Lesson 2
Business Model, Building Blocks and Model Canvas

Business Model Concepts In Business

- Business models continue growing and innovate from ancient times till this date.

- Ancient time models: 'barter resource with one another'.

- Later models

- Purchase, add value and sale,

- Use of currency

Business Model Growing Continuously

- 'plan, purchase raw material, manufacture a product on bigger scale, distribute and sale and profit'
- Innovations in model continues

Business Model Taking Into Account Many Factors

- Competitive advantage

- Experience curves

- Value chain

- Theory of portfolio of products and services,

- Core competencies of business organisation and generic strategies

Business Model Definition

- A conceptual structure, supporting the viability of a business, including its purpose, its goals and its ongoing plans for achieving them.

- "A business model is an abstract representation of an organisation. Representation may be conceptual, textual, and/or graphical." (Wikipedia)

Abstract Representations in Business Model

- Representation for the all core interrelated architectural, co-operational, and financial arrangements

- Includes many activities, present and future

- Includes core products and/or services the organisation offers, or will offer

- Architecture includes organisational infrastructure and technological architecture

Term Business Model

- Refers to 'uses of a range of informal and formal descriptions to represent core aspects of a business

- Business process, strategy, practices, and

- Operational processes, policies including culture

Business Model Focus

- Not only on financial goals but also on the business sustainability or

- Establishing a corporate culture when offering value to customers.

Documentation when Working on a Business Model

- Many benefits

- Maintaining a focus on corporate goals and

- Reviewing the operational practices.

A canvas as a visual template for development

- A popular way of generating or working on a business model

- Canvas visual template helps in developing new or documenting existing business model

Business Model Canvas

- A visual chart with elements

- Elements describe the companies or organisations, product's value proposition, infrastructure, customers and finances.

- Canvas widely used, proposed by Alexander Osterwalder and co-workers .

Format

- Large surface printed sheet enabling the sketching, creativity, analysis, understanding or discussion on business model elements

Or

- Web-based Interface for canvas where the entries of elements can be made and creative suggestions can be placed, understanding can be obtained, analysis can be

