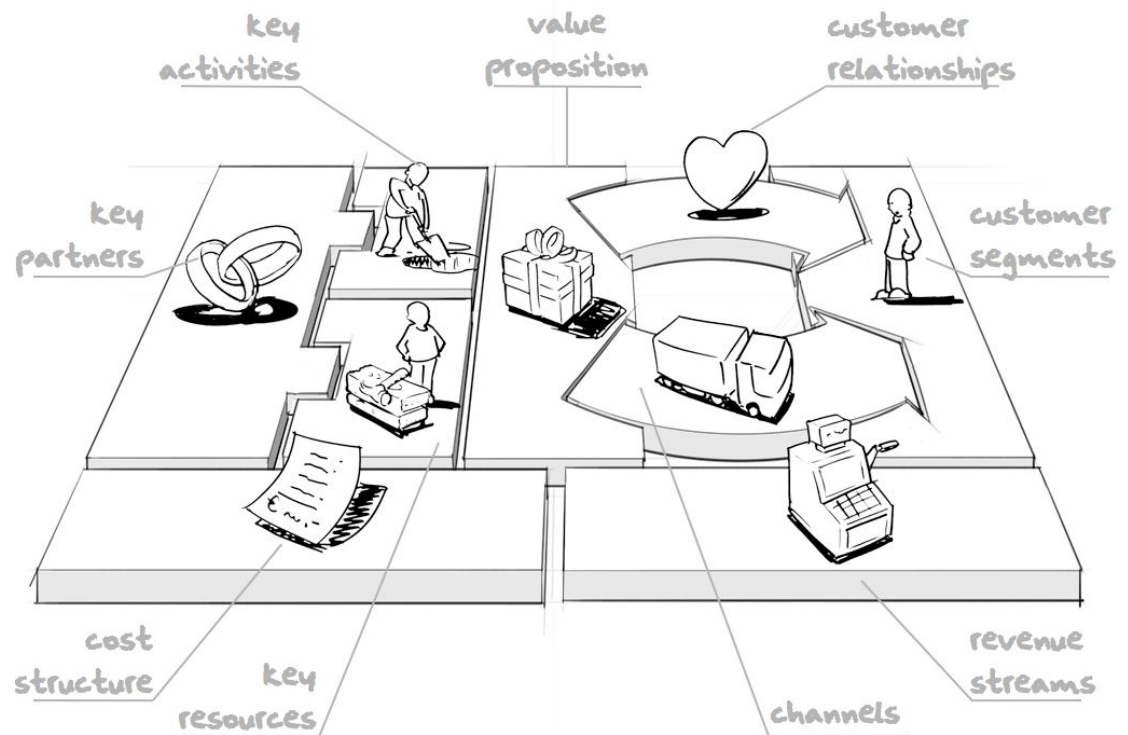


What is a Business Model?

Def_Business Model

a business model describes the rationale of how an organization creates, delivers, and captures value



images by JAM



it's
a term that many of us
frequently use

but
do we really understand
business models well enough?



what
actually is a business model?
tell me!



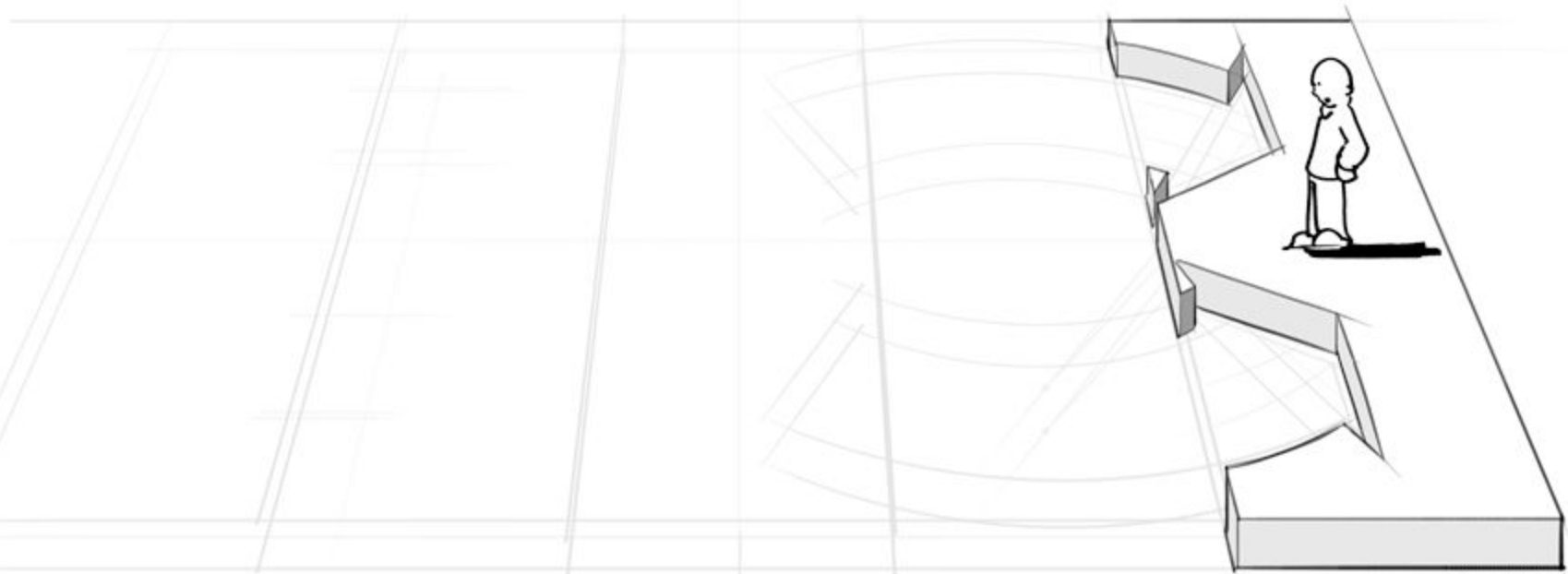
it
describes the rationale of how
an organization creates, delivers,
and captures value



a
business model includes nine
basic building blocks

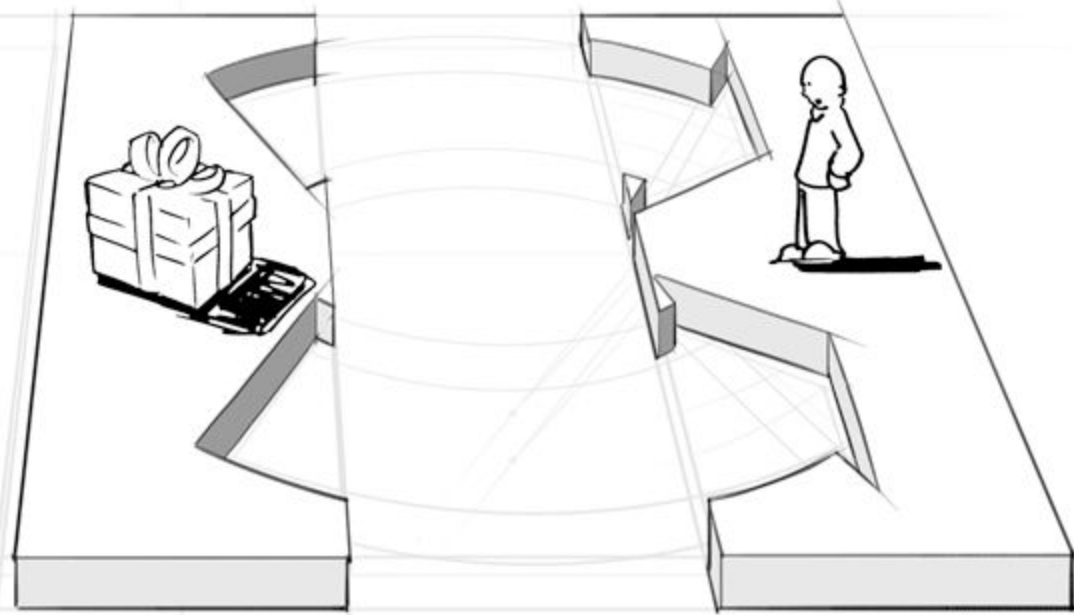


CUSTOMER SEGMENTS



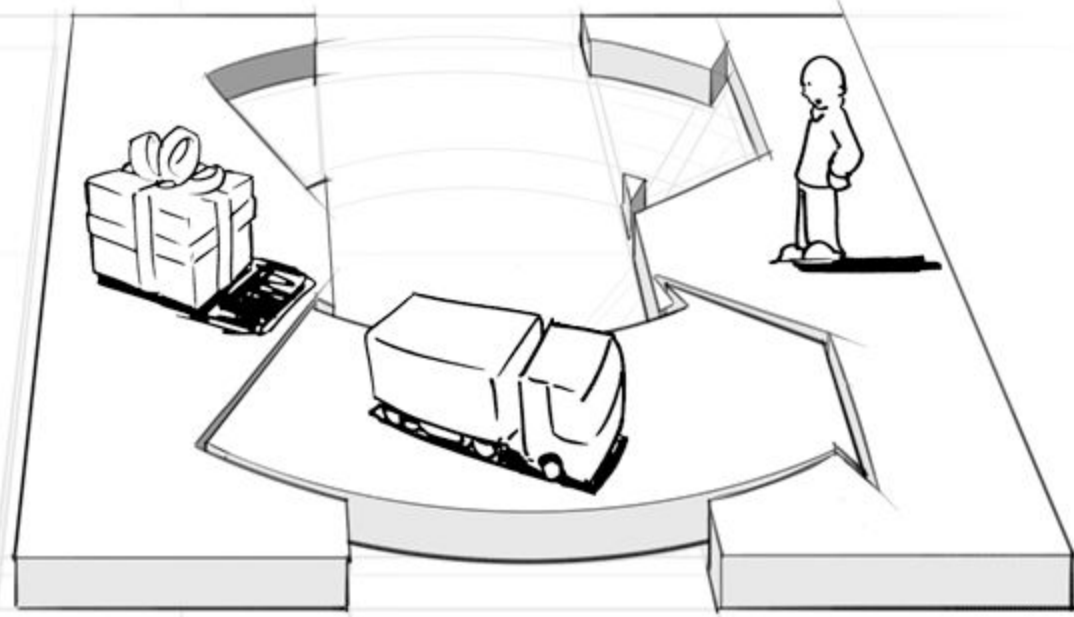
For whom are we creating value? Who are
our most important customers?

