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Do Your Employees Know Why You Do What You Do?

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Culture of Your Organisation

Should be based on :

Why you do what you do

How you do it

and then

What you actually do

The Business Model Canvas

Designed for:

Designed by:

On: Day Month Year

Iteration: No

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?

IMPORTANCE FOR PARTNERSHIPS:
Integration and resources
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

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?

VALUE PROPOSITIONS
Newness
Performance
Customization
"Convenience, the 8th Sense"
Design
Price/Service
Fit/Go
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?

RELATIONSHIPS
Personal Assistance
Individual Personal Attention
Self-Service
Automated Services
Communities
Co-creation

Customer Segments



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

MARKET SEGMENTS
Mass Market
Niche Market
Segmented
Individual
Multi-sided Platforms

Key Resources



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

KEY RESOURCES
Physical
Intellectual/Brand patents, copyrights, domain
Human
Financial

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 STRATEGIES
1. Awareness
How do we make customers aware of our company's products and services?
2. Evaluation
How do we help customers evaluate our organization's Value Proposition?
3. Purchase
How do we help customers purchase specific products and services?
4. Delivery
How do we deliver a Value Proposition to customers?
5. After sales
How do we gain post-purchase customer support?

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?

IN WHICH BUSINESS MODEL
Cost Structure (different cost structures, low price value proposition, maximum automation, extensive outsourcing)
Value Drivers (decisions to value creation, premium value proposition)

EXAMPLES OF COST STRUCTURES
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?

REVENUE STREAMS
Asset sale
Usage fee
Licensing fee
Leasing/Renting/Leasing
Advertising
Advertising fees
Advertising

REVENUE STREAMS
Unit Price
Product/Service dependent
Customer segment dependent
Volume dependent

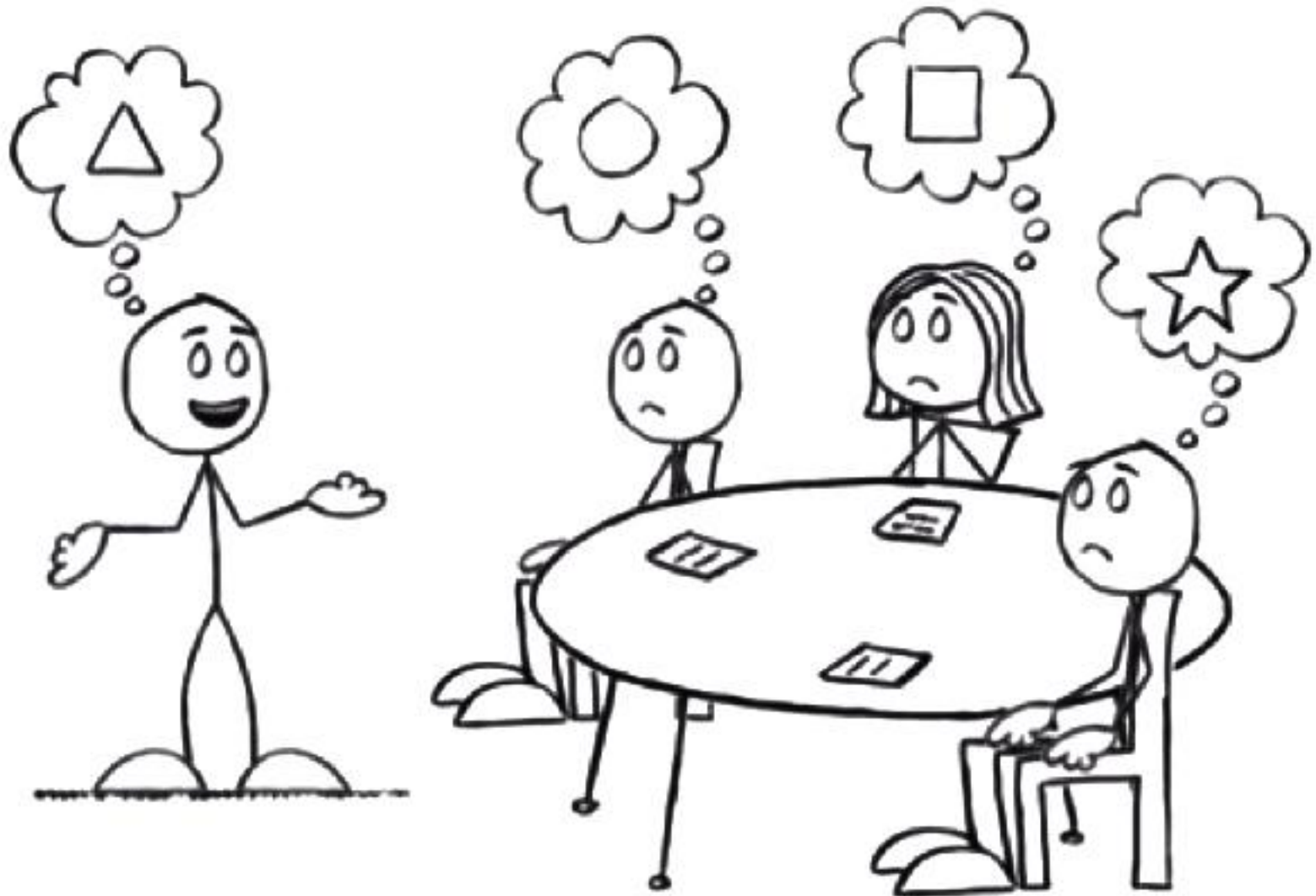
REVENUE STREAMS
Negotiation (bargaining)
Usage Management
Real-time Market



