


THE BUSINESS MODEL: A CRITICAL FRAMEWORK TO ENTREPRENEURIAL ACHIEVEMENT

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BUT WHAT EXACTLY IS A “BUSINESS MODEL’, ANYWAY? NO ONE EVER DEFINED THE TERM PRECISELY – IT SEEMED TO MEAN EITHER ‘WHAT WE DO’ OR ‘HOW WE HOPE TO MAKE MONEY SOMEDAY.’

– HARVARD BUSINESS REVIEW 2001

BUSINESS MODEL DEFINITIONS

What is your business model (for your job)?

A business model describes the rationale of how an organization ***creates, delivers, and captures value***

- Ostrwalder, Pigneur, and Smith



EXAMPLES OF B-MODELS

Business Model	Organization
Clicks Business Model	Amazon, Zappos
Subscription Business Model	Time, Economist, O Magazine
Bricks & Clicks	Gap, Macy's, Best Buy
Free for All Business Model	Radiohead
Sweat Equity Model	Habitat for Humanity
Online Auction	Ebay
Low Cost Airline Carrier	EasyJet, RyanAir, Southwest
Commercial Free Radio	Pandora,
Open Source Model	
Prepackaged Unassembled Furniture	IKEA
Hub and Spoke Business Model	FedEx
Fee Based Membership	Local Gyms
Cut out the Middleman	Dell (pre-retail distribution)
Web Based Learning	TutorVista



HOW DO YOU REVOLUTIONIZE AN INDUSTRY?



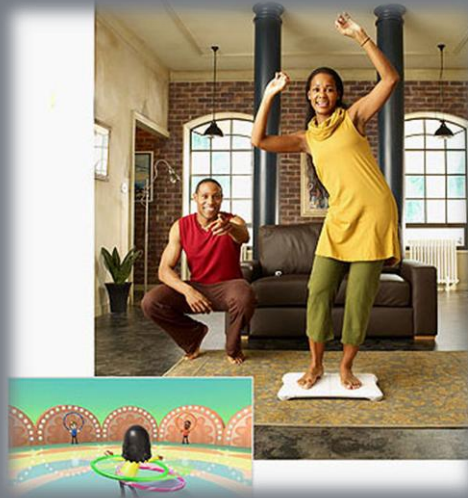
HOW DO YOU CHANGE MARKET DYNAMICS?



Nintendo Japan



Wii™



www.nintendo.com


Impact: 75.9 million units shipped,
shattered industry conventions, and
revitalizing Nintendo,



BUSINESS MODEL DESIGN

www.businessmodelgeneration.com

9 BUILDING BLOCKS

- **Customer Segments:** *An organization serves one or several CS*
 - **Value Propositions:** *Seeks to solve customer problems and satisfy customer needs with VP*
 - **Channels:** *VP are delivered to customers through communication, distribution, and sales Channels*
 - **Customer Relationships:** *Established and maintained with each Customer Segment.*
 - **Revenue Streams:** *Revenue streams result from value propositions successfully offered to customers.*
 - **Key Resources:** *Assets required to offer and deliver the previously described elements...*
 - **Key Activities:** *...by performing a number of Key Activities*
 - **Key Partnerships:** *Some activities are outsourced and some resources are acquired outside the enterprise*
 - **Cost Structure:** *B-model elements result in the cost structure*
- 

