

Let's Talk about the Canvas

The Business Model Canvas is a great way to capture the important aspects of your business, and through customer interviews, be sure that your assumptions are correct.












Profitability

Part 4

Revenue

Expense

Check out the bottom of the canvas

<p>Key Partners </p>	<p>Key Activities </p>	<p>Value Propositions </p>	<p>Customer Relationships </p>	<p>Customer Segments </p>
	<p>Key Resources </p>		<p>Channels </p>	
<p>Cost Structure </p>			<p>Revenue Streams </p>	

What are some costs associated with your startup?

- Materials
- Labor
- Cost of distribution
- Advertising/ Marketing
- Legal costs
- Continued research



Where will revenue come from?

- Product sales
- Subscriptions (Netflix)
- Referrals
- Pay-per-use (pay per view TV)
- Grants (state or federal)
- Loans (bank or family)
- Sold advertisements
- Data sales (selling your customers' data)



How to Calculate Margins

$$\text{Margin} = \frac{\text{Revenue} - \text{Expenses}}{\text{Revenue}}$$

$$\text{a.k.a.} \quad \frac{\text{Profit}}{\text{Revenue}}$$

Example of Margins

Diamonds >50%



Bottled Water, often too high to measure



Cosmetics 80%



Designer jeans >70%



Example of Margins

Restaurants - low!



