



Business Model Game Labs

Laboratori d'innovazione



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defining the **BUSINESS MODEL**

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



8

Key Partners



7

Key Activities



2

Value Proposition



3

Customer Relationship



1

Customer Segments



6

Key Resources



4

Distribution Channels



9

Cost Structure

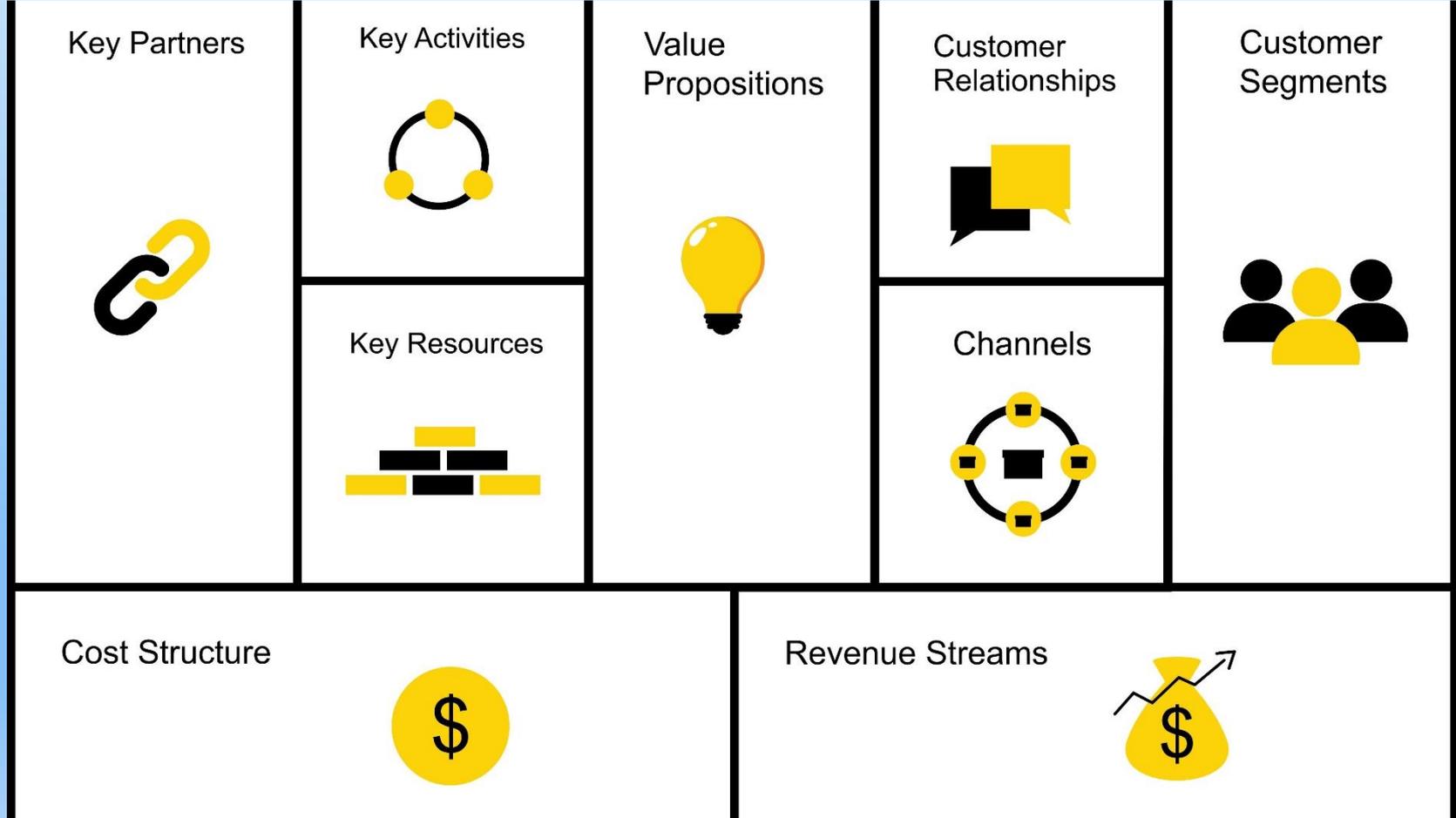


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Revenue Streams



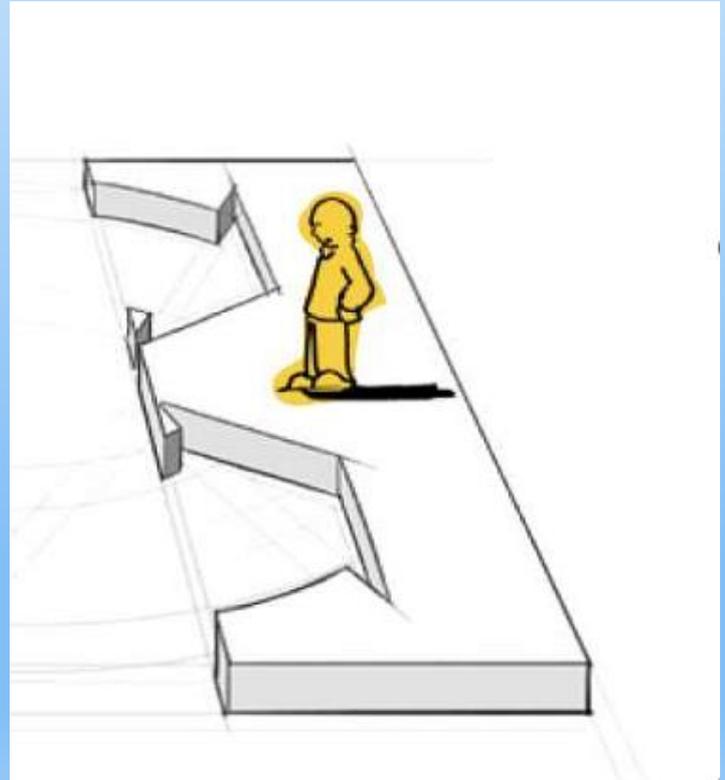
CONSISTENCY is the KEYWORD



1. CUSTOMER SEGMENTS

For whom are we creating value? Who are our most important customers?

The Customer segments Building Block defines the different **groups of people or organizations** an enterprise aims to reach and serve.



Several customers' segmentation techniques...



...and many more



MAIN CRITERIA

- socio-demographic features (age, sex, etc.)
- geographic area
- benefits received (i.e. product attributes)
- purchasing behaviors (frequency, amount etc.)
- lifestyles
- needs
- ...and many more

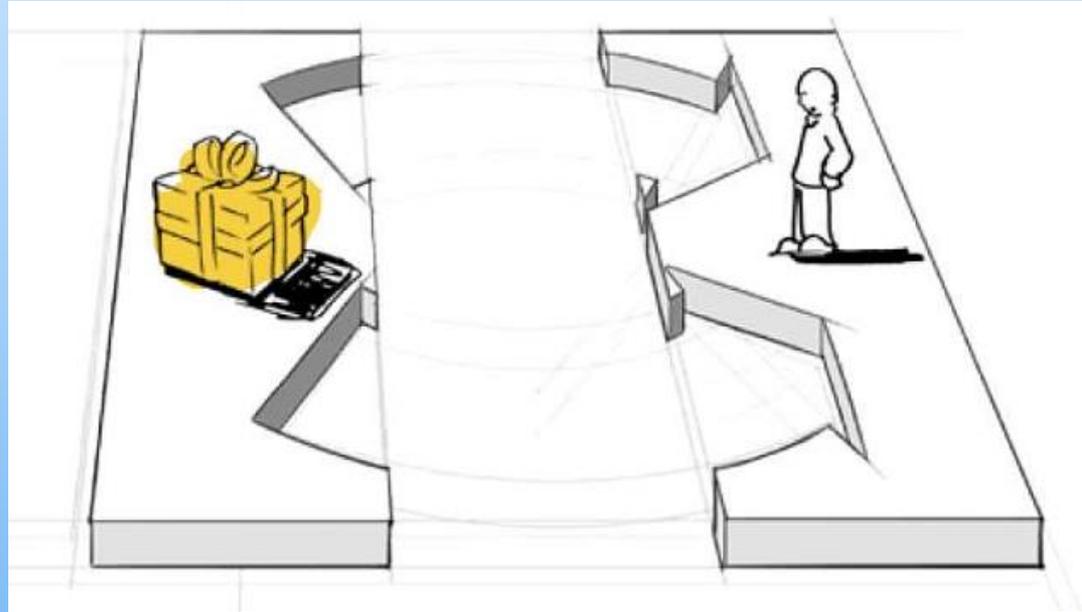
COROLLARIES

- their characteristics require and justify a **distinct value proposition**
- they could be reached through different **distribution and communication channels**
- they could require different **types of relationships** to be managed
- they could have different **profitability**



2. VALUE PROPOSITION

The Value Proposition Building Block describes 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?

VALUE DRIVERS



CUSTOMIZATION

Tailoring products and services to the specific needs of individual customers or segments → **mass customization** and **customer co-creation**



PERFORMANCE

Improving existing product or service performance



BRAND / STATUS

Users could value a **specific brand** and/or be “proud” to show others they belong to a certain “**community**”



GETTING THE JOB DONE

Offering **solutions to users** instead of single products and services



DESIGN

A product may stand out for **superior design/aesthetic**



NEWNESS

The product or service satisfies **entirely new needs** not perceived before by the user



VALUE DRIVERS



PRICE

Offering **similar values** to price-sensitive consumers but **at lower prices**



COST REDUCTION

Offering products, services or solutions that help clients **to reduce their costs**



RISK REDUCTION

Reduce the uncertainty and the risks consumers incur when they buy “complex” products



ACCESSIBILITY

Making products or services **accessible to users** who previously lacked access to them (sharing economy)



