



BUSINESS MODEL CANVAS

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Introduction to Business Models

‘All strategies are driven by the company’s business model. At the heart of any successful start-up is a business model that generates enough cash to sustainably grow and gain market share’. (Zacharakis *et al.*, 2020)

‘The rationale of how an organisation creates, delivers and captures value’. (Osterwalder & Pigneur, 2010)



Business Models and Value

Value to customer = satisfaction – price paid

More value = more satisfaction at lower price

- Value is created by the management of resources (human, informational, financial and material) around key activities that allow organisations to provide a value proposition.
- The value proposition is delivered through digital and physical channels that reach the unmet needs of customers, who are prepared to pay for such value with their loyalty, influence and cash.
- Profit to the business = (price x quantity sold) – cost
- Business can **add value** and **gain profit** by:
 - *Increasing satisfaction at the same price: sell more*
 - *Reducing price at same satisfaction: sell more*

Business Model

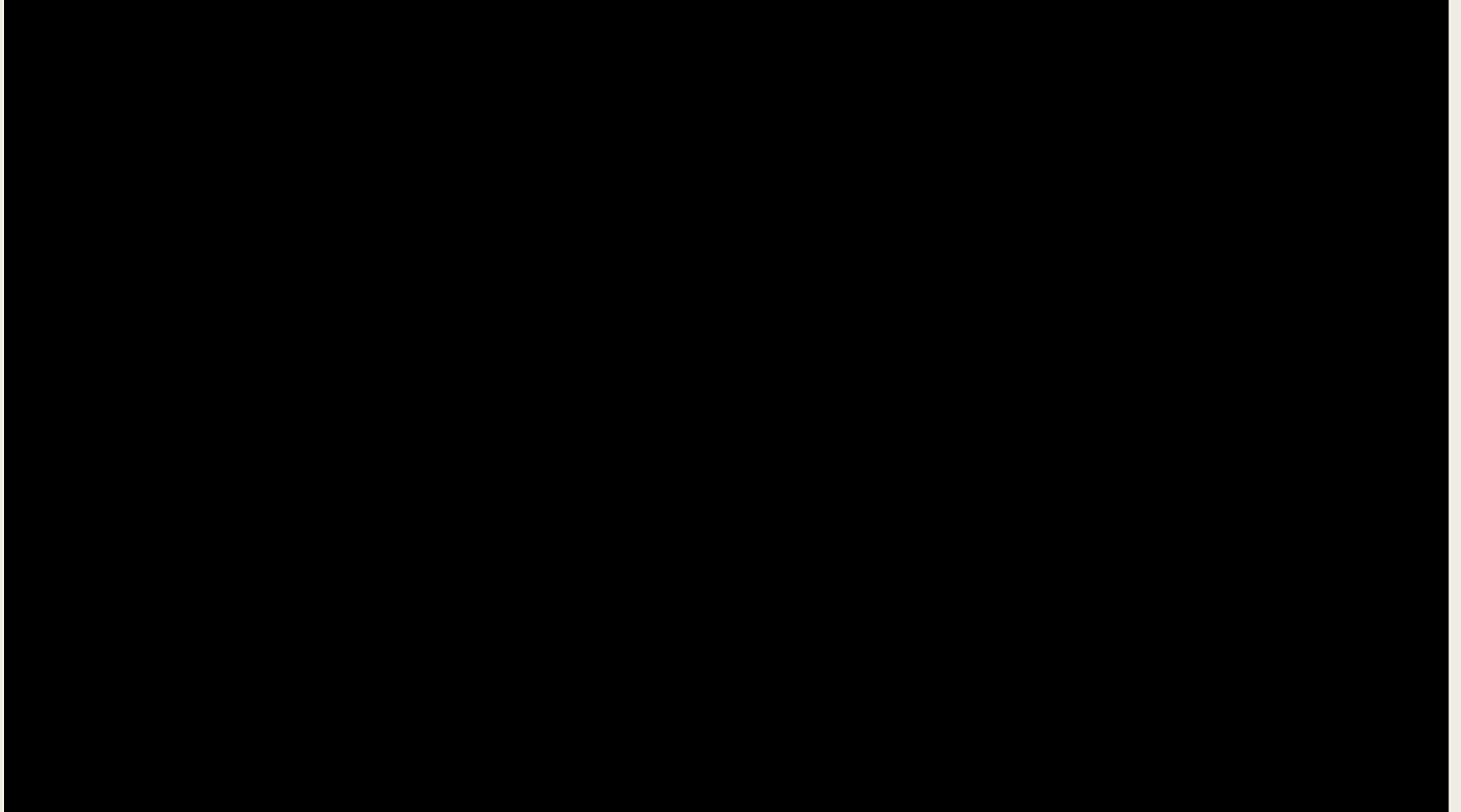
- A comprehensive business model helps you to understand
 - *What you are making / producing / building / selling*
 - *Why you are making / producing / building / selling*
 - *How you are making / producing / building / selling*
 - *And for whom*
- By not understanding these points fully, you risk making the wrong product for the wrong market at the wrong time.

