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# **NEW BUSINESS MODELS: PRACTICAL ANALYSIS OF CANVAS MODEL**

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**Final Degree Project**

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## 1. Introduction

A business model describes the design or architecture of value creation for customers as well as the mechanisms used to delivering value to customers and capture value for the company. Thereby, the model should be improved to meet the particular needs of customers as well as being difficult to imitate for competitors. Therefore the topic was selected because, its importance lies in its design to prevent, for example great technological achievements to fail commercially, as they have only paid attention to the design of a business model to ensure its successful placing on the market.

The objectives of this work are essentially two: first show the diversity of the definitions of this topic from the point of view of different authors, being widely used in the field of business management and unifying the multiple perspectives in a single idea that the business model helps explain the logic of how a company works. And as second objective is to apply into practice the utility of the term to two companies belonging to the same business model, both being in different stages of development as companies dedicated to network marketing and aimed to the welfare and health sector. The purpose is based on Canvas analysis used for the two companies, to be able to understand how this business model it works and extract the value proposition of each, besides consider on their main differences after the study of the 9 blocks that make this strategic innovation tool.

## 2. Business Model definition

### 2.1 Different concepts of Business Model

The literature offers multiple and different definitions about the concept "Business Model" which despite of being an old concept, **(Drucker, 1954)** is frequent because of the internet, since de 90's e.g., **Amit & zott, (2001)** and since then it has been a growing use of the term. The current and foremost definition is from **Osterwalder & Pigneur (2010)** which says that a "**Business Model describes the basis on which a company creates, captures and provides value.**"

And in the absence of a clear definition for this concept, the most frequently used are mentioned below:

**According to Timmers (1998);** the business model is "an architecture of the product, service and information flows, including a description of several business agents and their roles; a description of the potential benefits to agents of several business, a description of sources of income."

**In contrast to Amit & Zott (2001:511);** the business model represents "the content, structure, and governance of transactions designed to create value by exploiting business opportunities." **And then the same authors (2010: 2016);** Based on the fact that the transactions connect activities, they developed this definition for conceptualizing the business model of a company as "a system of interdependent activities that exceeds the company and through its borders."

**From the standpoint of Chesbrough & Rosenbloom, (2002);** the business model is "the heuristic logic linking the technical potential with the realization of economic value."

**And Magretta, (2002)** business models are "stories that explain how companies work."

**Instead Morris et al. (2005)** says that a business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets.

**But for Johnson, Christensen, & Kagermann, (2008)** business models "consist of four elements that are intertwined, that, taken together, create and deliver value"(p.52).These are the client value, profit formula, the key resources and the key processes.

**And Casadesus - Masanell & Ricart (2010)** state that "A business model is a meditation of the strategy performed by the company" (p. 195).

**But Teece ( 2010)** says that "a business model articulates the logic, data and other evidence supporting a value proposition for the customer, and a viable structure of income and expenses to deliver value to the business" (p. 179).

**Finally the authors Osterwalder & Pigneur (2010)** a business model describes the basis of how an organization creates, delivers, and captures value. The business model is like a plan (project) to implement a strategy through organizational structures, processes and systems.

The following table summarizes the most important definitions for the term suggested business model also shows mentioned items that have adopted these definitions.

Table 1: Definitions of the term "Business Model"

Author(s), Year	Definition	Paper citing the definition
Timmers, 1998	The Business model is "an architecture of the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the sources of revenues" (p. 2).	Hedman & Kalling, 2003

Morris et al., 2005	A Business model is a “concise representation of how an interrelated set of decision variables in the areas of venture, strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets” (p. 727). It has six fundamental components: Value proposition, customer, internal processes/competencies, external positioning, economic model, and personal/investor factors.	Calia, Guerrini, & Moura, 2007
Johnson, Christensen, & Kagermann, 2008	Business models “consist of four interlocking elements, that, taken together, create and deliver value” (p. 52). These are customer value proposition, profit formula, key resources, and key processes.	Johnson & Suskewicz, 2009
Casadesus-Masanell & Ricart, 2010	“A business model is a reflection of the firm’s realized strategy” (p. 195).	Hurt, 2008; Baden-Fuller & Morgan, 2010
Teece, 2010	“A business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value” (p. 179).	Gambardella & McGahan, 2010
Osterwalder & Pigneur (2010)	"A business model describes the rationale of how an organization creates, delivers, and captures value".	Book Business Model Generation , 2010

Source: Zott et al, 2011 "The Business Model"

Given the above we can see that the definitions of the concept are different. From a definition that includes an explanation of the potential benefits for different business actors (Timmers, 1998) to definitions as it stands out in the book "Business Model Generation" in which it is said that a business model describes the rationality of how an organization creates, gives and captures value (**Osterwalder & Pigneur , 2010**), we will use this definition because of its simplicity, conciseness and intuitive definition, besides being a more current perspective on the business model.

Although the term is widely used in the field of business management, the concept of business model is not consistent in the scientific literature and often differs in its use. Therefore, the term is used with different meanings with reference to a single part of the model, to a specific business model or specific real case studies of business model, errors made by not considering a model as an abstract representation of the reality.

But the important thing is that the common element of the definition is that the business model explains the logic of how a company does business. However, next, we will analyze the term from different areas.

### 3. Use of the term “Business Model ” in different areas

The concept of the term "business model" has been used or explained mainly in three different areas that will be discussed below. But nonetheless, in this work the term will be applied to explain the creation of value in markets throughout the subsequent use of the "Model Canvas tool", which allows us to describe the way in which a company creates value for its customers.

#### 3.1 The business model for E -Business and the use of information technology in Organizations

On the one hand, the term E-Business covers the electronic commerce, markets, and Internet based business and refers to companies that lead their commercial transactions with business partners and customers over the Internet (**eg, Mahadevan, 2000**). But it excludes only those companies that take advantage of Web sites to display information for products or services. Therefore, we have used the "Business



Model" concept to refer mainly to the way that income increase because of internet business.

On the other hand, recent advances in communication and information technology , as the appearance and rapid spread of Internet search and reduction of communication costs, have allowed the development of new ways to create and give value. Therefore, said events have opened new horizons for the design of business models allowing the companies to fundamentally change the mode of organization and develop economic changes both inside and through the limits of companies and industry (Mendelson, 2000).

So, the main idea of e-business is to make the benefits of technology and the Internet serve to ease the activities of the company.

### 3.2 The business model and strategy: Value creation and value capture through activities

The business model has received increasing attention from students and business strategists interested in the explanation of the creation of companies value, performance, and competitive advantage.

#### 3.2.1 Creating value in networked markets

This definition of creating value in networked market, meaning that the value is created according to a company and a host of partners, to multiple users, has attracted the attention of management students who have used the concept of markets business model in their attempts to explain the creation of value in a network markets (**eg , Zott and Amit, 2009**). However, in the explaining of the creation of value, the concept of the business model has been used not only in the context of the digital economy but also in the context of deep poverty. **Thompson and MacMillan (2010)** also proposed a way for developing new business models that can lead to improvements in social wealth (eg, reduce poverty and human suffering). Thus, the value creation may refer to different forms of value (such as social or economic).

