*how to systematically build*

# BUSINESS MODELS BEYOND PROFIT

*Alex Osterwalder, PhD*
www.businessmodelgeneration.com
Twitter: business_design

*this was a three hour lecture given at Jacobs University, Bremen, in the context of impACT³ - a pan-European student competition for social entrepreneurship www.act-for-impact.net*

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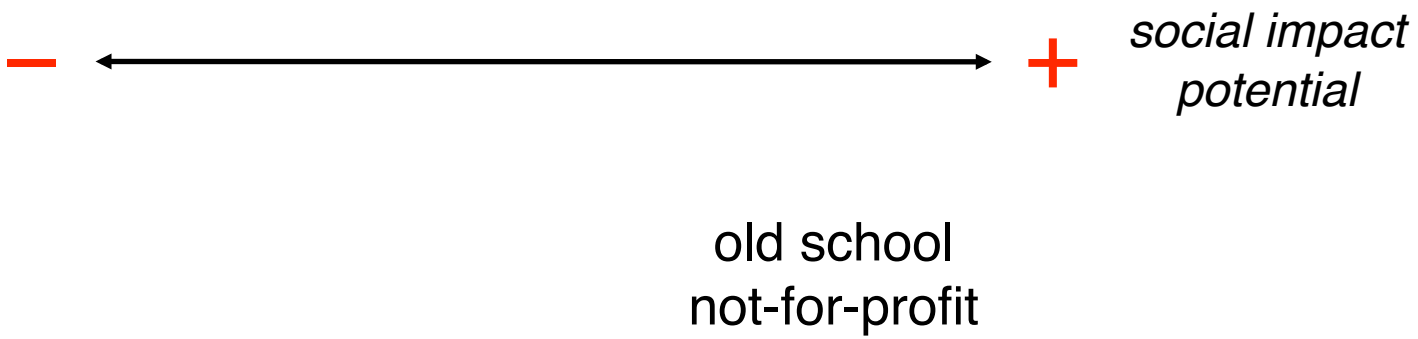
the world used to be divided into …

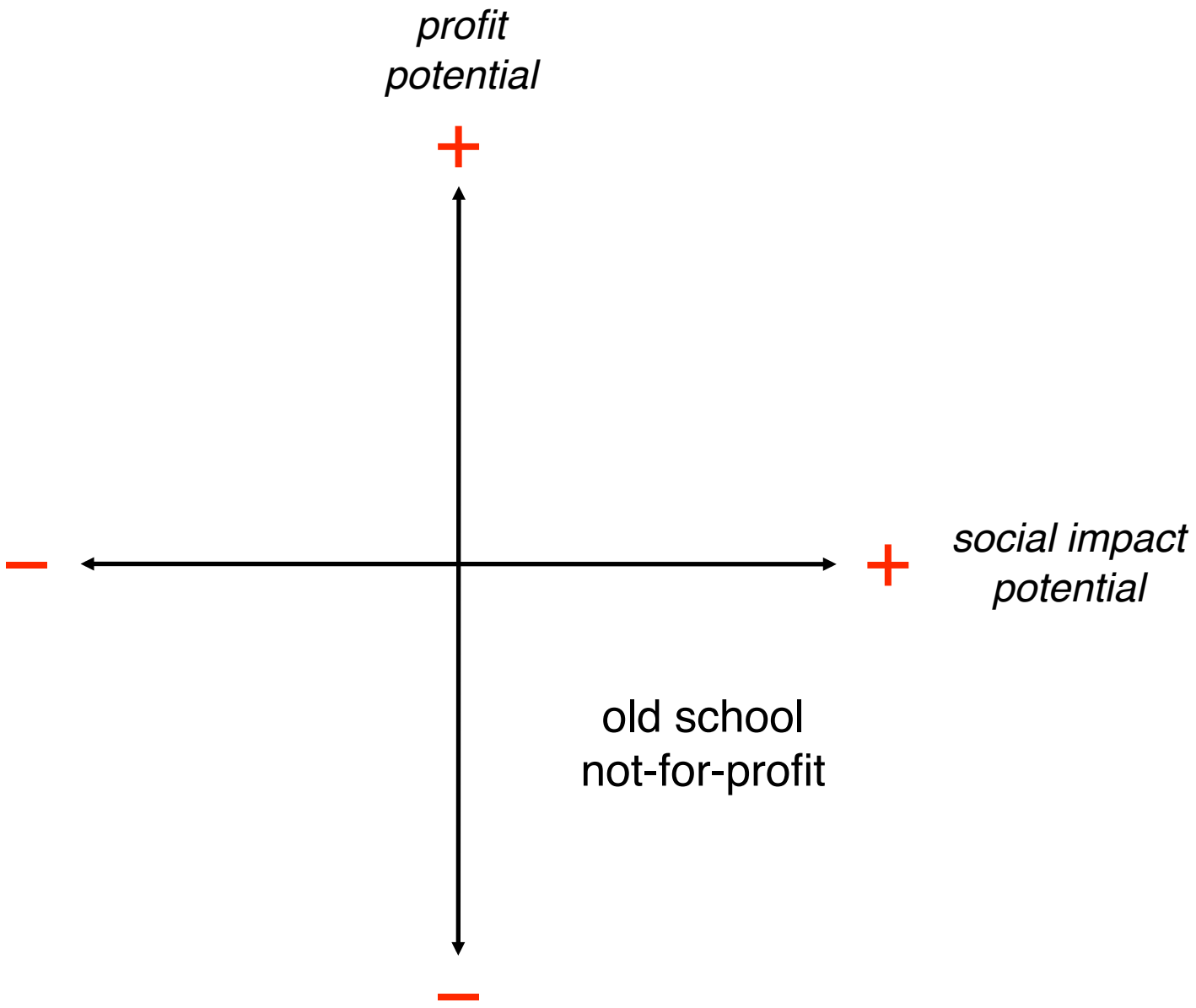
giving…

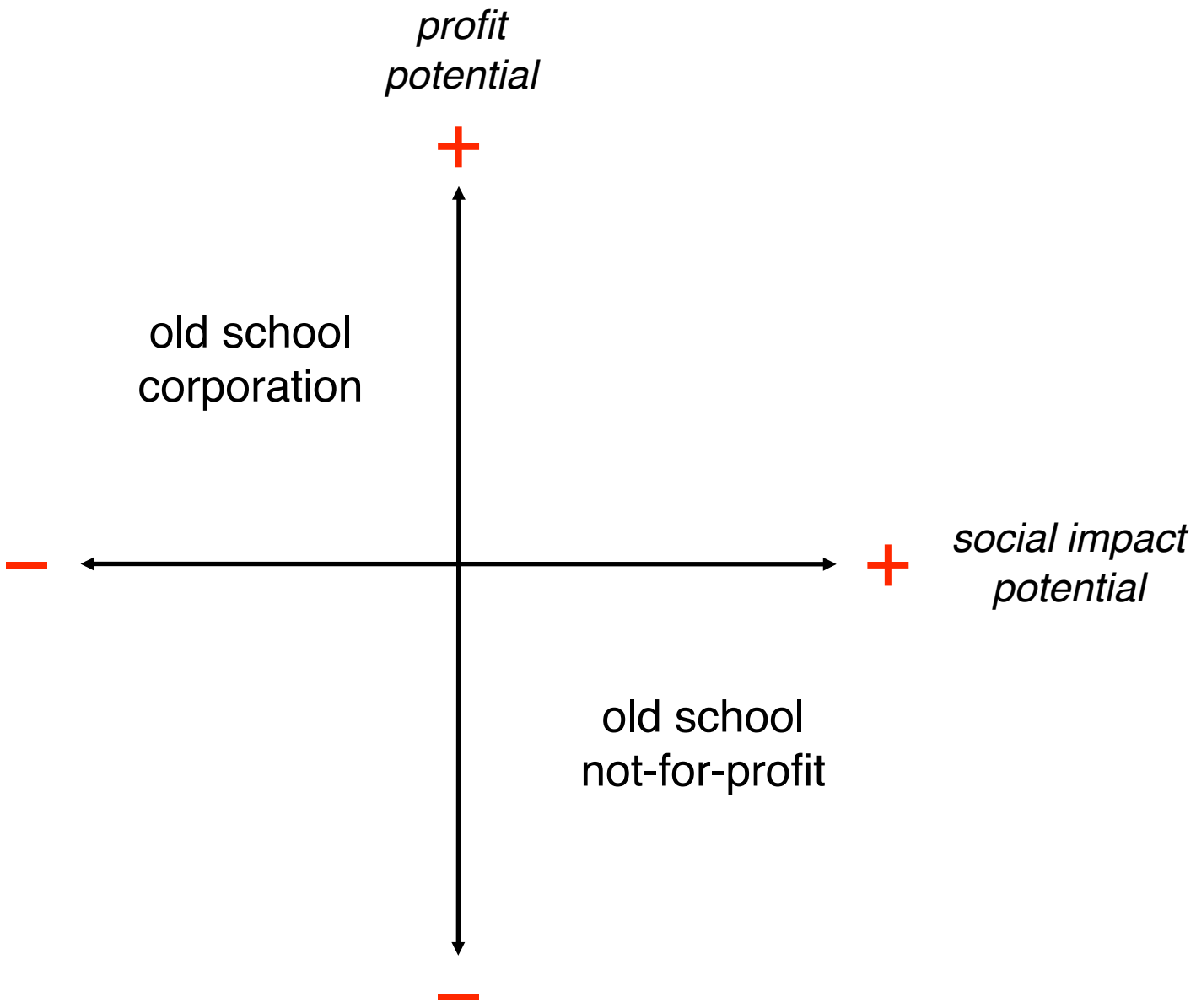
…and taking

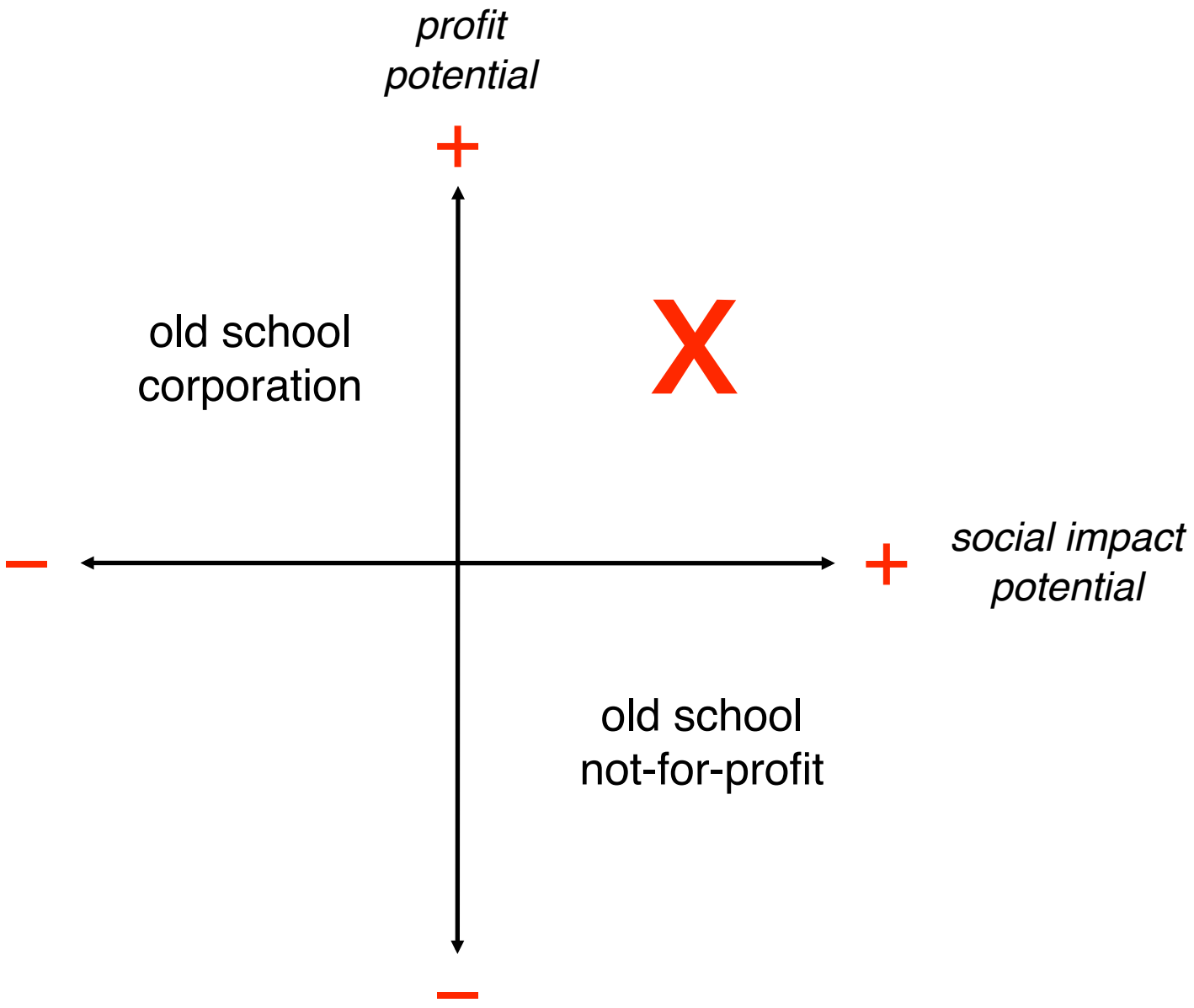
“I’ve found that investors typically have two pockets, one for donations and one for maximizing profits”

*Matt Scott, co-founder COSMOS Ignite*


–
+
social impact
potential
old school
not-for-profit


*profit potential*
+
−
−
+
*social impact potential*
old school
not-for-profit

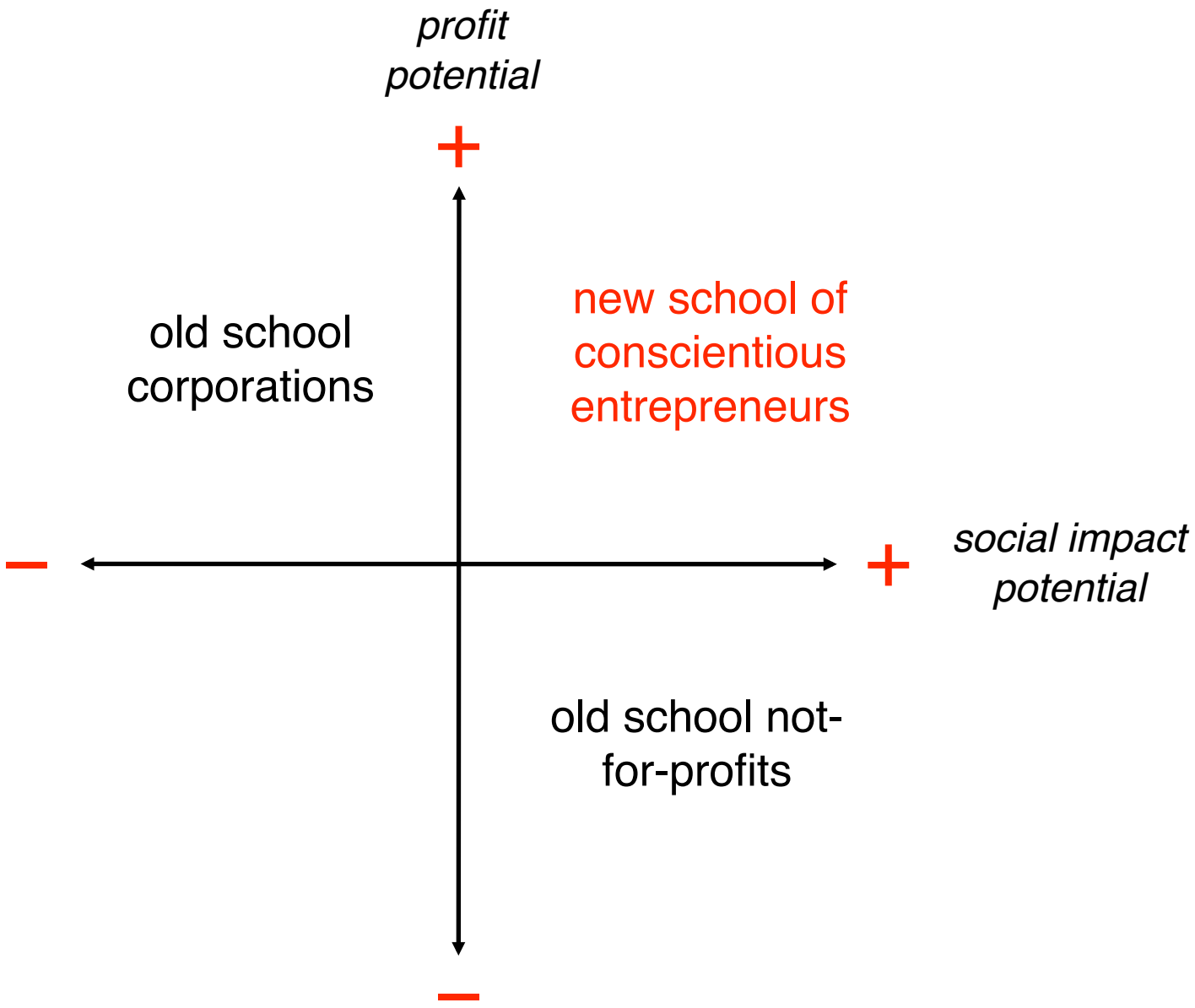

*profit potential*
+
old school corporation
−
+
*social impact potential*
old school not-for-profit
−


*profit potential*
+
old school corporation
X
−
+
*social impact potential*
old school not-for-profit
−

but the world
is changing

“ Business must be for profit but profit must also be for purpose ”

*Mads Kjaer*
*co-founder MYC4*


*profit potential*
+
old school corporations
new school of conscientious entrepreneurs
–
+
*social impact potential*
old school not-for-profits
–

interesting?

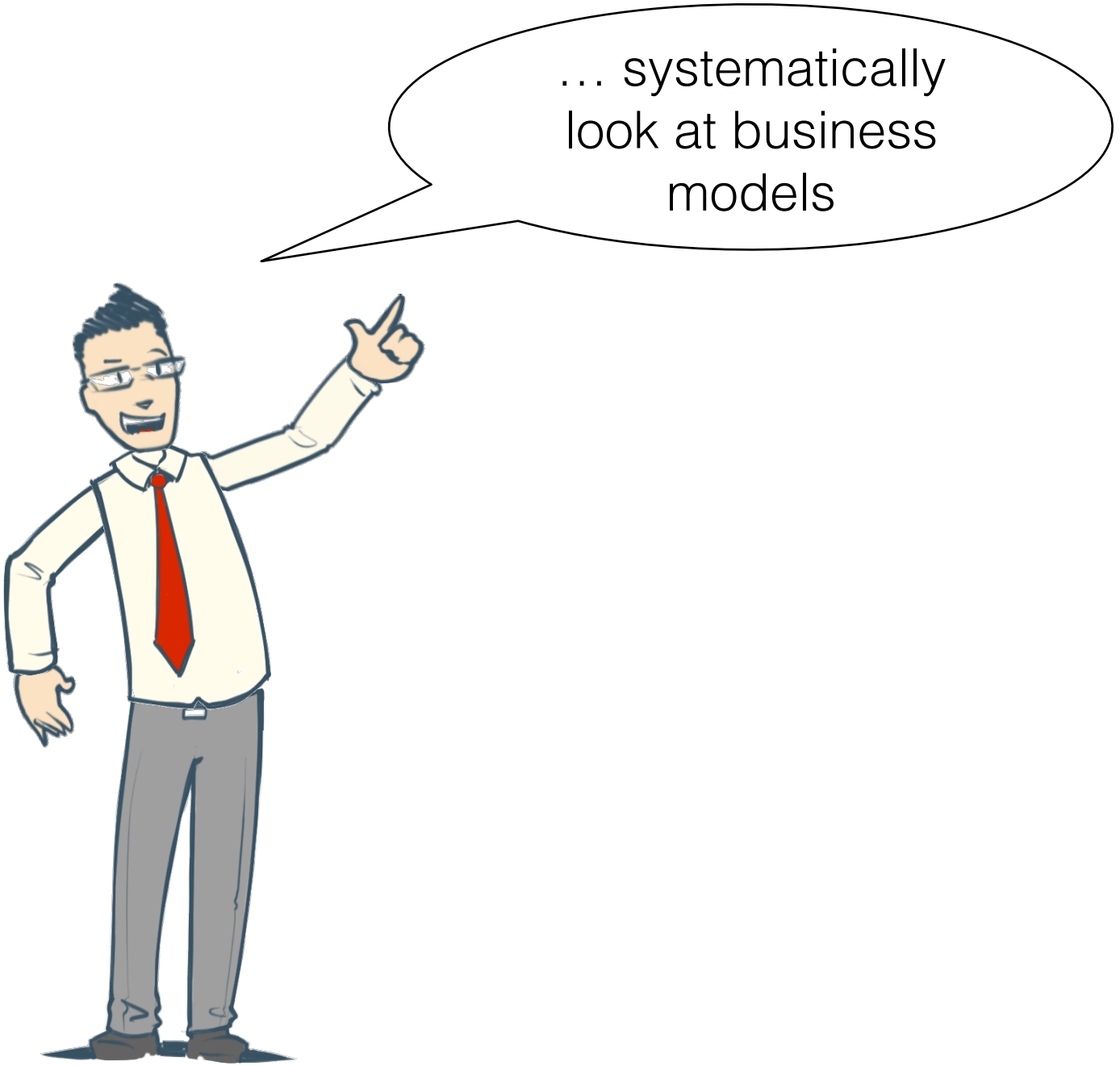
interesting?

