



Leading the Way from Thought to Action
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Middlebury Solutions Group: Zero-Based Business Model

The ZBM frames all Middlebury Solutions Group Engagements

1. Identify the Customer

- a. Who is (and is not) your customer?
- b. What problem are you solving?
- c. How much pain does your customer suffer?
- d. To whom are you really selling?
- e. What business are you really in (and not in)?
- f. Demographic characteristics of your customer
 - B2C – Age range, professions, family size, income, homeowner?
 - B2B – Detail supply chain and your firm's place in it
- g. What are your customers' key value drivers?

2. Measure the Market

- a. Size
- b. Growth rate
- c. Geographical scope

3. Understand the Competitive Landscape

- a. How is the problem being solved now?
- b. What are the alternatives to buying your product/service?
- c. Direct competitors
- d. Indirect competitors
- e. Potential competitors

4. Define the Offering

- a. Physical product or value-added service?
- b. Packaging
- c. Experience
- d. By market segment

5. Key Characteristics of the Business

- a. Management team
 - Who is running the company?
 - How much skin do the founders and key personnel have in the game?
- b. Strategy for taking advantage of the opportunity is?
- c. How will the business grow?
- d. Competitive advantage
 - Define the unique combination of activities that creates competitive advantage (What is the venture's "secret sauce"?)
- e. Focus
 - What does the firm sell to the customer?
 - How does the firm reach the customer? Sales/distribution channels
 - How do customers know about the company and its offerings?
 - Why and how do your customers buy?
 - Economic value of the product
 - Differentiated value
 - Problem(s) solved
- f. Business model - How does the business make money?
- g. What are the key value drivers of the business?
- h. What are the key risks of the business?
- i. How easily and inexpensively can the business scale?

6. Build a Go-to-Market Strategy

- a. In-house vs. contract production
- b. Direct vs. indirect sales/distribution channels
- c. Role of Internet/Web site
- d. Marketing strategy
- e. Customer service and support

7. Determine Pricing

- a. Determine product and service pricing consistent with the strategy
 - Positioning - sell to segments, not to markets
 - Perceived value
 - Value proposition
- b. Value-based or cost-based pricing?

8. Understand the Economics of the Business

- a. Financial projections and analysis
 - Cost
 - Revenue
 - Net income (including margin against scale)
 - Cash flow
 - Break-even analysis

- b. Alternative financial models
 - Alternative channel strategies
 - Product line profitability
- c. Cash flow is key
 - Understand the sources and uses of cash

9. Sales/Marketing

- a. Value proposition
 - What is the message?
 - Does the customer see the value?
 - One-off sale or relationship?
 - Tie-back to strategy – How does firm make money?
 - Understand the lifetime value of a customer
- b. Inside sales force vs. sales rep
 - Compensation structure
 - Geography
 - Market segments
- c. Marketing
 - Advertising
 - Public relations
- d. Clear definition of target market segments
 - Product
 - Services
 - Channel

10. Operations

- d. Human resources
 - Competition
 - Outsourcing options
- e. Product/supply chain
 - Make vs. buy
 - Delivery
 - Installation
- f. Fixed assets
 - FF&E
 - Facilities
- g. Information technology
- h. Management