



Business Model Framework

This presentation was developed for the
Twin Cities Business Architecture Forum



Content for the presentation was adapted from the following book:

Business Model Generation, Alexander Osterwalder & Yves Pigneur, 2010



Agenda

- Brief overview of the Business Model Framework
- Some observations from Target
- Questions/Discussion

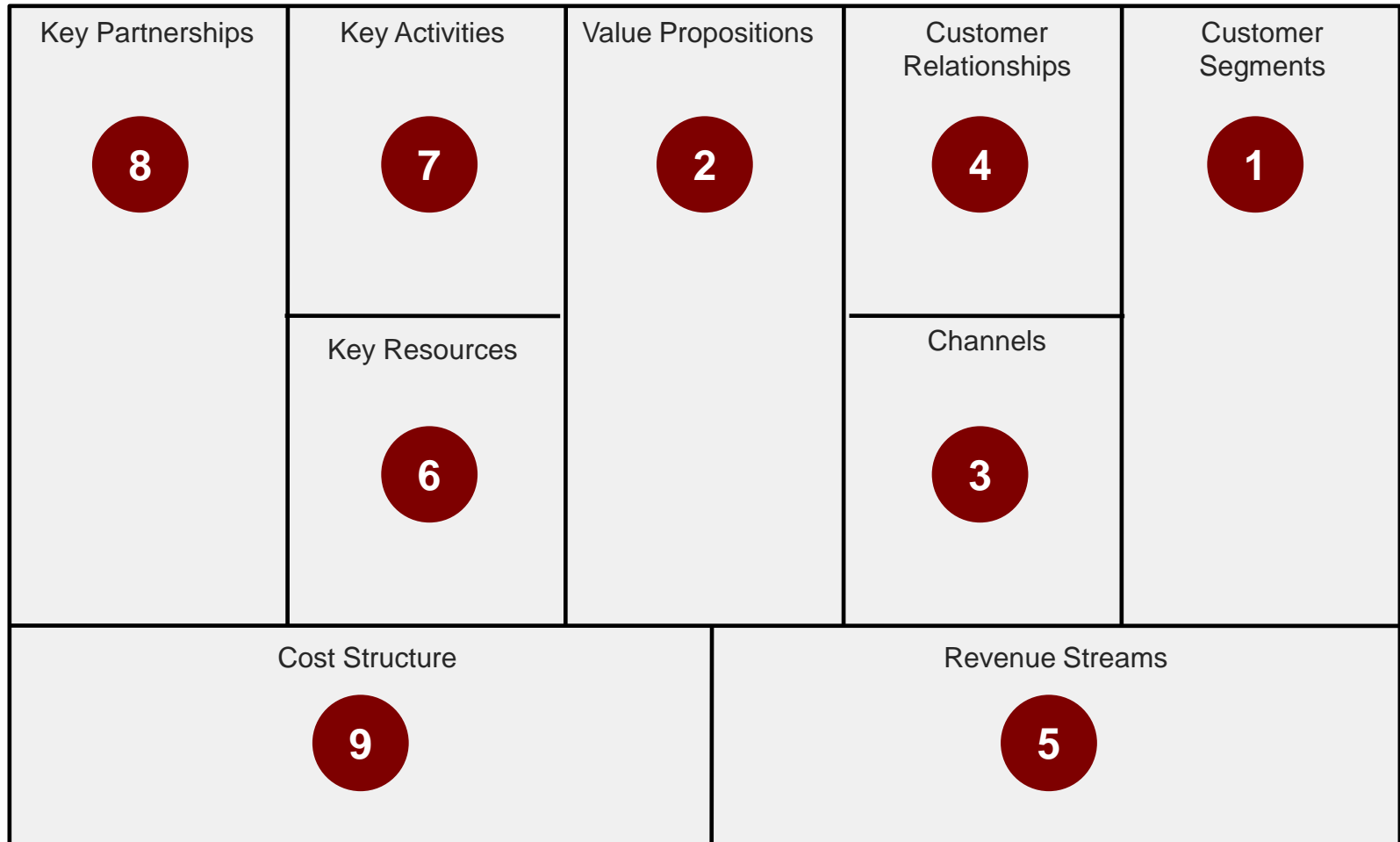
A shared understanding of the organization's **Business Model** provides the business context for IT Strategy



- **Definition**

The **Business Model** describes the rationale of how the organization creates, delivers, and captures value

