



Business Model Canvas

(more than a box to check)



It's all about the product, why waste time on modeling out the business?



- Founded in 1992
- Leader for years in digital language learning
- Innovator in sales channels
- Premium pricing strategy
 - Costs as much as \$479
- **UNTIL...**



It's all about the product, why waste time on modeling out the business?



- **UNTIL...**
- Duolingo introduced in 2011 by Luis Van Ahn
- Leveraged mobile - cloud architecture
- Freemium pricing
- First Pittsburgh based unicorn
 - \$1B valuation (Dec, 2019)



It's all about the product, why waste time on modeling out the business?



- reCAPTCHA introduced in 2007 by Luis Van Ahn
- Designed to address problem with “robots” (human verification)
- Technology rather pedestrian
- Sold to Google in 2009 for \$28 M



It's all about the product, why waste time on modeling out the business?



- Founded by Steve Jobs, Steve Wozniak & Ronald Wayne in 1976
- Personal computing
- Single platform (hardware – software)
 - Lost the operating system battle
- Fired Jobs in 1985



It's all about the product, why waste time on modeling out the business?

- Rehired Jobs in 1996 – company near insolvent
- Adopted mobile hub strategy
- Ipod introduced in 2001
- Iphone 2007
- Today Apple is worth \$1.8T (depending on the day) and was only recently dethroned as the most valuable company in the world by Saudi oil company – Saudi Aramco)





It's all about the product, why waste time on modeling out the business?



- Founded in 1926 in Sweden
- Really transformed into the business that it is today in the 1980's
- Innovative business model
 - Reasonably high quality product
 - Self assembly
- So, does not need to be only about technology



Don Jones

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

COSTS / COMPANY FOCUS




The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partners  <p>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p>MOTIVATIONS FOR PARTNERSHIPS Optimization and economy Reduction of risk and uncertainty Acquisition of particular resources and activities</p>	Key Activities  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p>CATEGORIES Production Problem Solving Platform/Network</p>	Value Propositions  <p>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 to each Customer Segment? Which customer needs are we satisfying?</p> <p>CHARACTERISTICS Newness Performance Customization "Getting the Job Done" Design Brand/Status Price Cost Reduction Risk Reduction Accessibility Convenience/Usability</p>	Customer Relationships  <p>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?</p> <p>EXAMPLES Personal assistance Dedicated Personal Assistance Self-Service Automated Services Communities Co-creation</p>	Customer Segments  <p>For whom are we creating value? Who are our most important customers?</p> <p>MARKET Mass Market Niche Market Segmented Diversified Multi-sided Platform</p>			
Key Resources  <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p>TYPES OF RESOURCES Physical Intellectual (brand, patents, copyrights, data) Human Financial</p>		Channels  <p>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?</p> <p>CHANNEL PHASES 1. Awareness How do we raise awareness about our company's products and services? 2. Evaluation How do we help customers evaluate our organization's value Proposition? 3. Purchase How do we allow customers to purchase specific products and services? 4. Delivery How do we deliver a Value Proposition to customers? 5. After sales How do we provide post-purchase customer support?</p>	Revenue Streams  <p>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?</p> <table><tr><td>TYPES Asset sale Usage fee Subscription Fee Lending/Renting/Leasing Licensing Brokerage fees Advertising</td><td>FIXED PRICES List Price Product feature dependent Customer segment dependent Volume dependent</td><td>DYNAMIC PRICES Negotiation (Bargaining) Real-time Management Real-time Market</td></tr></table>		TYPES Asset sale Usage fee Subscription Fee Lending/Renting/Leasing Licensing Brokerage fees Advertising	FIXED PRICES List Price Product feature dependent Customer segment dependent Volume dependent	DYNAMIC PRICES Negotiation (Bargaining) Real-time Management Real-time Market
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Cost Structure  <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>IS YOUR BUSINESS MODEL Cost Driven (lowest cost structure, low price value proposition, maximum automation, extensive outsourcing) Value Driven (focused on value creation, premium value proposition)</p> <p>SAMPLE CHARACTERISTICS Fixed Costs (salaries, rent, utilities) Variable costs Economies of scale Economies of scope</p>							

