

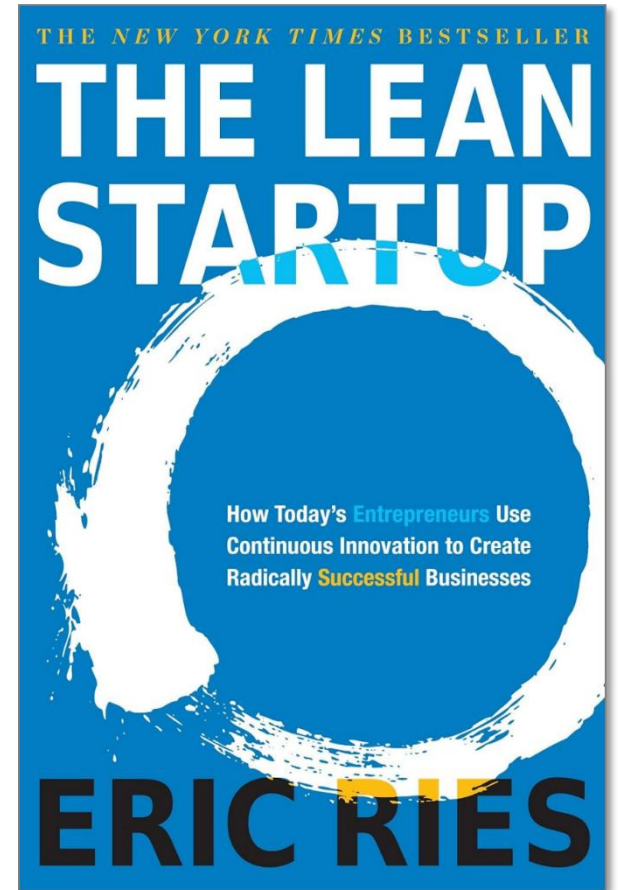
Game Biz

Tiago Tex Pine

@texpine



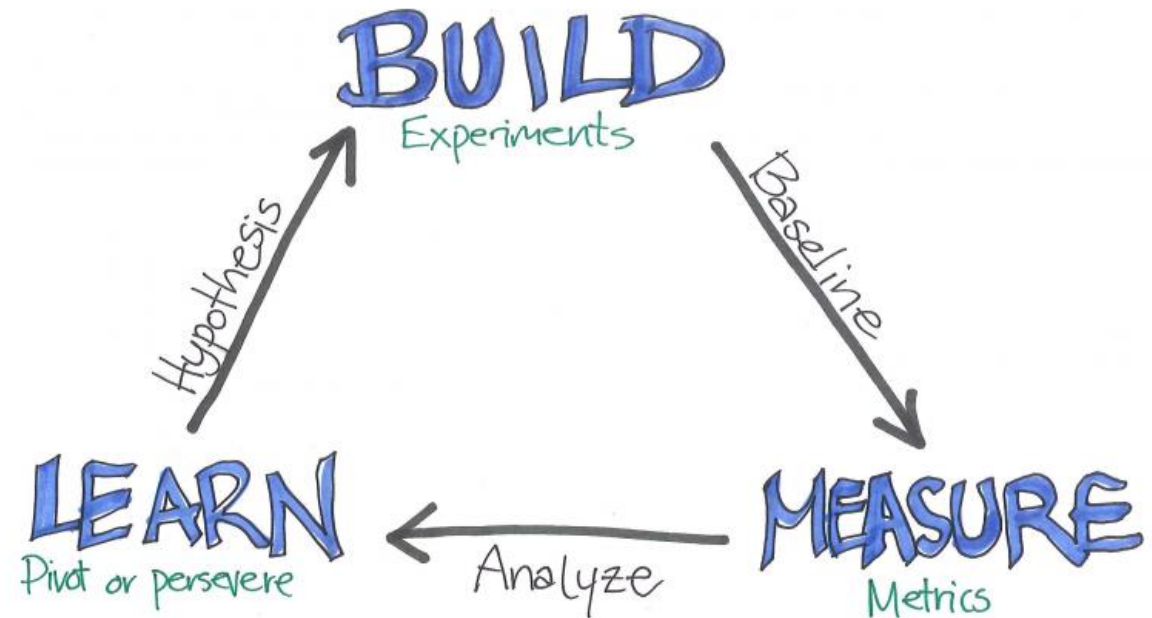
The Lean Startup



The most influential book in early-2010s Silicon Valley.

“The only way to win is to *learn faster* than anyone else”

- Semi-scientific approach to building a tech startup.
- Aims to shorten product development cycles and rapidly discover if a proposed business model is viable.
 - Increase value production in the earliest phases of a company
 - Find a business without large amounts of outside funding, elaborate business plans, or a perfect product.
- Seeking customer feedback during the development of products or services is integral to this process.
- The lean startup model sees all decisions as Build-Measure-Learn loop to obtain validated learning
 - products
 - marketing
 - features
 - anything — all of it is considered and experiment.



Find a Solid Business by Validating

- To find a sustainable business model (i.e. one that you can roll with for at least 5 years), you have to ***create a hypothesis*** like a scientist. Examples:
 - Amazon's hypothesis was that people would buy books online
 - Zappos thought people would do the same with shoes.
- At this point, scientists would start building theories, researching, calling colleagues, etc, but that won't get them closer to finding out if the hypothesis is valid.
- That's why this method is only semi-scientific, because now you ***throw your hypothesis out into the real world***.
- What does that look like?
 - Amazon: it was a very rudimentary website
 - Zappos: the founder just set up a website with shoe pictures and let people buy. Once they bought, he went to a shoe store, got the actual shoes and shipped them.
 - Appsumo: Noah Kagan from also used a ghetto website where people should just PayPal him \$60 to get started.
- Get out there and ***find people that will pay*** as early as possible, because when people say "great idea" or "I'd buy that" that doesn't put a cent in your pocket.



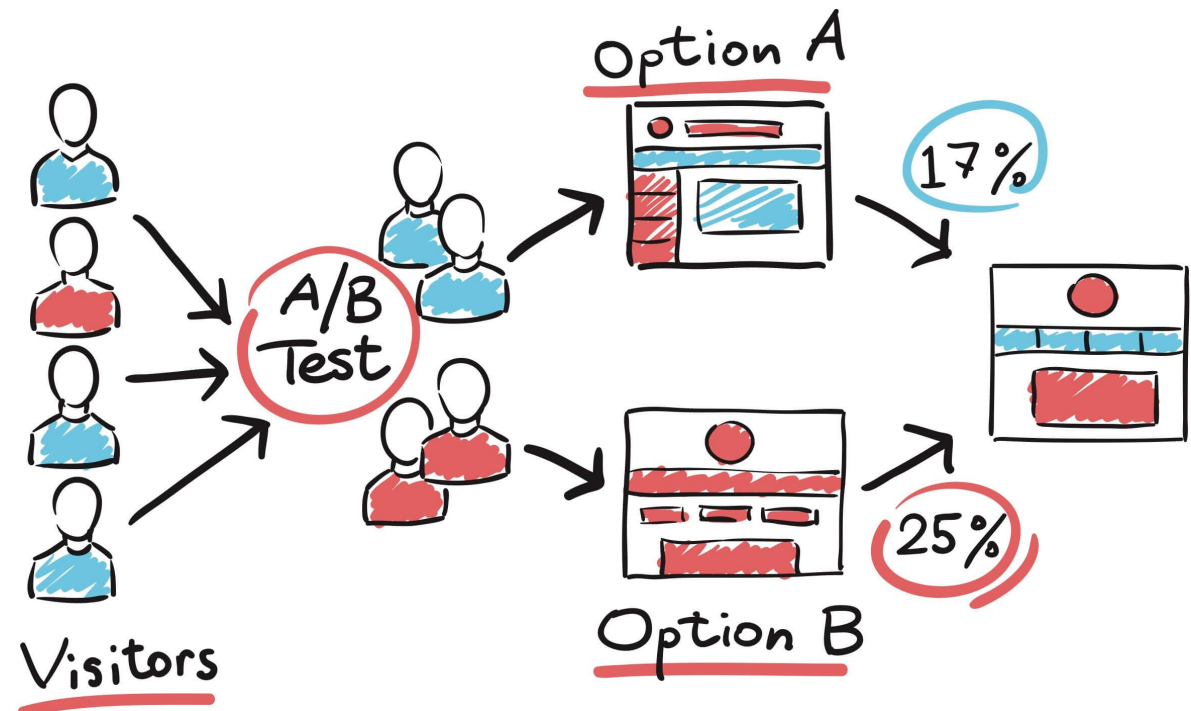
Fail fast, learn faster



- Innovation is a bottom-up, decentralized, and unpredictable thing, but that doesn't mean it cannot be managed in cycles.
- Learn: Find a synthesis between a vision and what customers would accept; not to capitulate to what customers thought they wanted or to *tell* customers what they ought to want.
- Experiment: Focus efforts in reducing time through the Build-Measure-Learn loop
- **Minimum Viable Product (MVP):** a scope that rapidly turns experimentation cycles
 - Minimum implementation effort possible: doesn't need to be a working product, even in a crude form.
 - It can be a website, a video, a marketing pitch — whatever it takes to test your fundamental business hypothesis quickly.
 - Quality is only important once the company has validated its learnings and knows what the customer really wants and needs — until we know the customer, we cannot know the quality.
- *Don't fear having your idea stolen* — it's a challenge to get your product noticed in the first place, let alone a competitor.

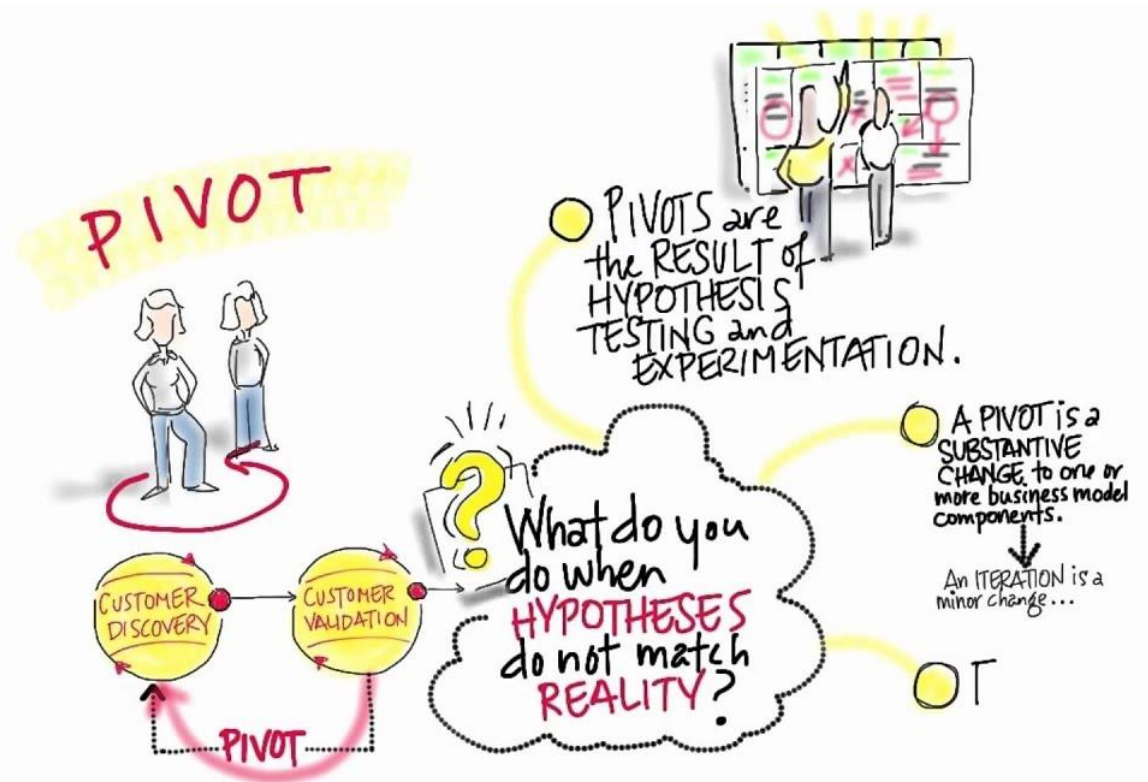
Tell Value from Waste with A/B testing

- Another semi-scientific approach is **split testing**, or **A/B-testing**.
 - Create 2 versions of your product
 - Show both to the same amount of people
 - Figure out which one people like more.
- This allows you to tell the difference between features your customers value, and those they don't want or need.
- You don't have the limitation of physical products.
 - If Domino's wanted to change the design of their pizza boxes, they would've had to create 2 different designs, use them to ship pizzas to 1,000 customers each, and ask each customer for feedback on the box.
- You could just come up with 2 designs and hold polls or **mock Ads** on social media, and would instantly get thousands of answers.
 - You can split-test any part of a **website** for free with Optimizely
- Before you add, drop or change features of your products, learn **what the customers actually want and need**.



Pivot And Adapt When Needed

- “The problem with the notion of shipping a product and then seeing what happens is that you are guaranteed to success — at seeing what happens.”
- It requires vision, intuition, and judgement to understand when sufficient progress against the original hypothesis isn't being met, and *a pivot is required*.
- Think of the startup runway as the total number of pivots the company can make — focusing on getting pivots faster by decreasing the time/cost of validated learning.
- The goal is to build an adaptive organization — “one that automatically adjusts its processes and performance to current conditions”



Never indulge in *vanity metrics*.

