

Business Modelling 101

Learning to make mistakes
when mistakes are cheap

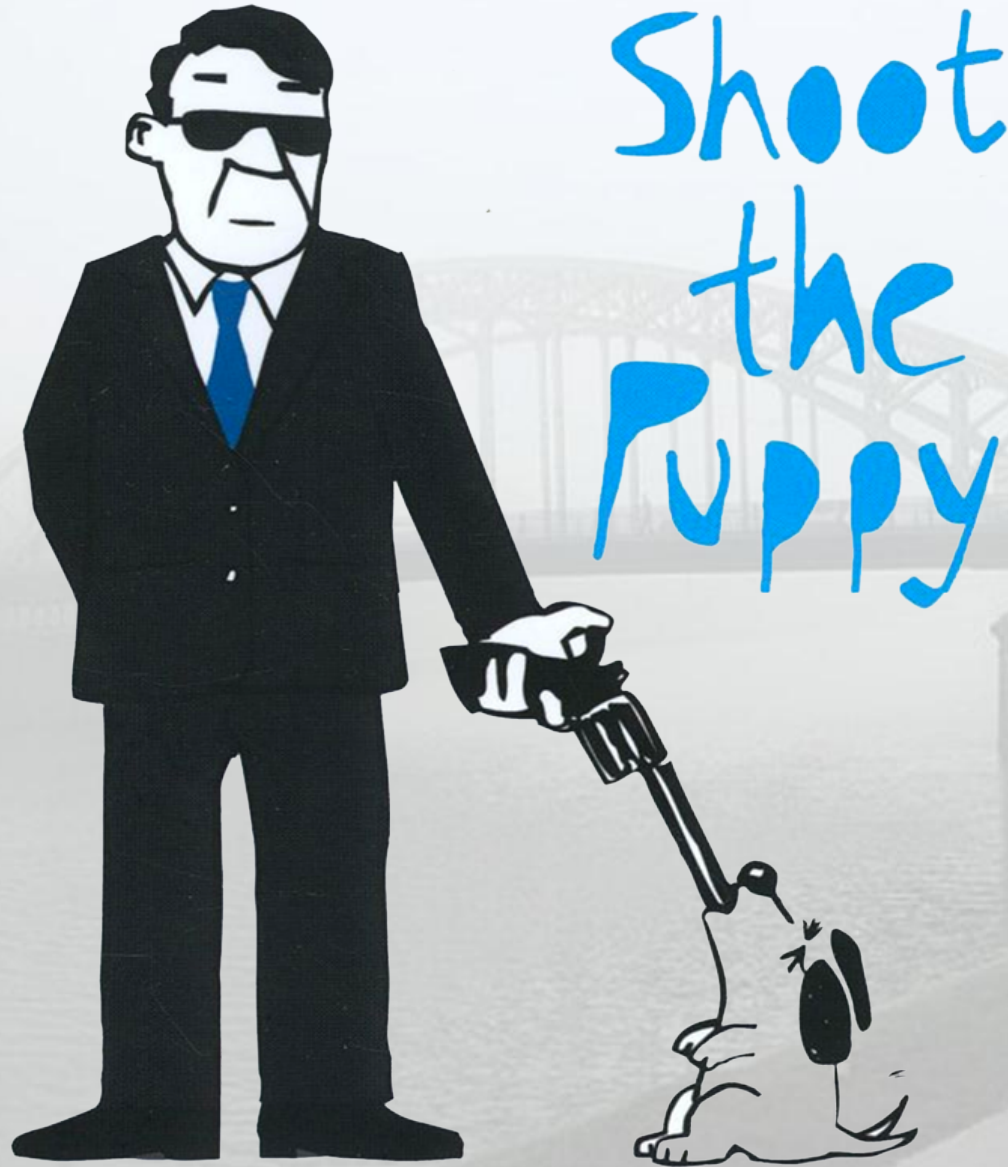


The biggest 3 mistakes of Entrepreneurs

1. Investing in the wrong business (a business with no business model)
2. Staying too long in the wrong business.. (after you should know it is time to change...)
3. People don't buy your product or service 'cause they understand why they should...

Our agenda today

- 2 views on business modelling
 - Shooting Puppies
 - The Pimento Method
- A case study... what would you do ?



Let's be honest

Most of you have products /
ideas only a mother could love !

2 modes of thinking...

**I will see it when I believe it
vs.**

I will believe it when I see it

We are too often in mode #1

An example: global warming

Hot summers
Warm winters



Evidence of
global warming

Cold summers
Cold winters



Evidence of
global warming

Clearly there is evidence of global warming ?!

Solutions ...

Issues

- We often do research to check our brilliant ideas
- **SUGGING** (Selling under the guise of market research)

Solutions

- **Objective criteria in place before the research starts**
 - Is 35% planned purchase good or bad
- **Clearly define your biases before you start**
- **Focus on insight (vs. confirmation)**
- **Do regular reality checks**

You're not alone !

"More than nine out of ten consumable products launched in the last ten years offered absolutely nothing new to the consumer.

More than eight out of ten new products fail. You don't need to be a statistician to realize there's a correlation between the two numbers."

-- Robert McMath



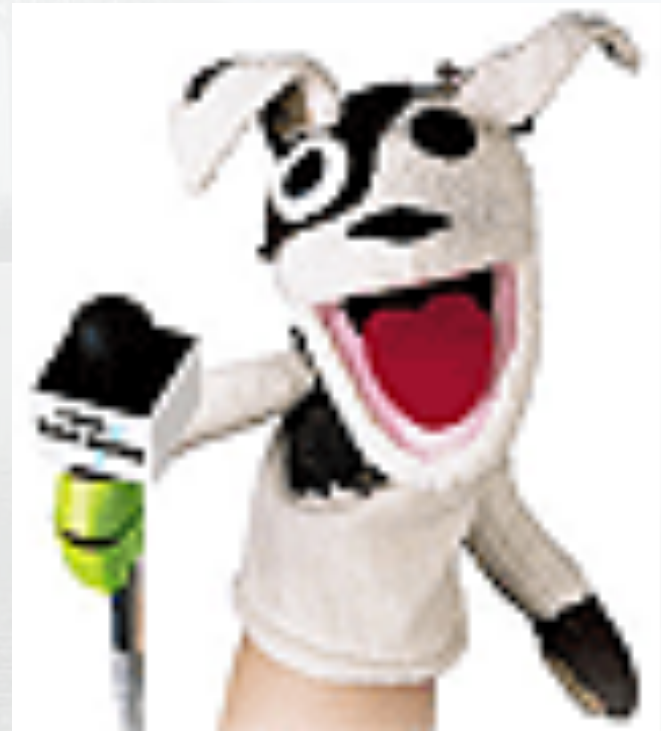
7 business ideas
Which puppy(ies)
worth saving ?

