

Business Models

July 7, 2015

Businesses are
extremely **complex**

We need some way of
simplifying reality

What is a **Business Model**?

A business model describes the **rationale** of how an organization creates, delivers, and captures **value**

There are
multiple ways used
to think about
business models

We are going to use the
“Business Model Canvas”










The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 		Revenue Streams 		



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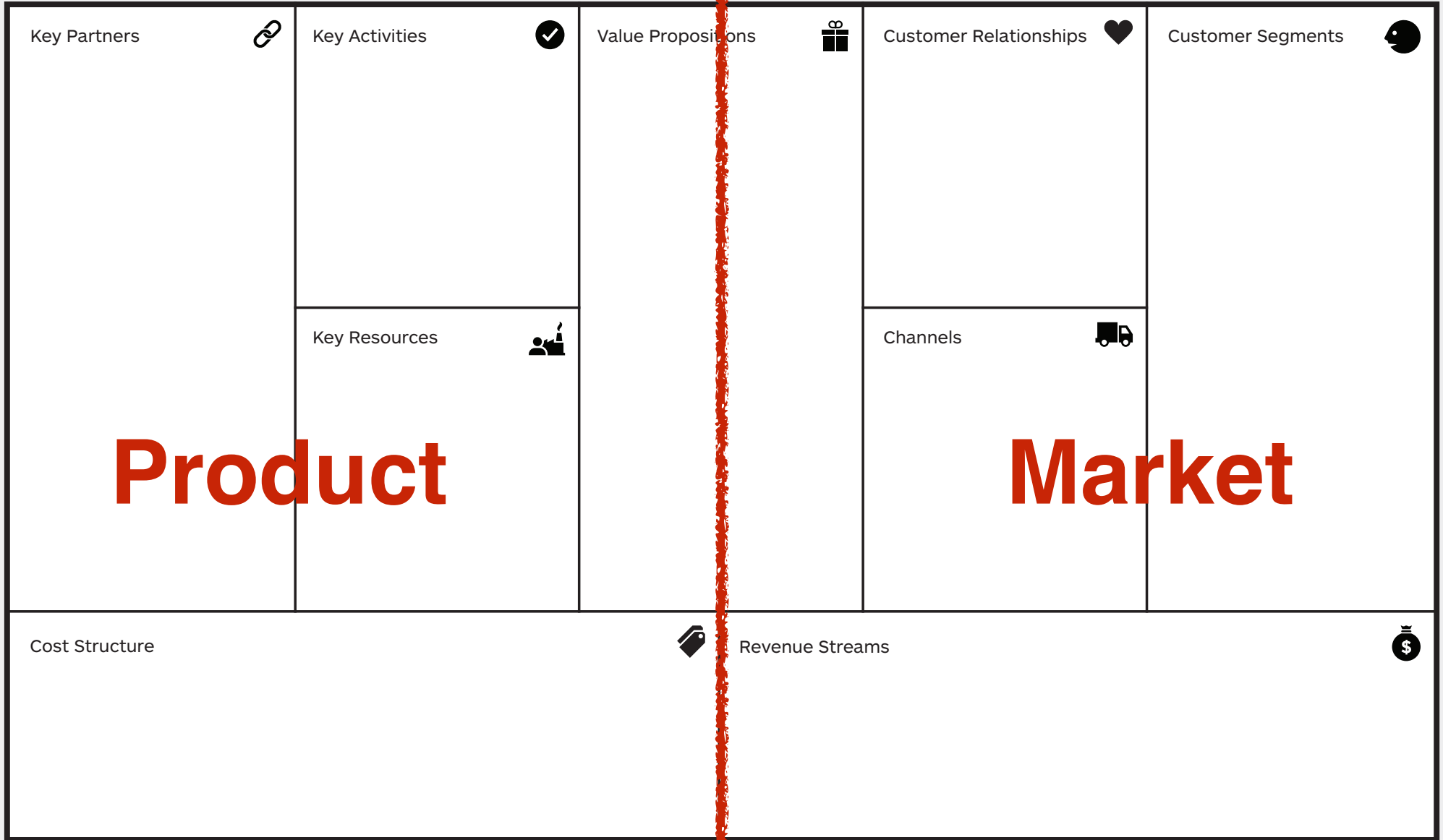
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Nine Components