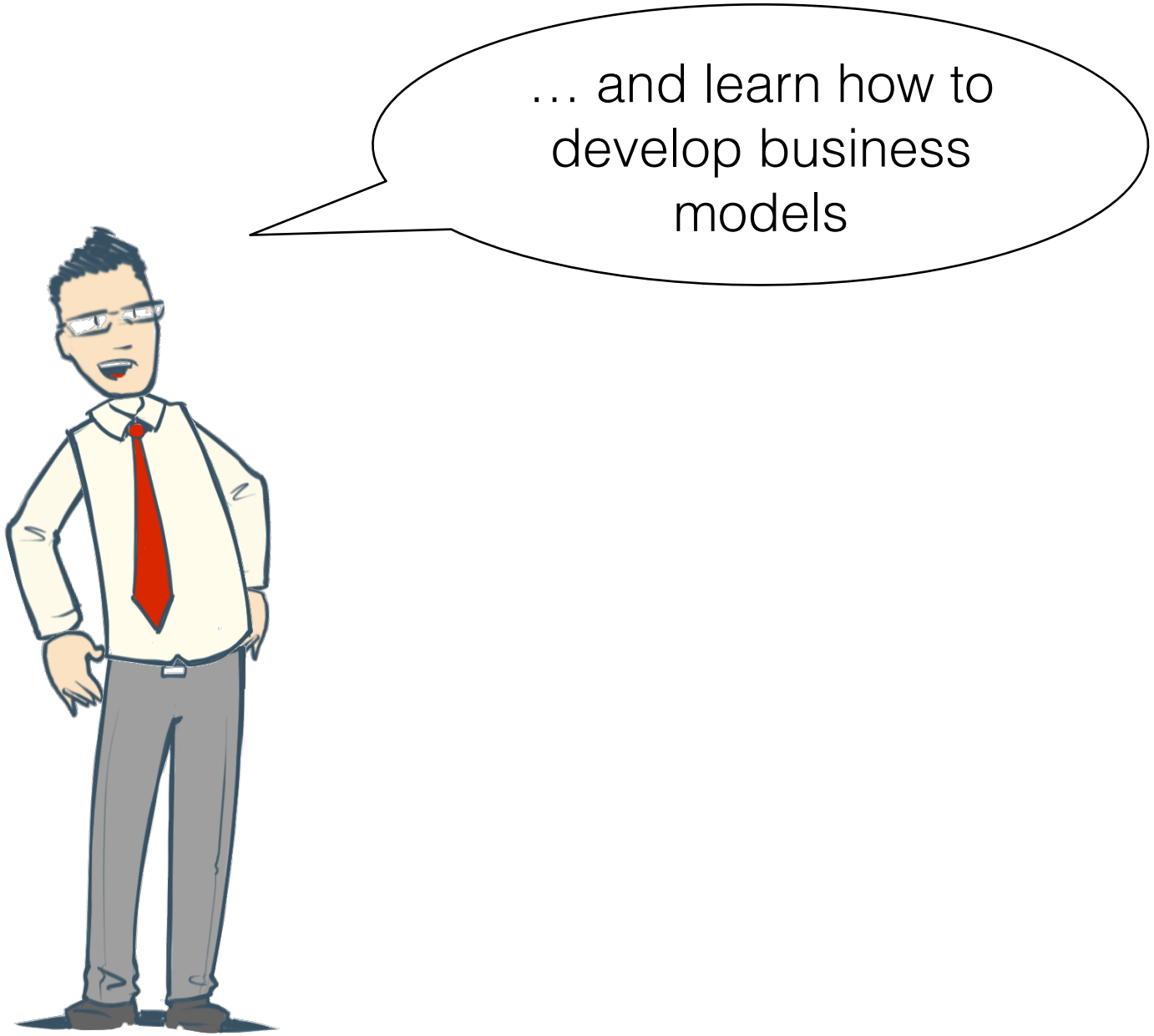
YES?

so

we need new tools to come-up with business models beyond profit

my mission today is
to help you…

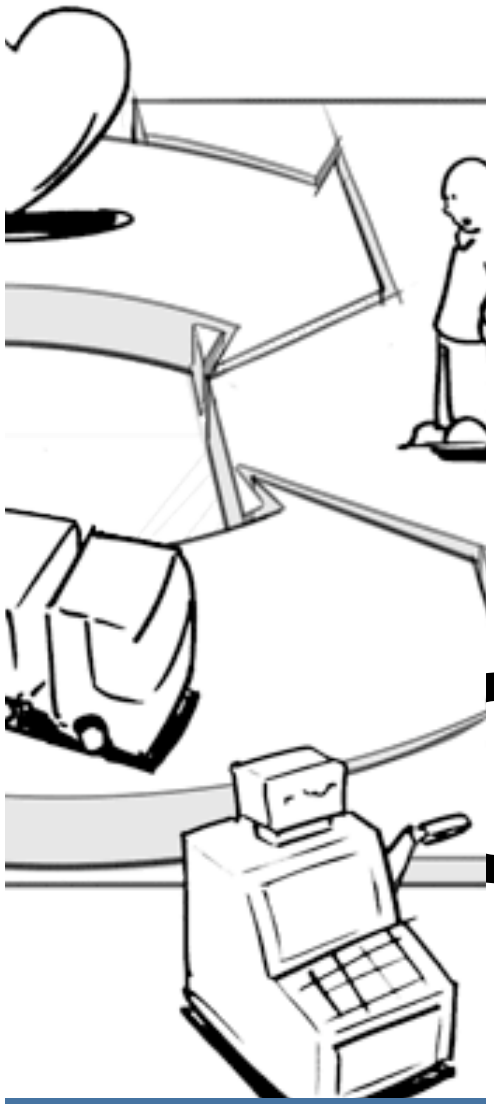

… systematically
look at business
models


… and learn how to develop business models

what do business models have to do with social & environmental impact?

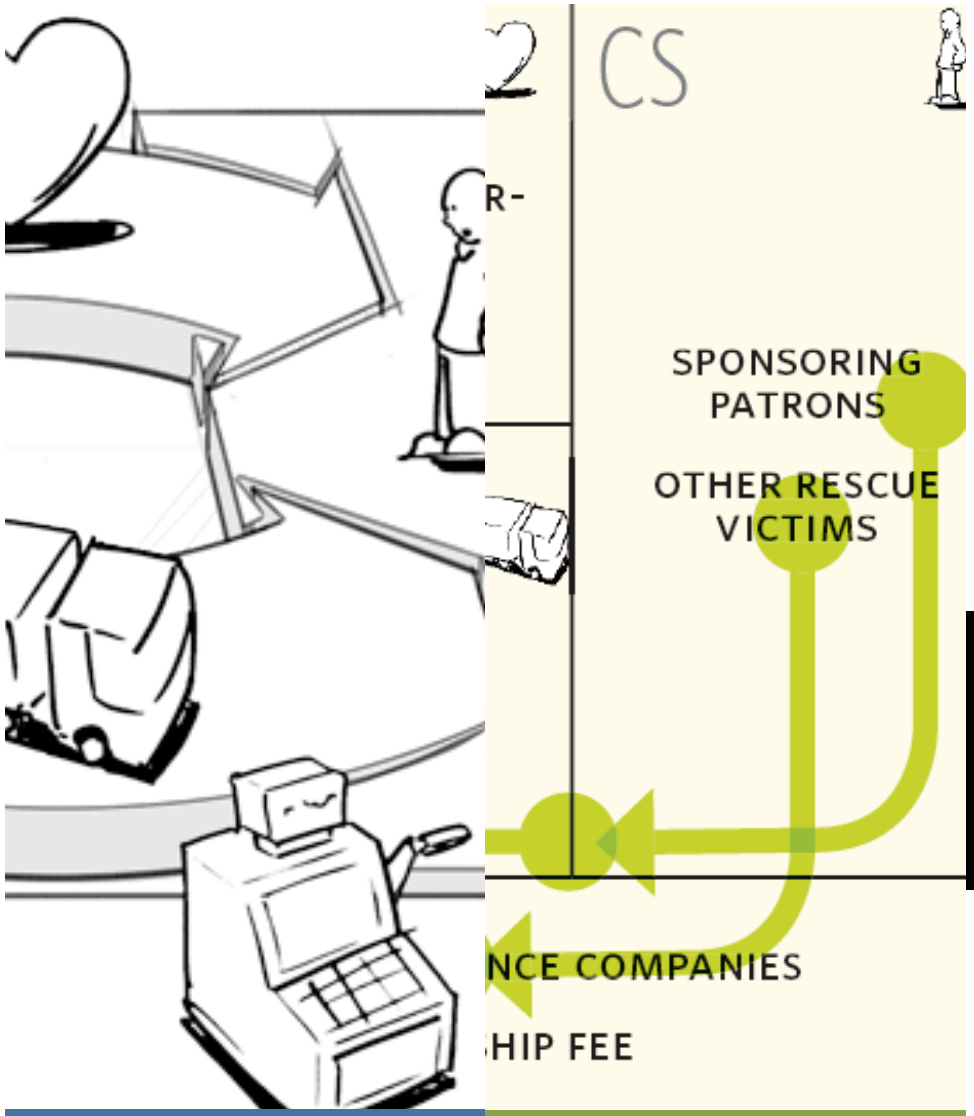
it’s key if you want to
come up with innovative
ways to “do good” AND
“do well”

# outline



# outline

approach




line

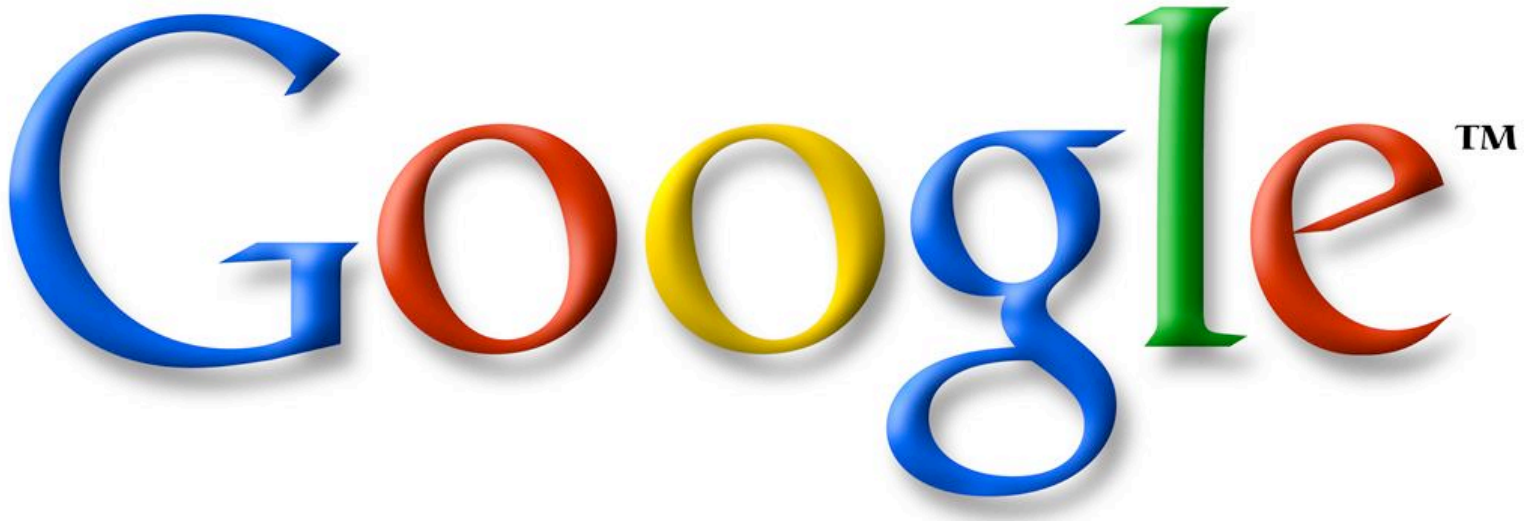
approach patterns

approach patterns attitude

approach patterns attitude process

# Approach

does…




… have a business model?

… have a business model?

… have a business model?

… have a business model?

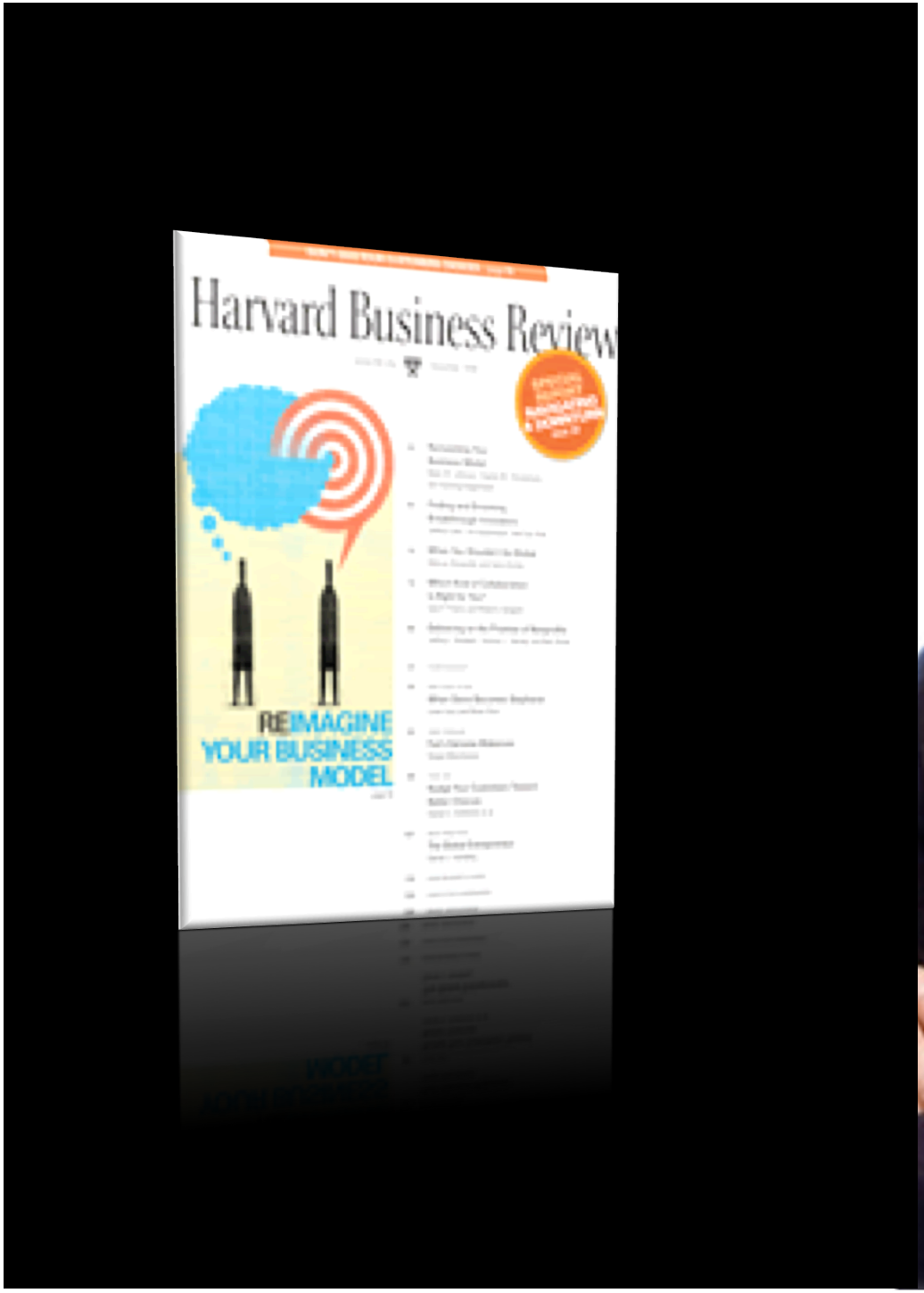
… have a business model?

… have a business model?

# *buzz group*

discuss with your neighbor
what a business model is and
write down your definition

which elements did you mention when you defined a business model?


Harvard Business Review
REIMAGINE
YOUR BUSINESS
MODEL

“there is a lack of definition”

“few companies understand their existing business model well enough”

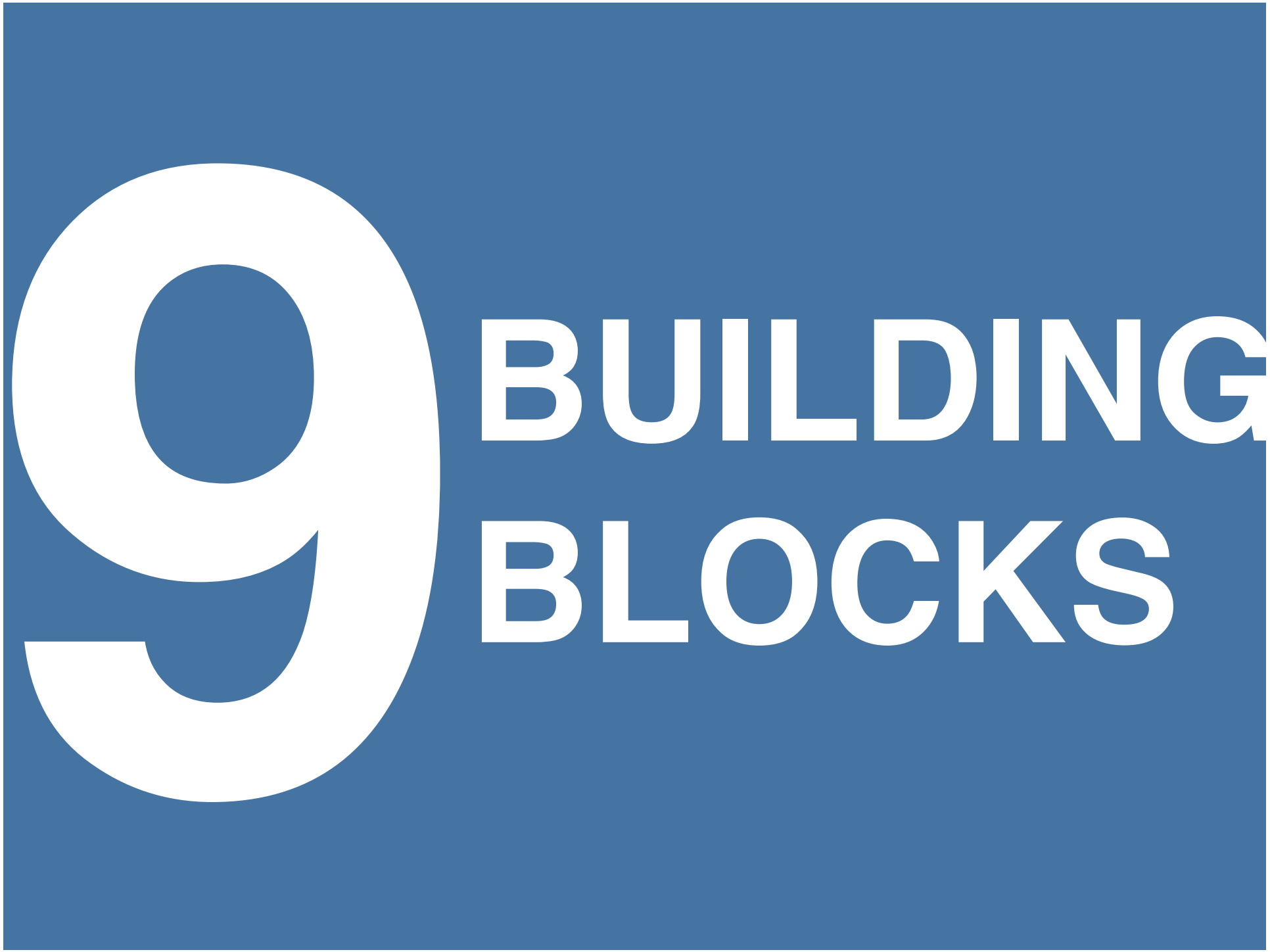
so we came up with a way to master business models through…

the

# BUSINESS MODEL CANVAS

Def_Business Model

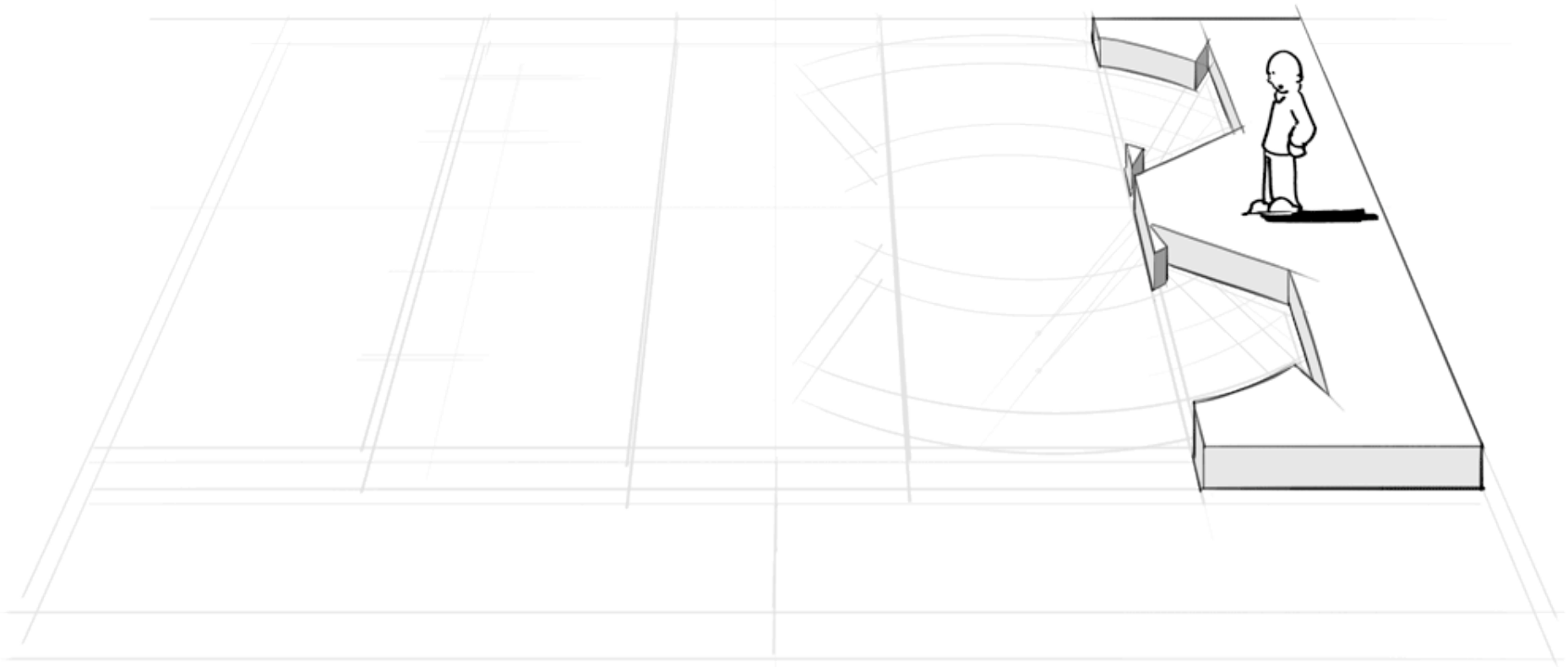
a business model describes the rationale of how an organization creates, delivers, and captures value


