"...don’t make business more complicated that it needs to be..."
Business Model Canvas

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

1. Value prop defined for each significant customer segment
2. Quantify Value ($$, time, other)
3. Must be relative to competing solutions (consider goodness factor)

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

Customer Segments

- Mass Market
- Niche Market
- Segmented
- Diversified
- Multi-sided platform

Customer Relationships

For whom are we creating value?
Who are our most important customers?
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?
What should I expect to get paid?

Value realized by customer: $100

Goodness Factor: 10x

Estimated revenue: $100/10 = $10

Opportunity
($$/customer X # customers):

$10 x 10,000,000 customers = $100 M

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**

- Fixed Pricing
  - Asset sale (bargaining)
  - Usage fee
  - Subscription fees
  - Lending/Renting/Leasing
  - Licensing
  - Brokerage fees
  - Advertising

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

1. Customer value divided by the “goodness factor”.
2. Verify that you CAN extract your revenue.
3. DO NOT get hung up on the details!
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!
The Business Model Canvas

Key Partners
- How do we collaborate with our key partners?
- How do we create value for our partners?
- How do we share the value created?
- How do our partners share resources?
- How do we coordinate with our partners?
- How do we align with our partners?

Key Activities
- What are our critical activities to deliver value?
- How do we create value through these activities?
- How do we manage these activities?
- How do we coordinate these activities?
- How do we sustain these activities?
- How do we align these activities?

Value Propositions
- What value do we deliver to our customers?
- How do we create value for our customers?
- How do we sustain value for our customers?
- How do we manage value for our customers?
- How do we align value for our customers?
- How do we share value for our customers?

Customer Relationships
- How do we engage with our customers?
- How do we build long-term relationships with our customers?
- How do we manage relationships with our customers?
- How do we coordinate relationships with our customers?
- How do we sustain relationships with our customers?
- How do we align relationships with our customers?

Customer Segments
- How do we identify our target customers?
- How do we segment our customers?
- How do we target our customers?
- How do we manage our customers?
- How do we coordinate our customers?
- How do we align our customers?

Key Resources
- What are our critical resources?
- How do we create value with these resources?
- How do we sustain value with these resources?
- How do we manage resources?
- How do we coordinate resources?
- How do we align resources?

Channels
- How do we distribute our products or services?
- How do we reach our customers?
- How do we manage our channels?
- How do we coordinate our channels?
- How do we sustain our channels?
- How do we align our channels?

Cost Structure
- What are our most important costs in our business model?
- How do we allocate costs to different activities?
- How do we manage our costs?
- How do we coordinate our costs?
- How do we align our costs?
- How do we share our costs?

Revenue Streams
- How do we generate revenue?
- How do we manage revenue?
- How do we coordinate revenue?
- How do we sustain revenue?
- How do we align revenue?
- How do we share revenue?

The Business Model Canvas is a framework for visualizing, designing, and business innovation. It is composed of nine critical business elements: Key Partners, Key Activities, Value Propositions, Customer Relationships, Customer Segments, Key Resources, Channels, Cost Structure, and Revenue Streams. These elements help businesses understand how they create value for their customers and how they structure their business models to achieve their goals.
“...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
Which Key Activities do your Value Proposition require?
Which Key Resources are required?
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
- Evaluation
- Purchase
- Delivery
- After sales

Channels

Customer Relationships
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?