

Previously on E&I...

The entrepreneurial life cycle, funding models and sources.

A quick recap of Class 13

- ▶ The source and funding amount depend on the venture's life cycle
 - ▶ Bootstrapping, 4Fs, Seed capital
 - ▶ Business Angels
 - ▶ Venture Capital
- ▶ The stages of the entrepreneurial life cycle:
 - ▶ Ideation or pre-incubation
 - ▶ Incubation
 - ▶ Acceleration
 - ▶ Growth
- ▶ There are institutions that can help you, and provide funds, in each specific stage.

ENTREPRENEURSHIP AND INNOVATION

**Class 14 - Business Model Generation: Revenue
models and business plan models**

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Pontificia Universidad Javeriana Bogotá, Fall 2018



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Revenue Model

- ▶ When a new venture is created and enters the market, it needs to generate revenue to stay alive.
- ▶ The activities undertaken to that end are known as the **Revenue Model** (Revenue = Income - Expenditure)
 - ▶ Direct sales
 - ▶ Subscription
 - ▶ Intermediation or transaction fee
 - ▶ Franchises
 - ▶ Licensing and IP exploitation
 - ▶ Advertising, etc.

Classwork 15

- ▶ You will receive a form with 8 boxes, each corresponding to a different Revenue Model.

revenue models

Using selling lemonade as the basic concept, show how the offering would look substantially different using the seven other revenue models. Can you come up with a really new revenue model for a lemonade stand? Are there any revenue models missing?

Unit Sales

Sell a product or service to customers.



A lemonade stand sells individual units of lemonade sized by cup to consumers on a per unit basis

Advertising Fees

Sell opportunities to distribute messages.

Franchise Fees

Sell and support a replicable business for others to invest in, grow, and manage locally.

Utility Fees

Sell goods and services on a per-use or as-consumed basis.

Subscription Fees

Charge a fixed price for access to your services for a period of time or series of uses.

Transaction Fees

Charge a fee for referring, enabling, or executing a transaction between parties.

Professional Fees

Provide professional services on a time-and-materials contract.

License Fees

Sell the rights to use intellectual property.

Classwork 15

- ▶ You will receive a form with 8 boxes, each corresponding to a different Revenue Model.
- ▶ You will have 10 minutes to complete each of those boxes, in your teams.
- ▶ You should base the Revenue Model in Step 4's Value Proposition
 - ▶ A pair of self-heating slippers.
- ▶ Try to find a balance between creativity and feasibility.
- ▶ You will share with the class what you have come up with.

Your Revenue Model is closely linked to your Business Model

But they are not the same thing!

What is a Business Model?

- ▶ “A business model describes the rationale of how an organization creates, delivers, and captures value.” (Osterwalder & Pigneur, 2010)
- ▶ The set of hypotheses on what a business does and does not do, why a market pays for it, what and how the business sells. It is a plan including customers and competitors, their values and behaviors, the technology and its dynamics, the resources and possible strengths and weaknesses of a venture. (Drucker, 1994)
- ▶ It explains how the business works, where the money comes from and how it is allocated.

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 - ▶ Value Proposition
 - ▶ Customers
 - ▶ Competitive Analysis
 - ▶ Resources...

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- ▶ It explains how the business works, where the money comes from and how it is allocated:
 - ▶ Revenue model
 - ▶ Cost structure
 - ▶ MVP

A business model has some core components

- ▶ Value Proposition
- ▶ Customers
- ▶ Resources
- ▶ Revenue sources
- ▶ Distribution channels
- ▶ Sales channels
- ▶ Promotion channels
- ▶ Competitive analysis
- ▶ Financial plan, etc.

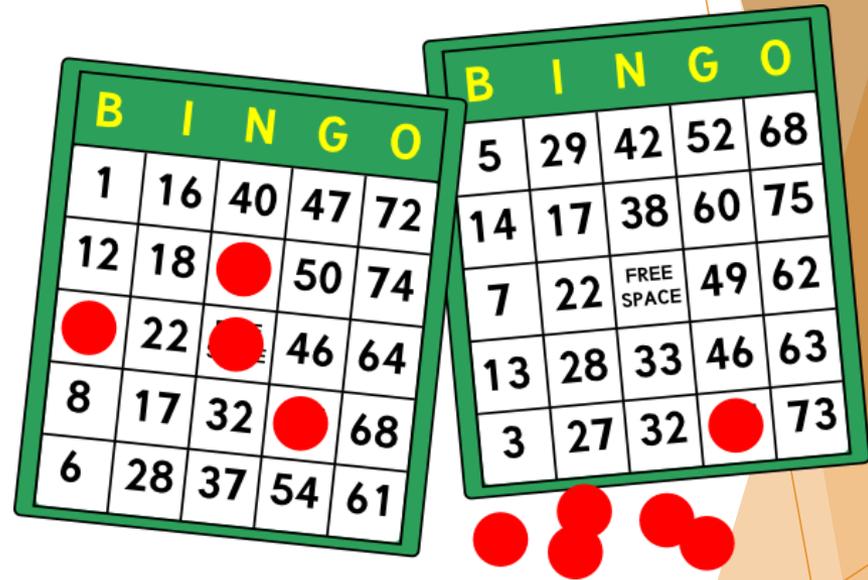
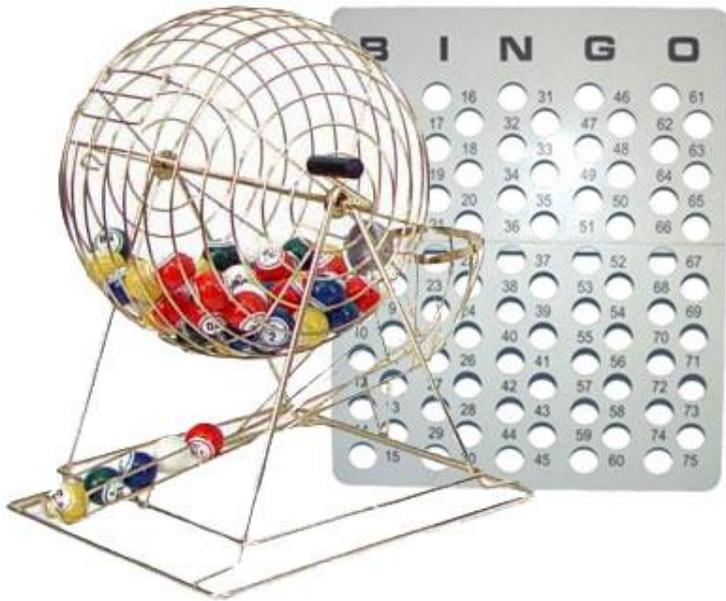
What you sell

Who you sell it to

How it is produced

How it is sold

Bingo!



B I N G O				
1	16	40	47	72
12	18	●	50	74
●	22	●	46	64
8	17	32	●	68
6	28	37	54	61

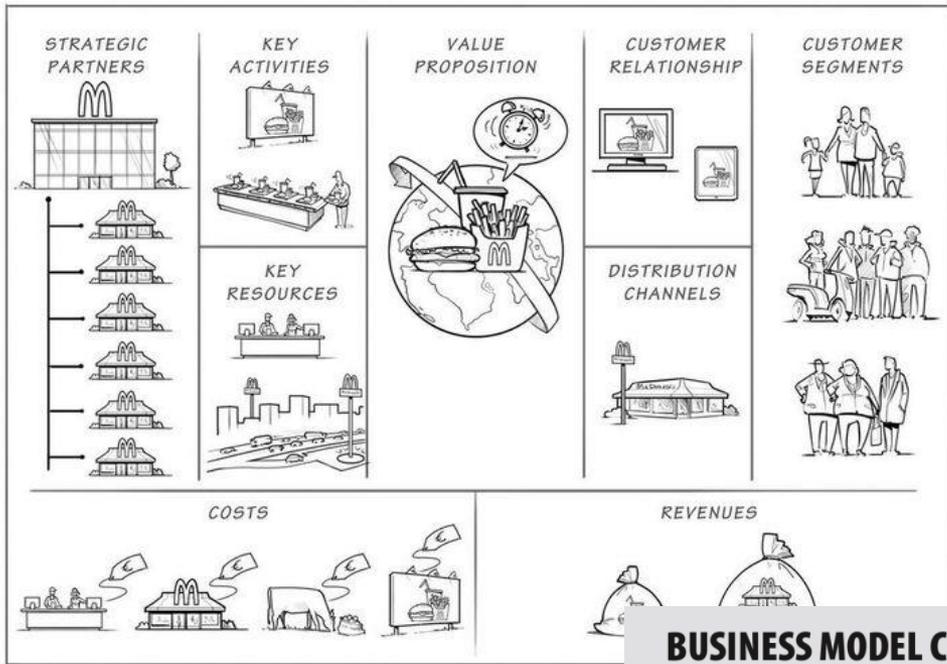
B I N G O				
5	29	42	52	68
14	17	38	60	75
7	22	FREE SPACE	49	62
13	28	33	46	63
3	27	32	●	73

Why did we do this?