VALUE PROPOSITIONS



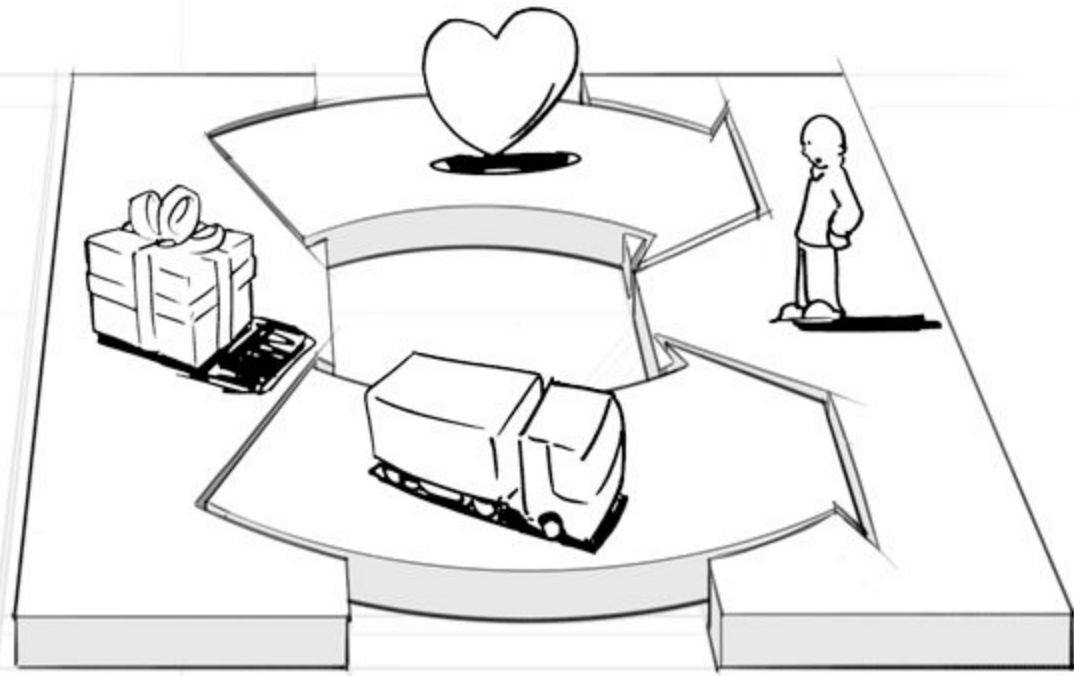
What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? Which customer needs are we satisfying? What bundles of products and services are we offering to each Customer Segment?

CHANNELS



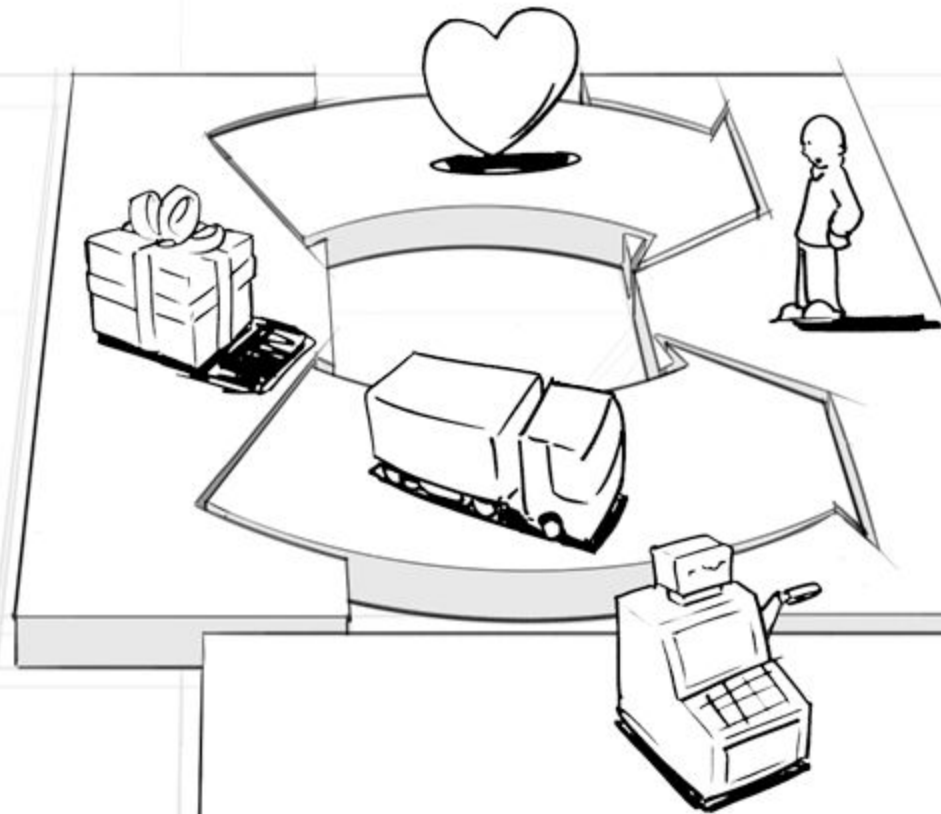
Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?

CUSTOMER RELATIONSHIPS



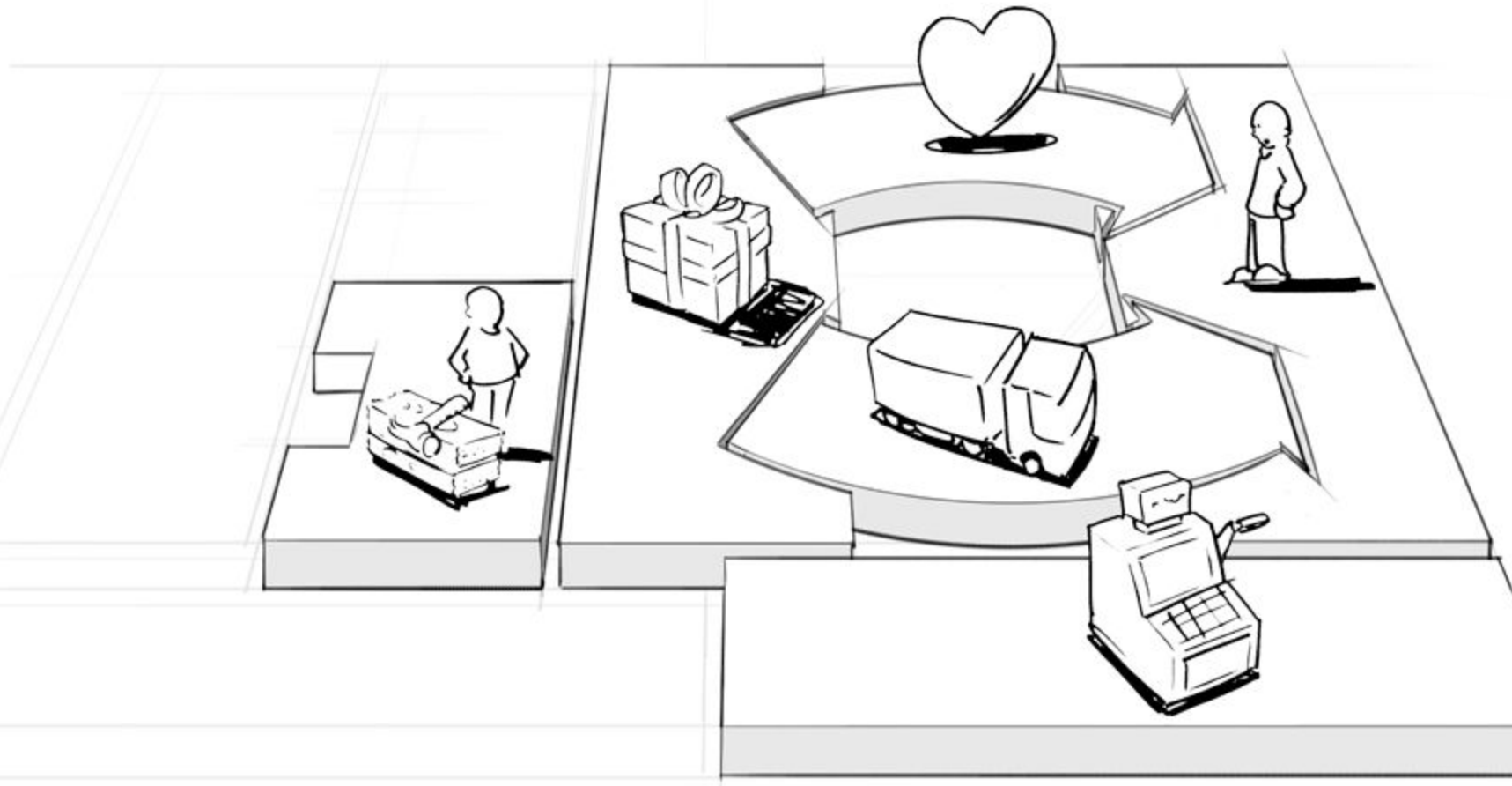
What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How costly are they? How are they integrated with the rest of our business model?

