

Application of Osterwalder and Pigneur's Business Model - Canvas to E-Businesses in Bangor

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Abstract

The primary objective of this report is to use the Osterwalder and Pigneur (2010) Business Model and apply on the brief descriptions of the given three companies, i.e. an online accountancy service provider Alaw, a daily blog for travel and products called Bodnant Blogs and a cake bakery called Caradog Cakes. The report consists of three sections for each of the three companies. Each section presents the business model for the respective company initially, followed by a discussion on each of the nine blocks of the business model.

Keywords: Business Model, Osterwalder and Pigneur's Model, Case Study.

1- Introduction

This paper presents 3 case studies:

- Online accountancy service provider Alaw.
- A daily blog for travel and products called Bodnant Blogs.
- A cake bakery called Caradog Cakes.

The paper analyzes the three case studies according to Osterwalder and Pigneur's Business Model which includes 9 elements: Key Partners, Key Activities, Key Resources, Value Proposition, Customer Relationships, Channels, Customer Segments, Cost Structure, and Revenue Model.



2- Company A: Alaw

Table (1): Business Model Canvas for ALaw

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> • Internet Provider • Offline Storage hardware • Cloud Service • Advertisers • Freelance Software Developers • Online Payment Gateway 	<ul style="list-style-type: none"> • Software Development & Maintenance for updates • Customer Support • Hardware Storage • Cloud Storage • Marketing 	<ul style="list-style-type: none"> • Monthly Subscription based Online Accountancy Software for small businesses • Free 3 months trial • All the accounting essentials • Cloud Service • Real time access over internet • Update and Support 	<ul style="list-style-type: none"> • Interactive support • Automated Services • Communities and co-creation 	<ul style="list-style-type: none"> • Niche • B2B Market Small Businesses
	<p>Key Resources</p> <ul style="list-style-type: none"> • Accountants & Financial Experts • Software Developers • Internet • Cloud Computing 		<p>Channels</p> <ul style="list-style-type: none"> • Desktop App • Website • Digital Ads • Mails and offers 	
<p>Cost Structure</p> <ul style="list-style-type: none"> • Fixed Staff - Salaries • Temporary Staff - Contracts • Marketing – 17% of revenue • Cloud computing rent • Offline storage maintenance 		<p>Revenue Streams</p> <ul style="list-style-type: none"> • Subscription Fees for 3 packages - Cloud Storage - Alaw Storage - Alaw & Cloud Storage 		



2-1 Key Partners

In order to successfully conduct the business activities Alaw has the following partners that also include sellers as suppliers:

- The internet services provider for seamless connection which will enable smooth operations.
- Hardware provider for client data storage
- Cloud computing services provider such as Amazon Web Services (AWS)
- Freelance software developers for specific but temporary contracts
- Advertisers for online marketing
- Payment gateway for managing online payment transactions.

Alaw has forged the above partnerships for three purposes, i.e. to acquire resources like hard drives and software development, to reduce risks by using cloud computing services and to optimize the business model. Therefore, Alaw has established these strategic alliances because it would not be cost effective to own all the resources. Further, such key partnerships also help Alaw in achieving optimization and economy of scale by outsourcing certain development projects to the freelance developers (Osterwalder & Pigneur, 2010).

2-2 Key Activities

The key activities for Alaw include software development for maintenance and support, client data storage at Alaw, client data storage in the cloud and marketing. Therefore, the key activities focus on problem solving as well as on the Alaw platform. Problem solving is important for Alaw to provide the customer support and maintain the customer relationships with the individual businesses. Further, the service in the form of an accounting software provided by Alaw acts as the platform and hence Alaw needs continuous development to the platform as well as maintenance. Furthermore,



the key activities of cloud storage and offline storage are also a valued proposition offered by Alaw. The client data is confidential and very important, and data security is crucial. Moreover, marketing is of utmost importance in the key activities because Alaw spends 17% of its total revenue on it. Therefore, Alaw has focused on developing the value propositions by properly aligning the key activities and well-defined process which clearly help in delivering value (Osterwalder & Pigneur, 2010; Hamel & Prahalad, 1989; Seloti, 2015).

