

Business Model Canvas

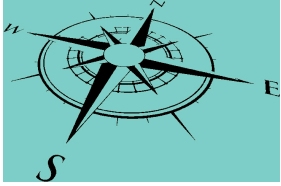
The Business Model Canvas is a strategic management and lean startup template for developing new or documenting existing business models. It is a visual chart with elements describing a firm's or product's value proposition, infrastructure, customers, and finances. It assists firms in aligning their activities by illustrating potential trade-offs.

Formal descriptions of the business become the building blocks for its activities. Many different business conceptualizations exist; Osterwalder's work and thesis (2010, 2004) propose a single reference model based on the similarities of a wide range of business model conceptualizations. With his business model design template, an enterprise can easily describe their business model... The Business Model Canvas can be printed out on a large surface so groups of people can jointly start sketching and discussing business model elements with post-it note notes or board markers. It is a hands-on tool that fosters understanding, discussion, creativity, and analysis. The Business Model Canvas is also available in web-based software format.

Contents

Mission.....	3
1. Infrastructure.....	4
1.1. Key Activities.....	4
1.2. Key Resources.....	4
1.3. Partner Network.....	4
2. Offering.....	5
2.1. Value Propositions.....	5
3. Customers.....	6
3.1. Customer Segments.....	6
3.1.1. Mass Market.....	6
3.1.2. Niche Markets.....	6
3.1.3. Segmented Markets.....	6
3.1.4. Diversified Markets.....	6
3.1.5. Multi-Sided Platforms / Markets.....	6
3.2. Channels.....	7
3.3. Customer Relationships.....	7
3.3.1. Personal Assistance.....	7
3.3.2. Dedicated Personal Assistance.....	7
3.3.3. Self Service.....	7
3.3.4. Automated Services.....	7
3.3.5. Communities.....	8
3.3.6. Co-Creation.....	8
4. Finances.....	9
4.1. Cost Structure.....	9
4.1.1. Classes.....	9
4.1.2. Characteristics.....	9
4.2. Revenue Streams.....	9
4.2.1. Asset Sales.....	9
4.2.2. Usage Fee.....	9
4.2.3. Subscription Fees.....	10
4.2.4. Lending/Leasing/Renting.....	10
4.2.5. Licensing.....	10
4.2.6. Brokerage Fees.....	10
4.2.7. Advertising.....	10
Administrative Information.....	10

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Wikipedia (W)

Stakeholder(s):

Alexander Osterwalder :

The Business Model Canvas was initially proposed by Alexander Osterwalder based on his earlier work on Business Model Ontology. Since the release of Osterwalder's work in 2008, new canvases for specific niches have appeared, such as the Lean Canvas.

Yves Pigneur

Alan Smith

Mission

To enable documentation of business models.

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1. Infrastructure

Describe required business infrastructure.

1.1. Key Activities

Identify the most important activities in executing a company's value proposition.

An example for Bic would be creating an efficient supply chain to drive down costs.

1.2. Key Resources

Identify the resources necessary to create value for the customer.

They are considered an asset to a company, which are needed in order to sustain and support the business. These resources could be human, financial, physical and intellectual.

1.3. Partner Network

Cultivate buyer-supplier relationships and focus on core activities.

In order to optimize operations and reduce risks of a business model, organization usually cultivate buyer-supplier relationships so they can focus on their core activity. Complementary business alliances also can be considered through joint ventures, strategic alliances between competitors or non-competitors.

2. Offering

Describe business offerings.

2.1. Value Propositions

Determine the collection of products and services required to meet the needs of customers.

According to Osterwalder, (2004), a company's value proposition is what distinguishes itself from its competitors. The value proposition provides value through various elements such as newness, performance, customization, "getting the job done", design, brand/status, price, cost reduction, risk reduction, accessibility, and convenience/usability. The value propositions may be: Quantitative - price and efficiency [or] Qualitative - overall customer experience and outcome

3. Customers

Describe customers, delivery channels, and relationships.

3.1. Customer Segments

Identify and segment prospective customers based on the different needs and attributes.

To build an effective business model, a company must identify which customers it tries to serve. Various sets of customers can be segmented based on the different needs and attributes to ensure appropriate implementation of corporate strategy meets the characteristics of selected group of clients. The different types of customer segments include:

3.1.1. Mass Market

Serve a wide range of potential clients.

There is no specific segmentation for a company that follows the Mass Market element as the organization displays a wide view of potential clients. e.g. Car.

