

Creativity, Innovation and Intellectual Property (LCMB7007)

Week – 5 (Part 2)

Week 5 – Innovative Business Model Canvas

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Recap:

Week 1: (Intro to DIB) + Concepts + techniques of innovation + creativity

Week 2: Creativity, Innovation Entrepreneurship

Week 3: Open and Closed Innovation + New-Product Development Product Life-Cycle + Differentiating between critical and creative thinking)

Week 4: The challenge(s) of adding value to Innovation creativity + Innovation, Growth and Competition

This week (**Week 5**)– **Innovative Business Model Canvas + eBusiness**

Business Model Canvas

- What is a Business Model?
- Why should we care?
- The building blocks of a Business Model: The Business Model Canvas
- Patterns in Business Models
- Business Model Innovation
- Limits and Caveats of Business Modeling

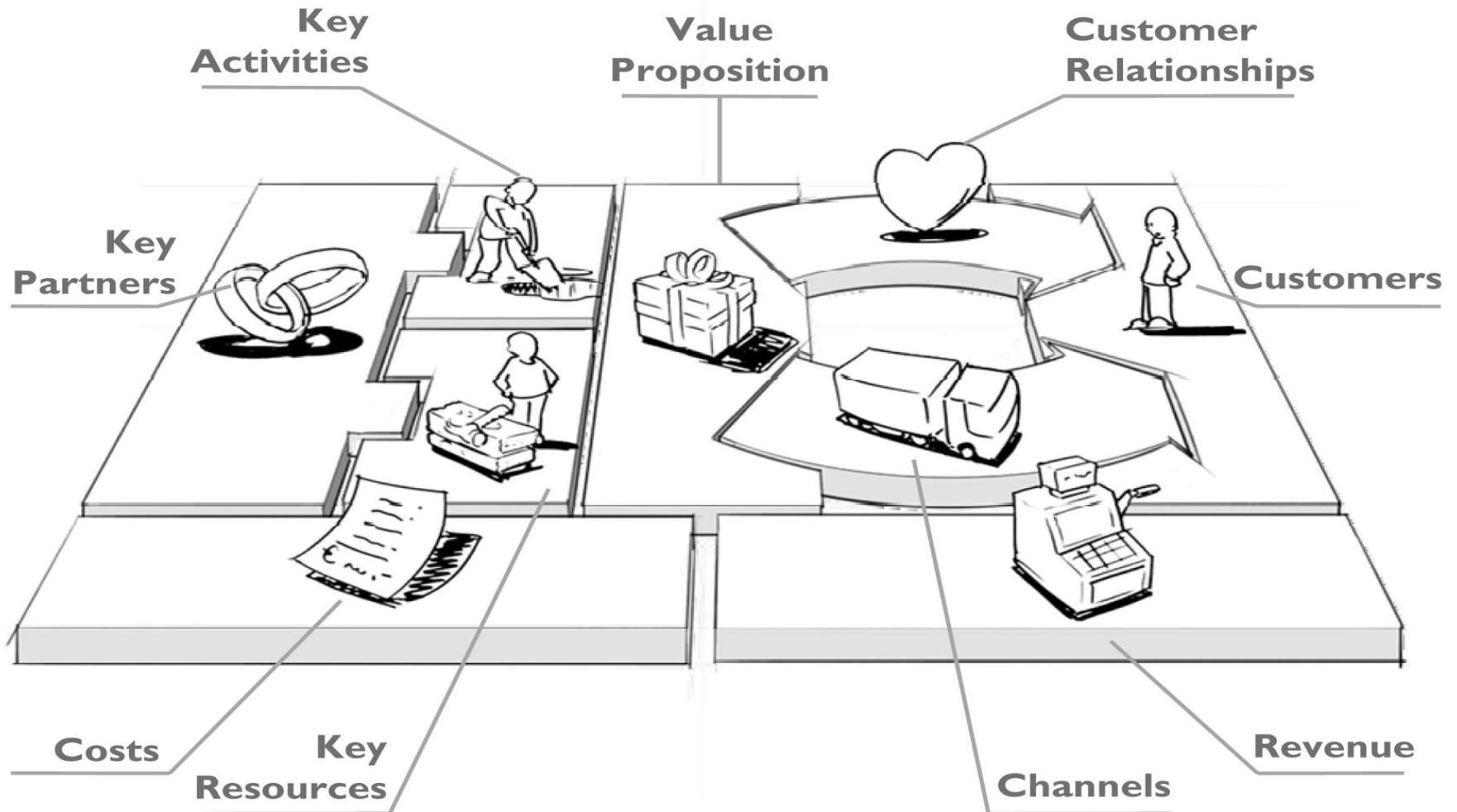
What is a business model (BM)?