Business Models

1. Why would someone want to buy something from you?
2. How will you make money selling it?
3. What, exactly, are the important things you need to do to pull off the plan?

Source: Business Model Generation – Alex Osterwalder



Why Use This Tool?

Allows you to think through your business model in a way that:

- Uses a shared language
- Facilitates discussion
- Enables participants to systematically challenge assumptions
- Creates a business model that everyone understands

Customer

What is a Customer?

- Groups of people or organisations that you serve
- Often segmented by needs, behaviours or other attributes
- “jobs they need to get done” – Clayton Christensen, Marketing Malpractice – HBR

Could represent

- Mass market, Niche market, Segmented, Diversified
- Multi-sides



Customers*

An organization serves
Customers...

Source: Business Model Generation – Alex Osterwalder

Customer

Will have different segments/models if they differ in:

- Needs (value proposition)
- Reached through a different channel
- Different relationships
- Different profitability
- Will pay for different aspects of your offering



Customers*

An organization serves
Customers...

Source: Business Model Generation – Alex Osterwalder

Value Proposition

What is a Value Proposition?

- The considered value for the customer
- How you solve their problem, satisfy their need or enable them to get the job done
- Your unique selling proposition

May be such things as

- Newness, Performance, Customisation, Getting the job done, Design, Price, Brand, Accessibility, Convenience/Usability, Knowledge



Value Provided

...by solving Customer problems or satisfying Customer needs.

Value Proposition

Three white sticky notes are arranged horizontally, each held by a red pushpin at the top center. The first note on the left contains the word 'NEED', the middle note contains 'PROBLEM', and the third note on the right contains 'BENEFIT IF SOLVED'.

NEED

PROBLEM

**BENEFIT IF
SOLVED**

What do you do better than your competitors?

Channels

What is a Channel?

- How does the company communicates with and reaches the customer to enable a transaction to take place?
- The customer touch point

For example

- Direct or indirect sales force
- Retail or customer stores
- Wholesalers
- Online sales

5 phases of the channel are:



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Channels

Organizations communicate and deliver Value in different ways...

Awareness

Evaluation

Purchase

Deliver

After Sales
Support

Relationships

What are Relationships?

