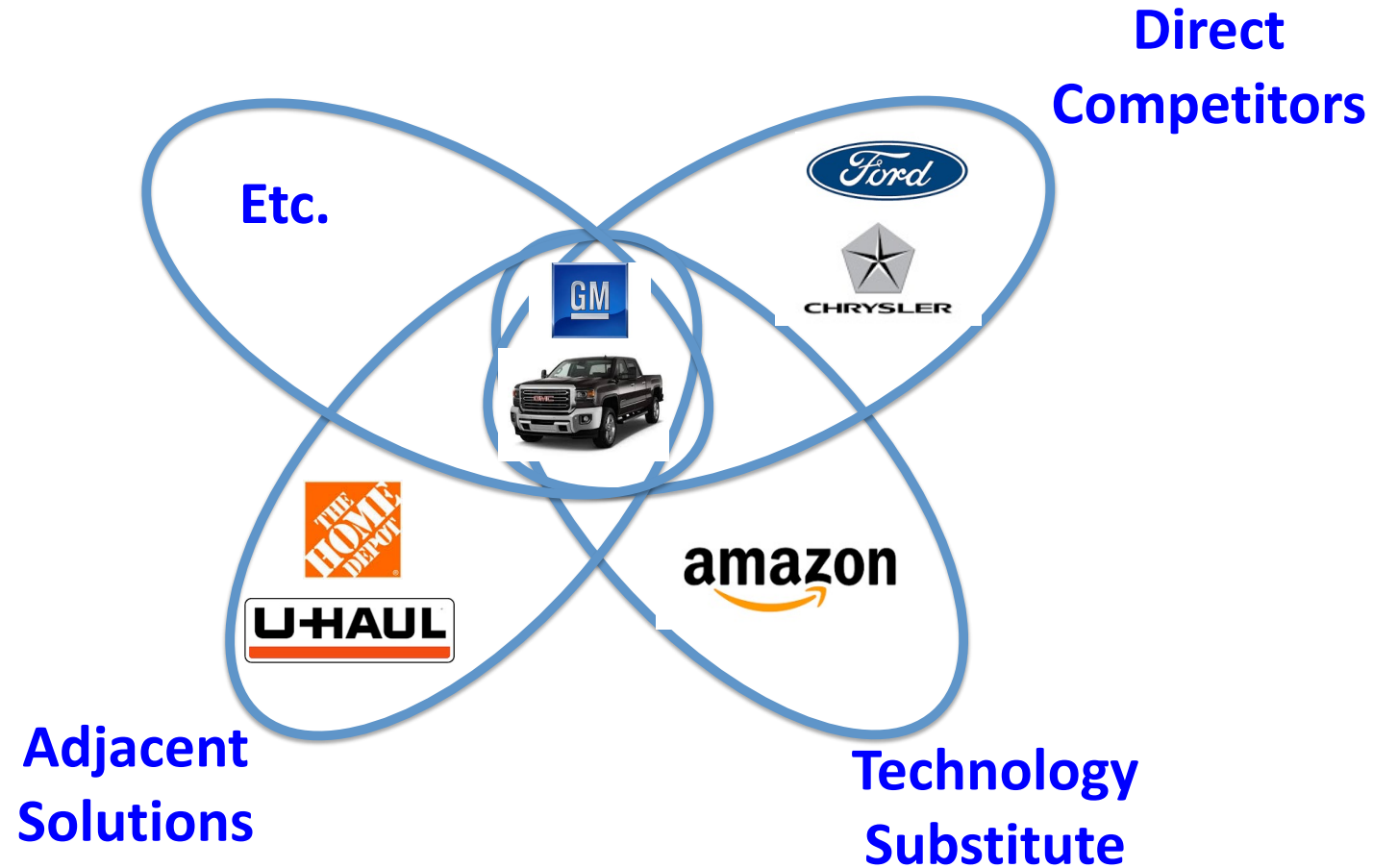
INCLUDING ‘ DO NOTHING’

~~We are the only ones doing X...~~

~~Our solution is novel...~~

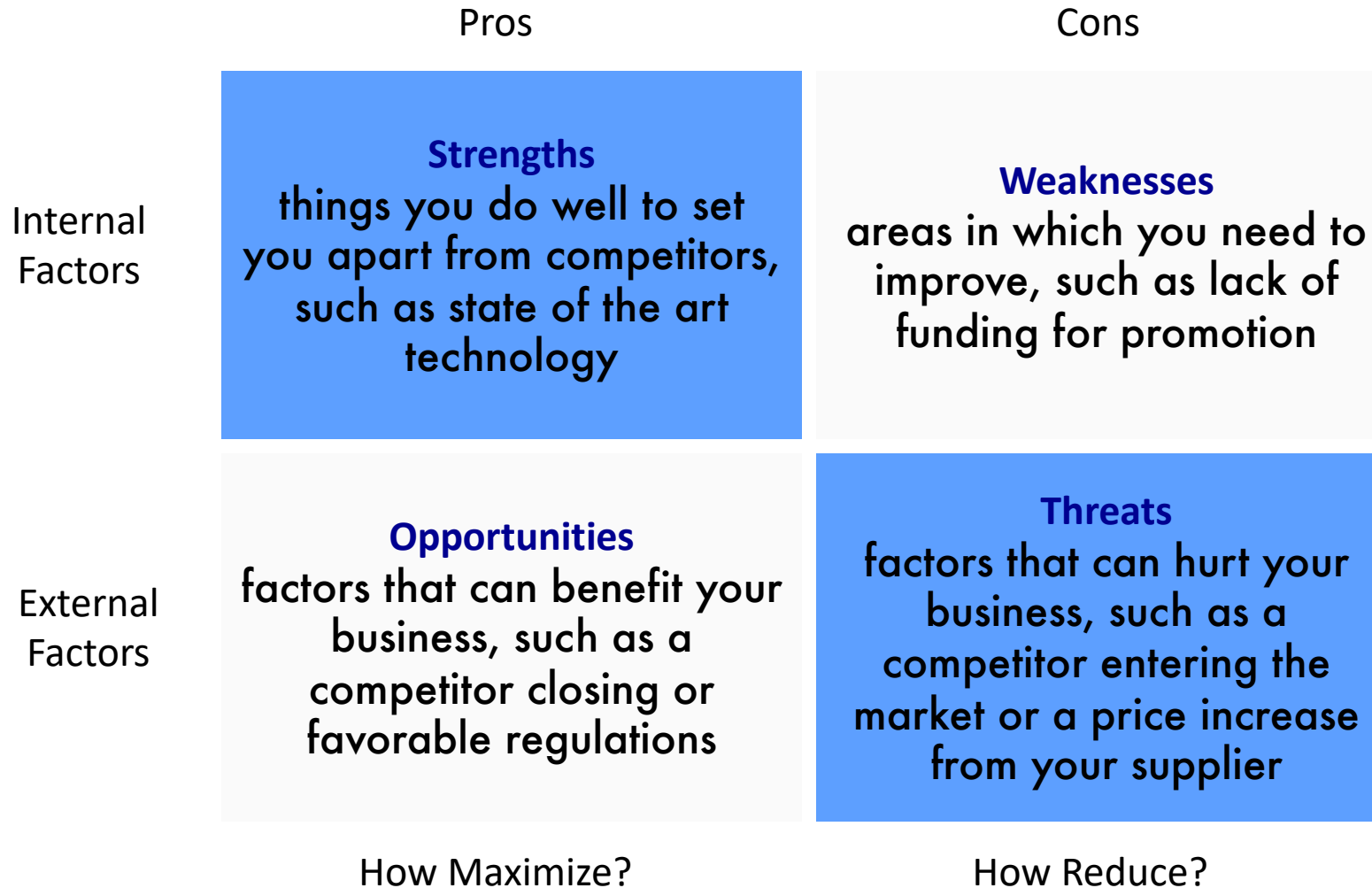
Petal Diagram: Competitive Landscape

Passenger Vehicles, Light Duty Luxury Pick Up Trucks



Value Proposition: "Haul stuff back from Home Depot"

SWOT Analysis



SWOT Analysis

	Pros	Cons
Internal Factors	Strengths Expertise in develop./manufact. of biologic drugs. High margins, limited competition	Weaknesses Inability to discover novel therapeutics to avoid declines in revenue
External Factors	Opportunities Expand to new geographies, indications, and formulations	Threats Competition from follow-on biologics and pricing pressures

SWOT Analysis for Amgen

Assignment #3 – Individual Assignment

- Build a petal diagram to highlight your competition, and
- Perform a SWOT analysis for your team's idea.
- This is an individual assignment, not a team assignment.
- Submit in any format you prefer, graphic or list.

Run of Show

- Review: Competition
- • Review: Why Lean?
- Intro To Business Thesis
- Intro to BMC
- Value Proposition
- Zero2One presentation – Shane Landon Olson

So what about *MY* technology?

NOBODY CARES



They only care about
what it can do for *THEM*.



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

The result...

weeks vs. years

Run of Show

- Review: Competition
- Review: Why Lean?
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- Zero2One presentation – Shane Landon Olson

What's in a Company name?

- Simple
- Memorable
- Easy to spell
- Unique
- Domain name available?
- Stand out or fit in?
- Descriptive?
- Geography?
- Trendy?
- Coined/Invented?
- Combine/contract?
- Translations/acronyms?

Business Thesis Exercise: Getting to WHO? WHAT? WHY?

My Company, _____,
(Team Name)

is developing _____
(Product/Service)

to help _____
WHO? (Main Customer Segment – individual name with archetype)

with _____
WHAT? (Solve what job/task/problem/need/metric/risk/reward?)

