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TAMER CENTER FOR
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The Business Model Canvas – A Useful Tool

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Are you looking to start a new business or social venture? Do you have an existing business or nonprofit that you can expand into a new area? Or are you just trying to figure out which of your ideas has promise and differs from other businesses or social ventures in the market? If any of these questions ring true to you, consider using a business model framework to organize your thoughts.

A business model is a tool that describes how an organization creates, delivers, and captures value.[1] Typically, business models are articulated through a business plan—a written document describing what you plan to do and how you plan on doing it. A business plan captures the marketing, financial, and operational aspects of your business and ultimately uses projections to determine the future revenue the enterprise can generate and the costs required to keep it running.[2]

When you are looking to launch a business, a business plan is critical to attract investors (with many banks and venture capital firms making business plans a prerequisite for investment of funds in a business), employees (who would need reassurance that the idea behind the new venture is sound), and suppliers (who would look to it to ensure that they are supplying goods and services to a company that will be able to pay them back in the future).

However, the typical business plan averages 15 to 20 pages and can be challenging for readers to absorb. Also, the first time you develop an idea into a business model, many assumptions are implied that often require testing with potential customers, which should lead to new insights that will change aspects of your business model. Development of a new business idea requires an open mind and flexibility to change your "hypotheses" when new information comes to light.

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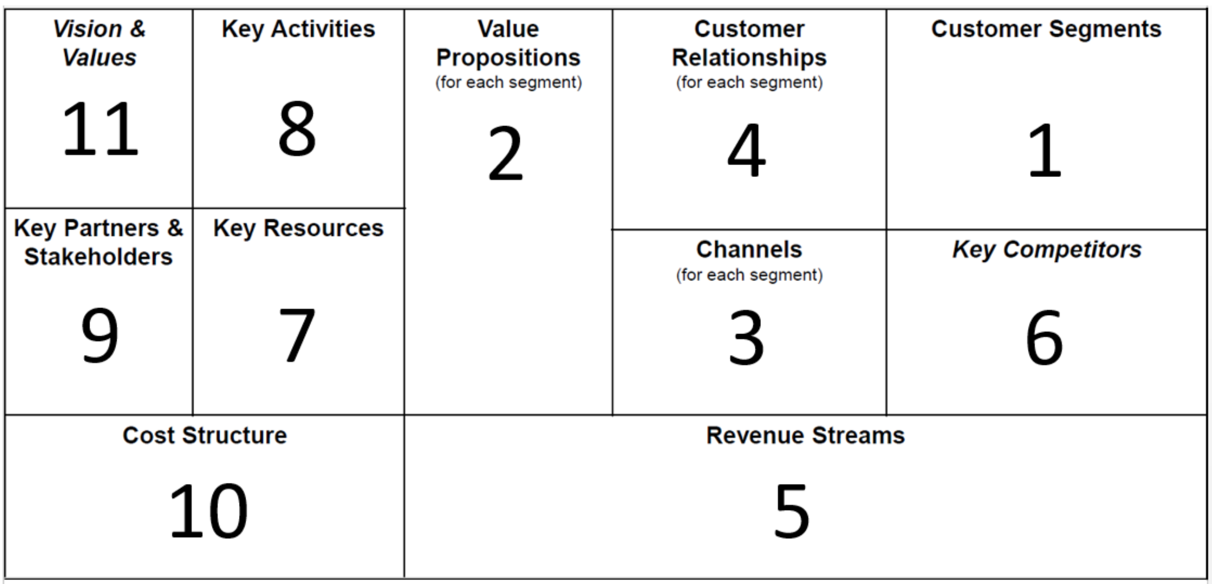
In order to solve this problem, Alexander Osterwalder, a Swiss business theorist, author, speaker, and entrepreneur, designed the Business Model Canvas (BMC). BMC is a business model concept that everybody can understand: one that facilitates description and discussion. It was created to be "simple, relevant and intuitively understandable."[3] It is a more flexible expression of your new business idea or social venture that will likely need to be iterated. Each new version may be based on new insights and ideas, external feedback, and facts gathered from the market and your potential customers. In addition, a BMC helps to communicate the business or start-up venture idea "in a nutshell." Being able to present the idea succinctly is a key part of any entrepreneurial endeavor—whether for a new start-up or within an existing business or organization (sometime referred to as "intra-preneurship").

UNDERSTANDING THE BUSINESS MODEL CANVAS (BMC)

THE TRADITIONAL BMC



The Business Model Canvas[i] is a template that is broadly split into two halves. The left side of the canvas focuses on the efficiency your business can derive through its activities, while the right side focuses on generating value for the business.

