



# Risky Business

What a Startupper should know to  
survive in an uncertainty world

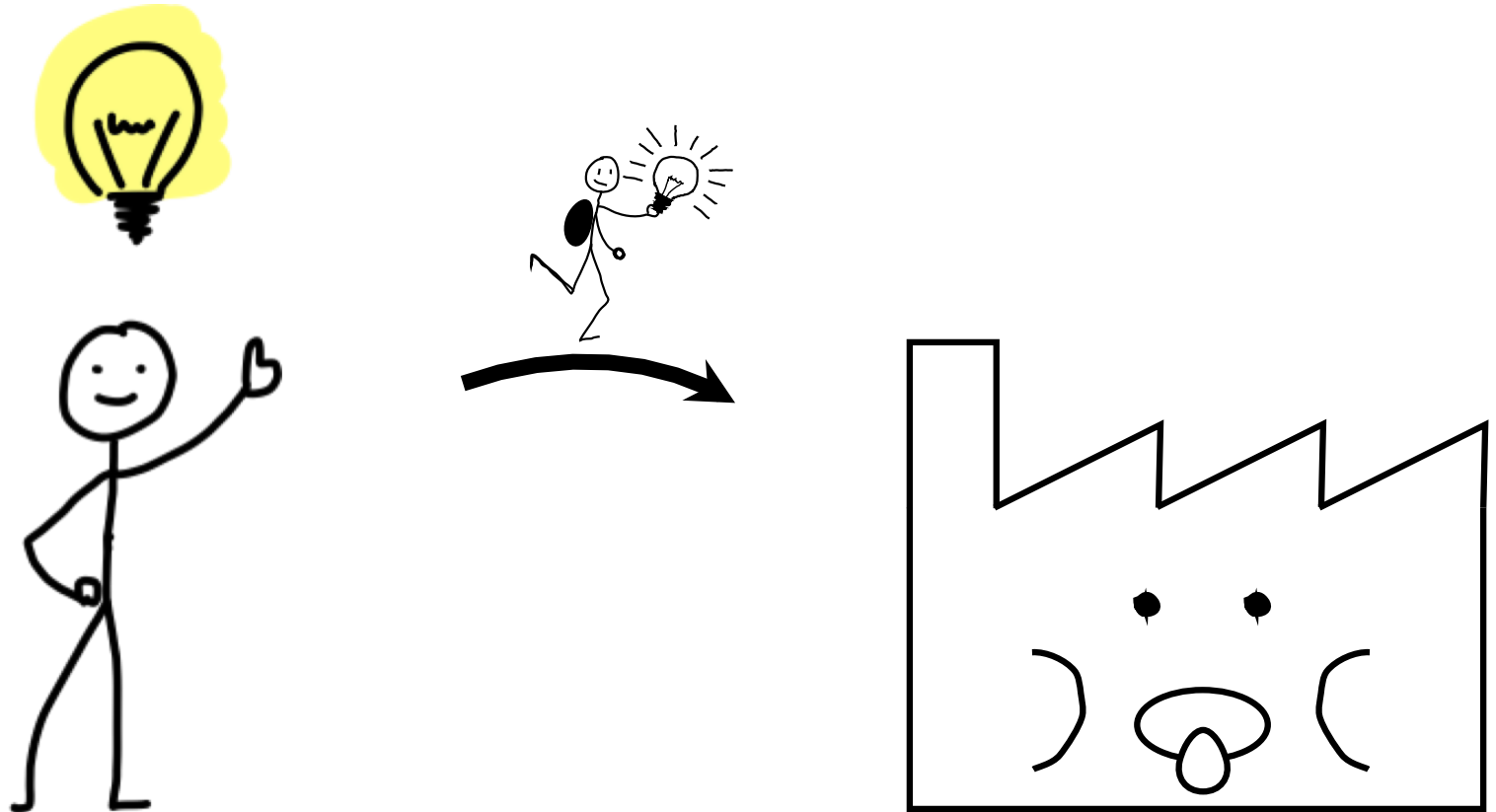
*By Massimiliano Salerno*

# Who am I?

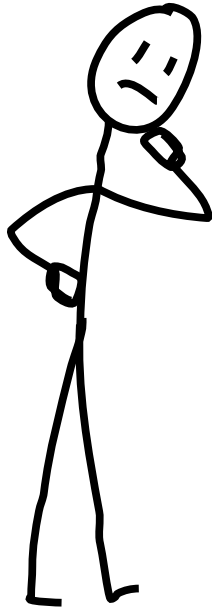


- An entrepreneur
- A manager
  - Cluster Manager of the Tuscany Life Sciences Cluster
  - Manager of the Horizon 2020 Unit of Tuscany Region
- A consultant
- A teacher

# How it starts



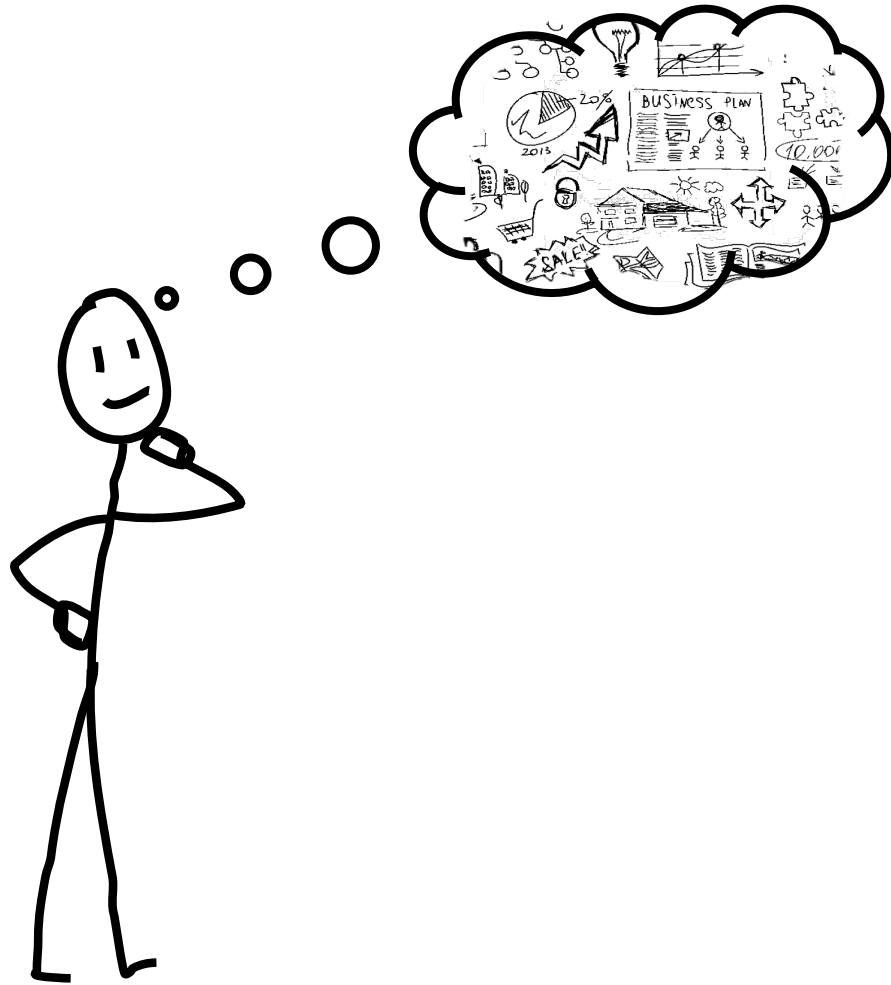
# But.... Wait a second!



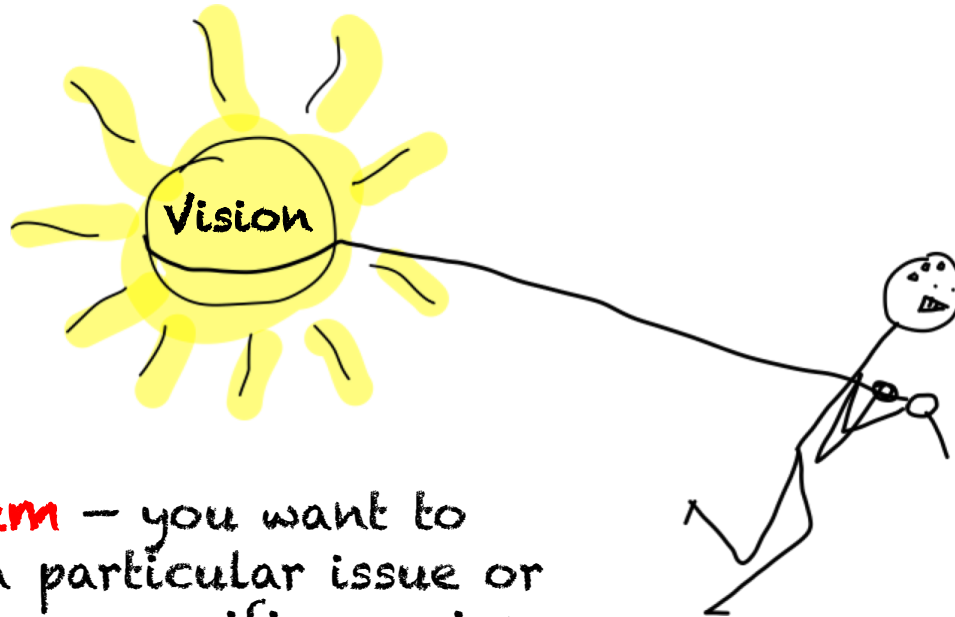
What does it  
trigger your  
desire to create  
a Startup?

What does it  
drive your  
Startup?

