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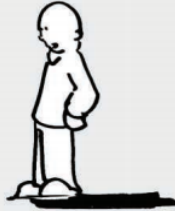
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A Business Model

- We believe a business model can best be described through nine basic building blocks that show the logic of how a company intends to make money.
- The nine blocks cover the four main areas of a business: customers, offer, infrastructure, and financial viability.
- The business model is like a blueprint for a strategy to be implemented through organizational structures, processes and systems.



CS

1 Customer Segments

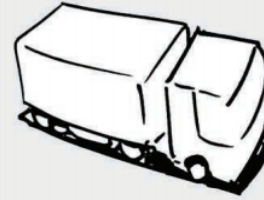
An organization serves one or several Customer Segments.



VP

2 Value Propositions

It seeks to solve customer problems and satisfy customer needs with value propositions.



CH

3 Channels

Value propositions are delivered to customers through communication, distribution, and sales Channels.



CR

4 Customer Relationships

Customer relationships are established and maintained with each Customer Segment.



R\$

5 Revenue Streams

Revenue streams result from value propositions successfully offered to customers.



KR

6 Key Resources

Key resources are the assets required to offer and deliver the previously described elements ...



KA

7 Key Activities

... by performing a number of Key Activities.



KP

8 Key Partnerships

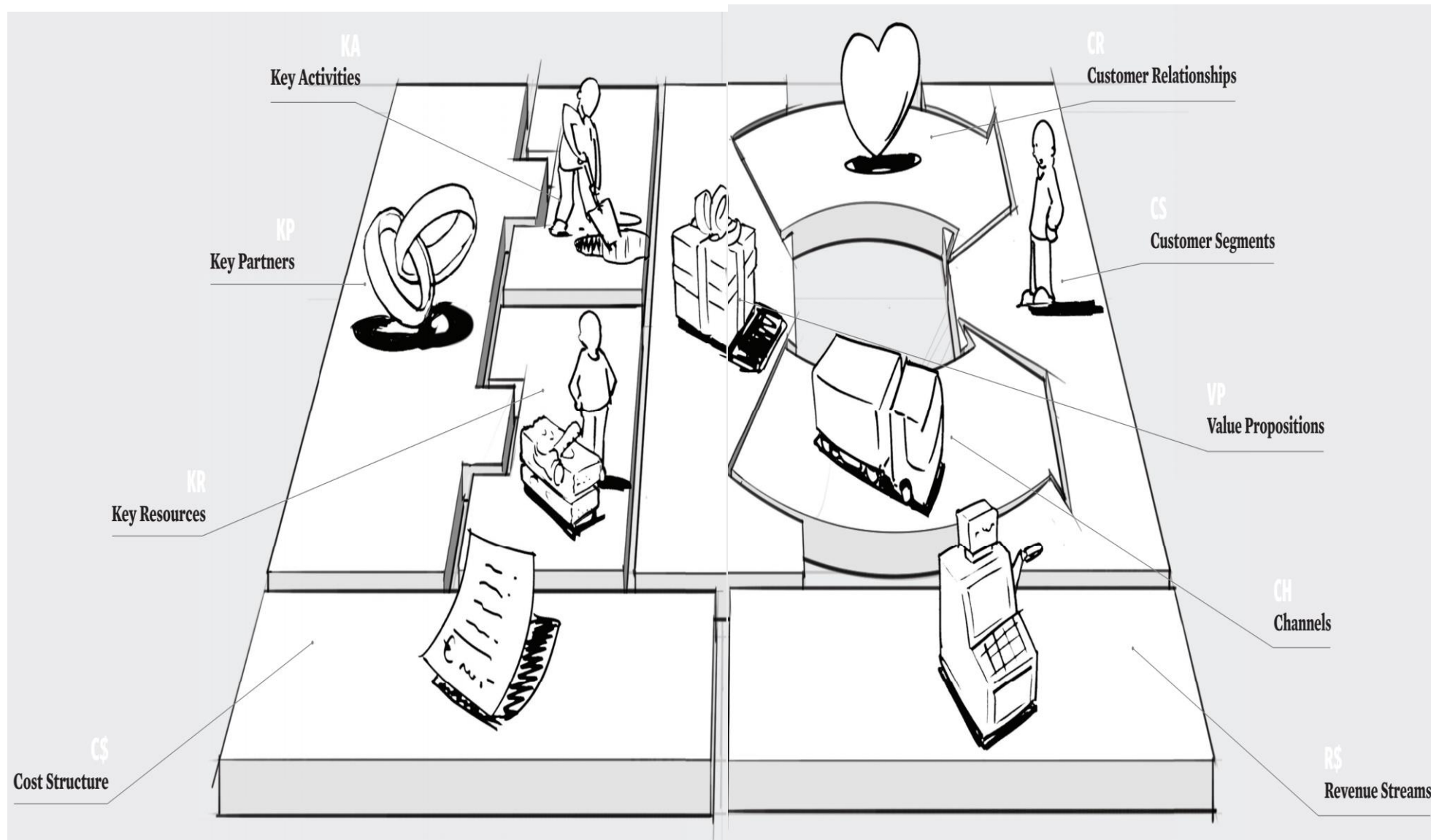
Some activities are outsourced and some resources are acquired outside the enterprise.



