UNIT – IV

Business and Financial Models, Business Planning & GTM Approach

1. Introduction to Business Models

A **business model** describes how a business creates, delivers, and captures value. It explains **what the business offers, who its customers are, how it reaches them, and how it earns revenue**.

Key Elements

- **Value Proposition** – What value is offered to customers?
- **Customer Segments** – Who are the target customers?
- **Channels** – How does the product/service reach customers?
- **Customer Relationships** – How does the company interact with customers?
- **Revenue Streams** – How does the business earn money?
- **Key Resources** – What resources are required?
- **Key Activities** – What activities must be performed?
- **Key Partners** – Who supports the business?
- **Cost Structure** – What are the major costs?

Example:
Netflix provides online entertainment, targets subscribers, delivers content through its digital platform and earns revenue mainly through subscription fees.

2. Types of Business Models

Business Model Meaning Example
B2B Business sells to another business Salesforce
B2C Business sells directly to consumers Amazon
C2C Consumers sell to consumers OLX
Subscription Customers pay regularly Netflix
Freemium Basic service free, premium paid Spotify
Marketplace Connects buyers and sellers Flipkart
Franchise Business format is licensed McDonald's
Advertising Revenue generated through advertisements Google
Direct-to-Consumer Manufacturer sells directly to consumers Many D2C brands
Pay-per-use Customers pay according to usage Cloud services

3. Lean Canvas Approach

The **Lean Canvas** is a one-page business planning tool used by startups to quickly develop and test their business ideas.

It helps entrepreneurs answer:

What problem are we solving, for whom, and how will we make money?

It is particularly useful because startups can **test assumptions, obtain customer feedback and modify their business model quickly**.

4. Nine-Block Lean Canvas Model

The Lean Canvas consists of **nine blocks**:

1. **Problem**
2. **Customer Segments**
3. **Unique Value Proposition**
4. **Solution**
5. **Channels**
6. **Revenue Streams**
7. **Cost Structure**
8. **Key Metrics**
9. **Unfair Advantage**

Example – Online Grocery Startup

Lean Canvas Block	Example
Problem	Long delivery time and lack of fresh groceries
Customer Segments	Working professionals and families
Unique Value Proposition	Fresh groceries delivered within 30 minutes
Solution	Mobile app + local delivery network
Channels	App, social media, digital advertising
Revenue	Delivery charges + product margin
Costs	Technology, employees, delivery and marketing
Key Metrics	Orders/day, repeat customers, average order value
Unfair Advantage	Strong local supplier network

Building a Lean Canvas for a Start-up

Step 1: Identify the customer problem
↓
Step 2: Define customer segments
↓
Step 3: Develop value proposition
↓
Step 4: Identify solution
↓
Step 5: Select channels
↓
Step 6: Determine revenue model
↓
Step 7: Estimate costs
↓
Step 8: Identify key metrics
↓
Step 9: Identify competitive advantage

5. Business Planning

A **business plan** is a formal document explaining the objectives of a business and the strategies for achieving them.

Major Components

- Executive Summary
- Business Description
- Market Analysis
- Marketing Plan
- **Sales Plan**
- **People Plan**
- **Financial Plan**
- Operations Plan
- Risk Analysis
- Implementation Plan

6. Sales Plan

A **sales plan** explains how the business will generate sales and achieve revenue targets.

Components

- Sales objectives
- Target customers
- Sales forecast
- Pricing strategy
- Sales channels
- Sales team
- Sales targets
- Customer acquisition strategy

Example:
A startup may target 1,000 customers in the first year and generate 20 lakh in sales.₹

7. People Plan

The **people plan** identifies the human resources required to operate and grow the business.

Includes

- Organizational structure
- Number of employees
- Roles and responsibilities
- Recruitment
- Training
- Compensation
- Performance management
- Leadership requirements

Example

A technology startup may require:

- Founder/CEO
- CTO
- Software developers
- Marketing executive
- Sales team
- Finance executive
- Customer-support staff

8. Financial Plan

A **financial plan** estimates the financial requirements and expected financial performance of a business.