We suggest following the order of the numbers in the template when filling out the canvas your first few times (i.e., start with the "Customer Segments" and move on to "Value Propositions," and so on). This order helps you think through your idea, with each building block helping to inform the next. But the BMC is meant to be a living, breathing document,

[i] The original BMC comprises nine building blocks that show how a company intends to make money. Anne Busquet (a long-term investor in innovative and disruptive ventures) and Professor Damon Phillips (Columbia Business School) incorporated two additional building blocks: vision and values, and key competitors.

and moving back and forth between the blocks to update each as your ideas and business evolve is part of the development process. In filling out each of the boxes, consider answering the following questions as a starting point to identify your core business model.

1. CUSTOMER SEGMENTS
   Customer segments define the different groups of people or organizations you aim to reach and serve.
   a) For whom are you creating value?
   b) Who are your most important customers – the ones who will love your product or service the most?
   c) What are your customer archetypes?—i.e., try to paint a portrait of your target customers: What demographic are you trying to reach (what is their age, gender, lifestyle, motivation, etc.)?

One example is Dove Body Wash. Dove targets a very clear customer segment. It focuses on middle-income women between the ages of 25 and 50 who value the nourishing benefits of soap versus the glamour of a beauty product. Dove's "Real Beauty" campaign showcases real women versus models and actors in its advertisements, a different tack than other beauty soap brands take. This understanding of the customer segment informs marketing, packaging, and more. Especially for new ventures, it is important to keep in mind that your initial focus will be on your most important customers.

2. VALUE PROPOSITIONS
   The value proposition describes the bundle of products and services that create value for a specific customer segment, and in particular for your most important customers.
   a) What value will your business deliver to the customer?
   b) Which customer problem are you helping to solve, or which needs are you satisfying?
   c) What bundles of products and services are you offering to each customer segment?

For example, Apple's launch of the iPhone was centered on delivering a value proposition that broke the conventional norms of mobile phones. Until then, mobile phones were clunky and focused mainly on technology. Apple decided to create a product where the value proposition lay in the design of the phone and an interface that would make the phone very easy and a pleasure to use. Integrating the iPhone with other Apple products and services like the MacBook and iTunes also meant consumers stayed in the Apple ecosystem. The clear value proposition helped articulate Apple's brand to its customers, while also differentiating the company from competitors.

3. CHANNELS
   Channels describe how a business communicates with and reaches its customer segments to deliver a value proposition.
   a) Through which channels do your customer segments want to be reached?

b) How are other businesses reaching them now?
c) Which channels work best?
d) Which channels are most cost-efficient?
e) How will you integrate your channels with customer routines and how they typically behave now?

The Super Bowl is often touted as the most-watched television event of the year in the United States. For many consumer brands, advertising during the Super Bowl is a heavy investment but represents a far greater reward. An estimated 98 million people[4] watched Super Bowl 2019 on CBS, and advertisers shelled out big bucks to capture that kind of audience. CBS charged a record $5.25 million for a 30-second commercial during Super Bowl LIII, but many companies thought this was worth it. For example, Americans consumed more than $387 million in munchies during the Super Bowl, and the big capital investment allowed advertisers of brands like Doritos and Lay's to reach their customer segments effectively by using television.[5]

4. CUSTOMER RELATIONSHIPS
   Customer relationships describe the types of relationships a business establishes with specific customer segments.
   a) What type of relationship does each of your customer segments expect you to establish and maintain with it?
   b) Which ones have been established with you or other competitors?
   c) How costly are these relationships to maintain?
   d) How are they integrated with the rest of your business model?

Macy's implemented a loyalty and rewards program that helps the retailer form separate relationships with different tiers of customers. Customers can join Macy's Rewards for free at a bronze level, at which they are entitled to benefits like Star Money Days, some savings at checkout, and a special birthday offer. However, if consumers spend up to $499 annually at Macy's with their store card, they get an additional 25% off on any day. If they spend up to $1,199, they are also entitled to free shipping. Similarly, if they spend more than $1,200, they will receive 5% back in rewards.[6] The different plans for different types of customers, along with the way messages are communicated—e-mail for the bronze level and more involved communication techniques (specific mail and coupons) for higher levels—demonstrate the customer relationships that Macy's has formed with different segments based on their spending.

5. REVENUE STREAMS
   Revenue streams represent the cash a business generates from each customer segment. Revenue streams are like the "arteries of a business," and multiple streams can sometimes lead to a healthier, more sustainable business model.
   a) For what value are your customers willing to pay?
   b) For what do they currently pay?
   c) How are they currently paying?
   d) How would they prefer to pay?

e) How much will each revenue stream contribute to your potential overall revenues?

