Business Model Canvas

(more than a box to check)

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

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- 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?

IKEA

- 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

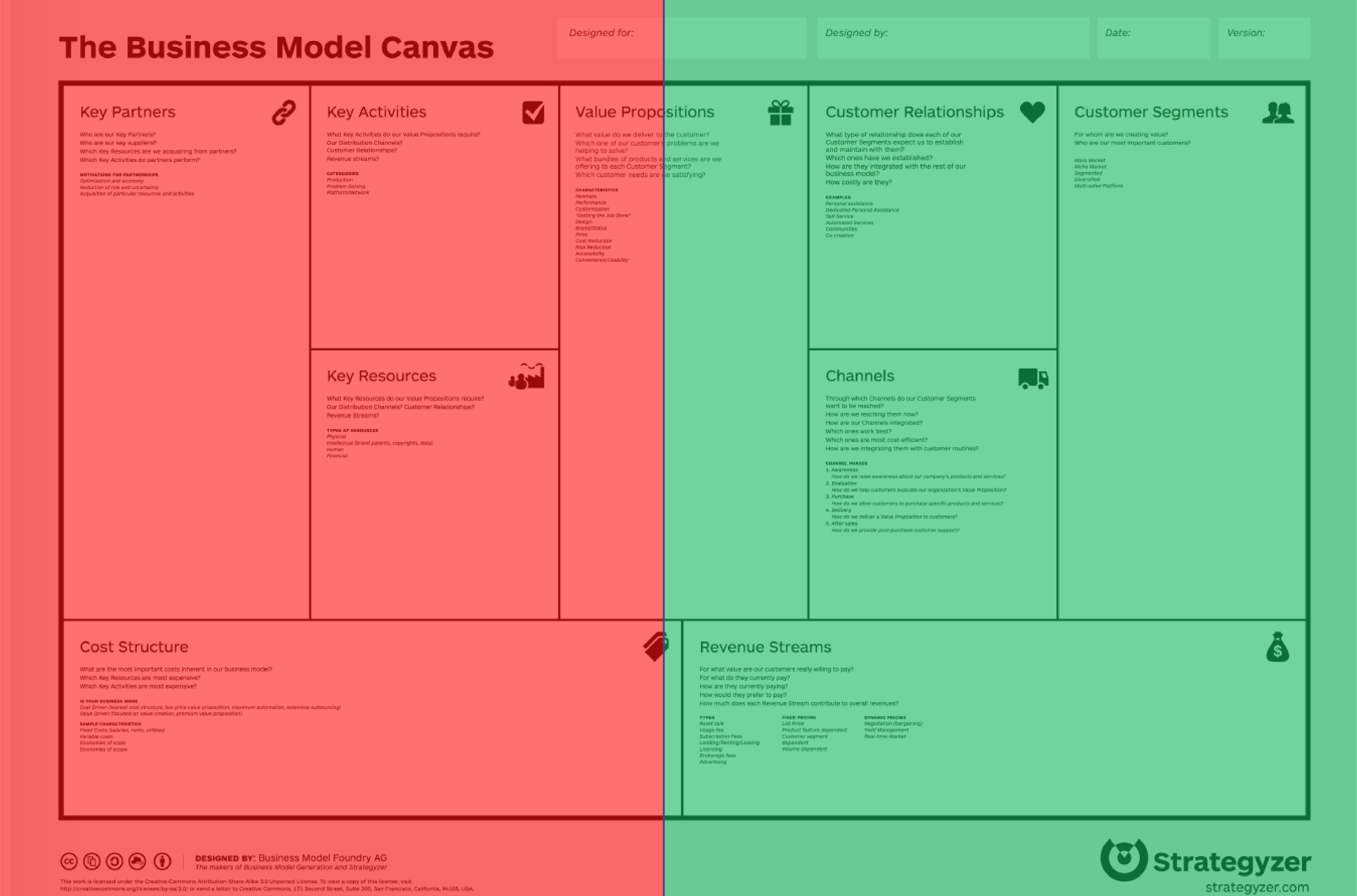
Business Model Canvas is a strategic management and lean startup template for developing new or documenting existing **business models**. It is a visual chart with elements describing a firm's or product's value proposition, infrastructure, customers, and finances.

