



Starting a Business

Workbook

Business Canvas

Key Partners	Key Activities	Value Proposition	Customer Relations	Customer Segment	Purpose
	Key Resources		Channels		Key Assumptions
Cost Structure			Revenue Streams		

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Overview

This workbook is part of the Hadley series Starting a Business. It will help you complete a business canvas for your own business idea.

Founder Stories

The Starting a Business workshop series frequently refers to businesses featured in the Hadley workshop series called Founder Stories. These are engaging and inspiring interviews of successful entrepreneurs, hosted by Paul Earle, principal of Earle and Company and faculty member at Kellogg School of Management. Listening to a few may give you valuable insight for your own business idea and canvas.

Workbook Organization

Each workshop section in this workbook includes the following:

- **Key Questions:** These are reflection questions you can answer for yourself when you complete the workshop and its workbook section.

- **Key Terms:** These are important business terms to become familiar with as you document your business ideas.
- **Activity:** These questions prepare you to fill out the business canvas sections for the workshop.
- **Business Canvas:** Your answers to these questions also transfer directly to the corresponding section of your business canvas.

Business Canvas

The business canvas is a simple framework that contains all the essential building blocks of a business plan. This diagram of eleven boxes can also be organized as a list.

This workbook is a PDF form. You can complete both a large print Business Canvas List and a small print layout diagram of your business canvas simply by answering the Business Canvas items in your workbook. When you use the text entry boxes, your answers also appear automatically in the Business Canvas List and the layout diagram at the end of the workbook. Likewise, any edits to your Business Canvas List will automatically

appear in the corresponding workbook section and the layout diagram.

Each text box has a size limit that matches its corresponding area in the canvas layout diagram. Staying within the size limit helps ensure a concise presentation of your business plan.

You can use provided links to navigate from the Business Canvas item questions to your large print Business Canvas List, and back. The layout diagram is a very visual layout, and it is not screen reader friendly. To view it, just scroll down from your Business Canvas List. You can print and present the layout diagram to potential funders or others interested in your business.

Instructions for printing your Business Canvas Layout Diagram are provided at the end of Workshop 7, after you have fully completed your canvas.

Now, if you have already viewed Workshop 1: Business Idea, proceed to the Workshop 1 section of this workbook.

Workshop 1: Business Idea

Key Questions

These questions don't need answers in writing. By the time you finish listening to Workshop 1 and working through the workbook content, you'll have the answers to these questions for yourself.

- What problem is solved by the product or service offered by Schmidt's Naturals or another business from the Founder Stories?
- What problem is solved by the product or service offered by my business?
- What are the features that make my business different from others?
- What are the customer benefits of my product or service?
- What Value Proposition statement describes my business? You would fill in the information in parentheses:

To (my target segment) my company offers (product or service offering), in order to (benefit to the customer). My company can do this better than others because of (the things that make my business different).

- What value proposition describes Harry's Razors?

Key Terms

Value proposition: a statement that describes who your customer is, what your business offers, why your idea or business is different from others, and how your customer will benefit from your idea

Long interview: a conversation with a potential customer or someone who may experience the problem you are thinking about

Target segment: the group whose needs, behaviors and traits drive all your marketing, sales, and operating decisions

Activity

These questions can get you thinking about your own business idea before you enter information into

your Business Canvas. You can answer them by typing into this document or by writing them down somewhere else. (Note the number of characters allowed. 350 characters allowed in first box.)

1. What problem is your business solving?

2. If customers buy your product or service, why will they be better off? (400 characters)

3. Use your answers to complete the following value proposition statement for your company. You can revise or completely change it at any time. The statement has two

sentences. Fill in the information suggested in parentheses to personalize the value proposition statement for your business idea.

To (my target segment) my company offers (product or service offering), in order to (benefit to the customer). My company can do this better than others because of (the things that make my business different). (350)

Business Canvas

Item 1: You've had a chance to think about the problem your business solves and the value proposition describing your business. Enter your Value Proposition from Activity question 3 in the following text box. Or you can write it in another way that fits your situation. Just remember to describe your target segment,

the benefits of your product or service, and why your business has the best idea or can do it the best way. (350)

A large, empty rectangular box with a thin black border, intended for the user to write their response to the prompt above.

Whenever you enter new information in a Business Canvas section of the workbook, you may want to see how your answer fits in your canvas. Use the link to the corresponding part of your Business Canvas List at the end of each Business Canvas section to take a look. You can return to where you left off in the workbook by selecting the return link in the Business Canvas List.

Connect to your [canvas list](#) here.

Workshop 2: Activities, Resources, and Partners

What Does My Business Actually Do?

Key Questions

- What are the key activities of the businesses described in the Founder Stories?
- What are the key activities of my business?

Key Terms

Key activities: the main activities you need to be doing as you run your business

Supply chain: the flow of goods and services, including all processes that transform raw materials into final products

What Does My Business Need?

Key Questions

- What are the key resources of the businesses described in the Founder Stories?
- What are the key resources of my business?

Key Term

Key resources: the physical and intellectual resources you need to run your business, for example, physical space, machinery, transportation, or worker training

Partners: Who Does My Business Need?

Key Question

- Who are the key partners for the success of my business?

Key Terms

Alliance network: a collaboration between two or more firms that band together on a loose, non-contractual basis

Brick-and-mortar: a traditional business serving customers in a building

Activity

Imagine yourself with a business that is up and running. If it's an online business with a website, you'll be receiving orders, updating your website, packaging, and shipping. If it's a storefront business, such as selling shoes, you have a facility to

maintain, workers to train, products to buy and stock, payroll, and marketing on the Chamber of Commerce website. All of these activities fall into one of the categories of manufacturing, research and development, supply chain and distribution, and marketing and sales.

