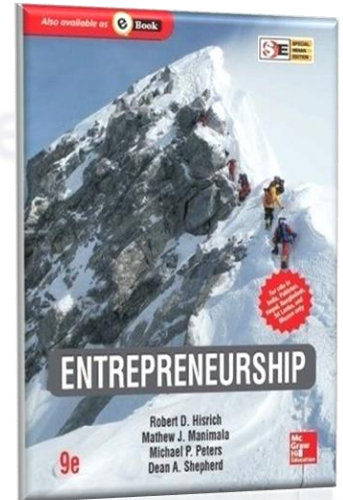


Entrepreneurship & Leadership (HSS-421)

(2+0)



Department of Computer
Software Engineering
Karachi Campus

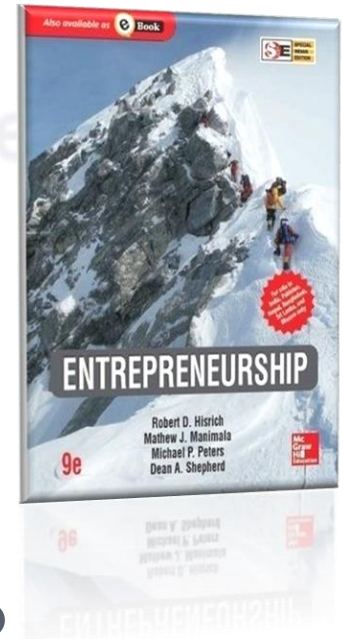


ENGR. SYED RIZWAN ALI
Assistant Professor,
Head of Business Incubation Center,
Bahria University (Karachi Campus)





Department of Computer
Software Engineering
Karachi Campus



BUSINESS MODELS & PLANNING

Lecture No 06

By Engr. Syed Rizwan Ali

In this Lecture will cover ..

- Understanding of Business Models: identifying significance and role of business models in shaping a company's approach.
- Mastery of the Business Model Canvas/Lean: identifying each of its key Nine components.
- Foundations of Business Planning: basic principles of business planning, including the importance of setting clear objectives, strategies, and tactics.
- Integration of Models into Planning: understanding of the company's value creation process.
- Critical Analysis and Evaluation: identifying SWOT analysis.

Business Model



Introduction to Business Model

- A business model, at its core, describes how an organization creates, delivers, and captures value. It serves as a blueprint for how a company operates and achieves its objectives.
- As the business landscape evolves, so too do business models, adjusting to new technologies, market demands, and global challenges.

Why are Business Models Important?

- **Strategic Direction:** A clear roadmap for a company, guiding decision-making and operations.
- **Stakeholder Communication:** A well-defined model helps communicate the company's strategy to stakeholders, from investors to employees.
- **Risk Management:** By understanding its business model, a company can identify vulnerabilities and address them proactively.
- **Innovation:** In a rapidly changing world, regularly revisiting and revising the business model can lead to new opportunities.

Evolution of Business/Revenue/Plan Model

- Business models aren't static. The digital age has given birth to models like the "**freemium**" approach used by many online services, and the sharing economy has disrupted industries from transportation (e.g., Uber) to hospitality (e.g., Airbnb).
- **Business Model:** A conceptual structure that supports the viability of a product or service of the company and explains how the company operates, makes money, and how it intends to achieve its goals.
- **Business Plan:** A formal document detailing the tactics, strategies, financial projections, and other key details to start and run a business.

Evolution of Business/Revenue/Plan Model

- **Revenue Model:** A revenue model outlines the strategy a business uses to make money by specifying how it will sell its products or services focus explicitly on the income generation mechanisms.
- **Importance of a Revenue Model**
- **Predictability:** Provides an understanding of how, when, and where the company will earn its income.
- **Sustainability:** Ensures long-term viability by setting up consistent revenue streams.
- **Attracts Investment:** Investors often want to understand a company's revenue model to gauge potential returns on investment.

