
Business Model CANVAS

Master Class

— WP 5 Leader, UPC —

GA Stuttgart, 6-8 December 2017



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 737183.

Content Agenda

- Business Model example
- Aim of the Masterclass
- Business Model Concept
- Business Model CANVAS Building Blocks
- Business Model example



Example - Nespresso



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Nespresso background

SAMPLE

- Nespresso : part of **Nestlé**, the largest food company in Europe.
- Nestlé : **market domination (Nescafe brand)**; weak in roast and ground coffee segment.
- Nespresso : designed to **bridge this GAP through a dedicated espresso machine and pod system**. Aiming to **produce restaurant high quality espresso at home**.
- Nespresso : shift the **Customer Segment from office market to high-income households**.



Nespresso Business Model



- Nespresso **is selling** single-capsule coffee **directly by Internet, high-retail stores at premium locations and own store boutiques** instead of mass-market retailers.
- Nespresso **engages and envisions future needs of its customers** through the **Nespresso club card, gathering the client information.**
- Nespresso **has made joint ventures with coffee machine manufacturers** to enter the office segment and households.
- Nespresso main **revenues come from the capsules sales** as well as the espresso machines and accessories.



Aim of the Masterclass



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Aim of the Masterclass

To provide you with a **general overview of Business Model CANVAS concept and its importance for companies.** It does not try to make you experts on Business Modelling.

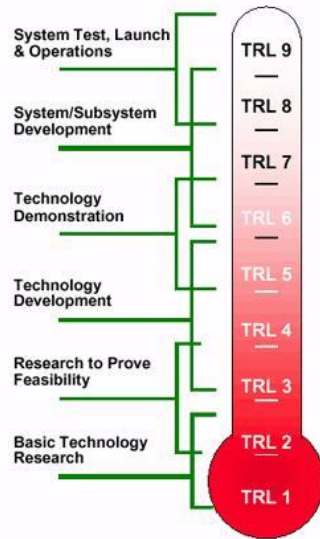


Business Models - Disclaimer



Technology Readiness Level - DISCOVERER

1	2	3	4	5	6	7	8	9
Basic Principles Observed	Technology Concept Formulated	Experimental Proof of Concept	Technology Validation in lab	Tech valid. in relevant environment	Demonstration in relevant environment	Demonstration in operational environment	System complete and qualified	Successful mission operations



TRL (general annex – G)

- TRL 1 – basic principles observed
- TRL 2 – technology concept formulated
- **TRL 3 – experimental proof of concept**
- **TRL 4 – technology validated in lab**
- **TRL 5 – technology validated in relevant environment**
- TRL 6 – technology demonstrated in relevant environment
- TRL 7 – system prototype demonstration in operational environment
- **TRL 8 – system complete and qualified**
- **TRL 9 – actual system proven in operational environment**

WP1 to WP4

WP5



Physical Model versus Business Model

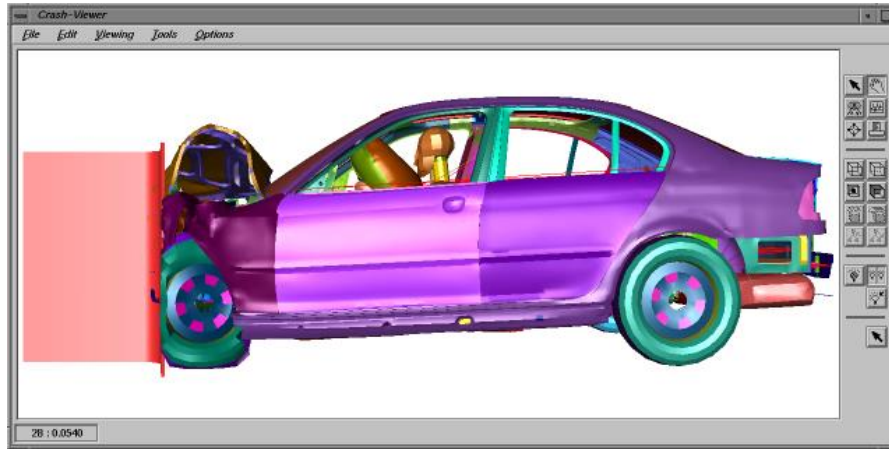


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Physical Model vs Business Model CANVAS

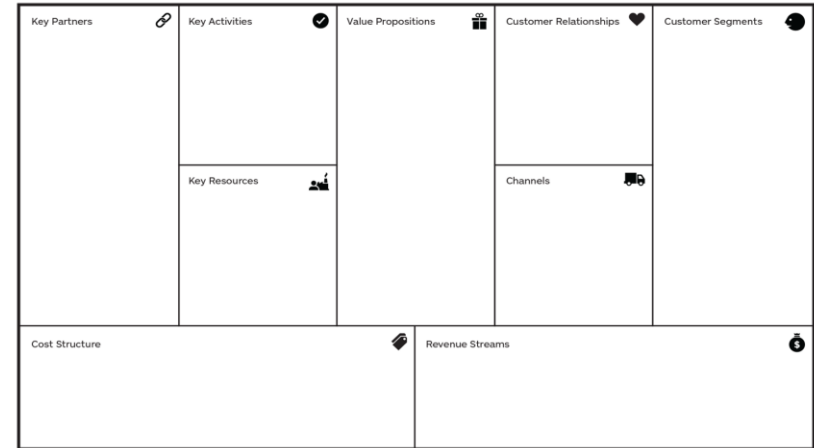
FROM : Physical Test (cost & time consuming)

TO : Simulation



FROM : Business Trial & Error (cost & time consuming)

TO : Simulation



What's a Business Model?



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How is Business Model defined?

- A business model describes *how the organization operates* (Magretta, 2002).
- A business model describes the rationale of *how an organization creates, delivers, and captures value*, in economic, social, cultural or other contexts (Osterwalder 2010).
- Business model is used to describe *what companies do in order to get profit*.

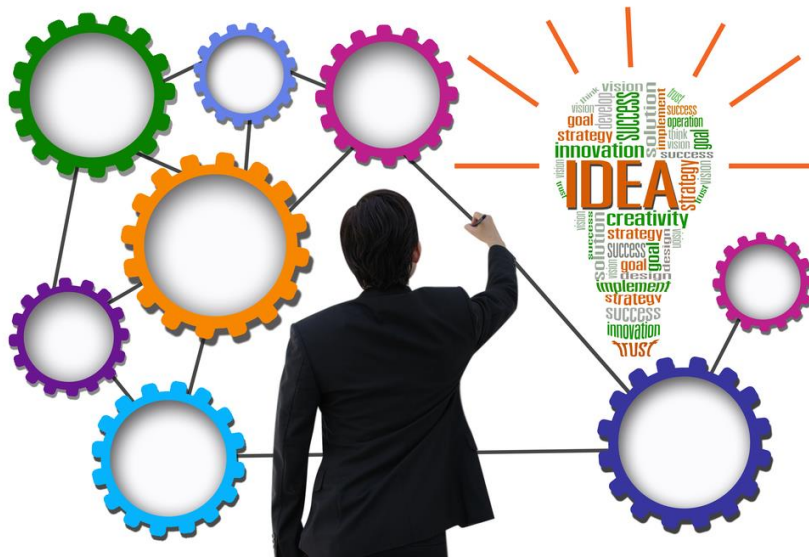


What's a Business Model CANVAS?



