HOW TO CREATE YOUR LEAN CANVAS

Capture your business model in a portable 1-page diagram. The Lean Canvas is the perfect format for brainstorming possible business models, prioritizing where to start, and tracking ongoing learning.

The best way to illustrate the use of the canvas is through an example. I'll describe the thought process that went into building a Lean Canvas for the companion business model hypotheses testing tool - also called Lean Canvas.

Brainstorm Possible Customers

Sketch Multiple Lean Canvases

Prioritize Where to Stat

Brainstorm Possible Customers

You most likely already have an inkling of the problem, solution, and customer in mind. Start by brainstorming the list of possible customers you envision using your product.

1. Distinguish between customers and users

If you have multiple user roles in your product, identify customers.

A customer is a someone that pays for your product.

2. Split broad customer segments into smaller ones

I've worked with startups that felt the problems they are solving are so universal, they apply to everyone.

You can't effectively build, design, and position a product for everyone.

While you might be aiming to build a mainstream product, you need to start with a specific customer in mind. Even Facebook, with it's now 500 million+ users started with a specific user in mind - Harvard college students.

3. Sketch a Lean Canvas for each customer segment

As you'll find shortly, the elements of your business model can and will vary greatly by customer segment. I recommend starting with the top 2-3 customer segments you feel you understand the best or find most promising.

Case-study: Lean Canvas

Background

In the course of applying Customer Development and Lean Startup principles to my products, I inevitably needed to document my business model hypotheses. I started with the worksheets at the end of Steve Blank's book: "The Four Steps to the Epiphany".

While this was a great exercise, the output was a collection of documents and spreadsheets that become hard to manage and share with other team members over time. I then ran into Alex Osterwalder's work on Business Model Canvas. While I really liked the portability and clarity of a 1-page business model, I found some of his canvas elements too general and started toying with an adaptation that eventually became the Lean Canvas. The scope of the problems I was addressing also grew from just documenting hypotheses, to measuring and communicating progress over time.

When I started, I envisioned the Lean Canvas being a replacement for worksheets and business plans which led to the following "possible customers" brainstorm list:

Really broad category: Anyone that uses a business plan today

More Specific Possible Customers:
1. Startup founders (bootstrapped, funded)
2. Startup accelerators
3. Investors (Angels, VC)
4. Large companies

Since this was a "scratch my own itch" kind of problem, I decided to build my first Lean Canvas for **startup founders**.

Sketch Multiple Lean Canvases

In this section, I'll outline the process for sketching a Lean Canvas.

1. Sketch a canvas in one sitting
While a business plan can take weeks or months to write, your initial canvas should be sketched quickly.

2. It's okay to leave sections blank
Rather than trying to research or debate the "right" answers, put something down quickly or leave it blank and come back to it later. Some elements like "Unfair Advantage" take time to figure out. The canvas is meant to be an organic document that evolves over time and it's okay to say "I don't know".
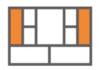
3. Think in the present
Business plans try too hard to predict the future which is impossible. Instead, write your canvas with a "getting things done" attitude. Based on your current stage and what you know right now, what are the next set of hypotheses you need to test to move your product forward?

4. Use a customer-centric approach
While Alex Osterwalder discusses several alternative approaches to sketching an initial canvas in his book, I prefer using a customer-centric approach. I start with the Customer Segment and follow a prescribed order to filling out a canvas:

Problem	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments
Top 3 problems	Top 3 features	Single, clear, compelling message that states why you are different and worth buying	Can't be easily copied or bought	Target customers
	3		**7**	
	Key Metrics		**Channels**	
1	Key activities you measure		Path to customers	**1**
	6	**2**	**4**	

Cost Structure		Revenue Streams	
Customer Acquisition Costs Distribution Costs Hosting People, etc.	**5**	Revenue Model Life Time Value Revenue Gross Margin	**5**

Problem and Customer Segments

I find that the "Problem-Customer" pair usually drives the rest of the canvas which is why I tackle them together:

1. List top 3 problems

For the customer segment you are working with, describe the top 1-3 problems they need solved.