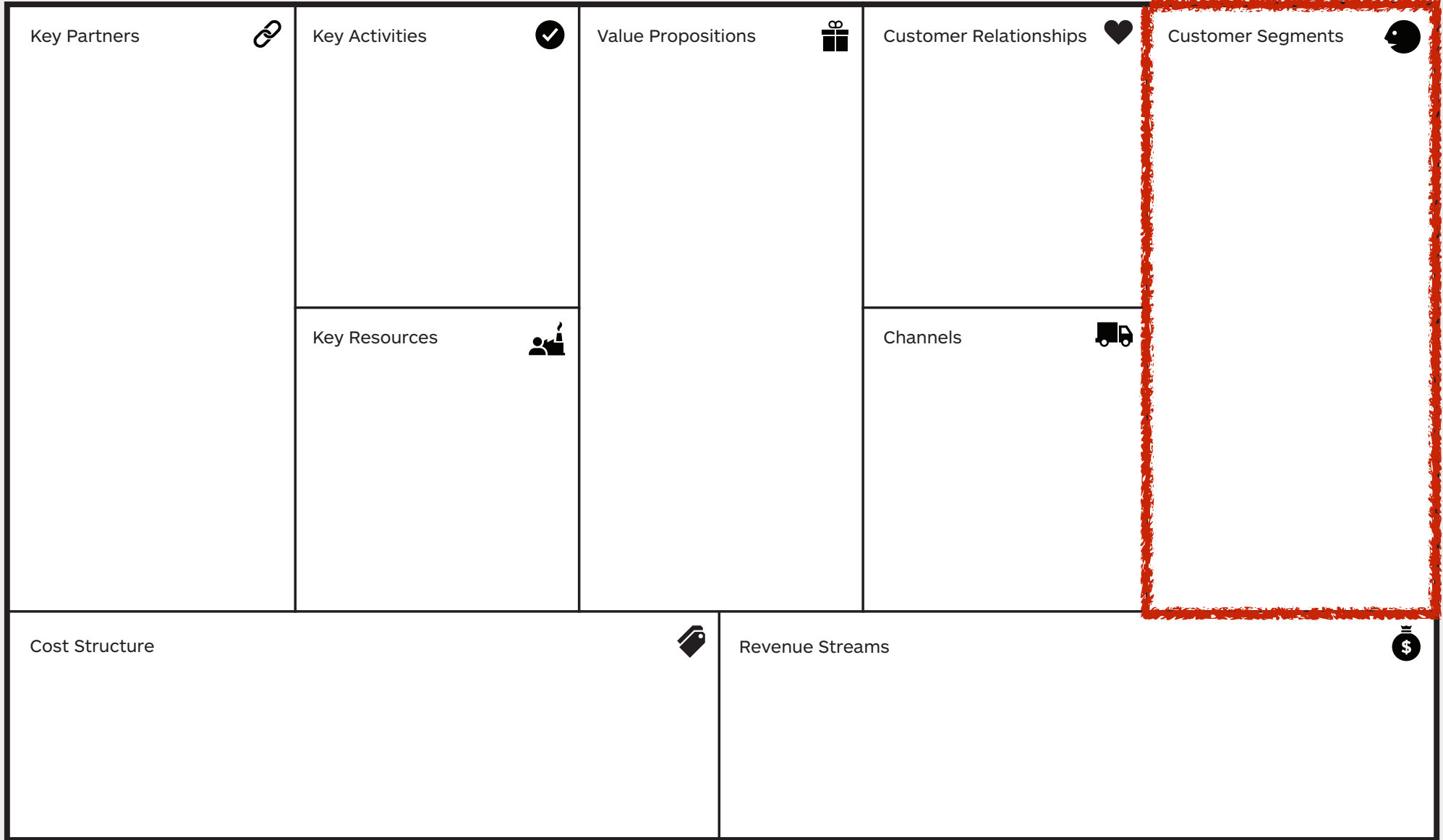
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Customer Segments

The **Customer Segments** Building Block defines the different **groups** of people or organizations an enterprise aims to reach and serve

Customer Segments

- Mass Market
- Niche Market
- Segmented by (Income, Age, Retired Status, etc.)
- Diversified

