value chain that is made of our primary and support actvities,is a source of deltas,differentials in costs and values.
the resource bassed is a criticisms to the value chain.
what value chain is propoing to do is to enter the company and understand if you have resources and competencies, and the question you should ask is that resource core?can be the foundation of a competitive advantage?
to assess we use 5 core tests or VRIO frame work.
if it wasnt core,it will be a source of temporary competitive advantage.
bt if you have a core,you can leverage this to enter another Market and would be a pattern to diversification and it connects 2 levels of strategy ,corporate and business ,
what is differentiation? is a business level strategy aiming at making your product be perceived as different and unique.

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value = benefit for customer

the company value ?? architecture

Business Model Design

three main pillars:
- value creation
- value delivery (channel, ...)
- value capture (transform into profit)

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The Business Model "dilemma"

- The business model concept is perceived as more and more essential by both managers and academics

- However, it is often used as a **buzzword** meaning everything and nothing about the "new economy"

- The authors dealing with the topic have tried to describe the concept in terms of its **components** or **building elements** but the resulting parameters seem to be strongly dependent on the author's field of work.

- Even though the term **Value** is recurrent in business model design theory, within the practitioners community the business model issue is often wrongly associated to a **mere revenue model problem**, reflecting the widespread focus on the quantifiable concept of cost and revenue rather than value.

What is a Business Model?

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What a business model is – a collection of literature definitions

"A business model is an ***architecture*** for the **product, service and information flows**, including a description of the various **business actors** and their **roles**, a description of the potential **benefits** for the various business actors, and a description of the **sources of revenues**"

(*Timmers, 1998*)

"A business model is the ***method of doing business*** by which a company sustains itself, that is, **generate revenue**"

(*Rappa, 2000*)

"The essence of a business model is in defining the manner by which the enterprise **delivers value to customers**, entices customers to **pay for value**, and **converts those payments to profit**"

(*Teece, 2010*)

Based on this definition, we can say that **the business model is the value architecture, because it's a structure made of a number of components which harmonically has to build the structure together and keep it up.** If one of the components is removed, the whole structure will not stand up anymore. Why value ? Because the whole architecture will revolve around the notion of value.

What a business model is – a literature overview (1/2)

- As a literature stream, business model design has evolved from a **piecemeal approach** (Tapascott et al., 2000; Amit and Zott, 2001; Rappa 2001; Weil and Vitale, 2001), to one searching for a **clear and unambiguous ontology** – that is, the definition of the basic concepts of a theory – (Osterwalder, 2004), to employ as a generalized tool for **supporting strategy analysis of firms**.

- Business model has become an **extensive and dynamic concept**: its focus has shifted from the single firm to the **network of firms**, and from the sole firm's positioning within the network to its **entire interrelations and hierarchies** (Ballon, 2007; Ghezzi, 2013).

What a business model is – a literature overview (2/2)

- What is widely accepted by literature is that a business model shall be analyzed through a **multi-category approach**, as a **combination of multiple design dimension, elements or building blocks**, not simply restrained to revenue and cost models (Yu, 2001; Hedman and Calling, 2003; Osterwalder, 2004; Morris et al., 2005; Ballon, 2007; Johnson et al., 2008; Amit and Zott, 2009)

- However, the existing body of knowledge concerning Business Model Design shows a **lack of homogeneity** (e.g. Johnson et al., 2008; Ghezzi et al., 2010; Zott, Amit and Massa, 2011), and the issue deserves further academic investigation

- The **relationship between the business model and Strategy** is also debated (e.g. Casadesus-Masanell and Ricart, 2010).

What is value ?

Basic economics claims that value creation means wealth creation (create capital). In management, creating a value, means creating a benefit for the customer.

What are the main components of the value architecture ?

First of all, we have **value creation**: the company needs to explain how it creates value for the customers by means of products and services. **This is a pillar of the business model.**

The other main pillar, is **value delivery**: the company needs to explain how it delivers value to the customers (what are the channels used, the customer relationship, and so on)

Last is **value captured**. By means of value captured, the company is accountable of reaping a share of the value created for customers and transform it into profit. So the company capture part of the benefit generated for their customers, and transform into profit o cashflow for the company **so that the company is economically and financially sustainable**

if you are a startup,which of the 3 elements you are stronger at?creation

Business Model Design:

An overview of the main elements, models and frameworks

business model is not a replacement for strategy, its a part of it not in oral fully all model

Business model affinity diagram (Shafer et al., 2005)

Components of a Business Model

Strategic Choices

Customer (Target Market, Scope)
Value Proposition
Capabilities/Competencies
Revenue/Pricing
Competitors
Output (Offering)
Strategy
Branding
Differentiation
Mission

Value Network

Suppliers
Customer Information
Customer Relationship
Information Flows
Product/Service Flows

Create Value

Resources/Assets
Processes/Activities

Capture Value

Cost
Financial Aspects
Profit

Entrepreneur's Business Model (Morris et al., 2005)

Six questions that underlie a business model

Component 1 (factors related to the offering): How do we create value? (select from each set)

- offering: primarily products/primarily services/heavy mix
- offering: standardized/some customization/high customization
- offering: broad line/medium breadth/narrow line
- offering: deep lines/medium depth/shallow lines
- offering: access to product/ product itself/ product bundled with other firm's product
- offering: internal manufacturing or service delivery/ outsourcing/ licensing/ reselling/ value added reselling
- offering: direct distribution/indirect distribution (if indirect: single or multichannel)

Component 2 (market factors): Who do we create value for? (select from each set)

- type of organization: b-to-b/b-to-c/ both
- local/regional/national/international
- where customer is in value chain: upstream supplier/ downstream supplier/ government/ institutional/ wholesaler/ retailer/ service provider/ final consumer
- broad or general market/multiple segment/niche market
- transactional/relational

Component 3 (internal capability factors): What is our source of competence? (select one or more)

- production/operating systems
- selling/marketing
- information management/mining/packaging
- technology/R&D/creative or innovative capability/intellectual
- financial transactions/arbitrage
- supply chain management
- networking/resource leveraging

Component 4 (competitive strategy factors): How do we competitively position ourselves? (select one or more)

- image of operational excellence/consistency/dependability/speed
- product or service quality/selection/features/availability
- innovation leadership
- low cost/efficiency
- intimate customer relationship/experience

Component 5 (economic factors): How we make money? (select from each set)

