

A large bronze sculpture of a horse and rider, mounted upside down on a wall. The horse's head is at the bottom, and its legs are at the top. The rider is visible from the waist down, wearing a long coat and boots. The sculpture is set against a wall with arched windows and decorative moldings. The text "Am I riding a dead horse?" is overlaid in the center.

Am I riding a
dead horse?

Upside down Horse by David Cerny | Flickr Abi Skipp 2008 cc by | <https://www.flickr.com/photos/9557815@N05/2775512699>

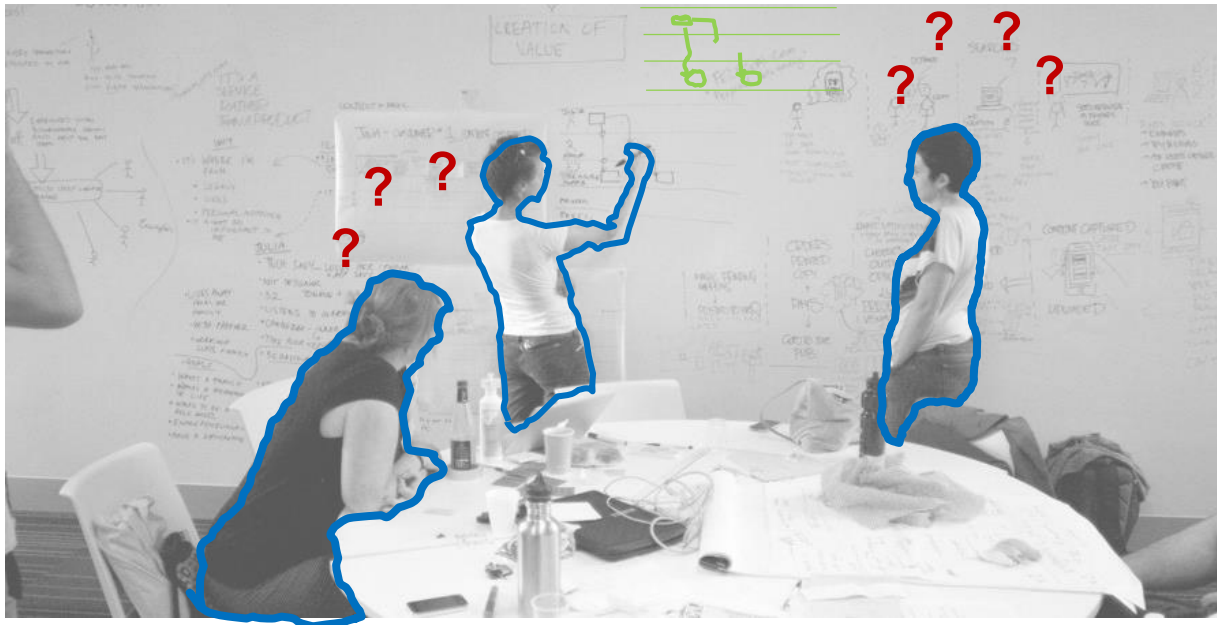
What is a (Lean) Startup?

or why should we care about prototyping?



What is the difference between startups and existing companies?

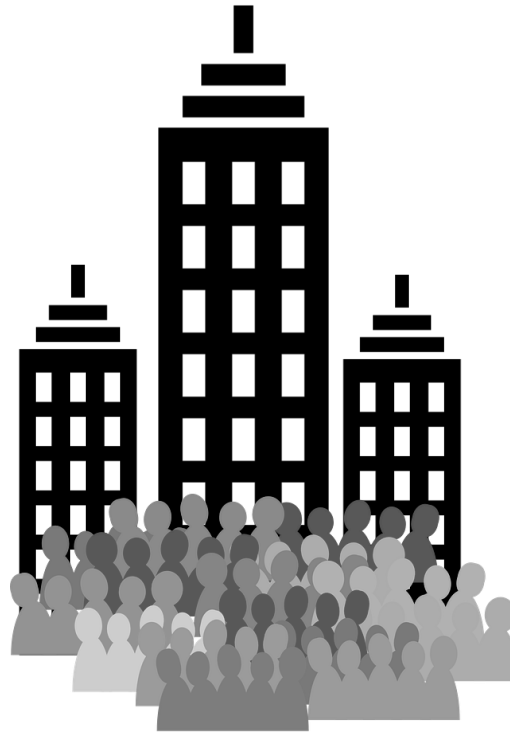
“A startup is a **human institution** designed to deliver a **new product or service** under conditions of **extreme uncertainty**”
(Eric Ries 2009)



