

An introduction to

The Business Model Framework

For companies with high-value, complex B2B sales environments

SITUATION: <small>Insert Company Name</small>				
THE PROBLEM YOU SOLVE <small>What are the most significant or most business-critical pain points your customers articulate (not the problems, issues and/or opportunities)?</small>	IDEAL CUSTOMER <small>What are the customer attributes of your most valuable potential customers. Be sure to cover their buying cycle, a buying cycle.</small>	SOLUTION <small>How would you describe your solution, what are your most essential features or capabilities?</small>	CATEGORY <small>How would your customers describe the solution category you are in? What terms would they use when searching for it, a solution?</small>	UNIQUE ADVANTAGE <small>What is the single most significant, powerful and powerful thing that differentiates you from all other options available to your product, and cannot be easily copied by your competitors?</small>
TRIGGERS AND TRIGGERS <small>What are the most common things, events, needs, trends or company-specific triggers that might cause your prospective customer to start searching for a solution?</small>	KEY STAKEHOLDERS <small>Who are the most important individuals and decision makers in your prospect's buying buying decision process?</small>	ALTERNATIVE OPTIONS <small>What are your customer's most significant alternative options for solving the articulated problem(s), including direct and indirect competitors and "do it yourself"?</small>	CORE VALUE PROPOSITION <small>What value do you promise to the value of what you do for your customers, and why are you worth buying? Think in terms of the customer's outcome.</small>	GO-TO-MARKET STRATEGY <small>What are the most important ways of reaching your prospective customer? What are the key elements of your sales process?</small>
COST OF SALE <small>What are the key sales and marketing costs associated with finding, winning, developing and retaining customers, including your target cost per unit and otherwise?</small>		SOURCES OF REVENUE <small>What are the key sources of revenue from your customers, including typical initial deal value, recurring revenue streams, up and opportunities and lifetime customer value?</small>		
KEY MARKETING METRICS <small>What are the key marketing metrics you use to measure your progress toward your goals?</small>	KEY SALES METRICS <small>What are the key sales metrics you use to measure your progress toward your goals?</small>		OTHER KEY METRICS <small>What are the other key metrics you use to measure your progress toward your business goals?</small>	

Introduction

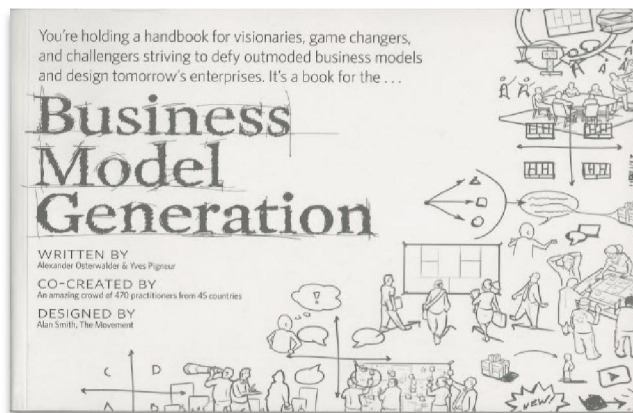
This brief guide has been inspired by our successful adaption of the principles established in Alex Osterwalder's widely acclaimed "Business Model Generation" to the specific challenges faced by companies competing in high-value, complex B2B sales environments.

From Start-ups to Established Players

We've used the ideas contained in the following pages to help clients implement repeatable, scalable and predictable sales and marketing processes. We want to share what we've discovered, in the hope that it might inspire you to apply the lessons learned to your own organisation.

Every organisation needs a business model. Yet we find that many B2B organisations of all ages and sizes - from start-ups to established players - have failed to apply the proper focus to at least one of the elements that we have identified as being critical to building scalable businesses.

Traditional business models have failed to keep pace with the rapid changes in many markets. The Business Model Framework enables us to focus on the new fundamentals and to help clients to evaluate their priorities with a fresh pair of eyes...



