

Interreg



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DIVA

Progetto standard co-finanziato dal Fondo europeo di sviluppo regionale
Standardni projekt sofinancira Evropski sklad za regionalni razvoj

Sviluppo di ecosistemi e catene di valore dell'innovazione:
supportare l'innovazione transfrontaliera attraverso le Industrie
Creative.

Razvoj inovacijskega ekosistema in verig vrednosti: podpiranje
čezmejnih inovacij s pomočjo ustvarjalnih industrij

Business model canvas

Value proposition canvas

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Goals of this session

Make you familiar with / Offering a recap on
the tools of **Business model canvas** and **Value proposition canvas**

Stimulate discussion about the application of BMC and VPC
to **Creative and Cultural Industries**

References

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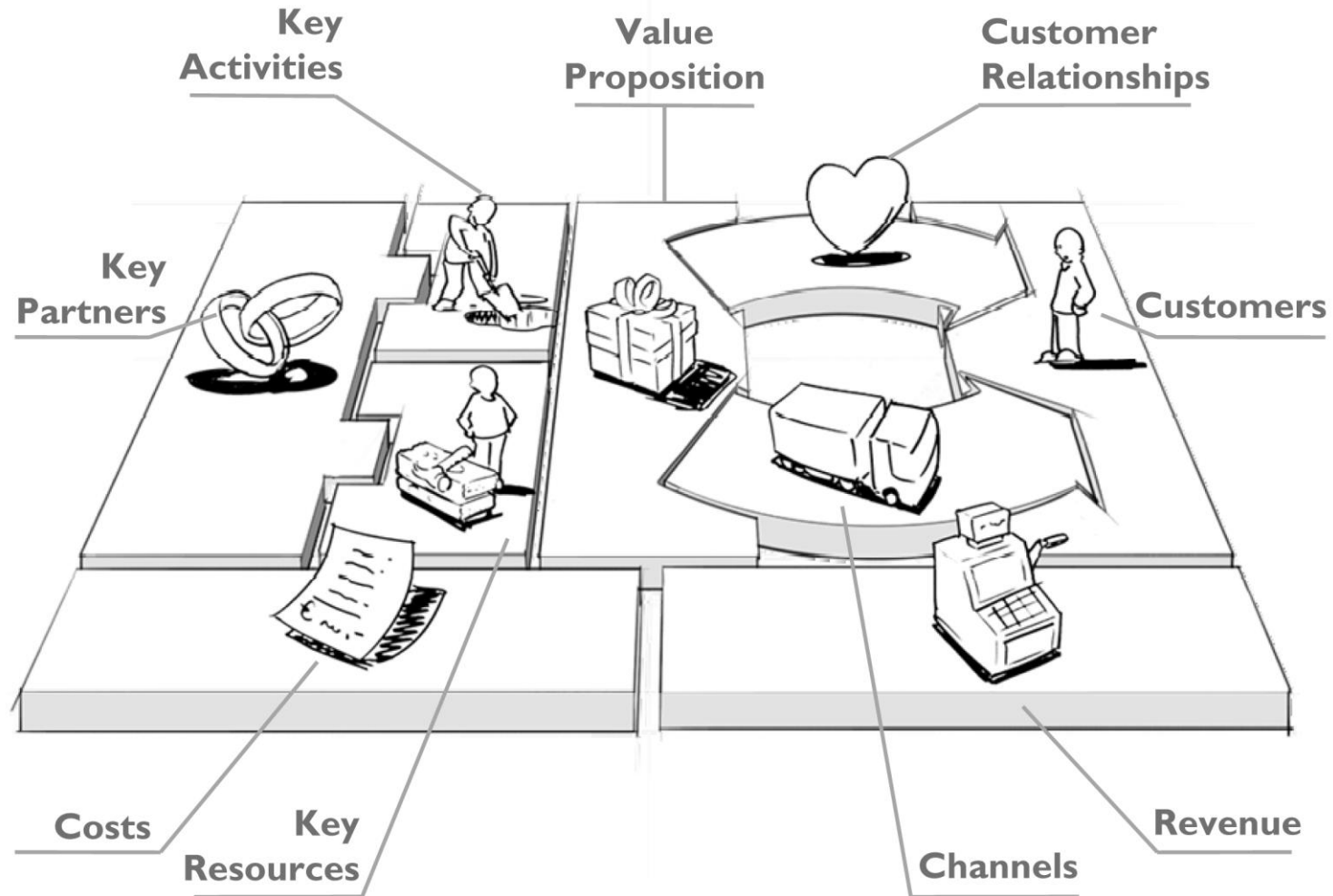
Business model

A business model describes the rationale of how an organization creates, delivers and captures value.

