

Business Model of a Company

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What is Business Model of a Company/Venture

Business Model - describes the rationale of how an organization (company, venture

- creates,
- delivers, and
- captures value

in economic, social, cultural or other contexts.

Business Model - a method and strategy that a business or organization uses to operate; this includes the purpose, systems, and people that work together to add value to customers.

Michael Lewis: **Business Model** is How a company plans to make money.

Peter Drucker: talks about the business concept in terms of flexible assumptions about what a company will and will not do: what they get paid for; markets, customers, and competitors; values and behaviors; technology; and a company's strengths and weaknesses.

A good **business model** answers the following questions:

- 'Who is the customer?
- And what does the customer value?'
- How do we make money in this business?
- What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?"

Alex Osterwalder -

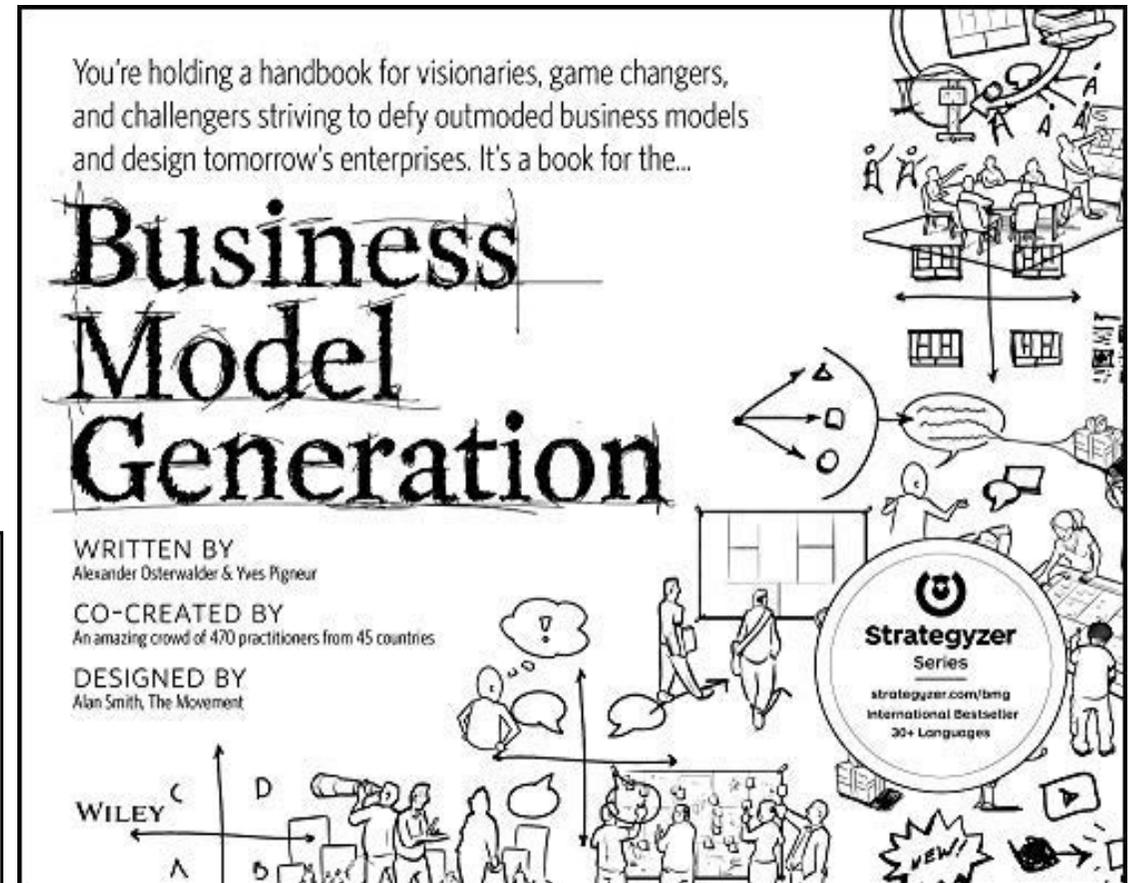
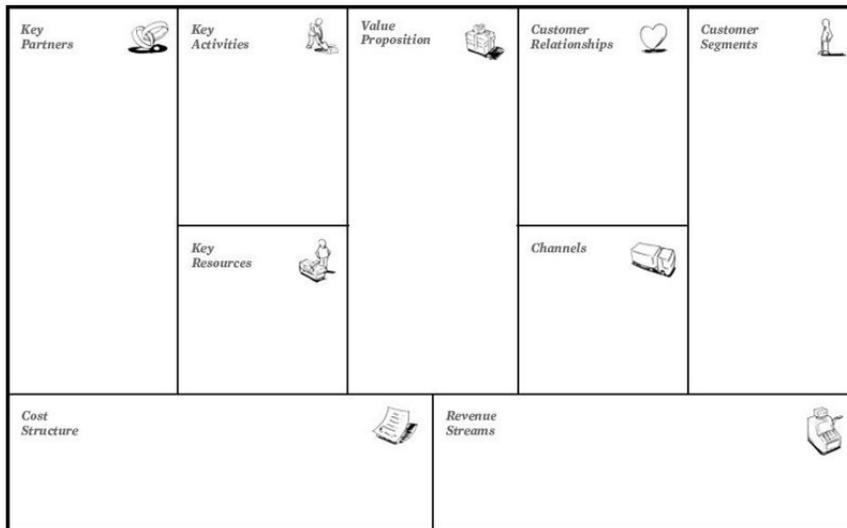
offers a simplified format for thinking about **Business Model**, called the business model canvas. This business map is a one-page template that includes space for designing, discussing, and reinventing business models.

We will concentrate on this approach to develop a model of our future business based on the business opportunity chosen in the process of decision making based on the defined criteria.

Why Business Model Is Important?

