

# REDF

An investment that works.

## Business Model Canvas and Experiment Design

[WWW.REDF.ORG](http://WWW.REDF.ORG)



# REDF CONNECT. GROW. LEAD. community

The REDF Community is a national network of more than 160 employment social enterprises (and growing) that offer transitional employment and supportive services to individuals seeking to build better lives and create more economic opportunity for themselves after experiencing barriers to accessing quality jobs related to experiences with homelessness, mental health issues including addiction, incarceration, and refugee status, among others.

## Core Program Focus



Connect



Grow



Lead

## Program Tools



Advising & Coaching



Convening w/Community



Ad Hoc Grantmaking



Ongoing Dialogue

## Meet the Team

**CHELSEA**  
Outreach



**The  
Treasure  
Hunter**

**CHRISTINA**  
Community & Outreach



**The Ted  
Lasso**

**JALPA**  
Alumni Relations



**The  
Caregiver**

**METTE**  
Community & Outreach



**The Danish  
Army-Knife**

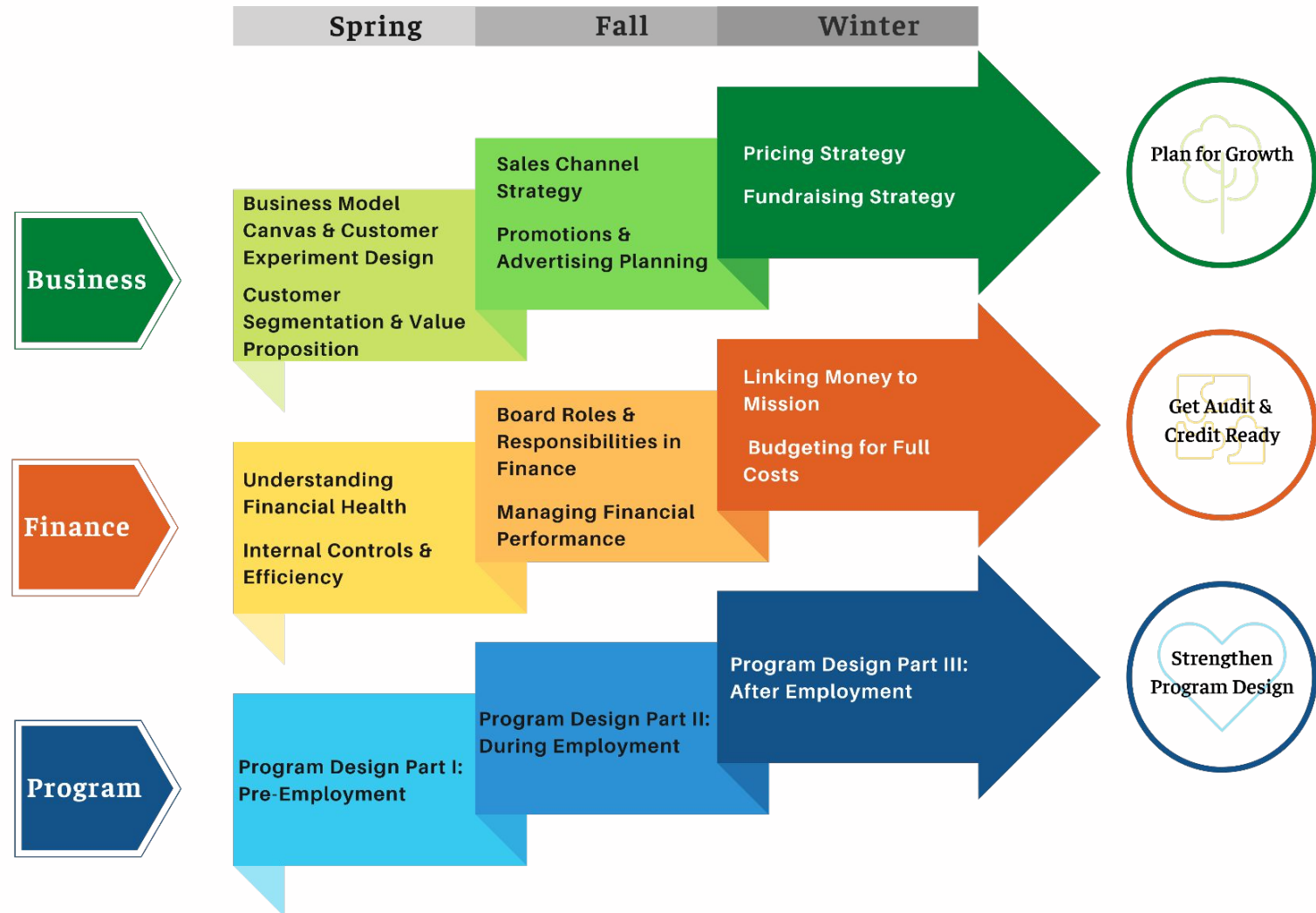
**SEAN**  
Community



**The  
Builder**

**REDF**

# Part of Continuing Education Week



If implementing what you learn today feels overwhelming, our approach to the Office Hours is designed to help you get to small, doable steps for progress over time





# Where we're Going

- Learn a business modeling framework for **communicating the product or service we sell**: The Impact Canvas
- Form assumptions around **key customers** and our **strategy for repeatedly acquiring new ones**



# Let's warm up

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**How would you define a business model?**

**Drop your answer in chat, but don't hit enter yet.**

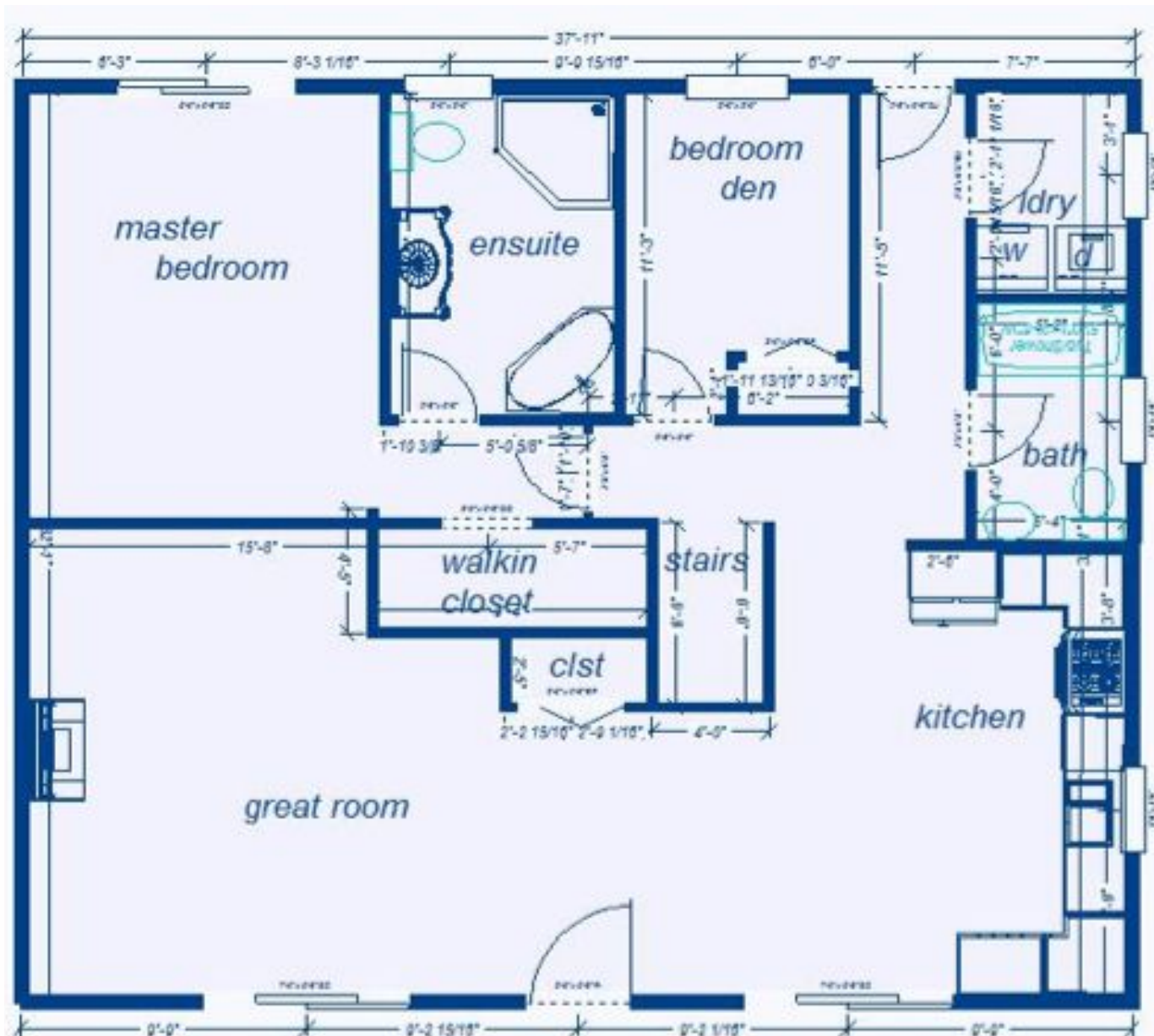
**Any experience with a Business Model Canvas?**