Business model analysis helps to understand how and organization works and how to bring strategic innovation



Business model



drawings by JAM

Value proposition

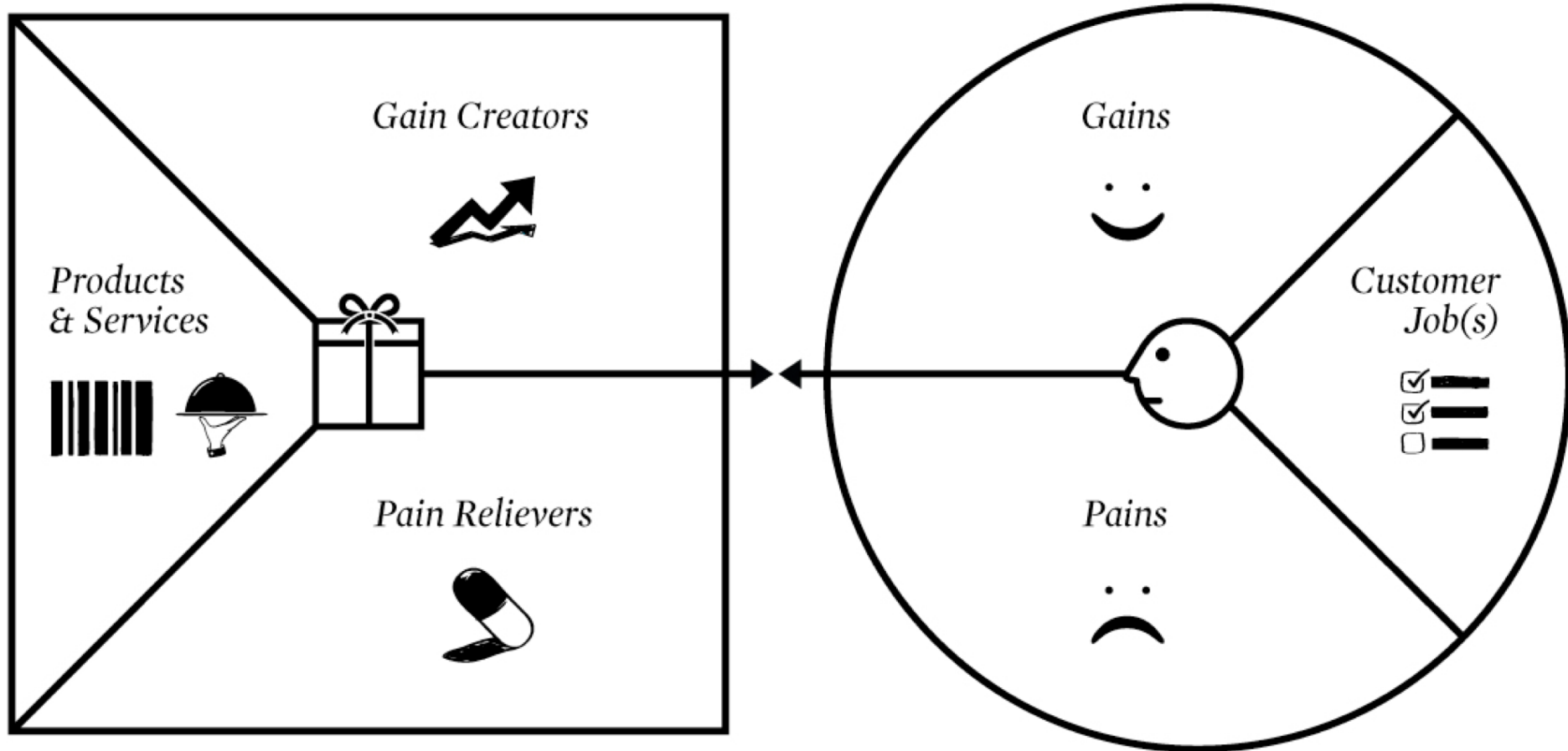
The bundle of products and services that create value for a specific customer segment

- What value do we deliver to the customer?
- Which one of our customer's problems are we helping to solve?
- Which customer needs are we satisfying?