McDonald's has long made its money from sales of affordable fast food. However, with younger consumers demanding healthier alternatives and an overall increasing consciousness around nutrition, the company realized that there was an additional revenue source that it could tap into, since revenue from fast food might decline in the future. McDonald's revamped its menu to focus on healthier options and was able to charge a price premium for this, resulting in growth of almost 3% year-on-year, beating all financial market analyst expectations.[7]

6. COMPETITION
   Competition describes the other offerings in the market, and how differentiated your value proposition is.
   a) Who are your potential competitors?
   b) How are your potential customers currently solving their problems/meeting their needs?
   c) What do your competitors have that you don't have?
   d) What do you have that your competitors don't have?

Uber, the ride-sharing platform, was launched in 2010 in San Francisco. At the time, the multibillion-dollar company was competing with black car services and positioned itself as a quicker alternative to waiting for car services by understanding that the black car services lacked the technical expertise to use algorithms and smartphones to reach consumers. Over the last decade, the company has evolved to compete with traditional taxi services through its UberX platform by leveraging its technological expertise and financial resources, and expanding its business model globally. With its sights set on upending the logistics world as well, this start-up has become one of the most feared companies in the world by understanding its competitors' weaknesses.[8]

7. KEY RESOURCES
   Key resources are the assets required to make a business model work. Resources allow an enterprise to create and offer a value proposition, reach markets, maintain relationships with customers segments, and earn revenues.
   a) What key resources does your value proposition require?
   b) What key assets do you need to meet your revenue forecasts?
   c) What are your main distribution channels?
   d) What is needed to maintain and cultivate your relationships with customers?

The pharmaceutical industry has had a rich history of investing serious capital behind its sales force. At its peak, the industry had over 100,000 sales reps in the early 2000s,[9] and even now it employs more than 65,000 reps at a cost of $13 billion to the industry.[10] Sales representatives are key resources for "bio pharma" companies as they are a vital touch point with the medical community, where sales reps are able to form relationships with physicians and medical providers while giving real-time feedback to the company about trends on the ground. Since large bio pharma companies cannot reach their customers directly (in this case, the customers are patients who need a prescription to purchase a product—medicine), they need an effective sales force to communicate with doctors who are responsible for deciding which medicines to suggest to patients. With the rise of the internet and increasing use of digital communication and social media such as online and mobile ads, blogs and "influencers," Facebook, Instagram, and e-mails to target customers directly, the role of these sales reps is evolving and moving toward providing specialized advice to physicians in a quick and timely manner.[11]

8. KEY ACTIVITIES
   Key activities are the most important actions a company must take to make its business model work.
   a) What key activities do your value propositions require?
   b) What are the activities that you need to undertake to form relationships with customers and meet your revenue expectations?
   c) What are the key activities that will differentiate your business from your competition and give you a "right to win" potential customers?

Eat Offbeat is a mission-based New York catering company that provides off-the-beaten-path meals from around the world, prepared by refugees who now call the city their home. In 2017, the company launched a Kickstarter campaign[ii] to create an Eat Offbeat cookbook, with 10% of the proceeds given to the International Rescue Committee, a humanitarian nonprofit. For Eat Offbeat to make its value proposition work, it needed to hire and train a dedicated and high-quality chef and a meal prep and delivery team made up of refugees who could document and create delicious and different meals. Hiring and developing such talent are not easy but formed the backbone of the company's value proposition to customers and was its key activity.

9. KEY PARTNERS & STAKEHOLDERS
   Key partners and stakeholders describe the network of suppliers, partners, and other external parties that make the business model work.
   a) Who will be your key partners?
   b) Who will be your key suppliers/vendors?
   c) Are there other critical stakeholders for your venture to be viable in the longer term?

Amazon, the e-commerce giant, has gone from retailing only books on its web platform to becoming ubiquitous, with online shopping across categories—from food and groceries to clothes and furniture.[12] In order to reach such prominence, it first built relationships and partnerships with delivery companies like UPS and FedEx to fulfill overnight and quick-

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[ii] Kickstarter is a crowdfunding website where people can share an idea online, and individuals from across the world can pledge any amount of money to support it. Once the target is hit—in this case, Eat Offbeat crowdfunded $97,000 for a $50,000 target—recipients may thank backers, for example, through a discount on the product or offer them a portion of the profits.

delivery needs. Through Amazon marketplace, the company simplified the process of listing and selling products online—all types of businesses (Amazon's suppliers), from small and medium enterprises to billion-dollar companies, just needed to focus on providing the product, and Amazon would take care of the rest for a commission. By focusing on developing such relationships, the company was able to generate a competitive "moat" that has been hard for others to compete with. In fact, Amazon is now so large and diversified that it has announced it will enter the logistics and transportation field and be in competition with the partners (like UPS and FedEx) who helped to build it.[13] This resulted in a termination of its years-long partnership with FedEx in 2019, which highlights the dynamic nature of business relationships.[14]

10. COST STRUCTURE

    Cost structure includes the main costs incurred to operate your business model.

    a) What are the most important costs inherent in your business model?
    b) Which key resources are most expensive?
    c) Which key activities are most expensive?

