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Mozambique

The *Business Model Canvas* – strategic tool for innovation, business growth, and exports

Webinar

09. November 2021

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United Nations Industrial Development Organization (UNIDO)



A typical situation

.... Our vision is to sell to clients that will purchase our products. Hopefully, the prices will be high enough to cover our costs and we will be able to make enough profits.

.... We believe export to international markets is the solution. We will earn foreign currency that will help us to realize investments. The market potential for essential oils in the EU markets must be huge.

.... As owner of the business I have my specific business strategy in my mind, and I can adapt and change my strategy on a day-to-day basis, according to need and changing conditions.

.... I have a business plan, which was developed a few years ago, but the situation has changed. The profit margin is going down. Reasons are the financial crisis, post-Covid problems, disrupted supply chains and cheaper prices from exporters in South-American into the EU

Introduction

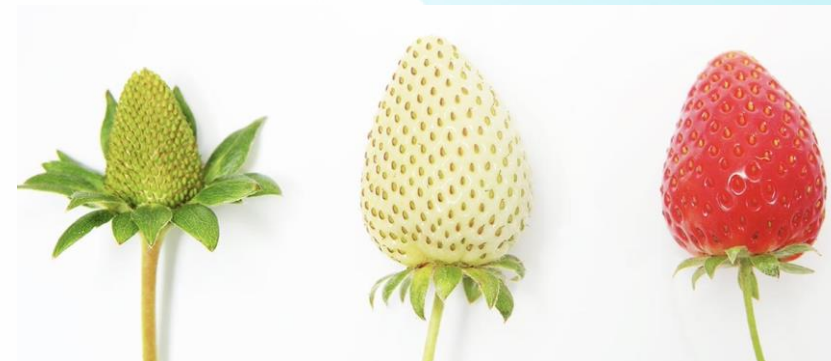
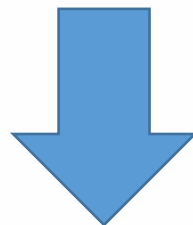


- The **Business Model** is one of the strategic foundations of your company
- The goal is to simplify the “Money Process” by identifying services that customers value
- The **Business Plan** is the structure and description on how to implement the business Idea

How to implement Product Development and Innovation?



What is a Business Model ?

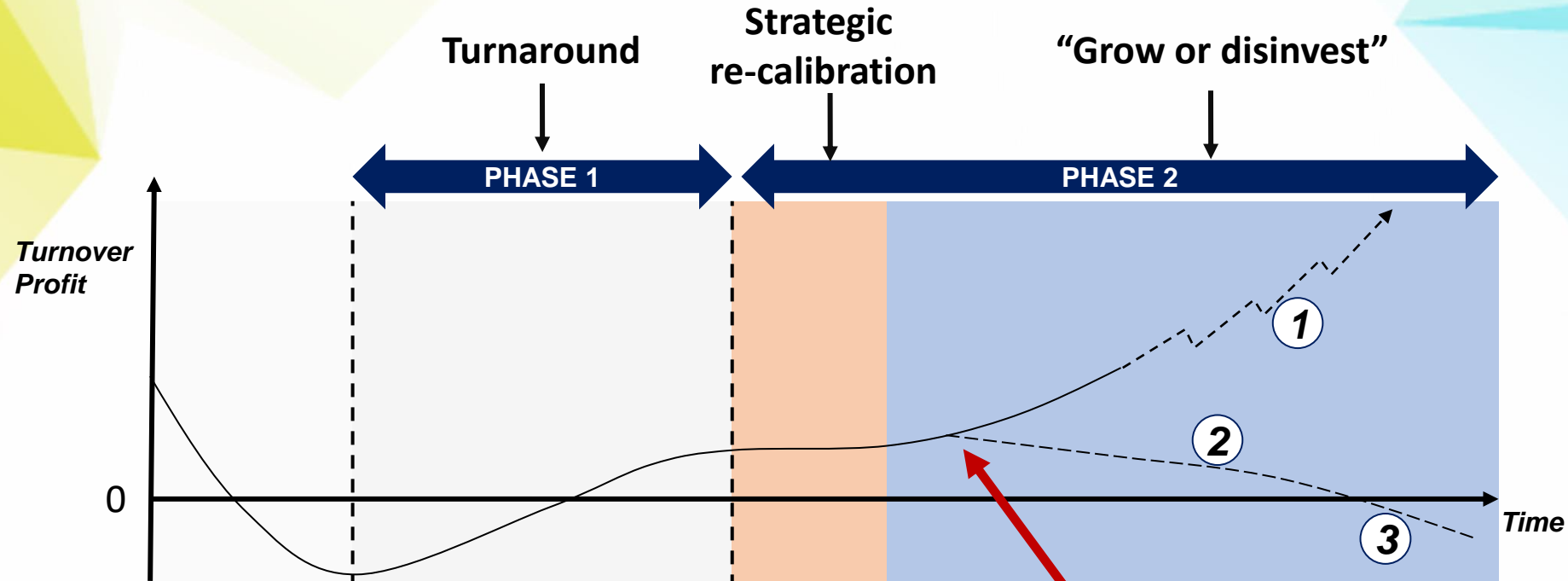


A business model describes the rationale on how an organization **creates, delivers, and captures** value

The Business Model is a structure that your company uses *to build value*



The Business Model supports business transformation



Trigger
 e.g., losing clients, low-price-pressure with failing competitiveness; **leading to** financial loss, insufficient R&D, no innovation, no investments

Operational Turnaround
 e.g., alternative markets, low-prices, quick fixes, **no strategy**

New Strategy, Vision, or Business Model

Adaptive Innovation based on the new strategy and business model (avoiding disinvestment pressure)
 e.g., cost cutting, product development, value creation, image promotion, investment planning, etc.

- ① Creating and successfully implementing an innovative *Business Model*
- ② Danger: Investment gap, or „hope for improvements“
- ③ Slowly losing competitiveness and customers; financial loss, high fixed costs not allowing investments for an innovative turn-around

Your business model?

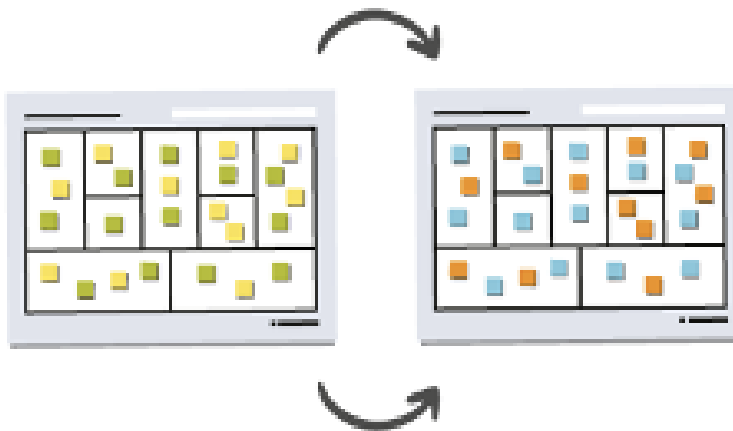
Chose between *simple* and *complex* business models



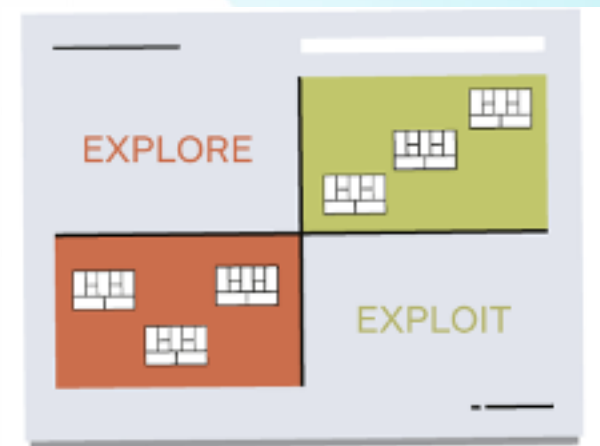
Visualization helps to stay focussed



Map your **existing business model**



Design an **updated or new Innovational business model**

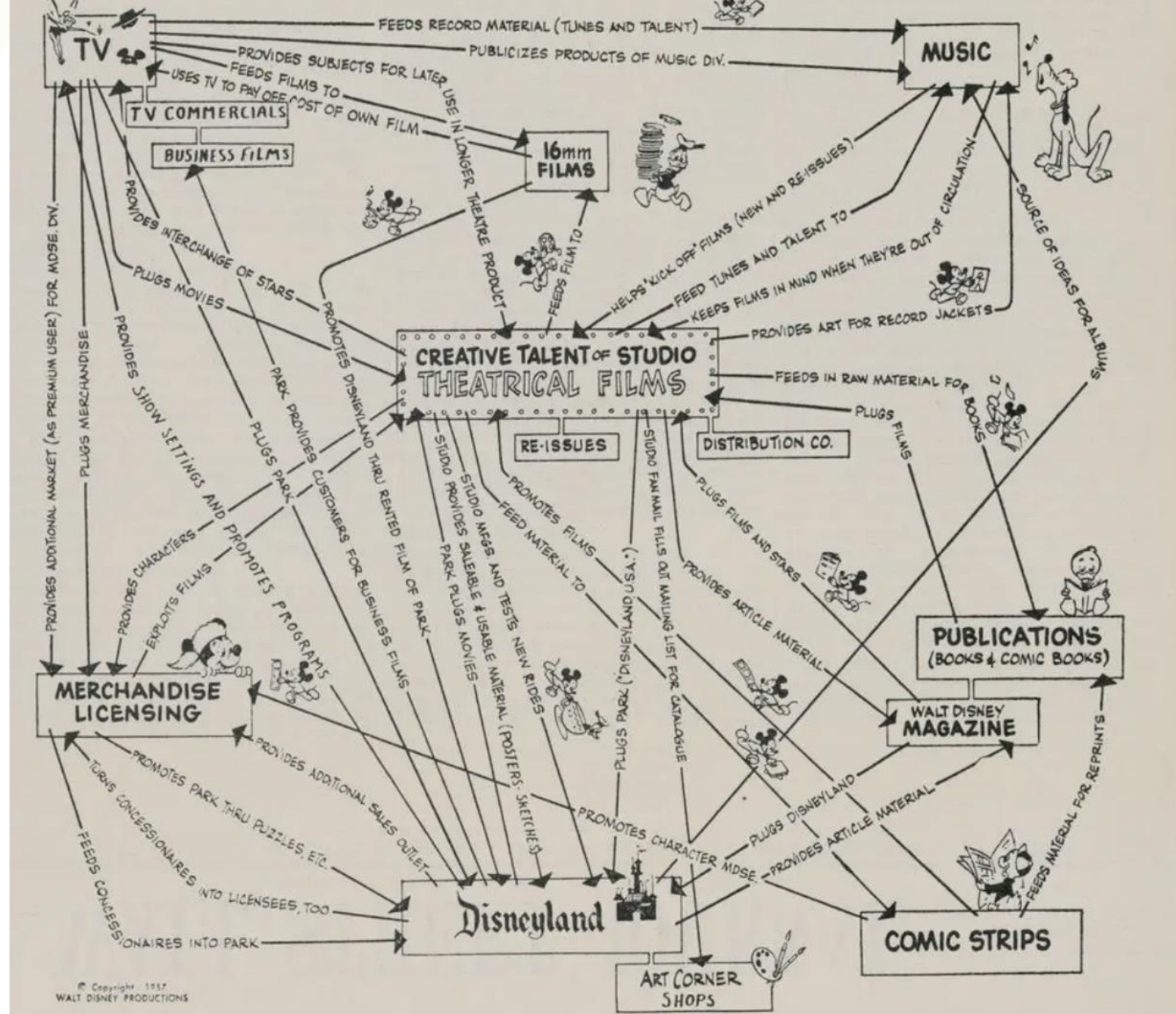


Manage a portfolio of business models, e.g., local market, innovative, parallel market exploration

Typical Small or Medium Industry

The Walt Disney Business Model (1957)

Analog Business Model design in action in 1957



Walt Disney's corporate strategy in 1957. Design Taxi

DuckDuckGo Business Model



„Privacy“ as an innovative Business Model

„Cash converting Cycle or Cash Machine“ as a firm-specific business model

Amazon Cash Machine Business Model Explained



In 2016 on almost \$136 billion in revenues, Amazon Net Income was \$2,3 billion. The Net Income Margin was 1,74% However, Amazon cash machine business model allows it to generate cash from its operations even though it has a low net income.

