

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Management**



**Diploma Thesis**

# **BUSINESS MODELS**

by

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## DIPLOMA THESIS ASSIGNMENT

Barbora Zýková

Economics and Management

Thesis title

**Business Models**

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### Objectives of thesis

The objective of the thesis is to develop a business model for a small business bringing sustainability to the business in a long-term perspective.

### Methodology

Theoretical part: critical review of current literature dealing with the selected topic of the thesis; comparative analysis of various views and approaches to the topic, synthesis.

Practical part: empirical study based on the analysis of real-life case (small business Atelier Carodejka) with the emphasis on identification of major value generating factors and their use in optimal combination in the future.

**The proposed extent of the thesis**

60-80 pages + apendices

**Keywords**

Business model, business model canvas, business plan, small business

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**Recommended information sources**

- Fielt, Dr. Erwin. 2014. Conceptualising Business Models: Definitions, Frameworks and Classifications. s.l. : Journal of Business Models, 2014. Vol. 1 , No. 1, pp.85-105
- Johnson, Mark W. 2010. A New Framework for Business Models. Harvard Business Review. [Online] 21 1 2010.
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- Osterwalder, Alexander and Pigneur, Yves. 2010. Business Model Generation. New Jersey : John Wiley & sons, Inc., 2010. 978-0470-87641-1.

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**Expected date of thesis defence**

2015/16 SS – FEM

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Electronic approval: 11. 2. 2016

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## **Declaration**

I declare that I have worked on my diploma thesis titled "Business models" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 1<sup>st</sup> of March 2016

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Barbora Zýková

## **Acknowledgement**

I would like to thank supervisor of my diploma thesis prof. Ing. Ivana Tichá, Ph.D., Jaroslava Malinová and the team of Atelier Čarodějka for their advices, support and patience during my work on this thesis.

## **OBCHODNÍ MODELY**

### **Souhrn**

Diplomová práce, zabývající se obchodními modely a jejich aplikací na malé firmy, je rozdělena do dvou částí.

Teoretická část sdružuje informace vysvětlující obchodní problematiku obchodních modelů a jejich důležitost pro společnosti a firmy všech velikostí a zaměření. Tato část vysvětluje rozdílné přístupy a pohledy na obchodní modely definovány odborníky ve svém oboru jako jsou Chesbrough Rappa, Amit, Zott, dále tým odborníků, kteří pracovali na Business Model Canvas a další.

Praktická část obsahuje případovou studii o celém procesu hledání ideálního obchodního modelu pro malou rodinnou firmu zvanou Atelier Čarodějka. Druhá část je zaměřena na aplikaci obchodního modelu zvláště na tuto společnost se všemi možnými analýzami a finanční analýzou. SWOT analýza a jiné dodatečné analýzy jsou rovněž aplikovány pro lepší porozumění danému tématu a nezkreslené relevantní výsledky.

Výsledky diplomové práce jsou založeny na srovnávací analýze, manažerských nástrojích objevující obchodní model Atelieru Čarodějka jako úspěšně efektivní a dobře vymyšlený. Atelier Čarodějka musí vylepšit některé nedostatky a trvat na inovacích ohledně sezónních obchodů.

**Klíčová slova:** Obchodní model, Business Model Canvas, obchodní plán, malá společnost

## **BUSINESS MODELS**

### **Summary**

This diploma thesis, which is dealing with business models and its application on small enterprises, is divided into two parts.

Theoretical part comprises information explaining business models and its importance for enterprises and firms of all sizes and focuses. This part elucidates some different approaches to business model which were defined by experts as are Chesbrough, Rappa, Amit, Zott, team who created Business Model Generation Canvas and more.

Practical part contains the case study of whole process of looking for the ideal business model for the small family business called Atelier Čarodějka. The second part is mostly focused on application of the Business Model Canvas at this particular enterprise in all its forms and with financial analysis as well. SWOT analysis and other additional analyses are used as well for better understanding and unbiased results.

Results of this diploma thesis based on the comprehensive analysis and management tools revealed that business model of Atelier Čarodějka is successfully efficient and well-designed. Atelier Čarodějka have to improve several limitations and persists on the innovations of seasonal markets.

**Keywords:** Business model, business model canvas, business plan, small business

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# 1 INTRODUCTION

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*“A business is simply an idea to make other people’s lives better.”* Richard Branson

Business model is relatively new term in business environment even if the first roots of business models innovation could be retraced back in fifteenth century with the invention of mechanical printing device by Johannes Guttenberg. His device completely changed the appearance of future business and that could be considered as the first sign of business model. (Osterwalder, et al., 2010)

The rapid change and also scope of how the business models are transforming fields nowadays is unbelievable and much more sophisticated then in fifteenth century. Firms stand in front of new threats which they did not know before, uncertain economic environment, new communication technology channels, plethora information, globalisation and more less saturated markets with tough competition and highly demanding customers. If firms want to be successful, they have to be flexible, highly innovative and they have to appreciate the importance of business models which could be response.

The importance of business models is much more apparent than before and the understanding of it as well. They can play a central role in explaining the firm’s performance. The most significant issue of innovation of business models is to create the value and capture it for firms, customers and entire society.

The main aim of the diploma thesis is to analyze the small family business called Atelier Čarodějka, understand its opportunities, business models with possible approaches how to improve it and deep understanding and improved knowledge of meaning: “What does it mean to be an entrepreneur?”

It would be adequate to fulfil the thought of Richard Branson that business is simply an idea to make other people's lives better. If entrepreneur believes this mastermind quota and do the best performance as I would like to do, that could be considered as acquisition for society.

First of all there have to be enquired and solved various questions such as: "What is really business model?", "How to create and capture value for customer?", "Where I want to be in two, five or ten years?", "Am I going to be a key player?"

## 2 AIMS AND GOALS OF DIPLOMA THESIS

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The business models are mostly used for bigger sized companies and international corporations and it is not really common to prepare business model for a small family business with one strategic plan which is to survive in the market, however the business model is essential for any kind of business.

The main objective of the diploma thesis is to develop a business model for a small firm called Atelier Čarodějka by bringing sustainability to this business in a long- term perspective.

The goals of this diploma thesis are to analyze the entire business of this particular enterprise with all its strengths, weaknesses, threats and opportunities according to business model canvas. The profound understanding of how entrepreneurship and business model perform in genuine world with focusing on Atelier Čarodějka and its existing model. The overall comprehension of current business model and customer segments of Atelier Čarodějka would help to improve and modify the business model, indicate which customer segments are profitable, attractive and convenient to focus on by Atelier Čarodějka, which will be formulated in graphical approach.

The overall consequence of the diploma thesis convey several recommendations for Atelier Čarodějka what to improve which would lead to capturing and delivering the best value for customers and sustainability on the market in the long- term successfully.

### 3 METHODOLOGY

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Diploma thesis is conceived as an empirical case study. Object of investigation is small family business called Atelier Čarodějka whose main focus is on flowers, decorations, home decor and lifestyle. The thesis is divided into theoretical and practical part.

Theoretical part is focused on capturing all theoretical information necessary for the practical part acquired mainly from academic journals founded on business and management acquaintances. There are summarized knowledge of business models, different definitions prepared by distinguished authors with their permission if necessary and the whole theoretical background. The theoretical part is concluded by comparative analysis of mentioned business model for overall comprehension.

Practical part is concentrated on the object of diploma thesis, Atelier Čarodějka. Secondary sources presented mostly by investigation of private documents provided by Jaroslava Malinová are replenished by data and information from primary sources. The most important element is observation and unstructured interviewing of owner and founder of Atelier Čarodějka, Mrs. Jaroslava Malinová. This is going to provide qualitative data which are essential and significant foundation for the practical part and which includes some insight business information as well. Management tools such as empathy maps are exploited in cooperation with the team of Atelier Čarodějka which participated at brainstorming session with group discussion. The financial data from registration and from annual reports would be used for identification of major value generating factors and their use in optimal combination in the future. The main framework of the practical part is Business Model Generation Canvas which is going to be analysed based on information of interview, analyses and management techniques with members of the atelier's team and with the results from accounting books. The business model canvas is replenished by the environment and competitor analysis which are not covered in business model but which provide the overall view about business. All the results including interview, outcomes and SWOT analysis generates recommendations what suppose to be changed and improved and which would lead to sustainable growth, success of this particular firm and adaptation to the current market.

## 4 THEORETICAL PART

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### 4.1 Definition of Business Models

Business model, the combination of words, which is used frequently in the contemporary business environment although it is not entirely comprehended and countless managers are still substituting business models with business plan or business strategy.

Business models are explained by various definitions with different approaches, the term is actually not specified explicitly and above that business models are rapidly evolving nowadays. (Chesbrough, 2006) The basic thought and probably the easiest and shortest explanation of business models was defined by Osterwalder: *“A business model describes the rationale of how an organization creates, delivers, and captures value.”* (Osterwalder, et al., 2010)

Professor Rappa describes business models as a method of doing business with the one simple aim to sustain itself by generating revenue. The business model give an idea how company makes money according to its position in the value chain. Rappa is mainly focused on change of traditional business models by web and additional opportunities connected to that change. (Rappa, 2006)

Chesbrough and Rosenbloom present business models like a framework and overpass between technology and creation of economic value through customers and markets. Authors state technology with characteristic and potentials as inputs and economic aspects such outputs and their whole view is highly related to technological innovation because their knowledge are based on studies and results from Xerox company and more.

Business model’s definitions have various forms however they contain almost same aspects and especially the one:” how to earn money”. Chaffey is writing about business models as about summary of how a company generate revenue and what are revenue sources. He includes product’s identifying and offering, value- added services and target customers. (Chaffey, 2002)

Timmers on the other hand does not start with revenue but with products, services and information flows<sup>1</sup>. He covers various business actors and their roles by which he means all stakeholders involved and description of the potential benefits plus description of the sources of revenue as well. (Timmers, 1999)

Joan Magretta expressed the business models a story, simple story which explains how enterprises work. Magretta also added that manager or leader of a good business is focusing on responding questions about business by Peter Drucker: “*Who is the customer and what does the customer value?*” Those who realize it can develop entirely new business model or improve the old one and change the rules of game. (Magretta, 2002)

Alexander Osterwalder and collective (Osterwalder, et al., 2010) created a convenient and businesslike handbook with a vision that business model can be described through nine building blocks which include customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, cost structure. This synopsis covers four main areas necessary for analyzing business: customers, offer, infrastructure and financial viability. Each building block in addition contains simple questions about a business such as “For whom we are creating value?” These questions could seem to be very simple however the visualisation of those questions in the one canvas helps for better comprehension and overview of the particular business and relieves to capture the value for customers.

The handbook is drafted as a simple, but not exceedingly simplified, canvas framework for those who are practitioners and who are interested in creation of a new business or interested in changing, improving and restructuring an old one.

Business Model Generation cannot be used as an example of the best Business Model definition and the only way how to analyze the business because it shows more less essentials what is needed to know in simple, quick and visual form. It is necessary to use more different analyses for the overall view and remember the words of John Stuart Mill as

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<sup>1</sup> „The most valuable commodity I know of is information.” said by Gordon Gekko, fictional character in movie Wall Street (Stone, 1987).

well, that there is nothing such as overall view because: “He who knows only his side of the case knows little of that.” (Mill, 1978)

Amit and Zott, the first ones who tried to unify different various business model’s frameworks, pointed out that business model is primarily a firm with added definition: “*A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities.*” (Johansson, et al., 2006) Amit and Zott represent a “*cross-theoretical perspective*” which means that they are supporters of the idea that none of theories can completely explain value creation potential of a firm.

Johnson reduced the definition into one sentence: “A business model is nothing else than a representation of how an organization makes (or intends to make) money. “ (Johnson, 2010)

Business models are described by many authors as framework, journey, method, architecture, specification or description, despite of the fundamental idea of business model for a firm remains same and it merely depends on the firm’s interpretation. (Lambert, 2003)

## **4.2 Business Model’s Frameworks & Elements**

Every business model is supposed to be unique therefore it can achieve the competitive advantage, although there are described numerous frameworks by various authors to show different points of view.

### **4.2.1 Business Model Chesbrough & Rosenbloom**

The business model according to Chesbrough and Rosenbloom has a framework made of six elements such as market, value proposition, value chain, cost and profit, value network and competitive strategy. These elements, mostly focused on creating and delivering the value for customers, are mediators between technical inputs and economic outputs. Technical inputs a feasibility and performance are influencing these mediate elements and



they are trying to turn them into economic outputs presented by value, price, profit and revenue.

The whole model, called technology market mediation, has to also cover the part of capturing the value for customers which is according to authors explained at the example of Xerox Company when they had problem with low number of sold machines and revenue was not really high. They have decided not to sell printing machines for the full price because they were too expensive but to lease them to customers and pay a small amount for printed copies and it worked very well. The same company with same product change their business model and revenue jumped up by 40% which was great unexpected result. It was necessary not only create and deliver the value but also capture the value for customer which Xerox did and emphasized by offering service for the machines and selling additional accessories as paper and ink. The job of business model is not to come with product or service and leave it on the market what is only the introduction the real job is starting with launching the product on the market and continues. The business model should be developing based on the feedback and needs of customers. (Chesbrough, et al., 2002)

That idea is more apparent in his later articles, research and posterior idea about open innovation and open business models. This transformation caused constantly changing environment influencing the whole market and all constantly developing business models. Chesbrough divides business models according two functions: value creation and value capture. Value creation is one part of the process when the product or service is created and launched on the market which is difficult task according to various stages before the product or service is finally launched but more crucial task is to capture the customer because that is something what is going to bring money to the company very easily and more less regularly. The product or service has to be such a high quality that is almost impossible to find an alternative in acceptable price or the problem could be in limited availability. Chesbrough describes this as a tension line where has to be some compromise. The product or service has to be very easily achievable for customers but difficult to copy for competitors and those two are excluding each other. (Chesbrough, 2007)

Chesbrough business model characterized by six functions entitled as value proposition, target market, value chain, revenue mechanism, and value network or ecosystem and competitive strategy.

