



### Business Model Canvas

Customer discovery is one of the most important parts of developing a new product or service. It can sometimes make you realize that your product does not have as much value as you originally thought. Using the information you gather after interviewing your customers, you'll be able to make improvements by making a pivot toward a new idea that could better suit the target market for those customers. A pivot can oftentimes turn a failed business model idea into a new discovery.



Tenk, Derek 2016



Customer discovery is a big part of designing a business model. The term “business model” is commonly used by both start-up companies and large companies. It is a way for them to organize their hypotheses for a new idea. Every business model can be categorized into 9 boxes: Key Partners, Key Activities, Key Resources, Value Propositions, Customer Relationships, Customer Segments, Channels, Cost Structure, and Revenue Streams. A Business Model Canvas is a visual tool used to capture these components and to brainstorm new ideas if the original hypothesis proves to be wrong.



# Research Experience and Mentoring

## Customer Discovery Handout 1: Business Model Canvas

### The Business Model Canvas

|  |  |  |  |  |   |
|--|--|--|--|--|---|
| Designed for:  |  | Designed by:   |  | Date:  | Version:  |
| <b>Key Partners</b><br>Who are our Key Partners?<br>Who are our key suppliers?<br>Which Key Resources are we acquiring from partners?<br>Which Key Activities do partners perform?<br><br><b>KEY PARTNERS FOR PARTNERSHIP</b><br>Distribution and delivery<br>Reduction of risk and uncertainty<br>Acquisition of particular resources and activities<br><br>1 | <b>Key Activities</b><br>What Key Activities do our Value Propositions require?<br>Our Distribution Channels?<br>Customer Relationships?<br>Revenue streams?<br><br><b>KEY ACTIVITIES</b><br>Production<br>Platform building<br>Physical distribution<br><br>2 | <b>Value Propositions</b><br>What value do we deliver to the customer?<br>Which one of our customer's problems are we helping to solve?<br>What bundles of products and services are we offering to each Customer Segment?<br>Which customer needs are we satisfying?<br><br><b>CHARACTERISTICS</b><br>Innovation<br>Performance<br>Customization<br>"Getting the job done"<br>Design<br>Logistics<br>Price<br>Cost Reduction<br>Risk Reduction<br>Accessibility<br>Convenience/Usability<br><br>4 | <b>Customer Relationships</b><br>What type of relationship does each of our Customer Segments expect us to establish and maintain with them?<br>Which ones have we established?<br>How are they integrated with the rest of our business model?<br>How costly are they?<br><br><b>EXAMPLES</b><br>Personal assistance<br>Self-service<br>Automated services<br>Communities<br>Co-creation<br><br>5 | <b>Customer Segments</b><br>For whom are we creating value?<br>Who are our most important customers?<br><br><b>EXAMPLES</b><br>Mass Market<br>Niche Market<br>Segment<br>Demographic<br>Multi-sided Platform<br><br>6  |   |
| <b>Key Resources</b><br>What Key Resources do our Value Propositions require?<br>Our Distribution Channels? Customer Relationships?<br>Revenue Streams?<br><br><b>KEY RESOURCES</b><br>Physical<br>Intellectual (brand, patents, copyrights, data)<br>Human<br>Financial<br><br>3  |  | <b>Channels</b><br>Through which Channels do our Customer Segments want to be reached?<br>How are we reaching them now?<br>How are our Channels integrated?<br>Which ones work best?<br>Which ones are most cost-efficient?<br>How are we integrating them with customer routines?<br><br><b>CHANNEL PHASES</b><br>1. Awareness<br>2. Evaluation<br>3. Purchase<br>4. Delivery<br>5. After sales<br>How do we integrate them with customer routines?<br><br>7                                      |  | <b>Cost Structure</b><br>What are the most important costs inherent in our business model?<br>Which Key Resources are most expensive?<br><br><b>KEY COST STRUCTURE</b><br>Cost of raw materials and production, for price value proposition, maximum automation, extensive outsourcing<br>Fixed Costs (salaries, rent, utilities)<br>Variable costs<br>Economies of scale<br>Economies of scope<br><br>8 | <b>Revenue Streams</b><br>For what value are our customers really willing to pay?<br>For what do they currently pay?<br>How are they currently paying?<br>How would they prefer to pay?<br>How much does each Revenue Stream contribute to overall revenues?<br><br><b>REVENUE STREAMS</b><br>Asset sale<br>Asset use<br>Subscription fees<br>Licensing/Design/consulting<br>Advertising<br><br>9 |

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Osterwalder, Pigneur & al. 2010



1. **Key Partners:** This includes key suppliers and key resources from partners. The goal is to optimize production while reducing the risk of cost and uncertainty.
2. **Key Activities:** This includes distribution channels and customer relationships. This is where you determine what problem you are trying to solve and what platform you are trying to reach.
3. **Key Resources:** Resources that are required for your product. This includes intellectual (patents, copyrights, data, etc.), human, physical, and financial resources.
4. **Value Propositions:** Determine what value your product brings to the customer, what problem you are trying to solve, and what customer needs you are trying to satisfy. This includes design, performance, customization, price, cost reduction, risk reduction, accessibility, convenience/usability, and brand/status.
5. **Customer Relationships:** Determine what type of relationship you are developing with your customers, how they are integrated into the business model, and how costly they are. Examples of types of customer relationships: personal assistance, self-service, automated service, communities, or co-creation.



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6. **Customer Segments:** Determine who your product is bringing value to and who are the most important customers. It could be for a mass market, niche market, segmented, diversified, or multi-sided platform.
7. **Channels:** There are 5 channel phases:
  - a. **Awareness:** How do we raise awareness about your product to the customer?
  - b. **Evaluation:** How do we help customers evaluate the value?
  - c. **Purchase:** How will the customers purchase this product or service?
  - d. **Delivery:** How do we deliver the value proposition to the customer?
  - e. **After-sales:** How do we provide customer support?
8. **Cost Structure:** Is your business more cost-driven, or value-driven? Determine what key resources and activities are the most expensive, and what are the most important costs. Costs include fixed costs (salaries, rents, utilities), variable costs (raw materials, labor costs), economies of scale (buying product in bulk), and economies of scope (lowering the average cost of production).
9. **Revenue Streams:** Determine what the customer is currently paying for a similar product, what they would prefer to pay, and how much are they willing to pay for your product or service.

Denk, T. (2016). Retrieved from <https://medium.com/venturestorm-blog/basics-customer-discovery-e22a05b0a0f7>

[Osterwalder, Alexander](#) (2008-07-02). "[What is a business model?](#)". *business-model-design.blogspot.com*. Archived from [the original](#) on 2008-09-06. Retrieved 2018-10-17.



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