Business Model Generation

The Business Model Canvas

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?

MOTIVATIONS FOR PARTNERSHIPS:
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?

CATEGORIES
Production
Problem Solving
Platform/Network

Key Resources

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

TYPES OF RESOURCES
Physical
Intellectual (brand patents, copyrights, data)
Human
Financial

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?

CHARACTERISTICS
Newness
Performance
Customization
"Getting the Job Done"
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/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?

EXAMPLES
Personal assistance
Dedicated Personal Assistance
Self Service
Automated Services
Communities
Co-creation

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?

CHANNEL PHASES:
1. Awareness
   How do we raise awareness about our company's 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 specific products and services?
4. Delivery
   How do we deliver a Value Proposition to customers?
5. After sales
   How do we provide post-purchase customer support?

Customer Segments

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

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

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?

IS YOUR BUSINESS MORE:
Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)
Value Driven (focused on value creation, premium value proposition)

SAMPLE CHARACTERISTICS:
Fixed Costs (salaries, rents, utilities)
Variable costs
Economies of scale
Economies of scope

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?

TYPES:
Asset sale
Usage fee
Subscription Fees
Lending/Renting/Leasing
Licensing
Brokerage fees
Advertising

FIXED PRICING
List Price
Product feature dependent
Customer segment dependent
Volume dependent

DYNAMIC PRICING
Negotiation(bargaining)
Yield Management
Real-time-Market

3

1 Customer Segments

An organization serves one or several Customer Segments.

2 Value Propositions

It seeks to solve customer problems and satisfy customer needs with value propositions.

3 Channels

Value propositions are delivered to customers through communication, distribution, and sales Channels.

4 Customer Relationships

Customer relationships are established and maintained with each Customer Segment.

5 Revenue Streams

Revenue streams result from value propositions successfully offered to customers.

6 Key Resources

Key resources are the assets required to offer and deliver the previously described elements...

7 Key Activities
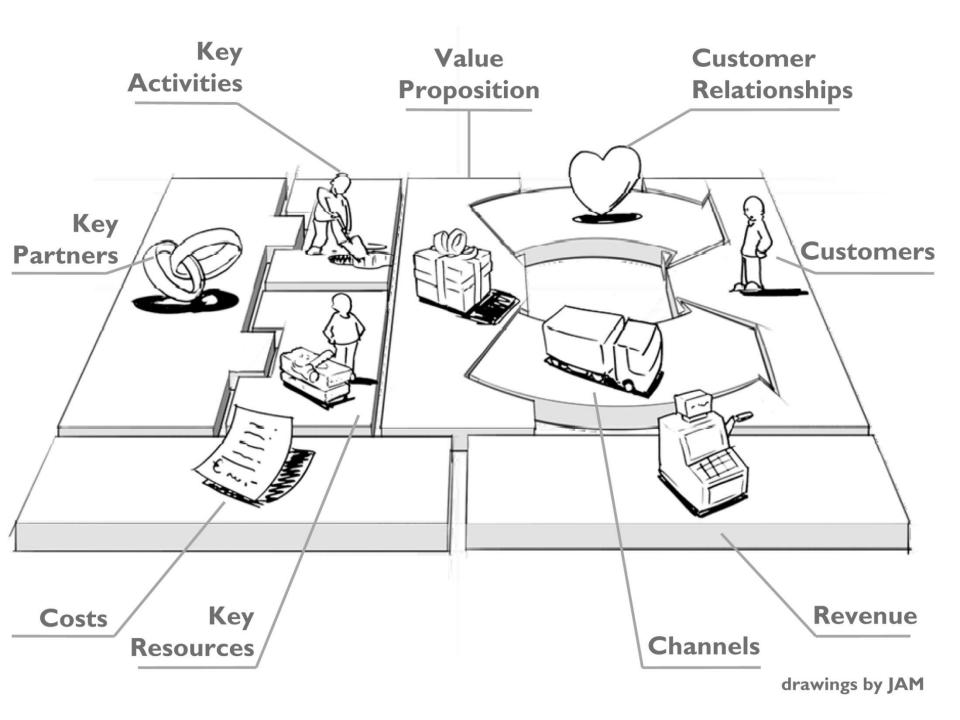
...by performing a number of Key Activities.

8 Key Partnerships

Some activities are outsourced and some resources are acquired outside the enterprise.

