	Document:	Guidelines for B.M. and risk assessment		
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GUIDELINES FOR BUSINESS MODEL DEFINITION AND RISK ASSESSMENT

1 INTRODUCTION

One of the action that can be carried out to accompany entrepreneurs for decision-making consists in developing his/her Business Model (BM). The objective of this activity is to describe the fundamentals from which the entrepreneur's organization will create, develop and capture value, based on the APPR management and use for energy.


"If you can't explain it simply, you don't understand it well enough."

- ALBERT EINSTEIN

In other terms, the BM consists in a simple method to outline a business idea before making deeper analysis, *e.g.*, market assessment and economic feasibility. Notwithstanding, the BM is a dynamic tool, which has to mature and be modified as the business idea develops and grows. Also, keep in mind that **a Business Model is not Business Plan!** So keep it simple and do not try to solve all the details of the business at this stage.

Within uP_running framework, we follow the Business Model Canvas methodology, developed by Alexander Osterwalder [1-2]. An initial BM Canvas can be elaborated before a field tests is carried out, through conversations/meeting with the entrepreneur and, if necessary, with some key actor(s) of the value chain. Then, BM Canvas will be tuned and improved, based on the demo results, the potential customers' feedbacks and the risk assessment results. At the end, the final Canvas and the corresponding "storytelling" will be included in the small report to deliver to the entrepreneur.

This document presents the BM canvas methodology, as a summary of the blocks that have to be filled in the Excel file called "uP_running BM template.xlsx". Moreover, a risk assessment is included, in the form of a SWOT matrix, which aims to broaden the viewpoint and enrich the BM. Finally, one simple and optional tool is also provided to partners/consultants, in order to improve the BM Canvas. It consists in the "value proposition Canvas" and aims to better understand customers (who they are, how they behave, etc.) in the view of improving the initial value proposition.

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2 DEFINING THE BUSINESS MODEL

2.1 Canvas method

The Canvas consists in a tool that allows “painting” a business model easily and, hence, better understanding and communicating the underlying business idea. For that purpose, the Canvas is structured into four main components (see Figure 1):

- **Value proposition**
- **Customers** (customer segments, distribution channels and customer relationship)
- **Infrastructure** (key activities, key resources, and key partners)
- **Finances** (revenue stream and cost structure)

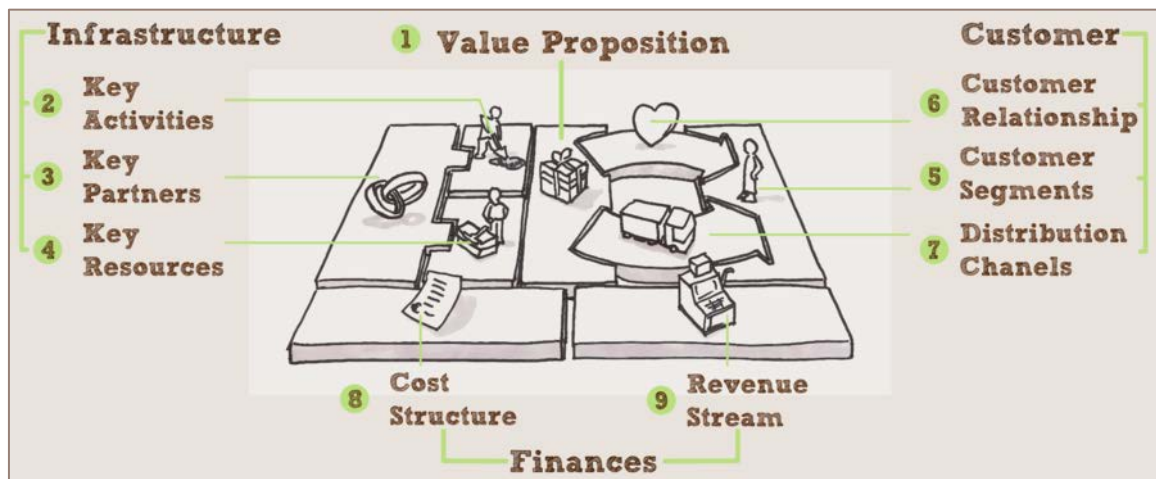



Figure 1 Model scheme for the Business Model Canvas [3]

In the next table, each block is described briefly. More detail about BM Canvas method or examples can be found elsewhere, *e.g.*, in [2-5].

