



# BRETT CENTRE FOR ENTREPRENEURSHIP

RESEARCH  
EDUCATION  
IMPACT

Doctoral Entrepreneurial  
Training (LIV.INNO) **Day 2**

Dr Zeineb Djebali



# Agenda

- Recap
- Value in Business Venture Creation
- Business Modelling – Business Model Canvas
- Entrepreneurial planning

# Presentation 3





# Recap

So far we have talked about entrepreneurs identifying **means** and a desired **outcome** to create a business opportunity...

*Is this the same as **a business model?***

Not quite,

Need to **capture value** as well as **create value...**

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# What is value?

- **Accounting:** monetary worth of an asset, business entity, goods sold, services rendered, or liability or obligation acquired.
- **Economics:** worth of all benefits & rights arising from ownership. Two types of economic value are (1) utility of a good or service, and (2) power of a good or service to command other goods, services, or money, in voluntary exchange.
- **Marketing:** extent to which a good or service is perceived by customers to meet their needs or wants, measured by their willingness to pay for it. Commonly dependent on customers' perceptions of the worth of the product/service than on its intrinsic value.





# Value in new business venture creation

Framework to create / capture value- the business model

- Legitimises business opportunity- for many, it is an act which defines Entrepreneurship;
- **Involves planning- organisations are purposeful**
- Involves organising- creating routines and structures
- Requires resources

**But involves uncertainty...**

Creating information asymmetry and affecting decision-making

Why?

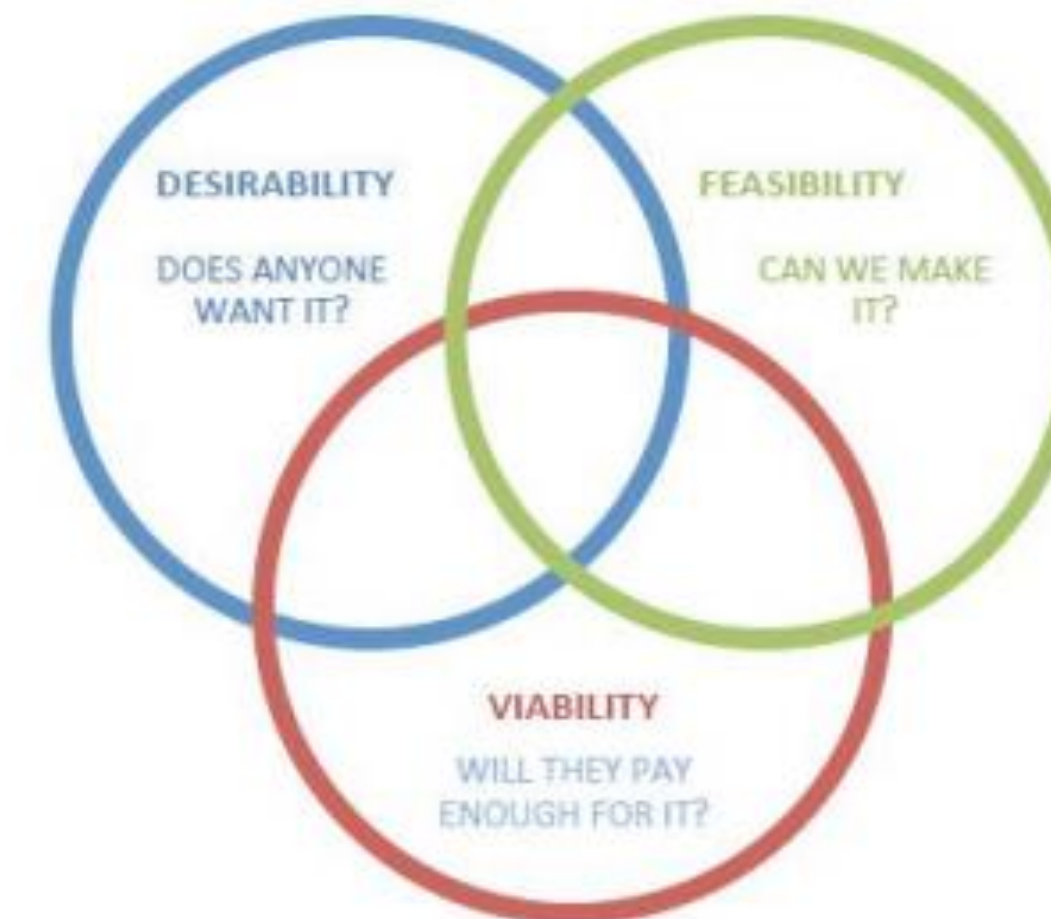
# Uncertainty and information asymetry

3 types of uncertainty affect an entrepreneur:

**Technical** Does the product work?

**Market** Do people want the product?

**Competitive** Can you make money?



# Strategies for managing uncertainty

## Growth from small scale

- Affordable loss principle to limit risk such as VC's typically scaling up investments over time;
- Evidence: failure rates fall as companies get bigger;

## Entry by acquisition

- Target provides info about existing product, customer and market;
- Evidence: founders who purchase businesses are less likely to exit;

## Focus strategy

- Market niche strategy- avoid large companies;
- Focus on developing 1 product on a time with cash flow financing further products;



# Strategies for managing uncertainty

## Flexibility & adaptability

- Adapt to develop new solutions to unanticipated problems;
- **i.e. consulting organisation that evolve;**

## Forming alliances

- **Obtain control of resources without purchasing them;**
- Mitigates downside risk;
- Mitigates problem of demonstrating value;

## Legitimation

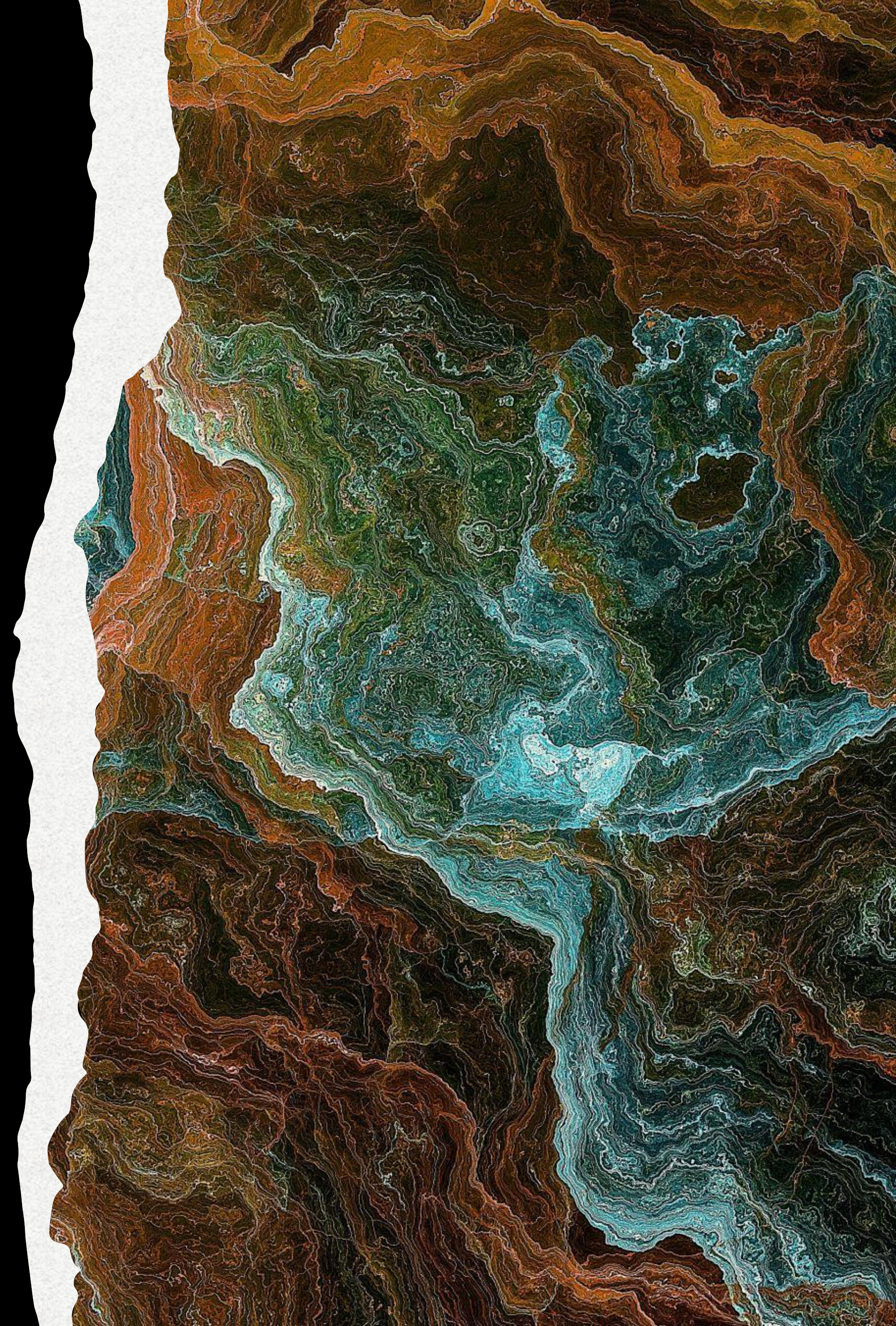
- Information asymmetry hinders acceptance of new venture by potential stakeholders;
- Mimic existing firms routines and practices...
- **i.e. role of auditor or accountant;**





90% of startups don't survive the first 3 years because they haven't made their business work financially i.e the valley of death