2. List existing alternatives

Then document how you think your early adopters address these problems today. Unless you are solving a brand new problem (unlikely), most problems have existing solutions. Many times these may not be a readily obvious competitor.

As an example, the biggest alternative to most online collaboration tools is not another collaboration tool, but email. Doing nothing could also be a viable alternative for a customer if the pain is not acute enough.

3. Identify other user roles

Next identify any other user roles that will interact with this customer.

Examples:
1. In a blogging platform, the customer is the blog author while the user is a reader.
2. In a photo sharing service, the customer is the sharer, while users are viewers (family and friends).

4. Hone in on possible early adopters

With these problems in mind, get more specific on the customer segment. Narrow down the distinguishing characteristics of your prototypical customer.

Your objective is to define an early adopter - not a mainstream customer.

As an example, my last product, CloudFire, was a photo and video sharing service targeted at parents. Further refinement got me to define my early adopters as "first-time moms with kids under the age of three".

Case Study: Lean Canvas - Problem and Customer Segments

Customer Segment: Startup Founder

1. Top 3 problems

Problem 1: Business Models need to be more portable

Business Plans are too static and don't get read or updated enough. A lot of entrepreneurs skip this step altogether which is NOT the solution.

Problem 2: Measuring progress is hard work

Customer Discovery is a qualitative process and requires a lot of work (documenting interviews, aggregating results, etc.) to yield actionable insights.

Problem 3: Communicating learning is critical

The biggest mind shift when practicing a Lean Startup methodology is being objective and instilling a culture of continuous learning and improvement by holding ourselves accountable to internal and external stakeholders.

2. Existing Alternatives

Intuition, business plans, worksheets/spreadsheets.

3. User Roles

Creators (Startup Founders):

Responsible for documenting hypotheses and communicating progress.

Collaborators (Advisors/Investors) :

Help the founders by providing advice and holding them accountable.

4. Early Adopter

Since the Lean Canvas was a product of synthesizing Customer Development, Lean Startups, and the Business Model Canvas, I believe an early adopter would be someone who has had some familiarity with at least one and ideally all of the above.

Problem	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments
Business Models need to be more portable Measuring progress is hard work Communicating learning is critical Existing alternatives: Intuition, business plan, spreadsheets				Startup Founders (Creators) Advisors/Investors (Collaborators) Early Adopter: Familiarity with Lean Startups, Customer Development, Business Model Canvas
	Key Metrics		**Channels**	

Cost Structure	Revenue Streams

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.

Unique Value Proposition

Dead-center in the Lean Canvas is a box for your Unique Value Proposition (UVP). This is one of the most important boxes on the canvas and also the hardest to get right.

"Unique Value Proposition: A single, clear compelling message that states why you are different and worth buying."

<div align="right">

- Steve Blank
The Four Steps to the Epiphany

</div>

The UVP is hard to get right because you have to distill the essence of your product in a few words that can fit in the headline of your landing page. Additionally, your UVP also needs to be different and that difference needs to matter.

First-time visitors spend 8 seconds on average on a landing page. Your UVP is their first interaction with your product - craft a good UVP and they might stay and view the rest of your site. Otherwise, they'll simply leave.

The good news is you don't have to get this perfect right away. Like everything on the canvas, you start with a best guess and then iterate from there.

How to Craft a Unique Value Proposition

I highly recommend getting a copy of the classic book on marketing by Al Ries and Jack Trout: "Positioning: The Battle For Your Mind". Ries and Trout are considered the fathers of modern advertising. This is an "easy-read" and the best crash course on marketing I've ever come across.

Be different, but make sure your difference matters
The key to unlocking what's different about your product is deriving your UVP directly from the #1 problem you are solving. If that problem is indeed worth solving, you're more than halfway there already.

Target early adopters
Too many marketers try to target the "middle" in the hopes of reaching mainstream customers and in the process water down their message. Your product is **not** ready for mainstream customers yet. Your sole job should be finding and targeting early adopters which requires bold, clear, and specific messaging.

Focus on finished story benefits
You've probably heard about the importance of highlighting benefits over features. But benefits still require your customers to translate them to their worldview. A good UVP gets inside the head of your customers and focusses on the benefits your customers derive **after** using your product.

So for instance if you are building a résumé-building service:
-   a feature might be "*professionally designed templates*"
-   the benefit would be an "*eye-catching* résumé *that stands out*"
-   but the finished story benefit would be "*landing your dream job*".

Pick your words carefully and own them

Words are key to any great marketing and branding campaign. Look at how the top luxury car brands have used a single word to define themselves:

Performance: BMW
Design: Audi
Prestige: Mercedes

Picking a few "key" words that you consistently use also drives your SEO ranking.

Answer: What, Who, and Why

A good UVP needs to clearly answer the first 2 questions - what is your product and who is the customer. The "Why" is sometimes hard to fit in the same statement and I'll frequently use a sub-heading for that.

Here are example UVPs I have used in products:

CloudFire - Photo and Video Sharing for Busy Parents.
Get back to the more important things in your life.

USERcycle - Lifecycle Marketing Software.
Turn your users into passionate customers.

Study other good UVPs

The best way to craft a good UVP is to study the UVPs of the brands you admire. Visit their landing pages and deconstruct how and why their messaging works.

Create a high-concept pitch

Another useful exercise is to create a high-concept pitch popularized by VentureHacks in their e-book "Pitching Hacks". A high-concept pitch usually builds on other familiar concepts to quickly get an idea across and make it easily spreadable. Unlike a UVP, a high-concept pitch is best used in conjunction with something else that sets the right context such as an elevator pitch.

Examples:
- YouTube: "Flickr for video"
- Aliens (movie): "Jaws in space"
- Dogster: "Friendster for dogs"

Case Study: Lean Canvas - Unique Value Proposition

In the case of startups and business models, while Lean Canvas might provide an immediate benefit of offering a better process for testing business models, the finished story benefit is finding a business model that works and eventually building a successful product.

Unique Value Proposition:

    Lean Canvas - Business Model Validation Software
    Help startups raise their odds for building successful products

I also jot down a few high-level concepts:

    - Github Meets Weight-watchers for Business Models
    - The Startup Report Card

Problem	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments
Business Models need to be more portable Measuring progress is hard work Communicating learning is critical Existing alternatives: Intuition, business plan, spreadsheets		Helps startups raise their odds of success. High level concept:		Startup Founders (Creators) Advisors/Investors (Collaborators)
	Key Metrics	Github Meets Weight-watchers for business models. Startup report card.	**Channels**	Early Adopter: Familiarity with Lean Startups, Customer Development, Business Model Canvas

Cost Structure	Revenue Streams

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Solution

You are now ready to tackle solution possibilities.

As all you have are untested hypotheses, I don't recommend getting carried away with fully defining a solution just yet. Rather simply sketch out the top features or capabilities next to each problem.

Bind a solution to your problem as late as possible.

Case Study: Lean Canvas - Solution

For each of the problems outlined earlier, here is a feature or capability that solves the problem:

Problem: Business Models need to be more portable
Solution: Use the Lean Canvas format for capturing hypotheses on 1 page

Problem: Measuring progress is hard work
Solution: Provide a simple way to "dashboard" experiments

Problem: Communicating learning is critical
Solution: Need a sharing feature to facilitate sharing lessons learned

Problem	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments
Business Models need to be more portable Measuring progress is hard work Communicating learning is critical Existing alternatives: Intuition, business plan, spreadsheets	Lean Canvas Progress Dashboard Sharing Learning **Key Metrics**	Helps startups raise their odds of success. High level concept: Github Meets Weight-watchers for business models. Startup report card.	**Channels**	Startup Founders (Creators) Advisors/Investors (Collaborators) Early Adopter: Familiarity with Lean Startups, Customer Development, Business Model Canvas

Cost Structure	Revenue Streams

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Channels

The good news is that following a "Customer Discovery/Interview" process forces you to build a path to customers early. Unfortunately, unless you are in a direct sales business, that path may not scale beyond Problem/Solution Fit.