By (verb) _____.
WHY? (What is the benefit of your product/service – Quantify It)

Working Groups

10 minutes

Name & BT Draft

Run of Show

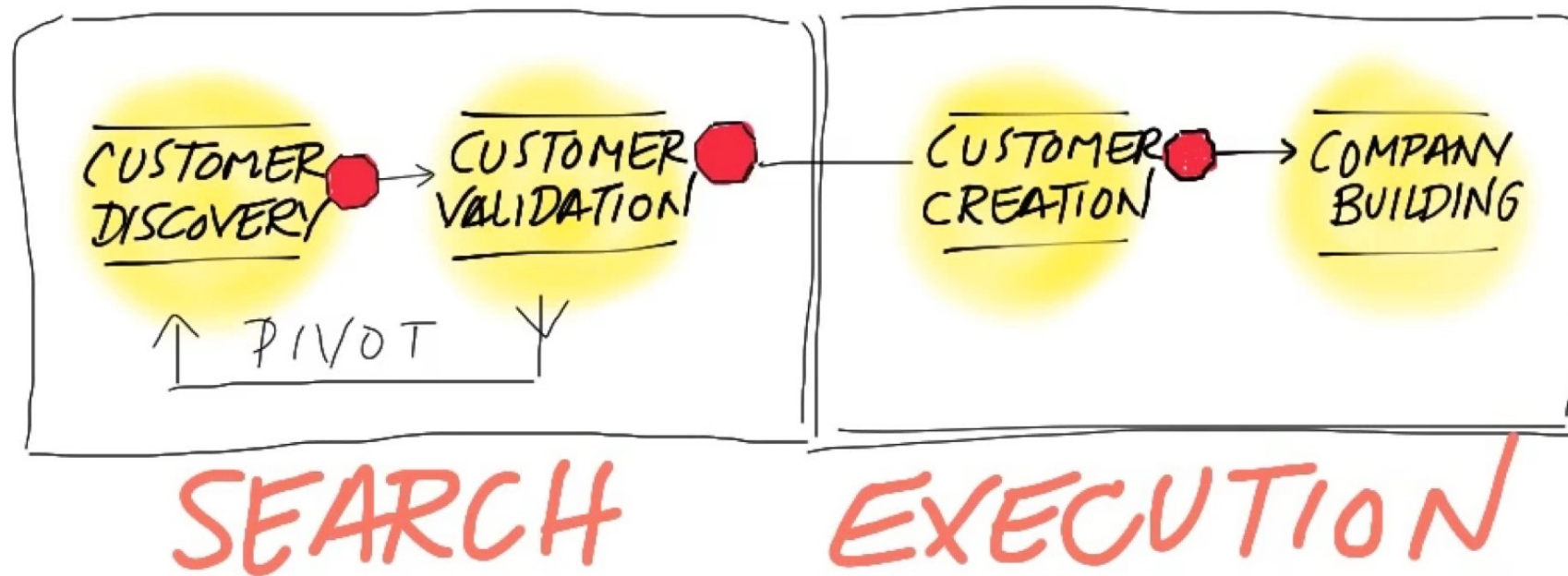
- Review: Competition
- Review: Why Lean?
- Intro To Business Thesis
- • Intro to BMC
- Value Proposition
- Zero2One presentation – Shane Landon Olson

**“A STARTUP IS A TEMPORARY
ORGANIZATION DESIGNED
TO *SEARCH* FOR A *REPEATABLE* &
SCALABLE BUSINESS MODEL.”**

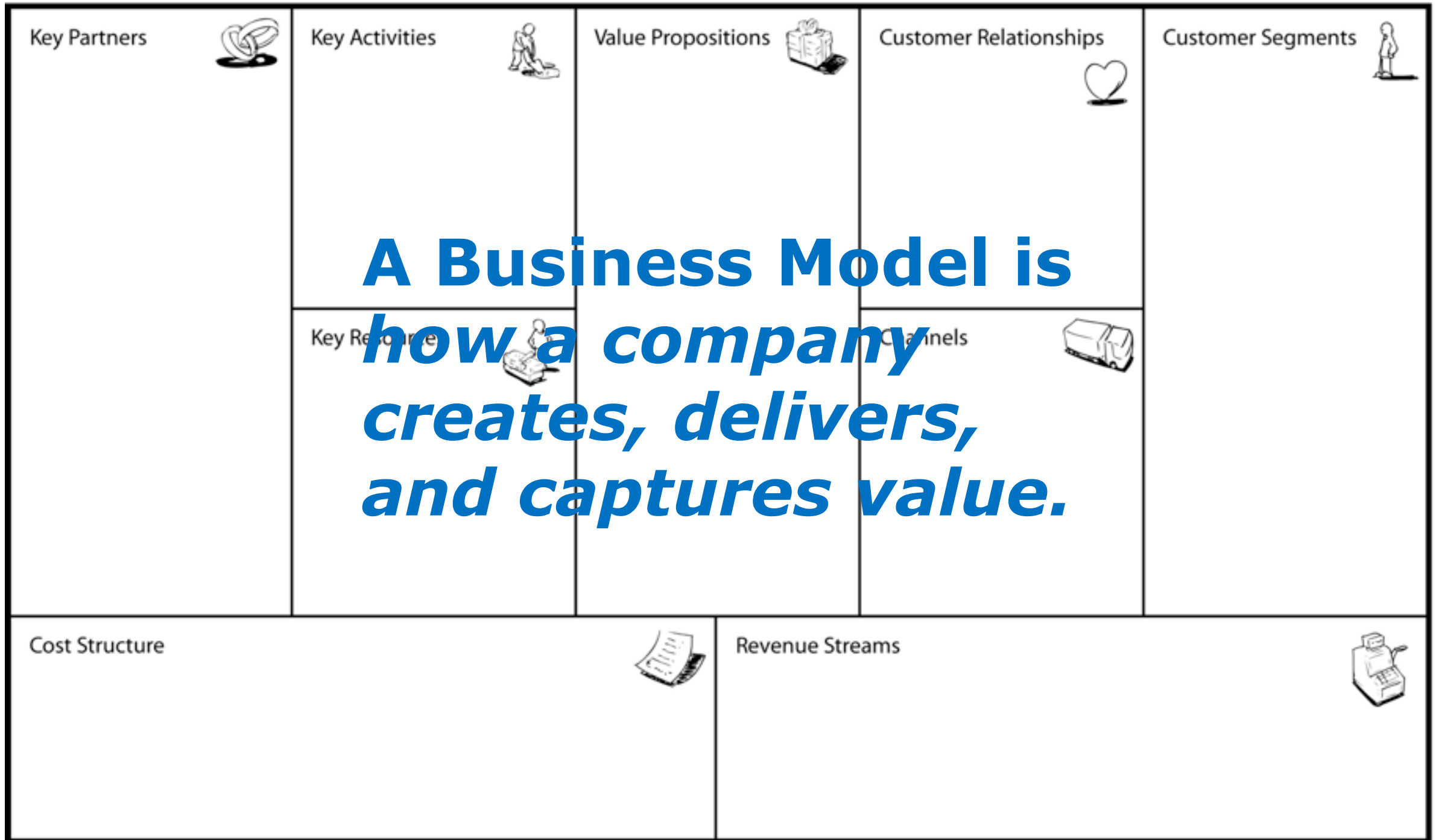


Steve Blank

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



startup → COMPANY



Key Partners



Key Activities



Value Propositions



Customer Relationships



Customer Segments



FEASIBLE

DESIRABLE

**BMC Layout
Organizes *RISK***

Cost Structure



Revenue Streams



VIABLE

Your Business Model Is Your Destiny!

