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3D4DEAF

TOPIC:

Business Model Canvas

SUB TOPICS:

- What is a Business Model Canvas (BMC) introduction
- What to pay attention to and what to avoid
- How to create your own canvas step by step



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Additional resources



Activity



Video



Topic Description

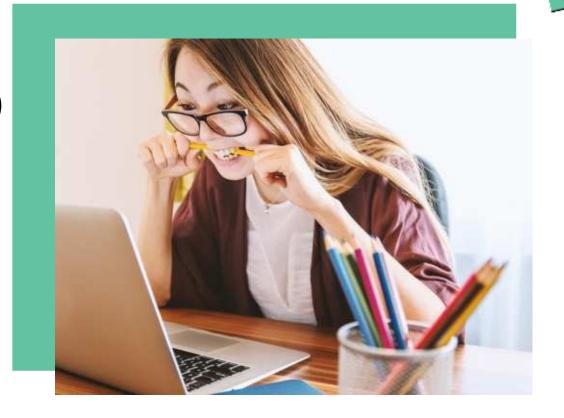
The main objective of this topic is

- to present a tool for drawing up a business model:
 the Business Model Canvas
- > to provide essential tips about working with it
- > to differentiate it from a business plan

Sub-topic 1: What is a Business Model Canvas (BMC) – an introduction

In this section, we will:

- introduce you to the Business
 Model Canvas
- show the elements of this tool
- and tell you why you should use it



Learning outcomes

Module: Social Entrepreneurship Topic: Business Model Canvas			
KNOWLEDGE	SKILLS	ATTITUDES	
Sub-topic: What is a Business Model Canvas – introduction			
 A theoretical introduction to the topic What is a business model canvas What elements does the canvas consist of Advantages of canvas 	 Development of knowledge about company management Identification of canvas elements and its advantages 	 Understanding the principles and ideas of how the company operates Awareness of various solutions in business planning Getting information Knowledge development 	



Introduction



Setting up a company or starting up any business always involves presenting an action plan

In it, we define our objectives:

- ✓ what sector we will work in
- ✓ what we will sell.
- ✓ what customers we are looking for
- ✓ what our modus operandi will be
- ✓ what profits we expect



However, the creation and implementation of a business plan often involves extensive record-keeping

Also, the growth of our company brings burdens in the form of an <u>increase in</u> the <u>pace of business</u> and the <u>need to respond to dynamic changes</u> in the market and the reality around us

The sum of the problems encountered can be so overwhelming that it leads to delaying the start-up or making necessary changes to an already operating company

In such a situation, the right business model comes to the rescue!

The Business Model Canvas (BMC) is particularly useful

It can successfully replace a voluminous and time-consuming business plan, which may ultimately prove useless or discourage action altogether



What is a Business Model Canvas?

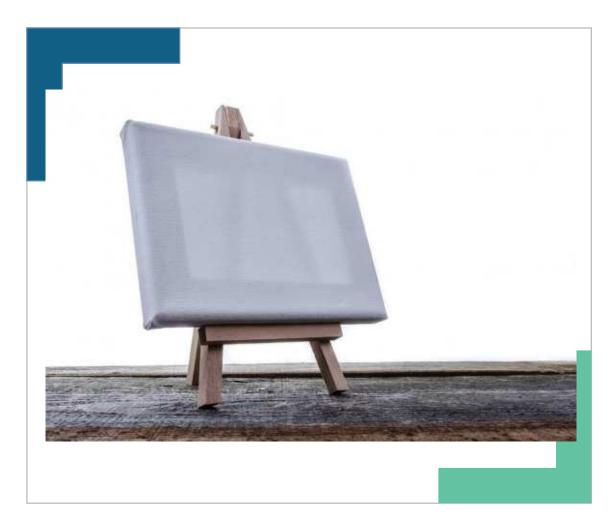
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The Business Model Canvas is a tool used in management - it is a visual template of 9 blocks to create a business model.

In essence, a canvas - a painting canvas, on which we sketch a picture of our business.

Instead of colours, we fill the canvas with our ideas, visions of action.

