

***IRRI-ADB Philippines Postharvest Project***

***Annual Project Planning Meeting***

**Introduction to Business Models**

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***Business Model and Value Chain Development***

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**Continuing Education Center**  
**Visayas State University**  
**Baybay, Leyte**

# Introduction to Business Models

1. What is a business model?
2. Who uses business models?
3. How to go about creating a business model?

***A Business Model is...***

**...a framework that describes how an organization creates and delivers economic, social and other types of value.**

# Who uses business models?



# Business models vary amongst...

- *Private Sector*
- *Public Sector*
- *Non-profit Sector*

# Private Sector Business Models

Farmers



Fabricators



Processors



# Public- and NGO-sector Business Models

NGOs



Research Institutes



Public Agencies  
& Universities





## Some Reflections on Business Models...

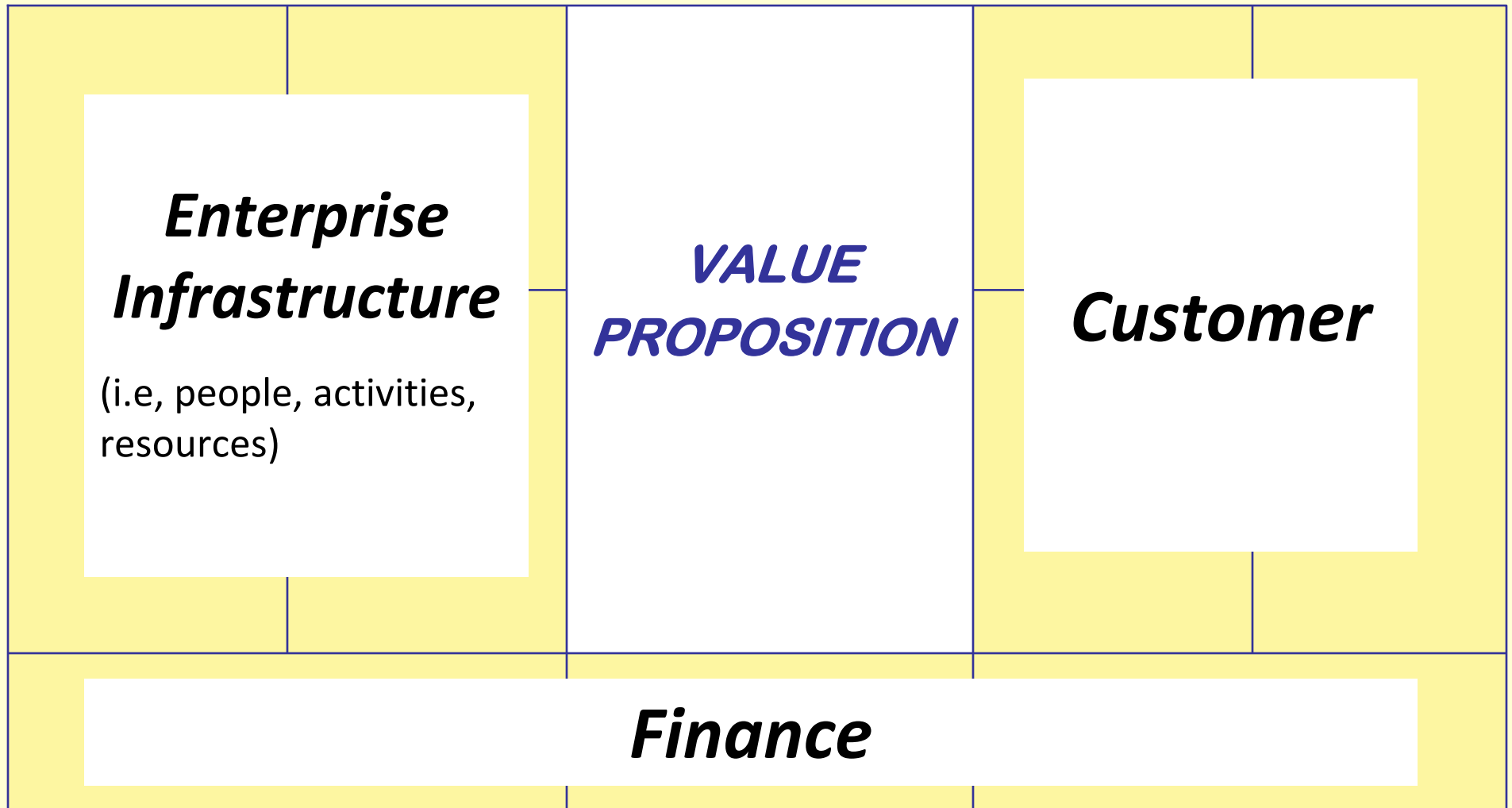
1. Developing business models is essentially a strategic activity. The business model is generally only as good as the process used to develop it.
2. Value creation is a common language for cross sector organizations to work together. Improved business models potentially allow more efficient and effective use of resources, skills, and technology which can benefit target groups (e.g., farmers).
3. Business models are ***technology-***, ***location-***, and ***customer-***specific.