- ▶ To show you that the **CANVAS model** is simply **one way** to structure your Business Plan
- ▶ Moreover, *you already have all the pieces*
 - ▶ Even if **we called them differently**
 - ▶ And this applies to other Business Plan models as well.
- ▶ Understand and comment different firms' business models.
- ▶ Have fun and earn some classwork points.

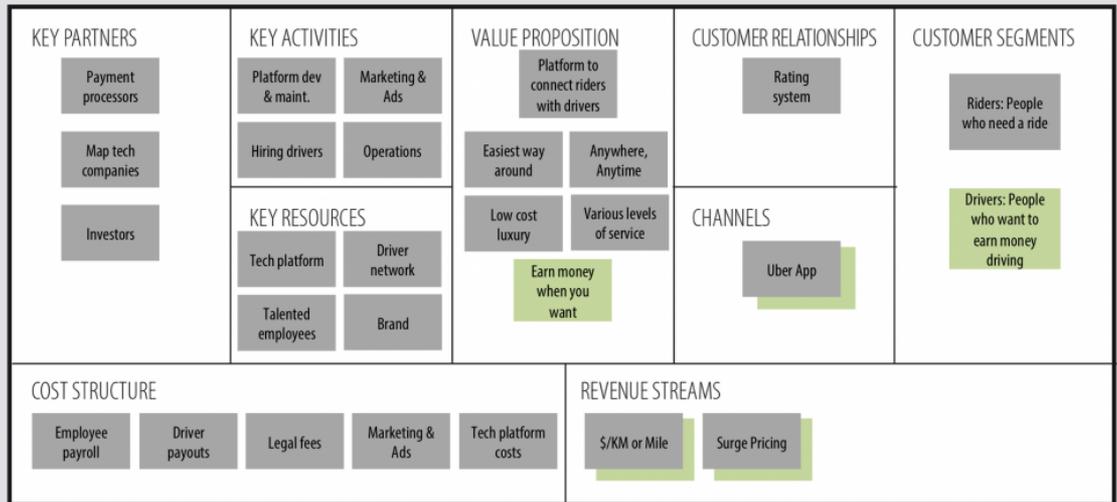
Why is the CANVAS model so popular?

- ▶ It is intuitive, visual and simple to understand.
- ▶ Requires no prior knowledge of entrepreneurship.
- ▶ Can be applied literally to any type of venture
 - ▶ [Established](#)
 - ▶ [New](#)
 - ▶ I mean it, [literally](#).



BUSINESS MODEL CANVAS

UBER



DESIGNED BY BUSINESS MODEL FOUNDRY AG

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Then, why am I showing it to you just now?

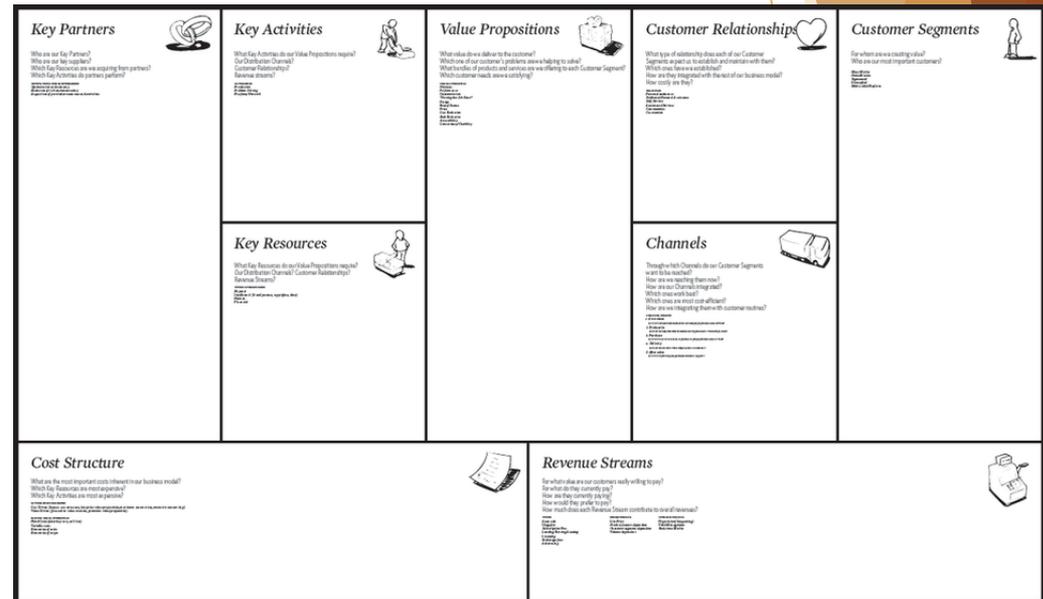
- ▶ It's only **one out of many** you have at your disposal
- ▶ You can adopt it now if you like it, with very little cost
- ▶ It fosters a tendency to confuse the tool with the outcome
 - ▶ Ticking boxes is alright, but simply a means to make sure that you...
 - ▶ ... generate value for the customers, thus...
 - ▶ that you have found an *innovative* business opportunity!

Then, why am I showing it to you just now?

- ▶ Static
- ▶ Where is the competition?
- ▶ Marketing plan?
- ▶ How deep and detailed to go?
- ▶ Granularity and use levels

Let's quickly look at the elements of the Business Model CANVAS (Osterwalder 2008)

- ▶ Value Proposition
- ▶ Customer Segments
- ▶ Channels
- ▶ Customer Relationships
- ▶ Key Activities
- ▶ Key Resources
- ▶ Key Partners
- ▶ Cost Structure
- ▶ Revenue Stream



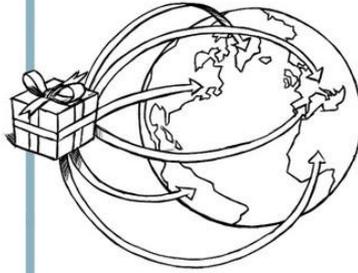
Value Proposition

- ▶ You have identified some needs or problems
 - ▶ Which specific aspects do you solve?
- ▶ Why do they buy from us?
- ▶ Why are we the best alternative?
- ▶ A short list, **each linked to a persona.**

Asociaciones clave



Actividades clave



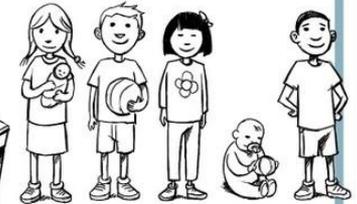
Propuesta de valor



Relaciones con los clientes



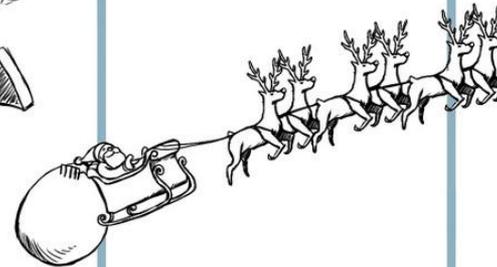
Segmentos del mercado



Recursos clave



Canales



Estructura de costes



Fuentes de ingresos



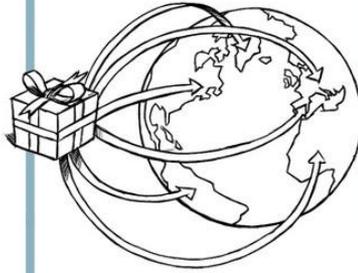
Customer Segments

- ▶ Whose problem are we solving?
 - ▶ One customer? Many?
- ▶ A list of **segments or personas** (we called them **profiles or personas**)
- ▶ Each segment has a dimension and composition
 - ▶ Size...
 - ▶ Demographic and psychographic characteristics...
 - ▶ TAM/SAM/target...

