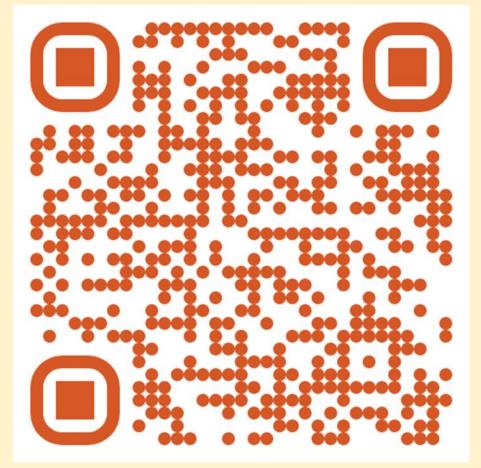
Global Business Environment and International Strategy MOD007191

Lecture 3 The Business Model Canvas

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Recap

Layers of the business environment



Johnson, Whittington and Scholes (2011) Exploring Corporate Strategy

Key Factors of the Market



Measured using

Compounded Annual Growth Rate (CAGR)

characteristics or

needs..

What we will investigate?

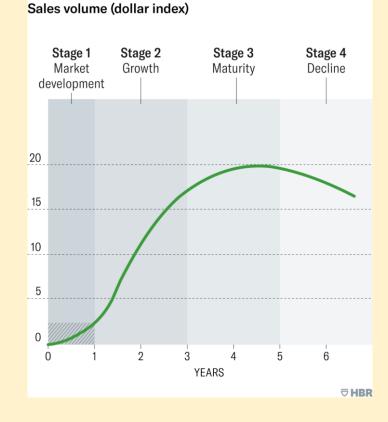
Industry Lifecycle

Competitive Forces

Stages of the Industry Lifecycle

- The industry life cycle is the series of phases that a product will go through in its "lifetime" in relation to the profit and sales that it will collect (Kotler & Armstrong, 2012)
- The life cycle is broken into **four stages**:
 - Development/Introduction
 - Growth
 - Maturity
 - Decline.

Exhibit I Product Life Cycle: Entire Industry



What is a Business Model?

- •A business model describes the rationale of how an organization:
 - creates,
 - delivers,
 - and captures value
- It is a company's plan or framework for making a profit.
- •The business model is like a blueprint for a strategy to be implemented through organizational structures, processes, and systems.

Popular Business Models

Business to Consumer Model

Company sells products or services directly to consumers. This can include various sales channels, such as retail stores, online e-commerce sites, and direct sales

Examples: Amazon, Walmart, and

08

Business to Business Model

07

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Zara

Target other businesses rather than individual consumers. This includes manufacturers, wholesalers, distributors, and service providers. **Examples:** GE, Food Manufacturer

Retail Model

09

Involves selling products to consumers through brickand-mortar stores, online stores, or third-party retailers. Examples: Walmart, Target, Amazon, Zara

Franchise Model

A business licenses its brand and operating model to a third party, who runs individual outlets of the business. **Examples:** McDonald's, Subway, KFC..

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Razor-and-Blades Model

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A base product is sold at a low price or even at a loss, while complementary consumables or services (blades) are sold at a higher price.

Examples: Gillette (razor handles and blades), gaming consoles and video games.

Licensing Model

Companies license their intellectual property or technology to other firms, generating revenue through royalties. **Examples**: Disney (licensing characters), software companies licensing patents.

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Popular Business Models

Freemium Model

Basic services or products are offered for free, but premium features or upgrades are available for a fee.

Examples: LinkedIn, Dropbox, Canva.

02

Subscription Model

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01

Customers pay a recurring fee (monthly, annually) to access a product or service. Examples: Netflix, Spotify, Microsoft 365.

E-commerce Model

eBay.

03

Businesses sell products or services online directly to consumers. **Examples**: Amazon, Shopify,

Marketplace Model

A platform facilitates transactions between buyers and sellers, often taking a commission on sales. Examples: Airbnb, Uber, Etsy.

04

05

Products are sold directly to consumers without middlemen or retail outlets. often through representatives. Examples: Avon, Amway,

06

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Direct Sales

Model

Tupperware.

Advertising Model

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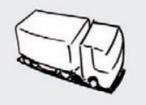
Revenue is generated by offering free content or services, while advertisers pay to reach the platform's audience. **Examples:** Google, Facebook, YouTube.

9 Building Blocks of a Business Model





Value Propositions It seeks to solve customer problems and satisfy customer needs with value propositions.



Channels Value propositions are delivered to customers through communication, distribution, and sales Channels.



Customer Relationships

> Customer relationships are established and maintained with each Customer Segment.



Revenue Streams

Revenue streams result from value propositions successfully offered to customers.



Key Resources Key resources are the assets required to offer and deliver the previously

described elements ...



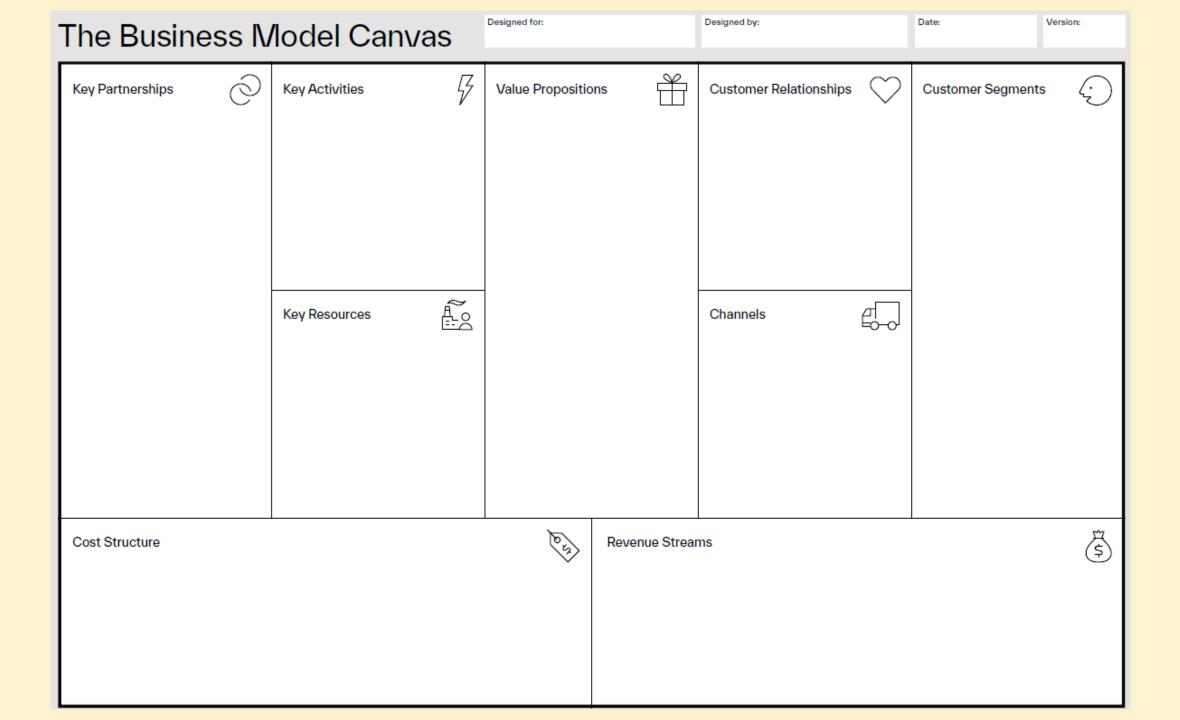
2 Key Activities ... by performing a number of Key Activities.



Key Partnerships Some activities are outsourced and some resources are acquired outside the enterprise.

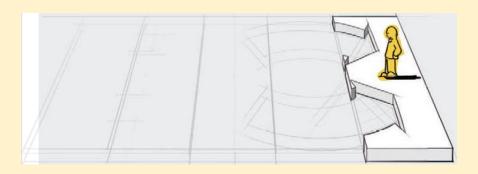


Cost Structure The business model elements result in the cost structure.