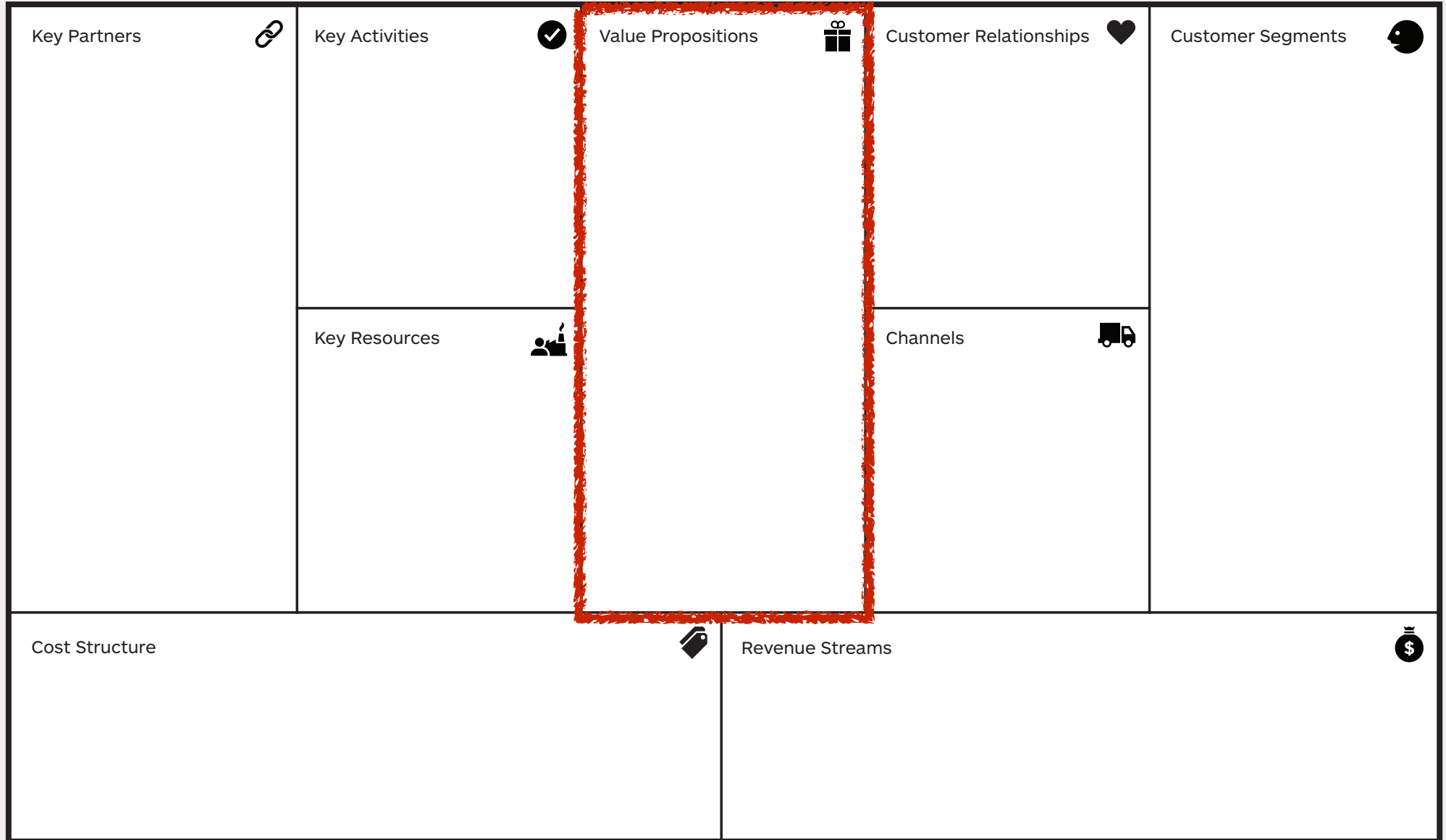
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Value Propositions

The **Value Propositions** Building Block describes the bundle of products and services that create value for a specific Customer Segment

