

# Business Resilience Toolkit

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## What is your business model, and why do you need one?

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### Transcript:

What is your business model – and why is it important to understand it?

At its simplest level, a 'business model describes three key things:

- ▶ Who your customers are
- ▶ Products and services you provide
- ▶ How you are paid for your products and services.

In the not for profit sector, often the person receiving your service (customer) is not the person who pays for them.

It is important to understand all three aspects of your business model: about who you're serving; how you meet market need through your products and services; and how you monetise.

For example: a disability service provider:

- ▶ customers are people with a disability – and you may focus on people with a particular type of disability
- ▶ service might be social and community participation
- ▶ monetised through NDIS payments, or through private clients.

Understanding these basics is the starting point to looking at your model in more detail – e.g. truly understanding your customer requirements; understanding your market environment; working out your business expenses and if your model is financially sustainable. It will also help with identifying gaps or vulnerabilities in your business model.

Business models are also about managing risk and maximising opportunities. If something changes in your target customer segment - to the way you have to deliver your product, or to the way your service is paid

for, then you can work out what levers to pull to ensure you're continuing to meet market need in a sustainable way.

In our example – COVID-19 lockdown measures meant many providers of social and community participation couldn't offer community based services anymore, so they switched to online or one-to-one activities instead. They changed the product offering in their business model to help them adapt to a changing market environment.

Looking at the three elements of customers, services and how you make money is a very simple approach to understanding your business model.

**Related video to watch next: Business model canvas and theory of change.**