

Where Ideas Are Engineered

The Business Model Canvas

A light saber for your disruptive tool belt

Pete Cohen

17 June 2014

Two business analysts walk into a bar...

Resource

Retention

Partners
[|||||]

offer

Cost

Activity

channel

Cost.

Rev

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?

KEY PARTNERS
Suppliers and co-creators
Distribution of risk and resources
Acquisition of particular resources and activities

Key Activities



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

KEY ACTIVITIES
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" (Saving the customer time)
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?

CUSTOMER RELATIONSHIPS
Personal assistance
Self-Service
Automated Services
Communities
Co-creation

Customer Segments



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

CUSTOMER SEGMENTS
Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platforms

Key Resources



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

KEY RESOURCES
Physical
Intellectual (Channels, partners, copyrights, brand)
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?

CHANNELS
1. Distribution
2. Production
3. Purchase
4. Delivery
5. After sales

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 STRUCTURE
Fixed Costs (dependent on structure, low before scale, proportional, nonlinear, decreasing)
Variable Costs (dependent on sales volume, proportionally increasing)

KEY COSTS
Fixed Costs (salaries, rent, 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
Fixed Price
Usage Fee
Subscription Fee
Licensing/Royalty Fee
Advertising
Freemium
Performance
One-time
Product/Service Extension
Customized/Segment-Specific
Network dependent
Advertising/Referrals
Selling Information
Marketplace/Market

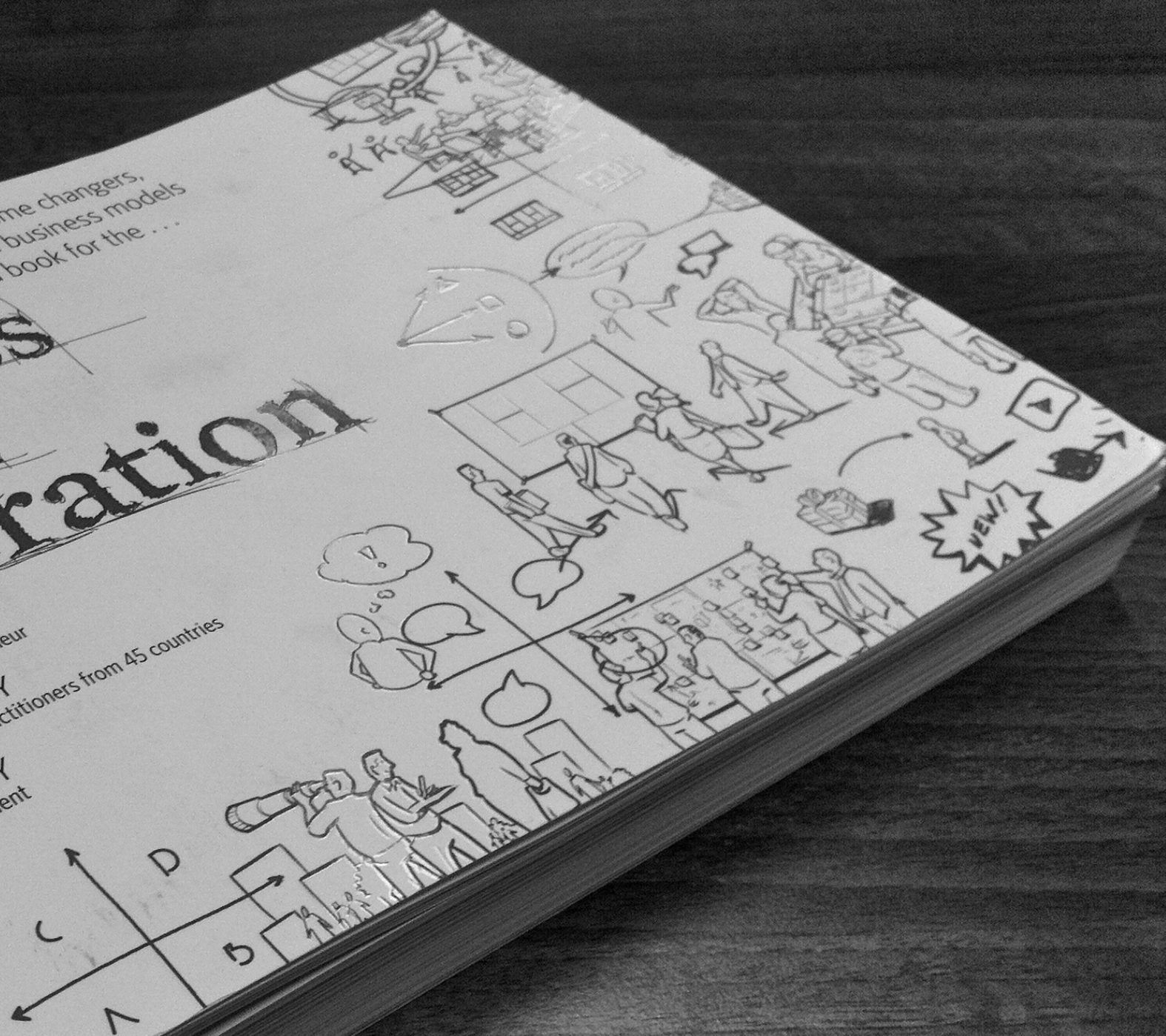
You're holding a handbook for visionaries, game changers,
and challengers striving to defy outmoded business models
and design tomorrow's enterprises. It's a book for the ...

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







Agenda for today

- Why use it?
- Step through the 9 building blocks of the business model canvas
- Explore a case study - Uber
- Look at some other canvases including the Lean Canvas

Why use the Business Model Canvas?

A great tool for agile practitioners

- A visual information radiator
- Fosters collaboration
- Encourages holistic thinking

A secret weapon for consulting

- Build context very quickly

Essential for entrepreneurs

“I believe that the life of any startup can be divided into two parts: **before** product/market fit and **after** product/market fit.”

- Marc Andreessen
(founder of Netscape)

Essential for intrapreneurs

“...companies ...can create massive growth by combining difficult to replicate assets with entrepreneurial behaviors.”

“A large company can never innovate faster than the market. But it can innovate **better** than the market.”

- Scott Anthony
(Innosight)

Simple but powerful

- Lightweight – not a hefty document
- Deliberately constrained to avoid too much detail
- Accessible and portable

The Business Model Canvas

Designed for:

Designed by:

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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?

KEY PARTNER RELATIONSHIP TYPES
Logistics and inventory
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?

KEY ACTIVITIES
Production
Problem Solving
Platform Network
Logistics 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" (Saving the customer time)
Design
Brand/Status
Price
Location
Risk Reduction
Accessibility
Customization/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
Self-Service
Automated Services
Communities
Co-creation

Customer Segments



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Diversified
Multi-Sided Platform

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Financial

Channels



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Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

CHANNELS
1. Distribution
2. Production
3. Purchase
4. Delivery
5. After sales

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?

KEY COST STRUCTURE TYPES
Fixed Costs (Dependent on structure, low potential for progression, high-volume production, extensive subcontracting)
Variable Costs (Dependent on sales volume, production volume dependent)

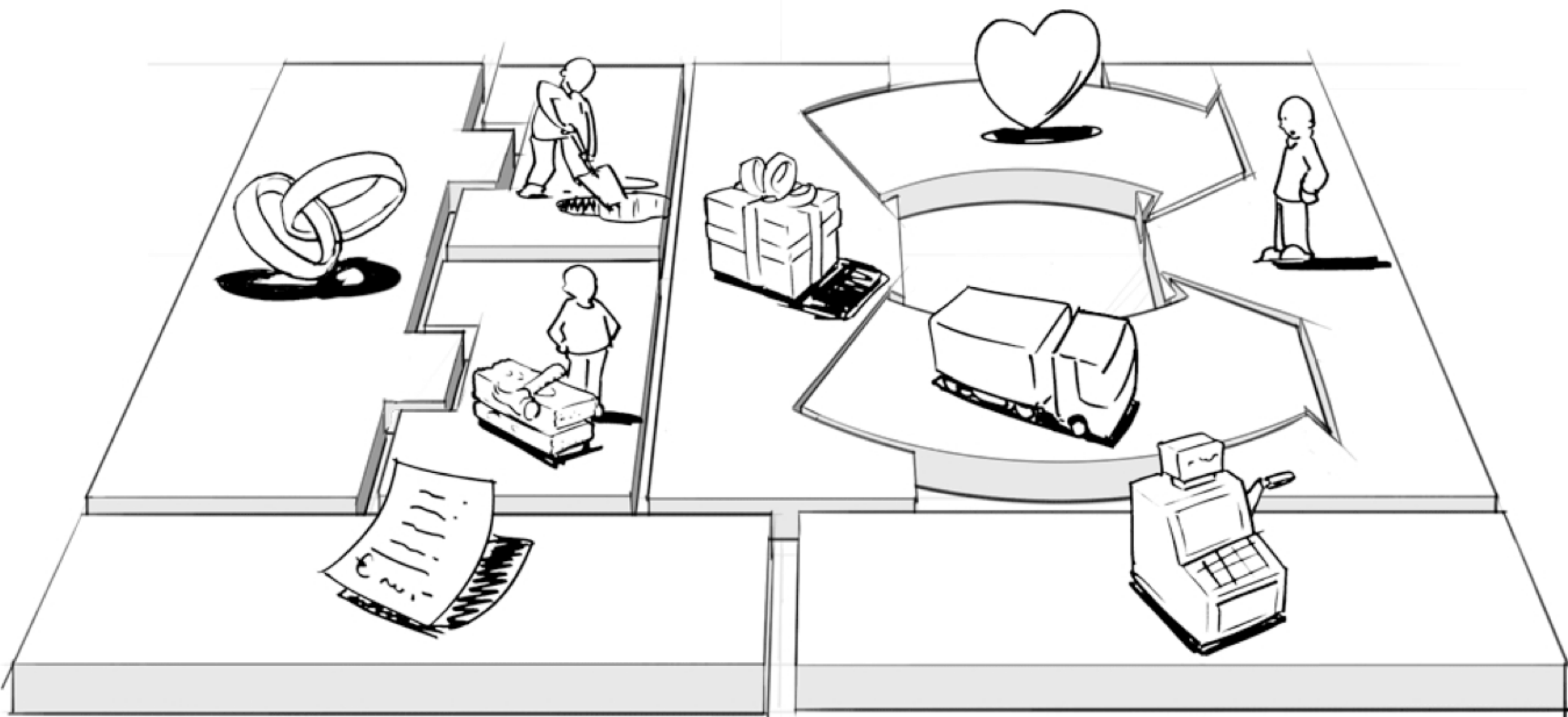
KEY COST STRUCTURE TYPES
Fixed Costs (Salaries, rent, utilities)
Variable Costs
Economies of Scale
Economies of Scope

