

# The business model canvas.

The business model canvas is a relatively new concept. It was developed in 2010 by Alexander Osterwalder to be used by entrepreneurs in the tech industry. Now its use is widespread across a variety of industries for a variety of tasks.

Initially, the canvas was developed as a quick and cost-effective method for documenting a start-up business. It replaced the multi-paged business plan traditionally used to plan the operational and financial goals of an organisation.

Business plans often took weeks to refine. They should be revisited regularly to check how the business was tracking against the planned financial and operational goals. The problem was timing: each revision needed 6 or 12 months tracking to see if it was working.

## What it does.

The business model canvas is a different way of thinking about a business and its future. The canvas maps how a business creates, delivers, and captures economic or social value for clients and the business.

It is most often a one-page visual presentation and is produced before a business plan.

The business model is best produced quickly, rapidly tested with clients and then reconfigured. The refined, tested model is then detailed in a business plan.

## The lean start-up.

One of the major proponents of the business model canvas is Steve Blank, a serial entrepreneur and originator of the lean start-up concept.

In a May 2013 article for Harvard Business Review, Steve Blank explains that launching any new business has always been a hit or miss proposition. He quotes research by Harvard Business School's Shikhar Gosh, which shows that 75% of all start-ups fail. Blank believes the answer is in the "lean start-up".

He compares the business model approach to a traditional business plan approach. As he says: the "lean start-up", favours experimentation over elaborate planning, customer feedback over intuition, and iterative design over traditional 'big design up-front' development.

According to Blank, the business model is just a hunch or hypothesis (and so is the business plan). The difference is that the business model can be prepared in a few hours. Blank believes that as a business owner you rapidly develop a business model and then "get out of the building" to test it with clients.

## How design studios use the business model canvas.

Now more than ever, it's important to be able to identify what makes a studio different to its competitors: what makes it unique.

The Design Business Model Canvas – an adaption to the Osterwalder model – was developed by Greg Branson and explained in his book, *The Business of Design* (pp 32-37, 142-147, 170-190).

The Design Business Model Canvas can be used to define exactly what a design business is, and is not.

It examines the question every studio owner must ask: How do we make money in this design business? What is it that we offer that can deliver value to our clients at an appropriate cost?

## Creating a business model canvas.

Creating a design business model is a lot like writing a story for your studio.

It's true that all new stories are just variations on old ones. And in the same way all new business models are modifications of the two part generic value chain that underpins all businesses.

The first part includes all the activities associated with designing and producing a solution for the client. The second part includes all the activities associated with selling design: finding and reaching clients, getting a commitment, delivering the service.

A design studio business model may be built to solve a variety of problems. It could be focussed on meeting an unmet need in existing or new clients; it may be built to test if an innovation is robust, or it may be exploring a better way of packaging design with strategy.

## Testing.

Design business modeling is both creative and scientific – creative because you can prepare it in an illustrated form – scientific in that you start with a hypothesis, which you then test in action and revise when necessary.

You test the hypothesis by getting out and talking to clients and pitching the new model for your studio.

## Making it work.

If your business model doesn't work, it's because it failed either the narrative test (the story doesn't gel with clients) or the numbers test (the revenue and profit don't add up).

The story may be a good one and it may be the way you are pitching it or you pitched it to the wrong client. Continual pivoting and reworking the story will sort this out.

Similarly, the numbers are easy to test. Every part of the model is tested and related back to results such as increased revenue and profit. Profit is important because it tells you whether your model is working. If you don't achieve revenue and profit predictions you re-examine your model.

But it's not all about revenue and profit. A design business model's great strength as a planning tool is that it looks at all the elements of your design business and delivers a holistic approach.