- It plays a vital role in the success of any company, as it explains how that business will create value for customers and earn revenue.
- For entrepreneurs, a business model aids in acquiring investors and establishing partnerships.
- Delivers a simplified but comprehensive overview of how business functions.
- It describes the most important parts of business based on the value creation and acts as a basis for defining, analysing, improving and innovating.

Alexander Osterwalder developed creation of a company business model called Business Model Canvas



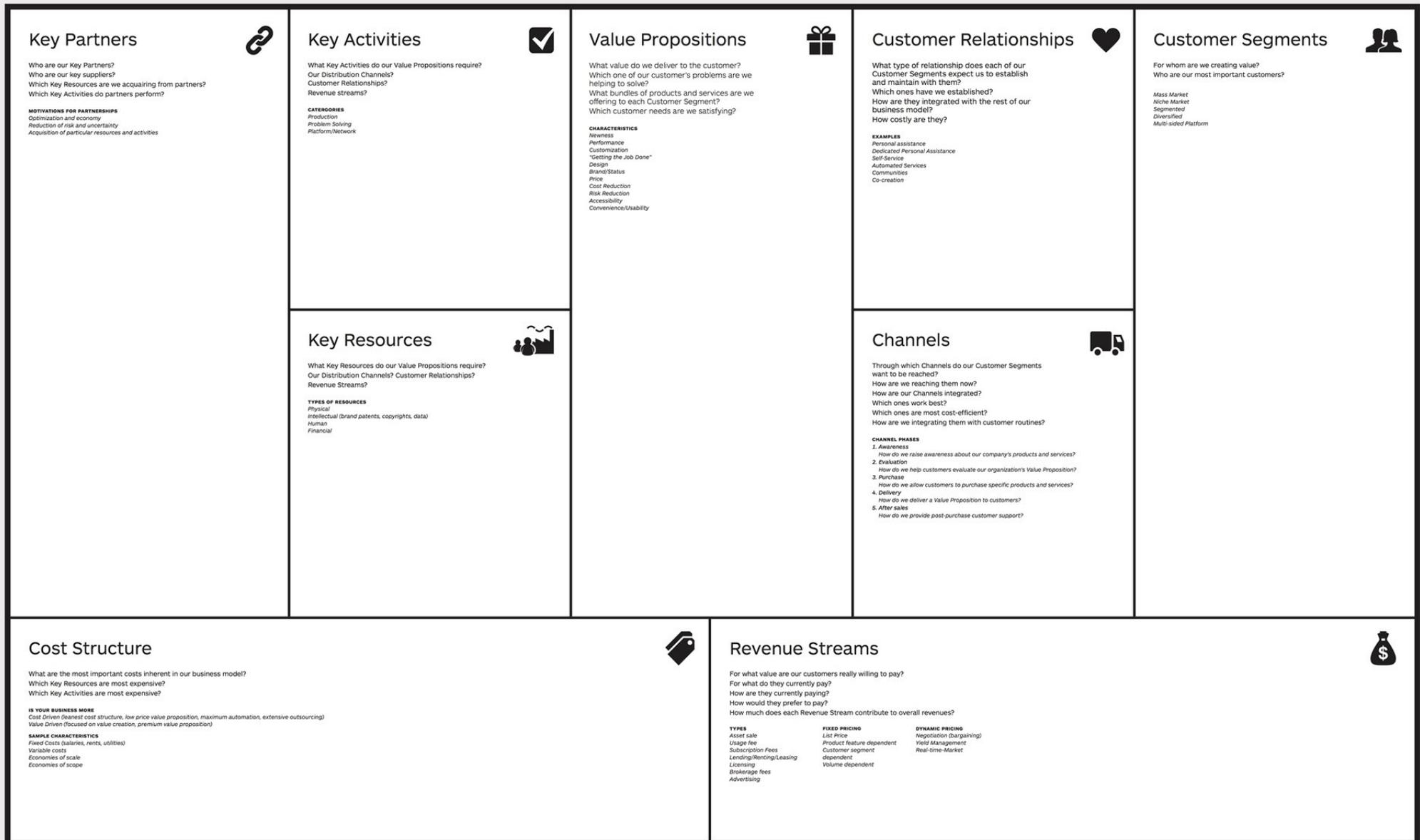
The Business Model Canvas

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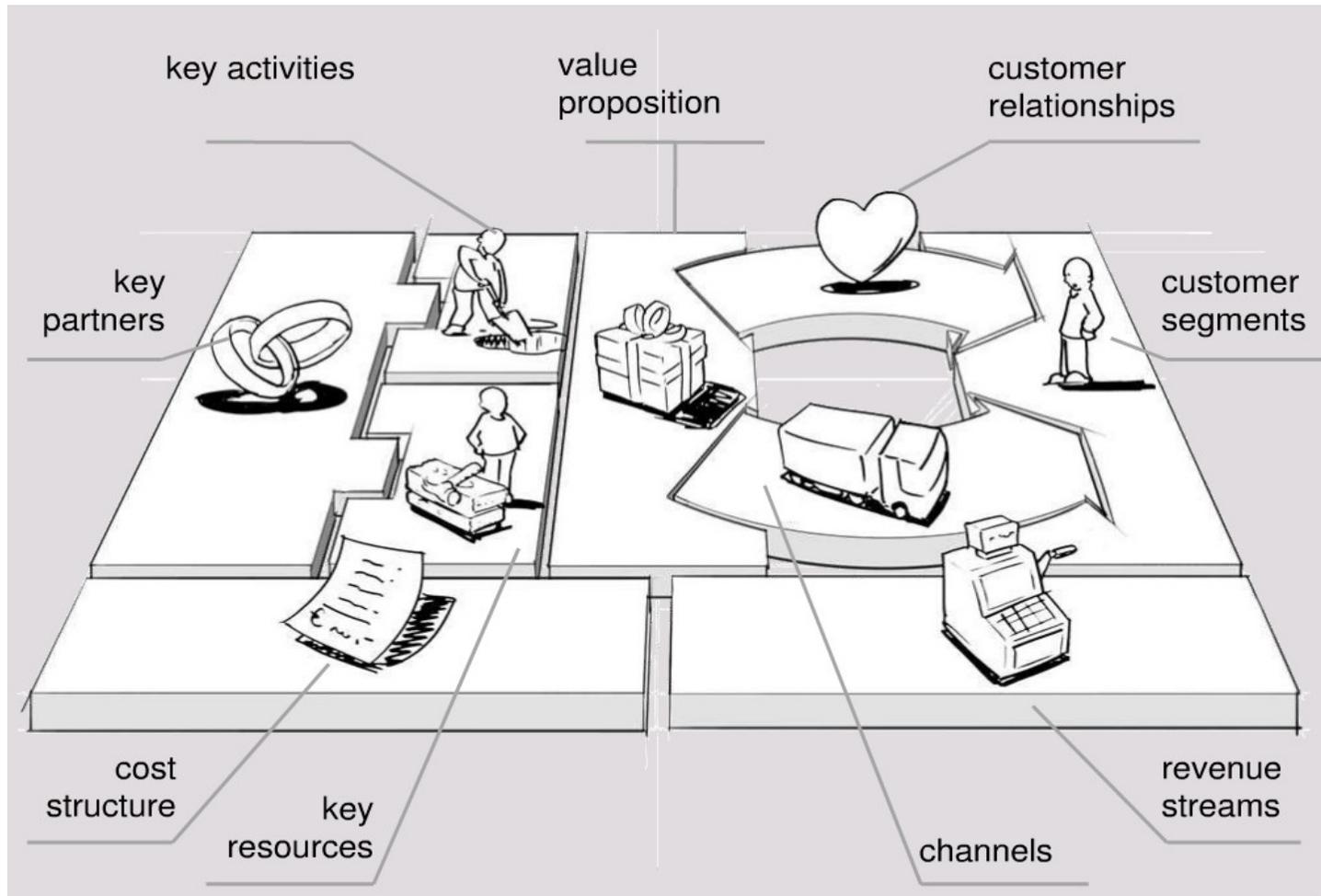
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DESIGNED BY: Business Model Foundry AG
The makers of Business Model Generation and Strategyzer

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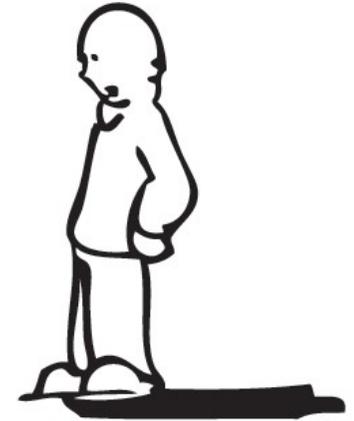
To better understand Concept of Business Model Canvas, please watch the video:
Business Model Canvas Explained <https://www.youtube.com/watch?v=QoAOzMTLP5s>

1.

Customer Segments

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

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform



2.

Value Propositions



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

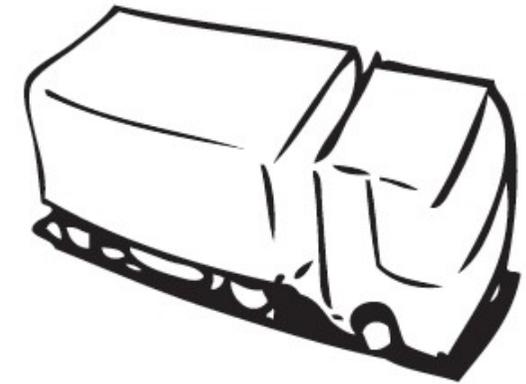
Risk Reduction

Accessibility

