

THE FIRST STEPS IN SOCIAL ENTREPRENEURSHIP

**“Module 7 – Business Canvas
Model “**

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7. The BUSINESS CANVAS MODEL (BMC)

7.1. Introduction

The business model is the way in which a company organizes itself and its offer to create the maximum possible value for its customers.

The Business Canvas Model, conceived and described by Osterwalder and Pigneur (2010), is a visual tool that allows you to graphically represent the business model of a company.

The worldwide distribution of the book "Business Model Generation"[2012], the world's best seller translated into 30 languages, has transformed this tool into an international standard, taught in the best Business Schools in the world, such as Stanford University and Berkeley University, and used in a growing number of business realities.

7.2. The Business Canvas Model

BMC is a strategic tool that uses visual language to represent the way a company creates, distributes and captures value, as well as helping to map, design and invent new business models. It, in fact, thanks to its graphical representation, allows you to view the entire business in a single image.

One of its main strengths, moreover, is to be a neutral model, that is, it can be used by both entrepreneurs of startups and managers of a big company: it is the content that makes the difference. [Osterwalder A., Pigneur Y., 2012]

Its use allows to pursue some advantages, such as:

- Speeding up problem solving processes within companies, exploiting creativity and flexibility.
- Simple and immediate use, thanks to its characteristics in visual thinking, allowing the understanding even by those who do not have specific skills in strategy or marketing.
- Creation of a language comprehensible to all, regardless of the role within the organization, giving the opportunity to work and reason together.
- Facilitation of the creative process and elaboration of alternative businesses. The use of post-its in the mapping process, in fact, allows you to build different hypotheses, test them on the market and then see the most performing.

The representation of the Model Canvas is generally that of a printed sheet, in large dimensions with the aim of facilitating group work; the content is a structure divided into blocks, nine to be precise, one for each basic element of the business model.

The Business Model Canvas

Designed for:
Designed by:
Date:
Version:

Key Partners <small>Who are our Key Partners? Which Key Resources do we acquire from partners? Which Key Activities do partners perform?</small> <small>EXAMPLES</small> Distribution and delivery Reduction of risk and uncertainty Acquisition of particular resources and activities	Key Activities <small>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</small> <small>EXAMPLES</small> Production Problem Solving Relationship-building	Value Propositions <small>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?</small> <small>EXAMPLES</small> Reliability Performance Customization Convenience Design Price Risk Reduction Cost Reduction Accessability Compatibility	Customer Relationships <small>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?</small> <small>EXAMPLES</small> Personal assistance Dedicated Personal Assistance Self Service Automated Services Communities Co-creation	Customer Segments <small>For whom are we creating value? Who are our most important customers?</small> <small>EXAMPLES</small> Mass Market Niche Market Segment Diversified Multi-sided Platform
Key Resources <small>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</small> <small>EXAMPLES</small> Physical Intellectual Financial Human Social		Channels <small>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?</small> <small>EXAMPLES</small> 1. Direct sales 2. Retailer 3. Partnership 4. Franchise 5. Other sales 6. Other sales 7. Other sales 8. Other sales 9. Other sales 10. Other sales		
Cost Structure <small>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</small> <small>EXAMPLES</small> Cost of Sales Cost of Distribution Cost of Customer Relationships Cost of Channels Cost of Revenue Streams Cost of Key Partners Cost of Key Resources Cost of Key Activities		Revenue Streams <small>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?</small> <small>EXAMPLES</small> Asset sale Usage fee Rental fee License fee Advertising/sponsorship Commission Royalty Subscription Freemium Pay-what-you-want Pay-what-you-can Pay-what-you-value Pay-what-you-use Pay-what-you-get Pay-what-you-need Pay-what-you-wish Pay-what-you-feel Pay-what-you-think Pay-what-you-believe Pay-what-you-know Pay-what-you-feel Pay-what-you-think Pay-what-you-believe		

The Business Model Canvas – OsterwalderA., Pigneur Y. , 2010

To accompany the Canvas Model, in the moment of its use, there are always post-it and colored markers. The tools, simple and attractive, pursue the objective of promoting understanding, discussion and analysis of the business and also creativity and sharing. Web-based applications that replicate the online Business Model Canvas are also available.



example

The Business Model Canvas allows you to graphically represent in a clear and schematic way any business project. It consists of nine building blocks that can be traced back to the four main areas of a business, such as: customers, offer, infrastructure and financial sustainability.

