

## Worksheet: First Draft of the Business Model

### Content and Purpose

#### Author

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#### Target Audience

This worksheet is intended for founders in the initial phase, who have some assumptions about a *target market*, their *customer needs* and a possible *solution concept*.

#### Objectives

The objectives of this worksheet are:

- The founder team recognize what, in addition to a product idea, belongs to a business idea as well as how to present their future company.
- The founder team know how to use the template of the **Business Model Canvas**.

#### Results

The result of this worksheet is a first draft of the *business model* based on the **Business Model Canvas**.

To achieve an optimal result, it is recommended to work together with a startup advisor.

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#### Founders Playbook

This worksheet belongs to Chapter *1.4 Business Model* of the **Founders Playbook** ([www.founders-playbook.de](http://www.founders-playbook.de)). Founders should use the worksheets of the Chapters *1.1 Customer Need*, *1.2 Target Market* and *1.3 Solution Concept* before using this worksheet.

#### Motivation

For startups, the *business model* is one of the most important concepts as it is used

- to support the founder team in planning their future company.
- to explain investors how a startup plans to make money.

There are many patterns for describing a business model. In this worksheet, we will use the well-known **Business Model Canvas (BMC)** because it is very common and many examples can be found on the Internet. Over the years, the **BMC** has become a standard template for start-ups. However, we have made a few minor adjustments to make it more appropriate for start-ups.

## The Business Model Canvas

The (customized) **Business Model Canvas** (BMC) consists of ten elements arranged in a graphical template.

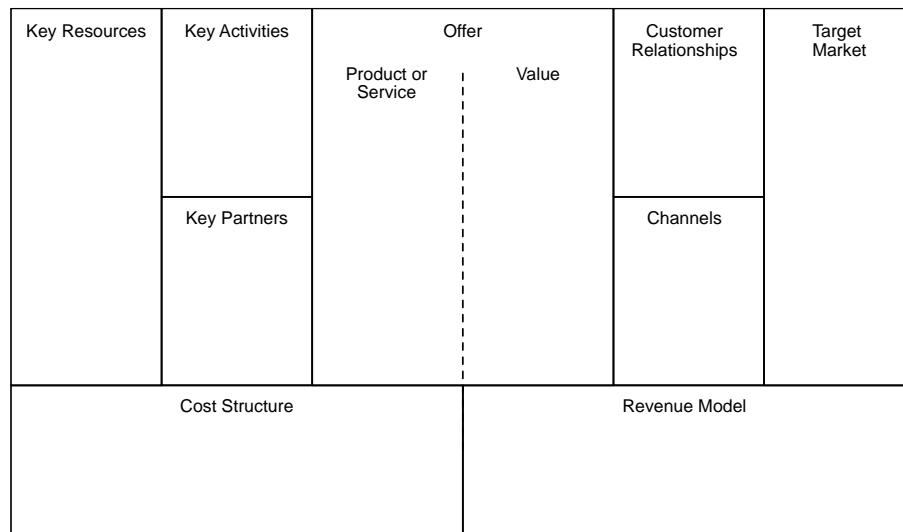


Fig. 1: The customized **Business Model Canvas** (BMC)

The right side of the BMC deals with the customer and the relationships with him.

- **Offer / Value:** The benefit of a product or service for a customer.
- **Target Market:** The customers to whom a startup addresses their offer.
- **Channels:** The way a startup communicates and provides their offer.
- **Revenue Model:** The way a startup makes income from the customer.
- **Customer Relationships:** The relationship a startup creates to the customer.

The left side of the BMC deals with the product and its provision.

- **Offer / Product:** The product or service that creates a customer value.
- **Key Activities:** The activities that are necessary to create a customer value.
- **Key Resources:** The resources that are necessary to create a customer value.
- **Key Partners:** The external partners that are needed to provide the offer.
- **Cost Structure:** The costs while operating.

## Target Market

The target market represents the customers to whom a startup addresses their offer. At best, it should be characterized by a certain *customer need* of the *target market* that the startup wants to satisfy by their offer.

In the early days, the *target market* of Amazon were internet users who like books. Their *customer need* was to get a comfortable access to a large selection of books at reasonable prices.

- How do you define your *target market*?
  - **Note:** Use your result from the worksheet *1.2 target market*.



Use the **BMC** and enter your *target market* in the field **Target Market**.

