

**EPFL**



- Customer is King
- King's Promise: Value Proposition
- Delivering to the King:
  - a) Key Activities
  - b) Key Resources
  - c) Key Partnerships

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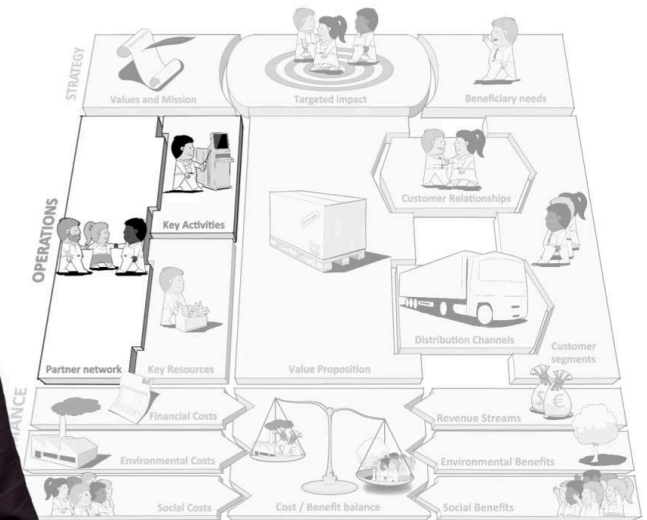
In the previous lecture, we developed and discussed the key building block of your business model, namely, the customer, who is the king of your business model. We also discussed about the promise you pledge to the customer to solve a problem, or satisfy a need they have, which is conveyed via your value proposition. In this lecture, we will examine things from the enterprise or company perspective. In other words, we will examine all the key building blocks that go into the process that allows the enterprise to generate a value promised to the customer. These can be classified broadly speaking into 3 categories. Key Activities, Key Resources, and Key Partnerships.

Notes

Summary



0m 21s



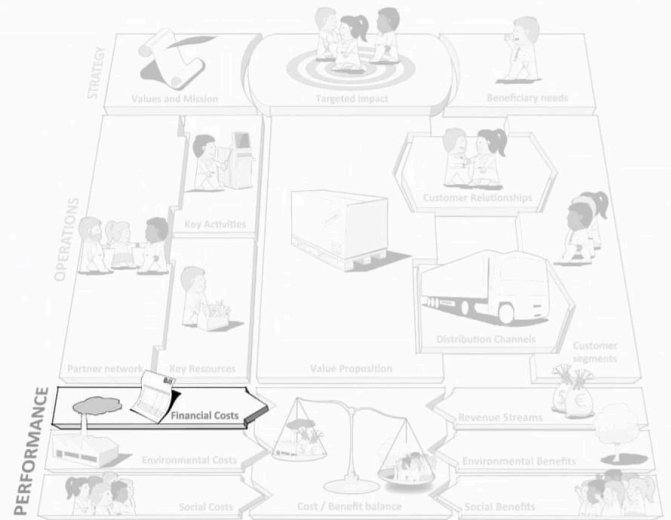
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Now if we look at the overall canvas we will see that we are discussing primarily the left middle part, labelled Operations. Which basically pertains to your company or enterprise and its operations. One of the first aspects you have to confront is what are the most essential tasks, or key activities that the company has to carry out themselves towards generating the proposed value. Depending on the type of product you are involved with. Key activities for example could entail product development and production, if you are dealing with a physical technology product. Or software development if your product is software based. The other issue you then have to confront is what are the key resources or the most critical assets required for you to succeed with your key activities and proposed value generation. For example, for a technology based product you will likely require human expertise, as technology based products are generally knowledge intensive. Intellectual property, patents, copyrights, etc. And perhaps a manufacturing facility. Of course, in order to realize your operations you will always need various strategic or key partnerships.

Notes

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Key partners could be your suppliers, sub contractors, e.g for contract manufacturing. But remember you don't have to do everything. Certain things may best be sub contracted and you may wish to keep only what is core and most critical or sensitive within the company. Such an approach may allow you to scale up cost effectively and efficiently. So, be sure to assess that very carefully when defining your key activity to determine which activity really has to be done within the company. And which ones can be outsourced to key partners, who may already be highly experienced and running cost effectively than you ever would for the given activity. Now the bottom left part of the canvas is concerned with cost structure.

