Module 03 :
Blueprinting the
business model

Week 01:
Meet the business
model canvas

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Resource Recovery and Reuse
(RRR) Entrepreneurship

Week 1 module 3: Meet the business model canvas

"Welcome to week 1 of module 3: Meet the business model canvas.

In the last module, you assessed your business environment and analysed if there is suitable and reliable waste supply, sufficient market demand from your potential customers and a favourable environment regarding competition and the institutional framework.

This week I'm going to introduce you to the business model. I will also show you some examples of RRR business models.

As I said in the introduction a business model is not to be confused with a business plan or business strategy. Rather it is the architecture or the design of your business that your business plan and strategy are built on. It describes the logic of how a business creates and delivers added value for a specific customer segment, and how the business captures value for itself. So in other words, it depicts how your business can operate sustainably in the long-run.

There are many ways to blueprint a business model. We use the business model canvas which is a handy and dynamic tool that allows you to blueprint your business model on a one page overview by describing these 11 building blocks:

- on the right hand side: customer segments, value propositions, customer relationships, channels and revenue streams.

- on the left hand side: key activities, key resources, key partners and cost structure.

Since you are building a social business for people and planet - you will also look at the positive and negative impacts that your business will have on society and the environment. This extension is particularly important for the waste and sanitation sectors given the related risks for human and environmental health, but also significant social and environmental benefits as we saw in module 1. In the extended Business Model Canvas you thus also describe the:

- benefits of your business for society and the environment

- and the costs of your business for society and the environment.

The right hand side of the canvas describes how you position your business in the market and it describes the added value you create. The left hand side of the canvas describes how you operate your business and achieve quality and efficiency in your operations.

Whether your goal is to maximize profits, to break-even, or recover or save costs, or simply do good for people and planet, you need to gain competitive advantage - so perform better than existing solutions or products - to attain and defend market share. You are a new business penetrating the market with a novel product, so to get customers to switch to your product, you need to offer them more added value than the competition. In the next two weeks of this module we will take a closer look at your customer and how you can make them switch to your product. At the same time, you also want to make sure that you operate efficiently while maintaining the right level of quality for your product or service. If you are a start-up you will likely not be able to compete yet in terms of efficiency because you have not reached scale yet, but in the long-run improving your efficiency is an important strategy for attaining competitive advantage in the market. For the moment, just make sure that you are efficient enough to keep your costs in check. In the next module we will dedicate some time to questions of operational efficiency and scale.

In the further readings section below you will find three examples of RRR business models from the publication "Resource Recovery from Waste. Business Models for Energy, Nutrient and Water Reuse in Low- and Middle-income Countries". Read the executive summaries of the cases and have a look at their business models. If any of the business model elements are unclear to you, download the business model cheatsheet below and read through the guiding questions.

In the following weeks I will guide you through these guiding questions so that you can develop your own business model. For developing your own business model canvas we advise you to draw a big canvas on a flipchart size paper, and to use different coloured post-its and black markers. As you can see in the RRR business model examples in the publication, different colours have been used for different customer segments. This helps structuring the business model and designing value propositions, channels, customer relationships and revenue streams according to the needs and characteristics of the various customer segments.

Using post-its instead of writing onto the flipchart paper will allow you to easily adapt and modify your business model canvas as needed. Because remember, the business model canvas should be used as a dynamic tool and this first version of your business model will not be your last! In the process of starting up the business you will go through different learning cycles – so for example testing your commercial prototype with real customers and getting their feedback. So you will be updating parts of your business model – or your whole business model – as you go along in launching and running your business. Yes - to stay on top of the game and ahead of competition you need to regularly innovate not only your technology but your business model as a whole according to market dynamics.

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After you have had a look at the business model examples, I will see you in week 2 to describe your customer segments."

List of Reference:

Graph sources:

- Unless otherwise noted, all graphics and case studies from OTOO, M. (Editor), DRECHSEL, P. (Editor) (2018): *Resource Recovery from Waste. Business Models for Energy, Nutrient and Water Reuse in Low- and Middle-Income Countries.* International Water Management Institute (IWMI). Routledge
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