

BASICS OF ENTREPRENEURSHIP

UNIT - III

Business Model & Validation



Because, Life is all about taking the right decisions

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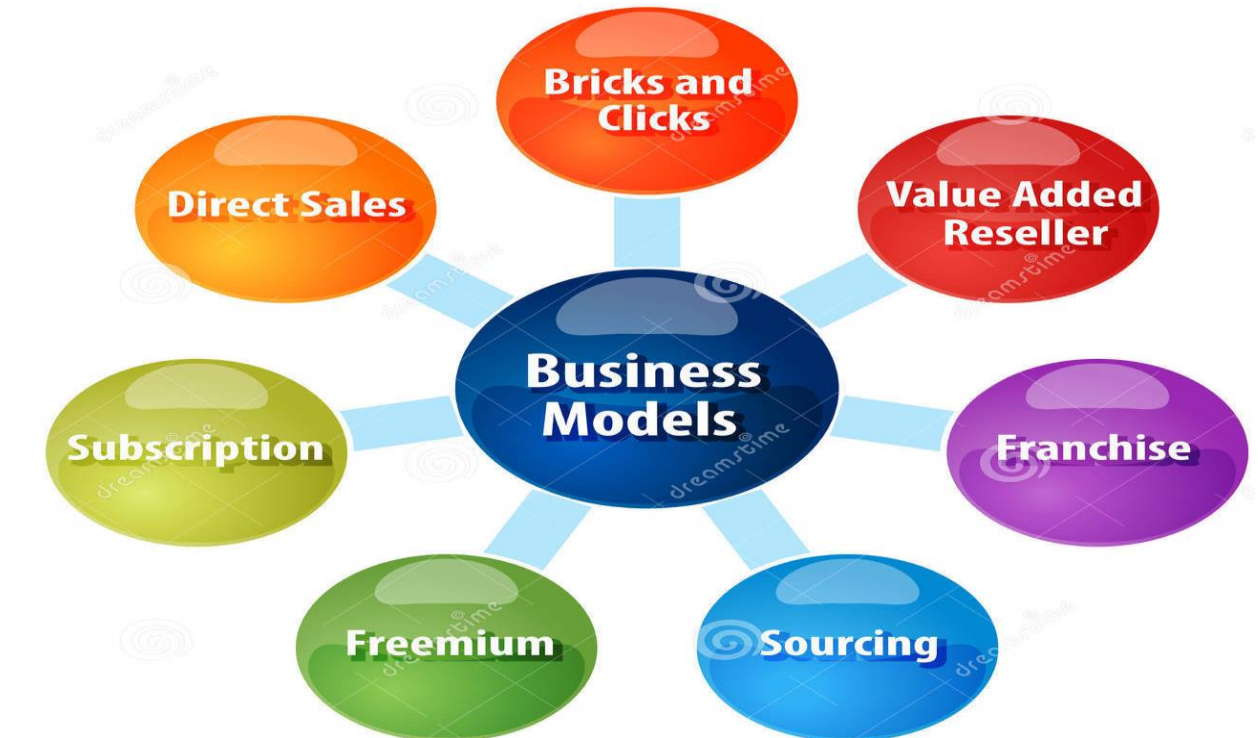
Unit – III:

Business Model & Validation

- Introduction to Business Models,
- Lean approach to Business Model Canvas,
- Blue and Red Ocean Strategies,
- the Problem-Solution Fit,
- Build your Solution Demo,
- Solution Interview Method,
- Identify Minimum Viable Product (MVP),
- Product-Market fit test.

Business Model

- ✓ A business model is the way that a company **sells** products to its **customers**. It describes **how** a business creates, **delivers**, and captures **value**.
- ✓ Different types of Business Model:



Business Models : An Introduction

2 A **business model** is an outline of how a company plans to make money with its product and customer base in a specific **market**. At its core, a business model explains four things:

- What product or service a company will sell
- How it intends to market that product or service
- What kind of expenses it will face
- How it expects to turn a profit

One popular example of a business model, as we'll review shortly, is the **subscription** model—in which businesses charge a subscription fee (**monthly**, annually, etc.) for customers to access a service. Of course, this type of business model can be adjusted and customized for each individual business.

Business Models : An Introduction

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According to management guru Peter Drucker: “ *A business model is supposed to answer who your customer is, what value you can create / add for the customer and how you can do that at reasonable costs* ”.

➤ A **Business Model** is the way that a company sells products to its customers. It describes how a **Business** creates, delivers, and captures value

A Business Model is a conceptual structure that supports the viability of a product or company and explains how the company operates, makes money, and how it intends to achieve its goals. All the business processes and policies that a company adopts and follows are part of the business model.

Parts of a Business Model

A Business Model comprises of -

1. Everything related to **designing** and **manufacturing** the product
2. Everything related to **selling** the product, from finding the right customers to distributing the product
3. Everything related to how the customer will pay and **how the company will make money**

There are the following components of a business model, given by –

1	Value Proposition	A feature that makes your product attractive to your customers.
2	Target Market	A specific group of consumers who would be interested in your product.
3	Competitive Advantage	A unique feature of your product or service that can't easily be copied by competitors.
4	Cost structure	A list of the fixed and variable expenses your business requires to function, and how they affect pricing.
5	Key metrics	The ways your company measures success.
6	Resources	The physical, financial, and intellectual assets of your company.
7	Problem and solution	Your target customers' pain points, and how your company intends to meet them.
8	Revenue model	A framework that identifies viable income sources to pursue.
9	Revenue streams	The multiple ways your company can generate income.
10	Profit margin	The amount your revenue exceeds your business costs.

Types of Business Models

- **Manufacturing model:** A manufacturer converts raw materials into products. Then, they sell those products to distributors, retailers or directly to consumers.
- **Retailing model:** A retailer is the last link in the supply chain. These businesses purchase goods from manufacturers or distributors and then sell them to customers for a price that will both cover expenses and turn a profit.
- **Freemium model:** In a freemium model, customers can use parts of a product or **service** for **free** but must pay for access to more advanced features. This model is common in the software-as-a-service space — Spotify, for instance, has a free ad-supported tier, but subscribers get to listen ad-free.

Types of Business Models

- **Online model:** selling online on e-commerce stores like Amazon
- **PaaS (Product as a Service) Model:** Product-as-a-service businesses charge customers to use physical products. They may charge a subscription fee, a per-use or per-mile fee, or a combination of both
- **Subscription model:** A subscription business model can be applied to both traditional brick-and-mortar stores and [e-commerce businesses](#) alike. Essentially, the customer makes a recurring payment for ongoing access to a service or product. A company may directly ship its product in the mail, or you may pay a fee to use its services.

Types of Business Models

- **Aggregator Model:** The aggregator business model is basically a **network model which organizes multiple service providers in one huge platform under one brand name**. Ex: Ola, Uber, Swiggy
- **Franchise model:** A franchise is an established business blueprint that a franchisee purchases and reproduces. The franchiser, or original owner, works with the franchisee to help them with financing, marketing and other business operations to ensure the business functions as it should. In return, the franchisee pays the franchiser a percentage of the profits.

Lean approach to Business Model Canvas

- The **lean approach** is a way to think about the **start-up** process that **emphasizes** the **business model** over the business plan, and encourages a process of **customer** discovery and development, and **iteration** to achieve the right product / market fit.
- **Lean** means **creating more value** for customers with **fewer resources**.

Lean methodology relies on 3 simple ideas:

- Deliver value
- Eliminate waste
- Continuous improvement

How Did **Lean** Management Start?

