

BUSINESS MODELS: A QUICK INTRODUCTION

Any business organization attempts to create and deliver value to its customers, and in turn to extract some of that value as its revenue. A business model is a model of the business that describes, in stylized form, how the business intends to do that. At its core, the business model encompasses the product or service, the relevant market, and the economic engine that enables the venture to meet its profitability and growth objectives. It represents a theory that the management team has to translate into practice by actually creating value, delivering it to customers, and getting paid.

The same business may be represented by different business models that differ in their scopes (what's encompassed by the business model) and resolutions (how much detail is captured by the model).¹ At its core, a business model focuses on the way the business creates value and extracts revenues and profits, which is defined by three elements: a *value-creation model*, a *profit model*, and the *logic* of the business.

A business model is specified by answering the following interdependent questions:

A. *Value-creation model*:

- 1) Who are your customers and what is your product/service offering?
- 2) How does the offering create differentiated value for them?
- 3) What is the value chain? What parts are you in?
- 4) What is your go-to-market strategy?

B. *Profit model*:

- 1) What are your sources of revenue?
- 2) What is your cost structure?
- 3) What are the key drivers of profitability?

C. *Logic*:

- 1) What is the logic of the business?

¹ For a few examples of business model frameworks with different scopes and resolutions, see C. Zott, R. Amit and L. Massa, "The Business Model: Theoretical Roots, Recent Developments, and Future Research," IESE Working Paper, September 2010, Alex Osterwalder and Yves Pigneur, *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*, Wiley, 2010.

Together, the answers to these questions define a business model architecture as shown in **Exhibit 1**: we view the business model as a high-level blueprint of the new business, similar to the architectural blueprint of a new house.

In what follows, I address the elements of the business model architecture using short company examples to illustrate the concepts. As you go through these elements, you may want to try to specify the business model architecture of your own company or business unit.

Value-Creation Model

The first step in business model analysis is the identification of the target customers and the problem or need the business is addressing (or planning to address). Only then can we proceed to consider the solution which addresses these needs and creates differentiation in the marketplace.² The source of differentiated customer value, sometimes called *value discipline*,³ is a key driver of the business model and its logic. A number of business model archetypes, which are found repeatedly across industries, deserve special attention. They include operational excellence, product/service innovation, customer intimacy, and value chain coordination.⁴

Operational Excellence

Operationally excellent businesses minimize the delivered cost of the products or services they offer to their customers. They price their offerings competitively, focusing on “value.” Consider, for example, Walmart, the world’s largest company, with its everyday low price strategy and traditional tagline, “WAL*MART. Always low prices. *Always.*”⁵ Operational excellence is not about price alone: operationally excellent companies also strive to reduce the intangible costs borne by their customers as the product or service is delivered to them. Consider, for example, FedEx, which from its startup days differentiated its offering on timeliness and reliability (“when it absolutely, positively, has to be there overnight”). Businesses whose value creation model is based on operational excellence typically enter the low end of an existing market. They then compete with higher-priced incumbents on the basis of price and other dimensions of performance such as reliability and speed. They can make a profit in spite of the lower price they charge by eliminating features that a sizable customer segment is willing to forego, by using new technology, or by restructuring the value chain to make it more efficient.

Product Leadership

Product (or service) leaders (or innovators) seek to invent and deliver the best products or services for their customers, focusing on product performance, user experience or product features that are

² While the business model concept focuses on value, how *differentiated* this value is depends on the competition. While we don’t emphasize competition as we define our business model, the attractiveness of the business model depends on the competitiveness of the market we ultimately enter.

³ See M. Treacy and F. Wiersema, *The Discipline of Market Leaders: Choose Your Customers, Narrow Your Focus, Dominate Your Market*, Addison-Wesley, 1995; H. Mendelson, *Value Disciplines: A Quick Overview*, 2011.

⁴ The first three are common in the literature. See, M. E. Porter, *On Competition*, Harvard Business School Press, 2008; Treacy and Wiersema, *Op. Cit.*

⁵ In 2007, Walmart changed its tagline to “Save Money. Live Better.”

valued by customers. Many technology companies have their roots in a technological innovation which was wrapped in a product or service. They often start with a fledgling product and look for ways to get traction, revenue and profit. Although the product is their key differentiator, it is only a component of their value creation model: the challenge is to translate a superior product or technology into sustainable customer value.

