STARTUP IRELAND
BY ENTERPRISE IRELAND

THE FOUNDER PLAYBOOK SERIES · 02

How to build your business model

A practical guide to turning a validated idea into a workable business



startupireland.com

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ABOUT THIS PLAYBOOK

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Before you invest heavily in building the building the business, get clear on how how the different parts of the model model could work together.



This playbook shows you how to turn a validated idea into a practical business model. A good business model brings the key pieces together: who your customers are, the problem you solve, how you deliver value, what it costs and where revenue comes from.

Getting this clear early can help you make better decisions, spot risks sooner and build a model you can test and refine as you learn.

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01

Six steps to build your business model

From your value proposition to pressure-testing the whole model.



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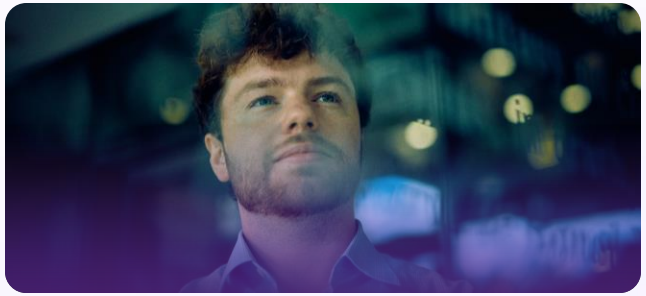
THE 6 STEPS TO BUILDING YOUR BUSINESS MODEL

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01
Nail your value proposition



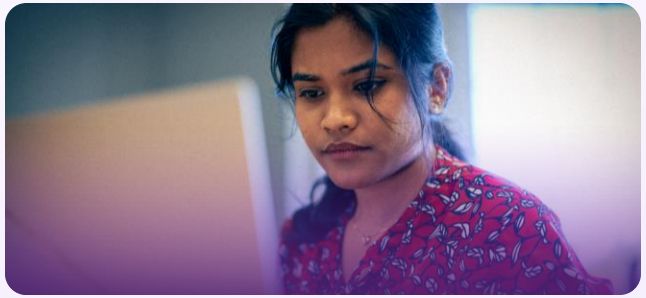
02
Choose your customer and model type



03
Map the whole model on one page



04
Choose your revenue model and set your your price



05
Understand your unit economics



06
Pressure-test and refine

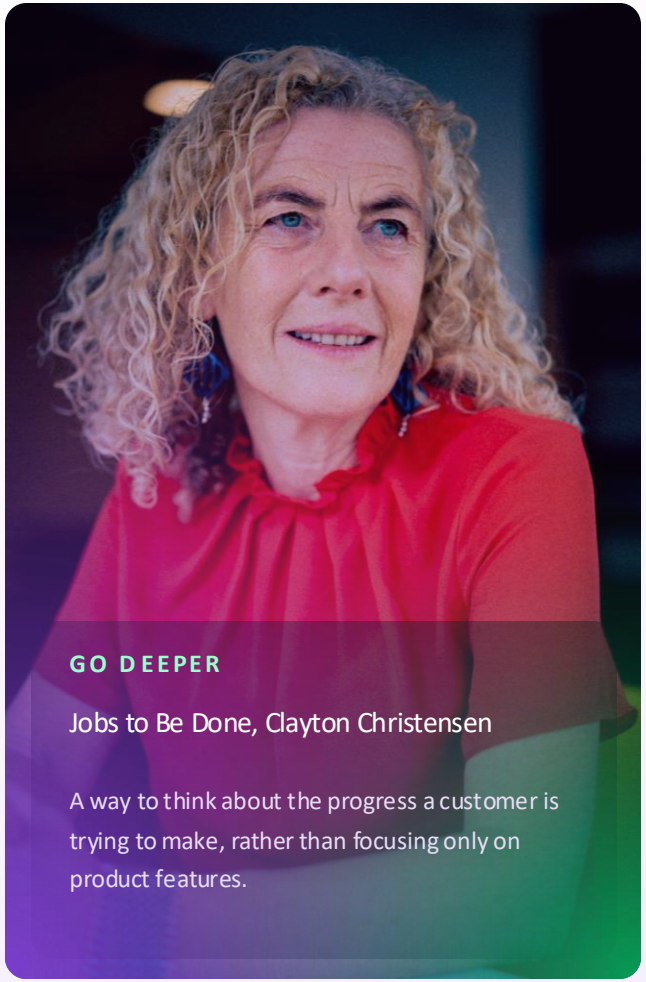


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STEP 1 OF 6
NAIL YOUR VALUE PROPOSITION



GO DEEPER

Jobs to Be Done, Clayton Christensen

A way to think about the progress a customer is trying to make, rather than focusing only on product features.