1. Customer Segments

 The Customer Segments Building Block defines the different groups of people or organizations an enterprise aims to reach and serve



- Define one or more segments:
 - Mass Market
 - Niche Market
 - Segmented (demographics, geographic, Psychographic, behavioural)
 - Diversified

2. Value Propositions

- The Value Proposition is the reason why customers turn to one company over another. It solves a customer problem or satisfies a customer need.
- Each Value Proposition consists of a selected bundle of products and/or services that caters to the requirements of a specific Customer Segment.
- In this sense, the Value Proposition is an aggregation, or bundle, of benefits that a company offers customers.

Mix of Elements to Create Value

- Values may be quantitative
 - e.g. price, speed of service
- Qualitative
 - e.g. design, customer experience

- Newness
- Performance
- Customization
- Design
- Brand/Status
- Price
- Cost Reduction
- Risk Reduction
- Accessibility
- Convenience/Usability

Value Proposition Statement Formula

Who [Problem Statement]

01

Describe the specific problem or challenge that your target audience faces. This sets the context for why they need your product or service.

02

For [Target Audience]

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Clearly identify your target customer or segment. Be specific about who they are

[Product/Service Name]

03

State the name of your product or service. This helps ground the proposition in a tangible offering.

is a [Category]

Define what type of product or service it is. This could be a software solution, a physical product, a service, etc..

04

because [Differentiators]

Explain what makes your offering unique compared to competitors. This could be a feature, a superior quality, a pricing advantage, or exceptional customer service.

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that [Key Benefits]

05

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List the primary benefits your offering provides. Focus on how it solves the problem mentioned earlier 06

Example of a Value Proposition Statement

• For busy professionals who struggle to find time for exercise, FitBuddy is a fitness app that offers personalized workout plans and nutrition guidance because it utilizes AI to adapt to your schedule and fitness level.

Examples of Value Propositions- Tag line

•Apple iPhone:

- "The ultimate smartphone experience with a seamless ecosystem, cutting-edge design, and top-tier security."
- Focuses on quality, design, and user experience.

• FedEx:

- "When it absolutely, positively has to be there overnight."
- Focuses on reliability and speed.

3. Channels

• The Channels Building Block describes how a company communicates with and reaches its Customer Segments

• To deliver the Value Proposition

• Communication, distribution, and sales Channels comprise a company's interface with customers.

• Channels are customer touch points that play an important role in the customer experience

Right mix of Channels

Direct Channels

- **Company Website**: A primary platform for e-commerce, information sharing, and customer engagement.
- **Physical Stores**: Brick-and-mortar locations where customers can interact with products and staff.
- Sales Representatives: Direct interaction through sales teams that engage with customers face-to-face or over the phone.

Indirect Channels

- **Distributors**: Third-party companies that sell products on behalf of the manufacturer, reaching wider markets.
- **Retailers**: Stores or online platforms that sell products to end customers.
- Wholesalers: Businesses that buy in bulk from manufacturers and sell to retailers or other businesses.
- Affiliates and Partners: Collaborations with other businesses or influencers that promote products to their audiences.

4. Customer Relationship

- •The Customer Relationships Building Block describes the types of relationships a company establishes with specific Customer Segments
- •A company should clarify the type of relationship it wants to establish with each Customer Segment.
- Relationships can range from personal to automated.

Type of relationship our Customer Segments expect us to establish

Transactional	Self-service	Personal assistance	Dedicated personal assistance	
Personalization	Co-creation	Communities	Automated services	

5. Key Resources

- The Key Resources Building Block describes the most important assets required to make a business model work
- These resources allow an enterprise to create and offer a Value Proposition, reach markets, maintain relationships with Customer Segments, and earn revenues.
- Key resources can be physical, financial, intellectual, or human.
- Key resources can be owned or leased by the company or acquired from key partners

What Key Resources are required?

