Youth Enterprise Accelerator

Entrepreneur's Curriculum Guide

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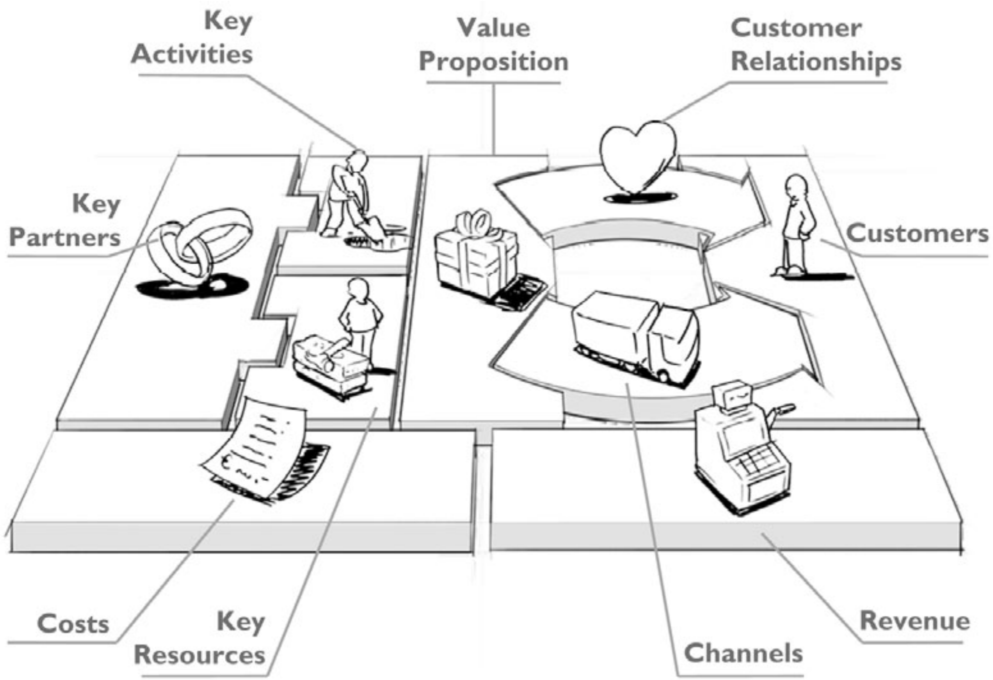
Contents

How to use this guide

Growing a business can be difficult task, there are countless resources available and choosing one can be thankless task. So, how do you choose which resource is the most fitting, and how to consider all the options?

One potential solution is using a tool like the Business Model Canvas©. It's a versatile tool that applies to ventures at the ideas stage as well as to multinational corporations. The Business Model Canvas (BMC) is a strategic management tool that helps startups or existing businesses map out their business. Devised by Alexander Osterwalder & Yves Pigneurit's a visual way of understanding and communicating a business.



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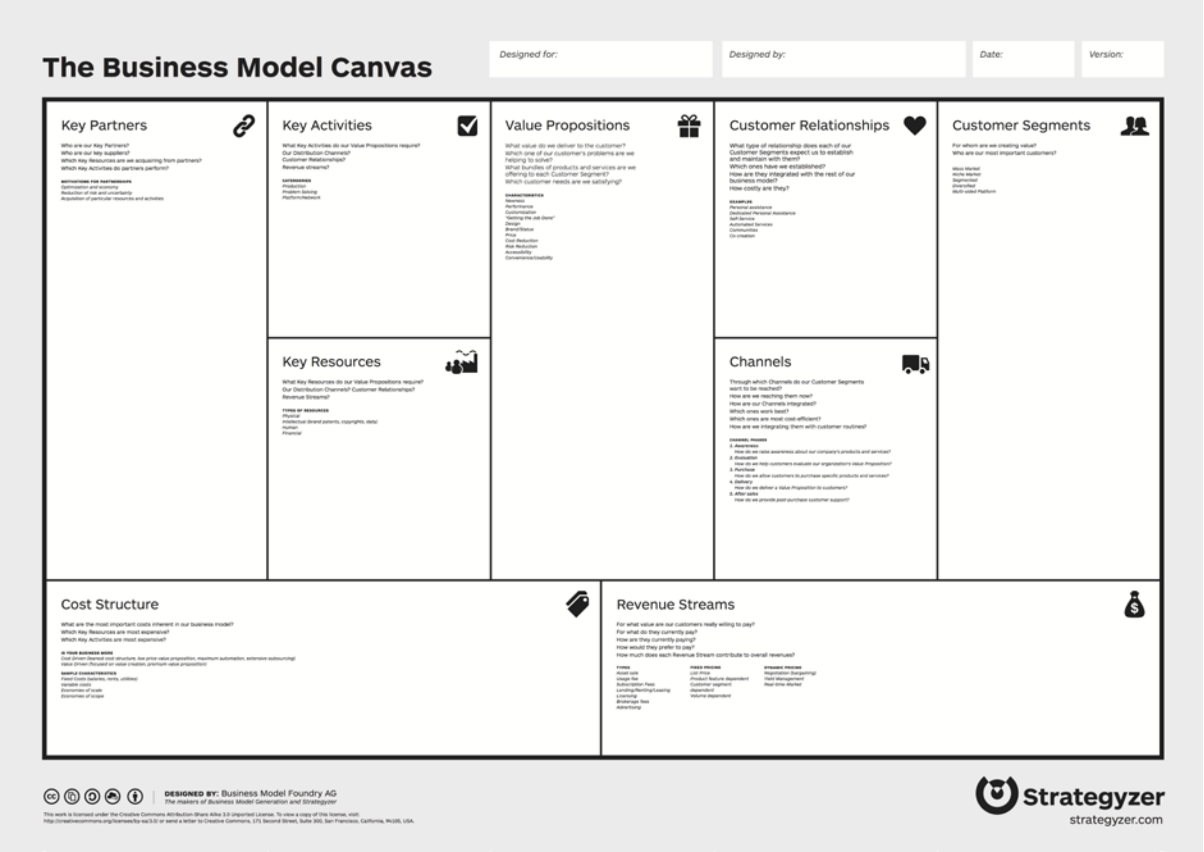
This version of the Business Model Canvas, is the most effective as it includes brief descriptors of each customer segment, high resolution versions can be found on www.strategyzer.com



