



Unit -5 Crafting Business Models And Lean Start-Ups:

By: Dr Shabana Memon

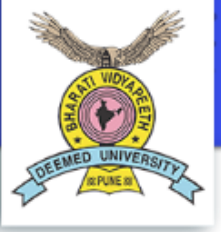


Business Model Canvas

The business model canvas was originally developed by Alex Osterwalder and Yves Pigneur and introduced in their book 'Business Model Generation' as a visual framework for planning, developing and testing the business model(s) of an organization.

A business model is simply a plan describing how a business intends to make money. It explains who your customer base is and how you deliver value to them and the related details of financing.

The business model canvas is a strategic management tool that lets you visualize and assess your business idea or concept.



The business model canvas beats the traditional business plan that spans across several pages, by offering a much easier way to understand the different core elements of a business.

- The right side of the canvas focuses on the customer or the market (external factors that are not under your control)
- The left side of the canvas focuses on the business (internal factors that are mostly under your control).
- In the middle, you get the value propositions that represent the exchange of value between your business and your customers.



Who Help You? (Key Partners) <ul style="list-style-type: none"> Who are our key partners? Who are our key suppliers? Who are the service providers? 	What you do? (Key Activities) (Production, problem solving, platform/network) <ul style="list-style-type: none"> What key activities we do with our resources? What value do we deliver to the customer What you have? (Key Resources) (Physical, intellectual, people, financial) <ul style="list-style-type: none"> What goods, services and infrastructure do we use? 	How you help? (Value Proposition) (Newness, performance, Customization, getting job done, design, brand/status, price/cost, risk reduction, accessibility, convenience usability) <ul style="list-style-type: none"> 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? USP 	How you Interface? (Customer Relationships) (Self service, personal assistance, automated, communities, co-creation) <ul style="list-style-type: none"> How do we get, keep and grow customers? How do we interact with our customers? How costly are they? How customers know you and how you deliver? (Channels) (Sales, stores, own, web. Wholesaler) <ul style="list-style-type: none"> Channels to reach Customer Segments How do other companies reach them? How are our Channels integrated? Which one works best? Which ones are most cost-efficient? How are we integrating them with customer routines? 	Who help you? (Customer Segments) (Mass market / niche market, customer's needs, problems, desires ad ambitions) <ul style="list-style-type: none"> For whom are we creating value? Who are our most important customers? Demographic area What are the customers' models? Who are our users and who are our paying customers?
Cost Structure (No large office + only required staff= Minimum expenses) <ul style="list-style-type: none"> What is the total cost of production? Fixed /variable cost What are the most important costs inherent to our Business model? Which key resources are most expensive? Which key activities are most expensive? 		What you get? (Revenue Streams) (Subscription/lending/renting/leasing/brokerage/advertising/licensing) <ul style="list-style-type: none"> For what value is our customer really willing to pay? For what do they currently pay? What it's the revenue model? What are the pricing tactics? Where does revenue come from? 		



Why You Need a Business Model Canvas (BMC)

- The BMC provides a quick overview of the business model and is devoid of the unnecessary details compared to the traditional business plan.
- The visual nature of the business model canvas makes it easier to refer to and understand by anyone.
- It's easier to edit and it can be easily shared with employees and stakeholders.
- The business model canvas can be used by large corporations as well as startups with just a few employees.
- It clarifies how different aspects of the business are related to each other.



9 Components of the Business Model Canvas

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



1. Customer segments

These are the groups of people or companies that you are trying to target and sell your product or service to.

Segmenting your customers based on similarities such as geographical area, gender, age, behaviors, interests, etc. gives you the opportunity to better serve their needs, specifically by customizing the solution you are providing them.

After a thorough analysis of your customer segments, you can determine who you should serve and ignore. Then create customer personas for each of the selected customer segments.



Main Bases of Segmentation

Geographic	Demographic	Behavioural	Psychographic
E.g. "Customers within 10 miles of the M25"	E.g. "A Level & University Students"	E.g. "Customers wanting a value for money impulse buy"	E.g. "Customers who prefer to buy organic food"
Customer location Region Urban / Rural ACORN classification	Age Gender Occupation Socio-economic group	Rate of usage Benefits sought Loyalty status Readiness to purchase	Personality Lifestyles Attitudes Class



2.Customer relationships

In this section, you need to establish the type of relationship you will have with each of your customer segments or how you will interact with them throughout their journey with your company.





3. Channels: Channels are the touchpoints that let your customers connect with your company. Channels play a role in raising awareness of your product or service among customers and delivering your value propositions to them. Channels can also be used to allow customers the avenue to buy products or services and offer post-purchase support.

There are two types of channels

- **Owned channels:** company website, social media sites, in-house sales, etc.
- **Partner channels:** partner-owned websites, wholesale distribution, retail, etc.



4. Revenue streams

Revenues streams are the sources from which a company generates money by selling their product or service to the customers. And in this block, you should describe how you will earn revenue from your value propositions.

A revenue stream can belong to one of the following revenue models,

- **Transaction-based revenue:** made from customers who make a one-time payment
- **Recurring revenue:** made from ongoing payments for continuing services or post-sale services



5. Key Activities

These key activities should focus on fulfilling its value proposition, reaching customer segments and maintaining customer relationships, and generating revenue.

