

Business Modeling

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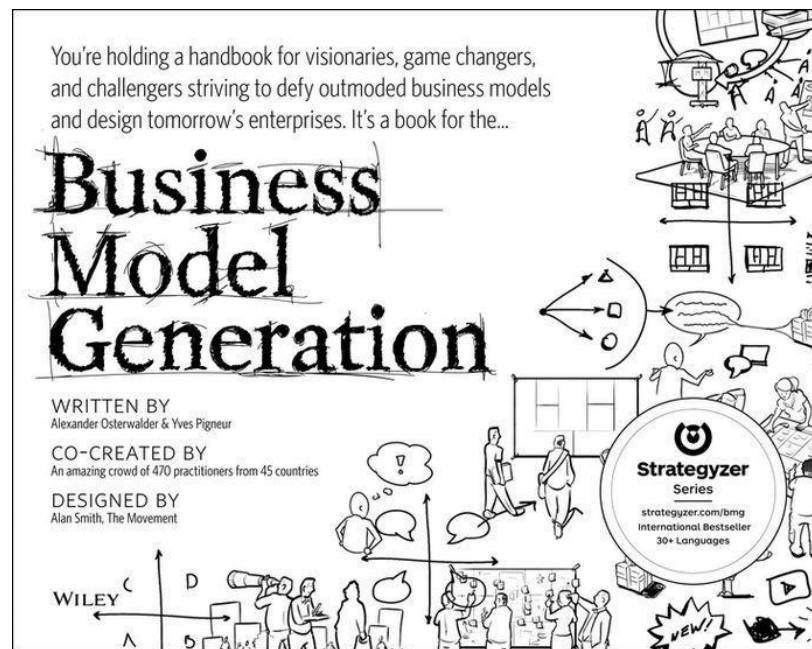


In this video you will learn:

- How all key aspects of a venture can be modeled together
- What is the back end and front end of doing business
- Why it can make sense to give away your product for free
- What you do when your customers are not your users

What is a business model?

A **business model** describes the rationale of how an organization creates, delivers, and captures value.

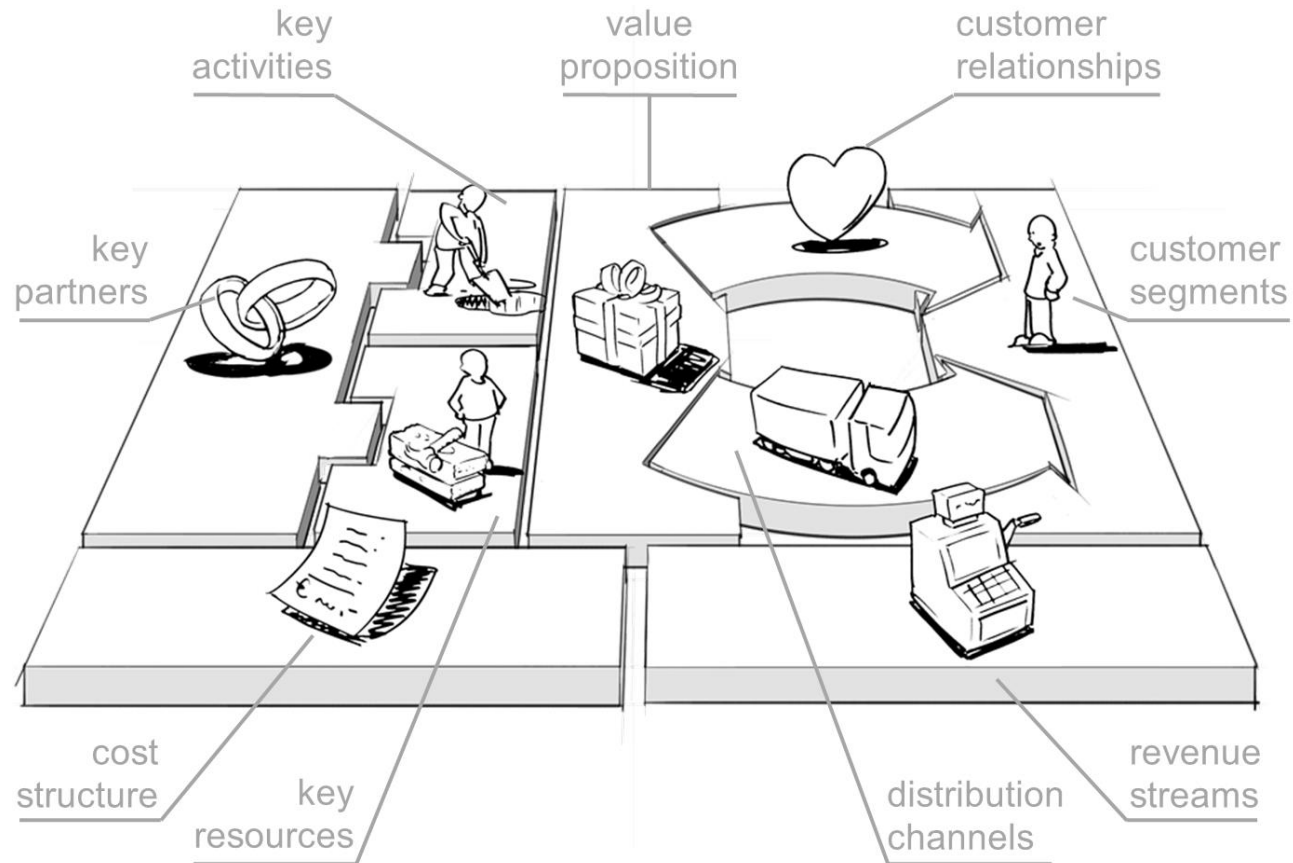


Osterwalder & Pigneur (2010)

