

You're holding a handbook for visionaries, game changers,
and challengers striving to defy outmoded business models
and design tomorrow's enterprises. It's a book for the . . .

written by

Alexander Osterwalder & Yves Pigneur

co-created by

An amazing crowd of 470 practitioners from 45 countries

designed by

Alan Smith, The Movement

Business

Model

Generation

This book is printed on acid-free paper. o

Copyright © 2010 by Alexander Osterwalder. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other

commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books. For more information about Wiley products, visit our web site at www.wiley.com.

ISBN: 978-0470-87641-1

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1



Business

Model

Generation

A Handbook for Visionaries, Game Changers, and Challengers

Written by

Alexander Osterwalder and Yves Pigneur

Design

Alan Smith, The Movement

Editor and Contributing Co-Author

Tim Clark

Production

Patrick van der Pijl

Co-created by an amazing crowd of
470 practitioners from 45 countries

John Wiley & Sons, Inc.

Co-created by:

Ellen Di Resta

Matthew Milan

Karen Hembrough

Frank Camille Lagerveld

Peter Froberg

Jeroen de Jong

Michael Anton Dila

Ralf Beuker

Ronald Pilot

Andres Alcalde

Lino Piani

Gertjan Verstoep

Remko Vochtelo

Sander Smit

Yves Claude Aubert

Alvaro Villalobos M

Eric Jackson

Steven Devijver

Victor Lombardi

Norbert Herman

Wim Saly

Bernard Racine

Indrajit Datta Chaudhuri

Jana Thiel

Jeremy Hayes

Atanas Zaprianov

Woutergort

Pekka Matilainen

Martin Fanghanel

Walter Brand

Alf Rehn

Linus Malmberg

Fanco Ivan Santos Negrelli

Bas van Oosterhout

Michael Sandfær

Stephan Ziegenhorn

Jeff De Cagna

Deborah Mills-Scofield

Ameesh Shah

Gillian Hunt

Niall Casey

Frank Meeuwssen

Andrea Mason

Peter Knol

Lars Mårtensson

Bart Boone

John McGuire

Colin Henderson

Jan Ondrus

Jess McMullin

Kevin Donaldson

Michael Moriarty

Vivian Vendeirinho

Danilo Tic

Simon Evenblij

Marianela Ledezma

JD Stein

Mike

Martèl Bakker Schut

Marco Raaijmakers

Chris Walters

Ray Guyot

Ralf de Graaf

Design for Innovation

Stefano Mastrogiacoo

Marc Sniukas

Caspar van Rijnbach

Martin Andres Giorgetti

Lars Norrman

Tom Corcoran

Mark Hickman

Khaled Algasem

benmlih

Geert van Vlijmen

Sergey Trikhachev

Ari Wurmman

Dibrov

Jan Pelttari

Rodrigo Miranda

Rasmus Rønholt

Thomas

Antonio Robert

Reinhold König

Yves Sinner

Saul Kaplan

Tim Clark

Alfred Herman

Wibe van der Pol

Marcel Jaeggi

Michael Kinder

Lars Geisel

Richard Bell

Bert Spangenberg

paola valeri

John O'Connell

Vince Kuraitis

Simon Scott

Erwin Blom

Robert van Kooten

Michael Sommers

Javier Ibarra

Teofilo Asuan Santiago IV

Dimitri Lévitá

Frédéric Sidler

Hans Suter

Nicolas Fleury

Lytton He

Ray Lai

Johan √ñrneblad

John LM Kiggundu

Wolf Schumacher

Gert Steens

Marije Sluis

Brainstorm Weekly

Craig Sadler

Robert Elm

Bill Welter

Jose Sebastian Palazuelos

David Edwards

Huub Raemakers

Praveen Singh

Ziv Baida

Michele Leidi

Lopez

Martin Kuplens-Ewart

Peter Salmon

Livia Labate

Andra Larin-van der Pijl

Asim J. Ranjha

jorge zavalá

Jay Goldman

Philippe

Kristian Salvesen

Eirik V Johnsen

Peter Troxler

Harry Heijligers

Isckia

Khawaja M.

