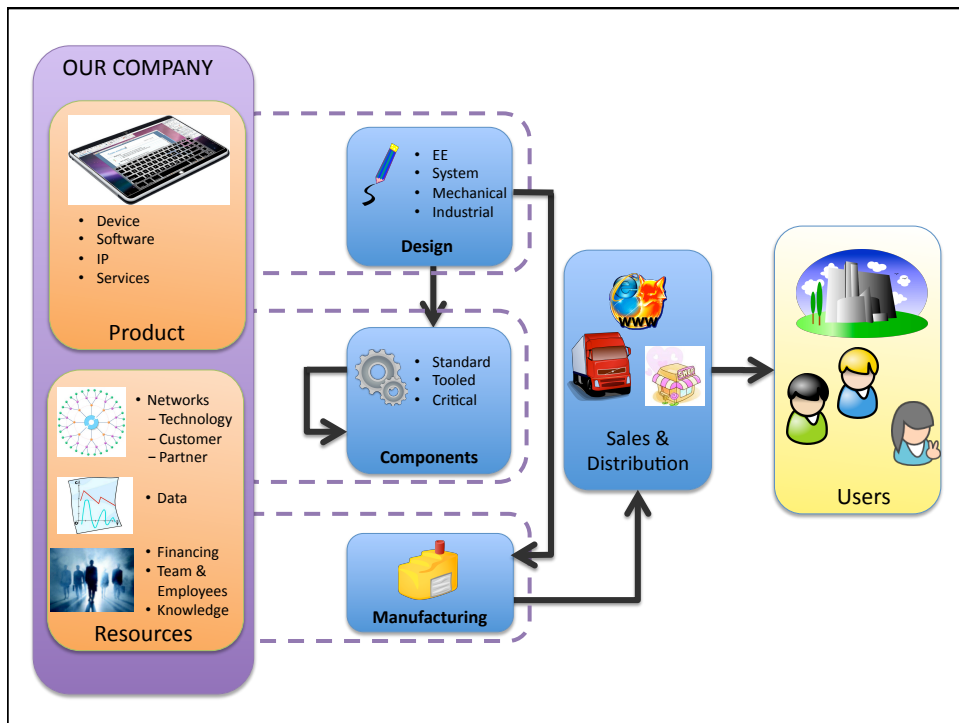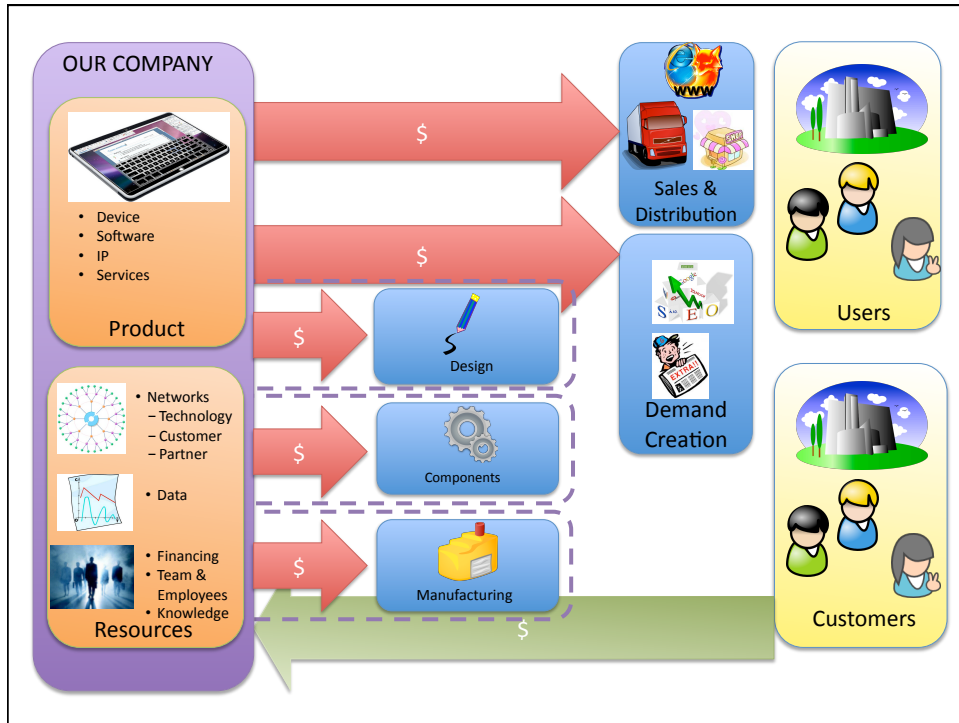