



# GUIDE:

## HOW TO BUILD A BUSINESS MODEL CANVAS

So you're ready to build a Business Model Canvas for your startup! Whether you're familiar with this popular business tool or it's brand new to you, this guide will help you break down each section of the BMC so you can confidently build your own. When you're done, head over to your startup's dashboard in the Startup Starter and click 'Begin Now' on the Business Model Canvas icon to get started.

### **What is a Business Model Canvas**

Think of a Business Model Canvas as a quick snapshot of your business. It doesn't contain all the nitty-gritty details about what your business does like your business plan or provide in-depth information about your company's finances like a financial model. Instead, it allows you to clearly see what you do, who your customers are, how you make money, and what you need to keep your business running.

For new founders, a Business Model Canvas can serve as a roadmap as you plan to launch your business. But even if you're a year or two in, it can be an incredibly helpful tool to refine your business and gain clarity. It's also a great way to bring light to any differences between what you think is most important, what truly is, and where you're spending your time.

## **How to Build a Business Model Canvas**

While there's no right or wrong way to build a BMC, it might be helpful to tackle certain sections before others. Starting with your customer segments, for example, can help you define the best channels to reach those customers. And getting clear on your value proposition early makes it much easier to define what key activities, resources, and partners you need to deliver on that promise.

Regardless of where you begin, an easy way to think about your BMC is to look at it in two parts. The first part is all about the internal operations of your business--how you're doing what you do, who's involved, and what you need. While the other part is external-facing--who your customers are, how you're reaching them, how they're responding to you. And smack dab in the middle is your value proposition, your promise of value to your customers.

## **Value Proposition**

We're going to start with your value proposition. This is one of the most important parts of your BMC and your business overall. It also falls on both sides of the canvas--your internal and external ops. You can consider this brief statement your company's compass or guiding light as you serve your customers. It shows you understand their problem, describes what you have to offer, and explains the benefits you provide.

Creating your value proposition can sound complicated, but it's a relatively straightforward process. The key is clarity. Consider this simple formula: The benefit your customer will receive + what your business is offering = your value proposition. That's it! Need some inspo? Check out Warby Parker's value proposition below:

*"Buying eyewear should leave you happy and good-looking, with money in your pocket. Glasses, sunglasses, and contacts--we've got your eyes covered."*

## **Customer Segments**

The customer segments section of your BMC is all about the people you serve. This is where you'll define who your core customers are and group them into segments based on different characteristics. Some businesses will have one or two customer segments while others will have many. Your goal is to define customer segments that align with your unique value proposition.

How you choose to group your customers is completely up to you, but it's helpful to think about the type of business you own, the products or services you provide, and how you solve your

customers' problems. Local businesses, for example, might group customers by geographic data while others might group customers by age, gender, or ethnicity. You could even define your customer segments based on needs or situations that prompt them to search for new solutions like new parents, people starting a business, or first-time home buyers.

The most important thing to remember about your customer segments is that each one is different. Their needs, desires, and preferences are different which means your messages, communications, and channels will be different too. Keep this in mind as you move through your Business Model Canvas!

## **Customer Relationships**

Now that we've got your customer segments defined, it's time to think about the kinds of relationships you want to build with them. Maybe your relationships are personal--your business provides dedicated and individual assistance to your customers. Or maybe you build communities encouraging your customers to interact with each other to share knowledge, challenges, and insight.

There are many different types of customer relationships, but what you need to think about is what makes sense for your business and the people you serve. This is where clear customer segments pay off! If you're having some trouble getting started, think about some of the most common types of customer relationships. They include: dedicated and personal assistance, self-service, automated, communities, and co-creation.

Remember, customer relationships are important because building and growing your business requires much more than **finding** customers. It's just as important to keep and nurture the customers you already have! Whether you're providing additional products and services, adding more value through upselling, or building customer loyalty and advocacy, it all comes down to good customer relationships.

## **Channels**

The channels section of your BMC focuses on how you plan to reach your customers. It includes how you're communicating your offer, product, or service (marketing channels), how you're distributing that product or service (distribution channels), and your post-sales process (customer service and support).

When choosing your channels you'll need to find a balance between how your customers want to be reached and which channels make the most sense for your business structure and operations. It's not enough to opt for your favorite marketing channels if your customers can't connect with them. And while you might have a particular distribution channel in mind, your cost structure might provide a different perspective.

## **Revenue Stream**

Now, let's talk about the money! A revenue stream is simply the way your business earns money. This could be from product sales, subscription payments, licensing fees, rentals, leasing, or some other unique way.

The way your business earns revenue impacts almost every aspect of your company. If your startup's primary revenue stream is recurring subscription fees, that's going to look different than a company that sells one-time products to customers. This affects everything from your marketing to your customer relationships, your cost structure, and more.

When it comes to defining your revenue stream, you want to think not only about how you will make money but also what your customers are willing to pay and what your profit margins will look like. Keep in mind this will vary from business to business and even from customer segment to customer segment.

## **Cost Structure**

Where your revenue stream is all about the money coming in, your cost structure is about the money going out. It details the most important costs you'll face to run your business--think product costs, operating costs, fixed and administrative expenses.

The cost structure section of your BMC also defines whether your business is cost or value-driven. If minimizing costs is your main focus, your business is cost-driven. If costs matter, but the focus is on maximizing value, your business is value-driven. There is no right or wrong structure to choose from, but you should be clear on where your business falls.

To build out your cost structure, list out the most important costs to run your business, take note of where those costs are landing, and think about whether costs or value are your main focus. This will help you understand whether you're in a good place with your costs, where you need to cut back, where you have some room, and how to move forward.

## **Key activities**

As founders, it can feel like all of the items on your to-do list are important, but key activities are the most important things you need to do to deliver your value proposition. Spoiler alert, these activities aren't always your favorite tasks!

Most businesses' key activities fall along the lines of research, marketing, product development, or customer service. To identify yours, start by thinking about the activities you need to do for different sections of your BMC. What key tasks must be done to build customer relationships or to earn revenue? This could be production or software development. Or maybe it's training or demos.

If you've already launched your business, this section is a great practice to compare what you came up with, with what you do daily. You'll be able to see where your actions may be misaligned and help you shift your focus to the most important things.

## **Key partners**

As a founder, you're likely incredibly resourceful and used to wearing many hats, but even the most independent founders need partners to run and grow their businesses.

Key partners are the people, companies, or organizations that help you carry out your key activities. Maybe yours are the suppliers and vendors you use to manufacture your products. Or the retailers that distribute them. Or maybe it's a business that you license or rent key materials from.

This section is simply about identifying those key partners. Spend some time mapping out who they might be for different areas of your business. And if you've already launched, this is a great time to reflect and maybe even think about building out additional partnerships as well.

## **Key Resources**

Finally, the tangible and intangible resources that are essential to your business's success are your key resources. These will look different for every business, but they can be anything from your warehouse to your sales software to your equipment.

As with key partners, a great way to identify your key resources is to think about what you need to perform your key activities. As you're thinking, remember that key resources can be physical, but they can be intellectual or even people as well. Human resources are key resources!

And that's it! Remember, your Business Model Canvas is a snapshot of your business. While this might feel like a lot, the goal is to keep your BMC clear and concise. When you're ready, don't forget to head over to the Startup Starter to build a BMC for your company!