

SESSION 6

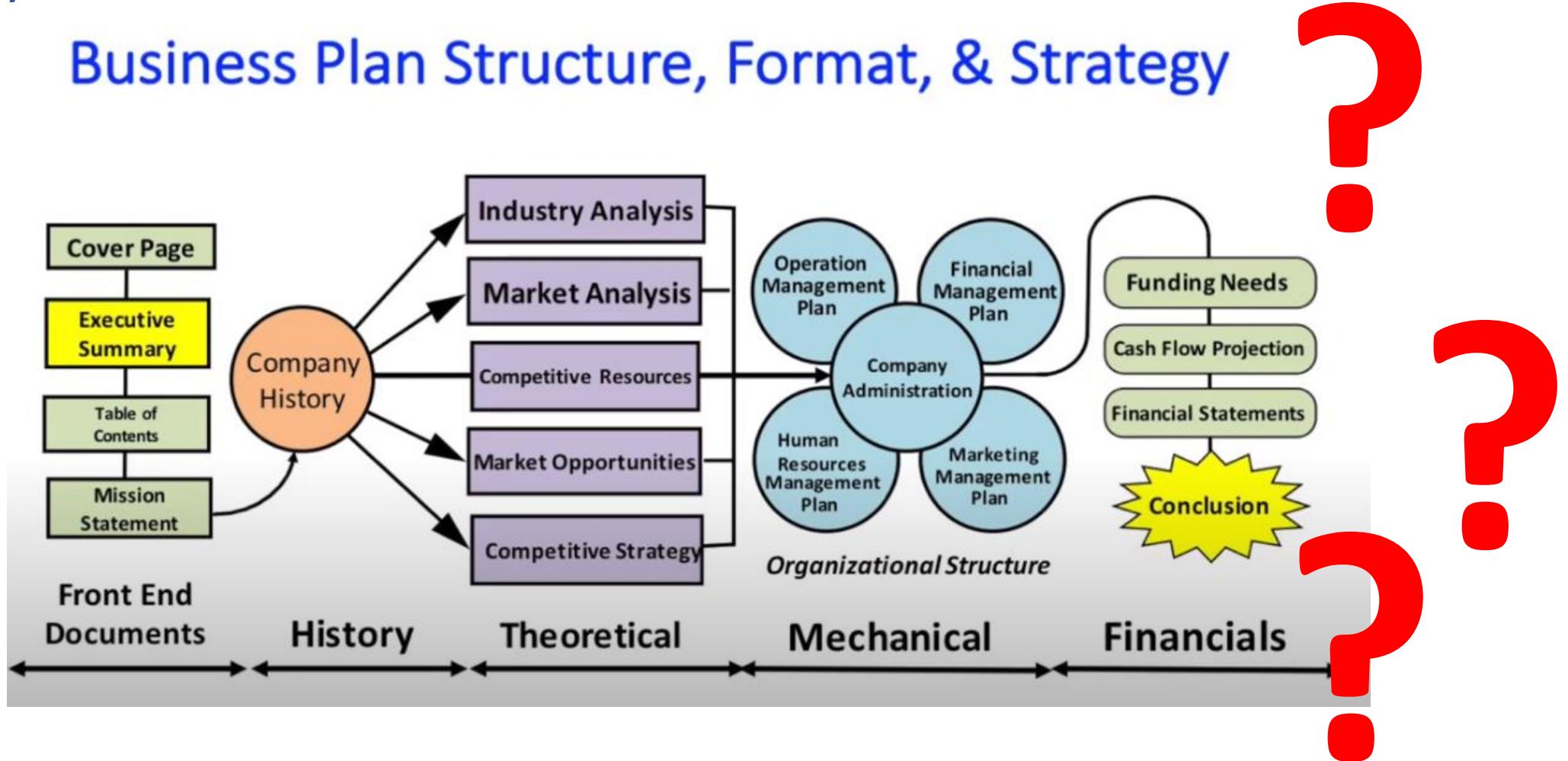
PART 2 - Business Model Canvas

1. Business Plan
2. Business Model Canvas vs Business Plan
3. 9 Building Blocks
4. BM validation

Question: What is a business Plan ?

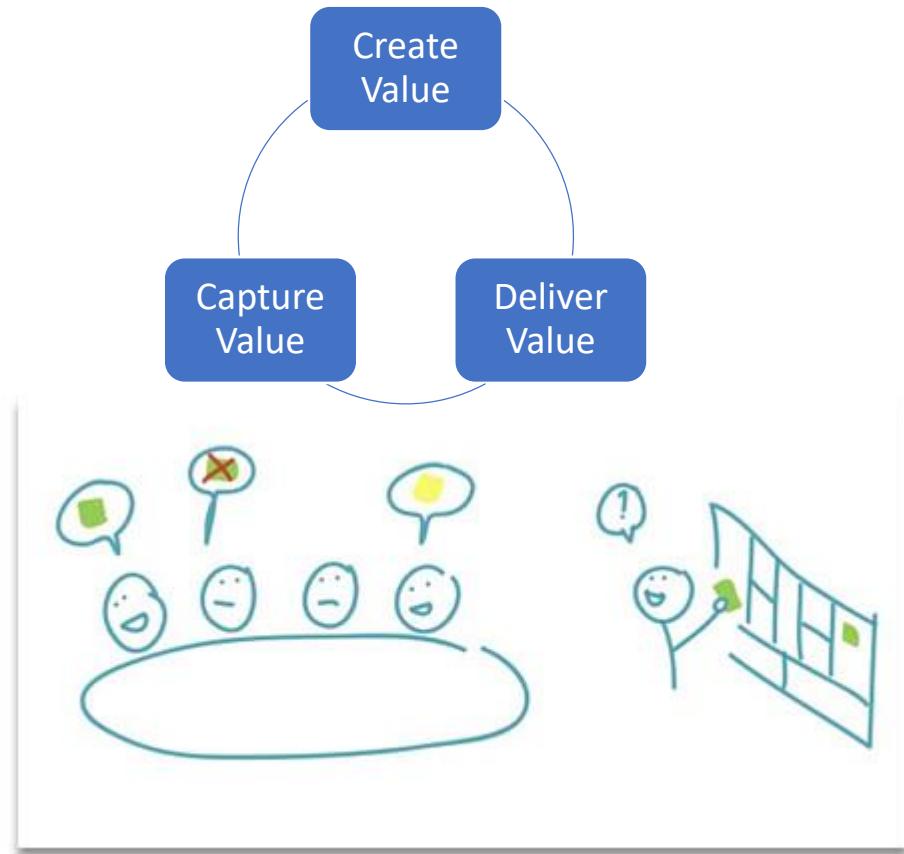
How do you do it ?

