Find Product / Market Fit with the Back of a Napkin

BOOTSTRAP
YOUR BUSINESS MODEL

@berniemaloney
NO BUSINESS PLAN SURVIVES FIRST CONTACT WITH A CUSTOMER

Steve Blank
PLANS ARE WORTHLESS, BUT PLANNING IS EVERYTHING

Dwight D. Eisenhower
DO ITERATIONS APPLY TO PLANS?

Build

Learn

Measure
Let’s start here...

SO, WHAT IS A BUSINESS MODEL?
SO, WHAT IS A BUSINESS MODEL?
Exercise
2 min each in pairs

EXPLAIN YOUR BUSINESS (MODEL) TO YOUR NEIGHBOR
HOW MANY COULD ACCURATELY DESCRIBE THEIR NEIGHBOR’S BUSINESS?
OR, WAS YOUR EXPERIENCE LIKE THIS?
ANY PROBLEM CAN BE MADE CLEARER WITH A PICTURE

Dan Roam
ABOUT

Bernie Maloney

• 25+ years tech (15+ years Agile) product development
• Lightning Engineer (flash! BOOM); Capital Equipment; Volume Manufacturing; Consumer Electronics; Enterprise Software Development;
• Scaled businesses from Breakeven through $1B+
• Delivered 1000s of profitable products, worldwide
• Licensed Professional Engineer
• Certified Scrum Professional
• SAFe SPC
AGILE FOR BUSINESS SURVIVAL

14 mo design cycle
3 mo shelf life

$B/y
Breakeven

SW + HW

Products / qtr
200 in EU alone
20
6 in USA

All with WEEKLY iterations of the plan

HP PC: http://www.macmemorystore.com/content/navigation/small/xt963.jpg
SW Bits: http://www.newpackettech.com/software_bits.jpg

@berniemaloney
Bernie Maloney, CSP
PE, CSM, CSPO
Agile Coach
Accelerating Genius

Turning **Strategies** into **Results**
From **Startup to Beyond $100M**
ANY PROBLEM CAN BE MADE CLEARER WITH A PICTURE

Dan Roam
Dan also wrote an earlier, worthwhile book: The Back of the Napkin

@berniemaloney
HOW CAN A BUSINESS BE PICTURED?

http://youtu.be/QoAOzMTLP5s
# BUSINESS MODEL CANVAS

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<thead>
<tr>
<th>Partners</th>
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<td>Resources</td>
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<td>Channel</td>
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<td>What it ‘costs’</td>
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<td>What you ‘get’</td>
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WHY IS A MODEL SIGNIFICANT?
WHY IS A MODEL SIGNIFICANT?

DESIGN THINKING
DESIGN THINKING

• Freezing an idea early risks falling in love with it
• Refining an idea quickly risks become attached (sunk cost)
• Objective: Defer judgment & emphasize crude prototypes to help avoid these pitfalls
• Example: IDEO - an illustration of Design AND Agile
  http://youtu.be/M66ZU2PClMc
el else

WHY IS A MODEL SIGNIFICANT?
Lean Startup / Eric Ries: Build-Measure-Learn

@berniemaloney
A MODEL MIGHT LOOK GREAT ON PAPER...
... REMEMBER IT’S A SET OF HYPOTHESES
Build

Learn

Measure
COST PER TEST / LESSONS = ?

COST PER TEST / LESSONS = ?

HOW ABOUT AN EXAMPLE?
Better yet...

HOW ABOUT A **personal** EXAMPLE?
### BUS 15 @ STANFORD

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<tbody>
<tr>
<td>Stanford</td>
<td>Marketing</td>
<td>Experience in Product Management &amp; Agile</td>
<td>direct</td>
<td>Bay Area</td>
</tr>
<tr>
<td>Guest Speakers</td>
<td>Resources</td>
<td>Live Class</td>
<td>Personal (vs automated)</td>
<td>Curious about Prod Mgt &amp;/or Agile</td>
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<tr>
<td></td>
<td>Brand Rooms Equipment</td>
<td></td>
<td>Live Class</td>
<td>Experienced &amp; want increased results</td>
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<td></td>
<td>Experience</td>
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<td></td>
<td>Very Early Entrepreneurs</td>
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**What it ‘costs’**
Prepare outline; develop materials; coordinate efforts; time to teach...

**What we ‘get’**
Feedback; fresh perspective; resume enhancer; honorarium; contacts...

---

@berniemaloney
**BUS 15 @ STANFORD**

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**How could inspect/adapt be applied?**

- **What it ‘costs’**
  - Prepare outline; develop materials; coordinate efforts; time to teach...
- **What we ‘get’**
  - Feedback; fresh perspective; resume enhancer; honorarium; contacts...

