

BUSINESS MODEL DESIGN

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BUSINESS MODEL DESIGN

BUSINESS MODEL CANVAS

**PRODUCT IS
(USUALLY) NOT
A BUSINESS**

THE TENSION

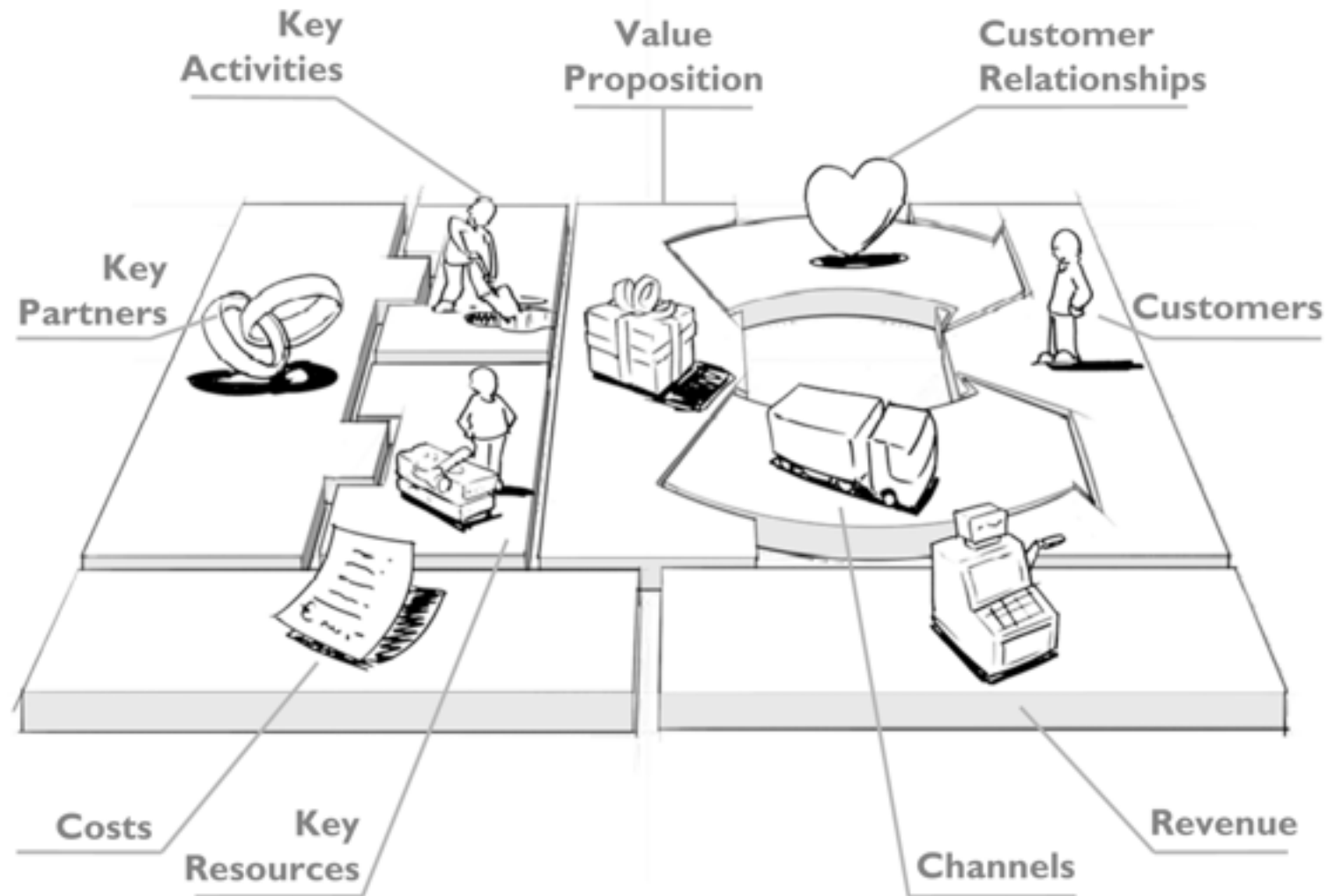
BUSINESS

- › What's the cost?
- › What's the ROI?
- › Does this fit the brand?
- › What is the market?
- › Who is my audience?
- › What need does this fulfill?
- › What is the competition?
- › Are people willing to pay for this?