2-3 Key Resources

Essential resources are crucial and basic requirement of every organisation. However, human resources are especially important considering a business such as Alaw which relies on maintaining customer relationships through effectively implementing its value propositions such as customer support and platform development. These key activities essentially require human resources in the form of accountants, software developers and other staff. Further, the key resources of cloud computing, internet and data storage devices are also essential to link the value propositions of Alaw with its key activities, channels and customers (Osterwalder & Pigneur, 2010; Stewart, 1998).

2-4 Value Proposition

The value propositions for Alaw is the accountancy software with all the accounting essentials for a small business. It is a subscription-based service, so customers do not require to buy the software and they can use it only when needed. Further, the online platform and cloud computing adds the extra element of security as well as accessibility. Thus, making the software accessible from anywhere for the employees of a business. Furthermore, it also allows simultaneous access. Alaw also provides technical and other support to the customers. The free trial period of the software is another added value because it helps the customers to test the service, learn to use it and understand the benefits it provides. Therefore, Alaw constantly focuses on solving



the problems of the customer and satisfying their needs. They have bundled a selected group of services by forming an alliance with its partners to serve a specific customer segment – small businesses. Hence, Alaw provides two important aspects of the value proposition – accessibility and convenience (Osterwalder & Pigneur, 2010; Kotler, 2006).

2-5 Customer Relationships

Alaw maintains two types of relationships with its target customer segment. The automated services are a form of customer self-service with additional sophisticated measures. Every business has its own account which allows them to receive customized services. The automated services also learn about the customer transactions and recognize the customer and their behaviour. The second relationship is maintained through the Communities and Co-creation of Alaw. Here, all users of Alaw share information, comment on performance, put queries and solve questions and provide feedback to Alaw. This helps Alaw in understanding the customer requirement and the challenges they face which further facilitates the improvement of the software (Osterwalder & Pigneur, 2010; Kotler & Armstrong, 2000; Seloti, 2015).

2-6 Channels

The channels for Alaw are digital ads offers, emails, website, and desktop. These channels successfully show the five phases necessary for designing successful channels and to achieve optimum performance. The digital advertisement and offers are used for Awareness and Evaluation. The website with payment gateway and the desktop app is used for purchase and delivery while the after sales are provided through the mails and other means of customer relationship (Osterwalder & Pigneur, 2010; Kotler, 2006).



2-7 Customer Segments

Alaw focuses on small business around the world who can access the software via the internet. Therefore, Alaw follows a niche market with a business-to-business strategy, where they are serving those small businesses around the world who can use the internet for their accounting and financial activities. Hence, the business model for Alaw caters to the specific needs of the specific customer segment. Small businesses need to maintain their accounts but its not cost effective for them to buy the whole software, therefore, Alaw provides them the simple solution of using the software online and paying only on a monthly basis (Osterwalder & Pigneur, 2010; Kotler, 2006).

2-8 Cost Structure

The cost structure in the business model for Alaw includes the most important costs incurred during the operations. The most important costs are mainly incurred in creating and delivering value and maintaining the customer relationships (Harrison, 2005). Therefore, the cost structure for Alaw mainly involves the key resources, key partners and key activities. i.e. costs incurred in staff salaries, costs for cloud computing services, costs for storage and maintenance of the storage drives and costs for maintaining the website. Alaw also spends a large chunk of its revenue (17%) in marketing costs.

2-9 Revenue Model

The revenue model for Alaw is based on recurring revenues where they receive ongoing payments for delivering a value proposition and providing customer support. These revenue streams have the fixed menu pricing mechanism where the prices are based on static variables. Alaw has a single revenue stream but the pricing depends on the agreement. Alaw generates revenue mainly through the monthly subscriptions with the option of data storage in cloud, in Alaw or both in cloud and Alaw. Therefore, the



revenue stream for Alaw has a fixed menu pricing mechanism which depends on the features of the product (Osterwalder & Pigneur, 2010).

