Lean Business Model

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Some Starting Points

- Let’s agree on some terms
- The POVS model
- Lean Business Model
Innovation and Commerce

- **Innovation**: The act or process of developing new ideas, devices, or methods.

- **Commerce**: The act or process of trading amongst economic agents. Generally, commerce refers to the exchange of goods, services or something of value, between two entities.
The Essence of Entrepreneurship

- P = Problem Identification
- O = Opportunity Recognition
- V = Venture Creation
- S = Sustaining the Venture
Lean Business Model

- Also referred to as Business Model Canvas
- Get out and initiate contact with the customer
- Pivot
- Move on test results
Lean Business Model

Key Partners

Who are our Key Partners?

Key Activities

What Key Activities do our Value Propositions require?

Key Resources

What Key Resources (suppliers, etc.) do our Value Propositions require?

Value Propositions

Which one of our customer’s problems are we helping to solve? or Which customer needs are we satisfying?

What is the specific product/service?

What are the features that match customer needs?

Customer Relationships

How will we Get, Keep and Grow customers?

Through which Channels do our Customer Segments want to be reached?

Customer Segments

For who are we solving a problem or fulfilling a need?

Who are the customers?

Does the value proposition match their needs?

Is this a single-sided or multi-sided market?

Cost Structure

What are the most important costs in our business model?

Revenue Streams

What is the revenue model? What are the pricing tactics? For what value are our customers willing to pay?
Lean Business Model

- **The What (Mission)**
  - The value proposition of what is offered to the market;
- **The Who (Key Stakeholders)**
  - The segment(s) of clients that are addressed by the value proposition;
  - The communication and distribution channels to reach clients and offer them the value proposition;
  - The relationships established with clients;
- **The How (Core Competencies)**
  - The key resources needed to make the business model possible;
  - The key activities necessary to implement the business model;
  - The key partners and their motivations to participate in the business model;
- **The Fuel (Lifeblood)**
  - The revenue streams generated by the business model (constituting the revenue model);
  - The cost structure resulting from the business model.
Value Proposition (VP) – The *What AKA (The Mission)*

- What customer problems does the value proposition solve or which customer need is it serving?
- What features accomplish this?
  - What is the bundle of products or services that creates value for a specific customer segment?
  - Is it something new?
  - Does it deliver improved performance (faster, better, cheaper)?
  - Is it a custom product or service?
Value Proposition

• What is the problem (not a symptom)?
  ✓ “3 whys”
    ❖ Why is it a problem?
    ❖ Why does the situation exist that allows the problem to occur?
    ❖ Why does that situation lead to the original problem?
Value Proposition

• What is the solution?
  ✓ How does the value proposition compare to the next best alternative?
  ✓ Is your solution better, faster or cheaper?
  ✓ If not, then why would anyone pay for it?
Lean Business Model

1. Value Propositions
   - Which one of our customer’s problems are we helping to solve? or
   - Which customer needs are we satisfying?
   - What is the specific product/service?
   - What are the features that match customer needs?

2. Customer Relationships
   - How will we get, keep and grow customers?
   - Through which channels do our customer segments want to be reached?
   - Who are the customers?
   - Does the value proposition match their needs?
   - Is this a single-sided or multi-sided market?

3. Channels
   - Through which channels do our customer segments want to be reached?

4. Customer Segments
   - For who are we solving a problem or fulfilling a need?
   - Who are the customers?

5. Key Activities
   - What key activities do our value propositions require?
   - Which one of our customer’s problems are we helping to solve? or
   - Which customer needs are we satisfying?

6. Key Resources
   - What key resources (suppliers, etc.) do our value propositions require?

7. Key Partners
   - Who are our key partners?

8. Revenue Streams
   - What is the revenue model? What are the pricing tactics? What value do our customers willing to pay?

