Successful Entrepreneurship for Microsystems

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Business Model Canvas

Key Partners
- What are the key partnerships needed in your business model?
- What are the key suppliers?
- What are the key distributors?
- What are the key customers?

Key Activities
- What are the key activities that your business model needs to perform?
- What are the key operational activities?
- What are the key support activities?
- What are the key management activities?

Value Propositions
- What do you deliver to your customers?
- What is the key benefit of your product or service?
- What is the key feature of your product or service?
- What is the key characteristic of your product or service?

Customer Relationships
- How do you interact with your customers?
- What is the key relationship between you and your customers?
- What is the key relationship between you and your partners?
- What is the key relationship between you and your suppliers?

Customer Segments
- Who are your key customer segments?
- What are the key characteristics of your customers?
- What are the key needs of your customers?
- What are the key pain points of your customers?

Problem
- What is the key problem that your business model solves?
- What is the key issue that your product or service addresses?
- What is the key challenge that your product or service helps to overcome?
- What is the key opportunity that your product or service captures?

Solution
- What is your key solution?
- What is the key feature of your solution?
- What is the key characteristic of your solution?
- What is the key benefit of your solution?

Key Resources
- What are the key resources that your business model needs?
- What are the key assets that your business model requires?
- What are the key capabilities that your business model possesses?
- What are the key competencies that your business model has?

Unfair Advantage
- What is your key unfair advantage?
- What sets your business model apart?
- What is the key benefit that your business model provides?
- What is the key characteristic that your business model possesses?

Cost Structure
- What are the key costs in your business model?
- What are the key expenses that your business model incurs?
- What are the key investments that your business model requires?
- What are the key overheads that your business model incurs?

Revenue Streams
- What are the key revenue streams in your business model?
- What are the key income sources that your business model generates?
- What are the key profit centers that your business model possesses?
- What are the key pricing strategies that your business model employs?

Key Metrics
- What are the key performance indicators for your business model?
- What are the key metrics that your business model tracks?
- What are the key success indicators for your business model?
- What are the key targets that your business model aims to achieve?

http://strategyzer.com
Business Model Canvas

- **Problem**
  - Top 3 problems

- **Solution**
  - Top 3 features

- **Unique Value Proposition**
  - Single, clear, compelling message that states why you are different and worth paying attention

- **Unfair Advantage**
  - Can’t be easily copied or bought

- **Customer Segments**
  - Target customers

- **Key Metrics**
  - Key activities you measure

- **Channels**
  - Path to customers

- **Cost Structure**
  - Customer Acquisition Costs
  - Distribution Costs
  - Hosting
  - People, etc.

- **Revenue Streams**
  - Revenue Model
  - Life Time Value
  - Revenue
  - Gross Margin

Lean Canvas is adapted from The Business Model Canvas (http://www.businessmodelgeneration.com) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Unported License.

http://practicetrumpstheory.com/business-model/
The stages of a Startup

Stage 1: Problem/Solution Fit
- Focus: Validated Learning
- Experiments: Pivots

Stage 2: Product/Market Fit
- Focus: Growth
- Experiments: Optimizations

Stage 3: Scale

Ref: Ash Maurya, “Running Lean”
Iteration Methodology

Ref: Ash Maurya, “Running Lean”
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Lean Canvas – RISKS Assessment

P – Product Risks
M – Market Risks
C – Consumer Risks

Existing alternatives:
P

KEY METRICS
P

High-level concept:
P

CHANNELS
C

Early adopter:
C

COST STRUCTURE
M

REVENUE STREAMS
M

Ref: Ash Maurya, “Running Lean”
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Key Metrics – Pirate METRICS (“AARRR”)

…Early feedback & Assessment

- How do users find you?
  - “Get in the door”

- Do users have a great first experience?
  - “Connect the promise to your UVP/Product”

- Do users come back?
  - “Return to your website or product”

- How do you make money?
  - “Customer PAYS”

- Do users tell others?
  - “Word of mouth”

Ref: Ash Maurya, “Running Lean”, Dave McClure
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Unfair Advantage

➢ Anything worth copying (technically and business-wise) WILL be copied!
➢ Anticipate that the competition will try to out-run you!
➢ “Unfair Advantage” are things that cannot be easily copied or bought
  ➢ Insider Information
  ➢ The right “Expert” Endorsements
  ➢ A dream Team
  ➢ Existing Customers
  ➢ Personal authority
  ➢ Community
  ➢ SEO (Search Engine) ranking
  ➢ ….
CloudFire example… "Running Lean" – Ash Maurya

Prior to CloudFire, I had launched a file-sharing application called BoxCloud that simplified the process of sharing large files, using a proprietary peer-to-web (p2web) framework we had built.

