

## Course 5: Business Model

### **The Business Model Canvas: The Nine Building Blocks**

The Business Model Canvas is the heart of the "Business Model Generation" methodology. It's a strategic tool that allows a team to map out and discuss their business model on a single page, fostering a shared understanding and facilitating rapid prototyping and innovation. The nine building blocks are divided into four main areas of a business: customers, offering, infrastructure, and financial viability.

#### **1. Customer Segments**

This block defines the different groups of people or organizations an enterprise aims to reach and serve. A company may serve one or several large or small customer segments, and each segment may have different needs, behaviors, and attributes.

#### **2. Value Propositions**

This is the core of your business model. It describes the bundle of products and services that create value for a specific Customer Segment. It's the reason why customers turn to one company over another; it solves a customer problem or satisfies a customer need.

#### **3. Channels**

Channels describe how a company communicates with and reaches its Customer Segments to deliver its Value Proposition. Channels can serve several functions, including raising awareness, helping customers evaluate the value proposition, allowing them to purchase, and providing post-purchase support.

#### **4. Customer Relationships**

This block outlines the types of relationships a company establishes with its Customer Segments. Relationships can range from automated and self-service to personal and dedicated, depending on what the business model requires to acquire, retain, and grow its customer base.

#### **5. Revenue Streams**

This block represents the cash a company generates from each Customer Segment. It answers the question, "For what value is each Customer Segment truly willing to pay?" Revenue streams can be one-time transaction payments or recurring revenue from ongoing payments.

#### **6. Key Resources**

Key Resources are the most important assets required to make a business model work. They can be physical (e.g., machinery), intellectual (e.g., patents, brand), human (e.g., people), or financial.

#### **7. Key Activities**

These are the most important actions a company must take to operate successfully. They are necessary to create and offer a Value Proposition, reach markets, maintain customer relationships, and earn revenue.

#### **8. Key Partnerships**

This block describes the network of suppliers and partners that make the business model work. Companies form partnerships to optimize their business models, reduce risk, or acquire resources.

#### **9. Cost Structure**

This block describes the most important costs incurred while operating under a particular business model. Creating and delivering value, maintaining customer relationships, and generating revenue all incur costs.

### **Why the Business Model Canvas is a Game-Changer**

The **Business Model Canvas** encourages a different way of thinking about business. It moves away from the traditional, often rigid, business plan and promotes a more agile, visual, and collaborative

approach. By mapping out the nine building blocks on a single page, teams can see how all the pieces fit together and quickly identify potential trade-offs or opportunities for innovation. It's a powerful tool for startups and established companies alike, helping them to systematically analyze, design, and pivot their business models to stay ahead in a constantly changing market.

(Alexander & Yves, 2010)

### Exercise 1: Word Matching

Match the business term on the left with its correct definition on the right.

Word	Definition
<b>Business Model</b>	The rationale of how an organization creates, delivers, and captures value.
<b>Business Model Canvas</b>	A visual chart that breaks down a company's business model into nine essential building blocks.
<b>Customer Segments</b>	The specific groups of people or organizations an enterprise aims to reach and serve.
<b>Value Propositions</b>	The bundle of products and services that create value for a specific Customer Segment.
<b>Channels</b>	How a company communicates with and reaches its customers to deliver its value proposition.
<b>Customer Relationships</b>	The types of interactions a company establishes with its customer segments.
<b>Revenue Streams</b>	The cash a company generates from each customer segment.
<b>Key Resources</b>	The most important assets required to make a business model work.
<b>Key Activities</b>	The most important actions a company must take to operate successfully.
<b>Key Partnerships</b>	The network of suppliers and partners that make the business model work.
<b>Cost Structure</b>	The most important costs incurred while operating under a particular business model.

### Exercise 2: Fill in the Blanks

Complete the sentences using the most appropriate word from the list below. Each term is used only once.

Value Propositions-Cost Structure-Revenue Streams-Key Activities-Customer Segments-  
Key Partnerships-Channels-Key Resources-Customer Relationships

1. The business model canvas is a tool that describes how an organization creates, delivers, and captures value by breaking it down into nine essential building blocks.
2. The \_\_\_\_\_ block defines the different groups of people or organizations an enterprise aims to reach and serve.
3. A company's \_\_\_\_\_ describe how it communicates with and reaches its customers to deliver its Value Proposition.
4. The \_\_\_\_\_ represent the cash a company generates from each Customer Segment.
5. A company's \_\_\_\_\_ are the most important assets required to make its business model work.
6. The \_\_\_\_\_ are the most important actions a company must take to operate successfully.
7. The types of interactions a company establishes with its customers are described in the \_\_\_\_\_ block.

8. The network of suppliers and partners that make a business model work are called \_\_\_\_\_.
9. The \_\_\_\_\_ outlines the most important costs incurred while operating under a particular business model.
10. The bundle of products and services that create value for a specific Customer Segment are known as the \_\_\_\_\_.