

# THE BUSINESS MODEL CANVAS: A QUICK HOW-TO GUIDE



Every company is a story. Anyone looking to invest in a company will need to know this story. The Business Model Canvas is one popular format for presenting your company's story. Let's take a look.


## A canvas for your business model

Your company story isn't a marketing ploy: it does not need to be new, innovative, or made-up. In fact, you already have your company story—it's your business model. The business model canvas is one framework for sharing your story, or business model, with potential investors.

This strategic management framework was [first developed](#) by Alexander Osterwalder in the mid-2000s. While the original canvas is applicable to any business, regardless of size, history, or budget, additional canvases have popped up in various niches.

The simplicity of the business model canvas is what makes it so successful. The canvas is plain, looking much like a billboard or whiteboard. It's comprised of [nine criteria](#) that express the important character traits for your business' story, ranging from who you know to how you make money to what you have. The canvas acts as an advertisement to attract business investors or other founders.

Designed for:	Designed by:	Date:	Version:
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<h3>Key Partners</h3>  <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><b>RELEVANT FOR ENTREPRENEURS</b>          Collaboration and synergy          Reduction of risk and uncertainty          Acquisition of particular resources and activities</p>	<h3>Key Activities</h3>  <p>What Key Activities do our Value Propositions require?          Our Distribution Channels?          Customer Relationships?          Revenue streams?</p> <p><b>ENTREPRENEURS</b>          Production          Problem Solving          Relationship-building</p>	<h3>Value Propositions</h3>  <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><b>ENTREPRENEURS</b>          Benefits          Performance          Customization          Saving the job done?          Design          Branding          Price          Cost Reduction          Risk Reduction          Accessibility          Convenience/Quality</p>	<h3>Customer Relationships</h3>  <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><b>ENTREPRENEURS</b>          Personal assistance          Distribution Personal Assistance          Self Service          Automated Services          Co-creation          Co-option</p>	<h3>Customer Segments</h3>  <p>For whom are we creating value?          Who are our most important customers?</p> <p><b>HOW IDENTIFY</b>          Value Segment          Segmented          Diversified          Multi-sided Platform</p>
<h3>Cost Structure</h3> <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><b>IS YOUR BUSINESS MODEL</b>          Cost driven (dependent on value creation, premium value proposition)          Value driven (dependent on value creation, premium value proposition)</p> <p><b>ENTREPRENEURS</b>          Fixed Costs (Salaries, rents, utilities)          Variable Costs          Economies of scale          Economies of scope</p>	<h3>Key Resources</h3>  <p>What Key Resources do our Value Propositions require?          Our Distribution Channels? Customer Relationships?          Revenue Streams?</p> <p><b>ENTREPRENEURS</b>          Intellectual property (patents, copyrights, etc.)          Human          Financial</p>	<h3>Channels</h3> <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><b>ENTREPRENEURS</b>          1. Awareness          2. Evaluation          3. Purchase          4. Post-purchase          5. Delivery          6. After sales          How do we create awareness about our company's products and services?          How do we select customers suitable for our organization's value proposition?          How do we allow customers to purchase specific products and services?          How do we deliver a value proposition to customers?          How do we provide post-purchase customer support?</p>	<h3>Revenue Streams</h3>  <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><b>ENTREPRENEURS</b>          Asset sale          Usage fee          Subscription Fee          Licensing/Licensing/Licensing          Royalty          Brokerage fees          Advertising</p> <p><b>PRICE STREAMS</b>          List Price          Product Feature dependent          Customer segment dependent          Volume dependent</p> <p><b>REVENUE STREAMS</b>          Registration (SaaS)          Host Management          Hour rate (SaaS)</p>	

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are several benefits of using this framework:

- **Simplicity.** This single, straightforward sheet means there's no filler. Your canvas highlights the basics of your business, so you should already know the answers to most of these. The compiling of information might be overwhelming, but the business model canvas ensures a simple process.
- **Customer focused.** Your canvas shows how you think about and interact with your customer, and it can help expose any weaknesses.
- **For any company.** Whether you're a one-person start up or part of a multi-national company, the business model canvas works.

Before we explore the nine criterion of your canvas, it's important to consider your audience when creating a canvas. Your audience is potential investors, and these three tips will help strengthen your business model canvas.



## Know your audience

3 assumptions about business investors

Your audience is smarter than you.

Your audience sees through your mask.

Your audience hopes you are The One.