Now think about your business idea. Which activities are needed to make your business succeed? Consider the resources that a business might need. Outside funding? Learn specific new skills? Hire outside help? Physical space, machinery, or transportation? What key resources are needed by your business? Who are the key partners that you need to work with your business?

Business Canvas

The next items will also enter into your Business Canvas.

Item 2: List up to 5 Key Activities in the following text box. Press enter after each activity to start a new line. (45 characters each line.)

Item 3: List up to 5 Key Resources the same way.

Item 4: List up to 5 Key Partners the same way. (70)

A large, empty rectangular box with a thin black border, intended for the user to list up to 5 key partners. The box is currently blank.

You've completed three more sections of your business canvas. Connect to your [canvas list](#) here.

Workshop 3: Market Potential

Key Questions

- Who are the target customers of Harry's or the other businesses whose founders were interviewed by Hadley?
- Who are the target customers of my business?
- What is the total market of my business?
- What are the customer segments my business wants to reach?

Key Terms

Customer segments: the groups of people who may be interested in buying your product or service

Total addressable market: the value of sales to everyone who buys a product or service like yours; the largest size your business could ever be

Top down: a way to calculate your total market, using research from market analysts

Bottom up: a way to calculate your total market, by multiplying your product's or service's price by the total number you could actually sell

Activity

In the next workshop, you'll fill in the customer sections of your business canvas. For now, think about how many people you can realistically expect to buy your product or service. Use the information in this workshop to help you estimate the size of the total market nationally for a product or service like yours. Remember that you can use the top down method, using a web search for market information, or the bottom up method, where you estimate the value of your total market. Then you'll have to think about how many of these people will be in YOUR customer segment. You'll learn how to describe the customers of your business in the next workshop. Be sure to write down the numbers that represent your total market size and your customer segment in number of people and in dollar value. You'll enter them in your canvas in the next workshop.

Workshop 4: Marketing

Customer Demographics and Psychographics

Key Questions

- Who are the customers of Harry's or one of the other businesses from the Founder Stories? Describe them using demographics and psychographics.
- Who are the customers of my business? Describe them using demographics and psychographics.

Key Terms

Demographics: the age, gender, education, or other details that describe your customers

Psychographics: the attitudes, opinions, and values that describe your customers

Channels: How Do I Reach and Sell to My Primary Target?

Key Questions

- What channels are used to reach the customers of Schmidt's Naturals or another one of the Founder Stories businesses?

- What channels are used to reach the customers of my business?

Key Term

Channels: the ways your customer connects to your product or service

Customer Relations: What Level of Customer Service Do I Want to Provide?

Key Questions

- What customer relations strategies are used by a business like Starbucks?
- What customer relations strategies are or will be used by my business?

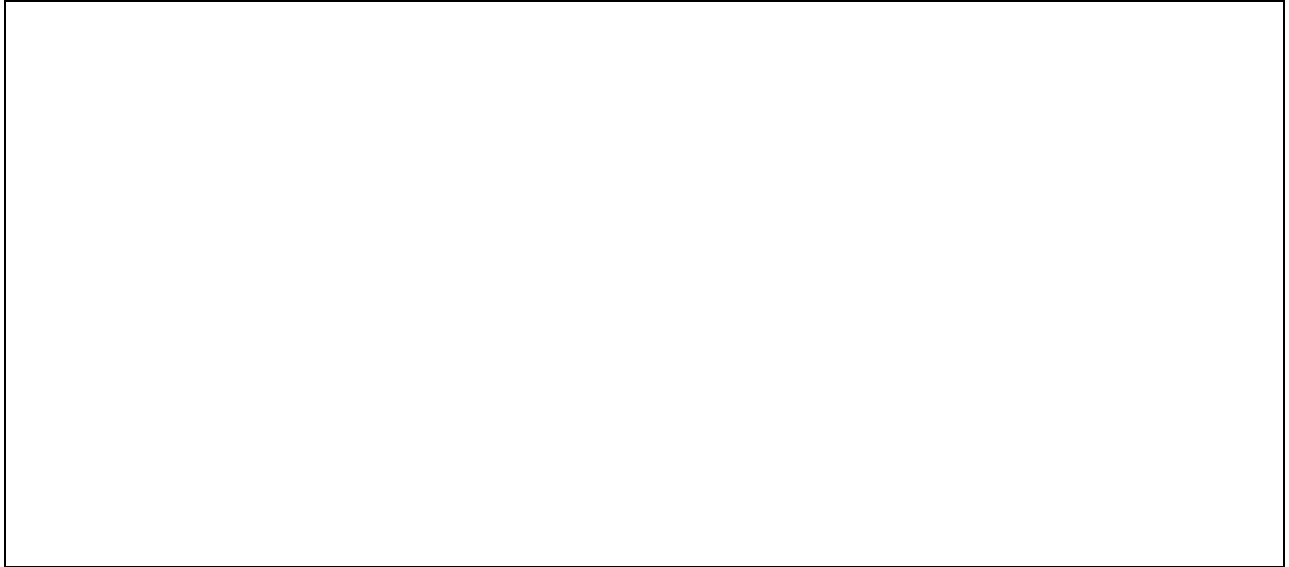
Key Term

Customer relations: a plan to get, keep, and grow customers

Activity

1. Think of some of your real or potential customers. What are their demographics? Are they women or men, married or single, young or older, middle-class or affluent? Where do

they work and what education do they have? Consider their ethnicity, income, social class, marital status, parental status, and geography. Describe two different customers of your business, using demographics. (500)



