



**UNIMORE**  
UNIVERSITÀ DEGLI STUDI DI  
MODENA E REGGIO EMILIA

C/LAB  
Contamination Lab

IDEAS FOR REAL

# From research to business through Business Model Design

# What is innovation?

Innovation = Invention \* Business Model



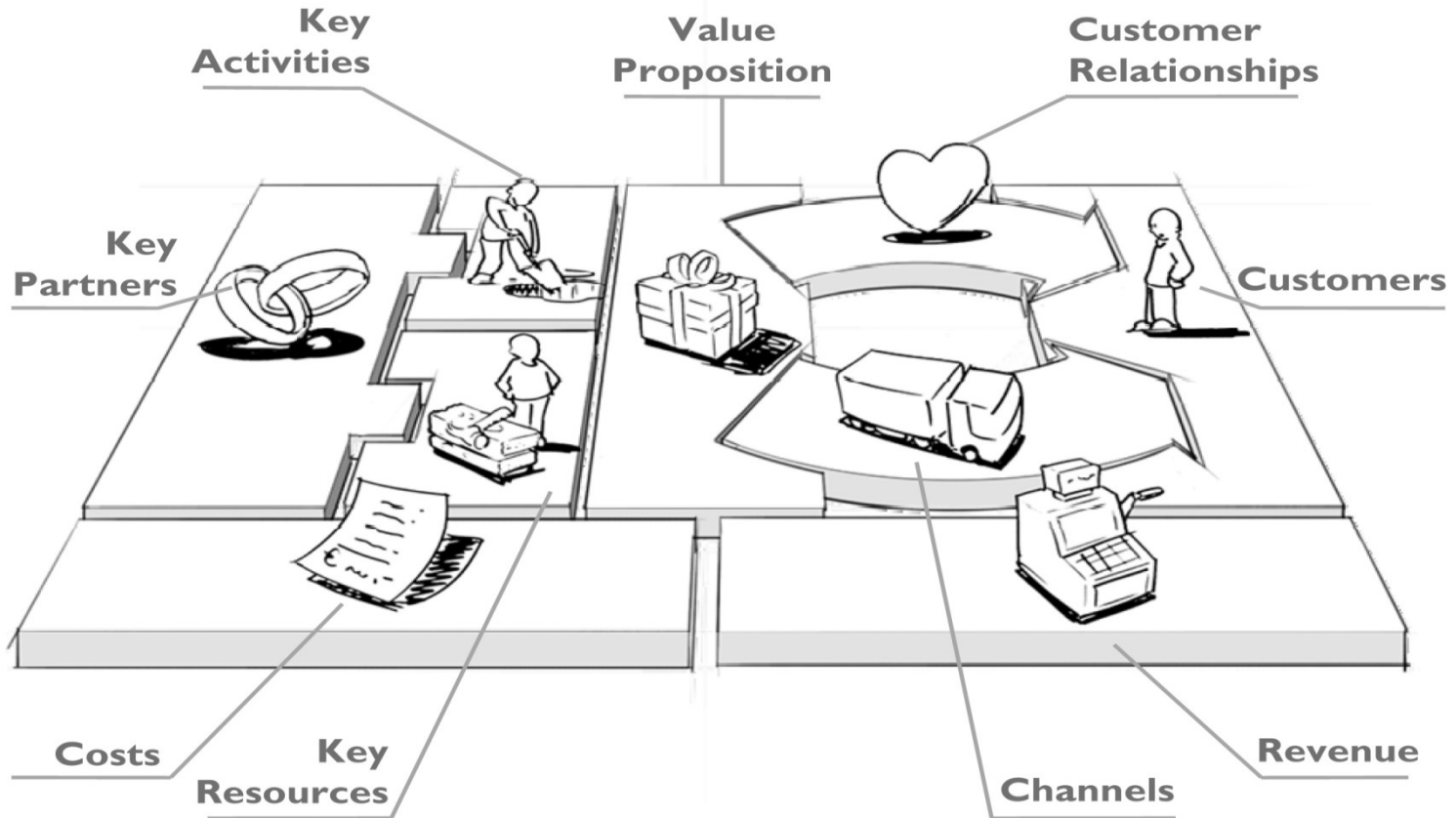
Xerox Model 914

Business Model as the **logic** (Hardware As A Service) that allows to sell the new tech (and make it **acceptable**)

BM design **accelerates** the value creation and appropriation of the new technologies

# What is a BM?

A **Business Model** describes the logic through which an organization captures, delivers, and creates value



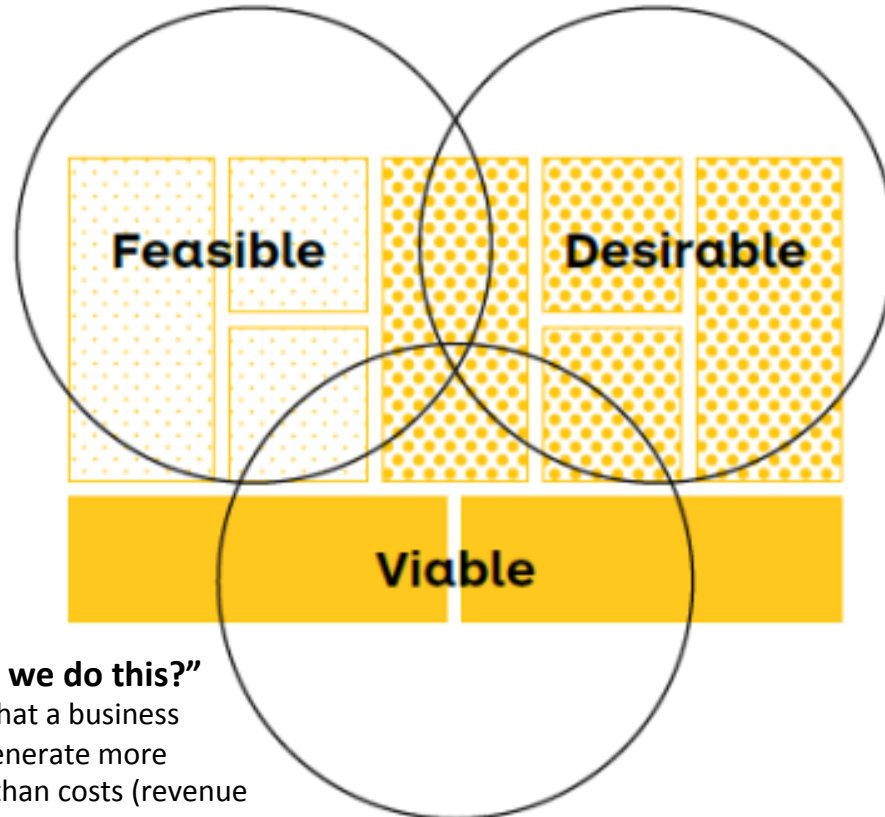
# Business Model Canvas

- Tool to visualize a BM and to share it between founders
- Quite known in the start-up ecosystem and also used by innovative enterprises
- Precondition to develop both qualitative and quantitative parts of your business plan

# Desirability, Viability, and Feasibility

## “Can we do this?”

The risk is that a business can't manage, scale, or get access to key resources (technology, IP, brand, etc.), key activities, or key partners.



