



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 Jones

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



Business Model Canvas

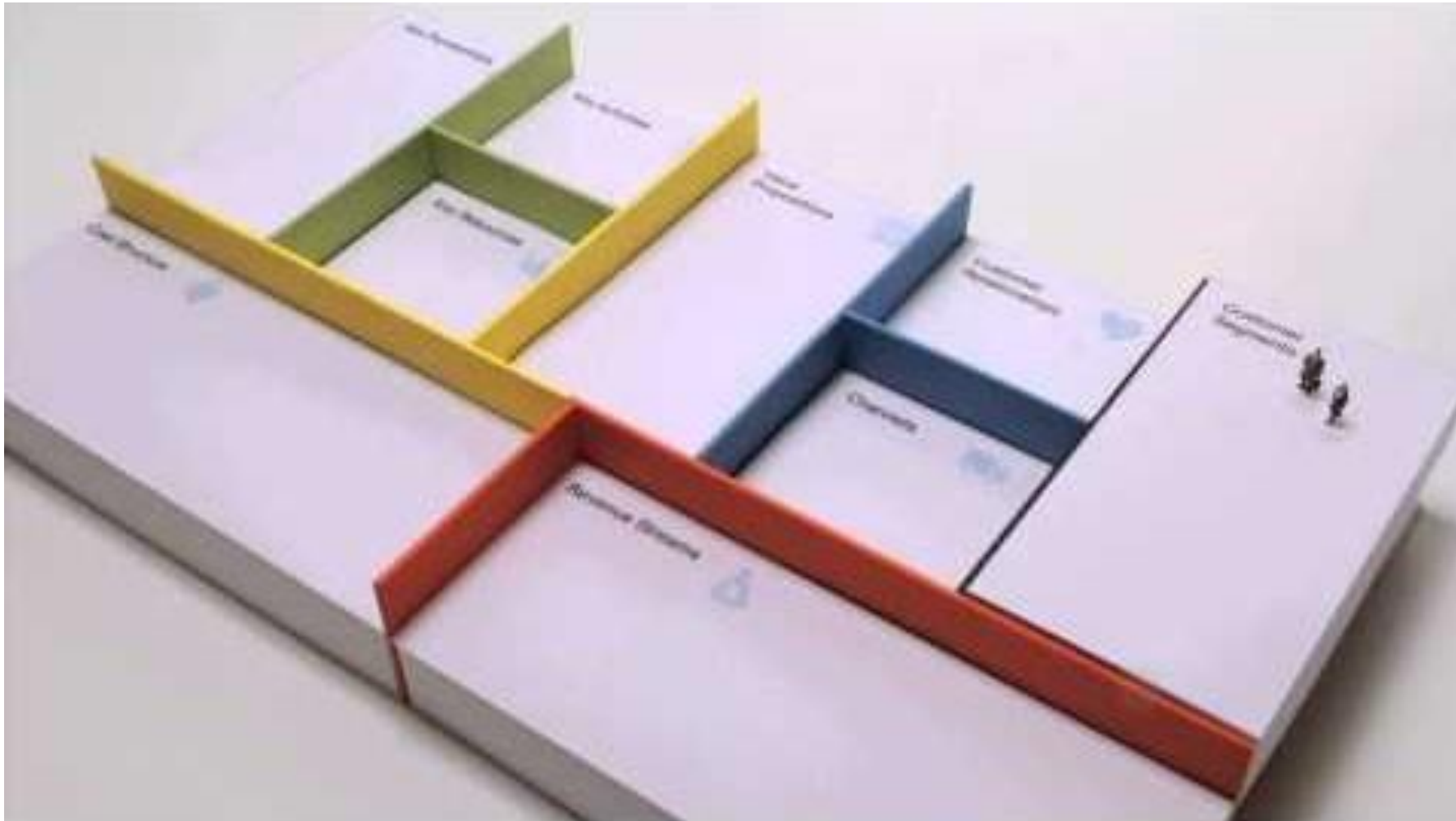
Business Model Canvas is a strategic management and lean startup template for developing new or documenting existing **business models**. It is a visual chart with elements describing a firm's or product's value proposition, infrastructure, customers, and finances.