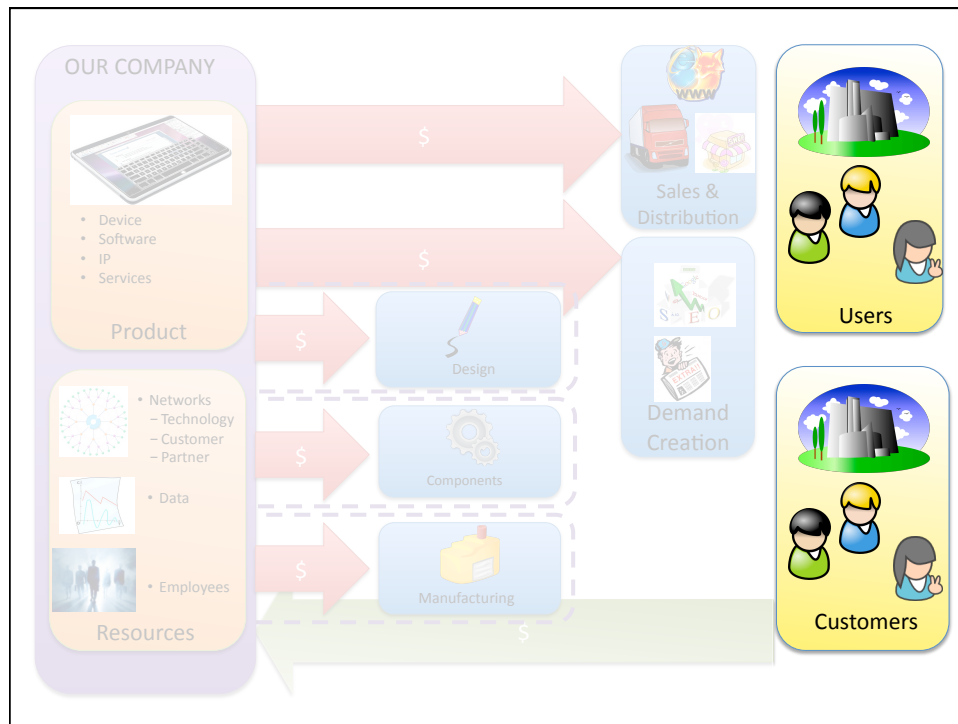# Business Models

