



European Institute of
Innovation & Technology

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Business Modeling



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Introduction

Business Modelling

The course of business modeling refers to the process of creating a simplified representation or blueprint of a business to understand and analyze its various aspects. It involves capturing key elements such as the business's structure, activities, processes, relationships, and resources in a visual or conceptual format.

The purpose of the course is to gain a better understanding of how a business operates and how different components interact with each other. It helps in identifying strengths, weaknesses, opportunities and threats, enabling decision-makers to make informed choices and develop effective strategies.

Learning outcomes

- Understanding of business modeling: develop a clear understanding of the purpose, benefits and applications of business modeling in decision-making and strategic planning
- Learn effective methods for data collection and analysis to derive meaningful insights
- Gain the skills to forecast future trends, analyze market dynamics and perform scenario planning to assess the potential impact of different variables on business outcomes

Learning outcomes

- Gain the ability to analyze and document business processes using modeling tools and methodologies
- Enhance communication skills to effectively present business model, analysis results and recommendations to stakeholders through reports and presentations
- Apply the learned concepts, tools and techniques to real-world business scenarios through practical exercises, case studies and projects

Introduction to Business Models

Introduction to Business Models

A business model is a **sustainable** way of doing business.

Moreover:

- A business model is the platform which enables the strategic choices to become profitable
- A business model is the platform which connects resources, processes and the supply of a service

Introduction to Business Models

Definition

A business model is a strategic framework and conceptual representation that outlines how a company operates, creates value, delivers products or services, and generates revenue. It encompasses the key components and interactions within an organization, as well as its relationships with customers, partners, and other stakeholders.

A well-defined business model serves as a blueprint for the overall business strategy, guiding decision-making processes, resource allocation, and long-term planning. It also plays a crucial role in communicating the essence of a business to investors, partners, and other external stakeholders

Introduction to Business Models

Importance of business models in decision-making and strategy development

Business models play a vital role in decision-making and strategy development for businesses. They provide a structured and comprehensive understanding of how a company creates, delivers, and captures value, which, in turn, offers several **important benefits**

Benefits of Business Models

Guidance in Resource Allocation: A well-defined business model helps businesses understand their revenue sources, cost structures, and key activities. This clarity aids in allocating resources efficiently and effectively to areas that contribute the most to the company's success.

Identifying Competitive Advantages: Analyzing the business model allows companies to identify their unique value proposition and competitive advantages. This knowledge helps in differentiating themselves from competitors and focusing on their strengths.

Benefits of Business Models

Spotting Opportunities and Threats:

Understanding the business model can help companies identify potential opportunities in the market and anticipate potential threats. It allows them to adapt their strategies to changing market conditions and stay ahead of the competition.

Informed Decision-Making:

Business models provide a framework for evaluating various strategic options and making informed decisions. Decision-makers can assess how different choices align with the company's overall objectives and whether they fit into the existing model.

Benefits of Business Models

Creating Alignment: A well-communicated business model ensures that all stakeholders, including employees, investors, and partners, have a shared understanding of the company's vision, mission, and strategic direction. This alignment fosters a unified approach to decision-making and execution.

Risk Management: A clear business model helps identify and assess potential risks, allowing companies to develop risk management strategies and contingency plans to mitigate adverse impacts.

Benefits of Business Models

Business Model Innovation:

Regularly reviewing and updating the business model encourages continuous innovation and adaptation to market changes. It enables companies to stay relevant and responsive to evolving customer needs and preferences.

Optimizing Customer Value:

Understanding the value chain and customer segments helps companies optimize their offerings to provide the most value to their target customers. This customer-centric approach enhances customer satisfaction and loyalty.

Benefits of Business Models

Attracting Investment and Partnerships: A well-structured business model enhances a company's attractiveness to investors and potential partners. It instills confidence in stakeholders about the viability and profitability of the business.

Measuring Performance: Business models provide key performance indicators (KPIs) that help measure the success of the company's strategies and initiatives. This data-driven approach facilitates continuous improvement and accountability.

Business Model Canvas









The Business Model Canvas

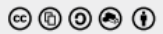
Designed for:

Designed by:

Date:

Version:

Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 			Revenue Streams 	

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DESIGNED BY: Strategyzer AG
The makers of Business Model Generation and Strategyzer

 **Strategyzer**
strategyzer.com

Key components of Business Model Canvas

- Customer Segments
- Value Proposition
- Channels
- Customer Relationships
- Revenue Streams
- Key Resources
- Key Activities
- Key Partners
- Cost Structure

CUSTOMER SEGMENTS



- Who do you create value for?
- Who are your most important customers?
- Where does your revenue come from?
- Type of market segments (Mass market, Small (specialized) market, Differentiated etc.)

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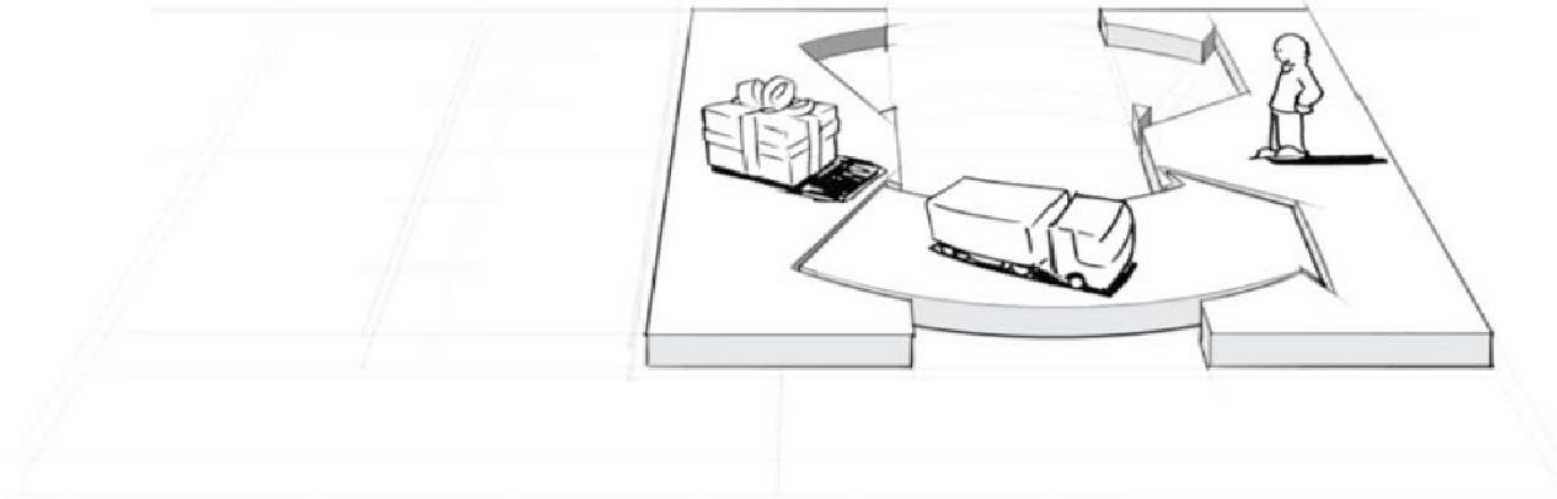
VALUE PROPOSITIONS



- The package of products and services that value for a particular market segment.
- What value do you provide to your customers?
- What problems do you help them confront?
- What are the needs of your customers?