Value proposition is explaining how the product or service is attracting the customer. The second function is focused on target market which means to what market segment is supposed to be offered this particular business product or service. The third function of Chesbrough's business model concentrates on looking into a value chain and analyzing all chain segments from raw material to final product or service. One of the most important parts is focus on mechanism which generates revenue for the firm. This mechanism also covers the cost structure and potential profit. Another function is to find out and set the position of the firm on the market including all shareholders for better understanding of all circumstances. The last function is based on others five and it is focused on formulation of competitive strategy<sup>2</sup> which is necessary for being one step ahead of other competitors and which makes business model unachievable for other competitors.

Chesbrough introduced six business model frameworks which summarized and includes almost every company. He described them as stages or sequences which are aligned in ascending order from fundamental unvalued business models to highly developed progressive business models with open innovation approach.

The least advanced, undifferentiated business model, describes companies which are similar to each other and which are offering same product without innovation or differentiation and which are caught in so called commodity trap. This business model framework improves into business models with some differentiation to segmented business models developed by company which are covering more sectors on the market which bring them higher profitability.

Business model of the company which is above the intermediate is externally aware which means open for new external ideas which could help to improve the company's performance. When these ideas are integrated in its business model it could be seen as

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<sup>2</sup> Strategy is not equal to the business model. Any strategy is a part of business model.

another level and called innovation process. The most valuable and improved business model framework which is also far more advanced is adaptive platform of the business model.

Improving of the company and its business model should be substantial for every company. Simple method how to use this concept is to find out where the company belongs on the scale of those business model frameworks. Afterwards look at the next and more advance level and start with improving and developing business model so it becomes open innovative which means open to external ideas and that would lead to growing high potential business with great value. (Chesbrough, 2007)

External ideas could be refreshing for the company's obsolete system and change could be positive. Richard Branson, one of the biggest current entrepreneurs, said that he would never create such an empire without listening others. He explains that with Epictetus's quota with two ears and one mouth. People and especially leaders in business should listen more that they are going to say something because in that case they are going to learn something new and develop. If the entrepreneur or anyone else thinks that he or she is great enough, there could appear someone who is better and who would takeover chance on the market instead of that entrepreneur which means that it is necessary to develop and upgrade all the time because there are many others waiting for an opportunity. That leads to the idea that Chesbrough's sixth level is not the final one, that

#### **4.2.2 Business Model by Johnson**

Johnson described the business model very simply as a representation of how the firm makes or intends to make money but then he extended the definition by information why a customer is willing to pay to that particular company.

Mark W. Johnson created business model based on three simple questions. "Why would someone want to buy something from you? How will you make money selling it? What, exactly, are the important things you need to do to pull off the plan? (Johnson, 2010)

The answer for the first question according to Johnson is to construct customer value proposition. Johnson explains that convincing the customer about great value of your products is not the right way. Customer has to realize importance of the job and fulfilment of requirements customer has. If the offered job is also lower price than offered alternatives customer value proposition makes stronger relationship.

The second question focuses on presenting profit formula which could be simplified as an amount of expected sold products or services minus costs. Assumption of strategic tool is dividing this profit formula into four parts such as revenue model, cost structure, margin model and resource velocity. Revenue model presents simply formula quantity times price. Cost structure is focus on deduction of costs direct, indirect and overhead. Margin model is about company understanding that lower margin could bring higher profit. Resource velocity demonstrates the velocity of cash flows the company not the amount of money.

Important things needed to pull off the plan are divided into two parts, key resources and key processes which all together makes Four-box business model. (Johnson, 2010)

The Four- box business model is very useful strategic tool but compared to others it could seem to be too simplified. Many aspects are merged such as key partnership included in key resources and it is not distinguished as an explicit element. (Fielt, 2010)

#### **4.2.3 Business Model by Morris**

Michael Morris was analyzing a lot of business model's approaches by many authors where business models were described as architecture, design, plan, pattern, method, statement and assumption and then he came with an integrative framework which should cover all the important information. He described his integrative framework as a reasonable simple, measurable, comprehensive, logical, operationally meaningful and applicable to firms in general. The whole framework is decomposed into four levels: foundation, proprietary, rules and applying the framework. (Morris, et al., 2002)

#### 4.2.3.1 *Foundation level*

Foundation level defines basic components of a firm and customers. Model is well formulated if there are answer six questions by offering factor, market, internal capability, competitive strategy, economic factors and personal or investor factors.

*How will the firm create value?* The first question involves the character of products, service mix, production and service delivery, how the product is available to customers. The question is dealing with the whole process of offering the product or service.

*For whom will the firm create value?* Market factors include the value chain, customer's type according to geographic dispersion and other requirements. It is focused on what type of market<sup>3</sup> it is and also type of an organisation<sup>4</sup>.

*What is the firm's internal source of advantage?* Internal capability factors describes what the firm is doing better that it better performs on the market. This question covers supply chain management, marketing of the company, production and operating systems and more.

How will the firm position itself in the marketplace? Morris described this point as a how firm is going to achieve advantage over competitors. The firm has to be unique if it is supposed to sustain on the market in long term period. Innovation leadership and efficiency of the firm have to be considered.

How will the firm make money? The most important and core element of the business model is the economic model of the firm. The firm primarily exists for the purpose of earning profits and all the other activities are just completing the whole canvas which makes it possible. The economic model with its factors covers pricing politics and revenue sources, how proportionally high is the operating leverage and margins and shows the important economic performance of the company.

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<sup>3</sup> Broad or general market, multiple segment, niche market

<sup>4</sup> B-to-B, B-to-C, C-to-C or others

What are the entrepreneur's time, scope and size ambitions? This particular type of business usually stands on one person, the entrepreneur. All the businesses are totally different according to diversification of individualities holding those businesses. The level of integration between the entrepreneur and its business is extraordinary and it is why there have to be considered and captured entrepreneur's time, scope and size ambitions and what characterize the investment model of the firm.

Those questions could seem to be very simple but the model is much more sophisticated and it covers much more sub questions completing the whole model.

#### *4.2.3.2 Proprietary level*

How the previous foundation level was generic analyzing the business and describing how it works, proprietary level is operating level with specific strategy of the business model. This operating level is full of innovations and changes which could be captured only in running model. Every business is very specific and unique by combination of different components and levels however it is possible to imitate this static business performance. Proprietary level on the other hand is already about specific strategy and strategy thinking which is incredibly hard to copy especially if the model is going through innovations and changes.

#### *4.2.3.3 Rules level*

The implemented and working business model is not dispensing with any rules. Rules level shows if foundation and proprietary level are reflected in strategy of the firm. Rules are needed for smoothly running business which stands for given strategies and aims and which helps strategy to be consistent with the business model.

#### *4.2.3.4 Applying the framework*

Applying the framework is one of the most crucial parts for the reason that any other change or innovation could lead to expensive consequences if it does not work. (Morris, et al., 2002)

#### **4.2.4 Business Model Generation Canvas by Osterwalder**

Business Model Generation Canvas, created by Austrian Alexander Osterwalder, is very smart and prevalent nowadays. The connection of simplicity, overall necessary information, graphic presentation design and ideas makes the book very popular and favourite among businessmen and entrepreneurs.

Osterwalder said that in entrepreneurship we still rely on real- life crash tests which lead to costly failures. Elimination of risk is more structured way represented by canvas. The single canvas would not be sufficient, the whole venture should be enhanced with sketches, alternatives, varieties and completes with prototype which shows of it work together, see it tangible before it is actually build and see how it behaves, that is the way how it could be upgraded with minimized costs and risks and how to reach the market with highly functional first-class business.

Alternatives that are comparable need same concept, same language which is very important because if we talk about business model, someone talks about business model, someone talks about marketing or about revenue model and no one understand to each other, and one of business model languages was created by Osterwalder. He formulated very simple approach how to describe business model in canvas with nine segments.

The canvas is composed by customer segments, value propositions, channels, customer relationship, revenue stream, key resources, key activities, key partnership and cost structure where one cannot operate without another. Each segment contains simple questions which have to be answered and all questions in canvas give an overall review about whole business.

*Customer segments* block presents “whom we are creating value and who are our most important customers.” (Osterwalder, 2010) Customers, and loyal customers, are very important for every business because where are not customers, there is not any profit. Every company has several groups of customers where every group has different needs and requirements. If the customer base is highly fragmented and inconsistent the company

could be confused and unfocused on its performance on the market and its important segments of customers.

Osterwalder also divided such segments into different groups where each group requires different approaches in business environment. These five customer segments are mass market, niche market, segmented market, diversified market and multi-sided platforms.

*Value Propositions* represents the whole package for customers which causes that customers prefer one company over another. This package of values propositions contains all products and services with all benefit which should satisfy all customer's requirements. Values are so many as is customers but they could be divide according to quantitative scale such as price for the value or speed of service or qualitative values such as design, experience or other elements of newness, customization, performance, brand or status, cost reduction, risk reduction, accessibility, convenience or usability. Value propositions are the core element of Osterwalder's business model with linked cash flows aiming at other components of canvas especially producing revenues which shows concisely and transparently which activities are gaining capital for company. Business model Canvas facilitates to acquire synopsis about all firm's elements at one paper which makes easier presentations and discussions about company at business meetings in practise. (Heikenwalder, 2014)

*Channels* are simply connecting customer segments and value propositions, how to deliver goods or services and satisfy the customer. Channels are a form of communication with customers which mains part is to deliver but also present the firm and raise awareness between customers through the five phases called awareness, evaluation, purchase, delivery and after sales which describes whole distribution.

*Customer Relationship* shows that if there are any products delivered through distribution channel to specific customers segment there has to be created any bond or relationship with customer which can be personal or become automated or even co-creational.



*Revenue Stream* represents the financial aspect of whole model and describes how are the customers paying for the value and if they are willing to pay but also possibilities how the revenue stream is generated and also pricing mechanism. Pricing mechanism is divided into fixed menu pricing, where are prices counted according to predefined formula and variables and dynamic pricing where depends on the current market.

*Key Resources* shows what the firm requires for such a performance of delivering value for customers. The type of key resources depends on the type of business and its business model but they divide into physical key resources, human, financial or intellectual key resources. Physical key resources contain everything connected with physical assets such as buildings, inventory, machines and distributing networks. Intellectual key resources covers everything connected to brand, patents copyrights, software and other intangible things but divided of the human key resources with knowledge aspect. Financial key resources is based on cash, stock and others,

*Key Activities* explain what have to be done that business model is working. If the firm is selling products key activities describes the production and manufacturing of that product. Continual developing services for companies and problem solving are also part of key resources.

*Key Partnerships* brings together two groups of people who make the business model work, namely all the suppliers providing goods, raw material, services and other capital, and strategic partners such as co-opetition<sup>5</sup>, non- competitor's alliances, joint ventures and buyer- supplier relationships which should be warranty of consistent and reliable supply service. The competition is very strong nowadays and it is almost essential to keep fine decent relationships for long term sustainability on the market but also because of optimization and economy of scale, reduction of risks and uncertainty and acquisition of particular resources and activities.

*Cost Structure*, the last of nine building blocks but not least, describes inputs from financial view and reveal which key activities or key resources are most expensive, what

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<sup>5</sup> Osterwalder explains co-opetition such as „the partnership between competitors.“ (Osterwalder, et al., 2010)

costs the firm most and which ones are low. If the cost structure is defined, the firm has an opportunity to cut some costs and minimized them if it is not going to diminish value of product or service or the whole firm's performance. The balance is required and could be found between two extremes of business model cost structure, cost- driven and value-driven. Cost- driven business model are minimizing costs as much as is possible and they are not really focused on how it affects value including low price. On the other side the value- driven business models are focused on premium value creation with personalized services and as high exclusivity as is possible. (Osterwalder, et al., 2010)

## PATTERNS

There is uncountable quantity of business models because everyone is unique however these patterns are simply describing five generalized models with related aspects which make them similar or at least comparable. These concepts, which are supposed to help others to analyze their businesses, are called unbundling business models, the long tail, multi- sided platforms, FREE as a business model and open business models.

Unbundling business models shows that in fact there are usually three ways of on what is business focused on and there is usually incompatibility which leads to compromises. The solution is in dividing the company into fractions where each of them would be focused on different segments such as customer relationship business, product innovation business and infrastructure business.

Long tail business model<sup>6</sup> describes the composition of what is sold. Companies such as Apple present 20% of businesses focused on selling huge volume of few products. The last 80% companies presenting the long tail business model, which are selling huge range of products but in lower quantity of those niche products. These businesses have to be focused on niche customers and have a special almost personal customer relationship with them.

