

Business Model Canvas

This item contains selected online content. It is for use alongside, not as a replacement for the module website, which is the primary study format and contains activities and resources that cannot be replicated in the printed versions.

Copyright © 2016 The Open University

Contents

Introduction	2
1 Why are business models important?	3
1.1 Developing your Business Model Canvas	4
2 Business Model Canvas elements	6
2.1 Refining your value proposition	8
3 Using the Business Model Canvas	10
3.1 Applying the Canvas to your own strategy	11
Summary	12
Self-assessment questions (SAQs)	13
End of Module Quiz	16
References and acknowledgements	17

Introduction

This module will support your understanding and use of the Business Model Canvas Tool from the DIY Toolkit. You should look at the Business Model Canvas template which can be found on page 20 of the [DIY Toolkit](#), before working through the module. You will find it helpful to have a printout of the template with you while you work through this module.

The Business Model Canvas is useful for people looking to create a model or adapt the structure of their organisation or development idea. It is a graphical, one-page framework that allows you to design, describe and/or challenge your business model.

The Canvas is one of the more complex tools in the DIY Toolkit, so ideally you would complete it over several days. To get the most value from the strategic nature of the inputs and outputs, you may want to consult with many other people, both within and outside your organisation. When you come to use the Canvas, you're likely to make several revisions until you are happy with it.

This module explores the nine essential components of the Business Model Canvas. You will learn how to frame and answer key questions about the Canvas and its execution.

Learning outcomes

After studying this module, you should be able to:

- understand why business models are important (SAQ 1)
- explain how the Business Model Canvas would be useful to apply to your own development ideas (SAQ 2)
- describe the nine elements of the Business Model Canvas (SAQ 3)
- explain why a good value proposition is central to a successful Business Model Canvas (SAQ 4).

1 Why are business models important?

Business models enable you to create value out of new ideas. Simply having a good idea for a new product or service is not enough if you can't answer some key questions about how to take it forward. Likewise, having positive feelings about doing good things for people is not a strong basis for creating a platform on which to deliver important services, especially in sectors such as development and social enterprise. Working with colleagues to give structure to an idea helps to draw out important risks and assumptions associated with that idea (Figure 1).



Figure 1: Working with colleagues can be very helpful

The Business Model Canvas offers a concise tool for thinking through the business and keeping the key points highly visible to you, your team and your other stakeholders.

Leading global companies, including MasterCard, General Electric, Adobe and Nestlé, use the Canvas to manage strategy or create new growth engines, while start-up businesses, schools, development organisations and other enterprises use it in their search for the right business model.

It is often very difficult to think through every single influence on your ideas and plans: how can you explain what you do, why you do it and how you do it in a simple and structured way? When you are planning or looking back at an initiative it is useful to look at how you are doing things now and how you could do them better in the future.

Activity 1

 Allow about 10 minutes for this activity

The section above included the following sentence:

[H]aving positive feelings about doing good things for people is not a strong basis for creating a platform on which to deliver important services, especially in sectors such as development and social enterprise.

In the text box below, explain what you understand by this and why you think the Business Model Canvas would be important in this context?

Provide your answer...

Discussion

The development sector is focused on helping to lift people out of poverty, and social enterprises emphasise social or environmental change. The reasons people need help are extremely complex, and every development solution needs to attempt to understand the local, national and often global environment in order to bring about an appropriate and sustainable response. A 'good idea' about helping people that is not well examined could turn out to be only a temporary, superficial solution, or even cause more harm than good. A tool such as the Business Model Canvas enables you to explore an idea objectively in order to work out whether or not it will make sense in practice.

Key point

The Business Model Canvas provides a framework for obtaining the most amount of value from a new idea while taking an objective look at any potential risks and assumptions it carries.

1.1 Developing your Business Model Canvas

The Business Model Canvas is a helpful way for mapping potential opportunities and drawbacks related to the idea you have.