C\$

9 Cost Structure

The business model elements result in the cost structure.

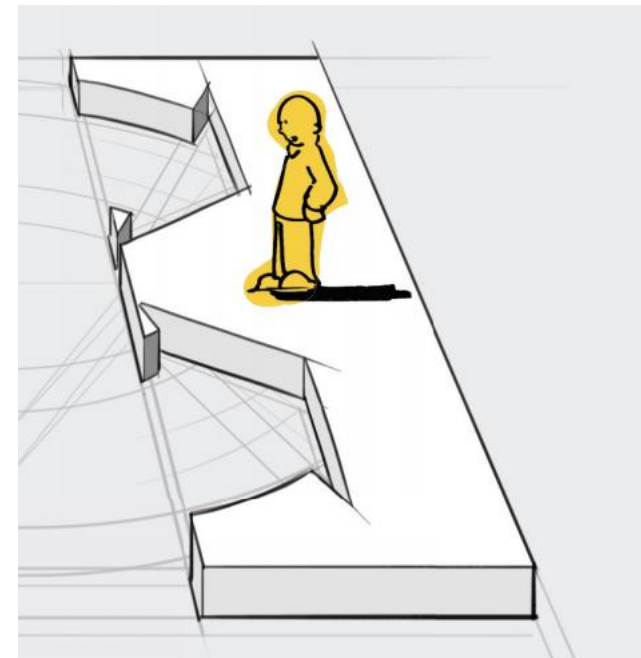


Customer Segments

A business model may define one or several large or small Customer Segments. An organization must make a conscious decision about which segments to serve and which segments to ignore. Once this decision is made, a business model can be carefully designed

Customer groups represent separate segments if:

- *Their needs require and justify a distinct offer*
- *They are reached through different Distribution Channels*
- *They require different types of relationships*
- *They have substantially different profitabilities*
- *They are willing to pay for different aspects of the offer*



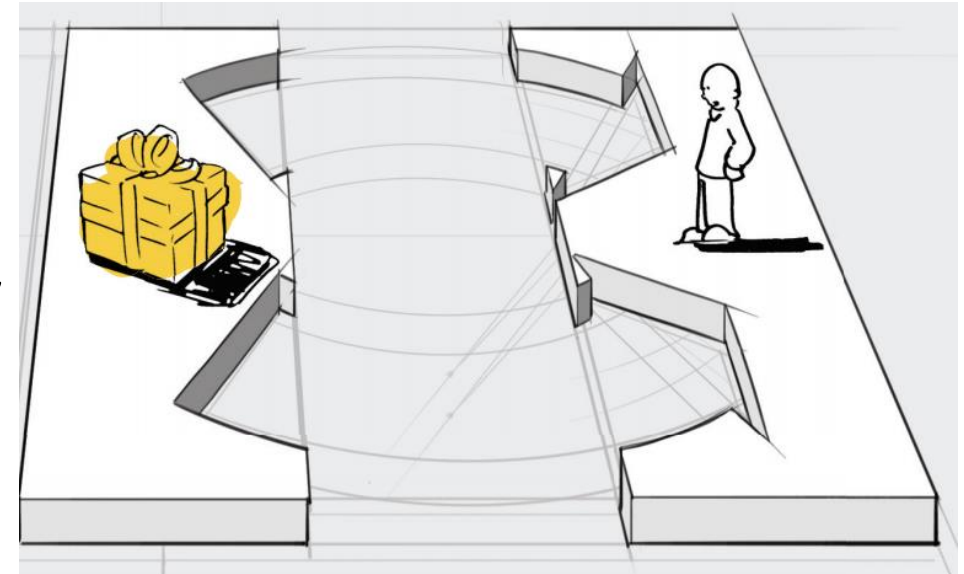
Value propositions

The reason why customers turn to one company over another.