Block	Description
Value proposition	<p>What is offered to the customers, beyond the service/product itself, and how it distinguishes from competitors, <i>e.g.</i>, newness, performance, customization, design, brand/status, price, cost reduction, risk reduction, accessibility, etc.</p> <p>The value proposition is the core element of each business model because it determines all three further elements of the business model in a characteristic manner.</p> <p>It aims to solve the problems of the customers and satisfy their needs (see section 2.2).</p> $Value = \frac{Features (Tangibles + Emotions)}{Price}$
Customer segments	Define customers profiles (may have more than one) for whom the

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	entrepreneur wants to create value.
Distribution channels	How the entrepreneur company communicates with and reaches its customer segments to deliver a value proposition. How to commercialize and distribute the product/service.
Customer relationship	The types of relationships the entrepreneur establishes with specific Customer Segments, <i>e.g.</i> , self-service, communities, personal assistance, periodic emails/offers, etc. The objective is not only to reach the client, but also to obtain customer loyalty.
Key activities	The strategic activities that must be performed to create the Value Propositions, reach customers, maintain relations with them and generate revenues.
Key resources	The resources that are necessary to create value for the customer. They are considered an asset to a company, which are needed in order to sustain and support the business. These resources could be human, financial, physical and intellectual.
Key partners	In order to optimize operations and reduce risks of a BM, the entrepreneur usually cultivates buyer-supplier relationships so they can focus on their core activity. Complementary business alliances also can be considered through joint ventures, strategic alliances between competitors or non-competitors. Finally, key partners may also be any type of actor interested in supporting the entrepreneur initiative (<i>e.g.</i> , Local Action Group).
Revenue streams*	The way the entrepreneur company makes income from each customer segment. Forms of revenue can be: sale of goods, use of services, subscription fees, rentals and leasing, brokerage fees, advertising fees.
Cost structure*	All costs incurred to operate a particular BM, <i>e.g.</i> , fixed costs, variable costs, economies of scale, and economies of scope.


Practical considerations

The Canvas can be printed out on large surface so several people can jointly sketch and discuss the business models elements with post-it notes or board markers.

Examples

Many BM Canvas are available on the web and may be useful for partners and consultants. We recommend having a look to the ones developed during SUCELLOG Project [5].

One example of BM Canvas is also provided in the Excel “uP_running BM template.xlsx” and corresponds to one PrMov accompanied by CIRCE. It is also depicted in Figure 2.

