



Business Model Canvas

An Introductory Workshop

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Plans Not Worth Doing?

“*No **battle plan*** survives contact with the enemy”

(German military strategist Helmuth von Moltke)

“*No **business plan*** survives first contact with customers”

(*Steve Blank* in [The Startup Owner's Manual](#))

Yes, But...

“Plans are useless--planning is essential”

(General Dwight Eisenhower, post “D-Day”)

**“If you don’t know where you are going,
you’ll end up someplace else”**

(Yogi Berra, former New York Yankees catcher)

Why the Answer is “Yes”

- What does a plan do for you?
 - Enforces disciplined thinking
 - Validates problem/solution fit
 - Reveals risks and opportunities
 - Reveals gaps in preparedness
 - Roadmap for implementation
 - Allows you to communicate to others

Traditional Business Plan

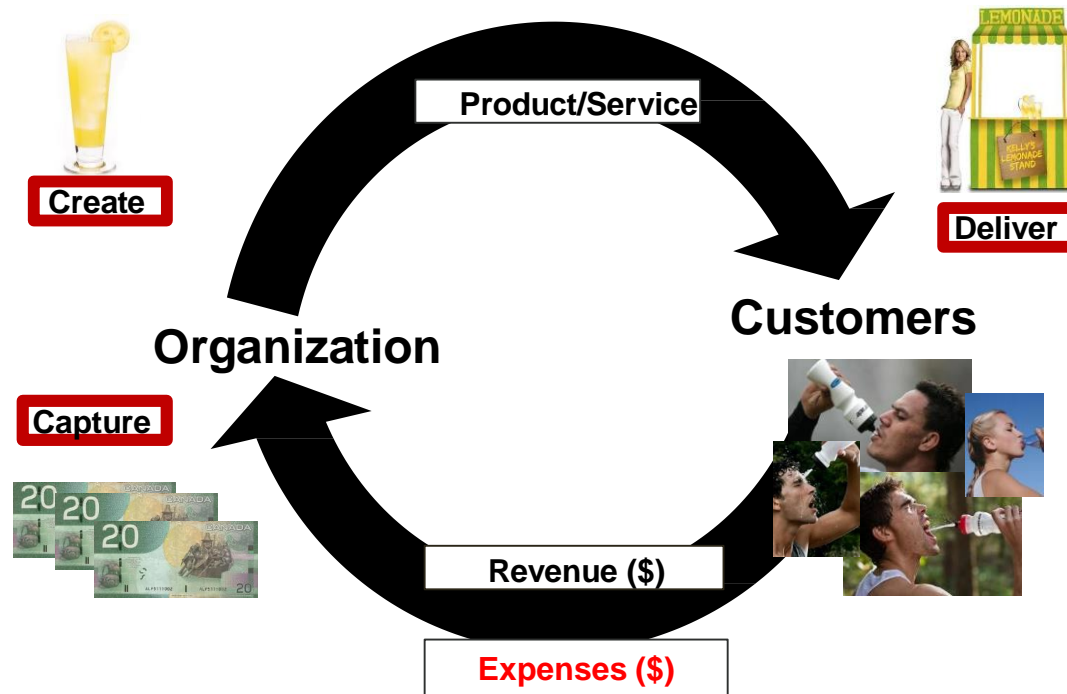
- Structure & Content
 - 15 to 35 pages (or more)
 - Structured topics, paragraphs, grammar
 - Product / market fit
 - Supporting financials (usually spreadsheets)
- Templates Available
 - SBA Website (www.sba.gov)
 - SCORE Website (www.score.org)
 - Myriad of others (just Google it)

BMC is an Alternative Approach

- **Lean Planning** (Software Apps Development)
 - Meaningful Bullets (sentence fragments)
 - Visual Relationships
- Can replace or supplement the traditional business plan
- **Quick—Not Easy!**
 - Comprehensive (holistic) view of your business premise and execution concept
 - Identifies gaps in your strategy or knowledge

What is a “Business Model”

“A sustainable business model describes the rationale of how an organization **creates**, **delivers**, and **captures** value”





Business Models



Value: High end Unique Products

Target Market: High Income

Model: High Margin/Low Volume

Marketing: Premium Quality, Prestige

Operations:

- Locations in High end neighborhoods
- Smaller Stores
- Emphasize Customer Service

Value: Low Price

Target Market: Low/moderate Income

Model: Low Margin/High Volume

Marketing: Mass Media, Push Price

Operations:

- Location in Low income communities
- Larger Stores
- Emphasize low cost

What is the Business Model Canvas?










