



OCI Lab

Open Collective
Intelligence Lab

“Bringing ideas to life”

Lab 3: Set up your action plan and draft your Lean Business Model Canvas

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Business Plan Vs Business Planning

- BP requires several weeks or months → Time is our scarcest resource
- BP is A document investors make you write that no one reads (Steve Blank)
- 66% of successful entrepreneurs report drastically changing their plans along

Business Plan Vs Business Planning

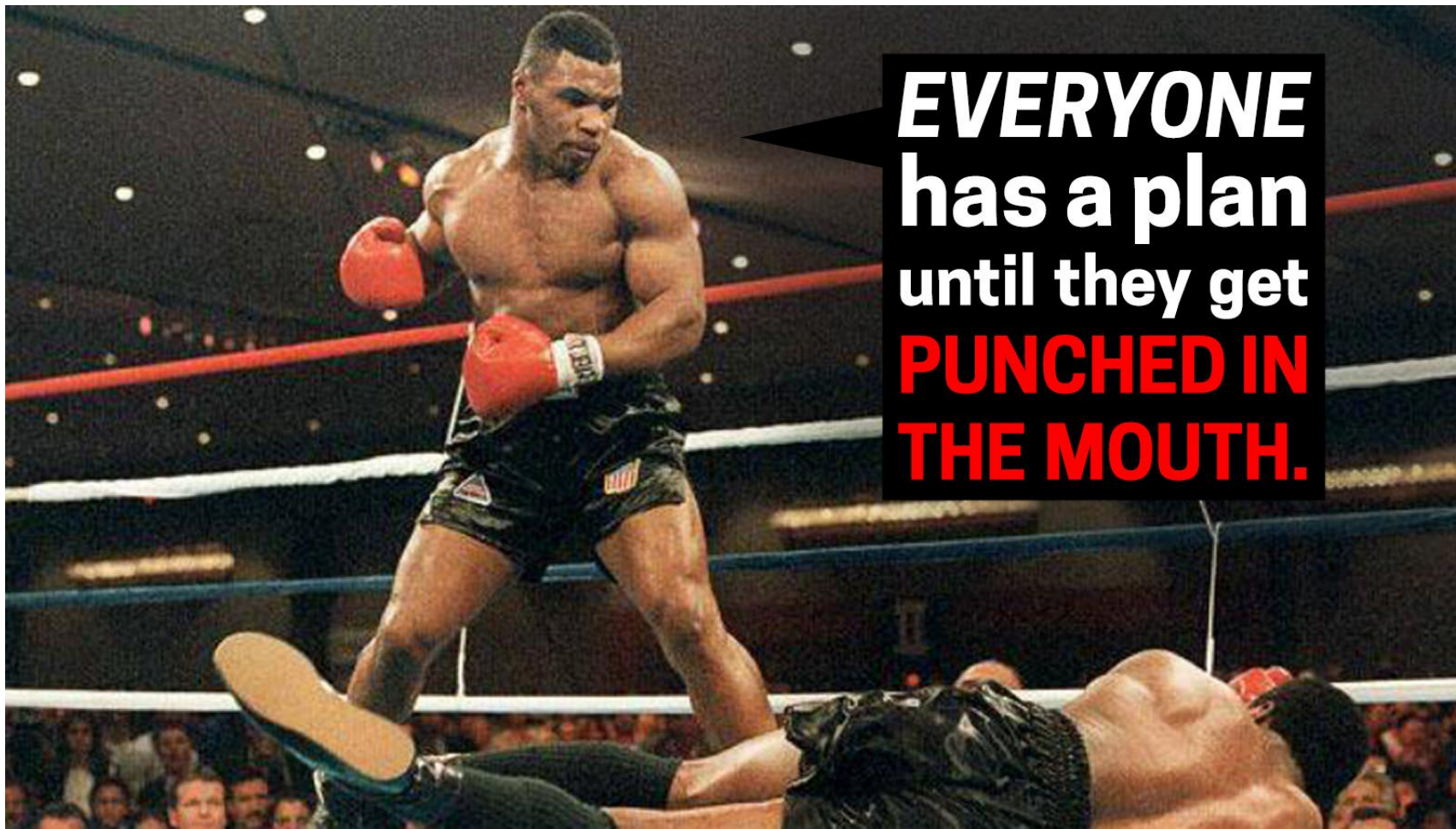


Any business plan won't survive its first encounter with reality. The reality will always be different. It will never be the plan.

