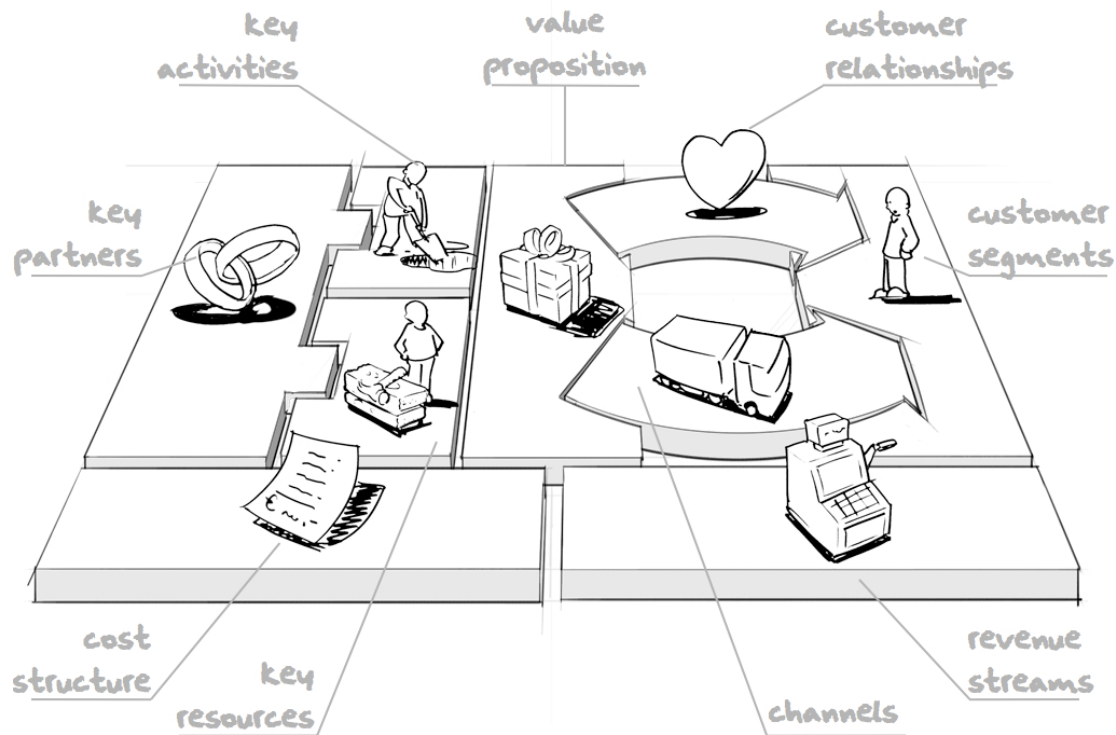


Business Models

What's new?



images by JAM

Dave Mawhinney
Donald H. Jones Center for Entrepreneurship
Managing Director, Open Field Entrepreneurs Fund
October 10, 2011

WHAT IS A BUSINESS MODEL?

BusinessModelGeneration.com

Twitter: [business_design](https://twitter.com/business_design)



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!



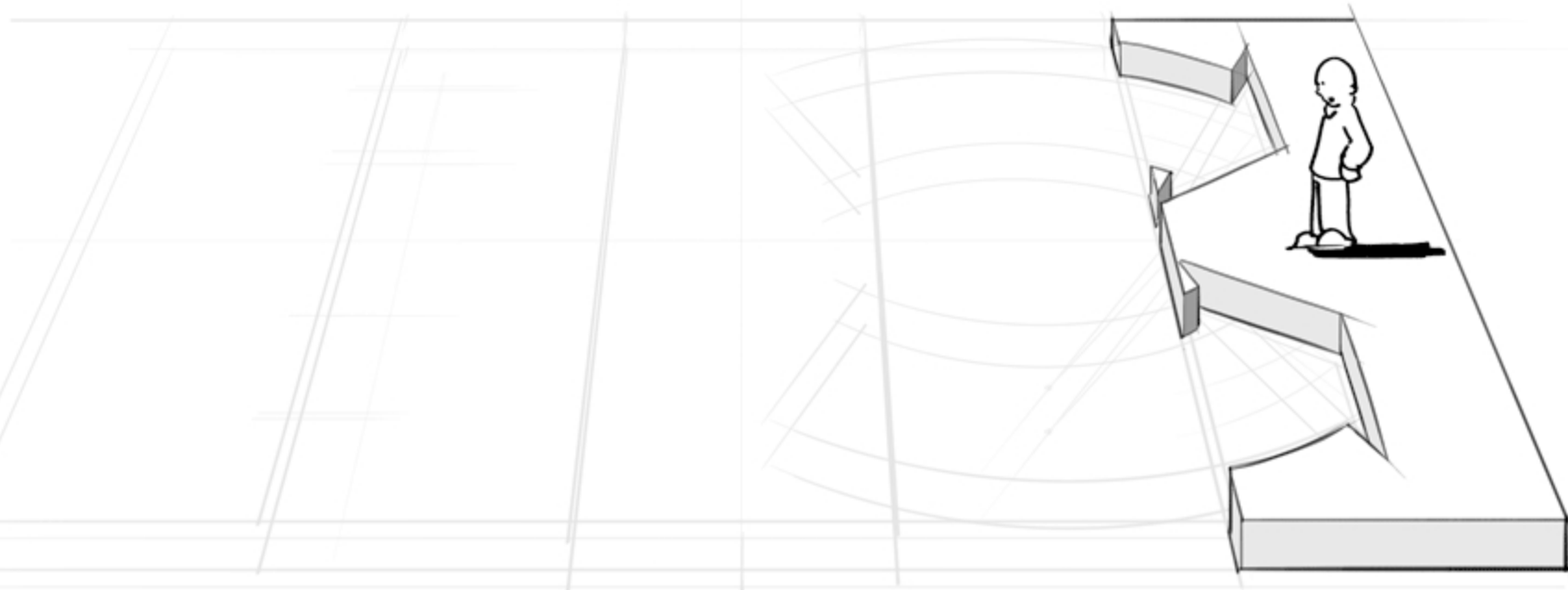
it
describes the rationale of how
an organization creates, delivers,
and captures value