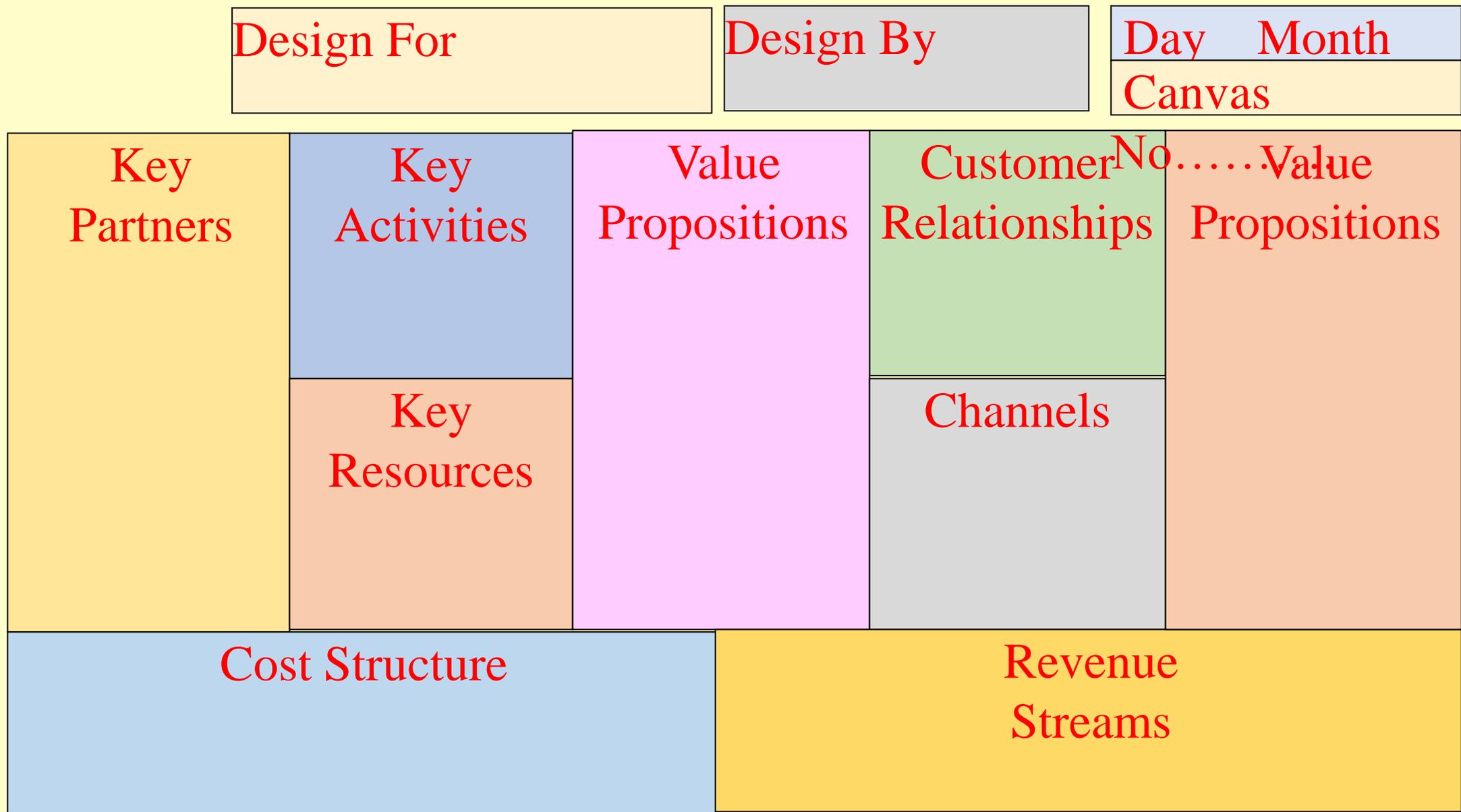- done or discussion on business model elements be done.

Design For		Design By		Day	Month
				Canvas	

Key Partners	Key Activities	Value Propositions	Customer Relationships	No……Value Propositions
	Key Resources		Channels	

Cost Structure	Revenue Streams

Fig. 11.1 Nine Building blocks of a Business Model Canvas

Three Building Blocks

1. Key partners: Strategic alliances between competitors or non-competitors to optimize the operations and reduce risks of a business model

2. Key activities: Key activities execute a company's value proposition

3. Key resources: Key resources for sustaining and supporting the business and necessary for creation of the value to customers.

Three Building Blocks

4. Value propositions: Products and services offered, their features such as performance, efficiency, accessibility, price, cost, convenience, usability, and design, and how differing from competitors

5. Customer relationships: Identified type of relationship of the company to be created

with their customers and targeted segments

6. Customer segments: Identified sets of customers, segments, client-groups and diverse groups based on the value propositions offered

Three Building Blocks

7. Channels: Effective, fast, efficient and cost-effective channels to deliver its value proposition to its targeted customers

8. Cost structure: Cost constituents to be considered in offering the value propositions and services, and considerations of scopes of

economies in the operations

9. Revenue stream: Identified types of income sources, such as income from sales of product and physical goods

Design For **ABC Bank**	Design By **XYZ Business Consultant**	Day dd Month mm Year yy
		Canvas No **xxxxxxx.**

Key Partners	**Key Activities**	**Value Propositions**	**Customer Relationships**	**Customer Segments**
• (a) Bank and (b) • ATM Manufacturer, Installation, Maintenance and services Company	Cash dispersal to customers and Banking services, such as balance enquiry, cheque book request, Money	Cash dispersal and banking services at distant places, such as, residential areas, markets, malls, offices, airports, railway stations and frequently visited places	Bank Reputation, Operational efficiency, Service Staff,	Residents Employees, Businesses, Students, Travelers