USABILITY

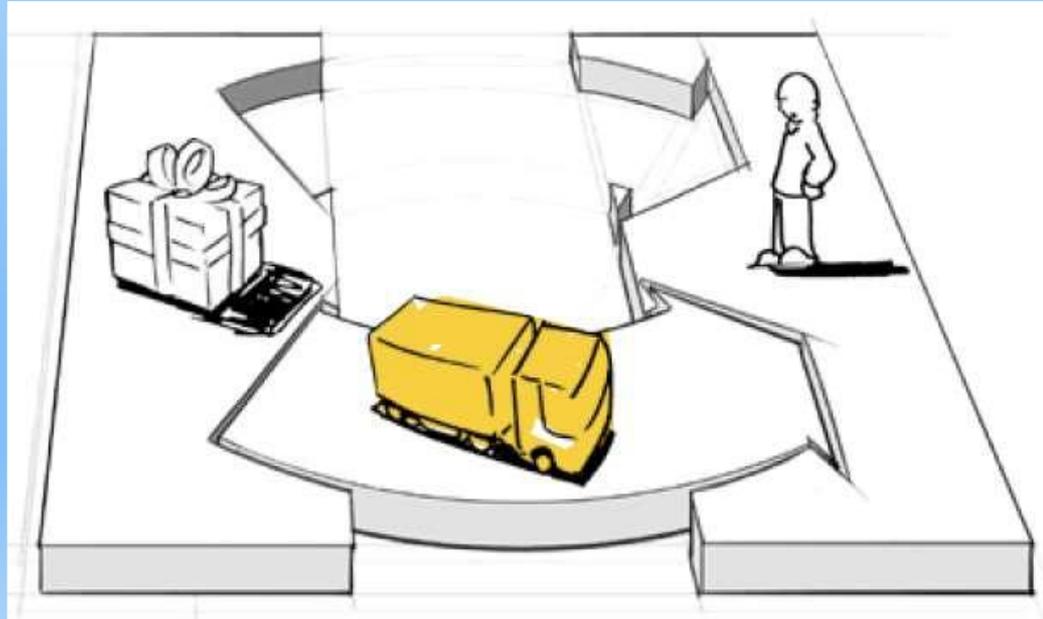
Make products **easier or more convenient** to use



3. CHANNELS

Through which channels do our customer segments want to be reached?
How are we reaching them now? How are our channels integrated?

The Channels Building Block describes how a company **communicates with and reaches** its customer segments to deliver a value proposition.

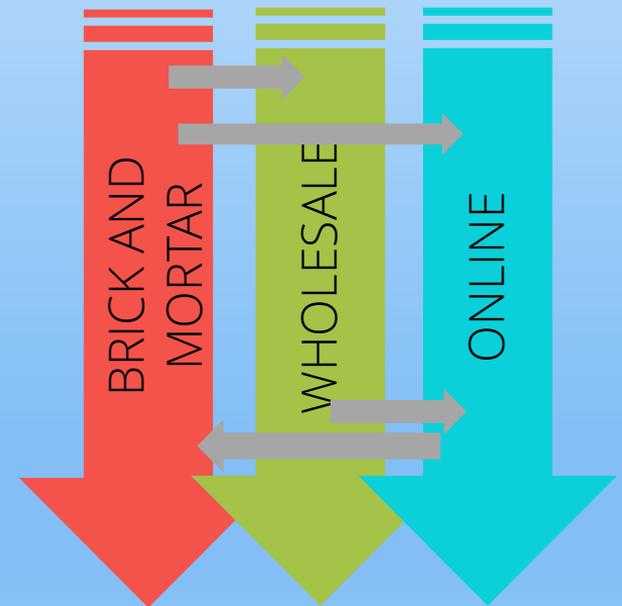
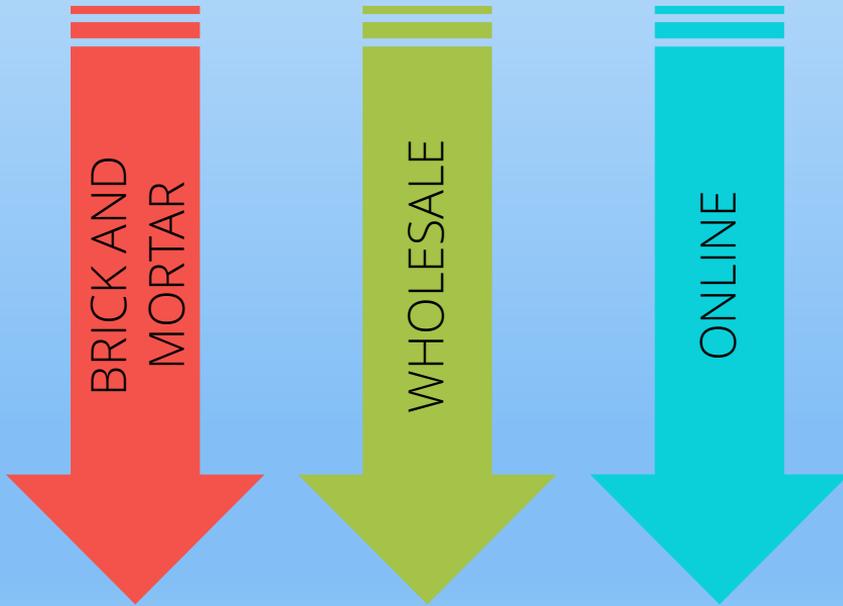


CHANNEL STRATEGIES

MULTICHANNEL

vs.

