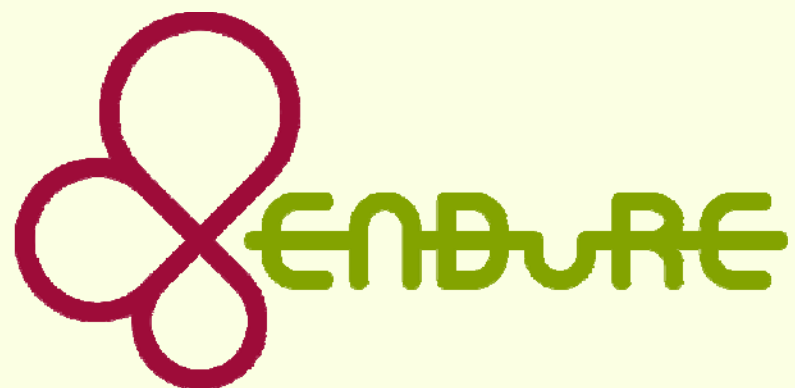




Business Model



UNIVERSITY OF
SURREY



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INTELLIGENT INNOVATION



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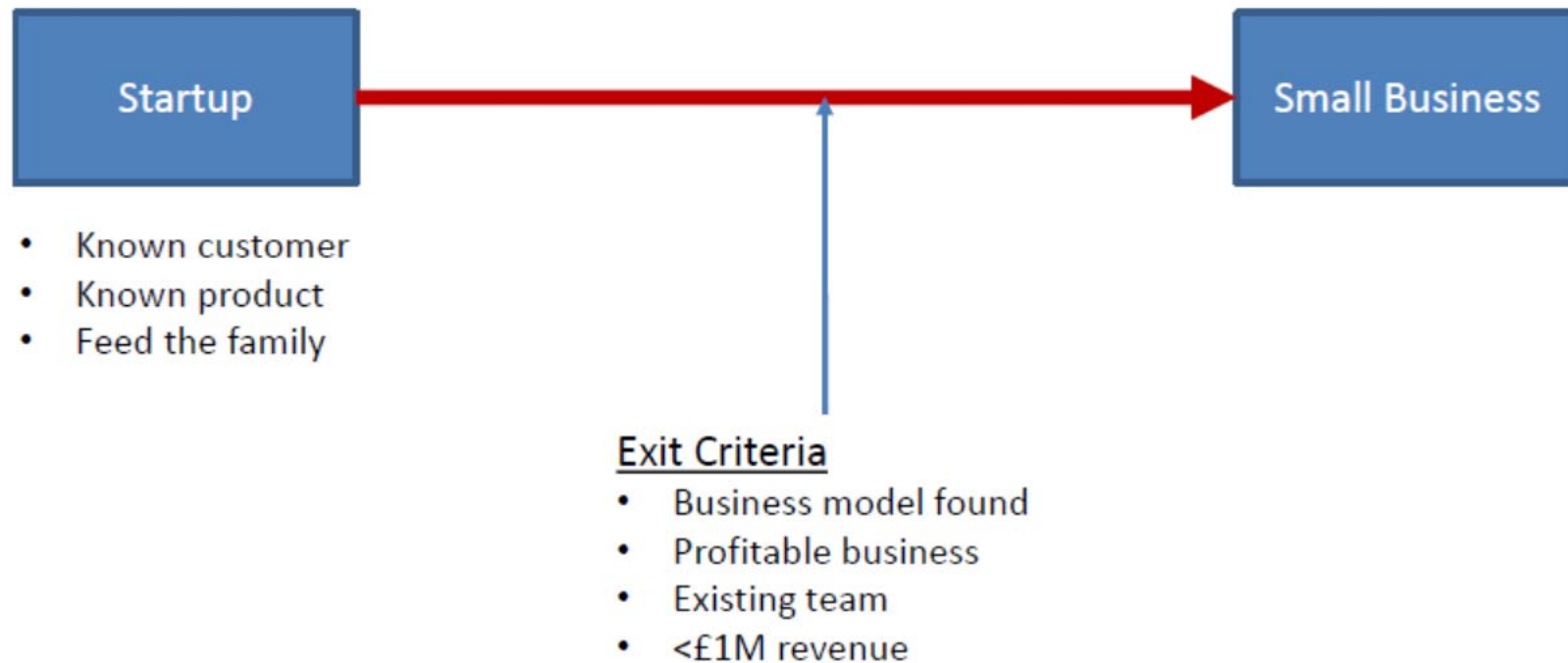
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What's a Company?

- A business organization which sells a product or service in exchange for revenue and profit
- **What's a Startup?**
- A temporary organization designed to search for a repeatable and scalable business model
- A Startup aims to become a Company!

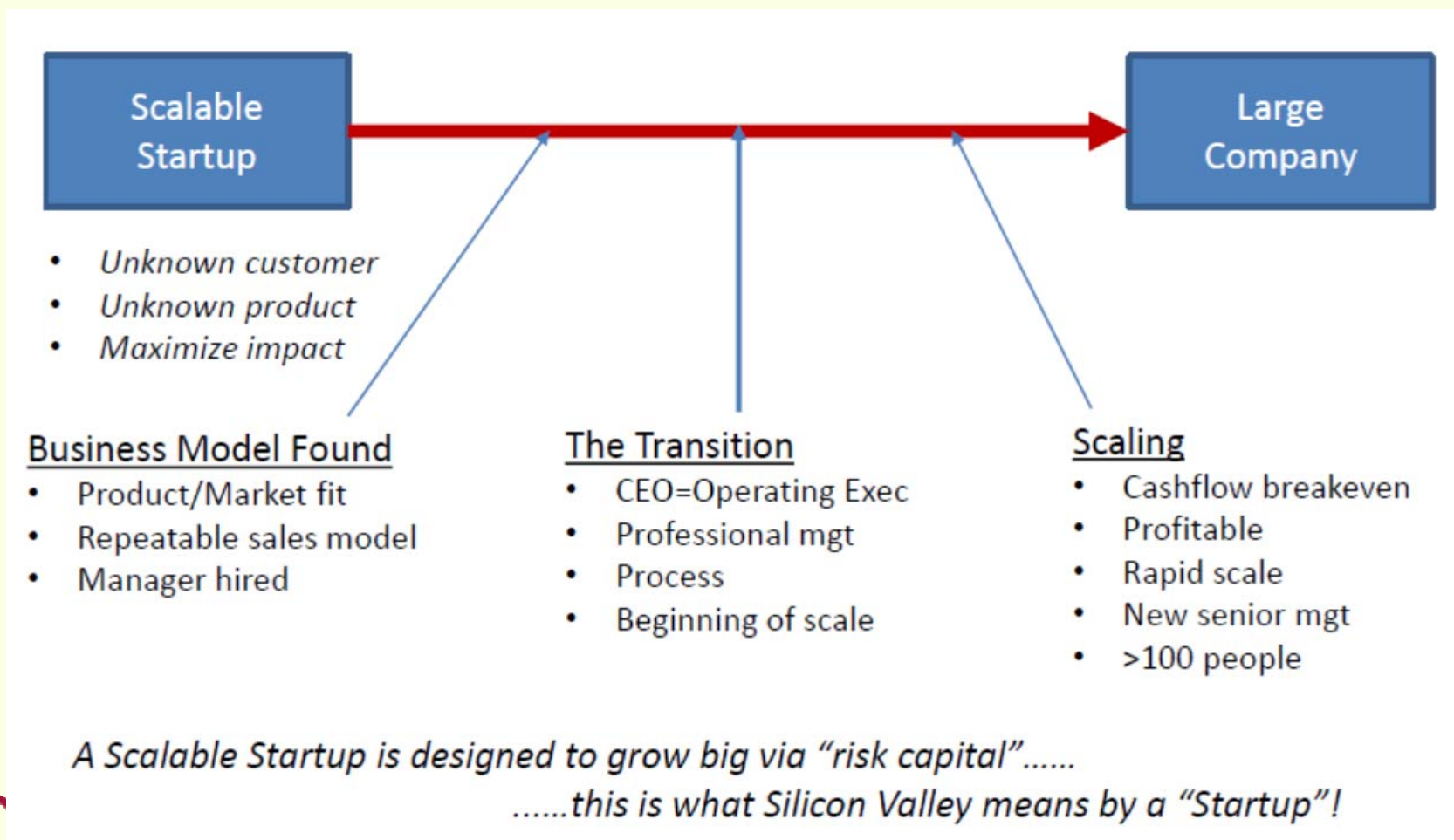


What's a Startup?



In the USA, 5.7 million small businesses, 99.7% of all companies, half total workforce

What's a Startup?



The Role of A Business Model

- How do you go about starting up a business?
- When do you move from an idea to a commercial plan?
- Where do you start when you put together your business plan?
- What decisions do you make to make the business sustainable?

Answer: You need a Business Model



Models Vs Plans

- Definitions
- **Business model**
 - A generic plan describing how different components and functions of a business can be organized;
- **Business plan**
 - A specific plan describing how a business idea can be put into action to achieve its goals

What Is Business Modelling?

- What is Business modelling?
- A framework to evaluate how building blocks of a business can be assembled to evaluate how they may function and interact collectively
- Essential exercise for a business
- Business Model Canvas describes the key business model elements and their relationships

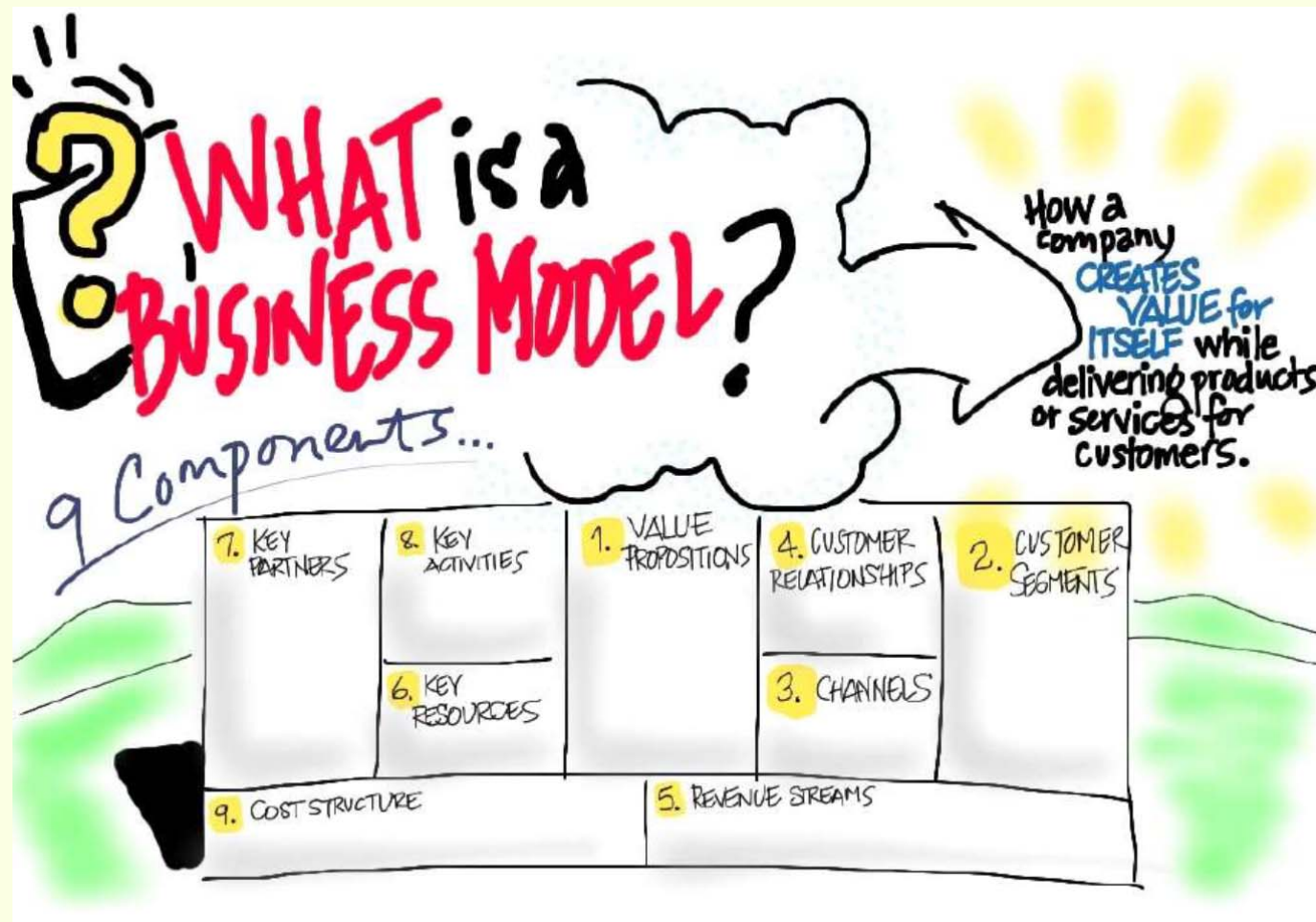


What is a Business Model?

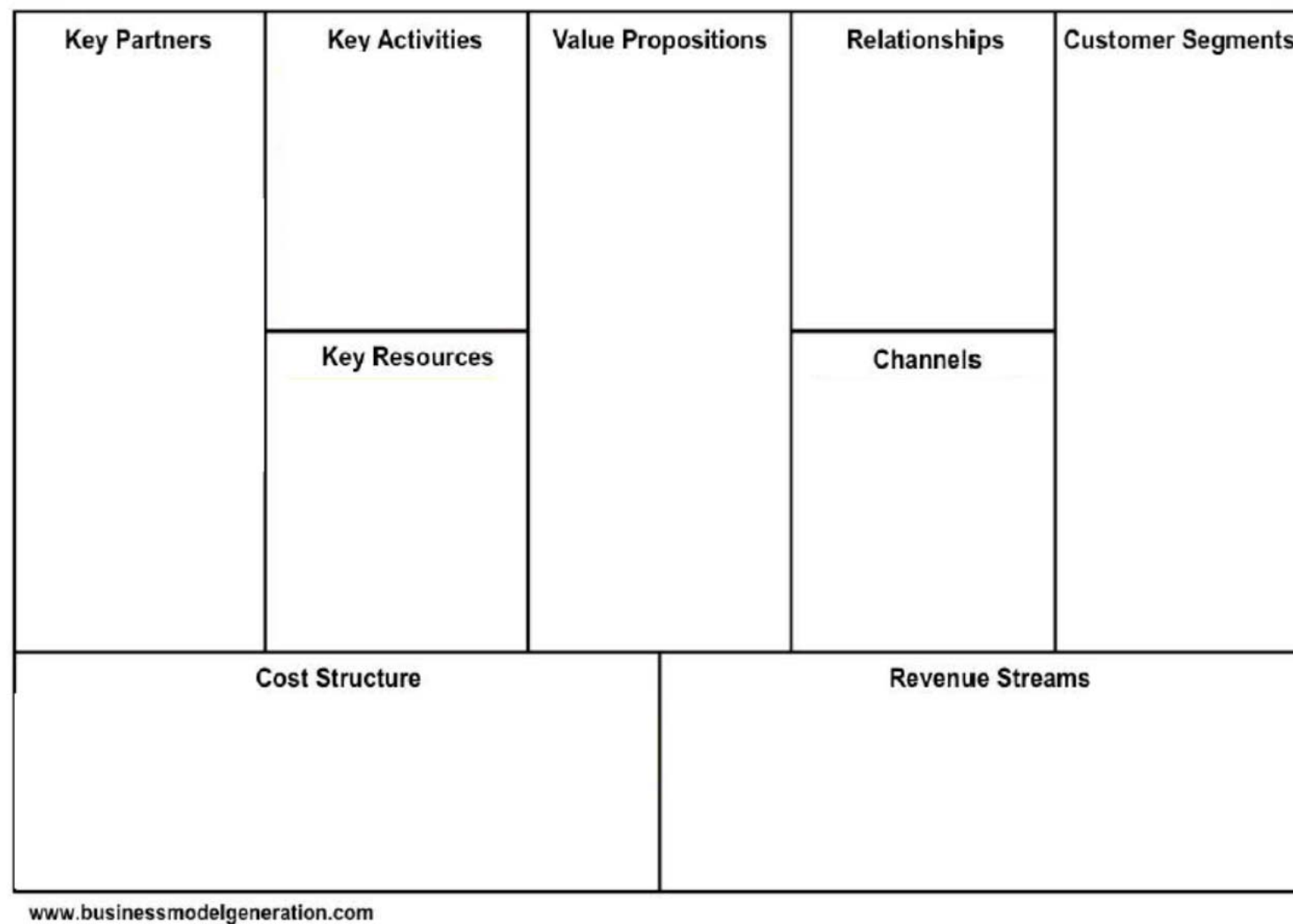
There is growing agreement on what elements define a business model:⁴

