Ecodesign in the Textile Sector

Unit 10: Sustainable Business Models

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With this unit, students will be able to:

- Apply different models of sustainable business to the textile sector
- Get the key information to be able to use the design phase in a Sustainable Business Model
- Know some Best Practices on environmental awareness during the design phase
- Apply a Business Model to your projects

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10.1. Introduction

One of the most important aspects of eco-design is the understanding of the business model applied by the company. Business Models are tools that describe how an organization can create, distribute and gain value.

In summary, **the Business Model describes the logic with which an organization creates, distributes and captures value.**

A company creates value for its customers when it helps them:

- carry out an important task
- satisfy a desire
- solve a problem

The **value creation** is the set of all the activities connected to the realization of the product/service, in particular we refer to the choice of materials/resources necessary for the realization and definition of the value chain.

Value distribution refers to the products or services that an activity intends to offer its customers. Specifically, it deals with the definition of the product/service, the identification of the reference market segment and the strategies that will be used to gain customers and obtain a competitive advantage.

Finally, the **value capture** is linked to the generation of earnings and, specifically, all the choices and activities that fall within the economic sphere.

In particular, the business model:

- provides the guidelines with which the company converts innovation into value acquisition (profit) without disregarding a suitable strategy that can give a competitive advantage over competitors (thus tracing a direction to which followers will probably follow);
- defines an organization that makes it possible to share knowledge within the company and enhance its human resources by favouring the ideal conditions for encouraging innovation;
- identifies the relationships of interaction and cooperation with suppliers and customers (market) enhancing their choices (model and/or business);
- establishes the methods and tools for analysing critically and continuously the results obtained from the business model, comparing them with competitors' ones.

Value is one of the cornerstones of Business Models. **The value perceived by the customer is given by the difference between benefits received and costs incurred. A good business model always achieves this goal**.

If the *sustainable* word is added to the business model, the definition of customer is extended. He is no longer just the direct customer but also the widespread client, i.e. the environment or the land in a general way. **The value generated must be perceived not only by the direct customer but also by the environment, i.e. the widespread customer**.

This aspect can be identified in some parts of the industrial process or in all parts in a perfectly sustainable theoretical business model. Sustainability usually involves some of the industrial processes and often downstream of the design with technological choices and eco-friendly materials.

The decisions of the Business Model applied by the company identify the choices to be made at the time of design, choice of materials or activities used in the creation of the product or service, communication with customers. Sustainable Business Models can serve as a means of coordinating technological and social innovations at the system level. These are described by Lüdeke and Freund (2010) as models capable of creating a competitive advantage by offering superior value to customers and contributing to the sustainable development of the company and society.

The implementation of a business model that takes into account the aspects of sustainability, without renouncing quality, involves important innovation actions in all sectors of the company.

The innovations of the business model for sustainability are those actions of a company that create a significantly positive impact, or that reduce those that are significantly negative, for the environment or society. These actions can be realized through changes in the way which the organization, and its value chain, creates, offers and captures value, or through a change in the value promise that the company makes to its customers.

The level of these innovations must be particularly ambitious and focused on maximizing social and environmental benefits as well as gains, as sustainable choices may not have an immediate economic return. The creation of value in a Sustainable Business Model is initially aimed at the environment and society. This can lead to a difficult value capture, according to the previous definitions, but the value creation addicted to induced benefits leads to a medium-long term economic advantage..

10.2. Archetypes of sustainable business models

A research published in the Journal of Cleaner Production by Bocken et al. (2014) sought to identify a categorization of **8 archetypes of sustainable Business Models**, divided into 3 groups that best describe a type of innovation in the business model: Technological, Social and Organizational.

Groupings	Technological			Social			Organisational	
Archetypes	**Maximise material and energy efficiency**	**Create value from waste**	**Substitute with renewables and natural process**	**Deliver functionality rather than ownership**	**Adopt stewardship role**	**Encourage sufficiency**	**Repurpose for society/ environment**	**Develop scale up solutions**
Examples	Low carbon manufacturing /solutions	Circular economy, closed loop	Move from non-renewable to renewable energy sources	Product-oriented PSS-maintenance, extended warrantee	Biodiversity protection	Consumer Education (models); communication and awareness	Not for profit	Collaborative approaches (sourcing, production, lobbying)
	Lean manufacturing	Craddle-2-Craddle	Solar and wind-power based energy innovations	Use oriented PSS- Rental, lease, shared	Consumer care – promote consumer health and well-being	Demand management (including cap & trade)	Hybrid businesses, Social enterprise (for profit)	Incubators and Entrepreneur support models
	Additive manufacturing	Industrial Symbiosis	Zero emissions initiative	Result-oriented PSS- Pay per use	Ethical trade (fair trade)	Slow fashion	Alternative ownership: cooperative, mutual, (farmers) collectives	Licensing, Financing
	De-materialisation (of products/ packaging)	Reuse, recycle, re-manufacture	Blue economy	Private Finance Initiative (PFI)	Choice editing by retailers	Product longevity	Social and biodiversity regeneration initiatives ('net positive')	Open innovation (platforms)
	Increased functionality (to reduce total number of products required)	Take back management	Biomimicry	Design, Build, Finance, Operate (DBFO)	Radical transparency about environmental /societal impacts	Premium branding/ limited availability	Base of pyramid solutions	Crowd sourcing/ funding
		Use excess capacity	The Natural Step	Chemical Management Services (CMS)	Resource stewardship	Frugal Business	Localisation	"Patient/ slow capital" collaborations
		Sharing assets (shared ownership and collaborative consumption)	Slow manufacturing			Responsible product distribution/ promotion	Home based, flexible working	
		Extended producer responsibility	Green chemistry					

