

# INFO5992 Week 9 Cheatsheet

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## Business Model Canvas, Value Proposition & Capital Raising

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### 1. BUSINESS MODEL CANVAS (BMC)

#### Overview

- **Created by:** Alexander Osterwalder et al., 2010
- **Purpose:** Describe, design, challenge, and pivot business models
- **Global standard** for companies of all sizes
- **9 Building Blocks** that make up a complete business model

#### The 9 Building Blocks

##### Block 1: Customer Segments

Groups of people/organizations a company aims to reach and serve

**5 Types:** 1. **Mass Market:** Broad customer base, no segmentation (e.g., Facebook) 2. **Niche Market:** Specific, specialized segments (e.g., Qualcomm) 3. **Segmented:** Slightly different needs (e.g., Apple - MacBook Air, Pro, iMac) 4. **Diversified:** Unrelated segments with different needs (e.g., Amazon retail + AWS) 5. **Multi-sided Platforms:** Two+ interdependent segments (e.g., Airbnb)

**Key Questions:** - For whom are we creating value? - Who are our most important customers?

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##### Block 2: Value Propositions

Bundle of products/services creating value for Customer Segments

**Components:** - Pain Relievers: How products/services alleviate customer pains - Gain Creators: How products/services create customer gains

**Value Proposition Pyramid** (4 Levels): 1. **Functional:** Basic utility (saves time, reduces cost, simplifies, etc.) 2. **Emotional:** Feelings (reduces anxiety, provides entertainment, design/aesthetics) 3. **Life Changing:** Personal transformation (provides hope, motivation, self-actualization) 4. **Social Impact:** Contributing to society (self-transcendence)

**Examples:** - SpaceX: Self-transcendence - Facebook: Affiliation & Belonging - Apple: Design & Aesthetics - Kickstarter: Provides Access - Google Cloud: Simplifies

**Key Questions:** - What value do we deliver? - Which customer problems are we solving? - What bundles of products/services are we offering?

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##### Block 3: Channels

How company communicates with and reaches Customer Segments

**5 Channel Phases:** 1. **Awareness:** How do we raise awareness? 2. **Evaluation:** How do we help customers evaluate our value proposition? 3. **Purchase:** How do we allow customers to purchase? 4. **Delivery:** How do we deliver the value proposition? 5. **After Sales:** How do we provide post-purchase support?

**Channel Types:** - Web (self-service, live chat) - Email - Phone calls - Advertisements (social media, search) - Payments

**Examples:** - Intercom: Web + Phase II, V - ActiveCampaign: Email + Phase I, II, III - Google Ads: Advertisement + Phase I - Stripe: Payments + Phase III - WordPress: Web + Phase I, II, III, IV, V

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##### Block 4: Customer Relationships

Types of relationships established with Customer Segments

**Types:** 1. **Personal Assistance:** Human interaction (e.g., Salesforce) 2. **Dedicated Personal Assistance:** Dedicated representative (e.g., private banking) 3. **Self-Service:** No direct relationship, customers help themselves (e.g., Slack) 4.

**Automated Services:** Sophisticated self-service with automation (e.g., Netflix recommendations) 5. **Communities:** User communities for engagement (e.g., Envato) 6. **Co-Creation:** Customers co-create value (e.g., YouTube, Amazon reviews) **Motivations:** - Customer acquisition - Customer retention - Upselling/cross-selling

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## Block 5: Revenue Streams

Cash generated from each Customer Segment

**Types:** 1. **Asset Sale:** Selling ownership rights (e.g., Tesla cars, Amazon products) 2. **Usage Fee:** Pay per use (e.g., IBM Watson, Lime scooters) 3. **Subscription Fee:** Continuous access to service (e.g., Spotify, Asana) 4. **Lending/Renting/Leasing:** Temporary use for fee (e.g., Zipcar) 5. **Licensing:** Permission to use IP (e.g., patent licensing) 6. **Transaction/Brokerage Fees:** Intermediation services (e.g., PayPal, Tripe) 7. **Advertising:** Fees for advertising (e.g., Google Ads)

**Key Questions:** - For what value are customers willing to pay? - How are they currently paying? - How would they prefer to pay?