BUSINESS MODEL APPROACHES

Recreate

- Tweaking Existing Model



Reinvent

- Reinventing Existing B-Model
- Amazon



Revolutionize

- Revolutionize the Business Model
- Cirque du Soleil



GROUP THE 9 BUILDING BLOCKS

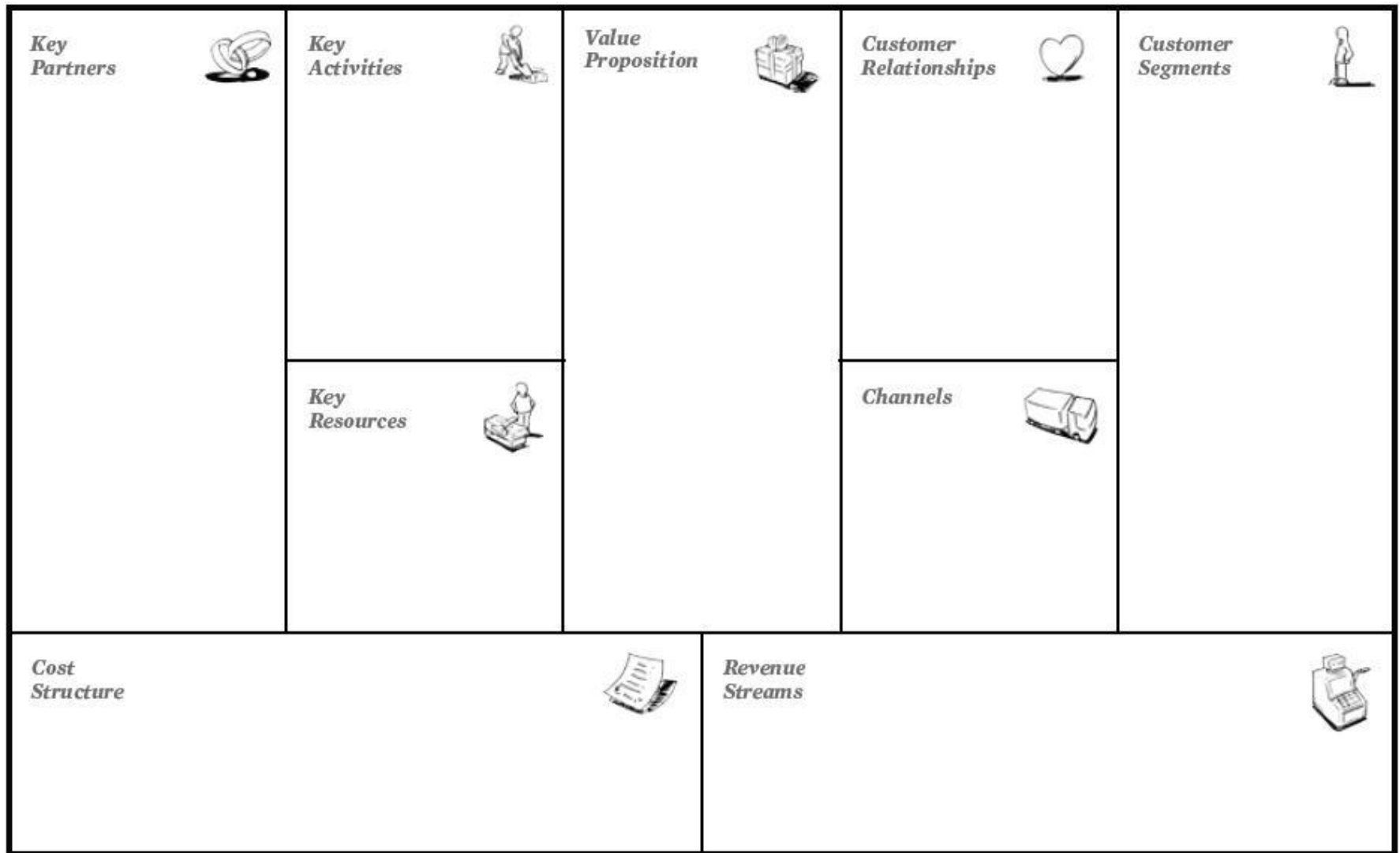
I. Customer Value Creation

II. Infrastructure

III. Financial Viability

- Customer Segments
- Value Propositions
- Channels
- Customer Relationships
- Revenue Streams:
- Key Resources
- Key Activities
- Key Partnerships
- Cost Structure