BoxCloud’s unique value proposition (UVP) was that it allowed the sharer to share a file/folder directly from his computer without any uploading. Recipients accessed the shared file/folder directly from their browser without the need to install any additional software.

BoxCloud was primarily targeted at business users and was in use by graphic designers, attorneys, accountants, and other small-business owners.

I was interested in exploring other uses of the p2web framework, especially around media sharing (photos, videos, and music), which is how CloudFire came about.

Really broad category:

Anyone that shares lots of media content.

More specific possible customers:

- Photographers
- Videographers
- Media consumers (scratch my own itch)
- Parents

While I was initially drawn to building something for the consumer segment (with myself as the prototypical customer), I had recently become a parent and witnessed some pain points around photo and (especially) video sharing. That is the segment I decided to model first.
### CloudFire – PARENTS Lean Canvas

<table>
<thead>
<tr>
<th>PROBLEM</th>
<th>SOLUTION</th>
<th>UNIQUE VALUE PROPOSITION</th>
<th>UNFAIR ADVANTAGE</th>
<th>CUSTOMER SEGMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sharing lots of photos/videos is time-consuming. Parents have no free time. There is lots of external demand on this content.</td>
<td>Instant, no-upload sharing iPhoto/folder integration Better notification tools</td>
<td>The Fastest Way to Share Your Photos and Videos</td>
<td>Community</td>
<td>Parents (creators) Family and friends (viewers)</td>
</tr>
</tbody>
</table>

**Existing alternatives:** Flickr Pro, SmugMug, Apple MobileMe, Facebook

**KEY METRICS**
- A - Sign-up
- A - Created first gallery
- R - Shared an album and/or video
- R - Invited family and friends
- R - Paid after trial

**High-level concept:** Photo and video sharing without the uploading

**CHANNELS**
- Friends
- Daycare
- Birthday parties
- AdWords
- Facebook
- Word of mouth

**Early adopter:** Parents with young kids

<table>
<thead>
<tr>
<th>COST STRUCTURE</th>
<th>REVENUE STREAMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hosting costs - Heroku (currently $0) People costs - 40 hrs * $65/hr = $10k/mo</td>
<td>Break-Even Point: 2,000 customers</td>
</tr>
</tbody>
</table>

30-day free trial then $49/yr

Ref: Ash Maurya, “Running Lean” ©2015 TCX Inc
## CloudFire – PHOTOGRAPHERS Lean Canvas

<table>
<thead>
<tr>
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<th>CUSTOMER SEGMENTS</th>
</tr>
</thead>
</table>
| Sharing lots of photos/videos is time-consuming. | Instant, no-upload sharing  
Aperture/Lightroom/folder integration  
Cloud storage of originals | The Fastest Way to Share Your Photos and Videos | Community | Photographers (creators)  
Clients (viewers) |
| Most proofing sites only support low-res thumbnails. | Existing alternatives: SmugMug Pro, Photo Shelter | | | |

### KEY METRICS
- Created first gallery
- Shared an album and/or video
- Invited clients

### HIGH-LEVEL CONCEPT
- Photo and video sharing without the uploading

### CHANNELS
- First-degree network
- Cold calling
- Photography events

### EARLY ADOPTER
- Wedding photographers, sports photographers, portrait photographers

### COST STRUCTURE
- Hosting costs - Heroku (currently $0)
- People costs - 40 hrs * $65/hr = $10k/mo

### REVENUE STREAMS
- 30-day free trial then $199/yr

**Break-Even Point:** 600 customers

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Ref: Ash Maurya, “Running Lean”
## CloudFire – VIDEOGRAPHERS Lean Canvas

