"...don’t make business more complicated that it needs to be..."
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 services are we offering to each Customer Segment?
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)

Customer Segments

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

Mass Market
Niche Market
Segmented
Diversified
Multi-sided platform

Revenue Streams

For what reasons do we need money today vs. next year?
Who gets the money we need today?
Who gets the money we need next year?
Who’s helping us get investment or strategic value?
The Business Model Canvas

Revenue Streams

Key Partners
- What are key relationships that we need to be successful?
- What is the co-creation of value we are engaging?
- What are the key resources we are acquiring from key players?
- What are the key activities we are performing?

Key Activities
- What key activities do we need to do to deliver value to the customer?
- What is the value proposition?
- What is the key value proposition?
- What is the key revenue model?

Key Resources
- What key resources do we need to create value for the customer?
- What are the key value creation assets?
- What are the key value creation assets?
- What are the key value creation assets?

Key Processes
- What key processes do we need to perform?
- What are the key processes we need to perform?
- What are the key processes we need to perform?
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Cost Structure
- What are the key cost structures in our business model?
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Revenue Streams
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Let’s talk about revenue
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
  - List price
- Dynamic Pricing
  - Negotiation
- Yield Management
- Real time market

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

Fixed Pricing
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!
45 Seconds in
“...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?

### Key Resources

**What key resources do your Value Proposition Require?**

- Our distribution channels?
- Customer relationships?
- Revenue streams?

### 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?

### 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 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
Can I make a profit?

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 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?