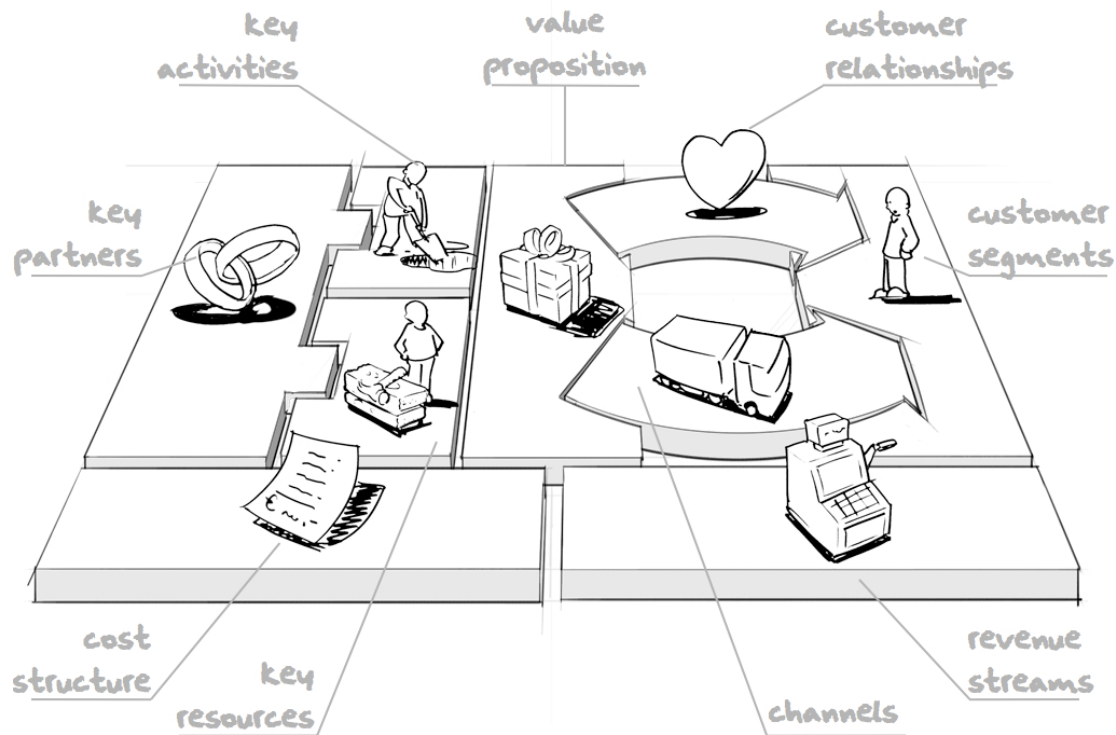


Business Models

What's new?



images by JAM

Dave Mawhinney
CMU Center for Innovation & Entrepreneurship
Donald H. Jones Center for Entrepreneurship
Managing Director, Open Field Entrepreneurs Fund

The Business Plan is Dead!

Long Live Business Planning!

The Accelerators

Startup mentors discuss strategies and challenges of creating a new business.

CULTURE

VIDEO CHATS

RAISING CAPITAL

9:37 am ET
Nov 29, 2012

CUSTOMER ACQUISITION

Business Plans Are an Historic Artifact

ARTICLE

COMMENTS (21)

BRAD FELD ENTREPRENEUR INVESTOR



BRAD FELD: In 1987 when I started my first company (Feld Technologies), I wrote a business plan for a course at MIT that I was in called 15.375: New Enterprises. The textbook for the course was Jeffrey A. Timmons' classic book "New Venture Creation" and the course ended with the submission of a written business plan.

I went on to create a company, with my partner Dave Jilk, that bore very little resemblance to that business plan. When I reread the plan several years ago for amusement, it motivated me to go dig up plans for other successful companies that I was a co-founder of or early investor in, including NetGenesis and Harmonix. In each case, the business plans were big, long, serious documents that had only a minor semblance to actual business

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!



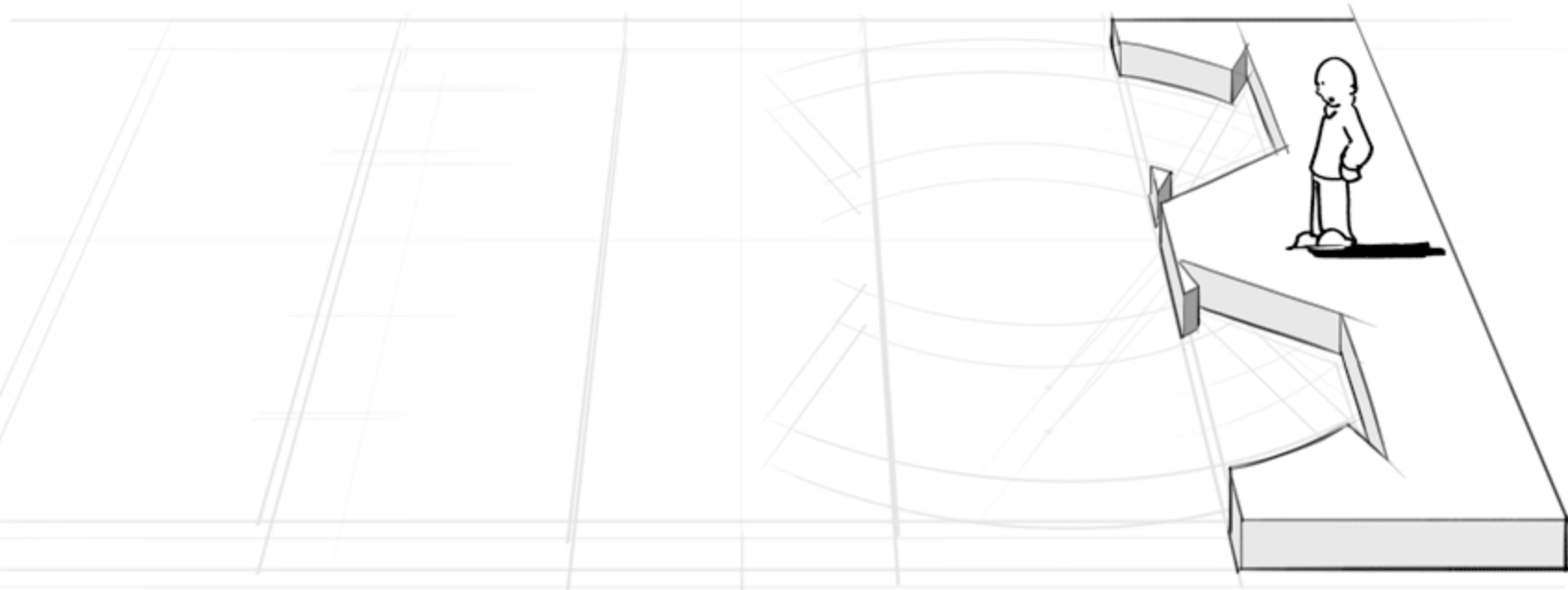
it
describes the rationale of how
an organization creates, delivers,
and captures value



