

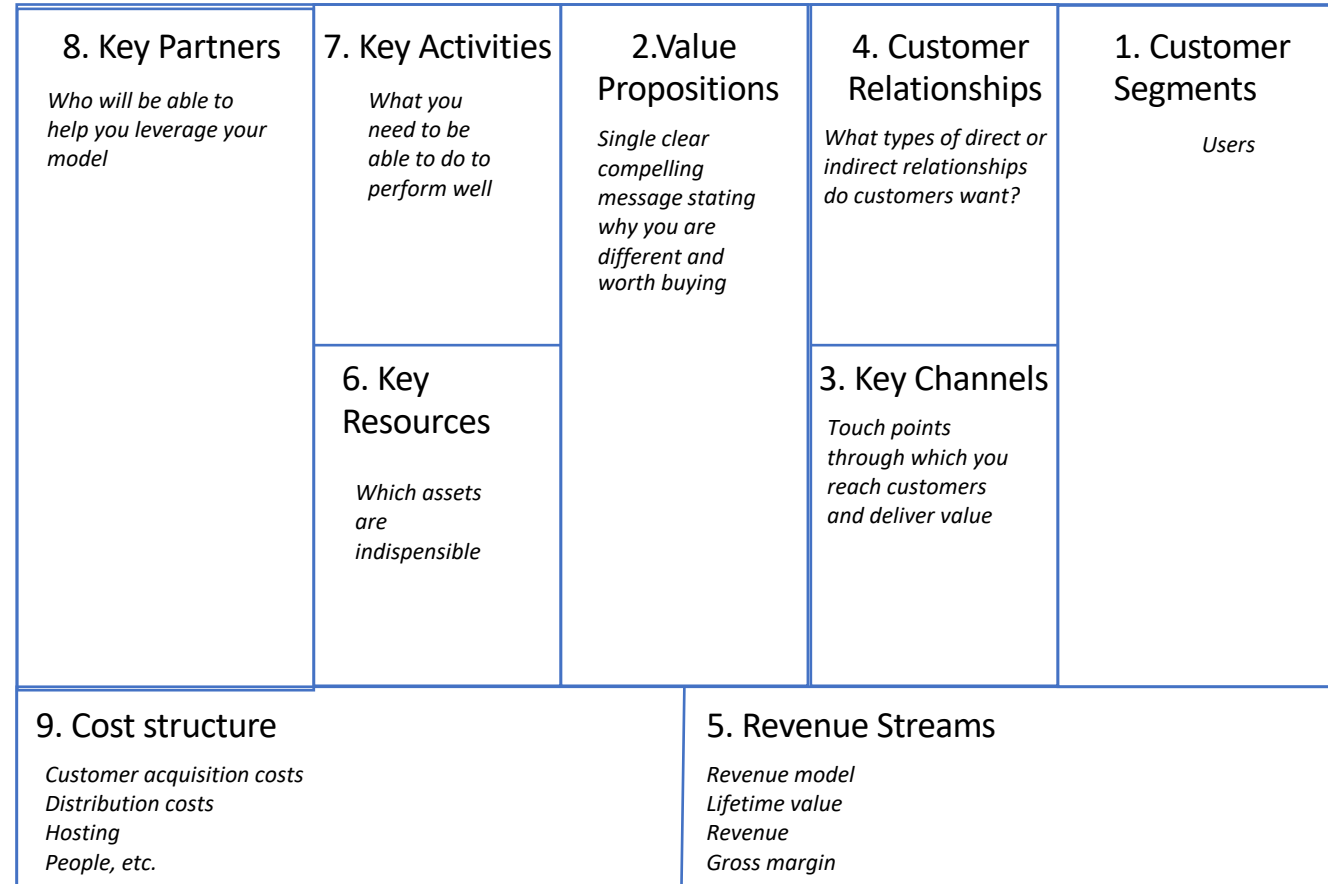
Unlocking the Black Box of Business
Boston University
The Business Model Canvas

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Tool

Business Model Canvas – you will include this tool in your final plan



Business Model / Lean Canvas

Planning Activities



Start ups



Lean Business Model Canvas		Model Name:		
Problem The customer has a problem.	Solution The customer has a solution.	Unique Value Proposition The customer has a unique value proposition.	Channels The customer has channels.	Customer Segments The customer has segments.
Key Metrics The customer has key metrics.	Revenue Streams The customer has revenue streams.	Cost Structure The customer has a cost structure.	Channels The customer has channels.	Customer Segments The customer has segments.

