Building a business model

Expectations

1. Design your business model and appreciate the drivers around this.

2. Better appreciate the pains or problems of your target customer and ensure your solution fits these.

3. Appreciate unit economics, Identify all the cost drivers to make sure you are actually making a profit.

"**Business Plan:** A document investors make you write that they don't read."

Steve Blank

"A **business model** described the rationale of how an organization **creates, delivers, and captures value**"

Alex Osterwalder
Creator of the Business model Canvas
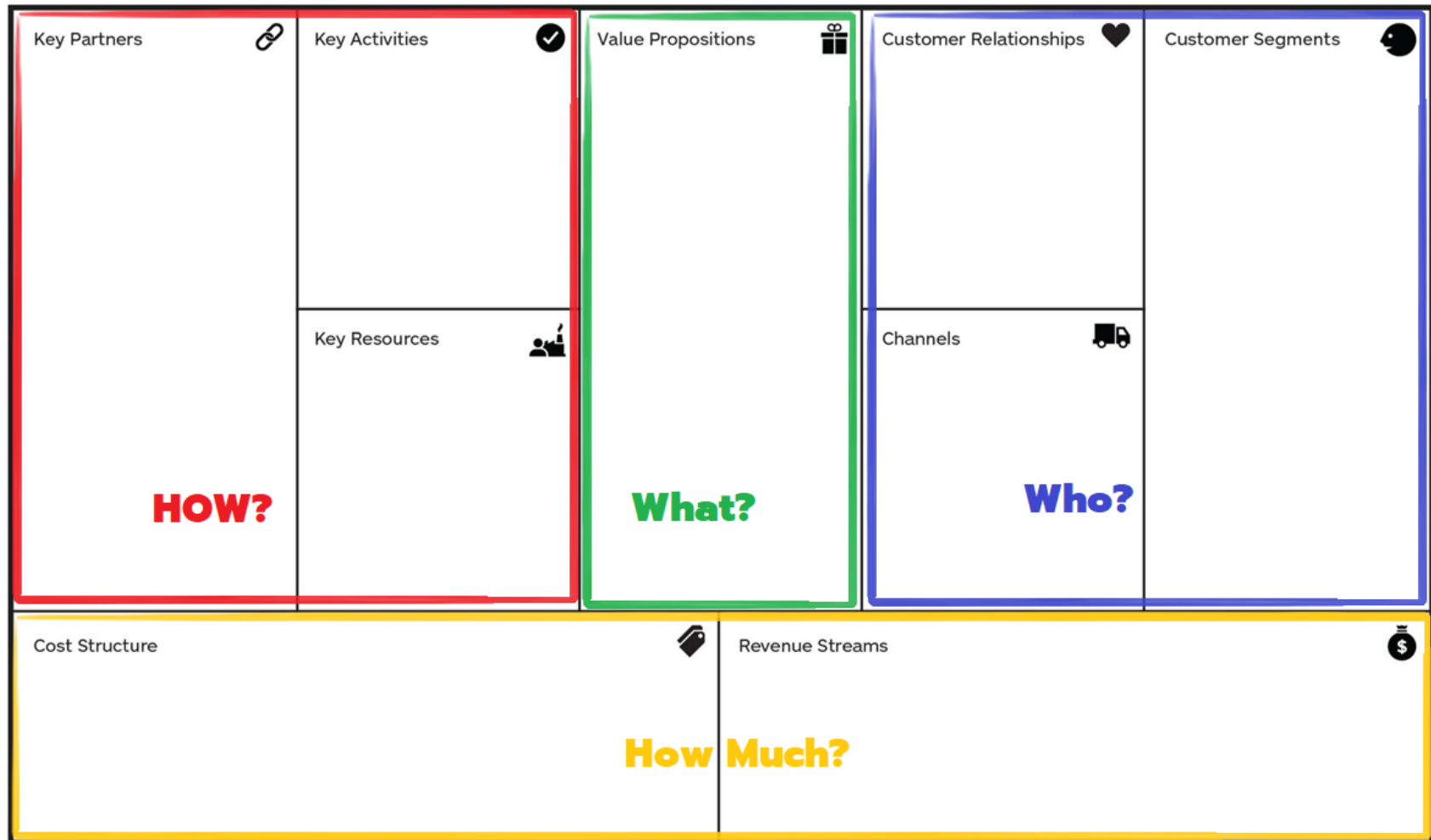
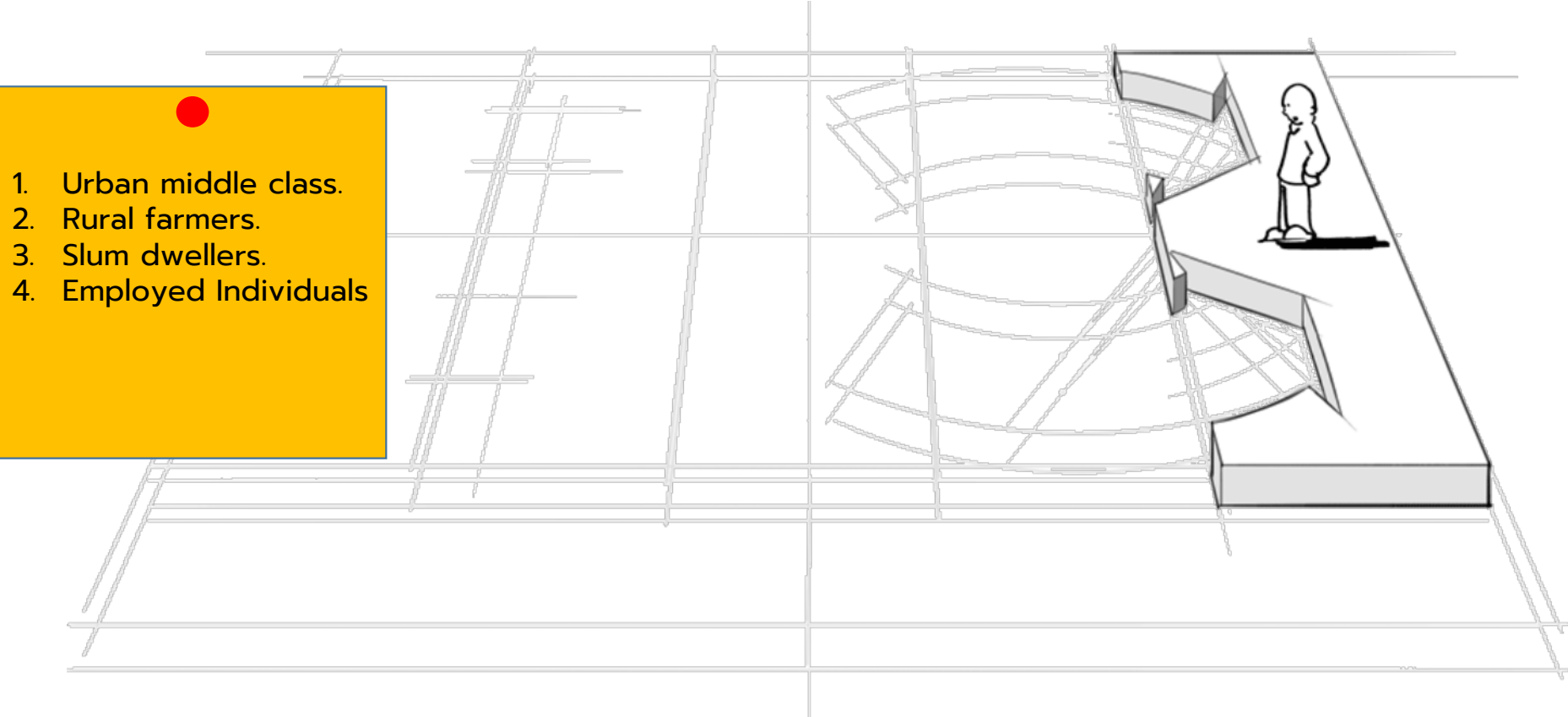## 4 questions a Business Model should answer