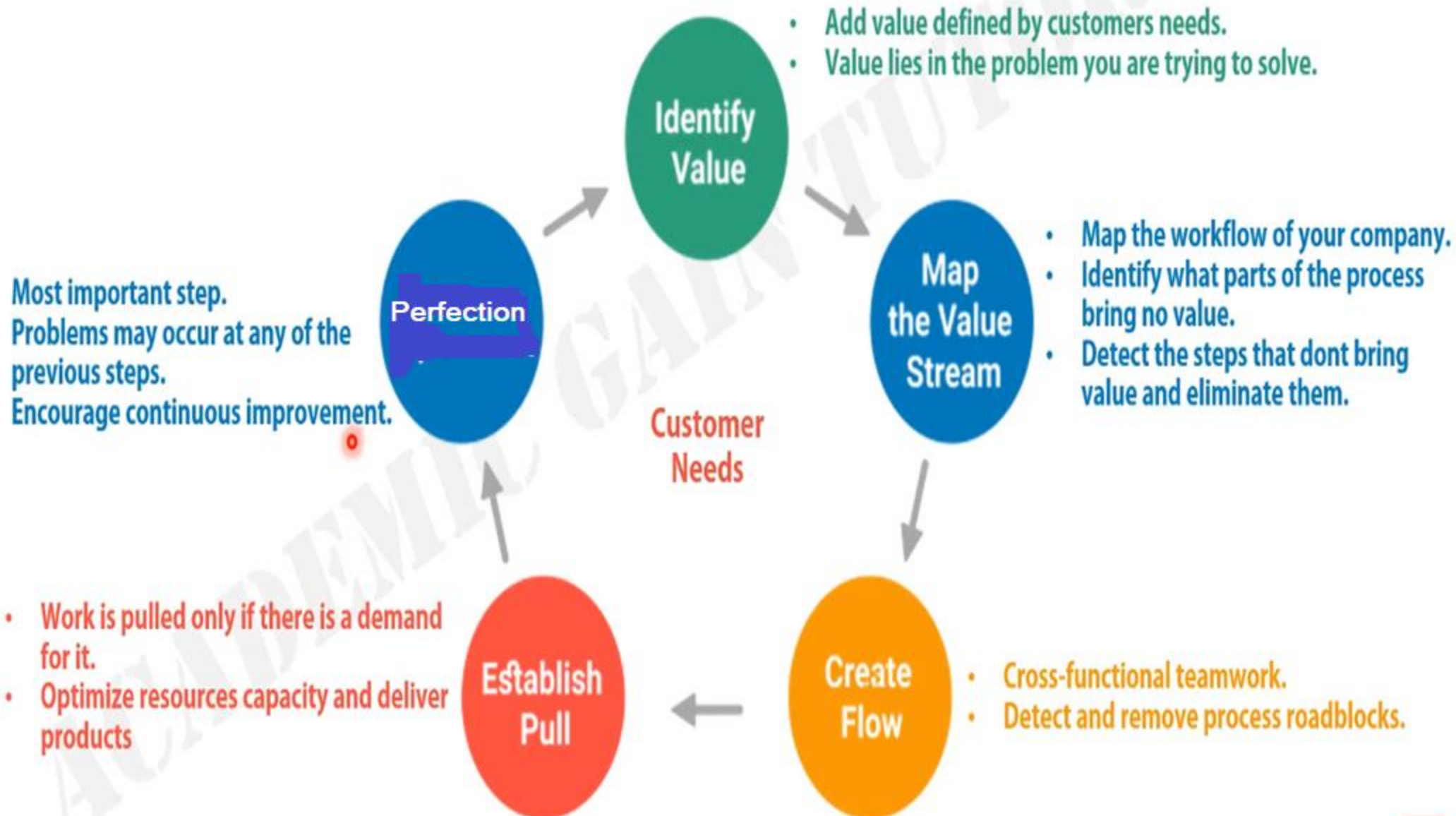
Continuously improving work processes, purposes, and people.

Benefits of Lean Management

- Focus.
- Improving productivity & efficiency.
- Smarter process (pull system).
- Better use of resources.

LEAN Methodology

The 5 Basic Lean Principles



LEAN APPROACH AND IT'S KEY FIVE PRINCIPLES

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1. The **lean approach** is a way to think about the start up process that emphasizes the business model over the business plan, and encourages a process of customer discovery and development, and iteration to achieve the right product / market fit.
2. Simply, **lean means creating more value** for customers with **fewer resources**.
3. A **lean** organization understands customer value and focuses its key processes to continuously increase it.
4. The ultimate goal is to provide perfect value to the customer through a perfect value creation process that has zero waste.



1. Value.: Value is always defined by the **customer's** needs for a **specific product**.

i. What is the **timeline** for manufacturing and **delivery**?

ii. What is the **price** point?

iii. What are other important requirements or expectations that must be met? This information is vital for defining value.

2. Value stream: Once the value (end goal) has been determined, the next step is mapping the “value stream,” or all the steps and processes involved in taking a specific product from raw materials and delivering the final product to the customer.

Value-stream mapping is a simple but eye-opening experience that identifies all the actions that take a product or service through any process.

9 **3.Flow.:**After the waste has been removed from the value stream, the next step is to be sure the remaining **steps flow** smoothly with **no interruptions**, delays, or **bottlenecks**. “Make the value-creating steps occur in tight sequence so that the product or service will flow smoothly toward the customer,”

4.Pull.: With improved **flow**, time to **market** (or time to customer) can be dramatically **improved**. This makes it much easier to deliver products as needed, as in “**just in time**” manufacturing or delivery. This means the customer can “**pull**” the product from you as needed (often in weeks, instead of months).

5.Perfection.: Accomplishing Steps 1-4 is a great start, but the fifth step is perhaps the most important: making lean thinking and **process improvement** part of your corporate culture. it is important to remember lean is not a static system and requires **constant effort and vigilance to perfect**

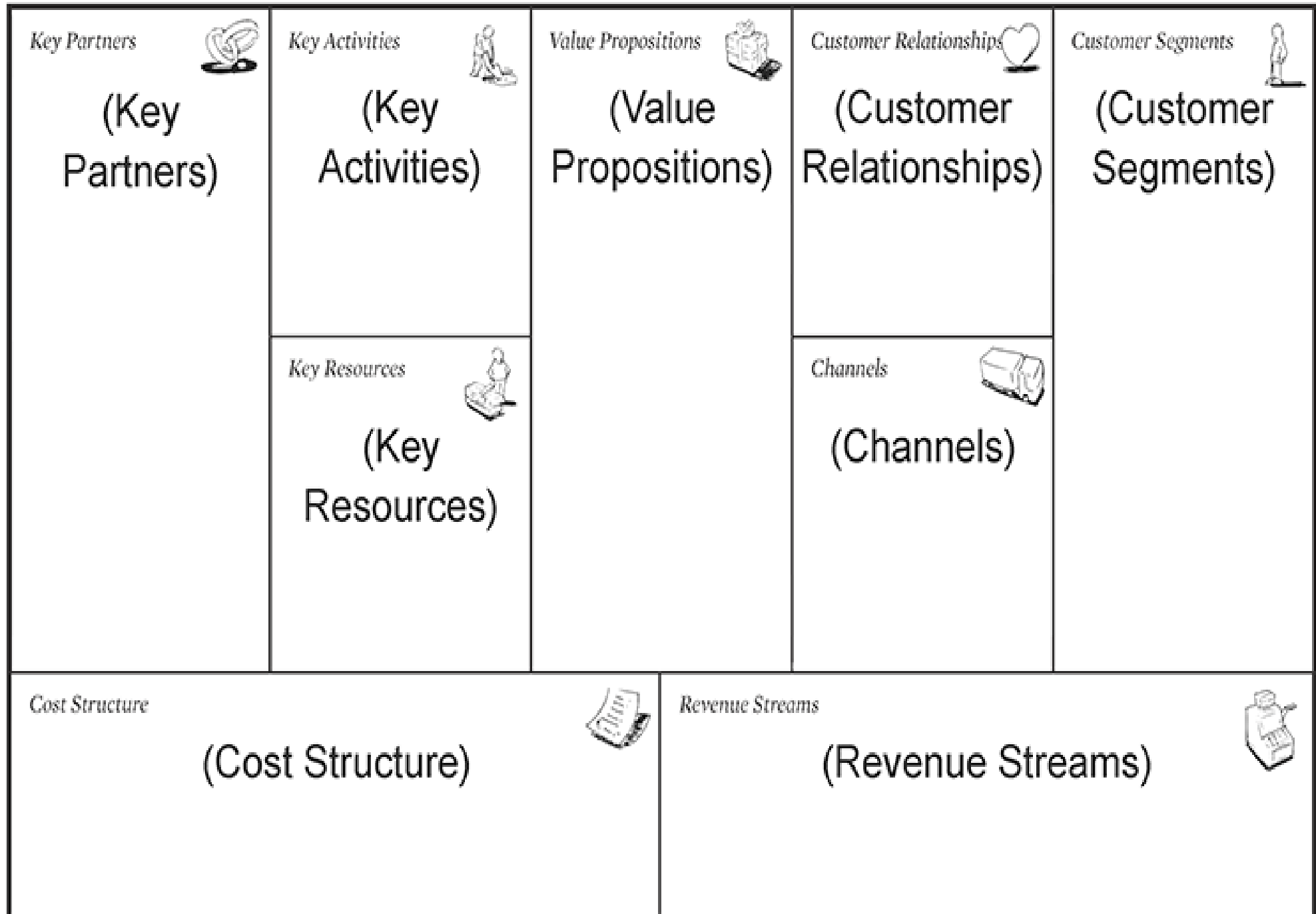
Business Model Canvas

- The Business Model Canvas (BMC) is a **strategic management tool** to quickly and easily define and communicate a **business idea or concept**.
- It is a **one page** document which works through the fundamental elements of a business or product, structuring an idea in a coherent way.
- The business model canvas — as opposed to the traditional, intricate business plan — helps organizations conduct **structured**, tangible, and strategic conversations around new businesses or existing ones
- The canvas's main objective is to help companies move beyond product-centric thinking and towards business model thinking.
- Each of these nine components contains a series of hypotheses about your business model that you need to test

Business Model Canvas

- The right side of the BMC focuses on the **customer** (external), while, the left side of the canvas focuses on the **business** (internal).
- Both external and internal factors meet around the value proposition, which is the exchange of value between your business and your customer/clients.
- Why we use it
 - To quickly draw a picture of what the idea entails.
 - It allows us to get an understanding of your business and to go through the process of making connections between what your idea is and how to make it into a business.
 - It looks at what kinds of customer decisions influence the use of your systems.
 - It allows everyone to get a clear idea of what the business will likely be.

Business Model Canvas



Business Model Canvas

KEY PARTNERS

Who are our key partners?
Who are our key suppliers?
Which key resources are we acquiring from our 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 customers' problems are we helping to solve?
What bundles of products and services are we offering to each segment?
Which customer needs are we satisfying?
What is the minimum viable product?

CUSTOMER RELATIONSHIPS

How do we get, keep, and grow customers?
Which customer relationships 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 do other companies reach them now?
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?
What are the customer archetypes?

COST STRUCTURE

What are the most important costs inherent to 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?
What is the revenue model?
What are the pricing tactics?

Business Model Canvas - Swiggy

BUSINESS MODEL CANVAS



Key Partners

- Restaurants and shops
- Groceries
- Delivery providers

Key Activities

- Partnerships with eateries and retail shops
- Hiring delivery providers and suppliers
- Managing delivery and payment process

Key Resources

- local restaurant and shops
- delivery providers
- Technology

Value Propositions

- Food delivery with no-restriction order policy
- efficient online payment system
- no minimum order requirement
- different payment methods

Customer Relationships

- 24/7 active customer support
- Customer Support Chat
- social media pages

Channels

- mobile app
- websites
- digital marketing

Customer Segments

- People who do not wish to go out to restaurants
- People who want to order food online and want to get it delivered
- people who want to buy and get other products delivered from nearby shops and stores








Cost Structure

- Payroll expenses for its employees and delivery partners.
- Costs of application and website development
- Running costs and maintenance charges
- Administrative, advertising, and marketing costs

Revenue Streams

- Delivery charges
- Commissions
- Advertising
- Affiliate Income, Swiggy Access/Super

Business Model Canvas-Innovative Tech Entrepreneur

 <p>Key Partners</p> <p>Google (strategic partner)</p> <p>Facebook</p> <p>Prestashop</p>	 <p>Key Activities</p> <p>Creation</p> <p>Promotion</p> <p>Reporting</p> <p>Optimization</p>	 <p>Value Propositions</p> <p>360 digital marketing agency:</p> <p>Search Engine Marketing</p> <p>Social Media Marketing</p> <p>Email Marketing</p> <p>Search Engine Optimization</p> <p>User Experience / User Desing (UX / UI)</p> <p>E-Business & Digital Marketing Consulting</p> <p>TrekMetrics</p> <p>E-shop / Website Development</p>	 <p>Customer Relationships</p> <p>Customer's "Department"</p> <p>The goal is " get the concept of e-business away from the client"</p> <p>The account manager is high in the hierarchy</p>	 <p>Customer Segments</p> <p>Companies from various industries (e.g. banks, telecommunications companies)</p> <p>Big advertising companies representing a set of companies</p> <p>They are distinguished in "performance" and "branding"</p>
 <p>Cost Structure</p> <p>Staff costs</p> <p>Operating expenses</p> <p>Other expenses</p> <p>Partners</p> <p>Marketing/HR costs</p>		 <p>Revenue Streams</p> <p>Fixed monthly charge per customer</p>		

Business Model Canvas - Uber

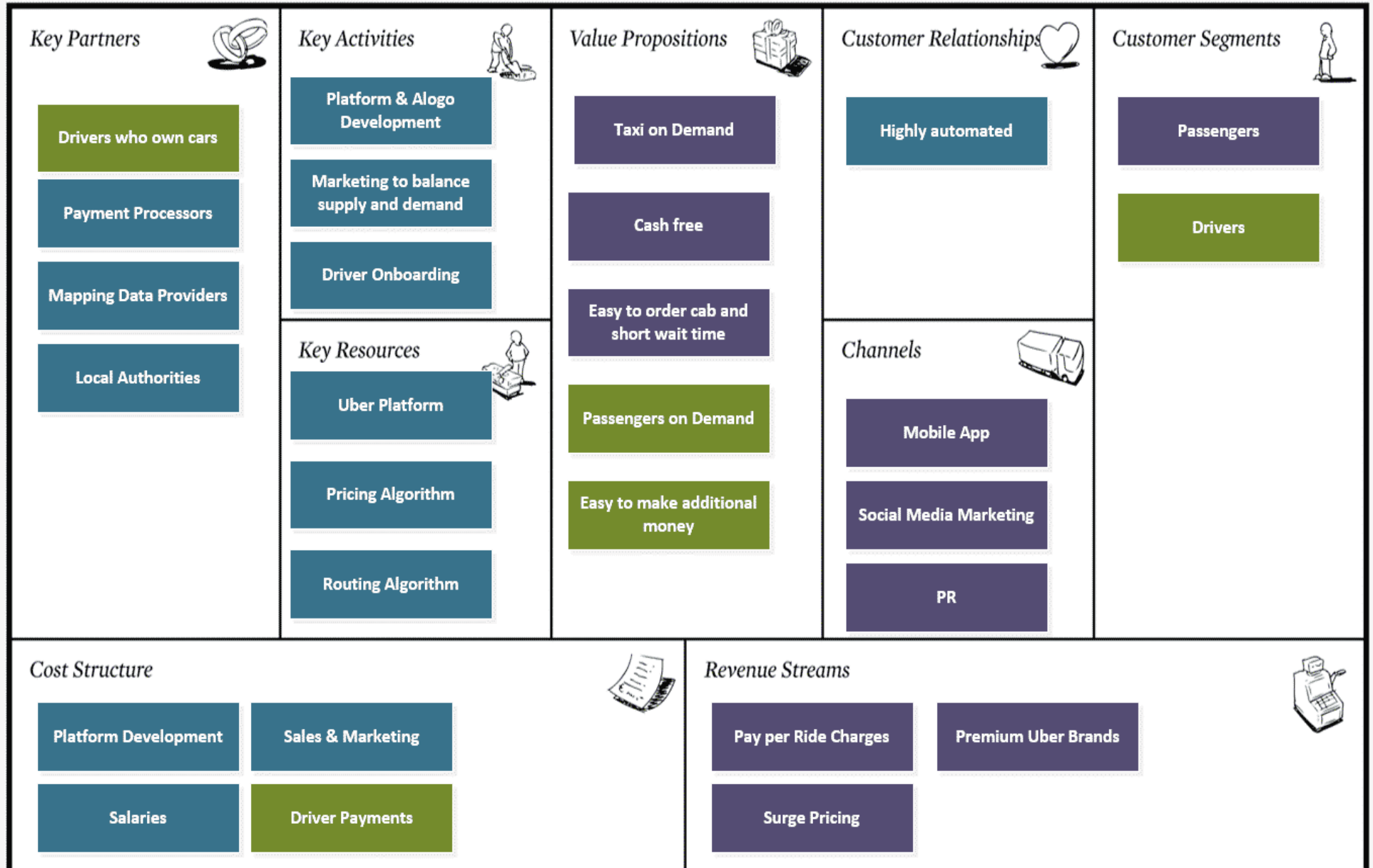
The Business Model Canvas

Designed for: **Uber**

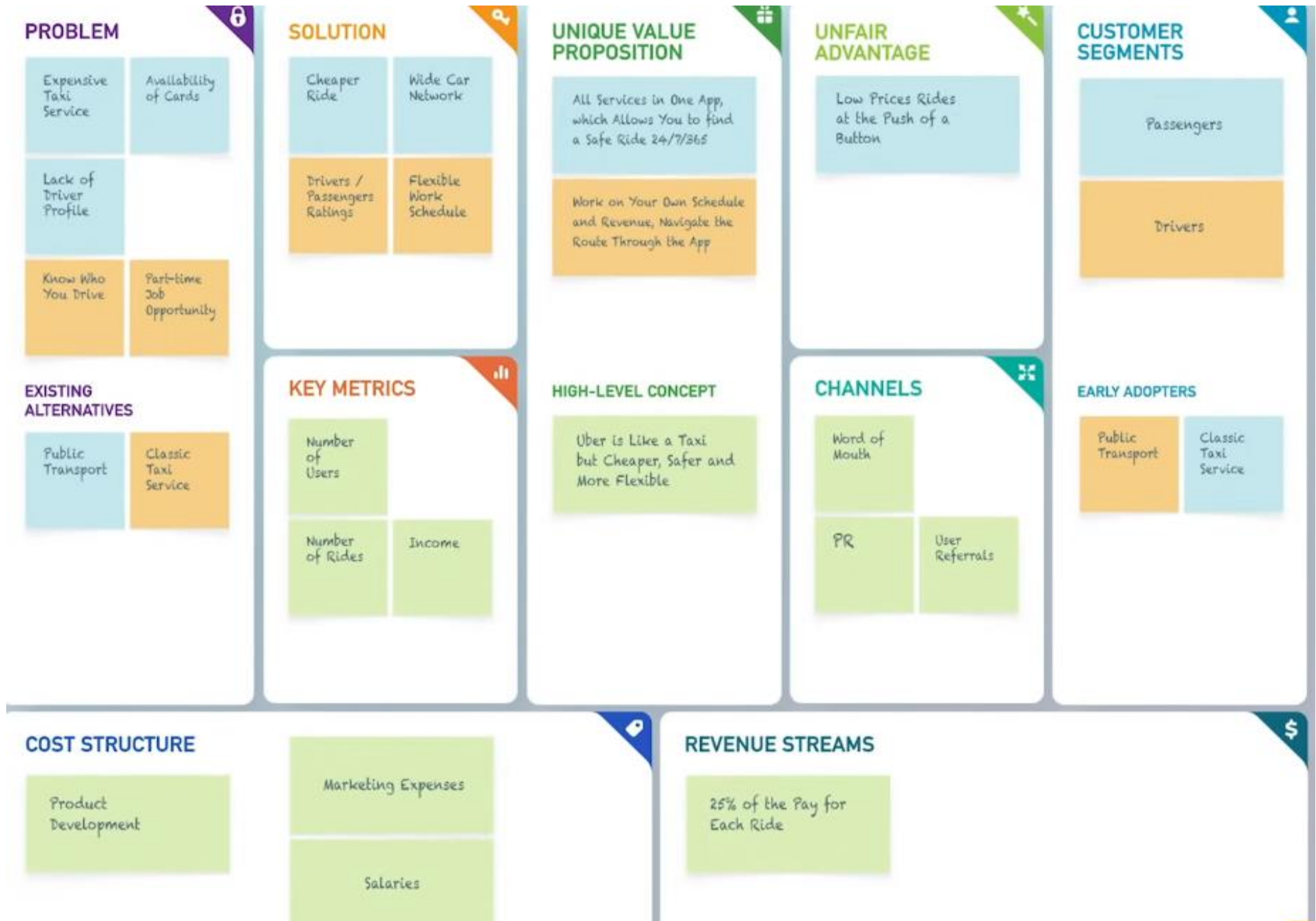
Designed by: **Denis Oakley**

On: **27** / **1** / **2016**

Iteration: **1.0**



Lean Canvas - Uber



Business Model Canvas - Uber

CUSTOMER SEGMENTS

Passengers

Drivers

EARLY ADOPTERS

Public
Transport

Classic
Taxi
Service

Customer Segments

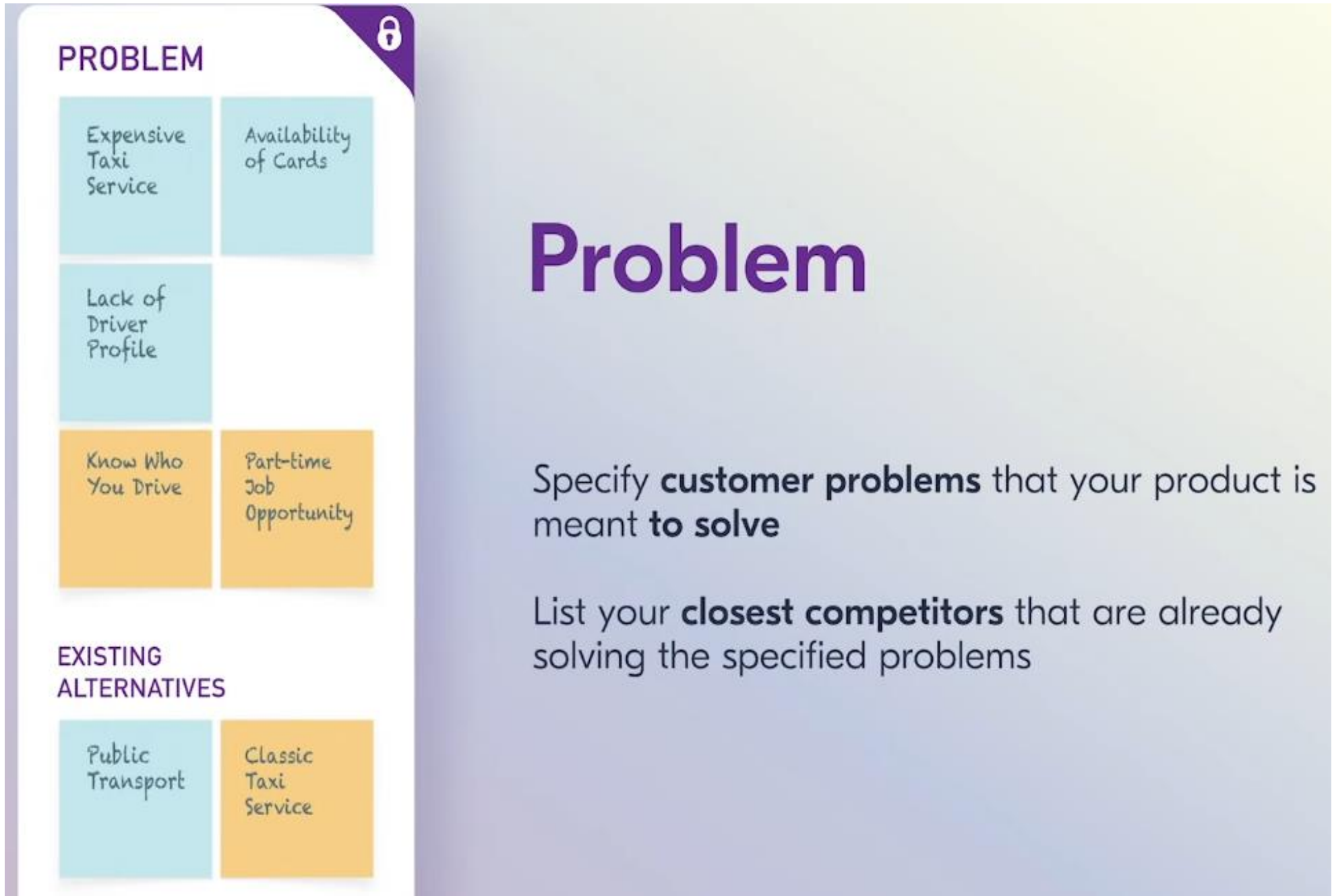
Narrow down the customer segment
as accurately as possible

- **Demographic**
- **Distance Based**

Separate **users** and **customers**

Specify the actual people who will be
the first to use the raw product
and provide feedback

Business Model Canvas - Uber



Business Model Canvas - Uber

REVENUE STREAMS

25% of the Pay for Each Ride

Revenue Streams

List the ways your product will generate revenue from each customer segment

SOLUTION

Cheaper Ride

Wide Car Network

Drivers / Passengers Ratings

Flexible Work Schedule

Solution

Explain what experience the customers are meant to have

Business Model Canvas - Uber

UNIQUE VALUE PROPOSITION

All Services in One App, which Allows You to find a Safe Ride 24/7/365

Work on Your Own Schedule and Revenue, Navigate the Route Through the App

HIGH-LEVEL CONCEPT

Uber is Like a Taxi but Cheaper, Safer and More Flexible

Unique Value Proposition

Describe the **uniqueness of your product** and show its **key difference from the existing alternatives**

Shape a short and easy-to-understand **statement about your product**

Business Model Canvas - Uber

CHANNELS

Word of Mouth	
PR	User Referrals

Channels

Specify **communication channels** to reach out to your target audience

KEY METRICS

Number of Users	
Number of Rides	Income

Key Metrics

Define key tracking metrics to measure **the progress of your business**

Business Model Canvas - Uber

COST STRUCTURE

Product Development

Marketing Expenses

Salaries

Cost Structure

List **fixed and variable costs**

UNFAIR ADVANTAGE

Low Priced Rides at the Push of a Button

Unfair Advantage

A special thing about your idea that your competitors are **not able to copy or obtain** in any possible way

Business Model Canvas of Grocery Sales

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?

MOTIVATIONS
Optimization
Reduction
Acquisition

Farmers

Distributor

~~Delivery~~

Mobile P.O.S.

Corporate Offices

Key Activities



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

CATEGORIES
Production
Problem Solving
Platform

Procurement & Packaging

Marketing

Parking Spot or Permit

Key Resources



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

TYPES OF RESOURCES
Physical
Intellectual
Human
Financial

Fresh Grocery

Brand

~~Mobile Store~~

Partnerships at Business Campuses

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 segment?
Which customer segments are we targeting?

CHARACTERISTICS
Newness
Performance
Customization
"Getting the Job Done"
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability

Convenient for Customers

Best Quality & Fresh Goods

~~Delivery~~

Central Locations for Office Workers

Encourage Healthy Corporate Environment

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 being served?
How costly are they?

EXAMPLES
Personal assistance
Dedicated Personal Assistant
Self-Service
Automated Customer Service
Communities
Co-creation

Instagram @ Twitter

Word of Mouth

~~Exposure at farmer's markets~~

Health Initiatives at Corporate Campuses

Channels



Through which Channels do our Customer Segments want to be reached?
How are we currently being reached?
How are our Channels being used?
Which ones are most effective?
Which ones are most costly?
How are we being reached?

CHANNEL PHASES
1. Awareness
How do we reach them?
2. Evaluation
How do we reach them?
3. Purchase
How do we reach them?
4. Delivery
How do we reach them?
5. After sale
How do we reach them?

Mobile Fresh Truck and/or Stands at Farmer's Markets

mobilefresh.com

Customer Segments



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

MASS SEGMENTS
Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

Health-Conscious Customers

~~Households~~

~~Food Trucks~~

Established Professionals

Farmer's Market Patrons

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?

IS YOUR BUSINESS MORE?
Cost Driven (leanest cost structure, low price value proposition)
Value Driven (focused on value creation, premium value)

SAMPLE CHARACTERISTICS
Fixed Costs (salaries, rents, utilities)
Variable costs
Economies of scale
Economies of scope

Procurement and Packaging

Marketing

Truck and Storage

Licenses/Potential Law Fees

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 our overall revenue?

TYPES
Asset sale
Usage fee
Subscription Fees
Lending/Renting/Leasing
Licensing
Brokerage fees
Advertising

FIXED PRICING
List Price
Product feature dependent
Customer segment dependent
Volume dependent

Grocery Sales

Convenience Fee for Delivery

Business Model Canvas - Netflix

BUSINESS MODEL CANVAS NETFLIX

Key Partners

- Alliances with Smart TV companies
- alliance with gaming industry
- TV network companies
- Google and Amazon

Key Activities

- Hire and retain
- Maintain and expand
- Produce, acquire and license
- Develop its pricing strategy
- retain current customer base

Key Resources

- Software developers
- Recommendation system (algorithm)

Value Propositions

- Users can stream 24-7, minus the ads
- View shows & movies in high-definition
- Stream content conveniently anywhere
- unlimited access to TV shows and movies
- Netflix's original
- New signups can avail a 30-day free trial
- cancel at any time
- Receive algorithmic recommendation
- Avoid commercials ads

Customer Relationships

- Self-Setup Made Easy
- Exceptional Customer Experience
- Online Live Chat Services
- Social media
- Netflix gift Cards

Channels

- Online streaming through the website
- Streaming on TV Apps and Gaming consoles
- Mail delivery for DVDs

Customer Segments

- interested in watching movies, TV shows and documentaries
- content for children and adults

Cost Structure

- Major purchasing rights establishment (TV shows and movies)
- Cost of producing movies
- Cost for recommendations, R&D and artificial intelligence
- Subscription maintenance cost
- DVDs and mail-related shipping costs

Revenue Streams

- Monthly subscription plans
 - Basic
 - Standard
 - Premium

Blue and Red Ocean Strategies

It can be difficult to succeed with the **cutthroat competition** in the business environment today. Luckily, there are many strategies you can use in order to gain an edge on your competition. Two of these are red ocean and blue ocean strategies, which were introduced by W. Chan Kim and Renée Mauborgne in 2005.



Red Ocean Strategy

A red ocean strategy involves competing in industries that are currently in existence. This often requires overcoming an intense level of competition.

This can also often involve the commoditization of the industry where companies are competing mainly on price. For this strategy, the key goals are to beat the competition and exploit existing demand.

One industry in which a red ocean strategy would be necessary is the soft drink industry. This industry has been in existence for a long time, and there are many barriers to entry. There are industry leaders in place such as Coke and Pepsi, and there are also many smaller companies also in competition for market share. There's also limited shelf space and vending spots, well-established brand recognition of popular, current brands, and many other factors that affect new competition. This causes the soft drink industry to be very competitive to enter and succeed in.

Blue Ocean Strategy

A blue ocean strategy is based on creating demand that is not currently in existence, rather than fighting over it with other companies. You must keep in mind that there is a deeper potential of the marketplace that hasn't been explored yet. Most blue oceans are created from within red oceans by expanding existing industry boundaries. The key to a successful blue ocean strategy is finding the right market opportunity and making the competition irrelevant.

An example of a successful execution of a blue ocean strategy is the iPod. When the iPod was introduced in 2001, Steve Jobs said that "with [the] iPod, Apple has invented a whole new category of digital music player that lets you put your entire music collection in your pocket and listen to it wherever you go." Apple looked beyond what was in the market at that time and introduced a product that created a new industry in and of itself. Apple looked beyond what customers were asking for and created a successful product.

Blue and Red Ocean Strategies

Red Ocean Strategy	VS	Blue Ocean Strategy
Contest in The Same Market.		Create a New Market.
Many Companies Compete With Each Other in The Existing Market.		One Company Dominates the New Market.
Beats Competitors.		Competitors are Irrelevant.
The Company Pursues Both Cost and Differentiation.		The Company Chooses Between Cost and Differentiation.
Make The Value-Cost Trade-off.		Break the Value-Cost Trade-off.
Capture New Demand.		Exploit Existing Demand.
Focus on Rivals Within Its Industry.		Focus on the Alternative Industry.
Provide Better Service To Buyers.		Redefine the buyer group.
Focus on Current Customers.		Focus on New Customers.
Market is Already Established.		Need To Create New Market.
For example, Ryanair and Air Asia Airlines		For example, Netflix, Canon, and iTunes

Blue and Red Ocean Strategies

Table 1: Differences between the Red Ocean and Blue Ocean Strategy

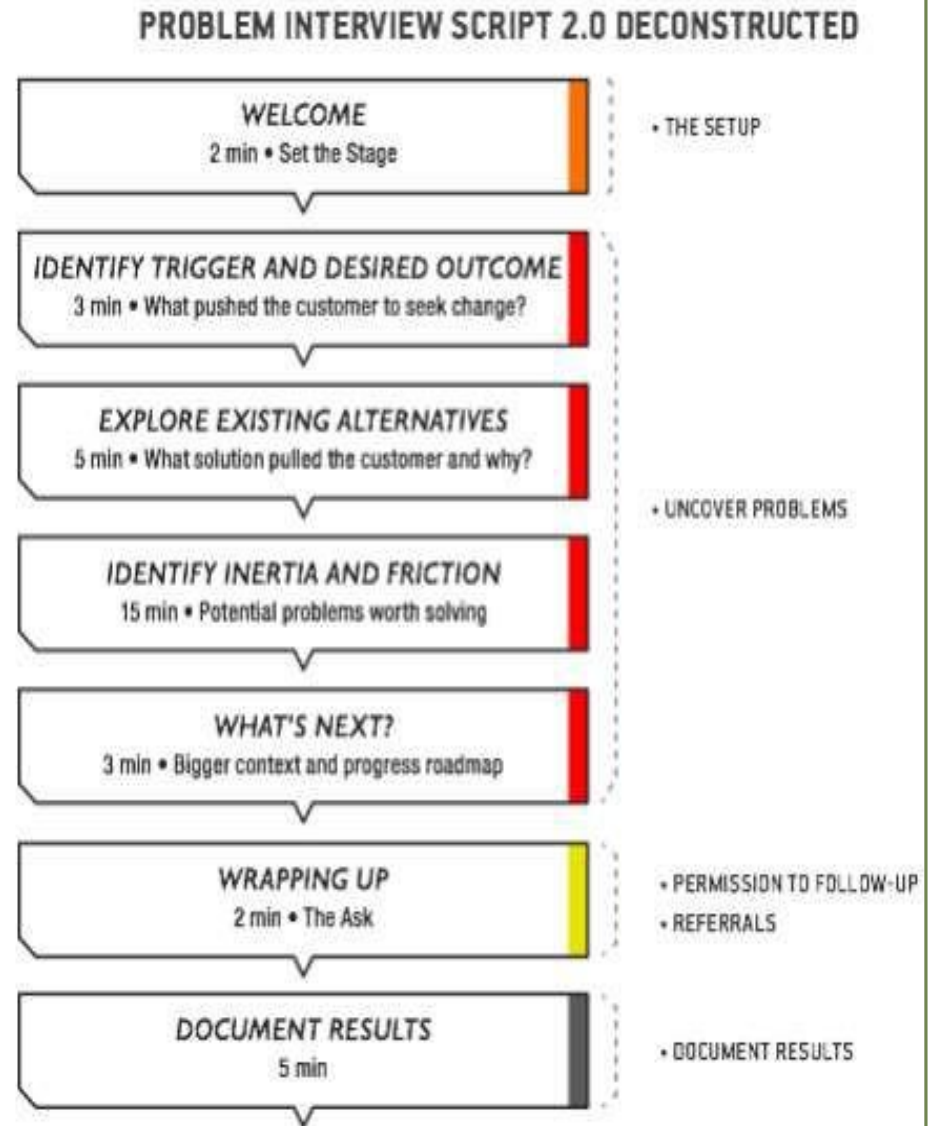
The Red Ocean Strategy	The Blue Ocean Strategy
Business is done in the existing market space	The idea is to create a new, uncontested market space
Focus is on beating the competition	Competition is totally irrelevant
Using the existing demand	Creating the new demand
Value-cost trade-off is important	Value-cost trade-off is not so relevant
The whole system of company activities focused on the strategic choice between products differentiation or low cost	The whole system of company activities aimed at the pursuit of products differentiation and low cost

Source: W. Chan Kim, R. Mauborgne, Blue Ocean Strategy (2005), p. 18

THE PROBLEM-SOLUTION TEST

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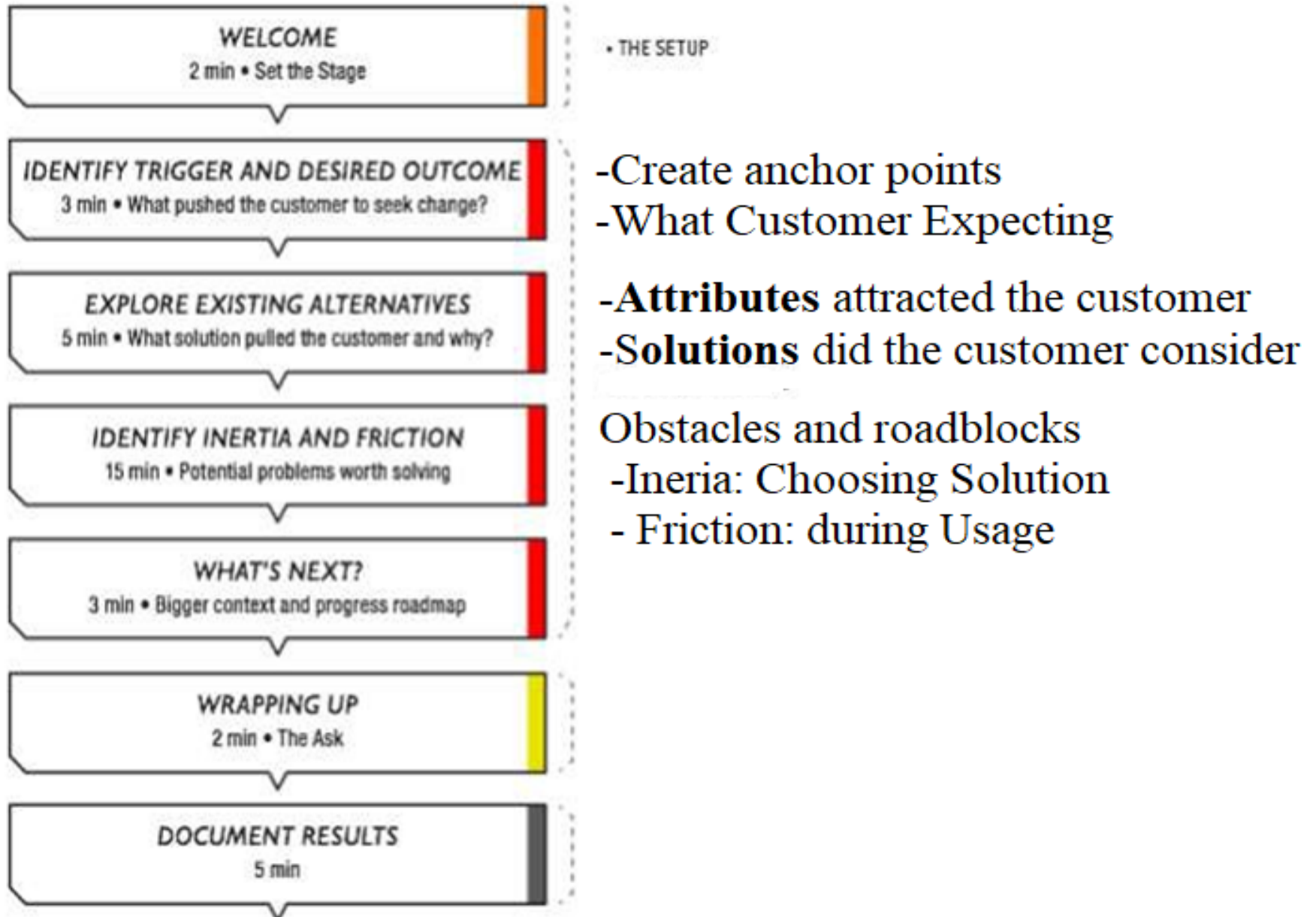
- Before you can build the “**right**” solution for your customers, you have to understand the “**right**” problem.
- Inspired by the Scientific Method, the search for Problem / Solution fit starts with creating a model — specifically a **business model**, you take your best guess at articulating a customer and problem.



THE PROBLEM-SOLUTION TEST

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PROBLEM INTERVIEW SCRIPT 2.0 DECONSTRUCTED



► **Triggers create a desire for better.**

Taken together, the trigger and desired outcome **create anchor points** for the customer journey story you want to learn about.

Example: When entrepreneurs get hit with an idea, they might define securing funding or building/launching their product as the desired outcome.

► **Existing Alternatives and Current Solution**

- i. What **attributes** attracted the customer?
- ii. What **solutions** did the customer consider?

► **Inertia, Friction, and Next Summit**

For each solution (starting with their most recent), you want to get the customer's story on how they found, selected, used the solution, and what's the next goal for them :

Inertia represents **obstacles and roadblocks** that **hold** the customer back at the time of **choosing a new solution**.

Friction occurs further down the road. Friction represents obstacles and roadblocks that get in the way **during usage**. The last step is assessing how well the job was done with their chosen alternative.

- The script starts out by setting the stage and setting a problem context, but the heart of the interview is around exploring your customer's worldview because that's where you gather empirical evidence that either supports or refutes your case.
- The only reliable way to gather this evidence is by exploring **what customers did in the past or will do in the present**. Asking them what they'll do in the future, e.g. "Will you use...", puts you in the land of biases and should be avoided.
- If you gather evidence that supports your problem assumptions (validation), you can pat yourself on the back and move to the next step of defining and testing a solution with a Solution Interview:

Building a Solution Demo

- The Solution Demo can be thought of the **smallest possible solution** that can stand in for the **actual solution**, for the purpose of testing. It contains the **core** component of the **solution**, but is **not** the entire solution.
- You might not want to invest a lot in building a solution (a **full-fledged** product or a service) which nobody wants. Instead, create a **demo** or a **mockup** of your solution and test run it with your customers.
- This is a Lean Startup Technique which helps you validate your solution.
- Example of a Solution Demo (of a Data Center) – a video depicting its services.



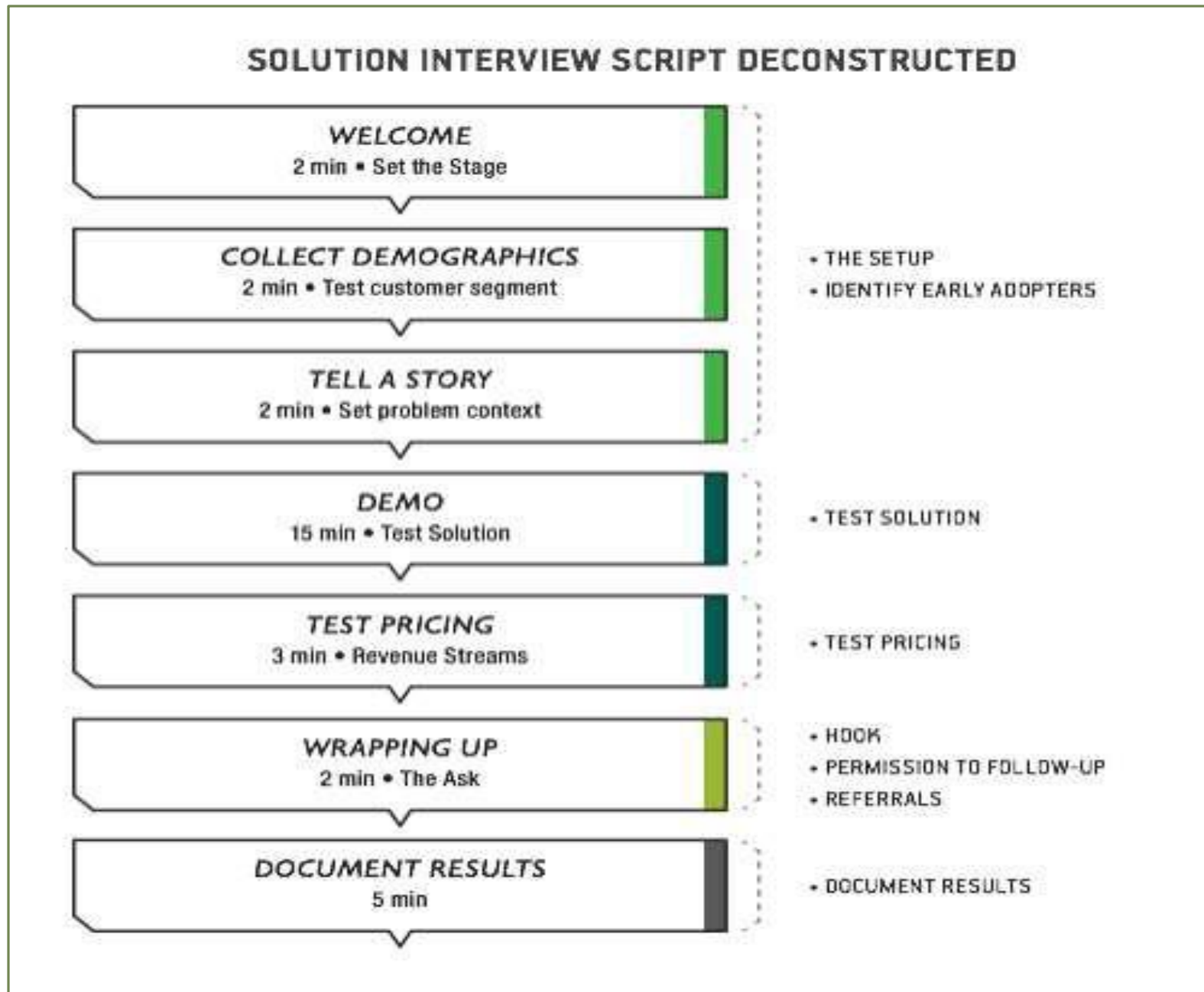
Building a Solution Demo

Guidelines to build a solution demo :

- 1) **Don't make a very simple mockup or a demo**, such as an image or a sketch. Give the customer a real sense of the solution. For example, if your solution is a website, design a mock website as the solution demo, rather than displaying a photoshopped image of the site.
- 2) **Don't build an unnecessarily flashy demo**. While a flashy/creative demo may be effective at making the sale, it makes the job of the implementation team quite difficult. Hence, you need to make sure that the demo represents something that can indeed be created in reality.
- 3) **Build your demo with your own resources**, don't hire/spend on additional resources. Create a quick mockup, instead of creating a complicated one by hiring resources which would lead to increase in the turn – around time to respond to feedback.
- 4) **Build as many mockups as required**. If there are multiple user requirements, create one mockup/demo for each requirement.

SOLUTION INTERVIEW METHOD

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- If, however, you don't **uncover evidence** that supports your **assumptions** (invalidation), you have to dig deeper for new problems worth solving. This is where people stumble.
- Here are a couple of reasons why:
 1. Most of us **unconsciously frame** (or fake) **problems** around the **solution** we already want to build and then attempt to seek just enough evidence to **convince ourselves** we are on the right track.
 2. Next, if you start with a **non-problem**, even though you can often see invalidation pretty quickly during the interview, recovering from it isn't always easy.

IDENTIFY MINIMUM VIABLE PRODUCT

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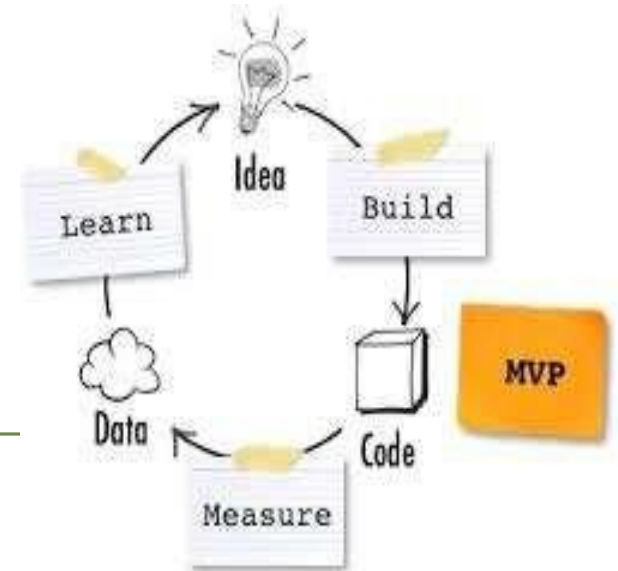
- A **Minimum Viable Product (MVP)** is a **product** with just enough features to satisfy early customers, and to provide feedback for future **product** development.
- The **Minimum Viable Product (MVP)** gives you the chance to **test** the **product** in the real market conditions and with the everyday **consumers** to **evaluate** its performance.

Example: In 2009, Manuel Rosso, Food on the Table's founder, had no mobile application or website for his service. But Manuel did amazing work to make sure that his startup idea was valuable for customers. First, Manuel found people willing to participate in his experiment. Then, he interviewed these participants and learned their food preferences and their budgets

Famous product that was initially launched with a MVP is Food on the Table. Food on the Table is a mobile application that collects your food preferences and then suggests recipes and grocery stores with the best deals to help you cook tasty and cheap dishes.

Steps To Building An Min. Viable Product (MVP)

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- Step 1. Define a **problem** you want to solve
 - Step 2. Define the **target audience** and narrow it down
 - Step 3. Evaluate your **competitors**
 - Step 4. Do the **SWOT** analysis
 - Step 5. Define the **user flow**
 - Step 6. Create a list of **features** and arrange them according to their priority
 - Step 7. Define the **scope** of MVP
 - Step 8. Choose the **best-fit** Management method and engineer an MVP
 - Step 9. Apply Alpha and Beta **testing**
 - Final Advice



PRODUCT - MARKET FIT TEST

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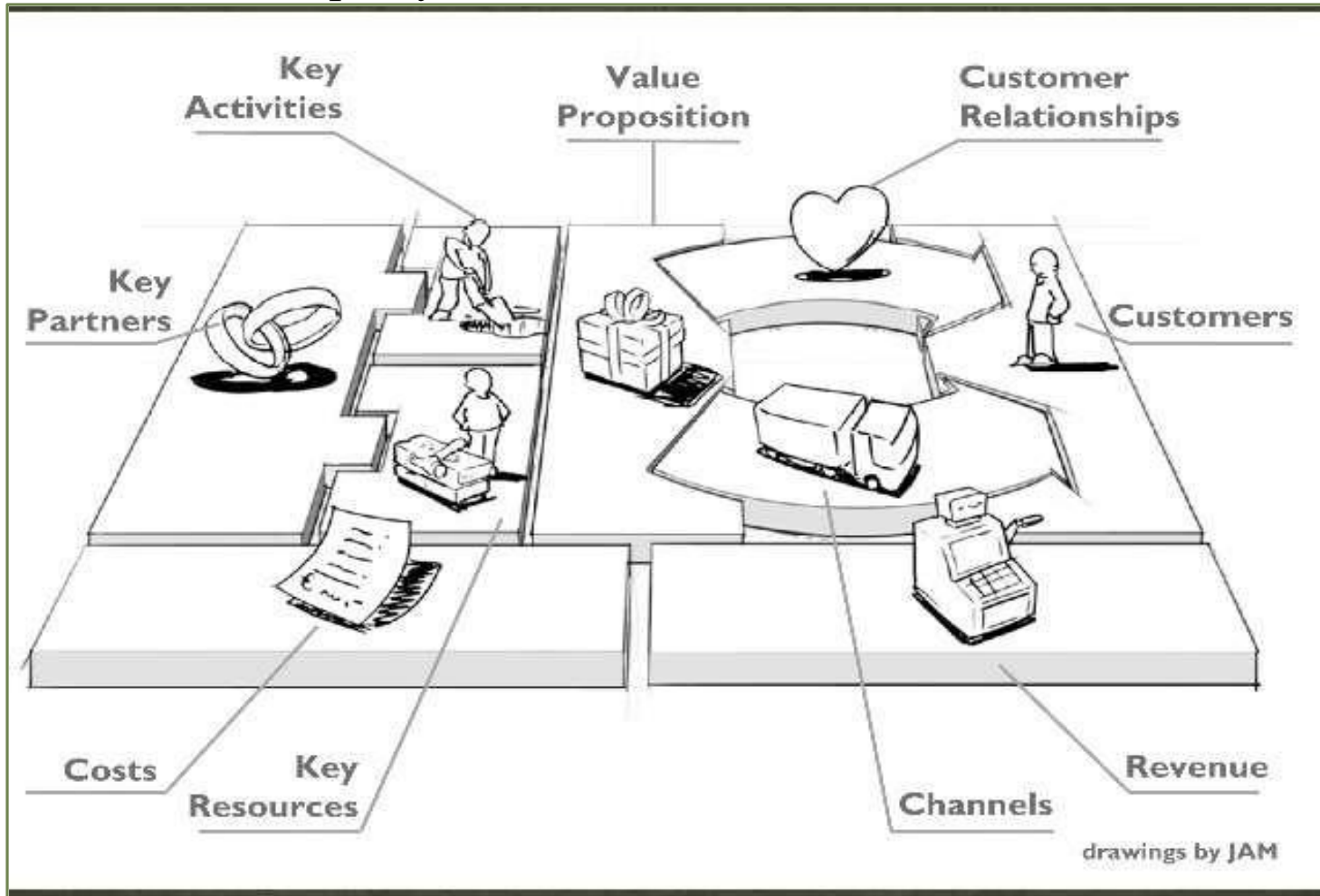
- Marc Andreessen defined the term as follows: “**Product/market fit** means being in a good **market** with a **product** that can satisfy that **market**.”
- Many people interpret **product/market fit** as creating a so called minimum viable **product** that addresses and solves a problem or need that exists.
- Olsen has created a process to help articulate, test and **revise** your business **plan** so you can achieve this goal. He proposes a six-step framework called the Lean Product Process.
 - i. Determine your **target customer**
 - ii. Identify underserved **customer needs**
 - iii. Define your **value proposition**
 - iv. Specify your minimum viable product **feature set**
 - v. Create your minimum viable product **prototype**
 - vi. **Test** your minimum viable product with **customers**

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► Product Market Fit = 2 parts

The Product : The part you control.

The Market : The part you don't control.



Few Examples Of Product Market Fit.

- If your product is “diapers “, your product market is B2C - **newborn** to up to 8 years
- If your product is “milk”, your product market is the universe
- If your product is “**Audi**”, your product market is for upper middle to upper class with higher income
- If your product is “**Allegra** “, your product market- “people with allergies
- A good example of “product-market fit” is a school application that helps students learn and warns teachers when a student isn’t achieving expected goals.
- The **market** for airline travel; smart-phones, new cars; pharmaceutical **products** and the **markets** for financial services such as banking, mortgages and pensions.

FYI: FOR FURTHER STUDY: CHARACTERISTICS OF START-UP AND

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START-UP	SMALL BUSINESS
Start-Ups are fundamentally concerned with growth	Smaller Teams of Employees
Start-Ups must exhibit economies of scale	Small Market Area
Start-Ups must pursue large markets	Sole or Partnership Ownership and Taxes
Start-Ups operate under conditions of extreme uncertainty	Limited Area of Fewer Locations
Start-Ups market their products / services in very unique ways	Lower Revenue and Profitability