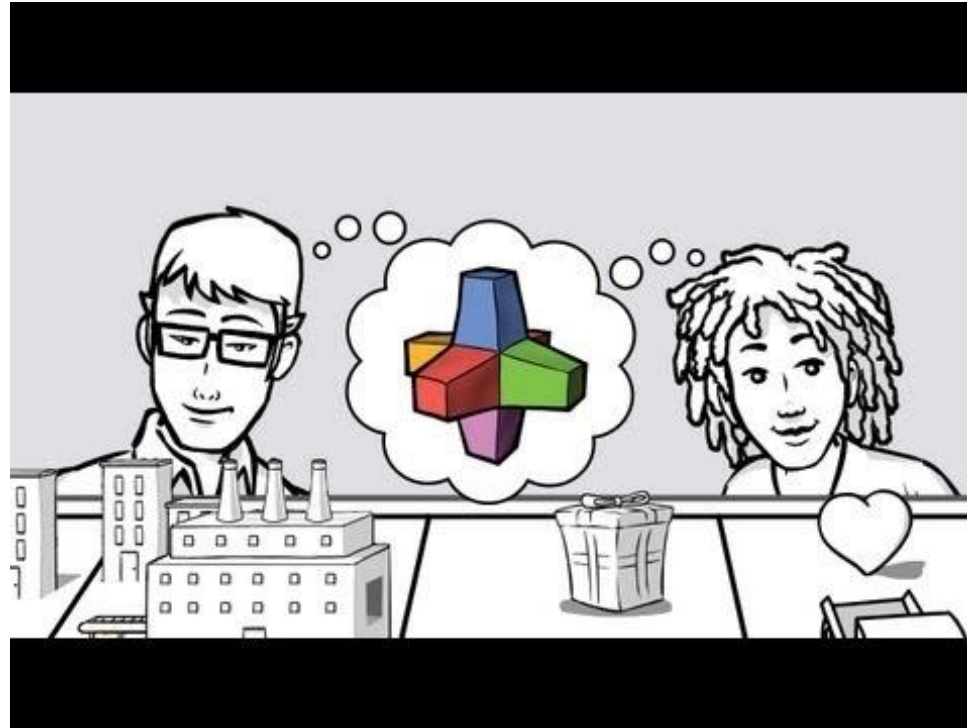
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What is Business Model CANVAS?



Business Model CANVAS is a way to show *"how organizations create and deliver value from and for the stakeholders of the company"*. It was first used by Osterwalder (2004).

Visualizing Business Model CANVAS (3'40'')

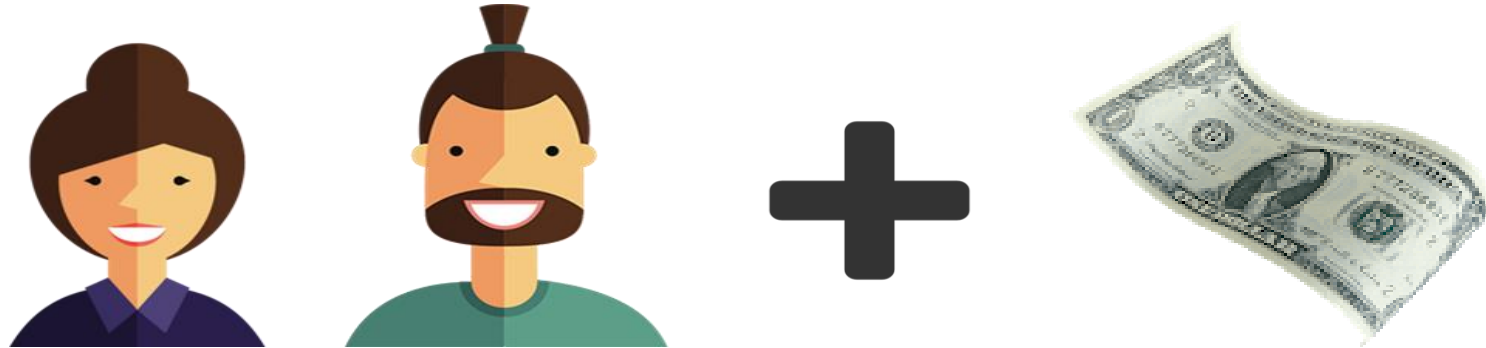


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What is Business Model CANVAS?

Business Model CANVAS can be described through 9 building blocks that show the logic of how a company intends to win customers and make profit.

You can check as much BM as you want before investing in the product.