-or-

Your internal business planning guide

Business Model Canvas

COSTS / COMPANY FOCUS



VALUE / CUSTOMER FOCUS

Value Propositions

What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles
services are we
Customer Segn
Which custome
satisfying?

Characteristics

- Newness
- Performance
- Customization
- "Getting the job
- 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)

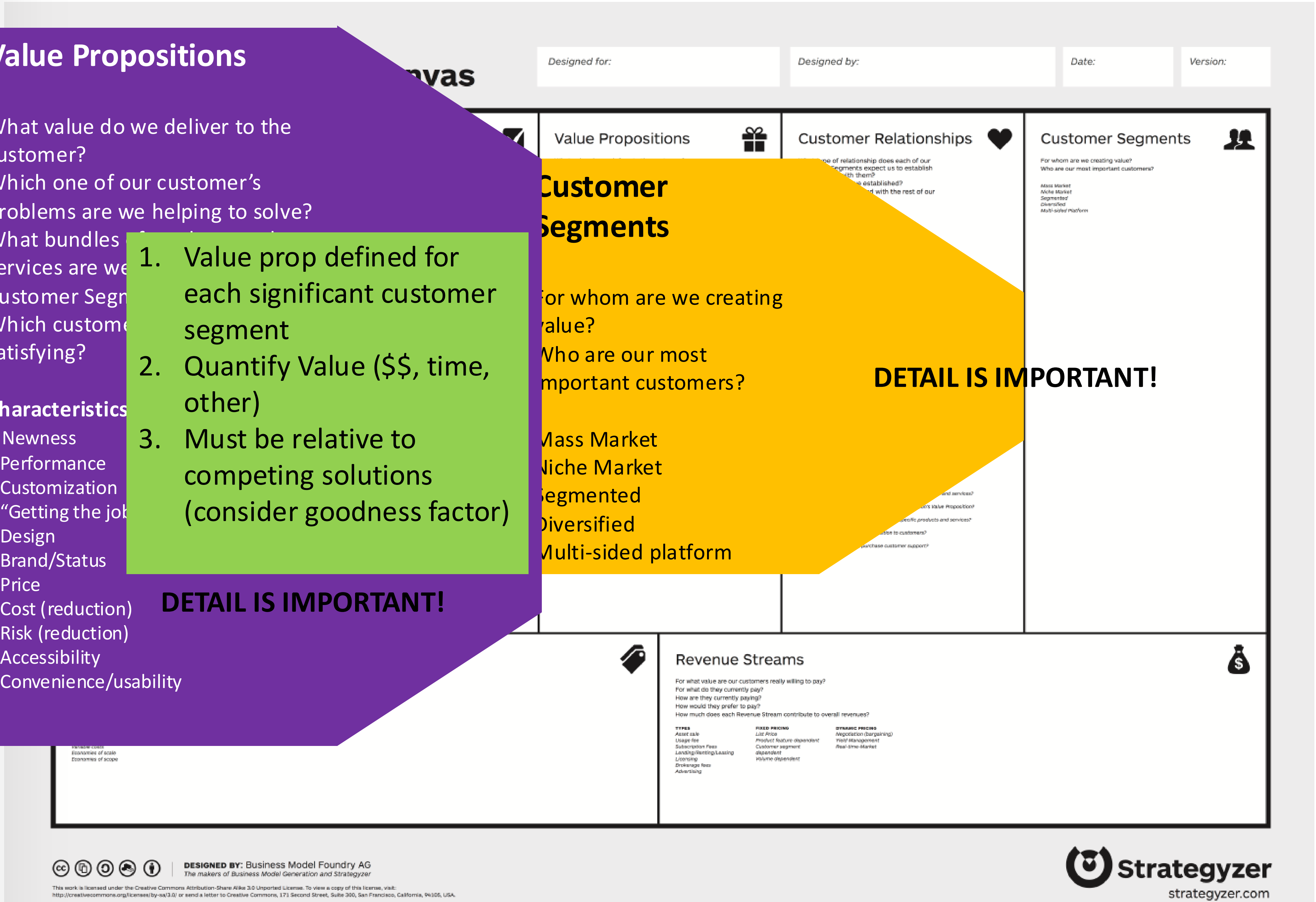
DETAIL IS IMPORTANT!