In addition to defining the right product to build, it's just as critical to start finding, building and testing a significant path to your customers from day one.

While there are a plethora of channel options available, some channels may be outright inapplicable to your startup, while others may be more viable during later stages of your startup.

I typically look for the following characteristics in my early channels:

FREE'er versus PAID

First of all there is no such thing as a free channel. Channels we normally associate as being free like SEO, social media, and blogging, have a non-zero human capital cost associated with them. Calculating their ROI is complicated because unlike a paid channel which is used up after you pay for it, these channels keep working for you over time.

A commonly cited paid channel is search engine marketing. Eric Ries has written about how he tested his early product on $5 a day using Google Adwords - driving 100 clicks at a CPC of 5 cents. If you can pull this off

today, by all means use it, but unfortunately those days are long gone for most products. Keyword competition is so fierce now that you need to either out-spend or out-wit your competition. Both of these activities are better suited after product/market fit when your focus shifts to optimization versus learning.

Inbound versus Outbound

Inbound channels use "pull messaging" to let customers find you organically while outbound channels rely on "push messaging" for reaching customers.

Example inbound channels: Blogs, SEO, E-books, white papers, webinars. Example outbound channels: SEM, print/TV ads, trade shows, cold calling.

When you don't yet have a tested value proposition, it's hard to justify spending marketing dollars or effort on outbound messaging. Getting "techcrunched" or seeking other forms of PR before then is a form of waste. Now might be the time to start building inroads to influencers but you are not ready to "get covered".

Direct versus Automated

As a scalable channel, direct sales only make sense in businesses where the aggregate lifetime value of the customers exceeds the total compensation of your direct salespeople - such as in certain B2B and Enterprise products.

But as a learning channel, direct sales is one of the most effective since you interact face-to-face with the customer. The Customer Discovery process we'll cover in a little bit is direct selling repurposed for accelerating learning from customers.

First sell manually, then automate.

Direct versus Indirect

Another area where startups waste energy is prematurely trying to establish strategic partnerships. The idea is to partner with a larger company to leverage their channels and credibility. The problem is that until you have a proven product, you won't get the right level of attention from the bigger company's sales reps to make this work. Given the choice of selling what you know or an unproven product to make your quota, which would you choose?

First sell yourself, then let others do it.

The same principle allow applies to hiring external salespeople. While a salesperson can probably outsell you on the execution of a sales plan, they can't create that plan.

Retention before Referral

Many startups are obsessed with building virality and referral/affiliate programs into their product from day 1. While referral programs can be very effective in spreading the word about your product, **you need to have a product worth spreading first.**

"Build a remark-able product."

- Seth Godin
Purple Cow

Building the ideal early channel

An early channel I recommend building that delivers on all the points above is **Content Marketing**.

Content Marketing uses a combination of Content, Search Engine Optimization (SEO), and Social Media to work. Rather than crafting the "perfect outbound message", you instead incrementally test various aspects of your Problem/Solution using inbound channels like blogs, white papers, and webinars. SEO and Social Media serve to further enhance the reach of your content.

Content Marketing isn't free, takes time to build, and does cost time. But when it starts to work, "Content Marketing" turns from an expense into an asset. It could even become your "Unfair Advantage".

In the next chapter, I'll cover more specific details on how to get started with "Content Marketing".

Case Study: Lean Canvas - Channels

While the problems I outlined above were based on my own experiences, I witnessed other startup founders recount similar stories in the workshops I was teaching. That prompted me to write about Lean Canvas on my blog and also test it in a presentation I gave at Capital Factory's Demo Day in Austin to a mostly investor audience. Both were well received which pushed me towards incorporating Lean Canvas in my workshops. Lean Canvas was tested and refined in these presentations and workshops before it ever became an online tool.