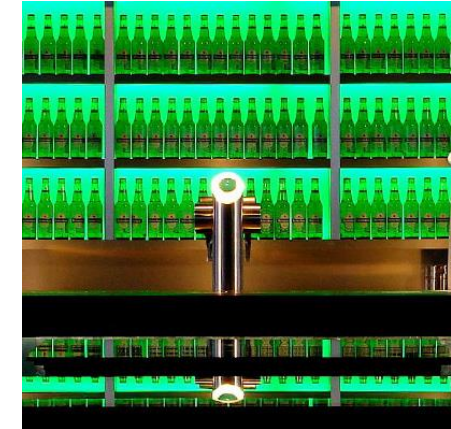
What is the difference between startups and existing companies?

a **Startup**

is **not** a small
version of a big
company



What is the difference between startups and existing companies?



Images: [The Nation](#), [Amsterdam Tourist](#), [Instructables](#), [Seattle Times](#), [Insel-Brauerei](#)

What is the difference between startups and existing companies?

A startup is “a **temporary** organization designed to **search** for a **repeatable** and **scalable** **business model.**”

(Steve Blank 2011)



Source: S. Blank (2011): Why the lean start-up changes everything.

What is the difference between startups and existing companies?

Startups **search** for assumptions about the **unknown**.
Existing
Companies
execute what
they **know**.



"Business modeling is [...] the managerial equivalent of the scientific method – you start with a hypothesis, which you then test in action and revise when necessary."

(Magretta, 2002)

H1: A change in an
Independent Variable leads
to a change in a Dependent
Variable

f.e.
If we place a product more
prominently, it can be sold
more often












Source: J. Magretta (2002): Why Business Models matter, p. 5.

Test the Problem, then your solution.

The Business Model Canvas

Designed by *My Startup* | Designed by: | Date: | Version:

Key Partners  Who are our Key Partners? Who are our key suppliers? Which key Resources are we acquiring from partners? Which Key Activities do partners perform? MOTIVATIONS FOR PARTNERSHIPS Optimization and economy Reduction of risk and uncertainty Acquisition of particular resources and activities	Key Activities  What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams? CATEGORIES Production Problem Solving Platform/network	Value Propositions  What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying? EXAMPLES Newness Performance Customization "Getting the job Done" Design Brand/Status Price Cost Reduction Risk Reduction Accessibility Convenience/Usability	Customer Relationships  What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they? EXAMPLES Personal assistance Dedicated Personal Assistance Self-Service Automated Services Communities Co-creation	Customer Segments  For whom are we creating value? Who are our most important customers? Mass Market Niche Market Segmental Diversified Multi-sided Platform	
Key Resources  What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams? TYPES OF RESOURCES Physical Intellectual (brand patents, copyrights, data) Human Financial		Channels  Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines? CHANNEL PHASES 1. Awareness How do we make sure that our company's products and services? 2. Evaluation How do we ensure that our products and services include our organization's Value Proposition? 3. Purchase How do we ensure that our products and services are available to our customers? 4. Delivery How do we ensure that our products and services are delivered to our customers? 5. After sales How do we ensure post-purchase customer support?		Cost Structure  What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive? IS YOUR BUSINESS MODEL Cost Driven (lowest cost structure, low price-value proposition, maximum automation, extensive outsourcing) Value Driven (focused on value creation, premium value proposition)	Revenue Streams  For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues? TYPES Asset sale Usage fee Subscription Fee Licensing/Franchising/Licensing Licensing Advertising PRICE MODEL List Price Product Feature dependent Customer segment dependent Volume dependent STREAMS MODEL Negotiation (bargaining) Real-time market Real-time market

Finding the convincing argument

...that suffices investors and yourselves

I. Market

Core hypotheses

II. Product

III. Customer acquisition

IV. Your resources (i.e., founders)



Ref.