Asociaciones clave



Actividades clave



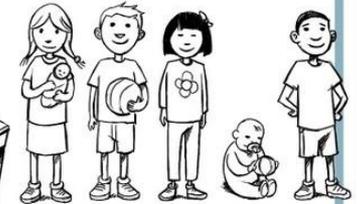
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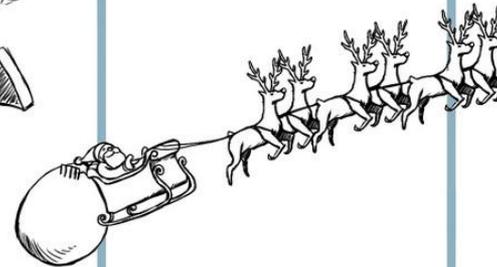
Segmentos del mercado



Recursos clave



Canales



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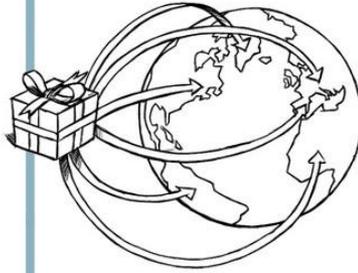
Channels

- ▶ How we reach each customer segment, in terms of
 - ▶ Sales and Service
 - ▶ “Physically”: The tangible part of the service.
- ▶ We included these in the **Marketing Plan**

Asociaciones clave



Actividades clave



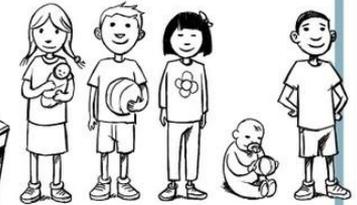
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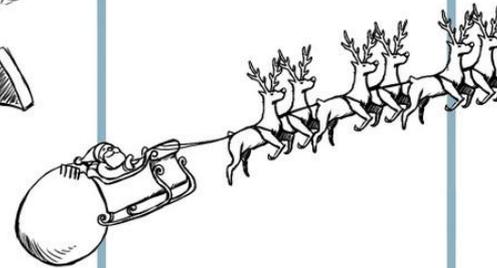
Segmentos del mercado



Recursos clave



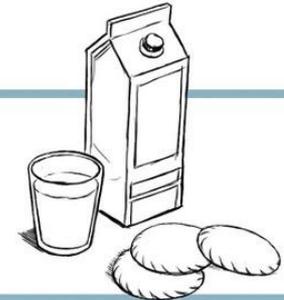
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Estructura de costes



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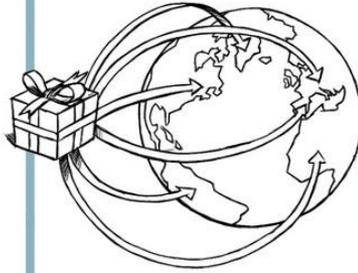
Customer Relationships

- ▶ The specific actions we execute to make sure each customer segment obtains the value promised
 - ▶ The “intangible”, but essential, part of the service.
- ▶ We included this in the **tactics** part of the Marketing Plan
 - ▶ Hot, Warm, Cold Prospects
 - ▶ Leads

Asociaciones clave



Actividades clave



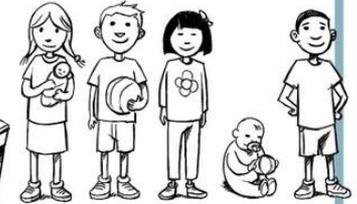
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Segmentos del mercado



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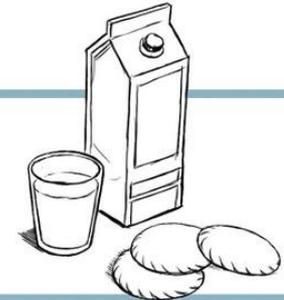
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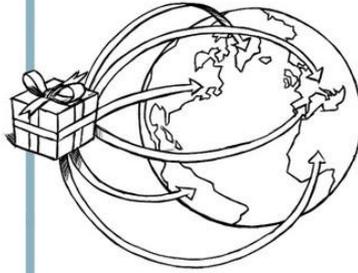
Revenue Streams

- ▶ What each customer segment gives you in exchange for the VP
 - ▶ Not always direct sales, though.
- ▶ We included this in the demand/**revenue** part of the **Budget**
 - ▶ **The Revenue Model**
 - ▶ Is it “easy” to figure this out before you execute a market research stage?

Asociaciones clave



Actividades clave



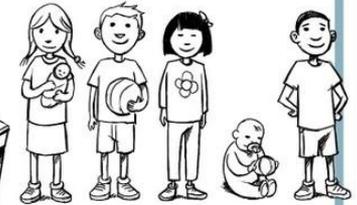
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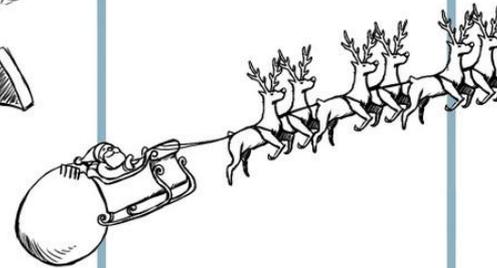
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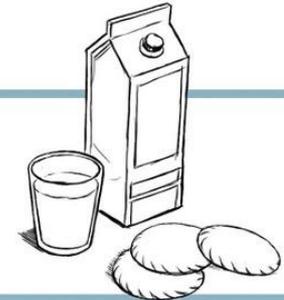
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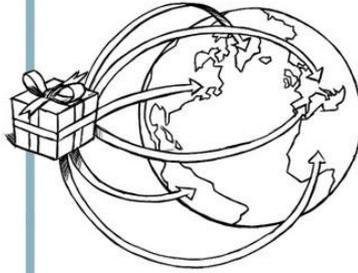
Key Activities

- ▶ How the product is built (technology, processes, workers, etc.)
 - ▶ Actions, actions, actions : VERBS!
- ▶ Part of the **business infrastructure**
- ▶ We included this in the **cost section of the budget**

Asociaciones clave



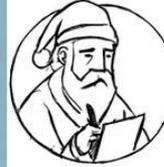
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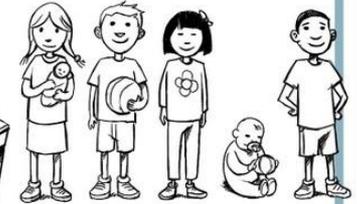
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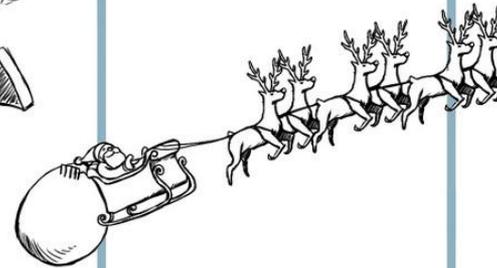
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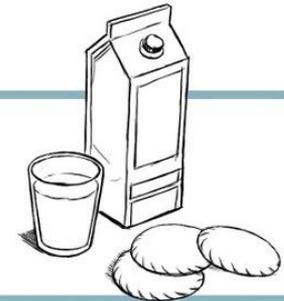
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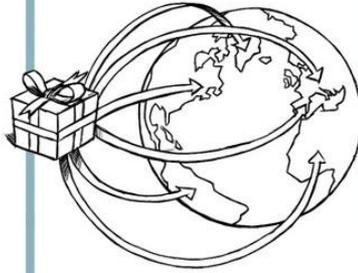
Key Resources

