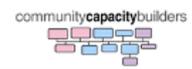


# Business Model Canvas



In this lecture we are going to look at how you could develop a business model canvas.

## Business Model

- 'A business model is the method of doing business by which a company can sustain itself – that is, generate revenue. The business model spells out how a company makes money by specifying where it is positioned in the value chain.'

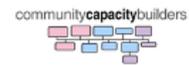
Chesbrough and Rosenbloom, 2002

- 'In short, a business model defines how the enterprise creates and delivers value to customers, and then converts payments received to profits.'

Teece, 2010

- 'A business model describes the rationale of how an organization creates, delivers, and captures value.'

Osterwalder and Pigneur, 2010



These are three definitions that describe what a business model is.

The first one states that 'A business model is the method of doing business by which a company can sustain itself – that is, generate revenue. The business model spells out how a company makes money by specifying where it is positioned in the value chain.'

The second one defines a business model as how an enterprise creates and delivers value to customers, and then converts payments received to profits.'

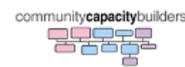
The third definition is similar.

'A business model describes the rationale of how an organization creates, delivers, and captures value.'

## Building Blocks

- Customer segments
- Value propositions
- Channels
- Customer relationships
- Revenue streams
- Key resources
- Key activities
- Key partnerships
- Cost structure

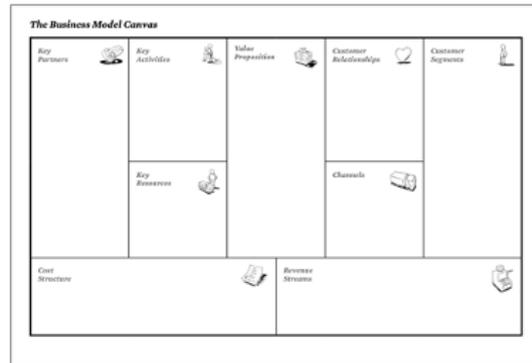
Osterwalder and Pigneur, 2010



Business models can be considered to consist of these nine building blocks:

- Customer segments – An organisation serves one or several customer segments
- Value propositions – An organisation seeks to solve customer problems and satisfy customer needs with value propositions
- Channels – Value propositions are delivered to customers through communication, distribution, and sales Channels
- Customer relationships – Customer relationships are established and maintained with each Customer Segment.
- Revenue streams – Revenue streams result from value propositions successfully offered to customers.
- Key resources – Key resources are the assets required to offer and deliver the previously mentioned five building blocks
- Key activities – These are the activities performed to implement all of the previously mentioned building blocks
- Key partnerships – Some of the activities are outsourced to partners and some resources are acquired from partners outside the enterprise
- Cost structure – All of the previously discussed building blocks result in the cost structure of the business.

# Business Model Canvas



Osterwalder and Pigneur, 2010

communitycapacitybuilders

The tool shown in this slide is a business model canvas. This canvas is split up into the nine building blocks for a business model and you use it by filling in the sections of the canvas for your business idea.

When you fill in the business model canvas initially it is going to contain mainly assumptions.

You therefore need to go out and talk to potential customers and partners etc to validate the assumptions in your business model.

When you discover assumptions that you have made that are not correct you make changes to your business model canvas.

DRAFT

Business Model Canvas Draft 11/16/12

Hawaii Community Exchange (H-CX)