TECHNOLOGY

- › Does this technology currently exist?
- › How long would it take to develop this product?
- › What resources do we need in order to develop this product?
- › How do we prioritize other products in our pipeline?
- › How will this impact other products?

BUSINESS MODEL CANVAS



drawings by JAM

The Business Model Canvas

Designed for:

Designed by:

On:

By:

Iteration:

No.

Key Partners



Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

Key Partnerships:
Cooperation, joint ventures,
licensing, joint development,
acquisition of part or all of business,
acquisition of part or all of business and activities

Key Activities



What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue Streams?

Key Activities:
Manufacturing,
Procurement,
Logistics,
Human Resources

Value Propositions



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?

Value Propositions:
New products,
New services,
New features,
New bundles,
New channels,
New relationships,
New resources,
New activities,
New cost structures,
New revenue streams

Customer Relationships



What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

Customer Relationships:
Personalized, self-service,
dedicated personal assistance,
self-service,
dedicated personal assistance,
self-service,
dedicated personal assistance

Customer Segments



For whom are we creating value?
Who are our most important customers?

Customer Segments:
New markets,
New markets,
New markets,
New markets,
New markets

Key Resources



What Key Resources do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue Streams?

Key Resources:
Human resources, intellectual property,
financial resources, physical resources,
financial resources

Channels



Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

Channels:
Direct sales,
Indirect sales, sales through intermediaries,
Direct sales, sales through intermediaries,
Direct sales, sales through intermediaries,
Direct sales, sales through intermediaries,
Direct sales, sales through intermediaries,
Direct sales, sales through intermediaries,
Direct sales, sales through intermediaries

Cost Structure



What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

Cost Structure:
Fixed costs, variable costs, semi-variable costs,
Fixed costs, variable costs, semi-variable costs,
Fixed costs, variable costs, semi-variable costs,
Fixed costs, variable costs, semi-variable costs,
Fixed costs, variable costs, semi-variable costs

Revenue Streams



For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

Revenue Streams:
New products, new services, new features,
New products, new services, new features,
New products, new services, new features,
New products, new services, new features,
New products, new services, new features



