Business Model Canvas

The Business Model Canvas is used to describe the following 9 elements of a business model

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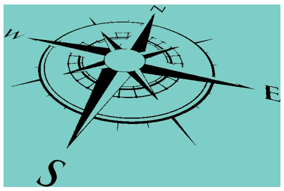

StrategicCoffee (SC)

Description:

Everything you need to know about Business Strategy Development and Execution

Stakeholder(s):

Chris Fox :
Author - Owner, StratNavApp — I first came across the Business Model Canvas in the book "Business Model Generation" by Alexander Osterwalder and Yves Pigneur. It is a simple template for describing the various key elements that make up a business model - that is, how a firm extracts value from the markets in which it competes.

Alexander Osterwalder :
Business Model Generation, Co-Author

Yves Pigneur :
Business Model Generation, Co-Author

Vision

Firms extract value from the markets in which they compete

Mission

To describe the elements of a business model

1. Partners

Identify key partners

KP = Key Partners — Which key partners does the firm rely on, and for what? They could be normal supply, outsource or distribution relationships, but could also include strategic alliances between non-competitors or competitors, and joint ventures. Relationships may be exclusive and tightly contracted or more open market. It is also important to be clear what the firm gains from the partnership that it could not get alone, and therefore how partners are selected and managed.

1.1. Inputs

Document the inputs supplied by partners

1.2. Processes

Document the processes conducted by partners

2. Activities

Document the key activities companies must perform in order to deliver their value propositions

KA = Key Activities — What key activities must the company perform in order to deliver its value propositions through its channels to its customers? These could include all the activities in the value chain, from product development to manufacturing to sales and marketing and post-sales support, as well as supporting processes such as hiring and developing staff, knowledge management and problem solving, and developing systems. See also How to use Porter's Value Chain Analysis.

2.1. Products

Address product development requirements

2.2. Manufacturing

Address manufacturing requirements

2.3. Marketing & Sales

Address sales and marketing requirements

2.4. Support

Address post-sales support requirements

2.5. Hiring & Staff Development

Address hiring and developing staff requirements

2.6. Knowledge Management

Address knowledge management requirements

2.7. Problems

Address problem solving requirements

2.8. Systems

Address systems development requirements

3. Resources

Identify the resources organisations need to deliver their value propositions

KR = Key Resources — What key resources does the organisation need to deliver its value propositions? Key resources can include people and skills, physical assets, intellectual property, patents and copyrights, as well as data, brands and financial resources.

3.1. People & Skills

Identify people and skills requirements

3.2. Physical Assets

Identify physical asset requirements

3.3. Intellectual Property

Identify intellectual property requirements

3.4. Patent & Copyrights

Identify patent and copyright requirements

3.5. Data

Identify data requirements

3.6. Branding

Identify branding requirements

3.7. Financing

Identify financial resource requirements

4. Value Proposition

Document the values companies offer their customers

VP = Value Proposition — What value does the company offer its customers? Value propositions describe which of the customers' problems are solved using the bundle of products and services a company offers, or which of the customers' needs are satisfied. A competitive value proposition is typically something which is new in the market, or which performs better, is more flexible/customisable, is better designed or is cheaper than what is already available in the market.

4.1. Problems

Describe which of the customers' problems are solved

4.2. Needs

Describe which of the customers' needs are satisfied

5. Customer Relationships

Document the kinds of relationships companies will have with their customers

Stakeholder(s)

Companies **Customers**

CR = Customer Relationships — What kinds of relationships will the company have with its customers?

5.1. Level

Document the level of service to be provided

Customer relationships can offer high levels of personal service, or expect customers to self-serve.

5.2. Duration

Document the intended duration of relationships

Business can be transactional where the customer relationship is limited to the purchase process, or relational, where the customer enters into a longer term relationship with the business.

5.3. Scope

Document the intended span of relationships

Customer relationships can span the pre-sales, sales and post-sales activities, like servicing, cross-sales and up-selling.

6. Channels

Document the channels through which companies deliver products or services

CH = Channels — Through which channels will the company deliver its products or services to its customer? This should cover the entire customer process including initial awareness, pre-sales, sales and post-sales experiences. This should include channel mix, multi- and mono-channel strategies as well as channel access and ownership.

6.1. Awareness

Document channels for raising initial awareness

6.2. Pre-Sales

Document pre-sales channels

6.3. Sales

Document sales channels

6.4. Post-Sales

Document channels for post-sales experiences

7. Customer Segments

Document the customer segments to be and not to be served

CS = Customer Segments — What customer segments will the business serve, and equally importantly, which segments will it not actively pursue? Customer segments are distinct customer categories which can be described in terms of what they need from the product or service and how they will use it, how many of them there are, where they can be found and through which channels they can be reached, what kinds of relationships you will have with them, what price they are willing to pay, and, taking all of the above into account, how profitable they are likely to be. See also What is segmentation and how does it work?

7.1. Needs

Describe customer categories in terms of what they need from the product or service

7.2. Usages

Describe customer categories in terms of how they will use the products or services

7.3. Population

Determine how many customers there are

7.4. Locations

Determine where the customers can be found

7.5. Channels

Determine through which channels the customers can be reached

7.6. Relationships

Determine what kinds of relationships will be established with them

7.7. Pricing

Determine what price customers are willing to pay

7.8. Profitability

Evaluate how profitable the customers are likely to be

8. Cost Structure

Document the cost structures

C$ = Cost Structure — What is the cost structure of the business? Costs may be fixed or variable, one-off or recurring, sunk or capitalised, deferred (as liabilities) or contingent (as reserves). Businesses with higher variable costs (relative to fixed costs) typically require less upfront investment and scale more easily, whilst businesses with higher fixed costs typically benefit more from scale. A low-cost business model will require a different cost structure to a high value-add business model.

8.1. Fixed Costs

Determine fixed costs

8.2. Variable Costs

Determine variable costs

8.3. Recurrence

Determine whether costs will only be incurred once or whether they will recur

8.4. Timing

Determine whether costs will be sunk or capitalised

8.5. Deferrals & Contingencies

Determine whether costs will be deferred (as liabilities) or contingent (as reserves)

9. Revenue Structure

Determine how much are customers willing to pay

R$ = Revenue Structure — How much are customers really willing to pay? Revenues can be in the form of a one-off purchase price, or recurring subscriptions, usage or rental income. Pricing can be fixed, variable, or differential. Discounting can be used to encourage specific buyer behaviours.

9.1. Timing

Determine the timing of payments

9.1.1. One-Time

Consider one-off purchase pricing

9.1.2. Subscriptions

Consider recurring subscription pricing

9.1.3. Usage & Rentals

Consider usage or rental pricing

9.2. Flexibility

Determine the flexibility of pricing

9.2.1. Fixation

Consider fixed pricing

9.2.2. Variability

Consider variable pricing

9.2.3. Differentials

Consider differential pricing

9.3. Discounting

Consider discounting to encourage specific buyer behaviours

Administrative Information

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