Jihočeská univerzita
v Českých Budějovicích
University of South Bohemia
in České Budějovice

Business model

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Evropské strukturální a investiční fondy
Operační program Výzkum, vývoj a vzdělávání

MINISTERSTVO ŠKOLSTVÍ, MLÁDEŽE A TĚLOVÝCHOVY

Business model

Business model is a basic principle of how a company generates, transmits and receives value.

The model represents a simplified understanding of reality.

The concept presented by the model must be **simple** (for reasons of understanding and for easier discussion), **relevant** and **intuitively comprehensible**, while the complexity of business operations should not be too simple.

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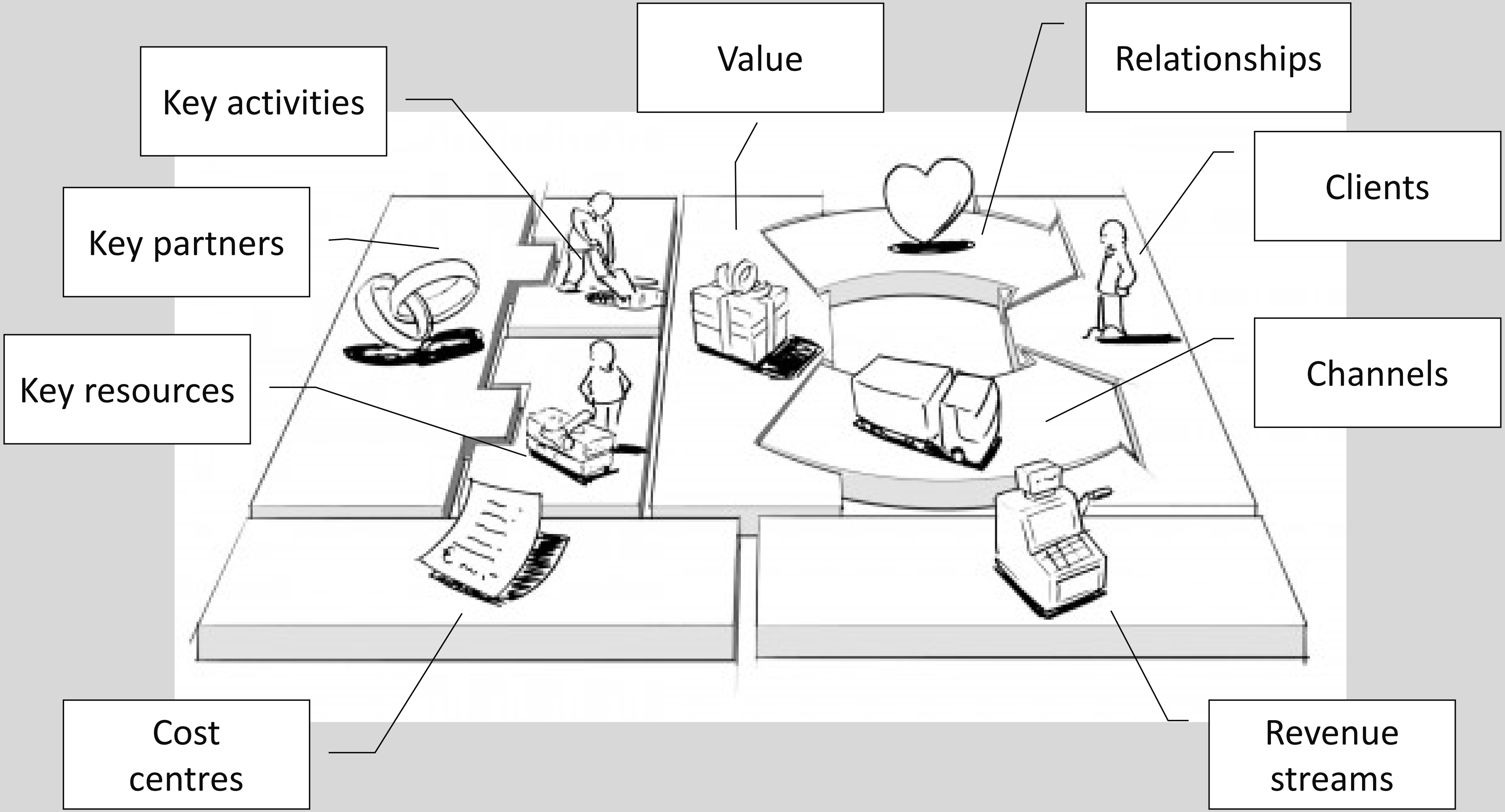
Structural elements of the model



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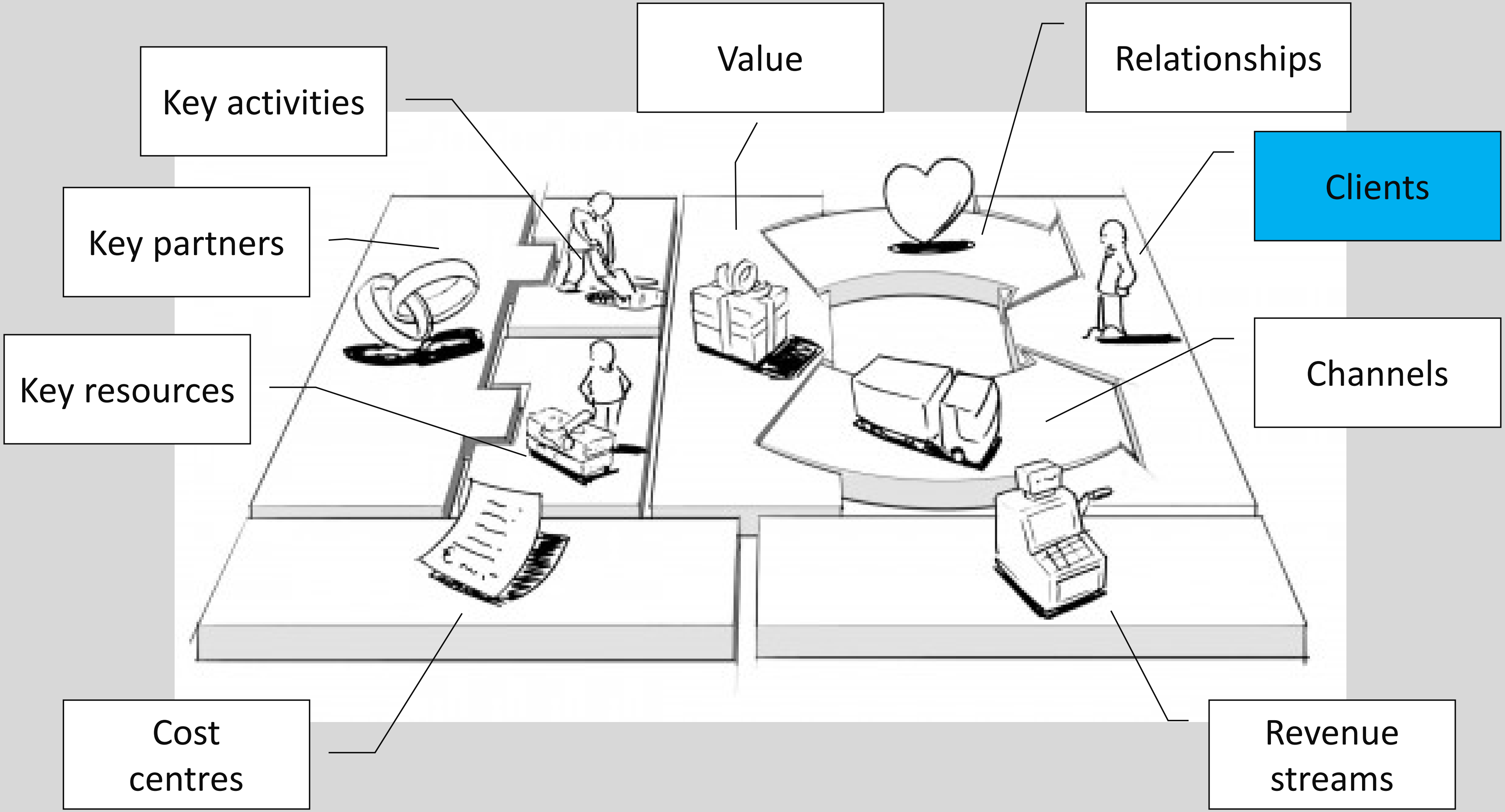