9
BUILDING
BLOCKS

# the 9 building blocks of a business model

images by JAM

# CUSTOMER SEGMENTS



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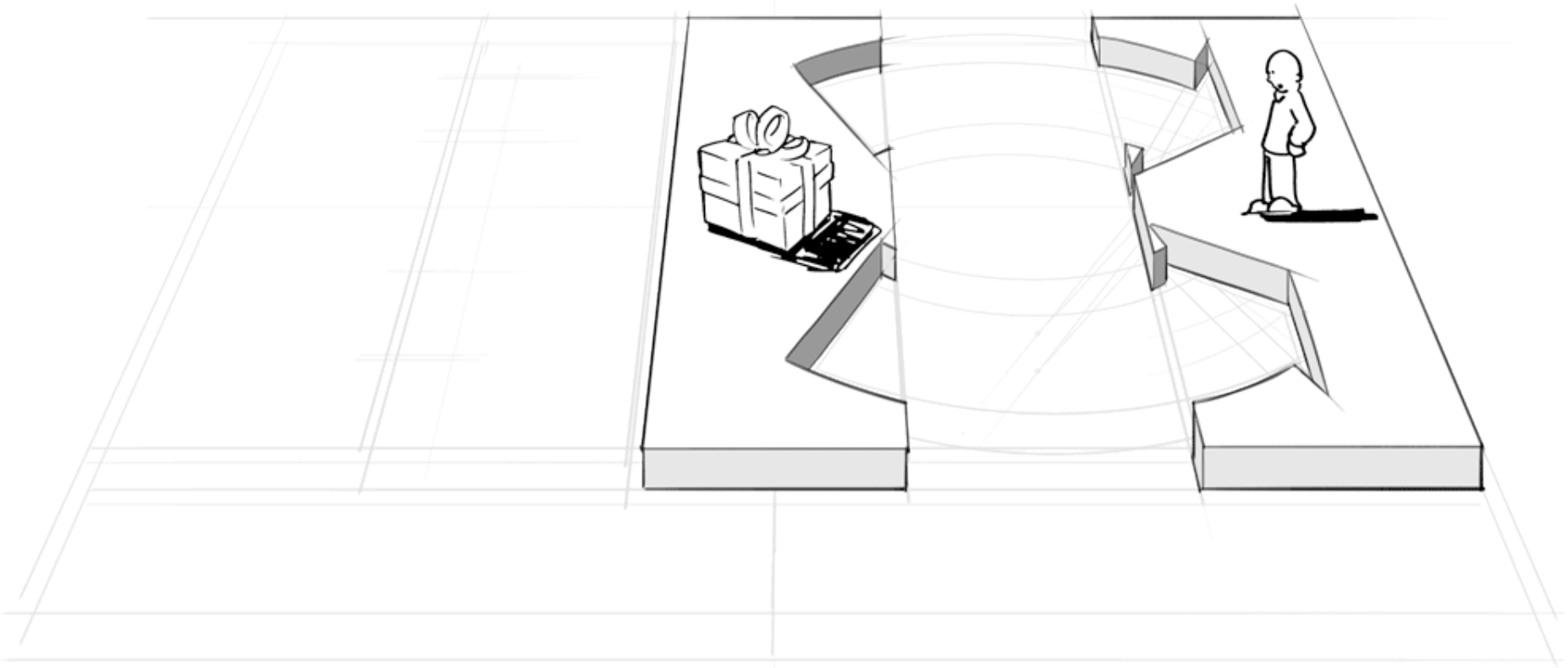
# VALUE PROPOSITIONS



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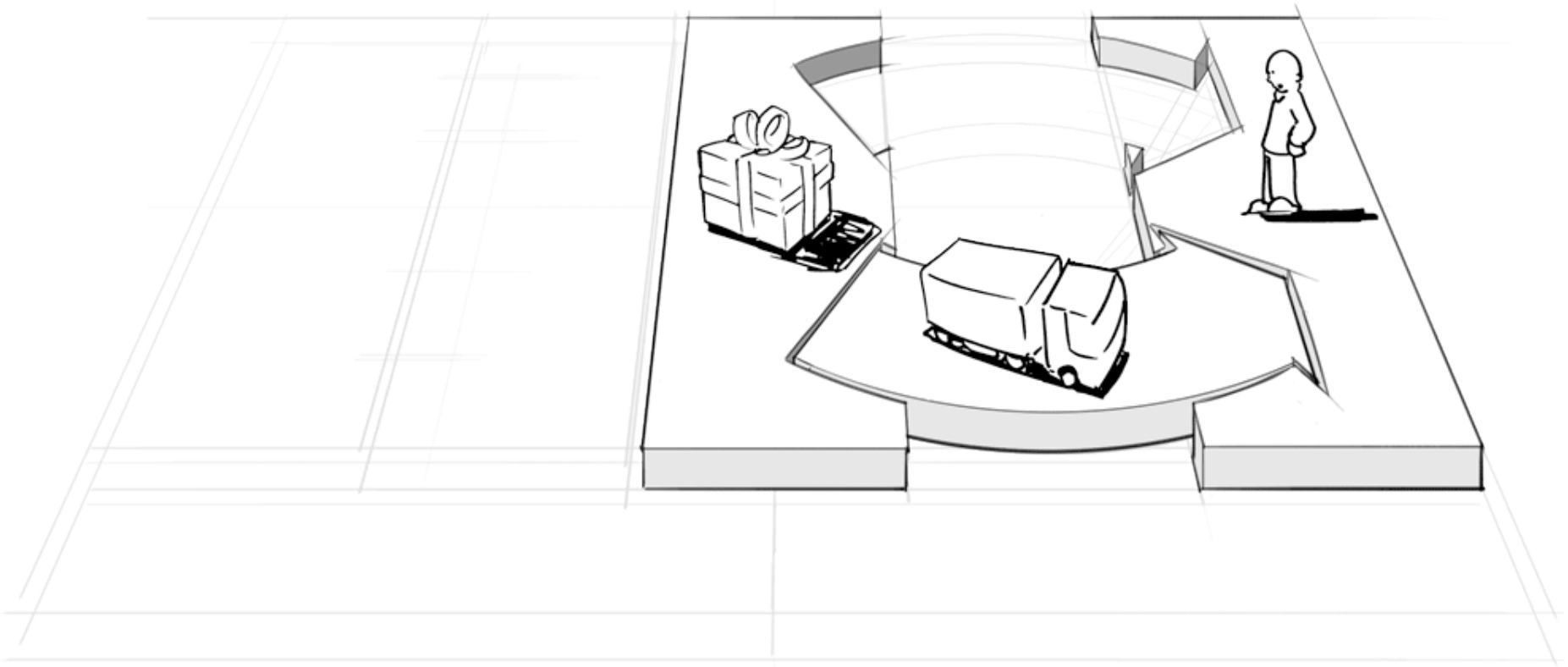
# CHANNELS



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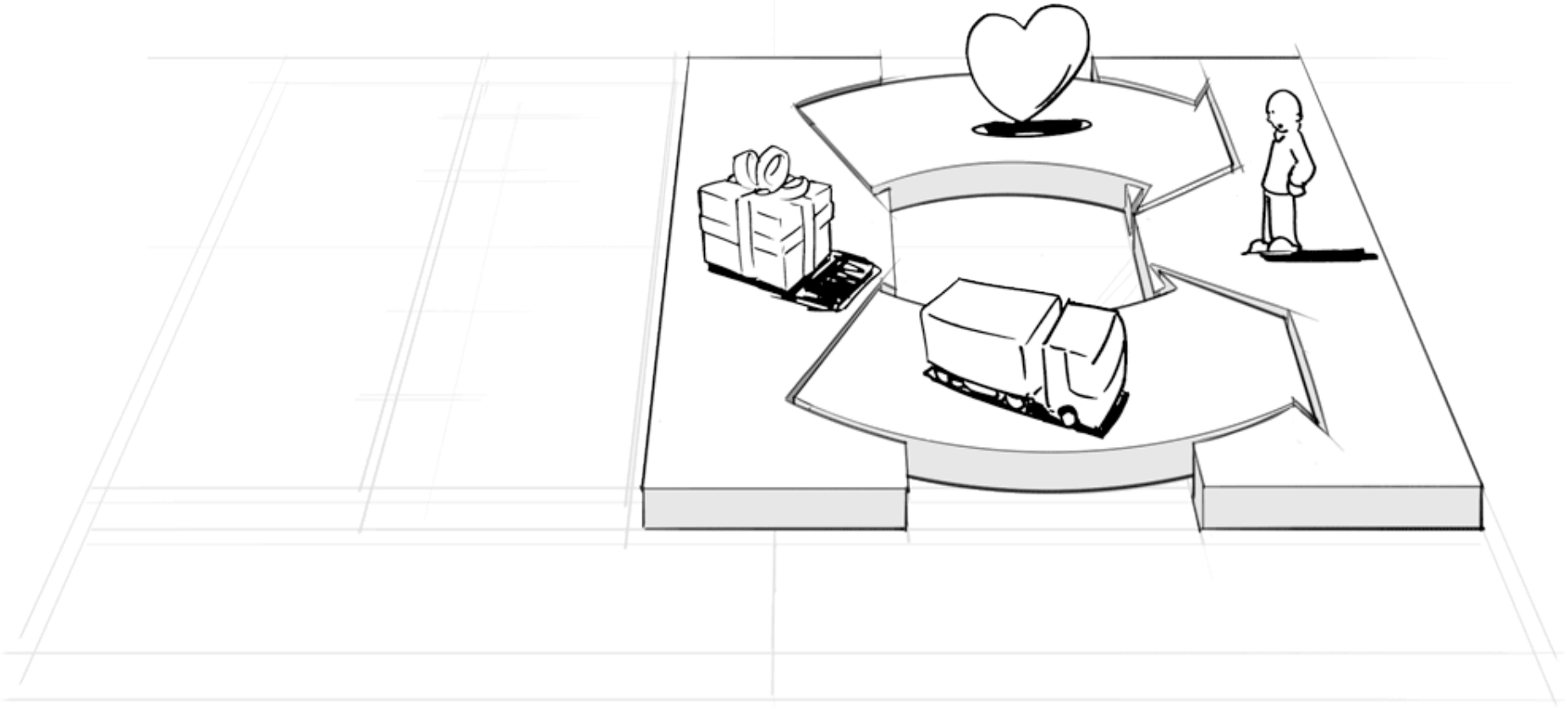
# CUSTOMER RELATIONSHIOPS



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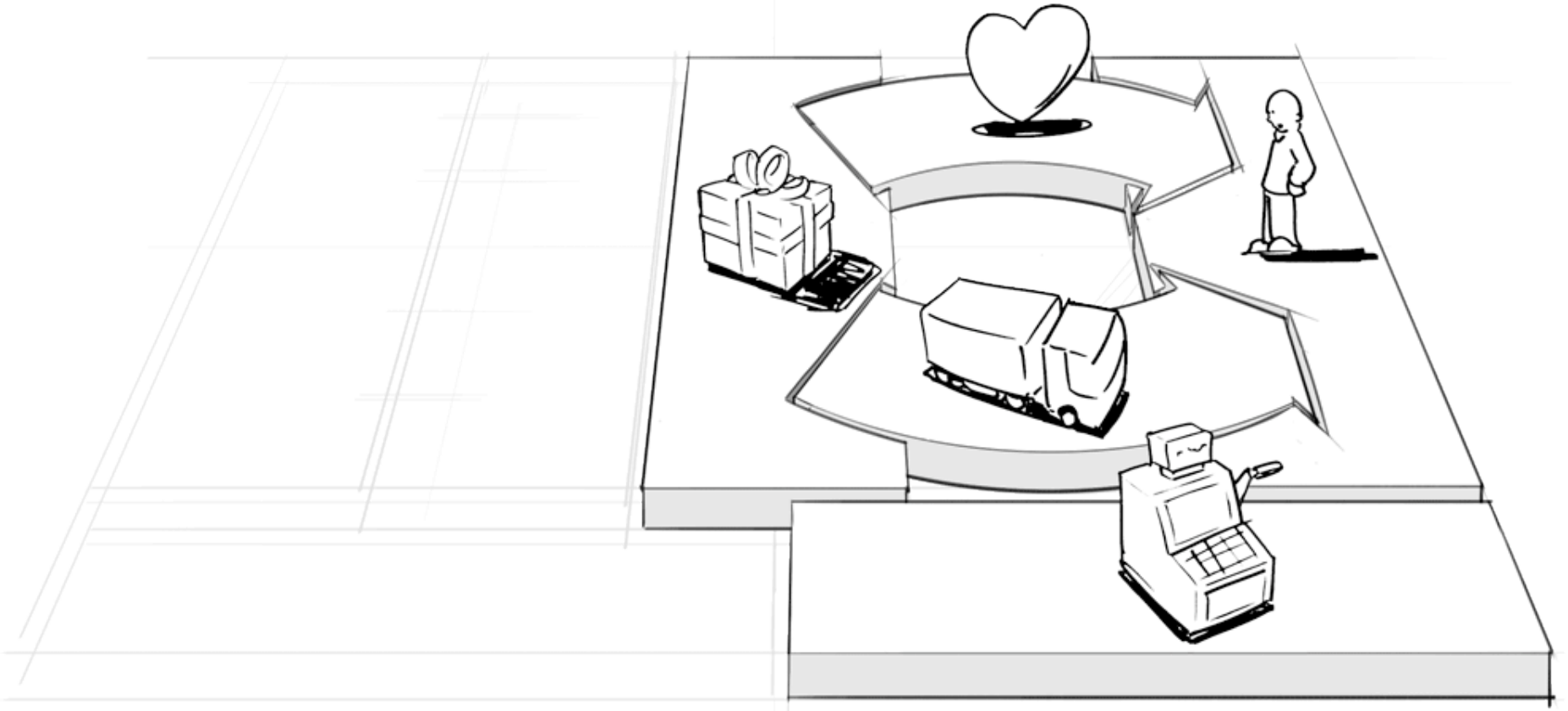
# REVENUE STREAMS



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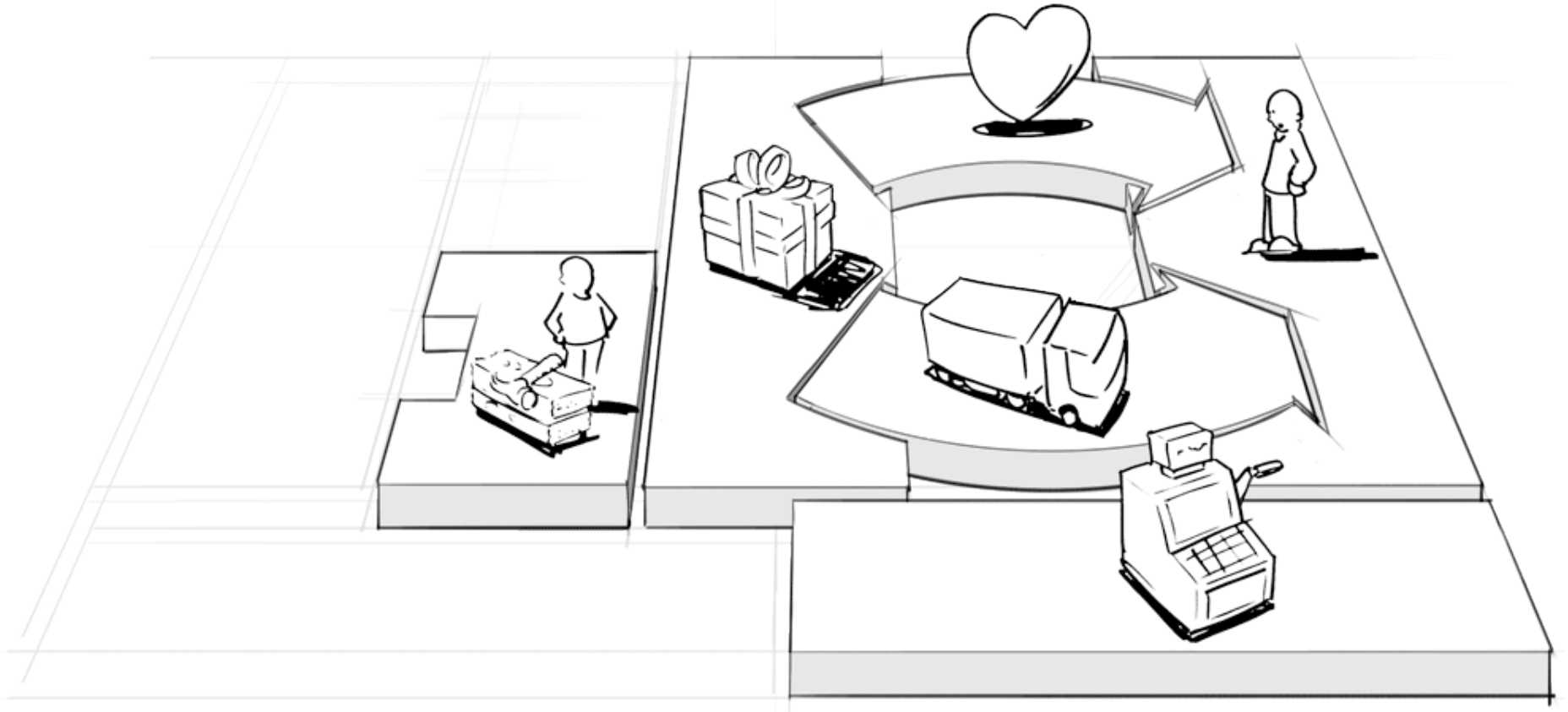
# KEY RESOURCES



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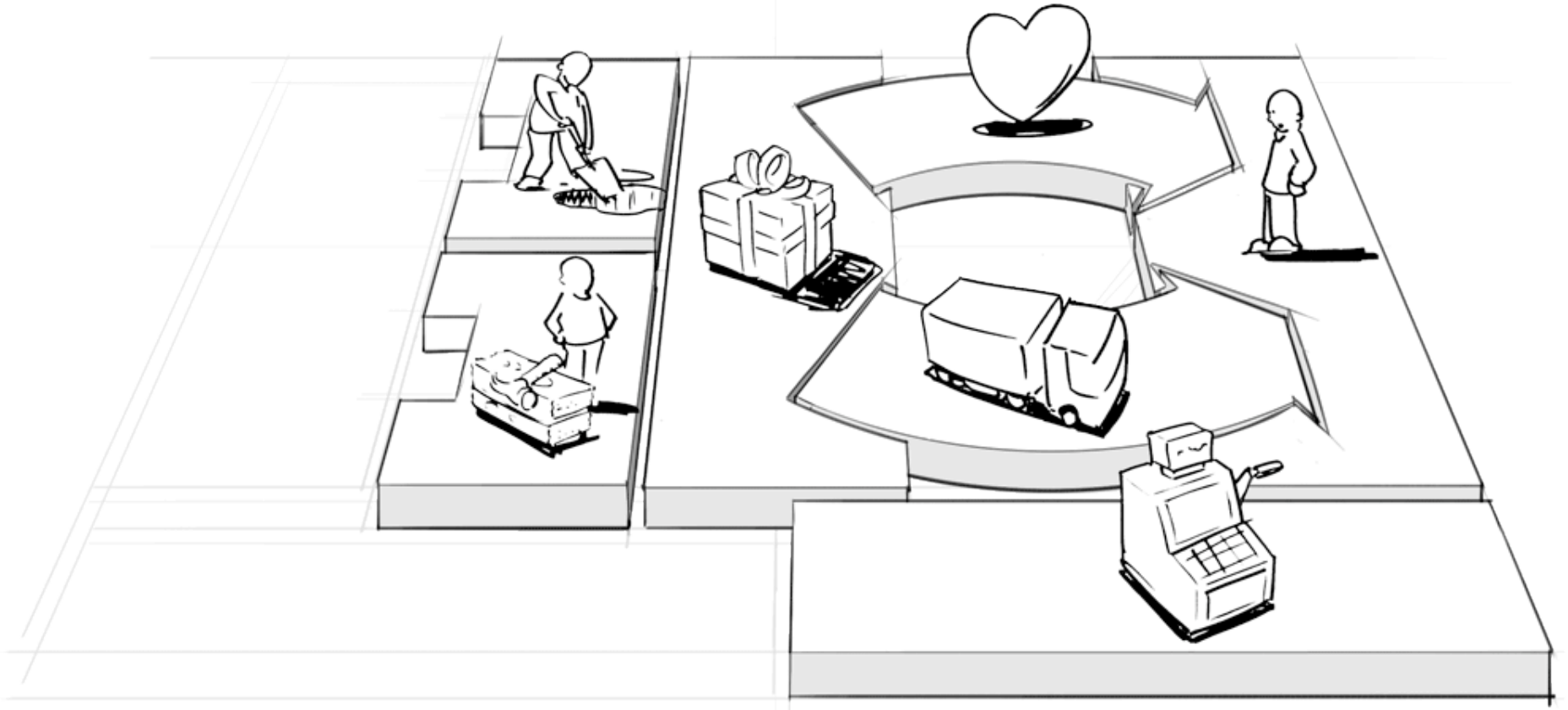
# KEY ACTIVITIES



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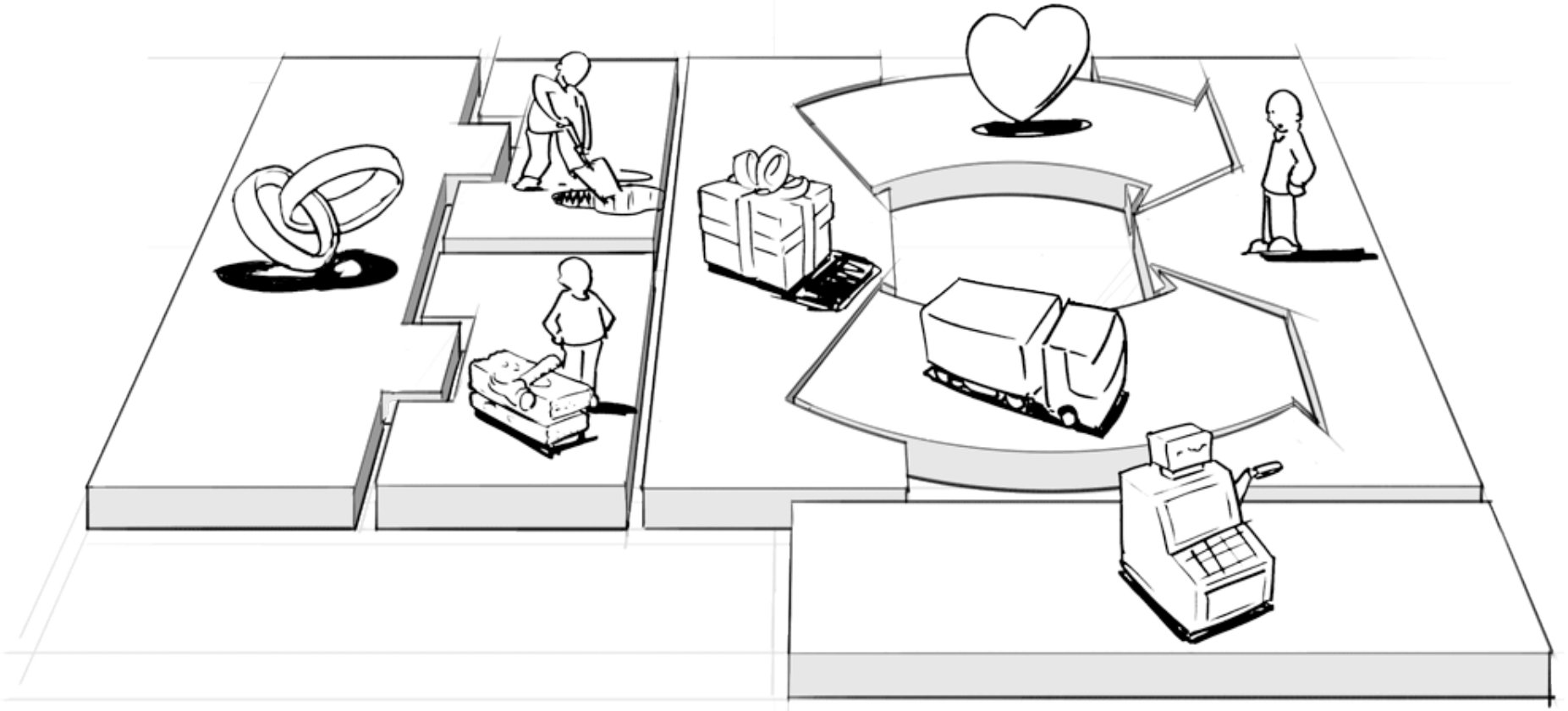
# KEY PARTNERS



