

Understanding Incubation and Entrepreneurship
Prof. Rakesh Rajiv
Department of Engineering Design
Indian Institute of Technology, Bombay

Module - 08
Tech Entrepreneurship SINE
Lecture - 17
Lean Model Canvas SINE

I will just tell you a brief background SINE you heard what we do, we help early-stage start-ups to grow.

(Refer Slide Time: 00:35)



Rakesh Rajiv

Senior Incubation Manager,
SINE, IIT Bombay

Primarily look at incubation
related activities and
reviewing **startup pitches**

And I have been with SINE for the last 6 years and primarily, look at incubation related activities. Most of my day is spend in; is spent in reviewing start-up pitches. So, I have seen pitches ranging from an idea stage to company looking at scaling up in the US.

So, it is a journey and it is a learning process and I also learn even now in terms of how to make a pitch, what are the crucial elements which needs to be there, but the foundation is about the customer right, what does the customer need and how do we build a product that the customer will eventually buy or pay for right.

And so, if you look at the newspapers, many of the news is in terms of start-up funding right and that is what most of the newspapers cover 30th Unicorn you know, the second Bitcoin based crypto-currency start-up, Kuber you know was the 30th Unicorn which got added this year prior to that was Licious it was the 29th and you know Gupshup, one of our incubates was I think number 20 odd.

So, we are seeing Unicorns every day, but that is what the newspaper kind of gives us start-up is all about funding, but more importantly, start-up is all about identifying the right products that you need to build. And so, very recently I spoke with one of our start-ups and he was I was like have you, are you looking at raising funding? They are like no, we are raising funds internally.

And I asked what does that mean? No, we are getting funds from our customers. I said that is right way of looking forward too because the more you kind of grow organically, the less you will need to dilute your company or share the pie to other investors.

And the early you do, you share a larger pie because whoever takes a higher risk and typically at an early stage anybody takes an early risk in investing, they would take a higher reward so, they take a larger piece of the pipe, but if you know the company folds you know the pie is no more so, it is very crucial for investors as well as for start ups to understand when and what should be involved and how do we communicate so, communication is the key and before that is research.

(Refer Slide Time: 02:50)



Lean Model Canvas

So, with that kind of background, I would quickly take you through a short presentation on lean model canvas, if you would help me in building the canvas, I will quickly introduce what the canvas is and we will go together in building a canvas for one of the start-ups which is very familiar to us ok.

(Refer Slide Time: 03:08)

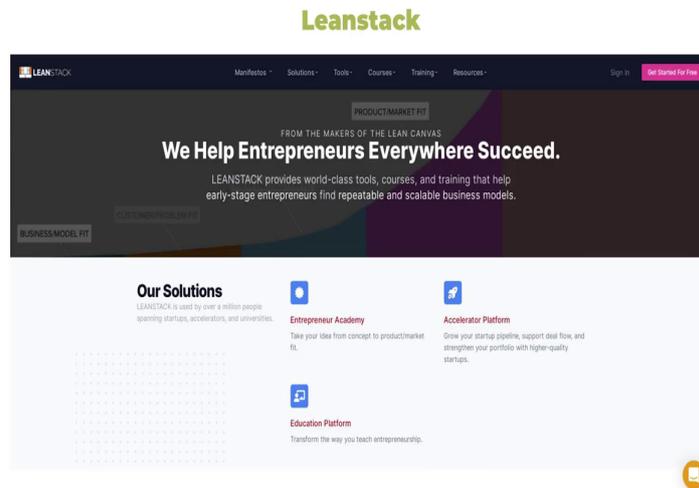


Ash Maurya

Founder of **Lean Canvas**, a modification of the Business Model Canvas

Lean canvas was actually from an modification of the business model canvas and it was founded by an Indo-American called Ash Maurya and SINE had the privilege of speaking to him last week in fact, he had a proposition for our start-ups in terms of his software for identifying early stage start-ups, giving them training etcetera.

(Refer Slide Time: 03:23)

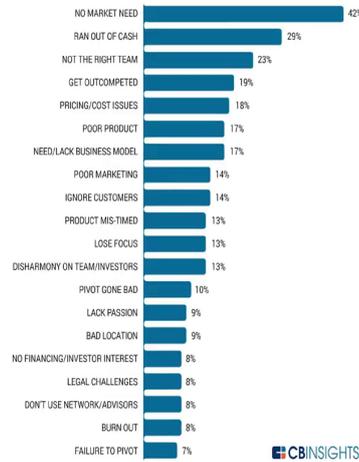


So, we spoke to him in fact, last Friday and so, this is the background in terms of the lean canvas. Lean canvas we feel that it is more suited for early stage start-ups.