9. Cost Structure
   - What are the most important costs in our business model?
Customer Segments (CS)

- For who are you solving a problem or fulfilling a need?
- Does your value proposition match their needs?
  - Mass Market (no distinction between customers)?
  - Niche Market (custom production, service)?
  - Segmented (medical, aviation, consumer)?
  - Multi-sided (credit cards, real estate)?
Customer Channels (CH)

- How will your customers find out about your value proposition?
  - Advertising?
  - Word of mouth?
- How will you deliver your solution to your customers?
  - Retail stores?
  - Delivery?
Customer Relationships (CR)

• How will you attract and retain customers?
  ✓ Customer acquisition?
  ✓ Customer Retention?
  ✓ Increasing customer sales?
Business Model Canvas

<table>
<thead>
<tr>
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<th>Key Activities</th>
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<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
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“The future belongs to those who prepare for it.” ~ Jim Moran
Key Resources (KR)

- What do you need to make the business model possible?
  - Physical assets?
  - Intellectual assets
  - Human capital (valuable, rare, inimitable)?
  - Financial capital (cash, lines of credit, loan, grants, investors)?
### Key Activities (KA)

- What are the most important things you must do to make the business model work?
  - Design?
  - Production?
  - Continuous (process/product) improvement?
Key Partners (KP)

• Which external organizations are critical to the success of your business model?
  ✓ Suppliers, Property owner
  ✓ Strategic alliances (risk diffusion)
  ✓ Vertical/horizontal integration?
  ✓ Skin in the game
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Finances

- **Revenues?**
  - Sales? Merchandising?

- **Costs?**
  - Fixed vs. Variable?
  - Facility, Equipment, Utilities, Labor, Production, Marketing
Revenue Streams (R$)

- The cash flow generated by the business model. Will it be transaction revenue (one-time customer payment) or recurring revenue (ongoing payments)?
  - Asset sale (transfer of ownership)?
  - Usage fee (based on consumption)?
  - Subscription fee?
  - Lending, renting, leasing?
  - Licensing?
Cost Structure (C$)

- What are all the costs associated with operating the business model?
  - Fixed costs (volume independent)?
  - Variable costs (proportionate to volume)?
  - Economies of scale (greater return on fixed costs)?
  - Economies of scope (multiple products)?
Cost Structure (C$)

• The costs associated will be mostly variable and relatively proportionate to production.

• How will this hypothesis be tested?
What is a Vision?

“Vision without action is merely a dream. Action without vision just passes time. Vision with action can change the world.”

- Joel Barker

“By the end of the decade we will put a man on the moon...”

- John F. Kennedy, 1962
What is a Mission?

- A mission is our reason for existence
- It defines us and all that are with us
- It captures what is important to us
What is a Mission?

• Celebrating Animals, Confronting Cruelty. It defines us and all that are with us.
  ✓ The Humane Society

• “We build great ships. At a profit if we can, at a loss if we must, but we build great ships.”
  ✓ Newport New Shipbuilding Company
### Strategic Plan

- **Vision?**
- **Mission?**
- **Key Objectives?**

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<th>MARKET DEVELOPMENT?</th>
<th>PROCESS IMPROVEMENT?</th>
<th>PEOPLE DEVELOPMENT?</th>
<th>PRODUCT DEVELOPMENT?</th>
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**What is yours?**

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Strategy Implementation CORE

- What is CRITICAL should be OBSERVED, and what is observed should be REWARDED, and that is what will get EXECUTED.
  - Critical – Value Proposition, Core Competencies
  - Observed – Measured, Monitored, Enabled, Protected
  - Rewarded – Praise, Culture, Compensation, Attention, Promotion
  - Executed – Demonstrated, Delegated, Autonomous, Imbedded, Reinforced
Implementation Strategy

• Modeling assists in business development - Targeting
• Model potential customers
• Use to inform us as to what employees hire
• Modeling can turn into action
• Model can be used for business planning
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Real life Examples:

✓ New Product – Wood shavings
✓ Employee – Adding Sales Associate
✓ Banking – Line of Credit
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Questions?
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Your Turn!