

Successful Entrepreneurship for Microsystems

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Marketing / Sales Channels

...Getting the Customers

- “Free” – SEO, social media, blogs, Amazon,...
- “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!

Product Positioning

“Movie” Candy



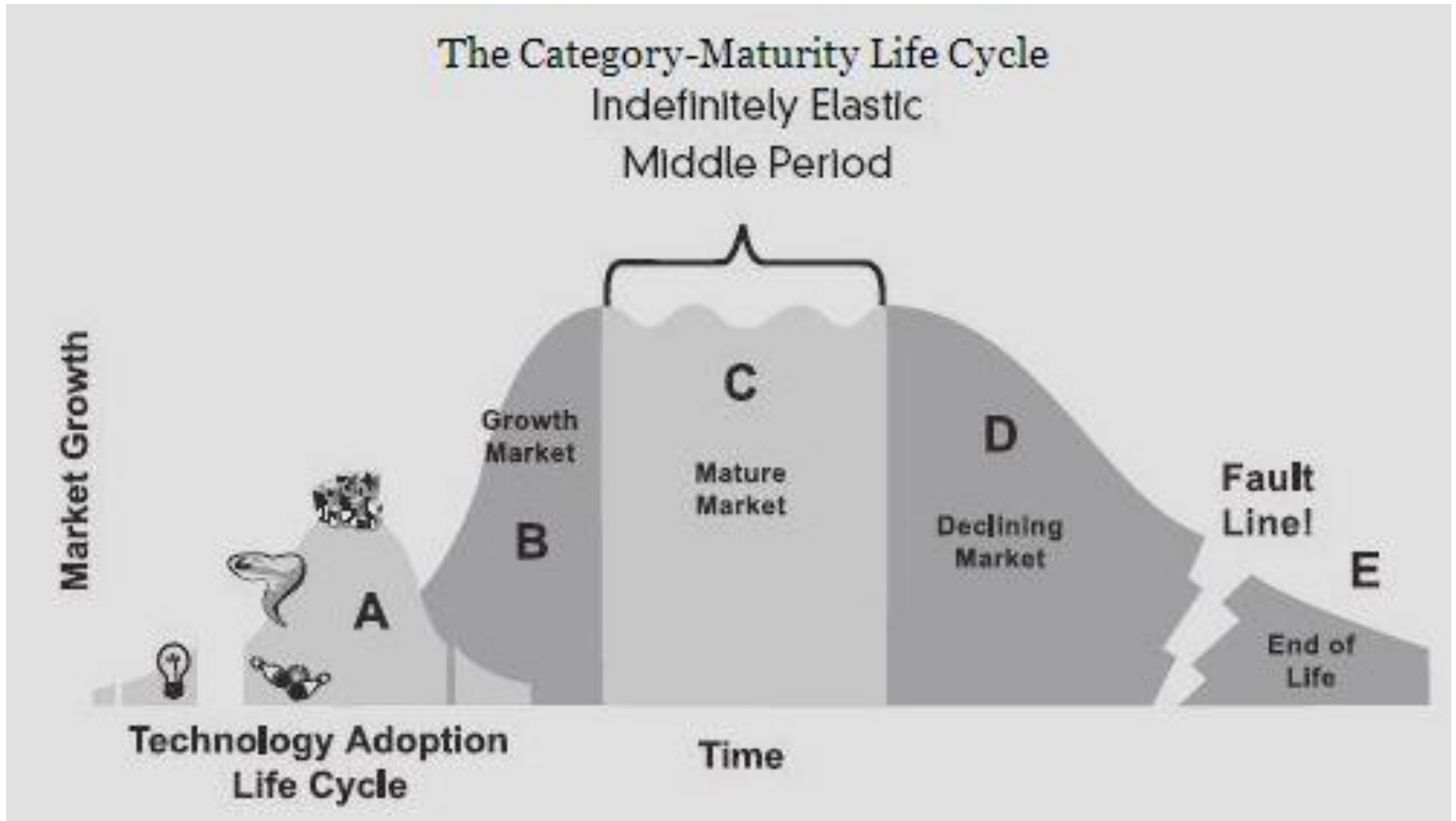
- A product of Switzer Clark
- Small ad budget
- Created a differentiating feature
 - Normal candy does not last long
 - Kids love it!
 - Lasts as long as the movie!