## “Should we do this?”

The risk that a business cannot generate more revenue than costs (revenue stream and cost structure).

## “Do they want this?”

The risk is that the market a business is targeting is too small; that too few customers want the value proposition; or that the company can't reach, acquire, and retain targeted customers.

# Desirability, Viability, and Feasibility



desirability

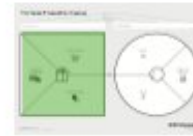
33%

=



“problem”

+



“solution”

+



acquisition

+



retention



feasibility

33%

=



tech/resources

+



activities

+



partners



viability

33%

=



revenue/pricing

+



cost

***BM***

*building blocks*

The starting point

# 1. Customer Segments



# 1. Customer Segments

What kind of **problem** are we solving?

For **whom** are we creating value?

Which are our most **valuable** customers?

# 1. Understand your customer

## 3. Gains

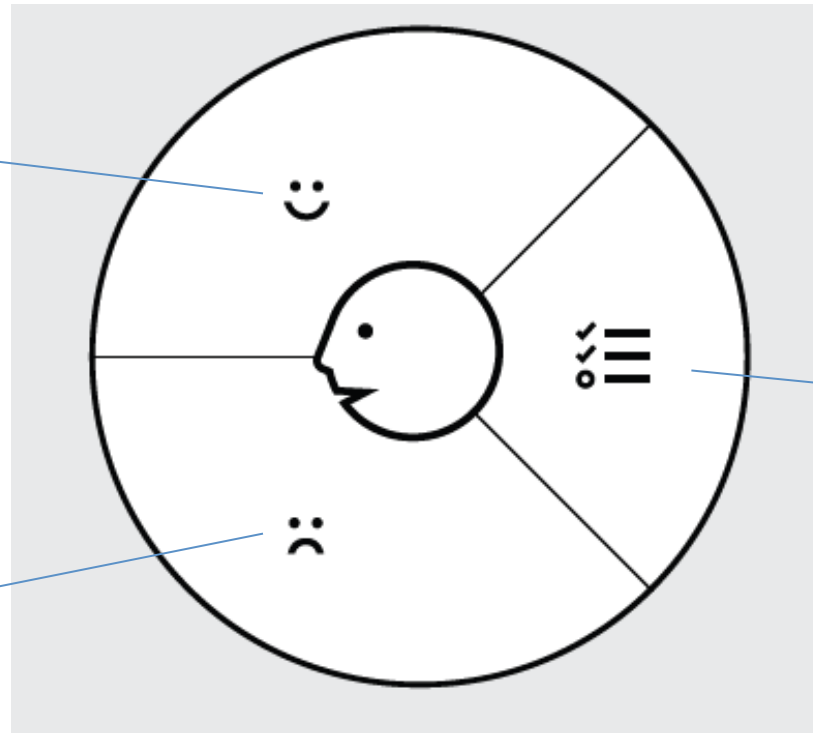
Benefits your customer expects, desires or would be surprised by.

- **Core benefit/s** (basic performance, savings)
- **Expected benefit/s** (quality level)
- **Unexpected benefit/s** (more services, less price)

## 2. Pains

Sacrifices, problems and risks that your customer experiences

- **Undesired costs/problems** (time, money, efforts, lack of features)
- **Obstacles** (learning curve, resistance, unfriendliness)
- **Risks** (financial, technical risks)



## 1. Customer Job

Describe what a specific customer segment is trying to get done. It could be the tasks they are trying to perform and complete, the problems they are trying to solve, or the needs they are trying to satisfy.

### 3 types of problems/jobs

- **Functional:** related to the tasks to perform
- **Social:** related to the social relationships
- **Emotional:** related to the person and its values,

# 1. Customer Persona

## Sharon

### She says

"I love my job, I've got some great customers who I see on a regular basis"

"Doing my accounts is a real headache! My qualifications are in hairdressing – not sums. I failed my maths GCSE"

"I've worked in salons in the past, but right now I prefer the flexibility of working on my own. I'd love to set up my own salon but I don't know where I'd start"

"I try to save as much as I can, but I'm not the most disciplined of people"

### She needs

Help in planning her business finances

Business mortgage

Business loan

Manage her business account on-line

Manage her personal account on-line



SMALL LOCAL BUSINESS



*Sharon runs her own business as a mobile hairdresser and stylist. One day she will set up her own salon but her clients keep her so busy she never seems to find the time to do anything about it*