## What is a Value Proposition?

- A Value Proposition is the benefit offered by a product or service that satisfies a customer's need.
- Also known as the *offering*.
- A *value proposition* is the central component of a business model

# *Business Model Design: Four Basic Components*



# Critical Thought Questions

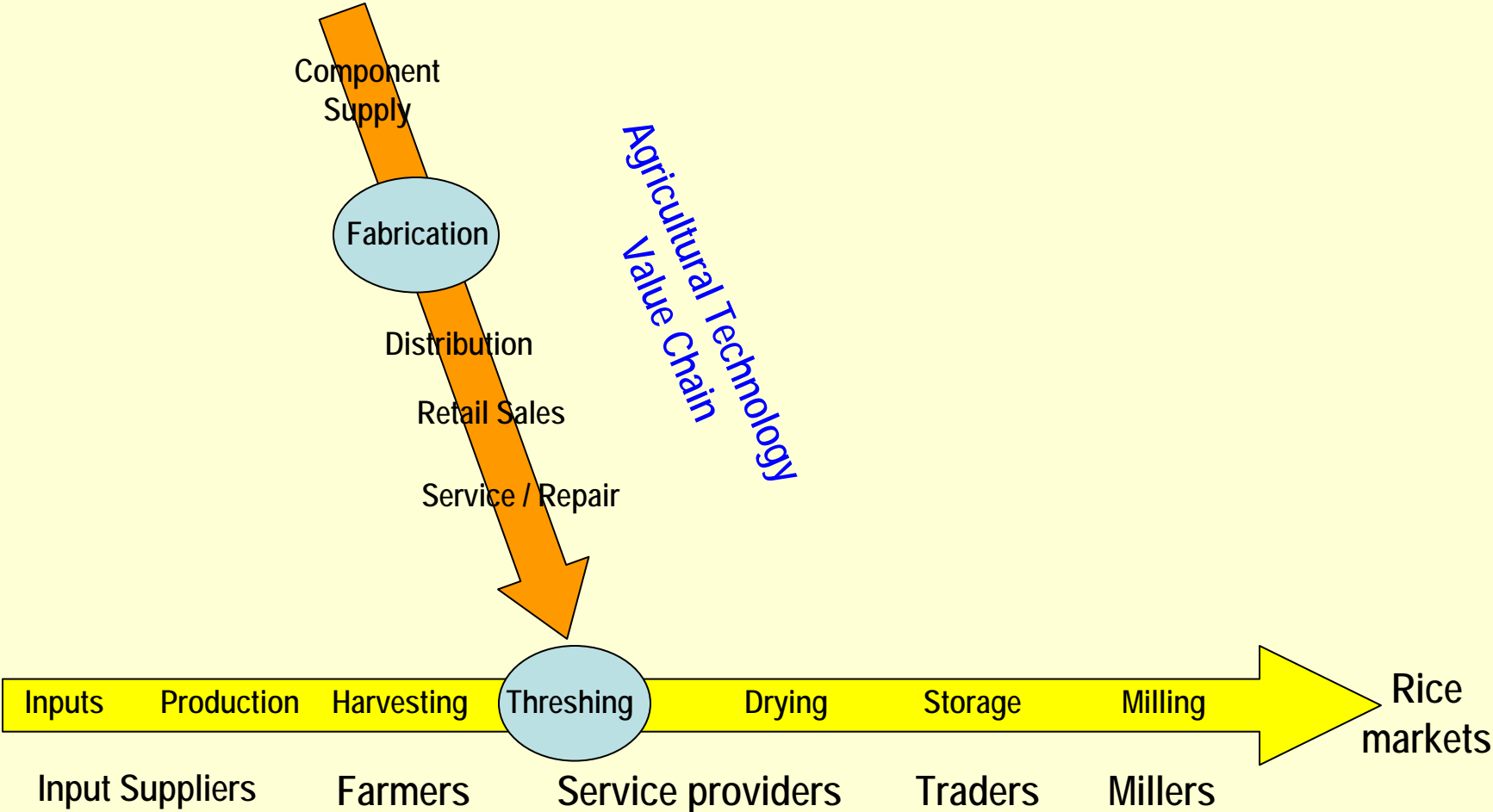
1. How can we go about creating a value proposition using a business model?
2. What is the relationship of a business model to the postharvest value chain?
3. What is a value chain?

# A Value Chain...

**...is a connected series of organizations, resources, and knowledge streams involved in the creation and delivery of value to end-customers.**