LCD TV's - sometimes they make 0%

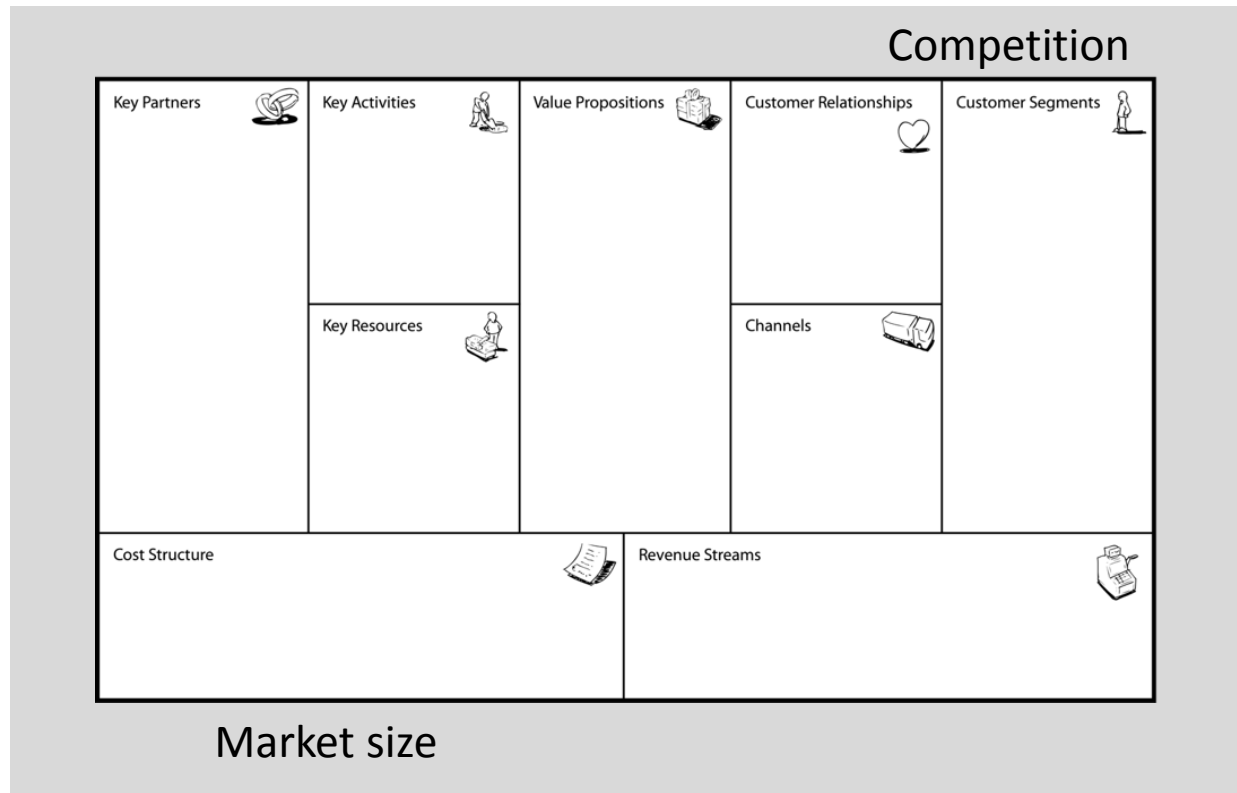


Light bulbs – real small!



Competition is important to understand as well as overall market potential.

But they don't appear on the canvas explicitly



Your Competition

Red Ocean

Blue Ocean



Jump in with everyone else.
Or jump right.