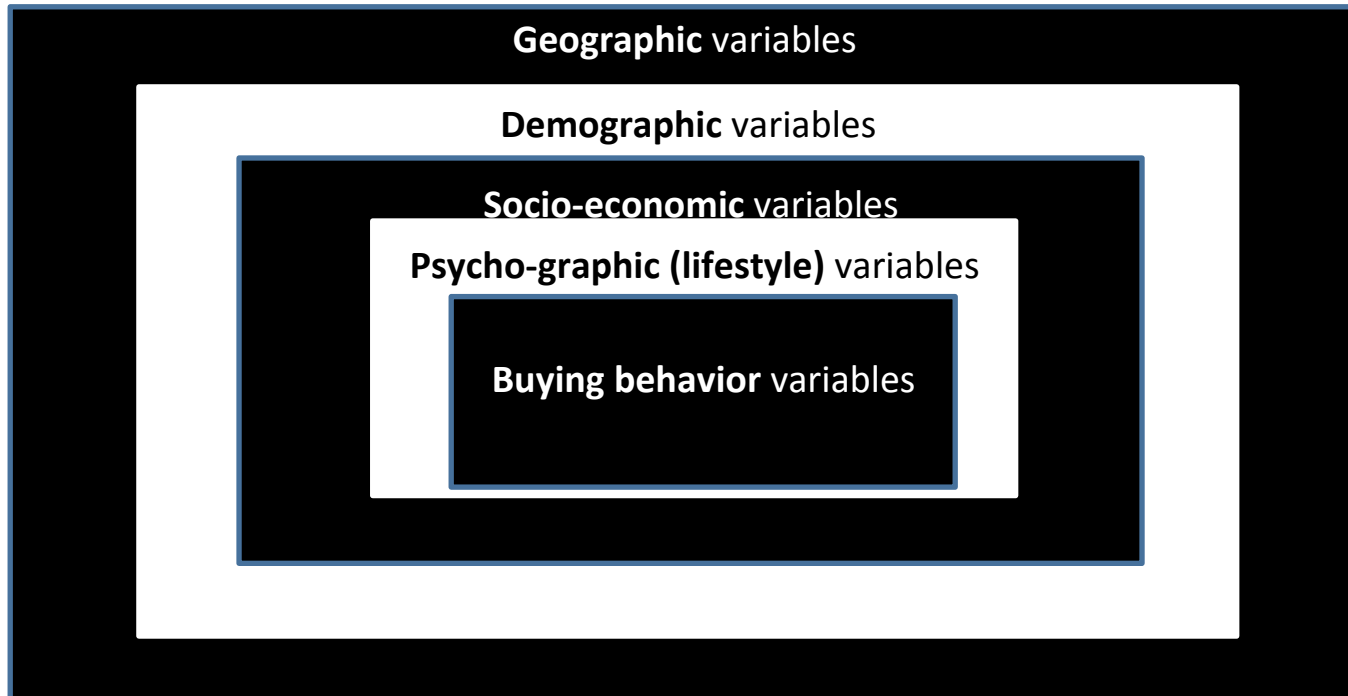
# 1. From Customer Persona to Segments

Customer segments represents separate groups of customers in terms of:

- Benefits/needs they required
- Distribution channels
- Types of relationships
- Profitability
- Willingness to pay

# 1. Customer Segments

## Segmentation variables



# 1. Customer Segments

## Prerequisites of customer segments

- Measurability                      the segment can be measured in terms of size and its main characteristics
- Practicality                        the segment can be reached and served effectively
- Relevance                         the segment has a real a sales potential and growth potential

The value

## 2. Value Proposition



# 2. Value Proposition

What bundle of products/services are we offering to our customer segment(s)?

What value do we deliver to the customer segment?

Which one of the customer's problem are we able to solve?

Whic customer needs are we satistying?

# Value proposition map

## 1. Product/service

List all the products and services your value proposition is built around

- Tangible product/s
- Intangible product/s (service/s)
- Digital product/s (service/s)
- Financial product/s (service/s)



## 3. Gain Creators

Describe how your products and services create customer gains

**Do they create savings that make your customer happy?** (e.g. in terms of time, money and effort, ...)

**Do they produce outcomes your customer expects or that go beyond their expectations?** (e.g. better quality level, more of something, less of something, ...)

## 2. Pain reliever

How your products and services alleviate customer pains

**Do they produce savings?** (e.g. in terms of time, money, or efforts, ...)

**Make your customers feel better?** (e.g. kills frustrations, annoyances, things that give them a headache, ...)

**Fix underperforming solutions?** (e.g. new features, better performance, better quality, ...)

# Value proposition design

## 3. Gain Creators

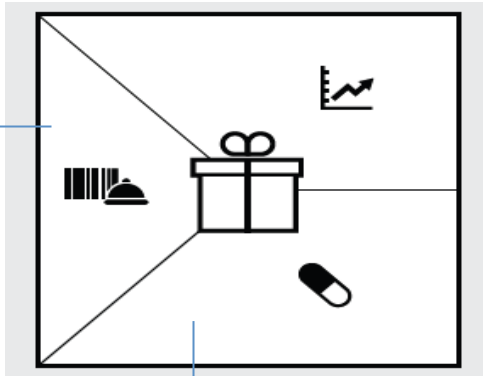
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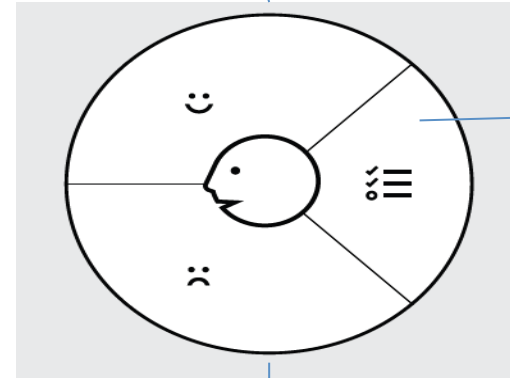
**Make your customers feel better?** (frustrations, annoyances, headaches)