# The Business Model Canvas

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# A “blueprint” of your business model



## The Impact Canvas

### Anchor Purpose

1. Why do you exist? What are you on a mission to achieve, and for whom?

Key Partners	Key Activities	Value Proposition	Customer Relationships	Key Customers
<p>9. Which partners will increase your ability to reach, convert, and deliver value to your key customers?</p> <p>Which partners will allow you to operate your business?</p>	<p>7. What key business activities and tasks must your and your team complete on a consistent basis to deliver value to customers and operate your business?</p>	<p>3. What problem do you solve for your key customers? What additional value do you offer them that they could not achieve without you?</p>	<p>5. How do you convert, retain, and grow your key customers?</p>	<p>2. What is the profile of your target customers? Be descriptive and specific. What shared qualities do they have?</p>
	<p>Key Resources</p> <p>8. What resources, tangible and intangible, are critical for your deliver value to your customers and operate your business?</p>		<p>Customer Channels</p> <p>4. How do you reach your target customers?</p>	
<p>Costs</p> <p>10. What are your key cost drivers? Which costs are variable? Fixed?</p>		<p>Revenue (per cohort)</p> <p>6. Describe your revenue model - how does your company make money, and with what margin?</p>		
<p>Key Differentiator</p> <p>* How is your business competitive relative to others in your market? What advantage do you have over existing/potential new players (this is different from value proposition).</p>		<p>Magnitude</p> <p>* How big is the social problem you are trying to address (impact market)? What size of the your impact market do you believe you can capture?</p>		

## All the “ives”...

- Collaborative
- Responsive
- Illustrative
- Iterative

## The Impact Canvas

### Anchor Purpose

1. Why do you exist? What are you on a mission to achieve, and for whom?

#### Key Partners

9. Which partners will increase your ability to reach, convert, and deliver value to your key customers?

Which partners will allow you to operate your business?

#### Key Activities

7. What key business activities and tasks must your and your team complete on a consistent basis to deliver value to customers and operate your business?

#### Value Proposition

3. What problem do you solve for your key customers? What additional value do you offer them that they could not achieve without you?

#### Customer Relationships

5. How do you convert, retain, and grow your key customers?

#### Key Customers

2. What is the profile of your target customers? Be descriptive and specific. What shared qualities do they have?

## Right side:

- “Front of the house”
- Represents market “proof”
- Directly informed by customer behavior

#### Key Resources

8. What resources, tangible and intangible, must you possess to deliver value to your customers and operate your business?

#### Customer Channels

4. How do you reach your target customers?

#### Costs

10. What are your key costs? Which costs are variable and fixed?

#### Revenue (per cohort)

6. Describe your revenue model - how does your company make money, and with what margin?

#### Key Differentiator

\* How is your business competitive relative to others in your market? What advantage do you have over existing/potential new players (this is different from value proposition).

#### Magnitude

\* How big is the social problem you are trying to address (impact market)? What size of the your impact market do you believe you can capture?

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## Left side:

- “Back of the house”
- Responsive to market “proof” from the right side



Open your workbook.

Linked in the chat >>>

# How this will work

Think about what your enterprise might look like at it's next growth milestone.

- ~2 years from now
- Revenue (earned and contributed) is repeatable and predictable
- Operating systems are proven and functioning
- Fully staffed and resourced

- Listen to the prompts for each of the following slides
- Place assumptions in the corresponding sections using the available “sticky notes”. One thought per post-it!
- Be as specific as possible
- Focus on the business model for paying customers (earned and contributed revenue)
- Last step: color all assumptions that are not yet proven (with evidence) **orange**.

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## Anchor purpose:

What's your north star? What is the underlying reason for the business to exist in the first place?