Customer Intimacy

Customer-intimate businesses deliver best *total* solutions by tailoring their products or services to satisfy unique, or highly-targeted, customer needs. Customer intimacy calls for the creation of a continuous learning relationship with customers, which means that the business has to initiate explicit or implicit dialogues with them, capture information about their behaviors and preferences, and use that information to customize products, services, content and context to increasingly fine definitions of segments, sometimes to the point of 1:1.

Value Chain Coordination

Value chain coordinators create value by coordinating elements of the value chain. A value chain coordinator may orchestrate major activities along the entire value chain or be focused on a narrow slice of the chain. In the electronic business domain, value chain coordinators are often *marketplace platforms* that facilitate transactions or interactions among the users of their platforms. A central feature of marketplace platforms is that they relegate direct value creation to other participants in the value chain, while the platform itself facilitates value creation by coordinating activities, streamlining business processes, or reducing search and transaction costs. And, because the platform serves multiple types of customers in the value chain, it may emphasize different value disciplines for different constituencies.

eBay, for example, is a marketplace platform that enables buyers and sellers to trade with each other. Started as a platform for trading among hobbyists (when the company went public, about 10% of its revenue still came from the exchange Beanie Babies⁶), eBay grew into a major, worldwide online trading platform in almost any imaginable product. While the users themselves shoulder the burden of direct value creation (eBay does not hold or sell product inventories – only the sellers do), eBay is focused on matching buyers and sellers and facilitating transactions among them.

Value Chain

Businesses have to choose which parts of the value chain to participate in. For example, a company that develops new technology may choose to license its technology to an established player without being involved in either production or distribution. Or, the company may manufacture the product in house and sell it as a component to a better-known company that embeds it its own branded product. Another alternative is to manufacture and market the product under the company's own

⁶ “Beanie Babies” are stuffed animals, each lined with special metal threads and stuffed with plastic “beans” which, together, gives them a steady pose and a flexible feel. They were produced in limited series which made them scarce, and were collected and exchanged by hobbyists.

brand name. Each of these alternatives reflects a different choice of what parts of the value chain the venture will cover.

For example, suppose you develop a high-end makeup product. Your primary source of differentiation may be product innovation, and you may want to focus on product development and branding. But who will source the materials and manufacture the product for you? You may do it yourself or outsource these activities to a third party. Another question is, how will you sell the product? You may sell it direct to consumers on your website or through a company store, or you may choose to sell in at high-end department stores and cosmetic boutiques. Each of these choices entails a different value chain structure and gives rise to different challenges.

Go-To-Market Strategy

Having a product or service that truly solves a significant problem for a well-defined customer segment is a good start, but it's not enough. "If you build it, they will come" works only at the movies.⁷ A functioning business needs to have effective go-to-market and market development strategies that focus on getting the product or service to market, acquiring customers, securing revenue and market traction, and growing the market.

Market initiation and development start with an adoption strategy. This strategy is designed in conjunction with the other dimensions of the value creation model and in particular, the choice of product (or service) and customer segments. Throughout the process, product development, marketing and sales evolve dynamically and interact with one another. This interaction translates into evolving choices of customers (or customer segments), offerings and sales channels. For example, the strategy may call for an offering that targets a segment of early adopters first, then proceeds to an adjacent customer segment, and so on, leading to a dynamic evolution of the offering, how it is delivered, and who it is delivered to.

At a high level, the way the product or service is delivered (its sales and distribution channels) can be classified into three groups:

- **Direct channels**, where the business uses its own sales force or sells the product directly to end-customers. Direct sales may take the form of field sales, phone sales or online sales.
- **Indirect channels**, where the business uses independent resellers or sales agents (e.g., retailers) to market and sell the offering and collect a commission or markup. There may be multiple levels of indirect channels (e.g., wholesalers or distributors who sell to retailers). Typically, these channels focus on marketing the product and consummating the sales; sometimes they also handle financing, customer service or product warranties. To induce them to create additional value for the customer, some form of partnership is usually called for.
- **Partnerships**, where a channel relationship is used to gain access to customers and end-markets and to provide customers a more attractive solution. The partner may be a value added reseller or an integrator who wraps the product or service with other components to create a more complete, integrated solution. Or, it may be an OEM (original equipment

⁷ Some say it also works in biotechnology.

manufacturer) who sells your product or service as part of its own branded offering. For example, a hard disk drive manufacturer may sell its drives through Hewlett Packard as it OEM (i.e., the disk drive is sold as a component of Hewlett Packard's personal computer).

