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

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

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<tbody>
<tr>
<td>Users</td>
<td>Single clear compelling message stating why you are different and worth buying</td>
<td>Touch points through which you reach customers and deliver value</td>
<td>What types of direct or indirect relationships do customers want?</td>
<td>Revenue model</td>
<td>Which assets are indispensable</td>
<td>What you need to be able to do to perform well</td>
<td>Who will be able to help you leverage your model</td>
<td>Customer acquisition costs, Distribution costs, Hosting, People, etc.</td>
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Business Model Generation Osterwalder & Pigneur
Planning Activities

- Review
- Plan
- Deploy/Test

Start ups

Business Model / Lean Canvas
Planning Activities

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Commercialize & Scale

Business Plan / Strategic Plan

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Business Model Generation

“Prototyping” your business:

By Osterwalder & Pigneur
This is a key Book!!
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?
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
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
The BMC

AKA Marketing & Customer Cultivation

"Get, Keep, Grow"

Each customer segment will have unique expectations

Dedicated Personal Assistance / Automation / Self-Service / Communities

TIPS

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

By Osterwalder & Pigneur
Key Resources


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
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?
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