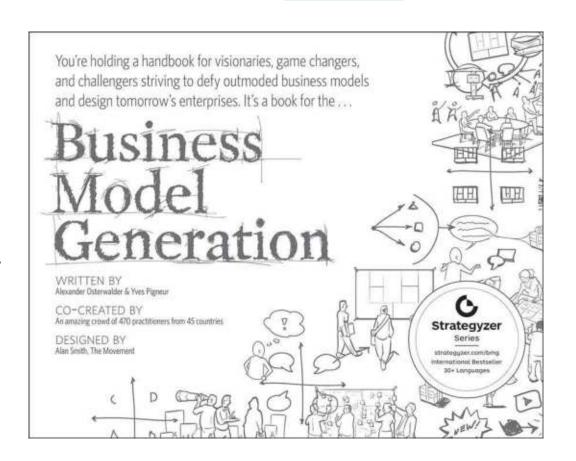
We **sketch out concepts** that will bring us tangible returns.



This method was developed by **Alexander Osterwalder** and presented more extensively in his book

Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers

(together with **Yves Pigneur**)





Thanks to its simplicity, the canvas allows you to

- easily and quickly <u>establish the key elements</u> of your business operation
- understand how they are interconnected
- and the interactions between them

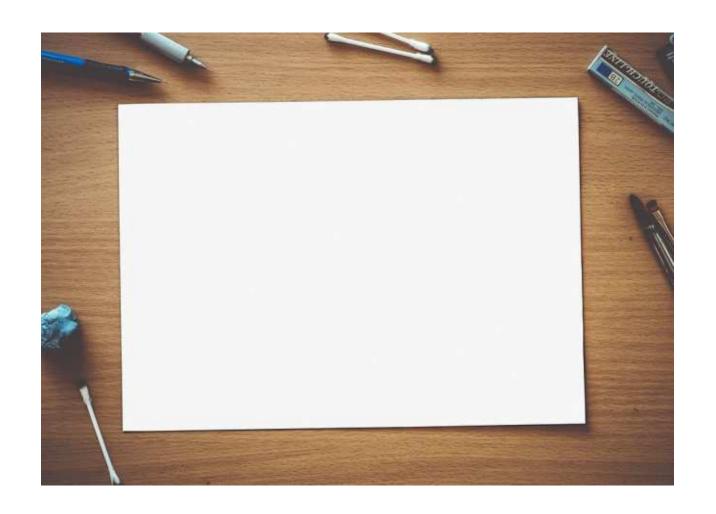
This tool allows us to simply and quickly

- develop a business model
- present and understand the key elements of the company
- define our ambitions and strategy for the business
- identify areas for change and development



All you need for this is

- ❖ a large sheet of paper
- ❖ a pen
- and 45 minutes



What elements does it consist of?



Osterwalder and Pigneur divide the business model into **nine basic elements** that go into a company's money-making process.

These elements touch on **four core business areas**: customers, offer, infrastructure, financial position.

So, <u>on the business model canvas,</u> we will find the following components:



- 1. Customer segments, i.e. what group of customers (individuals and organisations) we want to reach
- 2. Value propositions, i.e. what (products and services) we will offer to customers
- 3. Channels (communication, distribution, sales), i.e. how we will reach customers
- 4. Customer relationships, i.e. what the nature of the relationship between us and the customer will be



- 5. Revenue streams, i.e. how our offer will generate revenue
- Key resources, i.e. what resources we need (tangible and intangible) to operate our business
- 7. Key activities, i.e. what key activities we need to undertake to keep the business running smoothly
- 8. Key partners, i.e. what is the network of collaborators and suppliers through which we can operate efficiently
- Cost structure, i.e. what expenses we incur to operate
 under a particular business model

You will find a graphical template on **slide 43** - you can jump to it right now and write it out on a piece of paper in a few seconds!

All mentioned elements are interconnected and we should ensure that they work together and complement each other.

Only in this way will they guarantee the success of our company.

What are the advantages of Business Model Canvas?



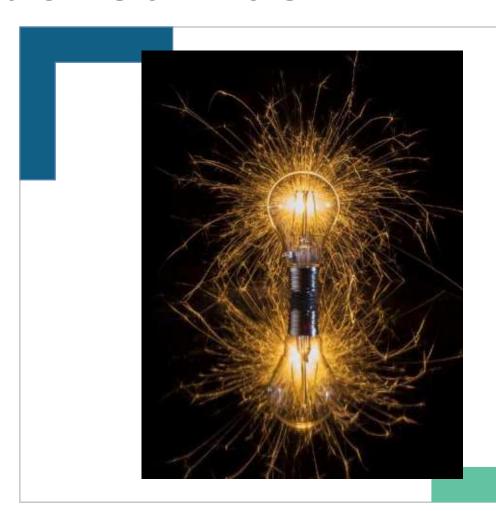
- Simple, understandable and <u>easy to</u> use form
- It is versatile and suits a variety of industries
- You can quickly develop a template for your business model and <u>describe</u> the basic principles of your company
- You put all the most important information about your company on one sheet of paper - structured and consistent business thinking



What are the advantages of Business Model Canvas?