- ***What value is delivered to customers:*** Customer segments, the value proposition, the specific “job to be done,” what is sold and how it is sold
 - ***How revenue is generated:*** the pricing model and forms of monetization
 - ***How the company positions itself in the industry:*** the company’s role and relationships across the value chain
 - ***How the value is delivered:*** Key internal resources and processes as well as external partnerships.
-

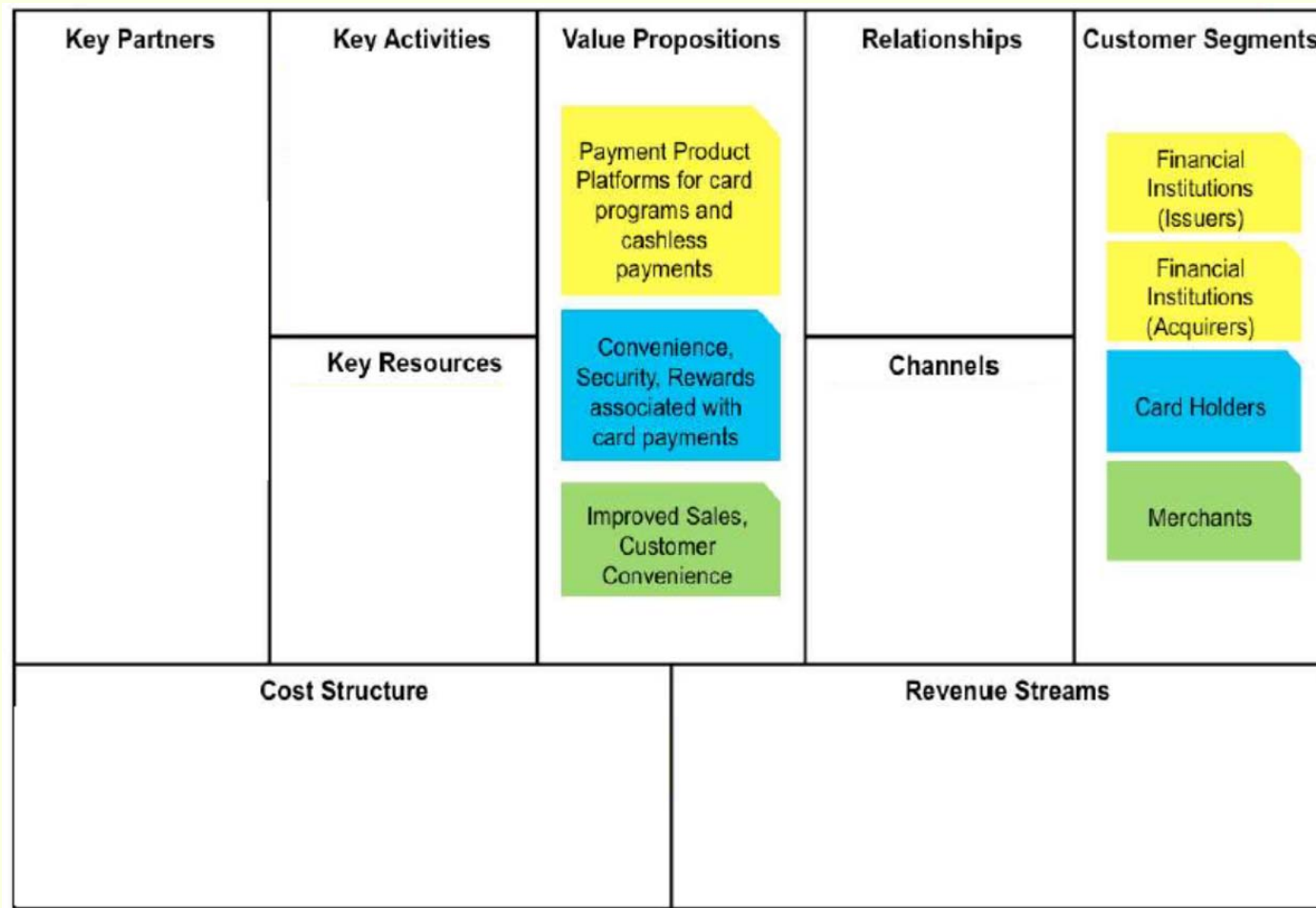
What is a Business Model?



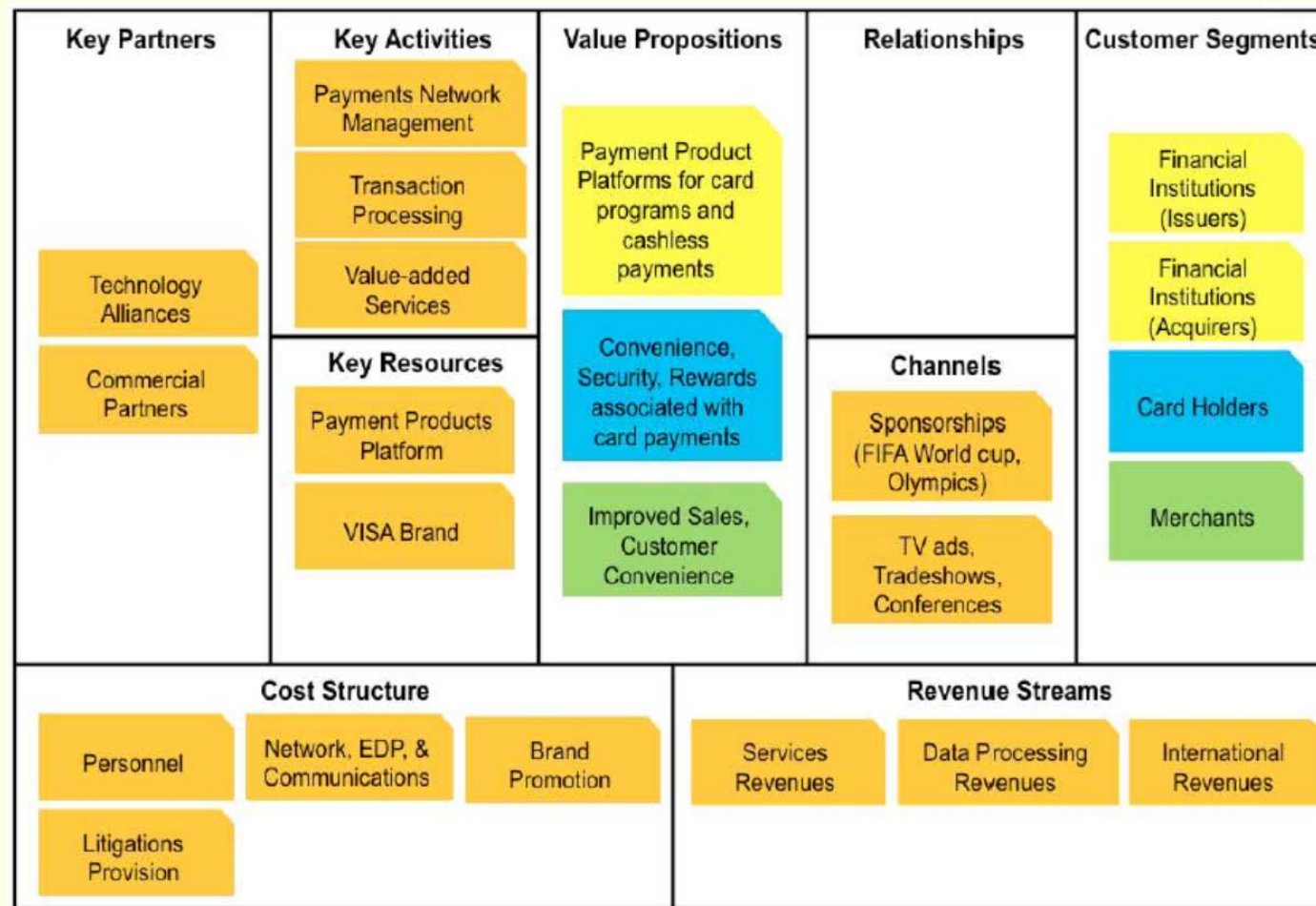
Business Model Canvas



VISA – Leader in Global Payments Industry



VISA – Leader in Global Payments Industry

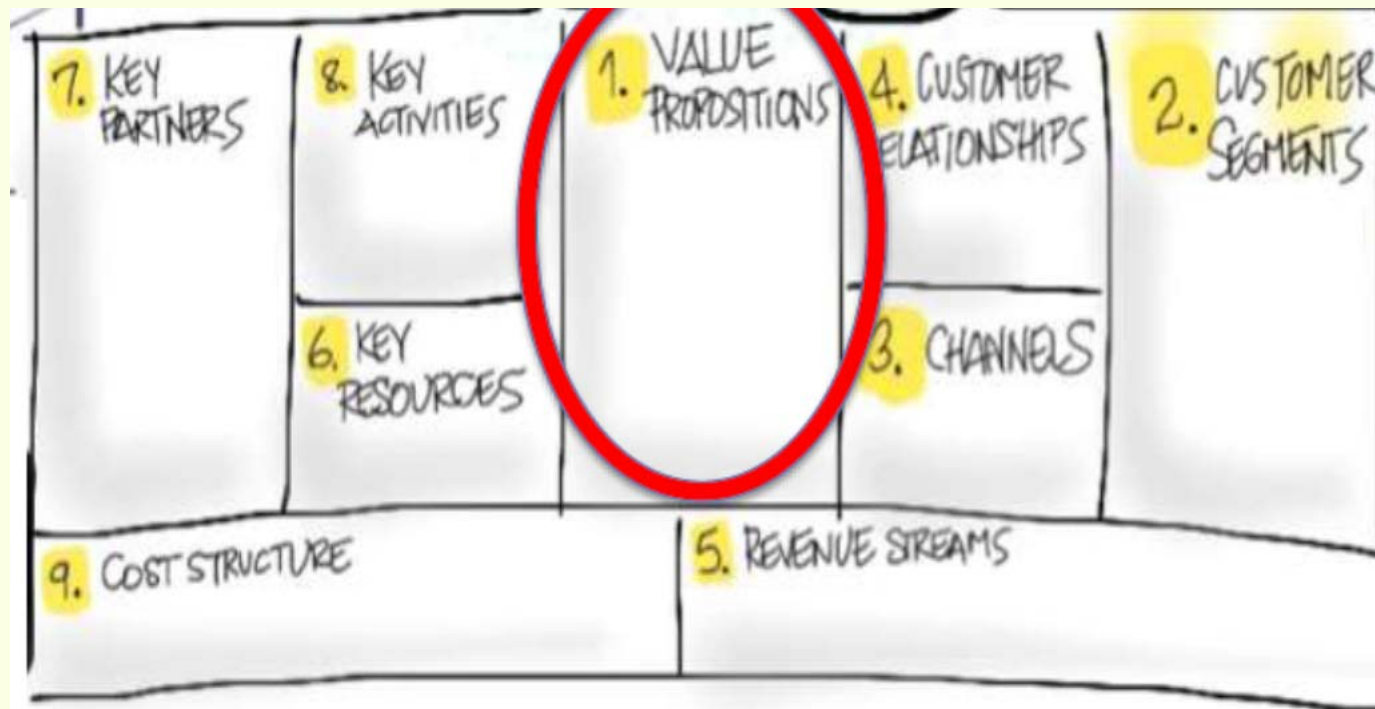


Business Model Canvas

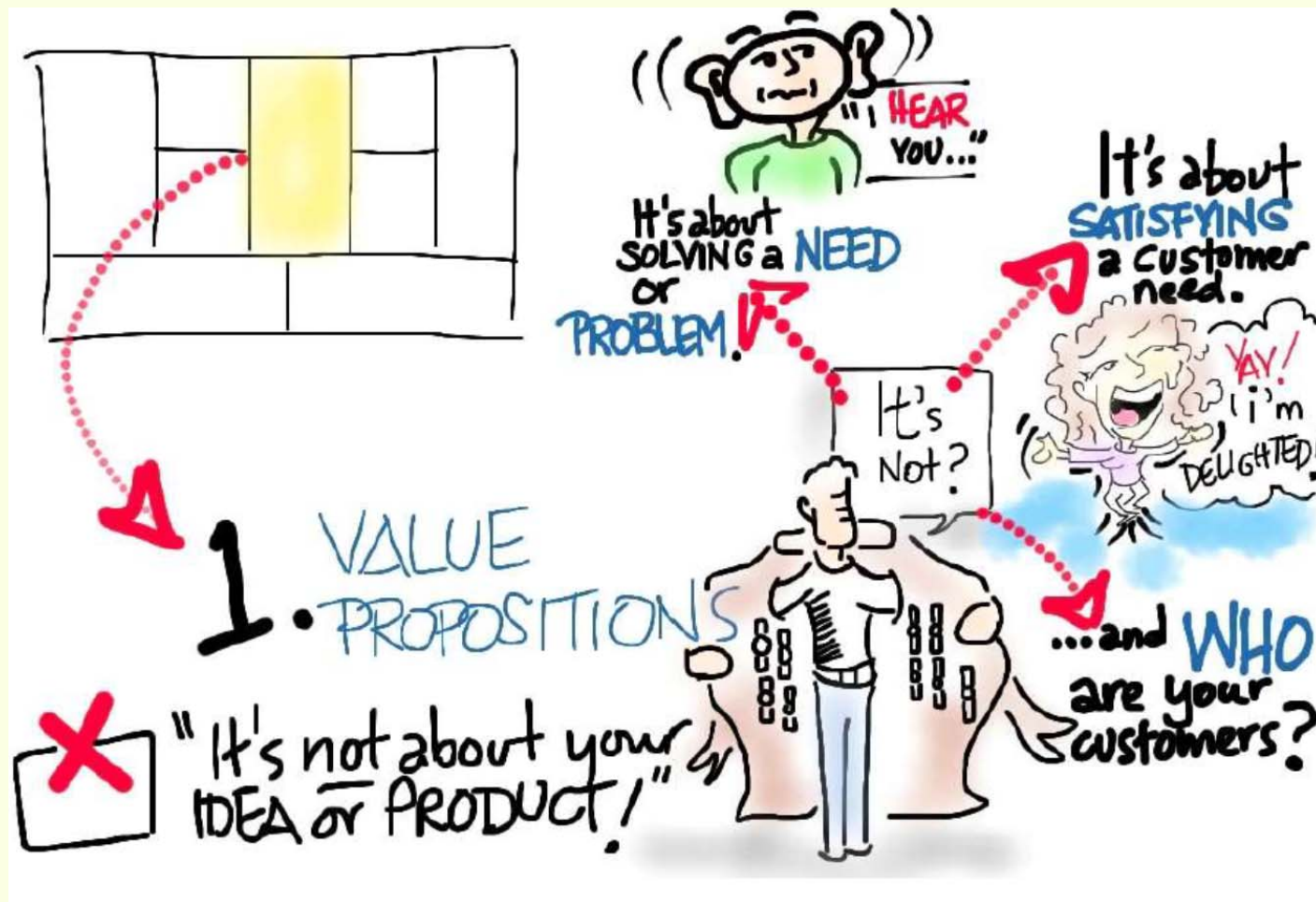
- It's about thinking about each box and their interrelationships
- Each box can contain different complementary, or contradictory, options – explore which goes best with other box combinations.
- Don't just stick with the examples we provide. This is a very 'open' approach.