Customer Segments

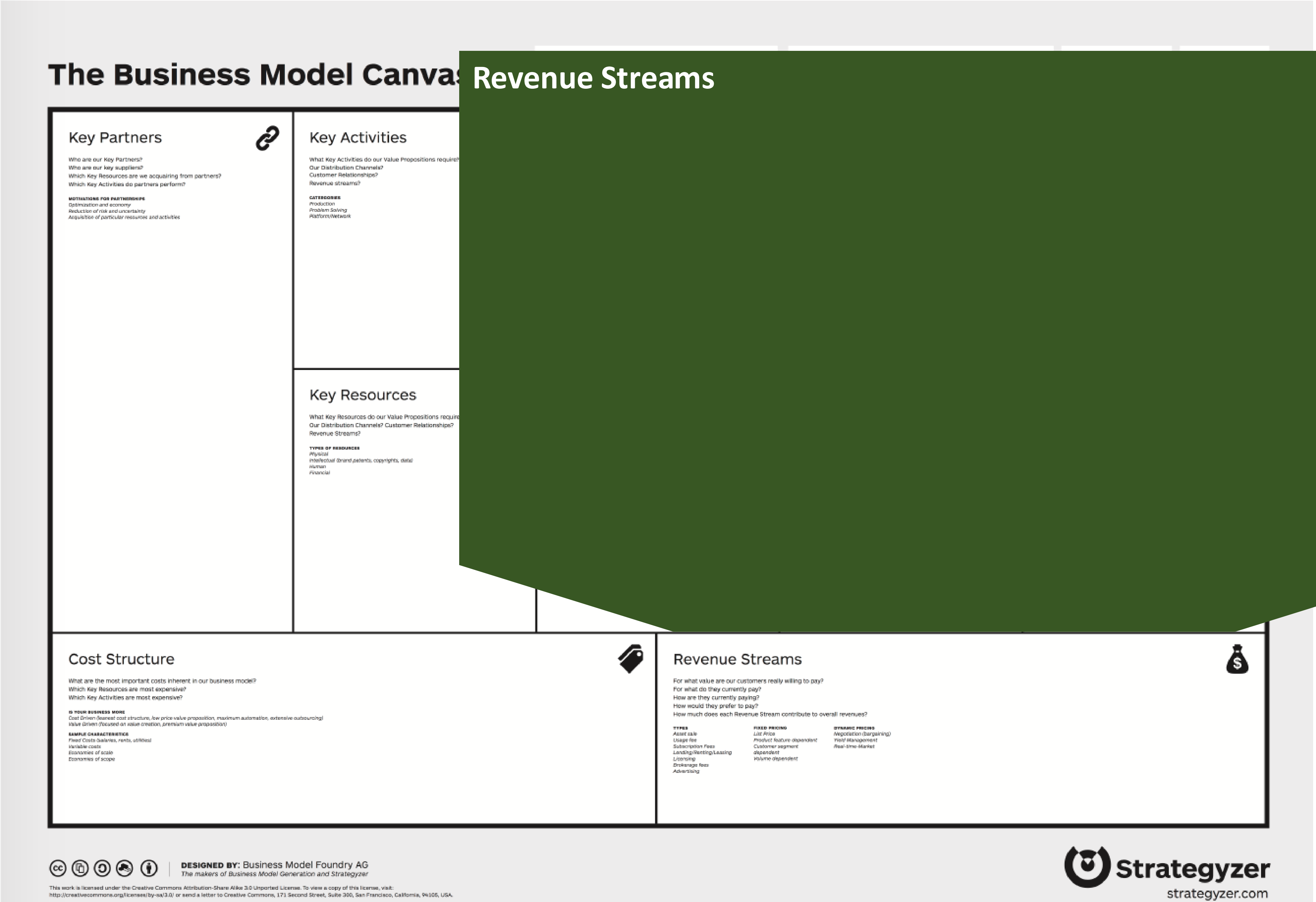
For whom are we creating value?
Who are our most important customers?