A checklist for ideas...

- Is there a benefit (real or perceived)
- People willing to pay (enough)
- Cost of cut-through acceptable
- People will see the benefit buy again / recommend to others
- Will someone hate it

Pets.com
Pet supplies via the
internet

Save big, save time
Stay at home





Kosmo.com

Instant delivery of products purchased via the internet in big cities.

Order a wide variety of products, from movies to snack food, and get them delivered to your door for free within an hour.





Despair.com

We hate all the senseless, wasted time on employee motivation and un-founded optimism

We imagine you do to, buy our products and show your true colors



FOCUS

Continuous effort is the key to unlocking our potential.

Sir Winston Churchill

Continuous effort is the key to unlocking your potential
Winston Churchill



BLAME

THE SECRET TO SUCCESS IS KNOWING WHO TO BLAME FOR YOUR FAILURES.



Etoys.com

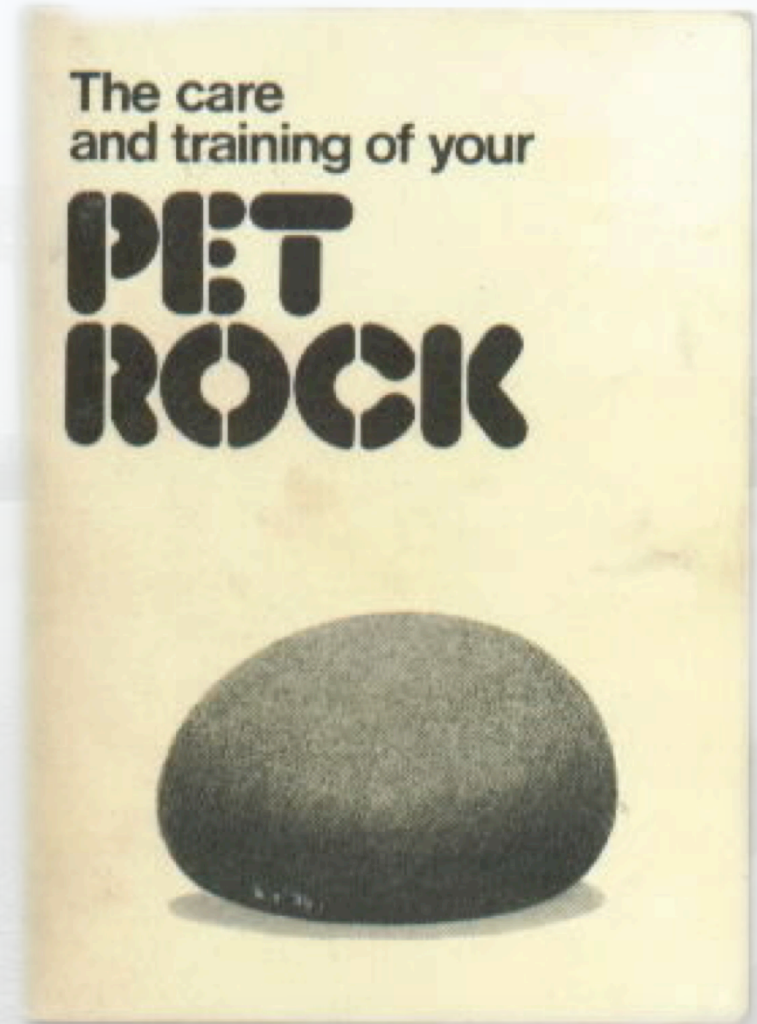
**The new place to buy
toys. Find you want on
the internet**

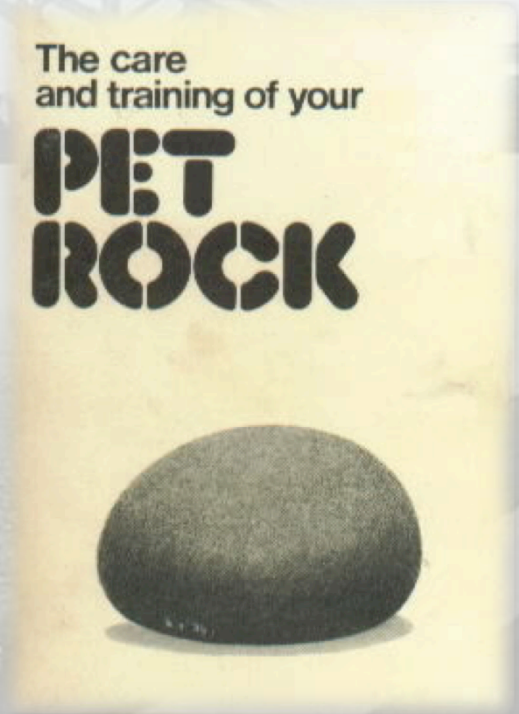


Petrock.com

Pets take a lot of time and energy. Your kids can have almost as much fun with a pet rock.

We even include a care guide







Here's How It Works:

[Click here for the full story.](#)



You can [send Flooz® gift dollars](#) to anyone with an e-mail address.



Your recipient opens their e-mail and surprise! Your gift of Flooz® is waiting for them. They'll receive a personal message from you and, if you choose to send one, an online greeting card!



Your recipient shops at any online store where Flooz gift dollars are accepted and purchases exactly what they want!

You can deliver Flooz in person, too. It's a fun way to present your gift. After you [send Flooz](#), just click to print a greeting to take with you!

Webvan.com

Buying groceries should be easier. With web van you can get all your groceries, so you have time for other things





Now the most important question

Why would this business fail ...

Why would it fail ...

Pets.com	
Kosmo	
Despair.com	
Etoys.com	
Petrock.com	
Flooz	
Webvan	

Costs per stage

Budget

**The time to
Make mistakes !**

**Ideas, screening
Concept, analysis**

Time

**Prod.
devel**

**Test
mktg**

commercialization

Can you ask the experts ???

