



Start-upping

MindShaker Meeting
Carmelo Cennamo
Milano, Luglio 2015



Start-upping: The difficult art of building a business

- ▶ Part I – The startup phase
- ▶ Part II – How to create value
- ▶ Part III – How to retain value



It's all about innovation...



It all starts from an innovative idea...

It's all about innovation...



THE WORLD'S 50 MOST INNOVATIVE COMPANIES

[SEE FULL LIST](#)

THE WORLD'S 50 MOST INNOVATIVE COMPANIES



Welcome to our annual guide to the businesses that matter most, the ones whose innovations are having an impact across their industries and our culture. Click a company name to view the entry, or [determine your own ranking](#) of the top four companies using a series of quizzes, games, and brainteasers.

1 Apple

For walking the talk

2 Facebook

For 800 million reasons to share

3 Google

For expanding its hit lineup

4 Amazon

For playing the long game

5 Square

For making magic out of the mercantile

6 Twitter

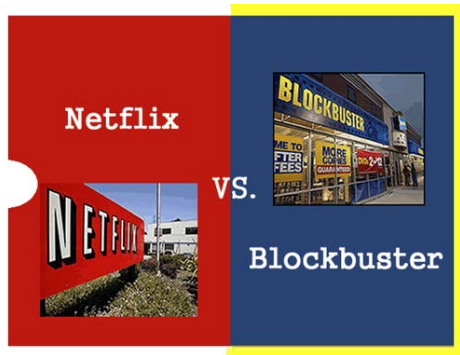
For amplifying the global dialogue

It's all about innovation...



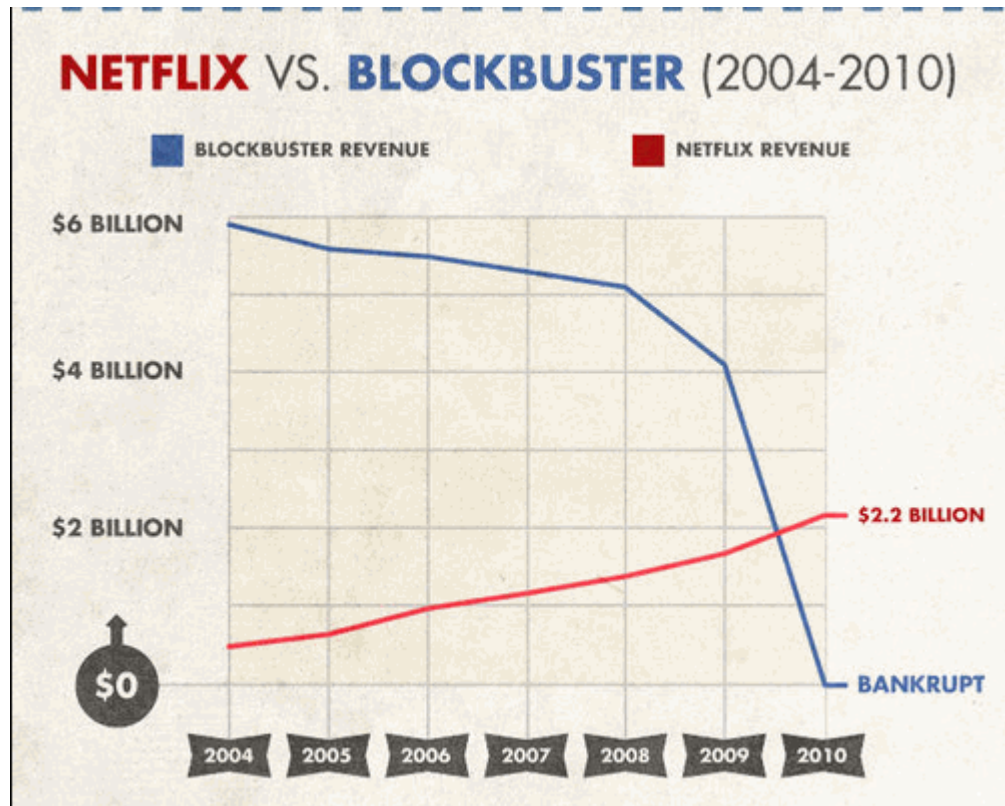
What's innovative?

What's the innovation?



