

# DEVELOPING YOUR BUSINESS MODEL

### Def\_Business Model

A business model describes  
the rationale of how an  
organization creates, delivers,  
and captures value

## Client: Questions

## The Business Model Canvas

Date: 29.5.2010

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
1. Who are our key partners? 2. Who are our key suppliers? 3. Which key resources are we acquiring from partners? 4. Which key activities do partners perform?	1. What key activities do our value propositions require? 2. Our distribution channels? 3. Customer relationships? 4. Revenue streams?	1. What value do we deliver to the customer? 2. Which one of our customer problems are we helping to solve? 3. Which customer needs are we satisfying? 4. What bundles of products and services are we offering to each customer segment?	1. What type of relationship does each of our customer segments expect us to establish and maintain with them?   <b>Channels</b> 1. Through which channels do our segments want to be reached? 2. How are we reaching them now? 3. Which ones work best? 4. Which ones are most cost-efficient?	1. For whom are we creating value? 2. Who are our most important Customers? 3. Do we know our customer needs? 4. Could we regroup our customer needs better?  <b>IDEAS MOVING FORWARD</b>
<b>IDEAS MOVING FORWARD</b>	<b>Key Resources</b> 1. What key resources do our value propositions require? 2. Our distribution channels? 3. Customer relationships? 4. Revenue streams?	<b>IDEAS MOVING FORWARD</b>	<b>Revenue Streams</b> 1. For what value are our customers really willing to pay? 2. For what do they currently pay? 3. How are they currently paying? 5. How would they prefer to pay? 6. How much does each stream contribute to revenues?	<b>IDEAS MOVING FORWARD</b>
<b>Cost Structure</b> 1. What are the most important costs inherent in our business model? 2. Which key resources are most expensive? 3. Which key activities are the most expensive?				
<b>ISSUES/QUESTIONS/MATTERS FOR CONSIDERATION</b> 1. What is the weak link? 2. What is the constraining resource?				

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IDEAS MOVING FORWARD		IDEAS MOVING FORWARD		IDEAS MOVING FORWARD
	Key Resources		Channels	
Cost Structure		Revenue Streams		
<b>ISSUES/QUESTIONS/MATTERS FOR CONSIDERATION</b>				
1. What is the weak link?				
2. What is the constraining resource?				



## Business Model Assessment

In the previous section we learned how to describe a business model by going through each of its building blocks. Once we have a clear description of our business model we can start assessing it. We achieve this by asking a number of key questions that crystallizes a business model's strengths, weaknesses and highlights opportunities and threats. This analysis will give us the basis to reflect on an improved business model, maybe even including some major innovations.

The following questions give us a good start to assess our business model. Feel free to add more, which are specific to your unique context:

Key questions to assess our business model	
Customer Segments	<ul style="list-style-type: none"><li>• Do we know our customers and their needs good enough?</li><li>• Are some customer groups likely to defect soon?</li><li>• Do we regroup different customer segments well enough</li></ul>
Value Proposition	<ul style="list-style-type: none"><li>• Does our value proposition still cater well enough to our clients' needs?</li><li>• Do we know how our customers perceive our value proposition?</li><li>• Are our competitors offering similar value propositions at similar or better prices?</li><li>• How well are our customers served by other competitors?</li></ul>
Revenue Streams	<ul style="list-style-type: none"><li>• How sustainable are our current revenue streams?</li><li>• How diversified are our revenue streams?</li><li>• Are we dependant on too few revenue sources (e.g. from some big clients or one single business)?</li><li>• How well do we price our value proposition?</li></ul>
Communication and Distribution Channels	<ul style="list-style-type: none"><li>• Do we have a well thought-through communication and distribution channel design?</li><li>• How well do we reach our clients?</li><li>• Do we know how successful our channels are in terms of customer acquisition?</li><li>• How well are our different channels integrated?</li><li>• Do we know how cost efficient are our channels are?</li><li>• Do we use the right channels for the right clients (e.g. in terms of profitability)?</li></ul>
Customer Relationships	<ul style="list-style-type: none"><li>• Do we have a customer relationship strategy?</li><li>• How good are our relationships with our best customers?</li><li>• Do we spend too much time and money in relationships with unprofitable clients?</li><li>• How well are we doing in managing our customer relationships (e.g. follow-up, etc.)</li></ul>
Key Resources	<ul style="list-style-type: none"><li>• Do we dispose of the right key resources in terms of quality and quantity?</li><li>• Do we dispose off too many resources internally, leading to a lack of focus?</li></ul>
Key Activities	<ul style="list-style-type: none"><li>• How efficient are we in performing our activities?</li><li>• Do we perform too many activities ourselves, leading to a lack of focus?</li></ul>
Partner Network	<ul style="list-style-type: none"><li>• Do we use partners enough?</li><li>• How well do we work with our existing partners and suppliers?</li><li>• How dependent are we on our existing partners and suppliers?</li></ul>
Cost Structure	<ul style="list-style-type: none"><li>• Is our cost structure appropriate (e.g. low cost business model = low cost structure)?</li><li>• Do we clearly understand which parts of our business model have the highest costs?</li><li>• How lean is our cost structure?</li></ul>

## Business Model Innovation and Improvement

After having assessed and described one's business model the challenge remains its renewal. The good news is that we have already made the most important steps towards business model improvement and innovation once we have drawn a clear picture of our current business model. We can now build on the conclusions of our business model assessment, including strengths, weaknesses, opportunities and threats.

Based on the above conclusions we should ask ourselves if and how we want to change each business model building block to arrive at a better business model. At this stage it is very valuable to let your imagination flow freely before narrowing down ideas to feasible projects.

To achieve business model improvement and innovation the business model team should ask itself the following questions:

Key questions to improve and innovate our business model	
Customer Segments	<ul style="list-style-type: none"><li>• Are there new customer segments we could serve?</li><li>• Could we regroup/segment customers better according to their needs?</li></ul>
Value Proposition	<ul style="list-style-type: none"><li>• Could we offer our different customer segments more tailored needs?</li><li>• Do our customers have other needs we could satisfy relatively easily by ourselves or with partners?</li><li>• Could we complement our value proposition through agreements with partners (e.g. joint value propositions)?</li></ul>
Revenue Streams	<ul style="list-style-type: none"><li>• Could we introduce new revenue streams (e.g. lending/renting instead of selling)?</li><li>• Could we do more cross-selling (e.g. offer our customers other products of our company or of partner companies)?</li></ul>
Communication and Distribution Channels	<ul style="list-style-type: none"><li>• Could we increase our customer base by better using our channels?</li><li>• How can we better use expensive channels for highly profitable clients and cost efficient channels for unprofitable clients?</li><li>• Can we better integrate our channels (e.g. better link websites with physical outlets)?</li><li>• Could we introduce new communication and distribution channels to reach our customers (e.g. partner distribution agreements)?</li></ul>
Customer Relationships	<ul style="list-style-type: none"><li>• What level of personalization do each of our customer relationships require (e.g. dedicated relationship manager or automated self-service)?</li><li>• How can we spend less time and resources on unprofitable clients?</li><li>• Should we introduce frequent buyer programs?</li></ul>
Key Resources	<ul style="list-style-type: none"><li>• Are there some key resources we could get rid of or substitute?</li><li>• Are there some key resources that could be better supplied by partners and cheaper?</li></ul>
Key Activities	<ul style="list-style-type: none"><li>• Are there activities we would better outsource to partners?</li><li>• Are our activities adapted perfectly to our value proposition?</li><li>• How could we streamline activities?</li></ul>
Partner Network	<ul style="list-style-type: none"><li>• Which partners could help us complement our value proposition?</li><li>• Which suppliers could help us streamline our business model?</li></ul>
Cost Structure	<ul style="list-style-type: none"><li>• Are there ways we could reduce our cost structure (e.g. partnering, outsourcing, new suppliers, etc.)</li></ul>

## **BUSINESS MODEL RESOURCES ON WEB**

1. [www.businessmodelgeneration.com](http://www.businessmodelgeneration.com) This has the explanatory notes for driving the 'business model canvas'
  2. <http://bmdesigner.com/> This is a site for designing business model and seeing what models others have designed.
  3. <http://businessmodelsinc.wordpress.com/2009/10/03/business-model-presentation-in-7-minutes/> A short video with Alex Osterwalder describing the business model canvas.
  4. <http://www.alexosterwalder.com/> More info about business models
  5. [www.businessmodelalchemist.com](http://www.businessmodelalchemist.com) more stuff about business models including social enterprises
  6. Follow on Twitter @business\_design
  7. [www.shoesofprey.com](http://www.shoesofprey.com)
  8. [www.pantybypost.com](http://www.pantybypost.com)
  9. [www.tasmanretail.com.au](http://www.tasmanretail.com.au)
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