

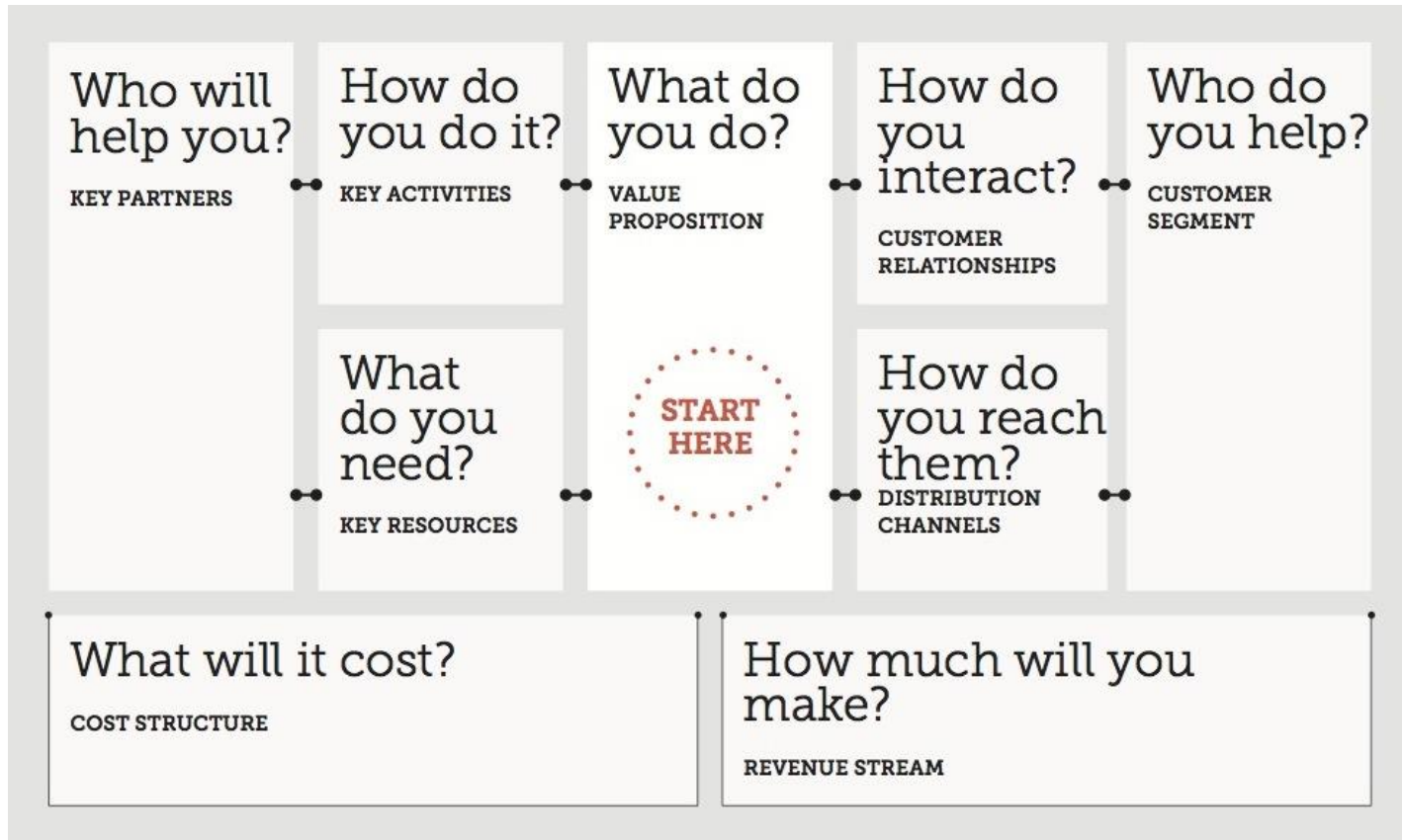


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# DEVELOPING THE BUSINESS MODEL



# BUSINESS MODEL CANVAS



# THE 9 PARTS OF A BUSINESS MODEL CANVAS

Customer Segments: This part of the business model answers the following questions:

- Who are we creating value for?
- Who are the most important customers?

These questions could have two very different answers. Your customers could be part of mass or niche markets, but need to be segmented and understood.

Common segments include location and age, but depending on the business, the segments can coincide with customer needs.

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Value Points: This part is directly related to you Customer Segments and seeks to answer the following questions:

- What value is provided to the customer?
- What problem are we solving for the customer?
- What products or services are we providing to each customer segment?

Value propositions can come in many forms. Product performance, design, price or customization can all provide value to the customer. Reduction in overall risk or cost for a customer can also be valuable. Different segments can even find different types of value from similar products.

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Channels: This part of the business model is about how you reach your Customer Segments. This includes how your customers want to be reached and through which channels you are currently reaching them through. It is also important to look at which channels are cost-efficient and how they can be integrated with customer routines. There are five different essential phases of any channel that need to be understood.

- Awareness: How do you raise awareness about your products and services?
- Evaluation: How do you help your customers evaluate your value proposition?
- Purchase: How can customers buy your specific products and services?
- Delivery: How do you deliver your value proposition to your customers?
- Post-Sale: How do you provide customer support?

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Customer Relationships: This part describes the type of relationships that you are establishing with your customers. For this, you will want to ask some of the following questions:

- What type of relationship does each customer segment want us to establish and maintain with them?
- Which types have we already established?
- How much do they cost?
- How do they work with the rest of our business?