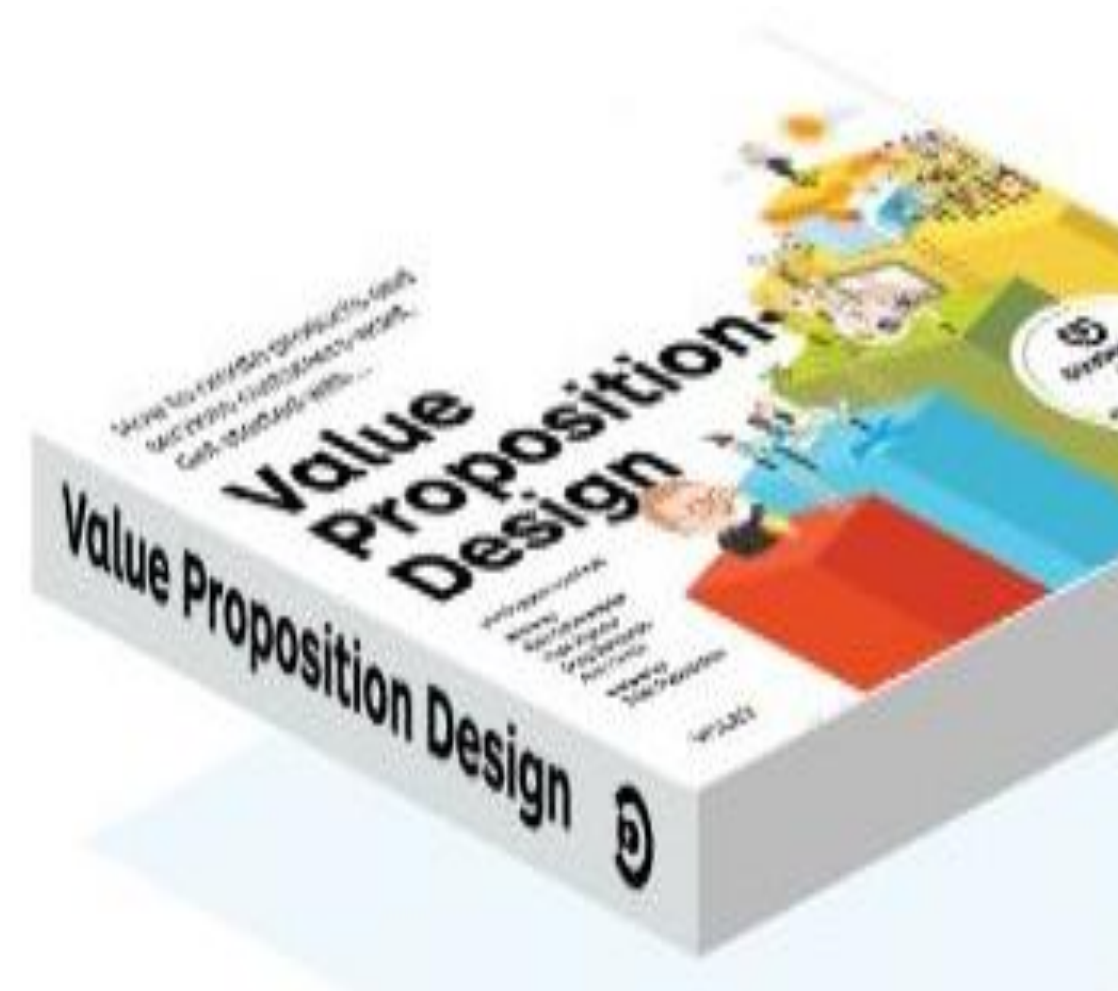
Al-Shaikh & Siddiqui, 2021





# Something else is needed...

*We use this tool to create products and services customers want*



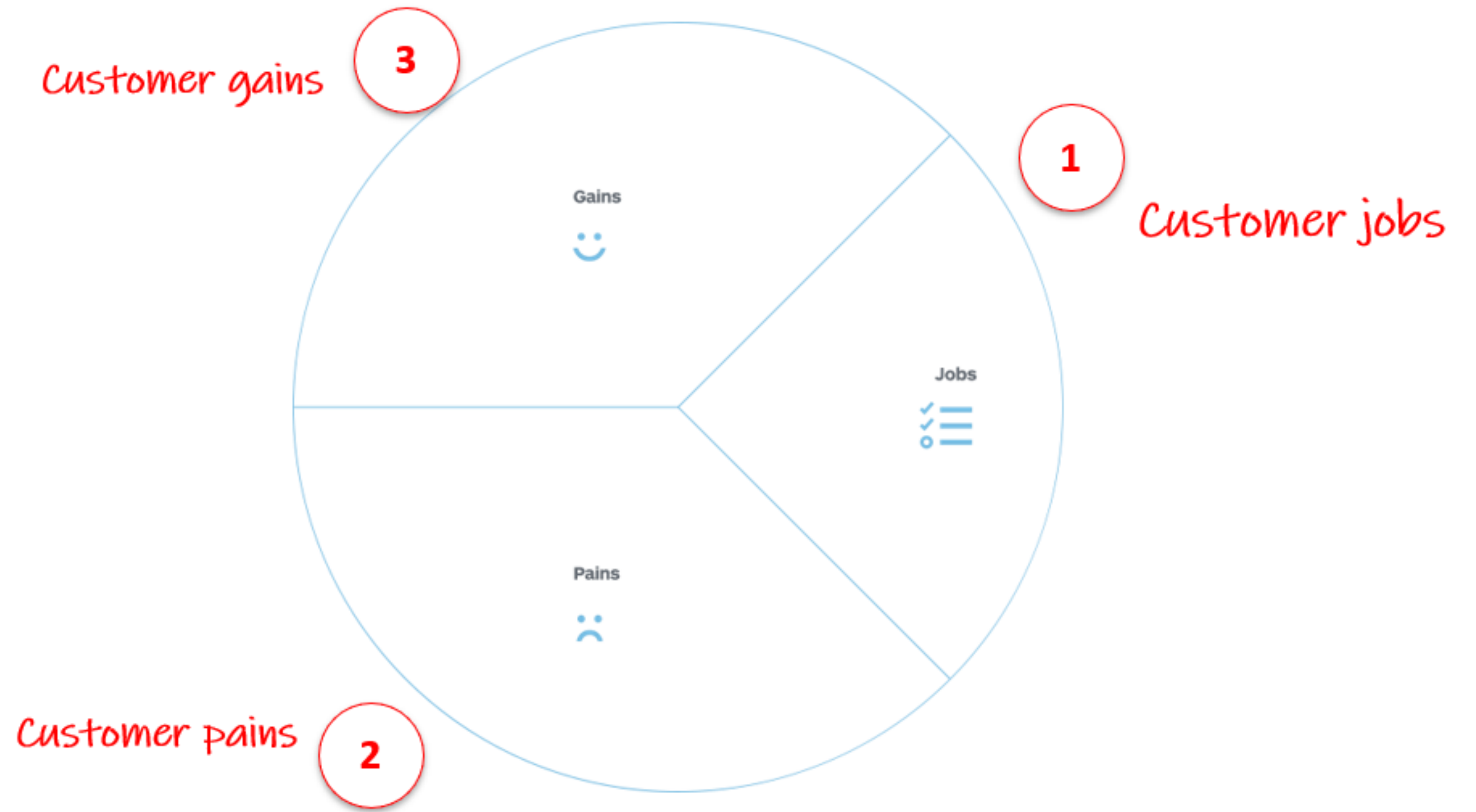
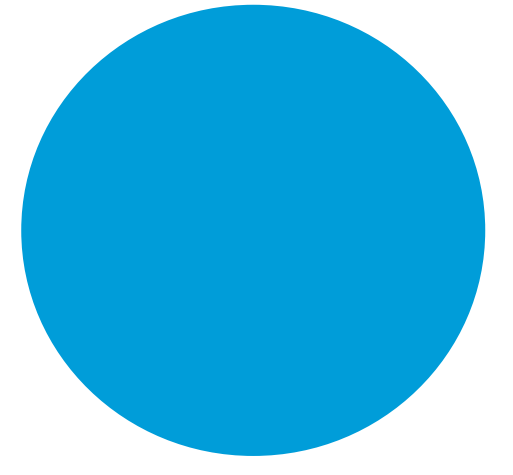
We want to be the **30%**!







# Value map



(Osterwalder et al., 2014, p.12-16)



# Value map

Simply a list of what you offer. Think of it as all the items your customers can see in your shop window – **metaphorically speaking**

- An enumeration of all the products and services your value proposition builds on.
- This bundle of products and services helps your customers complete either functional, social, or emotional jobs or helps them satisfy basic needs.
- Define the most important components of your offering – how do you relieve the pain of your customers and create gains for them?



## The basis of this approach is the customer jobs!

A conceptual shift is required, one  
that puts you in the customer shoes  
customer shoes!



“Jobs describe the things your customers are trying  
to get done in their work or in their life.”

(Osterwalder *et al.*, 2014, p.12)



# So we start mapping the customer job

**All customers are trying to  
get jobs done!**

Customers are not experts  
of the solution. Customers  
are experts of the jobs to be  
done.

Majority of customers  
don't care about the  
solution...



# Customer jobs

**Customer jobs:** Jobs describe the things your customers are trying to get done in their work or in their life.

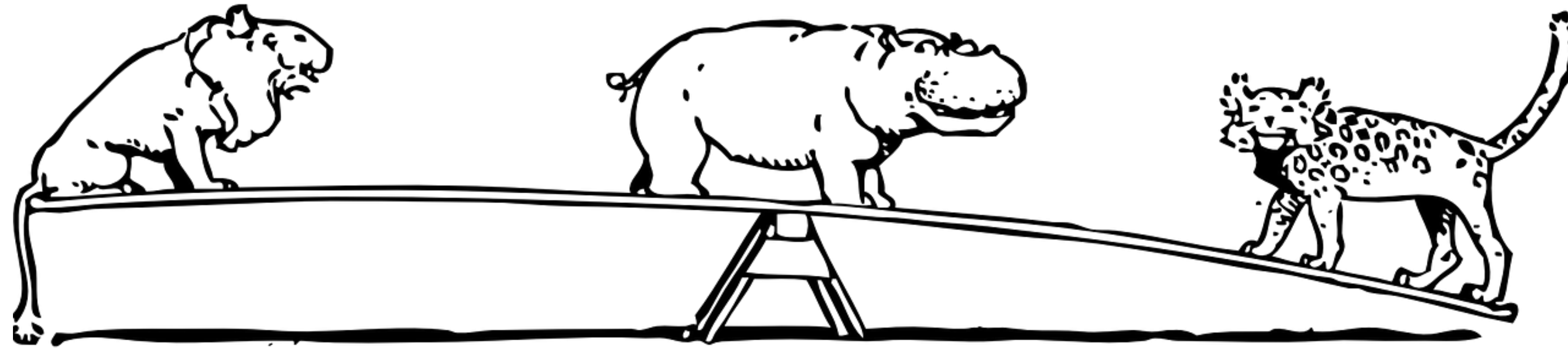
- *Emotional:* feeling secure/good or feeling of security
- *Functional:* perform or complete a specific task/solve a specific problem e.g. mow lawn, eat healthy
- *Social:* look good, gain power or status – how want to be perceived by others e.g look trendy/professional

**Pain Relivers**   ▪ Describe how exactly your products and services alleviate customer pains

**Gain Creators**   ▪ Describe how your products and services create customer gains



# We aim for FIT



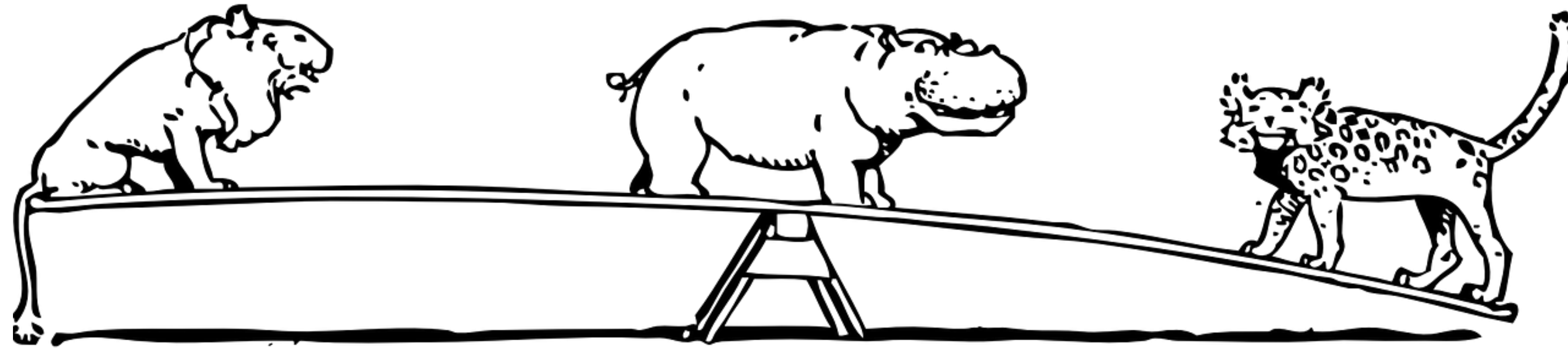
When both sides of the model are  
balanced:

## Three kinds of fit:

- (1) On paper (problem-solution fit)
- (2) In the market (product-market fit)
- (3) In the bank fit (Business model fit)



# Problem-solution fit

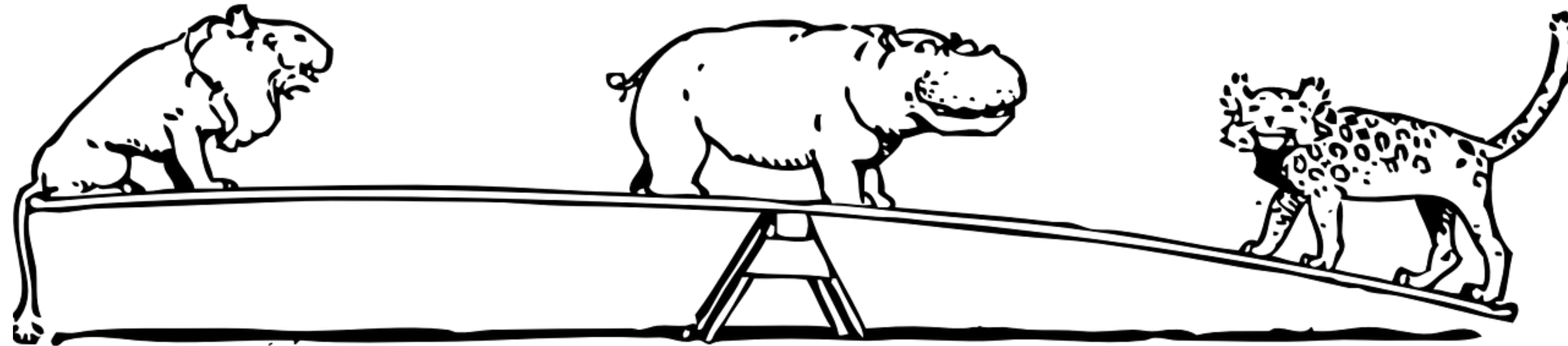


## Start with a great problem!

- How do you find the problem?
- What problem has never, in your opinion, been properly resolved?
- How is your great problem being solved at the moment? What are the details of the current best solutions? Or no solution?



# Product-market FIT

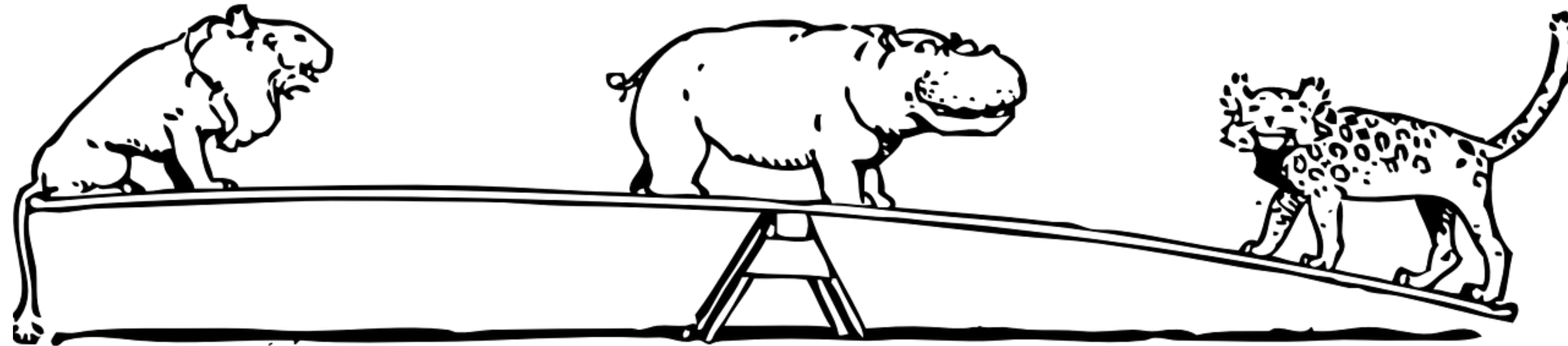


Once identified a problem worth solving, develop a product or a service that solves this problem!

- occurs when you have evidence that your value proposition is actually creating value for your customers by alleviating their pains and creating gains they desire.
- Product/service begins to gain traction in the market and you have gone through an iterative process of validating your various assumptions underlying your VP.



# Business model FIT



- occurs when you have evidence that your VP is embedded in a profitable and scalable business model.
- You have done the laborious back and forth between designing a value proposition that creates value for your customers and a business model that creates value for your organization.
- You have found the right business model that delivers optimal profitability.



# Top best practice

1. Keep it simple (prioritise the jobs, pains and gains)
2. Rank the jobs (hit the ones that hurt the customer most)
3. Overcomplicating (for complicating sake)
4. This is an iterative process!