a
business model includes nine
basic building blocks

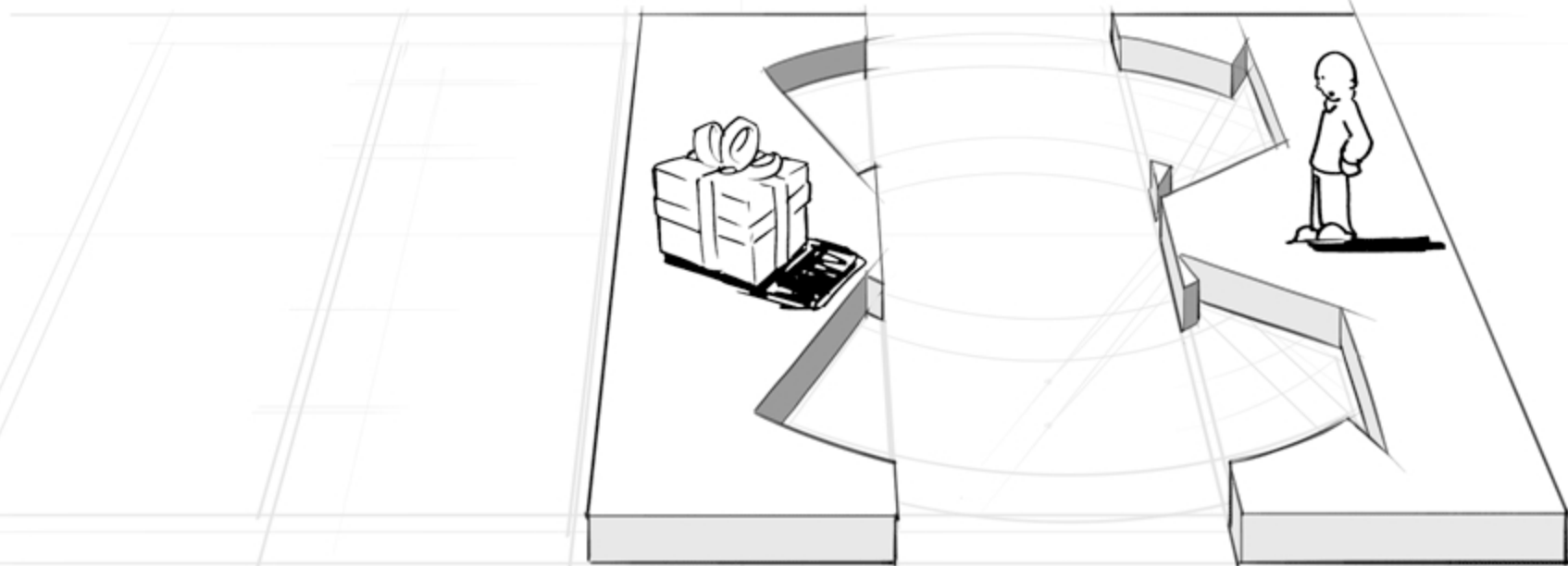


CUSTOMER SEGMENTS



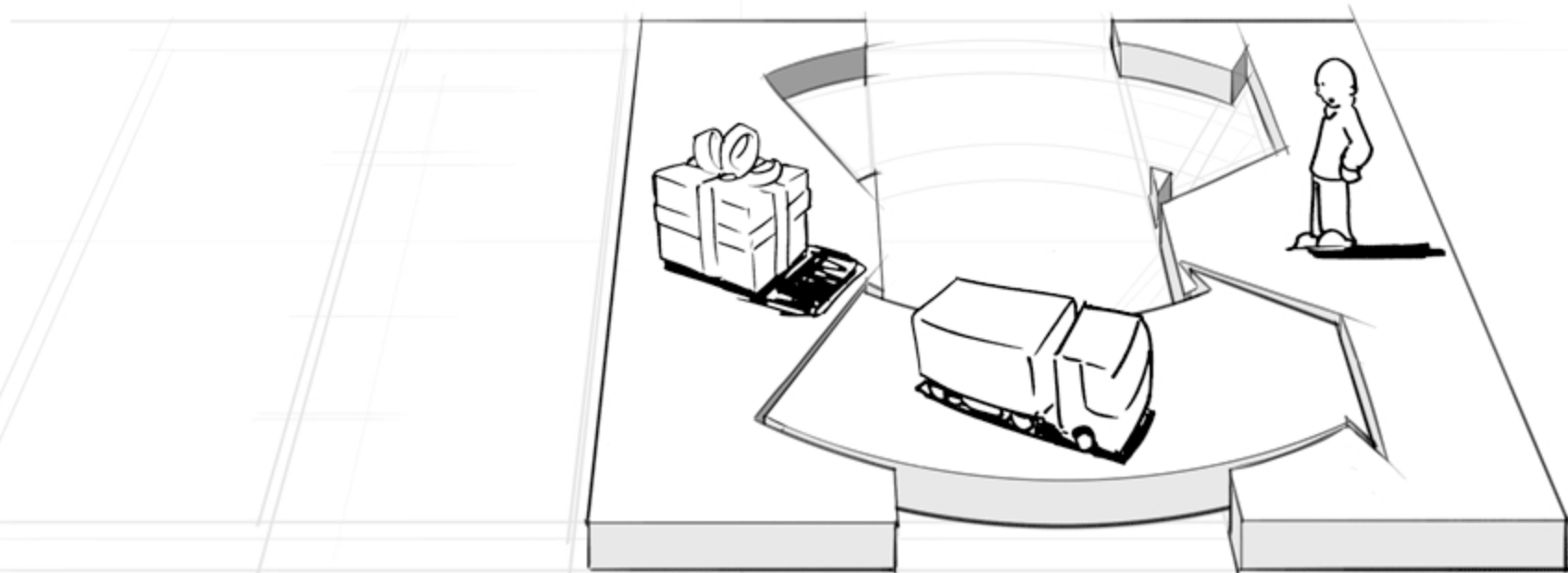
For whom are we creating value? Who are
our most important customers?

VALUE PROPOSITIONS



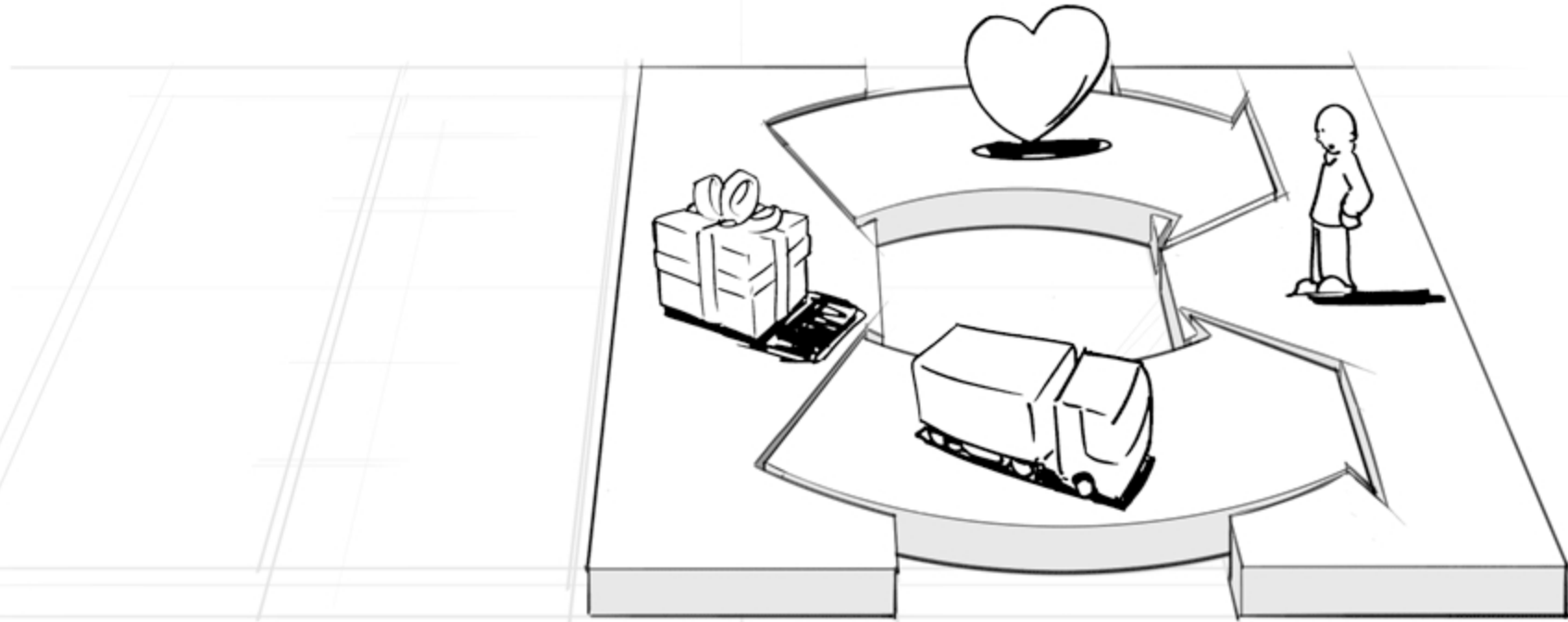
What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? Which customer needs are we satisfying? What bundles of products and services are we offering to each Customer Segment?

