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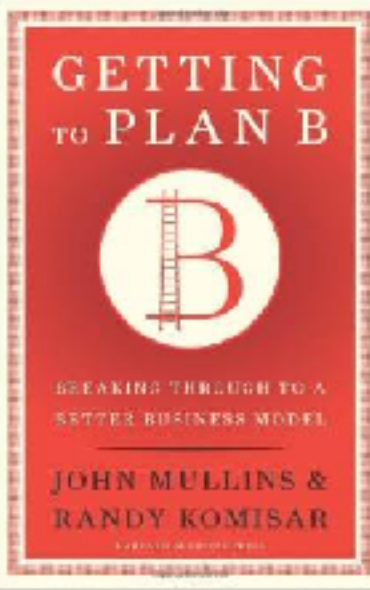
BUSINESS MODELS & PLAN B



Thoughtful
Simplicity

BUSINESS MODEL HELPS YOU UNDERSTAND PROFITABILITY

- *Revenues*
- *Cost Of Goods (Product)*
- *Overheads*
- *Fixed Vs. Variable Costs*
- *Profit Margin*
- *Breakeven*
- *Funding*
- *Analogs*
- *Antilogs*
- *Leaps Of Faith*
- *Dashboard*



BUSINESS MODEL QUESTIONS

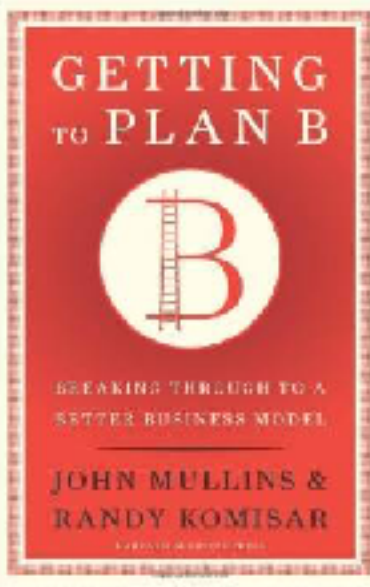
- *Who Will Buy?*
- *What Will They Buy?*
- *What Pain Are You Resolving For Your Customers, Or What Delight Are You Offering?*
- *At What Price Will They Buy, And On What Basis Will They Pay?*
- *With What Effort And Cost On Your Part?*
- *Frequency Of Purchase*

BUSINESS MODEL - 2 BASIC ITERATIONS

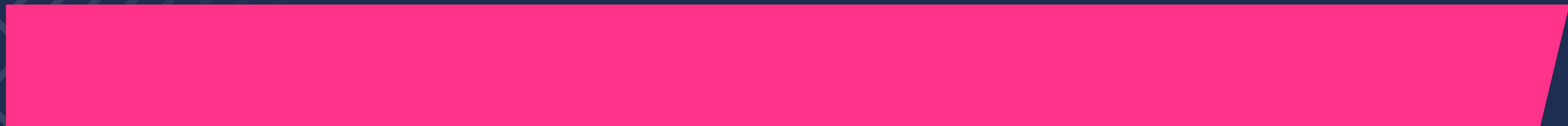
- *Low Price / Low Service / Low Overhead*
- *High Price / High Service / High Overhead*
- ***Infinite Variations***
- ***Money Can Be Made With Any Model***
- ***Provided The Price = Bundle Of Value***

2 BASIC MODELS

	Gross Margin	Operating Overhead	Operating Income
Whole Foods	35%	28%	7%
Supervalu	15%	12%	3%
Macy's	40%	30%	10%
TJ Maxx	28%	16%	12%



