

# BUSINESS MODELING

BASED ON BUSINESS MODEL GENERATION BY ALEX OSTERWALDER & YVES PIGNEUR

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Greg Horowitz

T2 Venture Capital

# WHAT IS A BUSINESS MODEL?

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A business model is a way of articulating the flow and dependencies of how an organization creates, delivers and harvests value

# WHY IS THIS IMPORTANT?

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To organize your thoughts, understand options, assert hypotheses, and formulate ways to test them

# WHAT IS A BUSINESS CANVAS?

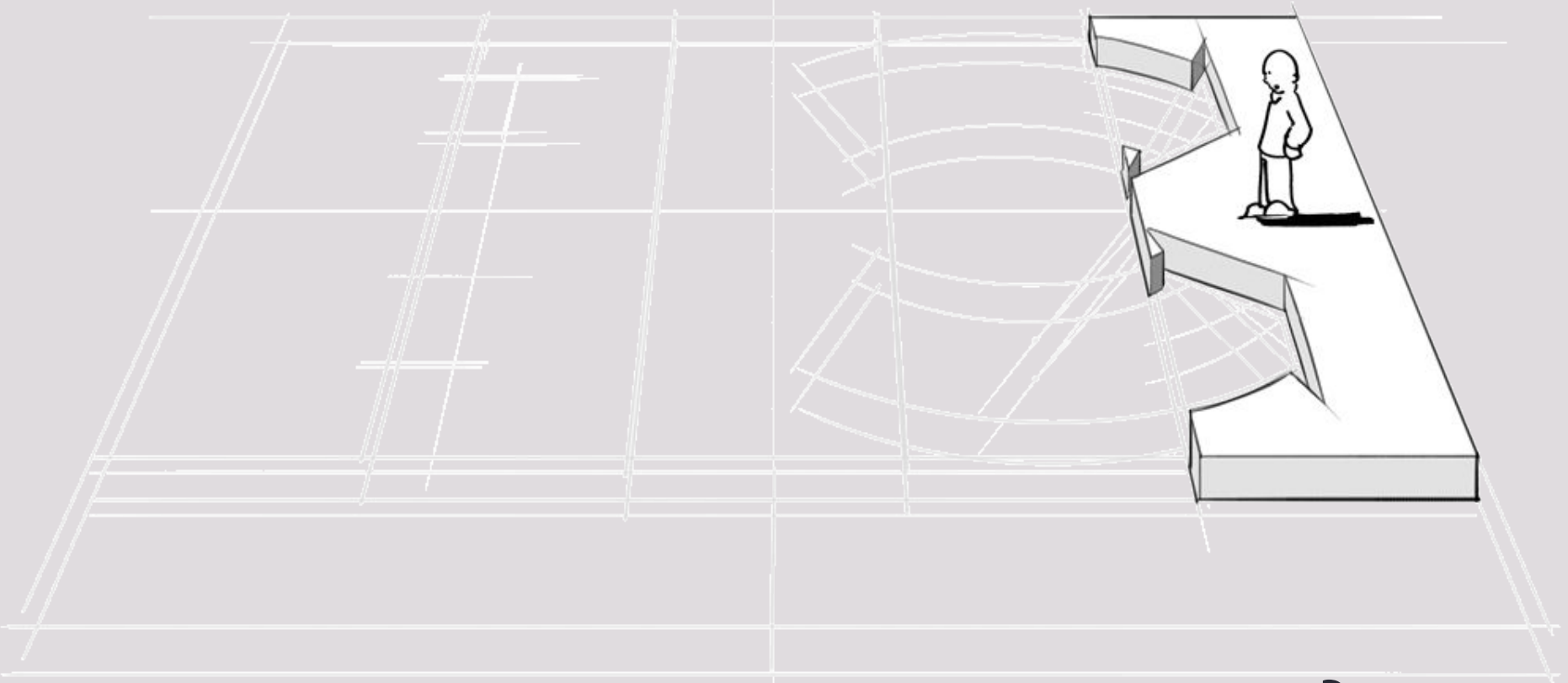
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A visual and flow form way of illustrating your business model

# Why business modeling vs. business planning?

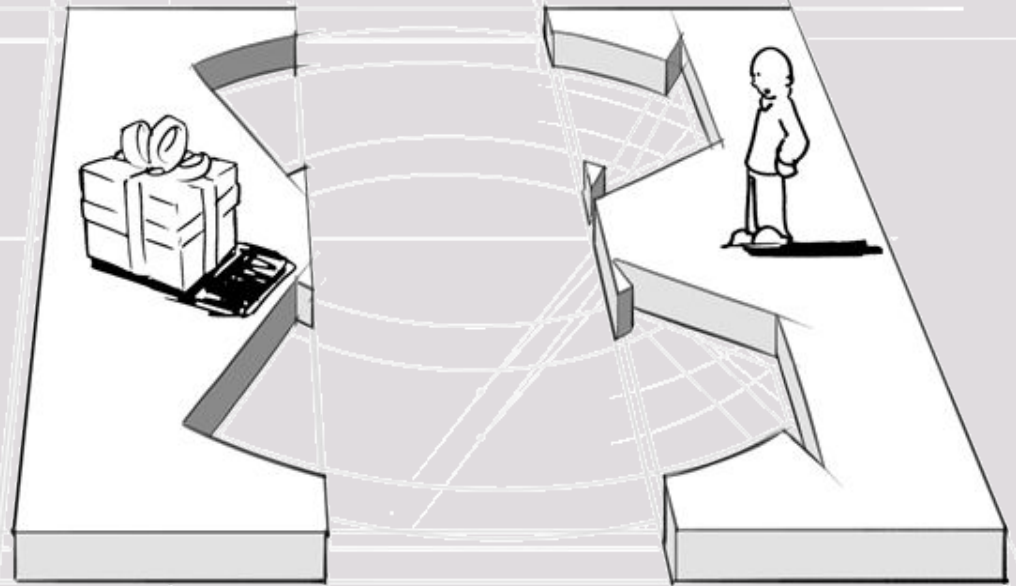
- Business plans are static documents and startups are dynamic
- No business plan survives first contact with the customer (variation on Sun Tzu's 'Art of War')
- Companies without product and no sales must develop hypotheses and a way to test them
- Your assumptions are more relevant to potential investors than a spreadsheet with financial models and a 'hockey stick' ramp
- Able to remodel as you 'pivot'

# CUSTOMER SEGMENTS



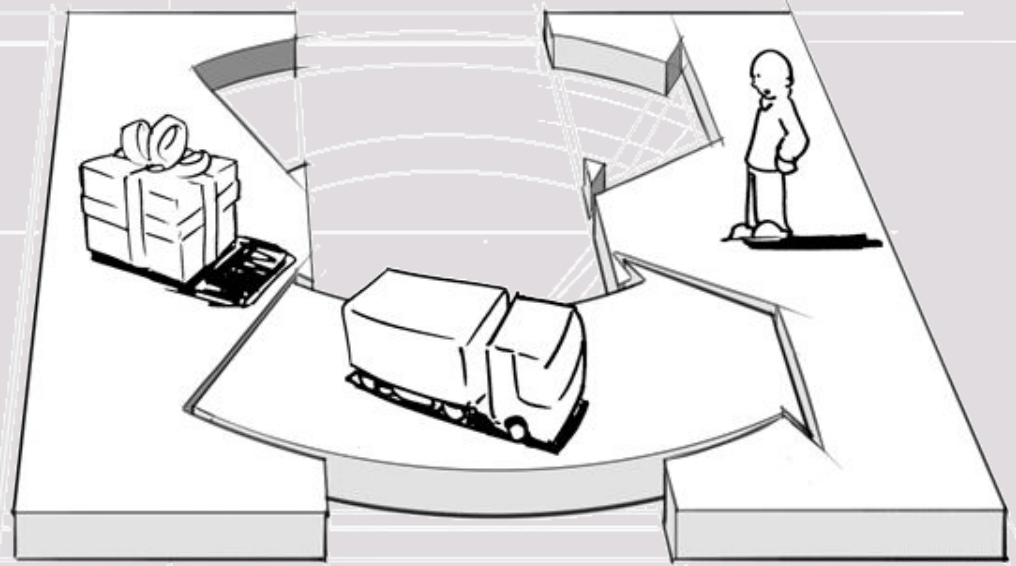
which customers and users are you serving?  
which jobs do they really want to get done?

# VALUE PROPOSITIONS



what are you offering them? what is that getting done for them? do they care?

