The Business Model Canvas

Your Roadmap To Success

What is a Business Model?

How you

create,

deliver,

and harvest

value

What is a Business Model Canvas?

A visual representation of the various elements of your Business Model.

Allows you to:

- see the relationships among the parts of your model;
- identify hypothesis, assumptions and risks;
- plan validation testing (market, channels, pricing);
- find ways to add value or reduce cost;
- brainstorm market disruption strategies

The Business Model Canvas

Designed for:

Designed by:

On: Day | Month | Year

Iteration: No.

Key Partners

Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

MOTIVATIONS FOR PARTNERSHIPS:
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Key Activities

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

CATEGORIES
Production
Problem Solving
Platform/Network

Key Resources

What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

TYPES OF RESOURCES
Physical
Intellectual (brand patents, copyrights, data)
Human
Financial

Value Propositions

What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

CHARACTERISTICS
Newness
Performance
Customization
"Getting the Job Done"
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability

Customer Relationships

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

EXAMPLES
Personal assistance
Dedicated Personal Assistance
Self-Service
Automated Services
Communities
Co-creation

Channels

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?

CHANNEL PHASES
1. *Awareness*
   How do we raise awareness about our company's products and services?
2. *Evaluation*
   How do we help customers evaluate our organization's Value Proposition?
3. *Purchase*
   How do we allow customers to purchase specific products and services?
4. *Delivery*
   How do we deliver a Value Proposition to customers?
5. *After sales*
   How do we provide post-purchase customer support?

Customer Segments

For whom are we creating value?
Who are our most important customers?

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

Cost Structure

What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

IS YOUR BUSINESS MORE:
Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)
Value Driven (focused on value creation, premium value proposition)

SAMPLE CHARACTERISTICS:
Fixed Costs (salaries, rents, utilities)
Variable costs
Economies of scale
Economies of scope

Revenue Streams

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 overall revenues?

TYPES:
Asset sale
Usage fee
Subscription Fees
Lending/Renting/Leasing
Licensing
Brokerage fees
Advertising

FIXED PRICING:
List Price
Product feature dependent
Customer segment dependent
Volume dependent

DYNAMIC PRICING:
Negotiation(bargaining)
Yield Management
Real-time-Market

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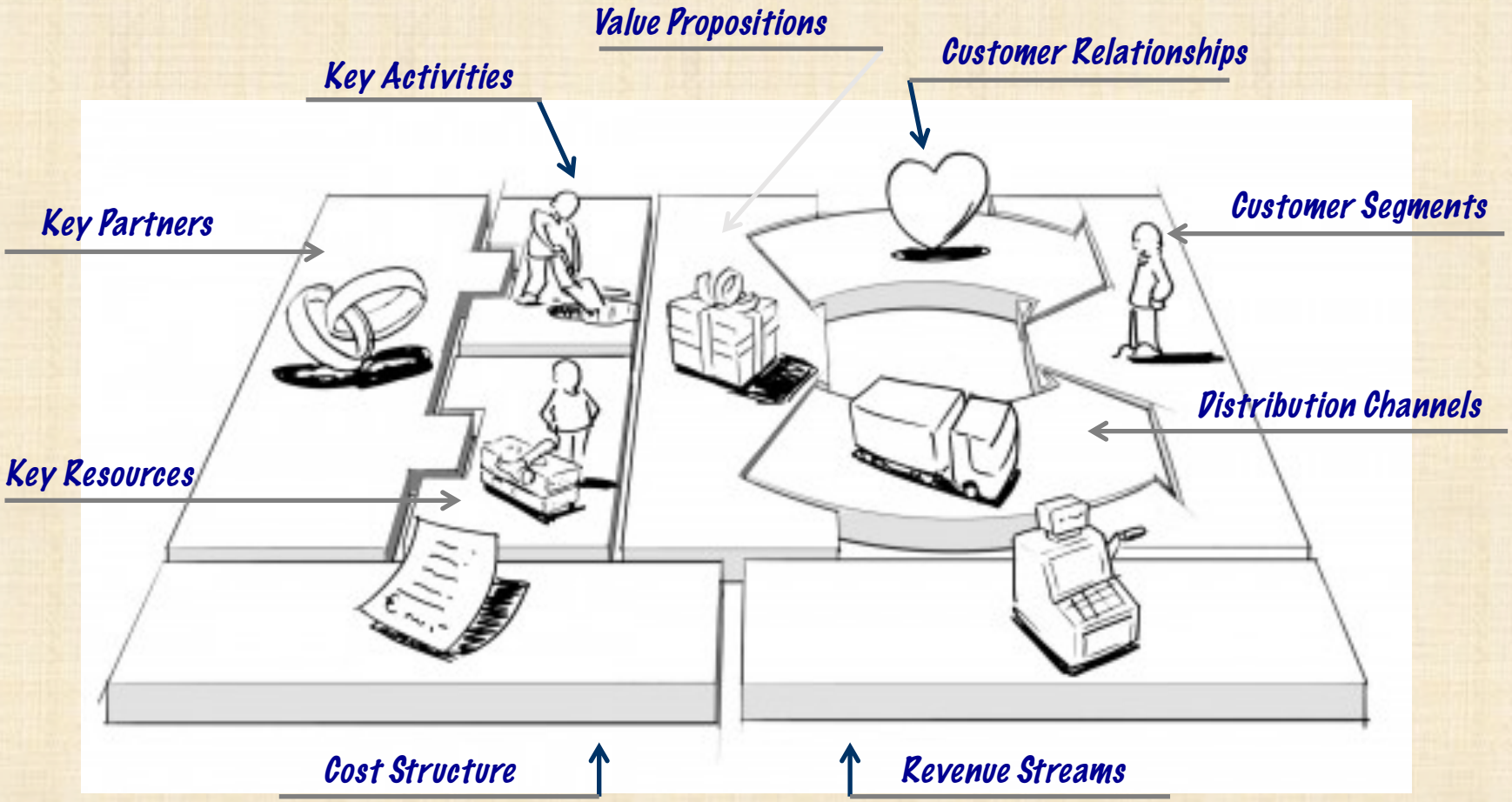
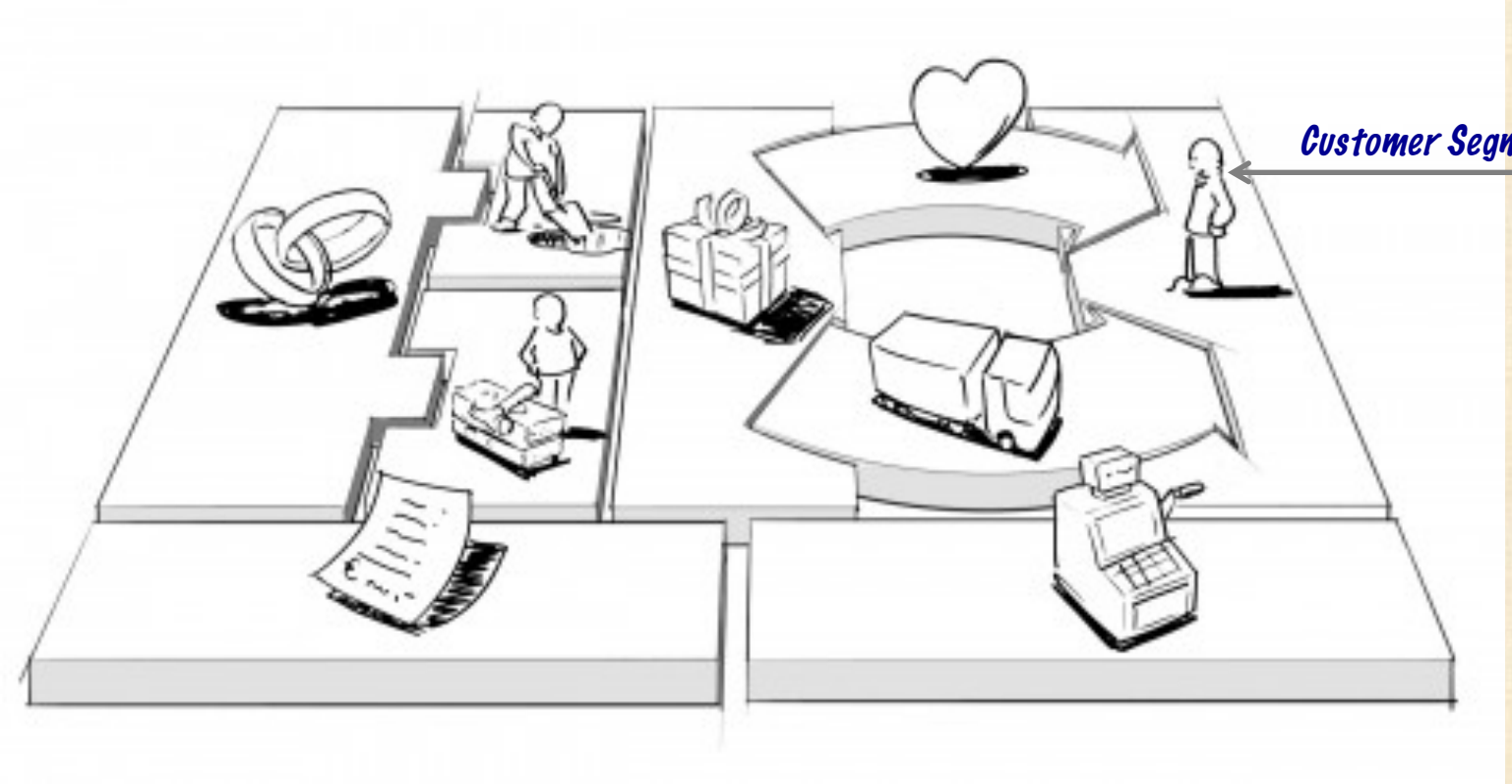
The Business Model Canvas



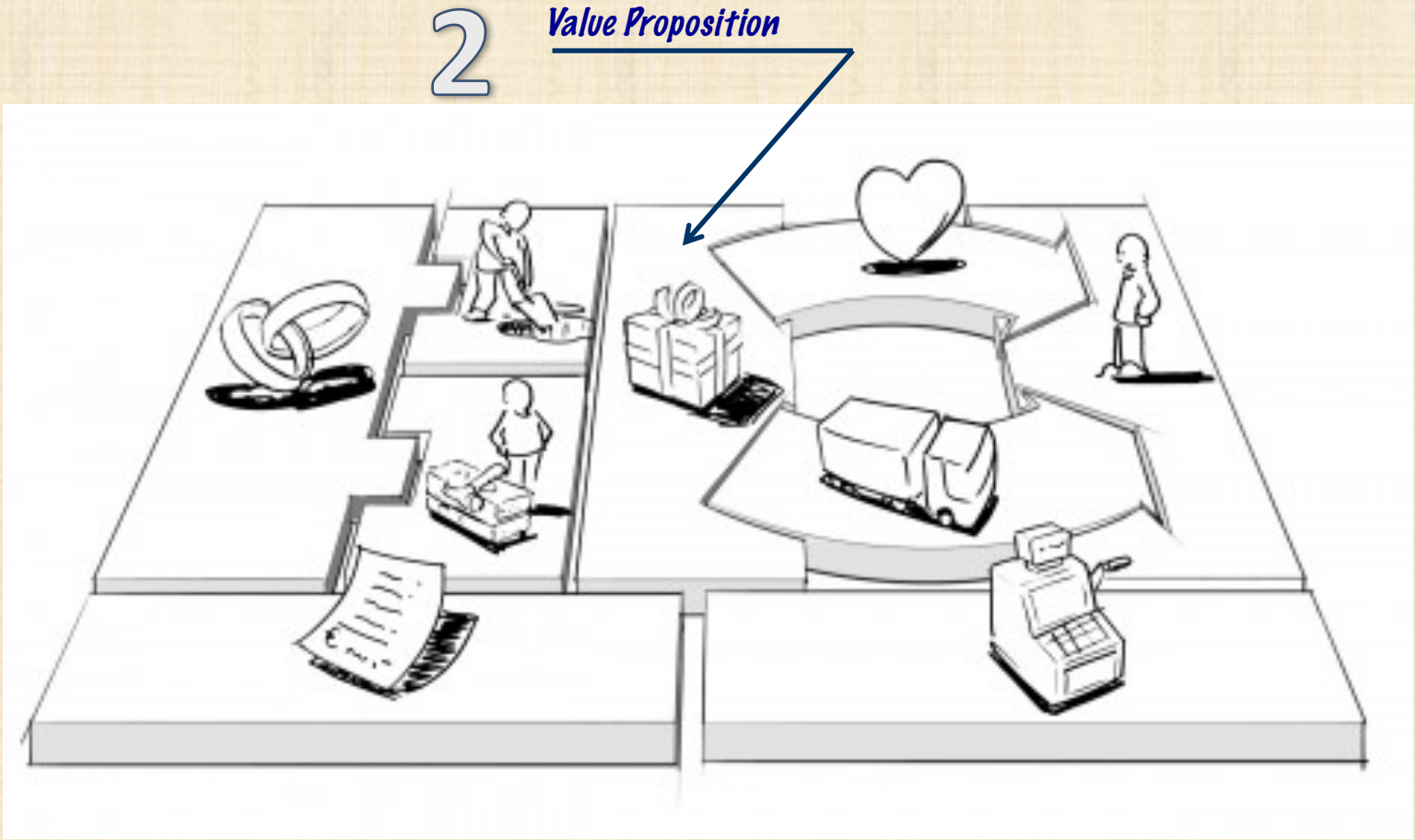
1. Customer Segments



1. Customer Segments

- Who are your most important **users** and **customers**?
- You must create a detailed portrait of each ("archetype")
- Look beyond the obvious
  - who are the **stakeholders**?
  - who is most **motivated**?
  - who is most **underserved**?
  - who has the **most to gain**?

2. Value Proposition



2. Value Proposition

- For each Customer Segment:

  - What is their **PAIN**? (B2B)
    or their **ACHE**? (B2C)

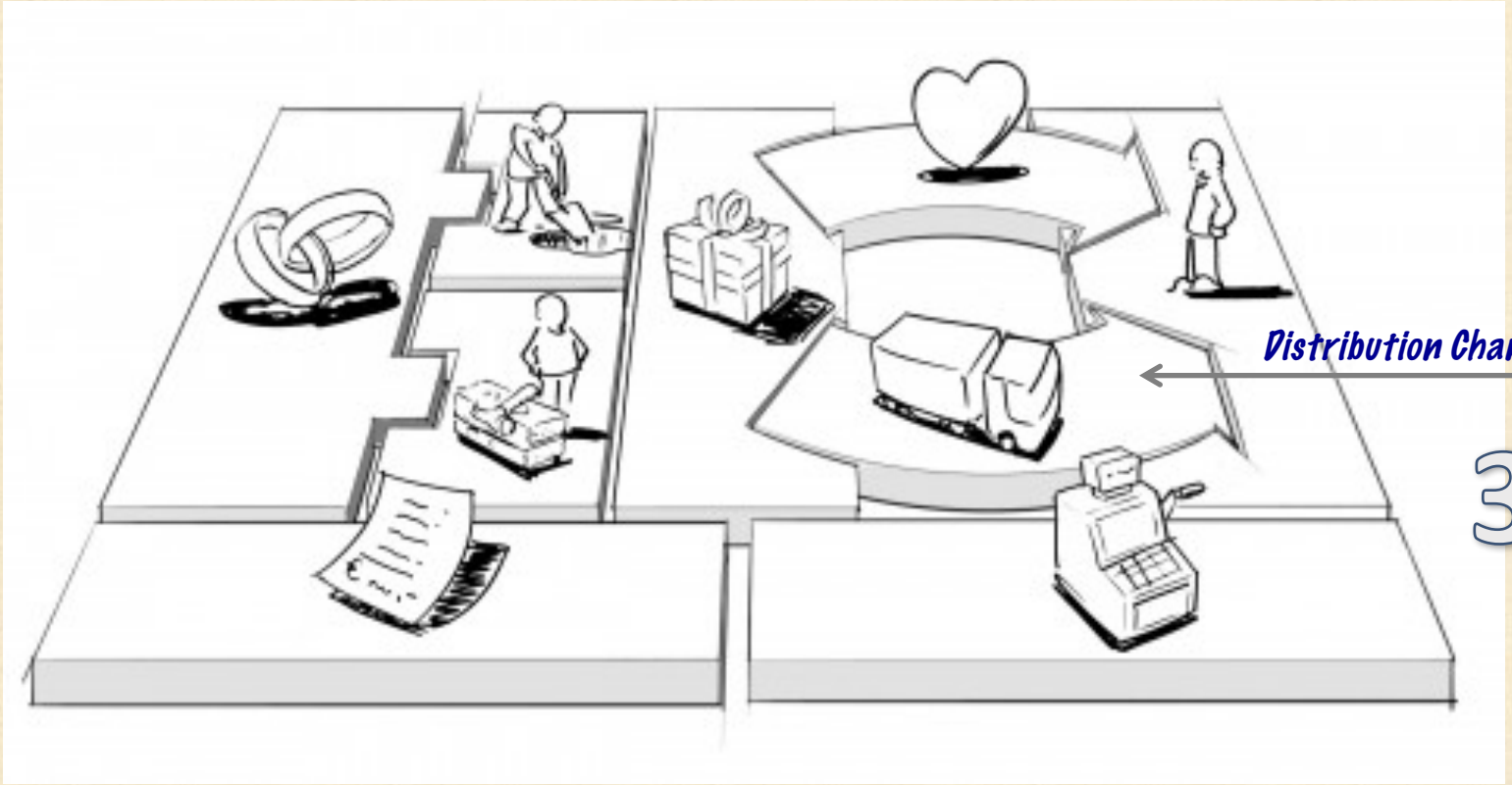
  - What is the **GAIN** for them to solve their pain or ache?

  - What is their **DECISION TRIGGER**?

