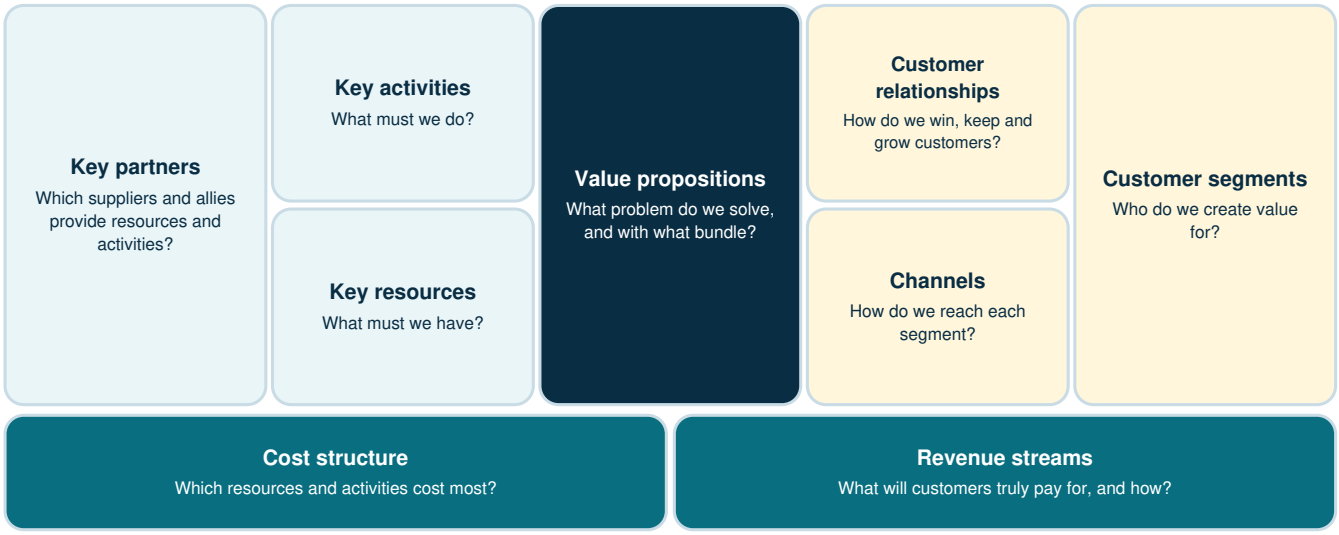
Business models, the canvas and co-creation

MODULE 7 | 7.2.1 | STUDENT COMPANION

A **business model** sets out how an organisation runs and the economic logic that makes it pay: a system of interacting features, often described as a customer value proposition, a profit formula, key resources and key processes. A **strategy** explains how the organisation will outperform rivals or keep creating value. Two gyms with the same low-cost, self-service model can follow different strategies (inner-city clusters versus outer suburbs without rivals).

Business model innovation changes at least one element so the organisation creates or captures value differently; formally, a design process that launches a substantially new model by changing the value proposition, the arrangement of partners that delivers it, or both. Most managers rate it above new products or services, but it lasts only if it is hard to copy. It is pursued by newcomers, by incumbents seeking an edge, and by firms reacting to threats, and it is hard because of uncertainty and internal barriers.

The business model canvas



Pale: infrastructure. Navy: the offering. Cream: customers. Teal: financial viability

The canvas in four groups

Group	Blocks	Key questions
Customers	Segments, channels, relationships	Who matters most? How do they want to be reached, won and kept?
Offering	Value proposition	Which problem do we solve, with what bundle?
Infrastructure	Activities, resources, partners	What must we do and have, and who helps?
Financial viability	Revenue streams, cost structure	What will customers pay for, and what costs most? Revenue minus cost gives profit

Testing a new configuration (imagined)

Block	Today: classroom courses	Tested: online subscription academy
Customer segments	Accountants and managers in five cities	The same, plus regional learners and employers
Value proposition	Expert-led, face-to-face courses	Learn anytime in short modules, with live sessions
Channels and relationships	Employers, website, the classroom	App and platform; online community
Revenue streams	One-off course fees	Monthly subscriptions, often paid by employers
Key resources and activities	Trainers, venues, running courses	Learning platform, video library, content production
Key partners	Professional bodies	Professional bodies and a cloud platform provider
Cost structure	Trainers and venues	Platform fees and content production

One change, from fees to subscriptions, ripples through almost every block

The subscription arithmetic (imagined)

Subscribers	2,000
Monthly fee	$40
Recurring revenue a year: 2,000 x $40 x 12	**$960,000**

Steadier than seasonal course fees, but the platform and library are paid for up front

Dominant models and transformation. Most industries settle on a dominant model, the most efficient way to turn resources into value with the technology of the time. When someone introduces a better model and gains an advantage, rivals must adopt it or leave. Most new models are evolutions, but they are appearing faster than ever, and a model's connections with outside organisations matter more than ever.