Notes

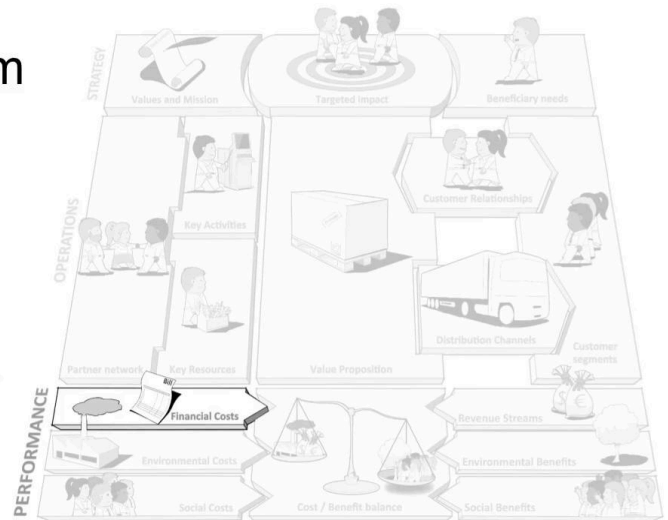
Summary



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- Cost Structure: Total Costs from Operations.
- Cost-Driven: No Frills.
- Value-Driven: Bells & Whistles.



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This essentially refers to all the cost incurred in all of the operations to generate your proposed value and delivering it to the customer. There are various types of cost structures, but for simplicity, we'll limit our discussion to 2 basic categories. That is, cost-driven, and value-driven cost structures. Cost-driven cost structures entail minimizing costs as much as possible, enabling to pass on those savings as a value proposition to the customer. Ostewalder and Pigneur, in their book, give examples of No Frills Airlines such as Easy Jet, and Ryan Air in Europe, for example. Whereas value-driven cost structure on the other hand position themselves as premium luxury brands, that can sometimes be laden with all sorts of bells and whistles. And here, think of a Rolls Royce car, for example. But it turns out that in reality, most cost structures fall somewhere in the middle of these 2 extremes. Now in the traditional canvas, the cost structure is limited only to financial costs. However, in reality, operations may also likely engender a cost to the environment.

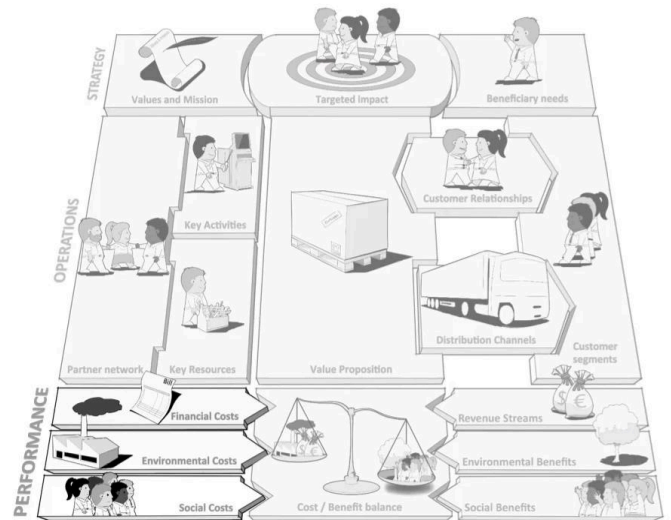
Notes

Summary





# Cost Structure



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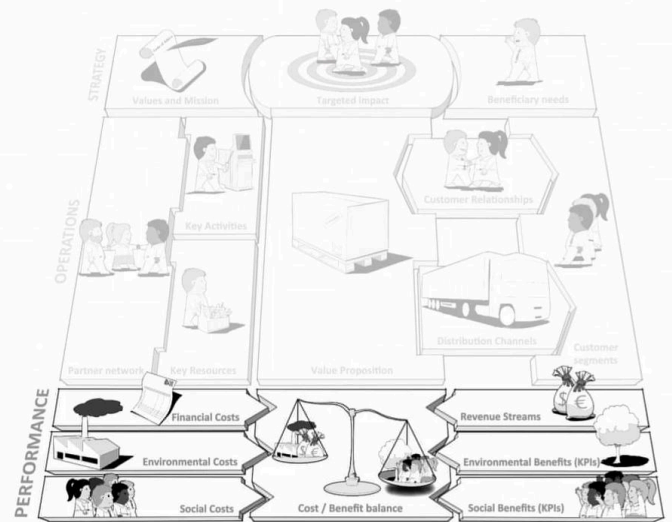
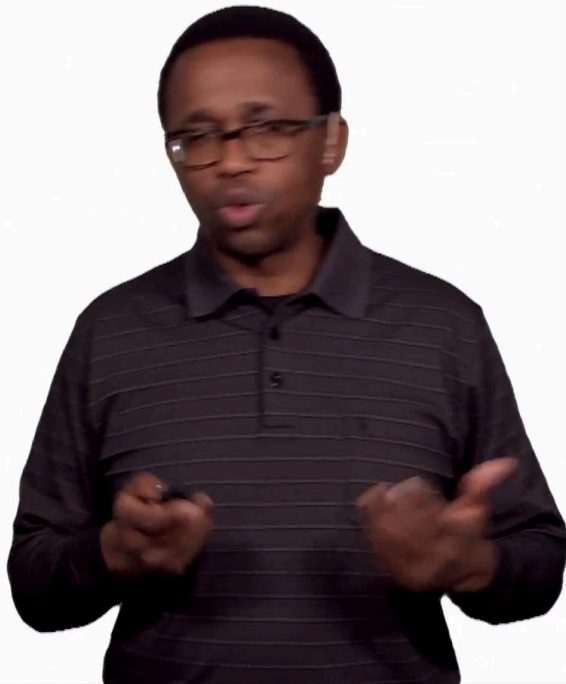
Either by way of excessive emissions, which may not necessarily be intended, of course. It could also happen that your operations may have unintended social consequences as well, or social costs in the communities where they operate.

