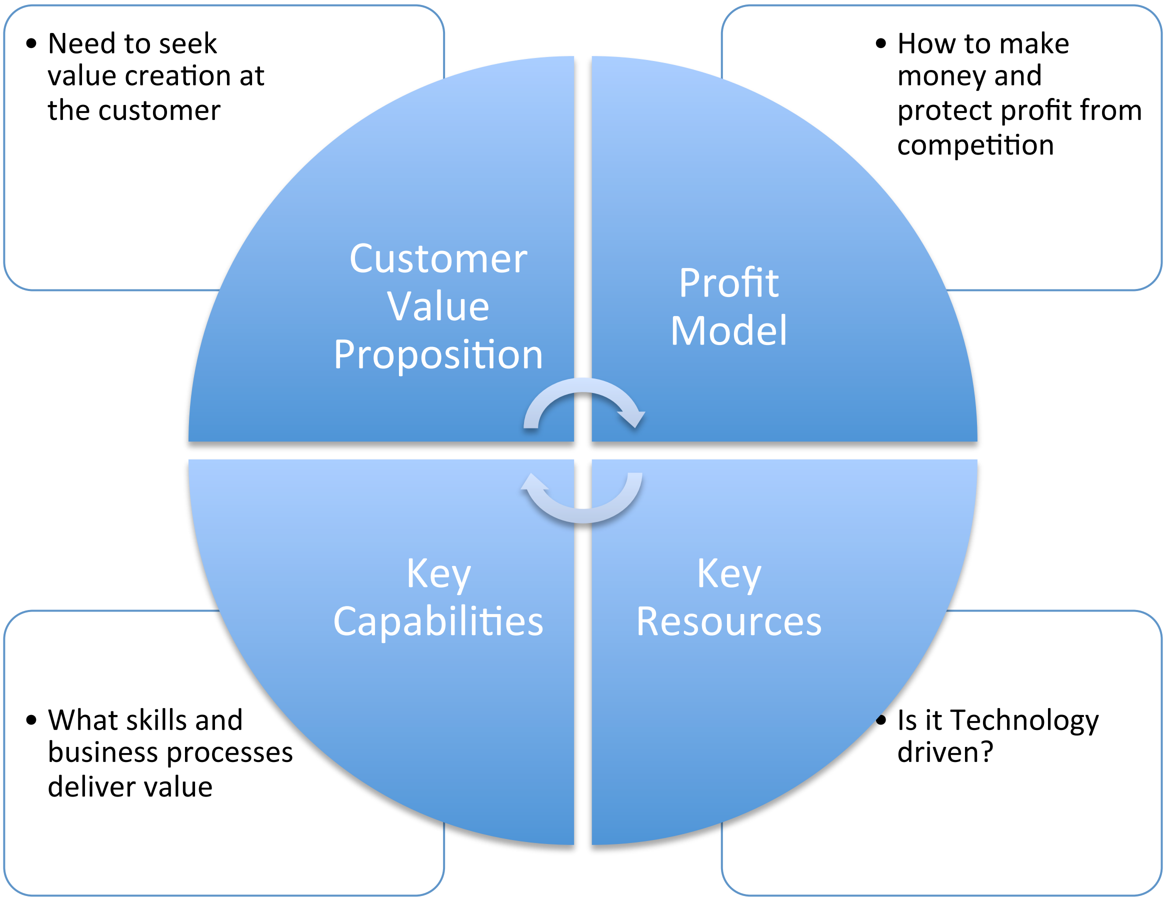
Components of a business model



Customer Value Proposition

In order to create new CVPs we need to understand what they are trying to get done at any one period.
An example is customers for phones
Landlines allow us to talk to one another
Cell phones allowed us to call, e-mail and run a calender
Smart phones allowed us to indulge in scores of activities including shopping, games, information retrieval etc.

Profit model

The profit model consists of a number of parts
The revenue model is price x quantity where quantity may be market share scalability etc.
The Cost Structure is fixed direct and overhead costs and economies of scale
Target Unit Margin calculated to cover the total costs and reach the desired profit margin
Resource Velocity is how quickly we need to turn total resources to reach the desired profit

Key Resources

These can include people, technology, products, funding, partnerships and alliances, equipment, facilities, distribution channels and brand.
However they are put together in a unique combination in order to support the CVP and the Profit Model
For example a key resource for a supermarket model is high level of bargaining power over suppliers coupled with a positive cashflow i.e. they take cash before paying suppliers

Key Capabilities

Capabilities are a combination of skills and business processes to apply them
This is how value is delivered to the customer and where efficiencies can be achieved in-house
Low cost business models will typically have low maintenance costs and standardisation of processes
Using the supermarket example they have large centralised warehouse and distribution processes
This is how scalability can be applied