OMNICHANNEL



Communication and distribution channels phases



1 AWARENESS

How do we raise awareness about our company's products and services?



2 EVALUATION

How do we help customers evaluate our organization's Value Proposition?



3 PURCHASE

How do we allow customers to purchase specific products and services?



4 DELIVERY

How do we deliver a Value Proposition to customers?

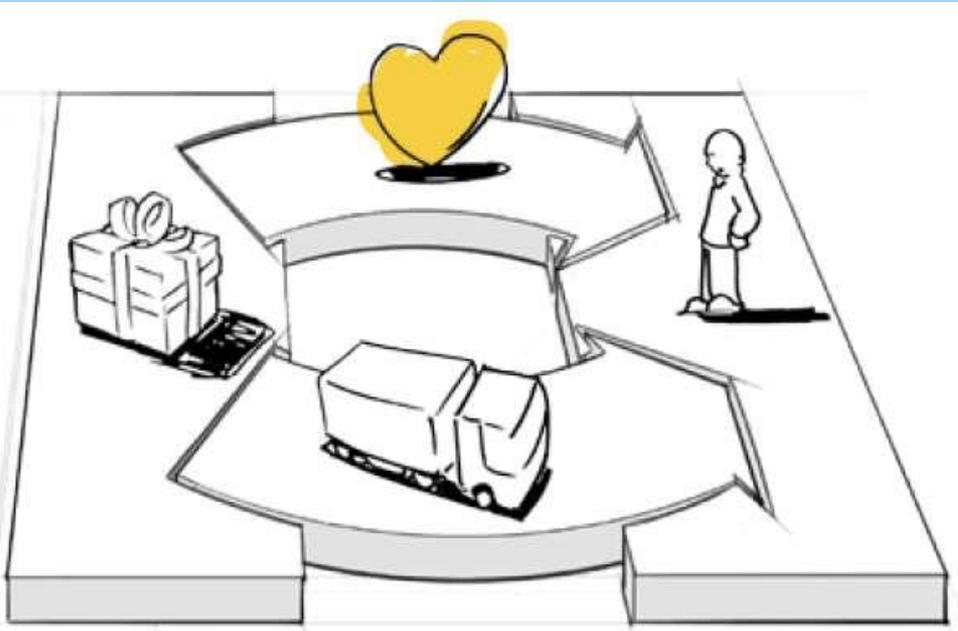


5 AFTER SALES

How do we provide post-purchase customer support?

4. 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 costly are they?



The Customer Relationships Building Block describes the **type of relationships** a company establishes with specific customer segments.



Why customer relationships?



- **Acquire** (new) customers
- **Retain** (old) customers
- Applying **Up-selling** or
- Applying **Cross-selling** strategies

WHAT TYPE OF RELATIONSHIPS?



PERSONAL ASSISTANCE

Based on human interaction: live, call-centers, e-mail, chat, etc.



DEDICATED PERSONAL ASSISTANCE

PA dedicated to specific clients (ex. Key Account)



SELF-SERVICE

Provide to customers all the information to help themselves



AUTOMATED SERVICE

More sophisticated as they can recognize the client and personalize the service (ex. Netflix suggestions)



COMMUNITY

Facilitate information exchange among the members of a community



CO-CREATION

Customers co-create value (products, assistance etc.) with the company

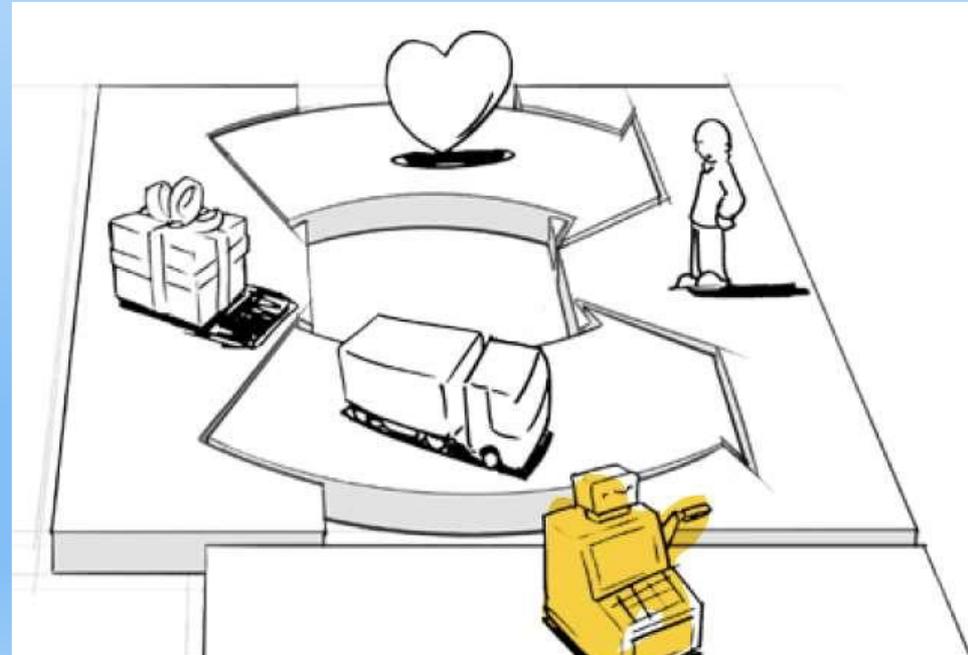
What are the **advantages** and the **disadvantages** of each type?