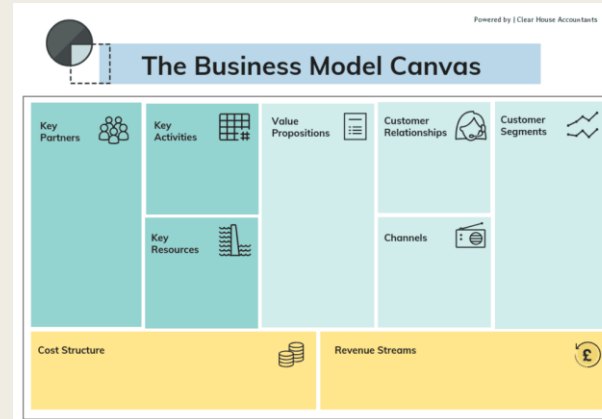
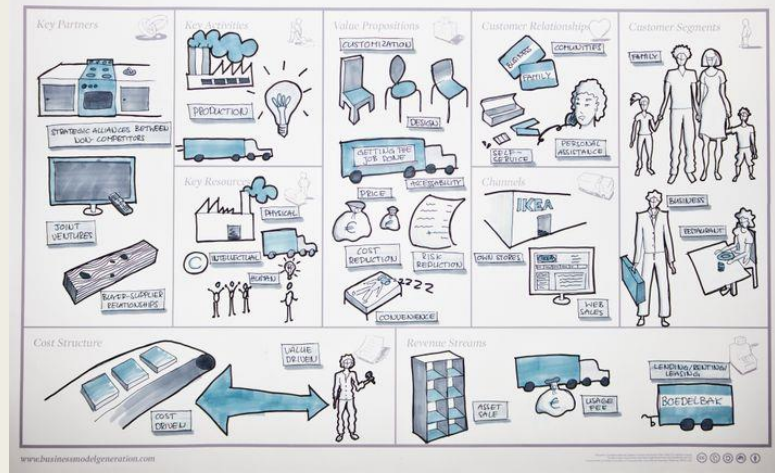


Business Model Canvas (BMC)

