

What do I need to know about business models?

Business models, if you boil them right down, are all about 'how'.

It's a small word, but a great leveller – it forces budding tycoons to nail their blue-sky brainwaves down in the real world. As Emma Jones, founder of startup support network Enterprise Nation, says: "A business model is a plan. It's what makes an idea a viable proposition. It's the modus operandi behind how a business will move from its early stage towards ultimate, set goals, with some coping mechanisms built in for what may happen along the way."

Jones explains that a successful business plan depends on the following five elements:



1

The concept

Perhaps you, your boss or your client has spotted a gap in the market. Or you may want to monetise a passion, hobby or skill. Or you may have seen someone offering something and thought you could do better. All are good places to start.

2

The plan

Writing a 'route map' will help you determine, first, whether the project you have in mind is sustainable and, second, how it will work in the long term. It's easy to remember which points to include, as they spell out the urgent acronym 'I'M OFF':

- **Idea:** what is the product or service?
- **Market:** who are you aiming to serve?
- **Operations:** what do you need to get started?
- **Finance:** do a basic sales-less-costs forecast.
- **Friends:** who is part of your support network as the business develops?

3

Sales

You're not in business until you're chalking up sales. Thought needs to be given to the business' network, and how to expand it.



How to improve business models

Bobby Chadha, head of fintech labs at Santander, has a host of practical insights into how accountants can apply their skills to clients' business models. A chartered accountant and startup mentor, Chadha helped accounting software firm QuickBooks grow from 600 paying UK subscribers to more than 150,000. He says that there are three critical areas on which accountants can advise.

1. Customer behaviour

First, there's the matter of understanding customer behaviour: "Deliveroo is a great example," Chadha explains. "If you were an accountant for a traditional restaurant, you would think about footfall, cost-per-plate and the margins you make on the produce you buy versus the meals you sell.

"But, if your client decides to work exclusively for Deliveroo as a pure-play kitchen, the business model changes entirely. Footfall is no longer an issue, because customers are

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ordering through their phones. So you need to compile data on ordering numbers through the app, what time is peak, what time is off-peak and so on. The new model revolves around completely different customer behaviour, and it's super important for accountants to understand that."

2. Channels

Channels are points of sale – whether door to door, in store or online. "When we're advising clients, it's important for us to know which channels businesses can take advantage of," says Chadha. "Why? Well, in the world we're living in now, we know that the majority of shopping takes place via mobile devices. So, as an accountant, you need to know how your client shows up online. If they're a gardener or roofer, have they signed up to Checkatrade.com or any similar channels where they could acquire new customers? And are you aware of those channels?"

3. Pricing

Chadha advised a self-employed gym trainer on pricing. He traditionally charged clients for blocks of sessions, with a discount for prompt payment. Chadha

says that model is old hat: "People are accustomed to paying for things, such as Netflix, on a monthly basis. So let's set up a monthly subscription by direct debit." The trainer might make less money upfront, but, as Chadha explains: "The long-term value of those particular clients is going to be so much greater, because the more manageable pricing will enhance loyalty."

Tweaking the model

Emma Jones agrees that accountants have a role to play in shaping business models, particularly when companies scale up, sparking a review of the original strategy: "As growth occurs, there comes a point when the founder needs to step back from the business and take some advice. Growth often highlights management and staffing issues. Many founders find that they need to learn new skills to be able to recruit and manage people. The business plan will also need to be re-evaluated: now the model is proven, is there a need to bring in investment and ramp up spending on, say, marketing activities?"

All of these questions require advice from trusted, knowledgeable sources. That's where you come in.

4

Promotion

Getting the brand out there, and the costs involved in doing so, is a big consideration.

5

Repeat

Run through the previous steps continually to remain in business, while balancing your precious time between three key tasks: taking care of existing customers, business development and staying on top of your company's admin tasks.

Further reading

- Find a library of business-model options at startups.co.uk/business-plans
- For more tips, head to unbiased.co.uk/life/small-business/work-out-your-business-model