How it works:

- Pick Movies Online From More Than 40,000 Titles
- Movies Are Delivered Free to Your Door
- Then Send Back to Get More



2001 - APPLE'S IPOD LAUNCH

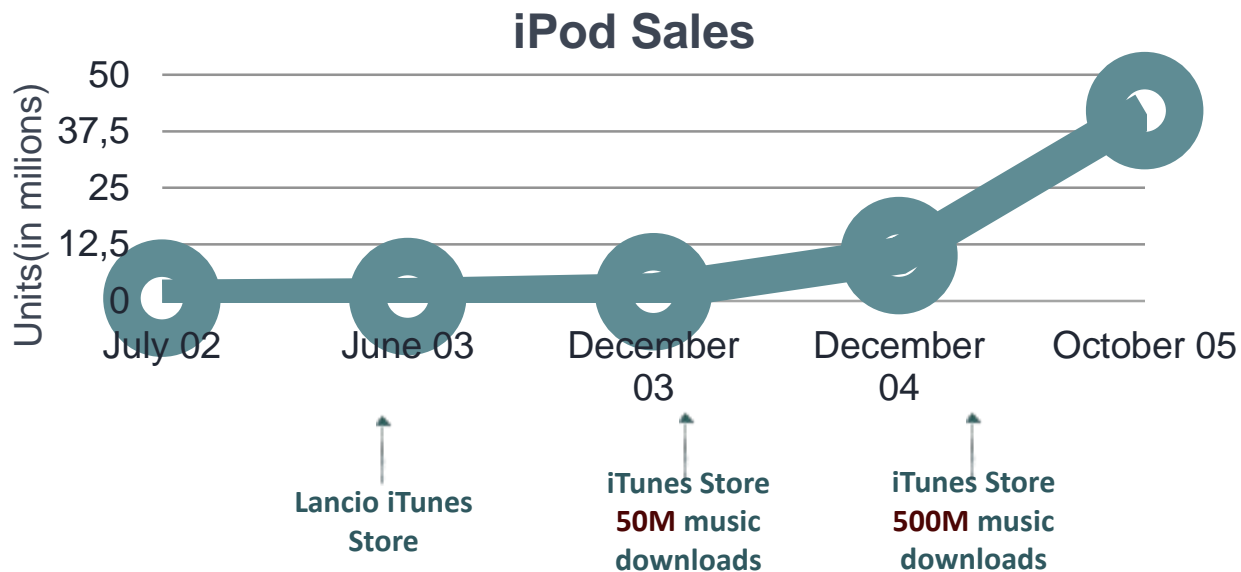


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"1,000 songs in your pocket"

- Ultra-portable
- 10 hours battery
- High quality materials
- "Beautifully designed"

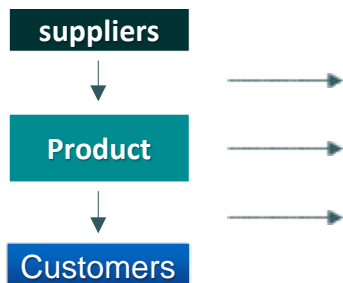
IPOD SUCCESS



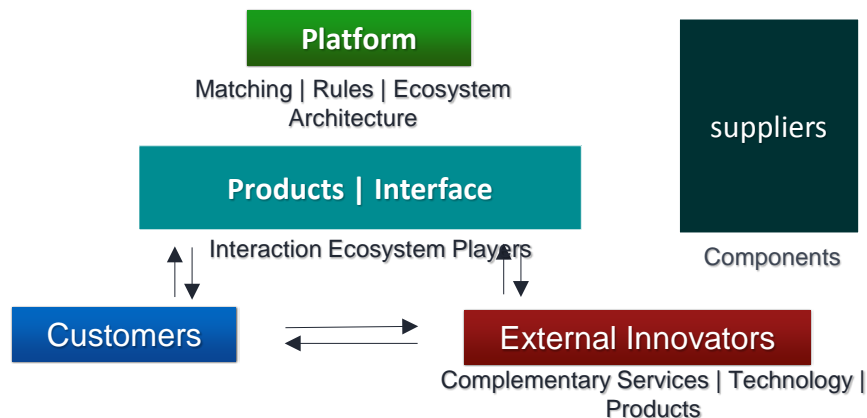
What's the innovation?

APPLE NEW BUSINESS MODEL

Vertical Model



Market Platform Model



It's all about innovation...



What's innovative?