Key Resources
• (a) Banking Applications/Services software, (b) 24×7 Internet, Servers, and operational staff, (c) Data Centre (d) 24×7 Maintenance and Security Services for cash and physical machinery (ATMs, CCTVs, Light Fittings, Power Supplies) and security guards

Channels
Cash dispensing Service, Security Service, Advertisement

Cost Structure
Software, Machines, CCTVs, Power Supplies, Electricity, Installation, maintenance and security, Internet, Servers, Data Centres, Operation staff Services

Revenue Streams
• (a) ATM Services Annual Fees, (b) Advertisement fees at installation places

Fig. 11.2 Business Model Canvas for offering Banking Services using Internet of ATMs

Subscription Business Model

- A customer pays for accessing the service or product at periodic intervals, for example, Internet data services, cloud platform services, data centre services. The customers can also make members who pay the membership fees to an organization offering the services. Following is an example of subscription business model

Design For **Internet of Streetlights Service**	Design By **IoT Products Design Company**	Day dd Month mm Year yy
		Canvas No **xxxxxxx.**

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segment
Key Partners •Streetlights Service	**Key Activities** Controlling of operations of Streetlights with minimum electricity usages	**Value Proposition** Energy Efficient Control and Efficient 24× 7 Services for Streetlights, Installations, Gateway Servers and Central Server	**Customer Relationships** Company Reputation for Efficient and reliable Services	**Customer Segment** Smart City Services Company or Municipal Corporation

Key Resources
•(a) Sensors data for surrounding light intensity and traffic presence and density, streetlight functioning status (b) Internet of Streetlights Services and Control software, (c) 24×7 Internet, Gateway, Servers, (e) Cloud or Data Centre Maintenance Service

Channels
None

Cost Structure
Turn key Installation, Operations and Maintenances for Streetlights, Installations, Gateway Servers and Central Server

Revenue Streams
• Annual Subscription of Municipal Corporation, Subscription from Traffic signalling and control Service and Subscriptions of Advertisers on Streetlight installations

Fig. 11.3 Subscription Business Model Canvas for offering Internet of Streetlight Services using Internet of Streetlights and Controlling of operations with minimum electricity usages

Customisation Business Model

- A customer pays for accessing the service or product at periodic intervals

- For example, Internet data services, cloud platform services, data centre services. Following is an example of subscription business model

Design For	Design By	Day dd Month mm Year
Internet based Railroad predictive analytics and Maintenance Scheduling	**IIoT Products Design Company**	Canvas No **xxxxxxx.**

Key Partners

Railroad Maintenance Service

Key Activities

Sensing using network of ultrasonic sensors for railroad bed faults detection, Predictive Analytics, Scheduling of Maintenance

Value Proposition

Customised Reliability for 24× 7 Sensing of railroads, and maintaining the Sensors networks, Gateway Servers and Central Servers and operations

Customer Relation-ships

Efficient and reliable Services

Customer Segment

Railways Maintenance Service

Key Resources

Ultrasonic sensors network, Internet, Descriptive, prescriptive and Predictive Analytics Software

Channels

None

Cost Structure

Turn key Installation, Operations and Maintenances for Sensors Installations, Gateway Servers, and Central Server and Software developing and Maintenance

Revenue Streams

Customisation Fee and annual fees for Software and hardware maintenance

Fig. 11.4 Customisation Business Model Canvas for offering Internet based railroad predictive analytics and Maintenance Scheduling

Summary

We learnt

- A business model, a concept

- An abstract representation of an organisation. Representation may be conceptual, textual, and/or graphical.

- Representation for the all core interrelated architectural, co-operational, and financial arrangements.

Summary

We learnt

- The canvas, a visual chart of nine building blocks—key partners, key activities, key resources, value propositions, and customer relationships: customer segments, channels that deliver its value proposition to its targeted customers cost structure and revenue stream.

Summary

We learnt

- Alexander Osterwalder and co-workers' business model canvas is a popular way of generating or working on a business model

- Examples of business model canvas: Internet of ATMs and Internet of streetlights

End of Lesson 2 on
Business Model, Building Blocks and Model Canvas