Convenience/Usability

3.

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 cost-efficient?
How are we integrating them with customer routines?

CHANNEL PHASES:

1. Awareness

How do we raise awareness about our company's products and services?

2. Evaluation

How do we help customers evaluate our organization's Value Proposition?

3. Purchase

How do we allow customers to purchase specific products and services?

4. Delivery

How do we deliver a Value Proposition to customers?

5. After sales

How do we provide post-purchase customer support?

4.

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?

EXAMPLES

Personal assistance

Dedicated Personal Assistance

Self-Service

Automated Services

Communities

Co-creation

5.

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?

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



6.

Key Resources

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



7.

Key Activities

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

CATEGORIES

Production

Problem Solving

Platform/Network



8.

Key Partners

Who are our Key Partners?

Who are our key suppliers?

Which Key Resources are we acquiring from partners?

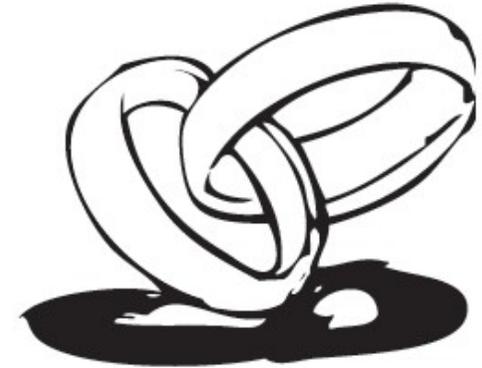
Which Key Activities do partners perform?

MOTIVATIONS FOR PARTNERSHIPS:

Optimization and economy

Reduction of risk and uncertainty

Acquisition of particular resources and activities



9.