CHANNELS



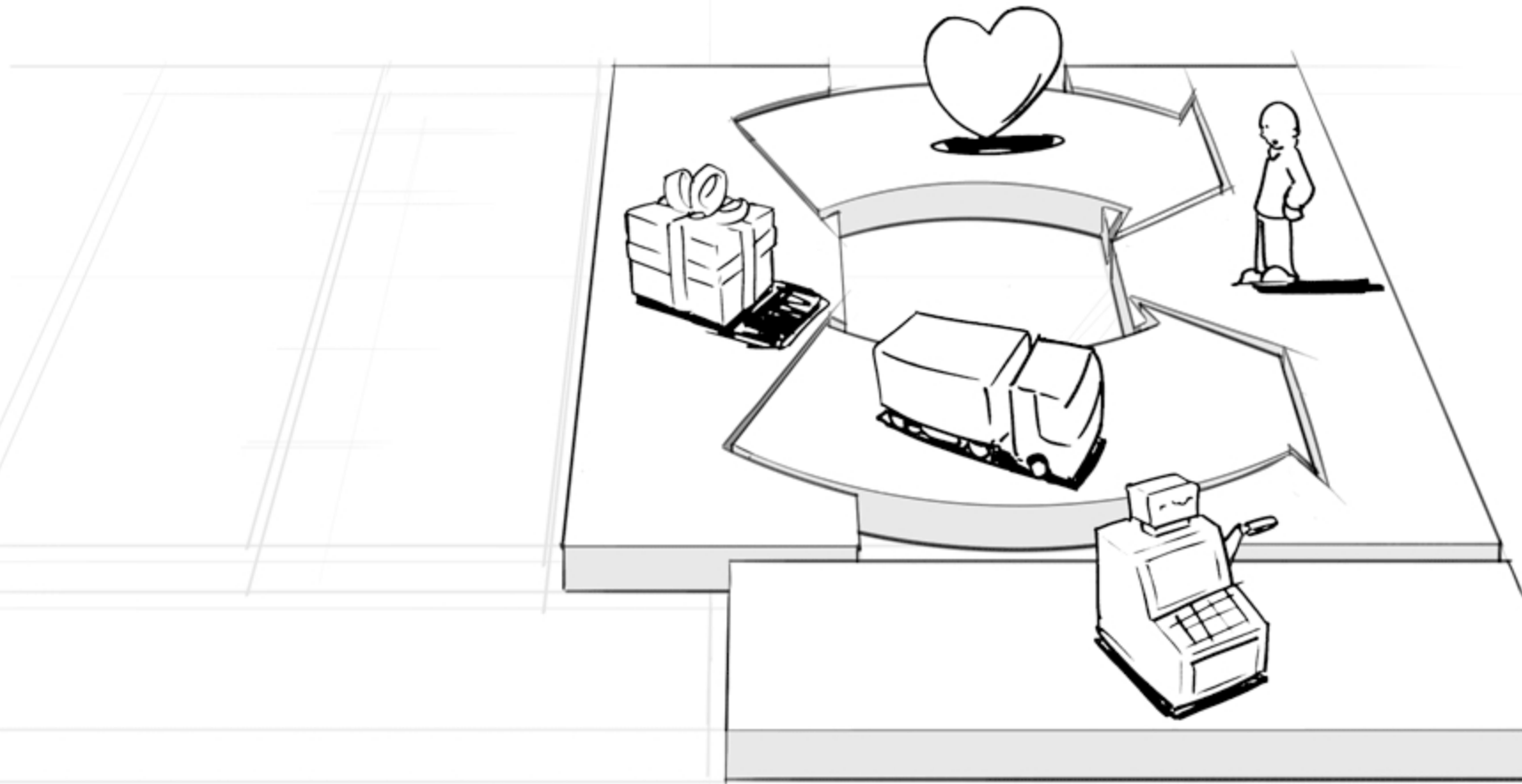
Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?

CUSTOMER RELATIONSHIPS



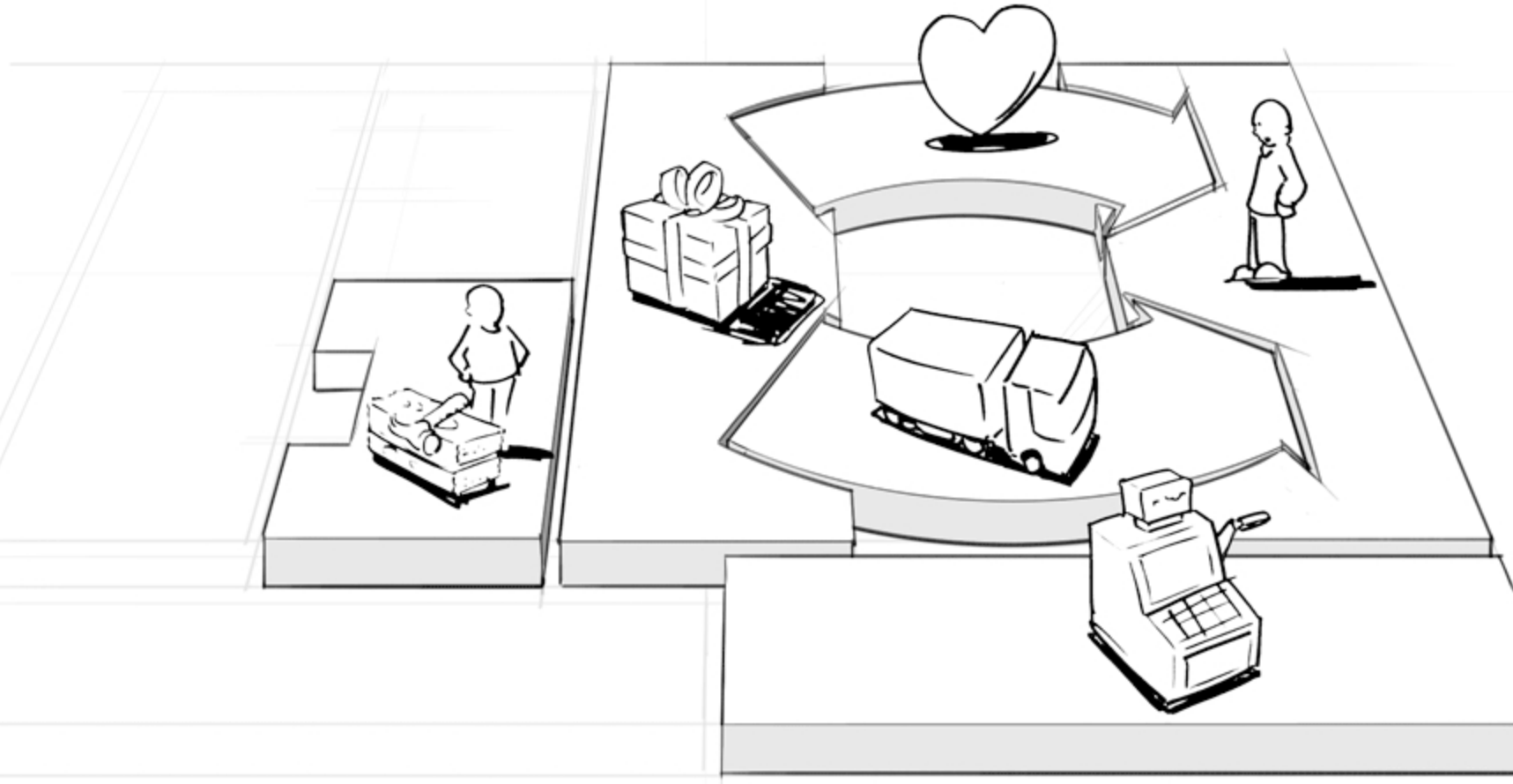
What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How costly are they? How are they integrated with the rest of our business model?

