![REGINNA 4.0 logo]

Business Model Canvas an value proposition for university startups

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Questions that we will consider at the lecture

- ✓ What is a business model, why is it needed

- ✓ Types of business models

- ✓ Overview of Lean Canvas components (+ business model canvas)

- ✓ Case study. Elomia startup

- ✓ Creating your own business model

- ✓ Value proposition canvas (+Canvas)

- ✓ Creating your own value proposition canvas

Business model is a conceptual description of the method of value creation, — economic (revenue, profit), social (image), etc. It is a description of how the company will make money. It shows what needs are to be done to grow a business, the resources it needs, and how to put it into a single mechanism.
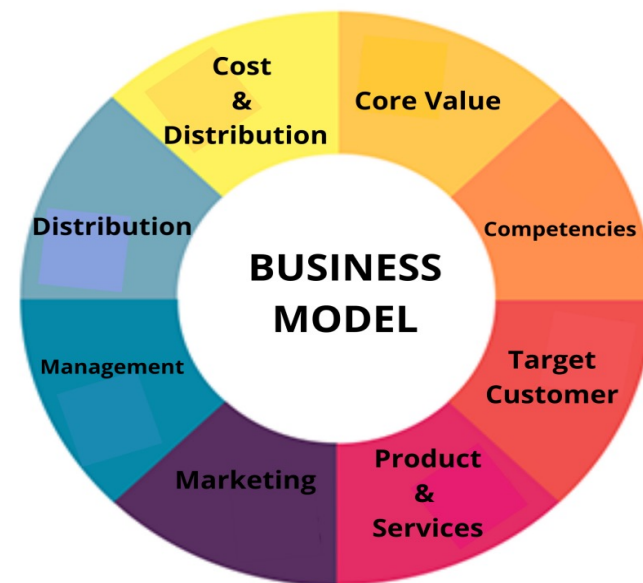
What will give you the understanding of the components of a business model ?
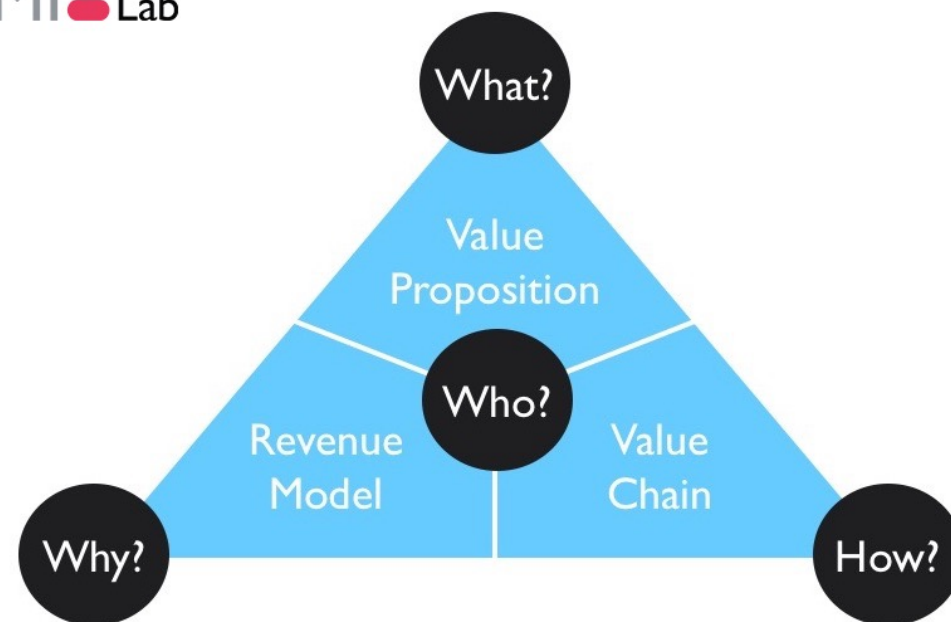
First, structural vision allows you to understand the strengths and weaknesses of your business. Having seen which of the directions need strengthening, you will be able to prioritize them.

Secondly, seeing the model, it is easier for you to understand its place in the chosen field and its ways for development.

Thirdly, the well-chosen business model can provide business with predictable results and growth dynamics.

B2B

In this model, the seller and the customer, both of whom are legal entities, interact.

B2C

In this business model business and the end customer interact. This model is about goods and services used by individuals.

B2G

In this segment, the business offers goods and services for the state.

M2M

M2M technologies usually use such channels for data transmission as Internet, SMS, CSD or voice channel. With the help of any of them, you can organize point-to-point data transfer between two objects.

Variants of business models

- manufacturer: produces final products from raw materials

- distributor: buys products from the manufacturer and sells them;

Variants of business models

- retailer: buys goods from a distributor and sells;

- franchise: one company gives the other the right to work under its brand, and for this it receives royalties

- E-commerce: online sales;

Variants of business models

- Bricks-and-clicks: the company combines offline and online business;

- subscription: subscription to certain types of services;

Variants of business models

• aggregator: the company unites entities that can provide services under their own brand

dropshipping: the model works as part of E-commerce, the company acts as an intermediary between the wholesaler and the buyer.

Industry 4.0

An analytical report by Deloitte and Israeli experts on the development of startups in Industry 4.0 is very interesting in this context. This is one of the few documents that can be found specifically on the role of startups in 4.0.

In Israel, at the national level, 10 priority areas of innovation in 4.0 are clearly identified (they are divided into 3 categories)

Maintenance – Maintenance of production machinery to reduce downtime

Operations Optimization – Utilization of data for improvement of processes

Supply Chain – Improvement of supply chain efficiency or visibility

IoT Platforms and Connectivity – Communication and integration of data

Sensing and Imaging – Devices involved in data collection

Cyber Security – Protection of collected data and connected systems

Robotics – Advanced machinery for complex task automation

Additive Manufacturing – 3D printers and surrounding ecosystem

Safety – Improvement of worker safety

Inspection and Testing – Plant inspection or testing of materials and products

Business model canvas

The business model canvas is a tool that allows you to visualize a startup's business model on a single sheet. This tool helps to understand at which stage the startup is, what are the weaknesses and strengths, what are the prospects, how the startup is going to earn money and where it needs to move next.
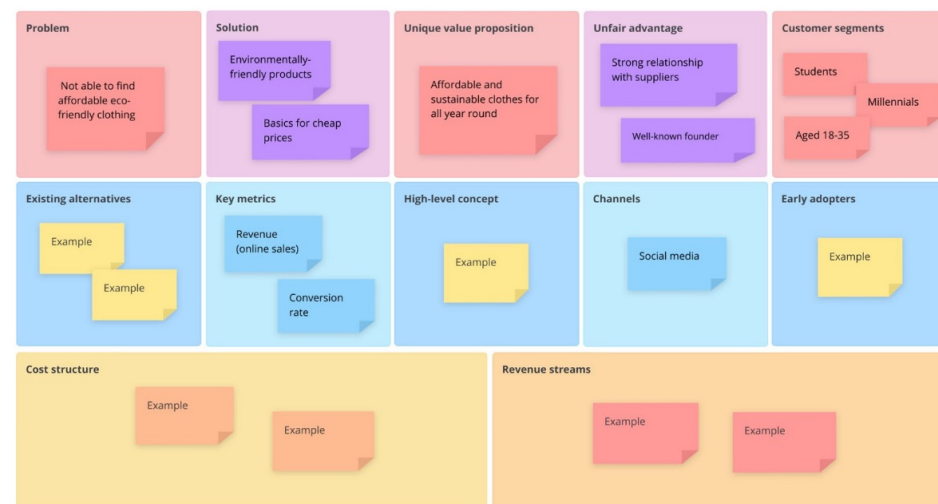
Lean canvas/Canvas business model

There are two most famous canvases for creating a business model:

1. Lean canvas

2. Canvas business model (Osterwalder and Piñet)

The Canvas business model differs from the Lean Canvas model in the following segments - resources instead of KPIs, partners instead of problems and alternatives.

Lean canvas

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 paying attention.