Business Model Building Blocks

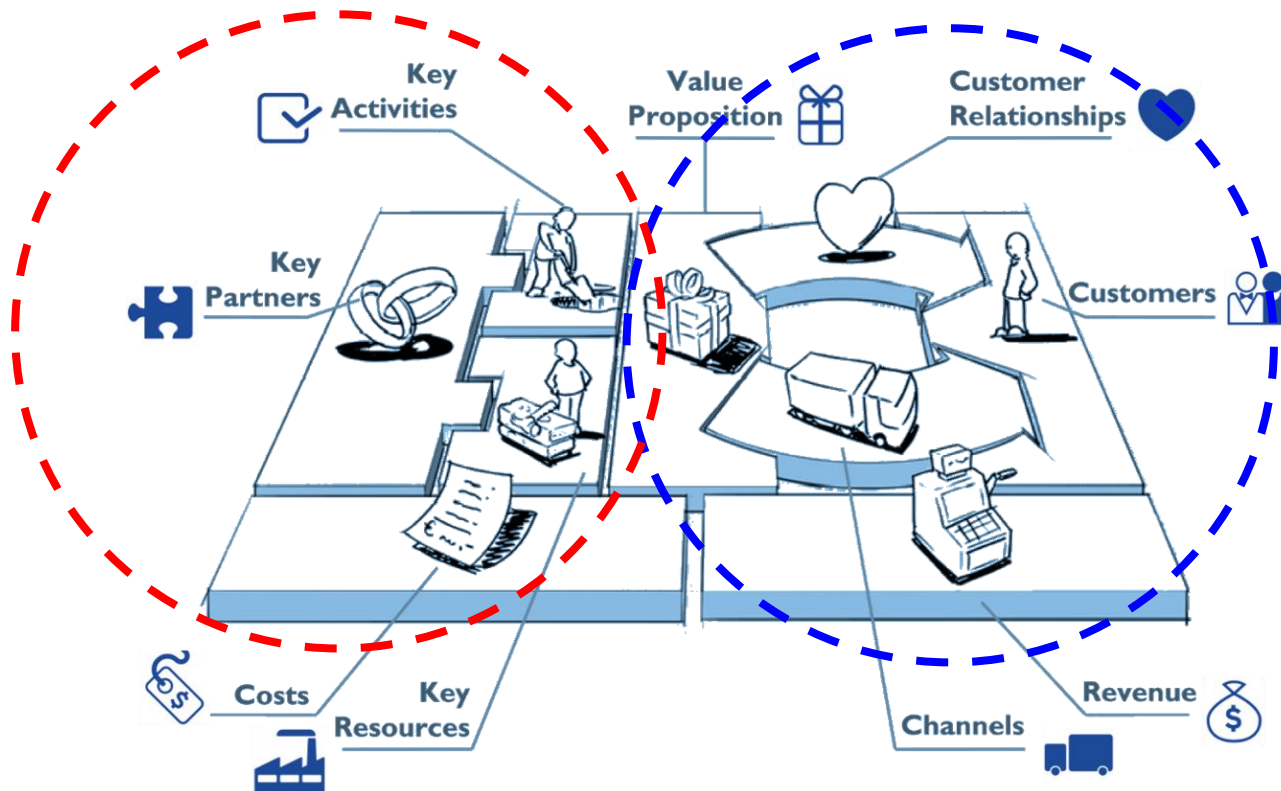


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Business Model CANVAS Overview

Cost-Side

Value-Side



Business Model CANVAS Building Blocks

- **Customer Segment**
- Value Proposition
- Channels
- Customer Relationship
- Key resources
- Key Activities
- Key Partners
- Cost Structure
- Revenue Stream



Customer Segment

CUSTOMER SEGMENT represents the different groups of people/organization/business that you aim to reach or serve since they show with common needs, problems or behaviours.



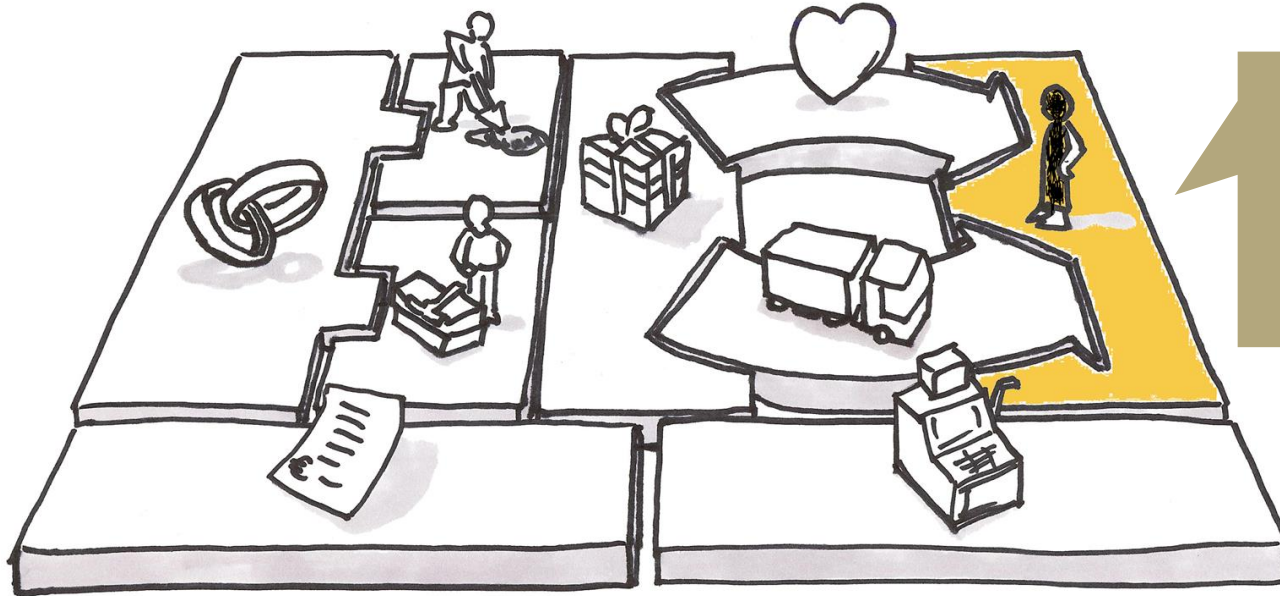
Nespresso Business Model

SAMPLE

What are the most **attractive customer segments** of Nespresso that make its business model work?



VALUE SIDE: Customer Segment



What are your customers?

Business Model CANVAS Building Blocks

- *Customer Segment*
- **Value Proposition**
- Channels
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- Key resources
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- Cost Structure
- Revenue Stream



What is Value Proposition?



Value Proposition is the reason why customers choose your product in front of the competitors.

What's Value Proposition?



VALUE PROPOSITION describes how the delivered product or service fulfils customer segment needs or problems.

Value proposition has to:

- **Make you unique** and **different** from competitors.
- **Activate customers' willingness to pay** your product / service.

Nespresso Business Model

SAMPLE

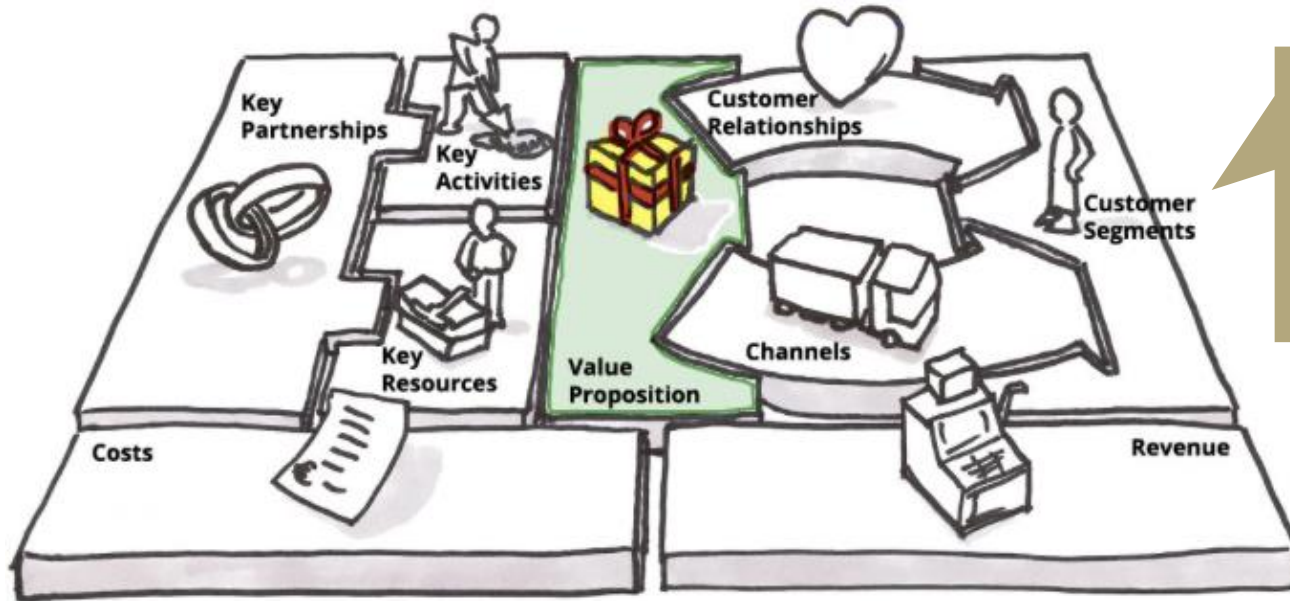
What is the **value proposition** of Nespresso that covers households needs?



