

Business Model Canvas

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1. Value proposition
2. Customer Segment
3. Channel
4. Revenue Model
5. Key Resources
6. Key Activities
7. Key Partners
8. Cost Structure

*Startups don't fail
because they lack a
product; they fail
because they lack
customers and a
profitable business
model.*

Steve Blank.



Business Model Canvas by Alexander Osterwalder



A business model is the whole activity that you take up as the business and all that you do to execute it in order to create a sustainable enterprise. It represents the idea, the value proposition, the execution plan, how you will acquire and retain an increasing number of customers, how you will make money, and the growth plan. Business plan, on the other hand, is a document containing these activities.

is taken up to solve a problem of a customer segment through superior value proposition and deliver the value in a competitive way to create wealth for the stakeholders.

Suppose you start a business to manufacture and sell e-bikes. Your business model is to manufacture and sell e-bikes adopting a value proposition to maximize customers' satisfaction to create an increasing and repeatable loyal customer base for sustainable profit.

The value proposition includes meeting the needs of your target customers, offering superior value for their money compared to competitors, convenient delivery of the bikes, and ensuring pleasant experience of using the product, offer satisfactory aftersales service and such.

Business models have many dimensions and many of them frequently cry for your attention. It is almost impossible to keep a watchful eye on all such issues that must remain at the forefront of your consideration. Business Model Canvas (BMC) aims to keep the most important issues related to a business, conspicuously in one place for a holistic view in the form of a poster. Alexander Osterwalder began to propound this canvas in 2002 and consummated it over the years. Please see a 4-minute video by Osterwalder himself at the following links: <https://www.youtube.com/watch?v=2FumwkBMhLo> [You may also visit <https://ecorner.stanford.edu/> for interesting lectures on entrepreneurship]. The objective of the BMC is to keep all major features of the business that need attention in one place.

The Building Blocks of Business Model Canvas

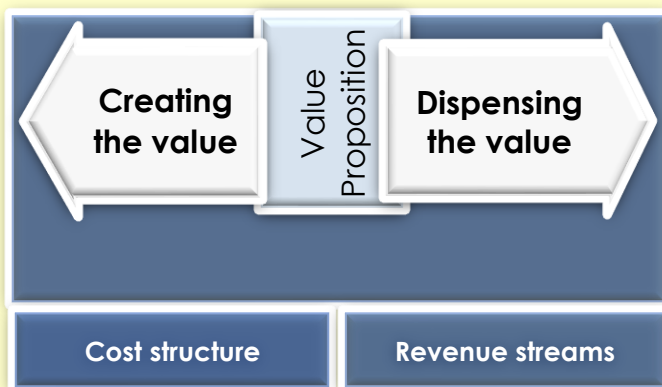
Customer Discovery:

Countless startups fail as they do not understand how customers think.

Know what your customers want and know which customers want your offerings.

Inspired by Steve Blank

The business model canvas consists of nine building blocks. Each block represents an important aspect of the business model. The canvas aims to define the entire business model in one sheet as a ready reckoner so one does not have to bother about missing any important aspect while preparing the business plan. One can perceive the canvas to be consisted of four constructs. At the center of the canvas is the **VALUE PROPOSITION** construct and very rightly so as it is the main driver of success of the business. An enterprise presents their compellingly attractive features that would attract customers to buy and remain loyal to the brand. In short, the value proposition contains information explaining why customers would prefer your product or service over those of the competitors. Though it sounds intuitive, defining the value proposition is not an easy job. Many of the founders fail to articulate it copiously leaving out important features focusing instead on unrelated or unattractive ones.



Three Constructs of the Canvas

The bottom construct deals with the finances.

All resources will cost money and you want the business model to give you profit. So, the bottom construct explains the **COST STRUCTURE & REVENUE STREAMS**. Cost structure block delineates the cost elements such as cost of infrastructure, manpower, utilities, and other operational costs and how to control them. The starting point for profit is the revenue (what are the revenue streams and are they sufficient to defray the cost and make a profit) to give you profit.

At the center of the canvas lies the VALUE PROPOSITION.

The left construct

On the left side of the value proposition block are the various aspects contributing to creating the value. They include the **KEY RESOURCES** to create value (strategic assets, talents, intangible assets, licenses, that would help to compete), **KEY ACTIVITIES** (through which you will convert resources into product or service -the proposed value), **KEY PARTNERS** (who will critically help you to imbue the differentiators in your offerings, give you access to capital, help to network, and extend helping hand at times of need so you can create the value).