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

DETAIL IS IMPORTANT!



Revenue Streams



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

Carnegie Mellon University
Swartz Center for Entrepreneurship

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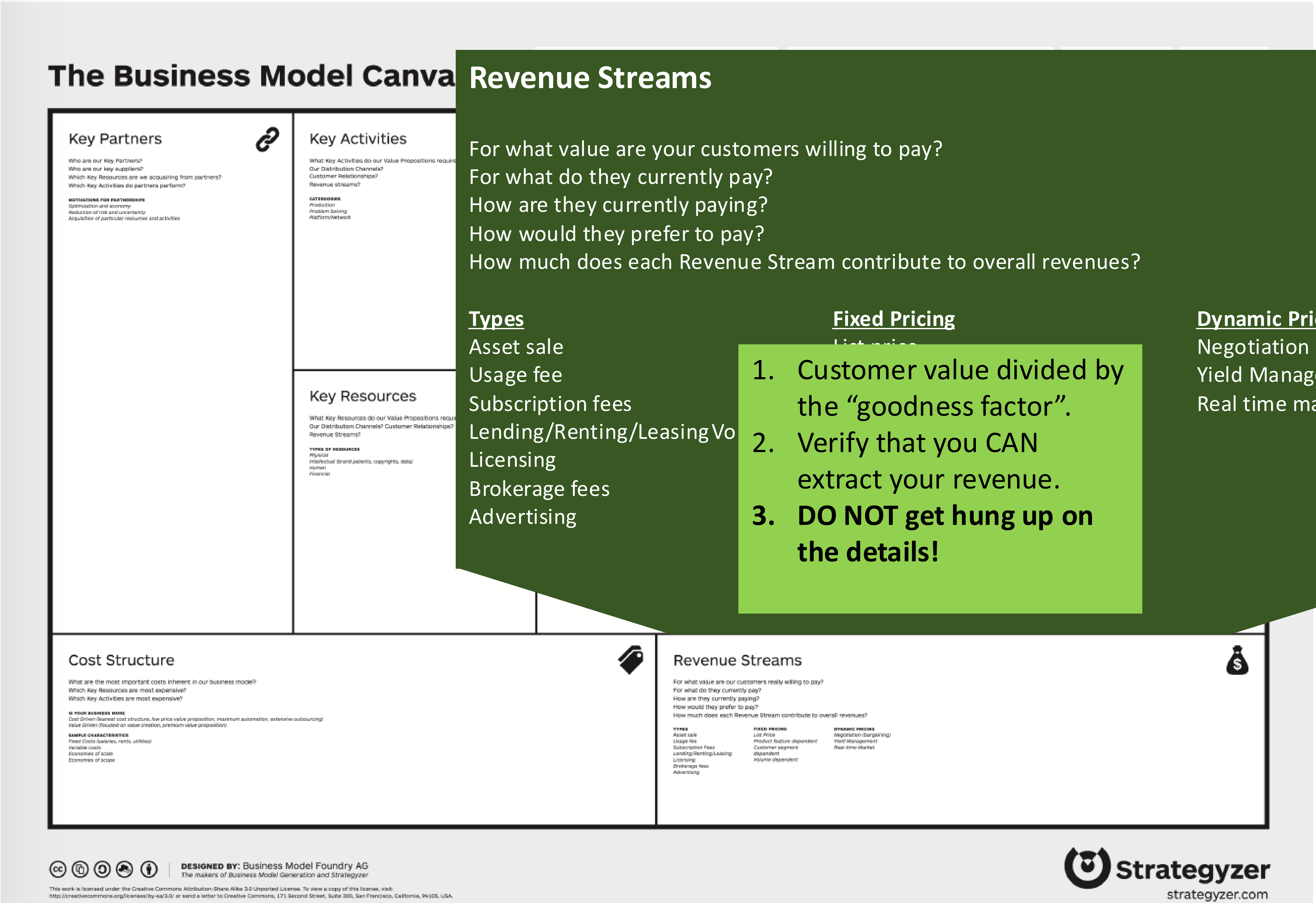


Revenue Streams

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?