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## Block 6: Key Activities

Most important actions to make business model work

**Examples:** - Microsoft: Software development - Dell: Supply chain management - Platform companies: Platform development - Service companies: Service delivery

**Key Questions:** - What key activities do our Value Propositions require? - What about Distribution Channels, Customer Relationships, Revenue Streams?

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## Block 7: Key Resources

Most important assets required to make business model work

**Types:** 1. **Technology:** Proprietary/open-source software, frameworks 2. **Data:** Training data, user data (crucial for AI companies) 3. **Human:** Knowledge workers, scientists, sales force 4. **Intellectual:** Patents, copyrights, proprietary knowledge (e.g., Huawei's 5G patents) 5. **Physical:** Manufacturing facilities, buildings, vehicles, systems 6. **Financial:** Cash, debt, stock options

**Examples:** - Self-driving car startup: Large volumes of training data - Wikipedia: Open-source software (Media Wiki) - Pharmaceutical companies: Experienced scientists, large sales force

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## Block 8: Key Partnerships

Network of suppliers and partners making business model work

**4 Types:** 1. **Strategic alliances** between non-competitors 2. **Cooperation** between competitors 3. **Joint ventures** to develop new businesses 4. **Buyer-supplier relationships** for reliable supplies

**Reasons for Partnerships:** - Optimize business models - Reduce risk - Acquire resources

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## Block 9: Cost Structure

All costs incurred to operate business model

**Types:** 1. **Fixed Costs:** Remain same regardless of volume (salaries, rent, facilities) 2. **Variable Costs:** Vary with volume (manufacturing companies have high fixed costs; SaaS companies have high variable costs)

**Key Questions:** - What are the most important costs? - Which Key Resources/Activities are most expensive?

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# 2. VALUE PROPOSITION CANVAS (Recap)

## Customer Profile (Right Side - Circle)

1. **Customer Jobs:** What customers are trying to accomplish
2. **Gains:** Outcomes customers want, concrete benefits they seek
3. **Pains:** Bad outcomes, risks, obstacles related to customer jobs

## Value Map (Left Side - Square)

1. **Products & Services:** Your offering
2. **Gain Creators:** How products/services create customer gains
3. **Pain Relievers:** How products/services alleviate customer pains

## Achieving Fit

**You achieve Fit when:** - Your value map meets customer profile - Product offering produces pain relievers and gain creators - They match jobs, pains, and gains important to customer

**Critical Rules:** - Claims must be in YOUR OWN WORDS - Never quote exact text from sources - Paraphrase everything, even short phrases

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## 3. CAPITAL RAISING & FUNDRAISING

### Why Raise Capital?

**Example Uses of Funds:** - R&D - Engineering/product development - Sales and marketing - Customer service - Licenses/regulatory compliance - Infrastructure

**Example Sources of Funds:** - Venture Capital (Series A, B, C, etc.) - Government grants (R&D tax incentive) - MVP grants - Loans

### The Valley of Death - "The J Curve"

**Concept:** - Massive losses in early-stage startups - Revenue << Expenses = Loss - Need funding to survive until revenue grows

**Key Points on Curve:** - Burn rate (how fast spending cash) - Maximum financing needs (bottom of valley) - Date of first cash flow positive - Date of cash breakeven

#### Examples:

**Paytm** (India Payment Startup): - Loss: \$549 million - Revenue: \$448 million - Raised: Over \$2 billion from Softbank, Alibaba, Berkshire Hathaway

**Uber:** - Raised \$24.76B over 24 rounds - Still reporting \$5.2B quarterly loss after going public - "Growth at all costs" strategy - Revenue \$3.1B, up 14% year-over-year

