Ask SCORE

*I recently heard reference made to the “Business Model Canvas,” which was described as a new tool for business planning. What is it, and how does it relate to a traditional business plan?*

The Business Model Canvas is an entrepreneurial tool that enables you to visualize, design and reinvent your business model. Swiss business theorist and author Alexander Osterwalder developed it. For many startups, using the tool can help them develop a clear view of their value proposition, operations, customers and finances. As a small business owner, you can use it to identify how the different components of your business relate to each other. That is powerful when deciding where you need to focus your time and attention as you start and grow your business.

“Many start up entrepreneurs and small businesses are so busy trying to get started and survive that they spend little time planning. When they do try to plan, they are often confused and don’t know where to start,” explains Bruce Gitlin, SCORE mentor and business development expert. “This tool sets an overarching framework for developing a business strategy, a detailed business plan, and/or a prioritized action plan.”

According to Gitlin, the Business Model Canvas can help move entrepreneurs to address specific risks and acquire more information (about competitors or a market niche, for example).

The Business Model Canvas has nine different areas of focus that make up building blocks in a visual representation of your business.

- **Key Partners** – Who are the buyers and suppliers you need to form relationships with? What other alliances will help you accomplish core business activities and fulfill your value proposition to customers?
- **Key Activities** – What are the most important activities you must engage in to fulfill your value propositions, to secure distribution channels, to strengthen customer relationships, to optimize revenue streams, etc.?
- **Key Resources** – What resources do you need to create value for your customers and sustain your business?
- **Value Propositions** – What products and services will you offer to meet the needs of your customers? How will your business be different from your competition? What challenges will you solve for your customers?
- **Customer Relationships** – What types of relationships will you forge with your customer segments? What are the relationship expectations of each customer segment? How are they entwined with the rest of your business model?
- **Customer Segments** – What sets of customers will you serve? Which are most important to your business?
- **Channels** – Through what means will you reach your targeted customers and deliver your products and services to them? Which are most cost effective? How are the channels integrated?
• **Cost Structure** – What are the key costs your business will face? Which resources will cost the most? Which activities will cost the most?
• **Revenue Streams** – How much will you charge for your products and services? What are customers willing to pay for? How will customers pay? How much will each revenue stream contribute to your overall revenue?

According to Gitlin, gaps in planning stand out when using the tool, making it effective for entrepreneurs who are new to starting and running a business.

“The Business Model Canvas helps visualize what is important and forces users to address key areas. It can also be used by a team (employees and/or advisors) to understand relationships and reach agreements.”

SCORE offers a free, one-hour online webinar for anyone interested in learning more. It is available at www.score.org/event/overcome-fear-business-planning-using-business-model-canvas.

This column is brought to you by the Merrimack Valley Chapter of SCORE, celebrating its 50th anniversary in 2017. The chapter has nearly 60 current and former business executives available to provide free, confidential, one-on-one business mentoring and training workshops for area businesses. Call 603-666-7561 or visit merrimackvalley.score.org for information on mentoring, upcoming workshops and volunteer opportunities. SCORE is a national, non-profit organization and a resource partner of the U. S. Small Business Administration.