Revenue Streams

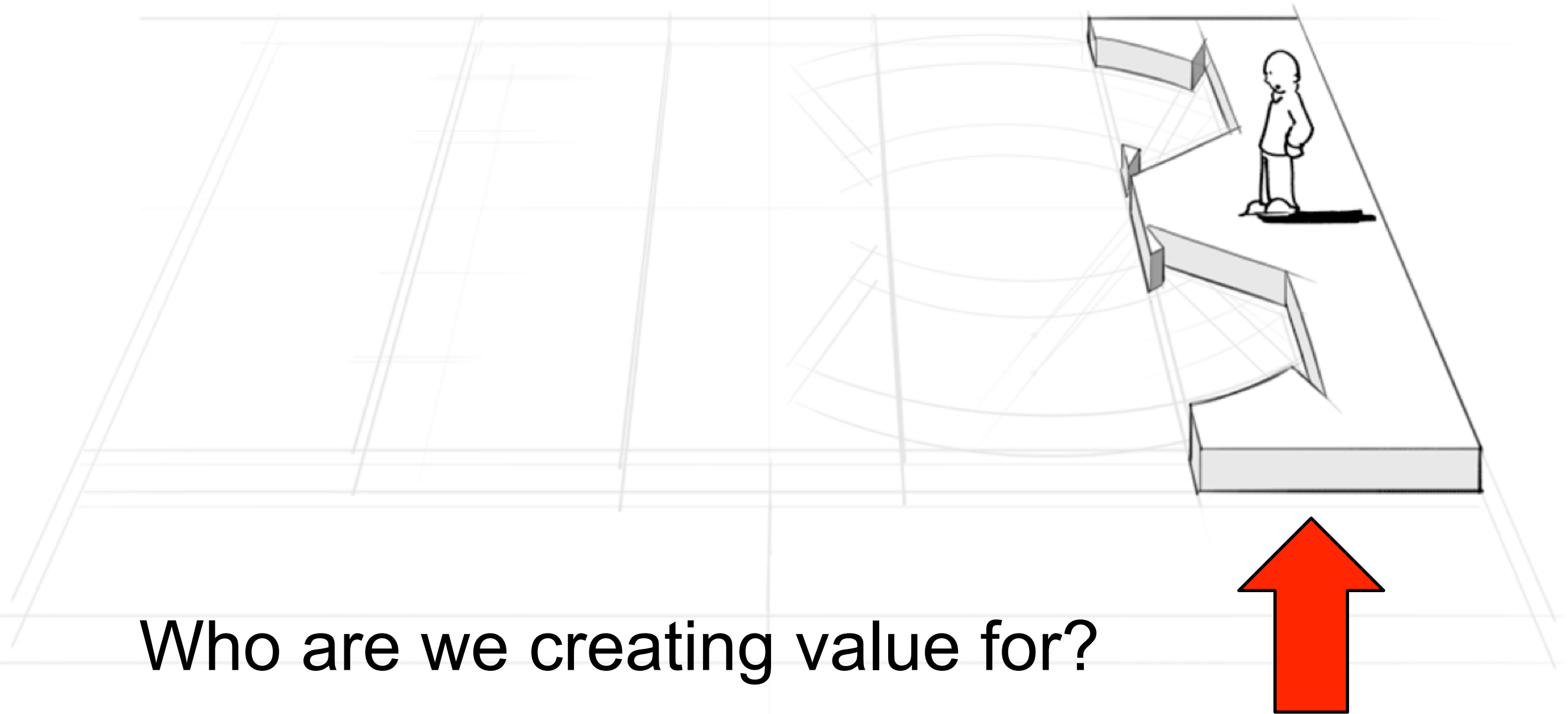


For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

REVENUE STREAMS
Fixed Price
Usage Fee
Subscription Fee
Licensing/Royalty Fee
Advertising
Freemium
Performance
One-time
Product/Service Extension
Customized/Segment-Specific
Network Expansion
Cross-Selling
Freemium
Usage Fee
Subscription Fee
Licensing/Royalty Fee
Advertising
Freemium
Performance
One-time
Product/Service Extension
Customized/Segment-Specific
Network Expansion
Cross-Selling
Freemium



Customer Segments

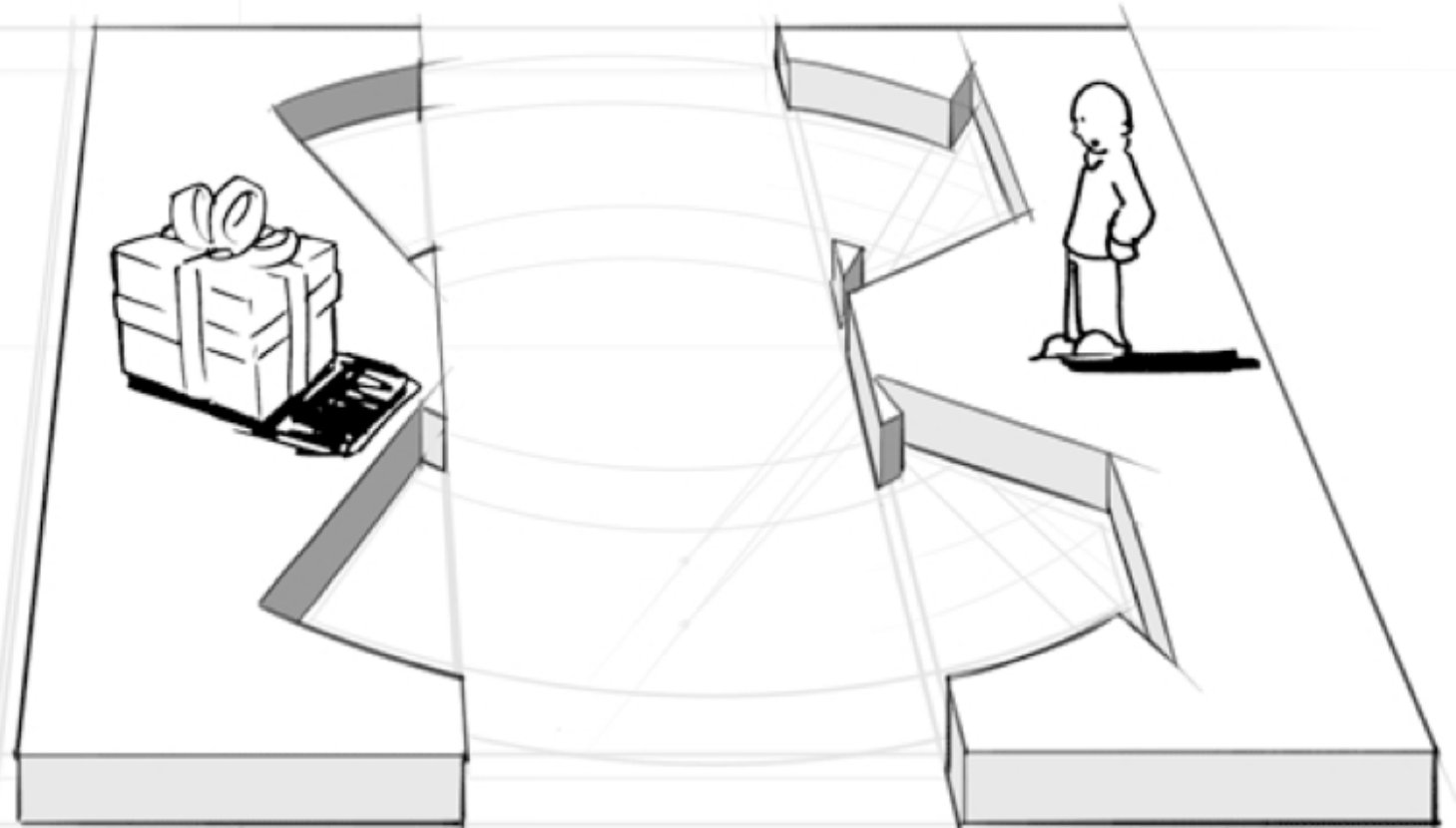


Who are we creating value for?

