TE 250: Week 4
Business Model Canvas & Value Proposition

Mark Karasek
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KEARSA RAWSON | klrawson@illinois.edu
Teams Update

• Make sure all team members meet this week
• Any changes in problem being addressed?
Run of Show

- Review: Competition
- Review: Why Lean?
- Intro To Business Thesis
- Intro to BMC
- Value Proposition
- Zero2One presentation – Shane Landon Olson
Assignment #2 – Individual Assignment

Every team has a project. Every project proposes to solve a problem, but we haven't yet proven to ourselves that we have identified the best business solution to that problem.

The assignment is to identify multiple possible solutions to the problem:

• Current Solutions: How do people currently solve the problem? Hint: it may not appear to be a direct competitor to your solution. Example: Instead of an electric scooter, I could ride a bike, take a bus or walk.

• Preventative Solutions: How might someone prevent the problem from occurring in the first place?

• Competitive Solutions: How do your (potential) business competitors solve the problem? Name at least three.

• Alternative Solutions: What's another way you could solve the problem? Name at least three. Which is your favorite and why?

This is a case where the more solutions you can identify, the better.
Competition

Every good idea has competition. Period.

INCLUDING ‘DO NOTHING’

We are the only ones doing X...

Our solution is novel...
Value Proposition: “Haul stuff back from Home Depot”
SWOT Analysis

Strengths
things you do well to set you apart from competitors, such as state of the art technology

Opportunities
factors that can benefit your business, such as a competitor closing or favorable regulations

Weaknesses
areas in which you need to improve, such as lack of funding for promotion

Threats
factors that can hurt your business, such as a competitor entering the market or a price increase from your supplier

How Maximize?

How Reduce?
SWOT Analysis

**Strengths**
Expertise in develop./manufact. of biologic drugs. High margins, limited competition

**Opportunities**
Expand to new geographies, indications, and formulations

**Weaknesses**
Inability to discover novel therapeutics to avoid declines in revenue

**Threats**
Competition from follow-on biologics and pricing pressures

SWOT Analysis for Amgen
Assignment #3 – Individual Assignment

• Build a petal diagram to highlight your competition, and

• Perform a SWOT analysis for your team's idea.

• This is an individual assignment, not a team assignment.

• Submit in any format you prefer, graphic or list.
Run of Show

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So what about MY technology?

NOBODY CARES

They only care about what it can do for THEM.
Your business idea needs to **solve a problem** your potential customer will **PAY** for.
The result...

weeks vs. years
Run of Show

• Review: Competition
• Review: Why Lean?
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What’s in a Company name?

- Simple
- Memorable
- Easy to spell
- Unique
- Domain name available?
- Stand out or fit in?
- Descriptive?
- Geography?
- Trendy?
- Coined/Invented?
- Combine/contract?
- Translations/acronyms?

My Company, __________________________________________________________,

(Team Name)

is developing __________________________________________________________

(Product/Service)

to help ________________________________________________________________

WHO? (Main Customer Segment – individual name with archetype)

with __________________________________________________________________

WHAT? (Solve what job/task/problem/need/metric/risk/reward?)

By (verb) ______________________________________________________________

WHY? (What is the benefit of your product/service – Quantify It)
Working Groups

10 minutes

Name & BT Draft
Run of Show

• Review: Competition
• Review: Why Lean?
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• Intro to BMC
• Value Proposition
• Zero2One presentation – Shane Landon Olson
“A STARTUP IS A **TEMPORARY ORGANIZATION DESIGNED TO SEARCH FOR A REPEATABLE & SCALABLE BUSINESS MODEL.**”
Founders Run A Customer Development Team in Search of a Business Model

SEARCH → EXECUTION

startup → COMPANY
A Business Model is how a company creates, delivers, and captures value.
BMC Layout
Organizes RISK
Your Business Model Is Your Destiny!

Feasibility
/can our startup build it?/

Desirability
/do the customers want this?/

Infrastructure
Key Activities
Key Resources
Key Partners

Product - Market
Customer Segments
Value Proposition
Channels
Customer Relationships

Viability
/can we build a sustainable business?/

Economics
Revenue Streams
Cost Structures
Need to start here
The World doesn’t care if you have...

- the BEST technology
- the BEST team
- the BEST plan
The World DOES care if you…

1. Provide value/benefit (Value Proposition)
2. To them (Customer Segment)
CUSTOMER SEGMENTS

which customers and users are you serving?
which jobs do they really want to get done?
VALUE PROPOSITIONS

what are you offering them? what is that getting done for them? do they care?
how does each customer segment want to be reached? through which interaction points?
CUSTOMER RELATIONSHIPS

what relationships are you establishing with each segment? personal? automated? acquisitive? retentive?
REVENUE STREAMS

what are customers really willing to pay for? how? are you generating transactional or recurring revenues?
which resources underpin your business model?
which assets are essential?
which activities do you need to perform well in your business model? what is crucial?
KEY PARTNERS

which partners and suppliers leverage your model?
who do you need to rely on?
what is the resulting cost structure?
which key elements drive your costs?
The Process

• Hypothesize
  *Guess*
• Test – Interviews
  *Ask*
• Assess & Analyze
  *Listen*
• Adjust – Pivot
  *Guess Again*

[Diagram showing a cyclical process with arrows pointing from one step to the next, including Hypothesize, Test, Assess & Analyze, and Adjust – Pivot.]
Value of the Canvas

• Single page
• Collaborative
• Iterative
• Exploration & refinement
• Forces single statements
• Basis for pitch deck

“Perfection is attained not when there is nothing more to add, but when there is nothing more to take away.” – Antoine de Saint Exupéry
Working Groups

20 minutes

PSC/BMC Draft
The Business Model Canvas

**Key Partners**
- Who are our Key Partners?
- Who are our key suppliers?
- Which Key Resources do partners provide?
- Which Key Activities do partners perform?

**Key Activities**
- What Key Activities 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?
- Which Key Resources and Key Activities 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?
- How are they integrated with the rest of our business model?
- How costly are they?

**Customer Segments**
- For whom are we creating value?
- Who are our most important customers?
- What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
- Which ones have we established?

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

**Channels**
- Through which Channels do our Customer Segments want to be reached?
- How are we reaching them now?
- How are our Channels integrated?

**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 much does each Revenue Stream contribute to overall revenue?

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<table>
<thead>
<tr>
<th>CONTEXT</th>
<th>PROBLEM</th>
<th>ALTERNATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>When does the problem occur?</td>
<td>What is the root cause of the problem?</td>
<td>What do customers do now to fix the problem?</td>
</tr>
<tr>
<td>[Type here]</td>
<td>[Type here]</td>
<td>[Type here]</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>CUSTOMERS</th>
<th>EMOTIONAL IMPACT</th>
<th>ALTERNATIVE SHORTCOMINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who has the problem most often?</td>
<td>How does the customer feel?</td>
<td>What are the disadvantages of the alternatives?</td>
</tr>
<tr>
<td>[Type here]</td>
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| QUANTIFIABLE IMPACT | |
|---------------------||
| What is the measurable impact? (Include units) | [Type here] |
Case Study:  

Why Customer Discovery matters?
Angiography:
2D B&W image exterior of the vessels
Due Diligence - 36 neurovascular surgeons interviewed

36 out of 36 affirmed that the tech was a game-changer:

“In a perfect world, I would be able to see what’s happening inside the arteries.”

“This would change the way I practice medicine, today.”

“I would order this test on every single patient.”
$5 Million Series A
→ FDA 510(k) clearance

36 Neurovascular Surgeons:
“I can’t buy this...”
“...I said I would order the test. You need to talk to radiology.”
Radiology # clinical questions asked:

1. How long does the test take?
2. What is the reimbursement rate?
Engineering: Dumb it down?!?!?
Down Round
Administration: HIPAA, EULA, HRRP, DRG, HCE...
Purchasing:

WTF is CapEx?!?!?
3.5 years, 2 rounds of funding, 6 jobs lost...

Congratulations!

Good Luck!

Best Wishes

Our First Sale

...1 year contract, <60% of 1 year value
Lessons Learned: *Every* answer I needed existed at the time of funding. I didn’t know who to talk to and what questions to ask.
<table>
<thead>
<tr>
<th>Role</th>
<th>User</th>
<th>Buyer</th>
<th>Payer</th>
<th>Decision Maker</th>
<th>Influencer</th>
<th>Saboteur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Person</td>
<td>Neurovascular Surgeon</td>
<td>Purchasing Agent</td>
<td>CMS / AHA committee members</td>
<td>Dept. Head Radiology</td>
<td>Chief Risk / Compliance Officer</td>
<td>CFO</td>
</tr>
<tr>
<td>JTBD</td>
<td>Accurate diagnosis so I can decide if I must operate</td>
<td>ID proper budget &amp; meet purchase process</td>
<td>Pay for a novel process only if you can demonstrate clinical savings</td>
<td>Optimize magnet utilization</td>
<td>No readmits &amp; malpractice claims; regulatory compliance</td>
<td>Can Radiology use their magnets for something more profitable?</td>
</tr>
<tr>
<td>Motivation</td>
<td>I want the best outcomes for my patient for my own professional reputation, but I also want to CMA!</td>
<td>Don’t make me do extra work unless cost savings help me get my bonus</td>
<td>Keep many financial stakeholders happy (docs, industry, Congress)</td>
<td>I went to med school to practice medicine, not pinch pennies; Do I keep my schedule? Do I make more money in the same time?</td>
<td>Everybody is out to prove me wrong. If I’m wrong, we get dinged and I get fired.</td>
<td>I make the most money having my NVS in surgery.</td>
</tr>
</tbody>
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