

Becker, Marco; Bröcker, Jan-Oliver

**Working Paper**

## Business Model Canvas - Overview of the main advantages and disadvantages

IUCF Working Paper, No. 6/2021

*Suggested Citation:* Becker, Marco; Bröcker, Jan-Oliver (2021) : Business Model Canvas - Overview of the main advantages and disadvantages, IUCF Working Paper, No. 6/2021, ZBW - Leibniz Information Centre for Economics, Kiel, Hamburg

This Version is available at:

<https://hdl.handle.net/10419/234963>

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Marco Becker and Jan-Oliver Bröcker<sup>1</sup>

# **Business Model Canvas**

## **Overview of the main advantages and disadvantages**

### **Abstract**

Over the last 10 years, the Business Model Canvas has not only established itself as a method for the iterative development and documentation of business models, it has also become a standard methodology in some areas. In this article, the main advantages and disadvantages associated with the practical application of the Business Model Canvas will be compiled and evaluated in terms of their current validity. It has been shown that some of the advantages and disadvantages documented in the relevant literature were justified at the time of their respective publication but can now no longer be considered valid.

### **Zusammenfassung**

Das Business Model Canvas hat sich in den letzten rund 10 Jahren nicht nur einen festen Platz als Methode zur iterativen Entwicklung und Dokumentation von Geschäftsmodellen erarbeitet, sondern es hat sich auch in einigen Bereichen als Standardmethodik etabliert. In diesem Artikel sollen die wesentlichen Vor- und Nachteile, die mit der praktischen Anwendung des Business Model Canvas verbunden sind, zusammengetragen und hinsichtlich ihrer aktuellen Gültigkeit bewertet werden. Dabei hat sich gezeigt, dass sich einige der in der einschlägigen Literatur dokumentierten Vor- und Nachteile zwar zum Zeitpunkt der jeweiligen Veröffentlichung ihre Berechtigung hatten, inzwischen aber als nicht mehr stichhaltig angesehen werden können.

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<sup>1</sup> **Prof. Dr. Marco Becker** teaches and conducts research on controlling and financial management at the NBS Northern Business School – University of Applied Science in Hamburg and is deputy director of the Institute for Corporate Accounting, Controlling und Financial Management (IUCF).

**Jan-Oliver Bröcker** is a student assistant at the Institute for Corporate Accounting, Controlling und Financial Management (IUCF).

## Initial situation

The Business Model Canvas was developed in the early 2010s by Alexander Osterwalder and Yves Pigneur.<sup>2</sup> It serves to document business models in a simple, unbureaucratic and easily understandable way. In addition, it supports the establishment of a uniform understanding of the business model within the company and thus stimulates both collegial exchange about the business model and continuous further development.<sup>3</sup> The Business Model Canvas follows the principle of value creation in the company. It takes up the nine steps for transformation in the value creation process<sup>4</sup> and assigns them to the four most important areas of the company:<sup>5</sup>

AREA	Offer	→	2. Value proposition 7. Activities 8. Partners	PERSPECTIVE
	Customers	→	1. Customer segments 4. Customer relationship	
	Infrastructure	→	3. Logistic channels 6. Resources	
	Financial structure	→	5. Revenue sources 9. Cost structure	

Illustration 1: Assignment of area and perspective within the Business Model Canvas<sup>6</sup>

The business model is defined in the Business Model Canvas via the perspectives by assigning measures and/or resources to each of these perspectives for successful implementation. In practice the Business Model Canvas is usually created in a group, whereby the basic structure is provided on an A-0 size poster and relevant or necessary entries are made in the 9 categories with the help of Post-It stickers placed accordingly on the form.<sup>7</sup> This approach makes the Business Model Canvas an agile method, because the Business Models Canvas can be changed quickly and easily at any time by exchanging the Post-It stickers.<sup>8</sup> Furthermore, the Business Model Canvas can alternatively be modelled with the help

<sup>2</sup> cf. Kunze/Offermanns (2016): p. 126f.

<sup>3</sup> cf. Osterwalder/Pigneur (2011): p. 19.