-or-

Your internal business planning guide



Business Model Canvas



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>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>					
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, rents, utilities) Variable costs Economies of scale Economies of scope</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 Fees Lending/Renting/Leasing Licensing Brokerage fees Advertising</td><td>FIXED PRICING List Price Product feature dependent Customer segment dependent Volume dependent</td><td>DYNAMIC PRICING Negotiation (bargaining) Yield Management Real-time Market</td></tr></table>			TYPES Asset sale Usage fee Subscription Fees Lending/Renting/Leasing Licensing Brokerage fees Advertising	FIXED PRICING List Price Product feature dependent Customer segment dependent Volume dependent	DYNAMIC PRICING Negotiation (bargaining) Yield Management Real-time Market
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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?

Which customer segments are we targeting?

Which customer segments are we satisfying?

Characteristics

Newness

Performance

Customization

"Getting the job done"

Design

Brand/Status

Price

Cost (reduction)

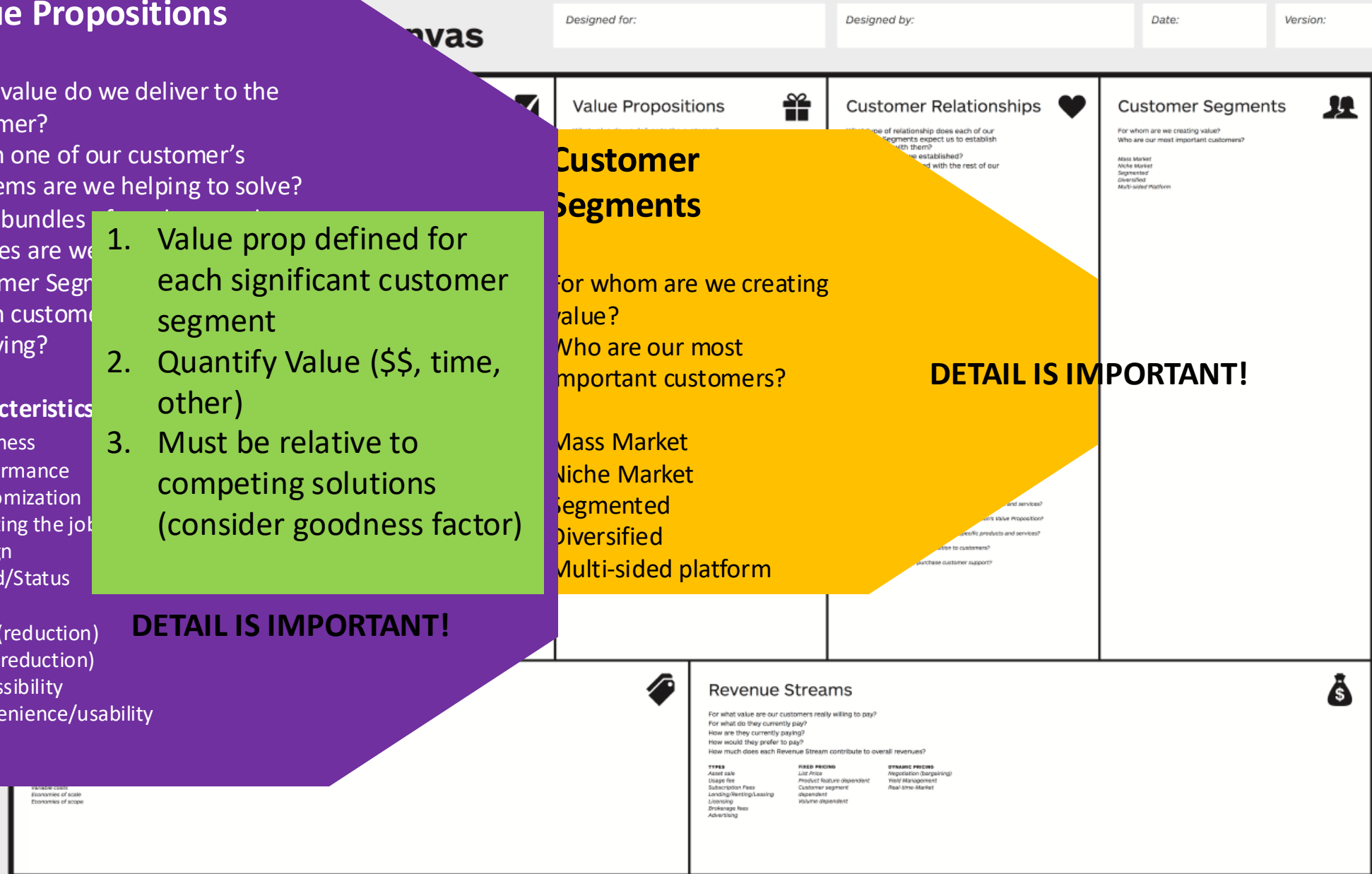
Risk (reduction)