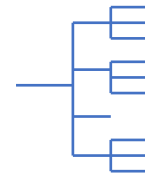
Planning Activities



Commercialize & Scale

A yellow arrow pointing from the pie chart towards the Business Plan / Strategic Plan.

Business Plan / Strategic Plan



Planning Activities



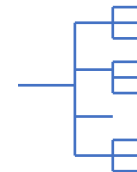
Start ups

Commercialize & Scale

Business Model / Lean Canvas

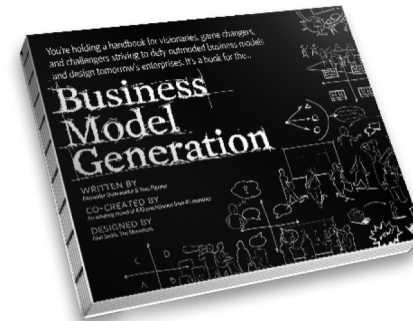
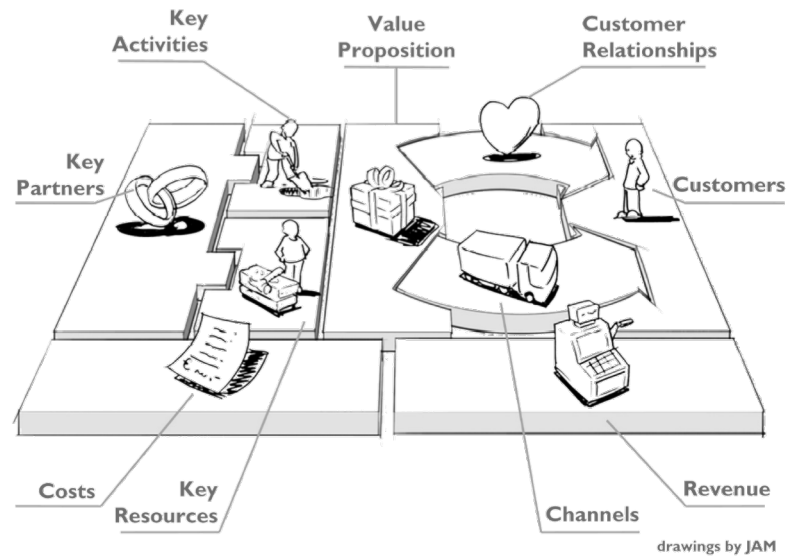
Lean Business Model Canvas		Market Name		
Problem The Customer	Solution The Solution	Unique Value Proposition Value, cost, convenience, or other attributes that differentiate your offering from all other offerings	Channels How you reach your market	Customer Segments Target customers
Key Metrics Key activities and resources	Cost Structure Key resources	Revenue Streams Revenue sources		

Business Plan / Strategic Plan



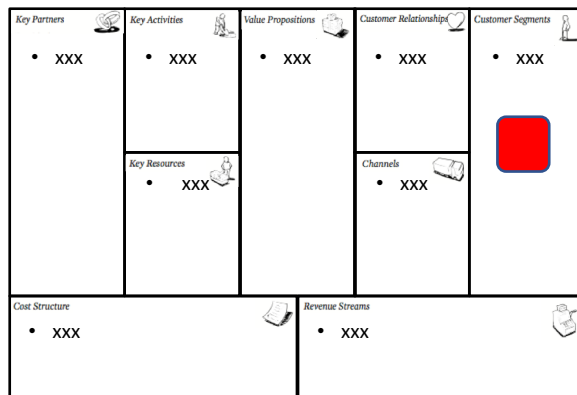
Business Model Generation

“Prototyping” your business:



By Osterwalder & Pigneur

This is a key Book!!



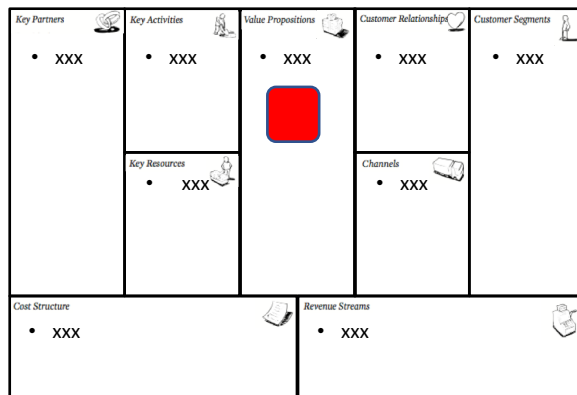
Customer Segments



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

TIPS

- Be specific: Segment = unique need & behavior
- *People* buy, not entities
- OK to brainstorm first segments to bring in first \$10M
- Prioritize
 - Who is *desperate* for your solution to their problems?
 - Which segment will be easiest, even if smaller?