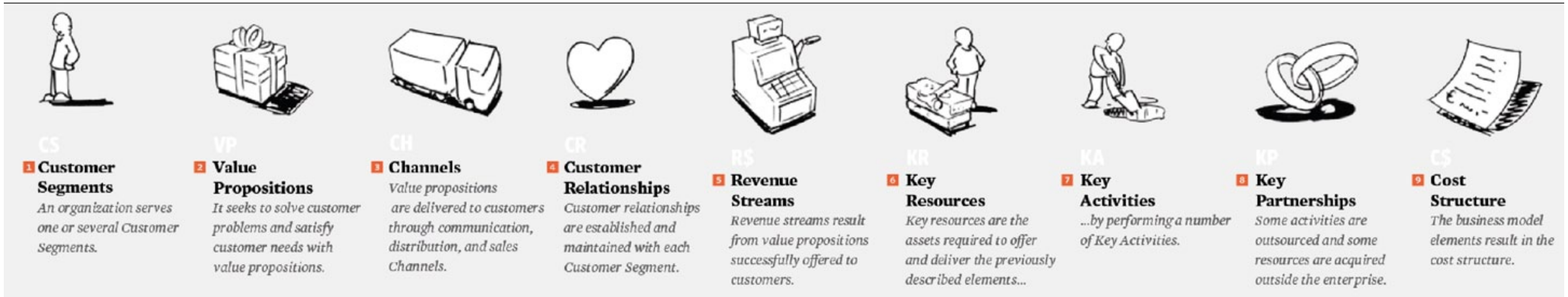
Understanding the Business Model Canvas

What is a Business Model?

- "A business model describes the rationale of how an organization creates, delivers, and captures value"
- Value in a business can be defined as any type of value that will add to the long-term health and success of the business. It is more than simply economic value, and includes forms of value, such as customer good will, employee satisfaction, supplier value, managerial skills and experience and ethical or community value.

- **What is the Business Model Canvas?**
- The business model is like a blue print for a strategy to be implemented through organisational structures, processes, and systems. It is made up of nine basic building blocks that show the logic of how a company intends to make money. The nine blocks cover the four main areas of a business:
  - Customers,
  - Offer (Value Proposition),
  - Infrastructure, and
  - Finances (financial viability)

The 9 Building Blocks!



An organization must make a conscious decision about which segments to serve

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Customers

Customer Segments (CS): To build an effective business model, a company must identify which customers it will serve. Various sets of customers can be segmented based on the different needs and attributes to ensure that appropriate implementation of corporate strategy meets the characteristics of the selected group of clients. The different types of customer segments include:

- Mass Market: There is no specific segmentation for a company that follows the Mass Market element as the organization displays a wide view of potential clients.
- Niche Market: Where customer segmentation is based on specialized needs and characteristics of its clients.
- Segmented: A company that applies additional segmentation within an existing customer segment. In the segmented situation, the business may further distinguish its clients based on gender, age, and/or income.
- Diversify: A business that serves multiple customer segments with different needs and characteristics.
- Multi-Sided Platform / Market: For a smooth day to day business operation, some companies will serve a mutually dependent customer segment. A credit card company will provide services to credit card holders while simultaneously assisting merchants who accept those credit cards.

Channels (CH): A company can deliver its value proposition to its targeted customers through different channels of communication. Effective channels will distribute a company's value proposition in ways that are fast, efficient and cost effective. An organization can reach its clients either through its own channels (store front), partner channels (major distributors), or a combination of both.

Customer Relationship (CR): To ensure the survival and success of any businesses, companies must identify the type of relationship they want to create with their customer segments. Various forms of customer relationships include:

- Personal Assistance: Assistance in a form of employee-customer interaction. Such assistance is performed either during sales, after sales, and/or both.
- Dedicated Personal Assistance: The most intimate and hands on personal assistance where a sales representative is assigned to handle all the needs and questions of a special set of clients

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

- Self Service: The type of relationship that translates from the indirect interaction between the company and the clients. Here, an organization provides the tools needed for the customers to serve themselves easily and effectively.
- Automated Services: A system similar to self-service but more personalized as it has the ability to identify individual customers and his/her preferences. An example of this would be Amazon.com making book suggestion based on characteristics of book purchases.
- Communities: Creating a community allows for a direct interaction among different clients and the company. The community platform produces a scenario where knowledge can be shared and problems are solved between different clients.
- Co-creation: A personal relationship is created through the customer's direct input in the final outcome of the company's products/services.