- Consider this:
 - The product data you get from A/B testing is valuable.
 - The number of your Facebook likes isn't. It's a vanity metric and you must never ever indulge in those.
- Getting lots of page views is great, so is being covered in the press and having lots of followers on Twitter. But none of those pay the bills.
- The metrics you should measure your success with are *the ones who tell you if you're profitable or not*.
 - Do users recommend you? How many?
 - Does the rate of recommendations go up or down?
 - Are existing customers coming back to buy more?
 - Is the cost of your Facebook ads lower than your customer lifetime value (LTV)?
- Metrics must also **be actionable**. Is knowing 15% of your users are in Germany going to generate actions from development to improve the game?



**Vanity
Metrics**

vs.



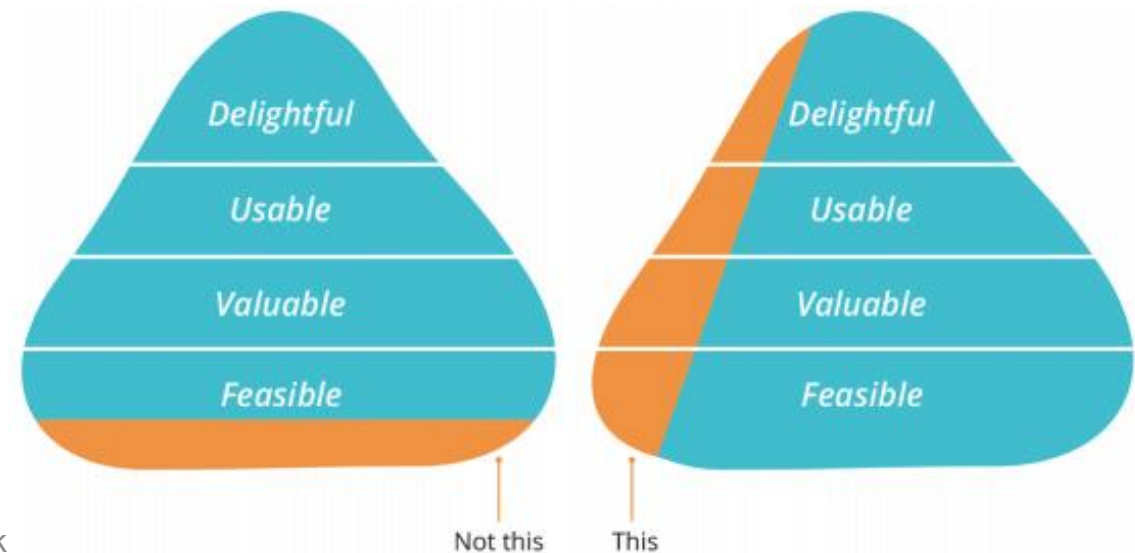
**Actionable
Metrics**

**Look impressive but
lack substance and
context**

**Used to make data-
driven-decisions about
budget and optimisation**

Limitations for Gaming

- Games are complex systems with *emergent behavior*
 - A set of features is much more than the sum of its parts.
 - Minimum implementation may already be much greater than website-based startups.
- Perception of players of what is “fun” can be heavily impacted by polishing levels and small details.
- Implementing “just the first stage” of a game already requires lots of dev hours in many systems working simultaneously.
 - Consider the effort needed by Vertical Slices in the industry.
- Games often require *download*. The rapid iteration idea is fundamentally constrained by requiring instalation, much more friction than websites.



Blue Ocean Strategy



Don't compete - reinvent the market.

Sail Away from Red Oceans of Blood

- This strategy argues that “cutthroat competition results in nothing but a bloody red ocean of rivals fighting over a shrinking profit pool.”
- Companies should instead look for new market space and ways to reinvent the industry. Focus on innovation.
- The goal is for organizations to find and develop “blue oceans” of uncontested, growing markets; and avoid “red oceans” of overdeveloped, saturated markets.
- This strategic planning model is a departure from the typical management exercise that focuses on number crunching and competitive benchmarking.

RED OCEAN STRATEGY	BLUE OCEAN STRATEGY
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation and low cost

Key Points

- It's more than theoretical.
 - Some strategic planning models are based on theories that don't quite pan out during go-to-market executions.
 - Blue Ocean Strategy originated from a study that took place over 10 years and 30 industries.
- The **competition is immaterial**.
 - Your goal isn't to outperform the competition or be the best in the industry.
 - Instead, your aim is to redraw industry boundaries and operate within that new space.
- Differentiation and low cost can **coexist**.
 - Consumers don't have to choose between value and affordability.
 - **Value innovation**: If a company can identify what consumers currently value and then rethink how to provide that value, differentiation and low cost can both be achieved.
- You have a **framework to test ideas**.
 - The Blue Ocean Idea Index is part of the overarching strategy and lets companies test the commercial viability of ideas.
 - This process helps refine ideas and identify opportunities with the most potential, minimizing risk.

Examples in Tech

NETFLIX

- Netflix came on the scene when Blockbuster was at the top of the video rental game.
- Rather than competing on price or catalog, Netflix created an entirely new online DVD rental.
- Postal mail rather than brick-and-mortar stores. No rent.
- Flat-fee monthly payment model solved two major pain points in Blockbuster: return deadlines and late fees.
- Customers could keep a DVD for as long as they wanted, or select a new video to rent without having to leave their house.

Uber

- Before Uber, customers looking to get from point A to point B had to rely on taxis.
- But the taxi industry hadn't innovate much since its inception. Stagnation resulted in:
 - Limited payment options
 - Lack of customer trust
 - Absence of location tracking
- Instead of buying its own fleet of vehicles, Uber sought out drivers willing to use their own cars.
- They linked this fleet with customers asking on-demand rides requested via technology and mobile apps.

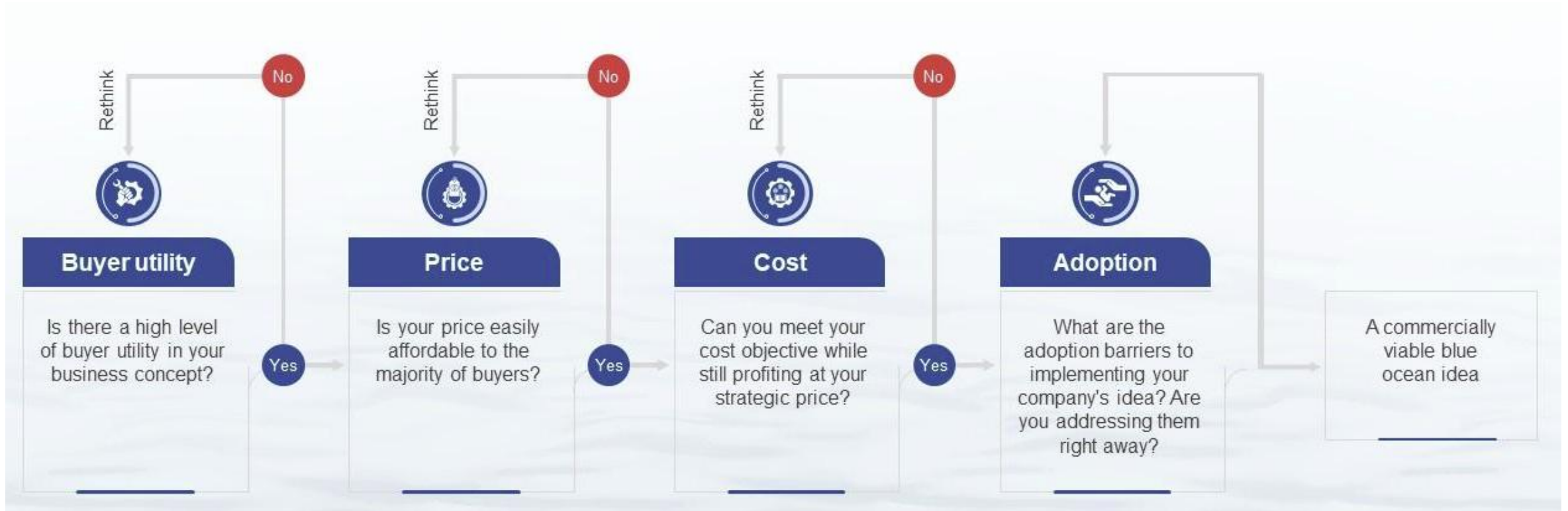
Apple iTunes

- When iTunes entered the market, it solved two major problems of the recording industry:
 - Consumers illegally downloading music
 - Demand for digital, a la carte songs.
- Created an entirely new category of music sales
 - Allowed artists to profit
 - Allowed consumers to buy single songs versus entire albums, full of filler songs
- iTunes is largely credited with driving the growth of digital music and ignite a business model that later sprung Spotify.

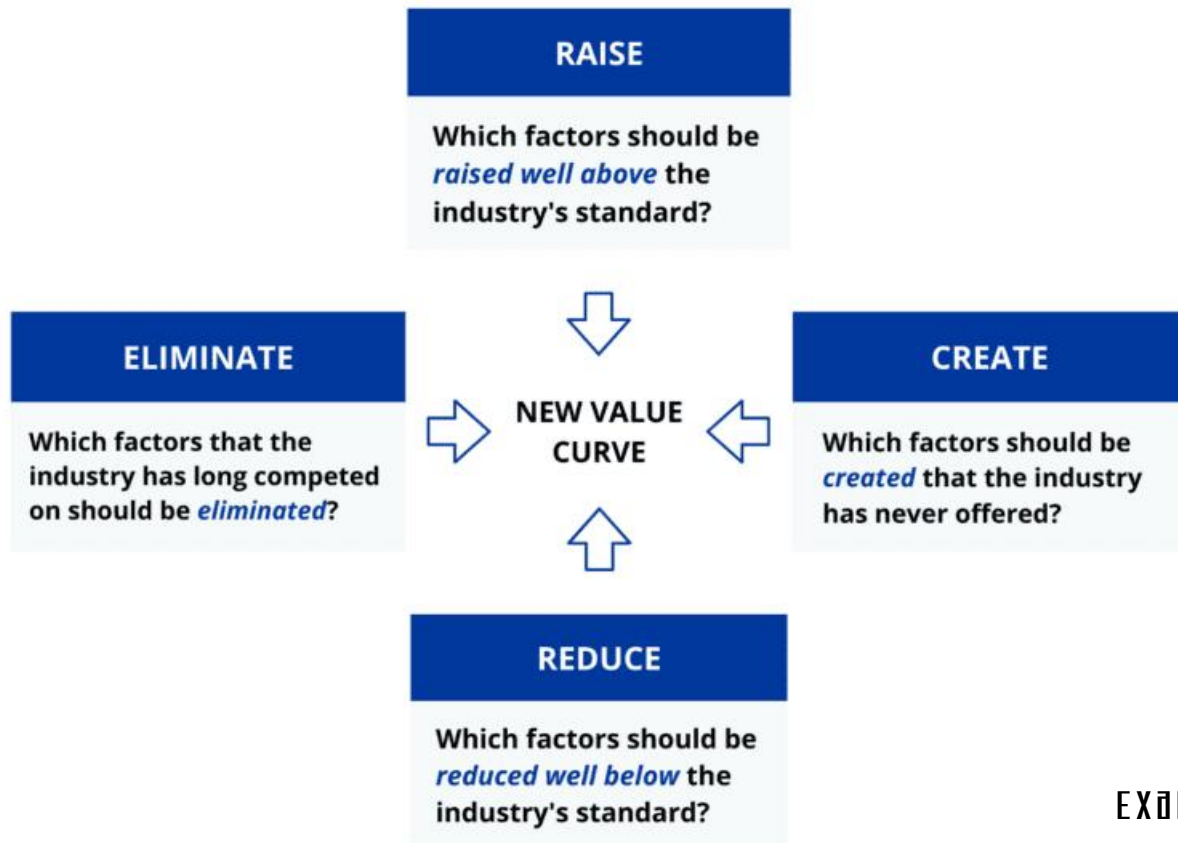
Meta

- When Facebook started, it was at the forefront of its own blue ocean in social networks.
- 10+ years later, social networking has become a **red ocean**.
- Meta tried to steer its product offerings into something new, exciting, and unconquered: the "metaverse."
- Although the strategy change seemingly failed, it's clear that the idea is to jump from the red ocean of social media to the blue ocean of the metaverse.