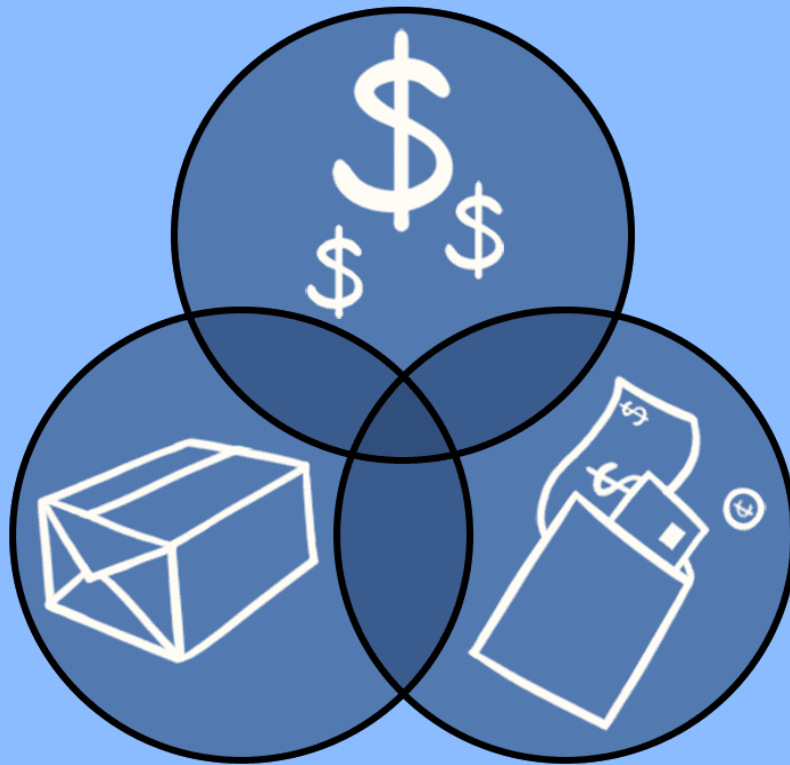
Evolution of Business/Revenue/Plan Model

- Common Revenue Models
- **Product Sales:** Income is generated by selling tangible products to customers.
- **Service Fees:** Charging fees for services rendered.
- **Subscription:** Customers pay a recurring fee to access a product or service.
- **Freemium:** Basic services are offered for free with advanced features or additional services at a premium.

Evolution of Business/Revenue/Plan Model

- Common Revenue Models
- **Licensing:** Granting rights to use intellectual property for a fee.
- **Advertising:** Earning income by providing advertising space within a product or platform.
- **Affiliate Sales:** Earning commissions by promoting and facilitating the sale of another company's product.
- **Transaction Fees:** Charging a fee for facilitating or brokering a transaction.

Business Model - Components



Business Model

['biz-nəs mə-dʒl]

A company's plan for making a profit.

Business Model - Components

- While there are many ways to frame a business model, many frameworks share common elements;
 - ✓ **Value Proposition:** What unique value does the company offer its customers?
 - ✓ **Customer Segments:** Who are the company's target customers?
 - ✓ **Channels:** Through which channels does the company deliver its value proposition?
 - ✓ **Customer Relationships:** How does the company interact with its customers?

Business Model - Components

- ✓ **Revenue Streams:** How does the company earn revenue?
- ✓ **Key Resources:** What assets are crucial for the business?
- ✓ **Key Activities:** What are the primary operations and activities of the business?
- ✓ **Key Partnerships:** Who are the external organizations or individuals that the business collaborates with?
- ✓ **Cost Structure:** What are the main costs and where do they come from?