2. Now think of the same two customers, real or potential. What are their attitudes, opinions, and values? Describe two different customers of your business, using psychographics. (500)

Business Canvas

Item 5a: Start the Customer Segments section by calculating and entering your total addressable market through the top down (Google search) or bottom up (average unit price times number of units) approach. Enter your opinion of whether that market is big enough for your business goals. (150)

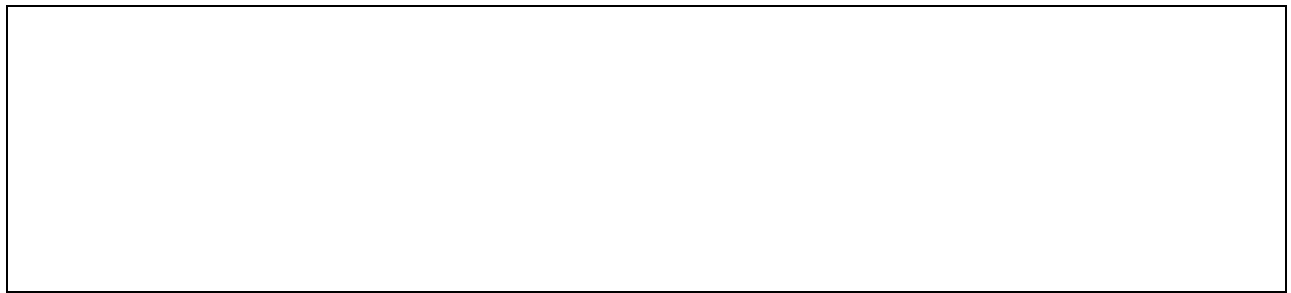
Item 5b: Add to the Customer Segments section by entering a description of your target

customer in terms of demographics and psychographics. (200)

Item 6: Complete the Channels section by selecting one of the four broad channels (online direct to consumer, online partnership, brick-and-mortar direct to consumer, or brick-and-mortar partnership) and explaining why it's the best choice for your business. Use 1 or 2 sentences. (160)

Item 7: Complete the Customer Relations section by entering 1 or 2 sentences explaining how

you'll attract new customers and engage with existing customers online or in store. (140)



You've now completed three more sections of your business canvas: the Customer Segments, Channels, and Customer Relations sections, which are on the right-hand side of the layout diagram. Connect to your [canvas list](#) here.

Workshop 5: Measuring Viability

Key Questions

- What were the fixed and variable costs of Schmidt's Naturals when it was a startup?
- What are the fixed and variable costs of my business?

Key Terms

Cost structure: an explanation of how much it will cost to start and operate your business

Fixed costs: the expenses that stay the same no matter how many units you produce

Unit cost: the amount it will cost you to produce one unit of goods or services

Variable costs: the expenses that directly depend on the number of units you produce

Raw materials: the ingredients from which you make your product

Business Canvas

Item 8a: What are the fixed costs of your business?
Look at your key activities, key partners, and key resources to help you think about your

fixed costs. Consider rent, interest payments, real estate, equipment, utilities, and salaries. For just the two or three largest fixed-cost items, use Google to estimate the cost in dollars to your business. Enter your list of fixed costs and their dollar amounts in the cost structure section. You can also add the names of some lower cost items for which you don't yet have a dollar estimate. Add all of the fixed costs to get the total fixed costs, which you'll use again in a moment. (90)

Item 8b: Make a list of the variable cost components, and provide a brief description of the largest variable costs. For instance, if raw materials comprise the largest percentage of your variable unit cost, explain why that may be the case. Now assign a value for one unit of each relevant category (raw materials, labor,

etc.). For a business like Harry's, this would include the cost of one handle, one cartridge, and the labor to assemble it. Add the amounts in the categories to calculate the variable cost per unit. (100)

Item 8c: Multiply the variable cost per unit by the number of units to get the total variable cost. (40)

Item 8d: Add the total variable cost to the total fixed costs to get your total costs. Divide that sum by the number of units to get the total cost per unit. (40)

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You've completed the Cost Structure section of your business canvas, which is on the bottom left side of the layout. Connect to your [canvas list](#) here.

Workshop 6: Making a Profit

Revenue Streams: How Will My Business Make Money?

Key Question

- How will my business make money?

Key Term

Revenue stream: a source of cash from customers

The Price of My Product or Service

Key Question

- At what price will I sell my product or service?

Key Terms

Unit cost: average cost per unit sold

Unit profit margin: your business's profit on each sale

Breakeven point: the point in time when your revenues equal your costs

Target price: the unit cost divided by one minus the percent profit margin. See the following formula:
target price = (unit cost)/(1 – % margin)

Business Canvas

Item 9a: Use this list of revenue streams to help you describe your revenue stream on your canvas.

Direct sales: customers pay you directly for a product or service

Subscription: customers pay for a membership to use the product or service

Ad-based: you give away your product or service for free, and collect revenue from advertisers who want to reach your customers

Services: you don't charge for your product itself, but charge for installation, customizing it for customer, or usage

Freemium: you give away your product or service for free, but charge for additional features or added benefits (e.g., games for your phone)

Licensing: someone else sells the product or service on your behalf, paying you a licensing fee (e.g., Doritos collects a licensing fee when Taco Bell sells the Doritos Locos Taco)

Rental: you don't sell the product or service, but charge for rental (e.g., Zipcar)

Choose the best revenue stream for your business by selecting one or combining two from the previous list. You can even design a new revenue stream if you need to. In the following text box, enter 1 or 2 sentences to explain why the revenue stream makes sense for your business. (150)

This information goes into the Revenue Streams section on the bottom right of your canvas layout. Connect to your [canvas list](#) here.