(Refer Slide Time: 03:41)

Top 20 reasons why startups fail

(based on an analysis of 101 startup Post-Mortems)



Why do you think start ups fail and what are the top 20 reasons? There are top 20 reasons identified by CB Insights, but can you just put on chat or tell what are the main number one reason why start-ups fail?

Student: Yeah, we did discuss this. So, I think one of the reasons why start-ups fail is you know the product that you are making there is not a need or there are not users in the market present for that. So, I think that is one of the reasons why.

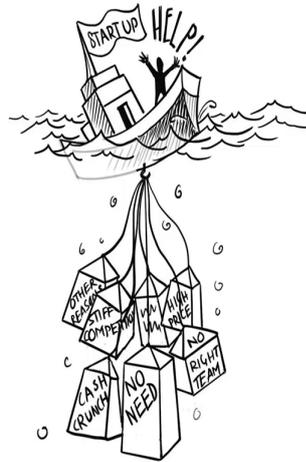
Yeah

Student: It could fail.

(Refer Slide Time: 04:13)

Top 20 reasons why **startups fail**

(based on an analysis of 101 startup
Post-Mortems)



Absolutely. There is no market need, you are building a product, but nobody wants to buy it right and that is a major reason why start-ups fail and that is where and why we need to do our research in terms of finding out what do people need and build a product based on that.

(Refer Slide Time: 04:29)

Lean Canvas



Helps **Verify** your
Product/Idea



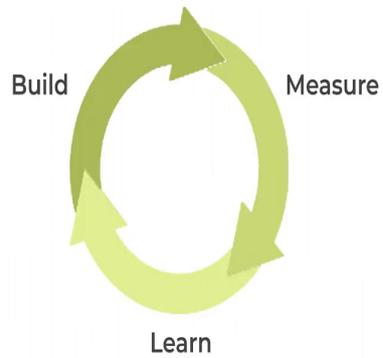
Helps you **Focus**
on the customer



Sell before you
build **Methodology**

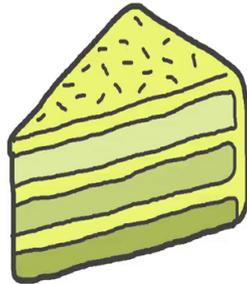
And so, that is where the lean canvas really helps you. It helps you verify your product or an idea that you are building, helps you focus on the customer and they have something called as a sell before you build methodology.

(Refer Slide Time: 04:42)



So, the actual methodology is called the loop of build, measure and learn wherein you kind of build hypothesis, you test your assumptions before actually you know building your product so, you build certain experiments.

(Refer Slide Time: 04:55)



Minimum Viable Product

A minimum viable product (MVP) is a version of a product with **just enough features** to be usable by **early customers** who can then provide **feedback** for future **product development**.

(Source: Minimum Viable Product: A Guide, Eric Ries, 2009)

And then, make something called as a minimum viable product, you must have heard about MVP. One of our my colleagues, ok he kind of helped in visualizing what an MVP looks like.

So, you do not bake the entire cake, but you cut it and show a piece of the cake so that you can see the different layers in it and probably, somebody can test the flavour etcetera before it is actually you know fully made, but that is it is complex in terms of different domains that you are in, but the idea is to go out to the market, collect feedback, build a little bit about it, measure it in terms of doing an analysis, in terms of doing a customer survey without actually telling what your product is, you kind of get feedback on what are the different features probably, you would like to see if I am making for example, a smart stethoscope.