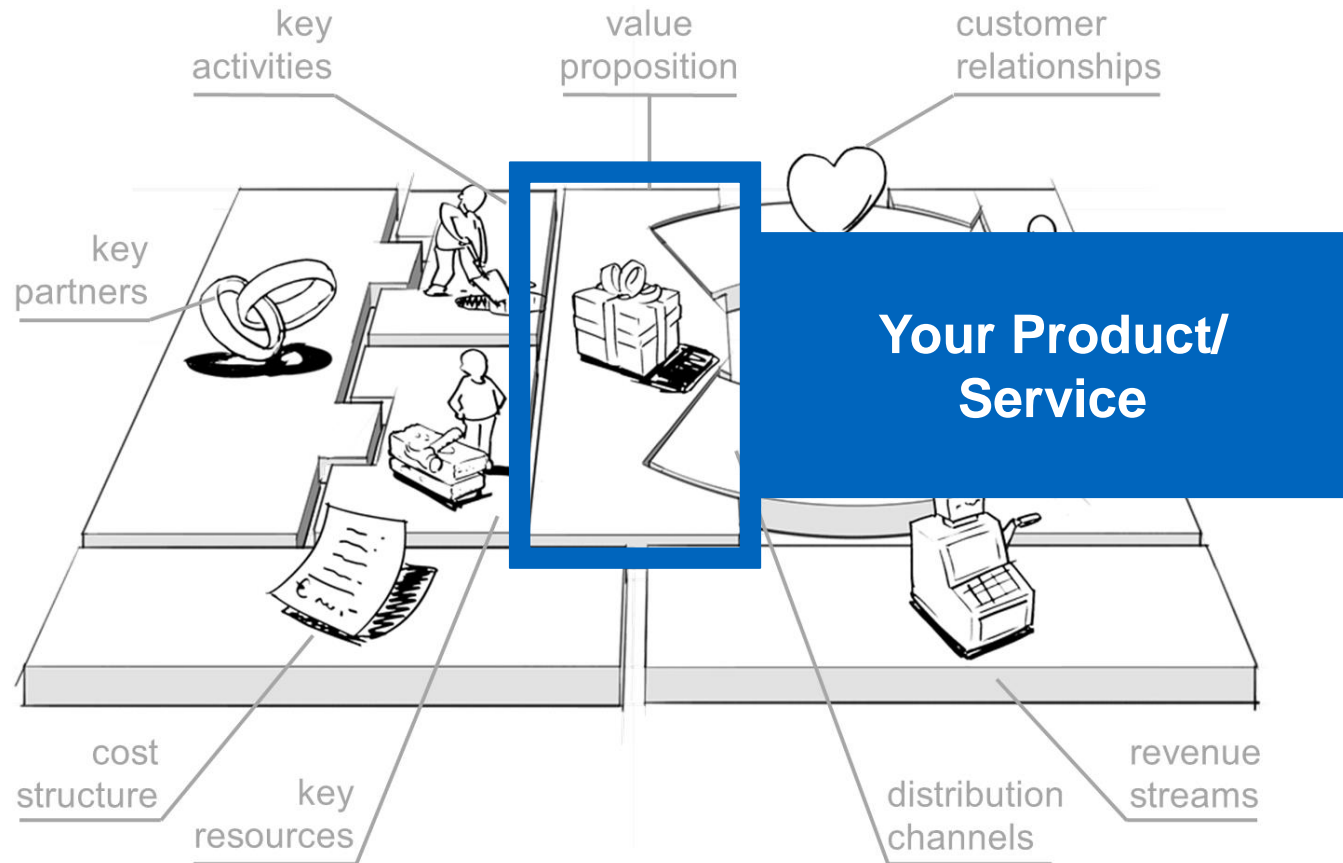
A business model ...

- ... is more than a product/service because it captures all aspects of the organization
- ... is based on a set of assumptions or hypotheses
- ... is different from strategy because strategy means the **choice** of business model through which the firm competes in the market
- ... can be the source of disruptive innovation
- ... has key influence on firm performance

Business model Canvas



Start in the center!



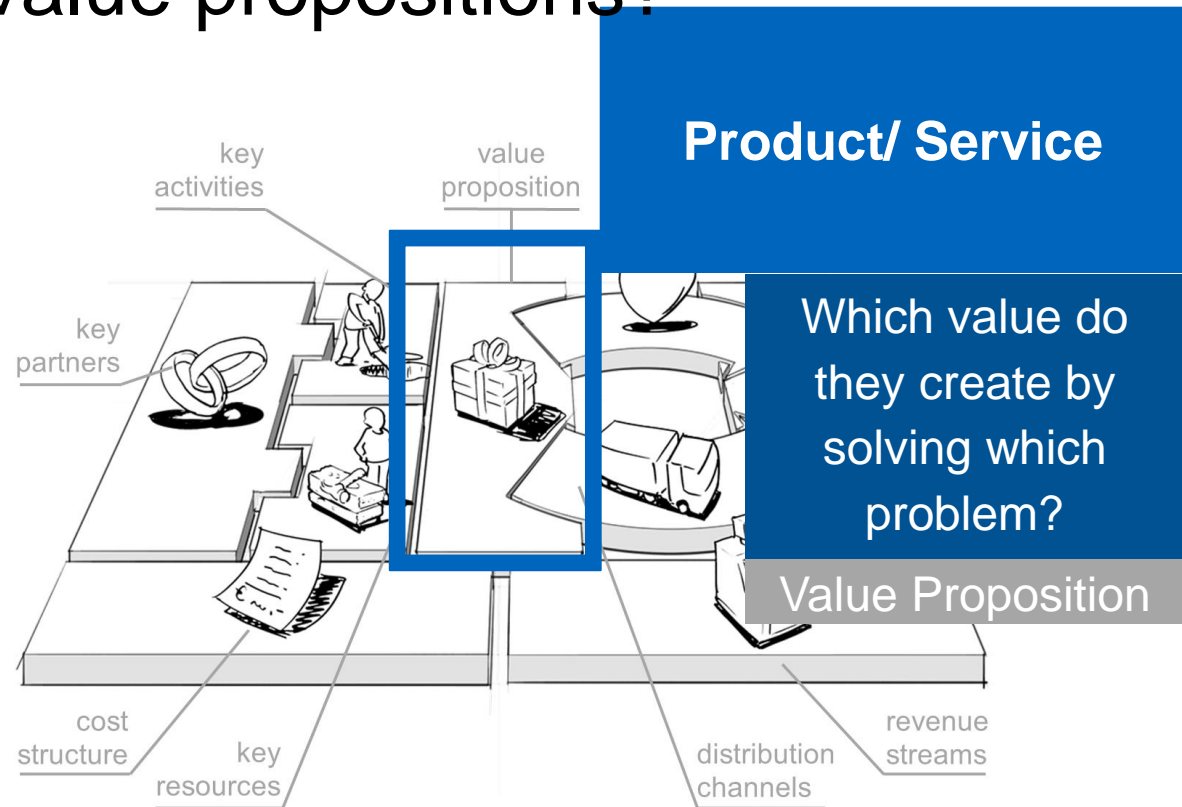
Business Model Canvas – Value Proposition