The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partners  <p>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p>EXAMPLES FOR PARTNERSHIPS Distribution and assembly Production of final goods and services Acquisition of particular resources and activities</p>	Key Activities  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</p> <p>EXAMPLES Manufacturing Procurement Platform/networks</p>	Value Propositions  <p>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?</p> <p>EXAMPLES Convenience Personalization Customization Simplifying the use of a device Design Price/Status Style Cost Reduction Risk Reduction Accessibility Completeness/Usability</p>	Customer Relationships  <p>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?</p> <p>EXAMPLES Personal assistance Dedicated Personal Assistance Self Service Automated Services Communities Co-creation</p>	Customer Segments  <p>For whom are we creating value? Who are our most important customers?</p> <p>EXAMPLES Mass Market Niche Market Segmented Diversified Multi-sided platform</p>
Key Resources  <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships?</p> <p>TYPES OF RESOURCES Physical Intellectual (brand, patents, copyrights, data) Human Financial</p>		Channels  <p>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?</p> <p>CHANNELS: PROBLEMS 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?</p>		
Cost Structure  <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> <p>IS YOUR BUSINESS MODEL Cost driven (lowest cost structure, low price value proposition, maximum automation, extensive outsourcing) Value driven (focused on value creation, premium value proposition)</p> <p>EXAMPLES FOR COSTS Fixed (overhead costs, rent, utilities) Variable costs Economies of scale Economies of scope</p>		Revenue Streams  <p>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?</p> <p>TYPES Asset sale Licensing fee Subscription fees Licensing/leasing/leasing Licensing Advertising fees Advertising</p> <p>OTHER REVENUE Licensing fee Product feature dependent Customer segment dependent Income dependent</p> <p>PROBLEMS FOR REVENUE Poor timing of sales Poor management Poor time to market</p>		



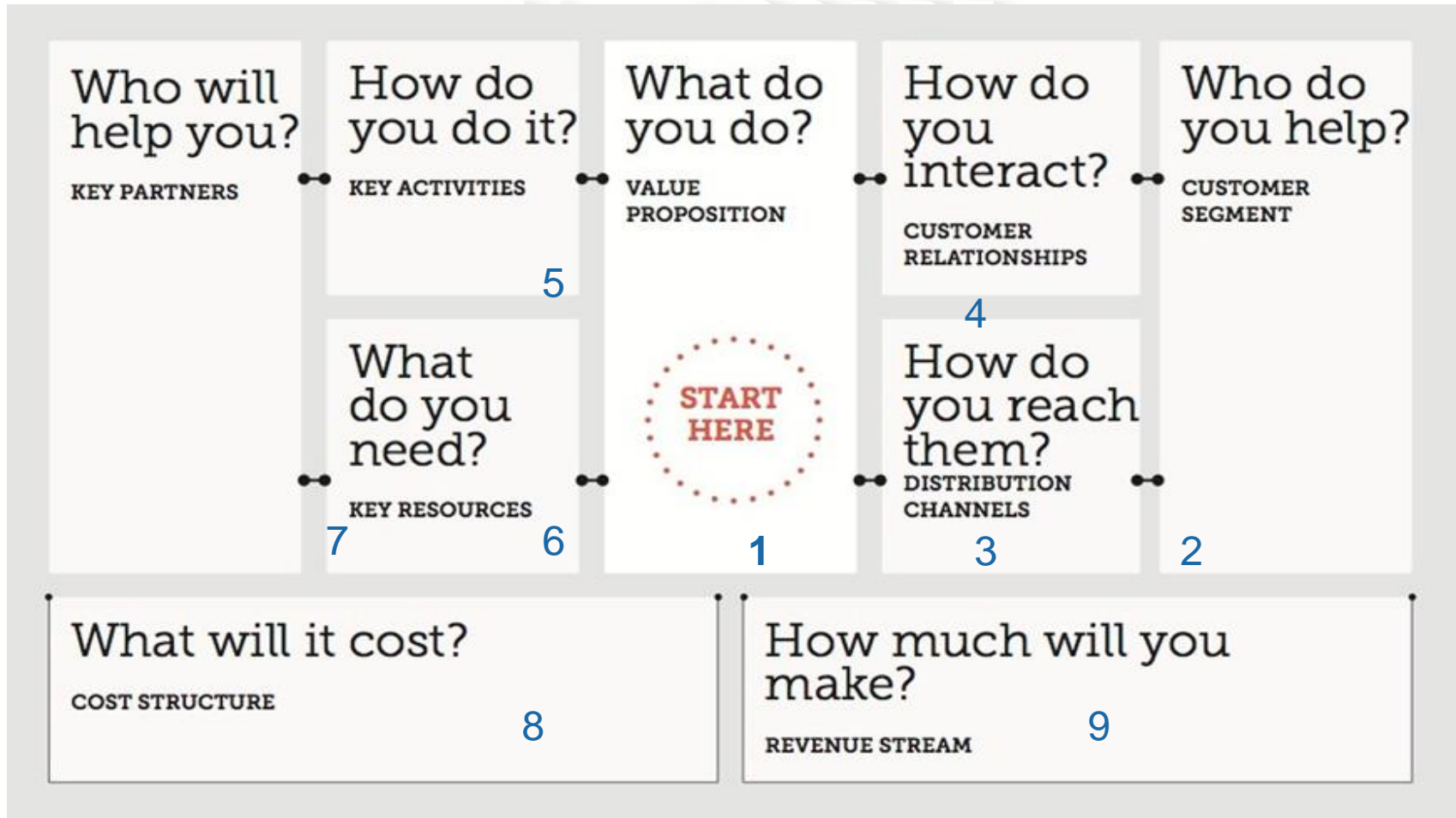
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The makers of Business Model Generation and Strategyzer