*(The anchor purpose rarely changes. It is not technically an assumption, but you should use an orange sticky note)*

Venture Name:  
**RENEW INC**  
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The Impact Canvas

Anchor Purpose

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Write here

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## Customers:

- Who are the **specific** groups of people or entities your enterprise aims to reach and create value for? (Value for which they **pay for** in return!)
- One post-it per customer



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## Value proposition:

- What is the bundle of benefits that create value for each specific Customer Segment?
- For example: the way an unmet need is fulfilled, a pain is alleviated, or a gain is created.

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## Customer Channels

How does your enterprise find and reaches each Customer Segment to deliver the Value Proposition?

## The Impact Canvas

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<p>8. What resources, tangible and intangible, are critical for your deliver value to your customers and operate your business?</p>		<p>6. Describe your revenue model - how does your company make money, and with what margin?</p> <p>\$150/month seasonal maintenance</p> <p>\$1k - \$5k / custom consult</p> <p>\$20 - \$150/retail product</p>		
<p>10. What are your key cost drivers? Which costs are variable? Fixed?</p>		<p>* How big is the social problem you are trying to address (impact market)? What size of the your impact market do you believe you can capture?</p> <p>Increase family income 2x within 6 months</p>		
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	Key Resources	<h2>Revenue Streams:</h2> <p>How does your company generate revenue in exchange for the value created? (in a formula)</p>		
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Which partners will allow you to operate your business?

social service agencies / parole office

Youth center (childcare)

### Key Activities

7. What key business activities and tasks must your and your team complete on a consistent basis to deliver value to your customers?

training, product dev, sales, seasonal inventory

### Key Resources

8. What resources, tangible and intangible, are critical for your deliver value to your customers and operate your business?

greenhouse, design tech, transportation

### Value Proposition

3. What problem do you solve for your key customers? What additional value do you offer them that they could not achieve without you?

Consistent Landscaping / lawn maintenance and design

On-trend design consultations for all Chicago seasons

### Customer Relationships

5. How do you convert, retain, and grow your key customers?

consult + regular service reporting via online platform

### Customer Channels

4. How do you reach your target customers?

Word of mouth

referral program

local fb groups

### Key Customers

2. What is the profile of your target customers? Be descriptive and specific. What shared qualities do they have?

Homeowners in Chicago with a front and back lawn

Chicago businesses with seasonal landscaping

Design-conscious homeowners in Chicago

### Costs

10. What are the most significant costs you incur to deliver your value proposition?

staff (wages) + inventory / raw materials (COGS) + overhead

### Key Differentiator

\* How is your business competitive relative to others in your market? What advantage do you have over existing/potential new players (this is different from value proposition)?

focus on urban conservation / biodiversity  
one stop shop access  
year - round service provider

### Revenue Model

6. Describe your revenue model - how does your company make money, and with what margin?

\$150/month seasonal maintenance

\$1k - \$5k / custom consult

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### Magnitude

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6. Describe your revenue model - how does your company make money, and with what margin?

\$150/month seasonal maintenance

\$1k - \$5k / custom consult

\$20 - \$150/retail product

### Key Differentiator

\* How is your business competitive relative to others in your market? What advantage do you have over existing/potential new players (this is different from value proposition)?

focus on urban conservation / biodiversity  
one stop shop access  
year - round service provider

### Magnitude

\* How big is the social problem you are trying to address (impact market)? What size of the your impact market do you believe you can capture?

Increase family income 2x within 6 months

Let's take a breath

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# Where we're Going

- Practice forming assumptions to consider **new ideas and changes** to your business
- Build a common language around Experiment Design
- Begin designing a customer experiment



Return to the business model you created earlier.

What about your business model feels the **most risky**, or the **most unknown**?

**Drop them in the chat, but don't hit enter yet.**



A framework to make the **right** business decisions, in **less** time, with **less** waste.

**Path to Disaster**

**=**

**Product/Service-focused**

**Path to Epiphany**

**=**

**Customer-focused**

# 4 steps to “Epiphany”

## Customer:

1. Discovery
2. Validation
3. Creation
4. Building

# Customer is a loose word...

## Customer can mean:

1. Investor
2. Funder
3. Partner
4. User (end beneficiary)
5. Participant
6. An actual paying customer

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6. **An actual paying customer**

# Customer Discovery (search)

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- There **is** a group of individuals or entities with shared characteristics and a common challenge

# Customer Validation (search)

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- There **is** a group of individuals or entities with shared characteristics and a common challenge
- They **are** willing to commit resources (time or \$\$) in exchange for resolving the challenge