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## 1. Customer Job

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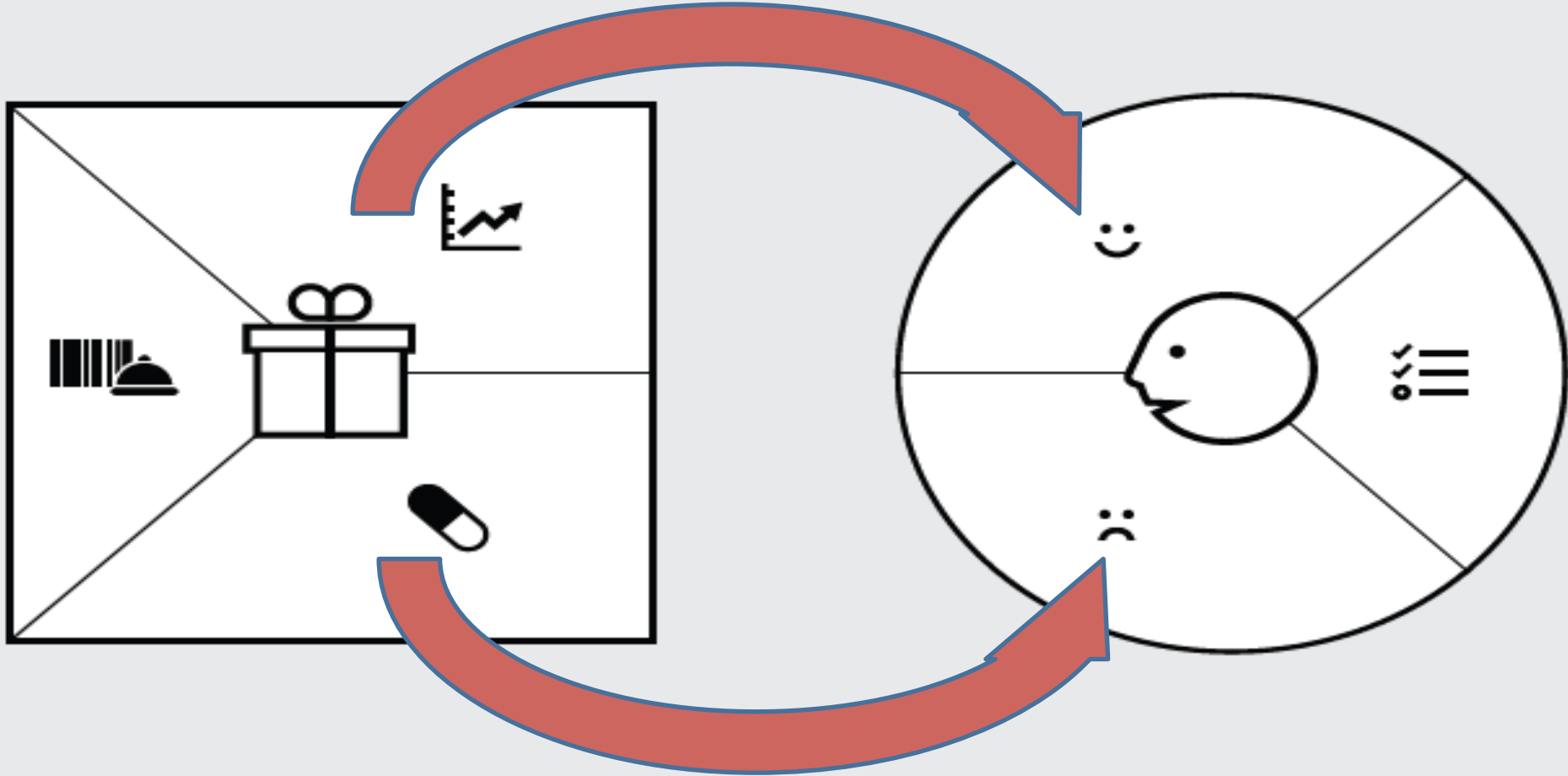
**3 types of problems/ jobs**

- **Functional**
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- **Risks** (financial, technical risks)

# FIT between customer and value proposition



# 2. Value Proposition

Value is connected to:

- Degree of novelty of the solution
- Performance (speed/reliability)
- Customization
- Design/Usability
- Brand/Status
- Price/Reduction of overall costs

# 3. Channel(s)



# 3. Channels

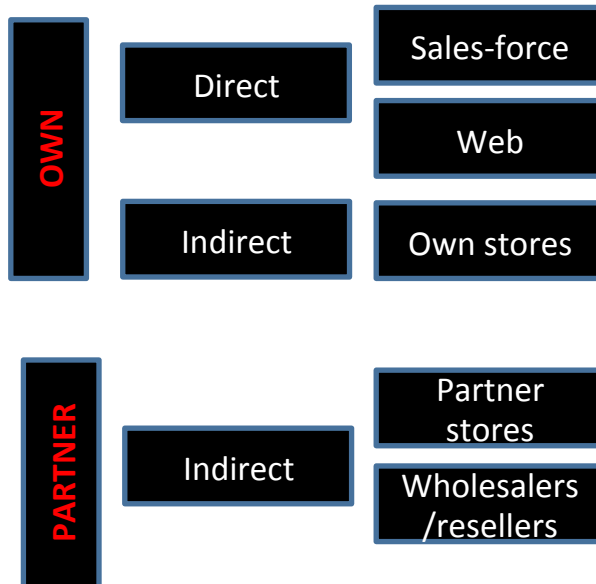
Through which CHANNELS do our CUSTOMER SEGMENTS want to be reached?

How are our CHANNELS integrated?

How much are our CHANNELS integrated with customers' routines?

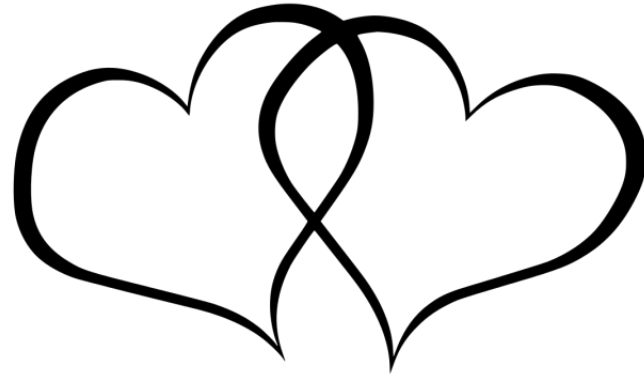
# 3. Channels

## CHANNEL TYPES



## TOUCHPOINTS





## 4. Customer Relationship

# 4. Customer Relationship

What type of relationship does each of our customer segment expect us to establish and maintain with them? Personal or automated?

And which kind of relationship within the CUSTOMER SEGMENT? Invest on the customer? Retain the customer? Boosting sales (through upselling)?

How costly are these relationships?

How are relationships integrated with the rest of our BUSINESS MODEL?



## 5. Revenue streams

# 5. Revenue Streams

For what value are our customers really willing to pay?

For what do they currently pay? How are they currently paying?

How much does each revenue stream contribute to overall revenues?

# 5. Revenue Streams

Several ways to generate revenue streams:

- Sale
- Usage fee (on the basis of the use)
- Subscription fees (Netflix, Spotify, Apple Music)
- Lending/Renting/Leasing
- Licensing (giving permission to use patent in exchange of licensing fees)
- Brokerage fees (Kickstarter, Airbnb, Uber)
- Advertising

# 6. Key resources



# 6. Key resources

What are the most important asset to make our business model work?

What key resources do our VALUE PROPOSITION require?

What key resources do our CHANNELS require?

What key resources do our CUSTOMER RELATIONSHIPS require?