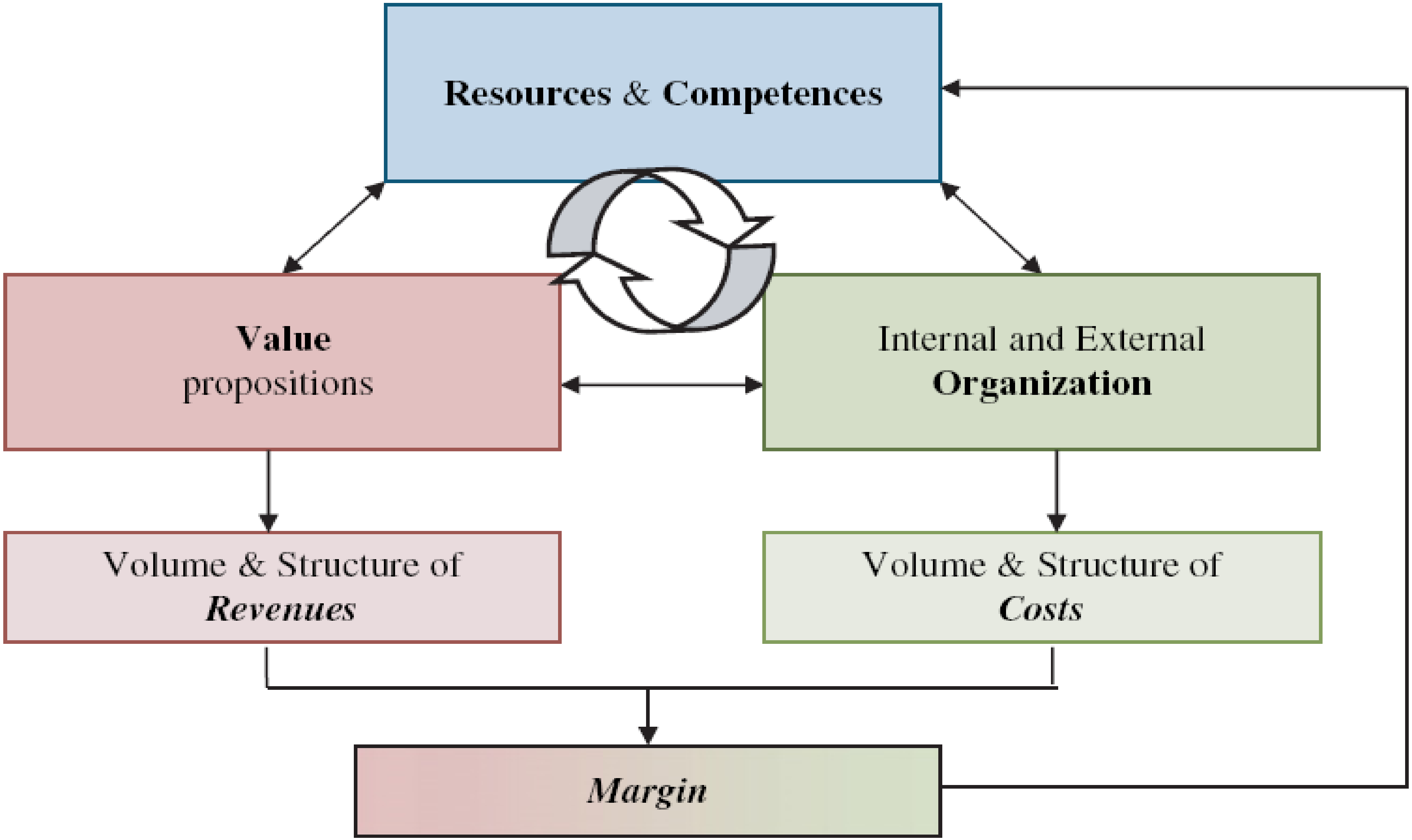
- pricing and revenue sources: fixed/mixed/flexible
- operating leverage: high/medium/low
- volumes: high/medium/low
- margins: high/medium/low

Component 6 (personal/investor factors): What are our time, scope, and size ambitions? (select one)

- subsistence model
- income model
- growth model
- speculative model

The previous model was followed by this one, in which there are questions an entrepreneur should ask himself when designing a business model. This is an entrepreneur business model because it provides them a checklist in order to clarify their idea

RCOV Framework (Lecocq et al., 2006)



Business model for ICT services (Ballon, 2007) (1/2)

Control parameters	
A. Value network parameters	*B. Functional architecture parameters*
A1. Combination of assets	B1. Modularity
A2. Vertical integration	B2. Distribution of intelligence
A3. Customer ownership	B3. Interoperability
Value parameters	
C. Financial model parameters	*D. Value proposition parameters*
C1. Cost (sharing) model	D1. Positioning
C2. Revenue model	D2. User involvement
C3. Revenue sharing model	D3. Intended value

Business model for ICT services (Ballon, 2007) (2/2)

Control parameters				*Value parameters*			
Value network parameters		*Functional architecture parameters*				*Value proposition parameters*	
Combination of assets		Modularity		Cost (sharing) model		Positioning	
Concentrated	Distributed	Modular	Integrated	Concentrated	Distributed	Complement	Substitute
Vertical integration		Distribution of intelligence		Revenue model		User involvement	
Integrated	Disintegrated	Centralised	Distributed	Direct	Indirect	High	Low
Customer ownership		Interoperability		Revenue sharing model		Intended value	
Direct	Intermediated	Yes	No	Yes	No	Price/quality	Lock-in

Business Model Framework (Richardson, 2008)

close to final version

The Business Model Framework

The value proposition—what the firm will deliver to its customers, why they will be willing to pay for it, and the firm's basic approach to competitive advantage.

- The offering
- The target customer
- The basic strategy to win customers and gain competitive advantage (generic strategy and building blocks of competitive advantage)

The value creation and delivery system—how the firm will create and deliver that value to its customers and the source of its competitive advantage

- Resources and capabilities (VRIO)
- Organization: the value chain, activity system, and business processes
- Position in the value network: links to suppliers, partners, and customers

Value capture—how the firm generates revenue and profit

- Revenue sources
- The economics of the business

The Business Models reinvented (Johnson et al., 2010)

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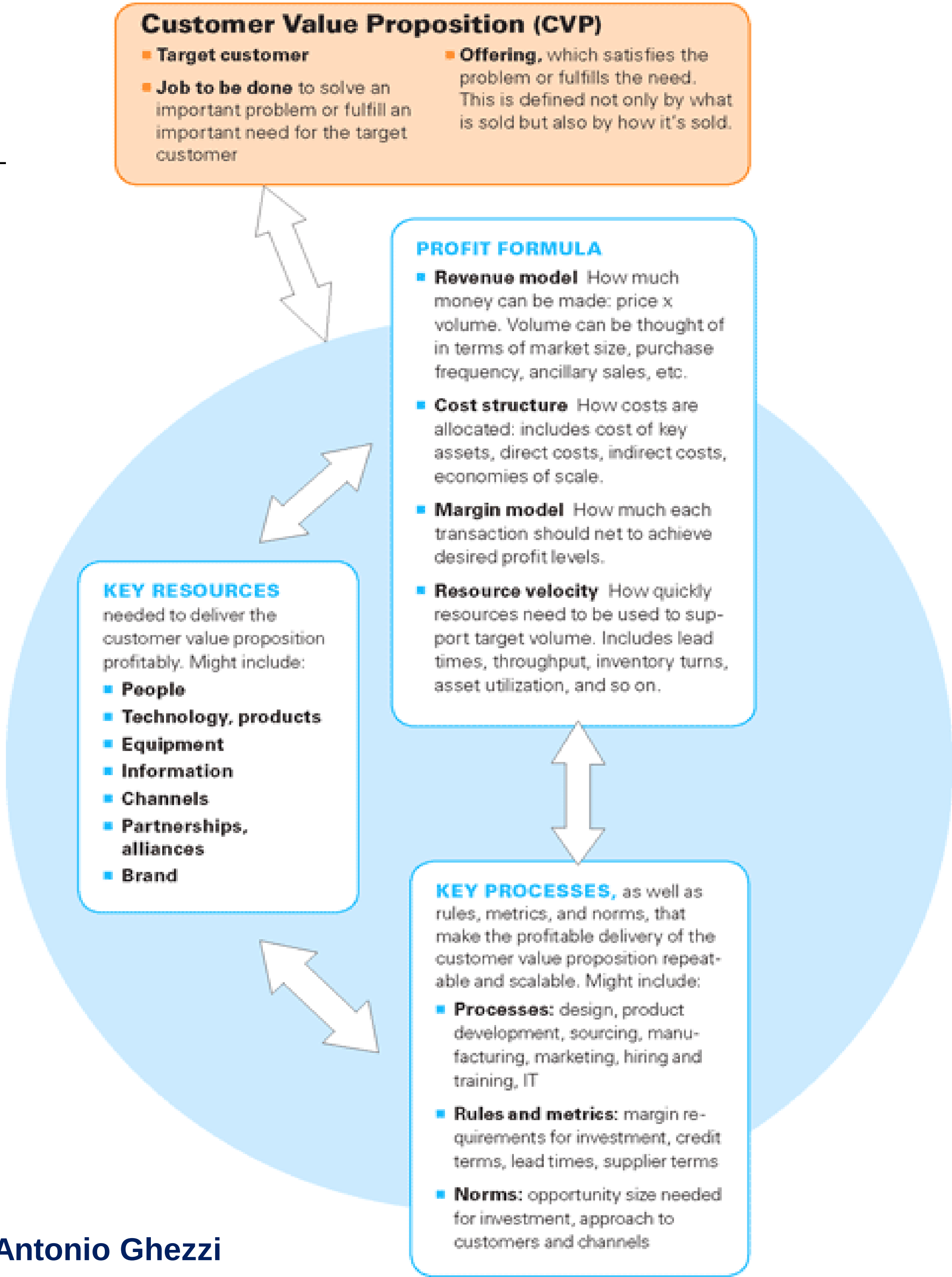
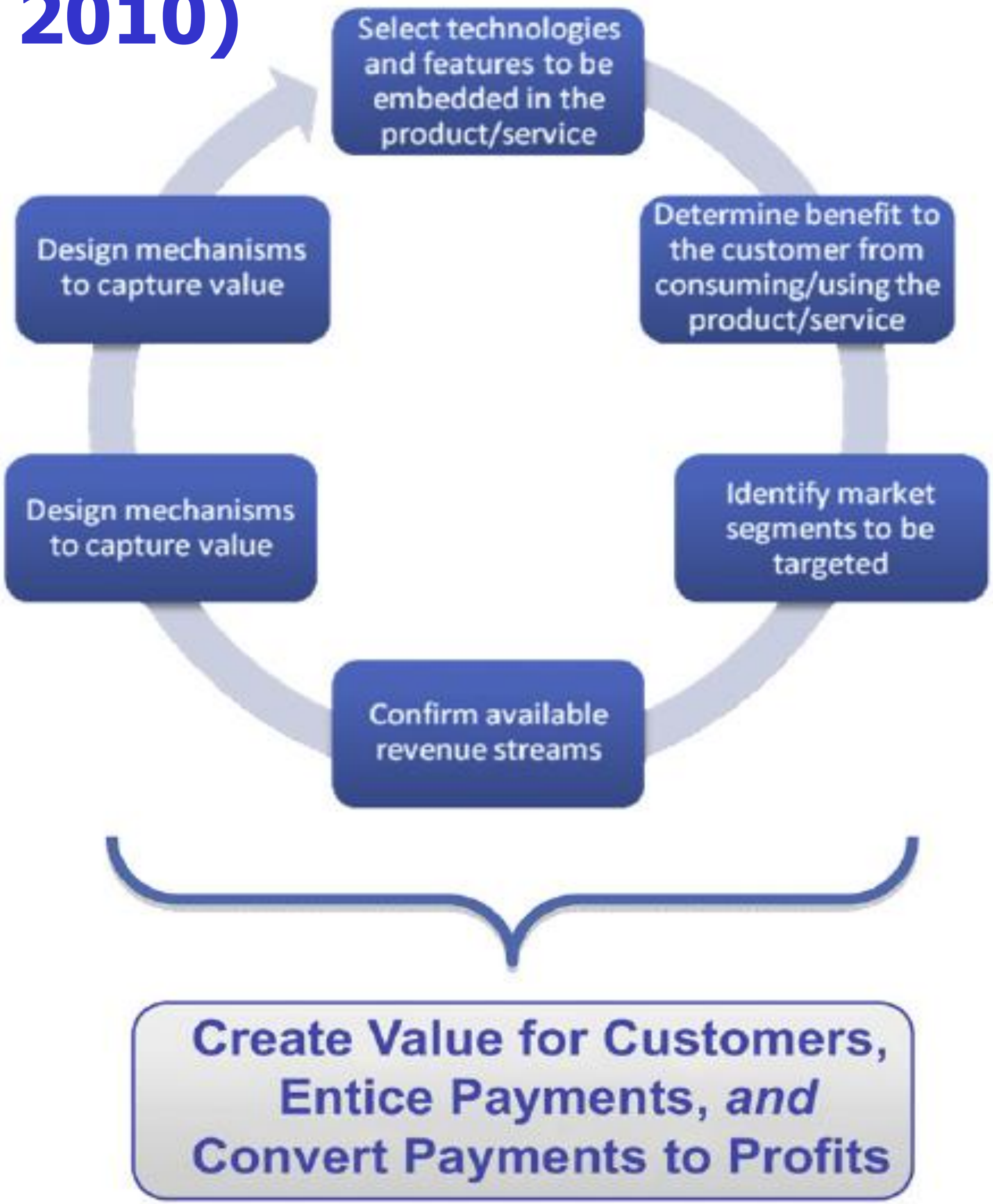


