

Seven Questions to Assess Your Business Model Design

Great value propositions should be embedded in great business models. Some are better than others by design and will produce better financial results, will be more difficult to copy, and will outperform competitors.

Assess your business model design. Circle how you perform on a scale from 0 to 10



1. Switching Costs

0 ————— 10

Nothing holds my customers back from leaving me

My customers are locked in for several years



2. Recurring Revenues

0 ————— 10

100% of my sales are transactional

100% of my sales lead to automatically recurring revenues



3. Earning vs. Spending

0 ————— 10

I incur 100% of my costs of COGs before earning revenues

I earn 100% of my revenues before incurring costs of goods & services sold (COGs)



4. Game-changing Cost Structure

0 ————— 10

My cost structure is at least 30% higher than my competitors

My cost structure is at least 30% lower than my competitors



5. Others Who Do the Work

0 ————— 10

I incur costs for all the value created in my business model

All the value created in my business model is created for free by external parties



6. Scalability

0 ————— 10

Growing my business model requires substantial resources and effort

My business model has virtually no limits to growth



7. Protection from Competition

0 ————— 10

My business model has no moats, and I'm vulnerable to competition.

My business model provides substantial moats that are hard to overcome

10 Characteristics of Great Value Propositions



Use this checklist to design great value propositions or assess your own:

- Are embedded in great business models**
- Focus on few pain relievers and gain creators, but do those extremely well**
- Focus on jobs, pains, or gains that a large number of customers have or for which a small number is willing to pay a lot of money**
- Align with how customers measure success**
- Focus on the most significant jobs, most severe pains, and most relevant gains**
- Differentiate from competition in a meaningful way**
- Address functional, emotional and social jobs all together**
- Outperform competition substantially on at least one dimension**
- Are difficult to copy**
- Focus on unsatisfied jobs, pains, and gains**

VALIDATION CANVAS

	START	PIVOT 1	PIVOT 2	PIVOT 3	PIVOT 4
RISKIEST ASSUMPTION					
CUSTOMER SEGMENT					
CUSTOMER NEED					
PROTOTYPE TO VALIDATE WITH					
METHOD					
MINIMAL SUCCESS CRITERION					
RESULT					



BY **DESIGNABETTERBUSINESS.COM**

Adapted from the Validation Board created by Ash Maurya

WORKSHOP SCREENPLAY

WORKSHOP :

DATE:

TIME	TOPIC	ACTIVITY	WHO?
09:00 (15 MIN)	INTRODUCTION		
09:15 (90 MIN)	BLOCK 1		
10:45 (15 MIN)	COFFEE BREAK	CAPTURE CANVASES	FACILITATOR
11:00 (90 MIN)	BLOCK 2		
12:30 (60 MIN)	LUNCH BREAK	CAPTURE CANVASES	FACILITATOR
13:30 (90 MIN)	BLOCK 3		
15:15 (15 MIN)	COFFEE BREAK	CAPTURE CANVASES	FACILITATOR
15:30 (90 MIN)	BLOCK 4		
16:45 (15 MIN)	WRAP UP		
17:00	END OF DAY	CAPTURE CANVASES	FACILITATOR



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A Day in the Life Worksheet



Dive deep into your (potential) customers' worlds to gain insights about their jobs, pains, and gains. What customers do on a daily basis in their real settings often differs from what they believe they do or what they will tell you in an interview, survey, or focus group.











OBJECTIVE

Understand your customer's world in more detail

OUTCOME

Map of your customer's day

Capture the most important jobs, pains, and gains of the customer you shadowed

Time	Activity (what I see)		Notes (what I think)
			
			
			
			
			
			
			
			
			
			

Ad-Lib Value Proposition Template


Ad-libs are a great way to quickly shape alternative directions for your value proposition. They force you to pinpoint how exactly you are going to creating value. Prototype three to five different directions by filling out the blanks in the ad-lib below.