Ann Miura-Ko

Maples Investments

What makes up a business model?

- An ecosystem of companies and people
  - Motivations / problems
  - Budget / Currency
- Flows of value / dollars
- Flows of product

Users and Customers

- Maps to Osterwalder "Customer Segments" and "Value Proposition"
- *DIFFERENCE:* Users vs. Customer vs. Market
  - Users = The individuals or organizations who interact with your product. Their currency is attention.
  - Customers = The individuals or organizations who PAY for your product. Their currency is money.
  - Market = Category of customer segment
    - New, Existing, Resegmented, Niche

Type of Market

- Existing
  - Faster/better = high end
- Resegmented
  - Niche = Marketing/branding driven
  - Cheaper = low end
- New
  - Cheaper, good enough can create a new class of product / customer
  - Innovative, never existed before

Types of Users

Users	Contributors	Evangelizers

Examples:

	Facebook	Pharma (CardioDX)	Biofuelbox
Users			
Customers			
Market			

Users and Customers: Key Questions

- What problem do they have that you solve?
- How many people have this problem?
- How else can they solve the problem?
- What user segments exist?
- Do they pay anyone?

OUR COMPANY

Product
- Device
- Software
- IP
- Services

Resources
- Networks
  - Technology
  - Assets
  - Customer
  - Partner
- Data
- Employees

Design

Components

Manufacturing

Sales & Distribution

Demand Creation
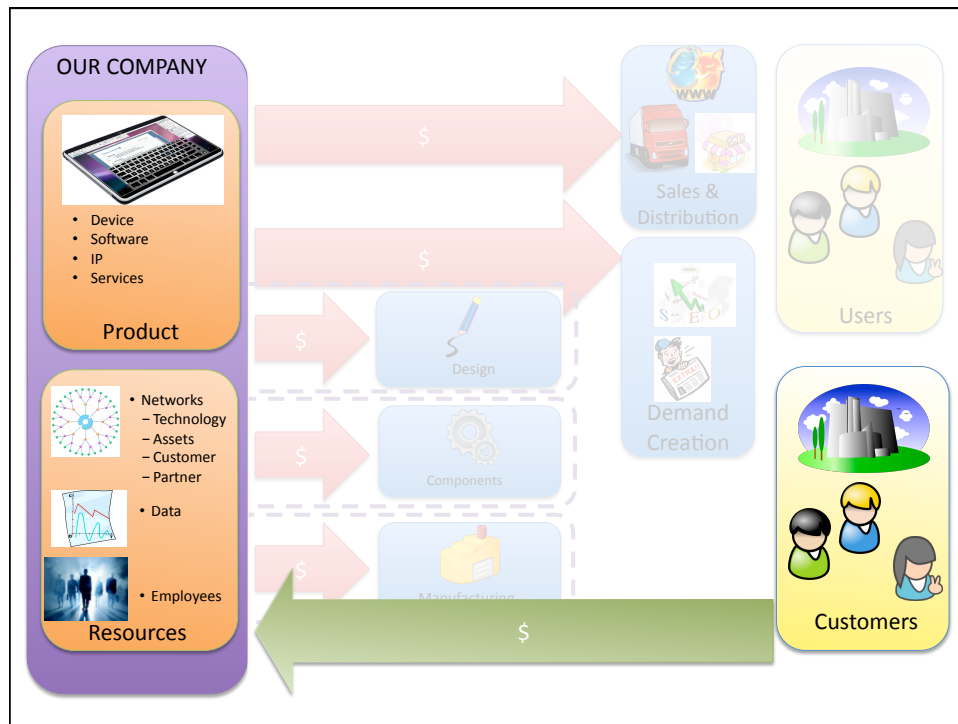
Users

Customers

# The Company: What are you selling?

- Stuff that you physically produce
  - Device
  - Software
- Things you know
  - IP
  - Data you've collected
- People you know
  - Customers / Users
  - Partners
  - Employees
- Reach
  - Technical infrastructure

What are they selling?

	Facebook	Sprint	Genentech
Stuff			
Things they know			
People they know			
Reach			

Pricing: What are customers paying for?

- Stuff:
  – Ownership
  – Usage fee (e.g. per minute pricing)
- Things you know:
  – IP License
- People you know and Reach:
 – Matchmaking
  – Access fee
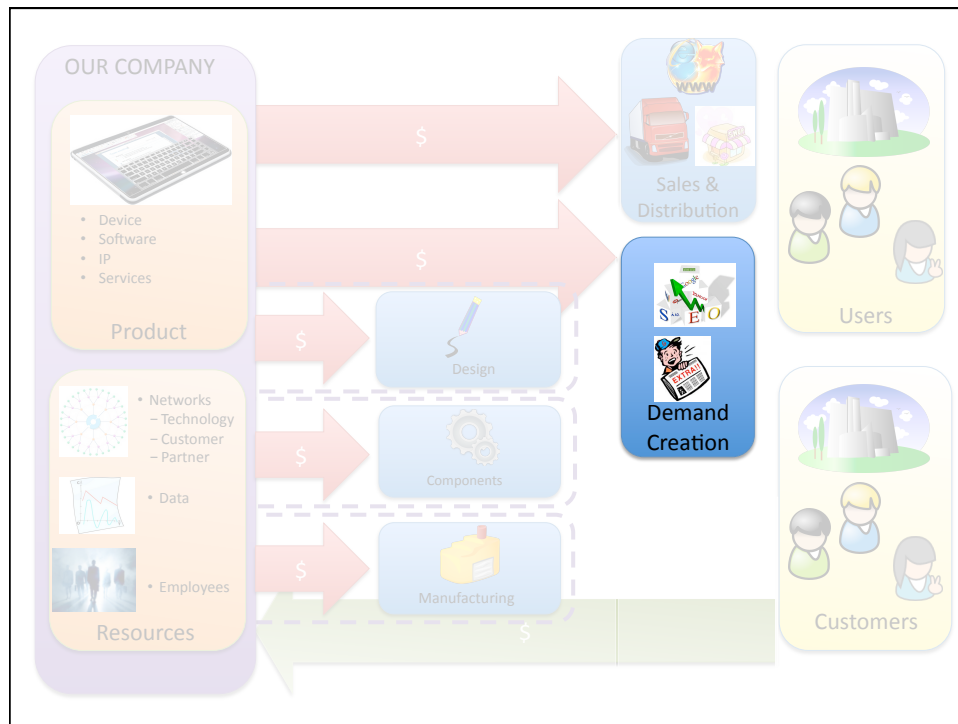
Demand Creation