Value Proposition –

What Are You Building & For Who?

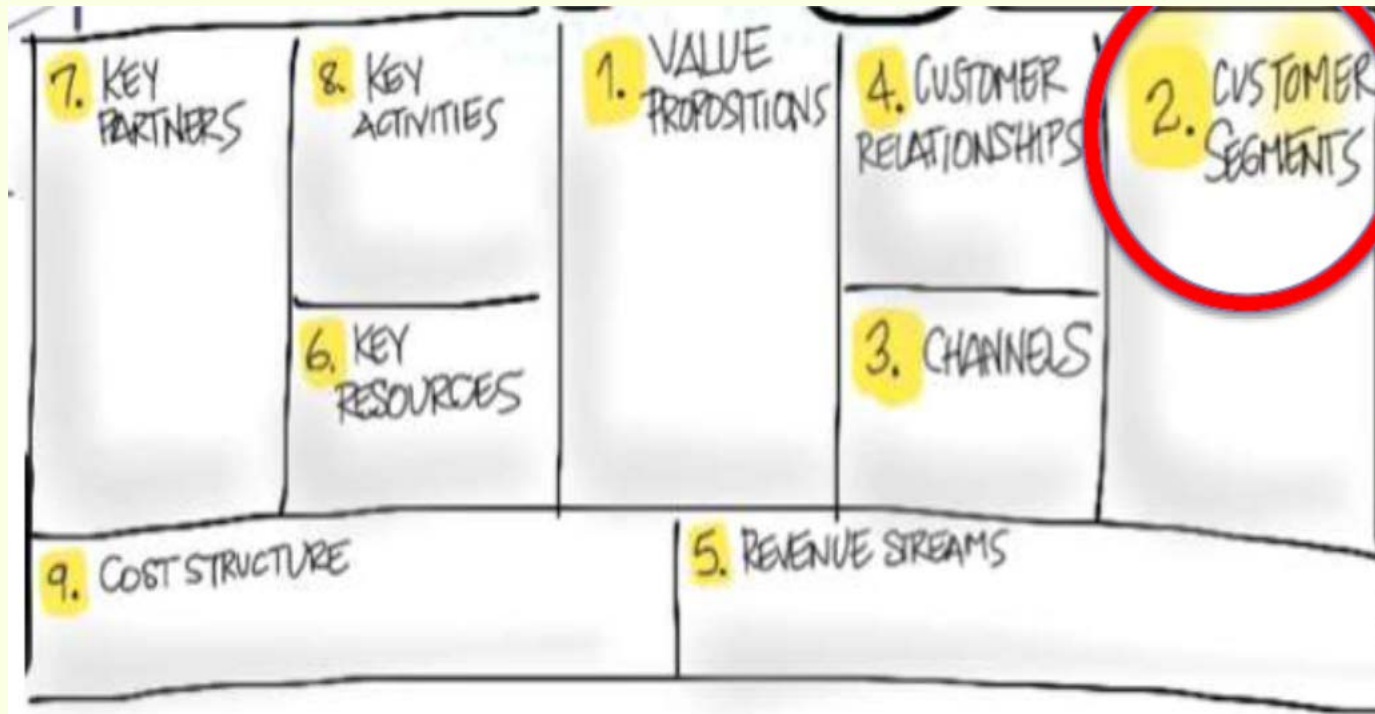


Value Proposition



Customer Segments –

Who Are They? Why Would They Buy?



Customer Segments

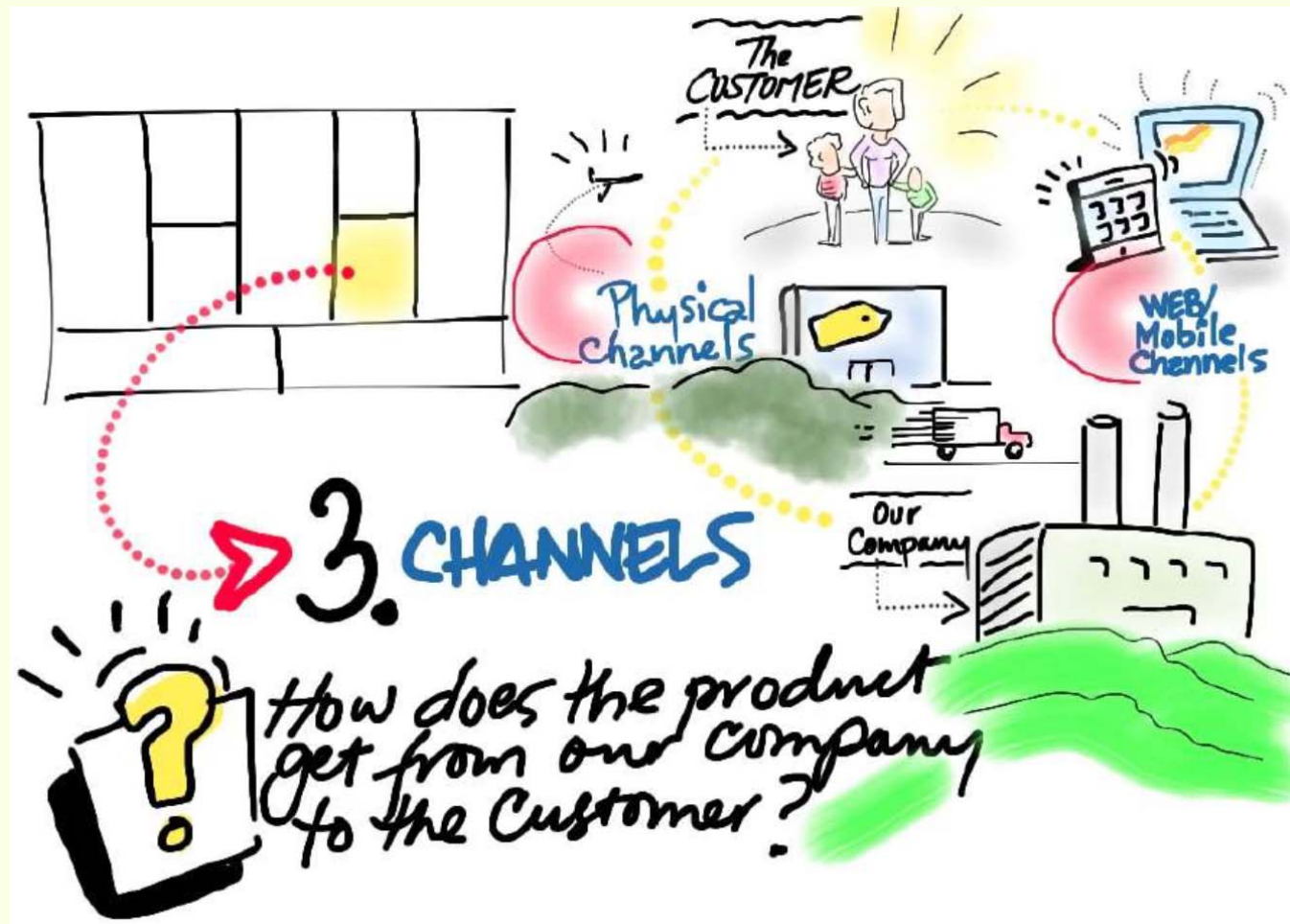


Channels –

How Does Your Product Get to Customers?

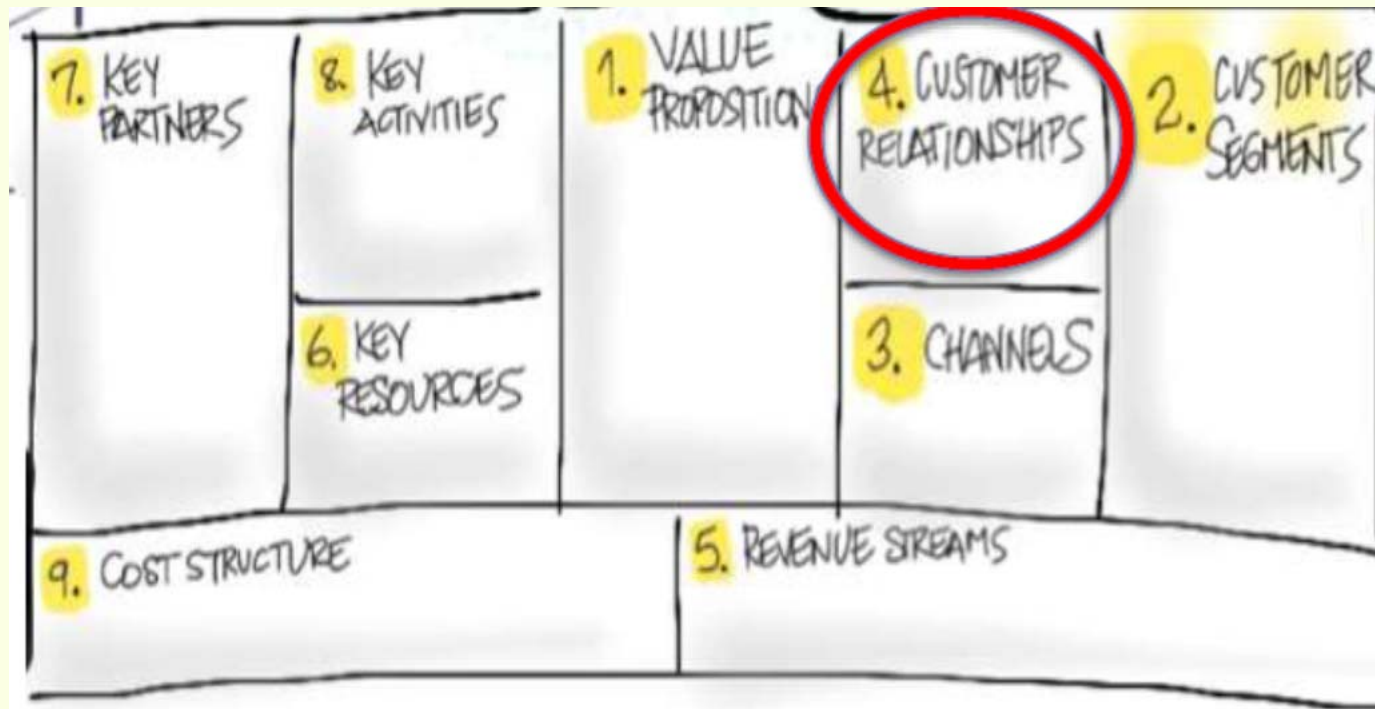


Channels

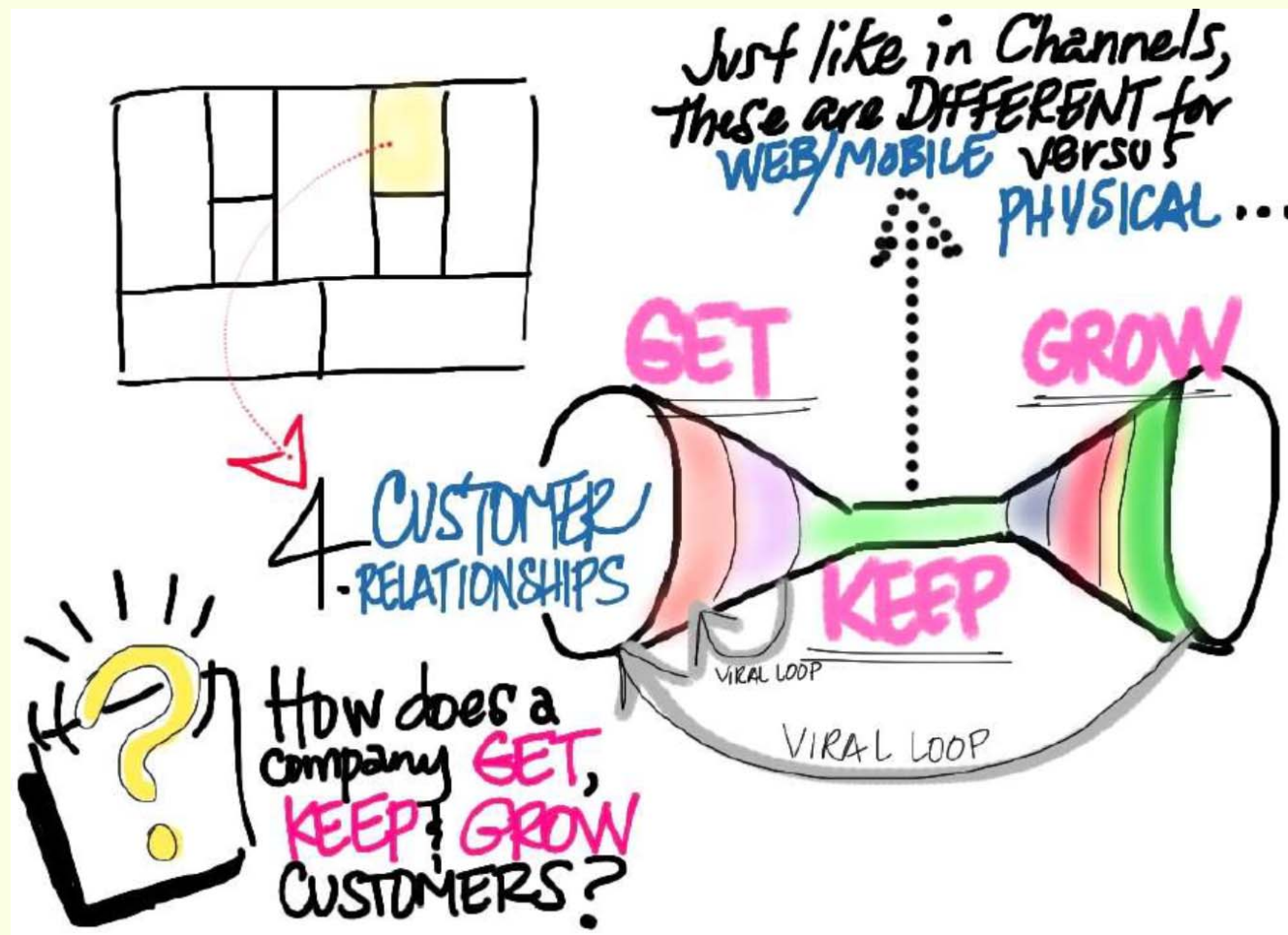


Customer Relationships –

How Do You Get, Keep & Grow Customers?