a
business model includes nine
basic building blocks

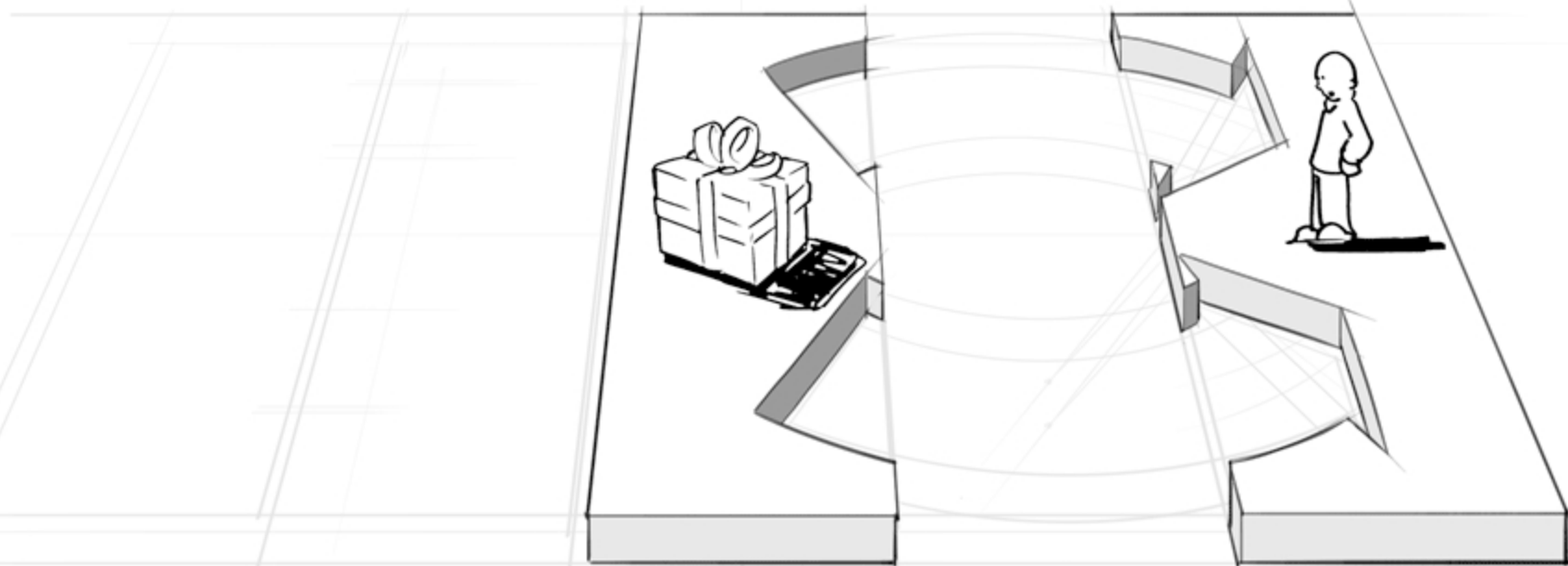


CUSTOMER SEGMENTS



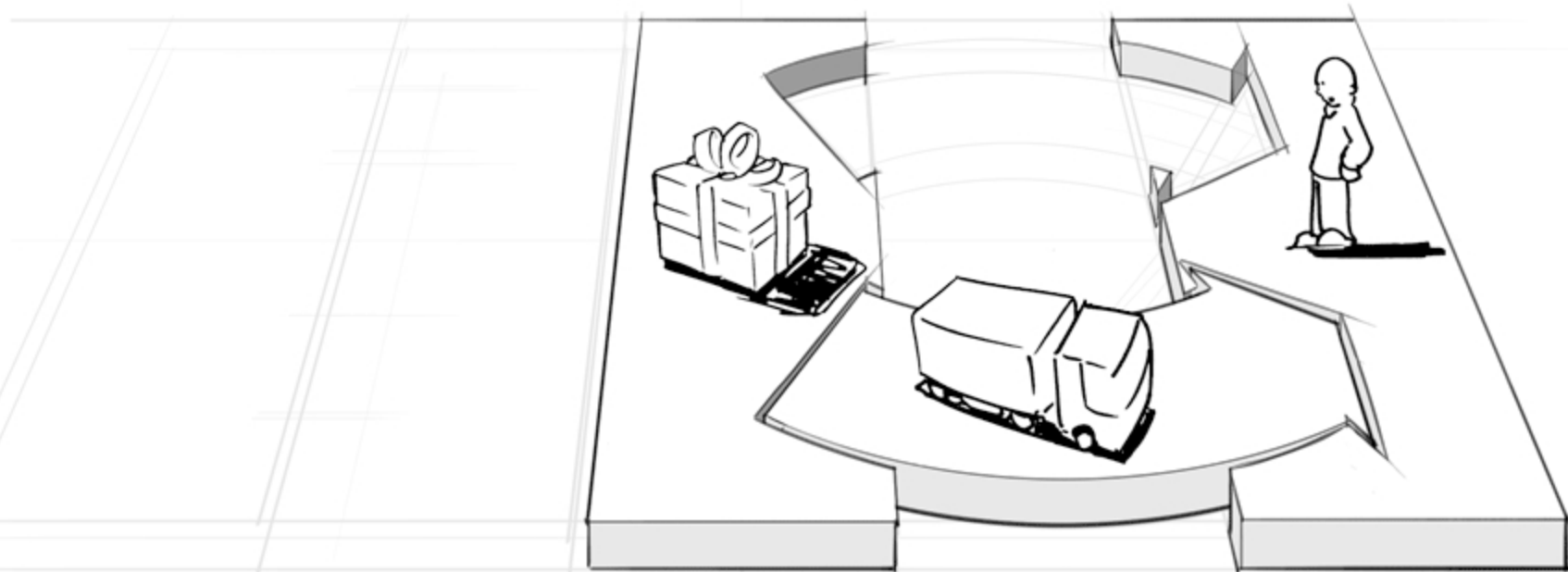
For whom are we creating value? Who are
our most important customers?

VALUE PROPOSITIONS



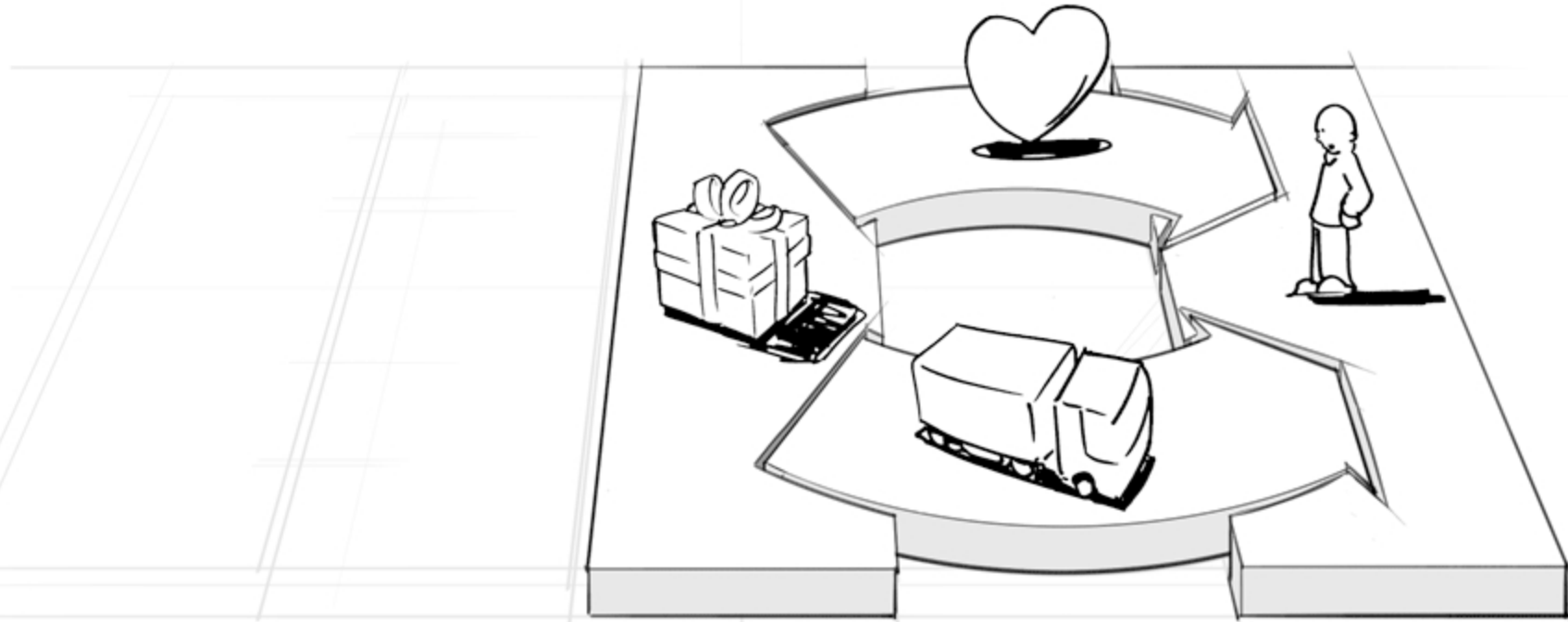
What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? Which customer needs are we satisfying? What bundles of products and services are we offering to each Customer Segment?

