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LEARNING OBJECTIVES

- Describe the components of every business model and how the components relate to each other
- Describe different types of business models
- Develop a business model around a new product idea using Business Model Canvas and Lean Canvas techniques

AGENDA

- Business Model Canvas
- Some Common Business Models
- Lean Canvas

BUSINESS MODEL CANVAS

PRODUCT IS (USUALLY) NOT A BUSINESS

INSERT CLASS TITLE

A business is a repeatable process that makes money. Everything else is a hobby.



PAUL FREET - SERIAL ENTREPRENEUR

BUSINESS MODEL CANVAS

THE TENSION BUSINESS TECHNOLOGY

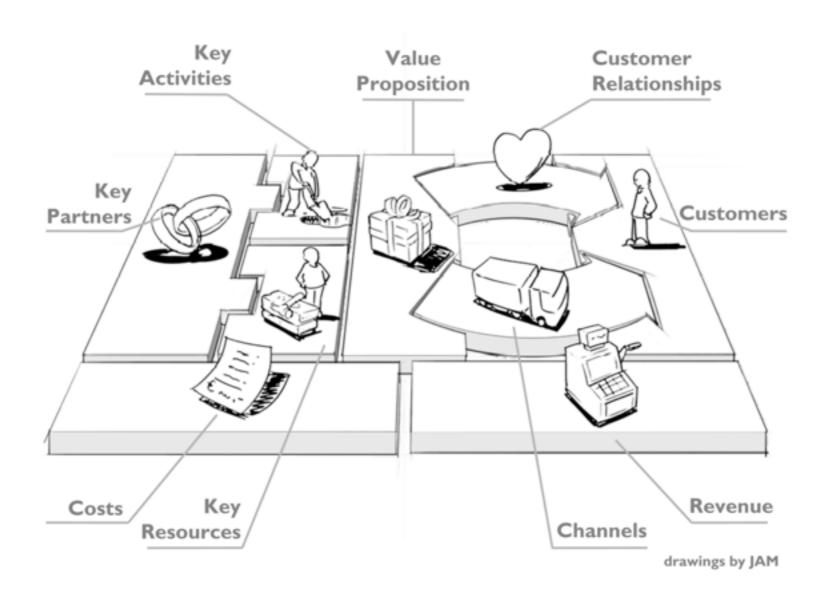
- What's the cost?
- What's the ROI?
- Does this fit the brand?
- What is the market?
- Who is my audience?
- What need does this fulfill?
- What is the competition?
- Are people willing to pay for this?

- 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



BUSINESS MODEL CANVAS



The Business Model Canvas

Designed for:

Designed by:

Iteration:

Key Partners

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



What Key Activities do our Yaker Propositions require? Our Distribution Charmels? Revenue streams?



Value Propositions

What value do we deliver to the custome? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segmen Which customer needs are we satisfying?





What type of relationship does each of our Customer Segments expect us to establish and maintain with them? How are they integrated with the rest of our business mode?

Customer Segments

for whom are we creating value? Who are our mod important customers?



Key Resources

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





Through which Channels do our Customer Segments wart to be reached?

How are we existing then now? How are our Charmes integrated? Which ones work heaf? Which ones are most cost-efficient?

How are we integrating them with customer routines?



Cost Structure

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



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?









ACTIVITY



KEY OBJECTIVE(S)

Learn to build a Business Model canvas.

