

IO3 – S5

CANVAS REVENUES
+ PRICING



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5: Canvas Revenue + Pricing

Module Objectives

By the end of this module:

- *Participants will be able to identify the Business Model Canvas and how section 9, Revenue, will help them identify Revenue Streams for their Social Enterprise*
- *Participants will be able to identify at least 5 different revenue streams across 4 sectors*
- *Participants will be able to identify 9 pricing models*

5: Canvas Revenue

Module 5

Pre-Assignment: 30 minutes



Discuss the following:

What is “revenue” and how might this differ in a social enterprise to other sectors. Write a short paragraph with your explanation.

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Revenue is **the total amount of income generated by the sale of goods or services related to the company's primary operations.**

Income or net income is a company's total earnings or profit



Social enterprises may consider crowdfunding, sponsorship, and public sector contracts.

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How to get your social enterprise or business from an idea to an income generator.

Using a tool called the **Business Model Canvas** is a way to visualise nine key elements of business planning.

It can be used for new business planning and also for the development of existing business models.

The business model canvas template allows for a concise, visual overview of the core elements of the business plan to be created.

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It is a strategic template that helps businesses and enterprises to describe, design, and analyse their business models.

The canvas was invented by Alex Osterwalder, a Swiss business theorist and entrepreneur as part of his PhD research.



Further Reading: "Business Model Generation". ISBN: 978-0-470-87641-1

Further watching: [Business Model Generation | Alex Osterwalder | Talks at Google](#)

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The Business Model Canvas is a great tool to help entrepreneurs understand a business model in a straightforward, structured way.

Using this canvas will lead to insights about your customers, what value propositions are offered through what channels, and how your company or social enterprise can generate money and keep trading.

The business model canvas can also be used to compare your own business to that of a competitor or the wider market.

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Why use Business Model Canvas for social enterprises?

- It will draw a picture of what your idea entails quickly.
- It allows you to get an understanding of what you are trying to achieve and to go through the process of making connections between what the idea is and how to make it profitable.
- It looks at what kinds of customer decisions influence the use of what you offer.
- It allows everyone to get a clear idea of what the business or enterprise will likely be.

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The canvas helps entrepreneurs to work out their business, and to find a good place to start and to continually review.

There are nine elements of the business model canvas and in this module we will focus on No. 9.

1. Value Proposition
2. Customer Segments
3. Channels
4. Customer Relationships
5. Key Activities
6. Key Resources
7. Key Partners
8. Cost Structure
- 9. Revenue Streams**

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Watch the video and answer the following questions:

- 1: What are the different revenue approaches?
2. What different ways are highlighted for customers to pay?

5: Canvas Revenue

1: What are the different revenue approaches?