- How does the user become aware of the product?
- How does the customer become aware of the product?
- Are they actively searching for your product?
- How much do these activities cost?
- How many users do they get you?
- How many customers do they get you?
- How long does it take to acquire the customer?

How do they create demand?

	Modcloth.com	LogMeIn	Viagra (Pfizer)	Fisker Karma
Methods for Acquiring Customers / Users				
Partners				
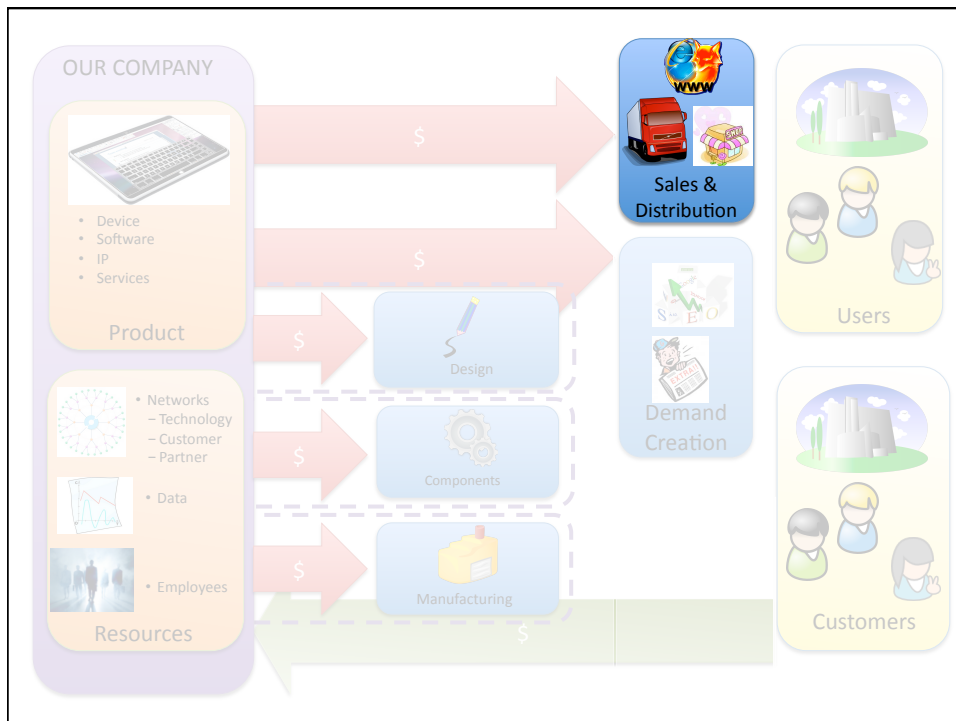
Sales and Distribution

- Who delivers the product to the end user?

- Does the end user see our brand?

- In what context will the user find our product?

- Does the distribution and sales channel also drive customer demand? What incentives are in place to do so?