— *Jeff Bezos* —

AZ QUOTES

Business Plan Vs Business Planning



Business Plan Vs No Plan

- Having no plan is a recipe for going around in circles
- This is why we need Business Planning and no business plans at this stage!

Business Planning

- Business Planning is a critical thinking exercise for avoiding the innovator's bias. (the solution is not the product!)
- Business Planning takes 1 day
- It helps you to have a single diagram of your business or a 1-page 'living' business plan you can continually update. (Your BM is the product!)

Lean Canvas

- Created by Ash Maurya as a tool that focuses on Early-Stage to identify product market fit
- it's a different adaptation from the original Business Model Canvas by Alex Osterwalder.
- Maurya was frustrated with the BMC because he finds it descriptive, "too simple" and it doesn't explain how to gain learning to move from idea to success.
- He made the canvas actionable by capturing that which was most **uncertain**, or more accurately, that which was **most risky**.

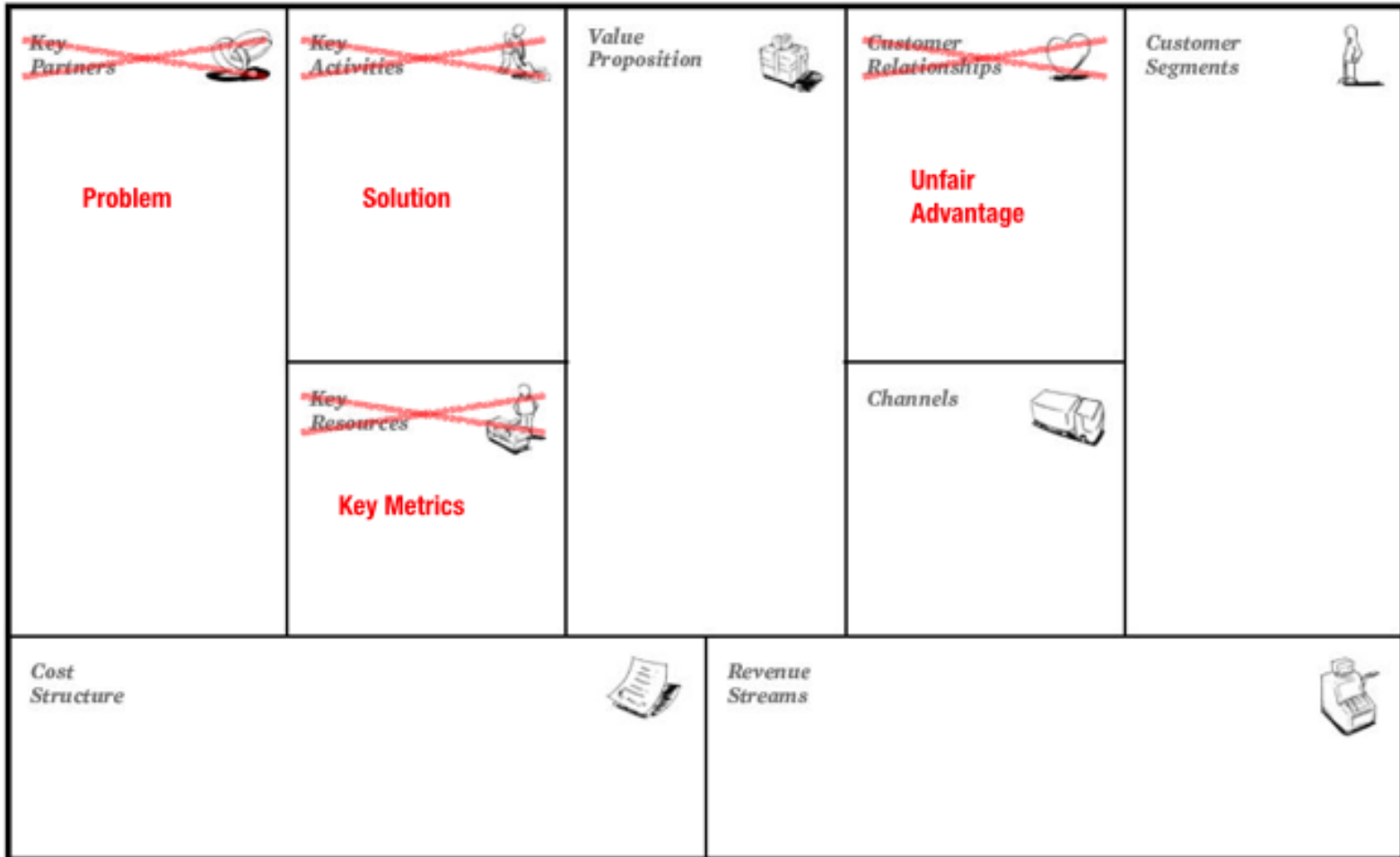


Lean Canvas

- Maurya proposed a Lean Canvas which is an adaptation of the Business Model Canvas.
- The idea is to help you deconstruct your idea into its key assumptions.