Customer Relationships

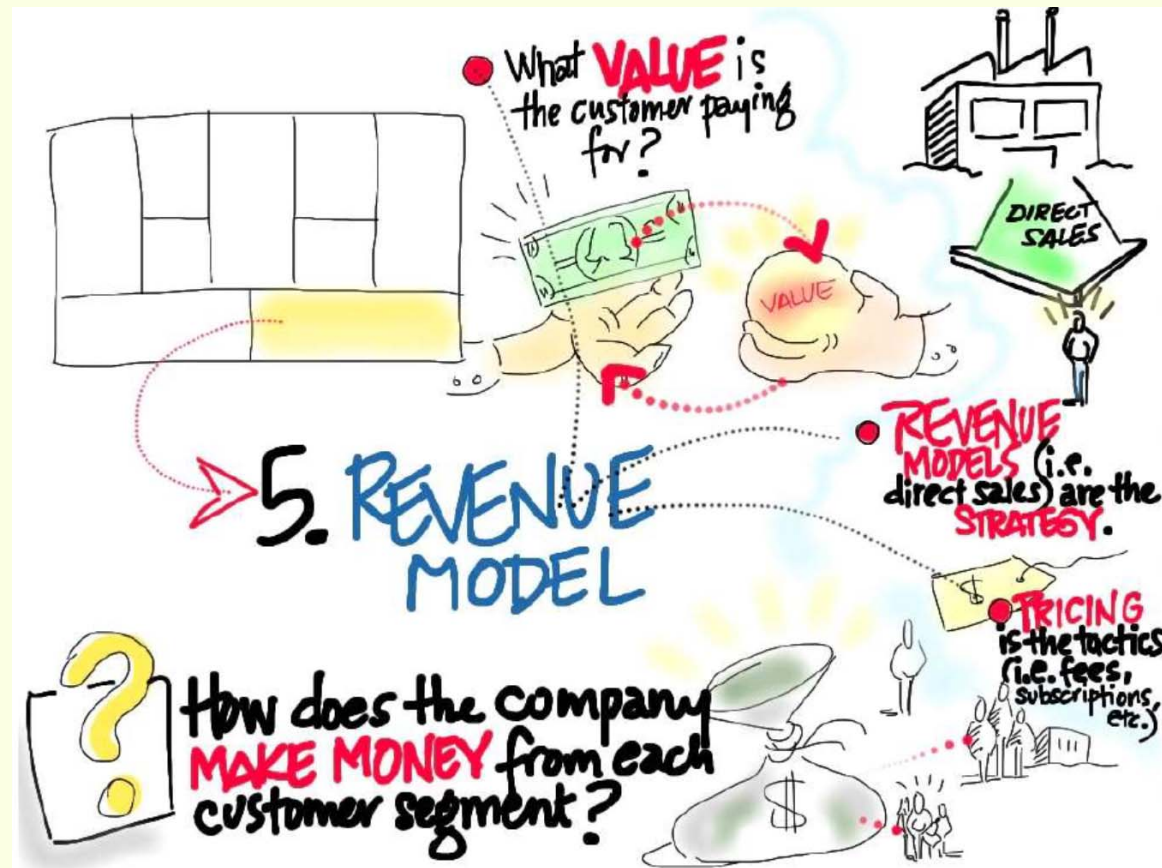


Revenue Streams –

How Do You Make Money?

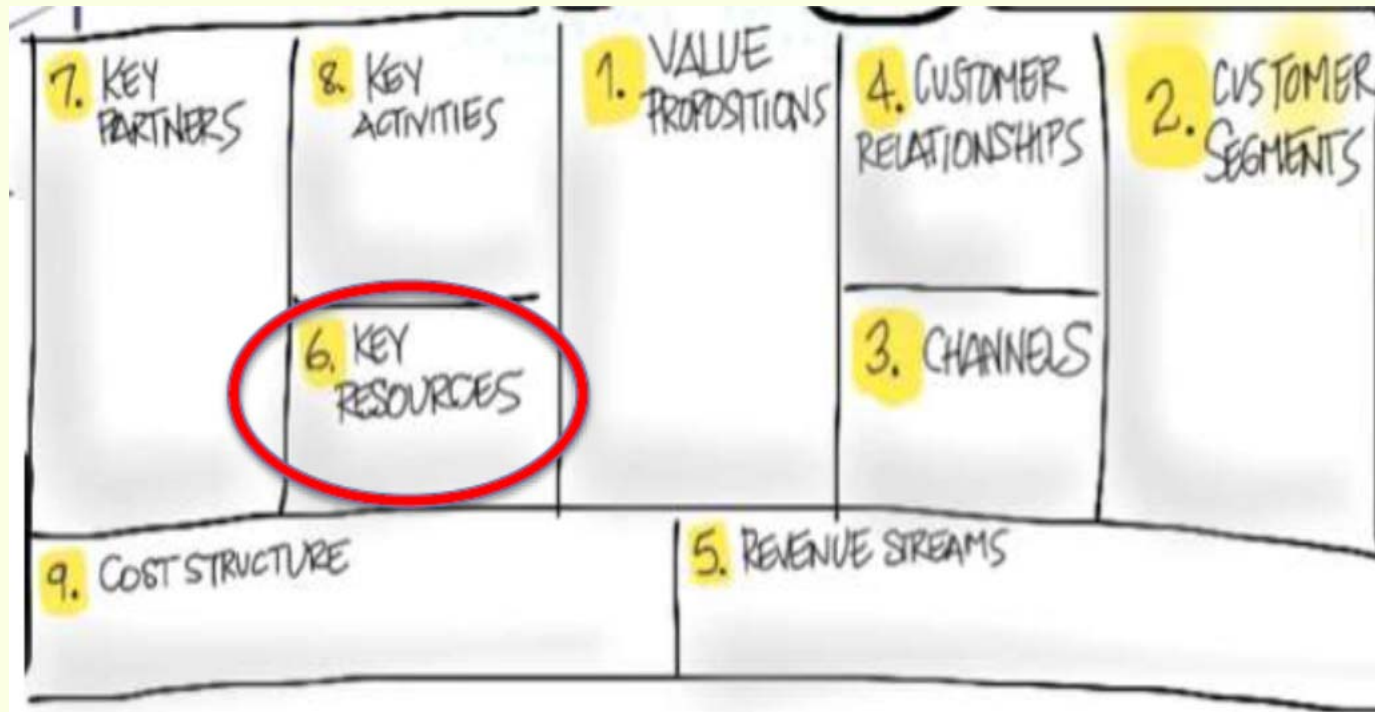


Revenue Streams

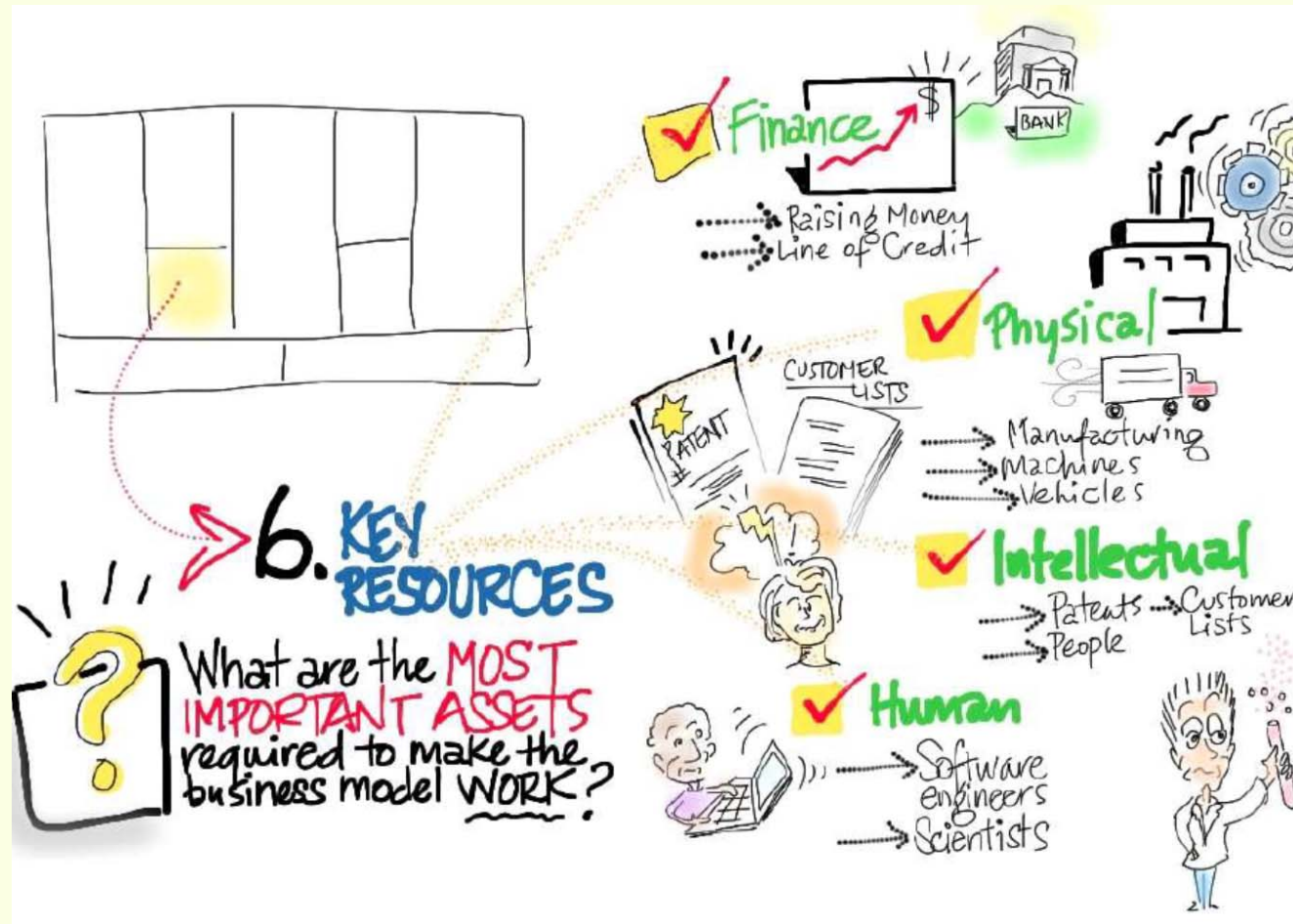


Key Resources –

What Are Your Most Important Assets?

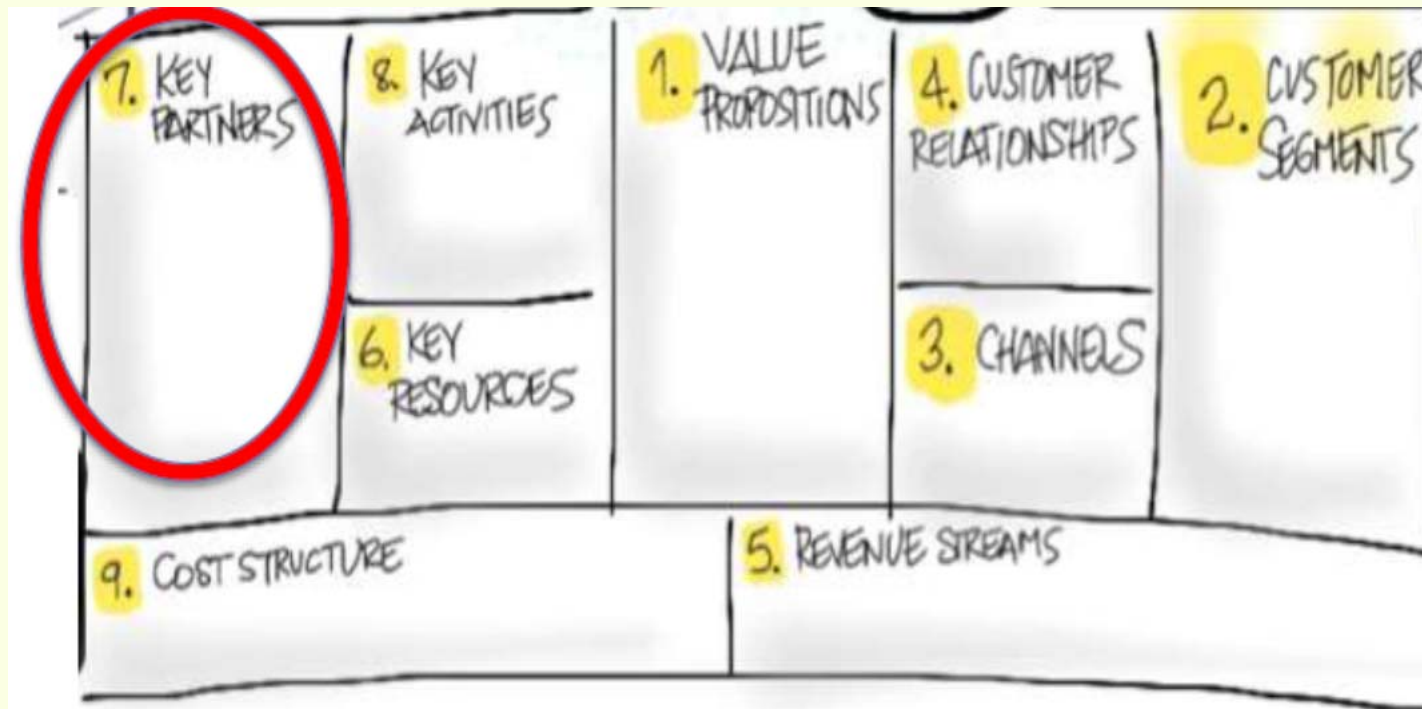


Key Resources

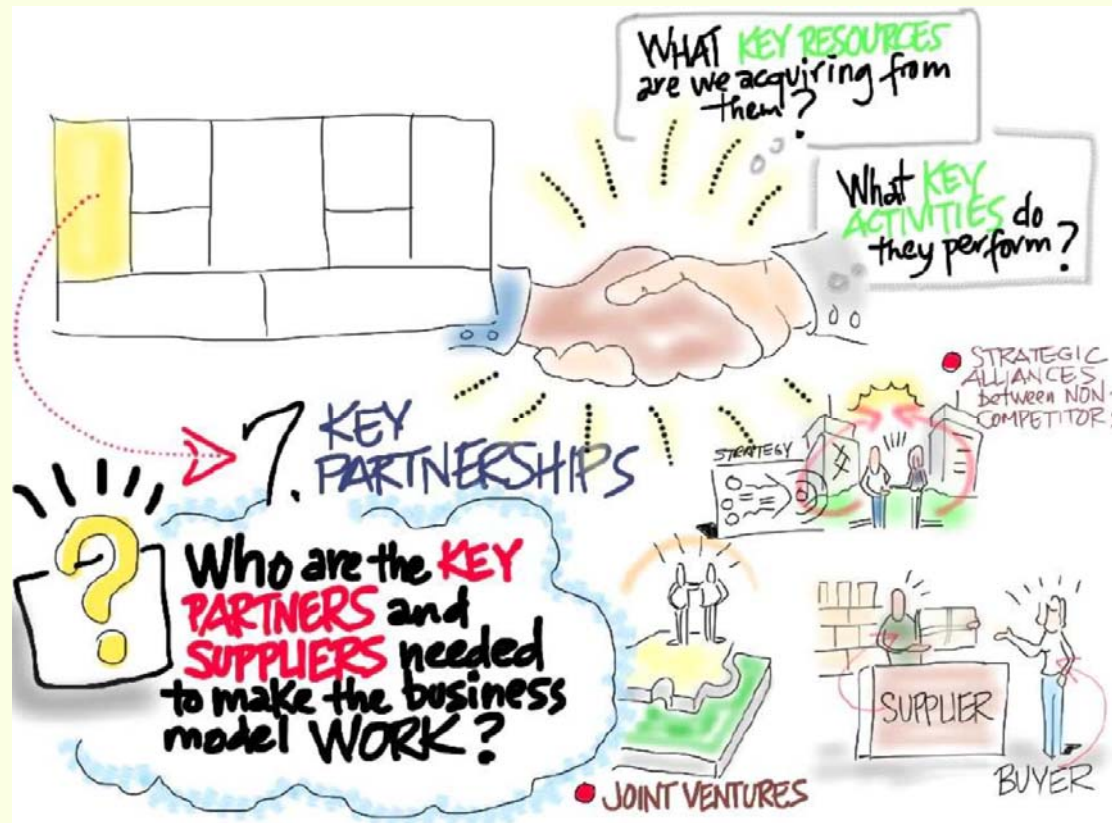


Key Partners –

Who Are Your Partners & Suppliers?

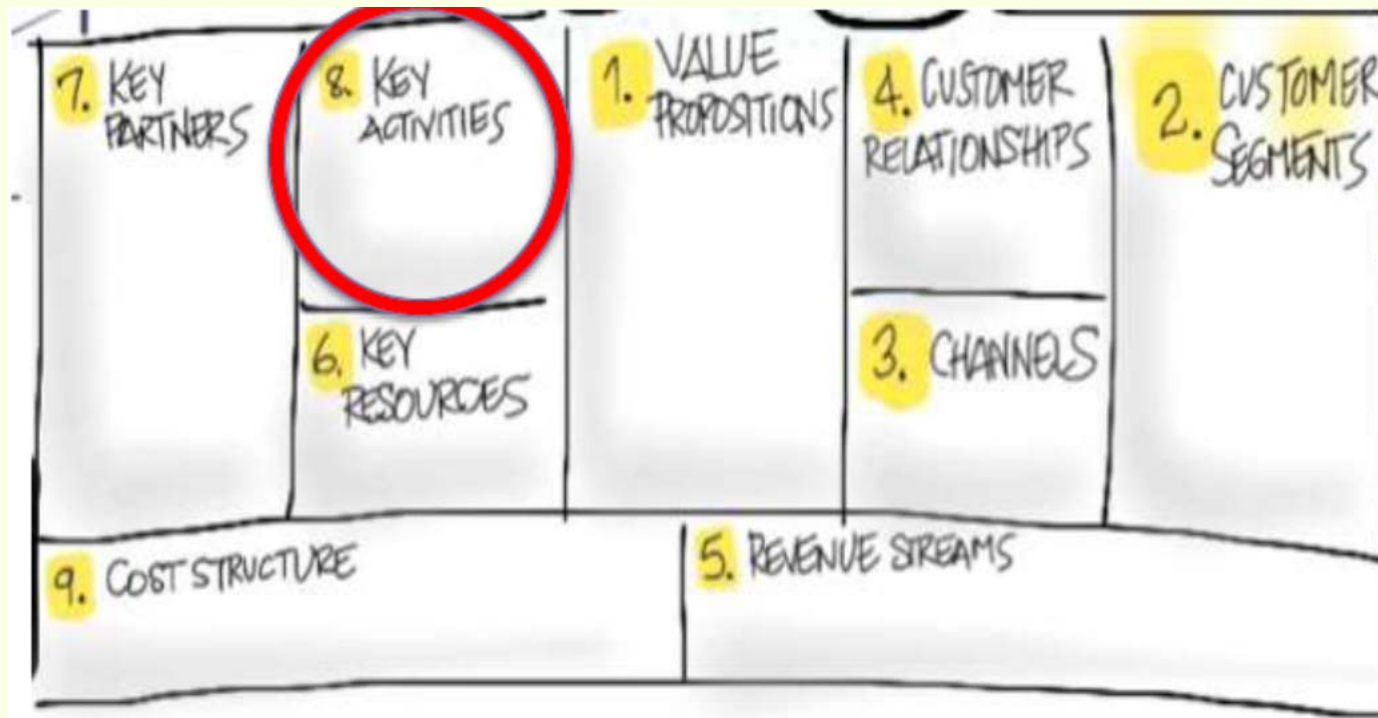


Key Partners

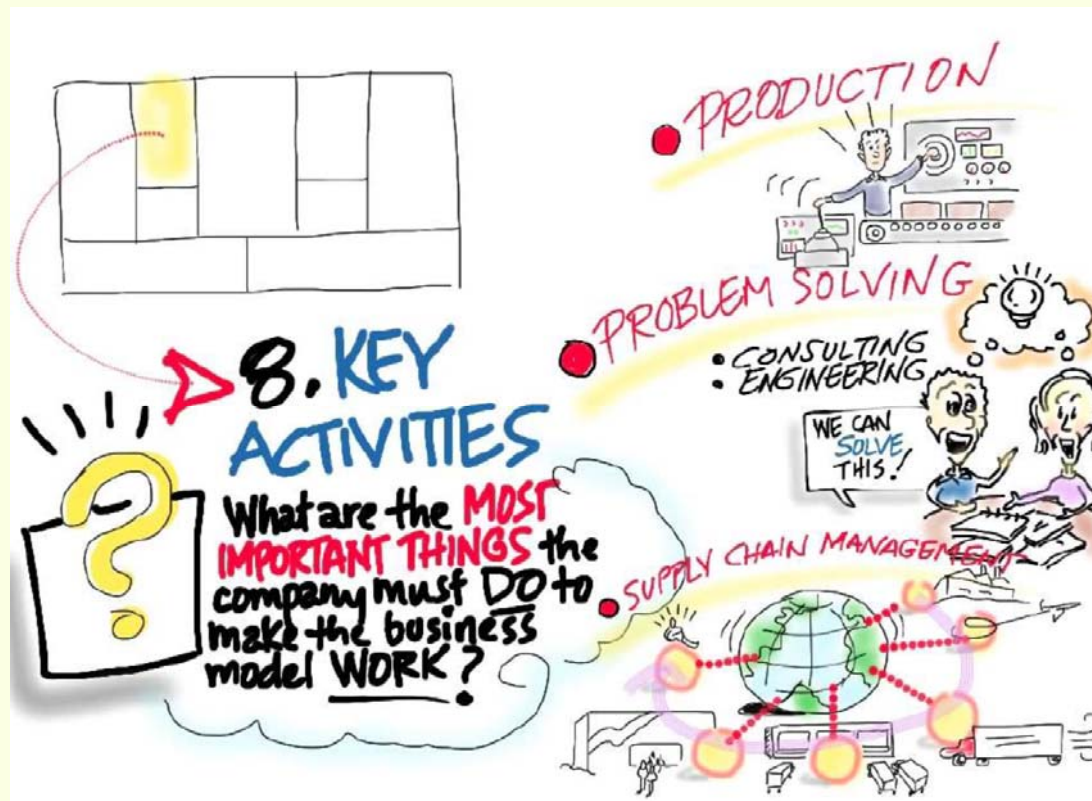


Key Activities –

What's Most Important For The Business?

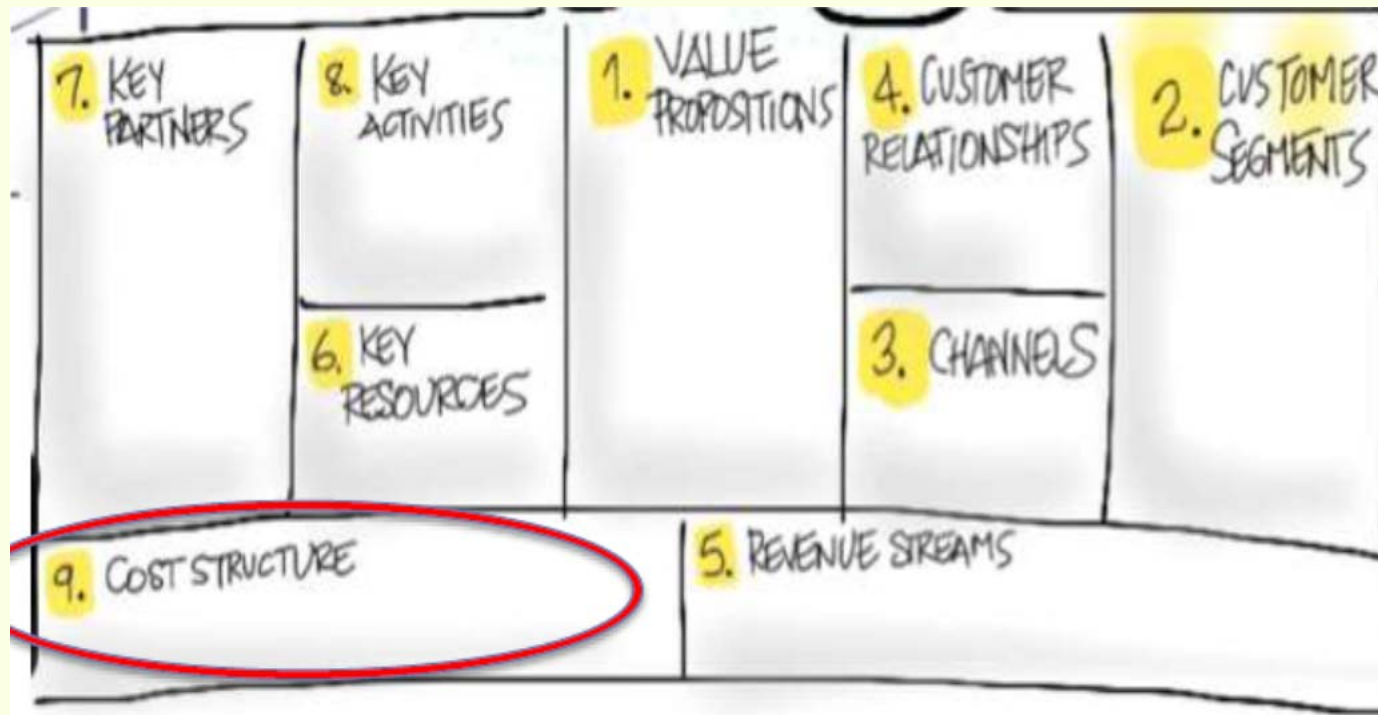


Key Activities

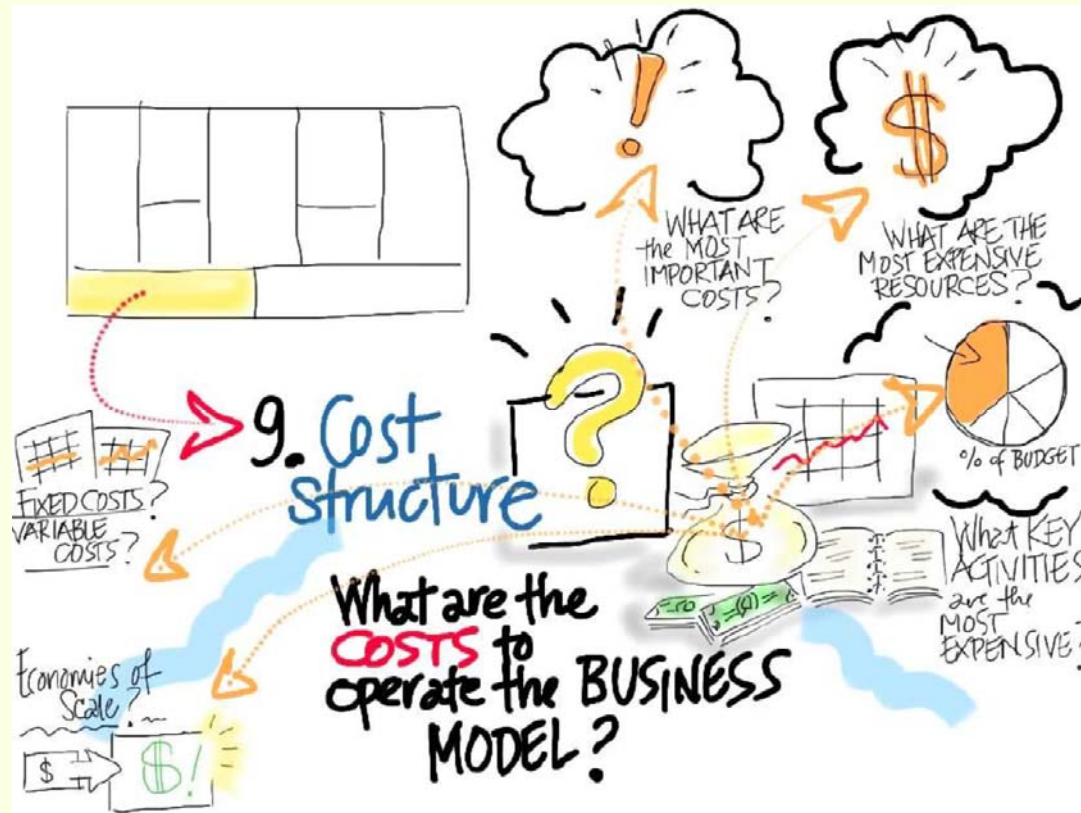


Cost Structure –

What Are The Costs & Expenses?