Cost Structure



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

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

The Business Model Canvas

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Date:

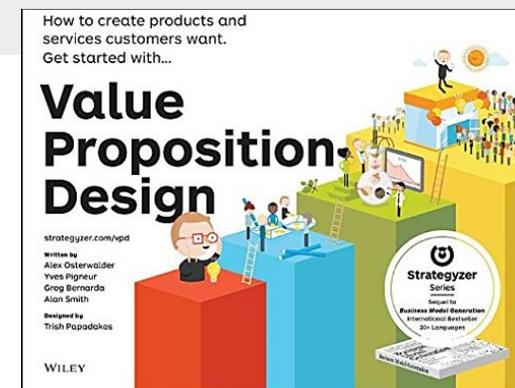
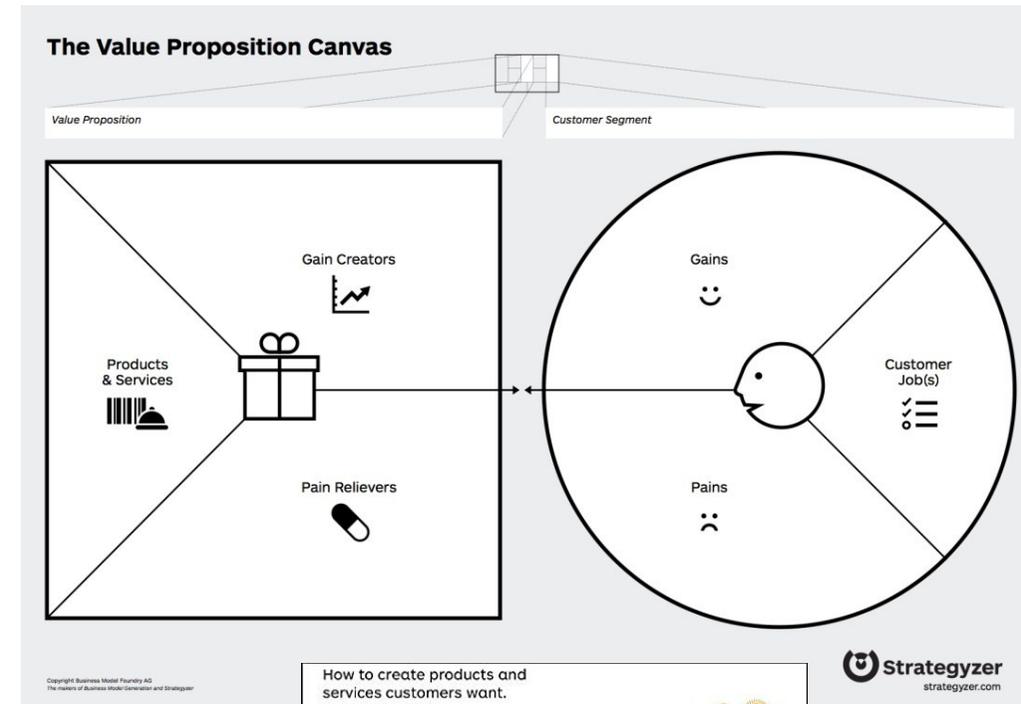
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<p>Key Partners </p> <p>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p>MOTIVATIONS FOR PARTNERSHIPS Optimization and economy Reduction of risk and uncertainty Acquisition of particular resources and activities</p>	<p>Key Activities </p> <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</p> <p>CATEGORIES Production Problem Solving Platform/Network</p>	<p>Value Propositions </p> <p>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?</p> <p>CHARACTERISTICS Newness Performance Customization "Setting the job done" Design Brand/Status Price Cost Reduction Risk Reduction Accessibility Convenience/Usability</p>	<p>Customer Relationships </p> <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?</p> <p>EXAMPLES Personal assistance Dedicated Personal Assistance Self-service Automated Services Communities Co-creation</p>	<p>Customer Segments </p> <p>For whom are we creating value? Who are our most important customers?</p> <p>Mass Market Niche Market Segmented Diversified Multi-sided platform</p>																								
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<p>Cost Structure </p> <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> <p>IS YOUR BUSINESS MODEL Cost Driven (lowest cost structure, low price value proposition, maximum automation, extensive outsourcing) Value Driven (focused on value creation, premium value proposition)</p> <p>SAMPLE CHARACTERISTICS Fixed Costs (salaries, rents, utilities) Variable costs Economies of scale Economies of scope</p>		<p>Revenue Streams </p> <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?</p> <table border="0"> <tr> <td>TYPES</td> <td>FIXED PRICING</td> <td>DYNAMIC PRICING</td> </tr> <tr> <td>Asset sale</td> <td>List Price</td> <td>Negotiation/Bargaining</td> </tr> <tr> <td>Usage fee</td> <td>Product feature dependent</td> <td>Yield Management</td> </tr> <tr> <td>Subscription fee</td> <td>Customer segment dependent</td> <td>Real-time market</td> </tr> <tr> <td>Lending/Renting/Leasing</td> <td>dependent</td> <td></td> </tr> <tr> <td>Licensing</td> <td>volume dependent</td> <td></td> </tr> <tr> <td>Brokerage fees</td> <td></td> <td></td> </tr> <tr> <td>Advertising</td> <td></td> <td></td> </tr> </table>			TYPES	FIXED PRICING	DYNAMIC PRICING	Asset sale	List Price	Negotiation/Bargaining	Usage fee	Product feature dependent	Yield Management	Subscription fee	Customer segment dependent	Real-time market	Lending/Renting/Leasing	dependent		Licensing	volume dependent		Brokerage fees			Advertising		
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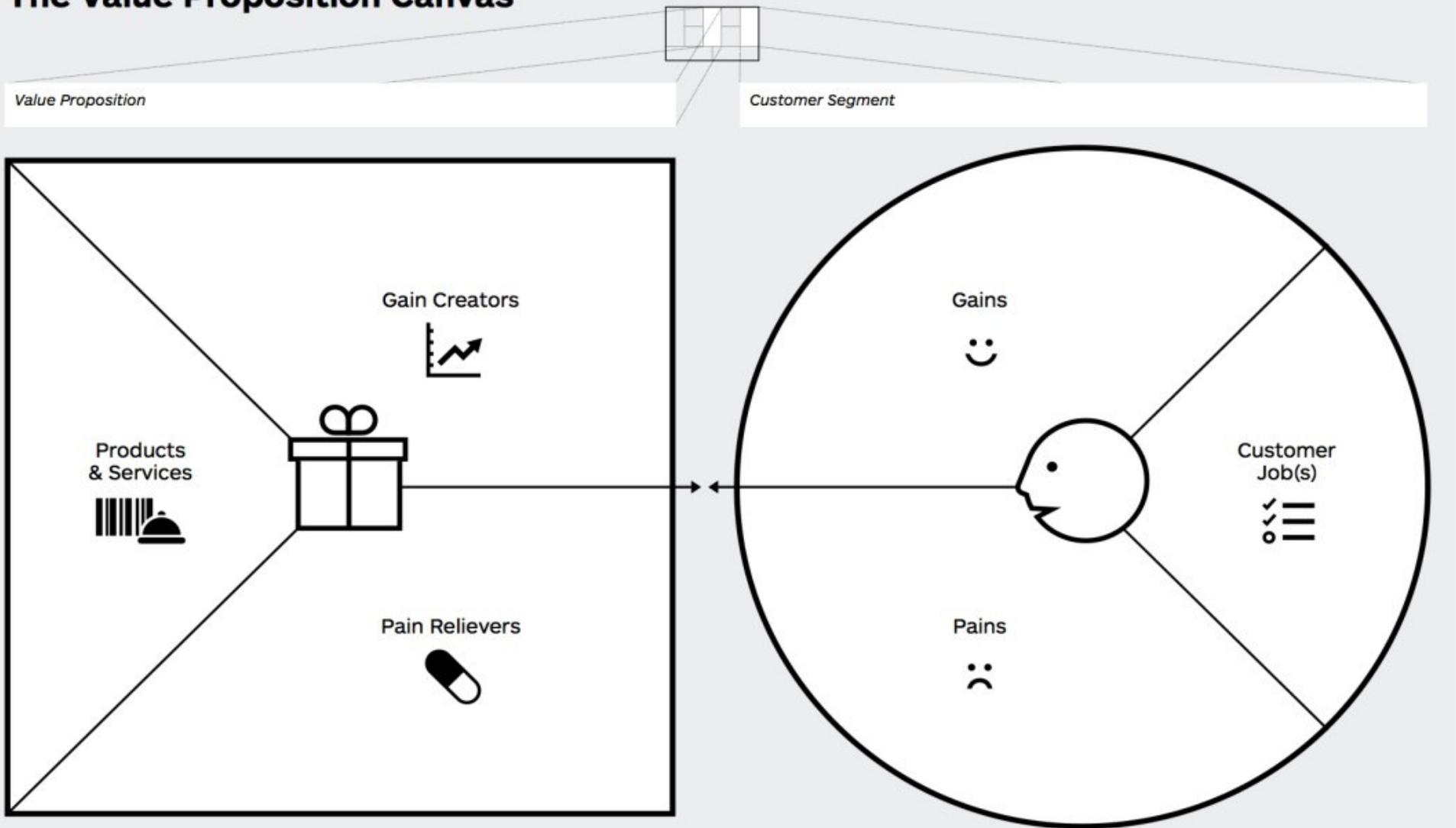
The most important elements of the business model are:

- Customer segments, and
- Value proposition.

In order to create value proposition for a selected customer segment we will use another canvas, called the Value Proposition Canvas.

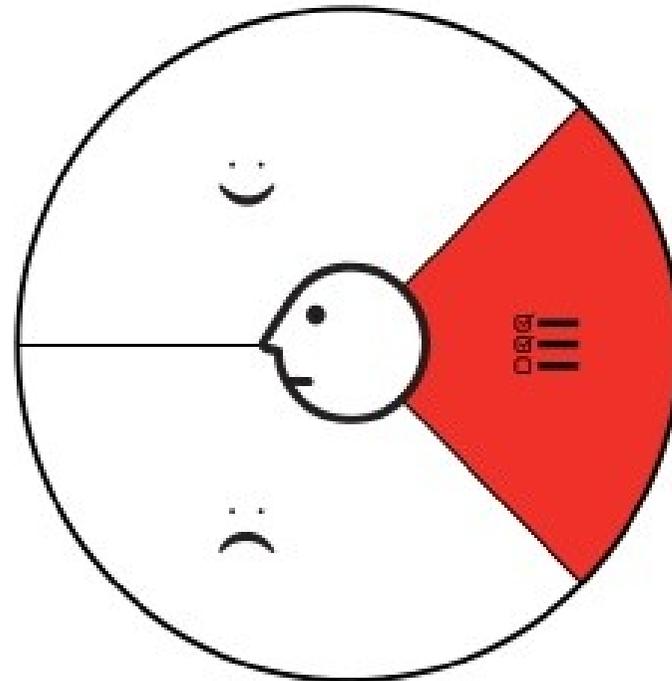


The Value Proposition Canvas



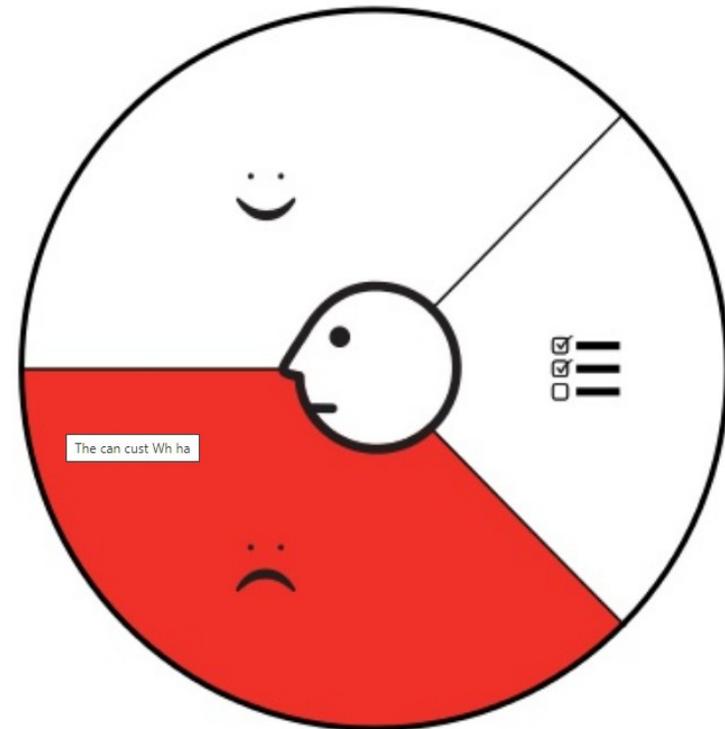
customer jobs

what customers are
trying to get done
in their work and in
their lives



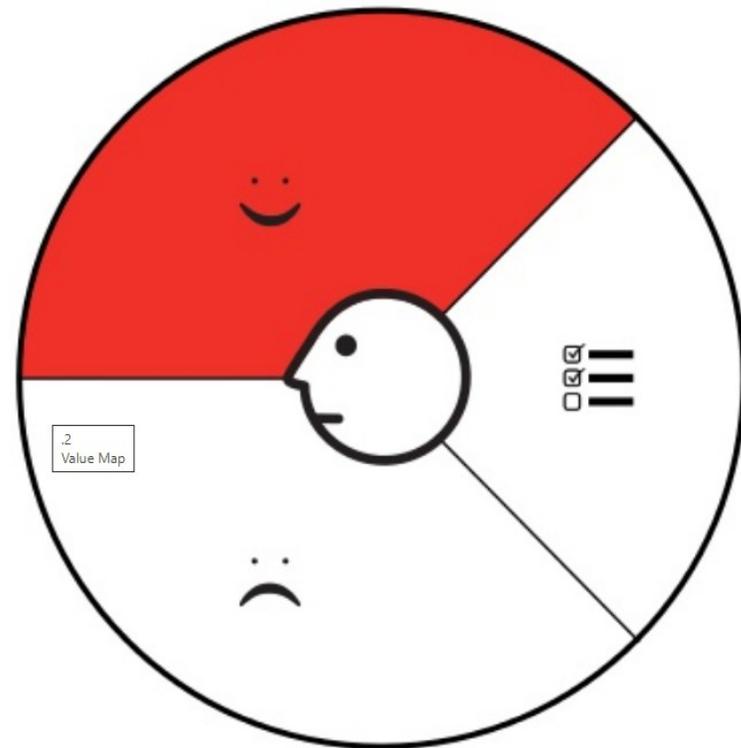
customer pains

describe bad outcomes, risks,
and obstacles related to
customer jobs

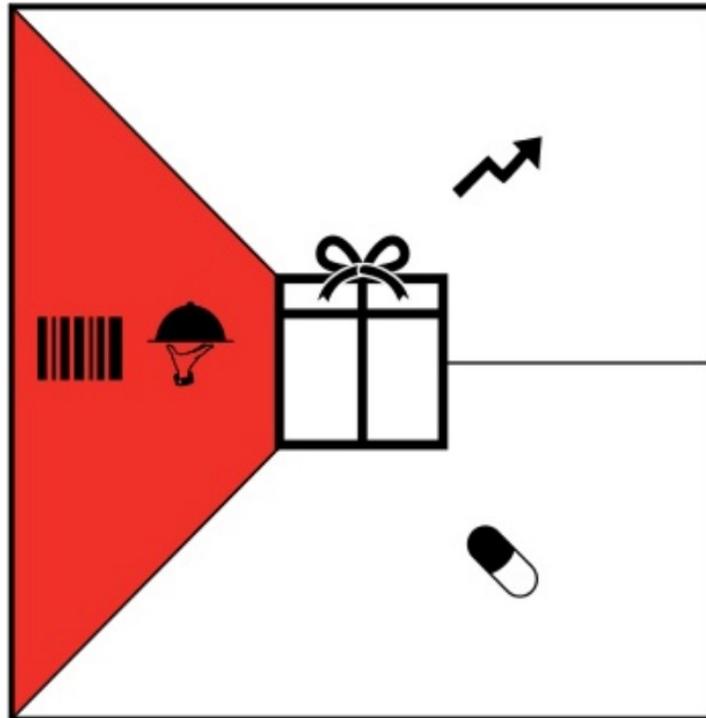


customer gains

describe the more or less expected benefits the customers are seeking



products & services



A list of all the products and services a value proposition is built around