WHAT

Get clear on the value you aim to deliver: what problem you solve, who you solve it for and why someone would choose you over the alternatives.

HOW

Write a simple value proposition: " We help [customer] to [achieve outcome] by [how], unlike [alternative]." Use the Value Proposition Canvas to map your customer's needs against what you offer and identify the outcomes that matter most to them.

WATCH OUT FOR

Focusing on features instead of outcomes.

Customers will often care more about the outcome your product helps them achieve than a list of its features. Be clear about the difference you make for them, whether that's saving time, reducing cost, increasing revenue or making something easier.

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TOOL
VALUE PROPOSITION CANVAS

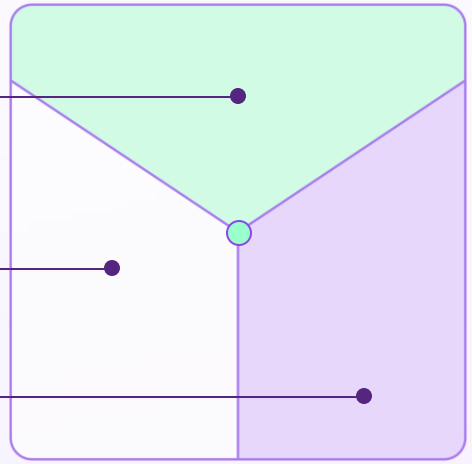
Use this canvas to understand your customer's jobs, pains and gains, and how your offer responds to them.

VALUE MAP

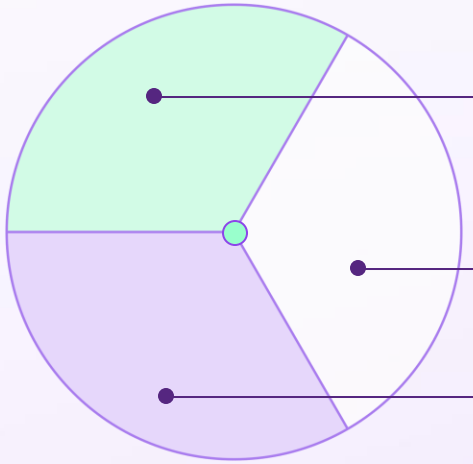
Gain creators
How you create customer gains

Products & services
What you offer

Pain relievers
How you ease customer pains



FIT



CUSTOMER PROFILE

Gains
Outcomes and benefits wanted

Customer jobs
Tasks they are trying to do

Pains
Frustrations, risks, obstacles

Value Proposition Canvas. Adapted from Osterwalder et al. (2014).

