

# 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 in Bogotá, Spring 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 10

- ▶ 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.*

### LISA'S LEMONADE STAND



*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 10

- ▶ 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.

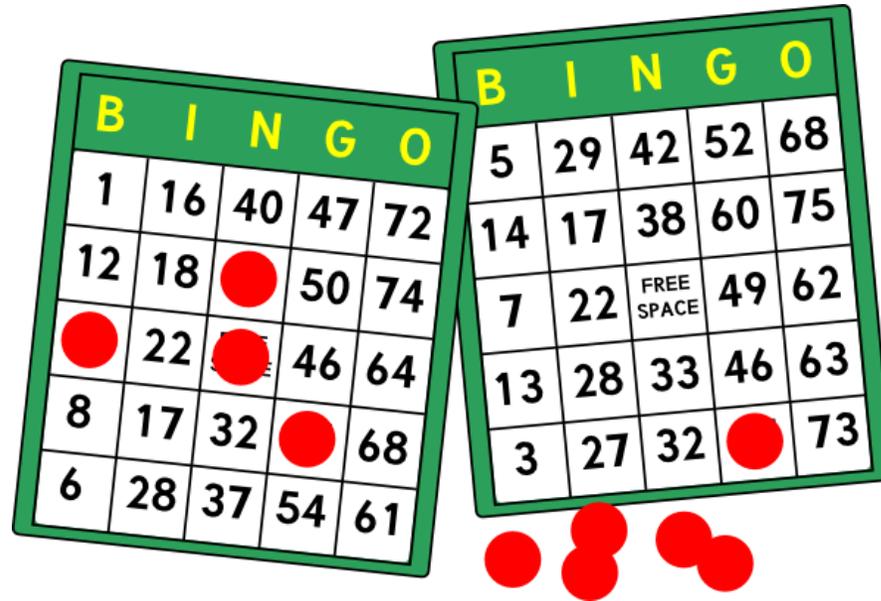
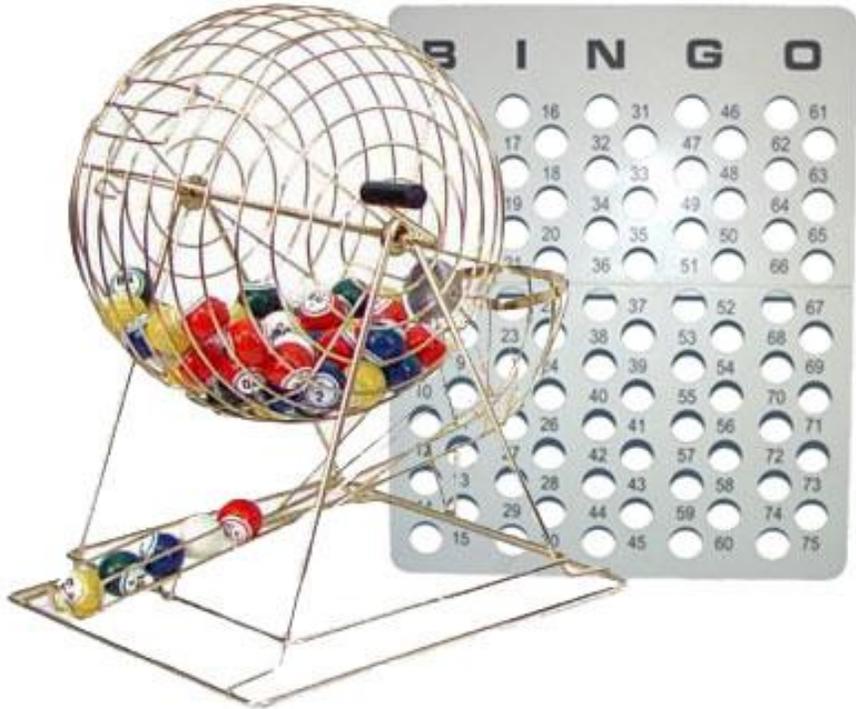
What you sell