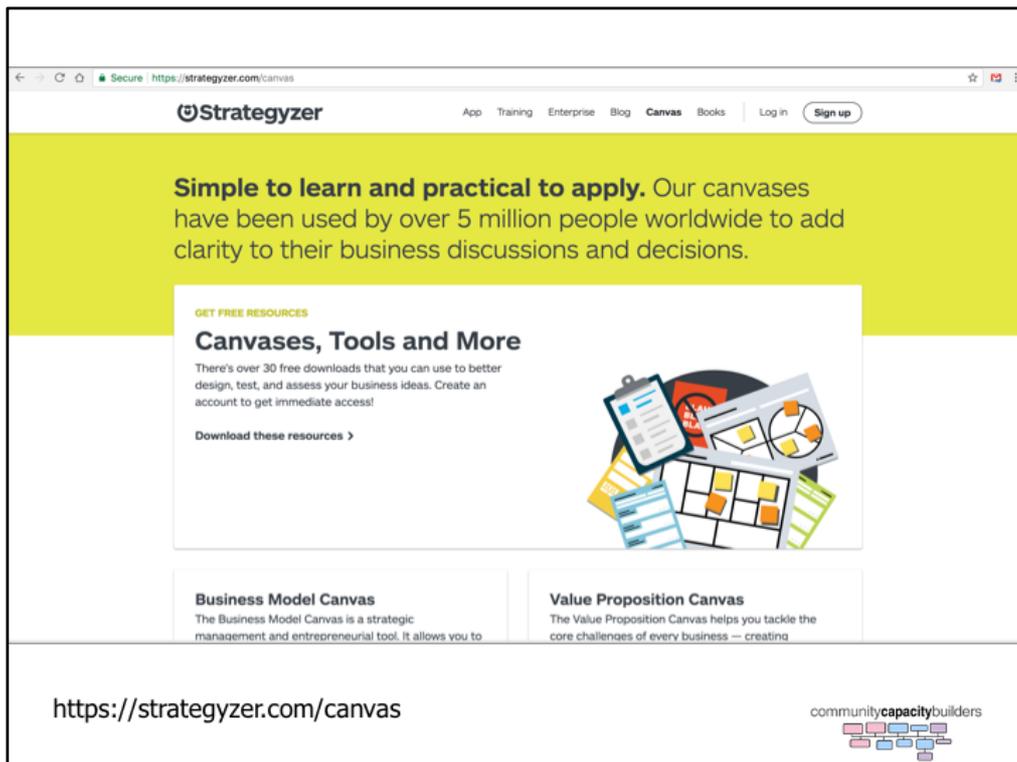
<p><b>Key Partners</b></p> <ul style="list-style-type: none"> <li>• Lokahi Pacific, MEDB, MEC</li> <li>• National networks, e.g. Unified Field Corp, Focus Local Finance, Mission Markets, TASBEX.com, Toronto SVX, Cutting Edge Capital, BALLE</li> <li>• Platform Provider TBD</li> <li>• Broker-Dealer (Onnie Kerr)</li> <li>• Skilled start-up accorneys (William Carlston)</li> <li>• Expert on social impact metrics and certifications (e.g. B-Labs)</li> <li>• Business management quality standards, e.g. NIST/Baldrige</li> <li>• SBDC/SCORE</li> <li>• Mediation Consultants helping w/ Collaboration Charters</li> <li>• Creative/Story Telling consultants</li> <li>• Hawaii DCCA</li> <li>• Hawaii Angels</li> <li>• Maui Native Hawaiian Chamber of Commerce</li> <li>• Hawaii Farmers Union</li> <li>• Alaka'i Community Media</li> <li>• UpCountry Sustainability, South Maui Sustainability, Malakoi Sustainability</li> <li>• University of Hawaii</li> <li>• Maui County Economic Development</li> </ul>	<p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>• Developing New &amp; Established Businesses/ Teams and obtaining financing via a community ecosystem</li> <li>• Venture Forums (3i-monthly)</li> <li>• Topic Workshops (3i-monthly)</li> <li>• Business Model Games Sessions (2 hr sessions/weekly)</li> <li>• Guidance in using WebTools to list ventures, develop presentation, prep for due diligence</li> <li>• Skill Story/Due Diligence/Investor Reporting Progress Check/ Troubleshooting - Early Warning System</li> <li>• Accelerator Program ?</li> <li>• Cool Projects blogging</li> <li>• Video production</li> </ul>	<p><b>Value Proposition For Regenerative Entrepreneurs</b></p> <ul style="list-style-type: none"> <li>• Help with getting financing</li> <li>• Guidance in developing team and evolving business plan</li> <li>• Help with market research &amp; customer discovery and validation</li> <li>• Networking with complimentary businesses</li> <li>• Help with the legal and accounting aspects of getting a business started</li> <li>• Ability to work towards different levels of quality certification</li> <li>• Affiliation with community creating new paradigm</li> </ul>	<p><b>Customer Relationships</b></p> <ul style="list-style-type: none"> <li>• Level I - Entry to Ecosystem - Participation in forum, workshop, customer discovery process</li> <li>• Become a registered online member with profile, etc.</li> <li>• Level II - Make or Receive Investment. Clear understanding of terms, business plan, risk, etc. Timely receipt of docs, etc.</li> <li>• Level III - Portfolio Company and/or Investor - regular communication, celebrate milestones, early warning system for problems, timely and proactive response to problems.</li> </ul>	<p><b>Customer Segments</b></p> <p><b>Regenerative Entrepreneurs</b></p> <ul style="list-style-type: none"> <li>• Focused on a deeper whole systems approach kind of sustainability</li> <li>• Most likely recent college grads (We Generation). Or baby boomers reasserting their higher ideals not wanting to leave the world in a mess.</li> <li>• Multiple bottom lines</li> <li>• Seeing all stakeholders as partners</li> </ul> <p><b>Social Impact Investors</b></p> <ul style="list-style-type: none"> <li>• Socially focused, but demanding accountability via metrics</li> <li>• Interested in recognition as being part of the solution</li> <li>• Still want a good return on investment, but less focused on the high multiples that were required by angels and VCs</li> <li>• Qualified Investors - defined as over \$1 million in assets not including primary residence, or average of \$200kly revenue, \$300k if filing a joint return.</li> </ul> <p><b>Professional Service Providers</b></p>
<p><b>Key Resources</b></p> <ul style="list-style-type: none"> <li>• Central venues for forums/ workshops/design sessions - should be professional, inspire, and say "Maui". (MACC? Tropical Plantation?)</li> <li>• Lawyers, Accountants, and other consultants that are aligned with mission</li> <li>• Web/Social Platform for match making Skill Story, Due Diligence, Talent Database</li> <li>• Series 7 License/Broker-Dealer Partner. Other licensing?</li> <li>• Working capital</li> </ul>	<p><b>For Social Impact Investors</b></p> <ul style="list-style-type: none"> <li>• Finding good companies</li> <li>• Opportunity to share wisdom and experience as well as investment</li> <li>• Recognition as making a difference</li> <li>• Good communications and transparency with companies that you have invested in</li> <li>• Networking with other investors and members of community eco-system</li> <li>• A fair return on investment and ability to obtain liquidity when needed.</li> <li>• Affiliation with community creating solution to today's problematic financial system</li> </ul>		<p><b>Channels</b></p> <ul style="list-style-type: none"> <li>• Face-to-Face Events</li> <li>• Individual and Small Group Meetings</li> <li>• Web Platform <ul style="list-style-type: none"> <li>• Project/Resource Matchmaking</li> <li>• People matchmaking</li> <li>• Pre live event promotion, post-live event follow-up</li> <li>• Social Network</li> <li>• Webinars</li> </ul> </li> <li>• Traditional media &amp; community media</li> </ul>	
<p><b>Cost Structure - Yr 1 - \$500,000</b></p> <ul style="list-style-type: none"> <li>• Business Development Team - 2 people @ \$80k each plus bonus tied to performance - total \$240,000</li> <li>• Administrative Coordinator \$60k</li> <li>• Legal &amp; Accounting \$100,000 in first year (less in future years)</li> <li>• Rent &amp; Occupancy Cost - \$2,000/month - \$24,000 for year</li> <li>• Website Design &amp; Hosting Services - \$6,000</li> <li>• Broker-Dealer Fee &amp; Platform - 10% of transaction fees of \$500,000 or \$50,000.</li> <li>• Public Relations Expense - \$20</li> </ul> <p><b>Financing Strategy</b></p> <ul style="list-style-type: none"> <li>• Loan of \$500,000 at 6% interest only in first year, convertible to equity, and/or</li> <li>• IRA Rollover</li> </ul>		<p><b>Revenue Structure - \$548,000</b></p> <p>Primary Initial Source of Revenue will be a 7.5% transaction fee on money raised - estimated at \$500,000 in the first 12 months (7.5% of \$6.8 million - 34 investment averaging \$200,000 each, or 3 investments averaging \$2.3 million each, or mix). Goal will be to grow to \$20 million/year in by year 5 on Maui generating \$1.5 million in annual fees. Greater growth if model is exported to other communities.</p> <p>There will be small fees to cover facilities rental and food for workshop and expense. Ideally, we will partner with an economic development entity for these. There may also be some business assessment fees, and/or small registration/membership fees - e.g. \$20/month, with an annual average of 100 members = \$2,000/month or \$24,000/year. We will see a goal of obtain an equivalent amount, \$24,000 of sponsorships in the first year. If a bank or other fund is develops as planned in year two, there may be management fees and dividend revenue.</p>		