The elements arranged on the left determine the efficiency of the organization, while those on the right they are responsible for creating value.

on the right are responsible for creating value. The value proposition, which occupies the central position, is the synthesis between these two objectives.

7.3. Building Blocks

The Business Model Canvas is a powerful framework within which the 9 constituent elements of a company are represented in the form of building blocks:

1. Customer Segments (CS): the customer segments to which the company is addressed,
2. Value Proposition (VP): the value proposition containing the products/services that the company wants to offer,
3. Channels (Ch): distribution and customer contact channels,
4. Customer Relationships (CR): the type of relationships that are established with customers,
5. Revenue Streams (R\$): the flow of revenue generated by the sale of products/services,
6. Key Resources (KR): the key resources needed for the company to function,
7. Key Activities (KA): the key activities needed to make the business model work,
8. Key Partners (KP): the key partners with which the company can form alliances,
9. Cost Structure (C\$): the structure of the costs that the company will have to bear.

7.4. Description of the Blocks

7.4.1 Customer Segments

The customer segments are the different groups of people and organizations to which the company is addressed and for which it is creating value.

A customer segment can be defined through demographic data or in relation to psychographic factors such as consumption habits, needs and interests. Consumer groups represent different segments if their needs require and justify a separate offer; they are reached through different distribution channels, require different types of relationships, represent different profitability, are willing to pay for different aspects of the offer.

Customer profiling is a key element in planning market analysis and, consequently, in drawing up a winning business plan: clarifying customer needs allows the development of a package of targeted products and services, identifying the most profitable distribution channels and directing the company towards the type of market in which it intends to position itself. There are different types of customer segments: mass market, niche market, segmented market, diversified markets and multi-sided markets.

Questions: Who are we creating value for? Who are our most important customers?

7.4.2 Value Proposition

The value proposition indicates the set of products and services that represents value for a specific customer segment. [Osterwalder A., Pigneur Y., 2012] .

The value proposition represents the reason why the target should prefer the company over the competition and therefore determines its sales force. In this sense, it is an aggregation or set of benefits that the company offers its customers. There is no single way to create a good value proposition. It can be an innovation - offering customers something revolutionary, lowering their prices to save money, or improving the design and performance of a product. Elements that can contribute to the creation of value for the customer can be: novelty, performance, customization, problem solving, design, brand status and brand, price, cost and risk reduction, accessibility, convenience and usability. In any case, the customer is the real protagonist together with his well-being and the satisfaction of his functional, emotional and social needs.

Questions: What value do we transmit to our customers? What problem of our customers are we trying to solve? What consumer needs are we meeting? What set of products or services are we offering to each customer segment.

7.4.3 Channels

The channels describe how a company communicates and reaches its customer segments to convey its value proposition. The company uses the channels to inform potential buyers of the existence and value of its products, to make them accessible and allow purchase, to strengthen customer awareness of products or services, to enable customers to purchase specific products or services, to convey value proposition to customers and to ensure adequate after-sales support. The channels can be direct, i.e. owned by the company, or indirect (official distributors and partner shops). In addition, the channels can be physical or digital. Communication, distribution and sales channels are the company's interface with customers.

Questions: Through which channels do the market segments want to be reached? How do we plan to reach them? How are the channels integrated? Which one works best? Which is the most cost-efficient? How can channels be integrated with customer routines? As already mentioned, the channels can be their own, also called direct, and are sales force, online sales and own stores, or they can be indirect and are stores of partners or wholesalers. We can identify "five steps" of the channels: 1) awareness, the company wonders how to strengthen awareness of its products or services; 2) evaluation, here wonders how to help customers evaluate its value proposition; 3) purchase, the company wonders how to allow customers to purchase specific products or services; 4) delivery, here wonders how to deliver value proposition to customers; 5) after-sales, the company focuses on how to provide post-purchase support to customers.

7.4.4 Customer Relationship

This section indicates how the company acquires and retains its customers and increases sales, with the aim of better structuring the customer experience and create a community related to the company brand. [Osterwalder A., Pigneur Y., 2012]

The objective is to understand which is the most functional relationship for each customer segment: you can in fact decide to interact through a dedicated personal assistance, self service, automatic services, community or co-creation.

The key element, common at an operational level, is to be able to harmonize the choices within the design process, and this is only possible with an accurate understanding of the various types of relationships with the business models that are being built.