How? Though an effective management of its cash conversion cycle!



In the last three months ending as of December 2017, Amazon had 26.92 days to use cash generated by sales to finance its operations and grow even further.

Difference between Business Model and Business Plan

The **business model** is the mechanism through which the company generates its profit

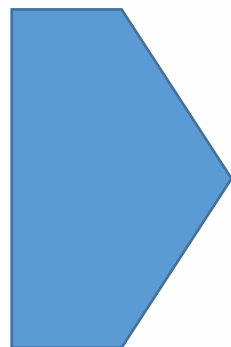
The **business plan** is a document presenting the company's strategy, its operationalisation and expected financial performance for the years to come.

What is the Business Model Canvas



- The BUSINESS MODEL CANVAS is a strategic management tool that visualizes specific answers to the key elements of business through **nine (9) categories**
- The BUSINESS MODEL CANVAS is a simple and intuitive tool to better visualize and to convert from a strategic „in-theory-stage“ into a realistic „planning stage“
- A BUSINESS MODEL CANVAS is an abbreviated one-page overview that provides a **snapshot picture of key elements of business**

The Business Model Canvas visualizes



How the product is adding value

Who will buy the products and services

Why customers will use the products and services

How it will happen

How the money works

9 key elements of the Business Model Canvas

Customer
Segments

Value
Proposition

Channels

Customer
Relationship

Key
Resources

Key
Activities

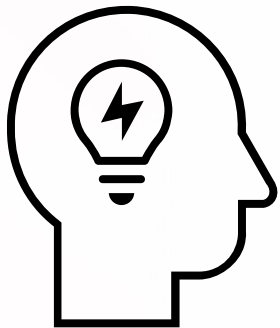
Key
Partners

Revenue
Streams

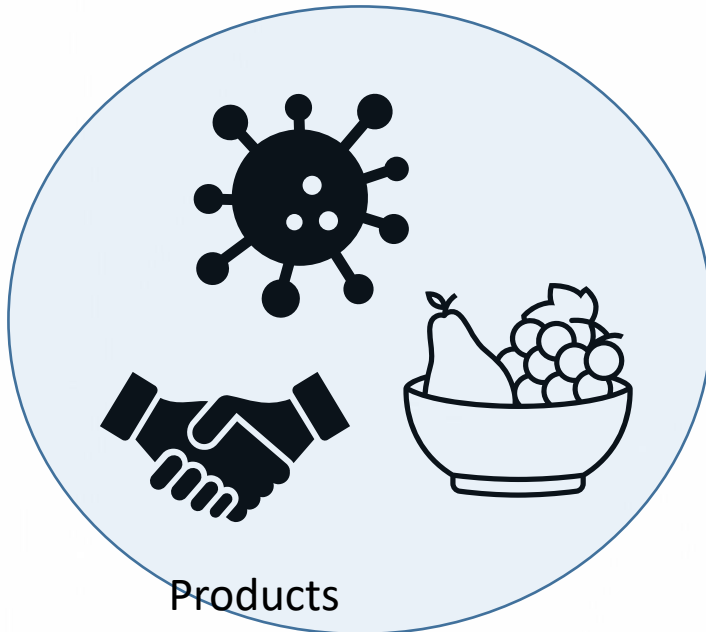
Cost
Structure

Before using the Canvas → Information is key....

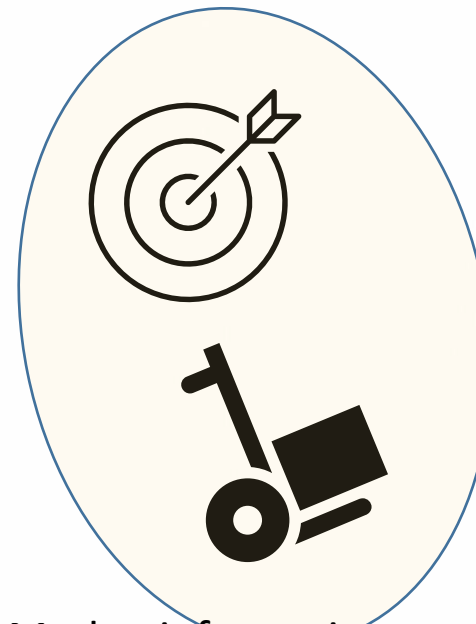
Before the CANVAS helps to adding value, data, market information and resources need to be (made) available.



Management
Leadership
Vision



Products
Linkages
Strategies



Market information
Target clients and markets
Available logistics



Financial resources
Financial management
Suitable HR

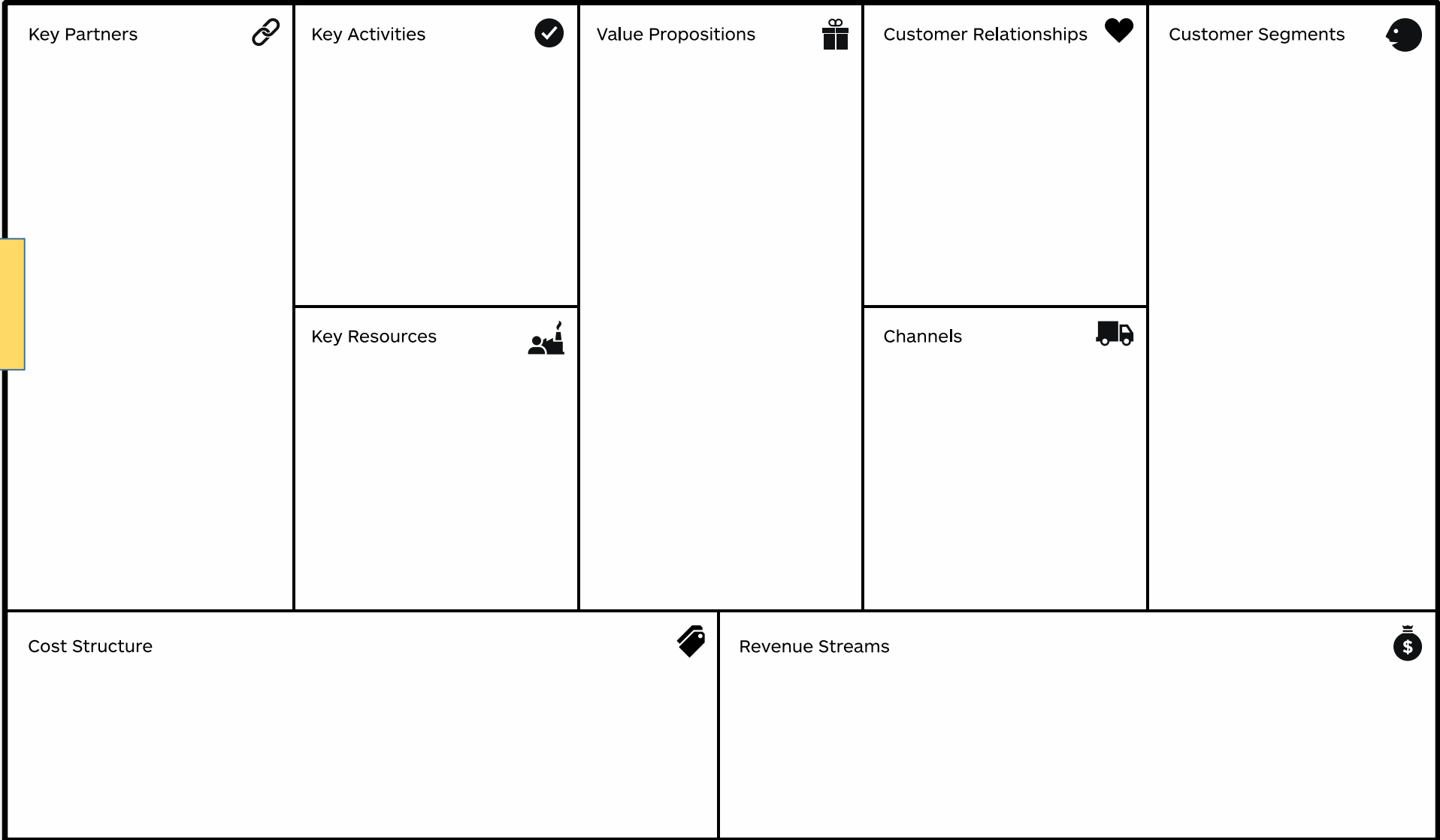
The Business Model Canvas

Designed for:

Designed by:

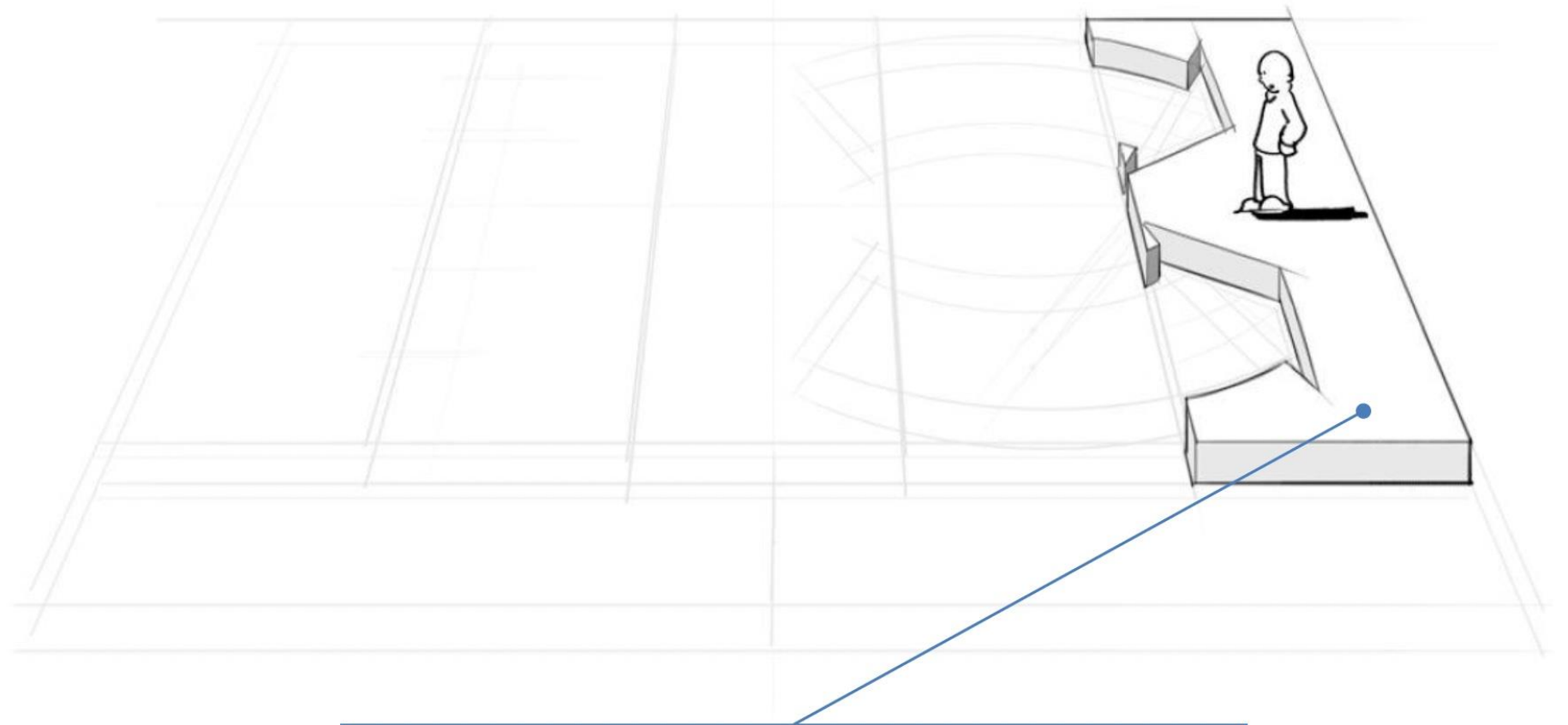
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Version:



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Customer Segments



which customers and users are you serving?
which jobs do they really want to get done?