OBJECTIVE

Quickly shape potential value proposition directions


OUTCOME



Alternative prototypes in the form of “pitchable” sentences



Our _____
 *Products and Services*


help(s) _____
 *Customer Segment*

who want to _____

_____  *jobs to be done*

by _____ and _____
 *verb (e.g., reducing, avoiding)*  *and a customer pain*

and _____ .
 *verb (e.g., increasing, enabling)*  *and a customer gain*

(unlike _____ **)**
 *competing value proposition*

The Business Model Canvas

Nespresso's Recurring Revenues ⁷



Nespresso's Recurring Revenues

Nespresso (owned by Nestlé) turned a transactional industry - selling coffee - into one that produces recurring revenues. Their business model is built around well designed coffee machines and aluminum pods that contain premium coffee.

Instructions:

Copy Nespresso's business model mechanics that produce the recurring revenues into your own business model design:

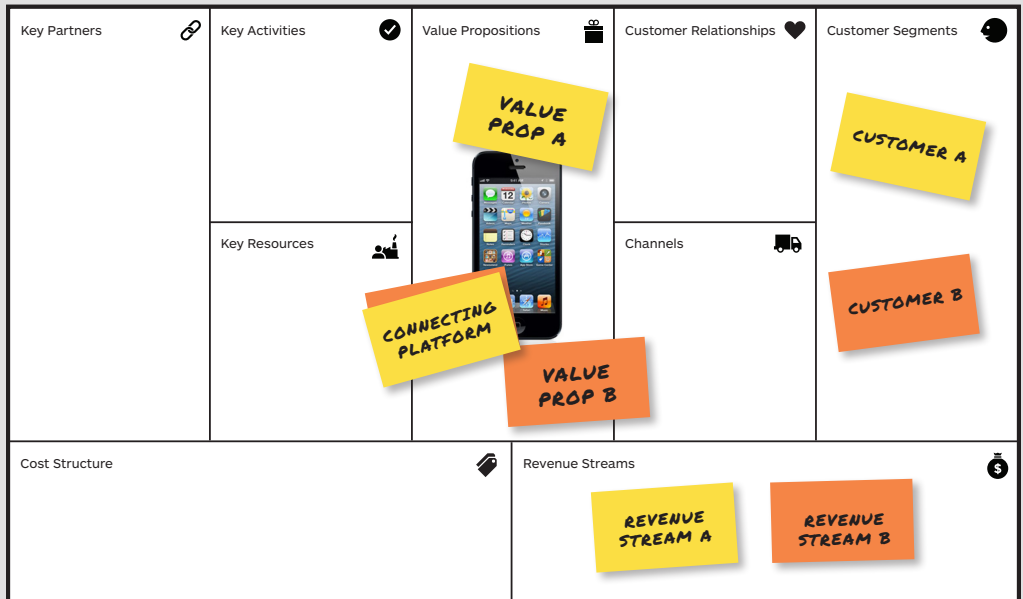
- A base product (coffee machine) and a consumable product (pods)
- Transactional revenues from the base product and recurring revenues from the consumable

Other Examples:

Printers, razor blades.

The Business Model Canvas

The iPhone's Platform Advantage ⁹



The iPhone's Platform Advantage

The iPhone's competitive advantage stems not just from its phones, but from the almost 300'000 external iOS developers who contributed 850'000 apps to the App Store. This ecosystem is hard to copy.

Instructions:

Design a platform business model like Apple with the App Store. Use the following elements:

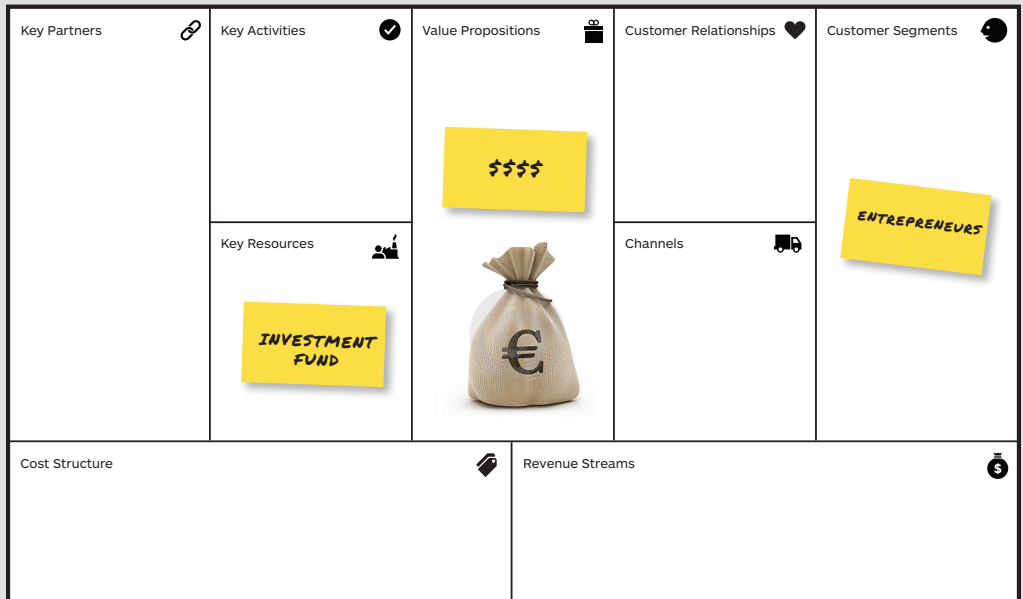
- Two or more essential customer segments and the corresponding value propositions that are enabled by a connecting platform
- Revenue streams from all segments, though one or more could be subsidized or even free

Other Examples:

Printers, razor blades.

The Business Model Canvas

The Venture Capital Fund¹



The Venture Capital Fund

Venture capital funds invest in early-stage, high-growth, and high risk startups. To mitigate their risk they invest in several companies simultaneously, knowing that several will fail while some will provide outstanding returns.

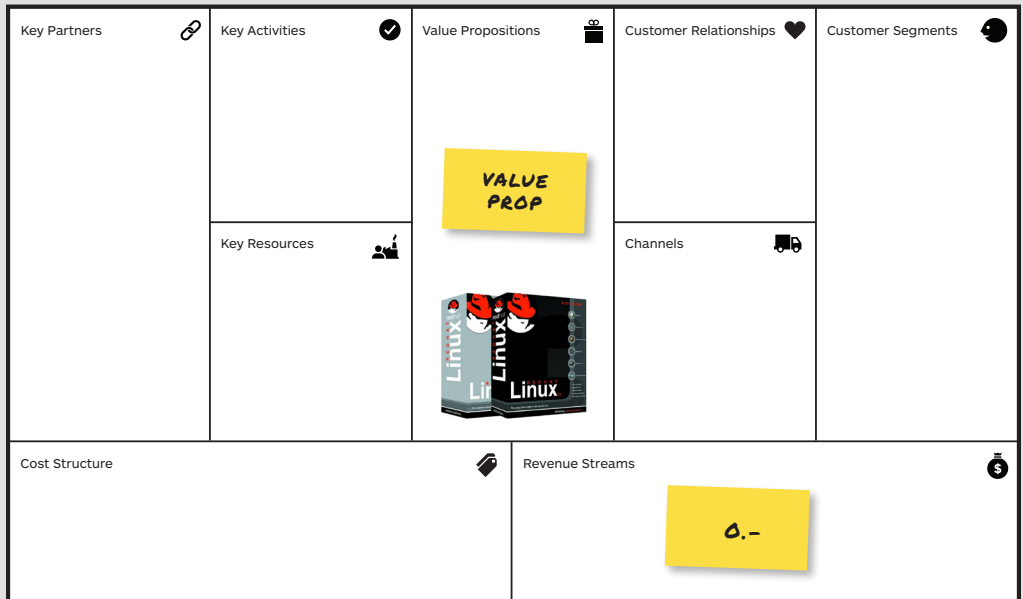
Instructions:

Design the business model of a venture capital fund that invests in several companies in order to help a handful succeed:

- The key resource of a VC fund is capital that also figures as a main part of the value proposition
- The ability to attract and invest in only the very best and most promising entrepreneurs in a given area

The Business Model Canvas

Redhat Linux¹³



Redhat Linux's Free Value Proposition

Redhat managed to build a billion dollar company based on a free software, the freely available Linux operating system.

Instructions:

Design a business model that emulates an essential component of Redhat's business model:

- The core value proposition is free

Other Examples:

Skype, Facebook

The Business Model Canvas

Tupperware¹⁵



Tupperware's "Free" Sales Force

Tupperware is a pioneer of direct marketing and became famous through its Tupperware parties in which women sell Tupperware products to their friends and neighbors.