pain relievers describe how your

pain relievers

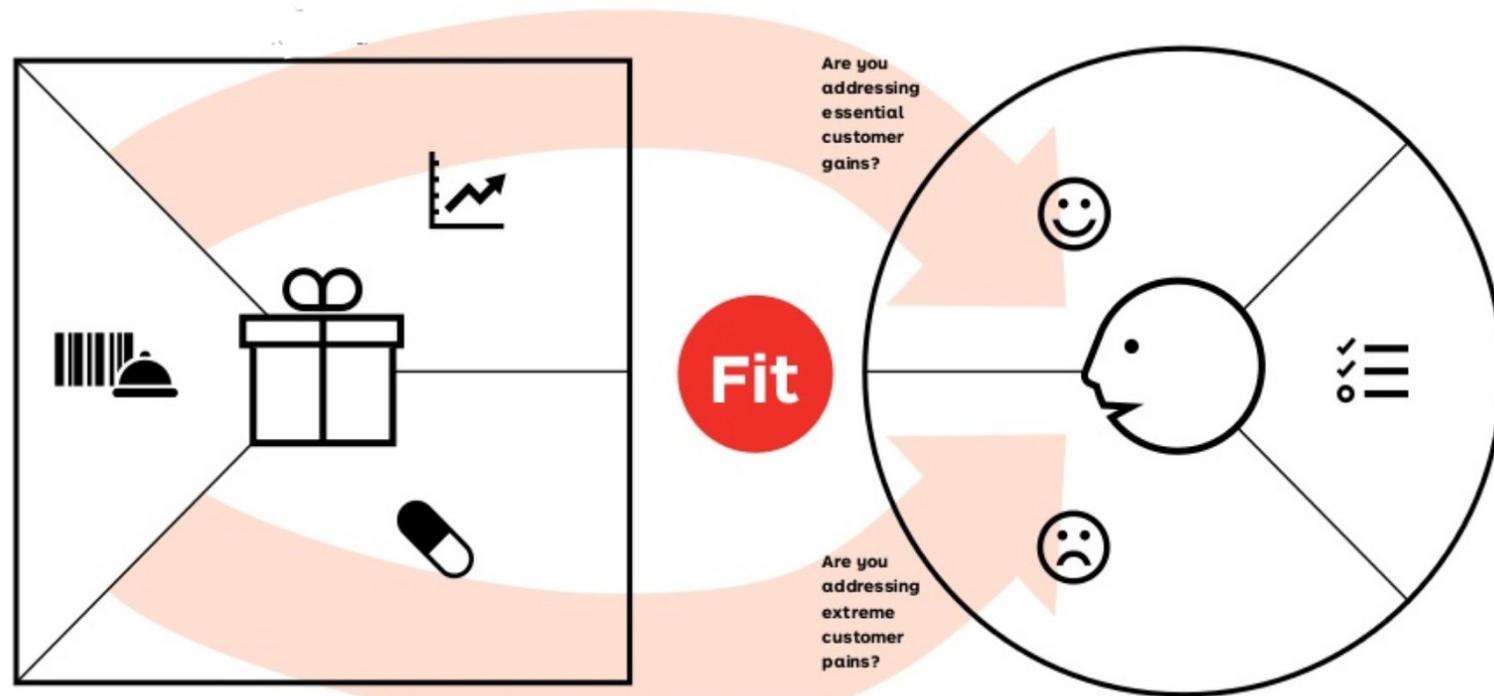


describe how your products
and services kill or alleviate
customer pains

gain creators



describe how your
products and services
create customer gains



It is important that your value proposition is designed to respond to customer's needs and expectation.

To better understand Concept of Value Proposition Canvas, please watch the video: Value Proposition Canvas Explained <https://www.youtube.com/watch?v=ReM1uqmVfP0> and/or the presentation https://www.slideshare.net/ypigneur/value-proposition-design-47698911/72-ricing_for_Fit1ProblemSolution_Fit2ProductMarket_Fit3Business

Now the exercise:

Take your chose business opportunity (the one you selected from 5 business ideas) and develop your business model using Business Model Canvas, and paying special attention to development of your company value proposition, that is how your company will respond to your customer segment needs and expectations.

Watch the video: Business Model Canvas in 5 minutes:

https://www.youtube.com/watch?v=_4MHqyf4Vw0&t=5s

Use the templates provided on the following two pages (you can also download them from the same folder as the presentation).

Keep the results for you final project.

The Business Model Canvas

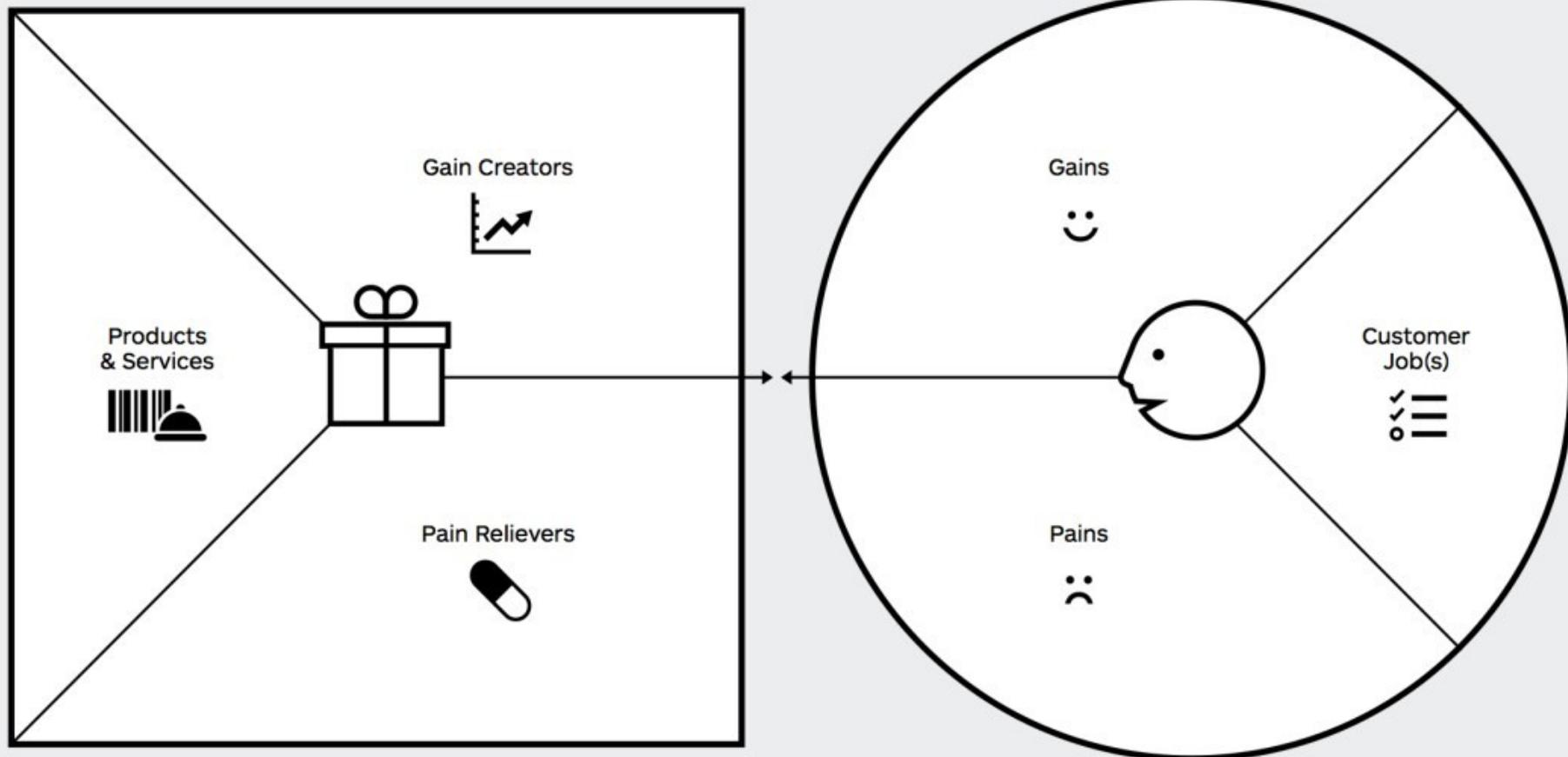
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Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 		Revenue Streams 		