BUSINESS MODEL DESIGN

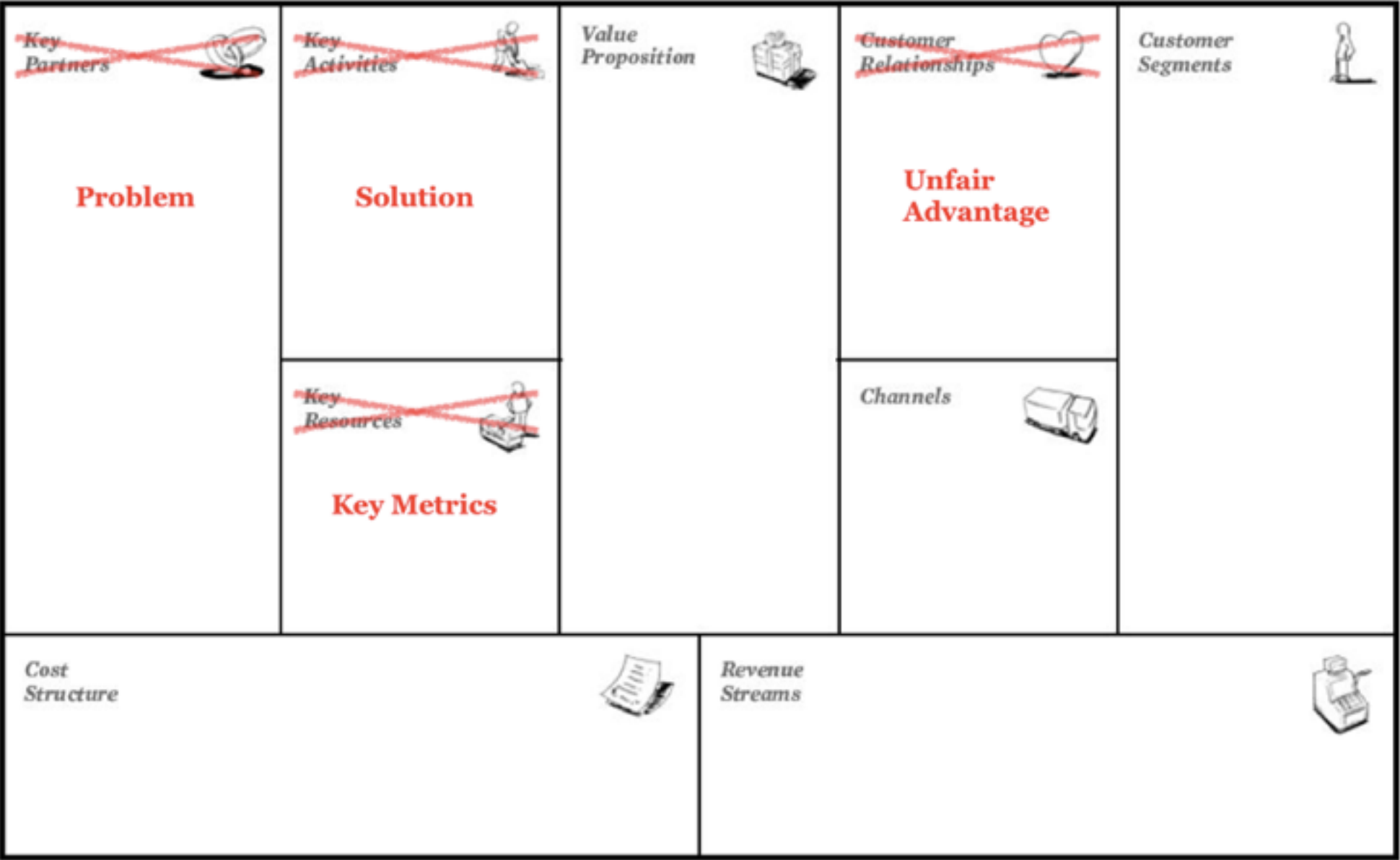
LEAN CANVAS

LEAN CANVAS

WHY LEAN CANVAS?

