Business Models

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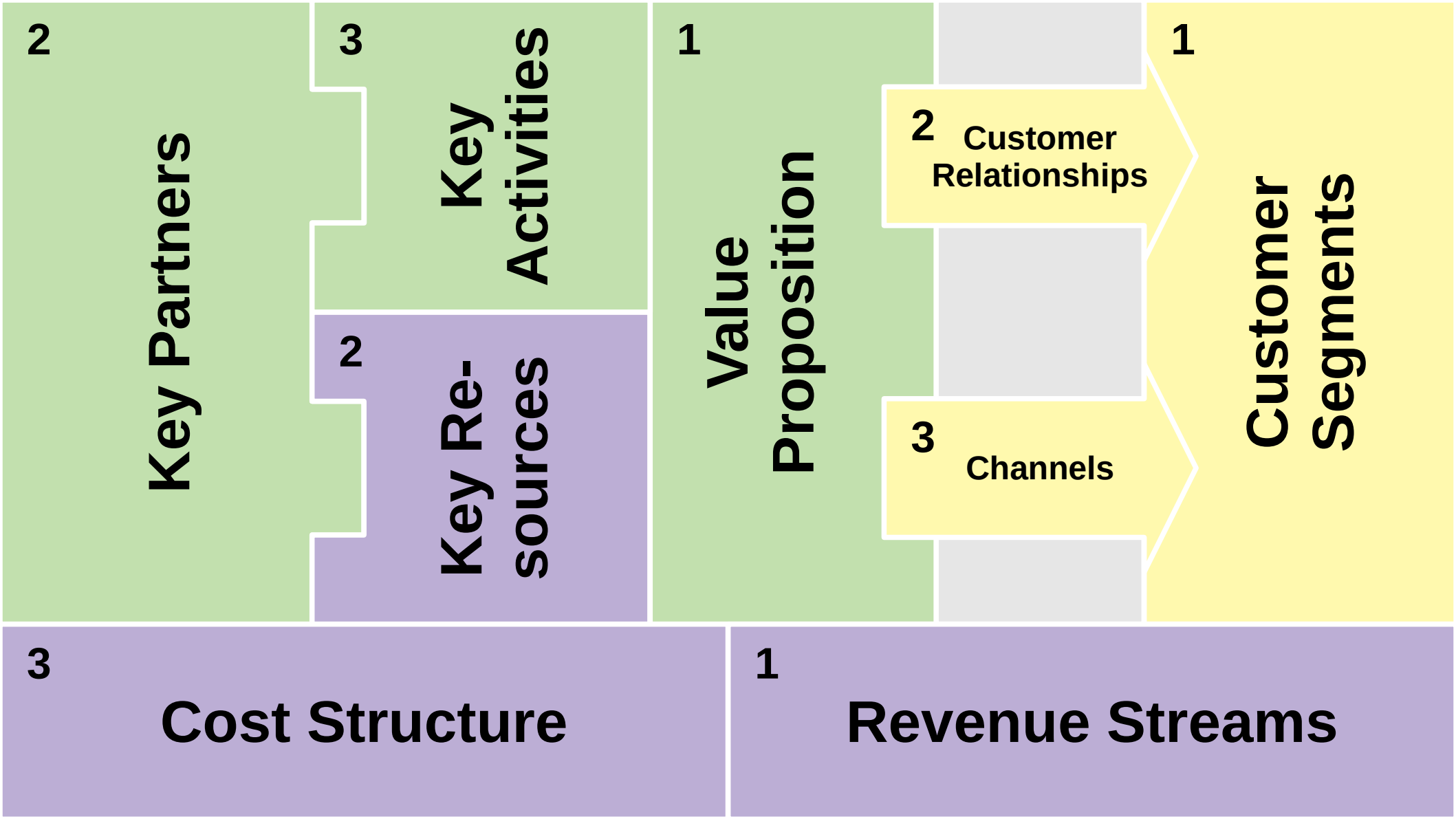
COSS B04

Summary

1. Business model (definition)
2. Business model canvas
3. Revenue generation
4. Production

1. What is a Business Model?

Business Model (Definition)

- A business model
  - Is a model of how a business (company) operates

- A model
  - Is a description of components and how they interact for a purpose

- A model gets instantiated a.k.a. execution

2. The Business Model Canvas

Components (of a Business Model)