My blog, workshops, and book are natural early channels to reach other startup founders interested in Lean Startup/Customer Development.

Problem	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments
Business Models need to be more portable	Lean Canvas	Helps startups raise their odds of success.		Startup Founders (Creators)
Measuring progress is hard work	Progress Dashboard	High level concept:		Advisors/Investors (Collaborators)
Communicating learning is critical	Sharing Learning			Early Adopter:
	Key Metrics	Github Meets Weight-watchers for business models.	**Channels**	Familiarity with Lean Startups, Customer Development, Business Model Canvas
Existing alternatives: Intuition, business plan, spreadsheets		Startup report card.	1. Blog/Book/ Workshops	
			2. Startup Accelerators / Investors	

Cost Structure	Revenue Streams

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Revenue Streams and Cost Structure

A lot of startups choose to defer the "pricing question" because they don't think their product is ready. Something I hear a lot is that a minimum viable product is by definition embarrassingly minimal. How can you possibly charge for it?

First, a minimum viable product is not synonymous with a half-baked or buggy product. Your MVP should address the top problems customers have identified as important to them. By that definition, it should deliver enough value to justify charging.

But, there is another line of reasoning frequently cited for deferring pricing - to accelerate initial learning. The argument goes that pricing creates unnecessary friction that should be avoided early on.

While this strategy may work (especially if you are already funded), I find that it delays testing one of the riskier and critical parts of your business model. Furthermore, I have found that you don't need a lot of users to support learning. You need just a few good customers.

I believe that if you intend to charge for your product, it's better to be upfront about it. It sets the right expectations, raises customer commitment, starts generating cash flow, and lets you start tackling one of the riskier parts of your business model early.

What you charge for your product is simultaneously one of the most complicated and most important things to get right. Not only does your pricing model keep you in business, it also signals your branding and positioning. It determines your customers.

Your price is part of your product.

Although there is a lot of science around pricing, pricing is more art than science. For a great primer, I highly recommend getting a copy of Neil Davidson's free e-book on software pricing: "Don't Just Roll the Dice".

Pricing is not unlike any other business model hypothesis and should be tested using the same criteria we covered earlier when building validated learning loops - create a testable hypothesis, time-box the experiment, and validate qualitatively, then verify quantitatively.

The strategy I've found that meets all these criteria is **starting with a single "Free Trial" pricing plan**.

Let's see why.

Start with a single pricing plan

Starting with multiple plans that cover everyone under the sun is a form of waste. I've seen startups launch with plan options targeting 1 person startups to 1000+ person enterprises.

Not only does supporting multiple plans require you to write more code to support plan/feature segmentation, but the return on learning is diluted when you attempt to target multiple customer segments all at once. In the example above, the business models and tactics vary greatly when selling to startups than to enterprises.

The bigger point here though is that when you're starting out, you don't yet have enough information to know how to correctly price or segment the feature set into multiple plans.

Use a "Free Trial" plan

Time-based trials help time-box your pricing experiments so you can force a conversion decision which allows you to learn and iterate faster.

Pick a price to test

Existing alternatives create "reference points" in the minds of customers that they will use to rank your solution so it's important to understand and position your price against them.

In the rare case you are actually solving a brand new problem or don't have clear reference points (more common in Enterprise based products), you might have to pick a starting price out of thin air and refine from there.

"Pricing is all about setting the right perception."

> \- Neil Davidson
> Don't Just Roll the Dice

Take your costs into account

The ultimate goal is finding a scalable business model so it should go without saying that you also need to keep an eye on what it would cost you to deliver your solution and ensure you have a healthy margin built in.

One rule of thumb for building a successful business is ensuring the lifetime value of your customers exceeds the cost of customer acquisition by at least a factor of three.

It's hard to accurately calculate these at this stage so instead do a back-of-the-envelope calculation based on your people/hardware costs and subscription revenue to find your break-even point.

What about Freemium?