The first category includes archetypes with a strong component of technological innovation, such as those related to manufacturing processes and the redesign of the product. The second category includes those archetypes that focus on innovation from

a social point of view, focusing, for example, on the innovation of their offer to customers or on influencing customer behaviour. The third and final grouping concentrates those archetypes that have a strong propensity for organizational change.

10.2.1. Maximise material and energy efficiency

The first identified archetype can be defined as "Doing more using less resources, generating less waste, emissions and pollution". In practice, a company that applies this Business Model offers its customers products or services that use less resources, generate less waste or emissions, thus creating less pollution than similar products or services. To achieve this goal, the company must focus on the innovation of products, production processes and possibly on new relationships that can make the value chain more efficient (for example the transport of goods). An optimized use of materials and a reduction in waste can lead to a reduction in production costs that can generate on the one hand an increase in profits on the sale of products, on the other it can create an advantage over competitors through the application of a lower price for the good produced, without counting the positive contribution towards society and the environment due to a lower environmental impact.

Considering the textile design, some possibilities that are combined with this business model can be: the use of a single material in the products, so as to facilitate recycling, possibility precluded in the case of couplings and with the use of particular techniques of finishing that can contaminate the products. The design of modular garments is a solution that can open up to new possibilities of replacement or repair that can reduce the environmental impact in terms of water and energy consumption, such as CO_2 emissions in the use phase.

10.2.2. Create value from waste

Acting on the waste of the process is a model that falls into the category of technological innovations. The concept of *waste* can be eliminated by transforming the waste stream into useful elements in other production contexts, using at best an underutilized resource. This archetype differs from the traditional linear economic model "take, make, waste", and adopts the principles of the Circular Economy thanks to which the materials are reused as loose material, as products or as components. This model deviates from the previous one because it is not interested in minimizing waste but rather in identifying and creating new value from what is commonly defined as waste. The aim of this archetype is to reduce the environmental impact of industrial processes by reducing the demand for raw materials, generating and using the waste stream as a useful input for other production processes. All this reduces both the demand for new extractions,

with consequent depletion of resources, and the transfer of waste to landfills and/or emissions into the environment.

The **circular economy** is a business model but has many facets, as many as the sectors that the circular economy can revolutionize. The idea of a system which waste does not exist (or almost) and everything can be reused and recovered to create new raw materials to be re-introduced in the production cycle concerns the most efficient use of materials, water and energy. According to Accenture, the circular economy could bring benefits for $ 4.5 trillion by 2030.

The world of business and finance is concerned with a mainly economic factor: with this system it is possible to recover a value that has been lost to date.

In some cases, business models are quite clear. It is an example of the treatment and recycling of products that have come to an end. In other sectors, there are still a few examples to show that a circular business model can be successful. The fact is that ideas about the circular economy are so wide ranging that there is still confusion about what exactly is and what the boundaries of the circular economy are.

Accenture identifies **five circular business models**:

- circular production chain
- recovery and recycling
- extension of the life cycle
- sharing platforms
- products-as-a-service (models to purchase services rather than products)

Such innovative models lead to new challenges, such as determining the value after using a good.

The textile sector certainly has a lot to deepen in this area thanks to the logic of rejection not only for the exhaustion of the technical functions but also for the exhaustion of the product's appeal (fashion). All this generates waste that can be far from the end of the life cycle, according to the dictates of the circular economy.

10.2.3. Substitute with renewables and natural process

The third and last archetype of technological innovation focuses its attention on reducing environmental impacts by addressing the limitations associated with non-renewable resources and current production systems. This approach differs from the previous ones because it explicitly takes into account the use of renewable resources to obtain benefits with respect to the environmental impact. In this context, the aim is to rethink production processes and to create new products that limit the current use of

non-renewable resources and introduce the use of renewable energy following an idea of *imitation of natural systems*.

The textile industry makes extensive use of chemicals, dyes and finishing substances that are potentially harmful to health and the environment. In a context of *green textile*, an example can be the substitution of these petrochemical substances with organic equivalents, drawing on research in the field of *green chemistry*.