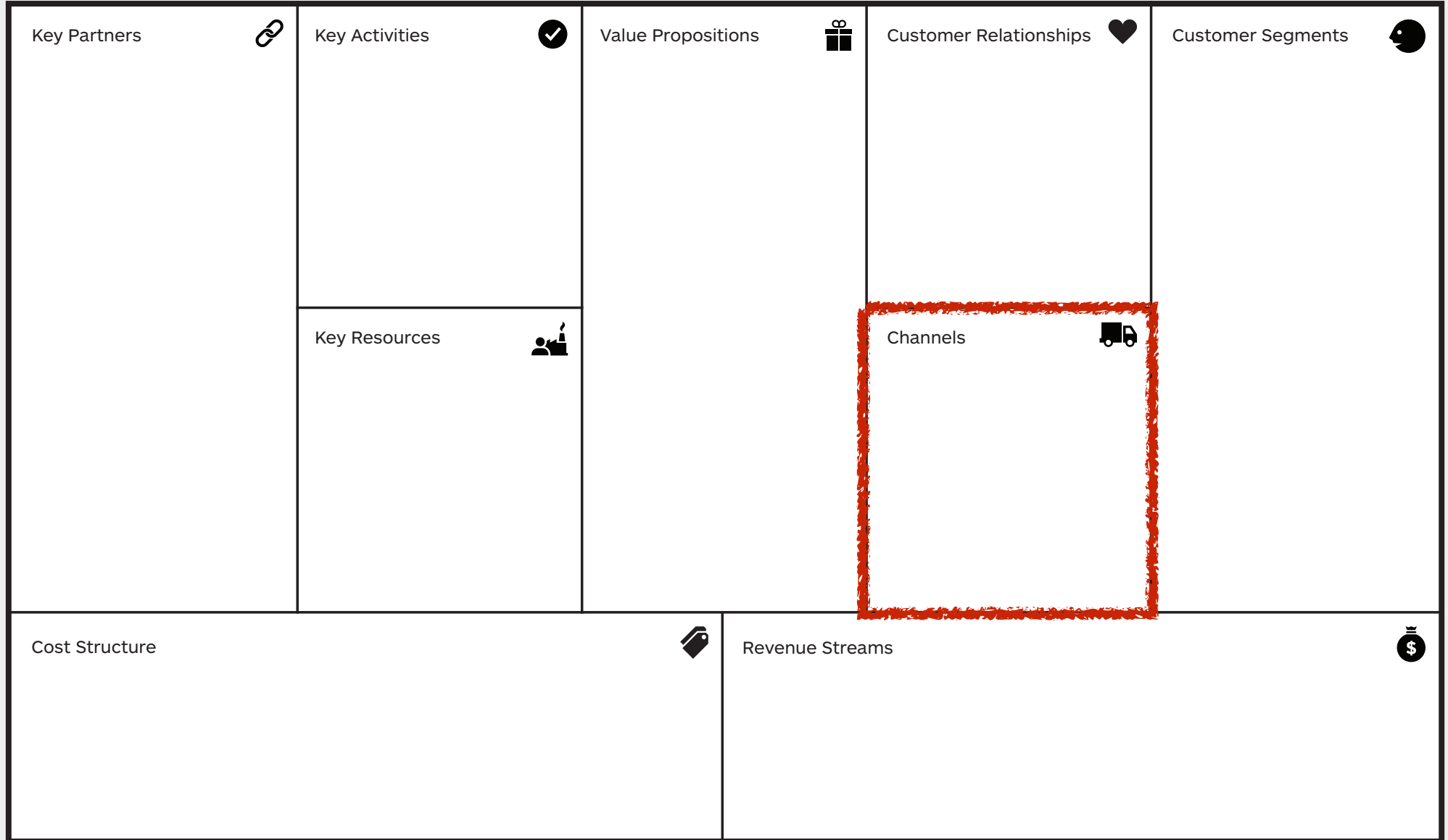
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Channels

The **Channels** Building Block describes how a company **communicates** with and reaches its Customer Segments to deliver a Value Proposition

Channels

Channel Types			Channel Phases				
Own	Direct	<i>Sales force</i>	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?
		<i>Web sales</i>					
	<i>Own stores</i>						
Partner	Indirect	<i>Partner stores</i>					
		<i>Wholesaler</i>					

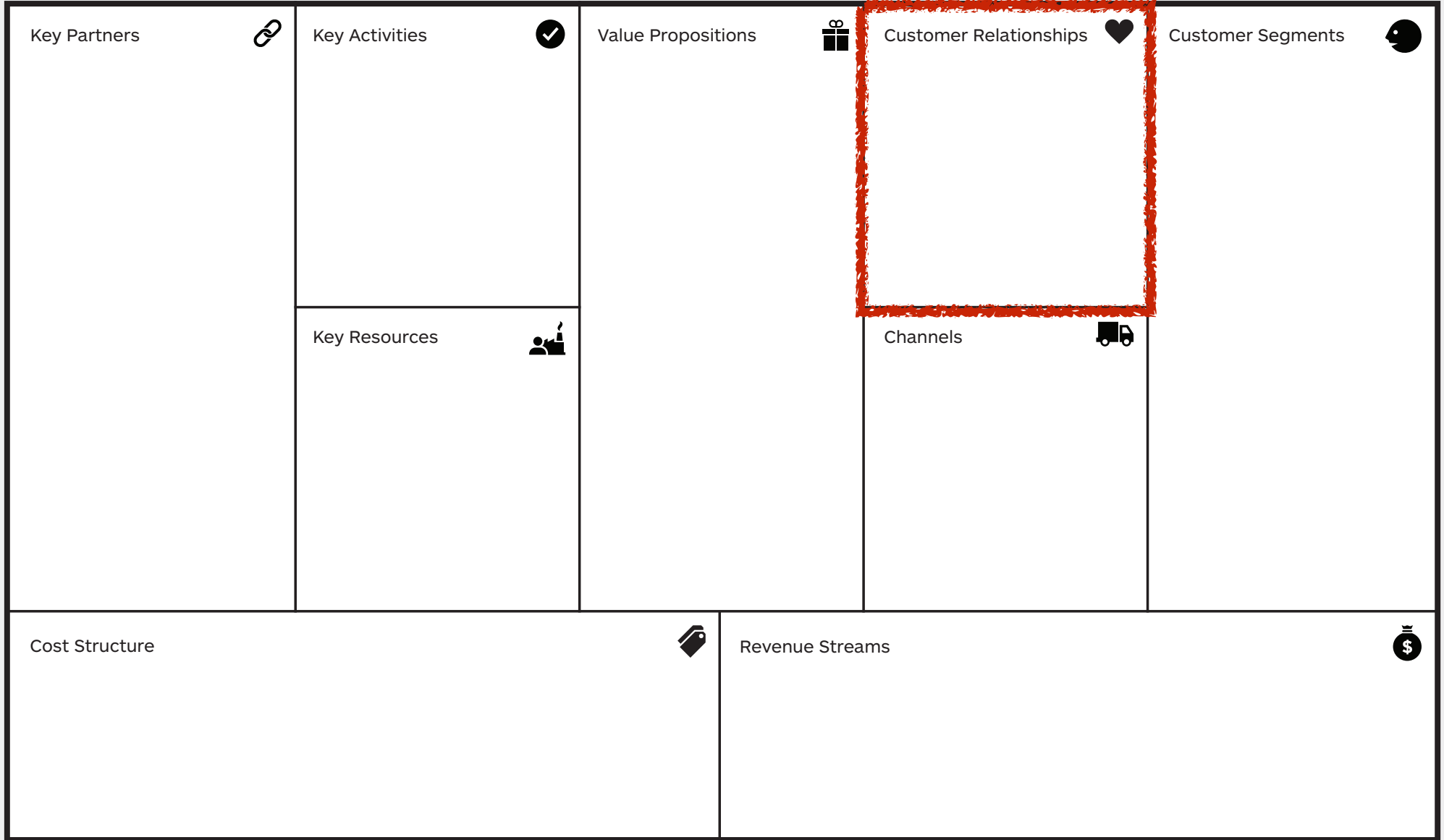
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Customer Relationships