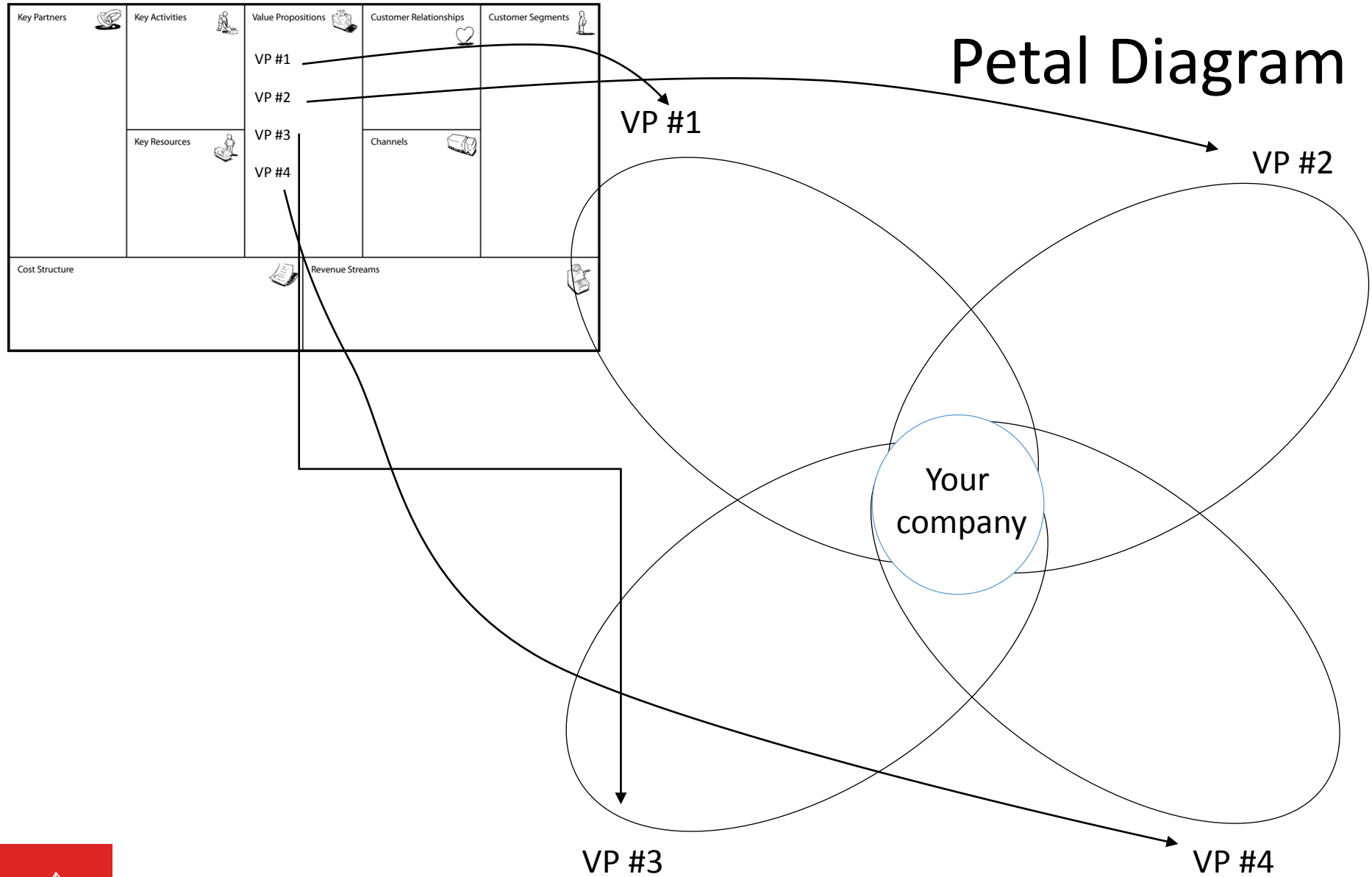
Red Ocean vs. Blue Ocean

Red Ocean	Blue Ocean
<ul style="list-style-type: none">• Defined universe, competing in an existing market space.• Goal is to out perform rivals, to grab a great share of existing market. Your gains are someone else's losses.• Everything is defined already: consumers, competitors, channels, suppliers.	<ul style="list-style-type: none">• Use innovative thinking to create your own uncontested space. New demand without rivals, you are the first.• While you steal dollars from others, they find it impossible to fight back.• Not only unknowns, but waiting to be defined.