Clients

For whom do we create value?
Who are our most important customers?

Construction element defines different groups of persons or entities to whom the company wants to focus on.

Examples of customer segment types:

Mass market
Niche market
Segmentation
Diversification
Multi-platforms

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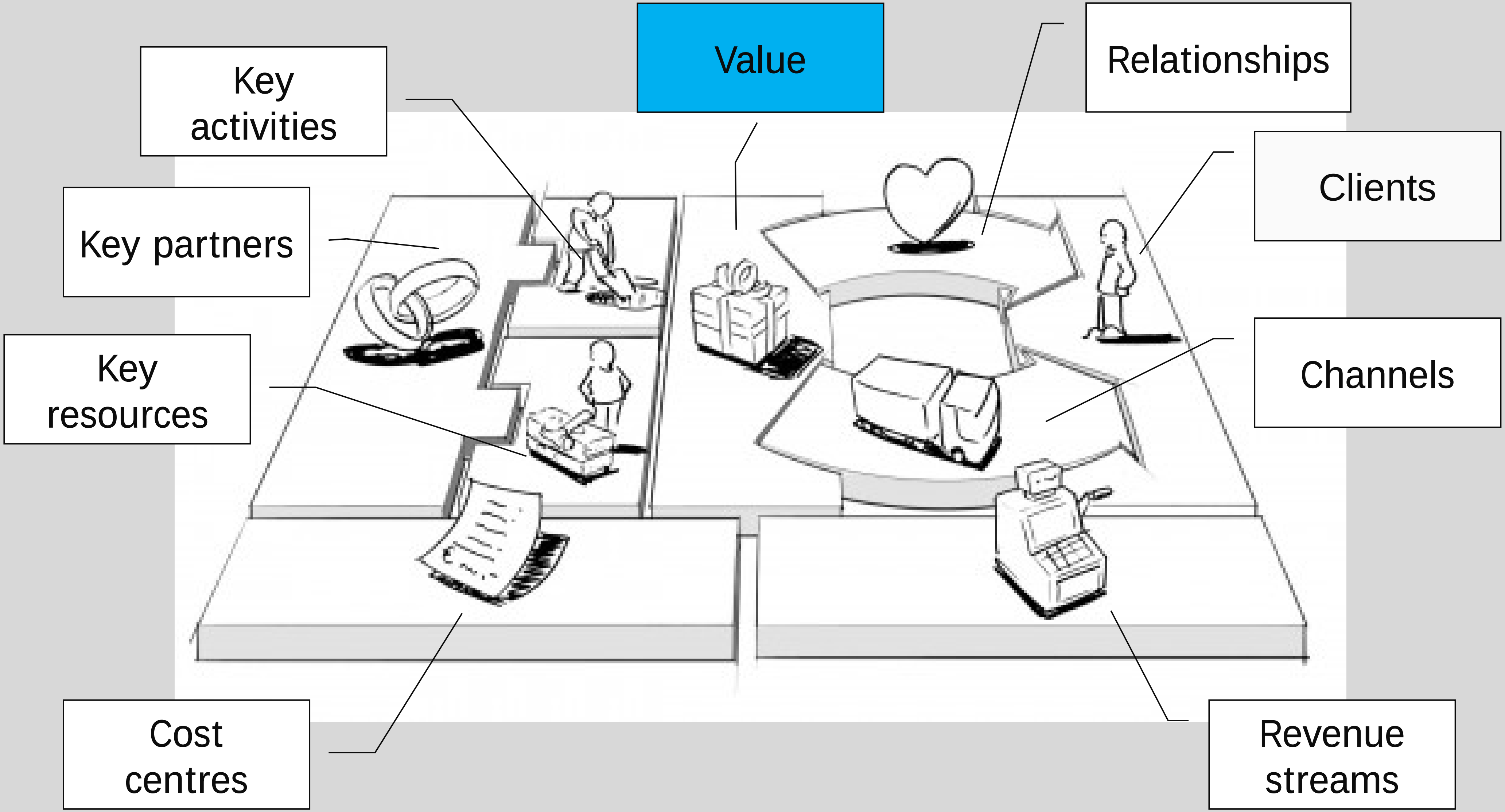


Value

What value do we provide to the customer?
Which of the customer problems do we help solve?
Which customer needs do we satisfy?

The "value offer" building element describes a combination of products and services that create value for a particular customer segment.

Value offer is **the reason why** a customer **prefers a particular business ahead of another.**

Values can be quantitative (cost, service speed) or qualitative (design, customer satisfaction).

Value

Values include:
Novelty, performance, customization, managing tasks, design, brand (status), price, cutting costs, reducing risk, availability, convenience (usability).

Novelty

Some value offerings meet a whole new set of needs that were not felt by customers because they could not meet a similar offer.

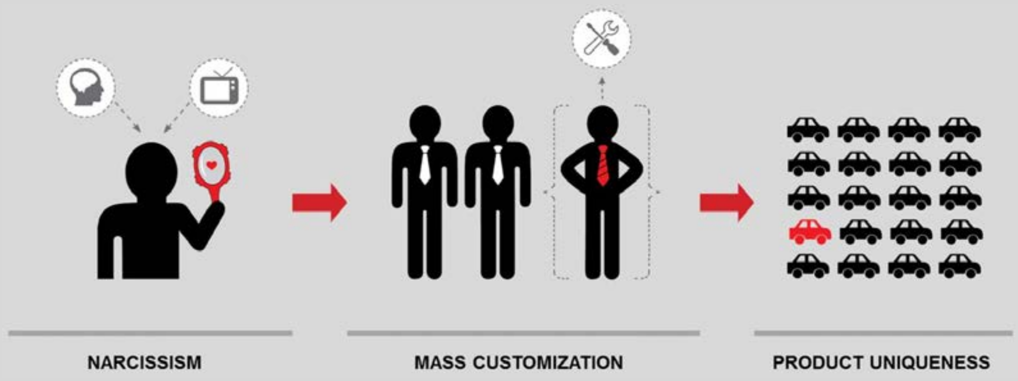
Mobile telephony has created an entire mobile telecommunications industry.