[http://h-cx.com/Hawaii\\_Local\\_Exchange/Business\\_Model\\_Graphic.html](http://h-cx.com/Hawaii_Local_Exchange/Business_Model_Graphic.html)

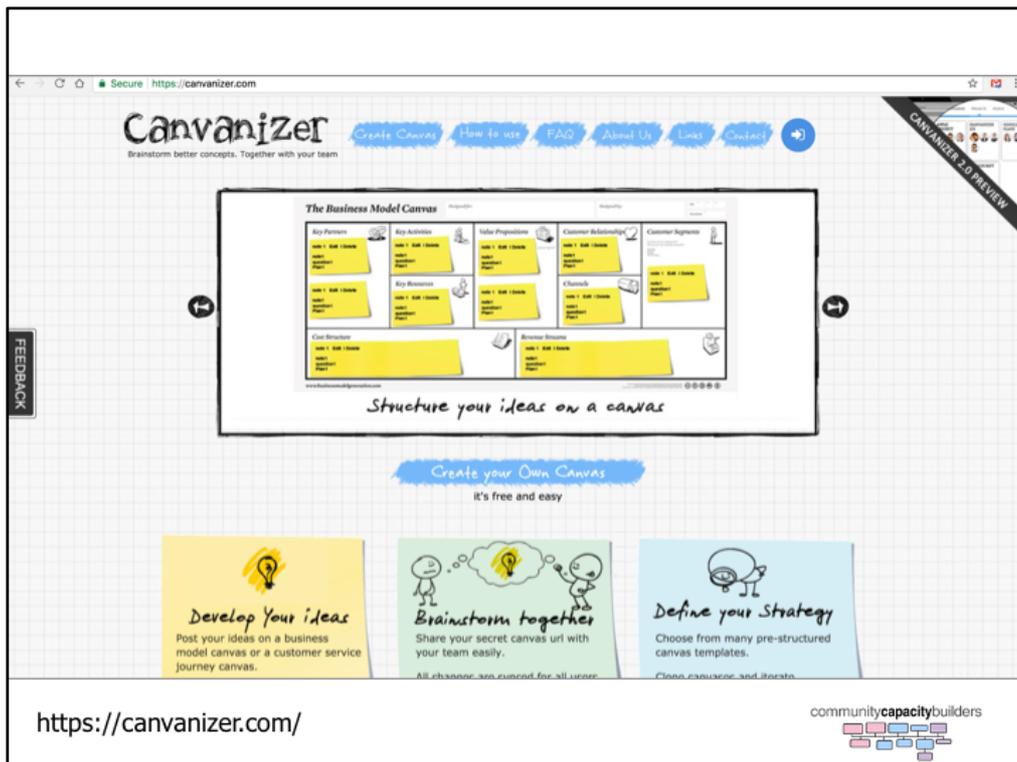
D. B. Fisher 

As an example, this is the draft business model canvas for the Hawaii Community Exchange.

As a bit of background, their mission is to engage entrepreneurs and investors in a collaborative approach to develop business plans and to develop teams that are investment ready and that benefit the community.



To create your own business model canvas, you could download a template of the business model canvas from a website such as this free one from the strategyzer website.



Alternatively you could complete a business model canvas online such as on the Canvanizer website.

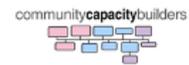
Both are free.

# Social Business Model Canvas

## SOCIAL BUSINESS MODEL CANVAS

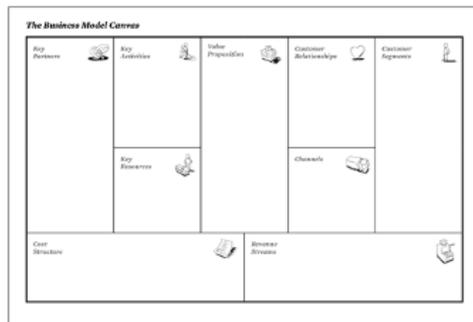
MISSION:				
IMPLEMENTATION		VALUE	MARKET	
Key Allies	Key Resources	Social Innovation	Customer Relationships	Channels
	Key Activities	Value Proposition	Consumer Benefits	
FINANCES				
Cost of Delivery		Community Reinvestment	Revenue Streams	

Social Enterprise Institute, n.d.



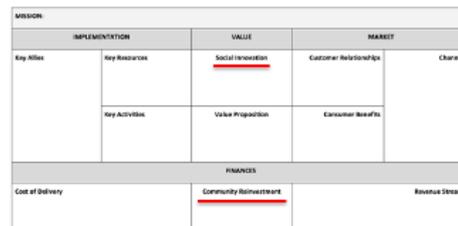
Some people argue that social enterprises need to use a different business model canvas than traditional businesses. This slide shows a social business model canvas that has been produced by the Social Enterprise Institute.

# Business vs Social Business Model Canvas



Osterwalder and Pigneur, 2010

## SOCIAL BUSINESS MODEL CANVAS



Social Enterprise Institute, n.d.



The main difference between the Business Model Canvas and the Social Enterprise Institute's Social Business Model Canvas is that the Social Business Model Canvas has a Social Innovation and a Community Reinvestment building block.

The social innovation building block gives the social entrepreneur the opportunity to include a statement about their social innovation in the canvas.

The community reinvestment building block provides the opportunity to discuss what proportion of the enterprises surplus will be reinvested and in what ways will the surplus be reinvested.

There is a reading in this section of Unit 3 which provides more information on the Social Business Model Canvas.

## References

- Chesbrough, H., & Rosenbloom, R. S. (2002). The role of the business model in capturing value from innovation: evidence from Xerox Corporation's technology spin-off companies. *Industrial and corporate change*, 11(3), 529-555.
- Osterwalder, A., & Pigneur, Y. (2010). *Business model generation: a handbook for visionaries, game changers, and challengers*. John Wiley & Sons.
- Social Enterprise Institute (n.d.), *Social Business Model Canvas*, viewed 24 January 2020, <<https://socialenterpriseinstitute.co/wp-content/uploads/2018/12/Social-Business-Model-Canvas.pdf>>
- Teece, D. J. (2010). Business models, business strategy and innovation. *Long range planning*, 43(2-3), 172-194.