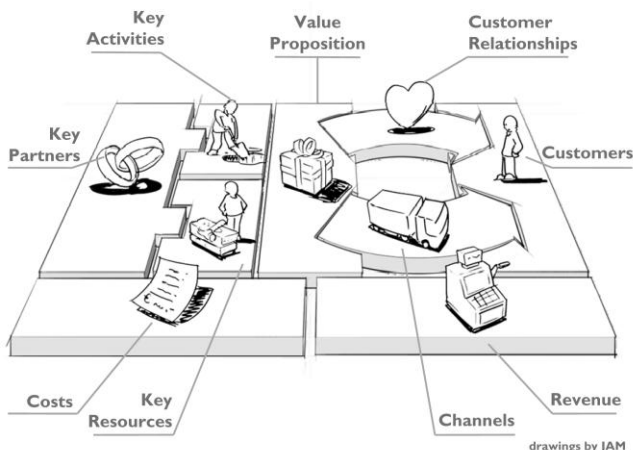


What is a Business Model?

Entrepreneurs starting a new venture need to answer a basic question: what is your business model, how will you earn money? Answering this question requires a framework for describing a business. A good recent definition of a business model is a description of “how an organization creates, delivers and captures value” (Osterwalder & Pigneur). An organization can be a single entity or a collection of entities working together to deliver a product or service that creates value for a customer.

What is the Business Model Canvas?

The Business Model Canvas is a convenient visual framework for talking about a business model. It is a poster format chart that enables 9 elements of a business model to be captured and discussed by a group of people working together. The nine elements are visualised in the cartoon below:



The actual “canvas” used to capture and explore these elements during group sessions is a large format poster or whiteboard structured in the same way. The 9 elements are, in logical order:

1. **Customer segments:** for whom do we aim to create value? Who are our most important customers?
2. **Value Propositions:** what do we offer to whom? What value do we deliver to a customer in a given segment? What needs do we satisfy?
3. **Channels:** how do we reach each customer segment? What is easiest for the customer?
4. **Customer Relationships:** how do we build and maintain these? How do they fit effectively in both the customer’s world and our own?
5. **Revenue Streams:** for what will our customers pay? How much? How would they prefer to pay?

6. **Key Resources:** what resources are essential to deliver our Value Propositions through the Channels and maintain our Customer Relationships?
7. **Key Activities:** what are the most important things you must do to make your business work?
8. **Key Partnerships:** who are our Key Partners and why? What Key Resources do they provide and what Key Activities do they carry out? What’s in it for them? What relationship should we have?
9. **Cost Structure:** what costs are implied by our Business Model? Which are largest? What is fixed and what is variable? What drives them?

A completed Canvas will cover each of these areas.

What is Feasibility Exploration?

Feasibility Exploration uses the Business Model Canvas as a framework to explore the viability of a potential new business or product. The core of a Feasibility Exploration is formed by 3 major activities:

- a. **Mapping:** often this means articulating and thinking through concepts of which parts have been discussed for some while;
- b. **Quantification:** initial market sizing, estimation of revenue streams and costs to serve;
- c. **Review:** does it make business sense? What should we do next? Who needs to decide what?

The outcome is an initial view on whether a particular service or product is viable. It is usually used to take a decision on whether it is worthwhile to invest in further development of the product or service.

It is not a detailed plan or risk review; these are drawn up at a later stage of development.

When should I do Feasibility Exploration?

Feasibility exploration is typically executed as a concentrated process to test the viability of a proposed product or service. By mapping the 9 elements of the business model in a structured fashion, entrepreneurs can test the completeness of their ideas and determine whether a profitable business can be made from these.

How much time will it take?

For propositions of limited complexity, 1-2 days of intensive work with an appropriate group of people is typically appropriate. For maximum effect, this needs to be preceded by briefing and information gathering, and followed up by condensation of the results into a compelling story for stakeholders and financiers.

The method is most effective and efficient when condensed into a limited time period. The 1-2 days can be split into half day or evening blocks, but the process should be completed within 2 weeks to maintain momentum.