*The value proposition of Nespresso is to
**produce restaurant quality espresso
coffee at home.***



VALUE SIDE: Value Proposition



What is being offered to the customers?

Business Model CANVAS Building Blocks

- *Customer Segment*
- *Value Proposition*
- **Channels**
- Customer Relationship
- Key resources
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- Cost Structure
- Revenue Stream



What does Channel mean?

CHANNEL is the **mechanism that companies use to communicate with and make available the Value Proposition to the customer.**



Types of Channels

DIRECT CHANNEL: Producer and final user deal directly with each other.

INDIRECT CHANNEL: There are intermediaries between producers and consumers. Intermediaries can be agents, wholesalers, franchising, licensing (production in external markets).



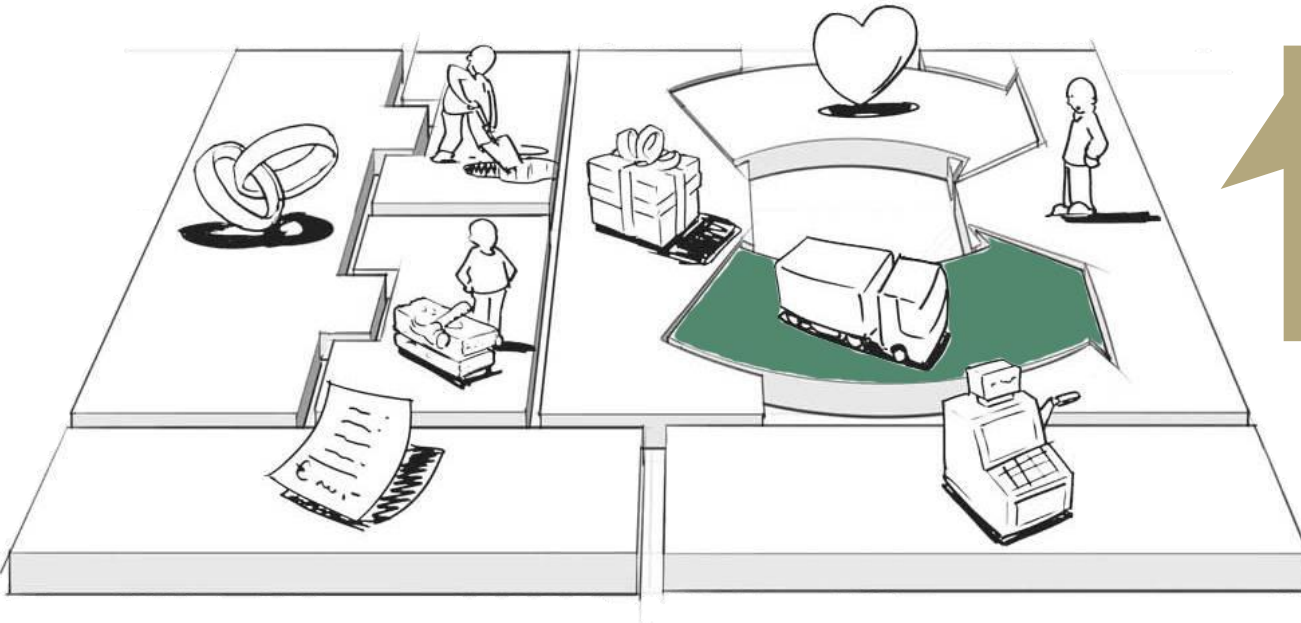
Nespresso Business Model

SAMPLE

What are the **channels** Nespresso uses to get its Customer Segment?



VALUE SIDE: Channels



How do customers want to be reached?

Business Model CANVAS Building Blocks

- *Customer Segment*
- *Value Proposition*
- *Channels*
- **Customer Relationship**
- Key resources
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- Revenue Stream



What's Customer Relationship?

CUSTOMER RELATIONSHIPS express the **type of relationship required to make business work, by engaging & retaining customers in order to increase revenues.**



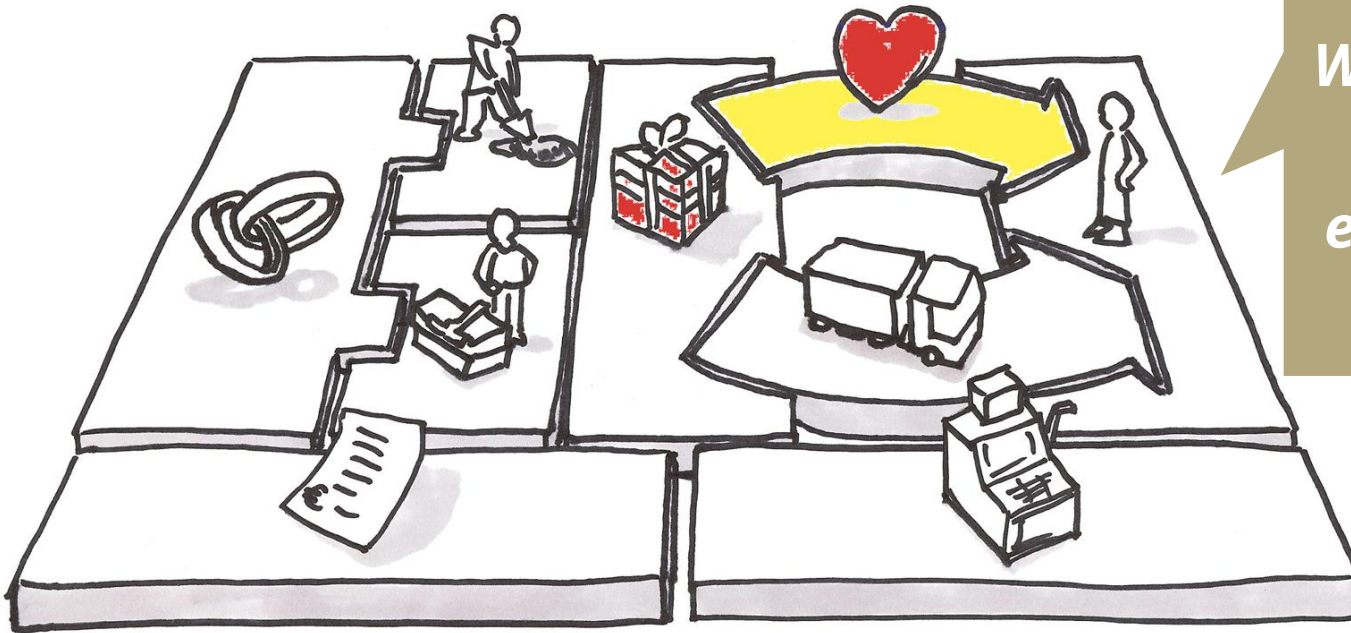
Nespresso Business Model

SAMPLE

What are the **customer relationships** Nespresso uses to engage its Customer Segment?



