

## Business Model Questions

<p style="text-align: center;"><b>Customer Value Proposition</b></p> <ul style="list-style-type: none"> <li>• What <i>unmet needs</i> will the venture serve?</li> <li>• Will it emphasize <i>differentiation</i> or <i>low cost</i>?</li> <li>• Which <i>customer segments</i> will it target?</li> <li>• Will it serve a <i>new, existing, or re-segmented</i> market?</li> <li>• How large is the <i>total addressable market</i>, and how fast will it grow?</li> <li>• What will be the <i>minimum viable product</i> at launch? The <i>roadmap</i> for adding features?</li> <li>• Who will provide <i>complements</i> required for a <i>whole product solution</i>? On what terms?</li> <li>• How will the product be priced? Does <i>skimming</i> or <i>penetration pricing</i> make sense?</li> <li>• Can the venture leverage <i>price discrimination</i> methods? <i>Bundling</i>? <i>Network effects</i>?</li> <li>• What <i>switching costs</i> will customers incur? What is the expected <i>life of a customer relationship</i>?</li> <li>• Relative to rivals' products, how will customers' <i>willingness to pay</i> compare to their <i>total cost of ownership</i>?</li> </ul>	<p style="text-align: center;"><b>Go-To-Market Plan</b></p> <ul style="list-style-type: none"> <li>• What mix of <i>direct</i> and <i>indirect channels</i> will the venture employ? What margin and/or exclusive rights will channel partners require?</li> <li>• Does the venture have strong incentives to race for scale due to network effects, high switching costs, or other first mover advantages? Do scalability constraints and late mover advantages offset these incentives?</li> <li>• Given expected customer <i>lifetime value</i>, what <i>customer acquisition cost</i> (CAC) will the venture target?</li> <li>• What mix of free and paid <i>demand generation methods</i> will the venture employ? What will be the shape of its <i>customer conversion funnel</i>? The CAC for each paid method?</li> <li>• If the venture relies on free demand generation methods, what will be its <i>viral coefficient</i>?</li> <li>• Will the venture confront a <i>chasm</i> between early adopter and early mainstream segments? If so, what is the plan for crossing the chasm?</li> </ul>
<p style="text-align: center;"><b>Technology &amp; Operations Management</b></p> <ul style="list-style-type: none"> <li>• What activities are required to develop and produce the venture's product?</li> <li>• Which activities will the venture perform in-house and which will it <i>outsource</i>?</li> <li>• Who will perform outsourced activities, and under what terms?</li> <li>• What are the <i>cost drivers</i> for key activities? Can the venture exploit <i>scale economies</i> in production by substituting fixed for variable costs?</li> <li>• Will the venture create any valuable <i>intellectual property</i>? If so, how will it be kept proprietary?</li> <li>• Are there other <i>first mover advantages</i> in technology &amp; operations (e.g., preemption of scarce inputs)? <i>Late mover advantages</i> (e.g., reverse engineering)?</li> <li>• Given capacity and hiring constraints, can the venture scale operations rapidly?</li> </ul>	<p style="text-align: center;"><b>Profit Formula</b></p> <ul style="list-style-type: none"> <li>• What <i>contribution margin</i> will the venture earn?</li> <li>• What <i>fixed costs</i> will the venture incur, and what <i>breakeven capacity utilization and sales volume</i> does this imply?</li> <li>• What <i>market share</i> does breakeven sales volume represent?</li> <li>• How much <i>investment</i> in working capital and property, plant &amp; equipment will be required per dollar of revenue?</li> <li>• How will contribution margins, fixed costs, and investment/revenue ratios change over time?</li> <li>• Given projected growth, will be the profile of the venture's <i>cash flow curve</i>? How deep is the curve's trough, and when will it be reached?</li> </ul>

Source: Tom Eisenmann, Harvard Business School. Comments welcome: teisenmann@hbs.edu