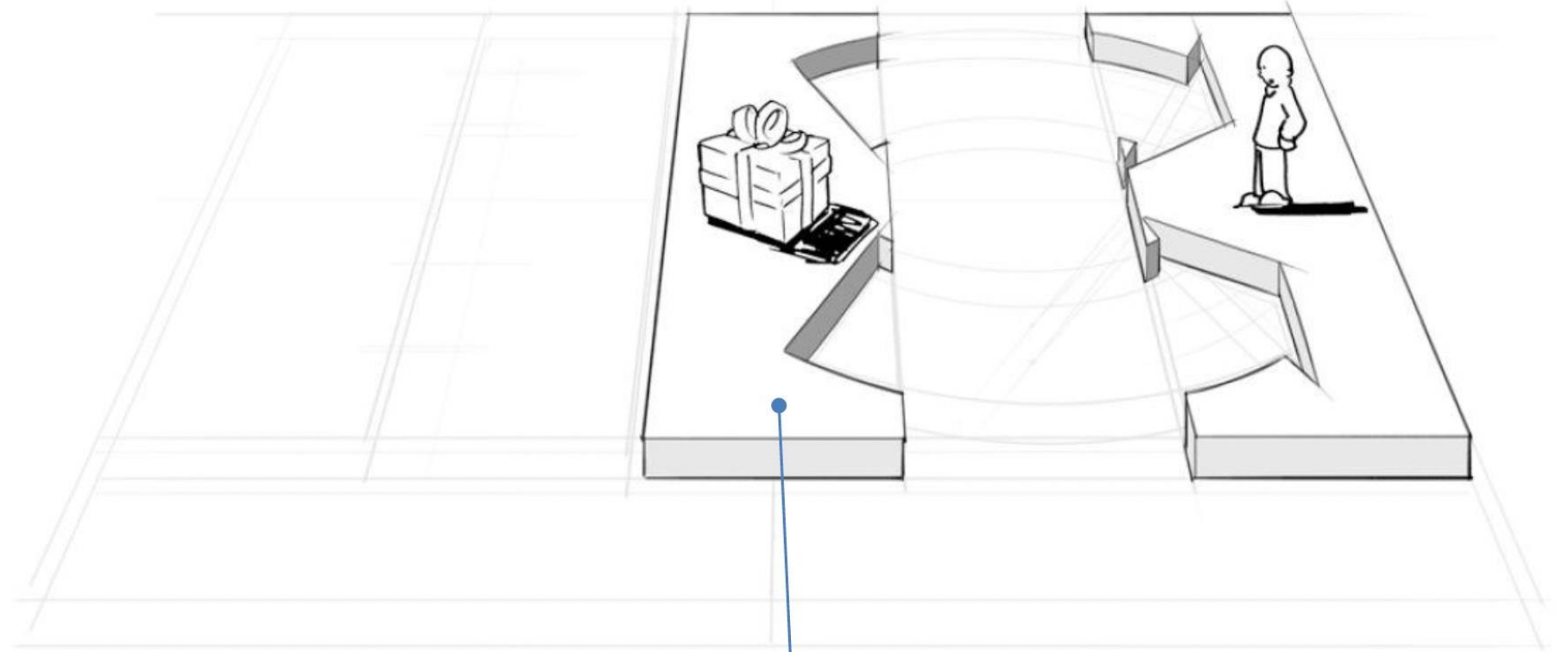
	Large importers and service providers	Specialised importers and traders
Types	<ul style="list-style-type: none"> • Service providers to large retailers • Contract buyers • Retail purchase centres • Integrated importers 	<ul style="list-style-type: none"> • Traders/suppliers to service providers and wholesale (spot market) • Specialised buyers of specific fruit categories (for example, citrus specialists) • Importers of niche, exotic, organic and ethnic products
Advantages	Supply programmes, fixed-price, long-term or seasonal contracts, pre-harvest financing, supply security	Flexibility, expertise in specific products
Disadvantages	Strict quality and food safety standards, minimum required volumes, mandatory packaging options	Spot sales (price fluctuations)
Examples	<ul style="list-style-type: none"> • Greenyard Fresh France 🌐 (France) • Nature's Pride 🌐 (the Netherlands) • Wealmoor 🌐 (the United Kingdom) • OGL Food Trade 🌐 (Germany) 	<ul style="list-style-type: none"> • SpecialFruit 🌐 (exotics) • BUD Holland 🌐 (exotics) • OTC Organics 🌐 (organic) • Eosta 🌐 (organic and Fairtrade products)



CGAP is a global partnership of more than 30 leading development organizations that works to advance the lives of poor people through financial inclusion.

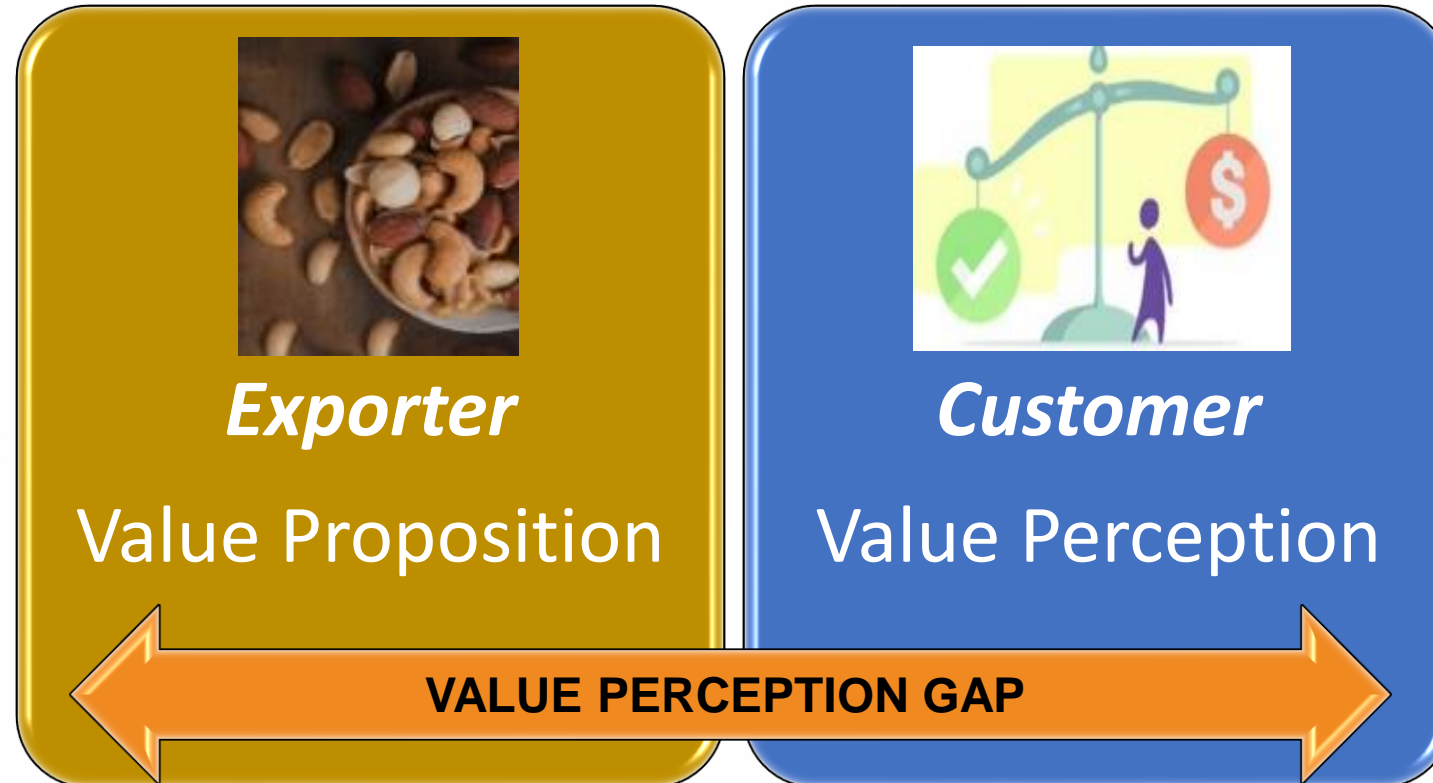
<https://www.cgap.org/sites/default/files/researches/documents/Custom-Segmentation-Toolkit.pdf>

Value Proposition

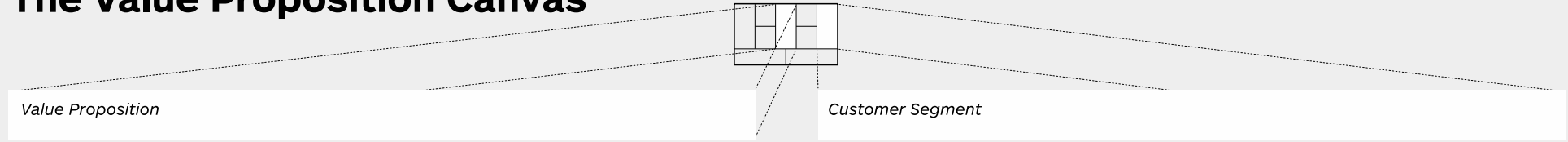


what are you offering them? what is that getting done for them? do they care?

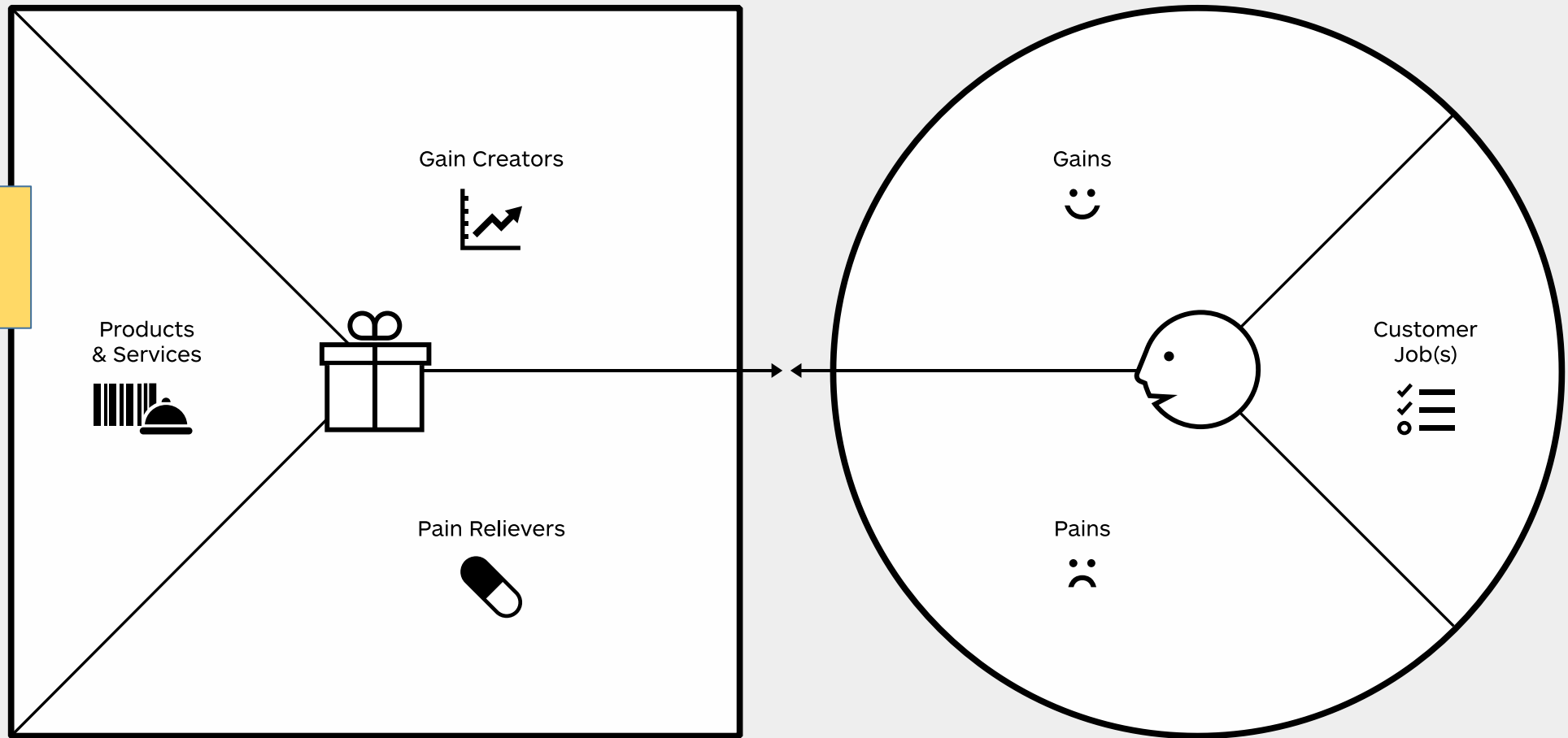
How to identify the *Customer Value Proposition* ?