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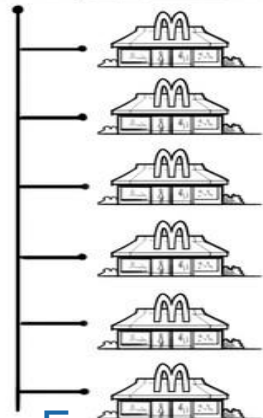
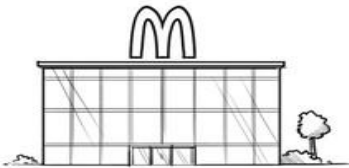
 **Strategyzer**
strategyzer.com

Biz Model Canvas Asks the Key Questions



Canvas for McDonald's

STRATEGIC PARTNERS

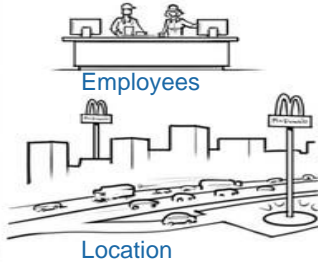


Franchisees

KEY ACTIVITIES



KEY RESOURCES

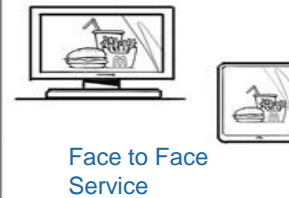


VALUE PROPOSITION



Quick
inexpensive
meal

CUSTOMER RELATIONSHIP



DISTRIBUTION CHANNELS



CUSTOMER SEGMENTS



Families

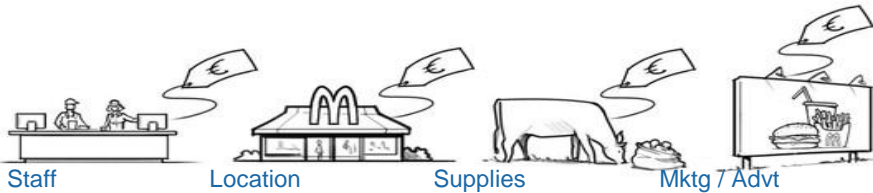


Public / workers



Seniors

COSTS



REVENUES



How It Fits Together

9

building blocks

1
2

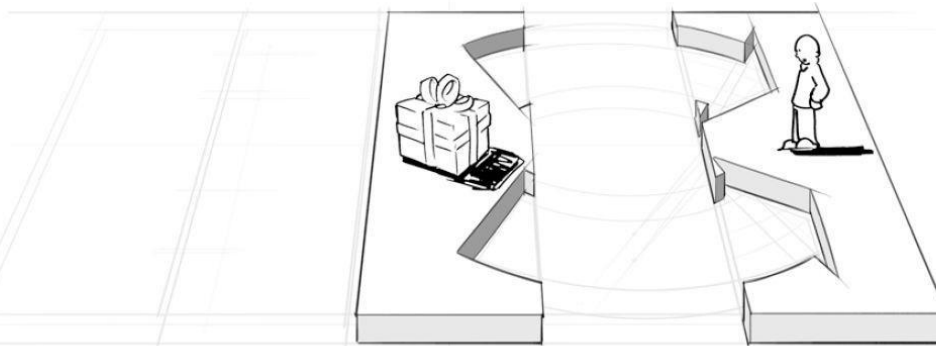
Value Proposition



**What value are you offering customers? What will it do for them?
What needs do you satisfy - newness, performance, customization,
cost reduction, convenience? Do they care?**

