

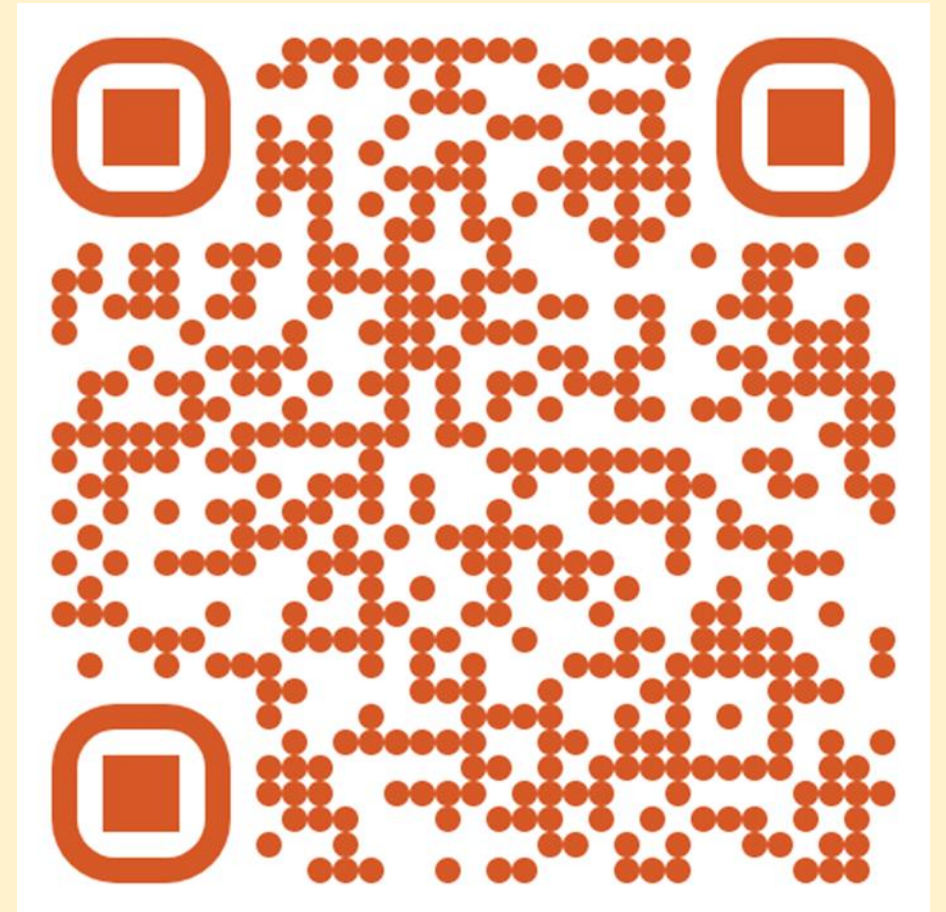
Global Business Environment and International Strategy MOD007191

Lecture 3

The Business Model Canvas

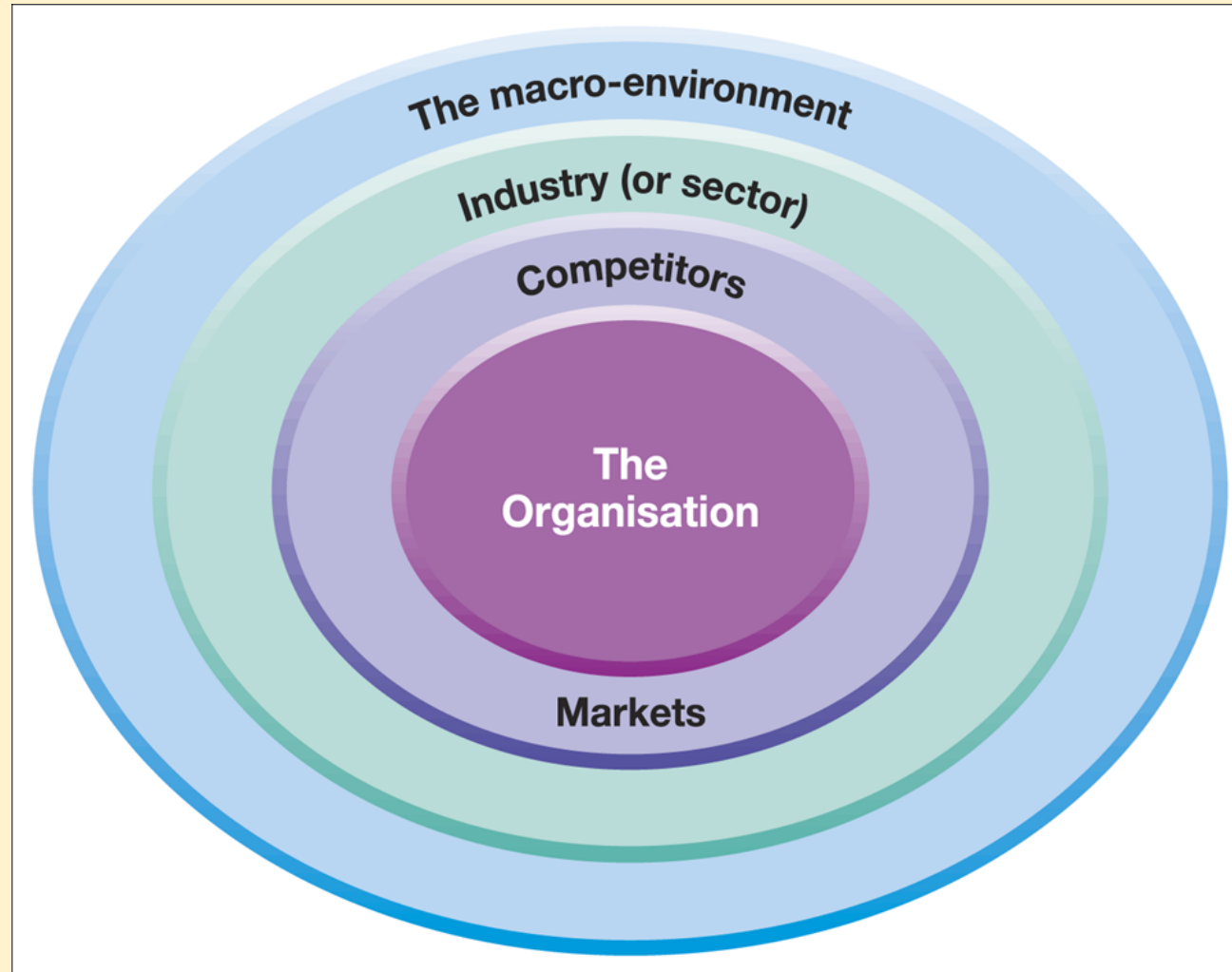
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Recap