CHANNELS



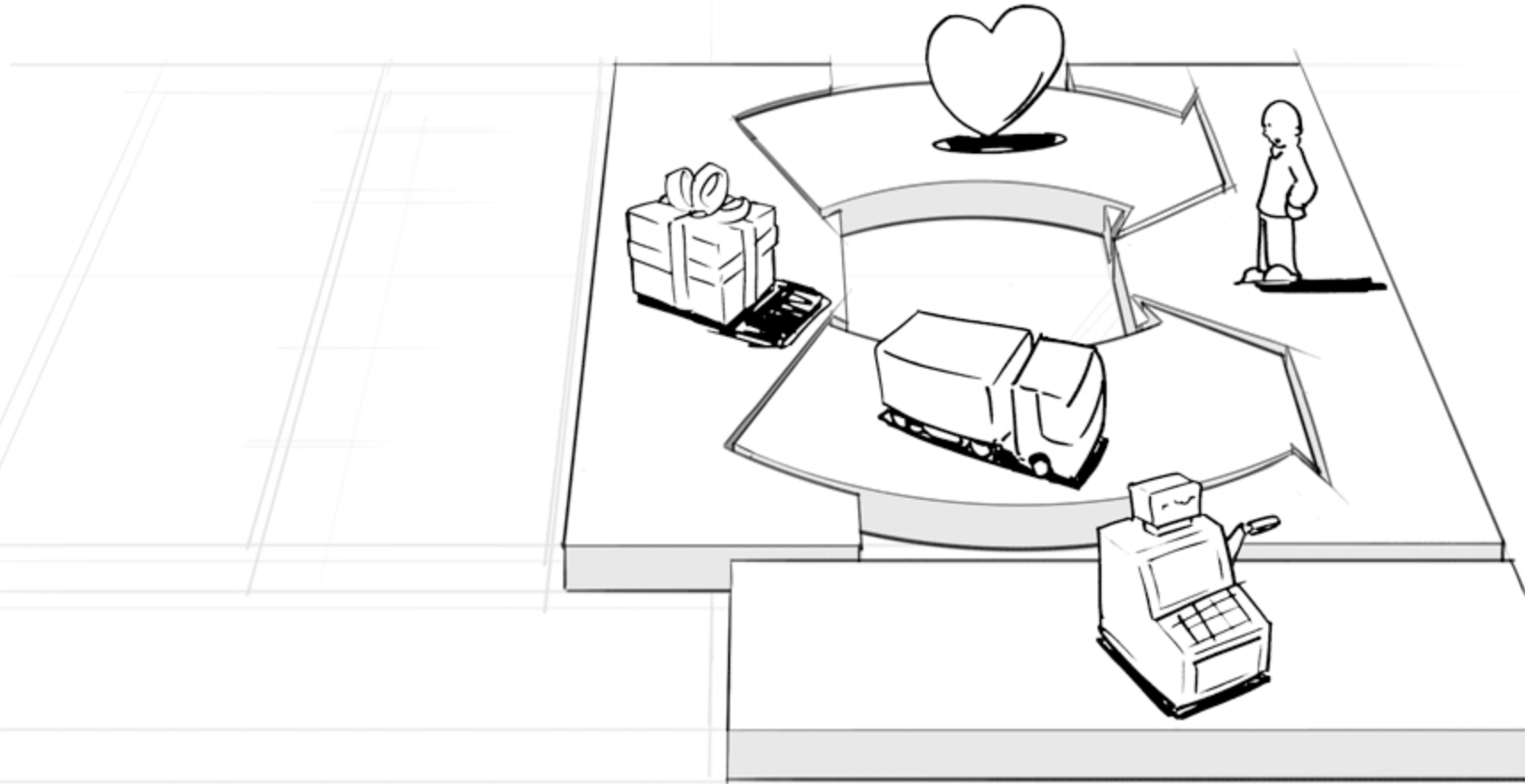
Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?

CUSTOMER RELATIONSHIPS



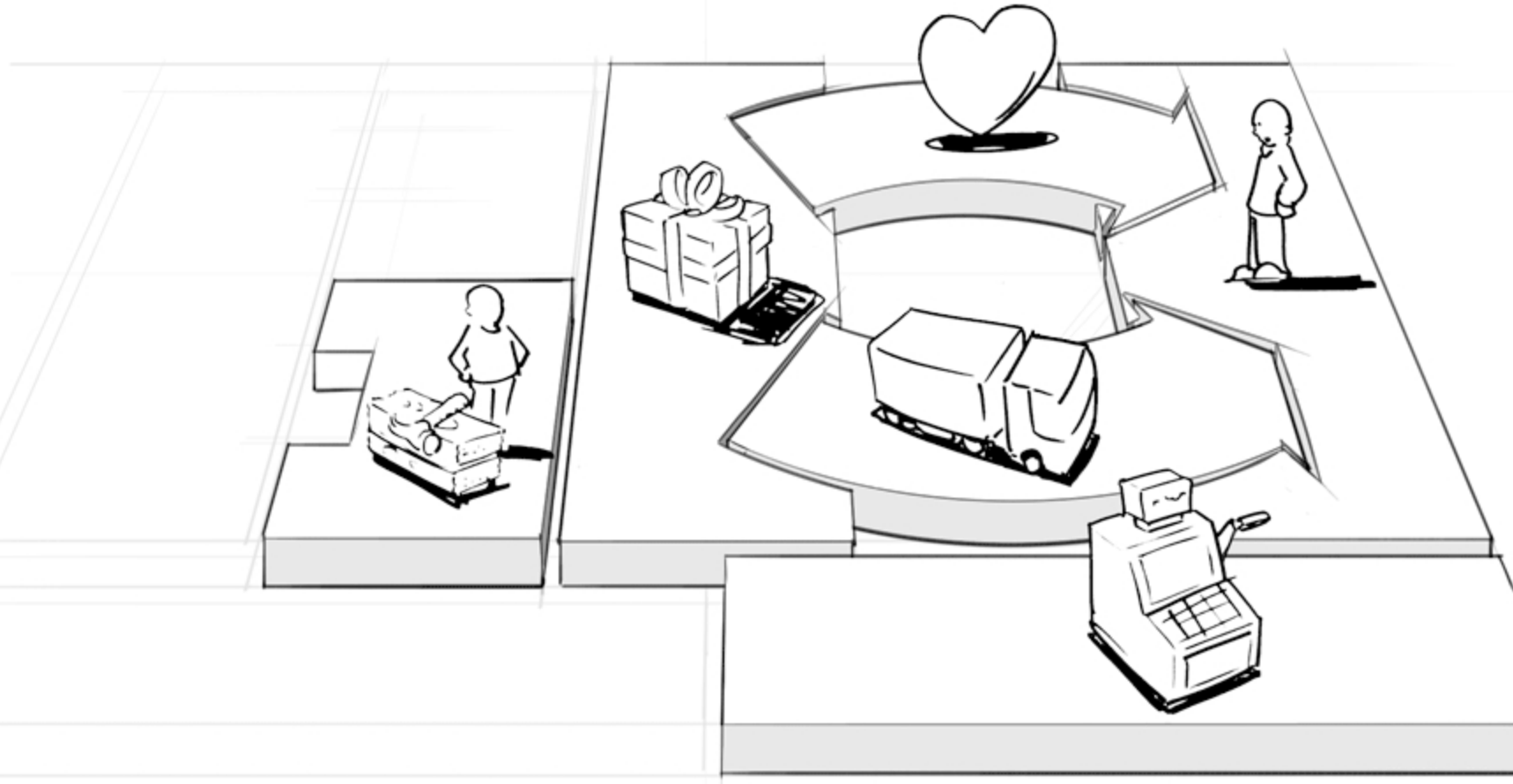
What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How costly are they? How are they integrated with the rest of our business model?