In this approach, the use of renewable energy sources for energy supply in the various industrial production processes is also central, with solutions adapted to the various production contexts among which we can list three-generation systems, cogeneration, photovoltaic energy, biomass, miniHydro , wind, etc …

10.2.4. Deliver functionality rather than ownership

The first archetype of the category of *social innovations* concerns a radical change in the way which the company manages its own business: one passes from offering a product to offering a service. The efforts are focused on offering an experience to the customer, continuing to produce quality products but without mass market logic. This approach emphasizes the *Servitization* and the *Product-Service System* (PSS) where the functionality and access to a given good are values superior to the possession of the good itself.

This model is also represented among the successful models of the Circular Economy, as previously described.

Some examples of this model are in contrast with the classical model of economies of scale, in which there is a direct correlation between mass production and profits for the company. In the context of the *Product-Service System*, the aim is to produce few products, but which have high quality characteristics, since, being offered "to rent", they must last over time, to different users and therefore with a high level of reparability. This aspect is essential during the design phase.

The "***products-as-a-service***" models involve the substitution of the sale of a product with a leasing contract in which the producer of the good continues to maintain the ownership of the product, which at some point will have to be returned and reconditioned. This model has already been applied to different types of goods such as printer cartridges, clothing and even aircraft engines. In all cases, cash flow moves from a single payment at the time of sale to continuous payments for the duration of the contract. At the same time, all this involves significant investments in terms of product and initial capital.

Some fashion brands are adopting this approach, offering the use of garments, maintaining ownership, and making them pay a rent. Others have launched services to extend the life of products, through repairs or ensuring a long life of products sold.

Rental activities work better with durable, high-quality products, such as work wear, seasonal products, such as children's or maternity clothing, basically because end users find them cheaper than a purchase. Repair services are particularly required for expensive items that wear out easily.

10.2.5. Adopt stewardship role

Adopt stewardship role means assuming a strong position for the company in the face of all the actors that can be defined, according to the current Business Model language, stakeholders, involving them and making them feel a strong responsible message to ensure health and wellbeing in the long term.

This approach aims to maximize the company's impact on society and on the environment, giving a positive vision of the company towards the society. An example is the use of third-party certifications to ensure compliance with a reference set and the transparency of their activities towards consumers. These certifications of "responsibility" before "quality" can be related to products, production processes and all phases of the value chain. As for the environment, it is possible to indicate a family of "ECO" certifications with the aim of facilitating, supporting and monitoring the sustainability practices adopted by companies.

The certifications on the not dangerous for the health of a given product, seen in the previous units, such as Standard 100 by OEKO-TEX®, fall within the company's responsibility policies related to downstream activities, actively addressing the issue quality of life for its customers.

The company's responsibility policies can concern the activities present in the various phases of industrial production and the social environment in which the company has fallen, such as:

- Welfare of employees and wages proportionate to the cost of living
- Development of the community where the activity is inserted (school education, health ...)

and reducing environmental impact through, for example:

- Less use of polluting substances in production processes
- Protection and regeneration of natural resources and biodiversity

An important aspect of this archetype is related to the feeling induced in the consumer of responsibility. For example, the consumer is willing to pay a higher price to finance a company's beneficial activities throughout the supply chain, such as products associated with fair trade activities.

10.2.6. Encourage sufficiency

Sustainability starts, in widespread social logics, from the reduction in consumption. With this model, companies aim to offer quality products at the expense of quantity to meet the demand from their customers and, consequently, reduce their production. The innovativeness of this approach lies in the relationship between producer and customer, in encouraging less consumption, less waste and using products for longer. On this point it is fundamental design products that last over time, or that allow repairs that can prolong their life.

It establishes a relationship that, in contrast with the dynamics of *fast fashion*, strongly recalls those that can be identified between a craftsman producer and his client, rather than a traditional industry-consumer relationship.

An example of this approach are the activities of Patagonia: the company is committed on one hand to offer a high quality product that can last over time, on the other hand offers its customers repair solutions in the shop or at home, through tutorials available via the web platform. Patagonia feeds the emotional bond of the customer with his boss, removing the need to buy a new one.

10.2.7. Repurpose for society/environment

The third category of archetypes proposes Business Models that make changes related to the organization of the activity, introducing solutions that start from the foundations of the company.

The first of these models is *Repurpose for society and the environment*. The company is committed to bringing social and economic benefits, rather than focusing on profit alone, through greater collaboration with local communities and stakeholders.

To bring benefits at a social and environmental level means taking concrete and commercial actions for all the actors towards a non-traditional way of managing interests that may include collaborations with non-governmental organizations (NGOs) and social realities in the social or environmental field.

Through this Business Model, realities have been developed that are generally called "*employee ownership*". They refer to the ownership of a company, directly or indirectly, in whole or in part, by some or all of its employees. Obviously, an entrepreneur can also

be an employee but it is not what is meant by "*employee ownership*". Rather, it refers to the ownership of a large number of employees, including basic employees, through a suitable shareholder scheme spread and circumscribed to company employees. This model has been applied in some current cases of corporate crises in which employees have acquired ownership of the company in difficulty in which they worked and, successfully, have recreated value to the territory and to the company itself.

Clearly, a company must be interested in its profits, otherwise it would be a non-profit organization. The coexistence of the various models generates a solution where are adopted *Hybrid* Business Models, in which two entities coexist, one operating with a traditional model addressed to profit, the other through the part of their earnings dedicated to the financing of an activity no -profit. This system does not act directly on the sustainability of the main activity of profit, but in any case it brings significant benefits for the context in which it operates.

Another activity that a company may decide to undertake, according to this model, is the reshoring of production activities, thus promoting work at the local level. "Reshoring" is a phenomenon that has been recently cited and opposed to "offshoring", i.e. the delocalization of work mainly in Asia and Eastern Europe in the last 20 years. Firms back down to return home (back reshoring) or in neighbouring countries (near reshoring) driven mostly by quality and product and service control needs. All this leads to a growth in local employment and the rediscovery of the qualified "value" of operations carried out in professionally advanced contexts such as those in the European area.

10.2.8. Develop scale up solutions

The last archetype identified by Bocken et al. concerns the *development of scale up solutions*. This model aims to scale sustainability strategies to maximize benefits for the environment and for civil society.

Large multinational corporations are potentially in a better position to promote large-scale sustainability, however, in the short term, it is likely that start-ups or small businesses are likely to undertake the most radical innovations (and take greater risks). In this different vision lies the problematic implementation of the Business Model, because, on the one hand we have large companies with the means but little willingness to venture radical innovations, on the other there are small companies that can have new revolutionary ideas but not the ability to apply them in large systems.

To overcome these problems, start-ups and small businesses can consider collaborative approaches, sharing some activities, such as research, production, secretarial activities and storage. In this perspective, common areas can be defined which are called *business*

incubators. In them there are equipped spaces able to provide start-ups with the possibility of renting laboratories and offices at advantageous prices and to make use of ancillary services of a legal, managerial and administrative nature. Other tools may be *Crowdsourcing* platforms, to create virtual environments in which to gather numerous ideas and make them accessible to a wide audience via the Internet, and *Crowdfunding* where the collection of widespread funds is used to finance innovative ideas.

In Italy Eppela, which is the most widespread crowdfunding site (556 projects in 2016), collected a total of 4.6 million euro. The most funded project is the Jungle jacket, a cycling jacket with fifteen accessories, which last year raised 105 thousand euros against a milestone of 25 thousand. Even *Parma Calcio* (Italian football club), after the financial crash, has sought supporters in Eppela and in 2015 collected 238 thousand euros from subscriptions, twice the target set by the company.

In Italy **the size of crowdfunding projects is small**. **Productions from below**, one of the longest-running platforms, in 2016 raised 3.5 million euros to finance 1,578 ideas.

Starteed, a company that helps create crowdfunding campaigns, has calculated **how much the sector is worth in Italy.** In 2016, **70 platforms** were active, which collected **€ 91.7 million**. Approximately 56 million come from four sites of loans between individuals, while the 36 platforms that distribute rewards have catalysed 24 million investments

Another very important aspect of this latest archetype is linked to *Open Innovation* platforms where companies can create value through the use of tools and technological skills that come from outside, in particular from start-ups, universities, research institutes, suppliers and consultants. These Open Innovation tools are based on particular licenses for the free use of the contents and systems developed through CopyLeft, a system of rights to freely release their works with some expedients linked to their reuse and free circulation. Also the European Commission has long adopted policies of Open data, Open source and Open Innovation regarding the activities and documents present in its archives. The mistake made by many in the use of these tools is to consider them totally and freely usable for their own ends, often profit, breaking the rules of CopyLeft that lead to complaints similar to those related to Copyright.

The most widely used large-scale Business Model is related to franchising or business licensing. It is based on the strong identification of a brand through strong brands that identify the products of a certain company. **Franchising**, or **commercial affiliation**, is a formula of collaboration between entrepreneurs for the production or distribution of services and/or goods, indicated for those who want to start a new business, but do not

want to start from scratch, and prefer to affiliate their business to an already established brand.

The modern *franchise* has spread since the thirties of the last century with the establishment of large restaurant chains, and it literally exploded in the fifties of the last century with the development of *fast food chains*. Currently there is a tendency to the formation of large franchise chains in the retail sector and in parallel the growing diffusion of the so-called joint franchise, in which the franchisor agrees to allocate the entire amount of the royalties paid by the affiliates to the loan. solidarity projects, often in collaboration with humanitarian associations.

10.3. The Business Model Canvas

The ability to create value is currently one of the biggest challenges for companies. In fact, while technological development has made it easier to find resources on the market, there is a progressive dematerialisation of the process of creating value.