The **Customer Relationships** Building Block describes the **types of relationships** a company establishes with specific Customer Segments

Customer Relationships

- Personal Assistance
- Self-service
- Automated Services
- Communities
- Co-creation

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Revenue Streams

The **Revenue Streams** Building Block represents the **cash** a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings)

Revenue Streams

Static versus **Dynamic** Pricing

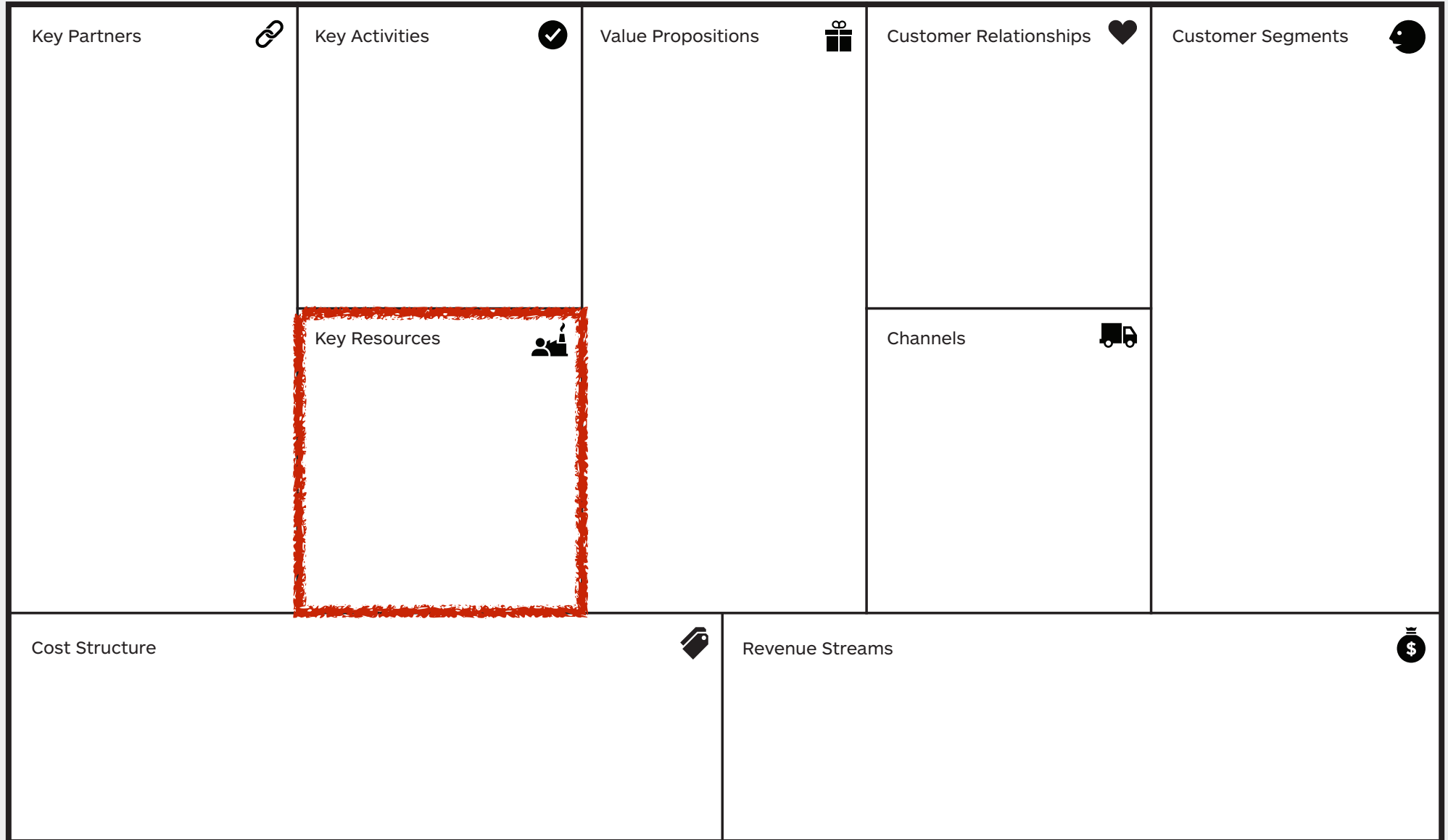
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Key Resources

