The Business Model Canvas

Part II of II

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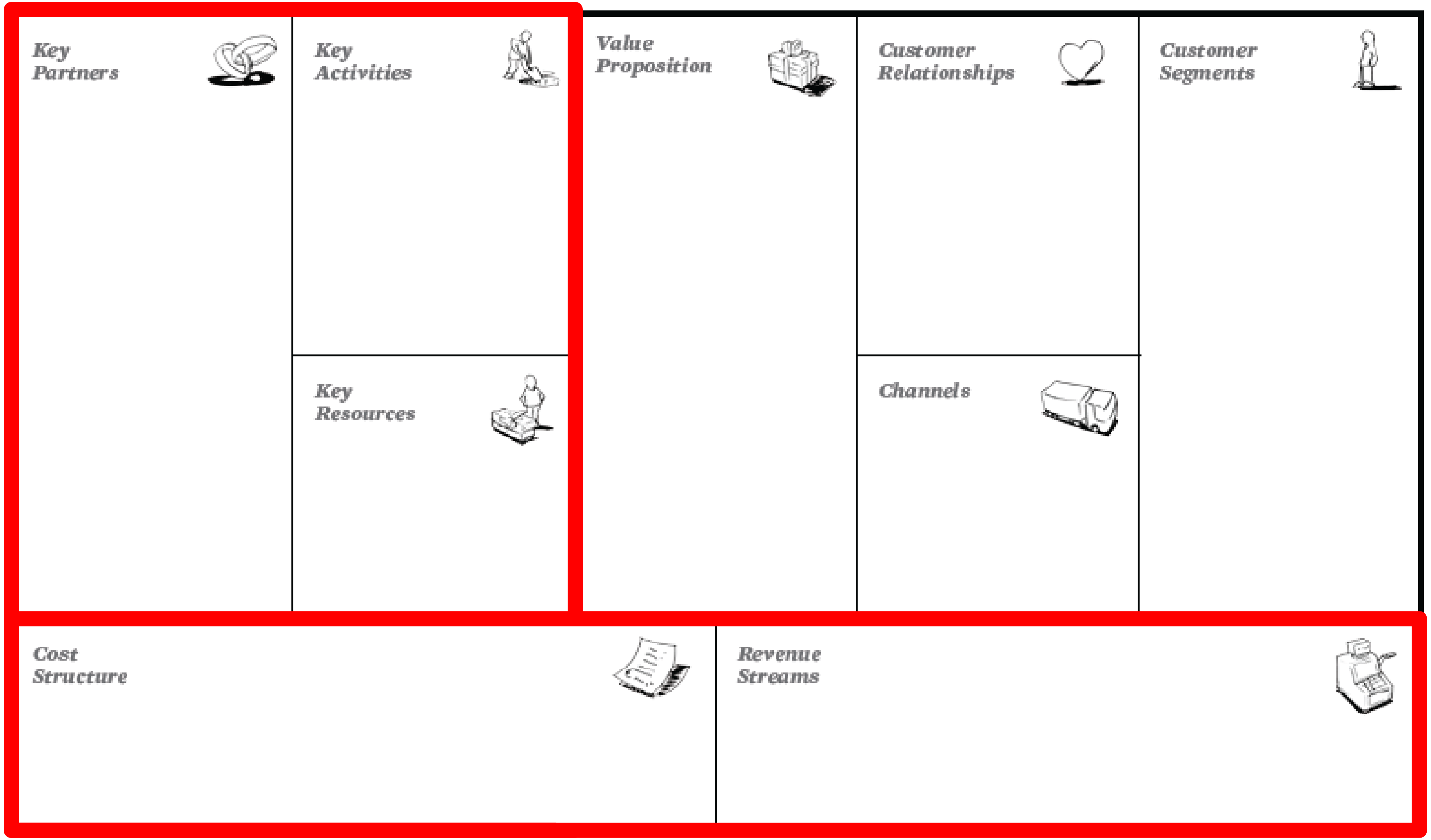
Source: www.businessmodelgeneration.com/canvas



Revenue Streams

- Represents the cash a company generates from each Customer Segment
  - Revenues – Costs = Profits
- Types of revenue streams
  - Transaction revenues resulting from one-time customer payments
  - Recurring revenues resulting from ongoing payments to either deliver a value proposition to customers and/or provide post-purchase customer support

Revenue stream opportunities require you to ask several core questions

- For what value are customers really willing to pay?
- For what do they currently pay (competitors)?
- How will this change in the future?

Ways to generate revenue streams

- Buying (asset sale)
- Renting
- Subscription
- Licensing
- Advertising

Key Resources

- Describes the most important assets required to make a business model work
- Can be physical, financial, intellectual, or human
- Key resources can be owned or leased by the company or acquired from key partners

Key Activities

- Describes the most important things a company must do to make its business model work
  - For PC manufacturer Dell, key activities include supply chain management.
  - For consultancy McKinsey, key activities include problem solving.

Key activities can be categorized

- Production
  - Designing, making, and delivering a product in substantial quantities and/or of superior quality
- Problem solving
  - Coming up with new solutions to individual customer problems
- Platform/network
  - Networks, matchmaking platforms, software, and even brands can function as a platform.
  - Activities relate to platform management, service provisioning, and platform promotion.

Key Partnerships

- Describes the network of suppliers and partners that make the business model work
- Types of partnerships:
  - Strategic alliances between non-competitors
  - Joint ventures to develop new businesses
  - Buyer-supplier relationships
  - Coopetition: strategic partnerships between competitors

Motivations for creating partnerships

- Optimization and economy of scale
  - Most basic form of partnership or buyer-supplier relationship designed to optimize resources and activities (i.e. reduce cost).
- Acquisition of particular resources and activities
  - Extend capabilities by relying on other firms to furnish particular resources or perform certain activities
  - Motivated by needs to acquire knowledge, licenses, or access to customers
- Reduction of risk and uncertainty

Cost Structure

- Describes all costs incurred to operate a business model
- Creating and delivering value, maintaining customer relationships, and generating revenue all incur costs
- Costs can be calculated relatively easily after defining key resources, key activities, and key partnerships

Cost Structure

- Cost-driven business models focus on minimizing costs wherever possible.
  - Aims at creating and maintaining the leanest possible cost structure, using low price value propositions, maximum automation, and extensive outsourcing.
- Value-driven companies are less concerned with the cost implications, and instead focus on value creation.
  - Premium value propositions and a high degree of personalized service usually characterize value-driven business models.

Summary

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