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# Business Model Canvas

Promoting social and cooperative entrepreneurship for young people

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# What is a Business Model Canvas?

Social enterprises take a business approach to achieving their mission and making a difference. To ensure lasting impact, they require a viable business model.

A Social Business Model Canvas is a powerful visual tool which describes how you will reach customers, give them something they value, and make enough money from doing so to achieve your social impact.

BMC allows you to visualize your business model, detect weaknesses, test whether it can work and create new strategic alternatives.

Alex Osterwalder and Yves Pigneur, authors of the best selling book the Business Model Generation define a business model as the rationale of how an organization creates, delivers and captures value.

# How it works?

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A business model can best be described through nine basic building blocks that show the logic of how a company intends to make money. The nine blocks cover the four main areas of a business: customers, offer, infrastructure, and financial viability. The business model is like a blueprint for a strategy to be implemented through organizational structures, processes, and systems.

From Business Idea to Business Model

1. You need to identify the challenge that you want to solve or address.
2. Select the idea. This is a prototype solution that addresses the challenge.
3. Build the model. Determine the 9 building blocks.
4. Tell the story. The canvas provides the key points needed to pitch your business model to others.

# Business Model Canvas - Nine building blocks

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## The Business Model Canvas

Designed for: | Designed by: | Date: | Version:

| Key Partners | Key Activities | Value Propositions | Customer Relationships | Customer Segments |
|---|---|---|---|---|
| | Key Resources | | Channels | |

| Cost Structure | Revenue Streams |
|---|---|
| | |

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# 1. Customer segments

The Customer Segments Building Block defines different groups of people or organizations an enterprise aims to reach and serve. In order to better satisfy customers, a company may group them into distinct segments with common needs, common behaviors, or other attributes.

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

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# 1. Customer segments

A business model may define one or several large or small Customer Segments. An organization must make a conscious decision about which segments to serve and which segments to ignore. Once this decision is made, a business model can be carefully designed around a strong understanding of specific customer needs.

Customer groups represent separate segments if:

- Their needs require and justify a distinct offer
- They are reached through different Distribution Channels
- They require different types of relationships
- They have substantially different profitabilities
- They are willing to pay for different aspects of the offer

# 1. Customer segments

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Types of segments:

**Mass market** - Business models focused on mass markets don't distinguish between different Customer Segments.

**Niche market** - Business models targeting niche markets cater to specific, specialized Customer Segments.

**Segmented** - Some business models distinguish between market segments with slightly different needs and problems.

**Diversified** - An organization with a diversified customer business model serves two unrelated Customer Segments with very different needs and problems.

**Multi-sided platforms (or multi-sided markets)** - Some organizations serve two or more interdependent Customer Segments.

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# 2. Value proposition

The Value Propositions Building Block describes the bundle of products and services that create value for a specific Customer Segment. VP is the reason why customers turn to one company over another. It solves a customer problem or satisfies a customer need. Each Value Proposition consists of a selected bundle of products and/or services that caters to the requirements of a specific Customer Segment. Some Value Propositions may be innovative and represent a new or disruptive offer. Others may be similar to existing market offers, but with added features and attributes.

- **What value do we deliver to the customer?**
- **Which one of our customer's problems are we helping to solve?**
- **What combination of benefits will we bring?**
- **Which customer needs are we satisfying?**
- **What bundles of products and services are we offering to each Customer Segment?**
- **Think about the things you might say to convince your customers to buy from you.**

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# 2. Value proposition

A list of potential values:

**Newness** - Some Value Propositions satisfy an entirely new set of needs that customers previously didn't perceive because there was no similar offering. This is often, but not always, technology related.

**Performance** - Improving product or service performance has traditionally been a common way to create value.

**Customisation** - Tailoring products and services to the specific needs of individual customers or Customer Segments creates value.
"Getting the job done" - Value can be created simply by helping a customer get certain jobs done.