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<sup>6</sup> Long tail business model was firstly described by Chris Anderson.

Multi-sided platforms model is connecting more groups of customers and managing own market where to performance and gain of every other transaction.

FREE as a business model is based on offers which are free of charge. However this model can operate only if there are other different revenue streams or this free service could be presented as bait. A company could offer free of charge service and additional extra services would be paid or if there is bait such as very cheap coffee machine which many customers would buy, they become dependent on usually very expensive coffee capsules and there is no possibility to use different ones, they does not suit to the coffee machine.

Open business models shows that it is advantageous to cooperate with other companies because another company could offer an external idea which could be better. It is important not to be focused only on internal information usually it is not enough for success and the best way is share ideas. (Osterwalder, et al., 2010)

The business models patterns are very well described with examples of authentic companies but they are intersected with each other as well and every company is actually combination of more patterns regardless they are described in the book or not.

## DESIGN

Managers, directors and many other business people are so focused on numbers that sometimes they do not remember that graphic expression could in many cases explain the situation or condition better. The graphic design does not depend on illustrative skills of an individual on the contrary there are many design tools that support business skills. Osterwalder looks at the business models through six helpful design tools which customer insight is using the empathy map which helps to see the viewpoint of customer and which is based on the good relationship with the customer. Ideation asking what if questions at brainstorming sessions. Visual thinking which helps to understand the issue in different way and realize what is the core. Prototyping and looking for different possibilities shows different paths of business model. Storytelling which is quite neglected is very powerful tool which is very useful for presenting new projects such as for engaging employees and

customers with the company. Firm captures easier customers and convey story, which they are going to talk about, then graph. Scenarios of future situations what happens could help to find new ideas and solutions. (Osterwalder, et al., 2010)

## STRATEGY

The business model canvas also consider firms which are not start-ups and which are looking for some change however it is not possible to change the strategy as well. The task is to conform particular firm's to the business model. This is composed by analyzing of environment where business model operates, evaluating the business model, then analyzing its perspective on Blue Ocean Strategy and the last managing business models.

First of all is important to analyze business environment and understand it so the firm could become highly competitive in the environment and even more important is to make the analysis continuous. The advantage of analyzing and understanding the business environment is definitely prevention of uncontrolled influence of external forces such as market or industry forces, macro-economic forces and key trends.

Business models and even well managed business models need internal check out as well as is necessary continuous external analysis.

## PROCESS

Every business model is unique and its uniqueness is acquiring by its implementing to the market. The problems which are shaping the business models appear in the moment, when the business model is thrown into the business in process. Osterwalder the whole process describes by five phases, starting with mobilizing where the idea is born, then understanding the business model which is about analyzing the prototypes and research. The third part of process is designing the best possible business model from all prototypes and then implementing it in the market field. The whole process has to be finished by one of the most difficult parts, managing the business model, adapting and setting up on the

market so it is going to survive through its period because the lifespan of the business model, even of good one, is short. (Osterwalder, 2010)

#### **4.2.5 Business Model Lean Canvas**

Lean Canvas is a variation of Business Model Generation Canvas which was created by Ash Mayura. The structure and graphics could seem to be similar but there are differences in some parts and main core of the canvas. It is mainly adjusted into start-ups and new businesses and it is mainly focused on entrepreneurial approach. The existing components which were taken over are customer segments, value propositions, channels, revenue streams, cost structure and he omitted some elements which are not necessary for start up firm project as customer relationship, key resources and activities and key partnership. (Canvanizer.com, 2015)

On the other hand Mayura added key metrics, solution, problem and unfair advantage which are even more important for starting businesses. Including the problem element in canvas shows that quite few business are dealing with building wrong product or strategy and they are investing in such an issue time, effort and capital. If the problem is defined at the beginning of creation it is possible to avoid wasted losses or if the problem is already there and it is recognized, there is a box for solution which has to be founded. The solution of the problem always depends on awareness of problem and it is important to realize that there are always any. “No problem is problem”. (Mayura, 2015)

Unfair advantage is something what entrepreneurs and businessmen call competitive advantage, if the firm has any and especially if start up has any competitive advantage, it worth to carry on and maintain the business. Key metrics<sup>7</sup>, the last added element by Mayura, have to be identified well for the particular business otherwise it would be crucial and destroying for the start up. It is highly recommended by Mayura that especially for new start-ups it is better to focus on one metric and build on it. (Canvanizer.com, 2015)

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<sup>7</sup> “Metrics= indicators, standards of measurement by which efficiency, performance, progress, or quality of a plan, process, or product can be assessed” (BusinessDictionary.com, 2015)

Lean Canvas is purely focused on entrepreneurs and star-ups and gives problem- solution orientated approach. “A lean canvas is perfect way to brainstorm business models,” described model Christian Halberg who is an investment manager who helps with training of entrepreneurs. He also added that lean canvas is very systematic process as well. (Fifield, 2015)

### **4.3 Comparison of business models**

Many authors mentioned that business models have not been defined yet but I would enounce that business models are defined very well, the meaning remains same there are only different words and models are focused on different fields and they are using distinct tools.

Alexander Osterwalder described business models in the book which is enormously successful among young entrepreneurs and businessmen. The book is conceived as a presentation with pictures and diagrams and there is simply explained the logic of business models. The confusing part are the terms of patterns .Some of those terms are not invented and named by Osterwalder in his defence however they are still hard to remember and compared to the simplicity of the whole book could seem to be confusing.

Lean Canvas which is focused on start-ups especially is similar to the Business model Generation, it is actually build on it, but it is not too elaborated and it could seem to be lacking the information so necessary for start- ups. It is lacked of the Osterwalder’s overall review and additional information. On the other hand it is very useful tool for starting entrepreneurs because Osterwalder’s canvas is mostly focused on and explained on already successful companies.

Business model framework by Henry Chesbrough creates a framework which counts with technical inputs and aspects on the basis of technical companies and laboratories. That does not correspond with such a small company focused on decorations and creativity performance however this tool.

Johnson is mostly focused on revenue streams and persuading the customer about the quality and uniqueness of the product. Johnson's four-box business model does not cover such an important element as key partnership and more. He is focused only on performance on the company and does not perceive the environment around.

Morris creates an integrative framework when he analyzed all the previous ones. However his version is simple to understand and there is an evidence of marketing knowledge. He is focused on how the company is going to take over advantage over competitors.

If we compare parts of each business model framework we could come to the decision that only the combination of those theoretical models for each company could be helpful and not confusing. Morris's framework has a great simple structure which covers all the important stages; on the other hand the highly elaborated core of the business model is created by Osterwalder. If those two concepts would be put together there would be very strong and general business model framework.

Business plans are briefer then before and they contain only the most important information. Information about the market prognosis is omitted because these situations are unpredictable. Business models are focused only on reliable and most important information which have to be conveyed quickly and briefly. (Eldanz, 2011)

There are many tools, canvases and templates for creating business plan for any company. They all have advantages and disadvantages and they are focused on different fields and different business concepts. It depends on the company which template or best combination of them is going to be chosen and adapted to that particular company. There has to be considered the fact that those models are changing and they have to be adjusted and changed in proper moment to the situation on the market. The human aspect just has to realize that there is time for change. "Do we need to change our business mode and how we are going to achieve that?" It is about right questions in the right situation, nothing else.

## 5 PRACTICAL PART

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### 5.1 Atelier Čarodějka

Atelier Čarodějka is a small firm in Central Bohemia founded by Jaroslava Malinová in 2004 however Mrs. Malinová performs in the field of flowers, decorations and interior design since 1990. The evolution of the business started with home-made crafted articles delivered to local shops and temporary help in these shops until Mr. Malinová start up her owned shop in Prague 6 however this project did not endure more than year due to incompatibility with her business partner. The business Atelier Čarodějka foundation was connected to the second shop in the street Jilska in the centre of Old Town of Prague which was very lucrative place but unfortunately also this shop was closed after one year due to high costs, lack of time, all the revenues were reinvested into the shop which was not favourable for long-term survival.

The business Atelier Čarodějka continued as a home delivery service of flowers and decorations until it was not able to handle the demand and the concept was changed to seasonal markets. First Christmas market in 2006 followed spring one in 2007 and the concept was attested as a good one. The customer's interest was growing year by year and Atelier Čarodějka is arranging markets for every season now, spring, summer, autumn and Christmas one.

Business activities cover season markets in the old mill, flower design, wedding flower service, decorations and interior design. All those activities are replenished with high standard of customer service and friendly relationship with customers.

“Change the business model and revenue will come” said Chesbrough and Atelier Čarodějka confirmed this rule. The models of shop did not survive the crucial part of all businesses, the first year but the model of seasonal markets and delivery service is successfully working almost ten years and the business is growing year by year.



## 5.2 Canvas

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Canvas is going to be used on existing business model of Atelier Čarodějka for clarifying and better understanding the business. Results of canvas should lead to discover weaknesses which should be eliminated and strengths which should be supported and improved by setting priorities.

### A) Blocks focused on creating value

Atelier Čarodějka is focused mostly on creating value for customers however it is necessary to analyse different segments to understand customers and many other aspects so Atelier Čarodějka can meet goals with its customers and bring the value.

#### 5.2.1 Customer Segments

The base of customers is growing more rapidly than in previous years, which was caused by introducing Atelier Čarodějka in social media. The growth makes happen that Atelier Čarodějka's capacity of making decorations was threatened and individual approach to each customer as well. That is why segments have to be determined clearly and understandably so it is possible to identify specific needs of these groups and suitable approach for the future.

Atelier Čarodějka is not focusing on mass market there are no ambitions for that and Atelier Čarodějka would lose the individual approach for each customer. Customers of Atelier Čarodějka are diversified but they could be divided into five segments.

First segment of customers is presented by the most loyal customers who still rely on the first services of Atelier Čarodějka. They expect delivery of ordered flowers and decorations to their homes with emphasis on high quality products and services. This segment is mostly located and concentrated in district 6 of Prague, where was a previous working location of Jaroslava Malinová. These customers order home service occasionally through year. Some of these clients order several times per year others only once per year before Christmas. None of these clients have not visited seasonal markets in the old mill,

because they do not want to change the handy service when they do not have to travel anywhere, they are only receivers. These clients also do not follow Atelier Čarodějka on social media they use different communication channels such as email but mainly cellular phones.

The second group covers the biggest proportion of customers. These customers are coming regularly on the seasonal markets but they do not use Atelier Čarodějka's services between these markets. They only come regularly four times per year.

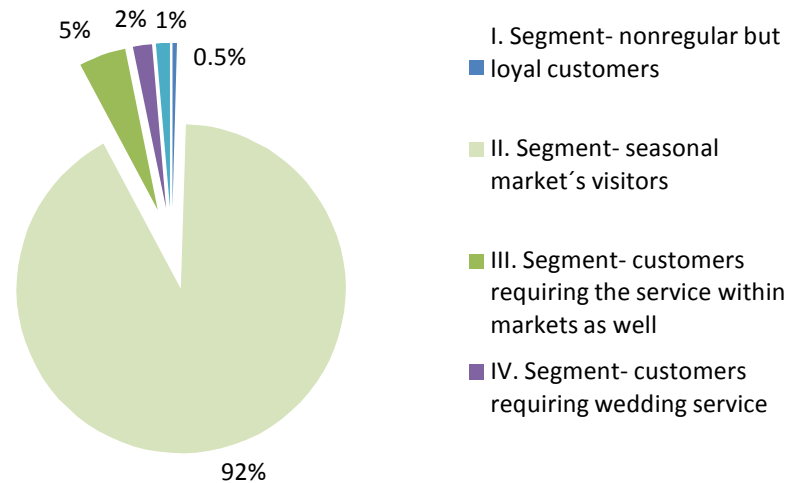
The third segment shows the customers who appreciate the high quality flower products of Atelier Čarodějka. These clients order flowers for some date, elucidate the idea of how these flowers should look like and then only come to Atelier and pick up flowers. This service is popular mostly between local clients who do not trust to quality of flower shops and markets and it is mainly focused on bouquets. These clients usually come to seasonal markets as well and utilize all the possible services of Atelier Čarodějka.

The fourth and very specific group is presenting brides and wedding flower services. These clients use obviously this service once and then it depends on the client. Some of them send the feedback and pictures from the wedding and then cut the contact however most of these clients come to some seasonal market irregularly and give feedback to Atelier Čarodějka about the wedding and their lives. Many brides give references to Atelier Čarodějka which makes a network what brings new future brides. This particular group of clients usually employ Atelier Čarodějka through the summer period which is most suitable for them however the meetings and agreements are mainly taking a place since January till March to be ensured about the day of realisation.

The fifth group of customers could fit to any previous group but there is one obvious aspect which detaches them. These customers, who are foreigners living in Czech Republic, speak only in English language which requires English speaking employees and distinct offer. These customers mainly come to seasonal markets, they enjoy process of shopping with atmosphere and they are willing to pay for it. They usually order some extra additional pieces specially made for them and with home delivery service. If they are

satisfied with goods and personal friendly approach gave to them, they are coming again with friends and they provide references to many others. The only disadvantage is that these clients expect a different payment process than is offered by Atelier. There is possibility to pay only in cash at seasonal markets but these clients usually expect a payment terminal.