Performance

The essence is to improve the performance of a product or service.

Typical is the computer sector - it has not worked in recent years.

Adaptation



Customizing products and services to the needs of individual customers or segments.

Mass customization, product co-creation by the customer.

Value

Master the task

The company helps the customer to handle a specific task.

Rolls-Royce provides engine manufacturing and maintenance for customers (the airline pays for a pay-per-hour basis when the engine is running).

Design

It is based on product design according to design.

Fashion, consumer electronics, etc.

Value

Mark

Customers can only see the value of using and showing others a certain brand.

Rolex watch ...

Cost reduction

Built to help customers reduce costs.

E.g. Hosted Customer Relationship Management (CRM) applications.

Price

Offer similar value at a lower price, focusing on a price-sensitive segment.

Low cost Smart Wings,
easyJet
new car Nano (Tata)

Risk reduction

Customers appreciate if they can reduce the risk they incur when purchasing the product.

When buying a used car I get a one-year service warranty, outsourcing IT Services.

Availability

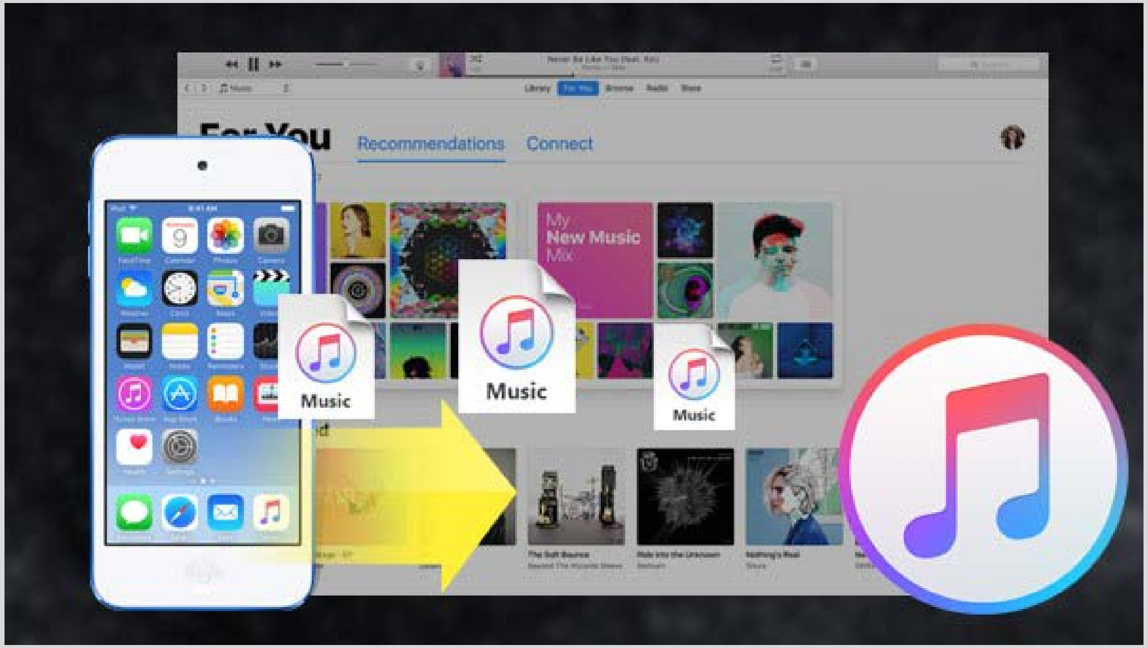
Ensuring product availability to customers who have not had access to them so far.

Mutual funds for non-large-volume customers and the ability to build a diversified investment portfolio.

Convenience / usability

Providing greater convenience to customers.

iPod and iTunes offer the convenience of searching, buying, downloading and listening to digital music



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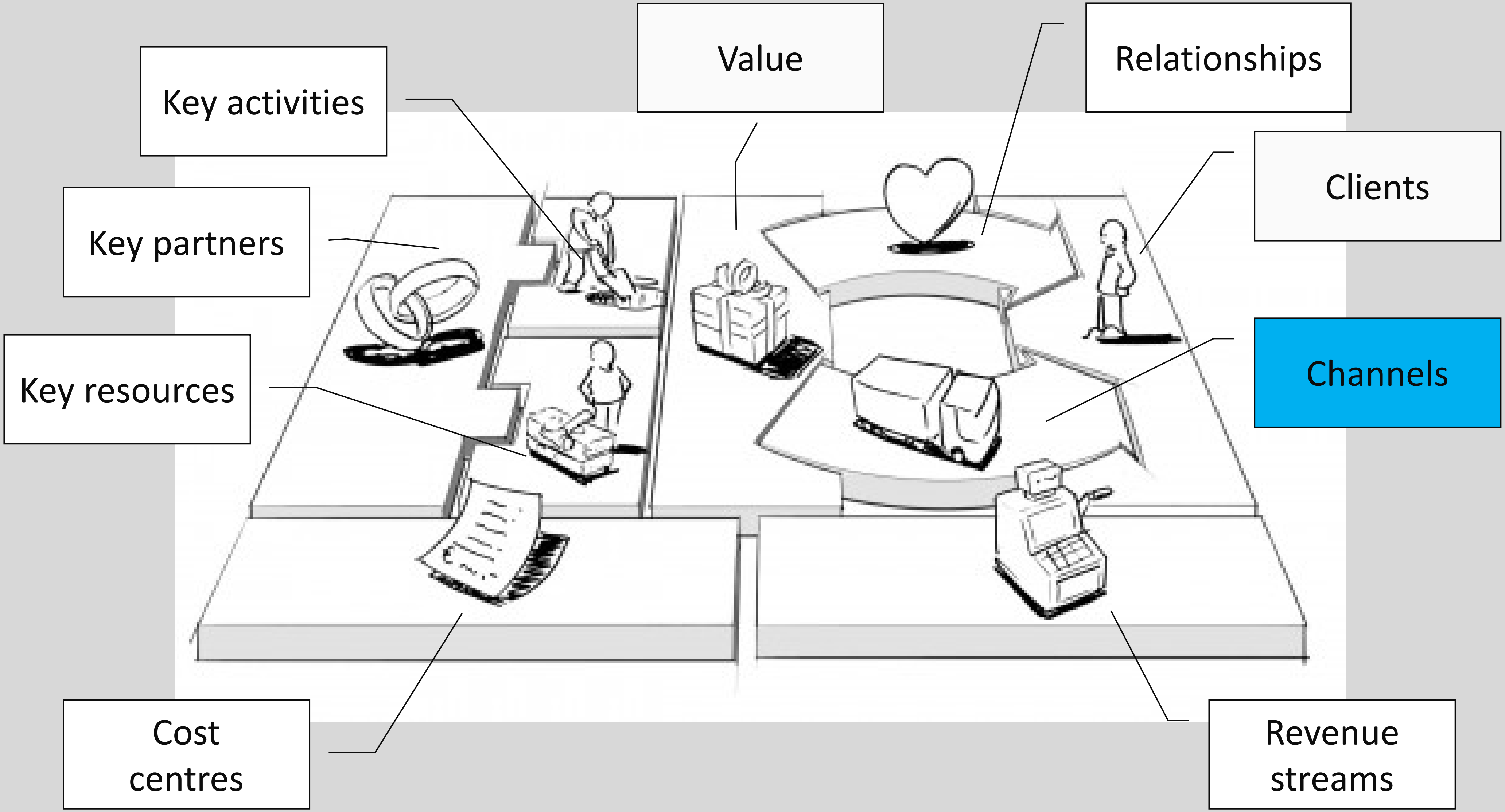