The Value Proposition Canvas

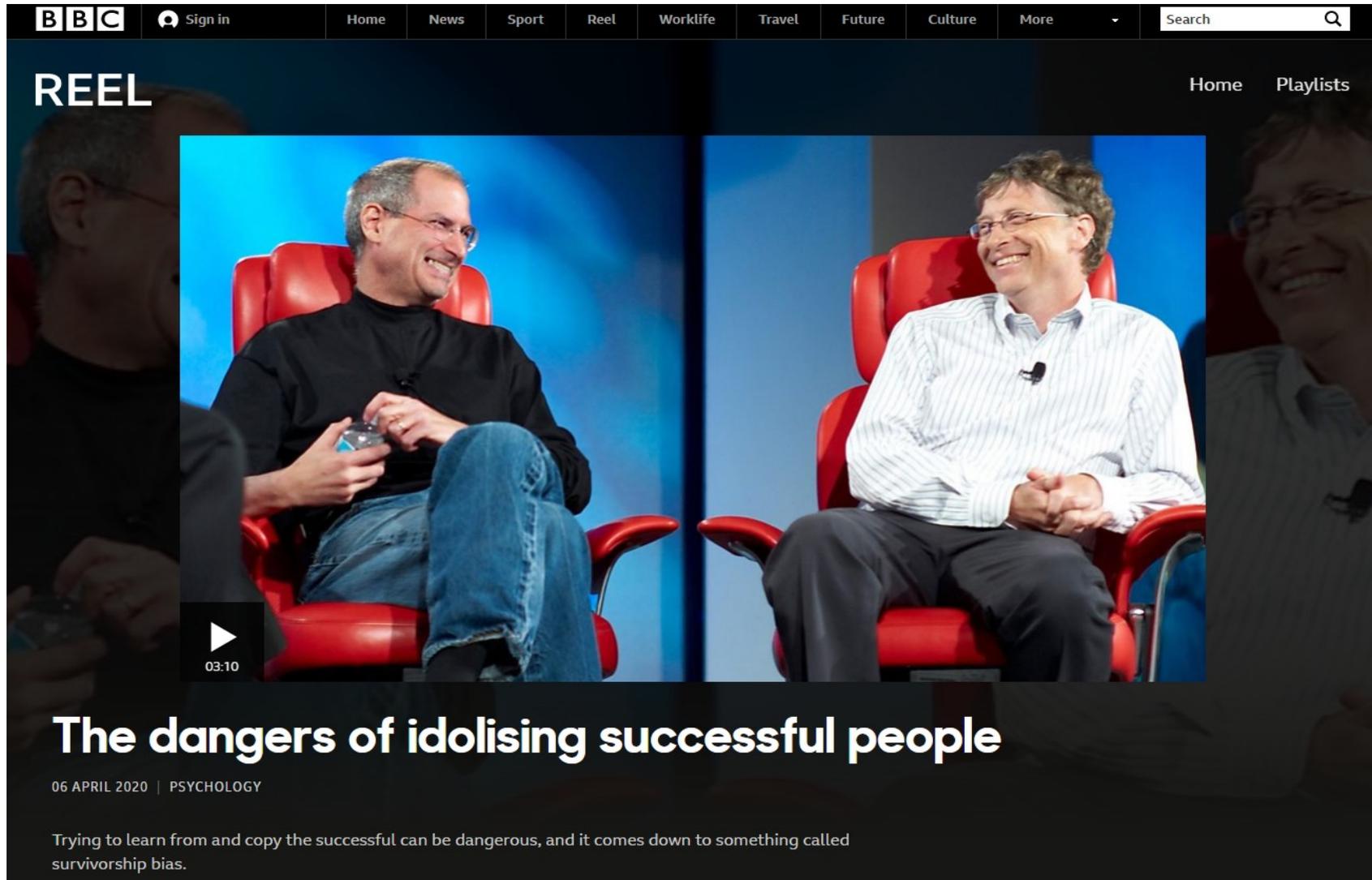
Value Proposition

Customer Segment



And an interesting video on BBC:

<https://www.bbc.com/reel/video/p088rp00/the-dangers-of-idolising-successful-people>



The screenshot shows a BBC Reel video player interface. At the top, the BBC logo is on the left, and navigation links for Home, News, Sport, Reel, Worklife, Travel, Future, Culture, and More are in the center. A search bar is on the right. Below the navigation, the word "REEL" is displayed in large white letters on the left, and "Home" and "Playlists" are on the right. The main content area features a video player with a play button and a duration of 03:10. The video shows two men, Steve Jobs and Bill Gates, sitting in red chairs on a stage, smiling and engaged in conversation. Below the video player, the title "The dangers of idolising successful people" is written in large white text. Underneath the title, the date "06 APRIL 2020" and the category "PSYCHOLOGY" are listed. At the bottom, a short description reads: "Trying to learn from and copy the successful can be dangerous, and it comes down to something called survivorship bias."