Business Model Canvas

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

Short Head
- Blockbusters
- Top 40
- Widely popular
- Short-lived
- Narrow scope

Long Tail
- Blockbusters in a niche
- Narrowly popular
- Popular in the past
- Good, but not great content
- D-list content

Popularity of Individual Titles

Narrow | Infinite

Content Titles
Multi-Sided Platform Example:

E-Commerce provider

Consumer

following

finding

The New York Times

$$$$$
Network Effects

Customer

SaaS Vendor

Customer

Customer

Customer

Alibaba.com

YouTube

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Free as a business model: Examples
• Co-opted Customer to Provide Key Activities to Improve the Value Proposition
"...don’t make business more complicated than it needs to be..."
The Business Model Canvas

Key Partners
- Who are our key partners?
- Who are our key customers?
- Who are our key competitors?
- Who are our key collaborators?

Key Activities
- What key activities do our key partners require?
- What key activities do our key customers require?
- What key activities do our key collaborators require?
- What key activities do our key partners produce?

Key Resources
- What key resources do our key partners need?
- What key resources do our key customers need?
- What key resources do our key collaborators need?
- What key resources do our key partners produce?

Value Propositions
- What value do we deliver to our customers?
- What value do we deliver to our key partners?
- What value do we deliver to our key customers?
- What value do we deliver to our key collaborators?

Customer Relationships
- What type of relationship do our key customers have with us?
- What type of relationship do our key partners have with us?
- What type of relationship do our key collaborators have with us?

Customer Segments
- Who are our most important customers?
- Who are our most important partners?
- Who are our most important collaborators?

Channels
- Through which channels do our key customers access our value?
- Through which channels do our key partners access our value?
- Through which channels do our key collaborators access our value?

Cost Structure
- What are the most important costs in our business model?
- What are the most important costs to our customers?
- What are the most important costs to our partners?
- What are the most important costs to our collaborators?

Revenue Streams
- For what do our customers pay?
- For what do our partners pay?
- For what do our collaborators pay?
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 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?
Value realized by customer: $100

Goodness Factor: 10x

Estimated revenue: $100/10  $10

Opportunity
($$/customer X # customers):

$10 \times 10,000,000 \text{ customers} = $100M

What should I expect to get paid?

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

<table>
<thead>
<tr>
<th>Type</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Pricing</td>
<td>List price, Customer value divided by the “goodness factor”</td>
</tr>
<tr>
<td>Dynamic Pricing</td>
<td>Negotiation (bargaining), Yield Management, Real time market</td>
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<tr>
<td>Asset sale</td>
<td>List price, Negotiation (bargaining)</td>
</tr>
<tr>
<td>Usage fee</td>
<td>Product feature dependent</td>
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<tr>
<td>Subscription fees</td>
<td>Customer segment dependent</td>
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<tr>
<td>Lending/Renting/Leasing</td>
<td>Volume dependent, Customer value divided by the “goodness factor”</td>
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<tr>
<td>Licensing</td>
<td>Brokerage fees</td>
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<tr>
<td>Brokerage fees</td>
<td>Advertising</td>
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<td>Advertising</td>
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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 channels do our Customer Segments want to be reached?
How are we reaching them now?
Which ones work best?
How are our channels integrated?
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?
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 make a profit?

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?