# 6. Key resources

## Key resources:

- Physical: facilities, machineries, stores..
- Intellectual: brands, patents, etc.
- Human
- Financial: equity, loans, guarantees

## Organizational capabilities

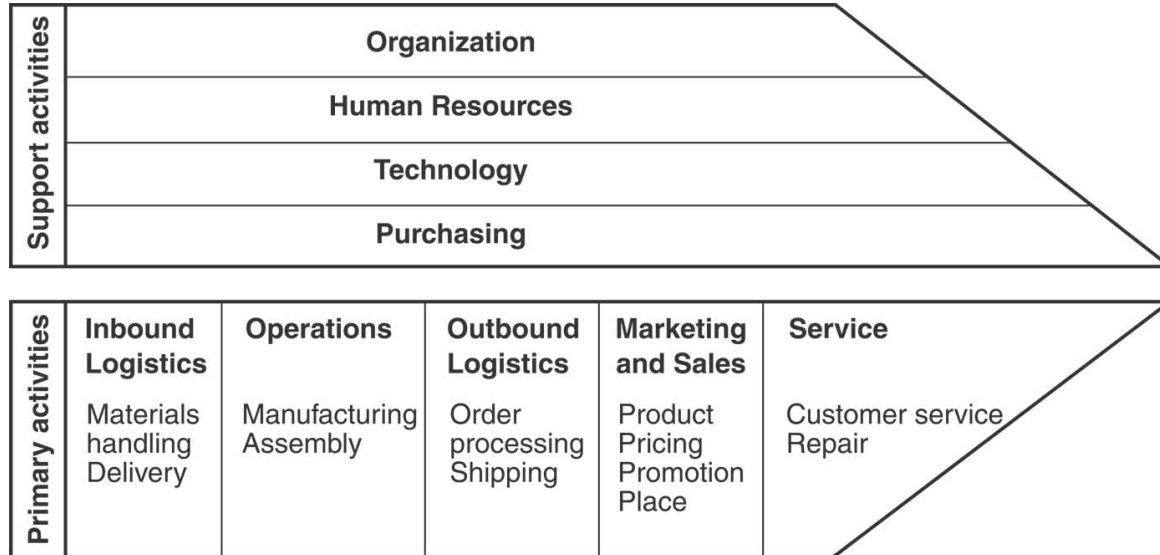
Effective coordination and activation of the bundle of resources

# 7. Key activities



# 7. Key activities

## Value Chain



# 7. Key activities

What are the most important activities to make the business model work?

What key activities do our VALUE PROPOSITION require?

What key activities do our CHANNELS require?

What key activities do our CUSTOMER RELATIONSHIPS require?



## 8. Key partnership

# 8. Key partnership

Who are our **KEY PARTNERS** to make our business model succeed?

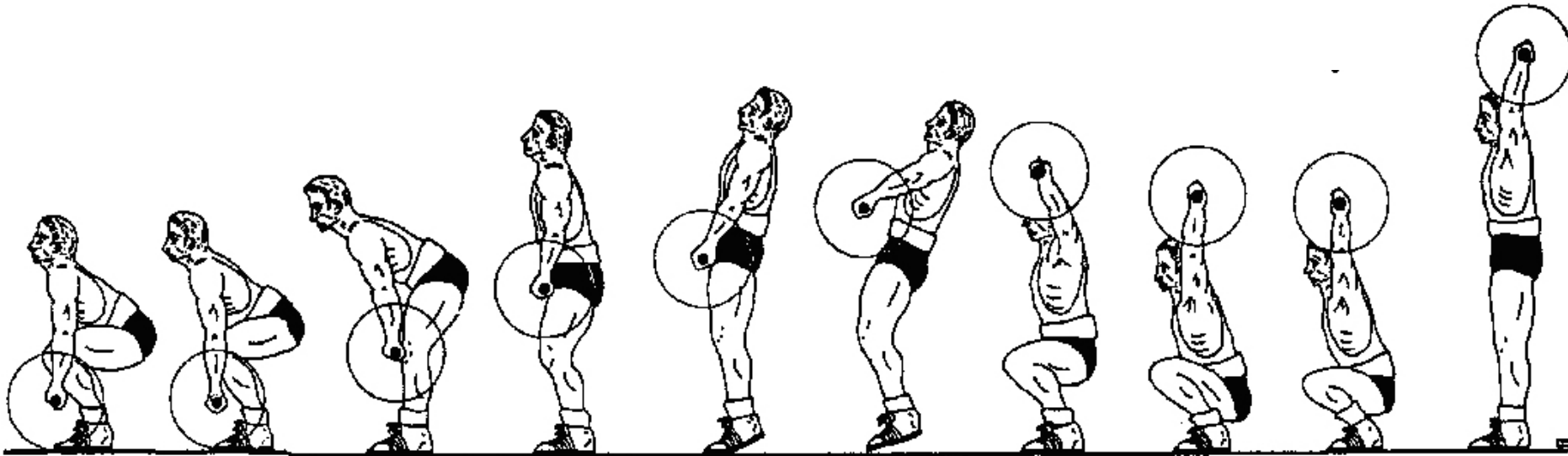
- Strategic alliances between non-competitors
- Strategic partnership between competitors
- Joint venture to develop new business
- Buyer-supplier relationship

# 8. Key partnership

## Different motivations to create a partnership

- Optimization of economies of scale
- Reduction of the risks and uncertainties
- Acquisition of specific resources and capabilities

# 9. Cost structure



# 9. Cost structure

What are the most important cost inherent in our business model?

Which **KEY RESOURCES** are most expensive?

Which **KEY ACTIVITIES** are most expensive?

We can distinguish 2 classes of **BUSINESS MODELS**

**Cost-driven**  
(fouces on efficiency)

**Value-driven**  
(differenziazione)

# 9. Cost structure

## Cost structure characteristics

- Fixed costs
- Variable costs

## Types of cost advantages

- Economies of scale
- Economies of scope

*Pattern*

*Pattern is an archetypal and reusable description  
of a business model*

*Patterns describes business model with similar  
characteristics, and similar arrangements of the  
building blocks*

# *1. Long tail*

# 2. Long tail

Selling less (small amounts) of more (a wide assortment of products and services)

Focus on offering a large number of niche products (low rotation). High margins in some core products