VALUE / CUSTOMER FOCUS



DESIGNED BY: Business Model Foundry AG
The makers of Business Model Generation and Strategyzer

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Value Propositions

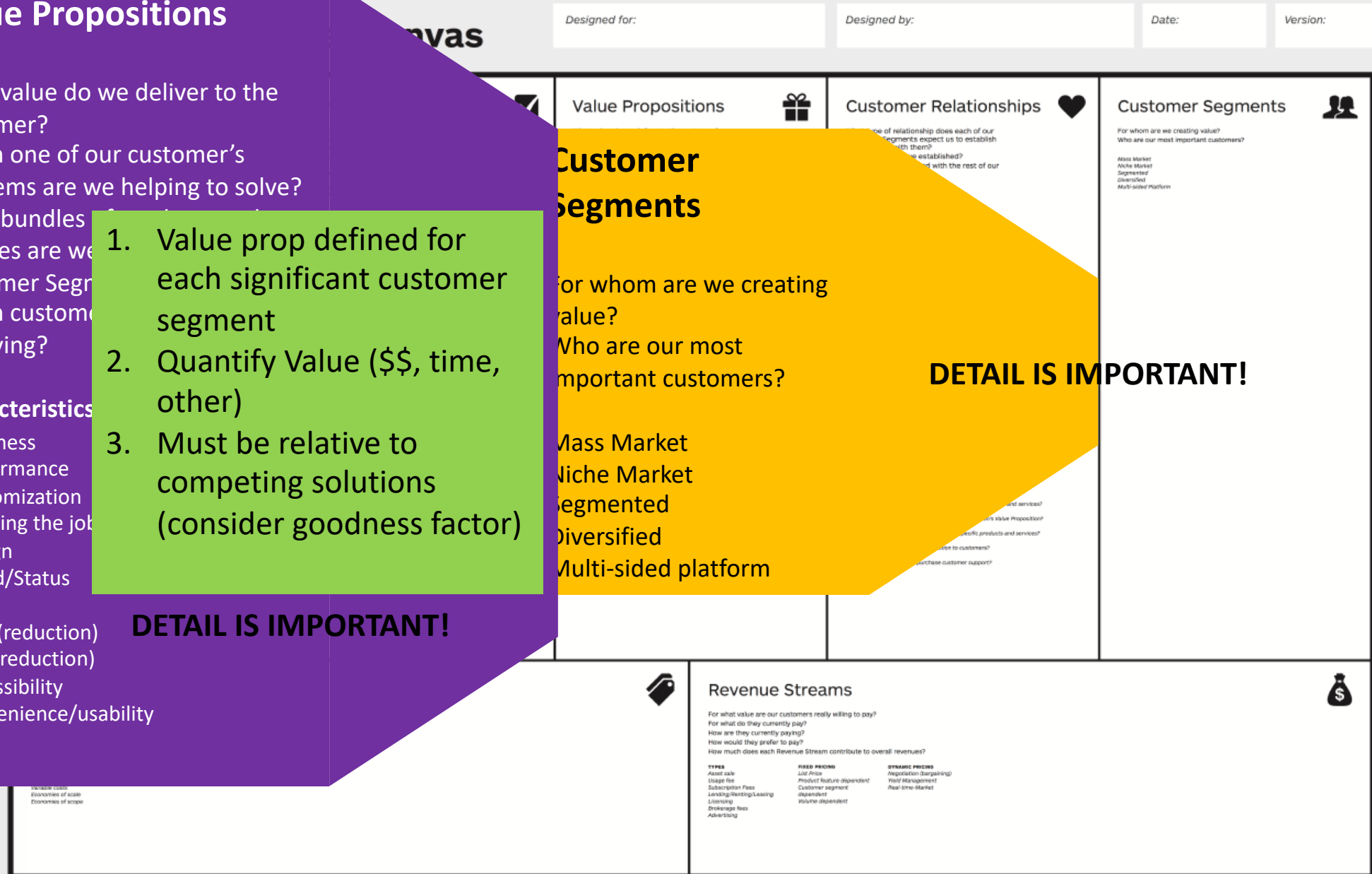
What value do we deliver to the customer?
 Which one of our customer's problems are we helping to solve?
 What bundles of products and services are we offering to each significant customer segment?
 Which customer segments are we satisfying?