The way you solve customer problem

Building value

Delivering value

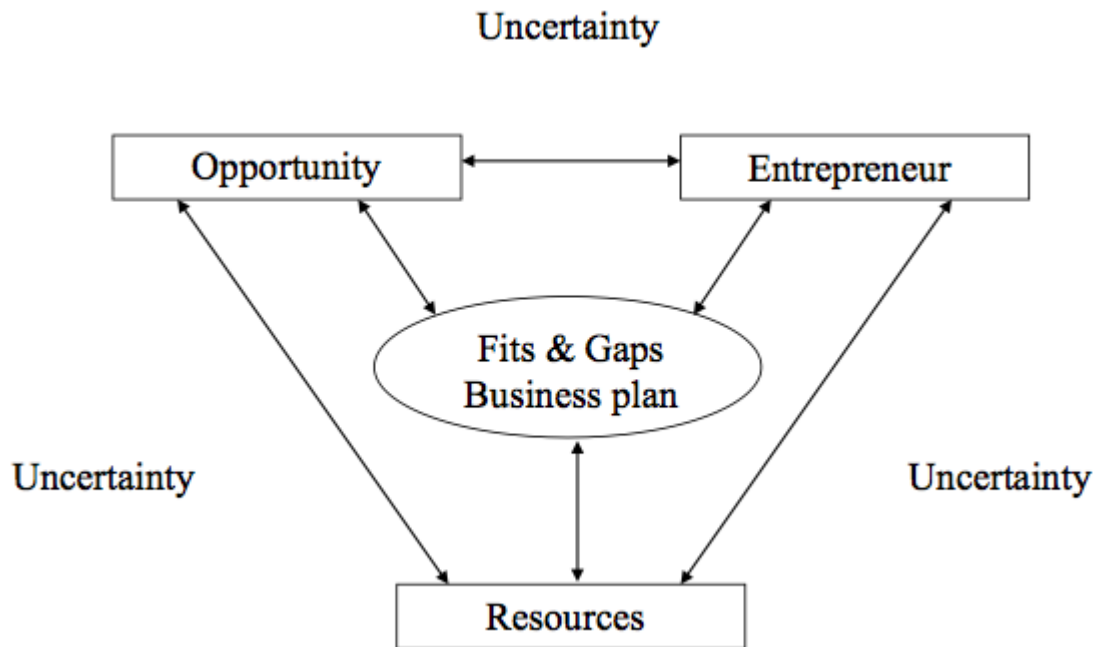
How To Recognize a Successful Startup

This is how investors recognize successful startups early on

By Anna Vital



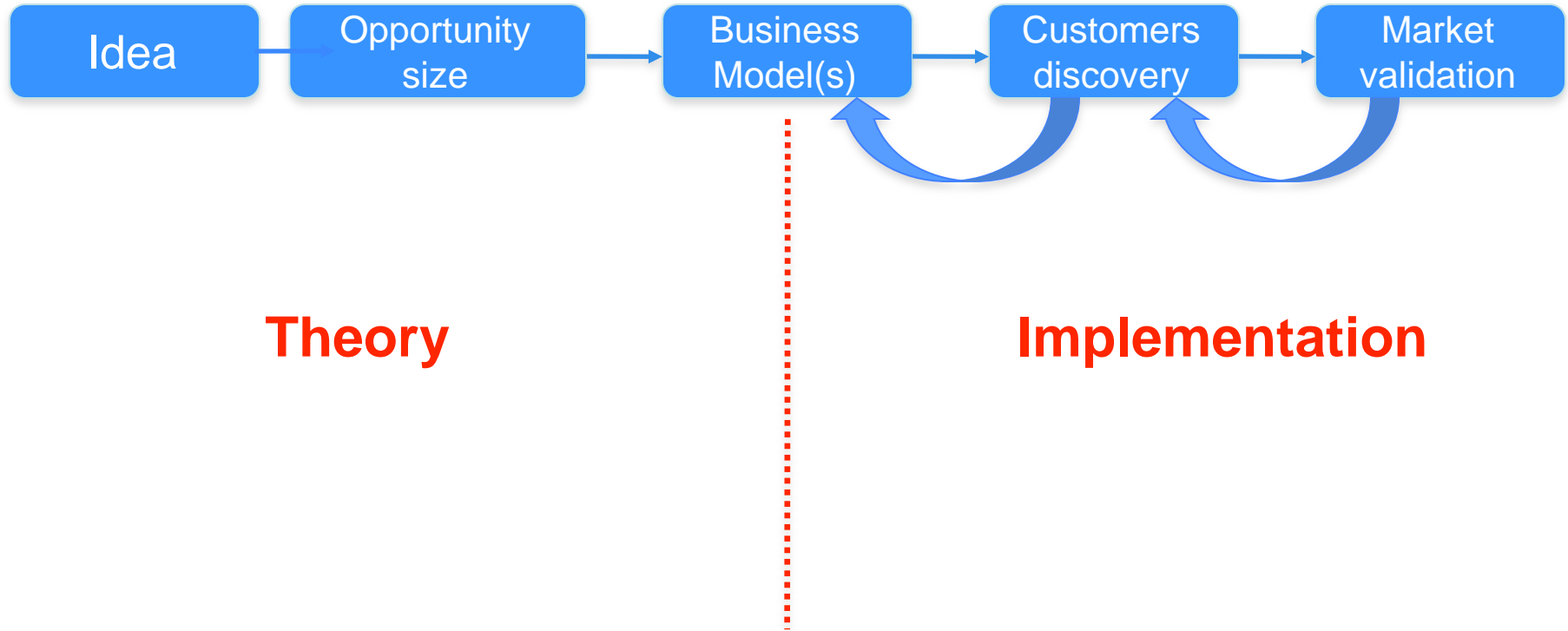
from
Funders and Founders
www.fnf.vc



Build your **THEORY** (vision) of the world (how it is and what it should be)