The value can also be created by revolutionary business models. According to **Hamel (2000)**, to flourish in "the age of revolution" companies must develop new business models - in which both value creation and value capture occurs in a network of value - which may include suppliers, partners, distribution channel, and coalitions that expand the resources of the company.

### 3.2.2 The Business Model and operation of the Company

While some literature about the Business Model tends to focus on the activities of the company with its network of partners, experts increasingly recognize that companies do not run their business models in a competitive void (**Hamel, 2000**) and the companies can compete through their business models (**Casadesus - Masanell and Ricart , 2010**). Then, the business model represents a potential source of competitive advantage (**Charitou Markides, 2004**).

The Business Models can play a central role in explaining the operation of the company. **Tucci and Afuah** propose the business model as a unified construction to explain the competitive advantage and performance of the company and define it as "the method by which a company builds and uses its resources to provide customers a better value and earn money doing this" (**2001:3**). While in the empirical work of **Zott and Amit (2007)** has analyzed the implications of operating in the design of the business model in entrepreneurial companies. These authors see the business model as the independent variable, and they bind to the operation of the company, which is moderated by the environment.

### 3.2.3 The Strategy and Business Model

Despite the conceptual differences between business models and certain aspects of business strategy, experts have emphasized that the Business Model can play an important role in the strategy of the company. According to **Richardson (2008)**, Business Model explains how the activities of a company work together to execute its strategy, in this way we can formulate the strategy and its implementation. In a similar way, both **Shafer et al. (2005)** and **Casadesus - Masanell and Ricart (2010)** see the business model as a reflection of a strategy by a company. According to **Teece**, the

business model reflects "an hypothesis about what the customers want, and how a company can find those needs, and get paid to do this" (2007 : 1329).

### 3.3 The Business Model, Innovation and Technology Management

The concept of business model has also been conducted in the fields of technological leadership and innovation. These are two complementary ideas which bear some relation to this issue .The first is that companies market innovative technological ideas through their business models. The second is that the business represents an innovation topic, supplementing traditional process, product and organizational innovation and involves new forms of cooperation and collaboration.

In addition, according to studies on business models, innovation, and technological management, have insured that technological innovation is very important for companies, but this may not be enough to ensure a steady success (eg **Doganova and Eyquem- Renault , 2009**). This is because the technology itself has no inherent value (**Chesbrough, 2007a, 2007b**). Besides the integration of technology into products and services, a company needs to design a unique business model to fully realize its commercial potential.

It should be noted at this point that the literature on the business model and its use in the fields of technology management, technology and the field of innovation management, is seen primarily as a mechanism linking the (innovative) technology company to customer needs and / or other firm resources (eg technology).

## 4. Proposed Business Model

Following are some business models proposals from the point of view of different authors as Chesbrough, Rosenbloom, Osterwalder, Zott, Amit, Afuah, Tucci and Magreta aiming to have knowledge about the various approaches to the " Business Model ", to later focus on some of the proposed development of this work.

#### 4.1 Model of Richard Henry Chesbrough and Rosenbloom (2002)

These authors propose a business model of six different approaches of companies to create value and are as follows:

1. Company with a business model undifferentiated (act based on price and availability of the product).
2. A company with some differentiation in their business model (act on a distinct segment).
3. Company that develops its business segmented model (act in more than one segment at a time).
4. Company with a business model aware of the external environment (act considering new ideas and technological changes).
5. Company that integrates its innovation model business model (act together to their suppliers and customers to redefine the business model).
6. The business model of the company is an adaptive platform (acting together with the environment to redefine its model and invest to generate alternative models).

And these authors specify that a business model form the following six functions:

- Articulate Value Proposition.
- Identify the Market Segment.
- Define the Structure of the Value Chain.
- Specify Generation Mechanism Sales.
- Describe the position of the Company within the Value Network.
- Formulate Competitive Strategy

According to these authors, the Business Model should be considered as a construction that acts as a bridge between technological inputs and economic outputs.

The Business Model defines the structure of the value chain (concept based on activity), and creation of value is defined as the set of activities of the company from which it obtains raw materials to the final consumer, where the added value incorporates as you progress through the value chain. Therefore, these authors propose this model to encourage value creation and business growth.

#### 4.2 Model of Alexander Osterwalder (2010)

Alexander Osterwalder says that "a rational business model describes how an organization creates, delivers and captures value." Well, in his book "Business Model Generation", he proposes a structure of business model called "The business model Canvas" focused on the value proposition as a central axis and is comprised of nine blocks: customer segment, the value proposition, distribution channels, customer relationships, revenue streams, key resources, key activities, network providers and cost structure. These blocks or business areas help describe the way in which a company creates value and which are areas that can be upgraded, modified or integrated so we can achieve a successful innovation in the design or redesign a business model.

Business Models scheme



Source: "Article Competitive Advantage, Henry Chesbrough", 2010

In addition, this author suggests a three-stage process to display the business model, description, evaluation, and improvement - Innovation.

While this model has been tested and applied by many public and private companies around the world such as IBM, Deloitte, the Public Works and Government of Canada, among many other organizations.

#### **4.3 Model of Christoph Zott and Amit Raphael (2010)**

These authors suggest that a business model is a system with interrelated activities together to consider the factors of internal and external environment. They propose that to design a business model, we should include design elements and schema elements. The design elements are oriented to the “What, How and Who” of the main activities of the company, while the schema elements contemplate other factors such as innovation, involvement of third parties, efficiency and integration of activities.

The proposed model emphasizes the importance of relations with third parties and describes how companies do business from a system perspective.

#### **4.4 Model of Afuah and Tucci (2001)**

These authors analyzed the impact of introducing Internet as a tool in various types of organizations. They used a classification that brings together companies based on the level of technology used which can be Sequences, Mediator and Intensive.

This model shows a different perspective of analyzing a business aimed at the transformation of objects as a process for adding value to a product or service, the mediation between two services, as do the banks to provide services to investors, depositors, and secondly the organizations that use technology as a means to transform a product or service and training companies, or universities that generate knowledge and technology.

#### 4.5 Model of Joan Magretta (2002)

Magretta proposes that business model is "stories that explain how the company works". In this way, it states that a business model is like a story, for the story to be good it must overcome two tests; the first test is a narrative, that is to say, if the story makes sense, and the second is the test numbers, that is, if the story generates utility.

It is important to always visualize ideas in a real context and think about how things would be when they are working and operating as planned, and that is that the strategy of putting the model as a story is a good strategy for designing a business model.

After the description of the different models proposed in the business above, we can say that each one has a different perspective regarding what a "business model" is but what they do agree is that companies create value through a set of interrelated activities or transformation of a product or service they are generated to meet the needs of consumers. Considering the proposals by different authors it will be taken as a business model of reference for this work, proposed by Osterwalder "The Model Canvas", as it is a practical tool for the analysis, design and innovation of business models. And that is known for being useful for various companies that are successful today, plus it can be a great help for entrepreneurs or SMEs who are developing a business model. Therefore, we use the model Canvas to analyze the business model of the company which we will describe next.