It requires the control of logistic and inventory costs

## 2. *Multi-sided platforms*

# 3. Multi-sided platforms

Platforms that bring together 2 or more distinct groups of customers

It creates value by facilitating interactions between different groups

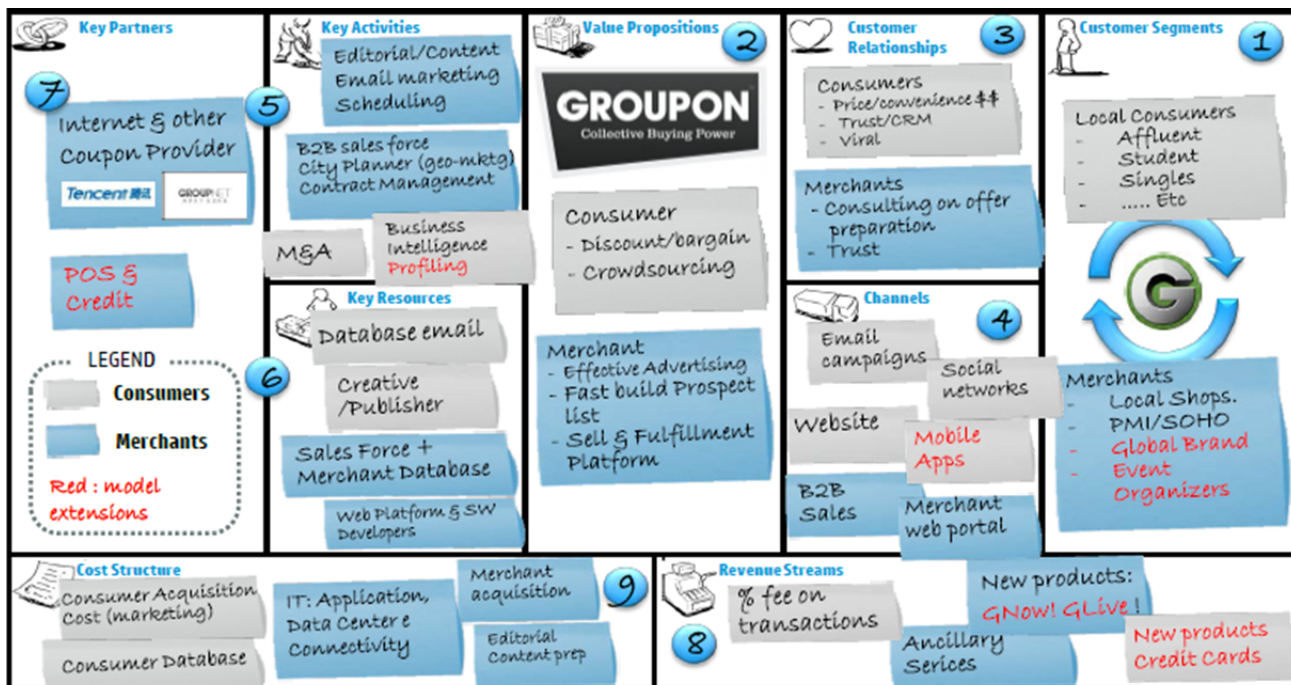
The value generation resides in platform's capacity to attract users (network effect)

# 3. Multi-sided platforms

## Crowdfunding platforms

- The crowdfunding platforms are fueled by 2 types of actors: the project initiators who propose the projects; individuals or groups who support the idea
- Reward-based platforms are the most popular ([Kickstarter](#), [Indiegogo](#)). It consists in giving incentives (a reward) to those persons that invested into the project.
- Revenue stream is based on a brokerage fee

# Groupon Business Model Canvas



### 3. *Free/mium*

# 4. Free/mium

The business model allows to offer free-of-charge solutions

At least, one customer segment is able to benefit from a free-of-charge offer

Non-paying customer are financed by

- other paying customers;
- advertising;
- future repeated transactions

# 4. Free/mium

## Skype

- Free call based on a peer-to-peer system
- Skype doesn't own any telecommunications network
- Users pay only to call telephone numbers (10% of users)

# 4. *Bait & hook*

*(razor & blade)*

# 5. Bait and hook

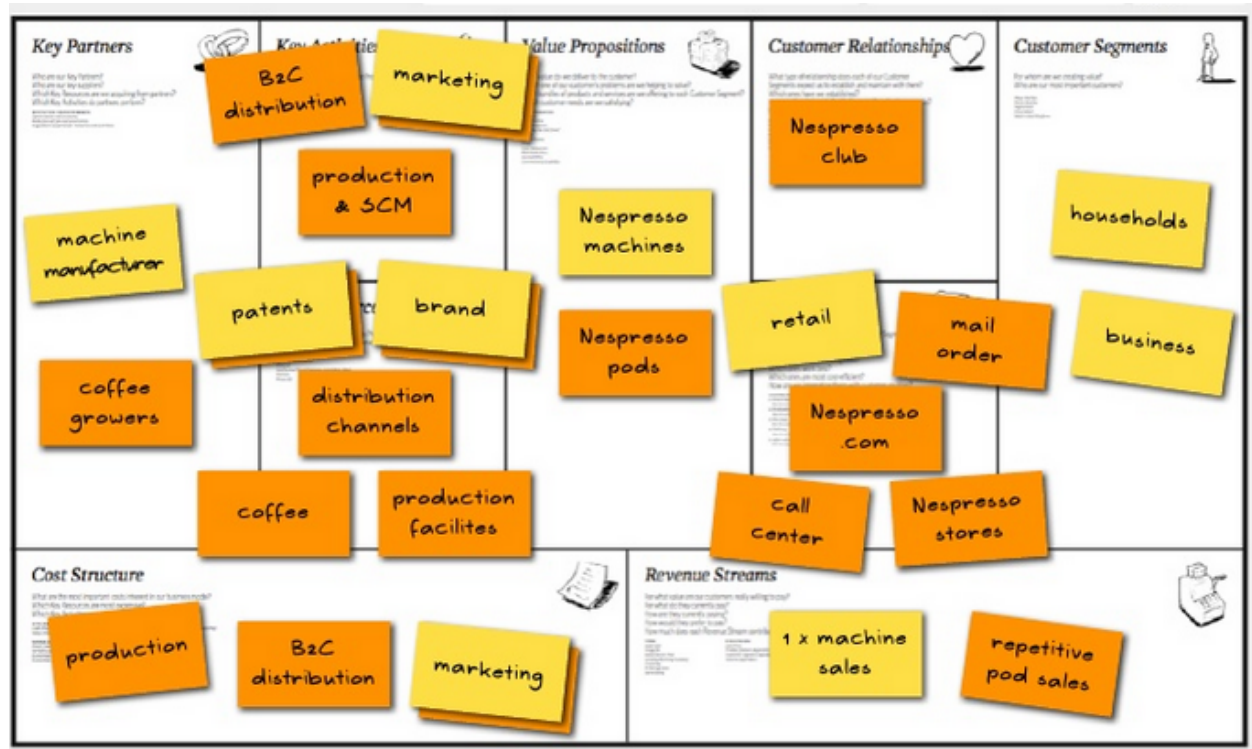
Free product (service) as a bait

Repeated service (product) as a hook

Attracting customers with an initial cheap offering, while earning comes from follow-up sales

Lock-in effect (Nespresso; Gillette; Hewlett-Packard)