The Profit Model

The profit model of a business starts with an identification of its revenue streams and the associated costs. Since $\text{revenue} = \text{price} \times \text{quantity}$ and price is a key driver of the (net) value created for customers, it links the value-creation model to the company's profit model.

Revenue Models

The most common revenue models are:

- **Transactional:** Customers pay a fixed price per unit of the product or service, e.g., \$4 for a gallon of milk at the supermarket or \$3 to view a movie on demand. Transactional revenues often incorporate fixed fees and quantity discounts. They are the most common form of revenue and cut across all value-creation models. Some special transactional revenue models are:
 - *Metered:* This is a variation on the transactional revenue model where the use of services is measured and payment is based on these measurements, e.g., 50¢ per kilowatt-hour of electricity for a utility, 2¢ per minute for a telecommunications service, or 20¢ per mile for a taxicab: the more the service is used, the larger the payment.
 - *Outcome-based:* This is another variation on the transactional revenue model where payment is based on a measurable outcome which is relevant to the customer (output) as opposed to metered inputs. It is most common in B2B markets, where it is used to align the incentives of the seller and the buyers. For example, an advertiser may pay a publisher based on the number of impressions of an ad viewed by the audience, the number of leads generated by the ad, or as a percent of the revenue it generates. A commission paid as a percent of transaction revenue (or based on a more complex formula) is a related example of an outcome-based revenue stream. Most of eBay's revenues, for example, are in the form of commissions.
- **Subscription:** Customers pay a fixed fee per unit of time, and they receive in return a fixed number of units of the product or service (e.g., one issue of a magazine monthly, or up to three DVDs out at Netflix) or unlimited, "all-you-can-eat" use over the subscription period (e.g., a monthly cable TV subscription or membership at a club). Subscriptions are often associated with customer intimacy, as they are naturally based on a relationship between the service provider and the customer. Moreover, the subscription revenue model creates an incentive to invest in customer loyalty and to collect information that will help the business to better serve and retain the customer.

- **Licensing:** This revenue model is common for intellectual property or in the B2B domain. The customer pays a royalty or license fee which allows it to use, sell or copy the product within a given period of time (unlimited in time if the license is perpetual), subject to limits on the scope of use based on geography, nature of use, etc. For example, software is mostly sold using a perpetual license, the Associated Press licenses its articles to newspapers (this form of licensing is called “syndication”), and the owner of a patent may license its technology to other companies in return for a license fee.
- **Freemium:** Under the freemium revenue model, some customers receive a version of the product or service for free, whereas other customers pay for a premium, version of the product or service which is differentiated by its features or scope of use. For example, most users of Dropbox⁸ use it for free, but those requiring more storage pay for the service.

Businesses often receive multiple revenue streams, where different customers pay according to different formulas or revenue models, or hybrid revenue streams, where a given customer’s payments combine different revenue models. In other cases, customers are partitioned into paying customers (typically businesses) and non-paying customers (typically consumers). For example, Google provides search services to consumers on its website for free, but charges advertisers for making their ads available alongside its search results.⁹ Then, the paying customers effectively subsidize the services provided to the non-paying customers. In other cases, some consumers receive basic services for free, supporting an advertising-based model (where the revenue comes from businesses), whereas others upgrade to a “premium” paid subscription or pay by the transaction; this is the so-called “freemium” revenue model.

