## **STRATEGY**

## A Better Way to Think About Your Business Model

by <u>Alexander Osterwalder</u> May 06, 2013

The business model canvas — as opposed to the traditional, intricate business plan — helps organizations conduct structured, tangible, and strategic conversations around new businesses or existing ones. Leading global companies like GE, P&G, and Nestlé use the canvas to manage strategy or create new growth engines, while start-ups use it in their search for the right business model. The canvas's main objective is to help companies move beyond product-centric thinking and towards business model thinking.

To start, it lets you look at all nine building blocks of your business on one page:

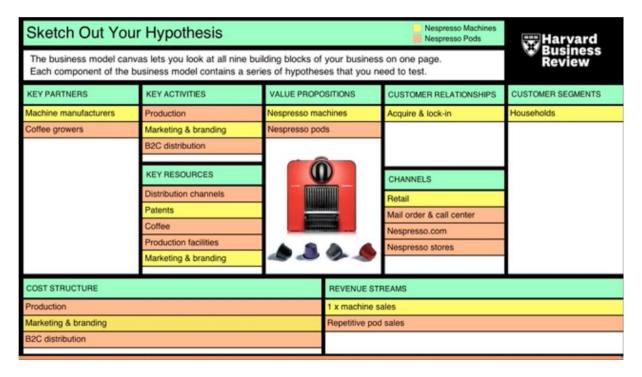
https://www.youtube.com/watch?time continue=137&v=QoAOzMTLP5s&feature=emb title

Each of these nine components contains a series of hypotheses about your business model that you need to test (click or tap for a bigger version):

KEY PARTNERS Who are our key partners?	KEY ACTIVITIES What key activities do our		POSITIONS we deliver to the	CUSTOMER RELATIONSHIPS How do we get, keep, and grow	CUSTOMER SEGMENTS
Who are our key suppliers? Which key resources are we acquiring from our partners? Which key activities do partners perform?	value propositions require? Our distribution channels? Customer relationships? Revenue streams?	Which one of ou problems are w solve? What bundles o services are we segment? Which custome satisfying? What is the min	e helping to f products and offering to each r needs are we	which customer relationships have we established? How are they integrated with the rest of our business model? How costly are they?	For whom are we creating value? Who are our most important customers? What are the customer archetypes?
	KEY RESOURCES  What key resources do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?	product?		CHANNELS  Through which channels do our customer segments want to be reached? How do other companies reach them now? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?	
COST STRUCTURE  What are the most important costs inherent to our business model?  Which key resources are most expensive?  Which key activities are most expensive?			REVENUE STREAMS  For what value are our customers really willing to pay? For what do they currently pay? What is the revenue model? What are the pricing tactics?		

Nespresso, a fully owned daughter company of Nestlé, is a great example of a powerful business model. It changed the face of the coffee industry by turning a transactional business (selling coffee through retail) into one with recurring revenues (selling

proprietary pods through direct channels). Here's what their strategy looks like on the canvas (full-screen mode works best):



The canvas is one of the three key principles of the lean start-up approach. For the other two, read Steve Blank's May 2013 article "Why the Lean Start-Up Changes Everything."