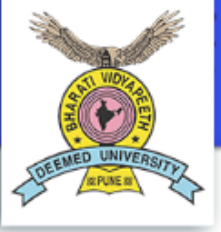




Unit -5 Crafting Business Models And Lean Start-Ups:

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INTRODUCTION TO BUSINESS MODELS

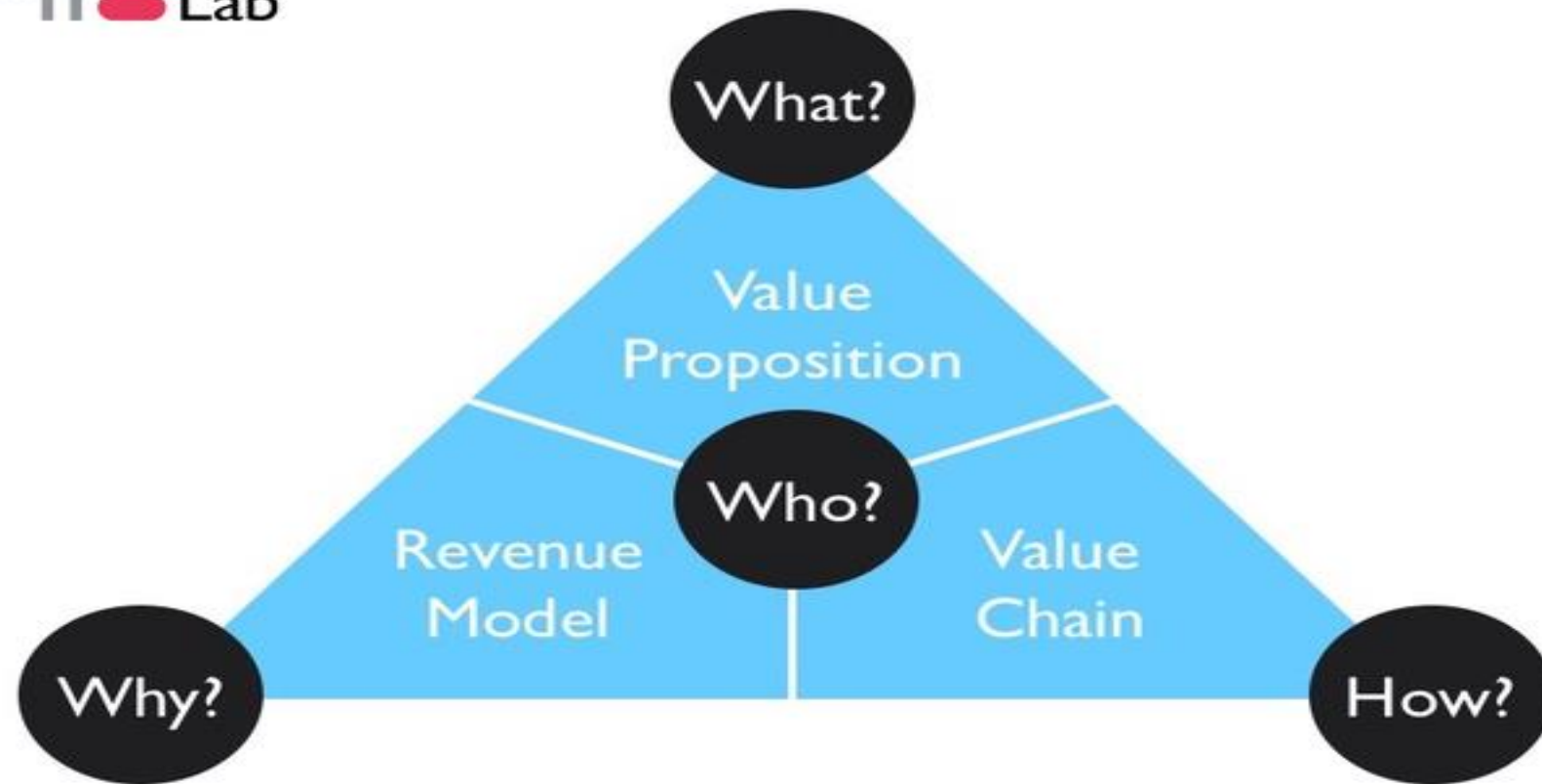
Defining a business model requires a framework to address the basic elements that make it. In BMI Lab we have developed an analysis framework, which shows the four key elements we need to keep in mind: Who?, What?, How?, and Why?.

Business model is important because it provides the investors the knowledge about the competitive edge of the company and provides better insight into working of the company.

A strong business model leads to cash generation and future expansion.

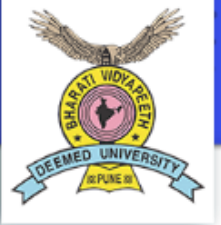


BMI Lab





TYPES OF BUSINESS MODELS:



Advantages of Business Models

- A good business model gives the company a competitive edge in the industry.
- A strong business model provides the company good reputation in the market place encouraging the investors to remain invested in the company.
- Making the business model strong leads to an ongoing business profit leading to increase in cash reserve and new investments.
- Proven business model brings a financial stability in the organization.



Disadvantages of Business Model:

- Once a business model is created, then it restricts to implement new ideas for the product.
- Creating a business model is time consuming, as lot of factors needs to be considered.
- There might be a chance that business model may turn out to be inaccurate.



VALUE PROPOSITION:

A **value proposition** is a statement that conveys what a brand does and how it differs from competitors. Having a value proposition is important because it clearly and concisely communicates what customers can gain from selecting your brand over that of your competitors.

How to Write a Value Proposition

- Identify your customer's main problem.
- Identify all the benefits your product offers.
- Describe what makes these benefits valuable.
- Connect this value to your buyer's problem.
- Differentiate yourself as the preferred provider of this value.



What makes a good value proposition?

- Clear Language
- Specific Outcomes
- Points of Differentiation



VALUE INNOVATION

Value innovation is the **simultaneous pursuit of differentiation and low cost**. The conventional approach to market differentiation is to choose **between higher value and lower cost**. But when you successfully combine low cost and high value, you have succeeded at value innovation.

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Why is value innovation important?

It's only natural that every company wants to avoid competition. Going outside of their market boundaries is one way to do that. This approach could go two ways:

You either run from your competitors but land in another market with new competition, or

You create uncontested market space.

Your goal is the latter and value innovation can help you get there. And along the way you can reap other benefits too

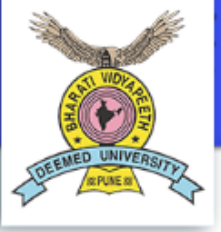


- Make the competition irrelevant
- Cost savings
- Create an exponential mindset



Five steps to achieve value innovation in your organization.

1. Analyze your current state
2. Reveal the four actions framework
 - a. Which factors that are taken for granted in the industry should be eliminated?
 - b. Which factors should be reduced below the industry's standard?
 - c. Which factors should be raised above the industry's standard?
 - d. Which factors should be created and are not available in the industry?
3. Rethink your strategy
4. Action plan
5. Keep a superior value curve



On a more positive note, if you shift your attention from the race to match competition to creating value for customers, you can make competition irrelevant. This starts with an understanding of your industry and customers. With the right choices, you can often achieve both differentiation and low cost.

THANK YOU