Activity

You have been exploring who your customers are and what you have to offer to them. But even the

best idea has to be supported by the financial structure of the business if you're going to succeed. The next three questions address your financial structure. In the Business Canvas section that follows, enter the results of your work from this activity.

1. Find out what a reasonable profit margin is for products or services in your industry. You can do this by searching for industry benchmarks through a Google search or another method. Once you have your profit margin, calculate your target price for your product or service by plugging in your variable unit cost and margin, written as a decimal, into the following formula.

$$\text{target price} = (\text{unit cost}) / (1 - \text{profit margin})$$

2. Calculate your breakeven point. First identify the price per unit and variable cost per unit. Calculate dollar margin per unit. Dollar margin per unit = price per unit – variable cost per unit. Breakeven point = total fixed cost / variable cost per unit.

3. Your breakeven point is the point at which your total costs equal your total revenue. How long will it take you to serve that many customers? Remember, this is not meant to be exact, but an estimate to test the workability of your plan and financials.

Business Canvas

Item 9b: In the following text box, enter your target price and a brief explanation of why it makes sense. This information will be added to the Revenue Streams section of the canvas. (80)

Item 9c: Enter the number of years it'll take you to break even into the following text box to put it into the revenue streams section of the canvas. (40)

Now that you've entered your revenue stream, target price with explanation, and your breakeven point, you've completed the Revenue Streams section of your business canvas, which is on the bottom right of the canvas layout. Connect to your [canvas list](#) here.

Workshop 7: Making an Impact

Purpose Statement: What Is My Brand?

Key Question

- What is the purpose of my business?

Assumptions: What Needs to Be True for My Business to Succeed?

Key Question

- What are the key assumptions of my business? (Which parts of my business are the most original or untested?)

Key Terms

Purpose statement: statement that generates an emotional response, creates loyalty for your brand, and can serve as a guide to your future decisions.

Key assumptions: assumptions you are making must be tested out before you can be sure your business will succeed

Business Canvas

The purpose of your business and your key assumptions are the last two items that you'll be entering into your business canvas. For example, Harry's purpose statement might be to thoughtfully create a quality shave at a fair price, for every man.

Item 10: Complete the Purpose Statement section of the canvas by constructing a purpose statement for your business. Remember, the purpose statement should be no longer than a few phrases or a full sentence, and it should describe "why" your business exists, how it positively impacts your customers and the world. (150)

Item 11: Complete the Key Assumptions section of the canvas by writing down the one to three key assumptions for your business that must be true for your business to be successful. These key assumptions likely relate to the most innovative parts of the business models and are what you should test first when launching your company. (160)

With these last two items, you've completed all 11 sections of your business canvas. Connect to your [canvas list](#) here

Printing and Saving Your Canvas

An easy way to find your Business Canvas List in the future is to use the link at the end of the table of contents. When you need a print copy of your canvas in the list and layout diagram formats, just print the last 8 pages of the workbook. Now is a good time to save a copy of either or both the list and layout diagram of your business canvas. Save it again whenever you make any changes to it. Go to the beginning of your [Business Canvas](#) List. Reach out to your learning expert if you have questions about printing and saving your canvas.

Next Steps

You'll refer to your Business Canvas List when you create the executive summary for your business in the next workshop. When you want to share your business idea with a friend or with a funder, your business canvas and executive summary will give a full picture of your business idea. And to enter the New Venture competition at Hadley's Forsythe Center for Employment and Entrepreneurship, you'll need both the canvas and the executive summary. So be sure to continue to the next workshop and write your executive summary.

Workshop 8: Executive Summary

Key Question

- How can I use an executive summary to present my business plan?

Activity: Creating the Executive Summary of Your Business Plan

The executive summary is a one-page description of your company's mission and operations. Every executive summary should contain six sections: (1) the goal, (2) the problem, (3) the value proposition and target customer, (4) the business model and operations, (5) the team, and (6) what's next. Create your executive summary in a separate document by following these steps from the workshop:

1. Complete the goal paragraph of the executive summary by writing out what your company does and why you're doing it. What product or service are you delivering and what mission does delivering it well help you

achieve? To do this, complete the following two statements:

The product or service my company delivers is

By delivering this product or service, I achieve this mission:

2. Complete the problem paragraph by describing briefly the problem you're trying to solve. You can do this by completing the following phrase sentence:

3. Complete the value proposition and target customer paragraph. The paragraph should start with the full value proposition statement in your business canvas: "To (my target segment) my company offers (product or service offering), in order to (benefit to the customer). My company can do this better

than others because of (the things that make my business different).” Then, explain why the specific consumer target was chosen by describing how they experience the problem you outlined and how large a group the segment is.

4. Complete the business model and operations paragraph by explaining what your company does and how it makes money. Just write one or two sentences summing up the Key Activities section of your canvas.
5. Complete the team paragraph by describing you and your team’s relevant background and passions. Explain why you’re uniquely qualified to start and run this company.
6. Complete the what’s next paragraph by explaining what you plan on doing to move the business forward in the next three to six months and what resources or help you’re looking for, if any. Your learning expert can help you with this paragraph as needed.

Congratulations! You've reached the end of the Workbook for the Starting a Business workshops. Be sure to save a copy of the workbook and the glossary in your business files.