fea·si·bil·i·ty

/can our startup build it?/

Infrastructure

Key Activities
Key Resources
Key Partners

de·sir·a·bil·i·ty

/do the customers want this?/

Product - Market

Customer Segments
Value Proposition
Channels
Customer Relationships

vi·a·bil·i·ty

/can we build a sustainable business?/

Economics

Revenue Streams
Cost Structures

Key Partners



Key Activities



Value Propositions



Customer Relationships



Customer Segments



Key Resources



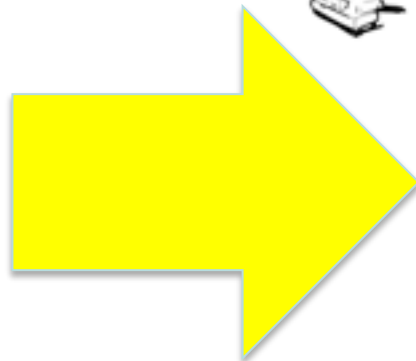
Cost Structure



Revenue Streams



**Need
to
start
here**



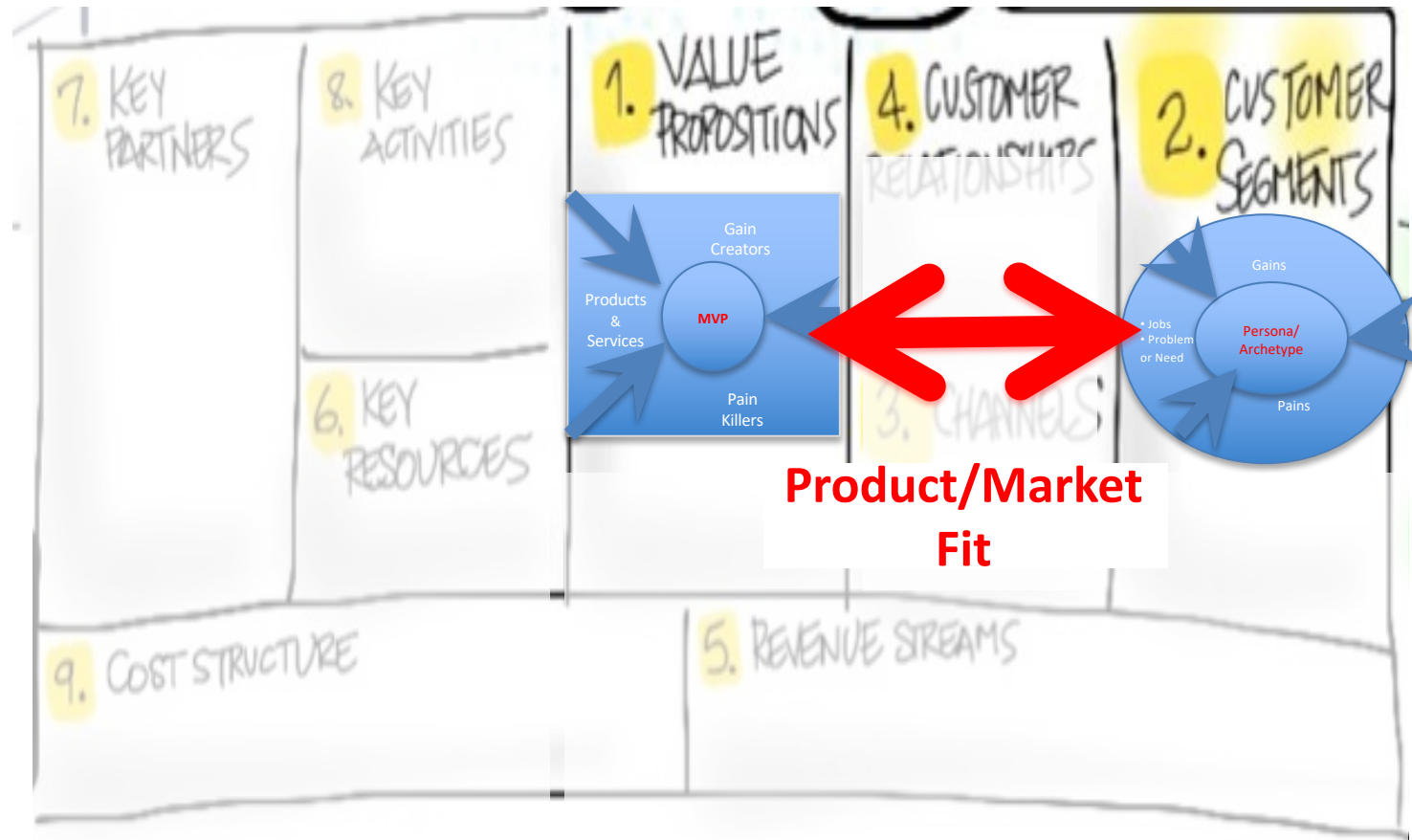
DESIRABLE

The World doesn't care if you have...



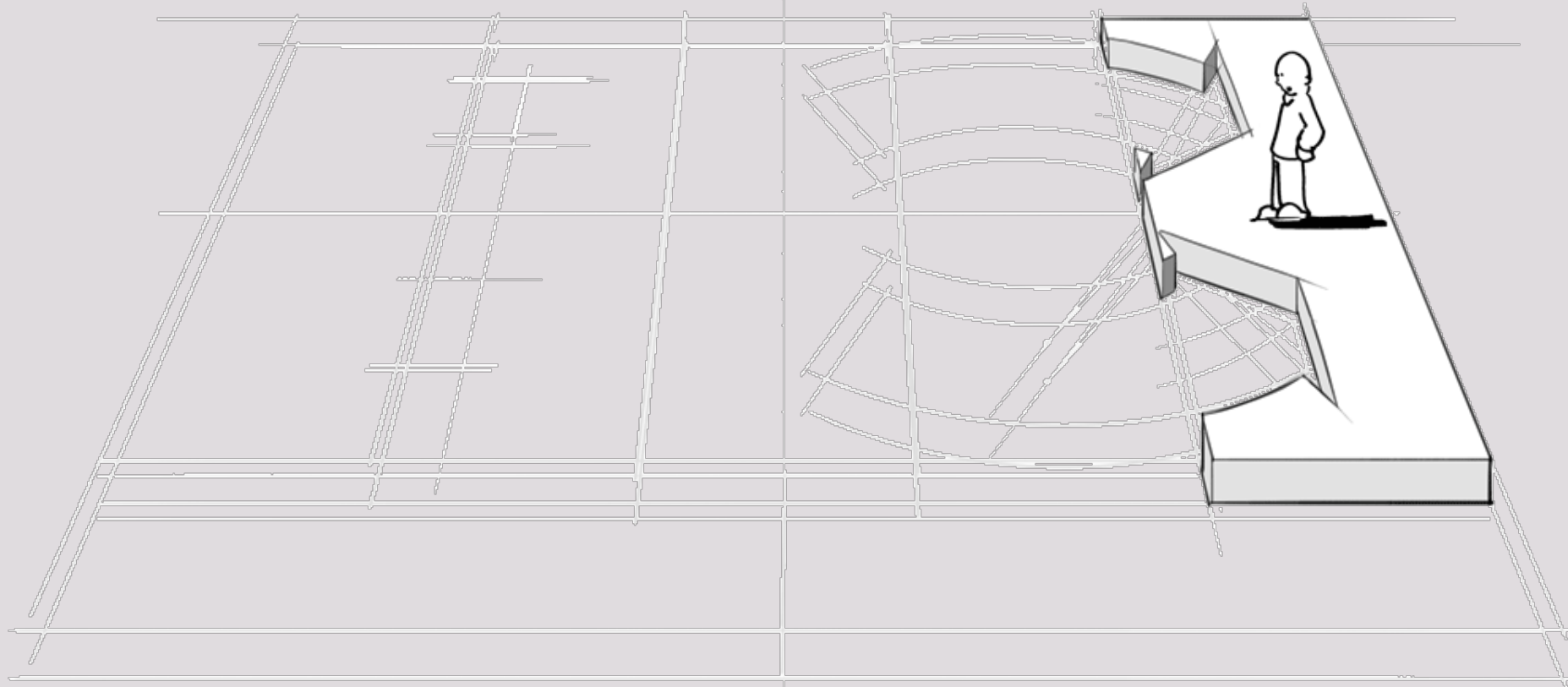
- the BEST technology
- the BEST team
- the BEST plan

The World DOES care if you...



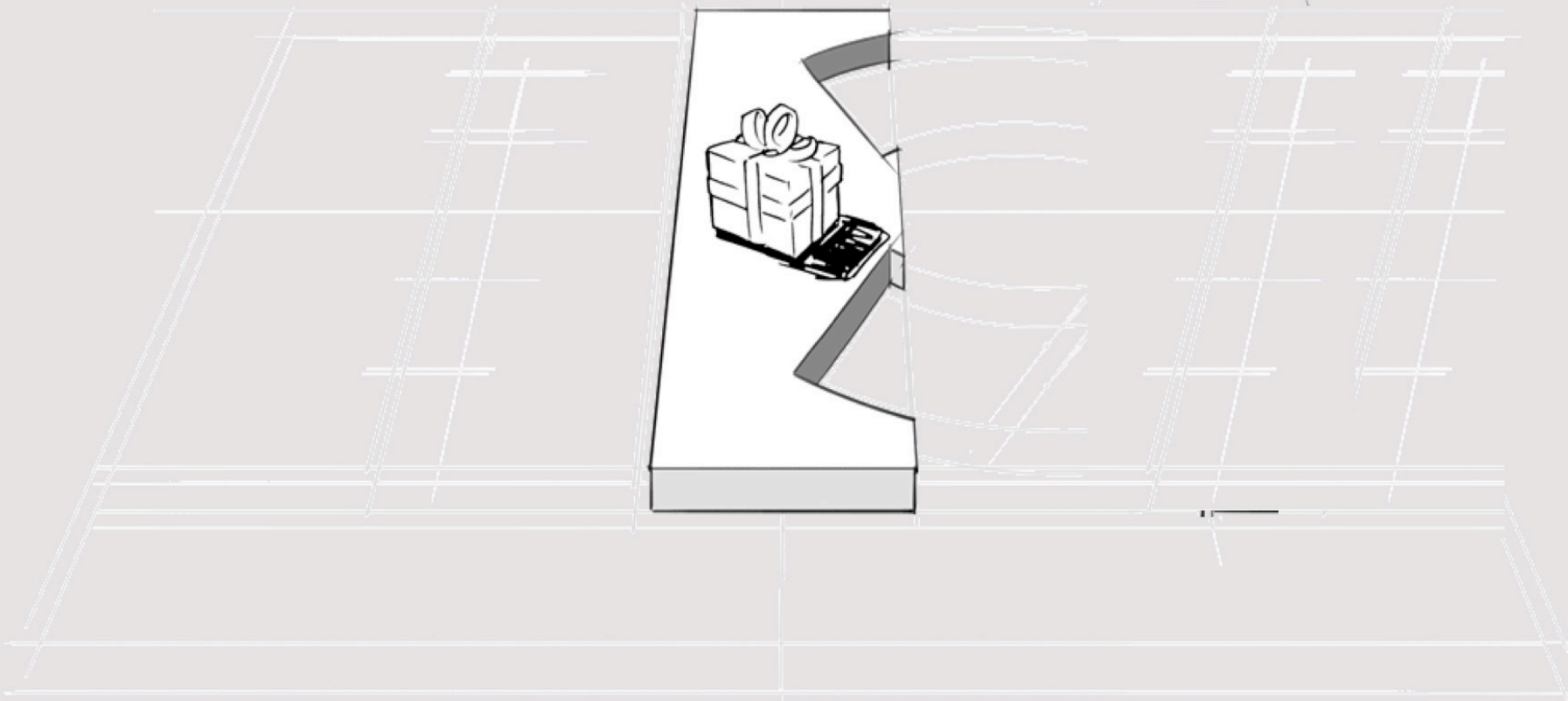
1. Provide value/benefit (Value Proposition)
2. To them (Customer Segment)

