

Felix Zappe

The Business Model Canvas as a mean for feasibility studies

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Description of the basic structure and pattern of application of Osterwalder's, Pigneur's and Clark's Business Model Canvas (BMC) as described in their 2010 published book "Business Model Generation".

The Business Model Canvas as a mean for feasibility studies

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1 The basic idea of the BMC

The very basic definition of a business model as proposed by Osterwalder, Pigneur and Clark (2010, p. 14):

“A business model describes the rationale of how an organization creates, delivers, and captures value”.

The benefit of having a throughout understood definition of business models occurs, when everybody is talking about the upcoming business model ideas and processes everybody is beginning their ideas on the same starting point and it so assures, that concepts participants come up with are “[...] simple, relevant, and intuitively understandable, while not oversimplifying the complexities of how enterprises function.” (Osterwalder et al. 2010, p. 15).

To stress this, the authors came up with nine building blocks of a business model that can be used as a shared language to talk about all important perspectives of a business model covering the main areas of financial structure, offer, customers and infrastructure while covering strategic and procedural as well as organizational topics (Osterwalder et al. 2010, p. 15). The nine building blocks are further described in the next paragraph.

2 The building blocks of the BMC

The BMC consists of the following nine building blocks (Osterwalder et al. 2010, pp. 16 - 17):

- 1. Customer Segments
- 2. Value Propositions
- 3. Channels
- 4. Customer Relationships
- 5. Revenue Streams
- 6. Key Resources
- 7. Key Activities
- 8. Key Partnerships
- 9. Cost Structure

The topics are numbered on the BMC in a particular order in which they establish the idea, the business and influence each other. The order and the basic description of each building block can be seen in figure 1.

Key Partners The network of suppliers and partners that make the business model work	Key Activities The most important things a company must do to make its business model work	Value Proposition Describes the bundle of products and services that create value for a specific Customer Segment	Customer Relationship Types of relationships a company establishes with specific CS	Customer Segments Defines the different groups of people or organizations an enterprise aims to reach and serve
	Key Resources The most important assets required to make a business model work		Channels How does a company communicate & reach its CS to deliver a VP	
Cost Structure All costs incurred to operate a business model			Revenue Streams The cash a company generates from each CS (costs must be subtracted from revenues to create earnings)	

Figure 1: Business Model Canvas and the descriptions of the building blocks (Source: own representation after Osterwalder et al. 2010, pp. 20 – 40).

However, one basic criticism about the BMC is that although it does show the interdependences of neighboring blocks, it is just a static view of potential business models. It does not show how one block changes because of changes in another block. For that purpose, practitioners would have to reconsider every block again after making changes to one initial building block and discuss these changes and occurring impacts. Osterwalder et al. propose the use of a printed version in combination with sticky notes to do so (pp. 42 – 46).

Each building block can be further analyzed by underlying characteristics or expressions which are shown non-exhaustively in figure 2.

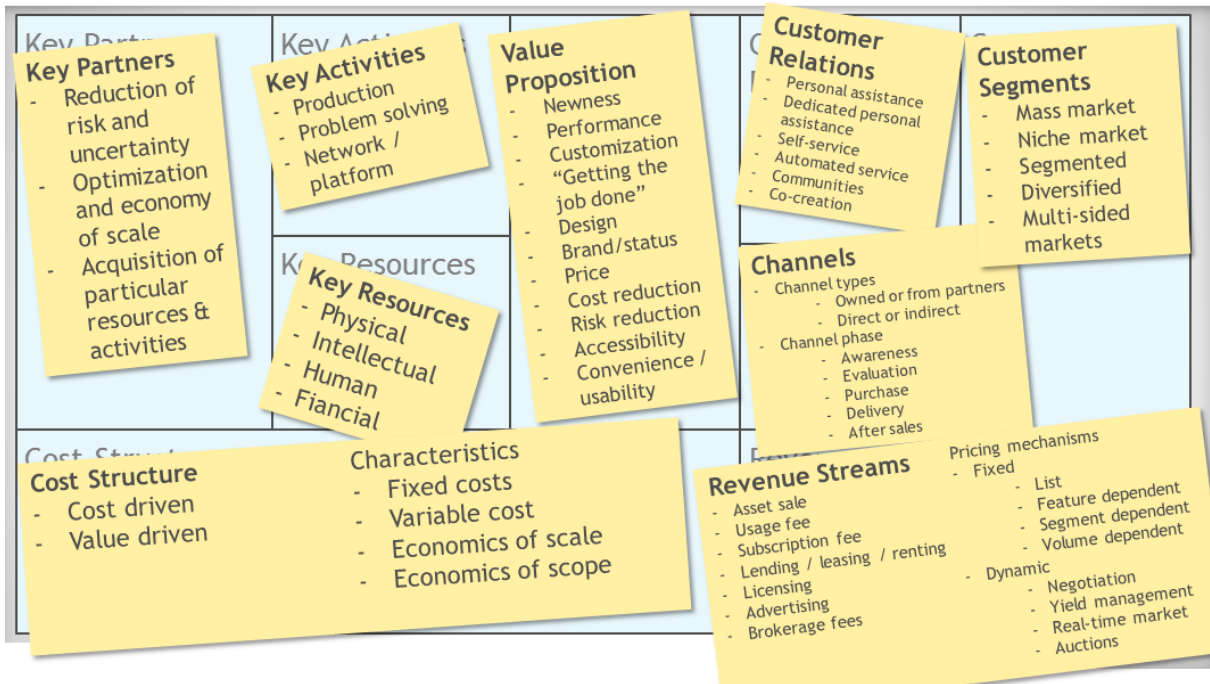


Figure 2: BMC and basic characteristics of the building blocks (Source: own representation after Osterwalder et al. 2010, pp. 20 – 40).

Finally, the authors propose a basic set of questions to work with the BMC (see figure 3). For further assessment of the App, these questions will be used.



Figure 3: The basic questions of the BMC building blocks (Source: own representation after Osterwalder et al. 2010, pp. 20 – 40).

References

Osterwalder, A., Pigneur, Y. & Clark, T. 2010. *Business model generation: A handbook for visionaries, game changers, and challengers*. Hoboken, New Jersey: Wiley, John Wiley & Sons, Inc.

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