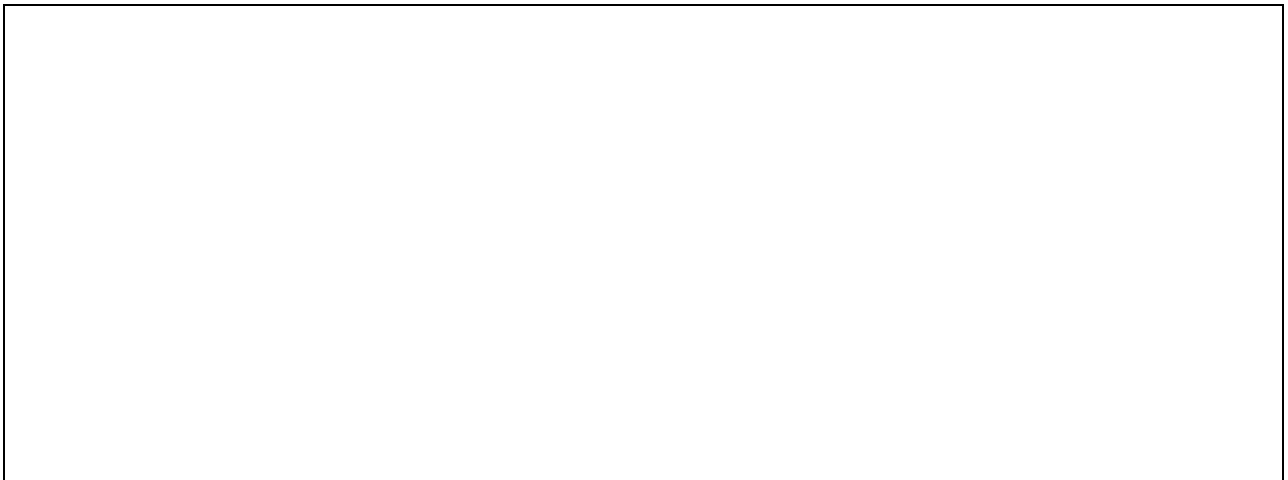
Business Canvas List

1. Value Proposition



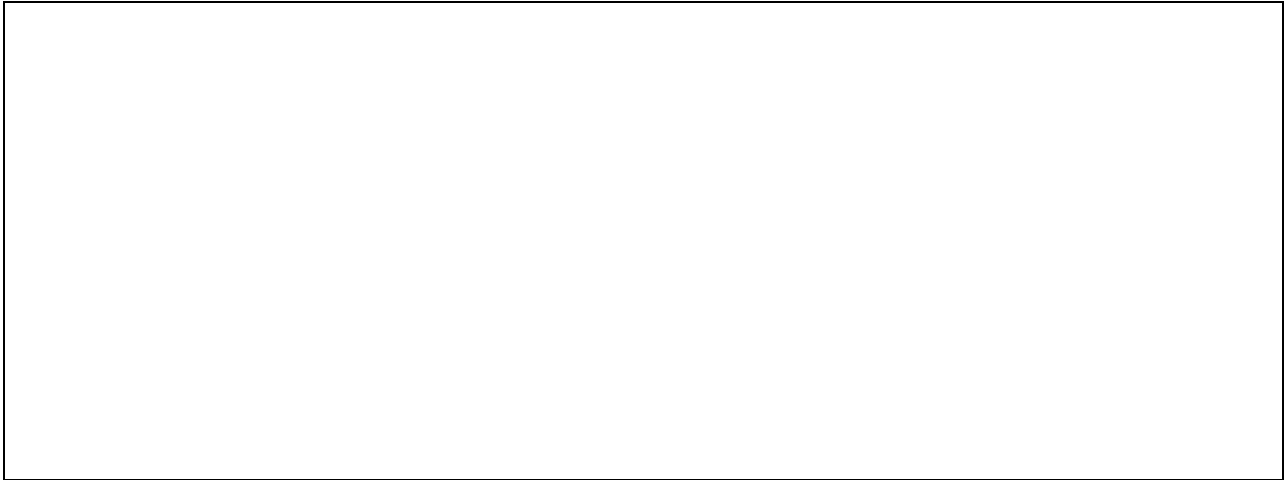
[Return to Workbook](#)