Possible Sequence (But it's messier than this)



Four Actions Framework

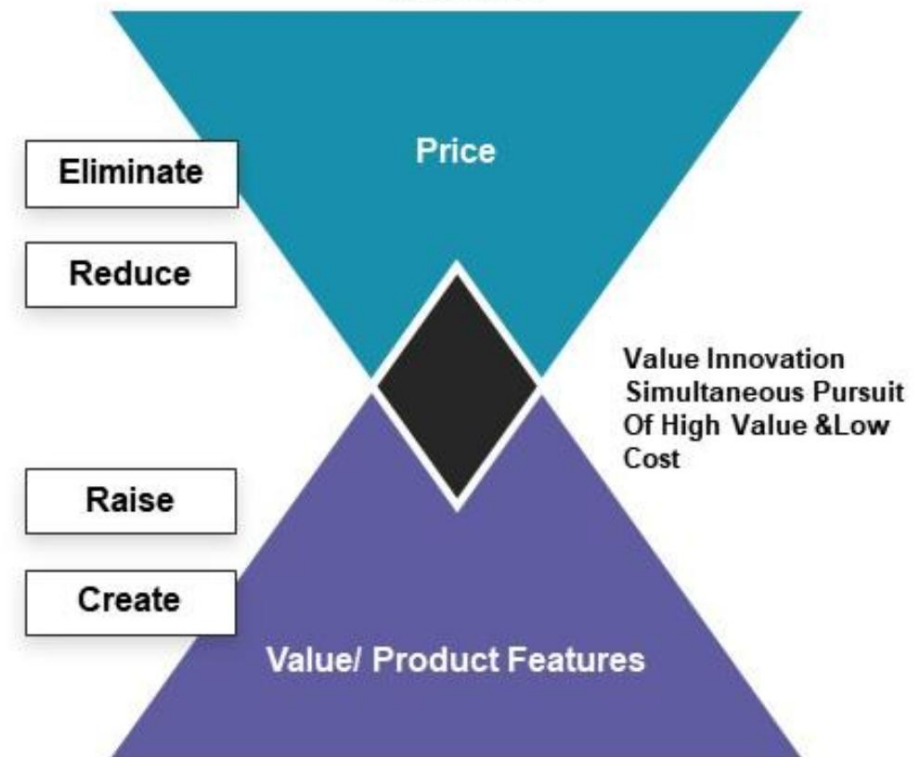
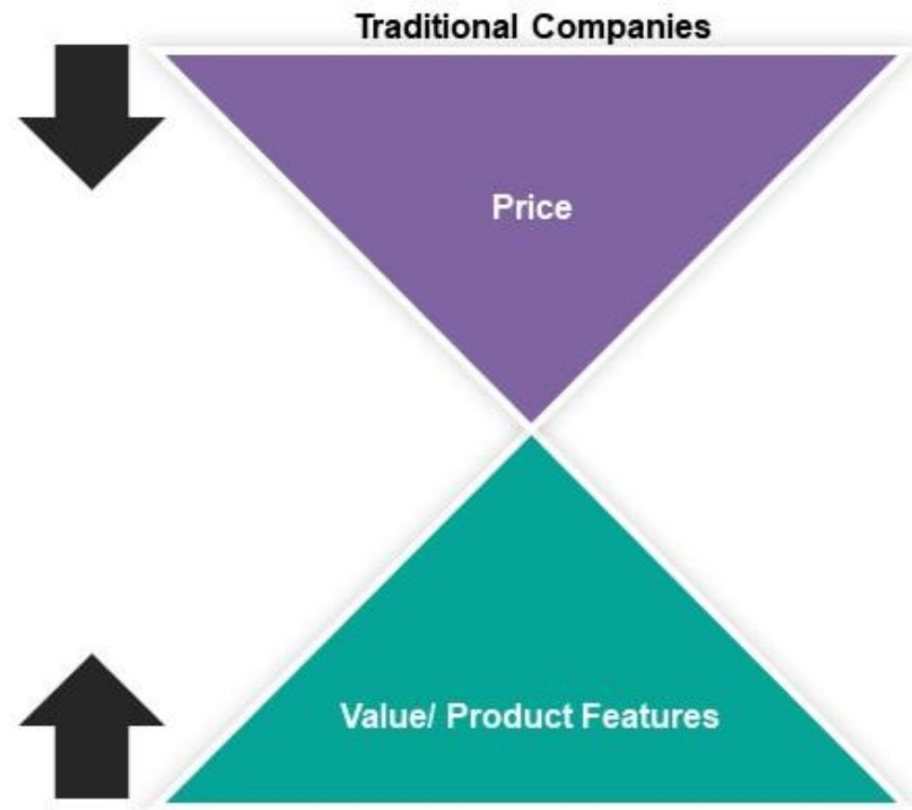


CIRQUE DU SOLEIL:

Eliminate Three Rings Star Performers Animals <small>(What acts and activities do leaders invest their time and intelligence in that should be eliminated?)</small>	Raise Clowns Acrobat Tent Settings <small>(What acts and activities do leaders invest their time and intelligence in should be raised above current value?)</small>
Reduce Humor Danger <small>(What acts and activities do leaders invest their time and intelligence in that should be reduced well below their current level?)</small>	Create Story Line Original Music <small>(What acts and activities should leaders invest their time and intelligence in that they currently don't undertake?)</small>

EXAMPLE IN GAMES: IDLE GAMES, HYPER CASUAL

Value Innovation Model



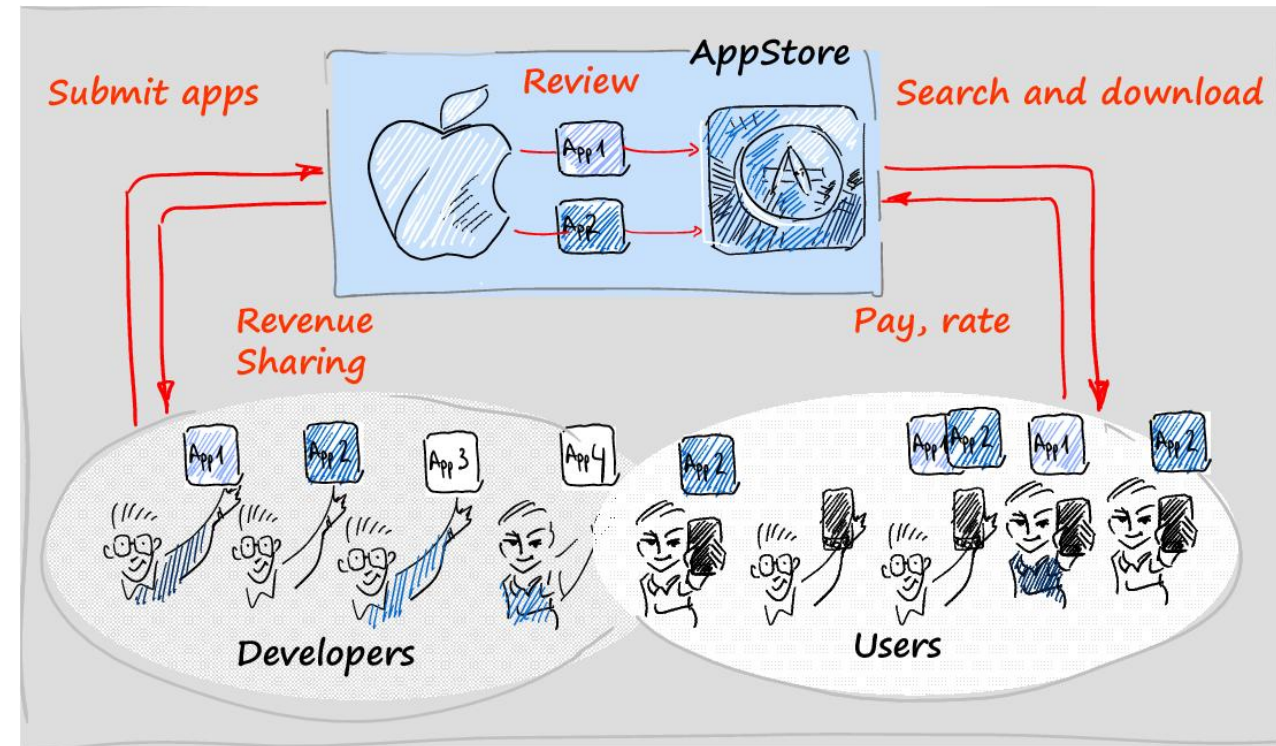
Two-Sided Markets



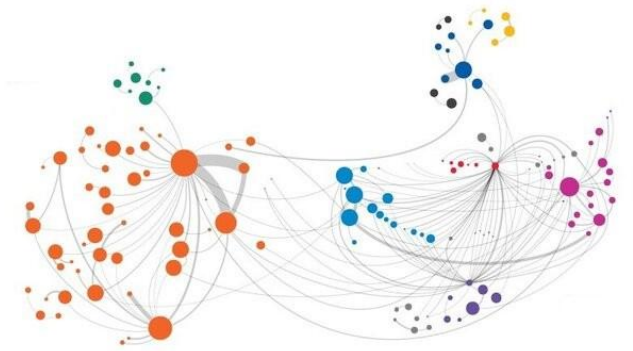
A meeting place of two sets of agents.

Suppliers < (market here) > Customers

- The sharing economy has disrupted the way the world's economy operates.
- A two-sided marketplace is "...a meeting place for two sets of agents who interact through an intermediary or platform."
- A business model that facilitates direct interaction between suppliers and customers, creating value through an **intermediary platform**.
 - Value is given and received by both the consumer and the service provider.
 - Airbnb in the housing market
 - Ebay.com
 - Facebook and any social media (Audience <-> Advertisers)
- Nothing new: printed newspapers were already connecting readers and advertisers.
 - This two-sided business model helped to lower the cost of newspapers, making them affordable for a wider audience.



Two-Sided *Networks*

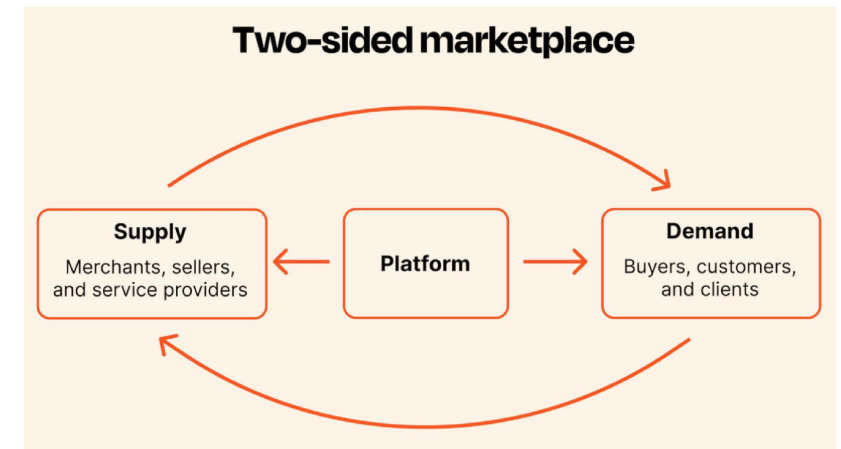
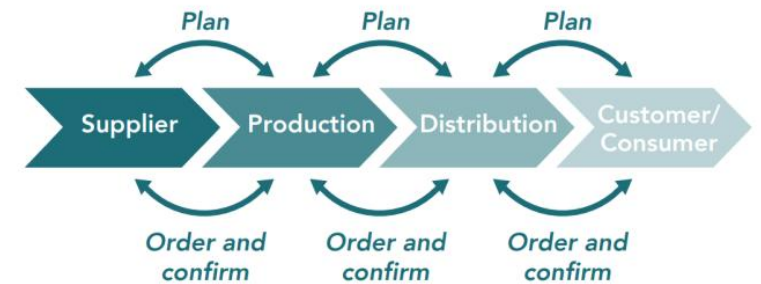


“A network effect is when another user makes the service more valuable for every other user. Once your company gets ahead, users won’t find as much value in your competitors’ smaller networks” - James Currier

- Two-sided networks create **dependency in consumers**.
 - Once your company gets ahead, users won’t find as much value in your competitors’ smaller networks.
- **Cross-group network effects:** The value that a consumer derives from joining a platform is determined by the number of consumers on the other side.
- **Cross-group dependency:** the number of consumers that join each side depends on the prices *charged* to both sides.
- The network effect can either be **positive or negative** for a business.
 - A positive same-side network effect would be user-to-user contact on social media.
 - A negative same-side network effect could be where competition exists among members on a platform such as Upwork.
- Greater transparency in the marketplace led to an increase in **trust** which allowed new businesses to form.
 - Share a lift with a stranger for a trip across town to save on transport expenses
 - Book a place to sleep in a guest bedroom halfway across the globe.

Comparison with value chains

- In a conventional value chain, value passes from left to right or from cost to revenue.
- In two-sided markets, revenue and cost move both to the left and right as there are users on each side of the platform.
- The platform service or product draws costs in serving *both* user groups, while also collecting earnings from each.
- BUT one side is generally **subsidized**.



Other Points

- These markets have **higher speeds of delivery**, with **supplier-to-customer ratios greater than one**.
 - The power is in the customer's hands when choosing quality of service, speed of delivery, and cost.
- Running and building a two-sided marketplace is challenging.
 - Requires a fine balance between developing technologies that facilitate a more efficient service
 - Managing and predicting supply and demand for mediation tech
 - Creating a powerful customer experience while staying responsive to **peaks and lows of seasonality**.
- Example: Google Ads.
 - Employed the two-sided market strategy by bridging search of a broader audience with advertisers.
 - If Google only had a few hundred users, advertisers wouldn't pay to reach these users.
 - If Google didn't have many advertisers, it wouldn't have been able to afford to give millions of users free search results.
- Example: Waze.
 - Sells advertising space to local businesses that want to target drivers in a specific geographic area.
 - In exchange for ads, Waze users gain access to live traffic information and turn-by-turn navigation.



Network Effects



The more people are in, the more value for new people to come in

Network Effects

- New digital goods or services can harness network effects to gain users at unprecedented rates.
- Social media, apps, and the internet were able to take quicker and quicker due to increased connectivity.
- The augmented reality game Pokémon Go was able to reach 50 million users in just 19 days.
- The next big thing could hit that milestone even faster than Pokémon Go.
- Instead of almost three weeks, it might do so in a few days - or even a few hours. ChatGPT?