REVENUE STREAMS



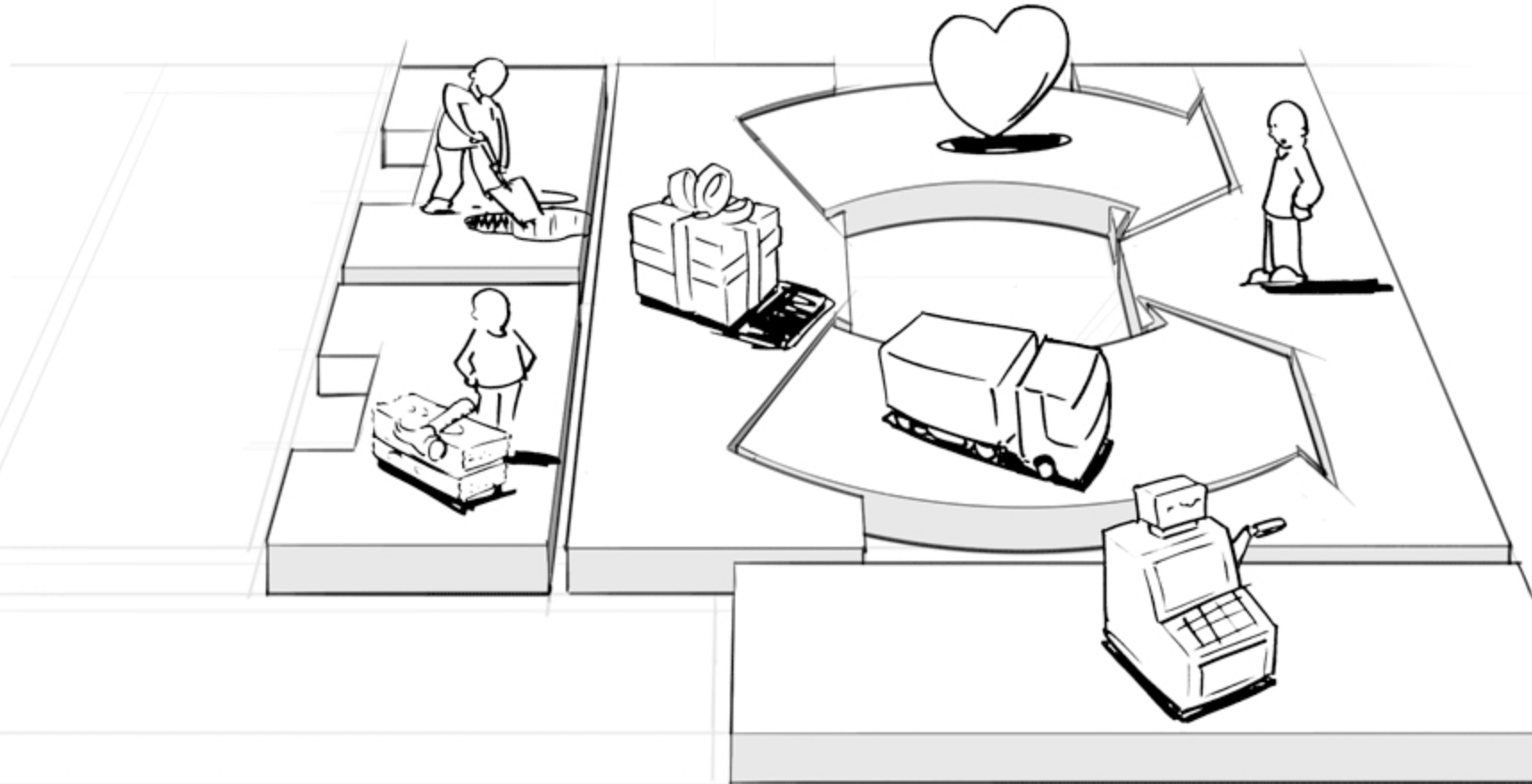
For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?

KEY RESOURCES



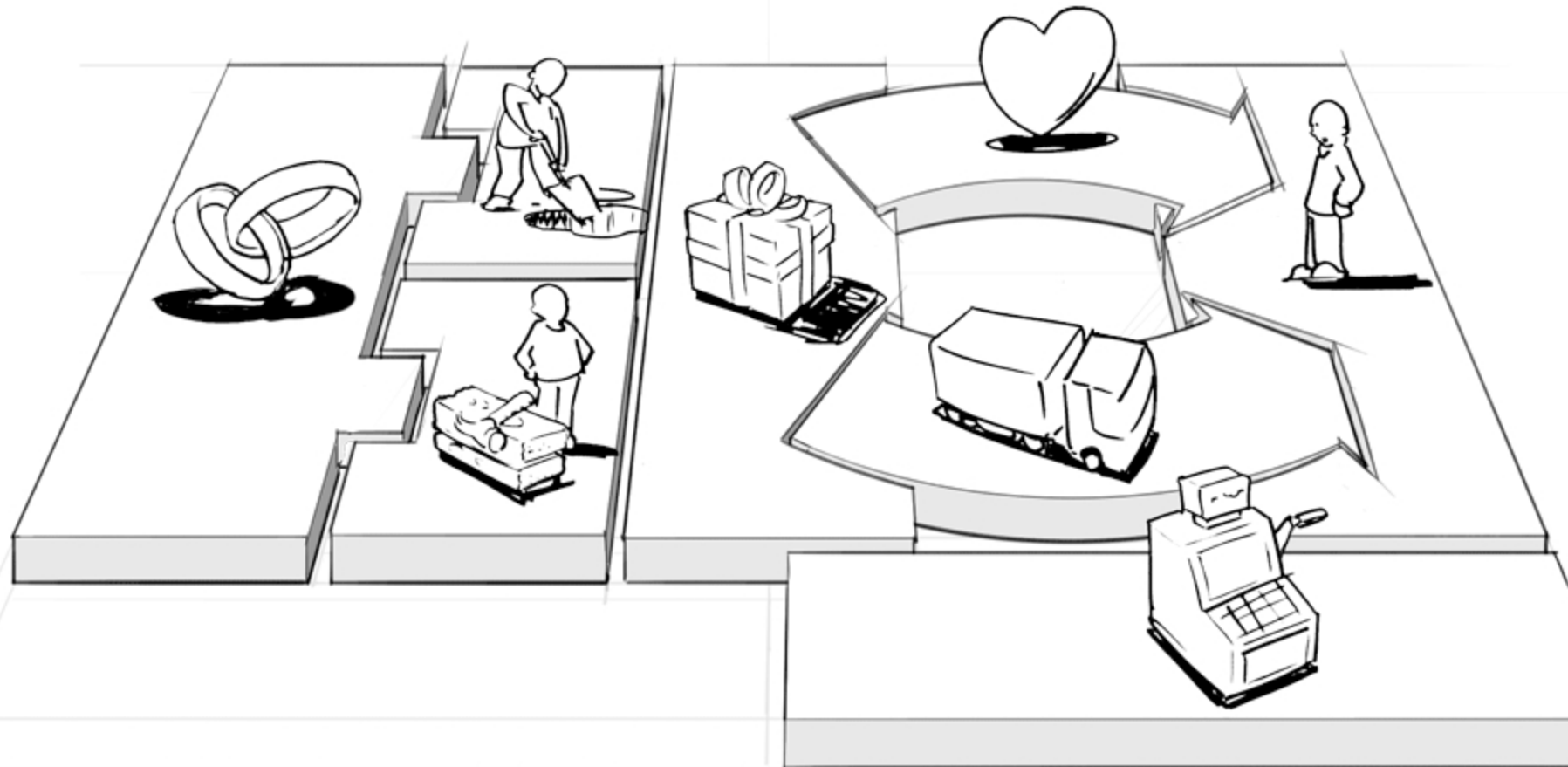
What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?