- How the company establishes ongoing customer commitment

The type of relationships may be driven by the strategic position

- eg acquire, retain or upsell to customers

Personal -> Automated

- Personal assistance – human interaction, call centres
- Dedicated personal assistance – matching
- Self service – no direct relationship
- Automated more sophisticated self service
- Communities eg loyalty cards, on line communities (health)
- Co-creation eg Amazon book reviews



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Customer Relationships

...and establish and maintain different kinds of relationships with Customers.

Revenue

What is Revenue?

- How do you generate cash from each customer segment?
- How much will the customer be willing to pay?
- Other revenue?
- May be one off per transaction or ongoing
- May be fixed or dynamic (negotiated)

For example

- Asset Sale, Usage Fee, Subscription Fee, Renting/Lending, Licensing, Advertising



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Revenue*

Money comes in
when Customers pay
for Value Provided.

Key Resources

What are Key Resources?

- Most important **assets** to enable the business model to work

Enable the **creation and offering of the value proposition**, reach markets, maintain relationships and earn revenue

Can be owned, leased by the company or acquired by key partners



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Key Resources

These are the assets needed to create and/or deliver the previously described elements.

Key Resources – Four Types

Physical

- Eg Manufacturing facilities, buildings, vehicles, buildings, POS systems, distribution networks, software

Financial

- Eg Cash, lines of credit, stock option pool

Intellectual

- Eg Brands, IP, partnerships, customer databases

Human

- Everyone needs human interaction
- Crucial in knowledge intensive or creative industries eg pharmaceutical



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Key Resources

These are the assets needed to create and/or deliver the previously described elements.

Key Activities

What are Key Activities?

- The most important things a company needs **TO DO** to enable the business model to work, to operate successfully

Allow the **creation and offering** of the value proposition, reach markets, maintain relationships and earn revenue

Three types

Examples

- Microsoft (to develop software)
- Dell (include supply chain management)
- McKinsey (problem solving)



Key Activities

These are the actual tasks and actions required to create and deliver the previously described elements.

Key Activities: Three Categories

Production

- Designing, making and delivering
- manufacturing firms

Problem Solving

- Coming up with new solutions to solve customer problems
- Consultancies, hospitals, service organisations

Platform/Network

- Relate to platform management, service provisioning and platform promotion
 - Eg eBay (maintain website platform)
 - Visa (maintain transaction platform)



Key Activities

These are the actual tasks and actions required to create and deliver the previously described elements.

Key Partnerships

What Are Key Relationships?

- Description of the network of suppliers and partners that enable the business model to work

Companies Create Relationships to

- Optimise their business model including economy of scale considerations eg buyer-supplier
- Reduce risk eg new market entry
- Acquire resources eg mobile phone networks

Four Types

- Strategic alliance (non competitors)
- Strategic partnerships with competitors
- Joint ventures to develop new businesses
- Buyer-supplier relationships



Key Partners

Some activities are outsourced, and some resources are acquired outside the organization.

What Is Cost Structure?

- Describes all costs incurred to operate the business model

Two Broad Classes

- **Cost Driven** – minimise costs where-ever possible eg low cost airlines
- **Value Driven** – focus is on value creation rather than cost eg personalised services, luxury hotels

May Be

- Fixed costs eg rents, salaries
- Variable costs eg proportional to volume of goods/services produced
- Economies of scale eg lower bulk purchase rates
- Economies of scope eg marketing activities

