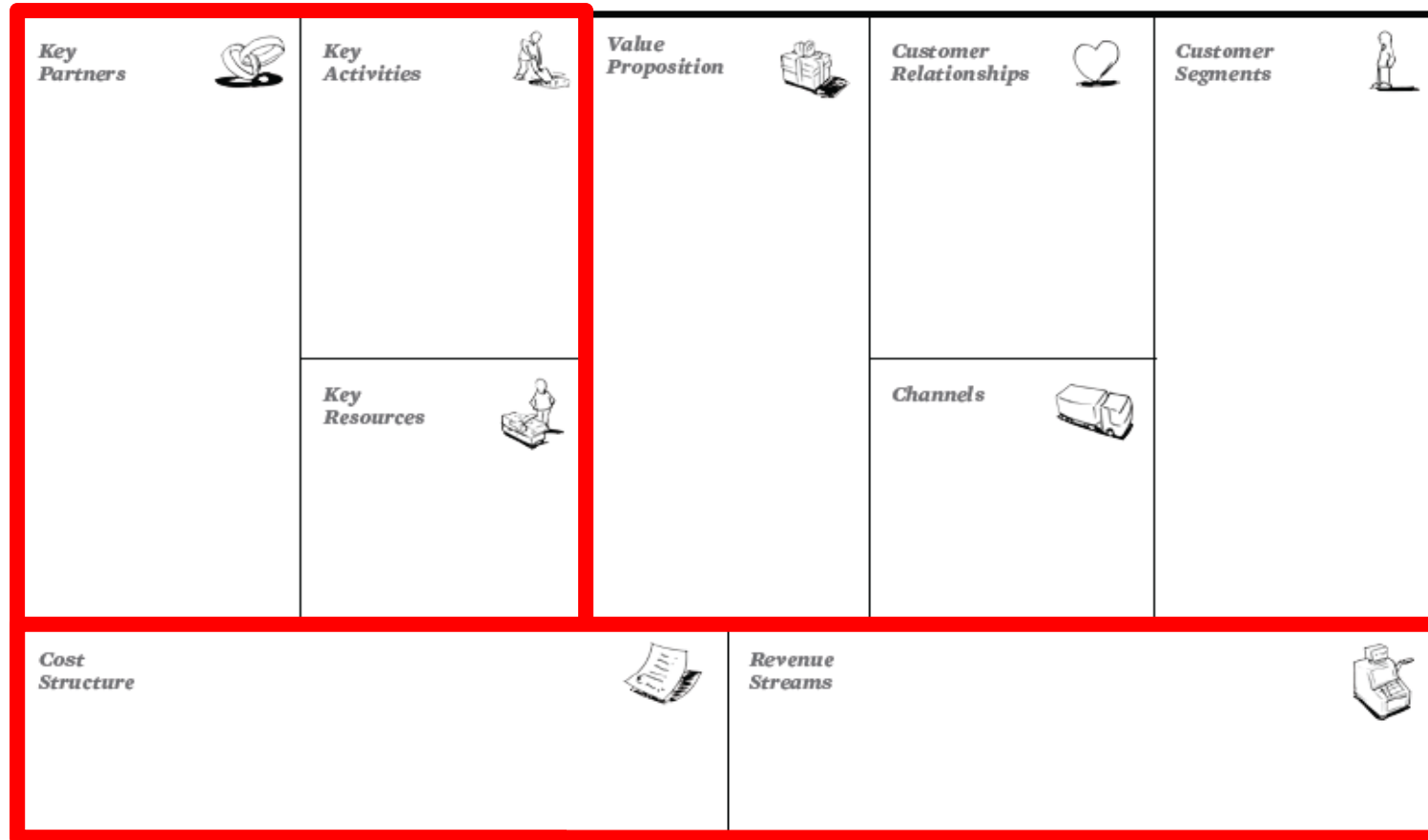

***The Business
Model Canvas
Part II of II***

The Business Model Canvas

Source: www.businessmodelgeneration.com/canvas



Revenue Streams

- Represents the cash a company generates from each Customer Segment
 - $\text{Revenues} - \text{Costs} = \text{Profits}$
 - Types of revenue streams
 - Transaction revenues resulting from one-time customer payments
 - Recurring revenues resulting from ongoing payments to either deliver a value proposition to customers and/or provide post-purchase customer support
-

Revenue stream opportunities require you to ask several core questions

- For what value are customers really willing to pay?
 - For what do they currently pay (competitors)?
 - How will this change in the future?
-

Ways to generate revenue streams

- Buying (asset sale)
 - Renting
 - Subscription
 - Licensing
 - Advertising
-

Key Resources

- Describes the most important assets required to make a business model work
 - Can be physical, financial, intellectual, or human
 - Key resources can be owned or leased by the company or acquired from key partners
-

Key Activities

- Describes the most important things a company must do to make its business model work
 - For PC manufacturer Dell, key activities include supply chain management.
 - For consultancy McKinsey, key activities include problem solving.
-

Key activities can be categorized

- Production
 - Designing, making, and delivering a product in substantial quantities and/or of superior quality
 - Problem solving
 - Coming up with new solutions to individual customer problems
 - Platform/network
 - Networks, matchmaking platforms, software, and even brands can function as a platform.
 - Activities relate to platform management, service provisioning, and platform promotion.
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Key Partnerships

- Describes the network of suppliers and partners that make the business model work
 - Types of partnerships:
 - Strategic alliances between non-competitors
 - Joint ventures to develop new businesses
 - Buyer-supplier relationships
 - Coopetition: strategic partnerships between competitors
-

Motivations for creating partnerships

- Optimization and economy of scale
 - Most basic form of partnership or buyer-supplier relationship designed to optimize resources and activities (i.e. reduce cost).
 - Acquisition of particular resources and activities
 - Extend capabilities by relying on other firms to furnish particular resources or perform certain activities
 - Motivated by needs to acquire knowledge, licenses, or access to customers
 - Reduction of risk and uncertainty
-

Cost Structure

- Describes all costs incurred to operate a business model
 - Creating and delivering value, maintaining customer relationships, and generating revenue all incur costs
 - Costs can be calculated relatively easily after defining key resources, key activities, and key partnerships
-

Cost Structure

- Cost-driven business models focus on minimizing costs wherever possible.
 - Aims at creating and maintaining the leanest possible cost structure, using low price value propositions, maximum automation, and extensive outsourcing.
 - Value-driven companies are less concerned with the cost implications, and instead focus on value creation.
 - Premium value propositions and a high degree of personalized service usually characterize value-driven business models.
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Summary

The Business Model Canvas

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