- ▶ The **ingredients** needed to build or provide the good
- ▶ A list of assets linked to each key activity
- ▶ We included this in the **cost section of the budget.**

Asociaciones clave



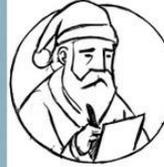
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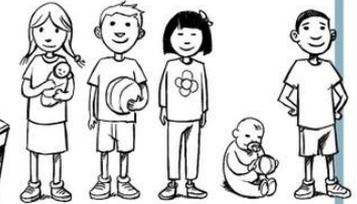
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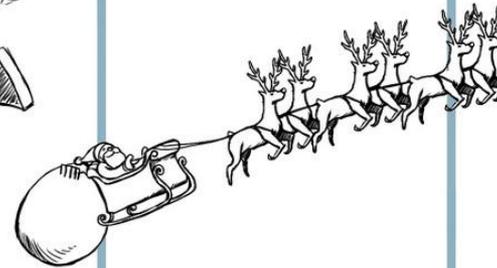
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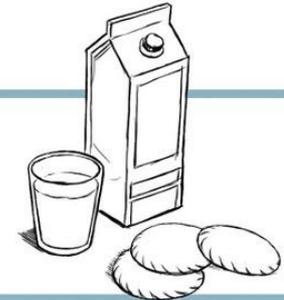
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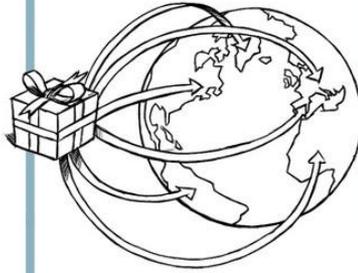
Key Partnerships

- ▶ The external actors who help us build the product
- ▶ We included this in
 - ▶ The **market research** section (non-competitors, suppliers, allies, etc.)
 - ▶ The **marketing plan** (sales force, services, etc.)

Asociaciones clave



Actividades clave



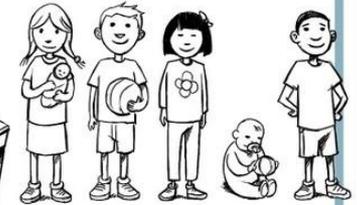
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Segmentos del mercado



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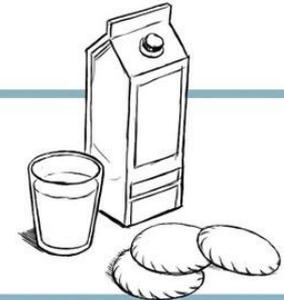
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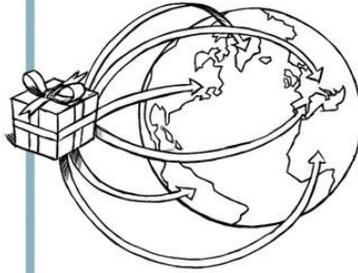
Cost Structure

- ▶ A translation of **the infrastructure in monetary terms**
- ▶ Precisely how we defined the **budget**
- ▶ Scale and production size?
 - ▶ A market research is necessary beforehand.
 - ▶ You hit the ground running or what?
 - ▶ Pilot launch!

Asociaciones clave



Actividades clave



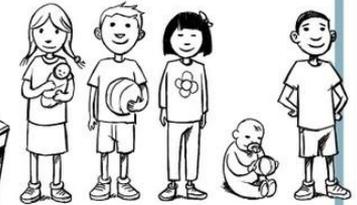
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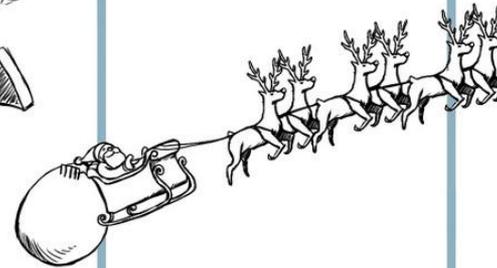
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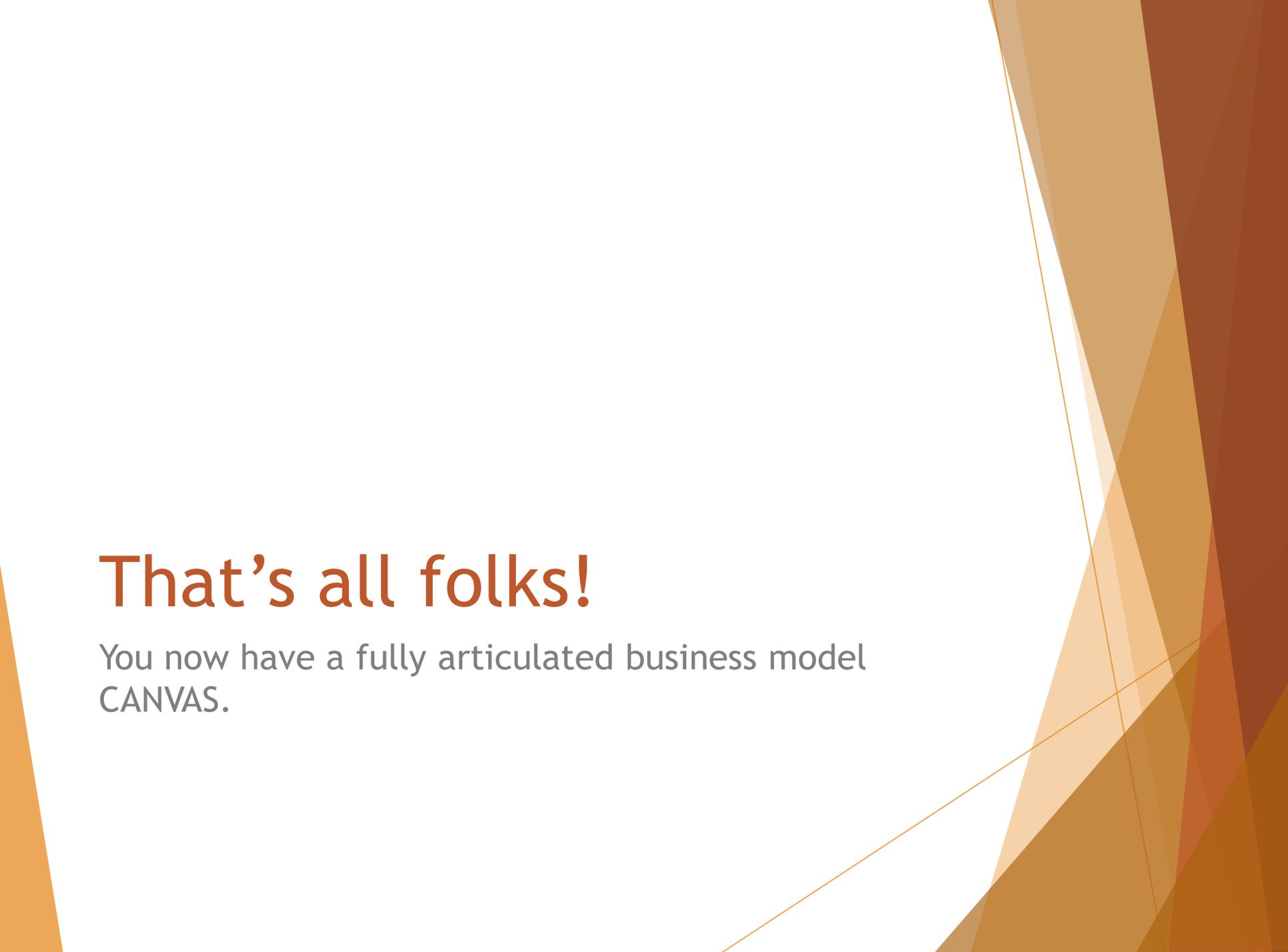