The Value Proposition Canvas



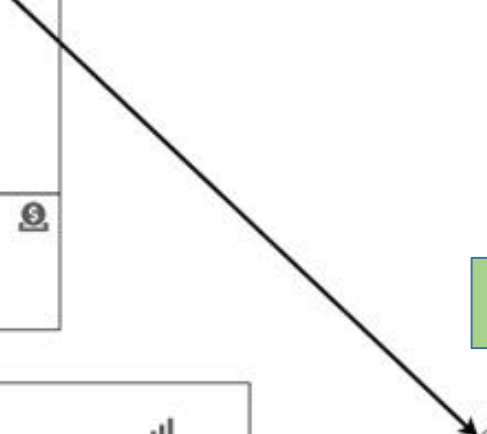
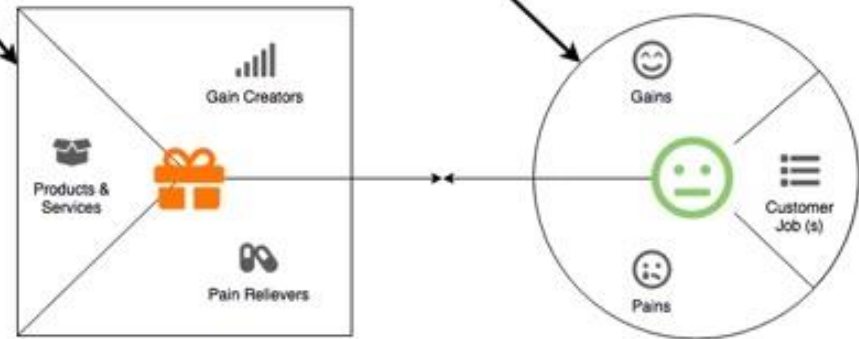
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Business Model Canvas