Business Plan Structure, Format, & Strategy

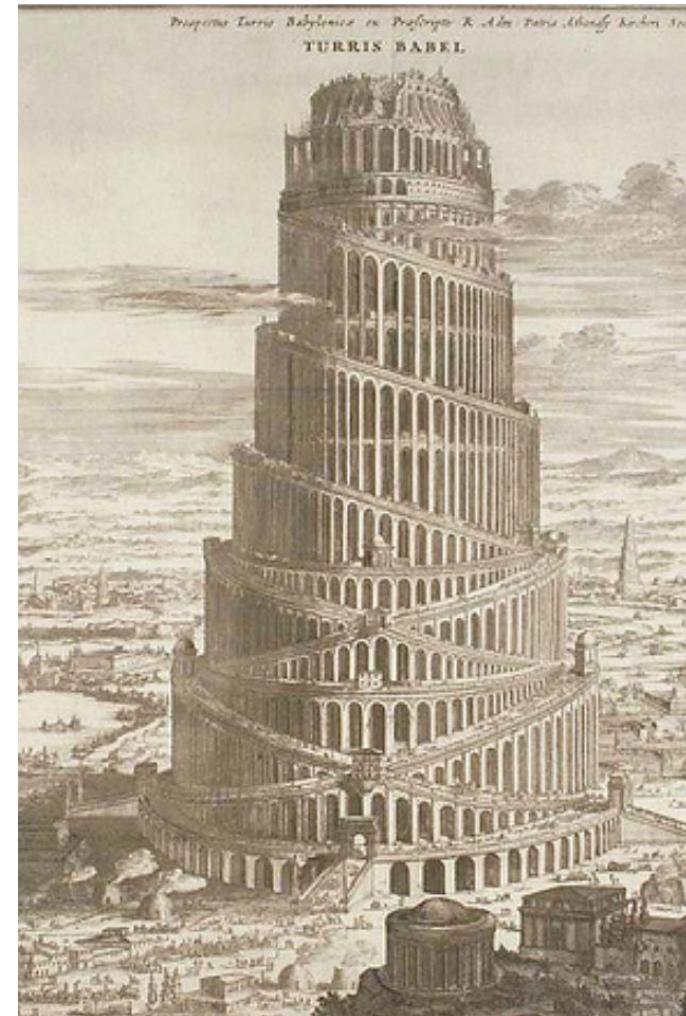


Business Model Canvas

Introduced by Alexander Osterwalder 2005



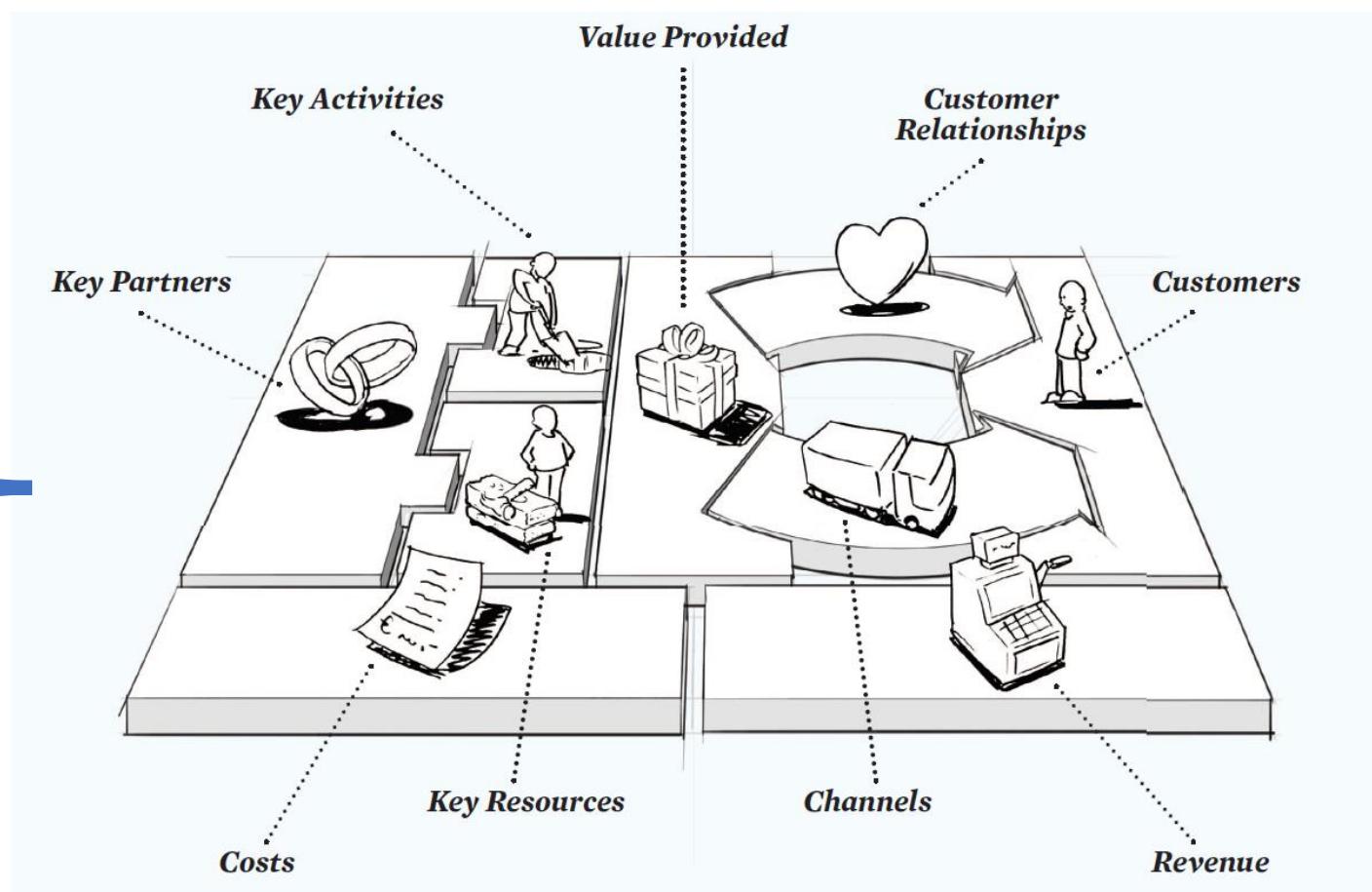
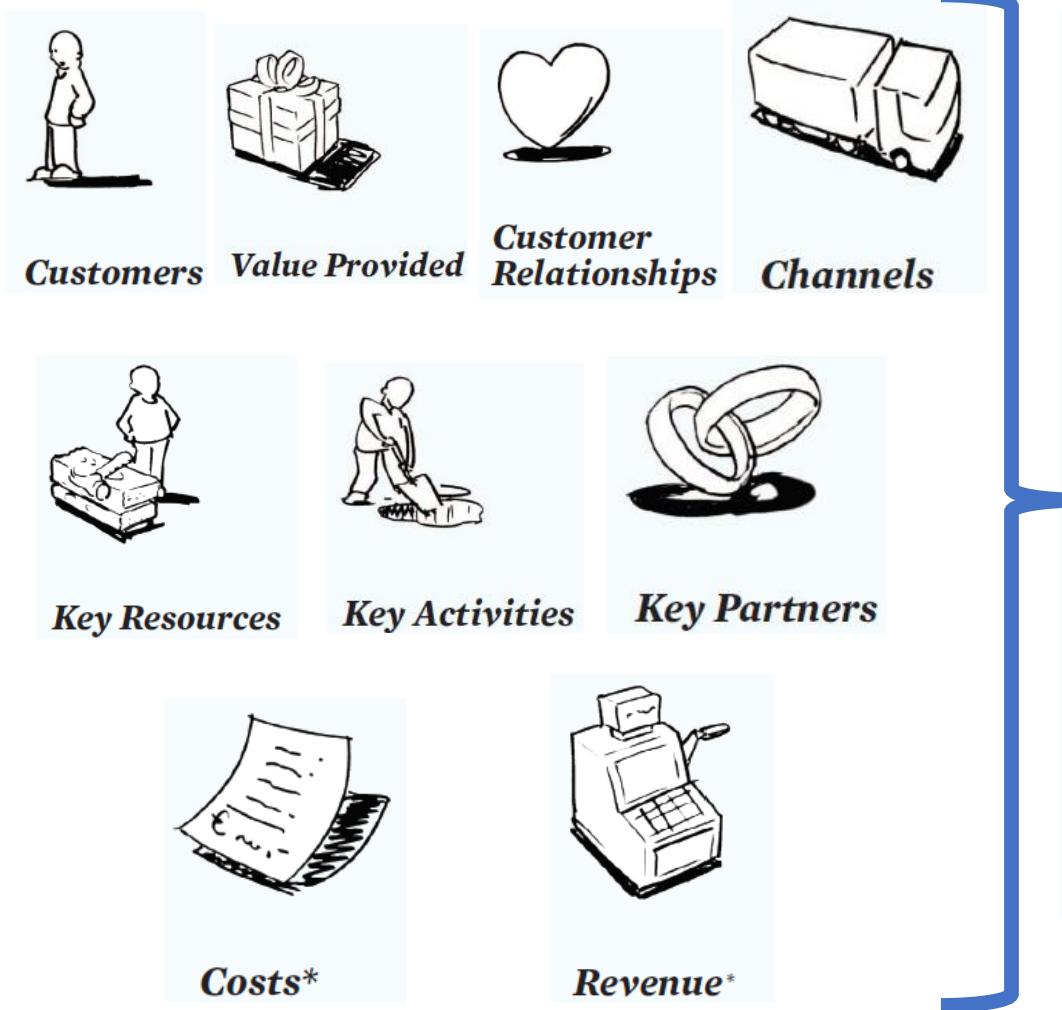
The blah blah blah meeting



The tower of Babel (myth from the Book of Genesis)

BIZ MODEL CANVAS – 9 BUILDING BLOCKS

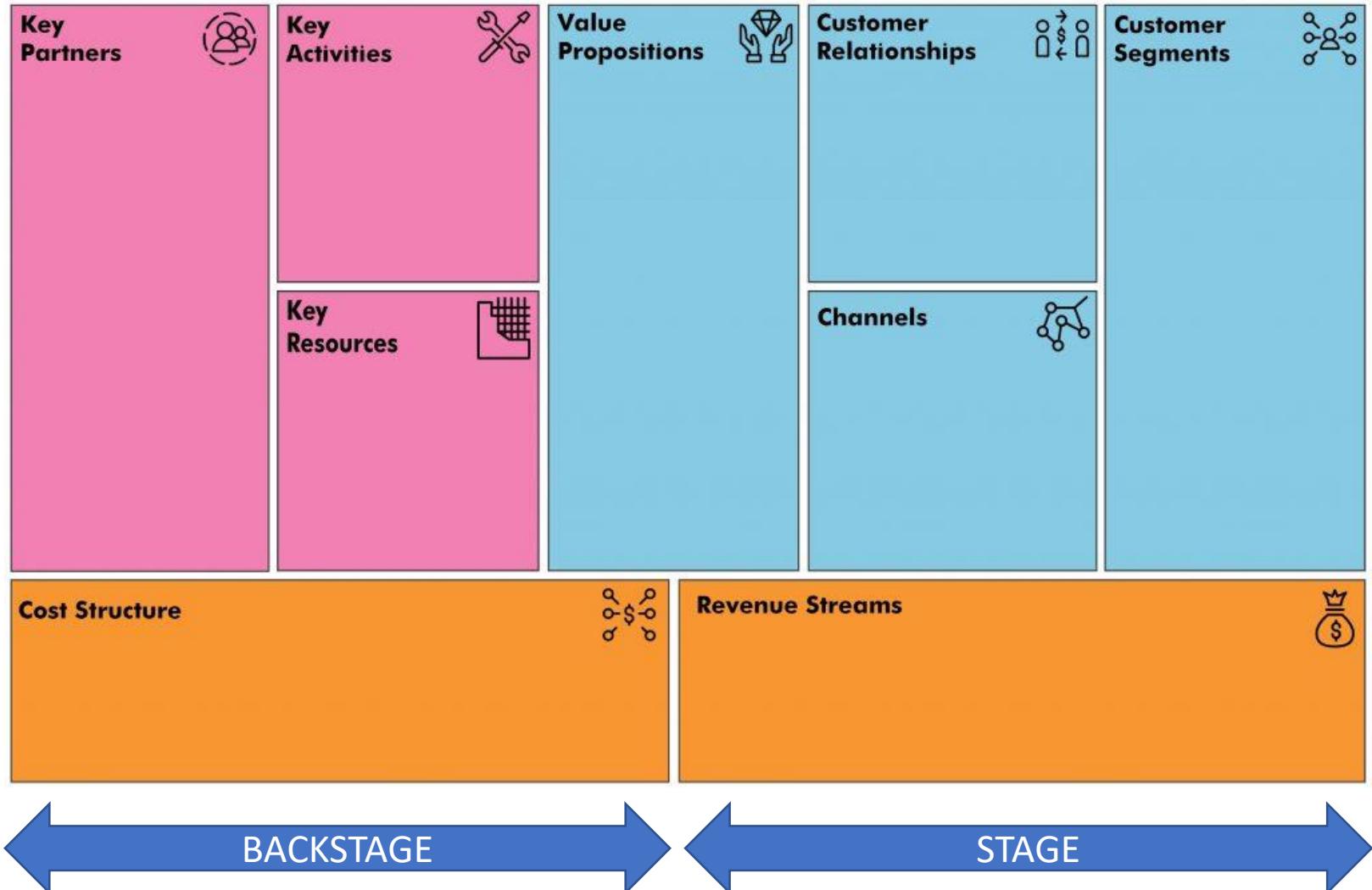
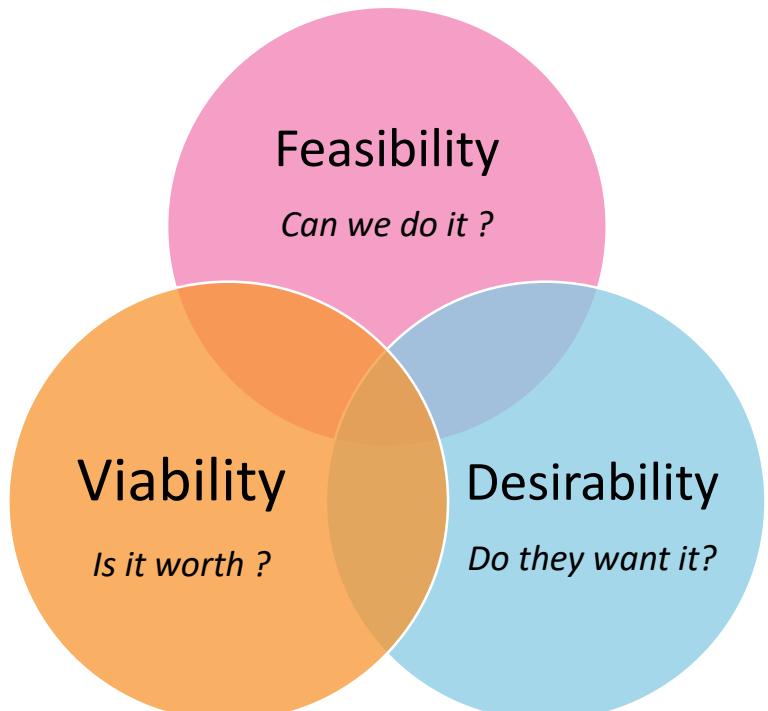
How do you create, deliver and capture value



BIZ MODEL CANVAS – 9 BUILDING BLOCKS

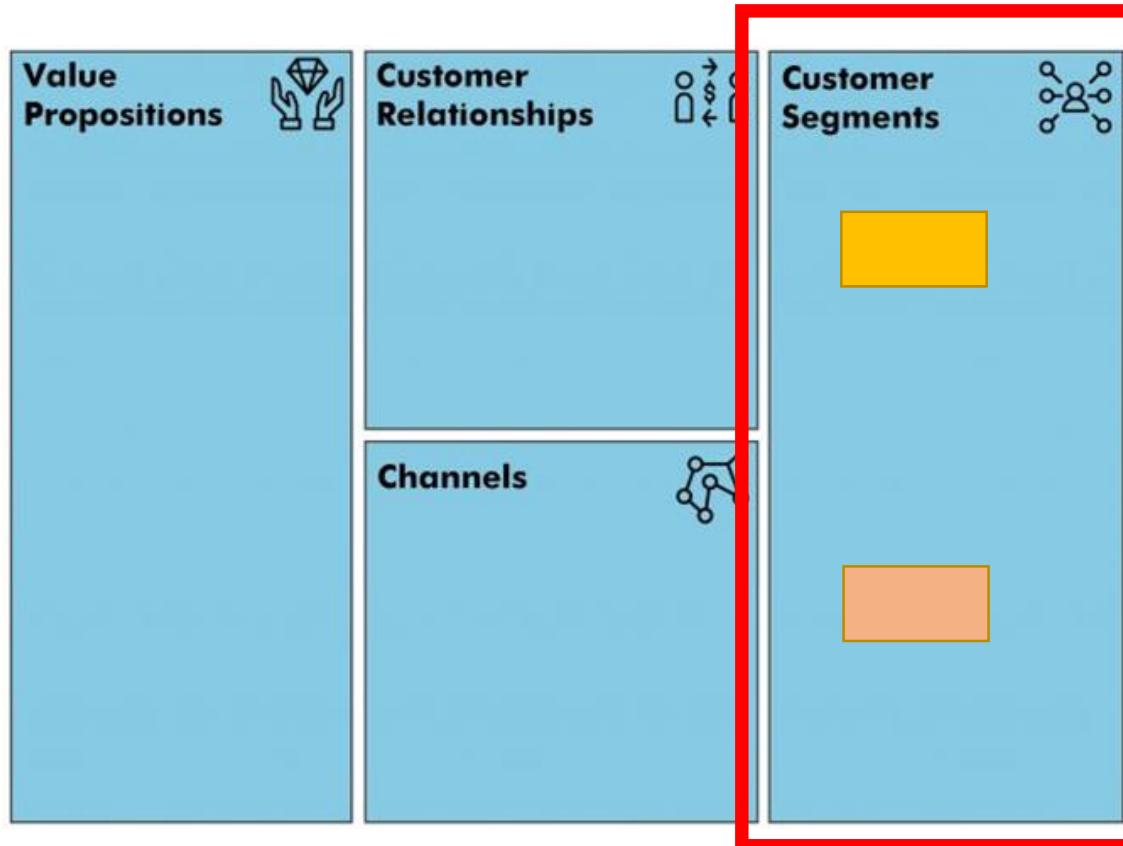
How do you create, deliver and capture value