drawings by JAM

Customer Segments

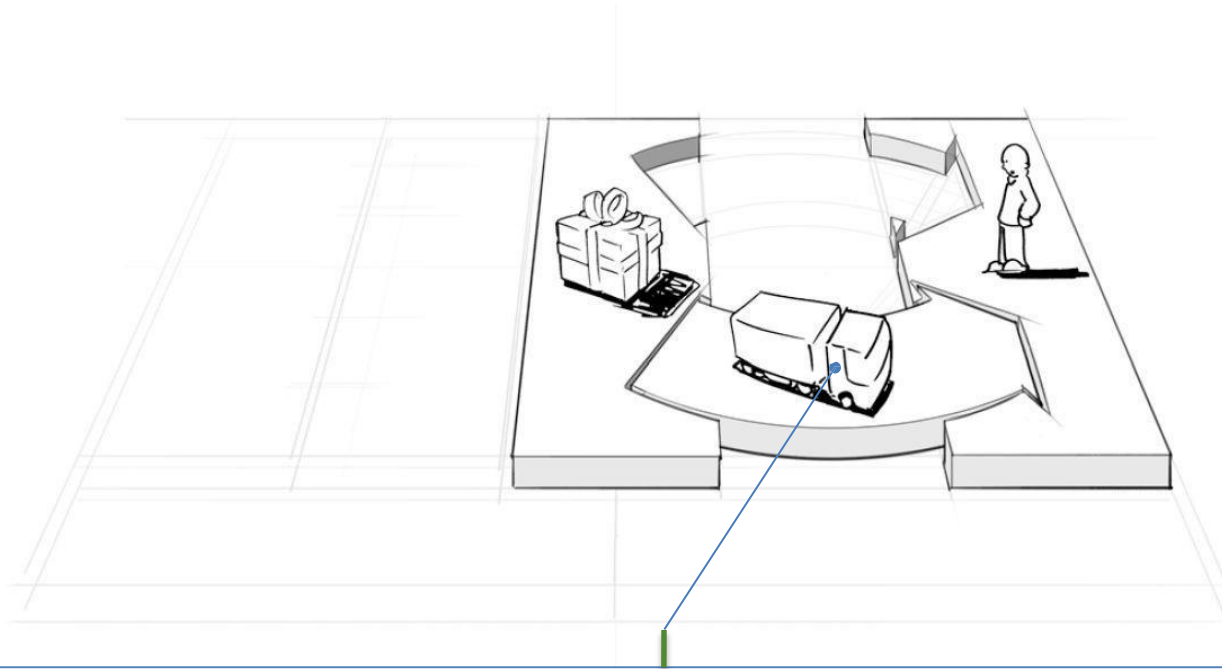


Which customers and users are you serving? Who are most important? Are they willing to pay for your value(s)?

drawings by JAM

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Channels

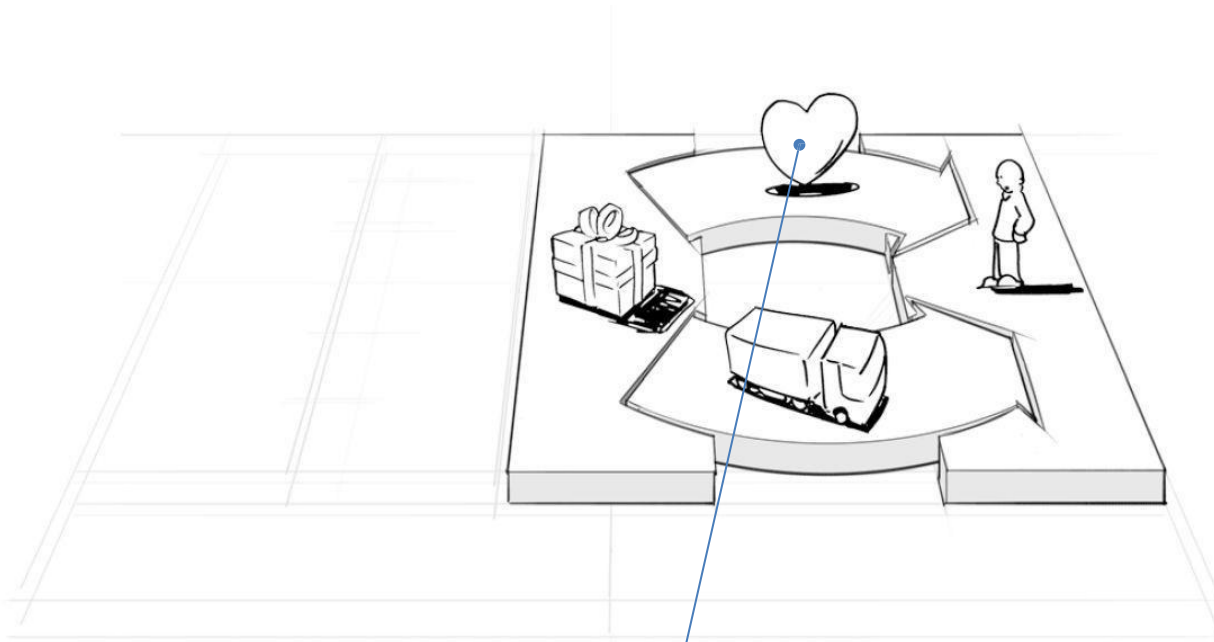


How do you deliver your products/services to customers? Multiple channels available?