Characteristics

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

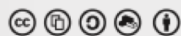
1. Value prop defined for each significant customer segment
2. Quantify Value (\$\$, time, other)
3. Must be relative to competing solutions (consider goodness factor)

DETAIL IS IMPORTANT!



The Business Model Canvas Revenue Streams

<h3>Key Partners</h3> <p>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p>MOTIVATIONS FOR PARTNERSHIPS Optimization and economy Reduction of risk and uncertainty Acquisition of particular resources and activities</p>	<h3>Key Activities</h3> <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p>CATEGORIES Production Problem Solving Platform/Network</p>	<h2>Revenue Streams</h2>																							
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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





H



What
should I
expect to
get paid?

Value realized by customer: \$100

Goodness Factor: 10x

Estimated revenue: \$100/10 **\$10**

Opportunity

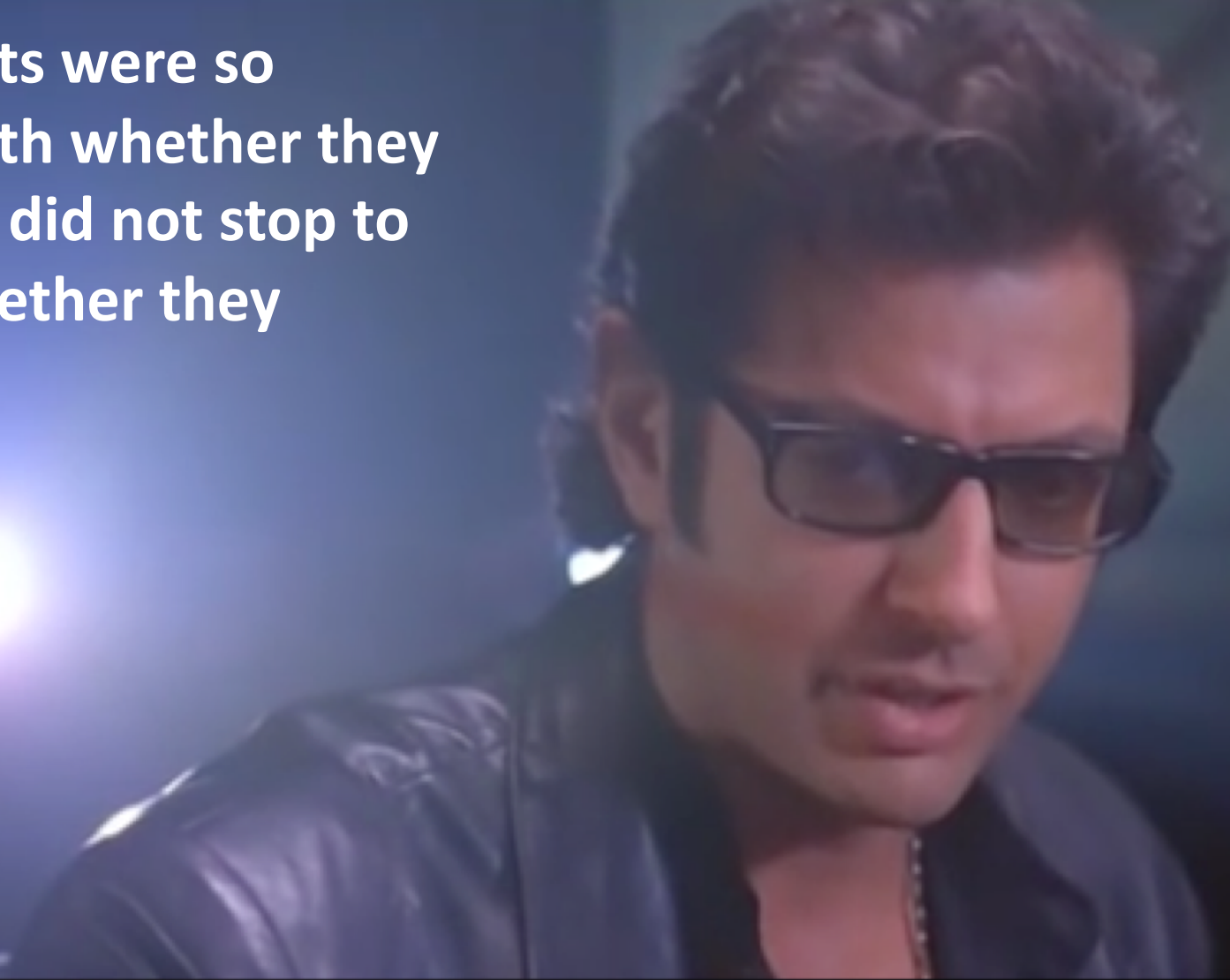
(\$\$/customer X # customers):