# Nespresso Business Model



From BM design  
(and its value)  
to  
the template for your BP

# The Business Model Canvas

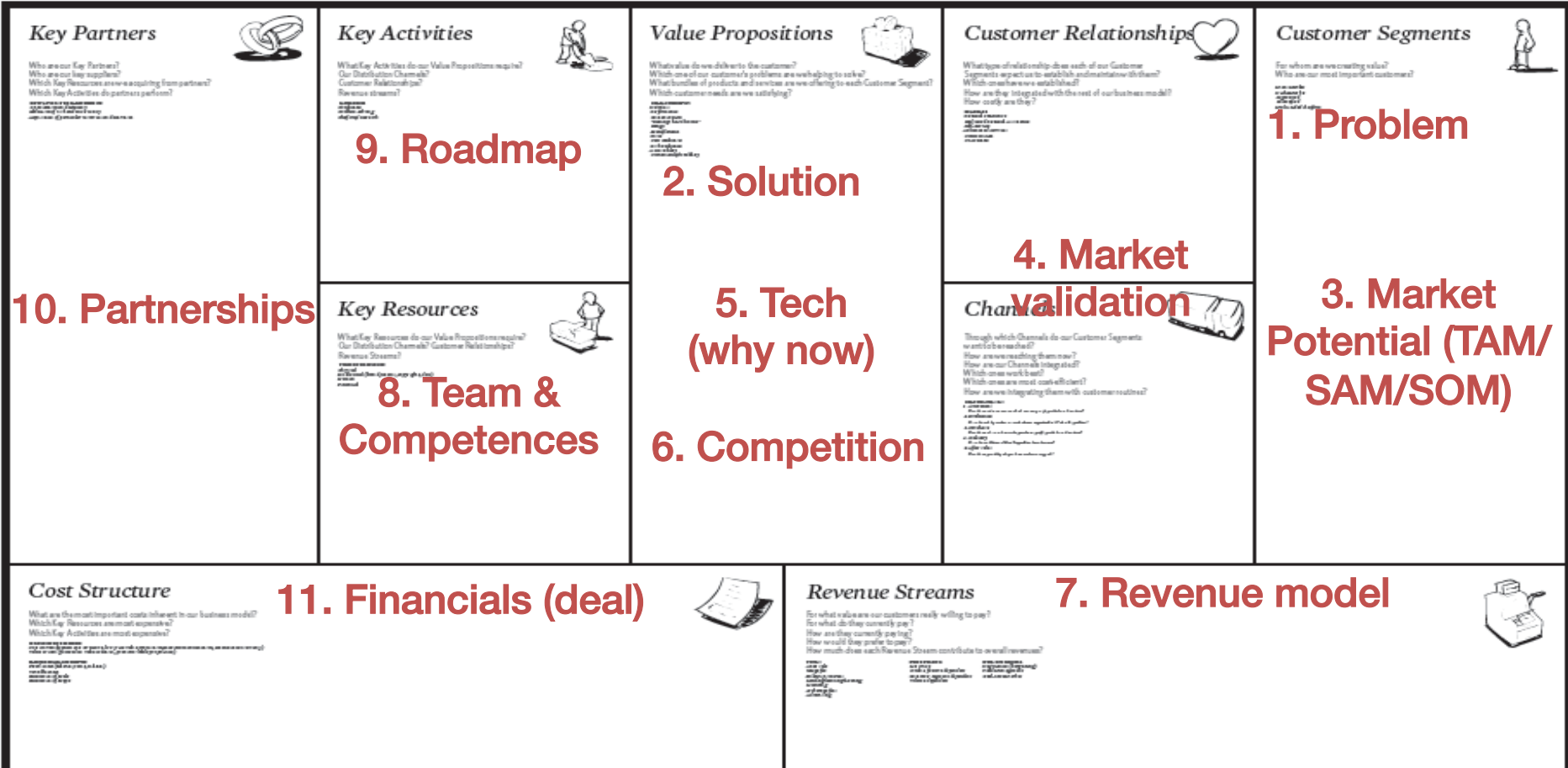
Designed for:

## 0. Company Purpose

Designed by:

On: Day Month Year

For a lot: %



# The flow

0. Company Purpose
1. Problem
2. Solution (value proposition)
3. Market potential
4. Market validation (marketing strategies)
5. Product/Tech (why now)
6. Competition
7. Business/Revenue model
8. Team
9. Roadmap
10. Financials

# 0. Company Purpose

Define the company/business in a single declarative sentence

Focus on the long-term impact of your business and its disruption



*Accelerating the advent of sustainable transport by bringing compelling mass market electric cars to market as soon as possible*



*Mobike provides an affordable means of shared transportation for convenient short urban trips, while reducing congestion and our city's carbon footprint*

# 1. Problem

Describe the pain of the customer (or the customer's customer)

Outline how customers (are not able to) address the issue today



Hotels leave you disconnected from the city and its culture. No easy way exists to book a room with a local or become a host.

## 2. Solution

Demonstrate your company's value proposition to make the customer's life better

Provide a real use case



*Square offers the simplest and most compelling way to accept credit cards*



*A bike sharing service where you can pick up and leave a bike at your convenience*

# 3. Market potential

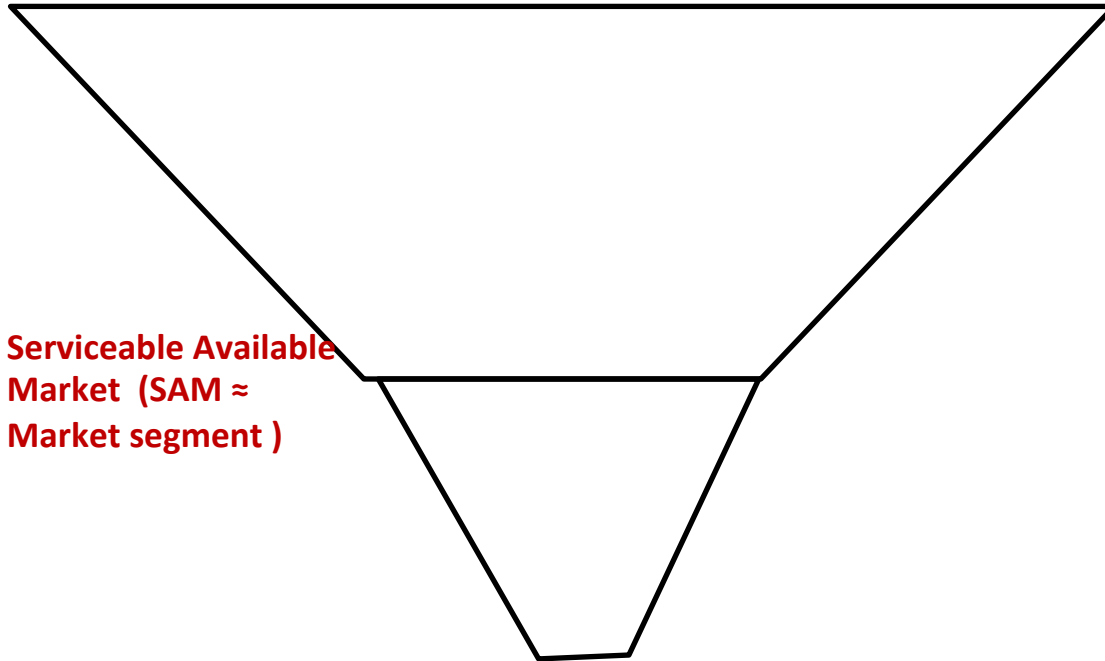
Identify/profile the customer you cater to