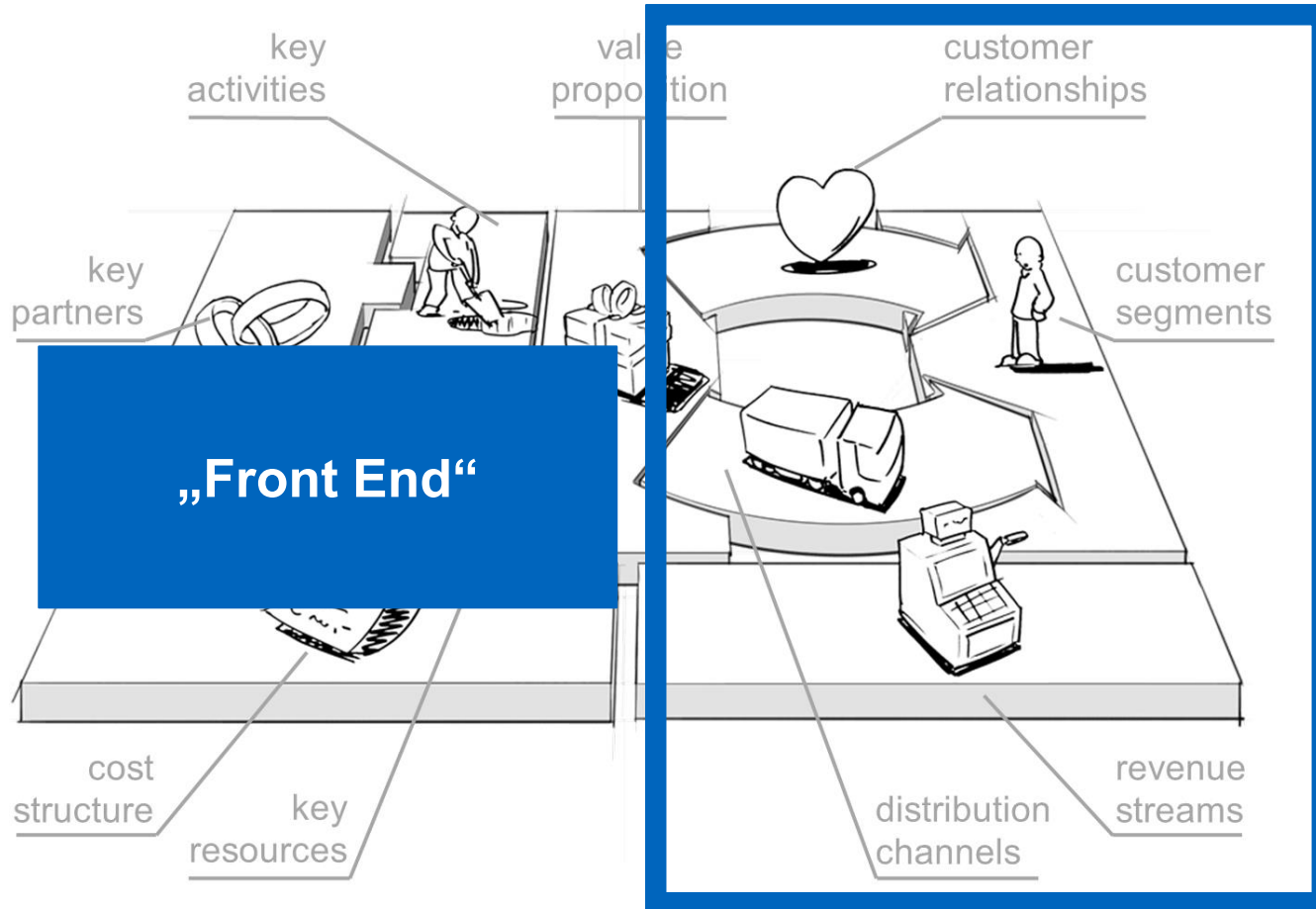
- What value do we deliver to the customer?
- Which one of our customer's problems are we helping to solve?
- Which customer needs are we satisfying?
- What bundles of products and services are we offering to each customer segment?

Characteristics: Performance, Customization, „Getting the job done“, Design, Brand / Status, Price, Cost Reduction, Risk Reduction, Accessibility, Convenience / Usability

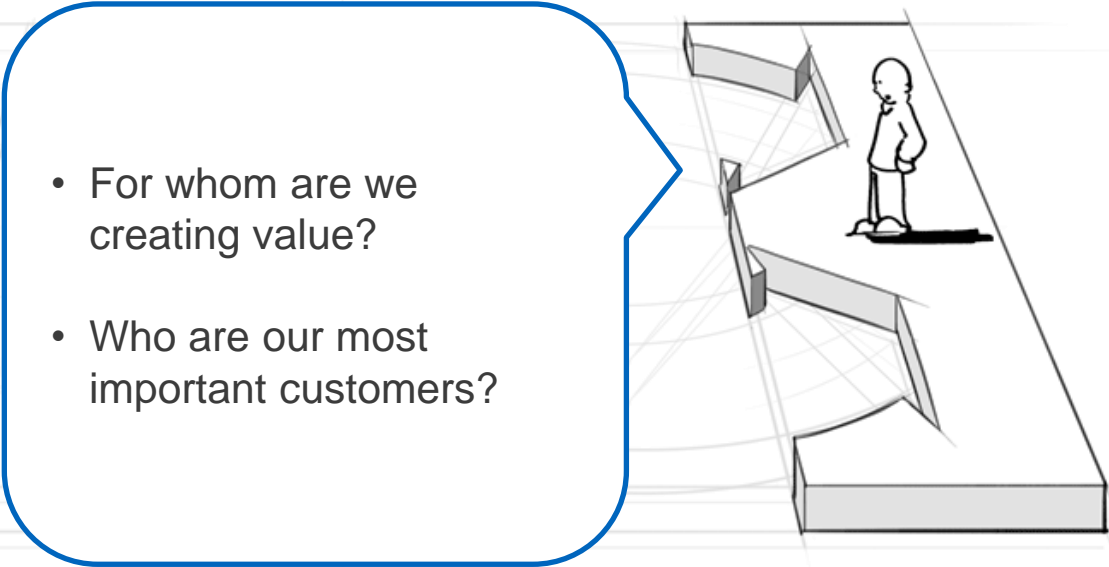
Your task (20 Minutes):
What does TUM startup Personio do?
What are its value propositions?



Continue with the front end



Business Model Canvas – Customer Segments

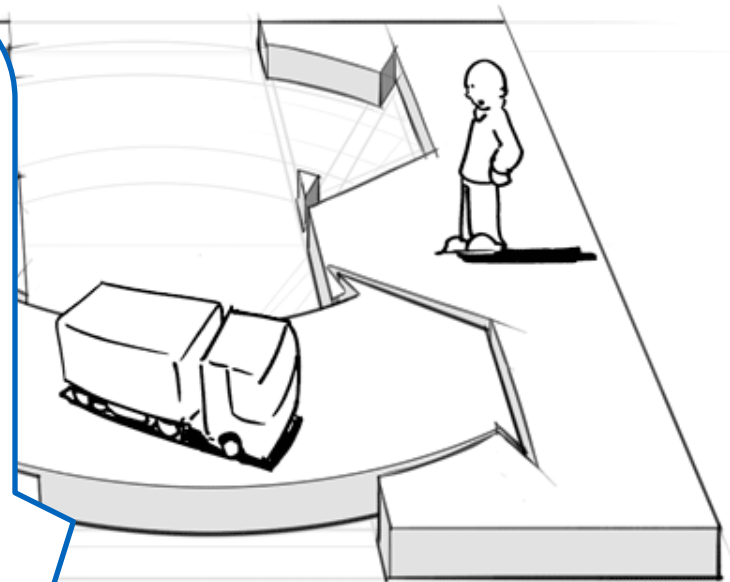
- 
- For whom are we creating value?
 - Who are our most important customers?

Examples: Mass Market, Niche Market, Segmented, Diversified, Multi-sided Platform

Business Model Canvas – Distribution Channels

How to get your offering to the customer?

- 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?