<sup>4</sup> A business model usually depicts the entire value creation process of a company in an abstracted – i.e. simplified – manner and consists of the following sub-models:

1. Strategy model
2. Resource model
3. Network model
4. Customer model
5. Market supply model
6. Revenue model
7. Service creation model
8. Procurement model
9. Financial model

cf. Becker/Daube (2018): p. 4f.

<sup>5</sup> cf. Osterwalder/Pigneur (2011): p. 19.

<sup>6</sup> Becker/Daube (2018): p. 6.

<sup>7</sup> cf. Kunze/Offermanns (2016): p. 127.

<sup>8</sup> cf. Becker/Daube (2018): p. 4f.

of spreadsheet software such as Microsoft Excel, which means that changes or adjustments can also be implemented easily and quickly with this variant.<sup>9</sup>

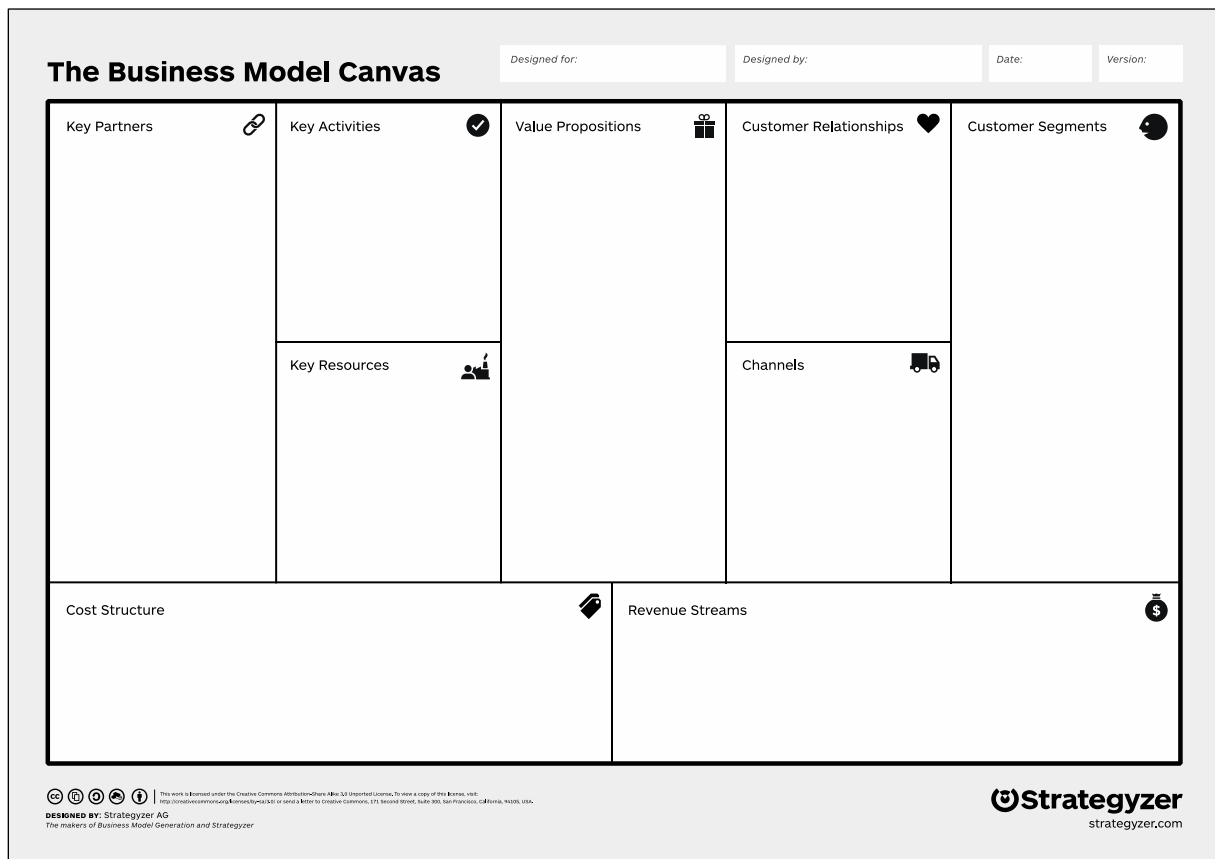


Illustration 2: Business Model Canvas<sup>10</sup>

## Main advantages

The consistent application of the Business Model Canvas results in the following significant advantages:<sup>11</sup>

- Simple, quick and clear documentation of business models<sup>12</sup>
- Less time required for creation
- Intuitively understandable<sup>13</sup>

<sup>9</sup> cf. Becker/Daube (2018): p. 8.