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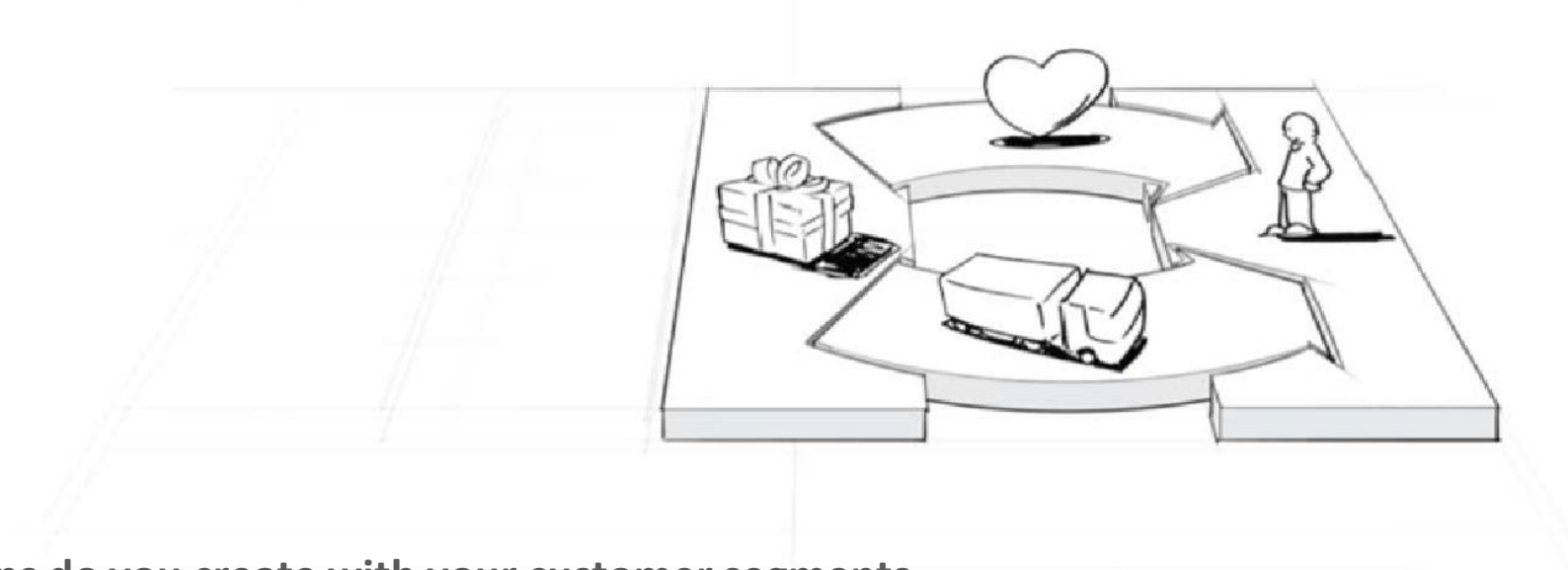
CHANNELS



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- Your product or service is delivered to your customers through distribution channels.
- Through which channels do they want to reach them?
- Which channels are more cost effective?(ex. Wholesaler/Distributor, Direct/Internet, Value-Added Reseller (VAR), Retail, Sales Agent/Manufacturer's Rep.).

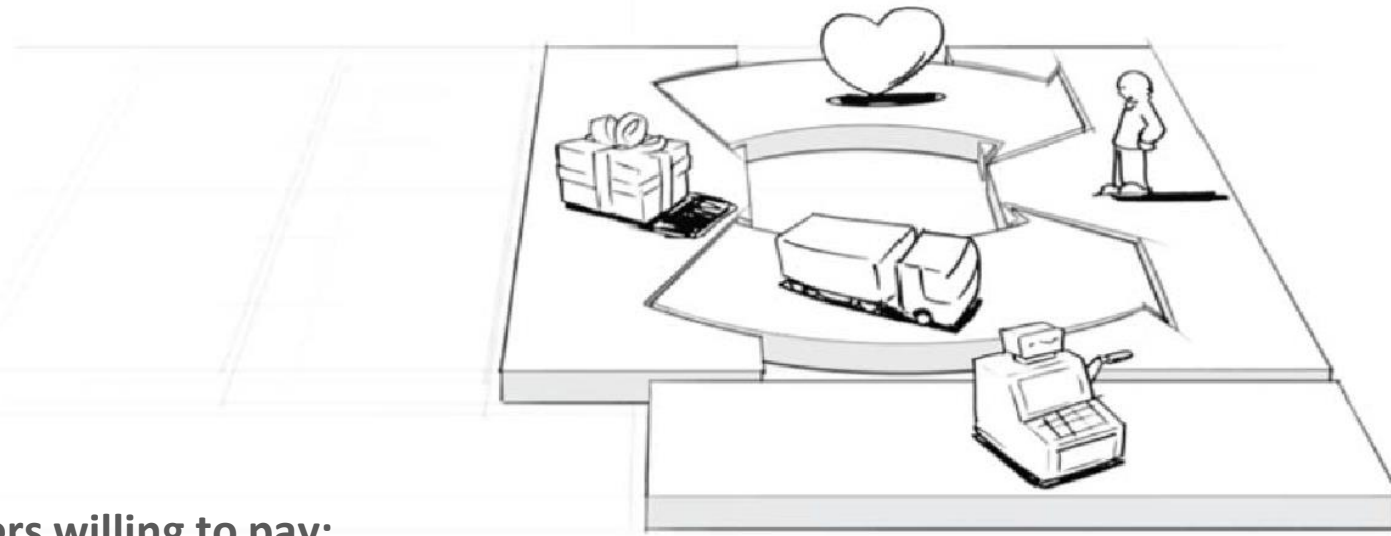
CUSTOMER RELATIONSHIPS



- What relationships do you create with your customer segments (personal, automated, co-creation)?
- Which of these are fixed/steady?
- How much do they cost;