REVENUE STREAMS



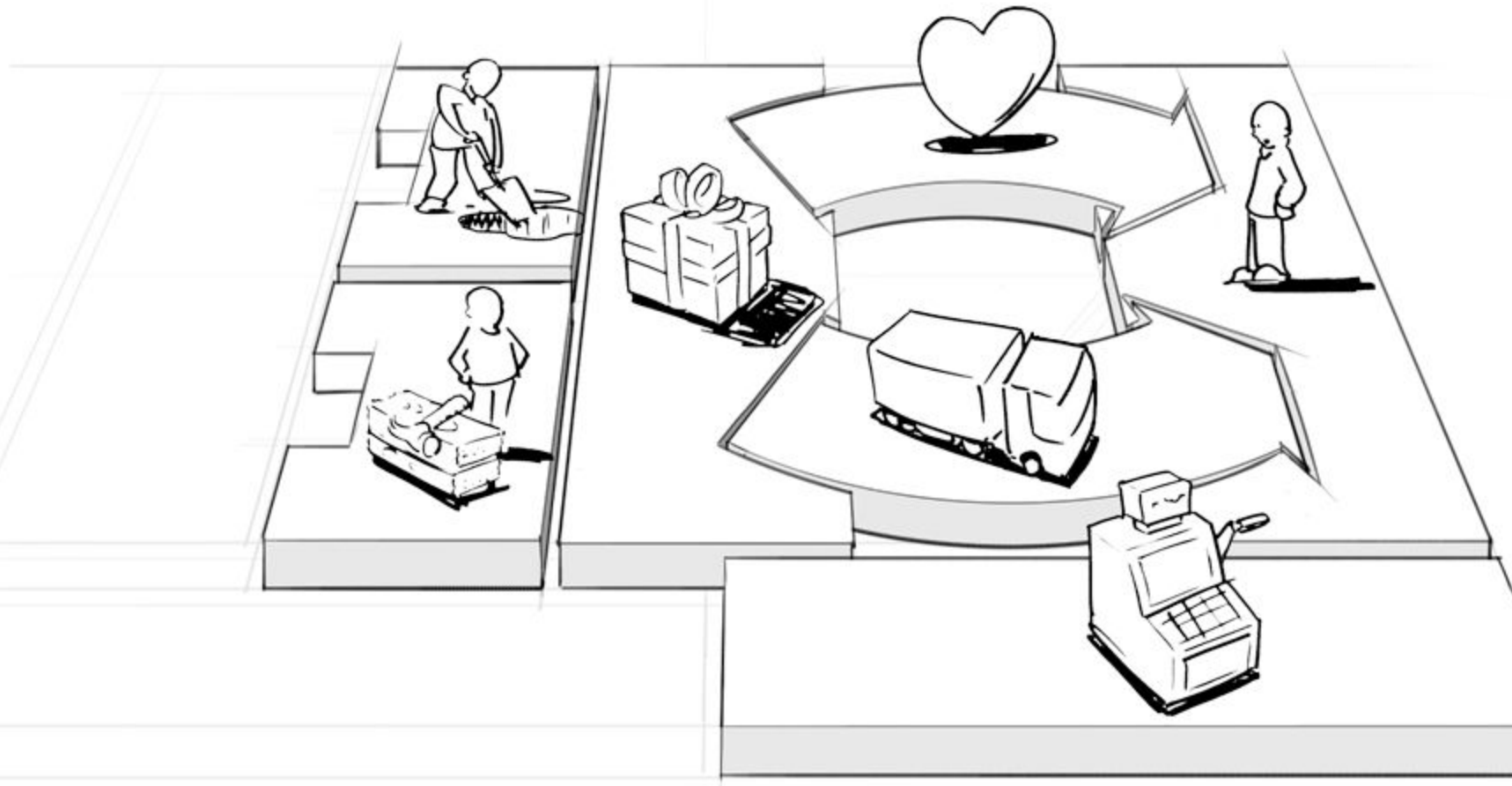
For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?

KEY RESOURCES



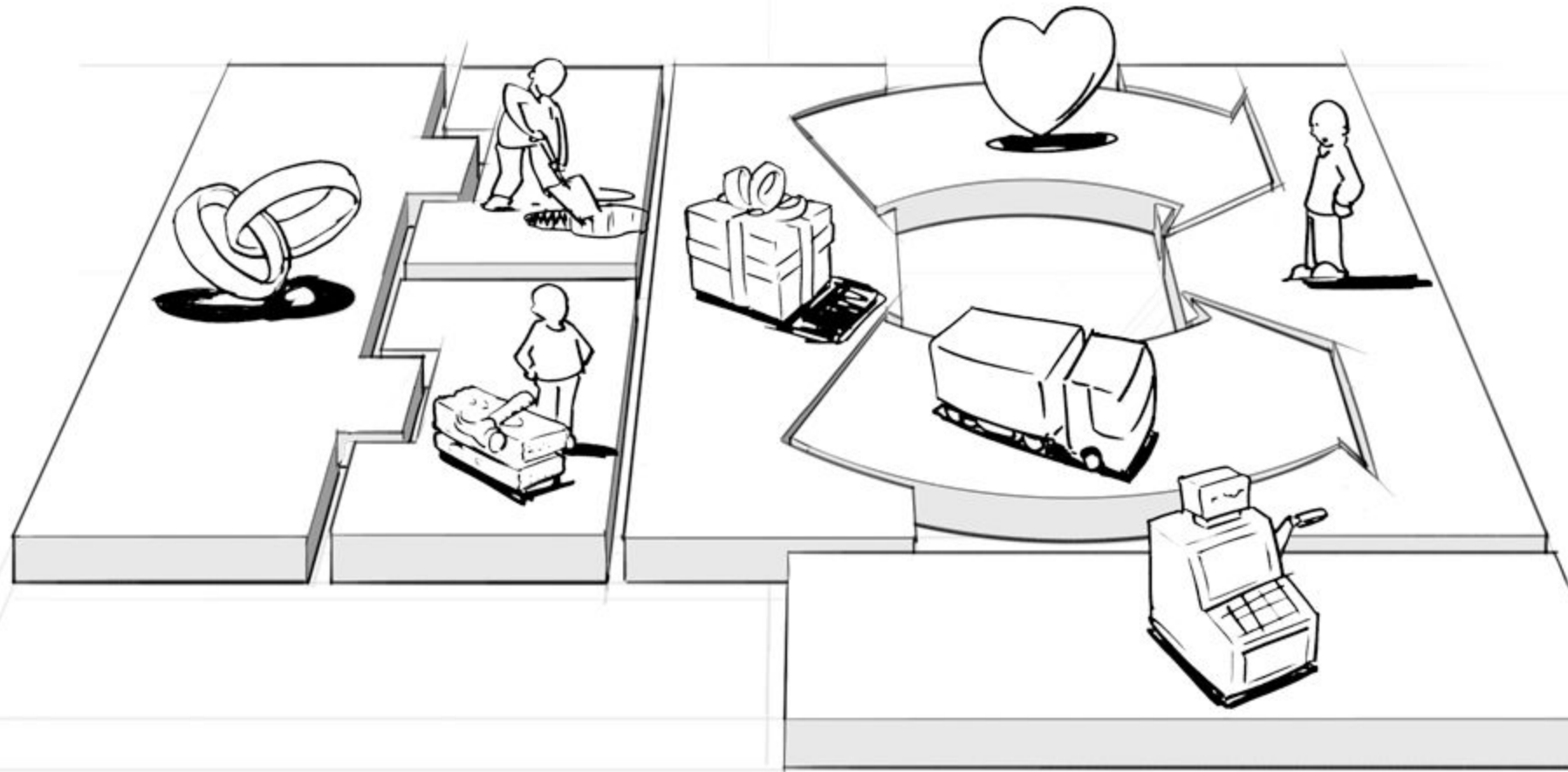
What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?

KEY ACTIVITIES



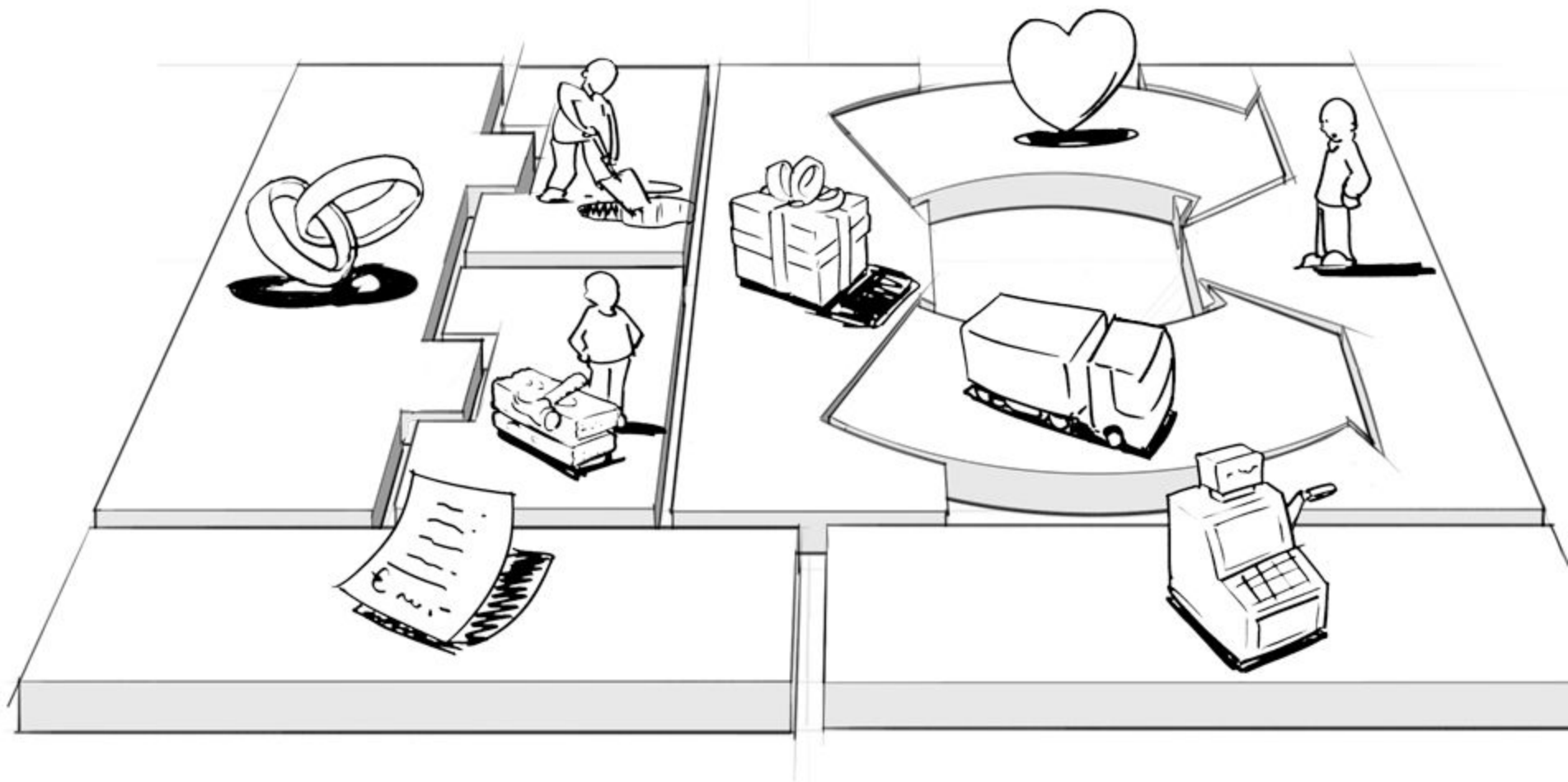
What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?