“I think there’s a world market for about five computers.” (President of IBM, 1943)

“TV won’t be able to hold on to any market it captures after the first six months. People will soon get tired of staring at a plywood box every night.”

(President of 20th Century Fox, 1946)

A checklist ...

- Talk to 20 people (that are not your friends)
- If no one hates the idea, be scared
- Ask people “if this fails” why would it fail (you’ll get a lot more information than asking what they think of the idea !)
- Keep it simple ... check do people really understand

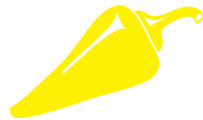
PIMENTO

MAP[©]



Spice up your business model

Béatrice de Mahieu



The Pimento Map

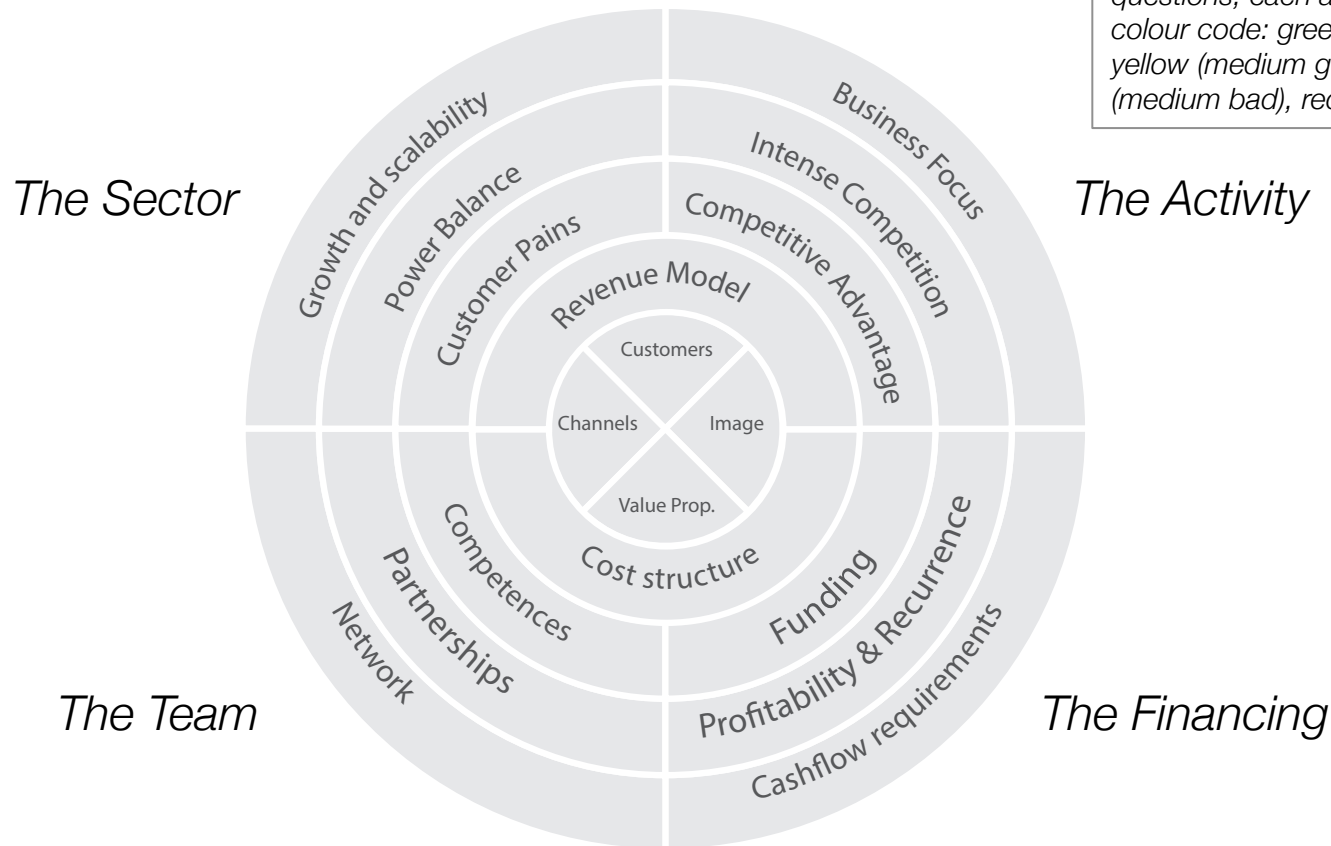
Test your business model!

Based on in-depth research on many businesses, this methodology is a fast, easy and accurate way to evaluate the chances of success of your business model. It gives the opportunity to entrepreneurs, business angels or venture capital firms to build an objective opinion on a new business idea. It also points out in detail where the model can be improved.

www.pimentomap.com

The Method

Answer 18 straightforward questions, each answer has a colour code: green (good), yellow (medium good), orange (medium bad), red (bad)

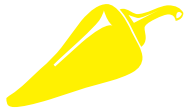


Colour Results



GREEN

The startup or project focuses on a niche market and is enjoying a real competitive advantage, due to a legal licence or a real technology innovation.



YELLOW

The startup or the project has a good competitive position. She is not alone on the market, but she has some good arguments towards her competitors.



ORANGE

The startup will operate in a competitive market. She may have some competitive advantages, but these advantages still need to be confirmed. Success still needs to be proven



RED

The startup does not have any competitive advantage, is late on the market. Reconsider your BP

The core center of the map: evaluate the maturity of your project

🔪 Customers:

- Is your customer clearly identified? Who will be the decision maker? How big or narrow is your customer definition and mapping?
- How good is your knowledge on a geographic basis? Need of those customers could defer? First prospect/prospect group list?..

🔪 Image

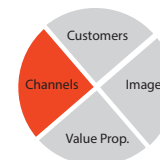
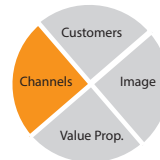
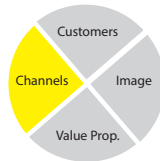
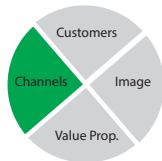
- How can you define the image of your product? What will make your customer fall in love with your offer?
- Values of your company? Mission statement?