**Design** - Design is an important and a product may stand out because of superior design.

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# 2. Value proposition

A list of potential values:

**Brand/status** - Customers may find value in the simple act of using and displaying a specific brand.

**Price** - Offering similar value at a lower price is a common way to satisfy the needs of price-sensitive Customer Segments.

**Cost reduction** - Helping customers reduce costs is an important way to create value.
**Risk reduction** - Customers value reducing the risks they incur when purchasing products or services.

**Accessibility** - Making products and services available to customers who previously lacked access to them is another way to create value.

**Convenience/usability** - Making things more convenient or easier to use can create substantial value.

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# 3. Channels

The Channels Building Block describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition.

Communication, distribution, and sales Channels comprise a company's interface with customers. Channels are customer touch points that play an important role in the customer experience.

- **Through which Channels do our Customer Segments want to be reached?**
- **What channels will you use to reach your target customers?**
- **Which ones will be most effective?**
- **How are we integrating them with customer routines?**
- **Focus initially on the channels most likely to bring success.**

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# 3. Channels

Channels serve several functions, including:

- Raising awareness among customers about a company's products and services
- Helping customers evaluate a company's Value Proposition
- Allowing customers to purchase specific products and services
- Delivering a Value Proposition to customers
- Providing post-purchase customer support

Channel types:

Own direct: salesforce, web sales, own stores
Partner indirect: partner stores, wholesaler

Channel phases
Awareness. How do we raise awareness about our company's products and services?
Evaluation. How do we help customers evaluate our organization's value proposal?
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?

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# 4. Customer Relationships

The Customer Relationships Building Block describes the types of relationships a company establishes with specific Customer Segments  A company should clarify the type of relationship it wants to establish with each Customer Segment. Relationships can range from personal to automated. Customer relationships may be driven by the following motivations:

- Customer acquisition
- Customer retention
- Boosting sales (upselling)

- **What type of relationship does each of our Customer Segments expect us to establish and maintain with them?**
- **Which ones have we established? How costly are they? How are they integrated with the rest of our business model?**

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# 4. Customer Relationships

We can distinguish between several categories of Customer Relationships, which may co-exist in a company's relationship with a particular Customer Segment:

**Personal assistance** - This relationship is based on human interaction. The customer can communicate with a real customer representative to get help during the sales process or after the purchase is complete.

**Dedicated personal assistance** - This relationship involves dedicating a customer representative specifically to an individual client.

**Self-service** - In this type of relationship, a company maintains no direct relationship with customers.

**Automated services** - This type of relationship mixes a more sophisticated form of customer self-service with automated processes.

**Communities** - Increasingly, companies are utilizing user communities to become more involved with customers/prospects and to facilitate connections between community members.

**Co-creation** - More companies are going beyond the traditional customer-vendor relationship to co-create value with customers.

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# 5. Revenue Streams

The Revenue Streams Building Block represents the cash a company generates from each Customer Segment. A company must ask itself, For what value is each Customer Segment truly willing to pay? Successfully answering that question allows the firm to generate one or more Revenue Streams from each Customer Segment. Each Revenue Stream may have different pricing mechanisms, such as fixed list prices, bargaining, auctioning, market dependent, volume dependent, or yield management. Types of revenue streams:

1. Transaction revenues resulting from one-time customer payments
2. Recurring revenues resulting from ongoing payments to either deliver a Value Proposition to customers or provide post-purchase customer support

Social enterprises rely on a mix of revenue streams to become financially sustainable.

**What are the main sources of earned income, grants, and donations that you will generate to support our work?**

- **Ideally, how much would each source contribute to our overall income?**
- **Think about how you will achieve a sustainable balance.**

# 5. Revenue Streams

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There are several ways to generate Revenue Streams:

**Asset sale** - The most widely understood Revenue Stream derives from selling ownership rights to a physical product.

**Usage fee** - This Revenue Stream is generated by the use of a particular service.
Subscription fees - This Revenue Stream is generated by selling continuous access to a service.

**Lending/Renting/Leasing** - This Revenue Stream is created by temporarily granting someone the exclusive right to use a particular asset for a fixed period in return for a fee.

