

4.2. Business Model Canvas (Explained)

Business Canvas in a nutshell

The Business Canvas was proposed by Alexander Osterwalder based on his book *Business Model Ontology and management Information Systems (A. Osterwalder, Y. Pigneur)*; it is a model which can help envision better all the steps to take in order to open a new business and develop it. At first it appears as a complex model but in reality is really simple and effective. Of course making a Business Canvas needs time and good programming, taking into consideration all the parties involved in the project, their point of view and their ideas.

In order to fill the business canvas it is important to have a clear idea of what the company wants to offer (services/products), so what the company is about and to envision the various steps of the canvas in 2 main sides: the left one corresponds to the creation side, the right one instead is the maintenance side.

4.2.1. Step 1:

Target group

The first step in order to set up your business is to define clearly what your target group is. The target group has to be as specific as possible in order to develop products or services that suit the needs of the target group, assuring these are used/consumed by them and therefore assure the maximum profit. When establishing the target group different characteristics must be taken into consideration (age, gender, interests, country, economic level, etc.).

To determine how attractive your prospective market really is (your own desires aside for the moment), we suggest doing a market analysis. It will guide your research as you think about: How urgently do people need the thing you're selling or offering right now?; What's the market size?; Are there already a lot of people paying for products or services similar to yours? Have you already in mind who exactly your target on the market is? How easy is it (and how much will it cost you) to acquire a customer?

4.2.2. Step 2:

What is the value of your proposition?

What needs does my product/service fulfil?

These are the most important question to answer in this step, focusing therefore on the added value of your product/service, why would people need to buy it.

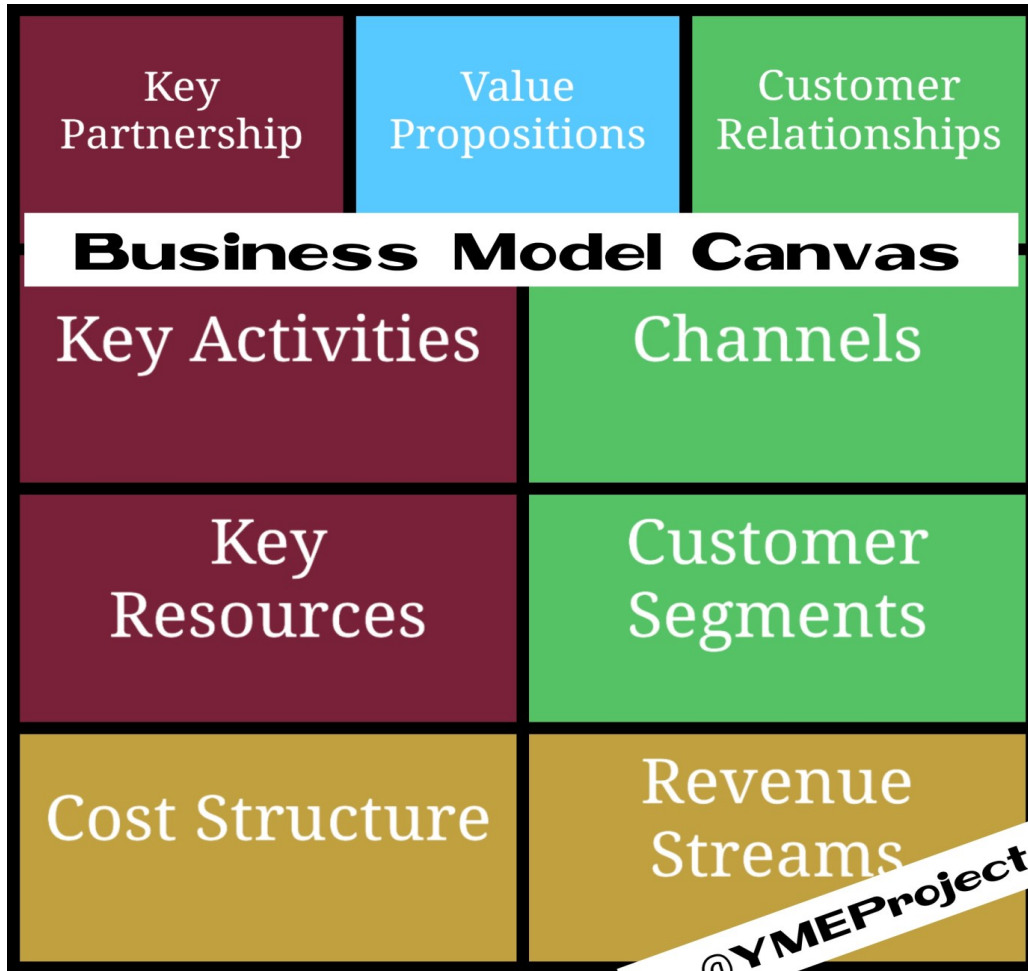


Figure 4.1 Business Model Canvas by YME Project

4.2.3. Step 3: What do you make money from?

You have to delineate precisely from where you are going to make profit because what you earn has to be balanced out with your costs to generate real profit. Will you do it only through the single product/service only or for more activities you want to include in your offer?

4.2.4. Step 4:

Change in the needs.

You have to be prepared to face changes. The economic, political, social and personal situation of the customers can affect their needs and therefore your work. It is important to plan in advance (what may logically happen in the future) in order to face correctly the situation of change. A good programme must include considering possible events so that they can be faced properly.

4.2.5. Step 5:

Channels – How do I reach the target?

This step is key and can be divided into 2 sub-steps:

1. Physical reach – how are you going to provide your service/product (i.e. single store, retailer, on line, etc.);
2. Awareness – how are you going to make your target know about you? How will you catch and maintain its interest? This second sub-step must be developed further in the marketing strategy.

4.2.6. Step 6:

Core of Business – What do you do?

In this step you have to envision which are going to be your most important activities. Plan what you are going to do is fundamental also to define the costs.

4.2.7. Step 7:

Resources.

Do you already have resources available or do you need to buy them?

4.2.8. Step 8:

Partners

In order to develop a business you may need the support (financial, intellectual, resources, etc.) of other companies or people (maybe experts) which are going to be partner with you. When looking for a partner it is important to establish with he/she a good relationship that has to be built upon clear rules (agreed in a written form before the start of the partnership) and trust, which can only develop with time.

4.2.9. Step 9:

Costs

This voice is very important since its balance with the incomes is going to constitute the real profits. It is important to describe in detail all costs for each activity planned, from the higher ones to the lower ones. It is important to include in the costs also an amount which can be used in case of necessity.