

M7 - Business Idea to Business Model

Business model -> rationale of how an org creates, delivers and captures value

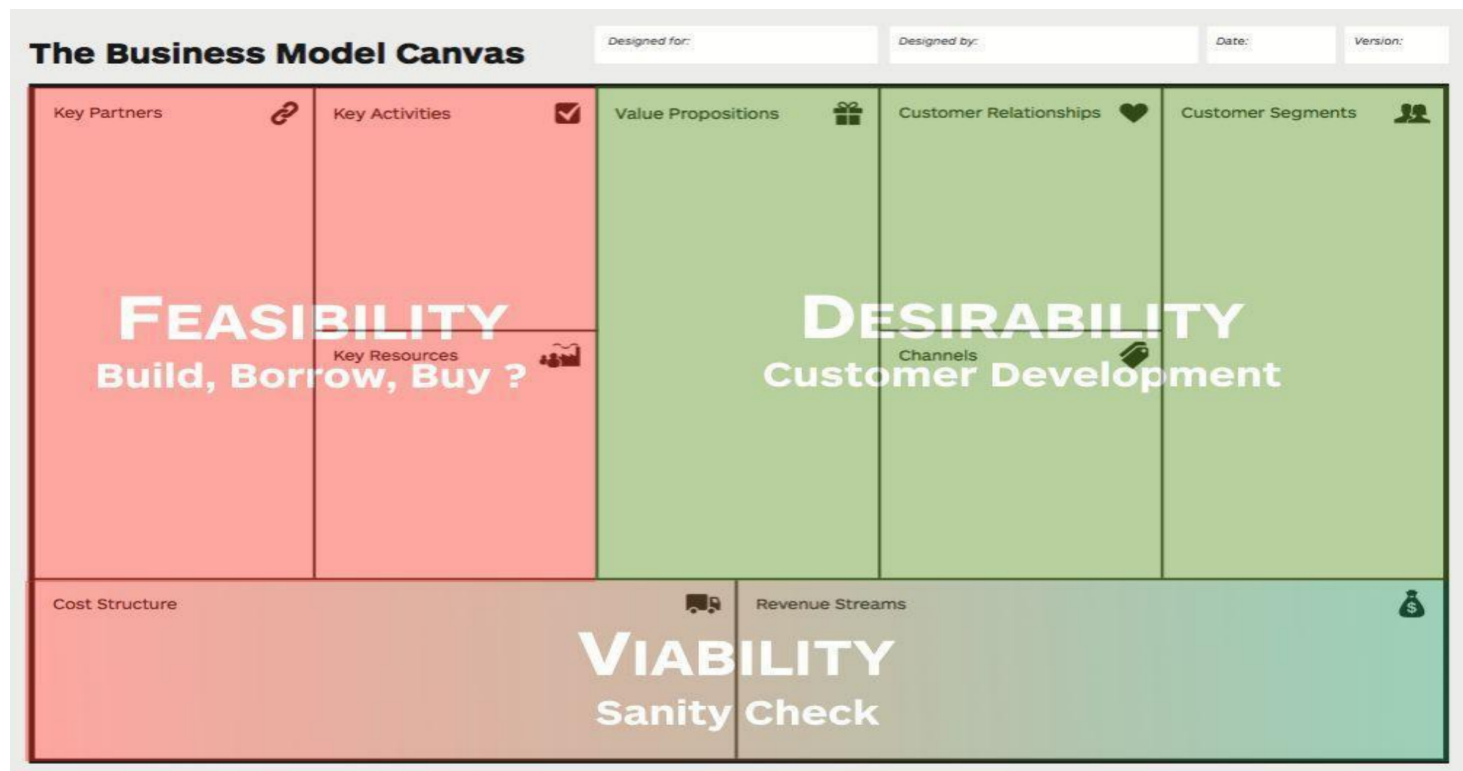
BMC -> tool to create and analyse business models

Business Model Canvas vs. Business Plan

BMC	BP
Higher level view	Much more detailed
Visual and easier to iterate	Detailed info on strategy, financials etc.

