Unit IV – Business & Financial Models

Innovation & Entrepreneurship

R25 B.Tech ECE | JNTUH

Learning Outcomes

Explain business models and Lean Canvas.

Prepare business, sales, people and financial plans.

Understand costs and profitability.

Apply unit economics.

Develop a Go-To-Market strategy and customer acquisition approach.

Business Model

A business model explains how an organization creates, delivers and captures value.

It connects customers, value proposition, activities, resources, partners, channels and revenue.

A good model should be understandable, testable and adaptable.

Types of Business Models

Subscription model.

Marketplace/platform model.

Freemium model.

Direct-to-consumer model.

Business-to-business model.

Usage-based or transaction-based models.

Lean Startup Approach

Start with assumptions rather than large commitments.

Build–measure–learn cycle.

Use experiments to test critical hypotheses.

Reduce waste by learning before scaling.

Pivot when evidence shows that assumptions need major change.

Lean Canvas – 9 Blocks

Problem.

Customer segments.

Unique value proposition.

Solution.

Channels.

Revenue streams.

Cost structure.

Key metrics.

Unfair advantage.

Problem & Customer Segments

List the top problems worth solving.

Identify early adopters rather than everyone.

Describe who experiences the problem and who pays.

Prioritize segments by need, accessibility and potential value.

Unique Value Proposition & Solution

UVP states why customers should choose the offering.

It should be specific, customer-focused and outcome-oriented.

Solution describes the initial way the venture will address the problem.

Avoid building extensive features before validation.

Channels & Customer Relationships

Channels are ways to reach and acquire customers.

Examples: direct sales, website, social media, partners and marketplaces.

Customer relationships may include self-service, assisted service or dedicated support.

Choose channels that match customer behavior.

Revenue Streams

Revenue may come from subscriptions, transactions, licensing, advertising or service fees.

Define who pays, what they pay for and when.

Test pricing assumptions with customers.

Consider recurring versus one-time revenue.

Cost Structure

Fixed costs remain relatively stable within a relevant range.

Variable costs change with activity or sales volume.

Include product, people, marketing, technology, operations and compliance costs.

Track cash requirements as well as accounting profitability.

Business Planning

Sales plan: target customers, sales goals and channels.

People plan: roles, skills, hiring and responsibilities.

Financial plan: revenue, costs, cash flow and funding needs.

Plans should support the same strategic assumptions.

Financial Planning

Estimate startup costs and operating costs.

Forecast sales and revenue.

Prepare profit-and-loss estimates.

Estimate cash inflows and outflows.

Review assumptions regularly as actual results become available.

Types of Costs

Fixed costs: rent, certain salaries and subscriptions.

Variable costs: materials, transaction fees and delivery costs.

Direct costs relate closely to the product or service.

Indirect costs support the business more broadly.

Profitability Planning

Profit = Revenue – Total Costs.

Identify contribution margin and break-even point.

Test how changes in price, volume and cost affect profitability.

Use scenarios such as conservative, expected and optimistic cases.

Unit Economics

Unit economics examines revenue and costs associated with one customer, order or unit.

Contribution per unit = Revenue per unit – Variable cost per unit.

Customer acquisition cost (CAC) should be compared with customer value.

Healthy unit economics can support sustainable scaling.

Economies of Scale

Average cost can fall as output increases.

Technology and fixed-cost investments may support scale.

Purchasing and operations can become more efficient.

Scale is valuable only if demand, quality and unit economics remain healthy.

Go-To-Market (GTM)

GTM is the plan for launching and reaching target customers.

Define target segment, positioning, offer, pricing, channels and launch actions.

Start with a focused segment and learn before expanding.

Digital Presence & Customer Acquisition

Create a clear website or landing page.

Use relevant social and content channels.

Build trust through demonstrations, reviews and useful information.

Track acquisition funnel metrics and improve conversion.

Choose channels based on customer behavior rather than popularity alone.

Case Studies & Venture Activities

Analyze founder decisions and business-model choices.

Discuss how digital channels affect acquisition.

Use Lean Canvas to compare business models.

Develop a basic GTM plan for a student venture.

Present assumptions, financial logic and next steps.

Unit IV – Key Takeaways

A business model explains how value becomes sustainable revenue.

Lean Canvas helps summarize and test the venture model.

Financial planning connects sales, people, costs and cash.

Unit economics supports decisions about pricing and scaling.

GTM turns a validated offering into a focused market-entry plan.