Who? – Customers.

What? – Product.

How? – Process to create and deliver value.

How Much? How to make money.

The Business Model Canvas

Key Partners 🔗	Key Activities ✓	Value Propositions 🎁	Customer Relationships ♥	Customer Segments
	Key Resources		**Channels** 🚚	
HOW?		**What?**	**Who?**	

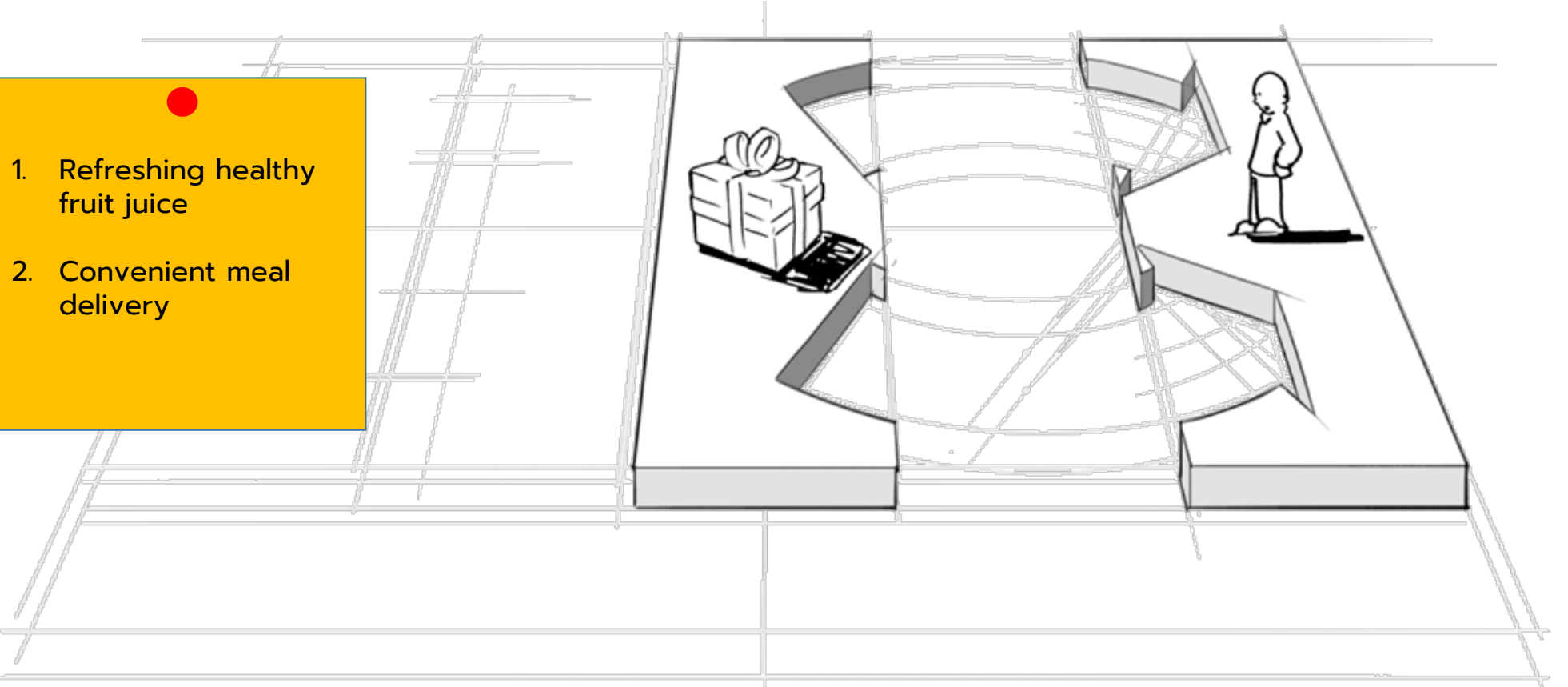| Cost Structure 🏷	Revenue Streams 💰
How Much?	

Customer Segments

1. Urban middle class.
2. Rural farmers.
3. Slum dwellers.
4. Employed Individuals

Who are your customers?
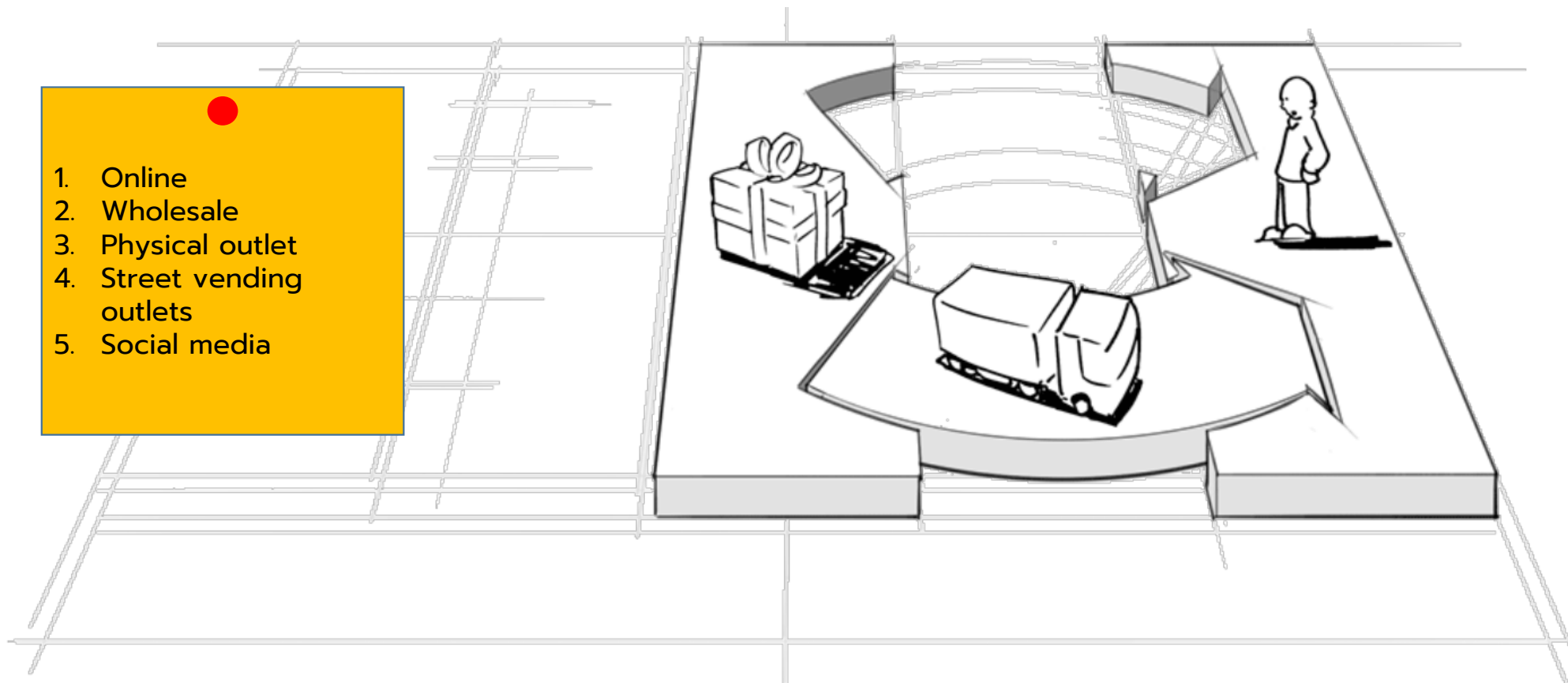An organization can serve several customer segments

Value Proposition

1. Refreshing healthy fruit juice

2. Convenient meal delivery

Who are you offering them?

What customer problem or are you solving and pain relieving with your value proposition
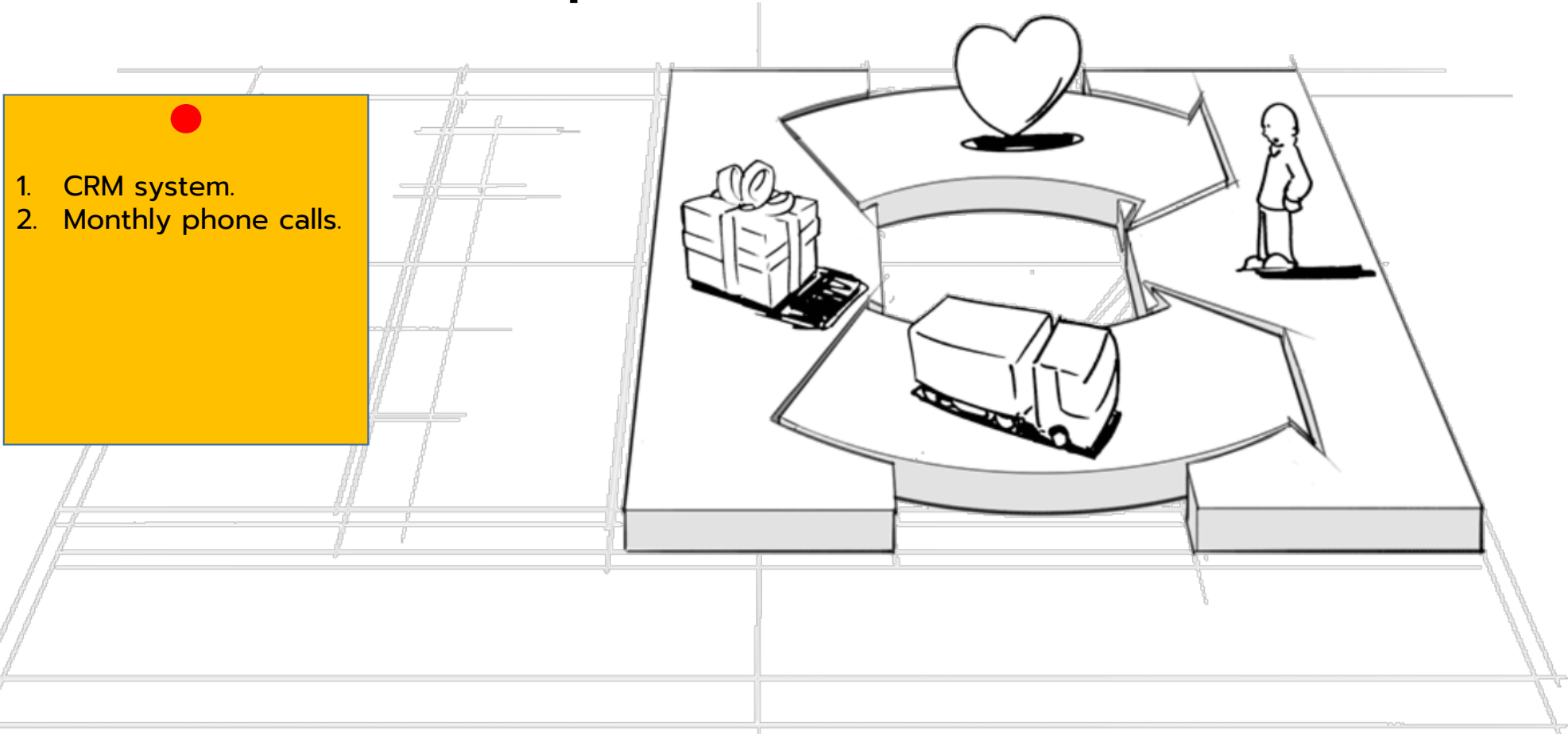
Channels

1. Online
2. Wholesale
3. Physical outlet
4. Street vending outlets
5. Social media

How do you reach each customer segment?
Value propositions are delivered through distribution, communication, online and sales channels.
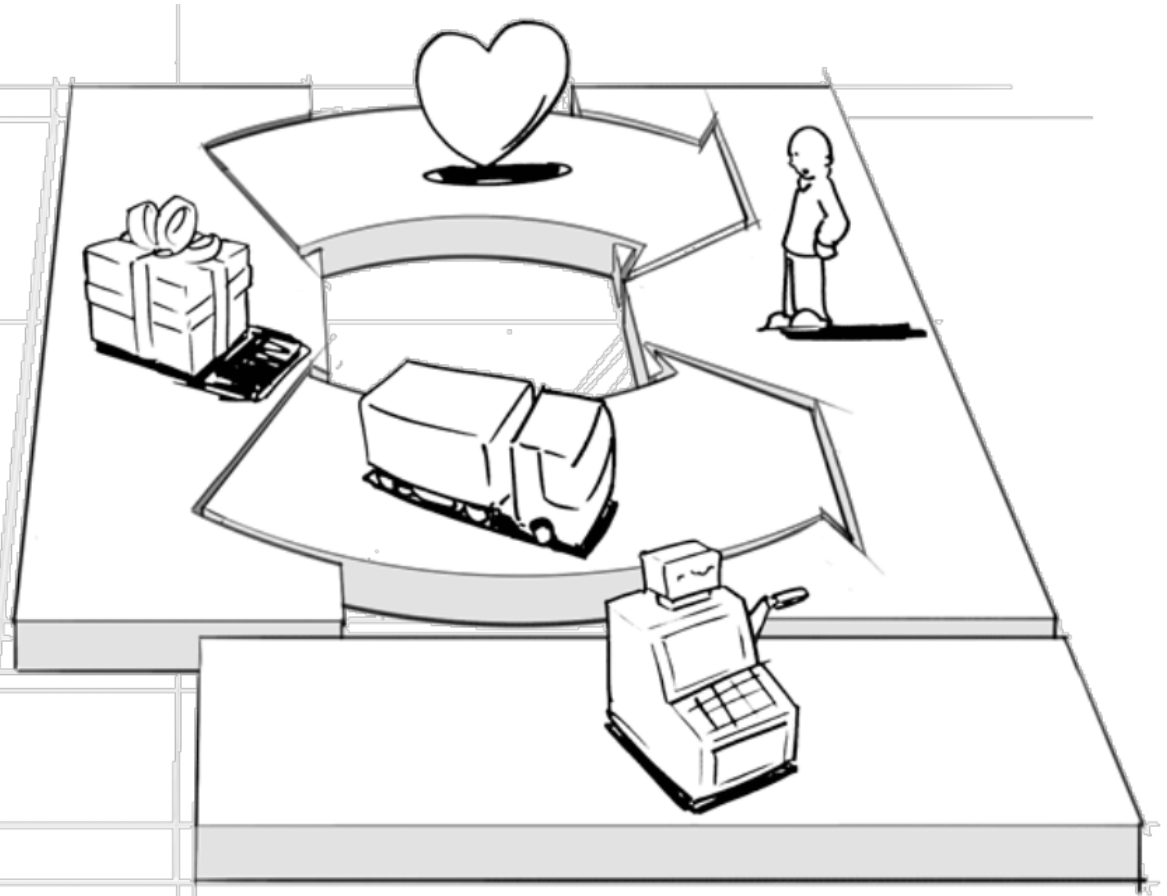
Customer Relationships

1. CRM system.
2. Monthly phone calls.

What relationships are you nurturing with each segment?
Relationships are created and established with each segment.

Revenue Streams
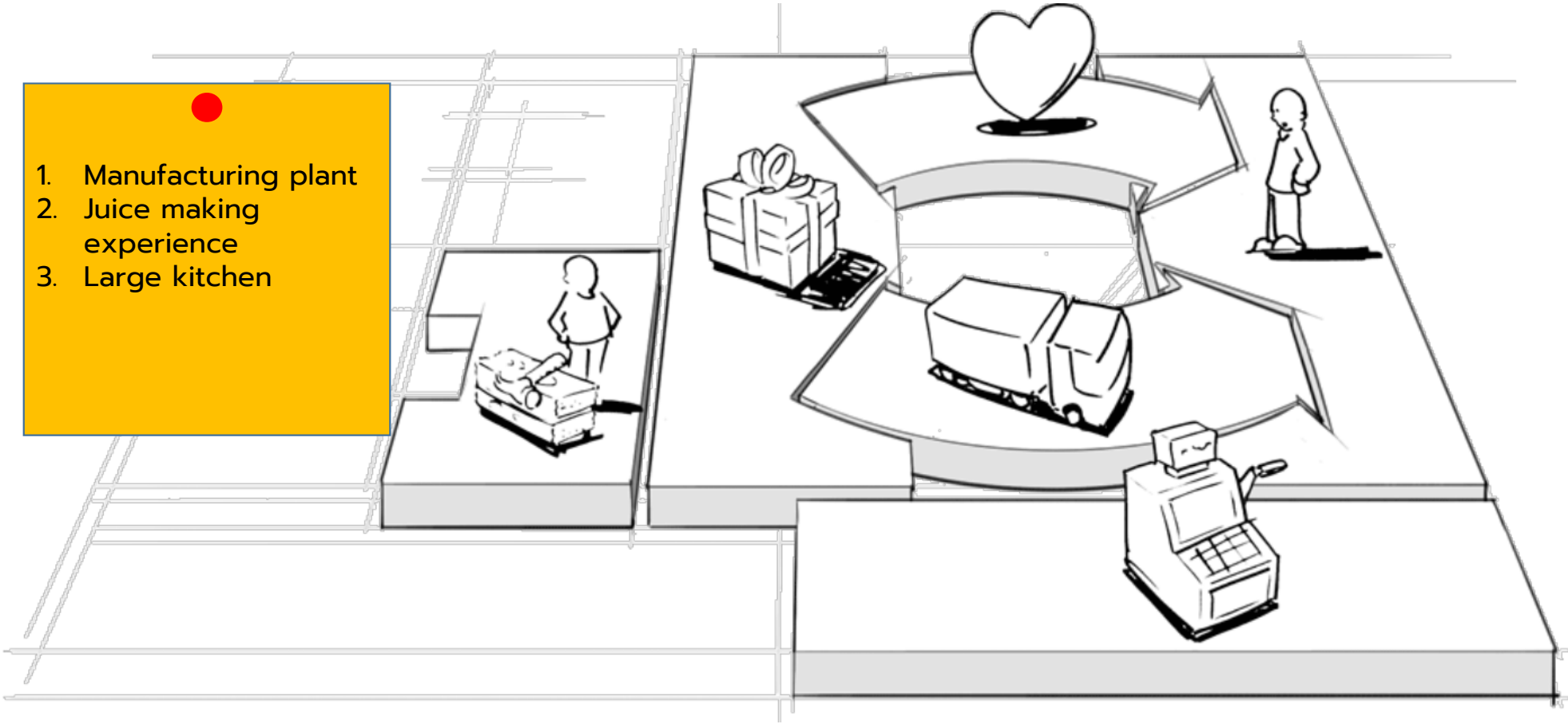
1. $2 per bottle
2. $5 per food delivery

What are your customers willing to pay and how?
Value offered to customers results in revenue streams
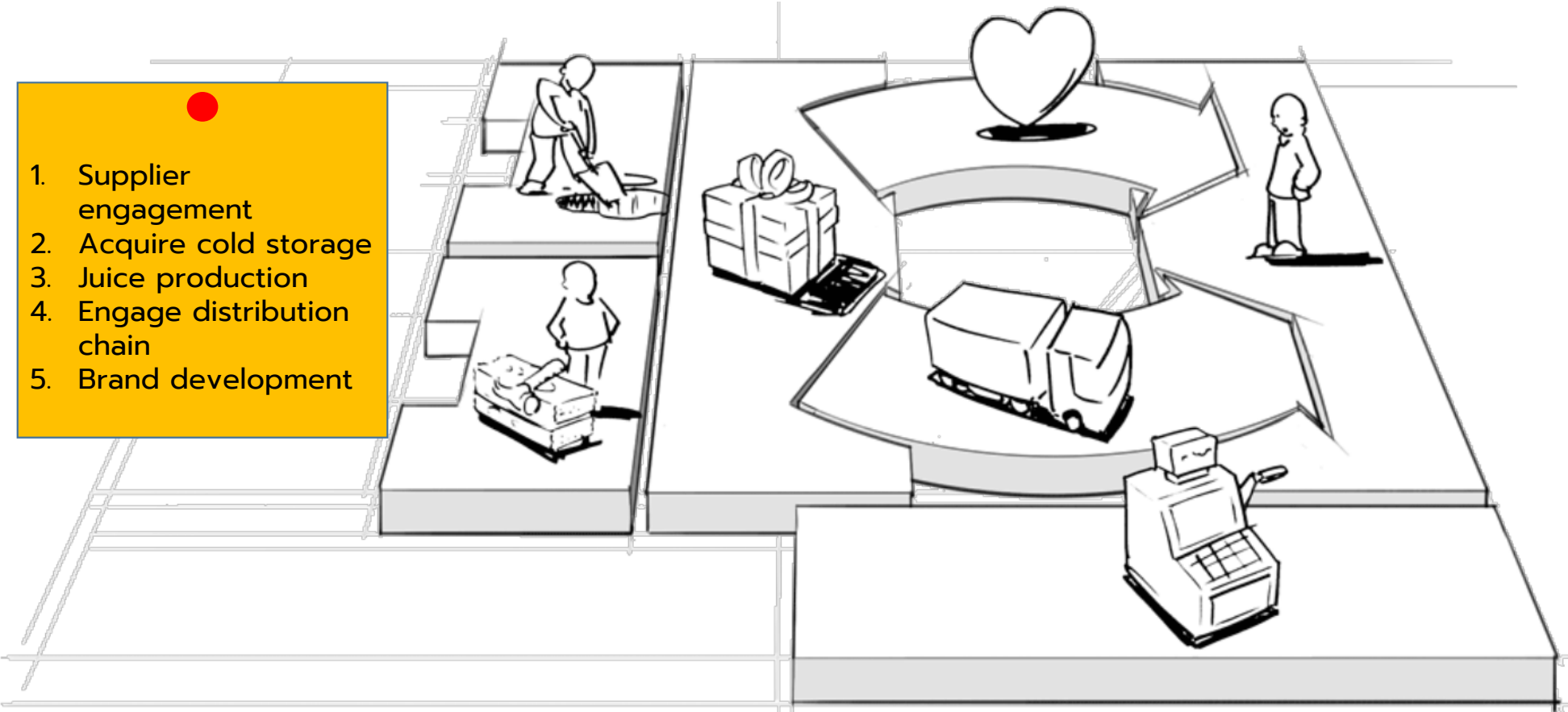
Key Resources

1. Manufacturing plant
2. Juice making experience
3. Large kitchen

What Resources underpin your business model?
What assets are required to deliver previously described value?

Key Activities

1. Supplier engagement
2. Acquire cold storage
3. Juice production
4. Engage distribution chain
5. Brand development

What Activities must you implement for your model to succeed?
What are those key activities?

Key Partnerships

1. Fruit Farmers
2. Wholesalers
3. Software company
4. Delivery company
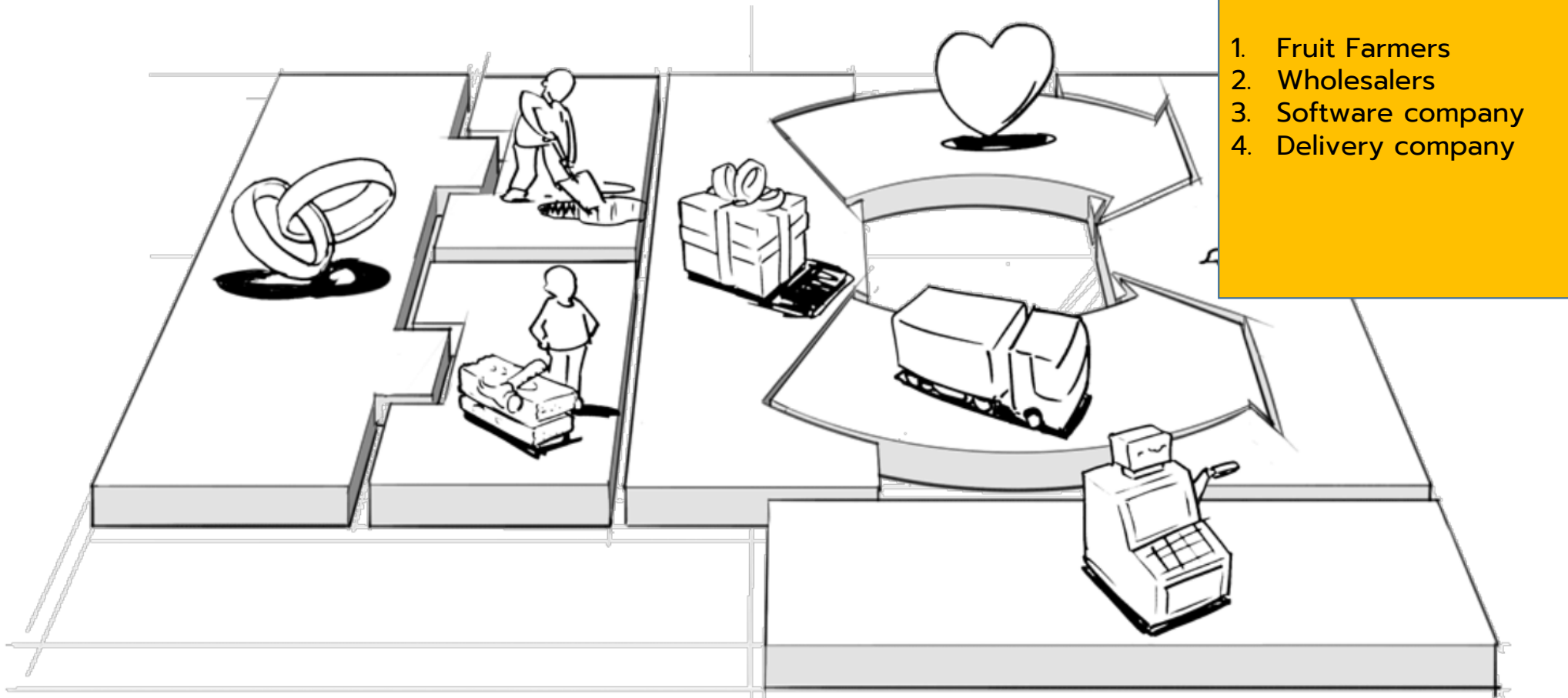
What partners/suppliers do you need to deliver value?
These may be outsourced services, input providers and others?

Cost Structure

1. Fruit $0.5
2. Manufacturing - $0.2
3. Marketing - $0.1
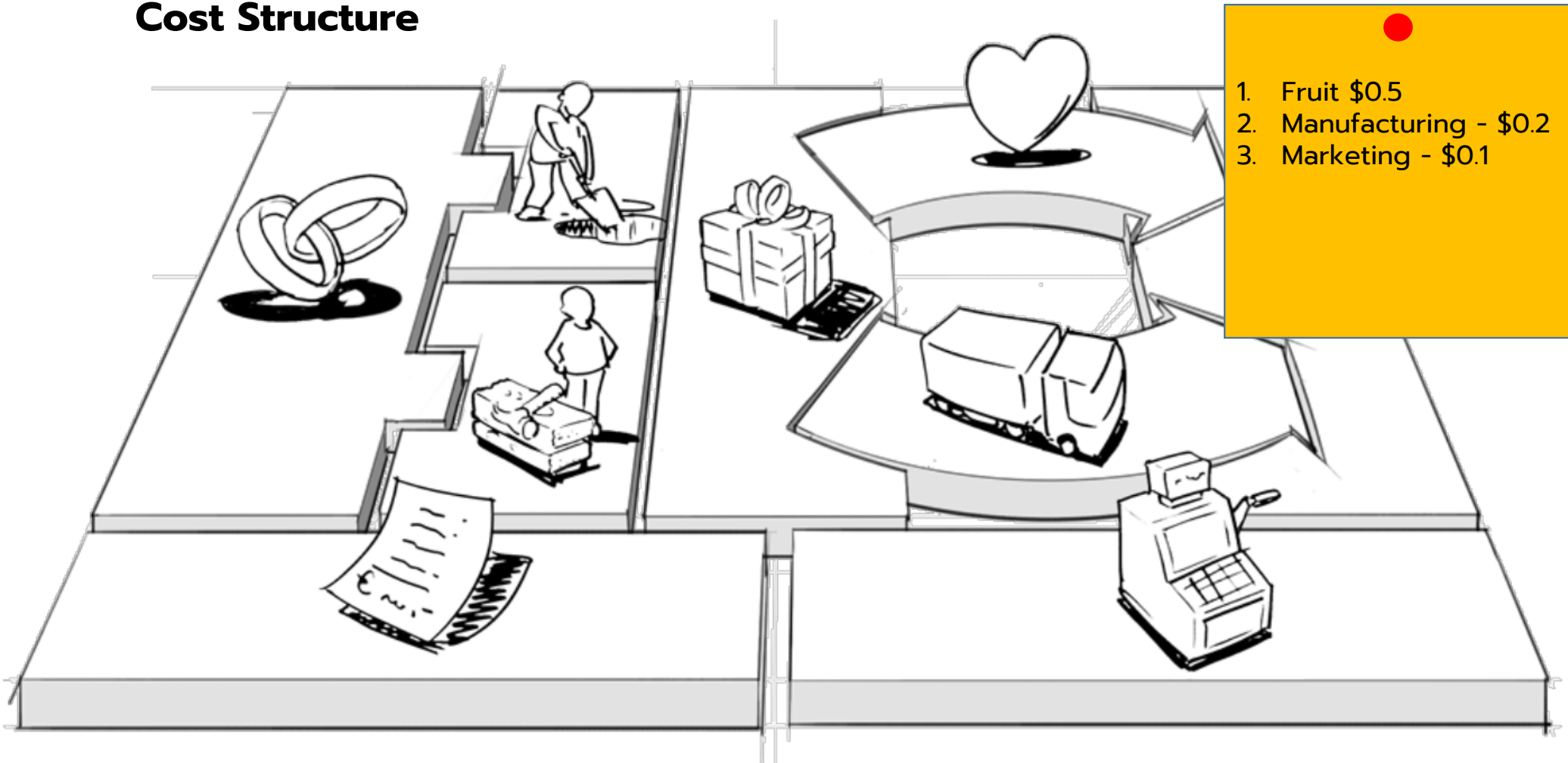
What is the cost related to creating and delivering value?

Value Creation

Key Partnership

Key Activities

Key Resources

Value Proposition

Value Delivery

Customer Relationships

Customer Segments

Channels

Cost Structure

Capture Value

Revenue Streams
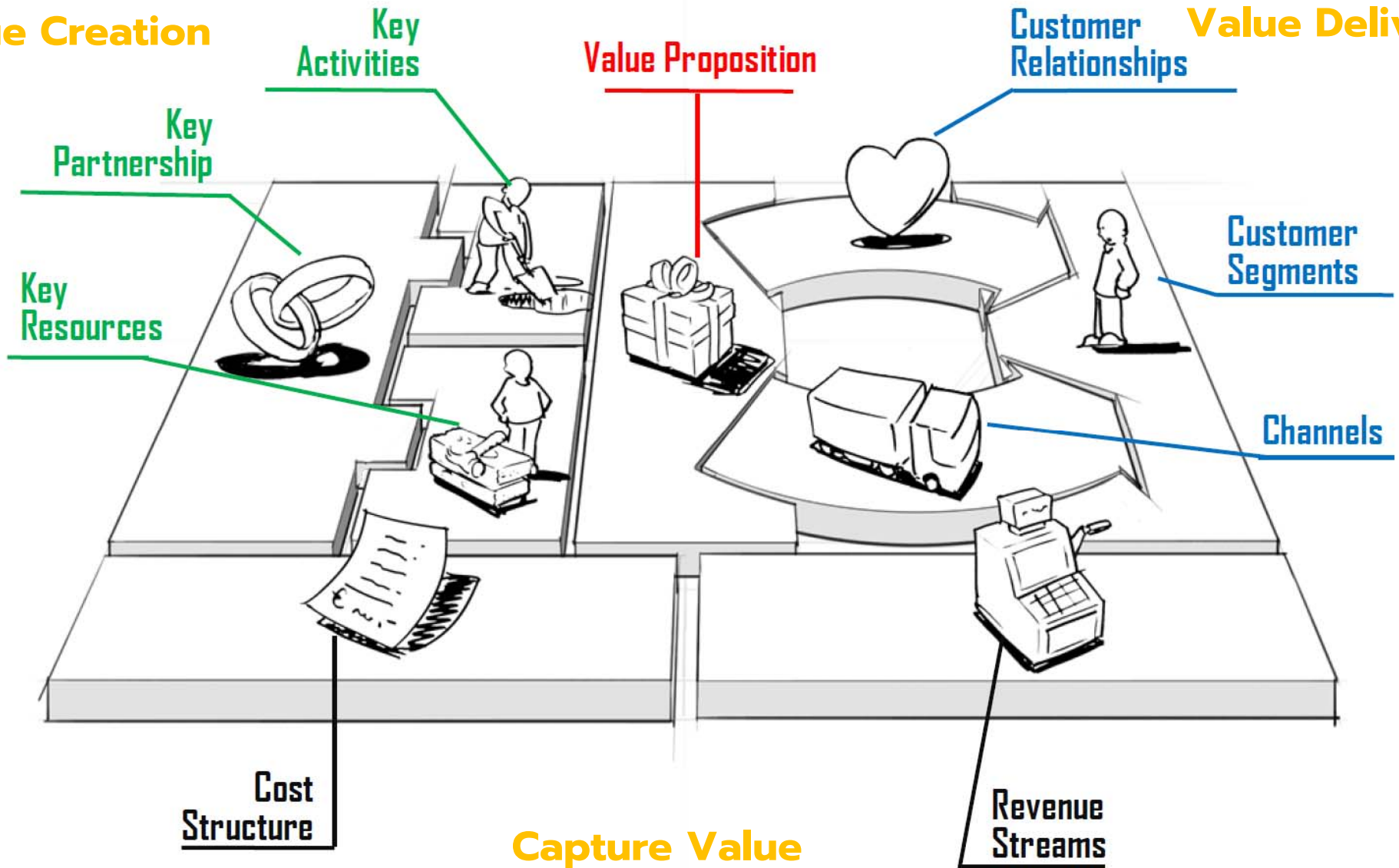
Task 1

Develop a Business Model Canvas for your business

Link to Canvas to be sent by email.

Key Partners

1. Fruit Farmers
2. Wholesalers
3. Software company
4. Delivery company

Key Activities

1. Supplier engagement
2. Acquire cold storage
3. Juice production
4. Engage distribution chain
5. Brand development

Key Resources

1. Manufacturing plant
2. Juice making experience
3. Large kitchen

Value Proposition

1. Refreshing healthy fruit juice
2. Convenient meal delivery

Customer Relationships

1. CRM
2. Monthly phone calls
3. Emailers.
4. Physical visits

Channels

1. Online
2. Wholesale
3. Physical outlet
4. Street vending outlets

Customer Segments

1. Urban middle class.
2. Rural farmers.
3. Slum dwellers.
4. Employed Individuals

Cost Structure

1. Fruit $0.5
2. Manufacturing - $0.2
3. Marketing - $0.1

Revenue Streams

1. $2 per bottle
2. $5 per food delivery

The value Proposition and Product Market Fit

#1 STARTUP MISTAKE

Building Something Nobody Wants

TOP 10 STARTUP MISTAKES

#1 Building something nobody wants
Score: 300
36% of Tot.

#2 Hiring Poorly
Score: 153
18% of Tot.

#3 Lack of Focus
Score: 112
13% of Tot.

#4 Fail to execute Sales & Marketing
Score: 98
12% of Tot.

8. Spending Too Much Money — 18 (2,1%)
9. Failing To Ask For Help — 12 (1,4%)
10. Ignoring Social Media — 6 (0,7%)

5. Not Having The Right Co-Founders — 66 (7,9%)
6. Chasing Investors, Not Customers — 45 (5,4%)
7. Not Making Sure You Have Enough Money — 28 (3,3%)

100 First Hits
www.100FirstHits.com

It is only considered value if it solves the customers problem.

Value	Customer problem
• Price • Taste • Getting the job done • Health	• Expensive alternatives. • Farm wastage. • Hunger • Boredom

Market Segmentation.

DEMOGRAPHICS

- Age
- Gender
- Income
- Marital Status
- Ethnic Background

GEOGRAPHICS

- Local
- National
- Regional
- International

BEHAVIORAL

- Benefits
- Usage Rates
- Patterns

PSYCHPGRAPHICS

- Activities
- Personality & Values
- Attitudes
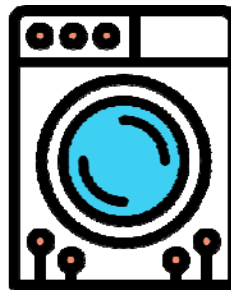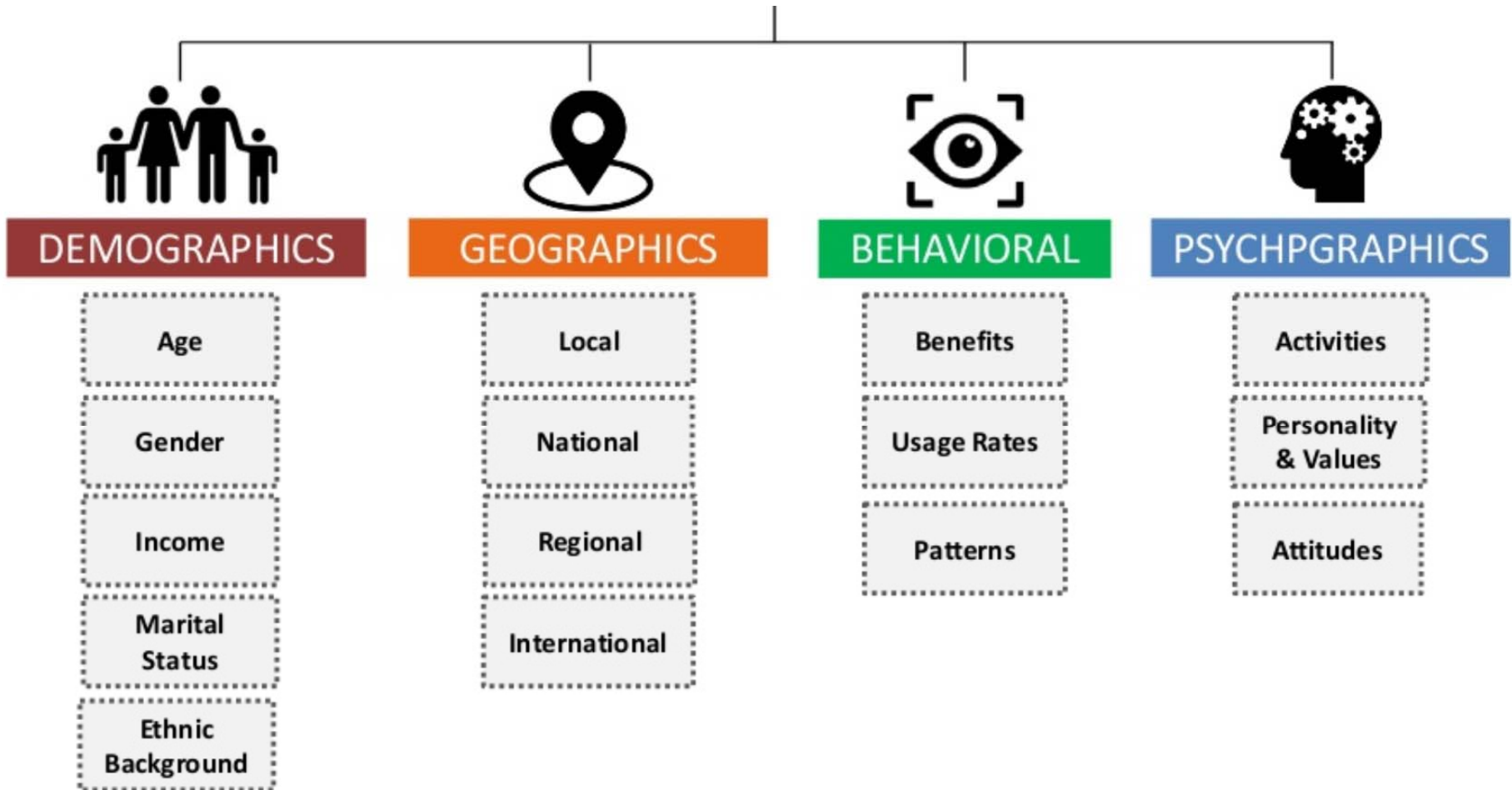
The Value Proposition Canvas & Product market fit.