Candy



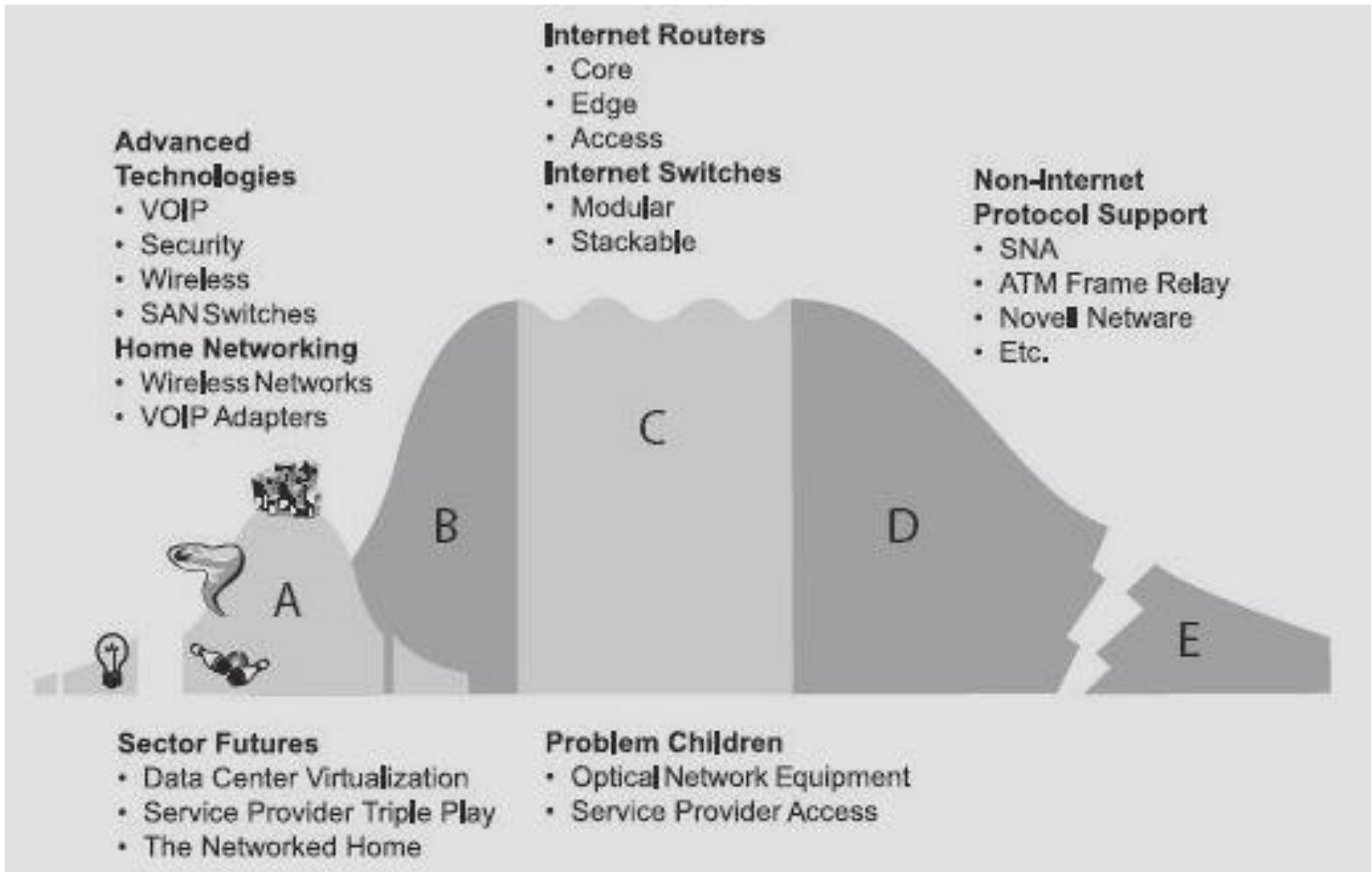
Who do you sell to?...Target Early Adopters

...from Geoffrey Moore, "Crossing the Chasm", "Dealing with Darwin"



CISCO example of Category-Maturity Life Cycle

...from Geoffrey Moore, "Crossing the Chasm", "Dealing with Darwin"



Circa 2005



Target Early Adopters

...from Geoffrey Moore, "Crossing the Chasm", "Dealing with Darwin"