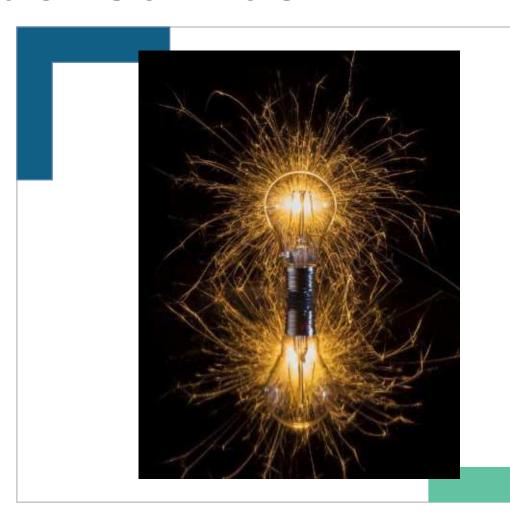
- You can easily modify individual fields, test different options, identify and correct weaknesses - constantly updating your business strategy
- You define the key elements of the business clearly and transparently, avoiding risks and many problems



What are the advantages of Business Model Canvas?



- You can **precisely** build your marketing strategy
- It is fundamentally focused on the customer and their needs - creating a tailored offer and customer focus are key



Sub-topic 2: What to pay attention to and what to avoid

In this section, we will:

- give you some practical tips on working with BMC
- help you define your business idea
- and tell you what to avoid



Learning outcomes

Module: Social Entrepreneurship Topic: Business Model Canvas			
KNOWLEDGE	SKILLS	ATTITUDES	
Sub-topic: What to pay attention to and what to avoid			
 Practical tips to start working with canvas How to define your business What mistakes to avoid 	 Formulating your business Selection of the area of activity and related aspirations Paying attention to possible errors and problems 	 Awareness of ones advantages and disadvantages Determining ones needs and goals Critical thinking Imagination Preparation Analysis and Planning 	



- Prepare your materials: large sheet of paper, sticky notes, pen
- Write all 9 issues on the sheet and leave space under each one for sticky notes and/or ideas

Remember that all the points presented are closely interrelated!

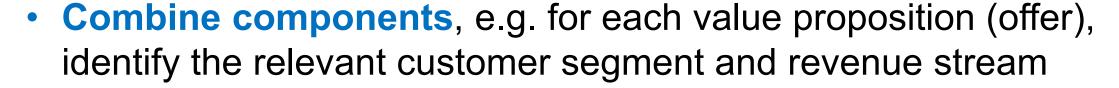
• Start by defining your customer group(s). Pay particular attention to them, as they will determine the success of your business. Who are they? How do you acquire them? How do you keep them? You need to prepare everything for your customers' needs!

• Once you have defined your customers and your offer to them, it will be easier to specify the price of your products/services, how to reach them, build relationships with them, etc.



1 image expresses more than 1 000 words.
 Depending on your needs, use diagrams, pictures, drawings, infographics, sticky notes, etc.

Avoid long texts - be concise and to the point





 If you have multiple customer segments, assign a different colour to each - you will find it easier to check that there is a value proposition and revenue stream for each segment

 Make sure that all elements on the left side of the model are reflected in the right side of the table

How to define your business?



If you are just taking your first steps in entrepreneurship and don't have a business idea yet, don't worry!

Don't compare yourself to the market giants - certainly their success can inspire you, but remember that there are years of hard work behind it



How to define your business?

It is better for you to think locally at the beginning. Analyse your own surroundings:

- What kind of people live in your home town?
- > What are their needs?
- ➤ Do they have any problems that current companies are not solving on a large scale?
- > What businesses are operating in your town?
- > Is there a demand for services that these companies are not meeting?

Or are you active <u>online</u> and have you observed communities that are looking for specific products and solutions?



How to define your business?

Divide a sheet of paper into two parts:

- On the left side, write down all the questions, concerns, observed gaps that come to mind about your environment
- On the right, write down your interests, business ideas, suggestions for solving existing problems, etc.