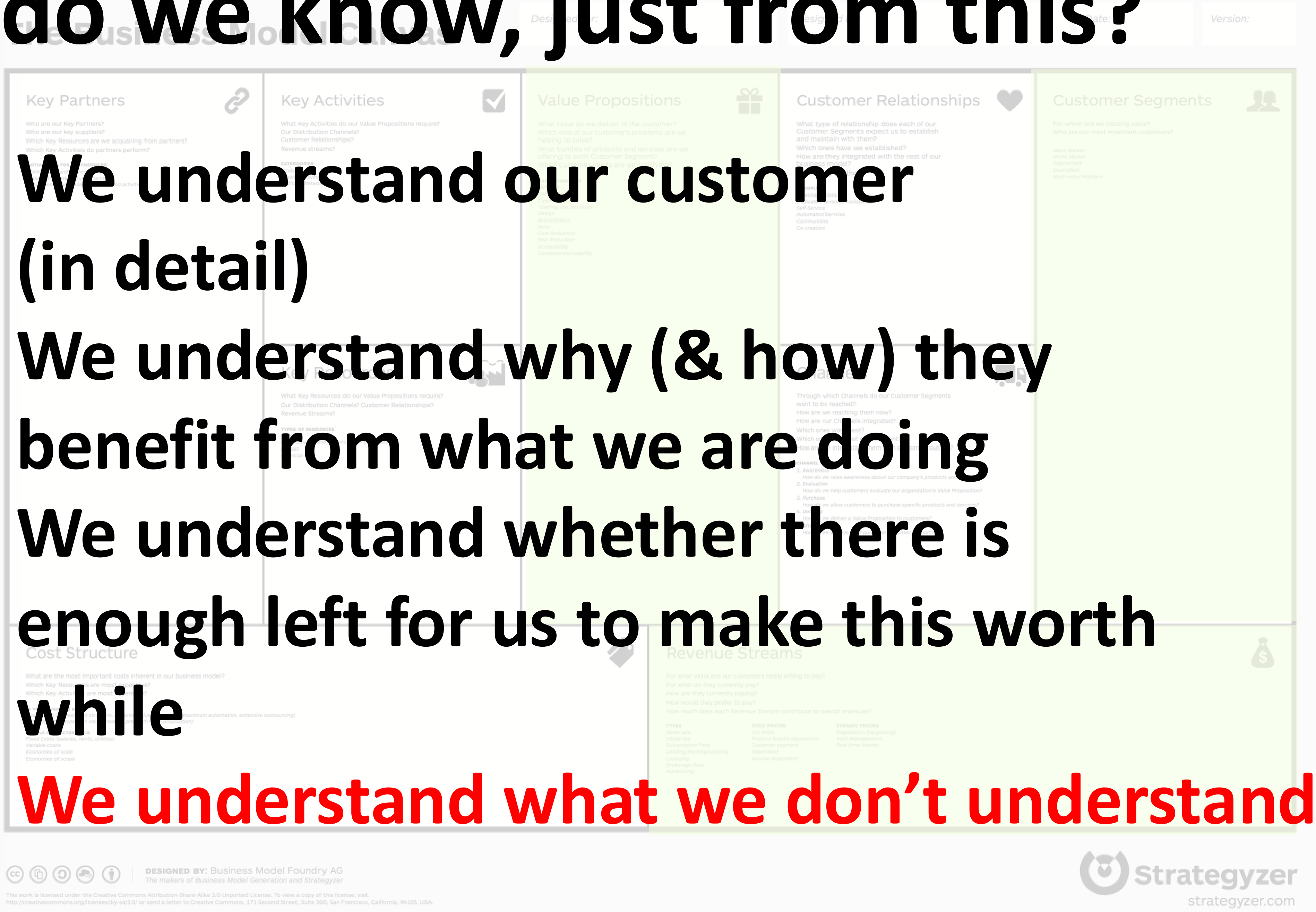
Types
Asset sale
Usage fee
Subscription fees
Lending/Renting/Leasing Vo
Licensing
Brokerage fees
Advertising