TEST & VALIDATE your theory to build a **Business Model**

The “lean” approach

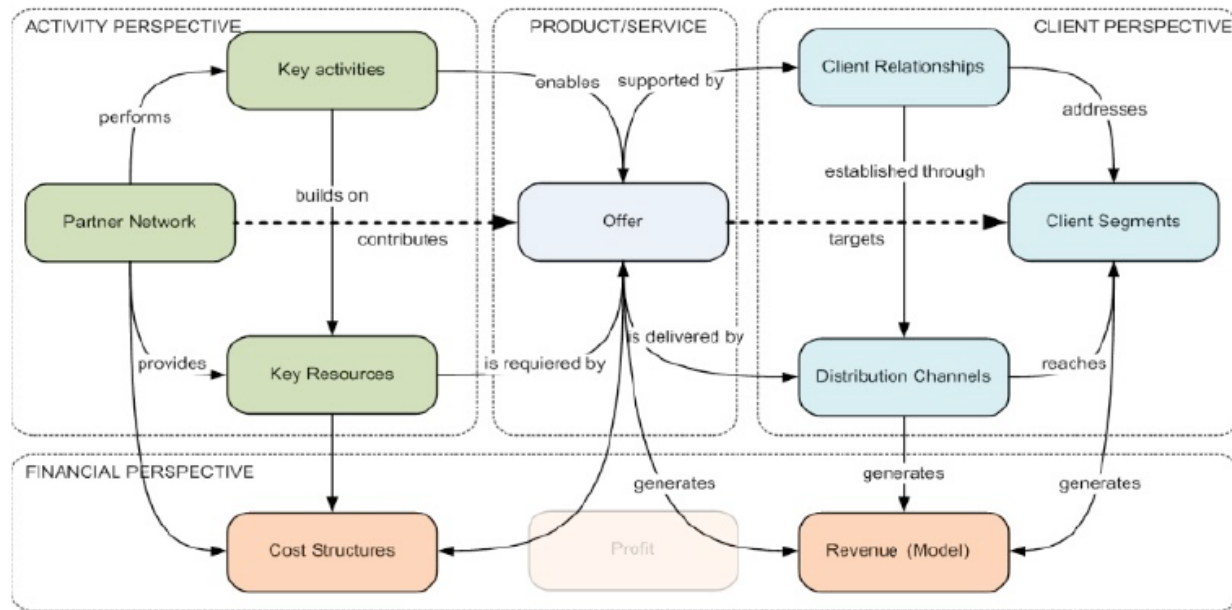


A startup is...

‘a temporary organization to find and build a scalable and repeatable business model’

Source: S.Blank

“The architecture of the mechanisms for creating, delivering and capturing value” (Teece)



Source: Osterwalder,

Startup phase

Moving beyond the innovative idea

Think not just product...but the **business model**:
how you build, deliver and capture value

Innovating the business model is your answer to
a **real & relevant problem**

Part II

Value Creation

Market Creation or “Discovery”?

Most startup fail because of lack of customers not because of product

(focus on “WHO” more than “WHAT”)

Think **Problem**, not Product

What

~~...you sell~~

***problem you
try to solve***

Who

~~...buy~~

***feels most the
problem***

How

~~...you build & sell~~

***you solve it
compared to
alternative
solutions***

Think Problem

- **Problem Statement:** *What is the problem? **Who** bears it?*
- **Technology / Market Insight:** ***Why** is it difficult to solve?*
- **Market Size:** *How big is the problem?*
- **Competition:** *How do customers solve it today?*
- **Product:** *What's your solution?*
- **Value Proposition:** ***WHY** your solution is superior and **to whom**?*

Gain deep knowledge about:

Latent Problem (not aware of the problem)

Passive problem (aware of but not motivated/active to find solution)

Active problem: aware of and active to find a solution

Vision (have tried already ways to solve the problem...)

Customer Problem



Startups should discover contexts where customers have tried on their own to solve the problem

In your case?



What is the key problem of your customer?

In your case?