Can you combine any of the questions and answers you have written down so that they clearly indicate to you an industry/area of activity in which you can develop?

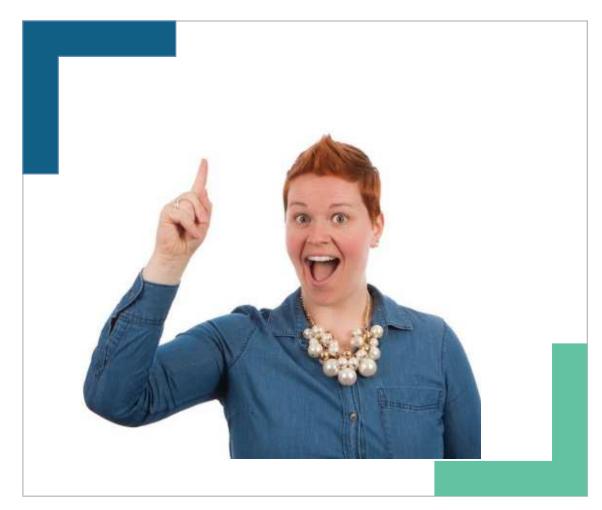




Once you have clarified your direction of aspiration,

or if you had a good idea from the start,

use the following <u>advice to</u> <u>develop it</u>:



1. Take the customer's point of view

- ✓ look at your potential business through their eyes and
 - ✓ try to understand the environment, habits, needs
 and problems of such a person



Where does (s)he work, how does (s)he spend his/her leisure time, what interests him/her?



What problems and challenges does (s)he encounter when performing daily activities?

What does (s)he find difficult, what does (s)he avoid, what requires too much effort or takes too much time?





What improves his/her quality of life, what benefits does (s)he seek?



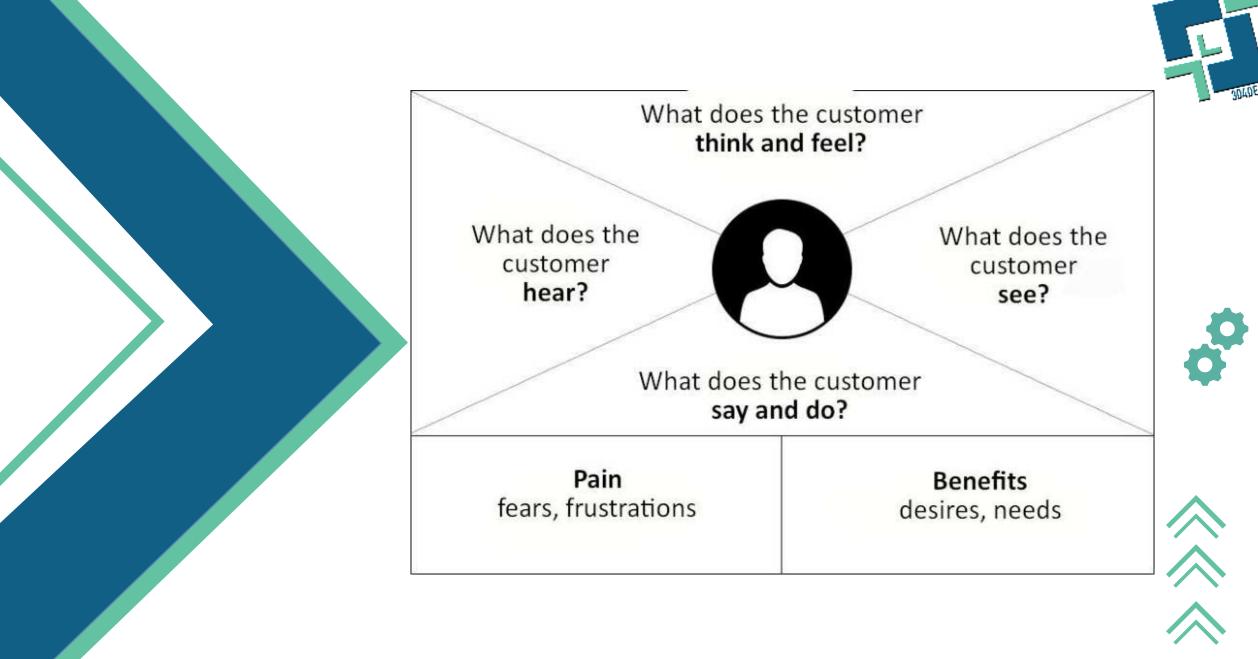
How can the product/service you are offering help him/her?