KEY ACTIVITIES



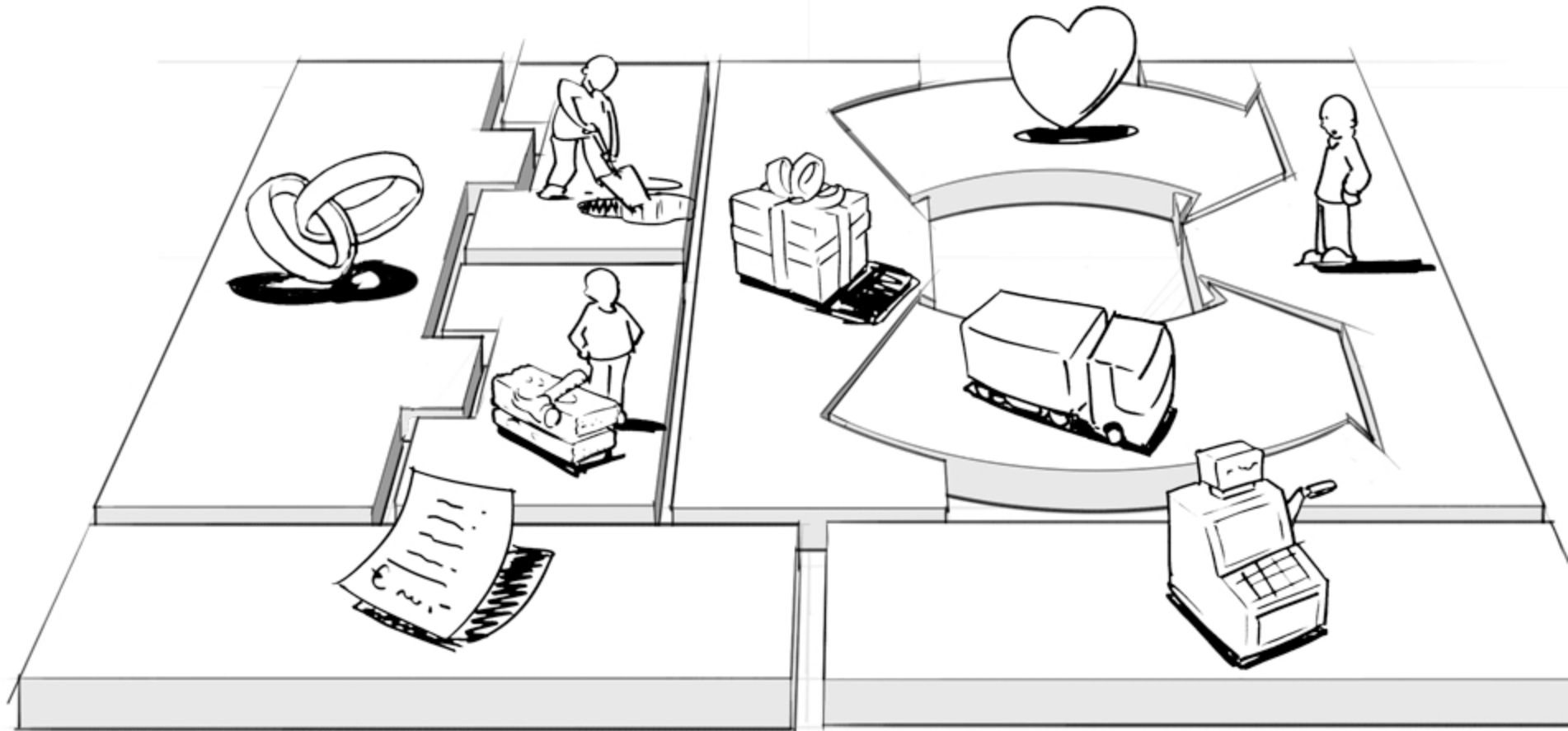
What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?

KEY PARTNERS

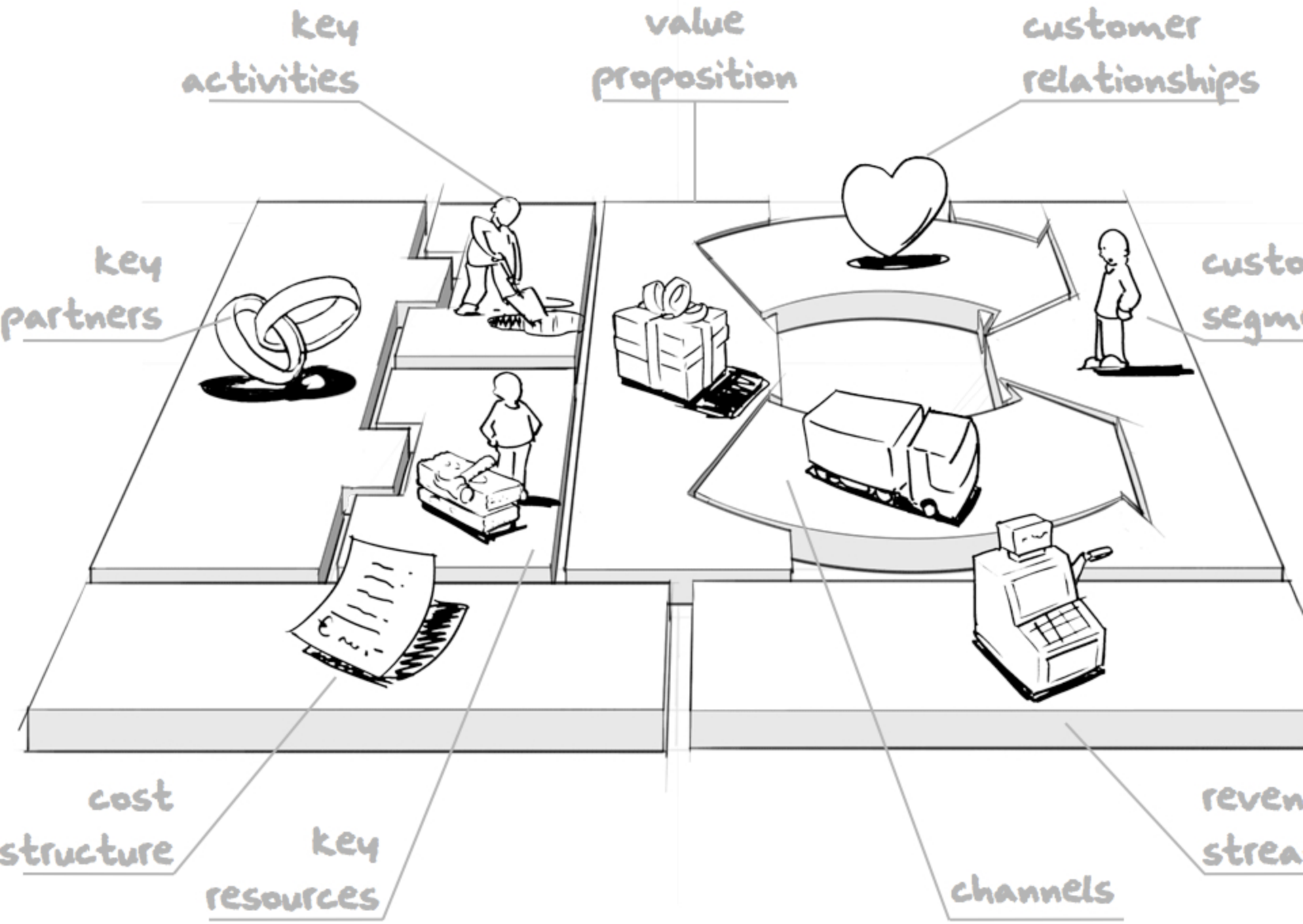


Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?