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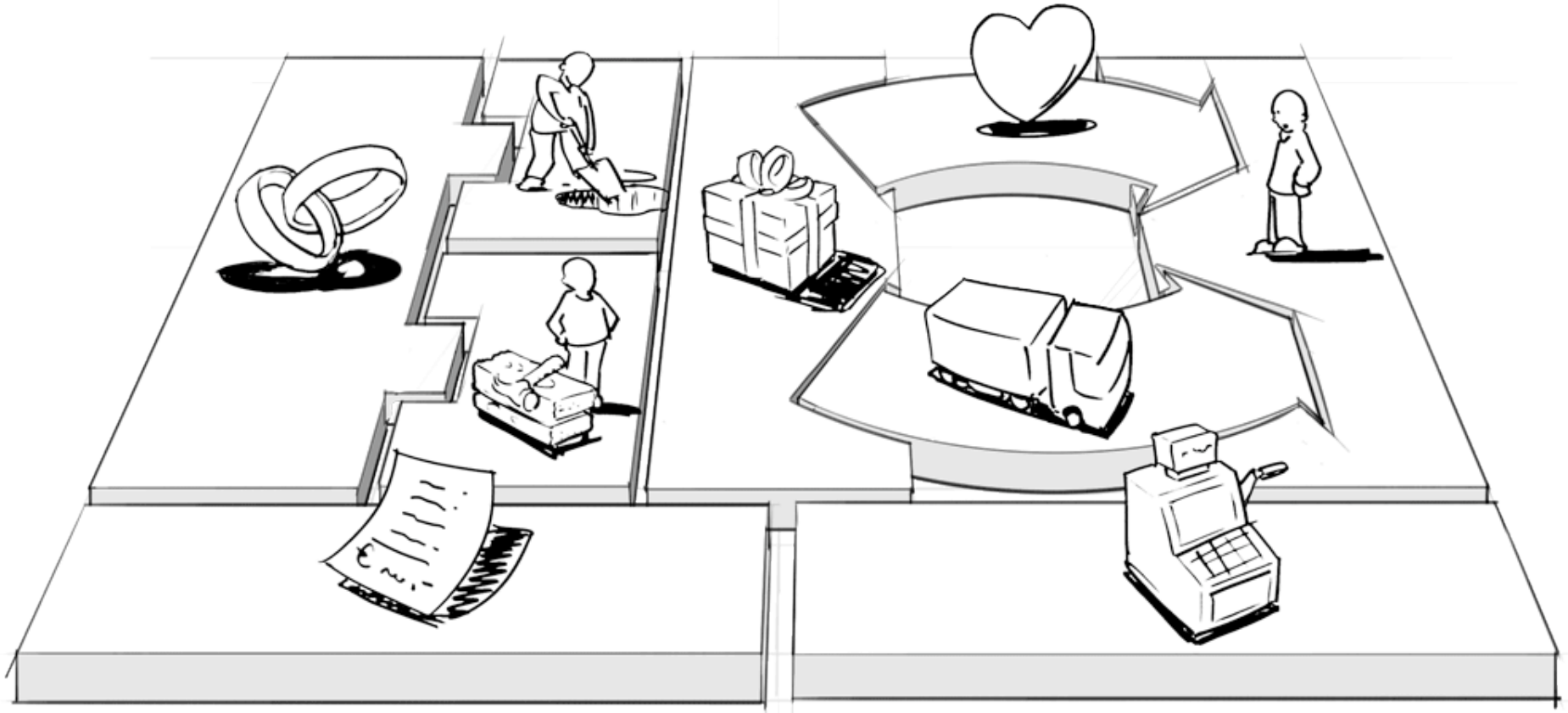
# COST STRUCTURE



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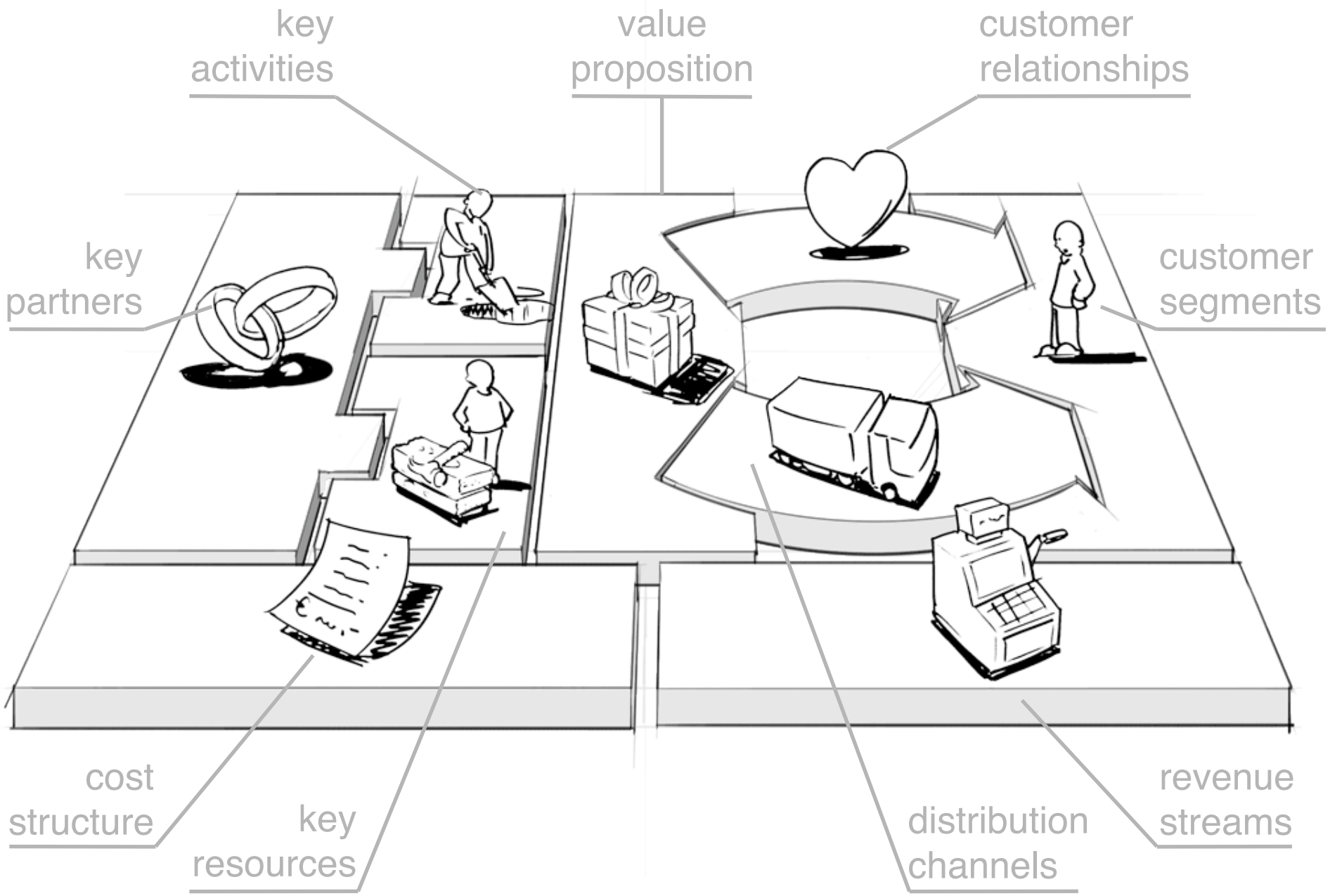


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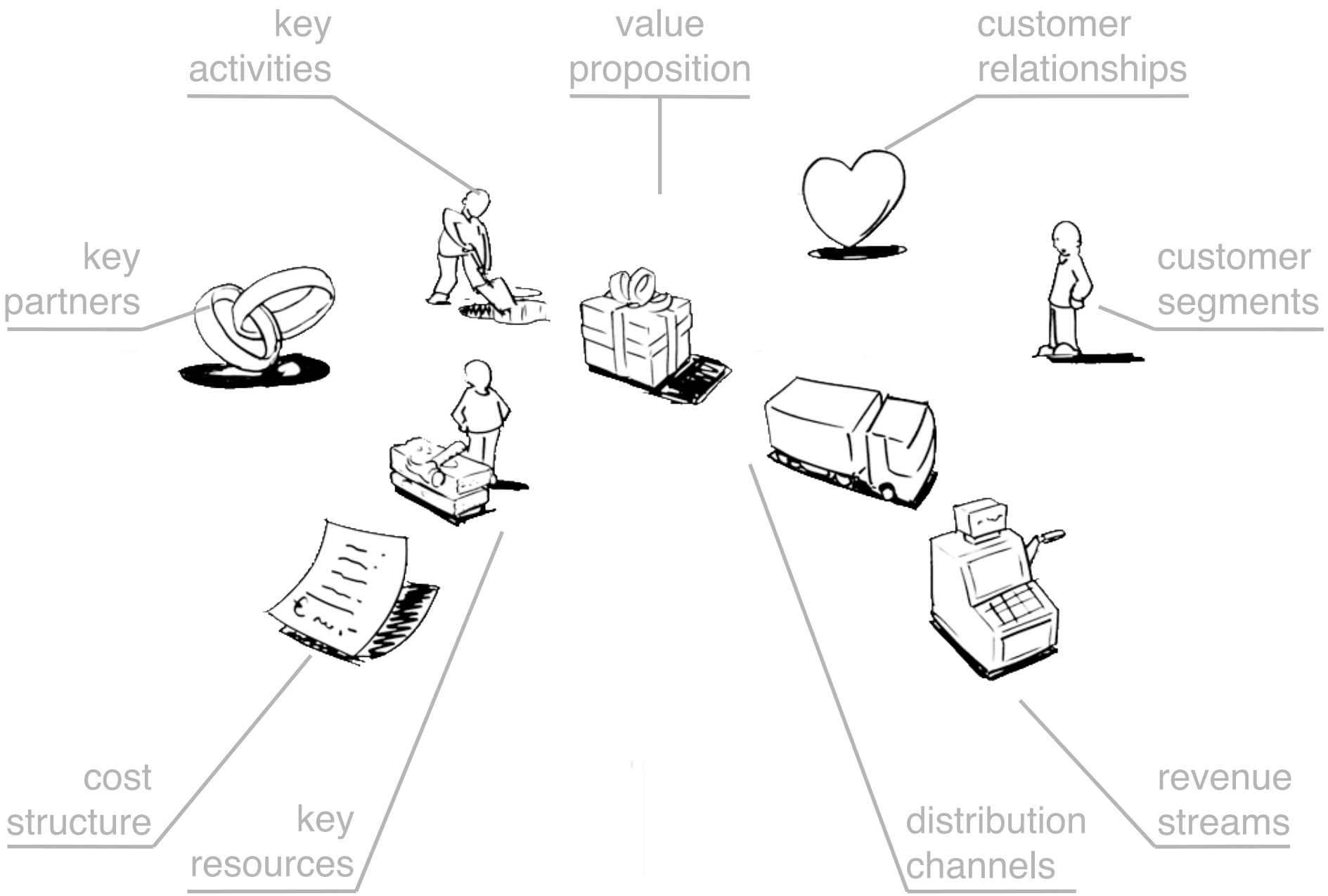
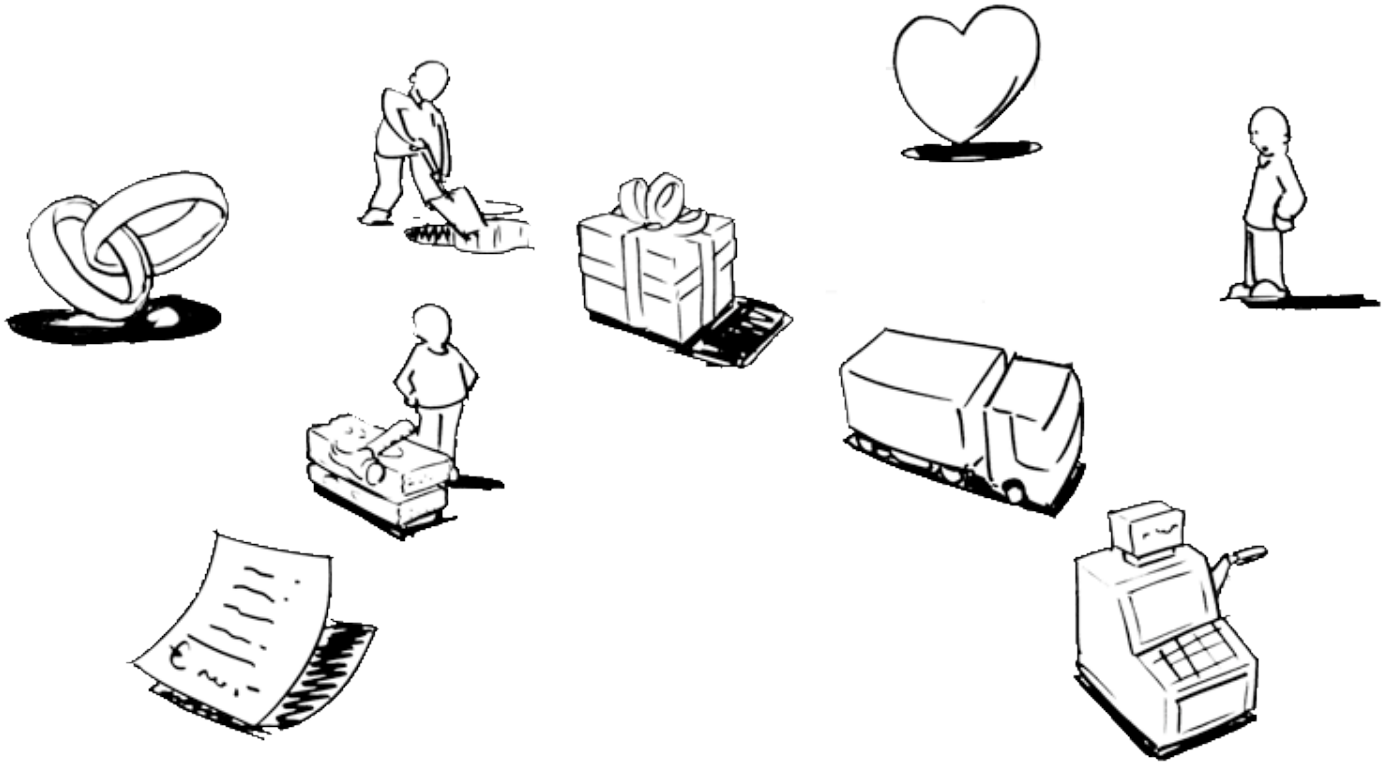

key activities
value proposition
customer relationships
key partners
customer segments
cost structure
key resources
distribution channels
revenue streams
images by JAM



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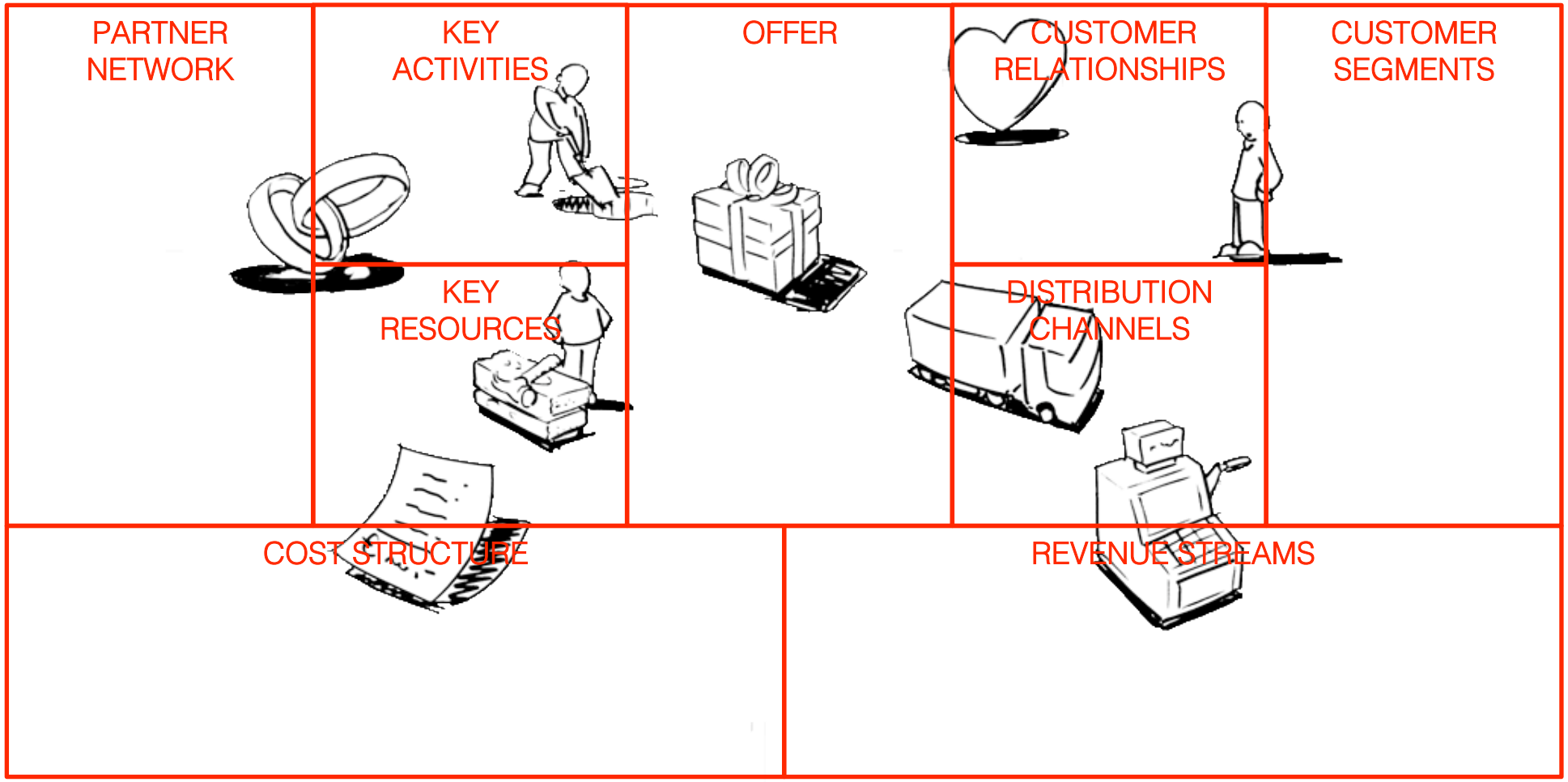
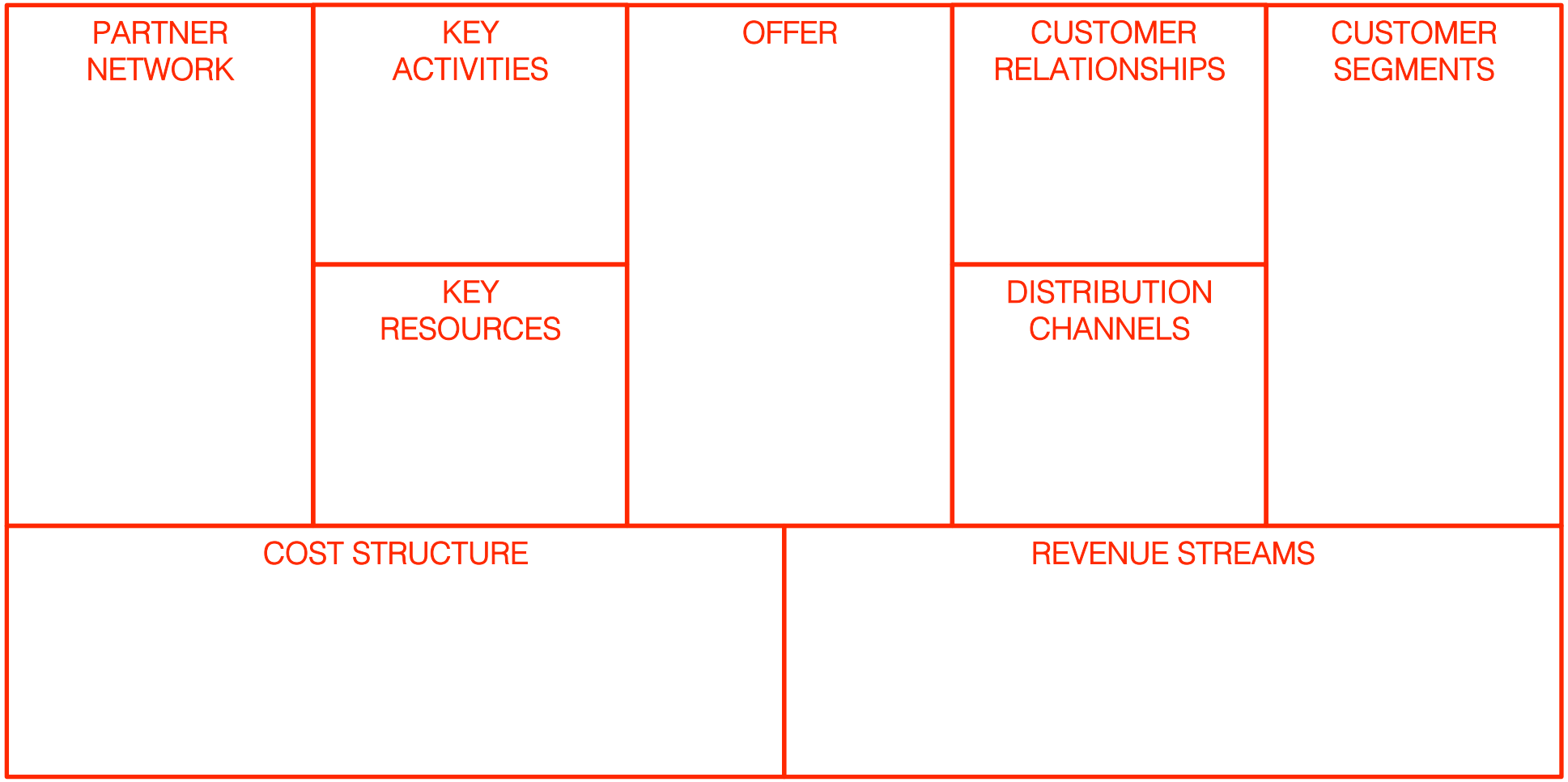
# OVERLAY



