EMPOWERED™ ACTIVITY

BMC FOR PROSPECTIVE BUSINESS

The Business Model Canvas (BMC) is a useful tool and common business practice, both entrepreneurially and intrapreneurially. The BMC can be used as a planning tool not only for a business or product idea, but as a life plan as well. Many students have used the BMC to guide them through the process of reaching their life goals. Students not only build background knowledge but begin to see the connections and working relationships between the sections. The BMC encourages iteration and action, allowing the user to test their assumptions quickly.

PREPARATION

- Develop your project timeline, including deadlines and deliverables. Include a deadline when your students need to share the prototype(s) (e.g., product, service, procedure, etc.) they will create and test with their target market. Using the date of when students will present their solution, work backwards to outline milestones and expectations so students can stay on track
- Have pre-printed blank Business Model Canvas' or poster board (tri-fold board) for students to create BMC template on.
- Determine how your students will regularly reflect and receive feedback throughout the business model design.
- Decide how students will provide feedback to each other and create any supporting materials for them to do so.
- Outline the parameters for the presentation of their idea and how/where they will share it.
- For CTSO advisors and educators who are pointing students towards a business plan competition. The BMC is a great way for students to ideate and develop their ideas quickly, creating a foundation that leads to a higher-quality written plan if needed.
- For more information on the Business Model Canvas, Alexander Osterwalder (BMC designer), has a wealth of resources at [www.strategyzer.com.](http://www.strategyzer.com)

ACTIVITY TIME	180 Minutes
FOUNDATIONAL PRINCIPLES	
Passion	Sound Judgment
Opportunity	Knowledge
Freedom	Win-Win Focus
Responsibility	Integrity

KEY CONCEPTS

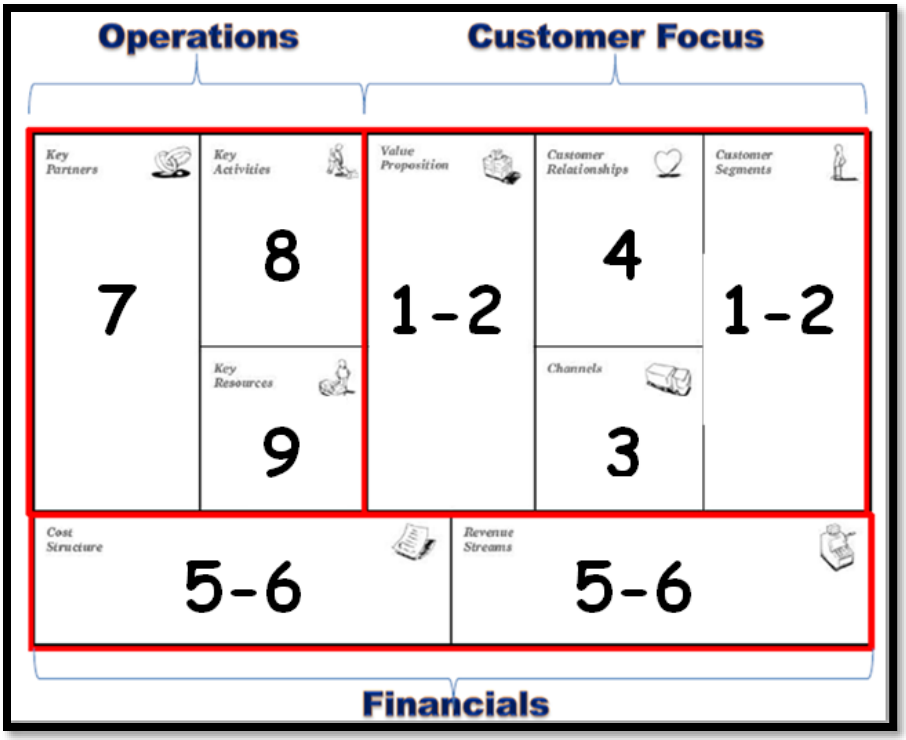
- Customer Focus
- Channels
- Target Market
- Franchise
- Value Proposition
- Market Signals
- Freedom to Enter and Compete
- Income Statement
- Net and Gross Profit
- Start-up Costs
- Independent Contractor
- Outsource
- Return on Investment
- Operating Costs
- Property Rights
- Trial and Error
- Compliance
- Demographics

MATERIALS NEEDED

- Blank Business Model Canvas
- Post-it Notes
- Writing utensils
- BMC Cheat Sheet
- Partner Pitch How-To Guide
- Empowered Currency – Printed or Virtual

INTRODUCTION

- As we look around our schools, communities, neighborhoods and beyond, we see needs and desires going unmet. According to the US Small Business Administration, there are nearly 30 million small businesses in the United States employing 47.8% of US Workers. Now is your opportunity to create value by providing a good or service that benefits not only you, but others in many ways. During this project, you are going to identify a consumer need and generate a solution(s)/value proposition as we know some of the most creative and best solutions come from students!
- The BMC has 3 segments, made up of 9 blocks, when all are addressed adequately the chances of business success improve greatly.
- The segment located at the top right of the BMC is the "Customer Focus" segment, made up of four blocks; value proposition, customer segments, channels, and customer relationships.
- The segment located at the bottom of the BMC is the "Financials" segment, made up of two blocks; revenue streams and cost structure.
- The top left segment is the "Operations" segment, made up of three blocks; key partners, key resources, and key activities.
    - **Pro-tip:** Teaching the BMC is like teaching someone to ride a bike, to teach it we must run alongside students, guiding them through the process.