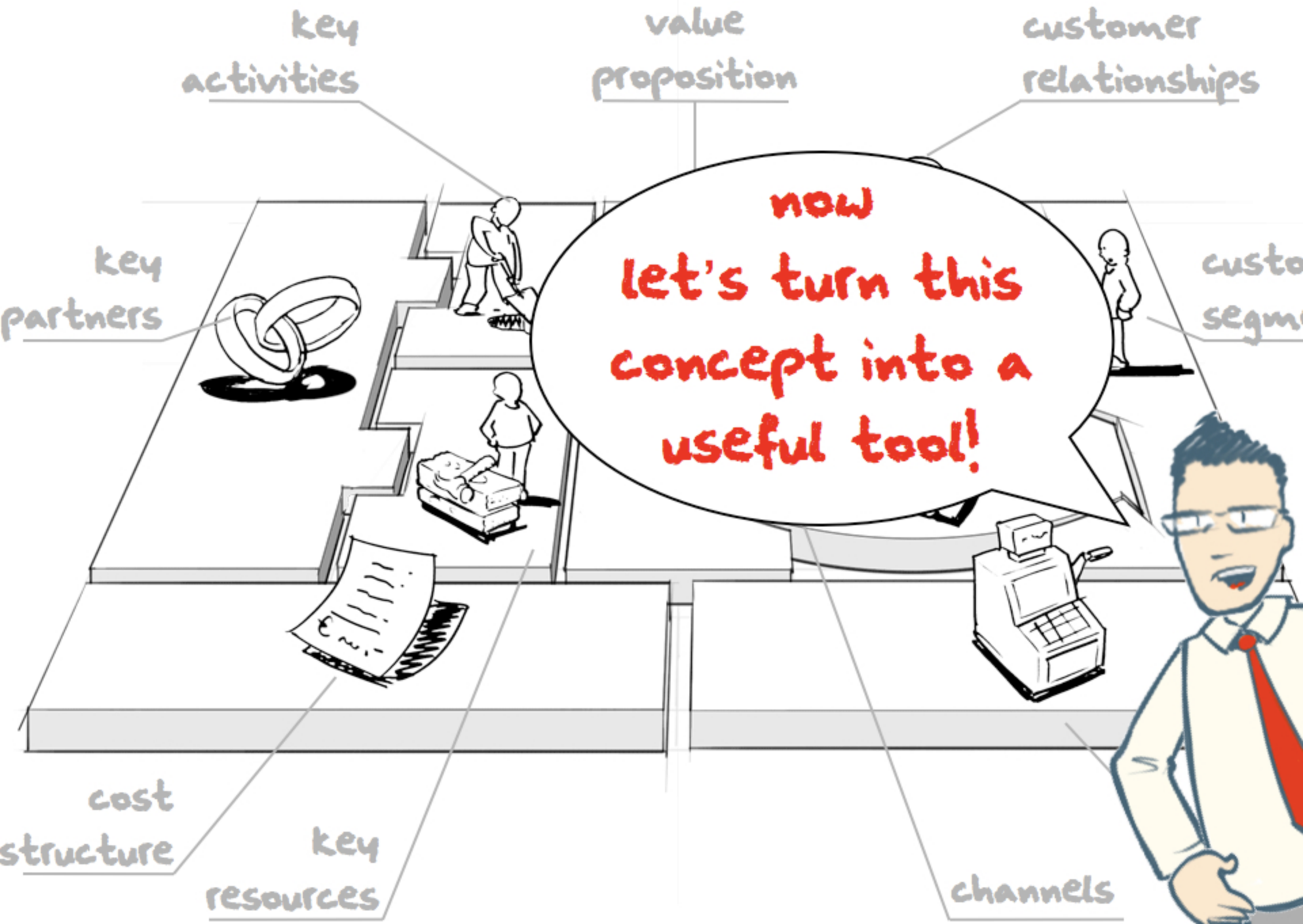
COST STRUCTURE

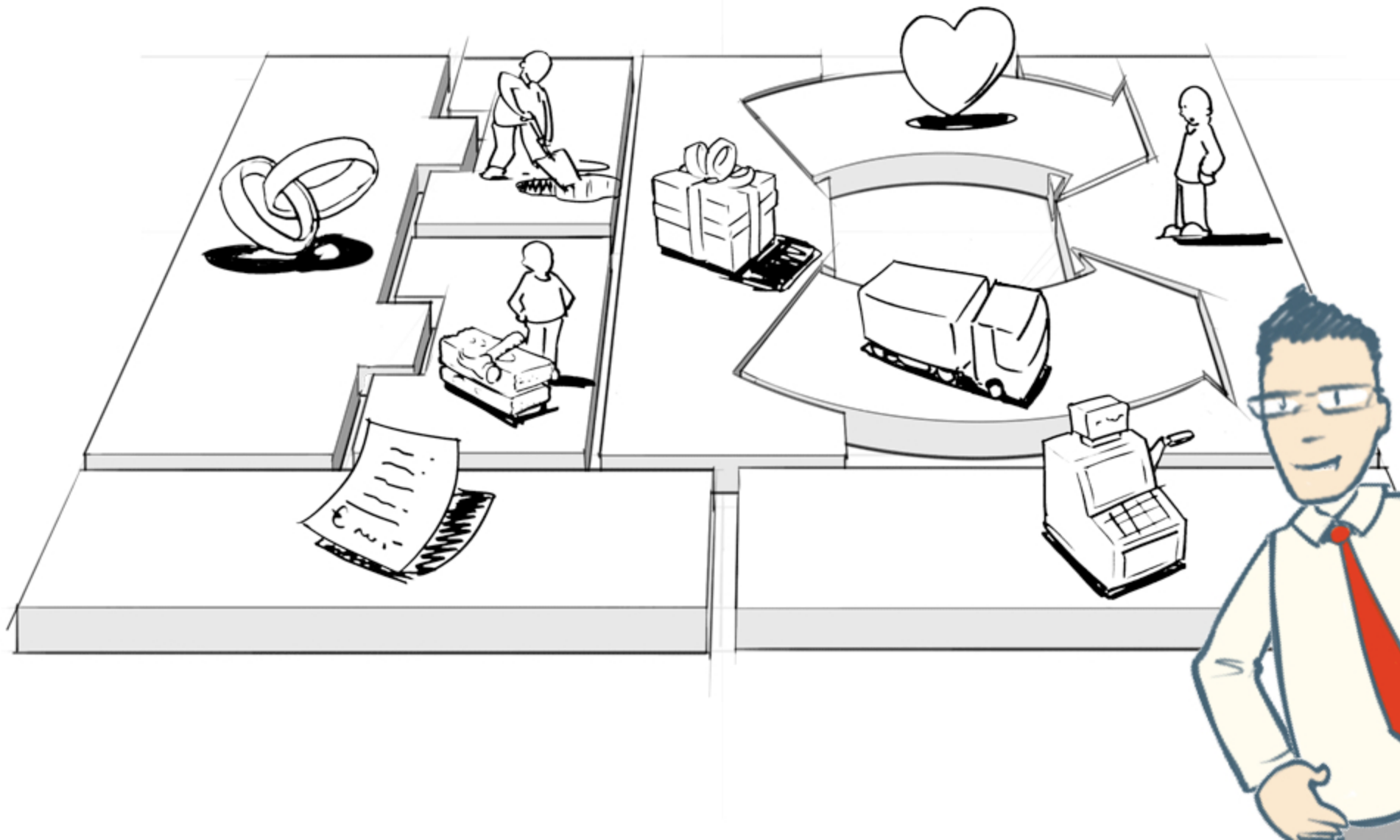


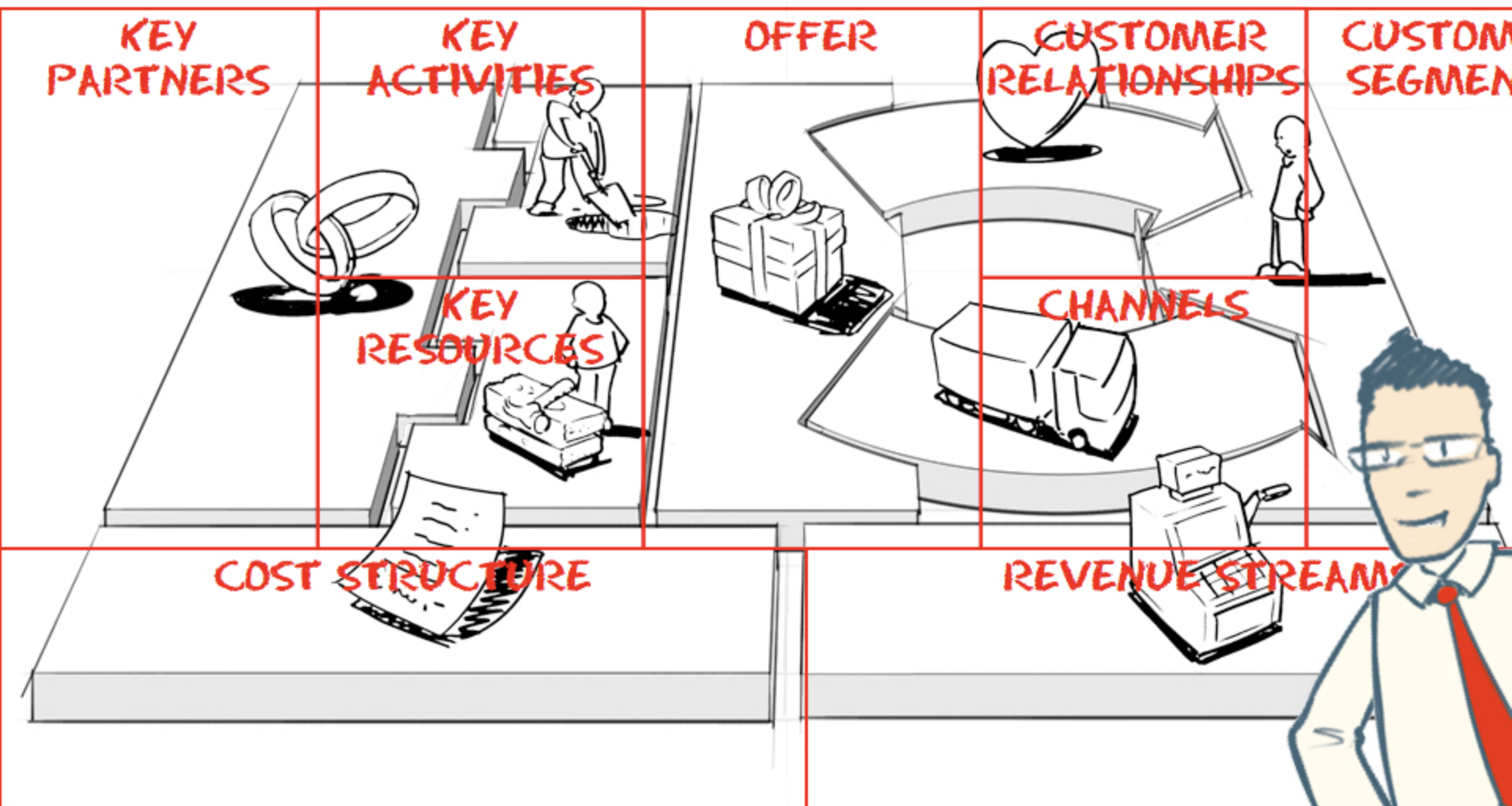
What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?