Value Proposition

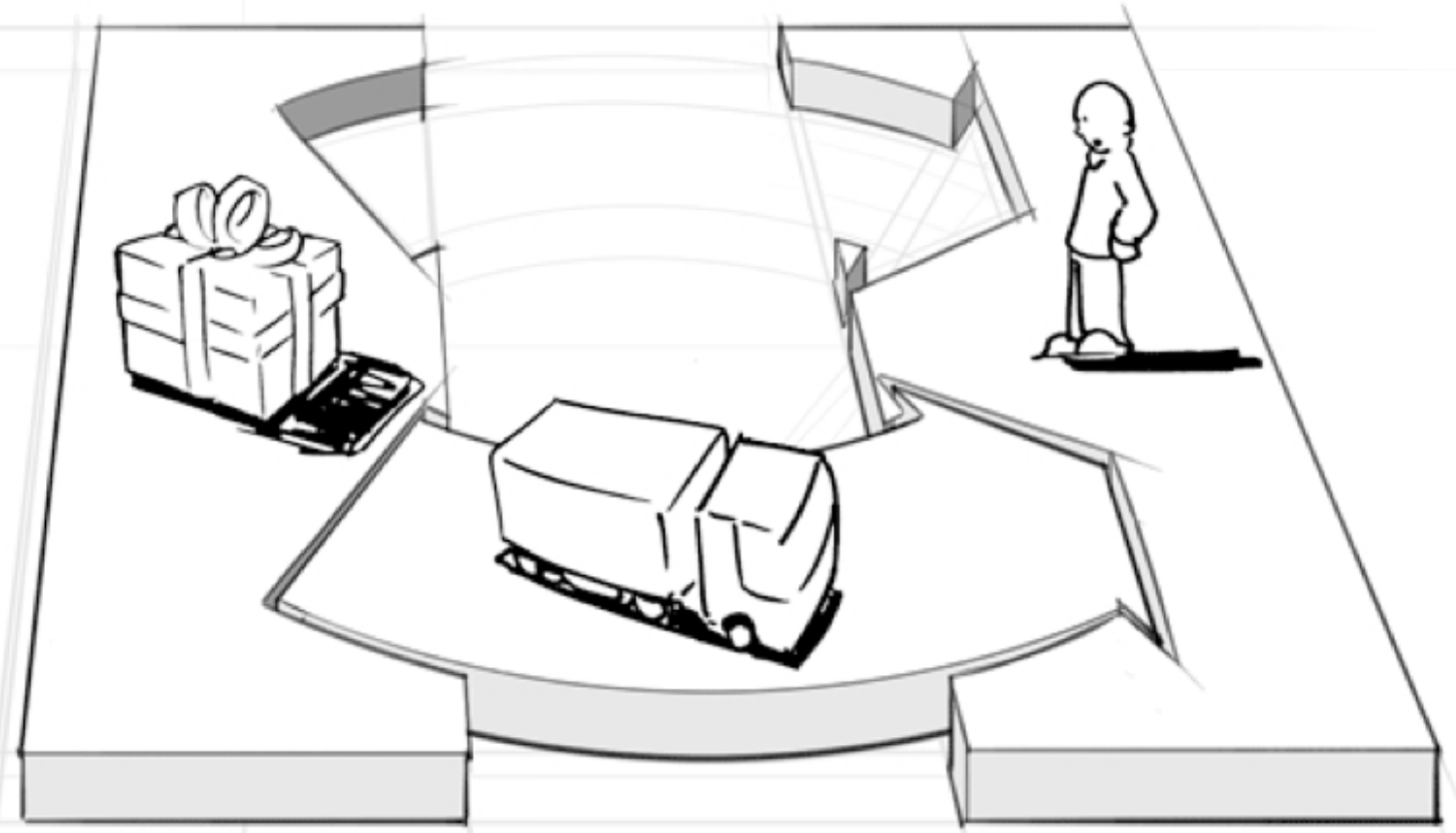
What value do
we deliver?

What problem
are we
solving?



Channels

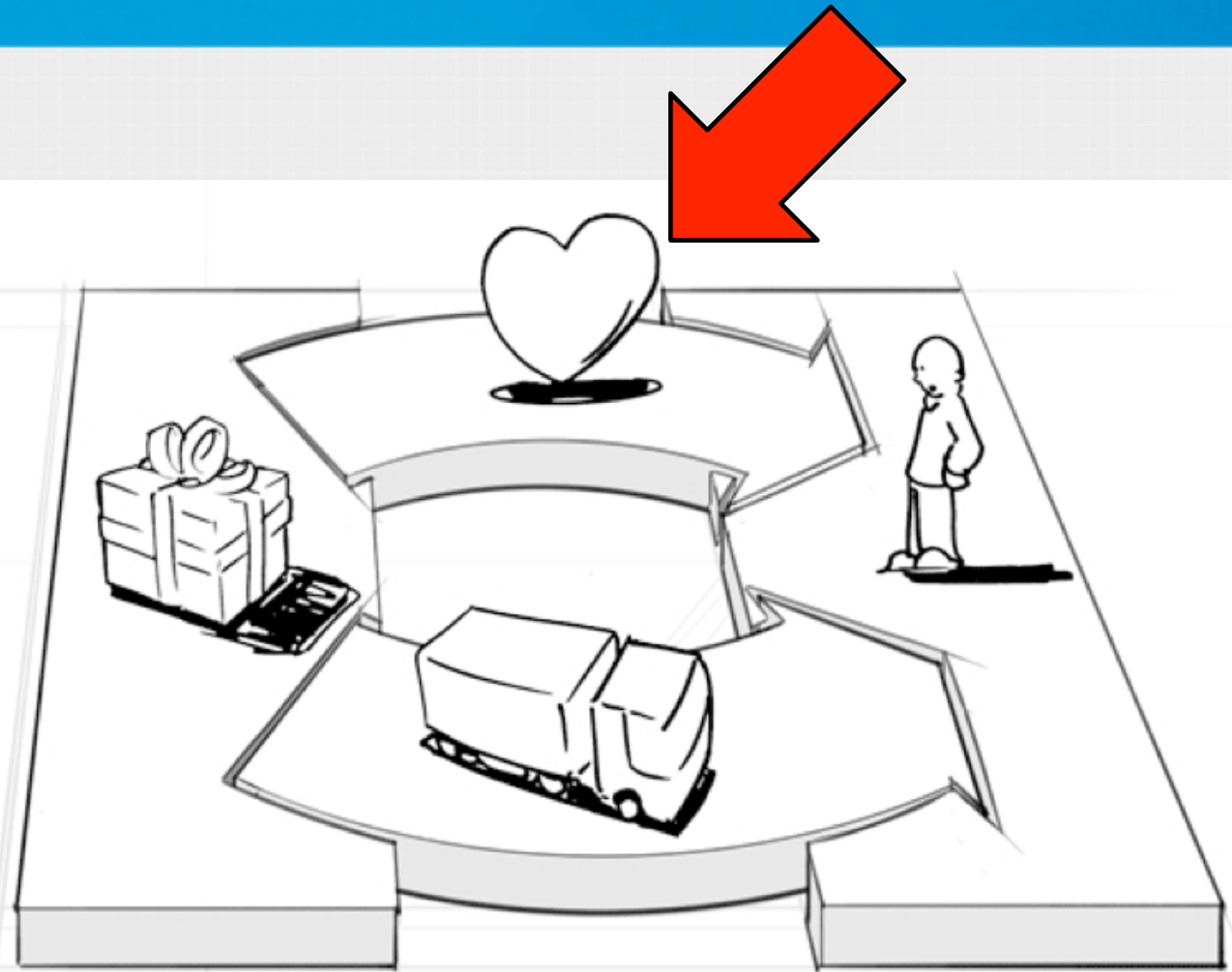
How do we reach our customers?



Customer Relationships

What type of relationship does each of our Customer Segments expect?

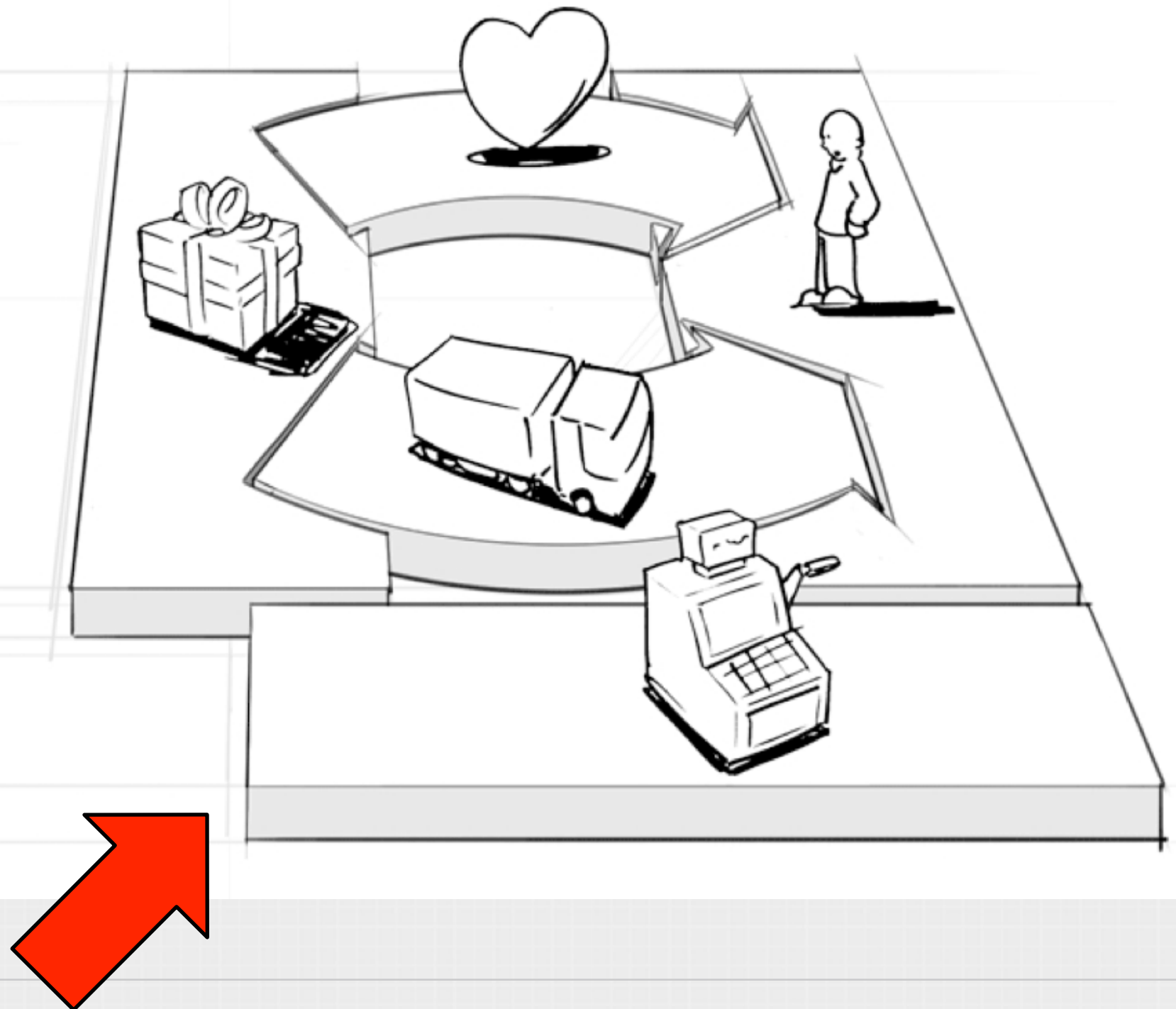
How costly are they?