Introducing the Business Model Framework

Our Business Model Framework follows a logical sequence - starting with the problems you solve, the customers you address and the trends and triggers that cause them to act. It then looks at your solution in the context of your prospect's options and establishes your optimum market fit, value proposition, go to market strategy, sources of cost and revenue, and key business metrics. Each step builds upon the next, and we'll explore each of these building blocks in more detail on subsequent pages.

INFLEXION-POINT BUSINESS MODEL FRAMEWORK - KEY BUILDING BLOCKS				
THE PROBLEMS YOU SOLVE ①	KEY STAKEHOLDERS ②	SOLUTION ④	CATEGORY ⑥	UNFAIR ADVANTAGE ⑦
IDEAL CUSTOMER ②	TRENDS AND TRIGGERS ③	ALTERNATIVE OPTIONS ⑤	UNIQUE VALUE PROPOSITION ⑦	GO TO MARKET STRATEGY ⑧
COST OF SALE ⑨		SOURCES OF REVENUE ⑨		
KEY MARKETING METRICS ⑩	KEY SALES METRICS ⑩		OTHER KEY METRICS ⑩	

Key Building Blocks

At its most basic level, the purpose of a business model is to describe how an organisation creates, delivers and captures value. Our exercise starts, not with the products or services you sell, but with the problems you solve for your most important target customers.

Start With the Problem

Many B2B companies talk about embracing “solution selling”. But if your objective is to create a repeatable, scalable and predictable business, your “solutions” only exist in the context of a set of common problems that need to be solved, common goals that need to be achieved, or common issues that need to be addressed for a given group of actual or potential customers.

Focusing on solving a clearly defined set of business-critical problems brings great clarity and discipline to every one of the decisions your organisation needs to make when defining your target markets, developing appropriate solutions and implementing repeatable, scalable and predictable sales and marketing processes.

Let's start by taking a look at the problems you solve...

- 1 The Problems You Solve
- 2 Ideal Customers/ Key Stakeholders
- 3 Trends and Triggers
- 4 Solution
- 5 Alternative Options
- 6 Category
- 7 Unique Value Proposition/
unfair Advantage
- 8 Go to Market Strategy
- 9 Costs - Revenues
- 10 Key Metrics

THE PROBLEMS YOU SOLVE

What are the most significant business-critical challenges you enable your customers to address (can be problems, issues and/or goals)?

1: The Problems You Solve

The first question to ask in formulating your business model is “can we identify problems that are worth solving?” By “worth solving” we mean something that a sufficiently large number of potential customers are prepared to spend resources on in order to solve a problem, achieve a goal or address a need that you can profitably satisfy.

It’s important that you distinguish between interesting, important and critical issues. Interesting issues might cause a prospect to consider you. Important issues may get you evaluated. But if you are offering high-value, complex products or services, only business-critical issues will get you bought.

The reason so many sales campaigns end in “no decision” is because many apparently promising opportunities are in truth only addressing interesting or important issues that the sales process has failed to elevate to “business critical”. If an issue is to be relevant, then failing to deal with it must be associated with a painful consequence.

Start by identifying no more than three key issues that your product or service addresses. Make sure that you can identify the potential consequences (higher cost, lower revenue or a failure to achieve a key business objective) of not dealing with the problem. Test with your existing customers and prospects to make sure that you have correctly identified truly business-critical issues.

2: Ideal Customers / Key Stakeholders

Once you've identified the key problems you solve, it's time to think about the common attributes of your ideal customers. Conventional approaches to market segmentation that revolve primarily around demographics (industry, company size, location, etc.) are a useful first step but are insufficient for our purposes.

You also need to carefully consider the structural, behavioural and environmental attributes of your most valuable customers. Are they typically leaders or followers? Centralised or decentralised? Early adopters or laggards? Determined to run IT in-house or open to outsourcing or cloud-based solutions?

You also need to identify the key stakeholders and decision-makers. Who are the key players? What are their typical roles and titles within the prospect's organisation? What roles do they play in the buying process? What are their most likely concerns and motivations?