9 Cost Structure

The business model elements result in the cost structure.

Key Activities

Value Proposition

Customer Relationships

Key Partners

Customers

Costs

Key Resources

Channels

Revenue

drawings by JAM

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On: Day Month Year

Iteration: No.

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Key Resources

What Key Resources do our Value Propositions require?
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Infrastructure

Offering

Customers

Finance

How can you *describe* your Business Model?

Future Possibilities for Education

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?

Hardware Companies

University Narrations

Software Developers

Key Activities

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

Combine and improve digital Learning tools

Creating the system

Key Resources

What Key Resources do our Value Propositions require?
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Hardware company

Software company

Transportation company

Value Propositions

What value do we deliver to the customer?
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Which customer needs are we satisfying?

Online Communities

High Usability

Integrated learning system, made from existing developments in educational systems

Learning on your own tempo

Online video lessons

Enable teachers to coach one on one

System monitors and evaluates learning process

Technology is to support, and to enable for more analogue time to work on creativity, collaboration, and communication

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?

After purchase service

Helping customers orient on the market.

Continuous updates

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Meetings

Phone

Online portfolio website

Customer Segments

For whom are we creating value?
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School, Junior high school

Cost Structure

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Which Key Activities are most expensive?

Maintenance   Transport   Production   Web hosting   Narrators

Revenue Streams

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How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

Purchase cost   Service , software update and maintenance   Government funding

Business Model Exercises

- *Google*

- *Facebook*

- *Twitter*

- *Linkedin*

- *Banking Companies*

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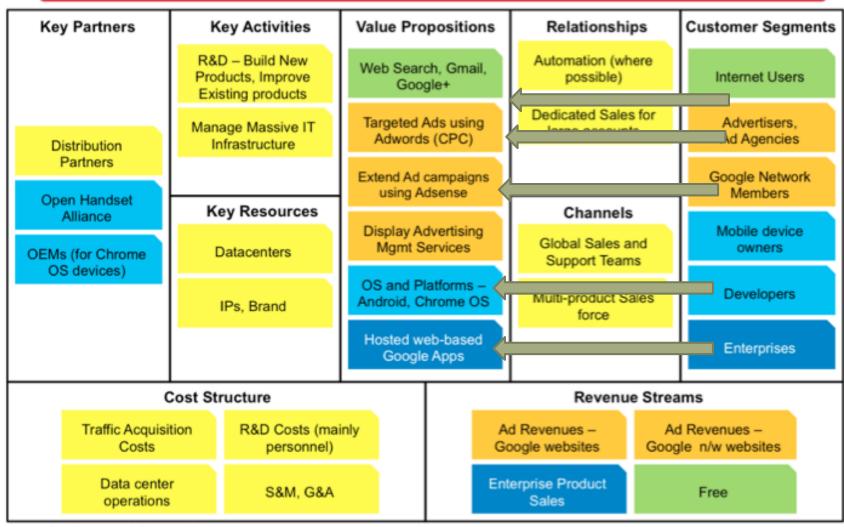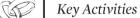For what do they currently pay?
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FIXED PRICING
List Price
Product feature dependent
Customer segment dependent
Volume dependent

DYNAMIC PRICING
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Google Business Model

Key Partners	Key Activities	Value Propositions	Relationships	Customer Segments
	R&D – Build New Products, Improve Existing products	Web Search, Gmail, Google+	Automation (where possible)	Internet Users
Distribution Partners	Manage Massive IT Infrastructure	Targeted Ads using Adwords (CPC)	Dedicated Sales for large accounts	Advertisers, Ad Agencies
Open Handset Alliance	**Key Resources**	Extend Ad campaigns using Adsense		Google Network Members
OEMs (for Chrome OS devices)	Datacenters	Display Advertising Mgmt Services	**Channels**	Mobile device owners
	IPs, Brand	OS and Platforms – Android, Chrome OS	Global Sales and Support Teams	Developers
		Hosted web-based Google Apps	Multi-product Sales force	Enterprises