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>			
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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

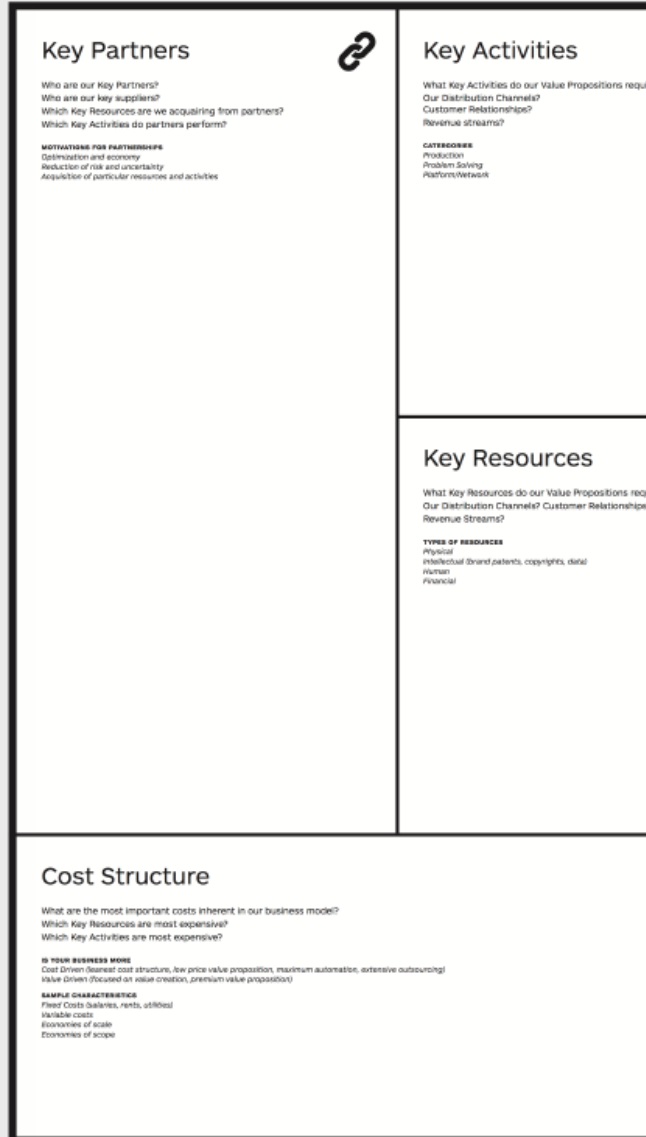




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The Business Model Canvas Revenue Streams