It solves a customer problem or satisfies a customer need.

Each Value Proposition consists of a selected bundle of products and/or services that caters to the requirements of a specific Customer Segment.

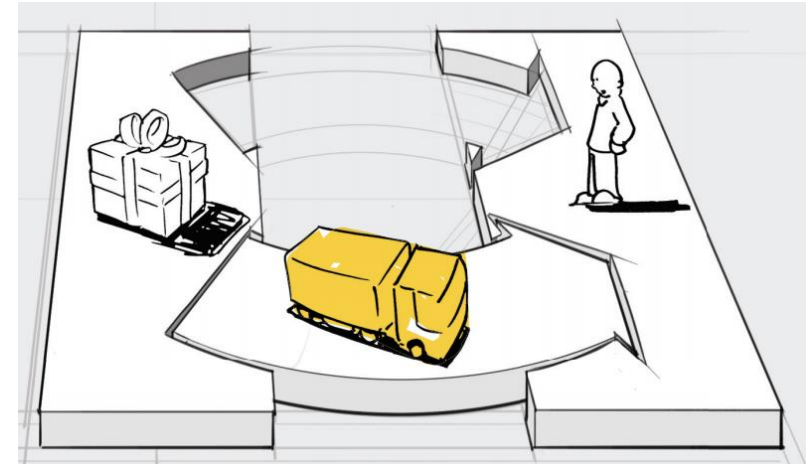
Some Value Propositions may be innovative and represent a new or disruptive offer. Others may be similar to existing market offers, but with added features and attributes.



Channels

A company's interface with customers.

Channels are customer touch points that play an important role in the customer experience.



Channels serve several functions, including:

- Raising awareness among customers about a company's products and services
- Helping customers evaluate a company's Value Proposition
- Allowing customers to purchase specific products and services
- Delivering a Value Proposition to customers
- Providing Post-purchase customer support

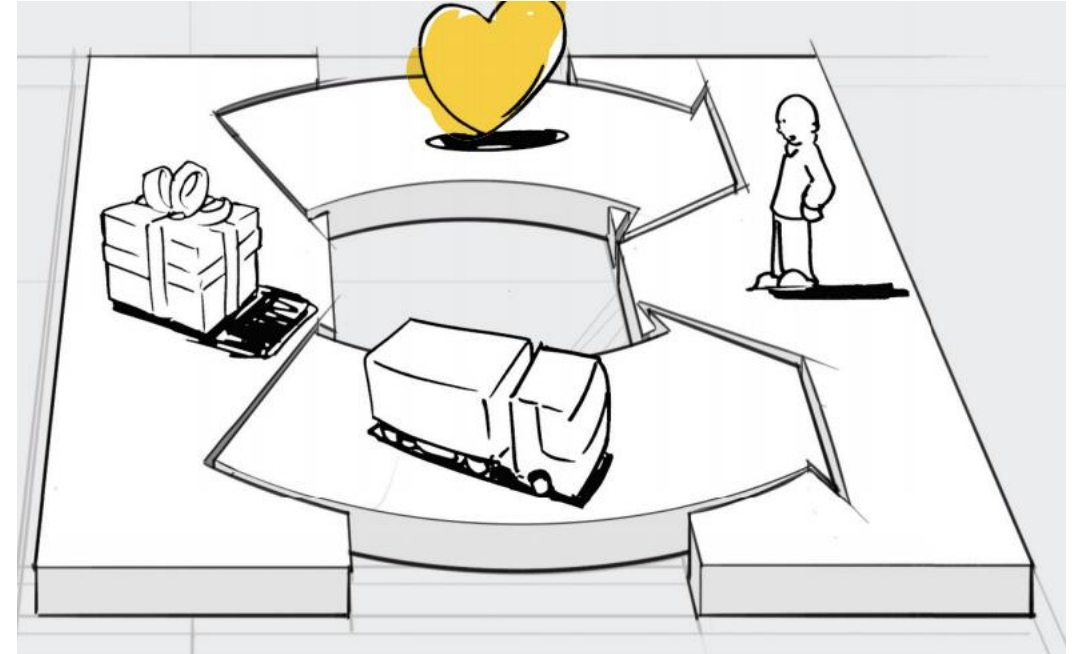
Customer relationships

Describes the types of relationships a company establishes with specific Customer Segments

A company should clarify the type of relationship it wants to establish with each Customer Segment.