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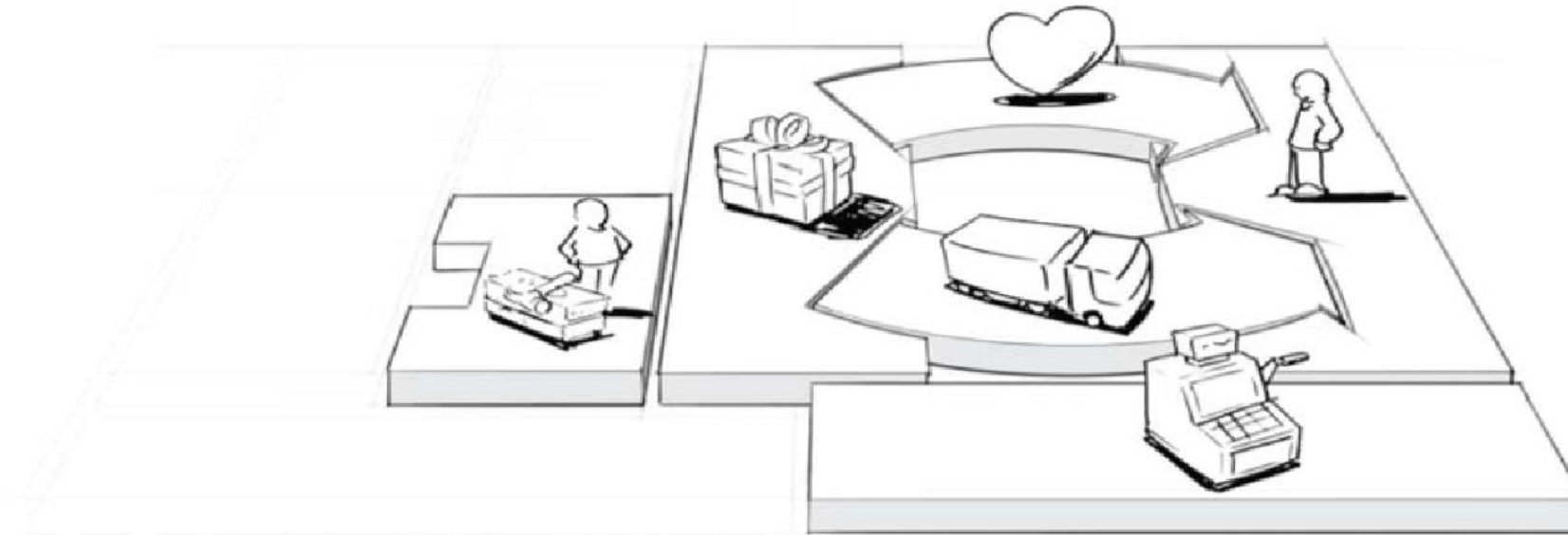
REVENUE STREAMS



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- What price are your customers willing to pay;
- What are they paying now?
- How do they pay now?
- How would they prefer to pay?
- What is the contribution of each revenue stream to total business revenue?
- Your revenue comes from periodic transactions?

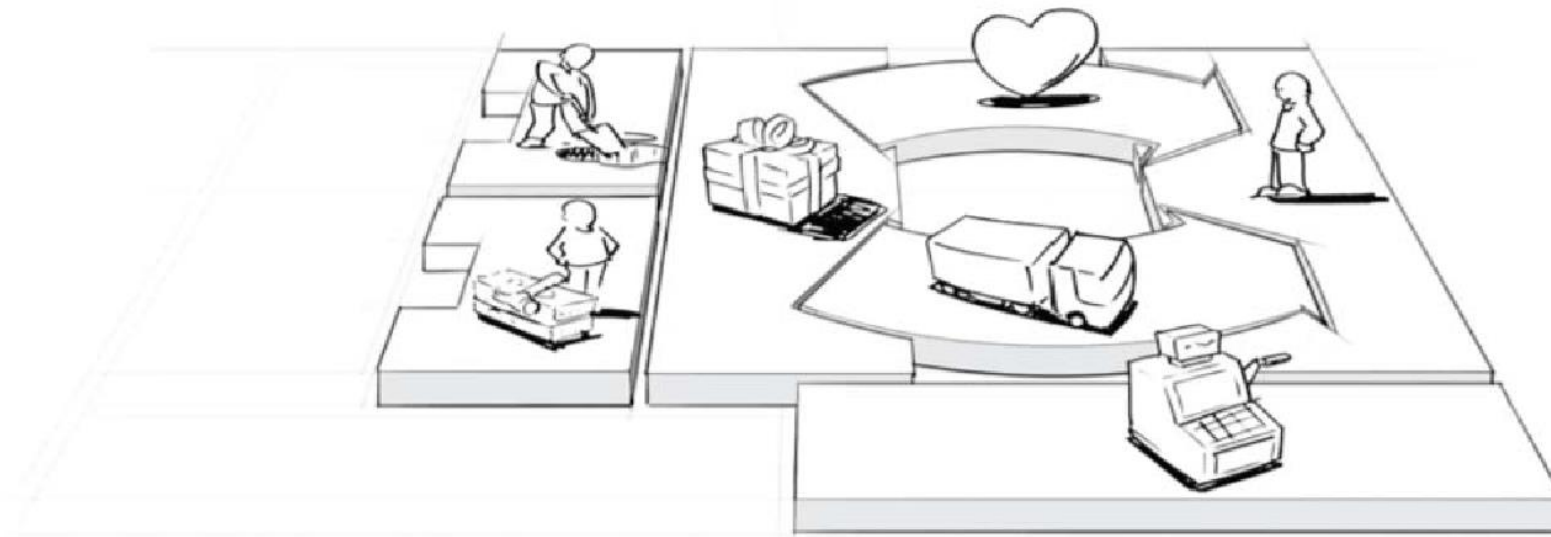
KEY RESOURCES



Which are the main resources needed to create value for customers?
(natural, human, capital, inheritance (patents, copyrights))

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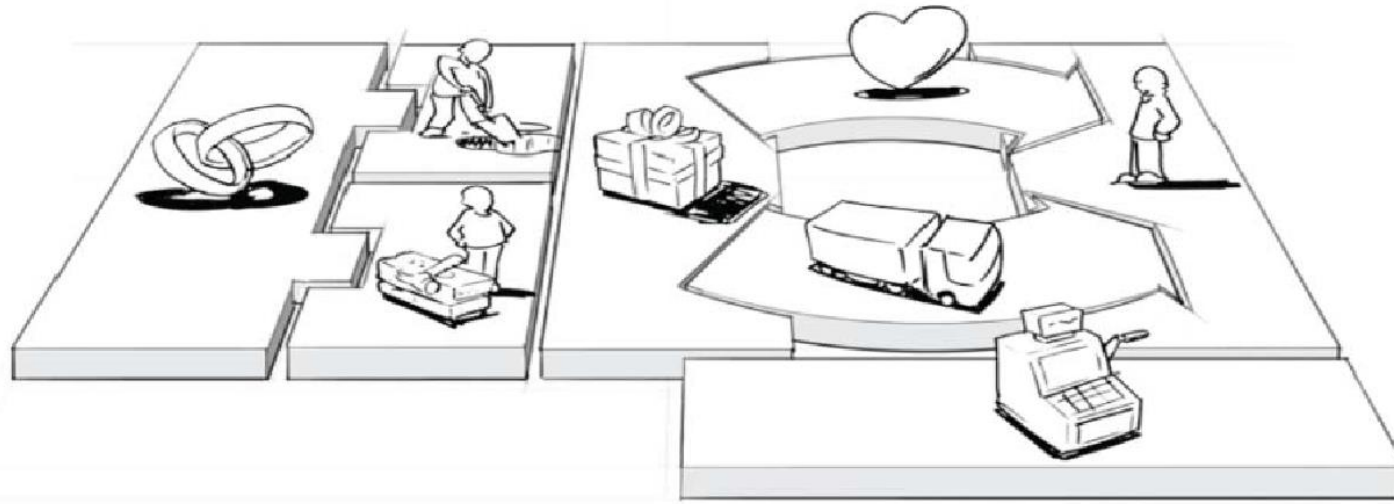
KEY ACTIVITIES



The actions that in combination with the company's resources contribute to the production of the product or service provided.

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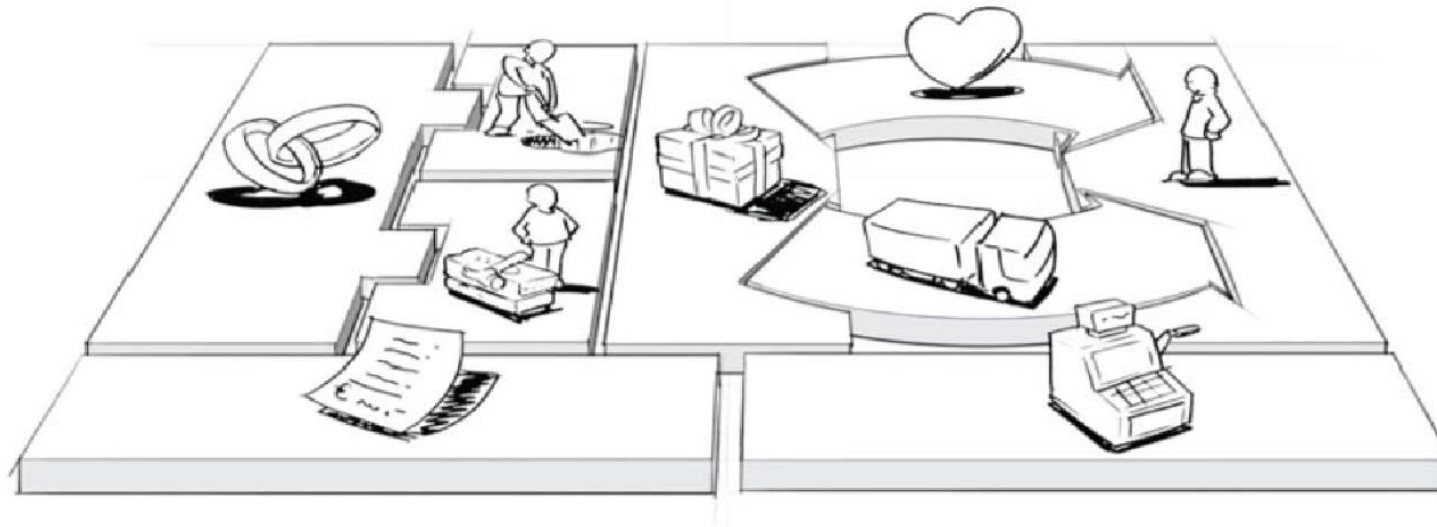
KEY PARTNERS



- Which associates and suppliers have an influence on your business plan?
- Which are the main resources we get from partners?
- What are the main activities of partners?

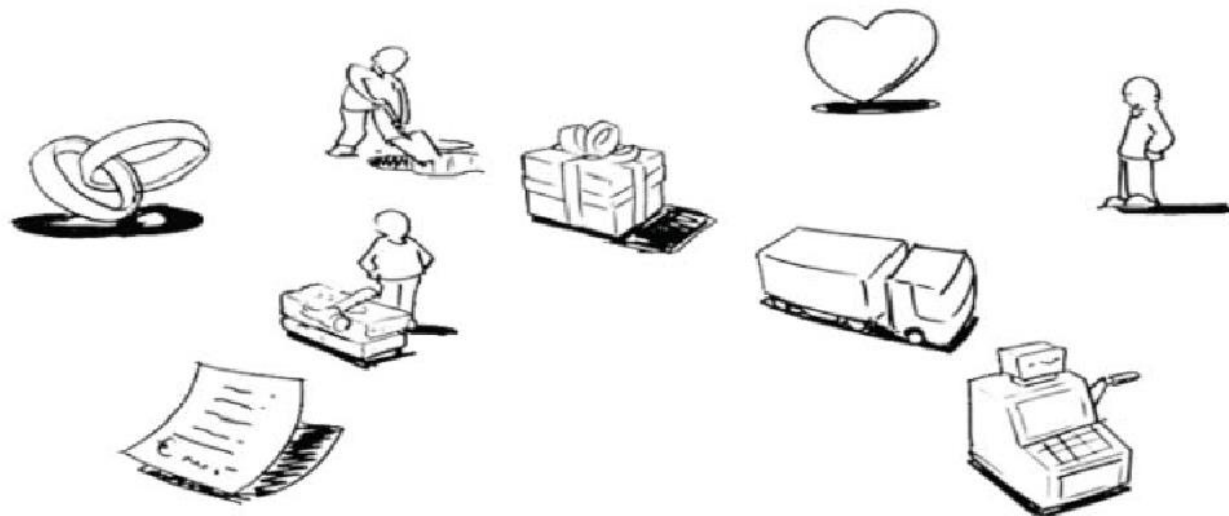
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COST STRUCTURE

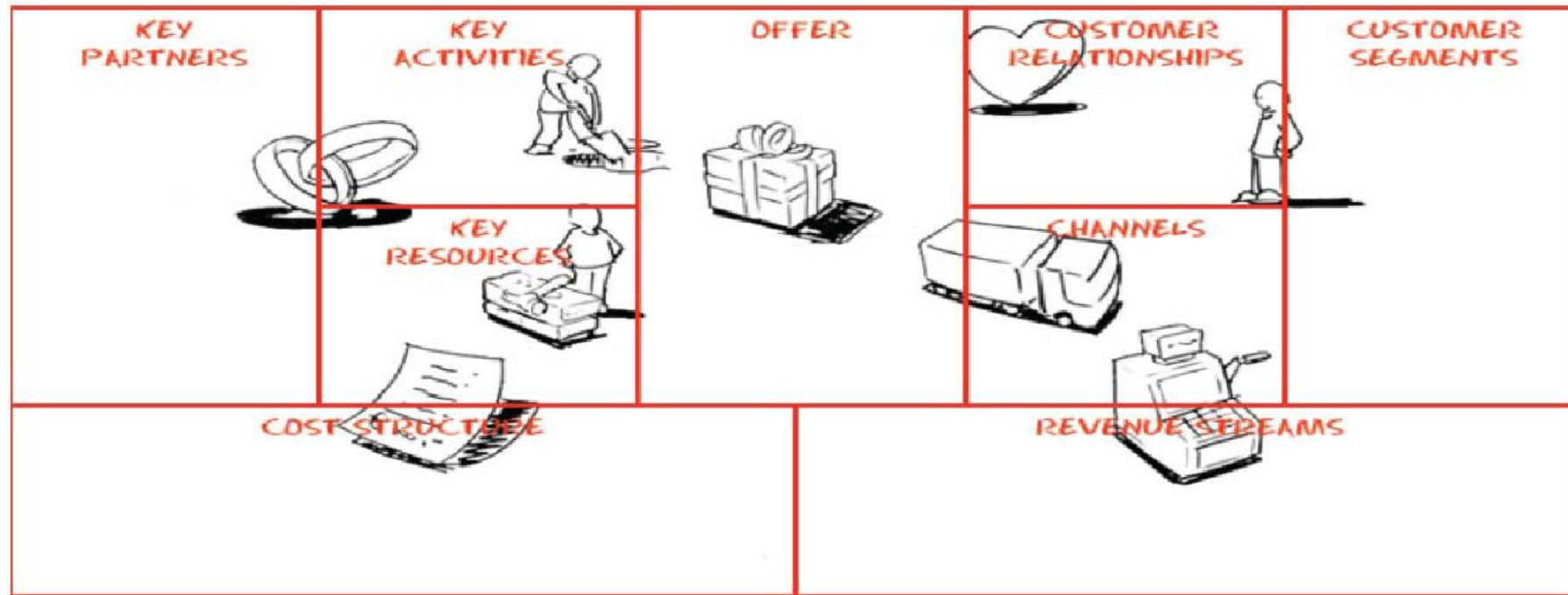


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- What are the main costs of your business plan?
- What are the most expensive resources of the business your plan?
- What are the most expensive main activities?
- Your business is mainly cost / value driven?

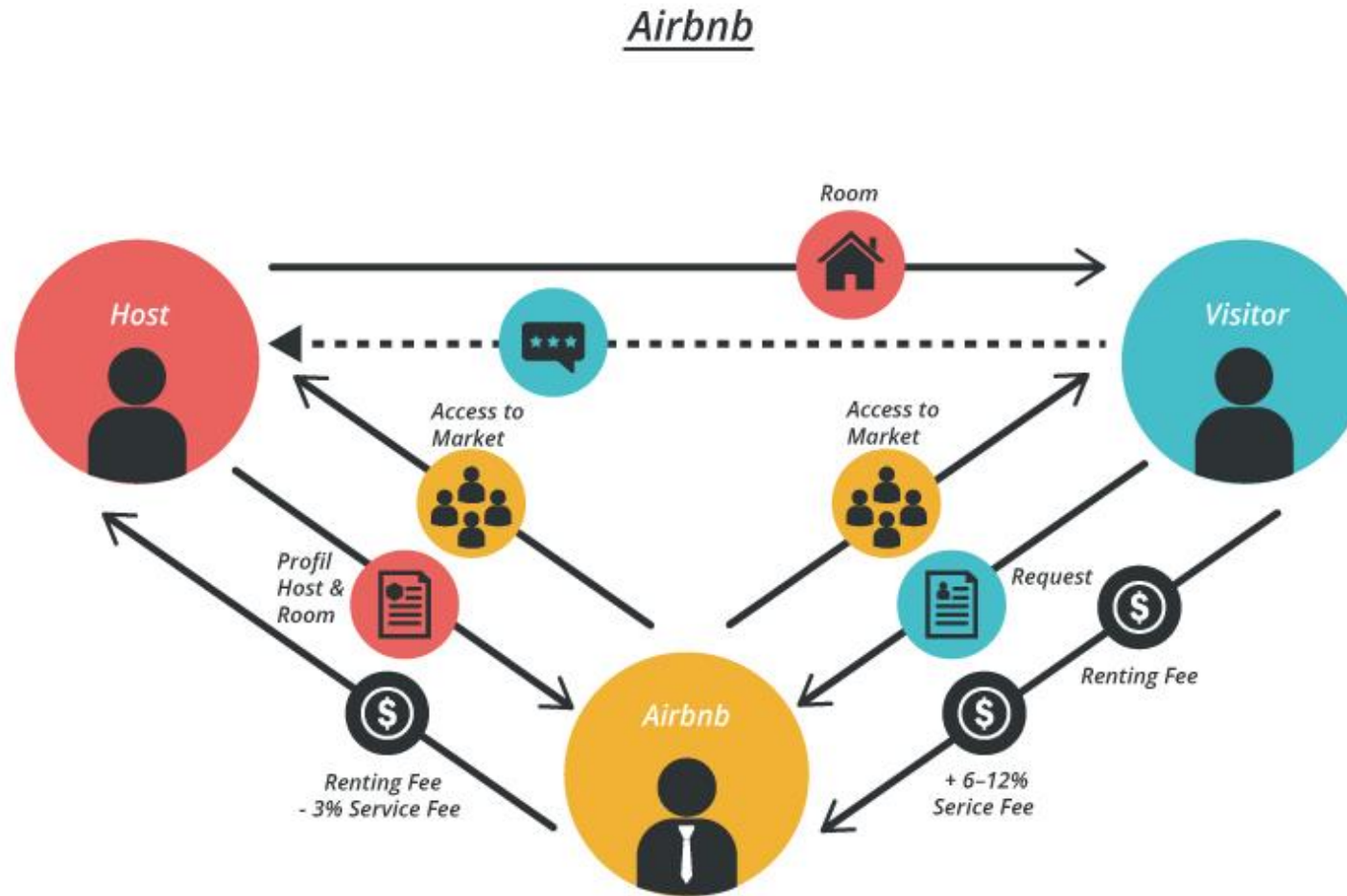


CANVAS OVERLAY



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Airbnb's Business Model



Airbnb's Business Model Canvas

- **Customer Segments:** Travelers seeking unique accommodation experiences and hosts with spare rooms or properties.
- **Value Proposition:** An online platform connecting travelers with hosts, offering affordable and personalized lodging options worldwide.
- **Channels:** Web and mobile applications for bookings and transactions.
- **Customer Relationships:** Direct interaction through the platform, reviews, and support.
- **Revenue Streams:** Commission from bookings, service fees to guests.
- **Key Resources:** Online platform, customer database, and reputation system.
- **Key Activities:** Platform maintenance, marketing, and customer support.
- **Key Partnerships:** Partnerships with hosts and third-party service providers.
- **Cost Structure:** Marketing, platform maintenance, and customer support expenses.