The Business Model Canvas

Designed for:

Designed by:

On:

Iteration:

KEY PARTNERS

the entities/individuals involved in activities

KEY ACTIVITIES

the actions required for being profitable

VALUE PROPOSITION

the practical relevance for customers

CUSTOMER RELATIONSHIPS

the type of interrelation to maintain with your target customers

CUSTOMER SEGMENTS

target users/buyers of your product/service

KEY RESOURCES

the assets in demand to keep the business running

CHANNELS

communication channels with clients

COST STRUCTURE

all the expenses including payroll, rent, etc.

REVENUE STREAMS

the income-generating model, e.g., subscription plans, direct sales, etc.

Business Model Canvas

~~KEY PARTNERS~~

PROBLEM

~~KEY ACTIVITIES~~

SOLUTION

VALUE PROPOSITION

~~CUSTOMER RELATIONSHIPS~~

UNFAIR ADVANTAGE

CUSTOMER SEGMENTS

~~KEY RESOURCES~~

KEY METRICS

CHANNELS

COST STRUCTURE

REVENUE STREAMS

Based on Lean Canvas by Ash Maurya, adapted from the Business Model Canvas by Alex Osterwalder, licensed under CC BY SA 3.0.

The Lean Canvas Model

Lean Canvas

Based on Lean Canvas by Ash Maurya, adapted from the Business Model Canvas by Alex Osterwalder, licensed under CC BY SA 3.0.



PROBLEM

List your customer's top 3 problems

2

EXISTING ALTERNATIVES

List how these problems are solved today



SOLUTION

Outline a possible solution for each problem

4



KEY METRICS

List the key numbers that tell you how your business is doing

7



UNIQUE VALUE PROPOSITION

Single, clear, compelling message that turns an unaware visitor into an interested prospect

5

HIGH-LEVEL CONCEPT

List your X for Y analogy (e.g. YouTube = Flickr for videos)



UNFAIR ADVANTAGE

Something that can not be easily copied or bought

9



CHANNELS

List your path to customers

6



CUSTOMER SEGMENTS

List your target customers and users

1

EARLY ADOPTERS

List the characteristics of your ideal customers



COST STRUCTURE

List your fixed and variable costs

8



REVENUE STREAMS

List your sources of revenue

3



EXAMPLES
EXAMPLES

Example 1



Public Transport – hassle
Free with affordable Price

Example 2



Affordable VOIP calls

Lean Canvas for Uber

Back in the Time of its Foundation

PROBLEM

Expensive Taxi Service	Availability of Cars
Lack of Driver Profile	
Know Who You Drive	Part-time Job Opportunity

EXISTING ALTERNATIVES

Public Transport	Classic Taxi Service
------------------	----------------------

SOLUTION

Cheaper Ride	Wide Car Network
Drivers / Passengers Ratings	Flexible Work Schedule

KEY METRICS

Number of Users	
Number of Rides	Income

UNIQUE VALUE PROPOSITION

All Services in One App, which Allows You to find a Safe Ride 24/7/365

Work on Your Own Schedule and Revenue, Navigate the Route Through the App

HIGH-LEVEL CONCEPT

Uber is Like a Taxi but Cheaper, Safer and More Flexible

UNFAIR ADVANTAGE

Low Prices Rides at the Push of a Button

CHANNELS

Word of Mouth	
PR	User Referrals

CUSTOMER SEGMENTS

Passengers
Drivers

EARLY ADOPTERS

Public Transport	Classic Taxi Service
------------------	----------------------

COST STRUCTURE

Product Development

Marketing Expenses

Salaries

REVENUE STREAMS

25% of the Pay for Each Ride

BUSINESS MODEL CANVAS Uber

Key Partners



- Drivers
- Lobbyists
- Investors
- Other Partners

Key Activities



- Platform (app) development and enhancement
- Marketing
- Sales promotions to acquire new customers
- Communication with the driver, customers, and partners

Key Resources



- Network (Drivers & riders)
- Platform (apps)
- Technology talent
- Improving its algorithms and data analysis
- Brand image

Value Propositions



For the drivers:

- ease in getting started
- opportunity to earn
- ease in accessing more passengers
- freedom to choose their hours for work

For riders:

- safety and security
- chance to avail services with lower prices than the normal taxi service
- convenient with easier transactions

Customer Relationships



- customer is the critical component
- same is the case with their drivers
- General Public
- Regulators

Channels



- word of mouth
- social media
- voucher, digital ads, paid ads
- media coverage

Customer Segments



- Passengers
- Drivers

Cost Structure



- Customer Acquisition Costs (CAC)
- Legal and settlement costs
- Insurance costs
- Research and development
- Lobbying & compliance
- Platform maintenance
- Infrastructure cost
- Customer support

Revenue Streams



- Ride transaction fees
- license fees
- Uber eats – Advertisement, delivery fees, Share in revenue



Lean Canvas Business Model - Skype

Top 3 problems <ul style="list-style-type: none"> International voice calls are very costly No online video chat available No quickest way of sharing files between online users 	Solution <ul style="list-style-type: none"> Make voice/video calls using internet Make file sharing easy using skype 	Value Proposition	Unfair Advantage	Customer Segments <ul style="list-style-type: none"> Users who want to make voice/video call via internet Users who want to make low cost international calls (calls to mobile and landline) Users who want to share digital documents faster
Existing alternatives <ul style="list-style-type: none"> Using emails for sharing files Making voice calls using telecom platform 	Key Metrics <ul style="list-style-type: none"> Key Action : Users making calls using Skype X number of registered Skype users 	High-level pitch <p>Use Skype for free with better sound quality than your regular phones</p>	Channels	Early adopters <ul style="list-style-type: none"> Users who frequently make international calls
Cost structure <ul style="list-style-type: none"> Application development and maintenance Website development and maintenance Marketing 	Revenue streams <ul style="list-style-type: none"> Revenue from Preferred Partners 			



Business Model Canvas

Skype



KEY PARTNERS

Payment Providers

Distribution Partners

Telco Partners



KEY ACTIVITIES

Software Development



KEY RESOURCES

Software Developers

Software



VALUE PROPOSITION

Free Internet & Video Calling

Cheap Calls to Phones (SKYPEOUT)



RELATIONSHIPS

Mass Customers



CHANNELS

Skype.com

Headset Partnerships



CUSTOMER SEGMENT

Web Users Globally

People Who Want to Call Phones



COST STRUCTURE

Software Development

Customer Support Management



REVENUE STREAMS

SKYPEOUT Prepaid or Subscription

Hardware Sales

Lean Canvas Model

<p>PROBLEM <i>List your top 1-3 problems.</i></p> <p>In certain situation, it is sometimes very difficult to find a taxi</p> <p>The price of a trip is not known in advance and, sometimes, is not transparent</p> <p>Paying a taxi driver often requires having some cash</p> <p>EXISTING ALTERNATIVES <i>List how these problems are solved today.</i></p> <p>Taxi</p> <p>Car sharing services</p>	<p>SOLUTION <i>Outline a possible solution for each problem.</i></p> <p>Intermediary between drivers and customers</p> <p>Fixed fee known when the trip is booked</p> <p>Payment processed via credit card</p>	<p>UNIQUE VALUE PROPOSITION <i>Single, clear, compelling message that states why you are different and worth paying attention.</i></p> <p>Offering an individual transport solution in any big cities worldwide</p>	<p>UNFAIR ADVANTAGE <i>Something that cannot easily be bought or copied.</i></p> <p>A 3-billion driver network</p> <p>Available in 65 countries and over 600 cities worldwide</p>	<p>CUSTOMER SEGMENTS <i>List your target customers and users.</i></p> <p>Urban millennials</p> <p>Local business people transportation</p> <p>Business travelers</p> <p>Foreign tourists</p>
	<p>KEY METRICS <i>List the key numbers that tell you how your business is doing.</i></p> <p>Number of trips</p> <p>Number of users</p> <p>Average price of a trip</p> <p>Average revenue of a driver</p>	<p>HIGH-LEVEL CONCEPT <i>List your X for Y analogy e.g. YouTube = Flickr for videos.</i></p> <p>"A taxi, anywhere, everywhere"</p>	<p>CHANNELS <i>List your path to customers (inbound or outbound).</i></p> <p>Mobile app</p> <p>Promo codes</p> <p>Mailing</p>	<p>EARLY ADOPTERS <i>List the characteristics of your ideal customers.</i></p> <p>Urban millennials</p> <p>Technophile</p>
<p>COST STRUCTURE <i>List your fixed and variable costs.</i></p> <p>Development and hosting costs of the platform</p> <p>Acquisition and customer loyalty costs</p> <p>Selection and animation of the network of drivers</p>		<p>REVENUE STREAMS <i>List your sources of revenue.</i></p> <p>A commission rate received on the total price of a trip</p> <p>Trip sharing fees (€0,20 per shared trip)</p>		