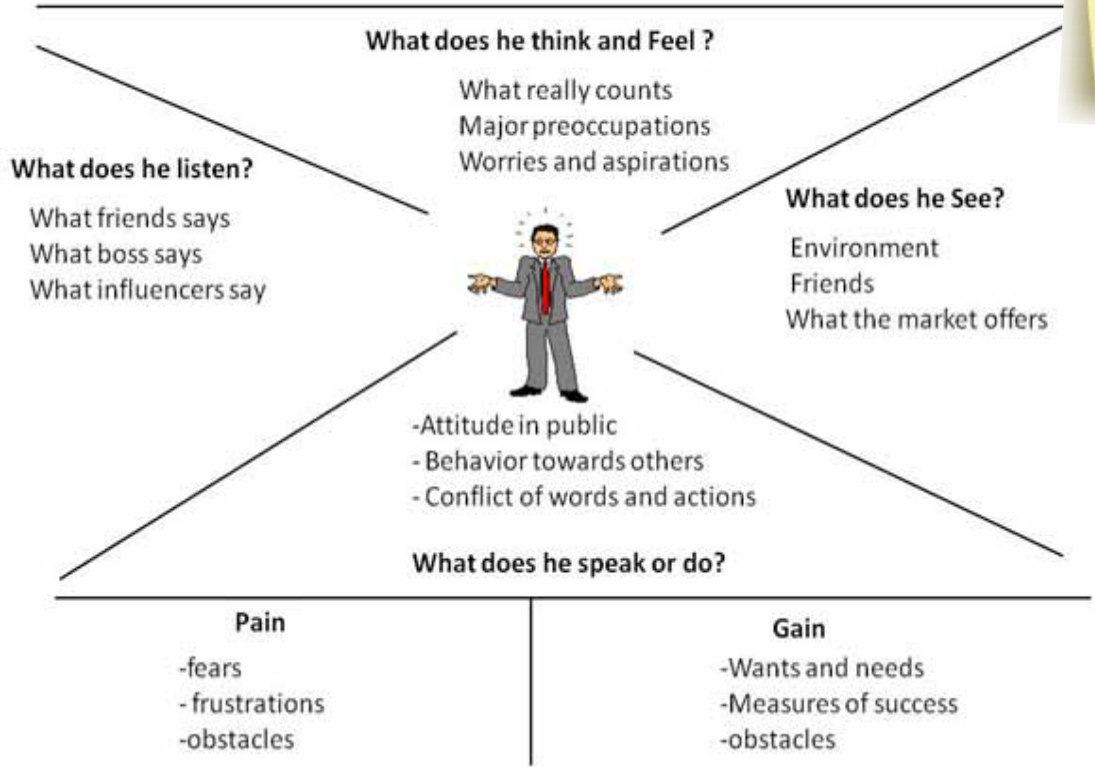


What is the key problem of your customer?

Has s/he tried already a solution? How does s/he solve the problem?



EMPATHY MAP



PROBLEM

List your top 1-3 problems.

SOLUTION

Outline a possible solution for each problem.

UNIQUE VALUE PROPOSITION

Single, clear, compelling message that states why you are different and worth it.

UNFAIR ADVANTAGE

Something that cannot easily be bought or copied.

CUSTOMER SEGMENTS

List your target customers and users.

EXISTING ALTERNATIVES

List how these problems are solved today.

KEY METRICS

List the key numbers that tell you how your business is doing.

CHANNELS

List your path to customers (inbound or outbound).

EARLY ADOPTERS

List the characteristics of your ideal customers.

COST STRUCTURE

List your fixed and variable costs.

REVENUE STREAMS

List your sources of revenue.

Hypotheses & Assumptions

Critical

Critical

Critical

Ok leaving blank for now

Critical

Ok leaving blank for now

Ok leaving blank for now

Ok leaving blank for now

Key, but not critical for now



CANVAS FILL ORDER



NEW ITERATION PATH

- New (blue)
- Tested (orange)
- Valid (green)

