A TOOL FOR ORGANIZATIONAL PLANNING

THE BUSINESS MODEL CANVAS

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INTRODUCTION

As described in the accompanying brief, "The Business of a Local Data Intermediary," a business model is a critical tool to help local data intermediaries organize operations and understand one's clients, revenue and value and the streams and products that connect them.[1] Business models should be revised and refined over time as an organization's activities, capacity, and reputation develop, and the local funding environment evolves. Despite its importance, there is no one prescribed format to develop a business model and the process can often be overwhelming for staff. In this short brief, we introduce the Business Model Canvas, one tool to facilitate a participatory, rapid design process for business models.

The Business Model Canvas was originally developed by Alexander Osterwalder, a business theorist, to simplify the process of developing and updating business models. Effective business models should work as a "blueprint for a strategy to be implemented through organizational structures, processes, and systems."[2] The Business Model Canvas consolidates a traditionally lengthy business model into a one-page synthesis. The tool is freely available online via Strategyzer.com, including training materials such as facilitation instructions.[3]

The canvas brings together the following components of a business model which are displayed visually in boxes:

- value proposition
- customer segments
- distribution channels
- customer relationships
- key resources

- key partnerships
- key activities
- cost structure
- impact

The design of the canvas enables the user to view all parts on one page and see how they interact.

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[1] *For more information about the services that a local data intermediary provides, see NNIP's Guide to Starting a Local Data Intermediary at http://www.urban.org/research/publication/nnips-guide-starting-local-data-intermediary.*

[2] *Osterwalder and Pigneur. 2010. Business Model Generation Book Preview. Pg. 15. Accessed via: https://assets.strategyzer.com/assets/resources/business-model-generation-book-preview-2010.pdf*

[3] *The Strategyzer Business Model Canvas is published under the Creative Commons Attribution-Share Alike license described at http://creativecommons.org/licenses/by-sa/3.0/.*

The Business Model Canvas is a facilitated brainstorming exercise intended to generate ideas. For well-established organizations, the process may help sharpen the value proposition and lead to a better understanding of what clients (i.e. sources of revenue) are and are not interested in. For newer organizations, or ones experiencing change, the Business Model Canvas can be a tool to help identify where an organization should be in the future and establish a plan for getting there. The canvas may not necessarily result in an externally-facing product, but it can be used to inform strategic conversations with funders and stakeholders.

The Business Model Canvas was first introduced to Partner organizations of the National Neighborhood Indicator Partnership (NNIP) in 2014 during a workshop on business models, and has been used by several local data intermediaries.[4] NNIP Partners have found the tool effective for focusing their thinking on core elements of their business models and concisely articulating key components to internal and external audiences. For some, adapting the business/technology company vernacular to the work of universities and nonprofits was challenging. By defining "impact" of data intermediary work on the canvas, Partners could better align their business model canvas with the impact they seek to achieve. Several NNIP Partners also found it useful to build on the canvases they created during the workshop, repeating the process with their staff and board members to further refine the model for sharing with local funders and stakeholders. For example, NeighborhoodInfo DC refined their business model canvas and converted it to a strategic planning document. This document was used to articulate their organizational needs and the external support required to achieve their goals.[5]

This guide is intended for local NNIP Partner organizations and other local organizations seeking to develop data intermediary services. The NNIP network experience shows that the process is valuable for both established organizations and those just starting out. The remainder of this brief provides general steps and advice for developing a Business Model Canvas, as well as brief explanations of the individual components of the canvas. Also, see Appendix 1 for a blank version of the Business Model Canvas and Appendix 2 for additional resources.

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[4] *Coordinated by the Urban Institute, the National Neighborhood Indicators Partnership (NNIP) consists of independent organizations in 32 cities that have a shared mission to help community stakeholders use neighborhood data for better decisionmaking, with a focus on assisting organizations and residents in low-income communities.*
[5] *Examples of Business Model Canvases from the workshop and related documents are available to NNIP Partners through the NNIP website and to other local organizations working towards the NNIP model upon request.*

HOW TO FACILITATE A BUSINESS MODEL CANVAS DEVELOPMENT PROCESS FOR A LOCAL DATA INTERMEDIARY

SETTING UP AND INTRODUCING THE BUSINESS MODEL CANVAS

The following considerations are necessary to host a Business Model Canvas development session for local data intermediaries. We recommend conducting the session in person.

Identify Participants: We recommend that your initial canvas building session be completed with staff from your organization. It may be valuable to have staff members who play a range of roles participate in the process. For example, staff who handle external partners or clients may have an additional perspective to offer on how the organization's work is viewed outside of the organization.

Choose a Facilitator: We recommend designating a team member or finding an individual outside of the team or organization to serve as the facilitator. The facilitator will keep charge of the time, briefly explain each section of the canvas, ask prompting questions, and answer questions from participants.

Schedule the Session: The recommended session length is 2 to 3 hours.

Assemble Materials: Poster-sized business model canvas,[6] sticky notes (of at least two colors), markers, and a camera.

