



WESTMONT

entrepreneurship

Experiential Classroom IX



M B V:
*Why All Roads
Lead to the
Business Model*
Dr. David Newton

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What is a Business Model?

- A company's business model addresses "How do we make money in this business?"
 - Is the strategy that management is pursuing capable of delivering good bottom-line results?
- Do the revenue-cost-profit economics of the company's strategy make good business sense?
 - Look at the revenue streams the strategy is expected to produce
 - Look at the associated cost structure and potential profit margins
 - Do the resulting earnings streams and ROI indicate the strategy makes sense and that the company has a viable business model?

Strategy vs. Business Model : What is the Difference?

Strategy -- Deals with a company's competitive initiatives and business approaches

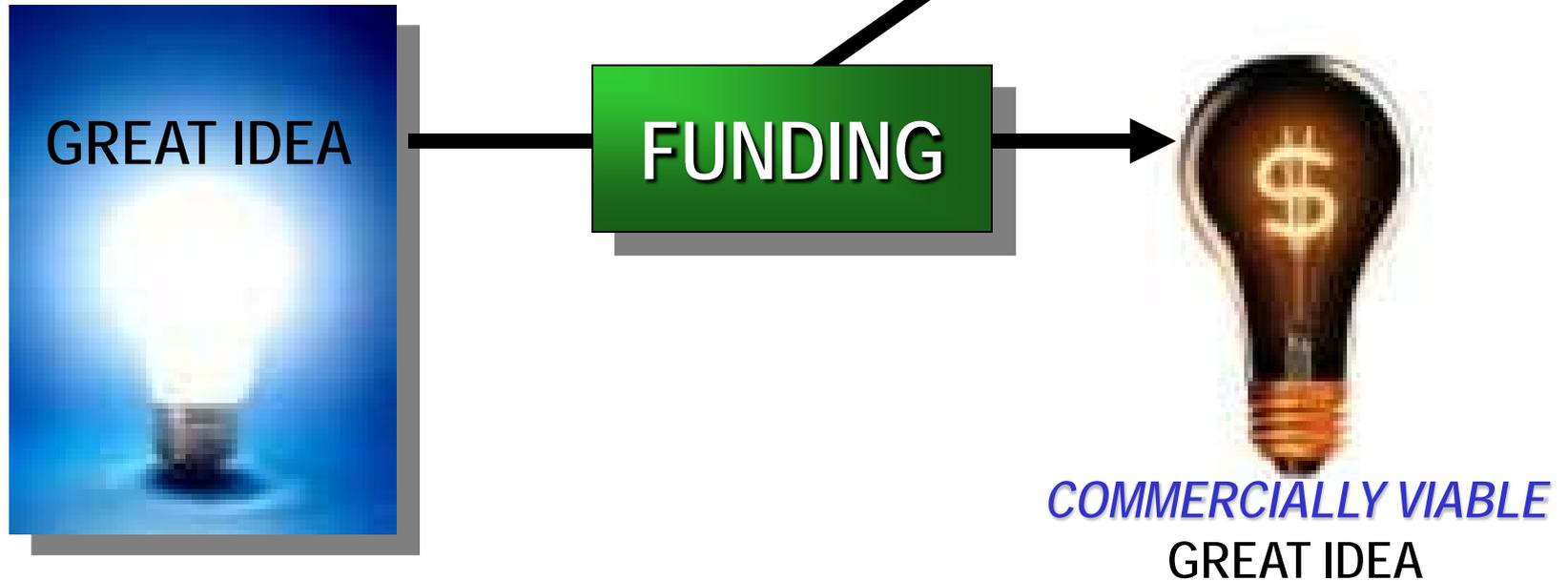
Business Model -- Concerns whether the revenues and costs flowing from the **strategy** demonstrate that the business can be amply profitable and viable



DREAM
\$
DO

OPPORTUNITY
CONCEPT
RESOURCES?
GET THEM
LAUNCH
EXIT

BUSINESS MODEL





MBV

- Price Your Idea					\$150
- Variable Costs					50
- Margin					100
- Burn					\$50,000
- Required Volume:	<i>Mo.</i>	<i>Wk.</i>	<i>Day</i>	<i>Year</i>	
	500	125	25	6,000	



FUNDING

— MBV —————→



- *How Does This Make Money?*
- *What is the Scale of Operations?*
- *Can It Achieve Requisite Market?*



M B V

*Buyers, Profiles, Features,
Competitive Position, Sales*

*Facilities, Equipment, Insurances
Marketing, Advertising, Promotions
Salaries, R-D, Legal, Accounting, IT*

*Pricing - Sales Strategy
Materials and Direct Labor*

SCALABLE?