- Create business model
- Describe business model
- Communicate business model



CUSTOMER SEGMENTS

Customers do not exist to BUY from you, you exist for them



CS

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

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

Hypothesis
CUSTOMER PERSONA

VALUE PROPOSITION

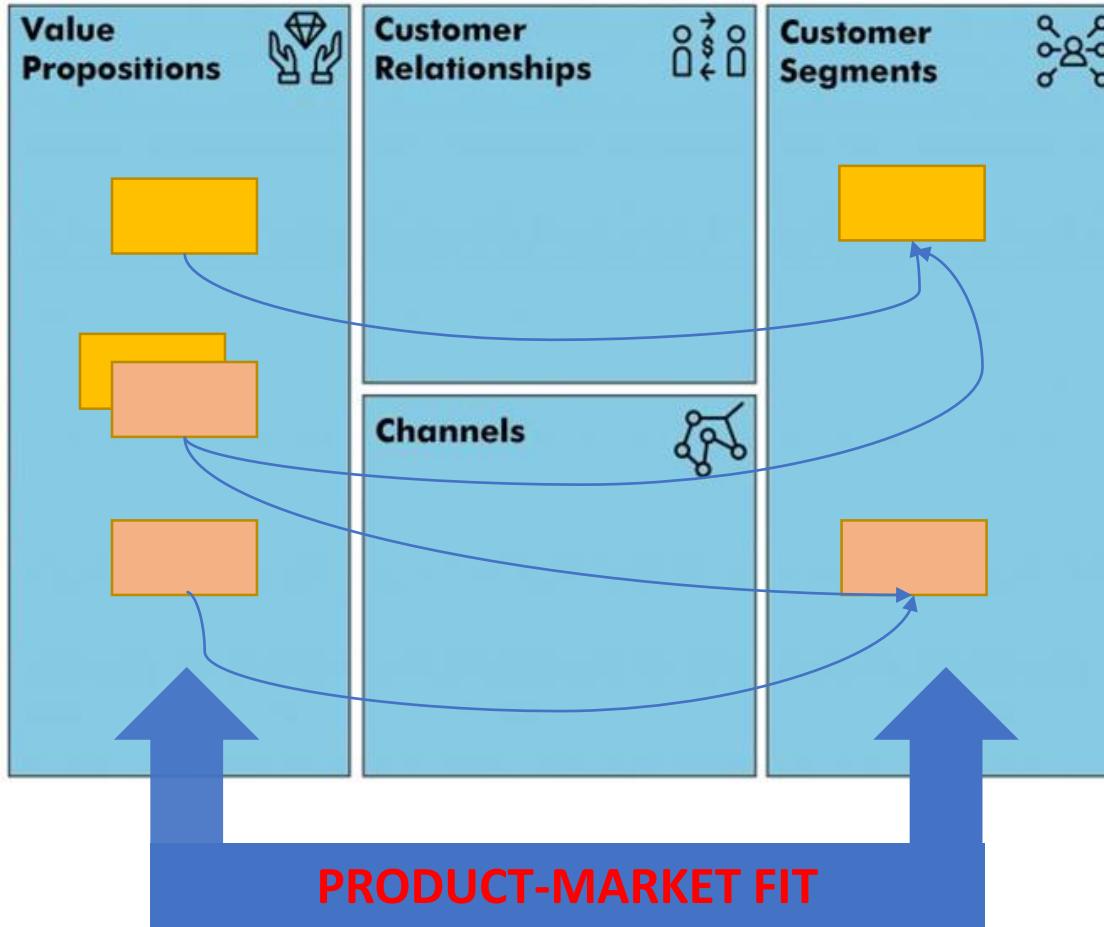


VP

- 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

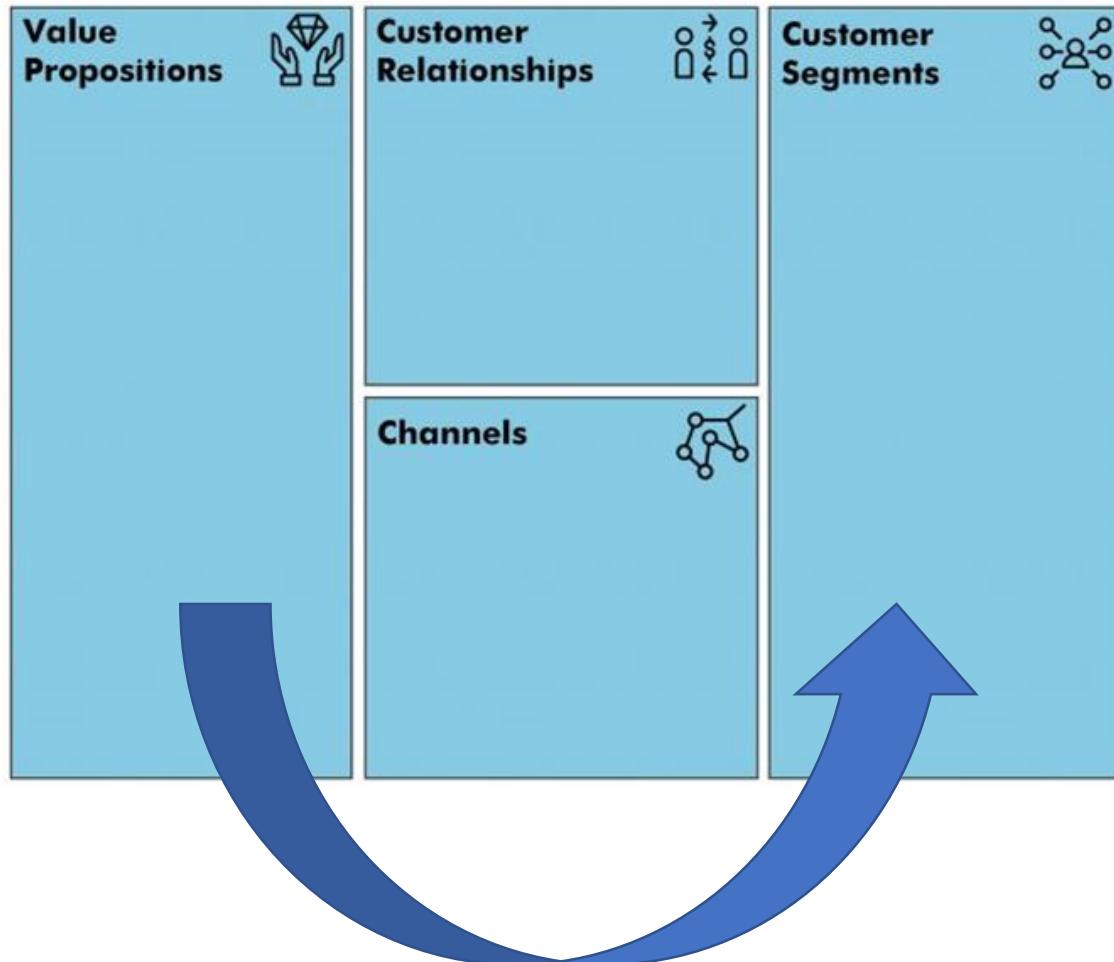
Newness
Performance
Customization
“Getting the Job Done”
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability



CUSTOMER CHANNELS

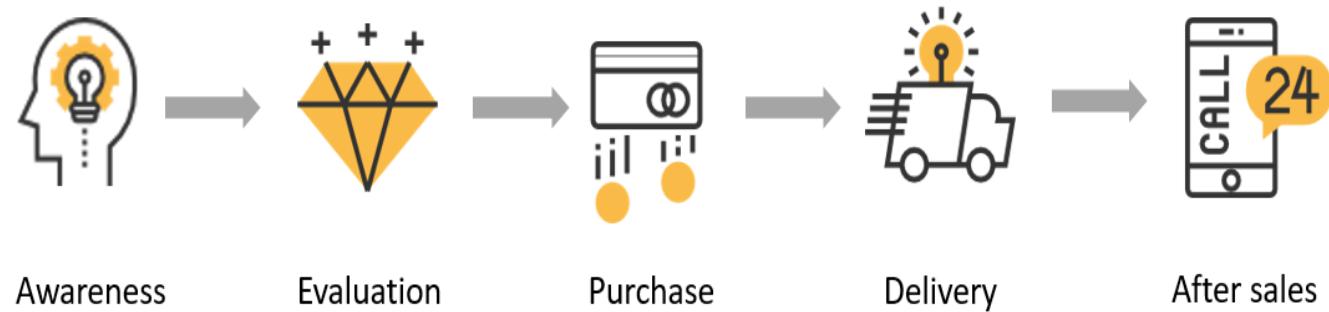


CH



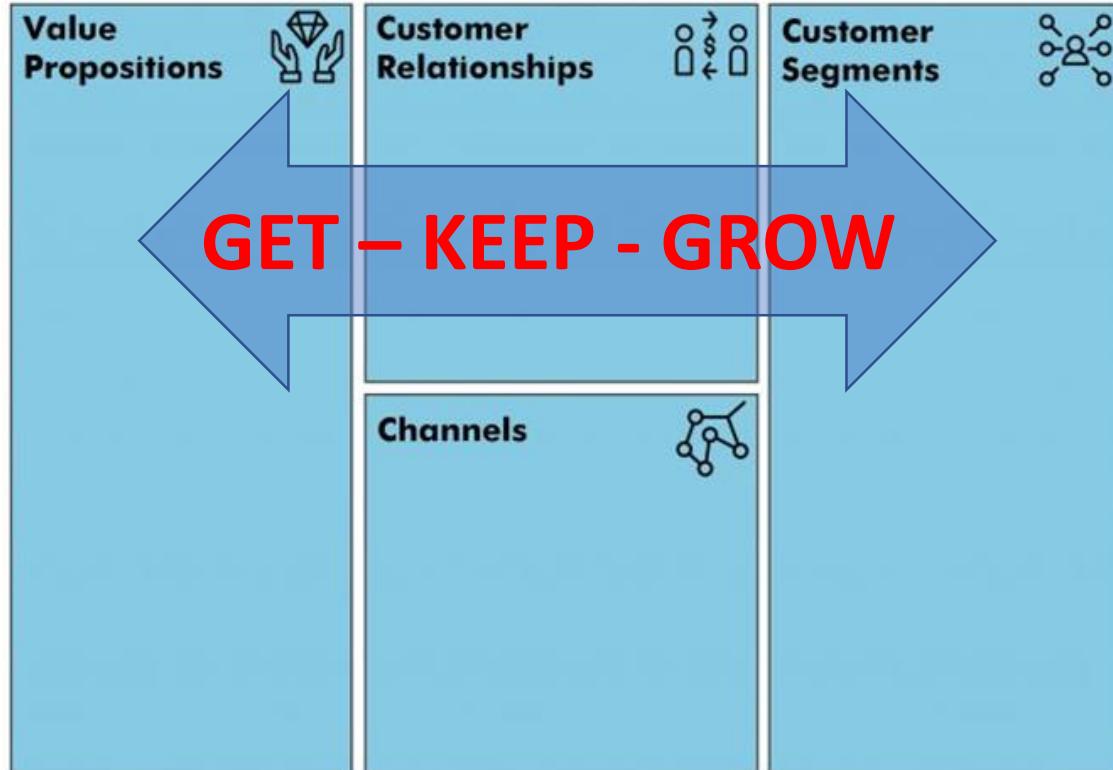
- Through which Channels do our Customer Segments want to be reached?
- How are we reaching them now?
- How are our Channels integrated?
- Which ones work best?
- Which ones are most cost-efficient?
- How are we integrating them with customer routines?