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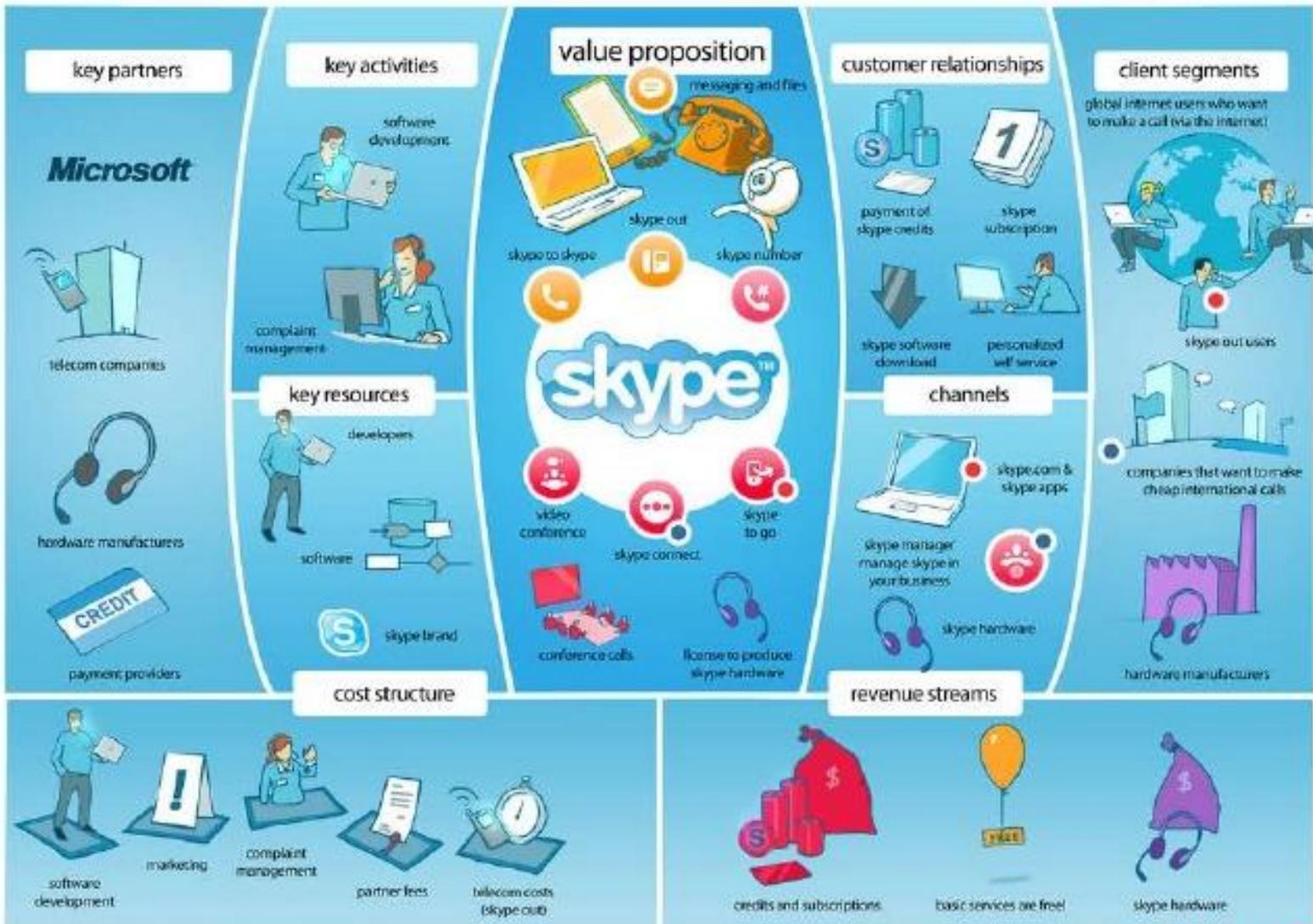
Fuentes de ingresos





That's all folks!

You now have a fully articulated business model
CANVAS.



Classwork 16

- ▶ Arrange your project's business plan following the CANVAS model.
- ▶ You might find this useful: [CANVAS Google Docs](#).
- ▶ There are other tools at your disposal.
- ▶ You must submit it in 10 minutes or less.

One last thing

- ▶ **Business Model \neq Revenue Model**
 - ▶ The business model includes the revenue model and some things more.
- ▶ **Business Plan \neq Business Model**
 - ▶ The business plan is just a snapshot of a business model in a particular moment in time, usually before you start.
- ▶ **Business Plan model \neq Business Plan**
 - ▶ A business plan model is simply a format or set of guidelines you can follow when preparing or presenting a business plan, it is just a tool.
- ▶ **Business Plan model \neq Business Model**
 - ▶ A business plan model is an empty tool, it has no content of its own; the business model describes your overall project/idea/venture.

Classwork 17

- ▶ In your groups you have 10 minutes to complete the form, based on your own projects
- ▶ You will present the 11 points to the whole class

The reasons why customers will purchase from you

- What is it?
- Who is it for?
- Why do they need it?
- What job does your product/service perform for your customer?
- How important is the problem that you are solving for the customer?
- How does it work?
- What is unique or different?

1 VALUE PROPOSITION

What is the customer's problem and how do you solve it?

- What is truly unique about your product?
- Which attributes resonate with your target customer?
- Is there a durable advantage? Why?
- Can the value be substantiated quantitatively or qualitatively?
- What is the compelling reason for someone to buy your product vs. the competition's?
- Why is it difficult to copy or purchase elsewhere?

3 TARGET MARKET(S)

The groups for whom you are creating value

- For whom are you creating value?
- What is the Total Available Market?
- What is your formula for success in terms of how customers view the Value Proposition – Differentiation – Channel - Pricing?

4 CUSTOMER SEGMENTS

Individual segment personas, size, growth and importance

- What is the Serviceable Obtainable Market?
- Identify each potential market segment
- Compare the needs of each segment
- Where do they purchase?
- How do they purchase?
- Why do they purchase?
- What and how do they pay?
- What relationship is required for each?
- What other products or services do they want you to provide?
- How profitable is each segment?

5 MARKETING CHANNELS

The ways in which you communicate with customers

- What are the best ways to communicate with our target segments?
- What message(s) are you trying to convey to each segment?
- What action(s) do you want to influence?
- What is the cost of customer acquisition (CAC)?
- What is the Customer Lifetime Value (CLTV)?

6 DISTRIBUTION CHANNELS

The ways in which you sell to customers

- How will you reach the customer? Each segment?
- How are they reached today? Direct? Indirect? Owned? Partnered?
- What services/relationship is offered with each?
- Which channels work best?
- Are the channels integrated?
- Which channels are most cost efficient?

7 REVENUE STREAMS

Revenue drivers, streams, pricing, margins

- What are the drivers of revenue?
- What are customers willing to pay? What are the pricing mechanisms?
- How do they pay? Are there alternative methods of payment?
- What is the average time to a sale? Frequency of purchase? Volume of purchase?
- What are the margins (gross profit, operating profit, net profit, contribution margin)?
- What are the breakeven points? (unit volume, sales volume)
- What is your proposed revenue model? Why?
- Where is there leverage in the revenue model?

8 RESOURCES

Physical, intellectual, human, and financial resources

- What key assets are required to deliver on the value proposition? (Human, Financial, Physical, Intellectual)
- Are these resources available to you at a reasonable cost?
- What can be rented, leased or borrowed rather than purchased?

9 PARTNERS

Alliances, joint-ventures, agreements with outside entities

- Who are your key partners?
- What value is delivered by each?
- How critical are partners to delivering the value proposition?
- What key resources or activities are delivered by each?
- What risks or uncertainties are reduced?

10 KEY METRICS

Critical activities that need to be monitored and measured

- What are the key measures of business model success?
- How will value delivery to the customer be measured?
- How are performance standards developed?
- How do these metrics inform your revenue and costs?

