

Introduction

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# Introducing the Business Model Canvas

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An introduction to the  
Business Model Canvas  
for arts and cultural  
organisations.

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The Business Model Canvas is a shared language for describing, visualising, assessing and changing business models.

# The origins

Osterwalder and Pigneur created The Business Model Canvas as a shared language for describing, visualising, assessing and changing business models.

They say 'a business model describes the rationale of how an organisation creates, delivers and captures value.'

The canvas was co-created by 470 people in 45 countries, across a diverse mix of industries and sectors, and is used by many successful companies such as IBM and Ericsson.

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This introduction is inspired by and references the Business Model Canvas by [Strategyzer.com](https://strategyzer.com), featured in the book...

## **Business Model Generation**

Written by: Alexander Osterwalder & Yves Pigneur

Co-created by: An amazing crowd of 470 practitioners from 45 countries

It is designed to accompany a series of [business model case studies](#) written for [www.culturehive.co.uk](http://www.culturehive.co.uk) by Mark Robinson.

‘What if...?’ can be the most powerful question when working with the canvas.

# A creative canvas

The Business Model Canvas is a visual framework for describing the different elements of how a business works. It illustrates what the business does, for and with whom, the resources it needs to do that and how money flows in and out of the business. It can be used to design new models or to analyse current models.

The canvas is made up of nine different elements. This introduction will explain what each of them might describe in an arts and cultural context.

One advantage to the Business Model Canvas is that it is not a linear description. This allows for the effects of alterations in one area to be clear, making it easier to play around with changes to current or potential models.

You can ask questions such as ‘what would happen to costs or revenue income if we introduce new partners or offers?’ This allows you to weigh up effects and risks. It can also stimulate new ideas. ‘What if...?’ can be the most powerful question when working with the canvas.



# Delving into the nine elements

## Value Proposition

For many cultural organisations a natural starting point is the Value Proposition. This section of the canvas should capture what you provide to people that they value.

It might also be something that wouldn't happen without you there to facilitate it - such as the vibrancy you bring to part of a town or innovation in an artform. There are likely to be several elements to your Value Proposition, offered to different Customer Segments.

A follow up to Business Model Generation, titled Value Proposition Design (Copyright Strategyzer AG and [Strategyzer.com](http://Strategyzer.com)), focuses on this area of the canvas. It argues that good Value Propositions address specific customers' 'pains' or problems and offer them 'gains' by meeting a need. It has a good fit in practice with the profile of potential customers.

The Value Proposition has a relationship to what arts organisations might traditionally describe under mission, vision and offer. The key difference is that it's looked at from the point of view of people who benefit rather than your own perspective. If you struggle to define your Value Proposition ask yourself 'what difference do we make and to whom?'

## Customer Segments

The last part of that question brings you to your 'Customer Segments'. The word customer can undoubtedly feel uncomfortable in the arts and cultural sector. It can help to think of it as a term for people who get something out of what you do and give you something in return.

This might include visitors to a gallery or participants in an education programme. It could also be funders who have a particular interest in those people because of their own missions and priorities.

Sometimes customer segments may be mutually dependent. For example funders of work with young people will only engage if you have young people in your audiences and young people can only attend because the activity is subsidised.

You'll notice we put grant funders such as Arts Council England in the Customer Segments section sometimes as well as listing them as Key Partners. This is to emphasise that grant funding is an exchange. They give you money plus public backing or endorsement, and often other advocacy and development assistance, and you give them something they value such as artistic innovation. Knowing what they want from you and what you want to give can be important to having long-term relationships with such 'customers'.

## Key Partners

The Key Partners section lists those people or organisations you need to work with to carry out your activities and reach your customers.

These might be people with whom you work in formal or informal alliances, collaborations, partnerships or joint ventures. They might also be people you could categorise as suppliers.

Sometimes Key Partners can provide things you don't have within your Key Resources such as workshop spaces. Sometimes they can perform Key Activities that you don't do yourselves such as distributing books you publish.

It's useful to think about what role Key Partners play in the fundamentals of your business, as well as the 'added value' partners often bring. Be clear where you can structure them into your business model and where doing so might bring risks.

## Key Activities

In some ways this is one of the most obvious parts of the canvas. What do you need to do to deliver your Value Proposition, to develop the Customer Relationships you want and to bring in Revenue Streams?