A single, clear compelling message that states why you are different and worth buying



A solution to customers' jobs



The customer profile

Customer Jobs

What customers are trying to get done in their work and in their lives

- Functional – performing a task/solve a problem
- Social – how to be perceived by others, look good, gain power...
- Emotional – seeking an emotional state, e.g. feeling good and secure

Gains

The outcomes customers want to achieve or the concrete benefits they are seeking

Pains

Bad outcomes, risk and obstacles related to customers jobs



The value map

Products and services

The features of products and services that offer a solution to customer jobs

Gain creators

How products and services create customer gains

Pains relievers

How products and services alleviate customers pains

Kinds of value proposition (1)

Newness

The VP satisfies an entirely new set of needs that customers previously did not perceive because there was no similar offering

Performance

The VP improves the performance of an existing product or service

Design/Brand/Status

The VP consists in delivering superior design, e.g. fashion and consumer electronics, and in using or displaying a specific brand

Kinds of value proposition (2)

Customization

The VP consists in tailoring products to the specific needs of individual customers segments

“Getting the job done”

The VP consists in taking care on behalf of a customer of a complex task. E.g. Rolls Royce jet engines

Risk reduction

The VP consists in reducing the risks when purchasing products or services. E.g. guarantee

Kinds of value proposition (3)

Convenience

The VP consists in delivering a product that is easy to use

Accessibility

The VP consists in making products available to customers who previously lacked access to them. E.g. mutual funds

Price/Cost reduction

The VP consists in offering similar value for a lower price, or in helping business customers reducing costs. E.g. low-cost airlines, free press