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Break Even Point Calculation

Fixed & variable costs; When will we be “break even”? (wins == losses)

$$Profit = p * x - (C_f + c_v * x)$$

e.g., pricing strategy (pointing to p)

e.g., Invest into HR & Tech (pointing to x)

e.g., raw material... (pointing to c_v)

e.g., market size, CA strategy (pointing to x)

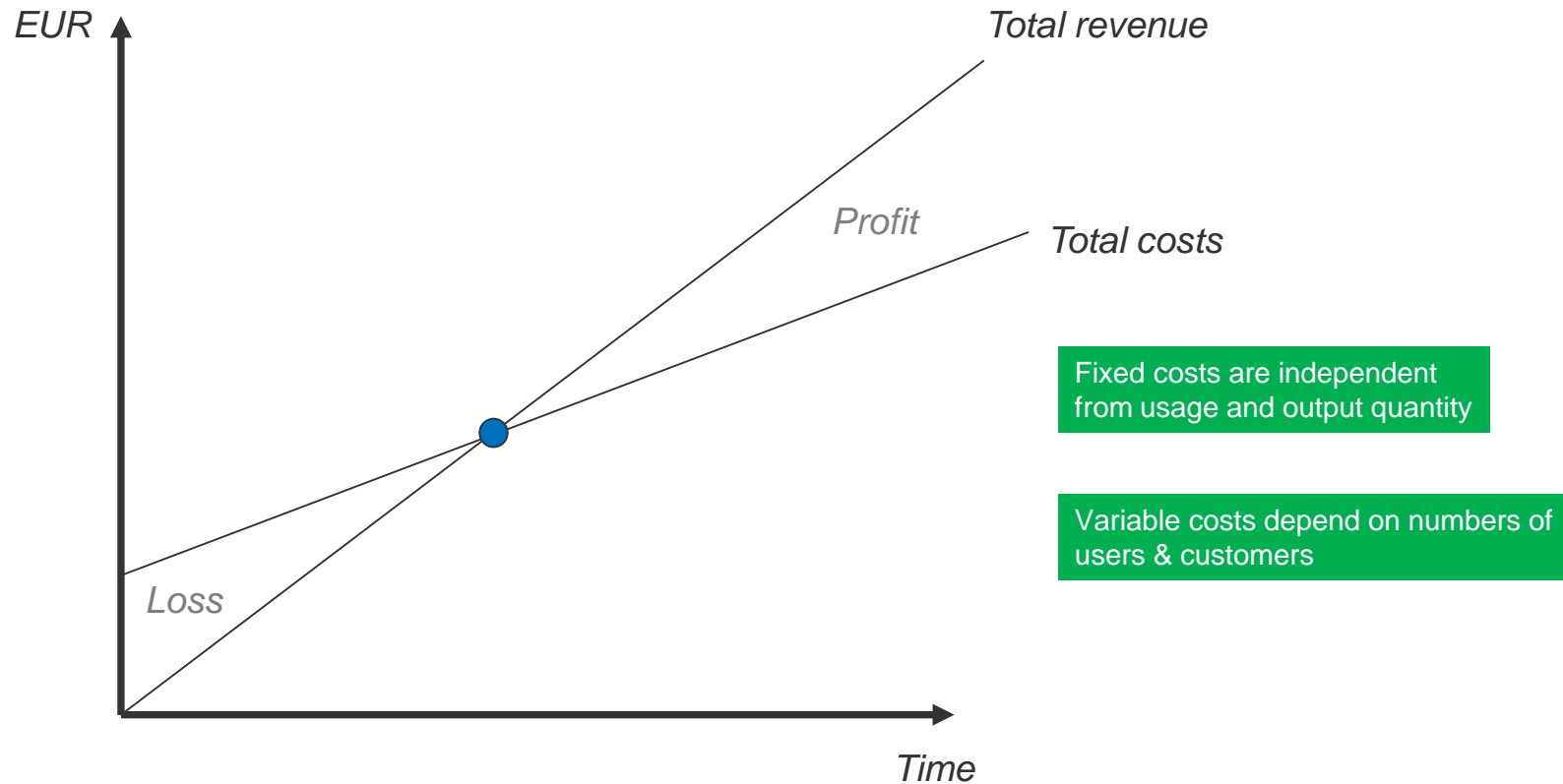
TR: total revenue
 C_f : fixed costs
 C_v : variable costs