How does it work?

The feasibility exploration is facilitated by an experienced strategy consultant who combines an understanding of the tools and techniques used with process skills needed to run workshops and drive decision-making. The overall process has four steps:



In the **Preparation** step the consultant meets the entrepreneurs and their nominees, scopes what is required, briefs participants on the process and makes practical arrangements for the Workshops.

The **Workshops** step covers the three core activities mentioned above (Mapping, Quantification and Review) in 1-2 days of workshop sessions, which may be split into 4 hours blocks if needed. This part of the process tends to be iterative; the Review may point to the need to adjust some elements of the Business Model. The outcome of the Workshops is a completed Canvas with all supporting documentation identified. This is usually a large wall chart with Post-Its and supporting material, but may also be a chart generated by an iPad application.

The outcome of the Workshops is usually not ripe for communication to a broader audience and decision-making. The consultant therefore helps the entrepreneurs and other participants to convert the workshop outcomes into a coherent **Storyline** with well-structured supporting material. The result is then used by the entrepreneurs to support a **Decision** by appropriate stakeholders on next steps.

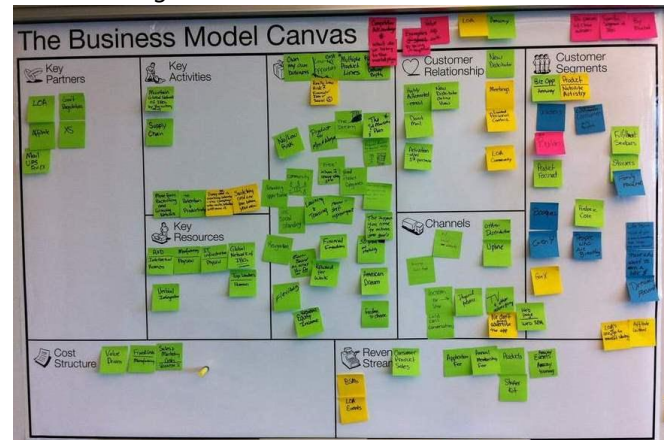
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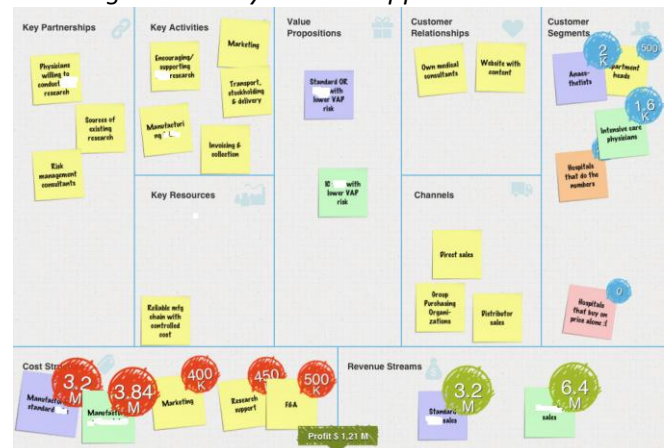
The Business Model Canvas is used under a Creative Commons licence. See <http://www.businessmodelgeneration.com/canvas> for details.

A completed Canvas

Canvas using whiteboard and Post-Its



Canvas generated by the iPad application



Financial report from the iPad application

Costs		Revenues	
Fixed costs		IC with lower risk	
FAA	500,000	sales	6,400,000
Marketing & collection	500,000	insurance care physicians	6,400,000
Marketing	400,000	Standard sales	3,200,000
Research support	450,000	Assess threats	3,200,000
Physicians willing to conduct research	100,000		
Risk management consultants	100,000		
Sources of existing research	100,000		
Variable costs			
Manufacturing	3,840,000		
Insurance care physicians	3,840,000		
Manufacturing standard	3,200,000		
Assess threats	3,200,000		
Manufacturing	3,200,000		
Total Costs	\$ 8,390,000	Total Revenues	\$ 9,600,000
			+ \$ 1,210,000