REVENUE STREAMS



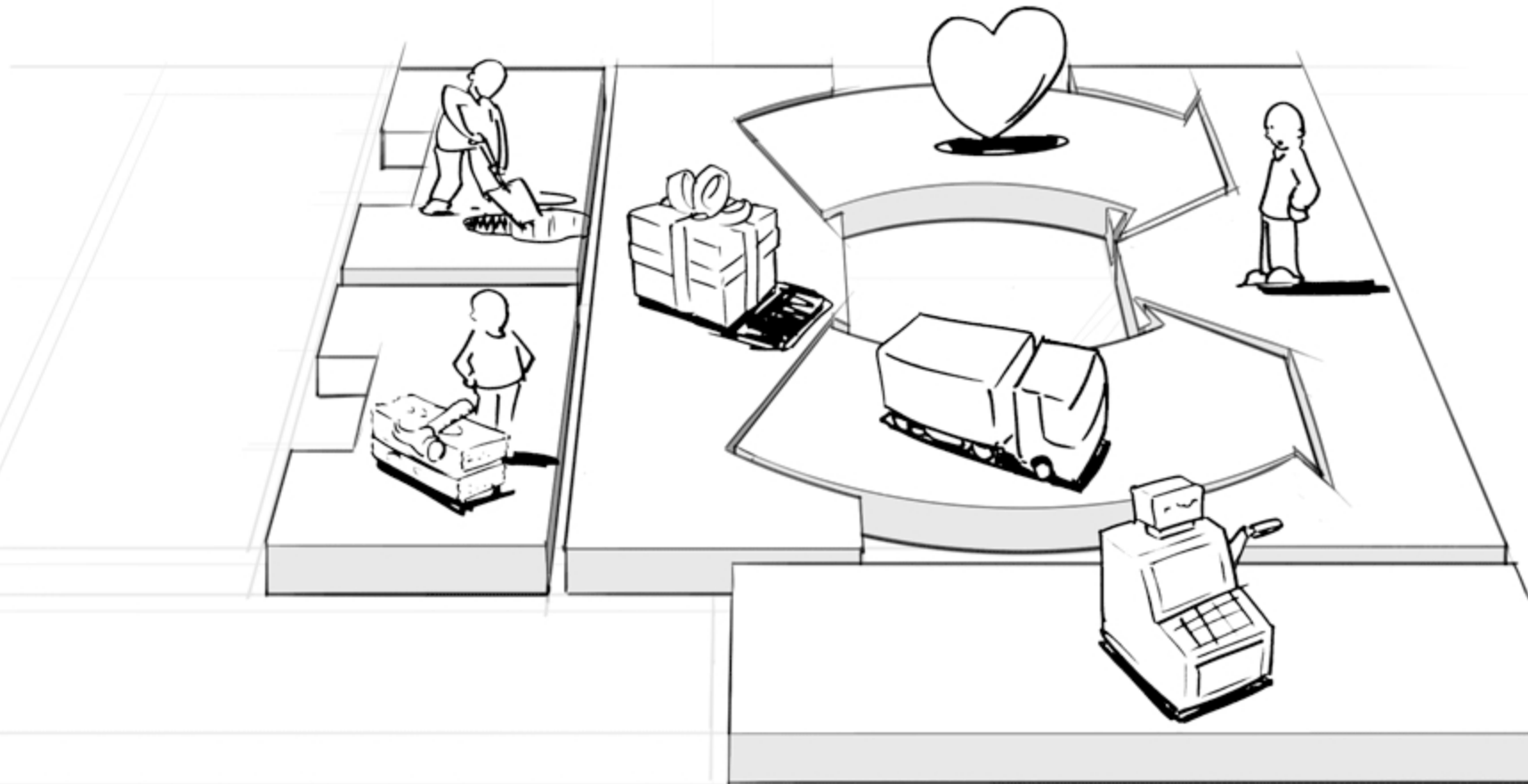
For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?

KEY RESOURCES



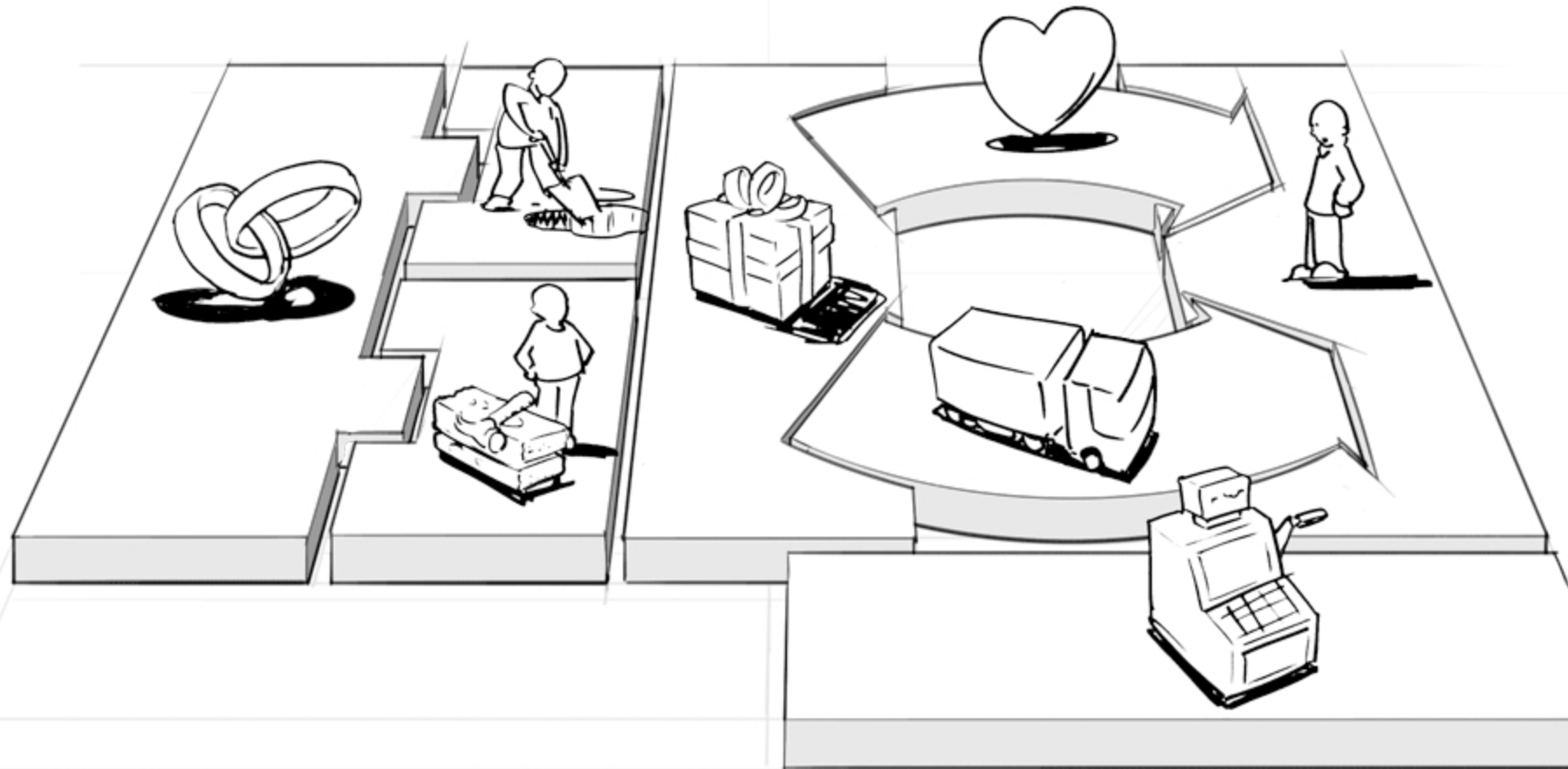
What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?

KEY ACTIVITIES



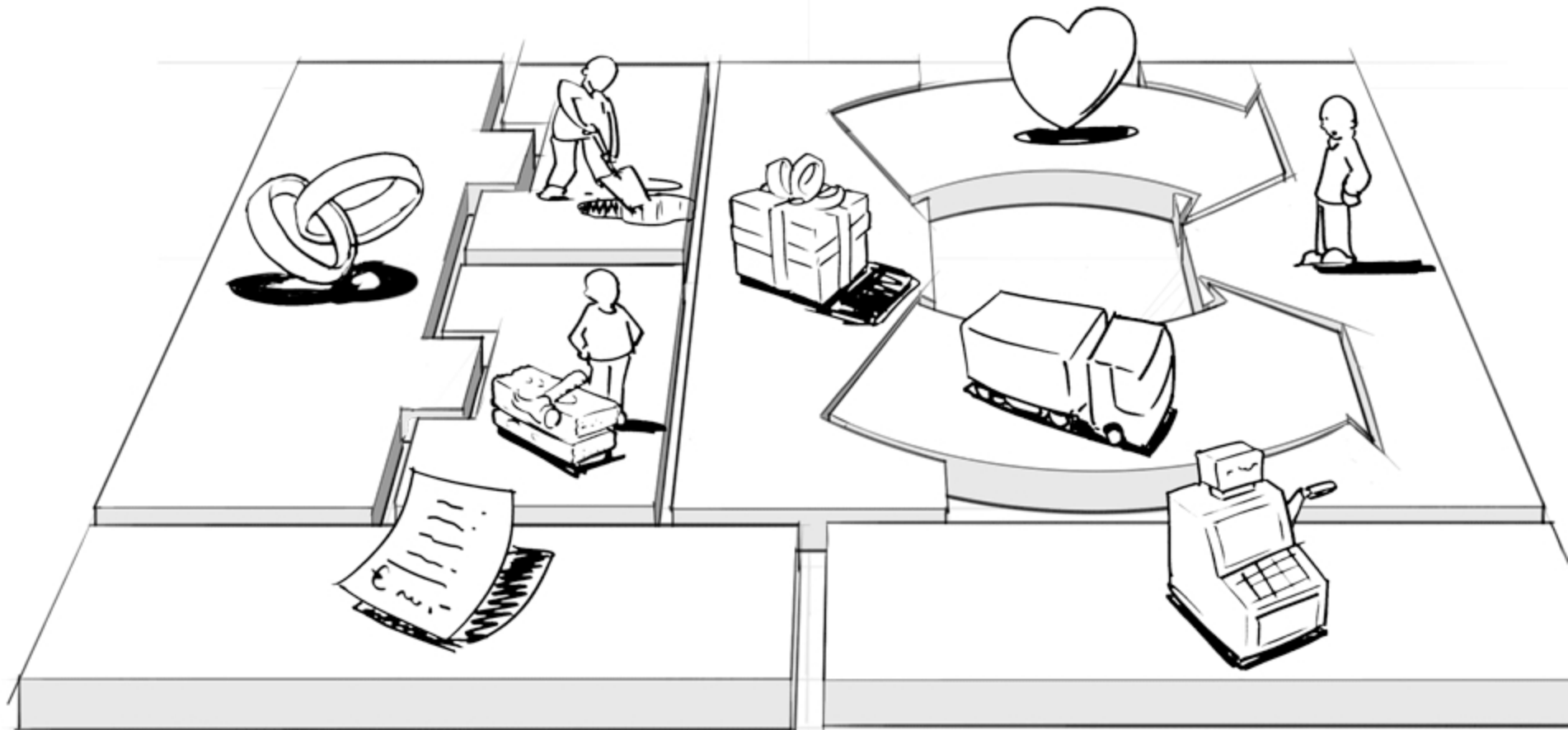
What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?