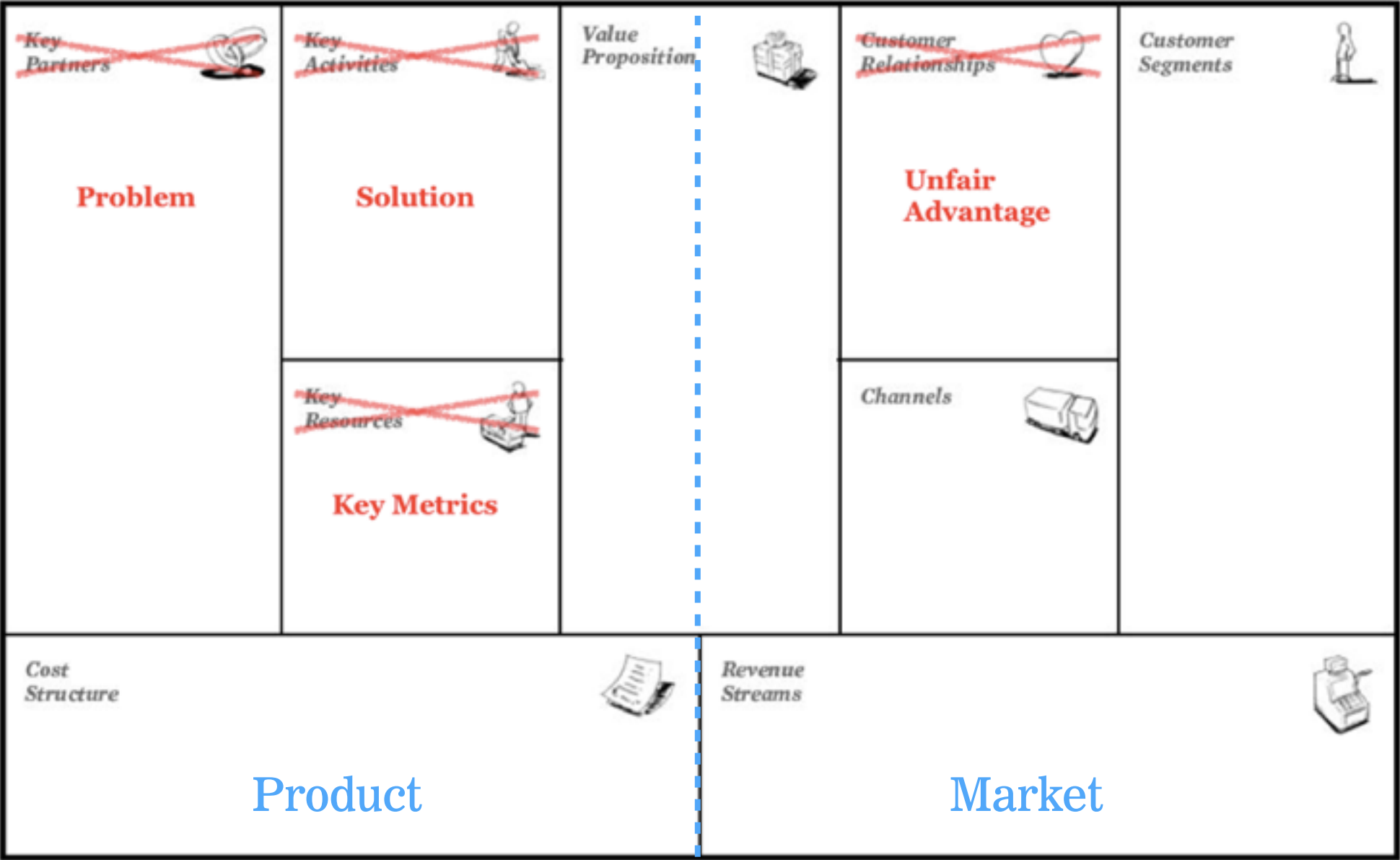
- Entrepreneur focused
- Extremely actionable
- Shows which piece of the business model is most risky