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

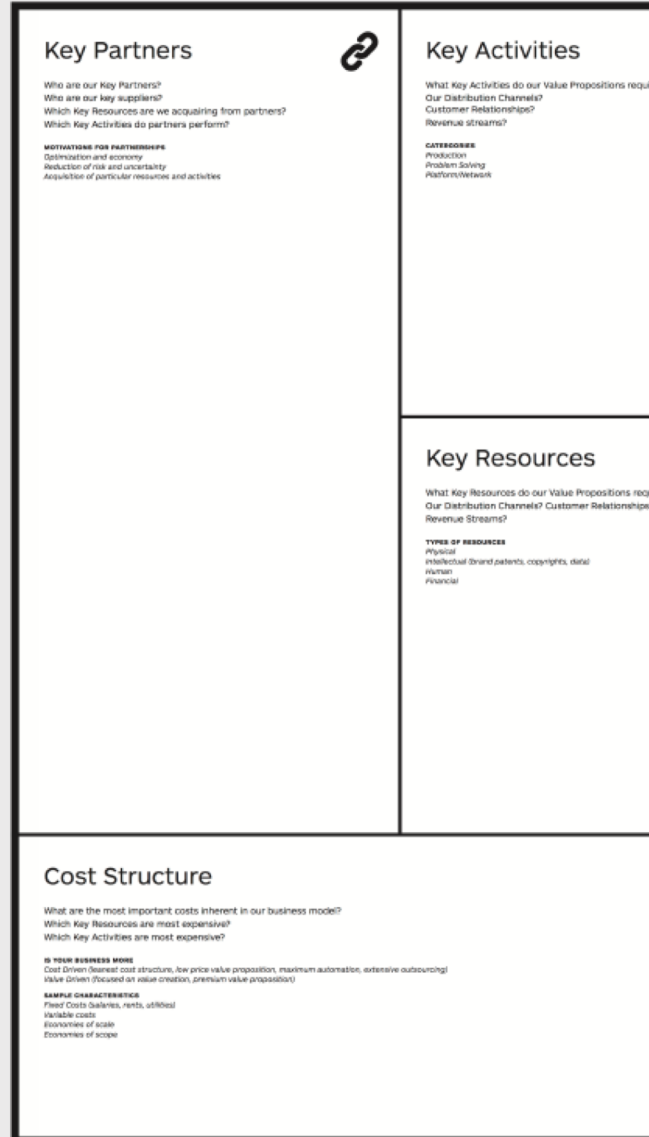
Is the
opportunity
big enough
for me to
invest the
time?

**“...your scientists were so
preoccupied with whether they
could that they did not stop to
think about whether they
should...”**

**Jeffrey Goldblum
Jurassic Park**



The Business Model Canvas Revenue Streams



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

Asset sale
Usage fee
Subscription fees
Lending/Renting/Leasing Vol
Licensing
Brokerage fees
Advertising