### Customer composition of Atelier Čarodějka according to segments



Graph 1: Customer's composition of Atelier Čarodějka according to segments

The representative sample of customers is consisted of people who are following Atelier Čarodějka on facebook page. This sample compromises 1128 people<sup>8</sup> from ten countries of origin but who retentively live in Czech Republic. The sample is slightly biased because it does not cover people who are not using social media which has to be judged however the sample is wide enough so it could be considered as a representative sample of customers.

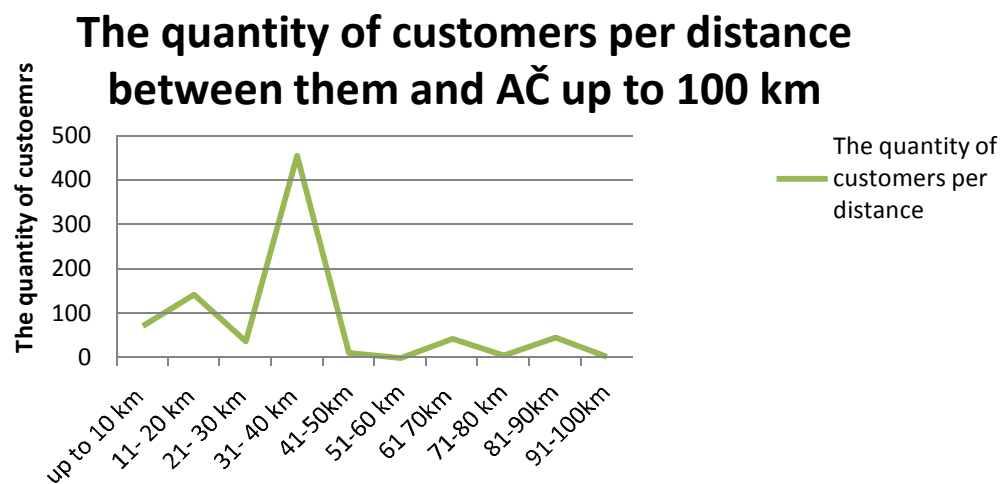
The data shows that 92% of customers are women which correspond to the concept, offer and performance of Atelier Čarodějka.

The graph of the quantity of customers per distance between their habitats and Atelier Čarodějka shows where customers are located and how far they have to travel to visit seasonal market or pick up ordered flowers. The attractiveness of Atelier Čarodějka for

<sup>8</sup> Up to date 20th of January 2016

customers depends on the distance but also on the size of municipalities around such as Kralupy nad Vltavou, Kladno, Slaný and Prague. The quantity of customers from Olovnice, which is 24 on facebook, is relatively high but Atelier Čarodějka is more admired by women from towns around and especially Prague, where the number reached 440. These women are looking for opportunities how to leave the town for a while and have some entertainment which Atelier Čarodějka can offer them.

The distance is however very important too because the quantity of customers up to 40 km from Olovnice is 733 and then the numbers of customers are rapidly decreasing because the amount of customers between 41km up to 100km is presented by 83 customers. There are also fluctuations which were not even graphed such as customers from Uherské Hradiště but this phenomenon is caused by two issues. First presented relatives or friends of Atelier Čarodějka and second is presented by the people who wrote the place of their origin but they moved to Prague because of job offer.



**The distance between Atelier Čarodějka and customers**

*Graph 2: The quantity of customers per distance between them and AČ up to 100 km*

The features which unite all of these segments are that most of the clients are presented by women who live in bigger municipalities close to Olovnice. They usually come for shopping with experience which leads to assumption that they have to travel to Olovnice by car and that is why they expect a car park as well which Atelier Čarodějka has to solve because there is not capacity for bigger car park yet.

The fifth segment of customers is presented by 45 people following Atelier Čarodějka through the facebook page. This is equal to 4% of customers which could seem as a relatively low number however these customers are very important for Atelier Čarodějka because they are willing to pay for the service if they are satisfied. The goal of Atelier Čarodějka is increase this number at least twice by organizing workshops of flower decorations and flower design in English language which could be attractive for them and which could also bring them to seasonal market because these workshops would be linked to markets by time.

### **5.2.2 Value Propositions**

Value propositions of Atelier Čarodějka are to satisfy every customer's needs and ideas connected to flowers, decorations and interior design and what more, to build a strong, friendly and long- term relationship with these customers. Atelier Čarodějka ensures that there is an individual approach to all customers, especially brides.

There are several different products and services what Atelier Čarodějka offer to its customers and it depends on what value and approaches that different customer segments expect.

First segment usually expect immediate service which fits to their time schedule. They usually offer fresh flowers or some seasonal decorations specially made to their interiors. The difference between first and third segment is that the first one expects home delivery usually to Prague because Olovnice is not really accessible for them.

Seasonal markets are summits of Atelier's Čarodějka seasonal performance where meets all customers segments. Seasonal markets present spectrum of decorations, flowers and home-decor accessories which is all arrange in synchronized sections. These products have to be chosen through the whole year from many different suppliers and according to style of the Jaroslava Malinová. The range of products has to fit to the seasonal collections and satisfy the whole range of customers by variety of products in style and price as well. The seasonal market has to contain more expensive items and low price items as well so

everyone is able to choose. The style of these items has to be up to date and progressive but it has to be compatible with the atmosphere of the old mill which means that no futuristic or items, which are too modern, do not have place on the market. The atmosphere of the old mill decorated by so many things is something what are customers looking for because new trend is not only shopping but also to enjoy the process of shopping. Customers are making an occasion of those markets and they arrange a meeting with their friends and relatives.

Customers who demand something besides seasonal markets can appreciate the flexibility and if the delivering commodities are flowers, they can also appreciate a high quality and freshness of these products because Atelier Čarodějka is guaranteeing that flowers are going to sustain for long time because they are not storing flowers anywhere. Feedback from customers approved that.

Flower wedding service, which is expected by the fifth customer segment, has to be focused on exceptional individual approach with high quality reliable service. The products have to be specially made for each client with emphasis and no compromises. Atelier Čarodějka accomplish all of it by following simple rule that for one date takes only one wedding. This simple rule ensures that flowers are going to be delivered to the bride, the place for ceremony is going to be prepared, banquet as well and that everything on time. The service of Atelier Čarodějka often goes beyond the agreed when it is wedding day because everyone is nervous and any kind of help even only verbal one is welcomed. This extraordinary approach is completed by products which fit to bride's impression.

Many flower and decoration shops are offering similar products and services and proportion of competition is relatively high in this field however Atelier Čarodějka is endeavouring to give customers some additional value, joyful experience and optimistic impression. Customers have to feel like they are home, welcomed and part of the team. This customer's experience is a qualitative value proposition offered by Atelier Čarodějka as well as the design of product which follows trends but conform to the customer's idea. The design made and providing by Jaroslava Malinová is highly admired, attractive for customers and miscellaneous where every customer find what fits to their homes.

Atelier Čarodějka is mostly based on qualitative value propositions but in quantitative point of view this quality is offered for a very friendly price which is lower than in most of Prague's flower shops especially fashionable ones. The disadvantage approaching of quantitative value propositions is a speed of service because it depends on what is demanded by customer. Atelier Čarodějka is able to prepare decoration while the customer waits at the seasonal market if there is a material needed for this decoration however if the customer wants to order something what is not on the market or on the stock, Atelier Čarodějka is depended on the supplier and cannot affect the speed of service then. The other case is that Atelier Čarodějka is not a flower shop but flower atelier which means that there are no flowers constantly available at the atelier and orders have to be ordered in advance because otherwise the speed of service is dependent on how quickly is Jaroslava Malinová able to obtain fresh flowers.

Products and services are available for customers almost constantly but only by appointment and with home delivery service. If customers want to exploit full customer service and review all available offered products the accessibility is limited. This is not truly disadvantage for Atelier Čarodějka on the other hand because this limited accessibility gives to these markets exclusiveness and regular plan for customers when it is time to redecorate their homes.

The other value propositions by Osterwalder do not really fit to the field of where Atelier Čarodějka operates because they are more focused on technological field. The convenience or usability of Atelier Čarodějka is not really possible to use on this case or how analyze it.

### **5.2.3 Channels**

Atelier Čarodějka is using its own direct channels for delivering value propositions to its customers. This process covers the distribution of goods and services, sales and first of all communication with customers of Atelier Čarodějka.

The evolution of raising awareness by Atelier Čarodějka came from references and visiting seasonal fairs which was Jaroslava Malinová with hers products visited. Some of these

customers were calling for the more regular service and home delivery which is presented by the first segment of customers nowadays. Jaroslava Malinová has no capacity to do home delivery because the demand was very seasonal and through the Christmas it was very difficult to deliver everything. That is why seasonal markets were established and customers invited to come and choose what they like instead of home deliveries. The invitations were sent via email, other customers were invited by Jaroslava Malinová in person and the raising of awareness between other potential customers was composed by advertising posters which Jaroslava Malinová had to post to all local towns and villages. These methods were not cost and time efficient but it was necessary to build up a base of customers which had to be aware about Atelier Čarodějka. The raising awareness among customers is solved by popular social media, web sides and electronic invitations. The procedure is cost efficient because there are no costs for posters but oil as well and it is time efficient with immediate reaction of customers who refer arrival to the seasonal market. The social media provide also paid advertising which is very useful and functional if the advertising post is set to target group of women in age 20-55 who live in towns up to 40km from Olovnice. This method approved as a useful advertising tool.

Communication with customers which helps to raise an awareness of Atelier Čarodějka among people operates mostly through social media and web-side page which would discriminate the people who do not use any communication channels like this, that is why Atelier Čarodějka pay advertisement in local newspaper called Kralupský zpravodaj. However even if this advertisement is the only one paid in newspaper there are usually articles in other local newspaper such as Kladneské listy, Mělnický týdeník and Slánské listy which was written through the seasonal market and Jaroslava Malinová even did not know that the editor visited the old mill and the seasonal market.

The rising awareness between customers indirectly works over bloggers who are visiting markets, prepare the article with many photos and reference the event in the old mill among their fans. This kind of advertising is very efficient because it does not cost anything and it targets on customers where is high possibility of interesting.



Customers of Atelier Čarodějka have several options how to purchase products or services it depends on what they want and expect. Seasonal markets offer them the widest propositions of performance by Atelier Čarodějka and they can purchase and acquire goods immediately. This kind of purchase is highly cost and time efficient for Atelier Čarodějka because it is capable to deal with more customers but does not lose the individual approach and moreover customers are coming to the old mill which is the easiest manner how to deliver value propositions, there is no need for extra travel.

The exceptions are comprised in home delivery service, the fourth segment of customers with flower wedding service and fifth segments of customers where are covered mostly foreigners.

Fourth segment of customers, which covers flower wedding service, embrace different approach of purchasing and delivering value to the customer. Atelier Čarodějka which is contacted by the client has to set the initiation meeting where is necessary to reserve the date for the bride and understand the ideas and conception about the wedding flowers. Atelier Čarodějka is available for the bride on the phone or at another meeting if it is necessary until the wedding day. Flowers are delivered to several places represented by the place where bride is getting ready, the place of ceremony and the banquet and its all with direct personal approach.

Fifth segment of customers is reached by different method. Atelier Čarodějka regularly visit annual festival of arts and crafts in International School of Prague in Nebušice. The purpose is not only to sell but to raise awareness about Atelier Čarodějka among this community and invite them to the old mill. Some of them purchase the goods and refuse the invitation but mainly they are interested in and they come to the Olovnice.

Post purchase support is important as well as previous phases. It is usually via email, phone call and social media for all segments. Atelier Čarodějka send a thank you message with some pictures from particular market and customers usually send feedback for the market and also questions when is scheduled the next one. The element of post purchase

support is offer of products that would match to the set of what they bought or possibility to order especially same pieces of goods which they bought.

If customers have any problem, they can only call and Atelier Čarodějka will find the solution for particular situation. Broken things are replaced with new ones, if the customer wants more pieces of already bought goods

The care about the customer has to be above expectations because satisfied customer is revisiting seasonal market and it is easier to sell more to existing customer that to new one.

#### **5.2.4 Customer Relationship**

Customer relationship is essential part of Atelier Čarodějka's business concept. Customers are coming not only to buy decorations and related items but also to make a conversation and enjoy it as a social occasion. The friendly atmosphere and environment caused that they are coming again every single seasonal market. Atelier Čarodějka has long-term clients as well and there are no exceptions as more than 20 years of cooperation with some customers which Atelier Čarodějka very appreciate this loyalty and these clients have extraordinary services even if it is not time or sometimes even cost efficient for the firm.

The communication is important also online between these markets because customers have to be aware what is happening in the atelier, how the next market is being prepared and what are other activities not only connected to the work performance of Atelier Čarodějka but what is going on with the old mill and its garden. If customers feel like they are part of the realisation team they want to participate and they are more willing to come because they want to see changes and refer to them. The friendly approach and human interaction is the fundamental part of it.

Atelier Čarodějka does not use automated service which is not possible in this field and it does not even employ self service. The whole communication and relationship with customer is base on provided personal assistance. The customer is ordering goods with firm's representative and the personal assistance is provided until the purchase is not

concluded. This assistance is usually available via email or phone calls. The special approach comes with seasonal markets where the personal assistance is mostly interfaced.