Customer relationships define the type of relationships that the company establishes with its customers. This form of communication helps the company to acquire new customers and to retain those already existing and is therefore an essential part of a business plan that works. Questioning the interaction with your target helps to clarify what kind of relationship you are building, to support the customer experience and to strengthen the image of the company in the market. A company should clarify the types of relationships it wants to establish with each customer segment. Relationships range from personal to automatic and can be guided by different motivations: customer acquisition, customer retention, sales increase. It is possible to distinguish between different categories of customer relationships that can coexist in the relationship that a company has with a specific customer segment: personal assistance, dedicated personal assistance, self-service, automatic services, communities, co-creation.

Questions: What kind of relationships are expected to be established and maintained with customers? What has the company established? How much do they cost? Are they integrated with the business model?

7.4.5 Revenue Streams

This block describes the revenue streams that the company collects by selling products/services to a certain customer segment. To ensure a sustainable business and a functioning business model, it is essential to consider two drivers: prices and payment methods. [Osterwalder A., Pigneur Y., 2012]

Revenue flows may be of a different nature and may be generated from a variety of sources: from the sale of physical products to the payment of a usage fee, from the transfer of a licence to brokerage commissions.

There are several ways to generate revenue streams: sale of assets, free use, subscription fees, sale, rent, leasing, licensing, brokerage fees, advertising. At this stage you can identify the payment system preferred by customers as well as the added value for which the target is willing to pay. A business model can involve two different types of revenue streams: transactional revenues from a single customer payment and recurring revenues from ongoing payments, whether to transmit value pro position to customers or to provide post-purchase support.

Questions: For what value are our customers really willing to pay? What do they actually pay for? How do they pay? How much would they want to pay? How much each revenue stream contributes to the overall revenue?

7.4.6 Key Resources

The strategic resources that a company must have in order to create and sustain its own direct value proposition to its customer segments are considered.

They can be categorized as physical resources, i.e. the material goods needed to produce and sell a given product/service, such as point of sale networks, plants, technologies and machinery; intellectual resources, i.e. a company's know-how, patents, trademarks and its databases; human resources, such as programmers in the digital field or designers in the furniture field, and financial resources. [Osterwalder A., Pigneur Y., 2012]

The key resources are different according to the type of activity carried out and assume a different role depending on the business context in which they are located.

Each business model requires key resources and depending on the type of business model adopted, different key resources will be required. These resources allow a company to create and offer value proposition, reach markets, maintain relationships with customer segments and generate revenues. Human resources (workforce), physical resources (points of sale, plant, machinery), intellectual resources (software, user licenses, trademarks, patents, copyrights, copyrights, customer databases) and financial resources (loans, credit lines, cash) all contribute to the strategic assets.

The aim is to identify the most effective resources in creating a specific value proposition for a given customer segment.

Questions: What key resources does our value proposition require? And what are our distribution channels? What are the relationships with customers? And what is the revenue stream?

7.4.7 Key Activities

This block considers the processes that the company must implement to achieve its business model. [Osterwalder A., Pigneur Y., 2012]

Key activities, in BMC, such as key resources, are different according to the type of business and are those determining the creation of competitive advantage. They describe the most important actions that a company must take in order for its business model to work. These are flanked by the most efficient processes to reach the target, maintain relationships with customers and obviously generate revenue.

The key activities can be divided into three types: productive, that is, related to the design, production and development of a product in substantial quantities and / or higher quality; problem solving related to the search for solutions to individual problems of customers; platform / network in fact those business models that provide a platform provide not only key resources but also key activities related to networks.

Questions: Which key activities does our value proposition require? And what are our distribution channels? What are the relationships with customers? And what is the revenue stream?

7.4.8 Key Partners

Key partners are defined as the set of partners and suppliers that are fundamental to realize the business model. It is clear that interaction with the external environment is fundamental for the company, and the reasons are many: from optimizing resources and activities, to spreading the brand, from shopping in different markets to acquiring new customers.

The partnerships that can be built, can take 3 different aspects: you can opt for strategic alliances between companies in the same production chain and therefore not current, or strategic alliances between competitors and producers of similar value to each other, or even joint ventures, when the relationship takes on a more solid aspect and we work together to create new business models. [Osterwalder A., Pigneur Y., 2012]

Companies enter into partnerships for a variety of reasons and they are the foundation of each business model. A company is not a self-sufficient structure but rather a system that acts within a wider context supported by external actors.

Forging strategic alliances responds to the company's need to reduce costs, reduce the risks of competition, acquire particular resources and activities, and optimize business models.