UNFAIR ADVANTAGE
Something that cannot be easily brought or copied.

CUSTOMER SEGMENTS
List your target customers and users.

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

CHANNELS
List your path to customers (inbound or outbound).

EXISTING ALTERNATIVES
List how these problems are solved today.

HIGH-LEVEL CONCEPT
List your X for Y analogy e.g. YouTube = Flickr for videos.

EARLY ADOPTERS
List the ideal characteristics of your ideal customers.

COST STRUCTURE
List your fixed and variable costs.

REVENUE STREAMS
List your sources of revenue.

CANVAS FILL ORDER

RISK ITERATION PATH
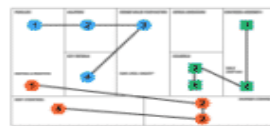
- PRODUCT RISK
- CUSTOMER RISK
- MARKET RISK

Lean Canvas
Created by Gary Fox www.garyfox.co

The Business Model Canvas
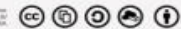
Designed for:

Designed by:

On:

Iteration:

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?

Key Activities

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

Key Resources

What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

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?

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?

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?

Customer Segments

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

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?

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?

www.businessmodelgeneration.com

Let's take a closer look at the Lean Canvas model, which consists of 9 main segments

1. Customer segment
2. Problem + Existing alternatives
3. Revenue Streams
4. Solution
5. Unique value proposition
6. Channels
7. Key metrics
8. Cost strukture
9. Unfair competitive advantages

Customer segment

Lean Canvas
Created by Gary Fox www.garyfox.co

Customer segment is a block responsible for defining the product's target audience. First of all, you need to define segments of potential customers and create portraits for each segment.

Characteristics for segmentation can be the following:

| Geography	Demography	Psychographics	Behavior
Country	Age	Extrovert/ Introvert	How to buy?
City	Gender	Personality	How does he take decision about purchase?
Language	Income	Values	How often does he buy?
Religion	Education		
Climate	Family		
Culture	Social status		
Population	Career		

Product Adoption Curve

The Product Adoption Curve is a graph that visualizes the dynamics of "maturing" of different types of users of innovative products. The main idea is that most potential users of a startup will be ready to start using the product only when it is already very advanced. And only a few percent of users will be willing to test the product when it is not yet perfect.
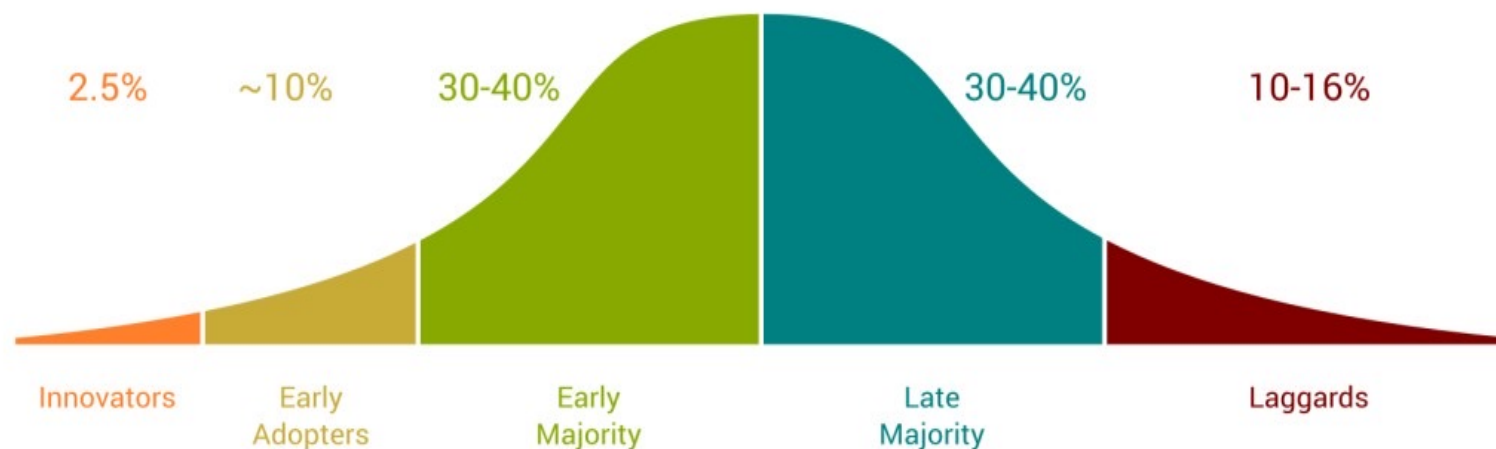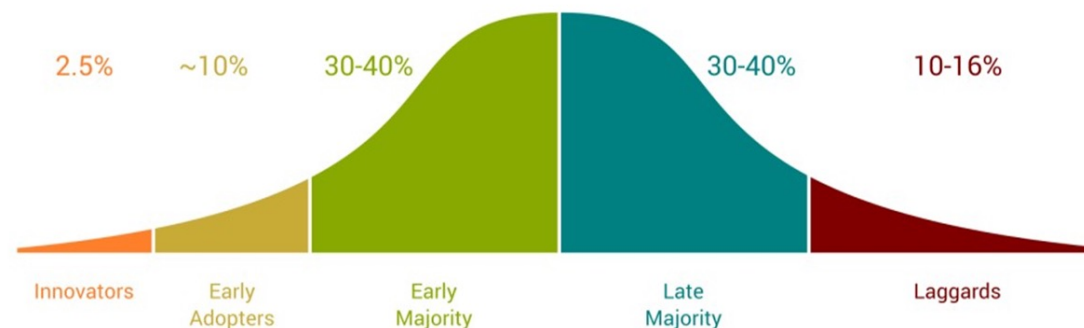

riable.com/adoption-curve   Market adoption curve, Diffusion of Innovation

Product adoption curve - Facebook
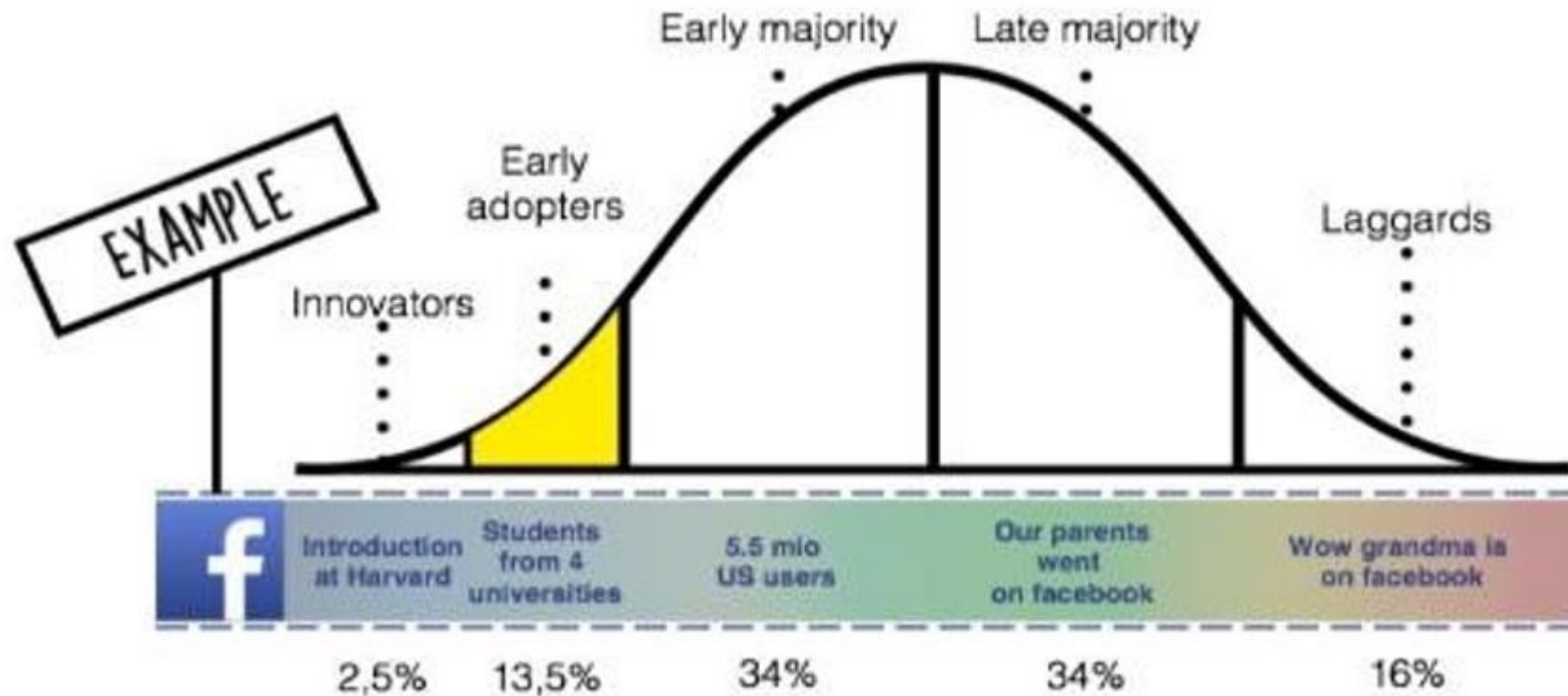
Innovators