Physical

- This category includes physical assets such as:
- manufacturing facilities, buildings, vehicles, machines, systems, pointof-sales systems

Intellectual

- Intellectual resources such as brands, proprietary knowledge, patents and copyrights, partnerships, and customer databases
- Brand

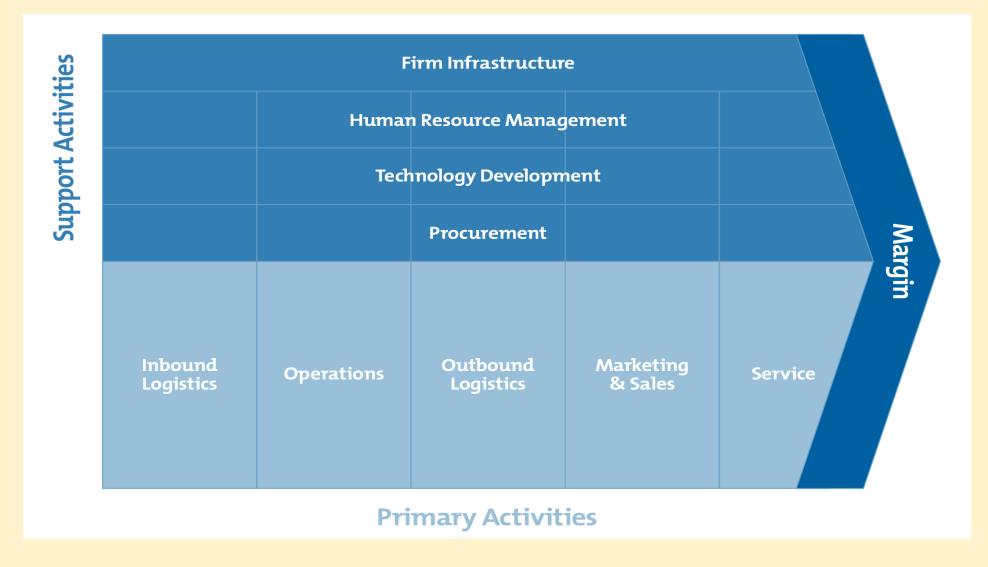
• Financial

- Some business models call for financial resources and/or financial guarantees, such as cash, lines of credit, or a stock option pool for hiring key employees.
- Human
 - Every enterprise requires human resources

6. Key Activities

- •The Key Activities Building Block describes the most important things a company must do to make its business model work
- •They are required to create and offer a Value Proposition, reach markets, maintain Customer Relationships, and earn revenues
- •The essential actions and processes

Using Porter's Value Chain Model to identify Activities



Primary Activities

Inbound logistics

 Receiving raw materials and/or partly finished goods; storing them; and transferring them to the manufacturing section

Operations

• Producing finished goods from raw materials and/or partly finished goods

Outbound logistics

• Storing finished goods and then distributing them to customers

Marketing and sales

• Promoting the firm's products; soliciting orders from prospective customers

After-sales service

 Maintaining the value of the product to the customer after it has been delivered

Support Activities

• Firm infrastructure

• General management; accounting and finance; legal department; health and safety; etc.

Human Resource Management

• Recruiting; training and developing; appraising; career planning; etc.

Technology development

• Research and development, relating to both products and processes

Procurement

• Acquiring the goods and services that the firm needs in order to operate effectively; applicable to both primary and support activities