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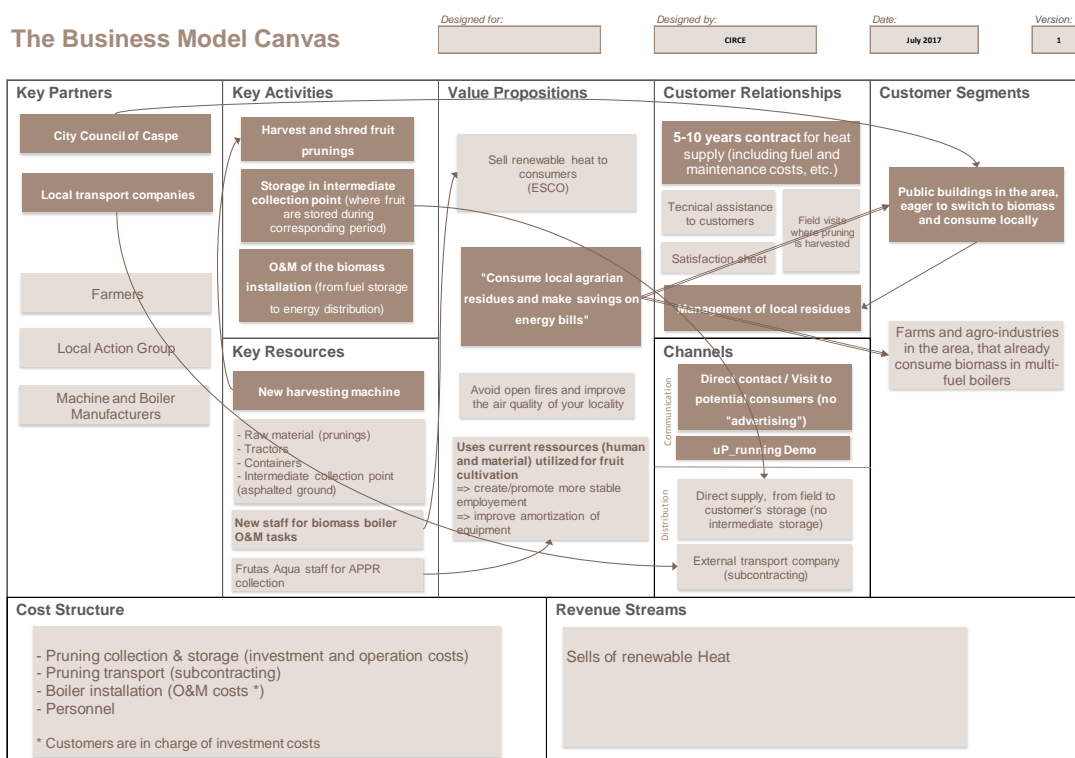



Figure 2 Example of BM Canvas

2.2 Risk assessment

During an APPR consultancy, it is recommended to perform a SWOT analysis in order to **widen the view, detect external threats** or opportunities and **underline the main strengths** of the entrepreneur's initiative. A possible output of this analysis may be a recommendation to establish some specific alliance, in order to face a potential threat.

The template for SWOT analysis is provided in the Excel template "**uP_running BM template.xlsx**" and depicted in Figure 3. In addition, some questions are also added after the matrix (cells 50 to 75 of the Excel sheet) in order to review and debate the main issues of the BM canvas, and re-orientate it, if needed.



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		Helpful to achieve the objective	Harmful to achieve the objective
Internal origin (attributes of the PrMov organization)		Strengths	Weaknesses
External origin (attributes of the PrMov environment)		Opportunities	Threats


Figure 3 Matrix for the SWOT analysis of the BM Canvas

2.3 Value proposition Canvas (optional)

It is essential that the value proposition fits to customers' needs; otherwise, the business will fail. In that sense, the Value Proposition Canvas consists in an easy tool that works in conjunction with the BM Canvas and help increasing the value proposition. A short video explaining how value proposition Canvas works is available in [7].

The Value Proposition zooms in on only two blocks: Value Proposition and Customer Segment, in order to describe them in more detail. It helps the entrepreneur to project in the best way the business Value Proposition to solve problems, difficulties and needs of customers (see Figure 4 and Figure 5).

A template for Value Proposition Canvas is provided in the Excel "**uP_running BM template.xlsx**". To fill in it, you have to begin with the Customer Segment you are targeting and then think about the Value Proposition and how to fit it to the problems and needs of your customers.

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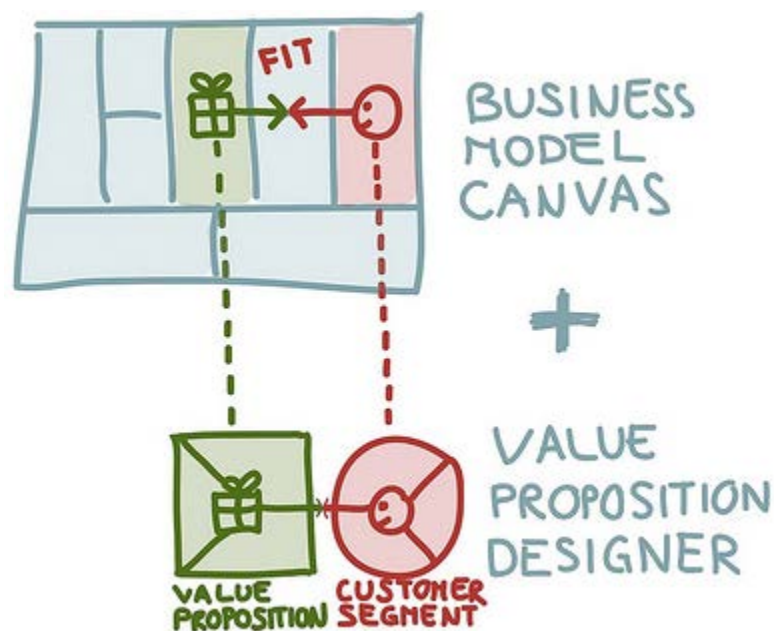