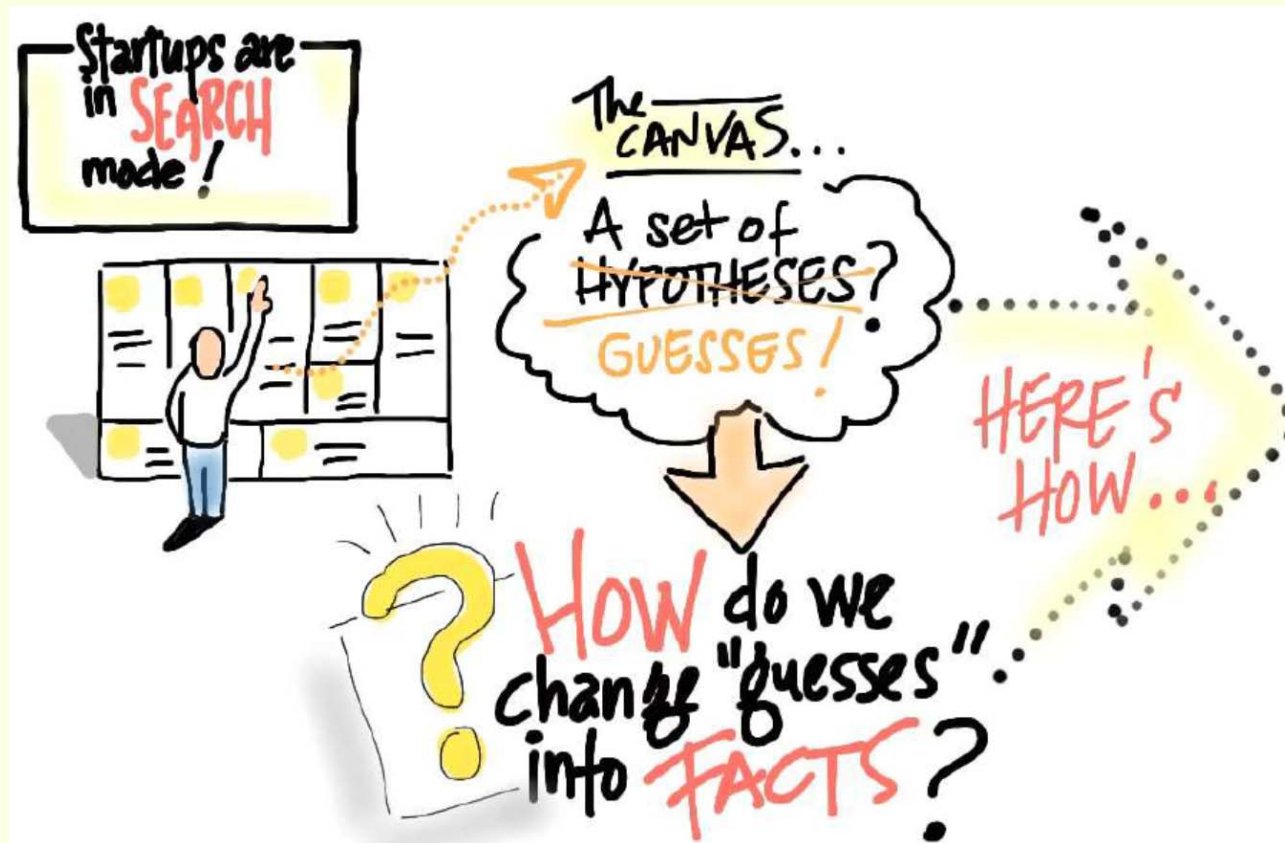


Cost Structure

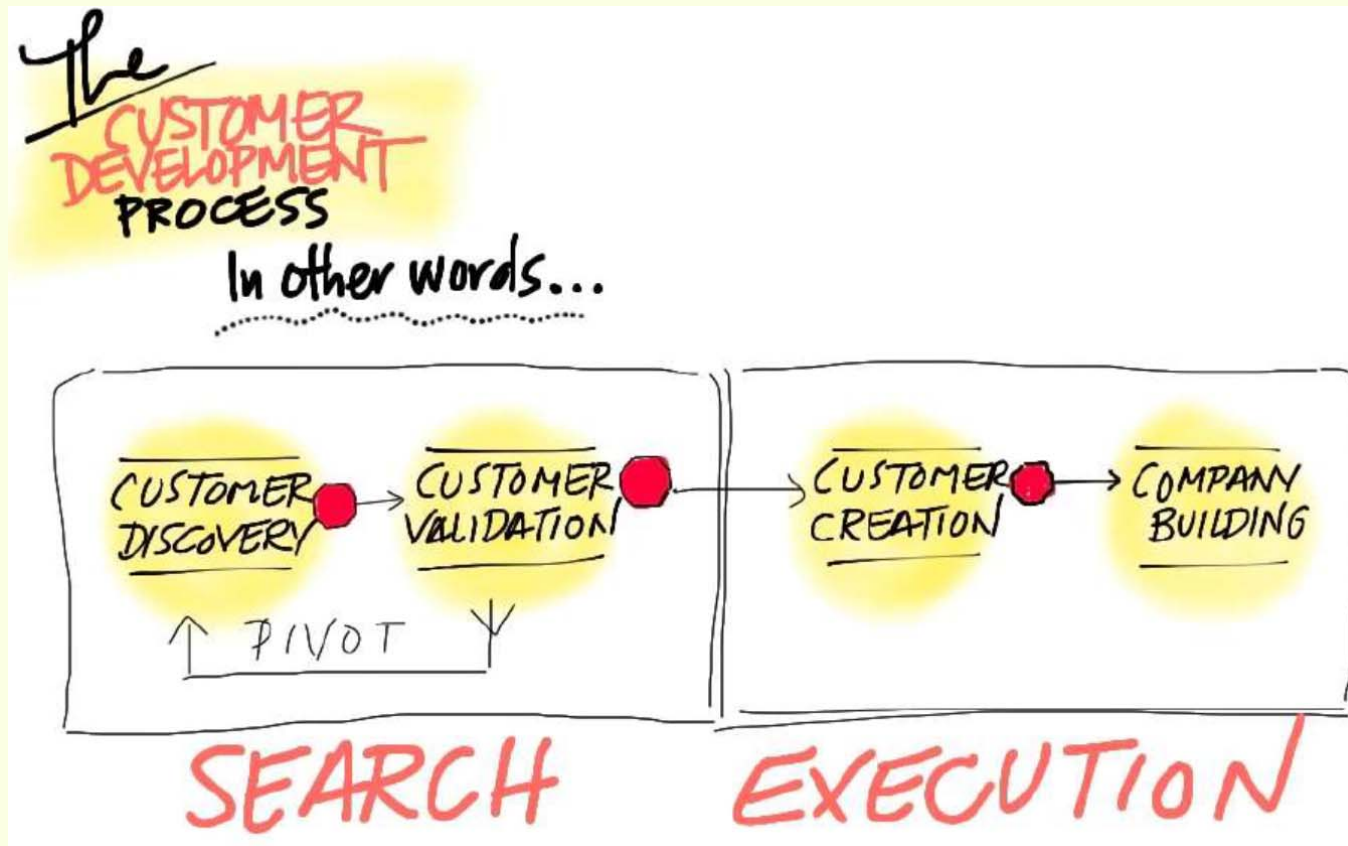


But,
Realize They're Hypotheses

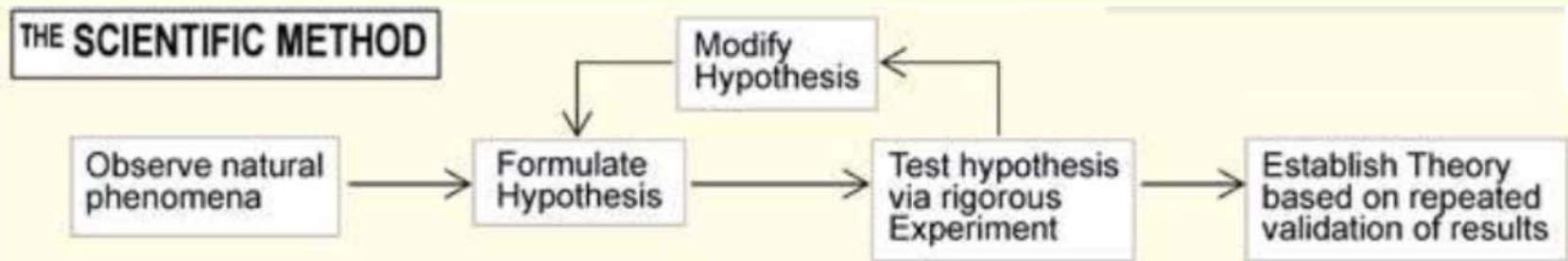
Key Partners  Why are we the Partner? Why are we the supplier? What key resources do we supply to partners? What key channels do partners use? What key activities do partners perform? Guess	Key Activities  What key activities do we Value Propositions require? The Technology (Channel)? Customer Relationship? Revenue Stream? Guess	Value Propositions  What value does deliver to the customer? What value of our customer's problems are we helping to solve? What bundle of products and services are we offering to each Customer Segment? Which customer needs are we addressing? Guess	Customer Relationships  What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which type of relationship we establish? How do they interact with the rest of our business model? Guess	Customer Segments  For whom are we creating value? Why are we most important customers? Channels: Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How can we reach them more effectively? Guess
Cost Structure  What are the most important costs incurred in our business model? What are the fixed costs, the most expensive? What are the variable costs, the most expensive? What are the key resources, the most expensive? What are the key activities, the most expensive? What are the key channels, the most expensive? What are the key customer relationships, the most expensive? Guess		Revenue Streams  For what value are our customers really willing to pay? For what do they actually pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues? Guess		



The Customer Development Process

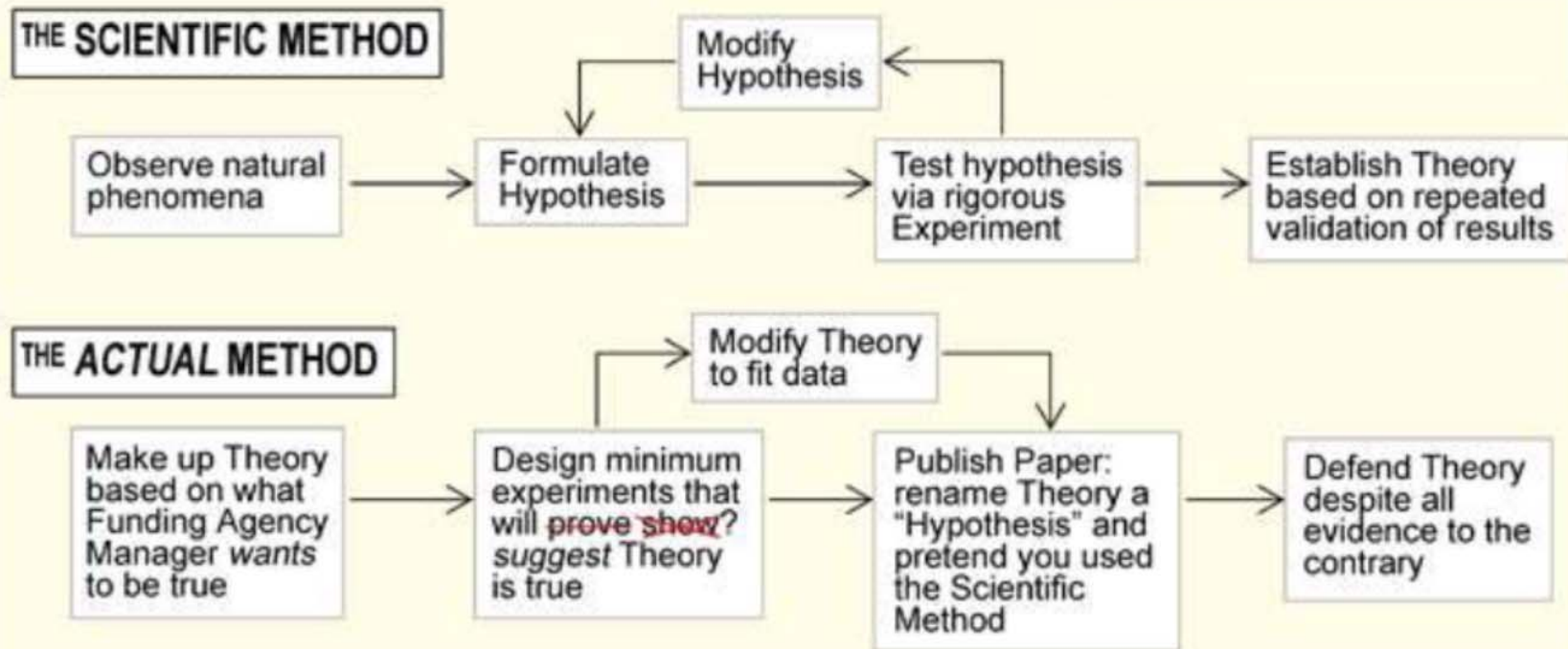


Scientific Method



Piled Higher and Deeper by Jorge Cham ©2006 www.phdcomics.com

In Reality...



