



# The Business Model

## A Programmed Approach

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**Wisdom of the Campfire**, the term evokes the smell of smoke, the warmth of a fire, the comfort of a relaxing mélange with a dancing flame and storytelling.

In this storytelling the lessons of one generation are passed to the next and the next generation passes them to the next. In this manner, the lessons of life are drawn in detail and passed along. Their repetition is the teaching. It has always been so.

This is the spirit in which this document is written. A series of basic questions which allows a company Founder or CEO to make a graphical model of his business engine.

This business model graphic will allow you to evaluate the moving parts of the business engine by seeing their relationship to each other. Keep sketching until you like the result and it is an accurate depiction of the business engine you are building.

Taken together with a worthy stab at the foundation documents of Vision, Mission, Strategy, Tactics, Objectives, Values and Company Culture, you will have an excellent view of from whence you are launching or revitalizing your business.

One little caution --- the world is changing fast and this Internet stuff seems like it is going to be big. The shelf life of many of your planning documents --- including our basic business model --- is getting shorter and shorter. You will have to revise your plans accordingly.

You are sitting at that campfire and telling your story as it exists at that instant in time.

It is not a test. It is a set of questions which will reveal the truth of exactly where you are at this instant in time and perhaps a few formative issues that might be worthy of a bit of attention.

It is your campfire.



Jeffrey L Minch has been running businesses as a Founder, President, Chief Executive Officer and Director for over thirty three years. He likes to think he is getting the hang of it all but who really knows. He is still learning and likely always will be.



He has run public and private companies and has wrestled with in highly regulated business environments as well as large financial undertakings.

He had a stint of thirteen years running a public company --- United States Securities and Exchange Commission reporting company with all the attendant regulations including the 1933/34 Acts, Regulation FD, Sarbanes-Oxley, PCAOB and exchange rules.

He had another stint of twelve years running a large private company with all the attendant challenges of building and renovating significant real estate assets.

These enterprises make up twenty five years of his thirty three years of experience and represent a level of continuity rarely seen in such a time period. The significance of this is that while Minch is a committed and experienced CEO, he has had ample opportunities to try out, refine and document all of his theories on founding, running and growing companies.

His voice at your campfire is experienced, passionate, authentic and sometimes even wise. But it is because he has walked miles in your moccasins.

He would be the first to tell you that some lessons come with the sweetness of triumph and some with the bitterness of disaster. As Rudyard Kipling said:

**If you can meet with Triumph and Disaster  
And treat those two impostors just the same;**

Minch has founded companies and grown them to a substantial size approaching 500 employees and \$100MM in gross revenue and has conducted turnarounds of struggling businesses and business units.

He knows how to operate in a multi-unit, multi-city, multi-state operating environment and he has operated in highly regulated industries.

He has raised over \$1,000,000,000 in debt and equity in multiple forms and fashions and knows the business of raising money in great detail.

He has made it to the pay window a few times and he has lost good money in bad investments. He has paid a full tuition for all of his lessons.

One of his theories he calls **The 360 degree Businessman** which suggests that to be successful in business --- startup and small businesses, in particular --- a CEO has to master not just the typical leadership and management challenges of vision, mission, strategy, tactics, objectives, values and company culture but also technical pursuits like finance, marketing, training, the Internet, social media, legislation, lobbying, litigation, design, branding, technology, communication and a myriad of other skills.

Minch sees business like a process --- a chained series of processes --- which can be reduced to a series of descriptions and graphics which allow each CEO to use his own personal learning style to embrace the challenges of running increasingly more complex enterprises. This is particularly applicable to startups which scream out for a plan to solve some important problem of the world.

Before Minch got into the CEO-ing business, he had been an Army officer and had had the luck to have been a platoon leader and a company commander in the Combat Engineers. He likes to tell folks that everything he ever needed to know to run a company he learned as a platoon leader and company commander.

Being a company commander is as close to being a Chinese feudal warlord as is possible to be without actually being one. It is a great job. It focuses on mission, developing capabilities to accomplish that mission, training to accomplish that mission and taking



care of your men --- not bad concepts to running any enterprise.

Today, he provides mentoring, advisory and coaching services to CEOs and C level executive in startup and small businesses. He organizes this endeavor under the brand of **Wisdom of the Campfire**. In this manner CEOs can tap into his experience at a small tuition. It is important to learn from experience but it may be cheaper and faster to learn from someone else's experience.

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You may enjoy reading **The Musings of the Big Red** Car which is a whimsical blog written from the perspective of a cherry red 1966 Chevy Impala Super Sport convertible which is able to channel Minch's thoughts and musings.