Revenue Streams

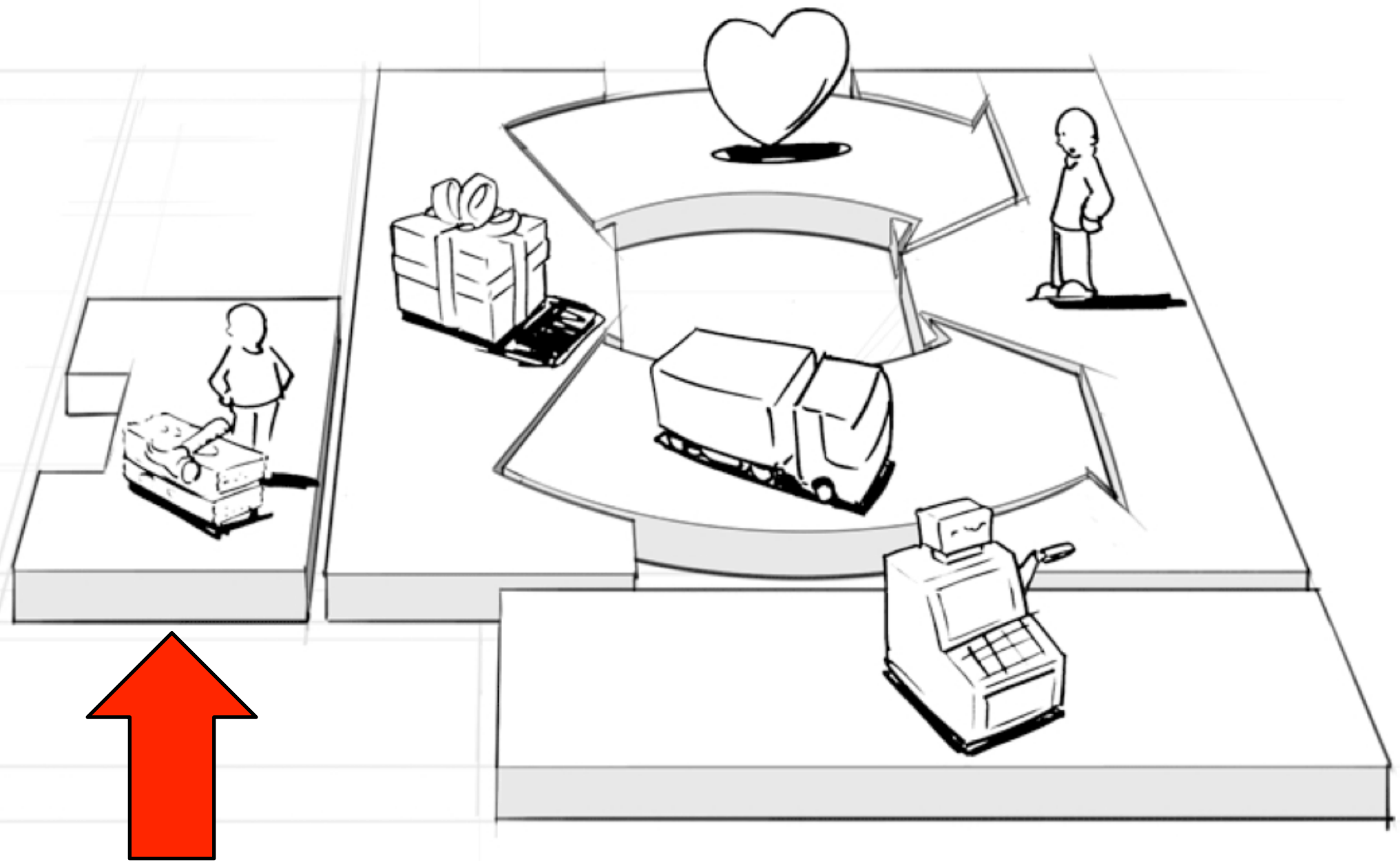
What do our
customers pay
for?

How do they
pay?



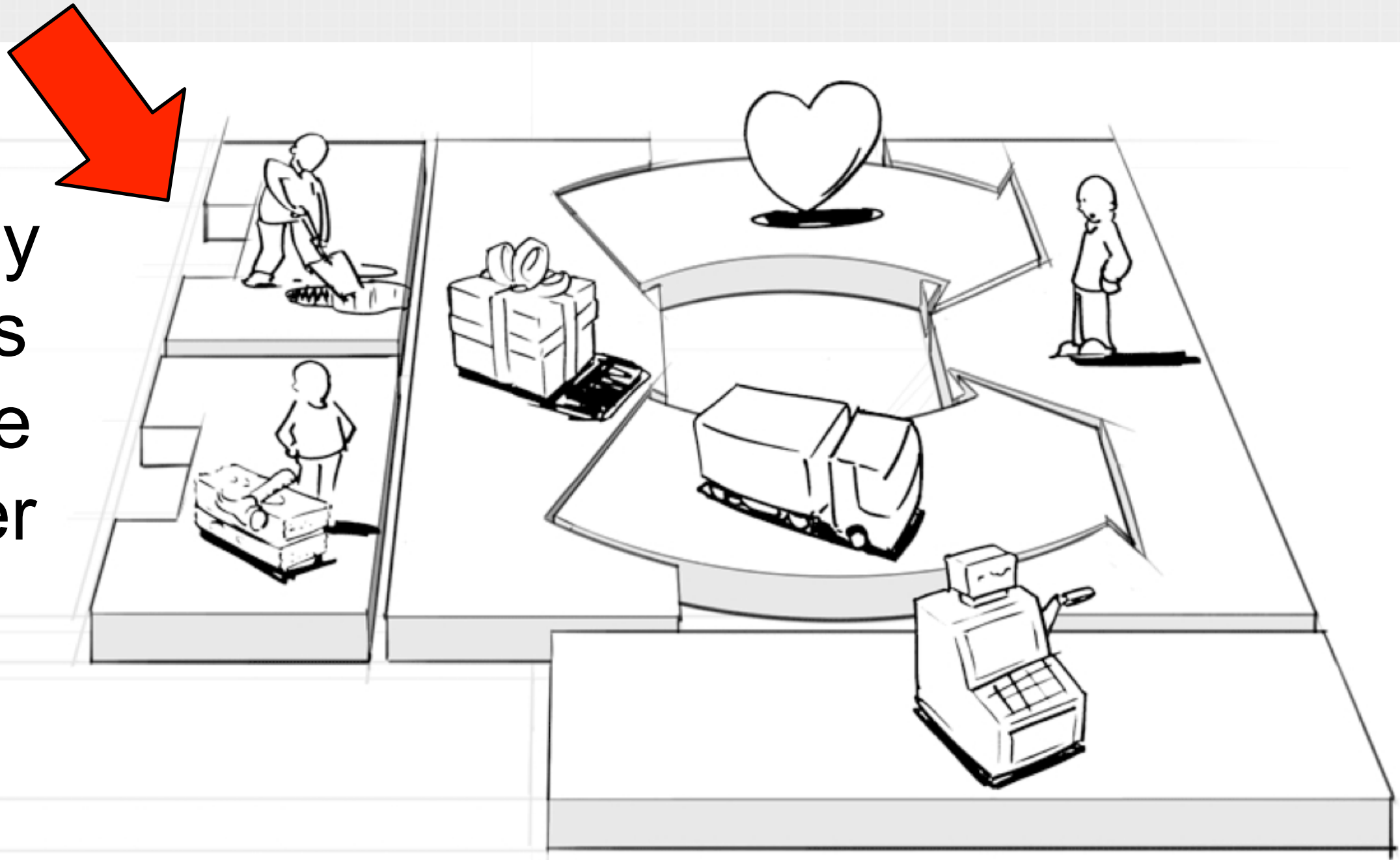
Key Resources

What key resources do we require to deliver value?

