

THE BUSINESS MODEL

CHEAT SHEET

There is a big difference between the planning process, the plan document and the implementation of the plan. The business planning process allows you to discover and define where it is you want to go and how you're going to get there.

The plan document clearly defines and captures your vision, objectives, strategies, assumptions and necessary actions. The rubber hits the road and your plan becomes a reality when you act to implement your planned strategies. The most common excuse for not preparing a business plan is: "I don't need a plan, it's a waste of time, because as soon as I write it, it's out of date". Yes, things will change quickly, however, even a mediocre plan is always better than no plan, and fortunately, mistakes made on paper are much less costly than those made in real life. The planning journey is about what you can learn about your new product and its environment, not about creating a written document. New product success is much more than just creating a great product; you don't want to miss important components. The good news is that in the early stages you don't need a traditional business because you would be basing everything upon assumptions or guesses. At this point you still don't know what you don't know, so best to work at defining the elements of a viable business model. You need to examine the key and essential functions, strategies, relationships and interactions required to successfully operate your business and get your new product from idea to market. There are various versions of the business model canvas you can use. Diagram #1 illustrates a standard business model canvas from the book Business Model Generation by Osterwalder, A. & Pigneur, Y. (2010) New York, John Wiley & Sons.

This business model defines relationships, dependencies and success interactions between nine key business elements. It is basically a one-page summary of what would be in your business plan. The business model runs lean, so it can be changed quickly, remain current, help keep you organized, and you're thinking focused on what is most important in a fast-paced new product development environment. It can also easily be shared with your development team, business, investors, and other key stakeholders to keep everyone abreast of any changes. It defines how everything works (should work) together.

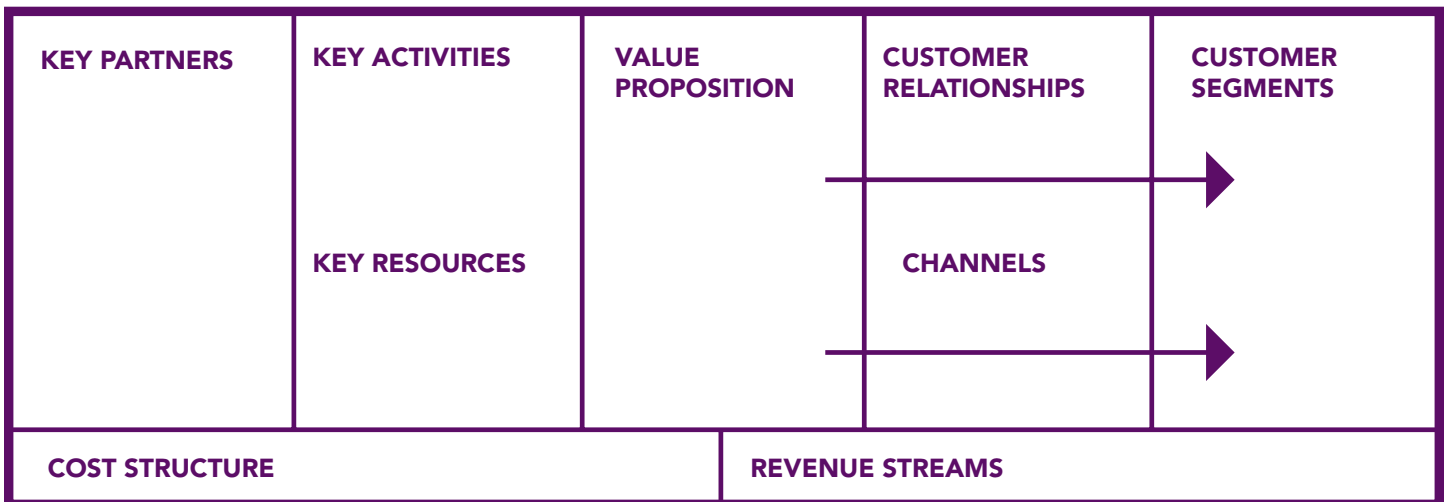


Diagram #1 Osterwalder, A. & Pigneur, Y. (2010) Business Model Generation, New York, John Wiley & Sons

VALUE PROPOSITION

The value proposition is the bundle of benefits that your product offers the target consumer to grab their attention. This is derived from the price, customer value, product uniqueness to the market, innovation, packaging, customized service solutions, design, brand, cost, benefits, warranty, convenience and communication.

- What specific value(s) will you promise to your customer?

KEY RESOURCES

Key resources are the assets required to make the business function properly and to succeed. These key assets would include things like, buildings, equipment, human resources, education, skills, distribution channels, intellectual property and financing, etc.

- What are the key resources required for you to deliver on your value proposition?

KEY ACTIVITIES

Key activities are those important actions taken to operate in a successful manner. They support the company in the delivery of the stated value proposition, in maintaining key customer relationships and in creating ongoing revenues.

- What key activities are required?

(E.g.: Sales, order fulfillment, customer relationships, marketing initiatives, revenue generation, production capacity, quality, volume and efficiency.)

KEY PARTNERSHIPS

The key partnerships include the network of suppliers, stakeholders, people and businesses that make your model efficient and functional. This could involve agreements and relationships such as strategic alliances and joint ventures to reach larger markets.

- Who are the key partners in your supply/value chain?
- What are the key resources we acquire from partners and how do they benefit?
- Which key activities do partners perform that we are dependent upon?

COST STRUCTURE

Cost structures include all the costs that you will incur to develop products and run your business operation. Businesses have fixed costs that are typically costs incurred whether you produce or not, and then there are variable costs that are a result of production activity. A business model that positively impacts the cost of operations may create economies of scale.

- Identify the most important costs within your business model?

CUSTOMER SEGMENTS

Customer segments define the different groups, or clusters of customers and the organizations you aim to serve and supply. It is not possible to serve all customer segments, so define exactly who are the specific customer groups/segments that you intend to target, and which you will ignore. Design the model around the specific needs of your target customers.

- What specific customer segments does your product create value for?
- Of all of your customers who are your most important? (Who writes you the biggest cheques?)

MARKET CHANNELS

The market channel determines how your business communicates with customers, how products reach the target customer and how the unique value proposition gets delivered. Delivery, communication and sales are the typical areas of company interaction with the customer.

- Can you reach your customers directly, or will you need to access customers through a partner channel partner such as a distributor, broker, agent, wholesaler, or retailer?
- Which channels best reach your target customer?
- How will you reach them?
- Which ones are the most cost efficient for your business model?

CUSTOMER RELATIONSHIPS

Customer relationships are key to your success. You will need to determine what kind of customer relationships are required with your target customers to retain them as customers. For example, does it require a dedicated salesperson or is a more automated system approach possible? Explore how you will connect with and service your customers.

- How will you establish new customer relationships and retain existing ones?
- What customer relationships will we need to establish for the future?

REVENUE STREAMS

Show me the money? Revenue streams define how the company will generate cash from each customer segment and create the cash flow to support operations. There are various types of revenues to consider, such as, the sale of products, leases and rents, licensing fees, service fees, consulting, off farm support, and grants that may contribute to the annual business income.

- For what product and service values are your customers willing to pay?
- How much does each revenue stream contribute to overall company revenues?
- How will we create a consistent regular cash flow?

Keep the business model a simple and dynamic document. It will help you address all of the key elements as you move your idea forward to market success.