“...don’t make business more complicated that it needs to be...”

Don Jones
Business Model Canvas

*(more than a box to check)*
Value Propositions

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

Characteristics:
- Newness
- Performance
- Customization
- "Getting the job done"
- Design
- Brand/Status
- Price
- Cost (reduction)
- Risk (reduction)
- Accessibility
- Convenience/usability

1. Value prop defined for each significant customer segment
2. Quantify Value ($$, time, other)
3. Must be relative to competing solutions (consider goodness factor)
Let’s talk about revenue
What is Revenue? – Really…

Revenue is how your customer rewards you for the value that you create.

- Reflective of the value provided
- (Ideally) Quantifiable
How do you estimate revenue?
Value realized by customer: $100

Goodness Factor: 10x

Estimated revenue: $100/10 = $10

Opportunity ($\$/customer \times \# customers):

$10 \times 10,000,000 \text{ customers} = $100 \text{ M}

What should I expect to get paid?

Is the opportunity big enough for me to invest the time?
### Revenue Streams

For what value are your customers 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?

#### Types

<table>
<thead>
<tr>
<th>Asset sale</th>
<th>Fixed Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>(bargaining)</td>
<td>List price</td>
</tr>
<tr>
<td>Usage fee</td>
<td>Negotiation</td>
</tr>
<tr>
<td>Subscription fees</td>
<td>Yield Management</td>
</tr>
<tr>
<td>Lending/Renting/Leasing</td>
<td>Real time market</td>
</tr>
<tr>
<td>Licensing</td>
<td></td>
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<tr>
<td>Brokerage fees</td>
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<tr>
<td>Advertising</td>
<td></td>
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</tbody>
</table>

#### Fixed Pricing

- List price
- Negotiation
- Yield Management
- Real time market

#### Dynamic Pricing

- Customer value divided by the “goodness factor”.
- Verify that you CAN extract your revenue.
- DO NOT get hung up on the details!

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The Business Model Canvas

<table>
<thead>
<tr>
<th>Key Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission</td>
</tr>
<tr>
<td>Customer segments</td>
</tr>
<tr>
<td>Value proposition</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer support</td>
</tr>
<tr>
<td>Fulfillment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer data</td>
</tr>
<tr>
<td>Distribution channels</td>
</tr>
</tbody>
</table>

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**Cos: Structure**

1. Value Proposition: What unique benefits does your product/service offer?
2. Customer Relationships: How are customers engaged and retained?
3. Network Effects: How does customer value increase as more customers join the network?
4. Revenue Streams: How does the product/service generate revenue?
5. Key Activities: What must be done to create the product/service?
6. Key Resource: What assets are needed to deliver the value proposition?
What do we know, just from this?

1. We understand our customer (in detail)
2. We understand why (& how) they benefit from what we are doing
3. We understand whether there is enough left for us to make this worthwhile
4. We understand what we don’t understand!
“...your scientists were so preoccupied with whether they could that they did not stop to think about whether they should...”
Key Activities
What key activities do your Value Proposition Require?
- Our distribution channels?
- Customer relationships?
- Revenue streams?

Categories:
- Production
- Problem solving
- Platform/network

Key Resources
What key resources do your Value Proposition Require?
- Our distribution channels?
- Customer relationships?
- Revenue streams?

Types of resources:
- Physical
- Intellectual (Brand, patents, copyrights, data)
- Human
- Financial

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?

Is your business more:
• Cost Driven?
  Leanest cost structure / low price value proposition / maximum automation / extensive outsourcing
• Value Driven?
  Focused on value creation / premium value proposition

Sample Characteristics
- Fixed costs (salaries, rents, utilities)
- Variable costs
- Economies of Scale
- Economies of Scope

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?

Channel phases:
- Awareness
  How do we raise awareness about our company?
- Evaluation
  How do we help customers evaluate our organization’s Value Proposition?
- Purchase
  How do we allow customers to purchase specific products and services?
- Delivery
  How do we deliver a Value Proposition to customers?
- After sales
  How do we provide post purchase customer support?

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 are they integrated with the rest of our business model?
How costly are they?

Examples:
- Personal assistance
- Dedicated personal assistance
- Self Service
- Automated services
- Communities
- Co-Creation

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?

Motivations for Partnerships:
- Optimization and economy
- Reduction of risk & uncertainty
- Acquisition of particular resources and activities

Customer Segments
Revenue per customer: $10

Direct cost (cost to deliver value): $3

Fixed cost (Overhead): $2

Margin: $5

$5 x 10,000,000 customers = $50 M

Can I make a profit?

Can I justify the investment and can this be a self-supporting concern?
How do you use the Business Model Canvas

- The BMC is the cornerstone of your internal business plan
- The BMC need to be as specific as possible!
  - The more quantification the better
- (Initially) focus on customer segments and value proposition
- Develop it in the order that I presented it
- Prioritize risk or unknowns
- The BMC is an evolving tool, not a one time task
- The BMC should be visible to the entire team
Wanna try?