Mastering these first two stages is usually an iterative process. You'll want to chase the circle of problems, ideal customers and key stakeholders until you find the combination that resonates most strongly - and offers the most promising business opportunity.

IDEAL CUSTOMERS

What are the common attributes of your most valuable existing and potential customers?

KEY STAKEHOLDERS

Who are the most important stakeholders and decision-makers in your prospect's typical buying decision process?

TRENDS AND TRIGGER EVENTS

What are the common changes to the status quo that might cause your prospective customers to start searching for a new solution?

3: Trends and Trigger Events

Organisations invest in order to change the status quo. So it's critically important that you identify the trends and trigger events that might cause your prospective customers to start searching for solutions.

Trends are typically industry-wide or macro-economic changes that challenge the status quo. They often include changes in legislation or regulation, dramatic changes in the competitive structure of industries, disruptive new entrants into markets or significant changes to accepted business models.

Trigger events are typically changes to the structure or circumstances of individual firms. They might include mergers or acquisitions, the appointment of new executives, the adoption of strategically important business initiatives, or significant changes in financial performance.

Either way, these trends and trigger events are likely to have the effect of causing your potential prospects to recognise that something in their business environment has changed, and that they need to respond.

What are the key trends and trigger events that are likely to drive your most valuable prospects to start searching for new solutions?

4: Solution

You next need to clearly identify the handful of your solution's features or capabilities that are most important in solving the business-critical problem(s) you have identified.

It's important that you keep this list short - we recommend you identify no more than three. Exclude anything that does not directly serve to solve the problem.

You should be looking for a very clear connection between the identified problem, your most important features or capabilities, and the outcomes your prospect can expect to achieve as a result of implementing your solution.

If you're a start-up, your goal must be to identify the minimum viable product necessary to solve the problem you have targeted. If you're a more established organisation, your goal must be to identify which aspects of your solution you should lead with in your sales and marketing efforts.

Don't rely on guesswork or introspection. If you're a start-up, get out of the building and test your ideas with some ideal prospects. If you're an established organisation, survey your recent customers to identify the features and capabilities that most influenced their decision.

SOLUTION

With regard to the problem(s) you solve, what are your most important features or capabilities?

ALTERNATIVE OPTIONS

What are your prospect's most significant alternative options for solving the identified problem(s)?

5: Alternative Options

Note that we chose not to label this section "competition", and with good reason. Your prospective customers always have options. They can always choose to do nothing, and preserve the status quo.

Or they can try to build a solution themselves using in-house resources. They might consider alternative approaches to solving the problem that involve organisations, products or services that you would not normally identify as your natural competitors.

You might even find that the project to solve the problem faces competition within the prospect from completely different ways of investing their funds - and you are always competing against just keeping their money in the bank because the case for change simply wasn't strong enough.

The key thought here is that you never have "no competition". If we ever hear our potential clients claim this, our natural inclination is to encourage them to look again.

What are your prospect's most common alternative options for solving the problem you have identified? Which are likely to be most significant when they assess your solution?

6: Category

Many start-ups claim to have invented a brand new category. But creating a new market category is hard. Your customers have no existing reference points when trying to understand what you do.

We suggest that you think instead of the terms your ideal prospects are likely to use when describing what they are looking for when they start researching the market and searching for solutions.

On the one hand, they may be searching for a category of solution - for example a CRM system, or a telemarketing service. Part of your description of what you do must relate to at least one product or service category that your prospect will already understand - even if you then use that as an anchor point to explain why you are different.

You also need to understand the category of problem they might use to describe their current situation. What would they call the problems, goals or issues that are causing them to start looking for answers?

Both solution and problem categories are critical to positioning your solution in terms that your prospect can relate to. You need to use the terms and the language your prospects would naturally use when using a search engine or talking to colleagues or trusted advisers about what they are trying to achieve.

CATEGORY

How would your customers describe the solution category you occupy? What terms would they use when searching for a solution?

UNIQUE VALUE PROPOSITION

How would you summarise the value of what you do for your customers, and why you are worth buying?