3- Company B: Bodnant Blogs

Table (2): Business Model Canvas for Bodnant Blogs

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> Website hosting Google AdSense Travel Partners - Travel booking websites Consumer product partners 	<ul style="list-style-type: none"> Product usage Travel Blogging everyday Traffic generation Visitor interactions SEO 	<ul style="list-style-type: none"> Well described reviews based on experience for consumer products Reviews describe the quality, price, performance and best place to buy. Knowledgeable and informative content on unique locations visited and methods of travel Publish unique and quality content Daily posts, guides and videos 	<ul style="list-style-type: none"> Interactive responses Automated follow-up Communities and co-creation 	<ul style="list-style-type: none"> Multi-Sided Platform 1st Side: <ul style="list-style-type: none"> Consumer products Travellers and tourists 2nd: Side <ul style="list-style-type: none"> Affiliate partners: Travel Sites Product sellers
	<p>Key Resources</p> <ul style="list-style-type: none"> Website developers Content creators Content writers Travellers Product testers 		<p>Channels</p> <ul style="list-style-type: none"> Website Digital Ads Mails Social media <ul style="list-style-type: none"> Facebook Instagram YouTube videos 	
<p>Cost Structure</p> <ul style="list-style-type: none"> Website hosting Travel Product Trials Staff and Infrastructure costs 		<p>Revenue Streams</p> <ul style="list-style-type: none"> AdSense – Cost per click Affiliate promotions 		



3-1 Key Partners

The key partners in the business model for Bodnant blogs are required for creating value, reaching out to customer segments and deliver the value. Therefore, Bodnant Blogs need:

- The website hosting services, for delivering the value.
- The Google AdSense services for marketing and reaching out to the customers.
- Travel partners and consumer product providers for creating value.

Therefore, these partnerships help Bodnant blogs to optimize their business model and monetize their blog to by creating value and generating revenue (Osterwalder & Pigneur, 2010).

3-2 Key Activities

The key activities for Bodnant Blogs primarily focus on value creation, customer reach-out customer relationship. Value creation at Bodnant blogs mainly revolves around content creation.

Therefore, the key activities for content creation involve travelling to unique locations, using new and quality products, and blogging everyday about these activities in the form of good quality written content. Further, the activities for customer reach revolves around the marketing of the blog which mainly includes traffic generation through search engine optimization. Furthermore, the activity for

customer relationship involves direct interaction with the blog visitors in the form of comments and answers to queries. Hence, key activities of the company acquire customers, provide them with a valued content and try to retain them by landing on multiple pages generating more clicks and thus more revenue (Osterwalder & Pigneur, 2010; Hamel & Prahalad, 1989).



3-3 Key Resources

Key resources are crucial for any business to create and deliver value. Human resources are most essential for Bodnant blogs because they are the actual content creators needed for the value propositions. Bodnant blogs relies mostly on the human resources such as developers, content writers and content creators in the form of travellers and product testers. Therefore, the three founders and other staff of are the key resources. These resources make it possible for the blog to implement its value proposition, generate traffic as well as maintain the customer relationships. Thus, the key resources clearly link the value propositions with the key activities, customers segments and channels (Osterwalder & Pigneur, 2010; Stewart, 1998; Seloti, 2015).

3-4 Value Proposition

Bodnant blogs has over 5 million visitors to their site each year. This high amount of traffic is attracted due to the high quality and valued proposition provided by the blog. The value proposition mainly includes content creation and content delivery (like daily posts, guides, and videos) which revolves around:

- Using new products
- Travelling to new locations

The above two key activities allow the bloggers to write reviews of the products they used while describing the performance, product quality, price, and best place to buy it. This written content is of value to the blog visitors because it reduces their time and efforts in searching for good quality products and trusted sellers, especially when buying online. Further, this also adds value to the product sellers because they get an increase in people interested in their products. Travelling also allows Bodnant blogs to publish new and good quality content regarding the new locations which are very often needed by people going on holidays and vacations. Further, the guides and instructions to get to the location also help the tourists to effectively plan their journeys in advance



and reduces their time in finding the best means of travel. Furthermore, their affiliate partnership with the travel sites also provides value to the partners. Therefore, the value proposition strategy for Bodnant blogs is based on newness and convenience with usability (Osterwalder & Pigneur, 2010; Kotler, 2006; Seloti, 2015).

3-5 Customer Relationships

The link between value and revenue generation for Bodnant blogs depends heavily on the customer relationships because it consists of interaction with the visiting traffic in terms of comments, question & answers, emails for automated follow-up and co-creation. Valuable feedback, ideas and suggestions from visitors are important for the blog to enhance its value by catering the future content based on new trends and requirements. The blog focuses on retaining the first-time visitors by compelling them to signup for the blog for future updates. This helps in bringing back the first-time visitors and increasing traffic (Osterwalder & Pigneur, 2010; Kotler & Armstrong, 2000).