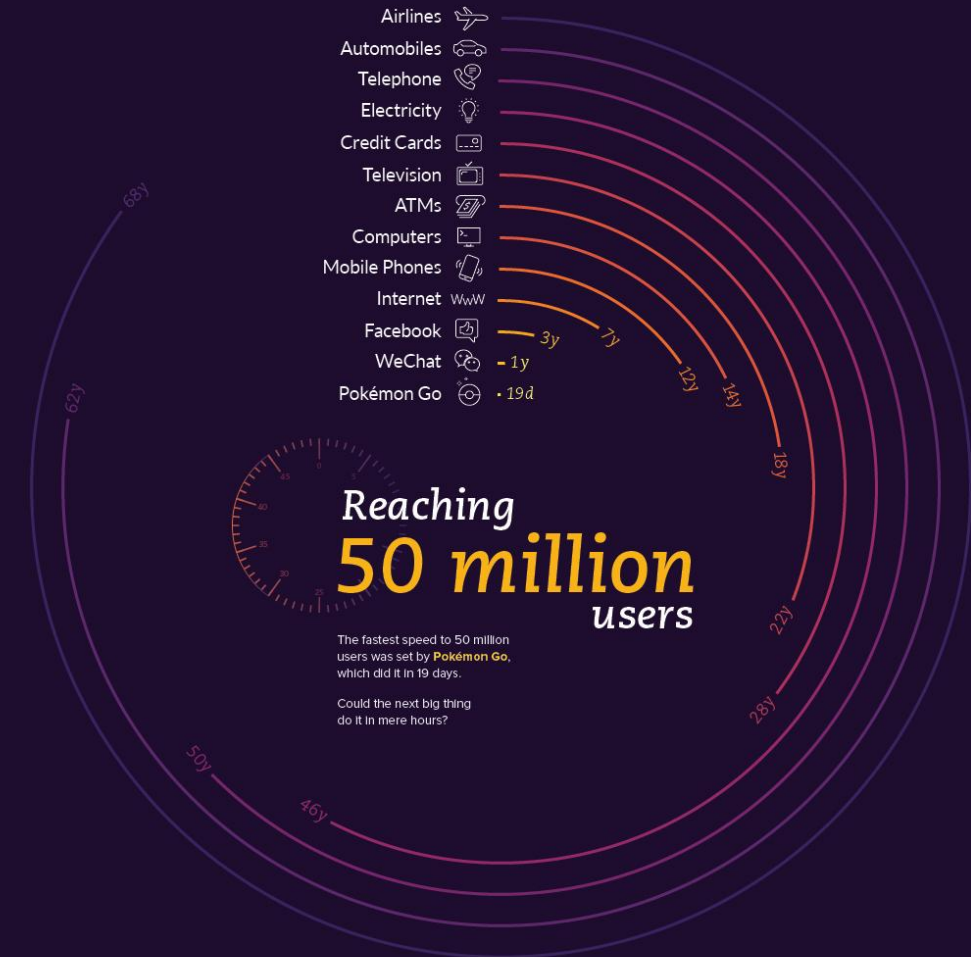
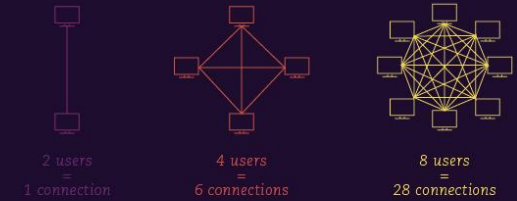
Game Biz, Week 4

Chart of the Week

HOW LONG DOES IT TAKE TO HIT 50 MILLION USERS?

The impact of the shift to digital, and the power of network effects

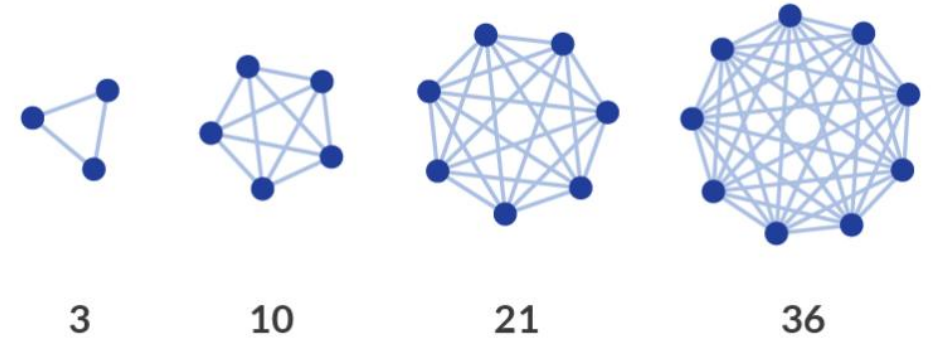
In the digital age, companies can attract millions of users at an unprecedented rate. This is possible through **network effects**, instantaneous communication, and the nature of digital goods themselves.



SOURCE: Various Sources

visualcapitalist.com

Metcalfe's law



- “...the value of a network is proportional to the square of the number of connected users. As the physical cost of the network grows linearly, its value grows exponentially.”
- A network becomes more valuable after each new user joins, and this happens all the time.
- “...data indicates that network effects are responsible for 70% of the value created in technology since 1994.” - James Currier, The Network Effects Bible
- **Example:** the more accommodations are available on booking.com, the easier for a traveler is to find the right accommodation: city, standing, style, accessibility, etc. The easier to find such accommodations, the more travelers in the network, which brings even more accommodation offers.

Network Effects

- Is about **monopoly, hacks** and **retention** and **building moats**.
- Product becomes **more valuable** as more people use it.
- With more users we see **better engagement, usage rates, lifetime value** (through feedback loops) and therefore margins.
- Network scales faster as it **lowers its customer acquisition cost** (pull).

ABOUT US, MMOs, FORTNITE

VS.

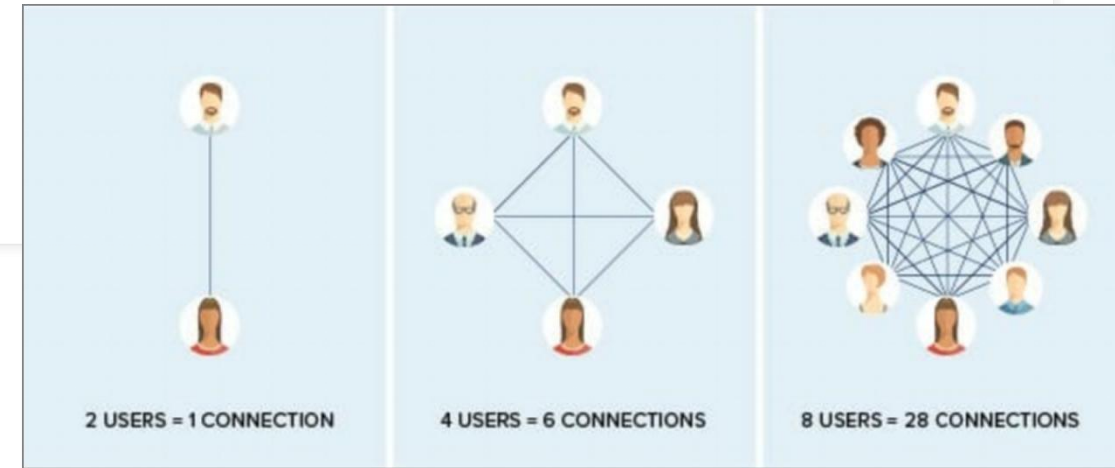
Viral Growth

- Is about **speed** of adoption, getting as many as possible ASAP. Is about cashing in.
- Product/ service may cost less to produce (economy of scale) but it **does not become more valuable** as more users use it or join the platform.
- The **usage rates or engagement does not increase the customer lifetime value**.
- The **cost of customer acquisition** remains.

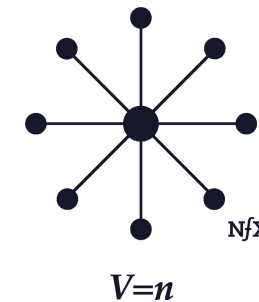
HADES, DISCO ELYSIUM, BG 3

Network Effects

- Each additional user of a good or service adds value to others more than linearly.
- *Sarnoff's Law*: the value of a **broadcast** network increase in direct proportion to the number of users (n).
 - Parallel: single-player games.
- *Metcalf's Law*: the effect of a **connected** network is proportional to the square of connected **users** (n^2).
 - Parallel: multi-player games.
- *Reed's Law*: "group-forming networks" that allow for the formation of **clusters** scale value even faster. (2^n).
 - Parallel: multi-player games with guilds.



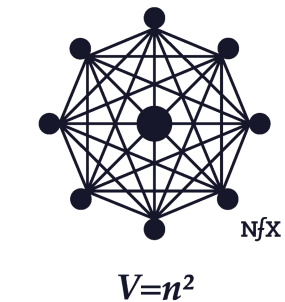
Sarnoff's Law



BROADCAST

FALLOUT 4

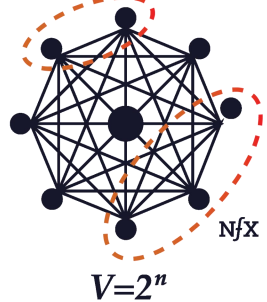
Metcalf's Law



TORRENT

COUNTER-STRIKE

Reed's Law



FACEBOOK

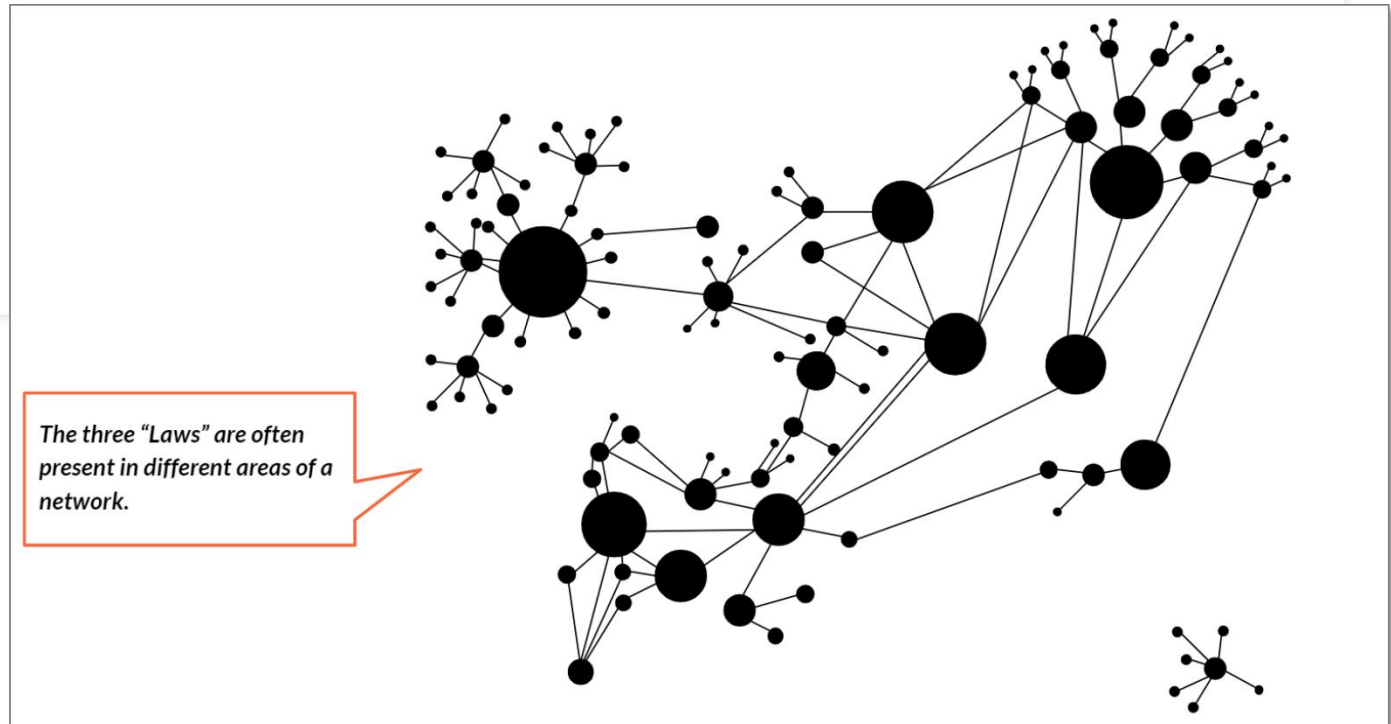
MMOS

Network Effects

- These “Laws” are great at helping us picture how the different types of networks create value.

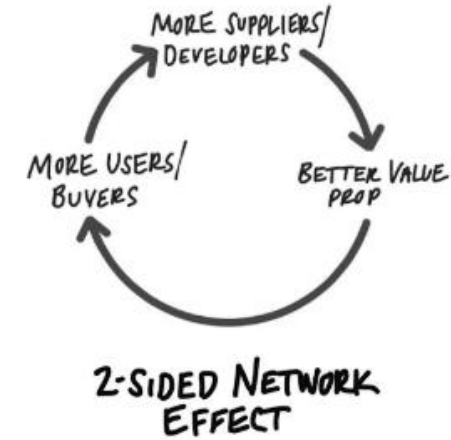
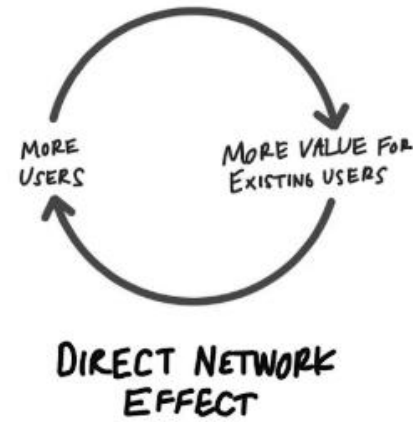
But in reality, networks are much messier, asymmetric and chaotic.

- It is hard to find networks that have such perfect forms.
- Laws should not be taken as immutable frames but more as ways to identify how in a certain part of the network is behaving.
- Very often more than one “law” is present in a network.