VALUE SIDE: Customer Relationship



*What relationship
are you
establishing with
each segment?*

Business Model CANVAS Building Blocks

- *Customer Segment*
- *Value Proposition*
- *Channels*
- *Customer Relationship*
- Key resources
- Key Activities
- Key Partners
- Cost Structure
- **Revenue Stream**



What does Revenue Stream mean?

REVENUE STREAM **represents the value or price that the customer segment is willing to buy/pay for the product or service.**



Revenue Stream Categories

Transactional Revenues >> it results from one-time customer payment.



Recurring Revenues >> it results from ongoing payments to deliver a value proposition to customers or provide post-purchase customer support.



Pricing mechanism



Each revenue stream has a pricing mechanism:

- **Fixed** >> cost that takes me to build the product and advertise it **based on features and demand.**
- **Dynamic** >> price that you **negotiate.** For instance, in real-time markets or auctions.



Nespresso Business Model

SAMPLE

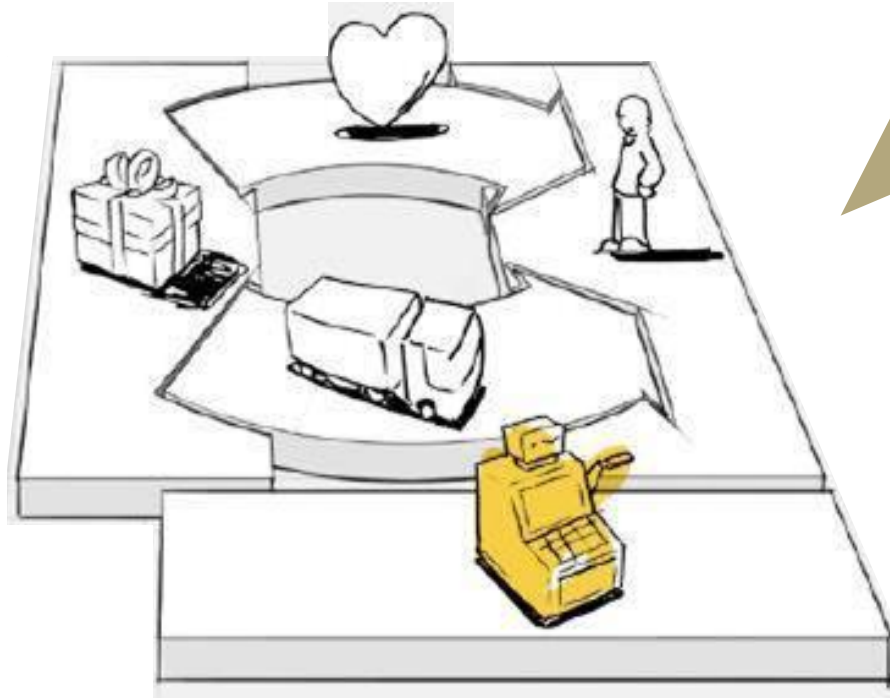
What are the **revenue streams** Nespresso uses to get incomes?

Recurring Revenues



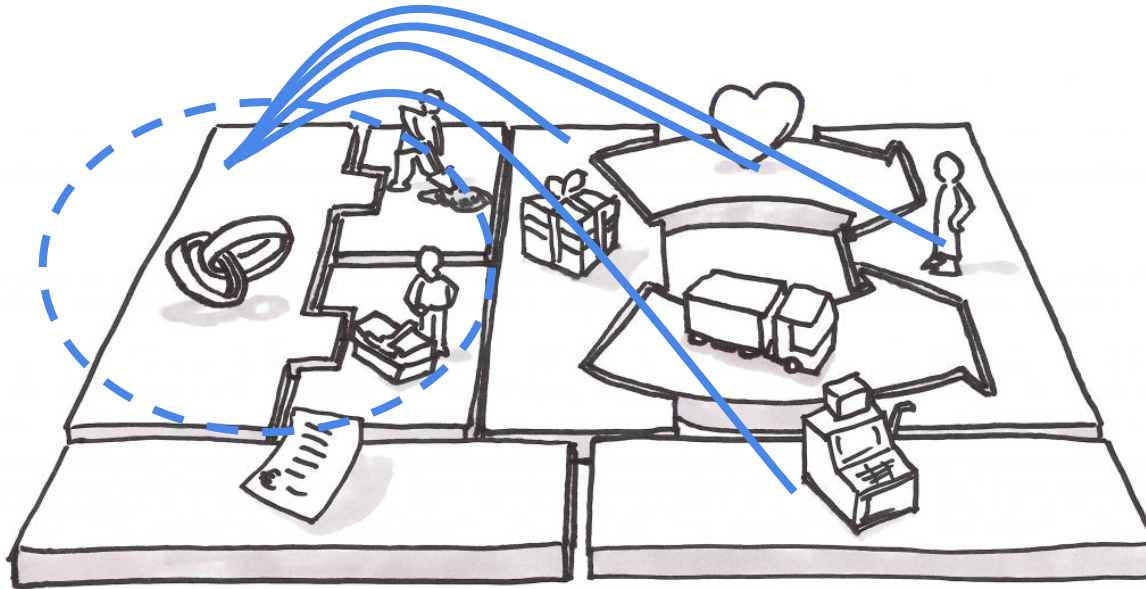
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VALUE SIDE: Revenue Stream



*What are
customers really
willing to pay for?*

Business Model COST SIDE



Cost-side is required to:

- Create and offer a Value Proposition
- Reach markets
- Keep Customer Relationships
- Earn revenues

**Value side is not
the only important
part of your BM if
you want to succeed
and create value to
the market.**



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Business Model CANVAS Building Blocks

- *Customer Segment*
- *Value Proposition*
- *Channels*
- *Customer Relationship*
- *Key Activities*
- *Key Partners*
- *Cost Structure*
- *Revenue Stream*
- **Key resources**



What are resources?