<table>
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<th>UNFAIR ADVANTAGE</th>
<th>CUSTOMER SEGMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sharing large video files is time-consuming and error prone. Most proofing sites only support low-res thumbnails.</td>
<td>Instant no-upload sharing Progressive streaming</td>
<td>The Fastest Way to Share Your Video Files</td>
<td>???</td>
<td>Videographers (creators) Clients (viewers)</td>
</tr>
</tbody>
</table>

**Existing alternatives:** FTP, CDN

**KEY METRICS**
- Create first project
- Shared video
- Invited clients

**High-level concept:** Video sharing without uploading

**CHANNELS**
- First-degree network
- Cold calling

**Early adopter:** Music, sports, video games

**COST STRUCTURE**
- Hosting costs - Heroku (currently $0)
- People costs - 40 hrs * $65/hr = $10k/mo

**REVENUE STREAMS**
- 30-day free trial then $99/mo

**Break-Even Point:** 100 customers

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## CloudFire – CONSUMERS Lean Canvas

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<th>UNFAIR ADVANTAGE</th>
<th>CUSTOMER SEGMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal media files are spread across many devices.</td>
<td>Auto-sync files across devices</td>
<td>Anywhere access to your media content</td>
<td>???</td>
<td>Consumers</td>
</tr>
<tr>
<td>Sharing lots of photos and videos is difficult.</td>
<td>Instant, no-upload sharing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Always-on network appliance device (optional)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Existing alternatives:</strong> Maintain multiple copies through manual syncing</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td><strong>KEY METRICS</strong></td>
<td><strong>HIGH-LEVEL CONCEPT:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Add first device</td>
<td>Digital locker for your media files</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shared photos/videos</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Invited friends</td>
<td></td>
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<tr>
<td></td>
<td><strong>CHANNELS</strong></td>
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<tr>
<td></td>
<td>First-degree network</td>
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<tr>
<td></td>
<td>Cable/DSL providers (white-labeled solution)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Early adopter:</strong></td>
<td>Early adopter: Digital media enthusiasts, ???</td>
<td></td>
<td></td>
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<tr>
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<td><strong>REVENUE STREAMS</strong></td>
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<td></td>
</tr>
<tr>
<td>Hosting costs - Heroku (currently $0)</td>
<td></td>
<td>Freemium model with $9/mo for premium storage option</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People costs - 40 hrs * $65/hr = $10k/mo</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Break-Even Point: 1,000 customers

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Ref: Ash Maurya, “Running Lean”
Typical IC Product Roadmap

- **Initial Product**
- Follow On Product
- Follow On Product
- Follow On Product
- Follow On Product

Features, Performance
Cost Reduction

0 1 2 3 Years
Introduction
Marketing / Sales Channels

…Getting the Customers

➢ “Free” – SEO, social media, blogs,…
➢ “Pull” vs. “Push” messaging – “word of mouth” vs. sending emails, etc.
➢ Direct Sales
  ➢ good for initial contacts…sell your initial product yourself first!
  ➢ Direct sales people can be expensive…use judiciously when appropriate
➢ Strategic Partnerships …caution – good for visibility, but do you really get the attention from the Partner’s sales people?
➢ Referrals – must have a GOOD product to get them!

Ref: Ash Maurya, “Running Lean”
Product Positioning

“Movie” Candy

- A product of Switzer Clark
- Small ad budget
- Created a differentiating feature
  - Normal candy does not last long
  - Kids love it!
  - Lasts as long as the movie!

Candy

Ref: Al Ries, Jack Trout, “Positioning”
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Get External Advice

- Avoid lengthy presentation
- Devote 20% of time to Present, 80% to Listen
- Ask specific questions
  - What they consider highest risk points
  - Have they encountered similar risks? How? What they did about them?
  - How would they go about testing the risks?
- Recruit Visionary Advisors
  - Get their advice, don’t follow it, APPLY it!

Ref: Ash Maurya, “Running Lean”
1. What are the three stages of a new company product development according to Ash Maurya in “Running Lean”?
HW 5 – Lean Canvas

...Due Thursday, 22\textsuperscript{nd}

➢ Create an initial Lean Canvas for your Project