### 5. Business Model Canvas

#### 5.1 Components of a Business Model

The Business Model Canvas is a tool that helps establish a logical relationship between each of the components of the organization and all the factors that influence, whether or not to success. We can say that through the detailed chart "Canvas" which factors influence when it starts.

The Business Model Canvas was designed by Alex Osterwalder with the help of Yves Pigneur which was presented in his book "Business Model Generation" (2011). And it

is based on the concept that would describe the business model of a company, competition or any other company, and reflect on it.

Therefore the best way to describe a business model is to divide it into nine modules that reflect the logic of a company to achieve income, covering the four main areas of business: customers, supply, infrastructure and economic viability, essential to help develop the strategy of the company.

Figure 1. Plan of modules for the business model canvas



Source: Alexander Osterwalder & Yves Pigneur , 2011 "Business Model Generation"

Following we analyze each module individually to later mention and interrelate them. While we analyze each module individually, the sequence analysis leads logic synthesizing the business plan.

### 1) Market Segments

First we analyze the target market to which the product or service from a company will be focused, that is, each of the different population groups of customers served with the product or service offered will be analyzed to study in depth, the specific needs of the target sector. Therefore, it should match up customers, who are the core of any business model, with homogeneous characteristics in defined segments and describe



the needs, behavior and common attributes. Then we will locate to current customers in different segments to finally have some statistics and growth potential of each. A group once it has taken this decision we can design a business model based on a comprehensive understanding of the specific needs of the target customer.

## **2) Value Proposition**

Value propositions are the goods or services offered by a company to its customers. And whose goal in this module is to define the value created for each customer segment, describing the products and services offered to each. For each value proposition we must add the most important product or service and level of service.

It is also worth mentioning that the values given to the customer may be qualitative or quantitative:

Quantitative values: price, speed of service, performance improvement, cost reduction, risk reduction, and the like.

Qualitative values: design, customer experience, innovation, personalization, brand - status, accessibility, comfort -utility, and the like.

Moreover, this module will focus on four primary points:

- The problems to be solved to the customer to use the product.
- The needs that will be solved with the product or service.
- What value is given to customers who purchase the product or service.
- The product features that are highlighted for each market segment.

In conclusion, these first two blocks of Canvas are the core business model.

## **3) Distribution Channels**

At this point, we should analyze how we have to distribute the product, so that we can reach the final customer efficiently. So, we should focus on three main points:

- The way it is currently distributed in the market interest and at the same time ask, how can you change this to integrate it into the daily routine of the clients?
- Analyze how the market segment wants to be reached.
- Identify which channels of distribution may work better for each business model and at the same time analyze the most appropriate way to help make your cost efficient.

#### **4) Relations with customers**

This point is based on analyzing the type of relations to be established with the customer when acquiring the product, which should analyze which is the most aggressive and creative way to establish long-term relation with customers, so you must evaluate three main points:

- The type of relationship that market segments expect to have between each other.
- Assess the type of relation you will have with customers, because if the environment is virtual or whether it is physical will vary a great deal in the cost of the product or service.
- How to integrate the customer relationship to work in a balanced way with the business model?

#### **5) Sources of Income**

At this point we evaluate the business model and the innovation depending of what people are willing to pay. The issue is to solve the three major questions on how to get income of your business idea; these questions are described as follows:

- The amount of money that people pay for your product or currently pays for a similar product, substitute or paying with a competitor.

- The way customers currently pay for a product similar to yours, also do not forget to analyze the assumption that if they would prefer to pay in a different way than they currently do.
- Analyze how your sources of income and payment will help you get the margins you intend to get your business to have the desired success.

## **6) Key Resources**

It's about finding the physical, intellectual, human and financial resources that will enable the business model as a true high value proposition and therefore a success in the market. But we should know that for every business model we need different key resources. A manufacturer of microchips requires production facilities with high capital, while a designer of microchips depends more on human resources. Key resources can be physical, economic, intellectual or human. In addition, the company can have them in property, rent or obtain them from key partners.

## **7) Key Activities**

This point must define the parts of the process or activities that are key to the product to have the desired success, in this step you should list all the key points that are a must in a business, an example of this would be: sources revenue, customer relationships, key distribution channels or features on your value proposition that you cannot miss your product or service.

## **8) Key Partners**

Here it comes to reducing the potential risk to the production processes at the same time trying to optimize the resources of your business. It shall list: Who will be your key trading partners, your key suppliers and key resources that should get your trading partners so that the entire cycle of your business running smoothly.

## 9) Cost Structure

Here you must define the strategy to be followed by your business model to maintain the cost structure of your company, you must decide between having a business that focuses on keeping costs down or be a business that focuses on creating higher price value.

It is important to assess your analysis the following three points:

- The key resources of your business that are the most expensive and how can they be reduced?
- Key activities of your model that are the most expensive.
- The major costs that are linked with achieving your Business Model.

In short; the Canvas method seeks a comprehensive model to analyze the company as a whole and serve as a basis for developing different business models, it has become a tool of strategic innovation. And, like everything, it has its advantages and disadvantages.

### 5.2 Advantages and disadvantages of Model Canvas

#### Advantages of Canvas

- Canvas it's a very practical tool because it allows to change everything you want on it as you progress through analysis and testing risk hypotheses that are important to the viability of the business.
- It is very visual because it allows you to see globally all the important aspects that shape the business model and helps us to design and innovate.
- Support the strategic thinking and understand the real situation of the company, offering a high overview of the business model.
- Allows to understand the interrelationships between the different elements of the key model to value different scenarios.

- Integrates well with other tools of the new Management, like: Customer Development , Lean Startup , Blue Ocean Strategy, etc.
- Fosters collaborative work.

### Disadvantages of Canvas

- Unspecific, it is not suitable for a practical thinking (is not as useful as some believe).
- Doesn't show all key factors, and their relationships within each other (the operating model).
- It must be complemented by a detailed process map.
- For being so vague we can make the mistake of thinking that the Business Model Canvas is our business model, and not just an abstraction of its key elements.

### 5.3 Example of Business Model Canvas

The best way to understand this tool is through an example, so then the Canvas model is illustrated by one of the most innovative business; Nespresso.

- **Value Proposition:** The value proposition of Nespresso is clear: "the best coffee you can make in your home".
- **Customers:** Nespresso is primarily aimed at two profiles: one the one hand a medium-high profile and on the other hand to a business user/professional
- **Canal:** To deliver this proposal uses various channels: telephone, physical stores, mail or Internet.
- **Ratio:** The ratio, one of the key aspects, is managed through the club Nesspresso, not only regularly rewards its customers but is able to proactively advise a customer when he has to clean the coffee pot.
- **Income:** There are two important incomes: The main comes from the sale of capsules (model bait & hook), while a lower income stream comes from the manufacturers' coffee makers and licensees of its technology).