When creating a canvas, you should assume these things about your audience:

1. **They are smarter than you.** Be clear, be concise. There is no reason for great exposition. This is a place to create a bullet point list for the reasons why you'll succeed. Let the audience see the data and piece it together.
2. **They see through your mask.** There is a little room for embellishment—after all, you want to stand out. But too much embellishing can kill a project because your audience can see it. There is a fine line between confidence and foolishness, and if you can't tell the difference, stick to talking straight.
3. **They hope you are The One.** Your audience wants, more than anything, for you to succeed. They want to find a good match. They do not take the time to listen and read these just because they enjoy critiquing everything that passes over their desk. They enjoy the thrill of finding The One.

## 9 criteria of the business model canvas

The nine criteria are subsets of four major categories in the business model canvas:

- Infrastructure
- Offering
- Customers
- Finances

Each major category is comprised of one or a few criterion.

### Infrastructure

This section is all about the things you need—[people, processes, technology, and partners](#)—to run your business.

1. **Key activities.** What does your business do? Are you managing large software teams? Do you have to manage a large supply chain? These are activities essential to the business. If your business is a salon, for examples, your key activities might be hiring and training staff, cutting

and styling hair, opening and closing the shop, sending emails and offers, and making thank you cards to improve customer relations.

2. **Key resources.** These are the things you need to perform your key activities, in order to [create value](#). The key resources of a salon are staff, a physical location, marketing, and customers. Which resources do you have that are unique to you and give you an advantage? It might be an excellent 3-year contract on a prime downtown property because its owner had to sell quickly. It could be that you get discounted hair products from the manufacturer because you worked there for 15 years or negotiated a deal.
3. **Partner network.** These are people in your network who can help you. People reading your business model canvas like to see that you are not a lone wolf, starting from scratch. They want to see you have support. They want to see that they are not the only ones who are signing up to help your business succeed. The partner network is the place to brag about who you know. These can be team members, suppliers, marketing avenues, etc. Anyone who is on board to contribute to the business.

## Offering

This section explores the value you offer.

4. **Value proposition.** Your value proposition is the most important component of any business. Why are you valuable? If the business provides no value, then, why? Why should anyone buy into it? Why should anyone support it? Why does anyone need it? This value needs to be directed at who your business serves in the marketplace. The proposition is not why you are valuable to the readers and the investors. The value needs to be directed at who your business targets. Google helps people find things they wish to know. Apple makes elegant, simple products designed to work out of the box. Your salon cuts and styles people's hair.

## Customers

This section is all about your customers: whether, where, and how you talk to them and they buy from you.

5. **Customer segments.** These are the people to purchase your product. It is helpful to think of your first customer. In the end, you may want everyone to be a customer, but, right now, who will be the first person to buy your product? Customer segmentation can be categorized by demographic, geography, social class, financial class, personalities, etc.
6. **Channels.** How do you meet your customers? Do you go to them? Do they come to you? Channels could be Twitch.tv for a media platform. It could be a writing contest for a Hack-A-Thon. It could be the business location for a coffee shop. It could be a website for a microservice. It could be engineers' Twitter accounts for any software company. The channel is a pathway of communication that links a community to the business.
7. **Customer relationships.** What kind of relationship do you want to have with your customer? What is the relationship's nature? Transactional, personal, automated, self-service, community oriented. A vending machine is self-service. Major cloud providers are mostly self-service. They lack in support so much that other companies can be built entirely around providing customer service for their platform. Other cloud providers are popping up, too, whose business' value proposition is that they have phone-call customer service—a unique value for certain categories of customers.

# Finances

The finances section really wants to know your income statement. What are your costs and how do you bring in money?

8. **Cost structure.** What are your company's costs? Income statements do a good job of putting expenses into [operating expenses and capital expenses](#), and that can serve as a good model for this part of the canvas. Operating expenses are the day-to-day costs of doing business. At the salon, it would be largely labor costs for hiring stylists to cut hair. Capital expenditures would be costs associated with stocking shelves with hair products, rent costs, and electricity costs.
9. **Revenue streams.** Finally, how does your company make money? The salon makes money by cutting and styling hair. They maintain a register to sell hair products. Maybe they create distinctions in their stylist offerings and do normal cuts, styled cuts, perms, colorings, and events like weddings or model shoots.

Spend some time on the canvas: make it flow, edit each section, and present your company with a complete story.

## Additional resources

For more on strategic business planning and aligning technology to your business, browse our [BMC Business of IT Blog](#) or check out these articles:

- [What Is "IT-Business Alignment"?](#)
- [Introduction to Business Process Management \(BPM\)](#)
- [Why Business Value is Key to IT Success](#)
- [What is Technology Business Management? TBM Explained](#)