3-6 Channels

The channels block in the business model for Bodnant blogs is very crucial for effective results of the business. This is because only the proper channels will reach out to the customers, deliver them the value and generate revenue. Therefore, the blog has five important channels – website to deliver the value, digital ads for reaching out, mails for customer relationship and marketing, social media for marketing and traffic generation and YouTube videos for guides and review (Osterwalder & Pigneur, 2010; Kotler, 2006).

3-7 Customer Segments

Bodnant blogs is a multi-sided platform with a multiple but interdependent customer base. The first side involves the traffic interested in buying consumer products and traffic interested in travel. While the second side involves the travel sites and product



sellers. Therefore, by effectively focusing on two different but dependent customer segments, Bodnant blogs brings them together to provide value in terms of revenue generation for the partners and information for the blog visitors (Osterwalder & Pigneur, 2010; Kotler, 2006).

3-8 Cost Structure

The cost structure for Bodnant blogs includes the costs incurred in the key activities and resources to provide the valued propositions (Harrison, 2005). Therefore, the cost structure involves website hosting to deliver value, travel, and product testing to create value and costs for staff salaries and infrastructure to acquire the resources and maintain customer relationships.

3-9 Revenue Model

The revenue model for Bodnant blogs is simple and consists of two revenue streams. The first stream involves revenue generated from the Google AdSense program based on costs per click. This means, a greater number of clicks on the website pages will directly result in an increase in revenue.

Therefore, the value propositions and key activities are designed in the business model in such a way that they essentially cause an increase in blog traffic and rise in number of clicks. Consequently, Bodnant Blogs relies heavily on advertising revenue. The advertising revenue stream has a fixed menu pricing mechanism where the prices are predefined based on static variables. Therefore, the revenue generated from costs per click can depend on the industry, the type and characteristics of the customer segment and on the volume or quantity (Osterwalder & Pigneur, 2010).

Other revenue stream for Bodnant blogs also includes the affiliate partnerships with travel sites and product sellers. Bodnant blogs has agreed with the travel sites for 2% of the total revenue generated from the customers who came through the blog. Further,



the blog also has an agreement with the product sellers for promoting and reviewing their products on the blog.

4- Company C: Caradog Cakes

Table (3): Business Model Canvas for Caradog Cakes

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> Website domain host 7 farms in Anglesey and Gwynedd Locals 	<ul style="list-style-type: none"> Daily baking Selective Material sourcing Local hiring Training for beginners Local delivery Marketing 	<ul style="list-style-type: none"> Fresh daily baked cakes and pastries Custom cakes for special occasions Can order online and free local delivery Seasonal ingredients from local farms Affordable pricing Improving local employment and economy 	<ul style="list-style-type: none"> Local presence Direct human Interaction Communities and co-creation 	<ul style="list-style-type: none"> Mass market - for takeaway customers Segmented market - online delivery only for Bangor customers
	<p>Key Resources</p> <ul style="list-style-type: none"> Seasonal ingredients, spices, and herbs Jane’s website Baker Workers and delivery drivers 		<p>Channels</p> <ul style="list-style-type: none"> Website Word of mouth Local bakery & cake shop 	
<p>Cost Structure</p> <ul style="list-style-type: none"> Website hosting and maintenance Raw materials Rent, bills, and infrastructure Baker and Staff salaries Delivery service costs- vehicle, fuel, insurance Marketing costs. 		<p>Revenue Streams</p> <ul style="list-style-type: none"> Direct sales <ul style="list-style-type: none"> - Cakes, pastries, and special occasion cakes Online Delivery <ul style="list-style-type: none"> - Cakes, pastries, and special occasion cakes. 		



4-1 Key Partners

The key partners for Caradog cakes are required to create value, deliver it and reach out to the target customers. The farms in Anglesey and Gwynedd which provide the seasonal ingredients, spices, herbs, dough, flour, etc are essential for creating value, i.e. baking cakes and pastries. Further, Caradog Cakes also needs the domain for website hosting, maintenance, and operations so that the customers can order online. Furthermore, the locals of Bangor are also essential to business model because they perform link the key activities and value propositions. For instance, Caradog Cakes offers jobs and free training to unemployed locals and it also relies on the word of mouth means of marketing. Therefore, locals are also key partners for Caradog cakes (Osterwalder & Pigneur, 2010).

