Business Modeling

Business Modeling Assumptions

A startup is a temporary organization designed to search for a profitable business model

Start with a business *model (the strategy you think will lead to a sustainable venture),* not a business *plan (how you will operate)*

A business model is only a series of hypotheses that need to be validated outside the building with Experiments

Failure is a normal Part of the Process

The BMC Helps You

+ Quickly explain your idea to others

+ Identify who has the problem that you are trying to solve

+ Get to Product Market fit by…Asking, Listening and Learning

There are Two Versions of the Business Model Canvas (BMC)

- **Osterwalder** for high-growth, high-valuation startups or established companies re-evaluating their business model strategy
- **Lean Canvas**, developed by Ash Maurya, for first-time entrepreneurs, students, and most startup situations.

Lean BMC

PROBLEM	SOLUTION	UNIQUE VALUE PROPOSITION	UNFAIR ADVANTAGE	CUSTOMER SEGMENTS
	KEY METRICS		**CHANNELS**	
EXISTING ALTERNATIVES				**EARLY ADOPTERS**

COST STRUCTURE	REVENUE STREAMS

The 9 Main Sections of the Lean Business Model Canvas (LBMC)

Problem you are solving

➢ Most startups fail because they lack thorough and accurate understanding of the problem faced by their market niche.

➢

 "A problem well stated is a problem half-solved." - Charles Kettering

Solution

- Once you understand the problem, brainstorm every possible solution.

- Discuss solution concepts with customers.

- Beware: we often fall in love with our first solution and end up cornering ourselves.

- "Minimum Viable Product" (MVP).

Value Proposition

The (perceived) value you provide

– versus –

The value you receive (the amount you charge).

Key Metrics

➢ Purpose: to evaluate testing and market trials.

➢ Focus on the few metrics that really matter.

➢ The key launch metrics will later shift towards your key engines of growth.

Unfair Advantage

"A true unfair advantage is something that cannot be easily copied or bought."

- Jason Cohen

Customer Segments

➤ Who is the ultimate user?

➤ Who is the decision maker in the buying process (the customer)?

➤ How many people have to be sold in order to sell one box of cereal?

Demographics of Market Niche

Age

Gender

Where they live, work

Educational level

Income level

Other (e.g. - home ownership.)

What are their Buying Habits?

Who do they buy from now? Why?

Channels

➢ How will the user become aware of the product?

➢ How will the product or service, and value be delivered to the customer?

➢ How will customers be supported after purchasing and delivery?

Cost structure

Components (incl. freight in) $ _____

Processing (Labor cost) $ _____

Packaging costs $ _____

TOTAL Cost per Unit ….. $ _____

Competitive Retail price $ _____

Revenue Streams

➢ Who will pay you
(distributor, wholesaler, end user)?

➢ How will you collect the money?

Alternative Osterwalder BMC

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Key Resources		**Channels**	

Cost Structure	Revenue Streams