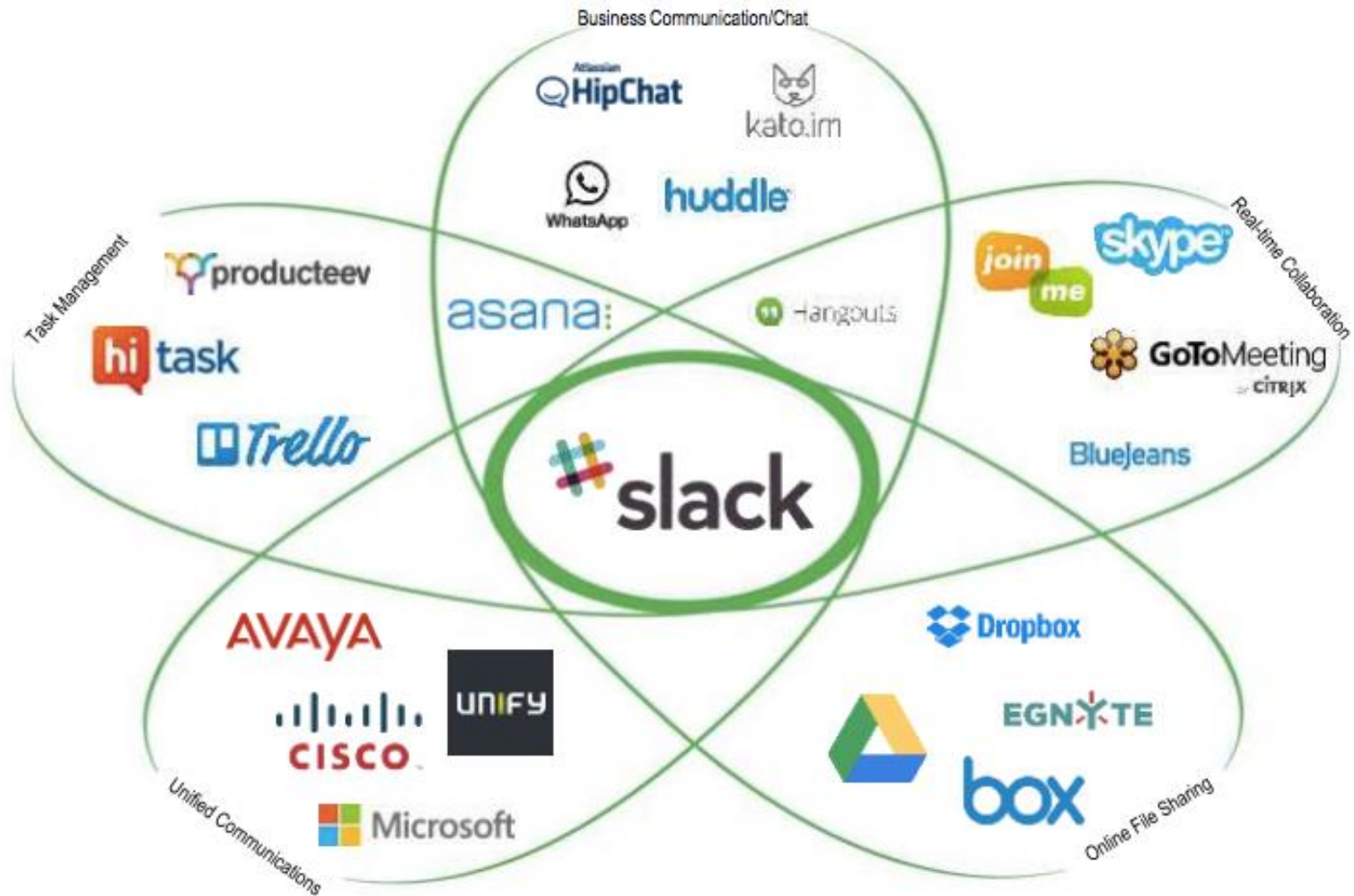


One Way to Depict Your Competitive Landscape

Petal Diagram