Assign Homework: To save time during the session, it's helpful to have each participant watch this short introductory video which briefly explains the sections of the business model canvas.

The facilitator should begin by introducing the purpose and goals for the session as well as explaining how building the business model canvas will work during the session. If participants were not able to watch the introductory video beforehand, the video can be shown to kick off the session.

The facilitator should emphasize that participants:

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[6] *An online version of the canvas that multiple users can edit at the same time is also available at https://canvanizer.com/. We recommend the using the paper version if possible. If using the online version, each participant should have their own computer in order to contribute.*

- **Suspend judgment.** In the first round the goal is to get all of the ideas out in the open. This is particularly important to encourage ideas from all team members and not have only team leaders participate.

- **Work independently and collaborate where needed**. This can be facilitated by making sure that each participant has their own pad of sticky notes and markers. Working independently helps participants to suspend judgement, but they should also pay attention to what other participants are posting to jog new ideas.

- **Avoid self-editing or refining the sticky notes in the first round**. Participants will have time to refine the model later (and should).

BUILD (ROUND 1)

To build the canvas, the group will collaborate through short timed rounds of work for each of the ten sections of the Business Model Canvas, as described below. Participants do not need to follow a sequence for boxes within each period, but should leave empty boxes not included in that period to maintain focus and sufficient time for each section.

For each section, participants write down concepts or visions on sticky notes and stick them to the canvas. Ideas will change and move during the process, so participants should not write directly on the poster.

Participants should list only one idea (as briefly as possible) per sticky note to allow for flexibility in refining the business model. Each participant should write down ideas independently, but can observe as ideas are added to the canvas. One color of sticky note should be used for items that are certain, while the second color should be used for more uncertain or aspirational points. Content on the sticky notes may be nouns, actions or descriptors. The short time frames for each section are designed to inspire creativity in brainstorming and focus on getting all ideas on paper.

1: Value Proposition and Customer Segments

(approximately 10 minutes)

<u>Value Proposition</u> considers your products or services and asks the question, "What value are you creating?" Consider what is unique about the work you do as a local data intermediary compared to other organizations that may provide similar services. <u>Customer Segments</u> complement that question, by asking "for whom?" Customer segments are the groups of people or organizations you are trying to reach. Rather than naming individual contacts or entities, the business model canvas should include the type of groups (e.g. foundations, local government, nonprofit organizations and universities). The value proposition needs to be tied to the identified customer segments. Consider what problems you are trying to solve for each customer segment.

2: Customer Relationships, Channels and Revenue Streams

(approximately 15 minutes)

<u>Customer Relationships</u> describe how relationships are established and maintained with each customer segment. Who are the customers for your data, research, training services? Consider what sort of relationship you have with them. What are roles? How are they interacting with the value you are creating for them? <u>Channels</u> describe how the value you create reaches the customer segments. This could be through communication, partnerships, services, etc. <u>Revenue Streams</u> document how you capture that value, including in-kind support. It is important to consider the opportunities and constraints established by the parent organization of local data intermediaries. For example, university-based data intermediaries may have access to staff time of salaried professors.

3: Key Partners, Activities and Resources

(approximately 15 minutes)

The overarching question for this period is: "what do you need to make your organization work?" <u>Key Partners</u> include the network of external actors who support your work through resources and activities. Who assists you in data collection, research and training activities? <u>Key Activities</u> document what you do to create value, including supportive activities. <u>Key Resources</u> include the assets and supplies necessary to complete activities and deliver value. What do you need to produce data and research? Key partners may conduct one of your key activities or supply a key resource. For local data intermediaries, there may be key partners who are also customers.

4: Cost structure

(approximately 5 minutes)

Cost structure describes all costs incurred to conduct the key activities and sustain your organization. Consider personnel time and benefits, infrastructure, data and materials.

5: Impact[7]

(approximately 5 minutes)

Finally, as mission-driven organizations, local data intermediaries should fill out sticky notes for the impact you want your organization to work toward. What results do you expect from making data more accessible at the local level?

Don't forget to take a picture to capture the first draft of your business model!
The next round will change elements on the model.

PRESENT AND REFINE (ROUND 2)

After a short break, participants should go back to their draft business model to tell the story of their model one box at a time.

The facilitator should lead a discussion to reflect on the summary: Does it resonate with your current approach? How does it feel? Are there things missing? Does this capture where you want to go as a data intermediary? If not, what's missing? The group should also review elements that were categorized as certain versus uncertain.

Once the story has been told, the group should briefly revisit each box to reorganize, remove, or add elements to the business model.

Take another picture of your refined business model canvas!