Who you sell it to

How it is produced

How it is sold

# Bingo!

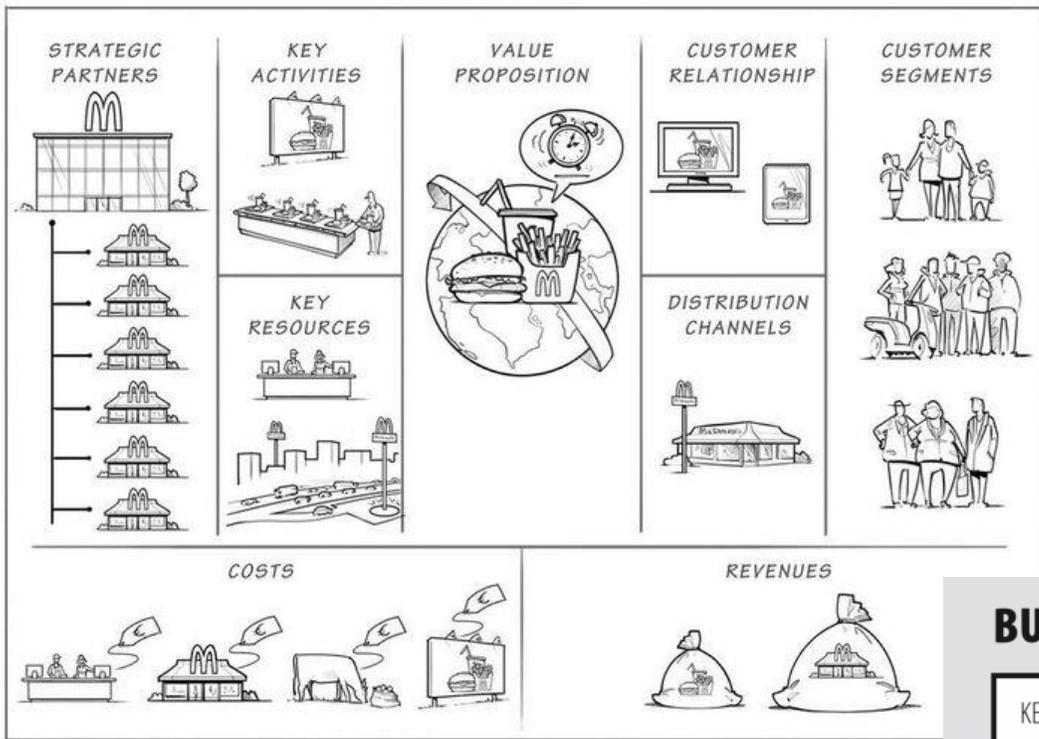


# Why did we do this?

- ▶ 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.

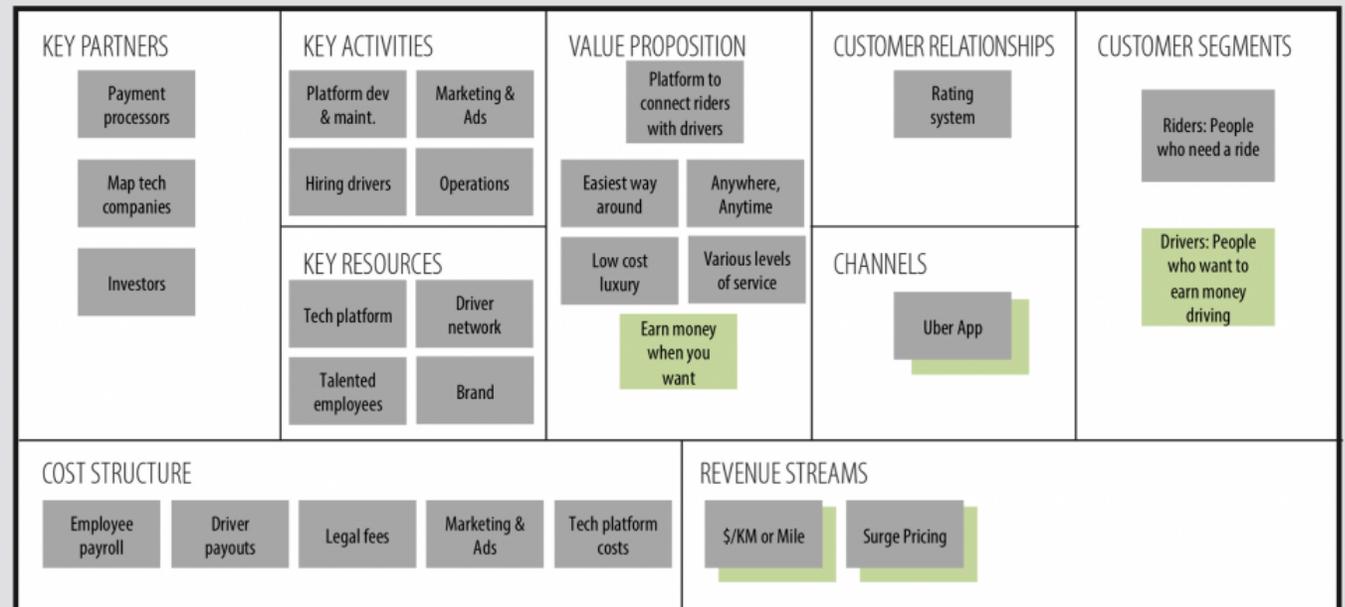
# Why is the CANVAS model so popular?