The Canvas is generally used in one of two ways:

1. Existing programmes can develop new ideas and identify opportunities while becoming more efficient by illustrating potential trade-offs and aligning resources and activities.
2. New programmes can use it to determine and plan how to make their offering a reality.

See Case Study 1, below, for an example of this.

The Canvas creates a complete overview of your strategy, the products you should offer, the people you should focus on, the paths you should take and the resources you should use to make your idea as successful as possible. Taking the time to sketch out your model and explore it in detail enables you to identify both its advantages and drawbacks so that you can make an informed decision about whether or not to commit resources to taking it forward.

Case Study 1: Small projects fund in Ghana

Paul works for a medium-sized non-governmental organisation (NGO) in Cape Coast, Ghana. The NGO has a focus on supporting entrepreneurship and has a

'small projects' fund which gives grants to individuals to help them establish or grow their own social enterprise. Paul administers this fund.

Paul noticed that the people who came to him for this fund often presented good ideas but they hadn't thought them through in sufficient detail. The official application form for the fund focuses on administrative details such as budget, schedule and deliverables, and Paul was concerned that people were not exploring all of the risks and assumptions as well as the benefits in their plans. When he asked for more detail, applicants often assumed that he was being negative about their ideas, and became defensive.

After some research, Paul found the Business Model Canvas template and now includes this as a mandatory document in the application packs for the small projects fund. He has noticed a significant increase in the sustainable value and the quality of evidence that new ideas and plans have long term.

Activity 2

 Allow around 10 minutes for this activity

In the text box below, make some notes about how you think the Business Model Canvas might be useful for a development idea you have.

Provide your answer...

Discussion

The Business Model Canvas enables you to systematically understand and design your business model as well as differentiate it from others.

You may have noted that the Business Model Canvas:

- allows you to get a better understanding of your organisation or idea
- creates a visual overview of your business model
- tests your business model based on assumptions, such as beneficiary groups, pricing and cost
- allows you to make mistakes on paper (i.e. on the Canvas) rather than in the real world, which could cost you money
- allows you to explore alternatives to your initial idea
- enables you to create a good, strong basis for your business plan
- conveys your business model to your team, decision makers or potential funders.

2 Business Model Canvas elements

Look at the Business Model Canvas template now; you will see nine key elements. Take a few moments to read them through and think about your understanding of each one.

Using the table below, let's explore them in greater detail.

Element		Key question	Comments
	Key partners	Who will help you?	<p>This is a particularly significant element of the Business Model Canvas within the development and social sectors, in which organisations rarely work in isolation. Think about <i>all</i> the organisational relationships that are essential to your value proposition. For example, it might be that you have a key relationship that you tend to regard more as a supplier than a partner. The template uses the terminology of partner, when what it means is anyone you work with that is essential to delivering what you deliver.</p>
	Key activities	How do you do it?	<p>As with all the elements in the Business Model Canvas, the key thing here is to focus on the most important examples of how you do what you do, rather than defining every activity within your business. Expand your thinking from the value proposition you identified: what are the essential activities to achieving your value proposition?</p>
	Value proposition	What do you do?	<p>This question should always be at the centre of your business model – it helps you to define your value proposition. 'Value proposition' is a term that is widely used in business to describe the thing that makes that business different from others and therefore offers distinctive value to customers. The answer to this question addresses what you do, why you do it and what makes you unique.</p> <p>In the development sector, of course, your customers won't be the same as those of different sectors; however, you will still have donors and beneficiaries. You should therefore think about the specific problem you want to address, and how your solution, be it a product or service, is valuable to the beneficiary. Then think about the donor: why should they fund you for this service rather than</p>