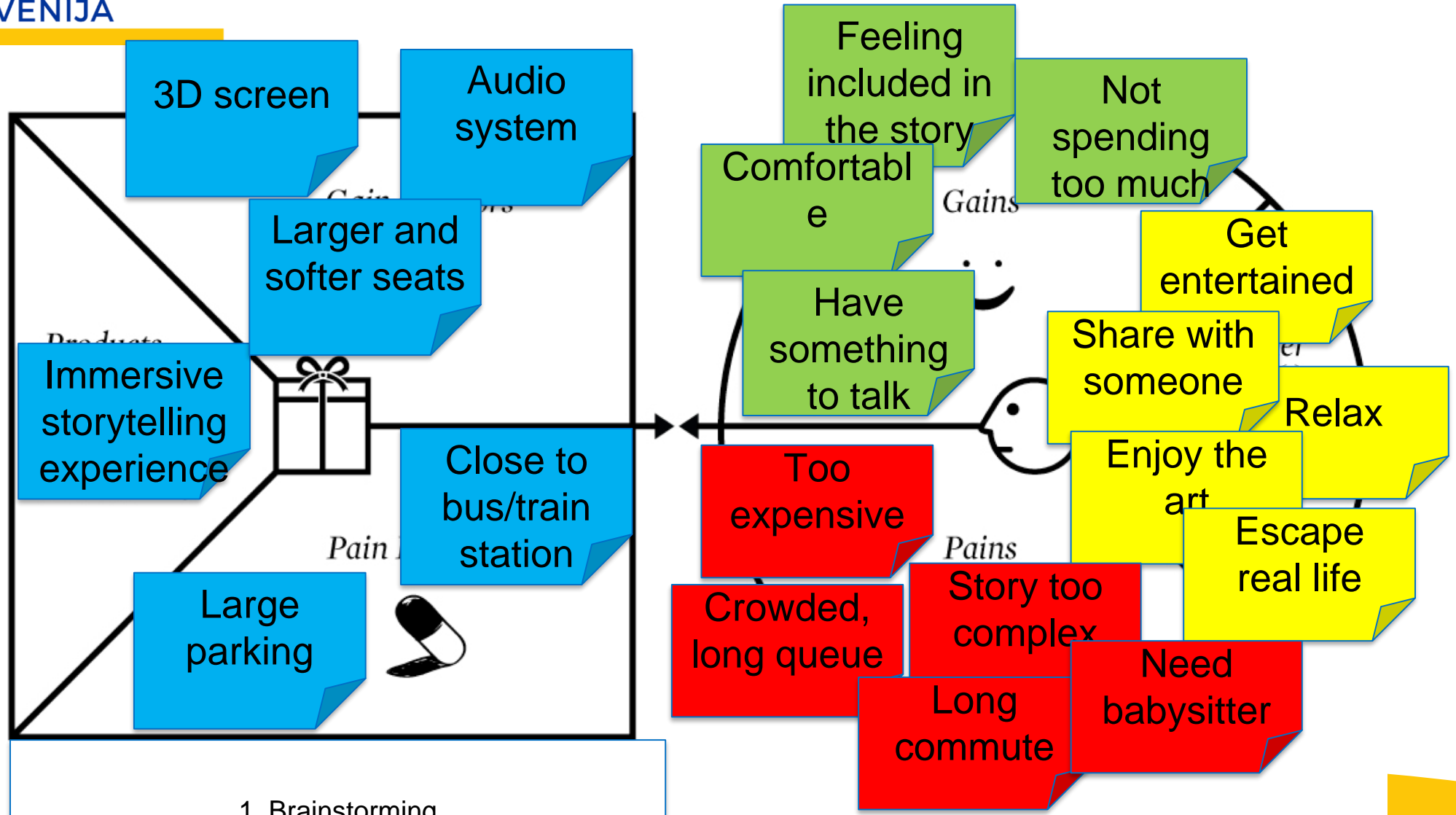


Communicate the value proposition

**Our _____ (products and services)
help(s) _____ (customer segment)
who want to _____ (jobs to be done)
by reducing/avoiding/... _____ (pain)
and increasing/enabling/... _____ (gain)
unlike _____ (competing VP).**