The **Key Resources** Building Block describes the **most important assets** required to make a business model work

Key Resources

- Talent
- Production Facilities
- Financial capital
- Intellectual capital (intellectual property, brands)

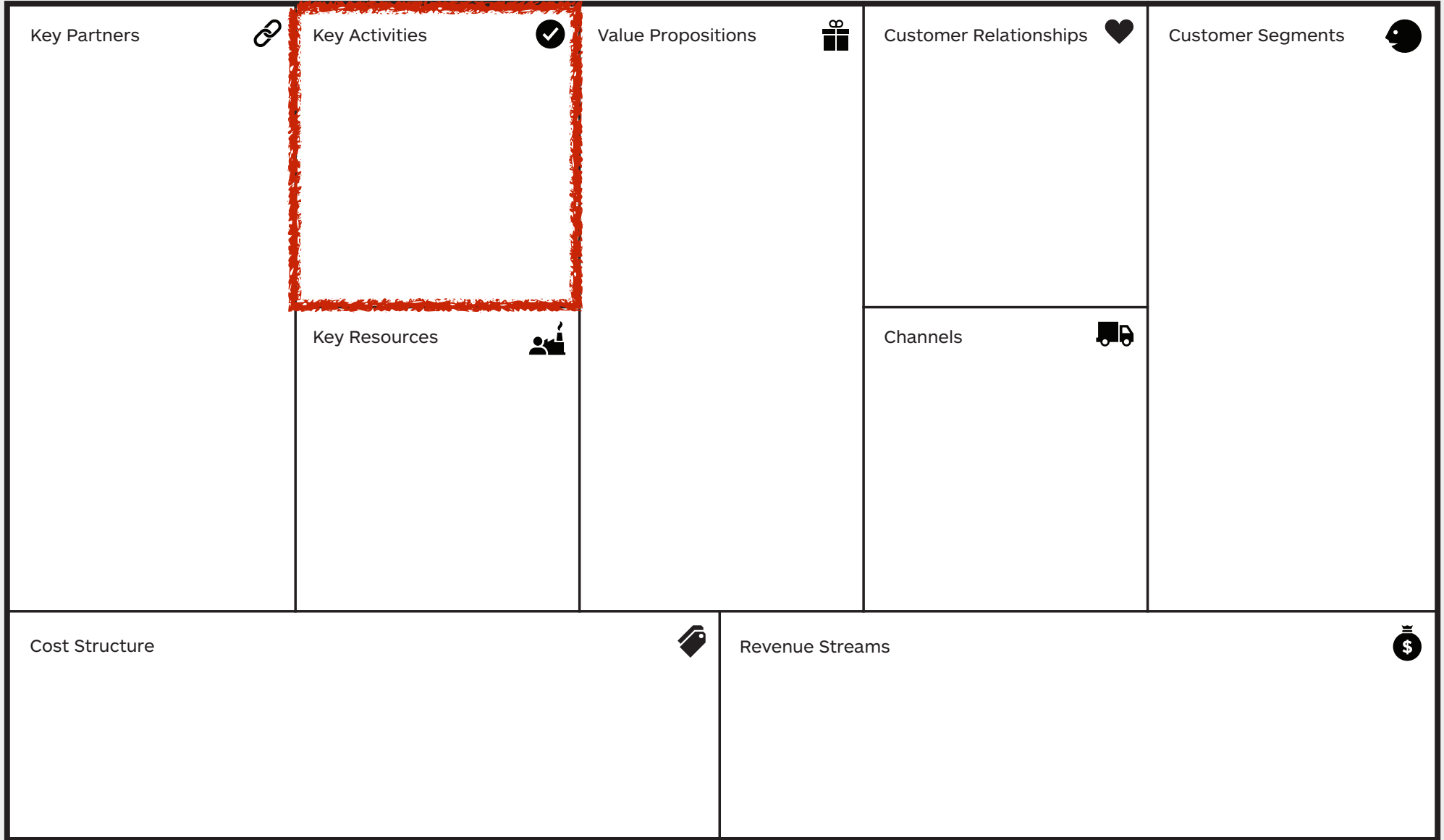
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Key Activities