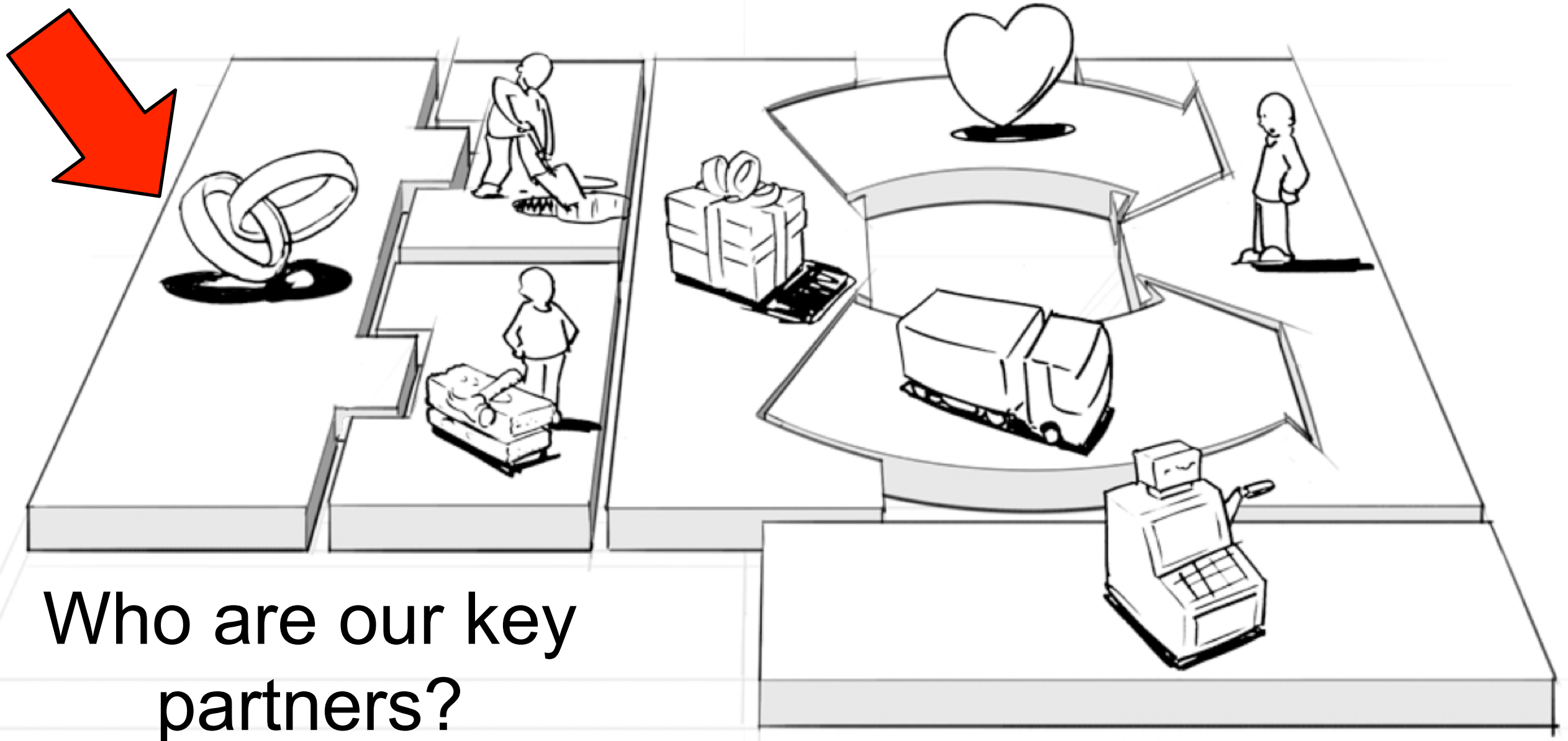


Key Activities

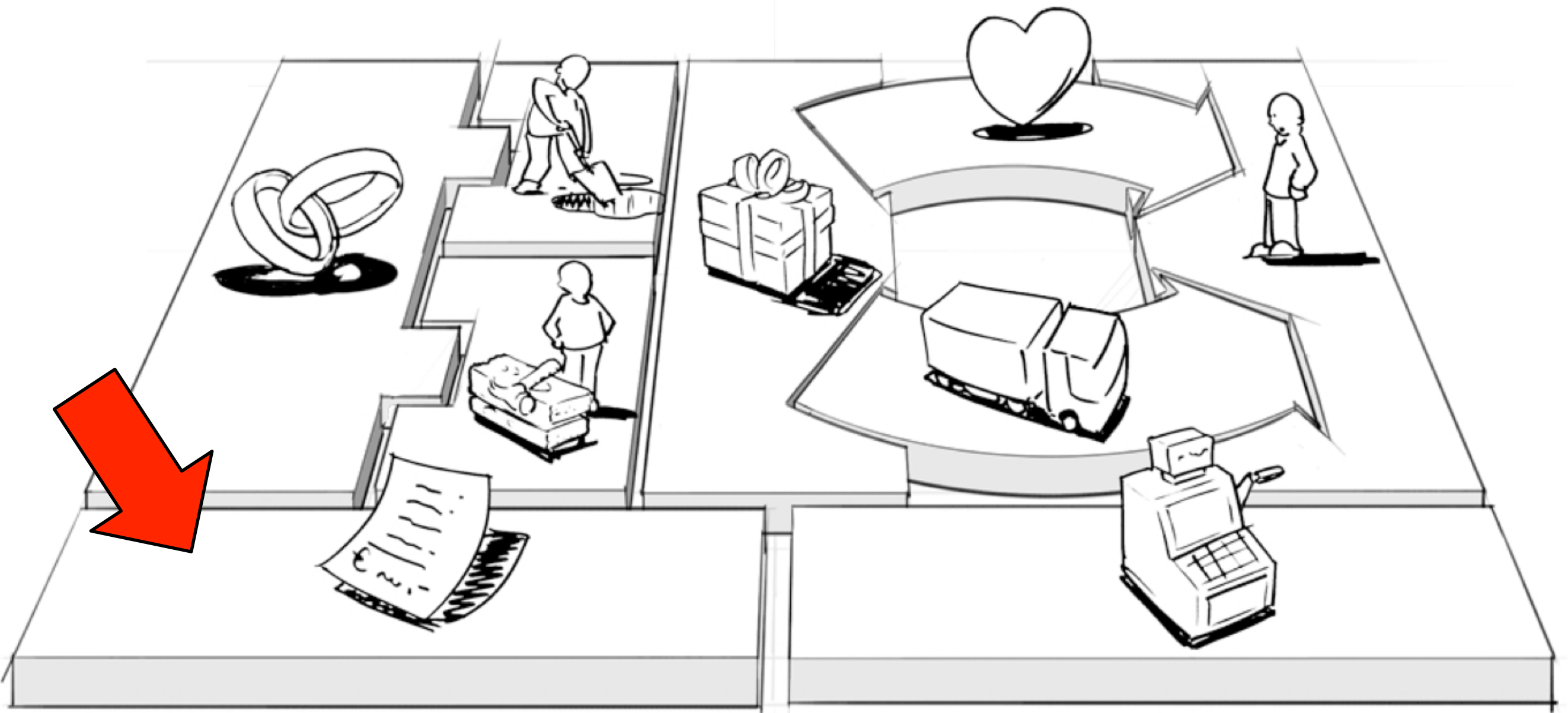
What key activities are done to deliver value?



Key Partners



Cost Structure



What are our key costs?

On: Day Month Year

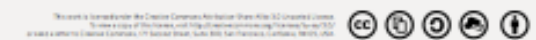
Iteration:

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Market

On: Day Month Year

Iteration:



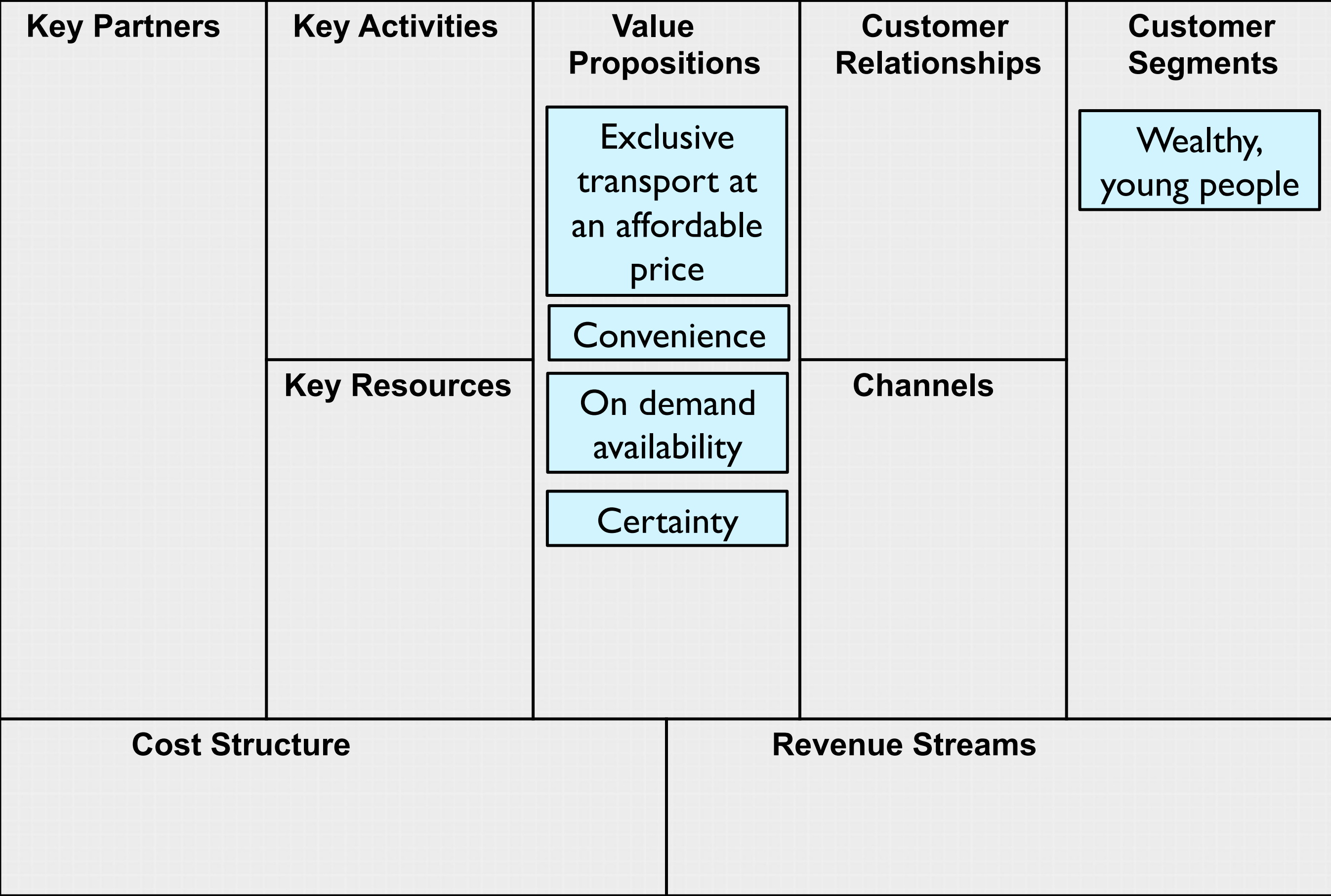
Learn and pivot

U B E R

EVERYONE'S PRIVATE DRIVER™







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?