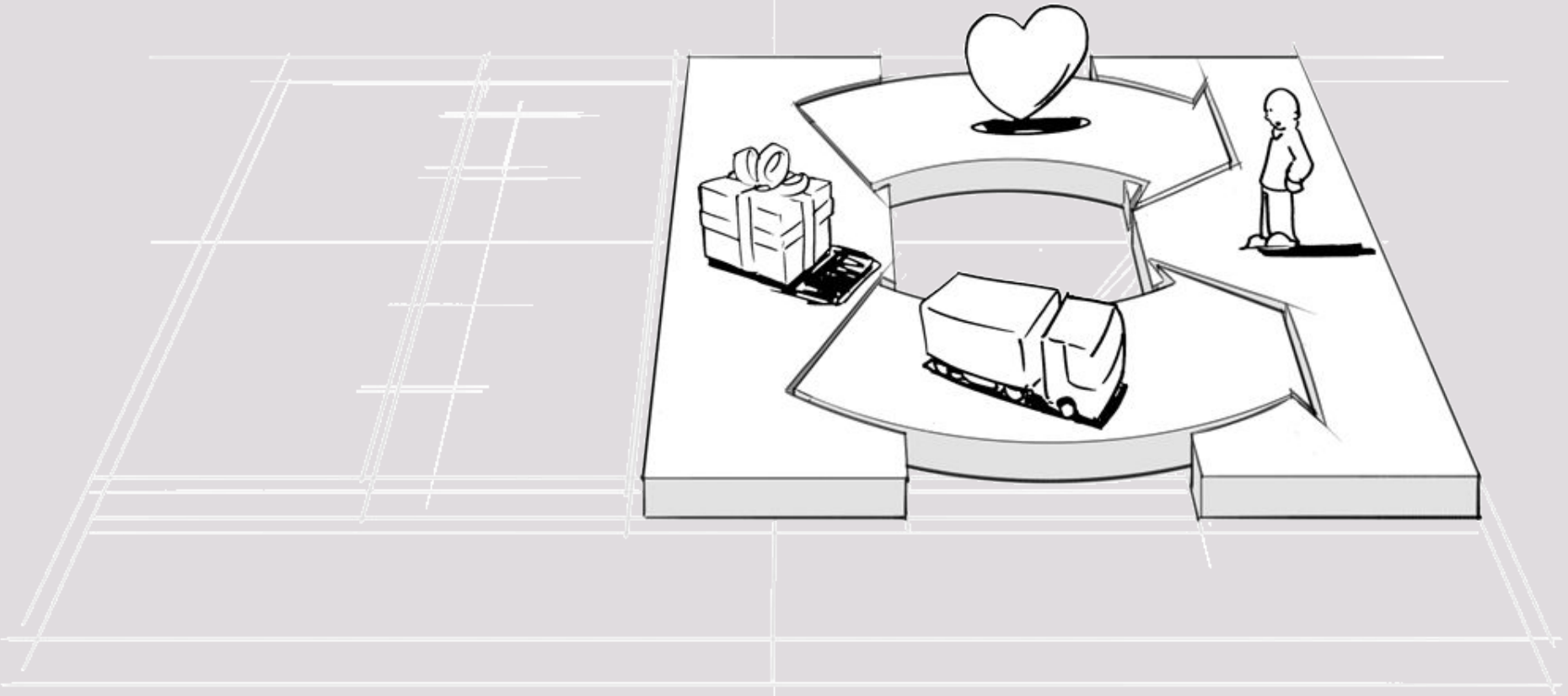
# CHANNELS



how does each customer segment want to be reached? through which interaction points?

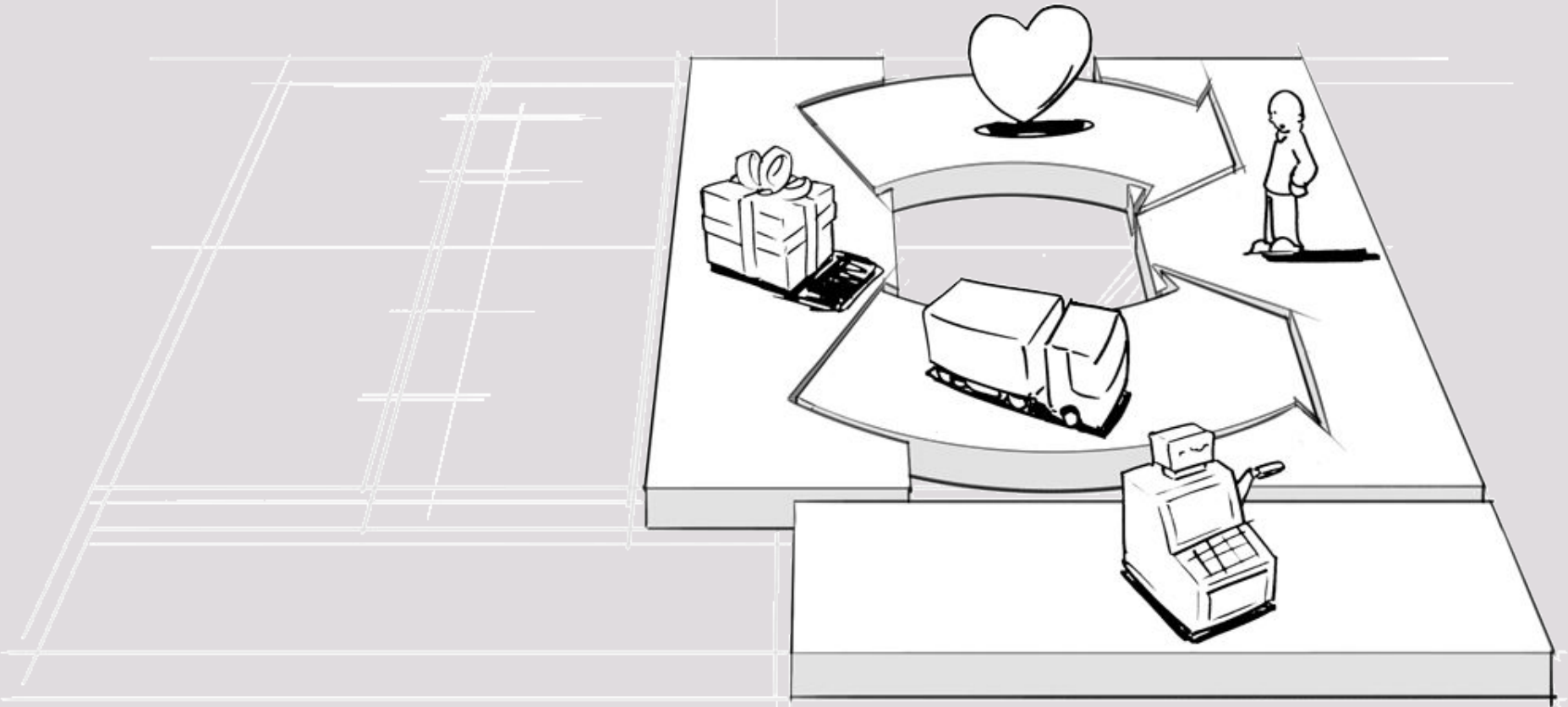


# CUSTOMER RELATIONSHIPS



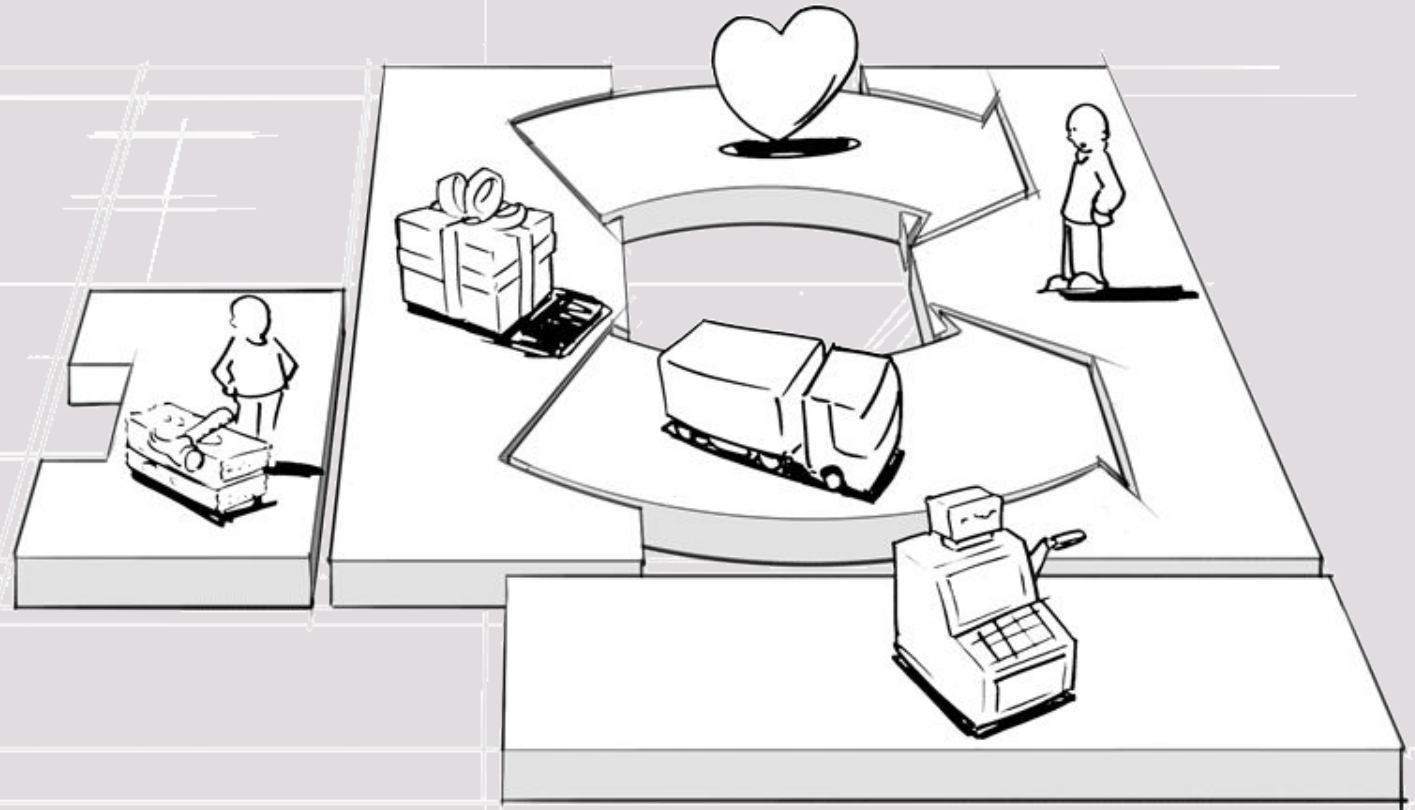
what relationships are you establishing with each segment?  
personal? automated? acquisitive? retentive?