KEY PARTNERS

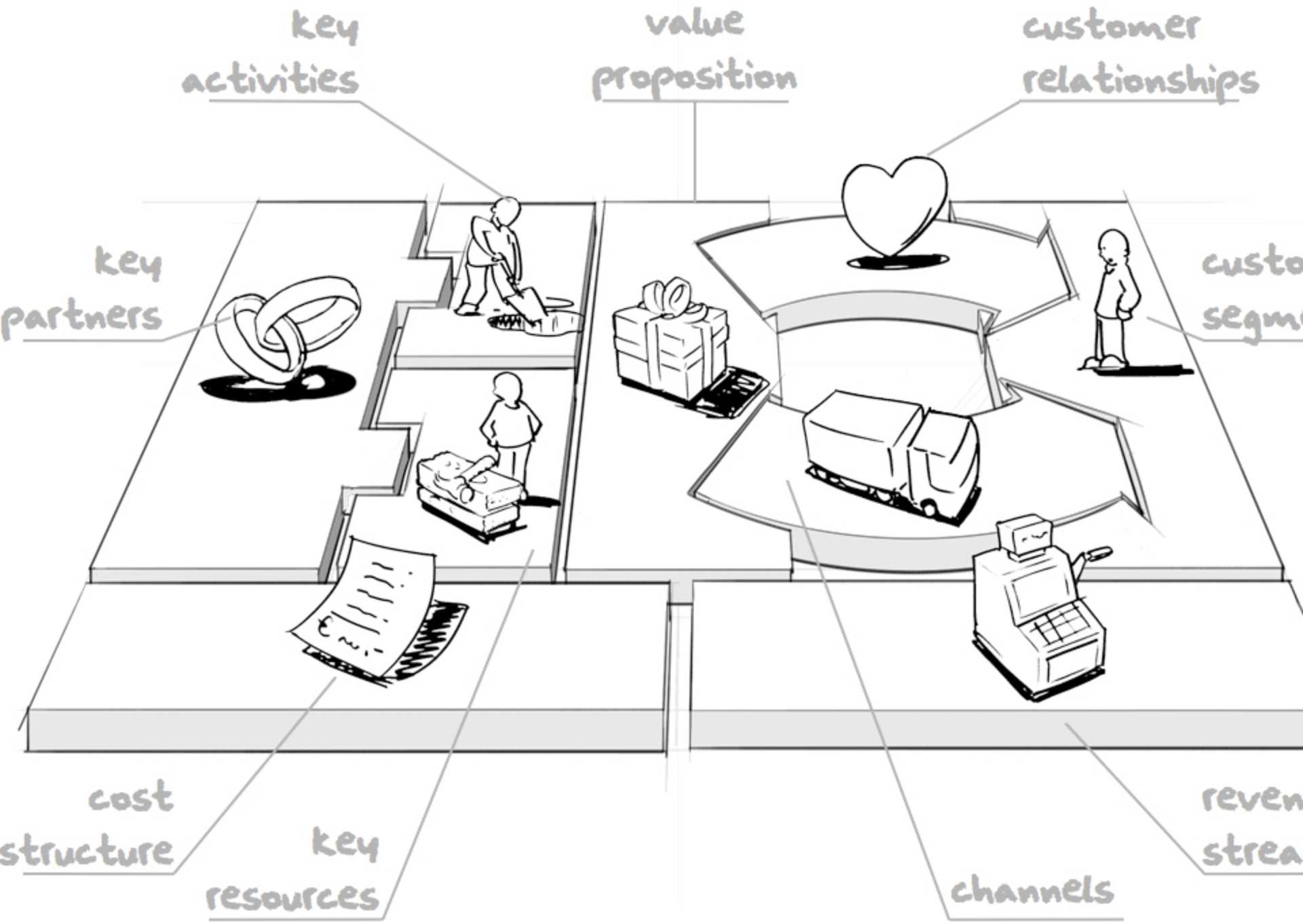


Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?