The special groups of clients such as the fourth and fifth segments of Atelier Čarodějka's customers expect dedicated personal assistance. The clients of fourth segment, connected to flower wedding services, usually expect one or two firm representatives who are going to be devoted to this occasion and be available since the initiation meeting until the job is completed. This is usually attending by Jaroslava Malinová herself and her substitute who are solving everything connected to the wedding flowers and related decorations. The fifth segment expects dedicated personal assistance for practical reasons. The fifth segment is presented mainly by foreigners who are not fluent Czech speakers and who prefer English language. Atelier Čarodějka offers a representative with language skills who can fully pay attention to them on the festival Arts and Crafts in Nebušice, on the seasonal market in Olovnice and beyond as a home delivery service as well which is admired and exploited by these customers. They appreciate not only the service in their language but also a friendly and flexible approach.

### **5.2.5 Revenue Streams**

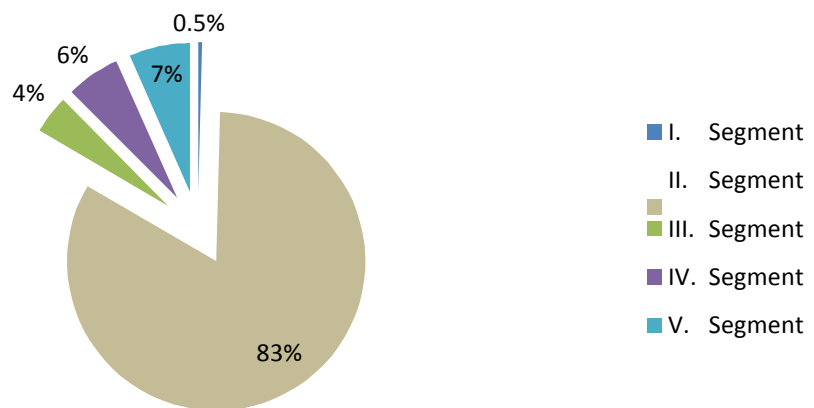
Atelier Čarodějka represents the classical model of trade by selling assets on the seasonal markets or through flower service. The additional services are presented by lending of wedding items for clients ordering wedding flowers. Transaction revenues for performance of Atelier Čarodějka are mostly regular repeating payments of different values on the seasonal markets. One-time customer payment transaction is common for fourth segments representing flower wedding service however these clients usually shift to the segment of visitors of seasonal markets and become regular customers of Atelier Čarodějka.

Atelier Čarodějka has unusual business model when customers, who order flower service, are mainly not able to imagine what they are ordering. That is why Jaroslava Malinová asks for the prices which customers are willing to pay for flowers and what the idea of style and kind of flowers is. She prepares the flower bouquet or decoration and customers are mainly satisfied with the value for what they pay. These customers are not bargaining

the price of flowers after the delivery of the first order which is the case of the first and third segment.

Customers are more willing to pay for purchase on the seasonal market because they can see and touch the goods there and they can personally choose what they are buying. The second segment which represents the biggest proportion among customers of Atelier Čarodějka, correspond to the highest revenue stream as well, representing more than 80 % of overall revenue.

### Revenue streams by segments



Graph 3: Revenue streams by segment

The method of payments is possible only by cash and bigger orders which are going to be paid according to invoice could be defrayed by payment transfer. Clients of Atelier Čarodějka are used to this system but most of the new coming customers are surprised that there is not possible to pay through payment terminal by card and that is why their purchase is limited. The payment terminal would be appreciated by main part of customers according to latest survey of Atelier Čarodějka and that is why the goal of Atelier Čarodějka is to obtain the payment terminal till the November 2016 when the Christmas market begins.

Atelier Čarodějka has combined pricing mechanism for different item of value propositions. Revenue streams which are focused on products did not manufactured by Atelier Čarodějka and offered on the seasonal market have set price according to fixed list

and predefined formula by Atelier Čarodějka. Segments which are mostly focused on flower service and preparation of decorations issue from dynamic pricing which is influenced by prices changed according to real-time market conditions. Flower service cannot use fixed list price because prices are changing every day according to stock exchange in Aalsmeer in Holland which affects all prices of flower wholesalers in Czech Republic. The flower market is also affected by seasons, fluctuation of weather, success of the flower crop and significant anniversaries<sup>9</sup>.

## **B) Blocks focused on efficiency**

Atelier Čarodějka, which is a part of creative business, cannot forget on the efficiency and how to operate that it is possible to bring this value of products and services to customers but also how to bring expected or even higher revenue to the firm. If the firm has satisfied customers and also earn capital, it is possible to invest back to the company and make it even bigger and better which would satisfy more customers.

### **5.2.6 Key Resources**

Key resources of Atelier Čarodějka are generally divided into four main groups.

Physical key resources contain building of the old mill where Atelier Čarodějka seats. This building is huge competitive advantage for Atelier Čarodějka because there is situated the whole firm's background. First of all there is the atelier where Jaroslava Malinová creates and performs, the second are warehouse spaces where is possible to have a stock but also some furniture, bigger dry floral installations and seasonal stocks. The space of warehouse is also used for articles to rent for events such as weddings and garden parties. Atelier can offer the wedding pergola, gates to the garden, and wedding tents for banquets, decorative bikes in soft pastel colours, baskets, glass vases, lanterns and some pieces of furniture.

The huge advantage and saving of time is that showrooms are just above the atelier in the same building which lowered costs for wrapping material and transporting decorations.

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<sup>9</sup> Florists have to consider especially 14<sup>th</sup> of February when prices of red roses jump up or 31<sup>st</sup> of August when is the death anniversary of princess Diana and all white flowers significantly increase rates.

The showroom is consists of three rooms with total area 280 square meters which gives Atelier Čarodějka comfortable space for exhibition. The showroom, which illustrates the countryside atmosphere of the old mill, is associated with customer's facilities background consisting of toilets and space for café.

The benefit for Atelier Čarodějka is that the old mill with so much of space is owned by Jaroslava Malinová so there are no expenses for month rent.

Vehicles are important key resource because Atelier Čarodějka is located at countryside and distribution would be crucial task without transportation possibility. Atelier Čarodějka utilizes three vehicles. Automobile is used the most frequently for delivering goods to customers and transporting minor volume of goods to the atelier. The other vehicles are two size vans used according to volume of goods distributing to the old mill or when bigger pieces are transporting to some occasion.

Intellectual key resources are not the most important part because Atelier Čarodějka is a small firm comparing to huge corporations where the brand means almost everything, however people remember the brand Atelier Čarodějka because they are curious what does it mean and it is easy to remember. The other part of intellectual key resources is in customer database which is very helpful in sending invitations for another seasonal market via emails.

Human key resources are the most important because of competitive advantage. Jaroslava Malinová, who is the main creative florist and designer, has 25 years of experience and very specific style which is difficult to duplicate. The main production is hand crafted and there is in most of the cases only one piece of decoration per each. The main florist prepares every single season a new collection which includes intensive and current knowledge of goods from most of suppliers. The apparent disadvantage, which is common in the environment of small entrepreneurship, is that the whole know how of business is dependent on one person which is quite risky.

Atelier Čarodějka operated with financial resources as many other small entrepreneurs in short term but with the old mill has come a transformation of the firm. New possibilities appeared and Atelier Čarodějka has started to grow faster than were previous expectations. The transformation is not finished yet but financial resources are already divided between three main areas. Atelier Čarodějka is spending more money for goods which in fact save money for purchased higher volume of goods and there are also money invested to the old mill and renovating more space for customers which both brings new customers and let the firm grow and hopefully to be sustainable in long term.

### **5.2.7 Key Activities**

Key activities of this particular firm are focused mostly on manufacturing products and problem solving. Atelier Čarodějka is based on production as designing new decorations, flower bouquets, flower decorations and related items. The core perform is generated in the atelier where all the products have to be manufactured. The second part is to deliver goods to customers through channels such as home delivery or installing these products and arranging them in the showroom. The installation is important long- term process which insists about three months and the Christmas market takes to arrange, manufacture products and prepare everything half a year. The process also covers maintenance of the old mill and its surroundings because people expect to come to clean countryside. The second part also includes packing of the product which has to be suitable to marketing. The whole seasonal market precedes creating marketing and promotion of products and also managing websites and social media to raise awareness among customers.

Problem solving points out on the ability of Atelier Čarodějka to find a good solution for each customer's problem individually. Prepare them specially decoration or flower which would fit to their impression especially when it is flower wedding service it is necessary individual approach and solving all requirements. One of the most important issues is to improve facilities and customer service with more promoting information through social media.

### 5.2.8 Key Partnership

Key partnership is first of all presented by suppliers of Atelier Čarodějka. The base of these suppliers is developed through several years and it is based on business friendly relationship. However Jaroslava Malinová is regularly monitoring the market field if there are any new suppliers so she can bring something new for her customers.

Atelier Čarodějka has 46 regular suppliers who could be divided into four groups. Primarily there are wholesalers of fresh flower, pot flowers and florist tools and accessories who are visited by Jaroslava Malinová or representative of the firm usually once per week or often it depends on the season or special business occasion.

The second group covers wholesalers of decorations who are concentrated in wholesale markets, where are not main stocks, but only shops with current goods. This kind of shops are usually low cost goods which are better to use as garnishes for preparing decorations than as single pieces. The disadvantage is that these kinds of shops have to be checked every single week because the turnover of it is very fast however there are hidden opportunities in these shops because there are few pieces of each which leads to originality.

The third group is focused on wholesaler companies which are set far away<sup>10</sup> and which do not have any representation as shop or stock with showroom closer to Prague where it would be possible to look at goods, choose the collection and buy it. These companies are sending sales representative instead with catalogues of goods and samples of some pieces. This is very advantageous approach for Atelier Čarodějka because there is necessary only to set a meeting when the sales representative is coming, then choose some goods and wait until the good is delivered by service. This approach and these suppliers are presenting huge savings on time for Atelier Čarodějka however the apparent disadvantage is in samples of goods. There is no possibility to take everything so sometimes the goods have to be chosen according to pictures which could be misleading according to size and quality of goods. Atelier Čarodějka is using this method only with three suppliers who are proofed

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<sup>10</sup> Especially Moravia



by years of cooperation which covers Harasim velkoobchod s.r.o., Jukka, IN-spirace and CEDR group.

The fourth group is presenting by companies who are the biggest suppliers of decorations, home accessories and small furniture for Atelier Čarodějka. These suppliers are also the biggest players on the market in this field. They usually prepare seasonal presentation, invite all clients and make orders for next season.

The exception in group four is a company Ego Decor which prepares huge presentation in January where they introduce goods for the whole year and they despatch goods for every season individually when it comes to their warehouse. They also participate on the wholesale fair Tendence in September where is possible to order more goods what more Ego Decor is very reliable supplier which accepts additional orders through whole year.

The fifth group is presenting companies which Atelier Čarodějka meets only once per year at the wholesale fair Tendence. It is caused due to long distance, where they are set as for example SIMONS TRADE which is company from Slovakia, or they simply do not offer a range of products which would fit to the concept of Atelier Čarodějka's vision which leads to small purchased selection of some single pieces.

Atelier Čarodějka has many suppliers which lead to many disadvantages as a lot of time and effort expended to the overview of goods from all suppliers with all innovations for the whole year on the other side Atelier Čarodějka has finest collections of decorations, home decor accessories and more on the markets and huge range of seasonal products which is difficult to compete for other shops which are open every weekend.

Strategic alliances between non- competitors operate also in local scale. Firms such as Deers, Pralinkárna and Bohemia Paper are replenishing the market with goods and propagate markets between their clients. Atelier Čarodějka has also strategic alliances with firms, Valentine lingerie and bridal salon at Prague 6 and Buštěhrad which are connected to weddings where it mostly depends on references. These kinds of alliances are advantageous for both sides. Atelier Čarodějka is providing every season new decoration

to these salons so they do not have to buy any and thanks to that they are recommending Atelier Čarodějka to their clients and distribute Atelier's business cards, invitations to particular seasonal market and wedding brochures of Atelier Čarodějka.

Strategic alliance, which is very significant for seasonal markets prepared by Atelier Čarodějka, is with catering preparing Italian food by Karolina and Davide. They ensure cafe, provide food and any kind of refreshments. This services complete facilities for customers of Atelier Čarodějka and more, Karolina and Davide invite more customers and friends to these markets which bring reversible cooperation. Atelier Čarodějka meets new customers.

Co-opetitors are presented by two flower shops in case of Atelier Čarodějka. The first flower shop is in Kralupy nad Vltavou, which is very close competitor, however Atelier Čarodějka sell them some decorations occasionally which remained on the seasonal market. This approach is very advantageous for both sides because Atelier Čarodějka does not have to store very fragile decorations such as wreaths and this particular shop has something new to offer their clients. The second flower shop which is called Bellis is located in Kladno. This kind of co-opetition is mostly friendship and unwritten agreement that Atelier Čarodějka is not going to advertise in Kladno however the Atelier's base of customers in Kladno is growing because of client's references and despite no advertising methods.

### **5.2.9 Cost Structure**

Atelier Čarodějka is more creative and design firm but the cost structure of firm cannot be underestimated. Atelier Čarodějka needs an overall outline about where the money is expended, what are the most important costs which cannot be cut and conversely what are the most expensive key resources or key activities which should be reduced and minimized.