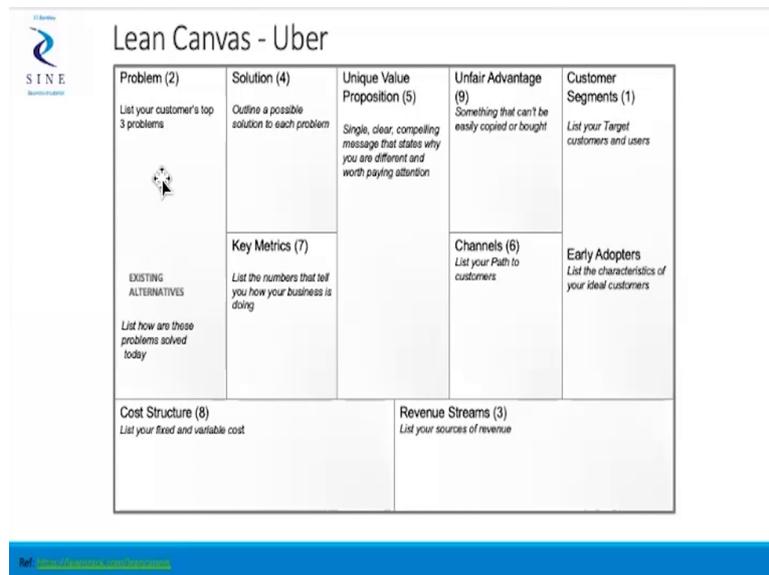
So, you go to a doctor, the start-up idea that in fact, Professor Chakku was telling you guys discussed yesterday from Professor B. Ravi, they went out to the market and in fact, the very

first product, the prototype or the MVP that they created had headphones like these right or the earphones and immediately, the doctor said you know that removes our identity and they said what do you mean?

So, they said the doctors are known by the way we put our stethoscope on our collar and if they see a headphone, they would be like ok it does not look like a doctor, it looks more like a DJ player than a doctor right. So, they immediately took the feedback and they said we are not reinventing the stethoscope, we would build in fact, they kind of pivoted their idea of actually building the whole stethoscope to a connector which can convert the analogue to a digital stethoscope.

Had they not gone and found this important feedback at the beginning, they would have probably built the stethoscope with the headphone module, and they would have you know only realized later on that this is not going to sell that would have been the lack of market, no market need the very first reason for why start-ups fail and now, they have built a successful product because they continuously heard the voice of their potential customer right. Hence that is the sell before you build methodology, it is a capsule so, that is why I am going a little fast.

(Refer Slide Time: 07:01)

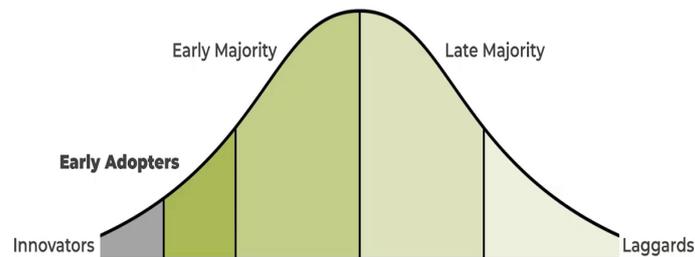


And so, we will look at the canvas, we will break it down into 9 different small boxes here, that is how you know the canvas is being built. Usually, there is a way of filling the canvas and it always starts with the customer as we have been you know seeing in all these sessions.

So, first is you list down your target customers right and so, if you are building a product, just in your mind map you know, you list down who your customers are and that is your assumption that this person would be your customer, but very often, we have seen start-ups coming and tell us you know I remember a start-up who showed a globe when you asked about the customer, I said the entire world is our customer and I was like I was shocked to know you know that they have not done that kind of deep drilling into down, drilling down into what their exact customers would look like.

(Refer Slide Time: 07:54)

Innovation Adoption Curve



And so, you need to identify your early adopters. So, there is an actual innovation curve which starts from your early adopters to a early majority, late majority and the laggards basically, when an iPhone was launched first, everybody did not buy it right, there were tech enthusiasts who want to try something different, they were the early adopters.

So, these were, this will be your ambassadors for your start-ups or your product and they will refer it, they will give word of mouth and that is how you know it kind of diffuses that is the innovation diffusion curve, it diffuses and then, more people start buying in I would say I was more of a laggard in when it came to iPhone, it was by the time iPhone 6 got released that I really bought it by the time iPhone 8 was released you know so, I was really a laggard in terms of.

So, multiple people come in at different stages in your product innovation. So, identifying your customers, list them down that would be the 1st step. Number 2, what would be the top customer problems, top 3 customer problems and list that down and identify which are the existing alternatives for these problems ok.

So, we will just listen through the different building blocks of the canvas here, but we will take the example of a start-up after this. Identify which are the existing alternatives and then, how are these problems currently solved today, list that down and after that for each problem that you identify, identify which is the revenue streams for the different sources of revenue sorry I would just in fact, go here, I would for each problem, you would go, identify solution to each problem that would be the next step.