Channels

Which channels do our customer segments prefer?
Which channels are we using now?
How are our channels integrated? Which work best? Which are the most cost-effective?

The building element describes how the company communicates with and interacts with customer segments to give them a value proposition.

Channels have several features:
Raising awareness of the products and services of the company among customers
Passing value offer to business customers
Providing after-sales customer support
Offer the opportunity to buy specific products and services

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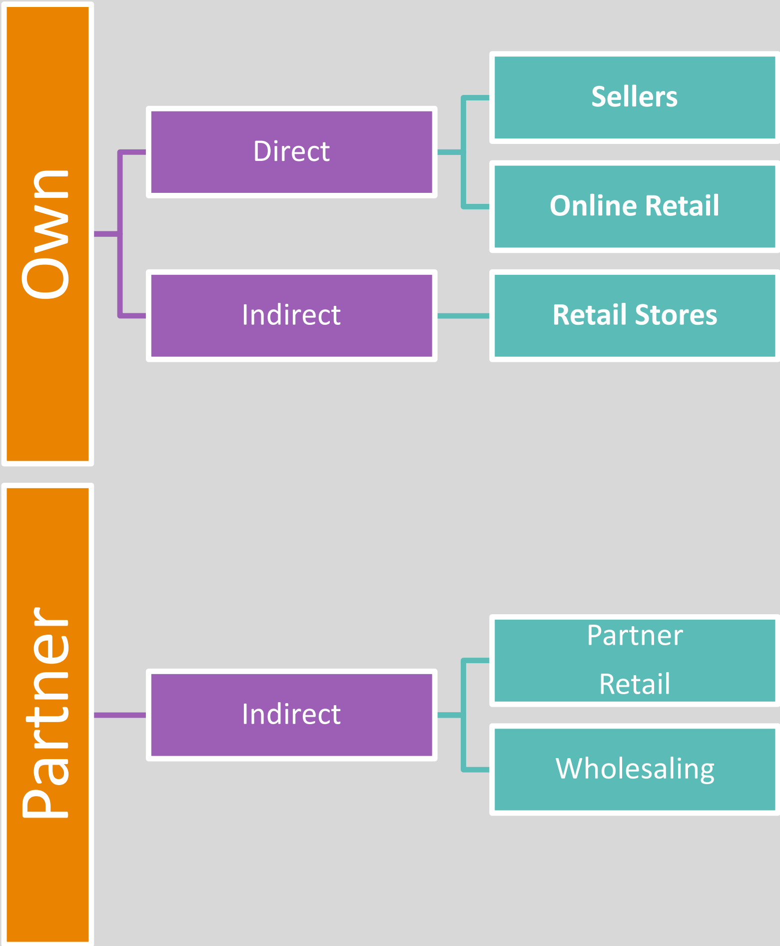
Channels



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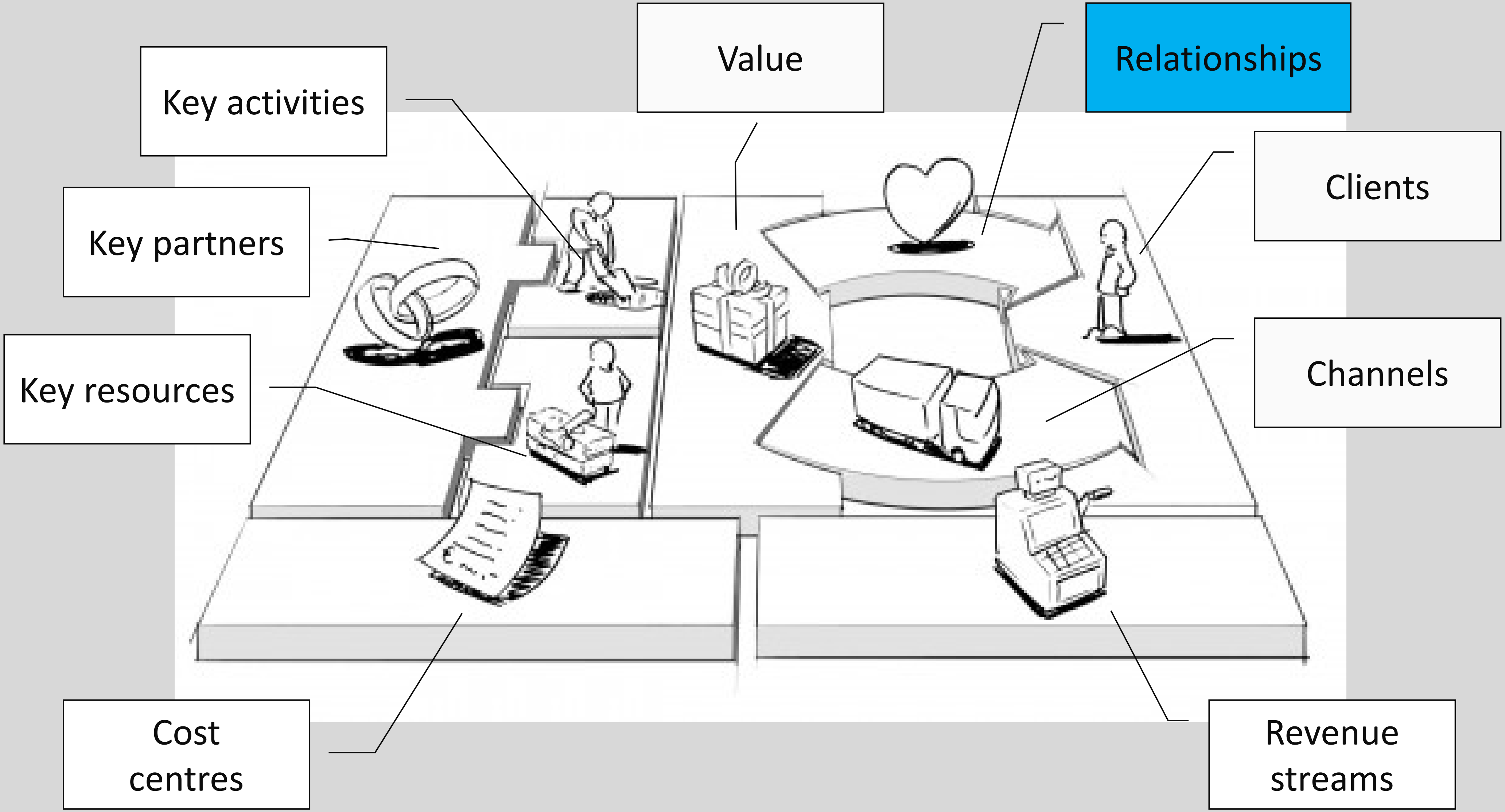