Elements of business model design (Teece, 2010)



Surces of value creation in e-business (Amit & Zott, 2001)

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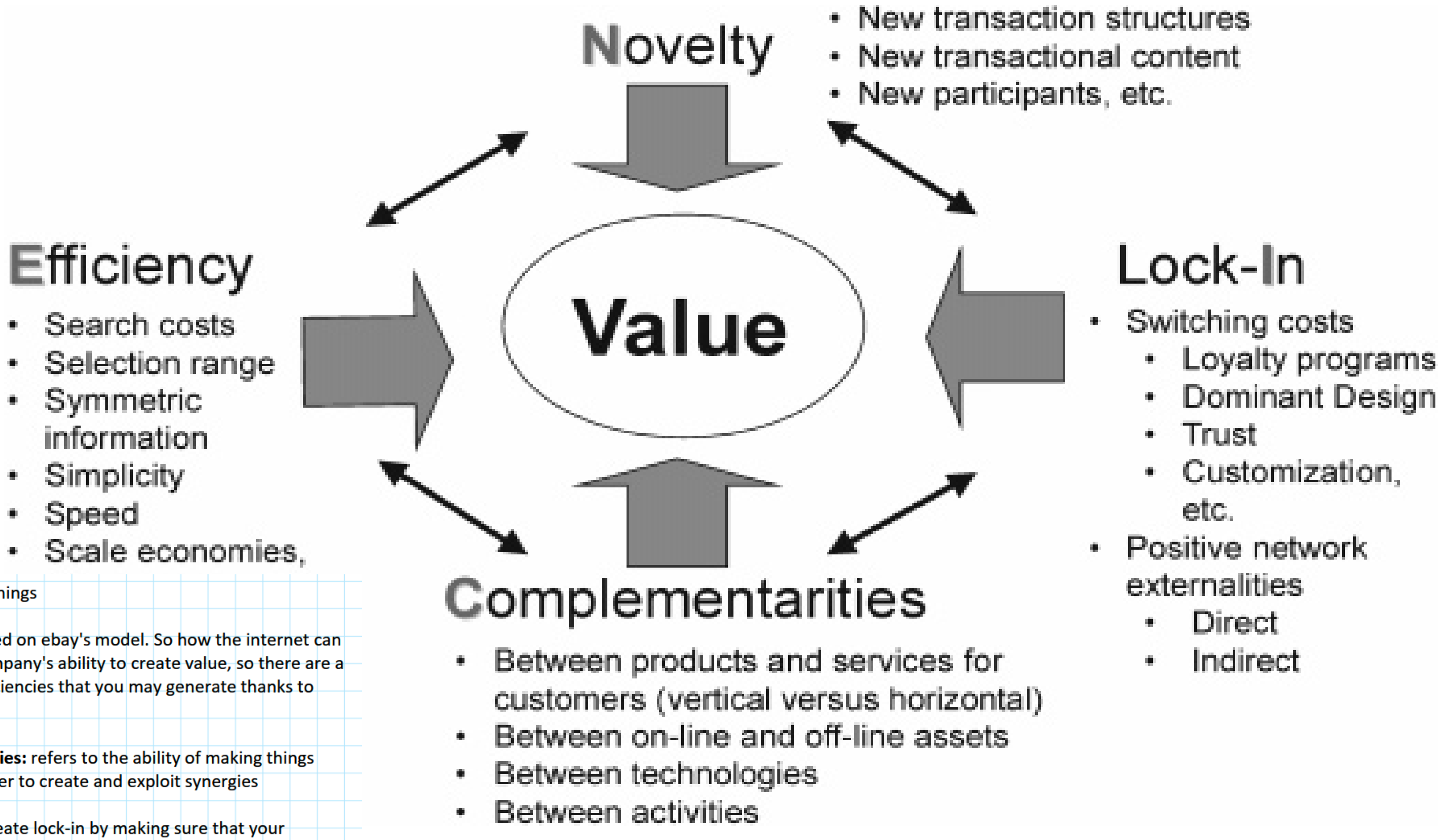


- **Novelty:** new things
- **Efficiency:** based on ebay's model. So how the internet can influence a company's ability to create value, so there are a number of efficiencies that you may generate thanks to internet
- **Complementaries:** refers to the ability of making things together in order to create and exploit synergies
- **Lock-in**: you create lock-in by making sure that your customers keep buying from you, so relates to the relationship. For example, apple's ecosystem makes difficult for customers to leave it, because they will lose that in switching to another company or a rewarding system.