ACTIVITY STEPS

Step One

- Step one will vary for students depending on which category they fall into.
  - Category A – Students who have an existing idea of what products or services will make up their value proposition. They know what products or services their business will offer.
  - Category B – Students who either do not have an idea of what their value proposition is, or of what products or services they will offer. They do have a defined target market, or demographic, geographic, or psychographic customer market.
- Students in Category A can begin by addressing the following using Post-It notes (or a pencil) in the Value Proposition block.
  - What product or service is being offered?
  - What pain is relieved, gain is created need fulfilled, or problem-solved for the market?
  - What unique value is created for the market?
  - What are your businesses core values (Foundational Principles) that will add value in the market?
  - What is your comparative advantage?
  - What is your competitive advantage?
- Students in Category B can begin by addressing the following in the Customer Segments block:
  - Who is their primary target market?
  - Who is their secondary target market?
  - What methods of market research can they use (and will they use) to gather Knowledge about their market?
  - Are there any relevant demographics, geographics, or psychographics to their market that will help them understand their market's needs?
  - What user experience(s) are their customers seeking?

Step Two

- In this step, Category A will address their Customer Segments and Category B will address their Value Proposition. It is important that your students remember to take into consideration the knowledge gained from completing the previous step.
- It is also important to conduct various forms of market research during this step. Gathering as much knowledge as possible about the business's primary and secondary customer segments, as well as researching competitors and market conditions.

Step Three

- In Step Three, students will address the Channels they will use to distribute their goods.
    - Will their business distribute their product through a storefront (table etc.), be mobile, online, digital, hybrid etc.?
    - What form of payment will they accept (cash, check, credit)?
    - What are the customers' expectations of the business's channels?

Step Four

- In Step Four students will address the Customer Relationships block of the business model.
    - What is their market strategy? How will they communicate their Value Proposition to their customer segments? (Flyers, signage, social media, couponing…)
    - What is their pricing strategy?
- Note: When selecting forms of communication with Customer Segments, remind students of the importance of compliance (i.e., school flyer policies etc.) and the importance of using Sound Judgment (i.e., best use of resources, time, money, etc.)

Step Five

- Beginning with Step Five, we will move from the Customer Focus segment to the Financials segment. The Financials segment is made of two blocks: Cost Structure and Revenue Streams. Additionally, students will begin to move between the Cost Structure block and Revenue Streams block.
- Have students identify their businesses Revenue Stream(s) by posting a separate Post-It note for each stream under the Revenue Streams block.
- To identify each stream, students should define each stream. One-way students can define each stream is to complete the following, "One average customer sale including ____________."
- Students will then calculate their Cost of Goods Sold (COGS) for each Revenue Stream. These should also be recorded on separate Post-It notes and posted under the Cost Structure block.

Step Six

- In Step Six, students will continue working between the Cost Structure and Revenue Streams blocks.
- Students will calculate their Pricing and Profit for each Revenue Stream.
- In identifying their Pricing and Profit, students will pull the COGS for each Revenue Stream from the Post-Its in the Cost Structure block over to their Pricing and Profit Post-Its in the Revenue Streams block.
    - **Pro-tip:** It is important to discuss Knowledge and Sound Judgment in the pricing of each Revenue Stream.
    - **Pro-tip:** Two good Revenue Streams block activities post-Market Day(s) are to have students complete a 1-year and/or 5-year Projected Income Statement and calculate business ratios, such Return on Investment (ROI), Return on Sales (ROS), Loan Payback, and Break-Even for their business. Calculating their ROI allows them to compare investments. Would they have been better off putting their money in a different business? Putting their money in a savings account? Keeping their money in cash?

Step Seven

- In Step Seven, students will address the Key Partners block in the Operations segment of their business model.
    - What form of ownership will the business have? (Sole proprietorship or partnership)
    - Who are the key suppliers? Wholesalers? Manufacturers? Retailers? Other Service providers?
    - Will the business use any independent contractors or outsourcing?
    - Is the business a franchise business? (for students operating or selling under the name of a local business)
    - Will the business use any professional services, such as bankers, equity partners, investors, real estate agents, attorneys, insurance agents, accountants, or other service providers?
    - Will the business owners have any business mentors? (Many successful business owners site key mentors as being crucial to their success.)