Layers of the business environment



Key Factors of the Market

Market Definition

Broadly identifying the boundaries of a market, both in terms of the products or services being offered and the geographical area in which competition takes place



Market Size

Total sales or revenue for a period of time. It quantifies demand by looking and volume and value of sales



Market Segmentation

Divides the broader market into distinct groups of consumers with similar characteristics or needs..



Market Growth Rate

How fast the overall market for a product or service is expanding (or contracting) over time. Measured using Compounded Annual Growth Rate (CAGR)



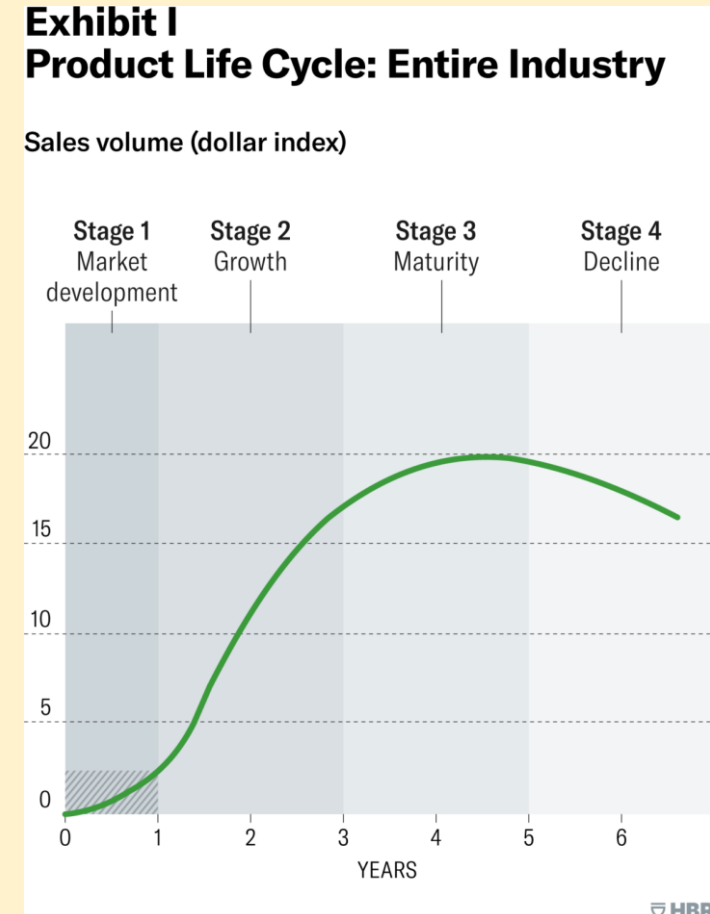
What we will investigate?

Industry
Lifecycle

Competitive
Forces

Stages of the Industry Lifecycle

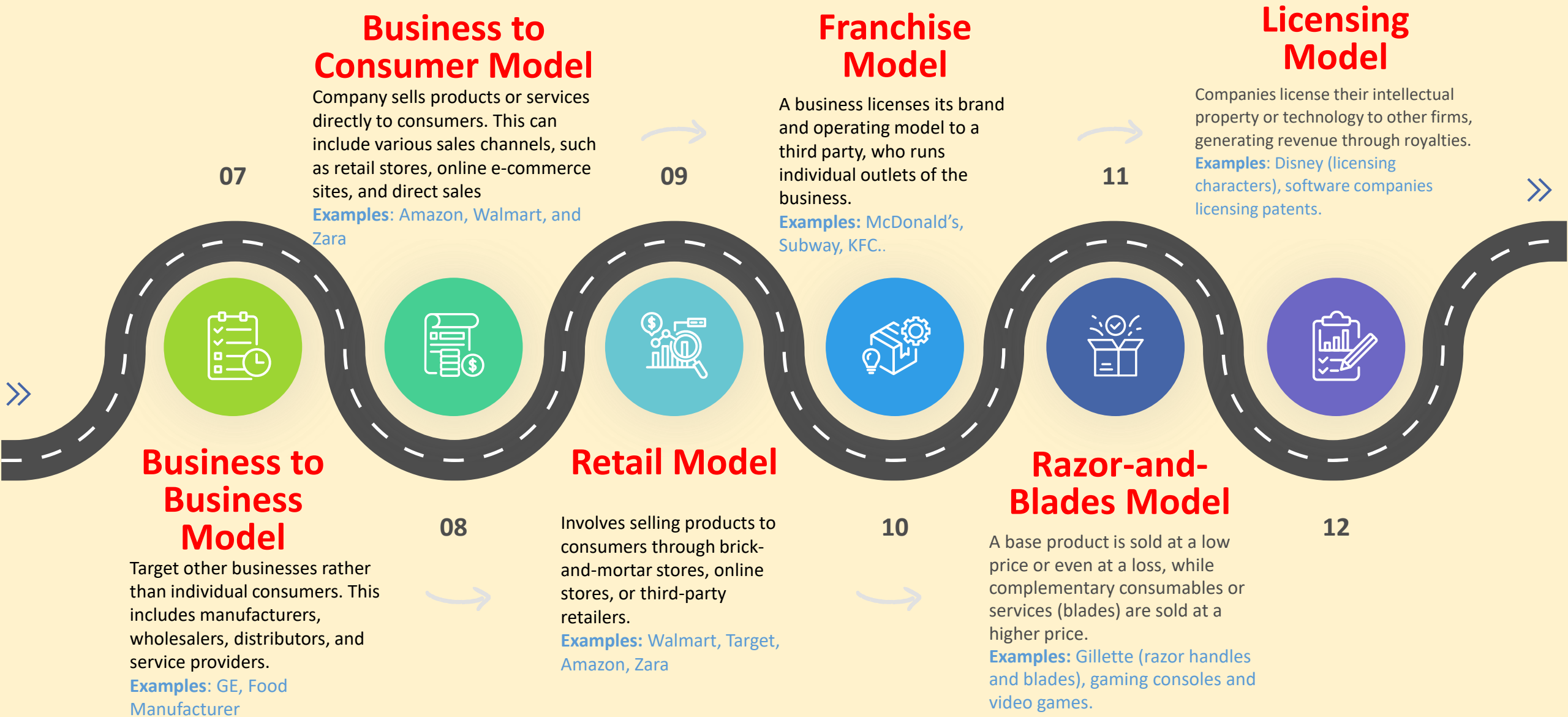
- The industry life cycle is the **series of phases that a product will go through in its “lifetime” in relation to the profit and sales that it will collect** (Kotler & Armstrong, 2012)
- The life cycle is broken into **four stages**:
 - Development/Introduction
 - Growth
 - Maturity
 - Decline.



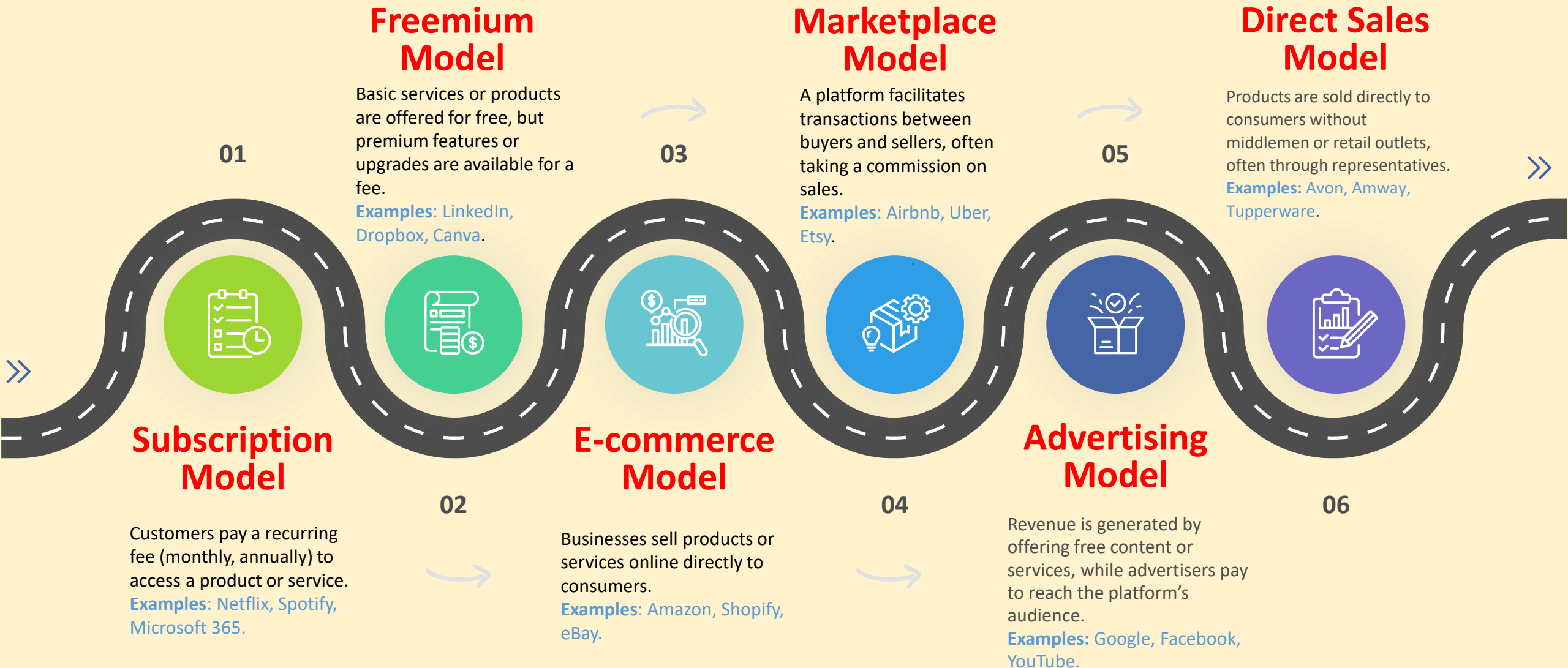
What is a Business Model?

- 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.

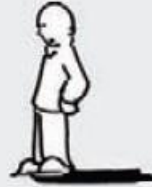
Popular Business Models



Popular Business Models



9 Building Blocks of a Business Model



CS

1 Customer Segments

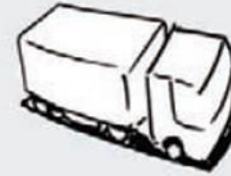
An organization serves one or several Customer Segments.



VP

2 Value Propositions

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



CH

3 Channels

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



CR

4 Customer Relationships

Customer relationships are established and maintained with each Customer Segment.



R\$

5 Revenue Streams

Revenue streams result from value propositions successfully offered to customers.



KR

6 Key Resources

Key resources are the assets required to offer and deliver the previously described elements ...



KA

7 Key Activities

... by performing a number of Key Activities.



KP

8 Key Partnerships

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



C\$

9 Cost Structure

The business model elements result in the cost structure.

The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partnerships



Key Activities



Value Propositions



Customer Relationships



Customer Segments



Key Resources



Channels



Cost Structure

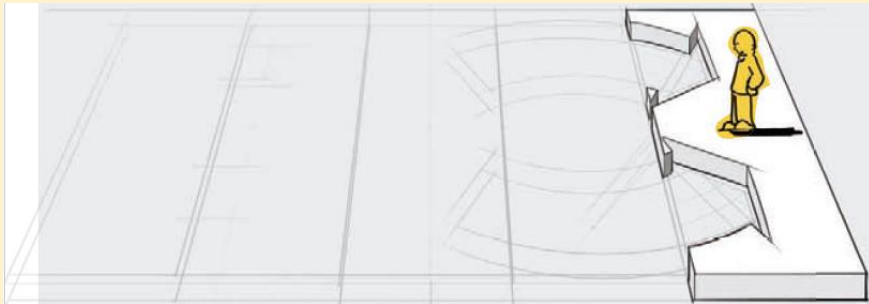


Revenue Streams



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

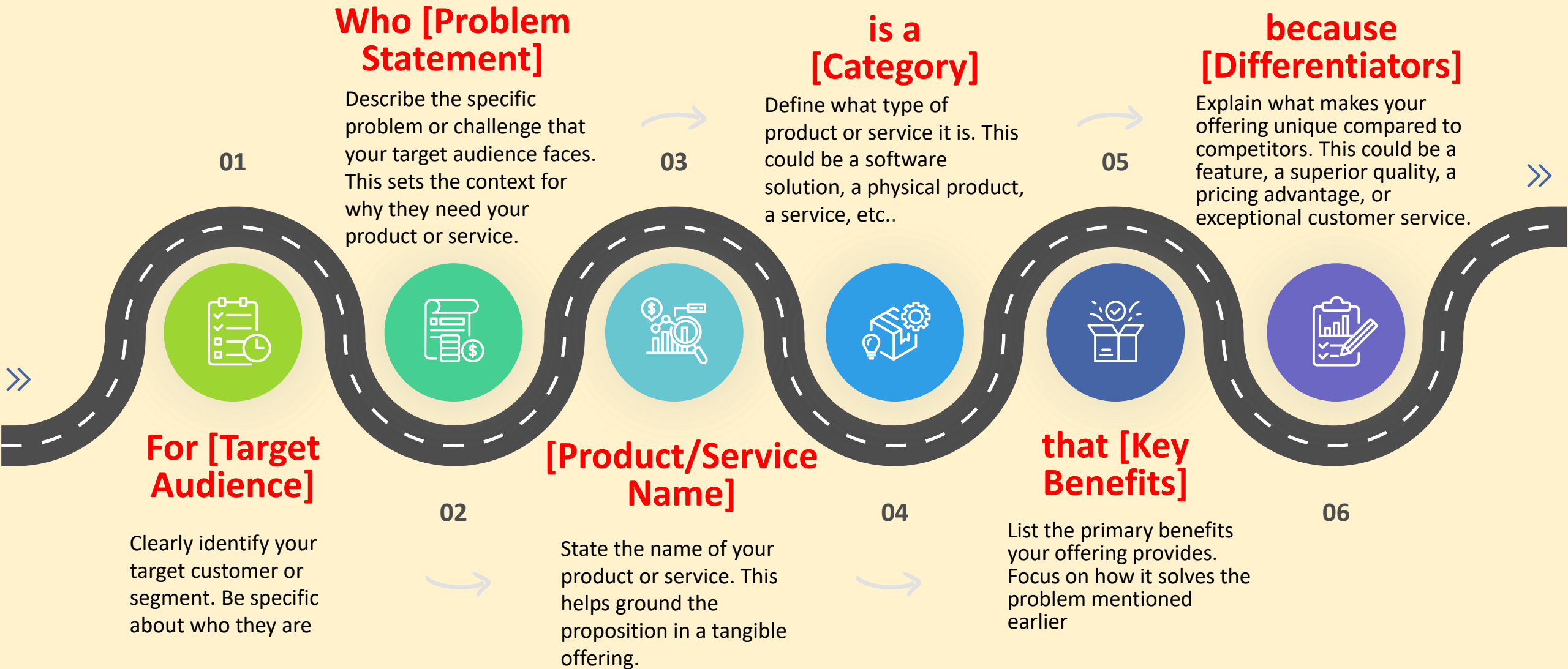
2. Value Propositions

- 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



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



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, point-of-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.

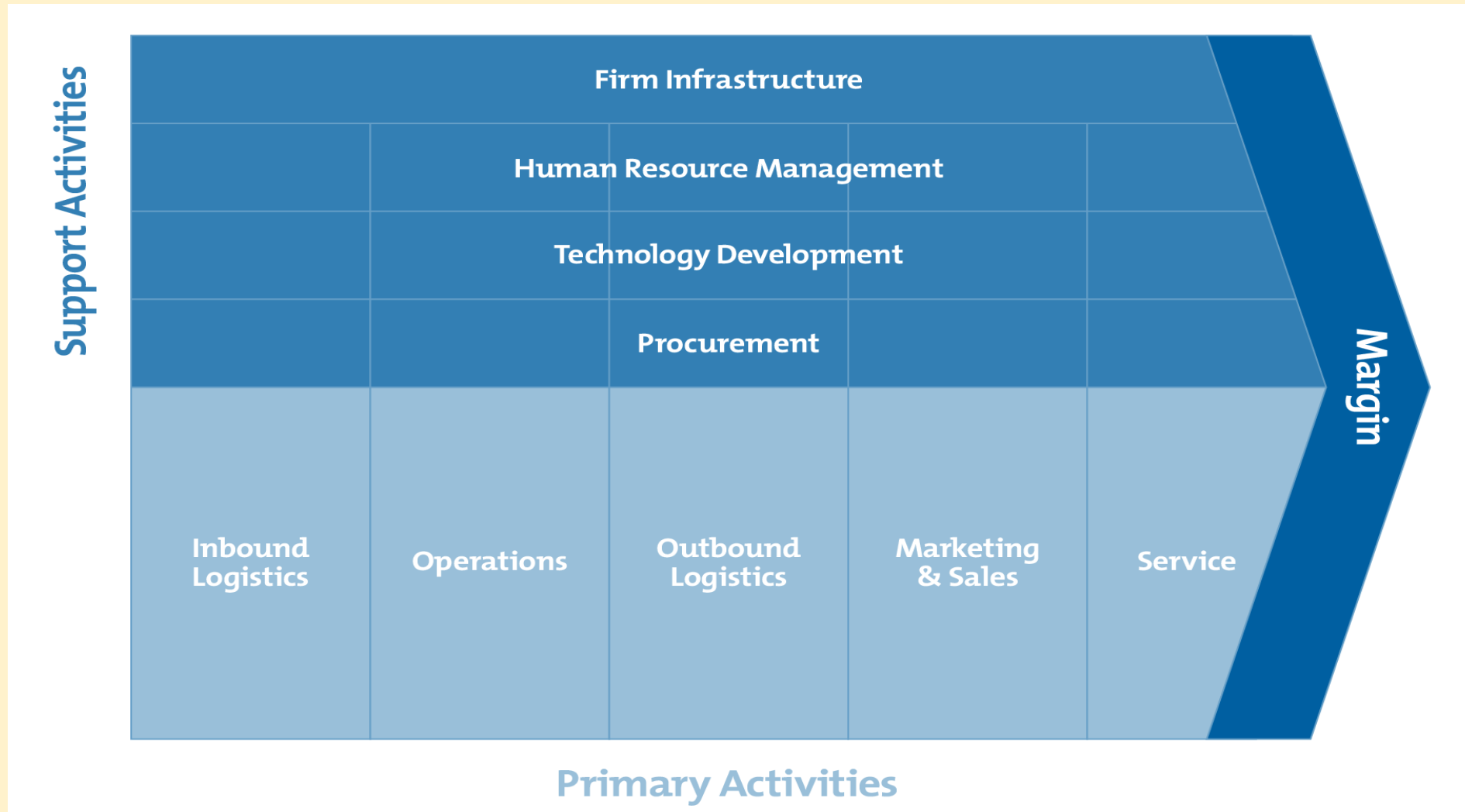
- **Human**

- 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?

Suppliers

Distributors

Alliances/Joint
Ventures

Investors

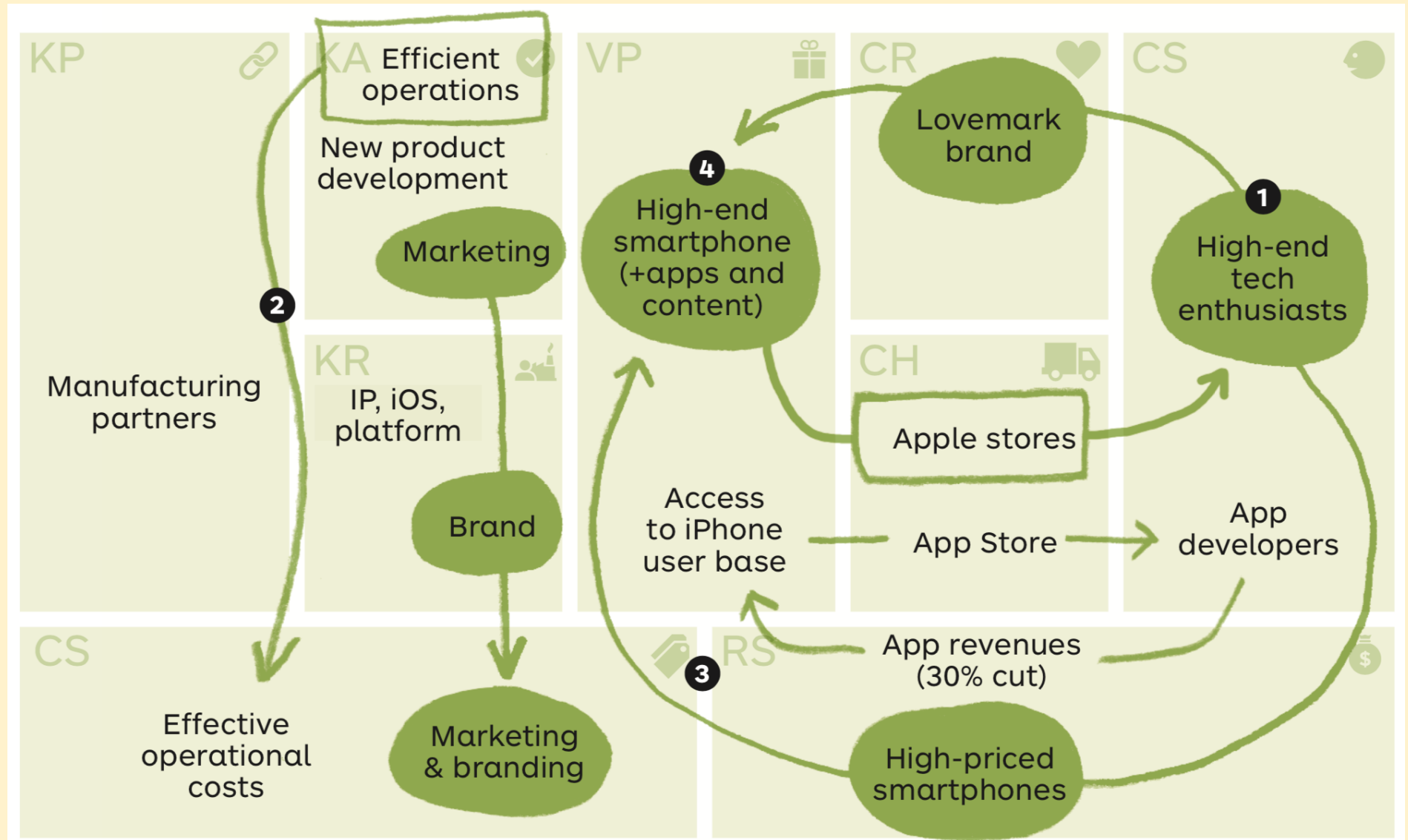
Research
Institutions

Technology
Partner

