



ProBM 2

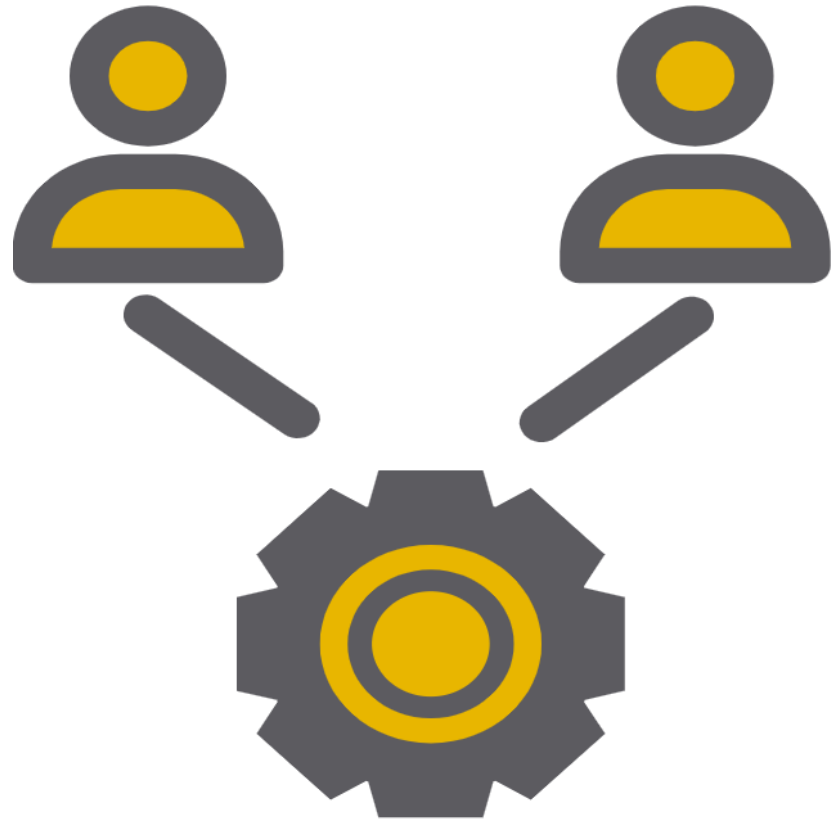
# Key Activities

Understanding and Developing Business Models in the Globalisation Era

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# Introduction

Every manager should be engaged in the creation of a Business Model Canvas, especially in setting the primary key activities as they are fundamental to reach the expected goals. Business activities include taking decisions in terms of operations, administration, production, problem-solving, marketing and communication activities across customers.

Key activities cannot be uniform, as they change according to the type of activity and operation performed. Consequently, once set they adhere to the company's needs and future objectives. Before setting key activities, managers should make an internal audit: valuing their own means of production, problem-solving activity, platforms, and networks and giving importance to the rapport they have with customers, with whom they are communicating the value proposition of their product.

## Purpose

The purpose of this module is to enable better understanding of the Key Activities segment in the business model canvas and to work with it in a business plan.





## Learning Outcomes

After the completion of this module the learner will be able to:

- define the concept of Key Activities within the business model canvas;
- list the main Key Activities within an enterprise;
- list the relevant Key Activities to required to reach the objectives and purposes of an enterprise;
- illustrate the importance of Key Activities in the definition of the value proposition;
- explain the relationship between Key Activities and the value proposition of an enterprise;
- focus only on certain Key Activities, in line with the value proposition.





## Keywords

- key activities
- differentiation
- customers
- value proposition
- expected goals
- competitors





## The relevance of key activities

- Key Activities describe what an enterprise does, which key actions are carried out within the organization to fulfil and create long-term revenue streams.
- Assessing the Key Activities includes starting from an internal analysis. Managers should ask themselves: Which activities are necessary for a good value proposition?
- The Key Activities should be focused on unique value creation.





## The relevance of key activities

Key Activities consist of the main actions performed by an enterprise for the primary purpose of making a profit.