- Revenue generation
    - Value proposition
    - Customer segments
    - Customer relationships
    - Channels
    - Revenue streams

- Production
    - Value proposition
    - Key partners
    - Key activities
    - Key resources
    - Cost structure

3. Revenue Generation
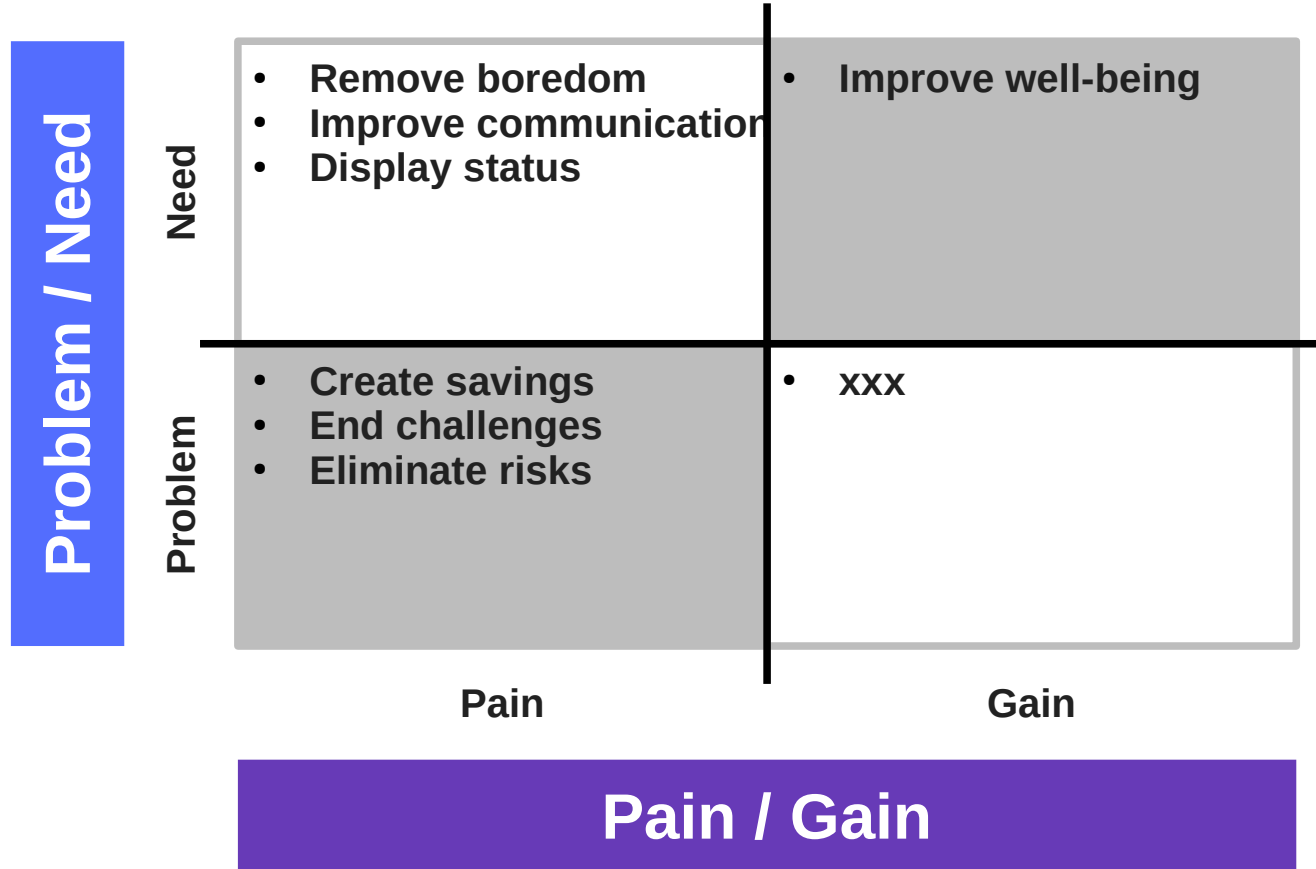
Revenue Generation

- Revenue generation
    - Is the comprehensive process of
        - Deriving a **revenue stream**
        - By selling to a **customer segment**
        - A product or service built on a **value proposition**\
        - Through a **channel** that reaches the segment
        - Base on **customer relationships**