x : units
 p : price
 c_v : costs per unit

Finding your core hypotheses

Break Even Point Calculation

Fixed & variable costs; When will we be “break even”? (wins == losses)



R: revenue
 C_f : fixed costs
 C_v : variable costs

x: units
 p: price
 c_v : costs per unit

$$\text{Total Revenue} = \text{Total Costs}$$

$$R_x = C_f + C_v$$

$$x * p = C_f + c_v * x$$

Investor's Perspective on Break Even Point

or „Unicorn Calculation“

Unicorns as an example
of how investors go into
your business
presentation



*Total revenue per year = $p * x$*

3 types of unicorns

(10x assumption for 1b valuation)

$$\$100m = \$1k * 100k$$

$$\$100m = \$10k * 10k$$

$$\$100m = \$1m * 100$$

Understanding customer's

you may wonder, but getting customers is neither easy nor cheap



Variable costs + revenues for entrepreneurs

Understanding the customer funnel

$$Profit = p * x - (C_f + c_v * x)$$

Attract



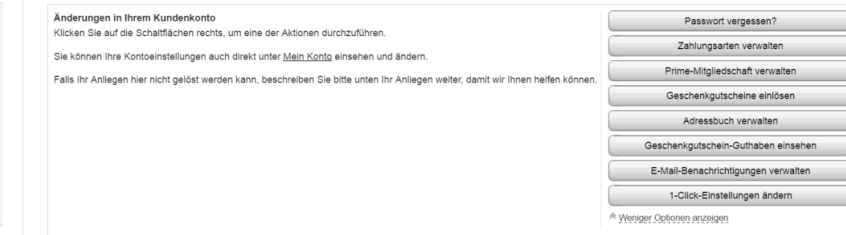
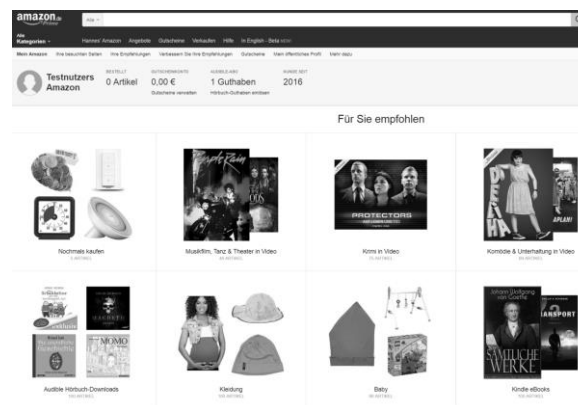
Sell



Support /
Resell



Loss



Variable costs + revenues for entrepreneurs

Understanding the customer funnel

$$Profit = p * x - (C_f + c_v * x)$$

Acquisition: User gets in contact with product/service

Activation: User successfully interacts for the first time with product/service

Retention: User comes back

Referral: User talks about product/service

Revenue: User initiates a cash flow



e.g., <http://blog.trak.io/growth-hacking-like-a-pirate-a-beginners-guide-to-pirate-metrics/>

