



Lean Business Model

Michael Campbell
Director, North Florida Outreach
The Jim Moran Institute for Global Entrepreneurship
College of Business, Florida State University

Some Starting Points



- Let's agree on some terms
- The POVS model
- Lean Business Model

Innovation and Commerce



- Innovation: The act or process of developing new ideas, devices, or methods.
- Commerce: The act or process of trading amongst economic agents. Generally, commerce refers to the exchange of goods, services or something of value, between two entities.

The Essence of Entrepreneurship



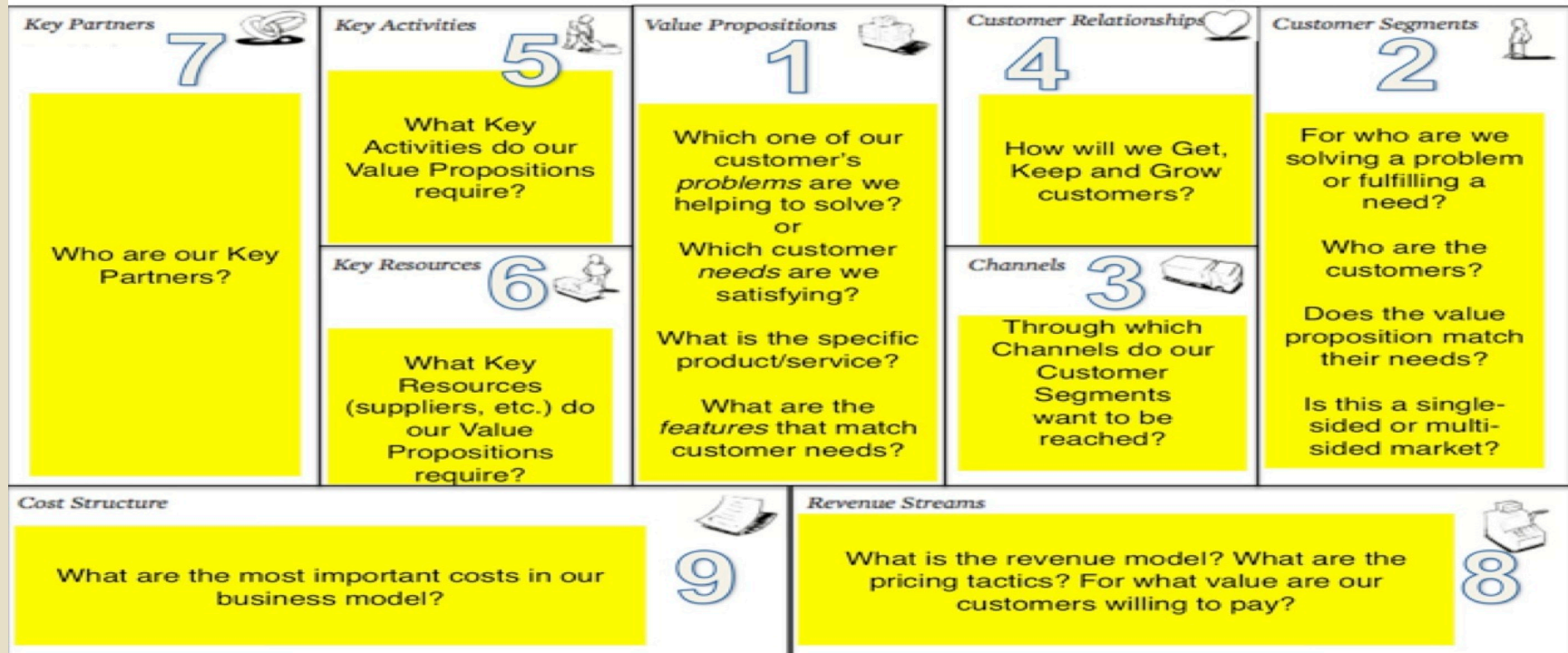
- P = Problem Identification
- O = Opportunity Recognition
- V = Venture Creation
- S = Sustaining the Venture

Lean Business Model



- Also referred to as Business Model Canvas
- Get out and initiate contact with the customer
- Pivot
- Move on test results

Lean Business Model



Lean Business Model



- *The What (Mission)*
 - ✓ The **value proposition** of what is offered to the market;
- *The Who (Key Stakeholders)*
 - ✓ The **segment(s) of clients** that are addressed by the value proposition;
 - ✓ The **communication and distribution channels** to reach clients and offer them the value proposition;
 - ✓ The **relationships** established with clients;
- *The How (Core Competencies)*
 - ✓ The **key resources** needed to make the business model possible;
 - ✓ The **key activities** necessary to implement the business model;
 - ✓ The **key partners** and their motivations to participate in the business model;
- *The Fuel (Lifeblood)*
 - ✓ The **revenue streams** generated by the business model (constituting the revenue model);
 - ✓ The **cost structure** resulting from the business model.