- **Resources:** To give this business model, the main resources used by Nespresso are the logistics, production of capsules and advertising.
- **Activities:** Activities that consume resources are the factory (production of capsules), R & D and management of the Nespresso club.
- **Alliances:** The most important alliance that has the company is with various manufacturers of coffee (Krupps. etc).
- **Cost:** The cost structure that supports the business model has three key elements: the cost of marketing and advertising cost of production and cost of logistics.

## 6. Analysis Practical of Business Model

### 6.1 Methodology

For the practical analysis of this work it has been selected as the first option realize the Model Canvas of the company Fuxion, in which the corresponding aspects have been analyzed and as the second option there has been chosen a company with which it could compare the results obtained of the previous company and contrast them with the second company being in this case Herbalife. Thus, the aim of this comparative analysis is to add an additional value to the work and above all to see as two companies that they find in the same industry they are employed at this type of business named Multi - Level - Marketing (MLM).

In addition it is necessary to say, that to analyze the companies as well as Fuxion and Herbalife have been used primary sources in case of Fuxion, since it has been possible to contact two independent dealers of this business and an ex-manager of Fuxion, and to facilitate first hand information about the functioning of this company and to be able like that to emphasize the aspects that it plays the role different from the competition. Also, secondary sources have been used for both cases, as : web pages, blogs, interactive videos, personal opinions of workers, video reports, customer experiences, and others.

Consequently, there will be realized the practical study of both companies that belong to this model of business, which nowadays provides the opportunity to work to many people through the direct sale of products.

## 6.2 Canvas Model of Fuxion Company

The Fuxion business model is known as a MLM business, which distributes its products through a system known as network marketing or MLM and pays commissions to its distributors through a payment plan called Binary Hybrid a very generous plan, which fosters teamwork, leadership and rewards the effort of each distributor, one of the most aggressive in the industry.

Therefore, we can say that Fuxion Prolife is an excellent business opportunity for those who decide to join and participate in this industry. Establishing a partnership between the company and its partners, in which the company produces the products and the partners focus in building networks of people who use the product and also building their own, networks creating huge international organizations of entrepreneurs who benefit from low prices and income from the business itself.

Next, Model Canvas Company Fuxion described as follows, will be discussed:

### 1) Customer Segments

Fuxion clients are people of all ages, with intention of improve or maintain their physical health and prevent certain diseases such as diabetes, obesity, arthritis, etc.

Although the products offered by the company caters to the general public, it can identify different customer segments, as it has organized its products in systems according to the features and benefits for each family member:

- **System Fuxion to strengthen the immune system**

It has been developed so that when products of this system are consumed achieve better protection and improve the quality of life. Since it can strengthen the most of the internal protection system, to enhance the functioning of immune cells and promote cell regeneration.

- **System Fuxion weight loss and reduction measures**

It has been developed to not only remove excess fat located in these difficult areas to lose weight; but also helps tone muscles. All this is possible with an innovative nutritional strategy based on the natural metabolic cycle, which makes these supplements ideal for a healthy and attractive figure.

- **System Fuxion Anti-Aging**

This system allows slowing and reversing the age symptoms over the years, so that young people can stay young a longer time.

- **System Fuxion to increase mental vigor**

This system provides the nutrients (amino acids, vitamins and minerals) necessary to balance the nervous system. These products help improve concentration and memory so that the mind operates at 100% capacity, while optimizing natural relaxation mechanisms for a life without stress and anxiety.

- **System Fuxion and increasing muscle sports performance**

The products of this system are made to improve athletic performance and increase muscle mass, perfect complements to a routine of physical training, from the most basic to the most demanding, helping to significantly increase the proportion of muscle mass in the body in a short time permanently.

- **System Fuxion for women**

Developed this complete system of products for women that provides an important support in menstrual cycle stages and menopause; problems such as hormonal disorders and changes in the appearance of the skin. It also offers



nutritional reinforcements for mothers and their children during the stages of pregnancy and lactation.

- **System Fuxion kids**

This system provides high quality nutrition for children to reach their full genetic potential.

Major customers that demand the products offered by the company are those who have decided to change their habit of consuming soda and artificial beverages consumed in return for natural products that help improve and achieve full health.

## **2) Value Proposition**

Fuxion is a business opportunity that offers an empowering combination of physical health, emotional health and financial health in order to improve family life and with integrity of their customers.

In this way, by combining these three components, Fuxion provide its value proposition to its customers and, thus, distinguishes itself from its competitors in the health and wellness sector.

On the one hand, it provides physical health through their best and most complete nutraceutical functional food ingredients (nutrients with pharmaceutical properties), combined and enhanced the concept of Fuxion. These foods produce unique results thanks to proprietary and patented technology that fuses Fusion Nutraceutica® over a thousand natural active ingredients, to offer the variety of products available with the amazing results when combined, multiply the benefits of each ingredient in the body -X effect-that helps achieve true health.

Furthermore, Prolife Fuxion products are different from the competition because of the following highlighted characteristics as:

They are **healthy**, you can take as many times as you want without damaging the body.

They are **affordable**, have a totally fair price in relation to its quality, which occur in the body and making it last.

They are **practical and social**, come in single sticks, easier to transport and share.

They are **substitutes** of other products; the idea is to eat what has always been consumed but now a functional and intelligent way.

**Meet a real need**, strengthens the immune system low weight, improves the quality of sleep, enhances the natural energy, slows the signs of aging, etc.

They are **important to people**, because at the same time they improve the welfare and health, you can enjoy a delicious drink.

In conclusion, one can say that the products offered by this company are helping both, to prevent certain diseases and to improve health irregularities in the body through its drinks that act as a nutritional supplement.

On the other hand, it aims to provide emotional health, Fuxion makes it through their leaders school that prove to carry all the human potential to the maximum level of power, action and achievement route to success, inner harmony and full happiness . Since it combines and enhances the knowledge of neuroscience and ancient oriental techniques improvement and self-improvement, and merges into high-impact programs that allow achieving personal growth and emotional management to be achieved; and develop the ability to lead one's own life and inspire others.

Finally, it offers financial health, allowing those who are part of the company achieve the level of life they thanks to Fuxion that makes this a reality: the work of each one and Compensation Plan that has is the perfect combination.

Then, that opportunity combines and integrates the most successful business models in the industry of network marketing: binary and multilevel system, synthesized in the Binary Model Hybrid, allowing the freedom to work at one's pace and earn money through various ways offered by the company for their own benefit without the need to invest a lot into this business.

According to the company there are 15 different ways to make money which lead to financial freedom. This way, with its Compensation Plan, you gain for the team leadership, earning up to 43% for sales made; and to 57% for the work that each team has done you can win in many ways.

### **3) Distribution Channels**

Fuxion ProLife products are not sold in traditional wholesale or retail channels (such as distributors, warehouses, supermarkets or pharmacies). But are sold only to people who wish to be independent entrepreneurs of ProLife, these are people who are associated with the company and reach a position in the network, through the central headquarters and/or distribution centers at national and international level. Therefore, there are no stores or advertising that gives them a solid competitive advantage by creating unique products and effectively control production costs and what the company saves on advertising and marketing costs by transferring its independent contractors providing highly prices competitive with large profit margins and above-market compensation.