**Amazon:** - Operated at loss for several years (1994-2001) - Invested heavily in infrastructure, technology - Achieved profitability in 2001 - Now \$2.01 trillion market cap

**Failed Examples:** - **Rethink Robotics:** Raised ~\$150M, still failed (hardware/robotics is hard) - **Argo AI** (AV): Backed by VW & Ford, shut down due to growing losses - **DAQRI** (AR): Raised \$275M, ran out of money, sold to Snap

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## 4. FUNDING ROUNDS

### Typical Progression

**Pre-Seed/Seed Round:** - Idea stage to co-founder stage - Friends & family: ~\$15,000 - Seed Round: \$200,000 at \$1M valuation

**Series A:** - \$2M at \$4M valuation - Validate product-market fit - Build initial customer base

**Series B, C, D... onwards:** - Increasing amounts - Scale operations - Expand to new markets - Build team

**IPO (Initial Public Offering):** - \$235M at \$2.6B valuation - Become publicly traded company

### Real Examples

**Canva:** - Seed Round (2013): \$3.6M - Series A (2015): \$15M - Series B (2016): \$15M - Series C (2018): \$40M - Series D (2019): \$70M - Series E (2019): \$85M - Multiple additional rounds (2020-2021): \$271M - **Total: \$572.6M over 14 rounds**

**Tokopedia** (Indonesia): - Seed Round (2009) - Series A (2010) - Series B (2011): \$700K - Series C-F (2012-2017): Progressive rounds - Series G (2018): \$1.1B - **Total: \$2.4B over 9 rounds**

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## 5. CAPITAL RAISING PROCESS

### Steps:

1. **Initial Meeting**
  - Present pitch
  - Follow up
2. **Basic Analysis**
  - Review revenue plans
  - Understand 3-year plan
  - Meet portfolio companies
  - Competitor review
3. **Due Diligence**
  - Cohort analysis
  - Customer calls
  - Reference calls
  - Product roadmap
  - Technical review
  - Competitor deep dive
4. **Partner Meeting** (if pass)
  - Present to investment committee
5. **Term Sheet**
  - Negotiate terms
  - Financial diligence
  - Legal diligence
  - Key employee references

## 6. KEY PLAYERS IN VENTURE CAPITAL

### Angel Investors

- High net worth individuals
- Early-stage investment
- **Examples:** Sydney Angels, AngelList

### Venture Capital Firms

- Professional investment firms
- Manage funds from institutions/individuals
- **Examples:**
  - AirTree Ventures
  - Cicada Innovations
  - Andreessen Horowitz (a16z)

### Strategic Investors

- Corporations investing for strategic reasons
- **Examples:**
  - Google Ventures (GV)
  - Telstra Ventures
  - Microsoft, Amazon, etc.

## 7. PITCH FORMAT (Melbourne Accelerator Program)

### 8-Section Structure:

#### 1. Introduction

- Introduce yourself
- One-sentence elevator pitch
- Traction teaser (if available)

#### 2. Problem/Opportunity

- What problem are you solving?
- Deep understanding of problem
- Your solution
- Is solution well validated?

#### 3. Market

- Who uses your product?
- Why do people need it?
- How big is the market?
- Is market large/growing?
- Why now?

#### 4. Traction

- Progress to date
- Key metrics
- Validation

#### 5. Competition

- What else is out there?
- Why are you better?
- Competitive advantages

#### 6. Business Model

- Revenue/funding model
- How will you grow and scale?

#### 7. Team

- Why will founders succeed?
- How well do founders work together?

#### 8. The Way Forward

- How big can this get?
- How far by end of program?