Value Proposition Canvas



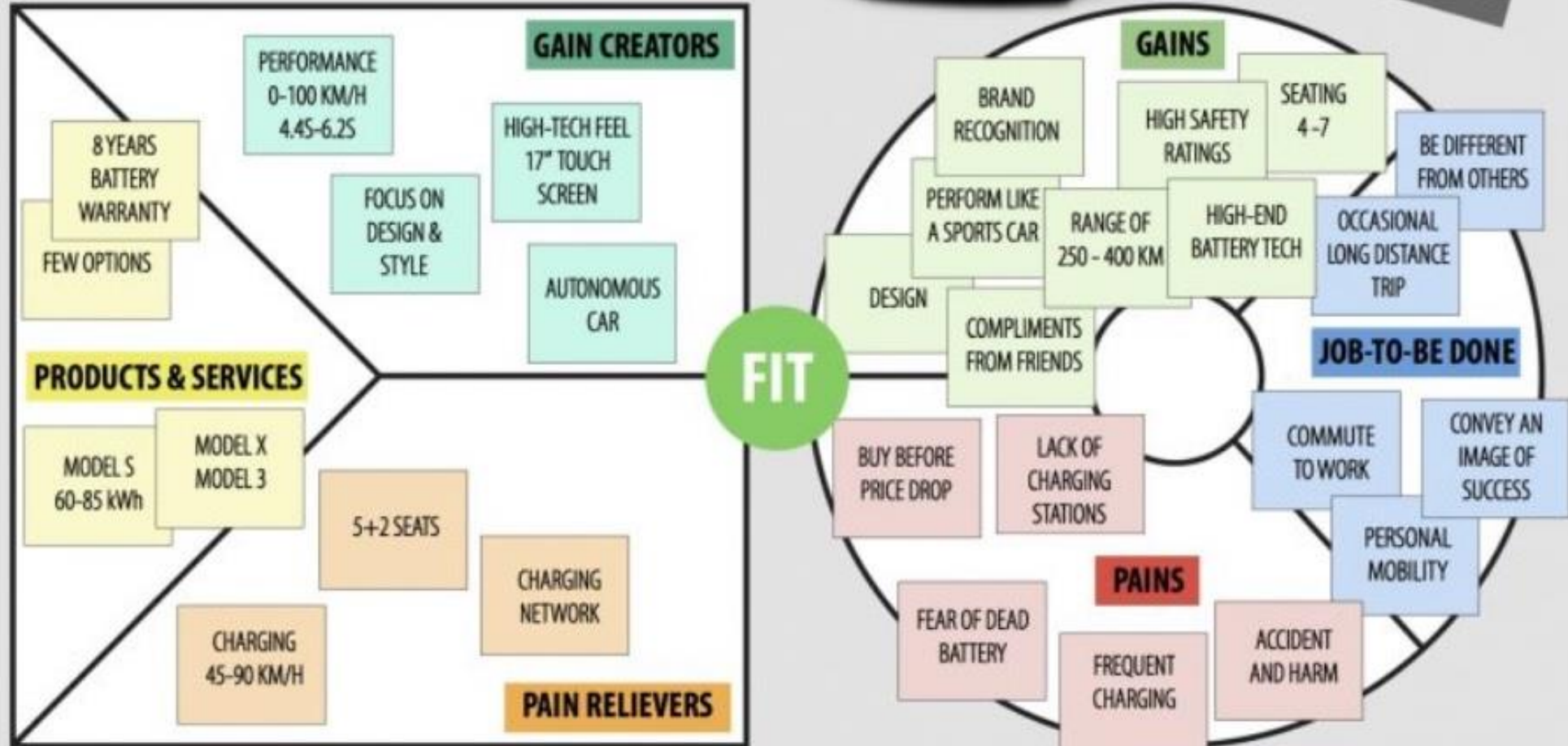
VALUE PROPOSITION CANVAS

TESLA

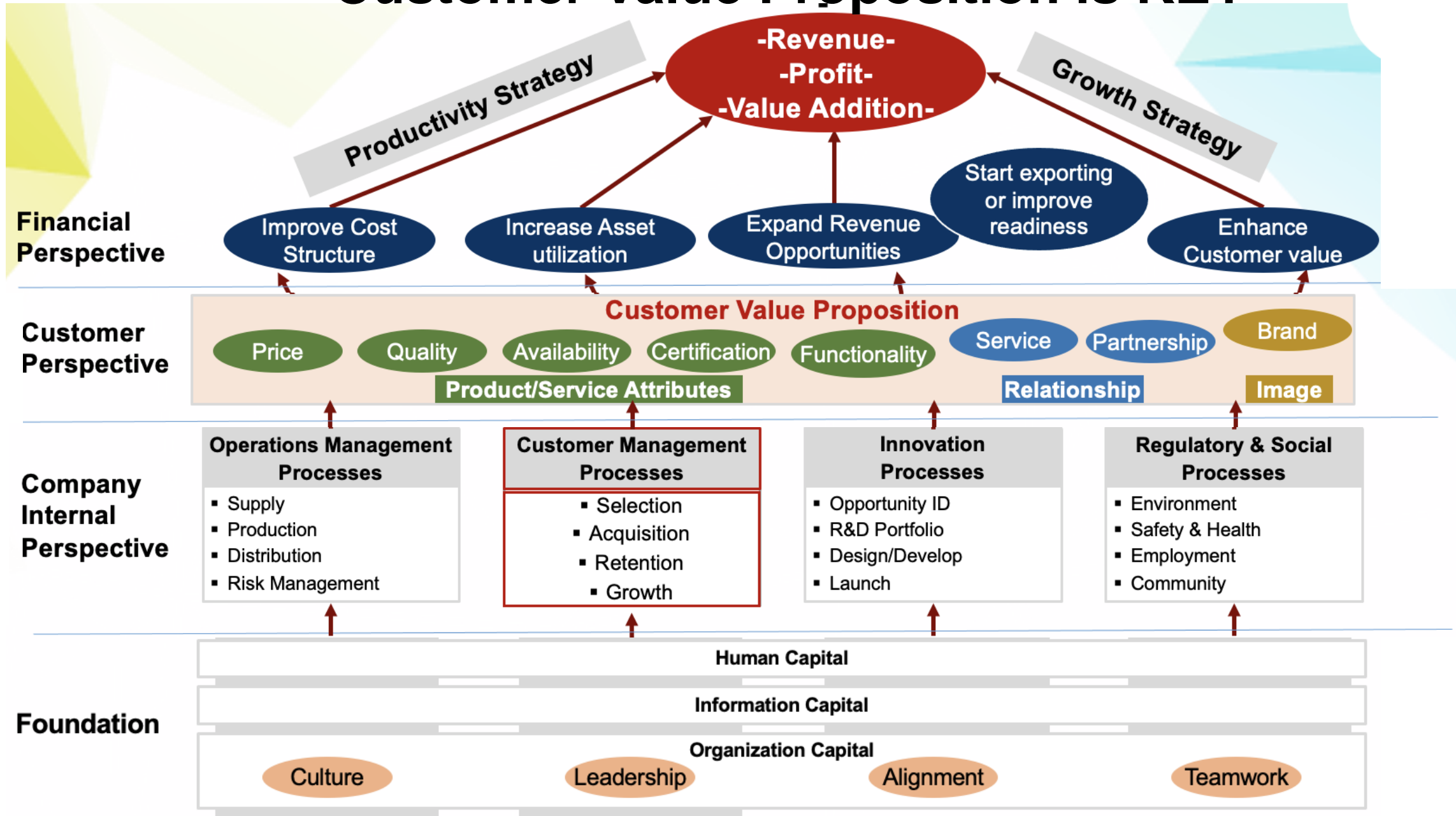


UPPER MIDDLE CLASS MALE \$100k+ INCOME

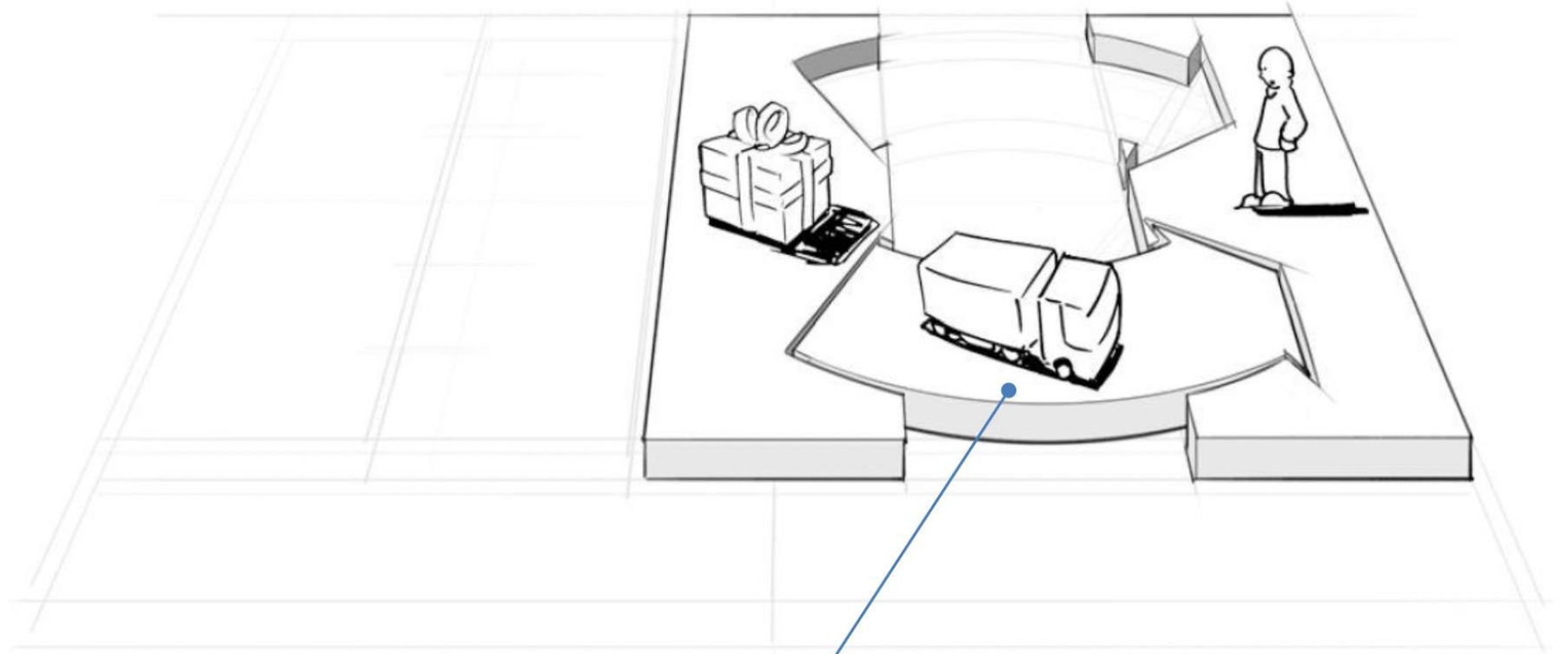
Application Example „TESLA“



Customer Value Proposition is KEY



Channels



how does each customer segment want to be reached?
through which interaction points?

More about Channels

Channels

- Communication
- Sales
- Distributions

*Channels, interface to
Customers*



Help customers to purchase with ease

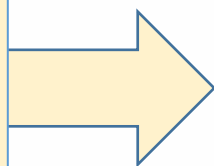
For each of the identified customer segments

To be in line with the value propositions

Suitable for post-sales support purposes

Questions

to be asked when
determining channels

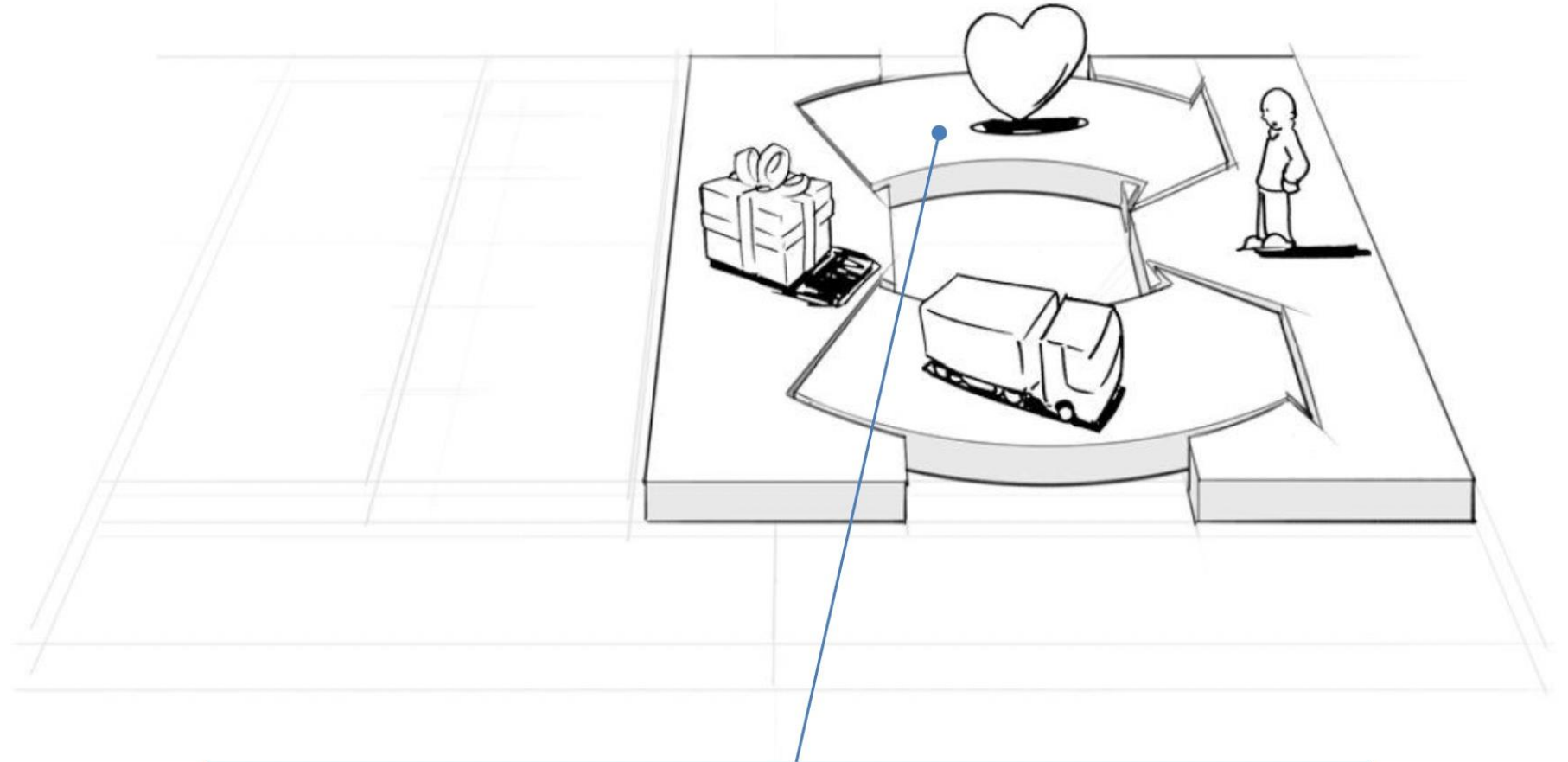


Through which channels customers want to be reached?

Which channel works best for your company?

Which of the channels are the most cost-effective
for us and the customer?

Customer Relationships



what relationships are you establishing with each segment?
personal? automated? acquisitive? retentive?



Source: nmasse.com

Questions

to be asked Customer Relationship

- What type of customer relationship relates to segments?
- Do we have experience with specific groups of customers?
- How costly is it to maintain and to retain the customer segments?
- How does it fit into our overall business model?