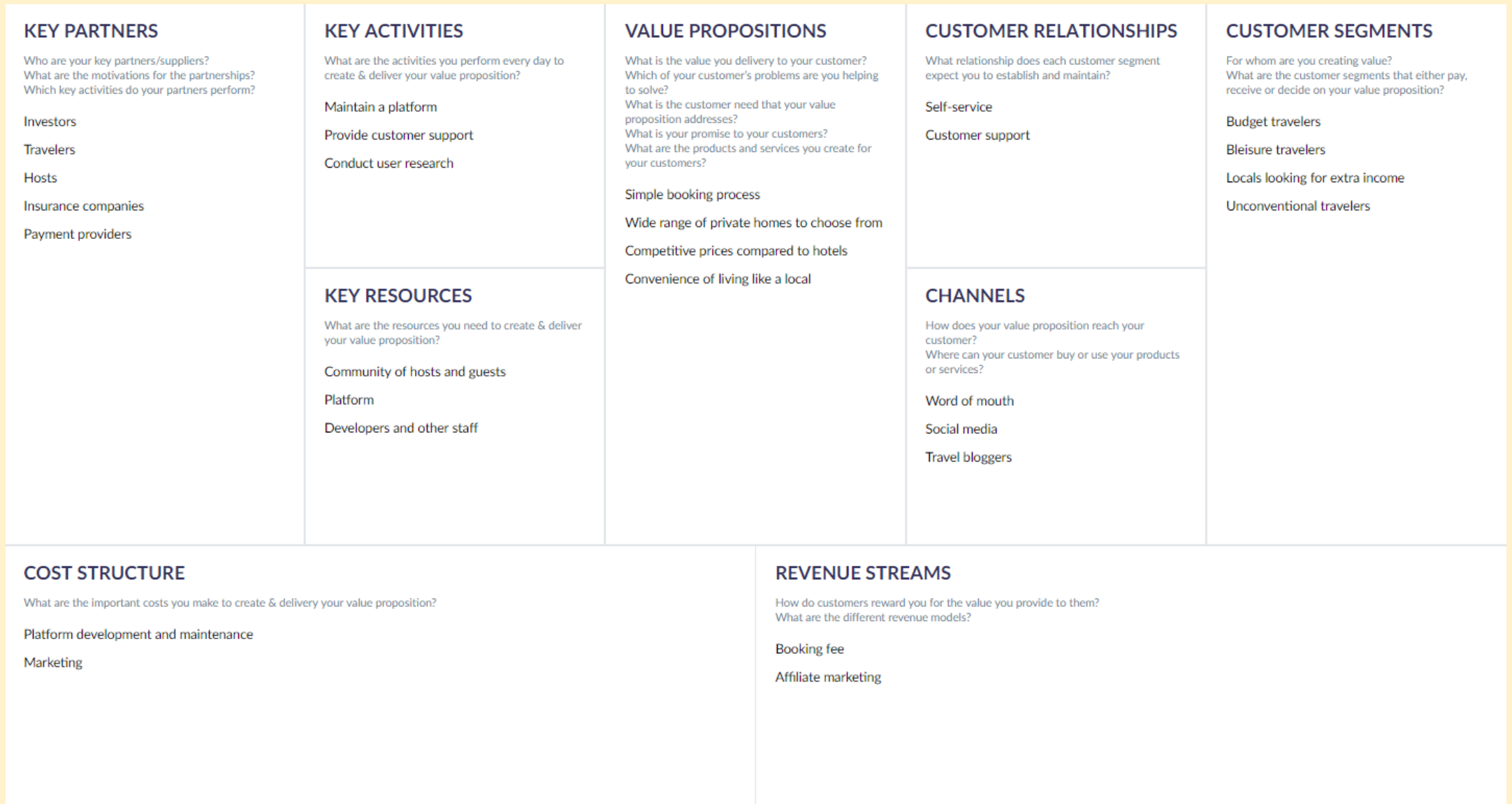
Logistics and
Transport
Provider

Example Business Canvas Models

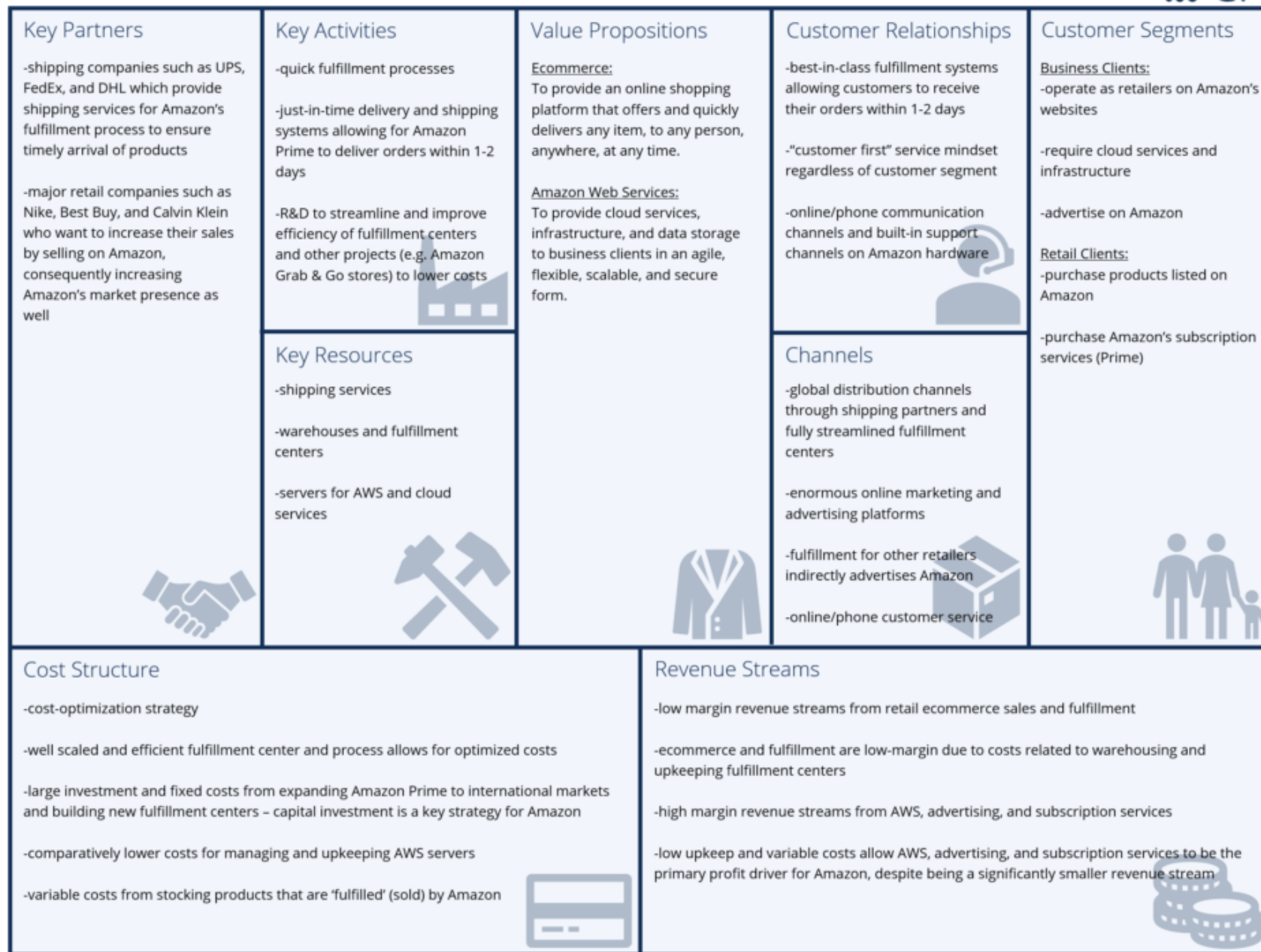
