4

Business Model Canvas

LEARNING OUTCOME

Upon completion of this module, you should be able to,

- Describe the purpose of Business Model Canvas.
- Define the BMC of your project.

4.1 General Description of Business Model Canvas

Business Model Canvas (BMC) is used as a strategic management tool to easily define and communicate a business idea. The reasons for using BMC, among others, are as follows,

1. It provides quick and easy information about the business.
2. It gives an understanding of the business processes involved – from ideas to how to make it into a business.
3. It shows how customers may influence the business.
4. It helps discussion among the team members (guided comments and ideas).

BMC is a one-page document with nine components, namely Key Partners, Key Activities, Key Resources, Value Propositions, Customer Relationship, Channels, Customer Segments, Cost Structure and Revenue Streams, as shown in Figure 4.1.

<table>
<tr><td rowspan="2">Key Partners</td><td>Key Activities</td><td rowspan="2">Value Propositions</td><td>Customer Relationships</td><td rowspan="2">Customer Segments</td></tr>
<tr><td>Key Resources</td><td>Channels</td></tr>
<tr><td colspan="2">Cost Structure</td><td colspan="3">Revenue Streams</td></tr>
</table>

Figure 4.1 Template of Business Model Canvas

The components in BMC are arranged in a way that those on the right-side focus on the customer (external factors), while those on the left side focus on the business (internal factors).

Both internal and external factors meet around the value proposition – which are the value exchange between business and customers. It is important to have value propositions at the heart of BMC, as normally, a great business starts with customers and works backward. Value proposition defines what the business delivers to the customers (problems it helps to solve, and customer needs it intends to satisfy).

4.1.1 Value Proposition

This component is the foundation of a business. It describes the exchange of value between the business and the customers. For example, money (business value) is exchanged from the customers to the business, when their problems/issues are resolved (value to customers). To define value propositions, some examples of questions that need to be asked are as follows,

1. What is the problem we are solving?
2. Why would customers want to have this problem resolved?
3. What are the underlying motivations for this problem?