Then, only the Independent entrepreneurs can buy directly from ProLife and its subsidiaries worldwide, for which the billing area Headquarters and CSCs may request identification for checking the ownership of the code. And in the following cases it shall be:

- If an employer cannot approach to the authorized office and wish to purchase he may do so through another person with written authorization (proxy), or through Internet. And in case concerned a purchase whose destination is outside the capital, will be made a cancellation of the purchase and the respective shipment.
- If the person who comes to buy is Co Business (is a form of partnership between two people, in which the Independent Business extends the business benefits to the other person who is not), you must be registered on the membership card with a copy of your ID and / or electronic membership card ProLife commercial system, also you will be asked their identification.

While the entrepreneur manages its business independently, and can make selling products ProLife Fuxion through your personal web site, which is serious and professional tool by which they can generate more sales and thus show your new business.

In addition, it notes that the employer acquires its products ProLife with the discount percentage rightful according to the scale of discounts and profit is the difference between the discount granted and the agreed selling price to the public according to the list and its subsidiaries ProLife publish internationally. And it states that the sale of products between employers is not allowed because ProLife and its subsidiaries shall not grant international commissions, scores for the transaction and in that case the employer will be penalized.

#### **4) Customer Relation**

One of the main concerns of business is to satisfy customers and maintain a good relationship with them and in the case of Fuxion ProLife this is no exception, as this is essential for success in business. Thereby, the company satisfies its customers through all its actions that are aimed at the total and absolute satisfaction of its members and consumers. Therefore, invest everything you need to continuously improve, so ProLife has developed a culture of continuous improvement, a relentless pursuit of excellence.

It aims to have 100 % of Entrepreneurs and Consumers Network satisfied, that's why they accomplish 3 strategic objectives:

- 1) HACCP certification that accredits the highest quality in their production processes, mixing, packaging and storage, always with the best inputs. The operators are 100% committed to quality and a modern plant with high production capacity.
- 2) ISO 9001 in high quality service and excellent performance in support Entrepreneur, billing and shipping of products.

- 3) Certification Operational Excellence Class A, granted only to companies that maintain best practices globally and continuously improve all business processes.

It also has a Code of Ethics for businessmen of ProLife, in which a set of principles which should be followed by independent entrepreneurs Prolife, which administer their own activity abiding by the rules and regulations of the company described and its subsidiaries internationally, to grow your business and make more profits by offering quality service and establishing good relationships with end users.

The company offers a customized website for each individual entrepreneur, through which customers can buy products and benefit them with their purchases earning bonuses, prizes, giveaways, etc. But the customer will be also benefited, with each purchase of qualifying products, gaining points X, redeemable for merchandise, tickets for events and participate in the annual drawing on the anniversary of Fuxion.

Fuxion understands the power of words, recommendation and they intend to continue expanding its wellness proposal. It has opted for a better use of those million commonly aimed at advertising and invested it in consumer, proposing a lucrative business and creating a major flow of money to build its own network consumption of its members, who's are loyal to the products that Fuxion offers.

## **5) Sources of Income**

On the one hand, Fuxion company earns income as profits from their products sold being distributed by partners of the company, which are clients of the company itself as well as members of the company therefore they are the consumers as well as those who distribute the product to end consumers. So the more this business expand the more incentive to belong to this network marketing, there will be better chances that the company makes profit and continue to produce more and even create new products that help consumers meet their different needs in the health wellness.

On the other hand, the company offers a unique opportunity to its entrepreneurs to obtain additional income, doing business independently full or part time, to obtain the

desired financial freedom. And thousands of people have chosen and still choose this alternative business, because its success is based on the ability to recommend the products that have had good results in people who have tried it, and bring those consumers to other consumers. These generate better sales and more consumers interested in joining this business, which will become Fuxion independent entrepreneurs that build their own teams, which have many consumers, many vendors and other network builders.

The Opportunity Fuxion as mentioned above provides 15 different ways to their businesses to generate income beside the enterprise of well-being and internal health. Each way to generate income is completely designed to help gain financial freedom and time freedom that people desire so much. ( *to check table of ranges Fuxion company. Appendix 1* )

## 6) Key Resources

The value proposition that Fuxion offers requires a number of key resources to give value to the clients such as:

**Material Resources:** the company has own offices located both at headquarters, being in Peru, as in various countries where the company is present at international level like in Colombia, Costa Rica , Ecuador , Chile, Venezuela, Panama, Mexico, USA.

**Intellectual Resources:** Prolife and its new line Fuxion have developed products that not only incorporate natural ingredients but also incorporate own and international patents. All this within reach of millions of people in Latin America to fulfill its promise of "Improve Your Life" It is shaped by the following patents:

### Own patent

-BioProtein + Colostrum®, is a combination of immunoglobulins from bovine colostrum (specific proteins that contain the same code that transfers transfer immune mother to her children after birth through breast milk) with whey protein, egg white and soy. This

mix promotes maximum protection, containing five times more immune proteins than breast milk and cell regeneration and has 100% Unavailability of the four proteins (soy, egg, milk and whey)Prolife has made that its protein formula is enriched with these immunoglobulins from bovine colostrum, and thanks to them the immune system of people get better defensive capabilities.

### International Patent

-Wellmune WGP®, scientifically proven that improves respiratory health.

-Prolibra® being scientifically proven way to lose weight.

-Actinos®, Proven to enhance athletic performance.

-Bioferrin® scientifically proven to enhance the immune response.

**Human Resources:** Fuxion having a business model of consumer networking, which allows products to reach people directly and also provide the opportunity to work with friends, family and entrepreneurship and develop freedom. It is vital and necessary for the company to have people who wish to participate in this business opportunity, since its success is based on the ability to recommend Fuxion products to people close to the partners, because they take care of the distribution and expand the business.

**Financial Resources:** In this company it is necessary that each partner or entrepreneur who joins the company has access to a minimum capital in order to belong to this great market capital. So, a person may join by making an initial purchase of 180, 360 or 600 points as desired product (dividing this initial purchase in own consumption, samples and sales) plus the Starter Kit, which he get the employer code and start the business Fuxion.

Key Resources described above are typical of the company that represents a competitive advantage, which makes it differ from other companies in this sector of wellness and health. Because not all the companies engaged in this business possess these characteristics from developing their own original and inimitable patent, and distribute its products through its own partners without investing in stores or making

expenditures on advertising, which save many costs allowing people to get involved in this business gain benefit and have been offset reaching the quality of life they've always wanted a "true health" with the opportunity for economic and personal development, under the system Multicroissance.

### **7) Key Activities**

The main activities that Fuxion does to offer value to its customers, meet the needs of their members and therefore the success of this company with the sole purpose of "Improving the lives of people" are:

First, the products commercialization process is carried out by independent entrepreneurs themselves, i.e., making a direct sale without intermediaries. In this way it is possible to reduce costs of setting shops and advertising.