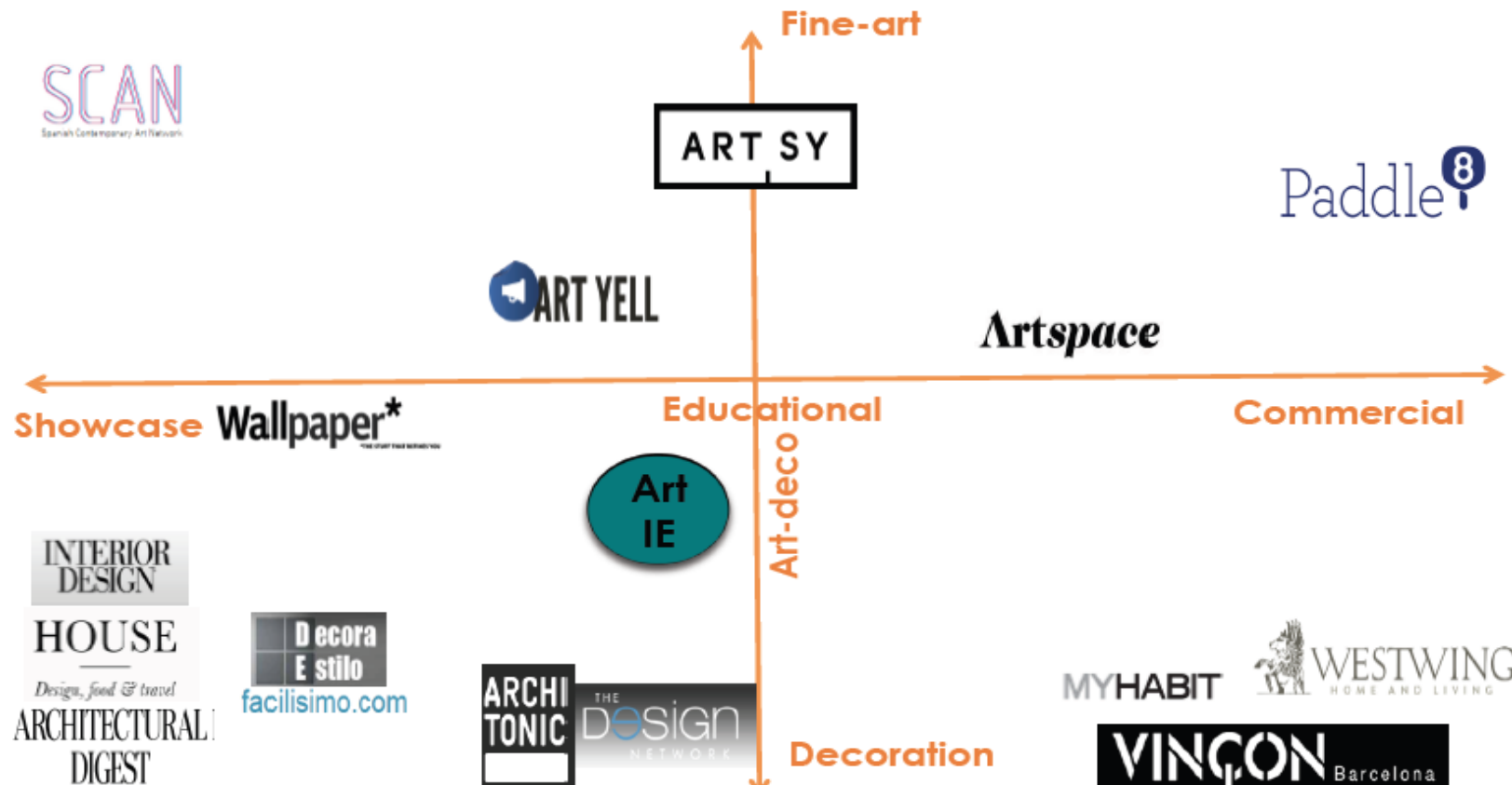
Lean Canvas

Created by Spark59. Online version available at www.leancanvas.com

Lean Canvas is adapted from The Business Model Canvas (www.businessmodelcanvass.com) and a license under the Creative Commons Attribution-NonCommercial-ShareAlike license.

From Customer Problem to Value Proposition

Start-upping – Market Discovery



Test the problem
(design tests for your hypotheses)

Goal: **understand** the customer's problem

1. Designing **experiments** for customer test

- what do I want to learn?
- what's the simplest pass/fail test?
- how do I design a simple experiment to run this test?

2. Preparing for **customer** contacts and **engagement**

- start with **few customers** (identify/contact them)
- less interested in the 'exactly right' customer
- develop a story and **let them speak!** (learn!!!!!!)

3. Testing understanding/importance of the problem

- develop problem presentation
- get customers to talk (about problem/potential solution): **how they solve the problem today?**
- summarize and **“score” data**

4. Gaining understanding of customers

- the goal is to **be the customer**

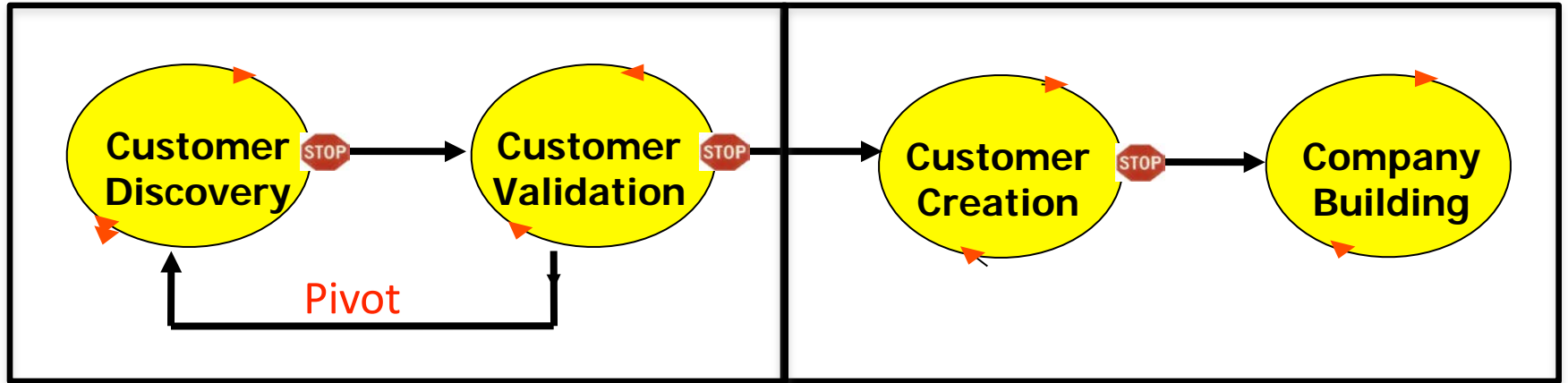
5. Capturing competitive and market knowledge

- ‘use’ **customers as source of information** about market/competition
- **talk to competitors!!!**
- use free traffic-measurement tools to compare and understand the traffic generated by each **competitive product**

Customer Development

Discovery

Execution





Part III

Value Capture

Key elements of competitive strategy



Arenas: where will we be active?