4-2 Key Activities

The key activities focus on three aspects to increase revenue:

- Value creation by daily baking, selective material sourcing, training and hiring of locals and local delivery.
- Customer reach out by marketing.
- Customer interaction for maintaining relationship.

These key activities create the value which is needed in Bangor by providing fresh cakes and employment to locals. Marketing activities include word of mouth and local advertisements. Finally, the customer relationship activities are crucial for scale and growth of Caradog Cakes. The business model focuses on building good relations with customers by personal interactions (Osterwalder & Pigneur, 2010; Hamel & Prahalad, 1989).



4-3 Key Resources

Key resources for Caradog cakes include seasonal ingredients, spices, and herbs for creating value. Jane's website is also necessary to allow online order and delivery for customers in Bangor and also for marketing purposes. The human resources in the form of the baker, other workers and delivery drivers are also necessary to link the key activities, customers segments and channels (Osterwalder & Pigneur, 2010; Stewart, 1998).

4-4 Value Proposition

The value propositions for Caradog Cakes are physical, social, ecological, and economical.

- Physical in terms of fresh cakes and pastries made from materials sourced from local farms.
- Social in terms of training newcomers for free.
- Ecological in terms of avoiding delivery outside Bangor to reduce carbon footprints.
- And, economical in terms of providing employability to unemployed locals.

Therefore, the values offered by Caradog Cakes are of high significance to the local community of Bangor. Such values not only help in increasing the revenue but also in developing a strong face and creating a brand name. This results in an automatic and free marketing through word-of-mouth. Therefore, value proposition strategy for Caradog Cakes is based on performance improvement, customization, and accessibility (Osterwalder & Pigneur, 2010; Kotler, 2006; Seloti, 2015).

4-5 Customer Relationships

Customer relationships is very important for Caradog Cakes because of the multiple values offered. Caradog cakes does not focus only on the revenue generation but also on maintaining a high social image. Therefore, one-to-one customer interactions,



reviews and feedback are pursued and appreciated. This helps in enhancing the overall performance. The relationship with each customer is not only important for compelling him to come back but also for marketing through word-of-mouth. A customer served well will definitely talk about the product and make more people visit the bakery (Osterwalder & Pigneur, 2010; Kotler & Armstrong, 2000; Seloti, 2015).

4-6 Channels

The channels for Caradog Cakes are essential for revenue generation and customer reach. The website is used for online orders and transactions while the local bakery and cakeshop is necessary for direct sales and face to face customer interactions. Marketing channels such as word of mouth and local advertisement are also necessary. Therefore, these channels help the company in generating revenue by reaching out to customers and delivering them value (Osterwalder & Pigneur, 2010; Kotler, 2006; Seloti, 2015).

4-7 Customer Segments

Caradog cakes has a Mass-Market when selling the products directly in the shop, i.e. anyone can come order in or takeaway. However, online order and delivery is available only for the locals in Bangor. The local region is also a customer segment because it receives and takes advantage of the value provided by the cake shop in terms of economy and employability (Osterwalder & Pigneur, 2010; Kotler, 2006; Seloti, 2015).

4-8 Cost Structure

The cost structure for Caradog cakes includes the costs incurred in the key activities and resources to provide the valued propositions (Harrison, 2005; Seloti, 2015). Therefore, the cost structure involves website hosting and delivery services to deliver value, raw materials, and staff salaries to create value and costs for marketing and infrastructure to provide channels and maintain customer relationships.



4-9 Revenue Model

The revenue model for Caradog Cakes is simple and relies heavily on the direct sales of the products via Jane's website and through the cake shop. Therefore, the business considers the revenue stream of transactional revenues which are a result of one-time customer payments. The model provides online order and delivery option for which the customers are willing to pay. Further, the revenue model has a dynamic pricing mechanism where the prices are subject to change based on the market conditions because of the raw materials required. Seasonal ingredients can have different prices around the year. However, Caradog Cakes ensures that the prices are always affordable for the local (Osterwalder & Pigneur, 2010).

5- Conclusions

The above assignment helped in understanding the importance of business models and the process involved in designing and preparing them. The business model for every company is different and depends mainly on the value proposition and customer segments. The Osterwalder and Pigneur (2010) Business Model helped in developing a business model for any company which is easy to understand, focussed, flexible, customer centric and easy to communicate.

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