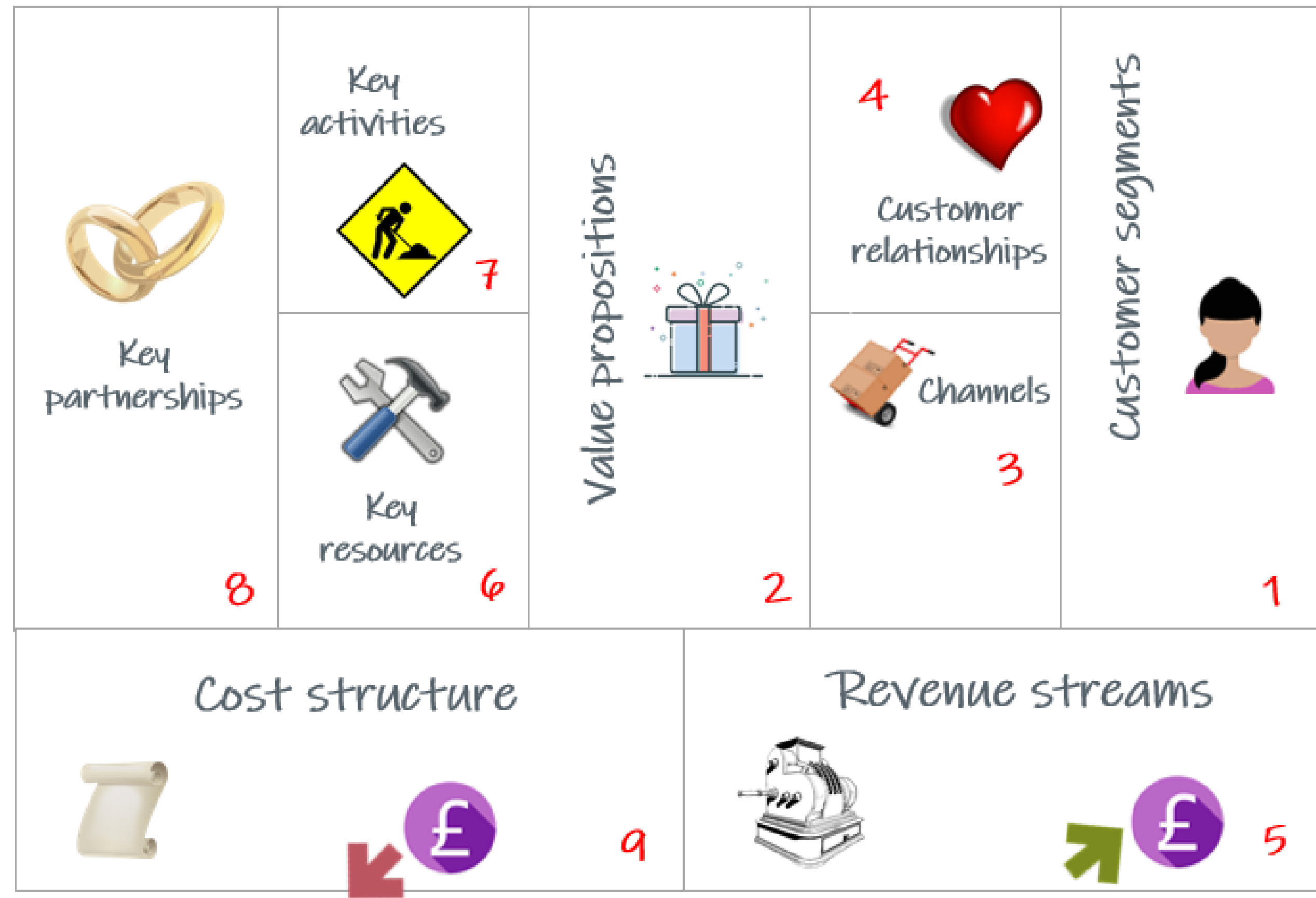
Value map enables us to  
create products & services that  
people want

next step...

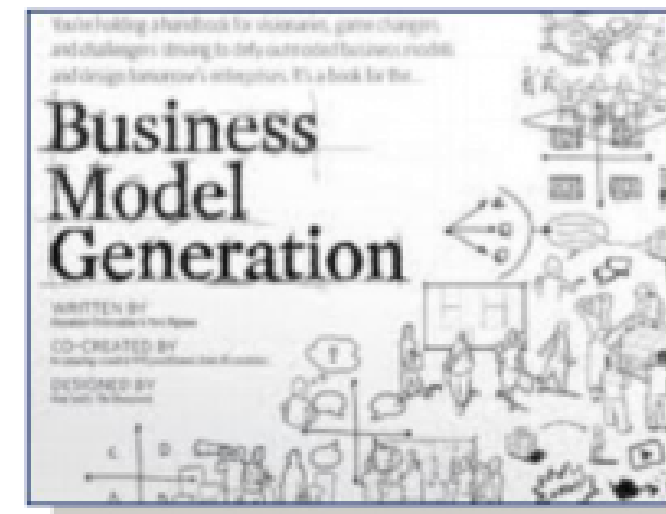




# Business Model Canvas







## Business Model Generation

BMC

Written by

Alex Osterwalder and Yves Pigneur

Co-created

470 practitioners in 45 countries

Online Community

[www.BusinessModelGeneration.com](http://www.BusinessModelGeneration.com)

Purpose

Framework to evaluate business models and facilitate discussion about them

Why

Business models can be a source of innovation



# How to use it?



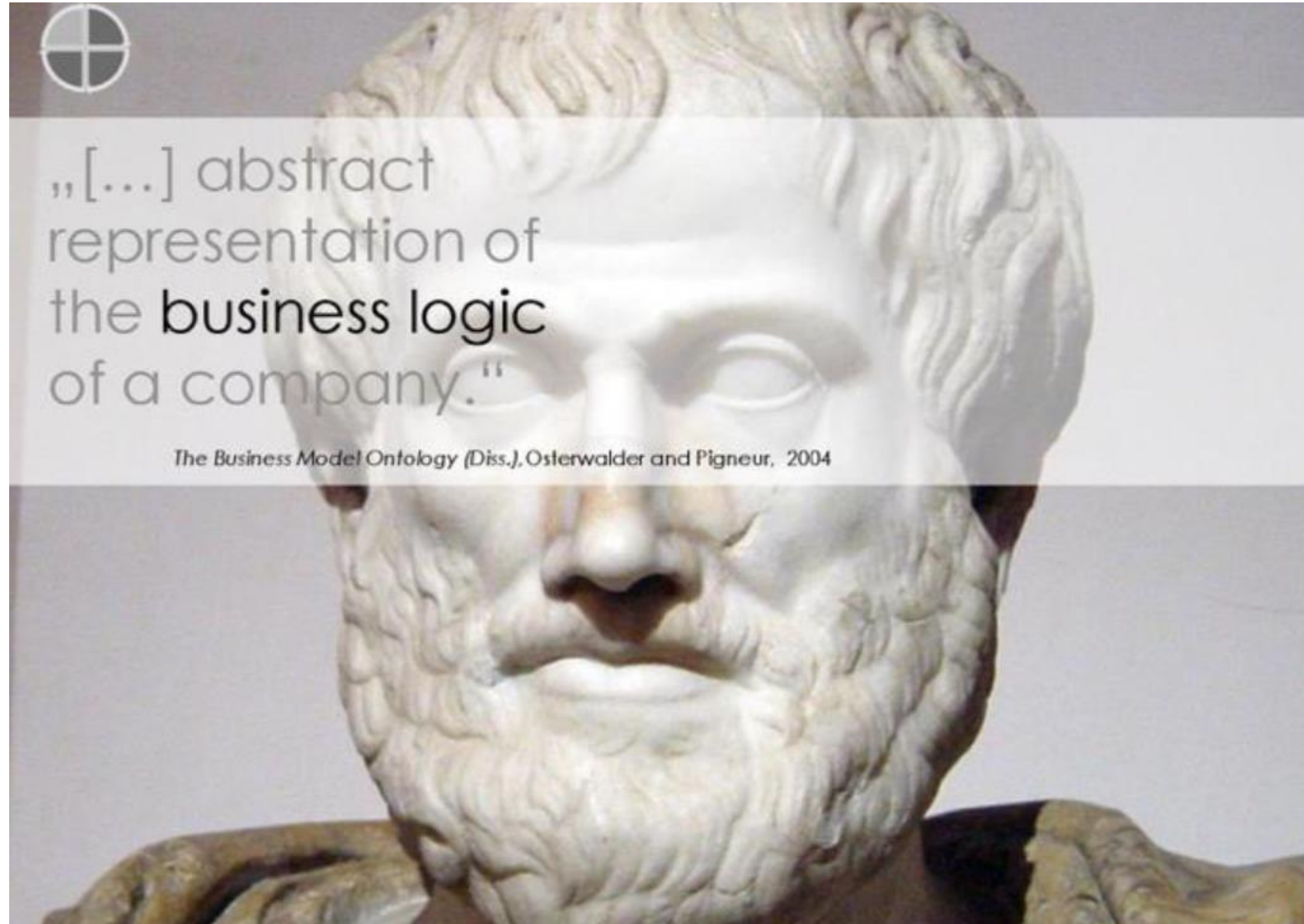
- Visual
- Captures different parts of a business
- Interactive for collaboration
- Can change easily
- Can look for patterns
- Can experiment





„[...] abstract  
representation of  
the **business logic**  
of a company.“

*The Business Model Ontology (Diss.), Osterwalder and Pigneur, 2004*





# What is a Business Model?

- *A business model describes the rationale of how an organization creates, delivers, and captures value*



***Create Value:*** a new or improved offering

***Deliver Value:*** get it to customers who want it

***Capture Value:*** balance price, cost and outcome



Def.:

A **business model** describes the rationale of how an organization creates, delivers, and captures **value**.

*Business Model Generation*, A. Osterwalder, Yves Pigneur, Alan Smith, and 470 practitioners from 45 countries, self published, 2010

Def.:

Or in English: A business model describes how your company makes money.

*What's a startup? First Principles*, Steve Blank, Blog article, [www.steveblank.com](http://www.steveblank.com) [Retrieved Oct 26, 2012]



# Elements of the BM

## Customer segment

Separate customer segments if:

1) require a different offer 2) reached through different channels; 3 different type of customer relationships; 4) willing to pay for different aspects of the offer

### Examples

**Mass:** focus on an undifferentiated group of customers assumed to have broadly similar needs; cost-based and economy of scales business models;

**Niche:** focus on specialised customer segment where the value proposition and customer relationships are all tailored to specific requirements of niche;

**Diversified:** serve unrelated customer segments on different markets that are distinct in terms of customer needs and offerings made. Could also include companies that act as 'brokers' between different parties.





# Elements of the BM

## Value Proposition

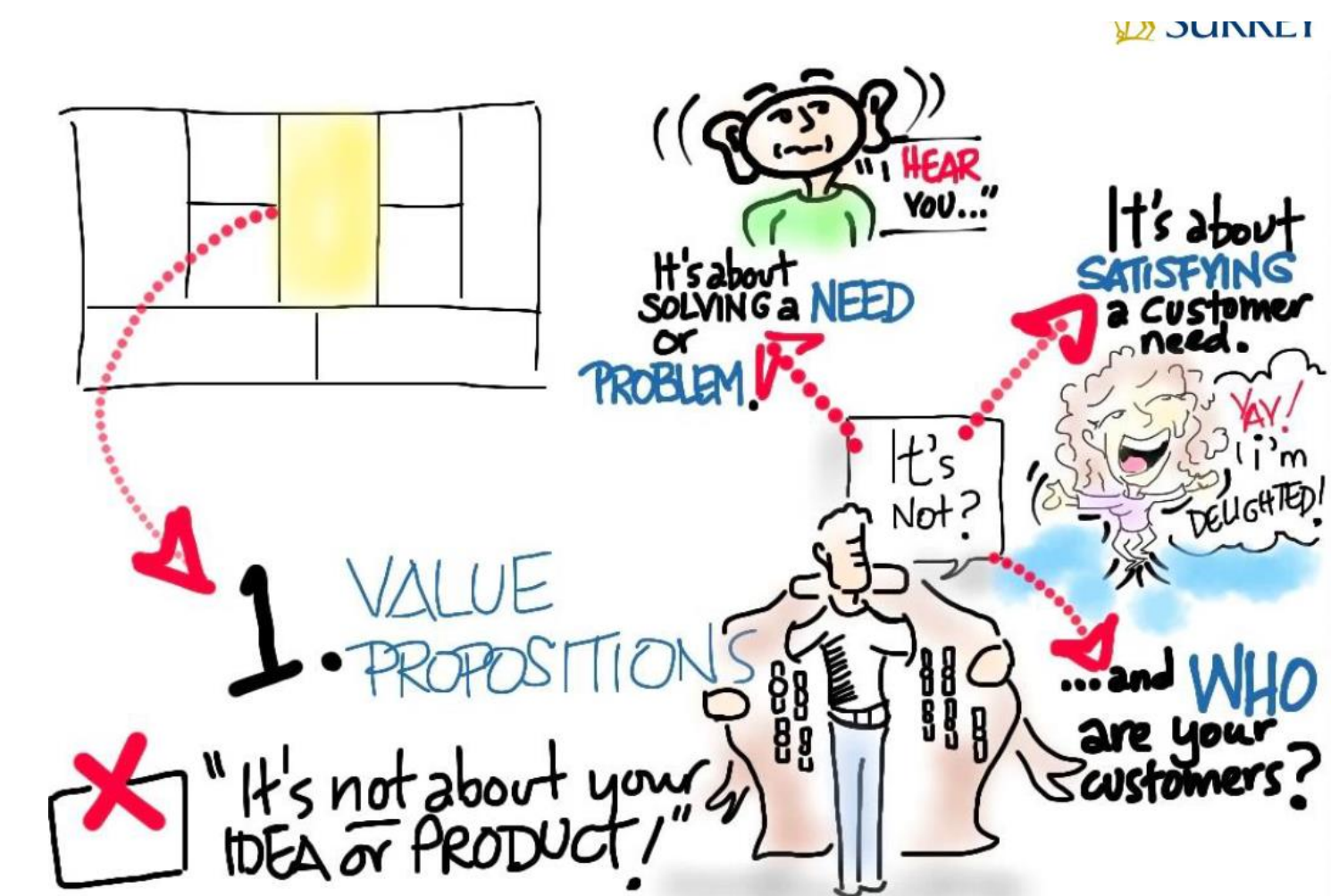
- Creates value for customer segment(s) by catering to their needs;
- Why does a customer buy a product or a service?

### Examples

**Price/cost:** focus on price minimisation (but has implications for other parts of the business model);

**Performance:** focus on superior functionality; design and/or aesthetic/status appeal; can be incremental improvements;

**Customisation:** tailoring products or services to specific needs of individual customers or customer segments; mass customisation such as Dell Computers.





# Channels

Channel Types			Channel Phases				
Own	Direct	<i>Sales force</i>	1. Awareness How do we raise awareness about our company's products and services?	2. Evaluation How do we help customers evaluate our organization's Value Proposition?	3. Purchase How do we allow customers to purchase specific products and services?	4. Delivery How do we deliver a Value Proposition to customers?	5. After sales How do we provide post-purchase customer support?
		<i>Web sales</i>					
	<i>Own stores</i>						
Partner	Indirect	<i>Partner stores</i>					
		<i>Wholesaler</i>					

- When was the last time you bought something online?
- What did you go to that website instead of another?
- Why did you buy online instead of a physical store?
- Why do you buy something in a physical store?

**Hybrid channels:** combination of direct and indirect channels to customers, usually one will be dominant.



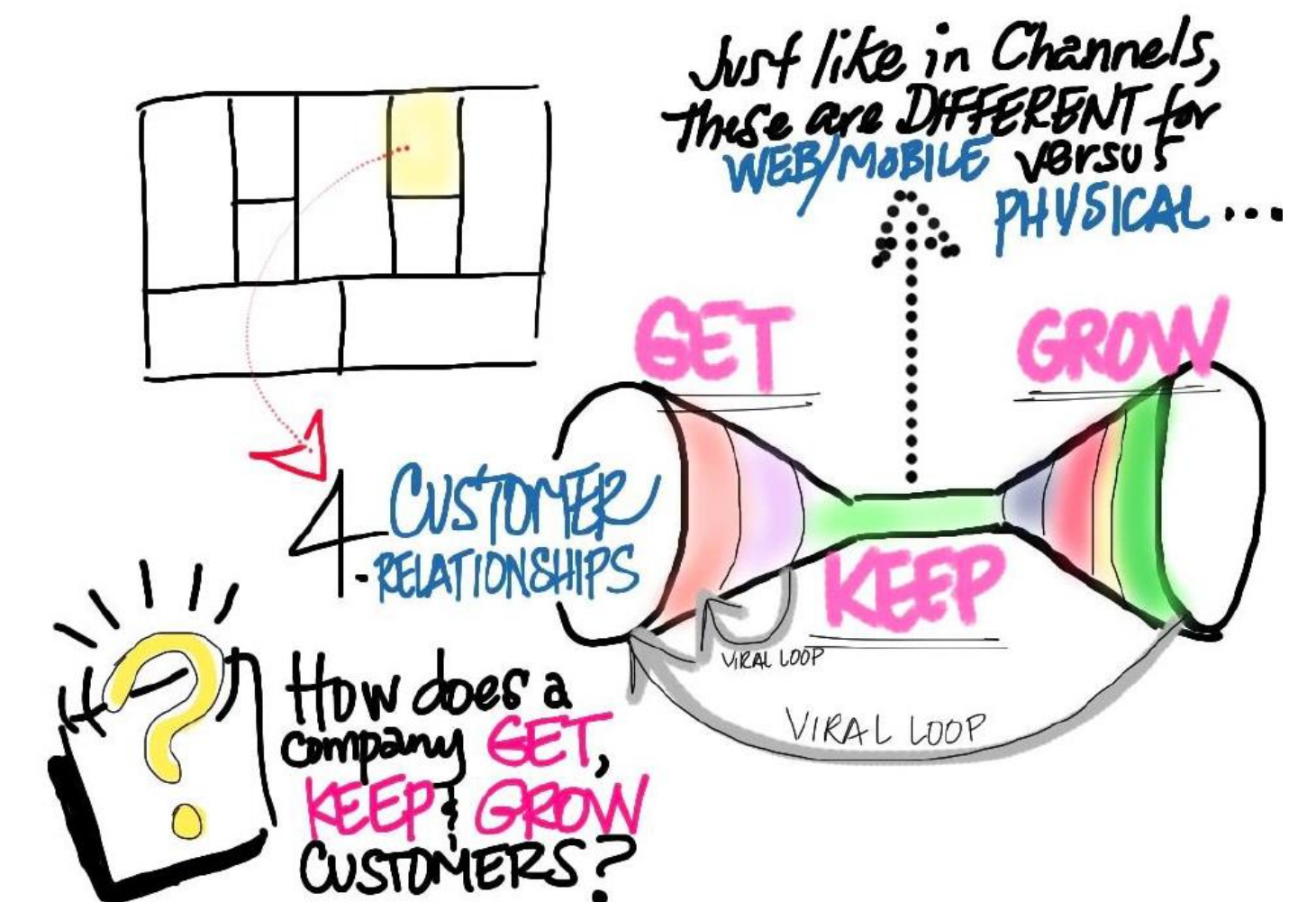
# Customer relationships

What type of relationships does each customer segment expect?