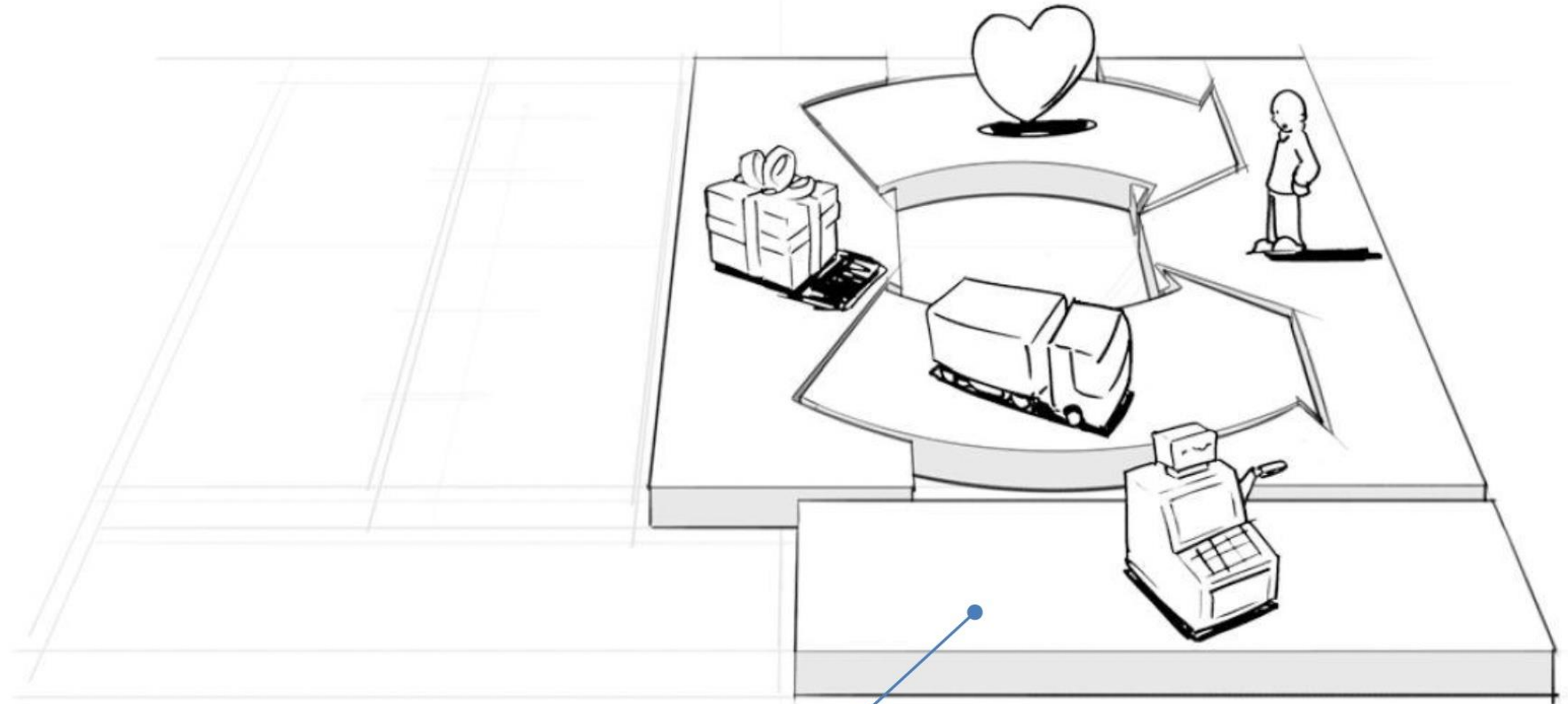
Long-term

Dedicated personal assistance

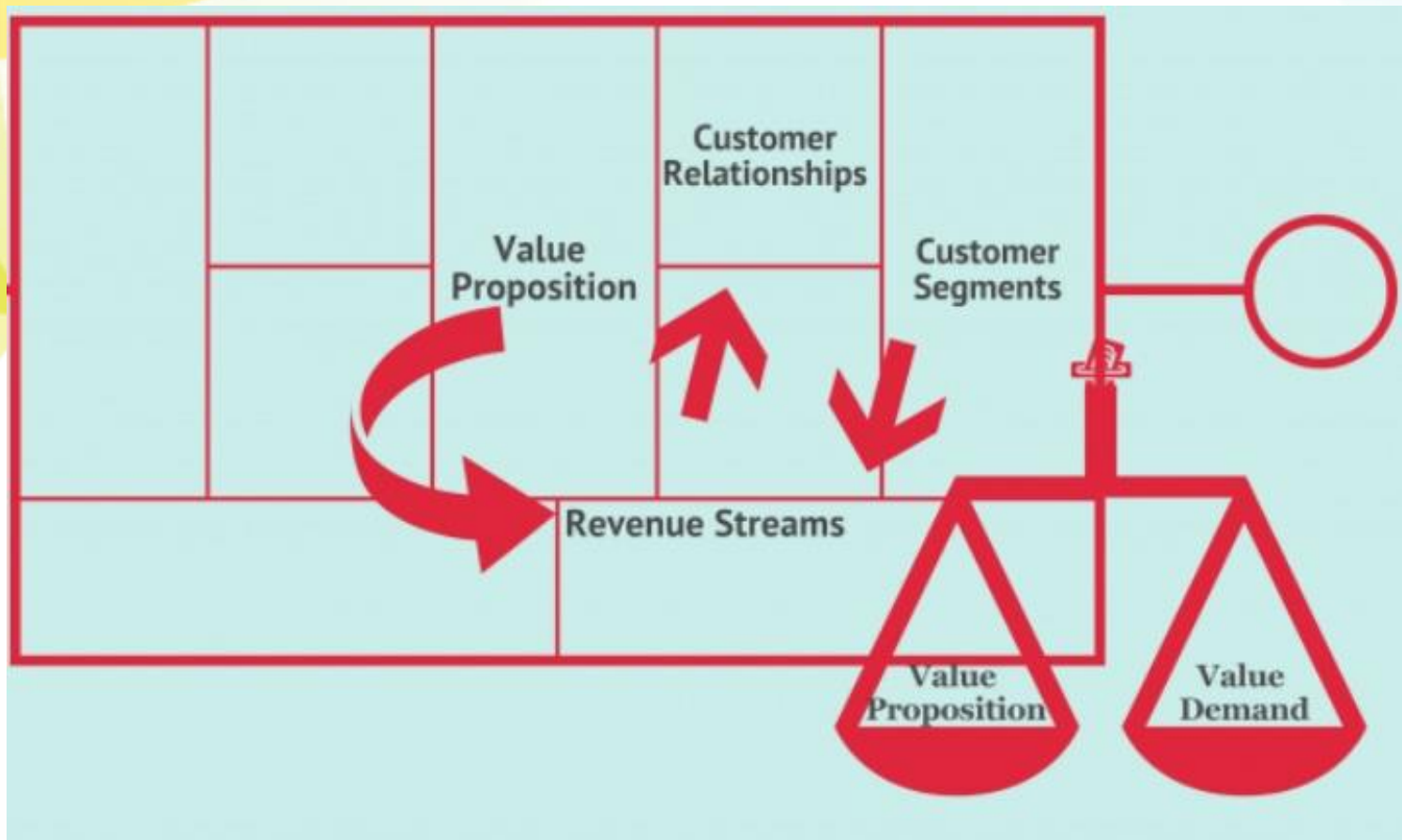
Transactional

Key-account

Revenue Streams



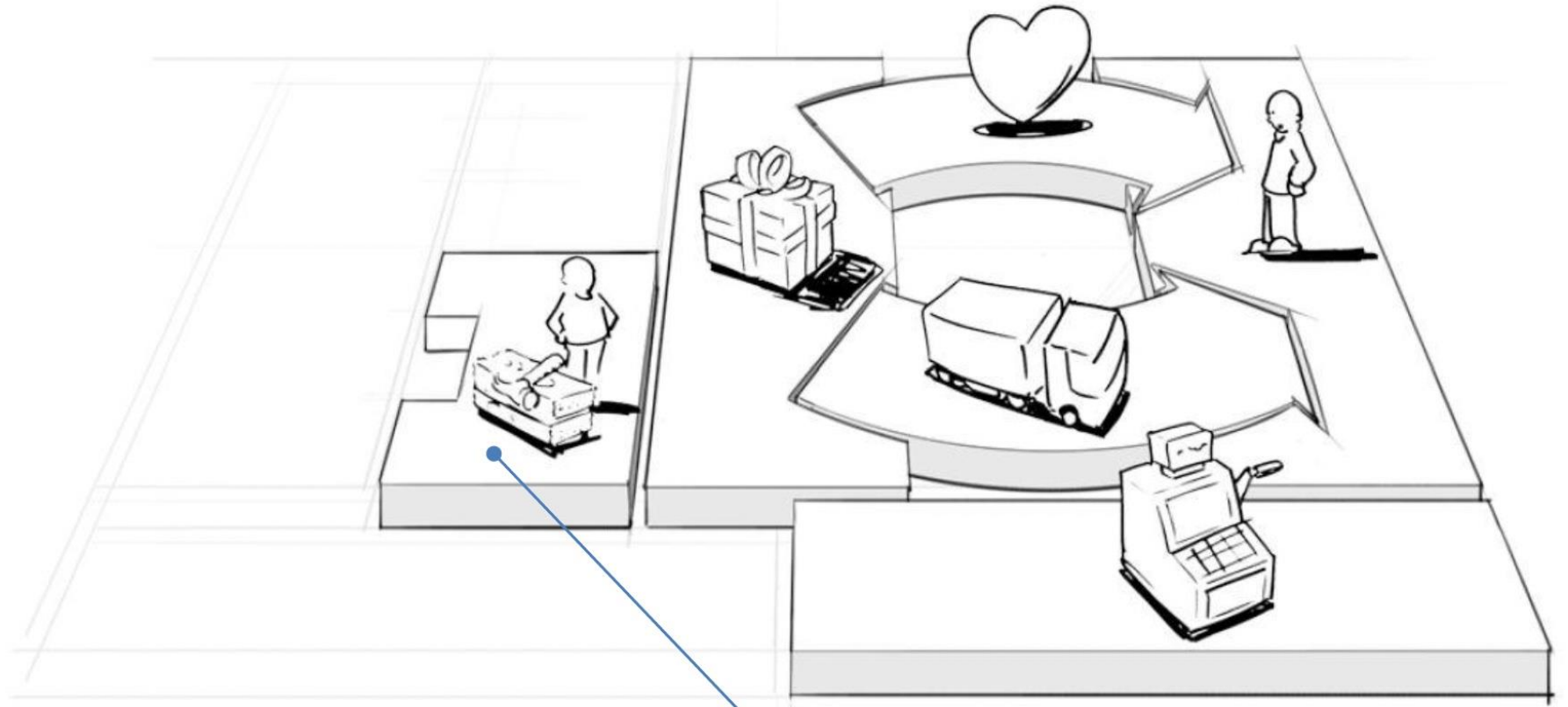
what are customers really willing to pay for? how?
are you generating transactional or recurring revenues?



Source: FourWeekMBA

- **How** and **how much** will my customer pay for my products and its specific value proposition?
- How is my business **earning money**? Options for your business will be mostly earnings from local market or export sales, but could include licenses, margins from sub-contracting, etc.

Key Resources



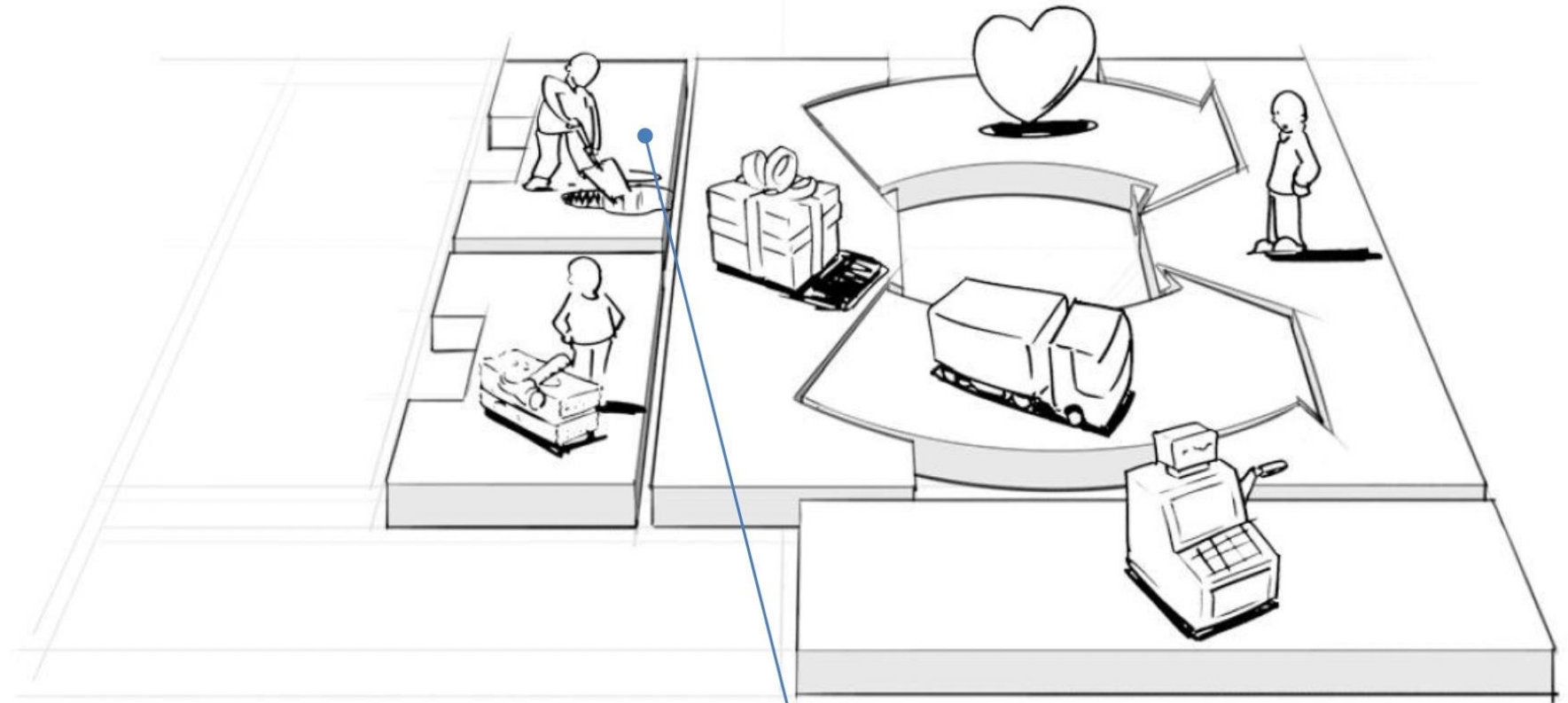
which resources underpin your business model?
which assets are essential?

More about key resources and required assets

What are the **most important activities and initiative** that need to be implemented by the company?