For Refoundry, a mission-based furniture manufacturing and entrepreneurship training business for formerly incarcerated people, a large portion of costs are fixed—investing in infrastructure, renting a warehouse, property insurance, utilities, heavy machinery and tooling equipment, and vehicles for transportation are significant upfront costs. However, these amounts don't change per the unit of goods produced. On the other hand, there are variable costs, such as sourcing furniture materials (sourcing reclaimed wood and other materials, paints, finishing varnishes, etc.) and shipping, which are dependent on the number of units of output generated. Added to this are the costs of employees, their insurance, and any benefits and pension provisions and other training and miscellaneous costs reflected on the company's balance sheets. When setting up a business, it is imperative to have a realistic understanding of all the costs—fixed and variable—that may come into play, to prevent any surprises down the road.

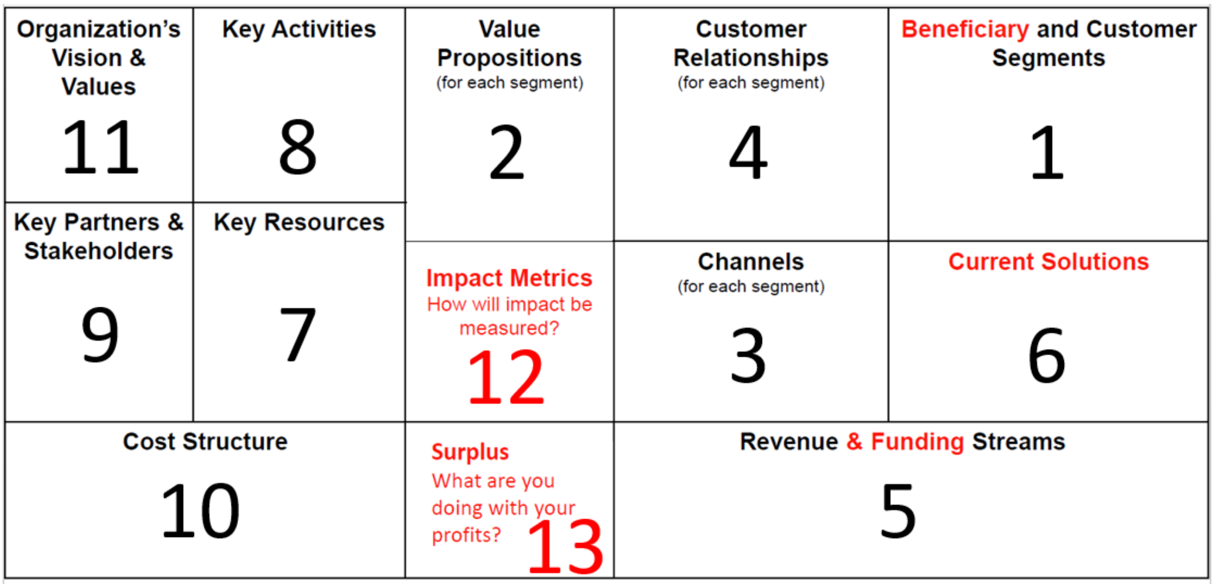
11. COMPANY VALUES

    Company values describe the core mission of the company and the key values that you want to operate under.

    a) What will you and the business stand for?
    b) What is the mission of your business?
    c) What are the values that you and your business will uphold at any cost, and what are things your business will not stand for under any circumstances?

While company values may be the last block to fill in the BMC, they are the north star guiding all the other blocks. With increasing channels of communication between companies and customers (specifically the advent of social media and the internet), firms that stray from their company values are called out publicly and face backlash from users. H&M, the fast-fashion retailer, is one such example of a firm deviating from its values and having to pay the price. H&M claimed to operate with values that are "based on a fundamental respect for each individual and include a firm belief in our people";[15] however, a series of human rights violations—including child sweatshop labor in Myanmar, Bangladesh, and Cambodia, with children as young as 14 in Myanmar working 12-hour days for less than 15 cents an hour—showed how far the business reality was from the company's purported values. When this came to light, consumer confidence in the brand dropped, and the Swedish retailer's first-quarter profits in 2018 tumbled 62% (the lowest point in over a decade).[16]