Core check

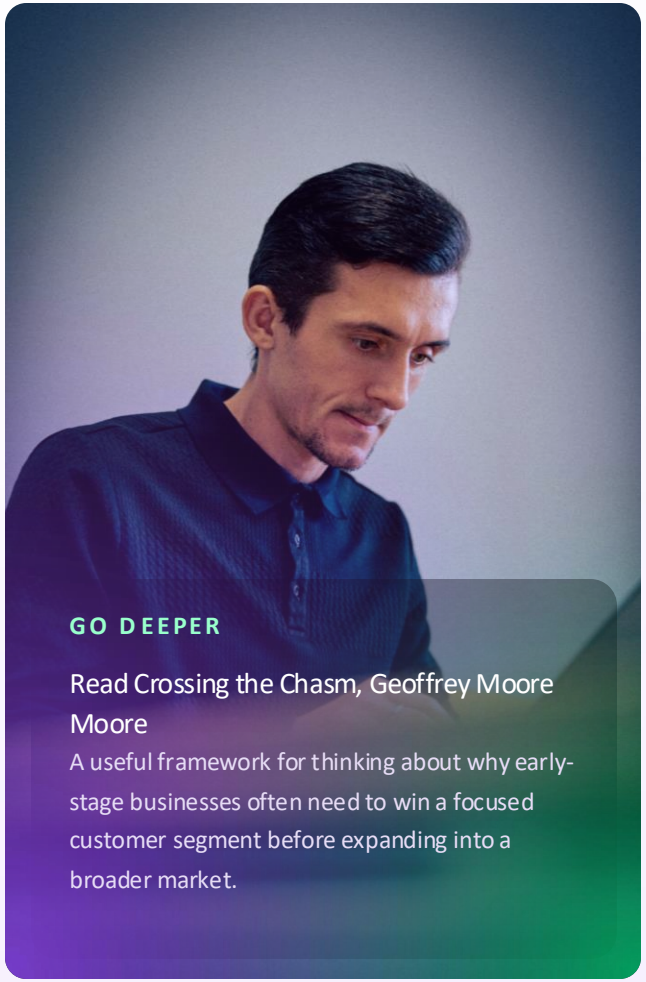
Fit comes when your offer relieves the most important pains and creates the most valued gains.

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STEP 2 OF 6
CHOOSE YOUR CUSTOMER AND MODEL TYPE



WHAT

Decide who you're selling to and the main way you'll reach them. This choice will shape your pricing, sales approach, costs and how the business grows.

HOW

Be clear whether your primary model is business-to-business (B2B) or business-to-consumer (B2C/D2C). B2B businesses often have fewer, higher-value customers and longer sales cycles, while consumer businesses usually rely on larger volumes of lower-value transactions. Start with the customer segment you're most likely to win first, rather than trying to serve everyone at once.

WATCH OUT FOR

Trying to pursue multiple models too early.

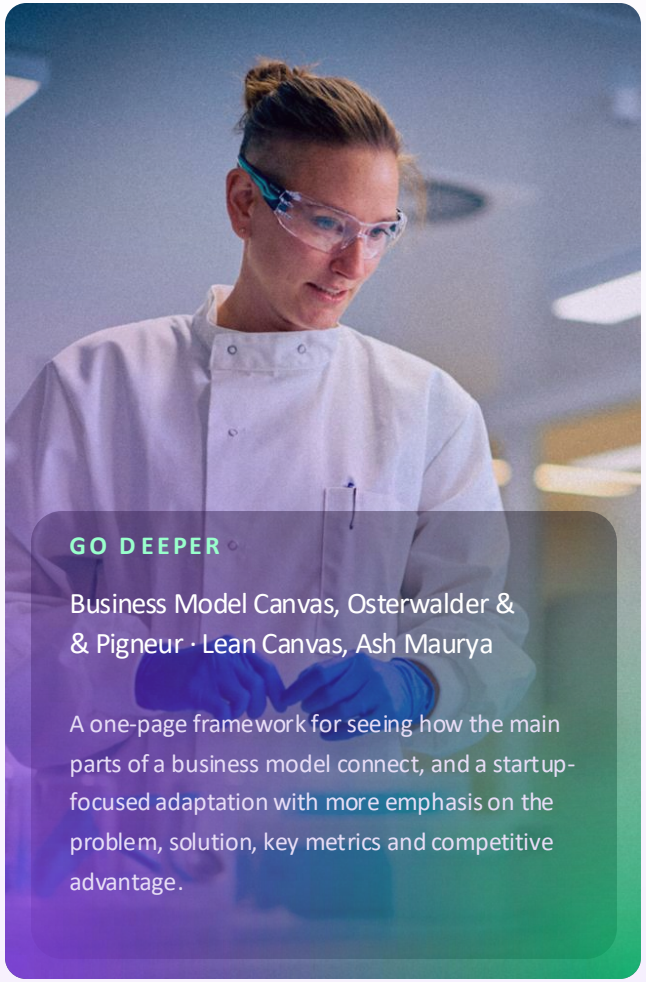
A blended B2B/B2C approach can add complexity before you've proved either one. Focusing initially on one model and customer segment can make it easier to test what works before expanding further.