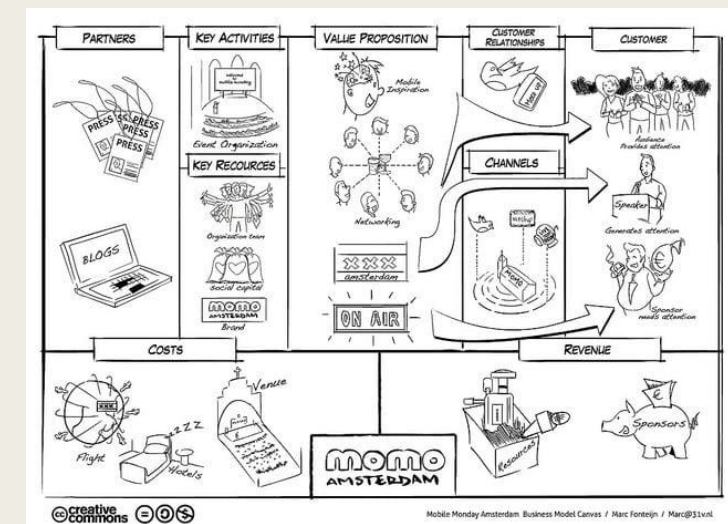
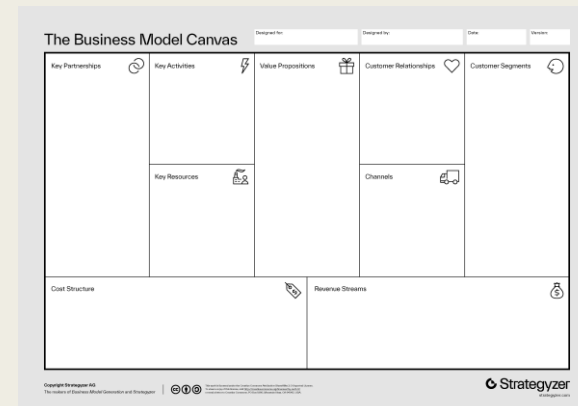
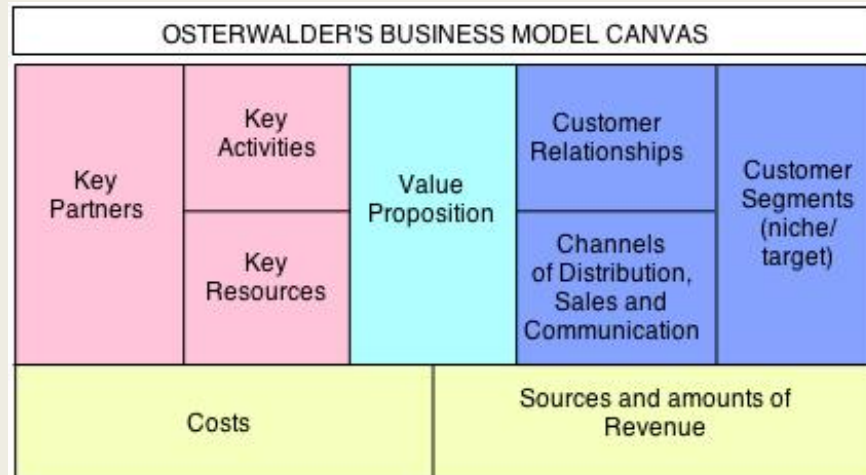
- Originally created by Osterwalder & Pigneur (2010) and widely used
- Visual overview of the entire business
- Composed of 9 building blocks:
 - *Key partnerships*
 - *Key activities*
 - *Key resources*
 - *Cost structure*
 - *Value proposition*
 - *Customer relationships*
 - *Customer segments*
 - *Channels*
 - *Revenue streams*