Step Eight

- In Step Eight, students will address the Key Activities block in the Operations segment.
- Have students write an Executive Summary for the business. There are many executive summary examples available online, to help students briefly describe the key elements of the business.
- Students can create "To Do Lists," including but not limited to buying lists, task lists, and reminder lists.
    - What licenses and permits will the business need to open for business in your community? (for example, a food handlers license and/or tax ID number, etc.)
    - What education, training, or certifications are needed to carry out this business?
    - What is the businesses transition or exit strategy? Is it a goal of the business owner to build a successful business and then sell it at a multiple of the value (for example, sell the business at 3 x investment)? Is it a goal of the business owner to build this business and pass it down through family generations? Is the goal to turn this business into a full-time career? If the business is unsuccessful, can you liquidate its assets to recover some of your costs?
  - **Pro-tip:** If time permits it can be valuable for students to complete a S.W.O.T. Analysis on both the business and themselves. Analyzing their Strengths and Weaknesses can help students examine their comparative advantage and use Sound Judgment in making partnership decisions. Analyzing Opportunities and Threats can help students consider risks that may impact their business, as well as market Opportunities.
  - **Pro-tip:** If time permits it can be valuable for students to set S.M.A.R.T. Goals for their business, and for themselves personally.

Step Nine

- In Step Nine, students will address the Key Resources block in the Operations segment of their BMC.
- Human Resources – Will the business hire any employees?
    - **Pro-tip:** Employees may be family/friends or others performing work duties for the student business. As employees, they should receive some compensation for their services. The student business owner(s) should use Sound Judgment in making decisions regarding employees, independent contractors, and outsourcing. Ask students "why" if they use any of these. Did they think about comparative advantages when making these decisions?
    - What are the owners or partners' roles and responsibilities? Considering this question helps students consider their comparative advantage and recognize the needs of the business.
- Capital or Physical Resources – Does the business have any physical resources it will use? (Items such land, buildings, equipment, technology, tools, mineral rights, vehicles, and distribution networks.)
- Financial Resources – Does the business have any cash reserves/savings, credit lines, or relationships with potential investors?
    - Does the business have any intellectual property such as patents, copyrights, or trademarks?

Pro-tip: A business that is Customer Focused has raving-fan customers who tell others how great you are. A business that has solid, feasible Financials and is profitable can experience financial success, and a business with good Operations structure will have gung-ho employees and partners, leading to long-term business success.

ACTIVITY DEBRIEF

PRINCIPLES + MARKETS

- How did you seek and use the best Knowledge when conducting your market research activities?
- Did your market research teach you anything new about your target market, or your customers in general?
- Now that you are beginning to see your business idea come to life, how could you test your business model in the market, to make sure customers will buy it (from you)?
- Now that you are beginning to see your business idea come to life, look into the future at where you would like to be in 5-10 years. Do you think this business will fulfill your goals?

- As you continually develop your businesses Value Proposition, what Foundational Principles are key components of it? Explain.
- How does the Foundational Principle, Freedom relates to what you are doing as a growing young entrepreneur?
- In what ways do Key Partners, such as Bankers, Accountants, Attorneys, Real-Estate Agents, and Insurance Agents create value for small businesses? What role might comparative advantage play as a small business owner considers how they might partner with these professionals? What does Win-Win look like in these relationships?
- Do you believe you have a business model in development that represents something you are good at, something you are passionate about, and something the market will pay you for? Let's discuss briefly.
- How does the form of business ownership you chose for your business represent Sound Judgment?
- Do your Business Model financials tell you that your business is feasible (likely to succeed)?
- Can you share three (3) primary ways your business will create highly satisfied customers, leading to repeat sales?
- What licenses or permits will your business need in order to be compliant? Why does compliance create value for society? If you disagree with any rules or regulations, what steps could you take to change them?
- If your Business Model financial projections are correct, what will your businesses ROI be? Do you believe this is a good return on your investment (or the investment of your investors)? Are there better alternatives than this investment?
- What is the relationship between the individual blocks of your Business Model?

MINDSET

- Why do you think successful entrepreneurs tend to be resilient?
- Why is it so important for you to use tools like the Business Model Canvas in the development of your business?
- Why do you think the small business failure rate is high, yet so many entrepreneurs succeed over time?
- As you develop and begin to execute your Business Model, does that represent recognizing and seizing what life has to offer (Opportunity)? Explain.
- Do you believe your business is/will make an important contribution to society? Why?
- What do you think? Is your business' success more about your competitors in the market, or more about the value your business creates in the market? Explain.

EMPOWERED™ HUB

To access BUSINESS MODEL CANVAS FOR PROSPECTIVE BUSINESS online:

- Tap **HERE** from any online device *OR*

Scan this QR Code with your mobile device: