

## Lean Canvas

This is Dr. Constantina Katsari-Muston and I would like to talk to you about the uses of the Lean Canvas. Lean Canvas is something we're going to use instead of a business plan. A business plan is not my favorite way of writing down about your start up, at this stage, at this early stage. This is because business plans tend to be static, they don't change easily, it takes too much time to write them down, there are too many unknowns, there are too many assumptions.

So, the best way is to do a Lean Canvas. A Lean Canvas looks like that. It has been devised by Ash Maurya who is a proponent of the Lean Start up Movement. In a page you can actually put down the most basic information that are related to your business. The Lean Canvas takes 20 minutes to write it down and I suggest that you write it every week in order to figure out how your business is changing. Today because you're doing it for the first time, I would advise you to take a whole hour to put together the Lean Canvas.

You need to put a little bit of information on a single page about the customer segments, the problem, solution, unique value proposition and whatever else is there. Now we're going to take you through the Lean Canvas in detail, so that you can understand what kind of information is requested. Bare in mind that you don't need to have all that information at hand. In fact, it is almost impossible when you're at the idea stage to have all the information.

Put down your assumptions, these are the assumptions to get what will need to be tested. We start from the right hand side of the canvas, that is the customer segments. The first thing you need to know is... Who are your customers? What are their characteristics? whom are you targeting? When you understand who your ideal customer is, then it will be much easier to target them through marketing. For some of you, you need to identify also who are your users. Customers are the people who pay, pay money. Users are the people who use the product but don't necessarily pay for it. For example, in this class, who is a customer of google. Think about it, who pays google? Not many of you pay, but all of you or most of you are definitely users of Google. You use the search engine without paying. There are advertisers actually who pay google through 'Pay Per Click'. That is the difference between customers and users. In the first stages of the business you need to know perfectly well who are your, 'EarlyVangelists' or otherwise called 'Early Adopters'.

The EarlyVangelists are the people who love the little bit of the product that you're going to create, the solution that you're going to give them. And they're willing to pay a lot more than other customers would pay later, because you're solving a very frustrating problem for them. It is imperative that you identify, first and foremost, these Early Vangelists or Early Adopters.

Then you go to the left hand side of the canvas and you try to identify the problem that the customer has, the problem that you're invited to resolve for them. Make sure you don't put down a whole list of the problems. 3 of them are going to be more than enough. These 3 problems may need 3 features into the solution that we're going to see later. So let me repeat it again. The problem is not the problem you have. It is the problem that the customers have. You're trying to identify your customers and you're using the Lean Canvas to help you with that

And then you go in the middle of the page and you're trying to find out the 'Unique Value Proposition'. Some people call it 'Unique Selling Proposition'. You're not trying to sell anything at this point. You're trying to create value for the customer or value for the user. And I suggest that you use this phrase, 'Unique Value Proposition' in order to understand for yourself what you're doing as entrepreneur. So, what value do you think you can offer to the customers?... How is your business different from the competition? The competition is already offering some value. How is your value different from the value that the competition is offering. And I need you to do that briefly. Just write down a single compelling message in 5 or 6 words, in a small sentence. Try to capture the value that you're offering the customer. I know this is very difficult and I know this Unique Value Proposition is going to change over and over again. But you need to start now in order to clarify for yourselves what you're offering to the customer.

And then you need to start thinking about your solution. Describe your product or service that solves the customer's problem. It may be a software platform. Or the solution may be something else. Start with 1 feature and go up to maximum 3 features that this platform may or may not have, just describe it for yourself briefly and don't try to analyze it, in detail at this stage.

Then we'll go to the channels. They're very important for your marketing. You're not going to do any marketing now but you still have to have a very clear message that the customers are going to understand. So I have a question for you. How are your customers going to find your business? How are your customer going to find your offer to them? Are they going to come to you from online or physical parts of the world. You have to show where people are going to come from. Are they going to find you through Facebook? Are they going to find you through an online newspaper? Are they going to find you through a blog? How are they going to find you how are they going to come across you? Now for each startup the channels are different. In your mind you may have 10 different channels that need to be tested, only 1 or 2 of them maybe worth your effort or your money. Write down the list and start testing them.

Very important is also the 'Revenue Model', or otherwise called 'Monetization'. So, you know what your value is, you know who your customer is, kind of, you know what you want to offer them, what kind of problem you want to resolve but the fact is... How are you going to make any money? How are you going to monetize your value? What exactly are your sources of revenue? What are you going to charge the

customers for? How much are you going to charge them? How long do you expect the customers to keep paying? Are you going to create a subscription model? Is it a one off payment that you're going to receive? Should you estimate the life time value of the customer? If you want to estimate the life time value of the customer, I suggest that you keep it to 2 years, not 20 years, because you're a start up, you're not an established business, you may not exist in 2 years time.

And, of course, the Revenue Models; the Revenue Model that you're going to create, the revenues you're going to receive should fully cover the cost of actually building the business. So start thinking... How much does it cost to acquire your customers? How much do you have to spend for hunting down your customers? What do you have to pay for salaries or staff? At this stage you would like to avoid any salaries whatsoever, because actually this is the biggest cost the company would ever face. Do you have to pay for distribution channels? Do you have to pay for technology? For example, for building a website. Do you have to pay for hosting? What do you have to pay for? I don't want you to go through a list in detail, I want some vague costs that you're going to have to face over the first year. Just to give an idea of where you are and where you'd like to be in terms of money and figure out afterwards how you're going to get this money.

I want you to go back to the main page and I want you to think what are your key metrics. I would suggest that you measure everything in your business, you turn everything into numbers. I know in the beginning the numbers are going to be rather small but its still worth measuring them. How many customers are subscribing to your page? How many people are using the product? How many people are paying for the product? How many people are coming back to get some more? First of all, you need to decide what are your targets... put a number in your mind... What is your target? That is going to help you decide whether you're successful or not. Have you succeeded in achieving the specific target, and, above all, what activities are you measuring? Now these activities may actually change over a period of time, you may be measuring different activities as your business is growing but still you need to decide now... today, what you'll be measuring today, this week. And then, once you start building the business, we'll figure out whether you've been successful at the end of it or not.

The most successful business I know has one unfair advantage... something that can't be easily copied or bought. That actually makes it unique, that makes it extremely innovative. If you start a business that is unique, nobody else can follow. You'll have absolutely no competitors. Now this is very difficult to achieve. It may involve some legal aspect that you need to incorporate into the business. For example, you may need some IP (Intellectual Property). Or you may need a piece of legislation that doesn't allow other people to infiltrate the market. For example, people from the States can't do the same thing that you will be able to do in the UK. This is obviously unique for every business and it would be very helpful if you have been able to

identify some unfair advantage, if you don't, then it's not the end of the world. This is something that may actually come later as you're building the business.

So I think this is the right time that you prepare your canvas. I have given you the most basic information for you to sit down and start thinking about your business. Put the paper in front of you. 1 canvas per team. And write a few words into the canvas that explain exactly who your customer is, what his problem is, the solution, the UVP, etc etc. Make sure that the team is in agreement. I would also suggest that you use a pencil so that you can erase things later. As you start building the business over 1, 2, 3 days, you will notice that the canvas will be changing and in some cases it will be changing radically. You may change the product, you may change the customer, you may change the cost. We'll see how these are going to develop. I stress again that you spend an hour on that but no more than an hour, and then you can discuss it with your mentors.