Second, technological processes and Fuxion products are backed by certifications, both own and international patents that offers the best and most complete functional foods nutraceuticals principles (nutrients with pharmaceutical properties), combined and enhanced by the concept of FuXion.

Third, the business opportunity offered by this company under the system of network marketing, allows the generation of large partners, great leaders to encourage job sharing, with programs of high impact personal development encouraged and being rewarded economically under the binary and multilevel system that is synthesized in Binary Hybrid model, allowing the freedom work at the pace of each and make money in 15 different ways, being an unparalleled business opportunity.

### **8) Key Alliances**

Fuxion, as we know, is under the business model called network marketing that is the grown of business and expand through the affiliation of more people interested in this industry. Thereby, the relation established with new partners is of great importance, because the success depends on it. This company has a number of values such as; ethics and responsibility, flexibility and adaptation to change, iron will, creativity, leadership and teamwork, which are essential for proper development of the activity of the company and establish good relations with its partners, and consumers. In addition,



every entrepreneur belonging to this company should respect and comply with the principles set out in the Code of Ethics for businessmen Fuxion.

## **9) Cost Structure**

The main investment that the business model Fuxion involves is destined to commissions of partners, since there is no advertising or expenses incurred in establishing physical stores, this being replaced by the power of recommendation by word of mouth and interest to continue expanding the proposal of well-being. In this way it is controlled the production costs effectively, and everything the company saves on advertising and marketing transfers to its independent entrepreneurs by providing highly competitive prices with large profit margins and above-market compensation.

Other costs incurred are investment in physical infrastructure and resources of the various offices where the company has expanded internationally.

And another important investment is the exclusive patents that comprise Fuxion, which together have a total of over 600 million dollars in research.

### **6.3 Discussion of the analysis Canvas of Fuxion**

After the description and analysis of the components of Canvas model applied to Fuxion Company, we can say:

First its products are exclusive because it has a number of unique features, starting from the composition of the variety which makes their products unique, resulting in benefits to the human organism.

Second, the company offers the opportunity for people to be associated with them so they can have their own business in order to get not only physical health but also an emotional and financial health.

Third, under the consumer network model the company can reduce marketing costs, as the channel used to be known and distribute its products is the word of mouth, this is an important point because it involves benefits for the company in profit and compensation for members of Fuxion.

These three important aspects make Fuxion a different business and provide a distinct and unique value to consumers. So, many people have already realized the competitive advantage that it has over other companies and this has made both the number of Fuxion consumers and entrepreneurs increasing and continues to increase, thereby expanding this business in different parts of Latin America, North America and even with future plans to reach the Spanish market.

#### **6.4 Analysis Canvas of Herbalife in comparison with Fuxion Company**

In this point we compare two companies of the welfare and health sector, whose business model is the MLM or network marketing. Based on direct sales, the intermediation costs are eliminated.

In recent years this type of business model has increased, because it offers better business opportunities, especially to many people that are now unemployed and consider this option as a source of income.

And the selection of these two companies is because they belong to the same industry and share the same business model but nevertheless each of them goes through different stages of growth being one of the Fuxion, which is booming growth or as it is called, it is in the "momentum". Furthermore, we analyze the company Herbalife which is the industry leader in nutrition but now is in the stability stage.

Fuxion is a South American company from Peru since 2006, dedicated to the wellness industry, which uses biotechnology and maximizes the nutritional power of its ingredients incorporating new and valuable resources of ancient herbal and fruity tradition of the Andean, Amazonian and oriental with new and improved national and international patents totaling decades of research and hundreds of millions of dollars in

investment. This way, Fuxion ProLife has evolved its image bringing this innovative concept to a renewed product line, presenting a current image that offers greater portability and style.

Herbalife was founded in Los Angeles, California in 1980, dedicated to the sale of nutritional products that is changing people life for more than 30 years, and it was created to help people improve their welfare, through balanced nutrition and an opportunity for Independent Business, accessible to everyone. Thereby, in the early 2000 it managed to expand to many countries in Central and South America, counting today with the presence of this company in over 90 countries worldwide. And in December 2004, he made a public offering and its shares are now listed on the Stock Exchange of New York under the "HLF" symbol. Currently the firm thanks to the people who consume their products, has made it a world-renowned for working with good nutrition and skin care, and helps people to profit through marketing their products, helping more people knows the benefits of a balanced nutrition that can bring to their lives.

Next, will be developed the analysis of Canvas Fuxion describing each block, and then the company Canvas Herbalife will be presented as a comparison with the previous company, defining in each block their similarities and differences.

Another company whose have a multilevel bussines is the global nutrition company Herbalife that has been changing the lives of people with great products since 1980. The company dedicated to the production and merchandizing of nutritional supplements and skin care sells its products through this system of multilevel marketing or network marketing. This company has an extensive network of independent distributors in over 85 countries worldwide who sell products exclusively and have the opportunity to work and receive a part-time income, or to dedicate in this business full time. In short, with these quality products and the support of an experienced company for their independent entrepreneurs will ensure that consumers feel good and enjoy lifetime welfare.

### 6.4.1 Canvas comparative of Herbalife

Canvas components of Herbalife business model will be analyzed:

#### 1) Customer Segments

The products that Herbalife offers to its consumers are diverse, like protein shakes and snacks, vitamins and dietary supplements, nutritional energy drinks in general as it does Fuxion with his own supplements, yet Herbalife also concerned about skin care and hair, for which offers a line of products combined with a healthy diet and exercise can help people to lead an active and healthy life. Therefore, its products are aimed at people who care about their well-being and fitness. this way the products and premium programs sate some needs as Herbalife nutritional, weight management and personal care. From which you can segment the customers of the company along the lines of the product that Herbalife offers:

- **Targeted Nutrition Line**

The products of this line can help maintain the overall health of its consumers in optimal conditions to be able to provide the body with a specific nutritional support.

- **Products for Weight Management**

Which contain all the good things the body needs, in addition to having a pleasant taste and available in a variety of great flavors. Therefore they are addressed to people who seek to control, gain or maintain your weight, and through these Herbalife products can meet this need with this convenient and fast alternative to prepare healthy food.

- **Sport products**

Whose products cover energy needs, sports and physical fitness that make athletes with their training and recovery to the next level with the line of Herbalife24 sports nutrition products, for 24 hours.

- **Line Personal Care**

This line offers a range of products for people who care about the welfare of their skin and hair, have a nice body and a good look.

## **2) Value Proposition**

Herbalife is a company that helps change lives of people through their products and offer the opportunity to have an independent business enabling independent entrepreneurs have an attractive profits plan, be their own boss and developing their own part-time business, this aspect operates as does Fuxion. But as for the products that Herbalife offers they are aimed at consumers that tend to worry about a healthy lifestyle, in which nutrition and personal care becomes the focus that the products of the company satisfy. The value concerned is added, not only for the good internal nutrition of people, but for the people who cares for an external nutrition in order to get a personal wellness, offering cosmetic products that combine the best of nature and science intended for daily use, which nourish and protect the face, skin and hair. The priority of looking good is becoming increasingly important for society, because they want to feel good both inside and outside. Therefore, the value proposition of the company goes beyond consuming a product, but to help our body to have a good internal and external nutrition, maintaining the necessary to feel optimally balanced.