🔪 Value proposition

- Quality of the product?
- Clear deliverable?
- USP





🔪 The Sales Channels

- Knowledge of your sales channels
- How does a prospect meet your value proposition



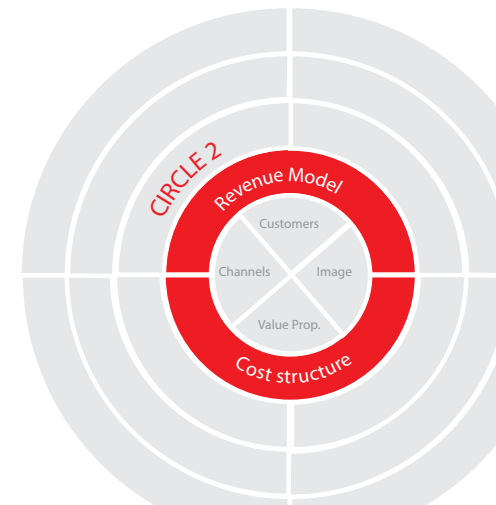
The Business model: Revenue and Cost

The revenue model:

-  Volume and paiements? Saas?
-  Paiement delays?
-  Customer contracts?
-  Monthly-one-off fee?

The cost structure:

-  Fixed costs
-  Variable costs
-  Knowledge of the pre-sales, marketing, customer acquisition cost...



The vision on the project

The Sector and Demand:



- Customer pain: Does the customer know that the product exists, are they looking for the product, does the sales and growth request an important evangelization, is it difficult to create the relationship with the customer?
- Power balance: power balance between the start-up and the customer (ex. a plumber: it's hard to find a good one, available, when you need him, often urgently..) how difficult is it to have a signed order...
- Growth & scalability: how easy will it be to “export” your product or service, without the need of extra high investments, local plants or offices, how easy “exportable” is it..

The Industry:



- Competitive advantage: do you have competitors, why are you better than them, what is your competitive advantage, why and in what could your competitors be better, exclusive licence..
- Intense competition: direct and intense competition, that can substitute your offer
- Business focus: how large is your offer, service range? Being niche can be very interesting, keep focus on core business and product

The vision on the project

The Financing:



- Funding : Does the start-up have the necessary financial means to cope with the phase she is it at the moment.
- Profitability & recurrence : how recurrent are your revenues? Delay on profitability?
- Cashflow requirements : what's the cashflow needed to ensure growth?

The Team:

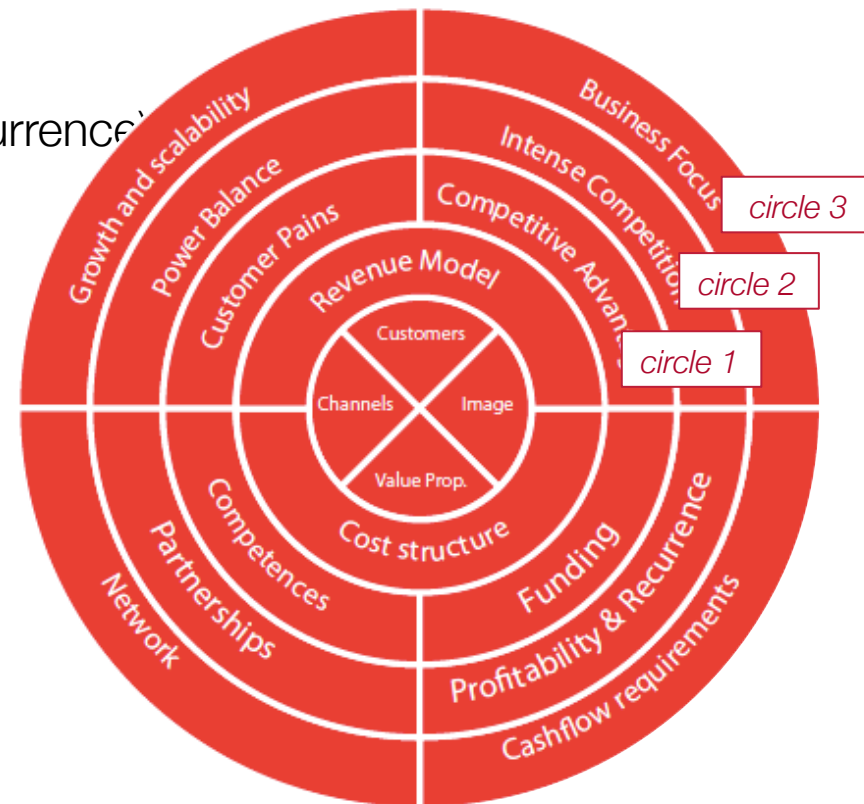


- Competences: do you have an CFO, CMO, Sales director?
- Partnerships: do you have possible partnerships that could ensure you a competitive advantage towards your competitors?
- Network: how is your network in this sector? Is your team new in this sector, or does she have a good and trustworthy network?