Piled Higher and Deeper by Jorge Cham © 2006 www.phdcomics.com

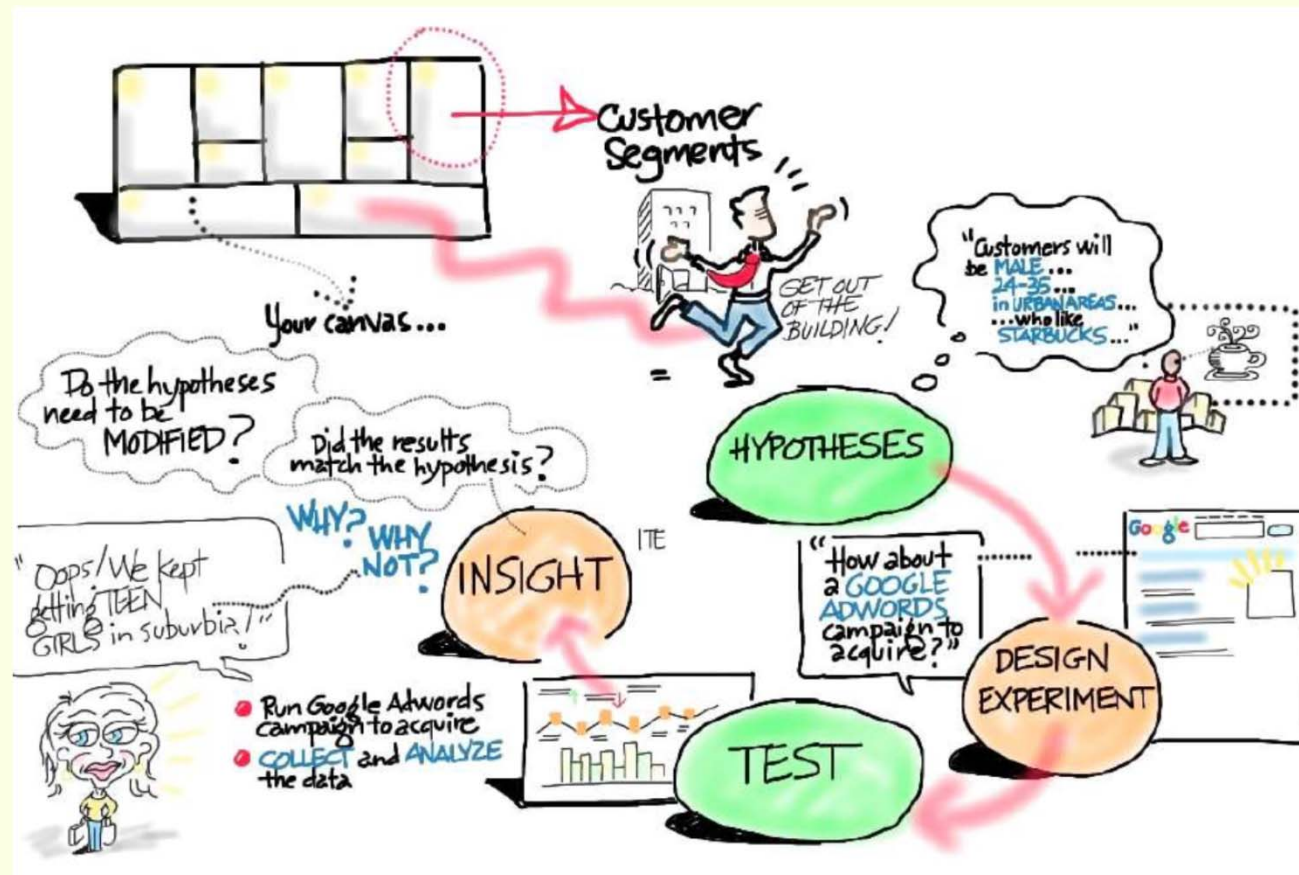
Customer Development

Test the Problem, Then the Solution

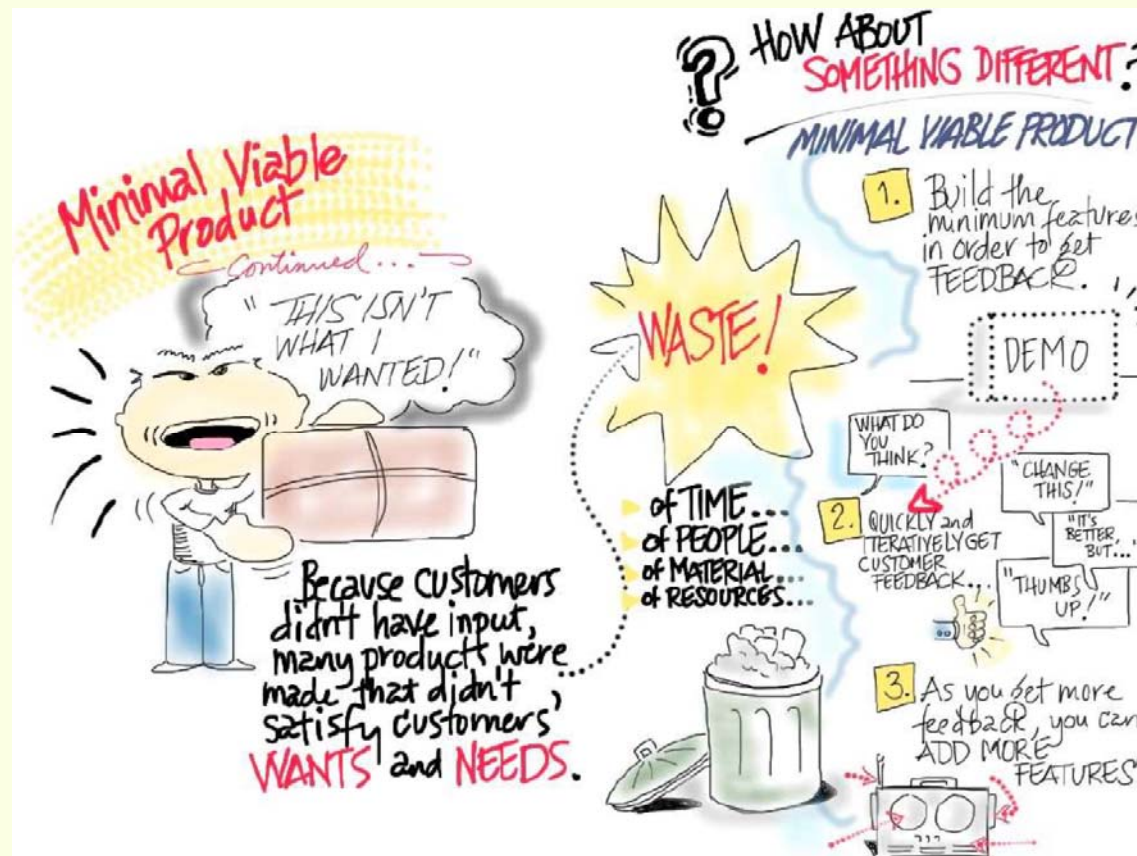
Test Guesses, Look For Insight



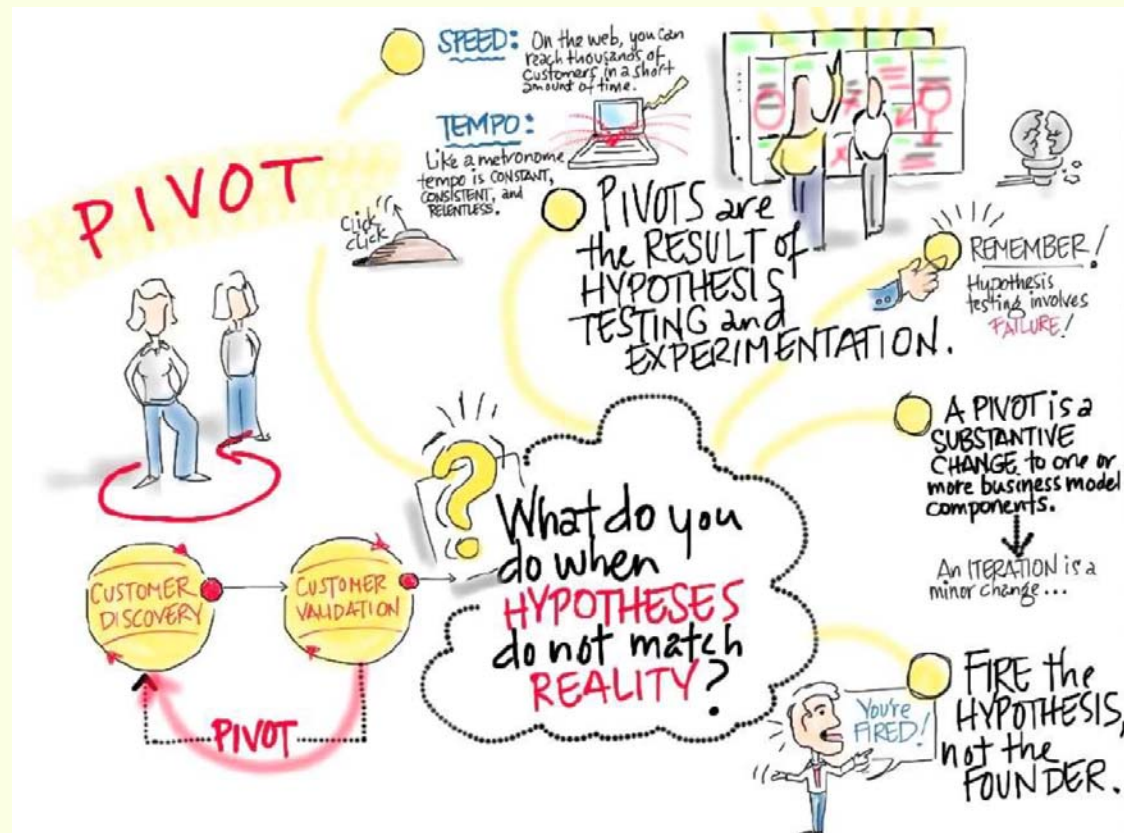
Hypotheses-Design Experiment-Test-Insight



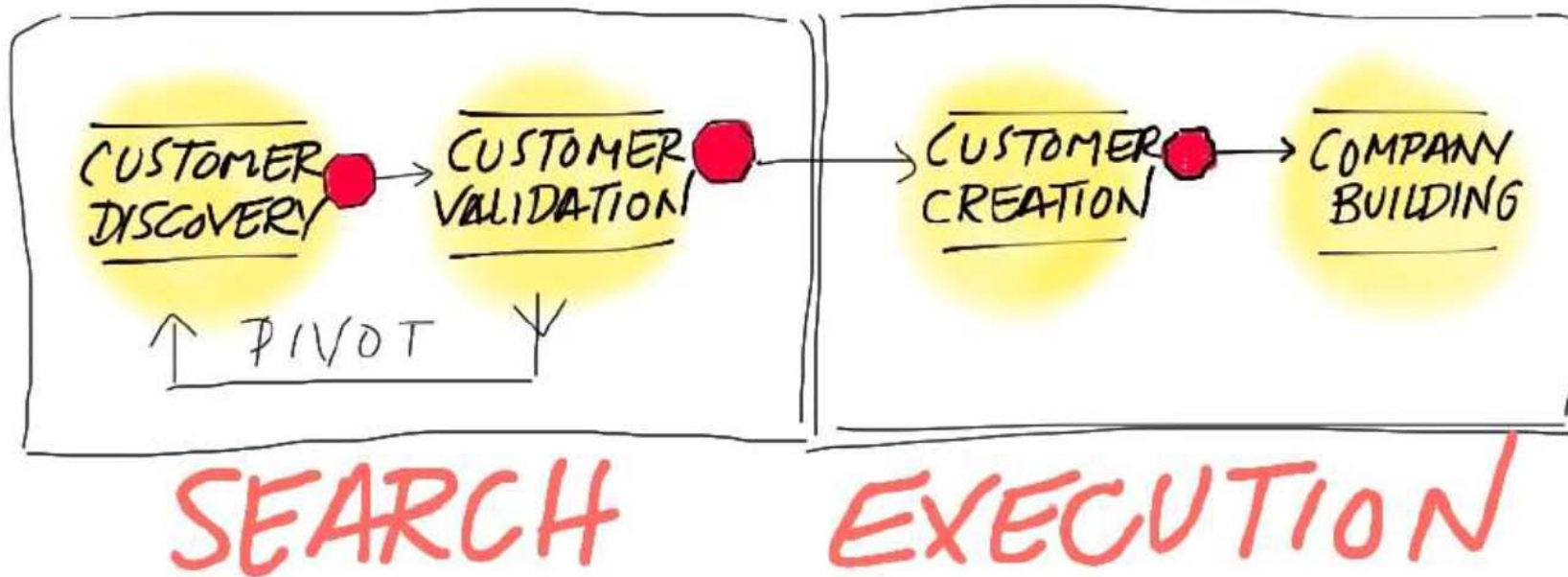
Customer Development – Minimum Viable Product



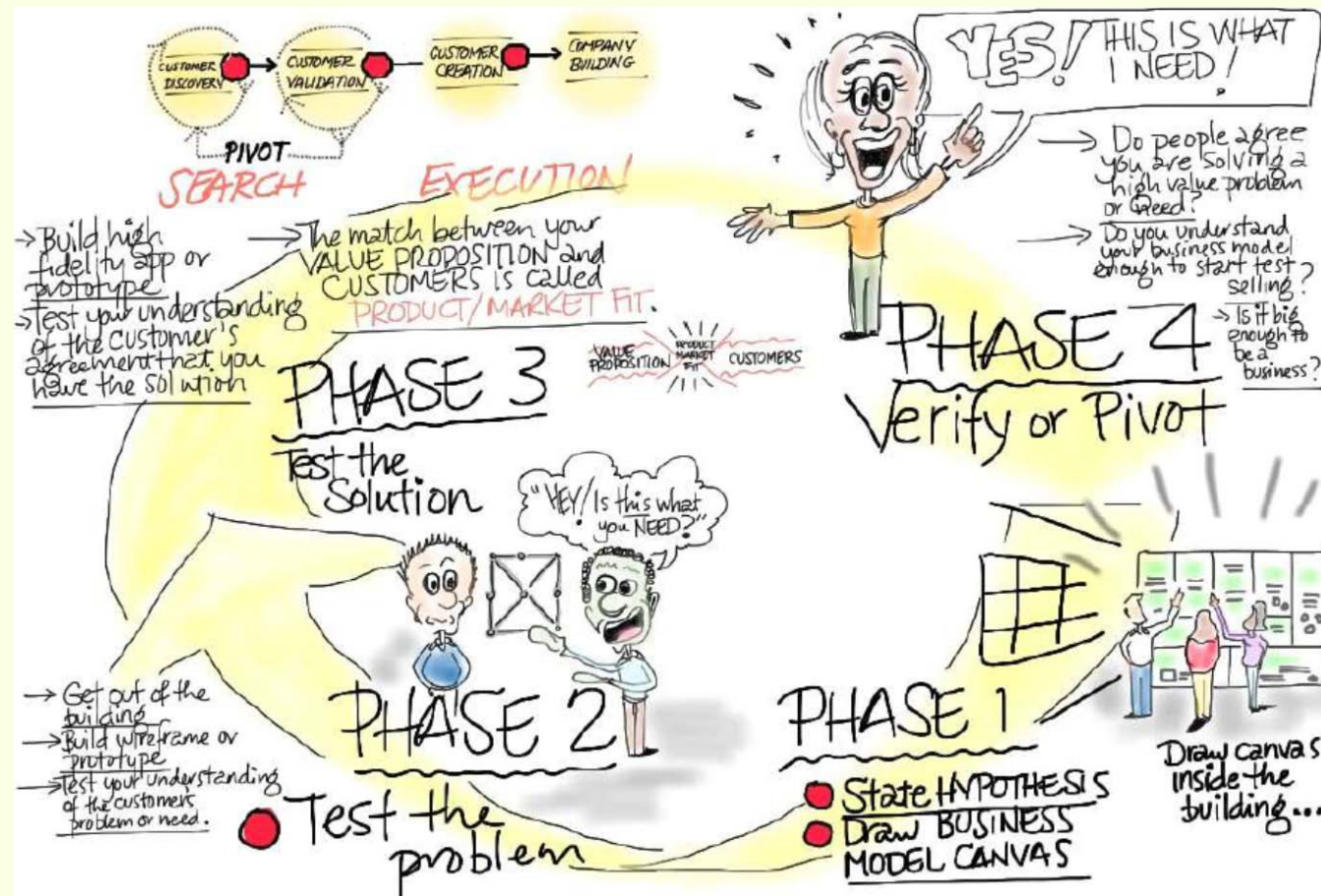
Customer Development – The Pivot



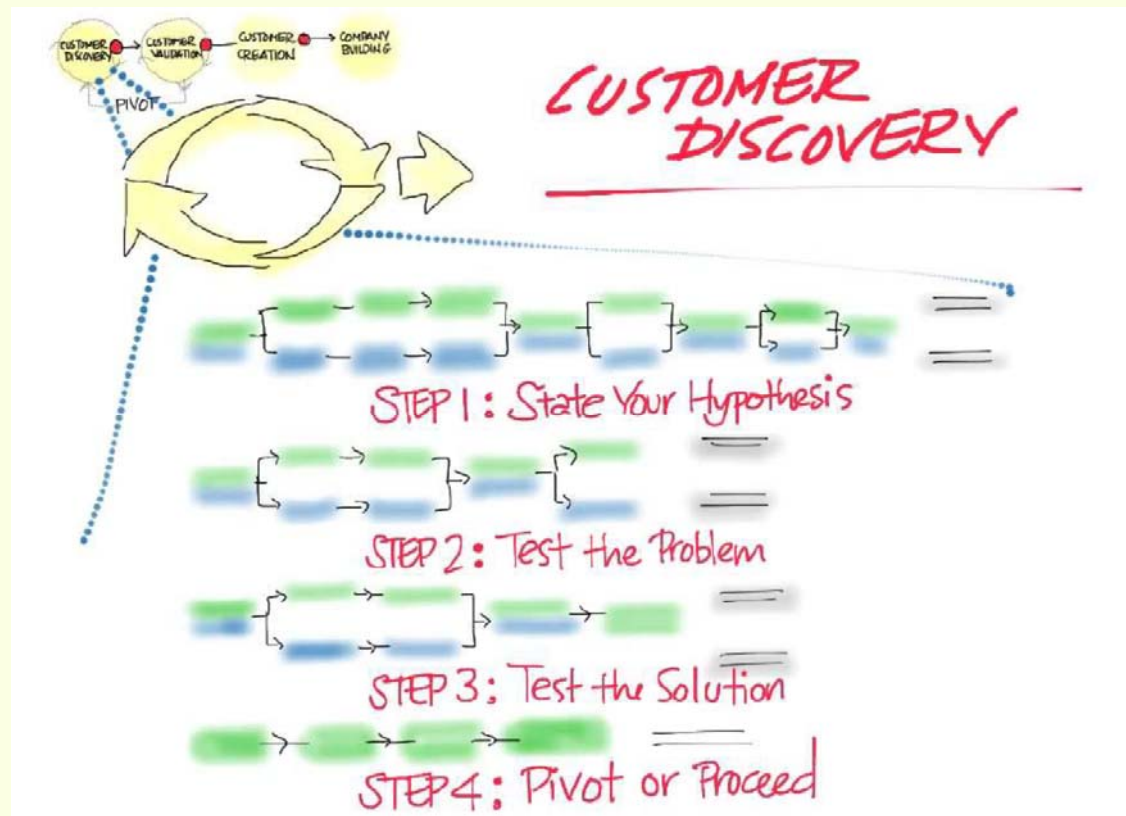
Customer Development Is How You Search For The Model