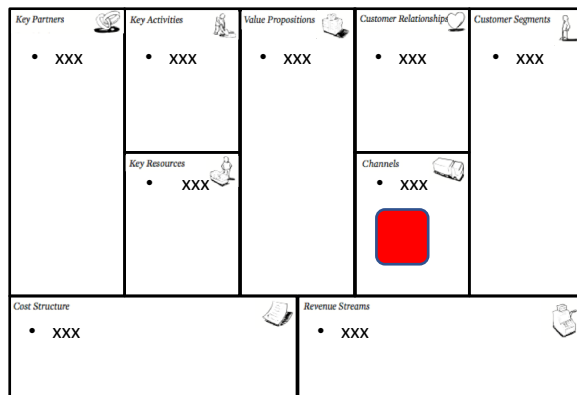
Value Propositions



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?

TIPS

- Put “Product/Service” in title or top line of Value Proposition
- Each Value Proposition connects directly to a Customer Segment
- Value to the customer ...not you ...not society in general
- Benefits, not features
- Prioritize
 - Nice to have = Vitamin
 - Need to have = Pain-Killer



Channels

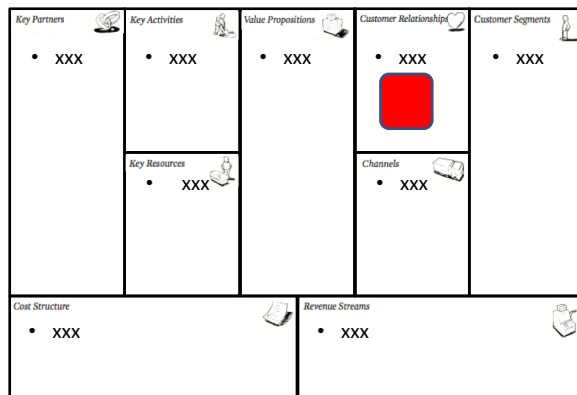


Through which Channels do our Customer Segments want to be reached?
 How are we reaching them now?
 How are our Channels integrated?
 Which ones work best?
 Which ones are most cost-efficient?
 How are we integrating them with customer routines?

Awareness → Evaluation → Purchase → Delivery → After-sales

TIPS

- AKA Sales & Distribution
- You will *always* sell the first few, but how will it scale up?
- Consider Value Chain
 - How many hands it will pass through
 - Economics of downstream players



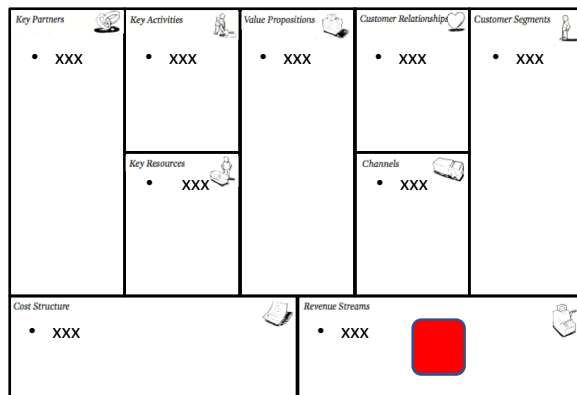
Customer Relationships

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?

Dedicated Personal Assistance / Automation / Self-Service / Communities

TIPS

- AKA Marketing & Customer Cultivation
- “Get, Keep, Grow”
- Each customer segment will have unique expectations



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?

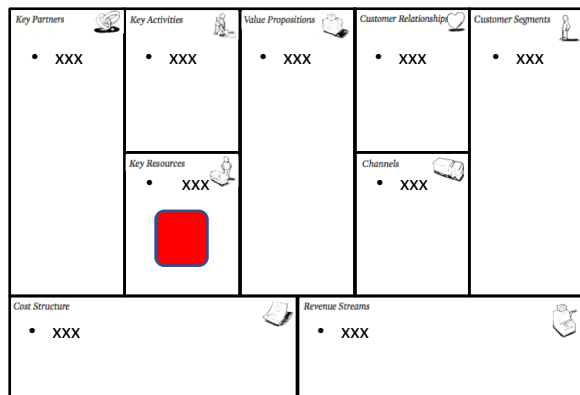


Transactional vs. Recurring

Pricing: Dynamic, Fixed, Volume-based, Lowest, Luxury etc.