<sup>10</sup> Strategyzer AG (Hrsg.) (2015).

<sup>11</sup> This compilation does not claim to be complete.

<sup>12</sup> cf. Becker/Daube (2018): p.8 und Lahn (2015): p. 172.

<sup>13</sup> cf. Becker/Daube (2018): p. 8.

- Easily readable und customisable<sup>14</sup>
- Clear presentation (everything at a glance)<sup>15</sup>
- Promotes teamwork and collaboration<sup>16</sup>
- Enables flexible and creative work<sup>17</sup>
- Interrelationships are clearly evident<sup>18</sup>
- Iteration loops enable the step-by-step modelling of business models<sup>19</sup>
- Good basis for the preparation of a business plan
- Strong customer orientation and value proposition<sup>20</sup>
- Ensures a holistic view and focus on the relevant aspects of the business model<sup>21</sup>
- Can be used in the different phases of the product life cycle<sup>22</sup>
- Promotes the identification of the essential elements and the understanding of the respective business model<sup>23</sup>
- Also serves as a detailed basis for conversation<sup>24</sup>
- Clear representation of mutual dependencies between individual business model components<sup>25</sup>
- Faster recognition of the effects of changes on adjacent building blocks<sup>26</sup>
- Clear representation speeds up the reaction time with regard to possible risk factors<sup>27</sup>
- Orientation towards the pre-founding phase. The focus is on the development of the business model.<sup>28</sup>

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<sup>14</sup> cf. Becker/Daube (2018): p. 8.

<sup>15</sup> cf. Becker/Daube (2018): p. 8.

<sup>16</sup> cf. Becker/Daube (2018): p. 8.

<sup>17</sup> cf. Becker/Priestaff (2018): p. 2.

<sup>18</sup> cf. Becker/Daube (2018): p. 8 und Lahn (2015): p. 172.

<sup>19</sup> cf. Lahn (2015): p. 229.

<sup>20</sup> cf. Becker/Daube (2018): p. 8.

<sup>21</sup> cf. Becker/Priestaff (2018): p. 22.

<sup>22</sup> cf. Ring (2018): p. 42.

<sup>23</sup> cf. Ring (2018): p. 42.

<sup>24</sup> cf. Becker/Priestaff (2018): p. 2.

<sup>25</sup> cf. Becker/Priestaff (2018): p. 24.

<sup>26</sup> cf. Kunze/Offermanns (2016): p. 130.

<sup>27</sup> cf. Becker/Priestaff (2018): p. 24.

<sup>28</sup> cf. Becker/Priestaff (2018): p. 24.

- Focus on the central building blocks and essential aspects of the business model: offering, customer, infra- and financial structure<sup>29</sup>
- Prioritised and focused on the core competencies in the business model<sup>30</sup>
- Promotes awareness of process dependencies and effects of change<sup>31</sup>
- Thoughts can be documented directly and without formalization<sup>32</sup>

### **Main disadvantages**

The application of the Business Model Canvas is associated with the following main disadvantages:<sup>33</sup>

- Simplified model, so that the level of information differs from the classic business plan<sup>34</sup>
- Demarcation between individual perspectives sometimes difficult<sup>35</sup>
- End customers (customers of customers) are not taken into account<sup>36</sup>
- Competition is not considered<sup>37</sup>
- Environment analysis is missing<sup>38</sup>
- No consideration of trends<sup>39</sup>
- Representation of very complex networks only possible with difficulty due to the intended simplicity<sup>40</sup>
- Framework conditions can only be depicted indirectly via the customer dimension<sup>41</sup>
- As the sole instrument for the operational implementation of the business model, it is not sufficiently<sup>42</sup>
- Danger that non-verbal communication cannot be included<sup>43</sup>

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<sup>29</sup> cf. Osterwalder/Pigneur (2011): p. 19.