CUSTOMER SEGMENTS



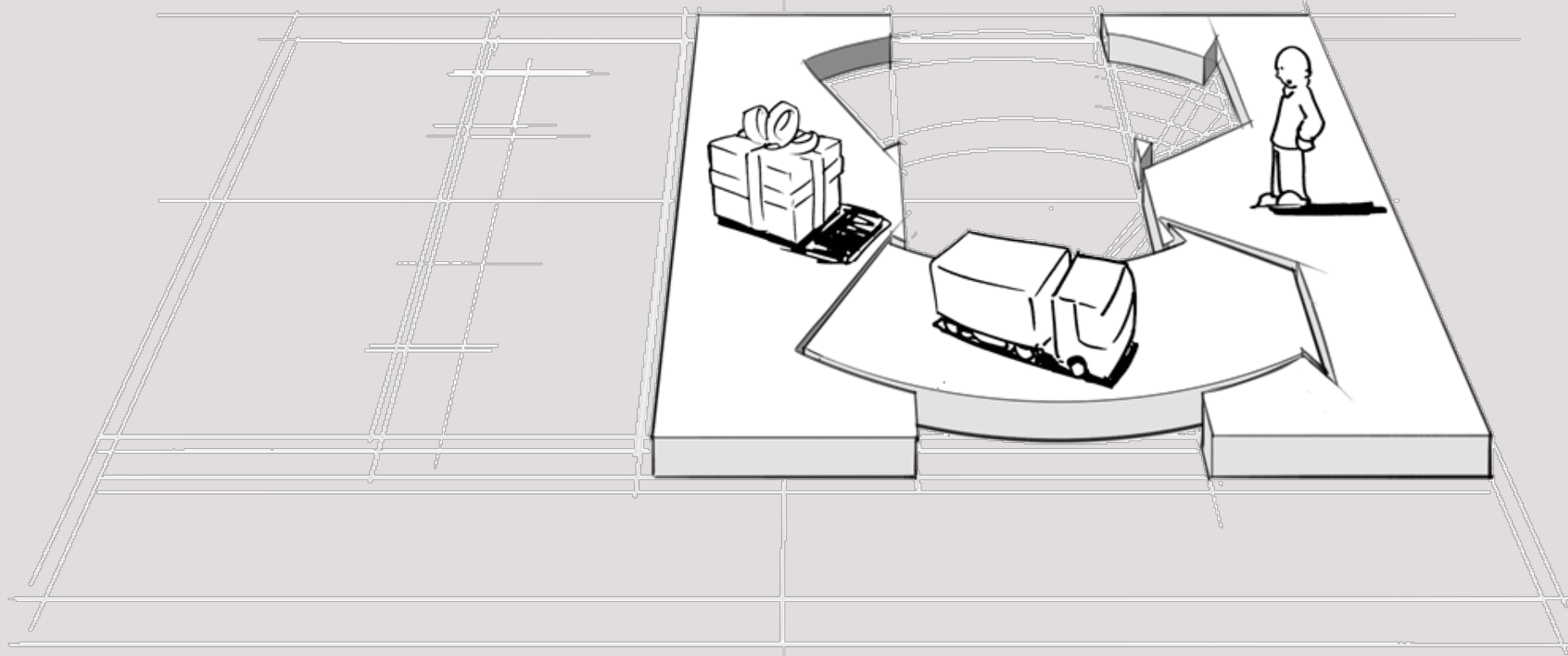
which customers and users are you serving?
which jobs do they really want to get done?

VALUE PROPOSITIONS



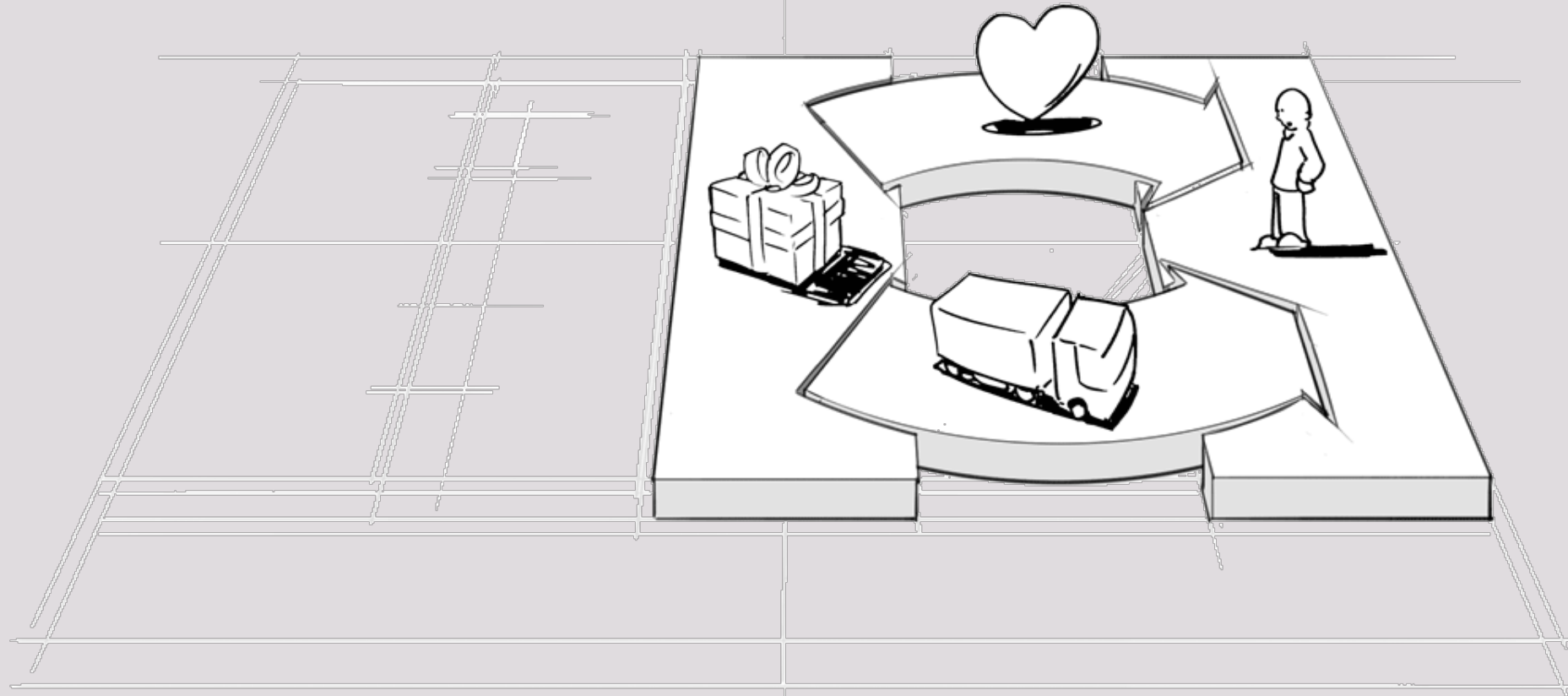
what are you offering them? what is that
getting done for them? do they care?

CHANNELS



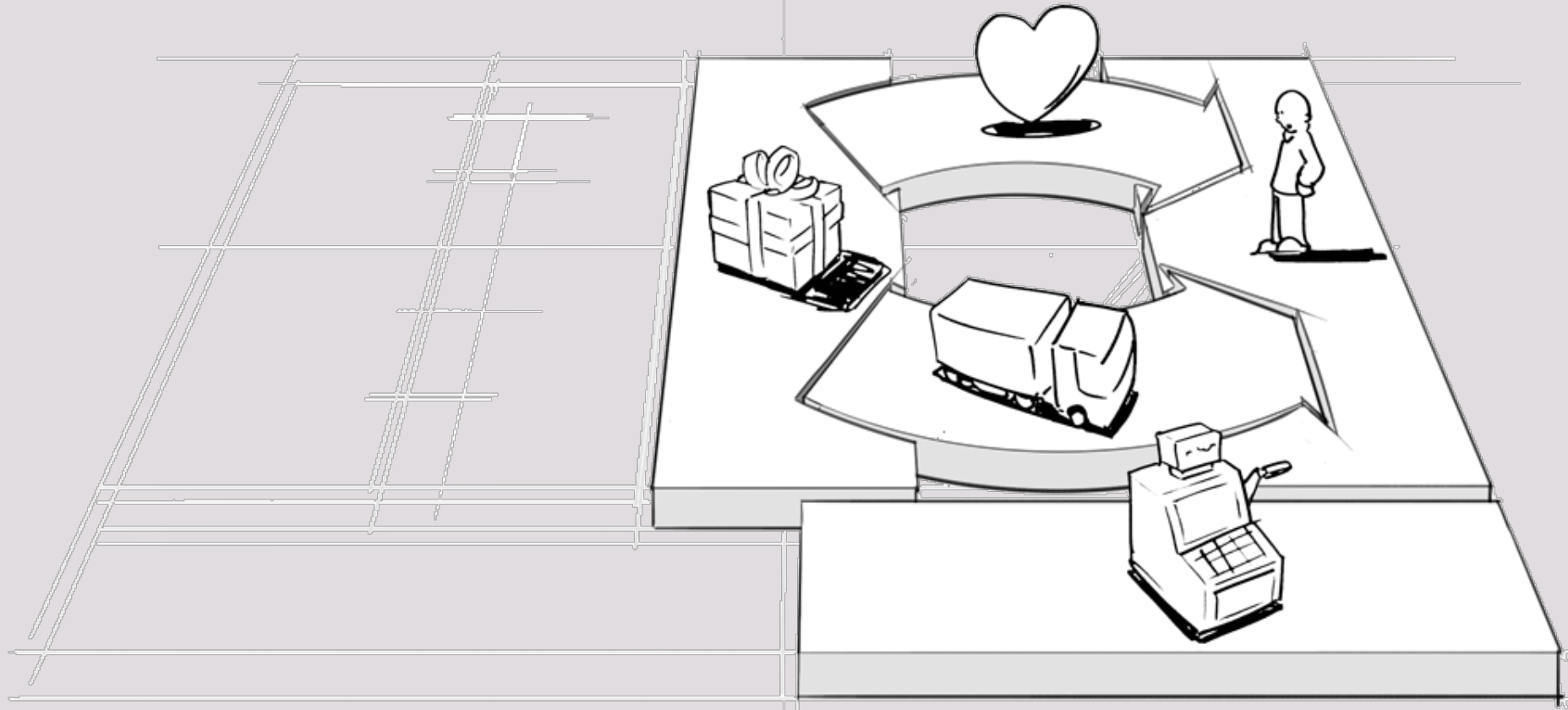
how does each customer segment want to be reached? through which interaction points?