The Decision Trigger

- How does your solution change the customer's life for the better?
  - *« What is the **RETURN ON USE** »*
- **Does your offer promise enough added value to motivate your customer to pull out their credit card?**

3. Distribution Channels



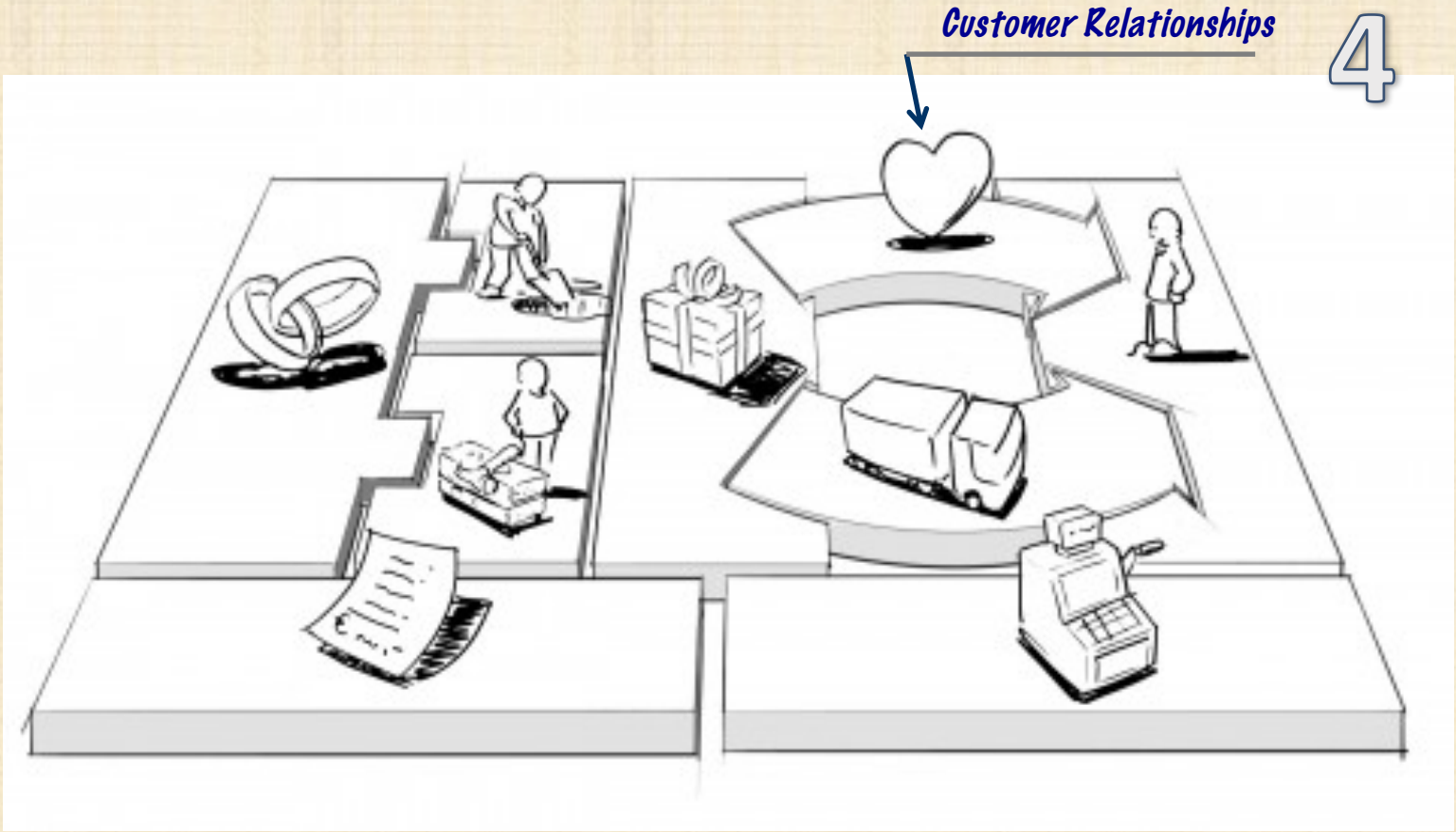
3. Distribution Channels

- How do you deliver this value at every stage of the buying process?
  - Discovery
  - Evaluation
  - Purchase
  - Delivery
  - After sales service

Physical or Virtual channel?

What is the value you add at each step?

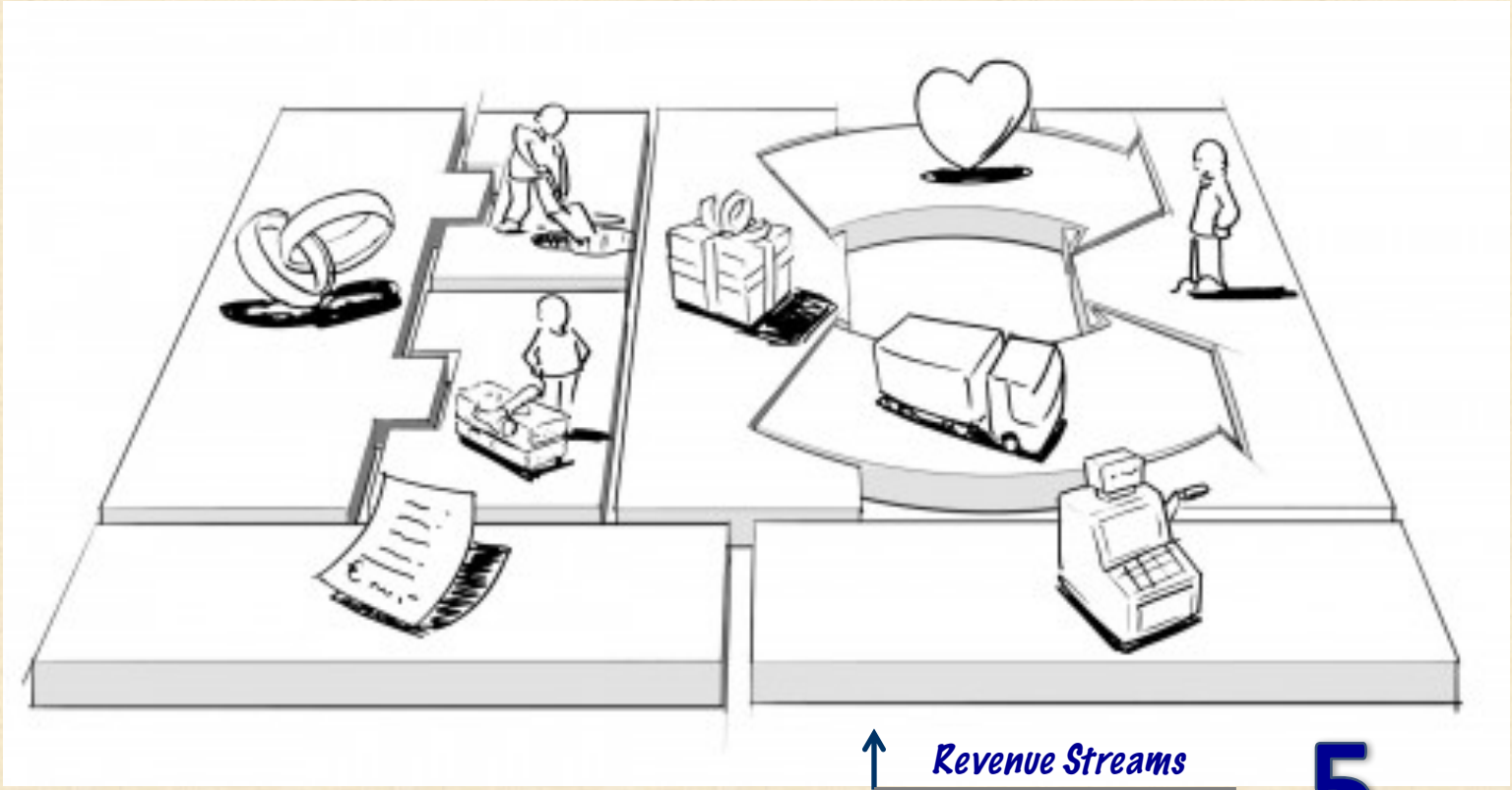
4. Customer Relationships



4. Customer Relationships

- How do you
- **GET**,
- **KEEP**,
- and **GROW**
- your customer base?
- *How do you build a loyal and enthusiastic tribe around your offer?*

5. Revenue Streams



5. Revenue Streams

- How do you generate cash from each customer segment?
  - What VALUE do customers put on the benefits you provide?
  - What VALUE are customers willing to pay for?
  - What VALUE do customers infer from your pricing?

Revenue Streams = Strategies *(What)*

Pricing = Tactics *(How Much and When)*

Consider impact on your GET-KEEP-GROW strategies

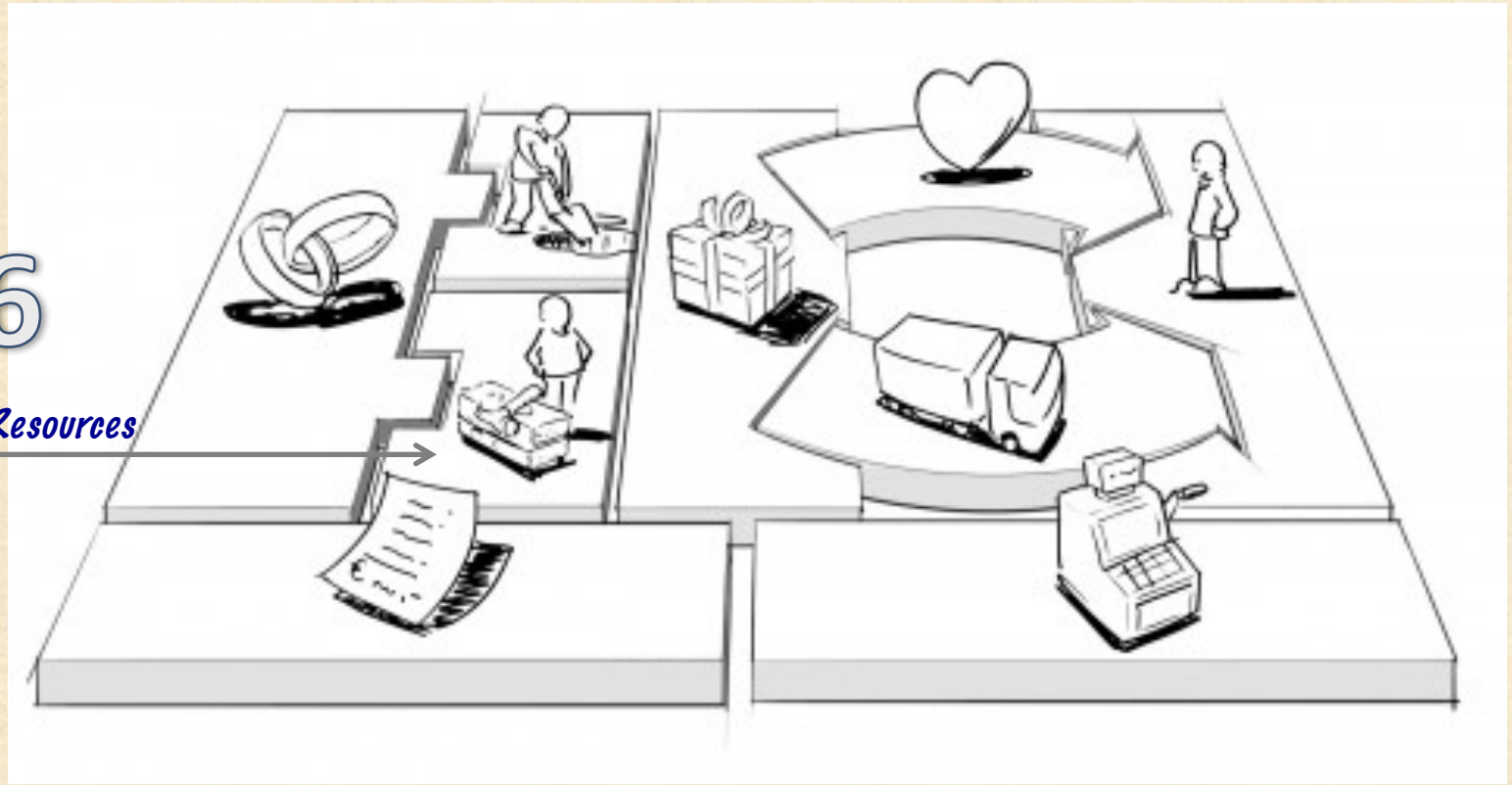
5. Revenue Streams

Price on VALUE – not on cost

- usage
- subscription
- rent
- license
- intermediation (affiliate)
- freemium (use with caution!)

Where can you generate revenue that others leave on the table?

6. Key Resources



6. Key Resources

- What infrastructure and resources do you need to deliver what you promise?
  - tools, space, locations
  - personnel (qualifications, in-house or sub)
  - equipment (lease or buy)
  - licenses, intellectual property
  - supplies (components, assemblies)
  - what is scarce or difficult to get
  - financial requirements
  - acquisition timelines

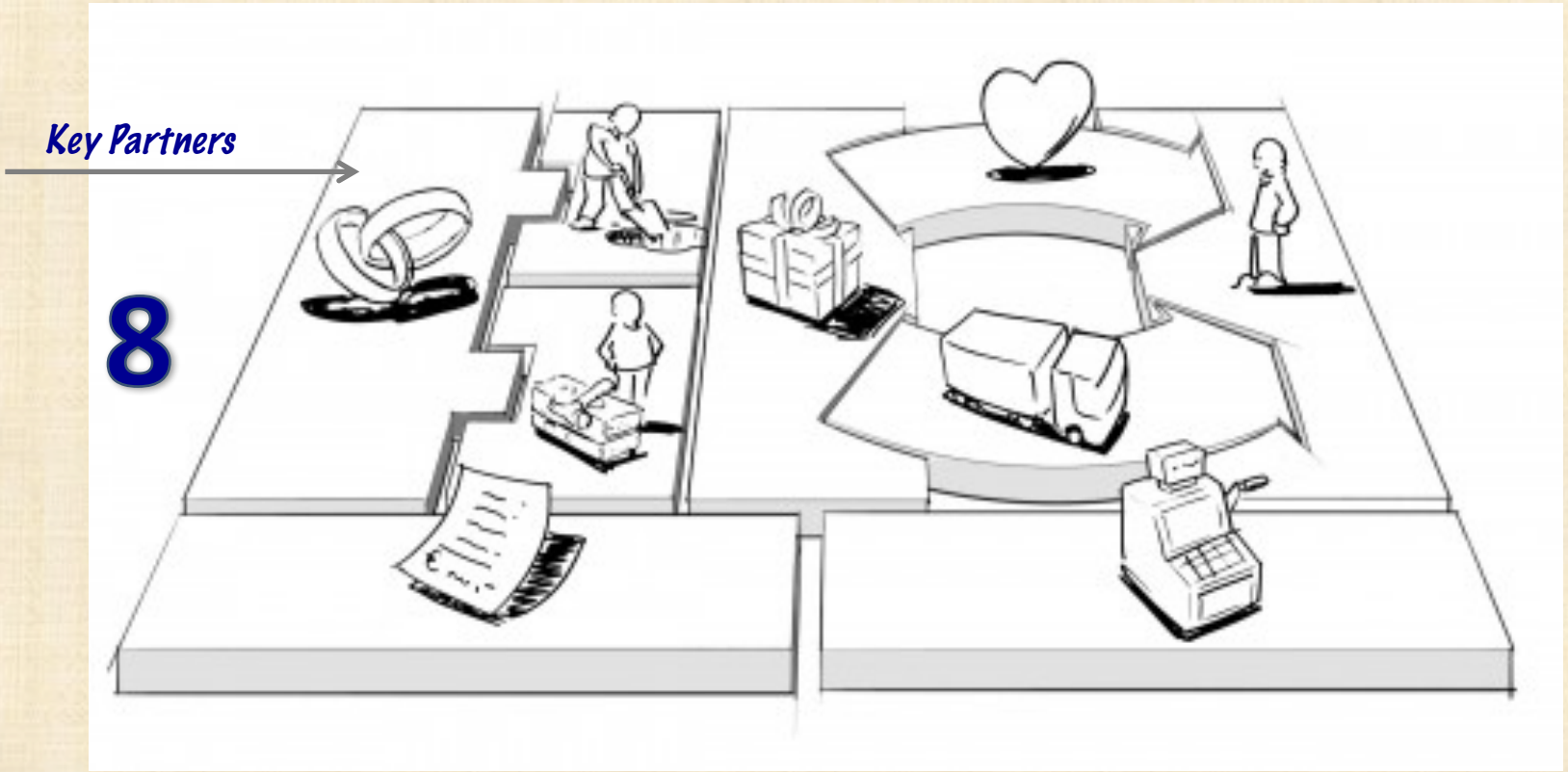
Beware of promising more than you can deliver!

7. Key Activities

7. Key Activities

- What major activities (deliverables) must be produced – when and by who?
- dependencies
- responsibilities

8. Key Partners



8. Key Partners

Partners

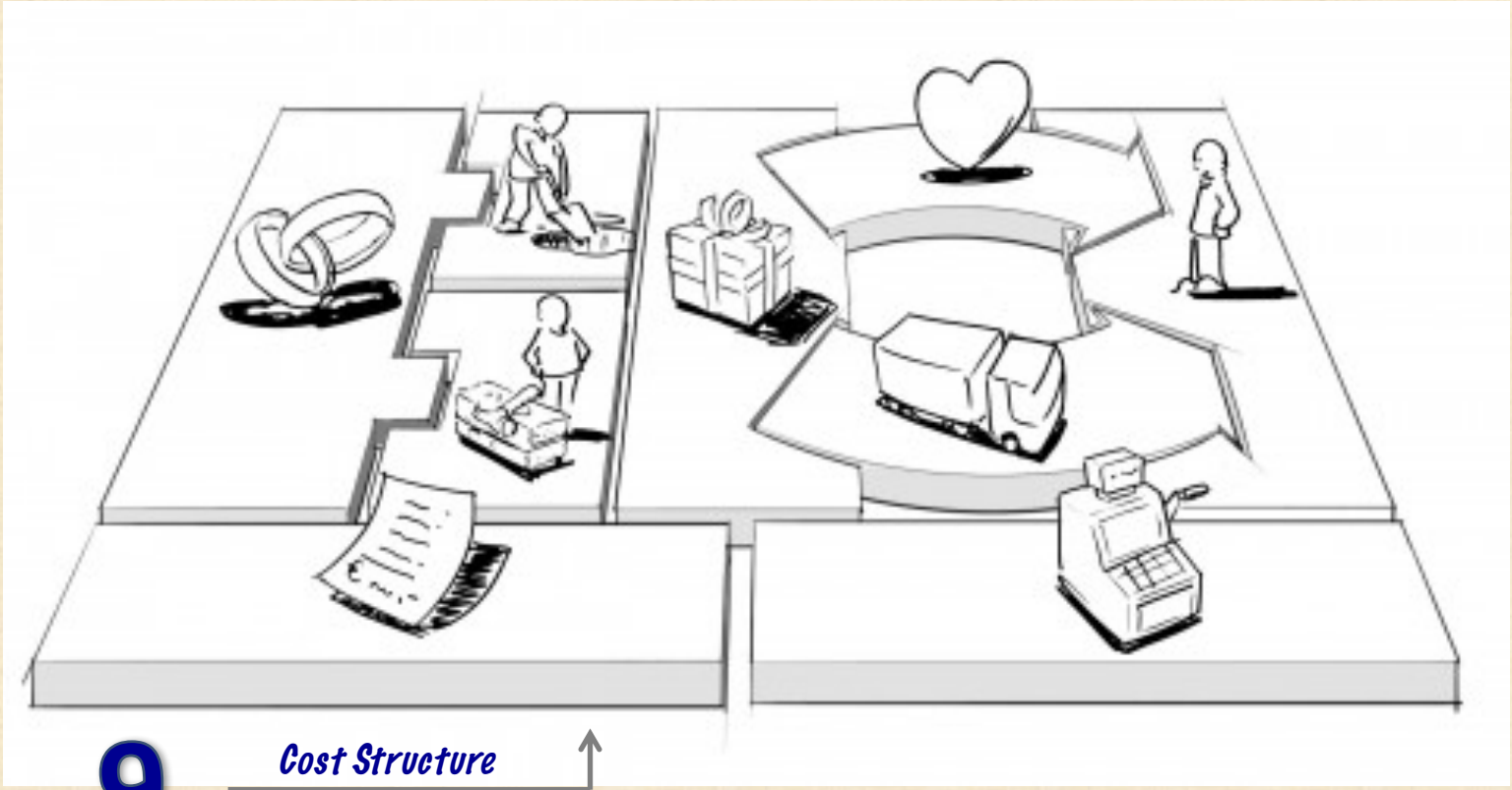
- Suppliers
- Developers
- Distributors
- Investors
- Collaborators
- Affiliates

Competitors

Alternatives

How does each partner help or hinder the business model?

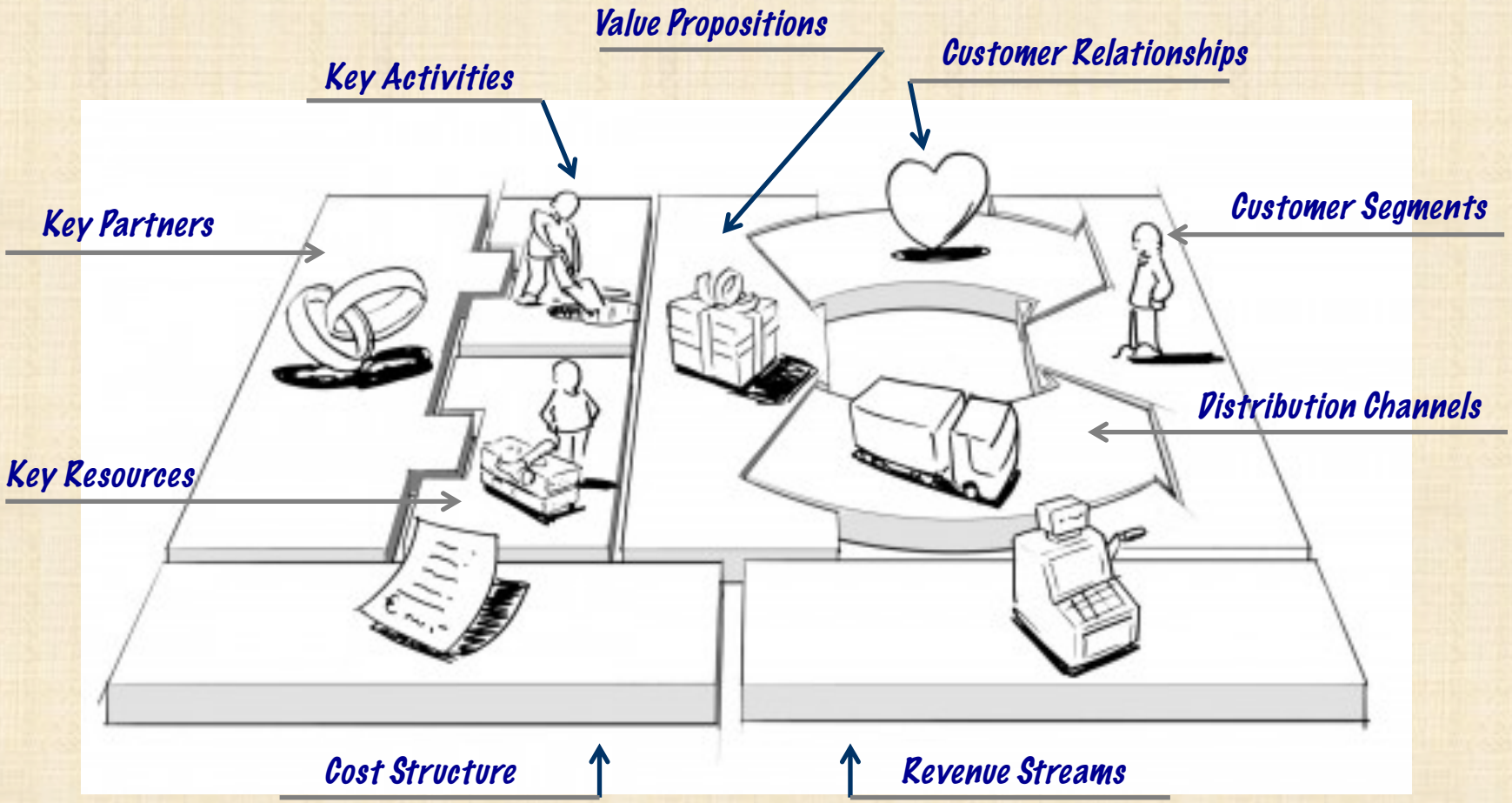
9. Cost Structure



9. Cost Structure

- What are the critical elements of the cost structure?
  - Fixed costs
  - Variable costs
  - Resource, activity, partner costs
  - Infrastructure, operational, cost of sales
  - Payroll costs, benefits, bonus structure, taxes
  - What are the costs of each element of the business model?
  - Where are the economies of scale?
  - What are the risks, the unknowns?

The Business Model Canvas



Validating the Canvas

- « The problem is that startups fall in love with the solution too early.
- They don't focus enough on the foundation of vision and strategy to make sure it connects to what people want and use. »
- -- Ash Mauriya

Validating The Canvas

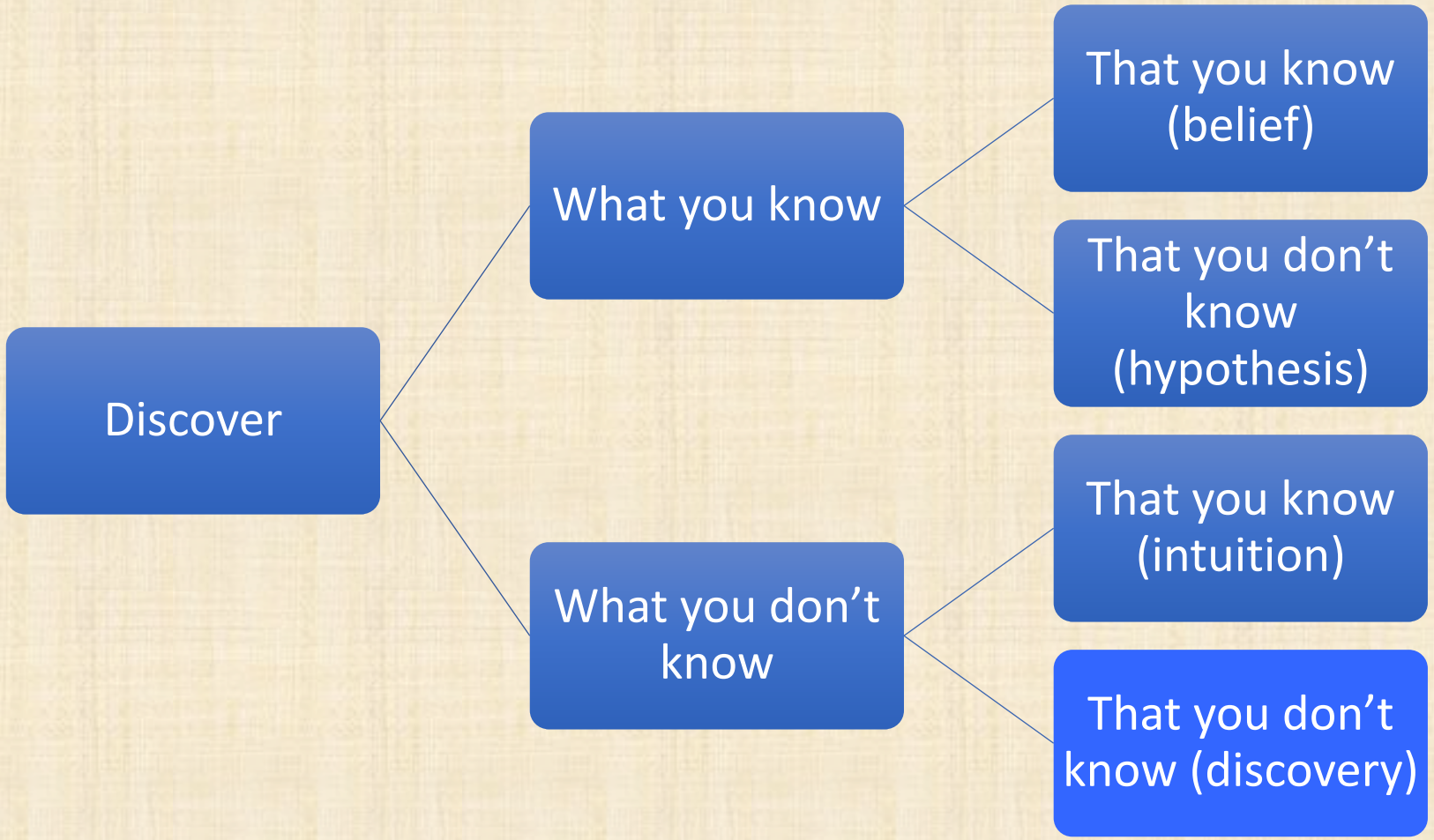
Everything on you put on your canvas is a **HYPOTHESIS**.

You must **VALIDATE** every element through -

- ***Discovery*** *(your own data)*
- ***Research*** *(other people's data)*
- ***Testing*** *(simulation, MVP)*

to uncover the **DISRUPT**.

Validating the Canvas



The Four Disrupts

- **Offer** *(What):*
  - New offers (products or services) that did not exist up to now (invention)
- **Process** *(How):*
  - New products or methods that allow the offer to be produced faster, cheaper, more durable, better quality (production)
- **Market** *(Who):*
  - Opening a new market segment poorly served until now, by making minor modifications to one's product or service (marketing)
- **Value** *(Why):*
  - Meeting a need that is valued by an existing market, but not satisfactorily met by competing offers, and doing it better than the competition (positioning)

Discover the DISRUPT

- How do you **change the rules** of the competitive game?

The gold is in the DISRUPT.

Key Resources
Channels
Cost Structure