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STEP 3 OF 6
MAP THE WHOLE MODEL ON ONE PAGE



GO DEEPER

Business Model Canvas, Osterwalder & & Pigneur · Lean Canvas, Ash Maurya

A one-page framework for seeing how the main parts of a business model connect, and a startup-focused adaptation with more emphasis on the problem, solution, key metrics and competitive advantage.

WHAT

See how the different parts of your business fit together, so you can spot gaps, dependencies and assumptions while they're still relatively easy to explore or change.

HOW

Use a Business Model Canvas or Lean Canvas to map the key parts of your business on one page: your customers, value proposition, channels, revenue, costs, resources, activities and partners. For an earlier-stage startup, the Lean Canvas may be more useful because it puts more focus on the problem, solution and assumptions you still need to test.

WATCH OUT FOR

Empty or vague boxes.

The areas you struggle to complete often point to the assumptions you still need to investigate, test or get more evidence on.

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TOOL
BUSINESS MODEL CANVAS

Describe how your business creates, delivers and captures value across nine building blocks.

8 Key partners
Who helps you deliver? Key suppliers and alliances.

7 Key activities
What must you do well to deliver value?

6 Key resources
Assets you need: people, IP, finance, physical.

2 Value propositions
What problem do you solve and what value do you deliver?

4 Customer relationships
How you win, keep and grow customers.

3 Channels
How you reach and deliver to customers.

1 Customer segments
Who are you creating value for? Who are your most important customers?

9 Cost structure
The most important costs of running the model, fixed and variable.

5 Revenue streams
What customers pay for, how they pay and what each stream contributes.

Business Model Canvas. Adapted from Osterwalder and Pigneur (2010); the canvas is licensed under Creative Commons (CC BY-SA).

Core check

Start with customer segments and value propositions, then work outwards.

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TOOL
LEAN CANVAS

Use this to capture your startup's riskiest assumptions on one page so you can test them quickly.

1 Problem — Test first

Top 1–3 problems your customers have.

Existing alternatives

How these problems are solved today.

4 Solution

Outline a possible solution for each problem.

8 Key metrics

Key numbers that show how the business is doing.

3 Unique value proposition — Test first

Single, clear, compelling message on why you are different and worth buying.

High-level concept

Your X-for-Y analogy.

9 Unfair advantage

Something that cannot easily be copied or bought.

5 Channels

Your paths to customers.

2 Customer segments — Test first

Target customers and users.

Early adopters

Characteristics of your ideal first customers.

7 Cost structure

Customer acquisition costs, distribution costs, hosting, people and other costs.

6 Revenue streams

Revenue model, lifetime value, revenue and gross margin.

Lean Canvas. Adapted from Maurya (2012); the Lean Canvas is licensed under Creative Commons (CC BY-SA).

Core check

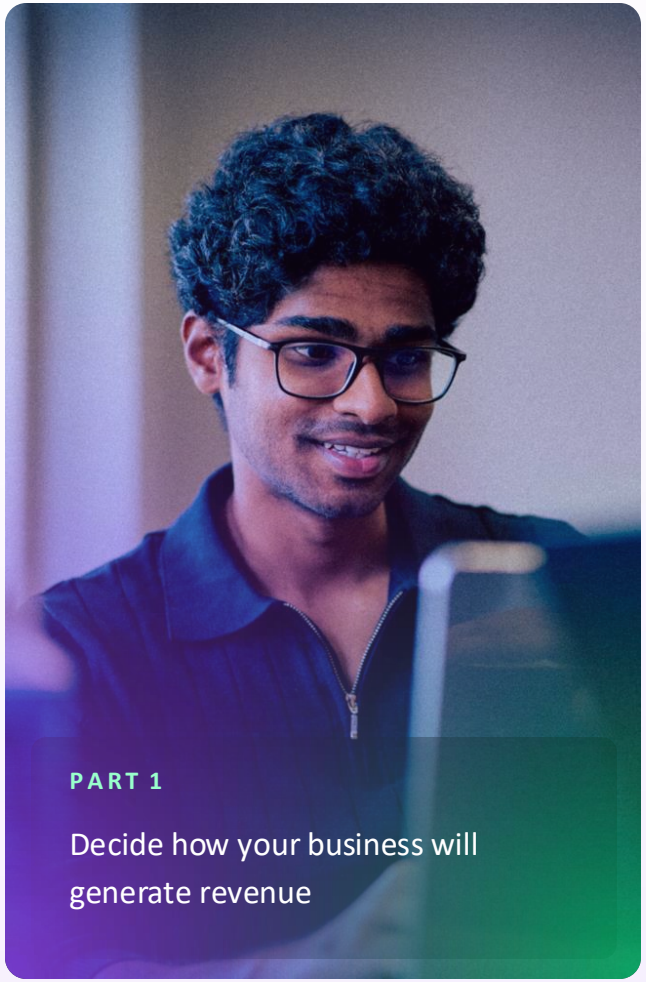
Test the riskiest boxes first: problem, customer segments and unique value proposition.

