

Designing Innovation

Using the Business Model Canvas to Plan for Success

By: Neil Fogarty



THE NINE BLOCKS

Customers

Know, segment and prioritise the customers (identify those you can sell to today and those for the future). By analysing the customers, you can continually refine your product / service features to align with the various customer characteristics and needs: your value propositions.

Value Propositions

Your value propositions are the combination of products and services provided. There is no such thing as a unique selling proposition. What makes many companies unique are what sits in the background - algorithms, IP, trademarks - something that the customer rarely 'buys'. If the selling proposition is fantastic, it will be copied - such is the modern commercial world. So you have two options: build your business on how you price it (e.g. Poundstretcher in Dubai) or the quality of the experience and results that the customer receives.

Channels

Once you know who the customers are (and what you are offering), you can think about how the customer will access your product / service. Will you be providing this access through your own channels (store fronts) or distributors - or both? Consider Amazon: an e-tailer business than now operates real-world bookstores as they identify what their customers want. And then look at how else they are delivering (drone technology).

Customer Relationships

How will you get your repeat / referral business - to delight the customer and have them come back a second time (and tell others about it)? How will you build customer loyalty?

Revenue Streams

There are many ways to derive income (e.g. sell, lease, licence) and your pricing will change as you understand the market better. A continuous process of pricing reviews helps to be competitively positioned - the best product at the best price.

Key Resources

It's important to know what you need to deliver your value proposition - whether this resource is human, financial, physical or intellectual. Once you know the entire list of resources, you can plan your costing/ investment.

Key Activities

What are the key processes to 'get things done' in terms of producing the value proposition? These activities will impact on revenue streams and be dependent upon key resources. Activities that are key to producing the company's value proposition.

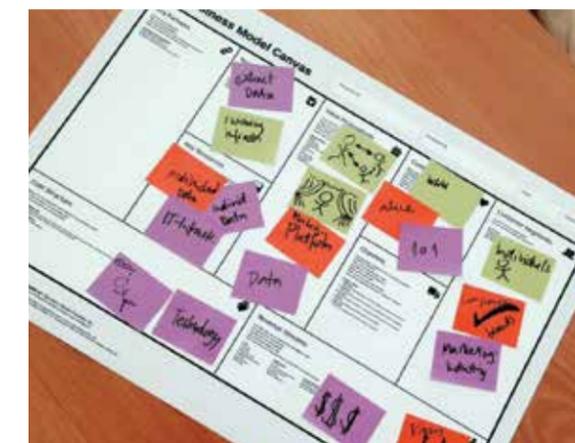
Key Partnerships

Today's business depends heavily on collaboration - who are your key partners and how do they add value to what you do? Using partners may streamline your business and allow you to focus on what you do best.

Cost Structure

A common failing is for an entrepreneur to focus on top-line revenue but fail to pay attention to what's being spent. Spend time identifying all outgoings and identifying if they are fixed or variable - and have a plan for how to manage them.

Being over-loyal to the idea means it's a great concept but the business sucks - and if you are going to pitch your idea for investment, present a Business Model Canvas - it's easy to understand, logical and answers all the questions. BIG



Neil Fogarty is a business writer, international speaker and advisor with clients in Europe, GCC, Africa and The Americas. Working with government and private sector organizations his expertise is in corporate entrepreneurship (intrapreneurs), leadership and business excellence. As Managing Director of Spark Global Business, he works with regional associates and partners in the delivery of Learning & Development consultancy including workshops and Corporate Academies.

Over the last 25 years or so, I have seen hundreds of entrepreneur and intrapreneur (corporate entrepreneur) ideas. What I have also seen is how most fail because all of the energy goes into the idea but not the wraparound: how to sell it, deliver it, cost it, and manage the finances.

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How about if Uber's great idea was to share cars but they didn't consider dynamic pricing, driver and customer rating, legalities, or technology? Uber would be a car share outfit in an American suburb. How about Tesla? Electric cars... but how to charge them? How to build them? Where to manufacture? How to price? Tesla would still be an idea if Elon Musk hadn't considered every aspect of its sale, development, delivery and service and then acted on them. I train and mentor entrepreneurs as they form their ideas and tend to use the Business Model Canvas.

BUSINESS MODEL CANVAS

The Business Model Canvas categorises the processes and internal activities of a business into nine building blocks representing the four major aspects of a business: customers, the offer, infrastructure, and financial viability.

In highly simplistic terms: what are you selling and to whom; how will target customers know about you and how will they access / buy it; how do you manage the cost of buying and manufacture - and at what price to sell it at?

Even from this, we can see how an increase in advertising would change the cost / price model - if you spend \$1 million on advertising, are you likely to be a new entrant to a market selling a product for a dollar? More importantly, how do you know where to spend the million dollars in the first place?

The canvas helps you to identify such questions and set out an action plan for getting all the answers.

- **Visual:** set out graphically for everyone to see and understand.
- **Quick Change:** use a poster-sized canvas with sticky notes to evaluate, discuss (argue!) and change the model on-the-fly.
- **See the links:** readily see the links between the building blocks - everyone can see how a change in one area of the business causes an effect somewhere else - and identify innovations in how the business works.
- **To-the-point:** sticky notes don't make it easy for too much talking!
- **Easy to share:** A photo of the canvas with sticky notes can be circulated a lot easier than unwieldy documents.