			<p>anyone else? What makes your solution the most attractive one available?</p> <p>If you can answer these questions then you can describe your value proposition in terms that make it unique. There is no maximum length to a value proposition statement, but keeping it short and succinct is a really good way to help you focus on the most important elements.</p>
	Audience relationship	How do you interact?	<p>For this element, you will need to think about your two different audiences: beneficiaries and donor. What sort of relationship do you need to establish with them? What will their expectations be and how will you manage these?</p>
	Audience segments	Who do you help?	<p>Your most important audience will be your beneficiaries because, if you're getting it right for them, then the donor should also be happy. Within this beneficiary group, for whom are you creating the most value? For example, your intervention might be to support teachers by enhancing their classroom skills, in which case you would be creating value for both teachers and students. However, the teachers are the direct beneficiaries with whom you will be interacting and therefore, from this perspective, they are the more important of the two groups.</p>
	Distribution channels	How do you reach them?	<p>Continuing with the example above, you might engage with teachers through face-to-face workshops, phone texts, email, website, phone, classroom mentoring, etc. You should consider which of these methods of engagement would be most appropriate according to the teachers' needs and the resources available to the project.</p>
	Key resources	What do you need?	<p>What key resources do you need in place to support the activities you have identified above, and the process of bringing your value proposition to the beneficiary?</p>

	<p>Cost structure</p>	<p>What will it cost?</p>	<p>You will incur costs in order to deliver the business, product or service, so it is important to prepare a budget. Creating a detailed budget is very time consuming so, unless you are already at that stage of planning, at this point you should focus on the greatest and most significant costs of key activities. Good estimates will be sufficient for most situations.</p>
	<p>Revenue stream</p>	<p>How much will you make?</p>	<p>For a commercial business this is the element within which to consider profit. The closest equivalent for the not-for-profit sector would be to consider how you are maximising your donor's (or potential donor's) value for money. You might be able to demonstrate shared resources, matched funding, additional revenue streams and any other measures that will help to make your project stable and its impact sustainable.</p>

2.1 Refining your value proposition

Case Study 2: Modelling a new initiative in Kenya

Jophus works within a small NGO in Kenya that supports rural communities to be economically self-sufficient. He notices that when someone has an item to sell – for example, a chicken, some eggs or a length of cloth – they have to ask people on an individual basis either in person or by text whether they might be interested in making a purchase. Jophus has the idea to develop a system to help people in these communities to upload text and pictures from their mobile phones about items that they want to sell. The items will appear on a website that is designed to be viewed on a mobile phone with limited features.

Jophus decides to use the Business Model Canvas as a tool for engaging his colleagues with his new idea and to gather their input on how it could be delivered.

He begins by drafting out a value proposition:

‘A website for informal sales notices within rural communities.’

Jophus then arranges a meeting in which he presents his idea to colleagues. He pins sheets of paper around the room, each one headed with an element of the Business Model Canvas. He gives everybody notepaper and asks them to think of all the important questions and/or suggestions that would help to build his idea. After a slow start, people soon begin writing and sticking their notes to the sheets of paper around the room.

After about 20 minutes everybody has finished. Jophus walks around the room and stops at each sheet to read the comments aloud. Many of them become points of discussion for the group. One of the first big developments comes from Ida, who

asks whether the same sales system could be used to post notices about items that are wanted by people. Everyone agrees that this is an excellent idea! There is a lot of discussion about practicalities and whether any platforms that would provide the same service already exist. The team agrees that some do exist, but the definitive difference for the new system is that it will be designed exclusively for this specific beneficiary group – the rural communities within their region – and will therefore use the local language of the region and have very simple functionality to ensure that it is accessible.

By the end of the meeting Jophus has significantly refined his value proposition and generated lots of content with which to build his Business Model Canvas. He feels confident about the next steps in taking his idea forward.

Activity 3

 Allow around 15 minutes for this activity

In Case Study 2, Jophus started with a very simple value proposition: a website for informal sales notices within rural communities. How do you think this might have changed after the meeting with his colleagues? In the text box below, try writing your own version of the updated value proposition.

Provide your answer..

Discussion

A good revision of the value proposition would focus on what makes this offering unique and how it provides value to both the beneficiaries and the donors. It would probably look something like this:

‘A culturally-appropriate and accessible system to enable efficient trade within rural communities. Beneficiaries can exchange goods within a group wider than their immediate neighbours. Donors will be supporting sustainable economic development.’