And then, identify what would be the revenue sources for these, each of these solutions, how much will the potential customer pay for it. Then, comes the unique value proposition. This is the order that in fact, Ash had Ash Maurya, the founder has actually mentioned, but you can choose any model which you prefer, prefer some people go with problem solution models, some people start with the customer, but this is the textbook definition of you know how it should be, but you know you do not have to do this, but I am just telling in terms of the building blocks.

Identify what your unique value proposition is basically, the USP of your product, what is that which is very compelling which your competitor is not offering right and then, how do you reach your channels to customers meaning, how do you communicate that you exist.

For early-stage start-ups, it becomes very difficult, but now thanks to digital media, there are multiple ways in which you can you know in fact, almost at a very minimal cost, you can reach out to customers right, there is social media marketing and digital media and then influences and the you know viral videos which can really you know take you up that curves very very fast.

And then, identify what are your key metrics. In fact, then different numbers that tell that you how your business is doing, if it is you know if you are making an app, it will be number of downloads which I had which you had, number of active monthly users who would be using it, number of hours they are using it etcetera. So, these are metrics or measures that tells that you know your business is progressing.

And then, what will be the cost structures for this, this there is fixed and variable cost and then finally, you know this is something you can fill in at the last usually, what is the unfair advantage which cannot be easily copied or built, it could be the; it could be the IP that you have or the team that you are building or the advisory board or anything that which your you know which your competitor cannot easily copy.

It is also called as the moat, m o a t which basically means if there is a castle, there is a kind of a embankment around it which prevents the enemy from attacking easily and that is why, it is called an entry barrier or unfair advantage or a moat. So, this is in terms of the lean canvas, these are the different building blocks.

(Refer Slide Time: 11:51)



And now, we will kind of do a short example. So, these are the numbers as I said based on what Ash Maurya had ah mentioned it starts with the customer, then problem etcetera. So, but guys, based on your start-up that you have, you can either go from a problem solution fit that is typically what at SINE also we kind of tell start-up that you identify a problem and then, work on that, build a solution and then, you know, but these two should be done in parallel in fact, you should be building a product that a customer would buy and that should be the focus right.

Now, what we will do is we will get into a example of Uber right that is pretty simple and that is with 10 minutes that I have, we can probably build this up right. So, let us start and please one of you or few of you should help me in filling this canvas. Who would be the target customers for Uber?

Student: Hello.

Student: People who commute office.

Student: People who commute from one place to another.

Student: You know office goers (Refer Time: 12:57).

Student: Offices or otherwise, I think.

Ok, anybody else?

Student: People who do not own their own vehicle.

Yeah, sure. So, let us see.

Student: Maybe be people in like tier 2 and 3 like cities perhaps, it is not available everywhere.

Sure. So, roughly, it comes under commuters, office goers, passengers anybody else that Uber is targeting as the customer?

Student: Travellers.

Yeah, yeah.

Student: Tourists.

Yeah, sure. Who else uses it? There are two different apps for Uber, one as passenger users who are using.

Student: Drivers.

Student: Driver.

Student: Driver.

(Refer Slide Time: 13:40)

The diagram is a Lean Canvas for Uber, divided into several sections:

- Problem (2):**
 - 1. Parking
 - 2. Expensive
 - 3. Reliability
 - 4. Secure
- Solution (4):**
 - 1. Convenience
 - 2. Cheaper than existing modes of travel
 - 3. Payment options
 - 4. Ratings
 - 5. Lease model
 - 6. Flexible working
- Unique Value Proposition (5):**
 - CONVENIENCE
 - ONE APP
 - SAFE
 - FLEXIBILITY
 - NAVIGATION
- Unfair Advantage (9):**
 - Data
 - Drivers/ Cab aggregations
 - Fleet
 - Cabs
 - Branding
- Customer Segments (1):**
 - 1. Commuters
 - 2. Office Goers
 - 3. Passengers
 - 4. Drivers
- Key Metrics (7):**
 - Rides #
 - User downloads
 - ARPU
 - MAU
- Channels (6):**
 - Ads
 - Word of Mouth
 - Referrals
- Early Adopters:**
 - List the characteristics of your ideal customers
- EXISTING ALTERNATIVES:**
 - 1. Public transport
 - 2. Rail pass
 - 3. Old/ ride sharing apps
- Cost Structure (8):**
 - App
 - Tech (Prod)
 - Customer care/ salaries
- Revenue Streams (3):**
 - Fixed % of ride (25%)

You forgot to tell right. So, it is a different segment one is a particular segment, this is another segment right, the drivers.