KEY PARTNERS

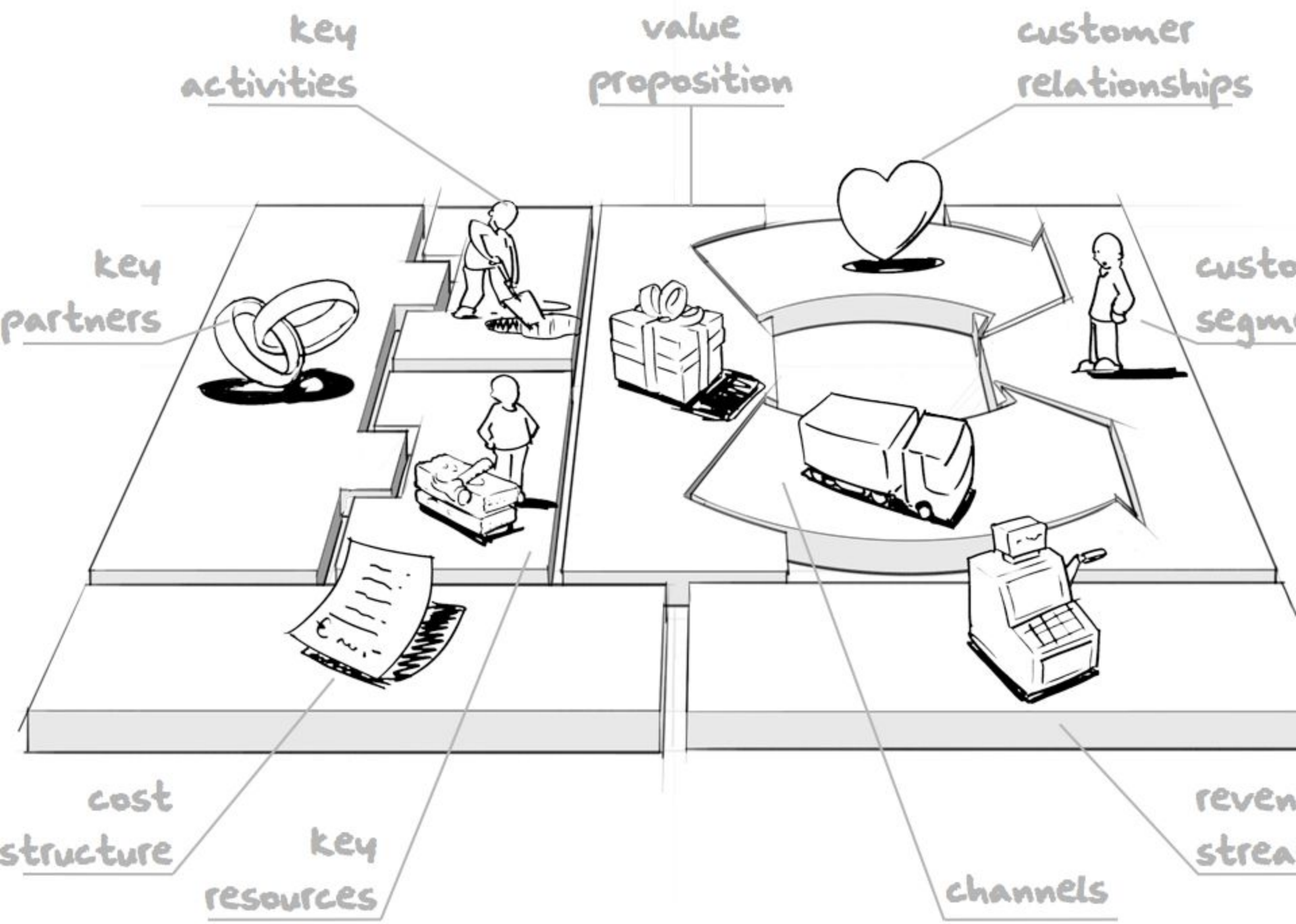


Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?

