Software Economics

Introduction to Business Model
A business organization which sells a product or service in exchange for revenue and profit.

Steve Blank
An interesting idea, with funding early on, a good product and hire experienced key staff => SUCCESS?

WHY or WHY NOT?
Example of boo.com

Internet Company late 1990s.

• After some delays, launched in 1999 selling clothes with brand names.
• Spent around $135 million in just 18 months.
• Initially 40 employees and by October 1999, 8 offices and 400 employees.
• Liquidated in May 2000 (total assets less than $2 million)

Why did it not work?
How is a company organized?

**Business Model** = *describes all the parts of the company necessary to create, deliver and capture the value (profit - the cost of survival).*

For instance,

- What value do you offer?
- Who do you offer the value to?
- How do you deliver the value?

What about the technology? - It is only one part of the company.

*The following sets of slides are heavily based on the business model canvas provided by www.businessmodelgeneration.com*
9 Building Blocks

1. Customer Segments
   An organization serves one or several Customer Segments.

2. Value Propositions
   It seeks to solve customer problems and satisfy customer needs with value propositions.

3. Channels
   Value propositions are delivered to customers through communication, distribution, and sales Channels.

4. Customer Relationships
   Customer relationships are established and maintained with each Customer Segment.
**9 Building Blocks**

**R$**

**Revenue Streams**
Revenue streams result from value propositions successfully offered to customers.

**KR**

**Key Resources**
Key resources are the assets required to offer and deliver the previously described elements …

**KA**

**Key Activities**
… by performing a number of Key Activities.

**KP**

**Key Partnerships**
Some activities are outsourced and some resources are acquired outside the enterprise.

**C$**

**Cost Structure**
The business model elements result in the cost structure.

From www.businessmodelgeneration.com
Business Model Generation
Exercise

1. Group yourselves in groups of 4-5 persons.
2. Google Business Model Canvas and choose one.
3. What do you notice in terms of the 9 building blocks
4. How does the technology fit in?
5. About 10 minutes.
What is a startup?

According to Steven Blank, it’s a … a temporary organization designed to search for a repeatable and scalable business model.