Underlying Drivers in Growth Markets Technology-Adoption Strategies

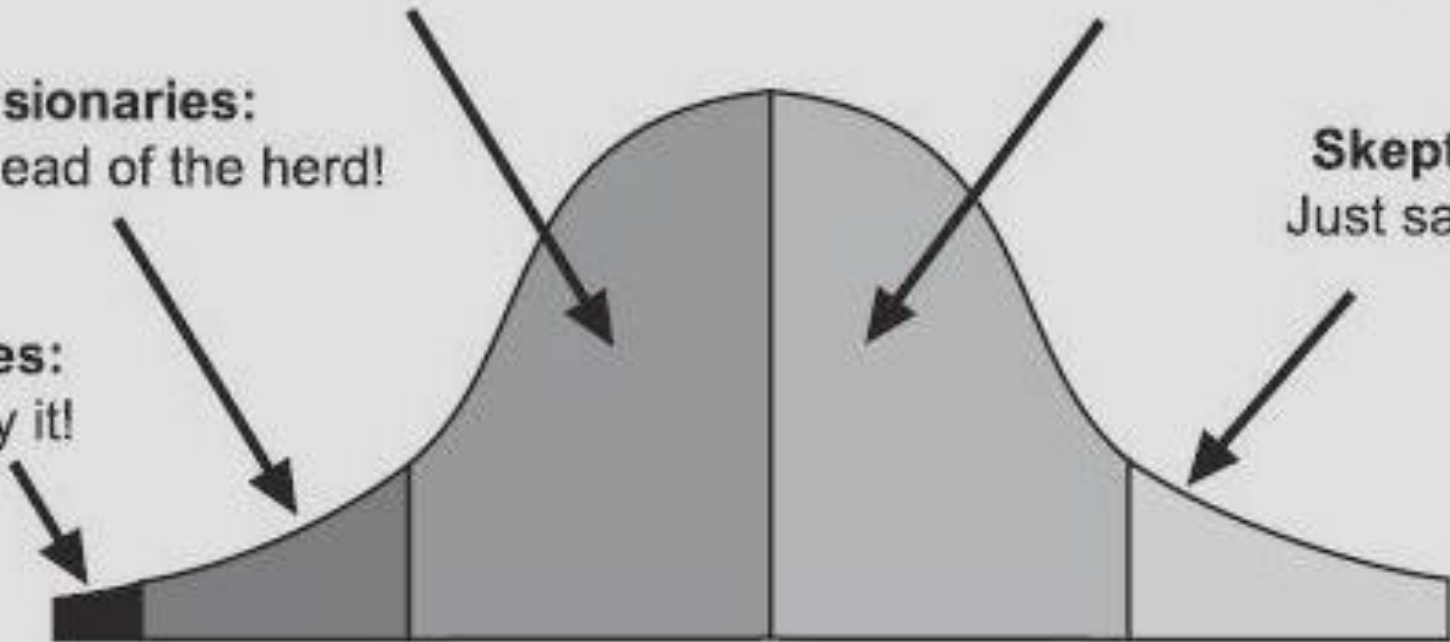
Pragmatists:
Stick with the herd!

Conservatives:
Stick with what's proven!

Visionaries:
Get ahead of the herd!

Skeptics:
Just say no!

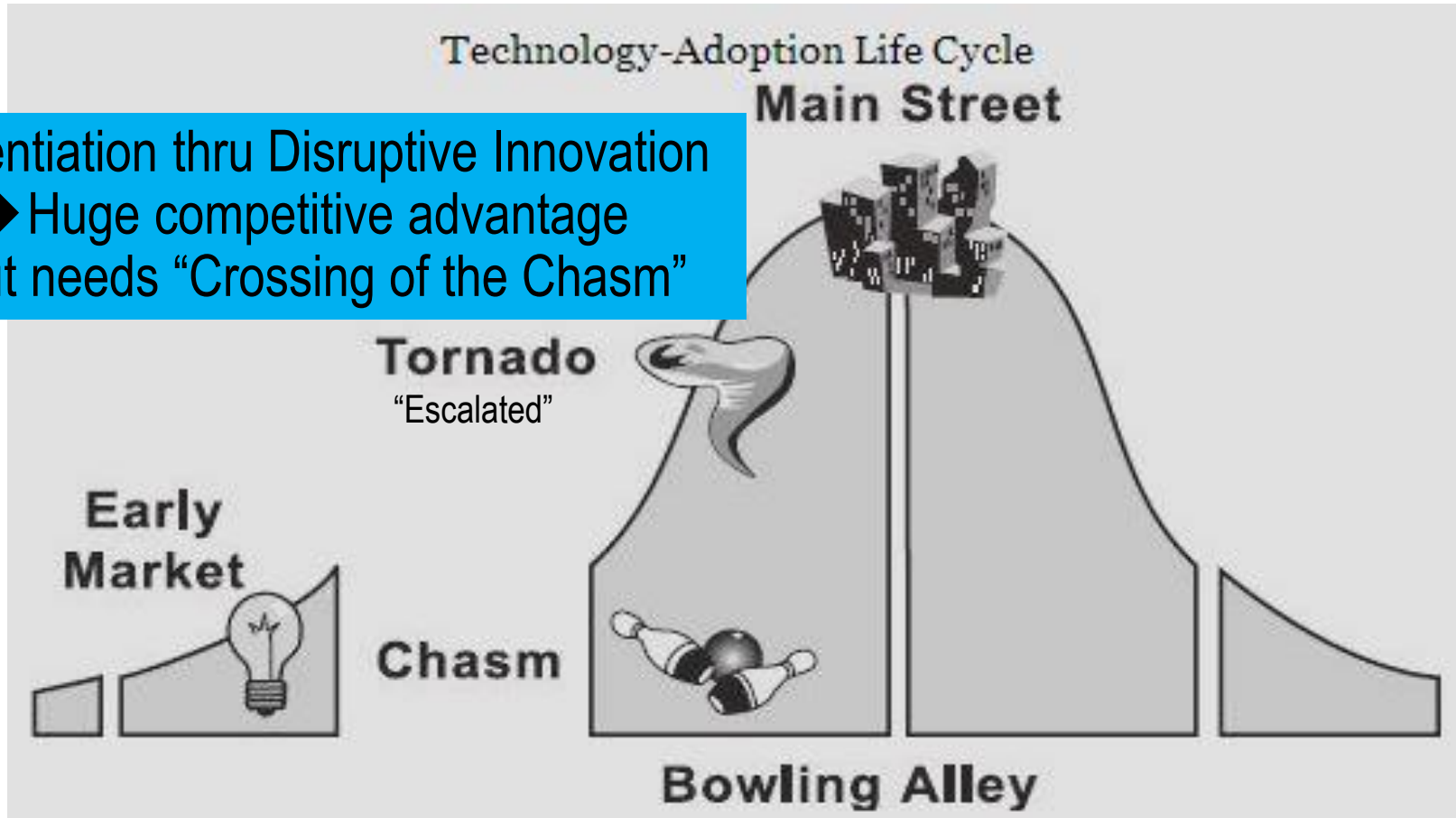
Techies:
Just try it!