SOCIAL IMPACT BMC



The Social Impact BMC is meant for entrepreneurs looking to create ventures, whether they are for-profit or nonprofit, that are focused on achieving a social impact mission. However, it should be noted that the lines are blurring between "traditional" ventures and mission-driven social ventures, especially if they are structured as for-profit, given the changing demands of customers and the marketplace realities that all businesses face. While in the past, many people considered the purpose of business to be solely to make money, there is a growing understanding that firms should focus on a triple bottom line: profits, people, and the environment,[17] in order to achieve long-term, sustainable business models—recognizing that businesses do not exist in silos and have a responsibility toward the communities within which they operate.

With this in mind, the Social Impact BMC has five new or revised building blocks to cover:

12. NEW: Impact Metrics
    a) How will your social and/or environmental impact be measured?
    b) What metrics will help you to run your social venture?
    c) What impacts do your stakeholders care about?
    d) What is the baseline case (if your venture didn't exist)?
    e) What resources are needed to maintain this impact reporting?

Measuring impact is a critical component of running a social enterprise. Investors in a social enterprise may ask on an annual basis (and possibly more frequently) to see the impact metrics. The social or environmental impacts are typically the primary reason why they invested their money in the social venture. Improvements from a baseline (i.e., the base case, or current situation that exists without the social enterprise) can be trickier to measure and quantify than other traditional business metrics, such as revenue, expenses, and profits.

Consider the example of the New York City social enterprise ConBody, started by Coss Marte. His company has established a business model using workout techniques developed while he was in prison, and building a network of trainers who are formerly incarcerated people (FIPs). ConBody has a clear business model and path to generating profits—with ConBody gyms in elite locations across the city targeting affluent urban audiences. Marte's purely financial metrics are similar to those of other fitness coaching businesses.

However, when it comes to quantifying the company's social impact, Marte can choose from a number of measurements: the number of FIPs employed by the firm; the reduced amount of recidivism because of creating livable wage opportunities for its trainers; and even an increase in awareness about the criminal justice system due to Marte's speaking engagements. Deciding what to measure on a consistent and ongoing basis is not easy, and will depend on the mission and values of the company as well as discussions with investors and board members and what measures they care about. In ConBody and Marte's case, employing the maximum number of formerly incarcerated people is considered the primary measure of success.[18]

13. NEW: Surplus–What are you doing with your profits?

Social enterprises that are set up as nonprofit organizations are usually registered 501(c)(3) legal entities[19] that are not required to pay federal tax. With this in mind, any surplus or profit generated by the organization has to find its way back into its operations, with some options—including investing in new programs or training that benefit employees or customers, hiring additional talent to scale the enterprise, or funding operational improvements—all of which are ideally aligned to increasing the social or environmental impact of the enterprise.

Greyston Bakery in New York City is a great example of such an organization. The bakery has made a name for itself because of its Open Hiring policies, under which employment happens without interviews, résumés, background checks, or applications. The profits that this groundbreaking enterprise generates have been channeled to a number of ventures, including workforce development and youth programs, community gardens, and Issan House (a 35-unit facility providing supportive housing to formerly homeless individuals living with HIV/AIDS,[20] which positively affects 5,400 members of the community).

14. REVISED: Current Solutions—How is the problem being solved currently?

For any social enterprise to succeed, the solution proposed needs to be a better alternative than the current system or organizations (potential competitors or collaborators). Because of this, this we replace "Key Competitors" in the Traditional BMC with "Current Solutions"

. In evaluating the current ”landscape,” apart from looking at initiatives by the public sector, it is also critical to look at other nonprofits, NGOs, social enterprises, or businesses that are operating in the space. You need to identify what sets your social enterprise (and its business model) apart and why you are able to establish a “right to win” (whether it be customers/clients, funding, or talent/employees) in this space. In addition, potential collaborations with existing organizations should also be considered. However, your advantage over the current status quo can be specific inside information from having: work history, education related to your specific topic area, lived an experience (e.g., justice-involved individuals may have special insights useful to setting up a social enterprise focused on FIPs), a disruptive idea, proprietary information/technology, or appropriate sources of investment and funding.