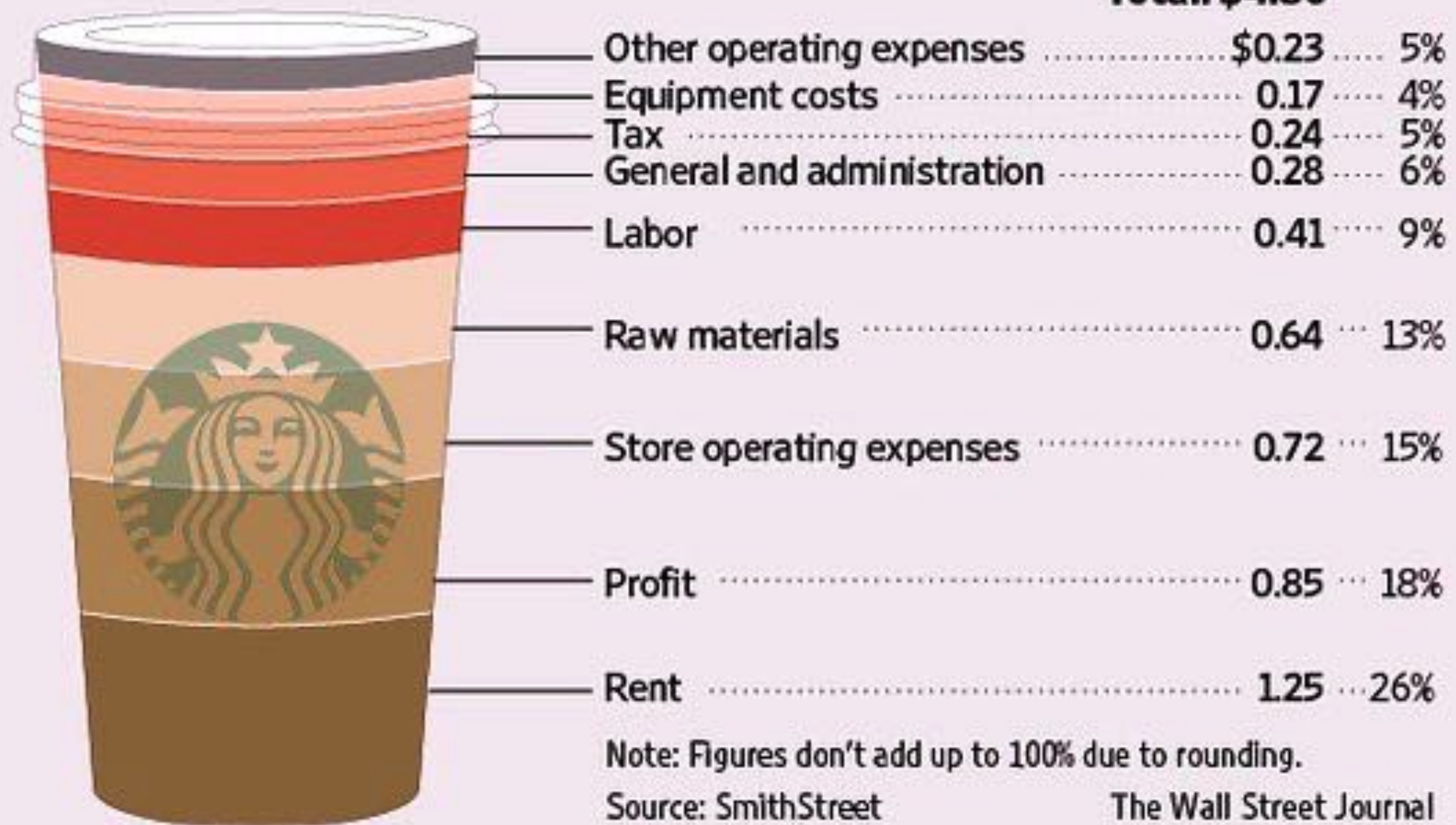
*“REVENUE IS TO ANY
BUSINESS AS AIR, FOOD,
AND WATER ARE TO
MANKIND”*



LOOK AT EVERY LINE ITEM

Pricing Grounds | Starbucks grande latte in China

Total: \$4.80



WHAT IS YOUR BUSINESS MODEL?

Walmart 
Save money. Live better.



WHAT IS YOUR BUNDLE OF VALUES?

Walmart 
Save money. Live better.



TENDENCY IS TO...

- *Sell cheap*
- *Not charge anything*
- *Hope for sponsors*
- *Online Advertising*
- *"Build it they will come"*
- *Karma*

HOW MANY TEAMS IN THIS CAMP?