Atelier Čarodějka, as most of the other firms, is situated between two extremes of cost structure type, between cost- driven and value- driven company however Atelier Čarodějka

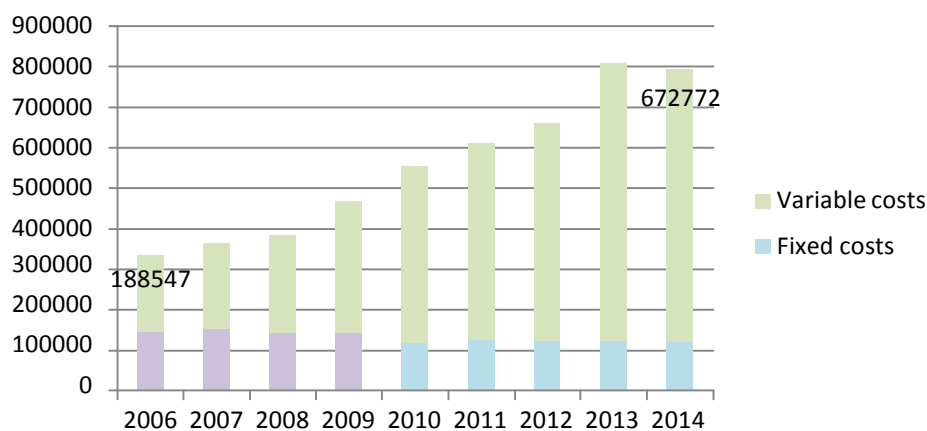
inclines to value-driven business according to business model canvas. Value-driven companies are focused on creation of high value and quality delivered to customers with significant individual approach which is against automation of cost-driven type. Atelier Čarodějka is definitely giving an effort to creation and designing an experience which would be appreciated by customers and paid as deserve however not all of customers are able to expose high quality and they are not willing to pay for it or some clients at the initiation meeting reveal that they are interested in a service for low price and that they do not really care about quality. That is why Atelier Čarodějka has to check costs in relation to some particular projects and try to minimize some of them, that all led to fact that Atelier Čarodějka is not apparent value-driven company, it mainly depends on the desire of the client.

The cost structure of Atelier Čarodějka is divided according to characteristics presented by fixed costs and variable costs. Economies of scale connected to output are not a cost characteristic of Atelier Čarodějka due to individual approach and hand-crafted unique products. Occasionally it is possible to minimize costs by using economies of scale. Atelier Čarodějka can use it only in cases of festivals, occasions and special events when there are more orders for flowers or instance Valentine's day, Mother's day, Christmas and anniversaries. Atelier Čarodějka is able to minimize costs for getting flowers to atelier and there are no losses because all flowers can be used. Atelier Čarodějka is more using the economies of scale if it is ordering goods from its suppliers. If the volume of ordered goods is significantly immense Atelier Čarodějka gets the whole purchase with several percentage discounts especially if the purchase is paid immediately with cash. Economies of scope cannot characterize the firm Atelier Čarodějka because the firm is not extended enough to have several different departments which could use some common system or distribution channel.

Higher fixed costs are inherently comprised to the firm as a manufacturing one however Atelier Čarodějka has relatively low fixed costs according to fact that it has not to pay rent for a building and other spaces. Jaroslava Malinová bought the old mill in 2010 and she is still investing in it however the mill is not a part of her entrepreneurship and that why it is not used as a capital expenditure now. The fact, that Jaroslava Malinová owns the old mill,

is significantly advantageous. The firm does not have to pay rent since 2010 which is in this scale of used spaces high relief and which significantly decreased fixed costs. Decisions about costs are closely related to the management of the company which is attributing to Jaroslava Malinová in this case. Her decision about the old mill significantly affected fixed costs as a future benefit. Fixed costs cover only a few items now such as monthly salaries for employees who are not employed for full time but only for the employment agreement. The other part of fixed costs presents overhead cost which includes bills for phone calls and internet access because Atelier Čarodějka has to be in connection with its customers, insurance, costs for electricity and security of the building. Fixed costs does not change radically, they may slightly change but remain stable for period of time. Fixed costs of Atelier Čarodějka registered change in 2010 when the old mill was bought and existing costs were cut about the paid rent which decreased fixed costs by almost 20%<sup>11</sup>.

**The composition of fixed and variable costs of Atelier Čarodějka in CZK in years 2006-2014**



*Graph 4: The composition of fixed and variable costs of Atelier Čarodějka in CZK in years 2006-2014*

<sup>11</sup> Atelier Čarodějka had no permanent rented space. The exhibition space was rented only for seasonal markets which caused that the rent was not too high however there were no space to expand the company. That is way the rent did not obtain higher proportion of fixed costs as is usually among other firms.

Variable costs are changing with changed volume of produced and sold goods by Atelier Čarodějka. These costs increased three times in eight years because of increased interest about seasonal market of Atelier Čarodějka. Variable costs include merchandise for the seasonal markets, raw materials for preparation of decorations and related items, packaging material, flowers, offered services which are mostly connected with distribution of products and home delivery.

### **5.3 PATTERN**

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Osterwalder generalized business models pattern into five groups according to assumptions even if most of the firms have their unique and specific business model as well as Atelier Čarodějka has. However Atelier Čarodějka could be classified as a one-way multi-sided platform model pattern because of similar framework but in less significant minor scale.

Atelier Čarodějka with its seasonal markets creates value which connects several different groups of customers, enthusiasts into flowers, decorations and interior design in this case. Seasonal market links all these groups and serves simultaneously to them. Atelier Čarodějka is presenting a special type of multi-sided platforms pattern which is one-way multisided platform. One-way signifies that Atelier Čarodějka performs only for its customers which are formed by individuals and occasionally firms as well. One issue of the multi-sided platform business models is the question if some of sides or customer segments suppose to be priorities and if some side should be subsidized by another and which one according to revenue streams.

### **5.4 DESIGN**

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Atelier Čarodějka has its own functional business model but the firm has to be better because of competitors. The question is how to improve and design better business model for Atelier Čarodějka. This issue is going to be determined by two design tools. First one is called customers insight where is necessary to relieve the businessman point of view and look at the firm and its value propositions and other blocks as a customer. The importance is to see what is missing, what Atelier Čarodějka does not offer but what customers expect

because the firm suppose to create value for customers that mean that the point of view has to be customer-centric.

The first method of customer insights correspond to the assumption that customers are satisfied with flexibility of delivery services and diversity of what Atelier Čarodějka can organize for them. The approach is friendly and helpful as much as is possible and Atelier Čarodějka is offering them service besides seasonal markets and inspiration via facebook however customers would be interested in more occasion how to enjoy the atmosphere. It depends on the customers how they are willing to pay but some of they would be willing to pay even more for additional services, Atelier Čarodějka unfortunately does not have a capacity for meeting needs and wants of these customers yet. Customers also expect that the selling event of this size offers the opportunity to pay by card.

The second method used for improving existing model of Atelier Čarodějka is empathy map, where is important to understand what is missing what would create and deliver better value for customers. This method is based on the brainstorming session with team of Atelier Čarodějka which has the experience with regular customers of seasonal markets.

Atelier Čarodějka set the type of two customers and what are their needs and wants. The overall review shows that it is necessary to raise the level all the time because customers have high expectations. The facilities have to be improved and service as well. Customers are looking for a place full of inspiration where they can take some of it home. They expect clean toilets and place where to sit with friends and which is familiar with children. Atelier Čarodějka has to also think of potential customers and that is why the range of services is too wide and the firm is not focused only on one style.

## **5.5 STRATEGY – critical analysis**

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### **5.5.1 Business model environment**

Every business model as well as business model of Atelier Čarodějka are influenced by particular environment which is changing through the time periods. The analyzing of the business model of the particular firm cannot be too narrow and focused only on the firm

because the environment has a huge influence on Atelier Čarodějka, its performance and perception of customers of Atelier Čarodějka. The analysis of business model environment by Osterwalder is similar to the PEST analysis however it lacks political influence and it is more focused on economical aspects which is more suitable for analysing business model environment of Atelier Čarodějka because the firm is smaller and it is not directly affected by political aspects. This business model environment analysis contains also the issue of design drivers such as customers needs and design constraints as regulatory trends and dominant competitors.

The analysis of business model environment contains four main ideas which are mapping the environment of Atelier Čarodějka and which comprises market forces, industry forces, key trends and macroeconomic forces which more or less affects this particular firm.

Market forces signify the market analysis which is focused on market issues, market segments, needs and demands, switching costs and revenue attractiveness. Market segments are highly diversified however the segment with customers, who visit seasonal markets, rapidly increasing and which is the most important for Atelier Čarodějka. The first segment which is represented by the most loyal customers is declining because these customers shift to different segment and they change their shopping behaviour. “Atelier Čarodějka is trying to meet all the customer’s needs and wants and the concept is working because new coming customers are asking at the entrance of seasonal market how much is it for admission. That is surprising because they are willing to pay for something what they even have not seen yet, they know it only from references” said Jaroslava Malinová. The element of what really binds customers to come and do not purchase in any other flower shop is the atmosphere what the old mill offer. Customers can find similar and sometimes even same goods in different shop but it cannot be compared to the showroom according to atmosphere.

Industry forces analyze the competitors of Atelier Čarodějka through the whole industry. These competitors are divided into two main groups for competitors who are incumbents and new entrants called insurgents. Atelier Čarodějka is regularly monitoring the biggest players in the environment of flowers and decorations and also competitors which are

located close to the Olovnice and who are realistic competitor threats for Atelier Čarodějka. Bella Rosa and Nordic Day which are two internet platforms with one owner offers similar goods such as many interior accessories and especially internet platform ZOOT which is offering goods from Atelier's Čarodějka supplier Dakls. The significant competitors threats are not internet platforms and e-shops because they do not offer experience but only shopping., significant threat of Atelier Čarodějka is in flower and decoration shops such as MAHOZA decor which are opened all the time and which display seasonal goods earlier than Atelier Čarodějka. Even if there is an agreement with some suppliers that they are not going to sell goods to shops up to 30 km from Atelier Čarodějka, they sell it to distributors which have not written any agreement and who sell it everywhere.

The other significant competitors are in insurgents who come and try to copy the concept or style of Atelier Čarodějka, however the business cannot be successfully launched and increased in two years in this field. That is why Atelier Čarodějka is monitoring new comers on the market but it is not much concerned about its position on the market.

All of these competitors have substitute products or services but they are not able to produce such a quality for same or lower costs even if they cooperate with same suppliers as Atelier Čarodějka has. The disadvantage is that Atelier Čarodějka is dependent on these suppliers, which is inevitable in this field even if part of Atelier's products is manufactured.

Key trends of floral design and decoration landscape are not really in technology because all the important materials are very useful and this field is not affected by regulatory trends either besides reduced taxes for flowers and arrangements. Atelier Čarodějka is affected by socioeconomic trend that many people live in urban areas but they are relaxing in the countryside because they admire this lifestyle however they do not want to live there. The trends which mainly affect Atelier Čarodějka are presented every year on the biggest trading fairs as Christmasworld<sup>12</sup> in Frankfurt which is in January, International

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<sup>12</sup> <http://christmasworld.messefrankfurt.com/frankfurt/en/besucher/willkommen.html>



Floriculture & Horticulture Trade Fair in Holland<sup>13</sup> through November and many others trading fairs. These fairs bring new trends via the biggest suppliers and producers who organize production. All of florists and decoration designers are influenced not only by these fairs but also by supplier who bring these items to Czech Republic because they choose only some items according to their taste which they are going to deliver to Czech Republic and sell to shops and entrepreneurs.

Macroeconomic forces are not significantly influence the firm and on the contrary Atelier Čarodějka does not influence the whole market and its forces because of size of the firm.

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<sup>13</sup> <http://www.hppexhibitions.com/floriculture/2016/holland/>

### 5.5.2 Evaluating business model- SWOT analysis



Picture 1: SWOT analysis of Atelier Čarodějka

Atelier Čarodějka has as many other business entities its beneficial strengths and opportunities but also weaknesses which have to be changed and fixed and threats which are better to avoid.

Strengths of Atelier Čarodějka are in seasonal markets which are supported by unique venue of the old mill and countryside. Mrs. Malinová has also very specific style and design of products but also at the showroom, which makes Atelier Čarodějka unique for customers who appreciate the whole concept, friendly relationship and flexibility in time and style. “Flexibility in style is highly important because it depends mainly on the

customer's idea and great florist suppose to be able prepare anything, because floristry is primarily craft not a design. "proclaimed Jaroslava Malinová.

Opportunities are mainly hidden in the old mill which offers a lot of unaccustomed space where Atelier Čarodějka may extend its performance and focus on even better customer service and facilities. If Atelier Čarodějka would be able to handle the customers demand by capacity it would be possible to advertise more through different channels which are getting to be modern way how to target new customers. Regular customer is much easier to get to some event of Atelier Čarodějka comparing to new one however the fourth segment of customers is mostly focused on newcomers because weddings are not repeating often. This attracting of customers would be via bloggers references, which already works but in smaller scale, or via fashionable magazines such as Marianne focused on countryside and style. The best option of connection with customers, and huge opportunity for Atelier Čarodějka as well, is contact with customers more formally which lead to the opportunity of creating database of customers with contacts and creation of interest groups which could help to better target customers according to the upcoming events. The opportunity is hidden in establishing efficient customer relationship management.