Sometimes it is useful to depict the structure of revenues in hierarchical form. For example, in the eBay marketplace, sellers pay a subscription fee if they “rent” an eBay online store, a fee per listing, and a fee for each transaction which is consummated on the platform.¹⁰ These fees vary based on the nature of the listing or transaction, the product category and the pricing format, but their averages can be estimated. We can thus write the periodic revenue as the sum of subscription revenue, listing revenue and transaction revenue, where each of these in turn has different drivers. The resulting revenue model may be summarized by a diagram as in **Exhibit 2**.

Cost Structure

The cost structure specifies the activities that drive the different costs of the business and how they add up to total cost. Fixed costs are costs that are independent of the level of activity – e.g., rent, fixed licensing costs, etc. Variable costs are costs that depend on the level of activity. For example, in a manufacturing operation, material costs are proportional to the volume of units produced, whereas delivery costs may depend on both shipping distance and volume. Variable costs may be proportional to volume, or they may exhibit economies of scale – e.g., purchased materials with a quantity discount. In some cases, they exhibit diseconomies of scale, e.g., when an operation

⁸ Dropbox is a storage service that maintains its users’ files in the “cloud.” It is used to synchronize the user’s files across devices, to share them with friends and colleagues, and to back them up.

⁹ These payments are outcome-based: the advertiser pays only if the consumer clicks on the ad.

¹⁰ The payments made to PayPal, which is a separate business, are not included in this analysis.

approaches its capacity limit, or when key resources are so scarce that their marginal costs are increasing.

The breakdown of costs between fixed and variable is an important driver of the business model. Other things being equal, lowering the ratio of variable to fixed costs makes the business more scalable. In particular, the variable (physical) production and distribution costs of information goods such as music, news and software that can be distributed over the Internet can be low, implying that most of the cost is fixed (independent of the quantity sold). Then, the focus of the business shifts from manufacturing and physical distribution to product development and customer acquisition. This changes the nature of the business as well as the market at large.¹¹

Business model analysis focuses on revenue and cost *flows*, whereas some costs are incurred on a one-time basis or infrequently, e.g., the purchase of capital equipment. These costs are typically converted to economically equivalent flows using the firm's cost of capital or by examining, for example, equivalent lease rates for purchased equipment.

Unit Economics

Once the revenue and cost structure have been specified, the next step in business model analysis is to break the business into meaningful recurring units and to analyze the associated “unit economics.” A “unit” is simply an important driver of scale which is replicated in the overall business – it may be one customer, one unit of the product, one store, one market, etc. Once the relevant units have been identified, the analysis proceeds by examining one unit's profitability given the revenue and cost structures. The analysis takes into account the revenues and costs associated with the unit itself without allocating any fixed costs from higher levels. For example, if the business buys and sells used cars, and the unit is the car, the analysis amounts to estimating the gross margin on the sale of one (average) car (the difference between its sale price and the sum of the purchase price and all other variable costs associated with the car). Indeed, for many businesses the gross margin is a key driver of profitability, and a central question is what is the *break-even point* – the volume at which the business exactly recovers its fixed costs given its gross margin.

When the revenues are subscription-based, a natural unit of analysis is a single customer over her subscription period. Consider, for example, a business which is based on monthly subscriptions. Then, we track the cash flows associated with the average subscriber, which may include:

- Customer acquisition costs that lead to the start of a subscription;
- The monthly subscription payment received as revenue;
- The cost of serving the subscriber during the month; and
- Costs incurred to induce customer retention (e.g., special incentives, phone calls, etc.).

¹¹ For the effect on market structure and competition, see R. Jones and H. Mendelson, “Information Goods vs. Industrial Goods: Cost Structure and Competition,” *Management Science*, 2011.

Logic of the Business

The logic of the business is an argument showing why (and under what conditions) the business will be successful. The explanation may be quite intricate, elaborating on the business strategy, key processes, resources and capabilities, partnerships, and other factors.¹² The starting point, however, is a single-page argument showing why the business will meet its goals, e.g., how it will attract customers, be competitive and profitable, or grow. Often, we seek a “virtuous cycle” which will show how the basic elements of the business model will reinforce one another. Further, we seek to understand how the business will gain a competitive advantage, a “moat” that will defend it from competitors. I illustrate this approach using the example of the eBay marketplace.