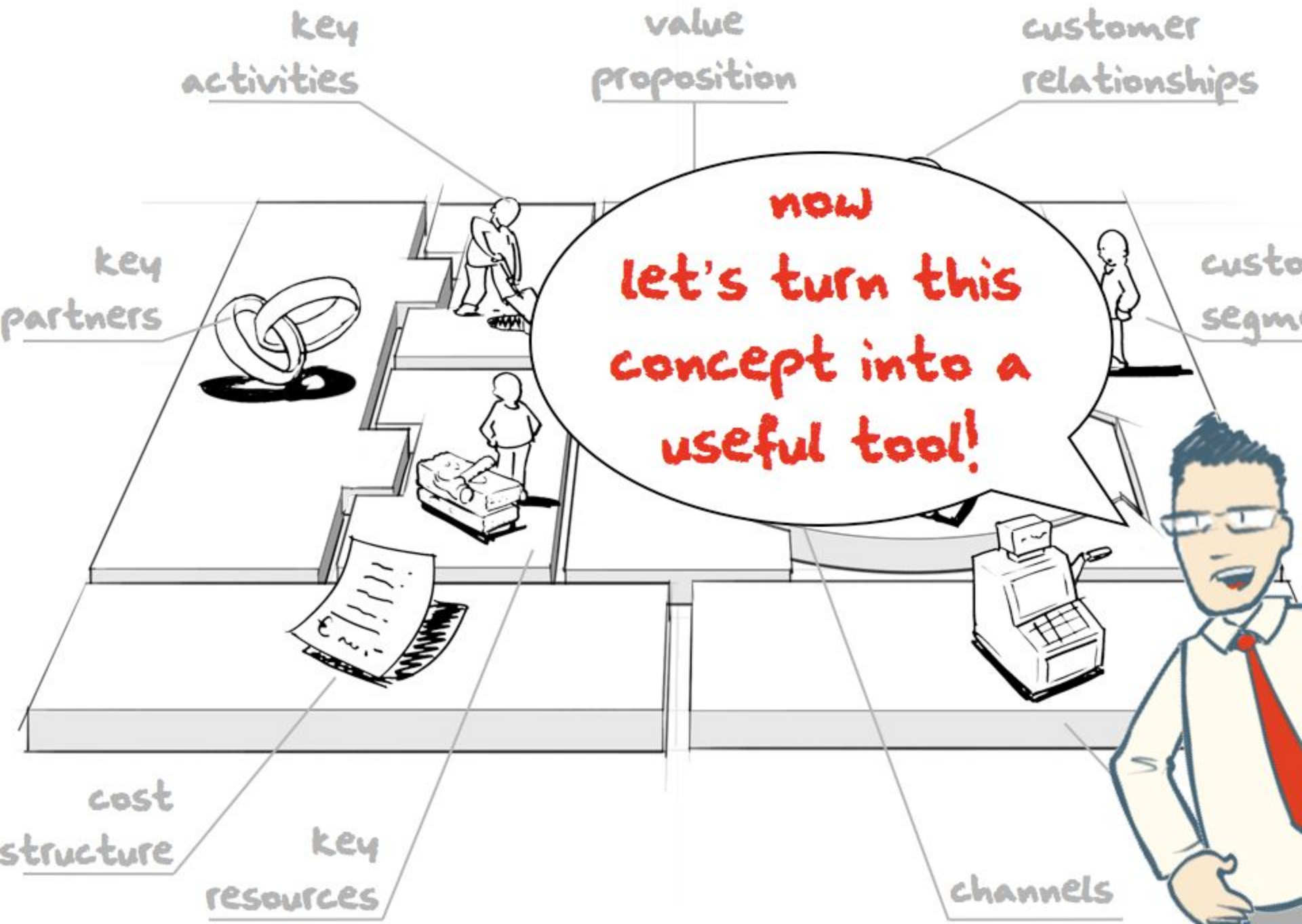
COST STRUCTURE

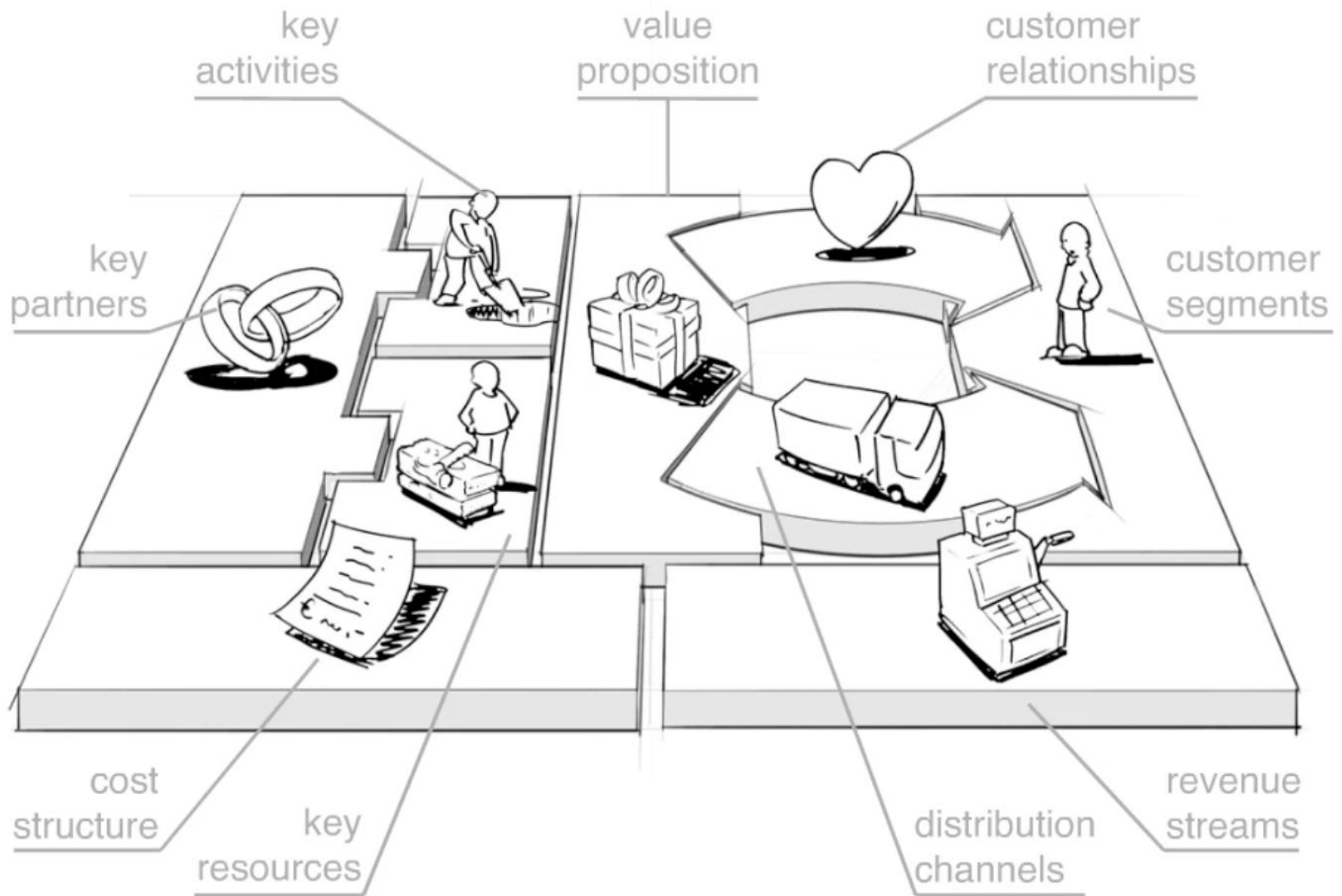


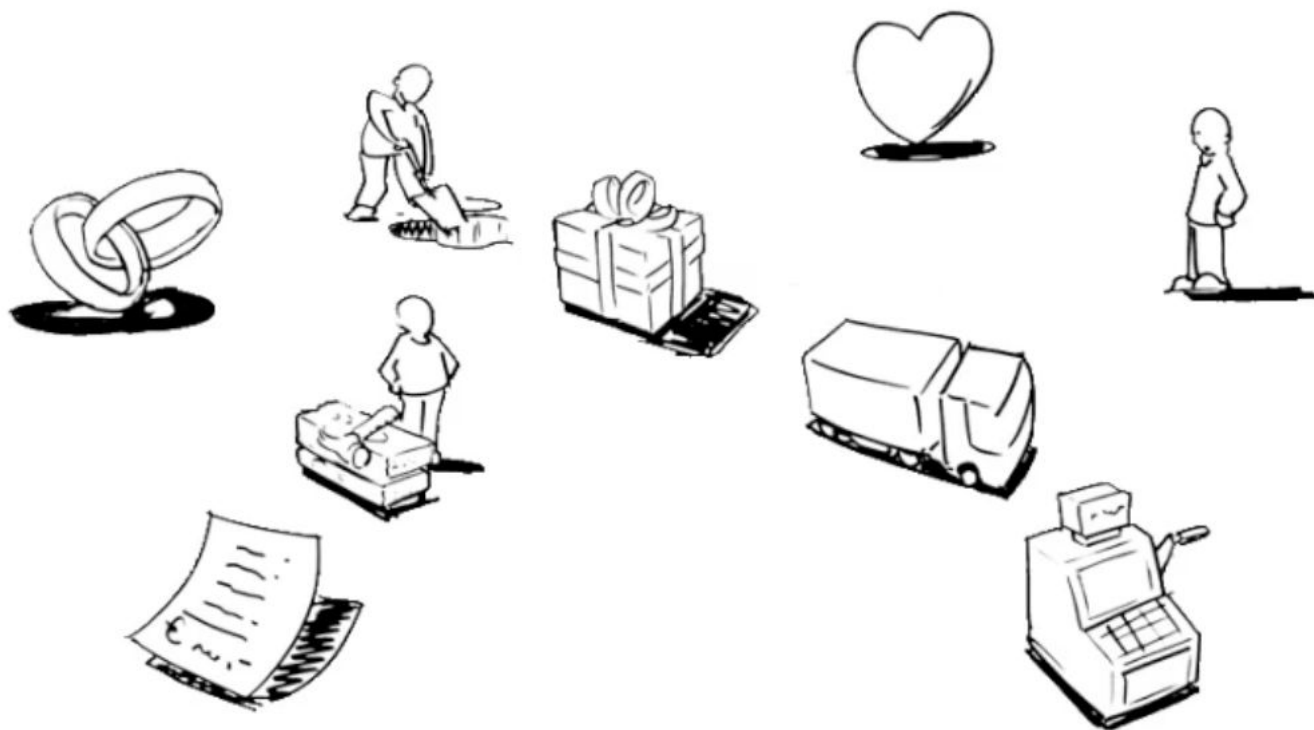
What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?