3.1.2. Niche Markets

Apply segmentation based on specialized needs and characteristics of clients.

Customer segmentation based on specialized needs and characteristics of its clients. e.g. Rolex.

3.1.3. Segmented Markets

Apply additional segmentation within existing customer segments.

A company applies additional segmentation within existing customer segment. In the segmented situation, the business may further distinguish its clients based on gender, age, and/or income.

3.1.4. Diversified Markets

Serve multiple customer segments with different needs and characteristics.

A business serves multiple customer segments with different needs and characteristics.

3.1.5. Multi-Sided Platforms / Markets

Serve mutually dependent customer segment.

For a smooth day-to-day business operation, some companies will serve mutually dependent customer segment. A credit card company will provide services to credit card holders while simultaneously assisting merchants who accept those credit cards.

3.2. Channels

Deliver value to targeted customers through efficient and effective channels.

A company can deliver its value proposition to its targeted customers through different channels. Effective channels will distribute a company's value proposition in ways that are fast, efficient and cost effective. An organization can reach its clients either through its own channels (store front), partner channels (major distributors), or a combination of both.

3.3. Customer Relationships

Identify and create relationships customers.

To ensure the survival and success of any businesses, companies must identify the type of relationship they want to create with their customer segments. Various forms of customer relationships include:

3.3.1. Personal Assistance

Offer assistance in a form of employee-customer interaction.

Assistance in a form of employee-customer interaction. Such assistance is performed either during sales, after sales, and/or both.

3.3.2. Dedicated Personal Assistance

Assign sales representatives to handle all the needs and questions of sets of clients.

The most intimate and hands on personal assistance where a sales representative is assigned to handle all the needs and questions of a special set of clients.

3.3.3. Self Service

Provides tools for customers to serve themselves.

The type of relationship that translates from the indirect interaction between the company and the clients. Here, an organization provides the tools needed for the customers to serve themselves easily and effectively.

3.3.4. Automated Services

Identify individual customers and their preferences.

A system similar to self-service but more personalized as it has the ability to identify individual customers and his/her preferences. An example of this would be Amazon.com making book suggestion based on the characteristics of the previous book purchased.

3.3.5. Communities

Enable clients to share knowledge and solve problems together.

Creating a community allows for a direct interaction among different clients and the company. The community platform produces a scenario where knowledge can be shared and problems are solved between different clients.

3.3.6. Co-Creation

Engage customers directly in providing input to products/services.

A personal relationship is created through the customer's direct input in the final outcome of the company's products/services.

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4. Finances

Address the financial aspects of businesses.

4.1. Cost Structure

Determine costs.

This describes the most important monetary consequences while operating under different business models. A company's DOC.

4.1.1. Classes

Understand the Classes of Business Structures.

Cost-Driven - This business model focuses on minimizing all costs and having no frills. e.g. SouthWest
Value-Driven - Less concerned with cost, this business model focuses on creating value for their products and services. e.g. Louis Vuitton, Rolex.

4.1.2. Characteristics

Understand the Characteristics of Cost Structures.

Fixed Costs - Costs are unchanged across different applications. e.g. salary, rent. Variable Costs - These costs vary depending on the amount of production of goods or services. e.g. music festivals. Economies of Scale - Costs go down as the amount of good are ordered or produced. Economies of Scope - Costs go down due to incorporating other businesses which have a direct relation to the original product.

4.2. Revenue Streams

Generate revenue.

The way a company makes income from each customer segment. Several ways to generate a revenue stream:

4.2.1. Asset Sales

Sell ownership rights to physical goods.

(the most common type) Selling ownership rights to a physical good. e.g. Wal-Mart.

4.2.2. Usage Fee

Sell particular services.

Money generated from the use of a particular service, e.g. UPS.

4.2.3. Subscription Fees

Sell continuous services.

Revenue generated by selling a continuous service. e.g. Netflix.

4.2.4. Lending/Leasing/Renting

Charge for exclusive rights to assets for a particular periods of time.

Giving exclusive right to an asset for a particular period of time. e.g. Leasing a Car.

4.2.5. Licensing

Charge for the use of a protected intellectual property.

Revenue generated from charging for the use of a protected intellectual property.

4.2.6. Brokerage Fees

Generate revenue from intermediate services.

Revenue generated from an intermediate service between 2 parties. e.g. Broker selling a house for commission.

4.2.7. Advertising

Collect fees for advertising.

Revenue generated from charging fees for product advertising.

Administrative Information

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