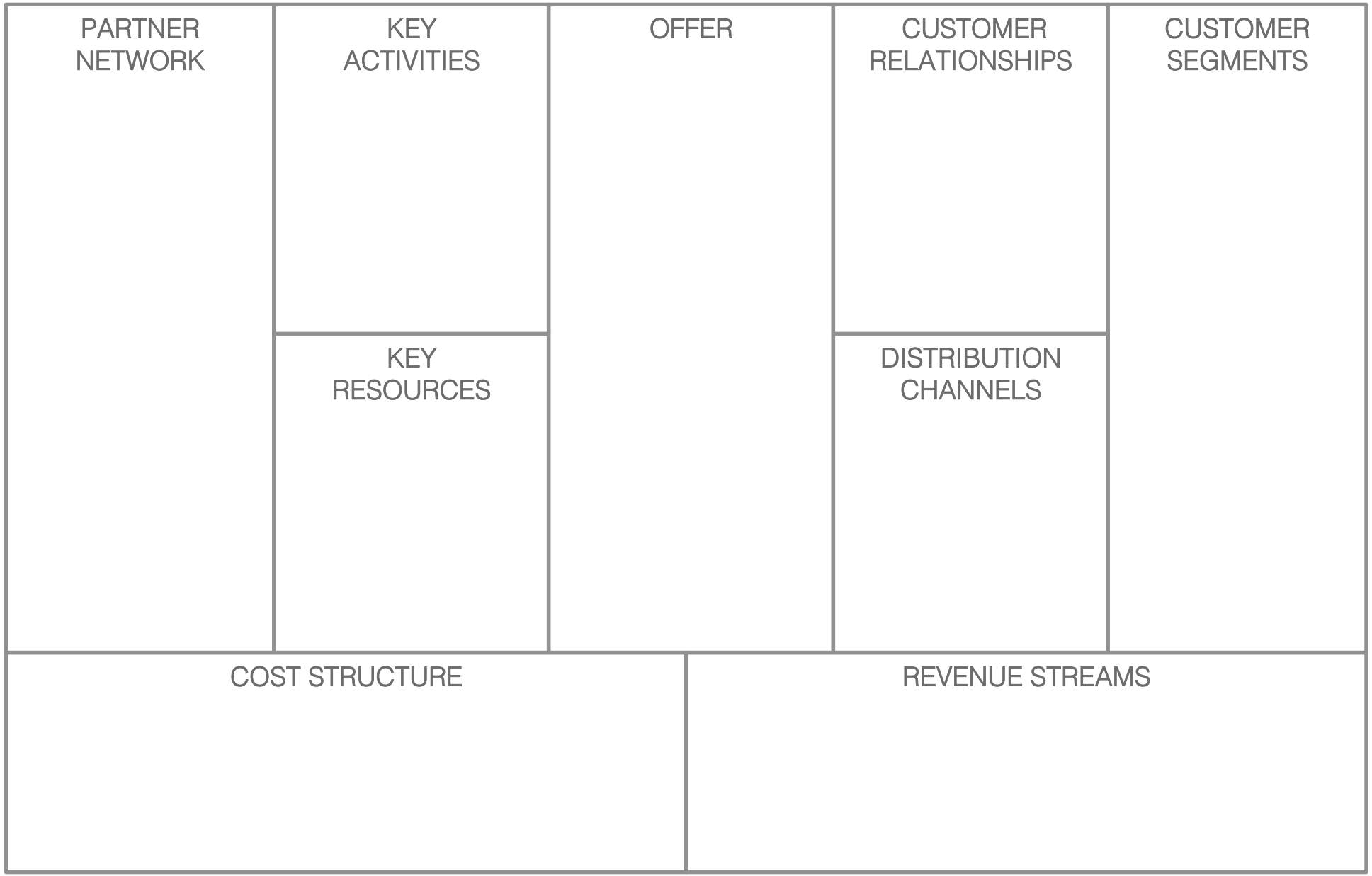

images by JAM

# OVERLAY

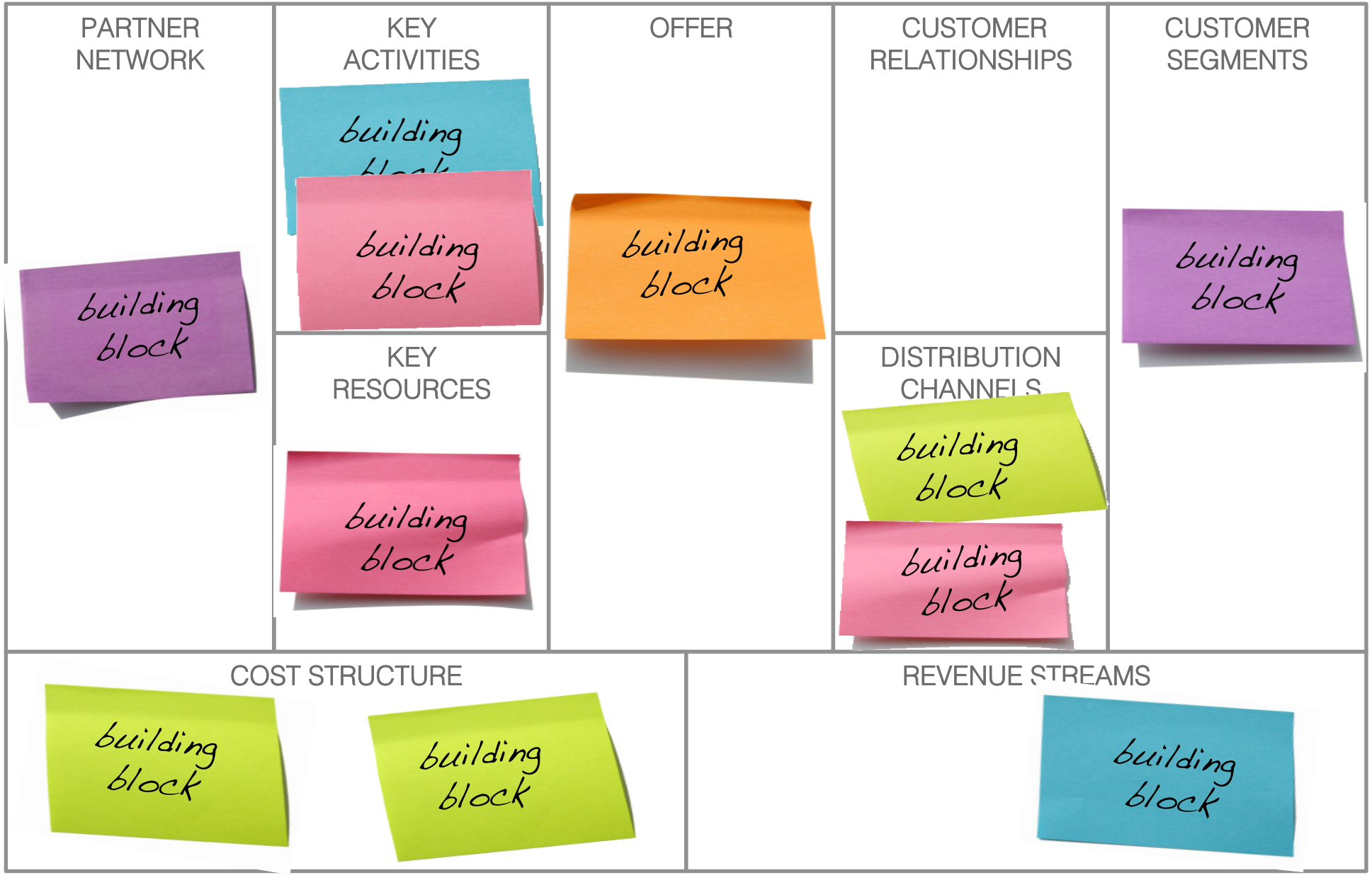



images by JAM

# THE BUSINESS MODEL CANVAS



# THE BUSINESS MODEL CANVAS

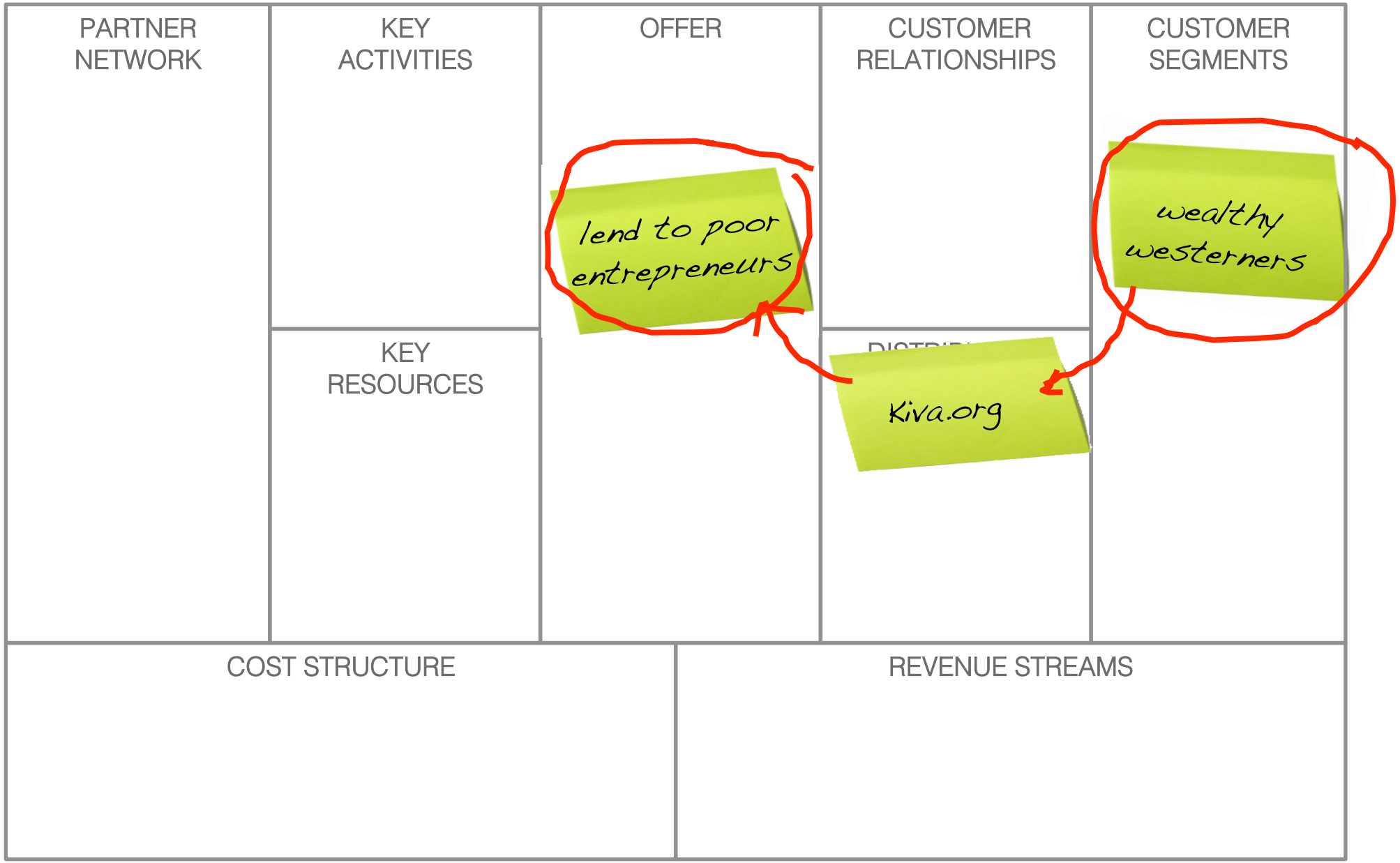


*example*

# KIVA 's business model

| PARTNER NETWORK | KEY ACTIVITIES | OFFER | CUSTOMER RELATIONSHIPS | CUSTOMER SEGMENTS |
|---|---|---|---|---|
| | KEY RESOURCES | | DISTRIBUTION CHANNELS | |
| COST STRUCTURE | | | REVENUE STREAMS | |

# KIVA 's business model



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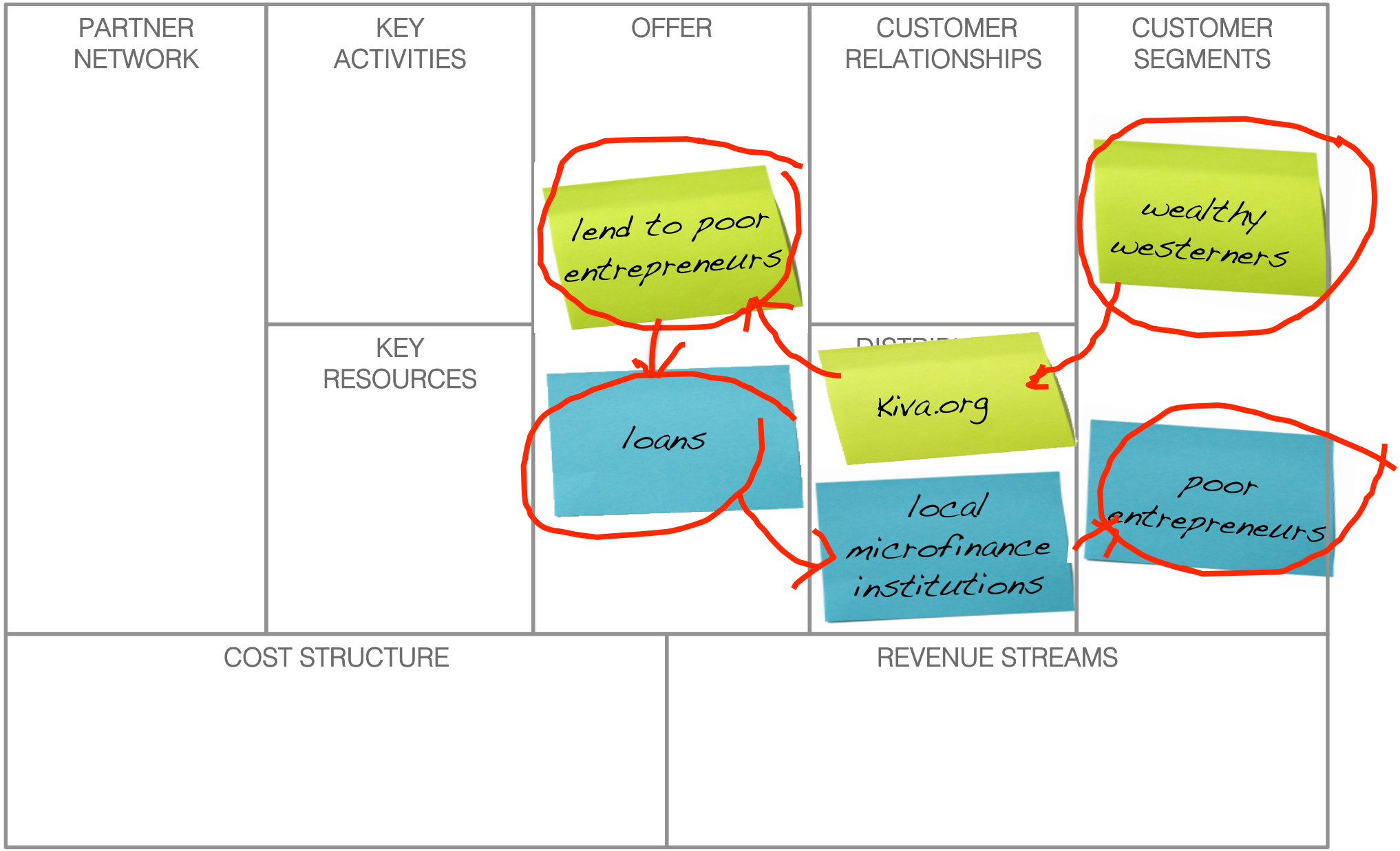

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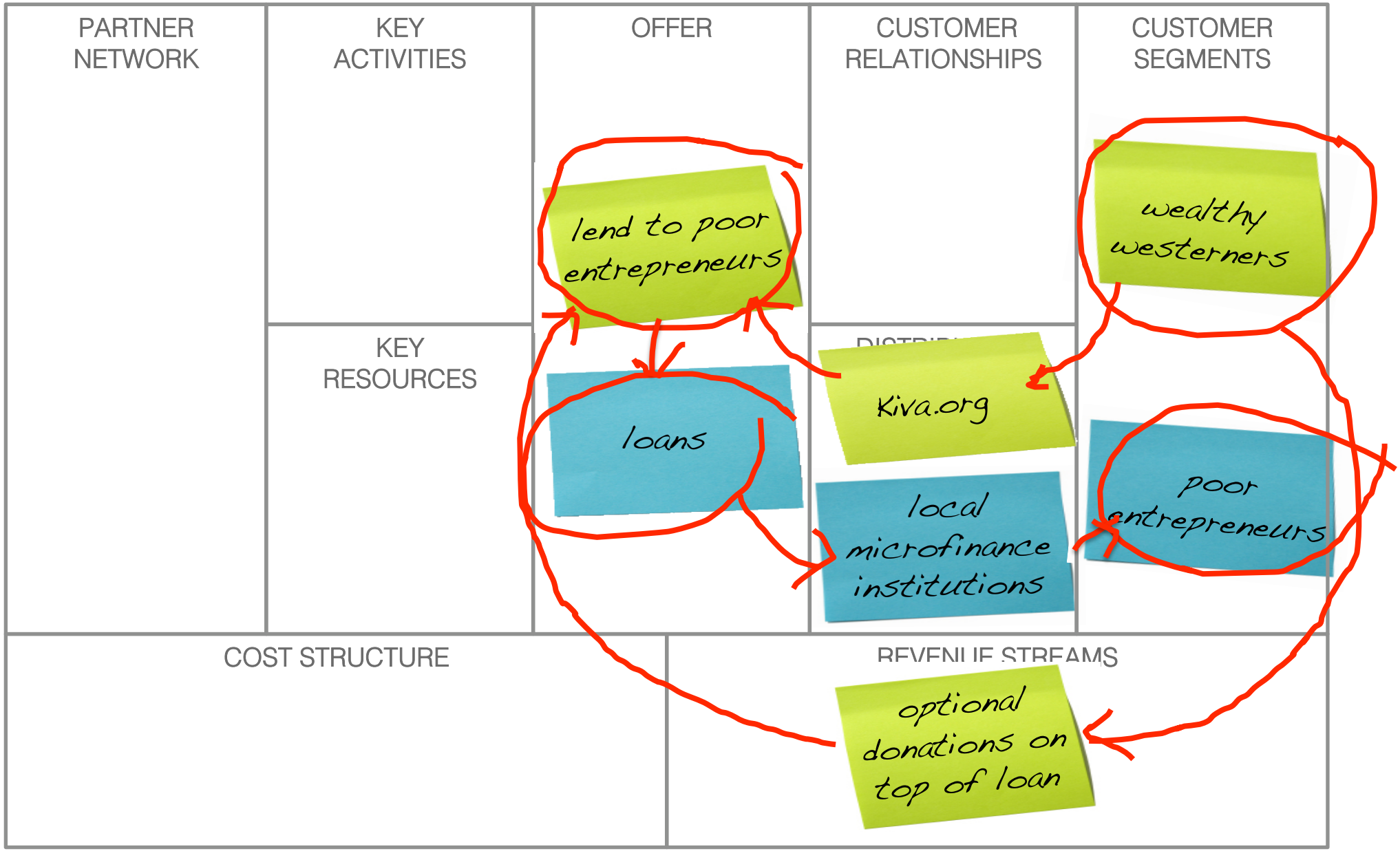

