DREXEL UNIVERSITY
Charles D. Close
School of Entrepreneurship

BUSINESS MODEL COMPETITION INFO SESSION

DREXEL UNIVERSITY
Baiada Institute
for Entrepreneurship

Baiada Institute Competitions

Idea pitch

- Effective idea communication
- Winter term (also during Startup Day)
- Students only
- $500 prize

Business model

- Provide evidence of commercial viability
- Spring term
- Students only
- $1000 prize

Business plan

- Full oppty analysis & plan
- LivePlan access
- Summer/fall term
- Startup Day
- Students and recent grads
- Significant cash prizes & services

Truths

For your business (model) to be successful, there are a number of assumptions that need to be true:

- Customers know they have a problem
- They want your help solving it
- They will pay you to solve it
- You can solve it

Business Model Competition is about…

- Recognizing that any new venture is just a guess at a problem or solution
- The only valid way to test whether those guesses are right is to "get outside the building" and start working with customers
- With the goal of validated learning about the key business model hypotheses (assumptions)
- And that failing early is a success compared to failing late.

What the competition is not

A full-blown investor pitch (though there are elements)

A business plan presentation

A product demo

Presentation – Thursday June 2 5pm

- Must pre-register (see Baiada events page)

- Presentation focus on the process used and learnings in testing hypotheses with customers and developing a *more* validated business model.

- 8 minute presentation; recommended structure:
  - Customer / problem / solution statement - 2 minutes
  - Experiments performed and results – 3.5 minutes
    - Number, depth and quality of experiments
  - Unique Value Proposition statement - 0.5 minutes
  - Channels to market and revenue model – 1.5 minutes
  - Next steps - 0.5 minutes

Prizes

- $1,000 top prize
- $500 second
- $250 third

- Consideration for space in the Baiada Institute

- Recognition in Close School press/communications

Your goals when starting with a new idea

- Actively identifying and validating crucial business model hypotheses…rather than writing a static business plan

- Talking to customers outside the building…rather than gathering secondary data inside the building

- Applying customer development…rather than relying on product development

Truths (again)

For your business (model) to be successful, there are a number of assumptions that need to be true:

- Customers know they have a problem
- They want your help solving it
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Assumptions and riskiness

The assumptions most critical to the success of your startup and are least likely to be true, are considered more “risky” than the others

For example, “I can solve my customers’ problems” is critical to your startup’s success, but it’s very likely to be true.

However, “customers will pay me to solve the problem” is not only critical, it’s also less likely to be true – so you would consider that assumption more “risky”

What's your Riskiest Assumption?

How do you evaluate the "risk" of an assumption?

Ideas:

- **F**inding Early Adopters for your product
- That you can **reach** your Early Adopters
- That your Early Adopters will **pay** you
- That you can **satisfy** your Early Adopters
- That you can achieve Product-Market Fit

More at http://customerdevlabs.com/2016/04/14/what-mvp-should-you-be-building/

Recommended Tools

- Lean Canvas (document)
- Minimum Viable Products (design)
- Experiment Board (test)

Lean Canvas (key business model elements)

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**	

Lean Canvas is adapted from The Business Model Canvas (http://www.businessmodelgeneration.com) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported License.

More at https://xtensio.com/how-to-create-a-lean-canvas

Minimum Viable Product (MVP)

- An MVP is a version of a product that allows you to collect a maximum amount of validated learning of your target customers in order test your riskiest assumptions with the least effort.

- Each iteration of your MVP should focus on your current most riskiest assumption.

- More at http://customerdevlabs.com/2016/03/19/9-landing-page-mvp-tools-you-should-be-using and http://customerdevlabs.com/2016/04/06/what-does-minimum-viable-product-mean

Experiment Board

Javelin

Experiment Board

Project Name:

Team Leader Name:

Start here. Brainstorm with stickies, pull it over to the right to start your experiment.

Who is your customer? Be as specific as possible. Time Limit: 5 Min

What is the problem? Phrase it from your customer's perspective. Time Limit: 5 Min

Define the solution only after you have validated a problem worth solving. Time Limit: 5 Min

List the assumptions that must hold true, for your hypothesis to be true. Time Limit: 10 Min

Need help? Use these sentences to help construct your experiment.

To form a Customer/Problem Hypothesis:
I believe my customer has a problem achieving this goal.

To form a Problem/Solution Hypothesis:
I believe this solution will result in quantifiable outcome.

To form your Assumptions:
In order for hypothesis to be true, assumption needs to be true.

To identify your Riskiest Assumption:
The assumption with the least amount of data, and core to the viability of my hypothesis is...

Determine how you will test it:
The least expensive way to test my assumption is...

Determine what success looks like:
I will run experiment with # of customers and expect a strong signal from # of customers.

Experiments	1	2	3	4	5
Customer					
Problem					
Solution					
Riskiest Assumption					
Method & Success Criterion					
GET OUT OF THE BUILDING!					
Result & Decision					
Learning					

Download Experiment Board and watch case studies at www.javelin.com

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Experiment examples

- **Concierge MVP -** Manually perform tasks related to *delivering the value* of your product or service.
- **Mechanical Turk** - Simulating the backend with real people or existing apps.
- **Imposter Judo** - You might ask customers to sign-up and give you feedback on a competitors website, or repackage an existing product.
- **Analog/Physical -** Sell a physical version of the product, even if your final product will be digital.
- **Dry-Wallet -** In order to test whether your customers will actually purchase your products, and for how much, you can deploy a simulated "purchase now" experience.
- **High Hurdle -** Refers to any experiment where you actually make your experience more difficult to use, in an effort to gauge real interest.
- **Video Trailers -** Record a "real life" scenario using your product, where you edit the video to create the illusion your product is real.

More at http://www.movestheneedle.com/enterprise-lean-startup-experiment-examples/

RESOURCES TO HELP YOU

- Lean Startup article
  https://hbr.org/2013/05/why-the-lean-start-up-changes-everything

- How to Create Your Lean Canvas
  http://startangels.ch/downloads/LeanCanvasInstructions.pdf

- Javelin Board
  http://www.slideshare.net/vishnu/lean-canvas-experiment-board-startup-validation
  https://www.leanstartupmachine.com/validationboard/

GOOD LUCK!

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