

BUSINESS MODEL STRESSTEST



BUSINESS
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Business Model Stress Test

The Business Model Stress Test helps you to understand if your business model is future proof. Changes in markets, society and technology might impact your business model in the future for which you can prepare with this tool. With the Stress Test you can analyse the strong and weak parts of your business. It helps you to find opportunities for making your business more robust.

Template & example

Make a large printout of the Business Model Stress Test Canvas template (page 4) for stress testing your business model. For inspiration, look at the Stress Test example for Uber (pages 5-9).

How to use

A Business Model Stress Test is most effective if done by a group of people. The group must contain people that are familiar with the business model. In addition, an external domain expert could be added. One person has to act as facilitator. This person chairs and guides the group through the stress test process.

In a Business Model Stress Test you confront a business model with relevant developments and uncertainties in politics, economy, society, technology, market or regulation. Some trends are quite certain, like the ageing population, while other developments are uncertain, like the economic environment. For selected developments we assess the impact on the business model and identify the business model's strong and weak parts in a heat map. By following the steps below, you will be able to complete the Business Model Stress Test:

Step 1: describe the business model

Describe your current or future business model in a structured format, for example using the nine components of the Business Model Canvas or the STOF Business Model approach. This is required to be able to systematically test your business model's components against future trends and uncertainties.

Step 2: select the essential scenarios

Select the most relevant developments (trends and uncertainties) in technology, market, society and regulation that may have an impact on the business model. You may gather these developments from a SWOT analysis or a PESTEL analysis that you have done yourself. However, many relevant developments can also be found in

trend- and scenario reports or industry analyses that are freely available on the internet. Naturally, the uncertainties have multiple possible outcomes. You must consider the possible 'extreme' outcomes and include them in the Stress Test.

Step 3: confront the business model with the scenarios

Now it is time to confront the business model components - e.g. value proposition, customer segments and revenue model - with trends and uncertainties. How does your business model fit with these future developments, or how is it impacted? In the stress test you confront each business model component with each development in a 'heat map'. Use a colouring scheme to indicate the impact of an uncertainty outcome on a BM element. Use a green colour if the impact is clearly positive – the development is favourable for your business model. Use red colouring if a development has an obvious negative impact and may cause great problems to your business model. Use orange to indicate that a business model component requires attention due to certain development. If a development has no impact, then you don't need any colouring. Once the stress test is completed, the heat map will reveal the strong and the weak parts of your business model. The red parts provide potential showstoppers and the orange parts require at least some attention.













It is important to write down why a development is positive, negative or requires attention. This provides insights in the reasons behind the strong and weak parts and may provide clues as to how to strengthen the business model.

Step 4: analyse and improve

In this step you analyse the heat map. Where are the weak points and what adaptations can be made to improve the business model and make it more robust? The arguments that you have listed when doing the stress test can be used as clues towards formulating concrete actions that could help you to improve your business model further.

business model stress test

name _____

			
 value & services			
 customer segments			
 customer relationships			
 channels			
 revenue structure			
 key activities			
 key resources			
 key partners			
 cost structure			

date _____

Business Model Stress Test – Example based on Uber

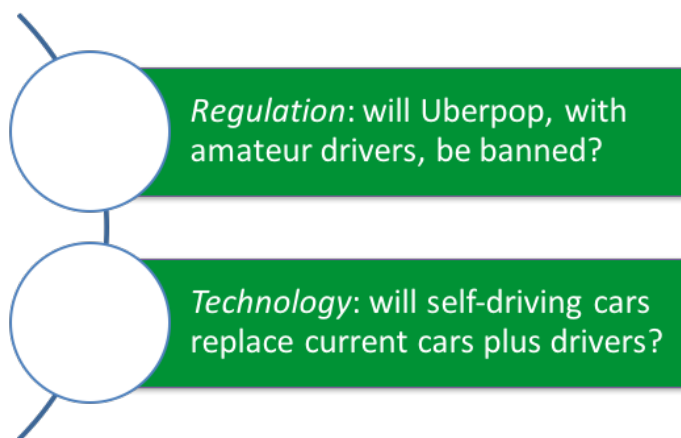
The taxi-app Uber is a service with which users can order a taxi in over 250 cities worldwide. For some of Uber's services, Uber works with official and accredited drivers. However, with Uberpop in principal everybody with a car and a driver's license can act as a driver for Uber, causing a lot of controversy in the market. In this example we show a simplified business model stress test for the business model of Uber:

Step 1: describe the business model

We use the Business Model Canvas to describe Uber's business model (page 7).