How to read the Pimento Map

🌶️ 1st information: timing

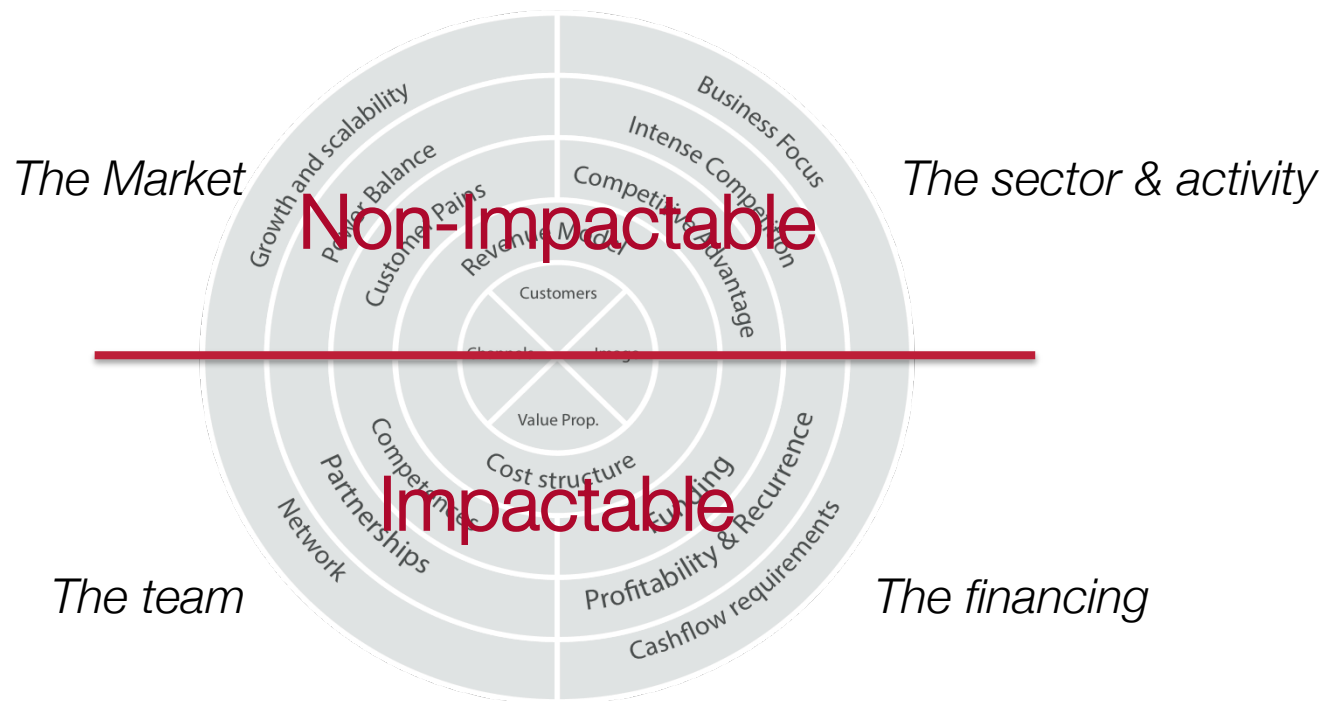
- Circle 1: 1st year of the startup
(Customer Pain vs. Funding)
(Competitive advantage vs. Competences)
- Circle 2: between 1st and 3rd year
(Power Balance vs. Profitability and Recurrence)
(Intense competition vs. Partnerships)
- Circle 3: long term



How to read the Pimento Map

🔪 2nd information: Impactable & non-impactable

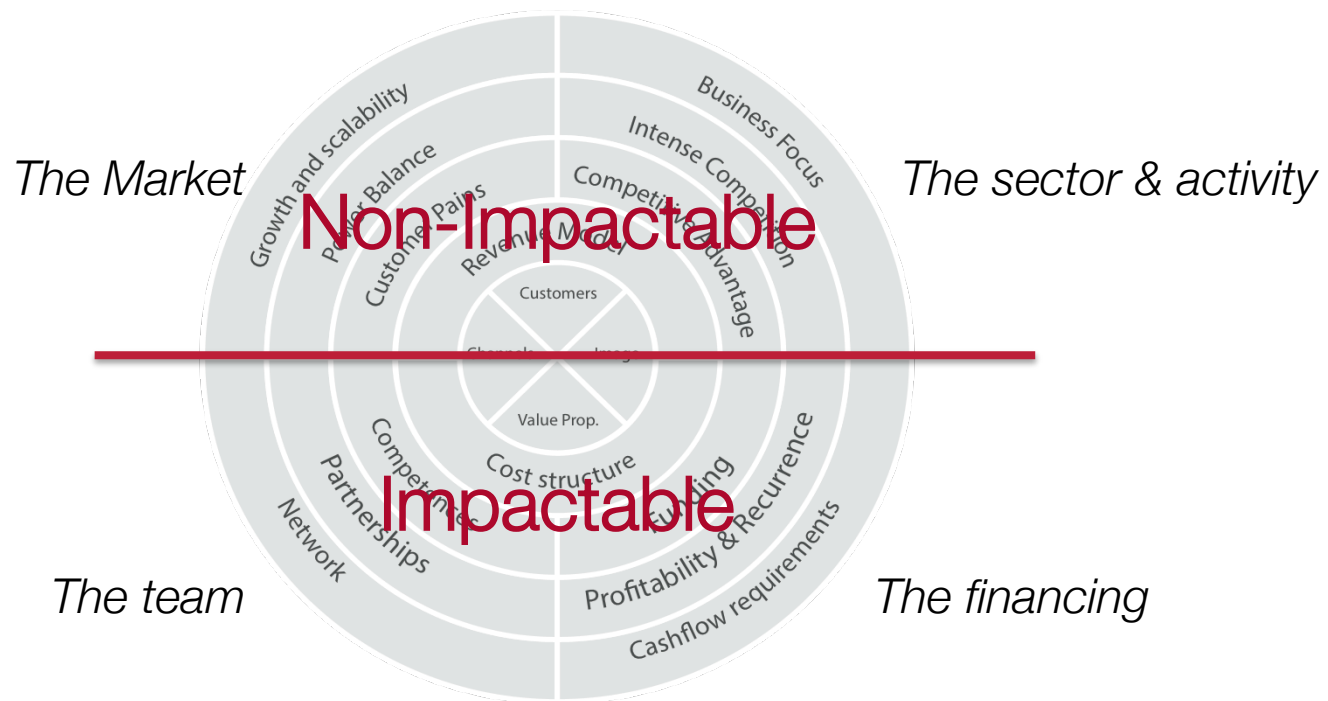
- How do they compensate?



How to read the Pimento Map

🔪 2nd information: Impactable & non-impactable

- How do they compensate?

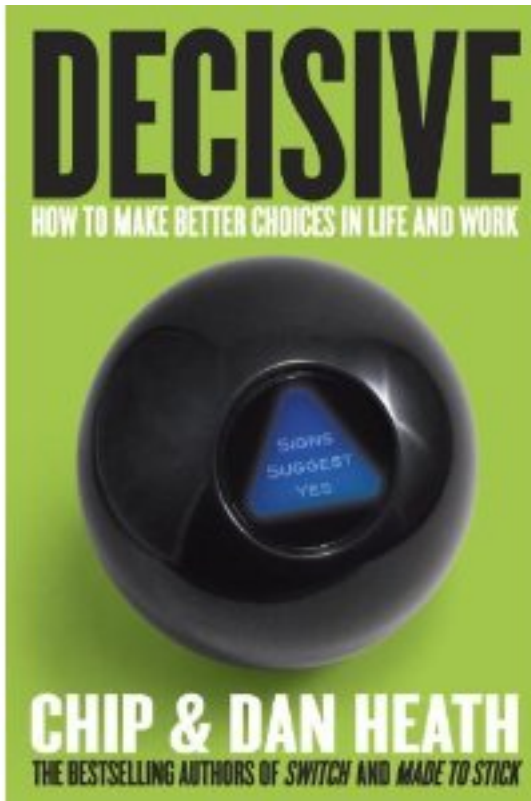


How to read the Pimento Map

🌶️ 3rd information: opposite colors



A comparison with best practices in Decision making



W *Widen your options* – deliberately expand the set of choices you're considering. Consciously try to uncover new ways to achieve aims.