**Personal:** focus on person-to-person interaction with customer, ranging from 'as they come' encounters (physical stores) to individual tailored appointments (private banking); variation with technology may include call centres, websites or email;

**Self-service:** no direct relationship with customer beyond the transaction; many companies now using web-based profiles to provide access to a specified range of services (e.g.: internet banking) and to identity related products that may be of interest;

**Co-creation:** direct involvement of customers in reviewing or even designing products or enabling the dissemination of customer-created products e.g. Lego.





# Revenue

- Asset sale
- Licensing
- Subscription fees
- Advertising
- Lending / renting / leasing
- Usage fees
- Fixed Fees
- Brokerage fees
- Variable fees

## Asset sale:

Sale of a physical product-m most widely understood revenue stream; i.e. purchase from a store;

**ON RENT**

### Lending/Renting/Leasing:

Here a company offers the right to use a particular product for a fixed period of time in return for a fee. An example is renting a house.

**MIDDLE MAN**

### Brokerage Fee:

Through this revenue stream, your company gets its revenue from an intermediate service. This method is often used by real estate agents (earning commissions every time they match a buyer and seller).

**ADVERT**

### Advertising:

Your business may charge fees for advertising a product service or brand. For example, newspapers and media rely on this method.

**AUTHORIZED**

### Licensing:

This Revenue Stream is generated by giving customers permission to use protected intellectual property in exchange for licensing fees

Each Revenue Stream might have different pricing mechanisms. The type of pricing mechanism chosen can make a big difference in terms of revenues generated. There are two main types of pricing mechanism: fixed and dynamic pricing.

**Dynamic Pricing:** Prices change based on market conditions

**Fixed "Menu" Pricing:** Predefined prices are based on static variables

## Questions to Ponder on concerning your business

- For what value are our customers really willing to pay?
- For what do they currently pay?
- How are they currently paying?
- How would they prefer to pay?
- How much does each Revenue Stream contribute to overall revenues?





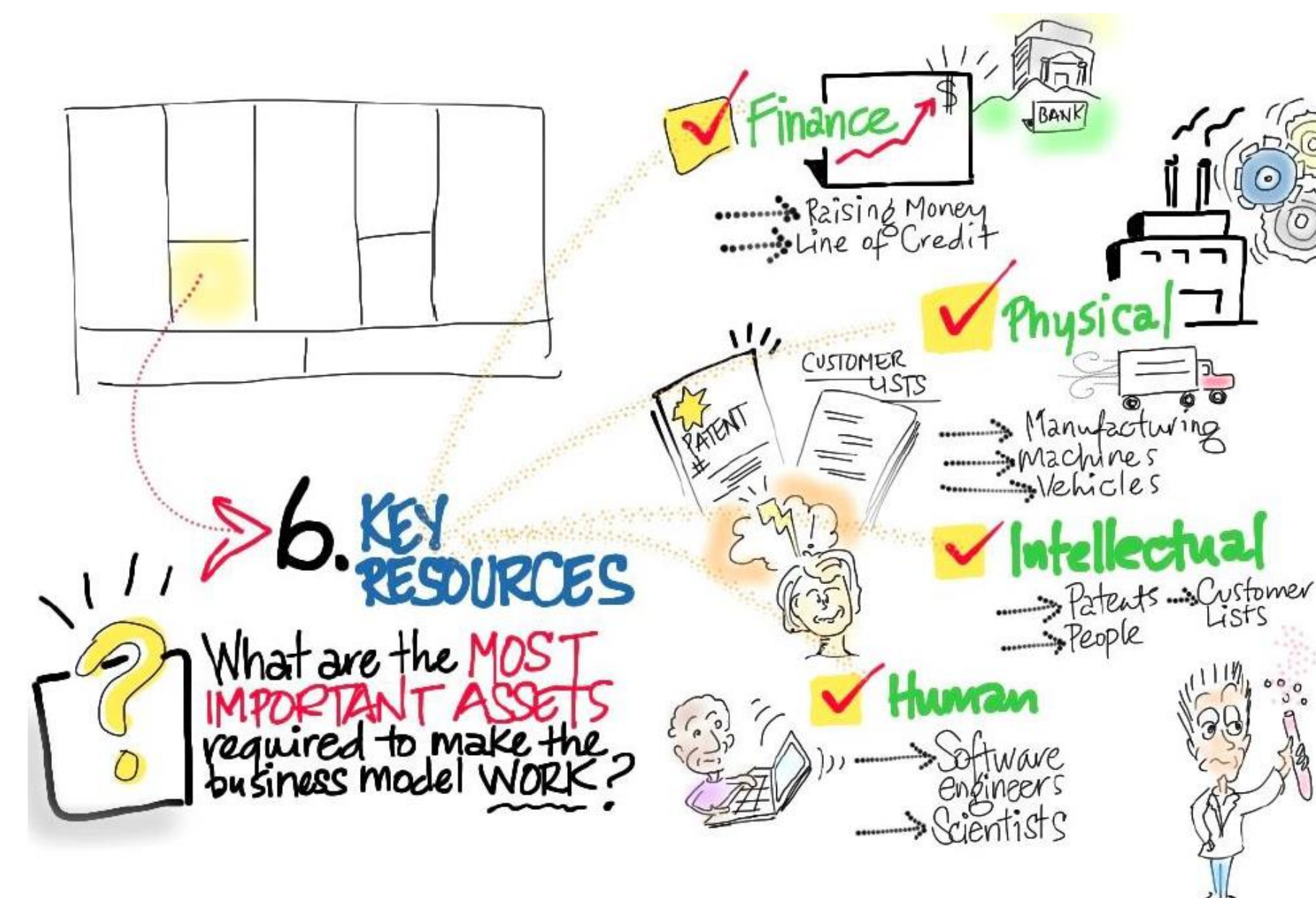
# Key resources

**Physical:** manufacturing facilities, building, vehicles, distribution networks...

**Human:** every business has people but especially important in knowledge-intensive and creative businesses;

**Intellectual:** includes patents but also tangibles such as brand and proprietary knowledge;

**Financial:** cash typically used to fund the business but also can be used as a resource to fund vendors e.g. finance arms of car manufacturers.





# Key activities

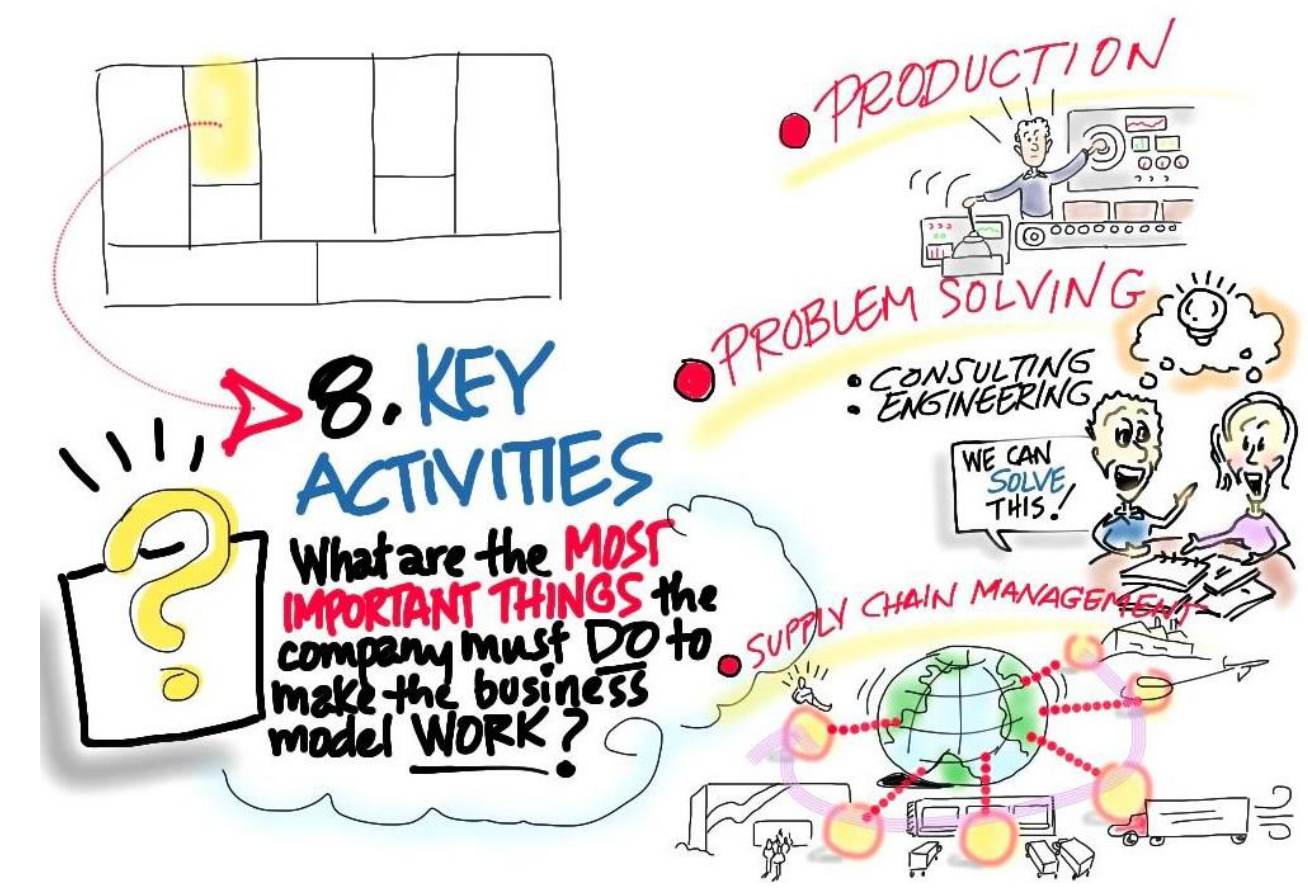
What are the most important activities which a company does?