CUSTOMER RELATIONSHIPS



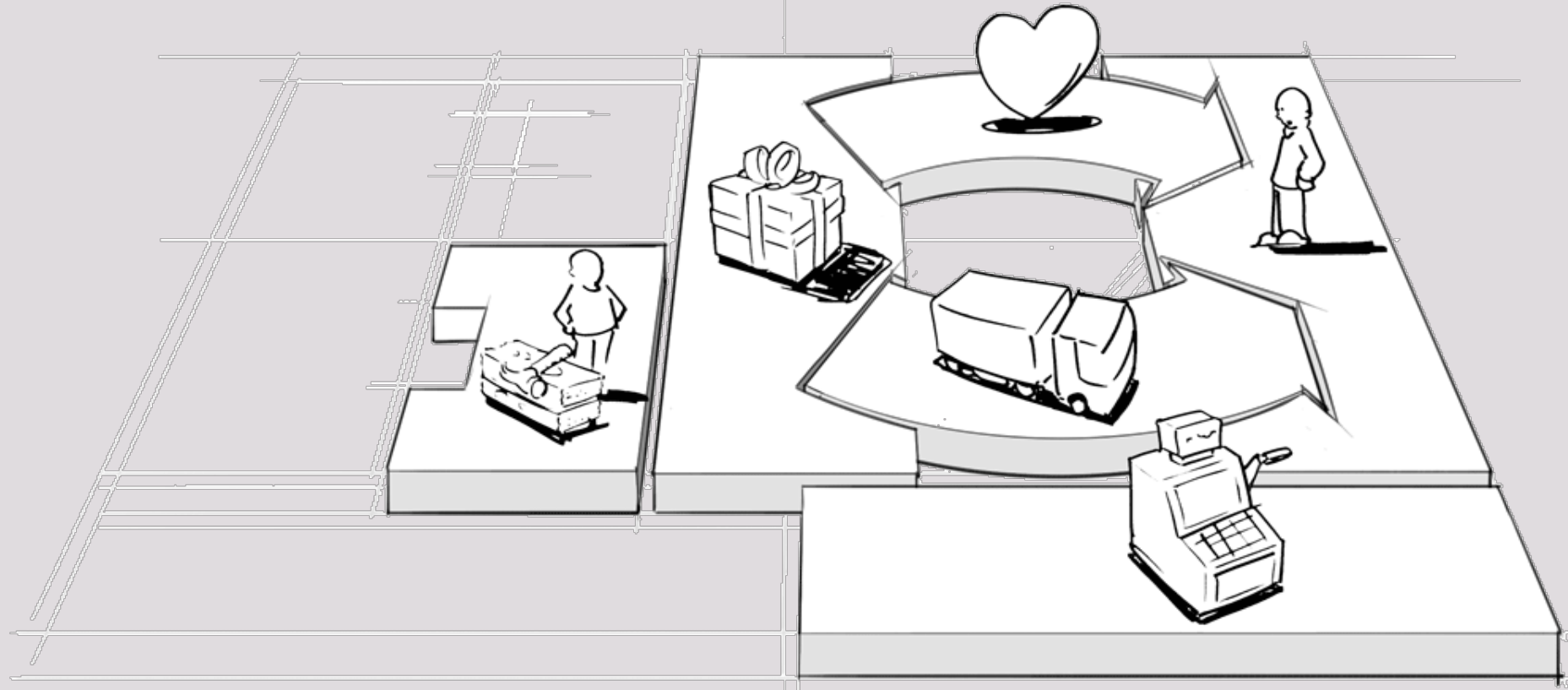
what relationships are you establishing with each segment? personal? automated? acquisitive? retentive?

REVENUE STREAMS



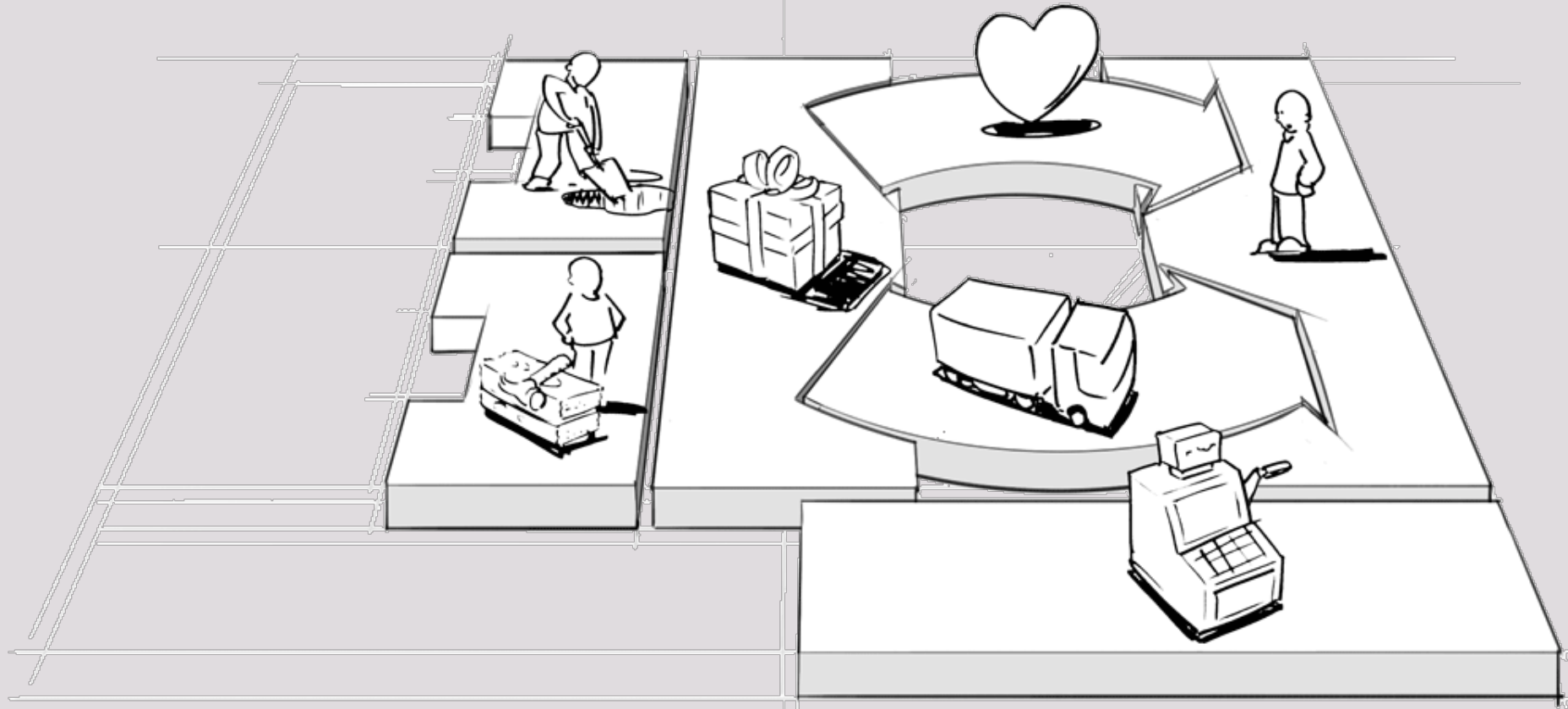
what are customers really willing to pay for? how?
are you generating transactional or recurring revenues?

KEY RESOURCES



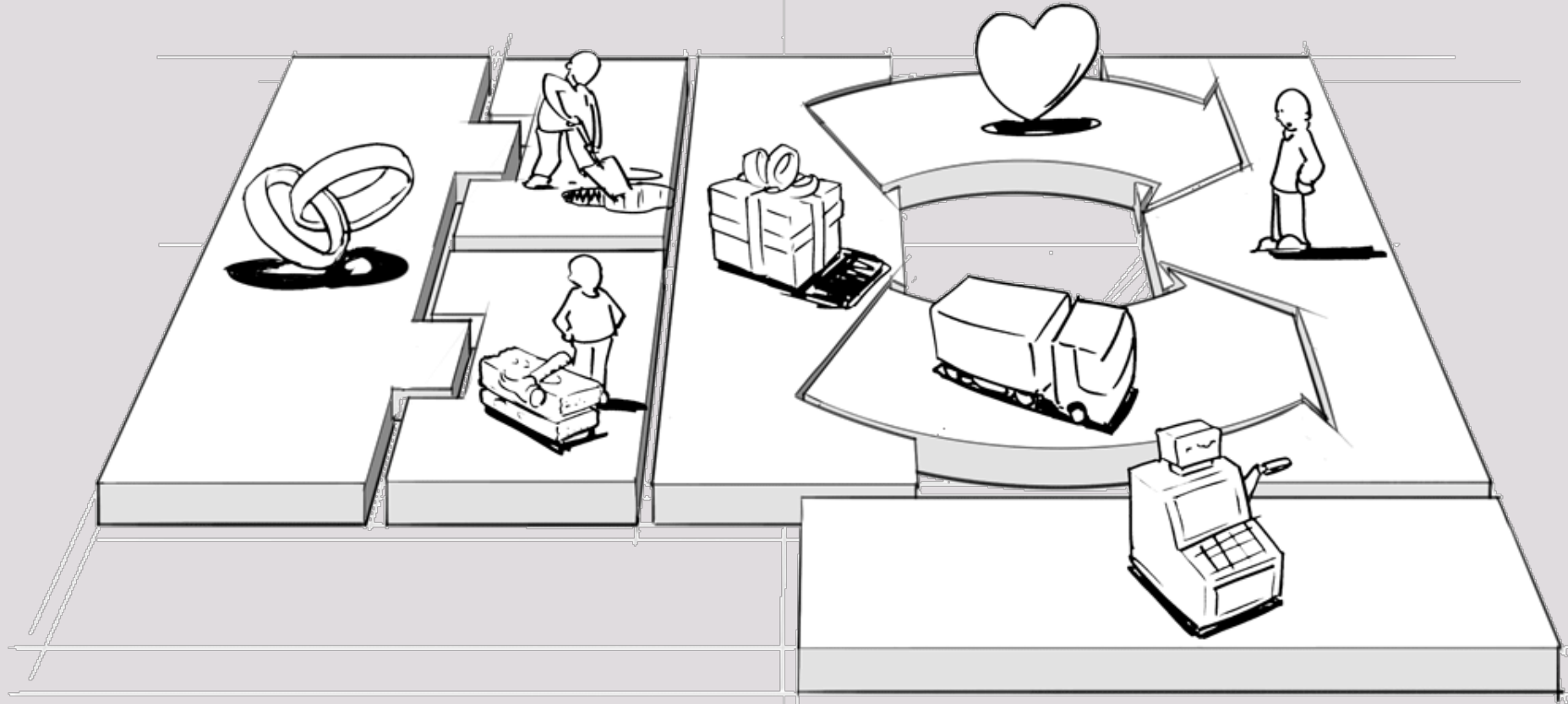
which resources underpin your business model?
which assets are essential?