5. REVENUE STREAMS

What value are our customers willing to pay? For what do they currently pay? How are they currently paying and how would they prefer to pay?

The Revenue Streams Building Block represents the **cash** a company generates from each customer segment.



REVENUE STREAMS



€

ASSET SALE

Simple selling of physical products

€

USAGE FEE

Fee derived from the use of a service (the more the use, the higher the revenues)

€

SUBSCRIPTION FEES

Revenues coming from selling access to a service (physical or digital)

€

LENDING/RENTING/LEASING

Revenues coming from a temporal grant given to someone to use a particular asset

€

LICENSING

Giving customers permission to use protected intellectual property in exchange for licensing fees

€

BROKERAGE FEES

Revenue Stream derives from intermediation services performed on behalf of two or more parties (credit cards, real estate agents)

€

ADVERTISING

Revenue Stream results from fees for advertising a particular product, service, or brand



Fixed vs dynamic pricing

FIXED PRICING

(predefined prices based on static variables)

List price	Fixed prices for individual products, services, or other value propositions
Product feature or dependent	Price depends on the number or quality of value proposition features
Customer segment dependent	Price depends on the type and characteristic of a customer segment
Volume dependent	Price as a function of the quantity purchased

DYNAMIC PRICING

(prices change based on market conditions)

Negotiation (bargaining)	Price negotiated between two or more partners depending on negotiation power and/or negotiation skills
Yield management	Price depends on inventory and time of purchase (normally used for perishable resources such as hotel rooms or airline seats)
Real-time-market	Price is established dynamically based on supply and demand
Auctions	Price determined by outcome of competitive bidding