For example, there are a number of fitness classes in New York that operate in ConBody’s price range and target a similar demographic. However, at the time Marte assessed the competitive landscape, none of the existing boot camp-style fitness programs had the credibility of being run by FIPs, who had perfected their workouts in small spaces (prison cells) and in a time crunch. Secondly, there was no other workout company (at the scale that ConBody wanted to operate) that hired FIPs and hence helped reduce recidivism and integrate communities. This proved that the solution was not offered by existing players, and that ConBody had a right to win (which it has)![21]

15. REVISED: Beneficiary and Customer Segments/ Revenue & Funding Streams

In addition to existing customer segments that can pay to use the good or service, social enterprises that are set up as nonprofit legal entities may rely on other sources of funding that are used to provide products and services for “beneficiaries,” i.e., the people who benefit from the products and services provided by the social enterprise, but who may not be able to pay all of the costs incurred in providing these benefits. Unlike for-profit social enterprises, where paying customers fund the operations of the business, nonprofits often rely on a variety of funders in the form of aid or fee-for-services (from government departments and programs), grants (from philanthropic organizations), or donations (from corporations, family offices, or individuals). Given the diverse set of funders and the limited bandwidth such enterprises usually have in seeking these funding sources, it is critical to identify at the start key funders and the beneficiary segments that the social venture aims to target.

In addition, because the funders who pay are different to your end beneficiaries, it is helpful to think about feedback from your beneficiaries and measurement processes that will ensure your products and services are truly serving them in the most effective way. Some funders may also have other interests and strategic objectives in mind that are not necessarily tightly aligned with the mission of your social venture, and caution regarding such funding is sometimes needed to prevent “mission drift.” Each different type of funding has its own pros and cons: While large corporations may have sizeable budgets set aside for their corporate social responsibility (CSR) initiatives, and foundations might also provide multiyear support, they may be harder to reach, with more competition for their funding. In comparison, government or grant funding may be more accessible but can come with longer waiting times and a significant amount of paperwork, because of the bureaucratic application, payment, and post-payment reporting processes required. ConBody got its start by working with Defy Ventures,[22] a nonprofit focused on empowering formerly incarcerated people (FIPs) to start legal businesses by providing support in a range of areas, including mentorship, business plan development, financing, and incubation. With its clear business model and niche positioning, Defy Ventures was able to make a compelling case to philanthropic funders to support FIP entrepreneurs—its beneficiaries, who in turn can only pay part of the costs incurred for the entrepreneurship training, advice, and other services they receive.

CONCLUSION, SUGGESTIONS, AND PRESENTING YOUR IDEA

The Business Model Canvas and Social Impact Model Canvas provide a comprehensive and intuitive framework to think through the elements of your new venture idea, and create a snapshot of all the elements that should mutually reinforce one another to generate a sustainable business model. It allows for different members of your founding team, investors/funders, board members, advisers, and employees to get on the same page—be it in identifying customer segments, zooming in on a value proposition, or discussing revenue streams.

The BMC and/or Social BMC should be printed on a large sheet of paper (>A3 or 11”x17”), and the boxes can be filled in using Post-it notes during your individual or group brainstorming, which allows ideas to be generated, evaluated, discarded, or retained. The BMC and Social BMC have been used successfully by entrepreneurs looking to start their own ventures and to evaluate their own ideas, as well as by established companies like IBM, Deloitte, and Nespresso when considering new revenue streams and types of products or services to expand their organizations.

To become familiar with this framework, it is helpful to review and consider existing examples developed by other businesses or social ventures. Also, as you develop your own venture idea—whether it be a more traditional venture or a mission-driven for-profit or nonprofit social enterprise—it is helpful to keep in mind that the first iteration of your idea is rarely what ends up being implemented. As you gather more information from your potential customers, markets, competitors, partners, advisers/mentors, investors/funders, and key employees, the BMC framework is something to revise and adapt on an ongoing basis.

A key component of developing your venture idea using the BMC or Social Impact BMC framework is communicating and presenting your idea to others. Over the course of developing a new venture, entrepreneurs may have to present or “pitch” their idea over and over again, to potential funders or investors, employees, distributors, marketing partners, and the many other stakeholders who might be helpful in providing resources or support to develop the business. Finding opportunities to “sell” your business idea and to gain valuable feedback from peers, professionals, or other advisers is a key part of the entrepreneurial journey.

A typical presentation length using BMC is around five to seven minutes. This is more than an overview of your business concept and longer than an "elevator pitch" (typically 30 to 60 seconds—the length of an elevator ride, which is where the name comes from). Using your BMC template as a guide, your presentation should cover key points, including:

- Overview of the business/nonprofit start-up (name, concept, location, ownership)
- The value you (and others, if applicable) bring to it (e.g., why should a funder invest in you?)
- Services/Product Offered
- Market (if you have a few data points, these will be helpful)
- Competition
- Differentiation
- Marketing Strategy
- Financial Projections—this is key! Be specific about start-up costs, expected revenues, breakeven, wherever possible. You will get questions, so you will need to provide an overview of your financial projections. The exact amounts in your projections are not as important as having the right "line items" or categories of revenues and expenses. The numbers used may be educated guesses, which can be refined as you gather more information and test your ideas.

Tips on Effective BMC Pitches:

- Be confident (you've worked hard, and this is your time to show it)
- Offer specifics (this will help establish you as a credible owner/founder of an organization)
- Make eye contact (you want to engage your audience)
- Smile
- Engage your audience and help them see what you are trying to do
- Memorize the key points, areas you need to cover (this will help you engage and mask any nervousness)
- Try not to use notes (if you need to remember specifics or the order of what you want to say, use an index card or small piece of paper)
- If you must use note cards, do not read from them
- Thank your audience at the end & ask for any questions
- If you don't have the answer to a question, try to answer with something you do know.

While funders, investors, or advisers may expect you to be ambitious when talking about your ideas, this should be balanced with a healthy dose of realism and an understanding of what the challenges might be.

Exhibits: Exhibit 1 – The Business Model Canvas (modified by Busquet and Phillips, 2015) [23]

11. Vision & Values

- What will you and the business stand for?
- What is the mission of your business?
- What are the values that you and your business will uphold at any cost, and what are things your business will not stand for under any circumstances?

8. Key Activities

- What key activities do your value propositions require?
- What are the activities that you need to undertake to form relationships with customers and meet your revenue expectations?
- What will differentiate your business from your competition and give you a "right to win" potential customers?

2. Value Propositions

(for each segment)

- What value will your business deliver to the customer (and in particular, your most important customer segments)?
- Which one of your customers' problems are you helping to solve, or which needs are you satisfying?
- What bundles of products and services are you offering to each segment?
- What is the minimum viable product?

4. Customer Relationships

(for each segment)

- What type of relationship does each of your customer segments expect you to establish and maintain with it?
- Which customer relationships have you established?
- How costly are they?
- How are they integrated with the rest of your business model?

1. Customer Segments

- For whom are you creating value?
- Who are your most important customers?
- What are your customer archetypes? What demographics are you trying to reach?

9. Key Partners & Stakeholders

- Who are your key partners?
- Who are your key suppliers/vendors?
- Which key resources are you acquiring from your partners?
- Which key activities do partners perform?
- Are there any other critical stakeholders to consider?

7. Key Resources

- What key resources do your value propositions require?
- What key assets are needed to meet your revenue forecasts?
- What are your main distribution channels?
- What is needed to maintain and cultivate your customer relationships?

3. Channels

(for each segment)

- Through which channels do your customer segments want to be reached?
- How do other businesses reach them now?
- Which channels work best?
- Which ones are most cost-efficient?
- How will you integrate your channels with customer routines?

6. Key Competitors

- Who are your potential competitors?
- How are your potential customers currently solving their problems/meeting their needs?
- What do your competitors have that you don't have?
- What do you have that your competitors don't have?

10. Cost Structure

- What are the most important costs inherent in your business model?
- Which key resources are most expensive?
- Which key activities are most expensive?

5. Revenue Streams

- For what value are your customers willing to pay?
- For what do they currently pay?
- How are they currently paying?
- How would they prefer to pay?
- How much does each revenue stream contribute to overall revenues?
- What are the pricing tactics?

BY SANDRA NAVALLI* AND DAMON PHILLIPS†

Exhibit 2 – Social Impact Business Model Canvas

11. Vision & Values

- What does your social venture stand for?
- What is your social and/or environmental mission?
- What are the values that you and your social venture will uphold at any cost, and what are things your venture will not stand for under any circumstances?

8. Key Activities

- What key activities do your value propositions require?
- What are the activities that you need to undertake to form relationships with customers, beneficiaries and other stakeholders?
- What will differentiate your social venture from other organizations and give you a "right to win" potential customers, funders, and other key resources?

2. Value Propositions

(for each segment)

- What value will your social venture deliver to the customer/beneficiary, and in particular your most important segments?
- Which one of your customers'/beneficiaries' problems are we helping to solve, or which needs are you satisfying?
- What bundles of products and services are you offering to each segment?

4. Customer Relationships

(for each segment)

- What type of relationship does each of your customer segments expect you to establish and maintain with it?
- Which customer relationships have you established?
- How costly are they?
- How are they integrated with the rest of your business model?

1. Beneficiary and Customer Segments

- For whom are you creating value?
- Who are your most important customers/beneficiaries?
- What are the customer/beneficiary archetypes? What demographics are you trying to reach?