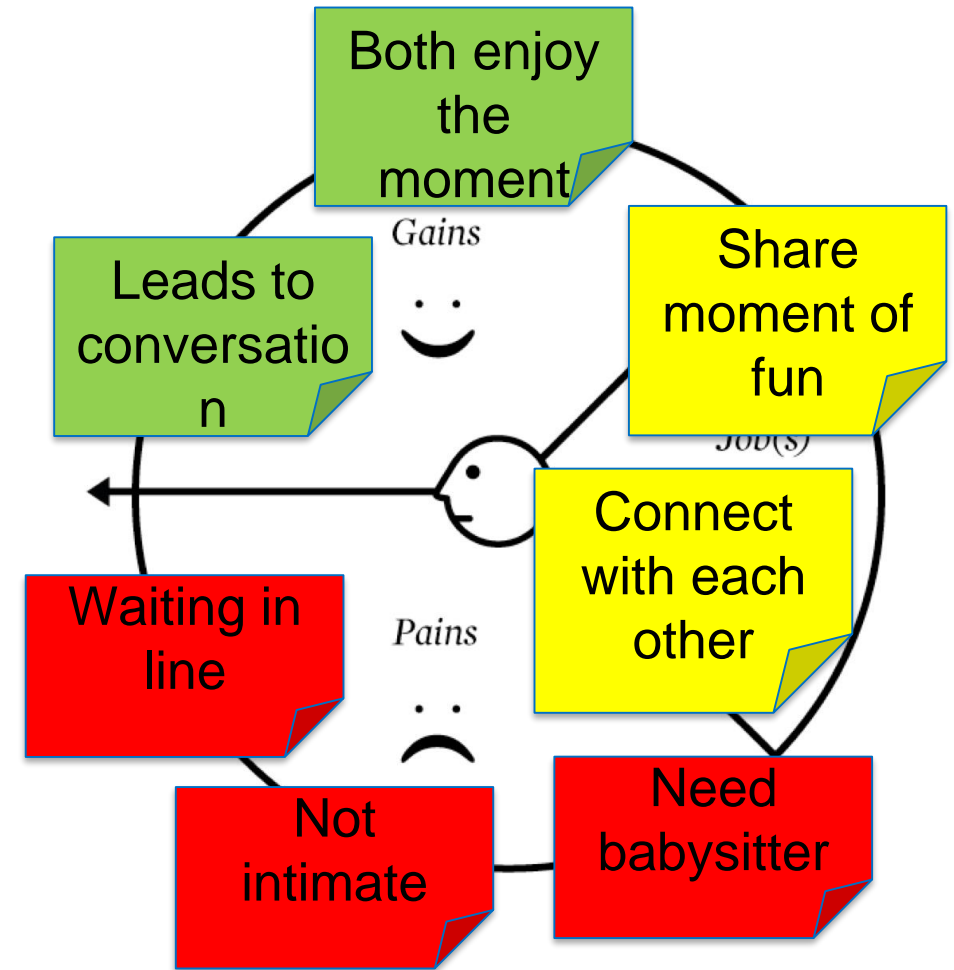
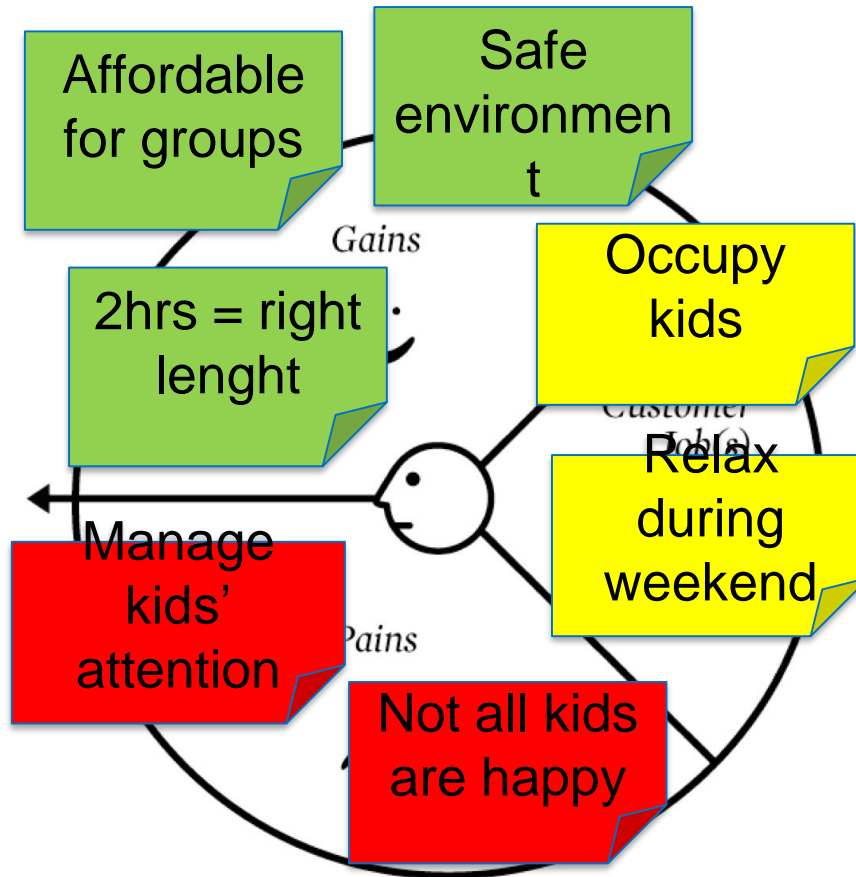
The case of cinemas