Relationships

What type of relationship do we expect from each of our customer segments?
What types of relationships have we already created?
How are they expensive?

The building element describes the types of relationships the company builds with individual customer segments. Relationships can coexist.

Examples of relationships:
Personal Assistance, Personalized Personal Assistance, Self-Service, Automated Services, Communities

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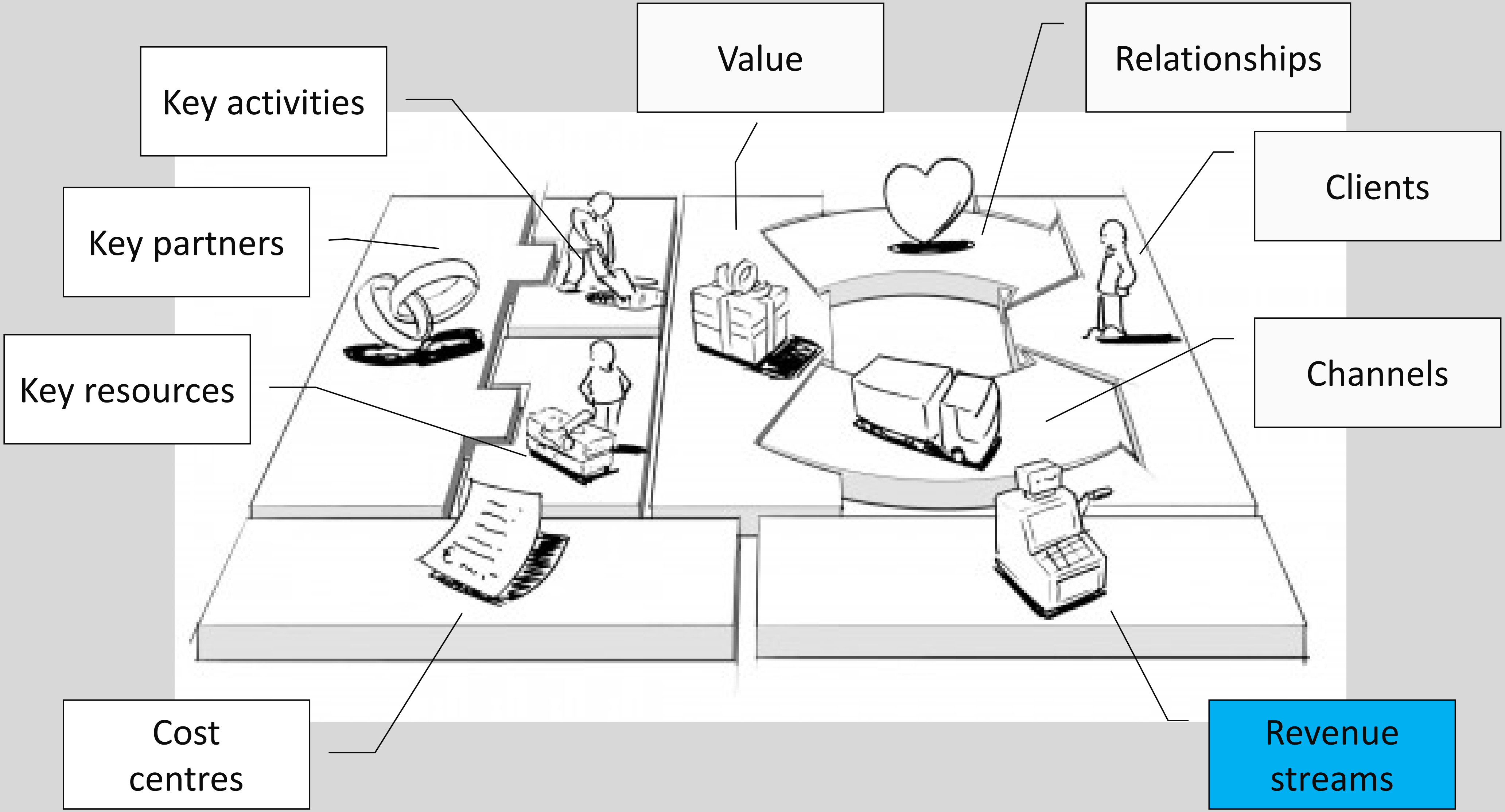