- ▶ 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



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

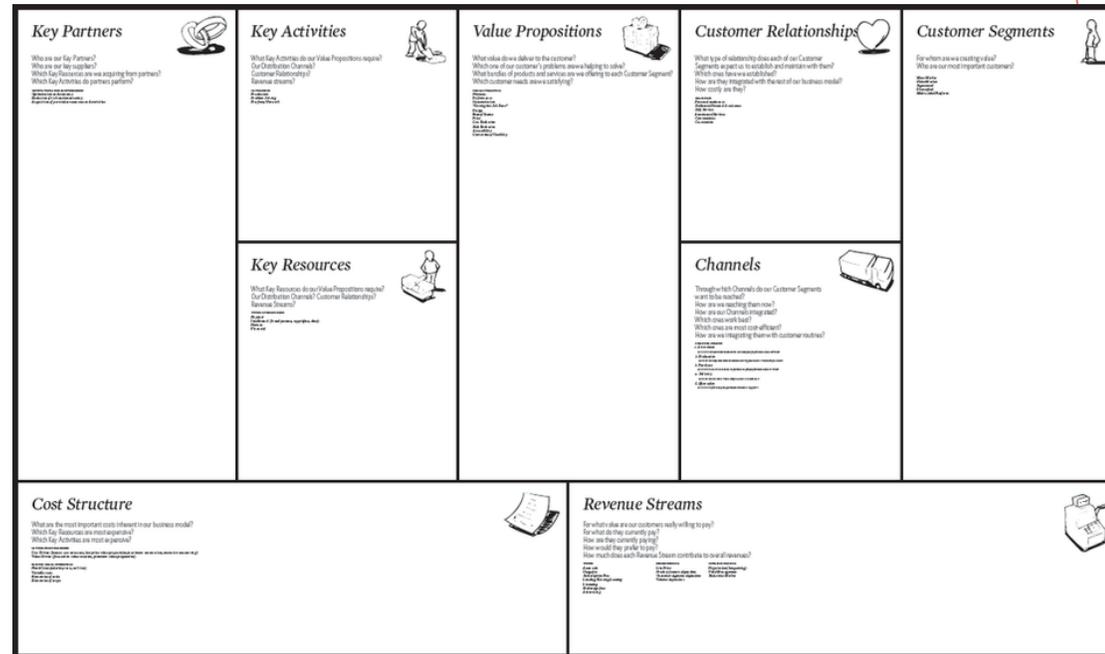
- ▶ It's only **one out of many** you have at your disposal
- ▶ You can adopt it now if you like it, with very little cost
- ▶ It fosters a tendency to confuse the tool with the outcome
  - ▶ Ticking boxes is alright, but simply a means to make sure that you...
  - ▶ ... generate value for the customers,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



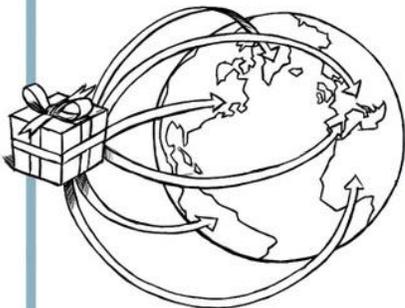
# Value Proposition

- ▶ 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**



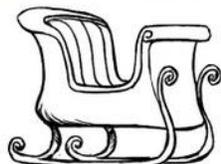
**Relaciones con los clientes**



**Segmentos del mercado**



**Recursos clave**



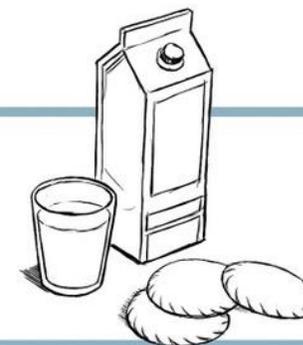
**Canales**



**Estructura de costes**



**Fuentes de ingresos**



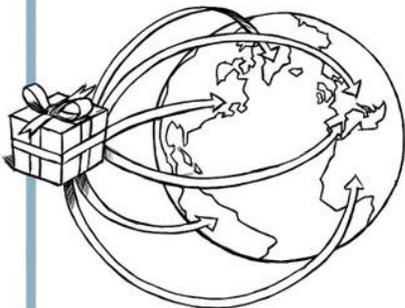
# Customer Segments

- ▶ 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**



**Propuesta de valor**



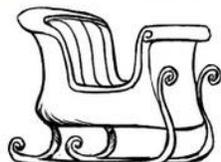
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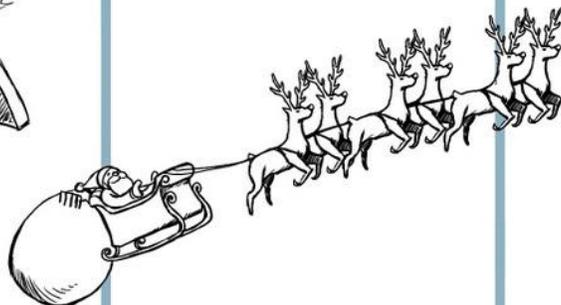
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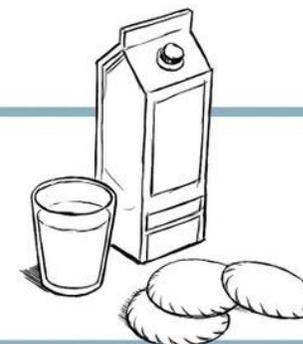
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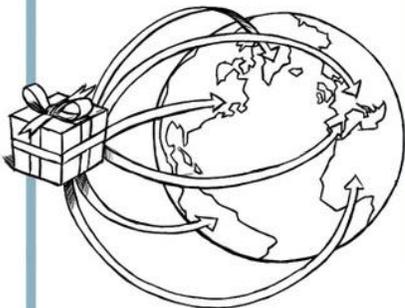
# Channels

- ▶ 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**



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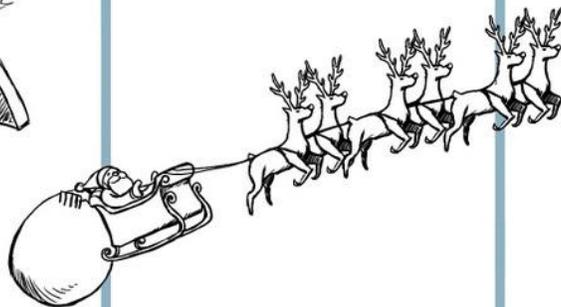
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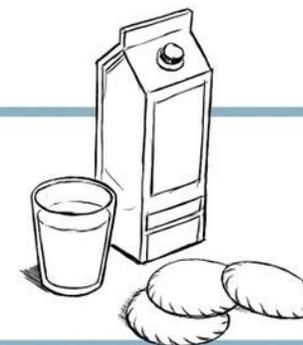
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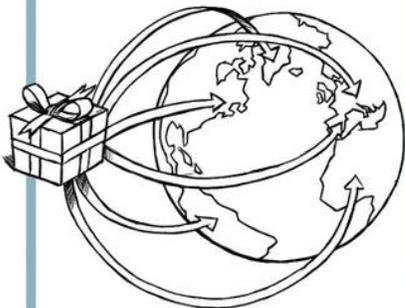
# Customer Relationships