Now, let us look at the customer problems that these people have. What do you think of the problems that Uber solve for them or the problems that was existing before Uber came into existence?

Student: (Refer Time: 14:00) the transport reaches your house or like it reaches your location instead of you going having to go somewhere and find it for you so.

Yeah.

Student: Easy to.

Convenience ok.

Student: You can pre-book something.

Student: Less time (Refer Time: 14:13)

Student: Unable to find taxi or.

Student: Or easy to contact driver.

Problems, problems.

Student: Yeah, around the clock service ok.

What were the problems, not the solution?

Student: No need to think of Parking.

Student: Unable to find taxi.

Sorry.

Student: Unable to find.

Student: No need of finding the parking positions in metro cities.

Yeah, ok parking was one sure.

Student: (Refer Time: 14:36) pricing low cost.

Expensive yeah, yeah, yeah taxis were expensive. I remember that when I came to SINE for my interview, I got pleased by the driver's at Mumbai airport, I had to pay around 1000 rupees from Andheri to Powai, that was my first time in Mumbai. So, there is no control, you they just tell a random price and you know go ahead with it.

Student: Reliable; reliable.

Reliability yeah.

Student: Sir, time consumption has reduced.

Student: Quick access.

Student: Security; security.

Yeah, yeah sure.

Student: Less risks.

Sure, it is more; it is more secure. So, that is in terms of your customer segment which is in bold. What about the ones which for the drivers?

Student: Navigation.

Student: Employment.

Yeah, part time employment and unemployment yeah. What else?

Student: Consistent income.

Income yeah.

Student: Easier for them to find the customers like.

Absolutely.

Student: They can now find in different areas.

Yeah.

Student: Drivers also do not need to own a car, they can also operate without that.

Yeah. So, these were the problems right and what were the alternatives which was available? For example, like public transport right or [FL] right, you know there is competition yeah, we can probably put Ola and you know other right sharing apps.

So, this is probably when Uber started and you know a lean model canvas is usually built when you are starting your business. It is really to identify whether you know you should you are right in terms of your you know your business plan that you have or should you pervert or should you perceive, it is helping, it is for identifying that.

So, let us take this probably 5 years back when Uber started off rather than looking at it now yeah; it is for identifying that. So, let us take this probably 5 years back when Uber started off rather than looking at it now yeah. I can hear my echo for some reason ok cool.

What is the solution that Uber offer? Some of you already told that it is convenience. So, yeah, we are looking at the solution part of the canvas, one in terms of Uber, 1 was the convenience part of it, 2nd it was somebody said it was cheaper, any other solution that Uber is offering? So, this is in terms of the passengers.

Now, let us see in terms of drivers, what are the different ways in which Uber is helping them?

Student: Would like ownership of private vehicles also be a problem or like a solution in this case and the rise of ownership of private vehicle.

Yeah so, a least model right. The reason I am trying to show this is because there are two set of customers which are different and the problems for each of these is different so, we need to target. So, when you do the customer discovery, when you go out and speak to people, you should identify the difference.

Student: People have also written some options in the chat that we were just checking.

Ok ok, got it. Navigation, payment options, safety of passengers yeah, perfect yeah. Payment options will come in fact, here alright and then, there is ratings which on both the sides so, we

will go there as well as here. You got the idea right, why it is important that you identify two sets of customers whose needs are different great.

And now, let us look at the revenues, what are the different revenue sources? It is usually percentage, fixed percentage of ride right. We are running out of time so, I will just quickly tell I think it is around 25 percentage or something and now, let us look at the difference.

So, what is the value proposition that Uber is really giving, that is a single compelling message that states? Convenience is one major thing, it is one app, what else we can chat exact time of commute live feedback yeah, it is convenience right. Basically, Uber is selling convenience and then, saying it is safe.

And then, for the driver's part of it, it would be flexibility and then, navigation you know. So, in short, if you say kind of an elevator pitch for Uber, it will be like we are like we are like taxi, but cheaper, safer and flexible you know that is kind of the one-line description and we like you know one-line descriptions, investors like one-line descriptions because it is so much easy for us to understand what you are doing if it is you know in a capsule of telling what it is.