If you're assessing a current business model and a Key Activity doesn't especially connect to those areas you may need to adjust your model. What is the activity doing for you? If it doesn't deliver value, customers or revenue then why are you doing it? What does it bring that you might be missing from your value proposition? Could you stop doing it or do it differently in a way that does deliver value or income?

## Customer Relationships

This aspect describes the kind of relationships customers want or expect with you and the type of relationships you want to make with them. This often relates to the values of your organisation as well as to how you see your organisation working in practice.

If, for example, your values include collaboration and equality you might want to establish relationships based on co-creation, listening and community input.

If your model requires a lean staff and a digital platform, you might encourage a more 'self-serve' relationship with customers. One key question for cultural organisations is the extent to which different Customer Segments can influence what you do and how you do it. There is no right or wrong answer but the answer can vary from organisation to organisation.

## Key Resources

This section describes what you need to have and maintain to deliver your Value Proposition, Customer Relationships and Revenue Streams.

These can include tangible resources such as financial reserves, buildings, equipment and people, alongside intangible assets such as brand, trust, data and intellectual property.

If there are resources you need in an ideal world but can't get immediately can your Key Partners supply these? Do you really need all things you list here or could others provide them?

## Channels

In this section you should think about and summarise the ways you will reach your Customer Segments. Word of mouth, advertising and social media are all common Channels. There may also be other ways that are important to you such as community or business networks. How will you maintain contact with customers if an ongoing relationship is important, as it might be with funders for instance? It's worth capturing how you'll approach this so you can see the implications on Key Resources and staff costs.

## Cost Structure

Although the Business Model Canvas is excellent at illustrating how business is not all about the money, knowing what it will cost to carry out your Key Activities and develop your resources, partnerships and customer relationships is vital.

What do you need to pay for and what will it cost to deliver your Value Proposition via the Key Resources and Activities?

It's a useful check when moving from Business Model Canvas to Business Plan to be sure you know how much each thing noted on the canvas costs financially and what it brings in.

It is useful to cluster types of costs so you can see the proportions spent on staffing, programme, fundraising and other common areas. There may be times you need to be lean in the Cost Structure, and others when actually increasing costs to focus on value creation is more appropriate.

## Revenue Streams

You can also assess the importance of each element of cost by seeing how it delivers revenue income. What activities do you do that bring in different revenue streams?

Income from particular customers may be worth noting if they represent a significant proportion of overall income, such as Arts Council or local authority funding. You will need to pay particular attention to what you need to do to maintain that income and assess how secure it is in the future.

## Conclusion

It can be worth assessing your Business Model Canvas from time to time to see how it is evolving. Sometimes Customer Segments or Key Activities change over a period of time, almost without conscious strategic decision. This might be the result of changes in the market or in staffing. There may be opportunities to make more of this or to react more consciously if you feel less positive about the implications.

Sometimes stepping back to look at your model can highlight something that you'd not noticed - be it threat or opportunity, strength or weakness. This puts you in a better position to respond. It may help you understand and communicate your value better to those who need what you offer or can help. The Business Model Canvas is not so much a prescriptive recipe for success as a portrait of your organisation. Considering how you might take control of that picture will help you keep designing what you do and how you do it.

# Introducing the case studies

This introduction is accompanied by a series of case studies exploring the business models of a diverse range of arts and cultural organisations from the UK, USA and Australia.

Each case study includes an illustration of the organisation's Business Model Canvas and a narrative of how that model has evolved.

Discover how Hackney Empire responded to financial crisis and the threat of reducing subsidy.

Find out how Red Earth Theatre Company tackled the 'crisis of short-termism', which is only too familiar to many project-funded organisations.

Explore how Black Country Living Museum's determination to offer compelling and educational experiences drives innovation.

**[The full series of case studies written by Mark Robinson is available at www.culturehive.co.uk](http://www.culturehive.co.uk)**

These case studies are offered not as 'off the shelf solutions for resilience' but as examples of how adapting business models can strengthen organisations.

When reading these case studies it is important to consider all elements in the contexts of those organisations and their situations. What works for someone else may not fit with your context, skills and what you want to achieve in the world.

Making your organisation work well culturally and financially is always going to be hard work and you'll need to adapt as you go. None of the organisations we've interviewed would claim to have everything sorted now and forever.

Faced with the complex reality of running an arts or cultural organisation, the Business Model Canvas gives you a tool to simply visualise the essential elements of your operation. It helps you question and play with new possibilities to create your own path to resilience.