Weaknesses of Atelier Čarodějka are according to customer's feedback in seasonal markets are in the lack of payment terminal. "I am already solving this problem which is a huge limit for the firm and customers as well. The payment terminal suppose to be implemented this year." introduced Mrs. Malinová her plans. Atelier Čarodějka has also gaps in advertising especially in websites which are quite obsolete and not compatible with smart phones which does not bring any new customer. The dilemma of Jaroslava Malinová is also in serving to inefficient customer segments such as the first one which covers the most loyal customers of the old business model however Mrs. Malinová would like to continue because of good relationship with these customers. . Highly significant weakness is in Jaroslava Malinová herself because she manage, solve, create and participating in everything. The whole firm stands on her and there is no proper representative now.

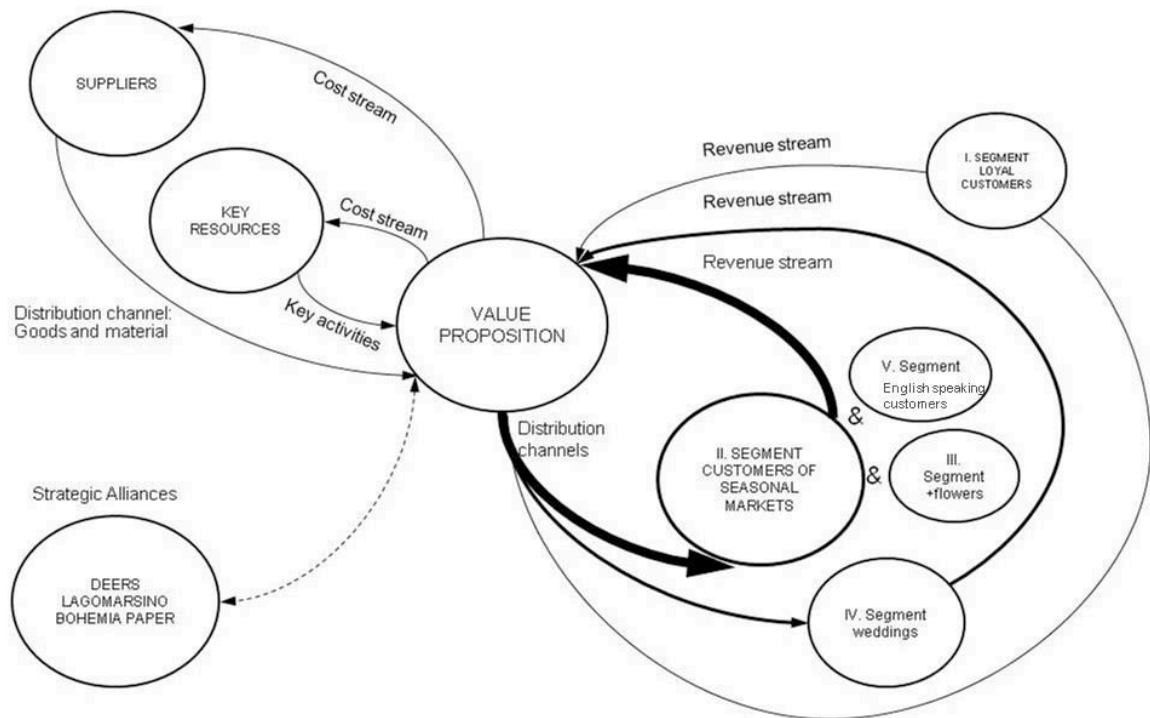
Threats are in not solving any of weaknesses but also in intense competition or lack of employee capacity for individual approach. The other threat appears in volatile revenue

which Atelier Čarodějka is trying to deal with by additional service for customers within seasonal markets.

## **5.6 EVALUATION OF BUSINESS MODEL**

The overall evaluation of the Atelier Čarodějka is represented by modified business model generation canvas as a graphical model according to specifics of the firm. Some blocks and segments are more important than others with each company separately and especially with smaller size companies.

Atelier Čarodějka's business model is graphically divided into left side focused on efficiency and right side focused on creating value as well as business model generation canvas. However there is difference in value propositions which are situated in the middle as a connection between Atelier's background and customers.



Picture 2: The business model of Atelier Čarodějka

Blocks focused on efficiency present the approach how Atelier Čarodějka is capable of create its value propositions which is presented by costs connected to suppliers and ordered goods but also fixed and variable costs of expended to key resources. Fixed costs, which were decreased since 2010 when the old mill was bought by Mrs. Malinová, are highly auspicious and variable costs correspond to the volume bought goods which is not feasible for Atelier Čarodějka to change.

Atelier Čarodějka has many suppliers which could seem to be enough however the competition in this field is high and trends are constantly changing, that is why Atelier Čarodějka has occasionally replace some of these suppliers.

Key resources, the huge advantage and also competitive advantage of Atelier Čarodějka, have to be supported more. The unique venue offer more space which can be used for seasonal markets as well as a wedding showroom and office. Advantageous and profitable as well would be renting out some spaces which would bring up some restrictions for Atelier Čarodějka however the permanent income could cover non- profitable periods between seasons when Atelier Čarodějka has mainly costs but no revenue.

Key activities connected to seasonal markets such as manufacturing unique decorations and floristic craft are representing the major value of generated profit despite the fact that it is associated with higher costs.

Blocks focused on creating value are presented by customer's segments and anything connected to that, such as targeting and reaching customers, contact with them, the specifics of customers and what segments generate the revenue for Atelier Čarodějka.

Atelier Čarodějka offers a wide range of products and services to a highly diversified group of customers which is divided according to common characteristics into five segments.

Atelier Čarodějka should focus on segments which tend to be more profitable than others. The analysis revealed that even if the highest costs are associated with the second segment, presented by customers coming to seasonal markets in the old mill, it generates the highest profit as well. This occurrence is graphically illustrated as segment and its associated segments with wider arrows presenting distribution channels and revenue streams. Closer position of these segments to value propositions demonstrates the fact that customers are tend to come to the old mill, the base of the firm which reduces the distribution channels.

The fourth segment, presented by wedding flower services, does not generates revenues comparable to the second segment, however these irregular orders introduce the firm and bring new potential customers who can become the part of second segment, when they are satisfied.

The first segment, presented by the most loyal customers, is unexpectedly not attractive segment anymore. Atelier Čarodějka expend too much effort to deliver the value to these customers and the profit is not even equivalent to that effort. Remaining in offering services to this segment is no answer as well as interrupts it, which would harm the firm. The only solution is to modify this segment and merge it with second one. Reaching of these customers would become more generalized which is not suitable for customers who were used to the individual approach. This difficulty could be solved by the efficient customer relationship management represented by database and interest groups which could help to communicate with customers more personally and more formally which could be attractive for customers of other segments as well.

## 6 CONCLUSIONS

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Diploma thesis was dealing with business model of Atelier Čarodějka and how to improve or how to innovate this already implemented model. The firm Atelier Čarodějka was comprehensively analyzed by the Business Model Generation canvas by Osterwalder. Customers segments were identified as well as the rest of building blocks according to detailed investigation by assistance of Jaroslava Malinová, the owner of Atelier Čarodějka who provided all necessary documents, information and participated in unstructured interview.

Atelier Čarodějka has high- quality unique business model focused on unique products and services in the field of flowers, decorations and interior items for customers with who has excellent relationship. The significant competitive advantage remains in exceptional venue of the old mill in countryside where the whole business is located and where is also spacious showroom.

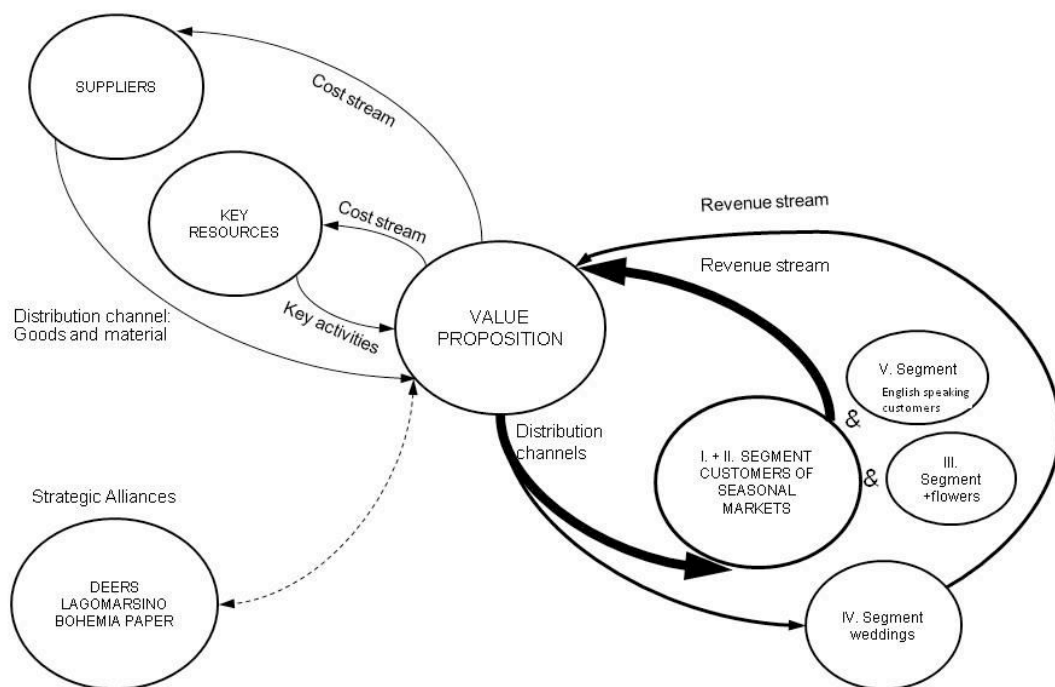
Atelier Čarodějka has started with excellent concept of business model which is adaptive to occurred situations and expansive as well because Jaroslava Malinová is investing into the business and especially customer's facilities every year which attracts more potential customers. Some weaknesses and threats were identified during the evaluation of building blocks and they were confirmed subsequently in the SWOT analysis. Atelier Čarodějka suppose to persist on gradual increase of customers and profits as well with expansive but conservative attitude.

The management of Atelier Čarodějka should consider preparation of plan with changes about weaknesses which have to be modified into firm's benefits and which primarily includes payment terminal, establishing the customer relationship management through efficient and formal database of customers which would make Atelier Čarodějka more professional than reaching customers mainly via facebook and new advertising campaign. Advertising of Atelier Čarodějka does not correspond with high- quality products and services and methods used for the campaign are cost and time inefficient. Strengths of Atelier Čarodějka should be supported, especially utilizing additional spaces of the old mill



which could generate additional profit and certain events could be added into the period between seasonal markets.

Atelier Čarodějka should continue on the established business model with seasonal markets and additional services however the firm suppose to slightly modify the model and focus only on customer segments which generate profit the most such as customers coming to seasonal markets, flower wedding services and foreign clientele which is potential if Atelier Čarodějka choose the right marketing targeting. The seasonal markets are generating the major value of profit mainly due to unique decorations and floristry manufactured in the atelier. The inefficient segment which does not generate profit should be merged with the most profitable second segment. That would decrease costs associated with this segment, Atelier Čarodějka would not lose clients and it could be possible to offer them superior services with new customer experience which would modify and generate the revenue of this segment.



Picture 3: The recommended business model for Atelier Čarodějka

The firm Atelier Čarodějka with its continual improvement and innovation is capable to sustain competitive advantage by capturing the best value for customers and maintain on the market in long- term successfully. Atelier Čarodějka is going to increase its significant position on the local market however it is not going to be key player if it should retain the individual approach.

There has to be declared as the final point that the results and consequences of this diploma thesis are not possible to generalize and apply to any other firm entity. These data and outcomes correspond only to the firm entity Atelier Čarodějka to which case study was conducted however the case study do not exclude another entities from analysis such as suppliers and competitors which provided the overall review.