<sup>30</sup> cf. Lahn (2015): p. 172.

<sup>31</sup> cf. Lahn (2015): p. 218.

<sup>32</sup> cf. Simmert et al. (2014): p. 17.

<sup>33</sup> This compilation does not claim to be complete.

<sup>34</sup> cf. Becker/Daube (2018): p. 8.

<sup>35</sup> cf. Becker/Daube (2018): p. 8.

<sup>36</sup> cf. Becker/Daube (2018): p. 8.

<sup>37</sup> cf. Becker/Daube (2018): p. 8.

<sup>38</sup> cf. Becker/Daube (2018): p. 8.

<sup>39</sup> cf. Becker/Daube (2018): p. 8.

<sup>40</sup> cf. Ring (2018): p. 42.

<sup>41</sup> cf. Übelhör (2018): p. 458.

<sup>42</sup> cf. Übelhör (2018): p. 458.

<sup>43</sup> cf. Simmert et al. (2014): p. 42.

- No consideration of relevant legal frameworks<sup>44</sup>
- Vision or purpose of the company is not explicitly documented<sup>45</sup>
- The market and its environment are not presented<sup>46</sup>

All in all, it can be said that a large number of the major disadvantages listed here can at least be mitigated, if not completely eliminated, in practice by adapting the Business Modell Canvas more specifically to the respective concrete area of application or scope. A first approach to generally adapt, extend and/or revise the Business Model Canvas, as well as to eliminate several drawbacks, could be to create a database with different use cases.<sup>47</sup> As a result, the next generation of the Business Model Canvas could be modified accordingly so that it has more advantages than disadvantages or eliminates a large part of the disadvantages.

## Conclusion

The Business Model Canvas is a modern method for the fast and efficient documentation of business models. It is – like every model – associated with numerous advantages and disadvantages. In the relevant literature, some disadvantages are also wrongly attributed to the Business Model Canvas:<sup>48</sup>

- Relatively new model that is not yet well established in practice, partly because it is not very well known<sup>49</sup>
  - The Business Model Canvas was published in 2011 and is therefore no longer new. Moreover, it has been able to establish itself in practice over the last 10 years.
- No comparison with competitors' business models<sup>50</sup>
  - The focus is on the own business model, not on the business models of other companies.
- Complex when a company has several different customer segments with heterogenous goals<sup>51</sup>
  - A separate Business Model Canvas must be maintained for each customer segment.
- Danger of a pure status quo description if one does not work precisely<sup>52</sup>
  - The correct application of a model is assumed to be mandatory.

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<sup>44</sup> cf. Simmert et al. (2014): p. 48.

<sup>45</sup> cf. Hibic (2016): p. 20.

<sup>46</sup> cf. Hibic (2016): p. 34.

<sup>47</sup> cf. Simmert et al. (2014): p. 48.

<sup>48</sup> This compilation does not claim to be complete.

<sup>49</sup> cf. Becker/Daube (2018): p. 8.

<sup>50</sup> cf. Übelhör (2018): p. 458.

<sup>51</sup> cf. Übelhör (2018): p. 458.

<sup>52</sup> cf. Hibic (2016): p. 18.

- Broad applicability, can lead to misunderstandings when working in a team<sup>53</sup>
  - The correct application of a model is assumed to be mandatory.
- No substitute for a strategic business model approach<sup>54</sup>
  - In practice, the Business Model Canvas is increasingly replacing the classic business plan.

Furthermore, it should be noted that the relevance or weighting of these advantages and disadvantages depends on several factors. On the one hand, this relevance or weighting changes over time, for example and on the other hand, this relevance or weighting varies depending on the specific area of application or scope of the Business Model Canvas.

Overall, it can be said that the Business Modell Canvas is now a well-established model in practice. However, it would be desirable if instead of many individual or selective adaptations and extensions to the respective concrete use case or scope, a general adaptation, extension and/or revision of the Business Modell Canvas were carried out so that the next generation of the model has more advantages and fewer disadvantages.

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<sup>53</sup> cf. Ring (2018): p. 42.

<sup>54</sup> cf. Eckert (2014): p. 73.



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