Fixed Pricing

List price

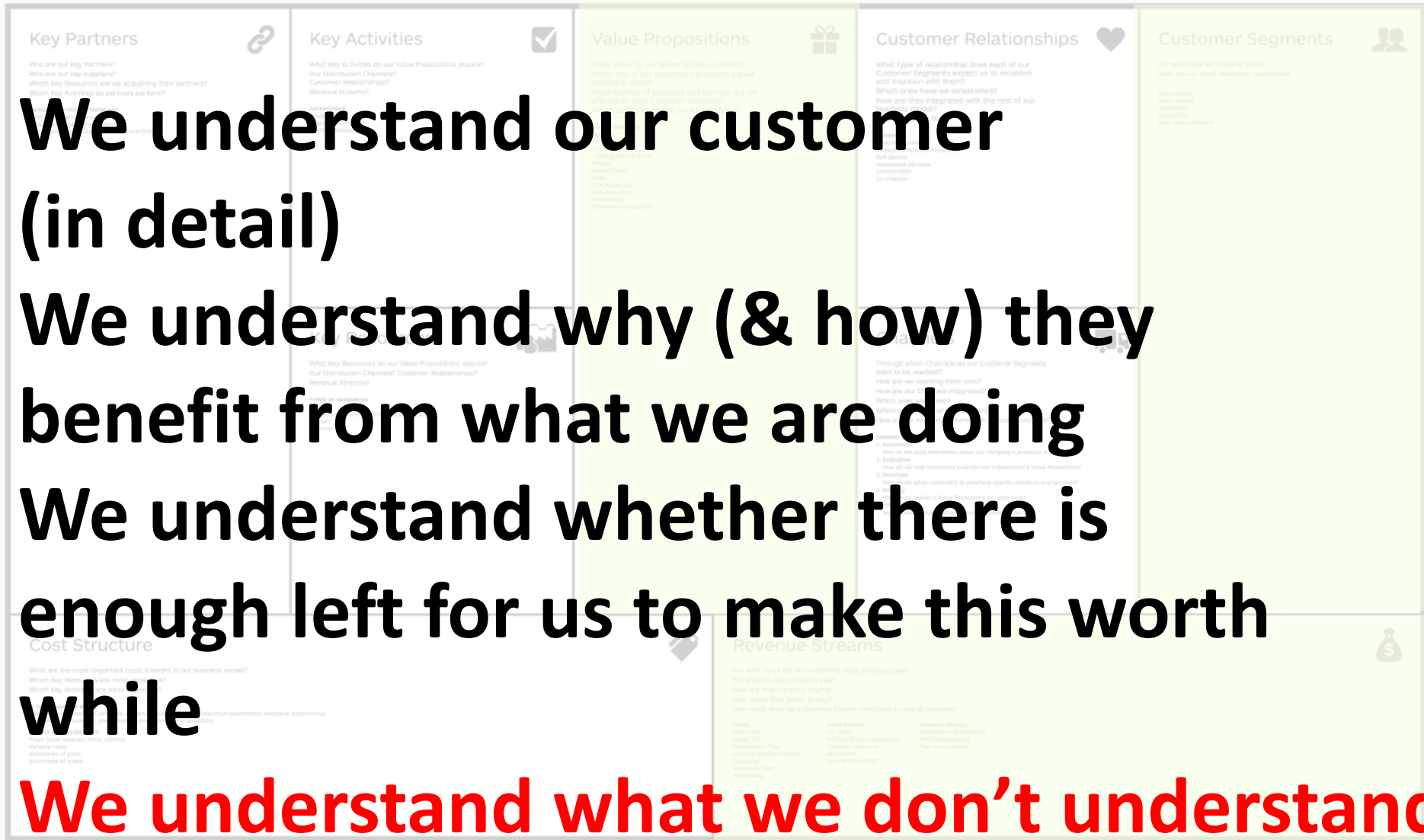
1. Customer value divided by the "goodness factor".
2. Verify that you CAN extract your revenue.
3. **DO NOT** get hung up on the details!

Dynamic Pricing

Negotiation (bargaining)
Yield Management
Real time market

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 worth while
4. We understand what we don't understand!



Cost Structure Channels

What are the most important Key Resources?
Which Key Resources do we want to be reached?
Which Key Activities do we want to be reached?

Is your business model **Cost Driven**?
• **Cost Driven?**
Leanest cost structure

• **Value Driven?**
Focused on value

Sample Characteristics:
Fixed costs (salaries, rent, etc.)
Variable costs (materials, etc.)
Economies of Scale
Economies of Scope

Channel phases:

• Awareness

How do we raise awareness?

