

Business Resilience Toolkit

Business model canvas

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Transcript:

Have you heard of business model canvas? I'm going to talk through three key aspects of business model canvas.

Hello, I'm Jane Arnott and I'm the general manager of consulting at Community Business Bureau (CBB).

I'm going to cover three things:

1. What is a business model canvas?
2. How can you use it to make your organisation more resilient?
3. Common not for profit mistakes with business models

So first – what is business model canvas?

Business model canvas takes the basic business model concepts:

- ▶ who your customers are;
- ▶ what product or service you provide; and
- ▶ how you make money.

And develops these to a more detailed level.

The customer element of business model canvas looks at:

- ▶ Customer segment: this is the detail of who you provide service to – and should be as specific as possible. So, you might be working with people with a particular type of disability, within an age range, in a geographical area.
- ▶ Customer relationships: what kind of relationships do you have with your customers – is it more personal, or a more automated or self-service type relationship.
- ▶ And channel to market: how do you reach your customers

The value proposition aspect of the business model canvas looks at the products and services you offer. It considers how your product or service meets your customers' needs and wants, and how they meet those needs and wants better than your competitors. For not for profit organisations, this is key to your social impact.

The finance part of business model canvas looks at your revenue streams (how you make money) and at your cost structure.

Additionally, business model canvas looks at:

- ▶ key activities;
- ▶ key resources; and
- ▶ your partner network.

So, moving to our second point: how can you use business model canvas to make your organisation more resilient?

Use the business model canvas to map out the different aspects of your business.

- ▶ Working through the process will help you to identify any gaps and inconsistencies in your business model.
- ▶ It will also help you to define and explain your business model to colleagues and stakeholders – giving you a common language.
- ▶ Identifying factors such as your key activities, channels to market, key resources and partner relationships will help you to identify your cost structures.
 - ▶ Once you start developing your understanding of both your costs and how you generate income, you will be developing your understanding of your financial model and how financially resilient – or vulnerable – you are.
- ▶ For more complex organisations who offer a range of different products and services, business model canvas can help you see how these fit together and complement – or contradict - each other.
- ▶ Understanding your business model in detail will help you to build key measures to monitor business performance, and get early indicators when things are going wrong, so you can take action early, rather than waiting until it's too late.

And finally, what are some of the common mistakes we see in not for profit organisations' business models?

1. Poor customer segmentation – purpose led organisations often want to help everyone and find it difficult to say no. This can really dilute your offering – you can't be all things to all people. Be really clear about who you want to work with so that you can make sure that your services truly meet their needs.
2. Poor value proposition – this is related to the previous point of not really defining your customer segment. It can also be because:
 - ▶ You are making assumptions about what your customers value. If these assumptions are wrong, you risk losing your customers to a more customer focussed, responsive competitor.
 - ▶ You are not sufficiently different to your competitors. It's easy for organisations to develop an internal subjective mindset. The fact that you're a well-intentioned organisation run by lovely people is not enough to make you stand out from all the other lovely, well intentioned organisations in the market.
 - ▶ Be really clear about your value proposition – what do you deliver that meets the needs or wants from your customers and what's unique about it?
3. Lack of shared understanding within your organisation of the full business model. For example, if you provide a range of different services, and key people within your organisation don't understand which aspects of your organisation drive revenue, and which are the 'nice to have' or value adding activities,

you risk focussing your attention on the wrong place. This means that it will take you longer to recognise that things are going wrong, and it will be harder to identify and agree on the best way to fix it.

The business model canvas was developed by Alexander Osterwalder, and there are free resources available from strategyzer.com.

Related videos to watch next: [Understanding your Customers](#) and [Resourcing and Costs](#).