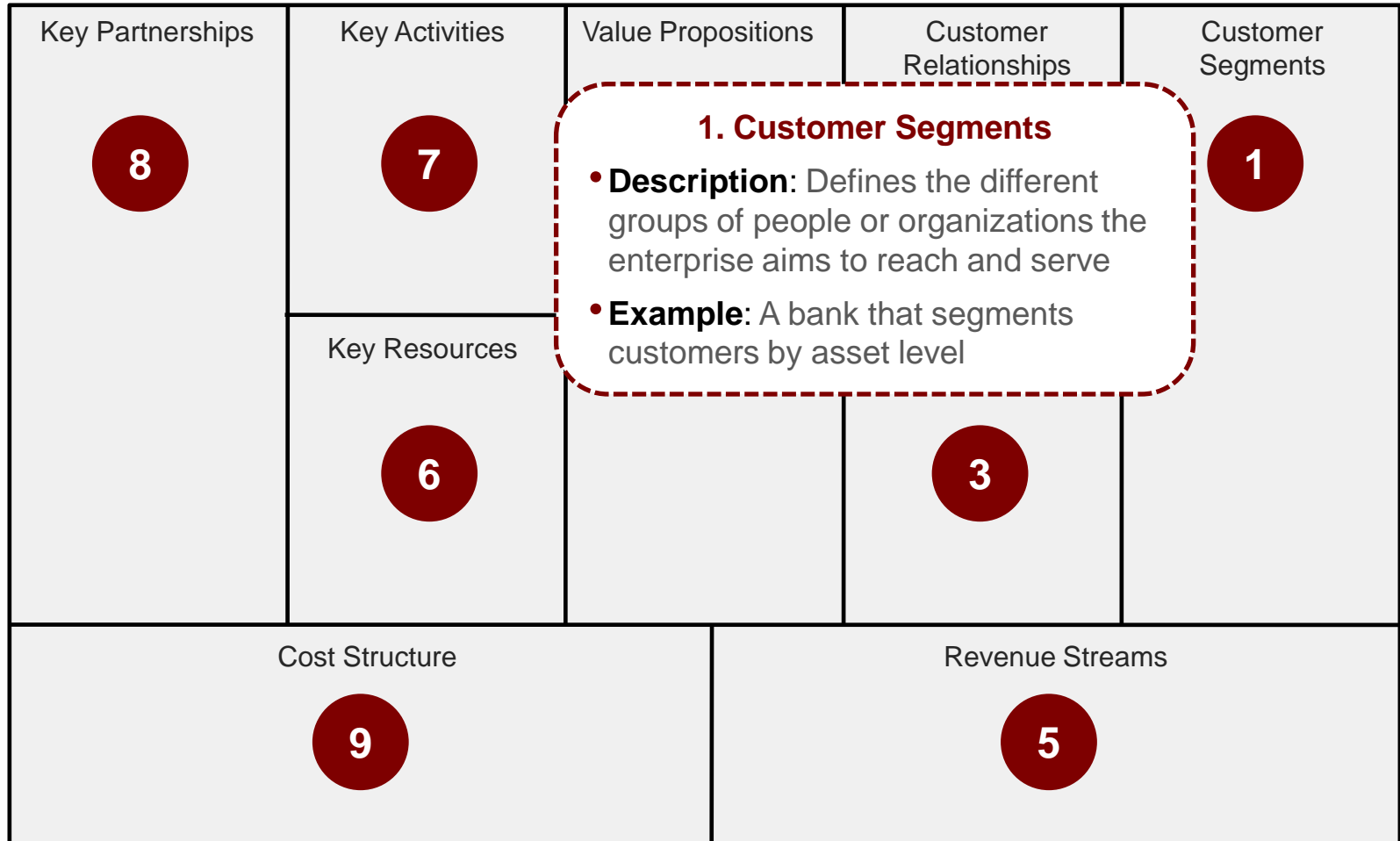
A **Business Model** can be described through nine building blocks using the **Business Model Canvas**



The **Business Model Canvas** provides a shared language for describing, visualizing, assessing, and changing business models

