

Disciplined Entrepreneurship Workbook

Step 15: Design a Business Model

Worksheet:

Step #15 Worksheet: Key Considerations in Choosing a Business Model

Looking at the DMU, what is important? _____
DMP? _____
Preference for upfront (capital) or recurring (operating) expense? _____
Other considerations: _____

Customer

How much value do they get? _____
When? _____
How risky is it? _____
Other considerations: _____

Value Creation

Who is comp & what biz model do they use? _____
How locked in are they? _____
Could I disrupt the industry? Risks? _____
Other considerations: _____

Competition

Effect on Sales Cycle? COCA? _____
LTV? _____
Distributors? _____ Cash Flow _____
Operations & other considerations: _____

Internal

Identification of Different Units of Product You Can Charge For (if appropriate)

What are the different potential units you could charge for? (e.g., individual product, number of users, usage, site license, etc.)

1. Individual Product

Pros: Allows for flexible pricing based on individual customer needs. Easy to understand for customers.

Cons: May limit potential revenue if customers opt for lower-priced options.

2. Subscription-based Pricing

Pros: Provides recurring revenue stream. Encourages customer loyalty and retention.

Cons: Some customers may be hesitant to commit to ongoing payments.

3. Usage-based Pricing

Pros: Aligns pricing with actual usage, providing value for money. Can incentivize customers to use the product more.

Cons: Predicting usage patterns and setting pricing tiers accurately can be challenging.

Summary of Business Model Candidates									
#	Option	Unit	Cust. Fit	Value Creation Fit	Comp. Fit	Internal Fit	Pros	Cons	Grade
1	Individual Product	Individual purchase	Medium	Medium	Low	High	Flexible pricing, easy for customers to understand	May limit revenue potential	B
2	Subscription-based	Subscription	High	High	High	High	Recurring revenue, customer loyalty and retention	Some customers may hesitate to commit to subscriptions	A
3	Usage-based Pricing	Usage metrics	Medium	High	Medium	Medium	Aligns pricing with usage, incentivizes increased usage	Predicting usage patterns can be challenging	B
4	Site License	Per site	High	Medium	Medium	High	Ideal for businesses with multiple locations or franchises	Limited scalability for smaller businesses	B
5	Tiered Pricing	Feature tiers	Medium	Medium	High	Medium	Offers options for customers with varying needs and budgets	Complexity in managing multiple pricing tiers	C

Note: Do not forget to consider creative hybrid models if appropriate.

1. Initial Decision and Rationale

Which business model did you choose and why?

We have chosen the Subscription-based business model. This decision is based on several factors. Firstly, a subscription model aligns well with Greenify's value proposition of continuous updates and support for energy management solutions. Secondly, it offers a recurring revenue stream, which can enhance financial stability and predictability. Thirdly, subscription models are known to foster customer loyalty and retention, which are crucial for long-term success in the competitive market. Lastly, this model provides flexibility in pricing tiers to cater to different customer segments and their varying needs and budgets.

2. Tests to Validate

- a. What hypotheses are you assuming to be true for the business model(s) you have chosen?
 - Customers are willing to subscribe to Greenify's services for energy management.
 - Subscription-based pricing will lead to higher customer retention and lifetime value.
- b. What experiments will you run to test your hypotheses?
 - Offer different subscription plans with varying features and pricing to a sample group of potential customers.
 - Track customer retention rates and lifetime value metrics over a defined period for both subscription and non-subscription users.
- c. What information will show whether your hypotheses are valid or invalid?
 - Number of subscriptions sign-ups and conversion rates.
 - Customer feedback and satisfaction levels with subscription plans.
 - Comparison of retention rates and lifetime value between subscription and non-subscription users.
- d. How long will you give the experiments to run?

We will run the experiments for a minimum of 3 months to gather sufficient data and assess the effectiveness of the subscription-based model. This timeframe will allow us to observe trends and make informed decisions regarding the scalability and viability of the chosen business model.