Offer (VP)

Value Proposition: The collection of products and services a business offers to meet the needs of its customers. According to Osterwalder, a company's value proposition is what distinguishes itself from its competitors. The value proposition provides value through various elements such as newness, performance, customisation, "getting the job done", design, brand/status, price, cost reduction, risk reduction, accessibility, and convenience/usability. The value propositions may be:

- Quantitative- price and efficiency
- Qualitative- overall customer experience and outcome

Infrastructure

Key Resources (KR): They are the resources that are necessary to create value for the customer. Considered as an asset to a company, KR's are needed in order to sustain and support the business. These resources could be human, financial, physical and intellectual.
Key Activities (KA): The most important activities in executing a company's value proposition. What will the company do (i.e. manufacturing a product/ selling a service)
Partner Network (KP): In order to optimise operations and reduce risks of a business model, organization usually cultivate buyer-supplier relationships so they can focus on their core activity.
Complementary business alliances can also be considered through joint ventures, strategic alliances between competitors or non-competitors.

> "The Customer Relationships called for by a company's business model deeply influence the overall customer experience."

Finances

Cost Structure (CS): This describes the most important monetary consequences while operating under different business models.

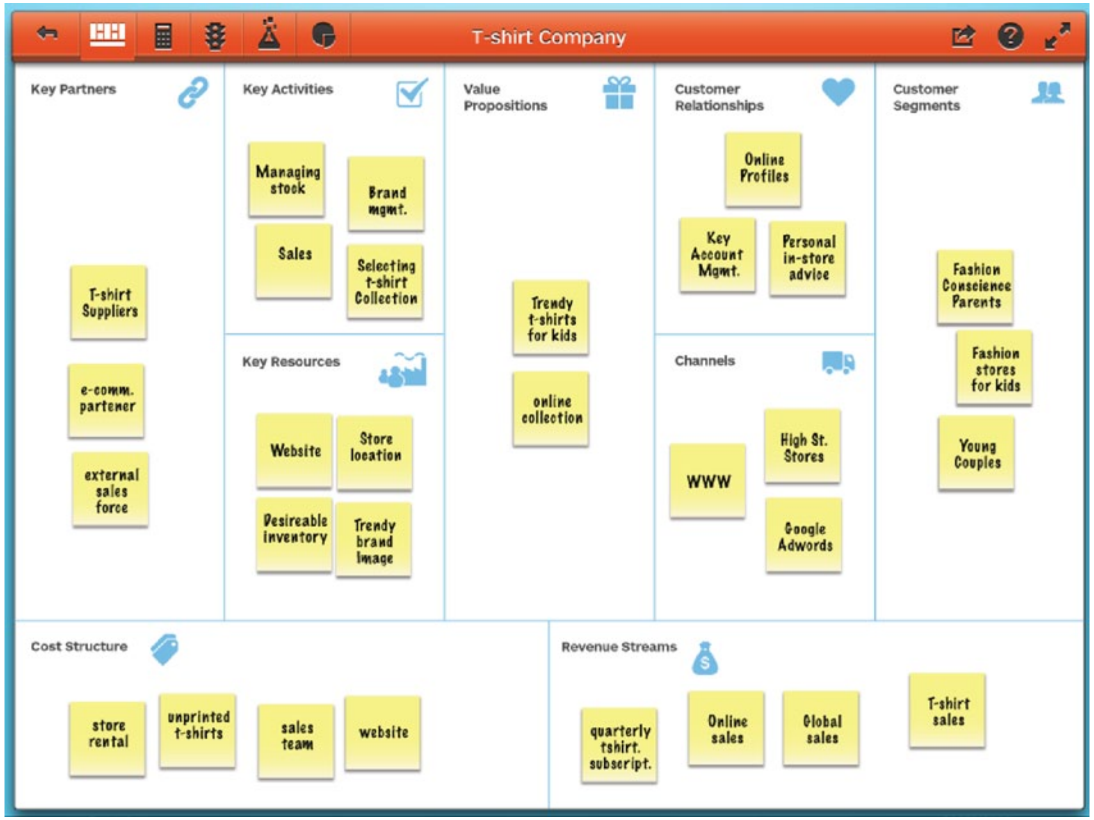
- Classes of Business Structures:
    - Cost-Driven - This business model focuses on minimizing all costs and having no frills. i.e. Ryan Air/ Easyjet
    - Value-Driven - Less concerned with cost, this business model focuses on creating value for their products and services. i.e. Louis Vuitton, Rolex
- Characteristics of Cost Structures:
    - Fixed Costs - Costs are unchanged across different applications. i.e. salary, rent
    - Variable Costs - These costs vary depending on the amount of production of goods or services. i.e. music festivals
    - Economies of Scale - Costs go down as the amount of good are ordered or produced.
    - Economies of Scope - Costs go down due to incorporating other businesses which have a direct relation to the original product.

Revenue Streams (RS): The way a company makes income from each customer segment. Several ways to generate a revenue stream:

- Asset Sale - (the most common type). Selling ownership rights to a physical good. i.e. supermarkets, car dealerships etc
- Usage Fee - Money generated from the use of a particular service i.e. UPS
- Subscription Fees - Revenue generated by selling a continuous service (Netflix/ LoveFilm)
- Lending/Leasing/Renting - Giving exclusive right to an asset for a particular period of time. i.e. Leasing a Car
- Licensing - Revenue generated from charging for the use of a protected intellectual property.
- Brokerage Fees - Revenue generated from an intermediate service between 2 parties. i.e. a broker selling a house for commission
- Advertising - Revenue generated from charging fees for product advertising.