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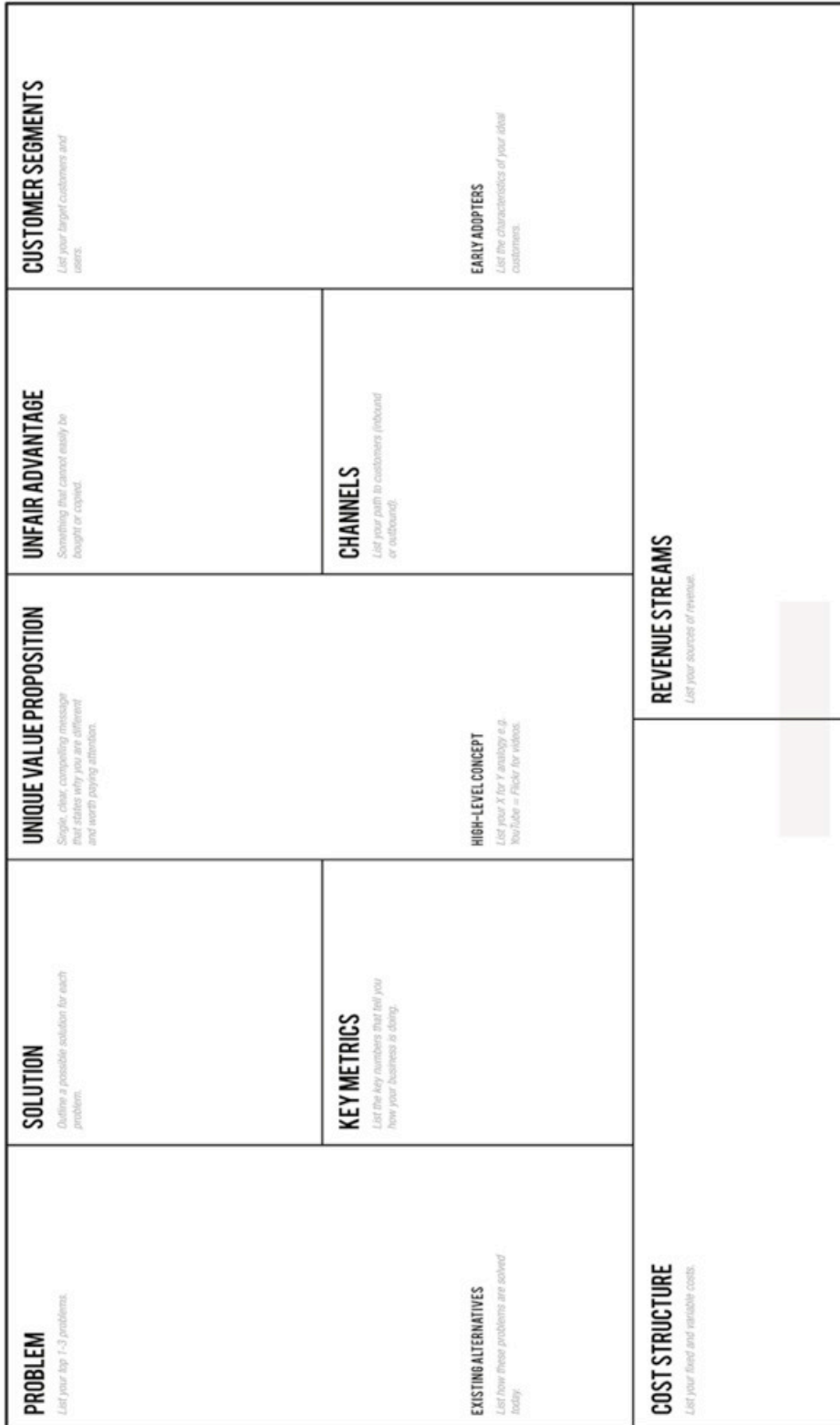
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# 8 ANNEXES

## 8.1 Lean Canvas



Lean Canvas is adapted from The Business Model Canvas (www.businessmodelgeneration.com) and is licensed under the Creative Commons Attribution-ShareAlike 3.0 license license.

**Lean Canvas**  
Created by Spark53 / Online version available at [www.leancanvas.com](http://www.leancanvas.com)

**CANVAS FULL SCORE**

1	4	9	2
8	3	5	
7		6	

**RISK REDUCTION / INCH**

## 8.2 Business model generation canvas by Osterwalder

Canvas 2: Business Model Generation Canvas (<https://foresightcards.com/workshops/business-models>)

Designed for:

Designed by:

On:

Iteration:

### The Business Model Canvas

<p><b>Key Partners</b></p> <p>Who are our key partners? Who are our key suppliers? Which Key Activities do partners perform?</p>	<p><b>Key Activities</b></p> <p>What Key Activities do our Value Proposition require? Our Distribution Channels? Our Customer Relationships? Revenue Streams?</p>	<p><b>Value Propositions</b></p> <p>What value do we deliver to the customer? What is our unique value proposition? Which customer needs are we satisfying? Which customer needs are we satisfying?</p>	<p><b>Customer Relationships</b></p> <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? How are they integrated with the rest of our business model? Which are they?</p>
<p><b>Key Resources</b></p> <p>What Key Resources do our Value Proposition require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p>	<p><b>Channels</b></p> <p>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are we planning to reach them? Which costs does it incur? Which ones are most cost-efficient? How are we integrating them with customer routines?</p>	<p><b>Customer Segments</b></p> <p>For whom are we creating value? Who are our most important customers?</p>	<p><b>Revenue Streams</b></p> <p>For what do our Customers really willing to pay? For what do they currently pay? How are they currently paying? How much does each Customer Segment contribute to overall revenue? How much does each Revenue Stream contribute to overall revenue?</p>
<p><b>Cost Structure</b></p> <p>What are the most important costs in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p>		<p><b>Revenue Streams</b></p> <p>For what do our Customers really willing to pay? For what do they currently pay? How are they currently paying? How much does each Customer Segment contribute to overall revenue? How much does each Revenue Stream contribute to overall revenue?</p>	

[www.businessmodelgeneration.com](http://www.businessmodelgeneration.com)

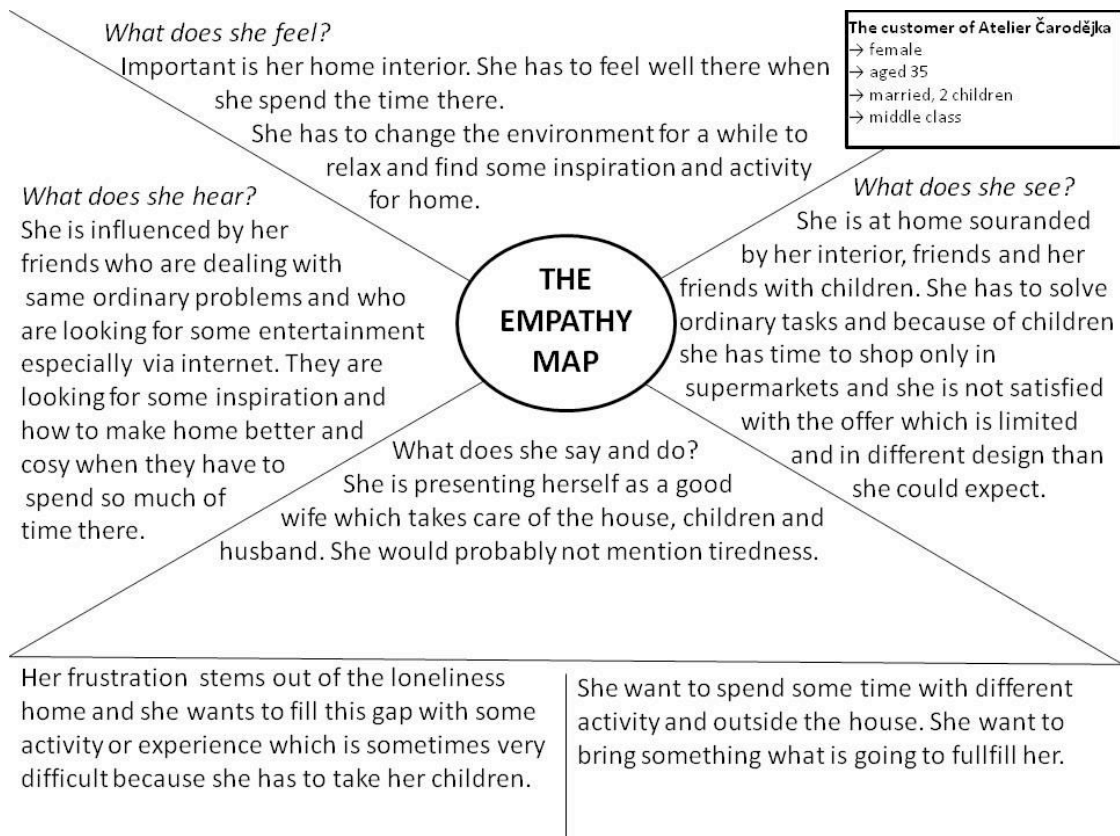
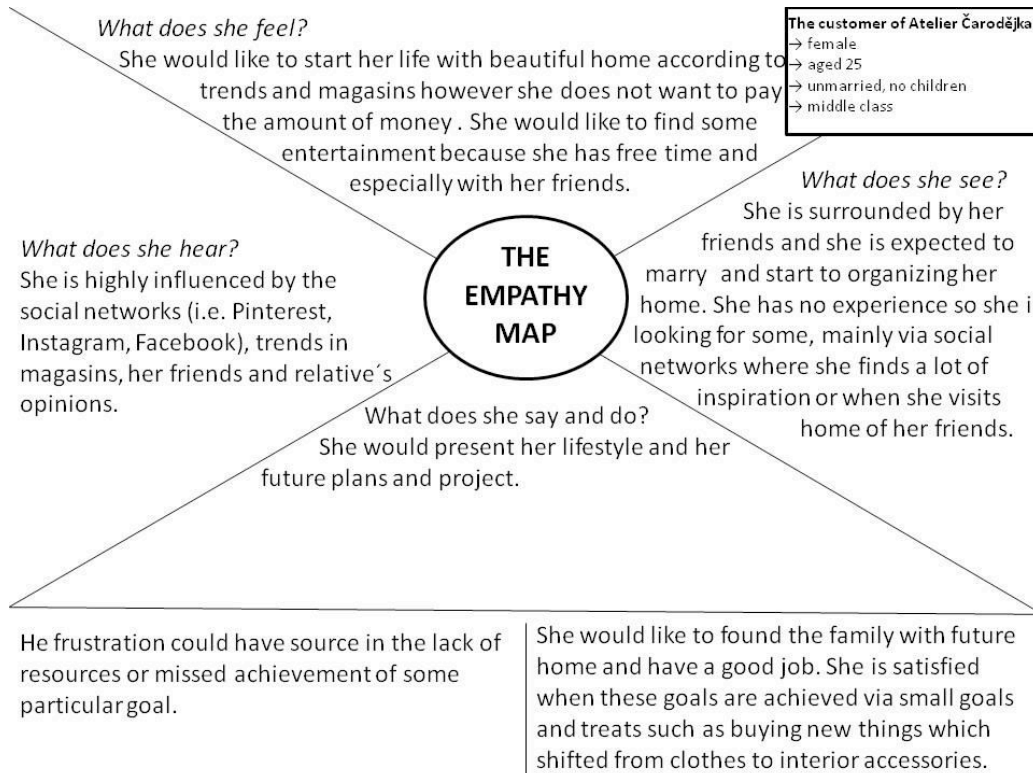
Canvas 3: Business Model Generation Canvas (<https://foresightcards.com/workshops/business-models>)



### 8.3 Business model generation canvas of Atelier Čarodějka

<p><b>KEY PARTNERS</b></p> <p>SUPPLIERS → range about of 50 suppliers</p> <p>STRATEGIC ALLIANCES (with non-competitors) → Lagomarsino catering → Bohemia Paper → Deers - Kamilla Přisafíková → Fajnsvetba → Pralínárna → Valentine Lingerte</p> <p>COOPERATION → Bellis - flower shop in Kladno → Koptretinka - flower shop in Kralupy</p> <p>BUYER-SUPPLIER RELATIONSHIP → to assure reliable supplies → co-creation with suppliers on the collections</p>	<p><b>KEY ACTIVITIES</b></p> <p>PRODUCTION → designing → manufacturing → delivering</p> <p>PROBLEM SOLVING → new solutions to individual customers requirements</p>	<p><b>VALUE PROPOSITIONS</b></p> <p>SEASONAL MARKETS → spectrum of decorations, flowers and home-decor accessories in beautiful environment of the old mill and countryside → cat and all customers facilities → high quality service → Home delivery possible</p> <p>FLOWER WEDDING SERVICE → preparation of wedding flowers and additional items → installation of flowers → assistance service → lending additional items (i.e. gates, tents for banquet)</p> <p>FLOWER SERVICE &amp; DECORATIONS → according to ideas of individual customer → home delivery of purchase</p>	<p><b>CUSTOMER RELATIONSHIPS</b></p> <p>→ personal assistance with friendly and individual approach → loyal customers who are coming back and reference to others → english speaking customers have individual approach in english language</p> <p><b>CHANNELS</b></p> <p>Own direct channels AWARENESS → social media (facebook, instagram) → web site REFERENCES EVALUATION → personal feedback, facebook PURCHASE → seasonal markets in the old mill (almost occasion) → order via email, phone DELIVERY → old mill / home delivery AFTER SALES → communication channels</p>	<p><b>CUSTOMER SEGMENTS</b></p> <p>→ mainly women of age 25-55 who live up to 40 km. of Olomouce</p> <p>1) Loyal customers with home delivery</p> <p>2) Visitors of seasonal markets</p> <p>3) Clients who order regardless seasonal markets</p> <p>4) „brides“, wedding flower service</p> <p>5) English speaking customers interested in seasonal markets and home delivery</p>
<p><b>COST STRUCTURE</b></p> <p>→ cost or value driven → depends on the project → in the middle but inclines to value-driven company</p> <p>FIXED COSTS → relatively low, because of no rent for spaces</p> <p>VARIABLE COSTS → are increasing with increasing volume of goods and materials → increased by three times since 2006 – 2014</p>		<p><b>REVENUE STREAMS</b></p> <p>→ through asset sale and additional services (i.e. lending of items for weddings.) → the biggest revenue stream via II. segment</p> <p>PAYMENT METHOD → cash, transfer to banking account → goal: to obtain the payment terminal until the November 2016</p> <p>PRICING MECHANISM → dynamic pricing mostly based on real-time market</p>		

## 8.4 Empathy maps of Atelier Čarodějka



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