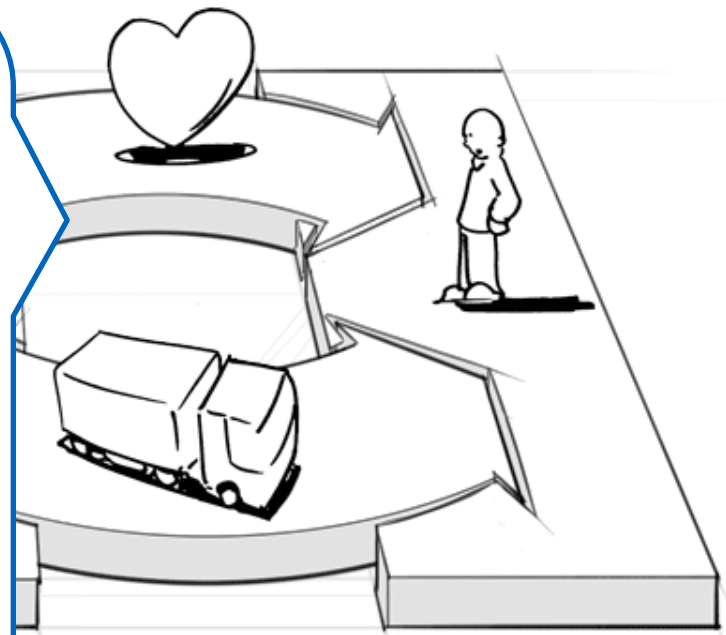


Examples: Own Sales Force, Web Sales, Own Stores, Partner Stores, Retail & Wholesale

Business Model Canvas – Customer Relationships

How to keep customers and which customers to keep?

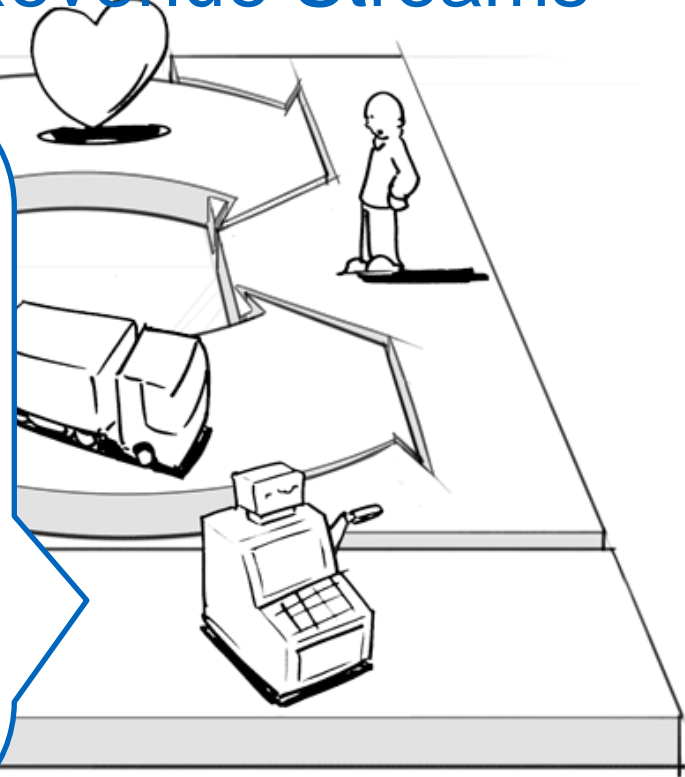
- What type of relationships does each of our Customer Segments expect us to establish and maintain with them?
- Which ones have we established?
- How are they integrated with the rest of our business model?
- How costly are they?



Examples: Personal Assistance, Dedicated Personal Assistance, Self-Service, Automated Services, Communities, Co-creation

Business Model Canvas – Revenue Streams

- For what values 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 large is each Revenue Stream?
- What range could each Revenue Stream have ?