KEY RESOURCES are the
**essential assets that create
and deliver the Value
Proposition.**



Key Resources Categories

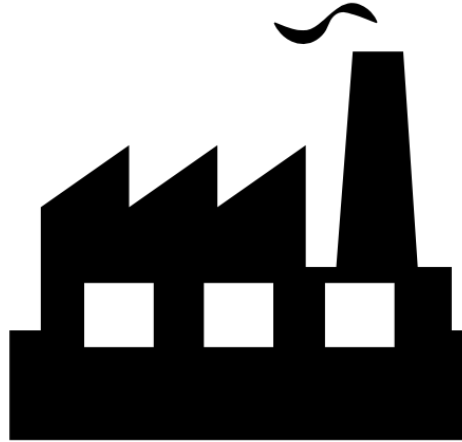
RESOURCE		CHARACTERISTICS	INDICATORS
Tangible Resources	Financial	Borrowing capacity Internal funds generation	Debt/Equity ratio Credit rating Net cash flow
	Physical	Plant and equipment: Size, location, technology flexibility. Land and buildings Raw materials	Market value of fixed assets. Scale of plants Alternative uses for fixed assets
Intangible Resources	Technology	Patent, copyrights, know-how, R&D facilities Technical and scientific employees	Number of patents owned Royalty income R&D expenditure R&D staff
	Reputation	Brands, customer loyalty, company reputation (with suppliers, customers, government)	Brand equity Customer retention Supplier loyalty
Human Resources		Training, experience, adaptability, commitment and loyalty of employees	Employee qualifications, Pay rates, turnover



Nespresso Business Model

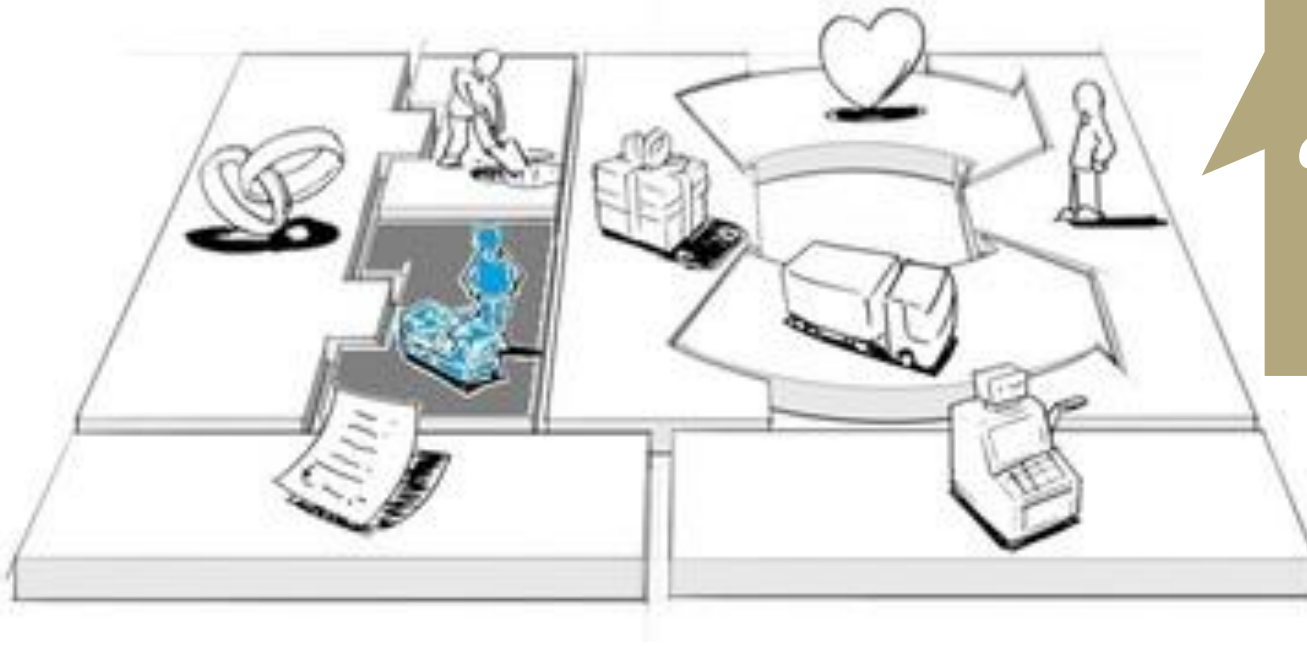
SAMPLE

What are the **Key Resources** Nespresso uses to create the value proposition?



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COST SIDE: Key Resources



What assets are essential to make your Business work?

Business Model CANVAS Building Blocks

- *Customer Segment*
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- *Key Activities*
- Key Partners
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- *Revenue Stream*



What do Activities mean?

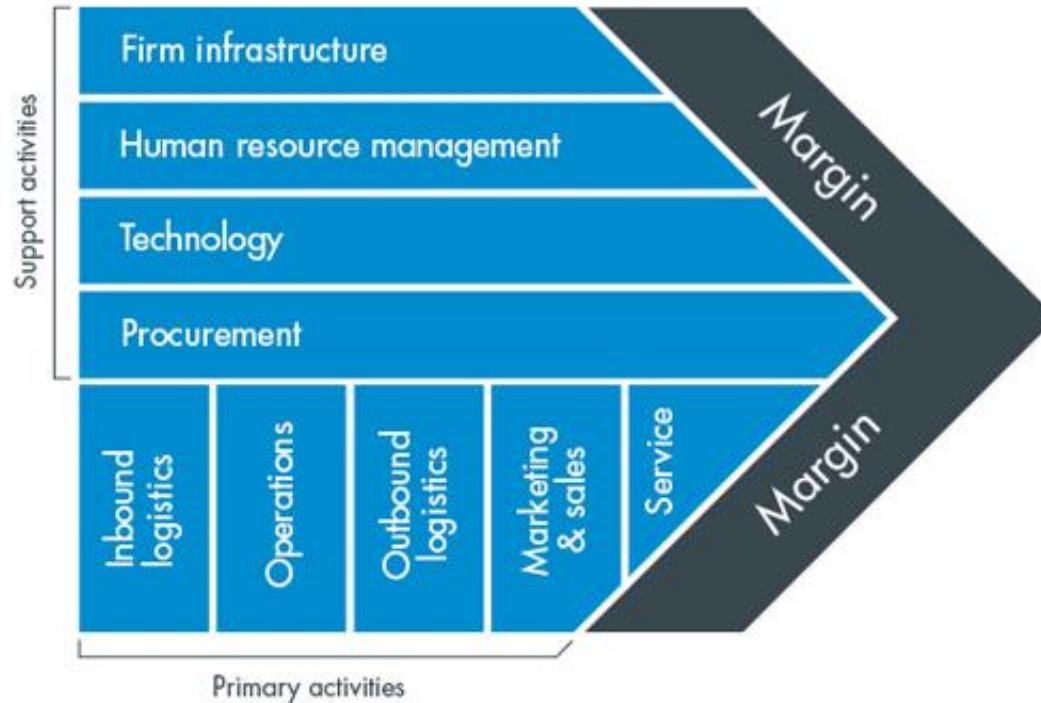
Organizational **KEY ACTIVITIES** are defined as the **capacity of the organization to create and deliver value to the customer** by efficiently and effectively transforming its inputs (resources) into outputs (products/services).



What tool would help us to identify the key activities of your business?



TOOL: Value Chain



Space Value Chain

CubeSat based EO mission Value Chain



Why is Value Chain important for businesses?



Importance of Value Chain analysis

Value Chain helps us:

- Understand **how value is created within organizations.**
- **Examine firm's activities and see how they are connected.**
- Identify **how competitive advantage is built.**

The **way activities are performed** is defining the costs and affecting firm's profits.



Nespresso Business Model

SAMPLE

What are the **key Activities** Nespresso uses to create the value proposition?