R *Reality-test your assumptions* – inject some real world data into your decision-making rather than working solely on your assumptions.

A *Attain some emotional distance before deciding* – change your perspective to ease the pressure you're feeling and then focus on what really matters.

P *Prepare to be wrong* – have a process that you trust but also prepare humbly for the times when you end up being wrong

Puppies	Pimento

PIMENTO

MAP[®]



Spice up your business model

PIMENTO

MAP[®] 

Spice up your business model

Case Studies



BeepCare

The Solution

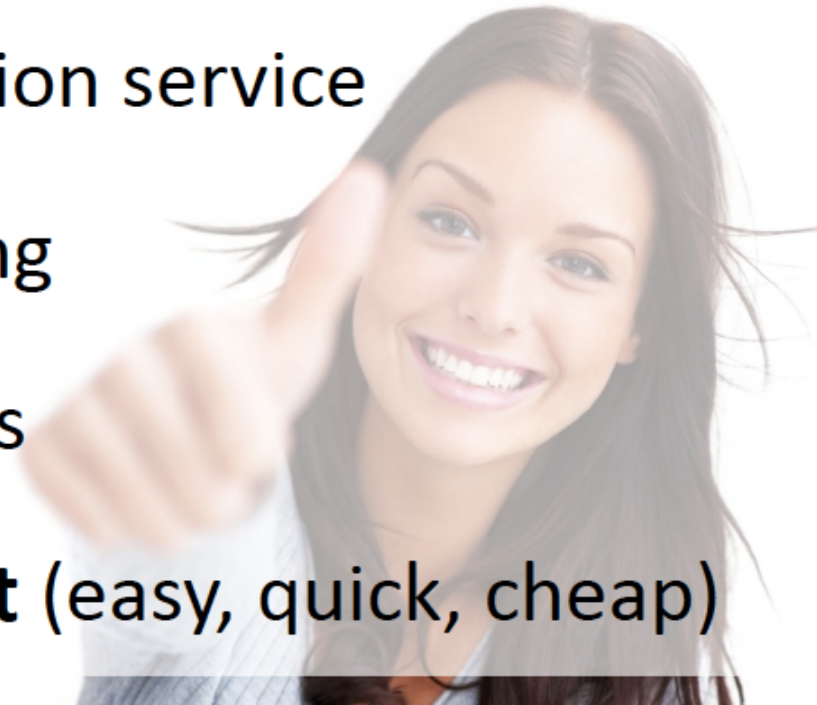


Multi-platform communication service

Text, voice and video chatting

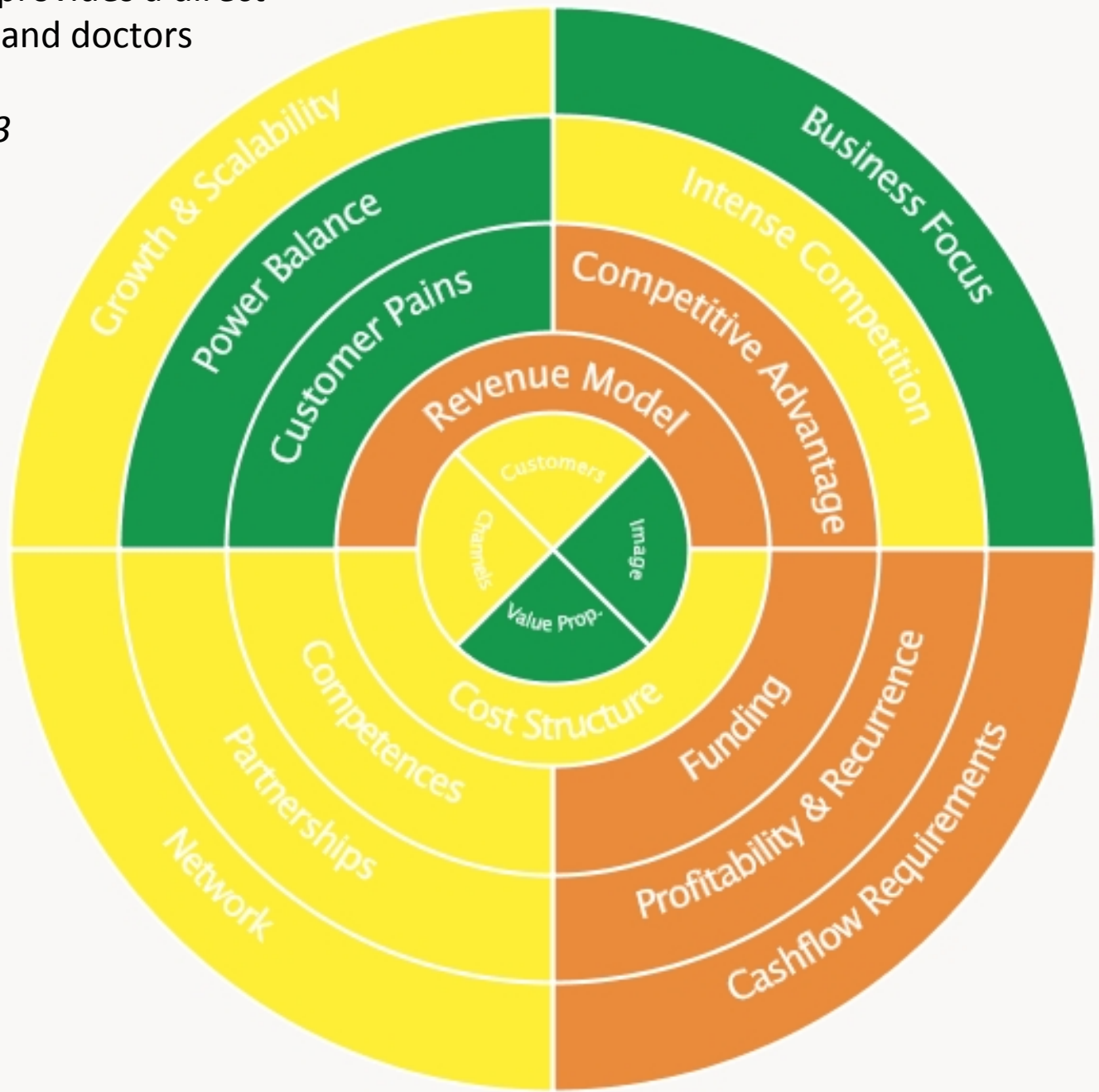
Send and receive documents

Secure, private and efficient (easy, quick, cheap)