eBay is a marketplace platform which is focused on the use of Information Technology to support trading communities and facilitate transactions among their members. All other activities are provided by others — merchandising and product inventories by the sellers; shipping by eBay’s logistics partners (such as the U.S. Postal Service or UPS); financing, insurance and vehicle inspections in eBay’s automotive marketplace are provided by partners, etc. As a result, eBay can focus on the development of its technology platform and on creating a vibrant trading community and developing vertical marketplaces such as eBay Motors, its collectibles marketplace, and its event ticket marketplace StubHub.

eBay’s goal is to profitably grow merchandise sales over the platform at a rate that matches or exceeds the growth rate of electronic commerce overall. Its “virtuous cycle” (**Exhibit 3**) illustrates the logic of marketplace platforms which are characterized by two-sided network effects, in this case – between buyers and sellers. First, buyers attract sellers to the marketplace platform. With more sellers, buyers are more likely to find any product they are looking for at a desirable price, which increases the number of buyers and the frequency of their visits to eBay. This, in turn, makes eBay more attractive to sellers, who are looking for buyers, so more buyers join the platform, and the cycle continues. Network effects also create a competitive advantage for eBay, because a competitor will need to build a large two-sided network of buyers and sellers before it can effectively compete with eBay.

Augmenting an Existing Business

The above considerations apply to a new business – either a startup or an established company starting a separable business venture. Companies sometimes augment their existing business models to take advantage of synergies between their existing business and a new internal venture. In those cases, the business model of the new venture has to reflect those synergies.

A good way to do that is to first map out the business model architecture of the new venture as a standalone business, and then to augment it by considering its incremental contributions to the revenues and costs of the existing business. To reflect the synergies between the new venture and the existing businesses, we may also need to embed the logic of the new venture within the logic of the existing business.

¹² See G. Saloner, A. Shepard and J. Podolny, *Strategic Management*, Chapter 2.

Consider Tesla Motors, a leading seller of luxury electric cars. In 2015, Tesla's leading car was the 85 kWh Model S, which sold for about \$90,000 on average. The car's most expensive component was its lithium-ion battery pack, which cost in excess of \$20,000. In a 2006 blog post, Tesla CEO Elon Musk articulated his company's "secret Master Plan":

"So, in short, the master plan is:

- Build [a] sports car,
- Use that money to build an affordable car,
- Use that money to build an even more affordable car,
- While doing [the] above, also provide zero emission electric power generation options. Don't tell anyone."¹³

Tesla was planning to launch in 2018 its mass market Model III with a comparable range¹⁴ and price to traditional cars at lower operational (energy and maintenance) costs. This, however, would require an ample supply of low-cost batteries.

In 2014, Tesla announced that it would build in the Nevada desert a \$5 billion, 10 million sq. ft. "Gigafactory" to manufacture lithium-ion batteries.¹⁵ By 2020, the Gigafactory could produce half a million electric car battery packs a year – equal to the entire worldwide production of lithium-ion battery power in 2015, and also equal to Tesla's planned battery needs in 2020. Tesla explained: "The Tesla Gigafactory was born of necessity and will supply enough batteries to support our projected vehicle demand."¹⁶

We can evaluate the Gigafactory venture as a standalone battery manufacturing venture. Just doing that would, however, miss the point – this venture was set up to allow Tesla to have a sufficient supply of lower-cost batteries so it could sell half a million electric cars at mass-market prices in 2020. Therefore, the business model of the Gigafactory should reflect, in addition to its direct battery business, its impact on Tesla's electric car revenues and costs. Similarly, the logic of the Gigafactory venture should incorporate the logic of Tesla in the electric car market.¹⁷

While we don't have the data to evaluate the Gigafactory's profit model in any detail, as a final exercise you may want to develop the logic of the Tesla business model and then link it to the logic of the Gigafactory.¹⁸

¹³ "The Secret Tesla Motors Master Plan (just between you and me)," Tesla Blog, August 2, 2006.

¹⁴ Range is the maximum distance the car can travel between consecutive charges.

¹⁵ The Gigafactory was a joint venture with Panasonic.

¹⁶ "Tesla Gigafactory," Tesla Motors, September 4, 2014.