3 Using the Business Model Canvas

The most productive way to use the Business Model Canvas is with your colleagues and/or partners and other stakeholders. You don't need to have a particularly well-developed idea or plan to start with; in fact, the tool can be very productive in helping you to form and shape your idea. The case study excerpt in Case Study 3, below, is taken from the repository on the DIY Toolkit website, where you can read the interview in full. Akshay Roongta, COO of Amrutdhara – a small start-up organisation in India – talks about working with mentors to refine Amrutdhara's value proposition.

Case Study 3: Refining an idea using the Business Model Canvas

Originally we were driven by our ambition to eradicate bottled water in the city of Pondicherry. Our idea for Amrutdhara was to create a viable alternative to plastic bottled water. After experimenting with prototypes, we had a fairly clear idea of the problem we wanted to solve, and a sense of how to go about it in terms of technology and product.

We sought some input from our mentors, and to advance our thinking they threw up the idea of focusing on the issue of improving accessibility to water rather than reducing plastic waste. This shift in approach meant that we needed to rethink what we were doing and how we were positioning ourselves. This shift signalled a few things for us, in terms of our target markets (not just public spaces, but also schools, hospitals, institutions), design of the product to be more modular, and most importantly the kinds of consumers we were targeting.

We had already pivoted a couple of times, but each time we had built on the work we had done previously. This time we decided to start from first principles. We used the Business Model Canvas as a structured and easy tool to analyse the new idea in clear terms for everyone involved.

Source: Roongta (2015)



Figure 2: Akshay and his colleagues prototyping their idea

In both the case studies, you can see how a team approach helped to get the most value from using the Business Model Canvas tool.

3.1 Applying the Canvas to your own strategy

Activity 4

 Allow around 15 minutes for this activity

Now that you are nearly at the end of this module, you should be ready to start thinking about how to use the Business Model Canvas to work on your own strategy or proposal. Make an action plan for your next steps by completing the form below.

Action plan for using the Business Model Canvas to: _____			
Task	To complete by...	Working with...	I will need...
<i>Provide your answer...</i>	<i>Provide your answer...</i>	<i>Provide your answer...</i>	<i>Provide your answer...</i>
<i>Provide your answer...</i>	<i>Provide your answer...</i>	<i>Provide your answer...</i>	<i>Provide your answer...</i>
<i>Provide your answer...</i>	<i>Provide your answer...</i>	<i>Provide your answer...</i>	<i>Provide your answer...</i>
<i>Provide your answer...</i>	<i>Provide your answer...</i>	<i>Provide your answer...</i>	<i>Provide your answer...</i>
<i>Provide your answer...</i>	<i>Provide your answer...</i>	<i>Provide your answer...</i>	<i>Provide your answer...</i>

.....
Discussion

Your plan will be personal to you, but it will likely include preparing some documents to provide supporting information and arranging a meeting to bring people together, just as Jophus and Akshay did in the case studies from Case Studies 2 and 3.

Summary

The Business Model Canvas is a single-page overview that lays out both what you do (or want to do) and how you go about doing it, enabling structured conversations around management and strategy. This visual format is useful for both existing and new organisations and businesses. Existing programmes can develop new initiatives and identify opportunities while becoming more efficient by illustrating potential trade-offs and aligning activities. New programmes can use the Canvas to determine and plan how to make their offering a reality.

Self-assessment questions (SAQs)

SAQ 1

Mark the following statements as true or false.

a. The Business Model Canvas is useful for people looking to model or add/adapt structure to their organisation or idea.

- True
- False

b. It's best when the Business Model Canvas is completed by only one person so that everything is seen from the same perspective.

- True
- False

c. The Business Model Canvas is a graphical, one-page framework that allows you to design, describe and/or challenge your business model.

- True
- False

d. Business models provide the framework for creating value out of new ideas.

- True
- False

e. Working with colleagues to give structure to an idea helps to draw out important risks and assumptions.