BeepCare is a service that provides a direct channel between patients and doctors

Creation date : 17/09/2013





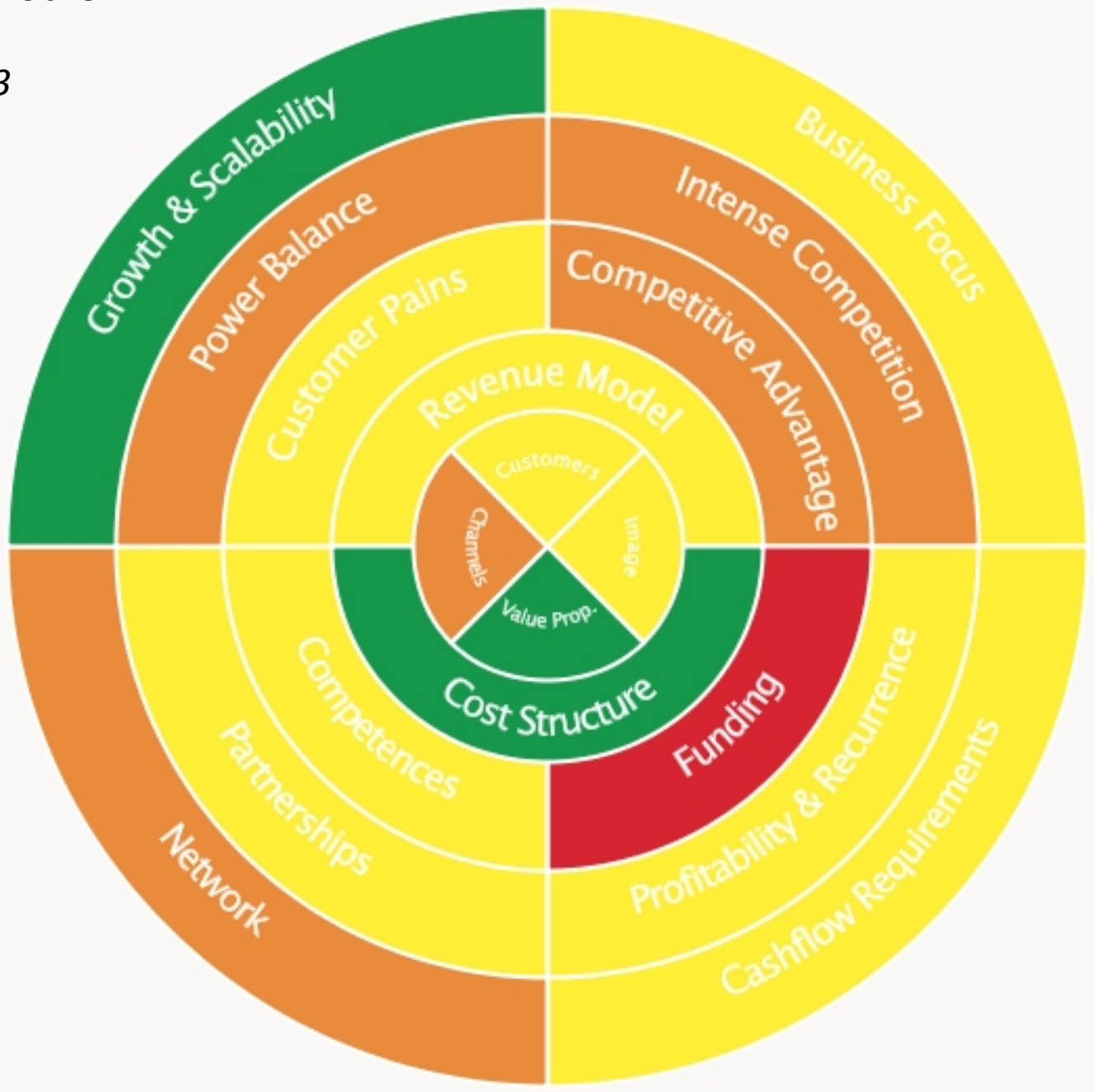
copilot

Copilot is a productivity tool that specializes in solutions for professionals as well as for private individuals. It adapts to the workflow of the user and does not force the user to adapt to its workflow.