Infrastructure

Customer Value

*Key
Partners*



*Key
Activities*



*Value
Proposition*



*Customer
Relationships*



*Customer
Segments*



*Key
Resources*



Channels



*Cost
Structure*



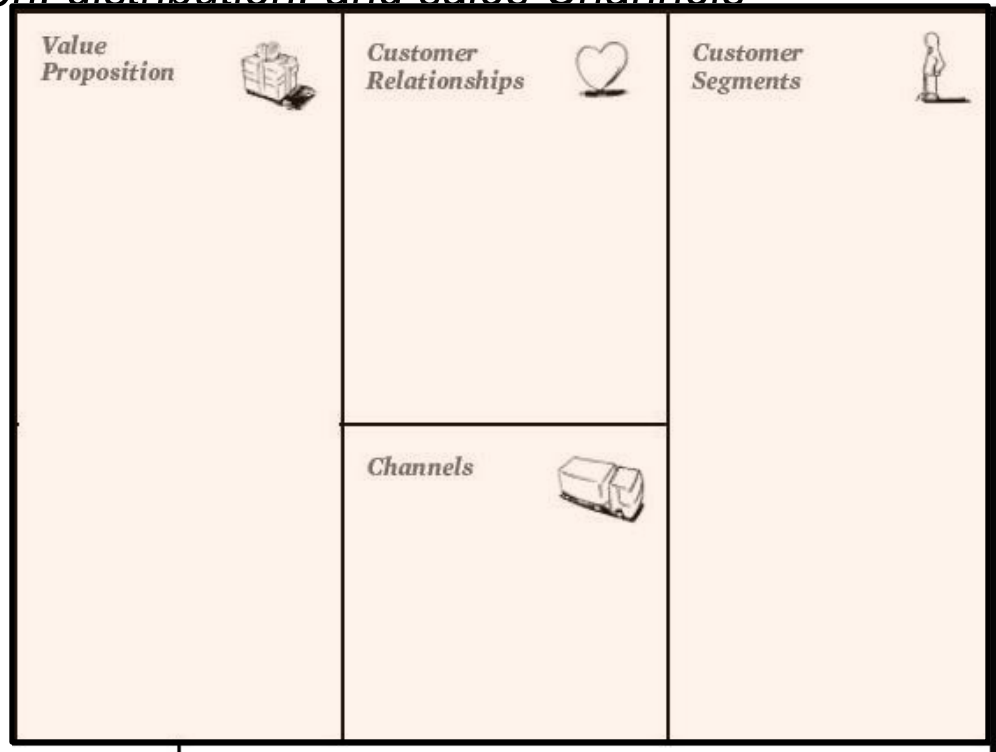
*Revenue
Streams*







Financial Viability

VALUE PROPOSITION

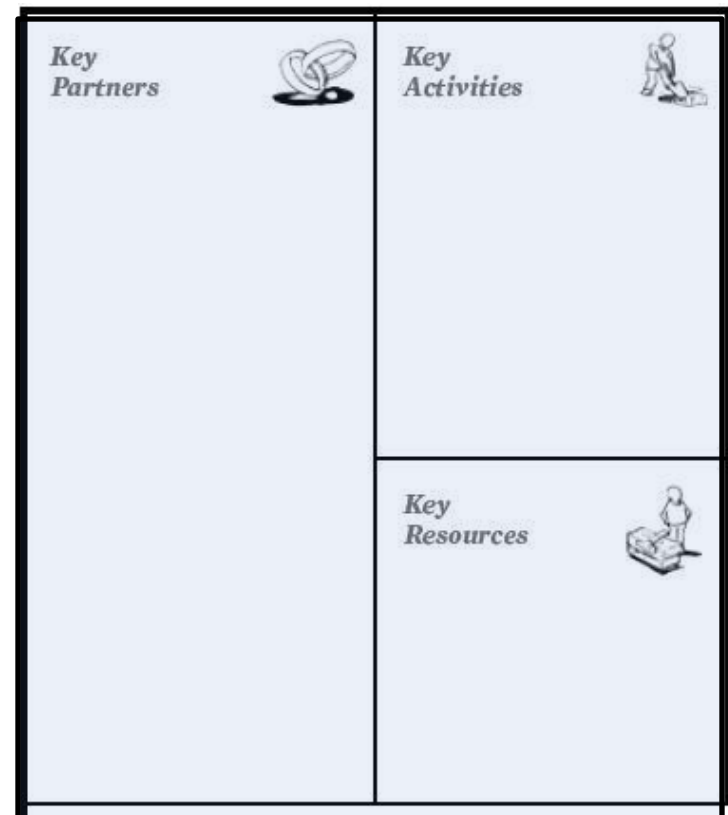
- **Value Propositions:** *It seeks to solve customer problems and satisfy customer needs with value propositions*
- **Customer Relationships:** *Customer relationships are established and maintained with each Customer Segment.*
- **Customer Segments:** *An organization serves one or several Customer Segments*
- **Channels:** *Value propositions are delivered to customers through communication, distribution, and sales Channels*



VALUE PROPOSITION

<p><i>Value Proposition</i></p>  <ul style="list-style-type: none"> ○ Newness ○ Performance ○ Customization ○ Help Customer Get Job Done ○ Design ○ Brand/Status ○ Price ○ Cost Reduction ○ Risk Reduction ○ Accessibility ○ Convenience/ Usability 	<p><i>Customer Relationships</i></p>  <ul style="list-style-type: none"> ○ Personal Asst. ○ Dedicated Personal Asst. ○ Self-service ○ Automated Services ○ Communities ○ Co-Creation 	<p><i>Customer Segments</i></p>  <ul style="list-style-type: none"> ○ Mass Market ○ Niche Market ○ Segmented ○ Diversified ○ Multi-sided Platforms
	<p><i>Channels</i></p>  <ul style="list-style-type: none"> ○ Sales Force ○ Web Sales ○ Direct to Customer/ Own Stores ○ Partner Stores ○ Wholesalers 	

- **Key Partnerships:** *Some activities are outsourced & some resources are acquired outside the enterprise*
- **Key Resources:** *Key resources are the assets required to offer and deliver the previously described elements...*
- **Key Activities:** *By performing a number of Key Activities*



INFRASTRUCTURE

Key Partners



- Optimization & Economy of Scale
- Reduction of Risk & Uncertainty
- Acquisition of Particular Resources & Activities