Before we all take this too seriously, just remember this is the guy from whom you are taking advice. A little cowboy with a six shooter.

Good luck and Godspeed in all of your endeavors. Welcome to the campfire.



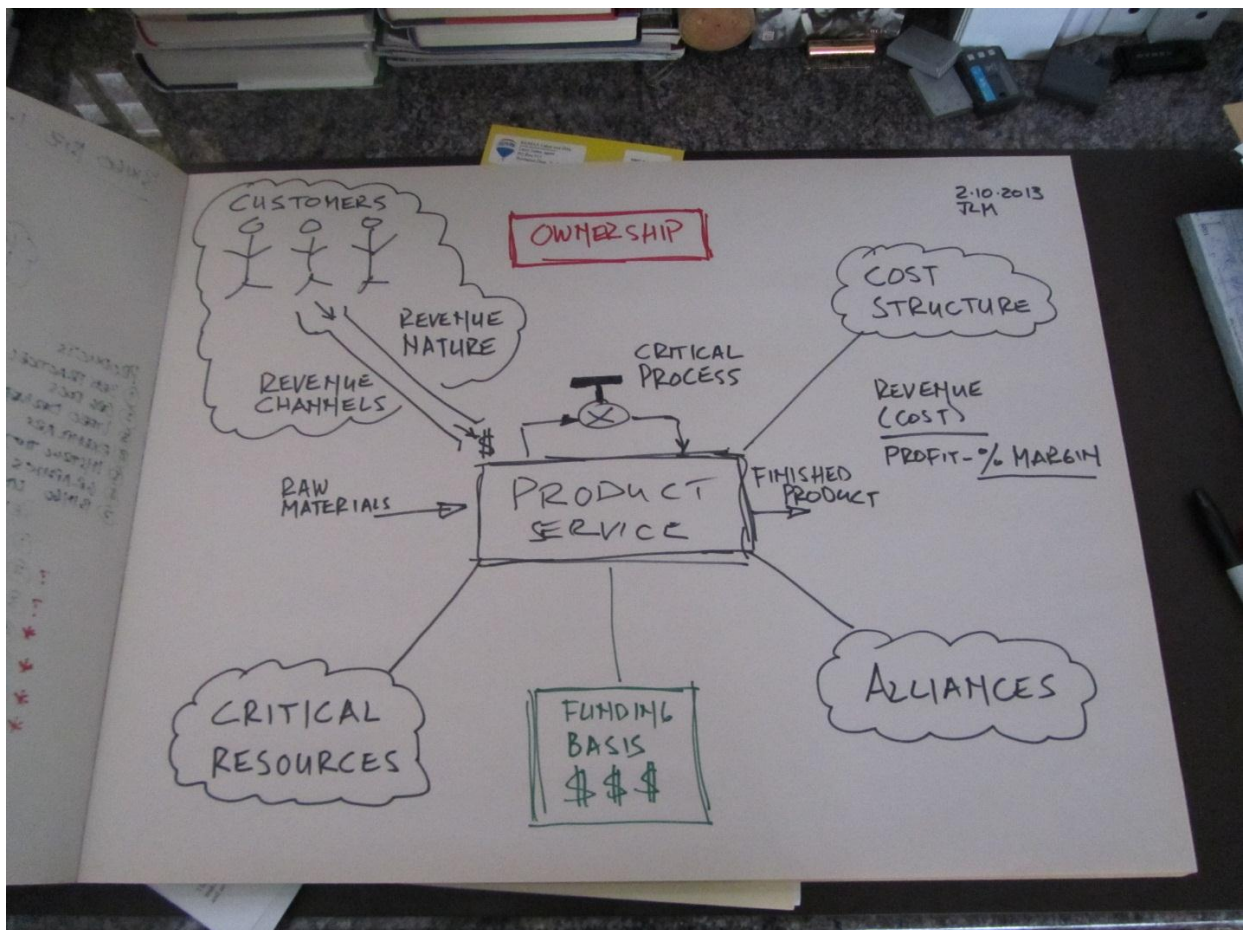


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This document will lay out a very simple approach to making a graphic to describe the business model for your startup or small business. In the fast paced Internet world in which we find ourselves today, less emphasis is being placed on traditional business planning in favor of a more “lean” approach.





Here is a way to adopt that lean approach and yet ensure that you and others know exactly what business you are in. Try it.

In the end, you will have an excellent picture of your business and a graphic with which to explain it to others. Keep working on the graphic constantly and making useful refinements. Good luck.