Freemium is a popular model used by numerous web applications. It was first popularized by Fred Wilson on his blog where he described it as:

"Give your service away for free, possibly ad supported but maybe not, acquire a lot of customers very efficiently through word of mouth, referral networks, organic search marketing, etc., then offer premium priced value added services or an enhanced version of your service to your customer base."

- Fred Wilson

AVC Blog

On the surface, Freemium seems like the best of both worlds: Get users to try your service without having to worry about price, then up-sell them into the right premium plan later. But the reality is quite different.

First, I believe that unless you are deriving monetary value from free users, the Freemium model is less of a business model and more of a marketing tactic to fill your pipeline with potential prospects.

Second, I believe pricing is one of the riskiest (and most critical) parts of the business model and should be tested early. Freemium delays this learning.

While I agree Freemium can be a highly effective model, I don't advocate starting with it.

The Problem with Freemium

Low or no conversions

Many services make the mistake of giving away too much under their free plans, which leads to very low or no conversions. One reason for this is that creatives (artists, musicians, developers) are especially known to undervalue their own work and are really bad at setting price.

Pricing should be set with the buyer in mind, not the seller.

But the main reason is something we covered in the last section. You don't yet have enough usage data to correctly define the FREE plan so that users naturally outgrow it at some predictable time in the future.

Long validation cycle

Even the best Freemium services report conversion rates in the 0.5-5.0% range which leads to long validation cycles. Time is the most valuable resource for a startup and you can't afford such long learning cycles on something as critical as price.

Focus shifts to the wrong metric

Because "FREE" can be irrationally appealing, Freemium has a tendency to cause a premature shift in focus from user retention to user acquisition (sign-ups). Unless you have built the right product, getting more sign-ups is waste. You don't need a lot of traffic to build the right product - just the right initial customers.

Your free users are not your customers (yet).

Low signal-to-noise ratio

When you have a lot of free users, it's hard to focus your attention on the right feedback.

Given the opportunity, everyone can be a critic.

Free Users aren't "free"

Even though the operational costs of carrying a free user may seem low, they aren't zero. Other than server bandwidth/hosting costs, there are support, feature, and learning costs (like the ones described above) that need to be taken into account.

Lincoln Murphy described a quid pro quo test in his paper: "The Reality of Freemium in SaaS" for valuing free users. Unless free users are adding participatory value (as found in services with high network effects like Linked In, Facebook, and twitter), they are an expense.

Jason Cohen, who writes the popular "A Smart Bear" blog, even advocates accounting for free users as a "marketing expense" on your balance sheet much like you would an ad-buy, or trade show expense.

How to Approach Freemium

Start with the premium part of Freemium first

Once you recognize Freemium as a marketing tactic and make a conscious decision to shorten the validation cycle, it makes sense to start with the premium part of Freemium first and use a single pricing plan your customers will bear.

Since your eventual goal is to charge for your product anyway, why not start there? Pick features and a plan based on what customers will pay for today and sign them on as your first customers. Not only is this simpler to build but it's also simpler to measure.

Then, once you have learned how your customers are using your product, you can always offer a Free plan if you want to. You would have collected valuable usage data along the way which puts you in the best position to design multiple upstream and downstream plans.

Case Study: Mailchimp

Mailchimp is frequently cited as one of the Freemium model success stories, but too often people fail to recognize that Mailchimp didn't start with a free plan. In fact they spent years building a powerful, affordable (but not free), profitable product first, with years of pricing experimentation, before backing into a free plan.

What is a good Free plan?

A good Free plan should ideally behave similarly to a Free Trial. The difference is that while a Free Trial is time-based, Freemium is usage-based. If you understand the usage pattern of your product, you should be able to design the Free plan so that a user naturally outgrows it at some point X in the future that you can reasonably predict.

At that point the difference between Freemium and Free Trial is the perception of offering something FREE which is a big enough difference to warrant the use of Freemium for certain types of products.