Value Proposition (VP) – The *What* AKA (*The Mission*)



- What customer problems does the value proposition solve or which customer need is it serving?
- What features accomplish this?
 - ✓ What is the bundle of products or services that creates value for a specific customer segment?
 - ✓ Is it something new?
 - ✓ Does it deliver improved performance (faster, better, cheaper)?
 - ✓ Is it a custom product or service?

Value Proposition



- What is the problem (not a symptom)?
 - ✓ “3 whys”
 - ❖ Why is it a problem?
 - ❖ Why does the situation exist that allows the problem to occur?
 - ❖ Why does that situation lead to the original problem?

Value Proposition



- What is the solution?
 - ✓ How does the value proposition compare to the next best alternative?
 - ✓ Is your solution better, faster or cheaper?
 - ✓ If not, then why would anyone pay for it?

Lean Business Model



Customer Segments (CS)



- For who are you solving a problem or fulfilling a need?
- Does your value proposition match their needs?
 - ✓ Mass Market (no distinction between customers)?
 - ✓ Niche Market (custom production, service)?
 - ✓ Segmented (medical, aviation, consumer)?
 - ✓ Multi-sided (credit cards, real estate)?

Customer Channels (CH)



- How will your customers find out about your value proposition?
 - ✓ Advertising?
 - ✓ Word of mouth?
- How will you deliver your solution to your customers?
 - ✓ Retail stores?
 - ✓ Delivery?









Customer Relationships (CR)



- How will you attract and retain customers?
 - ✓ Customer acquisition?
 - ✓ Customer Retention?
 - ✓ Increasing customer sales?

Business Model Canvas



Key Partners 7  Who are our Key Partners?	Key Activities 5  What Key Activities do our Value Propositions require? Key Resources 6  What Key Resources (suppliers, etc.) do our Value Propositions require?	Value Propositions 1  Which one of our customer's <i>problems</i> are we helping to solve? or Which customer <i>needs</i> are we satisfying? What is the specific product/service? What are the <i>features</i> that match customer needs?	Customer Relationships 4  How will we Get, Keep and Grow customers? Channels 3  Through which Channels do our Customer Segments want to be reached?	Customer Segments 2  For who are we solving a problem or fulfilling a need? Who are the customers? Does the value proposition match their needs? Is this a single-sided or multi-sided market?
Cost Structure What are the most important costs in our business model?		Revenue Streams 8  What is the revenue model? What are the pricing tactics? For what value are our customers willing to pay?		

Key Resources (KR)



- What do you need to make the business model possible?
 - ✓ Physical assets?
 - ✓ Intellectual assets
 - ✓ Human capital (valuable, rare, inimitable)?
 - ✓ Financial capital (cash, lines of credit, loan, grants, investors)?

Key Activities (KA)



- What are the most important things you must do to make the business model work?
 - ✓ Design?
 - ✓ Production?
 - ✓ Continuous (process/product) improvement?

Key Partners (KP)



- Which external organizations are critical to the success of your business model?
 - ✓ Suppliers, Property owner
 - ✓ Strategic alliances (risk diffusion)
 - ✓ Vertical/horizontal integration?
 - ✓ Skin in the game

Lean Business Model



Finances



- Revenues?
 - ✓ Sales? Merchandising?
- Costs?
 - ✓ Fixed vs. Variable?
 - ✓ Facility, Equipment, Utilities, Labor, Production, Marketing

Revenue Streams (R\$)



- The cash flow generated by the business model. Will it be transaction revenue (one-time customer payment) or recurring revenue (on-going payments)?
 - ✓ Asset sale (transfer of ownership)?
 - ✓ Usage fee (based on consumption)?
 - ✓ Subscription fee?
 - ✓ Lending, renting, leasing?
 - ✓ Licensing?

Cost Structure (C\$)