Lot of time, students or you know others when start-ups approaches, they keep telling about the technology and we are like wondering, what are they actually building, you know what is it? They say it is you know it is computational fluid dynamics, this, that and we will wondering, what is that they are building.

So, you know it should be in terms of the value offering to the customer that should come out first and you know that is you know it takes time in building that and the more and more feedback you get from people around you that is how you build your kind of you know your elevator pitch.

Now, how do you reach your customers? Moving on to the number 6 on the slide now, what are the channels in which Uber kind of reaches the customer? App yeah, yeah sure, but before they came onto the app, how do you know that they exist.

Student: Advertisement.

Student: Word of mouth

Yeah, perfect word of mouth right. What else? You get paid if you refer a customer, 125 rupees referrals ah, these are the first initial way. Almost all E-commerce and apps do that, then you get.

Student: Sir, initial free rides I think which were offered to customers.

Yeah, free rides ok, but it is very difficult for a start-up to give anything for free and we tell our start-ups, do not give anything for free cool. What else? Now and now, we come to the metrics. How do you know you are doing well? It is pretty straightforward rides, number of rides number and then, user downloads and since it is an app, there is something called as a ARPU, Average Revenue Per User, MAU, these are all the terminologies Monthly Active Users, Average Revenue Per User etcetera. What is the cost, main cost that Uber has here?

Student: Purchasing cars.

Student: Technology.

No, they do not purchase cars, Uber does not purchase cars.

Student: Technology.

Yeah.

Student: Their Interface.

Yeah, sure, what else? You know it is you know fixed cost and variable cost yeah, customer care training yeah, customer care is important, salaries yeah that is your variable cost sorry your fixed cost which is fixed every year cool.

Now, unfair advantage they have access to data, they have access to drivers and like cab aggregations and they have you know there some people own fleets which is entirely dedicated to Uber, some people are now the Uber has their own set of cabs as well and now and then it comes to branding, this is basically in terms of what you know how you build your canvas.

(Refer Slide Time: 22:21)



Modify your Lean Canvas
according to the **feedback** you
receive from your **customers.**

Very important to modify the canvas as in when you receive feedback from your customers cool.

(Refer Slide Time: 22:31)

Elevator Pitch

Describe the **product/process/service** you are developing and its **value proposition** very briefly (<50 words).

So, this is the same set of steps that we use at SINE, we ask the elevator pitch.

(Refer Slide Time: 22:33)

Team

Founding Team

Name	Qualifications	Experience Summary	Key Skills	Commitment (Part-time/Full-time)

Key Advisors/Mentors

Name	Qualifications	Experience Summary	Key Skills	Commitment (Part-time/Full-time)

We ask for the team.

(Refer Slide Time: 22:35)

Problem Opportunity

What are the **top problems** you are trying to solve for your customers?

What is the **new opportunity** that you have identified?

What are the **existing alternatives** to address the problem?
Identify the **main competition** and their limitation.

The problem opportunity is solution.

(Refer Slide Time: 22:37)

Solution/Technology

What is your **solution**?

List down the **top features** of your solution that will address the problem you have listed.

(Refer Slide Time: 22:40)

Current Status/Stage

Is it **idea** or **prototype** or **MVP** or **a product in market**?
Briefly mention about the **current status** of your
startup/technology/product.

Current status.

(Refer Slide Time: 22:41)

Product Demo

Share any **pictures** or **videos** or **weblinks** or **actual demo** of your product. (Confidential details are not required)

You ask for a demo that is like the MO; MVP that to be displayed.

(Refer Slide Time: 22:45)

Unique Value Proposition

What are the **key benefits** of your product/service will provide to the customers?

The unique value proposition.

(Refer Slide Time: 22:47)

Competitive Landscape

What are your **'unfair' advantages** that cannot easily be copied or bought?

For example, IP, cost, network effects, data, exclusive contracts, etc.

Parameters	Company 1	Company 2	Company 3
Parameter 1			
Parameter 2			
Parameter 3			
Parameter 4			

Competitive landscape you know this is how a competitive landscape is usually demonstrated, you have different parameters which is common and unique to you and the different companies which are your competitors and how you fare vis-a-vis them versus yours.

(Refer Slide Time: 23:03)

Customer Market Segment & Market Size

For whom are you creating **value** for?
If relevant, **segment your customers** based on needs/behaviors/other traits.