When defining an enterprise's key activities, the following questions may be useful:

- What are the most important actions required to build a product / service?
- What is the most important element to distribute a product / service?
- What activities could support maintaining the customer relationship (service, experience, etc.)?
- What activities are fundamental to customer streams? (trust, credit limit, fast payment)





**Theoretical  
background**

In the business model canvas (BMC), the Key Activities a company performs can be expressed in the areas: operations, marketing, production, problem solving, networks, financial (or administration). In the next slide each area is explained in depth.

The Business Model Canvas		Designed for:	Designed by:	Date:	Version:
<p><b>Key Partners</b></p> <p>Who are our Key Partners? Who are our suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p><b>MOTIVATIONS FOR PARTNERSHIPS</b> Optimization and economy Reduction of risk and uncertainty Acquisition of <i>profitable resources</i>, and activities</p>	<p><b>Key Activities</b></p> <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p><b>CATEGORIES</b> Production Problem solving Platform/Network</p>	<p><b>Value Proposition</b></p> <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> <p><b>CHARACTERISTICS</b> Innovative Performance Customization "Getting the Job Done" Design Brand/Status Price Cost reduction Risk reduction Accessibility Convenience/Usability</p>	<p><b>Customer Relationships</b></p> <p>What <u>type</u> of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?</p> <p><b>EXAMPLES</b> Personal assistance Dedicated personal assistance Self-service Automated services Communities Co-creation</p>	<p><b>Customer Segments</b></p> <p>For whom are we creating value? Who are our most important customers?</p> <p>Mass Market Niche Market Segmented Diversified Multi-sided platform</p>	
	<p><b>Key Resources</b></p> <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p><b>TYPES OF RESOURCES</b> Physical Intellectual (brand, patents, copyrights, data) Human Financial</p>			<p><b>Channels</b></p> <p>Through which Channels do <u>our</u> Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?</p> <p><b>CHANNEL PHASES</b></p> <ol style="list-style-type: none"> <li><b>Awareness</b> – How do we raise awareness about our company's products and services?</li> <li><b>Evaluation</b> – How do we help customers evaluate our organization's Value Proposition?</li> <li><b>Purchase</b> – How do we allow customers to purchase specific products and services?</li> <li><b>Delivery</b> – How do we deliver Value Proposition to customers?</li> <li><b>After sales</b> – How do we provide post-purchase customer support?</li> </ol>	
<p><b>Cost Structure</b></p> <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> <p><b>IS YOUR BUSINESS MORE</b> Cost Driven (lowest cost structure, low price proposition, maximum automation, extensive outsourcing) Value Driven (focused on value creation, premium value proposition)</p> <p><b>SAMPLE CHARACTERISTICS</b> Fixed costs (salaries, rents, utilities) Variable costs Economies of scale Economies of scope</p>			<p><b>Revenue Streams</b></p> <p>For what values are our customers willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?</p> <p><b>TYPES</b> Asset sale Usage fee Subscription fees Licensing Brokerage fees Advertising Lending/Renting/Leasing</p> <p><b>FIXED PRICING</b> List price Product feature dependent Customer segment dependent Volume dependent</p> <p><b>DYNAMIC PRICING</b> Negotiation (bargaining) Yield management Real-time market</p>		



## BMC template and key activities description

- **OPERATIONS**: the internal working process of the company.
- **MARKETING**: promotions, campaigns, advertisements, channels to promote the value proposition.
- **PRODUCTION**: linked to the main operations to produce the value proposition, e.g. designing, manufacturing.
- **PROBLEM SOLVING**: study metrics, training for improvements.
- **NETWORKS**: where the company might reinforce a closer contact with customers, e.g. use of ICT and social media.
- **FINANCIAL**: merchant accounts, e-commerce stores

## Key activities and subcategories

These areas are very important as they ensure the growth of the company. It is therefore necessary to make sure they are running and are diffused across the organization.

Depending on the activity of a company, certain activities prevail over others, e.g., financial companies will be more involved in problem-solving activities rather than production.

Key activities can be therefore divided into **4 subcategories**:

Core activities	Primarily related to the generation of the output.
Support activities	Are related to the output production (e.g., record-keeping).
Coordination activities	Ensure the alignment in the degree of integration between core and support activities (e.g., account management)
Strategic activities	Assess the alignment and need for changes, are related to the outside environment (e.g., distribution channels, customer relationship etc.)