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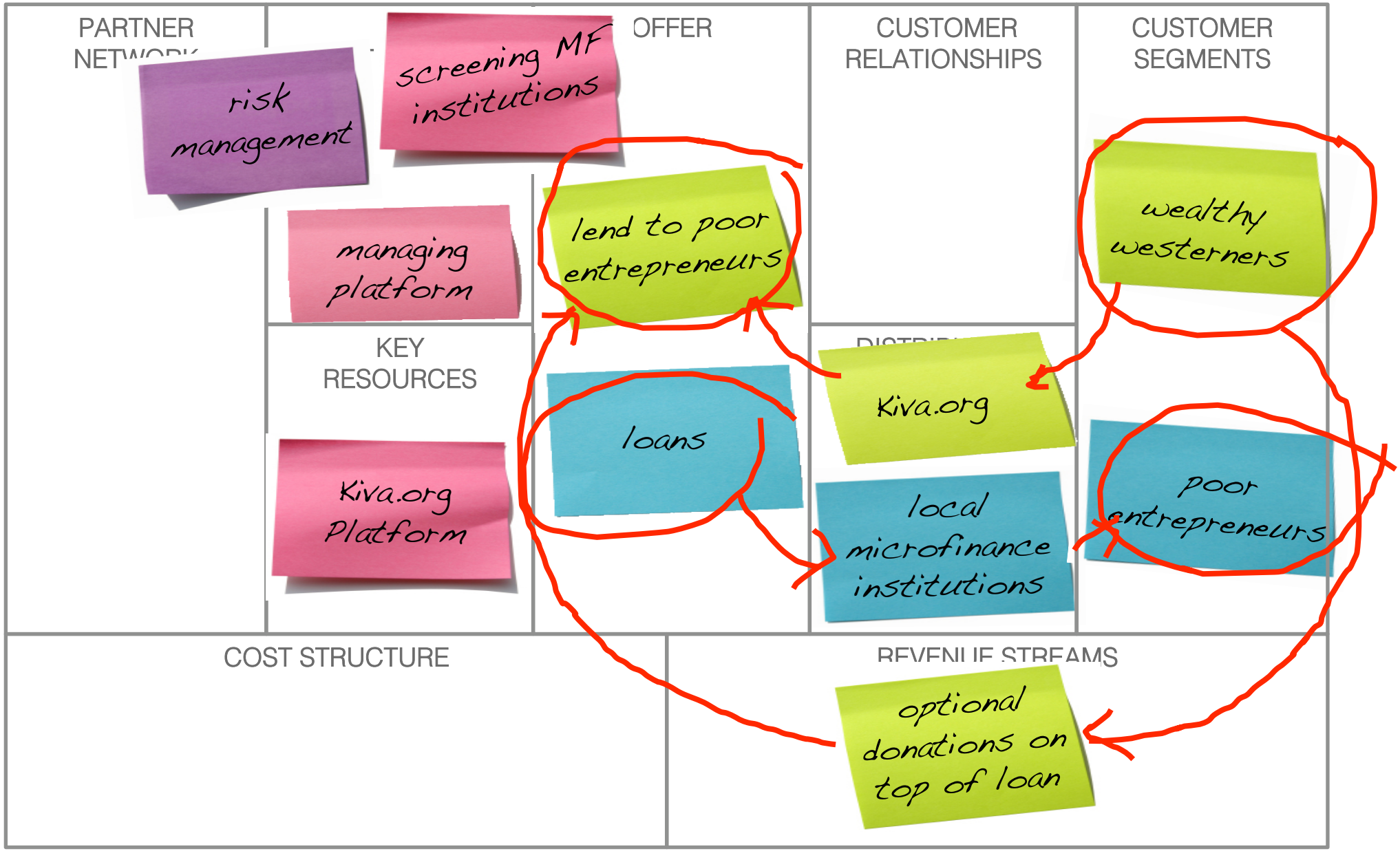
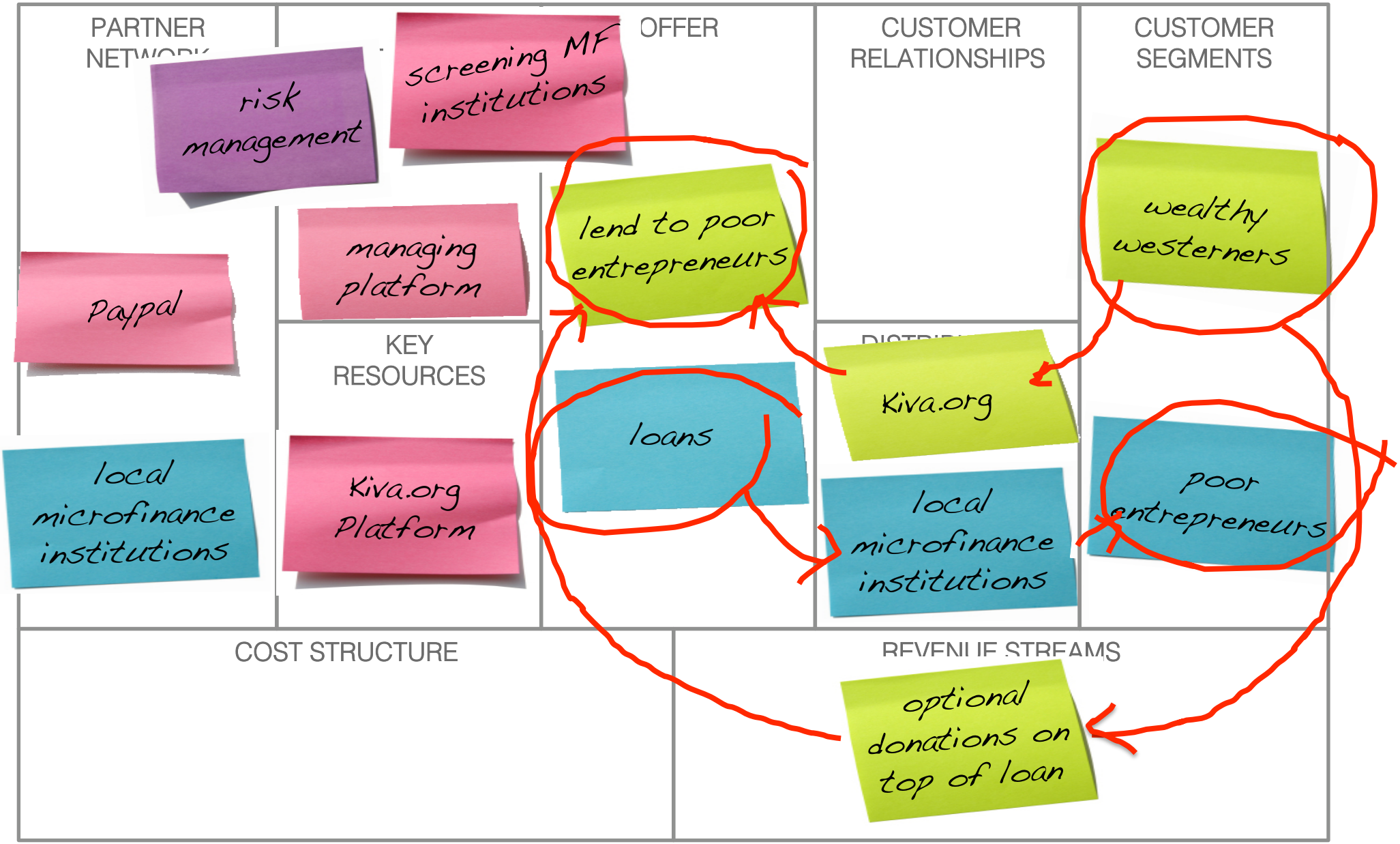
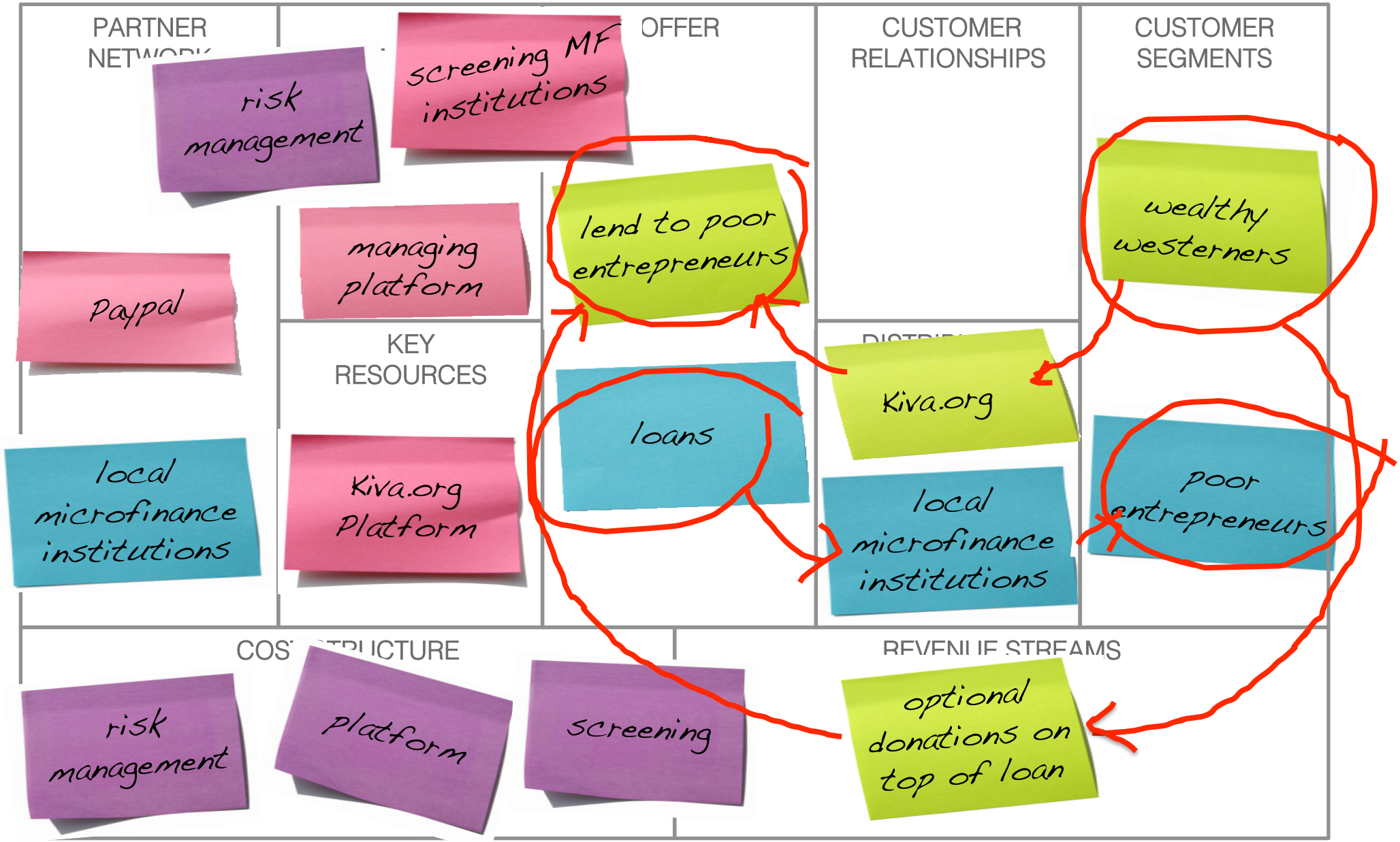


# KIVA 's business model



# KIVA 's business model



the Canvas is a handy tool

# *break-out session*

map out the renowned business model of…

# GRAMEEN 's business model

Banking for the poor

| PARTNER NETWORK | KEY ACTIVITIES | OFFER | CUSTOMER RELATIONSHIPS | CUSTOMER SEGMENTS |
|---|---|---|---|---|
| | KEY RESOURCES | | DISTRIBUTION CHANNELS | |
| COST STRUCTURE | | | REVENUE STREAMS | |

a rough sketch of Grameen Bank…

# GRAMEEN 's business model

Banking for the poor

| PARTNER NETWORK | KEY ACTIVITIES | OFFER | CUSTOMER RELATIONSHIPS | CUSTOMER SEGMENTS |
|---|---|---|---|---|
| | | micro-loans | personal | poor entrepreneurs |
| | KEY RESOURCES | | DISTRIBUTION CHANNELS | |
| | | | branches | |

| COST STRUCTURE | REVENUE STREAMS |
|---|---|
| | |

# GRAMEEN 's business model

Banking for the poor

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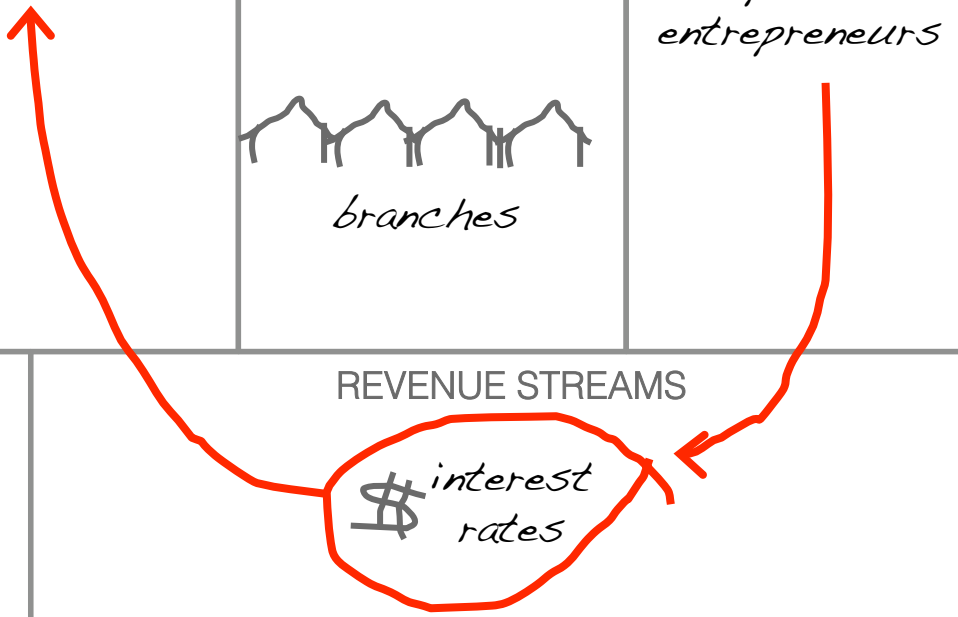



| COST STRUCTURE | REVENUE STREAMS |
|---|---|

# GRAMEEN 's business model

Banking for the poor

| PARTNER NETWORK | KEY ACTIVITIES | OFFER | CUSTOMER RELATIONSHIPS | CUSTOMER SEGMENTS |
|---|---|---|---|---|
| government | risk management<br>lending & collecting payments | micro-loans | personal | poor entrepreneurs |
| | KEY RESOURCES<br>branches<br>brand/ trust<br>capital | | DISTRIBUTION CHANNELS<br>branches | |

| COST STRUCTURE | REVENUE STREAMS |
|---|---|
| | interest rates |

# GRAMEEN 's business model

Banking for the poor

## PARTNER NETWORK

government

## KEY ACTIVITIES

risk management

lending & collecting payments

## KEY RESOURCES

branches

brand/ trust

capital

## OFFER

micro-loans

## CUSTOMER RELATIONSHIPS

personal

## DISTRIBUTION CHANNELS

branches

## CUSTOMER SEGMENTS

poor entrepreneurs

## COST STRUCTURE

people

capital costs

## REVENUE STREAMS

interest rates

# B patterns

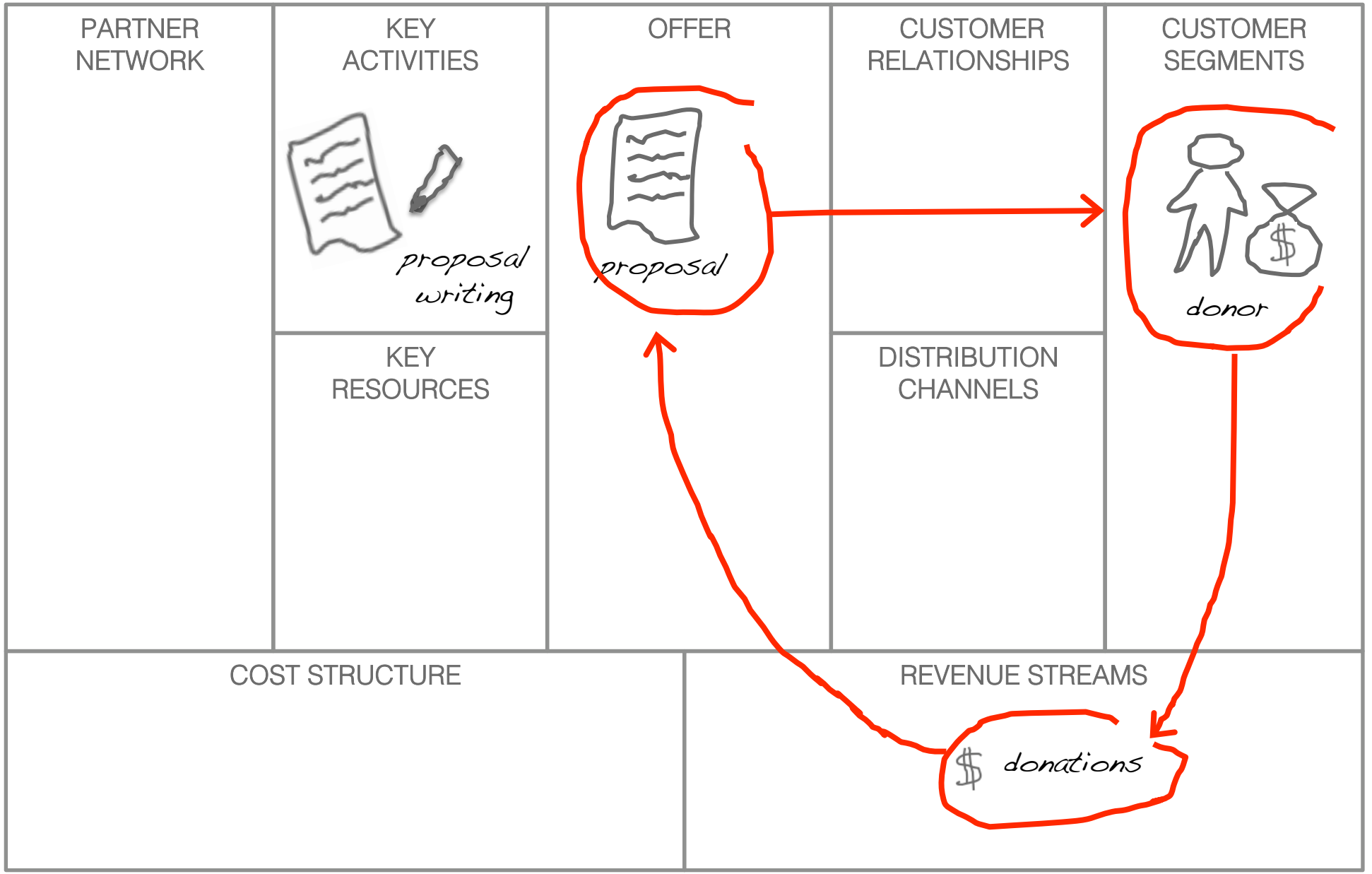
“pattern in architecture is the idea of capturing architectural design ideas as archetypical and reusable descriptions”

*Christopher Alexandert, Architect*

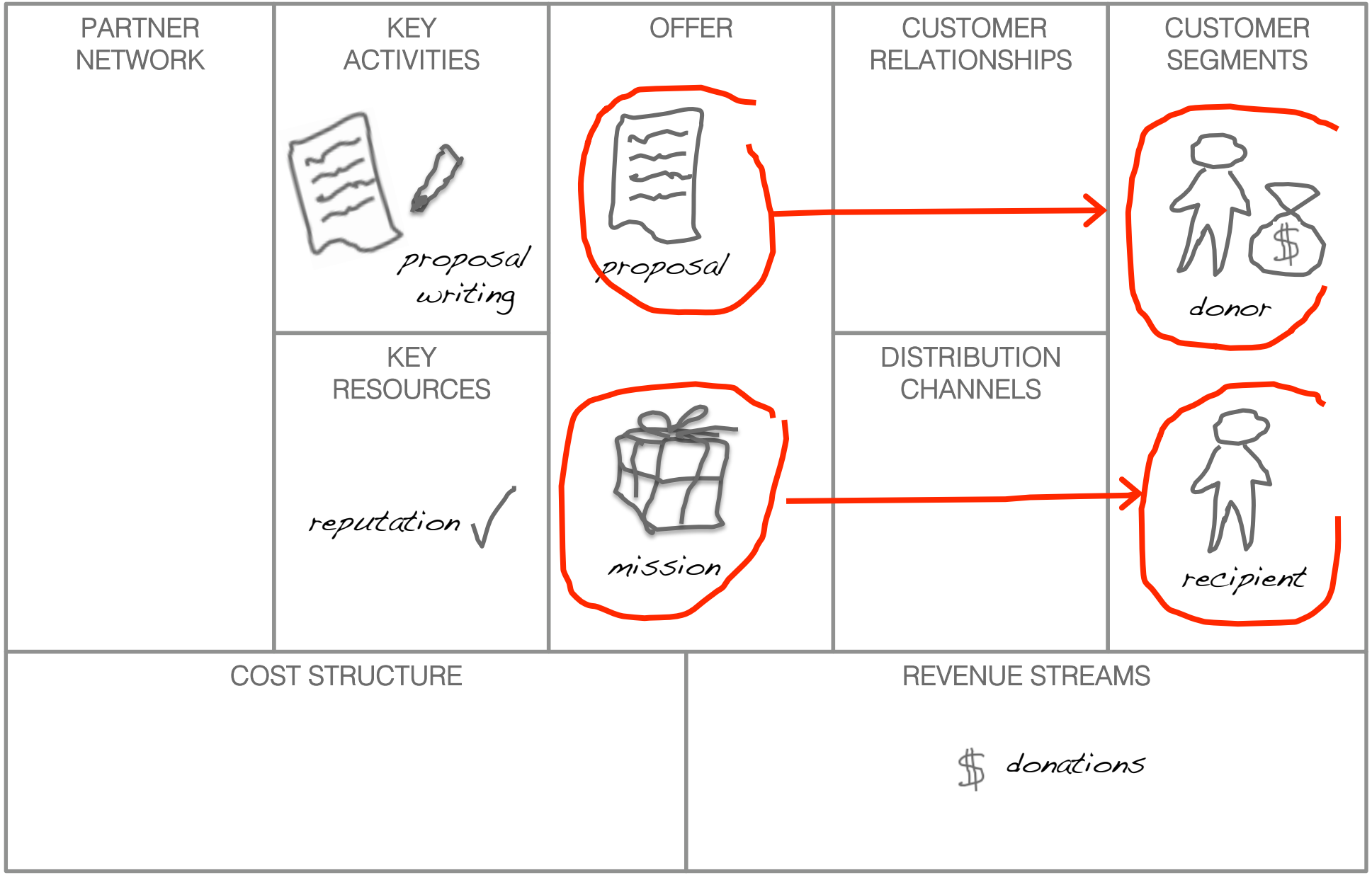
# *buzz group*

how does a donor-funded business model look like?