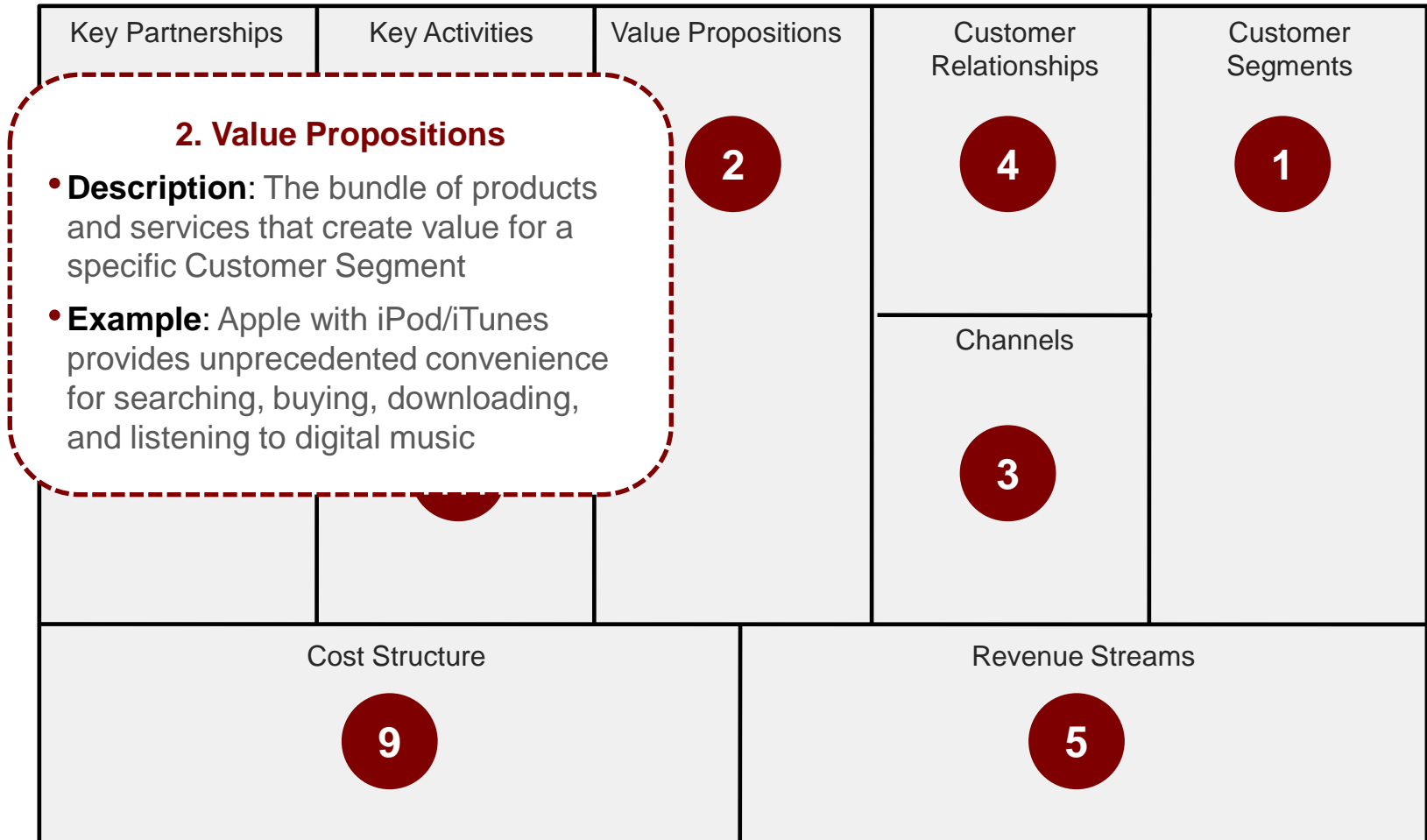
Short Description of Building Block 1

Customer Segments



Short Description of Building Block 2

Value Propositions



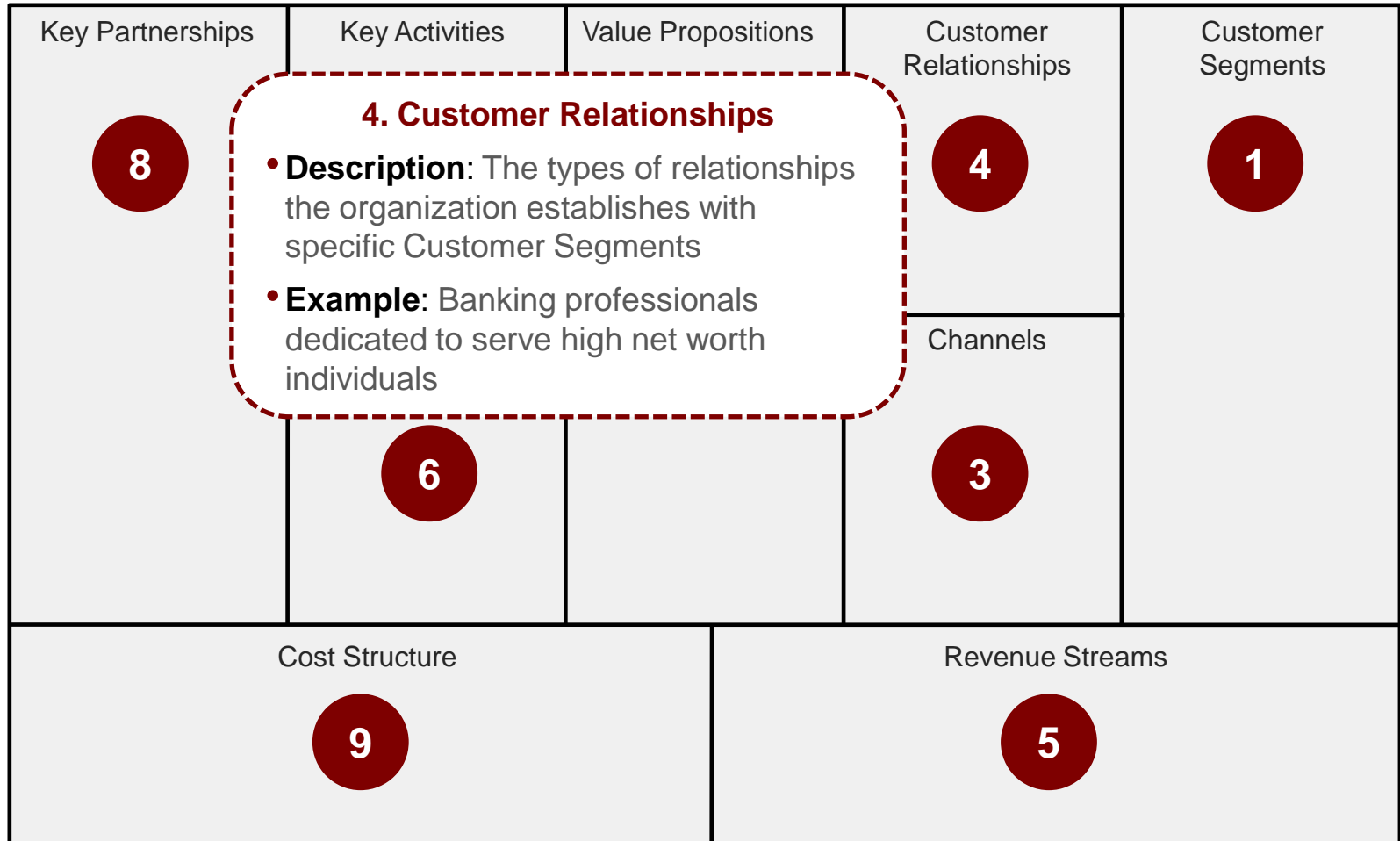
Short Description of Building Block 3

Channels



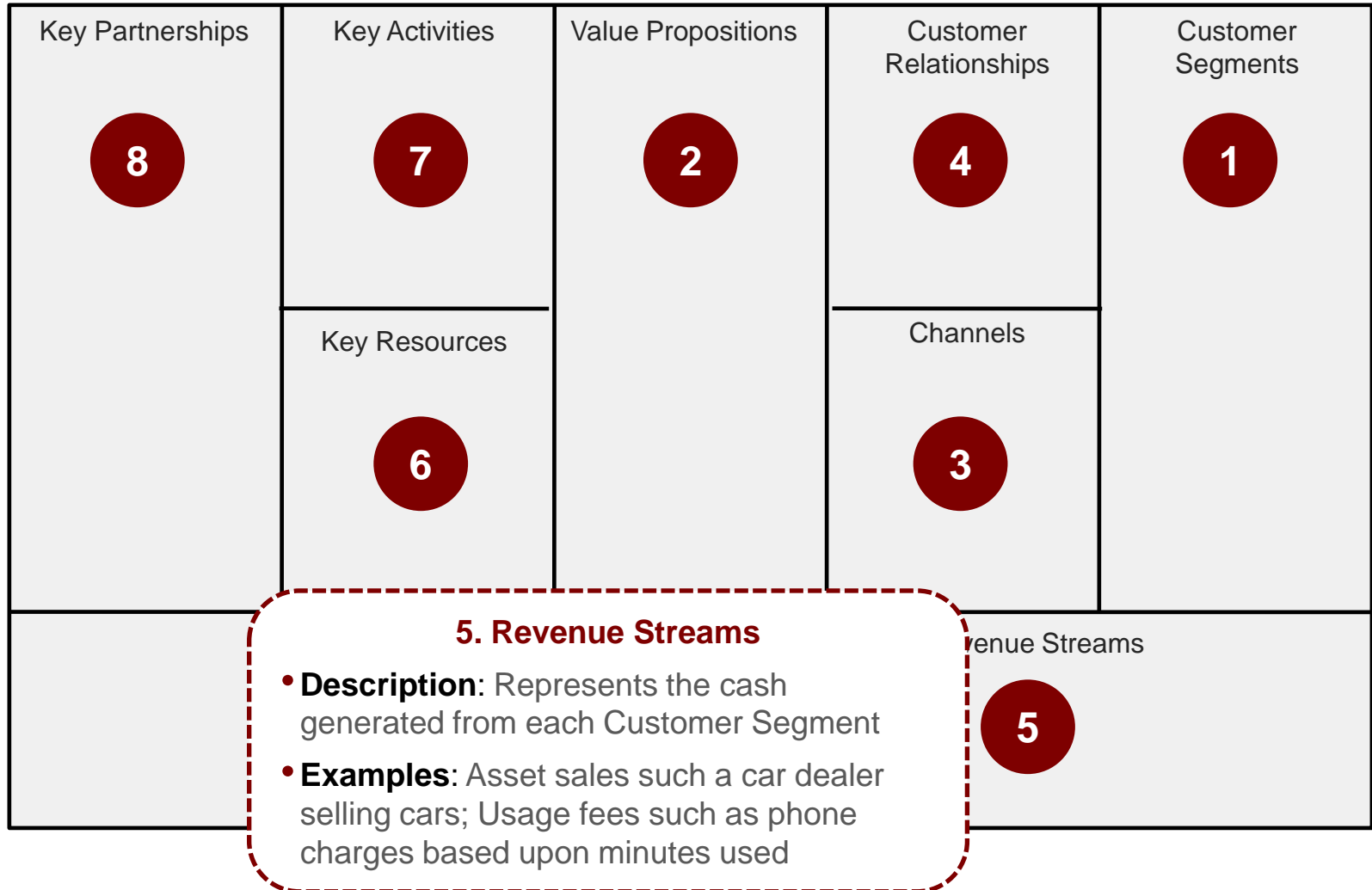
Short Description of Building Block 4