- Both can be complementary to each other

Components of BMC



Submodule: Desirability (Customer Development)

Customer Segments:

- Which customers/users you are serving
- Mass market, niche market, diversified market (two or more unrelated groups), segmented market (distinct groups of customers with distinct requirements)

1. Segmented Market

- A market that is divided into distinct groups of customers with different needs, preferences, or characteristics.
- Businesses tailor their products or services to meet the specific demands of each segment.
- **Example:** An airline offers economy, business, and first-class tickets to cater to different customer groups.

2. Diversified Market

- A market where a business targets **two or more unrelated customer groups** with different needs.
- The company offers distinct products or services to serve these unrelated groups.
- **Example:** Amazon serves individual consumers with e-commerce while offering cloud computing services to businesses.

3. Mass Market

- A market where a business targets a broad customer base with a single product or service, aiming to reach as many people as possible.
- The focus is on high volume, standardization, and economies of scale.
- **Example:** Coca-Cola sells a standardized product worldwide, appealing to a wide audience.

4. Niche Market

- A market where a business focuses on a **small, specialized group of customers** with specific needs or interests.
- Products or services are highly tailored to meet the preferences of this group.
- **Example:** A company that sells luxury vegan leather bags caters to eco-conscious consumers in the luxury fashion niche.

Channels

- How you're reaching the customer and what they find convenient
- Eg: Web, own store, retail/distribution channels etc.

Value Proposition

- What you're offering the customer and whether they care

Customer Relationships

- Types of relationships established with customer (personal/automated/acquisitive etc)
- Customer acquisition -> customer retention -> Boost sales (upsell)

Submodule: Viability (Price Stuff)

Revenue Streams

- Where and how you're going to make money from; how much customers will be willing to pay and in what way
- Two types of revenue:
 - Transactional: One time payment for a purchase
 - Recurring: Repeating payment over a period of time

Cost Structure

- Minimise costs as much as possible without compromising quality
- Two types of costing:
 - Fixed: Price remains the same regardless of volume produced
 - Variable: Price varies with amount of goods produced
- Economy of Scale: Cost advantages achieved as a business increases production, leading to lower costs per unit due to higher efficiency
- Economy of Scope: Cost advantages gained by a business from producing multiple products or services using the same resources or processes

Submodule: Feasibility (All Them Keys)

Key Resources

- The essential resources needed for your model to run
- Could be physical, intellectual, human, financial etc.

Key Partners

- Partners/suppliers you rely on in your business model

Key Activities

- Activities that need to be performed well to ensure the success of your model

BUSINESS MODEL CANVAS **NETFLIX**

Key Partners



- Alliances with Smart TV companies
- alliance with gaming industry
- TV network companies
- Google and Amazon

Key Activities



- Hire and retain
- Maintain and expand
- Produce, acquire and license
- Develop its pricing strategy
- retain current customer base

Key Resources



- Software developers
- Recommendation system (algorithm)

Value Propositions



- Users can stream 24-7, minus the ads
- View shows & movies in high-definition
- Stream content conveniently anywhere
- unlimited access to TV shows and movies
- Netflix's original
- New signups can avail a 30-day free trial
- cancel at any time
- Receive algorithmic recommendation
- Avoid commercials ads

Customer Relationships



- Self-Setup Made Easy
- Exceptional Customer Experience
- Online Live Chat Services
- Social media
- Netflix gift Cards

Channels



- Online streaming through the website
- Streaming on TV Apps and Gaming consoles
- Mail delivery for DVDs

Customer Segments



- interested in watching movies, TV shows and documentaries
- content for children and adults

Cost Structure



- Major purchasing rights establishment (TV shows and movies)
- Cost of producing movies
- Cost for recommendations, R&D and artificial intelligence
- Subscription maintenance cost
- DVDs and mail-related shipping costs

Revenue Streams



- Monthly subscription plans
 - Basic
 - Standard
 - Premium



Business Strategy Hub