

Technical Assistance Facility (TAF) for Industrial Modernisation and Investment

TOOL #4 Defining your offer

Business model validation

What is the tool about?

The products and services that your project produces or aims to produce are your offerings. A **business model helps you structure your offer and raises relevant questions to help you show how your offer generates value for your customers**, by defining its key components such as the target market and customers, the essential elements of the products/services, the key resources and activities to produce those and how these will be provided.

Why is it important?

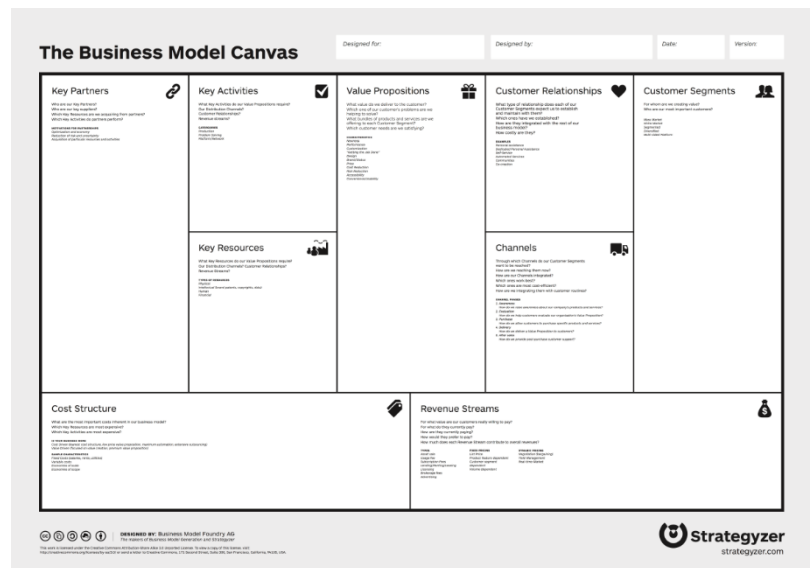
Your offerings **need to correspond to the needs of the market**. One way to ensure this is the case is to have it validated by its end users (early adopters are often the go to market segment for validating an offering, however, validation through other segments may also bring benefits). Thus, it is very important to verify at the early stages of the project development if the service/product offered corresponds to the target market niche and if it has a competitive advantage (e.g. in terms of innovativeness or pricing).

Checklist/key steps:

- ✚ **Define the Unique Value Proposition (UVP) of your offering:** UVP shows to your customers how they will benefit from your offer and how your products or services will address their needs and solve their problems, and what the unique features that differentiate your offer from the competition are. Hence, the UVP definition is the first step towards defining your offer.
- ✚ **Identify early adopters and distribution channels:** mobilise companies through clusters, incubators, accelerators and similar entities for testing and validation of your service or product offering. In addition to receiving their feedback on the offering, they may become potential partners or customers. Their feedback could also help identify distribution channels, which are relevant for the placement of the offer into the market.
- ✚ **Make first estimation of the business case cost structure:** the initial financial projections are important in showcasing the potential of your business case and its offering. The estimate shall be based on the short-term as well as long-term projections and include the expected sources of the revenue streams and costs accordingly.
- ✚ **Validate your business model by** confirming the three core assumptions: **delivery, creating and capturing value**. Business Canvas Model methodology is a proven tool for developing a hypothesis about the above-noted core assumptions.

Methods

There are different approaches and techniques used for business model validation and offering but the most common one is the above-noted Business Model Canvas methodology developed by Alexander Osterwalder, which has been considered as a **strategic management template that helps businesses to describe, design and analyse their business models** on a basis of a hypothesis. [Read more.](#)



Do's and don'ts for interregional investment initiative development:

Do's:

- **start involving industry**, including relevant clusters, at the early stages of the investment project development to get timely insights about your market and its preferences;
- **secure (political) commitment and support** of the key stakeholders and identify the key resources needed for the implementation of the envisioned investment/business idea (then secure their commitment via MoU's and letters of support);
- **identify and approach timely the potential funding sources** as they will also provide valuable feedback when assessing the business potential of your technology/product and service offering and you may secure additional funding for your project;
- take advantage of the **complementary initiatives to build synergies** and collaboration.

Don'ts:

- **disregard and ignore the ownership of the investment project** in making and its business implementation e.g. the needed investment in a long-term effort;
- **disregard the investment readiness level (IRL)** of your technology as the starting point for the development of a business case shall be at the IRL 6.

Case studies:

- DE-RE Manufacturing for Circular Economy project from the Efficient and Sustainable Manufacturing partnership
- PDP Personal data platform for a predictive/preventive/personalized/participatory health system' (PDP) from Personalised Medicine partnership

More resources:

What is UVP: <https://www.omniconvert.com/what-is/uvp-unique-value-proposition/>

How to validate your idea before starting an enterprise: <https://www.entrepreneur.com/article/302375>

How to write the financial section of a business plan: <https://www.inc.com/guides/business-plan-financial-section.html>