## Key Activities for the Business Model Canvas

After having considered the previous categories, two major key activities should be given importance when working on the business model canvas:

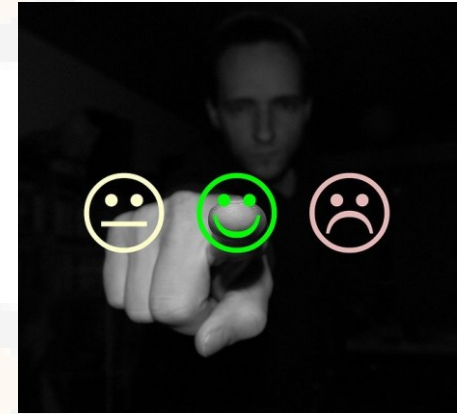
- **Supply Chain Management** - this aspect comes into play with the identification of key partners and key resources. The supply chain management should become paramount in the organization, in order to ensure you are working with your key partners to produce the best value proposition.
- **Software Development** - software processes have digitalized the systems of many companies. Computer software helps to manage all the pieces of a business that need to operate and run. Significant consideration should be given to whether the processes should be internal or external and which partnerships should be established.



## Example - café

If you are starting a hole-in-the-wall café, you have to make sure you are developing the necessary key activities. These include:

- The creation of the menu;
- The promotion of your new café, the design of your advertisements and promotion products;
- Observation of client-satisfaction;
- The retention of regular clients, (in the case where you already have trusted customers);
- A measure of user satisfaction.



## Some important considerations

Analysing your means of production, problem-solving, and platforms or networks are important considerations to define your key activities.

When defining the key activities, the ultimate goal is to help you discover what activities you need to address in order to differentiate your value proposition or service from that of the competition. This is important in order to adequately deliver your value proposition. When considering the key activities block, in terms of key processes and activities, take into account your key resources and partners in order to progress towards the next steps contained within the business model canvas, since they are all interwoven.

For example, key activities are, on the Business Model Canvas, the bridge between the value proposition and the customer segments, so you ought to be customer-oriented when moving towards the customer relationships block.

Key activities should be frequently revised. If you take the example of Netflix, the company started its activity with the distribution of DVDs. The company has since moved way ahead of this situation, switching its key activities towards the creation of new content.