Instructions:

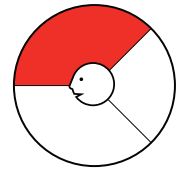
Copy Tupperware's direct marketing strategy by focusing on the following business model characteristics :

- A sales force that is passionate about the company's value proposition, but isn't employed and doesn't draw a salary from the company

Other Examples:

Avon, Living Goods (Uganda)

Customer Gains



Trigger Questions

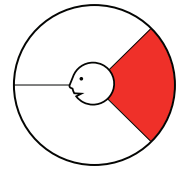
Gains describe the outcomes and benefits your customers want. Some gains are required, expected, or desired by customers, and some would surprise them.

Gains include functional utility, social gains, positive emotions, and cost savings.

Use the following trigger questions to help you think of different potential customer gains:

- 1.** Which savings would make your customers happy? Which savings in terms of time, money, and effort would they value?
- 2.** What quality levels do they expect, and what would they wish for more or less of?
- 3.** How do current value propositions delight your customers? Which specific features do they enjoy? What performance and quality do they expect?
- 4.** What would make your customers' jobs or lives easier? Could there be a flatter learning curve, more services, or lower costs of ownership?
- 5.** What positive social consequences do your customers desire? What makes them look good? What increases their power or their status?
- 6.** What are customers looking for most? Are they searching for good design, guarantees, specific or more features?
- 7.** What do customers dream about? What do they aspire to achieve, or what would be a big relief to them?
- 8.** How do your customers measure success and failure? How do they gauge performance or cost?
- 9.** What would increase your customers' likelihood of adopting a value proposition? Do they desire lower cost, less investment, lower risk, or better quality?

Customer Jobs



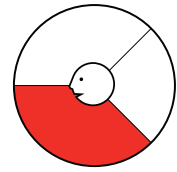
Trigger Questions

Jobs describe the things your customers are trying to get done in their work or in their life. A customer job could be the tasks they are trying to perform and complete, the problems they are trying to solve, or the needs they are trying to satisfy.

Use the following trigger questions to help you think of different potential customer jobs:

1. What is the one thing that your customer couldn't live without accomplishing? What are the stepping stones that could help your customer achieve this key job?
2. What are the different contexts that your customers might be in? How do their activities and goals change depending on these different contexts?
3. What does your customer need to accomplish that involves interaction with others?
4. What tasks are your customers trying to perform in their work or personal life? What functional problems are your customers trying to solve?
5. Are there problems that you think customers have that they may not even be aware of?
6. What emotional needs are your customers trying to satisfy? What jobs, if completed, would give the user a sense of self-satisfaction?
7. How does your customer want to be perceived by others? What can your customer do to help themselves be perceived this way?
8. How does your customer want to feel? What does your customer need to do to feel this way?
9. Track your customer's interaction with a product or service throughout its lifespan. What supporting jobs surface throughout this life cycle? Does the user switch roles throughout this process?

Customer Pains



Trigger Questions

Pains describe anything that annoys your customers before, during, and after trying to get a job done or simply prevents them from getting a job done. Pains also describe risks, that is, potential bad outcomes, related to getting a job done badly or not at all.

Use the following trigger questions to help you think of different potential customer pains:

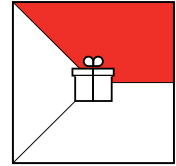
- 1.** How do your customers define too costly? Takes a lot of time, costs too much money, or requires substantial efforts?
- 2.** What makes your customers feel bad? What are their frustrations, annoyances, or things that give them a headache?
- 3.** How are current value propositions under performing for your customers? Which features are they missing? Are there performance issues that annoy them or malfunctions they cite?
- 4.** What are the main difficulties and challenges your customers encounter? Do they understand how things work, have difficulties getting certain things done, or resist particular jobs for specific reasons?
- 5.** What negative social consequences do your customers encounter or fear? Are they afraid of a loss of face, power, trust, or status?
- 6.** What risks do your customers fear? Are they afraid of financial, social, or technical risks, or are they asking themselves what could go wrong?
- 7.** What's keeping your customers awake at night? What are their big issues, concerns, and worries?
- 8.** What common mistakes do your customers make? Are they using a solution the wrong way?
- 9.** What barriers are keeping your customers from adopting a value proposition? Are there upfront investment costs, a steep learning curve, or other obstacles preventing adoption?