# Your Vision drive your Startup



# 5 forces drive your Vision



**Problem** – you want to solve a particular issue or address a specific passion.

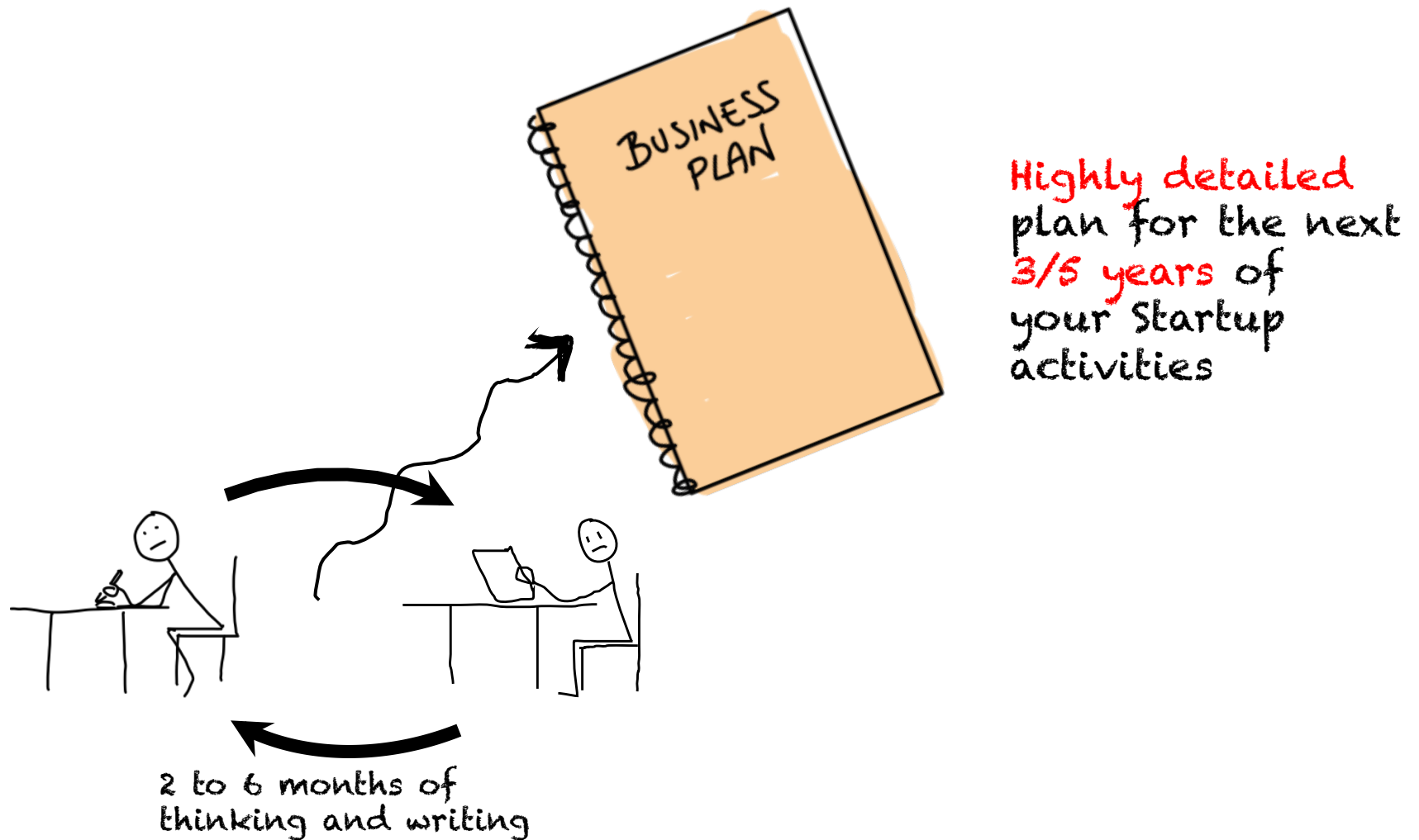
**Segment** – you want to bring **any kind of product** for a specific group (or groups) of people.

**Product** – you have a singular product vision.

**Technology** – you have an invention you wish to productize.

**Sales Channel** – you are great at selling or are committed to e-commerce.

# From Vision to Startup (1)

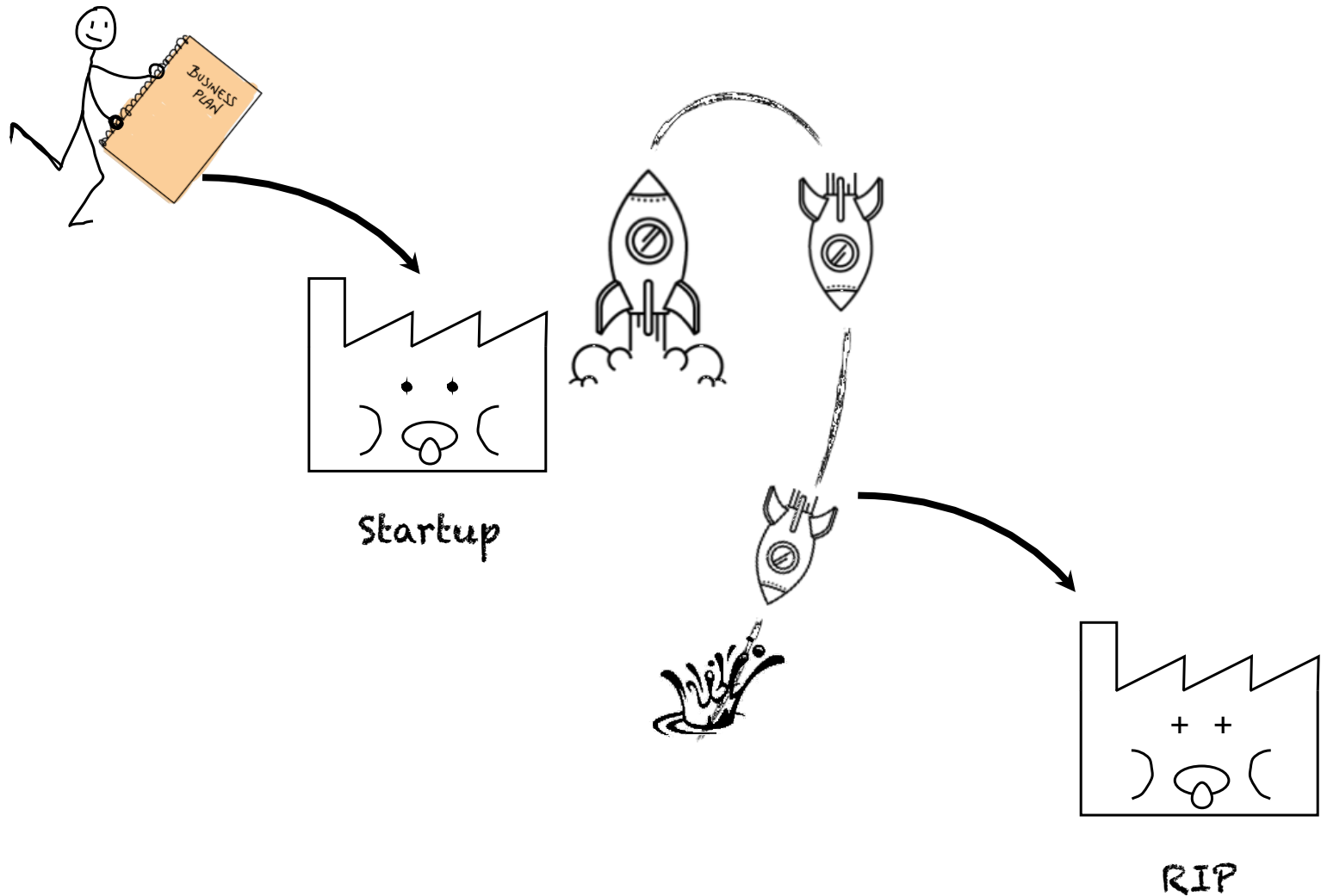


# From Vision to Startup (1)

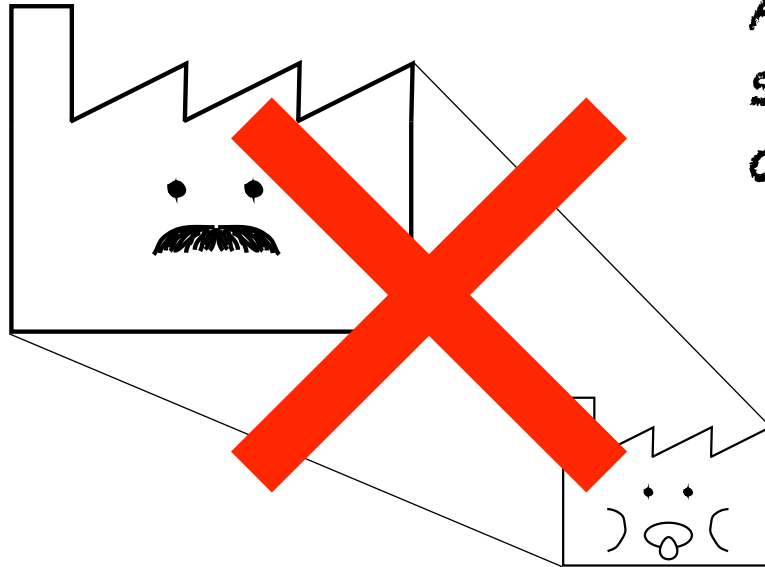




# From Vision to Startup (1)

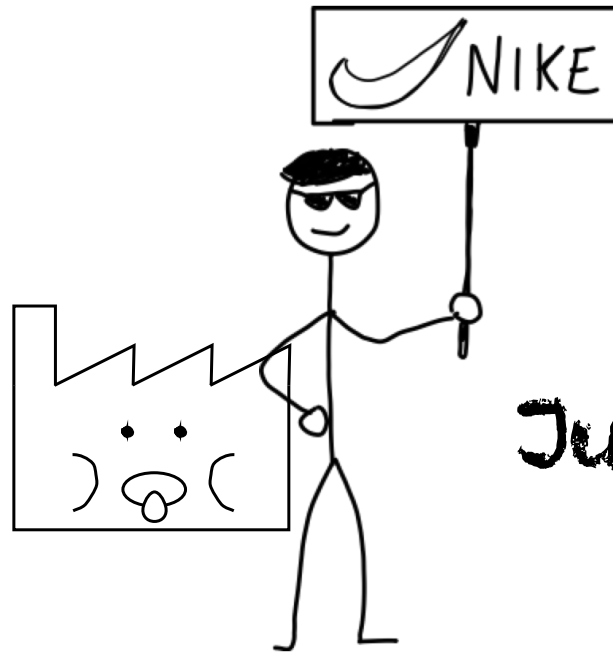


# From Vision to Startup (1)



A Startup **is not** a smaller version of a large company!

# From Vision to Startup (2)



Just do it!

# From Vision to Startup (2)

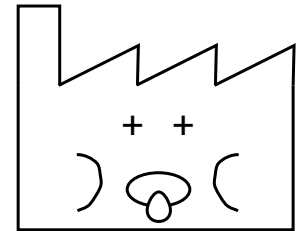
BANZAI!!



I promise... I'll  
be a good guy...  
but please....

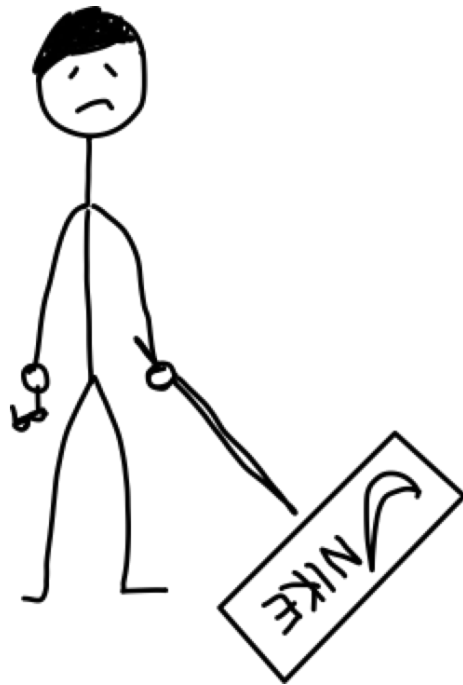


If I don't see it....  
It doesn't exist!



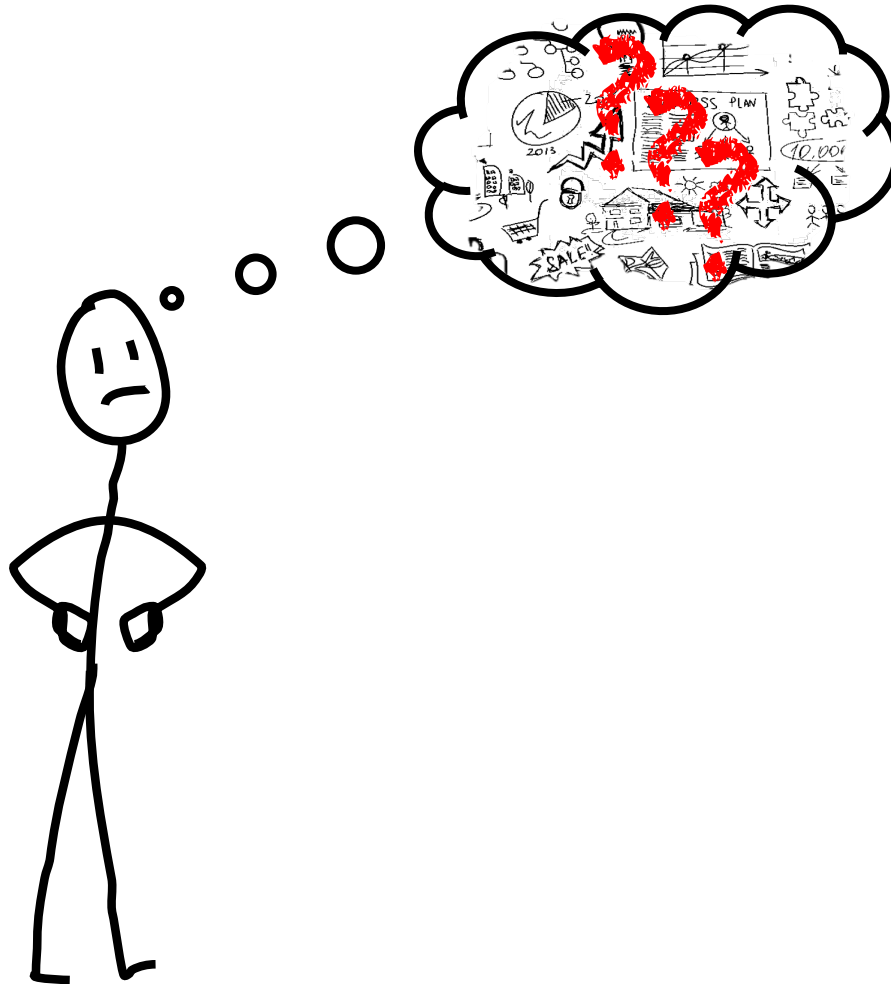
RIP

# From Vision to Startup (2)

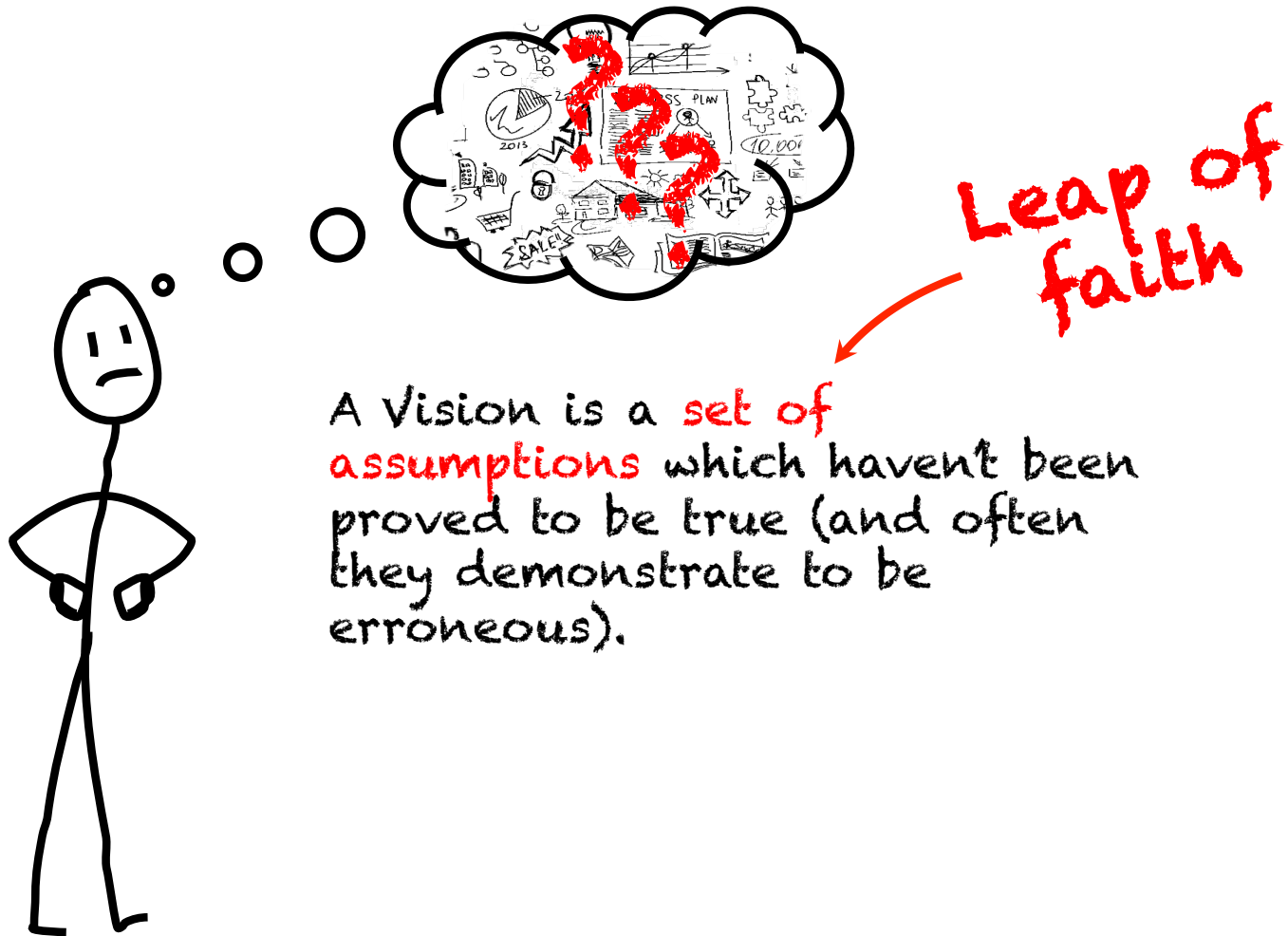


"Just do it!"  
**doesn't work**  
because there is  
no planning and  
**no risk**  
**management!**

# What is a Vision?



# What a Vision is

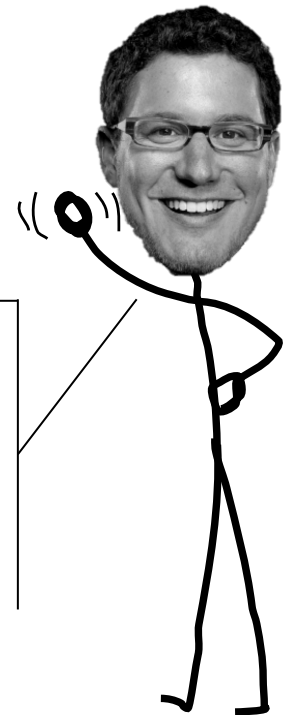


# What is a Startup?



Steve Blank

"A Startup is a temporary organization in search of a scalable, repeatable, profitable business model."

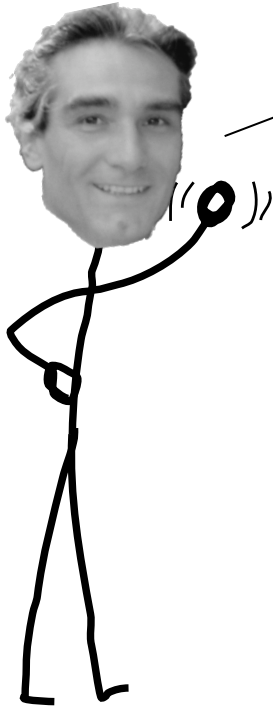


Eric Ries

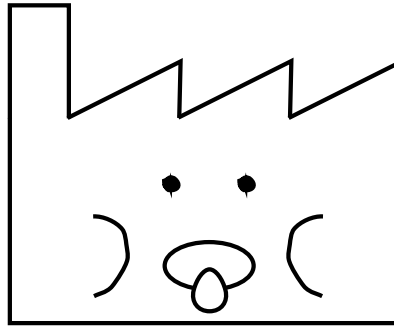
"A Startup is a human institution designed to create a new product or service under conditions of extreme uncertainty."