Will it provide him/her with positive emotions and experiences?











2. Focus on your own ideas

(Don't look at the competition, don't look to the past)

- write down as many as you can
- then put them in order
- and choose the best ones that can be implemented

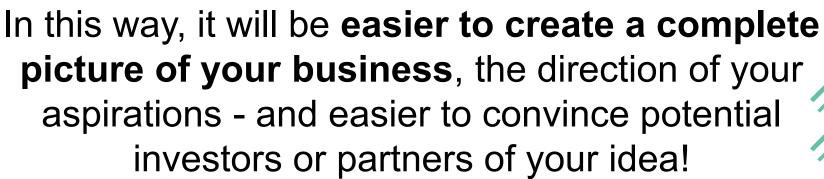


It can be helpful to involve colleagues in <u>brainstorming</u>





- Create a simple story with the main character giving a perspective of your company, e.g. being a customer or employee
- Use appropriate visuals
 (photos, clips, scenes, cartoons)













Let's also note some things you should **avoid!**





Don't be discouraged by mistakes and poor results.
 Learn from what didn't work and continuously improve your operations

 Never stop optimising your business. <u>Analyse your</u> activity - assess the situation, take small steps, monitor results



• Don't put yourself and your business at the centre. Remember to be customer-centric

 Avoid building a long-term strategy. You cannot define your profits, your position or your distribution channels in five years. Instead, you can <u>set goals and ways to</u> <u>achieve them for the next month or quarter</u>

 Don't be afraid of change. Modify your business model if you feel some elements are not working

If a particular product isn't selling, modify your offer;
if customers prefer to shop online, maybe you don't need many
stationary outlets, etc.



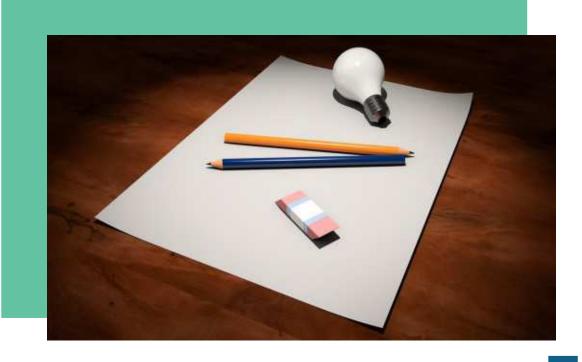




Sub-topic 3: How to create your own canvas – step by step

In this section, we will:

- present the BMC template
- explain subsequent steps
- and tell you what is a business plan and how to do it



Learning outcomes

Module: Social Entrepreneurship Topic: Business Model Canvas		
KNOWLEDGE	SKILLS	ATTITUDES
Sub-topic: How to create your own canvas – step by step		
 Introducing the canvas template Going through subsequent elements and steps to be performed Detailed steps on how to create a business plan 	 Creating your own business model Identification of needs, opportunities, problems Conducting discussions Team management Division of responsibilities and areas of activity 	 Creativity and Imagination Analytical thinking Decision-making Setting goals Teamwork Communication Independence Taking responsibility



The Business Model Canvas template

The elements of the canvas listed on slides 16-17 were organised by Osterwalder and Pigneur in the following order:



The Business Model Canvas template

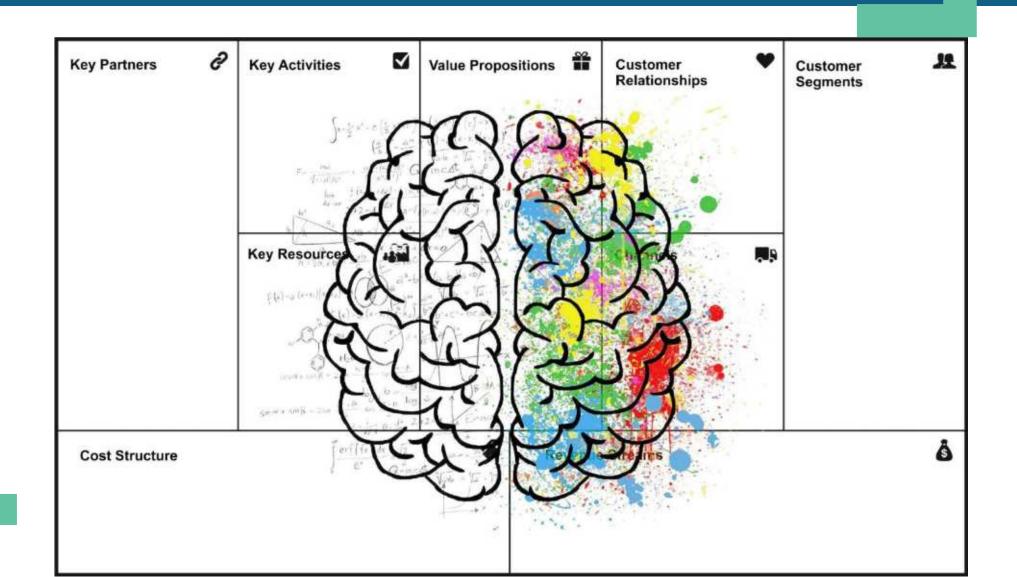
Interestingly, the author compares the canvas template to the principle of the human brain's hemispheres:

- the left hemisphere is responsible for logic
- the right hemisphere for emotions

In Canvas:

- the left side is responsible for performance (activities, partners, costs, resources)
- the right side for values (customers, channels, revenues)

The Business Model Canvas template

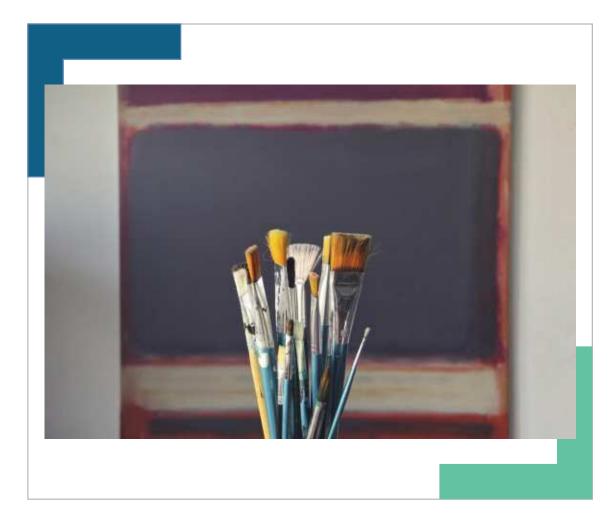




It's time to create your own canvas!

We will start with the elements that are best considered first

Use the supporting questions for discussion or independent thinking



- 1. Customer segments, i.e. what group of customers (individuals and organisations) do we want to reach
 - O Who is likely to benefit from our offering?
 - O Who do we want to produce for?
 - O What are the needs and interests of our target group?



2. Value proposition, i.e. what (products and services) will we offer to customers

- O What do we want to create?
- O What needs do we want to satisfy?
- O How will we <u>differentiate</u> ourselves from the competition?



3. Channels (communication, distribution, sales), i.e. how will we reach customers and deliver our offer

- Oirect sales?
- o Internet?
- Stationary shops?



4. Customer relationships, i.e. what will be the nature of the relationship between us and the client

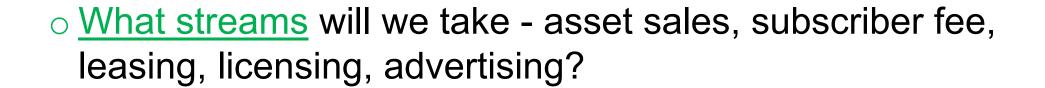




- Self-service?
- o Co-creation?
- Training?



Revenue streams, i.e. how our offer will generate revenue



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 What prices will we set - fixed or variable depending on market conditions?

6. Key resources, i.e. what resources we need (tangible and intangible) to operate our business

- Buildings, vehicles, equipment, sales outlets
- o brand, expertise
- skilled employees
- o financial resources



7. Key activities, i.e. what are the most important activities we need to undertake to keep the business running smoothly



- Product design, manufacturing and delivery
- o problem solving
- operation of our platform and/or sales network

- 8. Key partners, i.e. what is the network of collaborators and suppliers through which we can operate efficiently
 - O Who should be considered a key partner for your business?



- O What partners will you choose to reduce the cost of your work?
- O What activities will we entrust to them?
- O What resources do we acquire from partners?

