

WP2

eTOMATO Business Model

Canvas



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DOCUMENT VERSION 01

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With contribution of eTOMATO' HEIs and Farms

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Introduction

eTOMATO intends to develop tools to facilitate agricultural practitioners, new entrants into farming and anybody interested in, to undertake a Multifunctional Organization (MO) in the agriculture field. The word "facilitate" means that the tools' end-users will be asked being acquainted and having knowledge on Multifunctional Agriculture (MA). If this is not the case, the recommendation is either follow the eTOMATO course or just review the eTOMATO materials, beforehand.

The Business Model Canvas (BMC) is the second tool being developed within eTOMATO project. The first is, indeed the eTOMATO Readiness Tool (RT). The sequence is due the connection established between the two appliances: the use of RT comes first, then one can capitalize the results from the RT evaluation with using the BMC. Therefore, if you have not used the RT yet, take a look at eTOMATO website to find the RT and the instructions to properly run it.

The eTOMATO Business Model Canvas configures the resources organization in the three different domains identified by eTOMATO project: Short Food Supply Chain, Rural Tourism, Social and Didactic Farming. We then outlined three different BMCs. The choice of adopting the BMC instead of the traditional and mostly known business plan, stems from the fact that eTOMATO insists on improving the capacity of creating an innovative and complex inter-sectorial organization. Hence, by raising questions, it supports the practitioners in clarifying the formulation of the initial business idea. This tool indeed is recommended to be used in the early stage of the nascent organization. By contrast, the business plan aims to assess the feasibility of any undertaking from the technical and economic standpoints. It therefore outlines the mission, the vision and the goals of the organization, when the project idea is well-defined. The early stage of any business organization is crucial to identify the content of the activities that technically and economically the business plan sets up.

Based on these assumptions, our aim is to easily bolster the formulation of a creative multifunctional organization, where being "creative" means being sustainable and able to create values for the surrounding communities so that capturing and attracting customers. In turn, creating values means overtaking the old limiting and unsustainable goal of pursuing the simple profit. Value means that the profit is a single component of multiple goals: environmental preservation, social inclusion, community-sense building, heritage appreciation, limited use of the resources, employment of renewable resources and, finally, profit. This latter should therefore be seen as a normal consequence of the paramount achievement of the other objectives.

This document is organized as follows. The section number two addresses the meanings of "Business Model" and "Business Model Canvas". The section number three shows the traditional design of the Business Model Canvas. The section number four describes eTOMATO Business Model Canvas. Finally, the three different BMCs of the eTOMATO multifunctional dimensions are highlighted.

From Business Model to Business Model Canvas – some scientific interpretations

According to (Zott & Amit, 2010), a “business model design is a key decision for a new firm entrepreneur and a crucial – perhaps more difficult – task for managers charged with rethinking an old model to make their firm fit for the future”. This definition is perfectly in line the eTOMATO purpose: supporting practitioners and new entrants into farming to take “key decision for a new” farm and “a crucial task for rethinking an old model to make their *farm* fit to the future”. Further, they add that “a business model is geared toward total value creation for all parties the greater the total, the greater the focal firm's bargaining power, and the greater the amount of value it can appropriate”, and “the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities”. This sticks to the goal of pursuing the value instead of only the profit to exploit business opportunities.

While (Osterwalder & Pigneur, 2010) observe that “a business model is representation of how an organization creates, delivers and captures value from a product or service”. They stress the process underlying the values creation that an organization is asked to accomplish. The definition of business model is a general concept indicating a process/framework to display the own project idea and the inspiring reasons and values behind it.

Building on these premises, the purpose of eTOMATO is to deliver a so-called business model innovations for sustainability. This latter is addressed by (Adams, et al., 2012) as being a more complex and integrated thinking of some business facets, such as capabilities, stakeholder relationships, knowledge management, leadership and culture. This approach is obviously valid for any business undertaking. However, it takes into account the key aspects on which a multifunctional organization comes to be designed. The complexity of this method leads to conclude that it “tends to be ad hoc and neither systematic nor systemic” (Stubbs & Cocklin, 2008), which is the reason supporting our aim to design one eTOMATO business model per MA domain.