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STEP 4 OF 6 · PART 1
CHOOSE YOUR REVENUE MODEL AND SET YOUR PRICE



WHAT

Decide how your business will earn revenue, how often customers will pay and what they'll be paying for.

HOW

Choose the model that best fits how customers use and value your product or service. Common options include one-off sales, subscriptions, usage-based pricing, freemium, licensing and commission. Where it makes sense, recurring revenue can make income more predictable, but the right model depends on your product, customer and market.

WATCH OUT FOR

Choosing a model because it sounds attractive.

Pick the model that fits how customers want to buy, not the one that sounds best on paper. Test your assumptions with real customers before locking it in.

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STEP 4 OF 6 · PART 2
CHOOSE YOUR REVENUE MODEL AND SET YOUR PRICE

WHAT

Explore what customers may be willing to pay and whether that price can support a sustainable business.

HOW

Look at the value your product creates, what alternatives cost and what customers are willing to pay. If your solution saves time, money or effort, you can consider that value alongside your own costs when setting a price. You can test pricing through customer conversations, pilots or early sales, and refine it as you learn.

WATCH OUT FOR

Under-pricing.

Charging too little can make it difficult to cover your costs or grow sustainably, and it can be hard to increase prices later if customers have become anchored to a low starting point.



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STEP 5 OF 6 · PART 1
UNDERSTAND THE ECONOMICS OF EACH CUSTOMER

WHAT

Work out whether a typical customer customer generates enough value to to cover the cost of serving and acquiring them.

Watch out for

Looking only at revenue. A customer can generate revenue without necessarily being profitable if the cost of serving or acquiring them is too high.

HOW · START WITH THE CORE NUMBERS

01 Price / ARPU
Average revenue per user: what a customer pays you in a given period.

02 Cost of goods sold (COGS)
The direct cost of delivering your product or service.

03 Gross margin
What's left after those direct costs.

04 Customer acquisition cost (CAC)
What it costs you to acquire a customer.

05 Lifetime value (LTV)
The value you expect to earn from a customer over the full relationship.

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STEP 5 OF 6 · PART 2
CHECK WHETHER THE MODEL CAN SCALE

HOW

Once you have the core numbers, look look at how they work together.

Watch out for

Assuming scale will resolve weak economics. Growth does not necessarily improve the underlying economics of the model and, in some cases, can increase the impact of existing issues. Test the numbers early and revisit them as your pricing, costs and customer behaviour change.

01

LTV : CAC ratio

Compares customer value with the cost of acquiring them.

02

CAC payback period

How long it takes to earn back the cost of acquiring a customer.

03

Churn and retention

How many customers leave or stay over time.

04

Contribution margin

What each additional sale contributes after variable costs.

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TOOL
UNIT ECONOMICS METRICS

Use these metrics to test whether each customer or transaction creates sustainable value.

CAC

Customer acquisition cost

Sales + marketing cost ÷ new customers won

LTV

Customer lifetime value

ARPU × gross margin % ÷ churn rate

LTV : CAC

Return on acquisition

LTV ÷ CAC. A common benchmark is 3 : 1 or more

Payback

CAC payback period

CAC ÷ (monthly ARPU × gross margin %)

ARPU

Average revenue per user

Revenue in period ÷ average customers

Gross margin

Gross margin %

(Revenue – cost of sales) ÷ revenue

Contribution

Contribution margin

Revenue less all variable costs

Churn

Customer churn rate

Customers lost in period ÷ customers at start

Benchmarks vary by sector; use them as a guide, not a target.

