Introduction to the Business Model Canvas

March 3, 2016

Agenda

- Small Business Financing Initiative Overview
- Webinar Series
- Today's Topic and Presenters
- Introduction to the Business Model Canvas
- Conversation with the Panelists
Goldman Sachs 10,000 Small Businesses is a $500 million investment to help small businesses in the United States create jobs and economic growth by providing entrepreneurs with a practical business education, access to capital and business support services.

The program is based on the broadly held view of leading experts that greater access to this combination of education, capital and support services best addresses barriers to growth.

Small Business Financing Initiative:
Multi-faceted program to increase the scale of small business lending by mission-driven lenders

- **2014**
  - Workshops
  - Forum
  - OFN Conference
  - Leader Award

- **2015**
  - Collaborative
  - Forum
  - OFN Conference
  - Leader Award

- **2016**
  - Collaborative
  - Webinars
  - TA Memos
  - Forum
  - OFN Conference
  - Leader Award
Small Business Financing Initiative

Small Business Finance Collaborative

- 24 leading mission-driven small business lenders nationally
- Intensive two-year program of peer learning, training, and technical assistance
- Goal: Aggressive growth in small business lending
- Promotion of best practices and collaboration that support scale

Finance Collaborative Participants

- Access to Capital for Entrepreneurs
- Access Milwaukee/DSN
- Appalachian Capital
- Brooklyn Cooperative Federal
- California Community Facility
- CDC Small Business Finance
- CID
- Colorado Enterprise Fund
- Community First Fund
- Community Reinvestment Fund
- Coro
- Entrepreneur Fund
- Excelerator Growth Fund
- Growth Capital Corporation
- Kentucky Highlands Invest...
Small Business Financing Initiative

Small Business Lending Webinar Series

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To learn more and sign up:
ofn.org/small-business-financing-initiative

Today's Presenters

Ginger McNally
SVP, Strategic Consulting
Opportunity Finance Network

Phil Glynn
VP, Economic Development
Travois

Wanda Speight
SVP, Financial Services
PIDC
Business Model Canvas

- Business Model Canvas, *Business Model Generation*, by Osterwalder and Pigneur

A Business Model Handbook

From *Business Model Generation*
By Alexander Osterwalder and Yves Pigneur (2010)
The Business Model Canvas

- The Business Model Canvas can help you to identify and connect the dots between:
  - Your **most important** customers
  - Your value proposition in the marketplace
  - Your infrastructure
  - Your bottom line – financial and impact
Business Model Canvas
Customer and Value Proposition

Phil Glynn

Travois

- Founded in 1995
- 100% focused on serving American Indian, Alaska Native, and Native Hawaiian communities
- $1 billion in total housing and economic development in Indian Country
- Small business financing focuses on hospitality and health care
Business Model Canvas
The Customer

- Identification of your most important customer doesn’t happen in a vacuum

- Your most important customers must reflect your value proposition and bring to life your strategic priorities and business model

Business Model Canvas
Customer Segments

- Focusing on a specific customer segment means asking yourself a few questions about your entire population of customers.

  - Who are you creating the most value for?
  - Who are your most important customers and why?
Business Model Canvas
Customer Segments

- And another question about your most important customer segments:
  - How does this influence your organizational priorities regarding **daily work**, allocation of resources and long-term vision?

Business Model Canvas
The Customer

- Critical questions
  - Who are our most important customer segments and why?
  - What kind of relationship do we want to have with them and them with us?
  - What is the best way to reach each other?
Business Model Canvas
The Customer

- More customer-centric questions
  - What customer problems are we solving?
  - Are we equipped to solve these problems (value proposition)?

- Who is *not* your most important customer?
- Has your organization’s definition of its most important customer changed over time?
- Are there ways that you can (quickly) help them through referrals to partners?
**Business Model Canvas**

**Value Proposition**

- Your value proposition – the way you describe what you offer that is special to the customers you want to serve – is critical to your ability to reach qualified borrowers and convince them to do business with you
- Your value proposition must reflect the mindset of the **customer**

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**Value Proposition Definition**

- In its simplest terms, a value proposition is a **positioning statement that explains what benefit you provide for who and how you do it uniquely well**
- It describes your target customer, the problem you solve, and why you’re distinctly better than the alternatives
Business Model Canvas
Value Proposition

- For (target customers)
- Who are dissatisfied with (the current alternative)
- Our product is a (new product)
- That provides (key problem-solving capability)
- Unlike (the product alternative)
Business Model Canvas
Value Proposition

Thinking aspirationally...