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What it ‘costs’
Prepare outline; develop materials; coordinate efforts; time to teach...

What we ‘get’
Feedback; fresh perspective; **resume enhancer**; honorarium; contacts...

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OTHER VALUES OF THE BM CANVAS

• Ecosystems Win
  – Microsoft Office
  – iTunes
  – Search + Ads

• Canvas Maps an Ecosystem
  Fits a single visual field = shifts brain processes

• Looks at Market & Opportunity
  over chasing a competitor’s ‘tail lights’
Ready for a Group Exercise?

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What it ‘costs’

What we ‘get’
EXERCISE: BUSINESS MODEL CREATION

• Form Teams
• Product: Biodegradable Bag (ok for fertilizer)
• 5 minutes: Create (at least 1) business model

http://www.naparecycling.com/uploads/plastic%20bag.png

@berniemaloney
### BUSINESS MODEL CANVAS

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@berniemaloney
INSIGHTS: CREATING A BUSINESS MODEL


@berniemaloney
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This is a crude prototype

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</table>
EXERCISE: BUSINESS MODEL CREATION

• Form Teams
• Product: Biodegradable Bag

How could you “unit test” the product?

Create (at least 1) business model
THERE ARE **NO FACTS IN THE BUILDING**

...SO GET OUT AND **TALK TO CUSTOMERS**

Steve Blank
CUSTOMER DEVELOPMENT

Customer Discovery → Customer Validation → Customer Creation → Company Building

pivot

Source: Steve Blank
The Four Steps to the Epiphany

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TWO PHASES

Search

Customer Discovery ➔ Customer Validation

Execution

Customer Creation ➔ Company Building

pivot
ENLIGHTENED TRIAL & ERROR SUCCEEDS OVER THE PLANNING OF LONE GENIUS

Peter Skillman
APPLY THE SCIENTIFIC METHOD: RUN EXPERIMENTS

<table>
<thead>
<tr>
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<th>test</th>
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</table>
WITH VALIDATION, ITERATE (PIVOT) MODEL AND RUN FURTHER EXPERIMENTS

@berniemaloney
PIVOTING: LEARNING CHEAPLY FROM FAILURE
THE WAY TO SUCCEED IS TO DOUBLE YOUR FAILURE RATE (cheaply)

Thomas Watson
Founder of IBM
# HP MEDIASMART (RETAIL) TVS

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<tr>
<td>Asian TV Brand You know</td>
<td>Set Devel’mnt Manufacturing Licensing</td>
<td>Leading Edge Internet TV future proofing</td>
<td>Indirect B2B2C Direct B2C Direct</td>
<td>Volume Retail Best Buy CircuitCity IPTV Visionary Adopters</td>
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<tr>
<td>Asian TV Brand New to USA</td>
<td>Resources</td>
<td>Known Brand</td>
<td>Channel Retail Electronics</td>
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<tr>
<td>CinemaNow Netflix Microsoft</td>
<td>Glass TV KnowHow Internet Content</td>
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<thead>
<tr>
<th>Costs</th>
<th>Revenues</th>
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<tbody>
<tr>
<td>Cost-plus Mat’l; Design; Supply Chain; Placements</td>
<td>Just enough to break even at intro, Not enough to sustain price drops</td>
</tr>
</tbody>
</table>

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HP COMMERCIAL TVS

**Partners**
- Asian TV Brand
  - You know
- Asian TV Brand
  - New to USA

**Activities**
- Set Devel’mnt
- Manufacturing
- Resources
  - Glass
  - TV KnowHow
- American Brand
- Known Brand

**Offer**
- Competitive Price

**Relationship**
- Indirect B2B2B
- Direct B2B
- Channel
  - Commercial Suppliers
  - HP Sales

**Key Customers**
- CDW
- Direct HP Accounts

**Costs**
- Cost-plus Mat’l; Design; Supply Chain;

**Revenues**
- Sustainable Margin

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### VIZIO TVs (2006)

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<td>Value Pricing</td>
<td>Indirect B2B2C</td>
<td>Costco</td>
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<td>You know</td>
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<td>Direct B2C</td>
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<tr>
<td>Asian TV Brand</td>
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<td>Channel</td>
<td>Value Buyers</td>
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<td>New to USA</td>
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<td>Warehouse Clubs</td>
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<td>Resources</td>
<td>American Brand</td>
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<td>Glass TV KnowHow</td>
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<td>Competitive Mat’l; Design</td>
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<td>Supply Chain;</td>
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<td>Revenues</td>
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<tr>
<td>Sustainable Margin</td>
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<td>Sustainable Volume</td>
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@berniemaloneyn
# Layering in Market Research

