BUSINESS MODEL CANVAS

THE 'BAHULU' CAKE MACHINE

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TABLE OF CONTENT

1.0 Introduction

Business Model Canvas is a strategic management and lean start-up template for developing new or documenting existing business models. It is a visual chart with elements describing the value proposition, infrastructure, customers and finances of a company or product. It assists firms in aligning their activities by illustrating potential trade-offs.

The nine "building blocks" of the business model design template, which came to be called the Business Model Canvas, were initially proposed by Alexander Osterwalder in 2005 on the basis of his earlier work on the Ontology business model. Since the release of Osterwalder's work around 2008, new canvases have appeared for specific niches. The building blocks are:

- Key partners
- Key activities
- Key resources
- Value propositions
- Customer relationships
- Channels
- Customer segments
- Cost structure
- Revenue streams

Using the BMC, the performance of an existing organization can easily be improved. All aspects of the company are made clear at a glance because of the visual aspect. By looking at developments per category, an organization can fine-tune its value proposition and improve its strategy structurally. Clear decisions can be made in advance when setting up a new company with the BMC.

The structured company details are the building blocks for its operations. There are several different business conceptualizations; Osterwalder 's 2004 thesis and coauthored 2010 book suggest a single reference model focused on the similarities of a wide variety of conceptualizations of the business model. With its business model design template, an enterprise can easily describe its business model. Osterwalder's canvas has nine boxes; the name of each box is shown in bold below. The descriptions below are largely based on the 2010 Business Model Generation book.

- ***Infrastructure***
  1. **Key Activities:** The most important activities in executing a company's value proposition. An example for Bic, the pen manufacturer, would be creating an efficient supply chain to drive down costs.
  2. **Key Resources:** The resources those are necessary to create value for the customer. They are considered assets to a company that are needed to sustain and support the business. These resources could be human, financial, physical and intellectual.
  3. **Partner Network:** In order to optimize operations and reduce risks of a business model, organizations usually cultivate buyer-supplier relationships so they can focus on their core activity. Complementary business alliances also can be considered through joint ventures or strategic alliances between competitors or non-competitors.

- ***Offering***
  1. **Value Propositions:** The collection of products and services a business offers to meet the needs of its customers. According to Osterwalder (2004), a company's value proposition is what distinguishes it from its competitors. The value proposition provides value through various elements such as newness, performance, customization, "getting the job done", design, brand/status, price, cost reduction, risk reduction, accessibility, and convenience/usability.

- ***Customers***
    1. **Customer Segments:** To build an effective business model, a company must identify which customers it tries to serve. Various sets of customers can be segmented based on their different needs and attributes to ensure appropriate implementation of corporate strategy to meet the characteristics of selected groups of clients.

    2. **Channels**: A company can deliver its value proposition to its targeted customers through different channels. Effective channels will distribute a company's value proposition in ways that are fast, efficient and cost-effective. An organization can reach its clients through its own channels (store front), partner channels (major distributors), or a combination of both.
    3. **Customer Relationships**: To ensure the survival and success of any businesses, companies must identify the type of relationship they want to create with their customer segments. That element should address three critical steps on a customer's relationship: How the business will get new customers, how the business will keep customers purchasing or using its services and how the business will grow its revenue from its current customers.

- ***Finances***
    1. **Cost Structure:** This describes the most important monetary consequences while operating under different business models.
    2. **Revenue Streams:** The way a company makes income from each customer segment.