Value is no longer measured solely on the basis of objective and economically evaluable factors, but on the ability of the product to be part of a market segment. This scenario has made the process of creating the business model increasingly capable of transforming an idea into a successful project. In order to meet these needs, companies are increasingly using a Business Model Canvas, a tool that, according to the definition provided by the designer, Alexander Osterwalder, describes how the organization creates, provides and captures value. The Business Model Canvas represents the set of strategic tools that through the visual language allows to create and develop innovative business models aimed at obtaining a competitive advantage.

This model is widespread for the analysis of innovative ideas that are transformed into successful start-ups. The model was released under the Creative Commons Attribution-Share Alike 3.0 unported license (www.businessmodelgeneration.com) which allows:

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Based on the balanced scorecards, the model focuses on the four fundamental areas of business models:

- Product
- Relationship with the customer

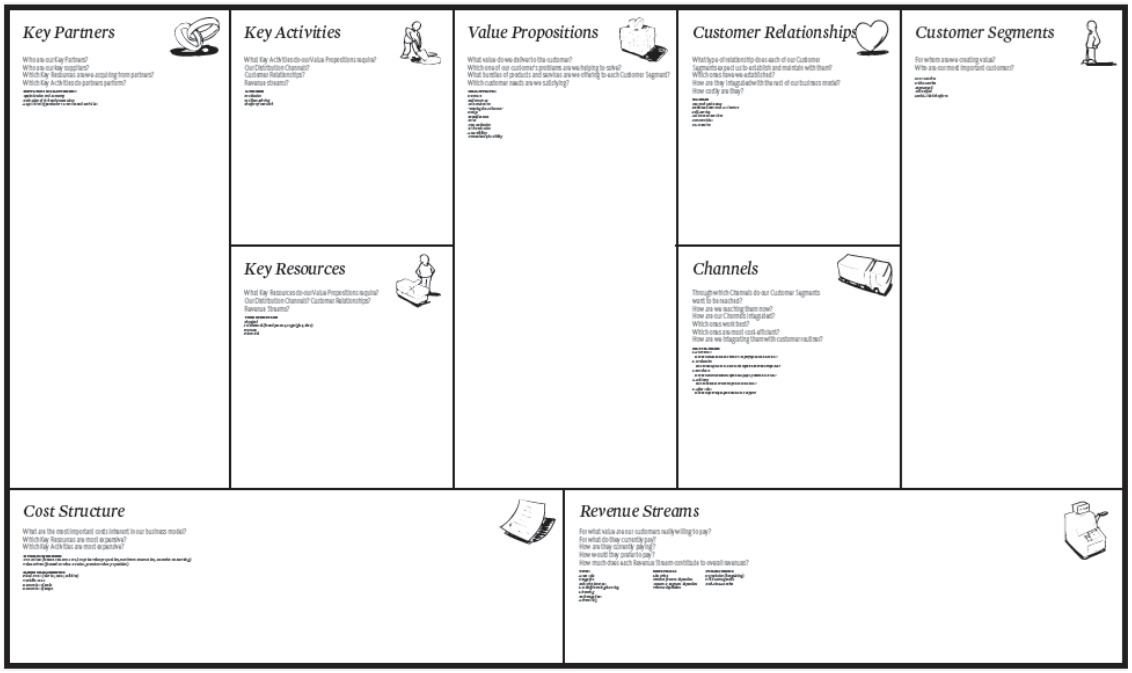
- Infrastructure management
- Financial aspects

These areas are divided into 9 analysis elements, see table below.

Area	Business model block	Description
Product	Value proposition	Products/services of the company that represent value for the customer
Relationship with the customer	Target customer	Customer that the company wants to reach
	Distribution channel	How the company wants reach the customer
	Relationships with customers	Link between company and customer
Infrastructure management	Value creation	Activities necessary to create value for the customer
	Competence	Repeated execution of activities that create value for the customer
	Collaborations	Voluntary collaboration between two or more companies in order to create value for the customer
Financial aspects	Cost structure	Valorisation of production factors
	Profitability model	Incoming financial flows

These areas are divided into 9 analysis elements, see the following figure.

Below, the structure of the Business Model Canvas derived from the 4 areas and 9 elements of analysis.



The structure of the Business Model Canvas consists of a framework within which the 9 constituent elements of a company are represented in the form of blocks:

1. Customer segment (CS): the customer segments to which the company targets.
2. Value Proposition (VP): the value proposition containing products or services that the company wants to offer.
3. Channels (CH): distribution channels.
4. Customer Relationship (CR): the type of relationship that the company establishes with its customers.
5. Revenue Streams (RS): the revenue stream generated by the sale of products or services.
6. Key Resources (KR): the key resources.
7. Key Activities (KA): the key activities.
8. Key Partner (KP): strategic partners with whom to make alliances.
9. Cost Structure (CS): the cost structure.

For each of the 9 points, some questions must be asked whose answers fill the block diagram of the model.