Customer relationships may be driven by the following motivations:

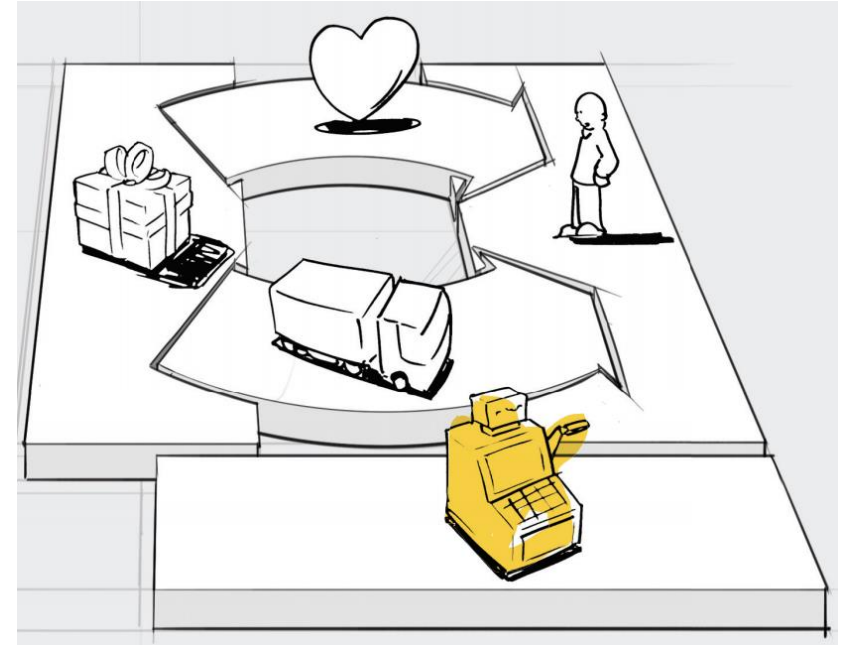
- Customer acquisition
- Customer retention
- Boosting sales (upselling)



The Customer Relationships called for by a company's business model deeply influence the overall customer experience.

Revenue Streams

The cash a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings)
 If customers comprise the heart of a business model, Revenue Streams are its arteries. A company must ask itself:



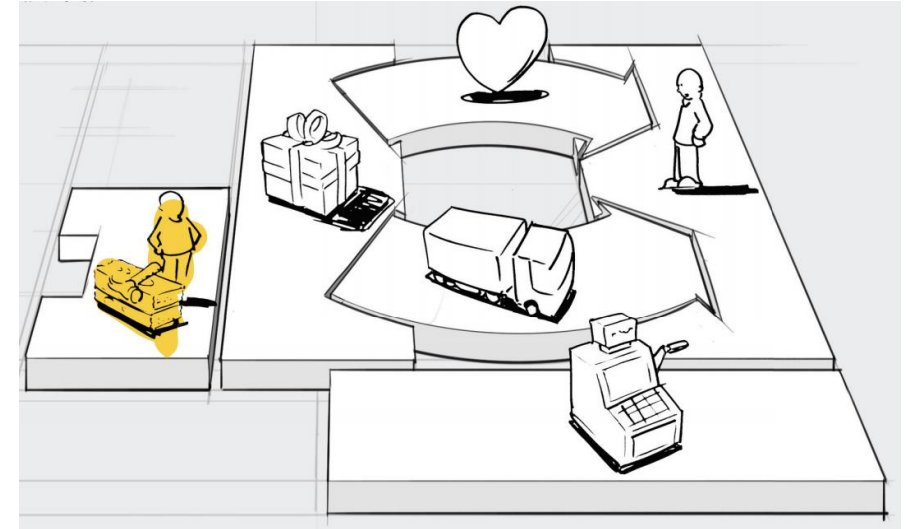
- For what value are our customers really willing to pay?
- For what do they currently pay?
- How are they currently paying?
- How would they prefer to pay?
- How much does each Revenue Stream contribute to overall revenues?