- *Business models are an analytical tool used to assess the economic viability of a business concept*

= how it will be structured

= Focusing on whether the business 'makes sense',
i.e. can be profitable, sustain competition, scalable

The BM canvas



Business Model Canvas

THE BUSINESS MODEL CANVAS

KEY PARTNERS

- How do you get, keep and upsell customers?
- How do you interact with your current and potential customers?
- What type of relationship do they expect from working with you?

KEY ACTIVITIES

- What do you need to do well to make money?
- What kind of activities do you need to do to provide that value to the customer?

KEY RESOURCES

What resources do you need to deliver that value proposition?

VALUE PROPOSITIONS

- What value do you deliver to the customer?
- Which problem(s) are we helping to solve for the customer?

CUSTOMER RELATIONSHIPS

- How do you get, keep and grow/upsell customers?
- How do you interact with your current and potential customers?
- What type of relationship do they expect from working with you?

CHANNELS

- How do you deliver your product or service?
- Is it B2B, B2C?
- How are you reaching your customers and prospects?

CUSTOMER SEGMENTS

Who are your customers?
Who are you creating value for?

COST STRUCTURE

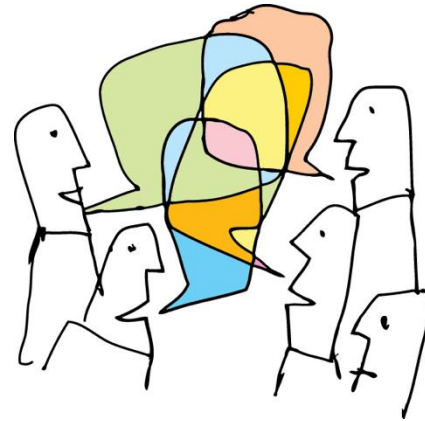
- What the major cost drivers for the business?
- Include key resources and key activities in this.
- What type of cost structure are you going to be using?

REVENUE STREAMS

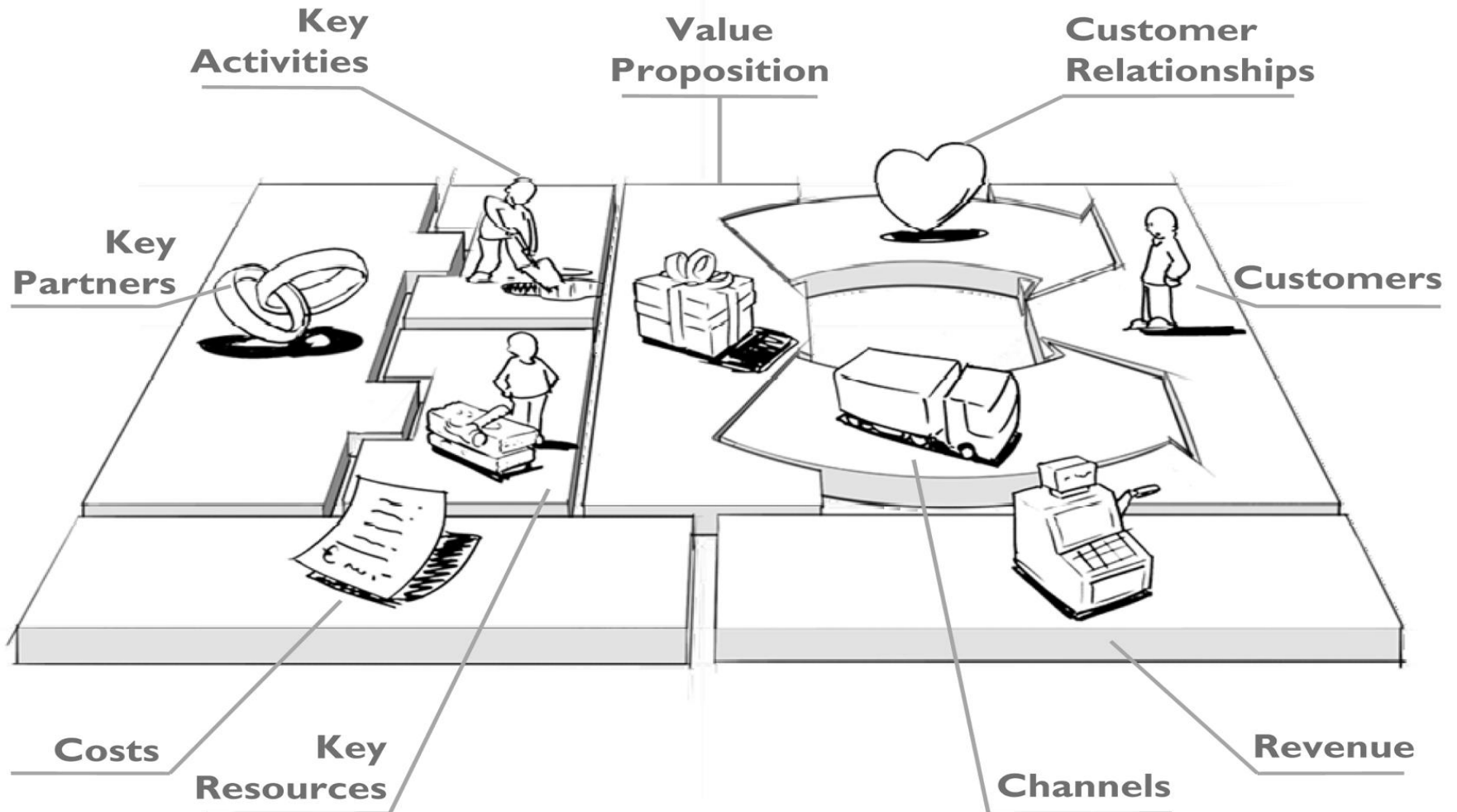
- How is the business earning revenue from customers and delivering the value proposition?
- What kind of revenue stream will the business be (primarily) relying on?

Importance of BM

- BMs are useful to think through all critical aspects of a business: A checklist
- BMs are paramount to communicate your business concept through a 'common language'



The BM canvas



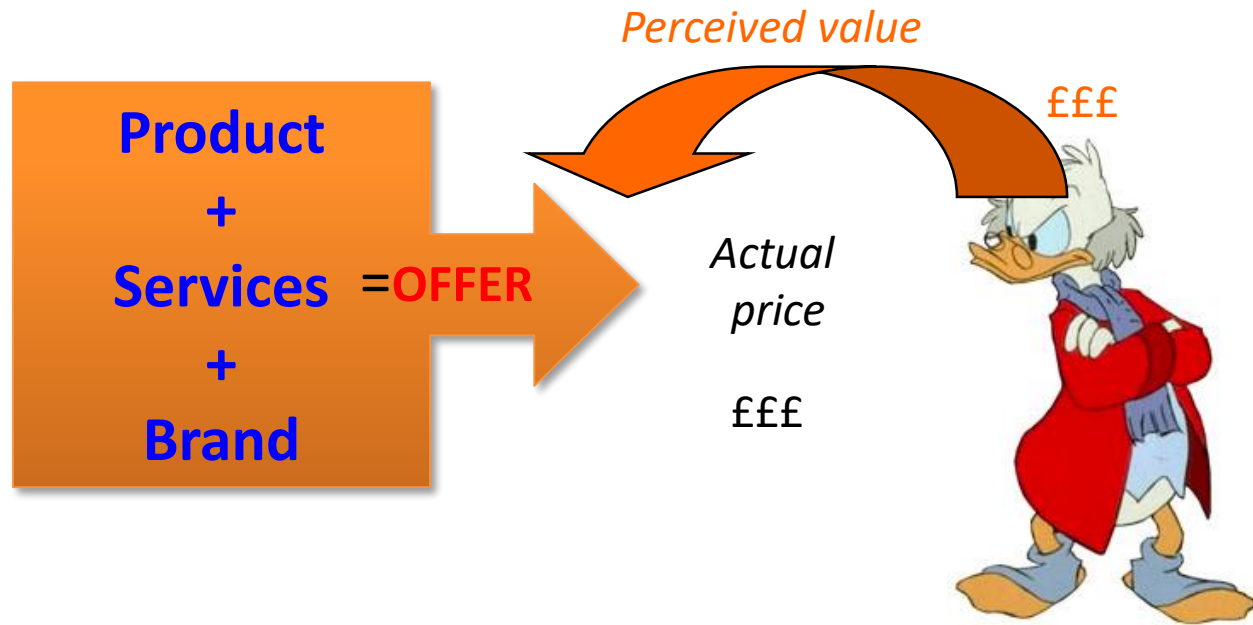
drawings by JAM

#1: customer segments

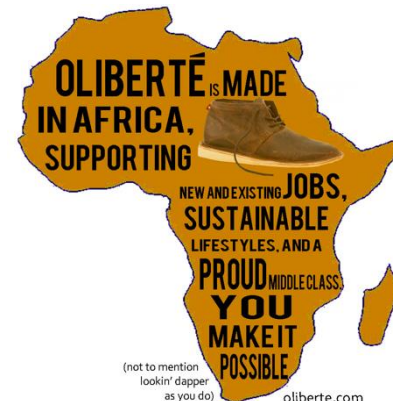
- Who is(are) the target customer(s)?
 - Mass market Vs niche
 - Single segment Vs multi-segments
 - Multi-sided platforms (serving several interdependent customer segments)