2. Key Activities



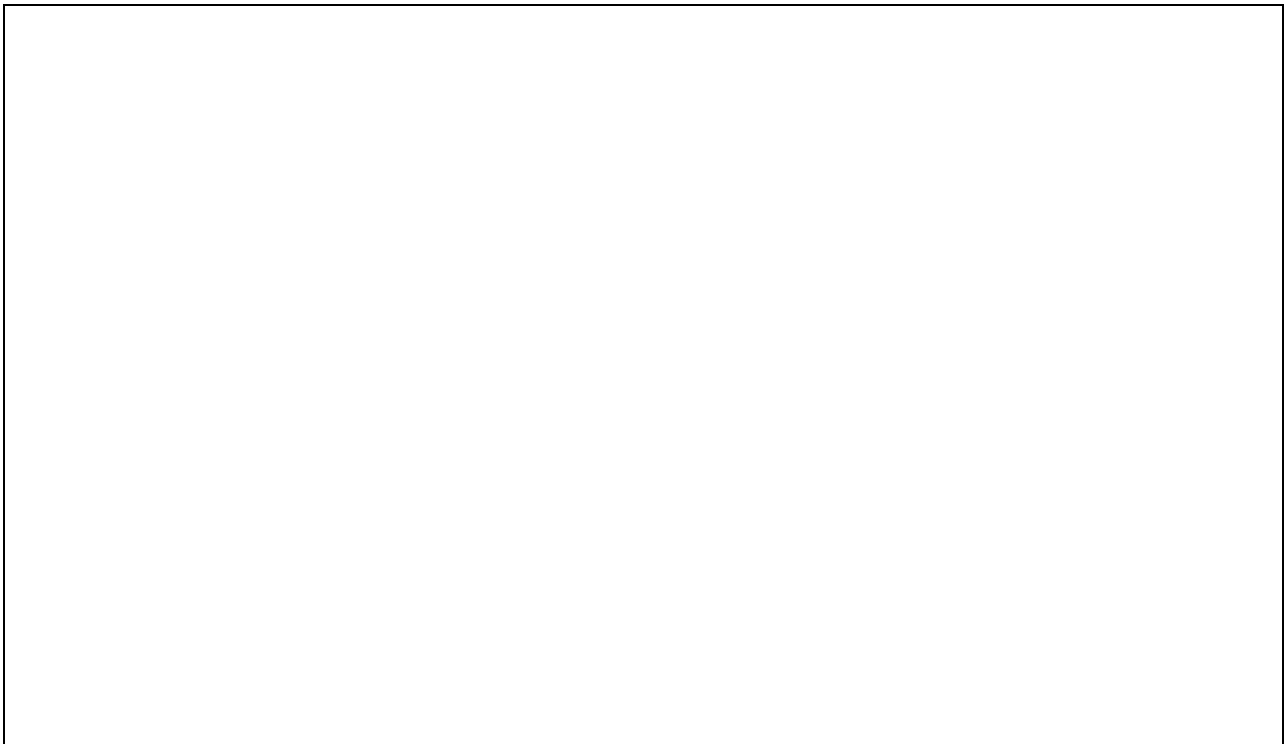
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3. Key Resources

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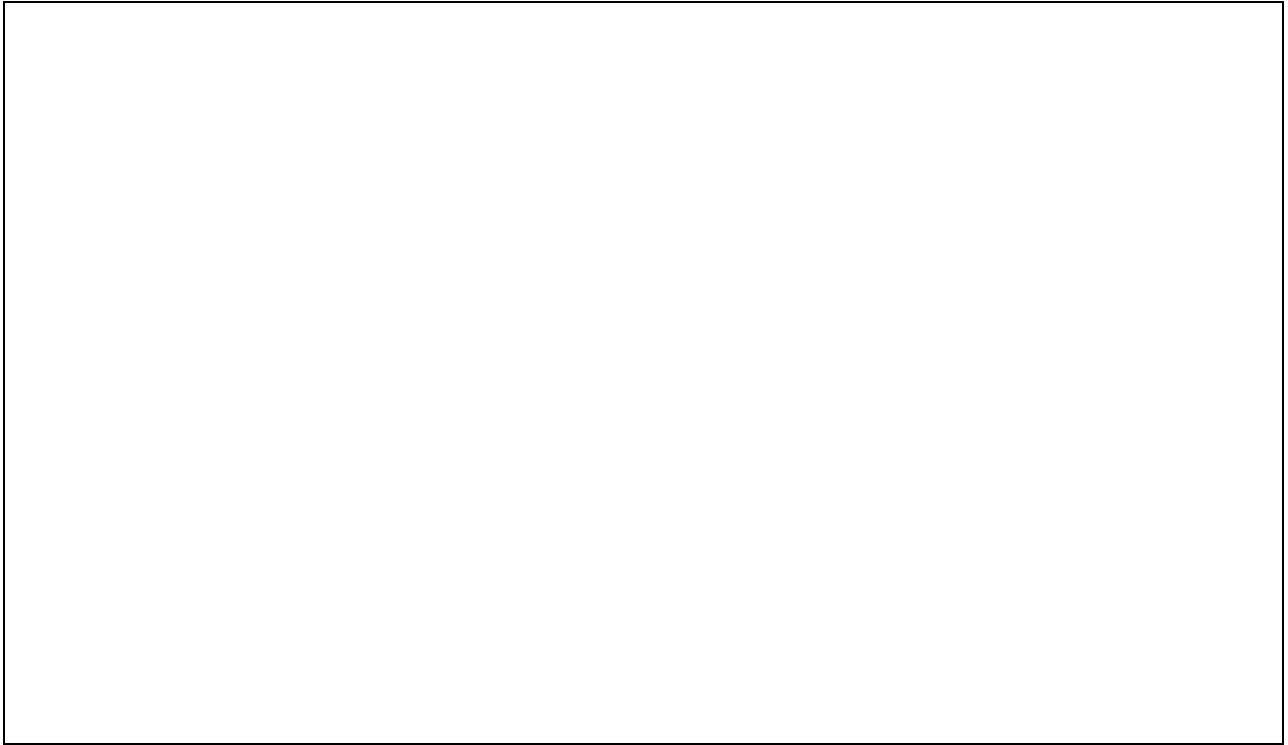
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4. Key Partners