Key Resources

Describes the most important assets required to make a business model work

They allow an enterprise to create and offer a Value Proposition, reach markets, maintain relationships with Customer Segments, and earn revenues.

Key Resources vary depending on the type of business model. A microchip manufacturer requires capital-intensive production facilities, whereas a microchip designer focuses more on human resources.



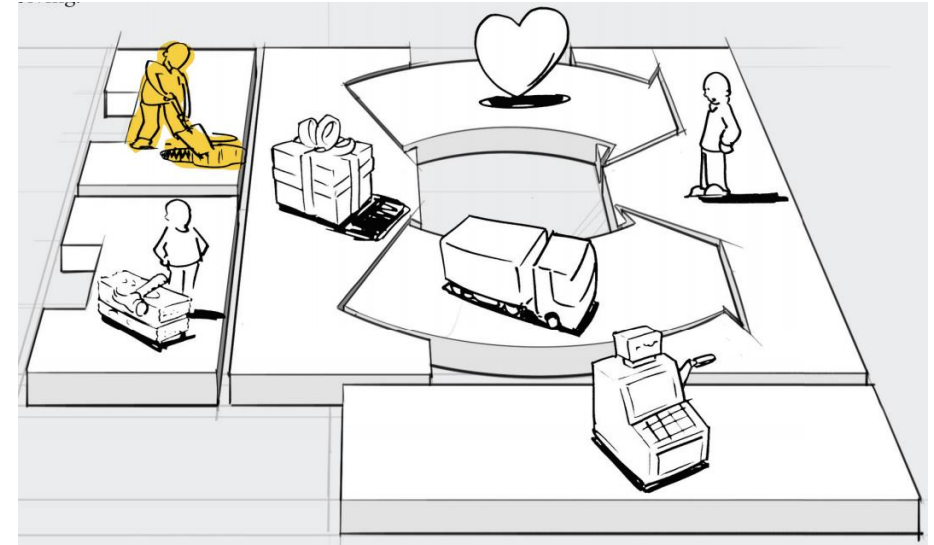
- *can be physical, financial, intellectual, or human.*
- *can be owned, leased or acquired from key partners.*

Key Activities

The most important things a company must do to make its business model work!

Every business model calls for a number of Key Activities.

Like Key Resources, they are required to create and offer a Value Proposition, reach markets, maintain Customer Relationships, and earn revenues.

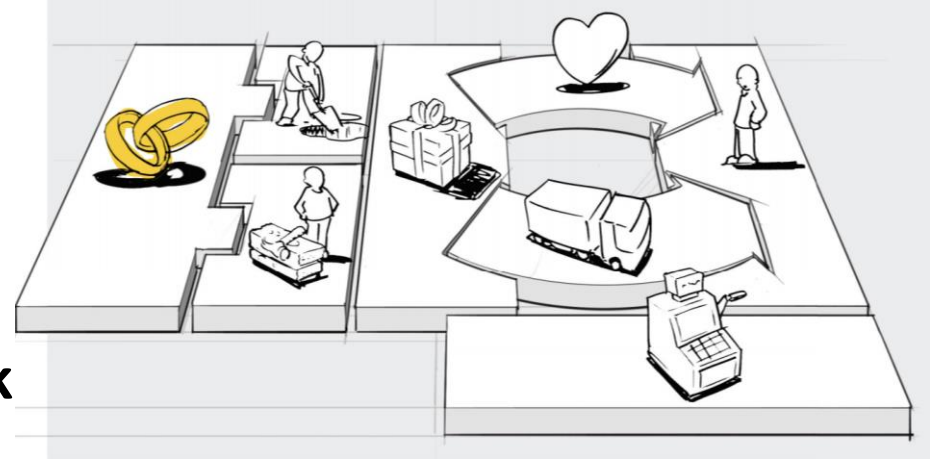


What Key Activities do our Value Propositions require?

- *For software maker Microsoft, Key Activities include software development.*
- *For PC manufacturer Dell, Key Activities include supply chain management.*
- *For consultancy McKinsey, Key Activities include problem solving.*

Key Partnerships

Describes the network of suppliers and partners that make the business model work



Companies forge partnerships for many reasons, and **partnerships** are becoming a cornerstone of many business models.