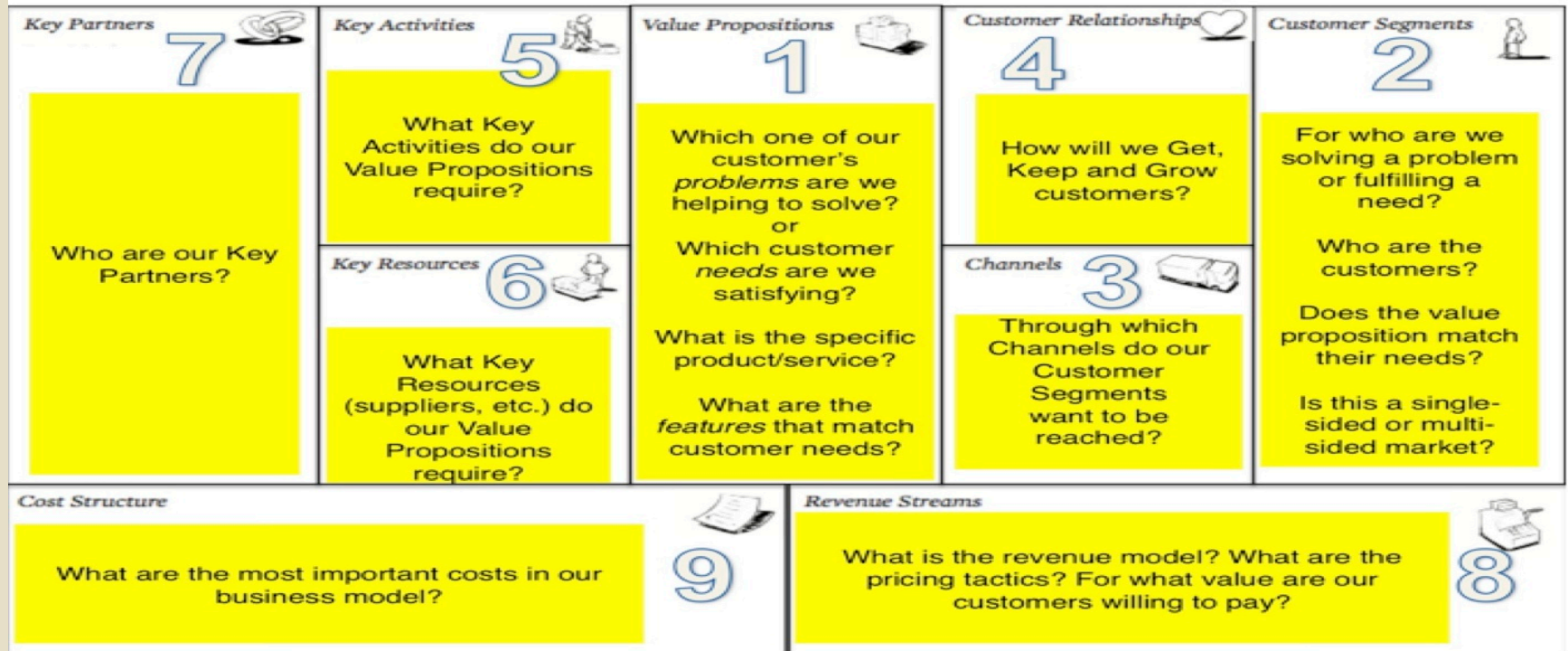
- What are all the costs associated with operating the business model?
 - ✓ Fixed costs (volume independent)?
 - ✓ Variable costs (proportionate to volume)?
 - ✓ Economies of scale (greater return on fixed costs)?
 - ✓ Economies of scope (multiple products)?

Cost Structure (C\$)



- *The costs associated will be mostly variable and relatively proportionate to production.*
- How will this hypothesis be tested?

Lean Business Model



What is a Vision?



“ Vision without action is merely a dream.
Action without vision just passes time.
Vision with action can change the world.”

- Joel Barker

“By the end of the decade we will put a man
on the moon...”

- John F. Kennedy, 1962

What is a Mission?



- A mission is our reason for existence
- It defines us and all that are with us
- It captures what is important to us

What is a Mission?



- Celebrating Animals, Confronting Cruelty. It defines us and all that are with us.
 - ✓ The Humane Society
- “We build great ships. At a profit if we can, at a loss if we must, but we build great ships.”
 - ✓ Newport New Shipbuilding Company

Strategic Plan



Vision?

What is yours?

Mission?

What is yours?

Key Objectives?

MARKET
DEVELOPMENT?

PROCESS
IMPROVEMENT?

PEOPLE
DEVELOPMENT?

PRODUCT
DEVELOPMENT?

Strategy Implementation **CORE**



- What is **CRITICAL** should be **OBSERVED**, and what is observed should be **REWARDED**, and *that* is what will get **EXECUTED**.
 - ✓ Critical – Value Proposition, Core Competencies
 - ✓ Observed – Measured, Monitored, Enabled, Protected
 - ✓ Rewarded – Praise, Culture, Compensation, Attention, Promotion
 - ✓ Executed – Demonstrated, Delegated, Autonomous, Imbedded, Reinforced

Implementation Strategy



- Modeling assists in business development - Targeting
- Model potential customers
- Use to inform us as to what employees hire
- Modeling can turn into action
- Model can be used for business planning

Lean Business Model



- Real life Examples:
 - ✓ New Product – Wood shavings
 - ✓ Employee – Adding Sales Associate
 - ✓ Banking – Line of Credit

The Jim Moran Institute for Global Entrepreneurship



Questions?

Mike Campbell

Director, North Florida Outreach

The Jim Moran Institute for Global Entrepreneurship

College of Business, Florida State University

The Jim Moran Institute for Global Entrepreneurship



Your Turn!