"If customers comprise the heart of a business model, Revenue Streams are its arteries."

Sample Business Model Canvas



A company must ask itself, For what value is each Customer Segment truly willing to pay?

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Module 1 - Introduction & Competency Balance

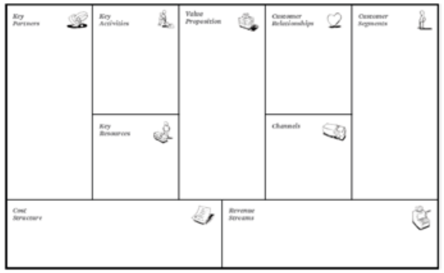
Learning Outcome:
1. Being able to communicate your vision (for the project/ business)
2. Being able to assess your competencies (through the competency balance)
3. Detailed understanding of personal strengths, abilities and boundaries/ challenges

Overview:
In the first module, the prospective entrepreneurs get to know each other, their mentors, and trainers. They will be encouraged to share their vision for their project/ business. Through sharing, we also encourage that having big ideas is ok and that every big idea starts with a small step. What follows is a personal Competency Balance (CB), which can be completed by hand, electronically or even online. The tutor will choose the best CB form criteria, whether it should be personal or business based.
Once every participant has filled the CB form, it will be assessed (individually) and key learning and understanding of the results will be shared with the group, or where necessary individually with the tutor/ mentor. This CB will then be used for goal setting, information seeking, and systematic planning and monitoring competencies.

Products used:
1. Business Model Canvas Introduction
2. Competency Balance scorecard

"Every business model requires Key Resources."

Module 2 - Introduction to YEA Business Model Canvas & Progress Planning



Learning Outcome:

1. To understand the Business Model Canvas (the project/ business)
2. To be able to articulate the core business features and functions within the BMC framework
3. To design a personal Progress Plan (together with the tutor), according to the YEA module framework and in accordance with the participant’s current needs

Overview:

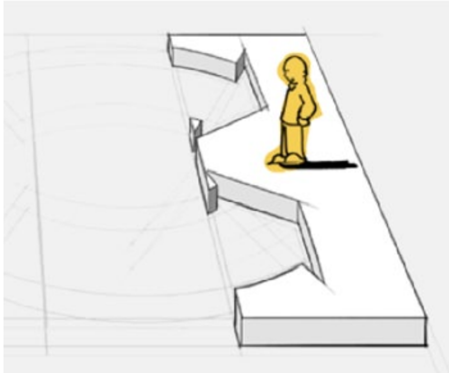
This module introduces the Youth Enterprise Accelerator (YEA) Business Model Canvas to the participant. They will be encouraged to develop their own BMC and then to share their project/ business overview with its important features and functions to the group. This is the first step to articulate the participant’s ideas in a creative way. The use of sticky notes, colours, pictures/ drawings and any other creative material is encouraged to make the BMC process as fun and interactive as possible. After each participant has shared his or her Business Model Canvasses, an individual progress plan will be produced which includes the day-to-day tasks the individual is currently doing. It will also feature the following 10 modules so that the participant can plan his/ her participation and prepare accordingly. All participants will have access to the BMC book in order to foster more learning.

Products used:

1. Business Model Canvas (either on an A4/ A3 paper or on a white board or electronically)
2. Business Model Canvas Book
3. Case Studies (from YEA resources) or from other available case studies (ideally close to participants’ specific industries/ ideas to allow comparability)
4. Individual Progress Plan, (To include: 3-months plan, including the participants day-to tasks, activities for the Youth Enterprise Accelerator)
5. Homework

> Key resources can be physical, financial, intellectual, or human.

Module 3 - Who are my Customers/ Clients?



Learning Outcome:

1. Understanding the projects/ business customers and to articulate who they are and what their needs may be in connection to the value proposition?
2. Being able to develop a simple questionnaire to allow a better understanding of the project's business customers/ clients - assess product/ service test trading
3. To be able to amend the personal Progress Plan according to current needs/ demands

Overview:

Customers comprise the heart of any business model. Without (profitable) customers, no company can survive for long. In order to better satisfy customers, a company may group them into distinct segments with common needs, common behaviours, or other attributes. Participants should be able to describe the different customer segments for their project/ business.

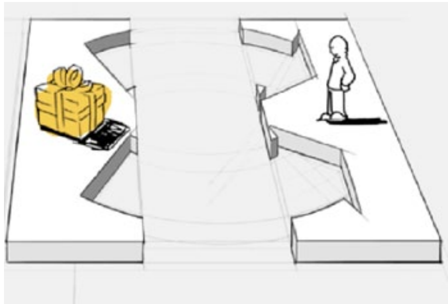
Participants can use different colour sticky notes on the Canvas Poster for each type of segment. A group of customers represents a distinct segment if they have distinct needs and you offer them distinct value propositions (e.g. a newspapers serves readers and advertisers). Once the BMC has been completed (basic) the participants design a short questionnaire that will be used to find out more about the customers. Participants adapt/ amend their individual progress plan to feature any changes/ needs.

Products used:

1. Business Model Canvas (either on an A4/ A3 paper or on a white board or electronically)
2. Business Model Canvas Book
3. Individual Progress Plan (amended to suit current needs/ demands)
4. Questionnaire (self-designed to carry out market research on the customer segment)

> Customers comprise the heart of any business model.