Cost structure, i.e. what expenses we incur in running our business

The structure is influenced by:

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- o <u>fixed costs</u> (salaries, rent, plant maintenance)
- variable costs (in proportion to the goods produced/services provided)
- economies of scale (associated with an increase in production volume,
 e.g. large purchases=wholesale prices)
- economies of scope (associated with expanding your business)

Remember that all these components must interact and complement each other



Analyse the relationship between them

Identify the <u>strengths and weaknesses</u> of your business model

Finally, you can ask yourself these supporting questions:



- ✓ Is your business model <u>scalable</u>? Can you expand?
- ✓ Does your business model allow you to generate recurring revenue?
- ✓ Does your business model guarantee an edge and protection against competition?

- ➤ You already know what a business model canvas is, you know its components and how to use it
- > You can create it on your own as well as in a team
- ➤ It can be used to start a business, but also during the course of a business, to analyse the situation and make possible changes
- ➤ You are only limited by your imagination!

...and how to create a business plan?



We have already learnt the nature, form and advantages of the tool known as a Business Model Canvas.

But how does it differ from a business plan?



 A business plan takes the form of a more detailed, formal document, sometimes hundreds of pages long

 It outlines <u>the company's strategy</u>, <u>the manager's vision</u>, how the business model will be implemented, <u>the</u> <u>budget</u>, <u>the future financial position</u> (projected balance sheet), and <u>the company's operations</u>

 It contains <u>detailed information</u> on the market, competition, <u>SWOT analysis</u> and <u>marketing strategy</u>, <u>operational and financial plans</u>

It is usually used to attract investors or financing

Verifies the business model through more accurate assumptions and quantitative data



In summary:

- the canvas focuses on presenting the elements of the business model in a <u>graphical</u> and <u>accessible</u> way
- while the business plan provides <u>a detailed description</u> of the <u>business</u>, including objectives and strategies, market and competition analyses, operational and financial plans

But how exactly do you create a business plan?

On the government's website for entrepreneurs biznes.gov.pl

you will find a comprehensive guide with examples on how to prepare a business plan:

https://www.biznes.gov.pl/pl/portal/00173



Keep this in mind:



- You prepare a business plan for yourself and your business, so you can use any template or create your own layout
- Most importantly, it should <u>include information and data that will allow you to</u> assess the potential of your business idea
- A business plan may be required by an external institution from which you want
 to receive money to finance and develop your business. <u>If you are preparing a
 business plan for such an institution, check whether they have their own
 template</u>. If so, you should use it



- Do not copy existing business plans. The business plan must be well thought out, soundly developed and, above all, it should correspond to your business idea.
 A copied plan from someone else will not prepare you for running your own business
- When creating your business plan, look to the future think about how you want to grow your business (in the medium and long term), how you want to build your brand and develop your products or services

Here is an overview of the steps to be taken in order to prepare your business plan:

First step - what you want to sell Plan and define:

- What will be the <u>source of your income</u>?
- What kind of <u>services or products do you intend to sell</u> and are they likely to be of interest to customers in the current market reality?



- What will be your <u>competitive advantage</u> and can it differentiate you in the market?
- What might be the <u>demand for the product or service</u> you offer?
- How do you want to <u>reach the audience</u> of your service? How should they find out about it? How often will you undertake these activities?

Second step - know your customer

Answer the question: to whom do you want to offer your service or product?

- Is it to be <u>an individual</u>? If so, try to identify his or her most important characteristics, for example age, earnings, occupation, place of residence
- 0
- Is it <u>a company</u>? If yes, identify its size (small, medium, large). What is its business profile? Think about who you need to reach in this company (for example: production, purchasing, sales, marketing)
- You can <u>divide customers into segments</u>, i.e. groups that share similar characteristics

Third step - plan your sales

- Plan <u>how many</u> and to whom you want to sell your products (services) and <u>at what price</u> for the first three months, in six months, for nine months, for one year and in two years' time
- In this step, <u>use the information</u> from step one product or service description, and step two customer description. Are your customers a rather similar group or should they be divided into subgroups and a slightly different sales plan prepared for each?
- You can make your <u>sales plan in any form you like</u>, for example in an Excel spreadsheet

Fourth step - know your competitors

Research your company's surroundings and see how your future competitors operate

(Remember that your competitor will not only be companies that offer exactly the same thing, but also those that provide a different service but meet a similar customer need. E.g. competitors for a boxed diet company include other catering companies as well as local restaurants or grocery shops)



- You should gain as much knowledge as possible about the market and the environment in which you want to operate. This will allow you to assess whether you have a chance to enter the market and grow your business
- Consider the chance of some customers moving to your business and how many new ones you need to attract. On this basis, verify your plans for the number of customers and their possible segmentation