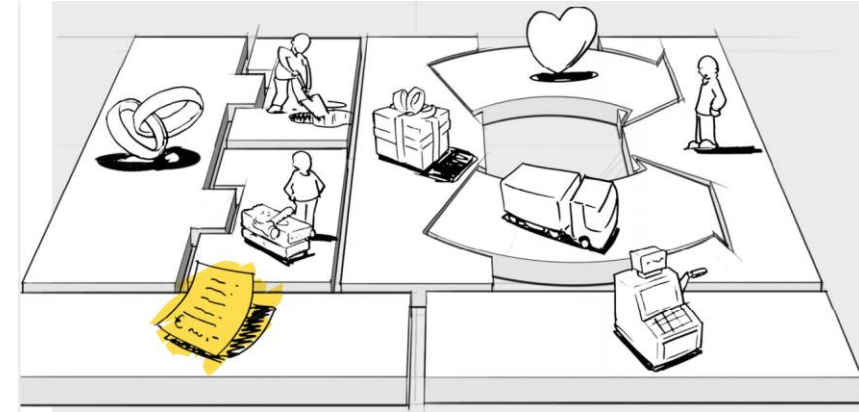
Companies create alliances to optimize their business models, reduce risk, or acquire resources.

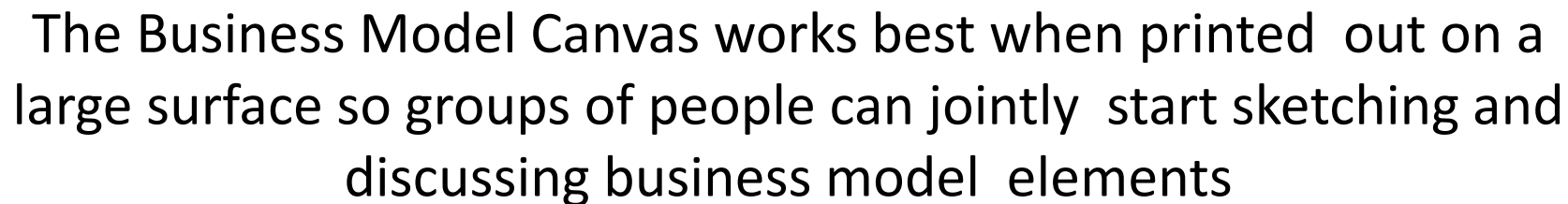
We can distinguish between four different types of partnerships:

1. Strategic alliances between non-competitors
2. Coopetition: strategic partnerships between competitors
3. Joint ventures to develop new businesses
4. Buyer-supplier relationships to assure reliable supplies

Cost Structure

- The Cost Structure describes all costs incurred to operate a business model
- Here we describe the most important costs incurred while operating under a particular business model:
Creating and delivering value, maintaining Customer Relationships, and generating revenue all incur costs.
- Such costs can be calculated relatively easily after defining Key Resources, Key Activities, and Key Partnerships.
- Some business models, though, are more cost-driven than others. So-called “no frills” airlines, for instance, have built business models entirely around low Cost Structures.







① PLOT THE
CANVAS
ON A
POSTER

② PUT THE
POSTER ON
THE WALL

③ SKETCH OUT
YOUR BUSINESS
MODEL

Level 1 = The Beginners:

At this level, leaders and teams use the Business Model Canvas as a simple checklist.

- They complete the canvas by asking themselves who their customers are, how they reach them and what value proposition they are offering.
- They also ask themselves about the resources, activities and partners they are using to create and deliver the value proposition.

While they understand the need to look at their whole business model, they are simply completing the boxes without thinking deeply about how each component is related to the others.

Level 2 = The Masters:

At this level, leaders and teams use the business model as a story. Rather than just completing the boxes as a checklist, they ensure that all aspects of the business model are interconnected and reinforce each other. They recognize that the business model is a system.

If you change one component of the business model, it impacts the others. This is how they are able to design breakthrough business models.

Level 3 = The Invincible:

At this level, leaders and teams don't just focus on their current business model.

- They start thinking about new business models while they are successful with their current one.
- They start building new business models proactively before a crisis.
- They have a portfolio of business models that help them remain successful today and navigate into the future.

These are the invincible companies.

Osterwalder, Alexander; Pigneur, Yves. Business Model
Generation: A Handbook for Visionaries, Game Changers, and
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