Core check

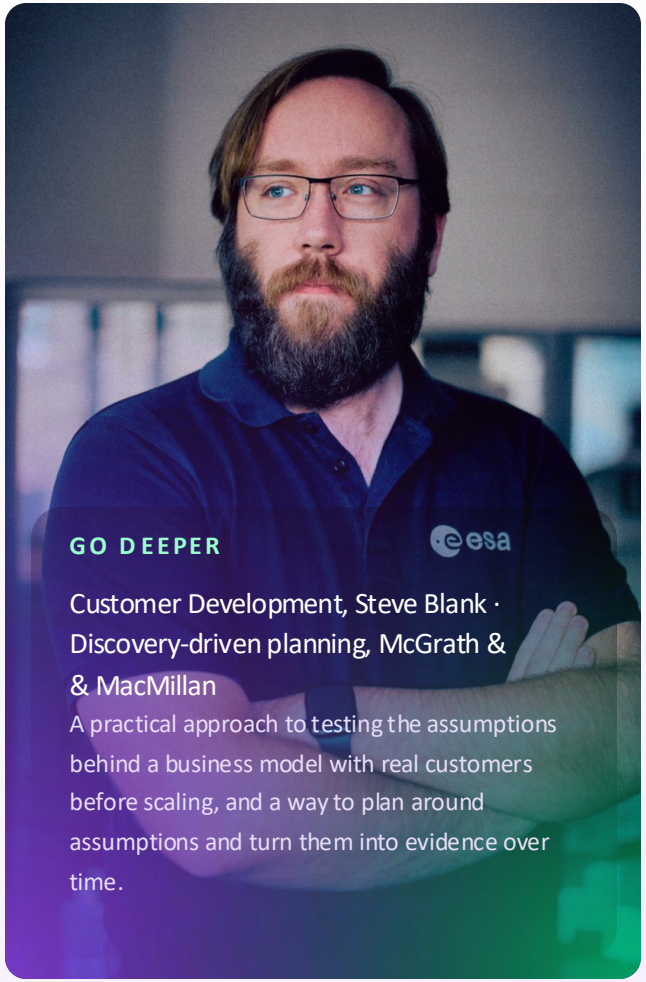
LTV : CAC should improve as the model becomes more repeatable and efficient.

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STEP 6 OF 6
PRESSURE-TEST AND REFINE



WHAT

Test your business model against reality and focus on the assumptions that matter most.

HOW

Ask yourself: what has to be true for this model to work? Identify the assumptions assumptions behind your model, such as what customers will pay, what it will cost to acquire them or whether they'll keep coming back. Then test those assumptions using customer conversations, experiments and real data. Update the model as you learn.

WATCH OUT FOR

Treating the model as fixed.

Your first version is a starting point, not a finished plan. If the evidence points in a different direction, adapt the model and keep testing.

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TOOL
BOTTOM-UP FINANCIAL MODEL

Build your forecast from customer-level assumptions such as pricing, volume, acquisition costs and delivery costs, rather than starting with a top-line target.

01
Inputs
Market and capacity

Target segments, SOM, sales team size, marketing budget

→ **02**
Volume
Customers won

Leads × conversion rate = new customers per month

→ **03**
Revenue
Recurring income

Active customers × ARPU, less churn

→ **04**
Costs
Cost to deliver

CAC, cost of sales, hires and fixed costs

→ **05**
Outputs
Investor view

P&L, cash flow, burn and runway

AVOID · TOP-DOWN

"If we win 1% of a €1bn market, we'll make €10m."

USE · BOTTOM-UP

"Three reps each close 8 deals a month at €400 a month, with 2% with 2% monthly churn."

Core check

Every total should trace back to a unit-level assumption you can defend.

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02

How your business model creates profit

Create value, capture it, keep enough of it and grow without breaking the economics.