There are 3 categories of key activities;

- **Production:** designing, manufacturing and delivering a product in significant quantities and/or of superior quality.
- **Problem-solving:** finding new solutions to individual problems faced by customers.
- **Platform/ network:** Creating and maintaining platforms. For example, Microsoft provides a reliable operating system to support third-party software products.



6.Key Resources

This is where you list down which key resources or the main inputs you need to carry out your key activities in order to create your value proposition. There are several types of key resources and they are

- Human** (employees)
- Financial** (cash, lines of credit, etc.)
- Intellectual** (brand, patents, IP, copyright)
- Physical** (equipment, inventory, buildings)



7.Key Partners

Key partners are the external companies or suppliers that will help you carry out your key activities. These partnerships are forged in order to reduce risks and acquire resources.

Types of partnerships are

- Strategic alliance:** partnership between non-competitors
- Competition:** strategic partnership between partners
- Joint ventures:** partners developing a new business
- Buyer-supplier relationships:** ensure reliable supplies



8. Cost structure

In this block, you identify all the costs associated with operating your business model.

You'll need to focus on evaluating the cost of creating and delivering your value propositions, creating revenue streams, and maintaining customer relationships. And this will be easier to do so once you have defined your key resources, activities, and partners.

Businesses can either be cost-driven (focuses on minimizing costs whenever possible) or value-driven (focuses on providing maximum value to the customer).



9.Value propositions

This is the building block that is at the heart of the business model canvas. And it represents your unique solution (product or service) for a problem faced by a customer segment, or that creates value for the customer segment.

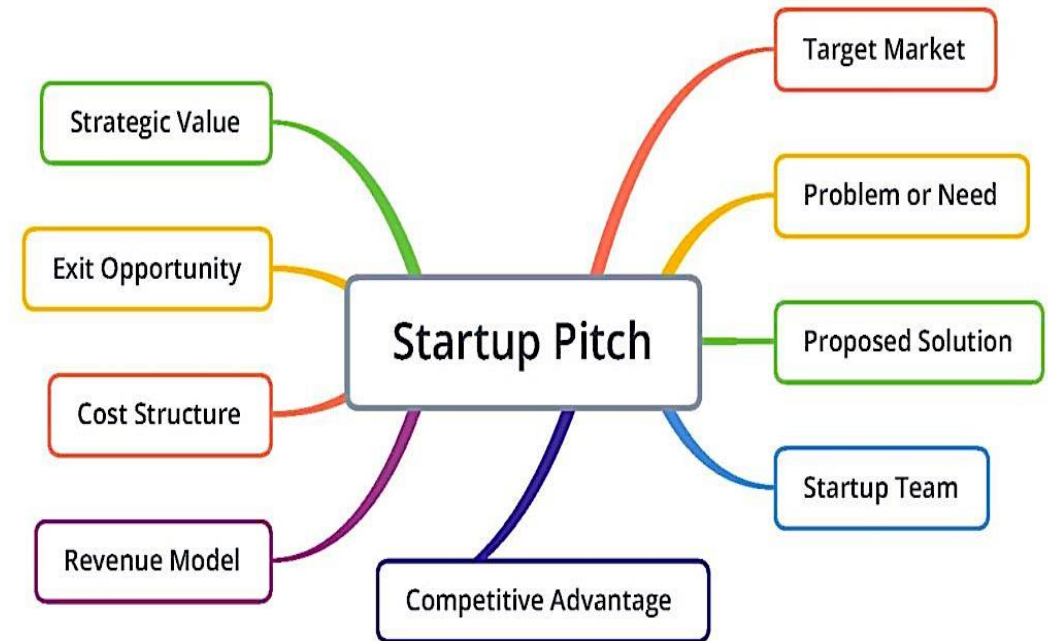
A value proposition should be unique or should be different from that of your competitors. If you are offering a new product, it should be innovative and disruptive. And if you are offering a product that already exists in the market, it should stand out with new features and attributes. Value propositions can be either quantitative (price and speed of service) or qualitative (customer experience or design).



BUSINESS PITCH:

A business pitch is a business plan that you present to your potential investors to secure funding. The pitch helps you explain your business to investors to enable them to make the right decisions.

To craft a perfect pitch that stands out to investors, you must prove that you understand the market and show that your project's financials will help them get excellent returns out of their investments.





10 Tips for Creating a Successful Business Pitch:

1. Be Concise and to the Point
2. Create an Elevator Pitch
3. Practice Your Timing
4. Pay Attention to Details
5. Understand Your Audience
6. Address a Real Customer Experience
7. Outline Your Business Model
8. Talk About Your Team
9. Show How You'll Deal With the Competition
10. Go-To-Market Strategy



Time To Craft a Perfect Business Pitch

Before you craft a business pitch, you have to familiarize yourself with the audience and know exactly what they want. Make your pitch concise and present it within the allocated time.

Angel investors and venture capitalists like to know whether you have the right team to run your business. Therefore, highlight your team members' details, such as their names, titles, bios, and photos.

Don't forget to demonstrate the market strategies you will use to get more customers than the competitors. Give details regarding marketing costs and expected revenues.



THANK YOU