When to use Freemium versus Free Trials?
Once you've built the right product, Freemium can be a powerful user acquisition strategy for consumer facing products that naturally tend to be more "FREE" driven.

Businesses, on the other hand have come to expect time-based trials and the added complexity of tracking and carrying free users may not be warranted here.

Case Study: Lean Canvas - Revenue Streams and Cost Structure

Revenue Streams
Lean Canvas pricing will be largely determined by who will ultimately be the customer - bootstrapped founders, funded founders, larger companies, investors, etc.

For the case of startup founders, they tend to be quite price sensitive and given the fact that their existing alternatives are all free, I decide to start with the following:

"A 30-day Free Trial plan priced at $14/mo that lets them create 1 canvas and invite up to 3 collaborators."

Cost Structure
In my blog post on Lean Canvas, I made a public call for help building out this tool and got a dozen responses from developers around the world. I selected 3 people

from this list and am currently building Lean Canvas with them - Lukas Fittl (Austria), Ross Hale (Santa Barbara), and Andrew Elliott (Santa Barbara). They are all seasoned entrepreneurs in their own right and have a passion for Lean Startups.

We came to an agreement to spend just enough effort to get the Minimum Viable Product built over 2 weeks and evaluate how we move forward after that. We agreed not to pay ourselves till the service had positive cash flow.

That said, I still used the following analysis to figure out the opportunity cost for building and testing the MVP and more importantly determine my break-even point.

Costs
 Problem/Solution Fit:
  2 interviewers * (50 interviews * 30 min per interview) = 50 hours
  Effort to get ready for interviews (mockups, scripts, etc.) = 40 hours

 Build MVP:
  2 developers * 2 weeks * 20 hours per week = 80 hours

 Cost to launch = 170 hours * $65/hr = $11K

 Ongoing People costs = 4 ppl * 10 hours per week * $65/hr = $10,400/mo
 Hosting costs currently $0 (thank you heroku)

Revenue
 Break-even point @$14/mo = $10,400K / $14/mo = 743 paying customers
 Break-even point @$24/mo = $10,400K / $24/mo = 434 paying customers

Problem	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments
Business Models need to be more portable Measuring progress is hard work Communicating learning is critical Existing alternatives: Intuition, business plan, spreadsheets	Lean Canvas Progress Dashboard Sharing Learning **Key Metrics**	Helps startups raise their odds of success. High level concept: Github Meets Weight-watchers for business models. Startup report card.	**Channels** 1. Blog/Book/ Workshops 2. Startup Accelerators / Investors	Startup Founders (Creators) Advisors/Investors (Collaborators) Early Adopter: Familiarity with Lean Startups, Customer Development, Business Model Canvas

Cost Structure	Revenue Streams
Hosting Costs - heroku (currently $0) People Costs - 40hrs * $65/hr = $10K/month Break-even point: 743 customers	30-day Free Trial @ $14/mo (1 private canvas / 3 collaborators

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Key Metrics

"Find the key number that tells you how your business is doing in real time, before you get the sales report."

> *- Norm Brodsky and Bo Burlingham*
> *The Knack*

Startups are inherently chaotic, but fortunately, there are only a handful of key metrics that drive a web startup. We'll cover five key startup metrics (Dave McClure's Pirate Metrics) a little later but for right now document the one or two key activities you think will drive usage of your product.

So for example, if you are a blogging platform writing a blog post would be the key activity.

Case Study: Lean Canvas

Creating a lean canvas is the first key activity users would complete but using the tool to **track running experiments** is the ongoing key activity that will drive use of the tool.