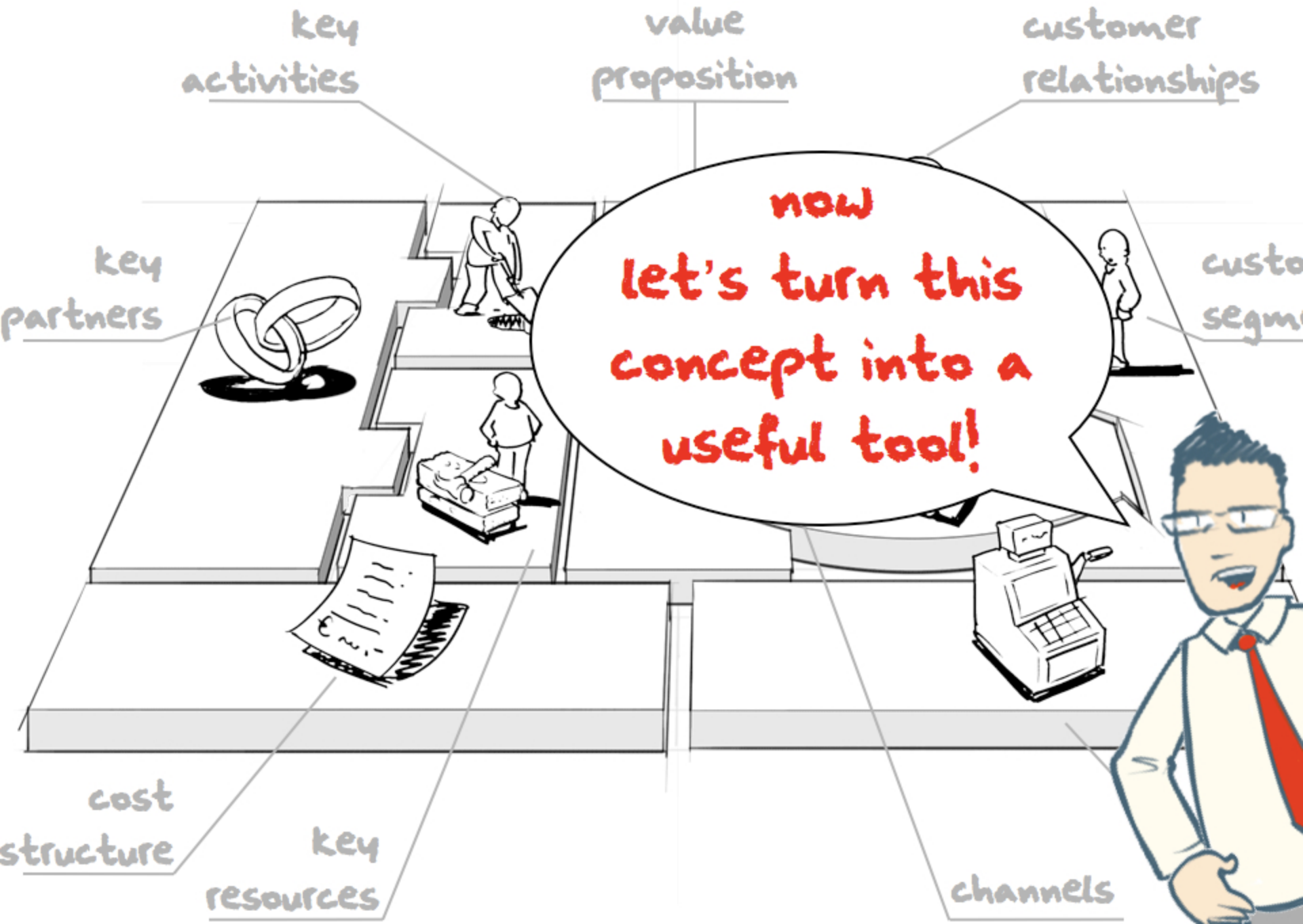
COST STRUCTURE

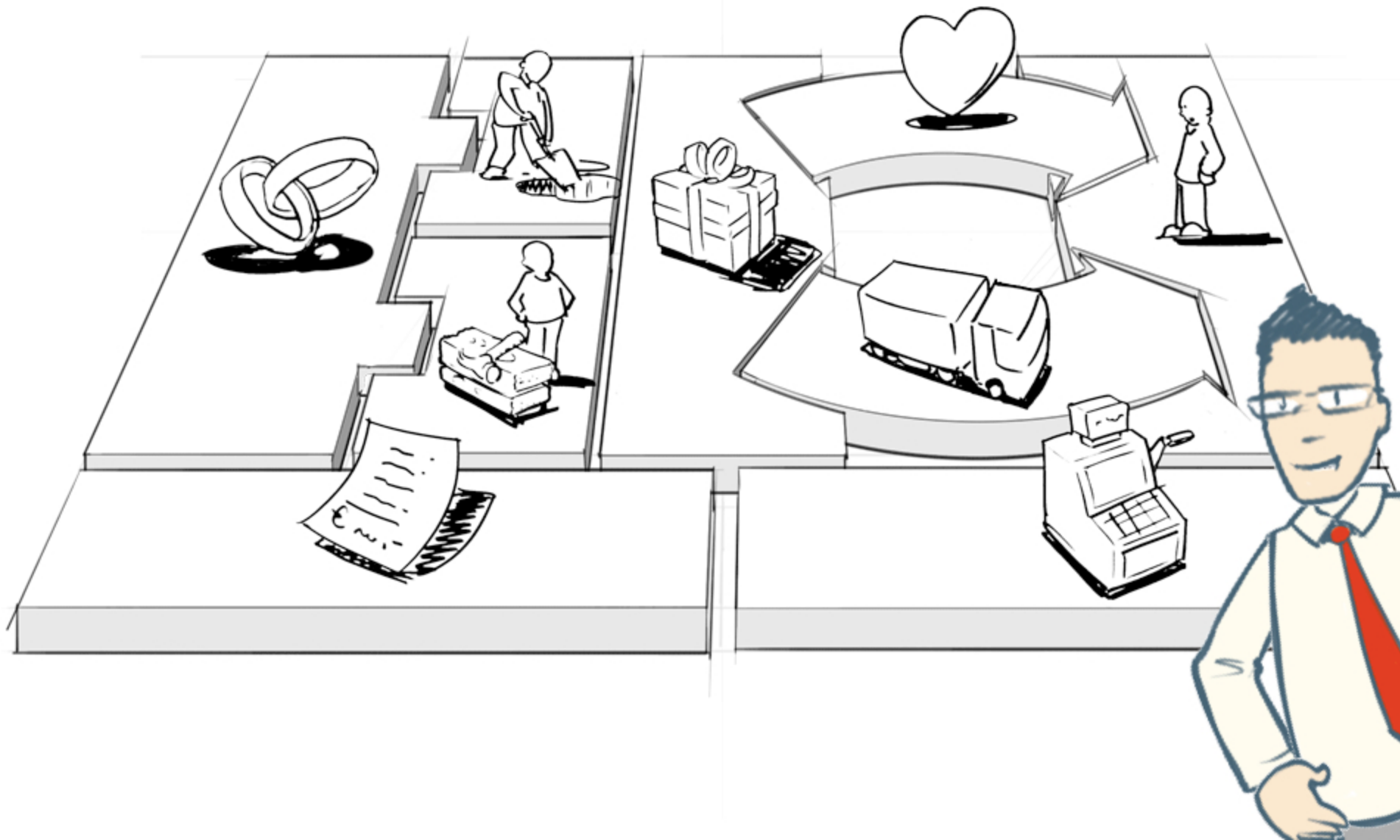


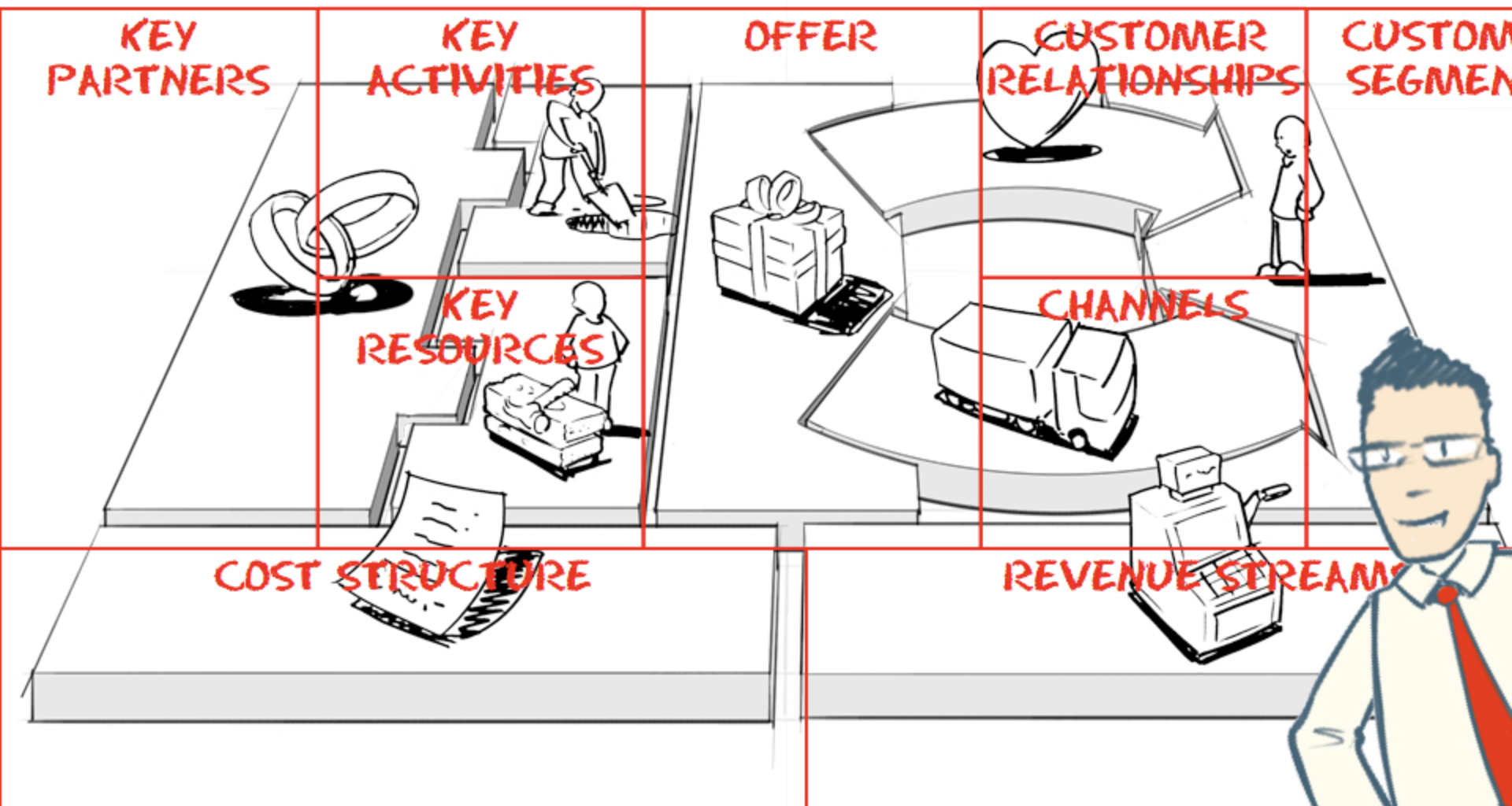
What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?