Customer Relationships



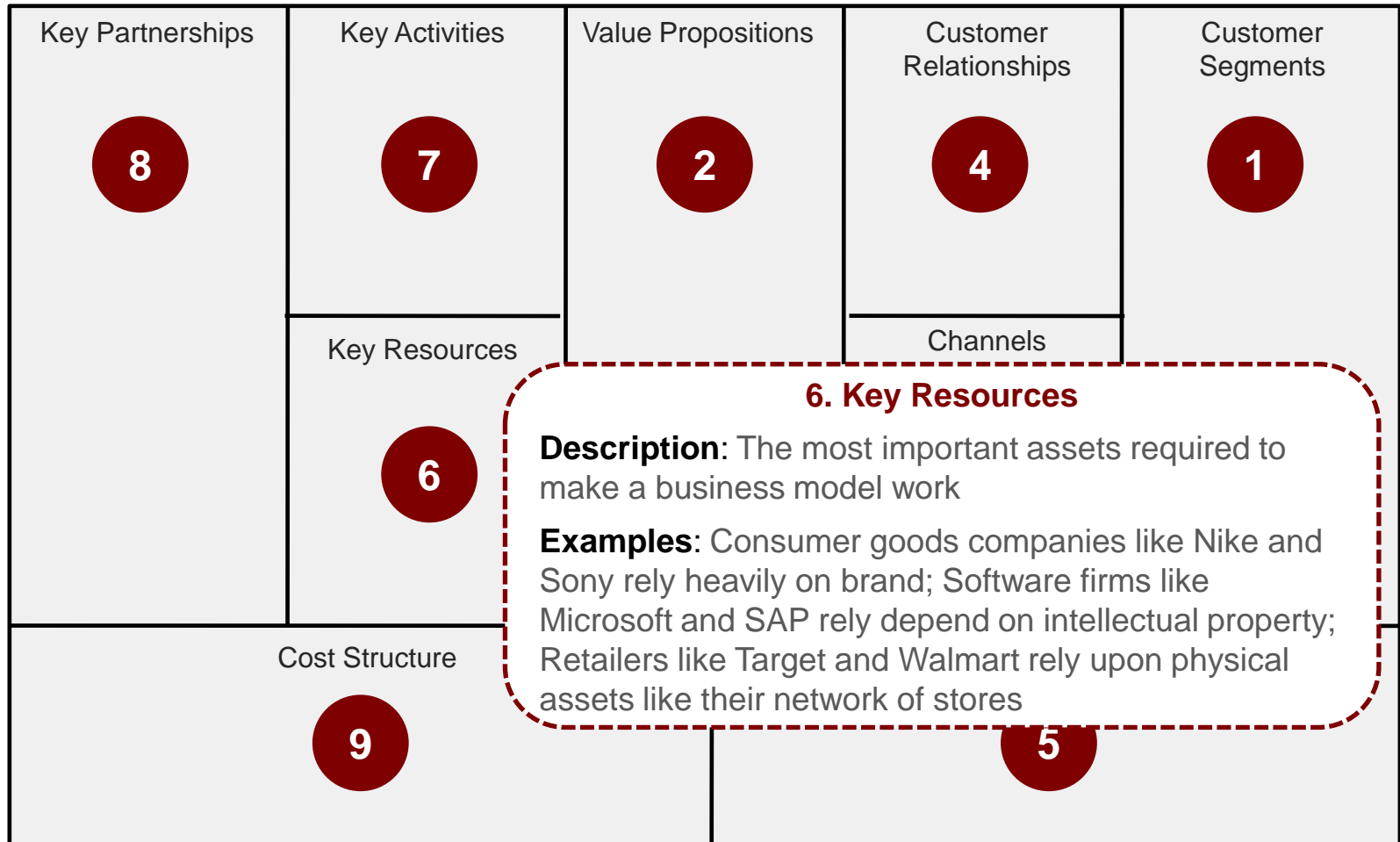
Short Description of Building Block 5

Revenue Streams



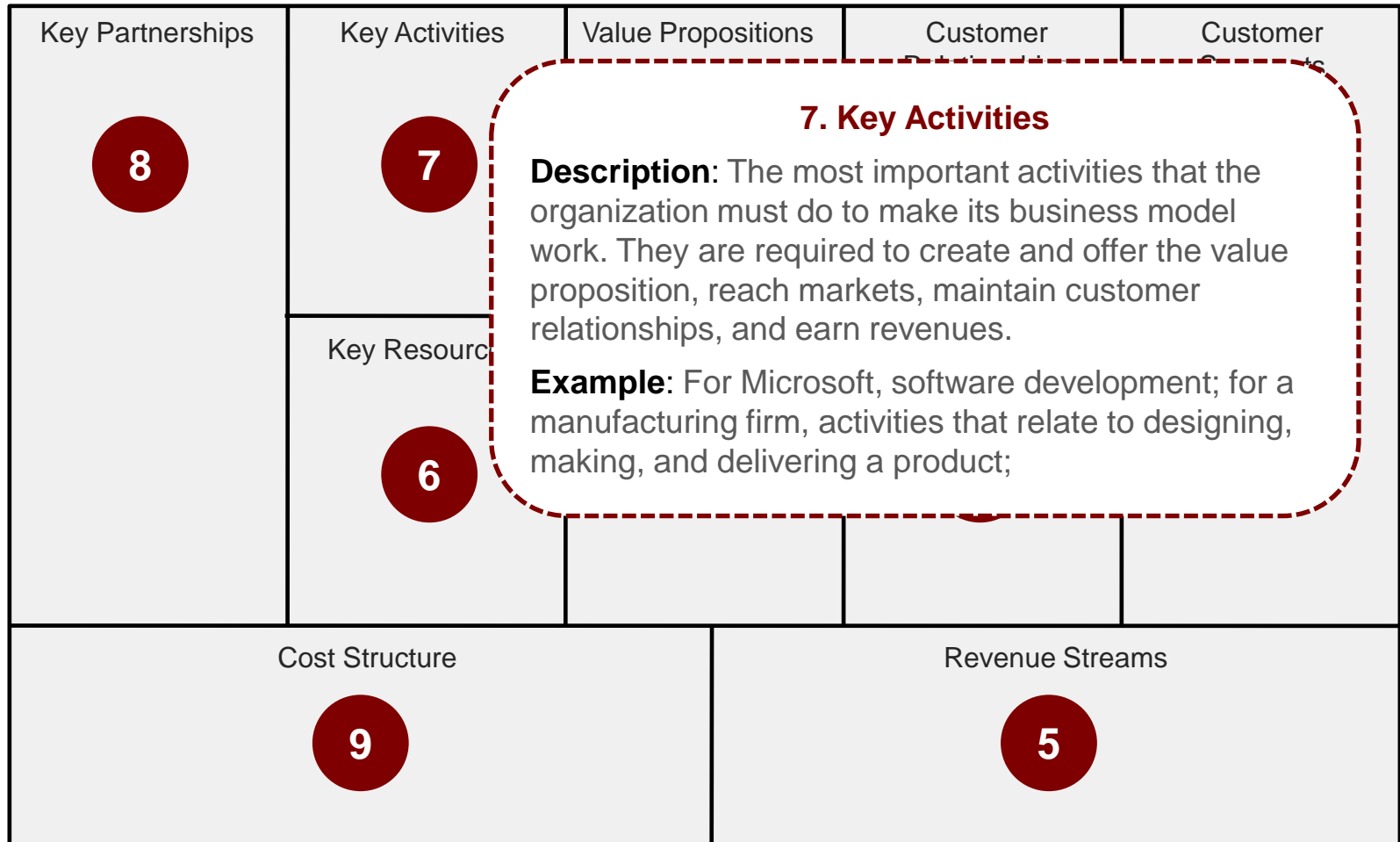
Short Description of Building Block 6

Key Resources



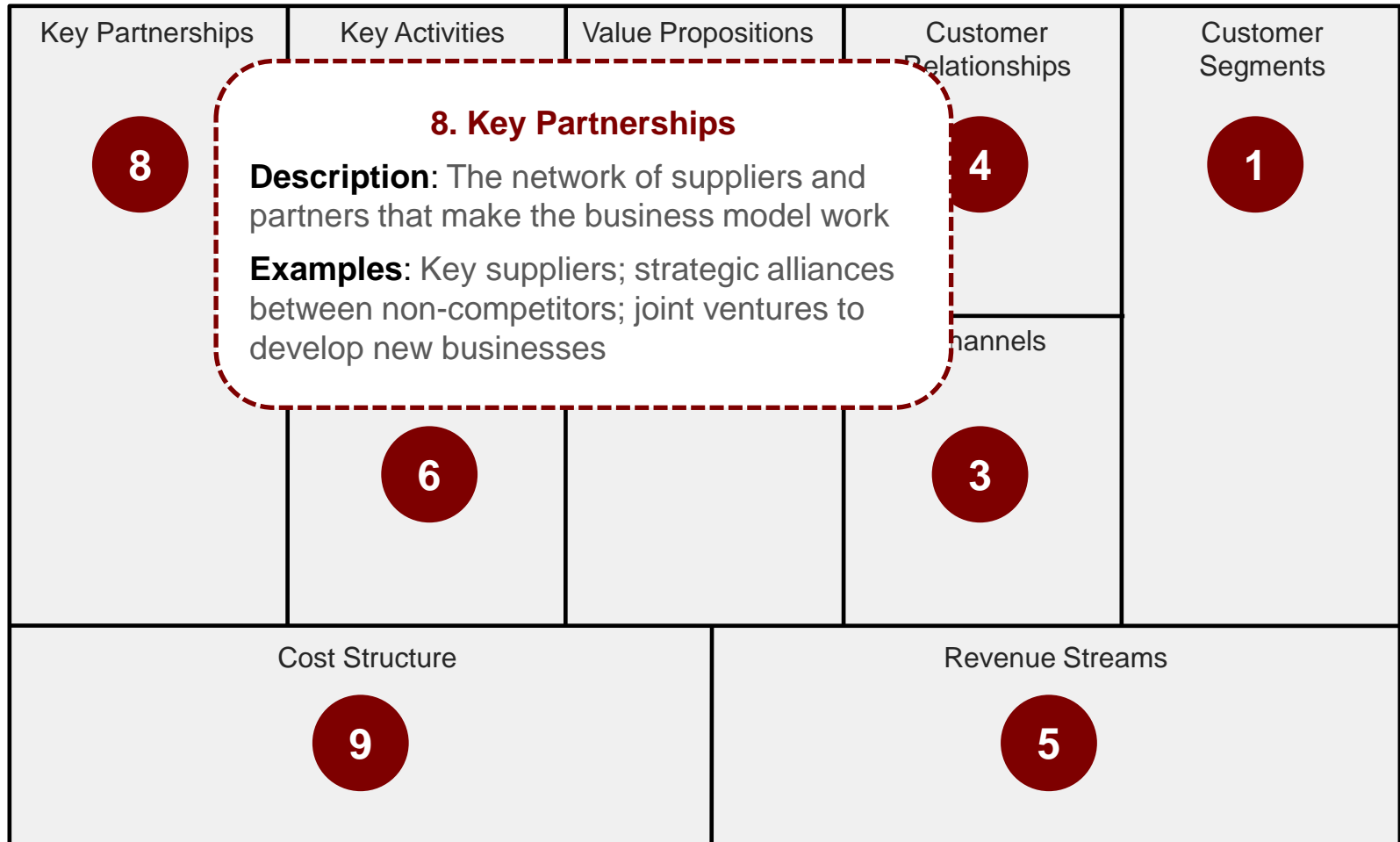
Short Description of Building Block 7

Key Activities