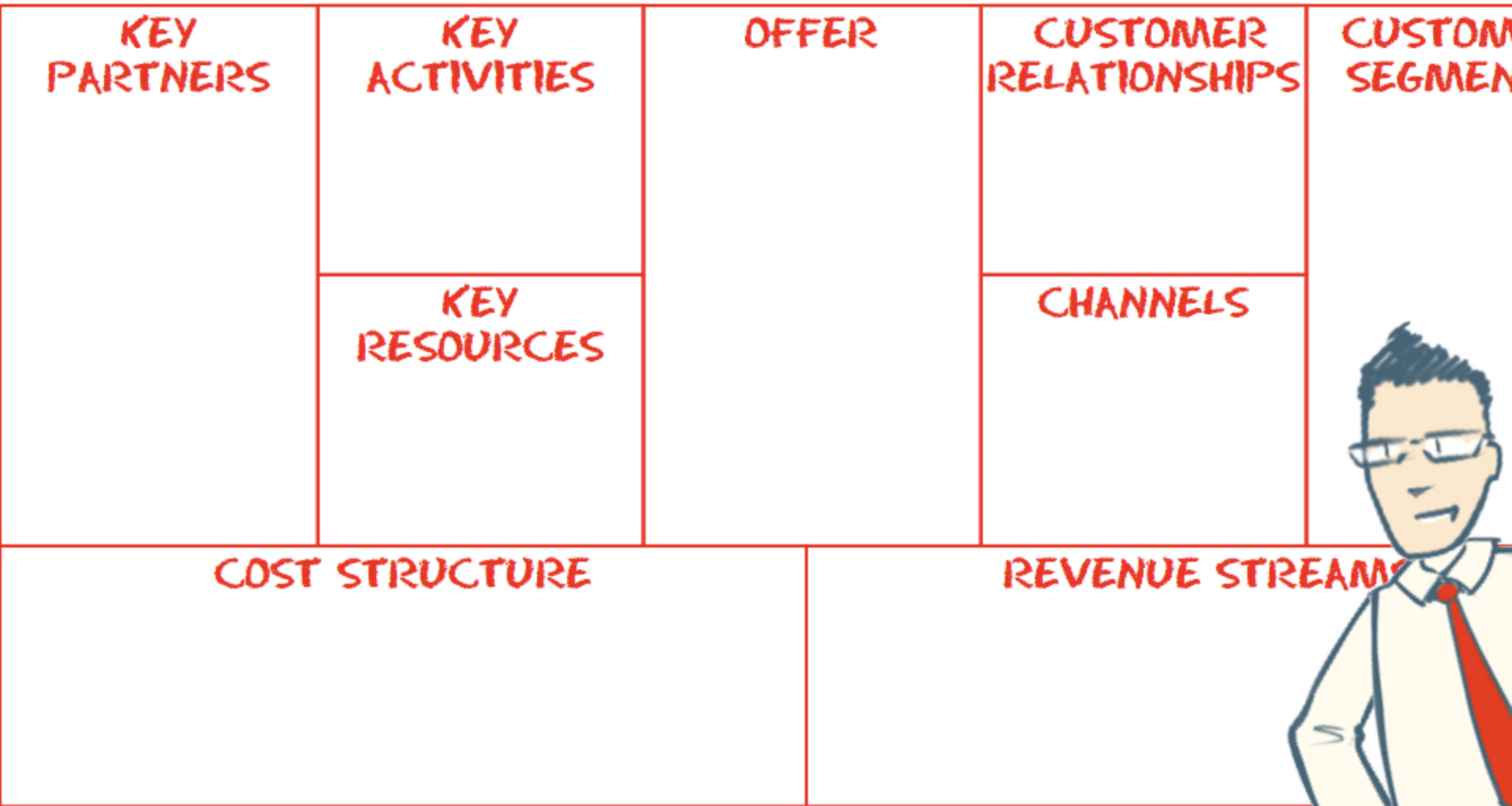




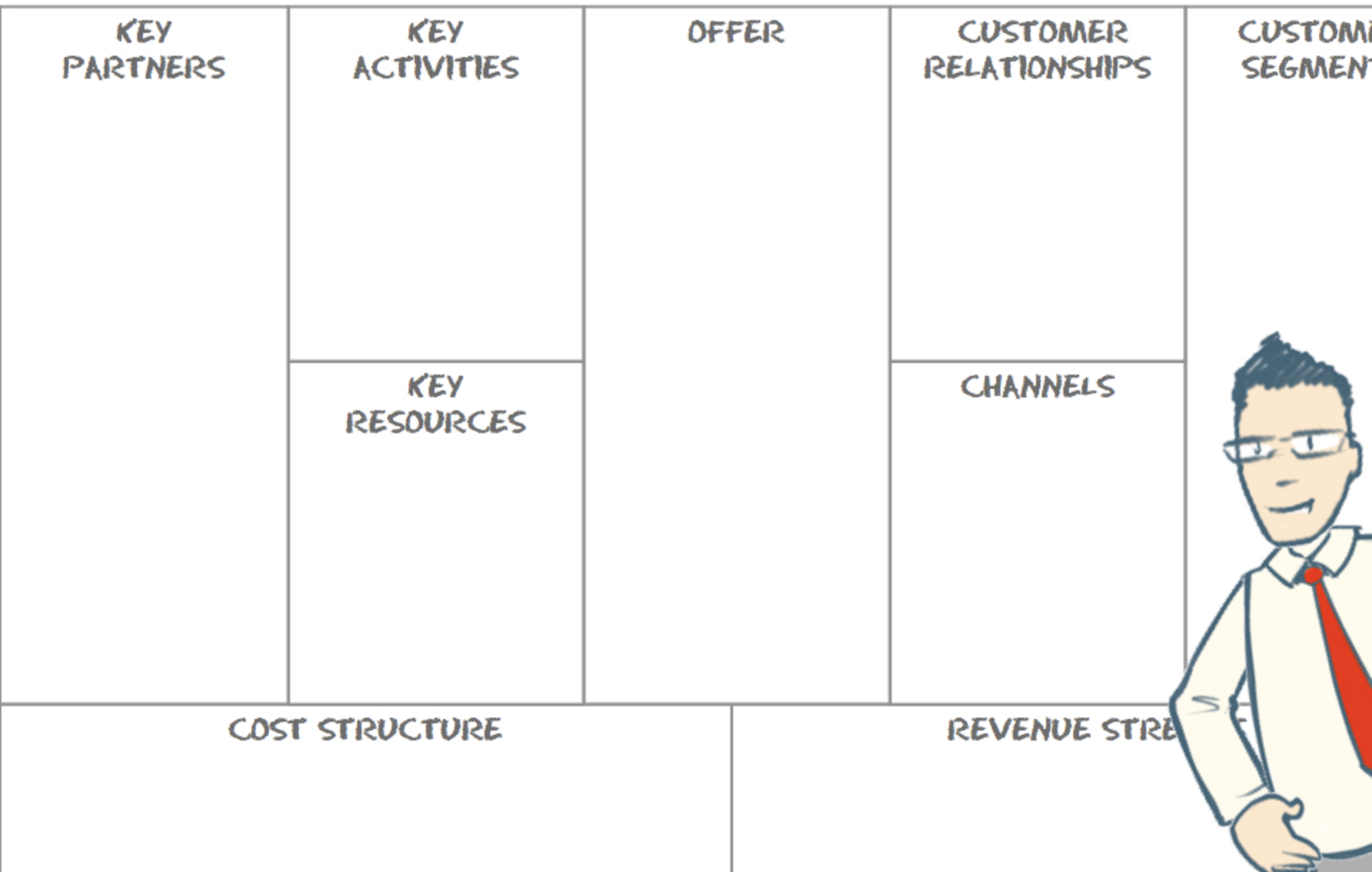








THE BUSINESS MODEL CANVAS



does
that look useful?