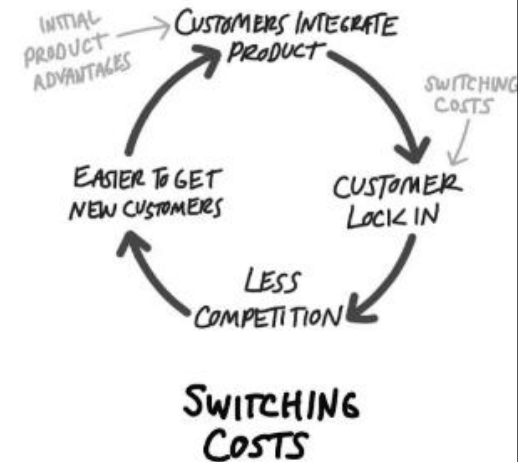
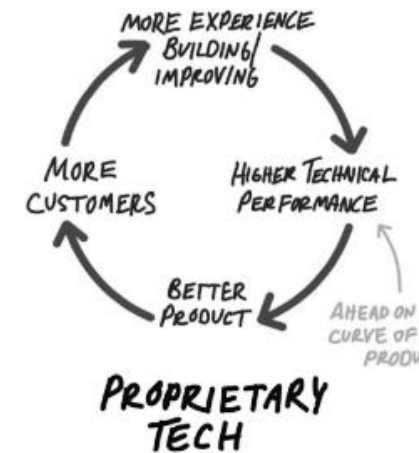
Proper NFX

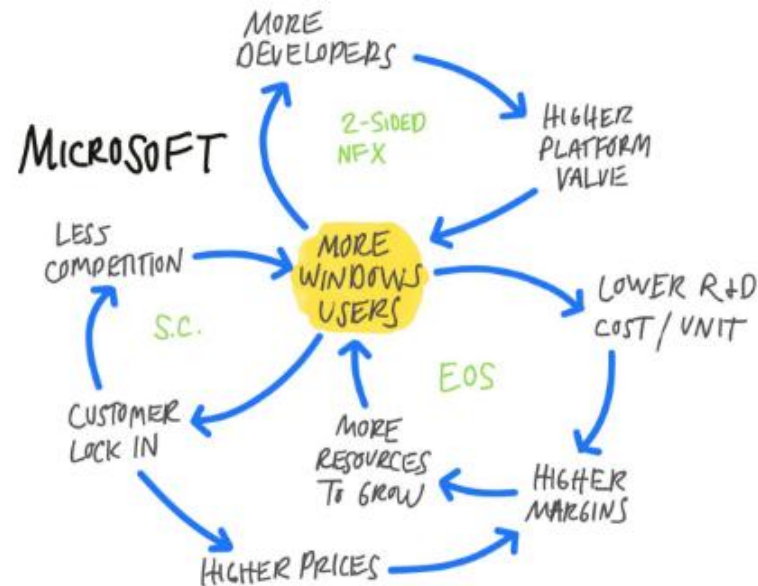
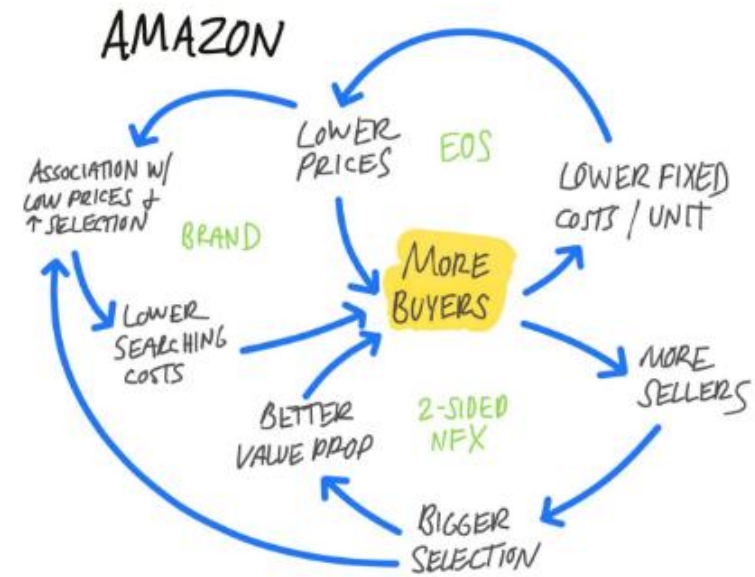
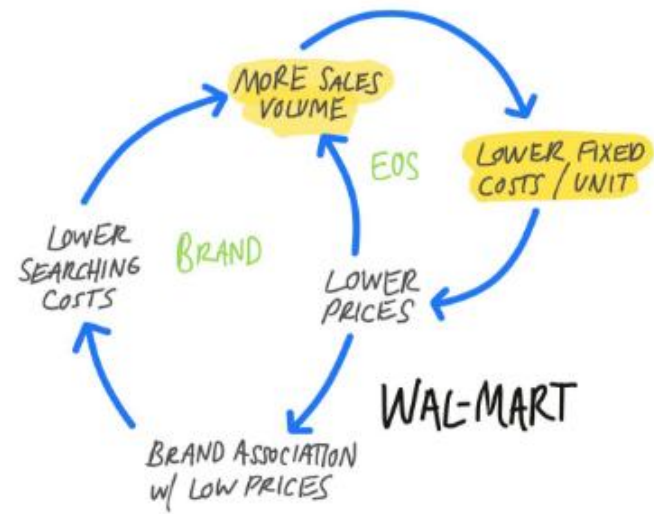
virtual cycle:
generating more
value as more
entities participate in
the network



Reinforcing Mechanisms for NFX

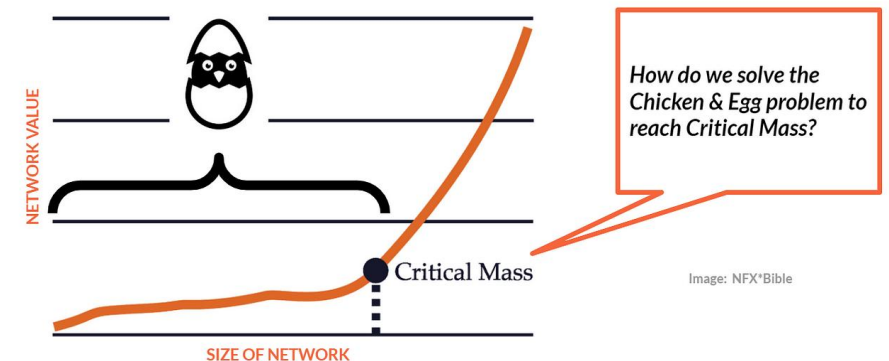
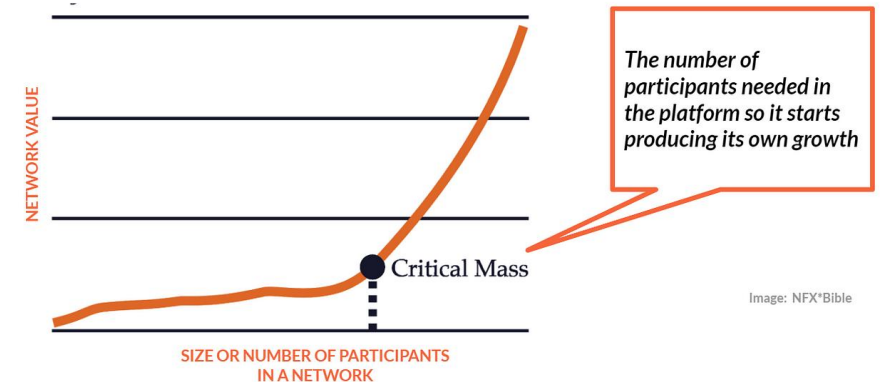
Other side effects
that drive more
defensibility





Critical Mass: Chicken and Egg Problem

- A tipping point or threshold where a notorious change in the trajectory of a growth curve occurs and a significant increment in the value of the network happens.
- For early-stage networks, reaching this point becomes existential. Especially of the Metcalf and Reed types.
- OpenTable found out that they needed to have about 25 restaurants in any given city to be attractive enough for guests and use the booking service, while for Airbnb, the quasi-magic number was 300 homes per city.



Network Properties

SPECTRA where liquidity is more likely in red

Differentiated

Commoditized



how unique each connection is?
airbnb vs. uber

Symmetric

Asymmetric



how much demand can a producing connection serve?
app store vs phones

Disconnected
Local Networks

Interconnected
Local networks

Global



where are the hard boundaries?
local farmers vs. walmart

Single Tenancy

Multi Tenancy



how many platforms do users juggle?
rome taxis vs são paulo taxis

Frequent

?

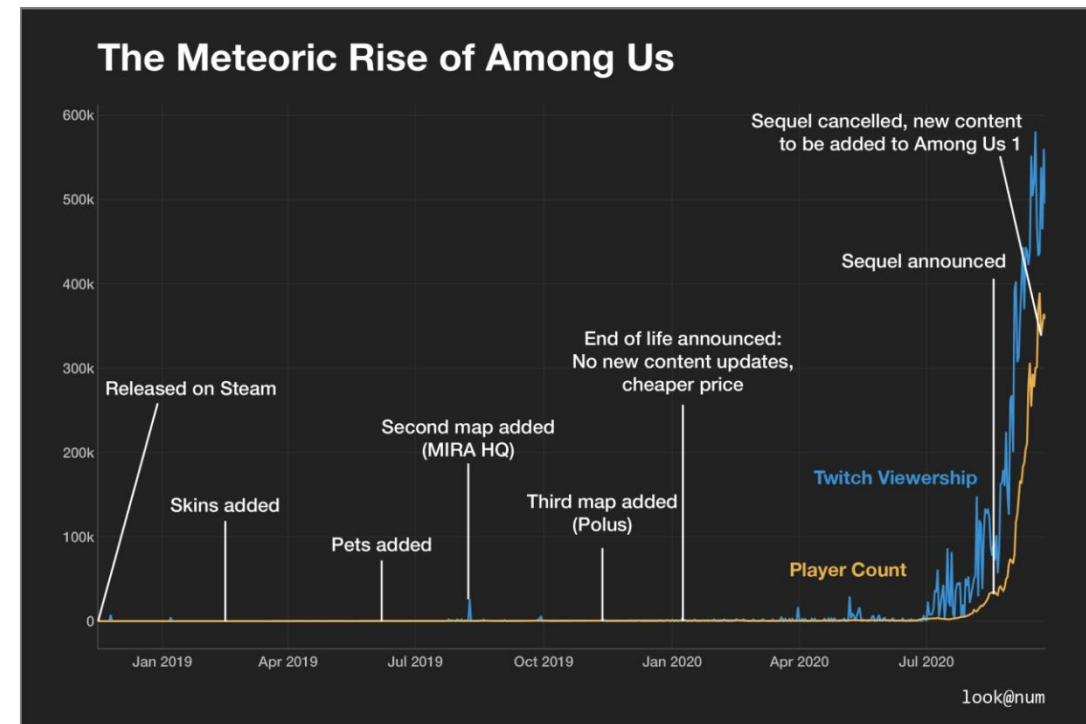
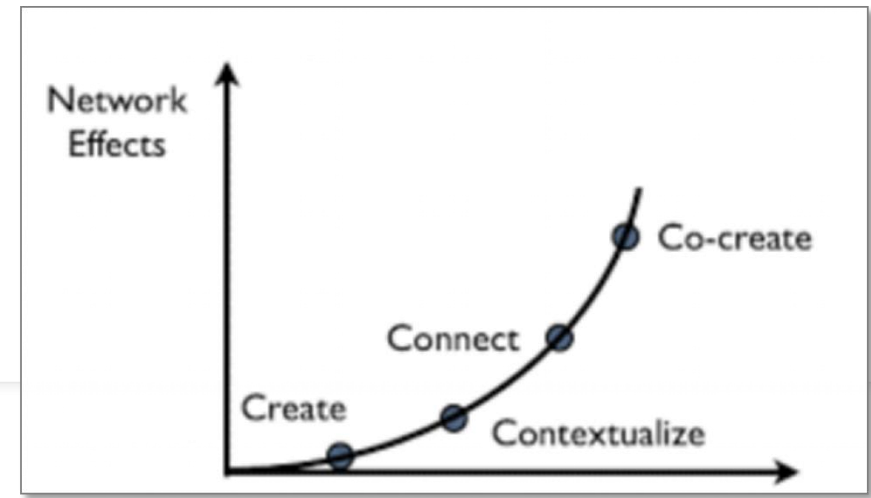
One time



how often exchanges happen between connections?
social networks vs duproprio

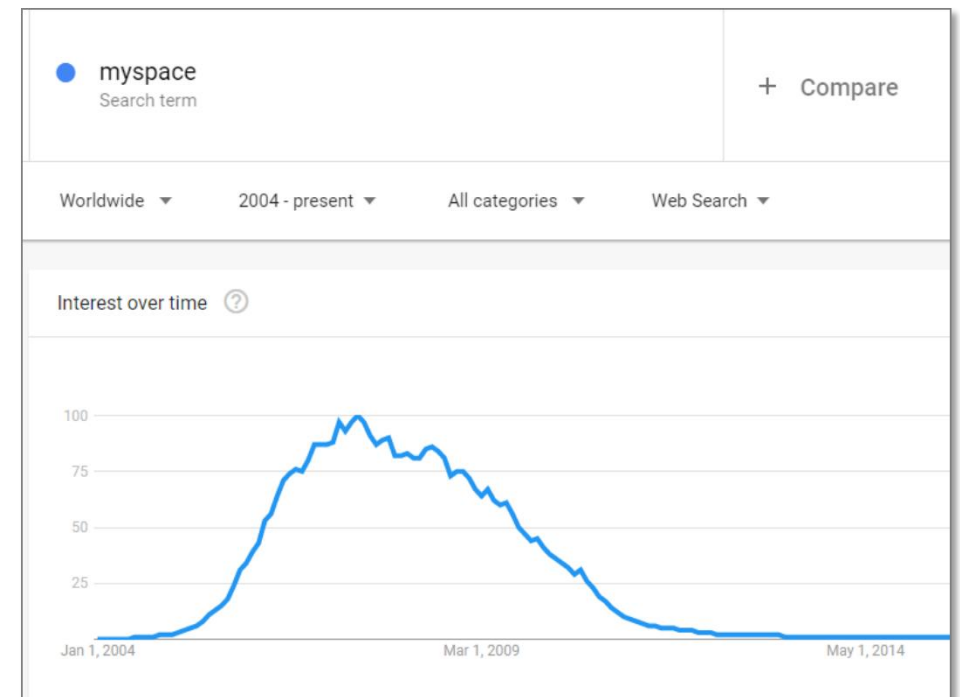
Speed / Virality

- **Speed** of a network = **virality**.
 - Networks become more valuable as more people use it
 - Viral growth may produce a cost-benefit through economies of scale but *not necessarily* making the product or service more valuable in the long run.
- The speed in which a network grows is *exponential*:
 - A network starts off with a small number of users. This can take a long time.
 - More users in the chain attains a stage of *critical mass*.
 - The speed of this network effect then *increases exponentially with co-creation*, where users automatically subscribe for the additional value that they are getting.
- Perfect example in 2020: **Among Us**



Speed / Virality

- Negative network effects: a network can also *collapse* fast.
 - One user leaving nudges N other connected users to consider leaving.
- Designers need to be *very mindful* when focusing on social and multiplayer features
 - Communication with players
 - Constant updates (even if small content, but address systemic problems)
 - Data analysis + community feedback
 - React to meta
 - Learn *common reinforcement mechanisms for any network*.