4 Phases To Enlightenment!



Customer Discovery

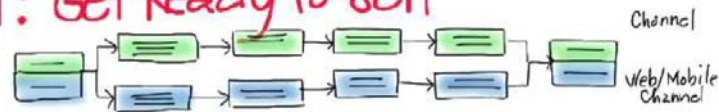




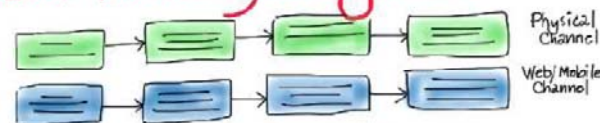
Customer Validation

CUSTOMER VALIDATION

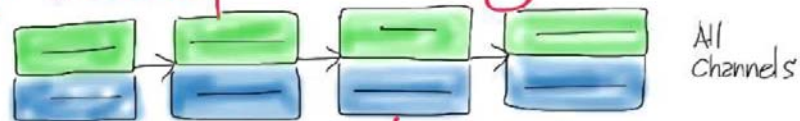
STEP 1: Get Ready to Sell



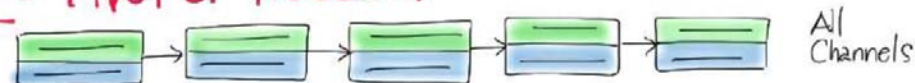
STEP 2: Sell to Early Vangelists



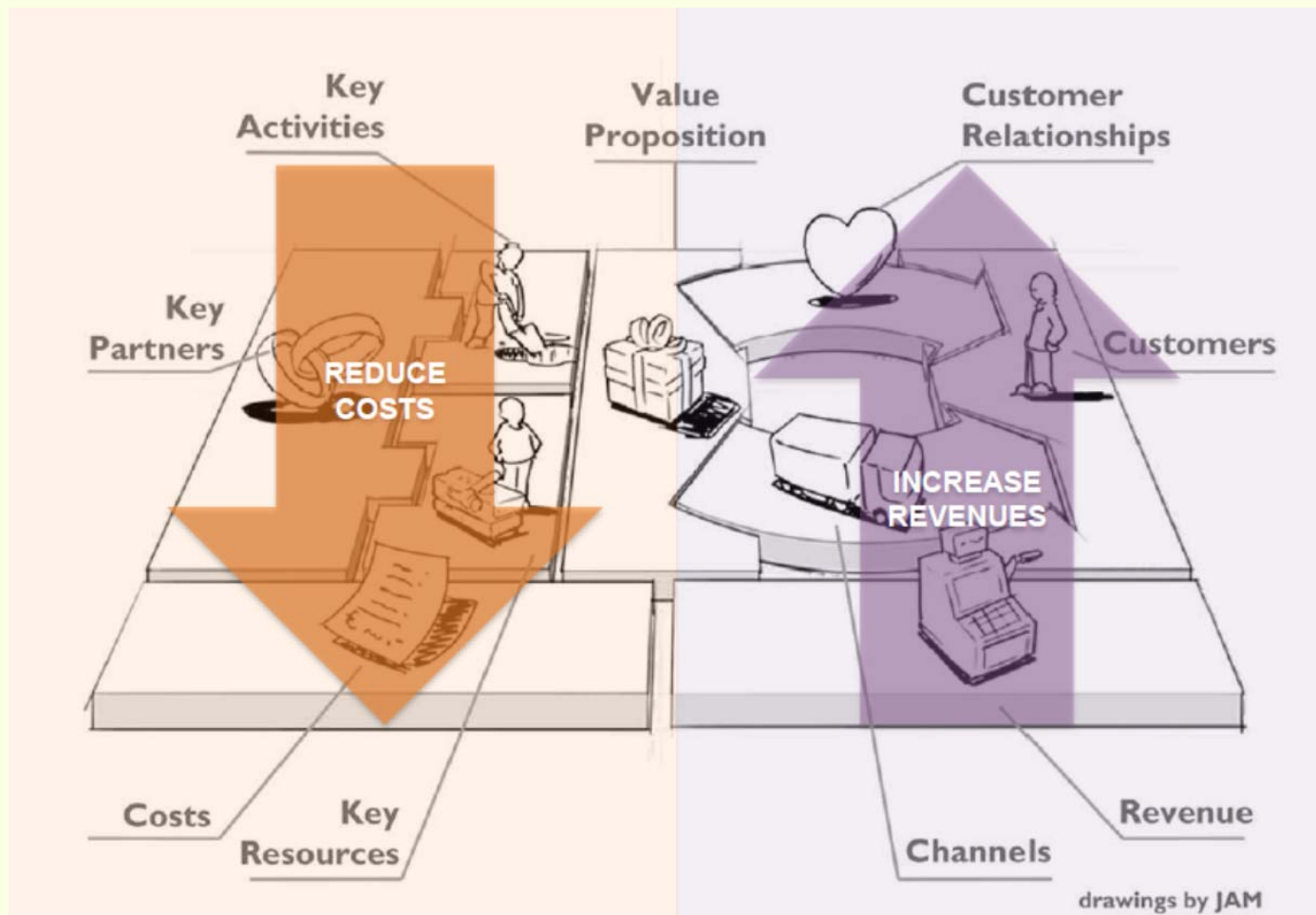
STEP 3: Develop Positioning



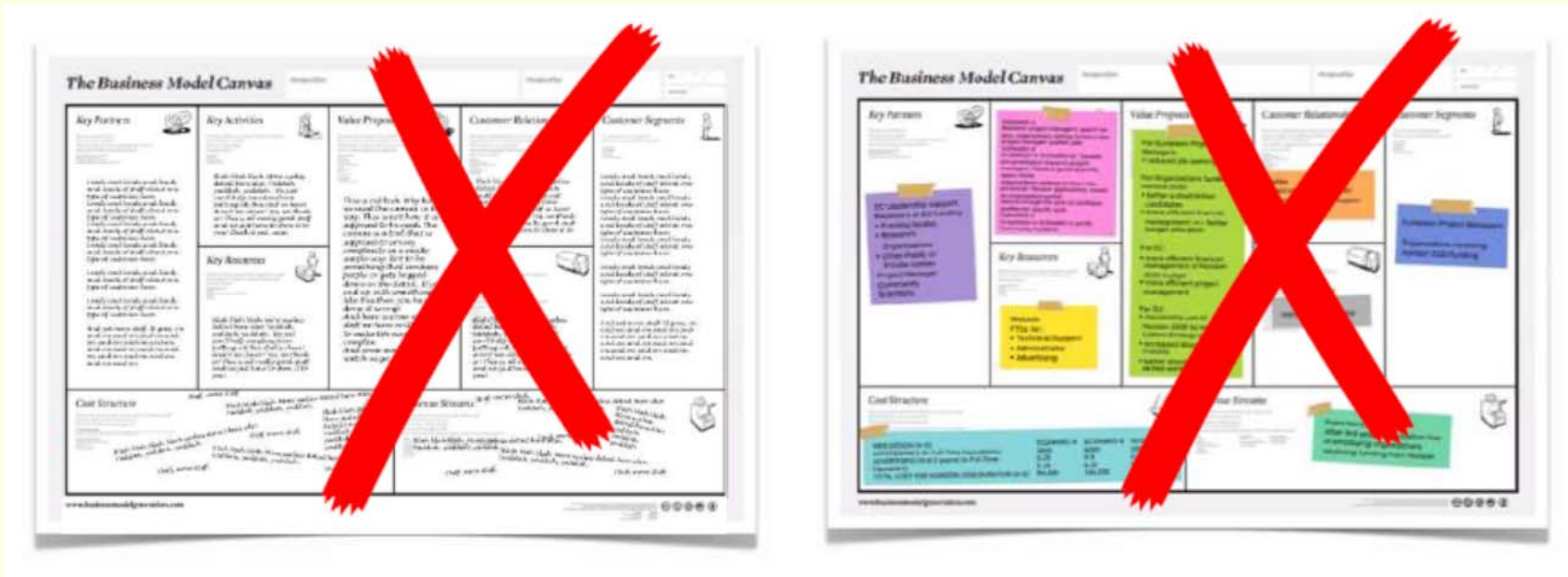
STEP 4: Pivot or Proceed



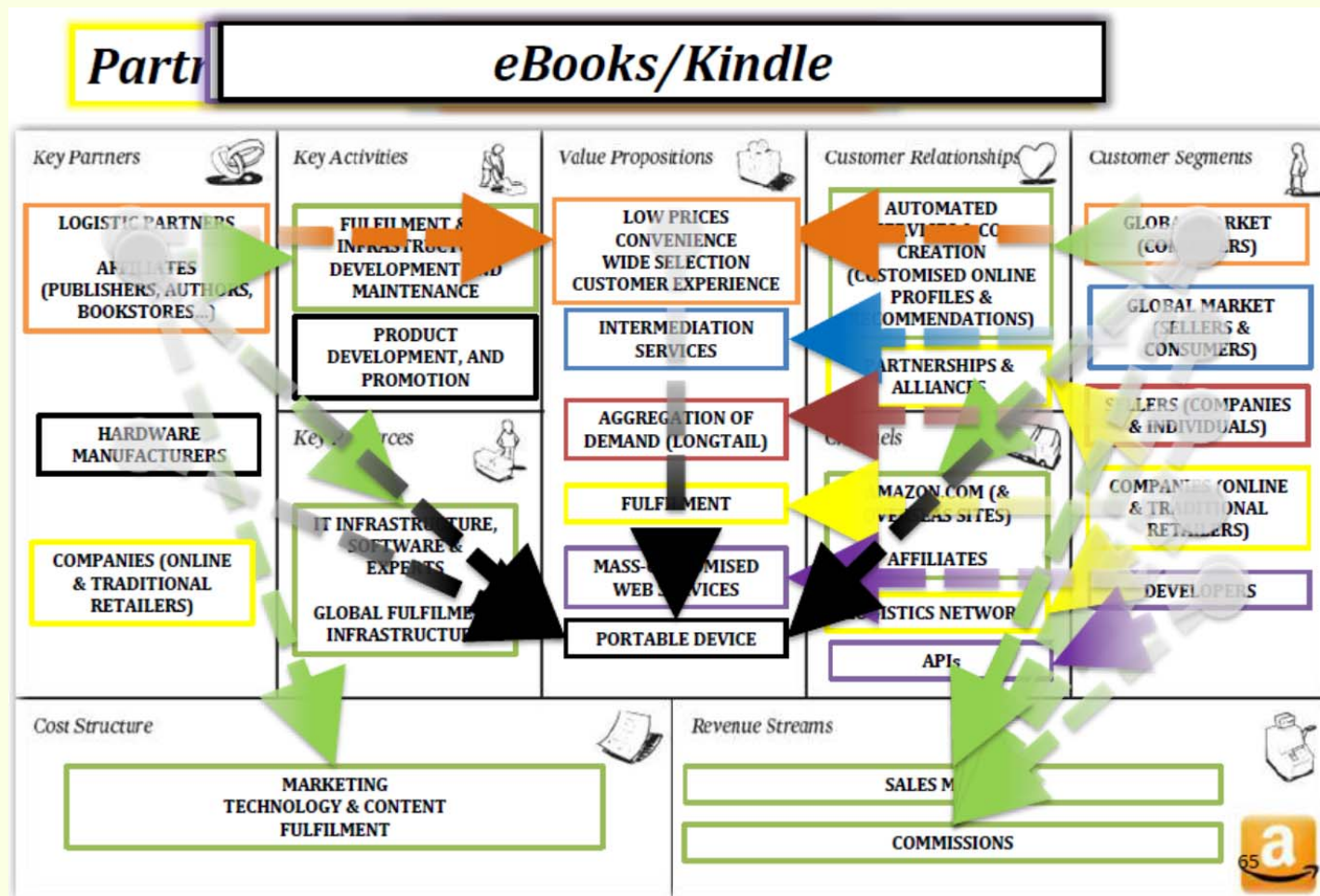
Create, Deliver, Capture, Value



The Canvas In Practice



Example Business Model Canvas



Assessing Your Business Model

- 1. Switching costs:** how easy or difficult is it for your customers to switch to another company
- 2. Recurring revenues:** is every sale a new effort or will it result in follow-up revenues and purchases?
- 3. Earn before you spend:** Are you earning money before you are spending it?
- 4. Game changing cost structure:** is your cost structure substantially different and better than those of your competitors?
- 5. Scalability:** How rapidly and how easily can you grow your business model without hitting roadblocks (e.g. infrastructure, customer support, etc.)?
- 6. Protection from competition:** how much is your business model protecting you from your competition?
- 7. Future proof:** how much is your business model protecting you from game-changing technologies?

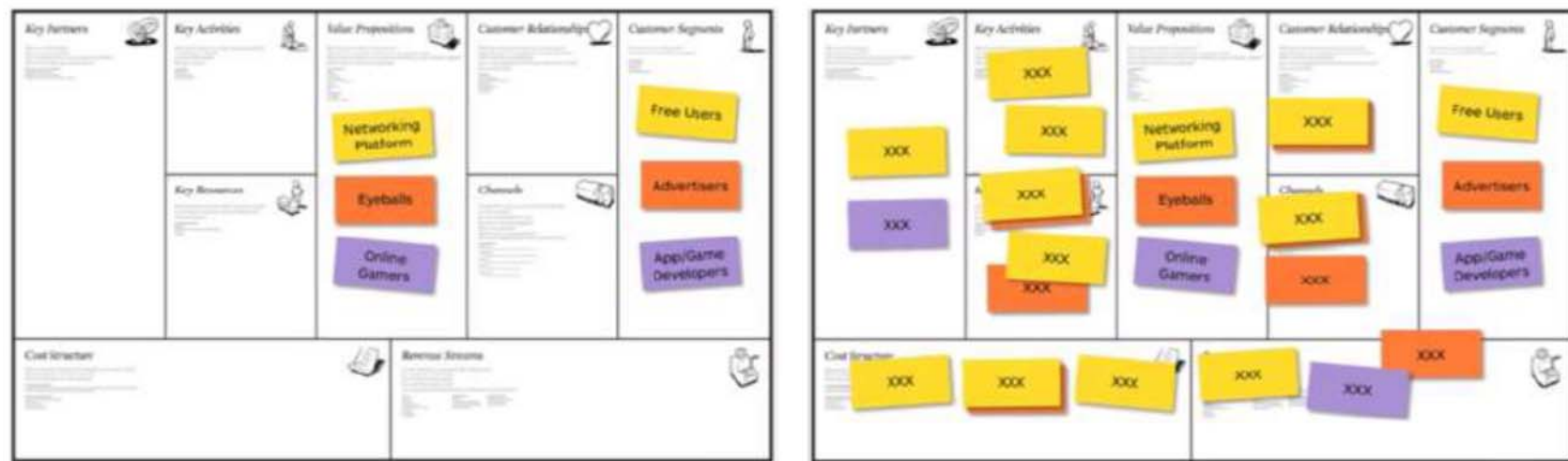


Great Value Propositions

- Are embedded in great business models
- Focus on few pain relievers and gain creators, but do those extremely well
- Focus on jobs, pains, or gains that:
 - a large number of customers have, or;
 - for which a small number is willing to pay a lot of money; or
- Focus on the most significant jobs, most severe pains, and most relevant gains or those that are most unsatisfied
- Address functional, emotional and social jobs all together
- Align with how customers measure success
- Differentiate from competition in a meaningful way
- Outperform competition substantially on at least one dimension
- Are difficult to copy



The Canvas In Practice



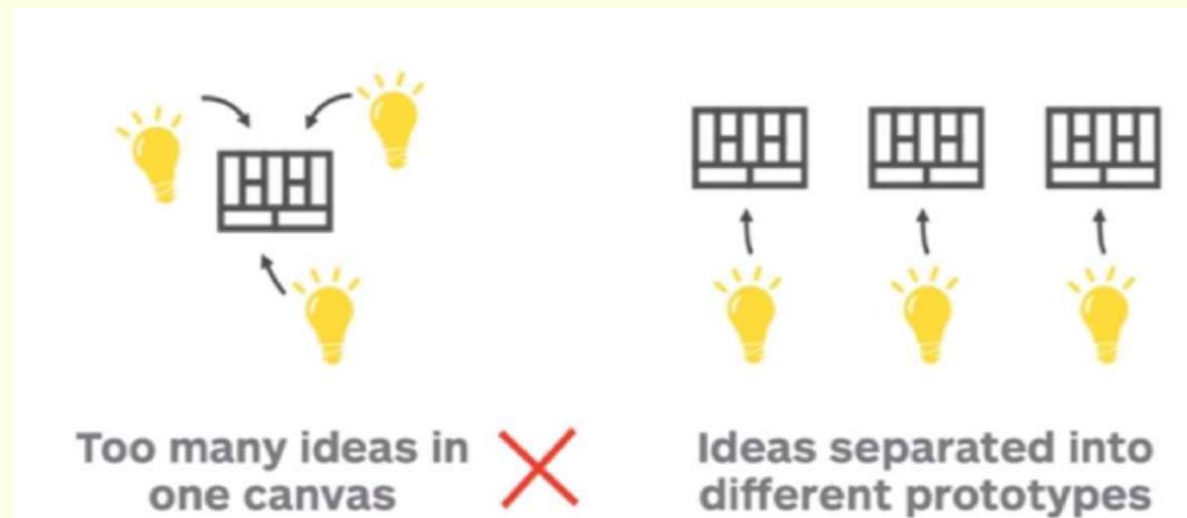
- ✓ Only use post-it notes
- ✓ Don't get too granular
- ✓ Systematic colour coding – use post-its

The Canvas In Practice



- ✓ Design within a story - connect the building blocks (no orphans!)

The Canvas In Practice



✓ Iterate on separate canvases

The Canvas In Practice

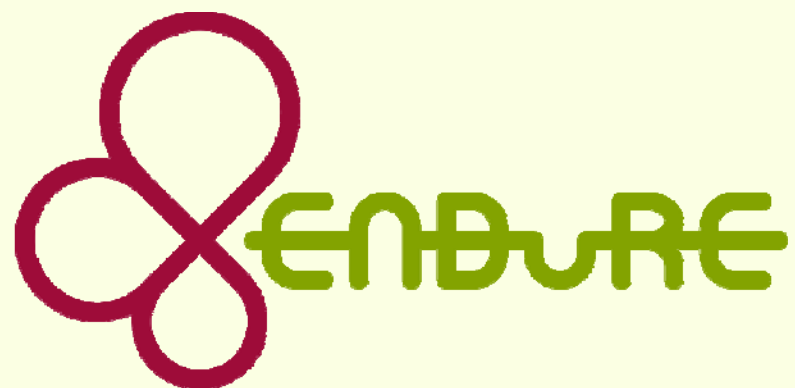
- Get started - Customer or VP
- Work smart as team – alternatives & prototypes
- Keep it simple – the “essence” or “blueprint”
- Iterate, iterate, iterate

EXERCISE

- Your family is considering buying a local pub
- They have asked your help to analyze whether this is a good idea
- The focus is on what you would do to run this as a successful business
- Use the business model canvas to describe your ideas and how you would approach it



DISCUSSION



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