The **Key Activities** Building Block describes the most important **things a company must do** to make its business model work

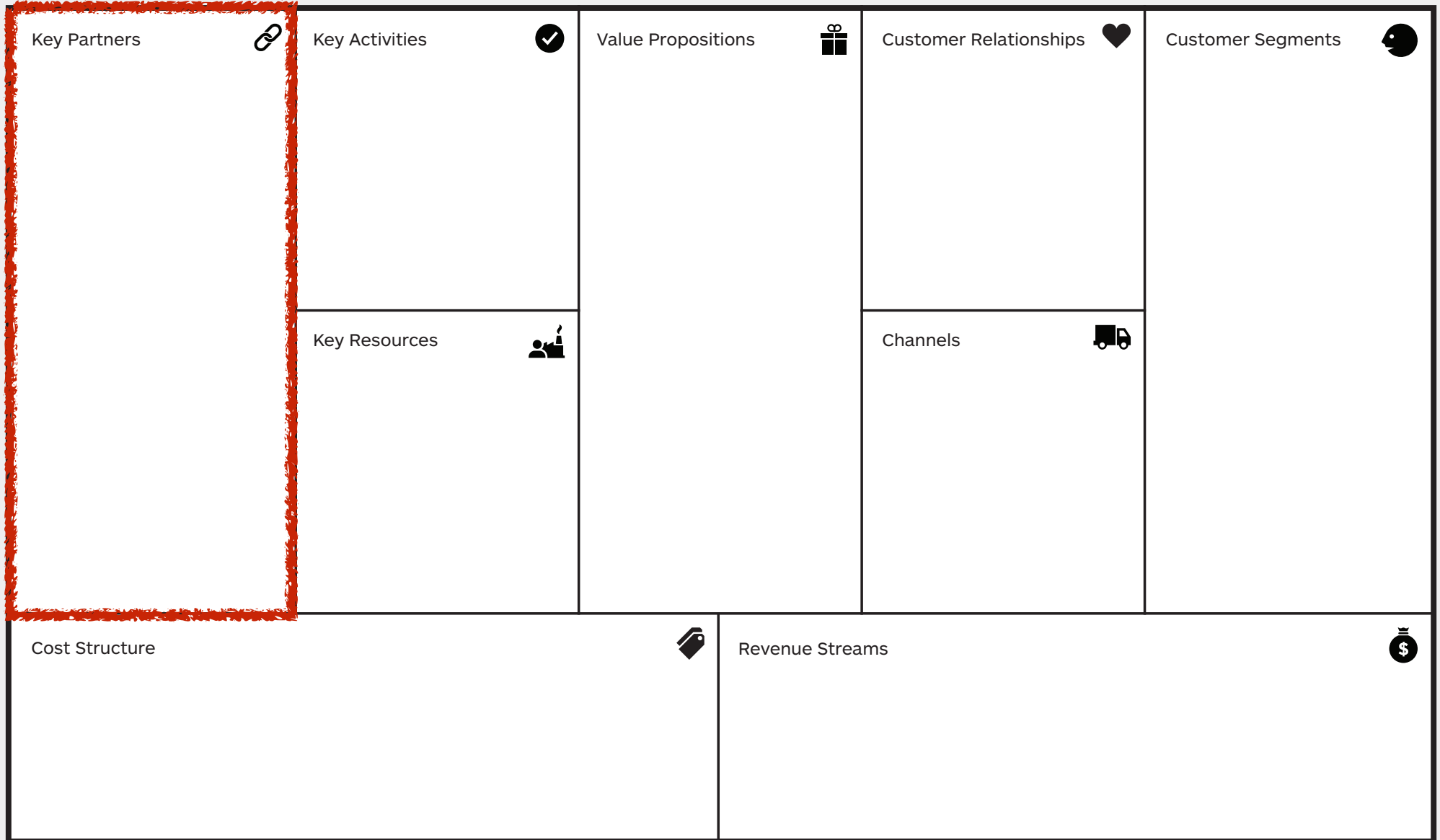
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Key Partnerships