11 COST DRIVERS

Cost drivers, expenses and working capital requirements

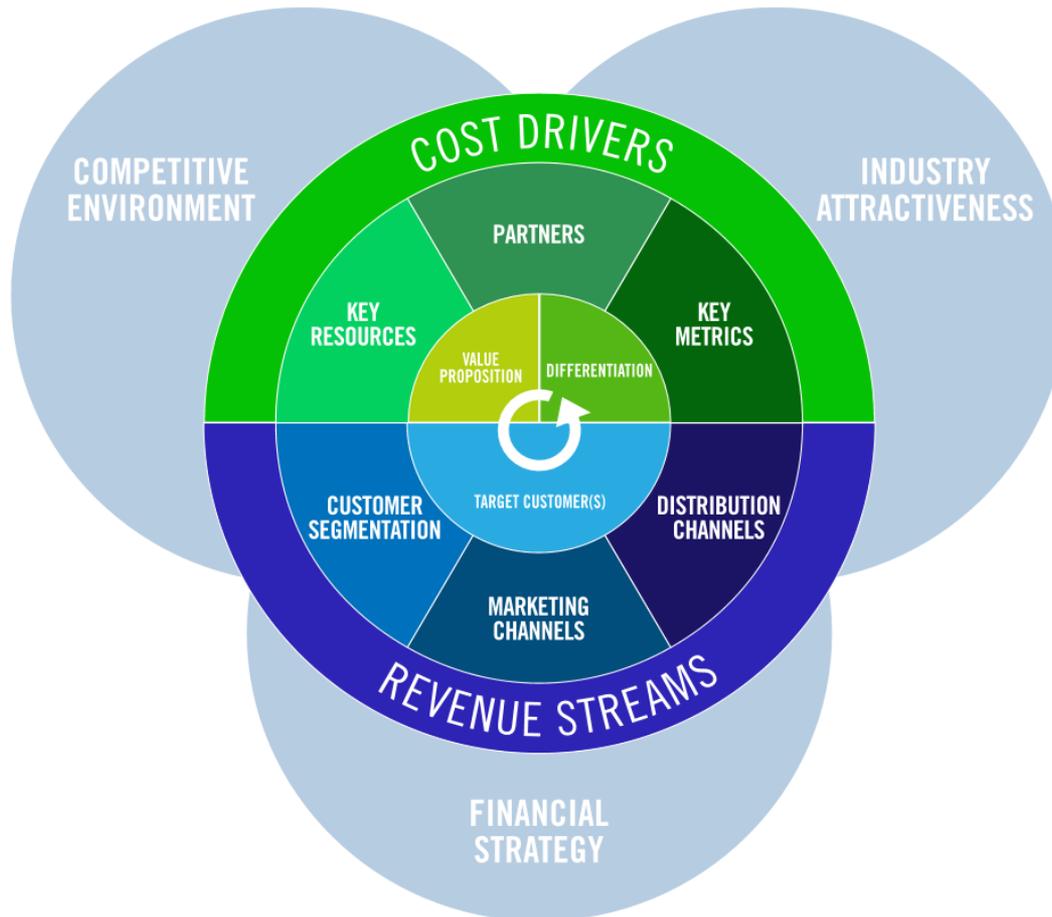
- What are the cost drivers? (activities, resources, standards)
- What is the resource intensity of producing your product or service?
- What is the unit cost structure?
- Are there economies of scale or scope?
- What costs are fixed. Which costs are variable?

Classwork 17

- ▶ In your groups you have 10 minutes to complete the form, based on your own projects
- ▶ You will present the 11 points to the whole class

You now know one more
business plan model

Babson Business Model Wheel



Homework

- ▶ Define your Revenue Model
 - ▶ Flipped Classroom 11 might be useful.
 - ▶ It is a big part of Segunda Entrega.
- ▶ Complete your financial plans!
- ▶ Complete your business plan following the model of your choosing.
 - ▶ You can attach the canvases or formats, if applicable

But what if my venture does not follow a traditional, for-profit model?

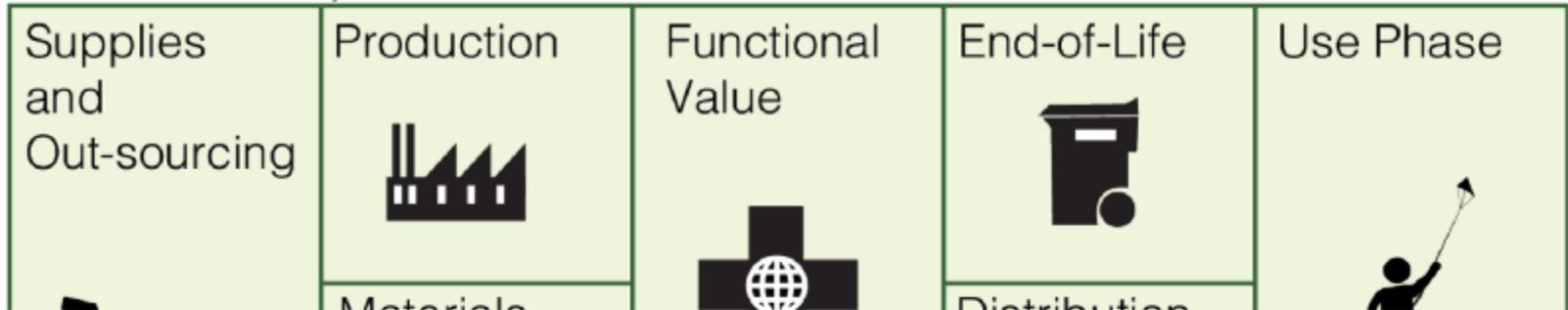
We got you covered, too!