Providing personal assistance or creating a self-service feature are examples of ways to build and maintain customer relationships. Building communities is another way to establish bonds with a segment.



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Revenue Streams: These can come in many forms since a source of revenue is simply anything that generates money for your business. Answer the following questions to describe revenue streams:

- How are customers currently paying?
- How would they prefer to pay for our product?
- What value would our customers be willing to pay for?
- How much does each revenue stream add to total revenues?



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Key Resources: These can include any resources that are needed for your value propositions, distribution channels, revenue streams or customer relations. These resources can be tangible or intangible. They can also be human resources or financial resources.

Key Activities: Like resources, certain business activities can be employed in creating value propositions, distribution channels. Revenue streams and customer relations. These activities can include production activities, problem solving and network activities.

Key Partnerships: This part includes both partners and suppliers. It also takes into account the key resources that you are acquiring from these partners, as well as the key activities that your partners perform. Partnerships must be carefully planned, and you must have clear reasons for forming them, such as reducing risks, optimizing and economizing, and getting the resources you need.



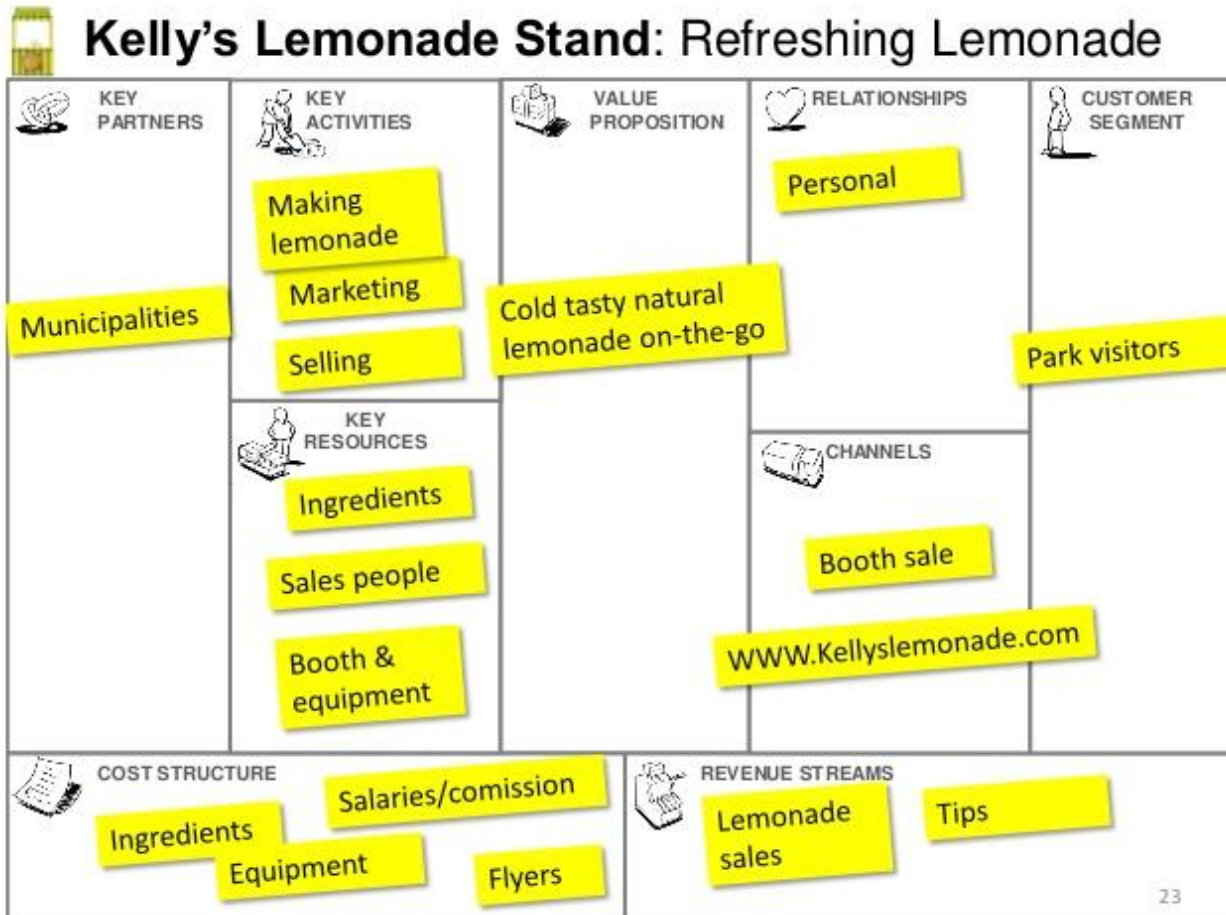
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Cost Structure: This part takes into account the most important cost that your business model is dependent on. It also looks at which key resources and key activities are most expensive. To set up the structure, you will need to know if your business is cost-driven or value-driven:

- **Cost Driven:** The goal of this business is to minimize any non-essential costs in order to compete. You can achieve this by running lean, through automation and throughout outsourcing. A company like Southwest Airlines is cost-driven, which is directly tied into its low-price value proposition.
- **Value Driven:** The goal of this model is about creating value rather than focusing on costs. High-end retailers and brands fall under this category because they are selling premium and exclusive products.



# Example:





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