Module 4 - The Value Proposition (Offer)



Learning Outcome:
1. Understand and articulate the specific value proposition (VP) of the project/ business & to share this with others
2. Understand other businesses' VPs and analysing them with regards to the specific customer segment they serve

Overview:
The Value Propositions Building Block describes the bundle of products and services that create value for a specific Customer Segment. The Value Proposition is the reason why customers turn to one company over another. It solves a customer problem or satisfies a customer need. Each Value Proposition consists of a selected bundle of products and/ or services that caters to the requirements of a specific Customer Segment. In this sense, the Value Proposition is an aggregation, or bundle, of benefits that a company offers customers. What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? Which customer needs are we satisfying? What bundles of products and services are we offering to each Customer Segment? The participants will be guided to assess their value proposition with regards to their project/ business. An exploration will be made as a group into everyone's business to make the process more open, creative and fun. Use of the Value Proposition Canvas is encouraged for personal use of the participant. Participants adapt/ amend their individual progress plan to feature any changes/ needs.

Products used:
1. Business Model Canvas (either on an A4/ A3 paper or on a white board or electronically)
2. Business Model Canvas Book
3. Value Proposition Canvas (with permission from of Business Model Foundry GmbH for personal use)
4. Individual Progress Plan (amended to suit current needs/ demands)

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Companies create alliances to optimize their business models, reduce risk, or acquire resources.

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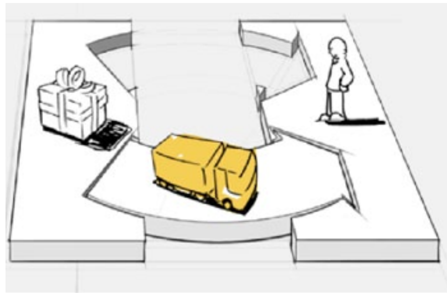
Module 5 - Channels



Learning Outcome:

1. Understanding how a company communicates with its Customer Segments to deliver a Value Proposition
2. Being able to evaluate the projects/ business channels & communicating them to others
3. Being able to research other companies channels (using examples)

Overview:

The Channels Building Block describes how a company communicates with its Customer Segments to deliver a Value Proposition. Participants will analyse their projects/ business BMC. They will learn what channels are & how they are used as communication, distribution, & sales Channels. Channels are customer touch points that play an important role in the customer experience. They comprise a company's interface with customers. Channels serve several functions, including:

- Raising awareness among customers about a company's products and services
- Helping customers evaluate a company's Value Proposition
- Allowing customers to purchase specific products and services
- Delivering a Value Proposition to customers
- Providing post-purchase customer support

Products used:

1. Business Model Canvas (either on an A4/ A3 paper or on a white board or electronically)
2. Business Model Canvas Book
3. Individual Progress Plan (amended to suit current needs/ demands)

"Creating and delivering value, maintaining Customer Relationships, and generating revenue all incur costs."

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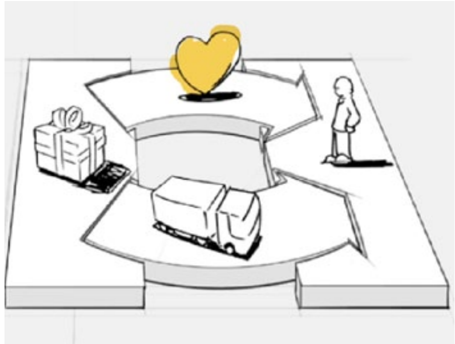
Module 6 - Customer Relationships



Learning Outcome:
1. Being able to distinguish between several categories of Customer Relationships
2. Being able to apply knowledge of Customer Relationships to the projects/ business BMC
3. Being able to research suitable work placement opportunities & narrow the choice down to two

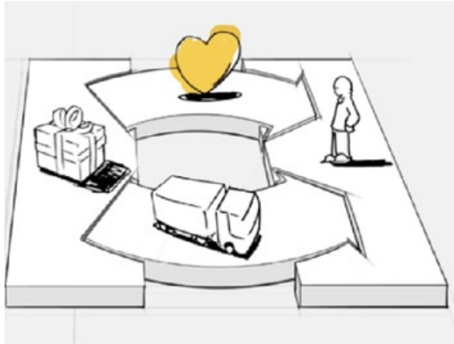
Overview:
The Customer Relationships Building Block describes the types of relationships a company establishes with specific Customer Segments. A company should clarify the type of relationship it wants to establish with each Customer Segment. Relationships can range from personal to automated. Customer relationships may be driven by the following motivations:
- Customer acquisition
- Customer retention
- Boosting sales (up selling)

The participants will be introduced to this module through examples of other companies and the customer relationships that are inherent in other companies' business models. The participants will then fill in their relevant BMC section and share their understanding/ results with the others.

Products used:
1. Business Model Canvas
2. Business Model Canvas Book
3. Individual Progress Plan (amended to suit current needs/ demands)

"What value do we deliver to the customer?"

Module 7 - Revenue Streams



Learning Outcome:
1. Understanding important concepts of how the business will generate revenue
2. Being able to fill in spreadsheets to build key financial documents such as Profit & Loss Statement, Balance Sheet
3. Ability to identify appropriate financing (from customers, grants, investors)

Overview:
The Revenue Streams Building Block represents the cash a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings). If customers comprise the heart of a business model, Revenue Streams are its arteries. A company must ask itself, for what value is each Customer Segment truly willing to pay? Successfully answering that question allows the firm to generate one or more Revenue Streams from each Customer Segment. Each Revenue Stream may have different pricing mechanisms, such as fixed list prices, bargaining, auctioning, market dependent, volume dependent, or yield management. This module will allow the participant to understand the answers to these questions:
- 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?