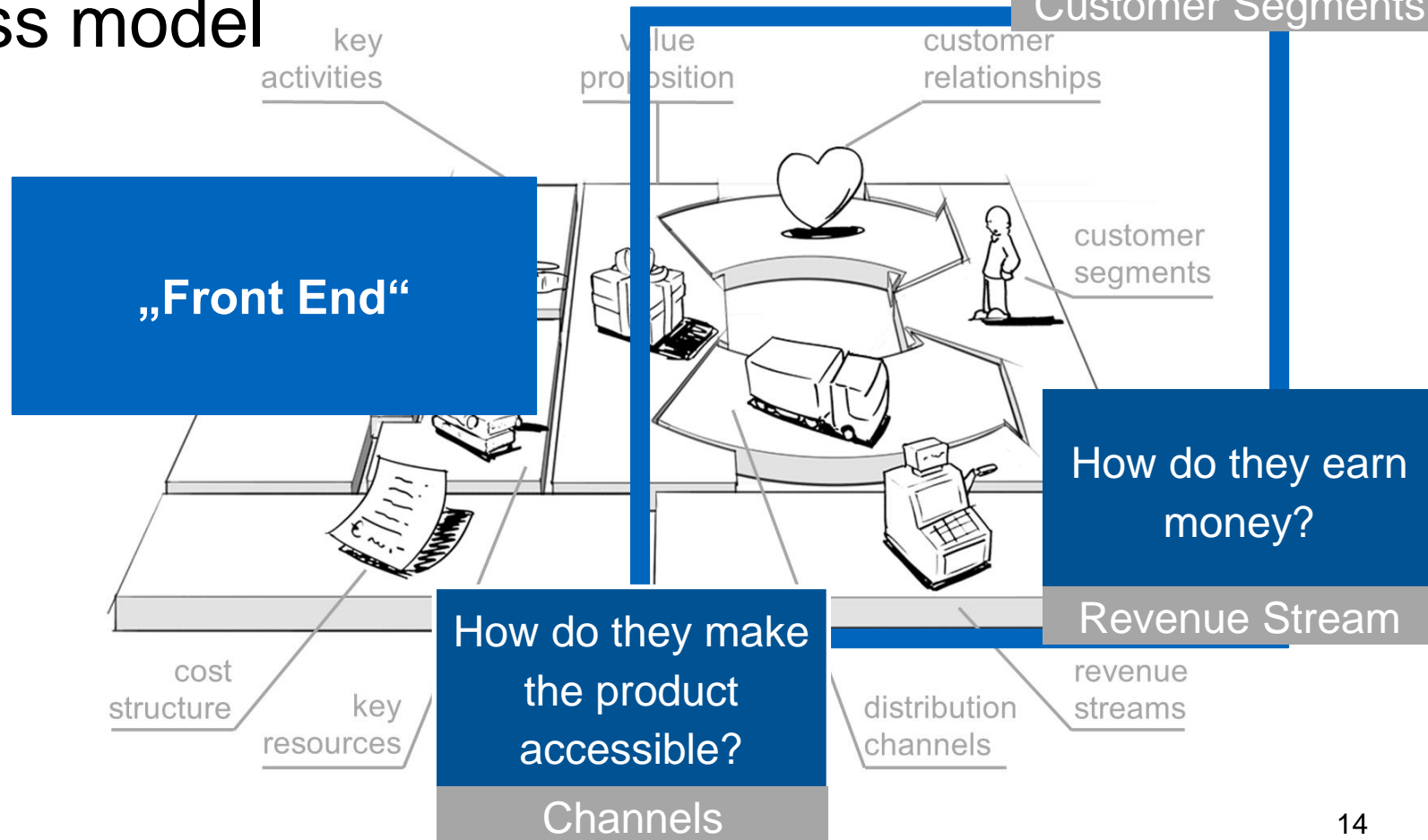


Types: Sales, Subscriptions, Rent, Licensing, Brokerage fees, Advertising

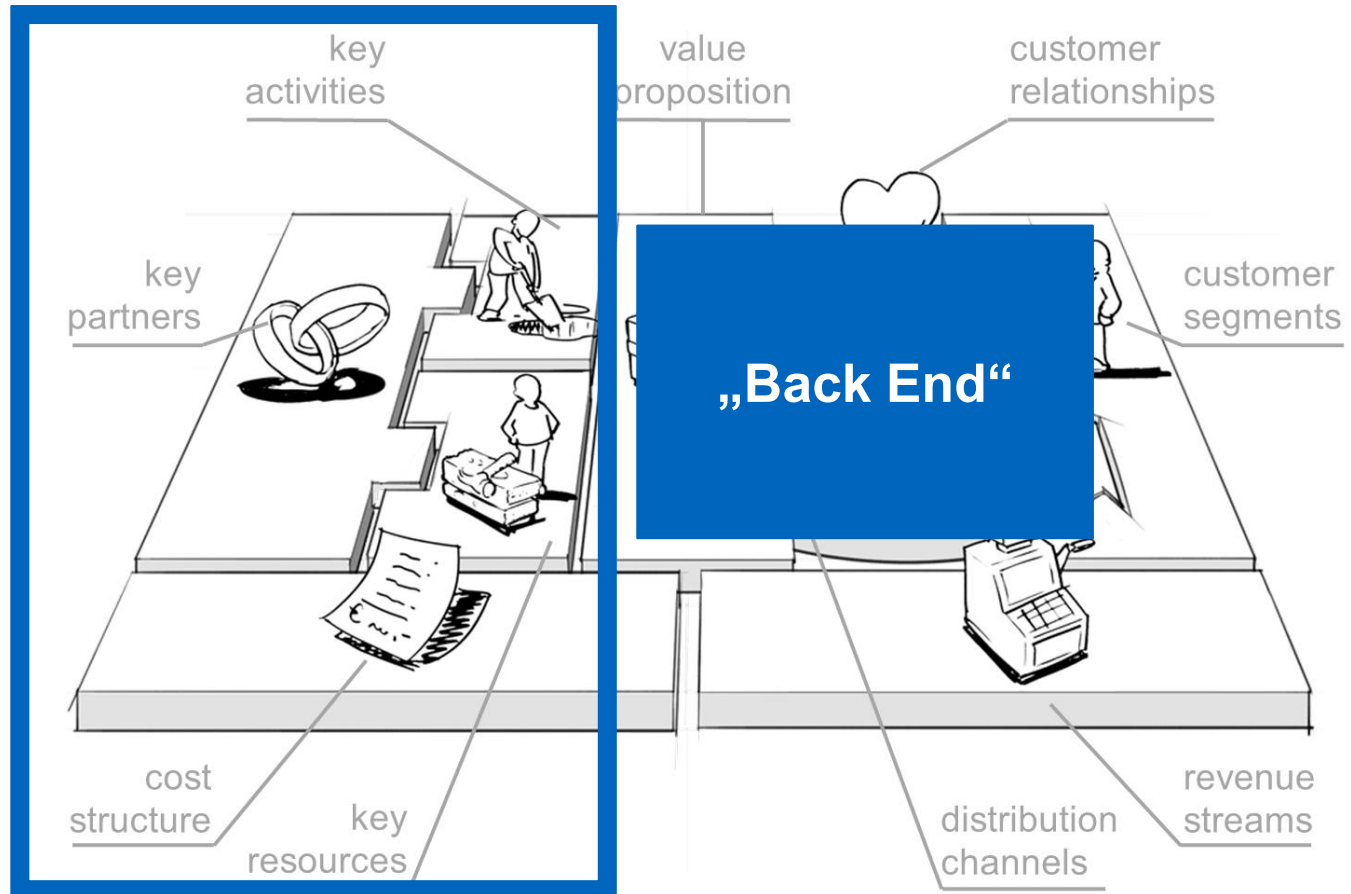
Fixed Pricing: List price, Product features, Customer segment dependent, Volume dependent