- Is there inventory risk? Who takes that on?

- What are shipping costs?

Example Sales Funnel

Acquisition

Activation

Retention

Referral
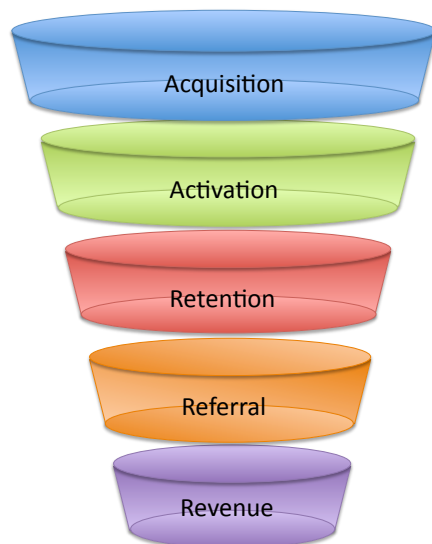
Revenue

- How many come through the first step?

- How much does that cost?

- What is the conversion between each level?

- How much in revenues can you get out of each acquired customer?

Based on Dave McClure's AARRR framework

OUR COMPANY

Product
- Device
- Software
- IP
- Services

Resources
- Networks
  - Technology
  - Customer
  - Partner
- Data
- Financing
- Employees
- Knowledge

Design
- EE
- System
- Mechanical
- Industrial

Components
- Standard
- Tooled
- Critical

Manufacturing

Sales & Distribution

Users
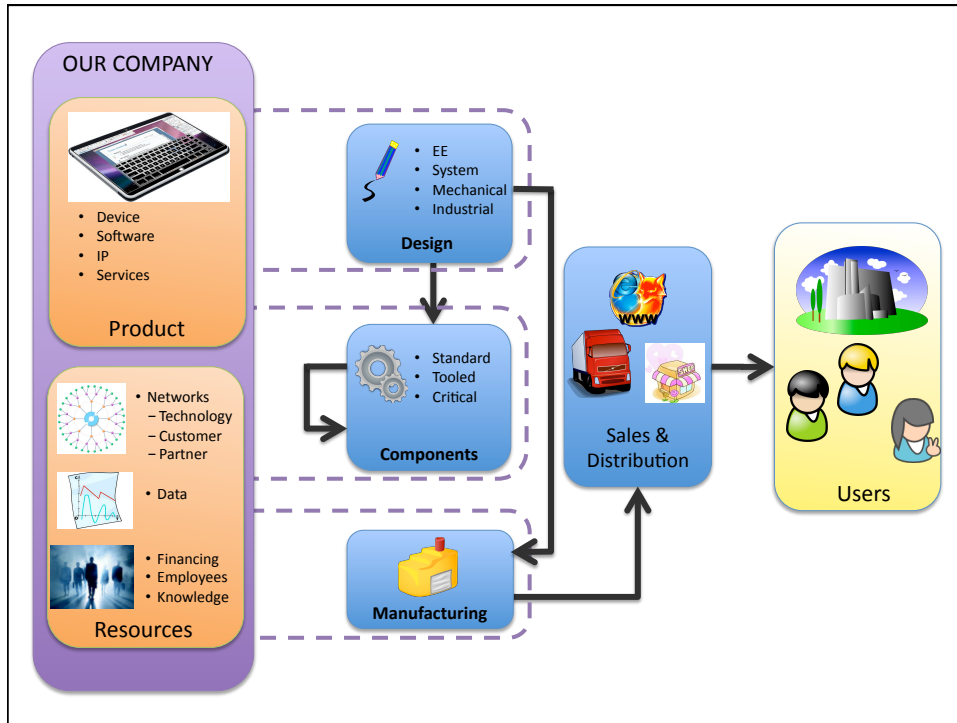
Does the Business Model Work?

