

## BUSINESS MODEL CANVAS

### Business Model:

- A business model is a set of planned assumptions about how a firm will create value for all its stake-holders.
- A business model is a framework that connects a technology to economic profit.
- The business model answers questions about the customers, profit and value.

### Business Design:

- The design of a business is the means for delivering value to customers and earning a profit from that activity.
- It also incorporates the selection of customers, its offerings, the tasks it will do itself and those it will outsource and how it will capture profits.

A business model is a model that describes the design or architecture of the mechanism implied for value creation, value delivery and value capture.

**VALUE CREATION:** Focussed on customer. The product is defined from the point of view of the customer- the deep truth. A customer does not need a product they need a solution. We also need to look at the customers who are not satisfied with the current services- defining a target customer. We also need to define certain values for our stake holders

**VALUE DELIVERY:** There are some key activities through which we deliver this value to the customer. We also would need some resources – either created or obtained from the market. We would also need some network partners to deliver that value to the customer.

**VALUE CAPTURE:** From where we are getting the money:

- Revenue
- How much the customer is willing to pay
- How can we get the customer to pay
- How much cost is required to prepare the product and send to the customer

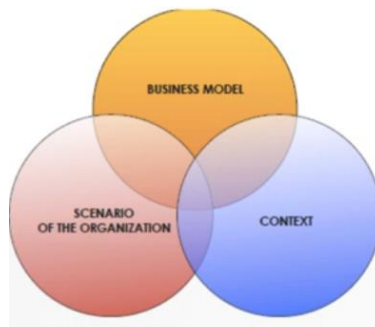
### Why do so many startups fail in India?

- Solving an irrelevant customer job:
  - o Failing to achieve product-market fit
  - o Your products and services sufficiently alleviate pains or create substantial gains
- An inconsistent BM
  - o Generate more costs than revenues from customers
  - o Fail to establish customer relationships that allow you to successfully retain and grow your customer base sustainably
- Neglecting the external threats in the BM environment
  - o Changes in macro environment like shifting technological, regulatory, societal, cultural and socioeconomic trends can have a big impact on the viability of your business model, both in the near and distant future
- Poor execution:

- Good companies execute flawlessly but the best companies seek to improve and refine their business models relentlessly while proactively looking for ways to reinvent them entirely.

#### **Elton-Pickford Framework:**

- What are the fundamental characteristics of the targeted Business Model?
- How well do they fit the context and scenario specificity & uniqueness?
- What are the specific organization objectives(Growth, Performance, Positioning, Differentiation, etc)
- The context highlights the critical elements to take into account in the external context of the company.
- What are the key market characteristics, socio-economic environment, consumer habits, etc?



#### **Case Studies:**

- **Encranta-2007**
  - BM:
    - universal multimedia encyclopedia
    - rich and high quality content
    - sales of digital products, subscription for online access
  - Scenario:
    - Model viability, revenue streams, manufacturing costs
    - Differentiation through content quality
    - Multi-platform products- CD, DVD, Online
  - Context:
    - Improvement of web content in general
    - Entru of a competitor with a free and collaborative business model
  - Reasons for failure:
    - Profitability of products(Model Viability)
    - Emerging competition(Environment)
    - Business Model not developed further(Company Failure)
- **Iridium- Motorola**
  - BM:
    - Call from anywhere in the world
    - Sales of phones
    - Sales of subscriptions
  - SCENARIO:
    - To become the world leader in the telecom market
    - To deploy a large scale network

- To manage the world phone network
    - To win a major technological challenge
  - CONTEXT:
    - Rise of competition
    - New emerging technologies
    - Costs decrease of the telecom infrastructure
    - Increase in customer demand
  - Reasons for failure:
    - Profitability of the value proposition (Model viability)
    - Emerging competition (Environment)
    - Technological development (Environment)
    - Project management (Management)
- **Spanair:**
  - BM:
    - Major destination: Spain, Europe, Latin America
  - SCENARIO
    - Major variable costs
    - Financial difficulties- debts
    - Fixed costs reduction
  - CONTEXT:
    - Highly competitive market
    - New Entrant
    - Constraints through new security norms
    - Growing customer awareness of security rules
  - WHY IT FAILED:
    - Massive increase in fuel costs (Environment)
    - Highly competitive forces (Environment)
    - Costs reduction with major impact on the main value proposition (Management)
- **EASTMAN KODAK COMPANY**
  - Business Model:
    - Manufacturing of photographic films
    - Manufacturing of photo camera
    - Very high margins
  - SCENARIO:
    - Counteract against market evolution
    - Re-inforce the existing business model
    - Patent as much as possible in order to block the digital market
  - CONTEXT:
    - Technology development
    - Photo camera as consumer goods in a mass market
    - Change in customer in phase with customer expectations
  - WHY FAILED:
    - Change in behaviour: Camera as a consumer good for mass markets (Environment)
    - Technology development and revolution (Environment)
    - Strong focus on Margin protection (Company Culture)

**KEY TAKEAWAYS:**

- Running out of money is a small business's biggest risk.
- Inexperience managing business
- Poor planning or executing market campaigns.