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HOW YOUR BUSINESS MODEL CREATES PROFIT

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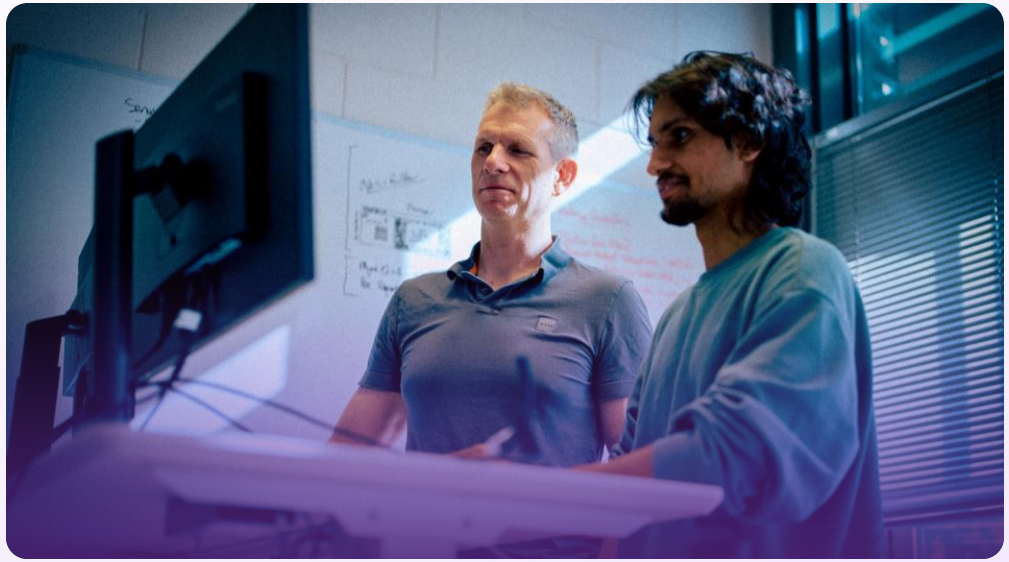
A sustainable business needs the whole model to work together.

01 Create value
Solve a problem customers genuinely care about.

02 Capture value
Use a pricing and revenue model that reflects how customers buy and where the business creates value.

03 Maintain your margins
Consider whether revenue can cover the costs of delivering the product, acquiring customers and running the business.

04 Grow sustainably
Keep checking how the economics change as the business grows.



The key test

If something isn't working, look for the weak link. You may need to revisit your pricing, delivery costs, customer acquisition, customer acquisition, retention or operating model.

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TOOLS TO BUILD AND TEST YOUR MODEL

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Five tools to map, price and test your model. Each one is introduced in the step where step where you use it.

Step 3

Business Model Canvas

Map the key parts of your business model on one page, from customers and value proposition to revenue, costs and partners.

Step 3

Lean Canvas

A startup-focused version that puts more emphasis on the problem, solution, key metrics and assumptions you still need to test.

Step 1

Value Proposition Canvas

Map customer needs, pains and gains against the value your product or service provides.

Step 5

Unit economics

Use CAC, LTV, gross margin, contribution margin, payback and churn to understand whether the economics work at customer level.

Step 6

Bottom-up financial model

Build your forecasts from real assumptions about customers, pricing, costs and growth rather than a top-line target.

Remember

Use the tools together: the canvases describe the model, the economics and the forecast test whether it holds up.

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WHAT A GOOD BUSINESS MODEL LOOKS LIKE
CHECK YOUR PROGRESS

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By the end of this playbook, playbook, you should have a have a clearer view of whether you can say:



- ✓ I can clearly describe who my customer is and the value I create for them.
- ✓ I know how the business will make money and how I'll price what I offer. offer.
- ✓ I understand the main costs involved in serving and acquiring customers.
- ✓ I have an early view of the unit economics and whether the model can work work sustainably.
- ✓ I know which assumptions are still unproven and how I'll test them.
- ✓ I can explain how the model could grow and where the main risks are.

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YOUR NEXT STEP

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Once your business model is clear, focus on proving it works in in practice. As demand grows, you can start building the team, systems team, systems and resources you'll need to scale sustainably. sustainably.

Read Playbook 3: How to scale your startup →



NEED SUPPORT?

Talk to your Local Enterprise Office to understand what supports might help you pressure-test your business model. If you would like more information about programmes you might be eligible for, contact a Startup Ireland Advisor.

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