Vehicles: how will we get there?

Differentiators: how will we win in the marketplace?

Staging: what will be our speed and sequence of moves?

Economic logic: how will we obtain our returns?

Key elements of competitive strategy

**Where will we be active?
(and with how much emphasis?)**

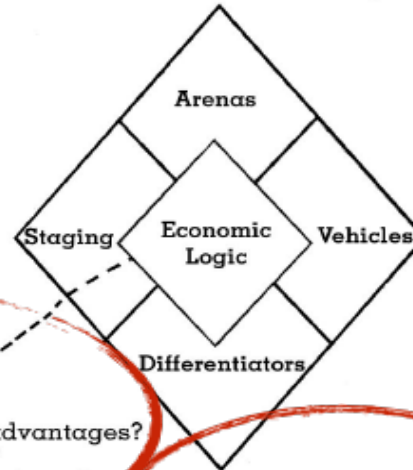
- Which product categories?
- Which market segments?
- Which geographic areas?
- Which core technologies?
- Which value-creation stages?

What will be our speed and sequence of moves?

- Speed of expansion?
- Sequence of initiatives?

How will we obtain our returns?

- Lowest costs through scale advantages?
- Lowest costs through scope and replication advantages?
- Premium prices due to unmatched service?
- Premium prices due to proprietary product features?



How will we get there?

- Internal development?
- Joint ventures?
- Licensing/franchising?
- Acquisitions?

How will we win?

- Image?
- Customization?
- Price?
- Styling?
- Product reliability?

“Strong business models generate reinforcing cycles that, over time, determine competitive advantage” (Casadesus e Ricart)

Is it aligned with company goals?

The choices made while designing a business model should deliver consequences that enable an organization to achieve its goals. This may seem obvious until you consider a counterexample. In the 1970s, Xerox set up Xerox PARC, which spawned technological innovations such as laser printing, Ethernet, the graphical user interface, and very large scale integration for semiconductors. However, Xerox PARC was notoriously unable to spawn new businesses or capture value from its innovations for the parent due to a distressing lack of alignment with Xerox’s goals.

Is it self-reinforcing?

The choices that executives make while creating a business model should complement one another; there must be internal consistency. If, *ceteris paribus*, a low-cost airline were to decide to provide a level of comfort comparable to that offered by a full-fare carrier such as British Airways, the change would require reducing the number of seats on each plane and offering food and coffee. These choices would undermine the airline’s low-cost structure and wreck its profits. When there’s a lack of reinforcement, it’s possible to refine the business model by abandoning some choices and making new ones.

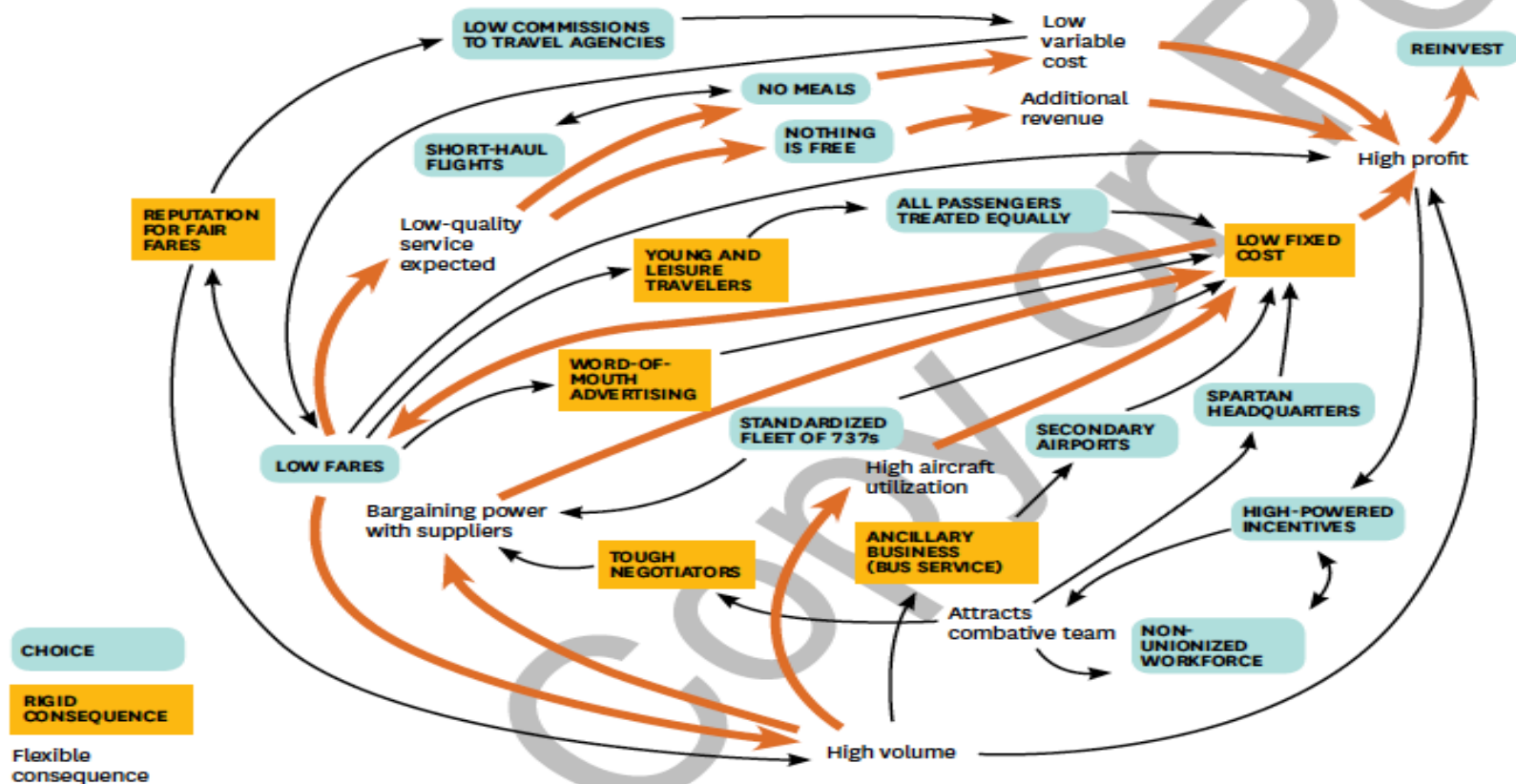
Is it robust?