9. Key Partners & Stakeholders

- Who are your key partners?
- Who are your key suppliers/vendors?
- Are there any other critical stakeholders to consider?
- Which key resources are you acquiring from your partners?
- Which key activities do partners perform?

7. Key Resources

- What key resources do your value propositions require?
- What key assets are needed to meet your revenue forecasts?
- What are your main distribution channels?
- What is needed to maintain and cultivate your customer and stakeholder relationships?

12. Impact Metrics

- How will your social and/or environmental impact be measured?
- What metrics will help you to run your social venture?
- What impacts do your stakeholders care about?
- What is the baseline case (if your venture didn't exist)?
- What resources are needed to maintain this impact reporting?

3. Channels

(for each segment)

- Through which channels do your customer segments want to be reached?
- How do other organizations reach them now?
- Which channels work best?
- Which ones are most cost-efficient?
- How are you integrating channels with customer behaviors and routines?

6. Current Solutions

- How are your customers currently solving their problems/meeting their needs?
- Who are your potential competitors and/or collaborators?
- What do they have that you don't have?
- What do you have that they don't have?

10. Cost Structure

- What are the most important costs inherent in your business model?
- Which key resources are most expensive?
- Which key activities are most expensive?

13. Surplus

- What are you doing with your profits?

5. Revenue & Funding Streams

- For what value are your customers really willing to pay?
- For what do they currently pay?
- What other funding sources might be willing to contribute to the cost of serving your beneficiaries?
- How much does each revenue stream and funding source contribute to overall revenues, and are they all mission-aligned?

HOMEWORK

BUSINESS MODEL CANVAS EXAMPLE

Nespresso, the coffee subsidiary of Nestlé, is a powerful example of a transformative business model. Nespresso is the only direct-to-consumer brand within the Nestlé portfolio and has been credited with changing the face of the coffee industry from a purely transactional relationship (sale of coffee machines to households) to a source of recurring revenue (through the sale of Nespresso "pods," which are single-serving gourmet coffee portions). This transformation was neither easy, nor did it happen overnight, but it alludes to the power of continually iterating a business plan and the importance of visionary leadership and keeping an eye on changing consumer preferences.

PHASE 1: In 1979, Eric Favre, a technology innovator, pitched to Nestlé his idea of a prepackaged, single-serve capsule of gourmet coffee through a simplified espresso machine. The main competition in the market was instant coffee, and this was meant to be an alternative to that, while bringing drinkers greater efficiency in preparation of espresso. Nestlé produced both the espresso machine and the capsules and launched the product in Switzerland and Japan. However, Nespresso failed to impress on a few counts:

- Issues with production and service led to machines functioning suboptimally.
- Offices found the capsules too expensive.
- Restaurant patrons were used to associating espressos with the sound, look, and technique of a traditional machine.

PHASE 2: By 1986, Nestlé had to shift its Nespresso strategy. Nestlé established Nespresso as a separate, wholly owned company, which gave the venture more autonomy. It brought in Yannick Lang, a marketing expert from Philip Morris, to head the new company and removed Favre, shifting the focus from the technology of the product to marketing to affluent households. Nestlé also outsourced machine manufacturing to an established coffee machine company, which resolved some of the manufacturing issues. However, as a B2B company, Nestlé did not have the necessary sales channels to reach consumers directly and so relied on the manufacturer's sales and distribution system, in which sales were carried out through mail order and telephone centers. This proved to be problematic, because the sales team received only small commissions on Nespresso sales, and there was no quality control at the mail-order and telephone sales centers, resulting in low levels of customer satisfaction.

PHASE 3: In 1988, Nestlé brought in a veteran consumer product specialist, Jean-Paul Gaillard, to head up the company. Under his leadership, Nespresso reorganized the business—sharing manufacturing of the machines with multiple companies to reduce risk and to lower costs, tightening relationships with coffee growers, and expanding sales distribution channels. Since then, Nespresso has experienced phenomenal growth. Via e-commerce, Nespresso coffee pods are sold directly to consumers. Traditional retail channels are also used, giving consumers greater access. The strong relationships with coffee growers have given Nespresso a credible claim in sourcing sustainable products ahead of the competition, and the investment behind the brand and design of the machines (with actor George Clooney as the ambassador) has allowed Nespresso to command a premium price in the market.[24]

Source: Super-Espresso.com, "Best Holders and Storage Units for Nespresso VertuoLine Pods," https://www.super-espresso.com/best-holders-and-storage-units-for-nespresso-vertuoline-pods/

Homework:

1. If you were Nespresso's CEO in Phase 3, what would your BMC look like? Flesh out as best as you can.
2. If you were the founder of ConBody, what would your Social Impact BMC look like given the information in this document?

Endnotes

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