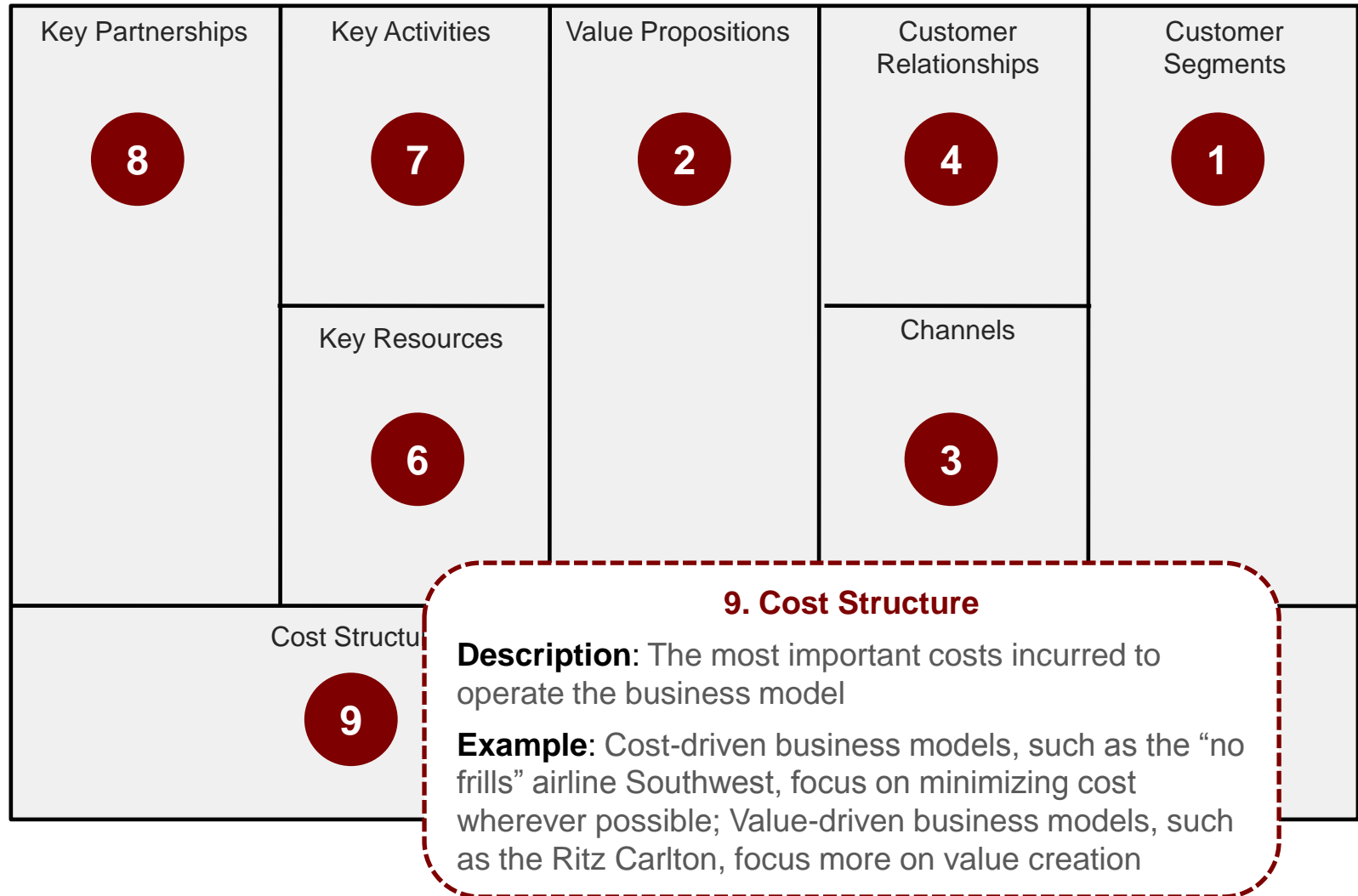
Short Description of Building Block 8

Key Partnerships



Short Description of Building Block 9

Cost Structure



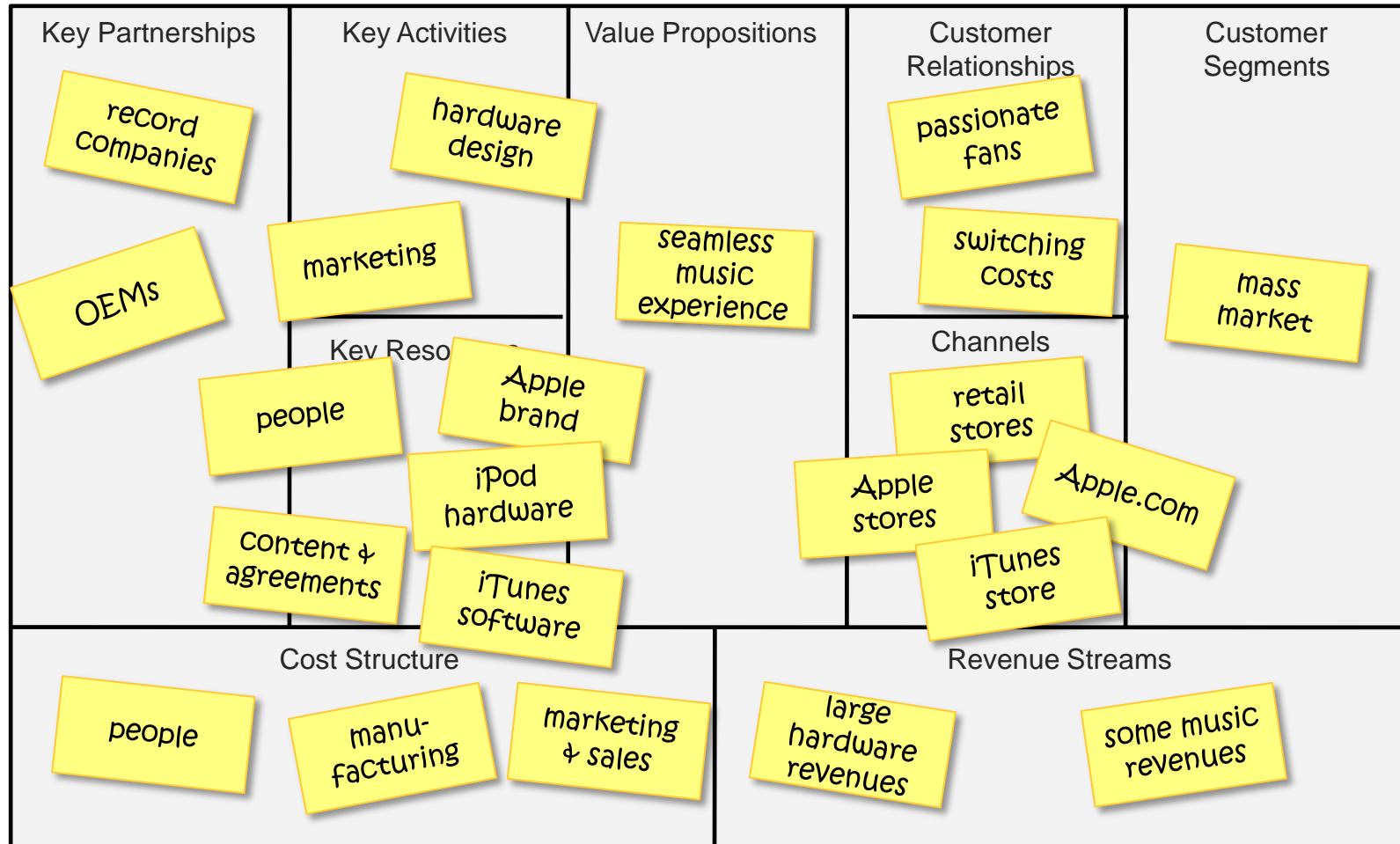
Summary of how the 9 building blocks work together



- An organization serves one or more **Customer Segments**.
- It seeks to solve customer problems and satisfy customer needs with **Value Propositions**.
- Value propositions are delivered to customers through communication, distribution, and sales **Channels**.
- **Customer Relationships** are established and maintained with each customer segment.
- **Revenue Streams** result from value propositions successfully offered to customers.
- **Key Resources** are the assets required to offer and deliver the previously described elements
- by performing a number of **Key Activities**.
- **Key Partnerships** are established to for critical inputs and/or to carry out key activities.
- The business model elements result in the **Cost Structure**.