Problem	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments
Business Models need to be more portable Measuring progress is hard work Communicating learning is critical Existing alternatives: Intuition, business plan, spreadsheets	Lean Canvas Progress Dashboard Sharing Learning **Key Metrics** Create Lean Canvas Track Experiment Invite Collaborator	Helps startups raise their odds of success. High level concept: Github Meets Weight-watchers for business models. Startup report card.	(blank) **Channels** 1. Blog/Book/ Workshops 2. Startup Accelerators / Investors	Startup Founders (Creators) Advisors/Investors (Collaborators) Early Adopter: Familiarity with Lean Startups, Customer Development, Business Model Canvas

Cost Structure	Revenue Streams
Hosting Costs - heroku (currently $0) People Costs - 40hrs * $65/hr = $10K/month Break-even point: 743 customers	30-day Free Trial @ $14/mo (1 private canvas / 3 collaborators

Unfair Advantage

This is usually the hardest section to fill which is why I leave it for last. Most founders list things as competitive advantages that really aren't. An interesting perspective, via Jason Cohen, to keep in mind is that anything worth copying will be copied. So imagine your co-founder steals your source code, sets up shop in Costa Rica, and slashes prices. Do you still have a business?

You have to be able to build a successful business in spite of that which leads to the following definition:

"A real unfair advantage is something that cannot be easily copied or bought."
> \- Jason Cohen
> A Smart Bear

You may initially have to leave this box blank but it's here to have you really think about how you can make yourself different and make your difference matter. Some examples of unfair advantages - insider information, the right "expert" endorsements, personal authority.

Case Study: Lean Canvas

In the course of writing my blog and book, I have been able to attract a growing and active audience of readers and "experts" interested in Lean Startups which has taken me over a year to build. Only time will tell if this "reputation" and channel proves to be an unfair advantage.

Problem	**Solution**	**Unique Value Proposition**	**Unfair Advantage**	**Customer Segments**
Business Models need to be more portable	Lean Canvas	Helps startups raise their odds of success.	Personal Authority	Startup Founders (Creators)
Measuring progress is hard work	Progress Dashboard	High level concept:	"Expert" endorsements	Advisors/Investors (Collaborators)
Communicating learning is critical	Sharing Learning	Github Meets Weight-watchers for business models.		Early Adopter:
Existing alternatives: Intuition, business plan, spreadsheets	**Key Metrics**	Startup report card.	**Channels**	Familiarity with Lean Startups, Customer Development, Business Model Canvas
	Create Lean Canvas		1. Blog/Book/ Workshops	
	Track Experiment		2. Startup Accelerators / Investors	
	Invite Collaborator			

Cost Structure	**Revenue Streams**
Hosting Costs - heroku (currently $0) People Costs - 40hrs * $65/hr = $10K/month Break-even point: 743 customers	30-day Free Trial @ $14/mo (1 private canvas / 3 collaborators

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.

Prioritize Where to Start

Once you have your Lean Canvases sketched for each customer segment, lay them side by side and select the best business model to start with.

Your objective is to find a **big enough market** you can **reach** with customers who **need your product** that **will pay a price** you can build a business around.

Here is the weighting order I use (ranked from highest to lowest):

1. Customer pain level

Pick customer segments that 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

Building a path to customers is one of the harder aspects of building a successful product. If you have an easier path to one segment of customers over others, take that into consideration. It doesn't guarantee you'll find a problem worth solving or a viable business model, but it will get you out of building faster and speed up your learning.

3. Price

What you can charge for your product is largely driven by the customer segment. Pick a customer segment that allows you to maximize on price. The more you can charge, the fewer customers you need to reach break-even (assuming your gross margins don't change).

4. Market Size

Lastly, you need to pick customers that represent a big enough market, or are a stepping stone to a big enough market, that you can build a business around.

Case Study: Lean Canvas

I created other canvases for my different segments (not shown here) and while I could potentially derive higher pricing with other customer segments, I decided to start testing the "Startup Founder" segment because it was the one I best understood and easily reach.

Now it's Your Turn

Documenting your Plan A is a prerequisite for moving on. Too many founders carry their hypotheses in their heads alone which makes it hard to systematically build and test a business.

You have to draw a line in the sand.

The important thing is sharing it with at least one other person when you are done.

Note: The boxes on the Lean Canvas are intentionally small because it forces you to be concise. You may find it easier to free-form your answers first like I did in the last section and then fill out the canvas.