

BUSINESS MODEL CANVAS

Participants learn about the business model canvas. What's unique about this experience is that they will creatively use a visual representation of the business model canvas to dive deeper into their business ideas. Exploring topics such as Channel Distribution, Target Customers, Revenue Streams, Cost Structure and more.

What is the Business Model Canvas?

Business Model Overview:

Facilitator will explain each component of the business model canvas.

- **Key Partners:**
 - Who are your key partners?
 - Who are your key suppliers
 - Which key resources are we getting from partners
 - Which key activities do the partners perform?

- **Key Activities**

Key activities are the most important activities in executing a company's value proposition.
Example:

 - What key activities does your value proposition require?
 - What are the key activities for your distribution channels?
 - What are the key activities to build customer relationships?
 - What are key activities to build your revenue streams?

- **Key Resources**

Key resources that are necessary to create value for the customer. They are considered an asset to a company, which are needed in order to sustain and support the business. Types of key resources include physical, intellectual (brand, patents, copyrights, data), human, financial

 - What key resources does your value proposition require?
 - What key resources does your distribution channels require?
 - What key resources does building your customer relationships require?
 - What key resources does your revenue streams require?

- **Value Proposition**

The value proposition is the collection of products and services a business offers to meet the needs of its customers. This is what distinguishes your company from its competitors. Some of the characteristics are newness, performance, customization, design, brand/status, price, cost reduction, risk reduction, accessibility, convenience/usability.

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

- **Customer Relationships**

This quadrant is about identifying what type of relationship the business wants to create with their customer segments. Things include: personal assistance (*employee-customer interaction; assistance performed during or after sales*), dedicated personal assistance (*sales representative assigned to handle all needs and questions*), self-service (*organization provides the tools needed for customer to serve themselves; gas station*), automated service (*similar to self-service, takes it a step further; Amazon.com*), co-creation (*personal relationship is created through allowing final product or service created directly with customer input; hitrecord.org*)

- 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 the business model?
- How costly are they?

- **Channels**

This quadrant is about determining how a company will deliver its value proposition to its targeted customers. Effective channels will distribute a company's value proposition in ways that are fast, efficient, and cost effective. (*ex. Storefront, partner channels – distributors*)

- 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?
- Awareness: How do we raise awareness about our company's products and services?
- Evaluation: How do we help customers evaluate our organizations value proposition
- Purchase: How do we allow customers to purchase specific products and services?
- Delivery: How do we deliver a value proposition to customers?
- After Sales: How do we provide post-purchase customer support?

- **Customer Segments**

This is about identifying which customers you want to serve. Some markets include; mass markets (*no specific segmentation for a company – wide view of potential clients; car*), niche market (*segmentation based on specialized needs and characteristics; rolex*), segmented (*segmentation within existing customer segments; gender, age, income*), diversified, multi-sided platform.

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

- **Revenue Streams**

Types : Usage Fee (*money generated from use of service; UPS*), Asset Sale (*selling ownership rights; Wal-Mart*), Subscription Fees (*Revenue generated by selling continuous service; Netflix*), Lending/Renting/Leasing (*giving exclusive rights to an asset for a period of time;*

Leasing a car), Licensing (revenue generated from charging for the use of a protected intellectual property), Brokerage Fees (revenue generated from an intermediate service between 2 parties; broker selling a house), Advertising, List price, Volume dependent,

- For what value are your 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?

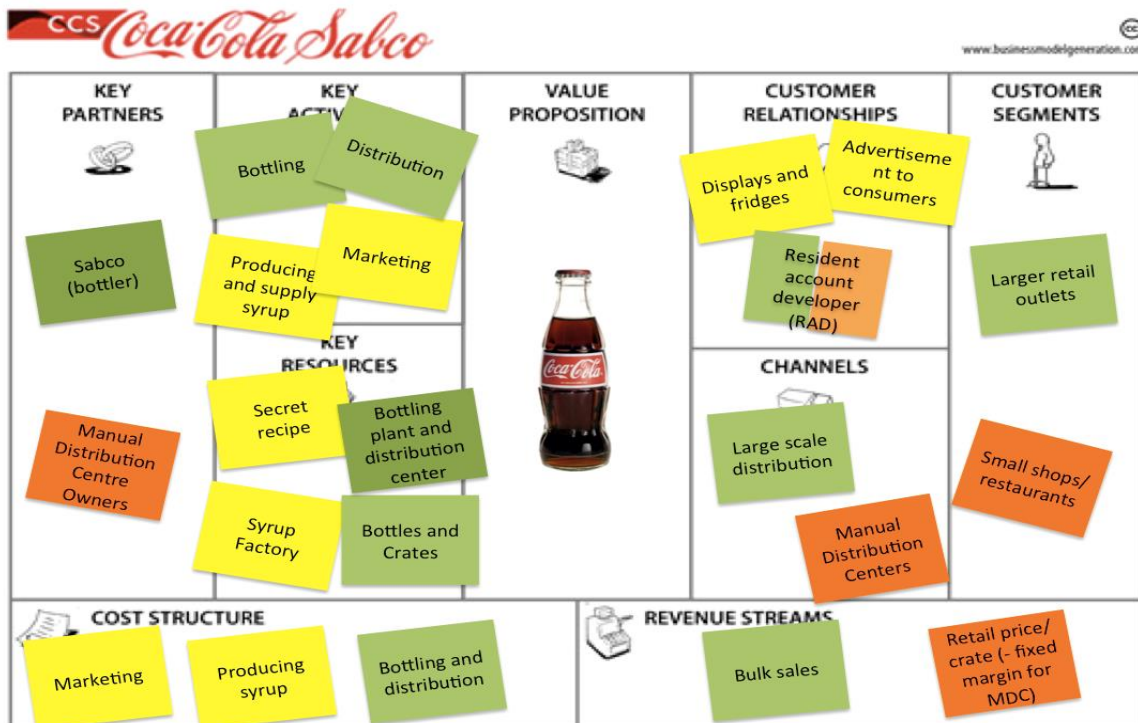
- Cost Structure

This outlines the most important monetary expenses while operating under the business model. Types of costs: Variable costs (these costs vary depending on the amount of production), fixed costs (salaries, rent, utilities), value-driven, cost-driven, economies of scale (costs go down as the amount of goods are ordered or produced), economies of scope (costs go down due to incorporating other businesses which have a direct relation to the original product.)

- What are the most important costs inherent in your business model
- Which key resources are most expensive?
- Which key activities are most expensive?

DEMONSTRATION:

After explaining the business model canvas, the facilitator will provide an example of a well-known company to put the business model canvas into context.



ACTIVITY:

Participants will now have the opportunity to create business model canvases for their specific businesses.

- Participants will be given a template business model canvas (*with explanations*) and will redraw their template onto a flipchart paper.
- The participants will work individually to fill in the business model canvas as it relates to their business idea.
- Participants will use ideas generated from Idea Exploration to also fill into the template.
- They will then get an opportunity to share their business models with the rest of the group (*this is optional and dependent on groups size*)

Facilitators Notes:

During this activity, the facilitator should be walking around to each group answering any questions they may have. Participants may find it challenging to fill out some aspects of the business model canvas. The facilitator should support them by providing further explanation where necessary. It is also encouraged to get the participants to reach out to their peers for ideas and support also.