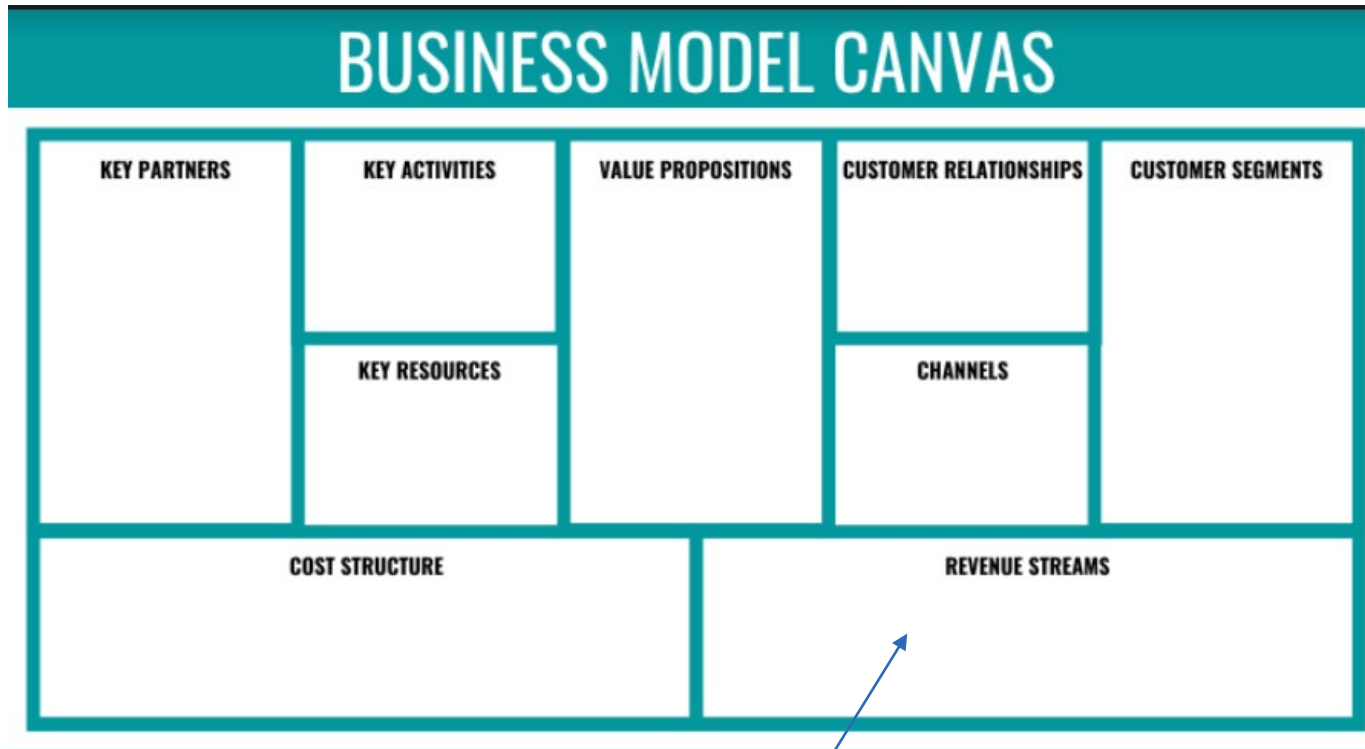
- Asset Sale (sale of goods opposed to services)
- Usage Fee
- Subscription
- Rental/leasing
- Licensing
- Brokerage
- Advertising – think of traditional and social media
- Donation

2. What different ways your customers can pay?

- One time fee
- Recurring i.e. quarterly/annually
- Per use e.g. customer support

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This is a blank template of the Business Model Canvas with the 9 segments.



We will be looking closely at revenue streams.

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BUSINESS MODEL CANVAS

KEY PARTNERS

The term partners does not refer to business partnerships in the traditional sense but rather it refers to any external organisations who the business plans to partner with in order to deliver their value proposition.

These partners may include buyers, suppliers, subsidiaries, joint ventures, trade groups, regulatory bodies and alliances with other businesses

KEY ACTIVITIES

Identify the key activities that need to occur to make progress on the business plan. What activities and tasks need to be performed to implement the value proposition?

KEY RESOURCES

What resources are required to turn the value proposition into reality? Resources may include human, financial, equipment, facilities, time, knowledge, experience and skills.

VALUE PROPOSITIONS

This refers to the collection of products and services that a business offers in order to meet the needs and desires of their customers.

The value proposition should be what makes the business unique from all other competitors.

Value can be expressed through design, price, performance, customisation, accessibility, technology or any other similar means.

CUSTOMER RELATIONSHIPS

Customer service and retention should be at the heart of every business. A business needs to identify the strategies they will use to develop long-term, positive relationships with customers.

CHANNELS

A business needs to find channels which can effectively distribute its value proposition. Channels may include business controlled methods as well as external methods

CUSTOMER SEGMENTS

A business must understand exactly who their customers are in order to maximise their potential for income.

Customers can be segmented based on their different needs, attributes and interests. This process will ensure that communications and marketing strategies reach the right people.

A business may have one or multiple customer segments depending on the nature of their work.

COST STRUCTURE

Exploring the cost structure will ensure the business understands what costs and expenditure it will need to cover.

Considerations may include fixed costs, variable costs, sunk costs and over-heads along with any other associated expenses.

REVENUE STREAMS

Income can be obtained in a number of ways and a business needs to think beyond simply selling a product to a customer and explore other forms of income generation.