UNFAIR ADVANTAGE

What is the single most significant, powerful and provable thing that differentiates you from all other options open to your prospect?

7: unique Value Proposition/ unfair Advantage

How are you going to stand out from the crowd? Your unique value proposition should establish in simple, clear, compelling and memorable terms why you are different and how you are valuable to your existing and prospective customers.

You only have a few seconds and a handful of words to get your point across. Your value proposition must resonate with your ideal customer and stakeholder audience and leave them wanting to learn more or you will lose their attention and they will move on.

Your unfair advantage is often closely connected with your unique value proposition. It needs to be something that cannot easily be copied by your competitors.

Because of this, the strongest unfair advantages often relate to your ability to execute. Products and messages can be copied - and often are. But an ability to execute your chosen strategies more effectively than others around you often becomes the basis for persistent long-term competitive advantage.

Can you articulate your unique value proposition in a simple, clear, compelling and memorable way? And what are the potential sources of truly sustainable advantage?

8: Go To Market Strategy

Your go-to-market strategy needs to describe the key elements of a repeatable, scalable and predictable sales and marketing process that is going to enable you to find more of the right sort of prospects, convert them into customers, and satisfy their needs profitably.

How do you intend to connect with your prospects? How do you plan to generate demand? How do you intend to balance and integrate your inbound and outbound marketing activities? What role does business social media play in achieving your goals?

You also need to consider and capture your sales strategy. Are you going to sell over the web, use face to face selling, sell through OEMs, or involve channel partners - or some combination of those approaches? How are you going to develop your existing customers?

Do you need strategic partners? Can you afford the effort and time involved in making them productive? What roles do you need your partners to play? Have you worked out what's in it for them? How are you going to recruit, manage and enable them?

When summarising your go-to-market strategy, you need to concentrate on the handful of elements that are most critical to your ability to reach, serve and profitably satisfy your customers.

GO TO MARKET STRATEGY

What are the most important ways of reaching your prospective customers? What are the key elements of your sales process?

COST OF SALE

What are the key sales and marketing costs associated with finding, winning, developing and retaining customers?

SOURCES OF REVENUE

What are the key sources of revenue from your customers?

9: Costs - Revenues

Given your go-to-market strategy, what are the key investments you need to make in order to find, win, develop and retain your customers? What is your target sales and marketing cost as a percentage of revenue? Do you expect it to vary between markets?

Sales and marketing costs can vary dramatically between different sales models. The break-even point between customer acquisition costs and lifetime customer value is significantly affected by how you package your product or service offering and what go-to-market model you adopt.

What are your key revenue streams? How are they split between products and services? What are the key principles behind your pricing strategy? What's the balance between immediately recognisable revenues and recurring revenue streams? How do you expect this balance to change over time?

It's worth doing some sensitivity analysis against the assumptions you make in this section. What would happen if your planned revenues did not materialise? What are the expected returns on your sales and marketing investments?

When summarising your cost of sale and sources of revenue in your business model framework, you should pay particular attention to the big numbers - and the key assumptions.

10: Key Metrics

Finally, your business model also needs to identify the key metrics you intend to use to measure your progress against your goals.

When it comes to marketing metrics, we recommend that you focus on outcomes, rather than activities. Such outcomes might include the number and value of leads accepted by sales, the number of enquiries that result in sales, and other similar result-orientated metrics.

Organisations usually make some attempt to measure the value of their pipeline. We recommend that your key sales metrics include the value of pipeline by stage, the conversion rate from each stage to sales wins, and the velocity with which deals are moving through the pipeline.

It's worth working backwards from your revenue targets to establish key leading indicators which can enable you to judge whether current pipeline values are capable of achieving future revenue goals.

Finally, what are the other key metrics that will enable you to judge the health of the business? Are there other important leading or lagging indicators? How frequently do you plan to measure and review them?

KEY MARKETING METRICS

What are the key marketing metrics you use to measure your progress against your goals?

KEY SALES METRICS

What are the key sales metrics you use to measure your progress against your goals?