10.3.1. Creating a Business Model Canvas

The first step consists in the preparation of a Value Proposition Canvas useful to describe in detail the process of value creation.

This process differs according to the customer segment that the company wants to achieve through a specific value proposal. To identify the customer segment, it is necessary to specify the products and services to offer through a value proposition that is able to satisfy the needs of each segment. The Value proposition Canvas, therefore, constitutes a plug in for the Business Model Canvas in the sense that, while the latter represents with its nine blocks a big picture, the Value proposition Canvas focuses attention on the Value Proposition and on the Customer Segment.

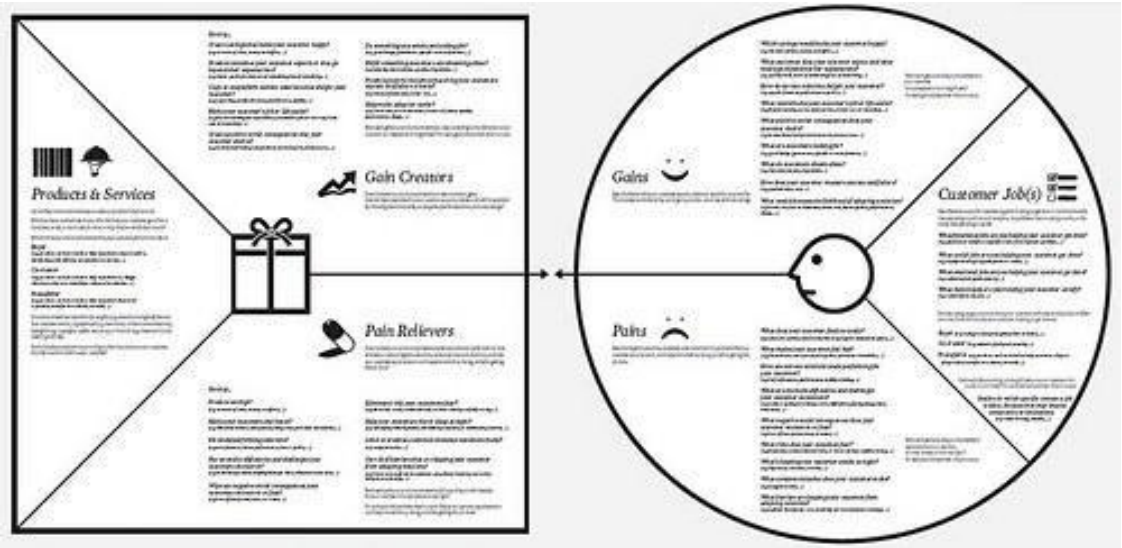
The value offered is the element that can contribute to the creation of a competitive advantage, representing the reason why customers choose a particular company. The value proposition must be conveyed through appropriate channels of communication, distribution and sale.

Communication is a key factor because it allows customers to become aware of the products and services offered and to evaluate their value during the purchase phase and in the after-sales phase. To create revenue streams that, in essence, represent the measure to estimate the success of the proposal, the company must identify core activities, acquire key resources or assets that the company cannot deprive and identify the partners that provide resources and strategic activities from outside.

Finally, the Business Model Canvas must provide an assessment of the cost structure for the acquisition of resources, activities and key partners.

When compiling it is important to follow the order suggested by the same creator Osterwalder. The first step is to identify the customer segments and then to the products and services that the company intends to offer. The assessment of the customer profile is obtained through the identification of *the Job To Be Done* or the activity that the customer leads and the *Pains*, or the critical issues that the customer has found in the performance of activities, in the end, the Gains or the advantages that he would like to get.

It then proceeds by creating the value map or assuming products or services that meet the needs of the customer segment analysed, evaluating at the same time the methods for resolving the difficulties encountered by the client (Pain Relievers) and how to generate benefits (Gain Creators).



All the hypotheses outlined in the planning phase must then be tested on the market, verifying if the hypothesized activities are practicable, what are the advantages and what the disadvantages are. The execution therefore involves an assessment and constant monitoring of the business model to identify the strengths and risks to which the organization is exposed as well as the possible related developments.

This is aimed at eliminating inadequate hypotheses and re-adapting the Value Proposition Canvas model taking into account the specific needs of the analysed cluster

The 9 points can be compiled by asking the following questions and inserting their answers in the graphic framework.

1. Customer segment (CS): the customer segments to which the company targets.

For whom do we create value?

Who are our main customers?

Examples of potential answers:

- Mass market
- Niche market
- Segmented market
- Diversified market
- Multilateral platform

2. Value Proposition (VP): the value proposition containing products or services that the company wants to offer.

What value do we give to customers?

What problems do our customers help solve?

What products and services do we offer to each customer segment?

What customer needs do we meet?

Examples of potential answers:

- Features
- New features
- Customization
- Have the job done
- Design
- Brand / Status
- Price
- Cost reduction
- Risk reduction
- Accessibility
- Convenience/ease of use

3. Channels (CH): distribution channels.

Which channels do we use to reach our customer segments?