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

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

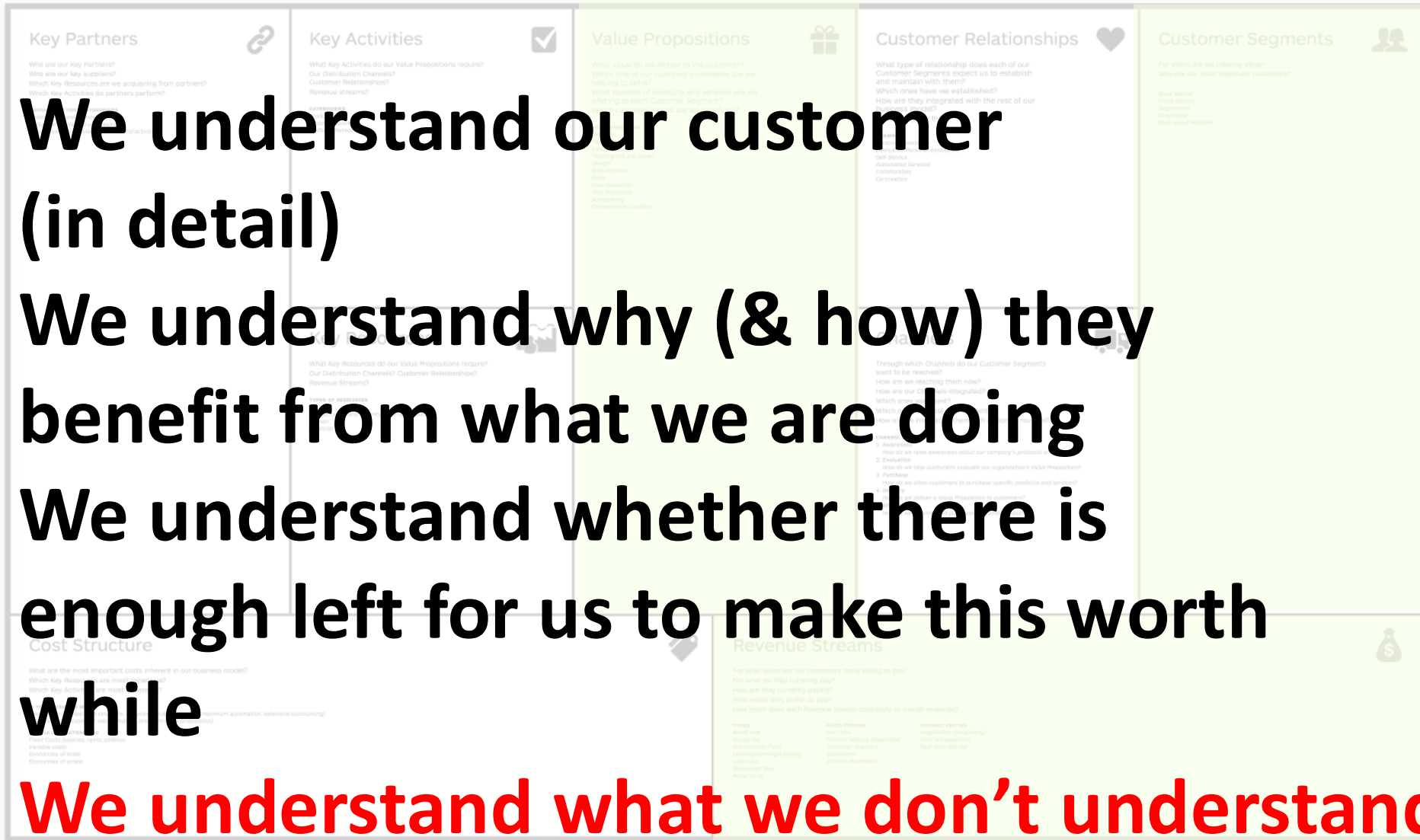
Revenue Streams

For what value are our customers really willing to pay?
For what do they currently pay?
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How much does each Revenue Stream contribute to overall revenues?

TYPES	FIXED PRICING	DYNAMIC PRICING
Asset sale	List Price	Negotiation (bargaining)
Usage fee	Product feature dependent	Yield Management
Subscription fees	Customer segment dependent	Real-time Market
Lending/Renting/Leasing	Volume dependent	
Licensing		
Brokerage fees		
Advertising		

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!



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

**Jeffrey Goldblum
Jurassic Park**



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

Through which channels do we want to be reached?
How are we reaching our customers?
How are our channels integrated with the rest of our business model?
Which ones work best?
Which ones are most costly?
How are we integrating them?

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 we perform to create our Value Proposition?

Which Key Activities do we perform?
Which ones are most costly?

How are we integrating them from partners?
How are we integrating them from our form?

Which Key Activities do we perform?

Resources:

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

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