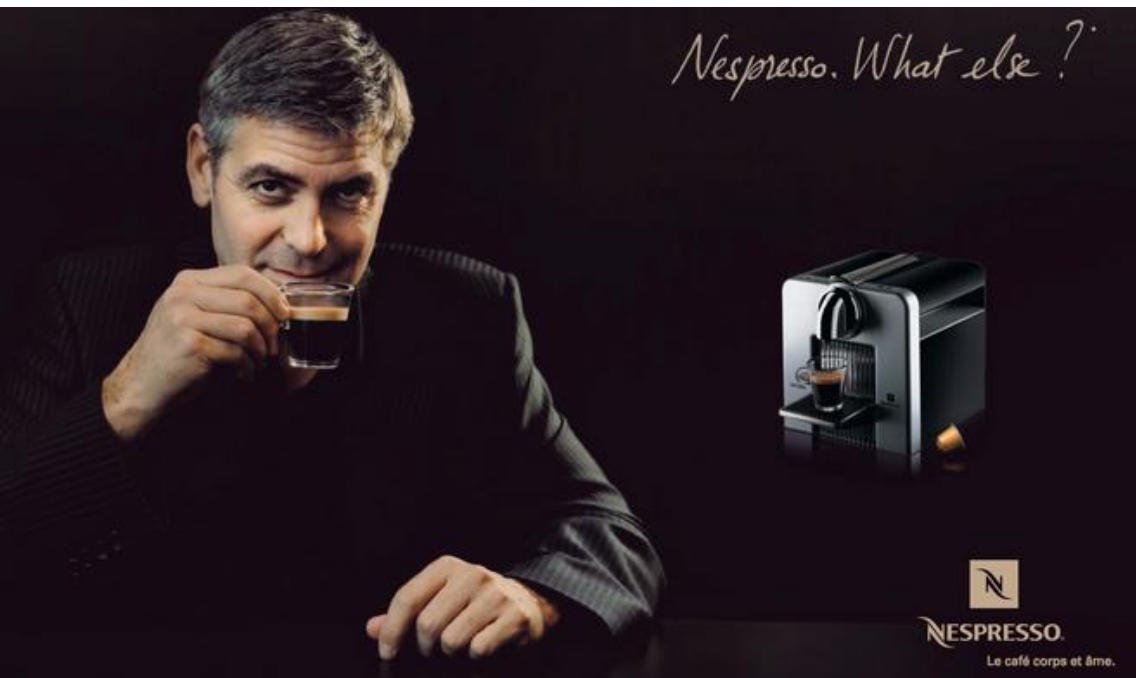


Costs

These are expenses incurred acquiring Key Resources, performing Key Activities, and working with Key Partners.



NESPRESSO®



The Business Model Canvas

Designed for:

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On: Day Month Year
Iteration: No.

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?

IMPORTANCE FOR PARTNERSHIPS:
Importance of relationships
Allocation of risk and responsibility
Acquisition of particular resources and activities

**Coffee Machine
Manufacturers
Packaging
Suppliers
Farmers**

Key Activities



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

CATEGORIES:
Production
Infrastructure
Platform/Network

**Marketing
Production
Logistics**

Key Resources



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

TYPE OF RESOURCES:
Physical
Intellectual (Patents, copyrights, data)
Human
Financial

- **Distribution Channels**
- **Patents On System**
- **Brand**
- **Production Plants**

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
"Convenience for the Job Done"
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability

**High End
Restaurant
Quality Espresso
At Home**

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?

TYPES:
Personal assistance
Dedicated Personal Assistance
Self-Service
Automated Services
Communities
Co-creation

Nespresso Club

Channels



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

- **Nespresso.com**
- **Nespresso Boutiques**
- **Call Centre**
- **Retail (Machines Only)**
- **Mail Order**

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 MODEL:
Low-Cost (disruptive cost structure, low-price value proposition, maximum automation, extensive outsourcing)
Value-Driven (focused on value creation, premium value proposition)

MAJOR COST STRUCTURES:
Fixed Costs (salaries, rent, utilities)
Variable Costs
Economies of scale
Economies of scope

**Manufacturing
Marketing
Distribution & Channels**

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?

TYPE:
Asset sale
Usage fee
Subscription fee
Licensing/Brand/Trademark
Licensing
Exchange fee
Commission

TYPE PRICING:
List Price
Product/Service-dependent
Customer segment-dependent
Value-dependent

REVENUE PRICING:
Negotiation (bargaining)
Fixed Management
Real-time Market

- **Main Revenue – Capsules**
- **Other Revenue – Machines & Accessories**