The Innovator's Dilemma

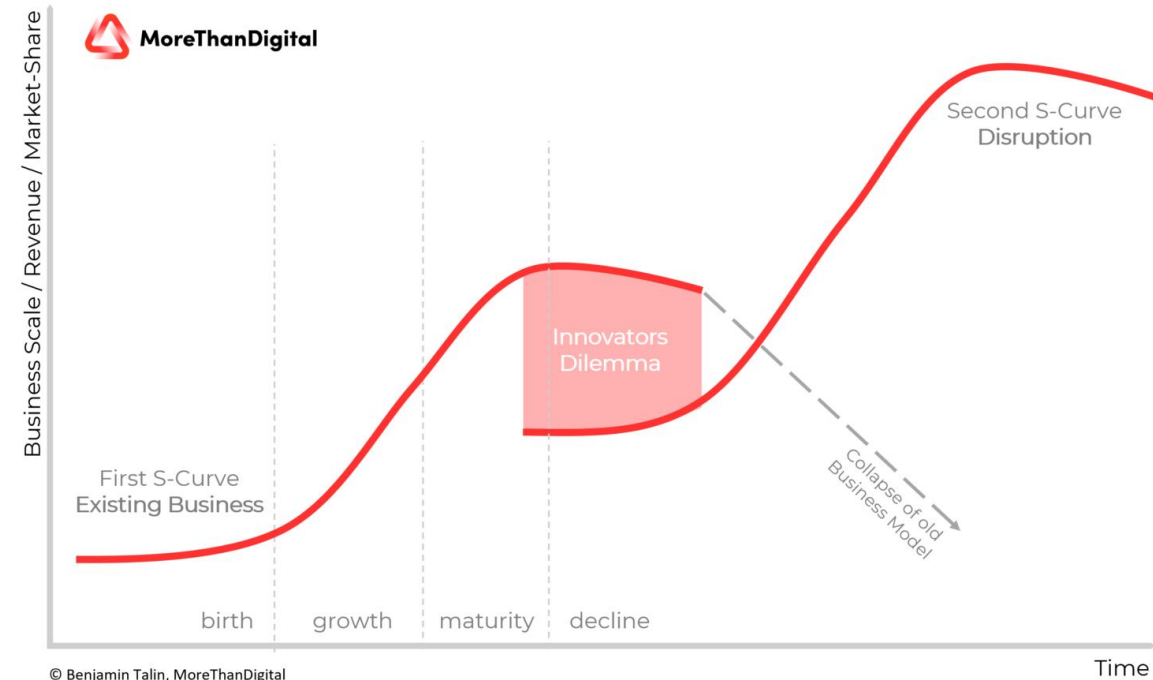


When success becomes an obstacle

When Great Tech Companies Fail

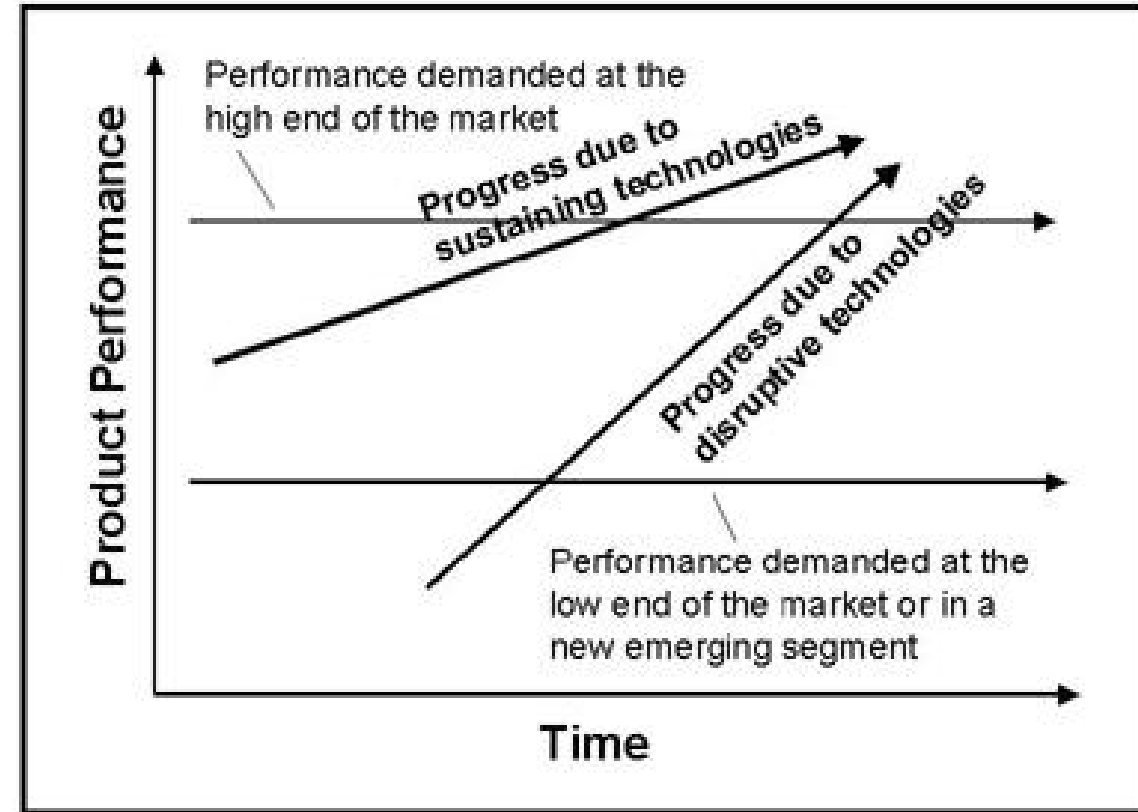
The Innovator's Dilemma: the tension between **improving existing products** to meet current customer demands and **pursuing disruptive innovations** that could lead to future growth.

- Being a market leader can hinder a company's ability to adapt to disruptive innovations as they tend to protect their *established products*.
 - They do “everything right”. Yet end in bankruptcy.
 - They fail to invest in emerging technologies because they view them as risky, costly, and lower initial margins
- Difference between
 - **Sustaining innovations** improve existing products for current customers, but not enough for the long-term.
 - **Disruptive innovations**, which create new markets with simpler, more affordable solutions.

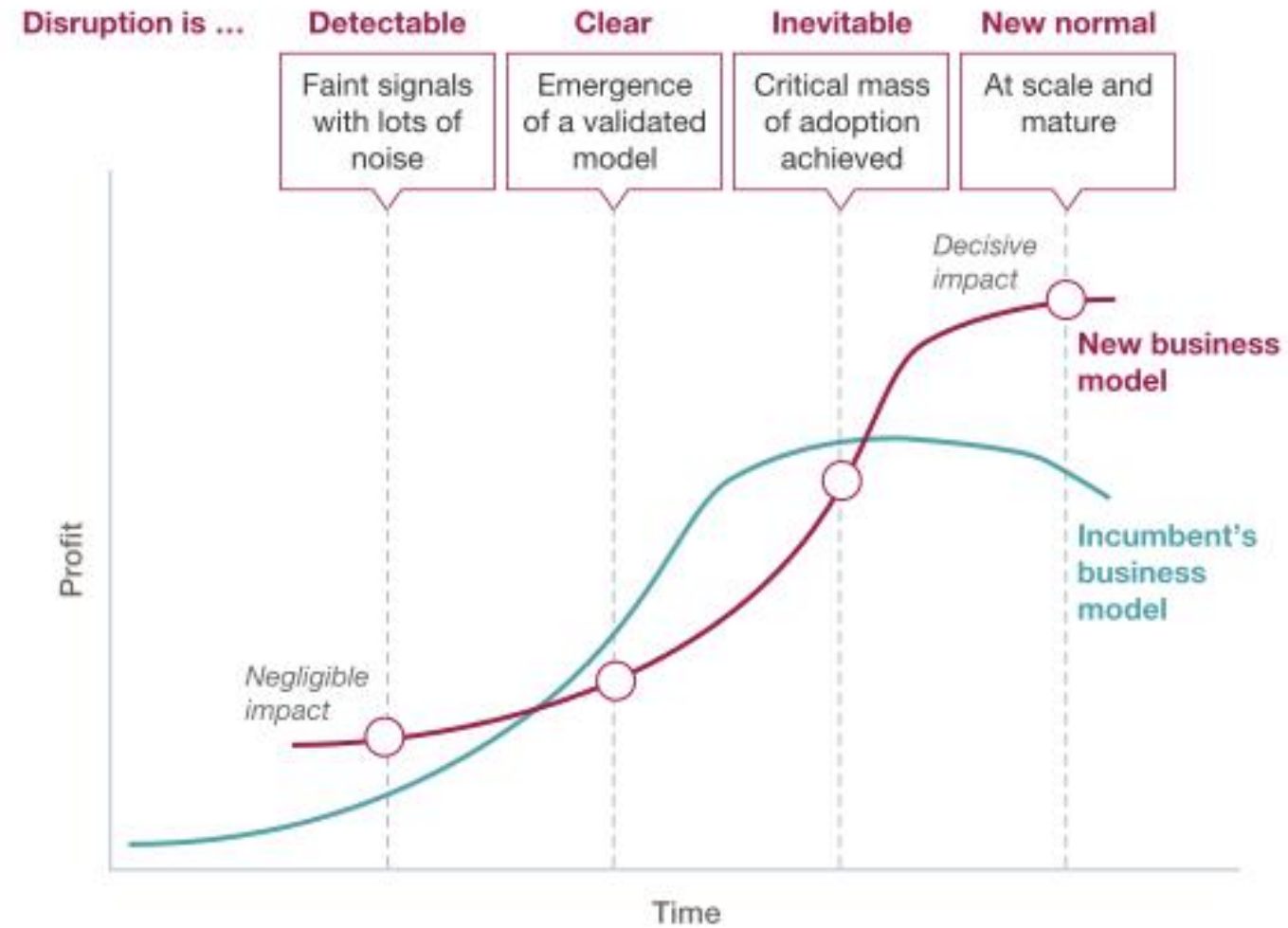


Disruptive Technological Change

- **Disruptive innovations** start with lower performance.
 - They typically enter **smaller, niche markets** and eventually disrupt larger markets.
 - But their improvement rate surpasses that of existing technologies.
- Because of how they start, they are often dismissed by market leaders.
 - But being a market leader can hinder a company's ability to adapt fast enough to the rate in which the disruption advances.



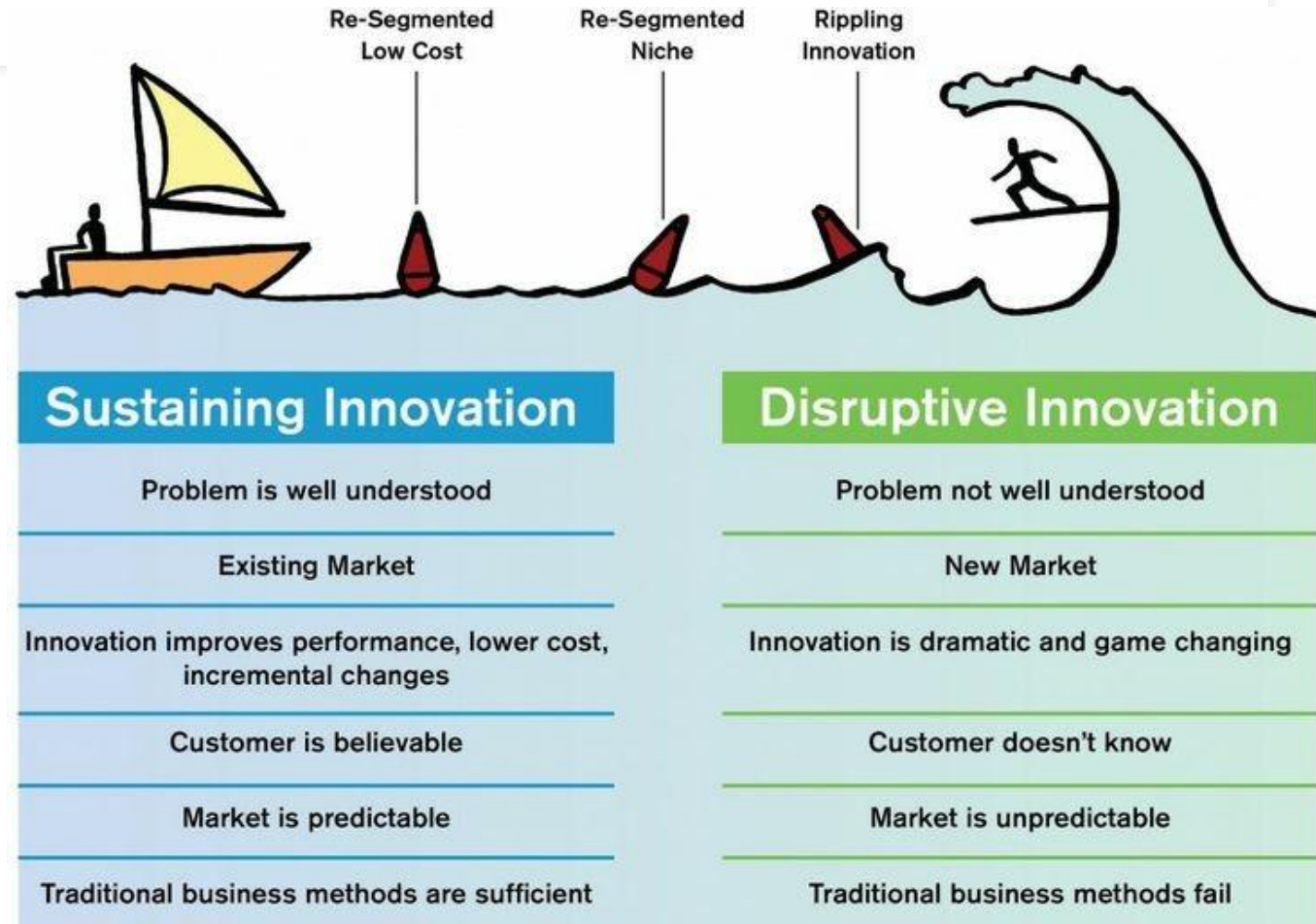
Disruption introduces an incumbent to a new journey.