Nevertheless, some challenges describing the complexity of a business model innovations for sustainability should be considered. They are summarized as follows (Evans, et al., 2017):

- **Triple bottom line (TBL)** – a balanced achievement of profit, social and environmental benefits (Stubbs & Cocklin, 2008);
- **Mind-set** – the entrenched behavioural norms, rules and methods that reign in the mind-set of the people undertaking the new business organization, in turn impeding the introduction of the cutting-edge idea (Dan & Chieh, 2008);
- **Resources** – unwillingness to organize the resources and re-design the processes for the new business model (Zott & Amit, 2010);
- **Technology innovation** – integrating technology innovation in the new business model could be difficult and complex (Dan & Chieh, 2008);
- **External relationships** – extra efforts to establish a lifelong dialogue and interaction with external stakeholders (Stubbs & Cocklin, 2008);
- **Business model method and tools** – existing and mostly used business models and tools are few and rarely addressed by sustainable principles (Yang, et al., 2017).

eTOMATO attempts to smooth all the above challenges by providing tools developed on the ambition of overcoming these issues whereby facilitating the innovative approach for sustainability. Thus, we at first addressed the graphical outlook of the business model. We then took the decision to employ the BMC. This framework, in fact, makes easier the interpretation of the own farm project in order to clearly identify its main elements through a graphical representation. It is easy to interpret and, we deem, even accessible to whom being not familiar with business models. In this regard, the BMC is “a visual modelling method that is used to capture the business model of a company” and it “has visual and simple-to-use structure aligns with design thinking and managing as designing” (Fritscher & Pigneur, 2014). It represents the first document to develop when drafting a business idea since it builds on easy and graphical understandable framework.

BMC design

The BMC is made of boxes raising questions, that in turn address the resource organizations and the real content of the project idea. The traditional version of the BMC is constituted of 9 boxes. Each box concerns a specific aspect that should be considered when accounting for the elements compounding the business idea.

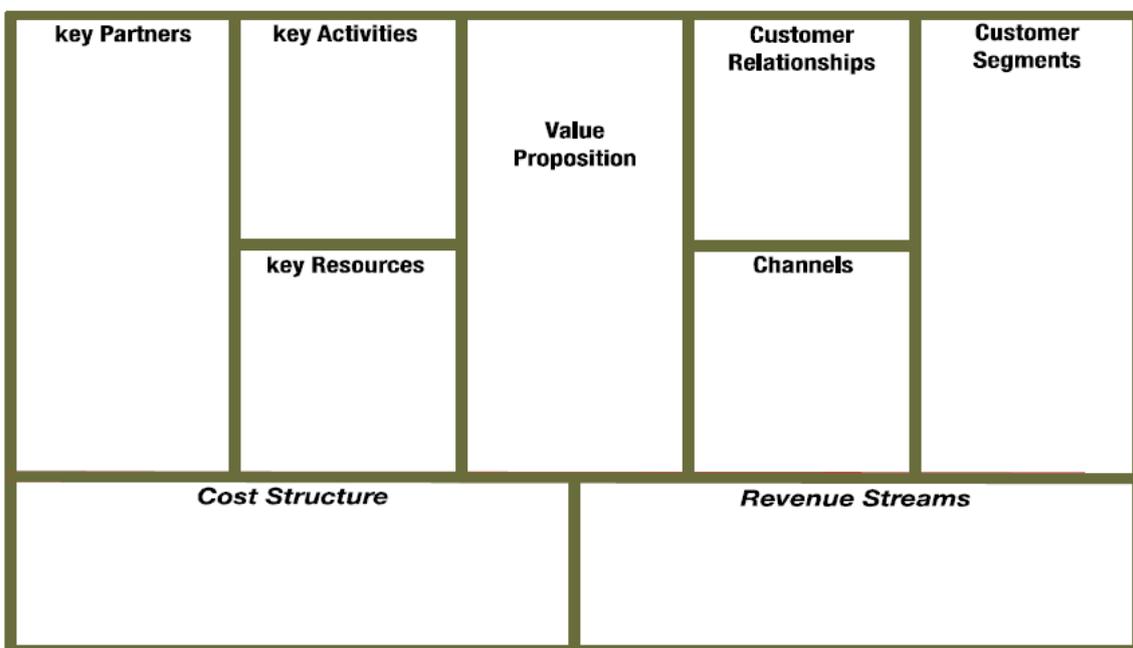


Figure 1 - Business Model Canvas
Source: (França, et al., 2017)

As shown in the Figure 1, these aspects are represented by the following categories (França, et al., 2017):