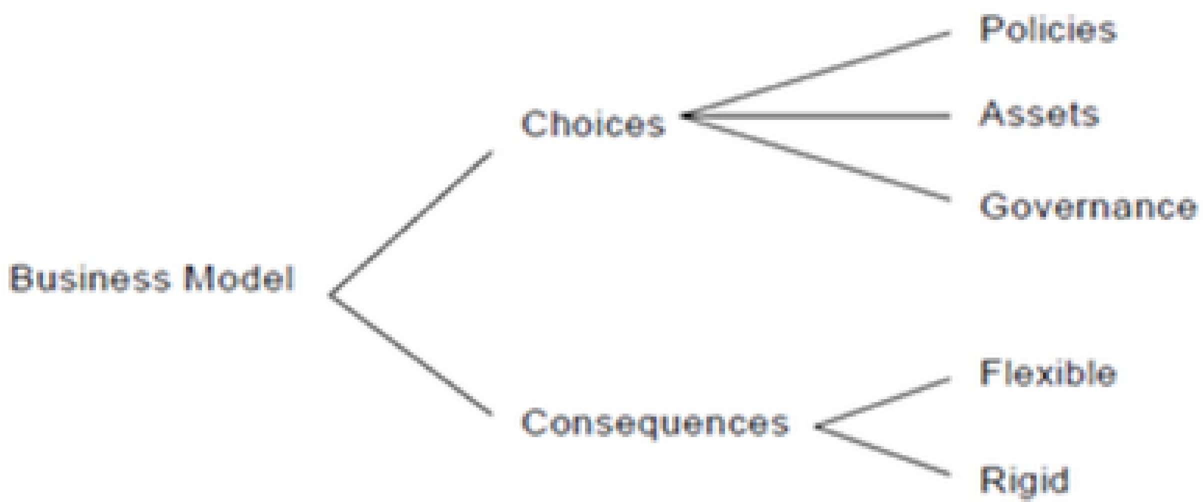
Business model design: an activity system perspective (Amit & Zott, 2010)

- A firm's business model is conceptualized as a system of interdependent activities that transcends the focal firm and spans its boundaries.
- The **activity system** enables the firm, in concert with its partners, to create value and also to appropriate a share of that value.
- Activity system's set of parameters

1. **Design Elements** – ***which describe the activity system's architecture***
   a. Content
   b. Structure
   c. Governance
2. **Design Themes** – ***which describe the source of value creation***
   a. Novelty
   b. Lock-in
   c. Complementarities
   d. Efficiency

Taken the previous model, the authors added some components. The Business model is made of a system of relations and activities between the company and other external parties, so there are some design themes which are how you create value, linked to the previous model, but also design elements that describe the activity system architecture: you have to define what are the relationships and links with the other players in terms of content structure and governance

Business Model as choices and consequences (Casadesus-Masanell and Ricart, 2010)



Business Models are composed of two different sets of elements:

1. the concrete choices made by management about how the organization must operate
2. the consequences of these choices

- **Policies** (Choices) Choices regarding the courses of action adopted by the firm regarding all aspects of its operation
- **Assets** (Choices) Choices regarding tangible resources such as manufacturing facilities.
- **Governance** (Choices) Choices regarding the structure of contractual arrangements that confer decision rights regarding policies or assets

- **Flexible** (Consequences) Consequences that are sensitive to the choices that generate it
- **Rigid** (Consequences) Consequences that does not change rapidly with the choices that generate it

The origins of the Business Model Canvas (Osterwalder, 2010)

- Quite recently (2010) Alexander Osterwalder, in his book «Business Model Generation», developed a framework to represent the business model that goes under the name of Business Model Canvas.
- The canvas results from a deep academic investigation on the business model ontology (i.e. essential concepts and elements)
- However, it is presented in a unified, simple and intuitive way, that enables interaction and iteration, thus being significantly appealing for practitioners (e.g. entrepreneurs and managers)
- The Business Model Canvas is currently the most used tool for representing and implementing strategic decisions in both consolidated companies and startups.

The Business Model Canvas (Osterwalder, 2010)

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Key Partners

vertical integration = perform activity internally
like ford in 70s

opposite = outsourcing

Key Activities

Key Resources

neccessary for being in the market like WC. in restaurant
but core resource is for sustaining the competative advantage
like chef, ...

different with core resource

Value Propositions

value = by What (vp)

How (Channel & CR)

why (purpose)

Customer Relationships

2

how to manage the channel

outbound vs inbound (content)

c.r => engagement, Lock in custome
cross & up selling

Channels

2

offer from company to market

pipeline

media, application). In the channel you find the **pipeline: how you take the value from your company and you move it towards your target customer.**

Customer Segments

1

The business model canvas explains that the value architecture of a company should be portrayed by needs of 9 elements.

The first one **customer segments**: representation of the identification of those customers you need to create value for, and if you have more than 1 customer segment, you may also split the box. Then when you describe the value proposition, which is a bundle of products and services that you offer your customer segments in order to create value for them, you can use different colors, maybe the same for the B2C customers, which is different from the color used for the B2B ones.

Why didn't we start with defining the value proposition first ?
Because the value proposition should come after or in parallel with customer definition, otherwise we are adopting a technology driven approach, which first defines the value proposition, and then the customer segments

In between value proposition and customer segments, we have channels and customer relationship. This is the value delivery part.

Cost Structure

capital intensive or not?

Capex Vs Opex

investments, assets, ... (D&A)

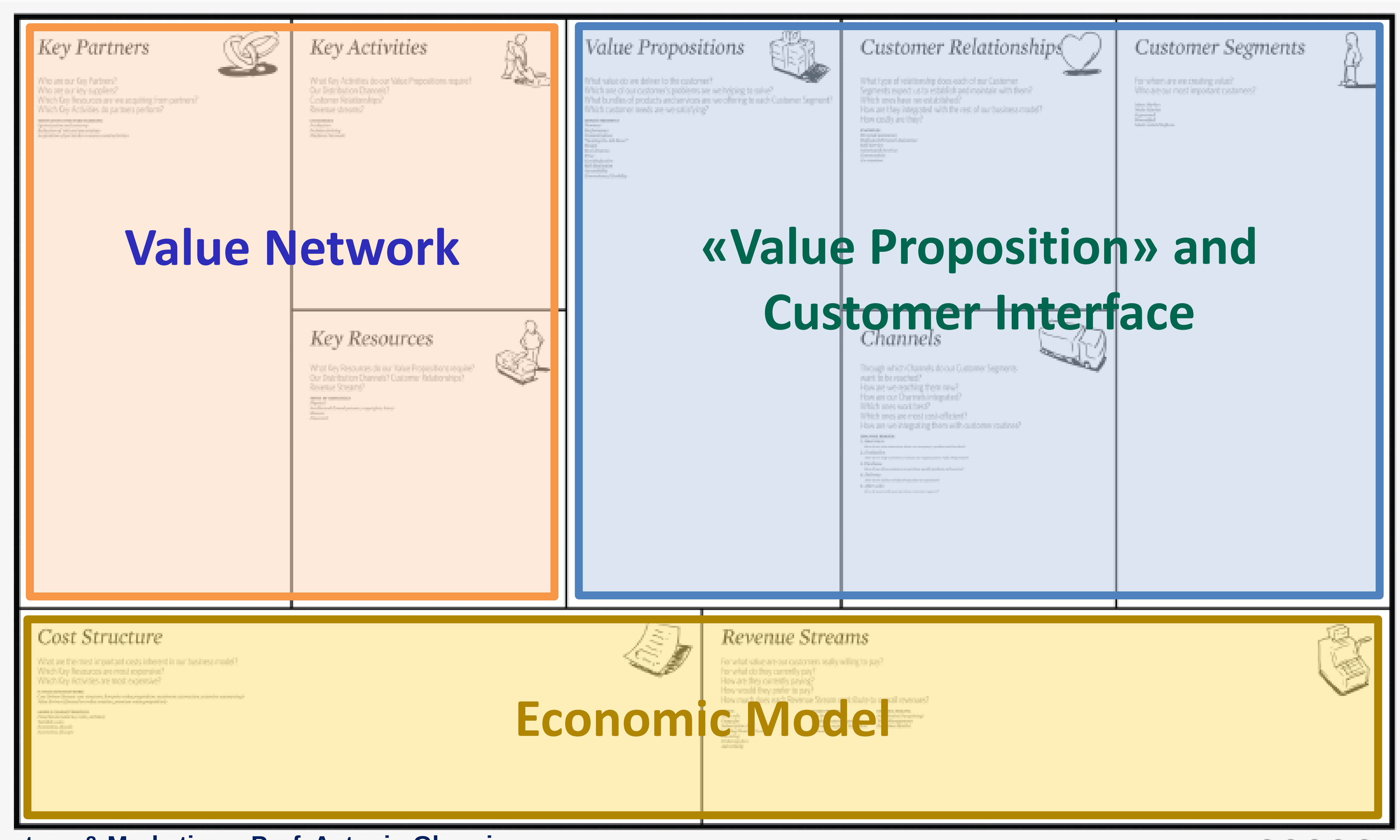
Running cost like wages, raw material, ... (P&L)