    - Can vary by customer segment
        - Creates a unique combination then

1. Value Proposition

- The value to customers (so they buy)
  - Creating a gain or relieving a pain
  - Solving a problem or fulfilling a need

- Turned into a product or service
  - Cast as a minimum viable product
  - Consisting of distinct features

Examples of Creating a Gain or Relieving a Pain

Problem / Need

Need
- **Remove boredom**
- **Improve communication**
- **Display status**

- **Improve well-being**

Problem
- **Create savings**
- **End challenges**
- **Eliminate risks**

- **xxx**

Pain

Gain

Pain / Gain

# Quantifying the Customer Gain or Pain

- By intensity or relevance of incidents
- By frequency of incidence

(Markets and) 2. Customer Segments

- A customer segment
  - Is a cluster of similar customers

- Similar means
  - Defined by a set of shared characteristics; also: matching a profile

- In multi-sided markets
  - You have multiple types of customers, split further into segments

- All customer segments together constitute the total market

Personas

- A persona
  - Is an archetypal [1] person
  - Within an archetypal customer
  - Within a customer segment

- At any customer
  - There are likely to be several personas
  - All with different powers re: purchase
  - And different profiles

user

user's manager

IT department

economic buyer
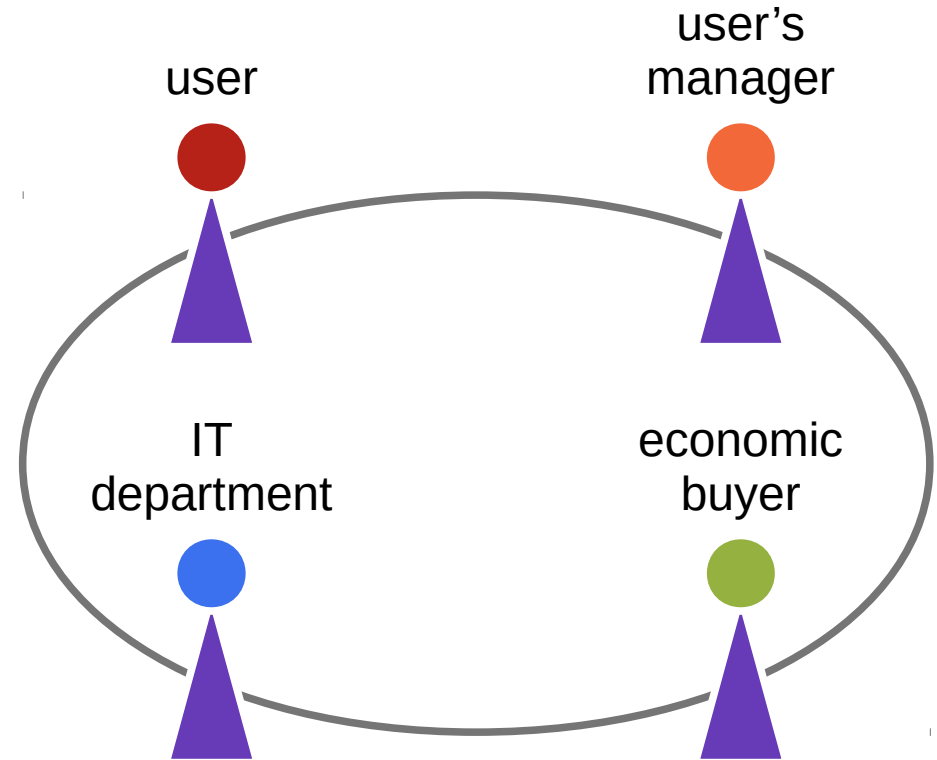
[1] Archetypal = representing a cluster of similar people

Example Market Structure Breakdown

Dimension	Example
Markets	Cars; beanie babies; ...
Customer types	Car buyers, car sellers; beanie baby collectors; ...
Customer segments	Truck buyers/sellers; minivan buyers/sellers; sports car buyers/sellers; ...
Personas	Truck-buyer-user, truck-buyer-economic-buyer, truck-buyer-maintainer, ...