Daniel Egger

Boris Fritscher

Ola Dagberg

Armand Dickey

Nabil Harfoush

Jille Sol

Diogo Carmo

Mike Lachapelle

Wouter van der Burg

Jason King

Yannick

Renninger, Wolfgang

Marcel Ott

Albert Meige

Artur Schmidt

Kjartan Mjoesund

Raoef Hussainali

Daniel Pandza

Guilhem Bertholet

Pablo M. Ramírez

Slabber

Louis Rosenfeld

ronald van den hoff

Robin Uchida

Thibault Estier

Jean-Loup

Peter Jones

Ivo Georgiev

Melbert Visscher

Pius Bienz

Stephane Rey

Colin Pons

Sebastian Ullrich

Donald Chapin

Manfred Fischer

Ivan Torreblanca

Chris Peasner

Vacherand

Andrew Pope

Annie Shum

Joe Chao

Berry Vetjens

Jonathan Lin

Guillermo Jose Aguilar

Fredrik Eliasson

Valentin Crettaz

Carlos Meca

David Crow

Cesar Picos

Adriel Haeni

Bruce MacVarish

Dave Crowther

Mario Morales

Helge Hannisdal

Florian

Lukas Prochazka

Göran Hagert

Chris J Davis

Paul Johannesson

Maria Droujkova

Armando Maldonado

Kim Korn

Markus Gander

Frank Della Rosa

Rob Griffiths

Leonard Belanger

Eduardo Míguez

Abdullah Nadeem

Marc Castricum

Christian Schüller

Marc-Antoine Garrigue

Fernando Saenz-Marrero

Anouar Hamidouche

Rory O'Connor

Nicholas K. Niemann

Luis Eduardo de Carvalho

Wassili Bertoen

Susan Foley

Francisco Perez

Hubert de Candé

Christian Labezin

Patrik Ekström

Bart Pieper

Vesela Koleva

Nicky Smyth

Frans Wittenberg

Claudio D'Ipolitto

Greg Krauska

Bruce E. Terry

Martijn

Bob Dunn

Jonas Lindelöf

Aurel Hosennen

Giorgio Casoni

Michael N. Wilkens

Eugen Rodel

Carlo Arioli

Gordon Gray

Adrian Zaugg

Stef Silvis

Himikel - TrebeA

Edward Giesen

Marc Faltheim

Ricardo Dorado

Stephan Linnenbank

Jose Alfonso Lopez

Edwin Beumer

Manuel Toscano

Nicolas De Santis

John Smith

Liliana

Eric Schreurs

Dax Denneboom

John Sutherland

Antoine Perruchoud

Rod

Jose Fernando Quintana

Donielle Buie

Mohammed Mushtaq

Remo Knops

Bernd Nurnberger

Eddie

Reinhard Prügl

Adilson Chicória

Gaurav Bhalla

Juan Marquez

Patrick van Abbema

Jeffrey Huang

Brian Moore

Asanka Warusevitane

Silvia Adelhelm

Chris Hopf

Terje Sand

Terrance Moore

Gabi

Jacob Ravn

Heather McGowan

Marc Faeh

Leandro Jesus

nse_55

Marko Seppänen

Hampus Jakobsson

Phil Sang Yim

Urquhart Wood

Karen Davis

Leif-Arne Bakker

Erwin Fielt

Adriaan Kik

Noel Barry

Lise Tormod

Tim Turmelle

Edler Herbert

Olivier Glassey

Julián Domínguez Laperal

Vishwanath

Curtis L. Sippel

Anders Sundelin

Björn Kijl

Francisco Conde

Marco W J Derksen

Edavayyanamath

Abdul Razak Manaf

Renata Phillippi

Chris Finlay

Fernández

Dr. Karsten Willrodt

Rob Manson

George B. Steltman

Martin Kaczynski

Philippe Rousselot

Valérie Chanal

Patrick Feiner

Rafael Figueiredo

Karl Burrow

Frank

Rob Schokker

Anne McCrossan

Dave Cutherell

Jeroen Mulder

Mark McKeever

Bala Vaddi

Wouter Verwer

Larsen

Di Prisco

Emilio De Giacomo

Linda Bryant

Andrew Jenkins

Jan Schmiedgen

Fred Collopy

Darlene Goetzman

Franco Gasperoni

Jeroen Hinfelaar

Dariush Ghatan

Ugo Merkli

Jana Görs

Mohan Nadarajah

Michael Weiss

Dan Keldsen

Marcus Ambrosch

Jelle

Patrick Foran

Fabrice Delaye

Francisco Andrade

Damien

Jens Hoffmann

Dave Gray

Edward Osborn

Sunil Malhotra

Arturo Herrera Sapunar

Roger A. Shepherd

Steve Thomson

Rick le Roy

Greger Hagström

Jasper Bouwsma

Vincent de Jong

Morten Povlsen

Eduardo M Morgado

Ravila White

Alberto Saavedra

Ouke Arts

Kees Groeneveld

Lars Zahl

Rafal Dudkowski

David G Luna Arellano

Remco de Kramer

Alexander Troitzsch

Henk Bohlander

Elin Mørch Langlo

António Lucena de Faria

Joyce Hostyn

Lillian Thompson

Brett Patching

Sushil Chatterji

Xuemei Tian

Knut Petter Nor

Thorwald Westmaas

Howard Brown

Clifford Thompson

Tim Parsey

Harry Verwayen

Ventenat Vincent

Jason Theodor

Emil Ansarov

Jorgen Dahlberg

Georg E. A. Stampfl

Riccardo Bonazzi

Peter Eckrich

Sandra Pickering

Frank Elbers

Christoph Mühlethaler

Markus Kreutzer

André Johansen

Shridhar Lolla

Trond M Fflòvstegaard

Horacio Alvaro Viana

Ernest Buise

Iwan Schneider

Colin Bush

Jens Larsson