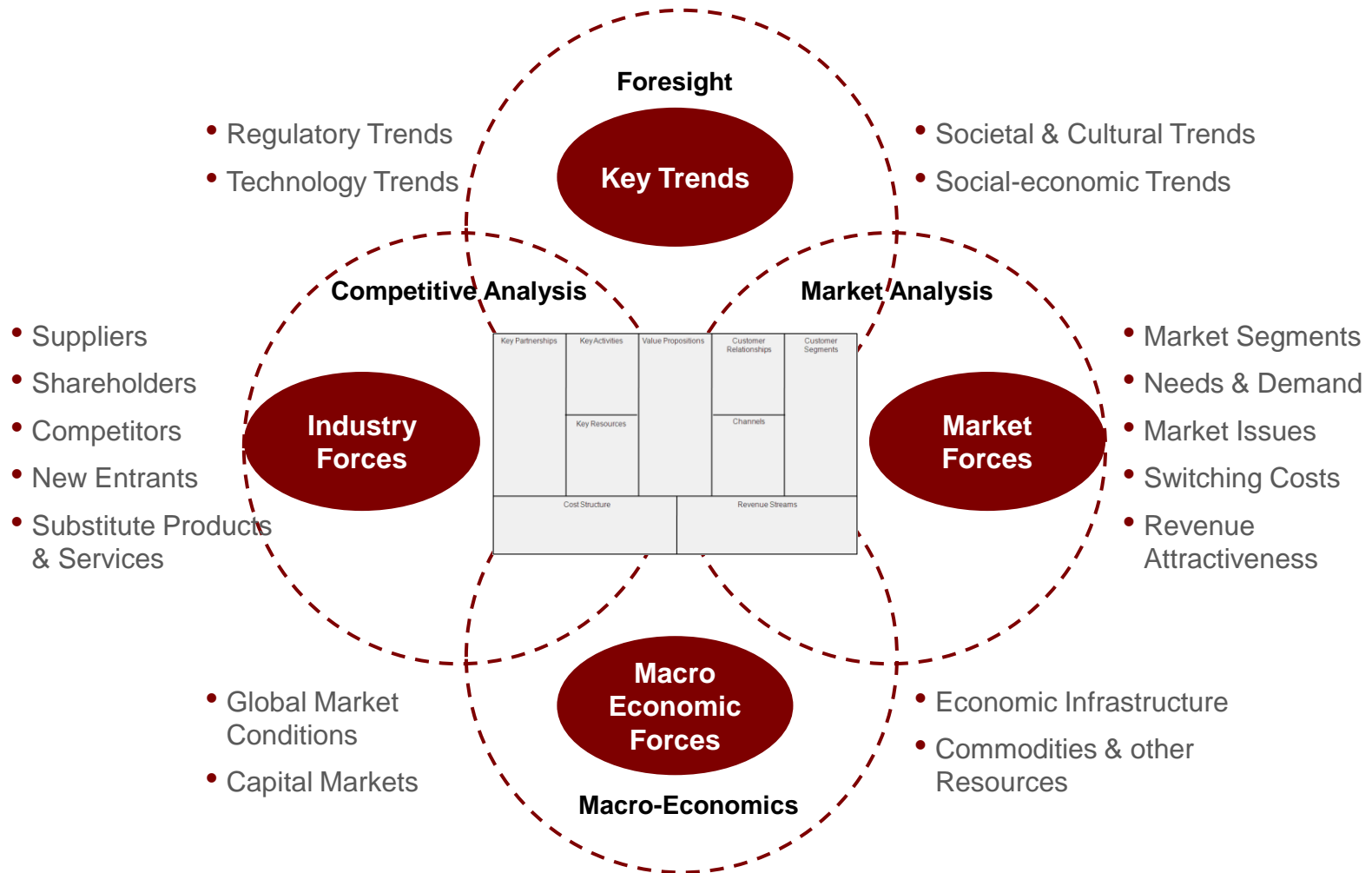
These 9 building blocks show the logic of how a company intends to make money

The Apple iPod/iTunes Business Model provides a simple example of utilizing the Business Model Canvas to describe the business model





The **Business Model** can be used to describe the business context for IT strategy within the larger context of external trends and forces



Some observations from Target for the use of the Business Model Framework



- The business model is more than the business capability framework
- The business model is useful for describing the business context
 - IT Strategic Planning
 - Major business technology initiatives
 - Other
- The business model context can be used for an impact analysis
- Aids in communication with the business leadership, executive leadership and the board

Some key questions to consider

- What value for an IT organization do you see in having a business model framework? What do you see as potential applications and uses?
- How could the business model framework be used to analyze the business strategy, trends, and change requirements (e.g. business, information, technology and solution changes) or anchor current/future state analysis?
- Are you aware of anyone using this framework for business modeling? Another framework? If so what has their experience been?
- Retailers are currently dealing with the issue of how to provide a seamless experience across all channels. This clearly hits the business model and has a significant impact on IT. How could the business model framework be used to frame the IT discussions?
- How would an IT leader tee up a conversation with the business about the business model?



Thank you for your participation