Apple



Airbnb



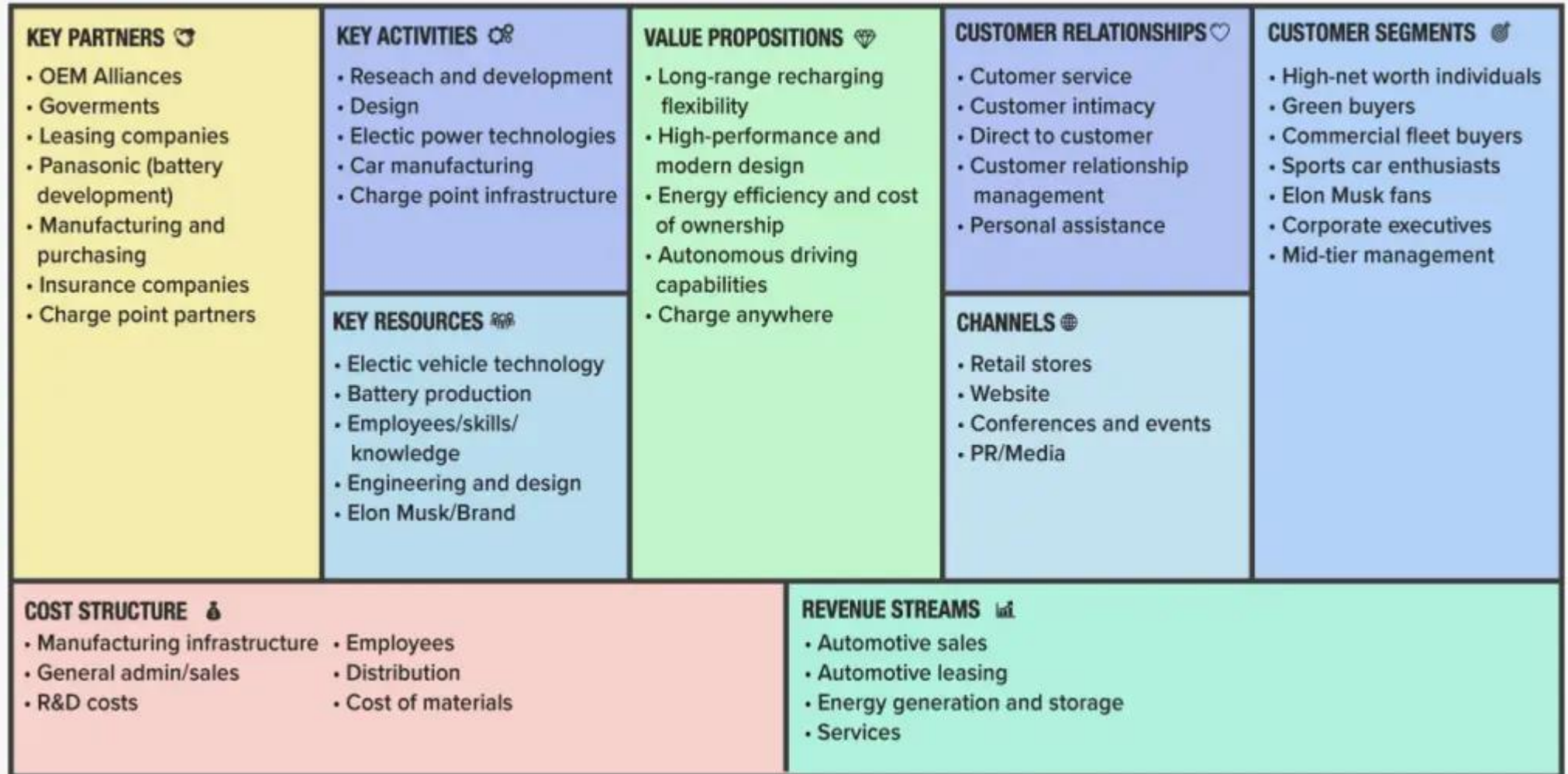
Amazon



Tesla



BUSINESS MODEL CANVAS (TESLA)



NETFLIX BUSINESS MODEL

