Business Model Canvas

*(more than a box to check)*
It’s all about the product, why waste time on modeling out the business?
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?

- 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’t make business more complicated than it needs to be..."
Business Model Canvas is a strategic management and lean startup template for developing new or documenting existing business models. It is a visual chart with elements describing a firm's or product's value proposition, infrastructure, customers, and finances.

-or-

Your internal business planning guide
Business Model Canvas
### The Business Model Canvas

#### Key Partners
- Identify key partners needed for your business.
- Example: Suppliers, customers, competitors.
-问他如何将这些关键参与者整合到你的价值主张中？
- 例如：合作伙伴，客户，竞争对手。

#### Key Activities
- Identify key activities for creating value.
- Example: Production, marketing, sales.
- 询问你正在做什么来创造价值？
- 例如：生产，营销，销售。

#### Key Resources
- Identify key resources needed for your business.
- Example: Physical assets, intellectual capital.
- 询问你正在使用哪些关键资源来创造价值？
- 例如：实物资产，智力资本。

#### Value Propositions
- Define your unique value proposition.
- Example: Innovative features, superior performance.
- 询问你的客户对你产品的独特价值主张是什么？
- 例如：创新特性，优越性能。

#### Customer Relationships
- Define the nature of your customer relationships.
- Example: Partnerships, membership levels.
- 你的客户与你之间的关系是怎样的？
- 例如：伙伴关系，会员等级。

#### Customer Segments
- Identify your customer segments.
- Example: Demographic characteristics, market segments.
- 你在哪个客户细分市场中？
- 例如：人口统计特征，市场细分。

#### Channels
- Identify the channels through which you reach your customers.
- Example: Direct sales, online sales.
- 你如何与你的客户接触？
- 例如：直接销售，线上销售。

#### Revenue Streams
- Identify your revenue streams.
- Example: Subscription models, one-time fees.
- 你从你的客户那里获得收入的方式是什么？
- 例如：订阅模式，一次性费用。

#### Cost Structure
- Identify your cost structure.
- Example: Direct costs, indirect costs.
- 你的成本结构是什么？
- 例如：直接成本，间接成本。

---

**The Business Model Canvas**

*Designed by: Business Model Foundry AG*

*www.businessmodelfoundry.com*
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 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)

DETAIL IS IMPORTANT!

Customer Segments

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

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

DETAIL IS IMPORTANT!

Revenue Streams

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’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)

DETAIL IS IMPORTANT!
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?
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
- Licensing
- Brokerage fees
- Advertising

Fixed Pricing
- List price

Dynamic Pricing
- Negotiation (bargaining)
- 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!
“...your scientists were so preoccupied with whether they could that they did not stop to think about whether they should...”

Jeffrey Goldblum
Jurassic Park
**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

**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?
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