How do we reach them now?

How are the channels integrated?

Which ones work best?

Which are more efficient in terms of cost?

How we integrate them into customer procedures

Sub-phases of distribution channels:

- Awareness
  - How we make known products and services of our company
- Rating
  - How we help customers measure the value we create
- Purchase

    - How we allow customers to purchase our products
- Delivery
    - How we provide our value to customers
- Post Sale
    - How we provide after-sales support to customers

4. Customer Relationship (CR): the type of relationship that the company establishes with its customers.

What kind of relationships do each segment of our customers expect that we establish and maintain?

Which are already established?

How do they integrate with the rest of our Business Model?

How expensive are they?

Examples of potential answers:

- Personal assistance
- Dedicated personal assistance
- Self service
- Automated services
- Community of users
- Sharing

5. Revenue Streams (RS): the revenue stream generated by the sale of products or services.

What are they willing to pay for our customers?

What do they pay for now?

How do they pay currently?

How would they prefer to pay?

How much each revenue stream contributes to total revenues?

Types of earnings:

- Sale of goods
- Use fees

- Subscriptions
- Rental/Leasing/Loan
- licensing
- Commissions
- Advertising
- Fixed price
- List
- Depending on the product
- Depending on the customer segment
- Depending on the volume
- Dynamic price
- Dealing
- Revenue management
- Market in real time

6. Key Resources (KR): the key resources.

What resources are needed for the value we create?

For our distribution channels?

For customer relations?

Peri revenue flows?

Types of resources:

- Physical
- Intellectuals (Trademarks, Patents, Data)
- Human
- Financial

7. Key Activities (KA): the key activities.

What activities do we need for the value we create?

Distribution channels?

Relations with customers?

Revenue flows?

Categories:

- Production
- Problem solving
- Relations/Network

8. Key Partner (KP): strategic partners with whom to make alliances.

Who are our key partners?

Who are our key suppliers?

What key resources do we acquire from our partners?

What key activities do our partners do?

Motivations for partnerships:

- Optimization and economy
- Reduction of risks and uncertainties
- Acquisition of particular resources and activities

9. Cost Structure (CS): the cost structure.

What are the main costs of our Business Model?

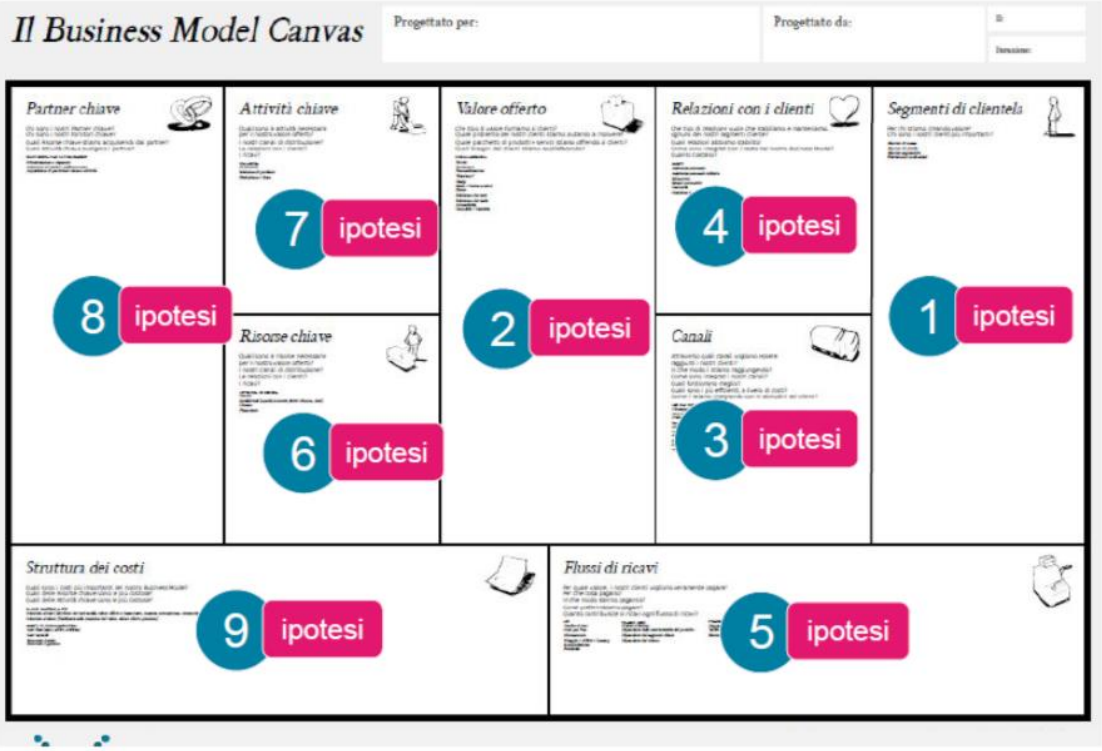
What are the most expensive key resources?