**NETFLIX**



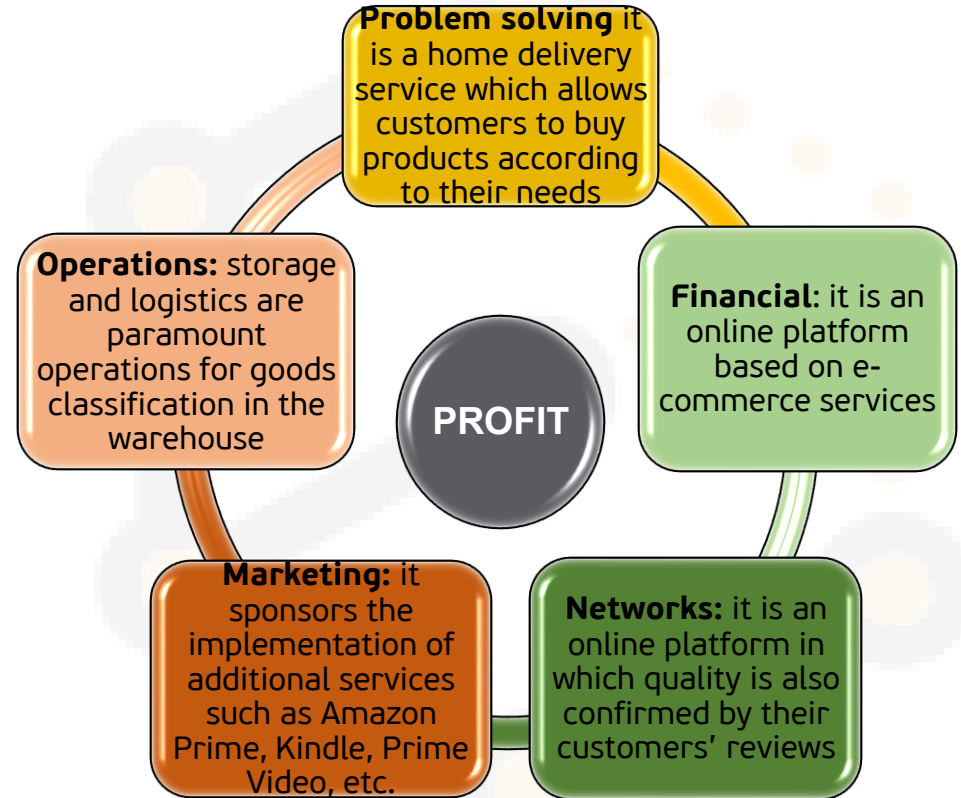
## Questions for Reflection

- How can you identify your key activities? Focus on the suggested list.
- Define your strategic activities. Your company will engage in a series of processes and activities in order to work properly, however, not all of them are strategic.
- Think about the Business Model Canvas and focus on your key resources and your key partners. Identify the elements that link them to your business idea, since they will highlight what your key activities are.
- Keep it simple and do not over think. Start from your value proposition and think about your area of competence. What is your most prominent area among the following ones: operations, marketing, production, problem solving, networks, financial?



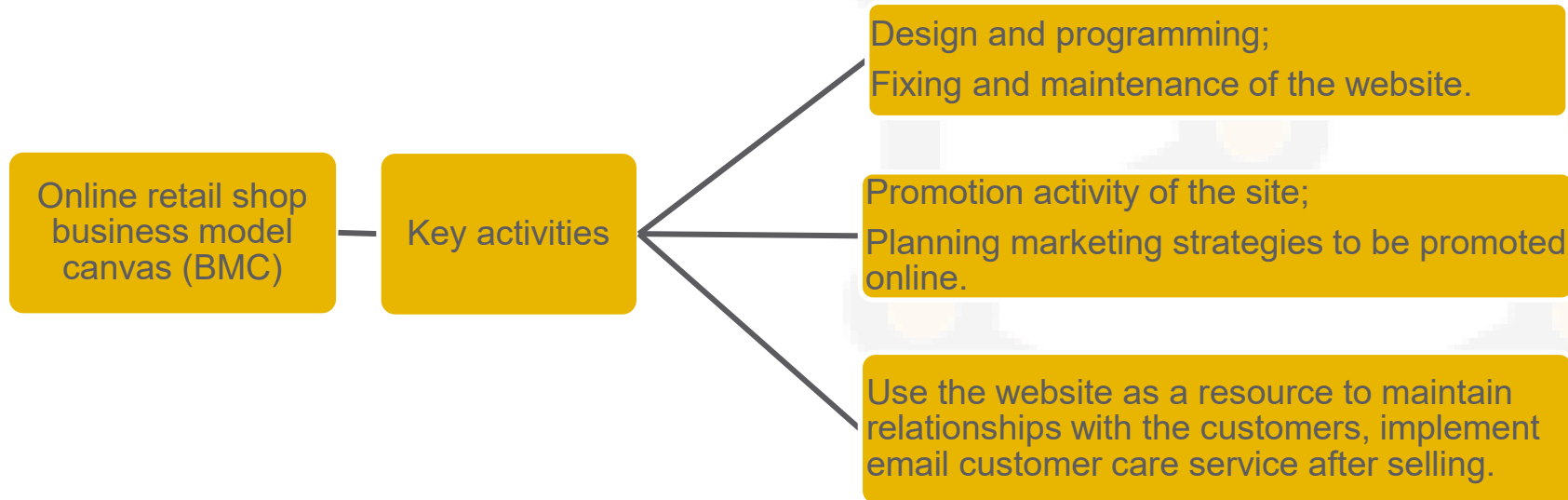
## Example - Amazon Key Activities

- This is an example of the five key activities implemented by Amazon, the synergy among these factors contributes to the strong positioning of the behemoth on global markets.
- There are six key activities in the Business Model Canvas. However, production is not a pivotal key activity in the case of Amazon.



## Example - key activities for e-commerce

In a retail e-commerce store, the company's key activities will be mainly focused on the maintenance of the website:



## Key activities in Research and Development

Key activities depend on the primary activity of the company.

Research and development is a key activity which is often ignored, but it becomes of paramount importance for cosmetics companies or ICT companies, since it liaises with activities related to design, production and sales.