- While keeping the same space, 4 blocks were removed, to make room for 4 new blocks



BMC Vs Lean Canvas



Lean Canvas structure

<p>Problem</p> <p>Top 3 problems</p>	<p>Solution</p> <p>Top 3 features</p>	<p>Unique Value Proposition</p> <p>Single, clear, compelling message that states why you are different and worth paying attention</p>	<p>Unfair Advantage</p> <p>Can't be easily copied or bought</p>	<p>Customer Segments</p> <p>Target customers</p>
<p>Key Metrics</p> <p>Key activities you measure</p>			<p>Channels</p> <p>Path to customers</p>	
<p>Cost Structure</p> <p>Customer Acquisition Costs Distribution Costs Hosting People, etc.</p>		<p>Revenue Streams</p> <p>Revenue Model Life Time Value Revenue Gross Margin</p>		

PRODUCT

MARKET

How to fill the Lean Canvas?

Problem Top 3 problems 1	Solution Top 3 features 3	Unique Value Proposition Single, clear, compelling message that states why you are different and worth buying 2	Unfair Advantage Can't be easily copied or bought 7	Customer Segments Target customers 1
	Key Metrics Key activities you measure 6		Channels Path to customers 4	
Cost Structure Customer Acquisition Costs Distribution Costs Hosting People, etc. 5		Revenue Streams Revenue Model Life Time Value Revenue Gross Margin 5		