# What a Startup is

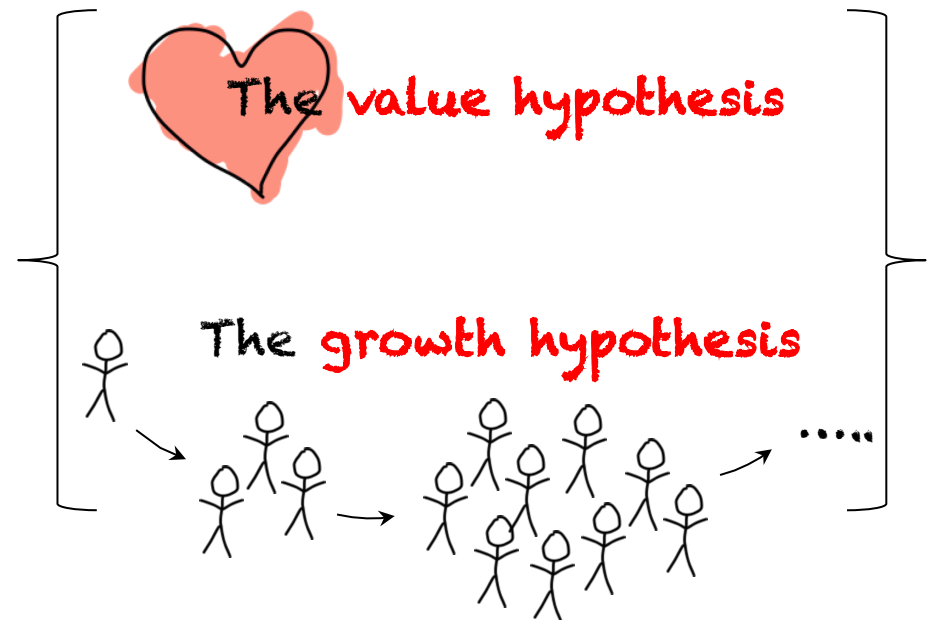
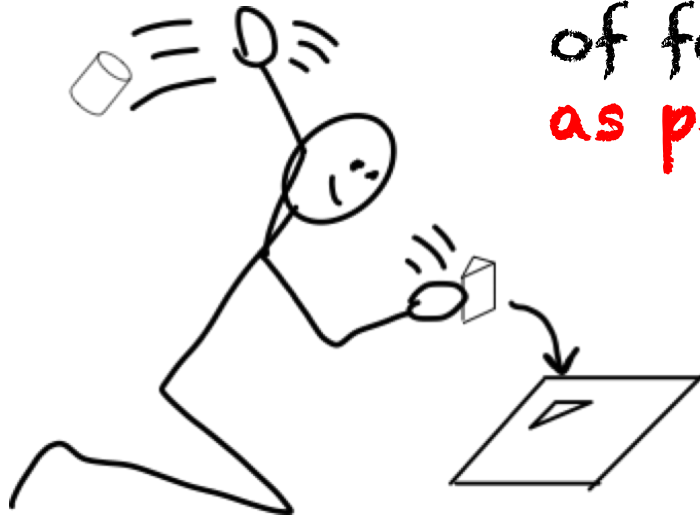


"A Startup is a **temporary organization**, operating under conditions of **extreme uncertainty**, in search of a **scalable, repeatable, profitable business model**."



# What a Startup does

It **tests** the leaps  
of faith as **quickly**  
as **possible**.

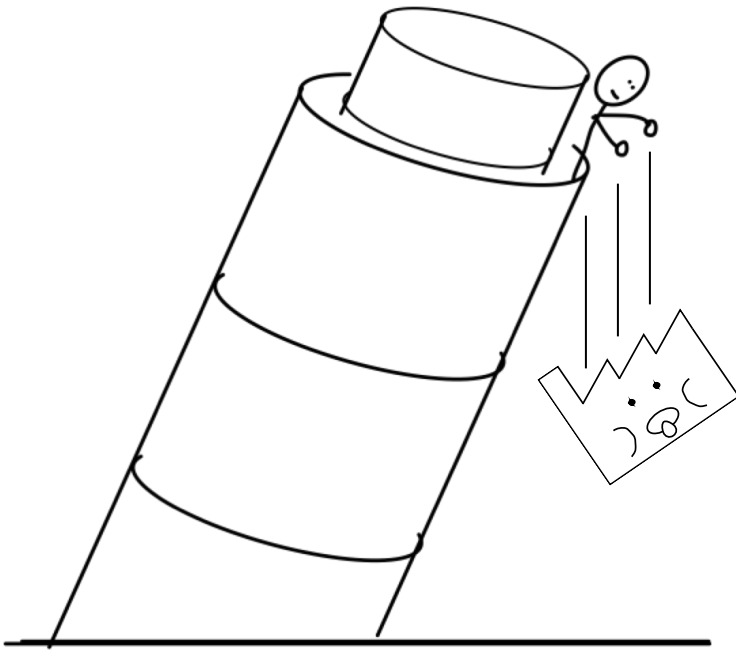


# From Vision to Startup (3)



Lean  
Startup

# From Vision to Startup (3)

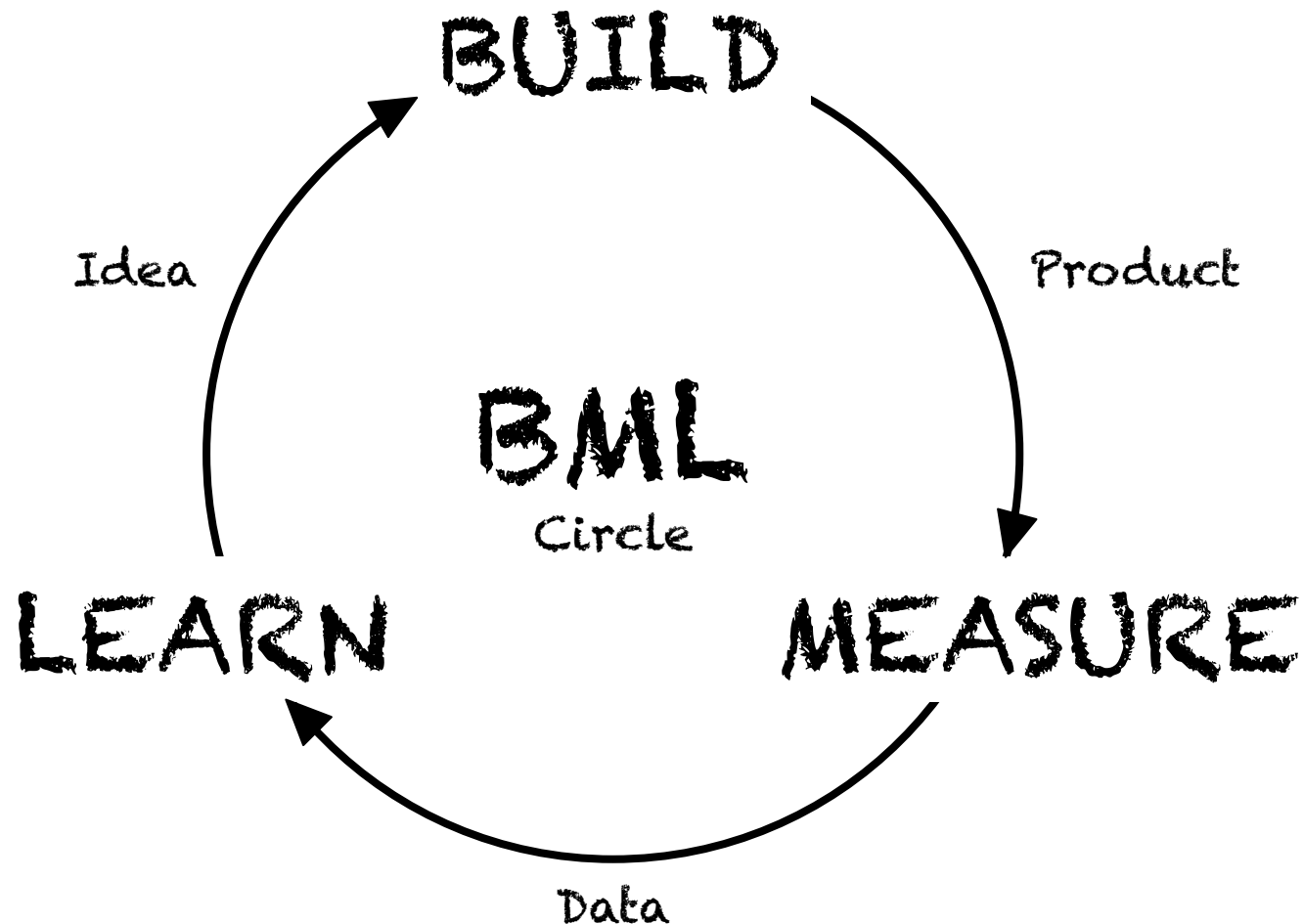


**Learn** how to build a sustainable business!

This learning can be **validated** scientifically by running frequent **experiments** that allow you (the entrepreneur) to test each element of your vision.