- **Value proposition** – the products/services that the organization aims to offer to create values.
- **Key resources** – most relevant assets to develop an useful business model. Key resources can be physical, financial, intellectual or human. They can be owned/leased by the company or acquired by the key partners.
- **Key partners** – network of the suppliers and other partners. Strategic alliances between non-competitors as well as competitors belong to this category. Reasons to engage in partnerships could be economy scale, sharing risks, and access to particular key resources.
- **Key activities** – tasks to be carried out to run the business organization and achieve aspired outcomes. Most relevant key activities could be production, networking, problem solving etc.
- **Customer relationship** – types and intensity of exchanges that the organization aims to establish with the customers (e.g. personal assistance, self-service, co-creation).
- **Customer segment** – different target groups the organization aims to serve. The challenge consists in enquiring the boundaries of the specific customer needs (mass or niche markets).
- **Cost structure** – all costs to run a business model. It mainly includes expenses for creating and delivering value, maintaining customer relationships, and making revenues.
- **Channels** – represent the “vehicles” to convey the value proposition to the audience (target groups).
- **Revenue streams** – the channels to generate income. Most known types of revenue streams are the transaction revenues coming from one-time revenue payment and recurring revenues resulting from ongoing payments.

Although all the same boxes are included, the arrangement of the boxes is different in the eTOMATO BMC.

eTOMATO BMC design

The eTOMATO Business Model Canvas is based on the theoretical rationale above addressed, as well as the Business Model Canvas for short food supply chain undertakings developed within the H2020 project SKIN (Short Supply Chain Knowledge and Innovation Network) that was led by the University of Foggia (D2.1 - SKIN 'Good Practices' Handbook). This document was found useful since, as argued by (Wilson, 2007) the shorter is the supply chain, the higher is the chance to either find or implement multifunctional agriculture.

The eTOMATO BMC shifts the key resources to the centre of the diagram in order to emphasise its main role. Indeed, differently from the traditional version of the BMC, we raise the importance of the

resources that are available, accessible and qualitatively satisfactory. Such information are obtained from the readiness evaluation by making use of the Readiness Tool.

The results of the readiness evaluation should be printed and employed to address the multifunctional design drawn with the BMC. Explicitly, the marks that the evaluators have given to the resources should lead to the best business model design. This is important since the identification of the resources the farmer should mainly rely upon, should be exploited across all the nine boxes by leveraging on potential linkages when this is allowed by the nature of the resources.

EXAMPLE

If the resource assessed with the RT is the parking area and the mark is high for all the evaluating dimensions, there is no high chance to exploiting it across all the BMC boxes because of the nature of the resource: it is not amongst the ones being the core of the three eTOMATO multifunctional dimensions. By contrast if the resource is the high qualification in social and didactic farming, this should represent a benchmark to fill out all the other eight boxes and leverage on. This could be intended when the mark is yellow or green (see the instructions for RT).

The high competencies in education (mark 8 for ex.), indeed, enables the undertaker to at first identify the value proposition: Didactic Farming. Then to identify the key partners, customer segment, customer relationship, key activities (lab for kids for examples), cost structure, channels and revenue streams.

Hence, some general questions to reply for exploiting the relevant key resources throughout the BMC:

1. Value proposition – Didact Farming (even Social?), what about Rural Tourism and Short Food Supply Chains?
2. Key partners - associations of young families, educational organizations etc. In this box it is recommended to point out any partner adopting/suggesting/having knowledge of good practices implemented in the field
3. Customer segment – toddler? Pre-schooler? School-aged?
4. Customer relationship - web-enabled services for parents
5. Key activities – labs for children, farming games etc.
6. Cost structure – Variable costs due to amount of material employed for labs depending on the number of children enrolled to the lab
7. Channels – local rural community, word of mouth etc.
8. Revenue streams - traditional education, farming labs, pet labs etc.

Key partners	Key activities	Customer relationship
Value proposition	Key resources	Customer segment
Cost structure	Channels	Revenue streams

Figure 2 - eTOMATO BMC boxes arrangement

Short Food Supply Chain - Content of the eTOMATO BMC boxes



What are the key resources identified with readiness evaluation?

Hint: leverage on those mainly fitting your multifunctional dimension and find other dimensions to undertake from such resources. Be creative!

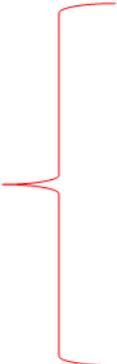


What are the key partners that could allow you to create value?