Jeaninne Horowitz Gassol

Markus Schroll

Alfonso Mireles

Michael Schuster

Alexander Korbee

David Sibbet

Lukas Feuerstein

Hylke Zeijlstra

Richard Zandink

Ingrid Beck

J Bartels

Mihail Krikunov

Nathalie Magniez

Cheenu Srinivasan

Fraunhofer IAO

Antti Äkräs

Steven Ritchey

Edwin Kruis

Giorgio Pauletto

Cyril Durand

Tor Rolfsen Grønsund

EHJ Peet

Clark Golestani

Roberto Ortelli

Martijn Pater

Jamil Aslam

David M. Weiss

Ronald Poulton

Leslie Cohen

Shana Ferrigan Bourcier

Gerardo Pagalday Eraña

Oliver Buecken

Kim Peiter Jørgensen

Ralf Weidenhammer

Amanda Smith

Jeffrey Murphy

Haider Raza

John Wesner Price

Stephanie Diamond

Craig Rispin

Benjamin De Pauw

Lonnie Sanders III

Ajay Ailawadhi

Axel Frieze

Stefan Olsson

Nella van Heuven

Andre Macieira

Arnold Wytenburg

Adriana Ieraci

Gudmundur Kristjansson

Anders Stølan

Ravi Sodhi

Wiebe de Jager

David Hughes

Daniël Giesen

Rita Shor

Edward Koops

Dick Rempt

Raym Crow

Paul Ferguson

Erik Dejonghe

Jesus Villar

Prasert Thawat-

Rolf Mehnert

Mark Evans DM

Frontier Service Design,

Tom Winstanley

Espen Figenschou-

chokethawee

Luis Stabile

Susan Schaper

LLC

Heiner P. Kaufmann

Skotterud

Pablo Azar

Enterprise Consulting

Peter Noteboom

Edwin Lee Ming Jin

James Clark

Melissa Withers

Aline Frankfort

Are you an entrepreneurial spirit?

yes _____ no _____

Are you constantly thinking about how to
create value and build new businesses, or how
to improve or transform your organization?

yes _____ no _____

Are you trying to find innovative
ways of doing business to replace
old, outdated ones?

yes _____ no _____

If you've answered
“yes” to any of these
questions, welcome

to our group!

You're holding a handbook for visionaries, game changers, and challengers striving to defy outmoded business models and design tomorrow's enterprises.

It's a book for the business model generation.

Today countless innovative business models are emerging. Entirely new industries are forming as old ones crumble. Upstarts are challenging the old guard, some of whom are struggling feverishly to reinvent themselves.

How do you imagine your organization's business model might look two, five, or ten years from now? Will you be among the dominant players? Will you face competitors brandishing formidable new business models?

This book will give you deep insight into the nature of business models.

But the scale and speed at which innovative business models are

It describes traditional and bleeding-edge models and their dynamics, transforming industry landscapes today is unprecedented. For entrepreneurs, how to position your model within an intensely

preneurs, executives, consultants, and academics, it is high time to competitive landscape, and how to lead the redesign of your own organization's business model. Now is the time to understand and to methodically address the challenge of business

Certainly you've noticed that this is not the typical strategy or management book. We designed it to convey the essentials of what you need to know, quickly, simply, and in a visual format. Examples are presented pictorially and the content is complemented with exercises and workshop

With its iPod digital media player and iTunes.com online store, Apple created an innovative new business model that transformed the company into the dominant force in online music. Skype brought us dirt-cheap global calling rates and free Skype-to-Skype calls with an innovative reinvent business models. We've also worked hard to create a beautiful

business model built on so-called peer-to-peer technology. It is now the book to enhance the pleasure of your “consumption.” We hope you enjoy world’s largest carrier of international voice traffic. Zipcar frees city dwellers from automobile ownership by offering hourly or daily on-demand car rentals under a fee-based membership system. It’s a business model its creation, as you will discover later). Since business model innovation response to emerging user needs and pressing environmental concerns.

