



Stanford eCorner

Business Models Matter

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Video URL: <http://ecorner.stanford.edu/videos/2552/Business-Models-Matter>

FLOODGATE Fund co-founding partner Ann Miura-Ko believes it's the business model that matters most, rather than the business plan. A well-thought out business model that is data-driven and scenario-focused will be seriously considered. According to Miura-Ko, models do a better job of unearthing assumptions about a company's users, customers, pricing, demand creation, sales channels, supply chain, and overall logistics - all critical components to building a successful venture.



Transcript

I believe that at this stage of development the seed stage for a company, it's the business model that matters not the business plan. So send me a 50 page business plan, I probably won't read it. But send me a picture of your business model all the hypothesis that you have around your business model and I'll take a really good look. And the reason why that's really important is that business models will enable you to understand exactly what your assumptions are and there are a lot of diagrams that we've put out that show what my version of business model/diagram looks like and Steve has that on his blog. Alexander Osterwalder also has a book on business model generation and so there are different frameworks now that exist out there where you can use them to figure out what your business model looks like. The business model is then really, really important because what we have our startups do is they'll go through each component of a business model. In my mind those would be your users, your customers, your pricing which also includes your customer lifetime, how you do customer demand creation, your sales channel, and then on the backend if your producing something or if you have inventory your whole supply chain that could all your components, design, manufacturing, and inventory warehousing. You should have assumptions around your entire business model of how you relate to all these different entities in your ecosystem. How do the customers view you, what's your value proposition to them? What's your value proposition to the manufacturers? What's your value proposition to the sales channel? How do you do demand creation? What's the cost of customer acquisition? These are all questions that you should be constantly thinking about. And if the dollars in are not greater than the dollars out, then you need to rethink your business model right then and there.