# REVENUE STREAMS



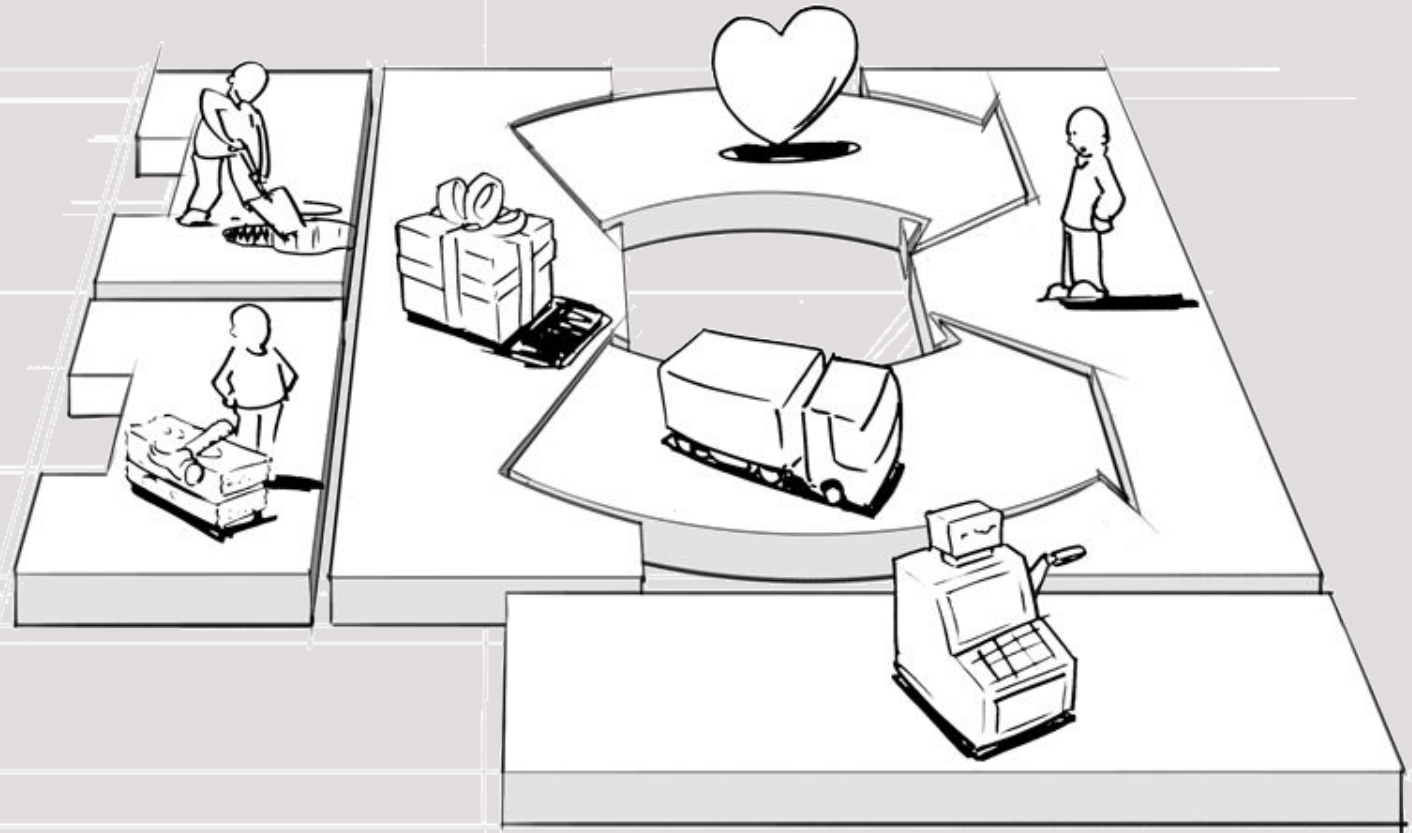
what are customers really willing to pay for? how?  
are you generating transactional or recurring revenues?

# KEY RESOURCES



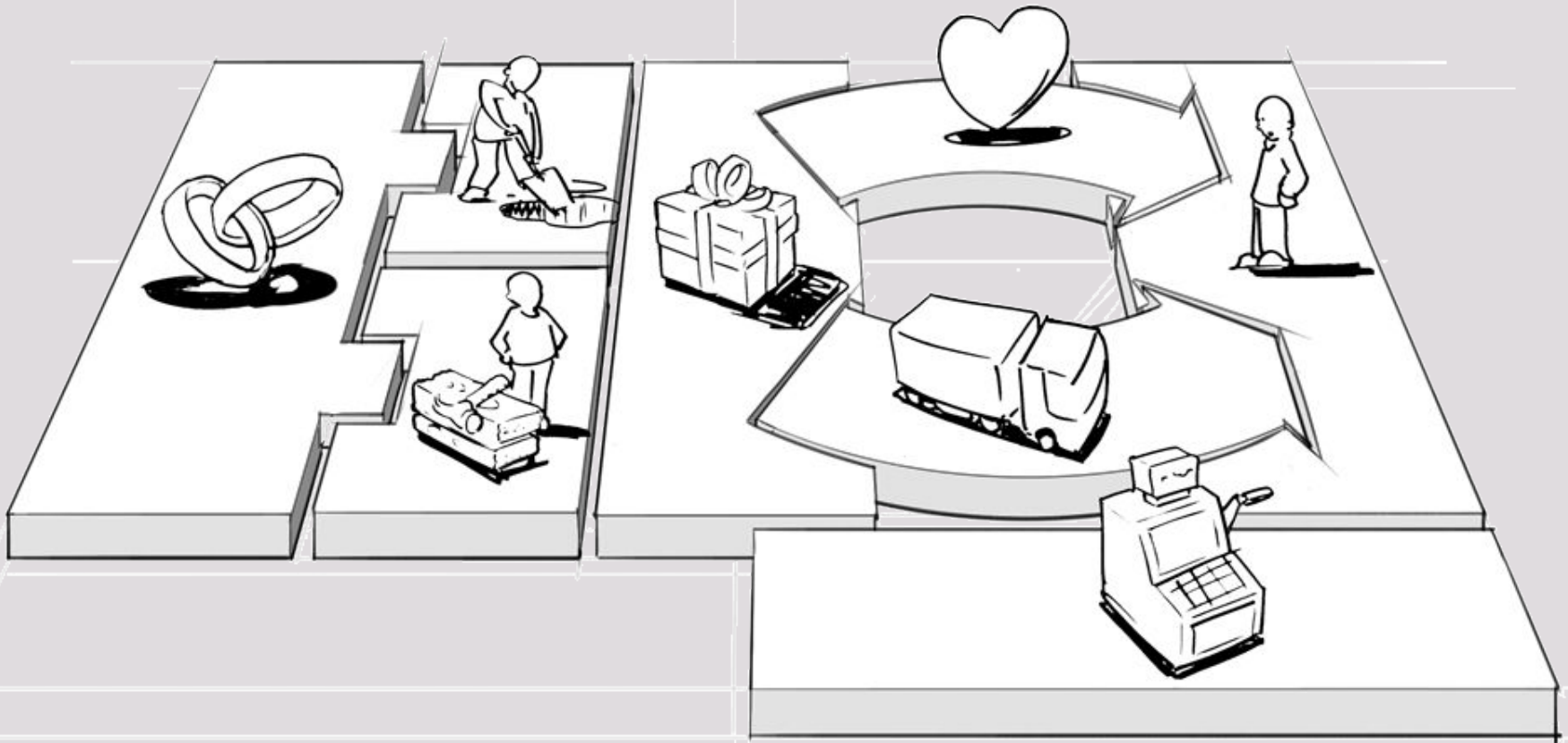
which resources underpin your business model?  
which assets are essential?