Revenue Streams

one shot selling?
revenue share with partner?
subscription?
Ads?

whatsapp case => 2:01:00 (9)

The Business Model Canvas: an aggregated view (1/2)



The Business Model Canvas: an aggregated view (2/2)

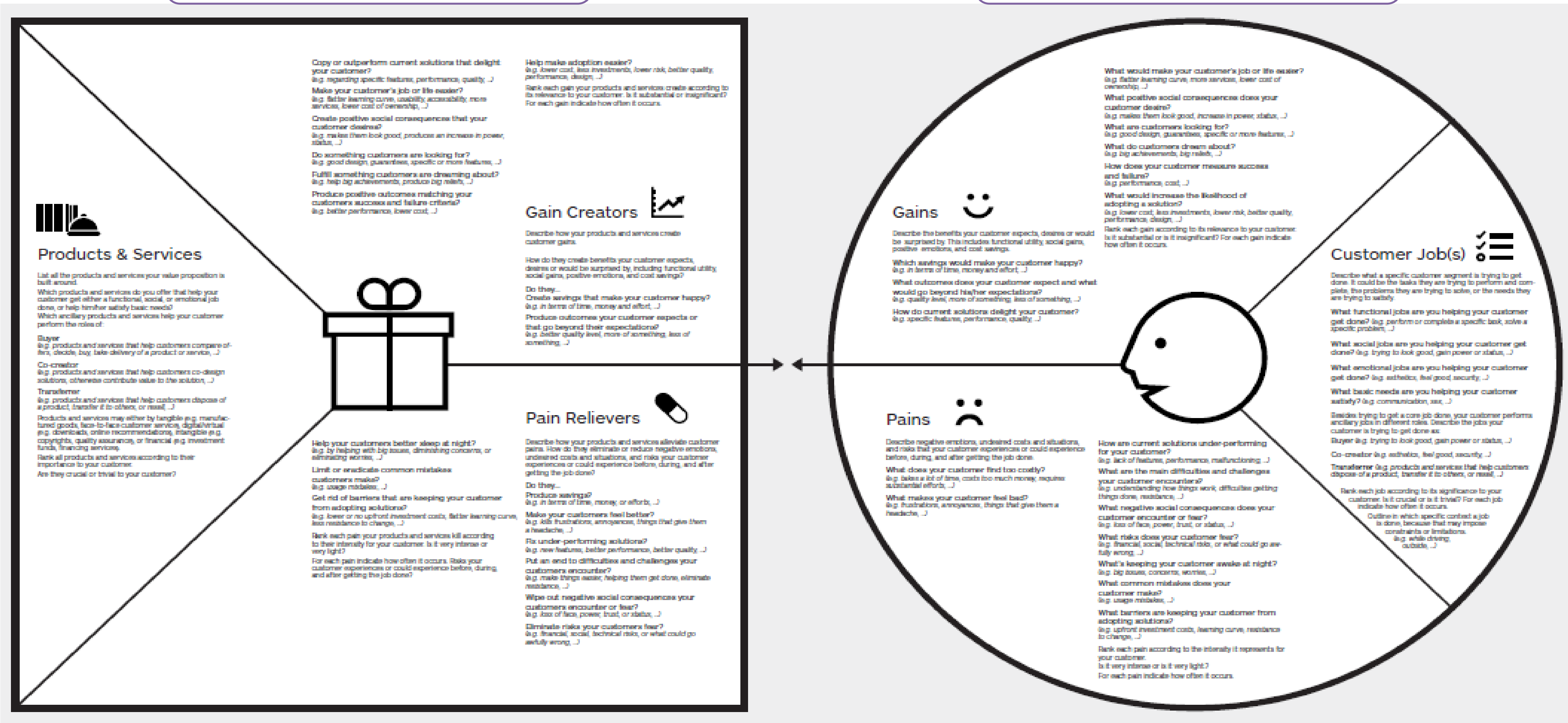
- **Value Proposition**: a selected bundle of products and/or services targeting a group of customers and satisfying well-defined needs
- **Customer Interface**: the channels through which we offer our value propositions to our customers and the types of relationships we entertain with our customers
- **Value Infrastructure**: the key activities, resources and suppliers/partners on which the value proposition is built
- **Value Monetization**: the revenue streams through which the company earns from its customers and the corresponding cost structure

The Value Proposition Canvas (Osterwalder, 2013) (1/2)

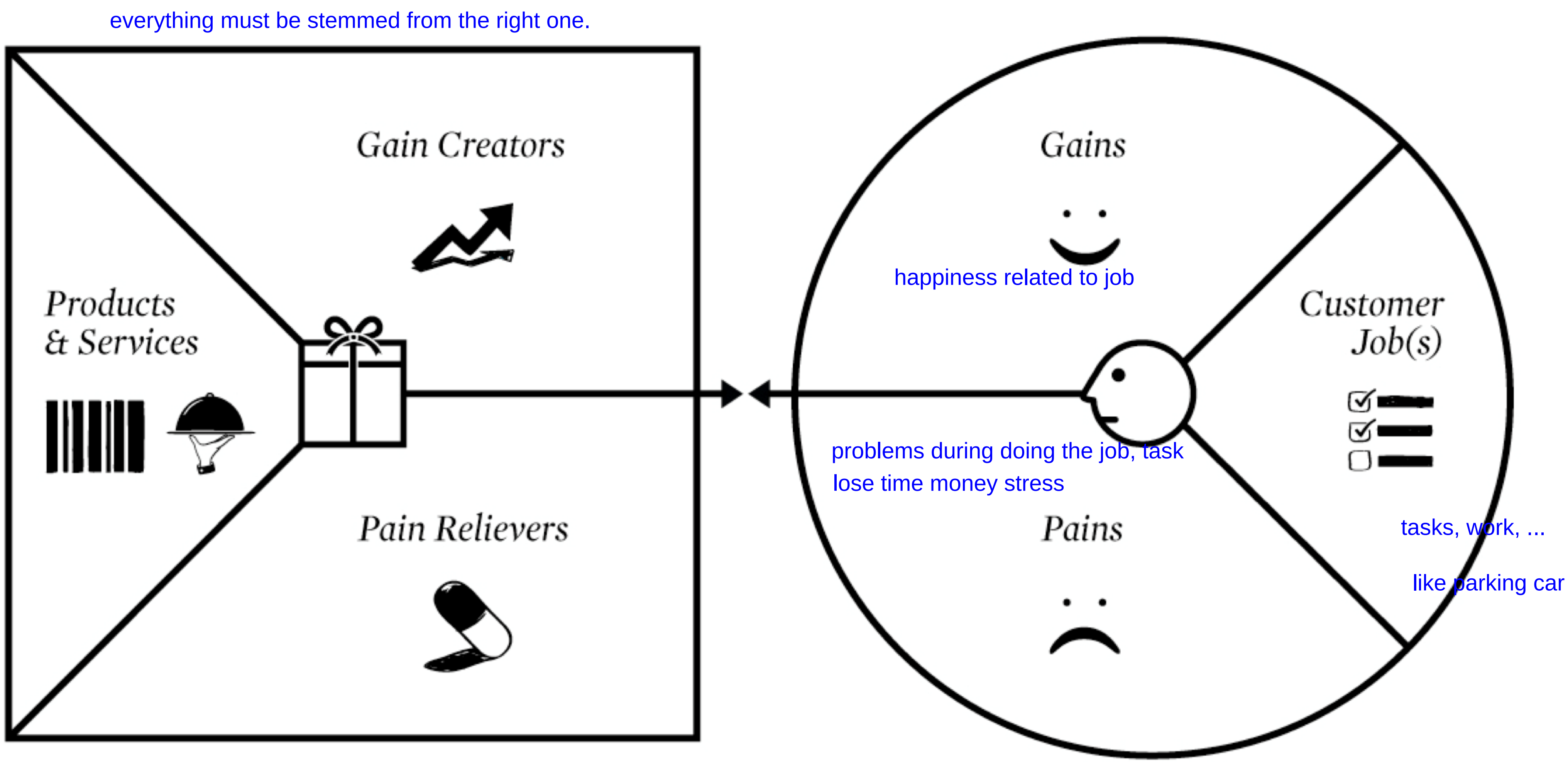
The **Value Proposition Canvas** makes explicit how you are creating value for your customers. It helps you to design products and services your customers want.

