Let’s Talk about the Canvas

The Business Model Canvas is a great way to capture the important aspects of your business, and through customer interviews, be sure that your assumptions are correct.
Part 4

Revenue

Expense
Check out the bottom of the canvas
What are some costs associated with your startup?

- Materials
- Labor
- Cost of distribution
- Advertising/Marketing
- Legal costs
- Continued research
Where will revenue come from?

- Product sales
- Subscriptions (Netflix)
- Referrals
- Pay-per-use (pay per view TV)
- Grants (state or federal)
- Loans (bank or family)
- Sold advertisements
- Data sales (selling your customers’ data)
How to Calculate Margins

\[
\text{Margin} = \frac{\text{Revenue} - \text{Expenses}}{\text{Revenue}}
\]

\[\text{Profit \ a.k.a.}\]

\[
\frac{\text{Revenue}}{\text{Revenue}}
\]
Example of Margins

Diamonds >50%

Bottled Water, often too high to measure

Cosmetics 80%

Designer jeans >70%
Example of Margins

Restaurants - low!

LCD TV’s - sometimes they make 0%

Light bulbs – real small!
Competition is important to understand as well as overall market potential.

But they don’t appear on the canvas explicitly.
Your Competition

Red Ocean  Blue Ocean

Jump in with everyone else.
Or jump right.
## Red Ocean vs. Blue Ocean

<table>
<thead>
<tr>
<th>Red Ocean</th>
<th>Blue Ocean</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Defined universe, competing in an existing market space.</td>
<td>• Use innovative thinking to create your own uncontested space. New demand without rivals, you are the first.</td>
</tr>
<tr>
<td>• Goal is to out perform rivals, to grab a great share of existing market. Your gains are someone else’s losses.</td>
<td>• While you steal dollars from others, they find it impossible to fight back.</td>
</tr>
<tr>
<td>• Everything is defined already: consumers, competitors, channels, suppliers.</td>
<td>• Not only unknowns, but waiting to be defined.</td>
</tr>
</tbody>
</table>
One Way to Depict Your Competitive Landscape

Petal Diagram

VP #1
VP #2
VP #3
VP #4

Your company
Example Petal Diagram for the Company Slack
How big is your market?

Why does it matter?
• One way to show how big the (market) opportunity is that you are developing is to depict your market size through a market analysis diagram.

• Why does this matter?
  • It should matter to you because you don’t want to be in a market that is too small, yet you want to be realistic about what you can achieve.
  • It matters most to investors because they won’t invest if the market size is too small.
TAM:
Total addressable market. The whole market. The potential market.

SAM:
Serviceable addressable market. Reachable market

SOM:
Serviceable obtainable market
A portion of the SAM
**WTH is TAM, SAM, SOM?**

Scenario - You market a widget for the cellphone camera market. Your widget is only used in phones that have cameras embedded in them.

**TAM** - Total Available Market - In this example this would be the total cellphone market.

**SAM** - Served Available Market - This would be cellphones with cameras since your product is only used in them.

**SOM** – Servicable Obtainable Market – This would be the portion of customers in the SAM that you are going after first. Be realistic, but aggressive.
How do I find these #s?

I don't know, Google it.
Warning:

Nobody will believe that your Serviceable Obtainable Market is $4B. It shows that you haven’t done your homework. But nobody will care if your Total Available Market is only $250k. There’s not enough “meat on the bones” to be worth it. Nobody will believe you if say that you have no competitors. It shows that you haven’t done your homework.
Analysis paralysis

Over-analyzing (over-thinking) the Market Size so that a decision or action is never taken.

Clint’s Corner

Why are you doing this market size analysis?

A) it help you with product development
B) it help your sales process
C) it help you convince investors that you are worth their attention
Analysis paralysis

Over-analyzing (over-thinking) the Market Size so that a decision or action is never taken.

Clint’s Corner

Why are you doing this market size analysis?

A) it help you with product development
B) it help your sales process
C) it help you convince investors that you are worth their attention

BEST Answer

It’s a good exercise to learn more about the market, growth areas, players, trends, etc.

But don’t over-think it.
Prepared for the high school student audience by
Dr. Clint Ballinger
Executive Entrepreneur in Residence,
Severino Center for Technological Entrepreneurship
And Lecturer, Lally School of Management, RPI

Eship.rpi.edu