From *BUSINESS MODEL GENERATION*

**Business Model Canvas**

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**LEFT SIDE OF CANVAS: EFFICIENCY (LOGIC)**

**KEY PARTNERS**

Network of suppliers and partners that make business model work

**Types:**
- Strategic alliances between non-competitors
- Strategic partnerships between competitors (coopetition)
- Joint ventures
- Buyer-supplier

**Motivations for:**
- Optimization and economy of scale
- Reduction of risk and uncertainty
- Acquisition of particular resources and activities

**Who are key partners?**

**Who are key suppliers?**

**Which key resources are we getting from KPs?**
Which key activities do KPs perform?

KEY ACTIVITIES

Most important things company must do to make business model work

Production
Problem solving
Platform/network

What KA do our value propositions require?

What KA do our distribution channels require?

What KA do our customer relationships require?

What KA do our revenue streams require?

KEY RESOURCES

Most important assets required to make model work.

Physical?

Intellectual?

Human?

Financial?

COST STRUCTURE

All costs incurred to operate a business model

Cost-driven: Focus on minimization of cost wherever possible
Value-driven: Focus on value creation
Fixed and variable costs
Economies of scale and scope

Which are the most important costs inherent in the model?

Which KRs are most expensive?

Which KAs are most expensive?
CENTER OF CANVAS: VALUE PROPOSITION

Bundle of products and services that create value for specific customer segment

- Newness
- Performance improvement
- Customization and customer co-creation
- Getting job done
- Design
- Brand/status
- Price
- Cost reduction
- Risk reduction
- Accessibility increases
- Convenience/usability

What value do we deliver?

What problem(s) are we helping to solve?

Which needs are we satisfying?

What bundles of products and services do we offer each segment?
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**RIGHT SIDE OF CANVAS: VALUE (EMOTION)**

**CUSTOMER SEGMENTS**

Different groups of people or organizations company aims to reach and serve

- Mass market (no customer segments)
- Niche market (specific, specialized customer segments)
- Segmented (slightly different needs and problems)
- Diversified (two unrelated customer segments)
- Multi-sided markets (two or more interdependent customer segments)

For whom are we creating value?

Who are our most important customers?

**CUSTOMER RELATIONSHIPS**

Types of relationships company establishes with specific customer segments

- Personal assistance
- Dedicated personal assistance
- Self-service (no direct relationship w customers)
- Automated service (mix of customer self-service w automated processes)
- Communities
- Co-creation

What type of relationship does each customer segments expect with us?

Which ones have we established?

How costly is each relationship?

How integrated is each relationship with the rest of the business model?

**CHANNELS**

How company communicates with and reaches customer segments to deliver value proposition

Channel types:
- Direct: sales force
- Direct: web sales
Indirect: company stores
Indirect: partner stores
Indirect: wholesaler
Indirect: other

5 phases:
Awareness: How do we raise awareness about our products/services?
Evaluation: How do we help customers evaluate our value proposition?
Purchase: How do we allow customers to buy product or service?
Delivery: How do we deliver our value proposition to customers?
After-sales: How do we deliver post-purchase customer support?

Through which channel(s) does each customer segment wish to be reached?

How are we reaching them now?

How are the channels integrated?

Which work best?

Which are most cost-efficient?

How are we integrating these channels into customer routines?

**REVENUE STRUCTURE**

The net cash a company generates from each customer segment

- 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 or bargaining
- Yield management (hotel rooms, airline seats, etc.)
Real-time market
Auctions

For what value are 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?
External environment is a kind of design space. It can be mapped.

Key Trends:
1. Technology
   a. What are major technology trends inside and outside your market?
   b. Which technologies represent important opportunities or disruptive threats?
   c. Which technologies are peripheral customers adopting?
2. Regulatory
   a. Which trends influence your market?
   b. What rules may affect your business model?
   c. Which regulations and taxes affect customer demand?
3. Societal and cultural
   a. Which shifts in cultural or societal values affect your business model?
   b. Which trends might influence buyer behavior?
4. Socioeconomic
   a. Key demographic trends?
   b. How would you characterize income and wealth distribution in your market?
   c. What are spending patterns in your market?
   d. Urban % v. rural %?

Market Forces:
1. Market issues
   a. What are crucial issues facing customer landscape?
   b. Which shifts are underway?
   c. Where is market heading?
2. Segments
   a. What are most important customer segments?
   b. Where is biggest growth potential?
   c. Which segments are declining?
   d. Which peripheral segments deserve attention?
3. Customer needs and demands
   a. What do customers need?
   b. What are biggest unsatisfied customer needs?
   c. What do customers really want to get done?
   d. Where is demand increasing?
   e. Declining?

4. Switching costs
   a. What binds customers to a company and its offer?
   b. What switching costs prevent customers from defecting to competitors?
   c. Is it easy for customers to find and purchase similar offers?
   d. How important is brand?

5. Revenue attractiveness
   a. What are customers really willing to pay for?
   b. Where can the largest margins be achieved?
   c. Can customers easily find and purchase cheaper products and services?

Industry Forces
1. Competitors (incumbents)
   a. Who?
   b. Who are dominant players?
   c. What are their competitive advantages/disadvantages?
   d. What are their main offers?
   e. Which customer segments are they focusing on?
   f. What is their cost structure?
   g. How much influence do they exert on our customer segments, revenue streams, and margins?