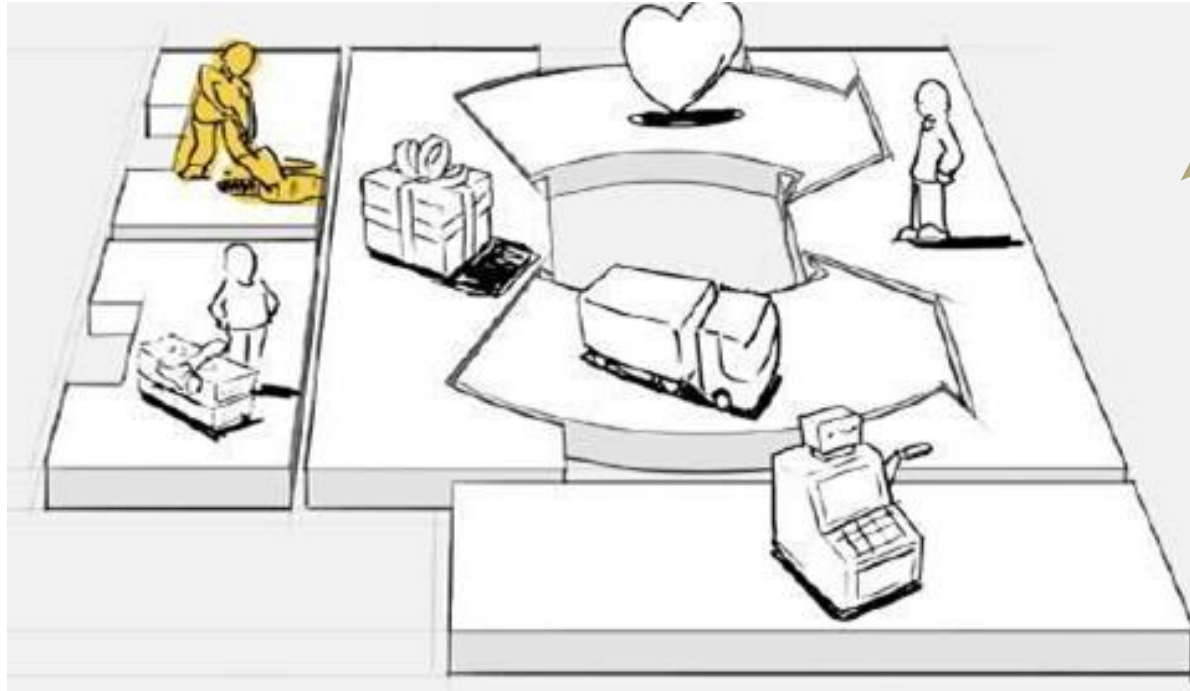
Marketing

Safe & Quick Service



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COST SIDE: Key Activities



*What activities
are crucial to
perform well on
your Business?*

Business Model CANVAS Building Blocks

- *Customer Segment*
- *Value Proposition*
- *Channels*
- *Customer Relationship*
- *Key resources*
- *Key Activities*
- **Key Partners**
- *Cost Structure*
- *Revenue Stream*



What does Partner mean?

KEY PARTNERS are the necessary stakeholders that help **optimize your Business Model, reducing risks and getting access to key resources.**



Key Partners - Types of partnerships

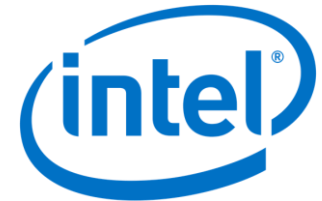
Strategic alliances >> use 3rd parties to manufacture the whole product or complement to add value.



Coopetition >> competitors join together to grow awareness of their industry.



Joint ventures >> aim to join complementary products.



Buyer-supplier relationships >> part of supply chain, manufacturing line, back office, components, raw materials,...



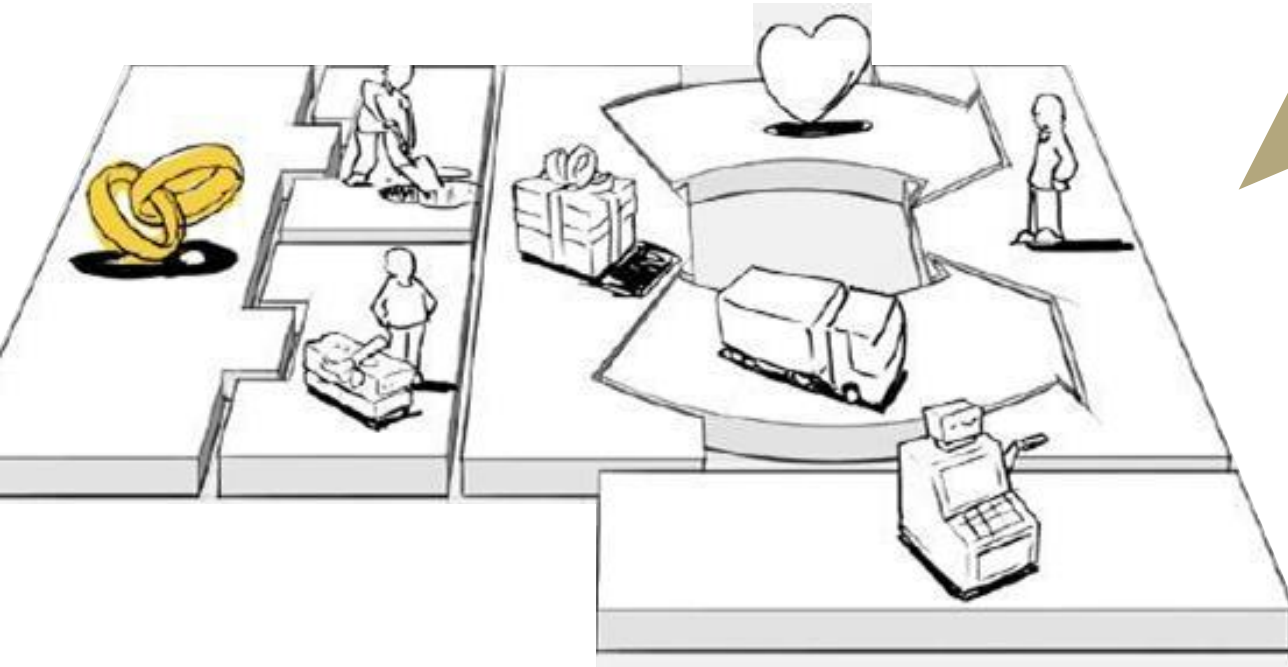
Nespresso Business Model

SAMPLE

What are the **key Partners** Nespresso uses to create the value proposition?



COST SIDE: Key Partners



*What partners
and suppliers
your need to rely
on?*

Business Model CANVAS Building Blocks

- *Customer Segment*
- *Value Proposition*
- *Channels*
- *Customer Relationship*
- *Key resources*
- *Key Activities*
- *Key Partners*
- **Cost Structure**
- *Revenue Stream*



What does Cost Structure mean?