What are the most expensive key activities?

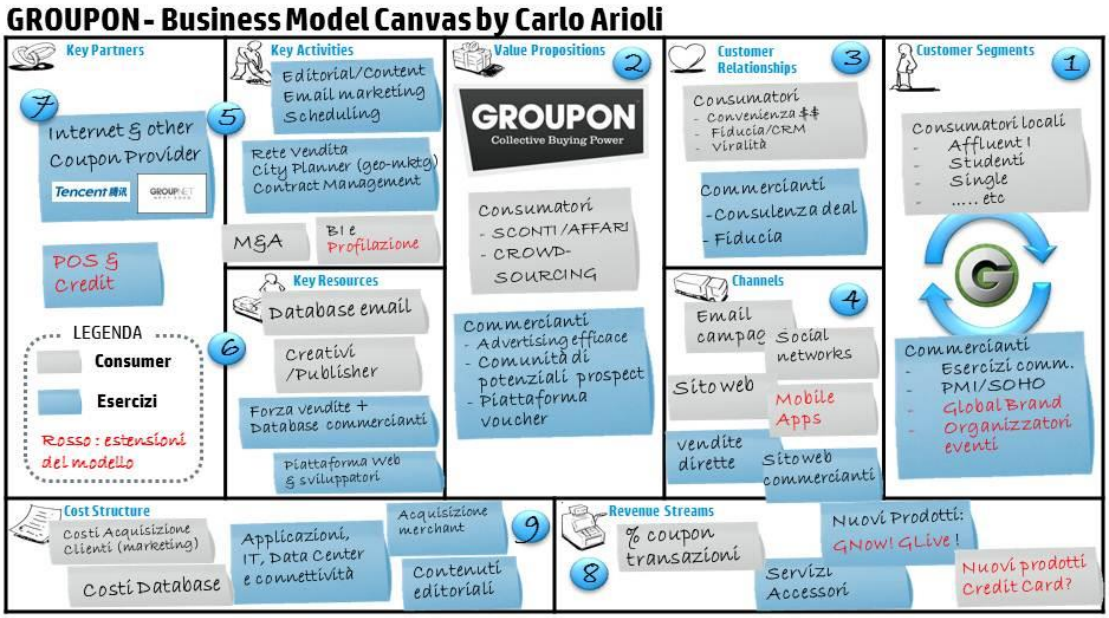
Examples:

- Your business is mainly based on:
  - Cost (light structure, low price, maximum automation, extensive outsourcing)
  - Value (centered on value creation, premium price)
- Features:
  - Fixed costs (salaries, rents, utilities)
  - Variable costs
  - Economies of scale
  - Synergies

The picture shows the steps for the model design which should be validated through the measurements made on the responses of the customers.



An example of Business Model Canvas compiled in all its components: the "Groupon" case.



10.4. Coclusions

The Business Models have evolved over time and changes linked to the extemporaneous conditions of the companies in which they were applied. Unlike other situations, the Business Model is a dynamic approach to entrepreneurial activities and linked to different visions that over time have become more widespread with respect to the initial concept of company-market profit and individualism.

In this teaching unit some Business Models were illustrated, referring to the classification proposed by Bocken et al. (2014), which has catalogued **8 archetypes of sustainable Business Models**, divided into 3 groups that investigate the type of innovation in the business model: Technological, Social and Organizational. There are also other classifications linked to specific sectors, for example the 5 Business Models of the ICT sector (Information Communication Technology), which were not dealt with in this unit, being little related to the concepts of sustainability investigated here.

Archetypes are models that identify ways of innovation on specific aspects of doing business. A company that wants to innovate towards a more sustainable activity can draw inspiration from this selection. The Business Model, as described here in the 8 archetypes, can be used individually in an exhaustive way, but it is often necessary to make a mix between the various archetypes to define the Business Model appropriate to the company's vision.

From the point of view of the company structure, the Business Models described imply the more or less radical rethinking of their strategy. All this leads to the introduction of new procedures, new technologies and new organizational structures. To assist in the definition of its Business Model, a very widespread procedure and Open source called the Business Canvas Model was illustrated. It is based on the use of graphic aspects that clearly highlight the various critical points of a Business Model. The application of this methodology to the various archetypes, can direct towards a reasoned sustainable Business Model and adapted to their expectations of company growth, new company, etc.

All this leads to a close correlation between the actions of Ecodesign at the planning or reuse and / or recycling level, with a view to the Circular Economy and the various Business Models, applicable with the Canvas methodology. Simple design cannot be a source of business in the absence of an adequate analysis of the Business Model applied to the design process used.

The combination of the Sustainable Business Model and Ecodesign leads to a strong appreciation of the concepts of the Circular Economy and to a concrete implementation of eco-sustainable business developments that are certainly profitable for the company and/or the territory in the social and environmental sphere.