2. New entrants (insurgents)
   a. Who?
   b. How are they different?
   c. What are their competitive advantages/disadvantages?
   d. Which barriers must they overcome?
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- e. What are their value propositions?
- f. Which customer segments are they focusing on?
- g. What is their cost structure?
- h. How much influence do they exert on our customer segments, revenue streams, and margins?

3. **Substitute products and services**
   - a. Which products and services could replace ours?
   - b. How much do they cost compared to ours?
   - c. How easy is it for customers to switch to them?
   - d. What business model traditions do these substitute products stem from?

4. **Suppliers and other value chain actors**
   - a. Who are key players in your industry value chain?
   - b. To what extent does your business model depend on other players?
   - c. Are peripheral players emerging?
   - d. Which are most profitable?

5. **Stakeholders**
   - a. Which stakeholders might influence your business model?
   - b. How influential are shareholders?
   - c. Workers?
   - d. Govt?
   - e. Lobbyists?

**Macroeconomic forces**

1. Global markets
2. Capital markets
3. Commodities and other resources
4. Economic infrastructure
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Business Model Canvas

**SWOT Analysis of Business Model Canvas**

This SWOT analysis uses ranking (-5 to +5) for each item.

**Strengths and Weaknesses (INTERNAL)**

**Value Proposition**
1. Well aligned with customer needs.
2. Has strong network effects.
3. Strong synergies between products and services.
4. Customers are very satisfied.

**Cost/Revenue**
1. We benefit from strong margins
2. Revenues are predictable.
3. Recurring revenue streams and frequent repeat purchases.
4. Diversified revenue streams.
5. Sustainable revenue streams.
6. We collect revenues before we incur expenses.
7. We charge for what customers are really willing to pay for.
8. Our costs are predictable.
9. Our cost structure is correctly matched to our business model.
10. Operations are cost-efficient.
11. We benefit from economies of scale.

**Infrastructure**
1. Our key resources are difficult for competitors to replicate
2. Resource needs are predictable
3. We deploy key resources in the right amount at the right time
4. We efficiently execute key activities.
5. Our key activities are difficult to copy.
6. Execution quality is high.
7. Balance of in-house versus outsourced execution is ideal.
8. We are focused and work with partners when needed.
9. We enjoy good working relationships with key partners.

Customer Interface
1. Customer churn rates are low.
2. Customer base is well segmented.
3. We are continuously acquiring new customers.
4. Our channels are very efficient.
5. Channel reach is strong among customers.
6. Customers can easily see our channels.
7. Channels are strongly integrated.
8. Channels provide economies of scope.
9. Channels are well matched to customer segments.
10. Strong customer relationships
11. Relationship quality correctly matches customer segments.
12. High switching costs.
13. Strong brand.

Threats

Value proposition
1. Substitute products and services are available.
2. Competitors offer better price or value.

Cost/Revenue
1. Margins threatened by competitors and/or technology
2. We depend excessively on one or two revenue streams.
3. Extent to which key revenue streams are likely to disappear in future.
4. Our costs are likely to become unpredictable.
5. Our costs are likely to grow more quickly than the revenues they support.

Infrastructure
1. We face disruption in resource supply.
2. The quality of our resources is threatened.
3. We face disruption in key activities.
4. The quality of our activities is threatened.
5. We are in danger of losing partners.
6. Our partners may collaborate with competitors.
7. We are too dependent on certain partners.

Customer Interface
1. Our market is becoming saturated.
2. Competitors are threatening our market share.
3. Customers are likely to defect.
4. Competition in our market will intensify rapidly.
5. Competitors threaten our channels.
6. Our channels are in danger of becoming irrelevant.
7. Our customer relationships are in danger of deteriorating.

Opportunities
Value proposition
1. We can generate recurring revenues by converting products into services.
2. We can better integrate our products and services.
3. We can satisfy additional customer needs.
4. We can add complements and/or extensions of our value proposition.

Cost/Revenue
1. We can replace one-time transaction revenues with recurring revenues.
2. We can identify other elements customers would be willing to pay for.
3. We have cross-selling opportunities internally or with partners.
4. We can add or create other revenue streams.
5. We can increase prices.
6. We can reduce costs.

Infrastructure
1. We can use less costly resources and achieve the same result.
2. Some key resources could be better sourced from partners.
3. Certain key resources are under-exploited.
4. We have unused intellectual property that might be of value to others.
5. We could standardized some key activities.
6. We can improve efficiency.
7. We could use IT to boost efficiency.
8. There are outsourcing opportunities we need to consider.
9. We need to collaborate more with partners in order to focus on our core business.
10. There are cross-selling opportunities with partners.
11. Partner channels could help us better reach customers.
12. Partners might complement our value proposition.

Customer interface
1. We can benefit from a growing market.
2. We can serve new customer segments.
3. We can better serve our customers through finer segmentation.
4. We can improve channel efficiency or effectiveness.
5. We can integrate our channels better.
6. We can find new complementary channel partners.
7. We can increase margins by directly serving customers.
8. We can better align channels with customer segments.
9. We can improve customer follow-up.
10. We can tighten our relationships with customers.
11. We can improve personalization.
12. We can increase switching costs.
13. We can identify and fire unprofitable customers.
14. We need to automate some relationships.