Step 2: select the essential scenarios

We can find many future developments that have an influence on Uber's business model. For example, regulatory developments like legislation for the taxi market and technological developments like self-driving cars. Both developments are uncertain. For the stress test we assume two outcomes for these developments:



Step 3: confront the business model with the scenarios

We look at the impact of the two scenarios on the business model components. This is shown on Page 7, respectively. We show the coloring for each business component and indicate the reasoning for the coloring. Note that some components are grey as no impact of the development on that component is expected. On Page 8, the resulting heat map is shown. The heat map collects the impacts for both selected development outcomes.

Step 4: analyse and improve

The heat map shows a vulnerability in the customer segments component. The role of drivers, especially amateur drivers, is threatened if either legislation becomes very strict or if self-driving cars will hit the market. In both cases the business model as we know it is not sustainable. The use of autonomous cars is also an opportunity for Uber and may be more profitable and worthwhile for Uber. This comes however with a cost. Owning a fleet of autonomous cars will need investment and requires new activities like managing and maintaining a fleet.

business model canvas

Uber

name

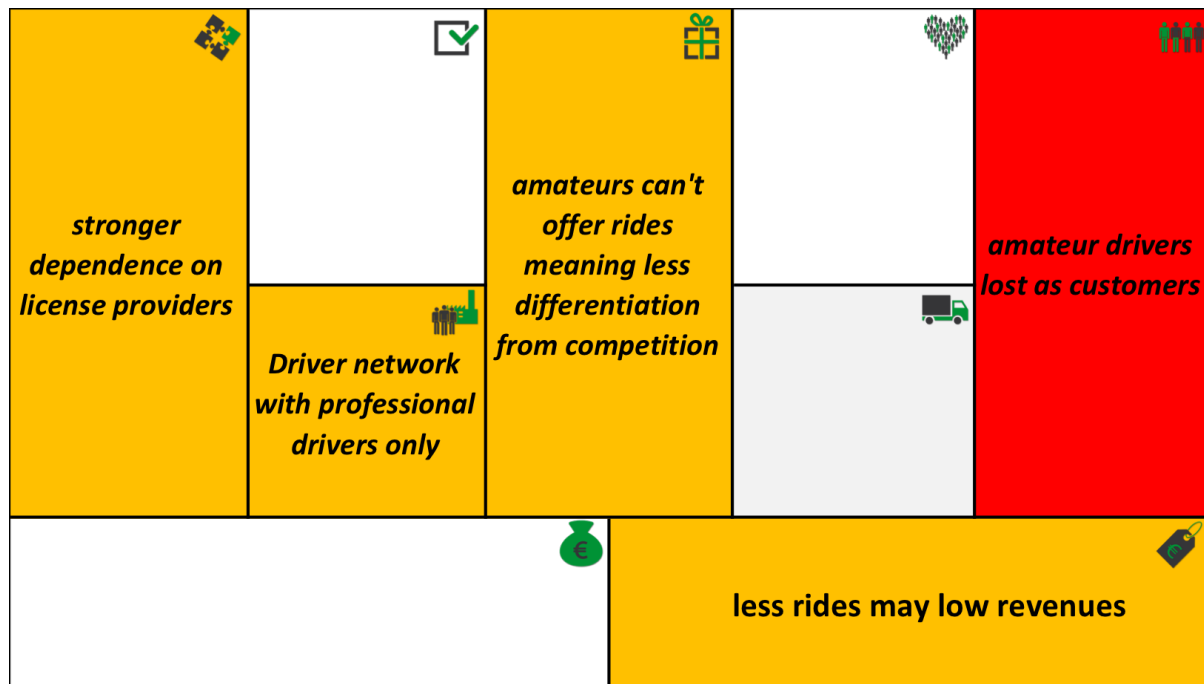
<div>key partners</div> <div>License providers</div> <div>Drivers</div> <div>Investors</div>	<div>key activities</div> <div>Maintain and develop software</div> <div>Driver ratings and feedback</div> <div>Legal affairs</div> <div>Background check of drivers</div> <div>key resources</div> <div>Platform</div> <div>Driver network</div> <div>Developers</div>	<div>value & services</div> <div>New source of revenue</div> <div>Additional rides</div> <div>Connecting drivers with Uber passengers</div> <div>More for less</div> <div>Reliable transport with one click</div>	<div>customer relationships</div> <div>Self service</div> <div>Rated</div> <div>channels</div> <div>App for passengers</div> <div>App for drivers</div> <div>Phone</div>	<div>customer segments</div> <div>Passengers</div> <div>Professional drivers</div> <div>Amateur drivers</div>
<div>cost structure</div> <div>Software development</div> <div>Infrastructure</div>	<div>revenue structure</div> <div>Driver fee</div> <div>Commission per ride</div>			