Dynamic Pricing: Negotiation, Real-time-Market

Your task (20 minutes):
Develop the front end
of Personio's
business model



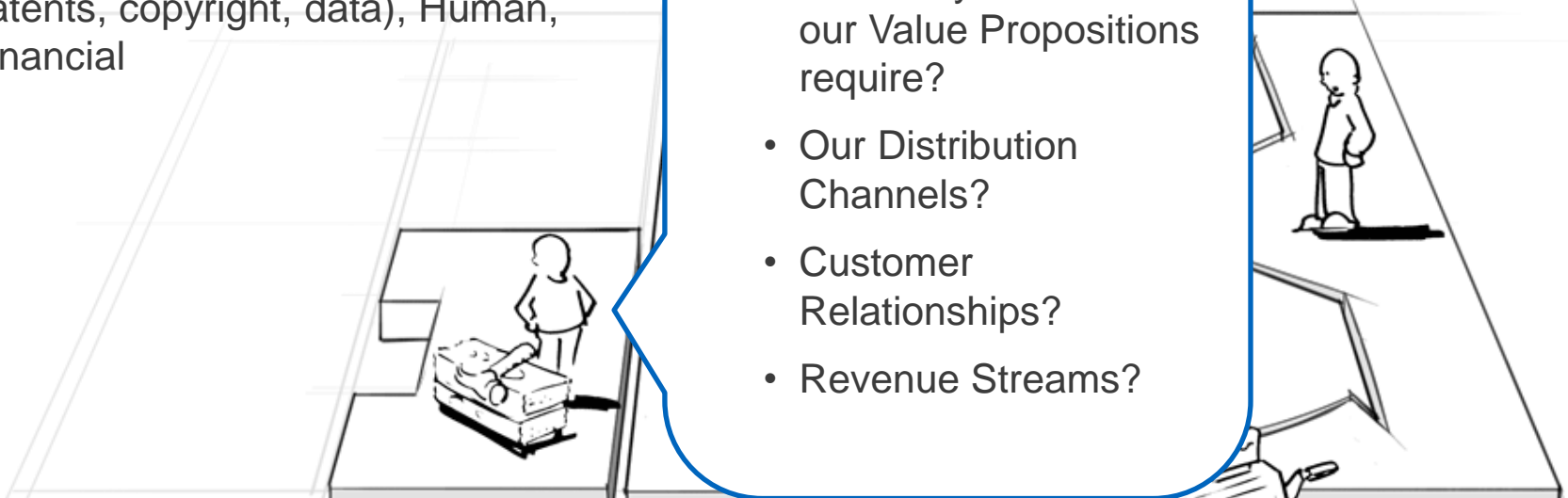
Keep the back end for last



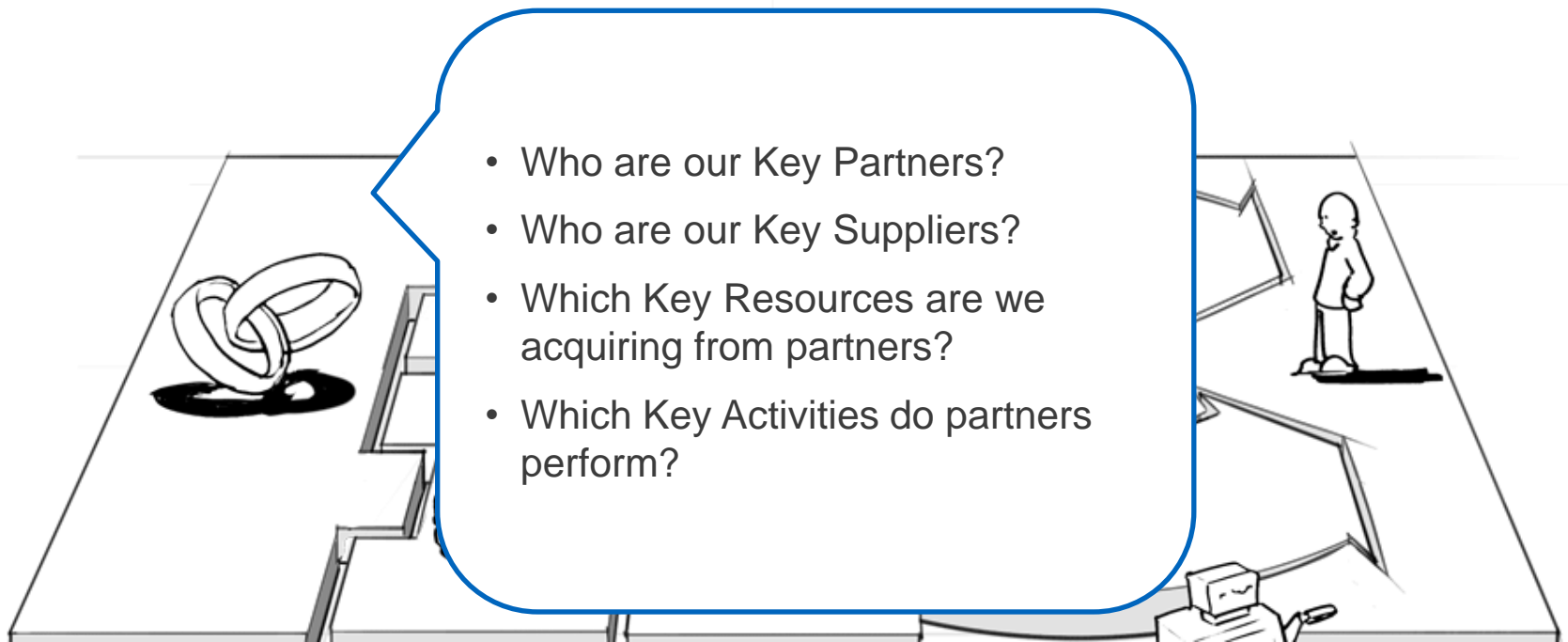
Business Model Canvas – Key Resources

Types: Physical, Intellectual (brand patents, copyright, data), Human, Financial

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

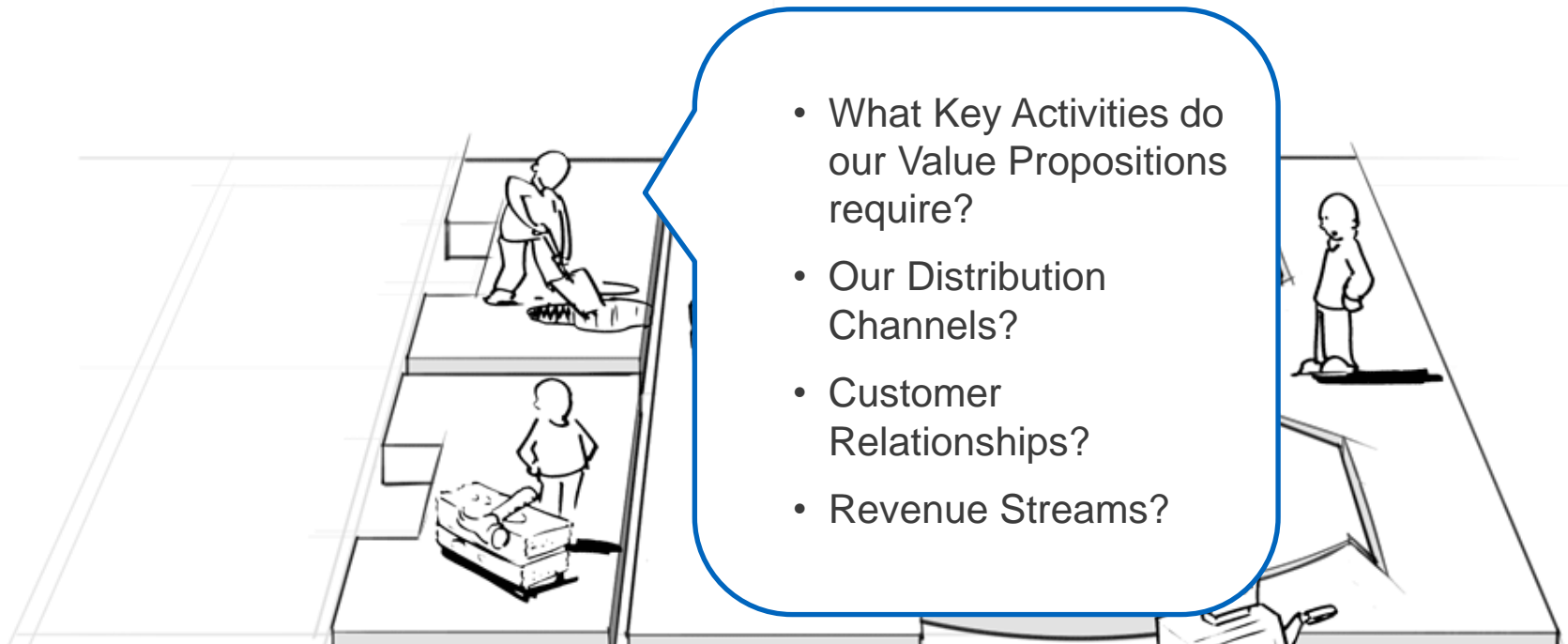


Business Model Canvas – Key Partners



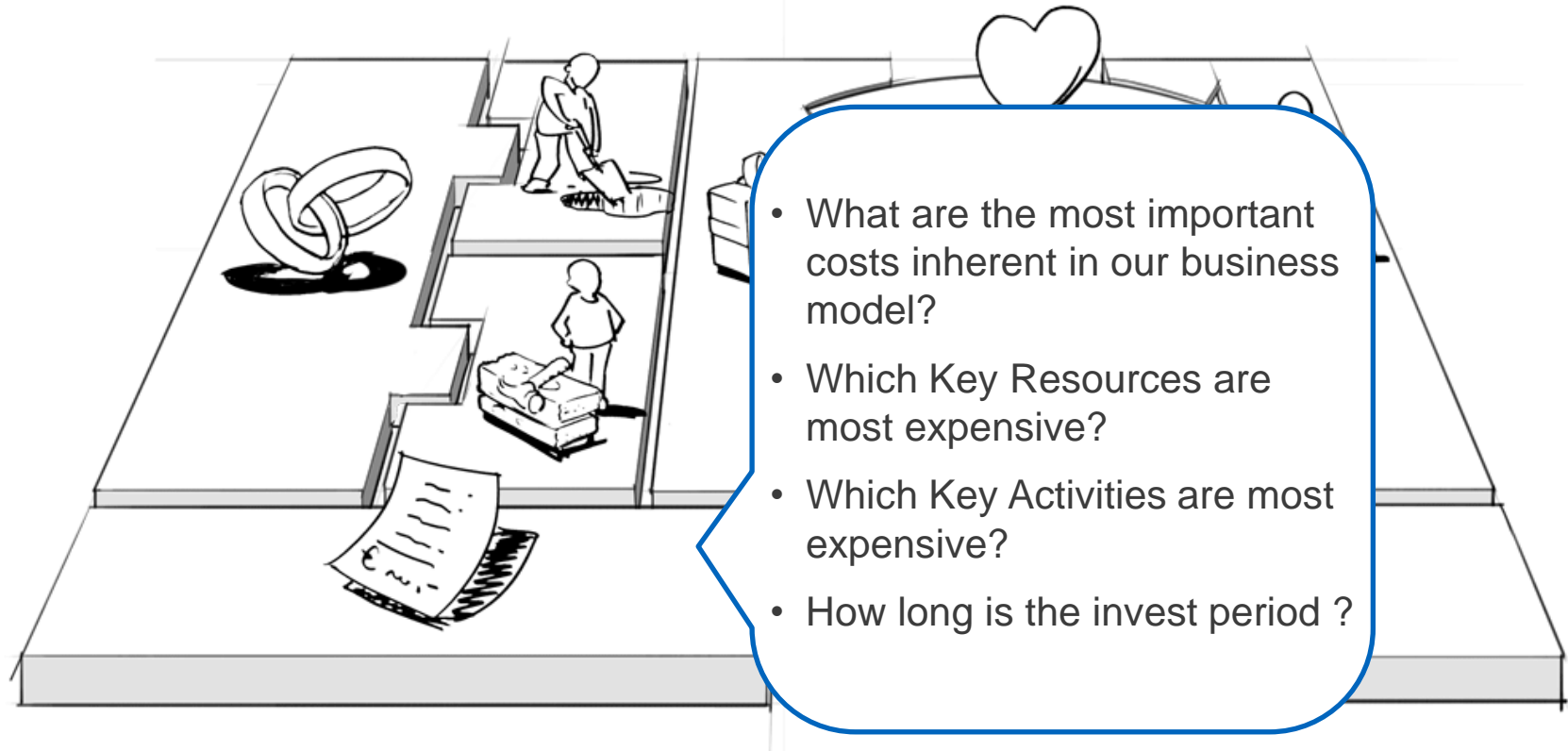
Motivations: Optimization and Economy of Scale, Reduction of risk and uncertainty, Acquisition of particular resources and activities