The “Freemium” RM

FREEMIUM

```
graph TD; Freemium[FREEMIUM] --> Free[FREE]; Freemium --> Premium[PREMIUM];
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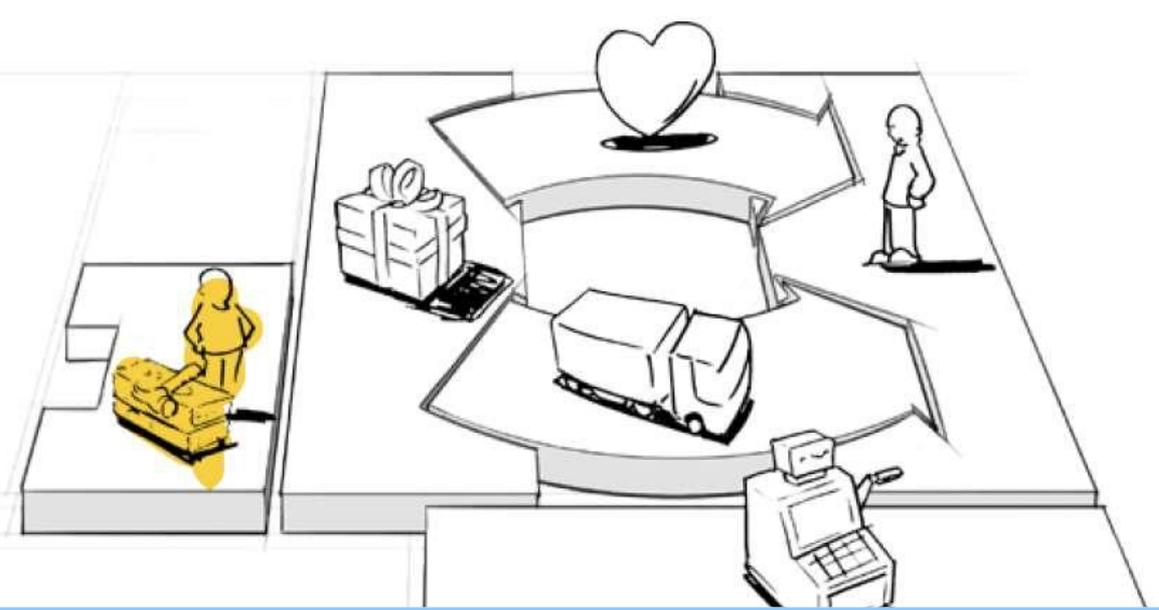
FREE

PREMIUM

- Feature limited
- Capacity limited
- Number of users limited
- Effort limited
- Support limited
- Time or bandwidth limited
- Storage space limited

PAY TO UNLOCK ALL
THE ABOVE

6. KEY RESOURCES



The Key Resources Building Block describes the **most important assets** required to make a business model work.

What key resources do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?



RESOURCE TYPES

INTELLECTUAL

Include brands, knowledge, patents, copyrights, partnerships, and customer databases



PHYSICAL

Include physical assets such as manufacturing facilities, machines, systems, point-of-sales systems, and distribution networks



HUMAN

HR are particularly important in certain business models (i.e., knowledge-intensive and creative industries)

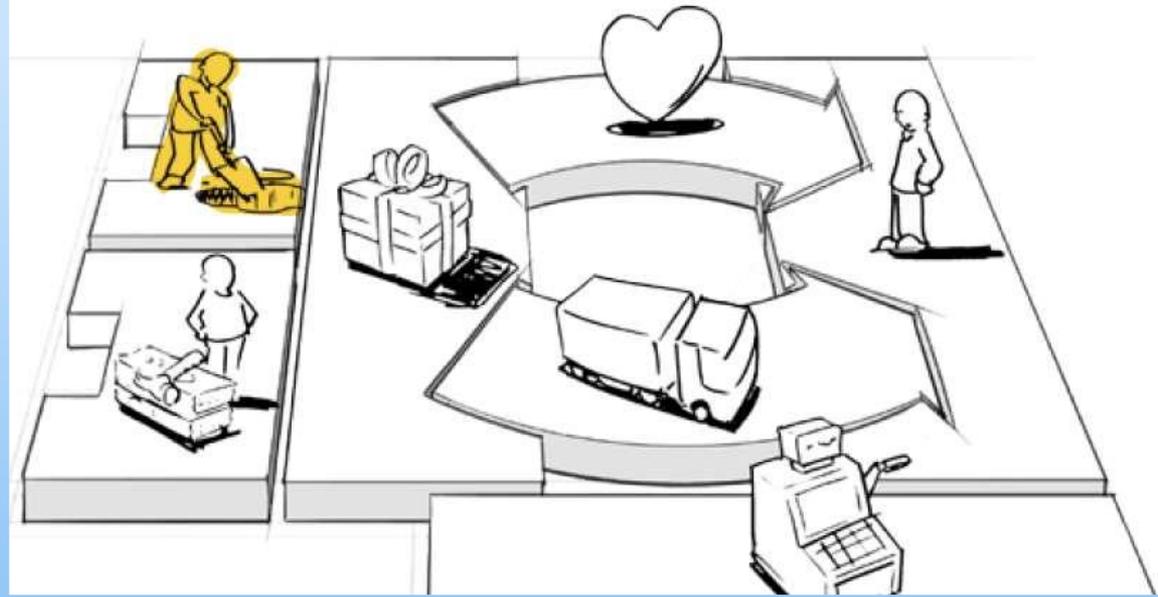


FINANCIAL

Financial resources (or lines of credit) can be key (i.e., to finance equipment bought by customers)



7. KEY ACTIVITIES



The Key Activities Building Block describes the **most important things** a company must do to make its business model work.

What key activities do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?



KEY ACTIVITIES



PLATFORM/NETWORK

Some business models manage the interface between multiple actors as a key activity (i.e., Airbnb, MasterCard)



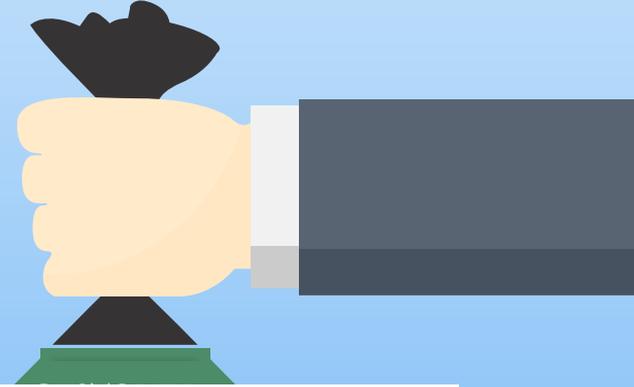
PRODUCTION