Target Early Adopters

...from Geoffrey Moore, "Crossing the Chasm", "Dealing with Darwin"

Differentiation thru Disruptive Innovation
→ Huge competitive advantage
...but needs "Crossing of the Chasm"



Pragmatist(s)
Niche
Few adopters

The “Running Lean” Methodology

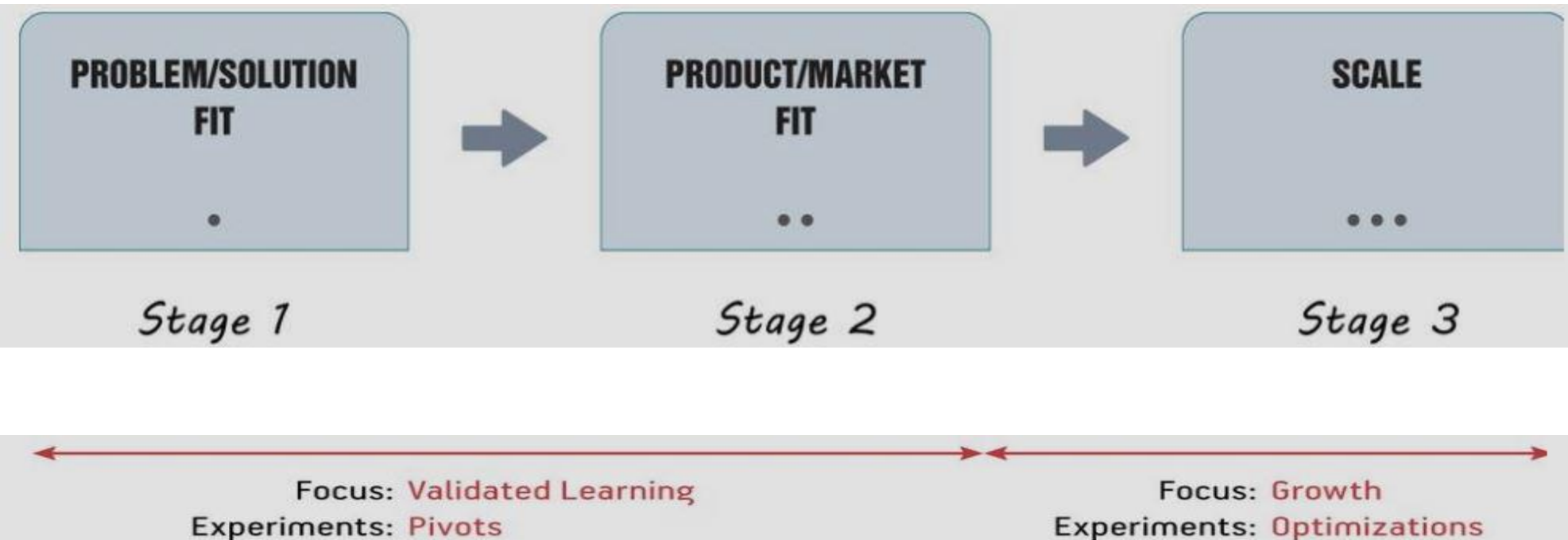
...Ash Maurya

- **Step 1: Identify and Document your Plan A**
 - Build a “Lean Canvas”
- **Step 2: Identify the RISKiest parts of the Plan**
 - Identify Key Metrics
 - Prioritize where to start

RISK

- Startups are RISKY Business!
- RISK Mitigation is VERY Important
 - Customers will not buy unless they TRUST you!
 - Investors will not Invest unless you can demonstrate