KEY ACTIVITIES FOR SUPPLIERS:
Infrastructure and security
Reduction of risk and uncertainties
Regulation, compliance, contracts and activities

SACON

SACON
↳ PAYROLL
etc

A.W.S.

PAYMENT
GATEWAY
PROVIDER

AZURE



Key Activities

DEVELOPMENT

PRODUCT
MANAGEMENT

UX
(TO ENABLE
SELF SERVICE)
STAY UP TO
DATE ON API
INTEGRATIONS
WITH PROVIDERS
- DEVELOPMENT
AND COMMS

DIGITAL
MARKETING

CUSTOMER
SUPPORT

SERVICES

BUSINESS
ANALYSIS

Resources

CUSTOMER
SUPPORT

DIRECT
SALES
PEOPLE

PRODUCT
MANAGER

DESIGN

MARKETING
PERSON

DEVELOPERS

DIRECT
SALES

INVESTOR
RELATIONS

H. R.

PAYROLL
AND
BUSINESS
ADMIN



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 segments are we targeting?

CHARACTERISTICS
Simple
Performance
Customization
"Cutting the Fat Away"
Design
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability

APPLICATION
MANAGEMENT
(FEATURES)

ONLINE
SAAS
PRODUCT

SIMPLICITY
OF U.I.

A.P.I.
STRONGLY
AUTOMATED

COLLABORATION
- VISIBILITY

LIFECYCLE
MANAGEMENT
↳ C. D.

PROVIDER
AGNOSTIC

MEASURE
EVERYTHING

CHEAPER
PROPOSITION

ENVIRONMENT
MANAGEMENT



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?

HIGH
COMPLIANCE

FLEXIBILITY
TO EXIT
ANYTIME
- NO LOCK IN

SELF
SERVICE

FULL FEATURE
SET OFFERED
TO ALL
CUSTOMERS

Channels

Through which Channels do we want to be reached?
How are we reaching them?
How are our Channels integrated with the rest of our business model?
Which ones work best?

MEET UPS/
CONFERENCE/
COMMUNITY
EVENTS

WEB
SIGNUP AND
PAY FORM

SOCIAL
MEDIA

WEBSITE

SACON
CONSULTANCY
↳ DEVOPS

PRODUCTS
WHICH WE
INTEGRATE
↳ FRONT END
TO THEM

DIRECT
SALES

Customer Segments

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

Key Market Segments
Segmented
Demographic
Multi-sided Platform

SMALL TO
MEDIUM
BUSINESS

DEVELOPMENT
GROUP

I.T./OPS
GROUP

APPLICATION
GROUP

ENTERPRISE

ARCHITECTURE
AND
DESIGN



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?

KEY RESOURCES:
Cost drivers: "Costs that are most critical to the business model, such as infrastructure, technology, and talent."
Value drivers: "Activities that are most critical to the business model, such as infrastructure, technology, and talent."

KEY ACTIVITIES:
Cost drivers: "Activities that are most critical to the business model, such as infrastructure, technology, and talent."
Value drivers: "Activities that are most critical to the business model, such as infrastructure, technology, and talent."

KUMOLUS
OP EX
↳ AWS ACCT etc
↳ HARDWARE

WAGES
+
PAYROLL
(ACCOUNTING)

OFFICE
RENTAL

PAYMENT
GATEWAY
FEES



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?

KEY RESOURCES:
Cost Price
Production dependent
Customer segment dependent
Volume dependent

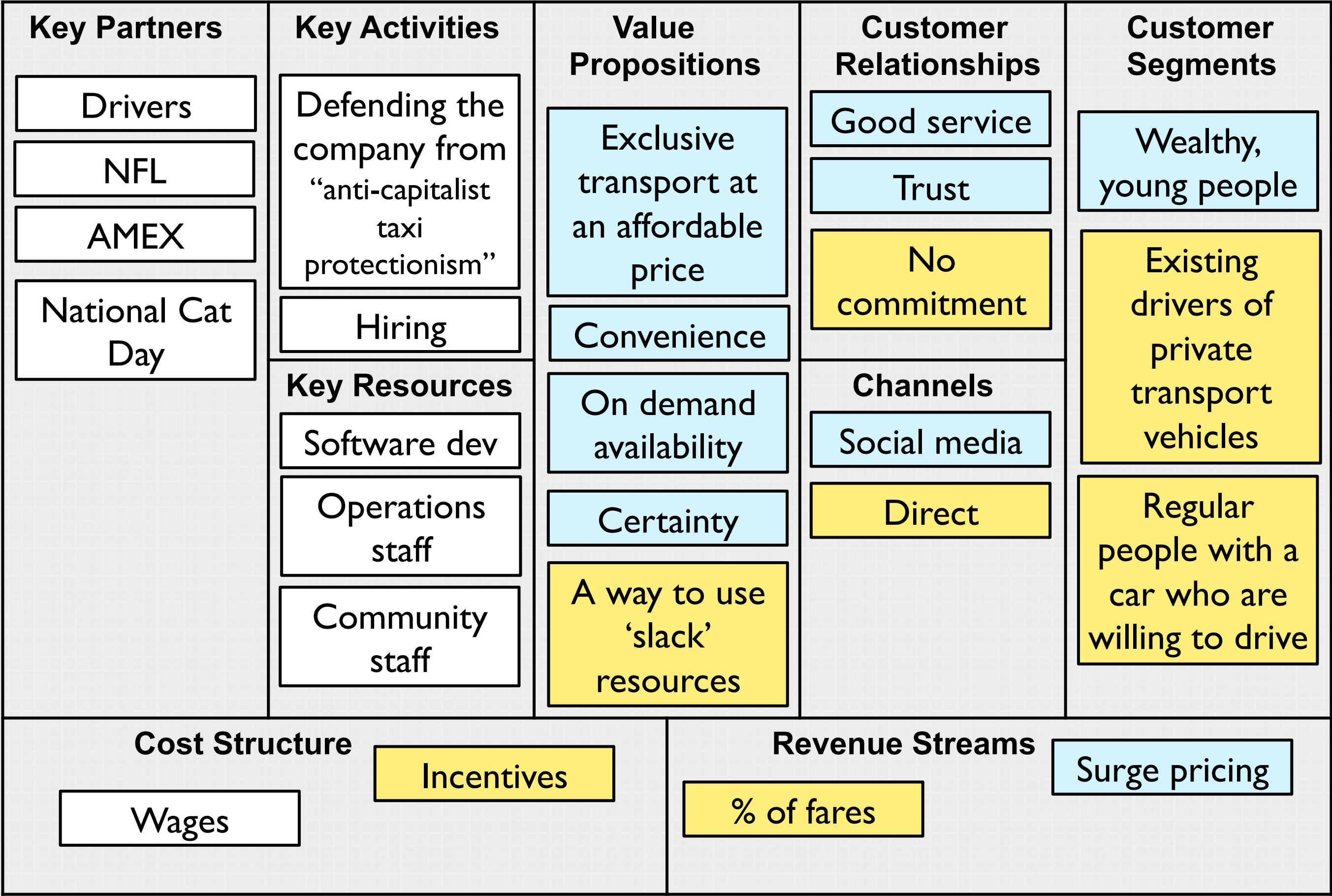
INVESTORS
↳ PARTNERS
(INTERNAL)

INVESTORS
↳ EXTERNAL
- V.C.