Incumbent's move	Acuity	Action	Acceleration	Adaptation
Common barrier	Myopia	Avoidance of pain	Inertia	Fit

Sustaining Innovations

- Successful companies are often too focused on serving their **existing customers**.
 - Sustaining innovations help maintain a company's current customer base.
 - They are **necessary**, but often insufficient for long-term success in a dynamic market.
- But a company's existing competencies, which led to past success, can become a trap
 - Prevent the pursuit of new opportunities.
 - Organizations can be very resistant to change. And too risk-averse.
- Entrepreneurial Ventures: Established companies may need to create *separate, entrepreneurial ventures* to explore disruptive opportunities.



Examples

Disruptive Innovations

- Personal Computers
- Smartphones
- Digital Camera
- CRISPR
- RNA vaccines
- Online Shopping
- LCD screens



Sustaining Innovations

- Laptops
- Flexible screen Smartphones
- GoPros
- Personalized medicine
- Expanding portfolio of diseases
- One-day Delivery
- OLED screens

History Lessons

Market Lead

- Yahoo!
- Kodak
- Blockbuster Video
- Nokia
- Toys'r'us
- Traditional higher education
- Intel

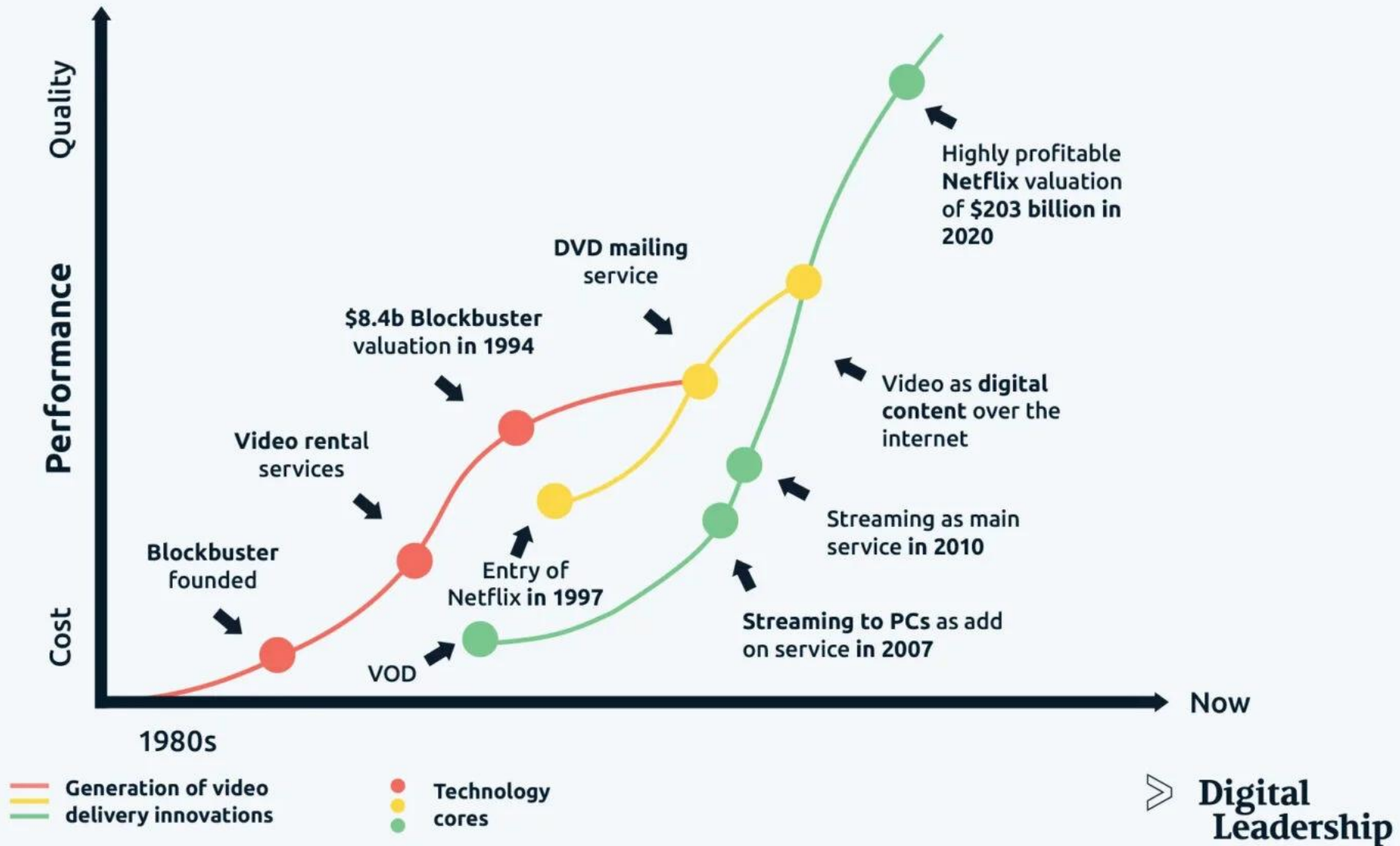


Disrupted By...

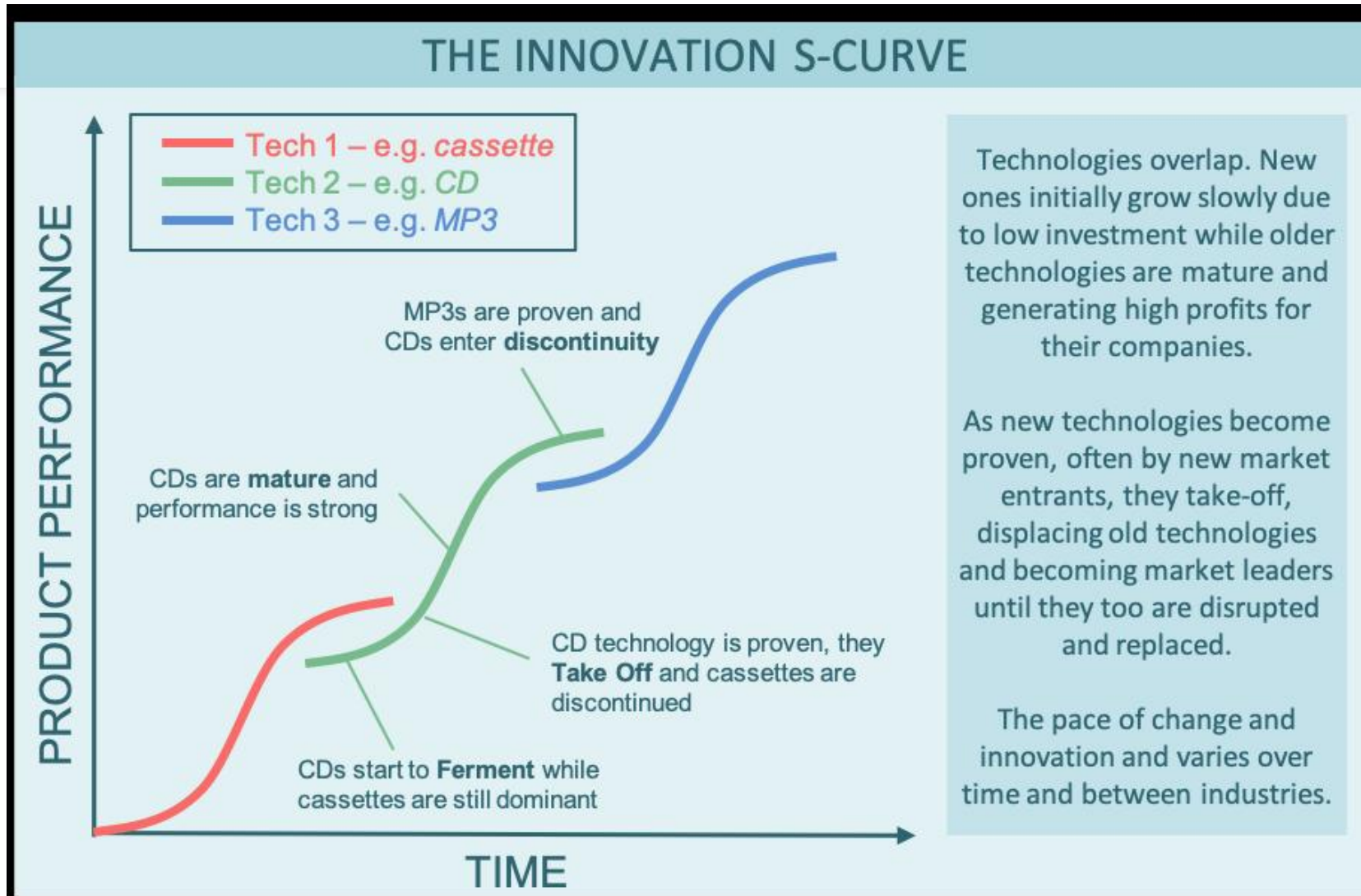
- Google
- Digital cameras (Cannon, Nikon)
- Netflix DVD and streaming.
- Smartphones
- Online retail led by Amazon
- Online education (ongoing)
- ARM / SISC architecture (ongoing)

NETFLIX

DISRUPTIVE INNOVATION

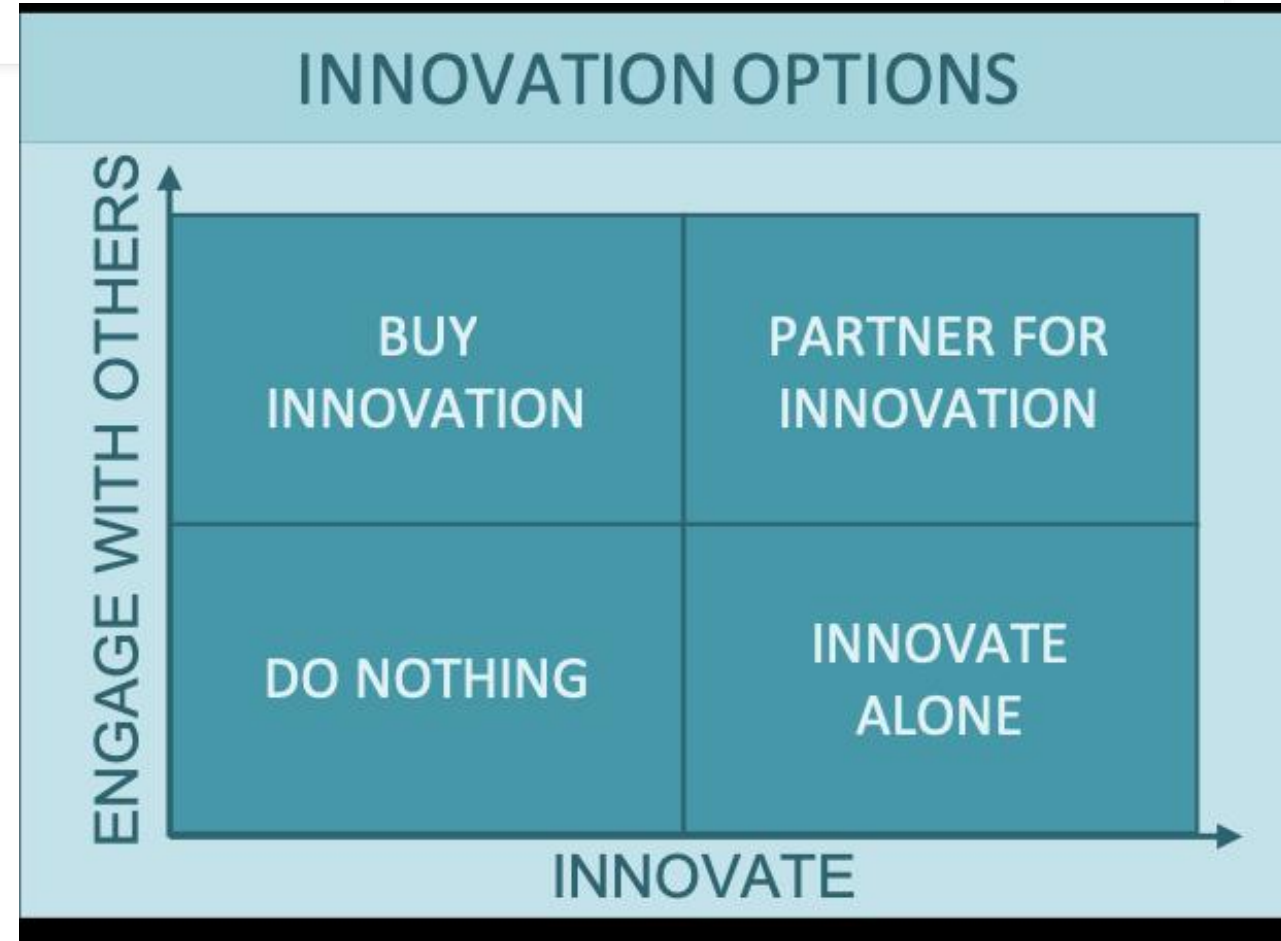


And The Cycle Never Stops



Responses to the Dilemma

- Companies typically respond to disruption with:
 - mergers and acquisitions
 - diversification
 - improving existing products.
- These common responses are *often ineffective* in addressing the challenges posed by disruption.
- **Merger and acquisition failures:** Acquiring disruptive companies doesn't guarantee success
 - The new firm may not align with the existing model.
 - **Mergers tend to distract companies from their core competencies.**
- Also, companies may try **fitting** new technologies to the *current* customer base against the full disruptive potential of the tech.



