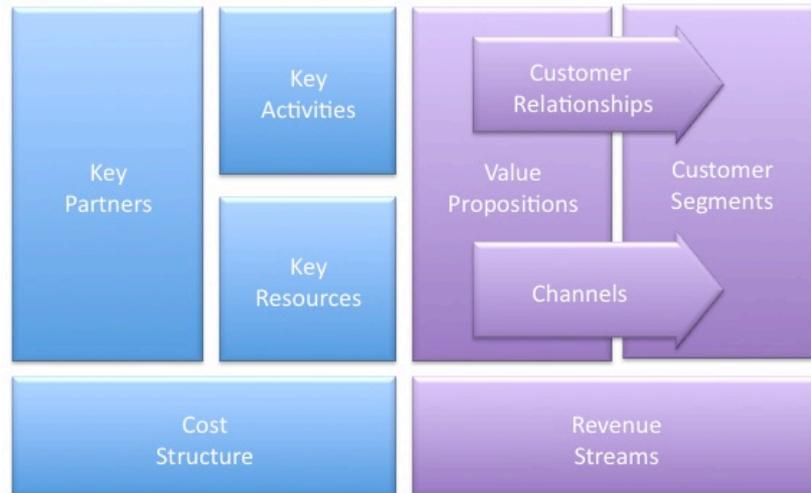


# Business Model Canvas



## Value Proposition

**This section describes the bundle of products and services that create value for a specific Customer Segment.**

What value do we deliver to the customer?  
Which one of our customer's problems are we helping to solve?  
Which customer needs are we satisfying?  
What bundles of products and services are we offering to each Customer Segment?  
*This more than just a description of the product / service but a clear statement of why someone will want to pay money for it.*

## Customer Segments

**This section defines the different groups of people or organisations an enterprise aims to reach and serve.**

For whom are we creating value?  
Who are our most important customers?  
*Describe your typical customer, including any differentiating factors.*

## Revenue Streams (Revenue Model)

**This section describes how the company is going to generate cash from each Customer Segment (profit is calculated by subtracting costs from revenue).**

For what value are our customers really willing to pay?  
For what do they currently pay?  
How are they currently paying?  
How would they prefer to pay?  
How much does each Revenue Stream contribute to the overall revenues?  
*Types of revenue stream: there is the traditional **asset sale** model where a physical product is bought / sold and it then belongs to the customer (e.g. a book); **usage fee** where the customer pays according to how much they use / consume (e.g. phone calls); **subscription fee** where a periodic payment gives full access for a defined term (e.g. gym membership or online computer games); **renting or leasing** where the exclusive right to use*

*something is granted for a set period (e.g. car rental); **licensing** where permission to use protected intellectual property is granted in exchange for a fee (e.g. common in the media industry).*

## Channels

**This section describes how a company communicates with and reaches its Customer Segments to deliver the Value Proposition.**

Through which Channels do our Customer Segments want to be reached?  
How are we reaching them now?  
How are our Channels integrated?  
Which ones work best?  
Which ones are most cost-efficient?  
How are we integrating them with customer routines?  
*When considering Channels refer to the 'decision process'. This is the concept where a customer goes through various stages of the buying process as follows:*

- *Awareness: they become aware of our product / service and the need for it.*
- *Evaluation: they evaluate the value proposition*
- *Purchase: they make the decision to buy*
- *Delivery: the value proposition is delivered*
- *After sales: post-purchase support is provided so as to ensure repeat purchase*

## Customer Relationships

**This section describes the types of relationship that a company establishes with specific Customer Segments.**

What types of relationship does each of our Customer Segments expect us to establish and maintain with them?  
Which ones have we established?  
How costly are they?  
How are they integrated with the rest of our business model?

# Business Model Canvas

Typical examples include: **personal assistance** where the customer speaks to a person (e.g. call centre or sales office); **dedicated personal assistance** where the customer is allocated a sales person who will look after them (and who will often visit them); **self-service; automated services** (e.g. online airfares); **communities** where customers and prospects are involved in an online community to exchange knowledge and solutions; **co-creation** where companies go beyond the traditional customer-vendor relationship (this is a bit specialist!)

## Key Resources

**This section describes the most important assets required to make a business model work.**

What Key Resources do our Value Propositions require?

Our Distribution Channels / Customer Relationships / Revenue Streams?

Describe what is important to make sure that you can deliver a quality product / service profitably.

Key resources may be represented by **physical resources** (e.g. you need a chain of shops to retail your product); **intellectual resources** (e.g. you need a strong brand or a patent to protect your business); **human resources** (particularly important if you need to be continually creative or innovate new material to stay competitive); **financial resources** (especially important if you need to invest in expensive equipment e.g. if you need to provide financing schemes for customers to buy your products).

## Key Activities

**This section describes the most important things that your company must do to make its business model work.**

What Key Activities do our Value Propositions require?

Our Distribution Channels / Customer Relationships / Revenue Streams?

Key Activities can be categorised according to:

**Production** (designing, making and delivering things) **Problem Solving** (coming up with new solutions to individual customer problems);

**Platform / network** (providing a means of operation e.g. eBay)

## Key Partnerships

**This section describes the network of suppliers and partners that make the business model work.**

Who are our Key Partners?

Who are our Key Suppliers?

Which Key Resources are we acquiring from partners?

Which Key Activities do partners perform?

It might help to consider the reasons for partnerships as follows: **to create efficiency and economy of scale** (if a supplier already has an established infrastructure or volume of trade that can reduce the cost to you of that part of your service); **to reduce risk and uncertainty** (to partner with other investors in new developments helps to spread the risk); **to acquire particular resources and activities** (for example, an insurance company may rely on brokers to sell its policies rather than develop its own sales force).

## Cost Structure

**This section describes all costs incurred to operate the business model.**

What are the most important costs inherent in our business model?

Which Key Resources are most expensive?

Which Key Activities are most expensive?

Describe how you intend to structure your business. Typical examples include: **cost-driven**, where the focus is on minimising costs wherever possible (e.g. Ryanair); **value-driven**, where cost is not the primary concern, instead focusing on value creation (e.g. luxury hotels) – Note: most businesses fall somewhere between the two.

## A final point ...

Most business plans require a financial forecast usually comprising a Profit & Loss Statement for the next 3 years and a Cash-flow of at least 1 year, preferably 3 years. When planning the start-up phase this can often turn into a largely academic exercise, demonstrating only that you can make the figures add-up in a spreadsheet. However, it is important to get some scope of operations, such as how much you are likely to sell in the first few years, or how much cash / borrowing you will need and at what point in developing the business.

In this instance it is important to show how you have arrived at these figures – so, what assumptions have been made. If you have approached this exercise by producing a Business Model (as above) this will be much easier to do. For example, if you have a clear grasp of your customer segment and why they will value your product / service, what costs you will encounter and what partnerships you will need to help you, then you are more likely to explain why you think you will sell X amount at price Y across Z months.

Acknowledgement: these notes are taken from 'Business Model Generation' by Osterwalder and Pigneur.  
See also