There are 13 fundamental questions which must be answered.

### **1. What is the basic product or service you intend to supply?**

Every business must solve some problem in order to attract and retain paying customers. What problem does your business solve?

If it is a product what benefit does it provide? Is there a unique value that is created by the use of your service or product?

This may be enunciated in terms of uniqueness, new technology, innovation, speed, price, convenience, design appeal, enhanced performance or exclusivity --- brand.

Be able to draw the process through which the service or product is created.

### **2. Who are your customers?**

This is perhaps the most obvious question as you must deliver your product to someone --- your customers. Identify exactly who they are and where they exist.

But there is also an issue as to whether your customers are homogeneous or do they exist in many different or perhaps very subtle different states of being.

Might you have to go through an established network of brokers --- in as an example the real estate business --- and therefore your customers are both the final user and their gatekeeper.

Identify who is writing the check. That is your real customer.

### **3. How do you reach your customers?**

Once you have established who your customers are you must consider how you intend to reach them? This is really an issue of communication channels. How do you get to them?

You must identify who the customers are and how to reach them both before and after the sale. If part of your product is training or customer service the channels issue is even more important.

#### **4. What is the nature of the customer relationship?**

When your customer has your product or service in hand and they have paid the bill, if there is one, what is the nature of your relationship?

It could be a traditional seller-buyer relationship. It could be a landlord-tenant or other lessor-lessee relationship. In the case of a membership or subscription business, it might be a community relationship. It could be the form of a joint venture or other collaborative relationship.

Think carefully and define the relationship. There could be more than one even with the same customer.

#### **5. What are the revenue streams from your customers?**

Here you are identifying the revenue streams themselves. As an example, you may have a one time fee and a hosting or maintenance fee. These are two different revenue streams.

This is decidedly different from the “nature of the customer relationship” and the “nature of these revenue streams.”

Here we are looking to catalog the revenue streams and in the next question, we can explore their unique nature.

#### **6. What is the nature of these revenue streams?**

This is a trick question as it is really plumbing for the notion of the type of revenue streams. This could include an outright sale, a rental, a subscription fee, a membership, a license fee, a brokerage arrangement or a usage fee.

There are a number of different types of revenue streams even for the same product. Describe yours. And if there are multiple different types of revenue streams, describe all of them.

#### **7. What critical resources or assets must you possess?**

What are the resources without which you cannot survive and which assets are equally critical to your survival.

If you are starting up an Internet based service, then you will have to have almost perfect domain hosting and server availability to be able to win in the marketplace.

Identify each and every such critical resource or asset.



## 8. What are the critical processes you must master?

Like resources and assets, there may be processes which you must master to actually operate your business. If you are engaged in an aviation related business, you may need to be able to fly an airplane. Or to hire someone who can?

Catalog all the critical processes you must master to run your business as you envision that to be.

## 9. What alliances must be created?

In order to be able to deliver your product or service you may need some unusual alliances to ensure access to the customer or even to create the product. Explore what those might be.

This is important from the perspective of ensuring you identify who else will have an impact on your success but also to identify what may be a substantial risk in your business model.

If you are having software developed in Eastern Europe, that is decidedly different than developing it in the office next door. It imparts both a concern about control but also risk.

## 10. What is your expense structure?

How are your expenses configured? Identify and rationalize each and every expense.

How do the bills get paid?

As you scale, how will these expenses also scale?

What is the cost of goods sold? Your overhead?

Calculate your gross margins currently. In a year and in the long run.

How much do you personally make?

## 11. What is the relation between revenue and expense over time?

As your business grows and you start from a specific relationship between revenue and cost, how does that grow or scale?

Most businesses will see overhead as a percentage of revenue declining as the size of the revenue increases.

How does your business scale as it grows? What pressure is added or reduced on expenses and margins?

## **12. How do you intend to fund this enterprise?**

How will the bills be paid until the business is cash flow positive?

What is your source of funds and how much runway do you have in front of you?

## **13.. Who owns the business?**

Who literally owns the business as an inquiry into the capitalization table but also the realities of governance?

Who not only owns the business, who is calling the shots as it relates to important decisions.

There is a great book --- **Business Model Generation** by Alexander Osterwalder & Yves Pigneur --- on this subject.

It was crowdsourced and it is very extensive. In fact, the reason I like the **Wisdom of the Campfire** approach is because it gets you to the finish line quicker.

Please do read this book and use it to put even more substance behind your business model.

Whatever you do, make a business model and update it from time to time.