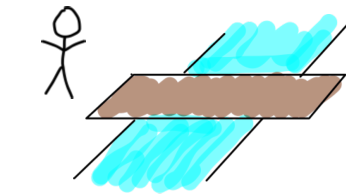
# From Vision to Startup (3)

The 1° ingredient: a method

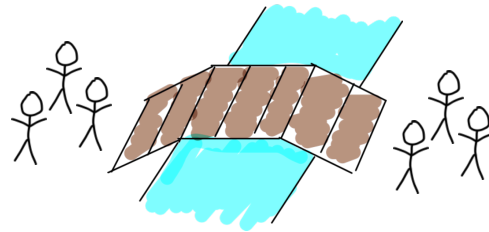


# From Vision to Startup (3)

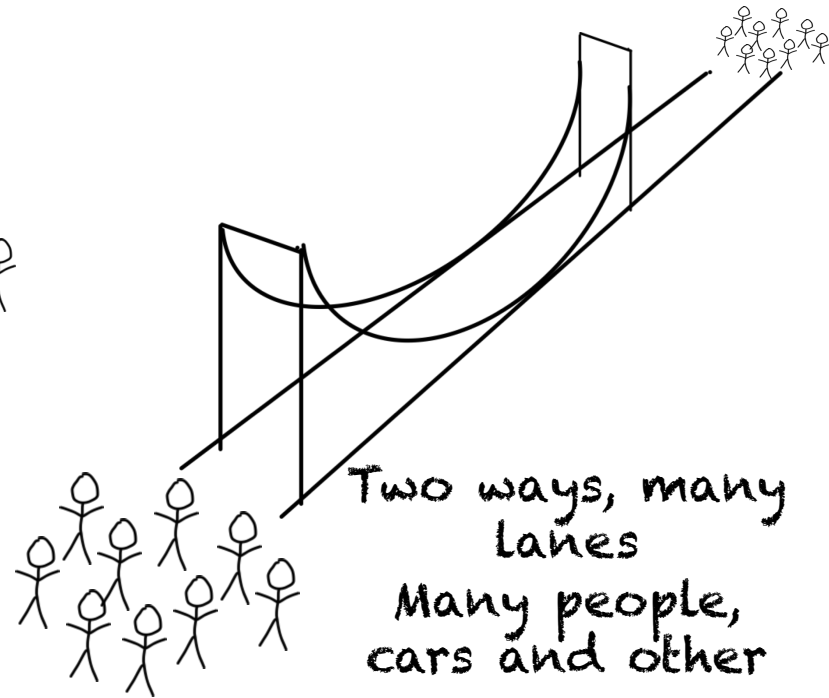
The 2° ingredient: a Minimum Viable Product (MVP)



One way  
One person



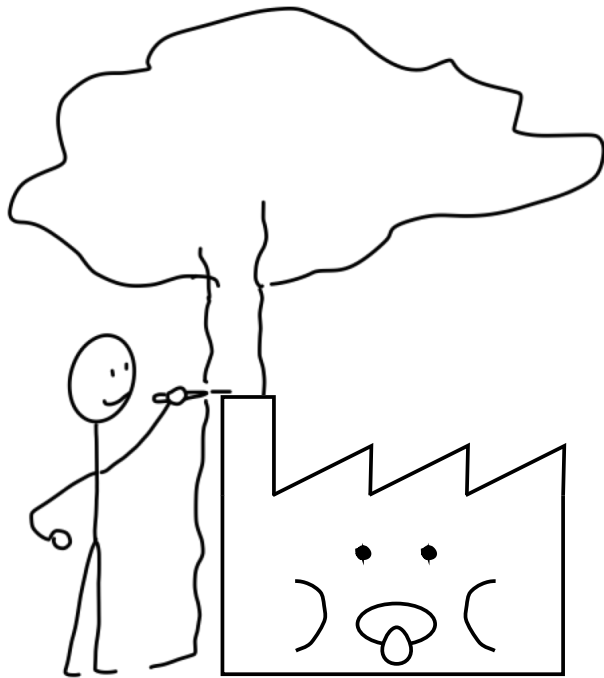
Two ways  
Few people



Two ways, many  
lanes  
Many people,  
cars and other

# From Vision to Startup (3)

The 3<sup>o</sup> ingredient: a metric

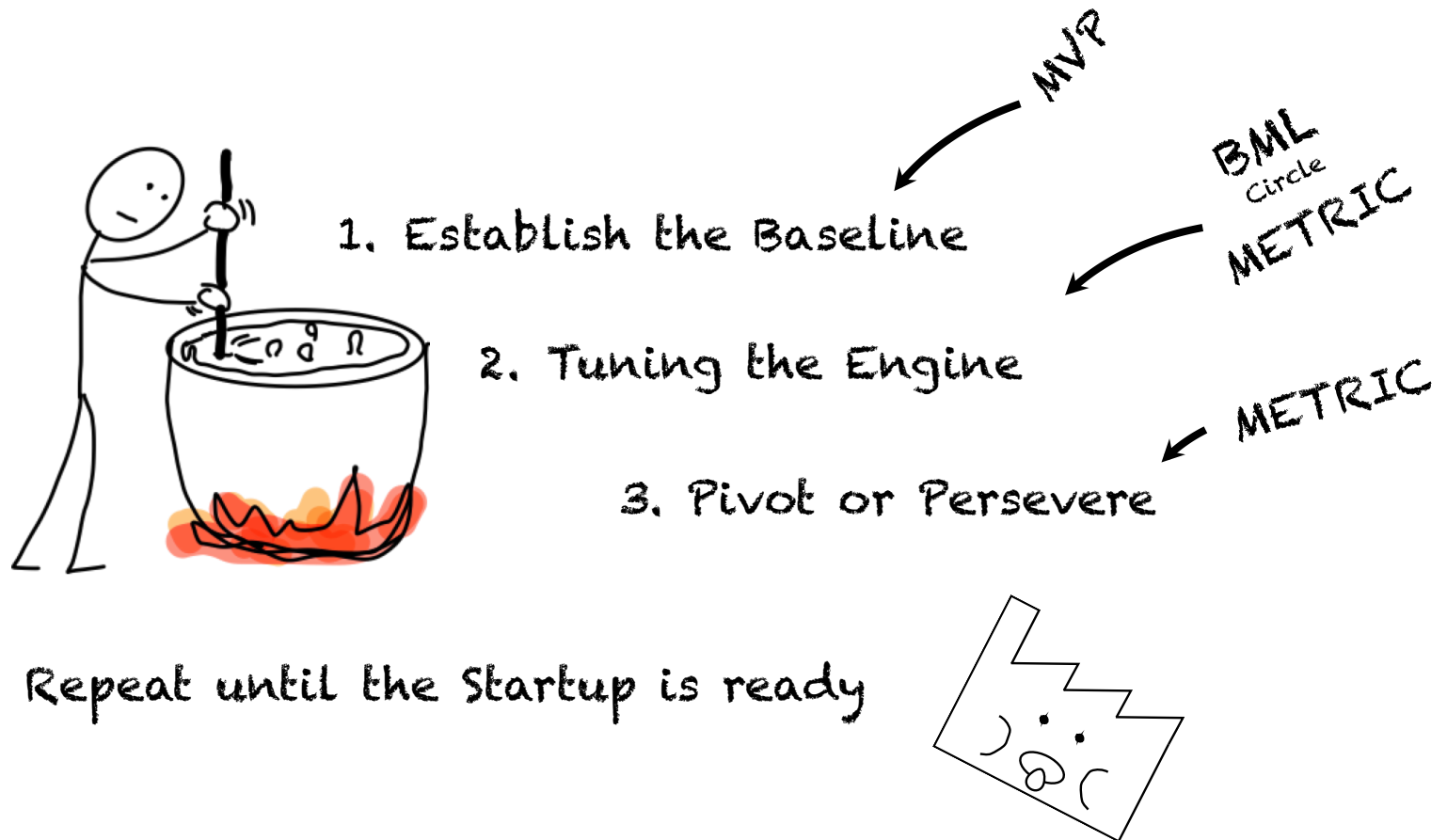


*to find your way to the right product and market before the money runs out*

- Comparative
- Understandable
- A ratio or a rate
  - Ratios are easier to act on
  - Ratios are inherently comparative
  - Ratios are good for comparing factors that are somehow opposed, or for which there's an inherent tension
- *Changes the way you behave*

# From Vision to Startup (3)

The recipe





## A black and white image of a stick figure with a head of an older man with glasses and a beard, holding a large circle.



# From Vision to Startup (3)

**Customer discovery** first captures the founders' vision and turns it into a series of business model hypotheses. Then it develops a plan to test customer reactions to those hypotheses and turn them into facts



**Customer validation** tests whether the resulting business model is repeatable and scalable. If not, you return to customer discovery



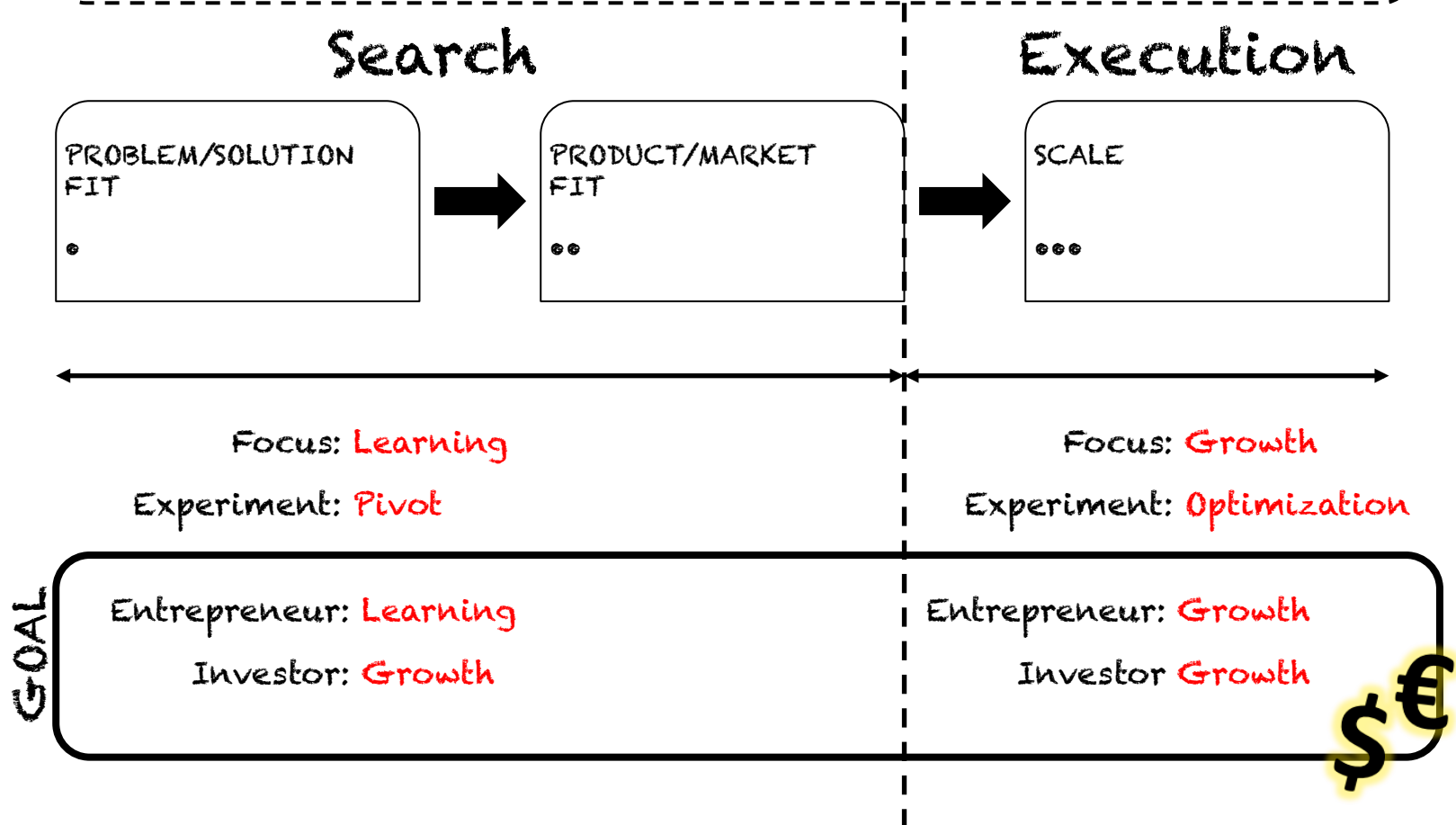
**Customer creation** is the start of execution. It builds end-user demand and drives it into the sales channel to scale the business