Figure 4 Value proposition Canvas relation to BM Canvas [8]

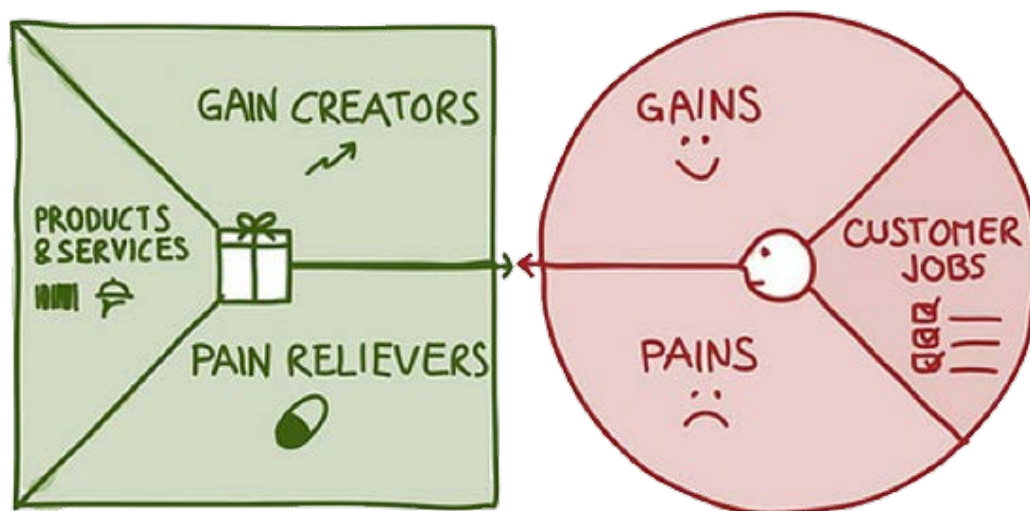



Figure 5 Value Proposition Canvas [8-9]

In the next table, each block of the Value Proposition Canvas is described briefly. Moreover, examples and additional comments are included in the Excel template, in the form of “comments”. Finally, deeper explanation of Value Proposition Canvas may be found elsewhere, e.g., in [8-9].

Block	Description
Customer jobs	What the customers you are targeting are trying to get done: tasks they are trying to perform and complete, the problems they are trying to solve, or the needs they are trying to satisfy.
Customer pains	Negative emotions, undesired costs and situations, and risks that your customer experiences or could experience before, during, and after getting the job done.




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Customer gains	Benefits your customer expects, desires or would be surprised by. This includes functional utility, social gains, positive emotions, and cost savings.
Products & Services	Which products and services you offer that help your customer get either a functional, social, or emotional job done, or help him/her satisfy basic needs? Products and services may either be tangible (e.g. manufactured goods, face-to-face customer service), digital/virtual (e.g. downloads, online recommendations), intangible (e.g. copyrights, quality assurance), or financial (e.g. investment funds, financing services).
Pain relievers	How your products and services create value. How your products and services alleviate customer pains? How do they eliminate or reduce negative emotions, undesired costs and situations, and risks your customer experiences or could experience before, during, and after getting the job done?
Gain creators	How your products and services create customer gains? How do they create benefits your customer expects, desires or would be surprised by, including functional utility, social gains, positive emotions, and cost savings?

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