Hint: think at those partners that can help you in finding and exploiting channels, adopting valuable good practices



VALUE PROPOSITION

- 
- What are we building and for whom (MA dimension)?
 - What are we providing to the customer?
 - What problems are we solving for a specific customer?
 - What needs are we fulfilling for the customer?
 - What product or service do we offer for every kind of customer?



KEY ACTIVITIES

- 
- Management
 - Weekly work planning
 - Financial issues (loan, salary etc.)
 - Supply markets



- How will our company Get, Keep and Grow customers (by paid and/or free channels)?
- What type of relationship do each type of our customers expect to build with us?
- What type of relationship do we have already with the customers?
- How does it combine with the rest of our business plan?
- How much does maintaining this relationship cost us?



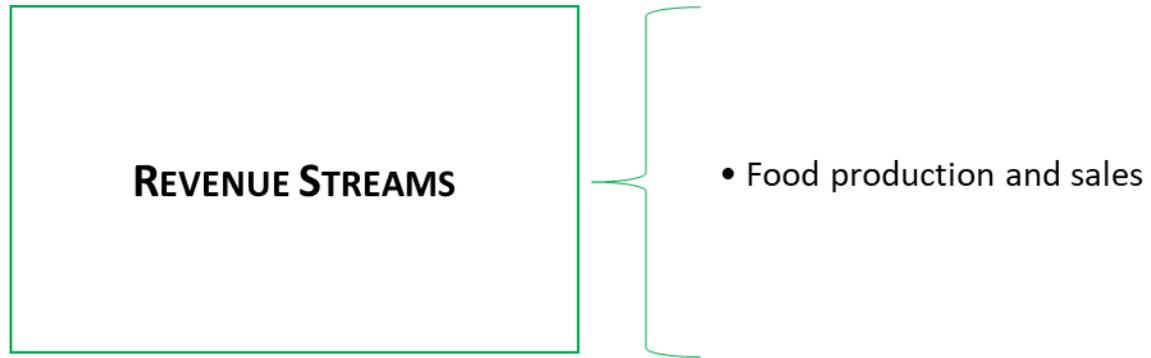
- Locals: family, restaurant, canteen, school

COST STRUCTURE

- What are the most important costs inherent from our business model?
- What are our most expensive necessary resources?
- What are the constant and changing costs?
- When will our revenue surpass our costs?
- What is our monthly rate of expenses or our burn rate? And how much time does the money we raised buy us?
- What are the most important numbers for the survival of our company?

CHANNELS

- How do we reach our customers today(direct selling, street markets, fairs, e-commerce)?
How are our Channels integrated?
- Which among our channels is the most efficient/cheapest?
- Which ones are most cost-efficient?
- How are we integrating them with customer routines?



Rural Tourism - Content of the eTOMATO BMC boxes



What are the key resources identified with readiness evaluation?

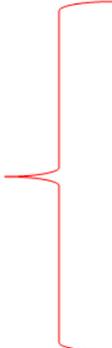
Hint: leverage on those mainly fitting your multifunctional dimension and find other dimensions to undertake from such resources. Be creative!



- Who are our necessary partners?
- Who are our necessary suppliers?
- What resources do we need to get from partners?
- What activities necessary for us will be performed by partners?



VALUE PROPOSITION

- 
- What are we building and for whom?
 - What are we providing to the customer?
 - What problems are we solving for a specific customer?
 - What needs are we fulfilling for the customer?
 - What product or service do we offer for every kind of customer?



KEY ACTIVITIES

- 
- Provide the value proposition?
 - Maintain our distribution channels?
 - Build relationship preservation with the customers?
 - Build our revenue channels?

COSTUMER RELATIONSHIP

- How will our company Get, Keep and Grow customers (by paid and/or free channels)?
- What type of relationship do each type of our customers expect to build with us?
- What type of relationship do we have already with the customers?
- How does it combine with the rest of our business model?
- How much does maintaining this relationship cost us?

COSTUMER SEGMENT

- Locals: family, restaurant, canteen, school ???
- Randomly all nature lovers, travellers of the world
- Specially, local travellers or backpackers who travel with family or alone
- Foreign tourists who want to visit farm or to have an unique experiential tourism.

COST STRUCTURE

- What are the most important costs inherent from our business model?
- What are our most expensive necessary resources?
- What are the permanent costs (investment in building, equipment, permanent labor, etc.) and variable costs (seasonal labor, water supply, electricity, advertisement and marketing, food offer, etc.)?
- Does the most of income come from tourist income (accommodation) or food offer/consumptions?
- What are the most important incomes for the survival of our company?
- Is your rural tourism business profitable or you use it as a marketing tool (for offering other value)?