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[7] *Impact is not included on the Business Model Canvas template linked above. Groups are encouraged to add another sheet of paper or use the top of the poster to accommodate the brainstormed materials on impact.*

IDENTIFY OPPORTUNITIES AND OBSTACLES

To wrap up the session, the group should reflect on the newly refined canvas and review any uncertain elements. Are there assumptions that you made? (Write them down on a sticky note if so). Are there obstacles to meeting those uncertainties and assumptions? As an example, the group may have made assumptions about the need you were meeting for particular customer segments. It is a good idea to have a few conversations with representatives of this customer segment to test whether your assumptions are correct after the session. Are there opportunities that the canvas presents? Write down each obstacle and opportunity on a sticky note. Think about how those obstacles and opportunities might vary in their level of certainty and urgency.

Participants should feel free to remove sticky notes and reorganize off the canvas.

SEEK FEEDBACK FROM OTHERS

After the session, it is important to present the canvas to others internally and externally to solicit feedback and refine the model as appropriate. First, core staff members who were not present during the workshop should have the opportunity to review and propose suggested edits to the business model canvas. Once there is consensus with internal staff, if the organization has an advisory board or committee, that group should have the opportunity to comment. Lastly, close and trusted external partners should be invited to review to identify elements of the value proposition and overall business model canvas that are missing or do not align with their understanding of your work as a local data intermediary. This process of vetting and external feedback helps add perspective and create better understanding and buy-in.

USE YOUR BUSINESS MODEL CANVAS

Once the business model canvas has been vetted, it can be incorporated into proposals for funding. As the core of the business model canvas, a clearly stated value proposition would be helpful to include in a proposal to help the client understand your value and approach. The business model canvas could also be synthesized in a brief concept paper which could be shared with current or prospective funders or other partners. The business model canvas is a living document which should be adjusted as the organizational priorities and landscape change.

APPENDICES

APPENDIX 1. BUSINESS MODEL CANVAS TEMPLATE

The Business Model Canvas

Designed for:　　Designed by:　　Date:　　Version:

Key Partners
Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

MOTIVATIONS FOR PARTNERSHIPS
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Key Activities
What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

CATEGORIES
Production
Problem Solving
Platform/Network

Key Resources
What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

TYPES OF RESOURCES
Physical
Intellectual (brand patents, copyrights, data)
Human
Financial

Value Propositions
What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

CHARACTERISTICS
Newness
Performance
Customization
"Getting the Job Done"
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability

Customer Relationships
What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

EXAMPLES
Personal assistance
Dedicated Personal Assistance
Self-Service
Automated Services
Communities
Co-creation

Channels
Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

CHANNEL PHASES
1. Awareness
   How do we raise awareness about our company's products and services?
2. Evaluation
   How do we help customers evaluate our organization's Value Proposition?
3. Purchase
   How do we allow customers to purchase specific products and services?
4. Delivery
   How do we deliver a Value Proposition to customers?
5. After sales
   How do we provide post-purchase customer support?

Customer Segments
For whom are we creating value?
Who are our most important customers?

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

Cost Structure
What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

IS YOUR BUSINESS MORE
Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)
Value Driven (focused on value creation, premium value proposition)

SAMPLE CHARACTERISTICS
Fixed Costs (salaries, rents, utilities)
Variable costs
Economies of scale
Economies of scope

Revenue Streams
For what value are our customers really 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?

TYPES	FIXED PRICING	DYNAMIC PRICING
Asset sale	List Price	Negotiation (bargaining)
Usage fee	Product feature dependent	Yield Management
Subscription Fees	Customer segment dependent	Real-time Market
Lending/Renting/Leasing	Volume dependent	
Licensing		
Brokerage fees		
Advertising		

APPENDIX 2. ADDITIONAL RESOURCES

NNIP Resources

- Hendey, Leah, Jake Cowan, G. Thomas Kingsley, and Kathryn L.S. Pettit. 2016. NNIP's Guide to Starting a Local Data Intermediary. Washington, DC: National Neighborhood Indicators Partnership and Urban Institute. http://www.urban.org/research/publication/nnips-guide-starting-local-data-intermediary.

- Kingsley, G. Thomas, Sharon Kandris, and Maia Woluchem. 2015. A Picture of NNIP Partner Finances. Washington, DC: National Neighborhood Indicators Partnership and Urban Institute. http://www.urban.org/research/publication/picture-nnip-partner-finances.

- McTarnaghan, Sara and Leah Hendey. 2017. The Business of a Local Data Intermediary. Washington, DC: National Neighborhood Indicators Partnership and Urban Institute.

Business Model Canvas Resources

- The Business Channel. 2016. "The Business Model Canvas - 9 Steps to Creating a Successful Business Model - Startup Tips". https://www.youtube.com/watch?v=IP0cUBWTgpY

- Strategyzer. The Business Model Canvas Instruction Manual. https://assets.strategyzer.com/assets/resources/the-business-model-canvas-instruction-manual.pdf

- Strategyzer. "Business Model Canvas Template." https://assets.strategyzer.com/assets/resources/the-business-model-canvas.pdf

- Canvanizer. Online Business Model Canvas Tool. https://canvanizer.com/

NNIP is a collaboration between the Urban Institute and partner organizations in more than 30 American cities. NNIP partners democratize data: they make it accessible and easy to understand and then help local stakeholders apply it to solve problems in their communities.

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