TIPS

- Propose prices for each revenue stream- hypotheses
- CAUTION: Licensing
 - Tempting to jump straight to YOUR model- *easy!*
 - *Also* have to validate model you expect licensee to buy, 2x work
- Pricing strategies can change over time
- Ask about sales cycle timing



Key Resources

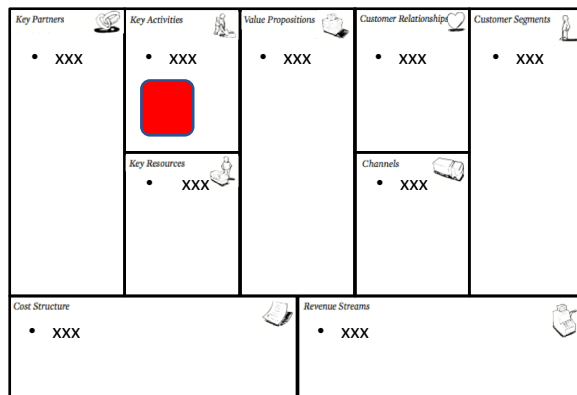
What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?



**Human / Financial / Physical /
Intellectual**

TIPS

- AKA Assets (but not always)
- Stick to top “do or die” resources, shift as BMC evolves
- Differentiate what would be yours vs. contracted
- Be specific: type of HR skill, type & amount of \$, amount of data, size of factory, types of IP, etc.
- Will shift as Right side of BMC evolves



Key Activities



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

Production / Problem Solving / Platform

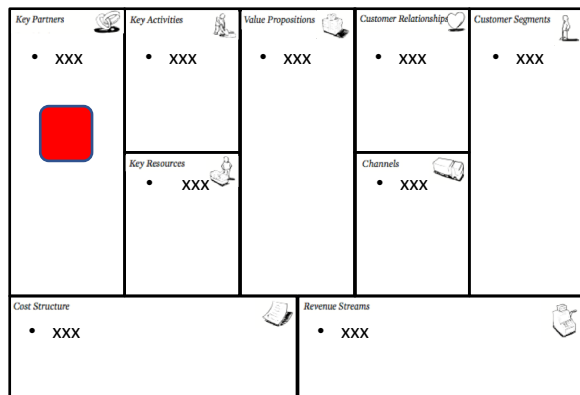
TIP

- Time & resources are limited. Can't do it all (yet)
- You can't be everything to everyone:

Who are you?

What is your core business?

Who does your customer need you to be?



Key Partners

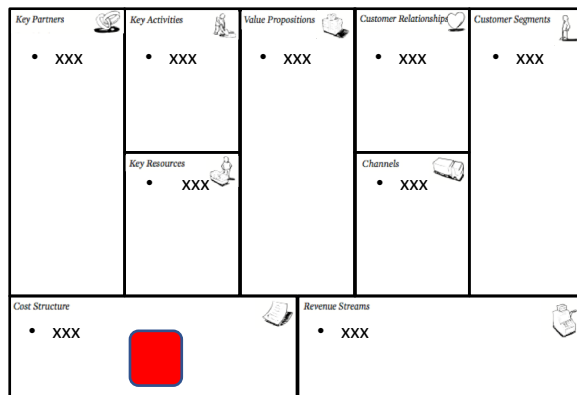


Who are our Key Partners?
 Who are our key suppliers?
 Which Key Resources are we acquiring from partners?
 Which Key Activities do partners perform?

Spreading risk, economizing, optimizing

TIPS

- You won't need all of them today... prioritize.
- Woah there, Cowboy:
 - What benefit would they bring to you, and vice versa?
 - How do you fit into their strategy?
- Can be time & money intensive



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?



Cost vs. Value Driven

Fixed vs. Variable Costs

TIPS

- Validate costs in tandem with rest of business model:
get quotes, get creative, get out of the building
- Watch margins closely: what is sector norm?
- Clichés are *real*:
 - *Development & unit production costs*
 - *Channel/Relationship costs*
- Can't rely on Net 30 or Net 60