- ▶ 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**



**Propuesta de valor**



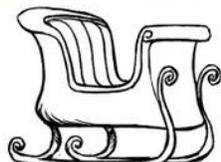
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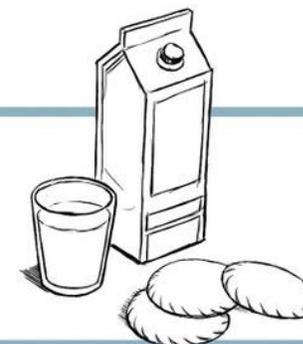
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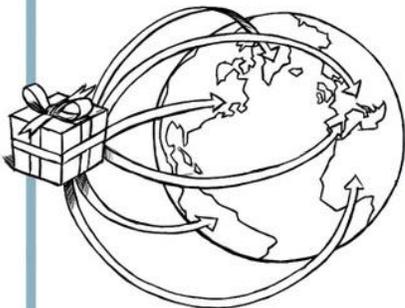
# Revenue Streams

- ▶ 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**
  - ▶ Is it “easy” to figure this out before you execute a market research stage?

**Asociaciones clave**



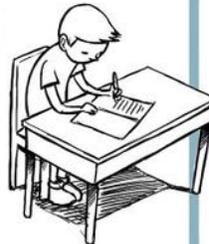
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**Propuesta de valor**



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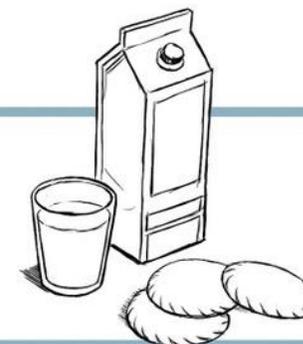
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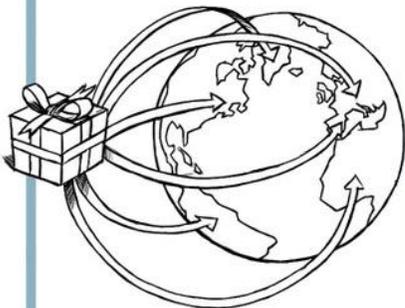
# Key Activities

- ▶ 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**



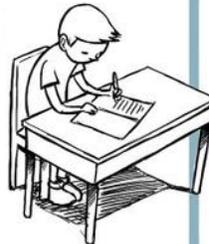
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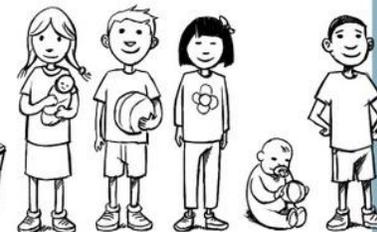
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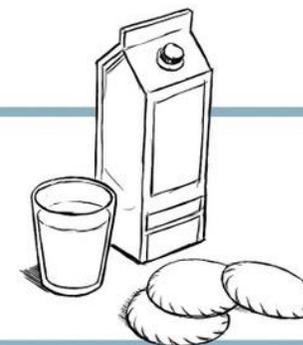
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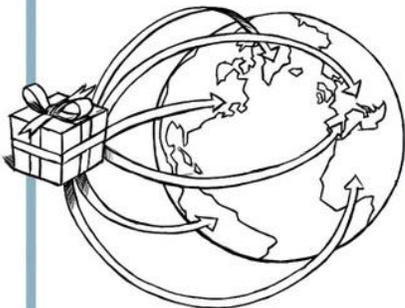
# Key Resources

- ▶ 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**



**Actividades clave**



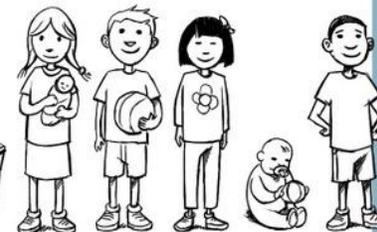
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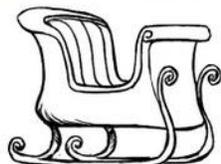
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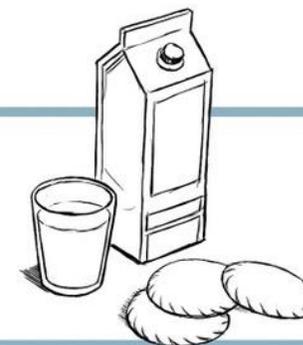
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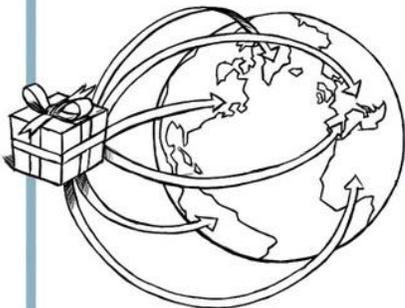
# Key Partnerships