FIA CANVAS

Problem-Solution Fit		Value Perception	Differentiation	Solution-Market Fit
PAIN <i>Top 3 pains</i>	SOLUTION <ul style="list-style-type: none"> • <i>Outline 3 possible solution for each pain</i> • • • • • • 	UNIQUE VALUE PROPOSITION <i>why you are different and worth paying attention</i>	UNFAIR ADVANTAGE <i>Something that can't be easily copied or bought</i>	CUSTOMER SEGMENTS <i>Target customers and users</i>
Existing Alternatives <i>How these pain are solved today?</i>			KEY-TECH/PROCESS <i>Relate tech/process to product</i>	CHANNELS <i>Path to customer</i>
IDENTIFYING MVP <i>Features + Importance for Customer</i>				
COST STRUCTURE <i>Fixed and viable costs</i>			REVENUE STREAMS <i>Source of revenue/revenue model</i>	
MILE STONE			TEAM	

Gain Creators

Trigger Questions



Gain Creators describe how your products and services create customer gains. They explicitly outline how you intend to produce outcomes and benefits that your customer expects, desires, or would be surprised by, including functional utility, social gains, positive emotions, and cost savings.

Use the following trigger questions to ask yourself:

Could your products and services...

1. ... create savings that please your customers? In terms of time, money, and effort.
2. ... produce outcomes your customers expect or that exceed their expectations? By offering quality levels, more of something, or less of something.
3. ... outperform current value propositions and delight your customers? Regarding specific features, performance, or quality.
4. ... make your customers' work or life easier? Via better usability, accessibility, more services, or lower cost of ownership.
5. ... create positive social consequences? By making them look good or producing an increase in power or status.
6. ... do something specific that customers are looking for? In terms of good design, guarantees, or specific or more features.
7. ... fulfill a desire customers dream about? By helping them achieve their aspirations or getting relief from a hardship?
8. ... produce positive outcomes matching your customers' success and failure criteria? In terms of better performance or lower cost.
9. ... help make adoption easier? Through lower cost, fewer investments, lower risk, better quality, improved performance, or better design.

Insight Name

Date of Learning

Person Responsible

STEP 1: HYPOTHESIS

We believed that

STEP 2: OBSERVATION

We observed

Data Reliability:



STEP 3: LEARNINGS AND INSIGHTS

From that we learned that

Action Required:



STEP 4: DECISIONS AND ACTIONS

Therefore, we will

Test Name

Deadline

Assigned to

Duration

STEP 1: HYPOTHESIS

We believe that

Critical:



STEP 2: TEST

To verify that, we will

Test Cost:



Data Reliability:



STEP 3: METRIC

And measure

Time Required:

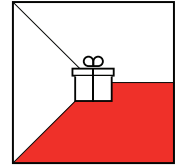


STEP 4: CRITERIA

We are right if

Pain Relievers

Trigger Questions



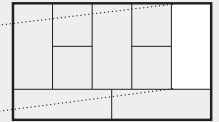
Pain relievers describe how exactly your products and services alleviate specific customer pains. They explicitly outline how you intend to eliminate or reduce some of the things that annoy your customers before, during, or after they are trying to complete a job or that prevent them from doing so.

Use the following trigger questions to ask yourself:

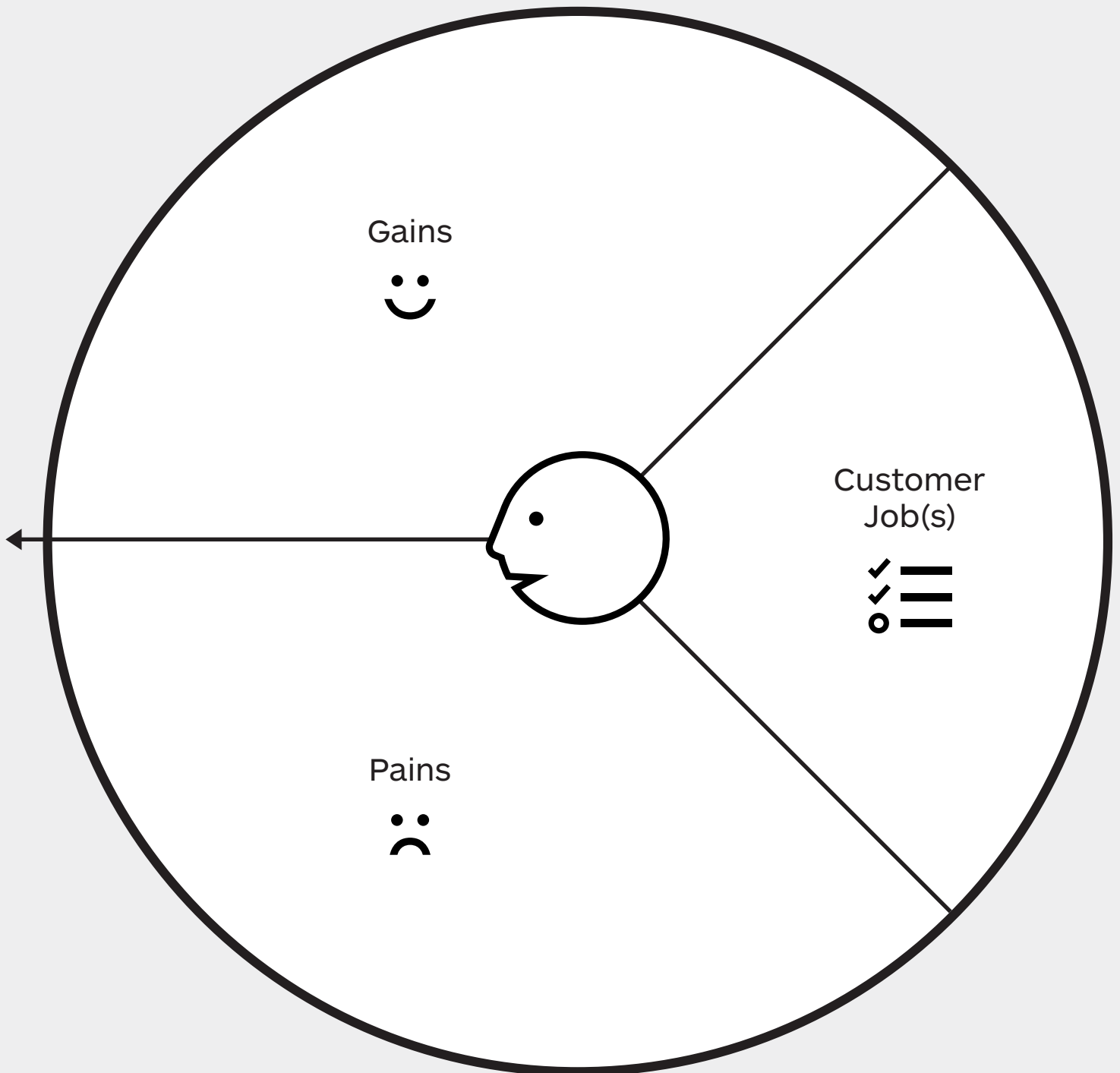
Could your products and services...

1. ... produce savings? In terms of time, money, or efforts.
2. ... make your customers feel better? By killing frustrations, annoyances, and other things that give customers a headache.
3. ... fix under-performing solutions? By introducing new features, better performance, or enhanced quality.
4. ... put an end to difficulties and challenges your customers encounter? By making things easier or eliminating obstacles.
5. ... wipe out negative social consequences your customers encounter or fear? In terms of loss of face or lost power, trust, or status.
6. ... eliminate risks your customers fear? In terms of financial, social, technical risks, or things that could potentially go wrong.
7. ... help your customers better sleep at night? By addressing significant issues, diminishing concerns, or eliminating worries.
8. ... limit or eradicate common mistakes customers make? By helping them use a solution the right way.
9. ... eliminate barriers that are keeping your customer from adopting value propositions? Introducing lower or no upfront investment costs, a flatter learning curve, or eliminating other obstacles preventing adoption.