Airbnb's Business Model Canvas

BUSINESS MODEL CANVAS

Key Partners

- Hosts
- Hosts who offer experiences
- Investors/ venture capitalists
- Corporate Travel partners & Managers
- Insurance companies
- Professional Photographer Services

Key Activities

- Platform development
- Sales and marketing
- Managing bad behaviors and risks
- Protect sensitive information
- Maintain Customer Service

Key Resources

- Airbnb platform and mobile App
- Employees – Software engineers, analytic and data scientists
- Millions of properties listed on their platform

Value Propositions

For Host:

- Simple and secure to publish
- Make extra money
- Full control
- Professional Services
- Communication

For Guest:

- Save money
- Easy to browse and easy to book
- spacious property
- Amenities
- Provides Unique experience
- performs a background check

Customer Relationships

- Self-Serve Platform
- Personalized Recommendations
- Customer Service Support

Channels

- Airbnb platform (website and app)
- Platforms like content marketing, media coverage, digital ad campaigns

Customer Segments

- Hosts
- Guests

Cost Structure

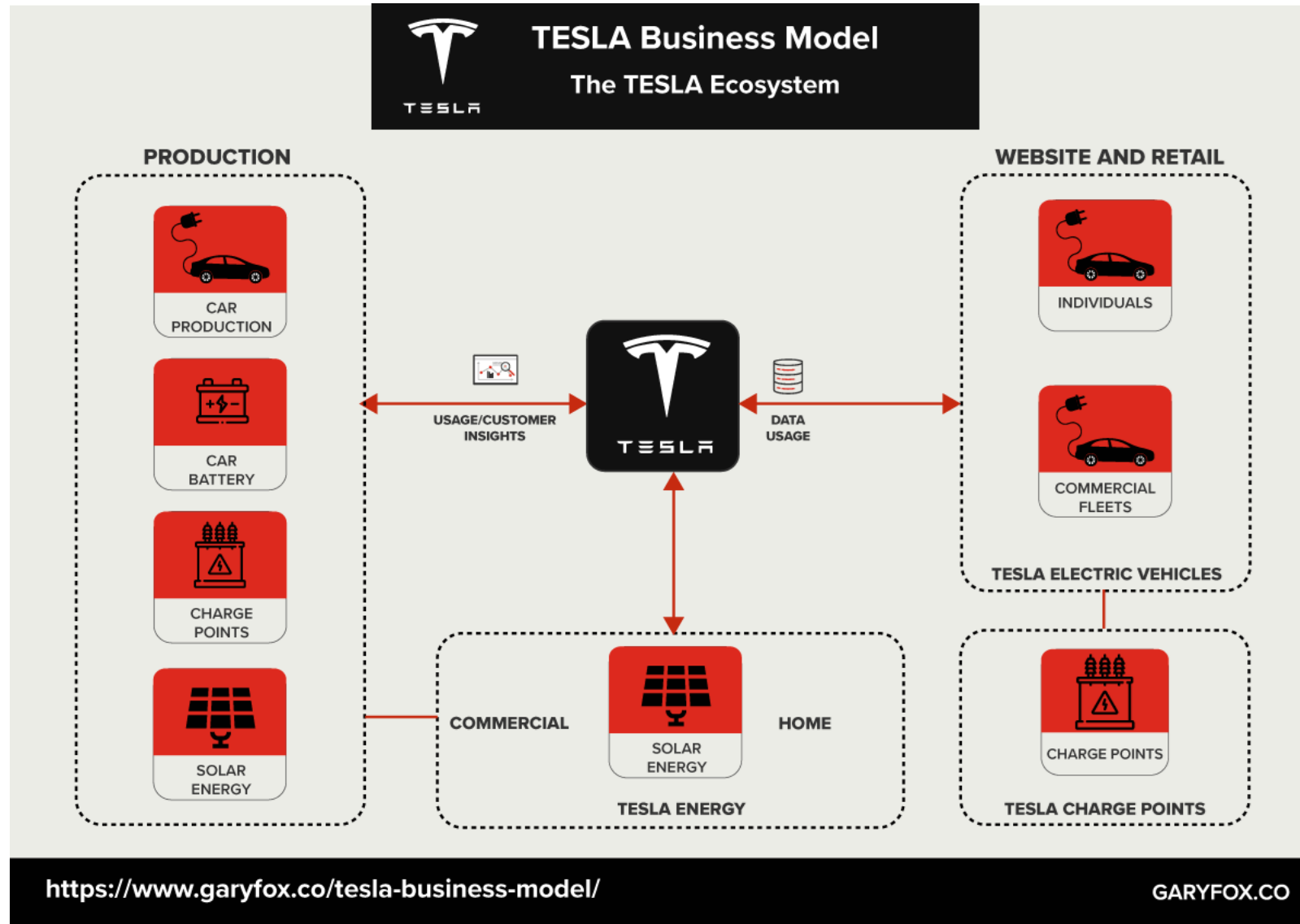
- Platform development and maintenance cost
- Infrastructure Cost
- Sales and marketing cost
- Customer Acquisition Cost
- Employee salaries
- Cost of capital
- Development and maintenance
- Credit card processing fees
- Insurance cost
- Legal and administrative cost
- Regulatory cost

Revenue Streams

- Host Fee (Ranges from 3-5%)
- Travelers Fees (Ranges from 0-20%)