Value Proposition Map you can design

Customer Profile you can observe

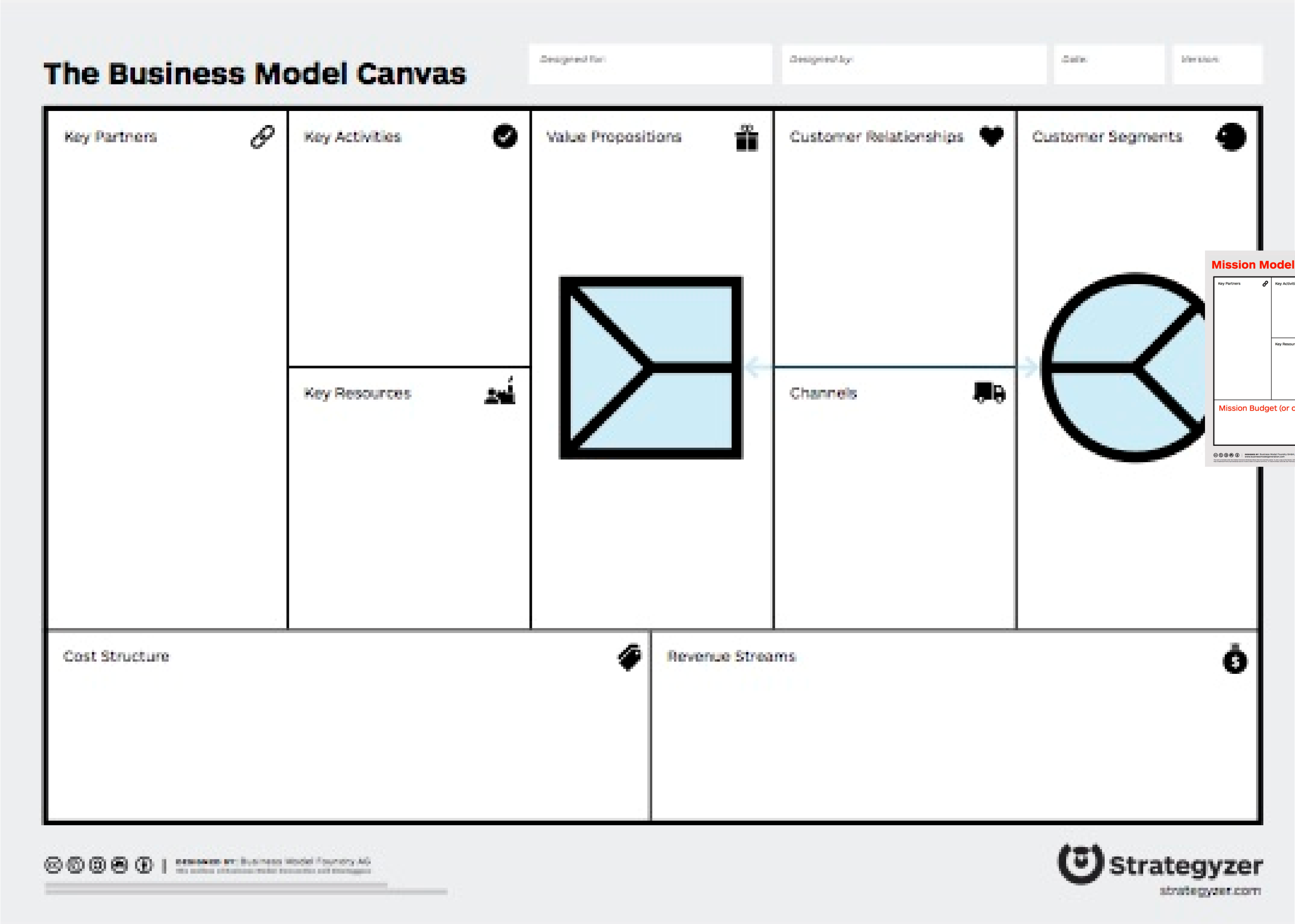


The Value Proposition Canvas (Osterwalder, 2013) (2/2)

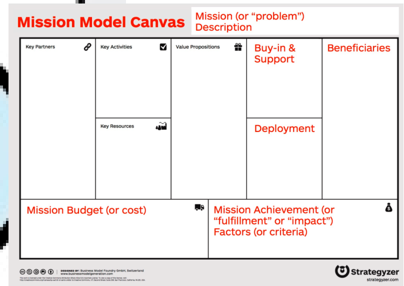


Feeding the BM Canvas with the VP Canvas

first VP canvas then the BM



The Mission Model Canvas is a tool that can help social impact firms and non -profits define their business model



The Business Model Canvas
The Building Blocks of a Business Model

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A business model can be described by looking at a set of nine building blocks. To get a good picture of our business model we should describe our:

1. **Customer segments**: Our groups of customers with distinct characteristics.
2. **Value proposition**: The bundles of products and services that satisfy our *customer segments'* needs
3. **Distribution channels**: The channels through which we communicate with our customers and through which we offer our value propositions.
4. **Customer relationships**: The types of relationships we entertain with each *customer segment.*
5. **Revenue streams**: The streams through which we earn our revenues from our customers for value creating and customer facing activities.
6. **Key resources**: The key resources on which our business model is built.
7. **Key activities**: The most important activities performed to implement our business model.
8. **Partner network**: The partners and suppliers we work with.
9. **Cost structure**: The costs we incur to run our business model.

1. Customer Segments

- Customers are the heart of any business model. Successful companies know how to turn satisfied customers into revenue streams.

- A clear description and understanding of a company’s customers is an integral part of every business model.

- **Key Questions:**
  - Who do we create value for?
  - Do any of these customers merit to be grouped into a distinct category, because…
    - ·… we propose them a distinct offer?
    - ·… we reach them through different communication and distribution channels?
    - ·… we entertain different relationships with them (e.g. more personal)?
    - ·… they have a substantially different profitability?

2. Value Proposition

- The value proposition is the reason why customers turn to one company over another. It solves a customer problem or satisfies a customer need. Each value proposition consists of a selected bundle of products and/or services.

- Some value propositions may be innovative and represent a new or disruptive offer. Others may be similar to existing market offers, but with added features and attributes.

- **Key Questions:**
  1. What do we offer the market?
  2. What is the specific bundle of products and services you offer each of our customer segments?
  3. Which customer needs does each value proposition cover?
  4. Do we offer different service levels to different customer segments?

Factors enabling value creation

- Originality
- Performance
- Customization
- «Getting the job done»
- Design
- Brand/Status
- Price

- Cost reduction for the customer
- Risk reduction for the customer
- Accessibility
- Handiness

3. Channels

- A company reaches its customers through various communication and distribution channels. They represent the interface between a company, its value propositions and its customers.

- Communication and distribution channels have become increasingly important in business model design. For example, cost intensive channels should be used for very profitable clients, while unprofitable clients should be served through cost efficient channels.