- Provide required key resources
- Secure sufficient good-quality primary products
- Anything needed to realize the Value Proposition
- Implement the best-suitable supply chain management
- Invest sufficient time and efforts on problem-solving
- Invest in export market research and customer segmentation
- Invest in customer communication, retention and client acquisition

Key Activities



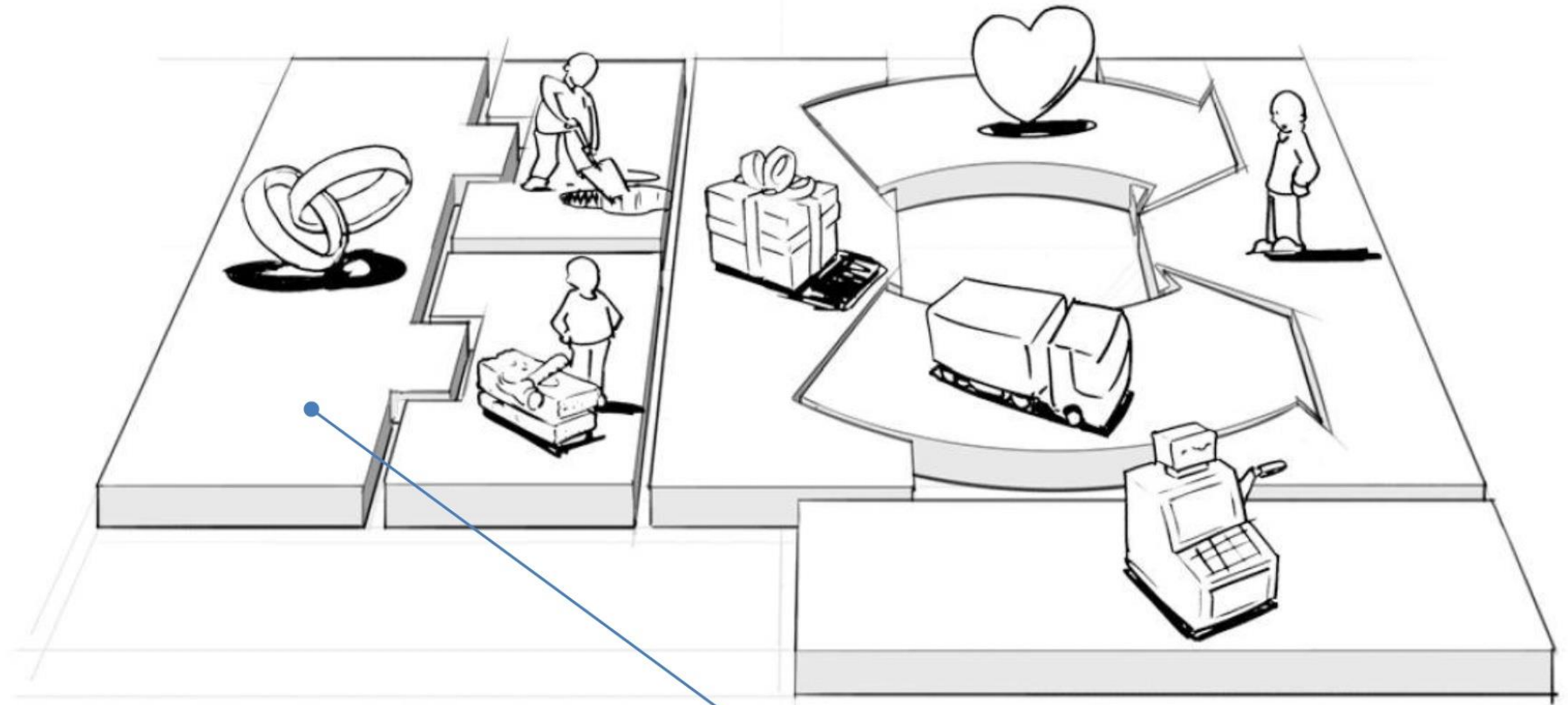
which activities do you need to perform well in your business model? what is crucial?

More on key activities

What are the **key resources** that are required to deliver the specific value proposition to the customer?

- IT and software
- Production or processing equipment
- Infrastructure
- Experienced employees
- Technical and product knowledge
- Expert knowledge and external support (e.g., BDS, marketeers)
- Financial resources

Key Partners



which partners and suppliers leverage your model?
who do you need to rely on?

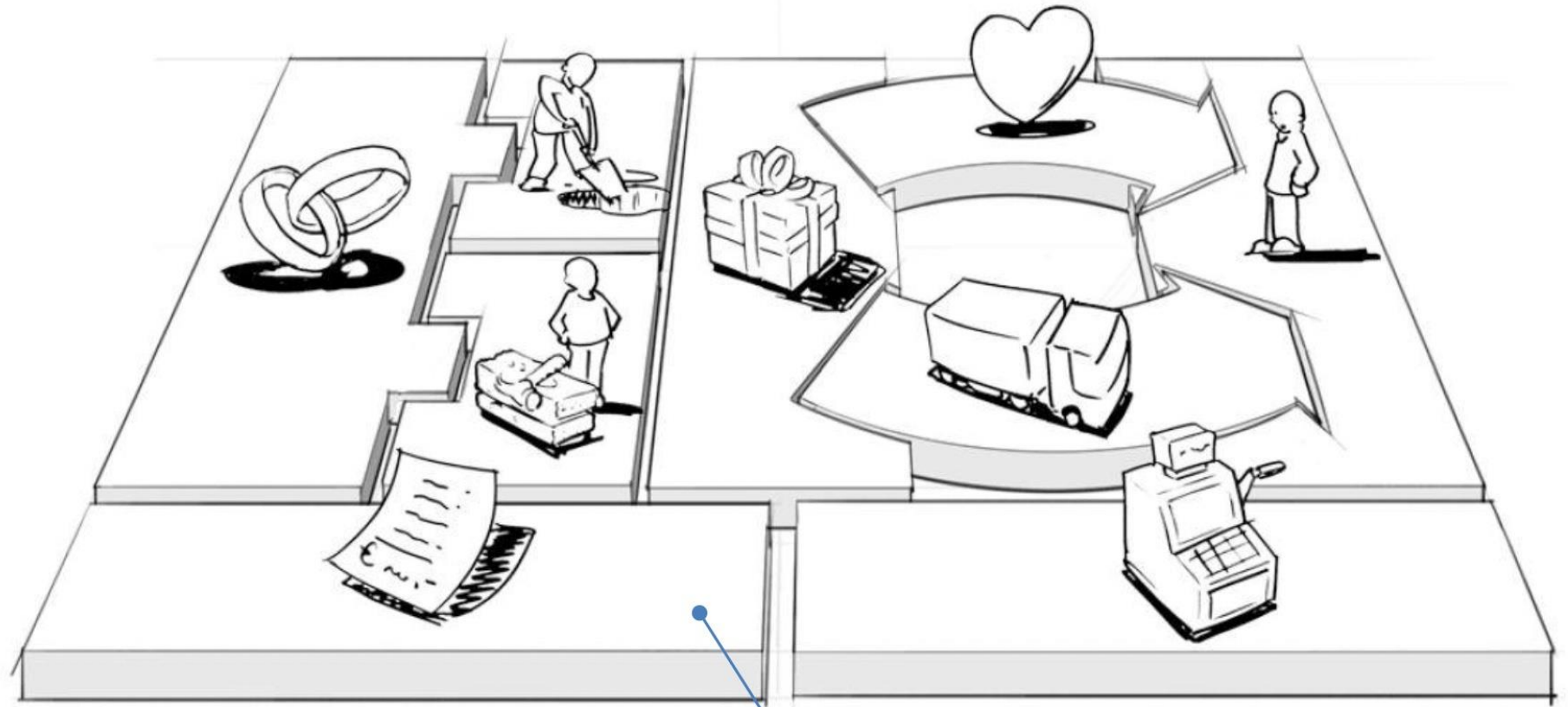
More on key partners

Which **functioning network of suppliers and partners** are required for the business model

Questions to ask:

- Who are the required key partners ?
- Who are the key suppliers for primary and other products and services ?
- Which key resources will be supplied from different partners ?
- Which key activities or inputs are performed by business partners?

Cost Structure



what is the resulting cost structure?
which key elements drive your costs?

More on cost structure

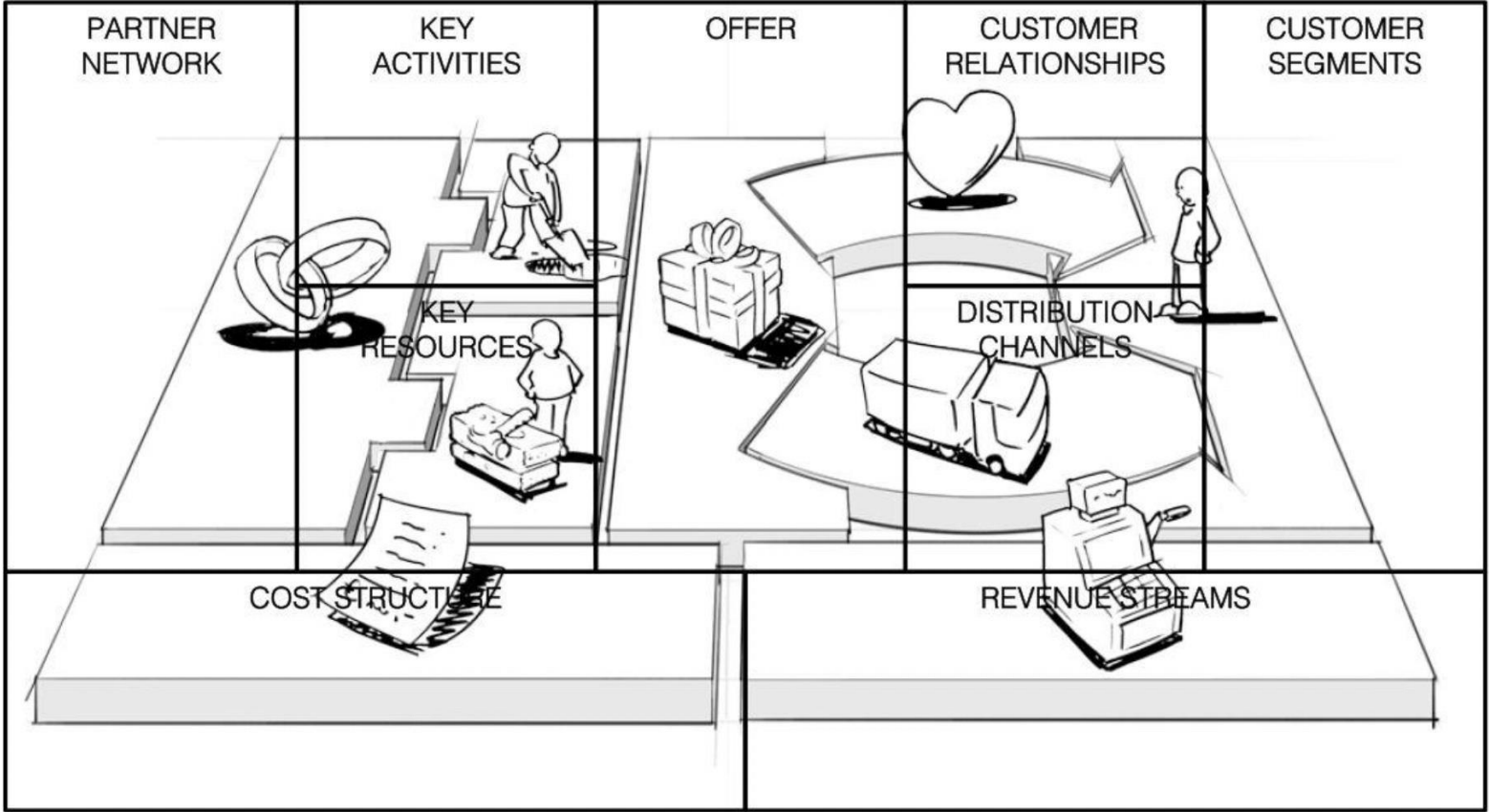
(Costs while working with the specific business model)

Which **functioning network of suppliers and partners** are required for the business model

Questions to ask:

- What are main cost blocks in your business model ?
- Which of the key resources are most expensive ?
- Which key activities are most expensive ?
- Are there any necessary and realistic adjustments possible concerning my current cost structure ?

Business Model Canvas



Your Business Model Canvas

<p>KEY PARTNERS</p> <p><i>Guess</i></p> <p><i>Guess</i></p> <p><i>Guess</i></p>	<p>KEY ACTIVITIES</p> <p><i>Guess</i></p> <p><i>Guess</i></p>	<p>VALUE PROPOSITION</p> <p><i>Guess</i></p>	<p>RELATIONSHIPS</p> <p><i>Guess</i></p>
	<p>KEY RESOURCES</p> <p><i>Guess</i></p> <p><i>Guess</i></p>		<p>CHANNELS</p> <p><i>Guess</i></p> <p><i>Guess</i></p>
<p>COST STRUCTURE</p> <p><i>Guess</i></p> <p><i>Guess</i></p>	<p>REVENUE STREAMS</p> <p><i>Guess</i></p> <p><i>Guess</i></p>		

Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Startup Name

Name1, Name2, ...