TIMING

15 min 1. Get in 2-3 and move to the walls

2. Fill out a Business Model Canvas for LinkedIn

Materials: Whiteboard Markers or Stickies

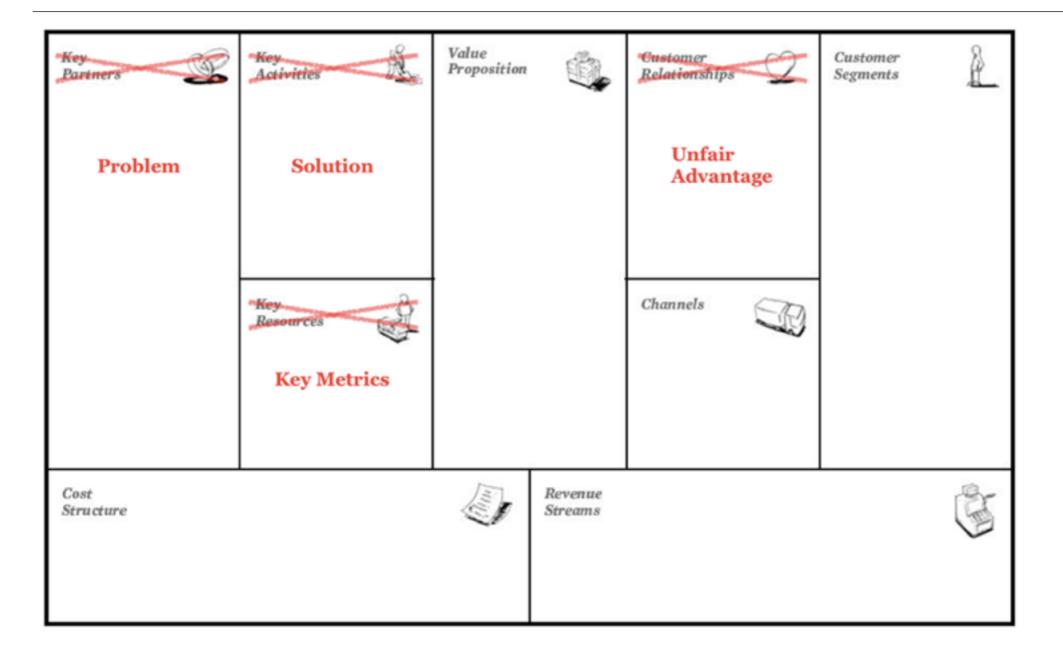
DELIVERABLE

Completed Business Model Canvas on the Wall

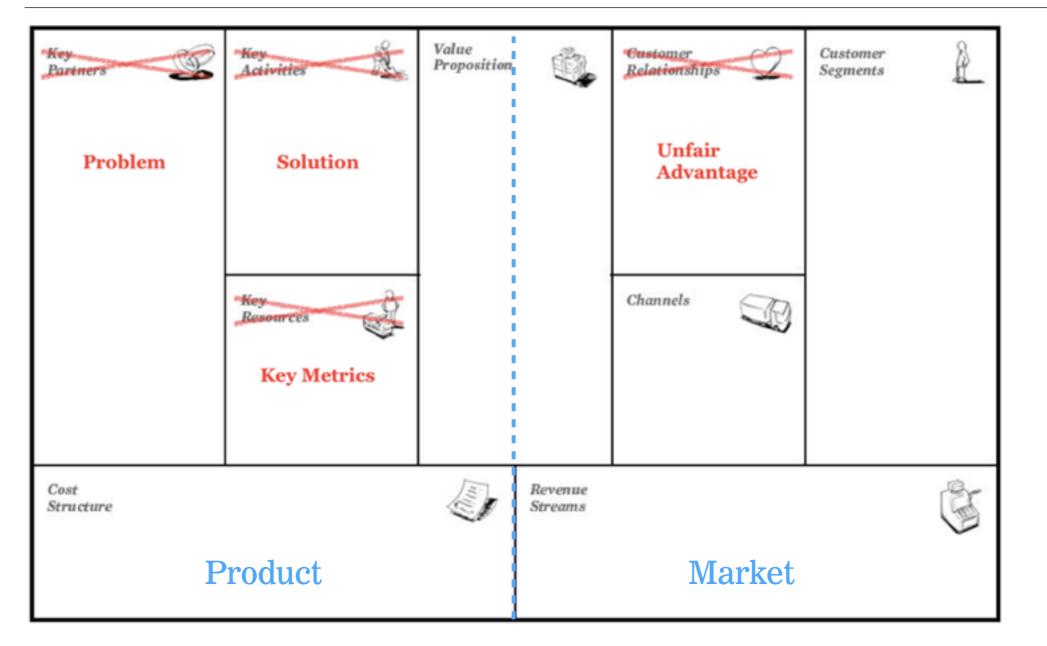
LEAN CANVAS

WHY LEAN CANVAS?

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



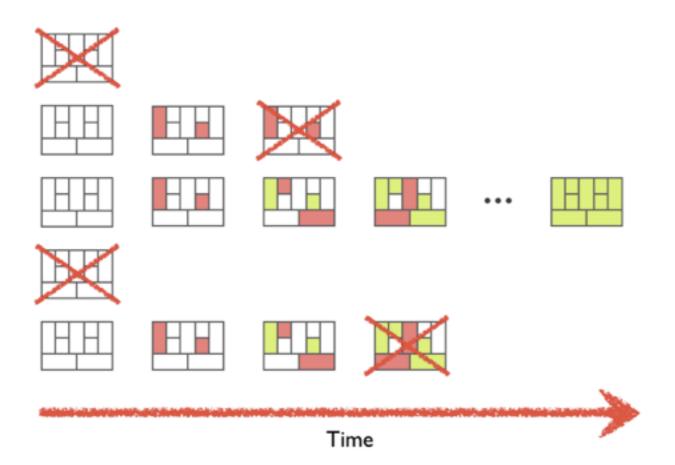
*created by Ash Maurya





*created by Ash Maurya

Systematically test your model



ACTIVITY



KEY OBJECTIVE(S)

Learn to build a lean canvas.