1. Customer Segments

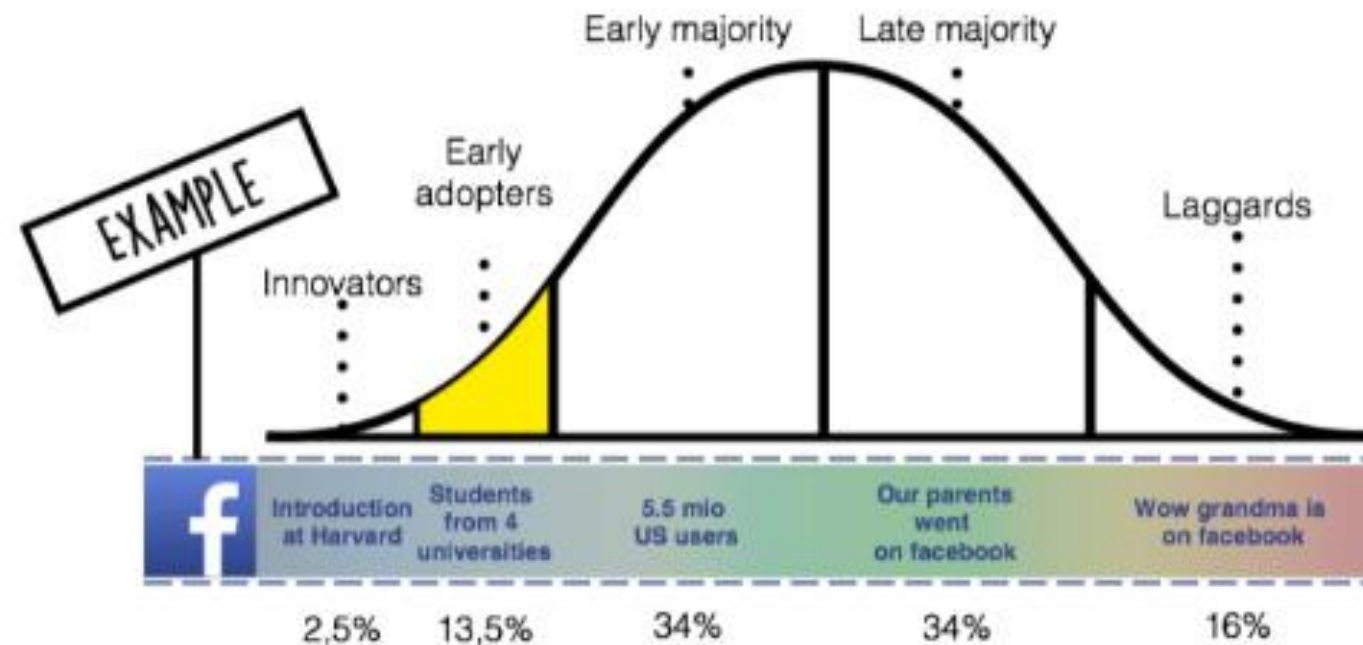


- **For whom are we creating value?**
- (Mass Market, Niche Market, Segmented, Diversified, Multi-sided Platform)
- **Who are our most important customers?**
- What are the characteristics of an early adopter?
- What are the characteristics of your ideal customers?



Example of a customer segment

Facebook as an example, their users were originally college students (early adopters) while today their customers are advertisers.



1. Problem



- For the customer segment you are working with, describe the top 1-3 problems they need solved.
- What existing alternative solutions exist? How you think your early adopters address these problems today (Do this for each segment being looked at)
- Most problems will have an existing solution, including “do nothing”



Example of a problem

For Uber, this would look like:

- The inconvenience of ordering a taxi
- Not having spare cash to pay for a taxi
- It's not always easy to find where your driver is



•Netflix's main alternatives weren't Amazon Prime Video or pay per-view TV, it was a bottle of wine and having friends round for dinner. Alternatives are about how people are already solving the problem, not just competitors.



3. Solution



- What are the top 3 features or capabilities of how we will address the problem?
- Simplicity is key: Building only what is necessary to solve the problem : Prioritize & Rank the features



Example of a solution

- Airbnb : An online service where travelers can rent an affordable local apartment and homeowners can earn extra money by renting out vacant areas on a day-to-day basis.



4. Unique Value Proposition



- Unique Value Proposition: A single, clear compelling message that states why you are different and worth buying.
- It's not your product! It's about value creation and differentiation.
- High level concept.



Example of a UVP

- Facebook's user **UVP** is “connect online with your friends when you're not together”.
- Facebook's customer **UVP** is “reach your target audience at a fraction of the cost”.



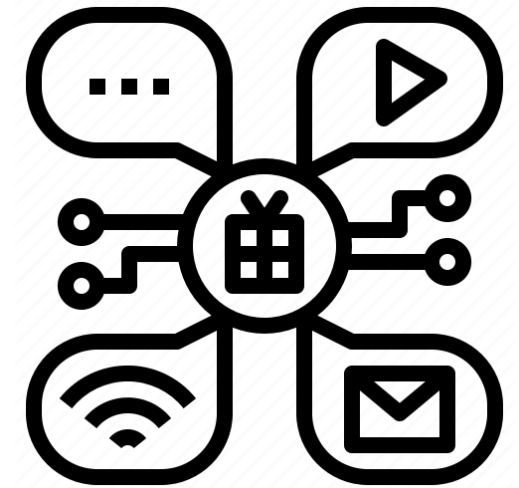
- Youtube **High Level Concept:** The next Flickr of video



4. Channels



- Path to customers
- Four functions of Channels: Communication, Distribution, Sales, Support
- Note that some channels may be inapplicable or more viable during later stages of your startup.
- Select the adequate early free channels first: SEO, Blog, Social Media, etc.
- Then test paid channels: Sponsored ads, adwords, etc.



Example of channels

- Airbnb : Referrals, Online and Offline Advertising



- Facebook: Referral among Harvard students, Cross-friends of Harvard students in other Universities



5. Revenue Streams

- Your price is part of your product.
- What is the revenue model? How will you earn money: Asset sales, subscription fee, usage fee, lending/renting/leasing, licensing, brokerage fee, advertising, freemium,
- What is the expected lifetime value?



Example of a revenue streams

- Facebook: Advertising revenue.