**Company-building** transitions the organization from a startup to a company focused on executing a validated model

# From Vision to Startup (3)

Customer validation confirms that customers will accept the minimum viable product, proves that the customers exist, figures out how to reach them predictably, and crafts a scalable plan to engage and sell many more.

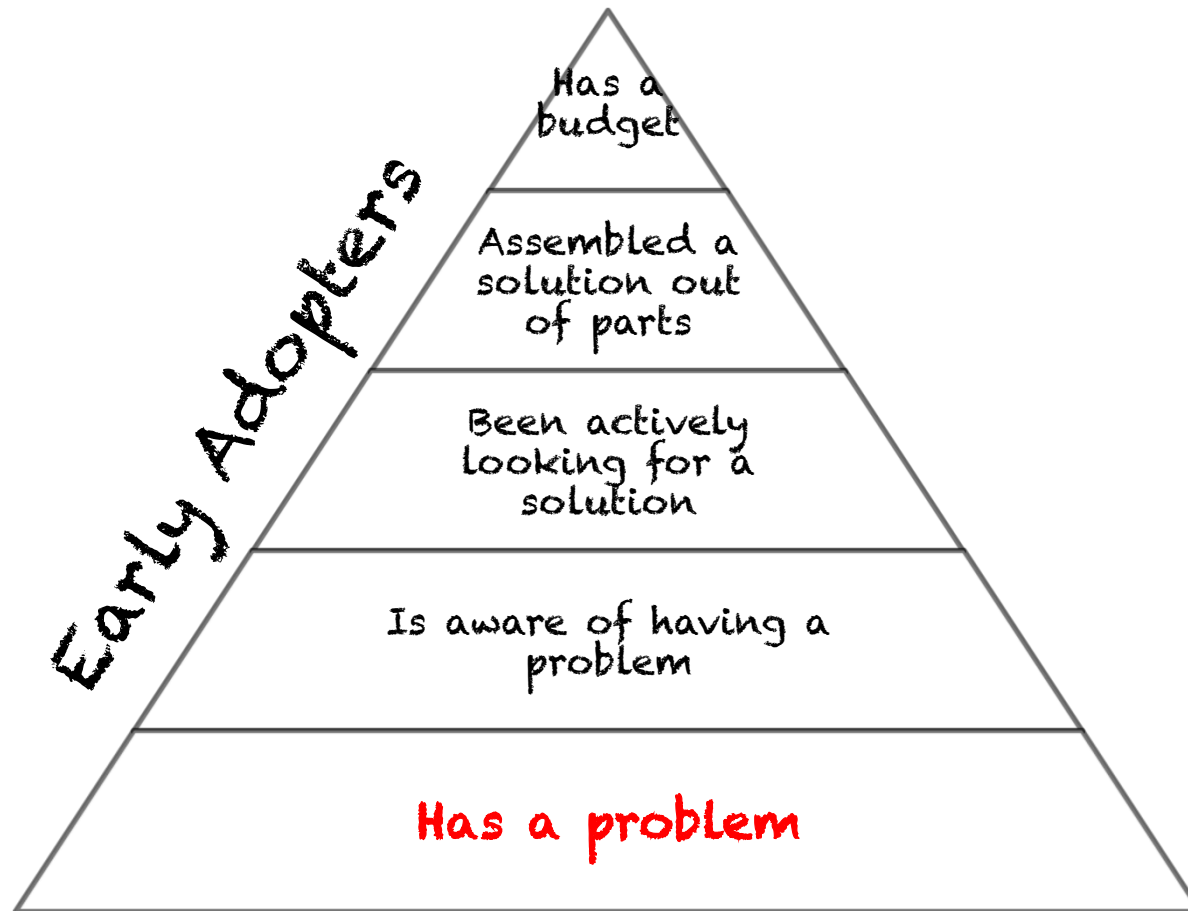


# From Vision to Startup (3)



Geoffrey Moore

# From Vision to Startup (3)



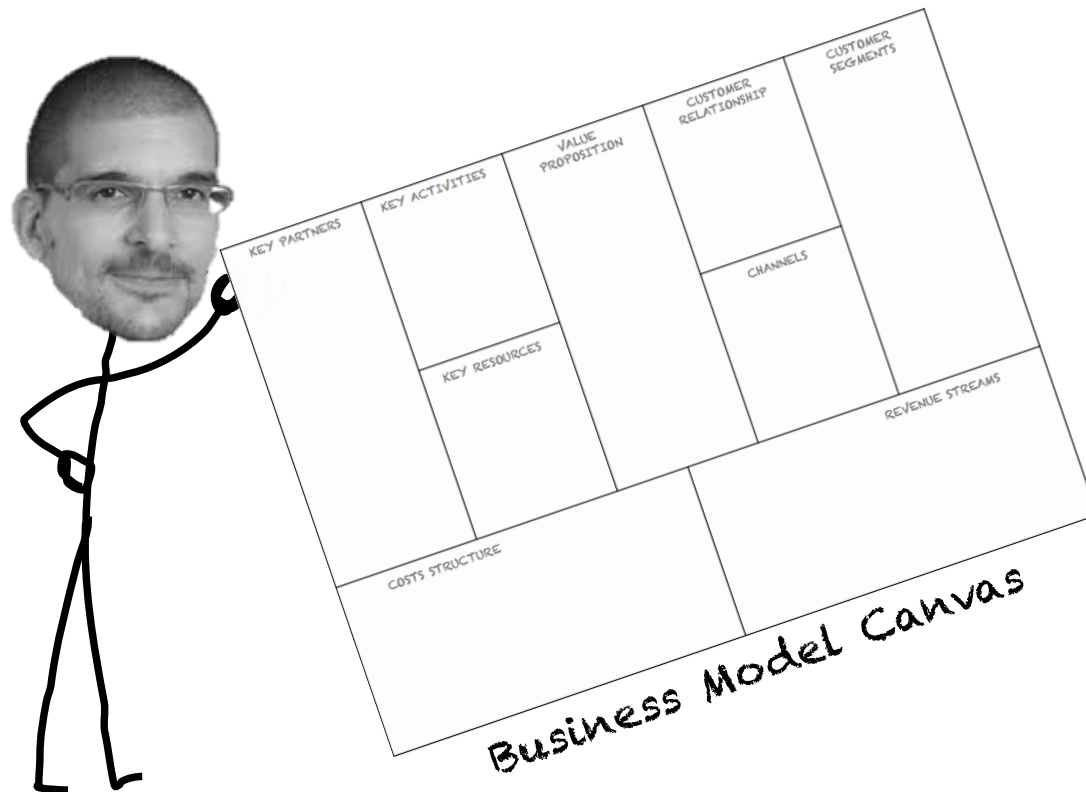
# From Vision to Startup (3)



When people need **to get a job done**, they **hire a product or service** to do it for them. The marketer's task is to **understand what jobs** periodically arise in customers' lives **for which they might hire products** the company could make.