Five Channel Phases



CUSTOMER RELATIONSHIPS

How do you Get, Keep and Grow customers



CR

- 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

REVENUE STREAMS



R\$

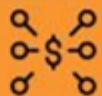
- For what value are our customers really willing to pay?
- For what do they currently pay?
- How are they currently paying?
- How would they prefer to pay?
- How much does each Revenue Stream contribute to overall revenues?

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

Cost Structure



Revenue Streams



KEY RESOURCES



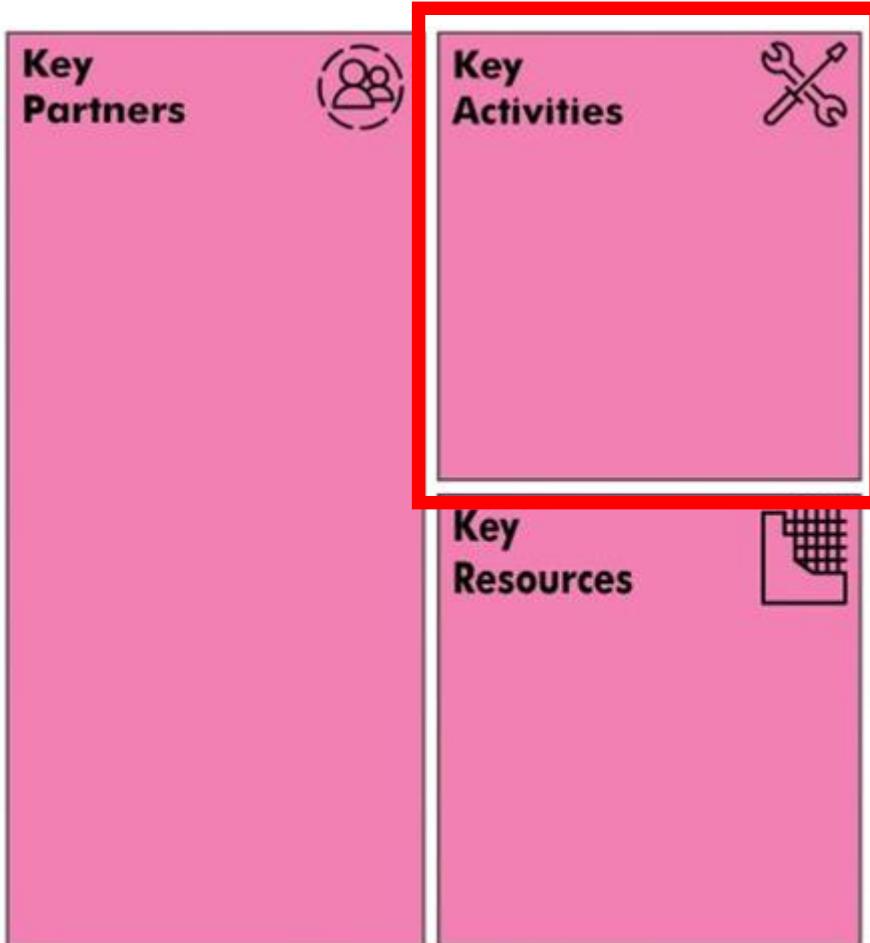
KR

- 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

KEY ACTIVITIES



KA

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

CATEGORIES

- Production
- Problem Solving
- Platform/Network

KEY PARTNERSHIPS



KP

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

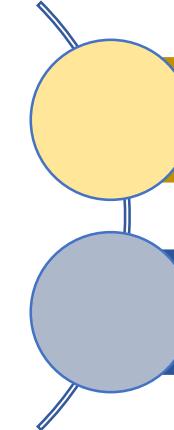
MOTIVATIONS FOR PARTNERSHIPS

- Optimization and economy of scale
- Reduction of risk and uncertainty
- Acquisition of particular resources and activities

COST STRUCTURE

C\$

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



Cost Leadership



Differentiation

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

Cost Structure



Revenue Streams

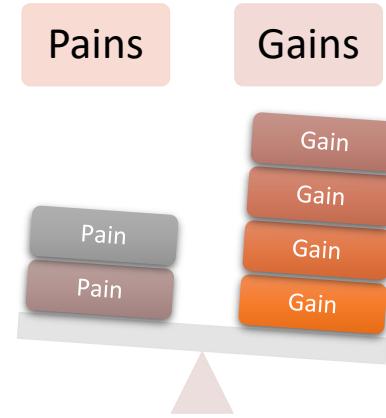


VALUE PROPOSITION CANVAS

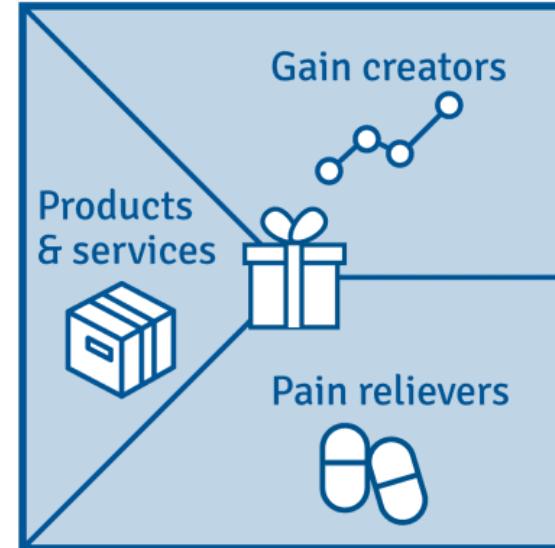
Alleviate Pains, Create Gains !

Questions

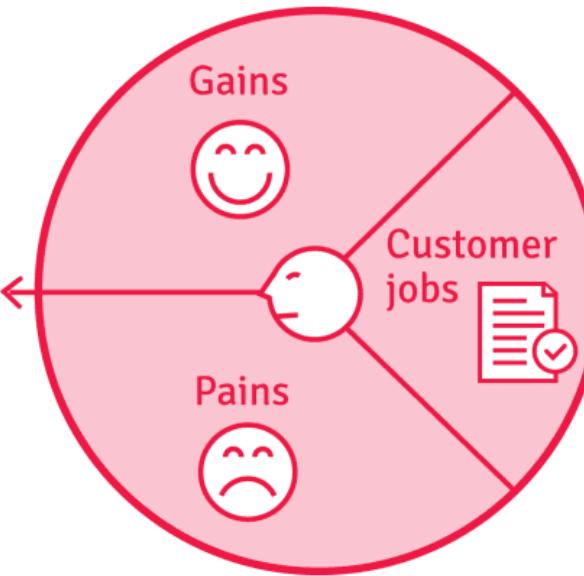
- What Value do I deliver ?
- Who are my customers ?



Value Proposition



Customer Profile



Questions

- What do we offer to the customer ?
- Are those products/services pain reliever ?
- What ?

PRODUCT-MARKET FIT



Questions

- What the customer do, what problems they have ?
- What pains are they experiencing ?
- What are they looking for and receiving?

VP CANVAS – Best Practice

Alleviate Pains, Create Gains !

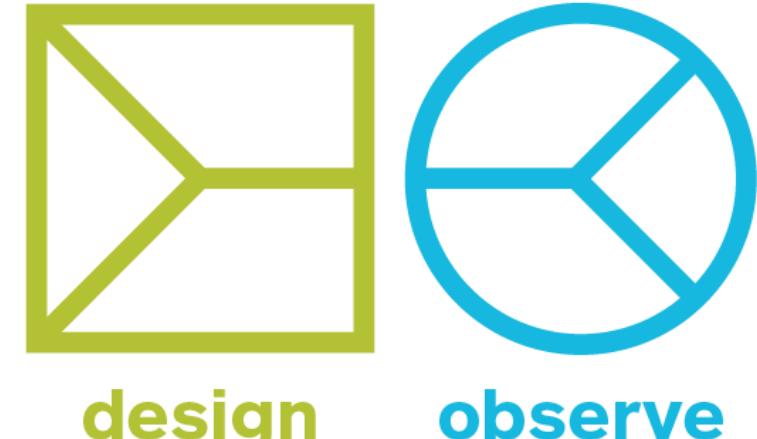
- 1. Look at the VPC as 2 separate building blocks**

- 2. Do not mix several customer segments into one canvas**

- 3. Don't Create your Customer Profile through the lens of your value proposition**