- What could your organization’s value proposition look like to differentiate yourselves in the marketplace and bring qualified small business borrowers to you?

Business Model Canvas
Value Proposition

Sample customer segments within Tribal corporations:

- Health care organizations
- Utility authorities
- Tribal designated housing entities
Sample value proposition:

- For Tribal corporations who are dissatisfied with limited grant funding, our product is a qualified low income community investment loan that provides scale and flexibility unlike other funders.

Questions?

- Any questions so far on customer segments or value propositions?
**PIDC Mission**

- Our mission is to **spur investments, support business growth, and foster developments to create jobs, revitalize neighborhoods, and drive growth** to every corner of Philadelphia.

- To achieve our mission we **attract, manage, and invest** public and private resources in the clients, communities, and markets that energize Philadelphia’s economy.

- We offer **flexible financing tools**, a targeted portfolio of **industrial and commercial real estate** and decades of Philadelphia based knowledge to help our clients, invest, develop and grow

*Over the past 58 years, PIDC has settled over 6,700 transactions – including $14 billion of financing and 3,100 acres of land sales – which have leveraged over $25 billion in total investment and assisted in retaining and creating hundreds of thousands of jobs in Philadelphia.*
Small Business Financing Initiative

**PIDC Affiliated Companies**

PIDC manages a family of organizations to accomplish our mission including:

- **PAID**
  - A public authority delivering real estate services and tax-exempt financing

- **THE PIDC REGIONAL CENTER**
  - A partnership between PIDC and CanAm Enterprises to sponsor investment opportunities in projects that qualify for the U.S. Immigrant Investor Program (EB-5) that has raised $600M for project investment in Philadelphia to date

- **PIDC Community Capital**
  - A 501c3 non-profit and certified CDFI created to attract resources with a particular focus on community lending and technical assistance in underserved, low income neighborhoods

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**Business Model Canvas**

- **Infrastructure**
  - Partners
  - Activities
  - Resources

- **Offer**
  - Value Proposition

- **Customer**
  - Relationships
  - Segments
  - Channels

**Profit + Impact**

**Costs**

**Revenue**
The infrastructure is how you deliver your promise (value proposition) to your customers.

Key elements of infrastructure:

- Activities
  - Lending
  - Savings
  - Development Services
**Small Business Financing Initiative**

**Business Model Canvas**  
**Infrastructure**

Key elements of infrastructure:

- **Resources**  
  - Financial  
  - Human  
  - Reputation

- **Partners**  
  - Referrals to you (pipeline)  
  - Referrals by you (non-customers)  
  - Thought leaders, jurisdictional  
  - Funders
STRATEGIC PARTNERS

<table>
<thead>
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<th>Contacts Added Since January 1 2016</th>
<th>Referrals Since January 1 2016</th>
<th>Activities Since January 1 2016</th>
<th>Key Notes &amp; Trends</th>
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<td>% progress to 2016 goal</td>
<td>50%</td>
<td>19%</td>
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Business Model Canvas

Production Goals

- # of loans closed per month
- $ amount of loans closed per financial FTE
- Training of existing staff of underwriters
- Tie annual individual goals to organizational goals
Business Model Canvas
Cost-Revenue

- Cost is primarily incurred in your infrastructure
- Revenue is primarily generated by your customers and funders

CDFIs have at least two bottom lines: financial sustainability and social impact

Both bottom lines need to reflect the mission, vision, and business model of the organization
**Business Model Canvas**

**Cost-Revenue**

- Financial Sustainability Metrics:
  - Self sufficiency ratio
  - Earned revenue / Operating Revenue ratio

- Social Impact Metrics:
  - Change in owner credit scores
  - Change in borrower sales, net income, net worth

**Questions?**

- Any questions so far on infrastructure or cost/revenue?
# A Conversation with Phil and Wanda

- What is distinctive about your most important customers?
- How did you identify your most important customer segments?

- As you think about your value proposition in the marketplace, what are some of the challenges to growth that you currently face?
A Conversation with Phil and Wanda

- Any questions from the audience?

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