## **3) Distribution Channels**

The distribution channels that Herbalife and Fuxion uses are through direct sales using a network of independent dealers that sell products directly, with Associate Independent Herbalife service office centers that operates in more than 90 countries. In order to offer a personalized and friendly service, it opened offices in many countries, so that their products can reach more people. Through the Word of mouth leading independent distributors who have the responsibility to see first-hand all the products that Herbalife offers, and share their insights, results and experiences with

their closest environments, to gradually increase the focus of action, these are the primary responsible for distributing the products of the company.

#### **4) Customer Relationship**

Herbalife through a diverse portfolio of products, that respond to the needs and preferences of each consumer aims to establish a link with the customer who feels identified with the product and especially feel a satisfaction that is generated by acquiring and consume such products.

In addition, we can say that this company, unlike Fuxion, does sponsorships to various world-class athletes who are fed with Herbalife nutritional products advanced technology, to help them optimize their performance. And these athletes make the image of the company remarkable and that the mark becomes a benchmark in the field of health and wellness for consumers. This way, sports teams, conferences and sporting events around the world, become ideal scenarios to provide a healthy lifestyle, leveraged a brand internationally referenced by its commitment to nutrition, sports and health.

As for those who want to join and participate in this business opportunity as the other company, independent distributors will teach them everything they need to know, and continue guiding and supporting to help grow their own businesses. But compared to Fuxion, Herbalife used methods to sell and recruit more distributors as Nutrition Clubs, which are social gatherings that attract people who become participants who wish to focus on good nutrition and regular exercise, to achieve better quality of life and wellbeing. As the way to drive Nutrition Club depends on each person provided that the Herbalife rules of distribution and standards of conduct are met. You will infuse your own taste and personality in Nutrition Club.

Like other companies with the same business model Herbalife has a number of rules of conduct and distributor policies established for protection and representation of ethics code applied to those who want to work with Herbalife Independent Distributors so that they can fulfill their job properly and offer products that meet the needs of their consumers.

## 5) Sources of Income

In this regard, the analysis of both companies is similar because they share a type of direct sales business based on the revenue, in the achieved volume sales that depends on the effort, attitude and leadership of its distributors to achieve good results in the sale of their products. And moreover Herbalife offers dealers the opportunity to progress in personal appearance and to get attractive returns through a business that can be dedicated full or part time. And there are 4 ways to generate revenue in the company. But Herbalife payment differs from Fuxion as the Herbalife Marketing Plan is based on Independent Distributors that pay up to 73% of the profits of products in the form of profits from Wholesale or Retail, revenue incentives for meeting goals, performance incentives of the organization and other incentives. Focusing the benefits of distributors in the number of sales made. For this tried and tested business plan is designed to maximize the profits of the effort and provide a continuous and substantial source of income. However in Fuxion the compensation plan using Binary Model is Hybrid, which allows a higher percentage profit to build the dealer network in this way earn up to 43% for sales made; and to 57% for the work developed by the team each.

## 6) Key Resources

The value proposition of Herbalife requires a number of key resources to deliver value to its clients such as:

**Physical resources:** Herbalife has sales centers since aims to provide good nutrition to everyone, which is why, strives to provide personalized and friendly service, opening offices in many countries, so that their products can reach each more and more people.

The company has sales and service centers Associate Independent Herbalife in more than 90 countries where it operates.

**Human Resources:** The Company is committed to maintaining a healthy work environment, safe and productive, free from discrimination or harassment for so company members are comfortable working with the goal of changing the lives of

people offering their products for good nutrition and wellness and the best business opportunity in direct selling.

Moreover as stated in the program of Social Responsibility Herbalife, the value that guides the company is acting properly doing things right, honest and ethical manner. This value applies from the way business is conducted, to the commitment we have with communities and how employees and Independent Associates, spreading always respect each other to achieve success as a team In this way the company has worldwide with the Herbalife Family Foundation, which conducts the Herbalife house program, and it directs support to non-profit institutions such as schools and children's homes. Also through environmental awareness programs LiveGreen under the slogan of the 3Rs (Reduce, Reuse and Recycle), Herbalife carries out recycling containers, paper, cardboard and plastic, along with Independent Associates and employees.

**Financial resources:** The financial resources of Herbalife are obtained through direct sales, which involved only one person between the product and the consumer since the costs saved by dispensing with intermediaries can help generate higher profits. Since, direct selling provides opportunities for independent business to people looking for an alternative sources of income and whose development and success is not restricted to gender, age, education or experience. One the main features is freedom and independence to manage their independent business. An Independent Associates is not subject to schedules or bosses, this promote free and independent generation of micro entrepreneurs eager to gain profit.

Key Resources described above are somewhat similar to the previous company analyzed but nonetheless we can highlight a number of differences that make the company unique, different from other competitors by specific aspects, allowing a number of benefits from its products for both partners, associates independent customers, shareholders and employees.

First, Herbalife is no longer in its "momentum" as many MLM companies that exist today as Fuxion. Fuxion is going through a time of explosive growth making distributors earn a lot of money in shorter periods of time, but Herbalife it is in a stage of stability. Secondly one can say that is one of the leading companies in the industry that has



solid financial foundations. Third, it has a pretty good training system based on product sales on the basis of persuasion and using techniques of neurolinguistics to convince people to buy the products. And fourth, the company has products that provide balanced nutrition which is a healthy combination of protein, carbohydrates, beneficial fats and other nutrients, along with an active and healthy life and a personalized plan that makes the philosophy of Herbalife nutrition unique.

## **7) Key Activities**

The main activity carried out by Herbalife is to deliver value to its customers and meet their needs and the needs of their distributors, therefore the mission of the company is to "change the lives of people" through good nutrition and welfare.

First of all, it makes a big difference from the other company with its manufacturing process and product development that meets the highest standards for safety and science. since, the exclusive formulas of Herbalife products have been created using selected ingredients from different parts of the world, whose attributes and qualities have been enhanced with support from Herbalife and high technology for it has its own crop fields and maintains direct agreements with farmers specialized in various locations, in order to ensure the quality of the ingredients in their products, from the seed to the table. And a team of scientific experts that evaluates the products from receipt with raw materials to the finished product, using the latest equipment to ensure that it meets the necessary requirements.

As for the marketing process, the products are offered through direct sales, this allow to save costs because of the company does not depend on intermediaries and not investing in mass advertising, guaranteeing greater profits, depending on the effort and dedication of each Independent Associate. This, together with Herbalife sales and Marketing Plan makes an independent business opportunity an attractive option.

Finally, the independent business opportunity offered by this company as well as other companies with this type of business, offers people the chance to enjoy certain benefits like: establish a business that allows everyone to be the sole owner of his time, get extra revenue according to the effort and time puts into the business (either partial or

full), receive training and support tools to boost business, receive recognition for the success and above all improve nutrition, appearance and economy of each distributor.

### **8) Key Alliances**

On the one hand, Herbalife's main feature is that it is committed to science and research and development. This way it sets the standard by which all nutrition companies are measured in addition to advancing the science of nutrition through scientific research conducted around the world in a way that allows progress in the process of product development.

And to reinforce its brand, the company is expanding its Advisory Board, composed of a team of renowned scientific experts that directs the development of products through research and product testing.

On the other hand, the company sponsors several athletes and elite sports teams worldwide who consume Herbalife nutritional products advanced technology, to help them optimize their performance. So for the company it is proud to support these teams and athletes to achieve their goals.

Finally, the relationships established between the company and Herbalife independent distributors is supportive, as they sell products exclusively and therefore this company provides the assurance that each of the new distributors will receive the necessary help to achieve their goals.

### **9) Cost Structure**

Being a multilevel business like the other company, the main investment for Herbalife is to invest in the commissions of the independent distributors, who are expanded in more than 85 countries, whose commitment is to the well-being to millions of people around the world. And through the word of mouth that leads the distributors, it helps reduce costs by dispensing with intermediaries which encourages greater benefits for them.

However, the company is distinguished by the fact that it invest in advertising, print media and Internet to sell their products, gain recognition and distinction in the field of

welfare and health. In addition the company also invests in sponsorships to athletes, teams and events, generating greater visualization of products.

Other costs incurred are investment in physical infrastructure and resources of the various offices where the company has expanded internationally.

And another important investment of Herbalife is in the area of research and development, technical operations, scientific, security/quality control, compliance and product safety in order to advance the process of product development, investing about 19 million in these areas in 2011.

## 7. Conclusion

In the present work we define and develop different perspectives on the "Business Model" by various authors and using this concept in various fields, which enable a clear definition of the term that has been used as a reference for the analysis of this work. Being the most prominent among many others the definition according Osterwalder & Pigneur (2010), which says that the "business model describes the basis on which a company creates, captures and provides value." And from this perspective it has used the "Model Canvas", as a practical tool for the analysis of the two companies, Fuxion and Herbalife.

Then this analysis allowed to study together the integrated components that make up the "Business Model Canvas" used to describe the business model of a company, as a way to highlight the proposal value offered by each and ponder on them. The objective of this study is to get an idea of the business model represented by each company and determine its main areas of business, which are: customers, supply, infrastructure and economic viability that distinguishes from the competition.

So the most common starting point for developing a business model Canvas is usually the value proposition, which is recommended to be split into two components, in the case of the company Fuxion, first defines the products offered to consumers. They are organized in systems according to the features and benefits for each family member and the second indicating the value that the company brings to the customer providing

physical health through functional foods, combined and enhanced under the concept of Fuxion. In addition of providing emotional health that can achieve personal growth and emotional control that want to reach a developed being and the ability to lead his life and inspire others. And finally it offers financial health thanks to the opportunity to work independently at one's rhythm and enjoy a compensation plan called Binary Hybrid model that allows independent distributors to gain profits quickly and efficiently, especially to expand its distribution network. Therefore, we can say that the definition of the value proposition is closely linked to the market segment to which it is addressed, since a product or set of products only adds value to the group of people suffering from the problem that the product solves, this company covering various segments of customers of different ages and both genders, those products being claimed by people who have decided to replace their habit of consuming artificial drinks or products containing high levels of chemical ingredients to consume natural products that help to maintain body healthy and prevent certain diseases such as diabetes, obesity, arthritis, etc. in order to achieve full health.

In the case of the company Herbalife we defined the elements of the Canvas as compared to Fuxion, since they have the same business model "multilevel marketing" so the way of working is similar, but has tried to highlight some aspects, unlike the rest of the competition. So, its value proposition on the one hand describes the products offered; it is nutritional supplements, which is a healthy combination of protein, carbohydrates, beneficial fats and other nutrients, but it also cares for the skin and hair, for which offers a line of products. On the other hand, the value that the company offers those products aimed at people who care about their well-being and fitness, covering nutritional needs, weight management and personal care. Since it is added value concerned not only internal but also external nutrition. Besides offering the opportunity of independent business having a payment plan based primarily on net sales to reach each associated with making revenue is not achieved as quickly as it does with Fuxion.

We must also determine the relation between the company and the client, which is closely linked to marketing, it is here where the actions are realized out to find, capture, retain customers and then decide to increase the volume of business that we get from it. Herbalife, unlike Fuxion, does a sponsorship to various world-class athletes, to help them optimize their performance. And these athletes make the image of the company

remarkable and make the mark become an international reference for its commitment to nutrition, sports and health. Furthermore it is a pretty good system to sell and recruit more distributors and Nutrition clubs.

As for the key activities that Herbalife carried to deliver value to its customers and meet the needs of these and their distributors, it differs to other company in its manufacturing process and product development, which meets the highest standards in safety and science as their products have been created using select ingredients, and whose qualities have been enhanced with support from Herbalife and high technology, in addition to its own crop fields and maintaining agreements direct with specialized farmers of different localities. And in the case of Fuxion their technological processes and products are backed by certifications and international patents offering the best and most complete functional foods

In short, we can say that the "Canvas" tool can be used to analyze business ideas, redesign strategies and provide innovative value propositions for any, large or small. However this Canvas should only be taken as a "tool" rather than a true business model, as only nine blocks described simply and briefly.

Therefore there has been a global vision regarding how the MLM business model comparing two companies that are in the same business being Herbalife, the leading welfare and health sector and a company of reference, that has been years in this industry, and the other end is Fuxion, this being a recent company in this sector and, despite having a few years, has managed to stand out in Latin America.

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## 9. Appendix

Appendix 1. Table of ranges of Fuxion Company.

<b>TOPES PARA BONO DE EQUIPO BINARIO Y BONO POR REGALÍAS MULTINIVEL</b>		
<b>Rango</b>	<b>Participación máxima en el Bono Binario por mes por Centro de Negocio</b>	<b>Monto Multinivel + Participación máxima de Bono Binario por mes por Centro de Negocio</b>
Ejecutivo	US\$ 320	US\$ 320
Ejecutivo Senior	US\$ 320	US\$ 320
Bronce	US\$ 320	US\$ 700
Plata	US\$ 480	US\$ 1,000
Oro	US\$ 1,000	US\$ 2,000
Oro**	US\$ 1,600	US\$ 3,200
Platino	US\$ 2,600	US\$ 5,500
Platino**	US\$ 4,800	US\$ 10,000
Diamante	US\$ 10,000	US\$ 22,000
Doble Diamante	US\$ 20,000	US\$ 45,000
Triple Diamante	US\$ 32,000	US\$ 75,000
Diamante Millonario	US\$ 40,000	US\$ 110,000
Doble Diamante Millonario	US\$ 40,000	US\$ 150,000
Triple Diamante Millonario	US\$ 40,000	Ilimitado