KEY ACTIVITIES



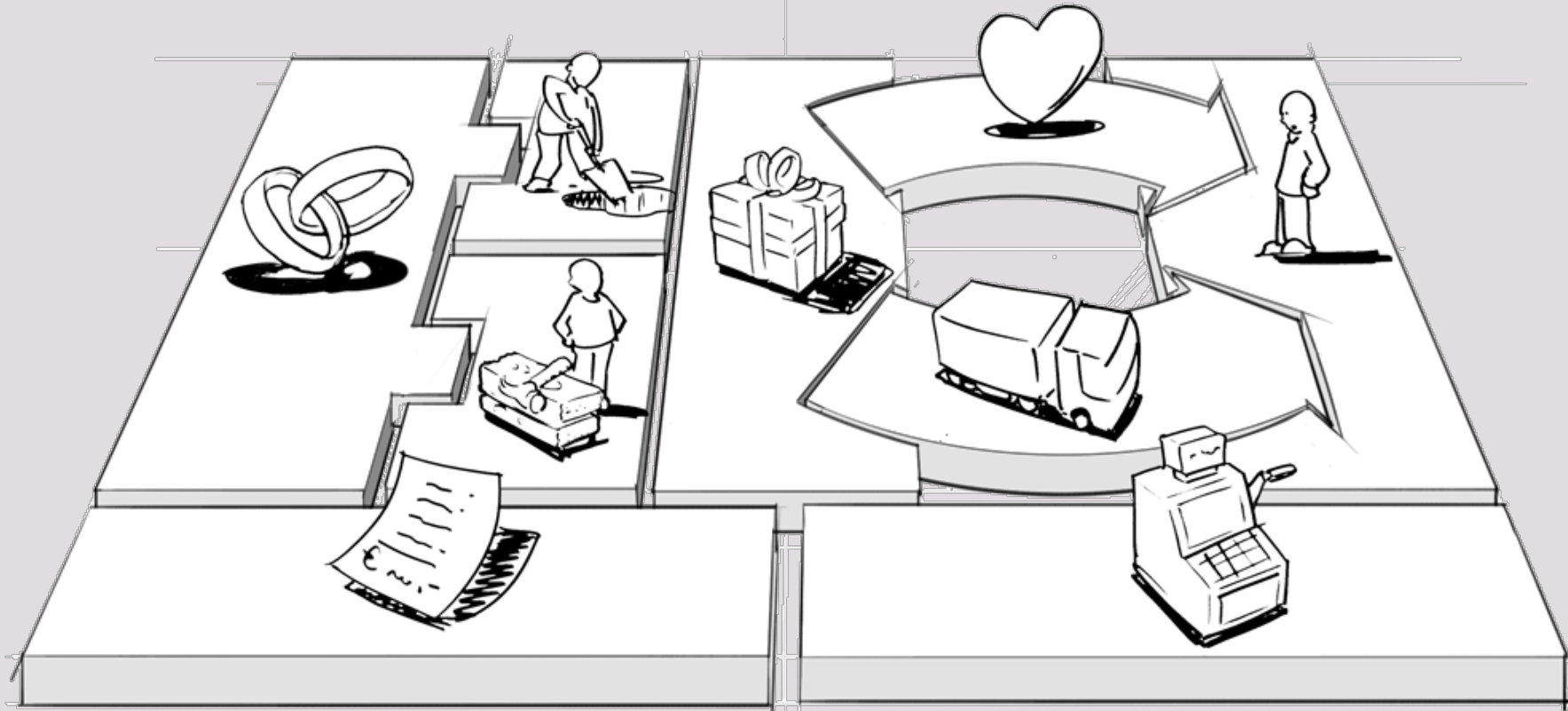
which activities do you need to perform well in
your business model? what is crucial?

KEY PARTNERS

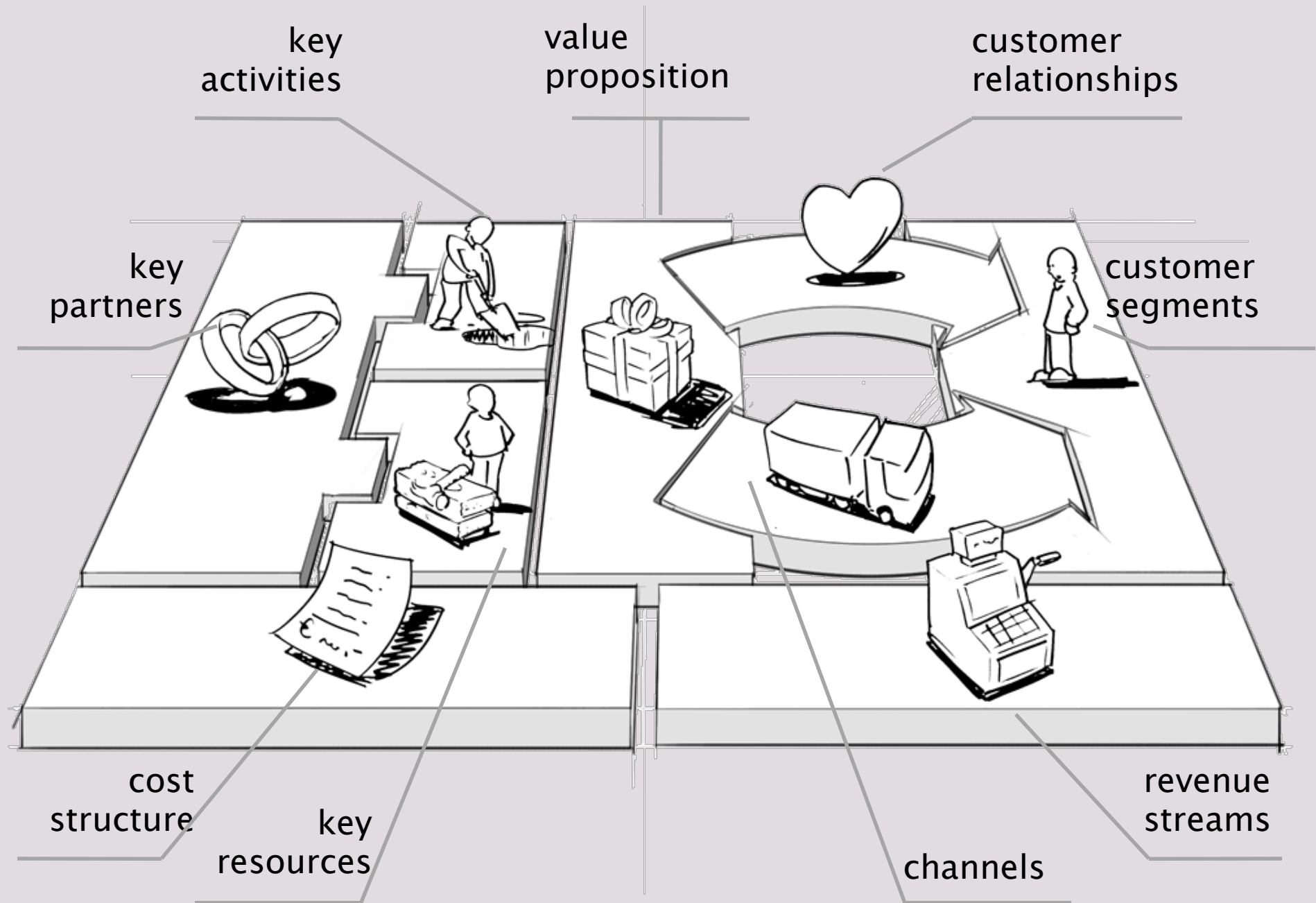


which partners and suppliers leverage your model?
who do you need to rely on?

COST STRUCTURE



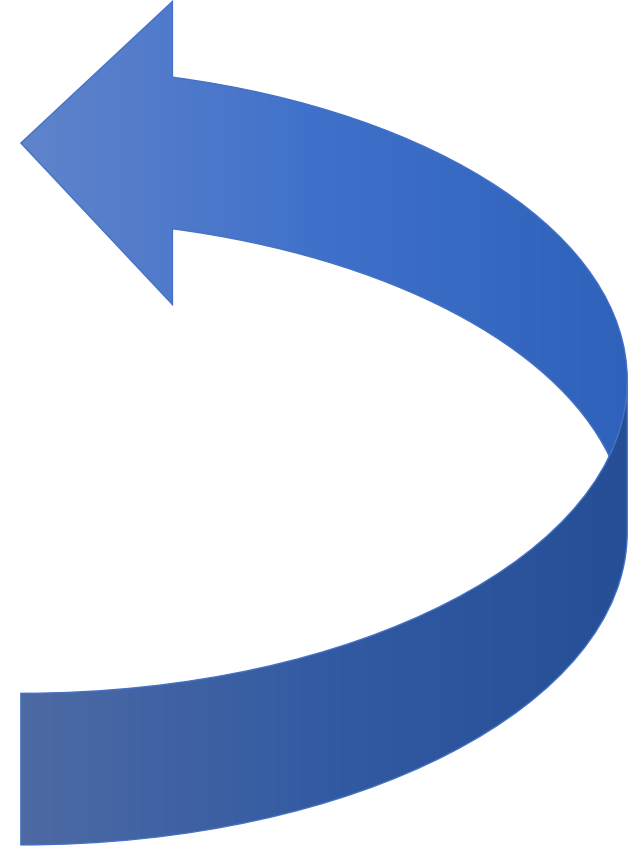
what is the resulting cost structure?
which key elements drive your costs?