¹⁷ In addition to electric car batteries, the Gigafactory will manufacture Powerwall, a home battery that charges using electricity generated from solar panels or when utility rates are low to power the customer's home in the evening.

¹⁸ It is sufficient for our purposes here to do that at a high level. If you'd like to go into further details, see Tesla's most recent annual report on the company's investor website at <http://ir.teslamotors.com/>.

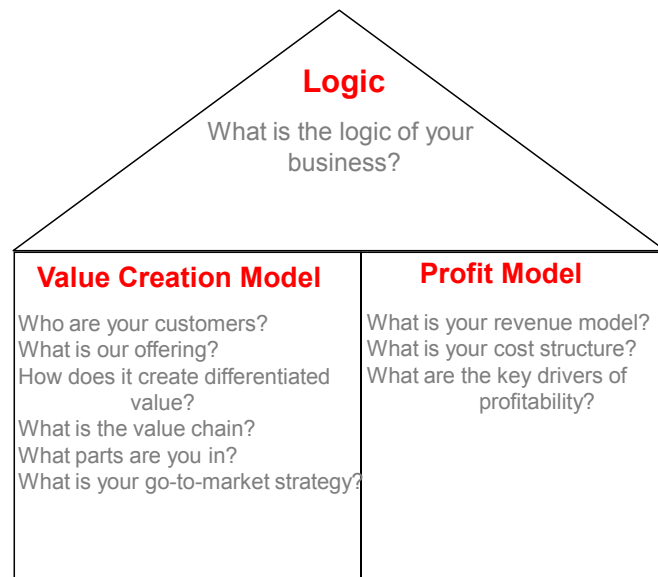
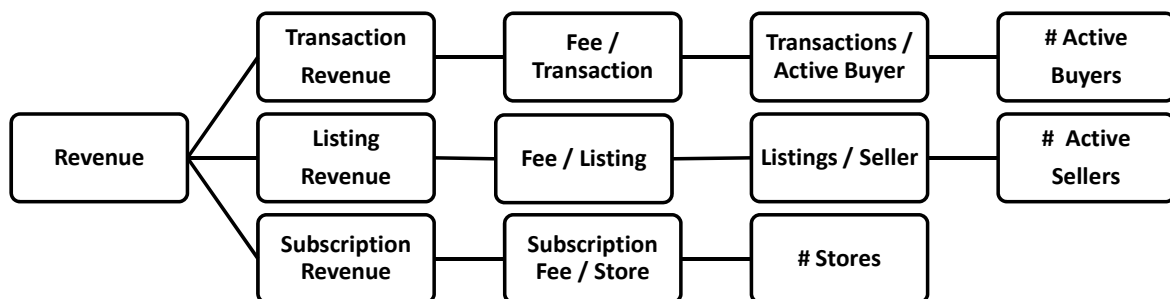
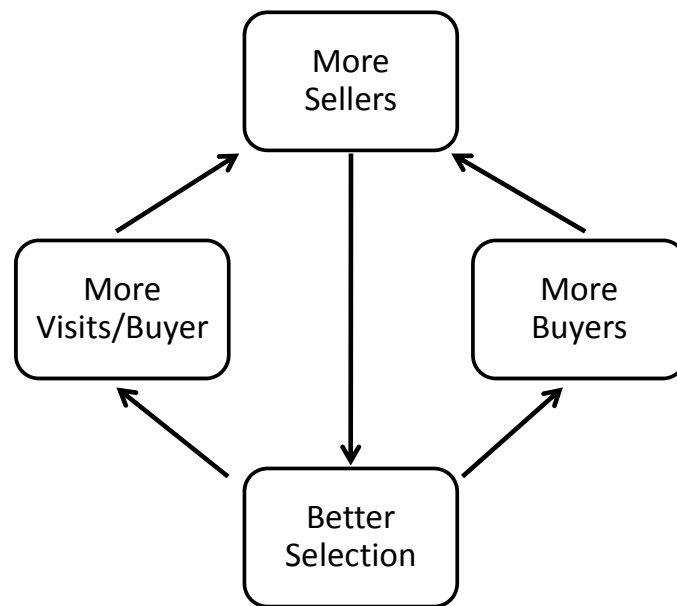
Exhibit 1: Business model architecture.**Exhibit 2: Revenue streams for the eBay marketplace.**

Exhibit 3: eBay's virtuous cycle.