# KEY ACTIVITIES



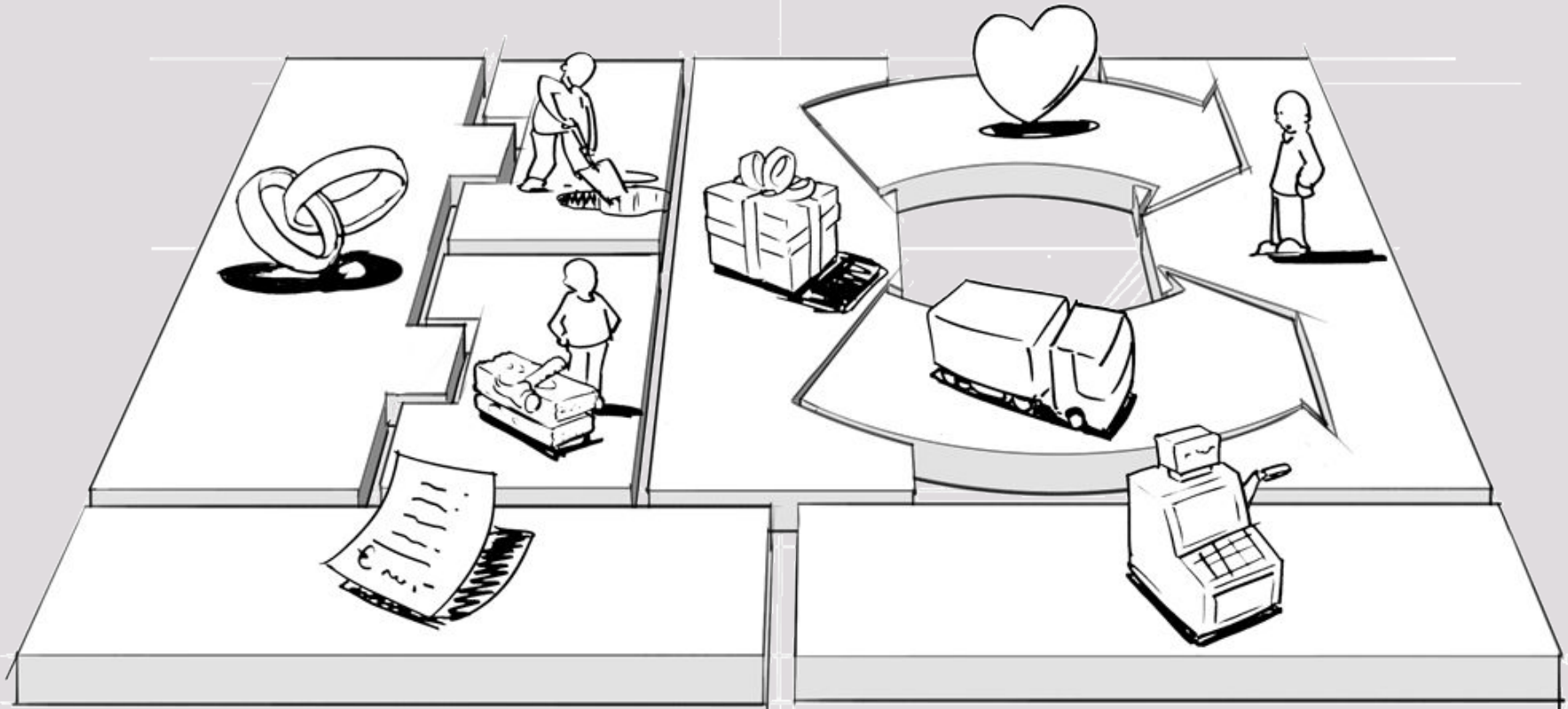
which activities do you need to perform well in your business model? what is crucial?

# KEY PARTNERS

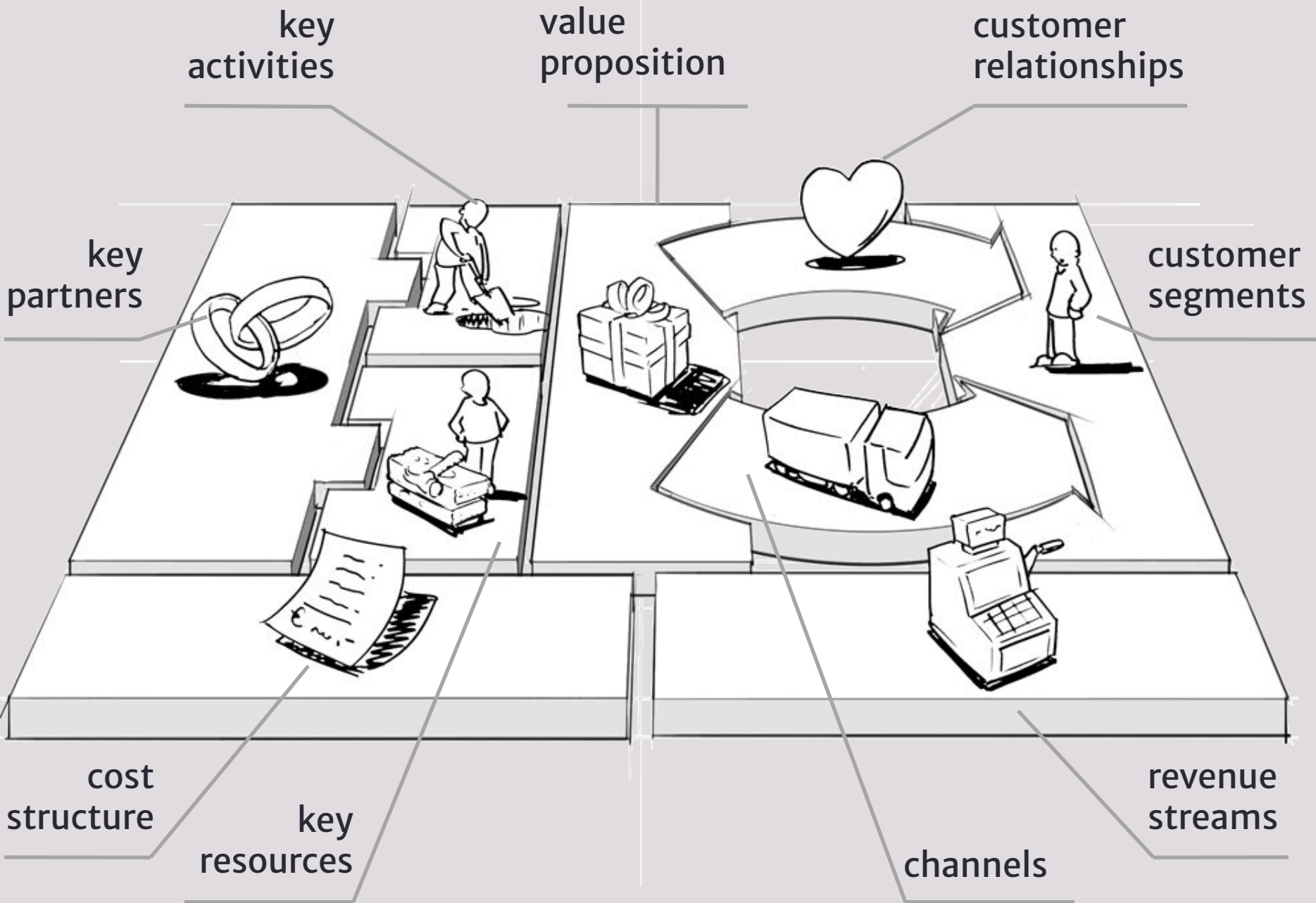


which partners and suppliers leverage your model?  
who do you need to rely on?

# COST STRUCTURE



what is the resulting cost structure?  
which key elements drive your costs?





① PLOT THE  
CANVAS  
ON A  
POSTER

② PUT THE  
POSTER ON  
THE WALL

③ SKETCH OUT  
YOUR BUSINESS  
MODEL












# The Business Model Canvas

Designed for:

Designed by:

On:

Iteration:

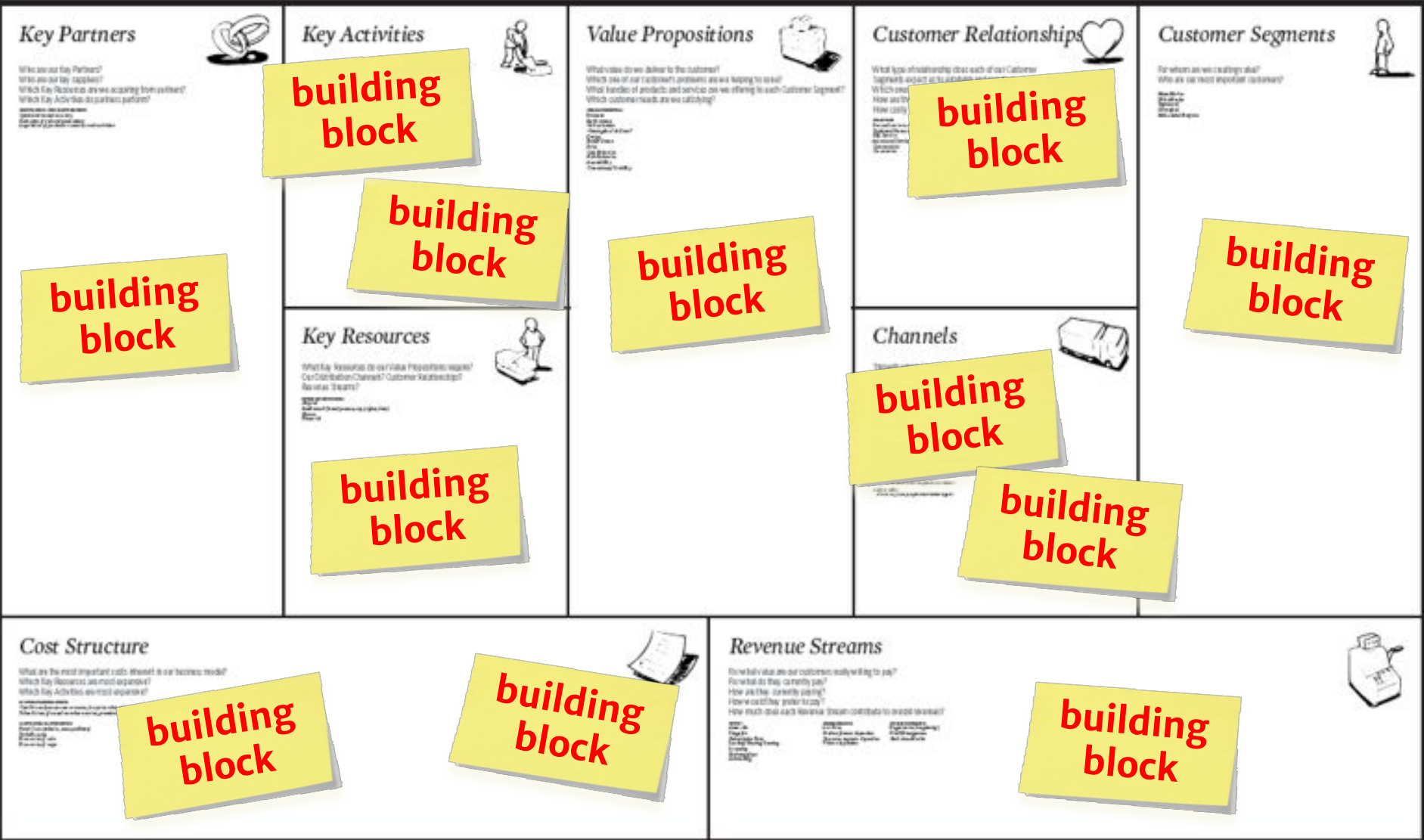
<h3>Key Partners</h3>  <p>Who are our Key Partners? Who are our Key Suppliers? Which Key Resources do we acquire from partners? Which Key Activities do partners perform? <small>Source: Chesbrough, 2003; Johnson and Christensen, 2000; Chesbrough and Spohrer, 2006</small></p>	<h3>Key Activities</h3>  <p>What Key Activities do our Value Propositions require? Can Distribution Channels? Customer Relationships? Revenue streams? <small>Source: Chesbrough, 2003; Johnson and Christensen, 2000; Chesbrough and Spohrer, 2006</small></p>	<h3>Value Propositions</h3>  <p>What value do we deliver to the customer? Which one of our customers' problems are we helping to solve? What bundle of products and services are we offering to each Customer Segment? Which customer needs are we satisfying? <small>Source: Chesbrough, 2003; Johnson and Christensen, 2000; Chesbrough and Spohrer, 2006</small></p>	<h3>Customer Relationships</h3>  <p>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? <small>Source: Chesbrough, 2003; Johnson and Christensen, 2000; Chesbrough and Spohrer, 2006</small></p>	<h3>Customer Segments</h3>  <p>For whom are we creating value? Who are our most important customers? <small>Source: Chesbrough, 2003; Johnson and Christensen, 2000; Chesbrough and Spohrer, 2006</small></p>
	<h3>Key Resources</h3>  <p>What Key Resources do our Value Propositions require? Can Distribution Channels? Customer Relationships? Revenue streams? <small>Source: Chesbrough, 2003; Johnson and Christensen, 2000; Chesbrough and Spohrer, 2006</small></p>		<h3>Channels</h3>  <p>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which one is the best? Which ones are most cost-efficient? How are we integrating them with the customer market? <small>Source: Chesbrough, 2003; Johnson and Christensen, 2000; Chesbrough and Spohrer, 2006</small></p>	
<h3>Cost Structure</h3>  <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive? <small>Source: Chesbrough, 2003; Johnson and Christensen, 2000; Chesbrough and Spohrer, 2006</small></p>		<h3>Revenue Streams</h3>  <p>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? <small>Source: Chesbrough, 2003; Johnson and Christensen, 2000; Chesbrough and Spohrer, 2006</small></p>		

# The Business Model Canvas

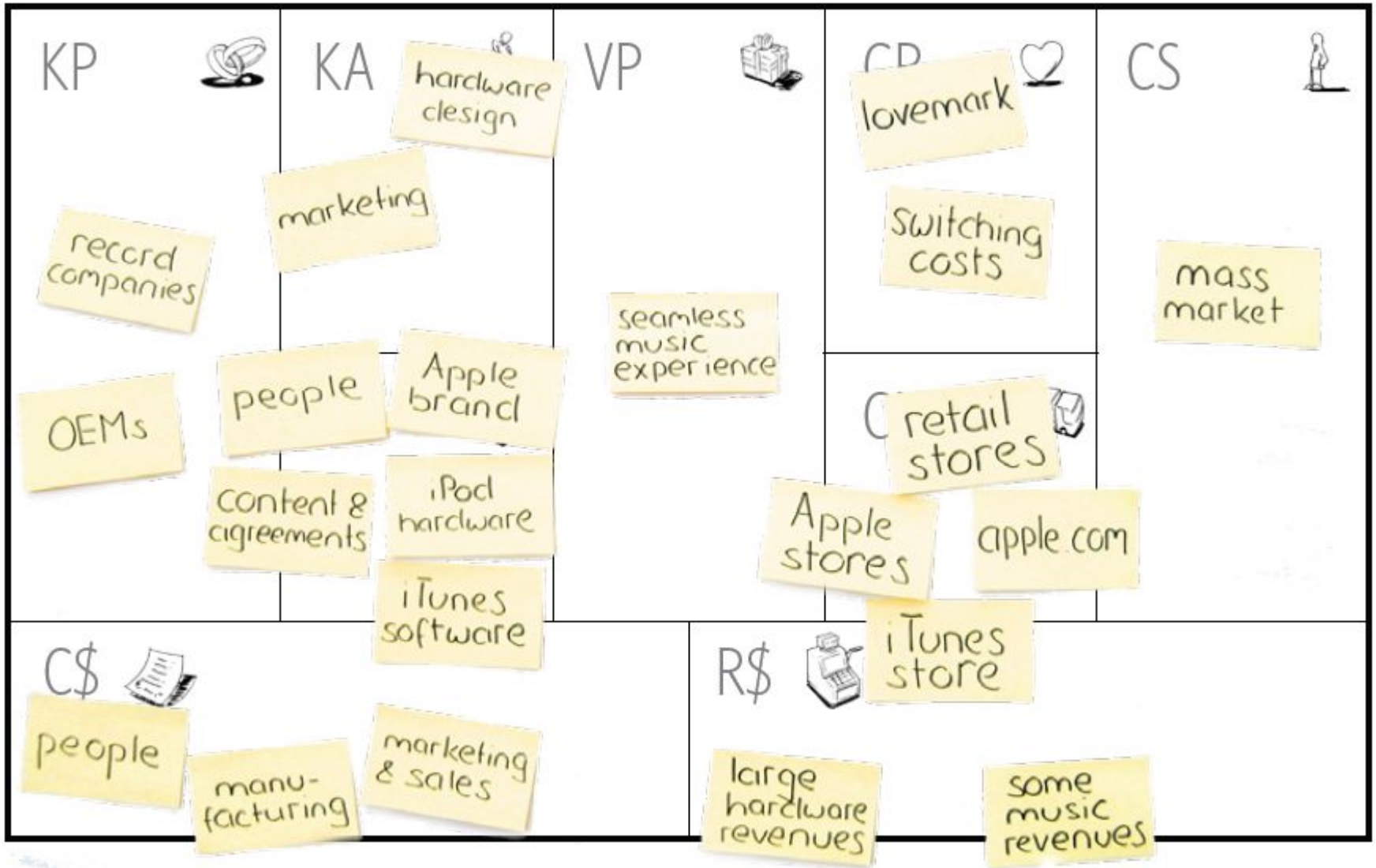
Designed for:

Designed by:

On: \_\_\_\_\_  
Iteration: \_\_\_\_\_







KP



KA



VP



CD



CS



recrd companies

marketing

hardware design

OEMs

people

Apple brand

seamless music experience

switching costs

mass market

content & agreements

iPod hardware

retail stores

Apple stores

apple.com

iTunes software

C\$



people

manu-facturing

marketing & sales

R\$

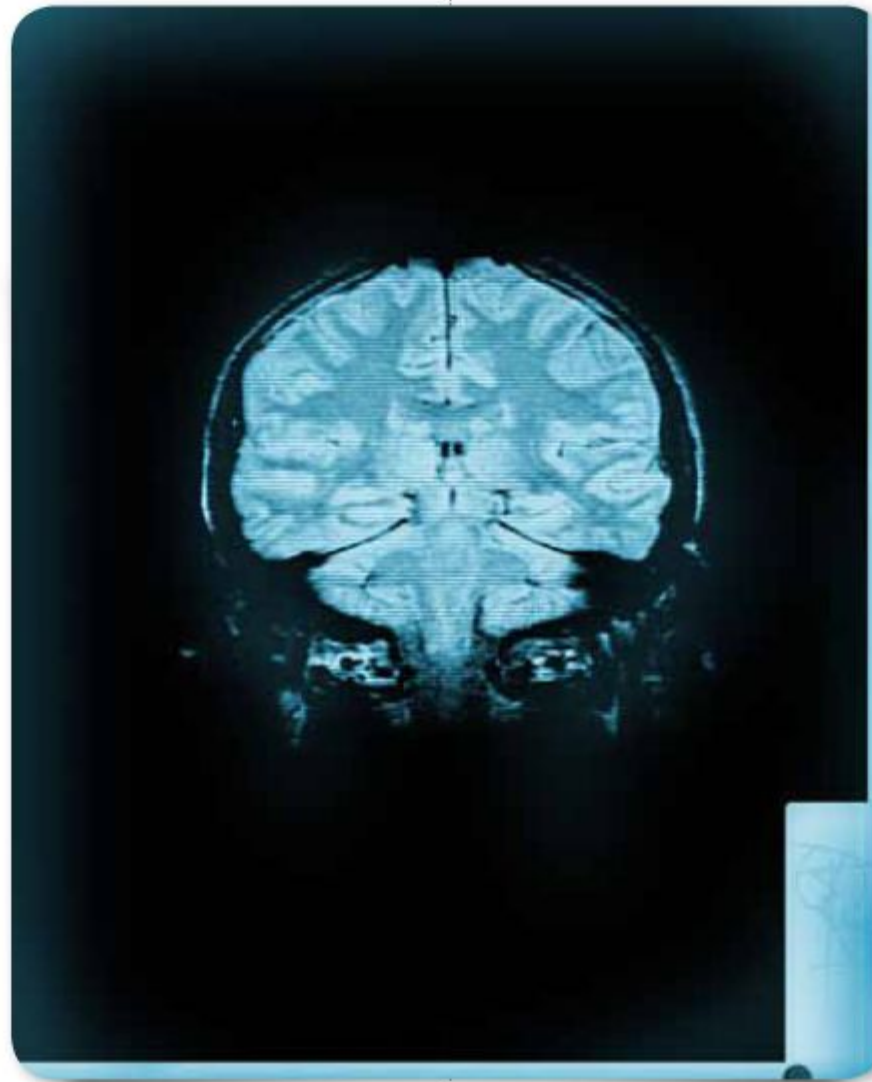


iTunes store

large hardware revenues

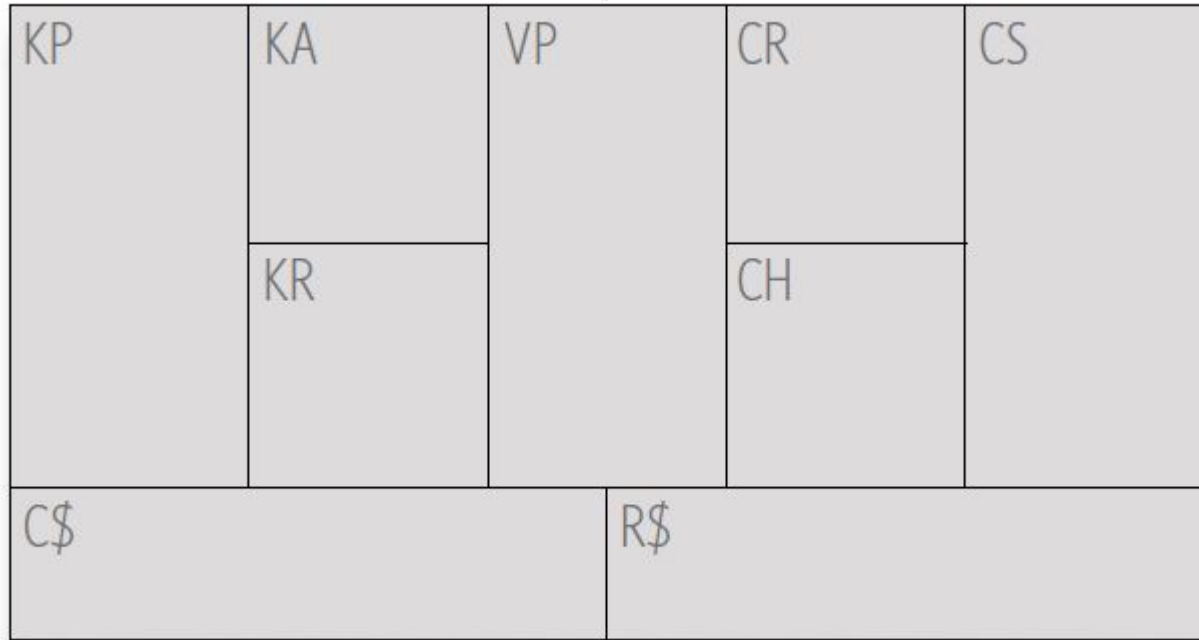
some music revenues

**LEFT BRAIN**  
logic



**RIGHT BRAIN**  
emotion

**LEFT CANVAS**  
efficiency



**RIGHT CANVAS**  
value

# PATTERNS

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- Unbundling
- The Long Tail
- Multi-Sided Platforms
- Free
- Open Business Models

# Unbundling the Corporation

John Hagel and Mark Singer

- Three businesses in one
  - Customer relationship management
  - Product Innovation
  - Infrastructure management
- Three economic imperatives
  - Economic
  - Competitive
  - Cultural
- Examples
  - Banking
  - Telecommunications



# The Long Tail

- Selling less of more
  - Examples: Netflix, eBay, YouTube, Facebook
  - Lego, M&M

# Multi-sided Platforms

- Brings together two or more separate, but connected groups of customers
- Value is generated only if one group is present with another group
- Example: eBay, Google, Apple iTunes and App Store, Pinterest
- Network effect increases value

# Free

- One set of customers can always benefit from free of charge offers
- Subsidized by another group
- Examples: Skype, Google, Pandora, Spotify, Facebook
- Upgrade to Freemium model (Skype, Mozy)
- Bait and Hook (most US cellular carriers, Gillette)