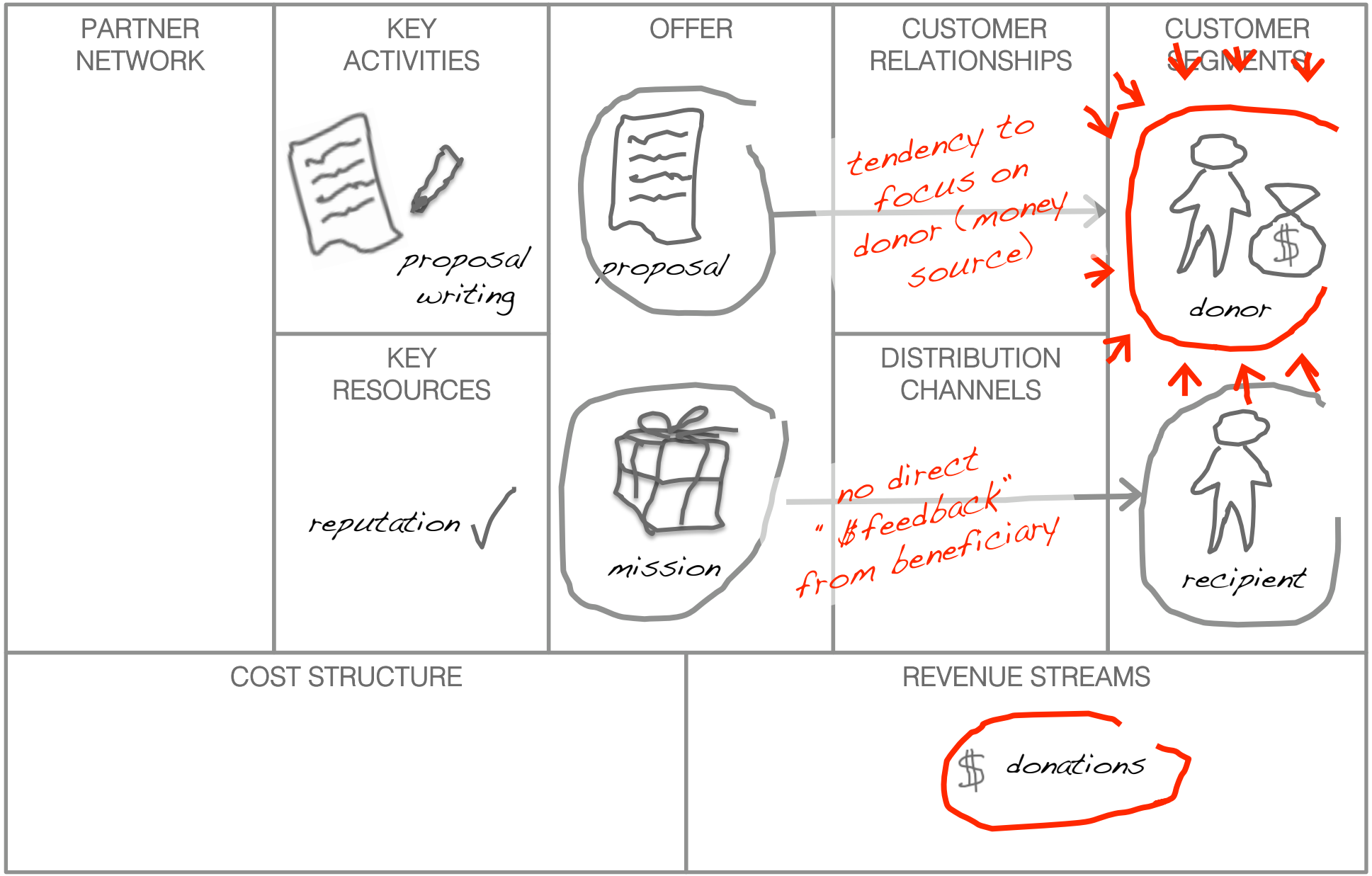
# 3rd party-funded business models



# 3rd party-funded business models



# 3rd party-funded business models



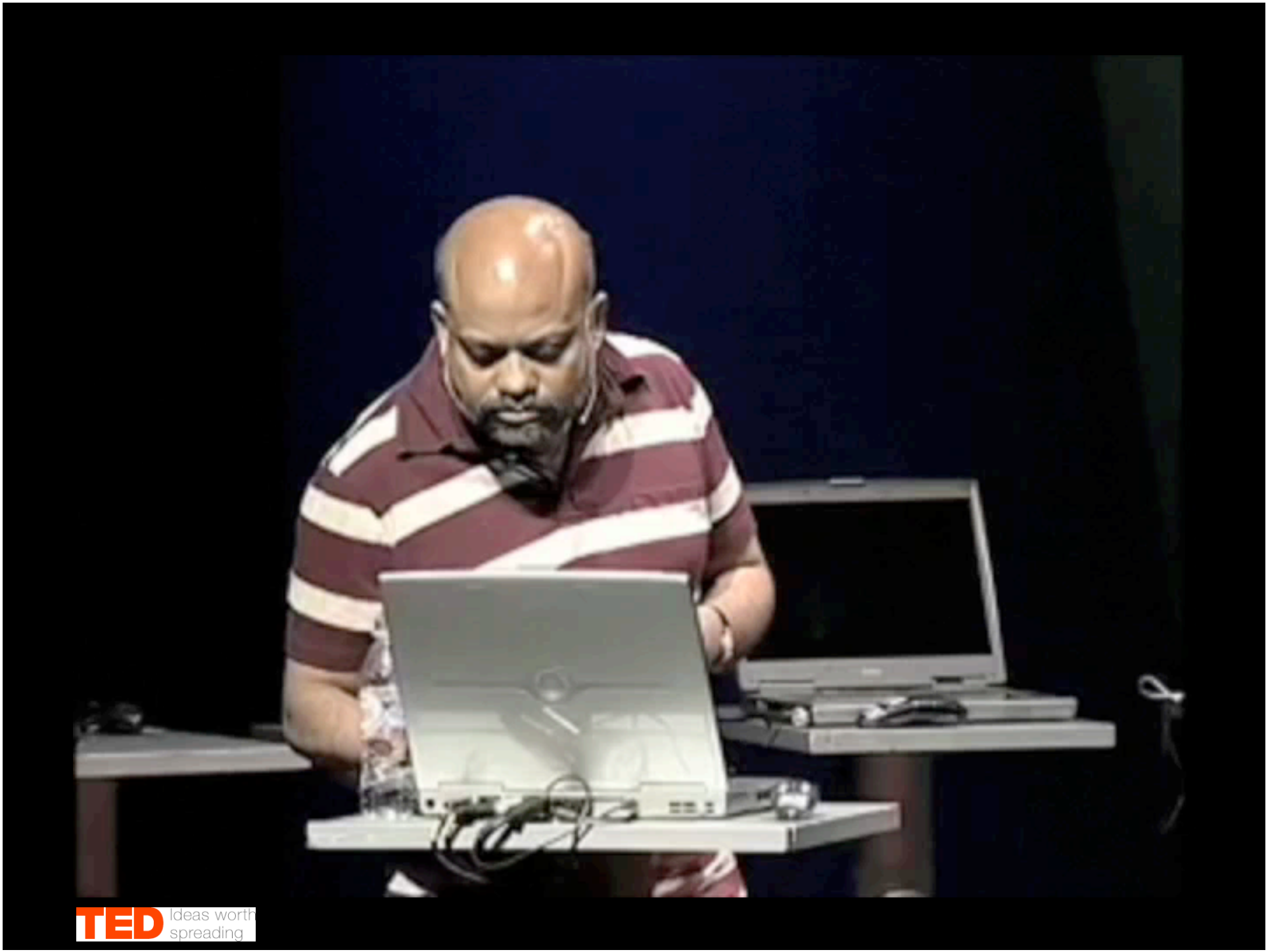
“The dependence of nonprofits on begging – oops, I mean fundraising – limits the sector’s self-respect, independence, vision, and impact”

*Michael Shuman, author of “Going Local”*

*example*

Iqbal Quadir
had a dream

BHUTAN
Shiliguri
Koch Bihar
Guwahati
Shillong
Rangpur
Dinajpur
Katihar
Mymensingh
Silch
Ingrai Bazar
BANGLADESH
Rajshahi
Aizawl
Tangail
Dhaka
Jessore
Khulna
Barisal
Chittagong
Kharagpur
Mouths of the Ganges
NEPAL
Delhi
Jaipur
Agra
Lucknow
Kanpur
Bhagalpur
Deoghar
Dhanbad
Asansol
Bankura
Bhopal
Jabalpur
Indore
Nagpur
INDIA
Hyderabad
Deccan
Ghats


TED
Ideas worth
spreading

# customer-funded business model

| PARTNER NETWORK | KEY ACTIVITIES | OFFER | CUSTOMER RELATIONSHIPS | CUSTOMER SEGMENTS |
|---|---|---|---|---|
| | KEY RESOURCES | | DISTRIBUTION CHANNELS | |
| COST STRUCTURE | | | REVENUE STREAMS | |

# customer-funded business model

| PARTNER NETWORK | KEY ACTIVITIES | OFFER | CUSTOMER RELATIONSHIPS | CUSTOMER SEGMENTS |
|---|---|---|---|---|
| Telenor | network management | mobile connectivity | | |
| | KEY RESOURCES | | DISTRIBUTION CHANNELS | |
| | network license | | | |
| COST STRUCTURE | | REVENUE STREAMS | | |
| network management | | | | |

# customer-funded business model

PARTNER NETWORK

Telenor

KEY ACTIVITIES

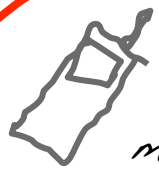
network management

KEY RESOURCES

network

license

OFFER



mobile connectivity

CUSTOMER RELATIONSHIPS

DISTRIBUTION CHANNELS

CUSTOMER SEGMENTS

villagers

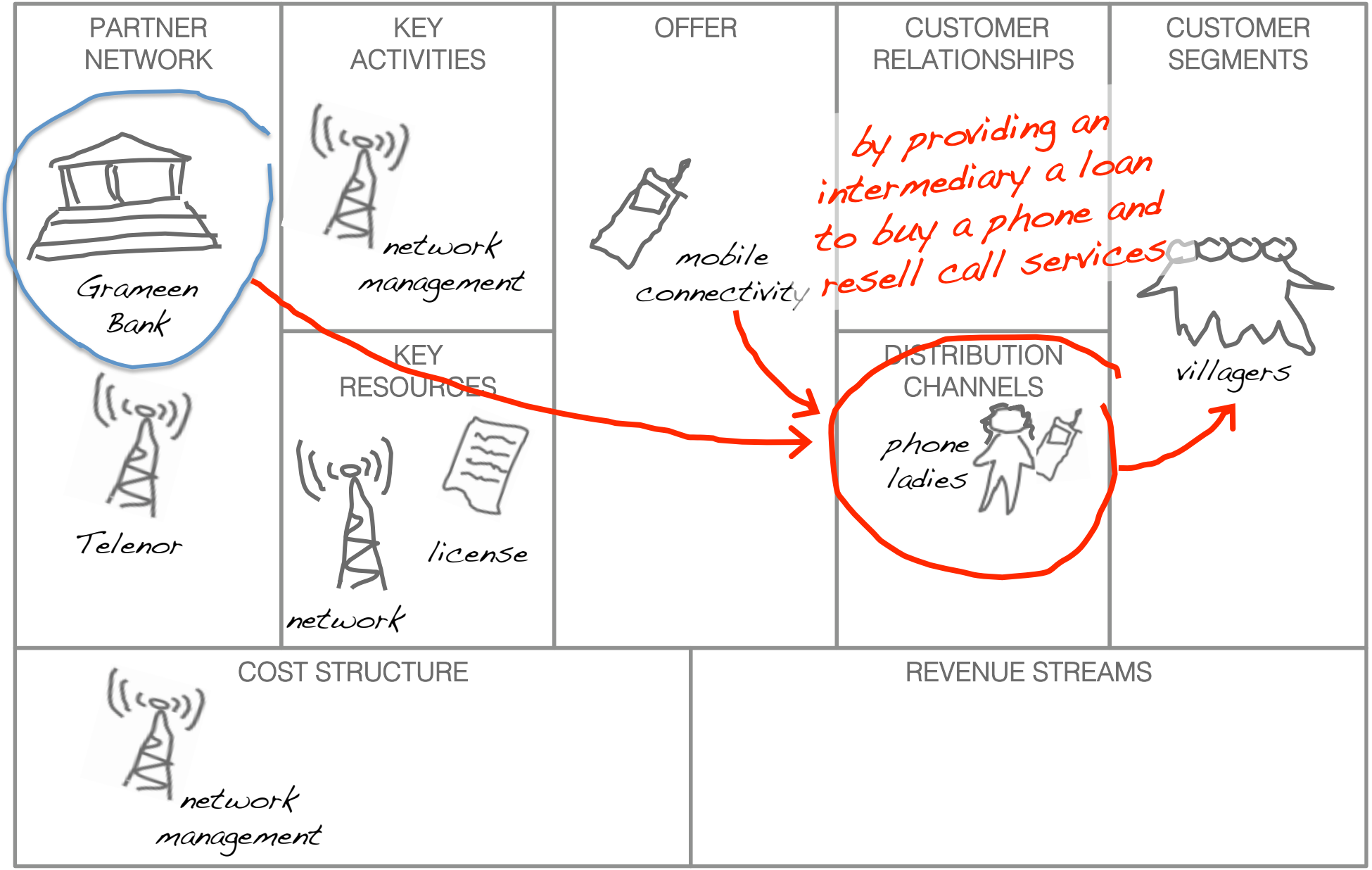
how do you provide connectivity to villagers when they are too poor to buy a phone?

COST STRUCTURE

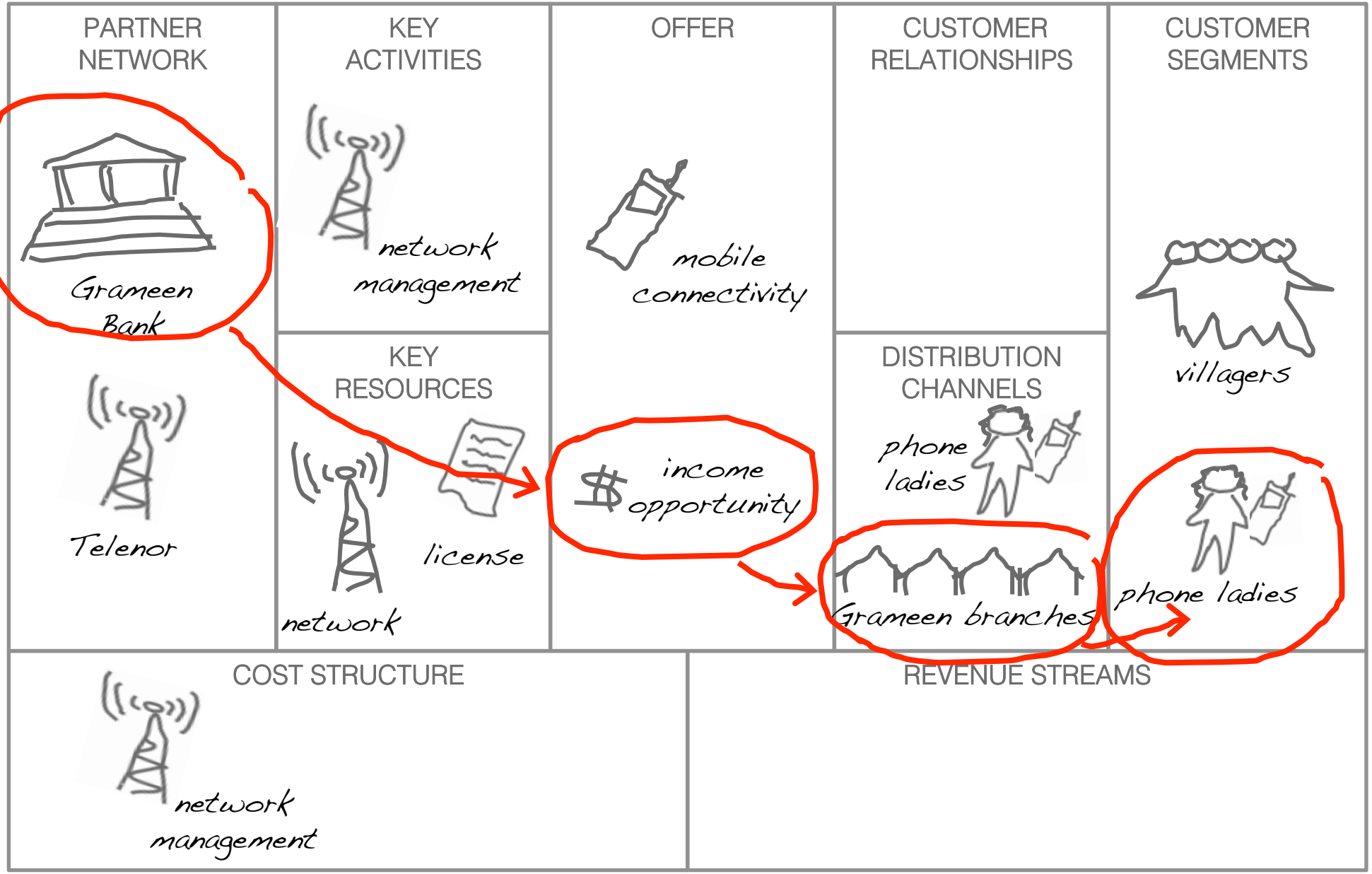
network management

REVENUE STREAMS

# customer-funded business model



# customer-funded business model



# customer-funded business model

## PARTNER NETWORK

Grameen Bank

Telenor

## KEY ACTIVITIES

network management

## KEY RESOURCES

network

license

## OFFER

mobile connectivity

income opportunity

## CUSTOMER RELATIONSHIPS

## DISTRIBUTION CHANNELS

phone ladies

Grameen branches

## CUSTOMER SEGMENTS

villagers

phone ladies

## COST STRUCTURE

network management

## REVENUE STREAMS

communication revenues

RESULTS

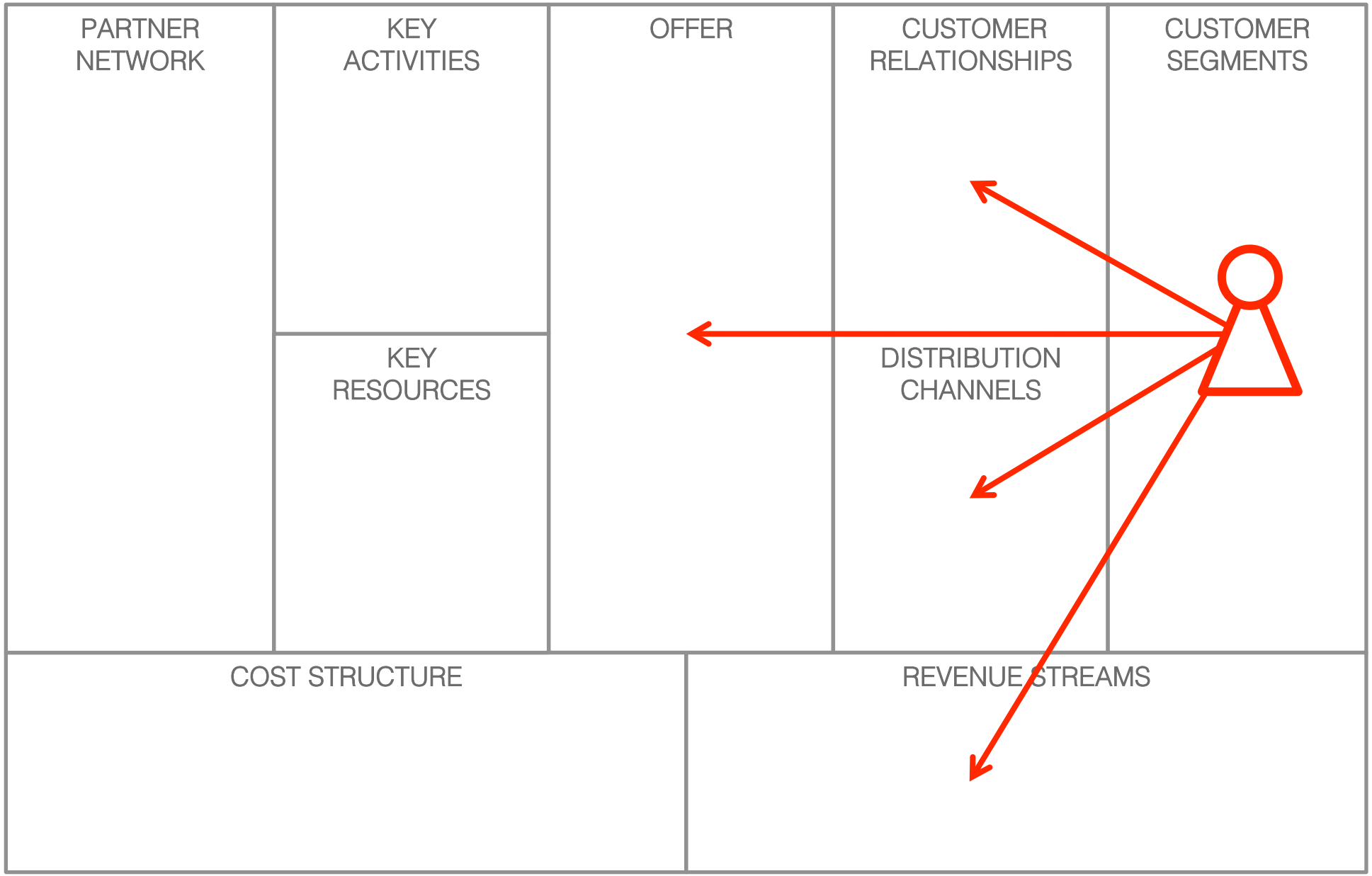
Rashmi, 24
Bangladeshi
village phone lady
*2-3 $ daily income*

there are about 250’000 women retailing telephone services in 60’000 villages giving access to about 100 million people