ers from automobile ownership by offering hourly or daily on-demand

An online community complements this book (and was integral to

car rentals under a fee-based membership system. It’s a business model its creation, as you will discover later). Since business model innovation response to emerging user needs and pressing environmental concerns.

is a rapidly evolving field, you may want to go beyond the essentials in

Grameen Bank is helping alleviate poverty through an innovative business

Business Model Generation and discover new tools online. Please consider model that popularized microlending to the poor.

joining our worldwide community of business practitioners and research-

But how can we systematically invent, design, and implement

ers who have co-created this book. On the Hub you can participate in

these powerful new business models? How can we question, challenge,

discussions about business models, learn from others’ insights, and try

and transform old, outmoded ones? How can we turn visionary ideas

out new tools provided by the authors. Visit the Business Model Hub at

into game-changing business models that challenge the establishment—or

www.BusinessModelGeneration.com/hub.

rejuvenate it if we ourselves are the incumbents? *Business Model Generation*
Business model innovation is hardly new. When the founders of Diners

aims to give you the answers.

Club introduced the credit card in 1950, they were practicing business

Since practicing is better than preaching, we adopted a new model

model innovation. The same goes for Xerox, when it introduced photo-

for writing this book. Four hundred and seventy members of the Business

copier leasing and the per-copy payment system in 1959. In fact, we might
Model Innovation Hub contributed cases, examples, and critical com-trace
business model innovation all the way back to the fifteenth century, ments to
the manuscript—and we took their feedback to heart. Read more

when Johannes Gutenberg sought applications for the mechanical printing

about our experience in the final chapter of *Business Model Generation*.

device he had invented.





Seven Faces of

The Senior Executive

The Intrapreneur

The Entrepreneur

Jean-Pierre Cuoni,

Dagfinn Myhre,

Mariëtte Sijgers,

Business Model

Chairman / EFG International

Head of R&I Business Models / Telenor

Entrepreneur / CDEF Holding BV

Focus: Establish a new business model

Focus: Help exploit the latest techno-

Focus: Address unsatisfied customer

Innovation

in an old industry

logical developments with the right

needs and build new business models

Jean-Pierre Cuoni is chairman of

business models

around them

EFG International, a private bank

Dagfinn leads a business model unit

Marielle Sijgers is a full-fledged

with what may be the industry's most

at Telenor, one of the world's ten large-

entrepreneur. Together with her

innovative business model. With

est mobile telephone operators. The

business partner, Ronald van den

EFG he is profoundly transforming

telecom sector demands continuous

Hoff, she's shaking up the meeting, the traditional relationships between innovation, and Dagfinn's initiatives congress, and hospitality industry bank, clients, and client relationship help Telenor identify and understand with innovative business models.

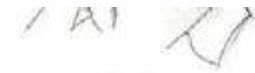
managers. Envisioning, crafting, and sustainable models that exploit the

Led by unsatisfied customer needs, executing an innovative business potential of the latest technological the pair has invented new concepts model in a conservative industry with developments. Through deep analysis such as Seats2meet.com, which allows established players is an art, and of key industry trends, and by development-on-the-fly booking of meetings in

one that has placed EFG International
ing and using leading-edge analytical
untraditional locations. Together,
among the fastest growing banks
tools, Dagfinn's team explores new
Sijgers and van den Hoff constantly
in its sector.

business concepts and opportunities.
play with new business model ideas
and launch the most promising
concepts as new ventures.





The Investor

The Consultant

The Designer

The Conscientious Entrepreneur

Gert Steens, *President & Investment*

Bas van Oosterhout, Senior

Trish Papadakos,

Iqbal Quadir, *Social Entrepreneur /*

Analyst / Oblonski BV

Consultant / Capgemini Consulting

Sole Proprietor / The Institute of You

Founder of Grameen Phone

Focus: Invest in companies with the

Focus: Help clients question their

Focus: Find the right business model

Focus: Bring about positive social and

most competitive business models

business models, and envision and

to launch an innovative product

economic change through innovative

Gert makes a living by identifying the

build new ones

Trish is a talented young designer

business models

best business models. Investing in the
Bas is part of Capgemini's Business
who is particularly skilled at grasp-
Iqbal is constantly on the lookout
wrong company with the wrong model
Innovation Team. Together with
ing an idea's essence and weaving it
for innovative business models with
could cost his clients millions of euros
his clients, he is passionate about
into client communications. Currently
the potential for profound social
and him his reputation. Understanding
boosting performance and renewing
she's working on one of her own ideas,
impact. His transformative model
new and innovative business models
competitiveness through innovation.
a service that helps people who are
brought telephone service to over

has become a crucial part of his work.