- *Sell cheap*
- *Not charge anything*
- *Hope for sponsors*
- *Online Advertising*
- *"Build it they will come"*
- *Karma*



THINK DIFFERENTLY

- *Sell cheap*
- *Not charge anything*
- *Hope for sponsors*
- *Online Advertising*
- *"Build it they will come"*
- *Karma*

- **HECK YES!!**
- **BE CREATIVE**
- **CREATE REAL VALUE**
- **REAL VALUE = \$\$\$\$\$\$\$**
- **THINK BIG AND SMART**
- **MAKE MONEY - LOTS OF IT**
- **ALWAYS ETHICALLY**

*BOTTOM LINE:
PROVE YOUR
ASSUMPTIONS*



AIM FOR SUCCESS



YOU HAVE

FAILED

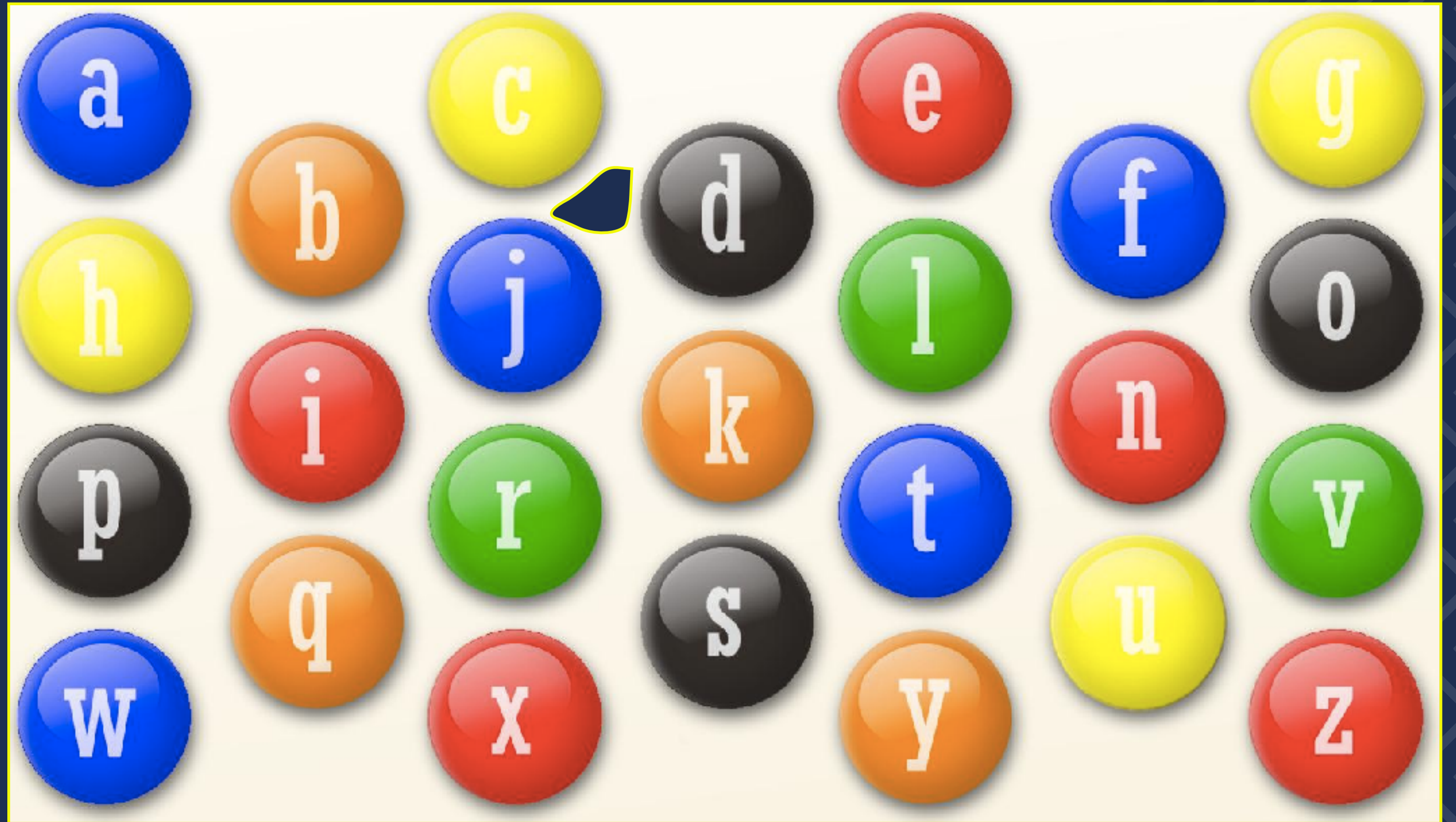
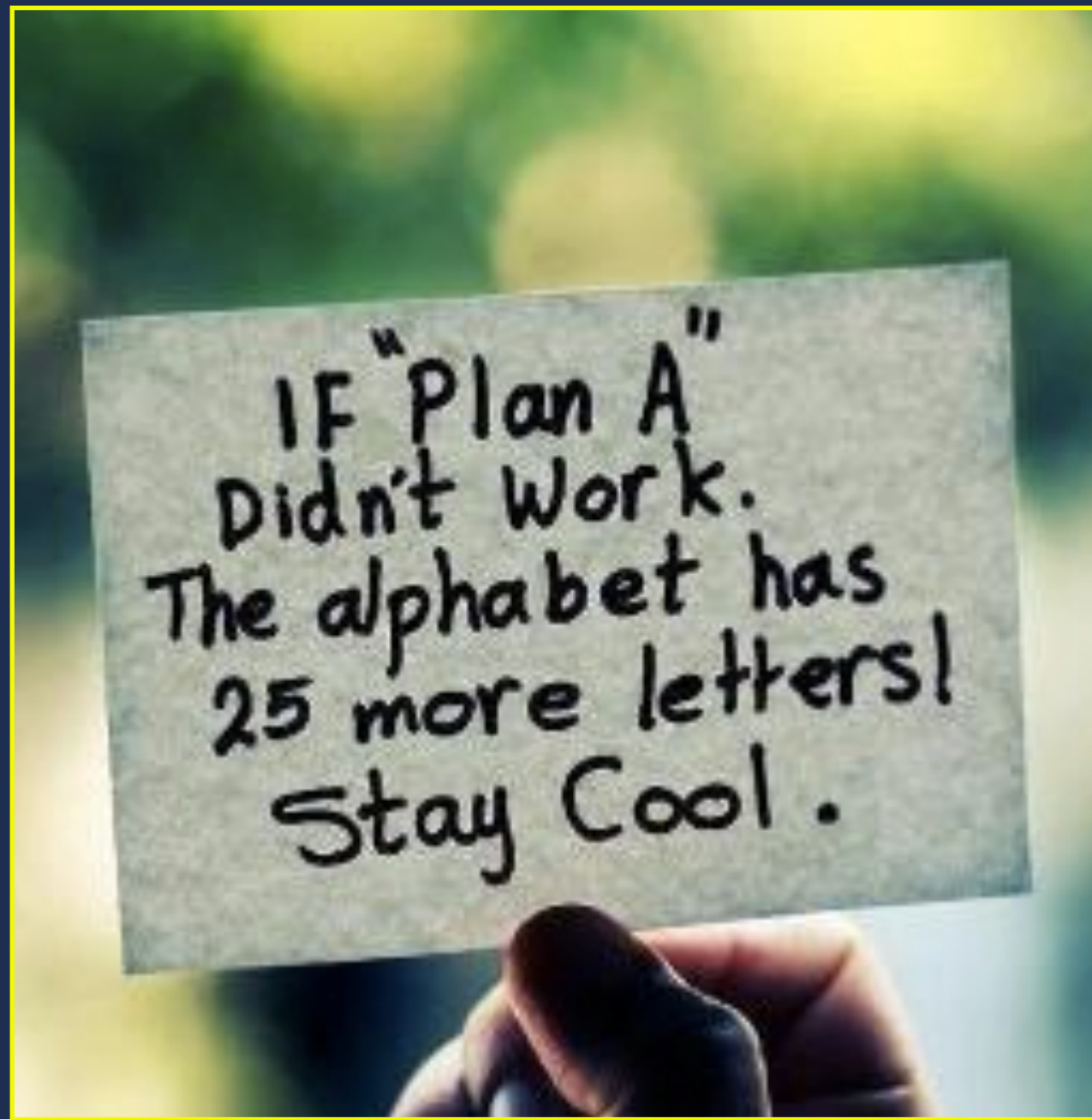
YOU HAVE

FAILED

NOW WHAT????