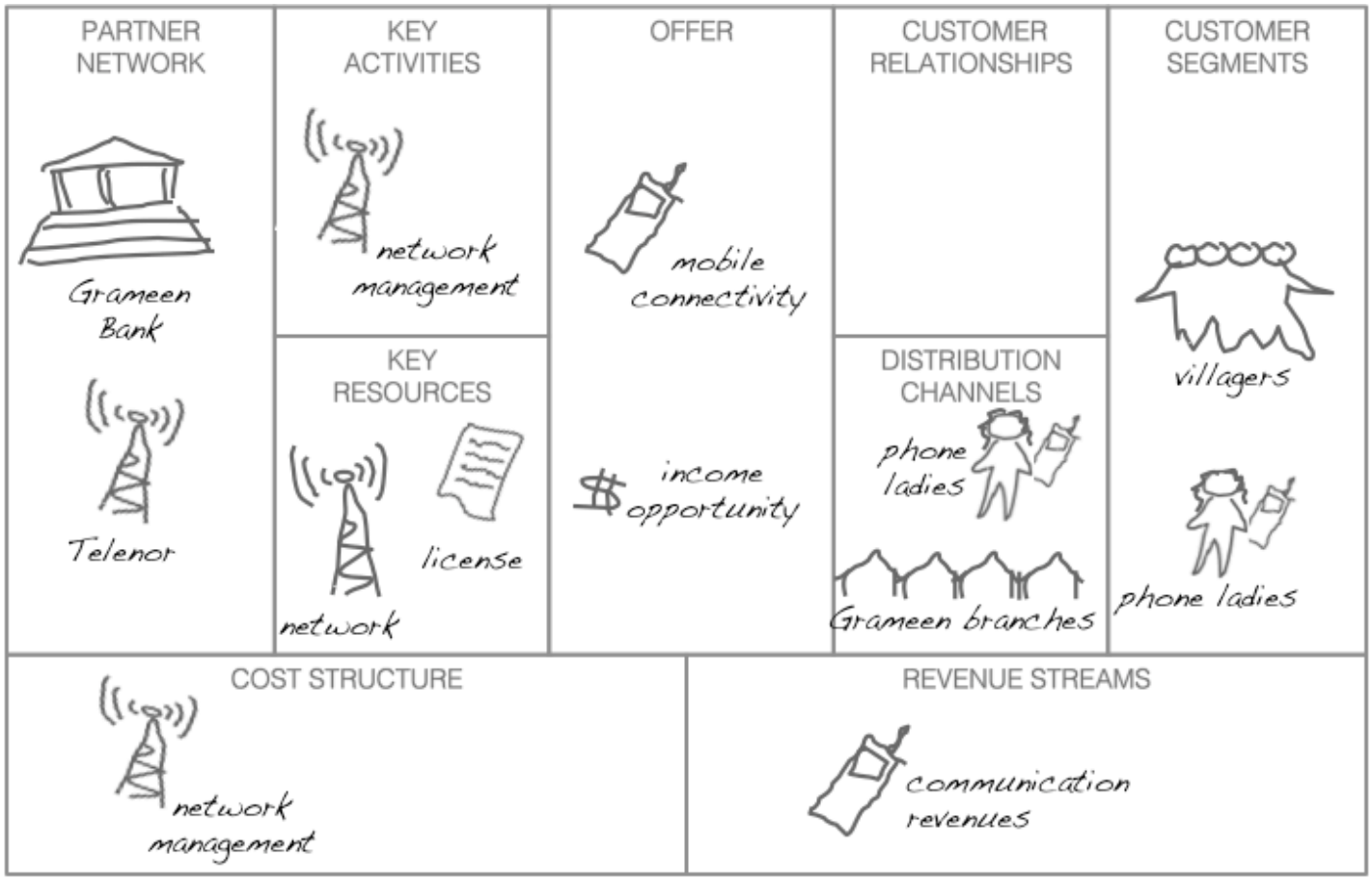
the 250’000 telephones are producing revenues at an annual rate of well over $100 million for GrameenPhone

each entrepreneur makes
about $2 in profits per day
or about $700 per year

# design from the customer perspective

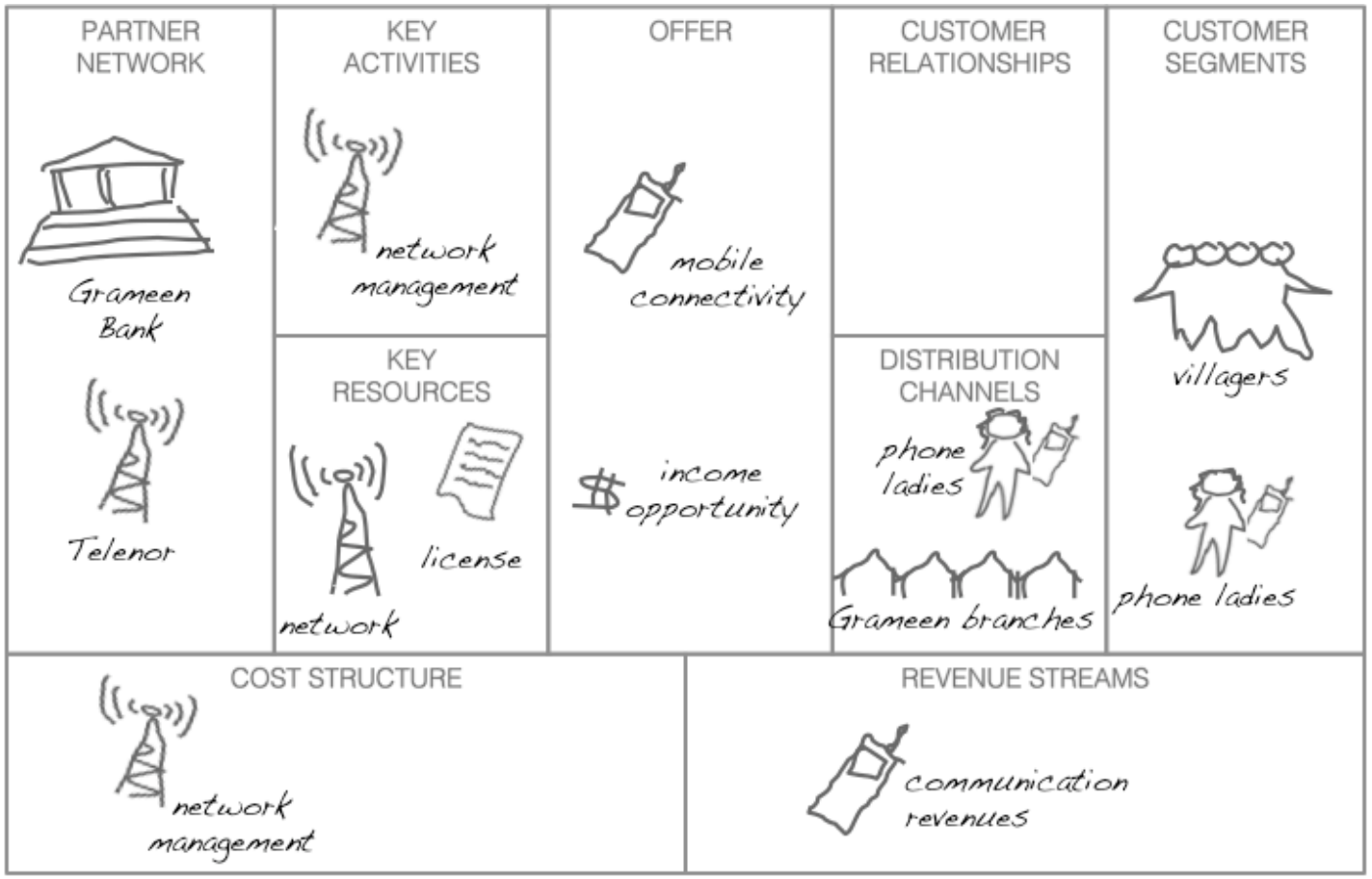


# blended value / triple bottom line




social and environmental cost

# blended value / triple bottom line




social and environmental cost

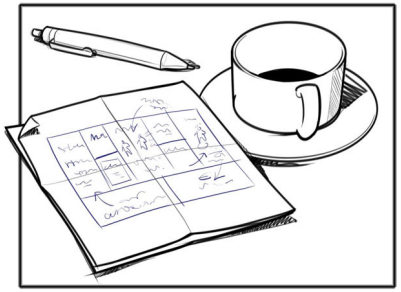
social and environmental benefit

attitude

“If you freeze to an idea too quickly, you fall in love with it. If you refine it too quickly, you become attached to it and it becomes very hard to keep exploring, to keep looking for better.”

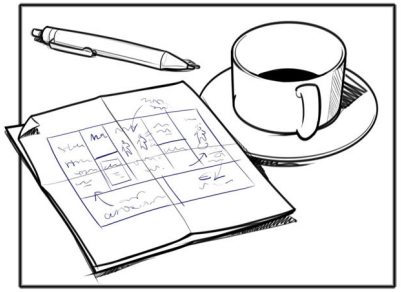
Jim Glymph, Gehry Partners

# business model prototyping

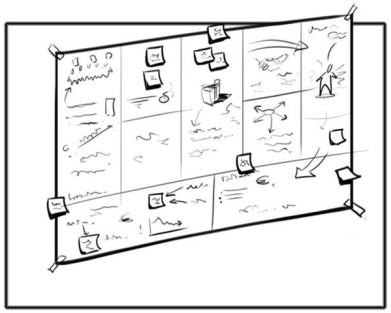


napkin sketch

# business model prototyping

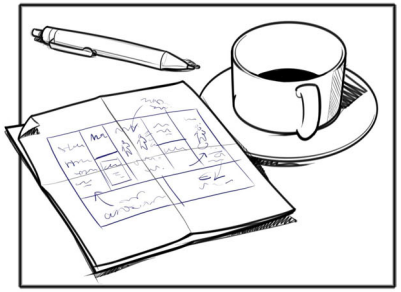


napkin sketch

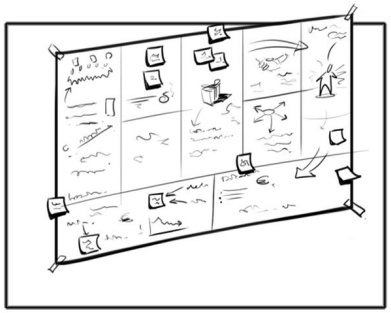


Canvas

# business model prototyping



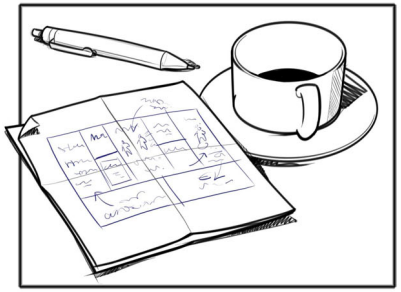
napkin sketch



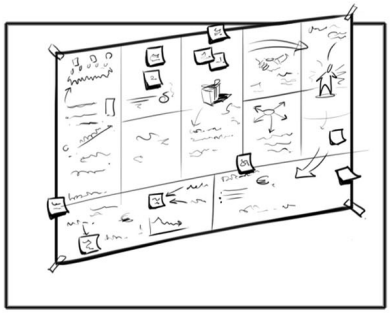
Canvas

business case

# business model prototyping

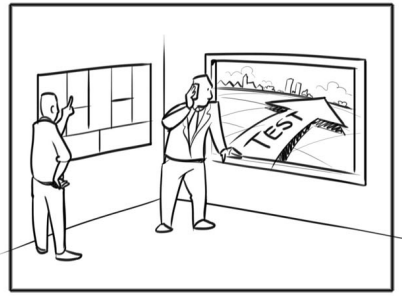


napkin sketch



Canvas

business case




field test

key is: finding the appropriate business model

so you need to generate options first!

# buzz group

a silly exercise

# the silly cow exercise

Muuuuhhhh

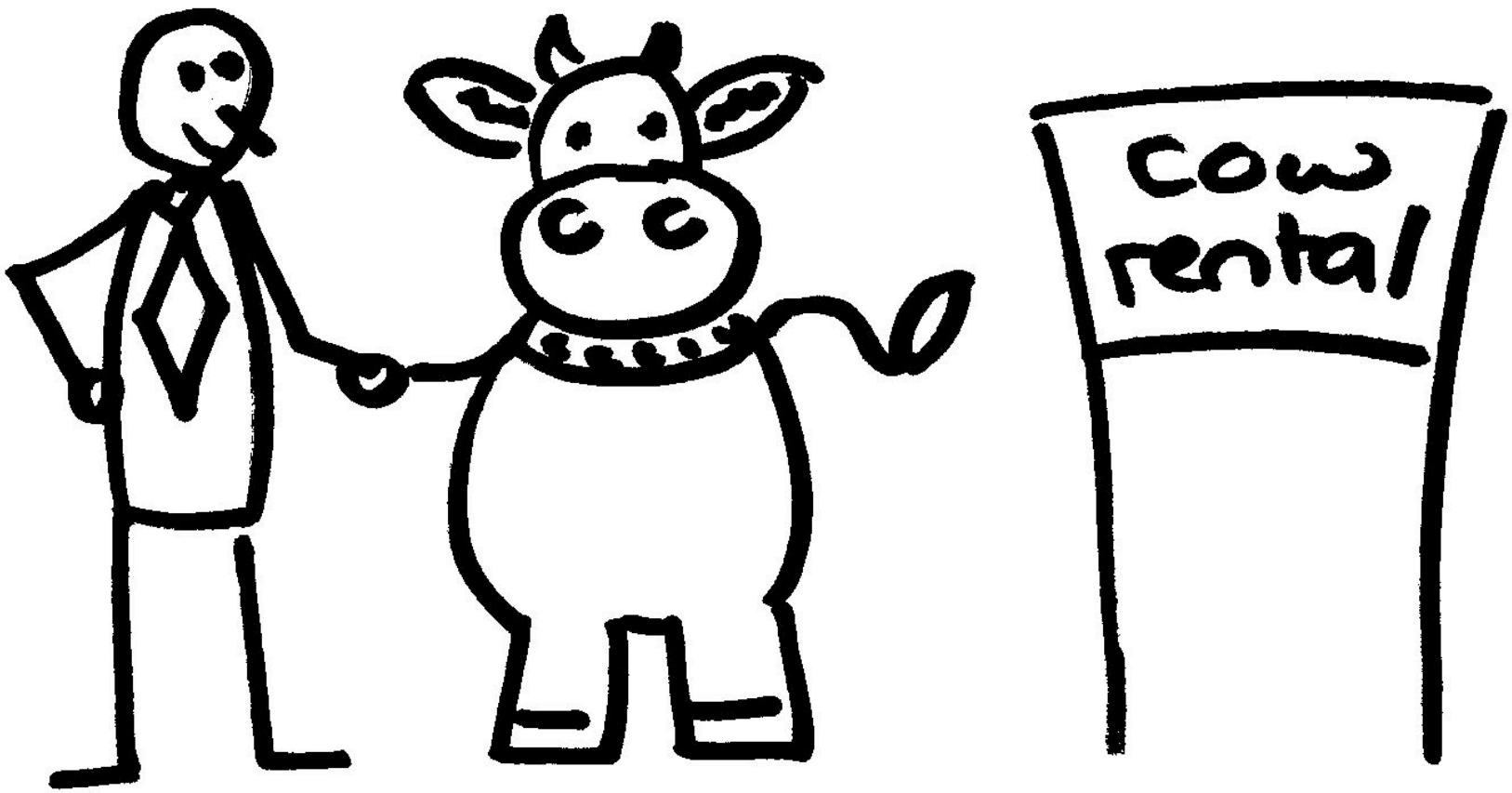
sketch out
3 business
models..

…in which I,
the cow, play
the main act!

let’s look at some examples…

# cows-for-advertising

# rent-a-cow-for-the-weekend



got it?

you got 2 minutes!

you got 2 minutes!

# GO!

*example*

wise
partnership
BUSINESS PLAN

# wise 's business model

| PARTNER NETWORK | KEY ACTIVITIES | OFFER | CUSTOMER RELATIONSHIPS | CUSTOMER SEGMENTS |
|---|---|---|---|---|
| | KEY RESOURCES | | DISTRIBUTION CHANNELS | |
| COST STRUCTURE | | | REVENUE STREAMS | |

process

# five phases of business model design

mobilize

*set the stage*

# five phases of business model design

mobilize

*set the stage*

understand

*immersion*

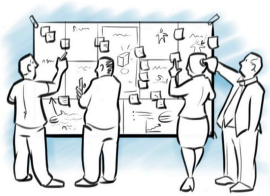
# five phases of business model design

mobilize

*set the stage*

understand

*immersion*



design

*inquiry*

# five phases of business model design

mobilize

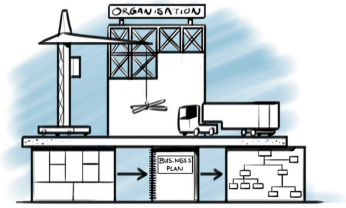
*set the stage*

understand

*immersion*

design

*inquiry*




implement

*execution*

# five phases of business model design

mobilize

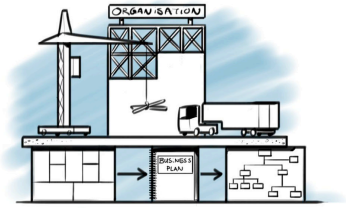
*set the stage*

understand

*immersion*

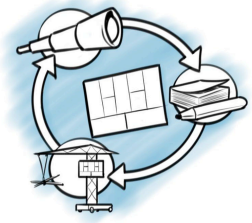
design

*inquiry*



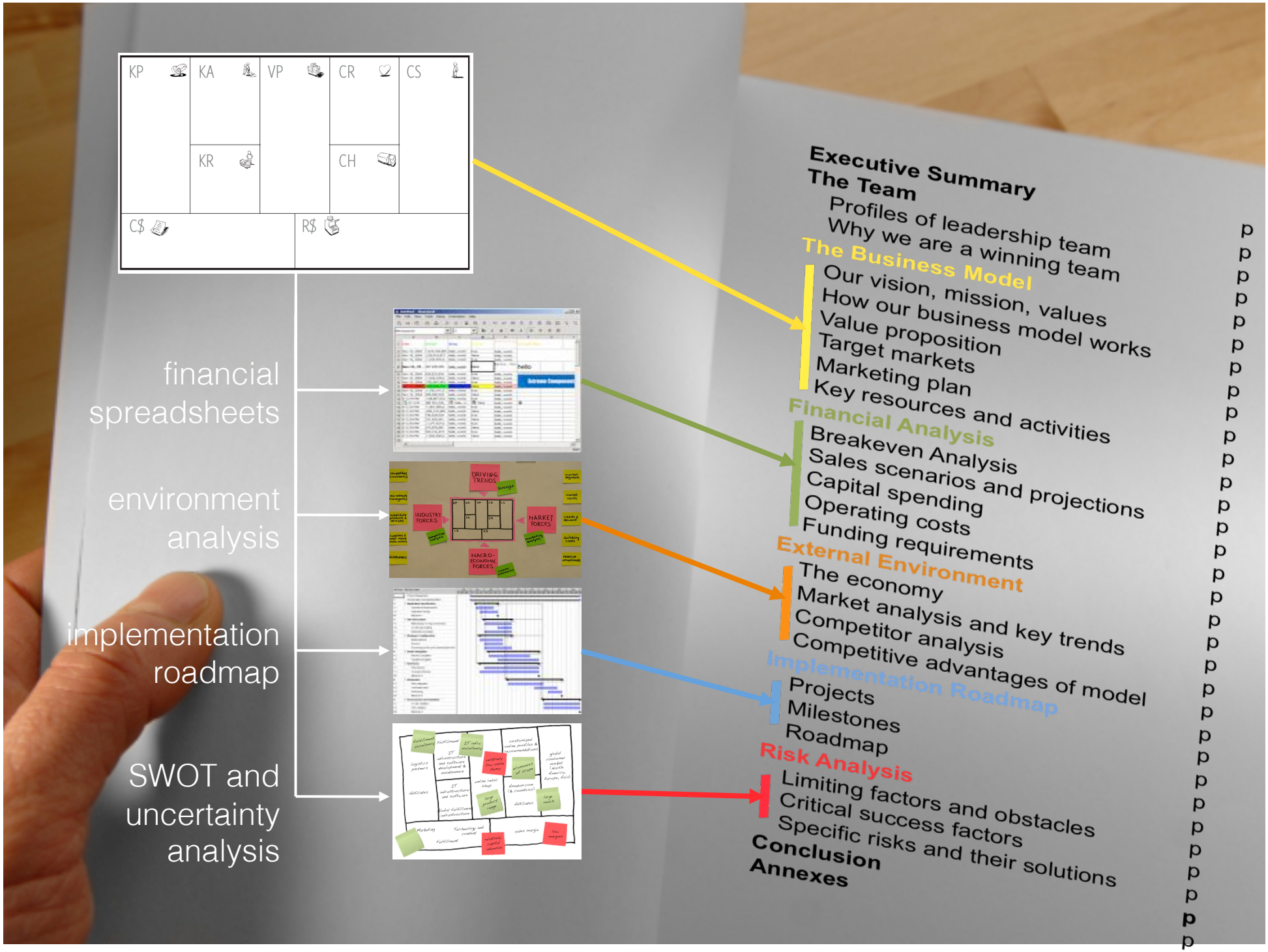

implement

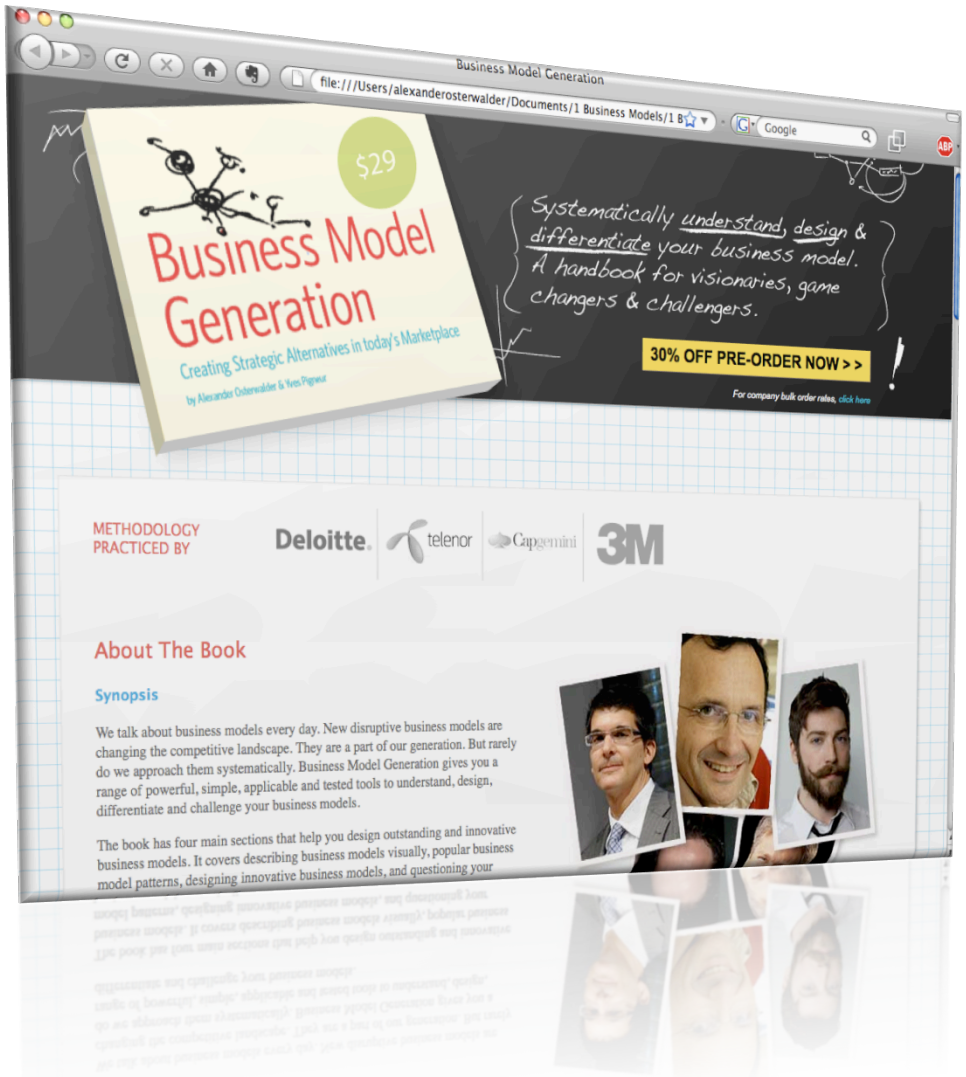
*execution*



manage

*evolution*


KP
KA
VP
CR
CS
KR
CH
C$
R$
financial spreadsheets
environment analysis
implementation roadmap
SWOT and uncertainty analysis
DRIVING TRENDS
INDUSTRY FORCES
MARKET FORCES
MACRO-ECONOMIC FORCES
Executive Summary
The Team
Profiles of leadership team
Why we are a winning team
The Business Model
Our vision, mission, values
How our business model works
Value proposition
Target markets
Marketing plan
Key resources and activities
Financial Analysis
Breakeven Analysis
Sales scenarios and projections
Capital spending
Operating costs
Funding requirements
External Environment
The economy
Market analysis and key trends
Competitor analysis
Competitive advantages of model
Implementation Roadmap
Projects
Milestones
Roadmap
Risk Analysis
Limiting factors and obstacles
Critical success factors
Specific risks and their solutions
Conclusion
Annexes




www.businessmodelgeneration.com

# THANK YOU!

www.businessmodelgeneration.com

www.alexosterwalder.com (upcoming)

www.businessmodelalchemist.com (upcoming new blog)

Twitter: business_design