

BUSINESS MODEL STRESSTEST



How to use
Template
Example

Business Model Stresstest

The Business Model Stresstest helps you to understand if your business model is future proof. Changes in markets, society and technology might impact your business model in the future for which you can prepare with this tool. With the Stresstest you can analyse the strong and weak parts of your business. It helps you to find opportunities for making your business more robust.

Tips for use

A Business Model Stresstest is most effective when you use it in a group. The group should consist of people who are familiar with your company. You can also involve (external) experts.

Print the Business Style Stresstest on a large poster. For inspiration have a look at Uber's Stresstest.

How to use

In the Business Model Stresstest you investigate if your company can withstand developments in the areas of politics, economy, society, technology, market or regulation. Examples are aging of the population and big economic growth. Map your company's strengths and weaknesses through the following steps.

Step 1: describe your company

Describe the most important elements of your company through answering the Who, What, How and Why questions.

Who - customers

Who buy your products or services? Give a brief description of your customer(s).

What - proposition and value

Which product or service does your company offer? Describe and explain the problem it solves for your customers. Also, which advantages does your product or service have over the competitors offering?

How - activities and partners

Describe how your product or service is made. Which activities need to take place to get your product or service to the customer? Think for example of machines and personnel that are vital to the making of your product or service. Who are the partners that make the product or service possible?

Why - costs and revenues

What are the biggest expenses? Describe those parts of the company or your product that cost the most money. Then look at your earnings. What is your revenue model? Do you earn money only by selling the product or service, do you have other sources of income?

Step 2: select the three important developments

There are countless developments affecting

your business. Think of trends or upcoming changes in your market. Look at the following topics and consider which are relevant for your company.

- **Politics:** laws and regulations, political stability, and trade agreements or restrictions;
- **Economy:** economic growth, interest rates, inflation, exchange rates;
- **Social:** culture, health, population growth, age distribution, work ethics;
- **Technology:** innovation, developments, new hardware (computers, telephones, tablets), new software;
- **Environment:** weather, climate, environmental awareness.

Write down the three most important developments for your company. Choose the developments that you think will have the most impact on your business. Of course, you can also only choose one or two developments.

Step 3: confront your company with the developments

Now confront your company with the developments you have chosen. Check for each element of the Who, What, How and Why of your company if a development has an impact. See if the impact is negative or positive. Use the following indicators to get a clear view of the impact of the development.

- **Red:** indicates that this part of your company is no longer viable. In this case, the development is a danger to the part of the company. If the development happens this element of the company can no longer exist.

- **Orange:** indicates that this part is no longer profitable. In this case, the development ensures that the element of your company needs to change.
- **Green:** indicates that this element of your company is strengthened by the development.
- **White:** there is little to no impact.

Step 4: strengths and weaknesses of your company

Look at the canvas. How does the confrontation between the developments and your company look?

Where are the strengths? These are the places that you coloured green. These parts of your company are well organized if the developments take place.

Where are weak points? These are the spots coloured orange and red. Ask yourself how the developments affect your business? Particularly if you find that one specific element of your company is red for different developments. This shows you that this part of your business is a weak spot.

Step 5: make your business more robust

Think of concrete actions that mitigate or even resolve the negative impact. This will make your business more robust. To help you to formulate concrete actions, have a second look at the arguments you used for choosing to colour the element red or orange. Make a list of the actions needed to make your business more robust.

business model stresstest

name _____

		development 1	development 2	development 3
who customers				
what proposition and value				
how activities and partners				
why costs and revenues				

date _____

Based on Business model stress testing: A practical approach to test the robustness of a business model from Timber Haaker, Harry Bouwman, Wil Janssen, Mark de Reuver from 2017

Example Uber

industry	Transport
products & services	Passenger and transport of fresh goods
size of business	900 employees
revenue	\$ 6.5 billion (2016)
location	San Francisco



Uber connects with a mobile app professional drivers as well as amateur drivers with passengers. Uber earns money by collecting a share of the passenger fee.

Uber's Business Model Stresstest

Uber's Stresstest starts by describing the who, what, how and why of the company. A brief description is given of the most important customers, the proposition, activities and revenue streams of Uber. Uber selected three possible developments and wants to see the impact of these developments on Uber. The first development is a technological development, the self-driving car. This development would have big impact on Uber, requiring changes to a large part of Uber's business. Not in the least because in self-driving cars drivers are no longer necessary. The second development concerns a social development, car sharing. Car sharing is increasingly popular because fewer and fewer people own a car. With this trend fewer amateur drivers will be available, while more people would want to use Uber's services. The third development is political, new legislation determines that Uber is a taxi company. This has a big impact on the amateur drivers that the company employs, since they would not be allowed to drive anymore. In this case Uber's legal activities would probably increase which would make costs go up.

Development 1 and 3 have a particular big impact. Uber must determine mitigating actions in case they happen.

business model stresstest

name Uber

		development 1	development 2	development 3
		Self driving cars are accepted and can be used for passenger transport	Car sharing is widely accepted and the most common way for transport	Legislation decides that Uber should be treated as a traditional taxi company
who customers	Passengers		Uber makes car sharing possible, more passengers	Less drivers leads to less passengers
	Amateur drivers	Are not or less necessary	Fewer people offer themselves as drivers	Amateur drivers may no longer provide rides
	Professional drivers	Are not or less necessary	More rides are made by professional drivers	More rides are made by professional drivers
what proposition and value	Connecting drivers with passengers	Replaced by connecting passengers with self-driving cars	Less passengers are connected	
	Passengers: with a tap a ride from every place at any time, from affordable to luxurious			Less choice in drivers
	Drivers: easy access to passengers under their own conditions	This service expires	Connecting with even more passengers	
how activities and partners	Maintain and update platform			
	Collaboration with lease companies for special packages	Perhaps the lease company will also offer self-driving cars		
	Legal activities such as litigation and lobbying	No more lawsuits about amateur drivers needed		Uber will do everything to reverse legislation
why costs and revenues	Revenues: payment of passengers at the end of the journey	No intervention of driver, revenue will directly flow to Uber	More rides at the same time is more revenue	Less revenue due to fewer rides
	Flexible prices determined by crowds and transport availability			
	Costs: technological infrastructure, legal, employees and marketing	Perhaps the investment in self-driving cars is greater than the costs of drivers	More passengers per ride by drivers will reduce costs per trip	Uber will incur legal costs and have to retrain to a taxi company

date _____

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