What are the **market sizes**?

The market segment, market size.

(Refer Slide Time: 23:05)

Channels

Proposed **paths** to be taken to reach your **target customers**.

(Refer Slide Time: 23:07)

Revenue Model

How are you going to make your **money**?

(Refer Slide Time: 23:09)

Costs

Cost of **key activities** linked to **value propositions**. Consider **fixed and variable costs** of selected **business model** connected to product development, customer acquisition, personnel, etc.

(Refer Slide Time: 23:12)

Key Metrics & Validation

What are the things you will measure to **validate your hypothesis** or to **gauge the progress** of your proposed venture?

Channels, revenue model, costs, metrics and validation.

(Refer Slide Time: 23:16)

18 month plan

Break down your **key metrics** in 18 months plan.
Consider **current stage** of product development and plan for the **next 18 months**, along with the **milestones** targeted.

You know all these we discussed in the lean model canvas, so it is like a snapshot of your of your business plan.

(Refer Slide Time: 23:20)



Interestingly, we stopped using business plans ever since 2015 because that is something which the investors ask you to do and they never read it themselves right and so, we started pushing towards, breaking it down into small modules or building blocks and making start-ups to think and you know write and rewrite the business model canvas over time and slowly, you know we started the lean, then slowly move to the business model canvas, learn insights and then, constantly I do.

Alright, it is well 25 ok yeah, questions here guys.

Student: Yeah, sir like this is like one of the very you know very no very common things when a investor ask you [FL], what is that something you are doing separate from what the Ola is doing right now.

Hm

Student: Right because that is like one of the factors why he would think of investing.

Yeah.

Student: And if like from the point of perspective of what we wrote on the lean canvas, it was very much common that the problem statement and the USP that we have been selling or the Uber and Ola is been selling.

(Refer Slide Time: 24:23)

Student Question 1

When you prepare the lean canvas for **Ola and Uber**, the **problem statement** and **USP** are almost **common** between the two. What is your take on that?

Answer

1. Analyse how big the **market** is and how many **players** can be there.
2. **Constant improvement** over time.

Student: So, in that situation, how would you; you know how would you differentiate these two things and how would you take a hold on that at that stage I mean like just.

Right

Student: Because it is the example that you have been telling that is why I just came up with this.

Sure right. So, one is you see how big the market is and how many players can be there right and then, you know it is constant improvement over time.

(Refer Slide Time: 24:50)

Student Question 1

When you prepare the lean canvas for **Ola and Uber**, the **problem statement** and **USP** are almost **common** between the two. What is your take on that?

Answer

3. Being at the **right time** in the market.

There gets a point when there is **aggregation** within the **aggregator market**.

Investors want to **consolidate** and take a bet till there is **one person standing**.

And then, looking at the taxi aggregator market at a point in time, it was pretty huge, and it was anybody's game, we need deep pockets to kind of be there and it is getting a point wherein there will be aggregation within the aggregator market it in itself right.

So, why is Flipkart getting I mean sorry a Flipkart was being acquired by Walmart where there was already Amazon and all these players? People want to consolidate, and investors want to take a bet wherein you know there will be one person standing and they will get their exit from other customers, other investors probably, who would buy out from one start-up. So, that is a different mind sets altogether in terms of a of aggregators.

Coming back to the tech start-ups, unless you have and since if and for tech start-up you mostly play in a niche game right, where the market is also less. So, we moving out for a market which is wide and open to tech start-ups wherein you provide solutions for a distinct set of customers who are needing a particular solution.

There if you have multiple players, the pie itself is small and you are seeing that multiple players are coming into it and if you are a me too player there and for a start-up which does not have a deep pocket that could be detrimental if you do not do your customer analysis or your competition analysis to identify that the market is growing at probably let us say a single digit per year and these are my customers sorry these are my competitors, they are doing exactly similar to what I am doing.

(Refer Slide Time: 26:26)

Student Question 1

When you prepare the lean canvas for **Ola and Uber**, the **problem statement** and **USP** are almost **common** between the two. What is your take on that?

Answer

4. A **red ocean strategy** involves competing in industries that are currently in existence which is not an ideal situation for tech startups.

5. Decide either to **persevere** or to **pivot**.

If I am not at the top of my game, either I would be an acquisition target, I hope I would be an acquisition target if not you know I will lose out customers and it will be like a red ocean, it is called a red ocean where you kind of are in a segment where competitors are actually you know at each other and so, that is not a right segment to enter.

And that is why it is very important to kind of understand early itself whether you should persevere or pivot to prevent otherwise, you would perish in the market that is why we tell, keep telling people to go out and meet and speak to people. For a tech start-up, it is very important to kind of differentiate that at the beginning itself. Yes, Ria.

(Refer Slide Time: 27:01)

Student Question 2

When you are presenting the **lean model canvas** to an **investor**, how do you discuss the **further expansion and scope** of your startup?

Answer

1. Depends on **who** you are asking the **money** from and at **what stage**.
2. Depending on the **domain**, there is a lot of **de-risking** which needs to be done.

Ria: So, my question was that when we are planning the lean model canvas or we are presenting it to potential investors, let us say we want to also discuss our further expansion and scope of the start-up. So, should we do that at this stage, or should we wait because since you also mentioned that a lean model canvas is a right fit for earlier start-ups, young start-ups so, let us say if you want to mention our expansion and scope, how should we go about it?

It depends on who you are asking your money from and what stage. If you are at a stage wherein you kind of tell that I am building my product, expansion is still in the air right, you just not sure especially, if it is medical devices or depending on the domain, there is a lot of de-risking which needs to be done, regulatory is one or if it is any certification which is required or a crucial part of the product development which needs to be developed before you kind of reach that.

So, you kind of break down your journey into different milestones and you tell investors very frankly that you know I am looking at this particular stage, I am looking at funds to go from a to b and but my vision you should always sell your vision to the investor, my vision is to build this product and if it is built and I am sure it will be built because I have a strong team, I am from IIT Hyderabad.

I have got you know people in my team with complementary skill sets, business, tech etcetera who are taking that same risk with me and you know there are often times when you tell people that I left my job in Accenture or whatever because I want to pursue this because I am so much convinced that this is going to work.

So, you sell your vision to the investor in early stage and you decide how much you need, do not you know quote that you need a crore or a 5 crore at the beginning itself right they would see if you are a realistic entrepreneur or not because you have seen multiple entrepreneurs right and many times I think let us say 8 out of 10, they bet on the team, the founder than on the technology itself right.

(Refer Slide Time: 29:12)

Student Question 2

When you are presenting the **lean model canvas** to an **investor**, how do you discuss the **further expansion and scope** of your startup?

Answer

3. Break down your journey into different **milestones** and tell the investor that you are looking for **funds** to go from one milestone to another.
4. Communicate your **vision** and **strengths** to the investor.

So, to answer your question you know whether you need to show the expansion plan itself but break down your entire plan in small chunks and tell that this is what I am going to achieve through this, and you know this are the follow on, this is my vision to sell that to the investor.

(Refer Slide Time: 29:36)

Student Question 3

Do you present your whole **financial plan** to the investor and then ask for a **percentage** of the **whole budget** to achieve a **milestone**?

Answer

1. **Assign percentage share** to each **milestone**. Some of the activities run parallelly and some run sequentially so the milestones have to be planned accordingly.

2. Communicate to the investor about your **short term** and **long term** plans, your **team credentials** and your **achievements**.

Ria: Thank you. I also got another question while you were answering it. So, you just said you know we all; we will already have a sum in our mind when we are pitching for investment so, do we show them our entire budget or should we show them our entire financial plan and then say out of this, this is the percentage we would like to pitch for investment from you all.

Yeah. So, there are different ways of doing it, one is that in your milestone, you break it down if it is product development so much, IP is this much, some of these are parallel, some are sequential right. Parallel activities, you need to be sure that you would be achieving that at the end of 6 months. List down those parallel activities and tell that you know it is like a stage gate model, this is a stage, there is a gate, it needs to be opened, I move to the next stage right put it down.

And tell it to the investor over a period of 6 months, this is what I am looking at, this is a short term mission, but my long-term plan for a period of 18 months it needs 5 cr and this is how you know follow on funding would come through and these are my advisers who is helping me, all this you know, this is the incubator which is incubating me, this is my alma mater, this is my professor, you know all this would kind of give more confidence to the investor.

And obviously, it is a conversation not any investors not going to put in money in the right you know beginning itself, there is something called as due diligence, process, it is a; it is a long process of which takes minimum of 2 months to kind of do so, yeah.