The stages of a Startup

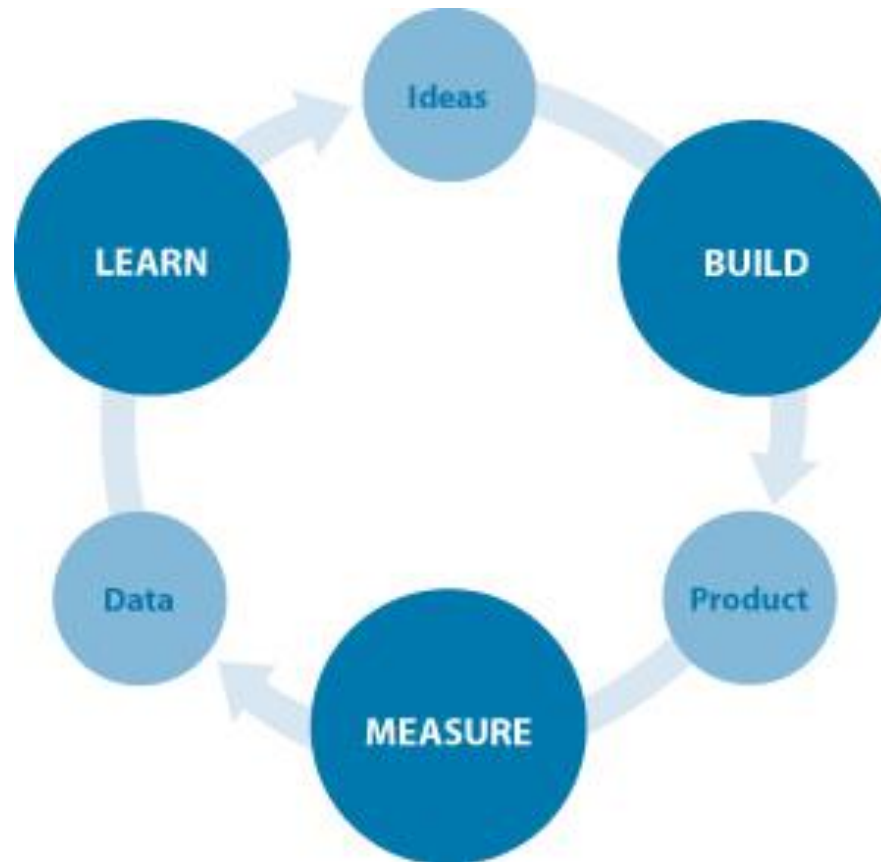


Do I have a Problem worth Solving?

Have I built something people WANT?

How do I accelerate Growth?

Iteration Methodology



**UNDERSTAND
PROBLEM**

**DEFINE
SOLUTION**

**VALIDATE
QUALITATIVELY**

**VERIFY
QUANTITATIVELY**

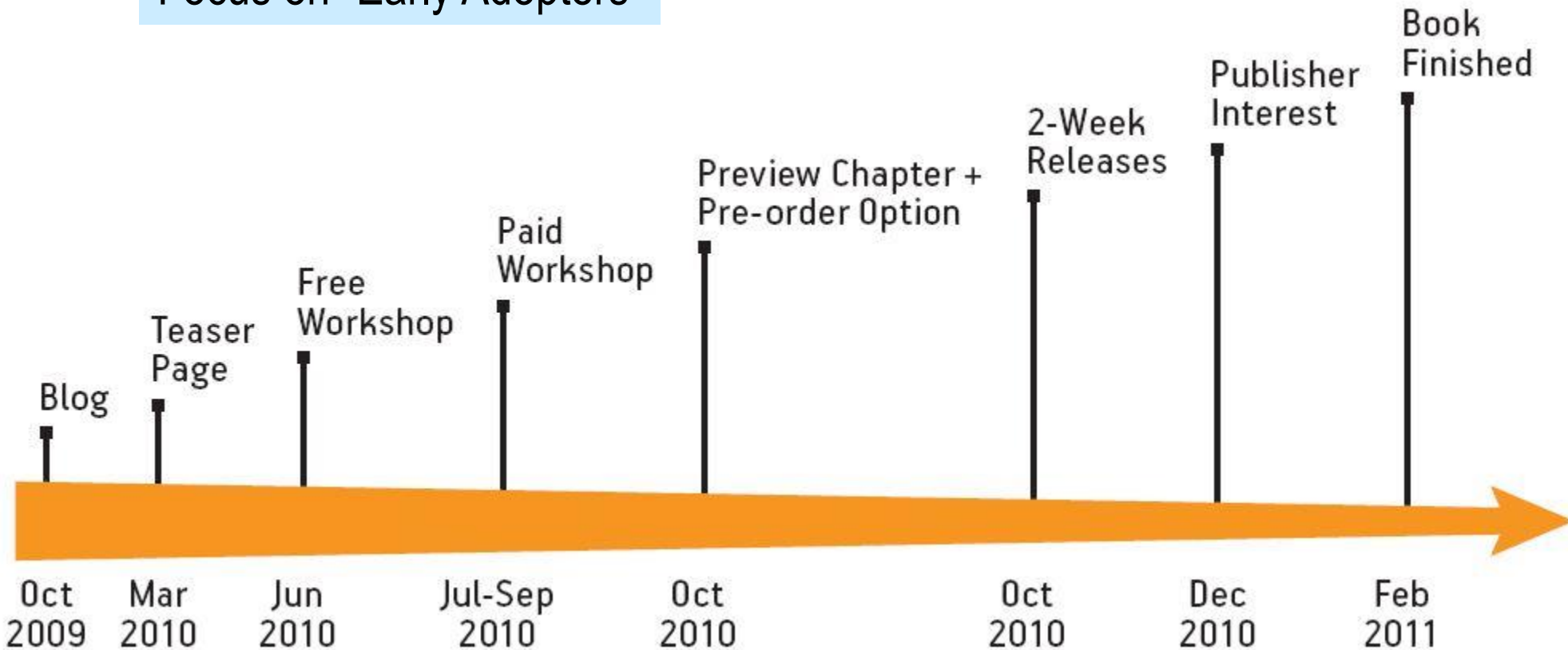
Problem/Solution Fit

Product/Market Fit

Case Study

“Running Lean” ...book writing project by Ash Maurya

Validate QUALITATIVELY
Focus on “Early Adopters”



Ref: Ash Maurya, “Running Lean”

Case Study

“CloudFire” ...a Media Sharing capability

CASE STUDY: CLOUDFIRE

Background:

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.