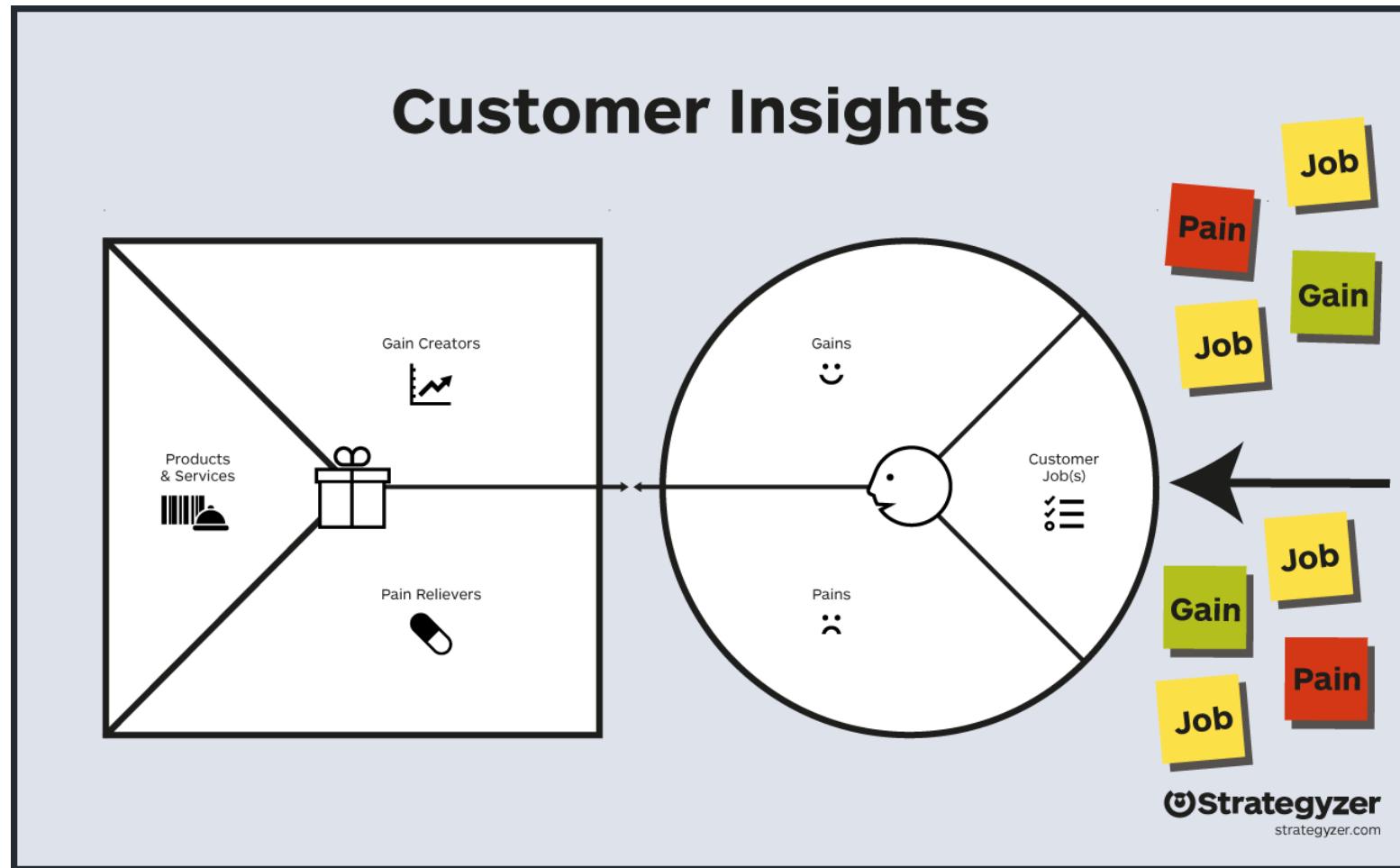
- 4. Do not focus only on functional jobs, there are personal, emotional jobs, social jobs**

- 5. Do not try to address every customer pain and gain**

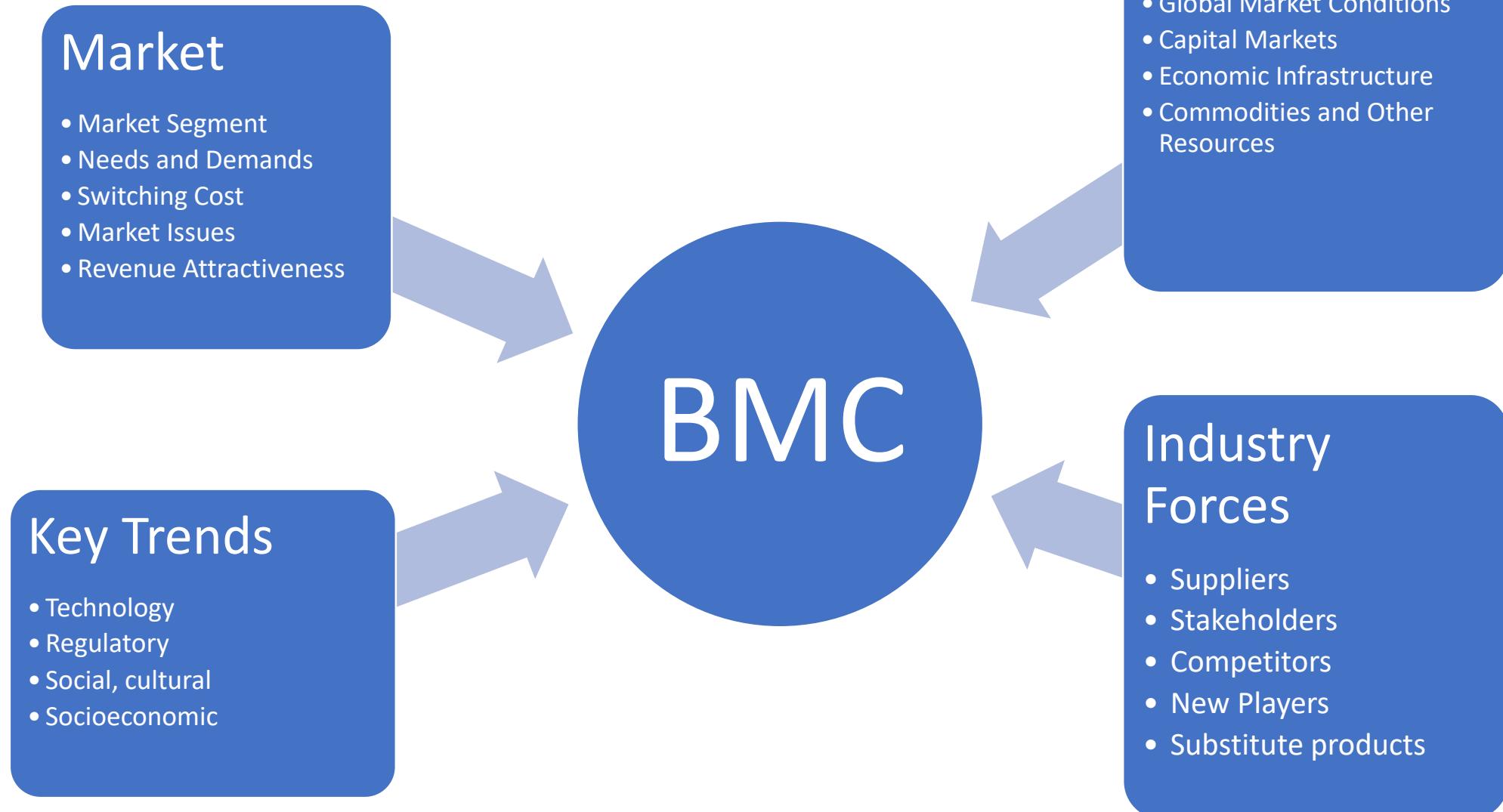


CUSTOMER DISCOVERY

Alleviate Pains, Create Gains !



EXTERNAL THREATS



TYPES OF BUSINESS MODELS and EXAMPLES

Multi-sided platform



FREEMIUM

Bail and Hook

Gillette



youSENDit

flickr

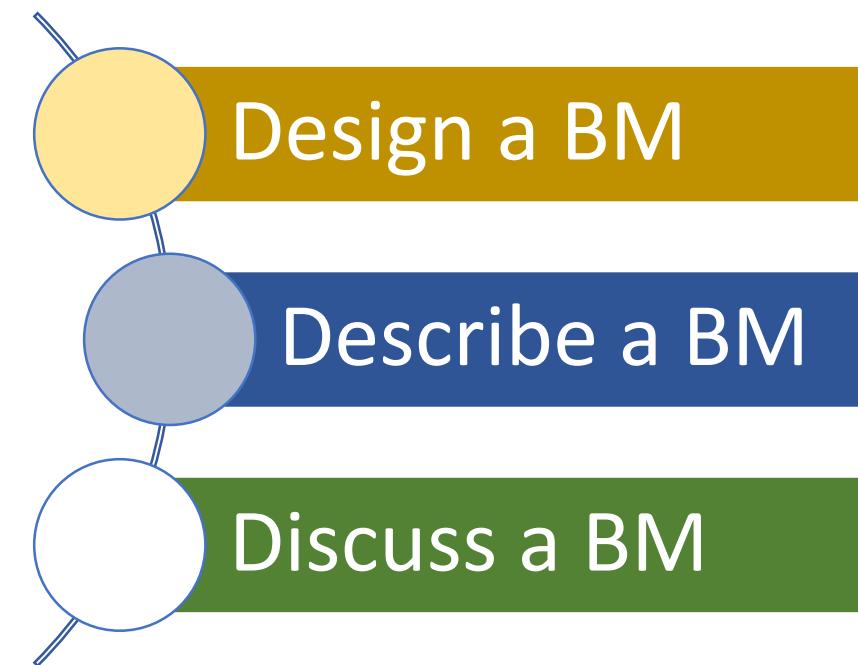
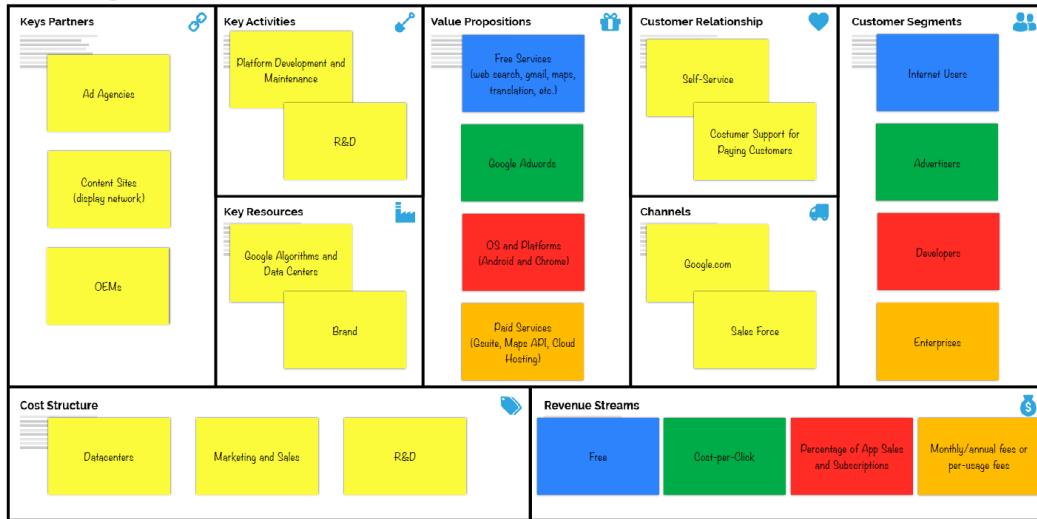
Subscription model