For this reason, these companies should focus on the following key activities:

- **Production:** including the design, development and launch of new products or platforms/services. This is the main key activity of these enterprises.
- **Marketing:** sponsor and promote the renewal of the products/services.
- **Financial:** linked to e-commerce services and accounting.

## Production and core activities in Research and Development

By linking production to research and development, the analysis of an enterprise's key activities may be further developed into the following core activities:

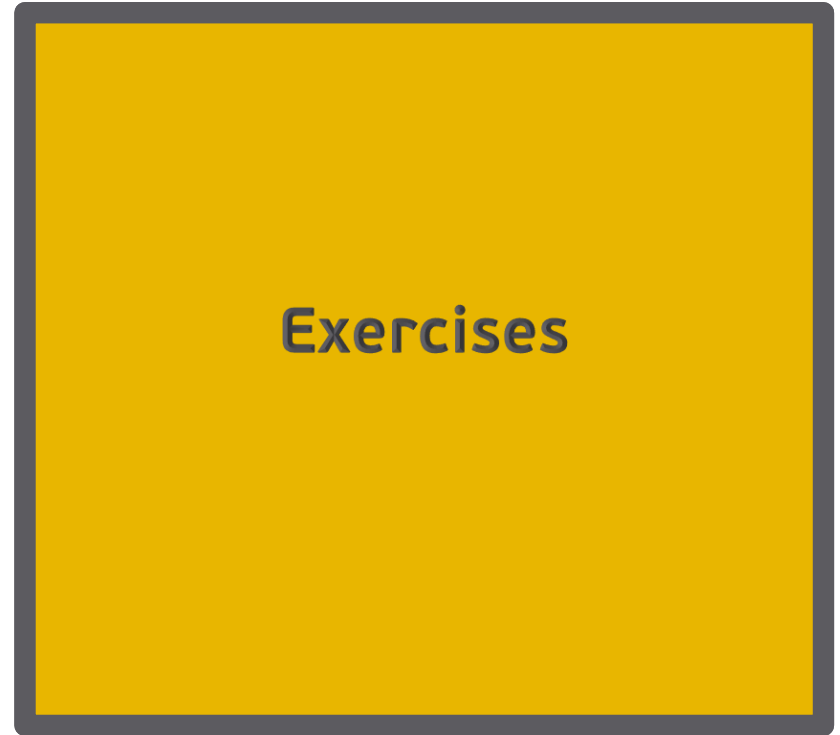
- **Product Research:** Before the production of a new product, it must first go through the research and development department which will evaluate what customers expect from it, production costs, etc.
- **New product:** It underpins the production of a completely new output.
- **Product Updates:** R&D must consider upgrading of products, depending on evolving consumer needs or new value propositions of entrants into the market. Updates aim at solving glitches related to products.
- **Quality Checks:** Companies conduct quality checks or ask their quality assurance team to evaluate whether all products are up to the quality standards set by the company.
- **Innovation:** The R&D department is responsible for monitoring new trends and for the innovation of products in an attempt to ensure that their products stay abreast of current trends.

## Example - LinkedIn Key Activities

LinkedIn is the best-known professional network for job searches and related activities. Over the years it has created a value proposition targeted towards consumers, with a high focus on sharing / providing working capabilities and opportunities for both employers and workers.

According to the six key activities, LinkedIn prioritizes **networks**, since it is a social network, and the platform development represents its main goal, which is to build a professional community.

- Manage professional profiles and CVs and build a robust professional network;
- Connect source and target groups through its job offer function to reach the right talent;
- Communication with the right audience;
- API and Widgets (systems providing functionalities like texting, live chatting);
- Continuous innovation for the platform development