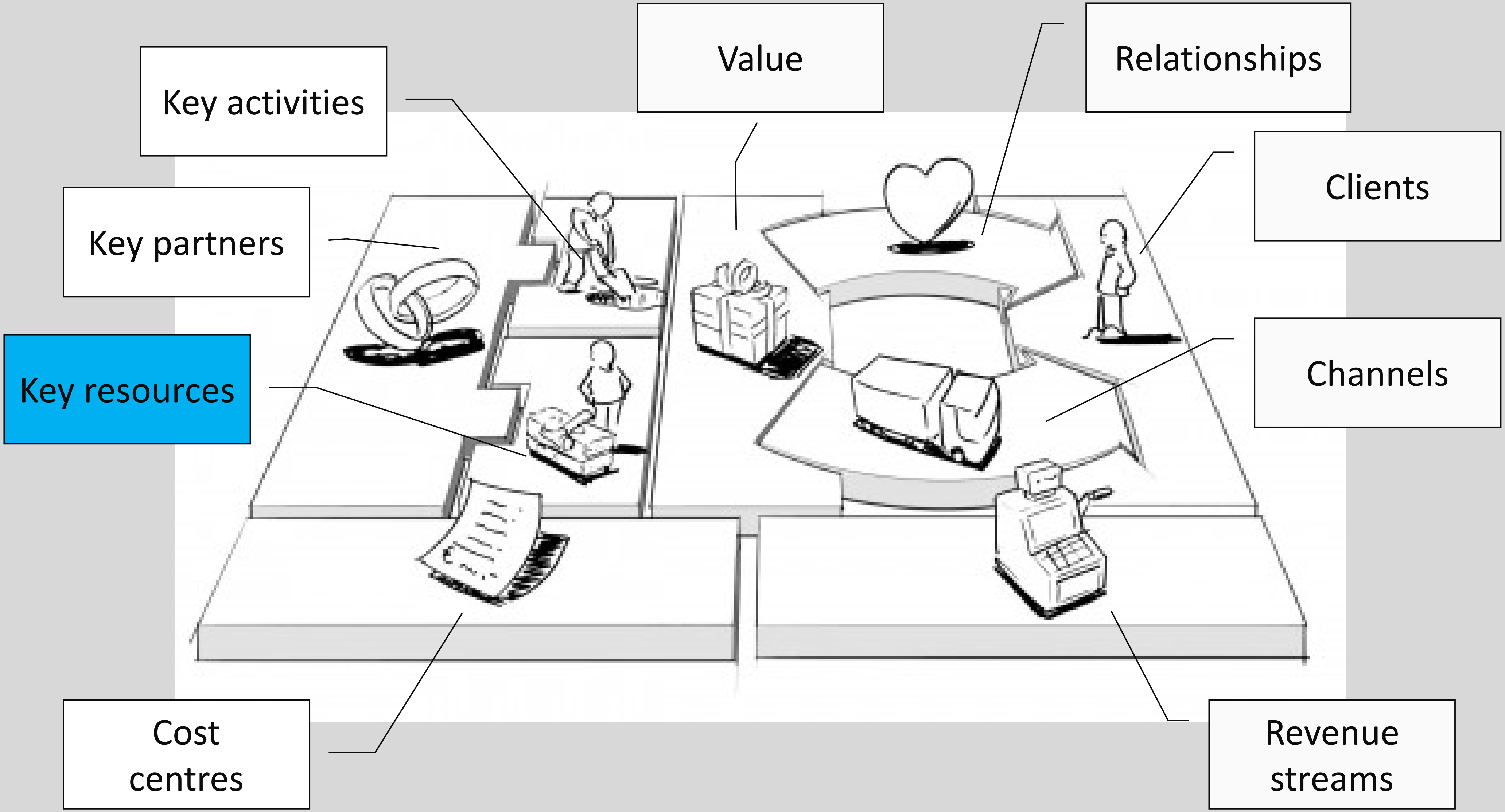
Revenue streams

For what value are our customers really willing to pay? What is it for now? How would they like to pay? How much does the revenue source contribute to total revenue?

The building element represents the revenue the company generates from each customer segment.

Revenue Generation Methods:
Sale of assets, the fee for use, subscription, rental (lease), licensing, Brokerage Fees, advertising

Structural elements of the model



Klíčové zdroje

What key sources do our value offerings require? What resources does it require to ensure distribution channels, customer relationships, income generation?

The building element describes the most important assets that are needed to make the business model work.

Key resource categories:
Physical resources, mental resources, human resources, financial resources

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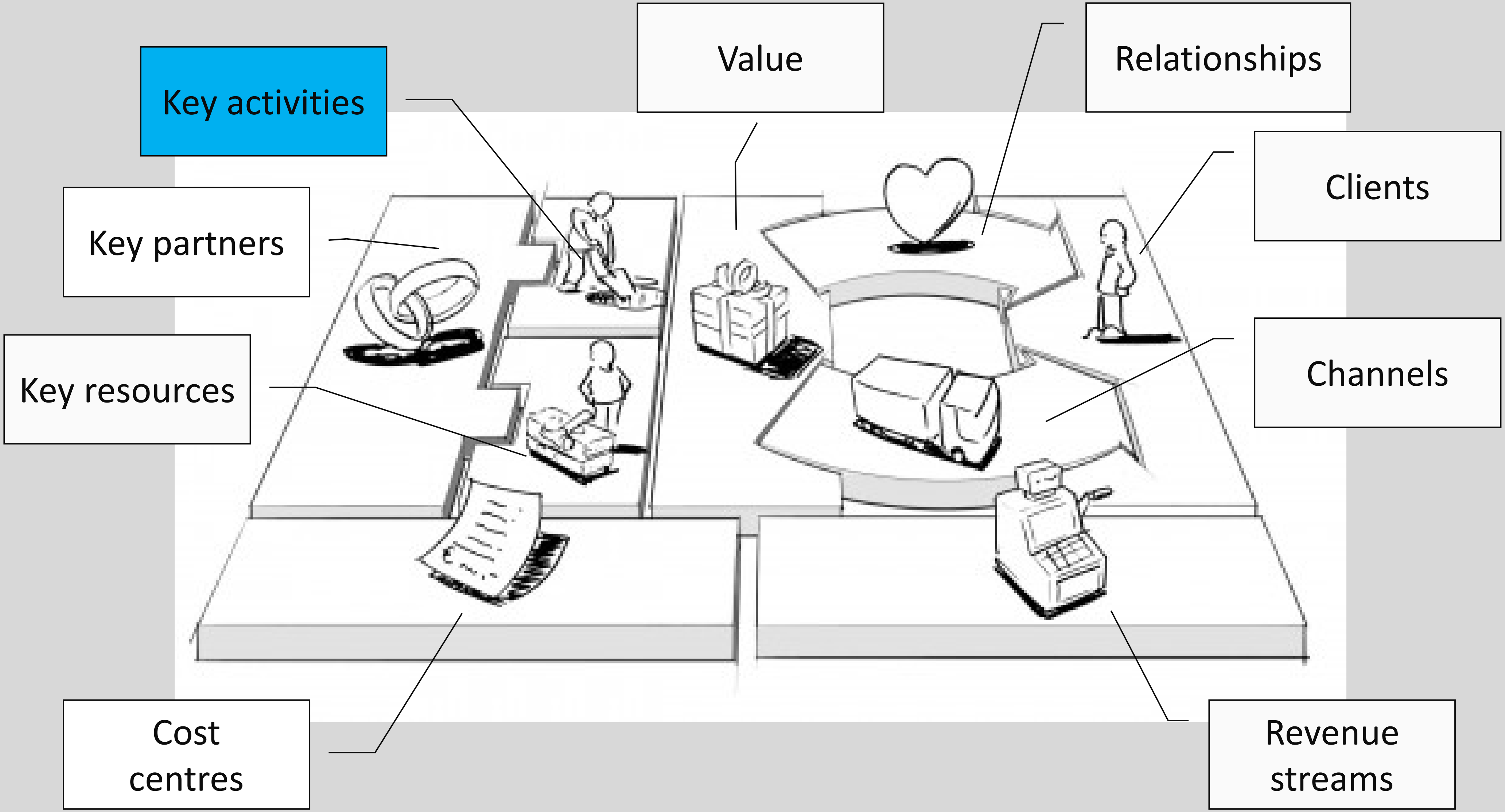


