

Video Transcript: "Ep 2 – Visualizing Your Business Model"

<https://youtu.be/wlKP-BaC0jA>

FEMALE_1: [00:00:00] [MUSIC] This is the business model Canvas. It's just what Beth and Carl will need to craft a powerful business model, and it can do the same for you. Let us dive in and see how it works. There are nine essential building blocks that make up any business model. When you get all nine blocks working together, you will have answered the fundamental questions any business model must solve.

We'll start here with customer segments. These are all the people or organizations for which you're creating value. For each segment, you have a specific value proposition. These are the bundles of products and services that create value for your customers. Channels described through which touch points you are interacting with customers and delivering value. The customer relationships, outline the types of relationships you are establishing with your customers, and how you're acquiring and retaining them. Pricing mechanisms through which your business model captures value are documented under revenue streams. The key resources show which [00:01:00] assets are indispensable in your business model. You can describe the infrastructure you need to create, deliver, and capture value. The key activities show which things you need to be able to perform well. The key partners show who can help you leverage your business model, since you won't own all key resources yourself, nor will you perform all key activities. Once you understand your business model's infrastructure, you will also have an idea of its cost structure.

Any business model can be mapped this way. Nine building blocks working to reinforce and strengthen each other. But before you make a model for yourself, it helps to see what a breakthrough business model looks like in action, like this one. Low cost airlines revolutionized air travel thanks to their disruptive business model. Let's first look at their value proposition. A low cost airline offers ultra cheap flights to their main customer segment, budget travellers by adopting a no frills policy. This leads to additional revenue streams, [00:02:00] because customers pay for their ticket and additional fees on items like food and drink, priority boarding and luggage. The airlines save even more money through their choice of channels, selling only through call centers and the Internet, making for efficient, if not always convenient, customer relationships that are automated and often impersonal. That covers the right side of the Canvas, the part everyone can see. The left side of the Canvas is what's going on backstage. Like their choice of key resources, they reduce maintenance and training costs by using a single aircraft model for the whole fleet. They only fly to cheap airports where it's cost efficient to land or where they even get paid to touch down. Planes that do land have quick turnarounds, so they get back in the air earning money as quickly as possible. They form key partnerships with others in the travel industry like car rental, hotel and insurance companies. Finally, under cost structures, all maintenance, training, airport, and call center costs are trimmed to their lowest levels. [00:03:00]

All of these pieces working together make their fares almost impossible for traditional airlines to compete with. There's nothing superior about these airlines except their business models. They're reaching an entirely new segment of travellers out of reach for traditional airlines. Cutting out costs is pretty exciting. But wait, just because it's successful for discount airlines, doesn't mean it'll work for your idea. Luckily, the business model Canvas allows you to iterate many models, and test them quickly. Let's get started with your own business idea.