**Licensing** - This Revenue Stream is generated by giving customers permission to use protected intellectual property in exchange for licensing fees.

**Brokerage fees** - This Revenue Stream derives from intermediation services performed on behalf of two or more parties.

**Advertising** - This Revenue Stream results from fees for advertising a particular product, service, or brand

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# 6. Key Resources

The Key Resources Building Block describes the most important assets required to make a business model work. Every business model requires Key Resources. These resources allow an enterprise to create and offer a Value Proposition, reach markets, maintain relationships with Customer Segments, and earn revenues.

The resources could be human, financial, physical, or technological. They can be owned or leased by the company or acquired from key partners.

- **What resources do you own or will you need to acquire or develop?**
- **Which resources will be most important to achieving success?**

# 6. Key Resources

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Key Resources can be categorized as follows:

**Physical** - This category includes physical assets such as manufacturing facilities, buildings, vehicles, machines, systems, point-of-sales systems, and distribution networks.

**Financial** - Some business models call for financial resources and/or financial guarantees, such as cash, lines of credit, or a stock option pool for hiring key employees.

**Intellectual** - Intellectual resources such as brands, proprietary knowledge, patents and copyrights, partnerships, and customer databases are increasingly important components of a strong business model.

**Human** - Every enterprise requires human resources, but people are particularly prominent in certain business models.

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# 7. Key Activities

There are things that your social enterprise must do, deliver, or produce to deliver value to customers and make an impact. The Key Activities Building Block describes the most important things a company must do to make its business model work. These are the most important actions a company must take to operate successfully. Like Key Resources, the Key Activities required to create and offer a Value Proposition, reach markets, maintain Customer Relationships, and earn revenues.

Categories of Key activities:

**Production** - These activities relate to designing, making, and delivering a product in substantial quantities and/or of superior quality.
**Problem solving** - Key Activities of this type relate to coming up with new solutions to individual customer problems.
**Platform/network** - Business models designed with a platform as a Key Resource are dominated by platform or network related Key Activities.

- **What are the mission-critical activities you must pursue?**

# 8. Key Partnerships

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It’s unlikely that your social enterprise will succeed by going it alone. The Key Partnerships Building Block describes the network of suppliers and partners that make the business model work. Who are the people and groups that you must involve to achieve success? What value will they bring? Think about the funders, partners, suppliers and others that will influence your success and how you will work with them.

We can distinguish between four different types of partnerships:

1. Strategic alliances between non-competitors
2. Coopetition: strategic partnerships between competitors
3. Joint ventures to develop new businesses
4. Buyer-supplier relationships to assure reliable supplies

- **Who are the people and groups that you must involve to achieve success?**
- **What value will they bring?**
- **Think about the funders, partners, suppliers and others that will influence your success and how you will work with them.**

# 9. Cost Structure

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The Cost Structure describes all costs incurred to operate a business model. This building block describes the most important costs incurred while operating under a particular business model. Creating and delivering value, maintaining Customer Relationships, and generating revenue all incur costs. Such costs can be calculated relatively easily after defining Key Resources, Key Activities, and Key Partnerships.

- **What are the major elements of cost involved in delivering your work and meeting needs?**
- **What resources and activities are most expensive? How will you control your main costs?**

# 9. Cost Structure

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There are two broad types of business model:

**Cost-driven** - Cost-driven business models focus on minimizing costs wherever possible. This approach aims at creating and maintaining the leanest possible
Cost Structure, using low price Value Propositions, maximum automation, and extensive outsourcing.

**Value-driven** - Some companies are less concerned with the cost implications of a particular business model design, and instead focus on value creation

Cost Structures can have the following characteristics:

**Fixed costs** - Costs that remain the same despite the volume of goods or services produced.

**Variable costs** - Costs that vary proportionally with the volume of goods or services produced.

**Economies of scale** - Cost advantages that a business enjoys as its output expands.

**Economies of scope** - Cost advantages that a business enjoys due to a larger scope of operations.