The right construct

On the right side of the value proposition are four blocks explaining who the target market are, how the value will be dispensed to them leading to a long-term relationship and what kind of revenue streams are possible to create a profitable and sustainable business venture. The four blocks consists of **CUSTOMER SEGMENT** (who are the customers, what pains of these customers are common that you plan to alleviate, what are their unique behavior that will determine how you will reach out to them), **CHANNEL** (the medium through which you will communicate with them to create awareness of your value offering, the channel through which you will reach the product or service to them, provide after-sales service, etc.), and **CUSTOMER RELATIONSHIP** (building a lasting and satisfying relationship for them to repeatedly buy your product). The sustainable relation is aimed at creating wealth for the company which is determined by the profit you are likely to generate through the relationship with the customers.

The BMC is a strategic management template used to understand and convey business models. It aims to graphically show a firm's success potential by exhibiting the value proposition, infrastructure, customers, and finances.

BMC – a ready reckoner for entrepreneur

Note that the primary consideration for the elements of all the building blocks is to highlight those that help to create better value vis-à-vis the competitors to build a brand with loyal followers for a sustainable profitable business.

Once you prepare the canvas, you can effectively communicate your business model with team members, investors and other stakeholders. The model is to be updated with the changing nature of the business dynamics and progress to make it more useful.

What the canvas fails to articulate

It does not have any reference to exogenous forces, for example the Porter's five forces. Without the understanding of the market dynamics the canvas may not give a holistic view of competitive advantages.

It focuses mostly on economic value and not environmental and social value. Consumers are increasingly attaching importance on environmental and social factors and appreciating the efforts made by companies in this direction. To be rewarded by customers, companies are favorably responding and structuring their offerings accordingly to sustain and grow.

How to create competitive advantages, entry barrier, scaling business and such.

Business challenges are diverse. From that perspective, the canvas appears overly simplistic and narrow in appreciating business challenges.

Warren Buffett: Four Keys to Entrepreneurship

Learn to delegate

Life is busy. You have too much to do around the clock. Some tasks are easy and some are time-consuming. Delegate these to others so you can do more relevant things. Train people so they can do many of your jobs.

Always keep learning

It is not possible to know everything. But you can learn many things. It is ok to ask for help. Success comes to those who are open to learn and constantly learn from whosoever have the knowledge.

It is ok to fail

There is hardly anybody who have not failed or do not have regret. Remain prepared to fight back if failure comes your way. Learn from every failure so you don't make the same mistakes.

Do not ignore rules

One must strictly follow rules no matter how attractive it may appear to have shortcut by breaking them. History is testimony that entrepreneurs regarded as successful do not break rules and follow strict ethical standard.



ENTREPRENEURIAL STORY

Meet the young Indian entrepreneur **Tilak Mehta**, a 13-year-old boy, who launched his company Papers N Parcels (PNP) in 2018, to create an easy alternative to courier services in Mumbai. "Papers N Parcels", as his startup is known, assure same day delivery of small parcels and papers within Mumbai. Tilak Mehta is no different from any other Mumbai teenager. He was studying in Class VIII when he needed to get some books from the other corner of the city. He could not ask his dad to do it for him for concern that it would put too much stress. With this pain the idea of a startup was born. While scouting for a convenient media to carry the small parcels the idea of a synergy with the Mumbai Dabbawala struck him. Tilak pitched his idea to a banker who saw value in the business model and joined his company quitting his bank job.

PNP operates business using a mobile app and employs own people while also engaging the Dabbawalas. The business is expanding by widening the scope to pathology labs, boutique shops, brokerage houses and many more. The annual turnover in 2020 was more than ₹100 crore. Interestingly, the net worth of Tilak Mehta as in 2021 is more than ₹100 crore.

[Meet the 13-year-old who harnessed Mumbai's dabbawala network for his courier service \(yourstory.com\)](https://yourstory.com/2021/07/meet-the-13-year-old-who-harnessed-mumbai-dabbawala-network-for-his-courier-service/)



Reference

Osterwalder, A., & Pigneur, Y. (2010). Business model generation: a handbook for visionaries, game changers, and challengers. John Wiley & Sons.