HBO GO

NETFLIX

BUSINESS MODEL CANVAS

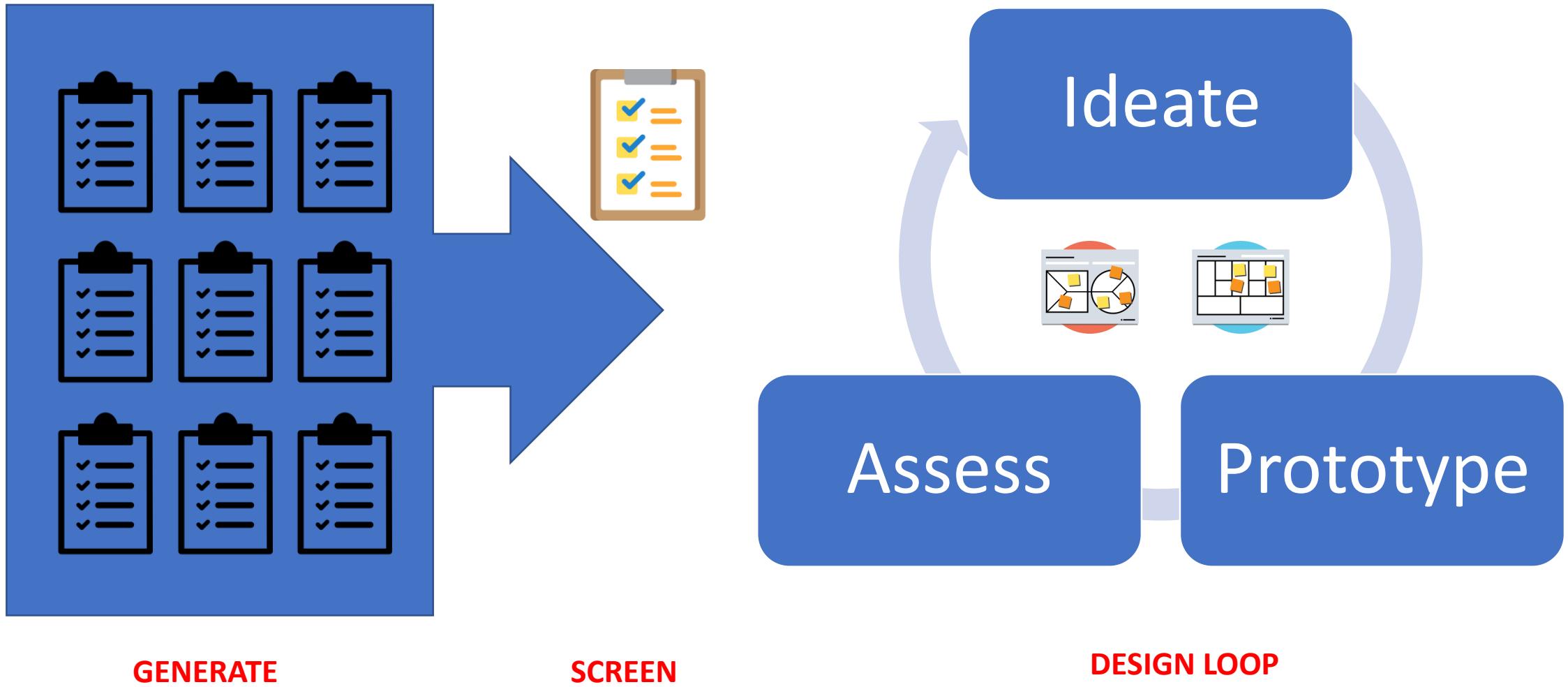
Google - Business Model Canvas



In-Class Exercise

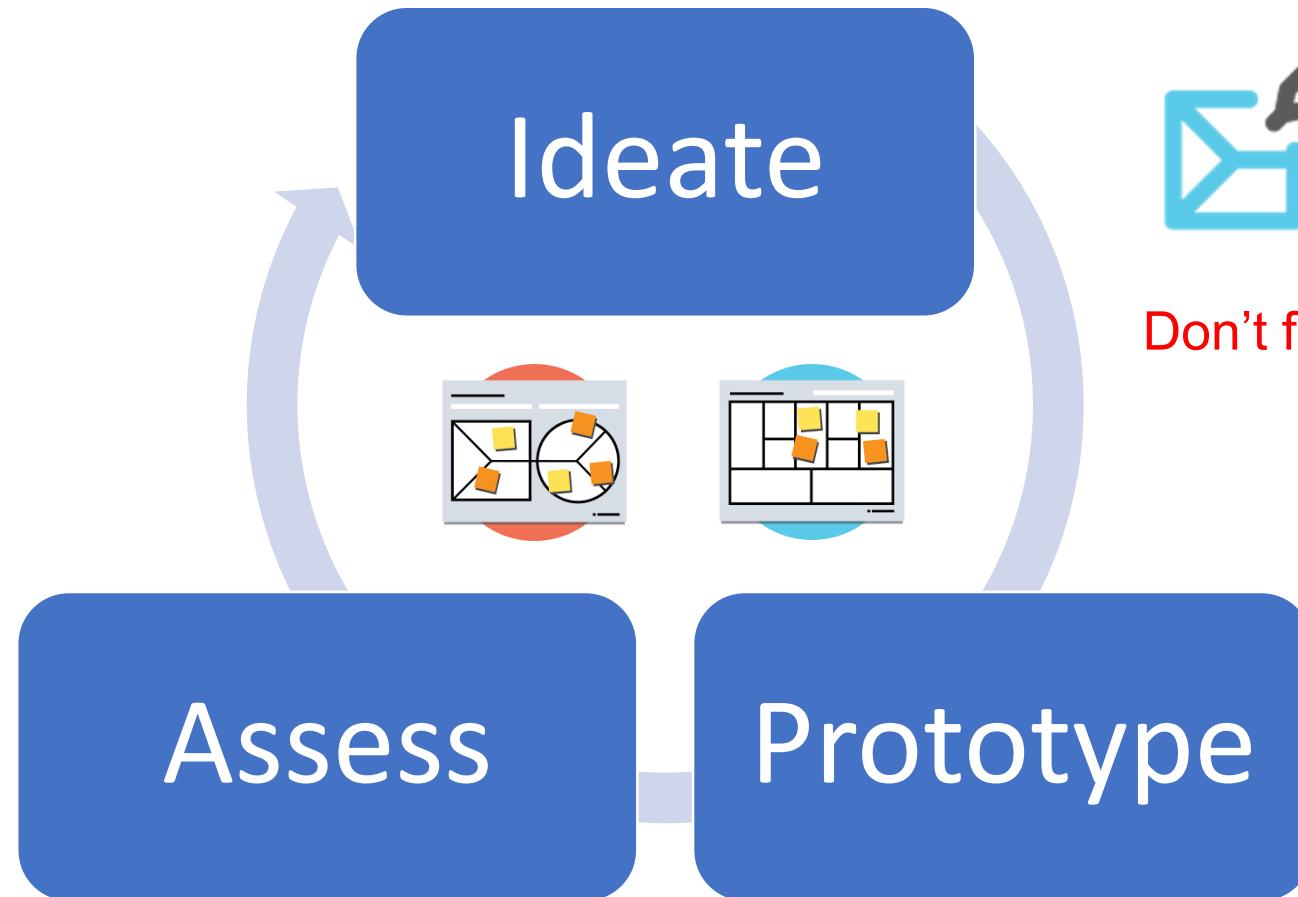
**LET'S DESCRIBE COMPANY X'S
BUSINESS MODEL USING BMC**