The case of cinemas

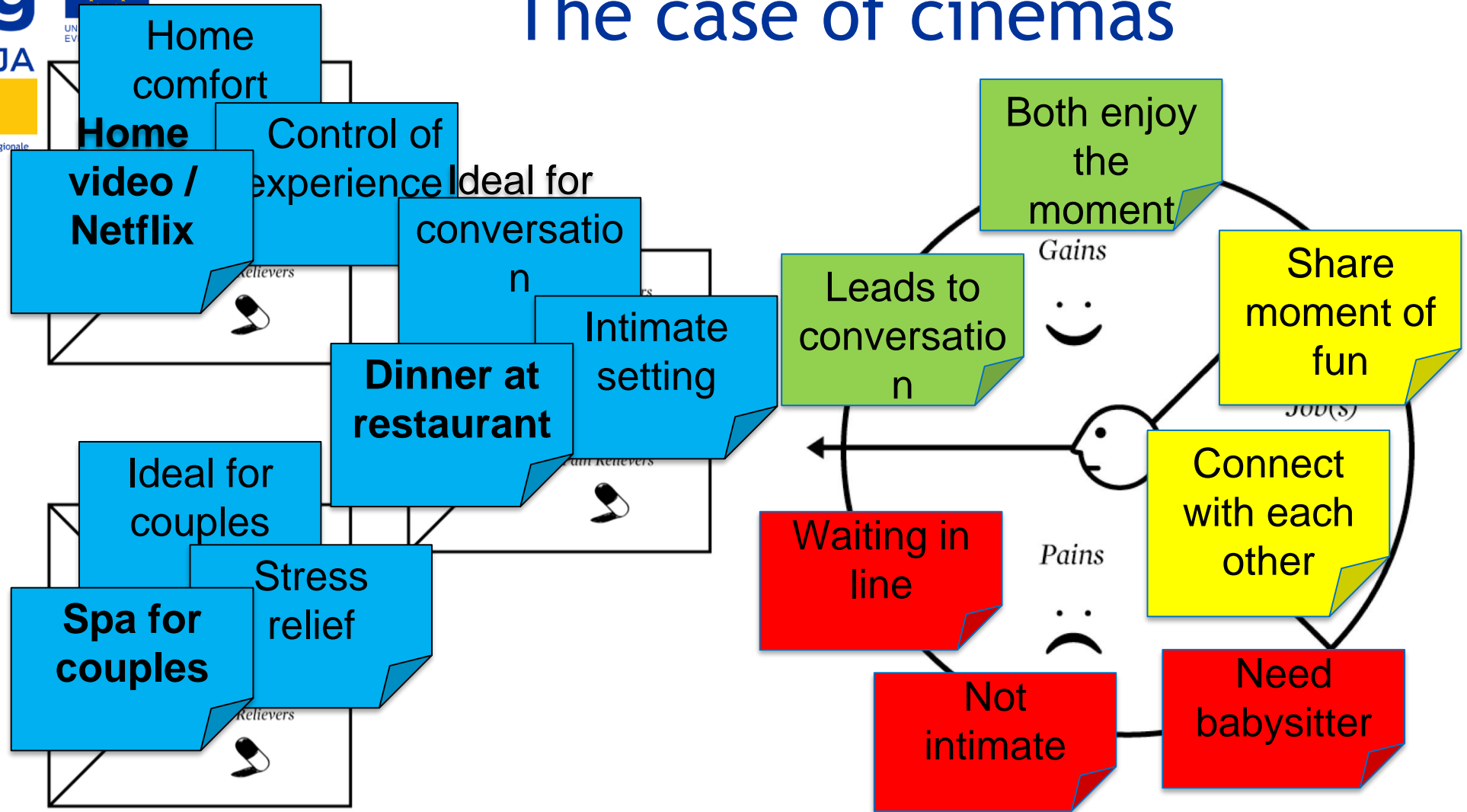
Kids afternoon



Date night

2. Differentiate by kind of customer experience

The case of cinemas



3. Finding new competitors and ideas for improving our VP

Date night



Assess the customer-solution fit

- Is the customer you chose to profile specific enough to create a meaningful profile?
- Are all your jobs pains and gains as concrete as possible?
- Did you go beyond functional jobs, to emotional and physical ones?
- Did your customer pains cover obstacles, risks, and undesired outcomes?
- Did your customer gains cover required, expected, desired, and unexpected gains?
- Did you keep your customer profile solution-agnostic?



How to innovate the value proposition

Address **more jobs**?

Switch to a **more important job**?

Focus on customers' essential unrealized gain?

Solve customers' essential unresolved pain?

Go **beyond** functional jobs (i.e. social/emotional)?

Create a new gain creator for a given customer?

Create a new pain reliever for a given customer?

Imagine a new product/service?

Help **a lot more** customers get a job done?

Help a consumer get a job done **radically better**?

Blue ocean strategy

Eliminate

Which factors can you eliminate that your industry has long competed on?

Reduce

Which factors should be reduced well below the industry's standard?

Raise

Which factors should be raised well above the industry's standard?

Create

Which factors should be created that the industry has never offered?



Revenue streams

The cash a company generates from each Customer Segment

- For what value are customers willing to pay?
- For what to they currently pay?
- How would they prefer to pay?
- How much each Revenue Stream contribute to overall revenue?