Fixed Pricing
List price

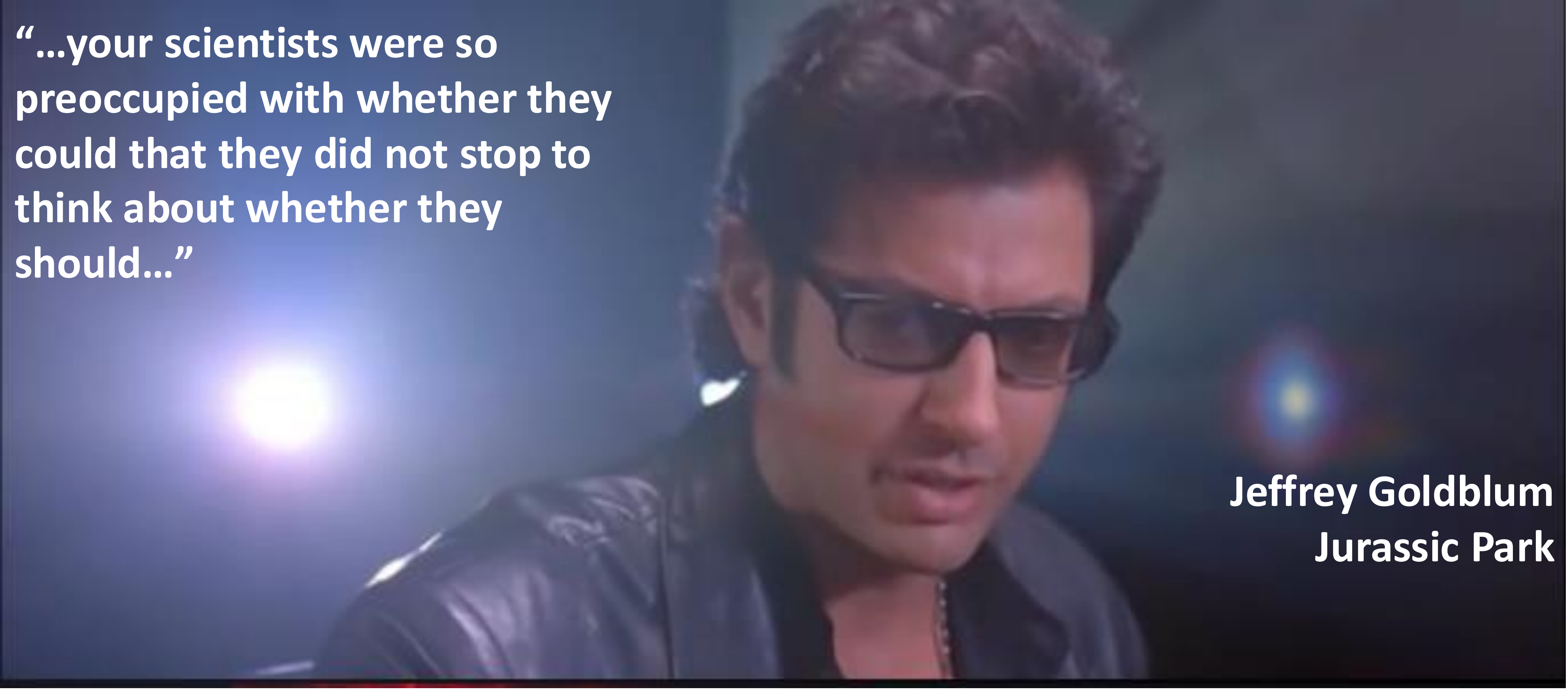
Dynamic Pricing
Negotiation (bargaining)
Yield Management
Real time market

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 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

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 chann
want to be reached?
How are we reaching
How are our channels
Which ones work best
Which ones are most
How are we integratin

Channel phases:

- **Awareness**
How do we raise aware

- **Evaluation**
How do we help custom
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?

Cost Structu

What are the mos
Which Key Resour
Which Key Activit

Is your business r

- **Cost Driven?**
Leanest cost struc

- **Value Driven**
Focused on value

Sample Character

Fixed costs (sala
Variable costs
Economies of Sc
Economies of Sc

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your Value
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form?

tivities

your Value Proposition
els?
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tellectual (Brand, patents, copyrights, data)
uman
Financial

Version:

r Segments

Strategyzer
strategyzer.com

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