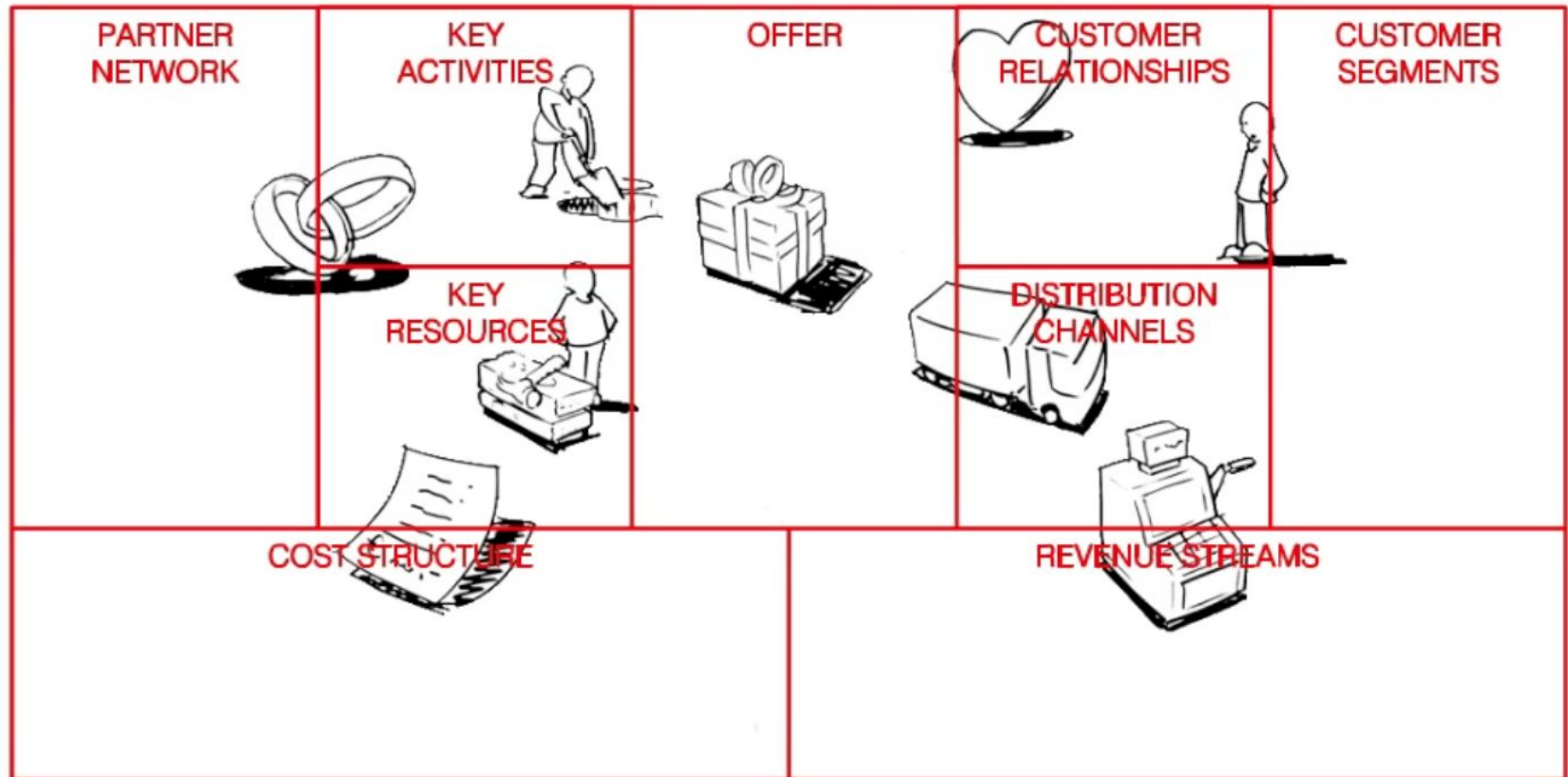




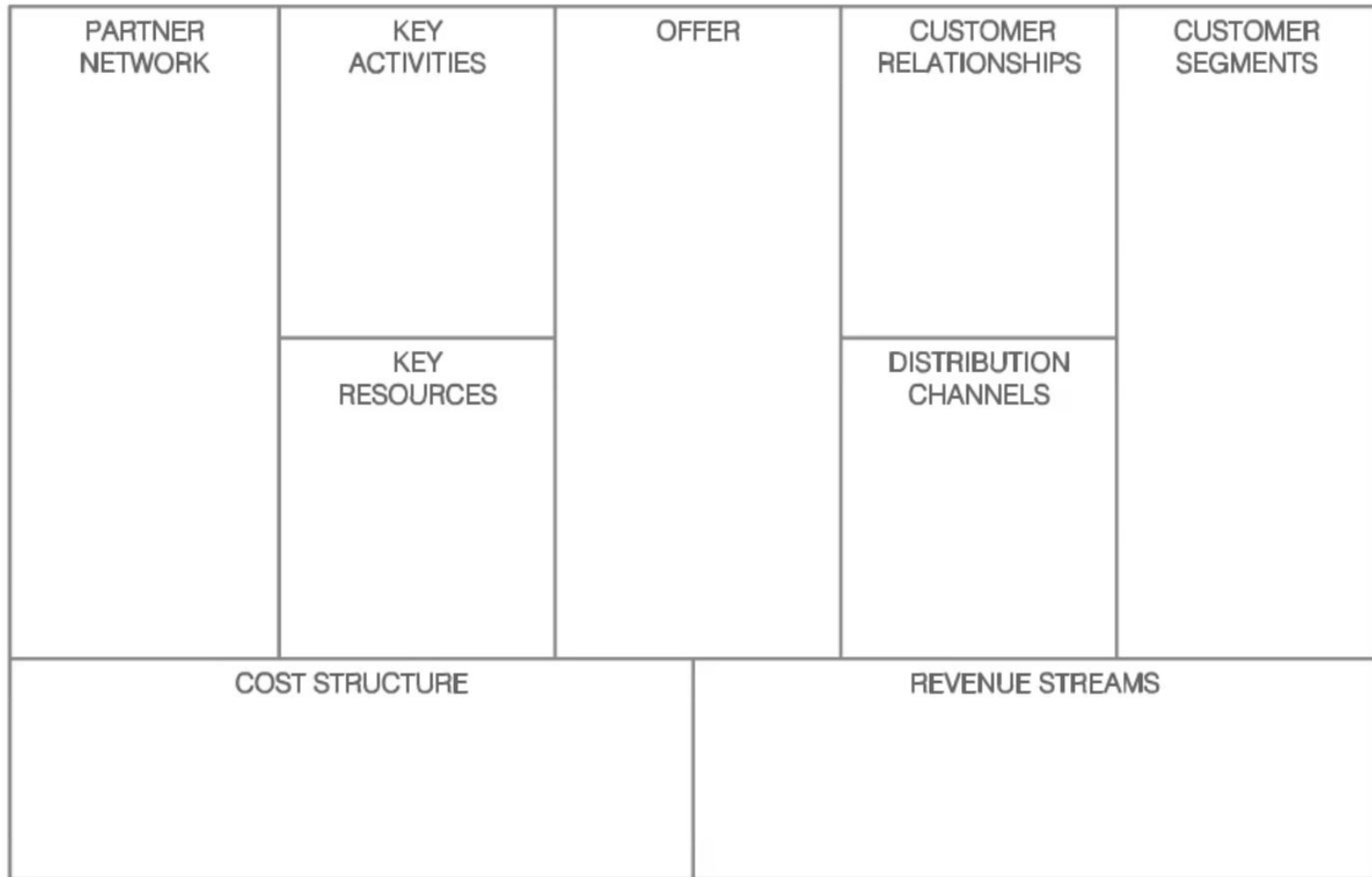




OVERLAY



THE BUSINESS MODEL CANVAS



we
call this tool the **business
model canvas**



The Business Model Canvas Sample Template

Key Partners

- Who are our key partners?
- Who are our key suppliers?
- Which key resources are we acquiring from our partners?
- Which key activities do partners perform?

Text Goes Here

Key Activities

- What key activities do our value propositions require?
- Our distribution channels?
- Customer relationships?
- Revenue streams?

Text Goes Here

Key Resources

- What key resources do our value propositions require?
- Our distribution channels?
- Customer relationships?
- Revenue streams

Text Goes Here

Value Proposition

- What value do we deliver to the customer?
- Which one of our customers' problems are we helping to solve?
- What bundles of products and services are we offering to each segment?
- Which customer needs are we satisfying?
- What is the minimum viable product?

Text Goes Here

Customer Relationships

- How do we get, keep and grow customers?
- Which customer relationships have we established?
- How are they integrated with the rest of our business model?
- How costly are they?

Text Goes Here

Channels

- Through which channels do our customer segments want to be reached?

Text Goes Here

Customers

- How do we get, keep and grow customers?
- Which customer relationships have we established?
- How are they integrated with the rest of our business model?
- How costly are they?

Text Goes Here

Cost Structure

- What are the most important costs inherent to our business model?
- Which key resources are most expensive?
- Which key activities are most expensive?

Text Goes Here

Revenue Streams

- For what value are our customers really willing to pay?
- For what do they currently pay?
- What is the revenue model?
- What are the pricing tactics?

Text Goes Here

The Business Model Canvas Working Template

Key Partners

- Who are our key partners?
- Who are our key suppliers?
- Which key resources are we acquiring from our partners?
- Which key activities do partners perform?

Text Goes Here

Key Activities

- What key activities do our value propositions require?
- Our distribution channels?
- Customer relationships?
- Revenue streams?

Text Goes Here

Key Resources

- What key resources do our value propositions require?
- Our distribution channels?
- Customer relationships?
- Revenue streams

Text Goes Here

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Text Goes Here

Customer Relationships

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Channels

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Text Goes Here

Cost Structure

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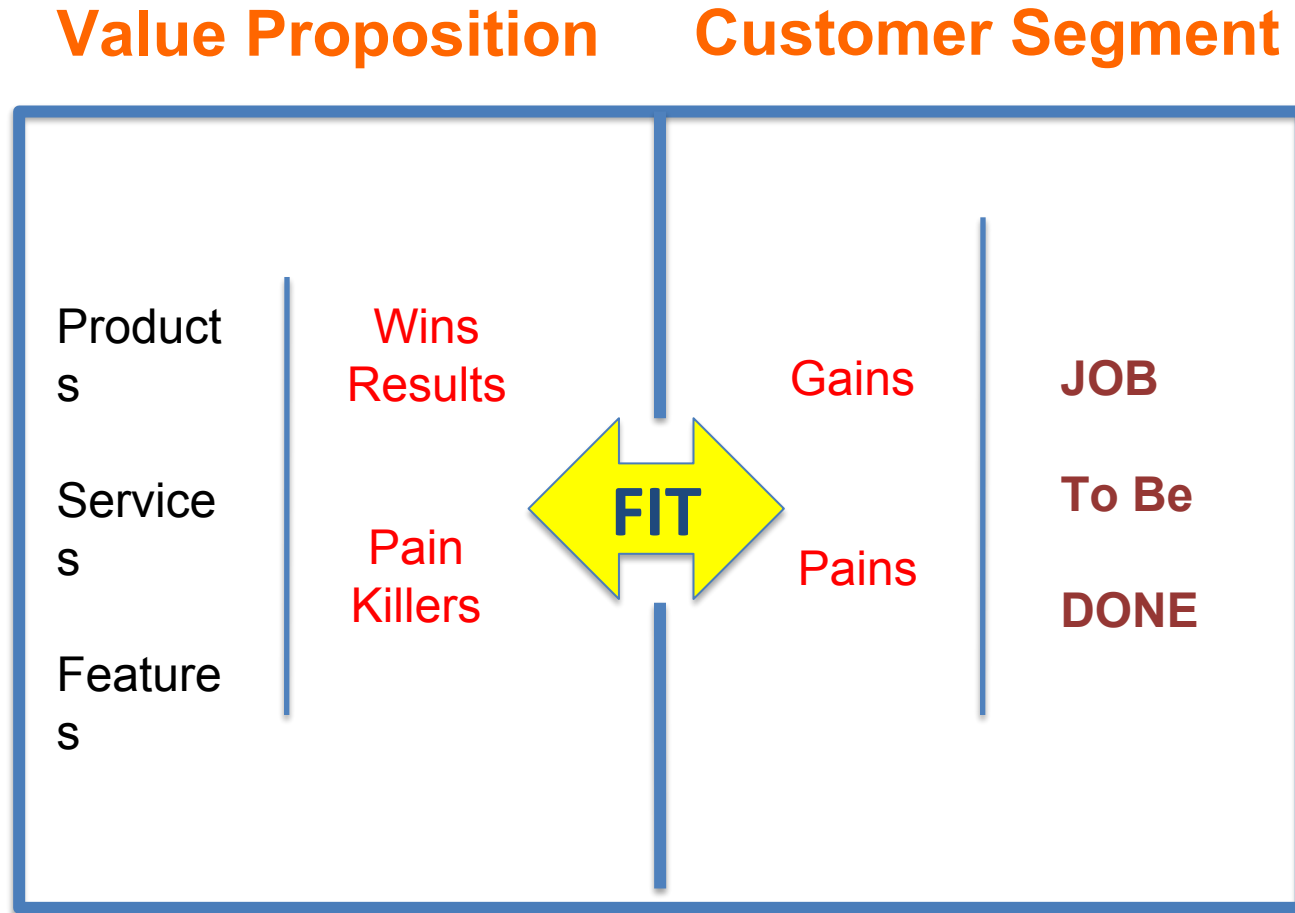
Text Goes Here

Revenue Streams

- For what value are our customers really willing to pay?
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- What are the pricing tactics?

Text Goes Here

Map Customer to Value Proposition



Getting The Customer Value Proposition Right Is Critical To Success

Explore Customer Pain

What does your customer find too costly?

(e.g., too much time, too much money, requires substantial effort, ...)

What makes your customer feel bad?

(e.g., frustrations, annoyances, ...)

How are current solutions underperforming for your customer?

(e.g., lack of features, performance, malfunctioning, accuracy...)

What negative social consequences does your customer encounter or fear?

(e.g., loss of face, trust, power, status . . .)

What's keeping your customer awake at night?

(e.g., big issues, concerns, worries . . .)

What common mistakes does your customer make?

(e.g., usage mistakes, inappropriate priorities . . .)

What barriers are keeping your customers from adopting solutions?

(e.g., upfront investment, learning curve, resistance to change . . .)

Explore Customer Gains

Which savings would make your customer happy?

(e.g., time, money, effort, risk . . .)

What outcomes does the customer expect and what would go beyond expectations?

(e.g., quality level, more or less or something . . .)

How do current solutions delight your customer?

(e.g., specific features, performance, quality . . .)

How would you make your customer's job or life easier?

(e.g., flatter learning curve, more services, lower cost of ownership . . .)

What positive social consequences does your customer desire?

(e.g., makes them look good, increase in power or status . . .)

What are customers looking for?

(e.g., good design, guarantees, specific or more features . . .)

What do customers dream about?

(e.g., big achievements, big reliefs . . .)

How does your customer measure success or failure?

(e.g., performance, cost . . .)

What would increase the likelihood of adopting a solution?

(e.g., lower cost, less investment, lower risk, better quality . . .)

A Day In The Life Of Your Customers

Question	Customer 1 _____	Customer n _____
1. How Is Your Customer Currently Dealing With This Task/Problem?		
2. What Are They Trying To Accomplish? Desired Outcome? Wish They Could Do?		
3. What Approach Are They Attempting		
4. What Are The Interfering Factors?		
5. What Are The Economic Consequences? –Costs?		

A Day In The Life . . .

Question

Customer 1_____

Customer
n_____


6. Your New Approach . . .		
7. Enabling Factors?		
8 Economic Rewards?		
9. Is Our Price Consistent With Budget? – Problem Solved?		

Exercise:

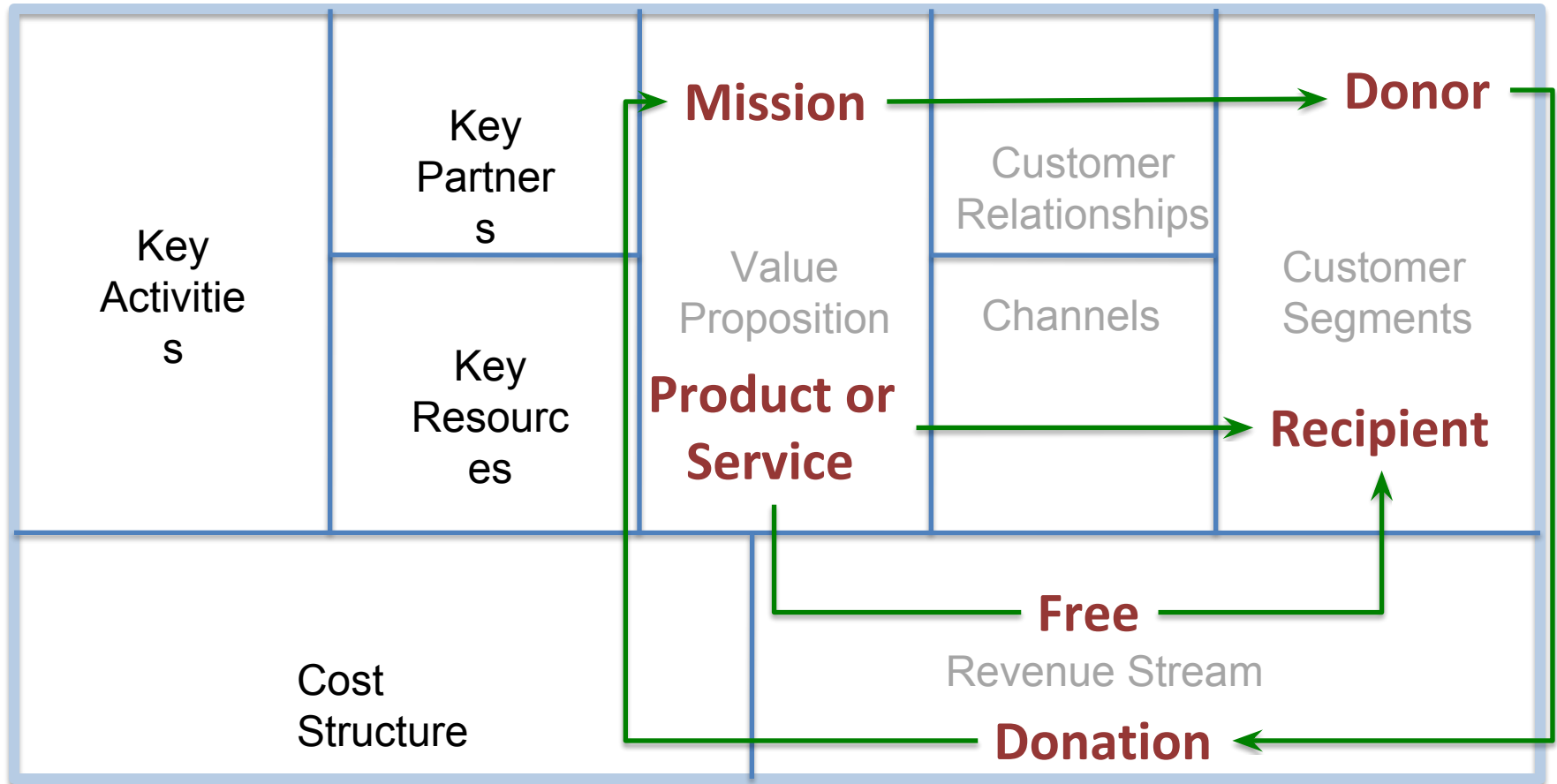
Customer	List Pains	List Gains
1.		
2.		

Student Name: Derek Coleman

Business Description: University Transportation service for students to travel to events safely

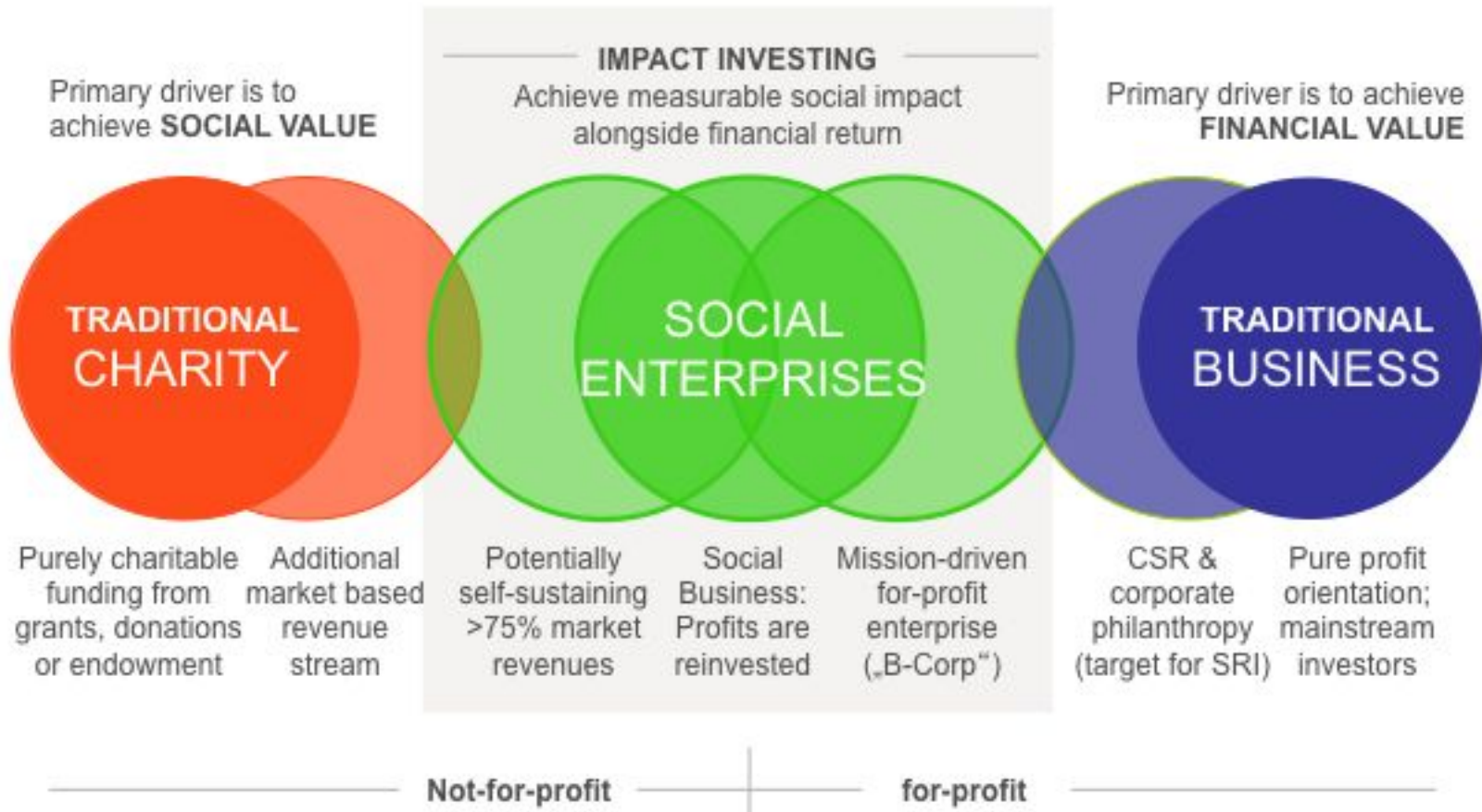
Key Activities Create ecosystem to keep students on website, mobile, or marketing list Transport students safely, gain a good reputation Get feedback, improve	Key Partners Bus companies Venues Universities Key Resources Website Employees/legal team	Value Proposition Atmosphere on the bus, reputation Customer experience Transportation. (Safe, cheap, convenient) to events 	Customer Relationships Trustworthy, brand worthy Fun, exciting, good time Cheap, safe, caring Channels Website Sign-up application On campus marketing Social media accounts	Customer Segments College students (who don't have a ride or want to travel with friends + friends who they travel with) Freshman Parents looking to keep their kids safe when going to events Socially responsible students
Cost Structure Cost more for trips with less people. Looking for \$500 profit after all variable expenses.			Revenue Stream Money generated from trips. Preferably \$500 profit per trip after COGS Selling booklets in advance for 10 trips that semester.	

Not-For Profit Model



SE Spectrum

The business model spectrum revisited



Source: Adapted from J. Kingston Venturesome, CAF Venturesome, and EVPA.

The Emerging Transition To Social Business Models



Sharing Economy

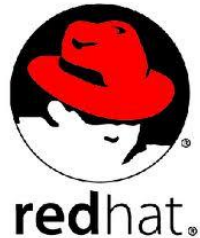


Game Changers in our Generation

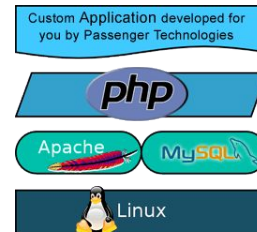
World
Wide
Web



Open Source
Software



LAMP
Stack

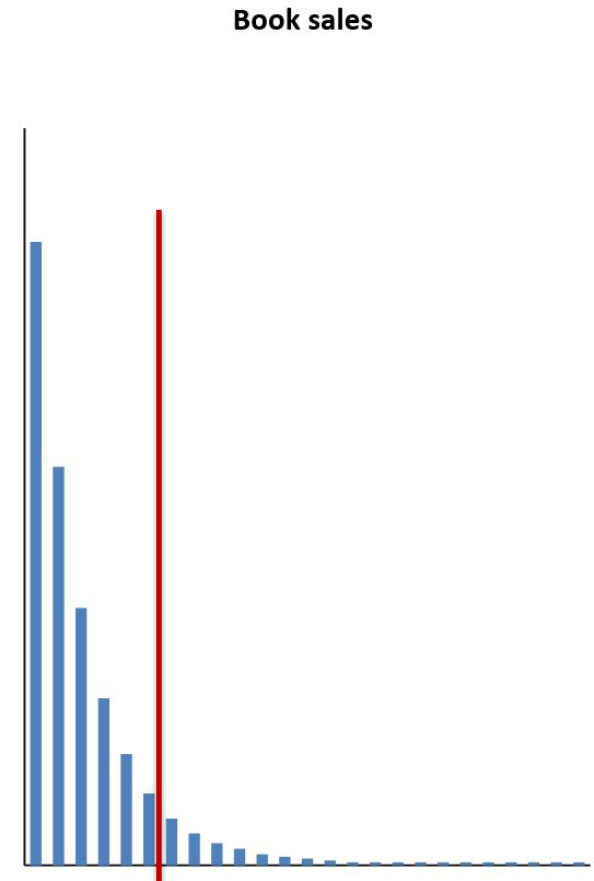


Cloud
Computing



Amazon's First Business Model

- Vast potential customer base
- Efficient fulfillment
- High volume
 - bargaining power, low delivery and product costs
- Exploiting the “long tail”
 - ‘go-to’ site -> customer base
- Virtuous circle



Amazon's Evolving Business Model

- Diversification into related products
- Broadening into a generalized marketplace
 - Making a market
 - Providing a platform for small sellers
 - Fire Phone
 - Amazon Prime
- Spillover – Amazon Web Services

Google's Business Model

- Initially just another search engine, (albeit a very good one).
- Gradually beat out earlier rivals (Yahoo, Lycos, Excite, Infoseek, AltaVista, and AskJeeves)
- How to make money from search?
- Subscription, user fee?
- Search Top billing
- Result Click Through

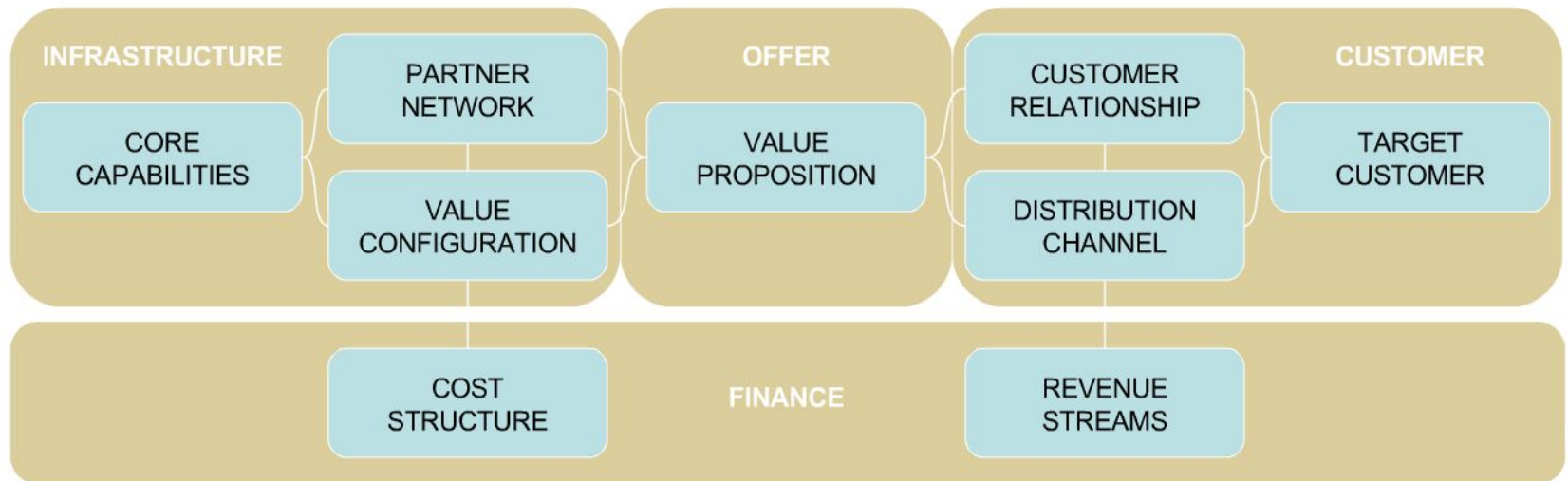
Quibid's Business Model

- 'Endless auction' (hard to do in physical space)
- Winners pay...
- But so do the (very many) losers
- So Quibids get paid multiple times

edX' Business Model

- Leverage a well known brand
- Take existing material
- Possibly add fancy post production (cost \$500k)
- Put it on the web
- Sell this to other universities
 - for \$250k
 - Plus 30% of all student fees above that

A General Template



Business Model – Example

dunnhumby (Vendor)

Client Interface Team

1. Who are the members?
2. What skills should they possess?
3. What level of experience?

Solutions Team

1. Is this a dedicated group?
2. What skills should they possess?

Outside Partners

1. 3rd Party data sources?
2. 3rd Party software products?

Client / Vendor Value Proposition

1. What is Client economic benefit?
2. What is Client strategic benefit?
3. What is Vendor benefit?

Key Processes – Activities

1. Account status reporting
2. Detailed SOW
3. Development of Mfg relationship
4. Relationship at every Client level?
5. Vertical development process
6. Other primary processes?

Retail Client (Level - Pilot)

Vendor Interface Team

1. Are all levels represented?
2. Contact points, times, & events?
3. Expectations understood?
4. Level of satisfaction understood?

Vendor Supporters

1. Internal support points covered?
2. Inside “sales team”
3. Unofficial communication channel

Cost Elements

1. Client Team (labor + Overhead costs)
2. Solutions Team (labor + Overhead costs)
3. Outside partner(s) cost
4. Product cost
5. Product development cost

Revenue Streams

1. Data base access fee?
2. Incremental Inquiry fee?
3. Aid in acquiring Mfg fees

Contribution Margin: 1. Present in a P&L format 2. Contribution rate Objective: e.g. (break-even / slight profit / slight loss) ?

Summary...

- What the product or service is
- Who will pay for it, why, and how much (the value proposition)
- How much it costs to make or deliver
- How much is left (profit)
- Who are your: partners, suppliers, competitors, complementors
- Structure and processes
 - Marketing
 - Distribution
 - Operating / manufacturing
 - Supply chain
- Finance (returns to investors)
- Other Stakeholders