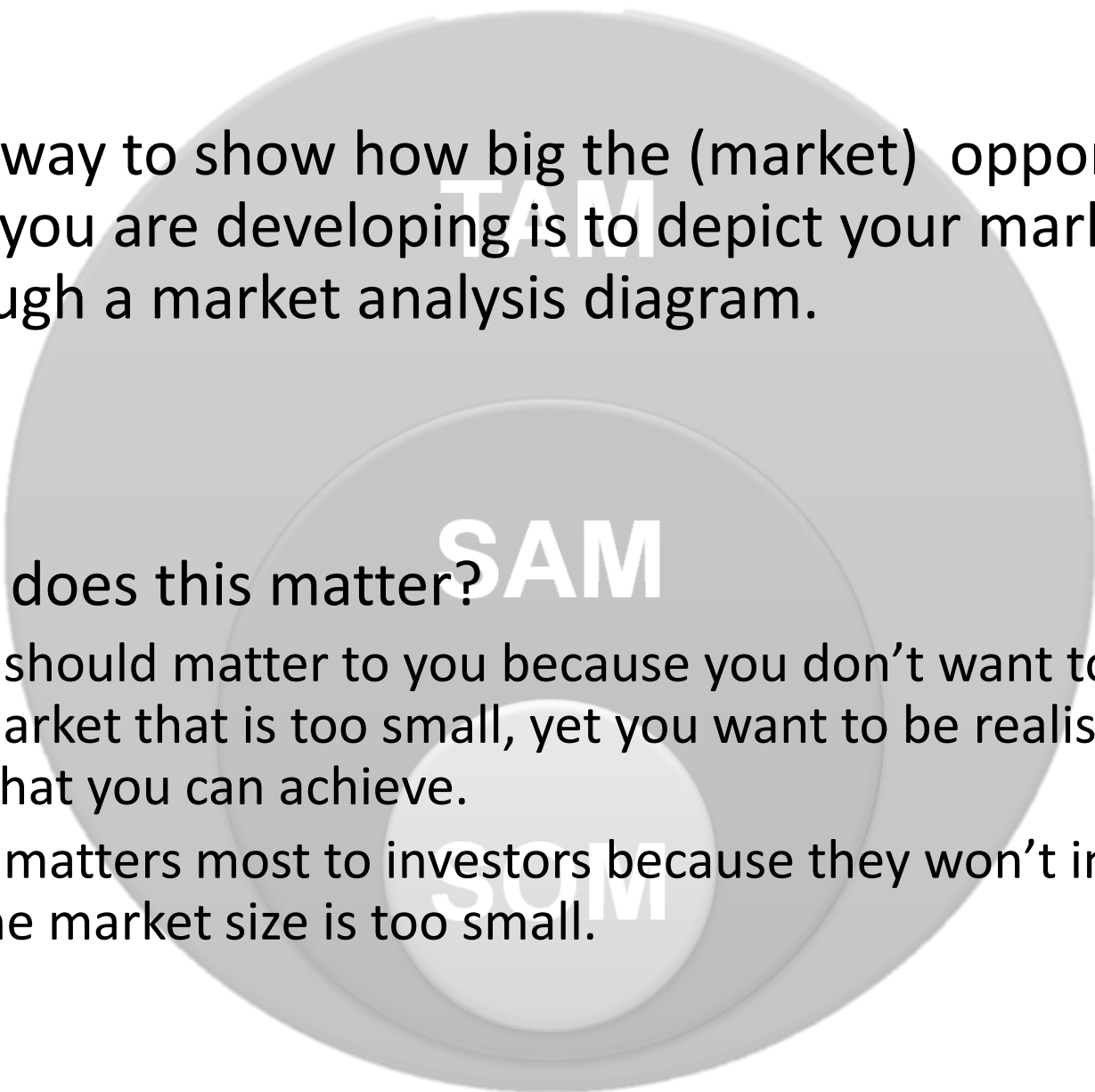


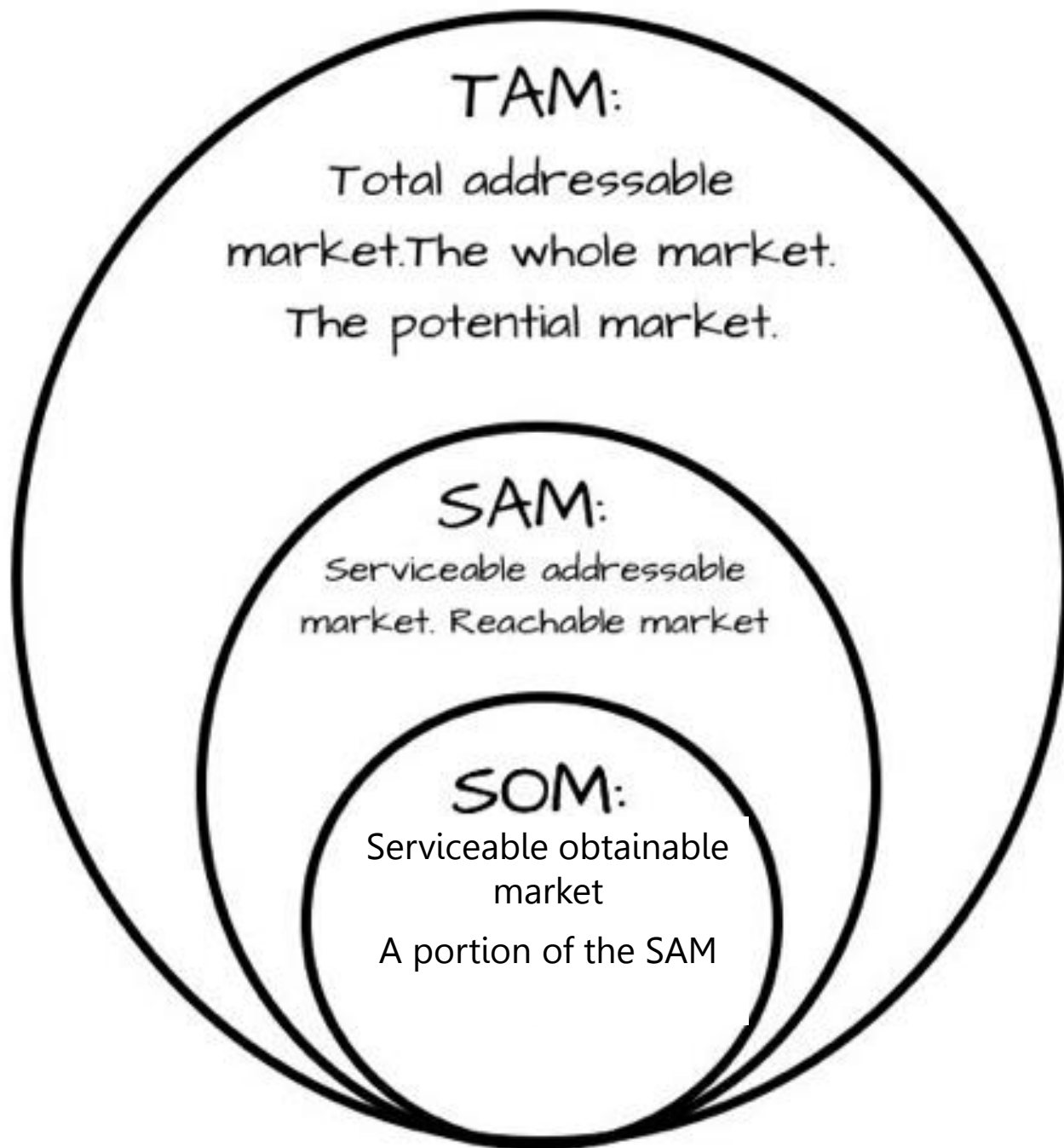
Example Petal Diagram for the Company Slack