date

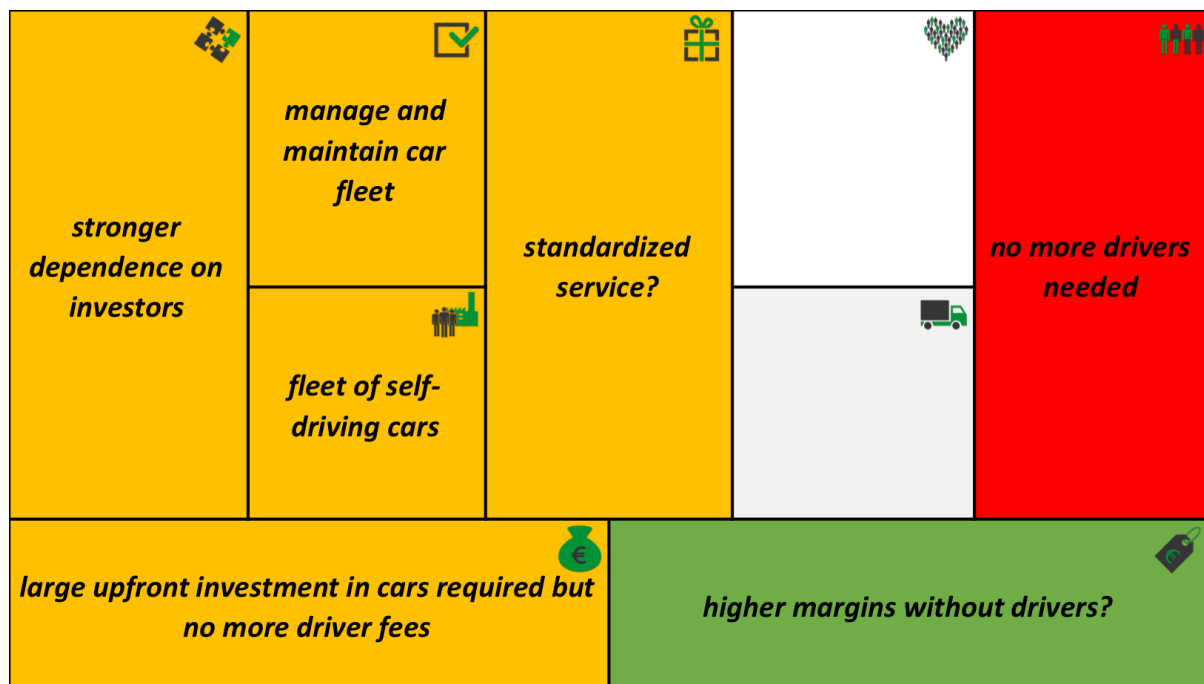
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BUSINESS MAKEOVER

Mapping the impact of 'amateur drivers banned' on Uber business model



Mapping the impact of 'self-driving cars' on Uber business model



Heat map for Uber business model based on two developments and outcomes

business model stress test

name Uber

	Amateur drivers banned	Self-driving cars	
value & services 	Amateurs can't offer rides meaning less differentiation from competition	Standardized service?	
customer segments 	Amateur drivers lost as customers	No more drivers needed	
customer relationships 			
channels 			
revenue structure 	Less rides may lower revenues	Higher margins without drivers?	
key activities 		Manage and maintain car fleet	
key resources 	Driver network with professional drivers only	Fleet of self-driving cars	
key partners 	Stronger dependence on license providers	Stronger dependence on investors	
cost structure 		Large upfront investment in cars required but no more driver fees	

date _____