- Airbnb: Fees for travelers



- Amazon: Direct Sales



5. Cost Structure

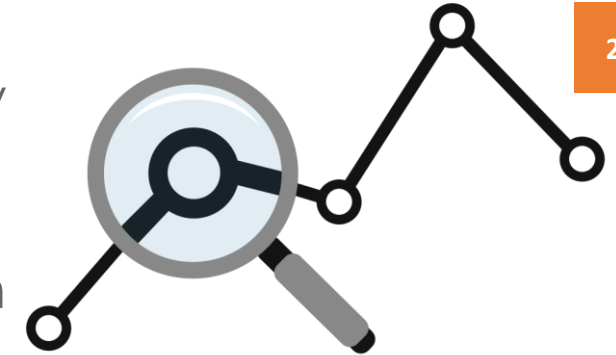
- Customer acquisition costs
- Distribution cost
- Implementation cost
- Other major costs: Design; App development; Hosting; Marketing; Rent; People, etc.



6. Key Metrics



- These are about finding the key number that tells you how your business is doing in real time, before you get the sales report.
- They are about evaluating the success and measuring key activities (KPIs).
- Metric that will validate or invalidate your assumption such as ARPU (average revenue per user), MAU (monthly active users), DAU (daily active users), etc.
- Pick one metric to start



Example of a metrics

- Facebook: DAU, MAU.



- Airbnb: Number of views to bookings per host, number of hosts applied, DAU, MAU



- Amazon: CAC, ROI (sales conversion rate, revenue per visitor, etc.)



7. Unfair Advantage



- A real unfair advantage is something that cannot be easily copied or bought.
- It can be IP, Insider information, Deep industry experience or insight, Unique marketing channel, Existing audience, SEO ranking
- It's difficult to articulate from Day 1
- Work towards and build: You may initially have to leave this box blank but it's here to have you really think about how you can make yourself different and make your difference matter.



Example of a UA

- Facebook's UA is "Large network effects"



UBER LONDON - PASSENGERS

PROBLEM	SOLUTION	UNIQUE VALUE PROPOSITION	UNFAIR ADVANTAGE	CUSTOMER SEGMENTS
<p>Difficult to find a cab when you need it</p> <p>Minicabs needs to be booked in advance</p> <p>Never know who is driving the minicab, and cars are often old and not in decent conditions</p> <p>Black cabs are expensive</p> <p>Cabs mostly don't accept cards</p> <p>EXISTING ALTERNATIVES</p> <p>Black cabs and minicabs</p> <p>Public transports</p> <p>Own means of transport</p>	<p>Guaranteed fast pick up from a car through an app tracking your location</p> <p>See who the driver is and his rating, car plate and car model in advance</p> <p>Pay a reasonable price directly from the app, automatically</p> <p>KEY METRICS</p> <p>Apps installed</p> <p>Accounts created</p> <p>Journeys booked</p> <p>Money spent on trips per month</p> <p>Users referred</p>	<p>We allow Londoners to get from A to B in a comfortable, safe and reasonably priced ride by hailing a car through an app in 1 click</p> <p>HIGH-LEVEL CONCEPT</p> <p>Like taxi but cheaper, easier and safer</p>	<p>40K drivers already active</p> <p>Brand awareness 84% among adults (2016)</p> <p>CHANNELS</p> <p>PR</p> <p>Referrals - invite friend and get discount</p> <p>Outdoor adverts</p>	<p>Young (18-24 yo are 30%), internet-savvy Londoners and tourists</p> <p>25- 44 yo young adults (26%) Londoners and tourists</p> <p>EARLY ADOPTERS</p> <p>American tourists opening the app</p> <p>Wealthy and busy professionals</p>
<p>COST STRUCTURE</p> <p>IT infrastructure and development</p> <p>Marketing, PR and legal costs</p> <p>Drivers recruitment and management</p>		<p>REVENUE STREAMS</p> <p>25% of a fare based on route and idle time</p>		



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What next?

- Your job is to fill the Canvas with hypotheses...
- Then prove or pivot them
- *Know your stage, know your riskiest hypotheses, and start testing!*

Homework (offline tasks)

- Prepare a lean canvas for your project
- Fill the following blocks of the validation board: Customer Hypothesis (start); Problem Hypothesis (start); Solution Hypothesis (start); Core Assumptions; Riskiest Assumption; Method; Minimum Success Criterion



Thank you

Q&A

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