These activities relate to designing, making, and delivering a product in substantial quantities and/or of superior quality. Typically, manufacturing



PROBLEM SOLVING

Some BM require to come up with new solutions to individual customer problems. Typically, services.

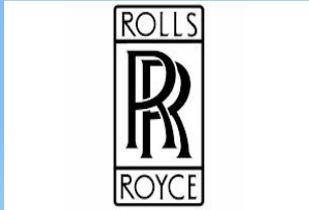
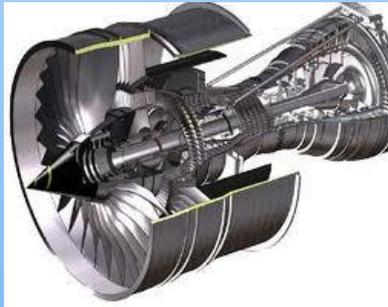


Pay attention to mixing up activities that are too different: Un-bundling could become necessary

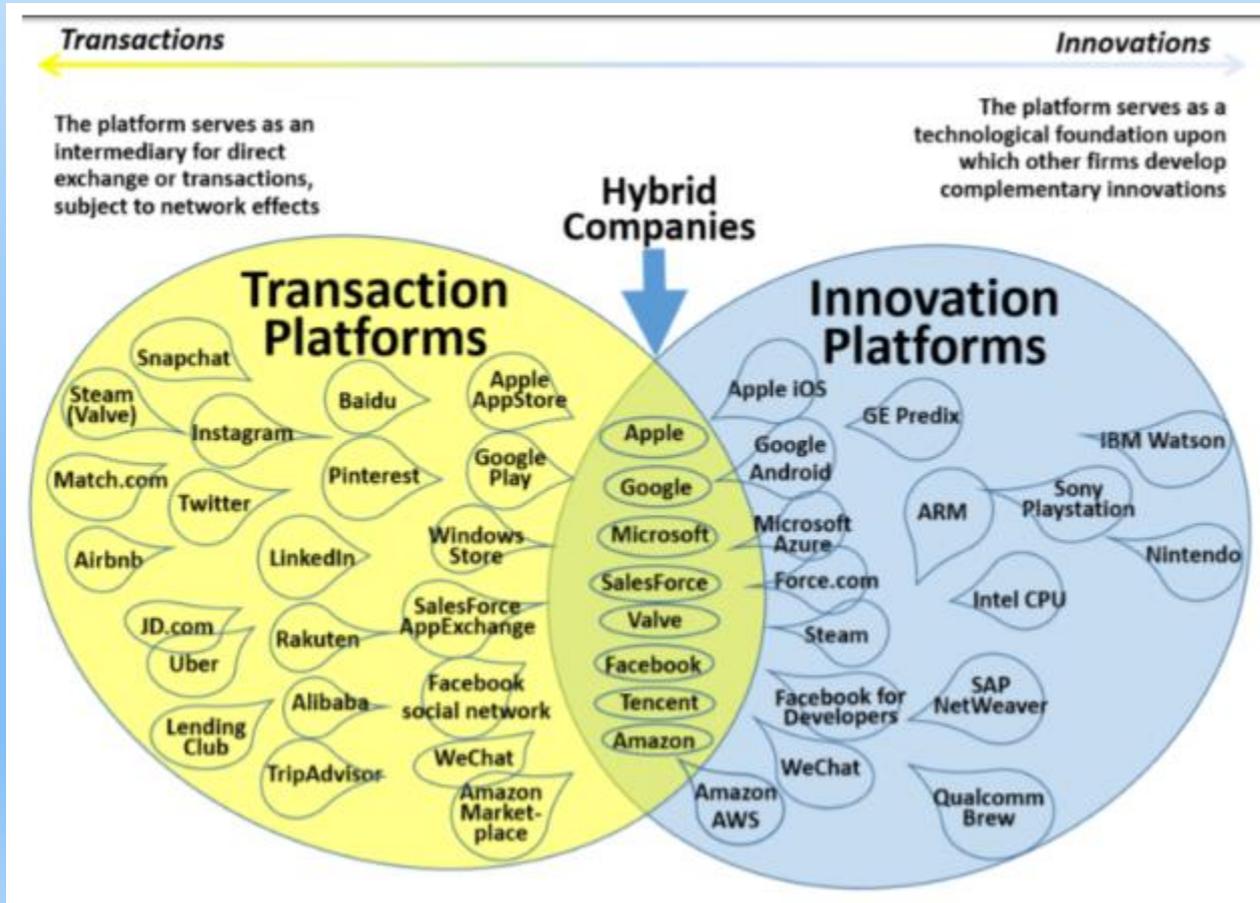


A (new?) trend: products servitization

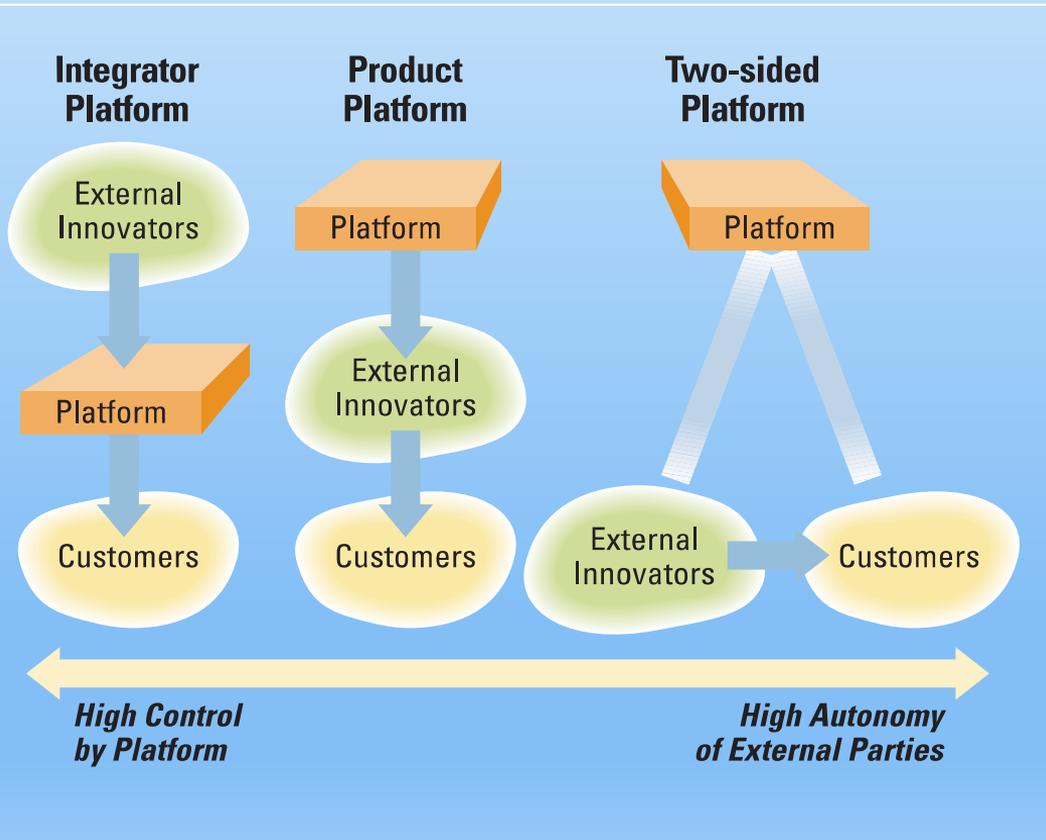
From one product,
many services:



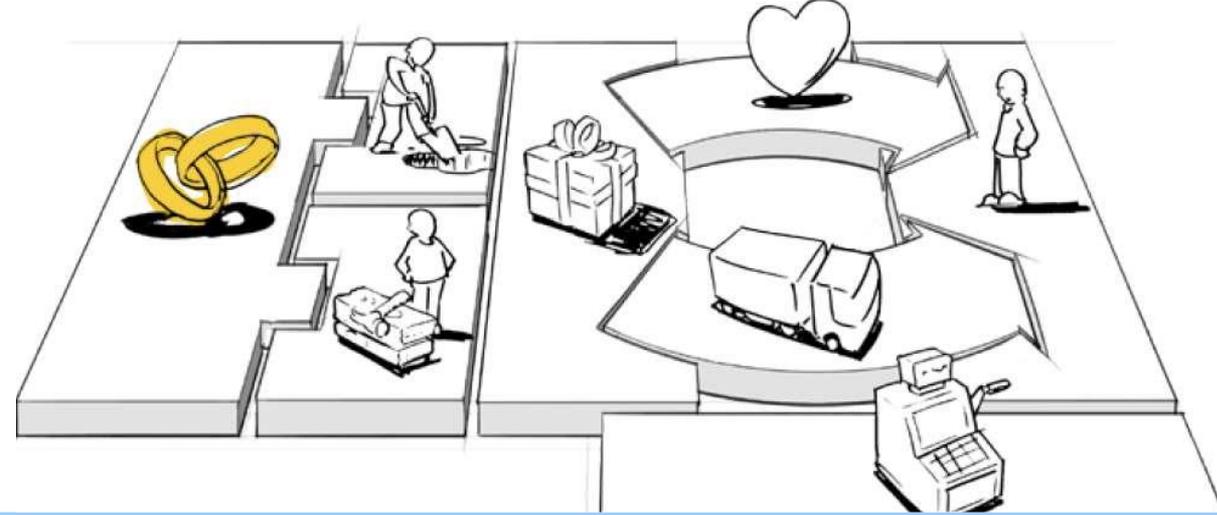
Transaction vs innovation platforms



PLATFORM TYPOLOGY



When a company opens up its product to **outside innovation**, the product becomes a **platform**. To **generate revenues** from that platform, executives need to think about what type of business model makes the most sense.



Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from partners? Which key activities do partners perform?

8. KEY PARTNERSHIPS

The Key Partnerships Building Block describes the **network of suppliers and partners** that make the business model work.



Key partnerships: which kind?



1. Strategic alliances
between non-competitors
(“Rete”, Non-competitive network)



2. Coopetition:
Strategic partnerships
between competitors



3. JV
Normally used to
develop new
businesses or to
enter new
markets



4. Buyer-Supplier relationships
Not only to
assure reliable
supplies...

Key partnerships: why?

1

OPTIMIZATION OF RESOURCES AND ECONOMY OF SCALE