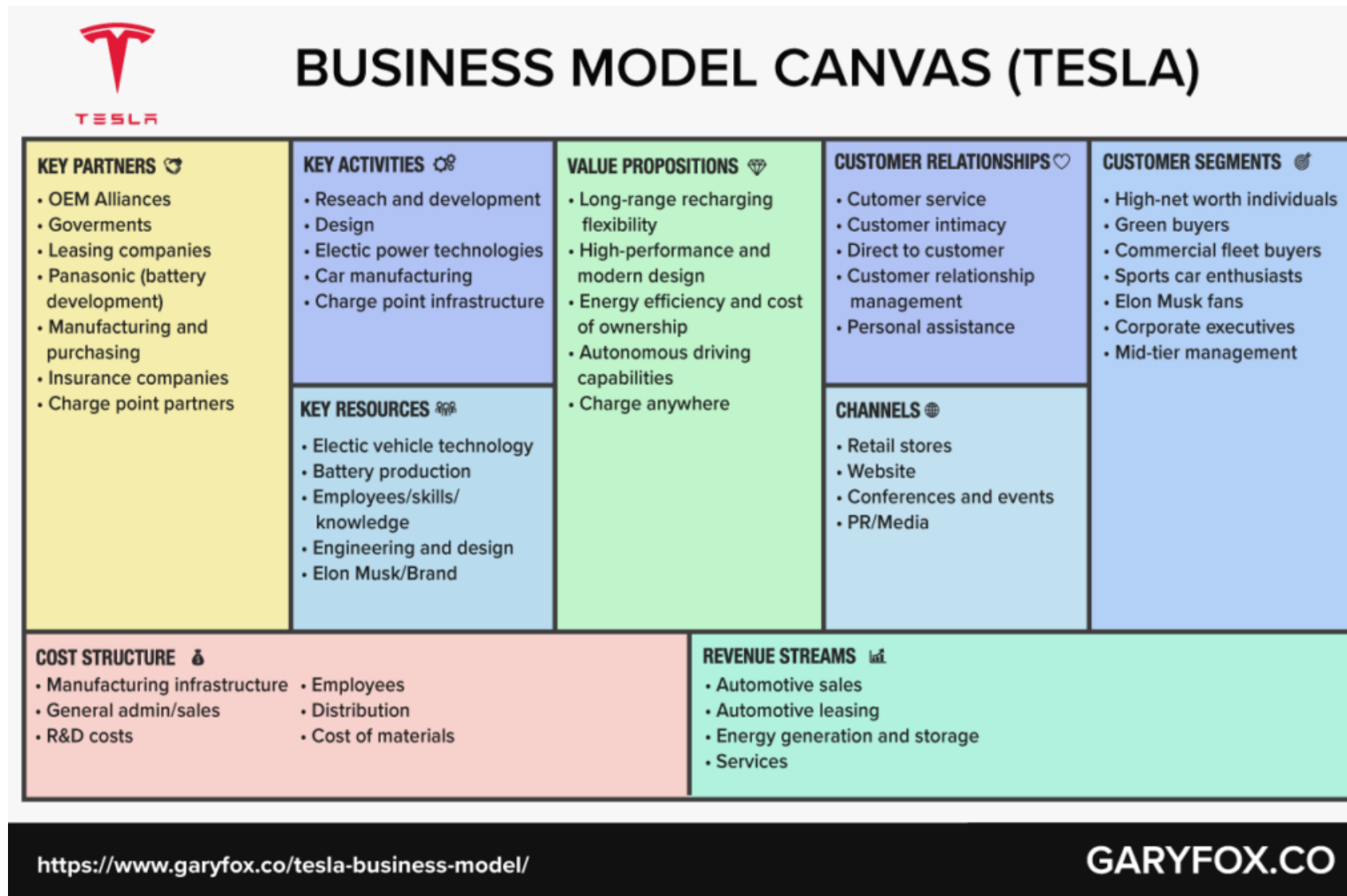
Tesla's Business Model



Tesla's Business Model Canvas

- **Customer Segments:** Environmentally conscious consumers and luxury car buyers.
- **Value Proposition:** High-performance electric vehicles with advanced technology and long driving range.
- **Channels:** Direct sales through Tesla showrooms and online orders.
- **Customer Relationships:** Emphasis on brand loyalty and customer experience.
- **Revenue Streams:** Sales of electric vehicles, energy products, and services.
- **Key Resources:** Manufacturing facilities, battery technology, and intellectual property.
- **Key Activities:** Vehicle production, research and development, and marketing.
- **Key Partnerships:** Partnerships for battery supply and charging infrastructure.
- **Cost Structure:** Manufacturing, research, and development expenses.

Tesla's Business Model Canvas



Exercise 1: Analyzing Existing Business Model

Objective: Analyze a well-known company's business model using the BMC.

Instructions:

- Choose a well-known company (e.g., Amazon, Netflix) and research its business model.
- Fill out the BMC for the selected company, identifying its key components: Customer Segments, Value Proposition, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships, and Cost Structure.
- Analyze how each component contributes to the company's success and competitive advantage.
- Discuss and present your findings, highlighting the strengths and weaknesses of the analyzed business model.

