



CENTER FOR HOMELAND
DEFENSE AND SECURITY
NAVAL POSTGRADUATE SCHOOL



HSx MODULE: ENTREPRENEURSHIP (STEP 15 – DESIGN A BUSINESS MODEL)



APRIL 2017

WHAT IS BUSINESS MODEL?

- *“The **business model** is the mechanism through which the company generates its profit while the **business plan** is a document presenting the company's strategy and expected financial performance for the years to come.”*

HOW DO YOU CREATE A BUSINESS MODEL?

- When creating a business model
 - Key factors to consider when creating a business model.
 - Customer-Understand what the customer will be doing.
 - Value Creation and Capture- Assess how much value your product provides to your customer and when. The determine which ways of capturing value match up well. Your Quantified Value Proposition will help here.
 - Competition- Identify what your competition is doing.
 - Distribution- Make sure your distribution channel has the right incentives to sell your product.

SUMMARY

- The business model is an important decision that you should spend time focusing on. The decisions you make here will have a significant impact on your profitability, as measured by two key entrepreneurship variables: the Lifetime Value of an Acquired Customer (LTV) and Cost of Customer Acquisition (COCA). Do not focus on pricing in this step, as your choice of business model has a far larger influence on profitability than your pricing decision.
- Once you have established a business model, it is possible but generally not easy to change to a different model. Therefore, choose a business model that distinguishes you from competitors and gives you an advantage over them, because they cannot easily change their business model to match yours.

REFERENCES

- Overview of Business Model- https://www.youtube.com/watch?v=JQj4R_5o3qo
- Importance of Business Model- <https://www.youtube.com/watch?v=5RbSVHmCwjY>
- Business Model Framework – Customer <https://www.youtube.com/watch?v=QTytc0vUa8A>
- Business Model Framework – Value Creation <https://www.youtube.com/watch?v=V5AhBYxYBXc>
- Business Model Framework – Competition <https://www.youtube.com/watch?v=D0LktpCWF9E>
- Business Model Framework – Distribution <https://www.youtube.com/watch?v=hWdrGep2kN4>
- Business Model Framework Summary <https://www.youtube.com/watch?v=188lpl7IW-A>
- Marwan Aboudib, Co-Founder/CEO, Tekuma <https://www.youtube.com/watch?v=WPhaF-jXLR4>
- Marwan discusses Tekuma <https://www.youtube.com/watch?v=nXyxqyJVxXw>
- How Tekuma Chose Its Business Model <https://www.youtube.com/watch?v=OngsUI0IVsw>
- Tekuma's Subscription Model <https://www.youtube.com/watch?v=eS-9m-NwLm0>
- Testing Your Business Model <https://www.youtube.com/watch?v=rZc6aJRG-q4>
- Tekuma's Continued Tests of Its Business Model <https://www.youtube.com/watch?v=JgGnCsezR-g>
- Marwan's Advice for Learners <https://www.youtube.com/watch?v=1KjW4xZdniM>
- Business Model Conclusion https://www.youtube.com/watch?v=FYITr_K6AFA

Entrepreneurial Process – Design a Business Model

Date of information: June 2017

Overview: The business model is an important decision that you should spend time focusing on. The decisions you make here will have a significant impact on your profitability, as measured by two key entrepreneurship variables: the Lifetime Value of an Acquired Customer (LTV) and Cost of Customer Acquisition (COCA). Do not focus on pricing in this step, as your choice of business model has a far larger influence on profitability than your pricing decision. Once you have established a business model, it is possible but generally not easy to change to a different model. Therefore, choose a business model that distinguishes you from competitors and gives you an advantage over them, because they cannot easily change their business model to match yours.¹

Recent Publications, Videos and Journal Articles:

- Intro; How to Find Total Addressable Market (TAM) Feat Thyme Labs
 - https://www.youtube.com/watch?v=APF9Gl_nM9Y&list=PLQykyC1zr8f9VWiPKV_QXewGRqByUpwPT4
- Overview of Business Model-
 - https://www.youtube.com/watch?v=JQj4R_5o3qo
- Importance of Business Model-
 - <https://www.youtube.com/watch?v=5RbSVHmCwjY>
- Business Model Framework –
 - [Customer https://www.youtube.com/watch?v=QTytc0vUa8A](https://www.youtube.com/watch?v=QTytc0vUa8A)
- Business Model Framework –
 - [Value Creation https://www.youtube.com/watch?v=V5AhBYxYBXc](https://www.youtube.com/watch?v=V5AhBYxYBXc)
- Business Model Framework –
 - [Competition https://www.youtube.com/watch?v=D0LktpCWF9E](https://www.youtube.com/watch?v=D0LktpCWF9E)
- Business Model Framework –
 - [Distribution https://www.youtube.com/watch?v=hWdrGep2kN4](https://www.youtube.com/watch?v=hWdrGep2kN4)
- Business Model Framework Summary
 - <https://www.youtube.com/watch?v=188Ip171W-A>
- Marwan Aboudib, Co-Founder/CEO, Tekuma
 - <https://www.youtube.com/watch?v=WPhaF-jXLR4>
- Marwan discusses Tekuma
 - <https://www.youtube.com/watch?v=nXyxqyJVxXw>
- How Tekuma Chose Its Business Model
 - <https://www.youtube.com/watch?v=OngsU10IVsw>
- Tekuma's Subscription Model
 - <https://www.youtube.com/watch?v=eS-9m-NwLm0>

¹ Aulet, B. (2013). *Disciplined Entrepreneurship*. Hoboken, New Jersey, United States of America: John Wiley & Sons, Inc

- Testing Your Business Model
 - <https://www.youtube.com/watch?v=rZc6aJRG-q4>
- Tekuma's Continued Tests of Its Business Model
 - <https://www.youtube.com/watch?v=JgGnCsezR-g>
- Marwan's Advice for Learners
 - <https://www.youtube.com/watch?v=1KjW4xZdniM>
- Business Model Conclusion
 - https://www.youtube.com/watch?v=FYITr_K6AFA

Other Resources:

The Lean LaunchPad: Stanford Engineering 245. 2 Minutes to See Why:

<https://www.youtube.com/watch?v=m733s5PNpWc&feature=youtu.be>

<http://www.SteveBlank.com> – Video collection from the founder of Lean Launch

<http://www.Startupstash.com> – This is a website with hundreds of resources covering topics most entrepreneurs find difficult especially when getting started.