Developing a Lean Canvas Model

- The Lean Canvas is a variation of the Business Model Canvas designed specifically for entrepreneurs and startups. It emphasizes agility and adaptability, with a focus on addressing potential startup risks.
- Created by Ash Maurya, the Lean Canvas condenses the business model into a single page, divided into nine blocks.

Developing a Lean Canvas Model

- **Materials Needed:** A printed Lean Canvas template, sticky notes, markers.
- **Collaborative Approach:** Invite team members, mentors, or stakeholders to collaborate.
- **Iterative Mindset:** The canvas will evolve as you gather more information and feedback.

Developing a Lean Canvas Model

- **Problem:** List the top one to three problems your product or service addresses.
- **Solution:** Outline possible solutions to the identified problems. This is typically high-level and can evolve with time.
- **Unique Value Proposition (UVP):** A clear, compelling message that states why your solution is different and worth paying attention to.
- **Key Metrics:** Identify the numbers and metrics that will measure your startup's performance and health.

Developing a Lean Canvas Model

- **Channels:** How will you reach and deliver your solution to your customers?
- **Customer Segments:** Who are your target customers? It's helpful to identify early adopters specifically.
- **Cost Structure:** Detail your fixed and variable costs.
- **Revenue Streams:** Define how you will make money. Will it be through sales, subscriptions, affiliate marketing, etc.?
- **Unfair Advantage:** Something that cannot be easily copied or bought by competitors. It can be insider information, a unique feature, expertise, etc.

Business Model Canvas



Developing a Business Model Canvas

- The Business Model Canvas (BMC) is a strategic management tool that provides a visual overview of a company's business model. Developed by Alex Osterwalder and Yves Pigneur, it's a single-page document divided into nine building blocks, which together offer a comprehensive view of a business.
- **Materials Needed:** Large canvas or printout, sticky notes, markers.
- **Team Involvement:** Engage stakeholders, team members, and even customers if possible.
- **Open Mindset:** Encourage innovative thinking and be open to changes.

Developing a Business Model Canvas

- **Mapping the Nine Building Blocks**
- **Value Proposition:** What problem are you solving?
What unique value do you deliver to your customers?
- **Customer Segments:** Identify the specific groups of people or entities your company aims to serve.
- **Channels:** Determine how your company will deliver its value proposition to customers.
- **Customer Relationships:** Define the type of relationship your company will establish with different customer segments.

Developing a Business Model Canvas

- **Revenue Streams:** Pinpoint where the company's income will come from.
- **Key Resources:** List the assets necessary to offer and deliver the stated value proposition.
- **Key Activities:** Specify the activities necessary to execute the company's value proposition.
- **Key Partnerships:** Identify the external organizations, resources, or activities you rely on.
- **Cost Structure:** Describe all costs and expenses associated with running the business.

Thanks
Q&A