- ▶ 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**



**Propuesta de valor**



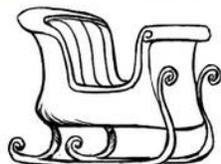
**Relaciones con los clientes**



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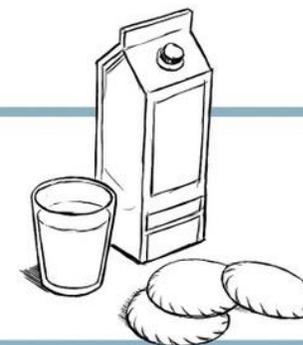
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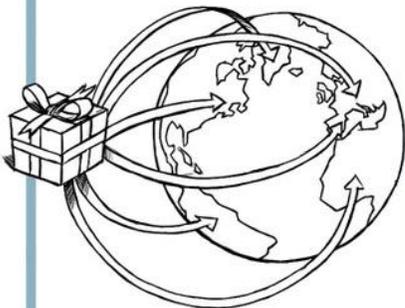
# Cost Structure

- ▶ 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**



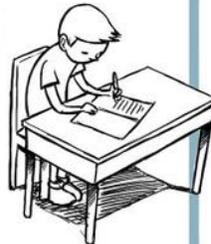
**Actividades clave**



**Propuesta de valor**



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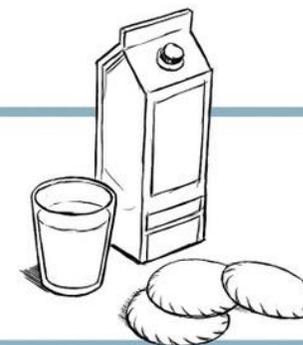
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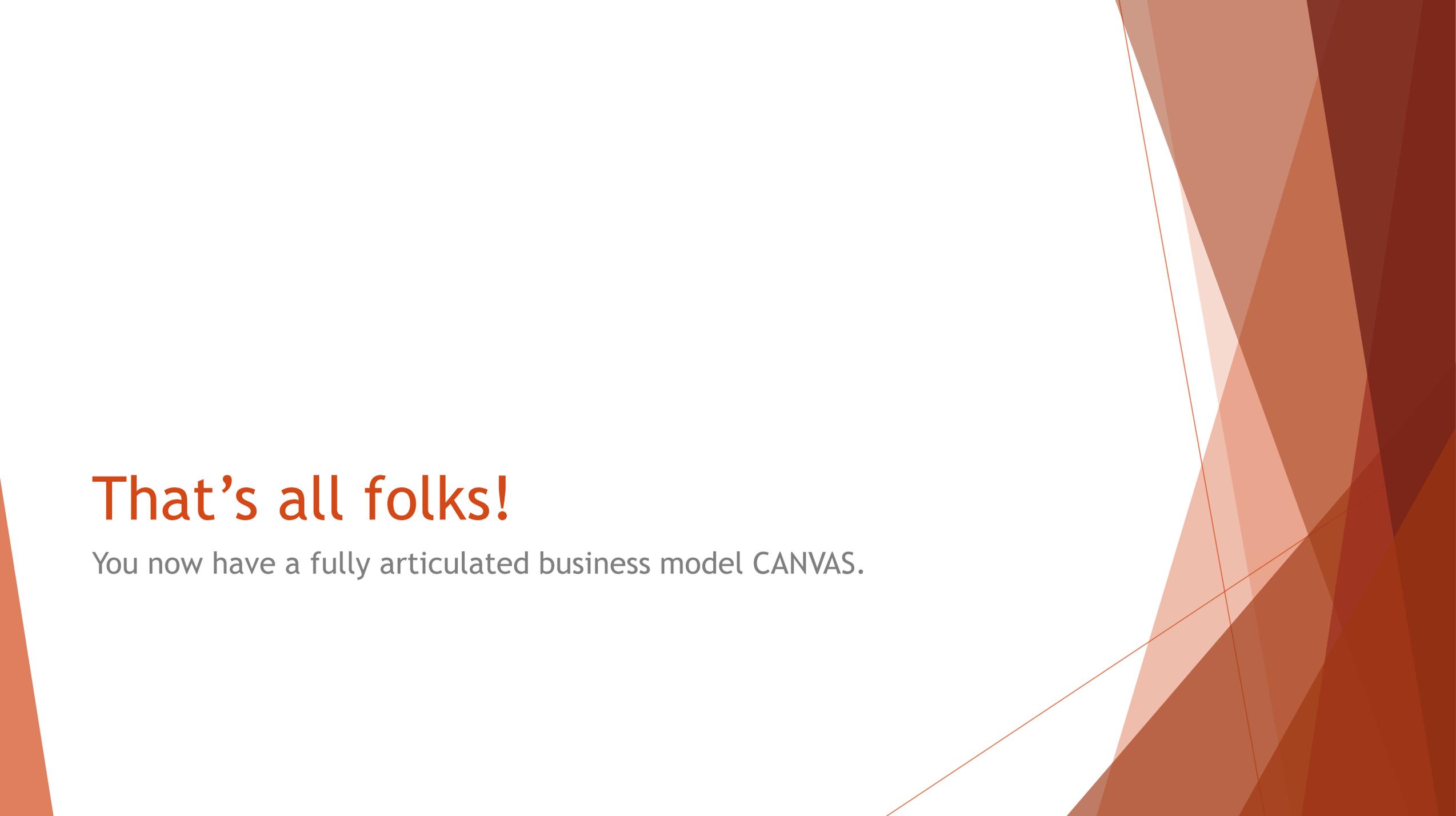