7. Key Partnerships

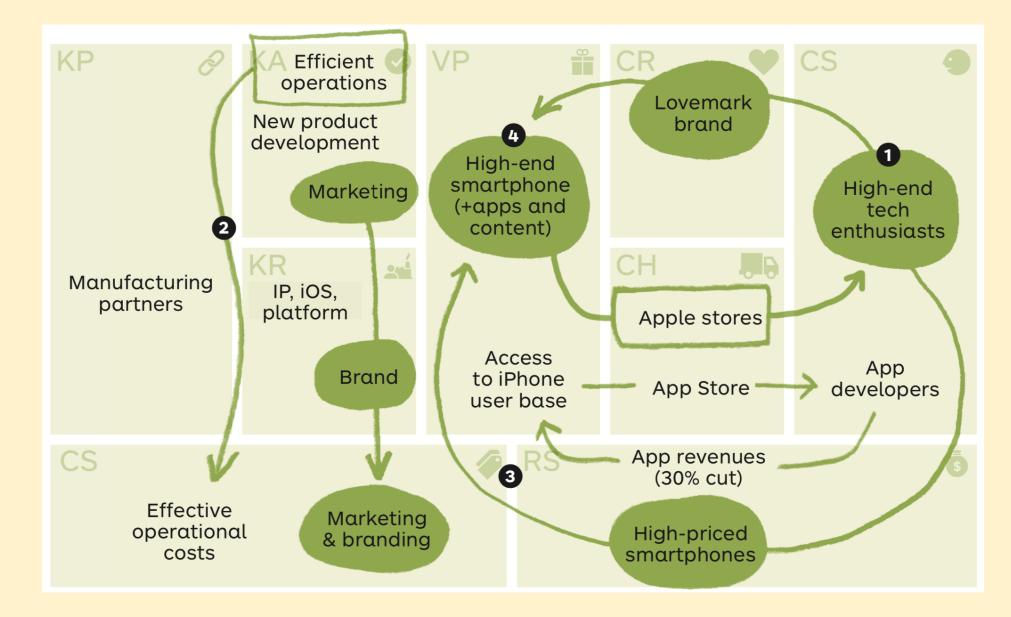
- •The Key Partnerships Building Block describes the network of suppliers and partners that make the business model work
- •Key partners are the external organizations, individuals, or entities that play a crucial role in the success of a business model

Who are our Key Partners?



Example Business Canvas Models

Apple



Airbnb

KEY PARTNERS Who are your key partners/suppliers? What are the motivations for the partnerships? Which key activities do your partners perform? Investors Travelers Hosts Insurance companies Payment providers	o are your key partners/suppliers? at are the motivations for the partnerships? ich key activities do your partners perform?What are the activities you perform every day to create & deliver your value proposition?What are the activities you perform every day to create & deliver your value proposition?What are the activities you perform every day to which to solWhat are the activities you perform every day to create & deliver your value proposition?What what are the activities you perform every day to create & deliver your value proposition?What what propo What propo Provide customer supportWhat your of What what your of What what 	VALUE PROPOSITIONS What is the value you delivery to your customer? Which of your customer's problems are you helping to solve? What is the customer need that your value proposition addresses? What are the products and services you create for your customers? Simple booking process Wide range of private homes to choose from Competitive prices compared to hotels Convenience of living like a local	CUSTOMER RELATIONSHIPS What relationship does each customer segment expect you to establish and maintain? Self-service Customer support	CUSTOMER SEGMENTS For whom are you creating value? What are the customer segments that either pay, receive or decide on your value proposition? Budget travelers Bleisure travelers Locals looking for extra income Unconventional travelers
	KEY RESOURCES What are the resources you need to create & deliver your value proposition? Community of hosts and guests Platform Developers and other staff		CHANNELS How does your value proposition reach your customer? Where can your customer buy or use your products or services? Word of mouth Social media Travel bloggers	

COST STRUCTURE

What are the important costs you make to create & delivery your value proposition?

Platform development and maintenance

Marketing

REVENUE STREAMS

How do customers reward you for the value you provide to them? What are the different revenue models?