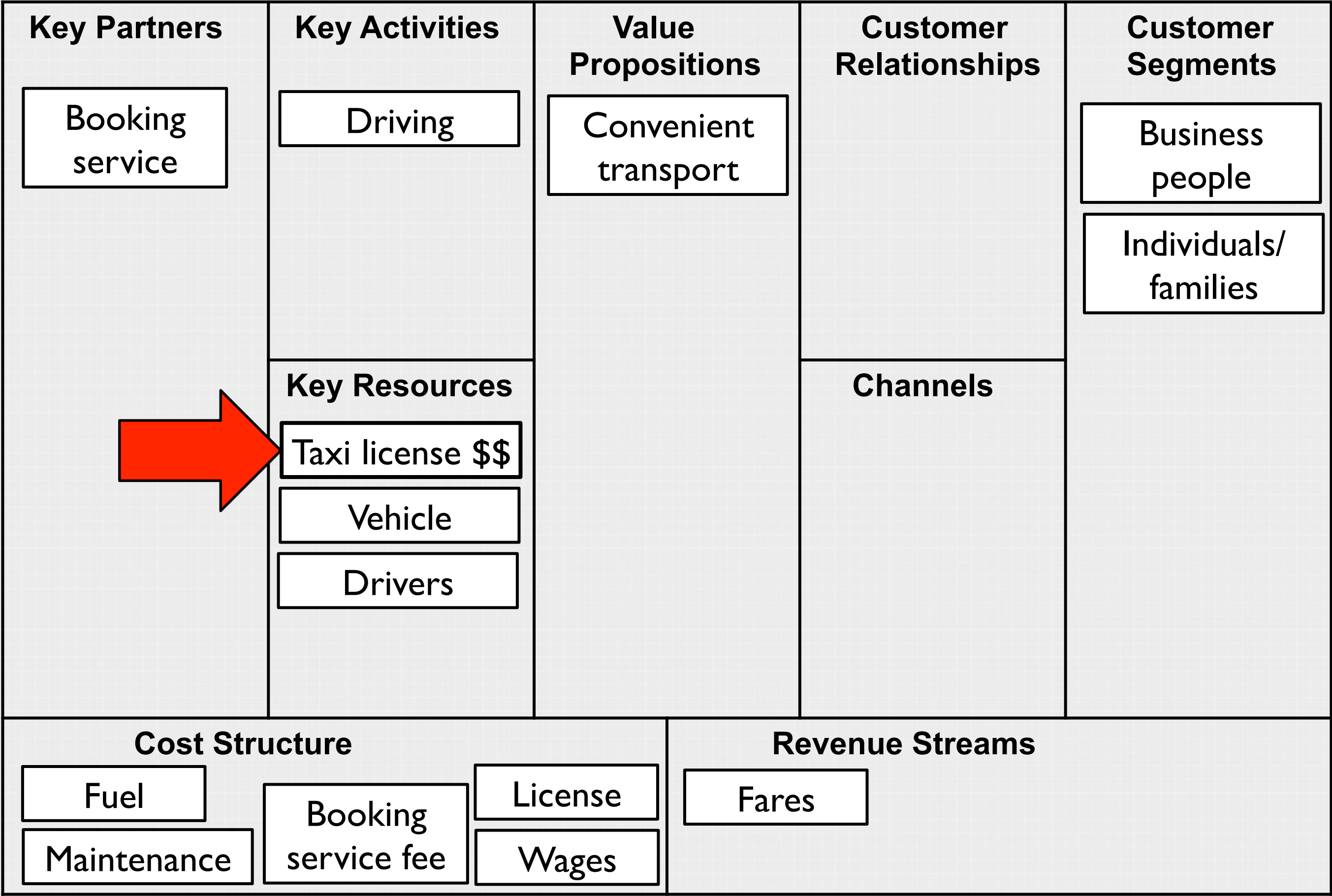
SUBSCRIPTION
FEES

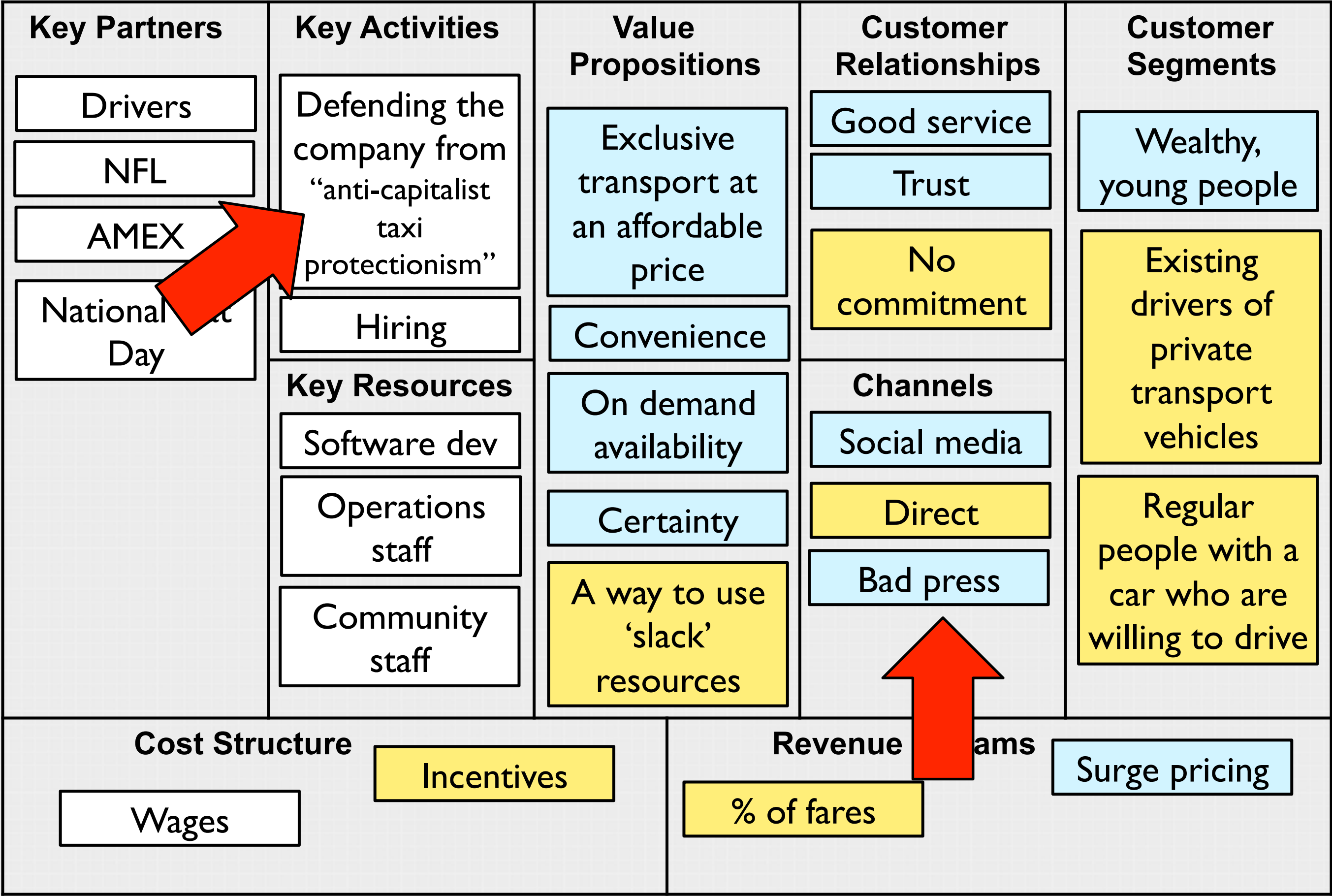
PROFESSIONAL
SERVICES
FEES













Lisa Fleisher ✓

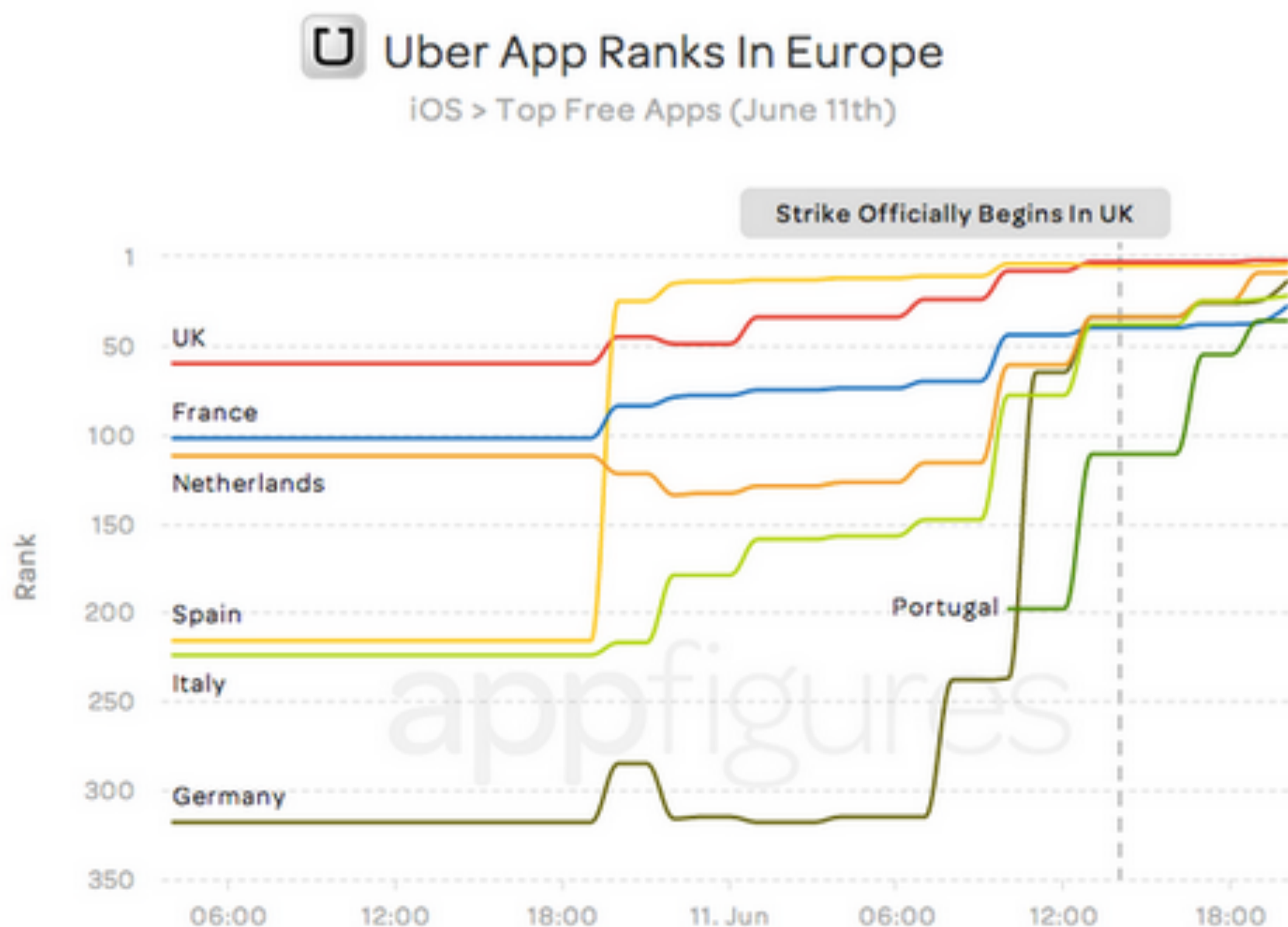
@lisafleisher



Follow

Appfigures.com tracked the increase in Uber app downloads as the strikes neared pic.twitter.com/cagLYf6nHM

↩ Reply ↻ Retweet ★ Favorite ⋮ More



Criticisms and shortcomings of the business model canvas?