**Estructura de costes**



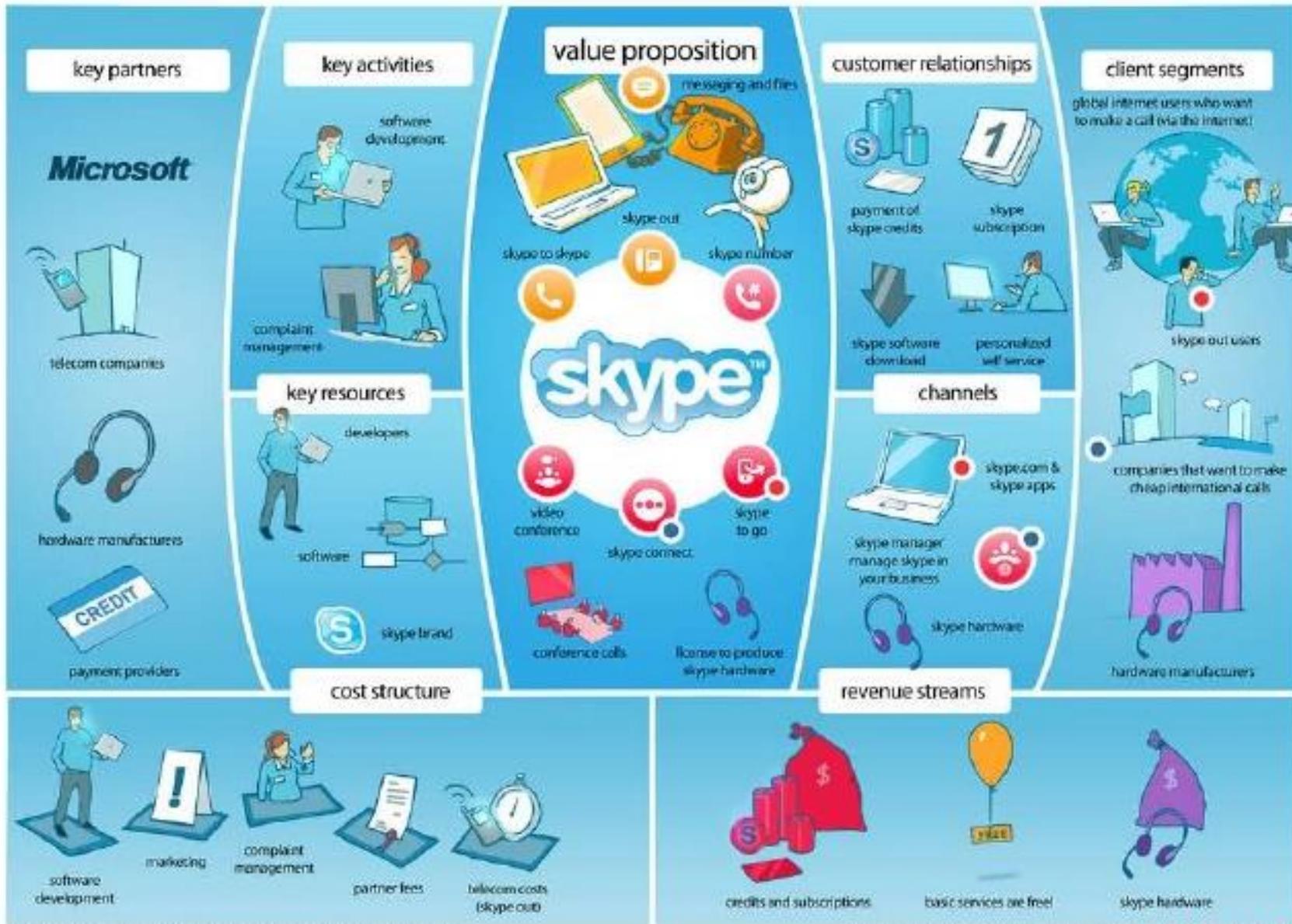
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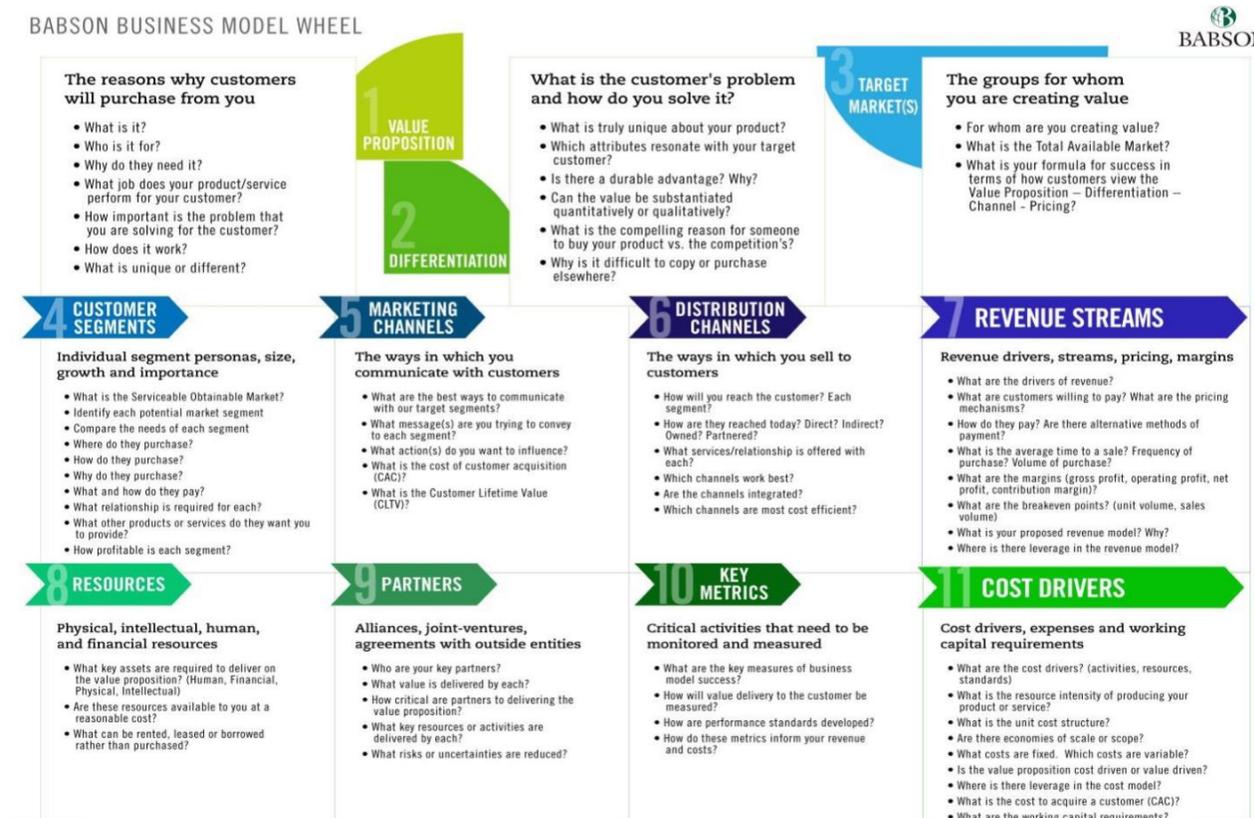
# That's all folks!