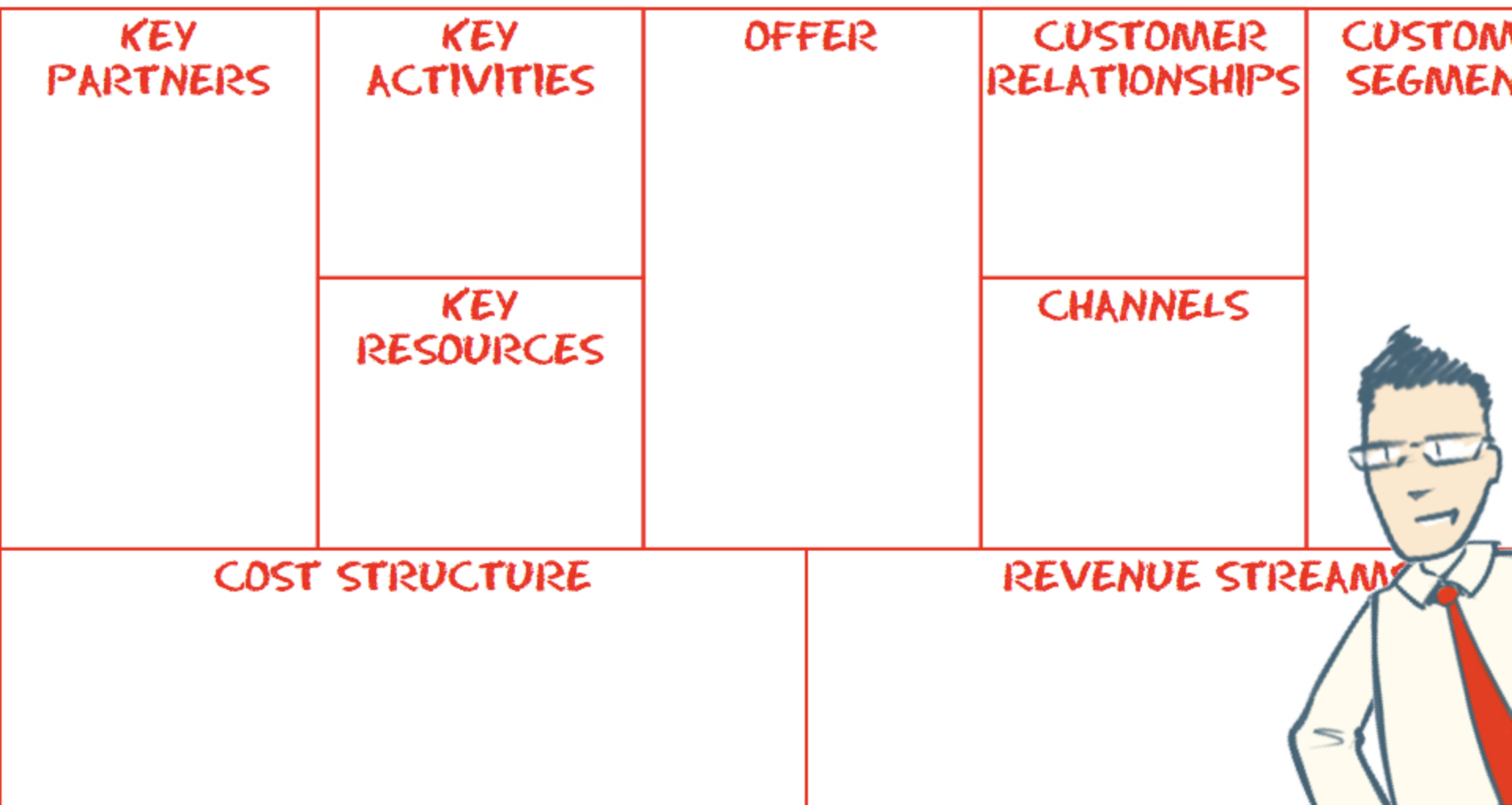




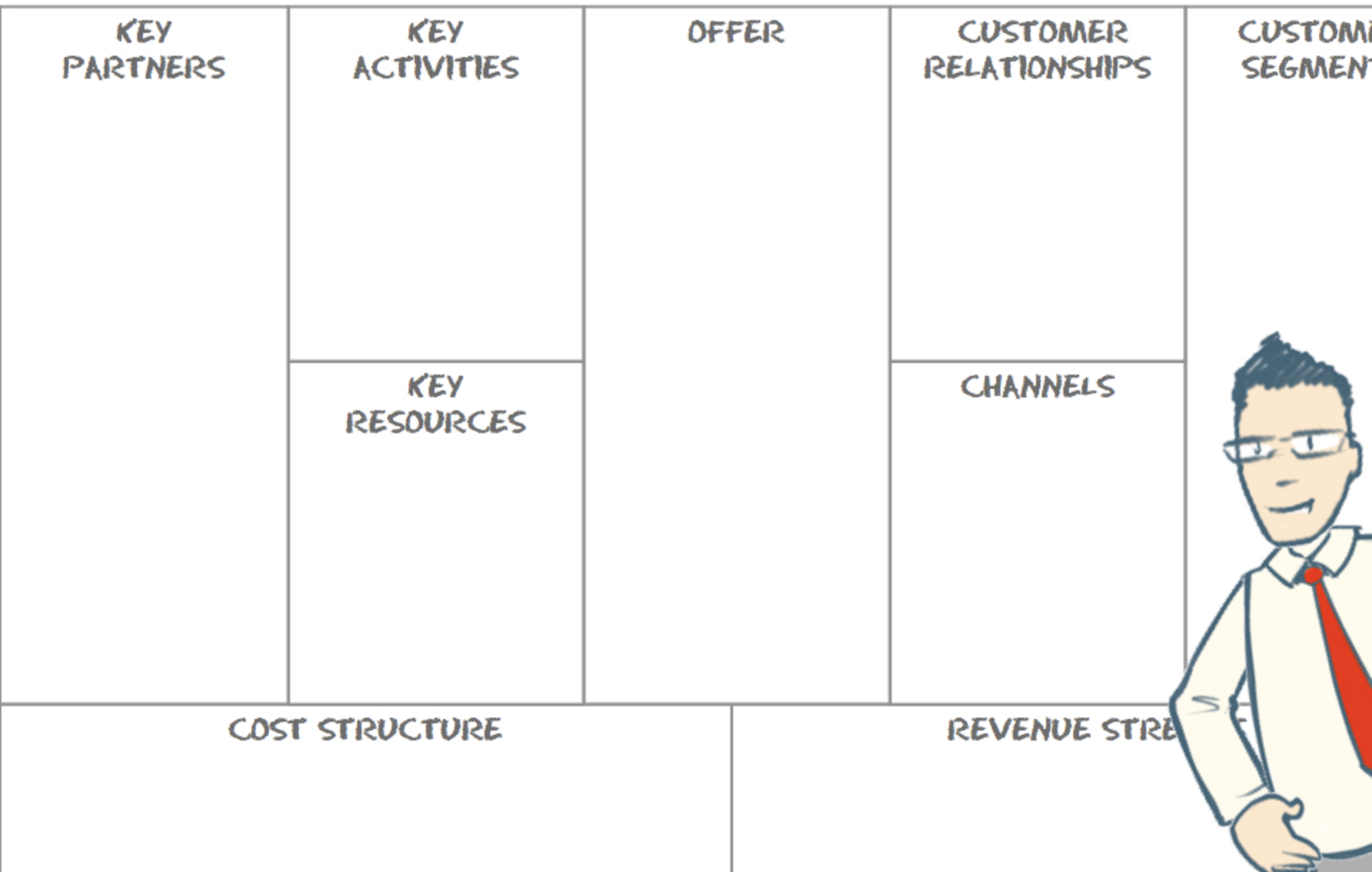









THE BUSINESS MODEL CANVAS



A cartoon illustration of a man in a white shirt, red tie, and grey trousers, wearing glasses and smiling. He has his hands on his hips. A large speech bubble is positioned above him, containing the text 'does that look useful?'.

does
that look useful?