LEAN CANVAS



*created by
Ash Maurya

LEAN CANVAS

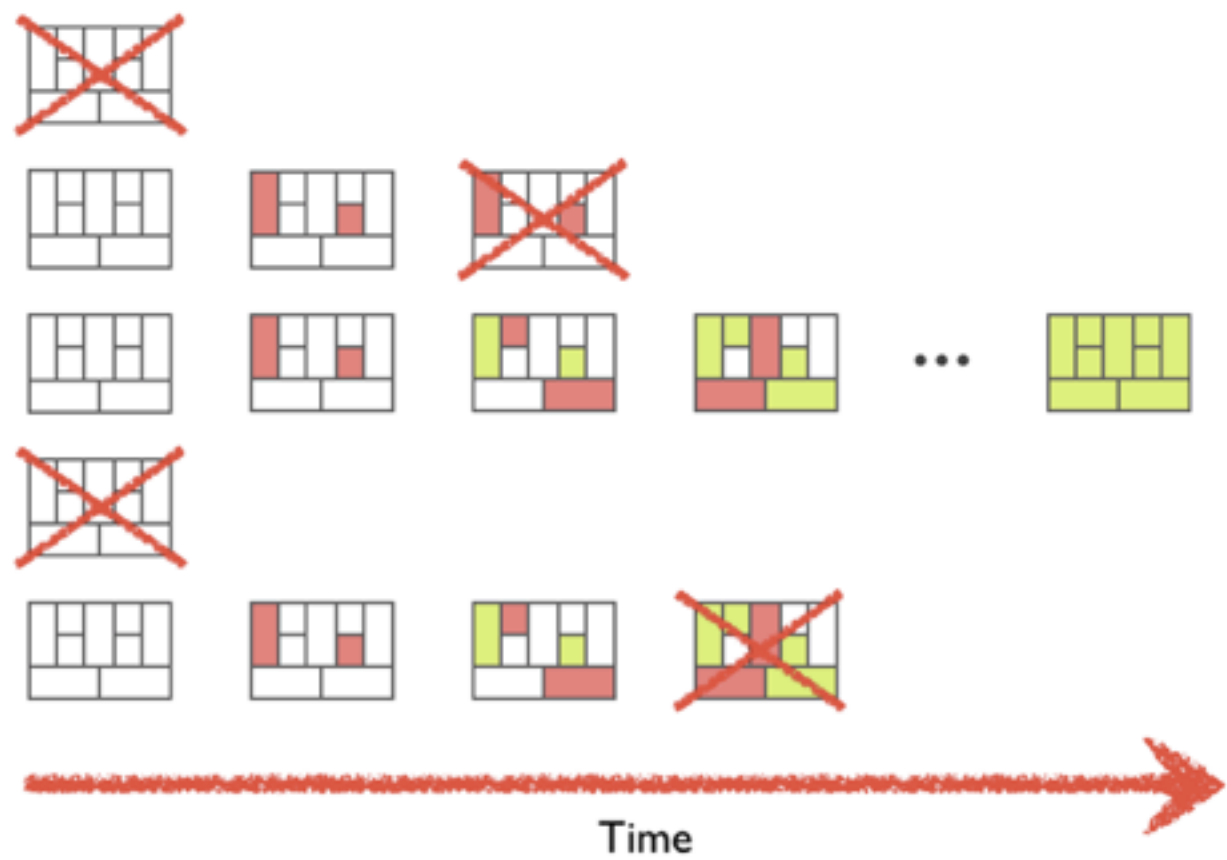


Square

*created by
Ash Maurya

LEAN CANVAS

Systematically test your model



INSERT CLASS TITLE

COMMON BUSINESS MODELS

COMMON BUSINESS MODELS

TOP 10 BUSINESS MODEL PITFALLS

- 10) Not clearly defining your success metric
- 09) Marketing to everyone
- 08) Ending up on a local maximum
- 07) Problems aren't specific enough
- 06) No unfair advantage story
- 05) A weak unique value proposition
- 04) Not enough runway
- 03) No significant path to customers
- 02) No monetizable pain

COMMON BUSINESS MODELS

E-COMMERCE
SUBSCRIPTION
AD-SUPPORTED MEDIA

COMMON BUSINESS MODELS

ECOMMERCE

- Focus on conversion rate which is a small fraction of traffic
- Traditional Online Retailers
 - Profit = Traffic * Conversion Rate * (Avg Sale Price - Cost)
 - Amazon, Bonobos,
- Marketplace:
 - Etsy
 - Ebay



Traffic: 111M per month
Conversion Rate: 10%
Avg Sale Price: \$30
Transaction Fee: 3.5%

COMMON BUSINESS MODELS

SUBSCRIPTION

- › Customers pay a monthly or yearly fee for use of product.
- › Freemium - starts out free for a short period of time.
- › $\text{Profit} = \text{Traffic} * \text{conversion to free trial} * \text{conversion to paid subscription} * \text{price per month} * \text{avg subscription length}$
- › Software as a Service - ex. Salesforce
- › Content as a Service - ex. Spotify, Netflix
- › Platform as a Service - ex. AWS, Heroku, Github



COMMON BUSINESS MODELS

AD SUPPORTED MEDIA

- Ways to monetize: CPM, CPC, CPA
- CPM - someone views the ad
- CPC - someone clicks the ad
- CPA - someone clicks the ad and takes an action
- Profit = traffic * revenue per thousand impressions.



Traffic: 22M per month

RPM: \$25

*RPM = revenue per thousand impressions.

COMMON BUSINESS MODELS

PRE-REVENUE MODELS

Designed to be acquired by larger company or monetized later.



ACTIVITY



EXERCISE

KEY OBJECTIVE(S)

Learn to build a lean canvas.

TIMING

- 15 min 1. In a team, fill out a lean canvas for making apartment searches easier.
- 5 min 2. Identify the riskiest sections of the canvas.
- 10 min 3. Brainstorm an experiment to test those sections.

DELIVERABLE

Interview questions and answers.

CUSTOMER DEVELOPMENT

HOMEWORK

BUSINESS MODEL DESIGN

CREATE A BUSINESS MODEL CANVAS OR A LEAN CANVAS FOR YOUR PRODUCT

Create one of the canvases for your product and post them on a separate slide.

Key Partners



Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

KEY PARTNER ACTIVITIES
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Key Activities



What Key Activities do our 'Value Propositions' require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

KEY ACTIVITIES
Production
Distribution
Platform building
Platform Network

Value Propositions



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?

VALUE PROPOSITIONS
Revenue
Acquisition
Customization
"Learning the Job Done"
Design
Brand Name
Price
Cost Reduction
Risk Reduction
Accessibility
Community/Usability

Customer Relationships



What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

CUSTOMER RELATIONSHIPS
Personal assistance
Tailored Personal Assistance
Self Service
Automated Services
Communities
Co-creation

Customer Segments



For whom are we creating value?
Who are our most important customers?

CUSTOMER SEGMENTS
Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

Can write
on "sticky"
notes.

Key Resources



What Key Resources do our 'Value Propositions' require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

KEY RESOURCES
Physical
Intellectual (brand names, copyrights, data)
Human
Financial

Channels



Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

CHANNELS
1. Awareness
How do we make customers aware of our company, products and services?
2. Evaluation
How do we help customers evaluate our organization's value proposition?
3. Purchase
How do we allow customers to purchase our products and services?
4. Delivery
How do we deliver our value proposition to customers?
5. After sales
How do we provide post-purchase customer support?

Cost Structure

What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

COST STRUCTURE
Fixed (Wages/Salaries and salaries, low-price value propositions, hardware/equipment, extensive manufacturing)
Variable (Wages/Salaries and salaries, premium value propositions)

COSTS & CHANNELS
Fixed (Wages/Salaries, rent, utilities)
Variable (costs)
Revenue of costs
Revenue of target

Revenue Streams

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

REVENUE
Direct sales
Indirect sales
Subscription fees
Licensing/Wholesale/Selling
Advertising
Referrals

REVENUE STREAMS
One-time
Product/Service dependent
Customer segment dependent
Volume dependent

REVENUE STREAMS
Recurring/Subscription
Usage/Usage dependent
Referral/Referral



<div>PROBLEM</div> <div>List your top 1-3 problems.</div>	<div>SOLUTION</div> <div>Outline a possible solution for each problem.</div>	<div>UNIQUE VALUE PROPOSITION</div> <div>Single, clear, compelling message that states why you are different and worth paying attention.</div>	<div>UNFAIR ADVANTAGE</div> <div>Something that cannot easily be bought or copied.</div>	<div>CUSTOMER SEGMENTS</div> <div>List your target customers and users.</div>
	<div>KEY METRICS</div> <div>List the key numbers that tell you how your business is doing.</div>		<div>CHANNELS</div> <div>List your path to customers (inbound or outbound).</div>	
<div>EXISTING ALTERNATIVES</div> <div>List how these problems are solved today.</div>		<div>HIGH-LEVEL CONCEPT</div> <div>List your X for Y analogy e.g. YouTube = Flickr for videos.</div>		<div>EARLY ADOPTERS</div> <div>List the characteristics of your ideal customers.</div>
<div>COST STRUCTURE</div> <div>List your fixed and variable costs.</div>			<div>REVENUE STREAMS</div> <div>List your sources of revenue.</div>	

BUSINESS MODEL DESIGN

Q&A