Criticisms and shortcomings

- Where do we capture the other stuff that comes up in conversation?
 - Competitors
- Where is the detail?
 - Work within the constraints – they are there for a reason

A canvas for every occasion...

Creative Commons



Share - copy and redistribute the material in any medium or format.

Adapt - remix, transform, and build upon the Material for any purpose, even commercially.

Social Enterprise Canvas

The Social Enterprise Canvas

Designed for

Designed by

Date

Iteration #

| | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Enterprise Structure <i>What is the formal corporate structure? What is the management structure?</i> <div>Enterprise Structure</div> | Key Resources <i>What key activities do our value propositions require? Our distribution channels? Customer/beneficiary relationships? Resource streams?</i> | Opportunity as Hypothesis <i>How will you create social change? What are your intended outputs? What is the vision that this opportunity addresses?</i> | Intended Social Impact <i>What is the intended outcome? What is the social change you are trying to create? What measures will you use?</i> | Customer/Beneficiary Segments <i>For whom are we creating value? Who pays full price, partially subsidized price or fully subsidized price?</i> |
| Key Partners <i>Who are our key partners? What resources or services do they provide?</i> | | <div>Opportunity as Hypothesis</div> | <div>Intended Social Impact</div> | |
| Key Resistances <i>Who are you competitors? Who benefits from the status quo? What potential roadblocks are there?</i> <div>Key Resistances</div> | Key Activities <i>What key activities do our value propositions require? Our distribution channels? Customer/beneficiary relationships? Resource streams?</i> | Value Propositions <i>What value do we deliver to the customer/beneficiary? Which of our customer's/beneficiary's problems are we helping to solve? How are we making people's lives better?</i> | Unintended Consequences <i>How will social systems change? How will the environment be impacted?</i> | Customer/Beneficiary Relationships <i>What type of relationship does each of our customer/beneficiary segments expect us to establish and maintain with them?</i> |
| | | | <div>Unintended Consequences</div> | |
| Cost Structure <i>What are the most important costs inherent in our business model? Which customer/beneficiary segments and partners provide the necessary resources?</i> | | Resource Streams <i>How are resources acquired? For what value are our customers really willing to pay? Do customers pay with capital, information, labor or items?</i> | | |

The Experience Canvas



Experience Canvas

Hypothesis: We think that will have the following effect

Date:

Iteration:

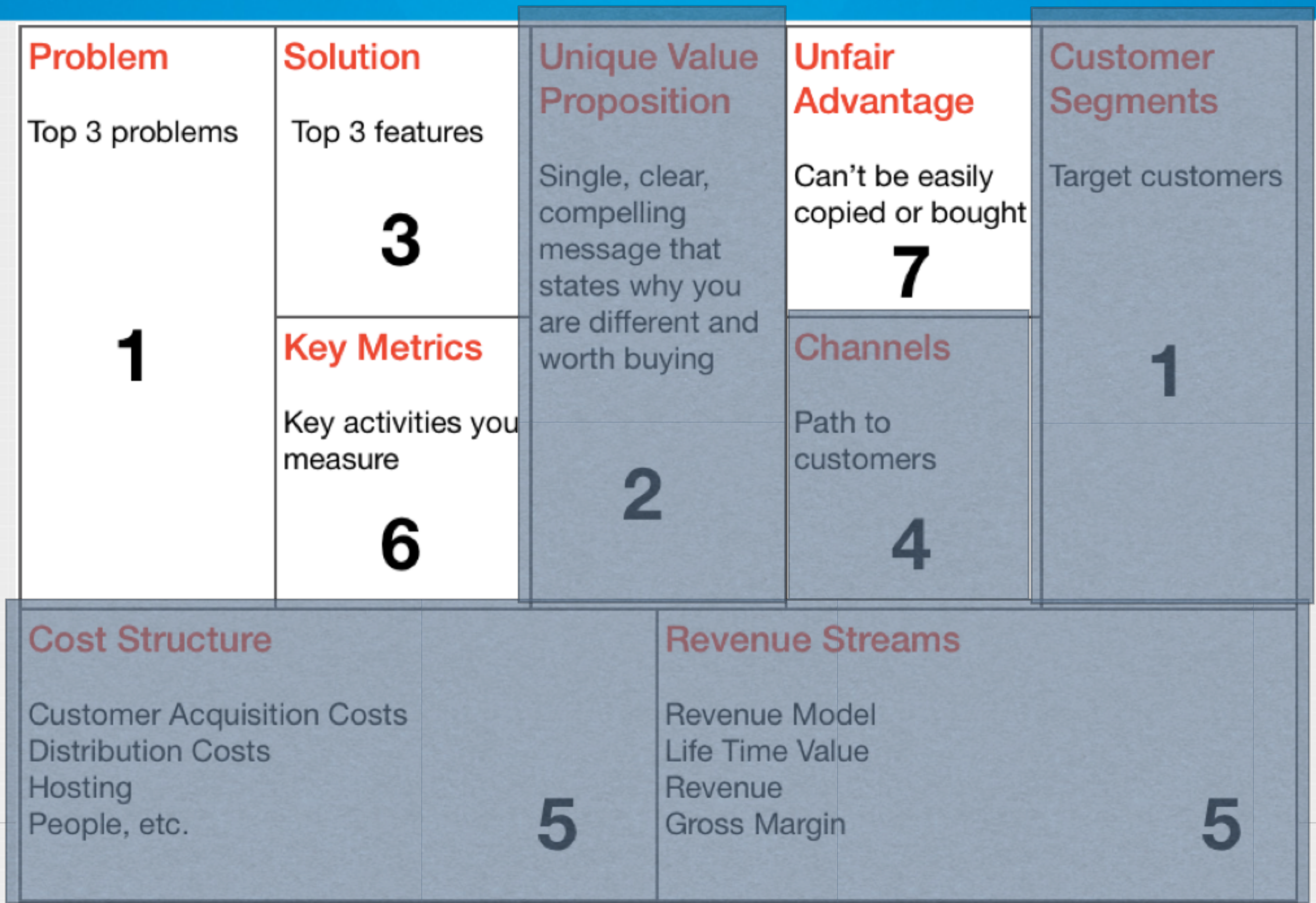
| | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| <p>Problem </p> <p>What triggered the hypothesis?</p> <p>Clearly list challenges, issues, analytics facts and assumptions</p> | <p>Idea </p> <p>Early thoughts/options to solve this?</p> <p>Best practices Patterns Comparative reviews</p> | <p>Value </p> <p>What is the likely user benefit and business benefit?</p> <p>Expected user gains \$ business benefits Technical benefits Competitor analysis Expected analytics change</p> | <p>Stakeholders </p> <p>Who needs to be happy and actually has a say in it, who needs to be informed?</p> <p>Driver: Team below Approver: 1 (max 3) Consulted Informed</p> | <p>Personas </p> <p>Who will use this?</p> <p>Build on the persona sets we already have or create ad-hoc personas</p> |
| | <p>MVE </p> <p>The smallest, easiest, fastest-to-make version of your idea that you can reasonably launch as an experience.</p> | | <p>Team </p> <p>Keep it small and keep it balanced. Shouldn't overlap with Stakeholders above.</p> | |
| <p>End to end demo </p> <p>Tell a story end to end from the very beginning on</p> <p>5 key scenarios end to end as role play, sketches, lo-fi and hi-fi prototypes, real code, the MVE</p> | | | <p>Test results </p> <p>Test early and often with humans and customers</p> <p>Test results and recommendations</p> | |

Decision: Refine keep team / Refine split into multiple teams / Pivot, run another round / Stop

The Lean Canvas

| | | | | |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Problem Top 3 problems 1 | Solution Top 3 features 3 Key Metrics Key activities you measure 6 | Unique Value Proposition Single, clear, compelling message that states why you are different and worth buying 2 | Unfair Advantage Can't be easily copied or bought 7 Channels Path to customers 4 | Customer Segments Target customers 1 |
| Cost Structure Customer Acquisition Costs Distribution Costs Hosting People, etc. 5 | | Revenue Streams Revenue Model Life Time Value Revenue Gross Margin 5 | | |

The Lean Canvas



“My main objective with Lean
Canvas was making it as
actionable as possible while
staying **entrepreneur-focused**”

- Ash Maurya
(Creator of the Lean Canvas)

**Test the ‘hypothesis layer’ using
empirical techniques**

| | | | | |
|----------------|-------------|--------------------------|------------------|-------------------|
| Problem | Solution | Unique Value Proposition | Unfair Advantage | Customer Segments |
| | Key Metrics | | Channels | |
| Cost Structure | | | Revenue Streams | |

| | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Problem Business Models need to be more portable Measuring progress is hard work Communicating learning is critical Existing alternatives: Intuition, business plan, spreadsheets | Solution Lean Canvas Progress Dashboard Sharing Learning | Unique Value Proposition Helps startups raise their odds of success. High level concept: Github Meets Weight-watchers for business models. Startup report card. | Unfair Advantage Personal Authority “Expert” endorsements | Customer Segments Startup Founders (Creators) Advisors/Investors (Collaborators) Early Adopter: Familiarity with Lean Startups, Customer Development, Business Model Canvas |
| Cost Structure Hosting Costs - heroku (currently \$0) People Costs - 40hrs * \$65/hr = \$10K/month Break-even point: 743 customers | | Revenue Streams 30-day Free Trial @ \$14/mo (1 private canvas / 3 collaborators) | | |
| Key Metrics Create Lean Canvas Track Experiment Invite Collaborator | | Channels 1. Blog/Book/Workshops 2. Startup Accelerators / Investors | | |

How are you going to use it?

Adopting the tool

- At the beginning of your next project
 - Get aligned
- As part of your current project or product development
 - A great way to bring new team members up to speed

Get a free A0 poster of the Business Model Canvas from the DiUS coffee cart!

www.businessmodelgeneration.com

www.leanstack.com



Dius

www.dius.com.au

Pete Cohen

pcohen@dius.com.au

[@petecohen](#)