## 8. ALTERNATIVE FUNDING PATHWAYS

### Incubators & Accelerators

- **Y Combinator** (US)
- **Techstars** (Global)
- **Startmate** (Australia)
- **Melbourne Accelerator Program (MAP)**
- **INCUBATE** (University of Sydney)

### Government Grants

**MVP Ventures Program (NSW):** - Grant amount: \$25,000 to \$200,000 - For commercialization of products/services - Must be progressing along Technology Readiness Level (TRL) 3-9 - Requires 50% matched funding - Must complete within 12 months

**Eligibility:** - Related to commercialization - Progressing product/service (TRL 3-9) - Activities in NSW - Aligned with NSW Industry Development Framework - Demonstrate why other funding can't be accessed - Demonstrate matched 50% funding

## KEY FORMULAS & CONCEPTS

### Profitability:

$$\text{Revenue} - \text{Expenses} = \text{Profit or Loss}$$

### Financial Capital as Key Resource:

- Part of "Key Resources" in BMC
- Critical for funding operations during Valley of Death
- Sources: VC, grants, loans, revenue

### Customer Segment Separation Criteria:

Customers are separate segments if: - Needs require distinct offer - Reached through different channels - Require different relationship types - Have substantially different profitability - Willing to pay for different aspects

## CRITICAL EXAM TIPS

### For BMC Questions:

1. **Always link blocks together:** Show how they support each other
2. **Be specific:** Use concrete examples, not generic statements
3. **Match to customer segment:** Revenue streams, channels, and relationships must align with specific segments
4. **Consider context:** Early-stage vs. established company differences

### For Revenue Stream Questions:

- **Identify customer segment first**
- **Name the revenue type** (Asset Sale, Subscription, etc.)
- **Explain the mechanism:** How does money flow?

### Example Answer Structure:

"Revenue Stream 1: **Hardware Sales (Asset Sale)** - Customer Segment: Consumers, Enterprises - Explanation: Direct sales of devices generating revenue from end-users and organizations buying physical products..."

## IMPORTANT STATISTICS & EXAMPLES

### Major Funding Announcements (Recent):

- **Scale AI:** \$100M Series C
- **Airwallex:** \$250M Series D (\$1.8B valuation)
- **Byju:** \$400M at \$10B valuation
- **Anthropic:** \$5B plan over 4 years (\$1B for 18 months)
- **SpaceX:** \$750M at \$137B valuation
- **Microsoft → OpenAI:** \$10B investment

### Key Metrics:

- **Amazon:** 1994-2001 operated at loss, now \$2.01T market cap
- **Uber:** \$24.76B raised over 24 rounds
- **90% of startups fail** (industry statistic)
- **Silicon Valley captures majority** of global VC funding

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## GLOSSARY

**BMC:** Business Model Canvas **TRL:** Technology Readiness Level **MVP:** Minimum Viable Product (also Minimum Viable Product Ventures Program) **IP:** Intellectual Property **VC:** Venture Capital **IPO:** Initial Public Offering **SaaS:** Software as a Service **AWS:** Amazon Web Services **R&D:** Research & Development **ARR/MRR:** Annual/Monthly Recurring Revenue **CAC:** Customer Acquisition Cost **LTV:** Lifetime Value **Burn Rate:** Rate at which company spends cash **Runway:** How long until company runs out of cash **Unicorn:** Startup valued at \$1B+ **Pivot:** Fundamental change in business model

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## FINAL CHECKLIST

✓ Understand all 9 BMC blocks and their relationships ✓ Know 5 customer segment types with examples ✓ Memorize revenue stream types (7 types) ✓ Understand Value Proposition Canvas fit ✓ Know the 4 levels of Value Proposition Pyramid ✓ Understand Valley of Death / J-Curve concept ✓ Know funding round progression (Seed → Series A/B/C/D → IPO) ✓ Understand different investor types (Angels, VC, Strategic) ✓ Know capital raising process steps ✓ Remember pitch format structure ✓ Be familiar with real company examples (Canva, Uber, Amazon, etc.)

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Good luck with your exam! 🚀