PLANNING

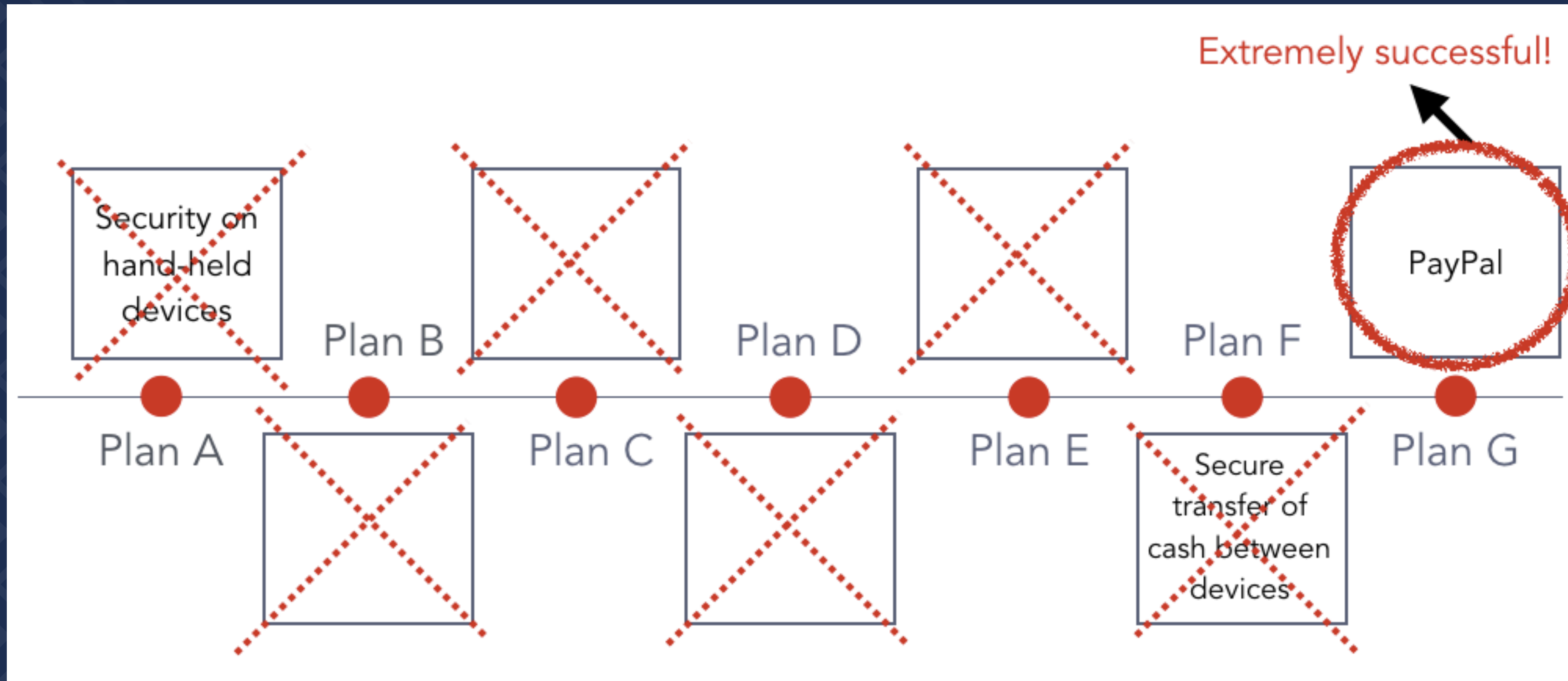




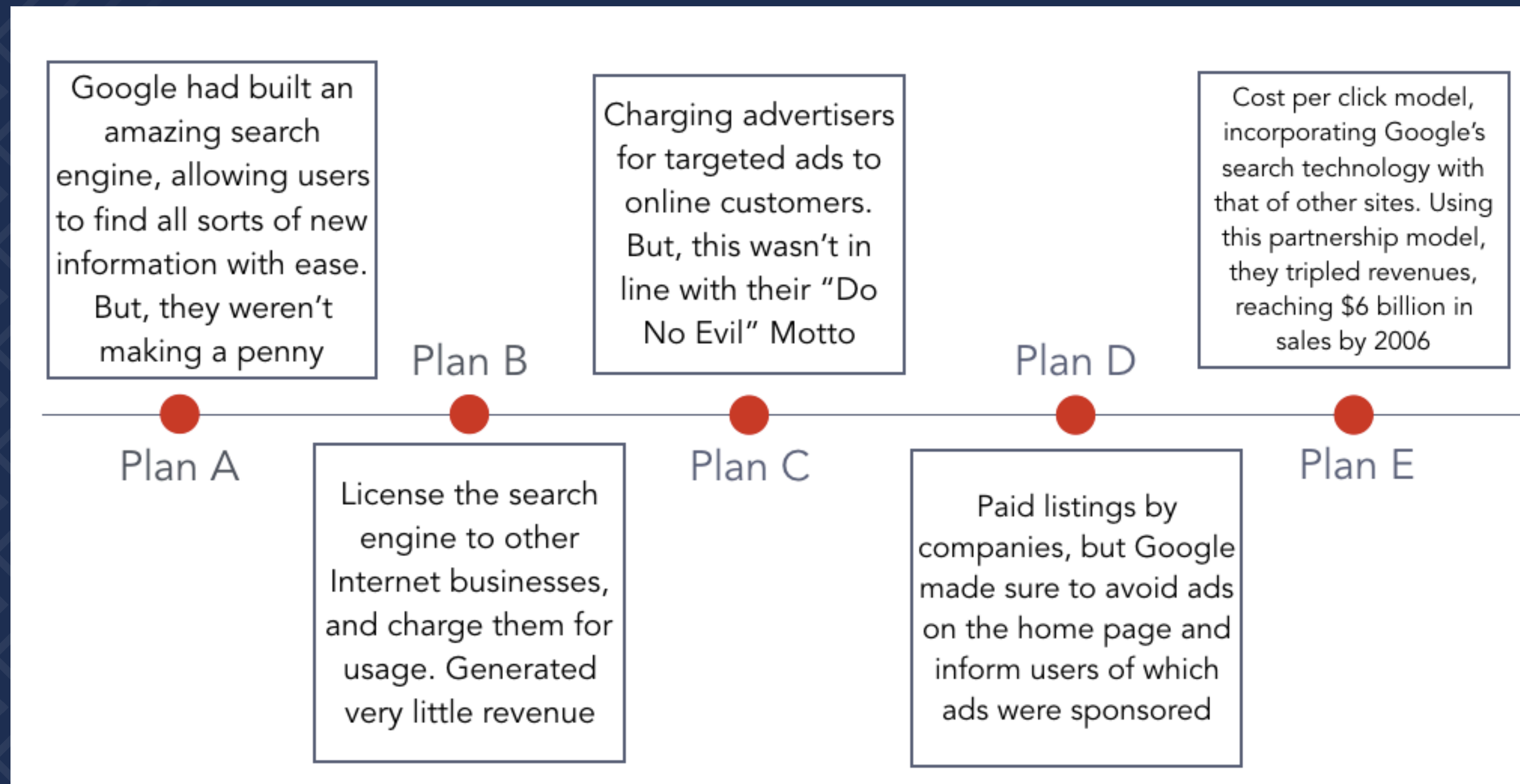
*“What separates the men from the boys is
what they do when their Plan A fails”*

*Ventures often fail to create a financially stable business model and deeply understand customers wants. Research shows it takes **58** new product ideas to deliver **ONE** successful one!*

“Many plans go through numerous iterations before landing upon the money-making idea. They eventually succeed because of the relentless determination of its founders”



Google: "Surprising to many people who live their lives by the search engine, Google actually went through many iterations before it landed at the revenue model it has today."





Analog #1: Proved that downloading music from the internet was more attractive than going to the local record store

+



Analog #2: Proved that personal listening on the go was a socially acceptable activity

+

Pay-for-music antilog sites proved that users wanted their music all in one place, they wanted to **own** it, and they wanted to play it on more platforms than just their computer

These analogs and antilogs led to the development of the 1st iTunes software and iPod. But, there were still several **leaps of faith**: would people actually pay for the tunes? Would artists agree to selling their music like this?