For a traditional business with a “conscious” spin

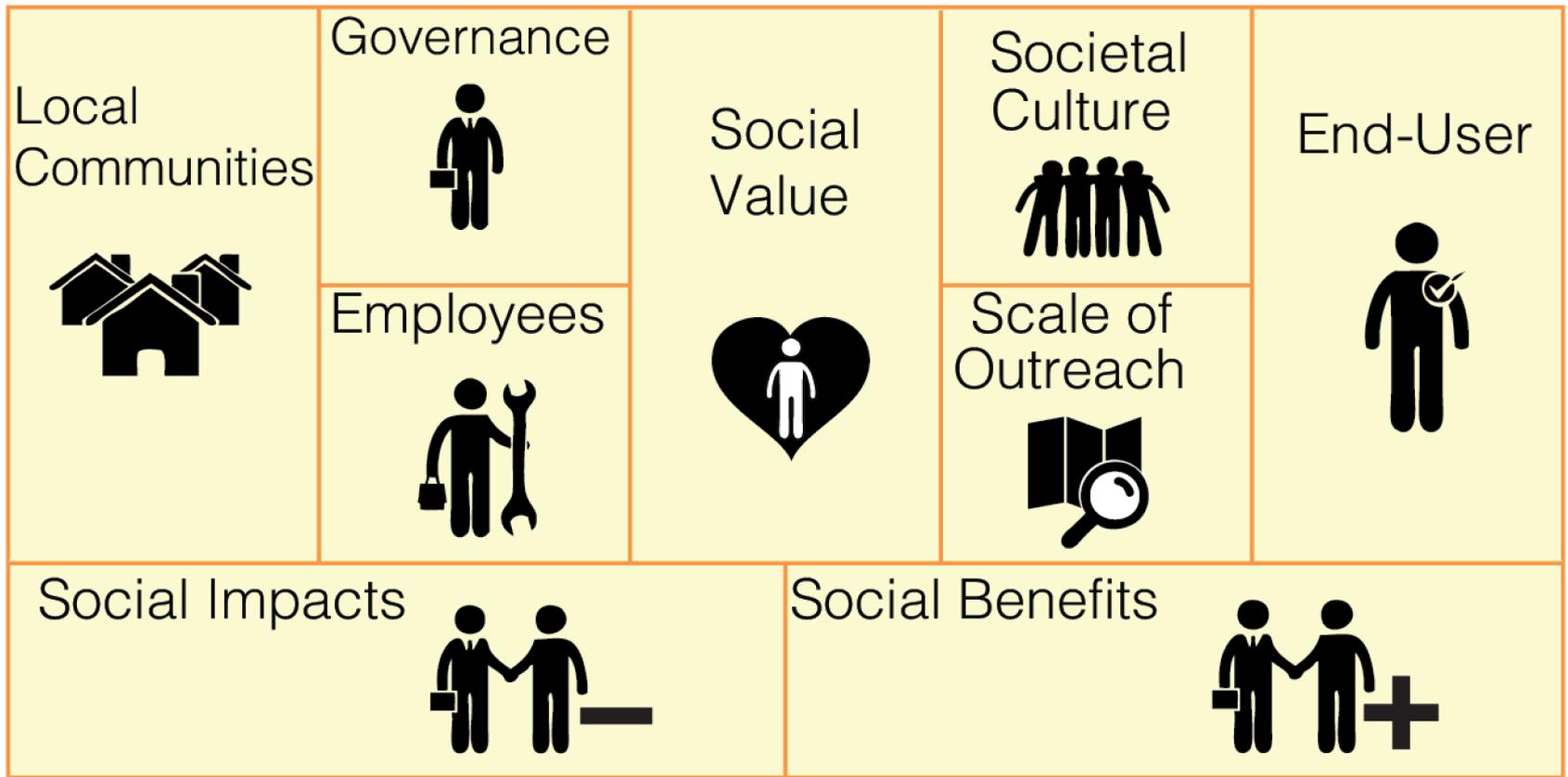
~ THE “B” CANVAS BUSINESS MODEL ~

<p>CADENA DE VALOR Tus partners y/o Shareholders</p> 	<p>ACTIVIDADES CLAVES Para lograr tu propósito</p> 	<p>PROBLEMA IDENTIFICADO ? Describe en una frase</p> <hr/> <p>PROPÓSITO</p>  <p>El motivo de tu modelo de negocio de impacto</p> <p>A corto, mediano o largo plazo</p> <hr/> <p>TU PROPUESTA DE VALOR Los productos y/o servicios que resuelven la solución</p> 	<p>RELACIONES Con los clientes y la comunidad de impacto</p> 	<p>SEGMENTOS A quienes les resuelves el problema. A quienes le vendes tu propuesta de valor</p> 
<p>ESTRUCTURA DE COSTOS</p> 	<p>RECURSOS CLAVES Imprescindibles para lograr tu propósito</p> 		<p>CANALES</p> 	

Environmental Life Cycle Business model Canvas



Social Stakeholder Business model Canvas



For a social venture

SOCIAL ENTERPRISE CANVAS

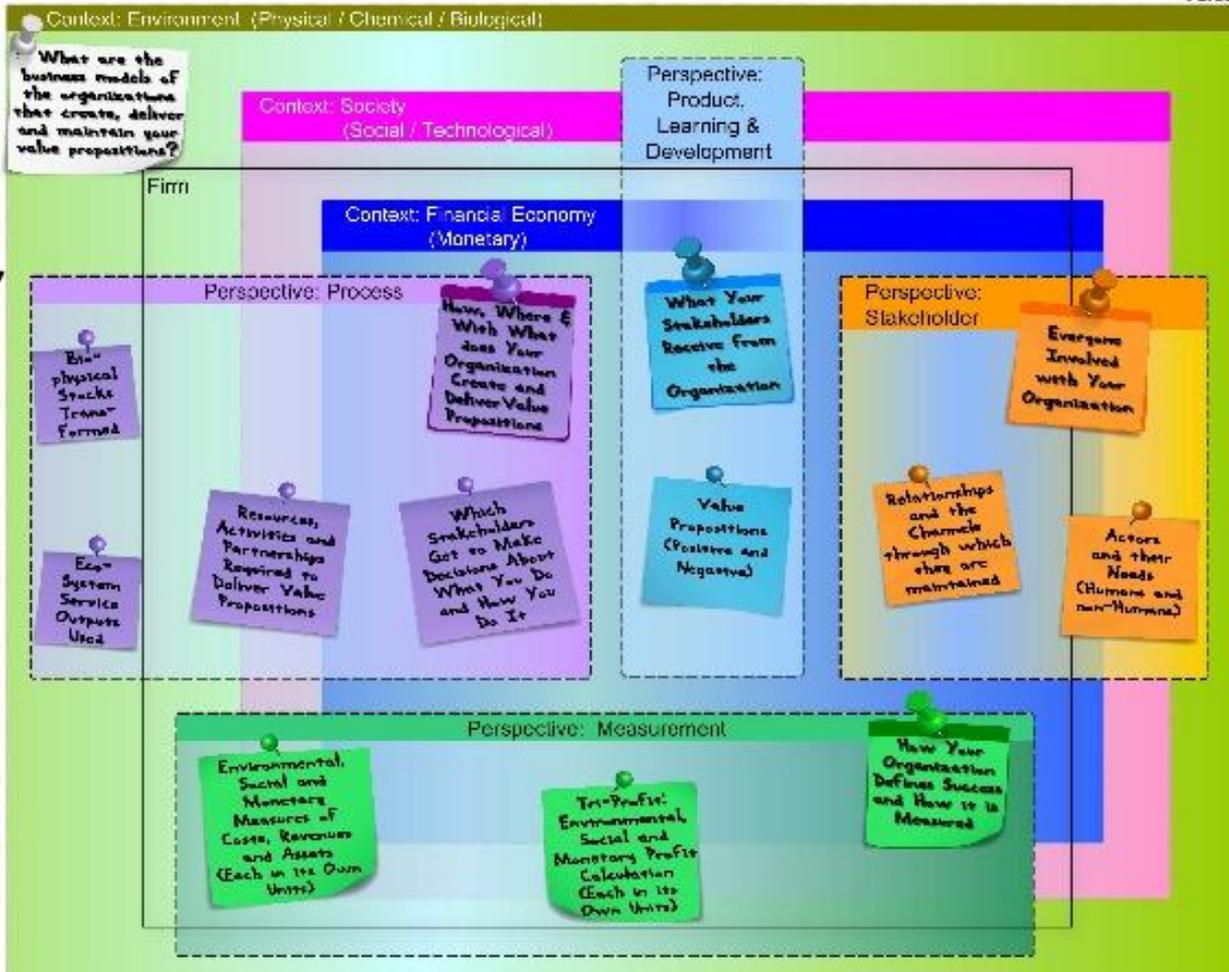
Mission Statement What is your unchangeable goal and purpose? This should be rooted and connected with your personal mission. Measure all your decisions and pivots to make sure they are supporting this Mission.					+ Externalities Who else benefits from what you are doing and how? Whom are you helping? Looking at this can highlight potential additional revenue streams by trying to capture some of this value.
Problem What are the critical problems of the target group? (From their perspective?)	Key Activities What are the key activities that we perform?	Value Proposition What value do we deliver to our target group? (from their perspective)	Beneficiary Relationships What kind of relationship? From personal to automated.	Beneficiaries For who are we creating value? Who are 'early adaptors'? (People who need our solution most and are most likely to adapt it.)	
Solution How to you solve these problems?	Key Metrics What are the numbers we measure to know if we are successful or not? Consider both social impact and financial metrics. The less the better.		Channels How do we gain access to the target group? How do we deliver the good or service?	Key Partners Who are our key partners? Which key activities are they performing?	- Externalities What unintended effects are you having on the target group, stakeholders and other people/institutions? Try to minimize them and make sure to have a positive balance.
Cost Structure What are the key elements of our costs?		Financial Sustainability What are the different sources we tap to generate income?			

The Social Enterprise Canvas is based on Osterwalder's Business Model Canvas as well as Mauryas Lean Canvas. I extracted the fields from both models that, based on our experience are the most important ones for a Social Enterprise in the Start Up phase. Additionally I added the "Mission Statement" box to ensure that the entrepreneur considers the impact of his iterations on his mission which is critical for social enterprise. The other addition are the + and - Externalities. Positive Externalities can point to additional resources and mission centric organisations should identify and minimize negative externalities.