## Offer

The offer has two aspects: the product and its value.

On the left side of this field you can enter the product or service you want to offer.

- Which product or service is made available to your *target market*?
  - **Note:** Use your solution concept from the worksheet *1.3 solution concept*.



Use the **BMC** and enter your *solution concept* in the field **Offer / Product**.

On the right side of this field you can enter the benefit of your product or service for a customer. Examples of products and their advantages are ...

- recycled paper: saving costs, good conscience
- liability insurance: Good feeling, financial risk protection
- Facebook advertising: more efficient customer acquisition
- What is the advantage of your product or service?
  - **Note:** Use the identified customer values from the worksheet *1.3 solution concept*.



Use the **BMC** and enter your customer value in the field **Offer / Value**.

## Key Partners

Key Partners are the external partners that are needed to provide your offer. Examples of areas where partners might be needed:

- Suppliers (of important services)
- Channels (for advertising, for example)
- Cooperation (e.g., with complementary product manufacturers)
- Financial services (e.g., PayPal)
- Sales partners (e.g., retailers, Amazon)

Partners such as building cleaners or tax consultants who do not contribute to the business model need not be mentioned here.



Use the **BMC** and enter the external partners that are needed to provide the offer in the field **Key Partners**.

### Key Activities

Key Activities are the activities that are necessary to run your business model and to create a customer value. Examples of Key Activities:

- Factory production (BMW, Airbus)
- Consult customer (SAP, McKinsey)
- Data centre operation (Facebook, Google)
- Search and write articles (The Time, The Mirror)

There are countless activities in every company. However, most of them - such as bookkeeping or personnel management - have little or nothing to do with the intended product or service. These are not relevant for the business model.



Use the **BMC** and enter the activities that are necessary to create the intended customer value in the field **Key Activities**.

### Key Resources

Key Resources are the resources that are necessary to run your business model. Examples of Key Resources:

- Financial resources (e.g. to finance leasing)
- Physical resources (e.g. plants and vehicles)
- Infrastructure (e.g. Factories or data centres)

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- Human resources (e.g. Developer or Consultant with special skills)
- Legal resources (e.g. Contracts, patents or licenses)

Critical resources you must either own, buy or contractually secured.



Use the **BMC** and enter the resources that are necessary to create a customer value in the field **Key Resources**.

### Channels

Channels describe the way a company communicates, sells, delivers and, if necessary, maintains its offer. Try to answer the following question from the perspective of a potential customer:

- How will you call the attention of the customer to your product?
- How will you inform the customer about the product?
- How will you deliver the customer your product?

Examples of Channels:

- Sales through retail or specialized retailers.
- Advertising on the Internet.
- Maintenance and repair by contracted partner company
- Delivery by forwarding agency



Use the **BMC** and enter the channel that are necessary to communicate and provide your offer in the field **Channels**.

## Customer Relationship

Customer Relationship describes the relationship a company creates to the customer. It serves the following purposes:

- Acquisition: to get new customers
- Retention: to keep existing customers
- Upselling: to move existing customers to further purchases

Examples of Customer Relationships:

- Personal Assistance (Bank)
- Self-Service (Supermarket)
- Automated Services (Amazon)
- Communities (via Facebook)
- Co-creation (Lego Ideas)



Use the **BMC** and describe the relationship that is created to the customer in the field **Customer Relationship**.

## Cost Structure

Cost Structure contains a list of the cost types that a company must bear to operate the business model. Only the cost types that are directly related to the business model should be mentioned. For example:

- costs for customer support
- licensing fees
- marketing costs

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- production costs
- purchase costs



Use the **BMC** and enter the cost types while operating in the field **Cost Structure**.

## Revenue Model

Revenue Model describes how a company plan to make income from the customers. Examples of revenue models:

- Single purchase price
- Rent
- Leasing
- License fee
- Pay-per-use
- Subscription
- Transaction fees
- Freemium



Use the **BMC** and describe how you plan to make income from the customer in the field **Revenue Model**.

## Quality Check

### Checklist

Questions to test the quality of the *business model*:

- Is the *business model* **complete**?
  - Does the *business model* consider all elements?
- Is the *business model* **minimal**?
  - Does the *business model* only provide information that directly contributes to the business model?
- Is the *business model* **efficient**?
  - Do the channels and customer relationships match the target market / the value?