Calculate TAM (*Total Available Market*), SAM (*Serviceable Available Market*), and SOM (*Serviceable Obtainable Market*)

How can you approximate the  
market potential of your  
problem(s)?

# Market potential estimation (a double perspective)

**Total Available  
Market (TAM)**



**Serviceable Available  
Market (SAM ≈  
Market segment )**

**Service Obtainable Market  
(SOM)**



**Individual  
customers**

2 different perspectives  
starting from

- TAM  
(secondary data)

Or

- INDIVIDUAL  
CUSTOMERS  
(primary data)

# TAM, SAM, and SOM

TAM, SAM, and SOM for a new artisanal beer producer

	Values
<b>Total Available Market</b> (Beer in Italy)	694,954,260
% of artisanal beer's dealers	10%
<b>Serviceable Available Market</b>	69,495,426
% <i>estimated market penetration</i> (n. of reachable dealers)	8%
% <i>estimated customer penetration</i> (share of wallet on dealers' purchases)	4%
<b>Serviceable Obtainable Market</b>	222,385

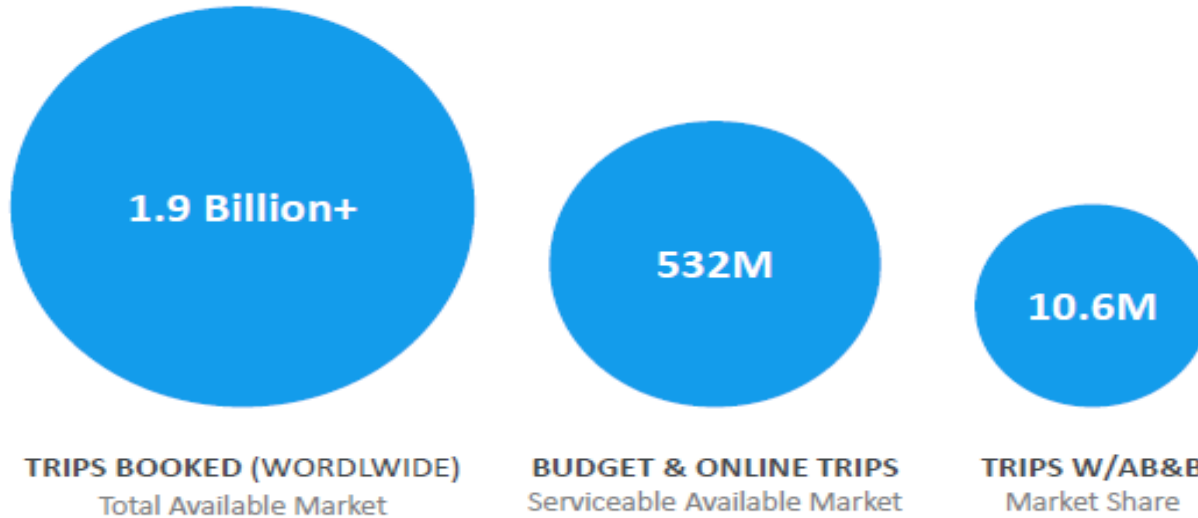


**TAM** (100%)

**SAM** (10%)

**SOM** (0,032%)

# TAM, SAM, and SOM



# SOM estimation

SOM estimation is a reflection of

1. The **revenue model**
2. The **distribution channel** that the firm will be able to develop
3. The **customer relationship** that can be approximated by share of wallet (for each customer/distributor)

## Distribution network

Customer/Distribution capillarity

Number of customers/distributors within the market

Customer/Distribution market share

Customers/distributors market share within the market (total amount)

Areas of distribution

Population covered by firm's distribution / Country population

## Share of wallet

Aggregate share of wallet indicates the degree to which your customer will satisfy his/her needs, on average, with your product/service on the basis of the total amount of purchases of your specific product/service category

# 4. Market validation

Customer pipeline/list  
(3 customers you want to test/reach)

Sales & distribution model

Customer lifetime management

# 5. Product/Tech (why now)

Product line-up (form factor, functionality, features, architecture, intellectual property)

Define recent technological/market trends that make your solution feasible/acceptable

# 6. Competition

List of competitive advantages

List of competitors



# 7. Revenue Model

Revenue model

Pricing strategy

Average customer size and/or lifetime value

# 8. Team & Resources

Founders

(education and former experiences)

Mentors/advisors

(former companies/institutions, investments)

Patents & other IPs

# 9. Roadmap

Product development roadmap

Core (and outsourced) activities

# 10. Partners

Present partnerships

Future partnerships (you want to develop)

# 11. Financials

P&L (and cash?)

Investments/Assets

Deal (?)

# Sources

## Business Model Canvas

<http://www.slideshare.net/lsmup/lsmup-berlin-talk-by-alex-osterwalder>

<http://www.slideshare.net/techdude/business-model-generation>

## Personal papers on BM (open access)

<http://jemi.edu.pl/uploadedFiles/file/all-issues/vol11/issue1/>

[JEMI\\_Vol11\\_Issue1\\_2015\\_Article7.pdf](http://jemi.edu.pl/uploadedFiles/file/all-issues/vol11/issue1/JEMI_Vol11_Issue1_2015_Article7.pdf)

[http://www.fm-kp.si/zalozba/ISSN/1854-4231/9\\_131-154.pdf](http://www.fm-kp.si/zalozba/ISSN/1854-4231/9_131-154.pdf)

## Other papers

# Contacts

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