Can be categorised as follows:

**Production:** related to designing, making and delivering a product;

**Problem-solving:** related to finding new solutions to individual customer problem e.g consultancies, hospitals;

**Platform/network:** maintaining and managing the platform e.g eBay, YouTube. Must maintain platform to keep user engagement





# Key partnerships

- Network of suppliers and partners that make the business model work;
- This can relate to key resources we acquire key partnerships or key activities which key partners may perform

## *Motivations*

**Optimisation:** range from economies of scale (vertical integration) to outsourcing with a focus on cost reduction whilst maintaining or improving quality – trade off between key resources and key partnerships

**Risk-sharing:** covers strategic alliances for R&D or collaboration on high-risk projects; also extends to knowledge-sharing with supply chains (does not rule out competition in other areas)

**Control:** Range from M&A activity to gain direct control of capabilities to strong partnership/licensing relationships with explicit IP restrictions.



# Cost structure

- Describes most important costs incurred to operate a business model
- Can relate to key resources and key activities

## Cost structures

Fixed costs      Variable Costs  
Economy-of-scale      Economy-of-Scope

**Cost-driven:** focus on minimising costs wherever possible and emphasis on value-at price; use of outsourcing and stripping costs to the level that customers will tolerate for a given price (e.g. budget airlines)

**Value-driven:** focus is on markets where the activity allows, and the customer will pay a premium for a superior level of service and or product quality

**Most companies are somewhere in between...**

.



# Tips...

## How do you use it?



Think about each box and their interrelationships



Can use different, complementary, or even contradictory options – explore what goes best with different box combinations



Can be applied to existing businesses or new businesses to see how they may be structured or re-structured



Use a very 'open' approach



# Presentation 4

- Why do we create them?
- What are their key components?
- Any pitfalls?





# Why do we create them?

Businesses are about making money

SO

Business plans are about planning to make a business that makes money

THEY ARE NOT ABOUT:

- Cool products
- Brilliant marketing materials
- Saving the planet



# Why do I need a business plan?

A management tool:

- What you intend to do
- How you intend to do it
- When you intend to do it
- What resources you will need



Start ups demand comfort with chaos and uncertainty – developing a business plan is part of dealing with it.



# Why do I need a business plan?

## **10 reasons:**

- Develop clarity
- Gain understanding
- Organisation
- Practice makes perfect
- Confirm numbers
- Iron out wrinkles
- Get everyone on the same page
- Hold yourself accountable
- Know your message
- Establish benchmarks

To counterbalance your emotions: take objective look at what you are doing, why, what you know, and what to figure out

# ...and more

***To engage and inspire those whose support you need: :***

- Raise finance
- Get staff commit to company success
- Get early customers to trust you and count on you

**A 'contract' with investors, time,  
money & resources**





# What's in the business plan?

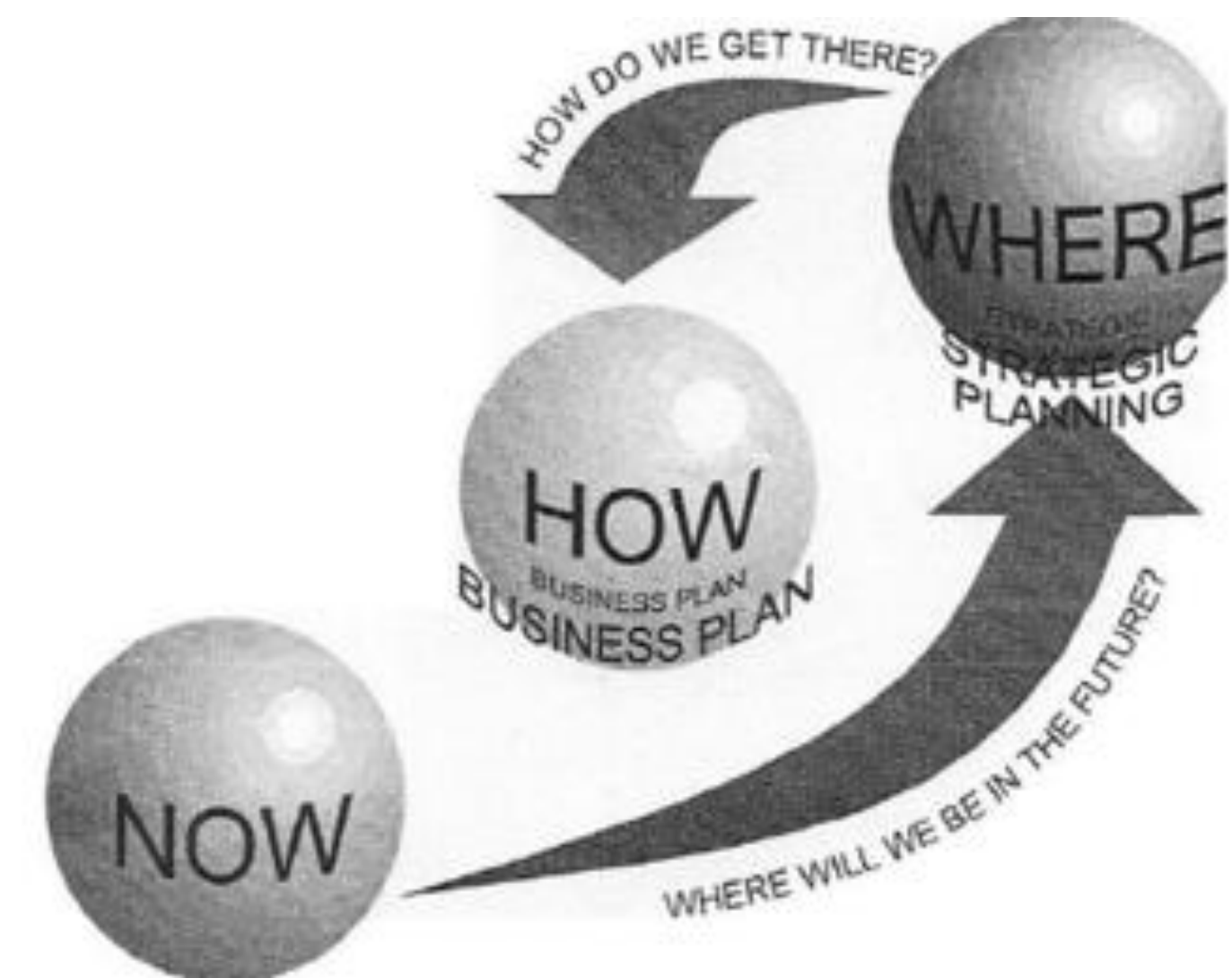
A business plan should close the gap between where a business is now to where you want to be...

Remember for a new start up with limited or no track record, the GAP is wide...the Business plan has to make clear:

- The BUSINESS MODEL – how the business will deliver value to stakeholders

AND

- The EXECUTION = how people, processes, and resources will be assembled at each stage on the way to establish a business model



# Business plan content

- Executive Summary
- The Market
- Product or service
- Management Team
- Business operations
- Marketing plan
- Financial projections
- Funding assumptions

There are endless business plan checklists & templates to be found BUT just following a CHECKLIST of contents is NOT enough!



# Business plan content

A business plan is about *CREDIBILITY*

However, it has to be LOGICAL but POWERFUL STORY – IT must RESONATE with audience so...

Like your product or solution...test it – get others outside your team to read it to:

- Confirm clarity
- Ensure the emphasis on viability, competitive edge and potential for a good financial return
- Be a 'devils advocate' and challenge your assumptions

**DON'T  
FORGET**

The business plan is a “living document”

It will continue to evolve as you progress.



## A tagline creates a unifying plot line that organizes your thinking

(Bygrave and Zacharakis, 2014, p.239)

Nike.....	<i>Just do it!</i>
FedEx.....	<i>Absolutely, positively has to be there overnight</i>
McDonald's.....	<i>I'm lovin' it.</i>
Cisco Systems.....	<i>Discover all that's possible on the internet</i>
Microsoft.....	<i>Where do you want to go today</i>
Walmart.....	<i>Always low prices. Always!</i>

Figure 7.2

### Taglines

**Tagline: theme that every sentence, paragraph, page, and diagram in your business plan should adhere to the unifying idea of your story**