You now have a fully articulated business model CANVAS.



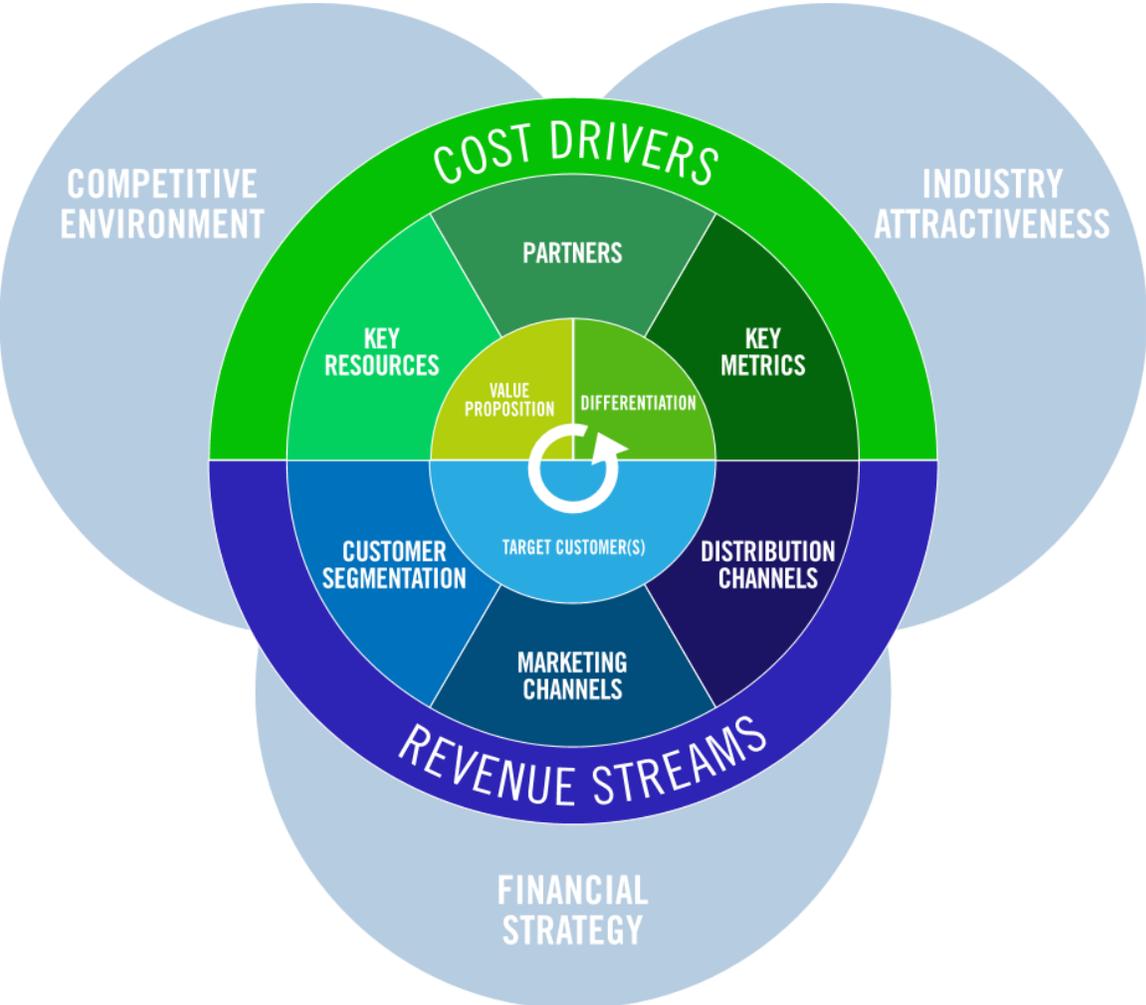
# Classwork 11

- ▶ Each group presents last class' form



You now know one more business  
plan model

# Babson Business Model Wheel



# Classwork 12

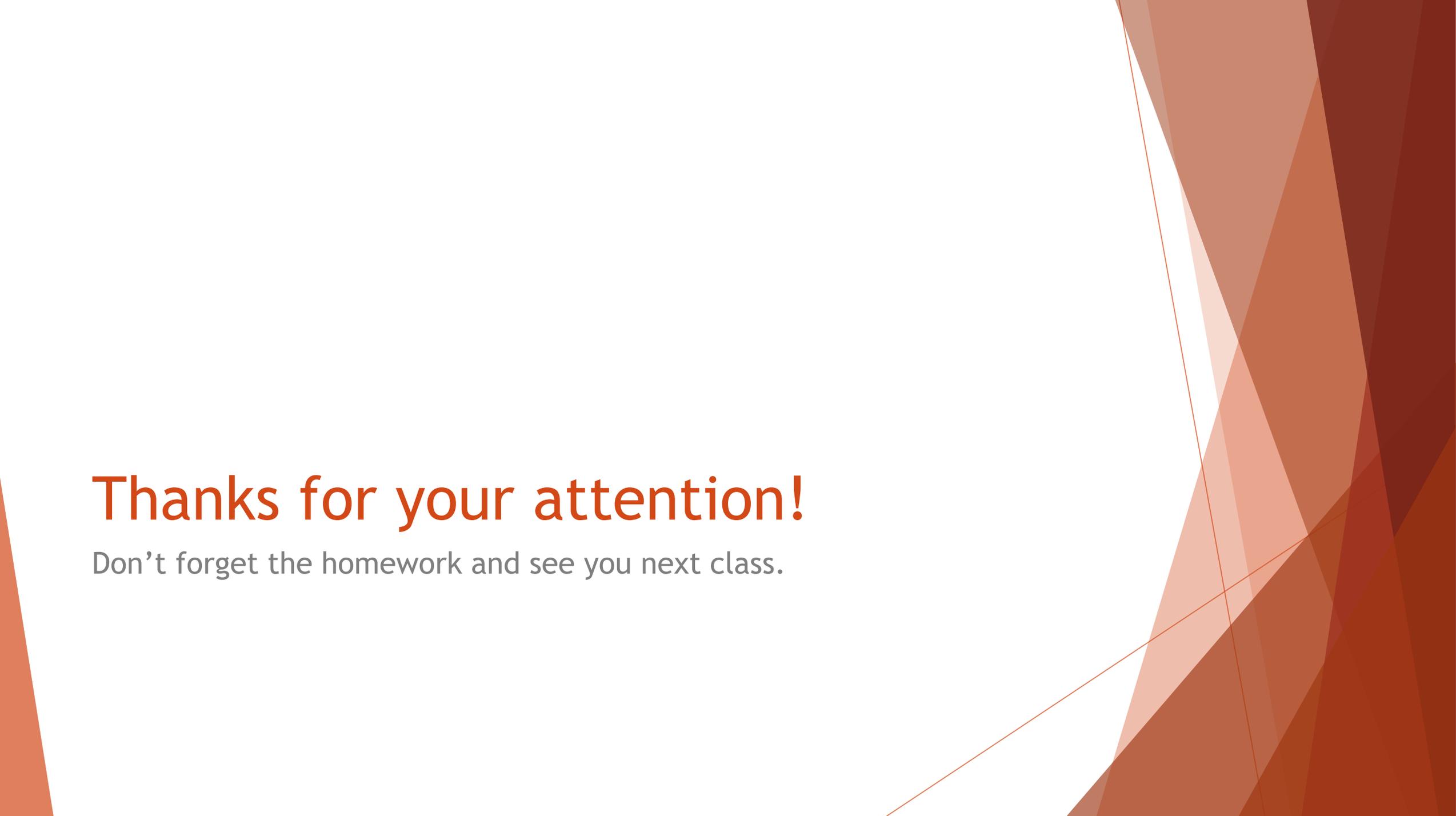
- ▶ Arrange your project's business plan following the CANVAS model.
- ▶ You might find this useful: [CANVAS Google Docs](#).
- ▶ There are other tools at your disposal.
- ▶ You must submit it in 10 minutes or less.

# One last thing

- ▶ **Business Model ≠ Revenue Model**
  - ▶ The business model includes the revenue model and some things more.
- ▶ **Business Plan ≠ Business Model**
  - ▶ The business plan is just a snapshot of a business model in a particular momento in time, usually before you start.
- ▶ **Business Plan model ≠ 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 ≠ 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.

# Homework

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



# Thanks for your attention!

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