BUSINESS MODEL CANVAS

You achieve **Fit** when your value map meets your customer profile - when your products and services produce pain relivers and gain creators that match one or more of the jobs, pains, and gains that are important to your customer.

Gain Creators describe how your products and services creatre customer gains.

This is a list of all the **Products and Services** a value proposition is built around.

Features

Pain Relievers describe how your products and services alleviate customer pains.

FIT

Gains describe the outcomes customers want to achieve or the concrete benefits they are seeking.

Needs

Benefits

Customer jobs describe what customers are trying to get done in their work and in their lives, as expressed in their own words.

Pains describe the bad outcomes, risks, and obstacles related to customer jobs.

Fears

THE VALUE PROPOSITION CANVAS created by Alexander Osterwalder and Yves Pigneur

VALUE MAP

CUSTOMER PROFILE

Taxi Smart phone application.
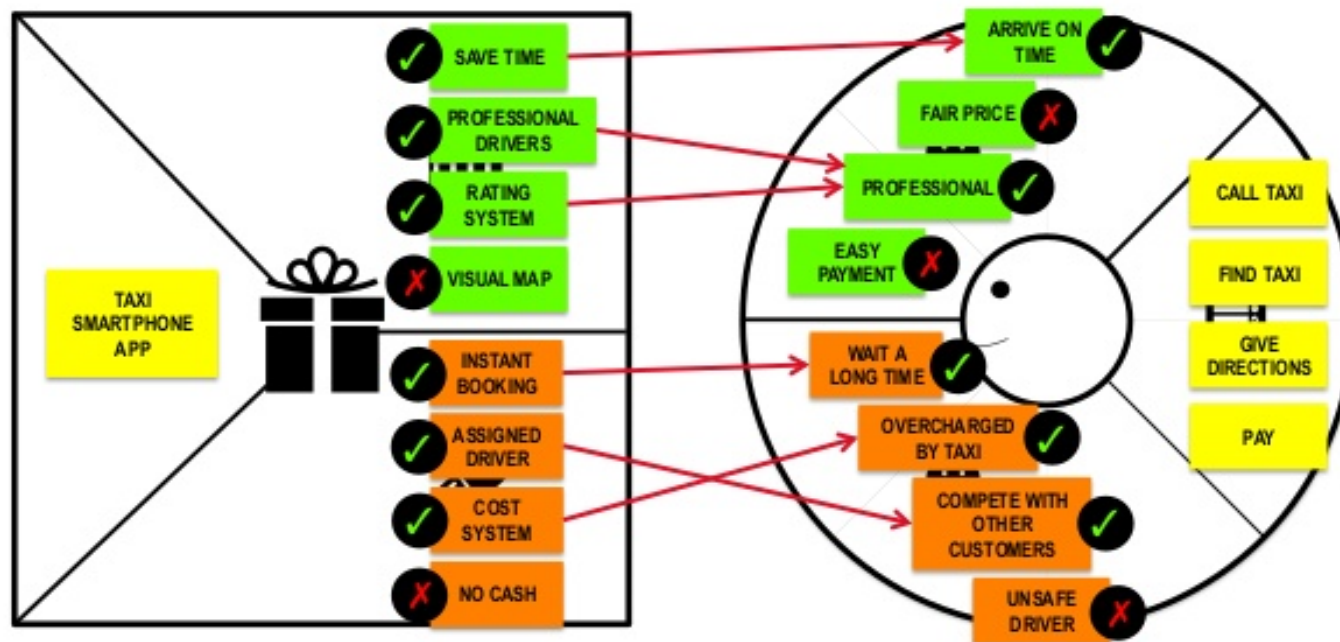
| Check marks signify that products and services relieve pains or create gains and directly address one of the customer's jobs, pains or gains. | Cross marks show which jobs, pains and gains the value proposition does not address. |

Task 2

Develop a Value proposition Canvas for your business

Template to be shared

Unit Economics

UNIT ECONOMICS. "direct revenues and costs associated with a particular business **model**, and are specifically expressed on a per **unit** basis"

Cost to produce 1 unit and what you will make off it.

Unit Economics for Pineapple Juice Brand

Revenue per unit sold	**$2**
Cost per Unit Cost of Goods Sold Pineapple $0.3 Bottle $0.1, Branding $0.1	$0.5
Gross Profit	$1.5
Fixed Costs Rent, Loan amortization for equipment, Salaries, Utilities	$0.3
Selling General & Admin Expenses Marketing, Distribution, Merchandizing, Admin	$.2
Net Profit	**$1**

Task 3

Develop your unit economics

Recap

Business should always start with the customer, Are you efficiently creating and delivering value to a customer?

1. Business Model Canvas- Helps Define the who, what, how and how much of your business?

2. Value proposition Canvas helps you identify product market fit, by clearly understanding how your business solves customer pains.

3. Unit economics help you understand the viability of your business and better appreciate the numbers.