Typical of supply relationships. It could make not much sense for a company to internalize all the assets, especially when demand is unstable

2

REDUCTION OF RISK AND UNCERTAINTY

Typical of cooperation and JV. Entering new markets, launching new standards can be extremely costly for a single company.

3

ACQUISITION OF PARTICULAR RESOURCES AND ACTIVITIES

Typical of strategic alliances. Such partnerships can be motivated by needs to acquire knowledge, licenses, or access to customers



COST STRUCTURE TYPES

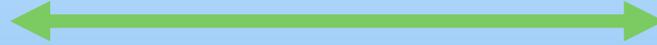


COST DRIVEN

Minimizing costs is key.

This approach aims at creating and maintaining the leanest possible Cost Structure, using low price Value Propositions, maximum automation and extensive outsourcing.

In between solutions are, of course, possible



VALUE DRIVEN

The focus is on value creation.

Premium Value Propositions and a high degree of personalized service usually characterize value-driven business models.



LEAP – Business Model Game

Some very brief rules:

- **1.5 hours** is the time limit to shape your entrepreneurial idea
- Use the available post-its and do not write on the paper canvas, please 😊
- The cards order helps you to better craft your entrepreneurial idea, but feel free to follow the one you prefer
- **Discuss** the cards and **collaborate** with your colleagues to better craft your projects
- Try to be convincing and engaging while pitching your idea: you will have **5 minutes** to present it!

**It's time to
pitch!**

**...remember you have 5
minutes!**





Thank you for your participation!

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