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

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












The Business Model Canvas

Designed for:

Designed by:

On: / /

Duration: "

| | | | | |
|--|--|---|---|---|
| <p>Key Partners</p>  <p>Who are our Key Partners? Who are we being supplied? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform for us?</p> | <p>Key Activities</p>  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Service Channels?</p> | <p>Value Propositions</p>  <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundle of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> | <p>Customer Relationships</p>  <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which one of these are we building? How are they interacting with the rest of our business model? How costly are they?</p> | <p>Customer Segments</p>  <p>For whom are we creating value? Who are our most important customers?</p> |
| <p>Cost Structure</p>  <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> | <p>Revenue Streams</p>  <p>How do customers pay for the value we deliver? How do we price this value? How are they currently paying? How much are they willing to pay? How much does each Customer Segment contribute to overall revenues?</p> | | | |

www.businessmodelgeneration.com

Small text and icons at the bottom right of the canvas.



**BusinessModelAlchemist.com/
tools**

The Business Model Canvas

Designed by: []

Customer Segments

Cost Structure

Revenue Streams

www.businessmodelgeneration.com

The Business Model Canvas is a strategic management template for developing new business models. It consists of nine building blocks arranged in a canvas format. The blocks are: Customer Segments, Channels, Customer Relationships, Revenue Streams, Cost Structure, Key Resources, Key Activities, Key Partnerships, and the Business Model itself. The canvas is divided into three main sections: Customer Segments (top right), Cost Structure (bottom left), and Revenue Streams (bottom right). The central area is divided into four quadrants by a vertical line and a horizontal line. The top-left quadrant is for Channels, the top-right for Customer Relationships, the bottom-left for Key Resources, and the bottom-right for Key Activities. The Business Model is represented by a central box that spans across the bottom of the canvas.

THANK YOU

AlexOsterwalder.com

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

Game Changers in your Generation?

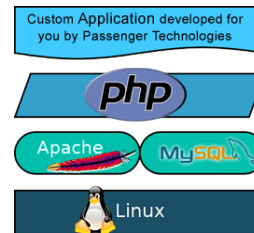
**World
Wide
Web**



**Open Source
Software**



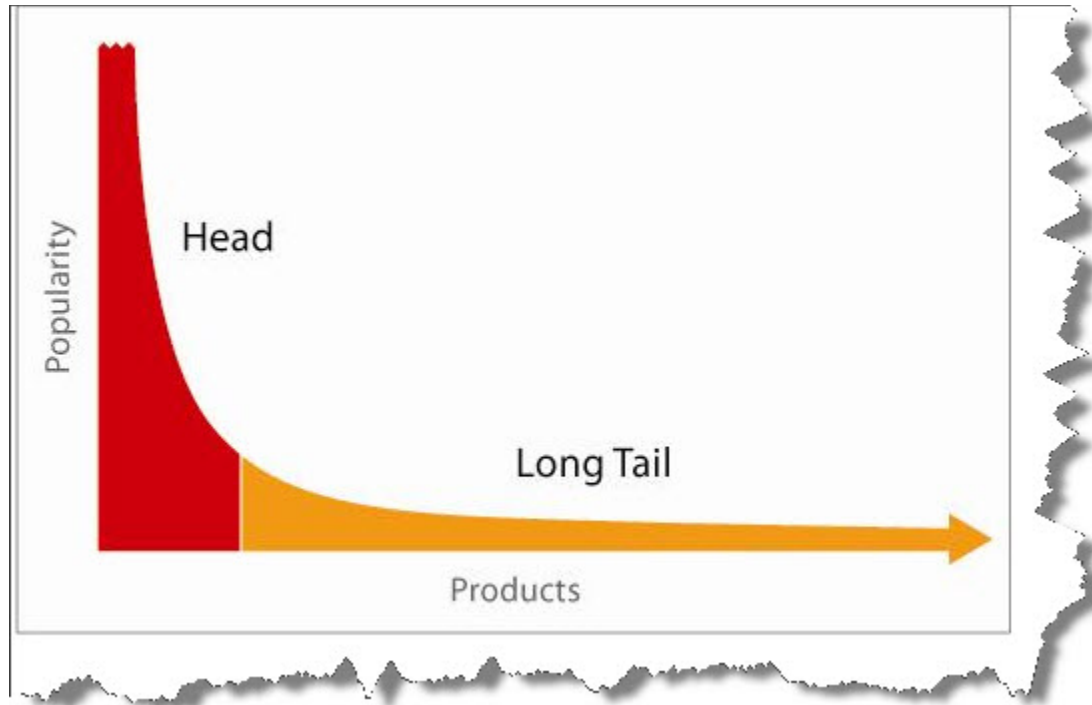
**LAMP
Stack**



**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 

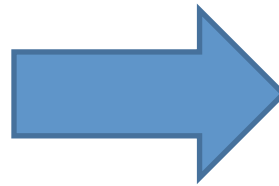


Virtual Goods?!?



| | 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

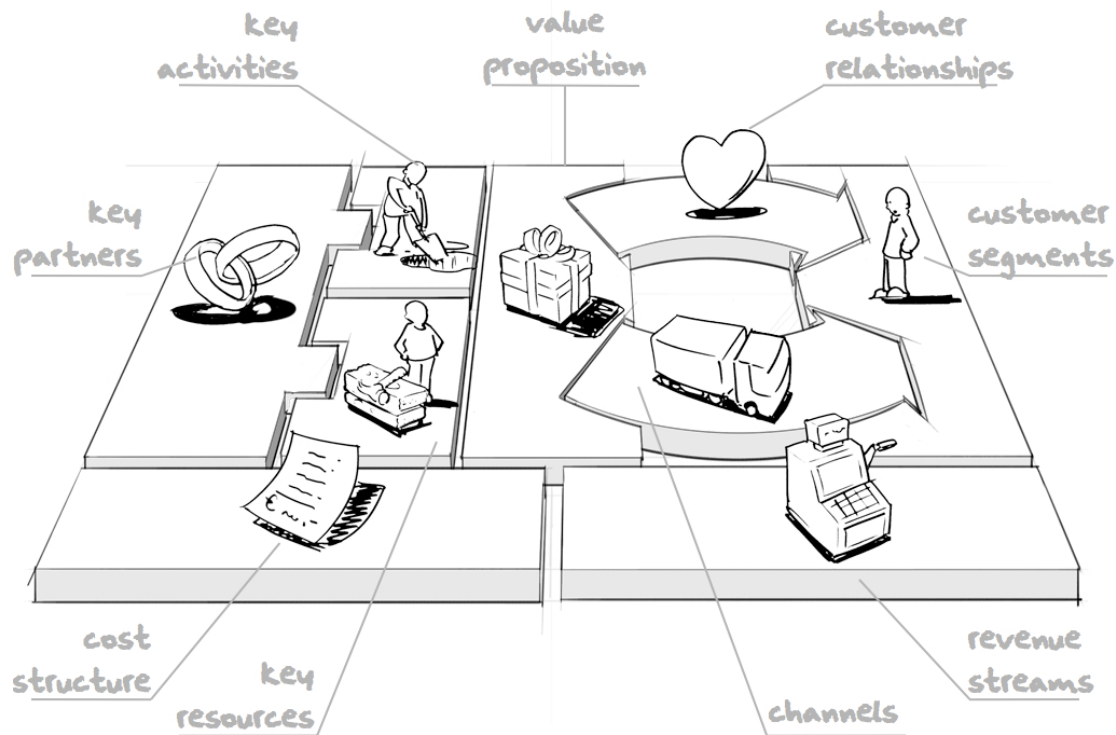
Communications



Algorithms

Business Models

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