DD/MM/YYYY

X.Y

Key Partners

Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

MOTIVATIONS FOR PARTNERSHIPS:

Optimization and economy, Reduction of risk and uncertainty, Acquisition of particular resources and activities

Key Activities

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

CATEGORIES:

Production, Problem Solving, Platform/Network

Key Resources

What Key Resources do our Value Propositions require?
Our Distribution Channels?
Customer Relationships
Revenue Streams?

TYPES OF RESOURCES:

Physical, Intellectual (brand patents, copyrights, data), Human, Financial

Value Propositions

What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?

CHARACTERISTICS:

Newness, Performance, Customization, "Getting the Job Done", Design, Brand/Status, Price, Cost Reduction, Risk Reduction, Accessibility, Convenience/Usability

Customer Relationships

What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?

Channels

Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?

Customer Segments

For whom are we creating value? Who are our most important customers? Is our customer base a Mass Market, Niche Market, Segmented, Diversified, Multi-sided Platform

Cost Structure

What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?

IS YOUR BUSINESS MORE: Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing), Value Driven (focused on value creation, premium value proposition).

SAMPLE CHARACTERISTICS: Fixed Costs (salaries, rents, utilities), Variable costs, Economies of scale, Economies of scope

Revenue Streams

For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?

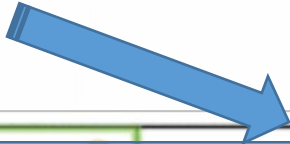
TYPES: Asset sale, Usage fee, Subscription Fees, Lending/Renting/Leasing, Licensing, Brokerage fees, Advertising

FIXED PRICING: List Price, Product feature dependent, Customer segment dependent, Volume dependent

DYNAMIC PRICING: Negotiation (bargaining), Yield Management, Real-time-Market

The Key Questions

Export Business Model Canvas

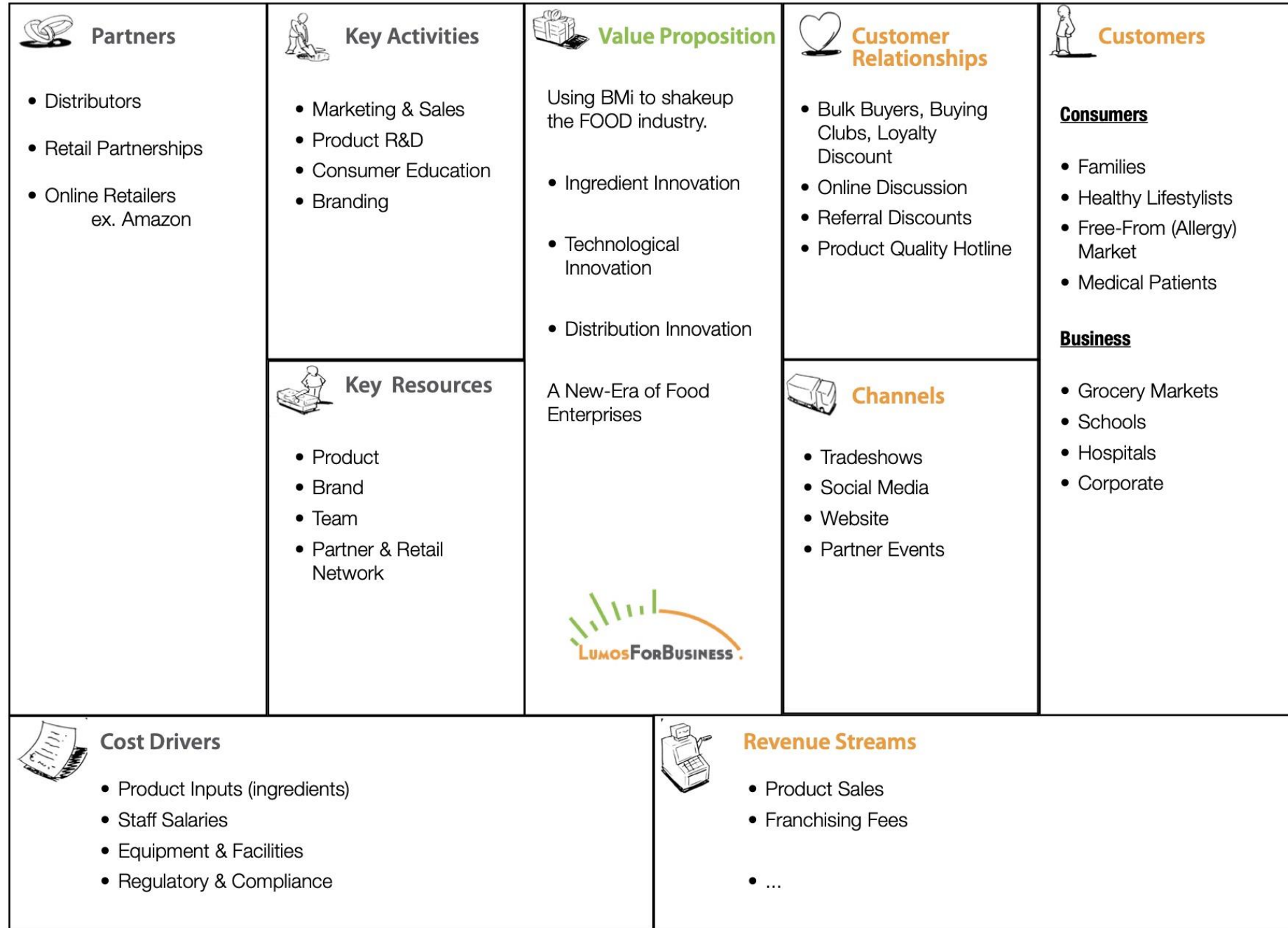


Generic EXPORT Business Model Canvas

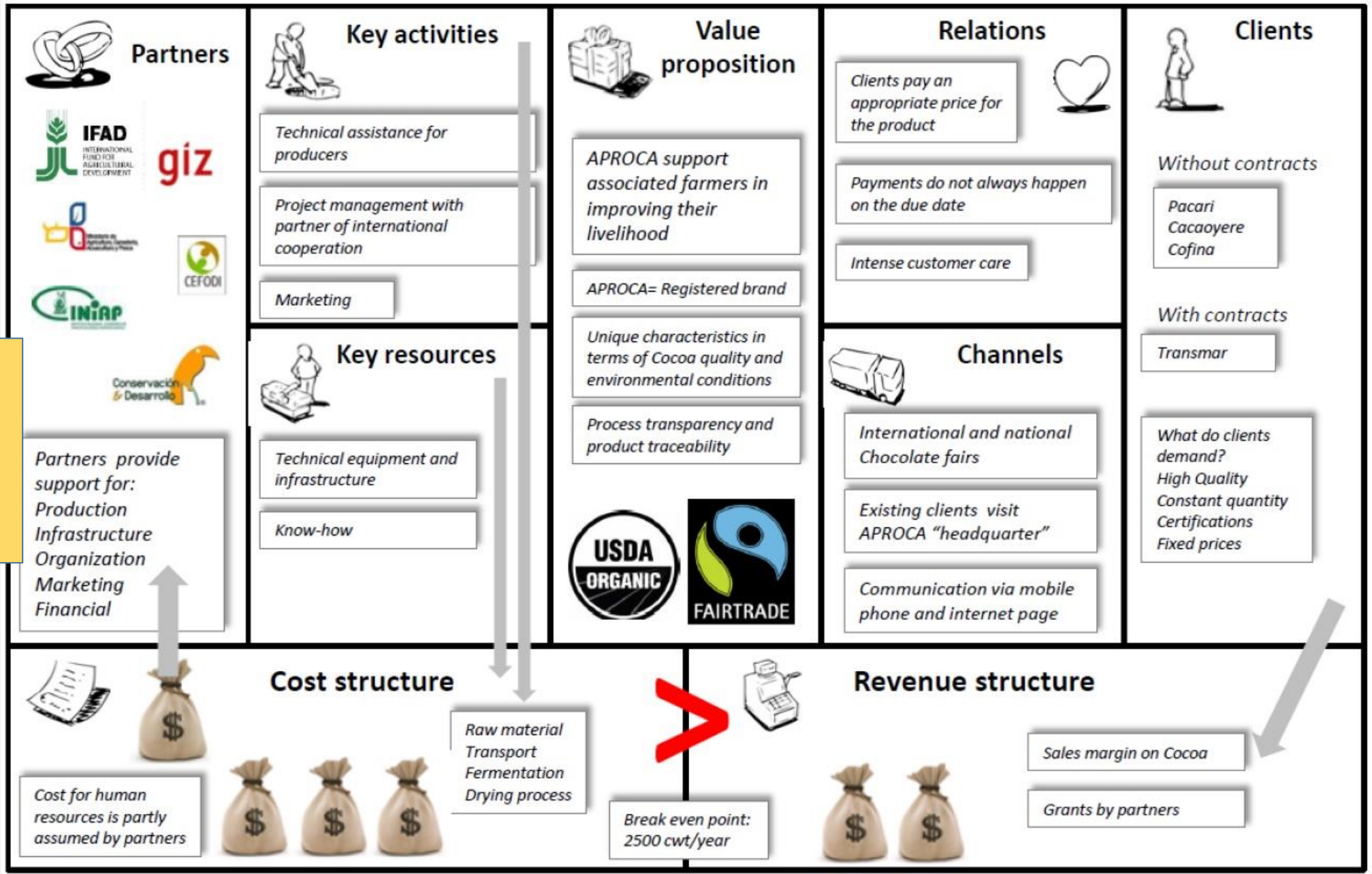
<p>PROBLEM OR DESIRE</p> <p>CUSTOMER PROBLEM AWARENESS</p>	<p>SOLUTION</p> <p>HOW ARE YOU GOING TO SOLVE THE PROBLEM?</p>	<p>UNIQUE VALUE PROPOSITION</p> <p>WHAT DO YOU OFFER THAT OTHERS DON'T?</p>	<p>COMPETITIVE ADVANTAGE</p> <p>HOW'S YOUR BUSINESS BETTER?</p>	<p>BUYER PERSONA'S</p> <p>WHO ARE YOUR PERFECT CLIENTS?</p>
<p>FOREIGN ALTERNATIVES</p> <p>CO-CREATE? VERSIONS?</p>	<p>EXPORT KPI'S</p> <p>MEASURE WHAT AND HOW?</p>	<p>PROJECT NAME DATE</p> <p>HIGH CONCEPT PITCH</p> <p>EXPORT VISION IN ONE SENTENCE</p>	<p>CHANNELS & COUNTRIES</p> <p>WHERE CAN YOU BUY WHAT?</p>	<p>EARLY ADOPTERS</p> <p>LAUNCHING EXPORT CUSTOMER</p>
<p>COST STRUCTURES</p> <p>FIXED COSTS EXPORT COSTS</p>		<p>REVENUE STREAMS</p> <p>PRICING INVESTORS? SUBSIDY?</p>		

FOOD Business Model

Generic FOOD Business Model Canvas



Real life example:
Cocoa
cooperative
Aproca, Ecuador



What to avoid

- Commit cognitive murder – showing the entire canvas all at once
- Everything at once – showing too much details
- Too many ideas in one canvas and category
- Filling out boxes without considering connectivity between categories
- Too many conclusions that do not connect with each other (e.g. revenue without customer relation, or low profit without cost calculation)
- Mixing time horizons: past, present and future
- Making things more complex than they really are



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THANK YOU

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