Ref: Ash Maurya, “Running Lean”

Lean Canvas – RISKS Assessment

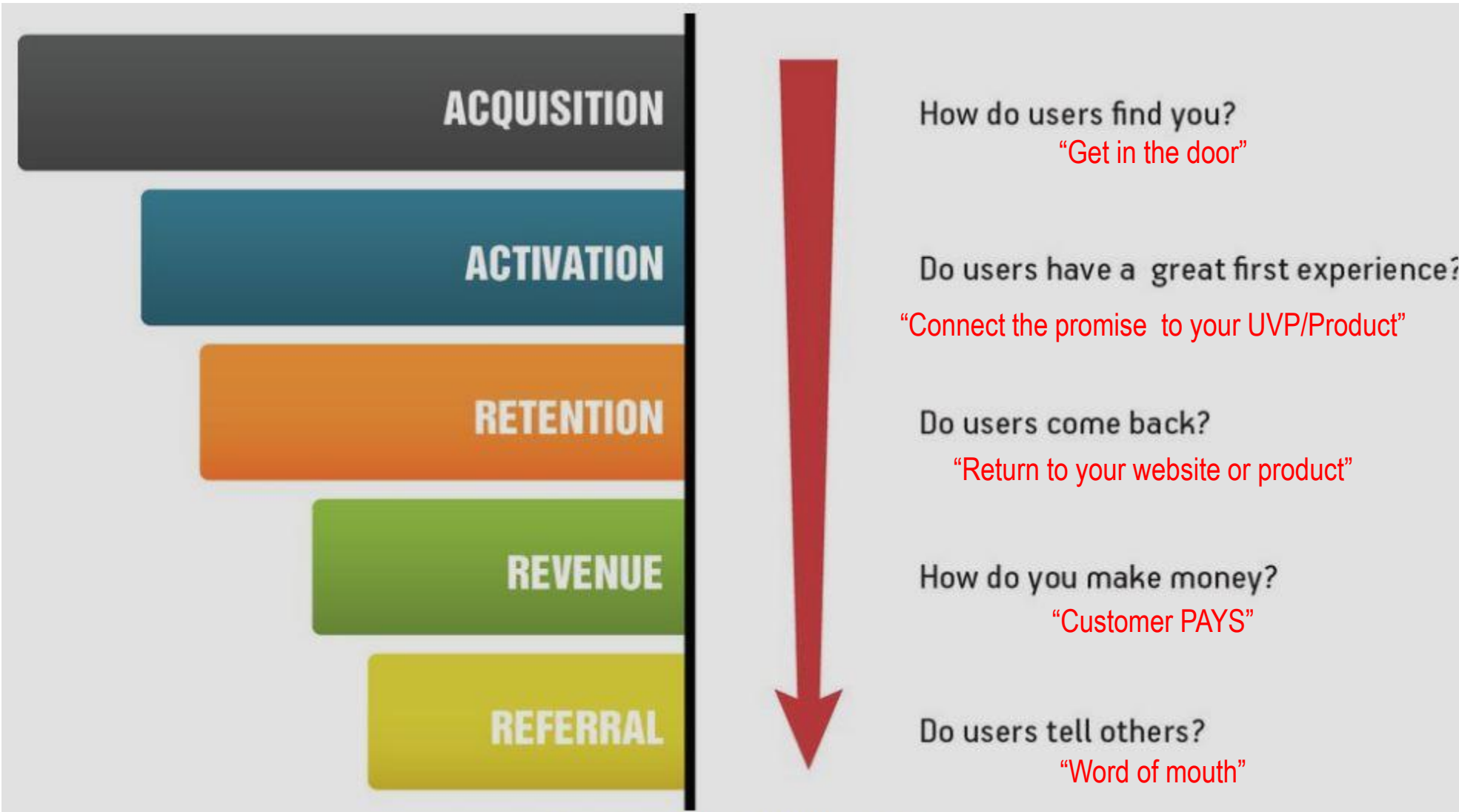
P – Product Risks
 M – Market Risks
 C – Consumer Risks



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 Un-ported License.