• Evaluation

How do we help customers evaluate our 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

Activities

What activities do you Value?

What activities do you Value?

What activities do you Value?

What activities do you Value?

What activities do you Value?

Resources:

Intellectual (Brand, patents, copyrights, data)
Human
Financial

Can I make
a profit?

Revenue per customer: \$10

Direct cost (cost to deliver value): \$3

Direct Margin: \$7

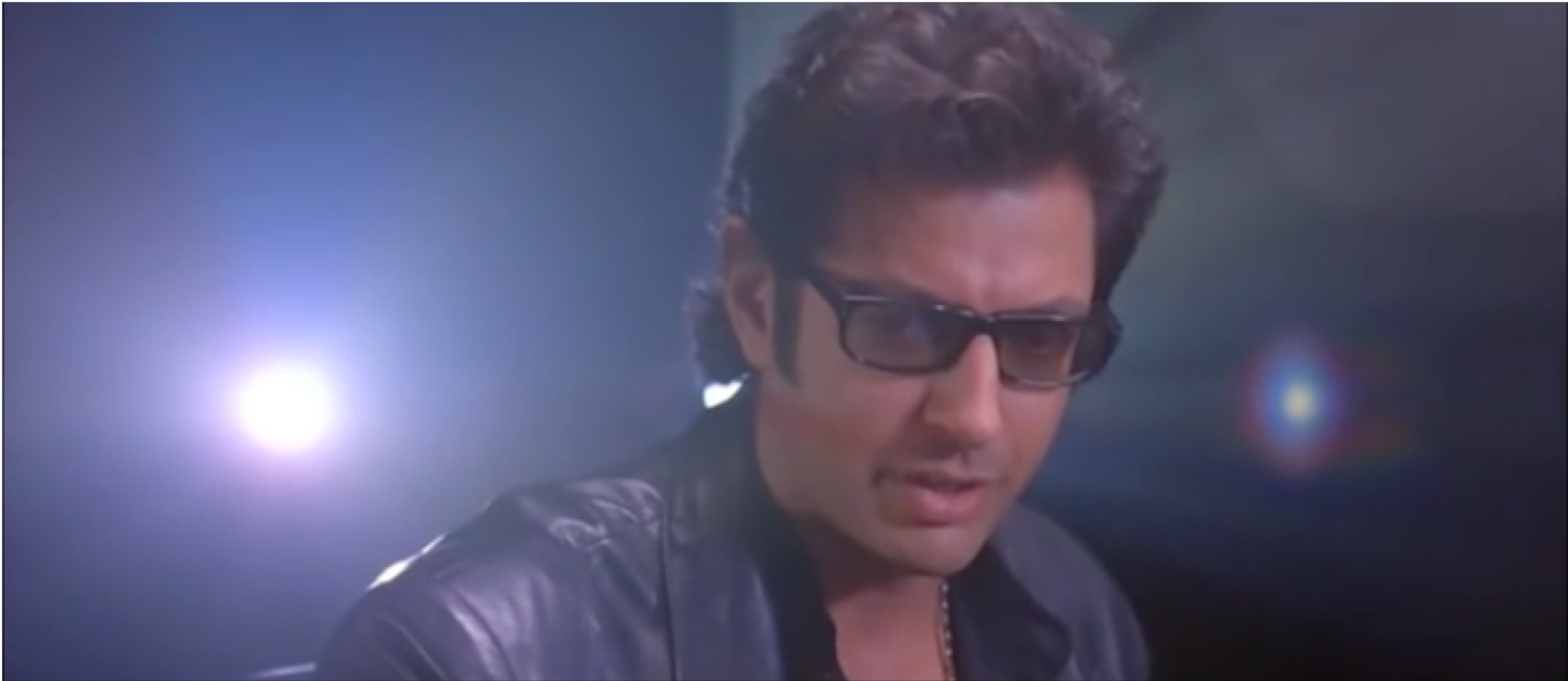
*\$7 x 10,000,000 customers =
\$70 M*

Fixed cost

Overhead

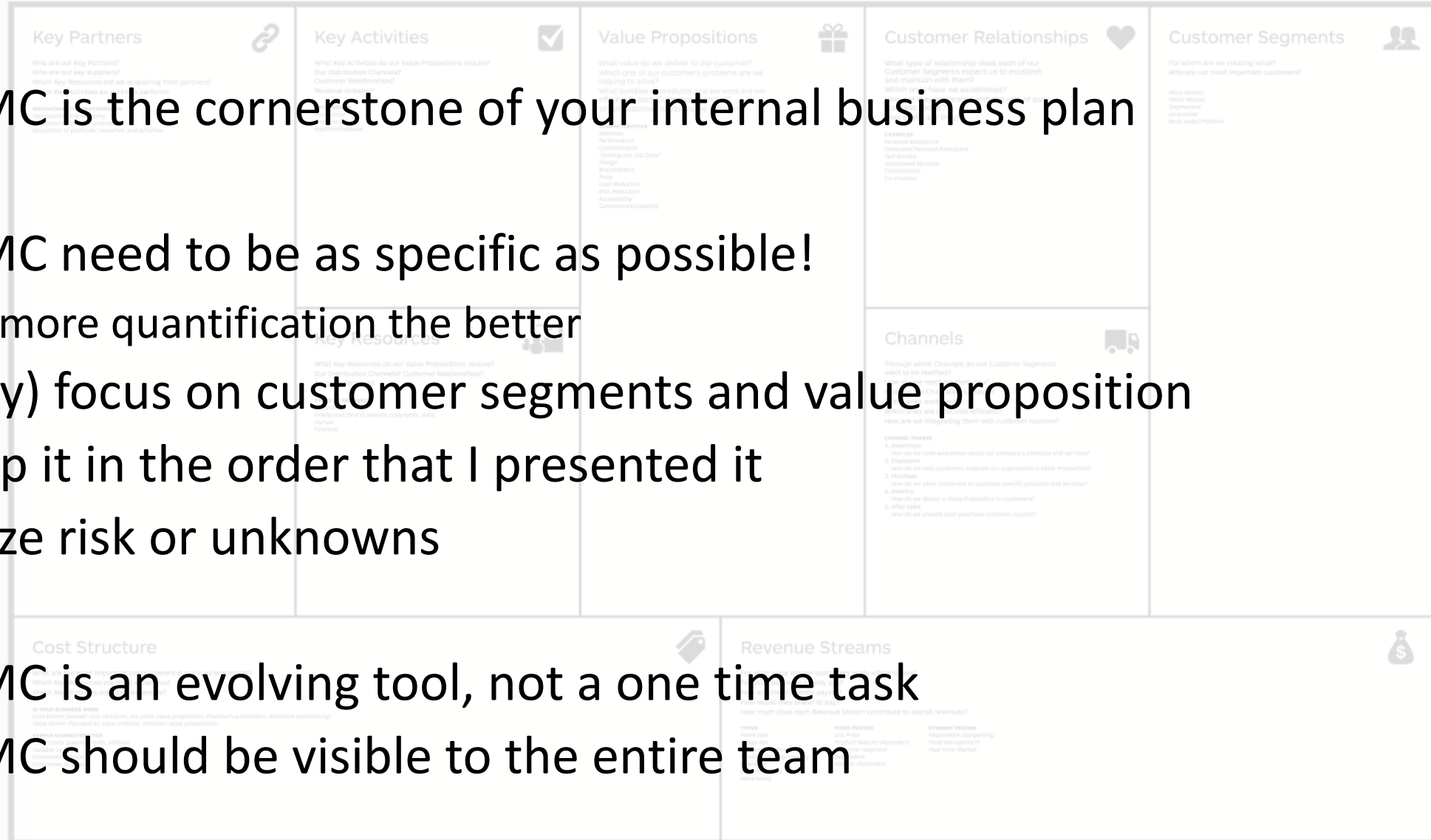
Can I justify
the
investment
and can this
be a self
supporting
concern?

“...your scientists were so preoccupied with whether they could that they did not stop to think about whether they should...”



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



Questions? -- Discussion?