Exercise 2: Developing a Startup Business Model

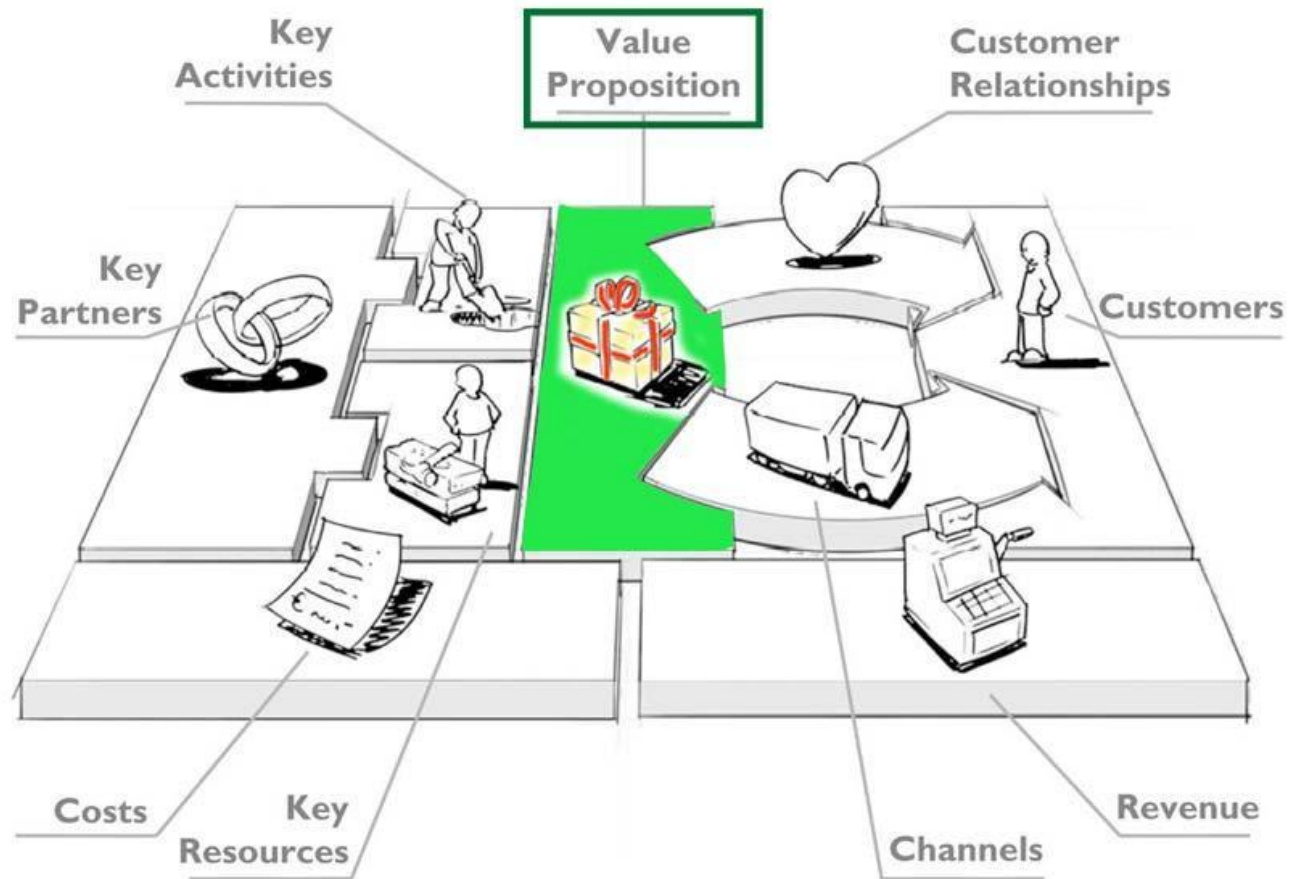
Objective: Create a business model for a startup idea using the BMC.

Instructions:

- Form groups and brainstorm startup business ideas.
- Select one idea and define the target Customer Segment.
- Determine the unique Value Proposition of the startup, addressing a specific customer problem or need.
- Design the Channels through which the startup will reach its customers.
- Identify the Key Activities and Key Resources needed to deliver the value proposition.
- Consider potential Key Partnerships required for the startup's success.
- Define the Revenue Streams and the Cost Structure for the business.
- Fill out the BMC for the startup idea and present it to the class, explaining how the model will lead to

a viable and sustainable business.

Value Proposition Design and Business Modeling



Value Proposition Design

Key Components

- **Customer Understanding:** The first step is to deeply understand the target customer segment, including their pain points, needs, and desires. This involves conducting market research, customer interviews, and analyzing customer behavior.
- **Value Creation:** Once the customer needs are identified, the next step is to create value that directly addresses those needs. This value can be in the form of features, benefits, experiences, or outcomes that the customer finds valuable.

Value Proposition Design

Key Components

- **Value Differentiation:** Value Proposition Design emphasizes the importance of differentiation. It aims to identify unique selling points or value propositions that set the product or service apart from competitors and give customers a reason to choose it over alternatives.
- **Value Communication:** Effectively communicating the value proposition is crucial. This involves crafting clear and concise messaging that conveys the benefits and value offered to customers in a compelling way.
- **Value Testing and Validation:** Value Proposition Design encourages testing and validation with real customers to ensure that the value proposition resonates with the target audience and meets their expectations

Value Proposition Canvas

To facilitate the Value Proposition Design process, a popular tool called the "Value Proposition Canvas" is often used. The Value Proposition Canvas is part of the larger "Business Model Canvas" and consists of two main components:

Customer Profile: This section focuses on understanding the customer segment, including their jobs-to-be-done, pains (challenges, frustrations), and gains (desired outcomes, benefits).

Value Map: This section outlines the value elements that the product or service provides to customers. It includes the product/service features, pain relievers (how the product solves customer problems), and gain creators (how the product delivers benefits and desired outcomes).

By using the Value Proposition Canvas, businesses can visualize and analyze how their offerings match customer needs, identify areas for improvement, and refine their value propositions accordingly.

How to Collect Data on Business Modeling

Data Collection on Business Modeling

- 1. Surveys and Questionnaires:** Create structured questionnaires to collect quantitative data from customers, employees, suppliers, or other stakeholders. Surveys can help gather valuable insights on customer preferences, satisfaction, and feedback about the business model.
- 2. Interviews:** Conduct in-depth interviews with key stakeholders, including customers, employees, suppliers, and industry experts. Interviews allow for open-ended discussions, providing rich qualitative data and deeper insights into their perspectives.
- 3. Focus Groups:** Organize focus groups with a small group of representatives from the target customer segment. Facilitate group discussions to gather opinions, preferences, and reactions to different aspects of the business model.
- 4. Observation:** Observe and analyze real-life customer interactions, employee behaviors, and processes within the organization. Observational data can uncover patterns and inefficiencies that might not be apparent through other methods.

Data Collection on Business Modeling

- 5. Secondary Research:** Gather data from existing sources, such as industry reports, market studies, government publications, and academic papers. Secondary research provides valuable context and external benchmarks for business modeling.
- 6. Customer Feedback and Reviews:** Collect feedback and reviews from customers through various channels, such as online platforms, social media, and customer service interactions. Customer feedback offers direct insights into the strengths and weaknesses of the existing business model.
- 7. Financial Data Analysis:** Analyze financial data, including revenue, expenses, profit margins, and cash flow. Financial analysis helps in understanding the current financial health of the business and identifying areas for improvement.

Data Collection on Business Modeling

- 8. Competitive Analysis:** Research and analyze competitors' business models to understand their value propositions, pricing strategies, distribution channels, and customer relationships. Competitive analysis can provide insights into the market landscape and help identify opportunities for differentiation.
- 9. Prototyping and Testing:** Develop prototypes or minimum viable products (MVPs) to test the feasibility and acceptance of the proposed business model. Collect feedback from users during the testing phase to iterate and refine the model.
- 10. Social Media Monitoring:** Monitor social media platforms to gauge customer sentiment, trends, and discussions related to the industry and the company's offerings. Social media data can provide real-time insights into customer preferences and behaviors.
- 11. Feedback from Internal Stakeholders:** Engage with internal stakeholders, including employees, managers, and executives, to gather their perspectives on the existing business model and potential areas for improvement.

Data Collection on Business Modeling

By using a combination of these data collection methods, businesses can gain a holistic view of their operations, customer needs, market dynamics, and industry trends. This data-driven approach supports effective decision-making and the development of a robust and customer-centric business model.