The Process



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



Value of the Canvas

- Single page
- Collaborative
- Iterative
- Exploration & refinement
- Forces single statements
- Basis for pitch deck

“Perfection is attained not when there is nothing more to add, but when there is nothing more to take away.” – Antoine de Saint Exupéry

Working Groups

20 minutes
PSC/BMC
Draft

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

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

Customer Segments



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

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

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

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 to 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?

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:
Asset sale
Usage fee
Subscription Fees
Lending/Renting/Leasing
Licensing
Brokerage fees
Advertising

FIXED PRICING
List Price
Product feature dependent
Customer segment dependent
Volume dependent

DYNAMIC PRICING
Negotiation(bargaining)
Yield Management
Real-time-Market



THE PROBLEM STATEMENT CANVAS

STARTUP NAME [Type here]
DATE [Type here]
VERSION [Type here]

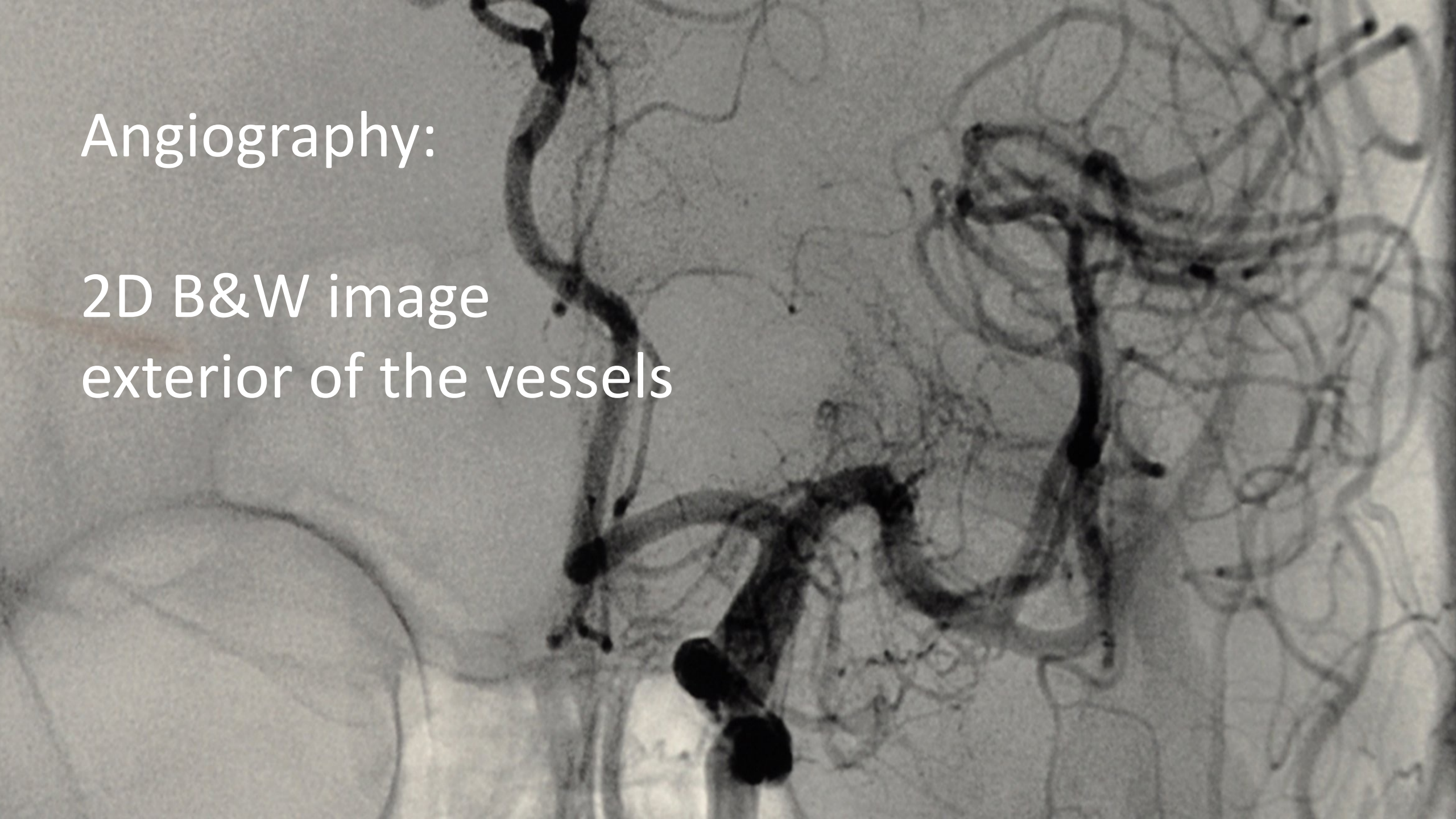
CONTEXT When does the problem occur? [Type here]	PROBLEM What is the root cause of the problem? [Type here]	ALTERNATIVES What do customers do now to fix the problem? [Type here]
CUSTOMERS Who has the problem most often? [Type here]	EMOTIONAL IMPACT How does the customer feel? [Type here] QUANTIFIABLE IMPACT What is the measurable impact? (include units) [Type here]	ALTERNATIVE SHORTCOMINGS What are the disadvantages of the alternatives? [Type here]

Case Study:  VasSol
nova

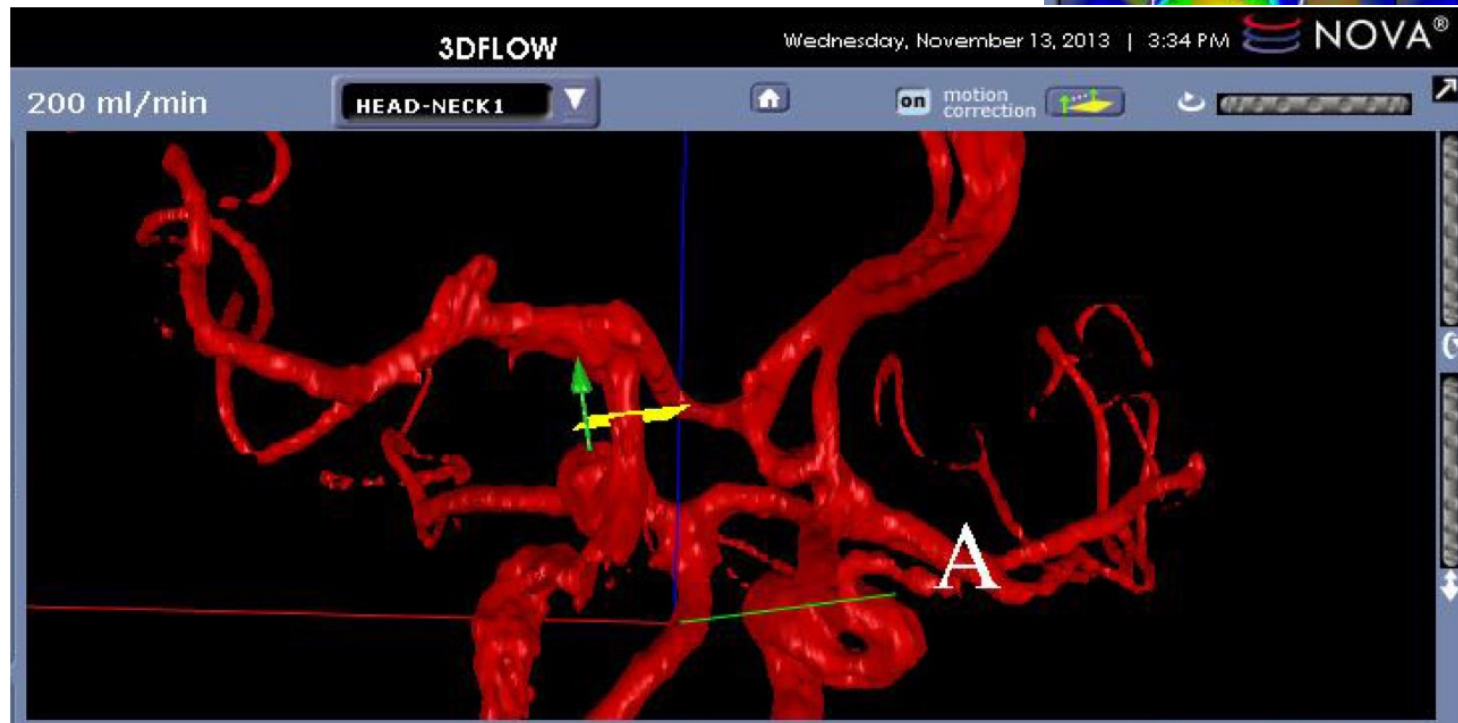
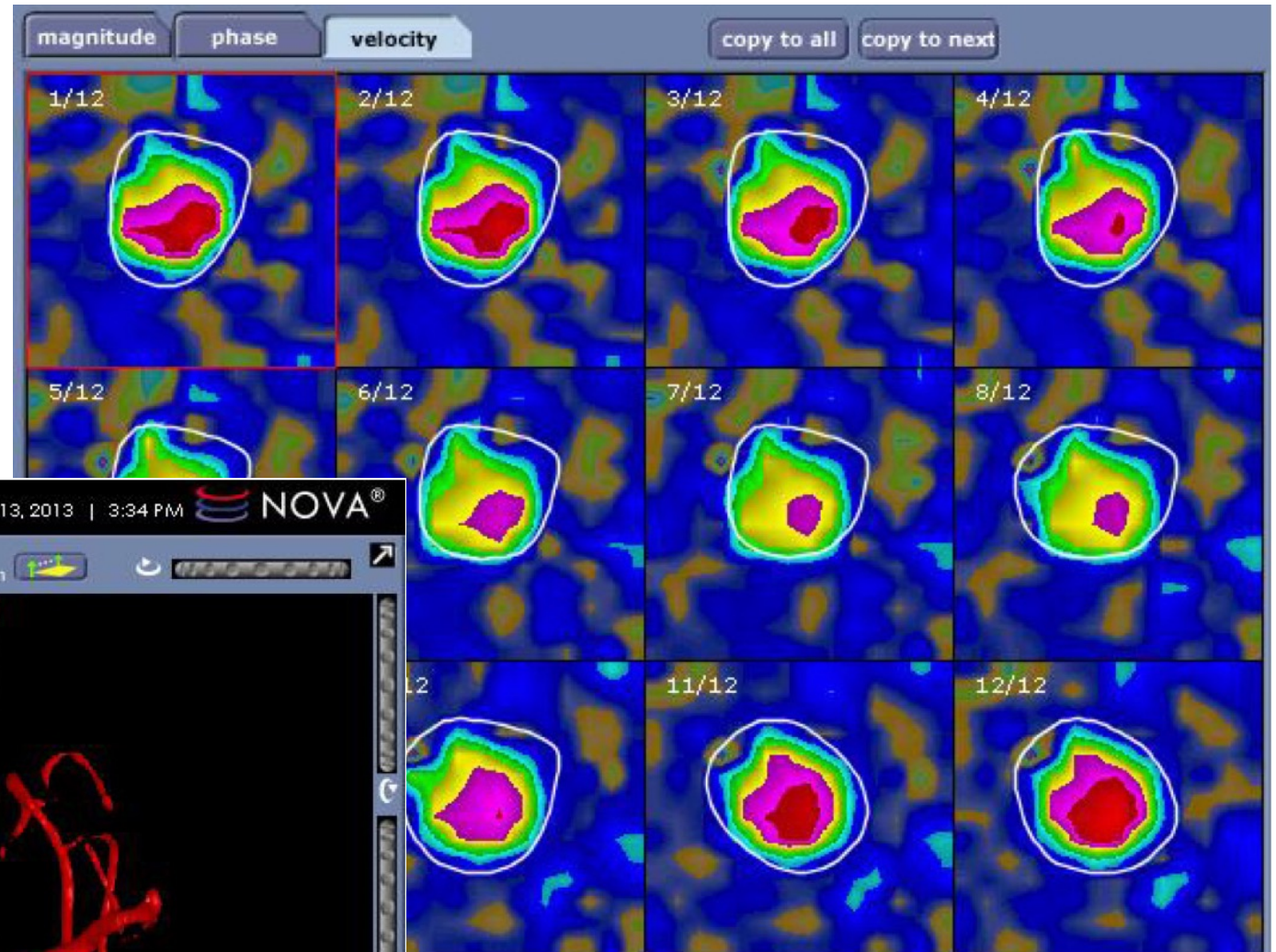
Why Customer Discovery matters?

