

One of my favourite tools, The Business Model Canvas. There's nothing to be scared about in using The Business Model Canvas. It's really just a one page framework for a conversation with your clients. There's a couple of ways you can approach this, you can use it as a whole of business or you can use it at a divisional level. You can use it as a current state so you can map the current state of the business model for the organisation and/or you could do a future state canvas. Or sometimes you can even do combine it into one canvas and use different colours for the current and the future. I will just take you through the elements of it and I'll describe the sort of conversations I have with my clients as we go through it.

### **Customer Segment**

Consider how you would segment your customers so if it's a B to C business we're segmenting consumers, it might be by sex, and it might be socio-demographic. If it is a B to B business we might use geography, we might use industry sector - whatever is appropriate for your client. Now in dealing for say not for profit or government, or other types of organizations, I also... in this part of it think about stakeholders. So if we're dealing with the school, either we might say \_\_\_ stakeholders are parents. So it really depends on the situation. There's no prescribed rule for this, you just got to use sort of common sense to deal with whatever situation it is with your client.

### **Value Proposition**

Value Proposition is in the middle because of course without a value exchange we've got nothing. So you really need to think - what is the value that is offered by your client? And a lot of people confuse features with benefits and really get muddled up about what the value proposition is. So for example if I was a professional firm and I provided tax advice, really the tax advice is the product and not really the value. The value proposition might be legal compliance and peace of mind. So make sure you're really holding on the value and not just the product of the feature.

### **Relationship Strategy**

That's how we actually relate to a customer. So that could be deeply personal if we're talking about a private bank, that would be 1 to 1, individual to individual which is really quite an expensive relationship strategy. If we have a pure web business, we could automate the way we relate to all customers and of course that's a lower cost strategy. Or it might be some combination. Again we got to think through what's appropriate.

### **Channels to Market**

How do the customers find out about us? How do we transact with customers? How do we deliver the product? So for most professional firms it's a direct channel but I in that box I might think about referral networks. So it may not be a delivery channel but maybe a channel through which customers find us. But if we were a manufacturer, we might have multiple channels in there - we might have wholesale, we might do direct. If I was in a small winery, I might be dealing through a distribution network, and then I'll sell to retailers. I might sell to some retailers direct and I'd probably got a cellar door outlet where I'm selling directly to my own customer list. In each case, you'll have different margins and different issues so framing up a conversation around that triggers lots of thinking.

## **Activities**

We want to consider what Activities we actually do within the business. An activity – it could be in finding customers, sales, building new products, and all the things that we need to do in the business.

## **Resources**

What resources do we need? So we might need plant & equipment, we might need buildings, we usually need people – so just framing up what resources will be needed. You don't actually have to come up with a shopping list, you don't need to come up with every single thing - we often try to find what the key resources are. We don't want to clutter the page with sort of useless information.

## **Partners**

This is a big box because Partnership strategies are a fundamental part of the modern organisation. If we look back 20 years ago, we would be employing everybody but now if we want a more agile organisation we will use more outsourcing and we'll have Outsourcing Partners. That doesn't mean every supplier is a partner. Our Partners have a much deeper relationship than just a mere supplier.

## **Revenues**

This is where we review our revenue structure. If we're a product business, do we sell on a unit-based revenue item? So you know \$17 per product or our unit product.

If we're a professional services firm, the typical model has been dollars per hour.

This is one of my favourite boxes because it really provides opportunity for innovation. So for a professional services firm I like to get them thinking about how they could have a product arrangement and sell units rather than hours. If they're a manufacturer, I get them thinking about how they could come up with service revenues from products.

We then start thinking about – is the revenue structure periodic, one off or project-based, or is it recurring?

There's a lot of opportunity in thinking about the structure of the revenue. It's one of my favourite parts and it's really a key part of adding value to this conversation.

## **Costs**

We need to think about whether the cost structures are fixed or whether they're variable. And of course making the cost structure more variable, what we want to do is line the Revenues with the Costs. If the Revenue is variable, we really want to get the Cost variable as well. The last thing you want is that revenues may be seasonal and you cost a fixed rate throughout a year that creates a really bad business model.

So there you have it. That's basically the idea and there's nothing more than a framework for a conversation. We can do it at an organisational level, you can do it at a divisional level. And I really don't think you can go wrong by just using this structure for an informed conversation with your client.