Notes

Summary



# Triple Bottom Line & Mission



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Therefore, given that you aim to achieve not just only financial viability, but also environmental sustainability and social impact, it is very important that you are able to establish metrics that can enable you to monitor and even quantify environmental and social costs. Hence, the original canvas has been updated to also reflect costs coming from environmental and social factors. Now the currency you use for financial aspects is revenue streams, as measured in your particular currency such as dollars, or euros, or what have you.

Notes

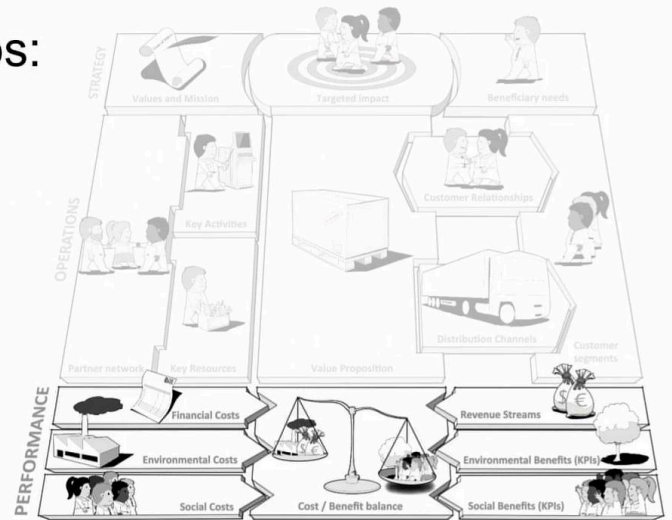
Summary



5m 15s

## Key Performance Indicator Groups:

- Emissions to Air
- Emissions to Water
- Emissions to Land
- Intensive Resource Usage



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While the currency for environmental and social factor is Key Performance Indicator scores, or KPI scores. Key performance indicators can be basically grouped into 4 categories, namely, Emissions to air, e.g green house gasses. Emissions to water. e.g heavy metal emissions. Emissions to land. e.g pesticides. Radioactive waste, and intensive usage of naturally occurring resources. e.g water, oil, forestry, etc. Just as much as you wish to minimise your total financial costs and maximise your total revenue streams, when assessing your cost benefit ratio for each product, you should also strive to make sure that your environmental and social costs do not out-weigh your environmental and social KPI scores respectively. The extent to which you wish to tip the cost benefit scale one way or the other will be largely influenced by the mission and strategy you set yourself at the beginning, which is reflected at the top left hand corner of this adapted canvas. We have now gone through the whole sustainable business model canvas.

Notes

Summary



5m 52s





- Value through resources and activities
- Make or buy?
- Financial, environmental and social aspects

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In this last part, we have seen how the company can create the value proposition that it will deliver to its customers. We have discussed, in particular, the idea of what key resources and key activities should be part of your core business and a key to creating this value. And which ones can be sub-contracted or outsourced to external partners. Finally, we have seen that similarly to benefits, which must be measured not only at the financial level, but also at the environmental and social levels, that is the costs linked to your company's activities must be evaluated on all these 3 levels.

Notes

Summary



7m 19s



- Cost/Benefit balance
- Trade-offs?

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The bottom line of this sustainable business canvas, as opposed to more traditional business model, is that in order to be truly sustainable your business must be balanced not only at the financial level, but also regarding its environmental and social aspects. In order to achieve this, you will have to make some trade offs. And deciding which ones are acceptable for you will be determined by your own values and mission. The next lecture will illustrate this tool by way of an example using our X-ray imaging system example. Goodbye.

Notes

Summary



8m 02s