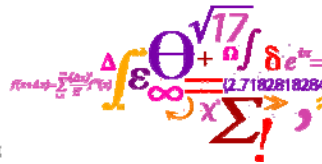


Business Models Karen Murdock



Definitions

Business Model

'the logic of the company—how it operates and creates and captures value for stakeholders in a competitive marketplace'

Who is the customer? What does the customer value? What is the underlying economic logic that explains how we deliver value to customers at an appropriate cost?

Business Model

The totality of how a company selects its customers, define and differentiates its offerings, define the tasks it will perform itself and those it will outsource, configure its resources, creates utility for customers and capture profit.

Factors that influence the Business Model



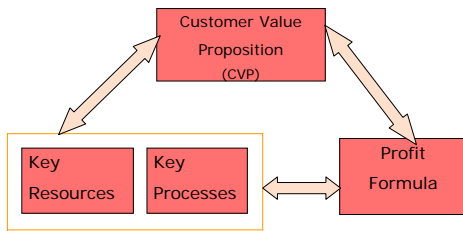
External Factors

- Macro environment
- Competitive forces
- Cooperative forces

Internal Factors

Resources
Activities
Positions

Components of a Business Model



Customer Value Proposition



CVP

'Product, service or combination that helps customers do more effectively, conveniently or affordably a job that has to be done (or solve an important problem) at a given price'

How important is the job to be done

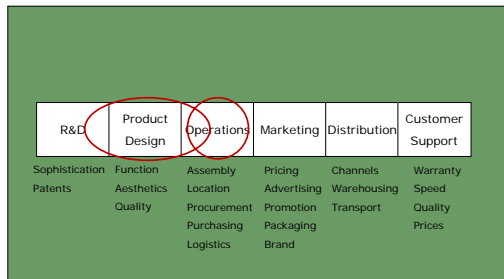
How satisfied are customers with existing solutions

How well will the new offering get the job done, relative to other options

Key Processes (Activities)

- The means by which a company delivers on the CVP in a sustainable, repeatable, scalable, and manageable way

Business System of a Manufacturing Company



Key Resources

Tangible Assets – Buildings and equipment or financial.

Intangible Assets - Patents, brands, copyrights, databases, and relationships with customers.

Human Assets - Skills and knowledge of employees.

Slide 8

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Profit Formula

The economic blueprint that defines how the company will create value for itself and its shareholders.

It specifies the assets and fixed cost structure, as well as the margins required to cover them.

Profit Formula

- Revenue model – How much money can be made: price × volume
- Cost Structure – How cost are allocated: cost of key assets, direct cost, indirect cost, economies of scale
- Margin Model – How much must each transaction net to achieve desired profit levels

Profit Formula

- Resource velocity – How quickly resources must be used to support targeted volume.
- Includes lead times, throughput, inventory turns, asset utilization

- High markup & low inventory turn
- Lower markup faster inventory turn
- Still lower markup but much higher inventory turns

Profit Formula

- Pricing and Revenue sources
- Operating Leverage
- Volumes
- Margins