Additional revenue streams may include subscription, rental, licensing, advertising, affiliate sales and many more.

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A successful social enterprise or business knows where its income, or revenue, is going to come from.

Revenue can be obtained in a number of ways and this section of the business model canvas encourages you to think beyond selling a product to a customer by exploring other forms of income generation.

Additional revenue streams may include subscription, rental, licensing, advertising, connected sales and many more.

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Crowdfunding

Sell directly to individuals

Leasing - if you have property

Hosting events / knowledge sharing events
(webinars, training, conferences etc)

Public sector contracts & tenders

Memberships or subscription

Selling directly to other organisations or
businesses



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Be “kid” or “pet” friendly

Guest referrals/discounts

Hourly/day rate for rooms

Food & Beverages

Host conferences

Virtual meeting space rental



5: Canvas Revenue

Food & Beverages

Selling merchandise

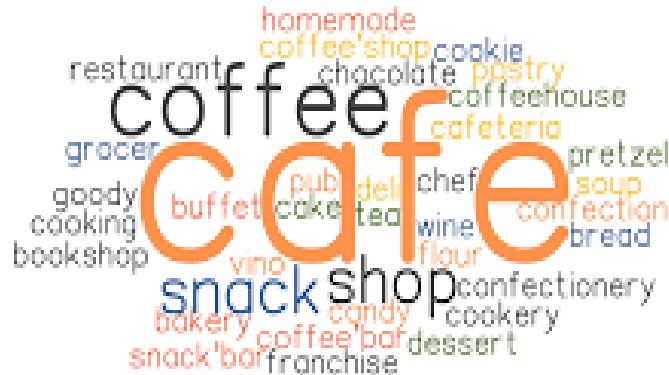
Offering meal kits

Creating cookbooks

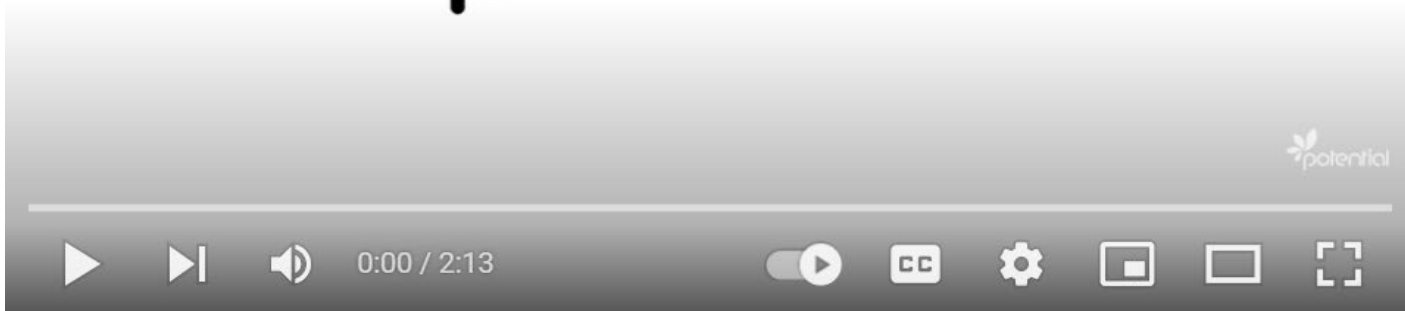
Private parties

Offering online ordering and
takeout

Promote gift cards



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Watch the video and answer to review your learning of Key Revenue Streams:

1: Can you name the 7 key areas mentioned?

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Key Revenue Streams Used in Businesses	
▶	Asset sales
▶	Usage fee
▶	Subscription fee
▶	Leasing
▶	Licensing
▶	Brokerage fee
▶	Advertising

<https://www.businessmodelsinc.com/about-bmi/tools/business-model-canvas>

<https://bmttoolbox.net/tools/business-model-canvas/>

5: + Pricing

Know what you are worth

Don't undervalue the worth of either your product or service. If you price yourself cheaply people's first reaction is to ask why it is so cheap.

How many people still choose well known brands compared to a shops own brand ones, and why do they do this?



