

## Your business model: How does your company make money?



Many business owners start their own companies because they want to work for themselves rather than someone else. But if you want your company to survive and grow, you will need to be more focused on your customers' needs than your own needs. However, once you figure out what customers need, want, and value and know how to sell it to them at a price they are willing to pay, your company will have increasing revenue and profits – and you will be on your way to growth!

### **Work out how to make money**

The key is knowing your customers and understanding your business model, i.e., how your company makes money. To do that, ask yourself five questions:

1. What are we selling, i.e., what are the products or services we sell?
2. Who are our customer(s), i.e., who buys what we are selling?
3. How do our customers hear about us and the products or services we have for sale?
4. What is our cost structure, i.e., what kinds of expenses does our company incur to design, develop, market, sell and deliver those products and services to customers?
5. How are we different from all the other companies selling similar products and services?

## Horses for courses – examples of different business models

Here are four examples of different kinds of companies and business models, with different answers to these five questions.

	<b>Netflix</b>	<b>Foodland</b>	<b>Jeep</b>	<b>Australian Centre for Business Growth</b>
<b>What do they sell?</b>	On-line streaming services that entertain and may educate	Food: fresh, raw, canned, frozen, packaged, cooked, take-away for you to enjoy	4WD and Utes that can take you to off-road places where you have fun	Programs & tools that teach owners and executives how to grow their companies
<b>Who are their customers</b>	Anyone with internet, a TV or computer or phone willing to pay to be entertained and live vicariously	People willing to pay more for premium food products	People who want to go off the beaten path and experience nature	Business owners whose companies have 5-199 employees and want to grow their companies
<b>How do they market?</b>	Advertising, TV, website, social media, word of mouth.	Advertising, TV, website, social media, word of mouth.	Advertising, TV, dealerships, website, social media, word of mouth.	Direct mail, social media, website, sponsorships, partnerships.
<b>What is their cost structure? Revenue model?</b>	Staff and technology costs to acquire, develop and deliver programs on its platform. Uses a subscription revenue model.	Staff, transportation and facility costs to collect, distribute and transport the food it buys from farm to store. Uses a different “cost plus” (cost + profit) pricing model for each product it sells.	Incurs staff, inventory, assembly/ manufacturing equipment, technology, transportation, distribution costs and sells to dealers who on-sell to customers and are willing to sacrifice some of their margin to get the sale.	Incurs licensing fees, staff, facilities, materials production, technology, and consultant costs to deliver programs..
<b>What is their differentiator?</b>	Produces its own quality content; services priced to optimize content spend.	High quality, fresh food; more friendly staff available to help customers.	Designed for rugged terrain. The brand suggests that those driving it are tough and thrive in challenging circumstances – and need a vehicle like Jeep.	Content based on Knowledge Framework for Growth.

## Find your own business model

Now fill in this business model framework for your company to take the first step towards growth.

<b>Your Business Model Framework</b>		
<b>Company mission</b>	What is your company's enduring purpose, i.e., why does it exist?	Our mission is...
<b>Company values</b>	What are the values (and behaviours) you want to define how your company does business?	Value #1 and behaviour Value #2 and behaviour Value #3 and behaviour
<b>Three-year vision</b>	How much growth do you envision for the company by the end of three years?	In 3 years we will have grown to \$_____ in revenue, _____% profit, _____ employees.
<b>Problem</b>	What problem is your product or service solving, and who wants it solved?	The problem we are solving is...  _____ wants it solved because...
<b>Solution or value proposition</b>	What is your solution and why will customers value your solution over the alternatives? What features & benefits make your product/service especially attractive?	Our solution is...  Customers prefer our solution because...
<b>Competitive advantage</b>	What unique feature(s) of your product or service cannot easily be copied by competitors?	Our competitive advantage is...
<b>Target market</b>	What specific groups of "customers" are most likely to be interested in the solution you are offering?	Customer set #1: Customer set #2: Customer set #3:

## Immediate Business Acceleration Program - Topic 1

<b>Resources</b>	What are your company's most important physical, people, systems, processes, financial, equipment, and intellectual assets?	Building: People: Systems: Processes: Financial: Equipment: Intellectual:	
<b>Cost structure</b>	What are the fixed and variable expenses your company must incur in order to function? How do these impact the price you charge?	<b>Fixed</b> Employees:  Own building: mortgage  Own equipment:  Marketing and sales:  etc.	<b>Variable</b> Contractors:  Part-timers:  Consultants:  Rent:  Lease equipment:  Distributors:  etc.
<b>Revenue streams</b>	What are your current streams or sources of revenue? Are there additional streams you could develop?	Sources of revenue...  Other sources we could pursue...	
<b>Revenue model</b>	How do you currently generate revenue?	» One-off sale of a product or service » Sign up for multiple sales (subscription) » Own then rent, lease, or sell access for a monthly fee » Fee for services rendered » Other	
<b>Break-even point</b>	What is your break-even, i.e., the point where all expenses are covered, and your company becomes profitable?	Our company's break-even is...	
<b>Key Metrics</b>	What are the different ways you are measuring your company's "success"?	Measure #1  Measure #2  Measure #3	

Keep this business model framework handy and keep on improving it as we move through the Immediate Business Acceleration Program topics.

**Next topic: Where do you find the money for growth?**