CHANNELS

- How do we reach our customers today (direct selling, street markets, fairs, e-commerce)? How are our Channels integrated?
- Which among our channels is the most efficient/cheapest?
- Which ones are most cost-efficient?
- How are we integrating them with customer routines?
- How do you reach your customers today (website specialized in rural tourism, general touristic websites – booking.com, etc., AirBnb or similar websites for private businesses, websites managed by public institutions)? How are your Channels integrated?
- How are you present on social media channels (Facebook, Instagram, etc.)?
- Do you follow and manage your Google business and Trip advisor accounts? Do you have any specific worker formally working on this or you do it time by time?
- Which among your channels is the most efficient/cheapest?
- Which is the most cost-efficient?
- How are you integrating them with customer routines?

REVENUE STREAMS

- How will we make money?
 - What pricing model will work for us (monthly/annual subscription, according to the amount of use/users/time, a one-time payment, trial, freemium, advertising — examples etc.)?
- If you're thinking to make money from advertising it's important that you watch this video.
- Which value do you provide that the customer will be ready to pay for?
 - What are they already paying for today?
 - How are they paying today (annually/monthly/checks/PayPal/credit card etc.)?
 - How would they prefer to pay?
 - What are the components of each of our revenue channels from all of our revenue?
 - When will we reach \$100K or \$1M? And what needs to happen to reach it?
 - What is the size of the market we are aiming for? And how many customers will we be able to sell to?
- How will you make money?
 - Which value do you provide that the customer will be ready to pay for?
 - What are the components of each of our revenue channels from all our revenue?
 - What is the size of the market we are aiming for? And how many customers will we be able to sell to?

Social and Didactic Farming - Content of the eTOMATO BMC boxes



KEY RESOURCES

What are the key resources identified with readiness evaluation?

Hint: leverage on those mainly fitting your multifunctional dimension and find other dimensions to undertake from such resources. Be creative!



KEY PARTNERS

- Who are our necessary partners?
- Who are our necessary suppliers?
- What resources do we need to get from partners?
- What activities necessary for us will be performed by partners?



VALUE PROPOSITION

- 
- What are we building and for whom?
 - What are we providing to the customer?
 - What problems are we solving for a specific customer?
 - What needs are we fulfilling for the customer?
 - What product or service do we offer for every kind of customer?



KEY ACTIVITIES

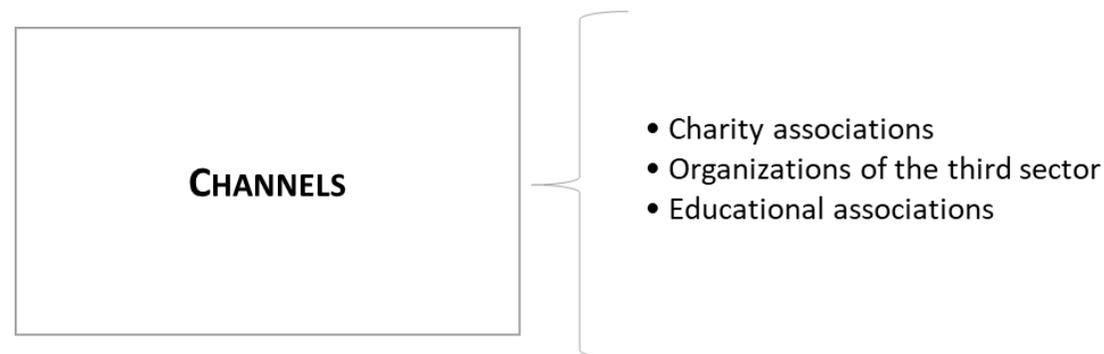
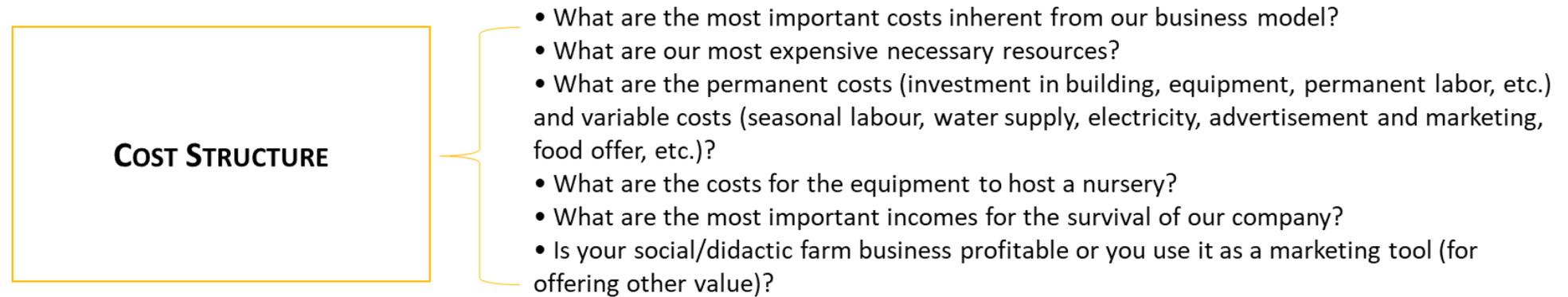
- 
- Provide the value proposition?
 - Maintain our distribution channels?
 - Build relationship preservation with the customers?
 - Build our revenue channels?