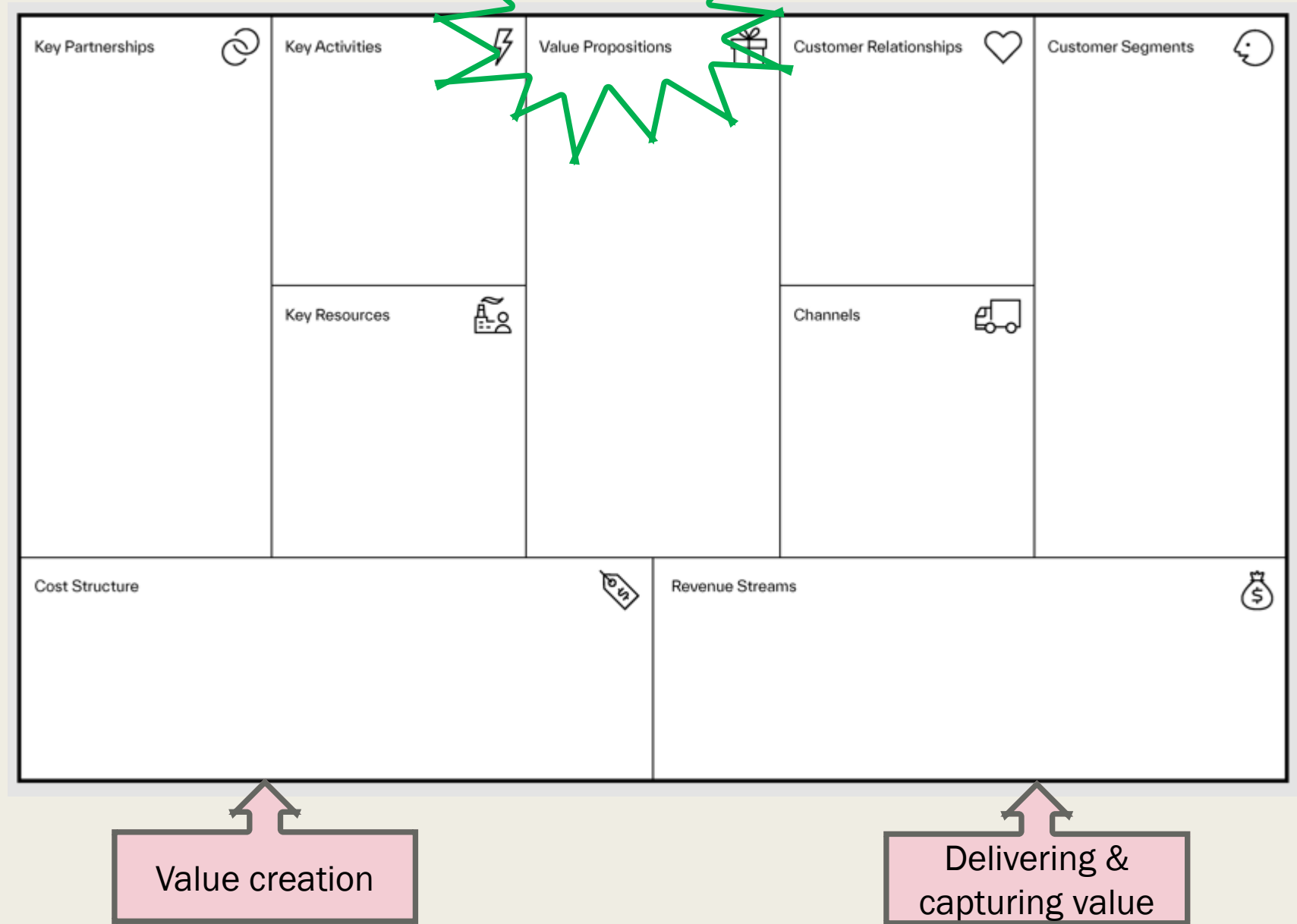
Getting From Business Idea to Business Model





Business Model Canvas





BMC

- The right side of the BMC (customer segments, channels, customer relations, revenue streams) emphasises choosing, delivering and capturing value.
- The left side of the BMC (key activities, key resources, key partnerships, cost structure) is focused on value creation through internal and external processes and logistics.
- The value proposition is the centrepiece and key to its success.

The Building Blocks: Key Partnerships

- Knowing what alliances, joint ventures and agreements with outside entities are required to deliver the value proposition.
 - *This can affect time to market and cost to build and deliver your product or service.*
 - *Can help to reduce risk.*
- Understanding the activities / competencies (manufacturing, software development, advertising) that need to be outsourced versus those activities that should be developed in-house.
- Questions to consider:
 - *Who are your key partners?*
 - *What value is delivered by each?*
 - *What key resources or activities are delivered by each?*
 - *How critical are partners to delivering the value proposition?*



The Building Blocks: Key Activities

- Need to identify and understand key activities to get the goods / service to market.
 - *Research & development*
 - *Platform maintenance*
 - *Product design*
 - *App design & development*
 - *Retail processes*

Questions to consider:

- *What are we good at / knowledgeable / passionate about?*
- *Which of these activities are essential to create the value proposition?*
- *Which aspects of these processes differentiate us from the competition?*

The Building Blocks: Key Resources

- Resources tend to fall into 4 categories:
- Human: can be up to 80% of total operating expenses.
- Physical: consider what assets need to be owned, rented or borrowed.
- Intellectual: identify what IP needs to be protected.
- Financial: understand the financial resources required to launch and grow the business.
- Questions to consider:
 - *What key assets are required to deliver the value proposition?*
 - *Are these resources available at a reduced cost?*
 - *What can be rented, leased or borrowed rather than purchased?*
 - *Are there any intangible resources (brand, data, information, knowledge) we need to reinforce?*

The Building Blocks: Cost Structure

- Few start-up businesses cease to exist because the product doesn't work
- Failing start-ups usually run out of money
- Essential to understand what activities and resources drive costs.
- Unit costs to produce and deliver the product / service need to be understood.
- Questions to consider:
 - *What are the cost drivers (activities, resources, standards)?*
 - *What is the unit cost structure?*
 - *Are there any economies of scale or scope?*
 - *What costs are fixed / variable?*



The Building Blocks: Value Proposition

- The value proposition addresses the reasons why customers will purchase whatever it is that you are selling.
- It answers the following questions:
 - *What is it?*
 - *Who is it for?*
 - *Why do they need it?*
 - *How does it work?*
 - *What is unique or different? Your USP?*
- You must be able to substantiate all claims.



The Building Blocks: Customer Relationships

- To maintain customer loyalty, it is essential to establish customer relationship mechanisms.
 - *Community management*
 - *Loyalty schemes*
 - *Gamification*
 - *Direct marketing*
- Enable to keep in contact with customers whilst getting to know them better
 - *Data analysis*
- Questions to consider:
 - *How do I keep the customer satisfied and loyal to the brand?*
 - *How do I use digital technologies to learn more about their needs?*
 - *How can we listen to their feedback?*



The Building Blocks: Customer Segments

- Need to understand individual customer segments, especially those likely to be early adopters.
- What extent of relationship is required.
- Need to understand:
 - *Segment personas*
 - *Size*
 - *Growth potential*
- Questions to consider:
 - *Where, how and why do they purchase?*
 - *What and how do they pay?*
 - *How profitable is each segment?*
 - *What other products or services do they want you to provide?*



The Building Blocks: Channels

- Need to understand how you plan to reach the target customer
 - *Logistics and distribution*
 - *Communication (promotion)*
- Necessary to build awareness, trial and purchase.
- Questions to consider:
 - *Whom do they trust?*
 - *What are their sources of information?*
 - *How will you reach them – physically and by promotion?*
 - *What service / relationship is offered with each?*

The Building Blocks: Revenue Streams

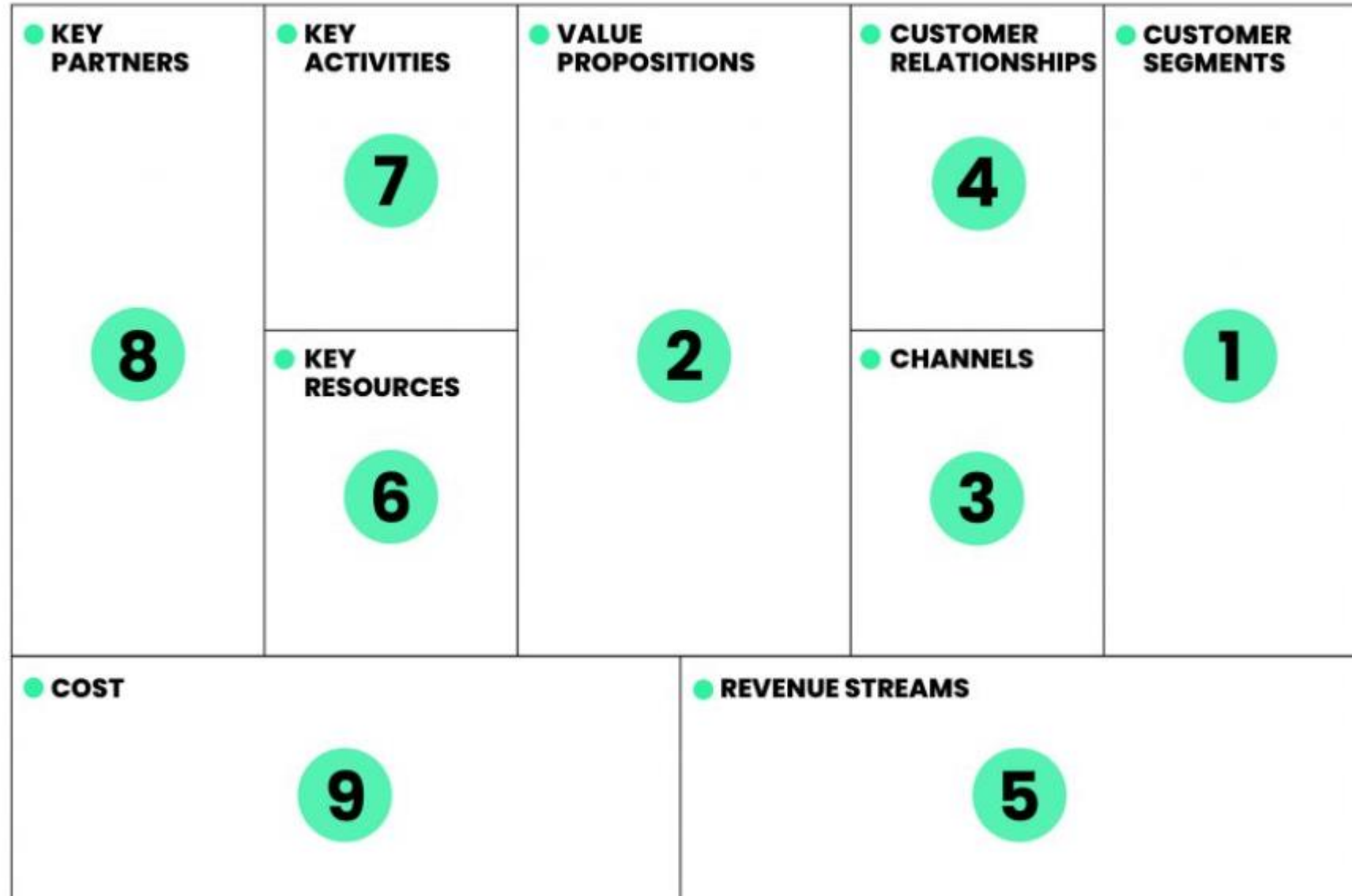
- Revenue drivers, streams, pricing and margins need to be understood.
- Estimates based on primary and secondary research and comparable data.
- Customer demand drives revenue.
- Questions to consider:
 - *What are the drivers of revenue?*
 - *What are customers willing to pay?*
 - *What are the pricing mechanisms?*
 - *How do they pay and are there any alternatives?*
 - *What is the average time to a sale?*
 - *Frequency and volume of purchase?*



Revenue Streams Examples

- **Unit sales:** sell a product or service on a per unit basis.
- **Advertising fees:** sell opportunities to distribute messages.
- **Franchise fees:** sell and support a replicable business for others to invest in.
- **Utility fees:** sell goods and services on a per-use or as-consumed basis.
- **Subscription fees:** charge a fixed price for access to your services for a period of time or series of uses.
- **Transaction fees:** charge a fee for referring, enabling or executing a transaction between parties.
- **Professional fees:** provide professional services on a time and materials contract.
- **License fees:** sell the rights to use intellectual property.

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World Values Day 19th October 2023



Organisational Values

acceptance	creativity	initiative	respect
accessibility	dependability	innovation	responsibility
accountability	democracy	integrity	reward
achievement	development		safety
adaptability	diversity	justice	security
appreciation	efficiency	kindness	sense of purpose
authenticity	empowerment	leadership	service
awareness	enthusiasm	learning	simplicity
beauty	environmental awareness	listening	social responsibility
calmness	equality	loyalty	success
caution	ethics	making a difference	support
caring	excellence	openness	teamwork
celebration	fairness	order	trust
challenge	financial stability	partnership	truth
cleanliness	forgiveness	patience	variety
coaching/mentoring	freedom	perseverance	wellbeing
collaboration	fun	positivity	willingness
commitment	gratitude	pride	wisdom
community involvement	growth	productivity	willingness
competence	harmony	professionalism	add here*
continuous improvement	helpfulness	quality	add here*
contribution to society	inclusivity	recognition	add here*
cooperation	independence	reliability	add here*

* If a value is important to you and it is not on the list, add it here.

References Useful Resources

- Osterwalder has published a series of 6 short videos, demonstrating the use of BMC: [Ep 1 - Getting From Business Idea to Business Model - YouTube](#)
- Lima, M (2020). Entrepreneurship and Innovation Education: Frameworks and Tools. Volume 32. John Wiley & Sons. Hoboken NJ.
- Osterwalder, A and Pigneur, Y. (2010). Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers. John Wiley & Sons, Hoboken, NJ.
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- Zacharakis *et al.* (2020). Entrepreneurship. Fifth Edition. John Wiley & Sons. Hoboken NJ.