- **Key Questions:**
  1. Through which communication and distribution channels do we reach our markets?
  2. How well does each channel work?
  3. How expensive or cost efficient is each of our channels?
  4. Through which communication and distribution channels do we promote and deliver each value proposition?
  5. Through which channels do we reach each customer segment?

Channels

- The direct (sales force, web) or indirect channels (owned dealers, dealer of partner, wholesalers) have different functions:
  - Create awareness of the proposal
  - Support the customer in the evaluation of the proposal
  - Allow the purchase of specific products/services
  - Get the value proposition to the customer
  - Support the customer in the post-sale phase

4. Customer Relationships

- Getting relationship management right in our business model is crucial today to satisfy customer's expectations. For instance, customers paying a high price for a product or service will expect a high touch relationship, while customers paying a cheap price do not expect more than automated, yet customized relationships.

- A sound business model has a clear strategy for customer relationship management for each customer segment.

- Key Questions:
  - Do we develop and maintain different types of client relationships in our business model (e.g. more or less intense, more or less personal)?
  - How resource intensive is each of these client relationship types in terms of time consumption and other costs?
  - For each client segment, which client relationship types and mechanisms do we develop and maintain?

Customer Relationship management

- Personal assistance
- Dedicated personal assistance
- Self-service
- Automated services
- Online community
- Co-creation

5. Revenue Streams

- If customers comprise the heart of a business model, revenue streams are its arteries.

- Revenue streams come from one or several segments of clients who are willing to pay for the value they get from our offer.

- These revenue streams come in the form of selling, lending, licensing, commissions, transaction fees or advertising fees.

- Key Questions:
  - What are our revenue streams?
  - What are the revenue streams from each customer segment and value proposition?
  - How much is each revenue stream's contribution to overall revenues in terms of percentages?

Examples of revenue streams

- Sell of products/services
- Usage fees
- Subscription fees
- Exclusive right of use for a limited time (renting)
- Licence
- Brokerage fees
- Advertising fees

6. Key Resources

- At the basis of every business model there is a set of key resources a company must dispose of to make its business model work.

- These key resources include classical ones such as human resources and tangible assets. Increasingly, business models are also built on intangible assets that are difficult to quantify, such as brand equity and expertise of a specific domain.

- Key Questions:
  - What are the key resources we rely on to run our business model?
  - How does each of these resources relate to our value propositions and their corresponding customer segments, channels and relationships?

7. Key Activities

- To implement a business model a company needs to perform a number of key activities. It may perform these activities itself or get them done through a network of partners.

- Key Questions:
  - What are the main activities we operate to run our business model?
  - On which key resources do they rely?
  - To which value propositions, channels or relationships do they contribute?

8. Partner Network

- Today's Business Models are more and more the result of a network of partnerships, joint ventures, cooperation and alliances between different companies.

- Every company must ask itself if and how it can leverage its own business model by partnering with other companies. This includes the question of what a company wants to do by itself and what it wants to do with partners. It also includes the question of levering one's own value proposition by combining it with the value proposition of strategic partners.

- Key Questions:
  - Which partners and suppliers do we work with?
  - Which key resources do they relate to?
  - To which value propositions, channels or relationships do they contribute?

9. Cost Structure

- The cost structure is a direct result of all the other building blocks of the business model. Ideally costs should be traceable back to each business model block.

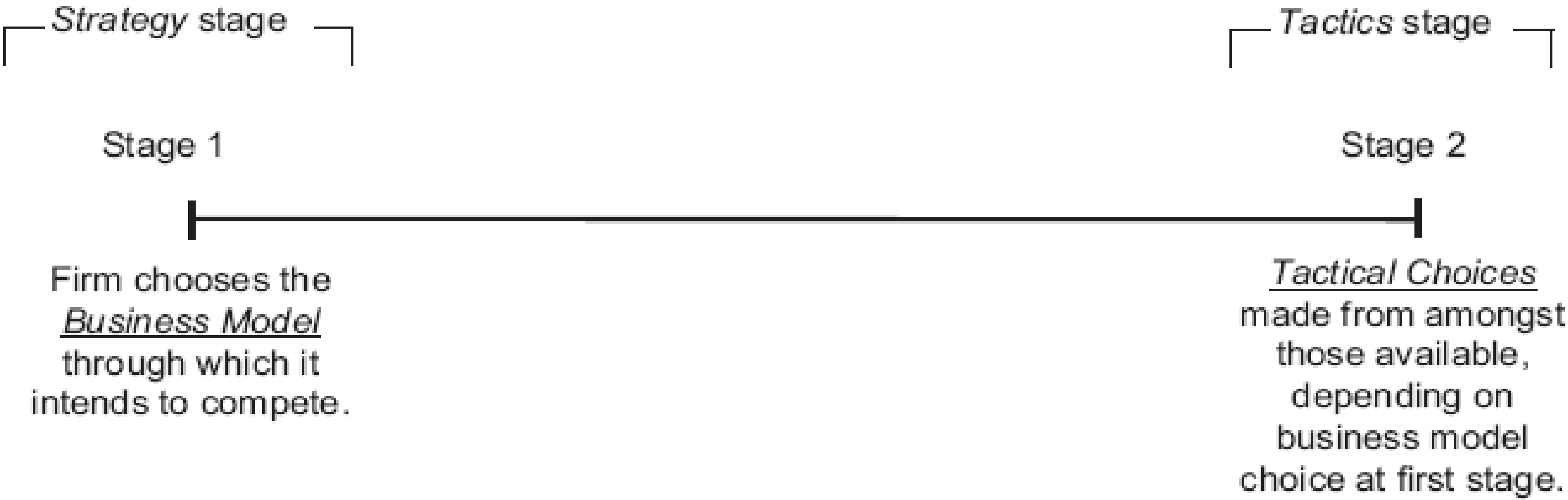
- Key Questions:
  - What are the most important cost positions in our business model?
  - Can the cost positions be easily connected to a business model building block?
  - Can costs be calculated for each customer segment?

Task:

Design a Business Model Canvas for Whatsapp

Business Model, Strategy & Tactics relationship

Generic two-stage competitive process framework (Casadesus-Masanell and Ricart, 2010)



Strategy, Business Model and Tactics (Casadesus-Masanell and Ricart, 2010)