Participants will be guided to understand revenues and its associated costs and linking them to their customer segments. Then they are to assess which key activity and which customer segment is creating the most revenue, and make informed decisions on what their business should focus on

Products used:
1. Business Model Canvas (either on an A4/ A3 paper or on a white board or electronically)
2. Business Model Canvas Book
3. Financial Modelling Resources (EXCEL spreadsheets/ other tools)
4. Individual Progress Plan (amended to suit current needs/ demands)

"Business people don't just need to understand designers better; they need to become designers."

Module 8 - Key Resources

Learning Outcome:

1. Understand what key resources the project/ business needs to create and offer the value proposition
2. Understand what key resources the Distribution Channels require
3. Understand what key resources Customer Relationships require
4. Understand what key resources Revenue Streams require?

Overview:

The Key Resources Building Block describes the most important assets required to make a business model work. Every business model requires Key Resources. These resources allow an enterprise to create and offer a Value Proposition, reach markets, maintain relationships with Customer Segments, and earn revenues. Different Key Resources are needed depending on the type of business model. Key resources can be physical, financial, intellectual, or human. Key resources can be owned or leased by the company or acquired from key partners.
With a tutor, participants learn to understand the different resources necessary within the various segments of their BMC. Using examples and their recent experiences, they will begin to populate their BMC with information. The final task is to realign their Progress Plan in accordance with current needs/ demands.

Products used:

1. Business Model Canvas (either on an A4/ A3 paper or on a white board or electronically)
2. Business Model Canvas Book
3. Progress Evaluation (interim)
4. Individual Progress Plan (amended to suit current needs/ demands)

"A designer's job is to extend the boundaries of thought, to generate new options, and, ultimately, to create value for users."

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Module 9 - Key Activities (Actions)

Learning Outcome:

1. Being able to understand what Key Activities our Value Propositions require (for the project/ business)
2. Identifying what type of activities are needed and which are crucial enable the successful delivery of the project/ business

Overview:

The Key Activities Building Block describes the most important things a company must do to make its business model work. Every business model calls for a number of Key Activities. These are the most important actions a company must take to operate successfully. Like Key Resources, they are required to create and offer a Value Proposition, reach markets, maintain Customer Relationships, and earn revenues. And like Key Resources, Key Activities differ depending on business model type.

There are 3 main types of KAs:

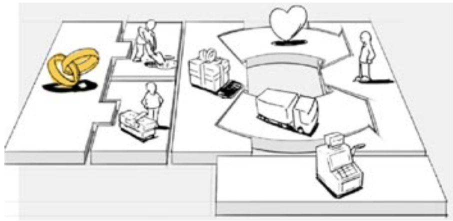
- Production: These activities relate to designing, making, and delivering a product in substantial quantities and/or of superior quality.
- Problem solving: Key Activities of this type relate to coming up with new solutions to individual customer problems.
- Platform/network: Business models designed with a platform as a Key Resource are dominated by platform or network related Key Activities. Networks, matchmaking platforms, software, and even brands can function as a platform.

Products used:

1. Business Model Canvas (either on an A4/ A3 paper or on a white board or electronically)
2. Business Model Canvas Book
3. Placement Evaluation (final)
4. Individual Progress Plan (amended to suit current needs/ demands)

"Through which Channels do our Customer Segments want to be reached?

Module 10 - Key Partnerships



Learning Outcome:

1. Being able to articulate the project's/ business key partners (suppliers, distributors)
2. Being able to understand what Key Resources we are acquiring from partners
3. Being able to understand which Key Activities partners perform

Overview:

The Key Partnerships Building Block describes the network of suppliers and partners that make the business model work. Companies forge partnerships for many reasons, and partnerships are becoming a cornerstone of many business models. Companies create alliances to optimize their business models, reduce risk, or acquire resources. We can distinguish between four different types of partnerships:

- Strategic alliances between non-competitors; Competition: strategic partnerships between competitors; Joint ventures to develop new businesses; Buyer-supplier relationships to assure reliable supplies

It can be useful to distinguish between three motivations for creating partnerships:

- Optimization and economy of scale: The most basic form of partnership or buyer-supplier relationship is designed to optimize the allocation of resources and activities.
- Reduction of risk and uncertainty: Partnerships can help reduce risk (and uncertainty) in a competitive environment.
- Acquisition of particular resources and activities: Few companies own all the resources or perform all the activities described by their business models. Extending capabilities to furnish particular resources or perform certain activities.

In this module, participants learn to understand which key partnerships may be necessary to deliver their projects/ businesses successfully by looking at examples and at their own experiences from the work placement. Re-aligning Progress Plan.

Products used:

1. Business Model Canvas (either on an A4/ A3 paper or on a white board or electronically)
2. Business Model Canvas Book
3. Individual Progress Plan (amended to suit current needs/ demands)

"More companies are going beyond the traditional customer-vendor relationship to co-create value with customers."