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<td>Value Pricing</td>
<td>Leading Edge Internet TV</td>
<td>1M+ IPTV Vision Adopters</td>
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<td>Commercial</td>
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<td>100s @1Ks</td>
<td>10s @1Ks Value Buyers</td>
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<tr>
<td>Resources</td>
<td>Electronics</td>
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<td>1Ks</td>
<td>1Ks</td>
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PIVOTS ARE BUSINESS MODEL CHANGES WITHOUT CRISIS

Steve Blank
Test & Adapt the model until you can prove it works

Customer Discovery → Customer Validation → Customer Creation → Company Building

pivot
HOW TO PROVE IT WORKS?

• MVP
  – Minimum Viable Product
  – Sale of a Product (it’s viable!)

• PMF
  – Product Market Fit
  – Is it the right customer segment?
  – Is the segment sustainable?
  – Is the product / model sustainable?
Noted by Jeff Patton (Aug ‘12 DFWScrum)
Customer Discovery → Customer Validation → Customer Creation → Company Building

Search → Execution

MVP  PMF

pivot
EXERCISE: BUSINESS MODEL CREATION

• Form Teams
• Product: Biodegradable Bag

Want a model comparison?
Create (at least 1) business model
BASIC SANITATION

Image Source: http://www.whale.to/a/bangladesh.html
ACCESS TO SANITATION

• 4 out of 10 people lack even simple latrines (2.6 billion people)
• A solution?

PEEPOO BAG

• Single use toilet bag
• Self sanitizing
• Low production cost
• Biodegradable – turns into fertilizer
• (initially) targeted at poor people
• People already pay for sanitation
WHO / WHERE ELSE COULD USE THIS?

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- **Resources**
- **Channel**

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MULTIPLE MODELS FOR 1 PRODUCT
This is a crude prototype of a business

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@berniemaloney
MULTIPLE MODELS FOR 1 PRODUCT

Want another Group Exercise?

@berniemaloney
EXERCISE: BUSINESS MODEL CREATION

• Form Teams
• Product: Coffee
• 7 minutes: Create a business model AND 3 “systems” Tests of PMF

http://www.thecoffeebeanshop.com/images/CoffeeBeanCloseup6beansR.jpg
# BUSINESS MODEL CANVAS

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What it ‘costs’

What you ‘get’

Source:
INSIGHTS: CREATE + TEST A BUSINESS MODEL


@berniemaloney
EXERCISE: BUSINESS MODEL CREATION

- Form Teams
- Product: Coffee

Want a model comparison?

http://www.thecoffeebeanshop.com/images/CoffeeBeanCloseup6beansR.jpg

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ALTERNATIVE: LEAN CANVAS

http://practicetrumpstheory.com/the-10x-product-launch/
http://practicetruptethtoery.com/the-10x-product-launch/
## BUSINESS VALUE CANVAS

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<td>gain creators</td>
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<td>gains</td>
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<td></td>
<td></td>
<td>products &amp; services</td>
<td></td>
<td>customer jobs</td>
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<td>pain relievers</td>
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<td>pains</td>
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### What it ‘costs’

### What you ‘get’

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@berniemaloney
EXTENDING
THE BUSINESS MODEL CANVAS
BUSINESS TO CONSUMER
B2C
BUSINESS TO BUSINESS TO CONSUMER
B2B2C
OR AN ENTIRE VALUE CHAIN
OR MULTIPLE MODELS FOR 1 PRODUCT
ARE PRODUCTS THIS EASY TO ITERATE?
WHICH ONE(S) BEST FIT MARKET?
Each Experiment amounts to an (Agile) Iteration of the Business the Ecosystem
IF YOU DON’T WORK UNDER TIME CONSTRAINTS, YOU COULD NEVER GET ANYTHING DONE. IT’S A MESSY PROCESS, IT COULD GO ON FOREVER.

Dave Kelley
FAIL OFTEN,
IN ORDER TO SUCCEED SOONER

IDEO
Ut Prosim. Namaste.

FIN

@berniemaloney
Bernie Maloney, CSP
PE, CSM, CSPO

Agile Coach
Accelerating Genius

Turning Strategies into Results
From Startup to Beyond $100M

bit.ly/speedmygenius
linkedin.com/in/berniemaloney