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- Digital or physical channels
- Direct or indirect sales
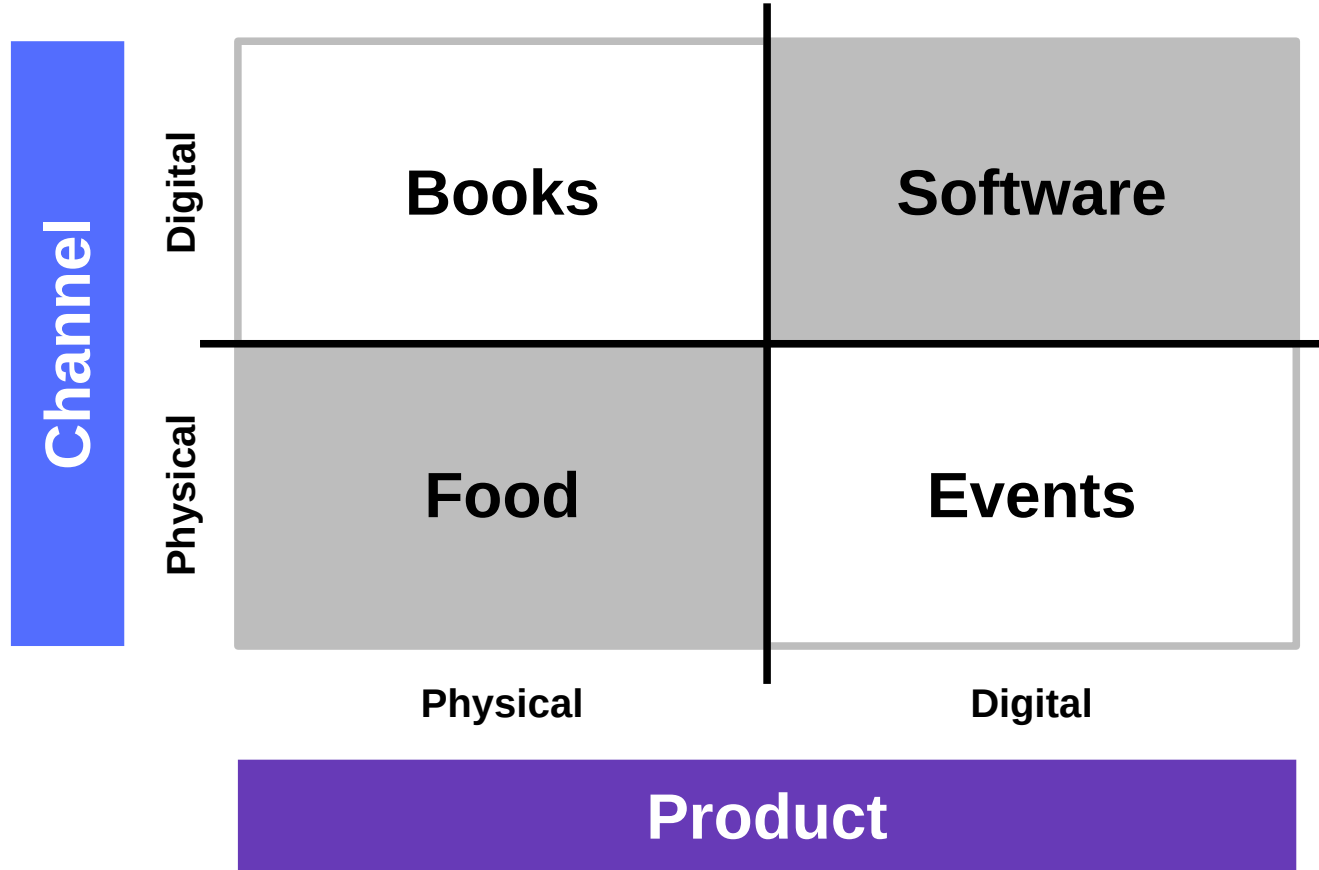
Examples of Software Distribution Channels

- Digital
  - Own web store
  - Platform app store
  - Digital retailers

- Physical
  - Book stores
  - Electronic stores
  - System integrators

Direct vs. Indirect Channel Sales

- In a direct channel sale
  - Your company sells directly to the customer
  - You make maximum profit

- In an indirect channel sale
  - Your company sells through a reseller
  - Your profit drops by the cut intermediaries are taking
  - Some of your SG&A costs drop because selling got simpler

Thank you! Questions?

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DR

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- Contributions
  - None yet