riable.com/adoption-curve

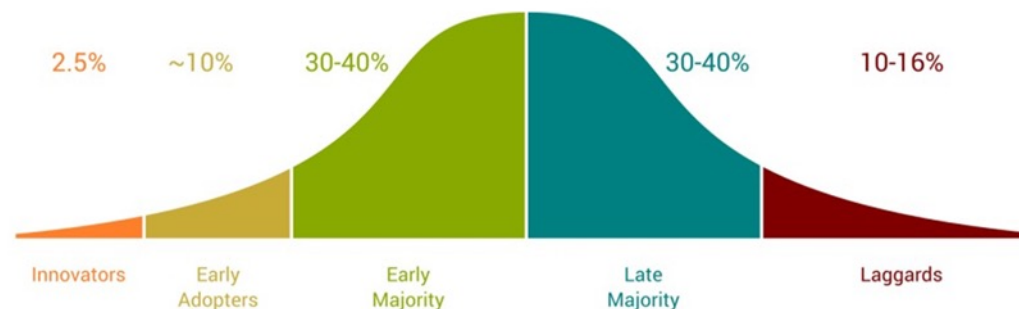Market adoption curve, Diffusion of Innovation

Innovators are people who want to try something new as soon as **po**ssible. These are enthusiasts of new technologies. Innovators do not shy away from the risks associated with the use of innovation.

Early adopters

Market adoption curve, Diffusion of Innovation
riable.com/adoption-curve

Early adopters often have the greatest **in**fluence on **fu**rther social groups. They like to act as leaders and are open to change. Early followers have higher social status, better education and financial **re**sources.

Early majority

Market adoption curve, Diffusion of Innovation

These people are rarely leaders, but they adapt innovations earlier than the "average person". They have contact with early followers. At the same time, they need to see **ta**ngible **evi**dence that the innovation is bene**fi**cial before deciding to adapt it.

Late majority

2.5% ~10% 30-40% 30-40% 10-16%

Innovators | Early Adopters | Early Majority | Late Majority | Laggards

riable.com/adoption-curve

Market adoption curve, Diffusion of Innovation

The late majority is skeptical of change and adapts an innovation only after it has been successfully tested by the majority of the population. Often this **ca**tegory is repre**sen**ted by people with low social status and limited financial capabilities.

Laggards

These are the people who are the last to try innovative products

Problem + Existing alternatives

Problem + Existing alternatives. Describe the problem you are solving with the question "How exactly do we…?". Think: How is the client currently solving this problem? What works well and what doesn't work well in those solutions?

Revenue streams

Revenue Streams. What is your monetization model? How much will your product or service cost? Are your customers willing to pay that much for your product?

Solution

Solution. In this segment, describe in detail what product you offer, its features, key opportunties, and how you solve the problems you describe.
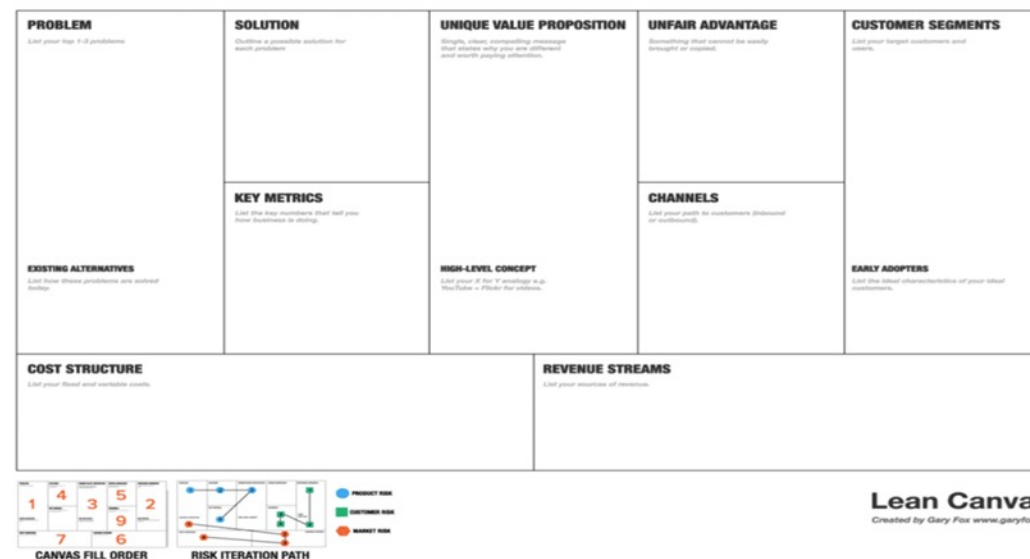
Unique value proposition.

In this block, the main task is to clearly understand what value you bring with your product, what specific customer and user pain points you satisfy, and why should your customer choose you. How are you different from the competitors, what are your key differentiators?

Channels

What is the first point of contact between you and your customer or user? How will he know about you? What social networks does it use, what offline/online communication channels do you have in place? Where can a customer ask you a question or learn more about you?

Key metrics

How do you measure your success? What quantitative indicators are important to you?

Cost structure

1) How much money do you need to "get started" and what for?

2) When you "launch", what will be your monthly variable and fixed costs?

Variable costs / Fixed costs

Variable costs are those costs that you have in a certain period of time (a month, for example). It can be expenses for marketing, utilities, etc. Fixed costs are those costs that do not change over a certain period of time. These are salaries, rent, internet, etc.
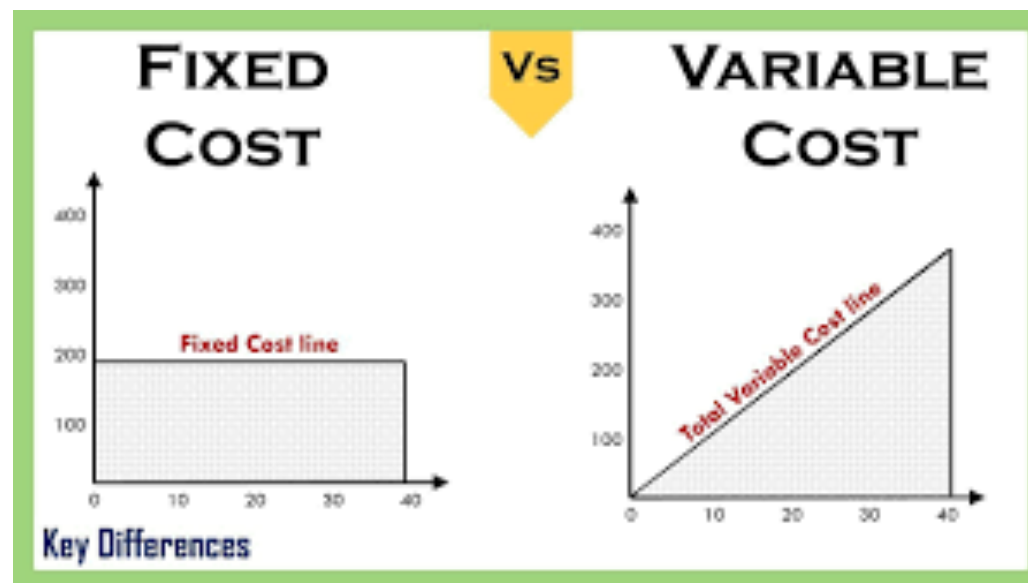
Unfair advantage

What does your team have that will allow you to be the best implementer of this product? Maybe a team of cool specialists, an existing client base?
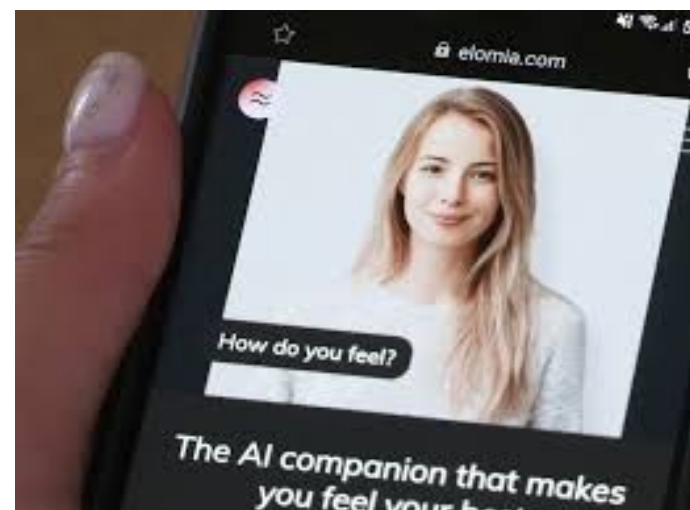
Elomia startup case

As an example, we suggest to consider the Ukrainian startup Elomia - an application with a virtual psychologist friend that provides psychological help to people with depression and anxiety.

Elomia is an Artificial Intelligence that replaces a psychologist. She listens, understands and provides psychological help 24/7. The project won 2 grants, received mentions in major Ukrainian media and is ready for scaling.

The Lean Canvas

Problem

- Many people suffer from depression
- People find it difficult to talk to others about their problems
- cannot afford psychotherapy

Existing Alternatives

Psychologists, bot competitors

Solution

Artificial intelligence that replaces the psychologist

Key Metrics

Number of messages per day

Unique Value Prop.

Artificial intelligence psychologist who listens, understands and provides psychological support at any time of the day.

High-Level Concept

It is 40 times cheaper than a psychologist, helps at any time, it is not scary to contact

Unfair Advantage

Team

Channels

Advertising smm

Customer Segments

People with depression, panic attacks, relationship problems, insomnia and addiction.

Early Adopters

People with panic attacks.

Cost Structure

Service capacities

Revenue Streams

Business model: subscription from 9 to 19 dollars per month.

Elomia startup

The solution: an artificial intelligence psychologist who listens, understands and provides psychological support at any time of the day. 91% of the users say they feel better after speaking with Elomia, with an average conversation duration of 43 minutes. 32% of respondents said they would be very upset if Elomia stopped existing.

Business model: subscription from 9 to 19 dollars per month.

Unfair advantage. Team: Taras Pogrebnyak - CEO, 5 years of experience working with startups and 6 years in chatbot **pro**gramming. Mykhailo Markevich - CTO, 2 years of experience in data science, studied at Oxford, finalist of the Microsoft Olympiad in Artificial Intelligence. Anastasia Knish - Ph. D. in Psychology, 11 years of experience in psychological counseling.

Task

1. Think about an idea for your startup related to Industry 4.0.
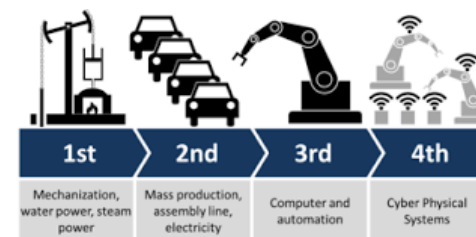
2. Complete the Lean Canvas segments

3. Present your idea.

Value Proposition Canvas

A unique value proposition is the unique value that entrepreneurs seek to convey to customers and users. To determine it, there is a tool: Value Proposition Canvas
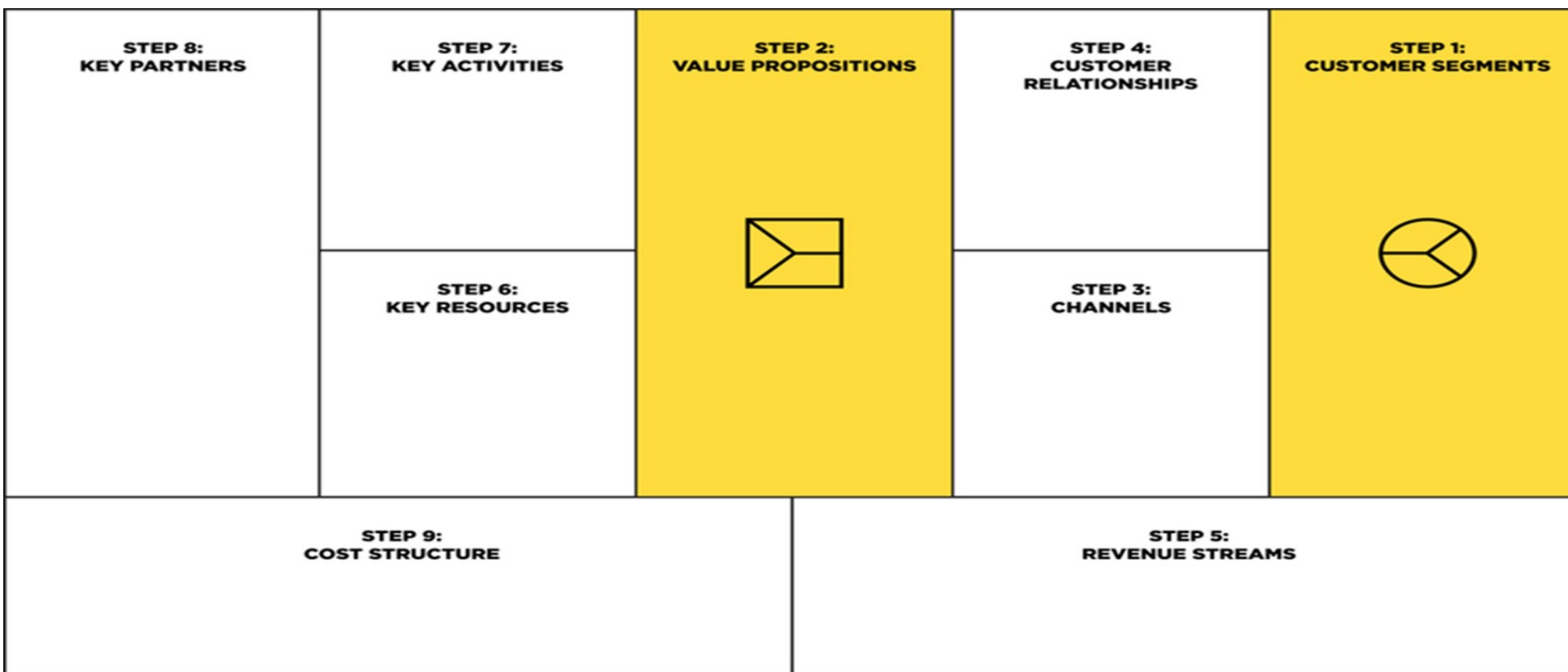
The Value Proposition Canvas consists of 6 segments and 2 blocks.

The Value Proposition Canvas

Value Proposition

Customer Segment

Gain Creators

Products & Services

Pain Relievers

Gains

Customer Job(s)

Pains

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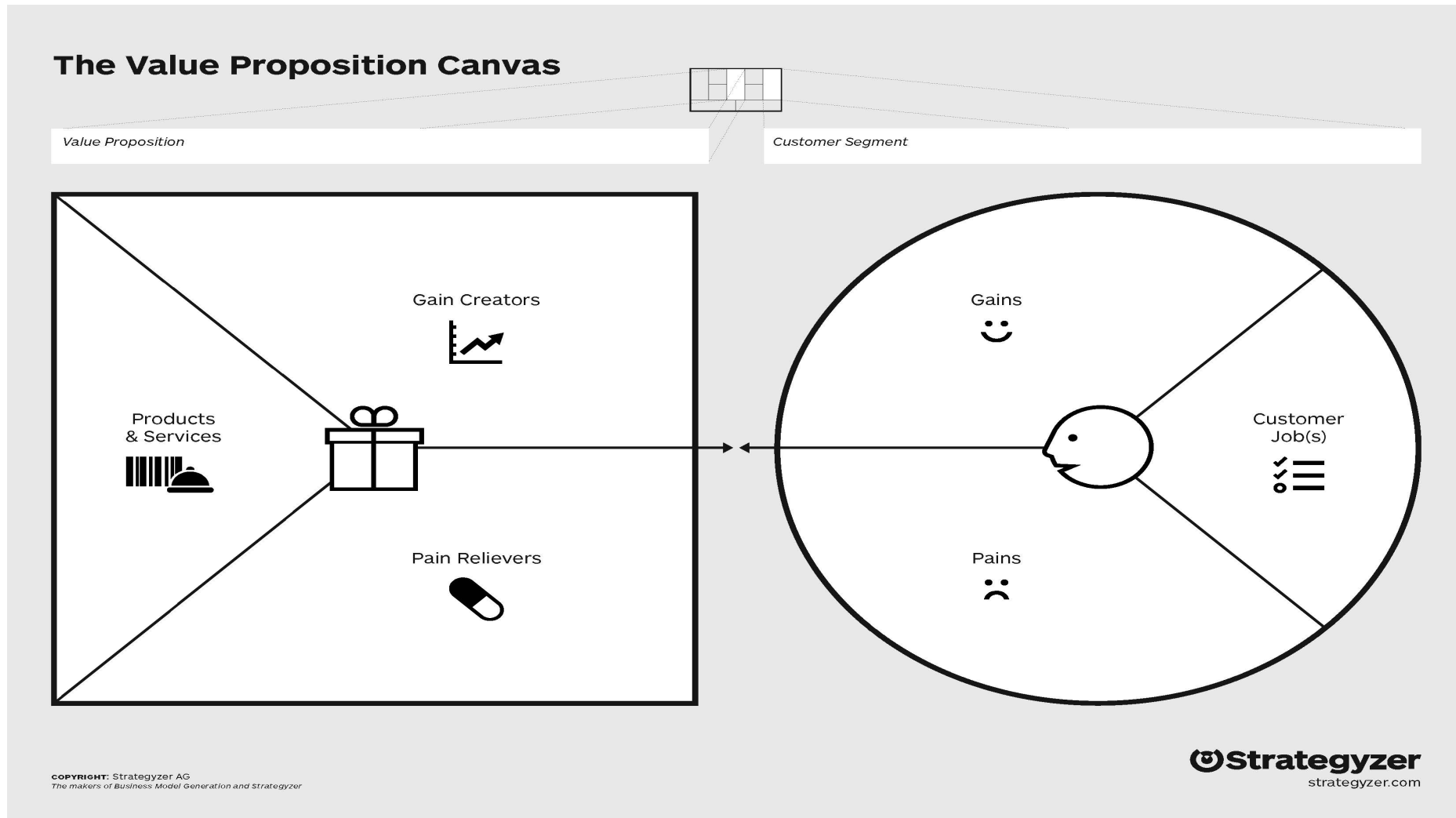
Block 1. Client block.

1. Gustomer jobs are tasks that the client wants/can solve with the help of a product or service. There are 3 types of client tasks:

• Functional - specific tasks - driving, calling, checking a document, charging the phone, etc.

• Social - certain social aspects that you want to realize with the help of a product or service. To look successful, to have a good image, to be in trend.

• Emotional - is something that often influences people's decisions because of their desires.
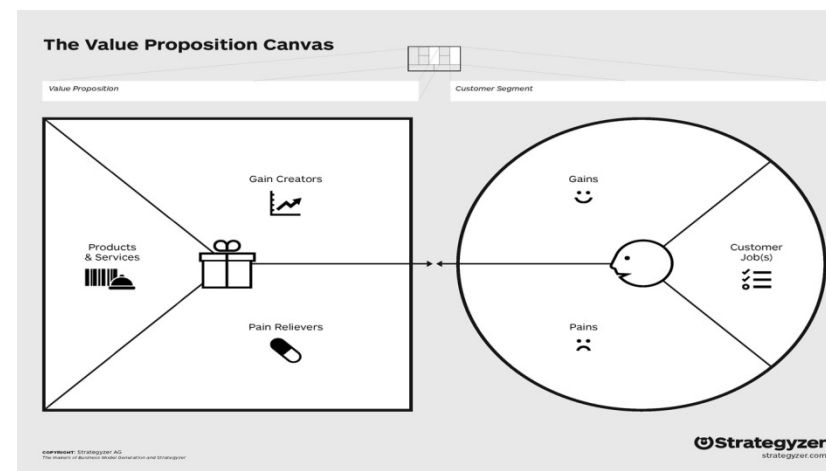
Block 1. Client block.

2. Pain is what can stop a customer from buying. Expensive, fear of losing data, fear of being stolen, looking bad with it, inconvenient, takes up a lot of memory, etc.

The Value Proposition Canvas
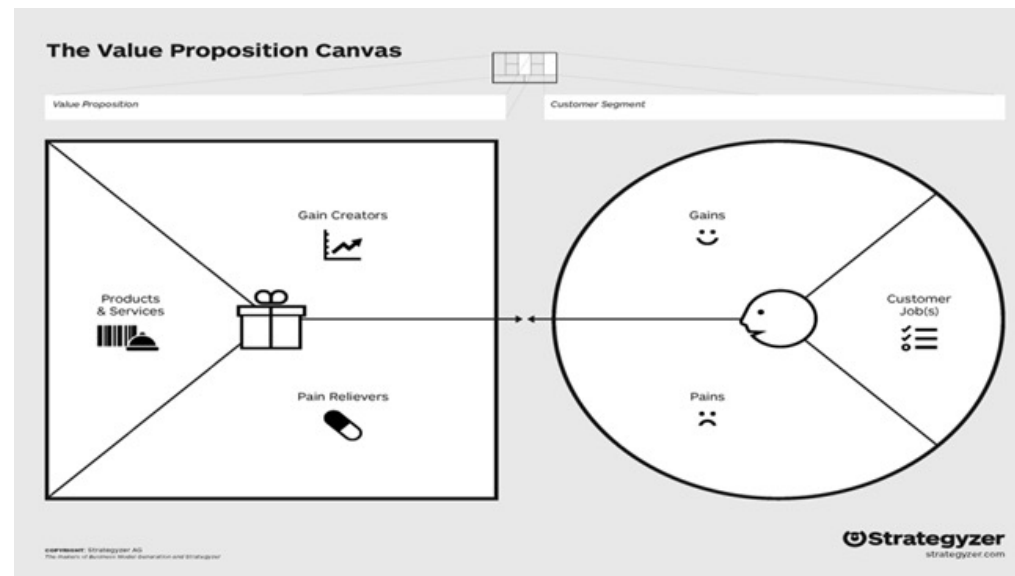
Block 1. Client block.

3. Gainc are those additional aspects that the customer expects to receive with the product or service.

They are segmented into 4 types (example for phones):
 1. Necessary advantage (call)

2. Expected advantage (beautiful photos, image, design)

3. Desired advantage (fast charging, synchronization with a computer)

4. An unexpected advantage (NFC/ Apple Pay)
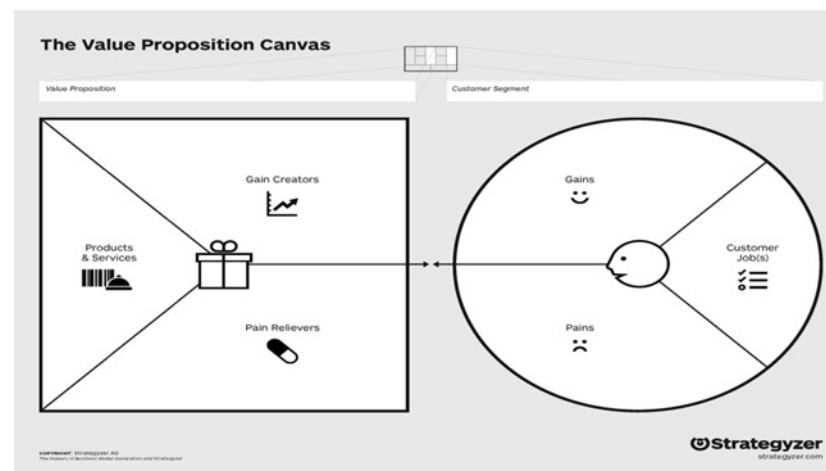
Block 2. Product/service block

1. Products and services - looking at the canvas, all the components and details of your product or service are described here.

2. Pain relievers - how can the product prevent the pains you mentioned? Fear of losing - insurance, expensive

3. Gain Greators- how exactly can the product provide all those benefits that you indicated in the client block.

VALUE PROPOSITION CANVAS — TESLA — UPPER MIDDLE CLASS MALE $100k+ INCOME
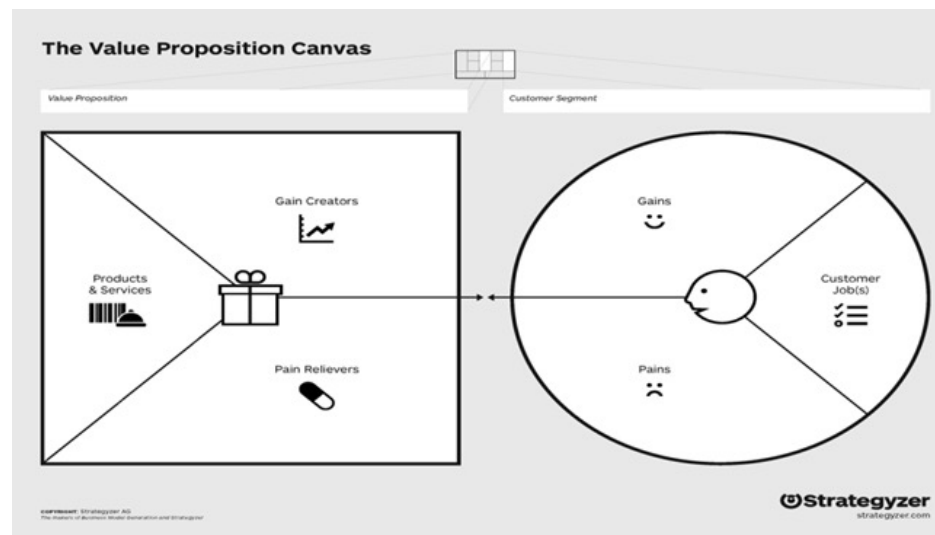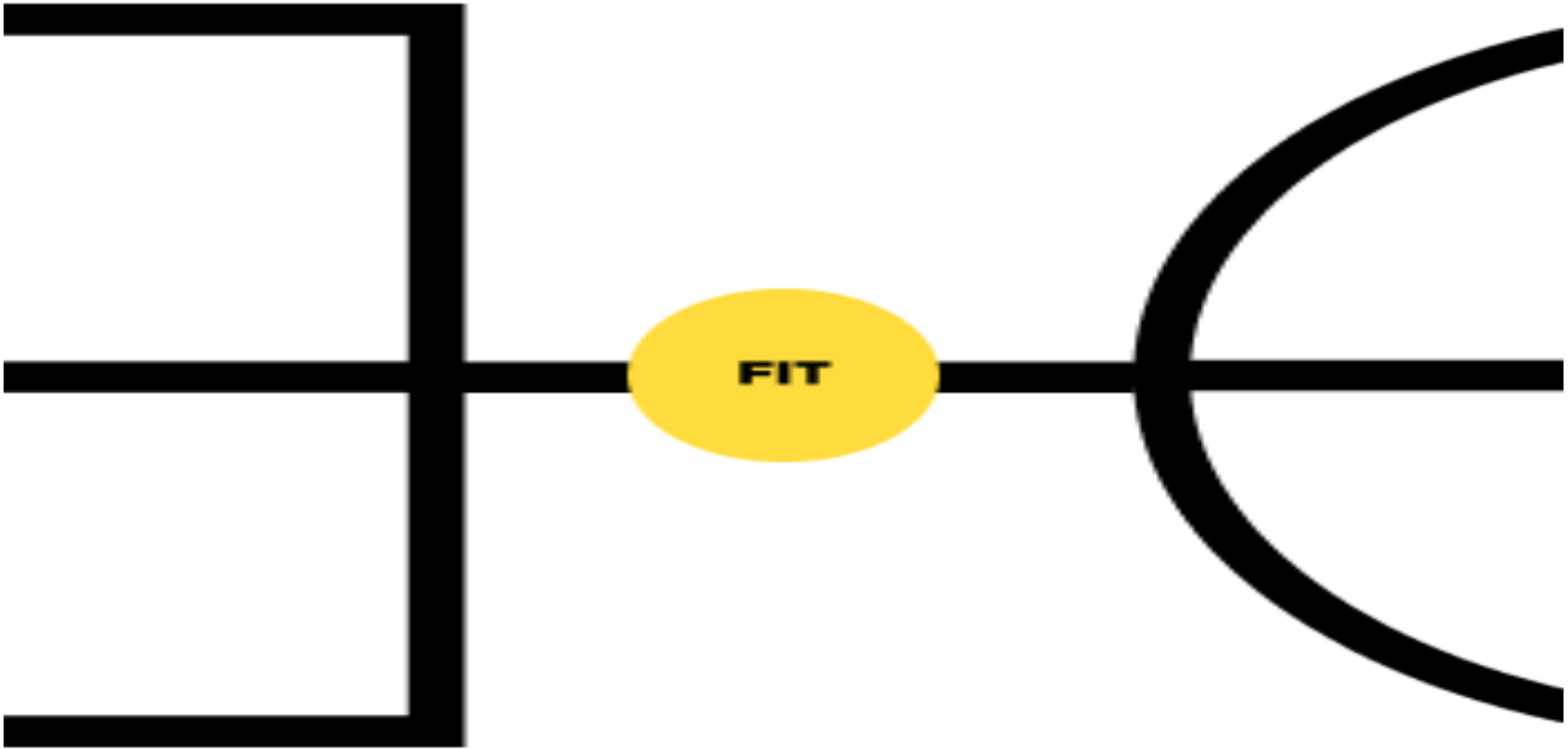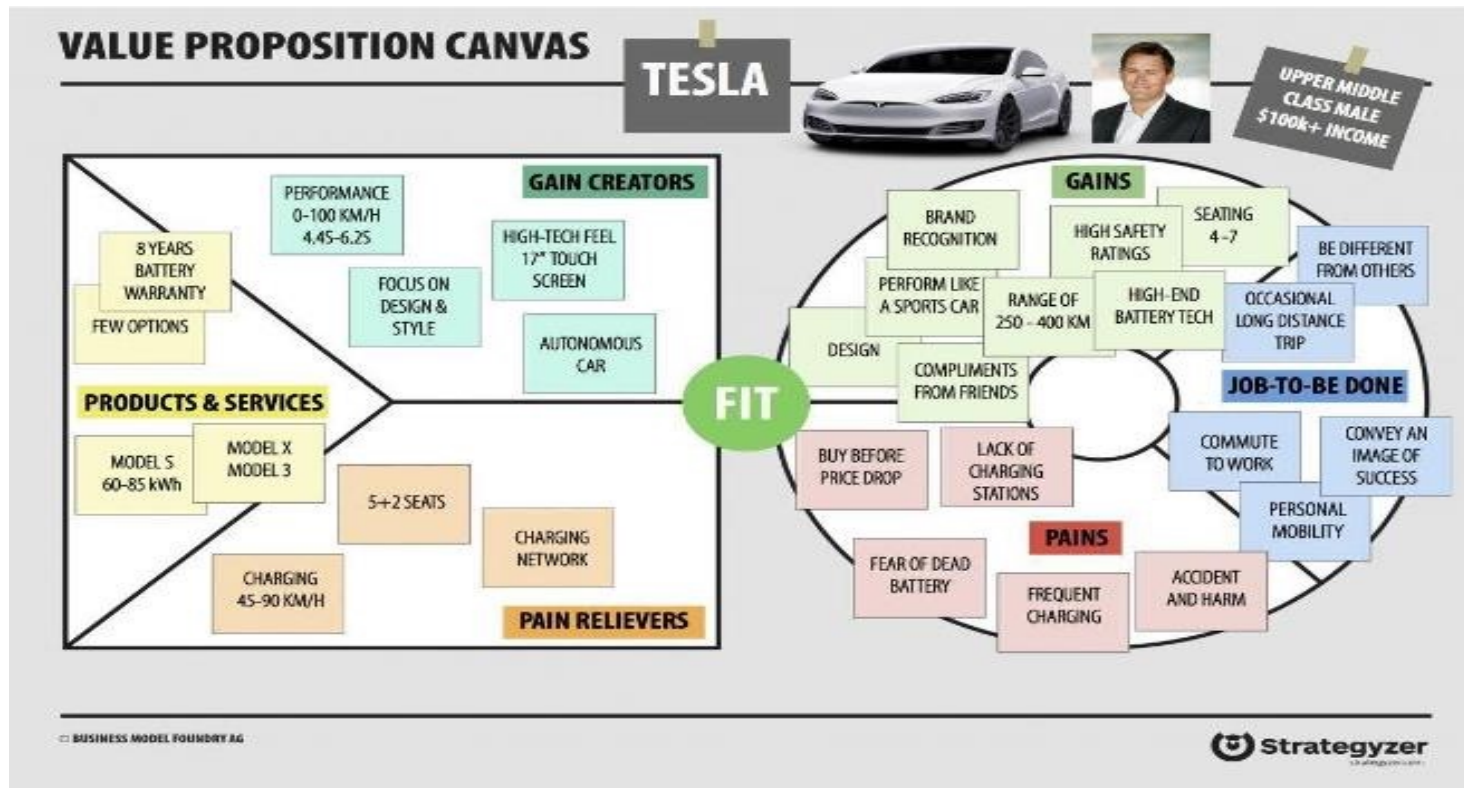
Value proposition canvas by Tesla shows an admirable product-market fit and a deep understanding of the target audience. In contrast to the other cars in the market, Tesla has a 17-inch touchscreen display and a beautiful design that makes it exclusive. The eight years battery warranty is a huge pain reliever. Besides the functional gains, the offering also provides emotional and social gains, including compliments from your friends.
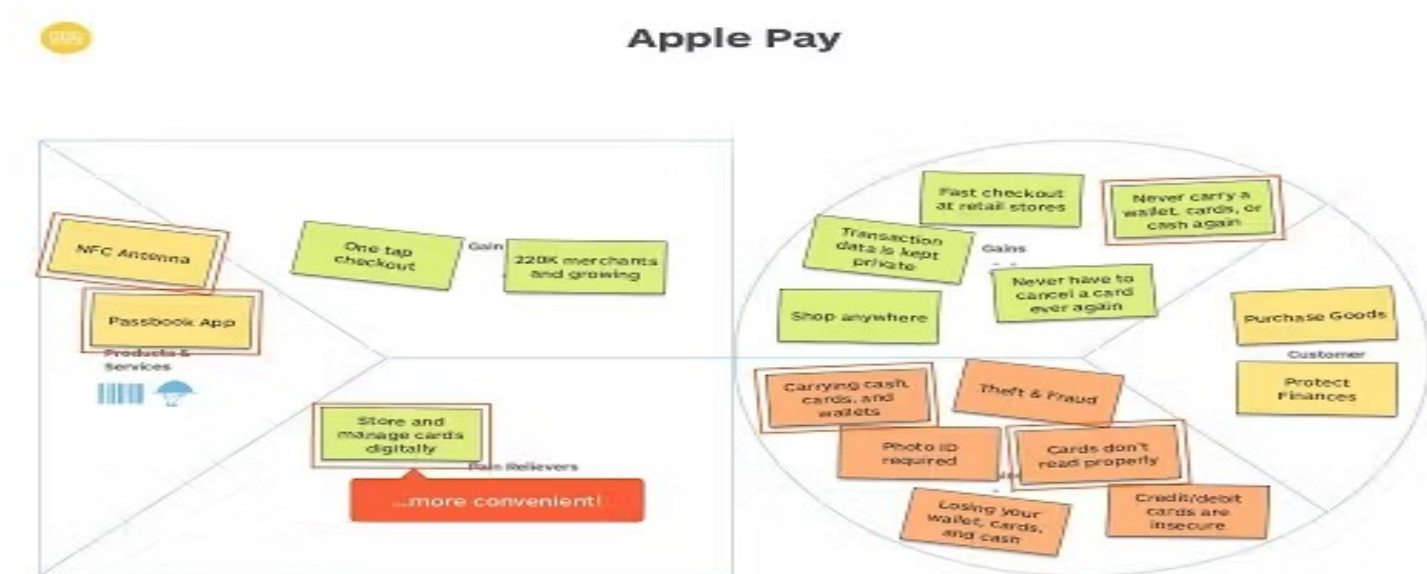
Apple Pay