The COST STRUCTURE **describes all incurred costs to operate a business model** (fix and variable costs).

It can be **estimated once the Key Resources, Key Activities, and Key Partnerships are defined.**



Nespresso Business Model

SAMPLE

What is the **Cost Structure** of Nespresso?

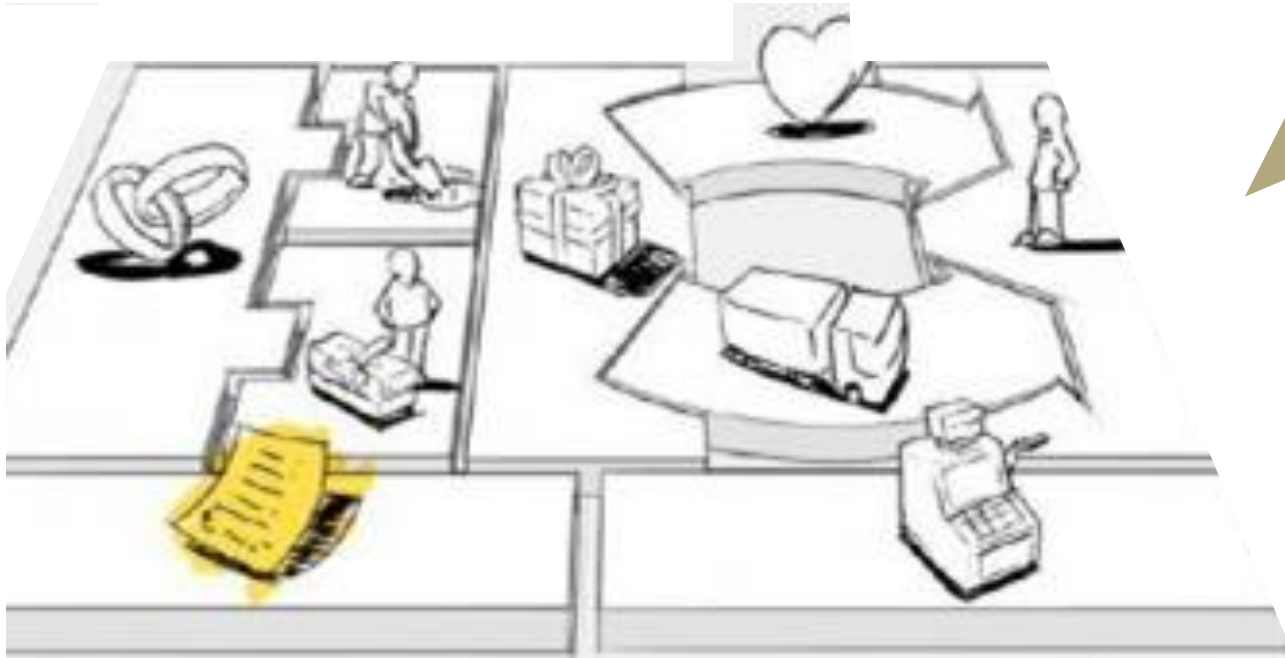


Marketing



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COST SIDE: Cost Structure



What elements drive you cost?

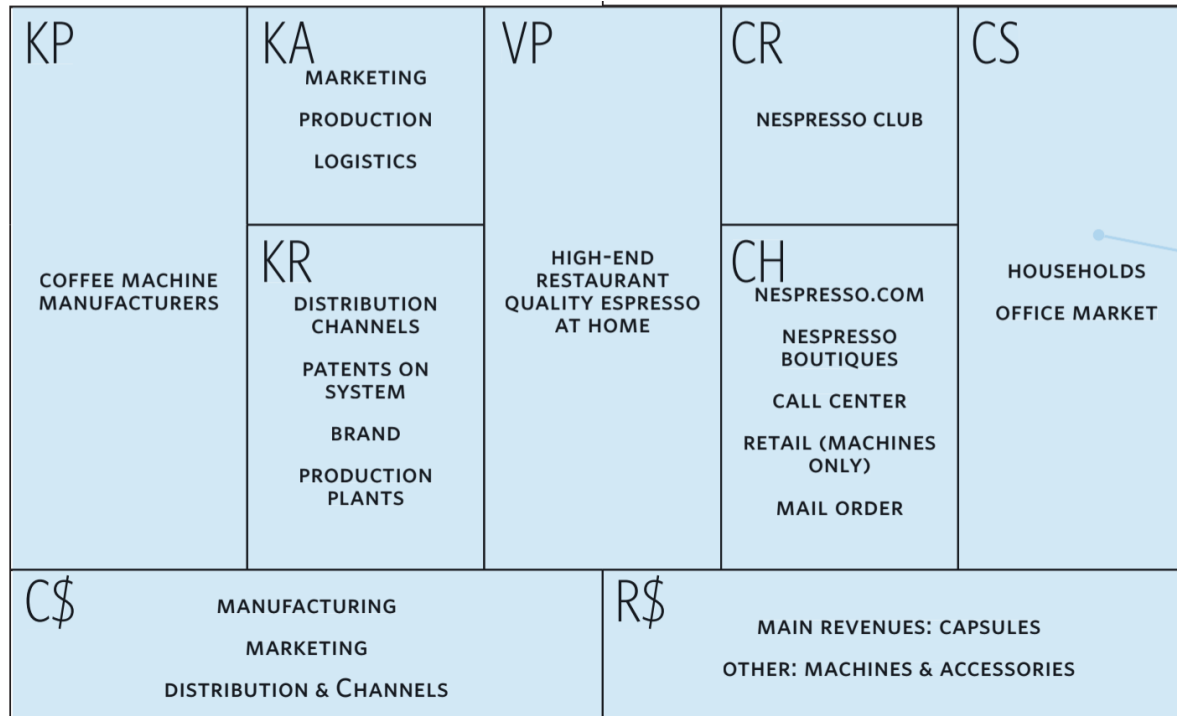
Business Model CANVAS Building Blocks

- *Customer Segment*
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Nespresso Business Model

SAMPLE



Earth Observation Example Planets Business Model



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Planets Business Model

SAMPLE

<p>KP</p> <p>Customers Space Agencies Launchers Google</p>	<p>KA Marketing Agile Development</p> <hr/> <p>KR Brand Know-how Financial Equipments and facilities</p>	<p>VP</p> <p>High Temporal Resolution with moderate Price</p>	<p>CR User-centered Customers Collaboration</p> <hr/> <p>CH Resellers Distributors Sales Team Workshops Conferences</p>	<p>CS</p> <p>Commercial Customers: Agriculture Market</p>
<p>C\$</p> <p>Marketing; production; equipment and facilities; launch</p>		<p>R\$</p> <p>Image sales; Subscription offering; Consultancy Services</p>		



Moreover... **Business**
does not operate in
isolation



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**One Business Model
that makes sense in
today's
environment might
be outdated or
obsolete tomorrow.**



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“There is not a single business model... there are really a lot of options and we just have to discover all of them.”

-- Tim O'Reilly

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