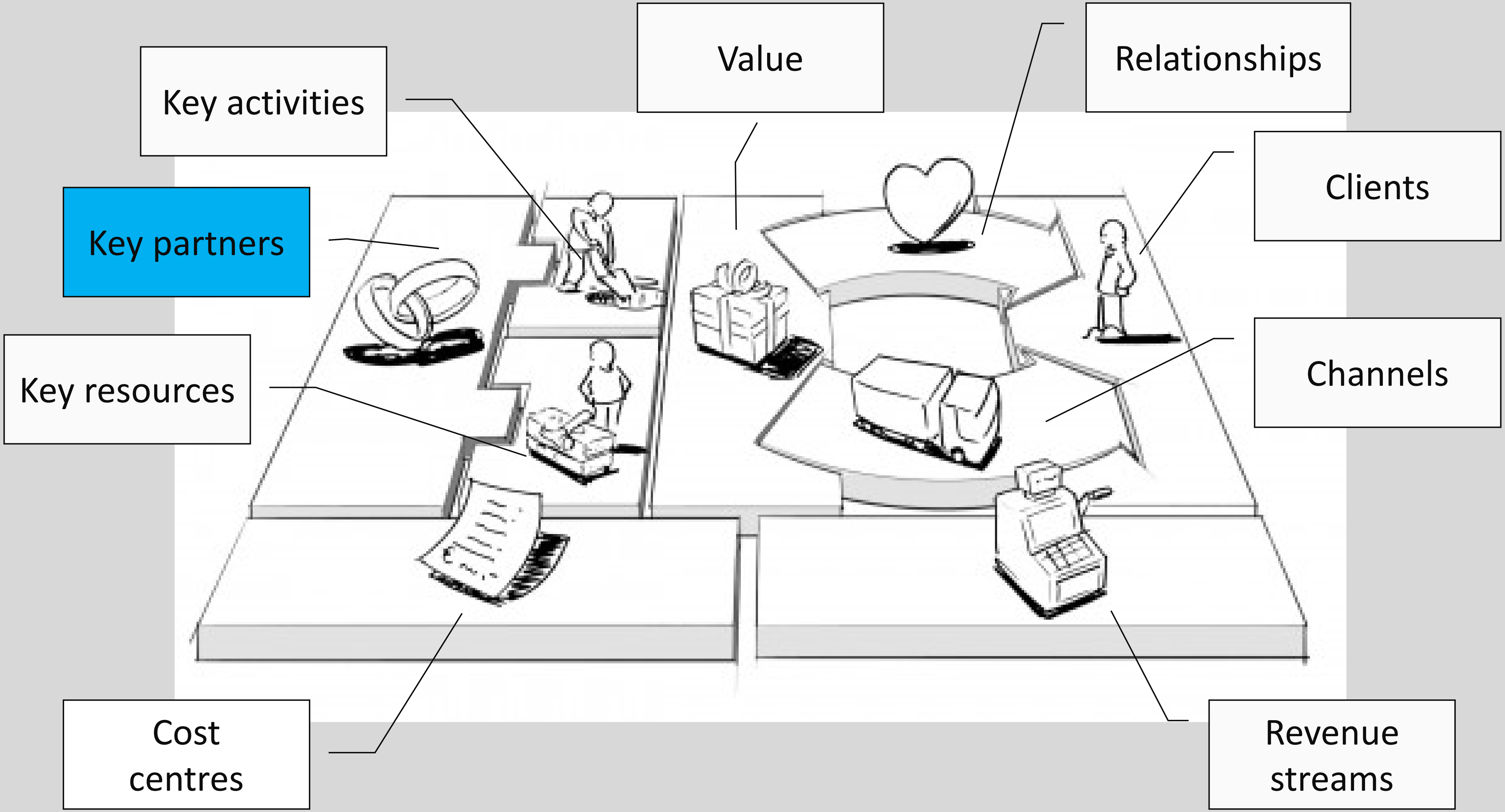
Key activities

Jaké klíčové činnosti vyžadují naše hodnotové nabídky?
Jaké je zajištění distribučních kanálů, vztahů se zákazníky, generování příjmů?

The building element describes the most important activities that are necessary to make the business model work.

Categories of key activities:
Production, Troubleshooting, Platform (Network)

Structural elements of the model



Key partners

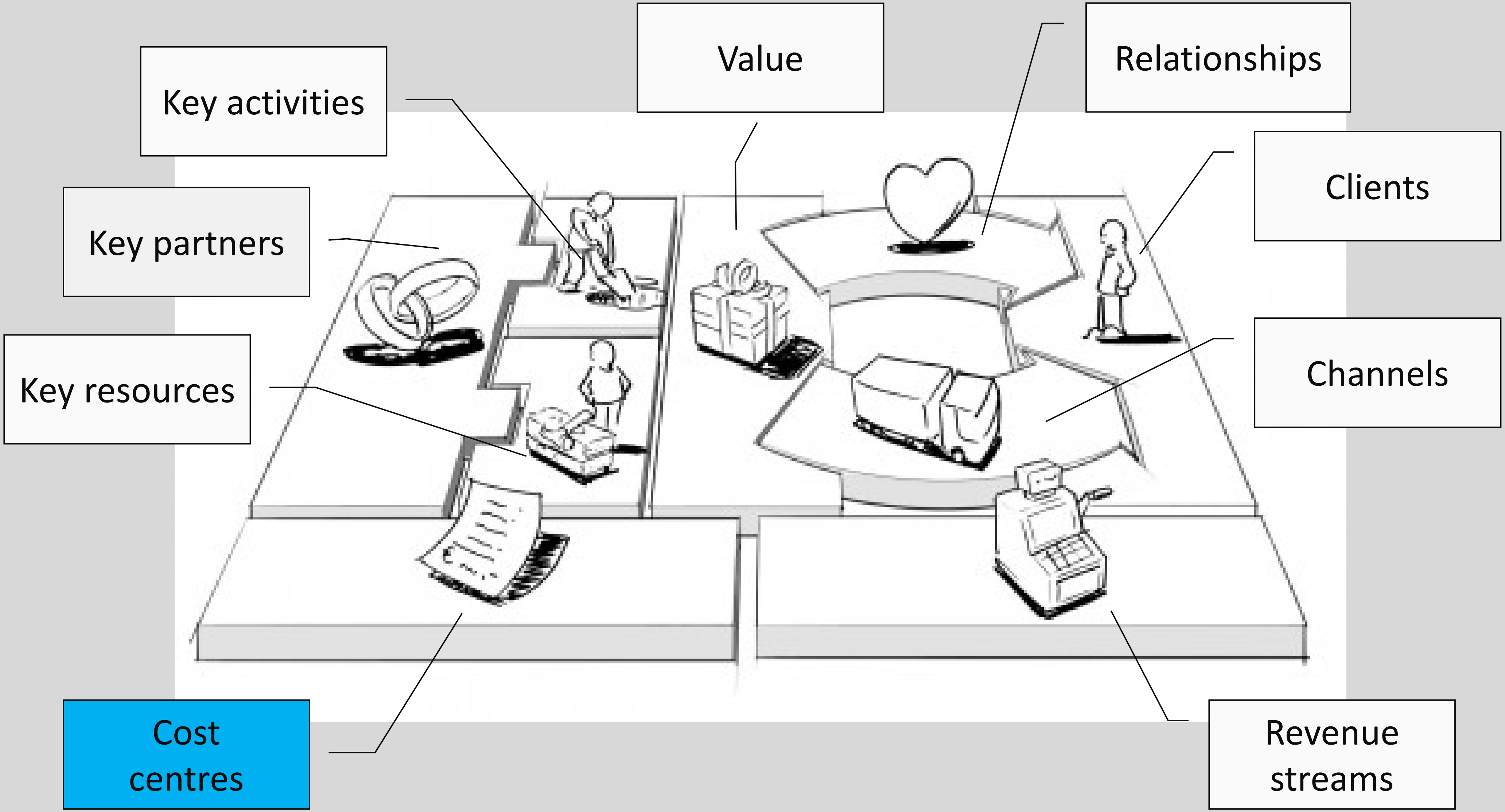
Who are our key partners? Who are our key suppliers? Which key sources do we get from partners? Which core activities do partners perform?