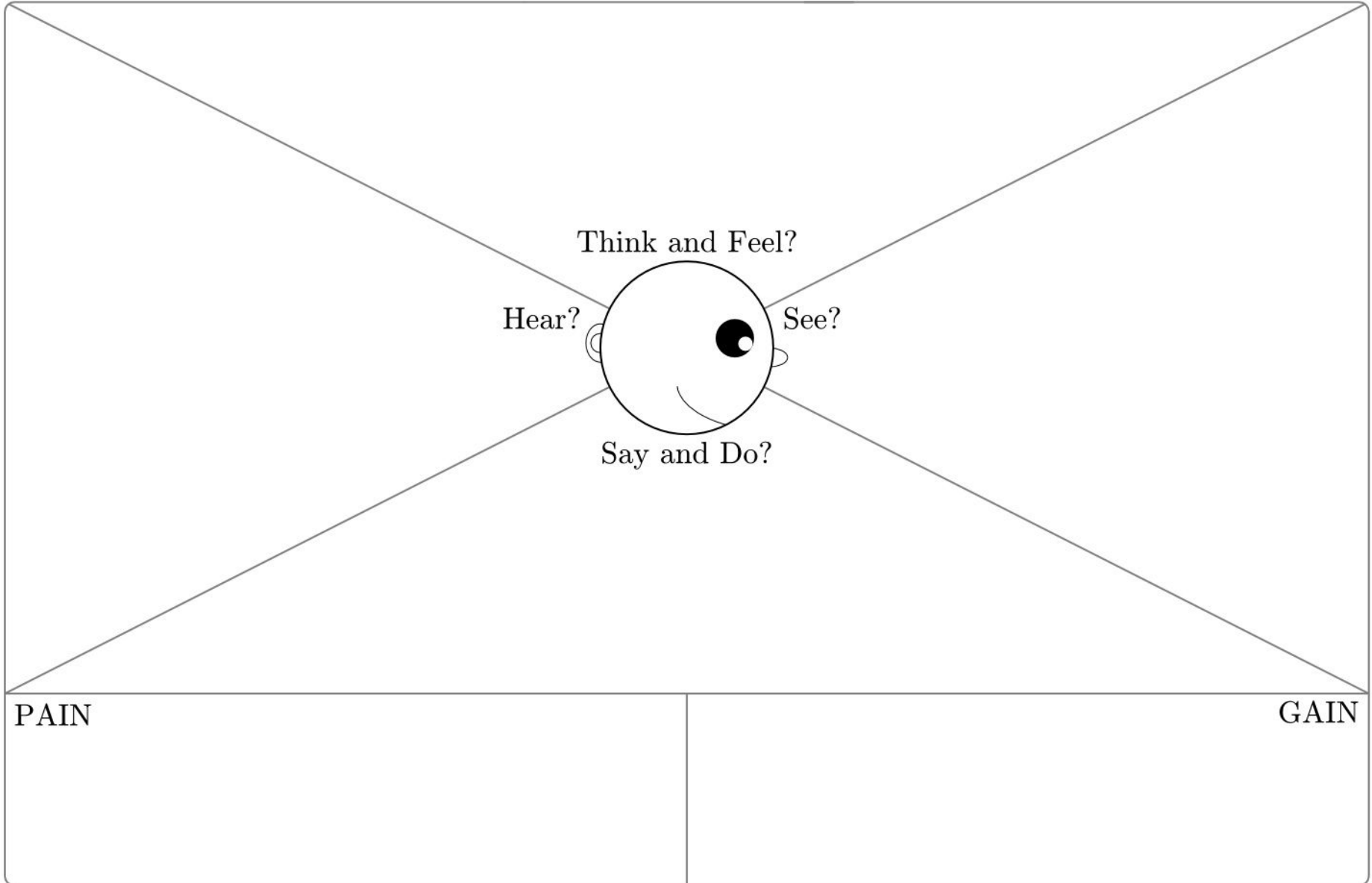
# Open Business Model

- Use external innovation sources to grow business
- Sell innovation to external partners
- Can be inside-out, or outside-in
- P&G
- GSK (patent pools for underserved diseases)
- Apple App Store

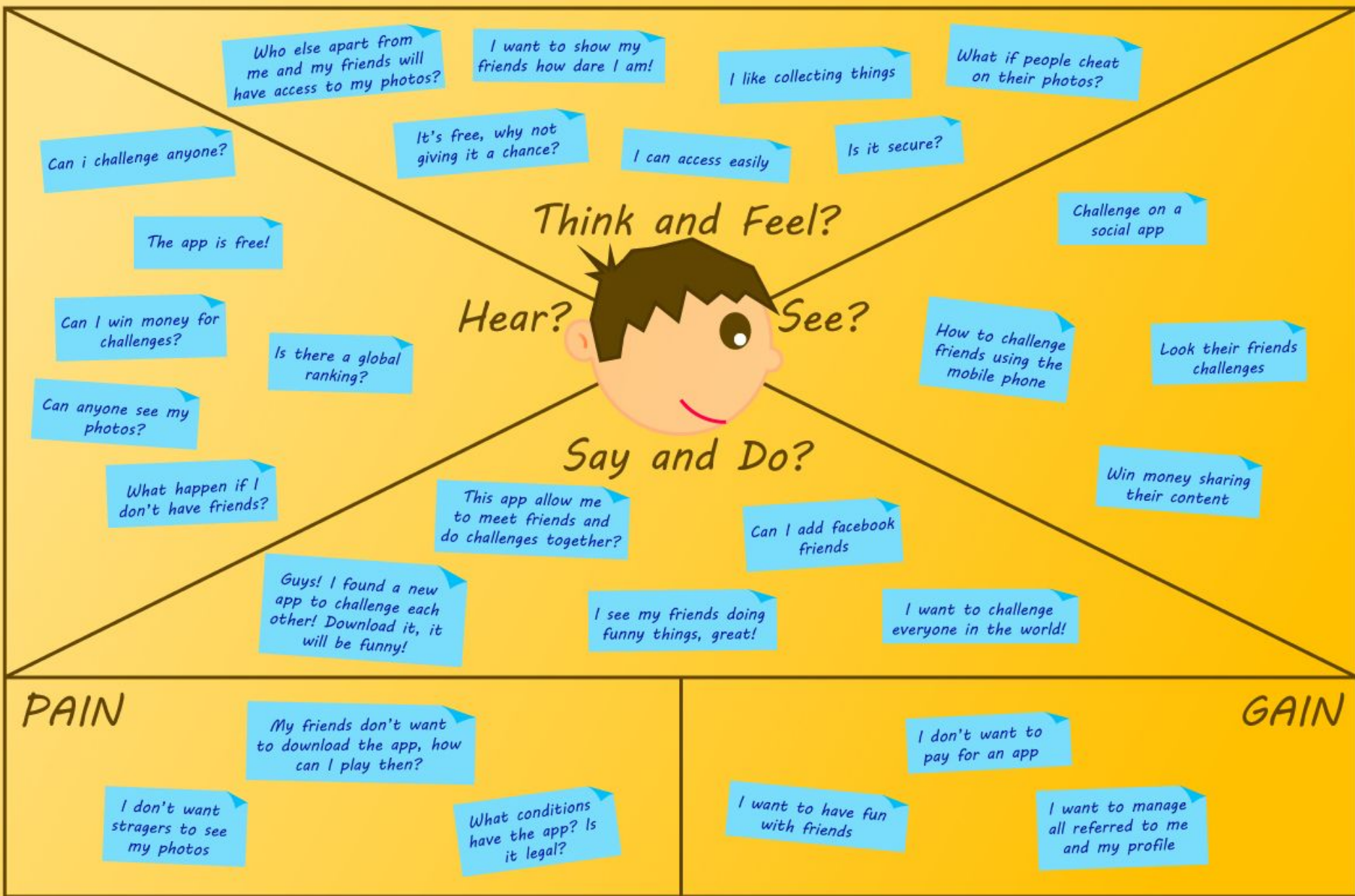
DESIGN

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# EMPATHY MAP



# Business Model - The Empathy Map



# Ideation

- Brainwriting and Brainwalking, Silly Cow, Worst Idea
- Lateral Thinking (Atlasian's FedEx day)
- Using the 9 building blocks of the Canvas
- What if?
- Prototyping
- Visual Thinking
  - Post-it™ Notes
  - Drawing
- Storyboarding
- Scenario planning



# STORYTELLING

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Give life to the intangible

Create clarity

Engage me

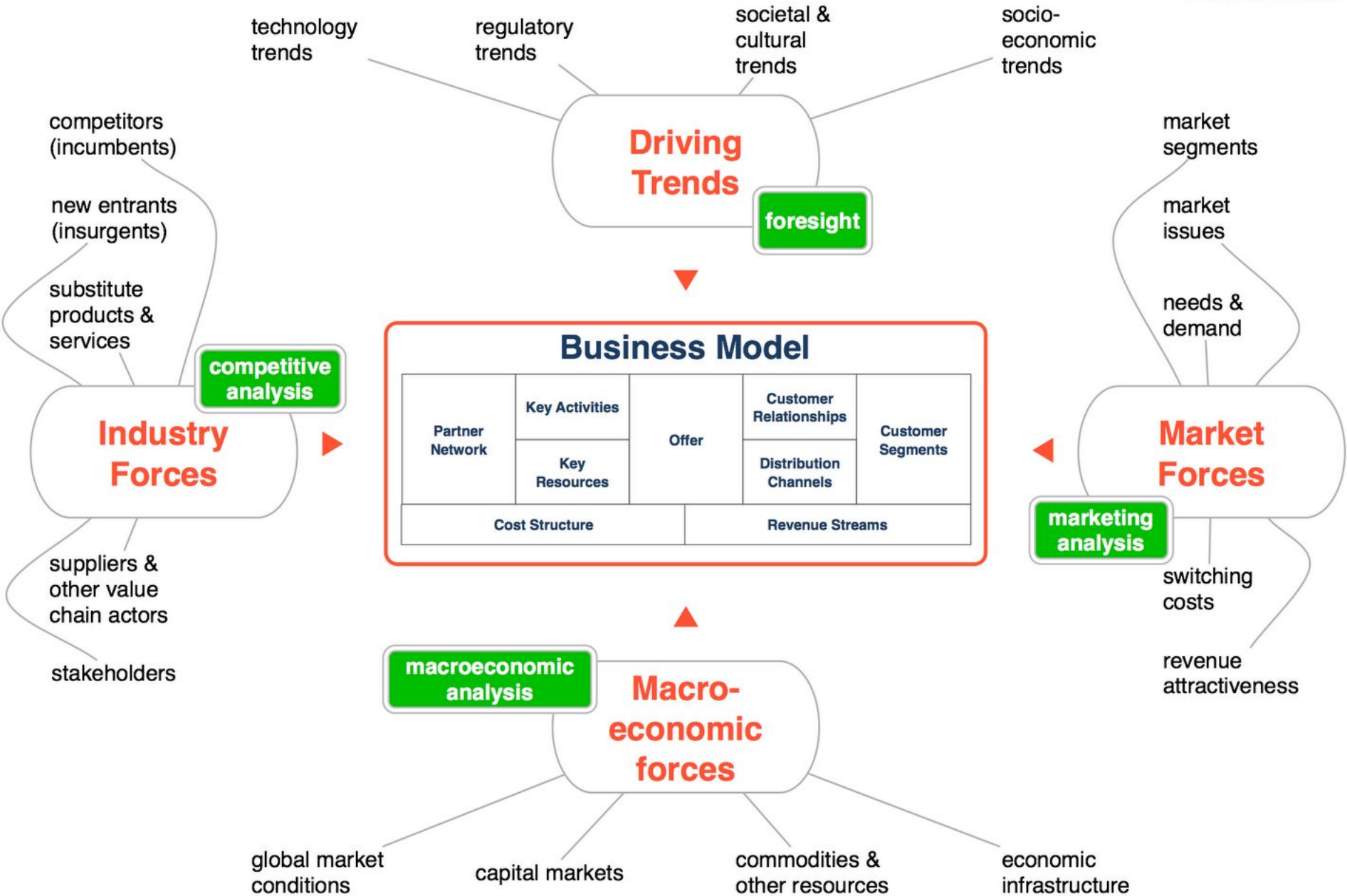
# STRATEGY

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# Business Model Environment