Business Model Canvas – Key Activities



Categories: Production, Problem Solving, Platform / Network

Business Model Canvas – Cost Structure



Is your business more: Cost driven, Value driven

Characteristics: Fixed costs, variable costs, economies of scale, economies of scope

Types: Production costs (raw material, human capital, energy), non-production costs

Your task (20 minutes):
Develop the back end of Personio's business model

What are their key activities to provide the solution?

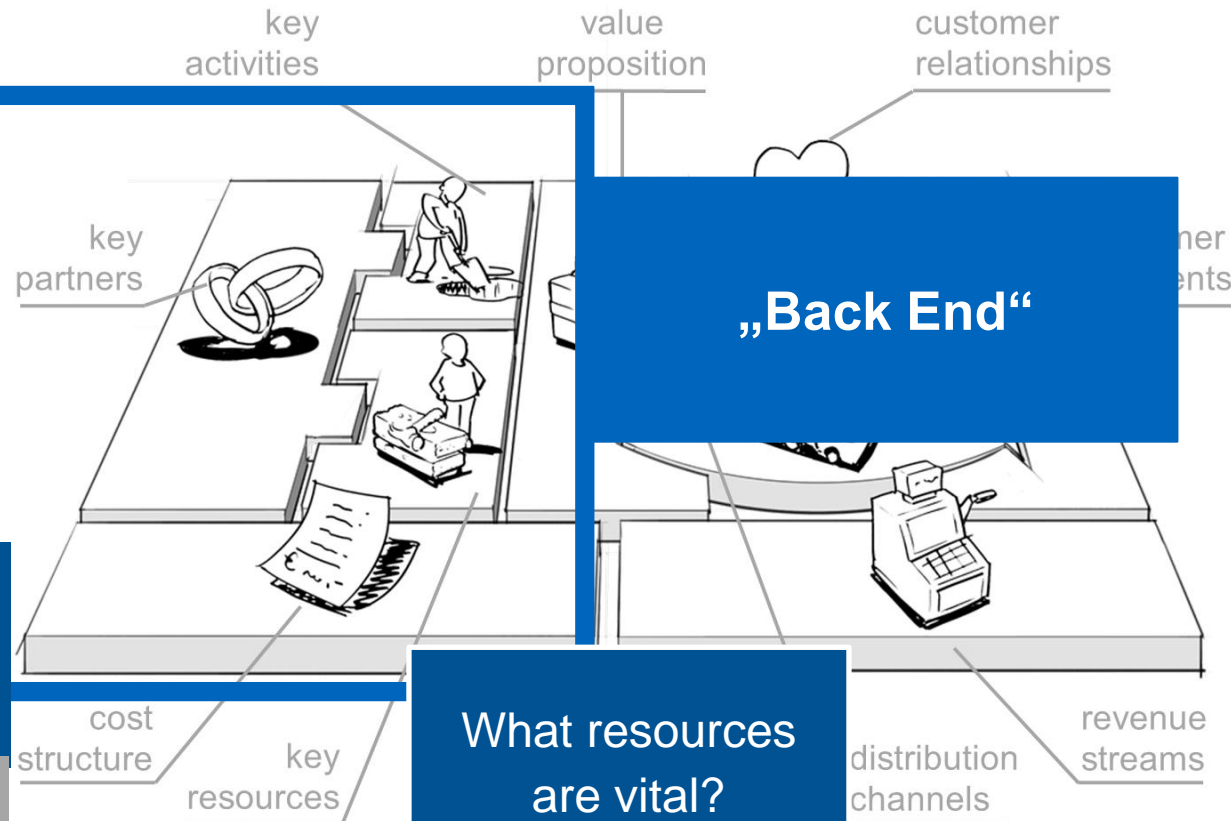
Key Activities

Who do they need to collaborate with?

Key Partners

On what will they have to spend money?

Cost Structure



What resources are vital?