Fifth step - who will be your business partner

- Consider <u>who will be your most important business partner</u>, i.e. your key supplier or contractor
- Contractors and suppliers are an important link because the quality of the products or raw materials they supply and the timeliness of the services they provide will translate into your offering
 The financial health, the quality of the work provided and the degree of commitment of the supplier and contractor will determine the success of your business
- Carefully <u>define your supplier selection criteria</u>. For example, if you want to sell dietary products, a criterion for selection could be whether they are certified for organic production or the time it takes to deliver raw materials



Sixth step - count the costs

- Consider <u>how much money you need to start</u> the business and <u>how much it will cost you each month to run it</u>
- Costs depend on the specifics of the business
- Most often, in connection with launching a business, entrepreneurs pay for:
 hardware, software and its implementation, goods, rent of premises or
 warehouse, deposit for renting premises/office/warehouse, adaptation of
 premises (renovation and equipment), permits or licences, building a website,
 advertising activities



- The more reliable the data, the more reliable and realistic your calculations will be
- It is worth basing your calculations on more <u>pessimistic scenarios</u> especially when forecasting your company's finances. You have to assume that there will be setbacks somewhere along the way and that you will not meet 100% of your assumptions
- The buffer is very important here. It is a good idea to recalculate everything carefully, analyse several times, identify weaknesses
- Remember to always include an amount for possible additional costs in your business plan (cost buffer)

Seventh step - where do you get your start-up money from?

- Once you know how much money you need for your start-up, <u>identify the</u>
 <u>sources</u> from which you will raise it. These may include: your own funds, a
 loan, credit, funding from the job centre, other grants
- Whichever source you choose, check the financing conditions in detail and plan the costs associated with raising the capital and repayment
 It is worth determining your needs carefully so as not to take on too great a financial burden and to avoid a situation in which you will have too little money to develop and run your business
- Remember! Loan or credit instalments must be included as one of the fixed costs in your business plan

Eighth step - do you have enough knowledge?

- Analyse your competences. Find out which, if any, you lack and whether you are able to acquire them
- Include in your business plan the possible costs associated with acquiring qualifications. Depending on what stage you are at, this will either be a one-off start-up cost or a variable cost
- Remember! For some activities, you need to have a specific qualification you won't register your business without it. It is worth checking whether the
 activity you intend to carry out requires a document (certificate, licence)
 proving your qualifications
- If you don't have the right qualifications and you want to run a business that requires them, you need to <u>hire employees with the right qualifications</u>

Timetable of activities

- With all the information complete, <u>prepare a schedule of activities</u>
- Scheduling your activities over time is <u>key to achieving your objectives</u>. It
 organises tasks and supports the control of the plan's execution
 A properly constructed schedule of activities is also a method of verifying your
 business idea and identifying risks that you did not notice before



Remember! Plan for <u>realistic deadlines</u>. Think about whether it is worth
adding <u>a time buffer</u> to your assumptions in case of unforeseen events - this is
one method of reducing risk

The **schedule** should in particular:

- indicate the start date of the business
- identify the most important tasks in the order in which they are to be performed
- indicate the person responsible for the task
- indicate the start and end date of the task
- indicate <u>milestones or checkpoints</u> the points at which you check that you are operating according to plan

Remember! Always verify what stage of completion you are currently at. Check that what you have planned has been done.



Write a business plan!

- Your business plan is basically ready you've got an idea, lots of data, you've thought through why it's worth doing. Don't forget to write it all down! This is an important moment when you will finally put all the information in order, verify it once again with the knowledge you have gained in the subsequent stages and make any modifications you deem necessary
- The subsequent elements of the business plan are nothing more than the results of your previous work put down on paper: researching and verifying information, planning costs and activities
- The business plan must convince you that your idea is good and has a real chance of success. If, as a result of this work, you think it's great - get started!



As you can see, when creating a business plan you are doing almost the same things as with the BMC

The difference is the approach in gathering information - it needs to be more precise, accurately described, supported by concrete data

So get your thoughts together, get your chaps together and get to work!

References

You can find more useful information here:

- Alexander Osterwalder, Yves Pigneur Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers
- Jacek Pucher Jak przygotować dobry Business Model Canvas
 (https://www.parp.gov.pl/publications/publication/jak-przygotowac-dobry-business-model-canvas)
- Jak przygotować biznesplan (https://www.biznes.gov.pl/pl/portal/00173)

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