Frequently Asked Questions

Question: What is the difference between a business model and a business plan?

Building on our house analogy, a business model corresponds to the architectural sketch of a house whereas a business plan corresponds to the project plan for building the house. In other words, the business model represents a concrete vision of the future (in blueprint form rather than in the abstract) and the business plan is a plan for getting there. As a result, business model analysis does not focus on resources and timelines, whereas a business plan does. Designing the business model is a key first step towards the construction of an effective business plan.

Question: What is the Business Model Canvas and how does it relate to our business model architecture?

The Business Model Canvas is a graphical template used to describe a business model. It was developed by Alexander Osterwalder and Ives Pigneur, who augmented it with a book, a collection of tools, and consulting services which are offered by their firm, Strategyzer.

Strategyzer follows a freemium revenue model: it offers the Business Model Canvas for free and other content and consulting services for a fee (\$300 per project). Osterwalder and Pigneur also used an interesting business model when they created their book: they invited members of their community to contribute to the book for a fee paid *by* the contributors. The fee gradually increased from \$24 to \$243 for their 470 participating co-authors.

The template is replicated below.

The Business Model Canvas

Designed for: _____ Designed by: _____

On: _____ Iteration: _____

Key Partners  Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform? Channels: Cost Structure: Revenue Streams:	Key Activities  What Key Activities do our Value Propositions require? Which are our key tasks? Our Distribution Channels? Customer Relationships? Revenue streams? Channels: Cost Structure: Revenue Streams:	Value Propositions  What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying? Channels: Cost Structure: Revenue Streams:	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 are they integrated with the rest of our business model? How costly are they? Channels: Cost Structure: Revenue Streams:	Customer Segments  For whom are we creating value? Who are our most important customers? Channels: Cost Structure: Revenue Streams:
Key Resources  What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams? Channels: Cost Structure: Revenue Streams:		Channels  Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost efficient? How are we integrating them with customer outcomes? Channels: Cost Structure: Revenue Streams:		
Cost Structure  What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive? Channels: Cost Structure: Revenue Streams:		Revenue Streams  For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues? Channels: Cost Structure: Revenue Streams:		

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The Business Model Canvas is a tool for developing new business models and existing ones. It is a simplified version of the Business Model Canvas. It is a tool for developing new business models and existing ones. It is a simplified version of the Business Model Canvas. It is a tool for developing new business models and existing ones. It is a simplified version of the Business Model Canvas.

The Business Model Canvas has a relatively complex structure with nine components, each comprising multiple sub-components and additional elements. Two of the components, “Key Activities” and “Key Resources,” don’t really belong in a business model – rather, they are elements of the business plan. On the other hand, the all-important logic of the business is missing.

The other components of the Business Model Canvas can be mapped directly into our business model architecture. The bottom of the Canvas with “Cost Structure” and “Revenue Streams” maps to the two key elements of our profit model. “Value Proposition” corresponds to our differentiated value. “Customer Segments” maps to customer, “Channels” maps to our go-to-market strategy, and “Key Partners” maps to our value chain element (although the Canvas focuses on the set of partners rather than on the value chain structure).

On the one hand, I believe the Business Model Canvas adds unnecessary complexity to the process of business model design. Given the way it was constructed, it is not surprising that it emphasizes detail over a robust structure and that it is not rooted in the underlying business disciplines. It has the feel of someone trying to teach you engineering practice without a solid understanding of the underlying physics.

On the other hand, the Business Model Canvas is a comprehensive tool that can serve as an effective checklist. Further, once you understand what is missing and how to map it back to our architecture, it can serve as an effective tool for business model development. The interactive apps and consulting services that surround the Canvas enhance its value as well.

In my experience, most entrepreneurs find the Business Model Canvas unnecessarily complex to be useful upfront, but those who already spent the time and effort needed to penetrate that complexity like it. In my view, the best use of the Canvas is as a summary checklist once you have constructed your entire business model. However, if you have already mastered the Canvas, you may want to use it again, with the mapping above helping you to guide the process.