Size of Market

- Bottoms up
  - Number of potential target customers
  - Current spend per customer on similar product
  - Price to be charged (with rationale) annual
- Tops down
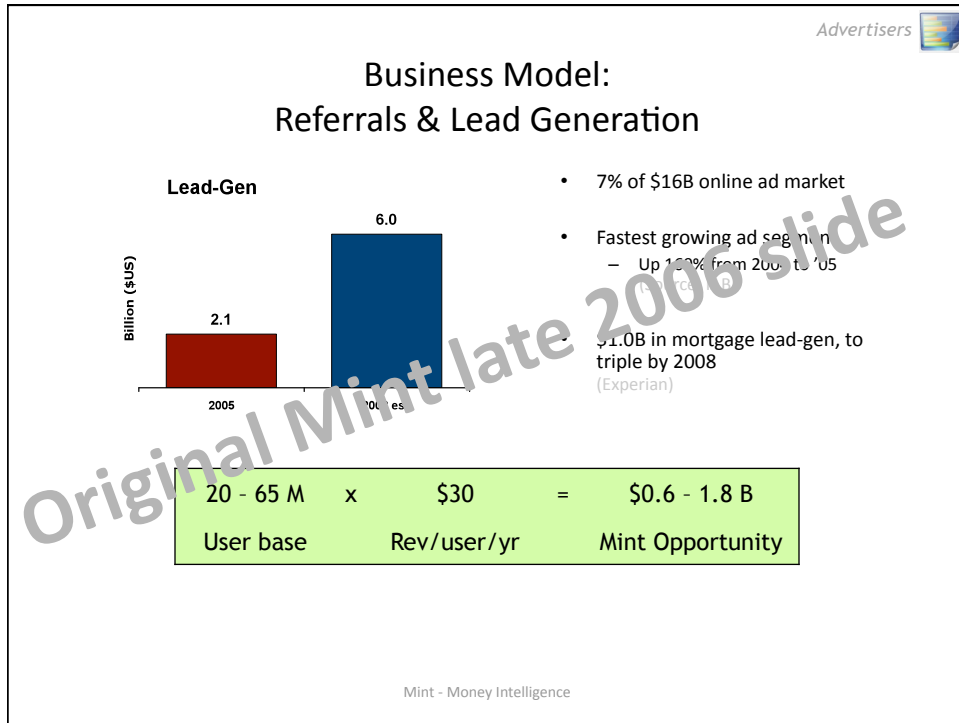 - Size of similar markets (using available analyst reports)

Competition

- Competitive Products and customer alternatives
- Durability of positioning

Metrics

- Customer Acquisition Cost
- Customer Lifetime Value
- Cost to produce and COGS
- Customer willingness to pay

Lead-Gen & CPA Opportunity: $30+/user/yr

Category	Where on Mint	CPA Revenue	Frequency Of Action	User Adoption Rate (%)	= Goal Rev User / Year
Credit Score	WTS	$36	2 yr	20%	$3.60
Credit Cards	WTS	$60	2 yr	10%	$3.00
Check/Save	WTS	$30	2 yr	10%	$1.5_
IRA	Center	$100	3.5 yr		$1.40
Brokerage	Inv/WTS	$200	Once	5%	$2.00
CDs	WTS	$30	Once	10%	$0.60
Daily Savings	Txn	$1.5_	1 mo	20%	$3.60
Insurance	WTS	$15	2 yr	10%	$0.75
Comm Services	WTS	$50	2 yr	10%	$2.50
Mortgage Refi.	WTS	$200	Once	5%	$2.00
Travel	Goals	$50	2 yr	10%	$2.50
Home Improve	Goals	$200	Once	5%	$2.00
Edu & 529	Goals	$200	Once	5%	$2.00
					= $30

Slide 1

Business Model:
Referrals & Lead Generation

Advertisers

Lead-Gen

Billion ($US)

6.0

2.1

2005

- 7% of $16B online ad market

- Fastest growing ad segment
  - Up 100% from 2004 to '05

- $1.0B in mortgage lead-gen, to triple by 2008
  (Experian)

20 – 65 M	x	$30	=	$0.6 – 1.8 B
User base		Rev/user/yr		Mint Opportunity

Mint - Money Intelligence

Original Mint late 2006 slide

Slide 2

Types of Risk

- Financial
- Team
- Technology
- Market