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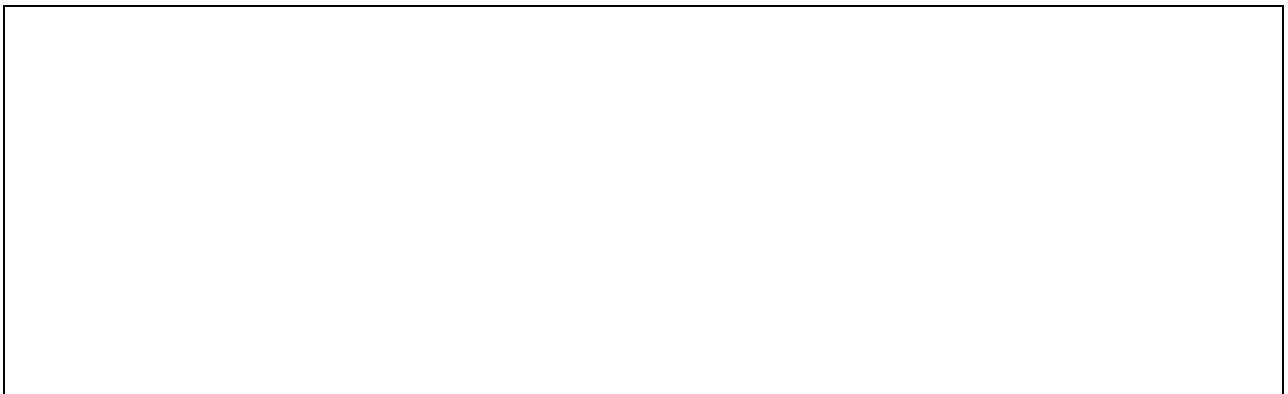
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5. Customer Segment



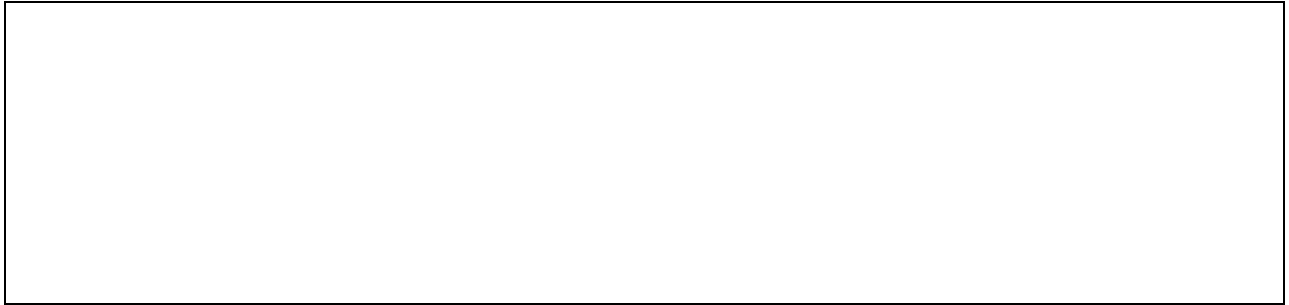
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6. Channels



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7. Customer Relations



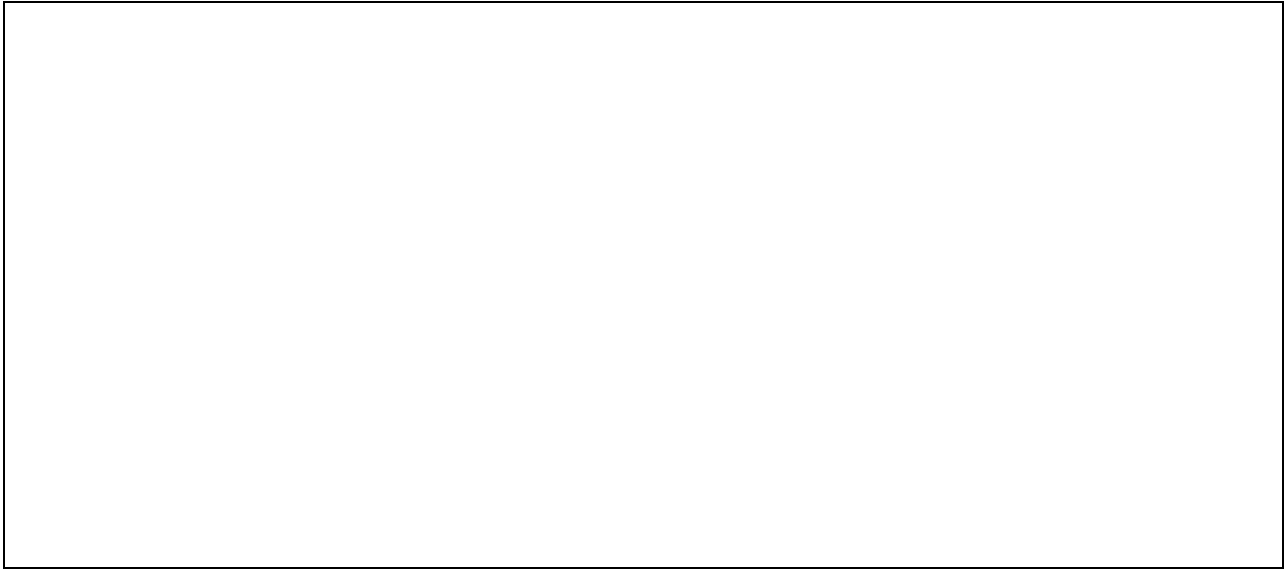
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8. Cost Structure