Cost Structure		Revenue Streams	
Traffic Acquisition Costs	R&D Costs (mainly personnel)	Ad Revenues – Google websites	Ad Revenues – Google n/w websites
Data center operations	S&M, G&A	Enterprise Product Sales	Free

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Critical Success Factors

- *Customer Focus*

- *Pain/Gain Analysis - Discovery*

- *Value Proposition - Offer*

- *Testing the Assumtions with the Customers - Field Study*

- *Minimum Viable Product*

- *Agile Working & Processes*

- *Experiment & Pivot*

- *UX*

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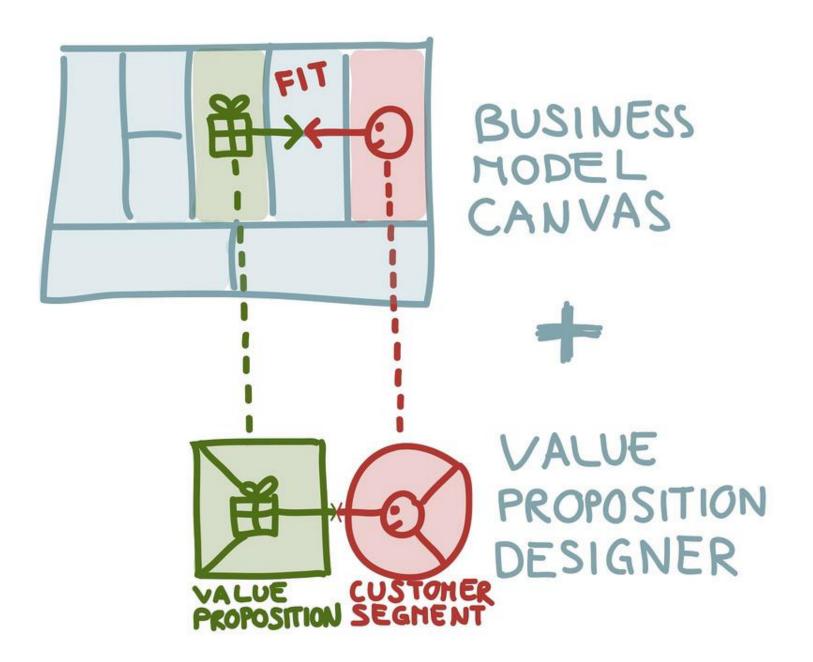Variable costs
Economies of scale
Economies of scope

Revenue Streams

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How are they currently paying?
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Subscription Fees
Lending/Renting/Leasing
Licensing
Brokerage fees
Advertising

FIXED PRICING
List Price
Product feature dependent
Customer segment dependent
Volume dependent

DYNAMIC PRICING
Negotiation(bargaining)
Yield Management
Real-time-Market

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FIT

BUSINESS
MODEL
CANVAS

+

VALUE
PROPOSITION
DESIGNER

VALUE
PROPOSITION

CUSTOMER
SEGMENT

The Value Proposition Canvas

Products & Services

List all the products and services your value proposition is built around.

Which products and services do you offer that help your customer get either a functional, social, or emotional job done, or help him/her satisfy basic needs?

Which ancillary products and services help your customer perform the roles of:

Buyer
(e.g. products and services that help customers compare offers, decide, buy, take delivery of a product or service, ...)

Co-creator
(e.g. products and services that help customers co-design solutions, otherwise contribute value to the solution, ...)

Transferrer
(e.g. products and services that help customers dispose of a product, transfer it to others, or resell, ...)

Products and services may either by tangible (e.g. manufactured goods, face-to-face customer service), digital/virtual (e.g. downloads, online recommendations), intangible (e.g. copyrights, quality assurance), or financial (e.g. investment funds, financing services).

Rank all products and services according to their importance to your customer. Are they crucial or trivial to your customer?

Gain Creators

Describe how your products and services create customer gains. How do they create benefits your customer expects, desires or would be surprised by, including functional utility, social gains, positive emotions, and cost savings?