Strongly sustainable business model canvas

V1.032

Strongly Sustainable Business Model Canvas – 14 Questions



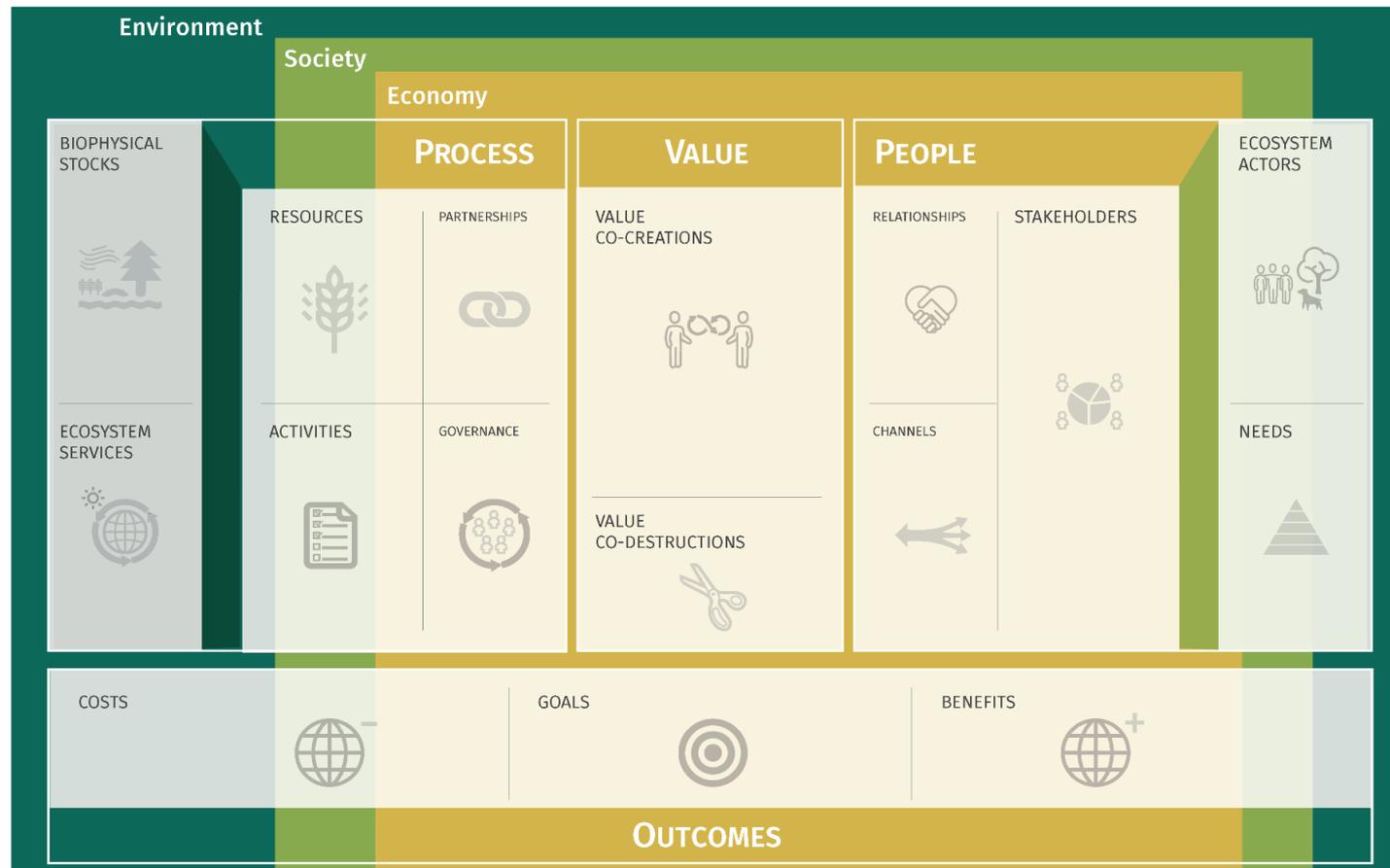
Social and environmental Canvas

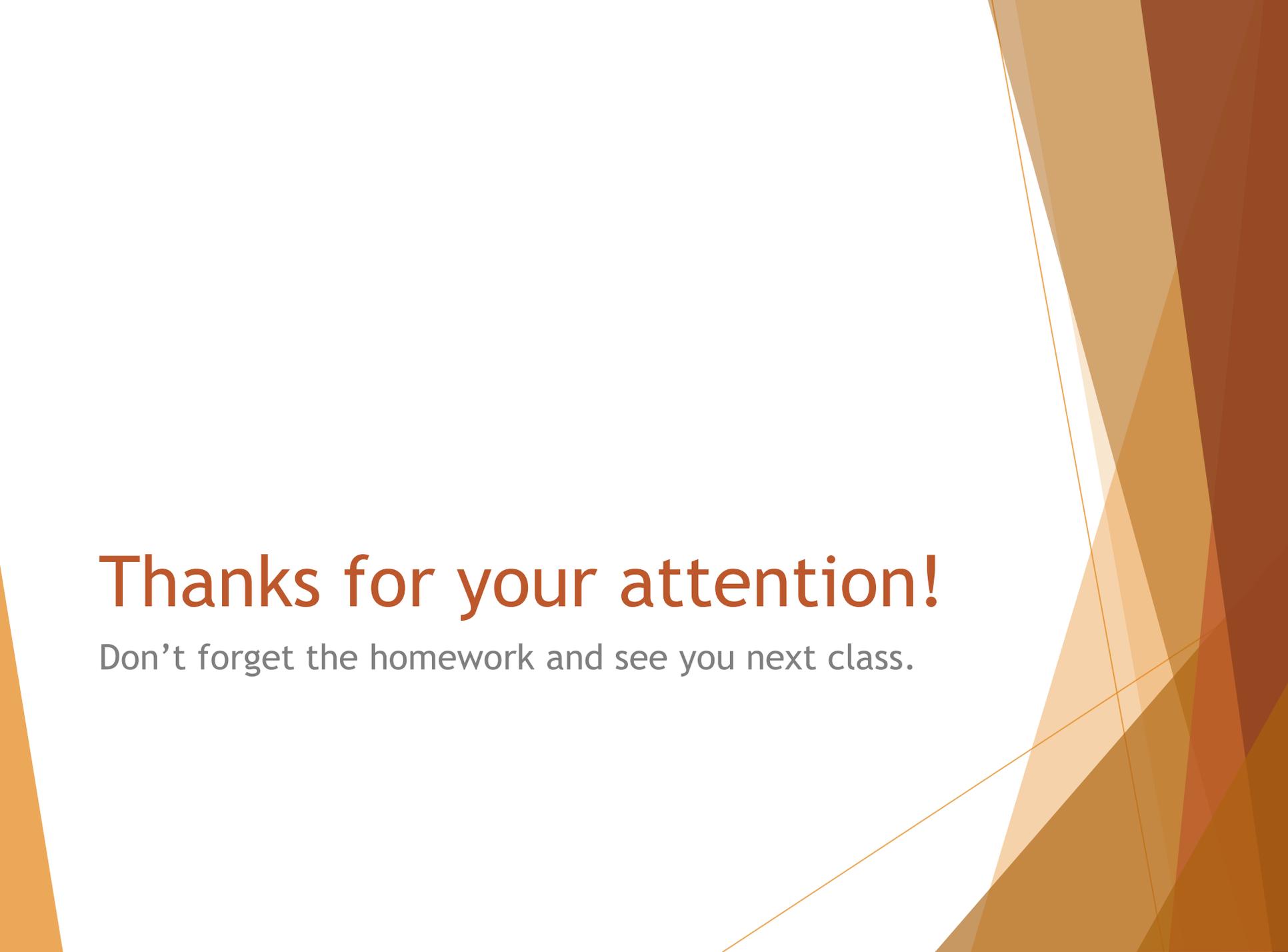
Flourishing Business Canvas v2.0

Designed for:

Designed by:

Date:





Thanks for your attention!

Don't forget the homework and see you next class.