5: Pricing

- Peace of mind
- Confidence and reassurance
- of right decision making
- So as not to disappoint with
- a perceived inferior product
- Social Acceptance and fitting in
- Loyalty



Pricing is always an interesting subject – for businesses, and especially for social entrepreneurs who often think only of the social and forget that without the right price there won't be any money to achieve their social goal.

5: Pricing

Pricing is connected to marketing.

Without explaining the qualities and value of your product or service clearly, your customers and clients won't value it fully, and you will not achieve the sales, reputation or success you set out to do.

enterprise
reputation
marketing social
pricing
customersvalue
success

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There are many pricing models that you could use that work best depending on your venture - here are some of them:

pricing
models

- Break even
- Cost plus
- Competitive
- Penetration pricing
- Price skimming
- Prestige Pricing
- Value Based
- Pricing too low
- Offering a discount

5: Pricing

Break Even

This results in the minimum price being charged – the bottom line. It covers only costs.

Receiving grant funding is an example – the full amount should be spent delivering the commission.

Breaking even is admirable but not a good business model – you need surpluses so you can do more social good, develop new innovative products and services, and be entrepreneurial.

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Cost Plus

This method works out your full costs and then you add a set percentage on for profit.

This can be anything, however a recommended amount be at least 20%. Allowing you to reinvest in your social enterprise or develop new products or services.

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Competitive

The *going rate*. Are you offering a service or a product that is directly comparable to your competitors?

Video games and sportswear are examples. When one increases their price you will see others in the market following. A robust research of your competitors is important through tools such as CRM (customer relationship management).

Be careful with this pricing structure - cheaper may indicate inferiority. More - be ready to demonstrate what makes your product or service better.

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Penetration Pricing

You set a low price initially to secure high volumes of sales as soon as you launch.

If you are selling food or everyday items this can work as even though you may only make a few pence on each sale you will be selling in volume.

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Price Skimming

Can be used for products with short life cycles when customers “upgrade” to new technology e.g. computers, mobile phones, games consoles and DVDs etc – where you have a high price but sell low volumes initially.

The price will always come down, but your customer or client wants to access it now.

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Prestige pricing

Customers and clients will pay more for higher quality goods and services.

This is more about *perception* than fact, and often works through word-of-mouth and celebrity marketing campaigns.

5: Pricing

Value Based Pricing

Aligns with the benefits and qualities of your product/service. What extra “value” do you offer?

Are you selling organic or natural products, or mass produced?

Do you offer guarantees or after-sales service?

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Pricing too low

Pricing too low could be the biggest mistake you can make.

This can develop out of desperation and inferiority. It is unlikely you will be able to:

- Sustain costs.
- Attract new customers
- Raise prices in future without losing customers

And will inevitably result in potential cash-flow problems.

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Offering discounts

If you can't attract customers or clients then you can offer discounts for 1st purchase, or by signing up to receive emails/mailings.

Continued discounts though can have a negative impact as this might look like you are overpricing.

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If you get the pricing right, your next goal is to make it sustainable.

Once you have set up your social enterprise or business you will need to ensure it is financially sustainable.

This is essential for you to continue to support the people you set out to help, or the customers who want your products or service.

5: Pricing

Getting pricing right is tricky – this is a fact.

If you're setting up a small business start-up or social enterprise setting the price can seem like a gamble.

It is crucial to set pricing that strikes the balance between attracting paying customers and turning a profit.

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Finally

Test and learn! Be prepared to go back to the drawing board.

It can be hard to get pricing right from the start, so continually monitor pricing and performance – know which of your products or services drive volume look to focus on this area whilst developing others in the background.

Be prepared to test different prices and pricing strategies, learning which work for different customers and products, then set your pricing accordingly.

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Resources

<https://www.youtube.com/watch?v=ynQasjpBTck>

<https://www.youtube.com/watch?v=pnKqFIEQxMc>

<https://www.businessmodelsinc.com/about-bmi/tools/business-model-canvas>

<https://bmtoolbox.net/tools/business-model-canvas/>

<https://www.youtube.com/watch?v=V8EF7vIUqBI>

Further Reading: "Business Model Generation". ISBN: 978-0-470-87641-1