Do they...

Create savings that make your customer happy?
(e.g. in terms of time, money and effort, ...)

Produce outcomes your customer expects or that go beyond their expectations?
(e.g. better quality level, more of something, less of something, ...)

Copy or outperform current solutions that delight your customer?
(e.g. regarding specific features, performance, quality, ...)

Make your customer's job or life easier?
(e.g. flatter learning curve, usability, accessibility, more services, lower cost of ownership, ...)

Create positive social consequences that your customer desires?
(e.g. makes them look good, produces an increase in power, status, ...)

Do something customers are looking for?
(e.g. good design, guarantees, specific or more features, ...)

Fulfill something customers are dreaming about?
(e.g. help big achievements, produce big reliefs, ...)

Produce positive outcomes matching your customers success and failure criteria?
(e.g. better performance, lower cost, ...)

Help make adoption easier?
(e.g. lower cost, less investments, lower risk, better quality, performance, design, ...)

Rank each gain your products and services create according to its relevance to your customer. Is it substantial or insignificant? For each gain indicate how often it occurs.

Pain Relievers

Describe how your products and services alleviate customer pains. How do they eliminate or reduce negative emotions, undesired costs and situations, and risks your customer experiences or could experience before, during, and after getting the job done?

Do they...

Produce savings?
(e.g. in terms of time, money, or efforts, ...)

Make your customers feel better?
(e.g. kills frustrations, annoyances, things that give them a headache, ...)

Fix underperforming solutions?
(e.g. new features, better performance, better quality, ...)

Put an end to difficulties and challenges your customers encounter?
(e.g. make things easier, helping them get done, eliminate resistance, ...)

Wipe out negative social consequences your customers encounter or fear?
(e.g. loss of face, power, trust, or status, ...)

Eliminate risks your customers fear?
(e.g. financial, social, technical risks, or what could go awfully wrong, ...)

Help your customers better sleep at night?
(e.g. by helping with big issues, diminishing concerns, or eliminating worries, ...)

Limit or eradicate common mistakes customers make?
(e.g. usage mistakes, ...)

Get rid of barriers that are keeping your customer from adopting solutions?
(e.g. lower or no upfront investment costs, flatter learning curve, less resistance to change, ...)

Rank each pain your products and services kill according to their intensity for your customer. Is it very intense or very light?

For each pain indicate how often it occurs. Raises your customer experiences or could experience before, during, and after getting the job done?

Gains 🙂

Describe the benefits your customer expects, desires or would be surprised by. This includes functional utility, social gains, positive emotions, and cost savings.

Which savings would make your customer happy?
(e.g. in terms of time, money and effort, ...)

What outcomes does your customer expect and what would go beyond his/her expectations?
(e.g. quality level, more of something, less of something, ...)

How do current solutions delight your customer?
(e.g. specific features, performance, quality, ...)

What would make your customer's job or life easier?
(e.g. flatter learning curve, more services, lower cost of ownership, ...)

What positive social consequences does your customer desire?
(e.g. makes them look good, increase in power, status, ...)

What are customers looking for?
(e.g. good design, guarantees, specific or more features, ...)

What do customers dream about?
(e.g. big achievements, big reliefs, ...)

How does your customer measure success and failure?
(e.g. performance, cost, ...)

What would increase the likelihood of adopting a solution?
(e.g. lower cost, less investments, lower risk, better quality, performance, design, ...)

Rank each gain according to its relevance to your customer.
Is it substantial or is it insignificant?
For each gain indicate how often it occurs.

Customer Job(s)

Describe what a specific customer segment is trying to get done. It could be the tasks they are trying to perform and complete, the problems they are trying to solve, or the needs they are trying to satisfy.

What functional jobs are you helping your customer get done?
(e.g. perform or complete a specific task, solve a specific problem, ...)

What social jobs are you helping your customer get done?
(e.g. trying to look good, gain power or status, ...)

What emotional jobs are you helping your customer get done?
(e.g. esthetics, feel good, security, ...)

What basic needs are you helping your customer satisfy?
(e.g. communication, sex, ...)

Besides trying to get a core job done, your customer performs ancillary jobs in different roles. Describe the jobs your customer is trying to get done as

Buyer (e.g. trying to look good, gain power or status, ...)

Co-creator (e.g. esthetics, feel good, security, ...)

Transferrer (e.g. products and services that help customers dispose of a product, transfer it to others, or resell, ...)

Rank each job according to its significance to your customer. Is it crucial or is it trivial? For each job indicate how often it occurs.

Outline in which specific context a job is done, because that may impose constraints or limitations.
(e.g. while driving, outside, ...)

Pains 🙁

Describe negative emotions, undesired costs and situations, and risks that your customer experiences or could experience before, during, and after getting the job done.

What does your customer find too costly?
(e.g. takes a lot of time, costs too much money, requires substantial efforts, ...)

What makes your customer feel bad?
(e.g. frustrations, annoyances, things that give them a headache, ...)

How are current solutions underperforming for your customer?
(e.g. lack of features, performance, malfunctioning, ...)

What are the main difficulties and challenges your customer encounters?
(e.g. understanding how things work, difficulties getting things done, resistance, ...)

What negative social consequences does your customer encounter or fear?
(e.g. loss of face, power, trust, or status, ...)

What risks does your customer fear?
(e.g. financial, social, technical risks, or what could go awfully wrong, ...)

What's keeping your customer awake at night?
(e.g. big issues, concerns, worries, ...)

What common mistakes does your customer make?
(e.g. usage mistakes, ...)

What barriers are keeping your customer from adopting solutions?
(e.g. upfront investment costs, learning curve, resistance to change, ...)

Rank each pain according to the intensity it represents for your customer.
Is it very intense or is it very light?
For each pain indicate how often it occurs.

Segmentation

☐ Different needs

☐ Different distribution channels

☐ Different customer relationships

☐ Different revenues with different scopes

☐ Different payment propositions

Know your customers well

- Name, age, occupation, social status, education

- Expectations from professional and personal life

- Hobbies, life style

- Internet/mobile/TV/entertainment habits
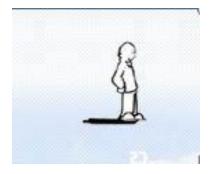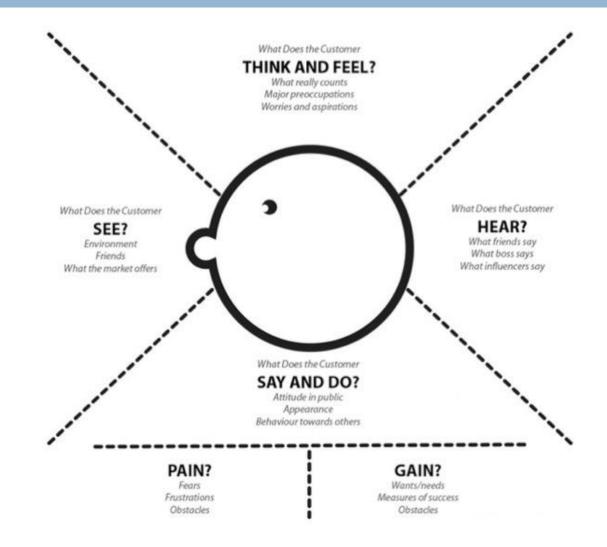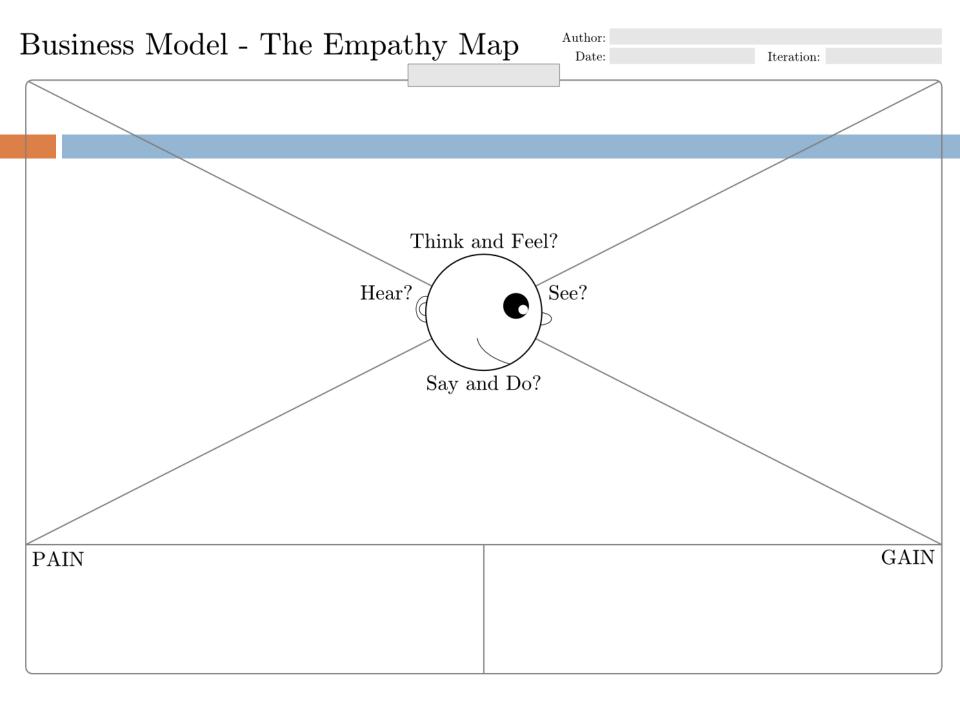
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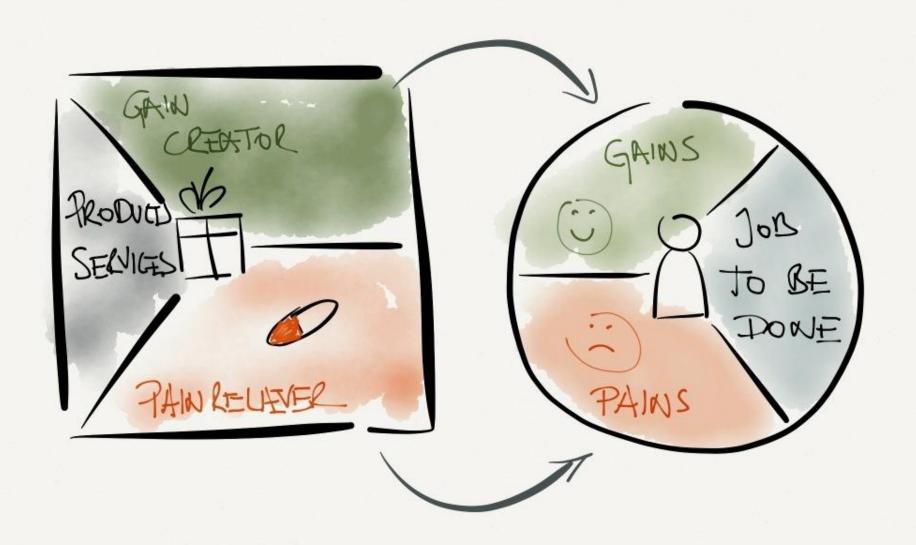
Working, non-student adult

High School student

Tradesman

Professional

What Does the Customer

THINK AND FEEL?

What really counts
Major preoccupations
Worries and aspirations

What Does the Customer

SEE?

Environment
Friends
What the market offers

What Does the Customer

HEAR?

What friends say
What boss says
What influencers say

What Does the Customer

SAY AND DO?

Attitude in public
Appearance
Behaviour towards others

PAIN?
Fears
Frustrations
Obstacles

GAIN?
Wants/needs
Measures of success
Obstacles

Business Model - The Empathy Map

Author:

Date: Iteration:

Think and Feel?

Hear?   See?

Say and Do?

PAIN

GAIN

GAIN CREATOR

PRODUCT SERVICES

PAIN RELIEVER

GAINS

JOB TO BE DONE

PAINS

Value Proposition

- Many people I speak to in the (target market) face the issue of (specific market challenge).

- I am able to (contribute what specifically) resulting in (type of business improvement).

- For example (quantified business results achieved in similar projects in other companies).

How big is the market? – Total Market
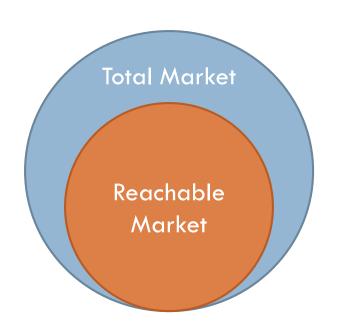
☐ How many people do buy/need your product?

☐ What is the revenue if everyone would buy it?

☐ How many products would be sold in that case?

☐ How to analyze?

- Industry analysts: Gartner, Forrester

- Wall Street analyists: Goldman, Morgan

- Market research companies

Total Market

What can I expect? – Reachable Market
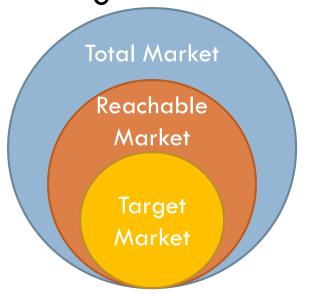
☐ How many people can use your product?

☐ How many people do have enough money to buy it?

☐ What would be the revenue if they all would have bought it?

☐ How to analyze?

   ☐ Talk to potential customers

   ☐ Talk to investers

Total Market

Reachable Market
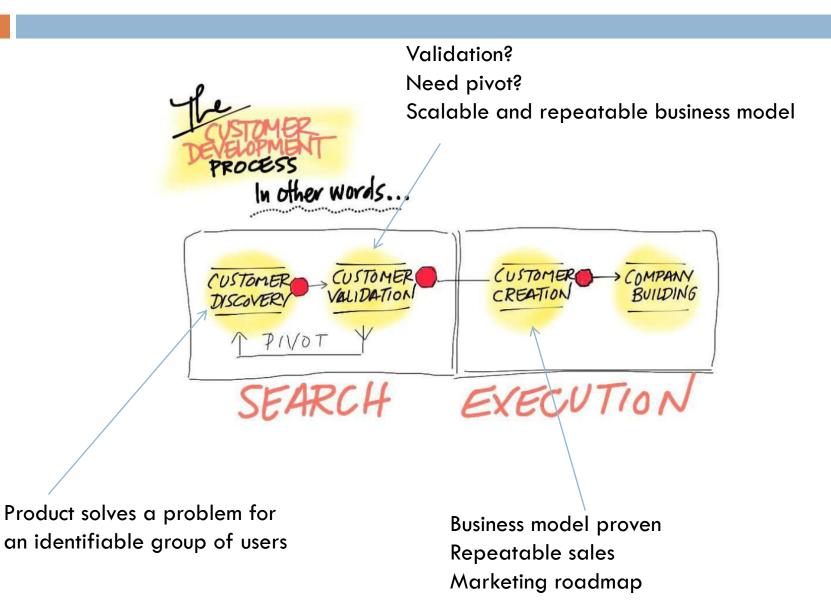
What is my share? – Target Market

- Whom can you sell your product in the 1st, 2nd and 3rd years?

- How many customers?

- What would be the revenue if they all would have bought it?

- How to analyze?