Major Components

- Start-up costs
- Operating costs
- Revenue forecast
- Cash-flow forecast
- Profit and loss statement
- Break-even analysis
- Balance sheet
- Funding requirements

9. Types of Costs

A. Fixed Cost

Costs that do not change significantly with production.

Examples: Rent, salaries, insurance.

B. Variable Cost

Costs that change with production or sales.

Examples: Raw materials, packaging, delivery charges.

C. Semi-variable Cost

Contains both fixed and variable components.

Example: Electricity bill.

D. Direct Cost

Directly associated with producing a product.

Example: Raw material.

E. Indirect Cost

Cannot be directly attributed to a particular product.

Example: Office administration expenses.

10. Financial Plan for Profitability

A startup should estimate:

Revenue – Total Cost = Profit

A simple financial template can include:

Particular	Amount
Expected Sales	₹10,00,000
Less: Variable Costs	₹4,00,000
Contribution	₹6,00,000
Less: Fixed Costs	₹3,00,000
Estimated Profit	**₹3,00,000**

11. Basics of Unit Economics

Unit economics measures the revenue and cost associated with **one unit of a product or one customer**.

Important Metrics

Contribution per unit = Selling Price – Variable Cost per unit

Customer Acquisition Cost (CAC)
= Total Customer Acquisition Expenses ÷ Number of New Customers

Customer Lifetime Value (CLV/LTV)
= Average Revenue per Customer × Customer Lifetime

Importance

Unit economics helps entrepreneurs determine:

- Whether each customer is profitable
- Whether pricing is appropriate

- How much can be spent on customer acquisition
- Whether the business model can scale

12. Economies of Scale

Economies of scale occur when the **average cost per unit decreases as the scale of production increases**.

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Sources

- Bulk purchasing
- Specialization of labour
- Better technology
- Efficient production
- Spreading fixed costs over more units

Example

If producing 100 units costs 10,000:₹

Average cost = 100/unit.₹

If producing 1,000 units costs 50,000:₹

Average cost = 50/unit.₹

Thus, the business benefits from economies of scale.

13. Analysing Financial Performance

Financial performance can be analysed using:

Profitability

- Gross profit
- Operating profit
- Net profit
- Profit margin

Liquidity

Measures the ability to meet short-term obligations.

Solvency

Measures the ability to meet long-term obligations.

Efficiency

Measures how effectively business resources are utilized.

Important Ratios

- Current Ratio
- Debt-Equity Ratio
- Gross Profit Ratio
- Net Profit Ratio
- Return on Investment
- Return on Equity

14. Go-To-Market (GTM) Approach

A **Go-To-Market strategy** is a plan for introducing a product/service to the target market and acquiring customers.

Major Components

Product → Target Customer → Value Proposition → Pricing → Channel → Promotion → Customer Acquisition

15. Selecting the Right Channel

A channel is the method used to reach customers.

Types

- Direct sales
- Retail stores
- Distributors
- E-commerce
- Mobile applications
- Social media
- Websites
- Partnerships

Factors for Selection

- Customer preferences
- Cost
- Market coverage
- Product characteristics
- Competition
- Scalability

16. Creating Digital Presence

Digital presence means establishing the business on online platforms.

Major Components

- Professional website
- Social media accounts
- Search engine optimization (SEO)
- Content marketing
- Email marketing
- Online advertising
- Customer reviews
- Mobile applications

Benefits:

- Wider reach
- Lower marketing cost
- Brand awareness
- Customer engagement
- Better customer insights

17. Building Customer Acquisition Strategy

Customer acquisition means **attracting and converting new customers**.

Common Methods

1. Social media marketing
2. Search engine marketing
3. Content marketing
4. Email marketing
5. Influencer marketing
6. Referral programs
7. Free trials
8. Discounts
9. Partnerships
10. Direct sales

Acquisition Funnel

Awareness → Interest → Consideration → Purchase → Retention → Referral