MODULE 4 EXERCISE

**- Business Model & Income -**

**1. Your company’s business model is how you create and deliver value to your customers and how you capture value from them – essentially, how you will make money.**

Your business model is an explanation of how you deliver value to your customers at an appropriate cost. A business model can be broken down into three areas:

1. **Everything needed to create your product/ service:** design, raw materials, manufacturing, labor, etc.
2. **Everything needed to sell your product/ service:** marketing, distribution, delivering a service, and processing the sale.
3. **How and what the customer pays:** pricing strategy, payment methods, payment timing, etc.

*Take a few minutes to* ***draw*** *your business model. If you would rather write out your business model then that is also fine.*

*Refer back to the various types of business models in the Module 4 slides, or do some research online. Remember, many businesses will use a combination of business models.*

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**2. As you will see, your business model breaks down what costs and expenses you have, and how much (and when) you can charge for your product or service. Now, let’s look at your income!**

*Describe how you generate income below:*

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**3. Now, think about a typical transaction or sale in your business and complete the following table to better understand your income and your gross profit.**

* *Your “average sale” is the (average) amount you charge to deliver your service, or the cost of a unit of your product.*
* *Your “average cost of sale” is how much it cost you to produce the product or service. If you don’t know this, it is time to do some work to figure it out!*

|  | **Amount** | **Notes** |
| --- | --- | --- |
| Average Sale |  |  |
| Average Cost of Sale |  |  |
| Gross Profit per Sale  (= Average Sale- Average Cost of Sale) |  |  |
| Average number of sales per month |  |  |
| Average monthly Gross Profit  (= Gross Profit per Sale x Number of sales per month) |  |  |

**You can now enter a description of how you generate income into your canvas in the Income block.**