Angiography:

2D B&W image
exterior of the vessels



NOVATM



I ILLINOIS



Due Diligence - 36 neurovascular surgeons interviewed

36 out of 36 affirmed that the tech was a game-changer:

“In a perfect world, I would be able to see what’s happening inside the arteries.”

*“This would change the way I practice medicine, **today.**”*

“I would order this test on every single patient.”

\$5 Million Series A

→ FDA 510(k) clearance



36 Neurovascular Surgeons:

“I can’t buy this...”

“...I said I would order the test. You need to talk to radiology.”



Radiology # clinical questions asked:

0

1. How long does the test take?
2. What is the reimbursement rate?

Engineering:
Dumb it down?!?!?



Down Round





Administration: HIPAA, EULA, HRRP, DRG, HCE...

A man with a mustache and glasses, wearing a light-colored button-down shirt and a dark tie, sits at a desk in a cubicle. He has a confused expression. The cubicle is cluttered with papers, a red stapler, a pen holder, and a small potted plant. A shelf above him holds boxes of paper. The background wall is covered in papers and a calendar.

Purchasing:

WTF is CapEx?!?!?

3.5 years, 2 rounds of funding, 6 jobs lost...

Congratulations!

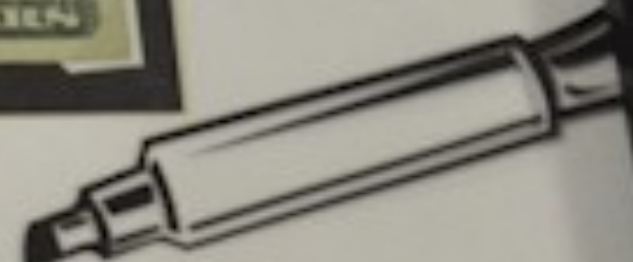
Good Luck!



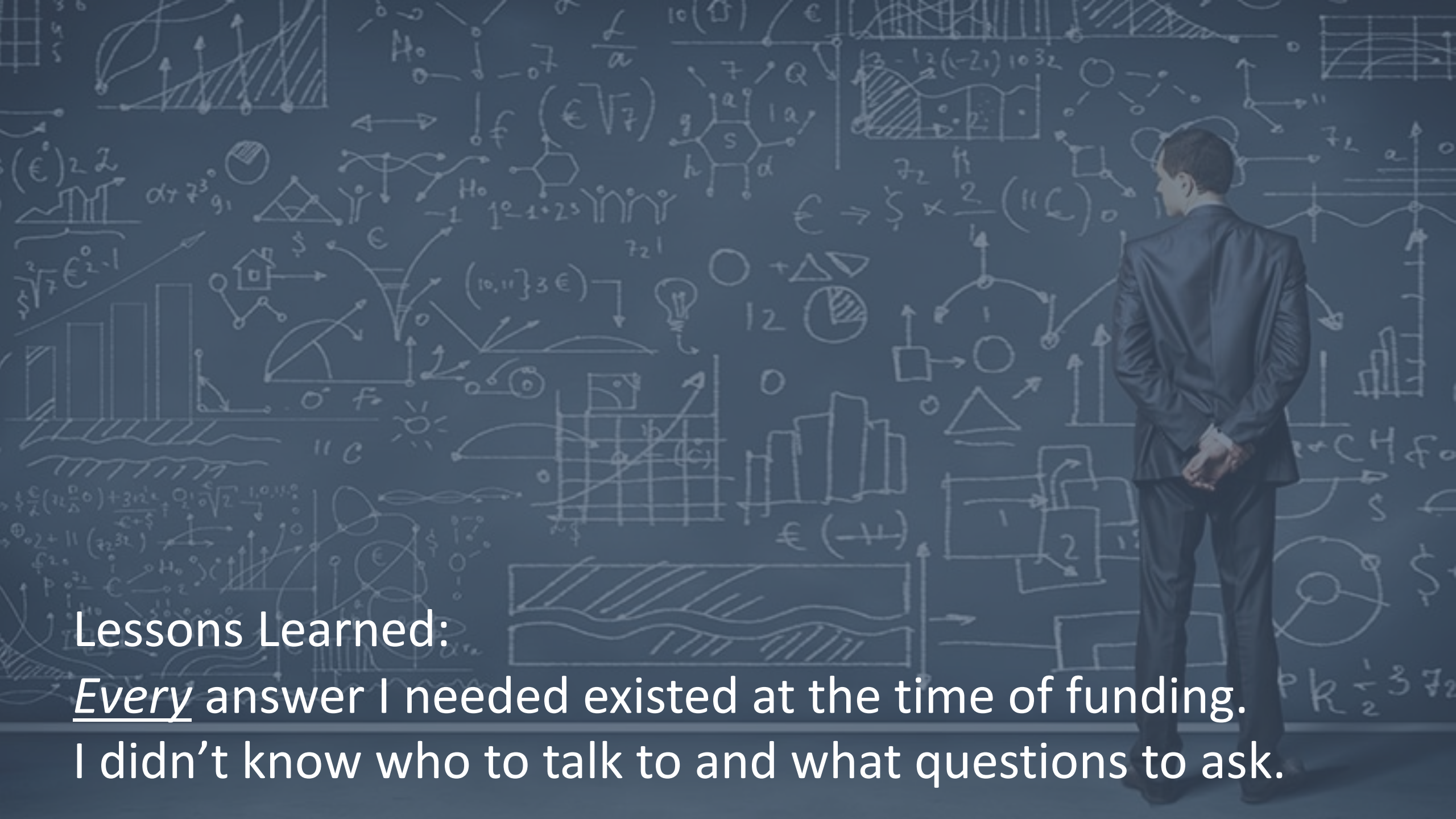
Best
Wishes

Best
of
Luck

Our First Sale



...1 year contract, <60% of 1 year value



Lessons Learned:

Every answer I needed existed at the time of funding.

I didn't know who to talk to and what questions to ask.

<i>Role</i>	<i>User</i>	<i>Buyer</i>	<i>Payer</i>	<i>Decision Maker</i>	<i>Influencer</i>	<i>Saboteur</i>
Person	Neurovascular Surgeon	Purchasing Agent	CMS / AHA committee members	Dept. Head Radiology	Chief Risk / Compliance Officer	CFO
JTBD	Accurate diagnosis so I can decide if I must operate	ID proper budget & meet purchase process	Pay for a novel process only if you can demonstrate clinical savings	Optimize magnet utilization	No readmits & malpractice claims; regulatory compliance	Can Radiology use their magnets for something more profitable?
Motivation	I want the best outcomes for my patient for my own professional reputation, but I also want to CMA!	Don't make me do extra work unless cost savings help me get my bonus	Keep many financial stakeholders happy (docs, industry, Congress)	I went to med school to practice medicine, not pinch pennies; Do I keep my schedule? Do I make more money in the same time?	Everybody is out to prove me wrong. If I'm wrong, we get dinged and I get fired.	I make the most money having my NVS in surgery.