The building element describes a network of vendors and partners that is needed to make the business model work.

Types of motivation for partnership

Optimizing economies of scale, reducing risk and uncertainty, obtaining certain resources and activities

Structural elements of the model



Cost centres

What costs related to our business model are the most important? Which key resources are the most costly? Which key activities are the most costly?

The building element describes all the costs associated with the business model.

Types of cost structures (these are extremes):
Model motivated by costs
Model motivated by value

Cost centres

Model motivated costs

The model strives to minimize costs whenever possible.
The cost structure is maintained through value propositions based on low prices, maximum automation and extensive outsourcing.
Low cost airlines.

Model motivated by value

Focus on value creation. Characteristic features are premium value offers, personalized services.
Luxury hotels.

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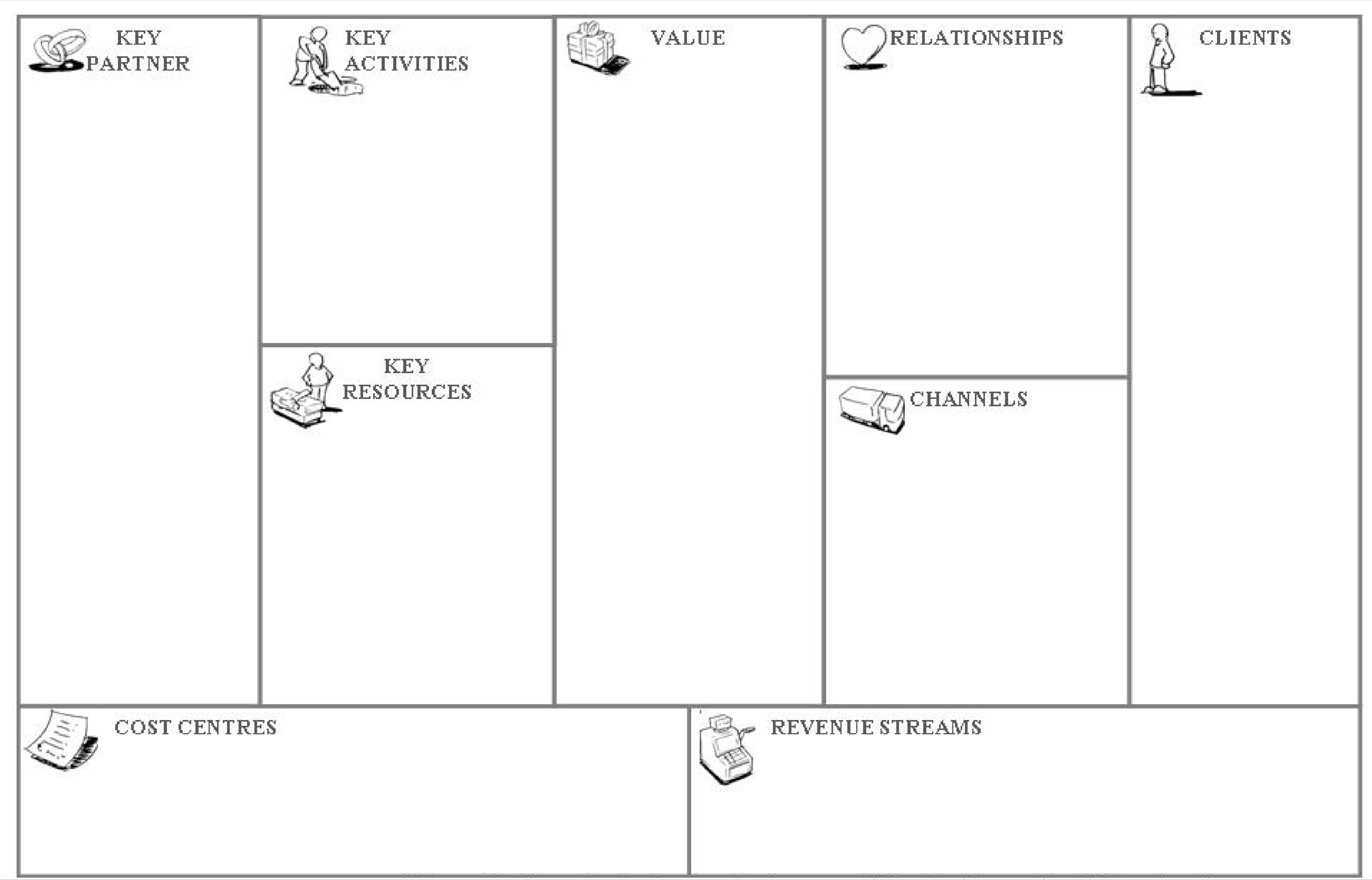
Business model canvas



Business model iPod-iTunes of Apple

Key Partners
- Music Artists
- Record Companies
- Music Industry

Key Activities
- I-Tunes Software
- I-Pod/I-Pad
- Partner deals with record companies and artists
- Advertising/Marketing

Key Resources
- I-Tunes Store/Software
- I-Pod
- Partner deals

Value Proposition
- Take your favorite music any ware
- Access to music on multiple devices (I-Pod, Computer, I-Phone, etc.)
- Legal, inexpensive access to thousands of songs
- Can selectively buy songs, instead of having to pay for every song on the CD

Customer Relationships
- Mass Customizable
- No live customer service
- Online helpdesk

Channels
- I-Tunes Store
- I-Pod/I-Phone/I-Pad
- Gift Cards sold at various stores
- Apple Store

Customer Segments
- Teens/Young Adults
- Workout Enthusiasts
- I-Pod, I-Phone, and I-Pad owners
- Anyone who loves music

Cost Structure
- Only have online infrastructure to maintain
- No physical stores overhead

Revenue Streams
- Pay per Song downloads
- I-Pod Sales
- Gift Card Sales

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Business model Gillette