Variable costs + revenues for entrepreneurs

Diving into customer acquisition costs

$$Profit = p * x - (C_f + C_v * x)$$



2 EUR

x 1000

Visitors

Leads

Customers

to 20

to 8

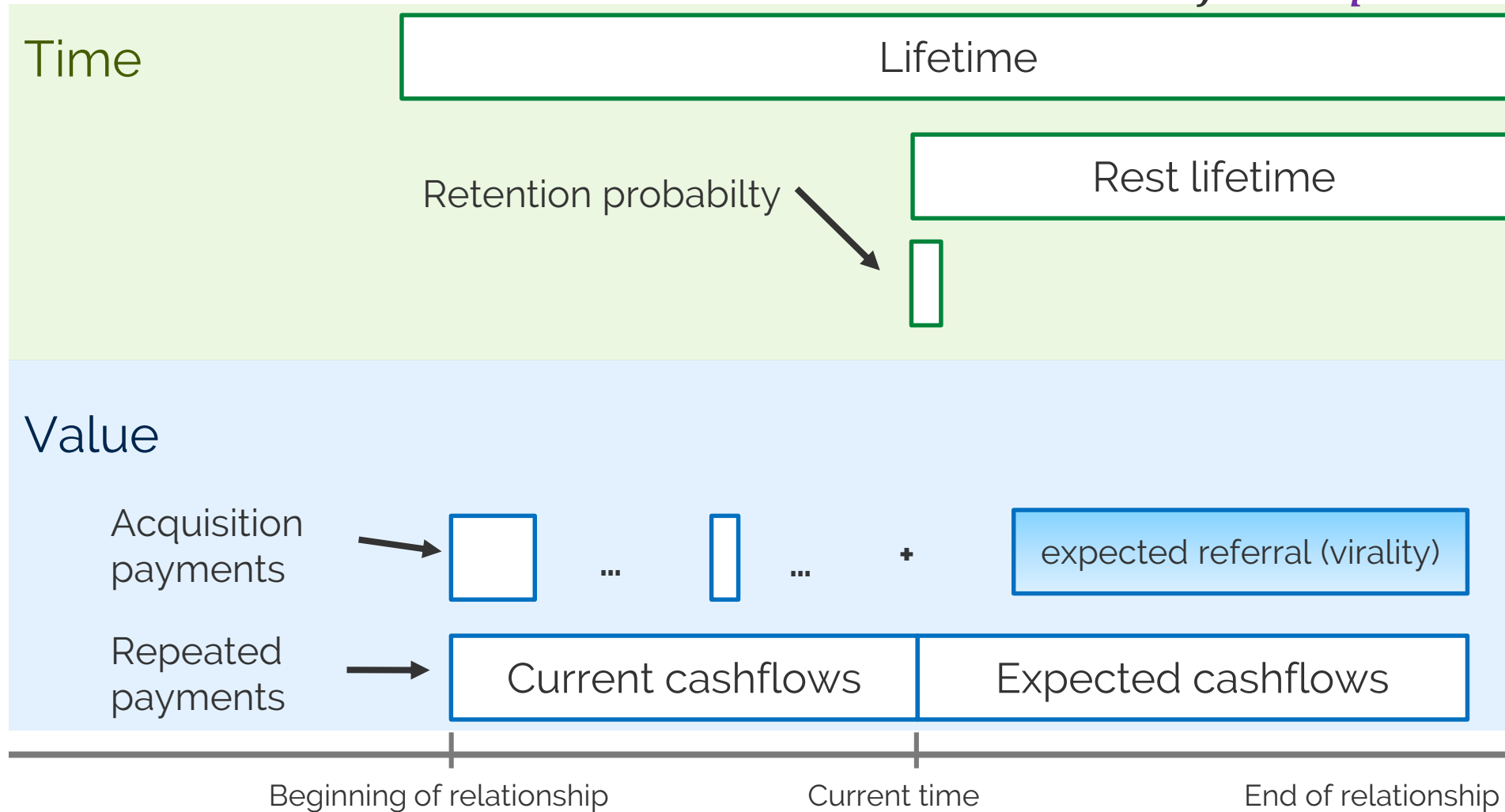
CAC: 250 EUR

How do we calculate CAC for different channels?

Variable costs + **revenues** for entrepreneurs

Customer lifetime value

$$Profit = p * x - (C_f + c_v * x)$$



**„In god we trust, all
others bring data“**

William Edwards Deming





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