IDEA GENERATION AND SCREENING



DESIGN THINKING AND BUSINESS MODEL

Empathy
Define
Ideate
Prototype
Assess



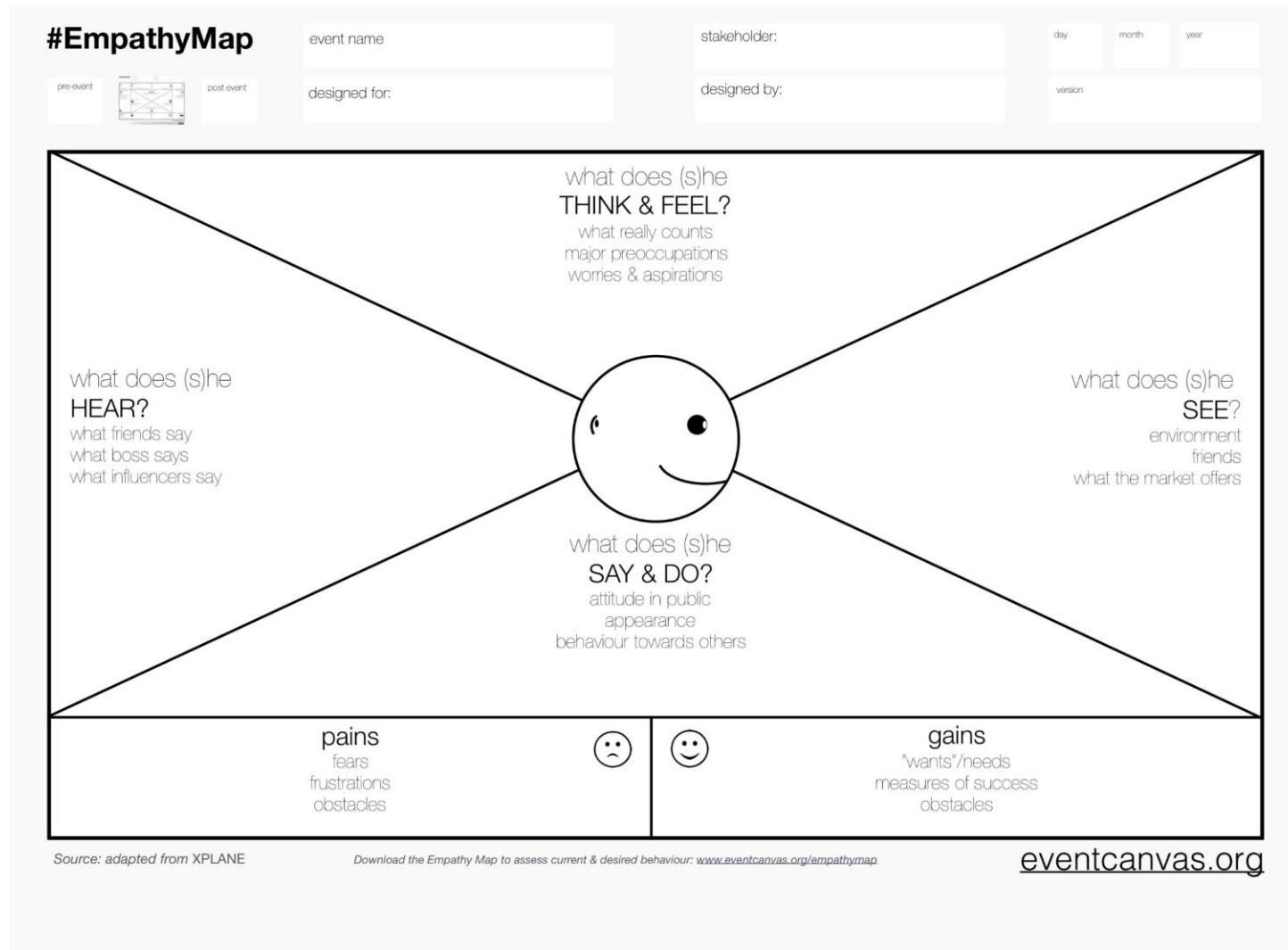
Don't fall in love with your first idea



GENERATING BUSINESS IDEA

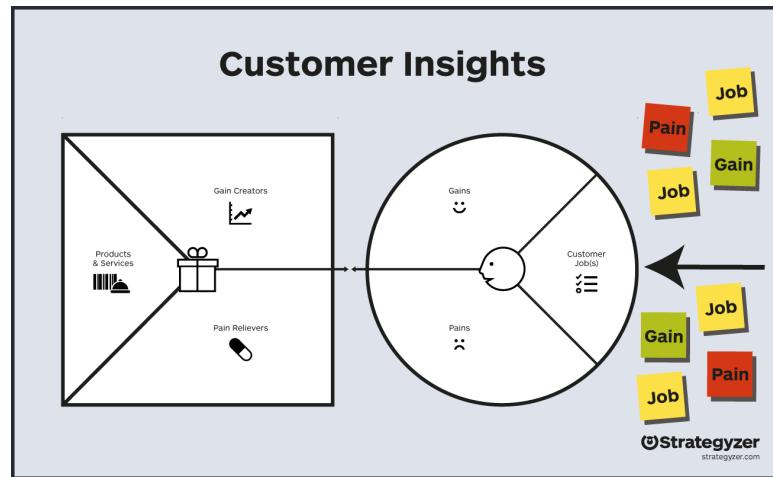
THE EMPATHY MAP by XPLANE

Fishing for customer insights

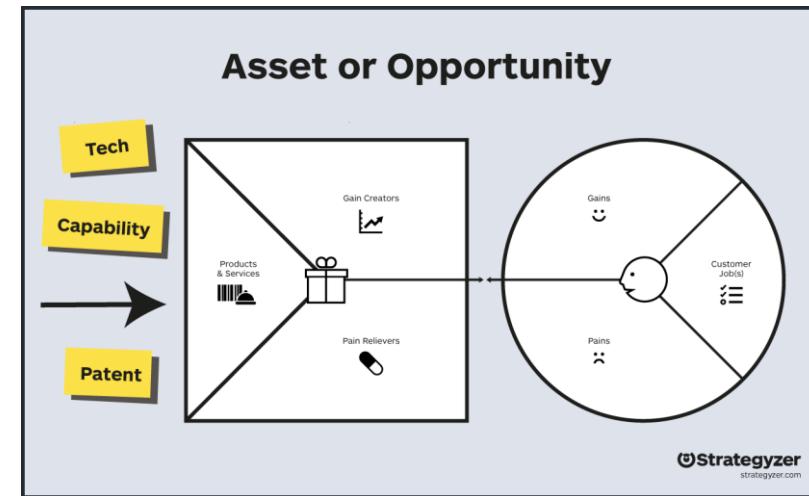


GENERATING NEW BUSINESS IDEA

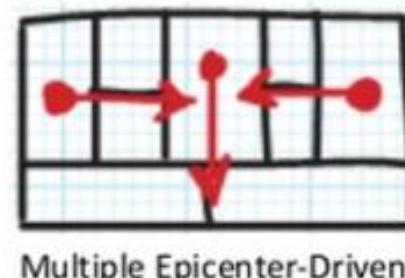
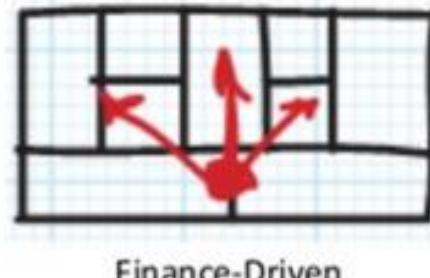
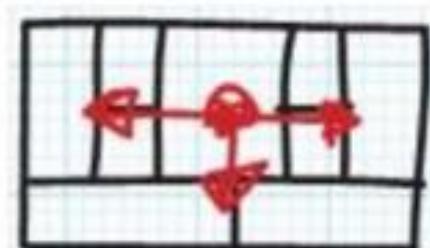
Start with your strength, but always end with the Customer



Customer-Driven (CS → Kx, C\$)



Resource-Driven (RS → CS, R\$)



ASSESSING BUSINESS IDEAS

SWOT analysis for each element

SWOT ANALYSIS



WHY BUSINESS MODELS FAIL ?

- **Solving an irrelevant Customer Job**

Are you helping customers do a job they care strongly about ?

- **Flaw in Business Model**

Do you have the right business model that is profitable and scalable ?

- **Environmental Factors, External Threats**

Is your business model designed to excel in that given context?

- **Poor execution**

Does your team have the required skills to turn the concept to reality ?

WHY STARTUPS FAIL

Success
Failure



10 REASONS WHY STARTUPS FAIL

1. Failure to Understand your Market and Customers
2. Opening A Business in An Industry that isn't Profitable
3. Failure to Understand and Communicate What you are Selling
4. Inadequate Financing
5. Failure to Anticipate Market Reactions and/or Market Changes
6. Overdependence on a single Customer
7. No customer Strategy
8. Not knowing when to say “No”
9. Poor Management
10. No Planning

Source: UCLA Entrepreneurship Extension course by Harry Redinger



RECOMMENDED READING

- Osterwalder A, Pigneur Y (2010). *Business Model Generation – A Handbook for Visionaries, Game Changers and Challengers*. John Wiley and Sons, Inc., Hoboken, New Jersey.
- Blank Steve (2013). *The four steps to Epiphany*, K&S Ranch,
- Osterwalder, Alexander, et al. *Value Proposition Design: How to Create Products and Services Customers Want*. Wiley, 2014.
- Bland, David and Osterwalder, Alexander. *Testing Business Ideas: A Field Guide for Rapid Experimentation*. Wiley, 2019.
- de Bono, Edward (1985). *Six Thinking Hats: An Essential Approach to Business Management*. Little, Brown, & Company.