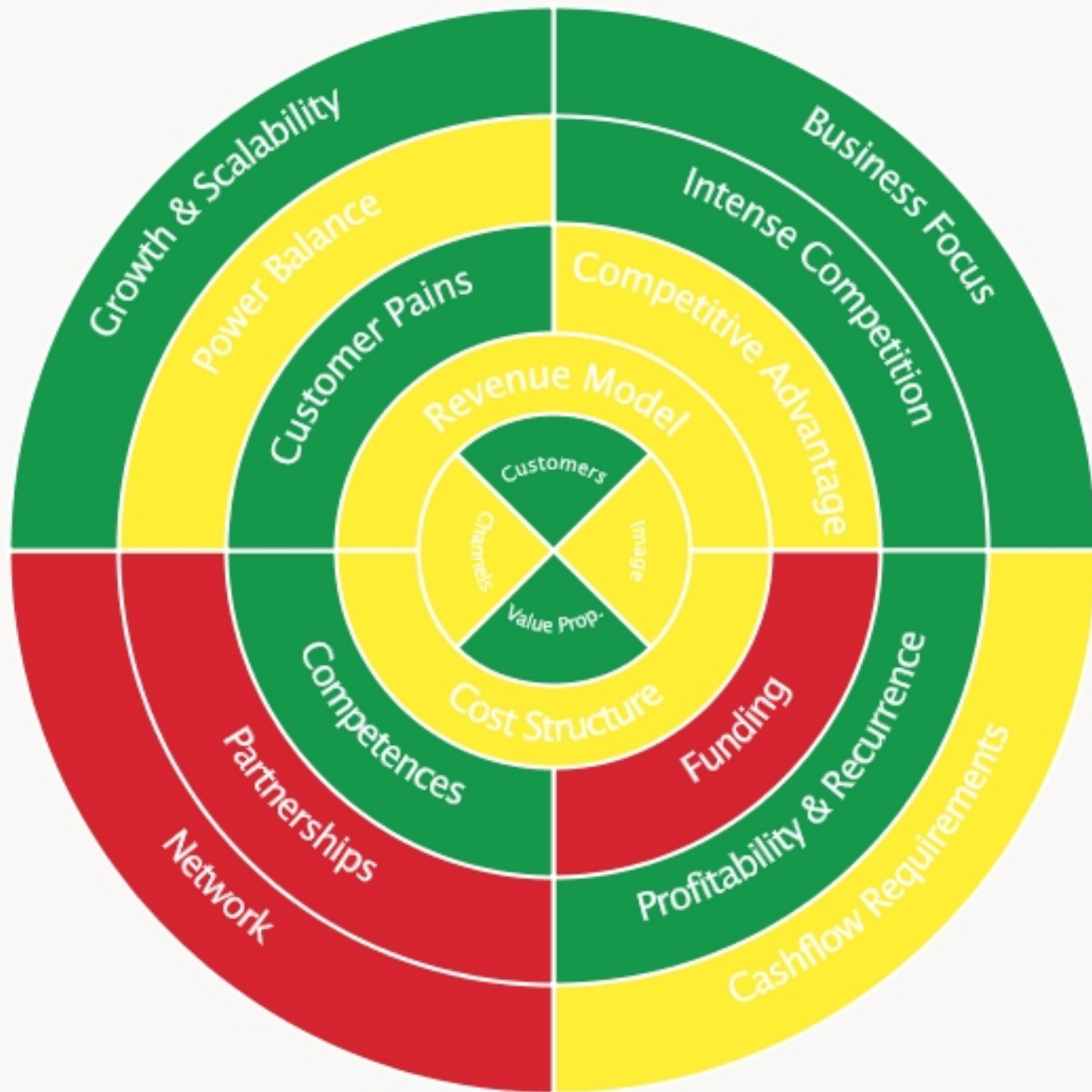
It identifies important things in an email inbox: workgroups, traffic trends, major projects and response rates. Copilot helps to visualize information, makes wasted time visible and empowers the users for more efficiency.

Email client: desktop and mobile

Creation date : 10/09/2013







PIMENTO MAP

Cédric Donck
Béatrice de Mahieu
Pierre-Alexandre Losson
En collaboration avec Olivier De Doncker



**EVALUER LES CHANCES DE SUCCÈS
DE VOTRE BUSINESS MODÈLE**



Back up slides

Not part of the presentation



Believe it or not...

The Petrock is back again



Fast Bridge

LOOK INSIDE!

pet rock
**SEX
MANUAL**

*for the average American
Adult Pet Rock*

with Explicit Illustrations
by Coco

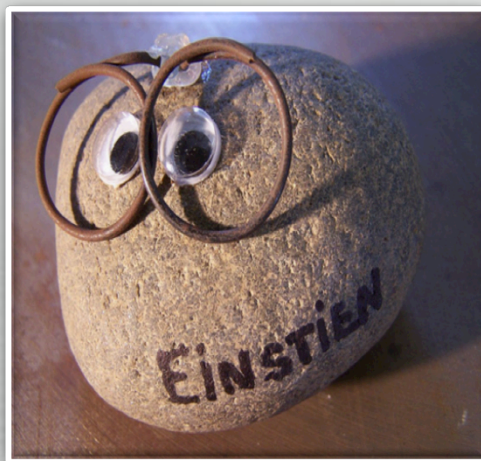
My pet rock is not
doing well today
I think it is
stoned



**MY PET ROCK RAN
AWAY**

Forever Alone champion

VERY DEMOTIVATIONAL .com



Business ideas

Selection of ideas



Product name: Pet Rock

- Alternative models
- A new type of pet rock (see version with USB)
- An educational version (selling creativity)
- An electronic pet rock
- Or the same as before
- Which rock?
- Writing 'The Pet Rock Training Manual'

The concept ...

Pet Rock figures:

- Sale price 1976: \$ 3,95
- Today we see again the Pet Rock offered at \$ 11,95
- Apparently: the need for a pet rock is still alive...

**Not a new Petrock
But an authentic Petrock**

The screenshot displays the Pet Rock website interface. At the top right, there is a 'view cart' link with a shopping cart icon. The main heading 'PET ROCK' features a small pet rock character integrated into the letter 'O'. Below the heading, text reads 'Get Your Limited Number Release with Official Certificate of Authenticity'. A price tag shows a crossed-out '\$14.95' and a current price of '\$11.95' with '+ Shipping and Handling'. A red 'BUY NOW' button is visible. To the right, a wooden crate is shown with a pet rock character peeking out and a 'Certificate of Authenticity' for the 'PET ROCK Limited Number Release' (number 0284). A 'take me home!' button is on the crate. Below the crate, there is a 'Get News And Keep Updated On Me!' section with an email input field and a 'SUBMIT' button. At the bottom, there is a 'Let's Be Social' section with icons for Facebook, Twitter, and YouTube, and a 'click to view' button. A 'PET ROCK STORY' button is located at the bottom right.

The puppy perspective

- Is there a benefit ?
- People willing to pay (enough)
- Cost of cut-through acceptable
- Will people talk
- Will someone hate it

The Team

- An all star team
 - CEO that loves rocks
 - Marketing expert with extensive knowledge of SEO and other methods of building low cost traffic
 - Fulfilment with leading partners

The Finances

- 250 K in friends and family
- Asking for 250 K for 25% (250K in convertible loan)
- Economics

Sales Price			11.95
COS			3.5
CPO			3.571428571
Visit Price	0.05		
Conversion	0.014		
Net			4.878571429

The Market

- They are alone (I guess that is no big surprise)

Discussion

- **Widen Options**
 - Have they considered enough alternatives
- **Reality testing**
 - How would you test things with consumers
 - How would you check viability of the business model
- **Attain distance**
 - Objective tests
 - Could experts be brought in
- **Prepare to be wrong**
 - Gut feelings today.. Would you invest ?

How are they doing... not bad...

Visits	1220000	12	14,640,000
Sales			204,960
Margin per unit			4.88
Gross Margin			999,912
Overhead			96000
People costs			160000
Net Result			743,912