Discovering Emerging Markets

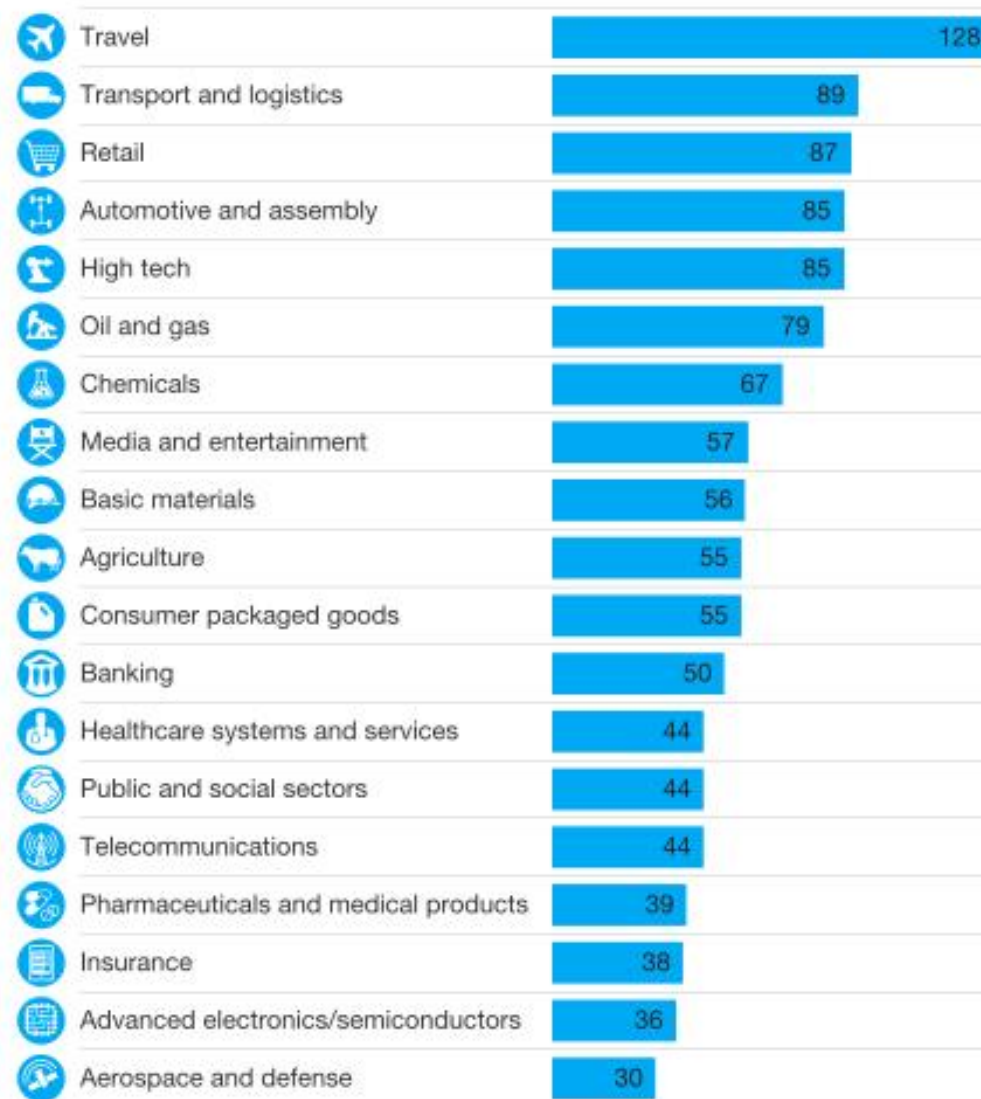
- A proactive approach to adaptation is crucial for staying competitive in evolving markets.
 - Managers must learn to balance short-term demands with the long-term vision
- Pay attention to smaller markets where disruptive technologies initially gain a foothold.
- Avoid **competency traps** that prevent them from focusing on the unique needs of emerging customers.
- Meet the specific needs of emerging customer segments *rather* than trying to *adapt existing products*.
- Establishing separate business units or spin-offs.
 - Fear of **cannibalizing** existing products may deter companies from pursuing disruptive innovations.
 - Dedicated focus to new tech. Stops focusing on short-term profitability in the main business.
 - Serve emerging customers

In more than two-thirds of our use cases, artificial intelligence (AI) can improve performance beyond that provided by other analytics techniques.

Breakdown of use cases by applicable techniques, %



Potential incremental value from AI over other analytics techniques, %



In Video Games

Leading Market

- Atari
- Handheld gaming
- 16-bit era
- BBB / A games
- Flash games
- Physical shelves



Disrupted By...

- Nintendo: business model
- Smartphones
- PlayStation and 3D tech
- Free-to-play
- Tablets and HTML 5
- Online storefronts

AAA under disruption

INSIGHTS FROM PHIL SPENCER'S LEAKED EMAILS



- AAA publishers once existed to leverage scale in **negotiations with retailers for shelf space**.
 - Then, **digital storefronts** like Steam, Xbox Store and PlayStation Store democratized access for creators
 - They **broke the physical retail's lock** on game distribution.
- Publishers started from a position of strength coming from physical retail, but **failed to create a platform** for themselves.
 - Tried their own *middle-man clients* and a few tried their own subscriptions.
 - None were built early enough or offered a compelling enough alternative for players.
- The **only** competitive advantage AAA publishers have left is **pouring more money than anyone else** into **annualized blockbusters**.
 - Very few companies can afford to spend \$200M on a Call of Duty or Red Dead Redemption.
 - But this approach **hurts their ability to create new IP**. (Risk aversion: Increasingly harder to absorb a disappointing release.)
 - Greater and greater scale hoping to maximize each new release of their **existing IP - or rented IP**.
- Without distribution leverage, their **“new IP hit rate” is not higher** than the industry average.
 - New top franchises today were *not* created by AAA game publishers. (Fortnite, Roblox, Minecraft, Candy Crush, Clash Royale, DOTA2 etc.)
 - Precarious spot, milking top franchises created 10+ years ago but struggling to refill their portfolio. Sequels, remakes, and spin-offs.
- To try to grow in this new world, publishers must either *get consolidated* or adapt to new paradigms:
 - Smaller games or live-service games.

Data-driven?

- A visionary looks into the future. But data is *only about the past*.
- If we teach managers to be data driven, fact based, and analytical, we can only *make action when the game is over*.
- Survivorship bias: Harvard business school so exalted the case study is a really good example of the prison of seeing the future through the past.
 - Case studies don't equip you for the kind of changing world we seem to have moved into with technology.
- That said: when the name of the game is **Live Ops**, we are talking *sustaining innovations*.
 - For those, data from the immediate past does matter a lot.

Business Model Canvas



A one-page business plan

- Quickly draw a picture of what the business idea entails.
- Make connections between an idea and what it takes to bring to market.
- What kinds of customer decisions influence the use of your systems.
- Allows everyone to get a clear idea of what the business will likely be.

The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partnerships 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 			Revenue Streams 	

Value Proposition

- The fundamental concept of the exchange of value between your business and your customer/clients.
- **Value** is exchanged from a customer for money when a problem is solved or pain is relieved.
- Good questions to ask:
 - What is the “problem” I am solving?
 - Why would someone want to have this?
 - What is the underlying motivator for this problem?
- **Maslow’s Hierarchy of Needs.**
- If you are selling your product or service to another business, you are a key partner in them achieving *their* Value Proposition.
 - Have context around the goals the company is trying to achieve for their Customer Segments
 - Where your business/product/service fits in their value chain?

The Business Model Canvas

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Date:

Version:



Customer Segments

- Customer Segmenting is the practice of dividing a customer base into groups of individuals that are similar in specific ways
 - age, gender, spending habits
 - daily routine, family, work
 - specific interests
- Things to consider when determining your Customer Segments:
 - Who are we solving the problem for?
 - Who are the people that will value my value proposition?
 - Are they another business?
 - Or, are they other people?
- **Market size:** how many people there are in the Customer Segment?
 - Understand your market from a micro and macro perspective.
- Create **Customer Personas** for each of your Customer Segments.

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Key Partnerships 	Key Activities 	Value Propositions 		Customer Relationships 	Customer Segments 
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Customer Relationships

- How a business interacts with its customers.
- Some examples are:
 - In-person (one-to-one)
 - Third-party contractors
 - Online, personalized
 - Online, “en masse” / Reddit
 - Events (one-to-many)
 - Phone
- Create a **User Journey Map** of your customers as they interact with your business.
 - Helps clarify the points of engagement
 - Understand the modes used to relate to your customers.
- Help you start to define your operations as a business and also help you identify *opportunities for automation*.

The Business Model Canvas

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Channels

- Understanding how to reach your customers is so crucial to your business.
 - Generally covered under a **marketing plan**.
- Good questions to ask:
 - How are we going to tell our customer segment about our *value proposition*?
 - Where are our customers?
 - Are they working, studying, retired?
 - Do they watch TV at 7pm on a Friday night? Streaming? TikTok?
- Examples:
 - Social media
 - Public speaking
 - Email marketing
 - SEO (Search Engine Optimisation)
 - Engineering as marketing
 - Viral marketing
 - Affiliates
 - Existing platforms
 - PR / Unconventional PR
 - Social advertising
 - Trade shows
 - Content marketing
 - Community building

The Business Model Canvas

Designed for:

Designed by:

Date:

Version:



Cost Structures

- The monetary cost of operating as a business.
- How much does it cost to achieve my business's key activities?
- What is the cost of my key resources and key partnerships?
- How much does it cost to achieve the value proposition for my customers/users?
- Are there additional costs to running a business?
 - Legal?
 - Insurance?
- Place a monetary value on *your* time as a cost.
 - How much would it cost you to hire you?
 - What is the opportunity cost of running your business?

The Business Model Canvas

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Cost Structure 			Revenue Streams 		

Revenue Streams

- The way by which your business converts your *value proposition* into financial gain.
- Price your business accordingly to *pain of purchase in exchange* for the *pain of solving* the problem for your customer.
- Many different revenue models here:
 - Premium (pay per product)
 - Fee for service
 - Fixed rates
 - Subscription
 - Dividends
 - Referral feeds / Ads
 - Free-to-play
 - Equity gain

The Business Model Canvas

Designed for:		Designed by:		Date:	Version:
Key Partnerships 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 	
	Key Resources 		Channels 		
Cost Structure 			Revenue Streams 		

Key Activities

- The actions that your business undertakes to *achieve the value proposition* for your customers.
- Questions to ask:
 - What is the resource used?
 - Time?
 - Expertise?
 - Distribution of product?
 - Technical development?
 - Strategy?
 - Offer resources (human/physical)?
- Examples:
 - Consulting
 - Designing
 - Web development
 - C# programming
 - Backend engineering
 - Customer care
 - Art production
 - Localization

The Business Model Canvas

Designed for:

Designed by:

Date:

Version:



Key Partners

- A list of other external companies, suppliers or parties you may need to achieve your key activities and *deliver value to the customer*.
- “If my business cannot achieve the value proposition alone, who else do I need to rely on to do it?”
- “If I sell groceries to customers, I may need a local baker to supply fresh bread”
- Examples:
 - Art when outsourced
 - Programming libraries
 - Publishers
 - Media channels
 - **Game Engine**







The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partnerships 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 			Revenue Streams 	

Key Resources

- What practical resources are needed to achieve the key activities.
- Resources are what is needed *practically* to undertake your business:
 - Office space
 - Computers
 - Hosting
 - People (staff)
 - Internet connection
 - Car
 - *People*
 - Domain and website
 - Accounting used to royalties
 - Software licenses
 - **Game Engine**

The Business Model Canvas

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Key Partnerships 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 	
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- A game takes 2 to 5 years to be developed, plus (hopefully) 2+ years of live ops, plus a long tail of sales that can go up to a decade
- That's 15+ years a game developer **must trust his base tech won't try massive legal shifts.**
 - Particularly if the game developer doesn't have a whole lot of money to go to court and pay for expensive litigation.
- A **B2B relationship** at such *fundamental operational level* demands a lot of trust.
- Once a provider loses trust, it **becomes a long-term strategic risk** for investors and planners on the other side.
 - *Like Oracle did in the tech industry.*