  - Talk to potential customers

  - Talk to retailers/distributers/agents

  - Reach the competitors

  - Be inspired by the similar markets

Total Market

Reachable Market

Target Market

Customer Development

Validation?
Need pivot?
Scalable and repeatable business model

Product solves a problem for
an identifiable group of users

Business model proven
Repeatable sales
Marketing roadmap

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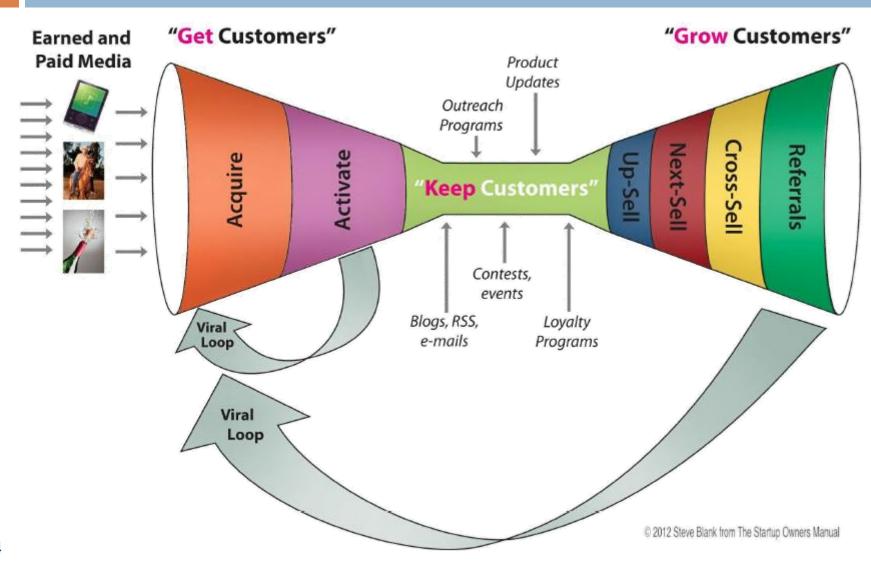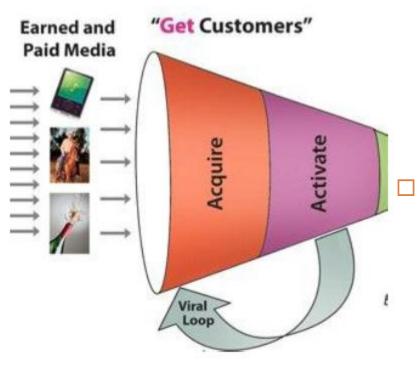
Customer Development Manifesto

1) There are no facts inside your building, so get outside

2) Pair customer development with agile development

3) Failure is integral part of the search

4) Make continuous iterations and pivots

5) No business plan survives first contact with customers, so use business model canvas

6) Design experiments and test to validate your hypotheses

7) Agree on market type

8) Startup metrics differ from those in existing companies

9) Fast Decision Making, Cycle Time, Speed and Tempo

10) Pivoting is a not failure

Sales Tunnel

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Get Customers

Earned and Paid Media

"Get Customers"

Acquire

Activate

Viral Loop

- Strategy:
  - Acquire
  - Activate
- Tactics:
  - Websites, application stores, search (SEM/SEO), emails, blogs, virals, social media, investigations, PR, freemiums, home pages
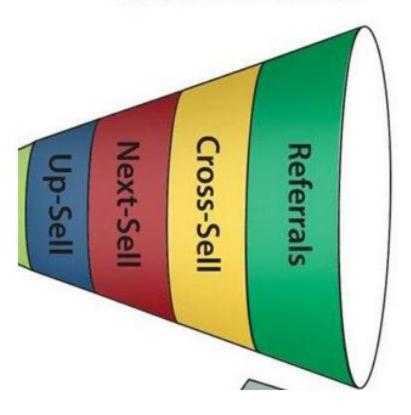
Keep Customers

Outreach Programs

Product Updates

"**Keep** Customers"

Blogs, RSS, e-mails

Contests, events

Loyalty Programs

- Strategy:
  - Interaction
  - Keep them

- Tactics:
  - Customization, user groups, blogs, live help, product hints, bulletins, events

Keep Customers

"**Grow** Customers"

Up-Sell · Next-Sell · Cross-Sell · Referrals

- Strategy:
  - New incomes
  - Referrals
- Tactics:
  - Upgrades, competitions, recurring orders, referrals, recommendations, up-sales, cross-sales, virals

MVP & PIVOTING

☐ Minimum Viable Product (Minimum Kapsamlı Ürün)

  ☐ Little but satisfactory number of features

  ☐ Minimum effort

  ☐ Minimum development time

☐ Product with the highest

return on investment versus risk

☐ Used to test the assumptions

Minimum + Viable:
Good products for
startups to build

Minimum   Viable

Crappy Products
nobody wants to
use

Products built by
companies better-
financed than you