Booking fee

Affiliate marketing

	Key Partners	Key Activities	Value Propo	ositions	Customer Relationships	Customer Segments	
mazon	-shipping companies such as UPS, FedEx, and DHL which provide shipping services for Amazon's fulfillment process to ensure timely arrival of products -major retail companies such as Nike, Best Buy, and Calvin Klein who want to increase their sales by selling on Amazon, consequently increasing Amazon's market presence as well	 -quick fulfillment processes -just-in-time delivery and shipping systems allowing for Amazon Prime to deliver orders within 1-2 days -R&D to streamline and improve efficiency of fulfillment centers and other projects (e.g. Amazon Grab & Go stores) to lower costs 	Ecommerce: To provide an or platform that off delivers any item anywhere, at any <u>Amazon Web See</u> To provide cloud infrastructure, at to business clien flexible, scalable form.	fers and quickly n, to any person, y time. <u>rvices:</u> d services, nd data storage its in an agile,	 -best-in-class fulfillment systems allowing customers to receive their orders within 1-2 days -"customer first" service mindset regardless of customer segment -online/phone communication channels and built-in support channels on Amazon hardware 	Business Clients: -operate as retailers on Amazon's websites -require cloud services and infrastructure -advertise on Amazon <u>Retail Clients:</u> -purchase products listed on Amazon	
	wei	Key Resources -shipping services -warehouses and fulfillment centers -servers for AWS and cloud			Channels -global distribution channels through shipping partners and fully streamlined fulfillment centers -enormous online marketing and	-purchase Amazon's subscription services (Prime)	
		services			advertising platforms -fulfillment for other retailers indirectly advertises Amazon -online/phone customer service	M.	
	Cost Structure			Revenue Str	eams		
	-cost-optimization strategy	-cost-optimization strategy			-low margin revenue streams from retail ecommerce sales and fulfillment		
	-well scaled and efficient fulfillment center and process allows for optimized costs			-ecommerce and fulfillment are low-margin due to costs related to warehousing and upkeeping fulfillment centers			

-large investment and fixed costs from expanding Amazon Prime to international markets and building new fulfillment centers - capital investment is a key strategy for Amazon

-comparatively lower costs for managing and upkeeping AWS servers

-variable costs from stocking products that are 'fulfilled' (sold) by Amazon

-high margin revenue streams from AWS, advertising, and subscription services -low upkeep and variable costs allow AWS, advertising, and subscription services to be the primary profit driver for Amazon, despite being a significantly smaller revenue stream



Tesla



BUSINESS MODEL CANVAS (TESLA)

TESLA

 KEY PARTNERS (*) OEM Alliances Goverments Leasing companies Panasonic (battery development) Manufacturing and purchasing Insurance companies Charge point partners 	KEY ACTIVITIES OR • Reseach and development • Design • Electic power technologies • Car manufacturing • Charge point infrastructure KEY RESOURCES # • Electic vehicle technology • Battery production • Employees/skills/ knowledge • Engineering and design • Elon Musk/Brand	 VALUE PROPOS Long-range r flexibility High-perform modern desig Energy efficient of ownership Autonomous capabilities Charge anyweight 	echarging nance and gn ency and cost driving	CUSTOMER RELATIONSHIPS • Cutomer service • Customer intimacy • Direct to customer • Customer relationship management • Personal assistance CHANNELS • Retail stores • Website • Conferences and events • PR/Media	CUSTOMER SEGMENTS @ • High-net worth individuals • Green buyers • Commercial fleet buyers • Sports car enthusiasts • Elon Musk fans • Corporate executives • Mid-tier management
COST STRUCTURE a • Manufacturing infrastructure • General admin/sales • R&D costs		REVENUE STREAMS Lot • Automotive sales • Automotive leasing • Energy generation and storage • Services			

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Netflix

NETFLIX NETFLIX BUSINESS MODEL

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 KEY PARTNERS (*) Investors Media Producers Film Maker Guilds Cinemas, Theaters TV Networks Amazon AWS Consumer Electronic Companies Regulators 	KEY ACTIVITIES 🔗 • Technology R&D • Content licensing • Content production • Content distribution • Data anlaytics • Sales and marketing KEY RESOURCES ** • Brand • Apps/website • Platform • Employees • Film Makers/Producers • Prizes/Awards	 VALUE PROPOSITIONS (**) 24/7 On Demand Entertainment View high-definition shows and movies Stream content Unlimited access Netflix Orginal 30 Day free trial No commercials 		CUSTOMER RELATIONSHIPS © • Self service • On-demand • Ease of use CHANNELS (*) • Any Device • Netflix App • Word of mouth • Online advertising • Offline advertising • Social Media	CUSTOMER SEGMENTS S Micro-segmentation • 2000 preference clusters Usage • usage segmentation Geographical • content/languages	
COST STRUCTURE • Production • Research and Development • Licensing • Infrastructure - AWS	 Marketing Payment Processing Fees General/Admin 	DVD Rental		n Model cement		

Netflix Business Model: www.garyfox.co/netflix-business-model/

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