Business Model Innovation is now a

transitioning between careers. After

100 million Bangladeshis, utilizing

He goes far beyond the usual financial

core component of his work because

weeks of in-depth research, she's now

Grameen Bank's microcredit network.

analytics and compares business

of its high relevance to client projects.

tackling the design. Trish knows she'll

He is now searching for a new model

models to spot strategic differences

His aim is to inspire and assist clients

have to figure out the right business

for bringing affordable electricity to the

that may impart a competitive edge.

with new business models, from

model to bring her service to market.

poor. As the head of MIT's Legatum

Gert is constantly seeking business ideation to implementation. To achieve She understands the client-facing Center, he promotes technological model innovations.

this, Bas draws on his understanding part—that's what she works on daily empowerment through innovative of the most powerful business models, as a designer. But, since she lacks for-businesses as a path to economic and regardless of industry.

mal business education, she needs the social development.

vocabulary and tools to take on the big picture.

Design

Table of Contents

Patterns

The book is divided into five sections: 1 The Busi-

ness Model Canvas, a tool for describing, analyzing,
and designing business models, 2 Business Model
Patterns, based on concepts from leading business
Canvas

thinkers, 3 Techniques to help you design business
Strategy

models, 4 Re-interpreting strategy through the
business model lens, and 5 A generic process to
help you design innovative business models, tying
together all the concepts, techniques, and tools in
Business Model Generation. } The last section offers

an outlook on five business model topics for future
Afterword

exploration.

Finally, the afterword provides a peek
into “the making of” *Business Model Generation*.

Process

Outlook

1 ***Canvas***

2 ***Patterns***

3 *Design*

4 *Strategy*

5 *Process*

14

Definition of a Business

56 Unbundling Business

126 Customer Insights

200 Business Model

244 Business Model

Model

Models

Environment

Design Process

134 Ideation

16

The 9 Building Blocks

66 The Long Tail

212 Evaluating Business

} *Outlook*

146 Visual Thinking

Models

44 The Business Model

76 Multi-Sided Platforms

262 Outlook

Canvas

160 Prototyping

226 Business Model

88 FREE as a Business Model

Perspective on Blue

Afterword

170 Storytelling

Ocean Strategy

108 Open Business Models

274 Where did this book

180 Scenarios

232 Managing Multiple

come from?

Business Models

276 References

Can

anvas

The Business

Model Canvas

*A shared language for describing, visualizing,
assessing, and changing business models*

14

Definition of a

Business Model

16

The 9 Building Blocks

44 The Business Model

Canvas Template

14

Def_Business Model

A business model describes

the rationale of how an

organization creates, delivers,

and captures value

15

The starting point for any good discussion, meeting,

This concept can become a shared language that or workshop on business model innovation should allows you to easily describe and manipulate business be a shared understanding of what a business model models to create new strategic alternatives. Without actually is. We need a business model concept that such a shared language it is difficult to systematically everybody understands: one that facilitates description and challenge assumptions about one's business model tion and discussion. We need to start from the same and innovate successfully.

point and talk about the same thing. The challenge is that the concept must be simple, relevant, and intuitive. We believe a business model can best be described tively understandable, while not oversimplifying the through nine basic building blocks that show the complexities of how enterprises function.

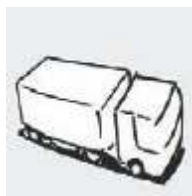
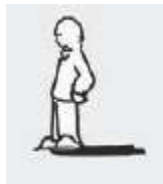
logic of how a company intends to make money. The nine blocks cover the four main areas of a business: In the following pages we offer a concept that allows

customers, offer, infrastructure, and financial viability.

you to describe and think through the business model

The business model is like a blueprint for a strategy of your organization, your competitors, or any other to be implemented through organizational structures, enterprise. This concept has been applied and tested processes, and systems.

around the world and is already used in organizations such as IBM, Ericsson, Deloitte, the Public Works and Government Services of Canada, and many more.





[[

The 9 Building Blocks

CS

VP

CH

CR

Cus

1

tomers

V

2 alue

3 Channels

4 Customer

Segments

Propositions

Value propositions

Relationships

*An organization serves
It seeks to solve customer
are delivered to customers
Customer relationships
one or several Customer
problems and satisfy
through communication,
are established and
Segments.*

*customer needs with
distribution, and sales
maintained with each
value propositions.*

Channels.

Customer Segment.





17

R\$

KR

KA

KP

C\$

5 Revenue

6 Key

7 Key

8 Key

9 Cost

Streams