Value proposition canvas by Apple Pay provides the customers such gains as privacy, fast checkout at retail stores, and the ability to shop anywhere. The customers can store and manage cards digitally instead of carrying the wallet, cash, or cards. The offering's features fully compensate for the main pain points: theft and fraud, lack of security, the necessity to have a photo ID, and the customers' needs in finance protection. That's an example of an excellent product-market fit.

Value proposition: A centralized learning and assignment management platform for students of the Harvard University community
Customer segment: Students of the Harvard University community
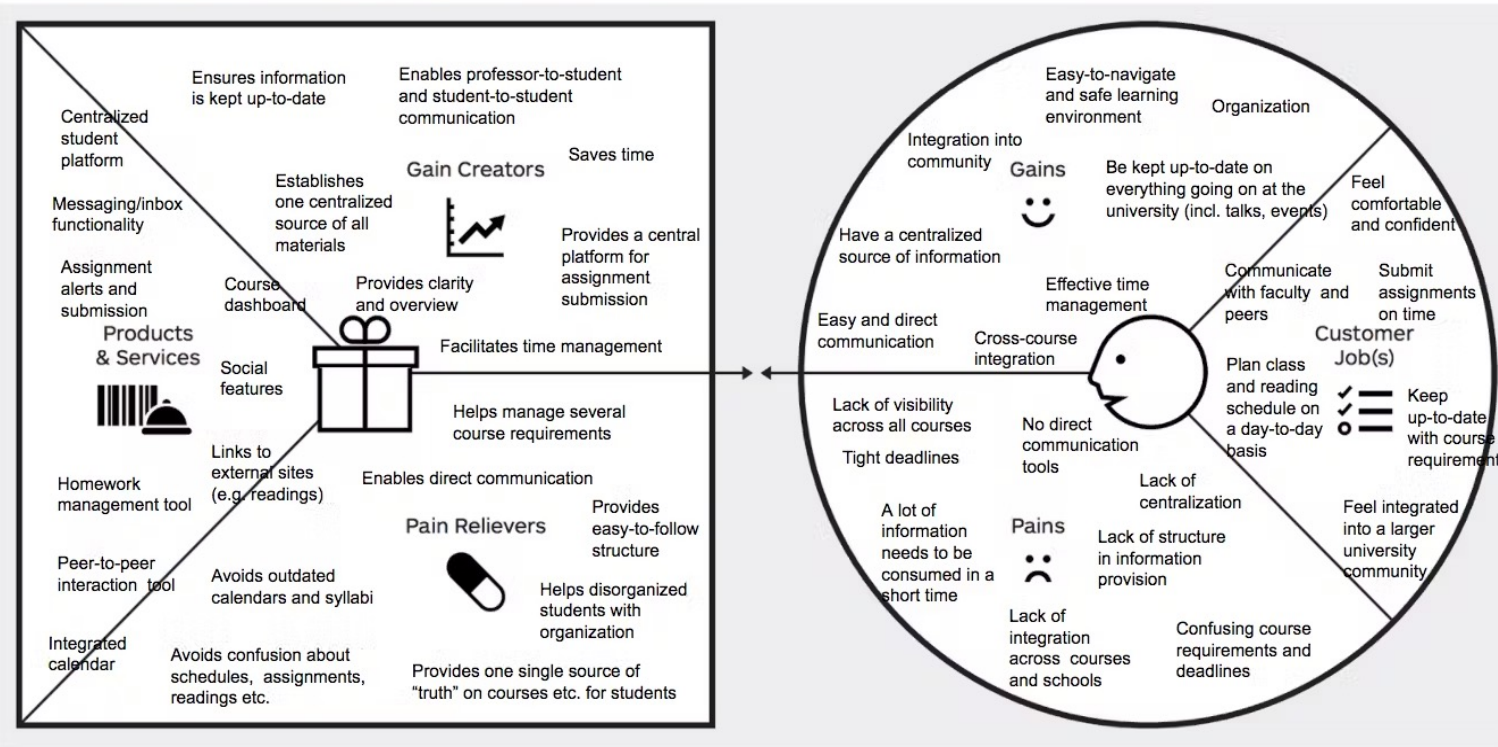
The value proposition canvas of the Harvard University platform demonstrates that the offering is aimed to improve multiple customers' jobs. The platform helps relieve pains related to social (communication with faculty and peers, feel integrated into the community), functional (planning schedule, submitting assignments on time), and emotional (feeling comfortable and confident) jobs.

value proposition canvas — name: airBnB

value proposition
A community marketplace where people can promote or book accommodations

customer segment
A traveller looking for accommodation for a group
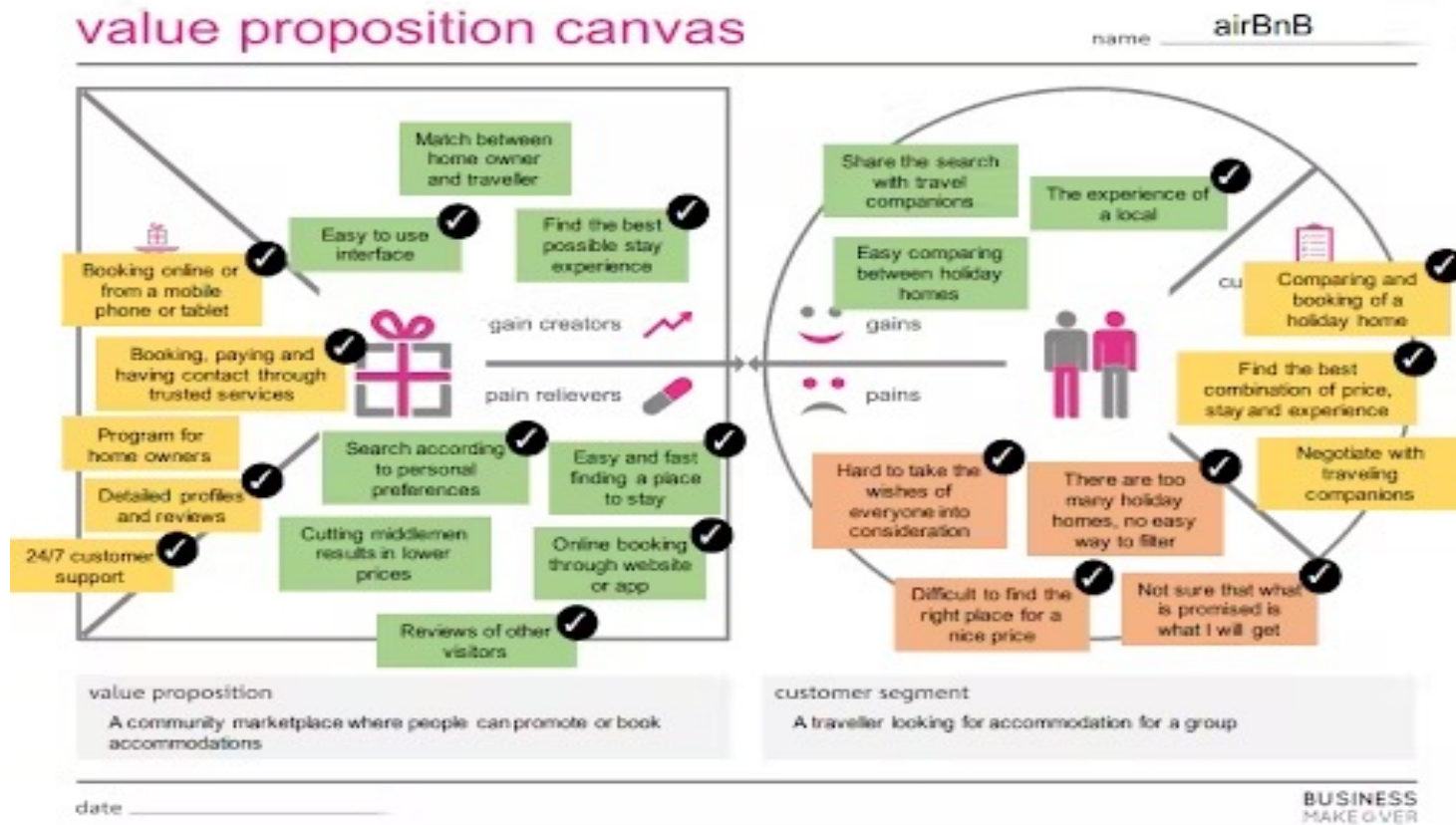
The value proposition by Airbnb is targeted at the customer segment that comprises the travelers looking for a place of accommodation for the group. Their critical pain points include finding appropriate housing for a reasonable price, the risk of fraud, and a large number of holiday homes which creates difficulties with making a final decision.

After working on the value proposition canvas, the team should have all 6 blocks completed. After that, it will be easy to formulate a value proposition for the potential client/user using the following formula:

Our _____(product or service - describe the solution) helps

_____(customer segment) that wants_____

(customer jobs) due to _____(verb + pain) and _____

(verb + pain), by using _____(Gain Greators / Pain relievers).

10 characteristics of a good Value Proposition

1. Fits into a business model.

2. Is focused on the most important jobs, pains and gains of the customer.

3. Focuses on jobs, pains and gains not (yet) addressed.

4. Are not only functional, but also emotional and social.

5. Becomes focused on few jobs, pains and gains, but solves them extremely well.

6. Are aligned with how the customer measures success.

7. Are different from what the competition is already responding to directly.

8. The value proposition is better than the competition on at least one dimension.

9. Are focused on jobs, pains and gains that many people have or that people are willing to pay money for.

10. Is difficult to copy.

https://www.academia.edu/23891205/Value_Proposition_Design

Online tools

- LEANSTACK: (https://leanstack.com/)

- Canvanizer: (canvanizer.com)

- Business model canvas: (https://www.businessmodelsinc.com/about-bmi/tools/business-model- canvas/)

- Strategyzer: (https://www.strategyzer.com/)

REGINNA 4.0

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