The **Key Partnerships** Building Block describes **the network of suppliers** and partners that make the business model work

Key Partnerships

- **Strategic** alliances between non-competitors
- **Coopetition** is strategic partnerships between competitors
- **Joint ventures** to develop new businesses
- **Buyer-supplier** relationships to assure reliable supplies

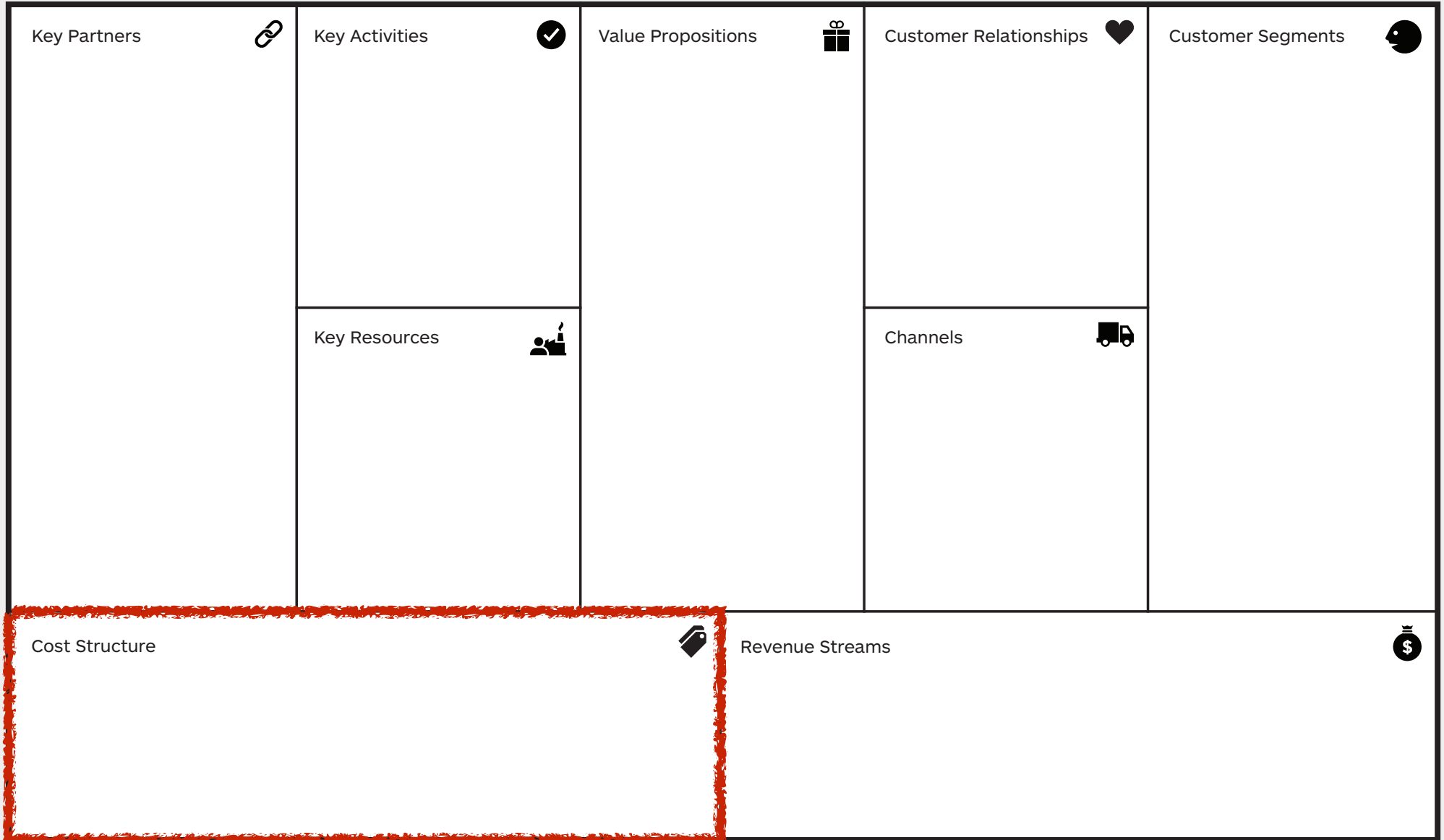
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Cost Structure

The **Cost Structure** describes **all costs** incurred to operate a business model

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All parts are
interrelated

Business models
change over time

Designing a business
model requires **iteration**