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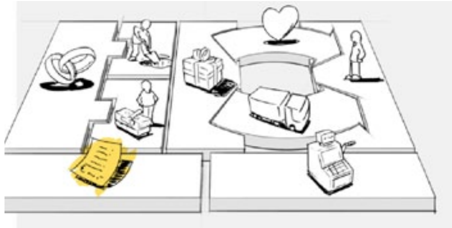
Module 11 - Cost Structure



Learning Outcome:
1. Understanding Costs (fixes/ variable) and cost structures
2. Understanding which Key Resources are most expensive
3. Understanding which Key Activities are most expensive
4. Being able to fill in EXCEL spreadsheets or other alternatives to build key financial documents such as Profit & Loss Statement, Cash Flow Statement, Balance Sheet

Overview:
The Cost Structure describes all costs incurred to operate a business model. This building block describes the most important costs incurred while operating under a particular business model. Creating and delivering value, maintaining Customer Relationships, and generating revenue all incur costs. Such costs can be calculated relatively easily after defining Key Resources, Key Activities, and Key Partnerships.

Participants learn to identify two broad classes of business model Cost Structures (many business models fall in between these two extremes):
1. Cost-driven: Cost-driven business models focus on minimizing costs wherever possible. This approach aims at creating and maintaining the leanest possible Cost Structure, using low price Value Propositions, maximum automation, and extensive outsourcing.
2. Value-driven: Some companies are less concerned with the cost implications of a particular business model design, and instead focus on value creation. Premium Value Propositions and a high degree of personalized service usually characterize value-driven business models.

In this module, participants learn to understand what costs their project/ businesses are incurring and what effect they have on their bottom line (profit/ surplus) as well as understanding how to build their financial models. This model is delivered with a finance mentor who will help build the financial spreadsheets the project/ business needs.

Products used:
1. Business Model Canvas (either on an A4/ A3 paper or on a white board or electronically)
2. Business Model Canvas Book
3. Financial Modelling Resources (EXCEL spreadsheets/ other tools)

"Companies forge partnerships for many reasons, and partnerships are becoming a cornerstone of many business models."

Module 12 - Bringing it all together

Learning Outcome:

1. Being able to present the project/ business to an audience made up of peers
2. Being able to present the project/ business to potential backers/ funders/ investors
3. Identifying next steps for the project/ business
4. Evaluating the YEA service + providing strategic feedback
5. Articulating further support needs

Overview:

This is the final module within the YEA BMC for the participants. It will celebrate their achievement of planning their project/ business. We will use this module to generate presentations for specific audiences, finalise financial modelling tools (spreadsheets etc) and to help answer any other questions. The participants are also presented with various choices as to how they would like to receive support from now on:

- Incorporation: Creation of project/ business (incorporation where necessary/ possible)
- Investment/ Funding Readiness:
  - Preparation of funding/ investment documents/ applications
  - Help with Pitching the Idea (Dragon's Den style)
- Creation of networks (support networks, contacts networks, etc)
- Further Training: Marketing & Sales, Impact Assessment, etc
- Mentoring: Further one-to-one with peer-entrepreneurs
- Resource Support:
  - Desk space/ office space (other space requirements such as shop outlets)
  - HR support (contracting staff, preparing legal documents such as agreements etc)
  - Finance Support (back-office finance support for the entrepreneurs such as payroll, spreadsheets, invoicing/ controlling)

Products used:

1. Business Model Canvas (either on an A4/ A3 paper or on a white board or electronically)
2. YEA Resources + partner resources

"Disruptive new business models are emblematic of our generation."

Questions to Assess YEA Business Model Design (Evaluation of YEA BMC)

Mastery of the Business Model Canvas

- Level 0 Strategy – The Oblivious: Focus on products/value propositions alone rather than the value proposition AND the business model.
- Level 1 Strategy – The Beginners: Use the Business Model Canvas as a checklist.
- Level 2 Strategy – The Masters: Outcompete others with a superior business model where every one of the business model building blocks reinforce each other (e.g. Nintendo Wii, Nespresso, Dell).
- Level 3 Strategy – The Invincible: continuously disrupt themselves while their business models are still successful (e.g. Apple, Amazon.com).

Business models that outperform others do so in various ways, for example by

- Disrupting the existing market (e.g. Dell).
- Creating a hard-to-copy competitive advantage (e.g. Apple appstore ecosystem).
- Establishing game-changing cost and/or profitability structures (e.g. Nintendo Wii)
- Creating entirely new markets (e.g. Nespresso).

Assessing the basics

Every business model has a product and/or service at its center that focuses on a customer's job-to-be-done. I call this the Value Proposition. So before even turning to your business model as a whole, you need to ask yourself some basic questions related to your Value Proposition and the Customer Segments that you are targeting.

- First, ask yourself how well your Value Proposition is getting your target customer's job done. For example, if a user of a search engine is trying to find and purchase the latest Nike running shoe, the measure of success will be how well the search engine helps the user get this job done.
- Secondly, ask yourself how many people or companies there are with a similar job-to-be-done. This will give you the market size.
- Thirdly, ask yourself how important this job really is for the customer and if she/he actually has a budget to spend on it.

"Value can be created simply by helping a customer get certain jobs done."

That's it as to the basics. However, even the greatest products are having an increasingly hard time to achieve a long-term competitive advantage. This is the reason why you need to shift your focus away from a pure product/market segment oriented approach towards a more holistic business model. Below are eight questions to assess your business model design. Rank your business model's performance on a scale of 0 (bad) to 10 (excellent) for each question.