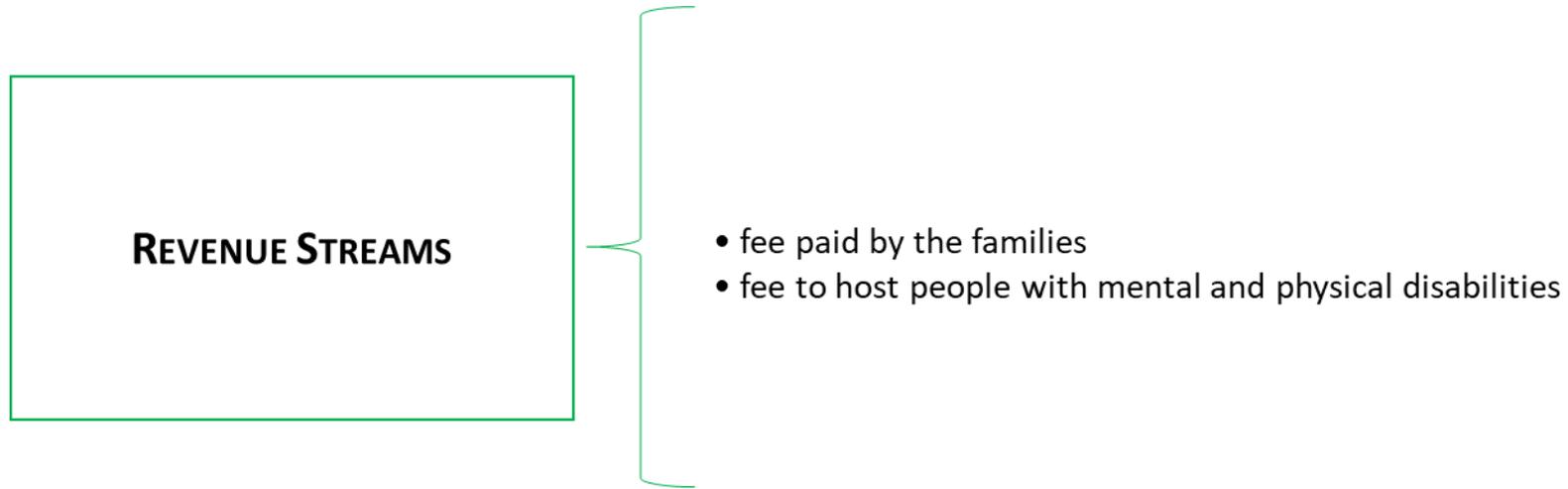
COSTUMER RELATIONSHIP

- How will our company Get, Keep and Grow customers (by paid and/or free channels)?
- What type of relationship do each type of our customers expect to build with us?
- What type of relationship do we have already with the customers?
- How does it combine with the rest of our business model?
- How much does maintaining this relationship cost us?

COSTUMER SEGMENT

- Families
- Youth and Ederly
- Refugees, immigrants, former addicts, former convicts, and mentally/physically challenged people
- Charity associations





eTOMATO Business Model Canvas

The three different versions of the eTOMATO BMCs show some overlapping parts, whose adaptation is up to the end-user.

Moreover, all the categories here identified are not exhaustive. One could find misses in each box. Hence, as foreseen for the Readiness Tool (where is possible to add resources to the list developed by eTOMATO team), here updates and insights are welcome.

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