Revenue streams (1)

Asset sale

Selling ownership rights to a physical product

Usage fee

The more a service is used, the more the customer pays

Subscription fee

Selling continuous access to a service.

Revenue streams (2)

Lending/Renting/Leasing

Temporarily granting someone the exclusive right to use a particular asset for a fixed period in return for a fee

Licensing

Giving customers permission to use protected intellectual property rights in exchange for licensing fee.

Licensing allows rights-holders to generate revenues from their property without having to manufacture a product or commercialize a service

Revenue streams (3)

Brokerage fee

Intermediation services performed on behalf of two or more parties

Advertising

Fees for advertising a particular product, service or brand

Channels

How a company communicates with and reaches its Customer Segments to deliver a Value Proposition

- Through which channels do our Customer Segments want to be reached?
- Which ones work best?
- How are we integrating them with customer routines?



Customer relationship

The type of relationships a company establishes with specific Customer Segments

- What type of relationship does each of our Customer Segment expect us to establish and maintain with them?

Key resources

Physical

Manufacturing facilities, buildings, vehicles, machines, point-of-sales systems

Intellectual

Brands, proprietary knowledge, patents, copyrights, customer databases

Human

HR are crucial in knowledge-intensive and creative industries

Financial

Cash, lines of credit, financial guarantees

Key activities

Production

Designing, making and delivering a product in substantial quantities or superior quality

Problem solving

Coming up with new solutions to individual customer problems

Platform

Networks, matchmaking platforms, software, brands

Key partnerships

Aimed at optimization and economy of scale

Optimizing the allocation of resources and activities. It is illogical for a company to own all resources and perform all activities by itself

Reduction of risk and uncertainty

Organizations cooperate in activities characterized by uncertainty, and compete in others

Acquisition of resources and activities

Companies extend their capabilities by relying on other firms to furnish particular resources

Cost structure

Describes all costs incurred to operate a business model

Each “box” of the business model generates costs. Some business models are more cost-driven than others

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

Which KR and KA are more expensive?

A pattern identifies similarities in the arrangements of business model building blocks or similar behaviors

- Product Innovation
- Customer Relationship Management
- Infrastructure Management
- The Long Tail
- Multi-Sided Platform
- Free; Freemium

Three basic business models

Product innovation	Customer Relationship Management	Infrastructure management
Develop new and attractive products and services	Finding and acquiring customers relationships with them	Build and manage platforms for high volume repetitive tasks
Early market entry enables charging premium prices and acquiring large market share	High cost of customer acquisition makes it imperative to gain large wallet share	High fixed costs make large volume essential to achieve low unit costs
Speed	Economies of scope	Economies of scale
Battle for talent, low barriers to entry; many small players thrive	Battle for scope, rapid consolidation; a few big players dominate	Battle for scale, rapid consolidation; a few big players dominate
Employee-centered, cuddling the creative stars	Highly service oriented: customer-comes-first mentality	Cost-focused: stressed standardization, predictability and efficiency

The long tail

Long Tail business models focus on offering a **large number of niche products**, each of which sells **quite infrequently**.

Aggregate sales of niche items can be as lucrative as the traditional model whereby a **small number of bestsellers** account for most revenues.

Long Tail business models require **low inventory costs and strong platforms** to make contents readily available to interested buyers.

Multi sided platforms

Multi-sided platforms bring together two or more **distinct but interdependent** groups of customers.

The platform creates value **by facilitating interactions** between the different groups.

Such platforms are of value to one group of customers **only if the other groups of customers are also present**. A platform grows in its value to the extent that it develops **network effects**. To increase their customers base, platforms often subsidize a customer group.

Assessing a business model

1. Switching costs

Nothing holds my customers from leaving me

My customers are locked in for several years

2. Recurring revenues

for 100% of sales, a customer must choose to buy from me again

100% of sales lead to automatically recurring sales

3. Earning vs. spending

I incur 100% of costs of goods sold before earning revenues

I earn 100% of my revenues before incurring costs



Assessing a business model

4. Game changing cost structure

...is at least 30% higher than competitors

...is at least 30% lower than competitors

5. Others who do the work

I incur costs for all the value created

All the value created by my business model is created for free by external parties

6. Scalability

Growing requires substantial resources and effort

My business model has virtually no limits to grow

7. Protection from competition

My business model has no protection

My business model is inimitable