Clayton M. Christensen

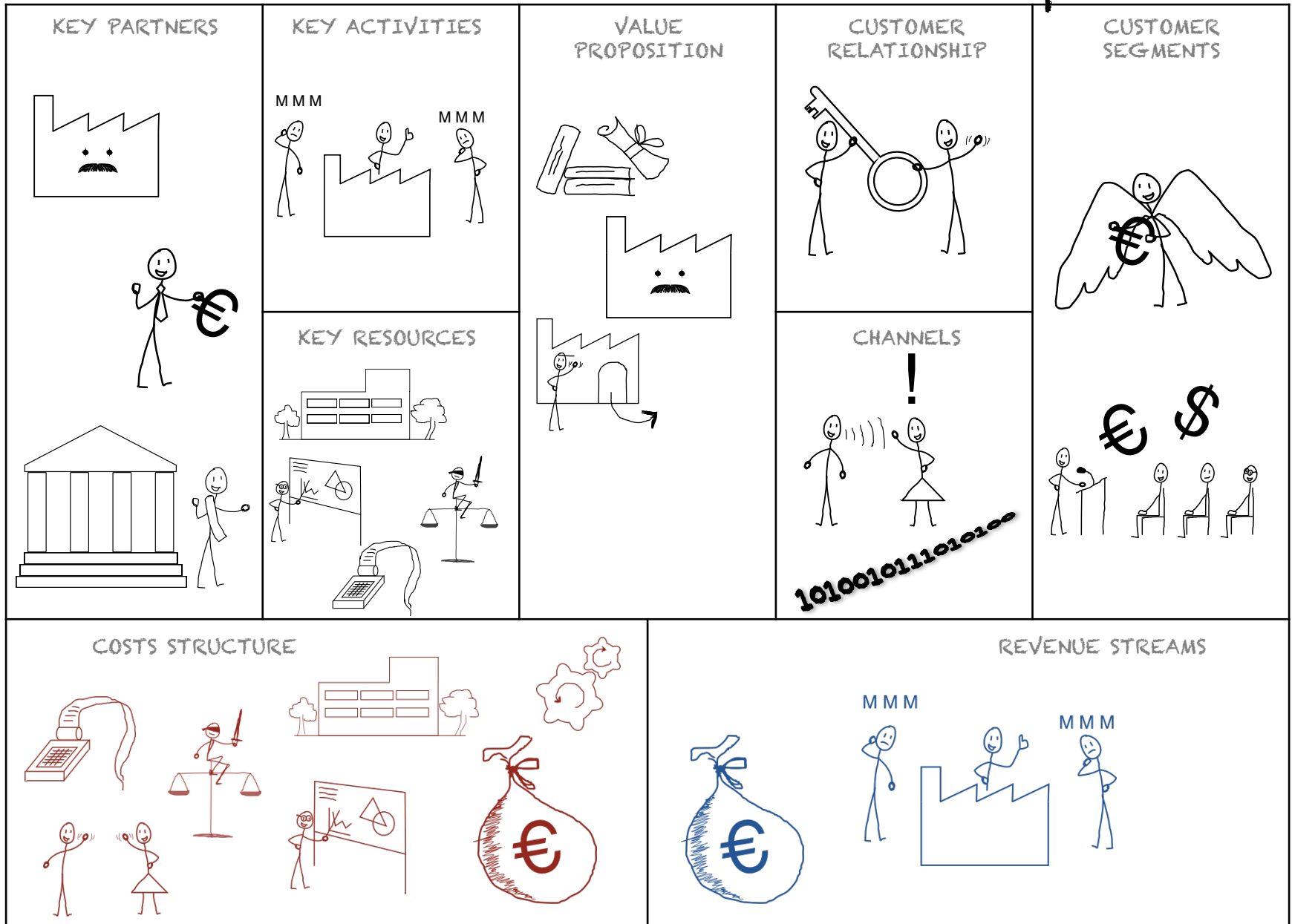
# Managing risks



Alexander Osterwalder

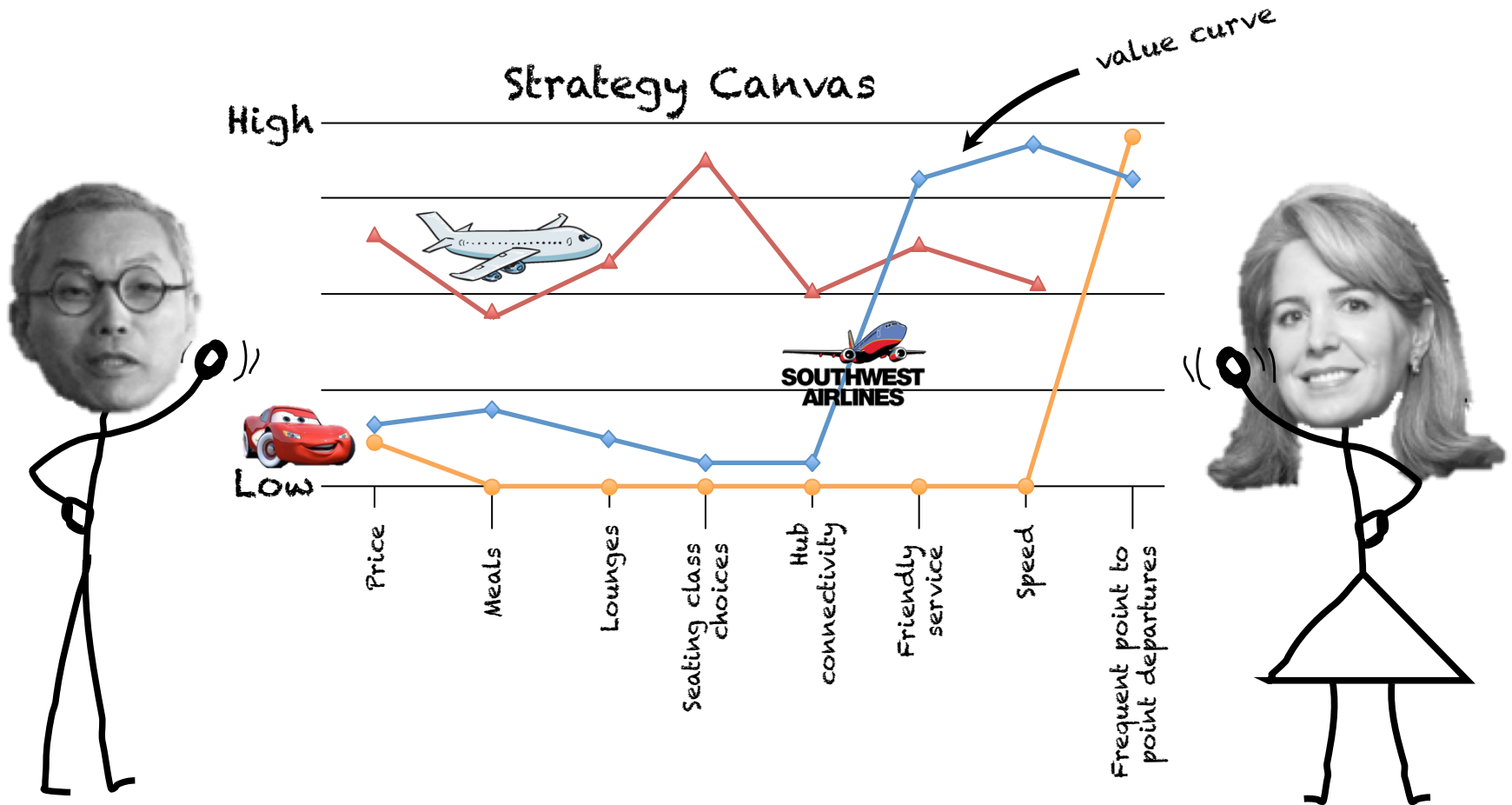
# Managing risk

## - Business Model Canvas (an example) -





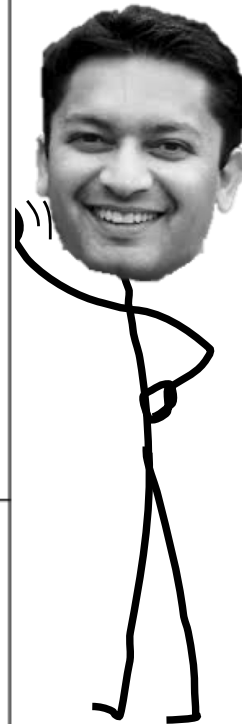
# Managing risks



# Managing risks

PROBLEM	SOLUTION	UNIQUE VALUE PROPOSITION	UNFAIR ADVANTAGE	CUSTOMER SEGMENTS
	KEY METRICS		CHANNELS	
COSTS STRUCTURE		REVENUE STREAMS		

Lean Canvas



Ash Maurya

# Managing risk

## - Lean Canvas -

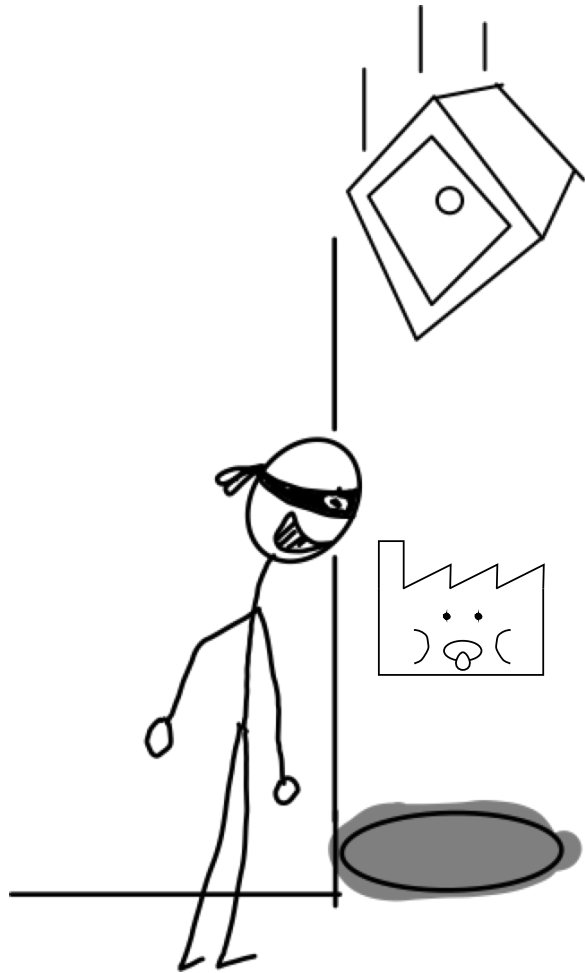
<p>PROBLEM</p> <p>Top 3 problems</p>	<p>SOLUTION</p> <p>Top 3 features</p>	<p>UNIQUE VALUE PROPOSITION</p> <p>Single, clear, compelling message that states why you are different and worth buying</p>	<p>UNFAIR ADVANTAGE</p> <p>Can't be easily copied or bought</p>	<p>CUSTOMER SEGMENTS</p> <p>Target customers</p>
<p>Existing alternatives</p>	<p>KEY METRICS</p> <p>Key activities you measure</p>	<p>High-level concept</p>	<p>CHANNELS</p> <p>Path to customers</p>	<p>Early adopter</p>
<p>COSTS STRUCTURE</p> <p>Customer Acquisition Costs</p> <p>Distributing Costs</p> <p>Hosting</p> <p>People, etc.</p>			<p>REVENUE STREAMS</p> <p>Revenue Model</p> <p>Lifetime Value</p> <p>Revenue</p> <p>Gross Margin</p>	

# Managing risk

## - Lean Canvas -

<p>PROBLEM</p> <p>1</p>	<p>SOLUTION</p> <p>4</p>	<p>UNIQUE VALUE PROPOSITION</p> <p>3</p>	<p>UNFAIR ADVANTAGE</p> <p>5</p>	<p>CUSTOMER SEGMENTS</p> <p>2</p>
	<p>KEY METRICS</p> <p>8</p>		<p>CHANNELS</p> <p>9</p>	
<p>COSTS STRUCTURE</p> <p>7</p>			<p>REVENUE STREAMS</p> <p>6</p>	

# Managing risks



**Product risk (P)**

Getting the product right

**Customer risk (C)**

Building a path to customers

**Market risk (M)**

Building a viable business

# Managing risk

## - Lean Canvas -

PROBLEM	SOLUTION	UNIQUE VALUE PROPOSITION	UNFAIR ADVANTAGE	CUSTOMER SEGMENTS
(P)	(P)	(P)	(C)	(C)
Existing alternatives	KEY METRICS	High-level concept	CHANNELS	Early adopter
(M)	(P)	(P)	(C)	(C)
COSTS STRUCTURE			REVENUE STREAMS	
(M)			(M)	

# Managing risks

## 1. Customer pain level (Problem)

Prioritize customer segments that you believe will need your product the most. The goal is to have one or more of your top three problems as must-haves for them.