Key Activities



- Production
- Problem Solving
- Platform/Network

Key Resources



- Physical
- Intellectual
- Human
- Financial



Revenue Streams:

- *Revenue streams result from value propositions successfully offered to customers.*

Cost Structure:

- *The business model elements result in the cost structure*

Cost
Structure



Revenue
Streams



FINANCIAL VIABILITY

Cost Structure

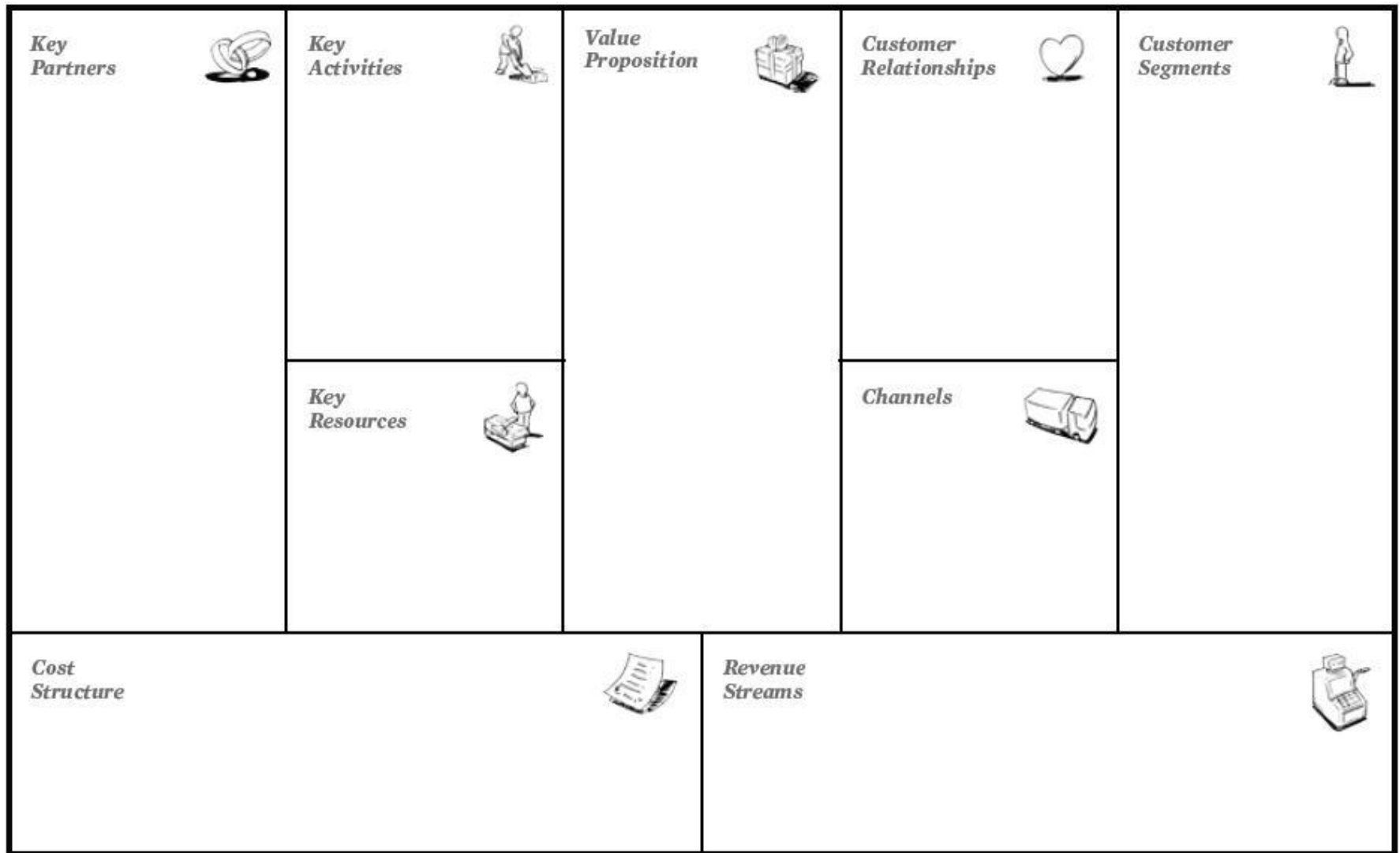
- Cost-driven
- Value-driven
- Fixed Costs
- Variable Costs
- Economies of Scale
- Economies of Scope



Revenue Streams

- Asset Sale
- Usage Fee
- Subscription Fee
- Lending/Renting/Leasing
- Licensing
- Brokerage Fees
- Advertising





BUSINESS MODEL DESIGN