How big is your market?

Why does it matter?

- 
- The background features three concentric circles. The outermost circle is labeled 'TAM' (Total Addressable Market) in white text. The middle circle is labeled 'SAM' (Serviceable Addressable Market) in white text. The innermost circle is labeled 'SOM' (Serviceable Obtainable Market) in white text.
- One way to show how big the (market) opportunity is that you are developing is to depict your market size through a market analysis diagram.
 - Why does this matter?
 - It should matter to you because you don't want to be in a market that is too small, yet you want to be realistic about what you can achieve.
 - It matters most to investors because they won't invest if the market size is too small.



WTH is TAM, SAM, SOM? *

Scenario - You market a widget for the cellphone camera market. Your widget is only used in phones that have cameras embedded in them.

TAM - Total Available Market - In this example this would be the total cellphone market.

SAM - Served Available Market - This would be cellphones with cameras since your product is only used in them.

SOM – Servicable Obtainable Market – This would be the portion of customers in the SAM that you are going after first. Be realistic, but aggressive.

How do I find these #s?

I don't know,

Google it.



Warning:

Nobody will believe that your Serviceable Obtainable Market is \$4B.

It shows that you haven't done your homework

But nobody will care if your Total Available Market is only \$250k.

There's not enough "meat on the bones" to be worth it.

Nobody will believe you if say that you have no competitors.

It shows that you haven't done your homework.



Analysis paralysis

Over-analyzing (over-thinking) the Market Size
so that a decision or action is never taken.

Clint's Corner

Why are you doing this market size analysis?

- A) it help you with product development
- B) it help your sales process
- C) it help you convince investors that you are worth their attention



Analysis paralysis

Over-analyzing (over-thinking) the Market Size so that a decision or action is never taken.

Clint's Corner

Why are you doing this market size analysis?

A) it help you with product development

B) it help your sales process

C) it help you convince investors that you are worth their attention



BEST Answer

It's a good exercise to learn more about the market, growth areas, players, trends, etc.

But don't over-think it.





Prepared for the high school student audience by
Dr. Clint Ballinger

Executive Entrepreneur in Residence,
Severino Center for Technological Entrepreneurship
And Lecturer, Lally School of Management, RPI

Eship.rpi.edu