## 2. Ease of reach (Channels)

If you have an easier path to one segment of customers over others, take that into consideration. It will get you out of the building faster and speed up your learning.

# Managing risks

## 3. Price/gross margin (Revenue Streams/Cost Structure)

Pick a customer segment that allows you to maximize on your margins. The more money you get to keep, the fewer customers you need to reach to break even.

## 4. Market size (Customer Segments)

Pick a customer segment that represents a big enough for your business.

## 5. Technical feasibility (Solution)

Ensure that your planned solution not only is feasible, but also represents the minimum feature set to put in front of customers.



# Managing risks

## Stage 1: Understand the problem

Conduct formal customer interviews or observe customers to understand whether you have a problem worth solving. Who has the problem, what is the top problem, and how is it solved today?

## Stage 3: Validate qualitatively

Build your MVP and then soft-launch it to your early adopters. Do they realize the unique value proposition (UVP)? How will you find enough early adopters to support learning? Are you getting paid?

## Stage 2: Define the solution

Define the solution, build a demo that helps the customer visualize the solution, and then test it with customers. Will the solution work? Who is the early adopter? Does the pricing model work?

## Stage 4: Verify quantitatively

Launch your refined product to a larger audience. Have you built something people want? How will you reach customers at scale? Do you have a viable business?

# Managing risks

**Product risk (P):** Getting the product right

1. First make sure you have a problem worth solving.
2. Then define the smallest possible solution (MVP).
3. Build and validate your MVP at small scale (demonstrate UVP).
4. Then verify it at large scale.

**Customer risk (C):** Building a path to customers

1. First identify who has the pain.
2. Then narrow this down to early adopters who really want your product now.
3. It's OK to start with outbound channels.
4. But gradually build/develop scalable inbound channels—the earlier the better.

**Market risk (M):** Building a viable business

1. Identify competition through existing alternatives and pick a price for your solution.
2. Test pricing first by measuring what customers say (verbal commitments).
3. Then test pricing by what customers do.
4. Optimize your cost structure to make the business model work.

PROBLEM	SOLUTION	UNIQUE VALUE PROPOSITION	UNFAIR ADVANTAGE	CUSTOMER SEGMENTS
(1)	(2)	(3)		(1)
Existing alternatives	KEY METRICS	High-level concept	CHANNELS	Early adopter
(1)	(4)		(3) (4)	(2)
COSTS STRUCTURE			REVENUE STREAMS	
(4)			(3) (2)	

# Managing risk

## - Lean Canvas -

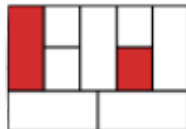
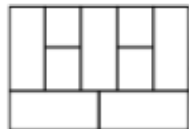
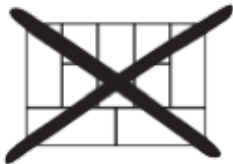
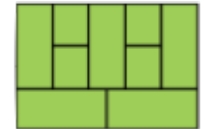
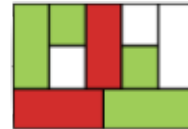
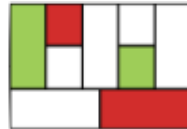
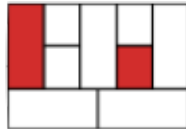
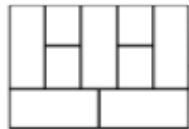
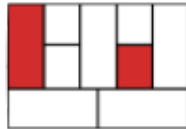
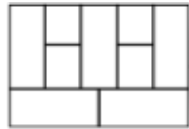
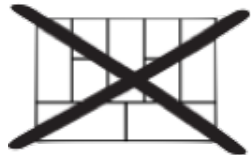
<p>PROBLEM</p> <p>(1)</p> <p>Existing alternatives</p> <p>(1)</p>	<p>SOLUTION</p> <p>(2)</p> <p>KEY METRICS</p> <p>(4)</p>	<p>UNIQUE VALUE PROPOSITION</p> <p>(3)</p> <p>High-level concept</p>	<p>UNFAIR ADVANTAGE</p> <p>CHANNELS</p> <p>(3)</p> <p>(4)</p>	<p>CUSTOMER SEGMENTS</p> <p>(1)</p> <p>Early adopter</p> <p>(2)</p>
<p>COSTS STRUCTURE</p> <p>(4)</p>			<p>REVENUE STREAMS</p> <p>(3) (2)</p>	

# Managing risks

Document  
your plan

Identify riskiest  
parts of your plan

Systematically test your plan



Brainstorm customers  
Create Lean Canvases

Prioritize risks  
Business Model  
Interview

Find Prospects  
Problem Interviews

Build Demo  
Solution Interviews  
Build MVP

Build Dashboard  
MVP Interviews  
Realize UVP  
Validate full  
lifecycle

Constrain features  
Measure progress  
Achieve early traction  
Identify engine of growth  
Scale Interviews

UNDERSTAND  
PROBLEM

DEFINE  
SOLUTION

VALIDATE  
QUALITATIVELY

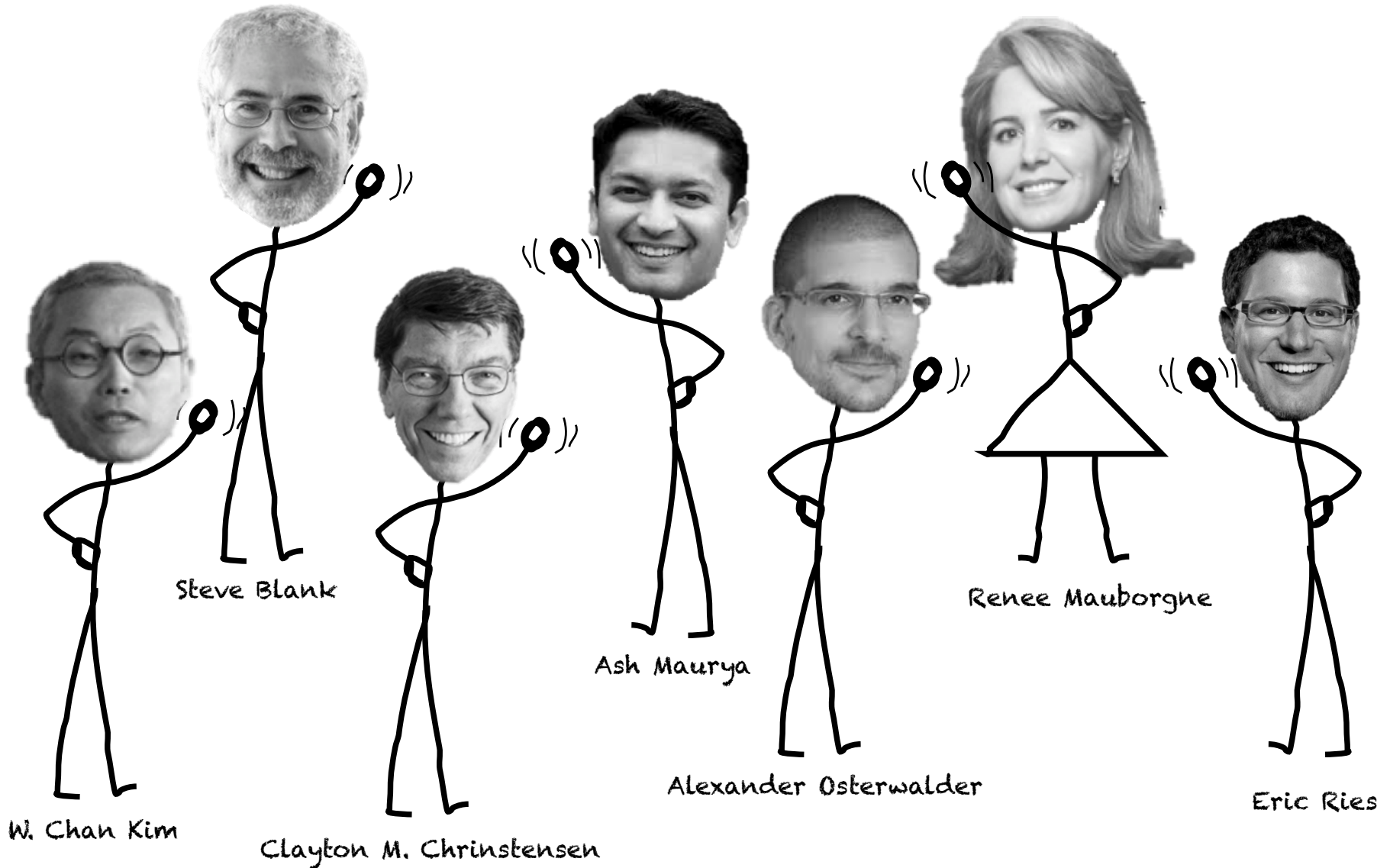
VALIDATE  
QUANTITATIVELY

Two useful links

<http://strategycanvas.org/>

<http://bmfiddle.com/>

# The Cast





Thank you