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UNIT 7: Visualizing business

We now have an idea and have a rough idea of how we can implement it to benefit particular customers and create meaning. It's now time to get all our ducks in a row and see the big picture.

The business model canvas is a convenient way to get the big picture. Since we like short names for things, let's refer to the business model canvas as the plan. And remember, just like the other components of entrepreneurship, we need to touch this one regularly, keep it in the air, and expect it to change. Don't let the grid layout fool you into thinking this is something permanent.

This is what the business model canvas looks like. It has 9 parts, each of which you need to consider carefully. In some cases, one or more of the 9 parts will not apply to you. But such cases are rare, so don't discount one until you've thought carefully.

Let's start in the middle, in the value proposition. This is the crucial part of every business model canvas. This is where your idea with its meaning goes – in other words this is where you describe the value that your customers will gain from your product or service.

Next, you should focus on the customer segment box. Remember, without customers you don't have a business. So describe your customer segment or segments. It's usually better to start out with one well-defined customer segment rather than starting out with the idea of serving multiple customer segments. In fact, if you want to serve more than one segment, you might consider creating a separate business model canvas for each different customer segment.

Ok, so now that you've defined your value proposition and your customer segment, the next step is to define how you're going to get this value to the customer. Let's start with channels. Are you going to sell your product in shops, online, on the street, in homes or somewhere else? In deciding on channels you should think about where your customers are likely to want to buy and where they are likely to be. There is no point in planning to sell a product online if the intended customers are not likely to have Internet access. If you want to sell online, you need to remember that online is a huge place. How will customers find your product? And once they find it, how will they buy it? So you need to consider whether you want to implement your own payment-processing system or leverage an existing platform, such as Amazon, to take care of payment processing for you. If your value proposition is a service, you need to consider where you will sell your service. Will you set up a space, for example an office, and expect customers to come there to buy you service. This is what a

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dentist usually does. Or will you go to the customer to sell your service? If your service involves something that belongs to the customer, such as their house, this makes sense. A house painter probably wouldn't do much business if she expected people to bring their houses to her workshop. Besides the issue of where the service is performed, you need to think about how people will find out about the service and how they will book the service – if it's the kind of service one would book ahead of time. This might bring you online, and in fact you might even be able to deliver your service online without setting up any kind of physical space. That means you can work from wherever and when ever you like, wearing what ever you want.

Next – still focusing on customers - we turn to customer relationships. What types of relationship does your customer segment expect? Do your customers expect to get to know you personally? Do they expect you to contact them regularly? Do they expect you to send them gifts or Christmas cards? Or, alternatively, would they prefer to be left alone. You need to make choices about the level of personal assistance you need to offer versus self-service or automated services.

Now that we've dealt with the value proposition and the three business model components having to do with customers, we turn to the remaining five components, which all have to do with operations.

Let's start with the key activities. These are the activities that you, or your company, needs to do to deliver the value proposition to your customers through the desired channels and based on the customer relationships you put in place. What are you or the people in your company going to spend your days doing? You will likely have some kind of production activity – either the manufacturing of products or the delivery of services. There is likely to be some problem solving going on, either around existing products or services or to deliver new products or services. And you are likely to have some kind of platform that will require development and maintenance, whether that is your physical shop or your online storefront.

Turning now to key resources. What resources do you, or your company, need to have to be able to deliver the value proposition to your customers through the desired channels and based on the customer relationships you put in place. You might require physical resources, such as buildings or machinery. You might require human resources – namely your staff or contractors. You might require intangible resources, such as data, copyrights, brands or patents. And, finally, you will very likely need money – or financial resources.

Moving now to the far left of the business model canvas, you may not be able to do everything yourself. And, in fact, you might very well be better off not trying to do everything yourself. So this brings us to key partners. Partners might allow you to reduce costs and streamline your operations. Partnering might help you reduce risk and uncertainty. And, perhaps most crucially, partners might have resources you don't have and can't get or the ability to conduct activities that you can't. So you need to identify key partners and determine what you will get from each one. Will they supply raw materials? Will they provide other resources? What key activities will they perform.

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The cost structure box is where you define the costs inherent in your business model. What do your key resources and your key activities cost? What do your partnerships cost? What does it cost to maintain your customer channels and your customer relationships? This may sound boring and uncreative, but understanding your costs is crucial. You need to take into account fixed costs such as salaries, rent, utilities, connectivity, etc. You also need to account for variable cost such as the costs of developing new products and services.

We finally come to the Revenue box, which is probably at least part of the reason why you're interested in entrepreneurship in the first place. This is all about money coming in. First you need to consider what value your customers are really willing to pay for and how they would prefer to pay for this value. If you're selling a product, would they prefer to pay to own the product, or would they prefer to pay for using the product. If you're selling a service, would customers prefer to pay a subscription fee that gives them access to ongoing services or would they prefer to pay for each service delivery.

And, of course, although not included as a separate box in the business model canvas, you need to compare your cost with your revenues. This is commonly referred to as a business plan and the business model canvas cannot come instead of a business plan. Creating a business plan is a detailed exercise requiring at least basic familiarity with financial accounting. A contrary view is that you shouldn't write a business plan. You should get customers. In a perfect world, this could be good advice, since creating a business plan is a time-consuming exercise that doesn't move you any closer to starting to do business. But the reality is that if you're trying to recruit entrepreneurial team members or investors, you will probably need a business plan to show them.

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