- True
- False

f. The Business Model Canvas offers a single-page tool for thinking through the business and keeping the key points highly visible to you, your team, and other stakeholders.

- True
- False

g. The Business Model Canvas is a visual representation of your strategy, products you should offer, people you should focus on, paths you should take and resources you should use to make your own idea as successful as possible.

- True
- False

h. Taking the time to outline your model and explore it in detail enables you to commit to your first idea without the need to adapt or change it.

- True
- False

SAQ 2

Interactive content is not available in this format.

**SAQ 3**

Match the items from the Business Model Canvas to their associated questions.

What do you do?

How do you do it?

What do you need?

Who will help you?

How do you interact?

Who do you help?

How do you reach them?

What will it cost?

How much will you make?

Match each of the items above to an item below.

Value proposition

Key activities

Key resources

Key partners

Audience relationship

Audience segments

Distribution channels

Cost structure

Revenue stream

SAQ 4

For each of the descriptions below, select whether or not it represents a good value proposition.

- a. Describes quantifiable value
 - A good value proposition
 - Not a good value proposition
- b. Written in complicated language
 - A good value proposition
 - Not a good value proposition
- c. Relevant to customer/beneficiary
 - A good value proposition
 - Not a good value proposition
- d. Uniquely differentiating
 - A good value proposition
 - Not a good value proposition
- e. No longer than one sentence
 - A good value proposition
 - Not a good value proposition
- f. Can be proved
 - A good value proposition
 - Not a good value proposition

End of Module Quiz

Congratulations, you have now reached the end of this module! We hope that you have enjoyed it, and have learned useful skills.

End of Module Quiz

This quiz allows you to work towards your badge for *DIY Learn: Business Model Canvas*. To achieve your badge, you must answer six out of eight questions correctly.

- You can try each question three times.
- There is no limit to the number of attempts you can have to take the whole quiz.
- If you answer fewer than six questions correctly, you will need to start again if you want to earn your badge.

Don't worry if you are not successful first time, as you will be able to attempt the quiz again in 24 hours.

You need to enrol in this course before you can attempt this quiz which you can do by clicking on the Sign up / Sign in button at the top of this page.

[End of module quiz](#)

When you have finished the quiz, click on 'Next' to review your 'Summary of attempt'. Once you are happy with your answers, click 'Submit all and finish'. Once you have finished this quiz you will be redirected back to this page.

Don't forget there are another nine modules to choose from which you can find on the [DIY Learn home page](#).

References and acknowledgements

Created by : Osterwalder A., Pigneur Y (2010) Business Model Generation.

This Module should be cited as follows:

DIY Learn (2016) Business Model Canvas, Copyright ©The Open University and Nesta

Except for third party materials and otherwise stated below, this content is made available under a Creative Commons Attribution-ShareAlike licence (

<http://creativecommons.org/licenses/by-nc-sa/4.0/>). The material acknowledged below is

Proprietary and used under licence for this project, and not subject to the Creative Commons Licence. This means that this material may only be used un-adapted within the DIY Learn project and not in any subsequent OER versions.

Grateful acknowledgement is made to the following sources for permission to reproduce the material in this module:

Figure 1: From OpenWash, Module 1, Study Session 4, Figure 4.3 © Dr Beth Cullen

Figure 2: courtesy: amrutDhara.in

Roongta, A. (2015) 'Pivoting our idea using the Business Model Canvas', *DIY Toolkit* [Online]. No longer available at <http://diytoolkit.org/casestudies/pivoting-our-idea-using-the-business-model-canvas/> (Accessed 15 November 2015), but accessible at web.archive.org.

[Return to the DIY Learn home page](#)

All rights including copyright in these materials are owned or controlled by The Open University and are protected by copyright in the United Kingdom and by international treaties worldwide.

In accessing these materials, you agree that you may only use the materials for your own personal non-commercial use.

You are not permitted to copy, broadcast, download, store (in any medium), transmit, show or play in public, adapt or change in any way these materials, in whole or in part, for any purpose whatsoever without the prior written permission of The Open University.