

Business Model Canvas

■ What is a Business Model Canvas (BMC)?

A business model is among the top ten most important things an entrepreneur should prepare because here is where the ideas for his business are embodied. One of the most useful support in elaborating an effective business model is the Business Model Canvas.

The Business Model Canvas is the most critical thinking tool used when creating a business model. It consists on creating a Business Model by previously sketching a canvas analysis, with the purpose of thinking about all the strategic points, its strengths and weaknesses.

Why a Business Model Canvas?

The BMC gives you the structure of a business plan without the overhead and the improvisation of a 'back of the napkin' sketch!

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This tool gives clarity and simplicity to the business model analysis, a process that can be tough if you do not have a complete idea about how to elaborate.

The BMC allows you to align your business activities by illustrating potential trade-offs. It is a visual technique to have the whole business plan under your eyes

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Components of the Business

Model Canvas (1/3)

- **Customer segments:** Who are the customers? What do they think? See? Feel?
- **Value proposition:** What's compelling about the proposition? Why do customers buy, use?
- **Channels** (communication, distribution and sales channels): How are these propositions promoted, sold and delivered? Why? Is it working?

The 9 components of the Business

■ Model Canvas (2/3)

- **Customer relationships:** How do you interact with the customer through their 'journey'?
- **Revenue streams:** How does the business earn revenue from the value propositions?
- **Key activities:** What *uniquely* strategic things does the business do to deliver its proposition?
- **Key resources:** What unique strategic assets must the business have to compete?

Components of the Business

■ Model Canvas (3/3)

○ **Key partnerships:** What can the company *not* do so it can focus on its Key Activities?

○ **Cost structure:** What are the business' major cost drivers?
How are they linked to revenue?



The table of the BMC components

<p><i>Key Partners</i> </p> <p>(Key Partners)</p>	<p><i>Key Activities</i> </p> <p>(Key Activities)</p>	<p><i>Value Propositions</i> </p> <p>(Value Propositions)</p>	<p><i>Customer Relationships</i> </p> <p>(Customer Relationships)</p>	<p><i>Customer Segments</i> </p> <p>(Customer Segments)</p>
	<p><i>Key Resources</i> </p> <p>(Key Resources)</p>		<p><i>Channels</i> </p> <p>(Channels)</p>	
<p><i>Cost Structure</i></p> <p>(Cost Structure) </p>		<p><i>Revenue Streams</i> </p> <p>(Revenue Streams)</p>		

Tips to create a Business Model Canvas

1) Do not write directly on the Canvas!

By using statts or other paper support you will be able to add/remove elements easily.
This allows to keep things flexible.



2) Start with any building block (component)

Start sketching out your business model by writing on statts for each one of the building block (the 9 components of the BMC)

Someone prefers starting by listing the value proposition, as it is the core of the value created by your company, or customer segments, as it is essential to understand the customers' preferences to seize opportunities .

Others prefer starting with their key resources or key activities.

There are no rules, just start!

3) Use bullet points

- The bullet points help you to better organize your ideas
- They give a form of list to your propositions and allows to have a clear view of them



■ 4) Avoid too much detail

Compose your building blocks by keeping them as simple as possible



It is best to start with simple and straightforward ideas and then further develop them later on.

5) Be precise for every building block

- Clearly differentiate between the different components, just do not mix up 2 categories.
- The categories must have a conceptual link, but not express the same concept.



Some instructions to use the BMC

■ (1/2)

Check completeness and coherence!

Make sure all your elements are duly connected between each other.

For instance, for each customer segment and their jobs to be done you should have a corresponding value proposition.

OR

For each value proposition you should list the key resources and activities that are required to create.



Some instructions to use the BMC (2/2)

Tell a story!

Once you have finished sketching your Business model, try to tell the story of your business one statty at a time.

Take all your stattys down and try to tell your story by putting up one statty after the other on a blank Canvas



The 9 components of the BMC explained

1) Customer Segment

Typical questions you should ask yourself are:

- For whom have you chosen to create value?
- Who is your typical customer?
- What is he/she looking for?
- What job are you doing for the customer?
- What need are you fulfilling?

There are no new behaviors - make sure that you can identify an existing need/problem and identify specific alternatives that your customer uses today. If you're not sure, go out and observe, talk to some representative people. You'll want to be able to clearly link your Value Propositions back to these in the next section.

➤ A good technique is to create personas, that is the characterization of a user who represents a segment of your target audience.

■ 2) Value propositions

- What range of values do you bring to the customer you have selected?
- What needs/jobs/desires do you need to address?

Be sure to choose between tangible or intangible values

Match the personas you have previously created with the value propositions.

Set a combination of values for each matched segment



3) Channels

- Which channels your customers prefer?
- What is the most efficient?
- How can they purchase? How are they delivered?

Channels includes entities you use to communicate your proposition to your segments, as well as entities through which you sell product and later service customers

➤ By answering these questions you will be able to make a list of important Channels, linked to Personas or Segments if they differ substantially. Make notes on what steps are relevant for each- promotion, sales, service, etc.

■ 4) Customer relationship

- How does the customer interact with you through the sales and product lifecycle?
 - Do they have a dedicated personal contact they see? Call?
 - Is all the interaction over the web? Do they never see you at all but instead talk to a Channel?
- Make a description of Customer Relationships, with notes if they differ across Customers (between Segments or among Personas within a Segment) or across the customer journey.

5) Revenue streams

○ What do they currently pay for, what kind of offer and how?

➤ On your Canvas you now have a list of Revenue Streams, linked (mutually) to Personas (or Segments if the mappings are the same within a set of Personas) and Value Propositions.



■ 6) Key activities

○ What unique strategic things does the business do to deliver its proposition?

These are the crucial things the business needs to do to deliver on its propositions and make the rest of the business work.

For example, if selling through 3rd parties is part of the model, then activity around channel management is probably pretty important.

➤ Make a list of Key Activities linked to your business' Value Propositions.

7) Key resources

- Do you have the capacities?
- What key resources are needed to achieve the value propositions?
- What channels, customer relationship, revenue streams?

Key resources are the strategic assets you need in place, and you need in place to a greater or more targeted degree than your competitors. The Business Model Canvas proposes that there are three core business types: product, scope, and infrastructure. These tend to have similar types of Key Resources.

➤ Proceed to create a list of Key Resources linked to your business' Key Activities.

■ 8) Key partnerships

- What Activities and Resources are important but not aligned with what's uniquely strategy for you?
- What's outside of your business type?
- Could partners do some of those? Why? Which?

It is recommended mapping Key Partners to Key Activities. If an activity is key, it's still part of your business model. This is a way to denote which specific Partners are handling various Key Activities for you.

➤ The results you will have will be a list of Key Partnerships with notes on their relationship to Key Activities.

9) Cost structure

- How do they drive costs?
 - Are those costs well aligned with the key Value Propositions?
 - Are the costs more fixed or variable as you test different business models?
 - Are they more linear with your scaling or more fixed?
- By answering these questions you will get a list of Cost Structure elements with notes on their relationship to Key Activities.

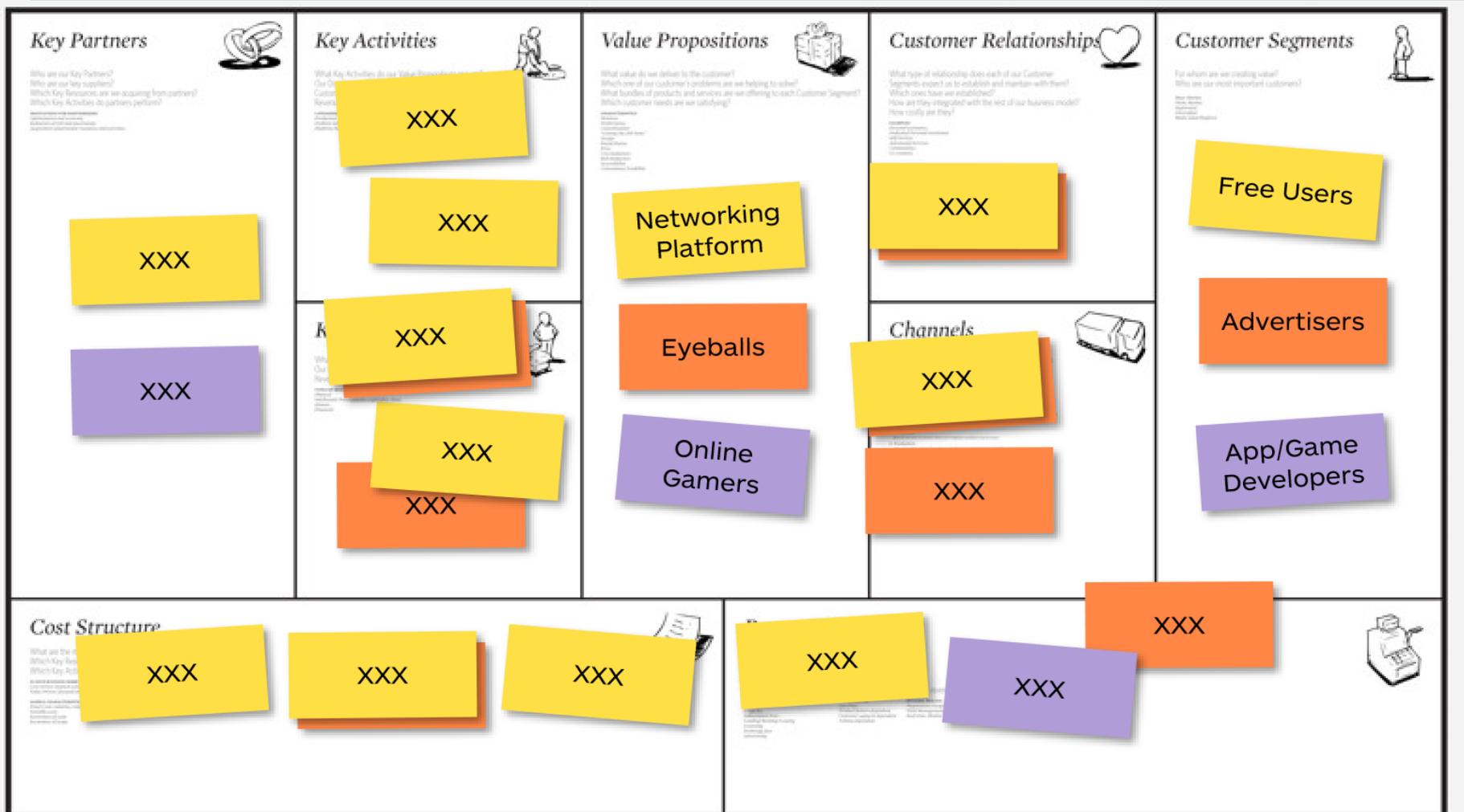


Best practice

Use colour coding!

- Use different colour statts to highlight different aspects of your business model.
- For example to differentiate 2 very different customer segments (e.g. advertisers and users)
- Then continue to use the same colours for the corresponding value propositions, channels, etc.

Colour coding





THANKS!

Any questions?