TIMING

- 20 min 1. In a 2-3, fill out a lean canvas for A Dog Walking app
 - 2. Identify the riskiest sections of the canvas.
 - 3. Brainstorm an experiment to test those sections.

DELIVERABLE

Lean Canvas, Risks, and Experiment

DEBRIEF

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 week unique value proposition
- 04) Not enough runway
- 03) No significant path to customers
- 02) No monetizable pain
- 01) Falling in love with your solution

INSERT CLASS TITLE

COMMON BUSINESS MODELS

E-COMMERCE SUBSCRIPTION AD-SUPPORTED MEDIA FREEMIUM FREE TO PLAY

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
 - Profit = Traffic * Conversion Rate * (Avg Sale Price *% Transaction Fee) - Cost



Traffic: 111M per month

Conversion Rate: 10%

Avg Sale Price: \$30

Transaction Fee: 3.5%

SUBSCRIPTION

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







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.

FREEMIUM

- Majority of customers don't pay anything and have usable product for long periods of time.
- Funded by power users who convert to paid over time
- Profit = Traffic * conversion to free trial * conversion to paid subscription * price per month * avg subscription length





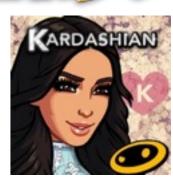


FREE TO PLAY (F2P)

- Customers receive a playable game for free
- Additional content or other incentives available as paid option
- Users may earn bonuses for 'viral' actions
- Profit = (Ad revenue) + (In app purchases)
- Key Metrics: DAU and MAU, In App Purchase conversion

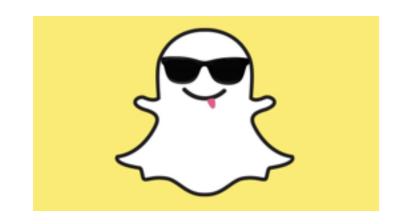






PRE-REVENUE MODELS

Designed to be acquired by larger company or monetized later.







BUSINESS MODELS

MESSAGING APPS?

Freemium model applies to many messaging apps.

10 ways that free messaging apps monetize

Free messaging apps didn't have a business model until along came stickers and games platforms. This post looks at the options for messaging apps to monetise.

	X M	(Q) KakaoTalk	Tango	Nimbuzz	Viber	LINE	WeChat	WhatsApp
Paid for/ Subscription	No	No	No	No	No	No	No	Yes
Advertising	No	No	No	Yes	No	No	No	No
Stickers	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Sponsored stickers	No	Yes	No	No	No	Yes	Yes	No
Official accounts	No	Yes	No	No	No	Yes	Yes	No
Content merchandising	No	No	No	No	No	Coming soon	No	No
Other content – filters, themes	No	Yes	No	No	No	Yes	Yes	No
Platform SDK incl in-app purchases	Yes	Yes	Yes	Limited	No	Yes	Yes	No
Commerce incl payments	No	No	No	No	No	Coming soon	Yes	No
Music	No	No	No	No	No	Coming soon	No	No
Call termination	No	No	No	Yes	Limited trial	No	No	No

RECAP

BUSINESS MODEL DESIGN RECAP

LEARNING OBJECTIVES

- Business Model Design helps you think about a business not just a product
- You can use either the Business Model Canvas or the Lean Canvas to sketch your business

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?

Can write on "sticky" notes.

Key Activities

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



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?

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 Segments

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

Key Resources

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



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



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?



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?

American American Control of Control Policial Policial American Am



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

RESOURCES

Business Model Canvas

- Business Model Generation (book)
- BusinessModelGeneration.com (has 72 page free preview of book)

Lean Canvas

- Running Lean (book)
- practicetrumpstheory.com (blog by book author with good free posts)

- 1. What business model does Facebook follow?
 - 1. Ecommerce
 - 2. Subscription
 - 3. Ad-Supported
- 2. What is a benefit of the lean canvas?
 - 1. Focuses on business partnerships.
 - 2. Helps identify the riskiest parts of the business.
 - 3. Allows you to see customer relationships easily.
- 3. Which is NOT a section of the business model canvas?
 - 1. Customer Relationships
 - 2. Channels
 - 3. Metrics
 - 4. Key Partners