OTHER KEY METRICS

What are the other key metrics you use to measure your progress against your goals?

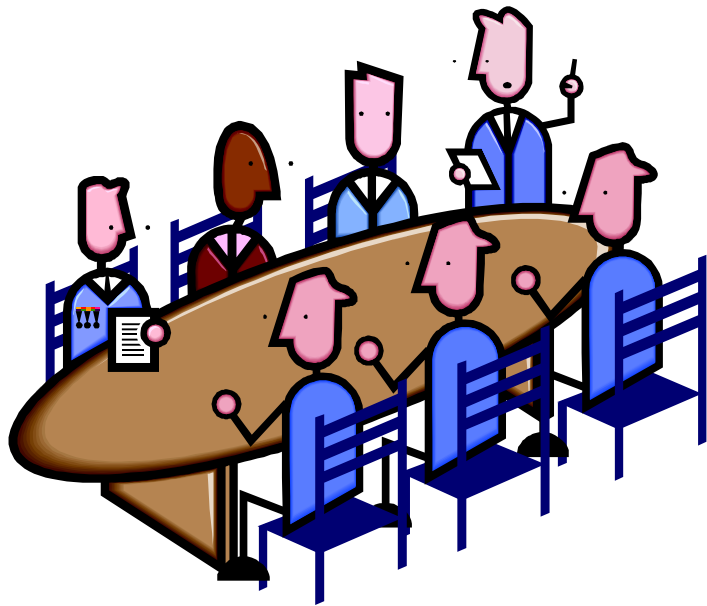
Developing Your Business Model

Developing your business model should be an iterative process involving key players from your organisation. It should be obvious that the answers you come up with in each of the building blocks both influence and are influenced by the answers you generate elsewhere.

One of the best ways of creating the sort of interactive involvement that results in effective models is to blow the business model framework up onto an A0 sheet of paper (drop us an email and we'll send you the template) and use post-it notes to capture the discussion around the table.

In the first phase of developing the model, your goal should be to come with a workable, testable hypothesis. The assumptions you generate will then need to be validated against a variety of sources, both internal and external - including win-loss reports and voice of the customer studies.

There's a strong argument for involving an independent facilitator. It can help draw out the contributions from all involved, promote healthy debate, keep the group honest, and ensure the necessary rigour is applied to the assessment.



Perhaps We Could Help?

If you're a UK-based B2B organisation, we can help to accelerate your business model development - and keep you on the right track - through a combination of on-site facilitation and structured, independent testing of the key assumptions made using voice of the customer studies.

Our clients tell us that they find this approach highly productive - enabling them to quickly grasp the subtleties of the model and dramatically accelerating the completion of the assessment and their identification of key priorities for action.

To find out more, please email us at info@inflexion-point.com, call us on +44 (0) 118 975 0595 or complete the contact form on our website at www.inflexion-point.com/contact.

We'll be happy to go through the costs and options available, share our experiences of working with other similar organisations, and to explain what outcomes you can expect to achieve from the exercise.

We've captured the key lessons learned from helping B2B companies with high-value, complex sales environments implement the Business Model Framework. We'd be happy to share our learning with you in more detail.



About Inflexion-Point

Founded by Bob Apollo, a former technology company executive who has helped build scalable businesses from start-ups to established market leaders, Inflexion-Point is one of the UK's leading B2B sales and marketing performance improvement specialists.

Our research-based, evidence-driven approach is enabling a growing number of clients to shorten sales cycles, increase sales win rates and accelerate revenue growth.

We help them establish repeatable, scalable and predictable sales and marketing processes that reflect the latest best practices as well as a superior understanding of who their best customers and prospects are, and how and why they choose to buy.

As a result, we're equipping promising early stage companies to "Cross the Chasm" that separates early adopters from mainstream markets, and enabling established organisations to refocus their sales and marketing activities and to revitalise their revenue growth.

You can learn more at our website www.inflexion-point.com or by calling us on +44 (0) 118 975 0595.

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