**The cover Page**

- Eye catching front page
- State company name
- Contact information





# Structure

**There is no exact structure?**

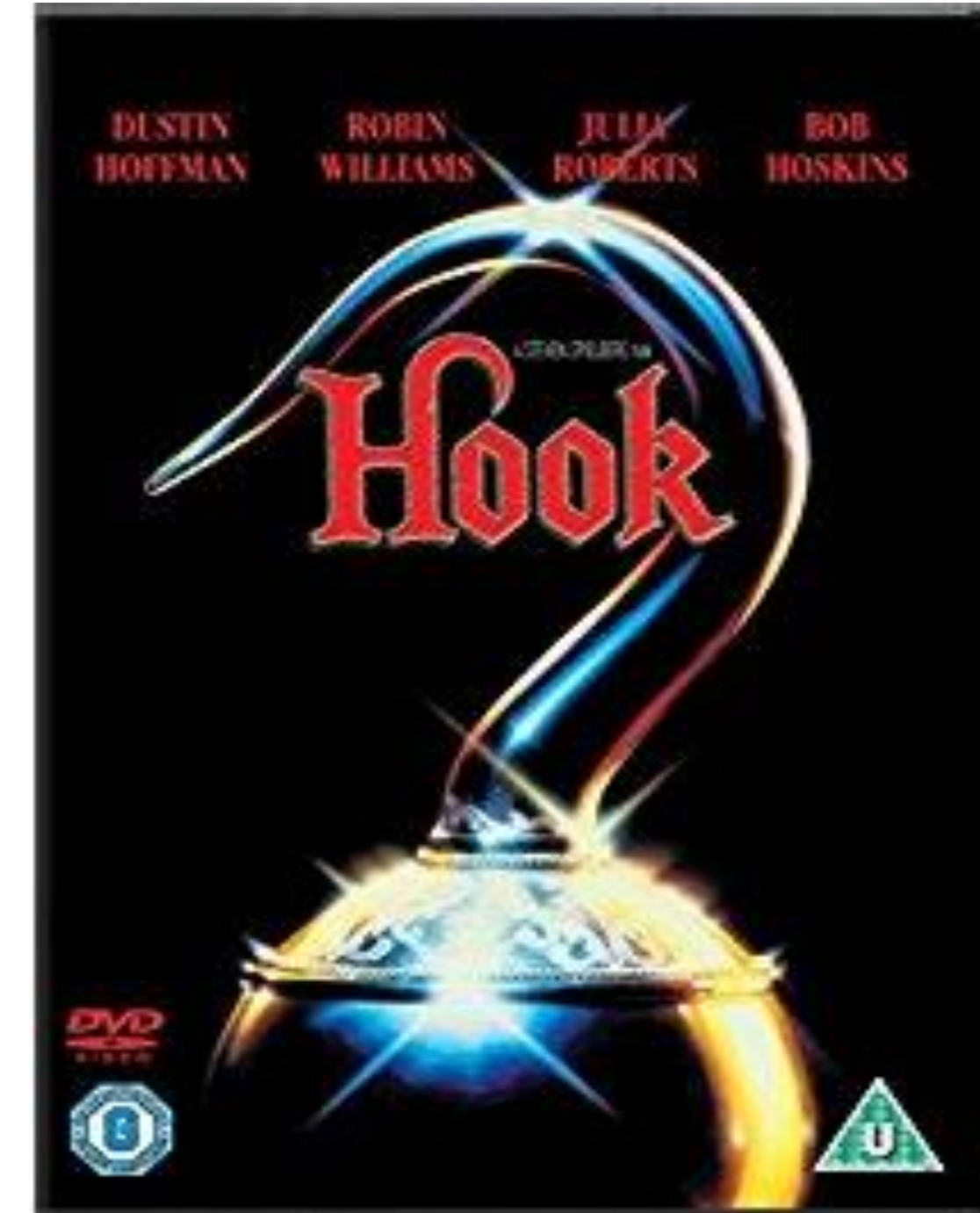


# Exec Summary



- Description of Opportunity
- Competitive Advantage
- Business Concept
- Business Model and Economics
- Industry Overview
- Team and Offering
- Target Market

**WRITE IT LAST!**





# Opportunity

- **Market size** & expected future growth (how trends are shaping the present? how do you think they will influence the future? margins of companies in the industry (higher margins, higher returns, greater growth potential)?
- **Avoid** discussing your concept, product or service; focus on market gap;
- After identifying relevant market segments, identify the **segment** your product will target

**How do you intend to capture it?**

# Product description

- Reasonable description of your product (or Service)
- Main features? Present state of development or production?
- Achievements to date: how are you in a position to introduce the product (or service) at this time?
- Differentiating features: USP

**Product or service must be market driven...it must satisfy a perceived need in the market**



# Competitors

- Strengths? Market share?  
Product/services?
- USP
- Potential weaknesses
- Customer Segments

WHO?

- **How do your product compare to competitors?**
- **What are competitors' key product features?**

# Customer segment

- Who is your target customer?
- Demographic and psychographic information

**Too often entrepreneurs figure that, if they love their product concept, so should everybody else.**





**THE PURPOSE OF  
BUSINESS IS TO  
CREATE AND  
KEEP A  
CUSTOMER.**

Remember the  
customer job



QUOTEHD.COM

**Peter Drucker**  
Austrian-American Author

1909 - 2005

# Marketing

- Target market: what market will you sell to?
- Where is the market located? How do you plan to enter?
- How does your product/service differentiate from what in the market?
- Pricing & Sale strategy
- Distribution strategy
- Marketing communications strategy





# Operation

- **Operations strategy** - How does your business compare on cost, quality, timeliness, and flexibility?
- **Scope of operations** – benefits of scale? Accessibility to key resources? What is your production process?
  - Development stage – e.g. concept, prototype, production
  - Key investors, advisers, business alliances & relationships

# Organisation/team

**It is about (the only) asset you have before starting!**

## Should include:

- Team bios/roles/experience
- Advisory Boards, Board of Directors, Strategic Partners, External Members
- Compensation and ownership
- Structure
- What additional personnel you will need?





# Financials

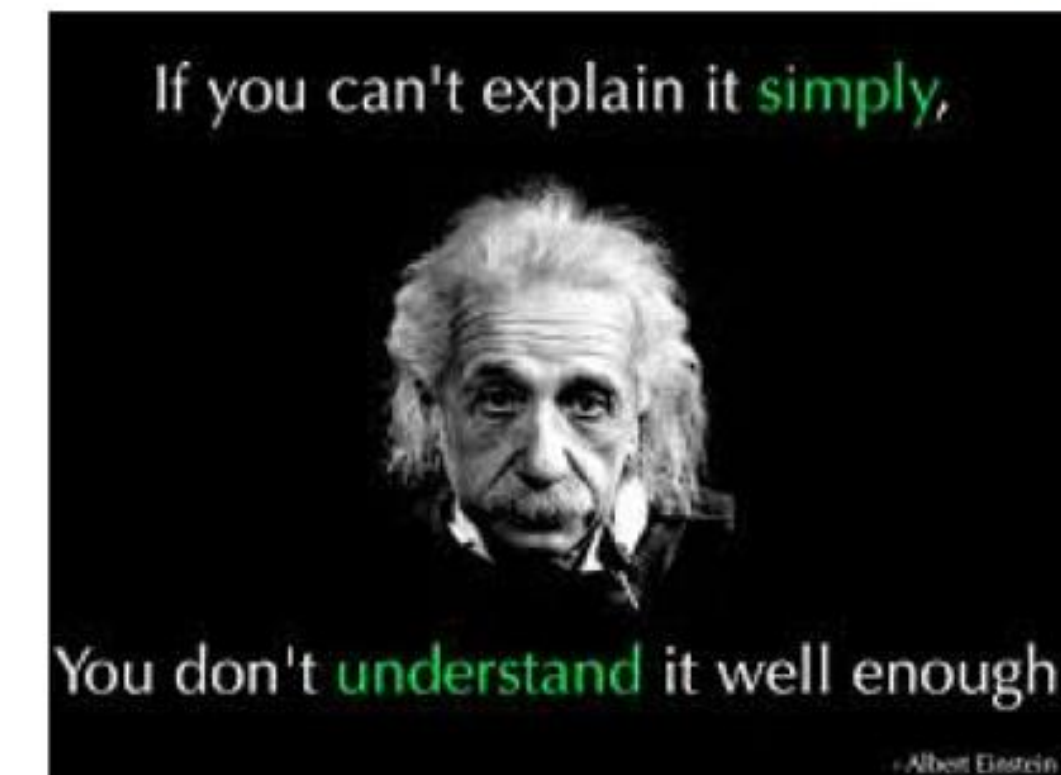
- Margins – the basic business model (revenue and cost model):
  - Expenditures: cost of staff, materials, components & purchases needed
  - Consider other costs too: heating/lighting/advertising
  - Cash needs and when (cash flow analysis)/3yrs
  - Break even Analysis
  - When you need further funding - how much, potential sources, potential use.

# Pitfalls to avoid

## One plan for all?

- Different audiences perceive opportunities and risks differently – so focus on what creates resonance and credibility – dependent on audience
- Who is interested in your business plan?
- Funders?
- Customers?
- Suppliers? Partners?
- Employees?

The audience needs to understand what you know....



... so you need to know what the audience understands!



# Pitfalls to avoid

- **Multiple business models**
  - Solving multiple customer problems
  - Lots of revenue sources
  - No clear focus or understanding
  - Resources spread too thin
- **Not defining customer problem/need**
  - Particularly multi-sided businesses/market places
- **Ignoring competition**
  - Increase burden of proof of a market/customer need
  - No competition – often no market
  - Raises questions about realism

# What's often missing?

- **The market**
  - Market analysis
  - Marketing plan
    - Channels
    - Pricing
    - promotions
- **Cost of sales/units**
  - Marketing costs
  - Cost of establishing channels
  - Unit costs through channels

**Key if raising funding...**



# More...

- Realistic cost of sales...NO more viral/email magic! Operational priorities, resources
- Choose examples carefully- story can lose is resonance quickly due to market events (e.g. Covid19)
- Consistency between all parts – market, sales growth, revenue, financial
- Running out of resources before getting to the next stage

# What to do with your business plan

- Be flexible
- Listen to the market, listen to unexpected events or information – ITERATE QUICK AND LEARN FAST
- YOU will fail if you religiously seek to implement a plan



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