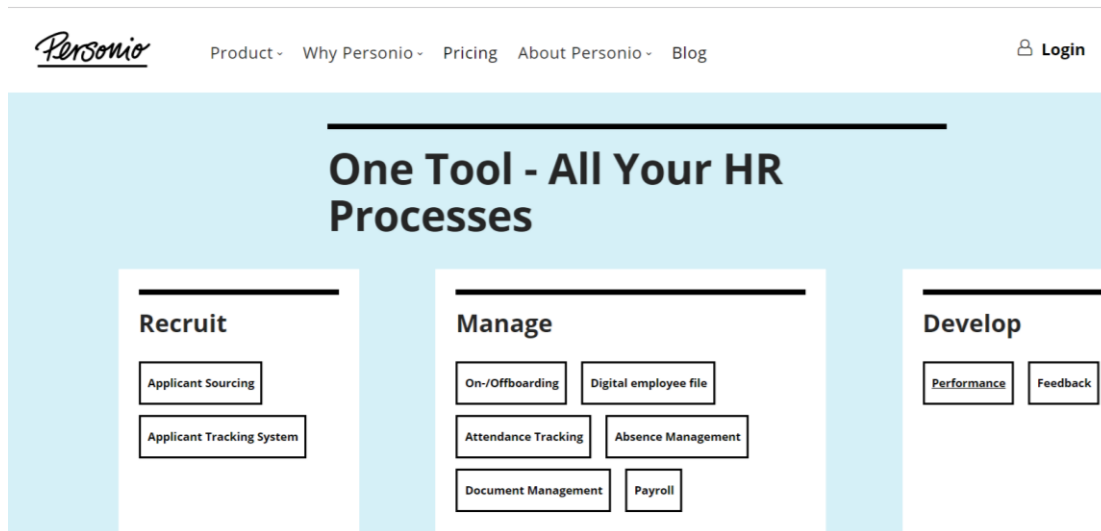
Key Resources



Personio is developing a holistic HR and applicant management software designed to give HR managers more time for tasks that truly create value.

Founding year: 2015, valued 500 M\$US in 2020

Vision: Becoming the leading cloud-based HR Management and Recruiting solution for small and medium-sized enterprises in Europe



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? <ul style="list-style-type: none">• Bundesverband der Personalmanager• Bundesverband Deutsche Startups• CDTM• Gründerszene Jobbörse	Key Activities What KeyActivities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams? <ul style="list-style-type: none">• Development of HR platform and tools• Maintaining platform and ensuring high quality service• Establishing cooperation• Ensuring data security Key Resources What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams? <ul style="list-style-type: none">• Software• Human resources• Copyrights, contracts• Databases	Value Proposition 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? <ul style="list-style-type: none">• No paperwork• Digitization of human resources departments• Time saving• Single software for all HR processes• Open-minded but down to earth atmosphere for employees	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? <ul style="list-style-type: none">• Service and Support• Setting up the software• Data Security and Privacy 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 cosefficient? How are we integrating them with customer routines? <ul style="list-style-type: none">• Direct sales• Targeted marketing• Conferences and expos	Customer Segments For whom are we creating value? Who are our most important customers? <ul style="list-style-type: none">• Small and medium -sized enterprises worldwide• HR departments• Recruiting agencies and freelance recruiters
Cost Structure What are the most importantcosts inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive? <ul style="list-style-type: none">• Platform development costs• Platform implementation costs• Marketing costs• Transaction costs• Salaries			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? <ul style="list-style-type: none">• Annual subscription fee• Monthly subscript ion fee• Fees for add -ons• Implementation	

But what if your customers are not your users?

Multi-sided business model

You still create value for and capture the value from users. However, customers monetize the value (resulting in a multi-actor model).



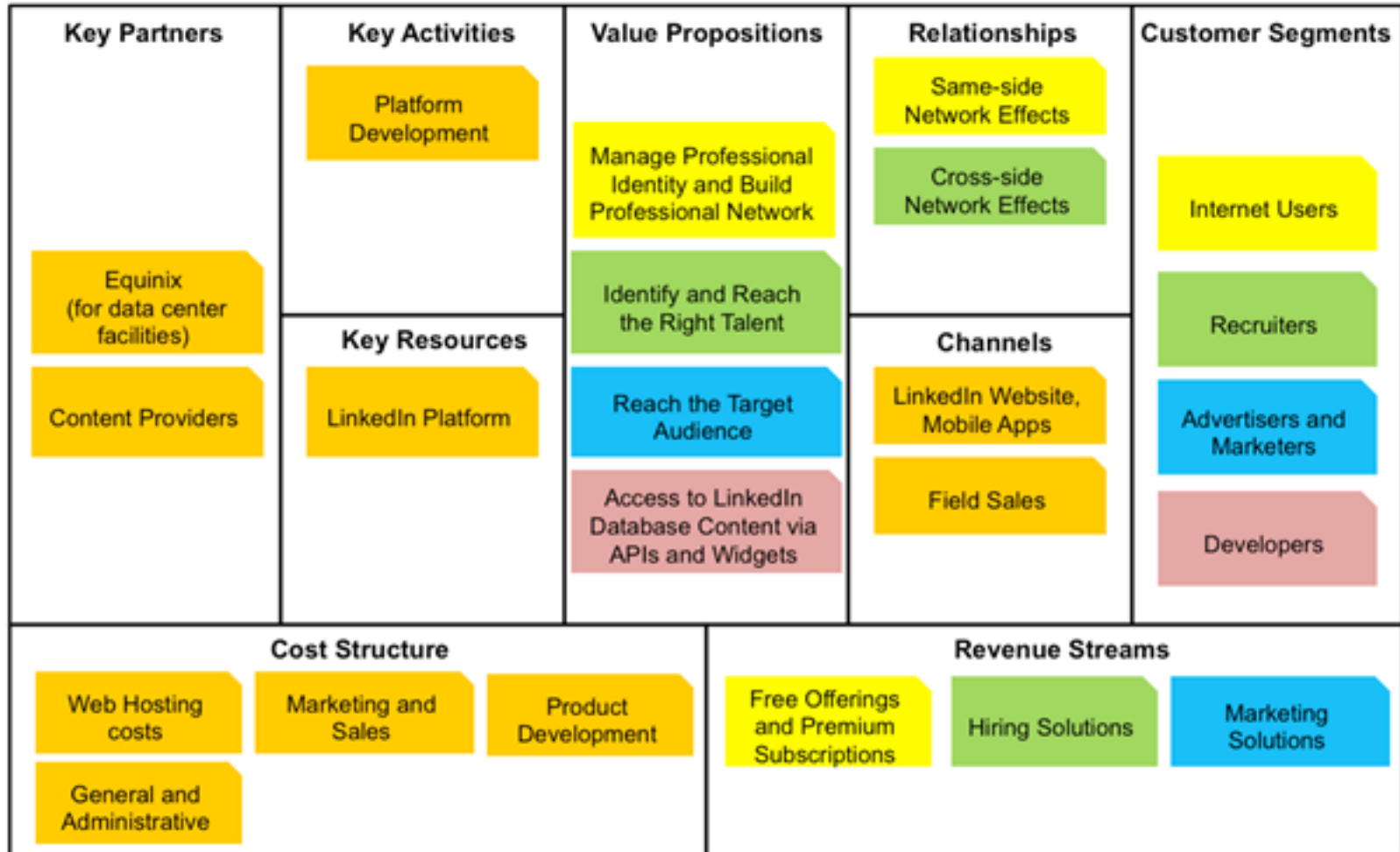
Users

Value is captured in a derivative currency (e.g. user attention, data, user-generated content).

Customers

Customers pay on secondary market for derivative currency.

Example:



www.businessmodelgeneration.com

Session summary:

- “A **business model** describes the rationale of how an organization creates, delivers, and captures value.” (Osterwalder and Pigneur, 2010)
- A business model is NOT a firm’s strategy
- Business Model Canvas (BMC) as a tool for business model development
- Business models can be complex and multi-sided

References

Osterwalder, A., Pigneur, Y., In Clark, T., & Smith, A. (2010). Business model generation: A handbook for visionaries, game changers, and challengers.

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