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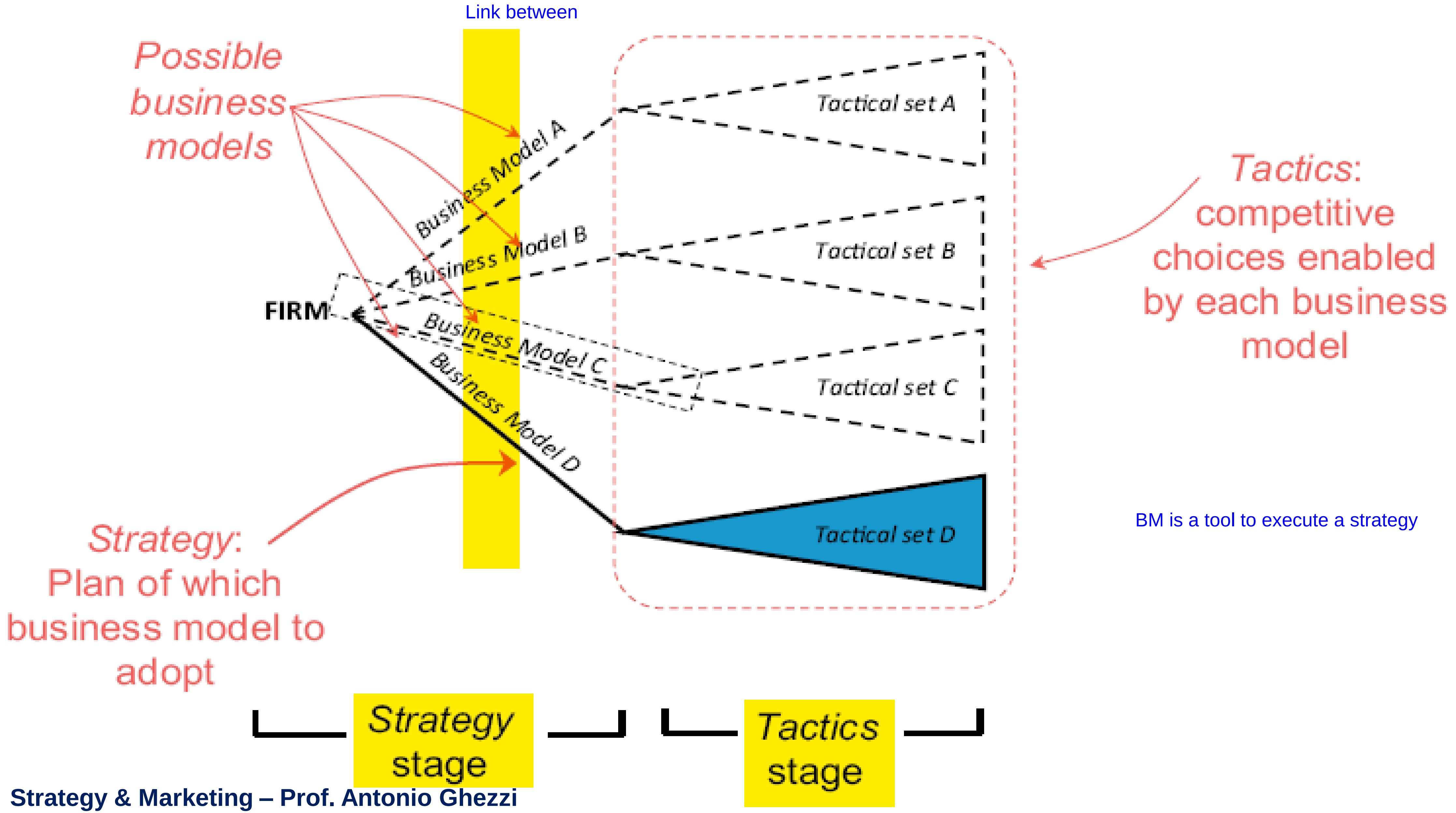
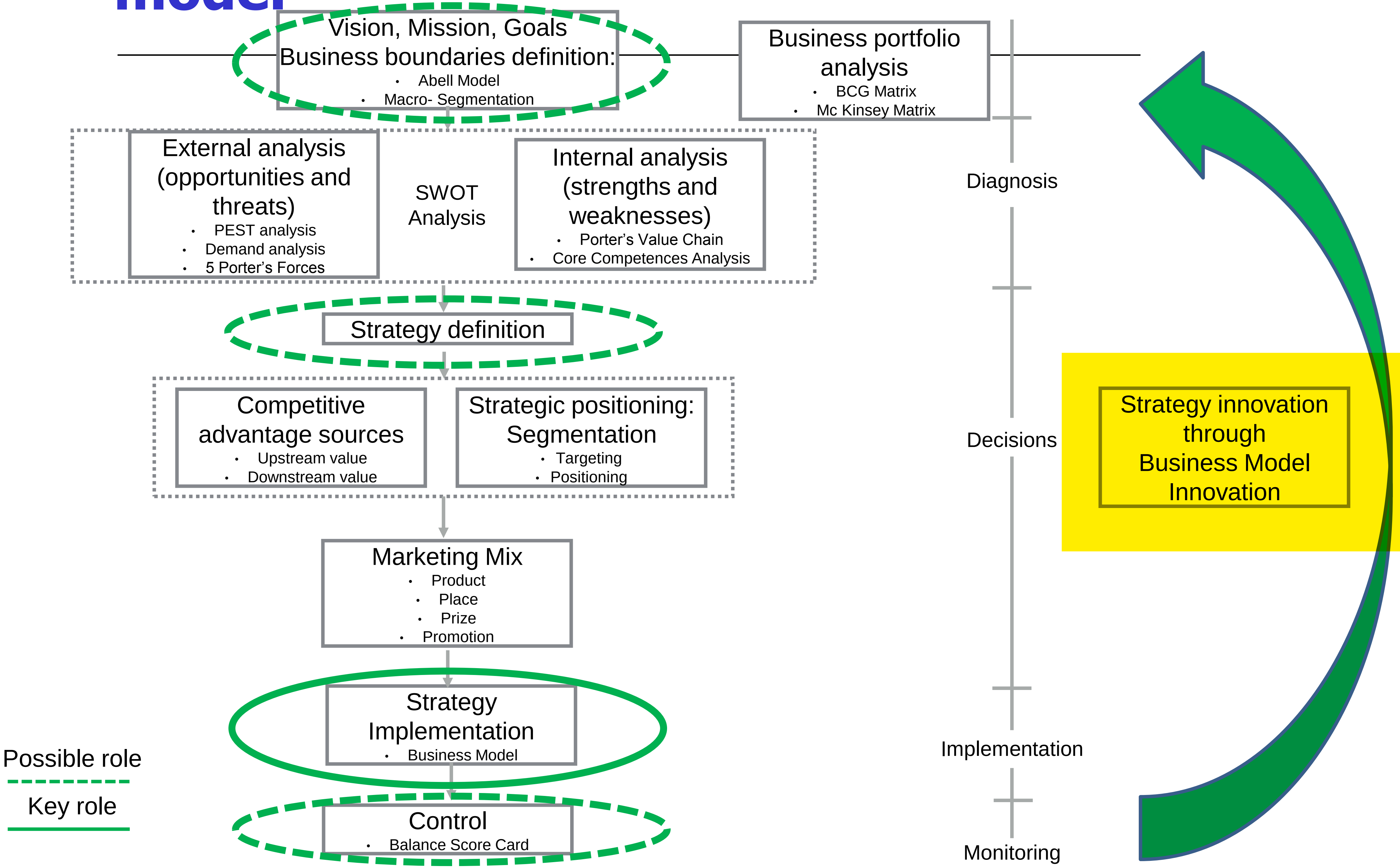


BM is a tool to execute a strategy

Business Model vs. Strategy
What a business model is and is not (Ghezzi, 2014)

Table I	What a business model is and is not
What a business model is	
Instrument to concretize a business idea, getting it down to earth, thus constraining entrepreneurial creativity in a usable model	
Checklist to address the "what did I forget about" and "what's next" in early entrepreneurial agendas	
Organized construct revolving around the concept of value proposition, to imprint the notion of value creation and value capture in a company's overall business strategy	
Model to support the execution and implementation of the business strategy	
Model to enable strategic innovation–either incremental or radical–through Business Model Innovation, i.e. applying changes to the business model's building blocks of value proposition, value infrastructure and value formula (revenue streams and cost structure)	
What a business model is not	
Instrument for business planning	
Instrument for external market attractiveness analysis	
Instrument for in-depth internal core resources, competencies and dynamic capabilities assessment	
Instrument for comprehensive and holistic strategy formulation	
Instrument for strategy monitoring and performance measurement	
Substitute for strategy	

Strategy formulation and business model



Strategy formulation and business model

- Steps of a strategy formulation process that integrates the business model (Ghezzi, 2014):
  1. sharpen your generic business idea through a **preliminary business model**;
  2. define your business' industry foresight, strategic intent and goals;
  3. perform a SWOT strategy analysis;
  4. assess alternative strategic decisions that lead to many **possible business models**
  5. formulate your strategy (differentiation/cost leadership/hybrid) through a set of consistent strategic decisions **embodied in a business model**;
  6. <u>Execute and implement your strategy through a **detailed business model**</u>;
  7. control your strategy by controlling and monitoring **business model performance**;
  8. innovate and experiment on your strategy through **business model innovation**.

Business Model Innovation

- Business models are enablers to achieve successful innovations, and hence business models themselves became **subject to innovation**.

- Companies started to realize that in response to **changes** in their environment, even a successful business model is never a permanent given (Chesbrough, 2007; Lindgardt et al., 2009). Rather, firms are required to **reconsider their established models** (Chesbrough, 2010) – either in response or pro-active anticipation of changes in their environment.

- **Business model innovation** thereby goes far beyond **isolated product, service or technology innovation** (Lindgardt et al., 2009). It captures the innovation of at least one of its constituting elements including its value proposition, its value infrastructure, or revenue model and thereby provides a firm with potentials like the activation of overlooked value sources within the company or the creation of novel systems that are difficult to imitate (Amit, Zott, 2010).

- **Business Models hence represent the new focus of strategic innovation**