Key Metrics – Pirate METRICS (“AARRRR”)

...Early feedback & Assessment



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

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CloudFire – PARENTS Lean Canvas

PROBLEM Sharing lots of photos/videos is time-consuming. Parents have no free time. There is lots of external demand on this content. <i>Existing alternatives:</i> Flickr Pro, SmugMug, Apple MobileMe, Facebook	SOLUTION Instant, no-upload sharing iPhoto/folder integration Better notification tools	UNIQUE VALUE PROPOSITION The Fastest Way to Share Your Photos and Videos <i>High-level concept:</i> Photo and video sharing without the uploading	UNFAIR ADVANTAGE Community	CUSTOMER SEGMENTS Parents (creators) Family and friends (viewers) <i>Early adopter:</i> Parents with young kids
	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		CHANNELS Friends Daycare Birthday parties AdWords Facebook Word of mouth	
COST STRUCTURE Hosting costs - Heroku (currently \$0) People costs - 40 hrs * \$65/hr = \$10k/mo		REVENUE STREAMS 30-day free trial then \$49/yr		
Break-Even Point: 2,000 customers				

CloudFire – PHOTOGRAPHERS Lean Canvas

PROBLEM Sharing lots of photos/videos is time-consuming. Most proofing sites only support low-res thumbnails. <i>Existing alternatives:</i> SmugMug Pro, Photo Shelter	SOLUTION Instant, no-upload sharing Aperture/Lightroom/folder integration Cloud storage of originals	UNIQUE VALUE PROPOSITION The Fastest Way to Share Your Photos and Videos <i>High-level concept:</i> Photo and video sharing without the uploading	UNFAIR ADVANTAGE Community	CUSTOMER SEGMENTS Photographers (creators) Clients (viewers) <i>Early adopter:</i> Wedding photographers, sports photographers, portrait photographers
	KEY METRICS Created first gallery Shared an album and/or video Invited clients		CHANNELS First-degree network Cold calling Photography events	
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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CloudFire – VIDEOGRAPHERS Lean Canvas

PROBLEM Sharing large video files is time-consuming and error prone. Most proofing sites only support low-res thumbnails. <i>Existing alternatives:</i> FTP, CDN	SOLUTION Instant no-upload sharing Progressive streaming	UNIQUE VALUE PROPOSITION The Fastest Way to Share Your Video Files <i>High-level concept:</i> Video sharing without uploading	UNFAIR ADVANTAGE ???	CUSTOMER SEGMENTS Videographers (creators) Clients (viewers) <i>Early adopter:</i> Music, sports, video games
	KEY METRICS Create first project Shared video Invited clients		CHANNELS First-degree network Cold calling	
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

PROBLEM Personal media files are spread across many devices. Sharing lots of photos and videos is difficult. <i>Existing alternatives:</i> Maintain multiple copies through manual syncing	SOLUTION Auto-sync files across devices Instant, no-upload sharing Always-on network appliance device (optional)	UNIQUE VALUE PROPOSITION Anywhere access to your media content <i>High-level concept:</i> Digital locker for your media files	UNFAIR ADVANTAGE ???	CUSTOMER SEGMENTS Consumers <i>Early adopter:</i> Digital media enthusiasts, ???
	KEY METRICS Add first device Shared photos/videos Invited friends		CHANNELS First-degree network Cable/DSL providers (white-labeled solution)	
COST STRUCTURE Hosting costs - Heroku (currently \$0) People costs - 40 hrs * \$65/hr = \$10k/mo		REVENUE STREAMS Freemium model with \$9/mo for premium storage option		
		Break-Even Point: 1,000 customers		

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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!

Building the Lean Canvas Business Model

1 PROBLEM Top 3 problems	4 SOLUTION Top 3 features	3 UNIQUE VALUE PROPOSITION Single, clear, compelling message that states why you are different and worth buying	9 UNFAIR ADVANTAGE Can't be easily copied or bought	2 CUSTOMER SEGMENTS Target customers
	8 KEY METRICS Key activities you measure		5 CHANNELS Path to customers	
7 COST STRUCTURE Customer Acquisition Costs Distributing Costs Hosting People, etc.		6 REVENUE STREAMS Revenue Model Lifetime Value Revenue Gross Margin		

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Building the Lean Canvas Business Model – Some Guidelines

- Distinguish between Customers and Users
- Split broad customer segments into small ones
 - Can't build a product for everyone
 - Select/Target a specific customer initially
- Put everyone on the same canvas at first
- Sketch a Lean Canvas for each customer segment

- It's ok to leave sections blank
- Be concise
- Use a customer-centric approach

Ref: Ash Maurya, "Running Lean"

Building the Lean Canvas Business Model – UVP

- Be Different, but make sure your difference matters
- Target Early Adopters
- Focus on finished story BENEFITS
 - Features are nice, but BENEFIT is key for the customer
 - Clear Headline
 - end result customer wants + specific period of time + consequence
 - Example, Domino's:
 - *“Hot fresh Pizza delivered to your door in 30 minutes, or it's free”*
- Pick your words carefully and OWN them
 - Ex, Performance – BMW, Prestige – Mercedes
- What, Who, Why?
- Study competition , and other good UVPs
- Create a high concept pitch

Ref: Ash Maurya, “Running Lean”