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

you
can get your **free** poster
version online



THANK YOU

AlexOsterwalder.com

Twitter: [business_design](https://twitter.com/business_design)

Game Changers in your Generation?

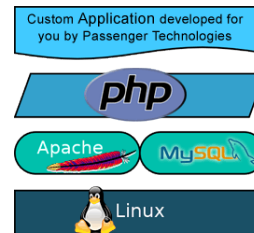
World Wide Web



Open Source Software



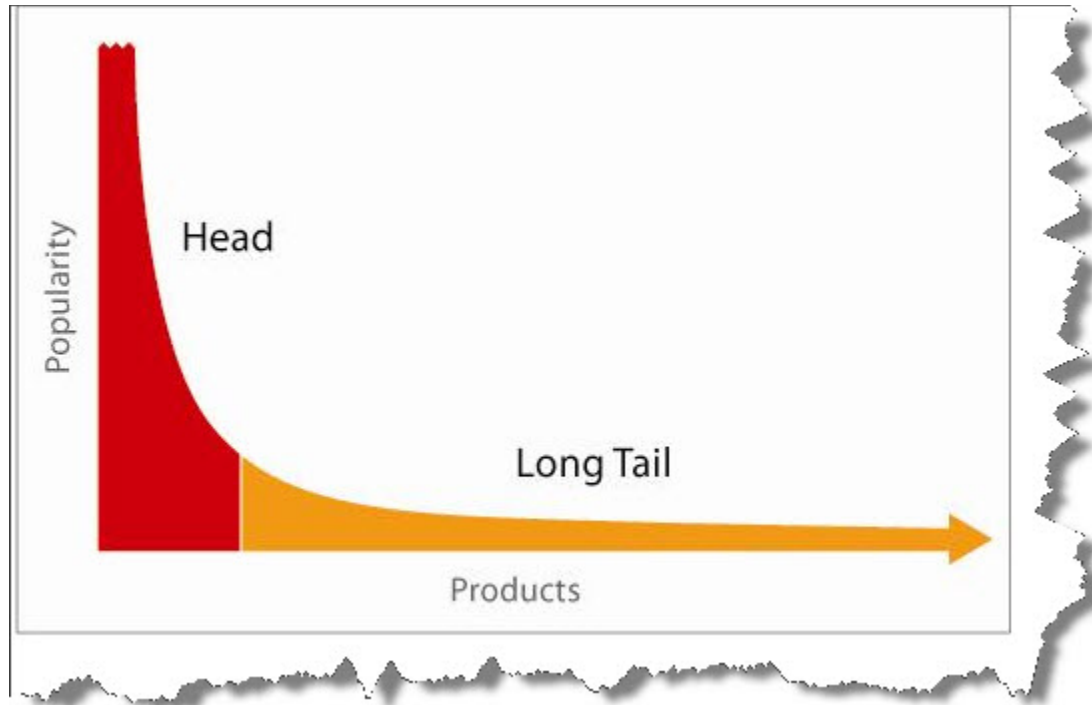
LAMP Stack



Cloud Computing



The Long Tail



**What Business Models
were Enabled?**



"We sold more books today that didn't sell at all yesterday than we sold today of all the books that did sell yesterday."

Josh Petersen, Amazon Employee explaining the long tail to a colleague that did not get it



"Netflix members love watching instantly, but we've come to recognize there is still a very large continuing demand for DVDs by mail," said Andy Rendich, Netflix Chief Service and Operations Officer. "By better reflecting the underlying costs and offering our lowest prices ever for unlimited DVD, we hope to provide a great value to our current and future DVD-by-mail members."

Verdict?

15.71% Love it

84.29% Hate it

Source: Huffington Post

Free + Premium = Freemium

“Give your service away for free, possibly ad supported but maybe not, acquire a lot of customers very efficiently through [word of mouth](#), referral networks, [organic search marketing](#), etc., then offer premium priced value added services or an enhanced version of your service to your customer base.” *Fred Wilson, Union Square Ventures*





**Freemium
Services**

Linked 

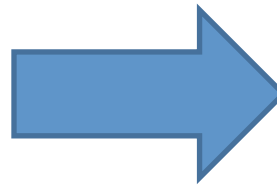


Virtual Goods?!?



	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
(in thousands, except per share data)					
Consolidated Statements of Operations Data:					
Revenue	\$ 19,410	\$ 121,461	\$ 597,459	100,927	\$ 235,421
Costs and expenses:					
Cost of revenue	10,017	56,707	176,052	32,911	67,662
Research and development	12,160	51,029	149,519	27,851	71,760
Sales and marketing	10,982	42,266	114,165	17,398	40,156
General and administrative	8,834	24,243	32,251	16,452	27,110
Total costs and expenses	41,993	174,245	471,987	94,612	206,688
Income (loss) from operations	(22,583)	(52,778)	125,472	6,315	28,733
Interest income	319	177	1,222	81	518
Other income (expenses), net	187	(209)	365	430	(736)
Income (loss) before income taxes	(22,077)	(52,810)	127,059	6,826	28,515
Provision for income taxes	(38)	(12)	(36,464)	(391)	(16,710)
Net income (loss)	\$ (22,115)	\$ (52,822)	\$ 90,595	6,435	\$ 11,805

Shout-out for Non-Tech Innovative Business Model



**Co-opted Customer to Provide Key Activities
to Improve the Value Proposition**

New Models for Partnering

Business Development 2.0: Web Services



Infrastructure



Data

twitter

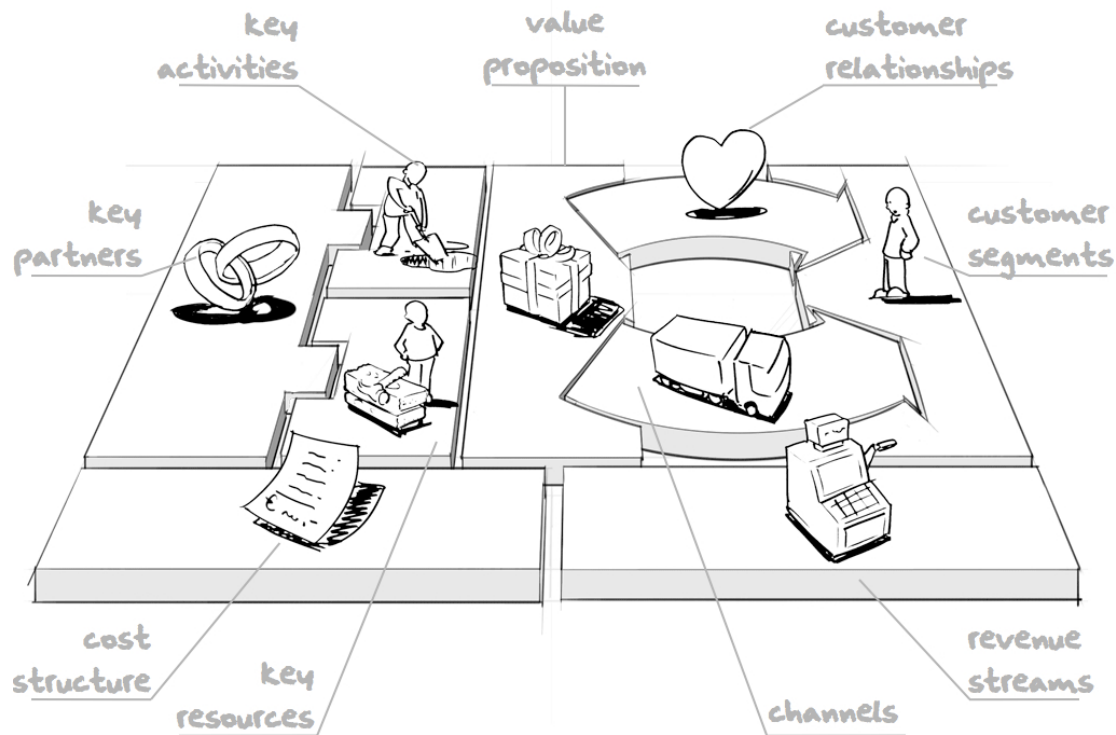
Communications



Algorithms

Business Models

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