Business Model Design: Crafting Business Architecture

CSC Entrepreneurship Workshop

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Introduction: What is a business model, and why does it matter?

Action: Explore the first steps to design a successful business model in a team

Summary: What have you learned today?
A business model describes *how* a company creates and appropriates value, i.e. the way it ‘does business’.

Business models are the “heuristic logic that connects technical potential with the realization of economic value” (Chesbrough & Rosenbloom, 2002: 529).
Nine building blocks cover the four main areas of a business: customer, offer, infrastructure, and profit formula.

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<th>Key partnerships</th>
<th>Key activities</th>
<th>Value proposition</th>
<th>Customer relationships</th>
<th>Customer segments</th>
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<th>Cost structure</th>
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It is not possible to design a business model without first identifying a clear customer value proposition

- A successful company is one that has found a way to help customers get an important ‘job’ done.
- Understanding the ‘job’ and all its dimensions precedes the design of the offering.
- The value proposition is the reason why customers turn to one company over another; it solves a problem or satisfies a need.
- The value proposition can be quantitative (e.g. price) or qualitative (e.g. customer experience).
Example: Neonatal jaundice – a critical global health issue

The symptom: Yellow discoloration

The cause: High levels† of Bilirubin

†>85 μmol/1

Jaundice is the #1 reason why newborns are readmitted to hospitals worldwide. For approximately 18% of babies, the condition is severe and requires treatment.

Conventional light therapy: Exporting Western value propositions and products

Source: Donaldson (2012).
Light therapy with D-Rev’s Brilliance: Understanding the ‘job’ the customer wants to get done

Picture source: https://www.facebook.com/designrevolution/photos_stream
## Innovating in developing countries: Adaptation several elements of a business model

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<td>• Affordable and accessible&lt;br&gt;• Easy to use and reliable</td>
<td>• No donation (Retail price: $400)&lt;br&gt;• Direct sale to hospitals</td>
<td>• Design partnerships with local firms&lt;br&gt;• Distribution partner: Phoenix Medical Systems</td>
<td>• Product design and delivery&lt;br&gt;• Additional services (training etc.)</td>
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Time for practice: Group work

1. Get together in groups of 4 – 5
2. Discuss an unsolved issue in your home country with the group for 10 min.
3. Select one issue presented and design a basic business model to solve it for 25 min.
4. Be ready to present the issue and the business model idea to the entire class for 5 min.

Total time: 30 min.
Basic ideas are sufficient; focus on core questions

- **Key partnerships**
  - Who are our key partners?
  - Who are our key suppliers?

- **Key activities**

- **Value proposition**
  - What value do we deliver to the customer?
  - What problem do we solve?

- **Customer segment**
  - Who is our customer?

- **Key resources**
  - What key resources do we need?

- **Channels**
  - How are we reaching our customer?

- **Cost structure**

- **Revenue streams**
  - For what and how is our customer willing to pay (if at all)?
Summary of today’s learnings

- A business model describes how a company creates and captures value; it visualizes what problem a company solves, how it delivers value to the customer, and how it makes a profit.

- A business model can be described through nine building blocks or design elements that cover the four main areas of a business: customer, offer, infrastructure, and profit formula.

- Business model design considers the context in which innovation takes place.