A good business model should be able to sustain its effectiveness over time by fending off four threats, identified by Pankaj Ghemawat. They are *imitation* (can competitors replicate your business model?); *holdup* (can customers, suppliers, or other players capture the value you create by flexing their bargaining power?); *slack* (organizational complacency); and *substitution* (can new products decrease the value customers perceive in your products or services?). Although the period of effectiveness may be shorter nowadays than it once was, robustness is still a critical parameter.

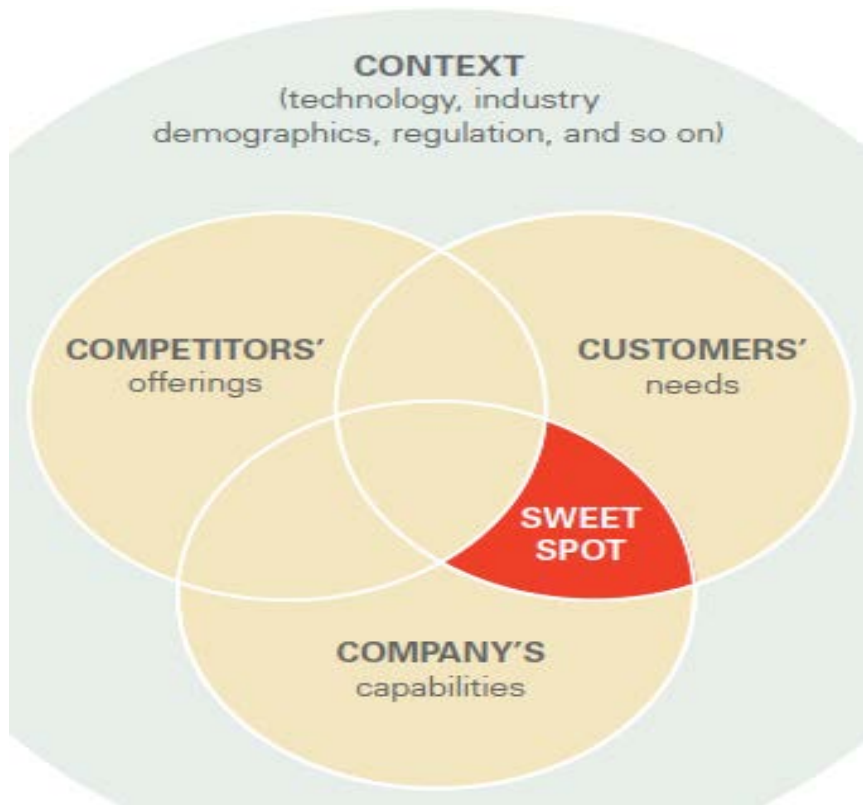
Deve rendersi conto delle interazioni competitive con le altre imprese!

Ryanair's Business Model Now

Ryanair's current business model rests on the key choices of offering customers low fares and providing nothing free. The rigid consequences include a reputation for fair fares and low fixed costs. Ryanair's choices are aligned with its goals, generate cycles that reinforce the business model, and are robust given that it has been operating as a low-cost airline for 20 years.



Sweet spot...



The strategic sweet spot of a company is where it meets customers' needs in a way that rivals can't, given the context in which it competes.

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Sweet spot: value proposition-value deliver



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