Co-creation in ecosystems. An organisation's success can be explained by its fit with its ecosystem and the ecosystem's overall performance, so managers need resilience and flexibility to evolve with partners; entering a new market means assembling a new ecosystem. Contributing to open innovation can bring intrinsic rewards

(satisfaction), social rewards (standing in the community) and extrinsic rewards (learning, reputation). Partners cooperate to create value and compete to capture it.

Value co-creation in an ecosystem (imagined)

Co-creation with customers	Co-creation with businesses
• Members record short case videos for the library • Learners vote on new course topics • Social media and online tools make dialogue easy	• Specialist courses co-designed with large employers • Development costs and risks shared • Built on trust and strong ties between managers

Partners cooperate to create value, and compete to capture it

Case note: Hilti Fleet Management

Hilti, the Liechtenstein-based maker of professional power tools, traditionally sold tools outright to construction firms. Around 2000, starting in Switzerland, it introduced fleet management: instead of buying tools, a customer pays a fixed monthly fee for a managed fleet, usually over three to five years, with repairs, replacements, loan tools and tool tracking included. The service reached 40 countries by 2015, and about 3 million tools were under fleet contracts by 2021. Customers gain predictable costs and working tools; Hilti gains long-term relationships and steadier revenue. The products barely changed, but the value proposition, revenue stream and customer relationship changed completely.

Sources: Hilti Group, 'Twenty-five years of Fleet Management' (2026); Hilti annual report 2021; Harvard Business School case 'Hilti Fleet Management (A)'.

Practice questions

MODULE 7 | 7.2.1 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - Complete a canvas

Block	Spoke & Spanner (an imagined mobile bicycle-repair business)
Customer segments	
Value proposition	
Channels	
Customer relationships	
Revenue streams	
Key resources	
Key activities	
Key partners	
Cost structure	

Question 2 - Which blocks change?

Business model innovation	Blocks that change
(a) A printer maker charges per printed page through a service contract	
(b) A bakery starts selling through a food-delivery app	
(c) A gym adds a cheap, app-only 24-hour membership for students	
(d) A winery stops selling grapes in bulk and starts its own wine club	

Question 3 - Design a co-creation initiative

Meeple Works (an imagined board-game publisher) wants fresh game ideas and a loyal community. Design one customer co-creation initiative and one business-to-business initiative, and explain how value is created and how Meeple Works captures its share.

Worked answers

MODULE 7 | 7.2.1 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Spoke & Spanner (sample)

Block	Sample
Customer segments	Commuters, families and cycling clubs in one city
Value proposition	Repairs at your home or office, booked online, same week
Channels	Website and app; club partnerships; social media
Customer relationships	Reminders for servicing; a membership plan
Revenue streams	Per-repair fees; annual service memberships; parts
Key resources	Equipped vans, skilled mechanics, booking software
Key activities	Repairs, scheduling, parts purchasing
Key partners	Parts wholesalers, bike shops for big jobs, clubs
Cost structure	Wages, vans and fuel, parts, software

Question 2

Innovation	Blocks that change
(a) Pay per page	Revenue streams, customer relationships, key activities (servicing)
(b) Delivery app	Channels, key partners, cost structure (commissions)
(c) Student app-only membership	Customer segments, value proposition, channels, revenue
(d) Own wine club	Customer segments, value proposition, channels, revenue, activities

Question 3 - Meeple Works (sample)

- **Customer co-creation:** an online design challenge where players submit and vote on game ideas; winners earn royalties and credit. Value: fresh ideas and a loyal community; capture: Meeple Works owns publishing rights and sells the games.
- **Business co-creation:** co-develop an educational game with a teachers' association that shares testing and promotion costs. Capture: agree IP ownership and revenue shares in the contract at the start.