drawings by JAM

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Customer Relationships

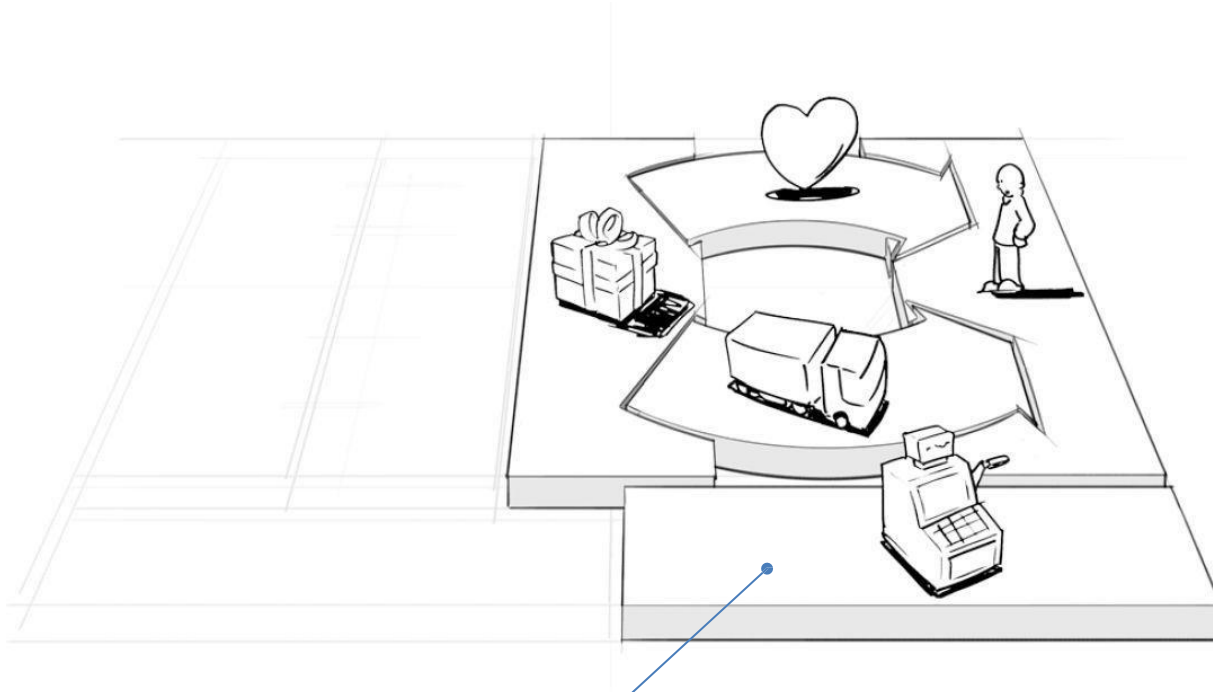


What relationships are established with each customer segment (marketing, sales, support)? Personal? Automated? Acquisitive? Retentive?

drawings by JAM

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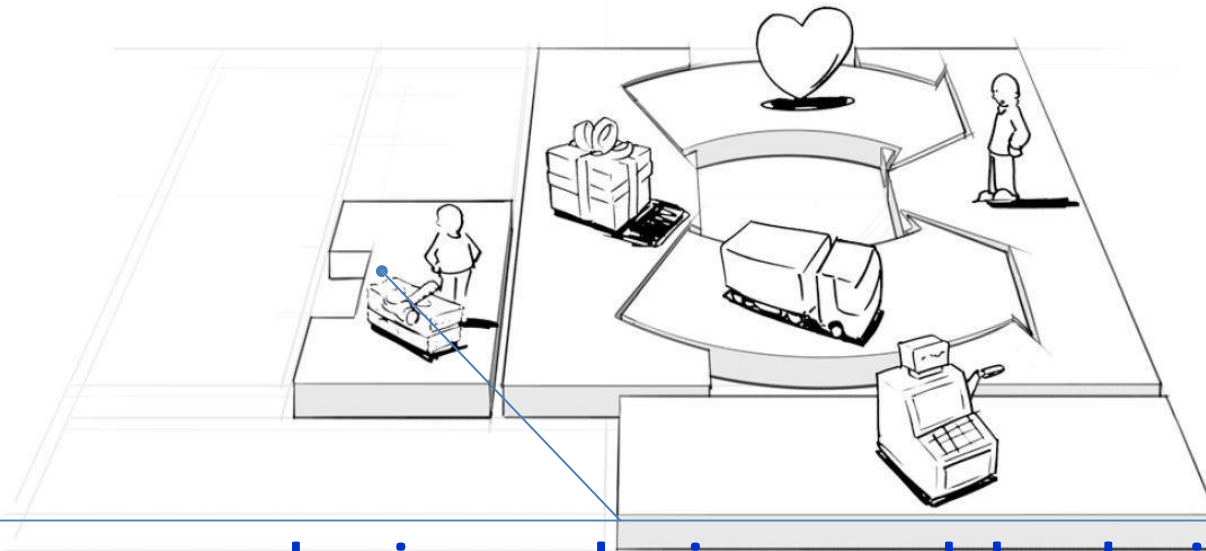
Revenue Streams



For what value are customers willing to pay ? For what do they currently pay? How are you generating transactional or recurring revenues?