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9. Revenue Streams



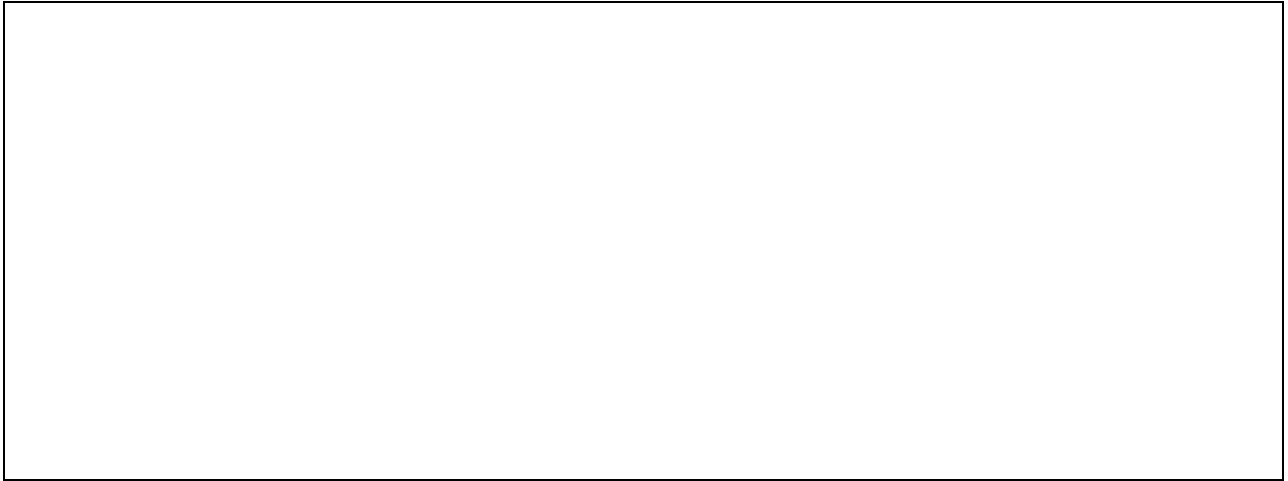
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10. Purpose



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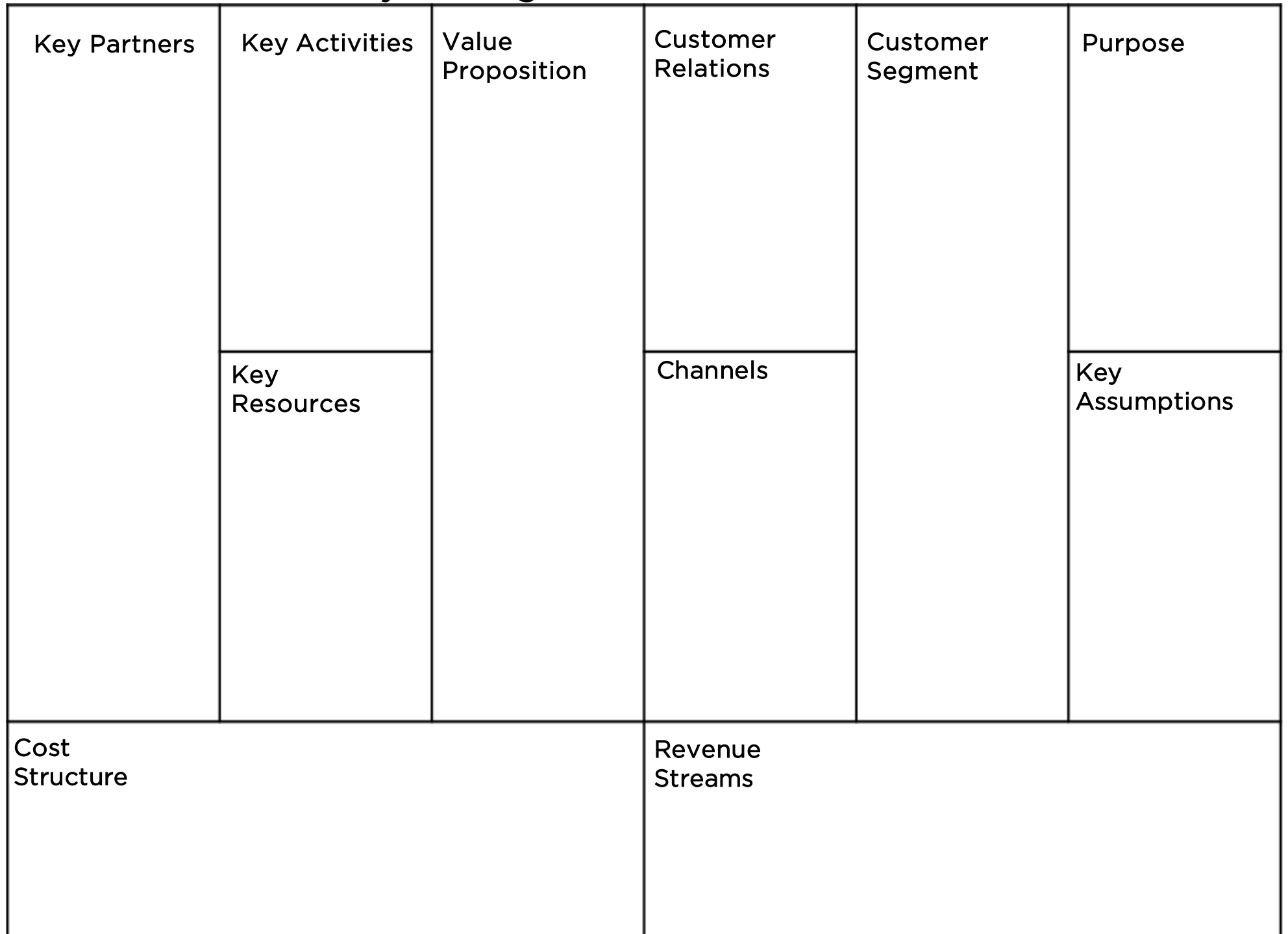
11. Key Assumptions



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Business Canvas Layout Diagram





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