# Customer Creation (execute)

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- There **is** a group of individuals or entities with shared characteristics and a common challenge
- They **are** willing to commit resources (time or \$\$) in exchange for resolving the challenge
- We **can** reach new customers with our value proposition predictably and repeatedly



# Company Building (execute)

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- There **is** a group of individuals or entities with shared characteristics and a common challenge
- They **are** willing to commit resources (time or \$\$) in exchange for resolving the challenge
- We **can** reach new customers with our value proposition predictably and repeatedly
- We **believe** we can build processes and systems to operate a company around these working hypotheses

# Putting it all together

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1. **Customer Discovery:** There **is** a group of individuals or entities with shared characteristics and a common challenge
2. **Customer Validation:** They **are** willing to commit resources (time or \$\$) in exchange for resolving the challenge
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1. **Customer Discovery:** There **is** a group of individuals or entities with shared characteristics and a common challenge
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# Let's design and run an experiment

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# 4 Steps to Running Experiments

1. Make sure your assumption is strong
2. Design your experiment
3. Commit to a go/no-go metric
4. Actually run your experiment

# 4 Steps to Running Experiments

1. **Make sure your assumption is strong**
2. Design your experiment
3. Commit to a go/no-go metric
4. Actually run your experiment

# Strong assumptions look like this (with few exceptions)

**Customer + affirmative (will, does, is, etc.) +  
behavior, quality, or capability.**



# Strong assumptions

- Pertain to observable actions, events, and behaviors
- Are specific enough to be proven wrong
- Are critical to the success of the business

# Activity

Open the workbook.

Linked in the chat >>>

**1. Form a strong assumption** (*Customer + affirmative (will, does, is, etc.) + behavior, quality, or capability*)

**2. Design your experiment.**

Who will you talk to (specifically)? When?  
How many interviewees?

**2a. Stick to the script! Build a prototype interview script. What is most important to learn?**

- Set the stage
- Explore the problem
- Seek stories, seek alternatives
- Follow up with 'Why'?

**3. Commit to a go/no go metric**

If we do X, Y will happen Z% of the time

# 4 Steps to Running Experiments

1. Make sure your assumption is strong
- 2. Design your experiment**
3. Commit to a go/no-go metric
4. Actually run your experiment

**There are lots of types of experiments.**



# Customer Interviews (*customer segments*)



# High Hurdle





# Dry Wallet

## *(Value proposition)*



# Fake Door (*channels/ relationships*)



# Fish Bowl (Pilot)



# Imposter





# Customer Interviews

# Do's of customer interviews

1. **DO** prioritize meeting face to face (or video)
2. **DO** interview at least 10 **SIMILAR** customers before drawing conclusions
3. **DO** stick to the script
  - a. Set the stage, introduce yourself
  - b. Explore the problem or assumption with open ended questions
  - c. Seek stories, seek alternatives
  - d. Follow up with 'why?'
4. **DO** follow up with thanks

# Don'ts of customer interviews

1. **DON'T** ask binary questions
2. **DON'T** lead the witness
3. **DON'T** sell
4. **DON'T** leave questions unanswered
5. **DON'T** fish for answers or false positives



Return to your workbook.

**1. Form a strong assumption** (*Customer + affirmative (will, does, is, etc.) + behavior, quality, or capability*)

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# 4 Steps to Running Experiments

1. Make sure your assumption is strong
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# Commit to a Go/No-go Metric

- A go / no-go metric represents the **minimum affirmative results** you need to witness to be confident moving forward with your assumption.
- Your metric will guide business **decisions**.
- It is **NOT** a goal or a prediction.

*Tip: Start from 100% if you're having trouble deciding*

If we do X, Y will  
happen Z% of the time.

Return to your workbook

**1. Form a strong assumption** (*Customer + affirmative (will, does, is, etc.) + behavior, quality, or capability*)

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**3. Commit to a go/no go metric**

If we do X, Y will happen Z% of the time

# Check: All experiments must...

- Test a BEHAVIOR
- Be specific enough to be proven false
- Contain a go/no-go metric
- Run in a specific time period
- Have a substantial sample size



# 4 Steps to Running Experiments

1. Make sure your assumption is strong
2. Design your experiment
3. Commit to a go/no-go metric
4. **Actually run your experiment**

If implementing what you learn today feels overwhelming, our approach to the Office Hours is designed to help you get to small, doable steps for progress over time



Thank you!

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