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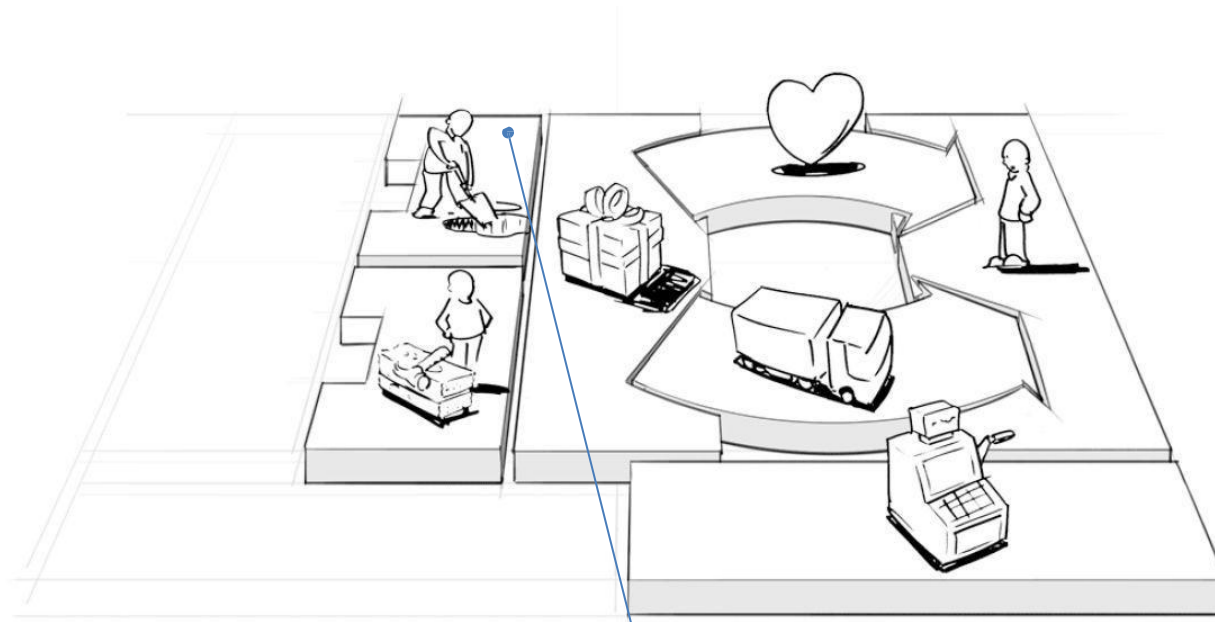
Key Resources



Which resources underpin your business model - physical, intellectual, human, financial ? Which assets are essential – leadership team / sales team / technology?

drawings by JAM¹⁸

Key Activities

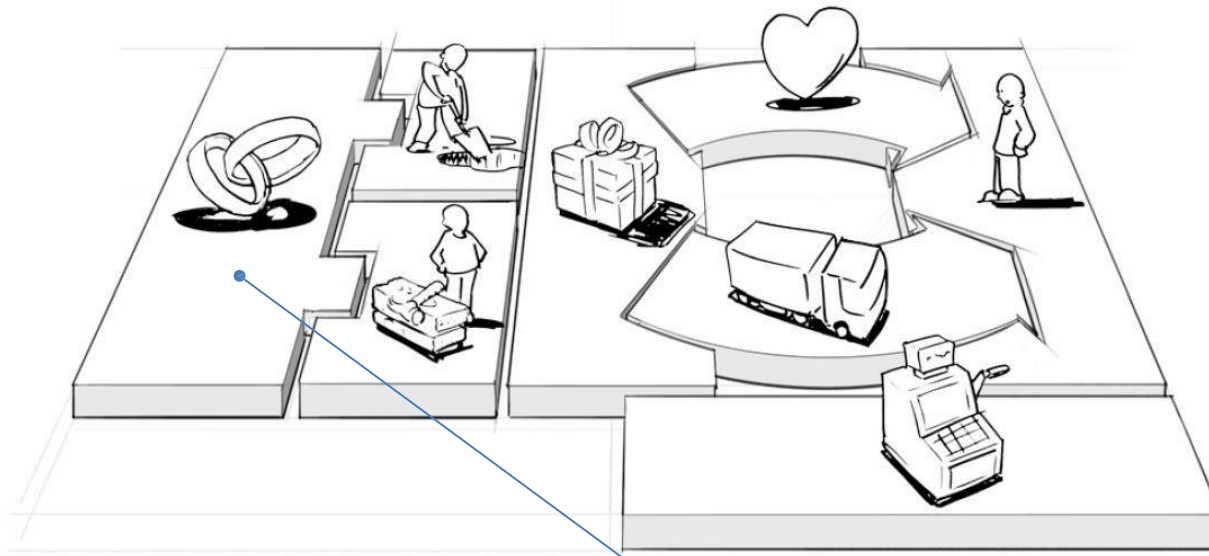


**Which activities need to perform well in your business model
- distribution channels, customer relations, revenue streams /
product development, production, marketing?**

drawings by JAM

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Key Partners

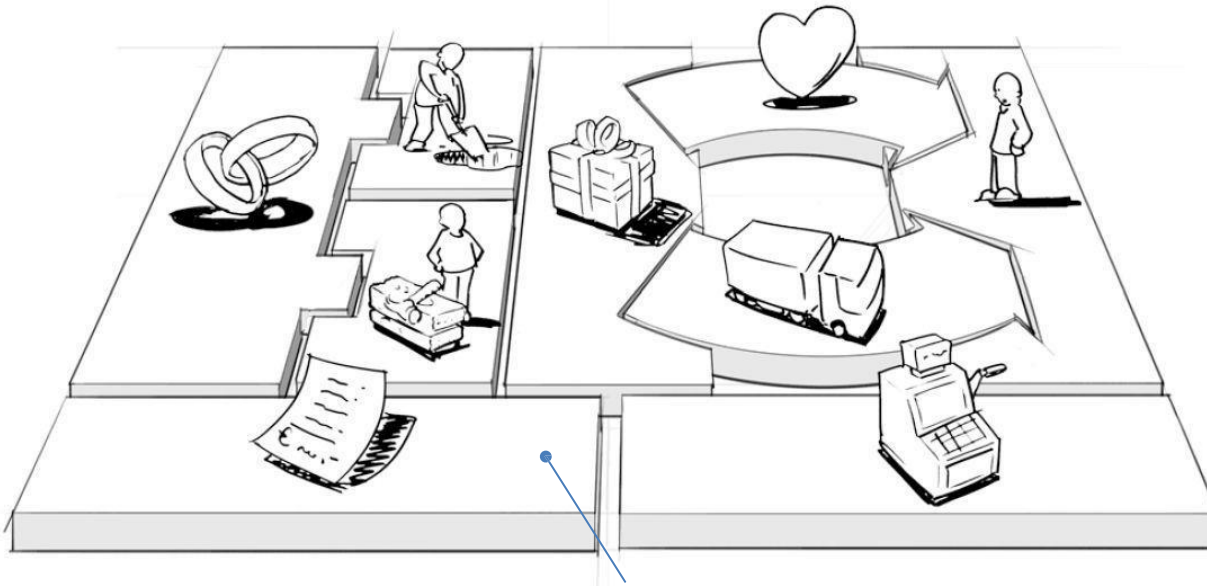


**Which partners and suppliers leverage your model?
Who do you need to rely on? What's in it for them?**

drawings by JAM

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Cost Structure



what is the resulting cost structure / fixed, variable? which key elements drive your costs? are there economies of scale, of scope?

Test Your Model

- Start with research on success of similar products and/or services
 - Internet is invaluable
- Direct Contact if possible with similar businesses
- Crowdfunding Test



\$13 M on
Kickstarter

The Coolest Cooler

Test by Interview

- Bring the right attitude: “Knowledge Seeker”
 - An interview is not a sales tool
- Listen more than you talk: Your goal is to listen and learn, not to inform, impress or convince your customer of anything.
- Listen with “fresh pair of ears” and avoid inventor’s bias.

Interview Process

- Create a customer profile
 - Sketch out characteristics
 - Identify their addressable pains & gains
 - Rank them in order of importance.
- Create an interview outline
 - What do you most need to learn?
 - Derive questions from customer profile related to product/service
 - Ask how they feed about most important pains & gains.
- Conduct the interview
 - Follow interview ground rules noted below

Interview Prospective Customers

- Customer insight interviews are not about selling—they are about learning. Don't ask, "Would you buy our solution?" Ask, "How do you decide when you buy _____?"
- Don't mention solutions (i.e. your value proposition) too early. Don't explain, "Our solution does X, Y & Z." Ask, "What are the most important problems you are struggling with?"
- Follow up – Get permission to keep your interviewee's contact information to come back for more questions and answers or testing prototypes.
- Always open doors at the end – Ask, "Who else should I talk to?"

Focus on Usable Answers

- Seek actionable opinions:
 - Don't ask, "Would you like _____?"
 - Ask "How much do you need/want _____?"
 - Ask "What would you pay for _____?"
- Ask "why" questions to get to motivations:
 - "Why do you need/want _____?"

Evaluate Interview Results

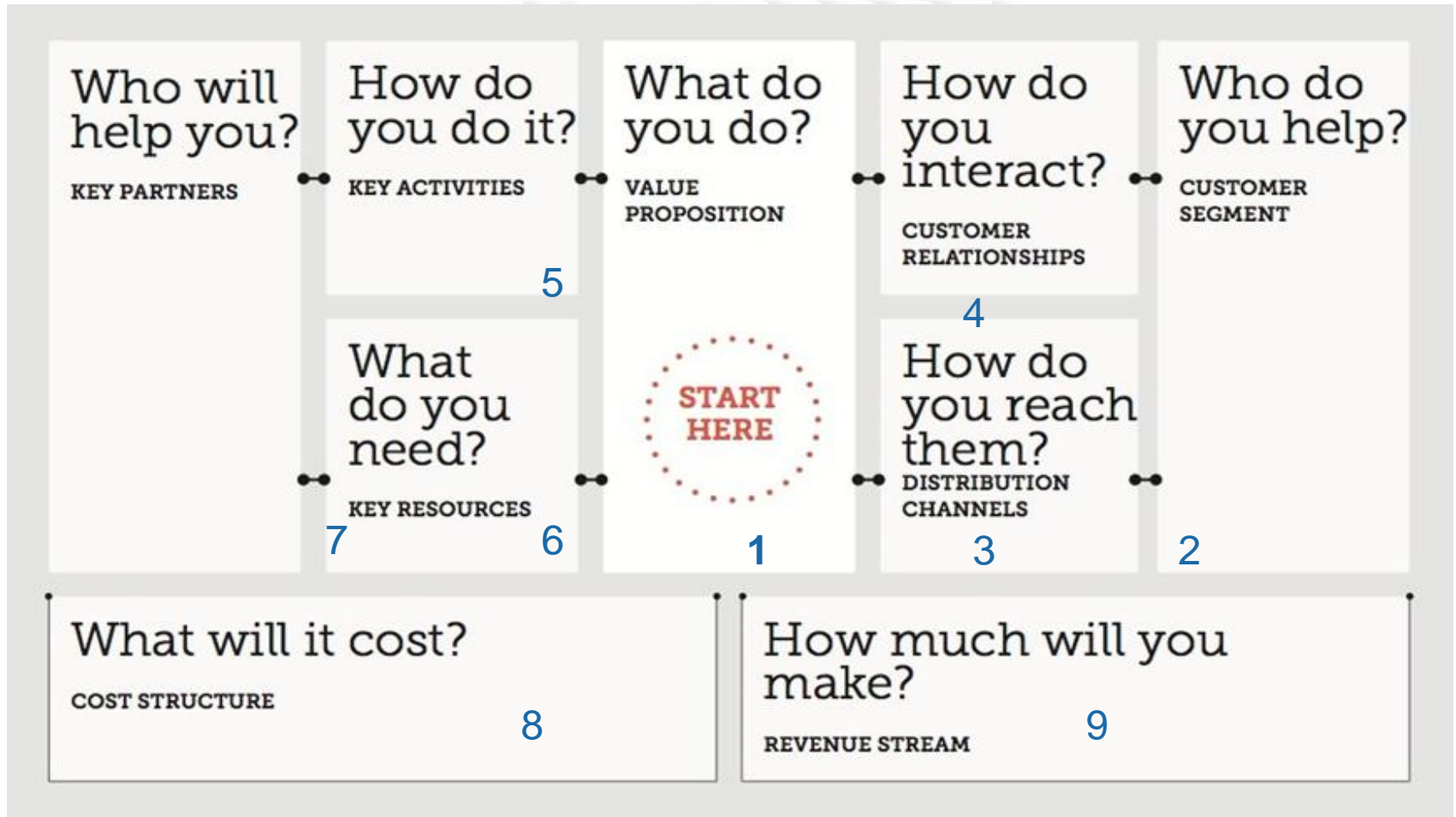
- Search for patterns

- Can you discover similar jobs, pains & gains?
- What stands out?
What is similar among or different among interviewees? Why?
- Can you detect specific (recurring) contexts that influence jobs, pains & gains?

- Implement what you learn

- Make a separate customer profile for every customer segment that emerges from all your interviews.
- Write down your most important insights on sticky notes.
Capture your biggest insights from all interviews.
- Change product/service? Market differently?

Biz Model Canvas Asks the Key Questions



Biz Model Canvas: Bottom Lines

- Is a dynamic, evolving, living document
- Develops SMART Goals and detailed action plans
- Creates a critical path to customer validation
- Is a basis for 3-5 page summary of your concept
- Helps you understand capital requirements
- Creates a strong base to add the information needed for your full business plan (if you need it)

YouTube Video References

- “Secret Process of Today’s Successful Ventures”
 - Strategyzer production
 - 6 video series on building a business plan
- “Capture Your Business Plan in 20 Minutes”
 - Ash Maurya
 - Tutorial is on **Lean Canvas** (with examples)
 - Variation on BMC; useful for detail on value proposition

Can You Use Some Help?

- A SCORE mentor can help you think through how the canvas applies to your business.
- Take advantage of our workshops to fill in gaps in your skills and knowledge.
- greaterphoenix.score.org (928) 421-3778

Questions?











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