We can distinguish four different types of partnerships:

- a) strategic alliances between non-competitors,
- (b) strategic partnerships between competitors,
- (c) joint ventures to develop new businesses,

(d) relations between buyer and supplier to ensure reliable supplies.

Questions: Which are our key partners? What are our key suppliers? What key resources are we acquiring from our partners? Which key activities do they carry out?

7.4.9 Cost Structure

This block summarizes the costs that the company has to bear in order to realize its business model. It is generally prepared for last, as it is closely dependent on the blocks of activities, resources and key partners. [Osterwalder A., Pigneur Y., 2012]

The cost structure describes the set of costs incurred by a company to make its business model operational. Creating and transmitting value, maintaining relationships with customers and generating revenue are all actions that involve costs. These can be easily calculated after defining key resources, key activities and key partnerships.

This block then defines the fixed and variable costs that the company must incur for the resources, activities and key partners. The costs can be classified according to different but still very important logics, hence the distinction between fixed and variable costs or between direct and indirect costs or between characteristic or financial or ancillary or extraordinary management costs. The analysis of the cost structure includes fixed costs (rents and salaries) and variable costs, i.e. costs dependent on the volume of goods and services produced. In any case, the central objective is to ensure that revenue flows exceed expenses, only then can the activity be said to be effectively sustainable.

Questions: What are the most important costs in relation to our business model? What are the most expensive key activities? What are the most expensive key resources?

7.5 The Canvas Model for innovation

The Business Model Canvas represents a new way to accompany innovation, to transform an idea into a feasible project and to help design new business strategies.

A tool that helps companies, entrepreneurs, startupper, professionals and organizations to innovate with simplicity and effectiveness their business model. In fact, it allows a strategic and entrepreneurial management thanks to which you can design, describe, invent and transform your business model in a simple and systematic way.

It allows you to create innovative start-ups, improve existing business models, create the key conditions for the drafting of the business plan, share complex concepts in a simple way, integrate and strengthen functions within companies.

It is a strategic tool, built on the logic of visual thinking and allows you to share complex concepts in a simple way and create a language that everyone can understand.

There are good reasons to innovate with Canvas.

Following a particular work process oriented by **a series of key questions**, you can create innovative ideas, analyze existing business realities, improve internal processes, plan new business strategies.

The main features that make it a powerful tool are:

- is a complete and systemic method, in fact all the components and dynamics of the business model and its internal and external relations can be included and represented;
- uses a visual language so reduces complexity and gives immediacy, comprehensibility and essentiality to projects, reducing misunderstandings and errors, also creates the basis for the implementation of the project in the company;

- stimulates the generation of ideas and solutions, strongly stimulates a rapid, efficient and solution-oriented approach;
- helps concretely to transform an idea into a feasible project, whether they are new products or services, alternative business models and new business units;
- is a powerful strategic analysis tool for both your business model and for any type of effective benchmark, it allows you to read and analyze with a single lens the competitors, their structures and their business processes;
- favours and stimulates teamwork and team harmony; working together to create or redefine one's own business model leads to better sharing and greater involvement of members, reducing conflicts, increasing trust in the project and strengthening the trust of the work team involved;
- requires, involves and activates different types of "intelligences", skills and processes including both the creative and the rational part, all stimulating the best from each type of person and individual style but considering every fundamental aspect: from the creation of a new- different innovative value proposal to the rigour required by testing and auditing;
- is easily integrated with many of the best strategic tools, such as the Blue Ocean strategy and the Personal Biz Canvas (the version of the Canvas designed for professionals, managers and employees);
- is a model that is constantly being updated and deepened: thanks to an international online HUB of expert consultants who continuously develop it, constant improvement is guaranteed, together with periodical integrations and further developments, which help to keep its original effectiveness and innovativeness up to date

7.6. Examples

Companies using the Business Model Canvas are : among the most famous are Ericsson, Capgemini, Deloitte, 3M, PwC, Nestlè, Toyota, IBM. In Italy Beopie has used it in numerous large companies, SMEs and start-ups including Poste Italiane, Bottega Veneta, Gruppo Api, Benetton, Allianz, Tetra Pak, Misura EMME, CNA and in universities such as Ca' Foscari in Venice and the Politecnico di Milano.

For additional

Video The Business Model Canvas - 9 Steps to Creating a Successful Business Model - Startup Tips

<https://www.youtube.com/watch?v=IP0cUBWTgpY>

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