CloudFire – top features in an MVP

<p>PROBLEM Sharing lots of photos/videos is time-consuming. Parents have no free time. There is lots of external demand on this content.</p> <p><i>Existing alternatives:</i> Flickr Pro, SmugMug, Apple MobileMe, Facebook</p>	<p>SOLUTION Instant, no-upload sharing iPhoto/folder integration Better notification tools</p>	<p>UNIQUE VALUE PROPOSITION The Fastest Way to Share Your Photos and Videos</p> <p><i>High-level concept:</i> Photo and video sharing without the uploading</p>	<p>UNFAIR ADVANTAGE</p>	<p>CUSTOMER SEGMENTS Parents (creators) Family and friends (viewers)</p> <p><i>Early adopter:</i> Parents with young kids</p>
<p>COST STRUCTURE</p>	<p>KEY METRICS</p>		<p>CHANNELS</p>	
<p>COST STRUCTURE</p>		<p>REVENUE STREAMS</p>		

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Ref: Ash Maurya, "Running Lean"



HW 5 – Lean Canvas

Due on Thursday, May 7th ...One per Team

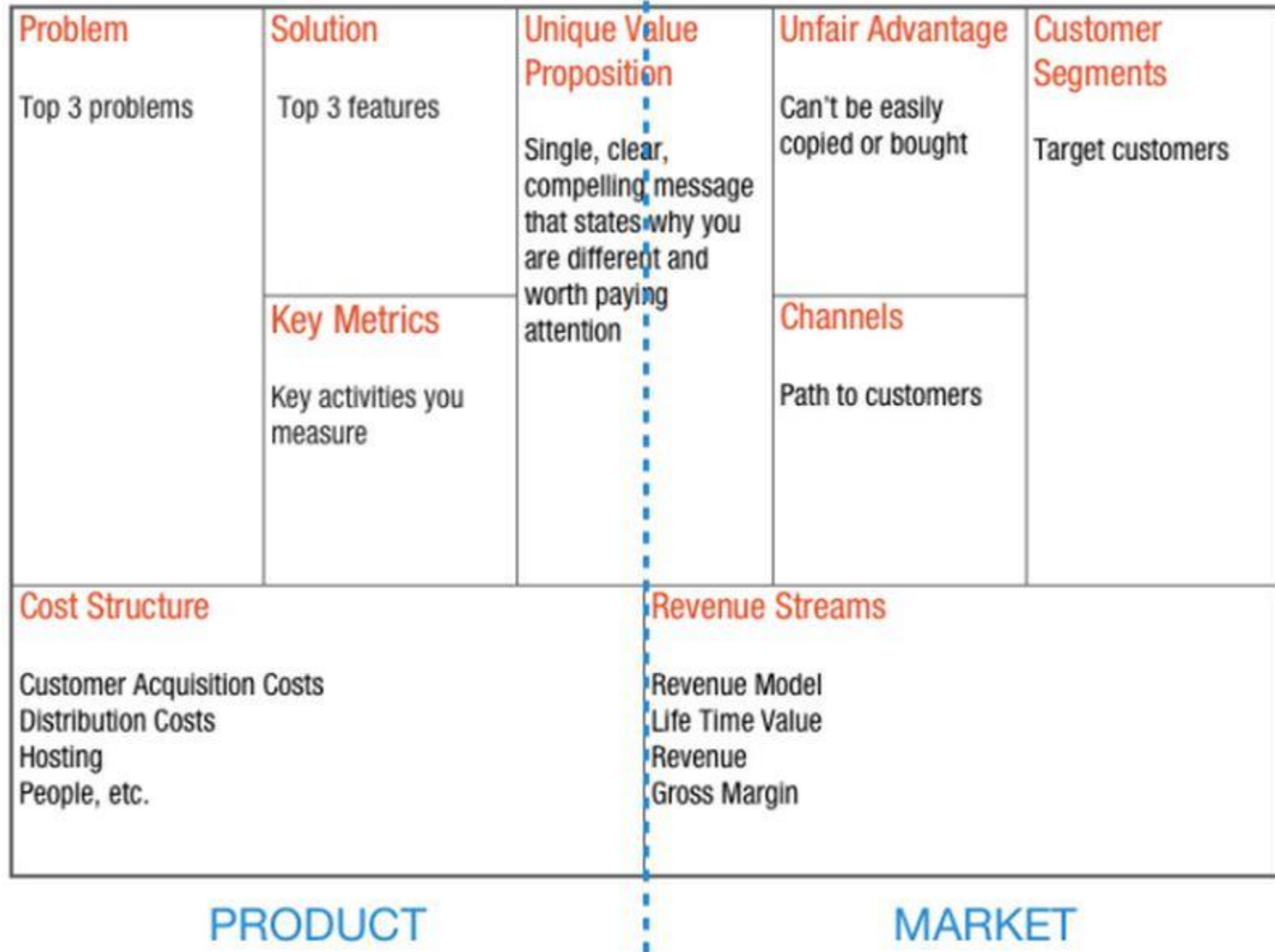
- Create a Lean Canvas for your Project for the Problem, Customer Segments, Solution and UVP phases.

Note – the complete Canvas will be required for submission in Presentation 2

In-class Quiz 5-1

1. Each individual to please List 2 potential “Early Adopters” for your project

Business Model Canvas



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<http://practicetrumpstheory.com/business-model/>