

Customer Segments

Defines the different groups of people or organizations an enterprise aims to reach and serve.

Customers comprise the heart of any business model. Without paying customers, no company can survive.. In order to satisfy customers, a company may group them into distinct segments with common needs, common behaviors, or other attributes. A business model may define one or several large or small Customer Segments. An organization must make a conscious decision about which segments to serve and which segments to ignore. Once this decision is made, a business model can be carefully designed around a strong understanding of specific customer needs.

Customer groups represent separate segments if:

- * Their needs require and justify a distinct offer
- * They are reached through different Distribution Channels
- * They require different types of relationships
- * They have substantially different forms of profitability
- * They are willing to pay for different aspects of the offer

Questions to be answered:

- * For whom are we creating value?
- * Whose problem are we solving?
- * Who are our important customers?
- * Which customers receive the greatest benefit from our company?

Preliminary Customer Development:

- * Talk to customers from each identified customer segment.
- * Report on feedback received.
- * Describe how the feedback modified your customer segments (drop, adjust, validate)

Value Proposition

Describes the bundle of products and services that create value for a specific Customer Segment.

The Value Proposition is the reason why customers turn to one company over another. It solves a customer problem or satisfies a customer need. Each Value Proposition consists of products and/or services that cater to the requirements of a specific Customer Segment. In this sense, the Value Proposition is an aggregation of benefits that a company offers customers. Some Value Propositions may be innovative and represent a new or disruptive offer. Others may be similar to existing market offers, but with added features and attributes.

Questions to be answered:

- * What value do we deliver to the customer?
- * Which one of our customer's problems are we helping to solve?
- * Which customer needs are we satisfying?
- * What products and services are we offering to each Customer Segment?

Channels

Describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition.

Communication, distribution, and sales Channels comprise a company's interface with customers. Channels are customer touch points that play an important role in the customer experience.

Channels serve several functions, including:

- * Raising awareness among customers about a company's products and services
- * Helping customers evaluate a company's Value Proposition
- * Allowing customers to purchase specific products and services
- * Delivering a Value Proposition to customers
- * Providing post-purchase customer support

Questions to be answered:

- * Through which Channels do our Customer Segments want to be reached?
- * How are we reaching them now?
- * How are our Channels integrated?
- * Which one works is more effective?
- * Which ones are most cost-efficient?
- * How are we integrating them with customer routines?

Customer Relationships

Describes the types of relationships a company establishes with specific Customer Segments.

A company should clarify the type of relationship it wants to establish with each Customer Segment. Relationships can range from personalized to automated.

Customer relationships may be driven by the following motivations:

- * Customer acquisition
- * Customer retention
- * Customers as marketers

Questions to be answered:

- * What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
- * Which ones have we established?
- * How costly are they?
- * How are they integrated with the rest of our business model?

Key Resources

Describes the most important assets required to make a business model work.

Every business model requires Key Resources. These resources allow an enterprise to create and offer a Value Proposition, reach markets, maintain relationships with Customer Segments, and earn revenues.

Different Key Resources are needed depending on the type of business model. A microchip manufacturer requires capital-intensive production facilities, whereas a microchip designer focuses more on human resources. Key Resources can be physical, financial, intellectual, or human. Key Resources can be owned or leased by the company or acquired from key partners.

Questions to be answered:

- * What Key Resources does our Value Proposition require?
- * What Key Resources do our Distribution Channels require?
- * What Key Resources do our Customer Relationships require?
- * What Key Resources do our Revenue Streams require?

Key Activities

Describes the most important things a company must do to make its business model work.

Every business models calls for a number of Key Activities. These are the most important actions a company must take to operate successfully. Like Key Resources, they are required to create and offer a Value Proposition, reach markets, maintain Customer Relationships, and earn revenues. For software maker Microsoft, Key Activities include software development. For PC manufacturer Dell, Key Activities include supply chain management.

Questions to be answered:

- * What Key Activities does our Value Proposition require?
- * What Key Activities do our Distribution Channels require?
- * What Key Activities do our Customer Relationships require?
- * What Key Activities do our Revenue Streams require?

Key Partnerships

Describes the network of suppliers and partners that make the business model work.

Companies forge partnerships for many reasons, and partnerships are becoming a cornerstone of many business models. Companies create alliances to optimize their business models, reduce risk, or acquire resources.

We can distinguish between four different types of partnerships:

- * Strategic alliances between non-competitors
- * Strategic Partnerships between competitors
- * Joint ventures to develop new business

Questions to be answered:

- * Who are our key partners?
- * Who are our key suppliers?
- * Which key resources are we acquiring from partners?
- * Which Key Activities do partners perform?