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BusinessModel COMPETITION

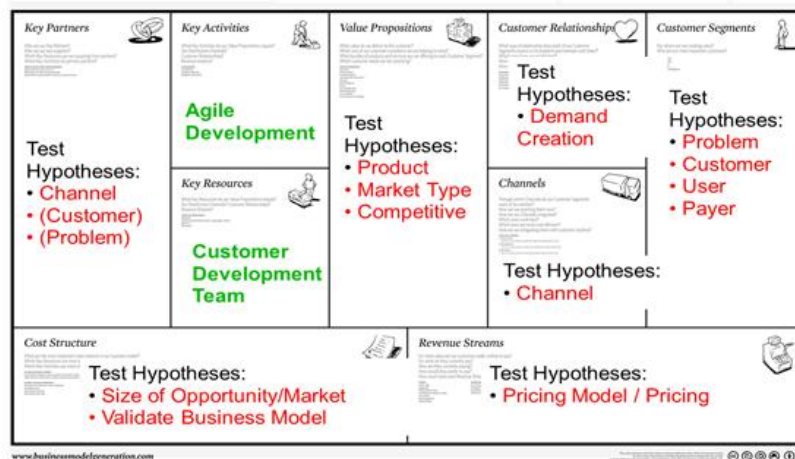
International Business Model Competition 2014

ADDITIONAL RESOURCES

Business Model Development Guidelines:

The following is a set of guidelines for how to develop a business model adapted from Steve Blank's course on Business Model Development / Lean Launchpad. The guidelines are designed as a series of action-based steps to get entrepreneurs outside the building and testing their assumptions with customers:

1. **Analyze the idea:** Write down the key hypotheses about each area of the nine areas of the business model based on Alex Osterwalder's Business Model Generation (see below).
 - a. Central questions:
 - i. What is the core customer pain, or "job" that you are doing for the customer?
 - ii. What is the business model?
 - iii. What are the hypotheses about each of the 9 parts of the business model?
 - iv. What is the Minimum Feature Set to test these assumptions?
 - v. What are experiments needed to run to test business model hypotheses?
 - vi. What is market size? In other words, how will you determine whether this is a business model worth pursuing?



2. **Test the value proposition:** Get out of the building and talk to 10-15 customers face-to-face. Use Survey Monkey or other tools to get more data but be sure to talk to customers. Use Steve Blank's Customer Development model or Nathan Furr's Nail It then Scale It model as a guide
 - a. Central questions:
 - i. What is the job customers are trying to get done? How significant is the pain?
 - ii. What is your solution to the pain (product or service)?
 - iii. Why will people want it?
 - iv. What's the minimum feature set to satisfy those customers?
 - v. Who's the competition or alternatives to your solution?
 - vi. What's the market type (new, established, re-segmented)?

3. **Test the customers / users:** Get out of the building and talk to 10-15 customers face-to-face to understand who is the customer? Who uses the product, who pays, and how are they different?
 - a. Central questions:
 - i. What were your hypotheses about who your users and customers were?
 - ii. Did you learn anything different?
 - iii. Did anything change about Value Proposition?
 - iv. What are your customer acquisition costs?
4. **Test demand creation:** Test and understand how to build demand. If you are building a web site, actually do SEM, spend \$20 as a team, test customer acquisition cost. Change messaging on site during the week to get costs lower, team that gets lowest delta costs wins. If non-web, build demand creation budget and forecast. Get real costs from suppliers.
 - a. Central questions:
 - i. How do you create end user demand?
 - ii. How does it differ on the web versus other channels?
5. **Test channels:** Get out of the building and talk to 10-15 channel partners. If you're building a web site, get the site up and running with the minimal feature set.
 - a. Central questions:
 - i. For web teams:
 1. What were your hypotheses about your website?
 2. Did anything change about value proposition or customers/users?
 3. What is your customer lifetime value?
 - ii. For non-web teams:
 1. Interview 10-15 people in your channel (salesmen, OEM's, etc.).
 2. Did anything change about Value Proposition or Customers/Users?
 3. What is your customer lifetime value?
6. **Test the revenue model:** Using the facts gathered so far, analyze the revenue streams, expenses, and key metrics for how your business makes money. Get outside the building to test the model.
 - a. Central questions:
 - i. What's your revenue model?
 - ii. How will you price your product?
 - iii. What are the key financials metrics for your business model?
 - iv. Test pricing in front of 100 customers on the web, 10-15 customers non web
7. **Test partners:** Get outside the building to talk to potential partners to understand the partnership channels, resources, and cost.
 - a. Central questions:
 - i. Who are your potential partners and the relationship (strategic alliances, coopetition, joint ventures, buyer supplier, licensees)
 - ii. What partners will you need?
 - iii. Why will they partner with you?
 - iv. What's the cost of the partnership?
 - v. Talk to partners
8. **Test Key Resources and Expenses:** Analyze what resources you need and when to build the business.
 - a. Central questions:
 - i. What resources do you need to build this business?
 - ii. How many people? What kind?
 - iii. Any hardware or software you need to buy?
 - iv. Any IP you need to license?
 - v. How much money do you need to raise? When? Why?
 - vi. What's your expense model? What are the key financials metrics for *costs* in your business model?
9. **Lessons Learned:** Identify the validated learning from customers, what you learned throughout the process, and how your business model has changed. What is the new, validated business model? Is it worth pursuing (remember even failure is a valuable lesson if you learn from it early and effectively).

Pivot: Don't forget that with every assumption overturned, be ready to pivot to the new and valuable business.

Additional resources of interest include Steve Blank's post on business models and funding:

<http://steveblank.com/2009/11/05/raising-money-with-customer-development/>
<http://steveblank.com/2009/11/12/lessons-learned-a-new-type-of-vc-pitch/>