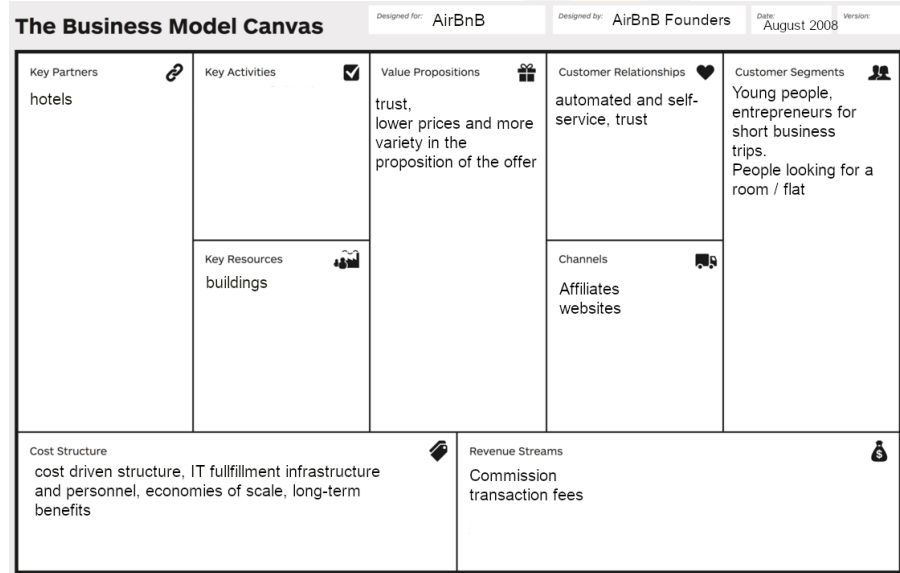


Content

## BMC (Business Model Canvas)

### Now it's your turn! Activity #1

- Complete the key activities section of the Business Model Canvas for the AirBnB company.



To check the solution, visit this site and watch the video: <https://www.youtube.com/watch?v=WzGhFmiB9G0>

*SOLUTIONS: marketing, platform maintenance, customer service.*

## BMC (Business Model Canvas) - Now it's your turn! Activity #2

Identify the key activities that best suit the situation of the Z.X. Company for the purposes expressed below.

Background information:

The company Z.X. is specialized in cosmetics manufacturing.

It has a longstanding tradition in cosmetics since 2005.

However, managers are trying to differentiate their target of consumers by creating or updating different products.

New entrants have launched new products in the market, with smoother formulas, higher prices and different chemical composition of products, consequently, you should take the necessary steps to stay ahead on the curve and abreast of current trends.

You had some losses in the long run, your ROI decreased of 3% last three months, on average you lost 1% pro/month, if the index followed this pattern in the long run, the situation would be damaging.

This new scenario is forcing you to review your BMC: the turnover and positioning on the market are faltering.

**What questions would help you to analyse the situation? What are your key activities?**

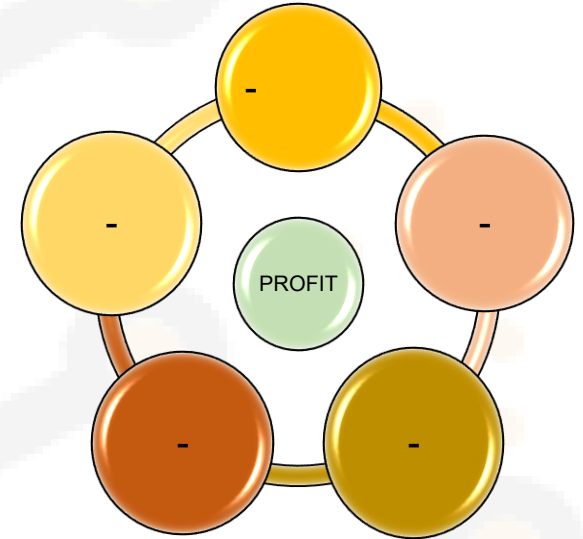
**Which key activities should be upgraded?**

# Exercise 3

## BMC (Business Model Canvas)

### Now it's your turn! Activity #3

You work as a consulting engineer, your company is quite big, you have 50 people working for you among engineers and workers. You have created a website to promote your own business and services. You would like to further improve and promote your activity. According to your value proposition and the services you are offering, focus on your main key activities and fill in the proposed map. Is there a key activity you would exclude? Why?



*SOLUTION: The financial key activity might not be a priority, since you are not offering e-commerce solutions.*

**KEY ACTIVITIES DEVELOPMENT -  
BMC**  
**Questions**

- Give a brief definition of key activities and their role in the BMC.
- Create the business model canvas of your company, remember to include key activities, and share this (if feasible) with the other participants.
- What is your company's most prominent area among the following key activities: operations, marketing, production, problem solving, networks, or financial?



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