#2: value proposition

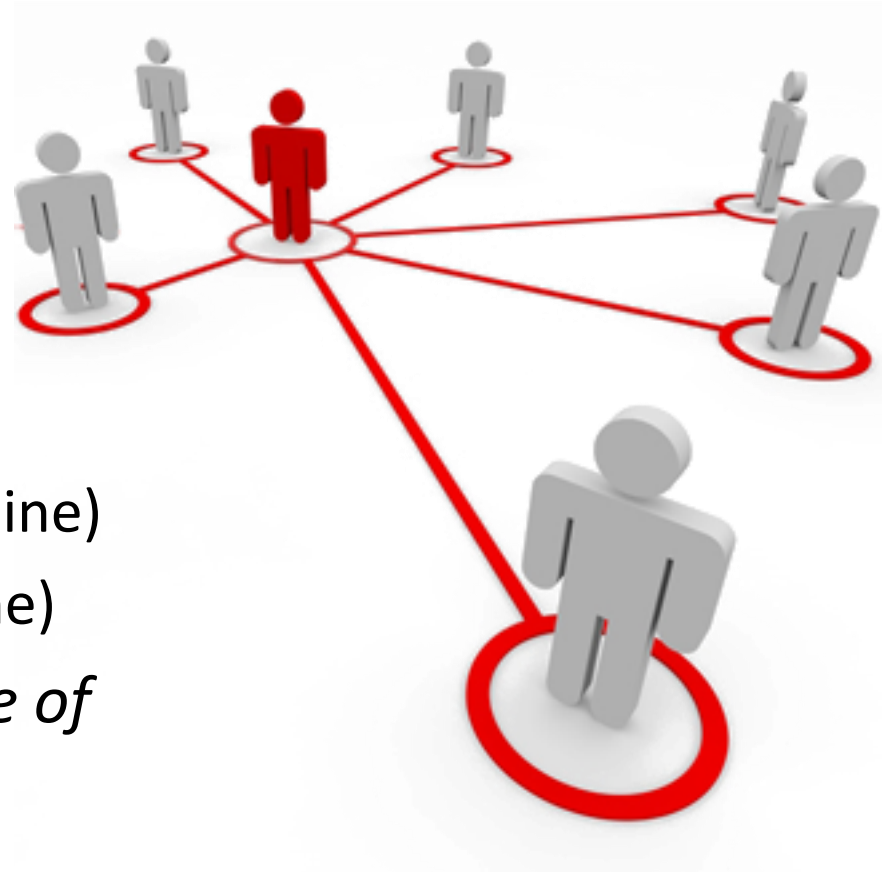


- Perceived value may be a combination of ECONOMIC value (benefits to customer) and SOCIAL value (benefits to others)



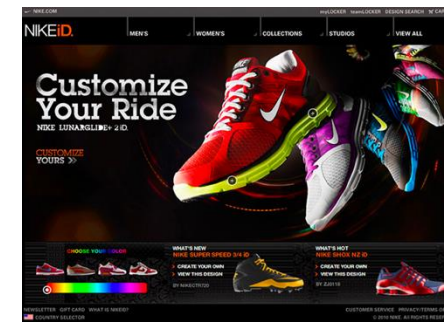
#3: distribution channels

- Direct:
 - Sales Force
 - Online
 - Own stores
- Indirect:
 - Partner stores (physical/online)
 - Wholesalers (physical/online)
- *Key question: who takes care of after-sales service?*



#4: customer relationships (CR)

- *What CR do we want to establish and maintain with our target customers?*
 - Self-service
 - Personal assistance
 - Automated service (= hybrid)
 - Communities
 - Co-creation



#5: revenue stream(s)

=Cash we generate from each customer segment

- Asset sale: transfer of ownership
- Usage fee
- Subscription
- Licensing
- Brokerage fee
- Advertising
- Consumer data sale to third-party
- Can mix: e.g. "freemium"

#6: key resources

- *Most important assets required to run the business ops*
 - Physical
 - Intellectual/intangible
 - Human
 - Financial

#7: Key activities

- *What key activities are critical to the success of our BM? Esp. to deliver the value proposition*
 - Problem solving
 - Production
 - Delivery
 - Network

#8: key partnerships

- Buyer-supplier relationships
- Strategic alliances with non-rivals
- Co-opetition: partnership with rivals
- Can be based on simple contract, or a structured dedicated organization (e.g. Joint-Venture)



#9: cost structure

- *What are the cost drivers of our business?*
- Reflection in terms of:
 - Product Costing, but also Activity-Based Costing (ABC)
 - Variable Vs Fixed costs
 - => Break-even point
 - => Size-related economies
 - => Scalability

Limits and caveats

- The BM approach focuses on economic imperatives (break-even point, sustainability of operational profits), NOT competitive positioning
- A BM may be great on paper, but implementation is everything

Business Model Canvas – *example*



Kelly's Lemonade Stand: Refreshing Lemonade