The online iTunes store ended up being a huge success, selling 1 million downloads in **ONE** day. Eventually, most of the revenue came from iPod sales, not iTunes, but Apple didn't care

“Be Shameless About Taking Others’ Great Ideas, But Be Prepared To Still Have To Take On Large Risks With Confidence”

APPLE’S TAKEAWAY

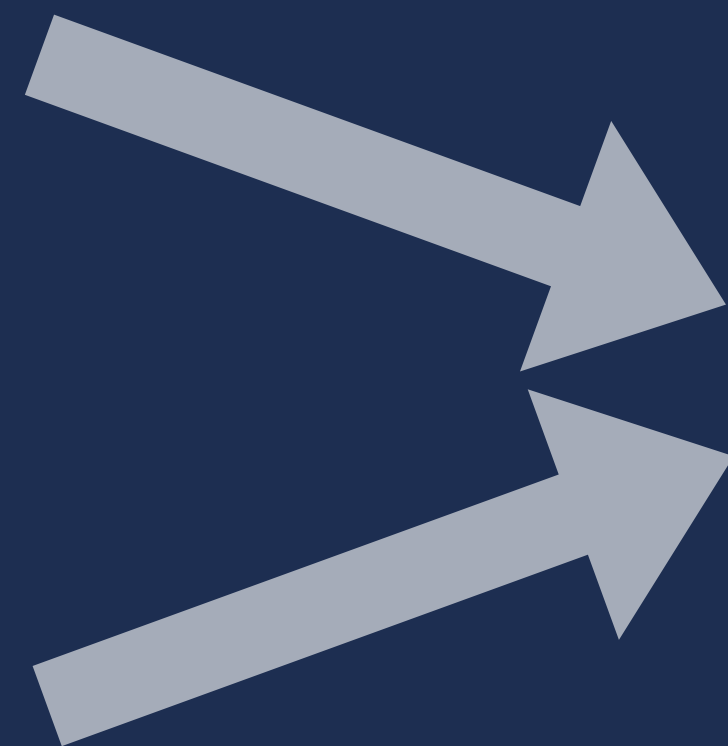
“Learn From The Experiences Of Others, Using Both Successful And Failed Endeavors To Inform Your Decisions, And Then Develop And Test Your Hypotheses And Mold Your Business. Others Have Already Waded Into The Water To Test For Jellyfish While You’ve Been Watching From The Shore With A Gin And Tonic In Hand”

DON'T START FROM SCRATCH

Analogs: *successful companies worth mimicking*

Antilogs: *predecessors (successful or unsuccessful) in light of which one intentionally decides to do things differently*

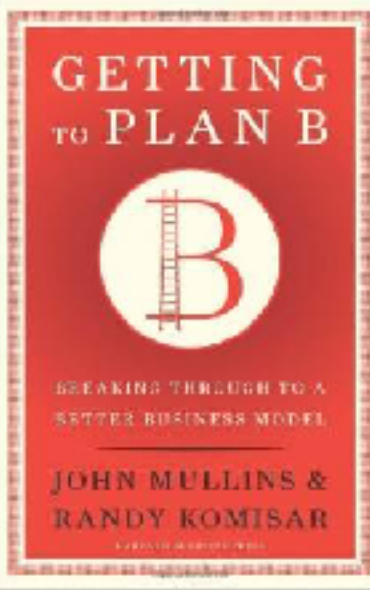
Leaps of Faith: *beliefs about which neither analogs nor antilogs can provide sufficient evidence*



Use these to learn about product concepts, customer behavior, markets, and operational issues



By identifying these early on, you can systematically allocate your time where it will make the biggest difference



“The Road To The “Perfect” Business Idea Is A Curvy One, Full Of Analogs, Antilogs, And Leaps Of Faith... Never Be Afraid To Mix In A Little Bit From Other Peoples “Perfect” Recipes, But Also Throw In A Few Never Before Tasted Flavors Of Your Own”

Dashboarding



The process of systematically recording our leaps of faith, the hypotheses that grow out of them, and the results of our hypothesis tests

A Dashboard



The systematic record you keep to guide and track the process of dashboarding... helps you focus your attention on the most critical issues and allocate your precious time to removing important risks. Finally, it provides a way to respond to the real-life data you gather



*Why it matters? Most entrepreneurs suffer from data **underload**. Launching a business based on wild guesses is extremely unstrategic, so dashboards help facilitate the process of testing and measuring*

THANK YOU!