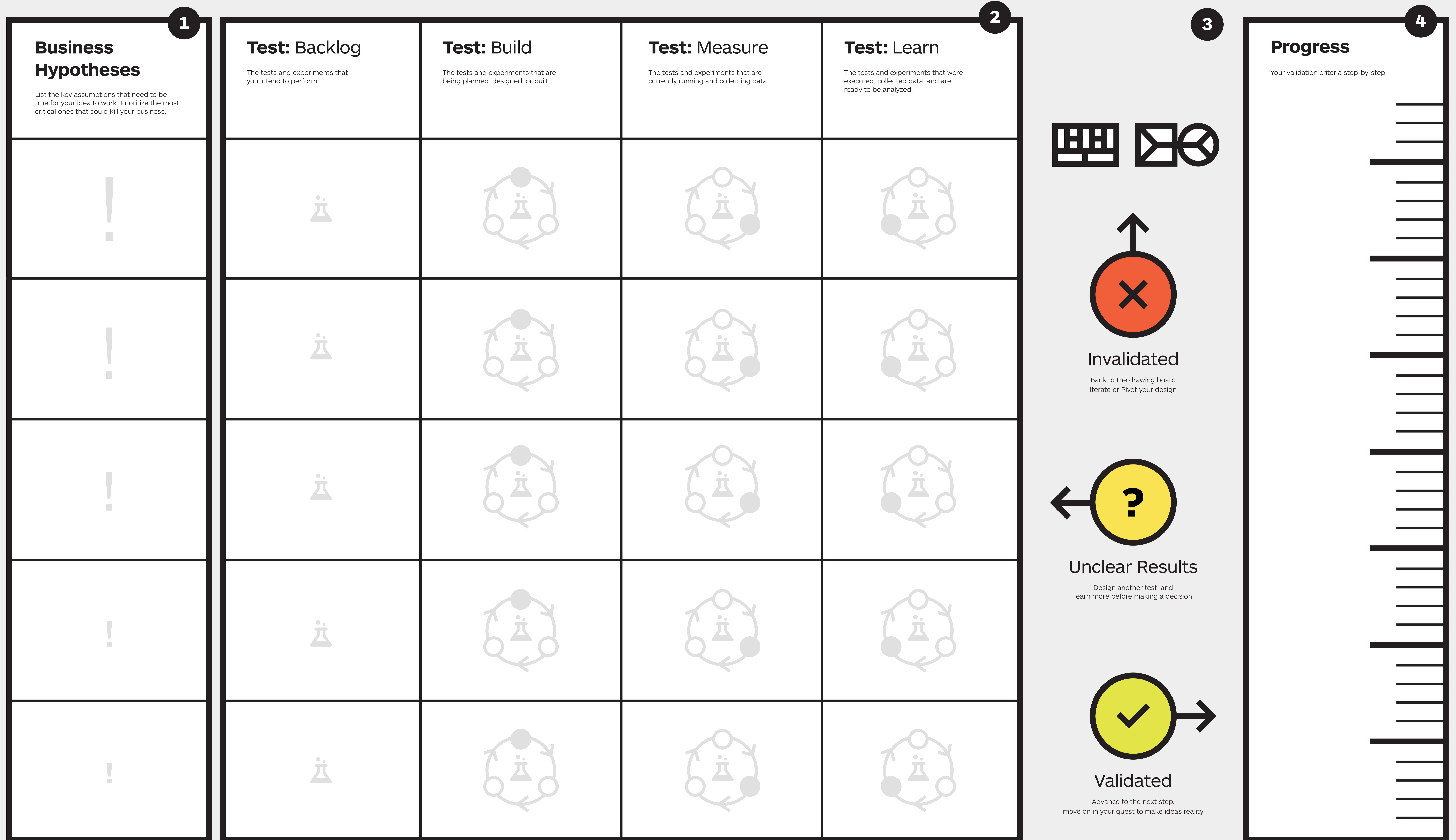
The Value Proposition Canvas



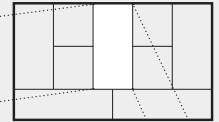
Customer (Segment)
Profile:



The Progress Board



The Value Proposition Canvas



Value (Proposition)
Map:

