

# **B**usiness **M**odel **I**nnovation...









# The Business Model Canvas

Designed for:

Designed by:

On: Day Month Year

Iteration: No.

<h3>Key Partners</h3>  <p>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p><b>INTERESTS FOR PARTNERSHIPS</b> Optimization and economies Reduction of fixed costs Acquisition of particular resources and activities</p>	<h3>Key Activities</h3>  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</p> <p><b>CATEGORIES</b> Production Problem Solving Platform/Network</p>	<h3>Value Propositions</h3>  <p>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?</p> <p><b>CATEGORIES</b> Business Education Platform Customization "Creating the Job Done" Design Brand/Status Price Cost Reduction Risk Reduction Accessibility Convenience/Usability</p>	<h3>Customer Relationships</h3>  <p>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?</p> <p><b>KEYWORDS</b> Personal assistance Dedicated Personal Assistant Self-Service Automated Services Community Co-creation</p>	<h3>Customer Segments</h3>  <p>For whom are we creating value? Who are our most important customers?</p> <p><b>Mass Market</b> Niche Market Segmented Personalized Demographic Multi-Sided Platform</p>
<h3>Cost Structure</h3> <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> <p><b>BY TYPE OF BUSINESS MODEL</b> Cost of Goods Sold (direct cost structure, low price value proposition, maximum automation, extensive outsourcing) Sales (direct, indirect or value creation, premium value proposition)</p> <p><b>SAMPLE COST STRUCTURES</b> Fixed Costs (salaries, rents, utilities) Variable costs Economies of scale Economies of scope</p>	<h3>Key Resources</h3>  <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p><b>KEYWORDS</b> Physical Intellectual (brand, patents, copyrights, data) Financial Human</p>		<h3>Revenue Streams</h3> <p>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?</p> <p><b>BY TYPE</b> Asset sale Lump sum Recurring Revenue Licensing/Royalty/Licensing Advertising Freemium</p> <p><b>BY PRICE</b> Flat Price Product/feature dependent Customer segment dependent Volume dependent</p> <p><b>BY PAYING PRINCIPLE</b> Usage-based (usage-based) Fixed Management Real-time Market</p>	<h3>Channels</h3>  <p>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?</p> <p><b>CHANNEL PRINCIPLES</b> 1. Alignment 2. Evaluation 3. Purchase 4. Delivery 5. After sales</p>



„Business model innovation is  
about being

**DIFFERENT!**“

# Traditional Value Chain vs. Modern Value Chain

*Traditional value chain*



Goal: Maximize market share from existing competencies ... and profits will surely follow (won't they?)

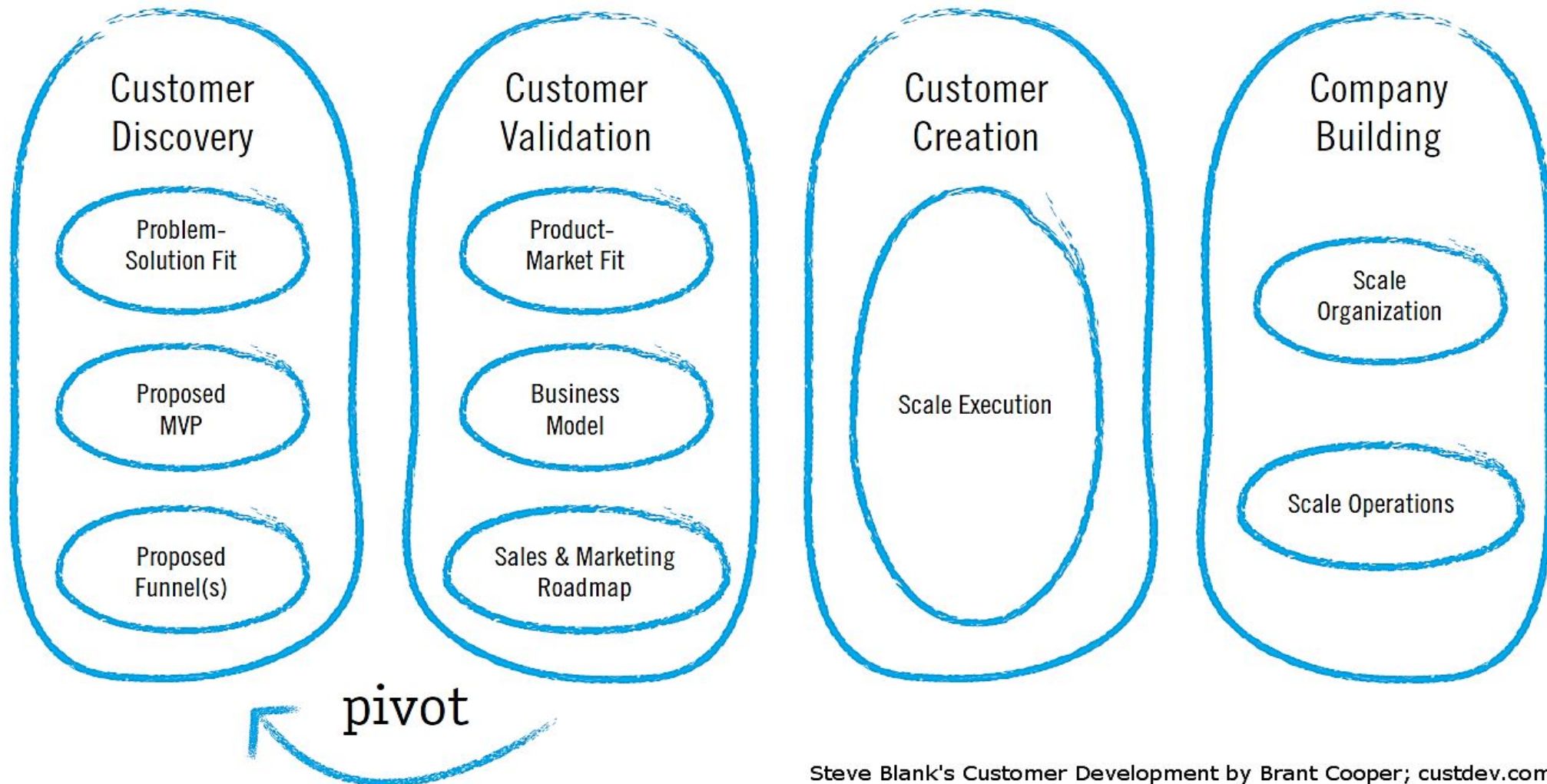
*Modern value chain*



Goal: Business designs with greater customer relevance ... which is where the profits **are**



# Customer Development



# Customer Discovery, Phase One: State Your Business Model

**EUROPEAN  
INNOVATION ACADEMY**

## The Business Model Canvas

### 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?

**MOTIVATIONS FOR PARTNERSHIPS:**  
Optimization and economy  
Reduction of risk and uncertainty  
Acquisition of particular resources and activities

### Key Activities

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

**CATEGORIES**  
Production  
Problem Solving  
Platform/Network

### Key Resources

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

**TYPES OF RESOURCES**  
Physical  
Intellectual (brand patents, copyrights, data)  
Human  
Financial

### 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?

**CHARACTERISTICS**  
Newness  
Performance  
Customization  
"Getting the Job Done"  
Design  
Brand/Status  
Price  
Cost Reduction  
Risk Reduction  
Accessibility  
Convenience/Usability

### 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?

**EXAMPLES**  
Personal assistance  
Dedicated Personal Assistance  
Self-Service  
Automated Services  
Communities  
Co-creation

### 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?

**CHANNEL PHASES:**  
1. Awareness  
How do we raise awareness about our company's products and services?  
2. Evaluation  
How do we help customers evaluate our organization's Value Proposition?  
3. Purchase  
How do we enable customers to purchase specific products and services?  
4. Delivery  
How do we deliver a Value Proposition to customers?  
5. After sales  
How do we enable post-purchase customer support?

### Customer Segments

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

Mass Market  
Niche Market  
Segmented  
Diversified  
Multi-sided Platform

### 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?

**IS YOUR BUSINESS MORE:**  
Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)  
Value Driven (focused on value creation, premium value proposition)

**SAMPLE CHARACTERISTICS:**  
Fixed Costs (salaries, rents, utilities)  
Variable costs  
Economies of scale  
Economies of scope

### 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?

**TYPES:**  
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 (Bargaining)  
Yield Management  
Real-time-Market

# Customer Discovery, Phase Two: "Get Out of the Building" to Test the Problem: "Do Customers Care?"



Get your team "out of the building" to test the problem and to answer three key questions:

- Do we really understand the customer's problem?
- Do enough people really care enough about the problem for this to become a huge business?
- And will they care enough to tell their friends?

Customer Discovery, Phase Three:  
"Get out of the Building" and Test the  
Product/Service Solution







SONY made in 1955 a successful product out of the transistor and developed a successful business model out of it for the next 50 years.

**Value proposition?**



**Value proposition?**



# What are value propositions for the products?



# Business model innovation

## 1. Value Innovation

We offer a better value proposition for an existing or new problem

## 2. Architectural innovation

We reconfigure the value chain so that a better value proposition emerges

## 3. Revenue model innovation

We change the revenue mix and thereby creating a better value proposition

## 4. Cultural Innovation

Change the culture to create more value, e.g. Zappos with the best customer service

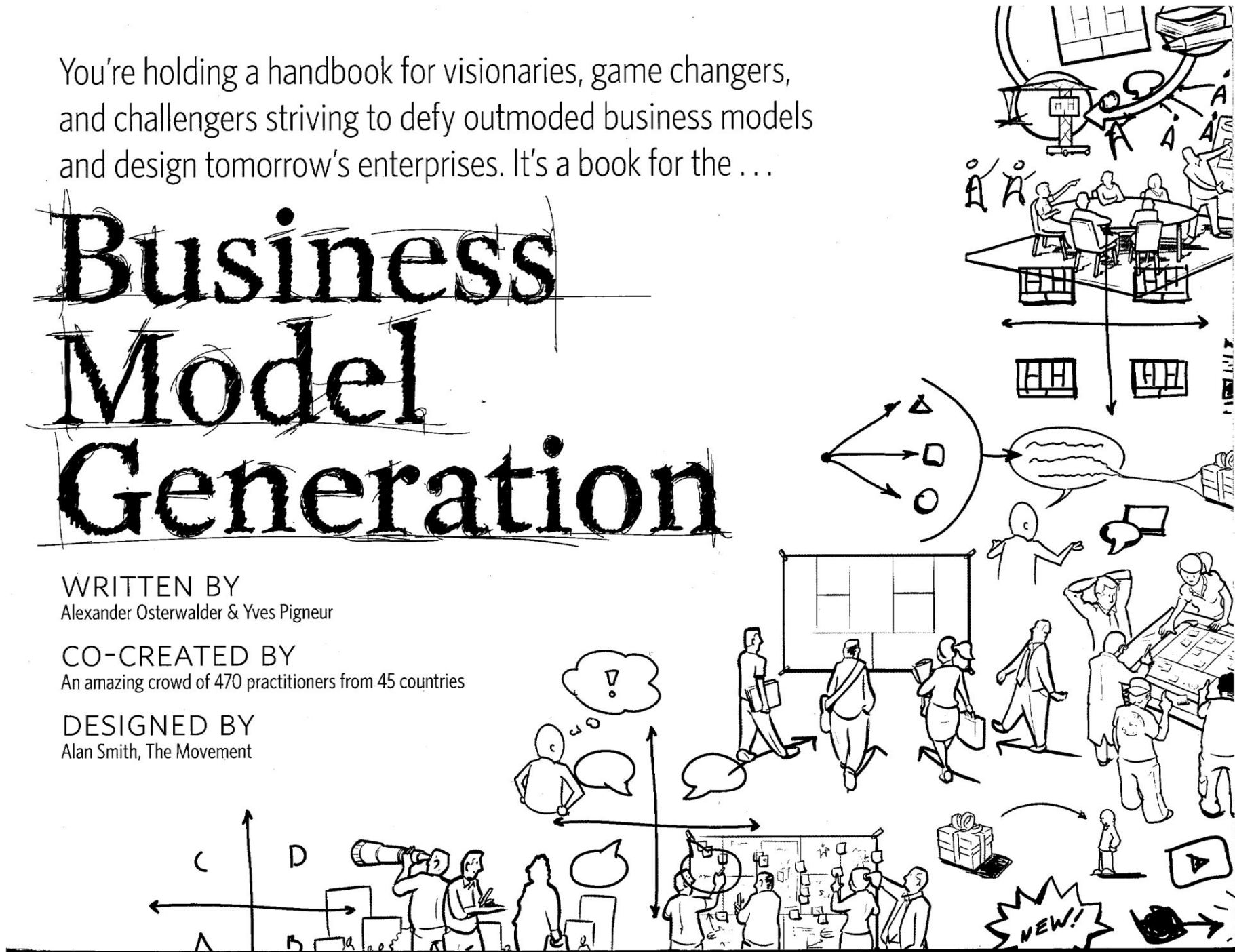
You're holding a handbook for visionaries, game changers, and challengers striving to defy outmoded business models and design tomorrow's enterprises. It's a book for the ...

# Business Model Generation

WRITTEN BY  
Alexander Osterwalder & Yves Pigneur

CO-CREATED BY  
An amazing crowd of 470 practitioners from 45 countries

DESIGNED BY  
Alan Smith, The Movement



4

areas

**HOW?**

**WHAT?**

**WHO?**

**\$?**

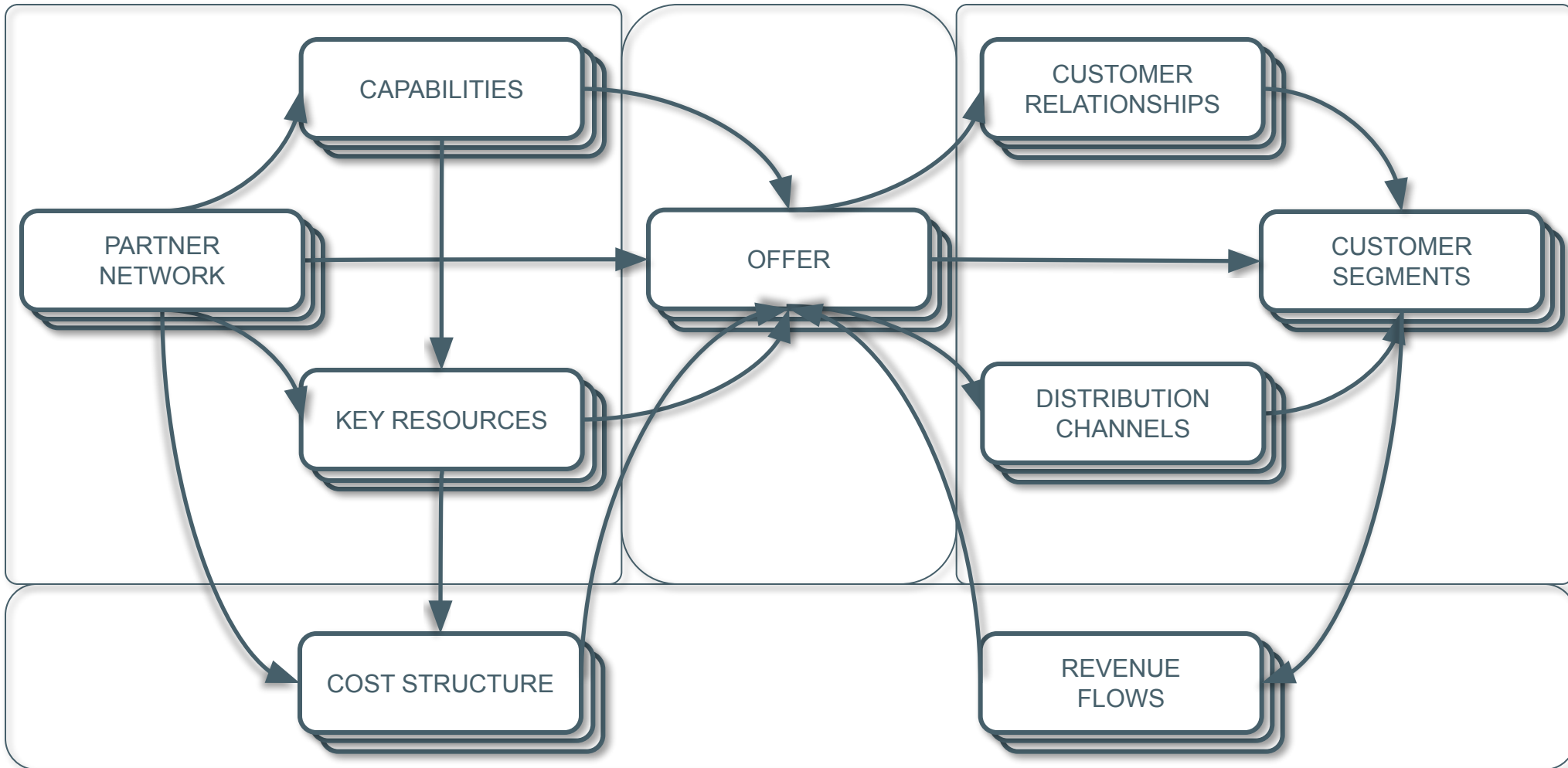
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building

blocks














# The Business Model Canvas

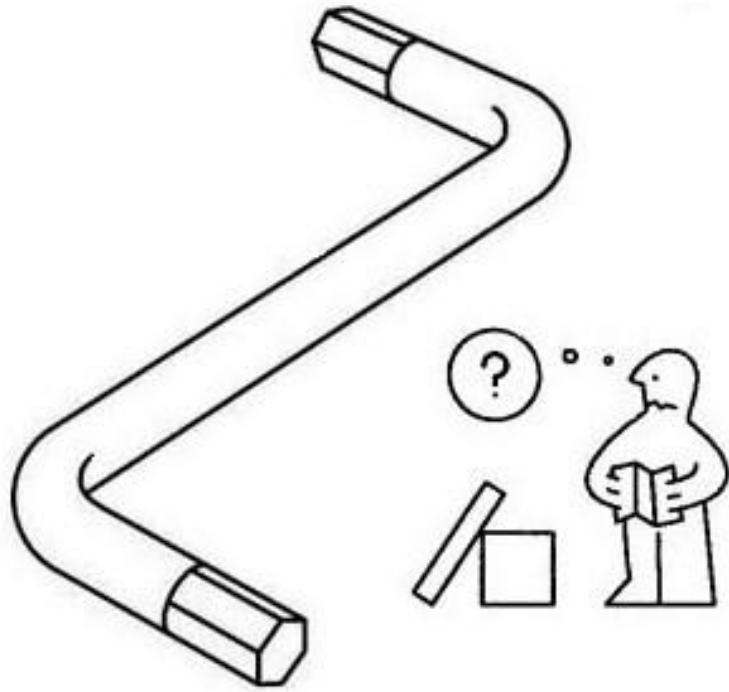
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<h3>Cost Structure</h3> <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> <p><b>IN-THE-MIDDLE BUSINESS MODELS</b> Cost Drivers (depends on cost structure, low price value proposition, maximum automation, extensive outsourcing) Value Drivers (depends on value creation, premium value proposition)</p> <p><b>FIXED COSTS CHARACTERISTICS</b> Fixed Costs (salaries, rents, utilities) Variable costs Economies of scale Economies of scope</p>	<h3>Key Resources</h3>  <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p><b>KEY RESOURCES</b> Physical Intellectual (brand, patents, copyrights, data) Human Financial</p>	<h3>Channels</h3>  <p>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?</p> <p><b>CHANNEL STRATEGIES</b> 1. Direct sales 2. Indirect sales (through intermediaries or resellers) 3. Partners 4. Distribution 5. After sales 6. After sales (through partners/customer support)</p>	<h3>Revenue Streams</h3>  <p>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?</p> <p><b>FIXED PRICING</b> Asset sale Lump sum Subscription fees Licensing/Royalty/Licensing Advertising fees Advertising</p> <p><b>PERIODIC PRICING</b> Etc. Price Product/feature dependent Customer segment dependent Volume dependent</p> <p><b>ADAPTIVE PRICING</b> Negotiation/Bargaining Usage Management Real-time Market</p>	<h3>Revenue Streams</h3> 



Business Model  
Innovation





If you are in a market for giants...





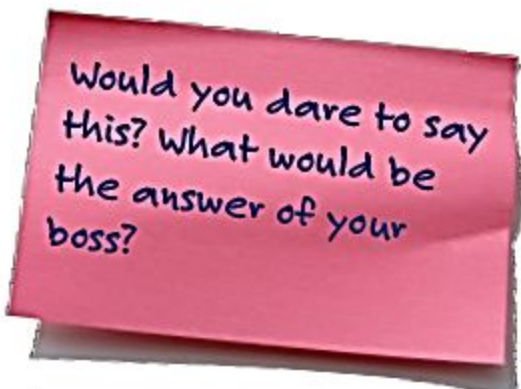
.. and you play with their rules  
you will get nowhere...



„...but if you can create your own rules of engagement than you can compete even in a market for giants.“



“Well, I know we are in a commodity market where the price is key, but I believe we can sell the good for 10x as much as before.”



Would you dare to say this? What would be the answer of your boss?









**NESPRESSO®**

Nespresso changed the  
**business model** for coffee



# The business model system

PARTNERSHIP NETWORK

machine manufacturer

CAPABILITIES

marketing

production

distribution

KEY

patents

facilities

channels

OFFER – VALUE PROPOSITION

Nespresso coffee machines



espresso capsules



CUSTOMER RELATIONSHIPS

Nespresso club

DISTRIBUTION CHANNELS

Nespresso stores

TARGETED CUSTOMER SEGMENTS

households

business

COST STRUCTURE

marketing

production

retail logistics

REVENUE MODEL

capsule sales

machine sales

**RESULTS**

35% growth p.a. for the last  
7 consecutive years

fastest-growing business in  
the Nestlé group



Nespresso has a **26.6 %**  
**global share** in Espresso  
machine sales








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Thank you for your attention;)