created by Benedikt Foit  
adapted from A. Osterwalder

www.lewebmobile.com



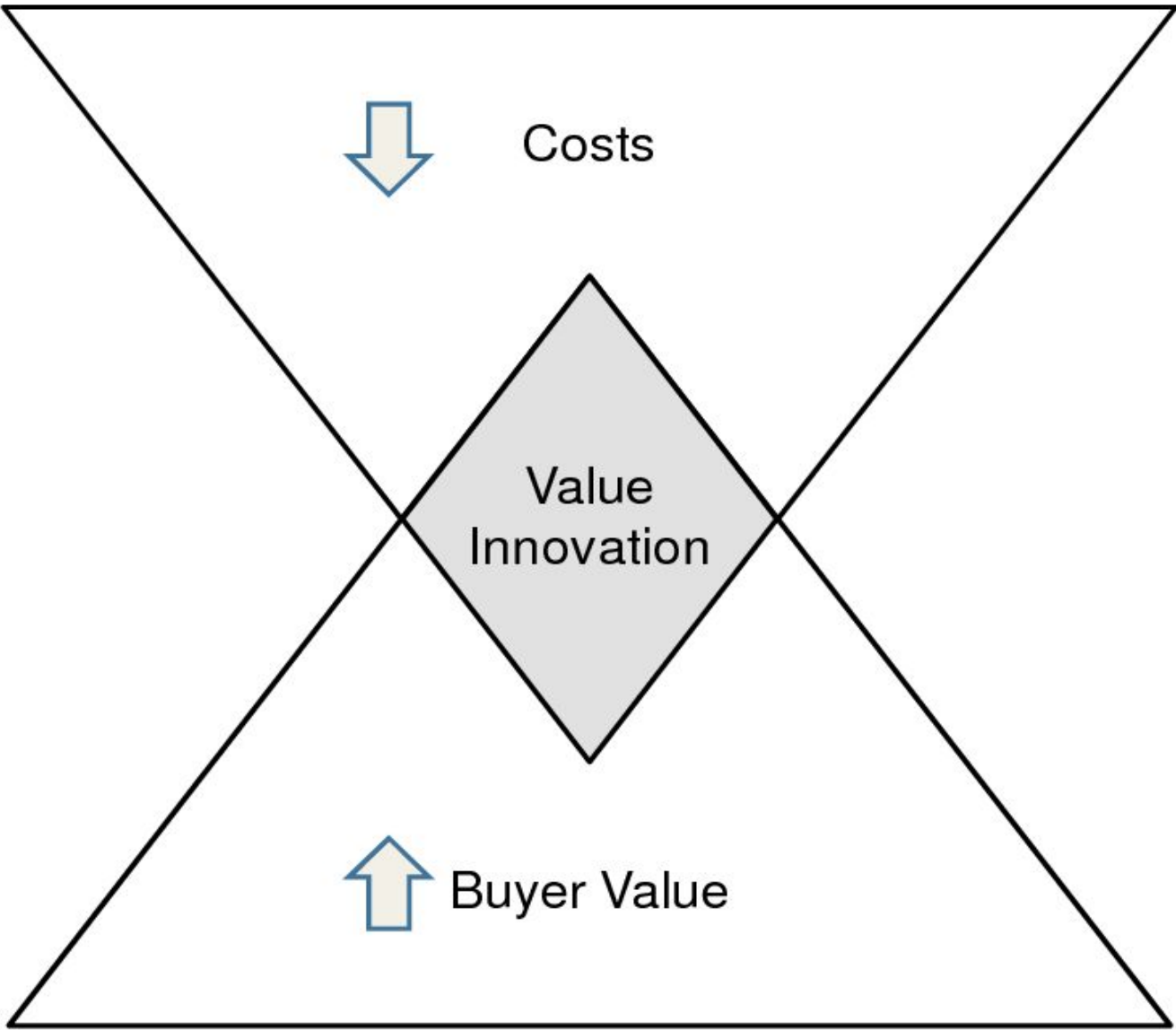
**STRENGTHS**

**OPPORTUNITIES**

**WEAKNESSES**

**THREATS**





# PROCESS

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# 5 Phases of Business Model Process

- Mobilize
- Understand
- Design
- Implement
- Manage

**Production and Logistics**

Anything beyond content creation is outsourced to readily available service providers.

**Differentiation**

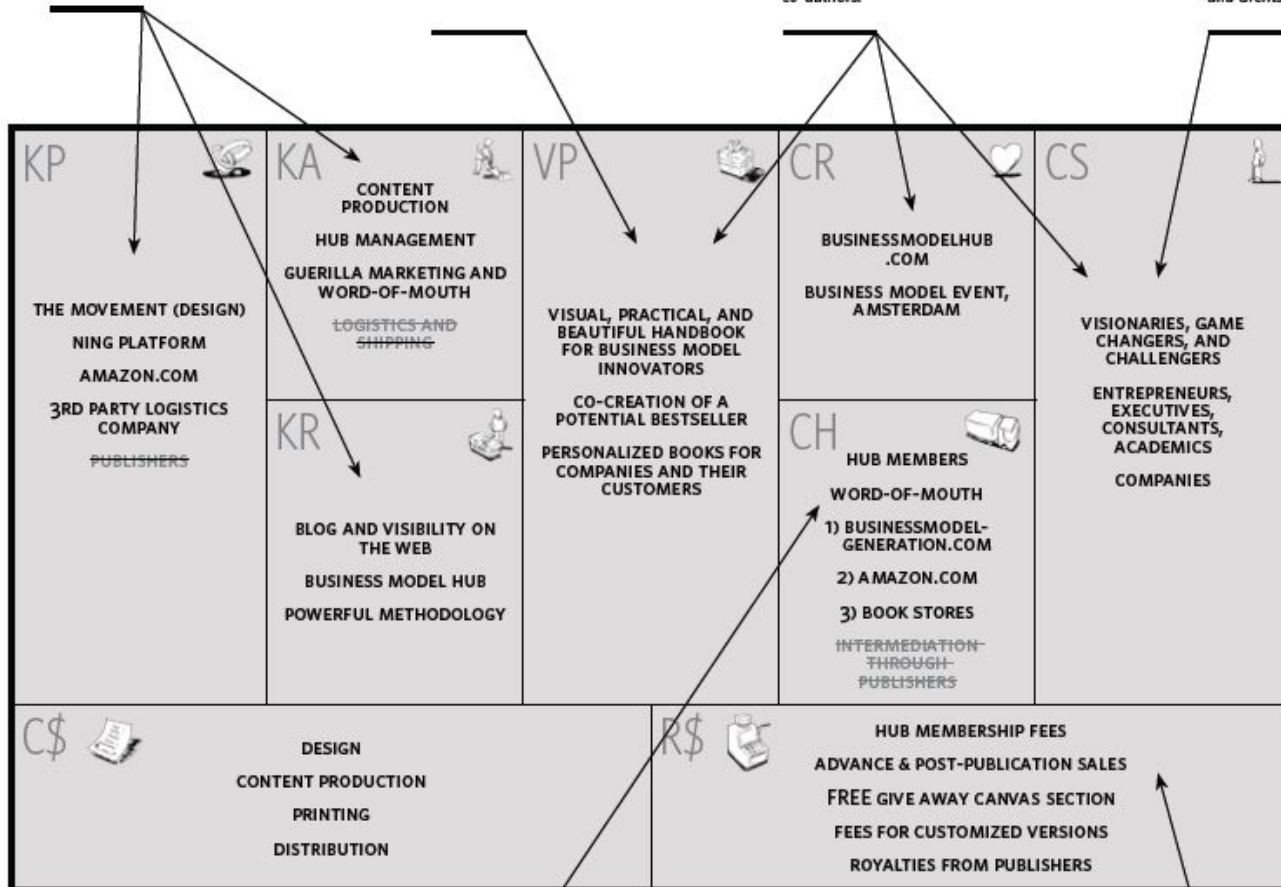
An entirely different format, business model, and story for the book makes it stand out in a crowded market.

**Community**

The book is co-created with practitioners from around the world who feel ownership thanks to attribution as contributing co-authors.

**Buyers**

Paying customers are not only readers, but co-creators and companies that want customized books for their employees and clients.



**Reach**

A mix of direct and indirect Channels and a phased approach optimizes reach and margins. The story of the book lends itself well to viral marketing and word-of-mouth promotion.

**Revenues**

The book was financed through advanced sales and fees paid by co-creators. Additional revenues come from customized versions for companies and their clients.

**THE CANVAS OF BUSINESS MODEL GENERATION**