1. How much do switching costs prevent your customers from churning?

The time, effort, or budget a customer has to spend to switch from one product or service provider to another is called "switching costs". The higher the switching costs, the likelier a customer sticks to one provider rather than leaving for products/ services of a competitor.

A great example of designing switching costs into a business model is Apple's introduction of the iPod in 2001. Steve Jobs heralded his new product with the catchphrase "thousand songs in a pocket"? Well, that was more than a product innovation focusing on storage. It was a business model strategy to get customers to copy all their music into iTunes and their iPod, which would make it more difficult for them to switch to competing digital music players. In a time when little more than brand preferences were preventing people from switching from one player to another this was a smart move and laid the foundation for Apple's subsequent stronghold on music and later innovations.

2. How scalable is your business model?

Scalability describes how easy it is to expand a business model without equally increasing its cost base. Of course software- and Web-based business models are naturally more scalable than those based on bricks and mortar, but even among digital business models there are large differences.

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An impressive example of scalability is Facebook. With only a couple of thousand of engineers they create value for hundreds of millions of users. Only few other companies in the world have such a ratio of users per employee. A company that has pushed the limits even further is the social gaming company Zynga. By building games like Farmville on the back Facebook, the world's largest social network, they could benefit from Facebook's reach (and scale) without having to build it themselves.

> Customers may find value in the simple act of using and displaying a specific brand.

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A company that quickly learned its lessons regarding scalability was peer-to-peer communication company Skype in its early days. Their customer relationship collapsed under the weight of large numbers, when they were signing up ten thousands of users per day. They quickly had to adapt their business model to become more scalable.

3. Does your business model produce recurring revenues?

Recurring revenues are best explained through a simple example. When a newspaper earns revenues from the sales at a newsstand they are transactional, while revenues from a subscription are recurring. Recurring revenues have two major advantages. Firstly, the costs of sales incur only once for repetitive revenues. Secondly, with recurring revenues you have a better idea of how much you will earn in the future.

A nice example of recurring revenues is Redhat, which provides open source software and support to enterprises based on a continuous subscription basis. In this model clients don't pay for new software versions because it is continuously updated. In the world of Software as a Service (Saas) these types of subscriptions are now the norm. This contrasts with Microsoft, which sells most of its software in the form of licenses for every major release.

However, there is another aspect to recurring revenues, which are additional revenues generated from an initial sales. For example, when you buy a printer, you continue to spend on cartridges, or when you buy a game console, you'll continue to spend on games. Or have a look at Apple. While they still earn most of their revenues from hardware sales, the recurring revenues from content and apps is steadily growing.

4. Do you earn before you spend?

This one goes without saying. The more you can earn before spending, the better. Dell pioneered this model in the computer hardware manufacturing industry. By assembling on order after selling directly they managed to escape the terrible inventory depreciation costs of the hardware industry. Results showed how powerful it is to earn before spending.

"Making products and services available to customers who previously lacked access to them is another way to create value."

5. How much do you get others to do the work?

This is probably one of the least publicized weapons of mass destruction in business model design. What could be more powerful than getting others to do the work while you earn the money?

In the bricks and mortar world IKEA gets us to assemble the furniture we buy from them. We do the work. They save money. On the web Facebook gets us to post photos, create and participate in conversations, and “like” stuff. That’s the real value of Facebook, entirely created by users, while they simply provide the platform. We do the work. They earn the sky-high valuations of their shares.

Previously mentioned Redhat crafted another smart business model based on other people’s work. Their entire business model is built on top of software developed by the open source software development community. This allowed them to substantially reduce their development costs and compete head-on with larger companies like Microsoft. A more malicious business model in which others do the work is the one practiced by so-called patent trolls. In this model patents are purchased with the sole intention of suing successful companies to extract payments from them.

6. Does your business model provide built-in protection from competition?

A great business model can provide you with a longer-term protection from competition than just a great product.

Apple’s main competitive advantage arises more from its powerful business model than purely from its innovative products. It’s easier for Samsung, for instance, to copy the iPhone than to build an ecosystem like Apple’s appstore, which caters to developers and users alike and hosts hundred thousands of applications.

> Making things more convenient or easier to use can create substantial value.

7. Is your business model based on a game changing cost structure?

Cutting costs is a long practiced sport in business. Some business models, however, go beyond cost cutting by creating value based on a totally different cost structure.

Skype, for example, provides calls and communication almost like a conventional telecom company, but for free or for a very low cost. They can do this because their business model has a very different cost structure. In fact, Skype's model is based on the economics of a software company, while a telecom provider's model is based on the economics of a network company. The former's costs are mainly people; while the latter's cost include huge capital expenditures in infrastructure.

Similarly, Bharti Airtel, one of the world's largest mobile network providers, has substantially modified its cost structure by getting rid of their entire network and IT. By buying in network capacity on a variable cost basis from a consortium around network equipment manufacturer Ericsson and IBM, they can now offer among the lowest prices for mobile telephony globally. Redhat, which was mentioned previously, also built its business model on a game changing cost structure: by smartly building its own model on top of other people's work.

In Conclusion:

Needless to say that looking for role models whether that be, mentors or actual businesses in relevant industry, learning what success looks like can be useful. However accelerator programmes can be a great source of innovation and can create a new standard of doing business. The Business Model Canvas provides the basic framework to support the ventures; however it is the one to one tailored support that really adds value to the businesses.

"Customers value reducing the risks they incur when purchasing products or services."

ONE PLANET ventures

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