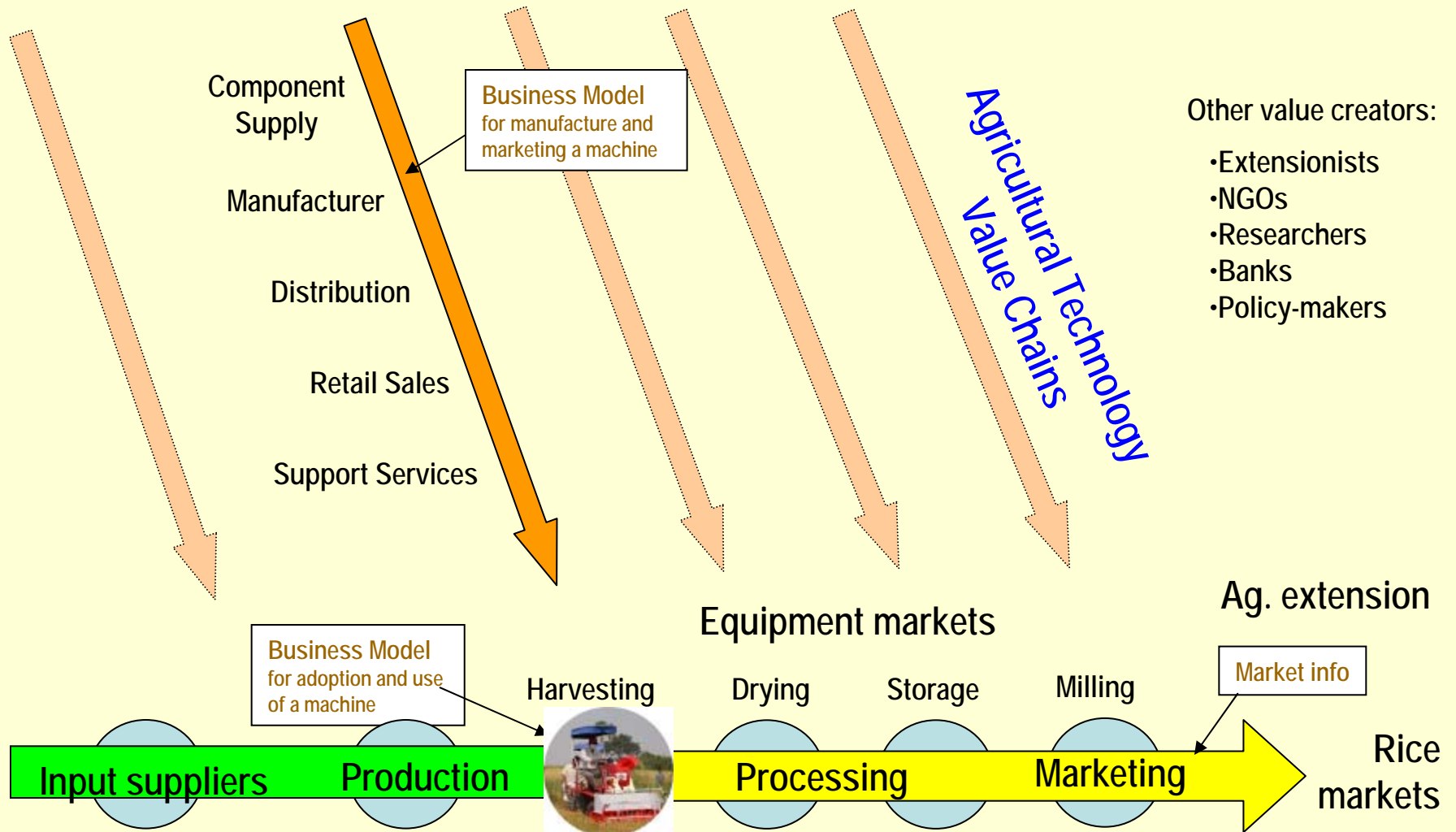
Source: Handfield and Nichols, Supply Chain Redesign, 2002

**Postharvest Value System**  
(includes technology value chain)



**Rice Production Value Chain**

# Postharvest Value System

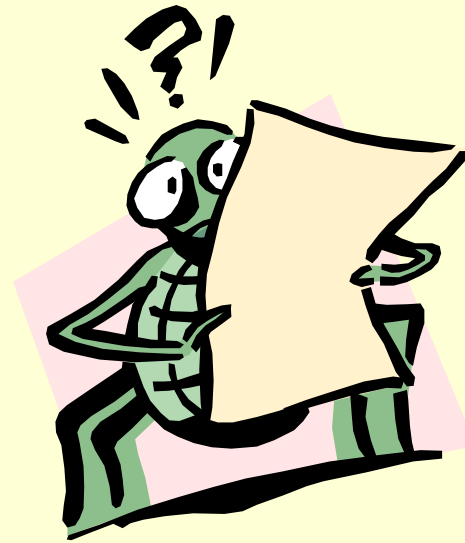


Rice Production Value Chain

# A Road Map for Creating Business Models



# A Road Map for Creating Business Models...



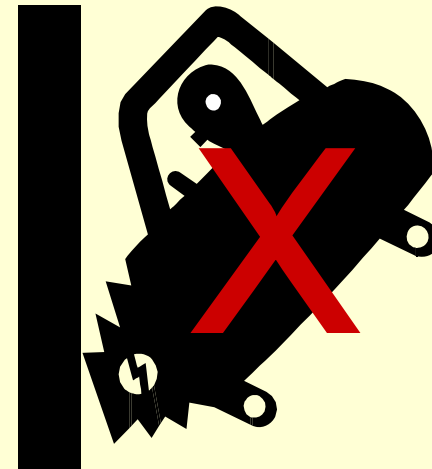
How we go about developing business models.  
Which way do we go?

# Why we need a road map...

*This is OK*



*This isn't*



# A Road map...



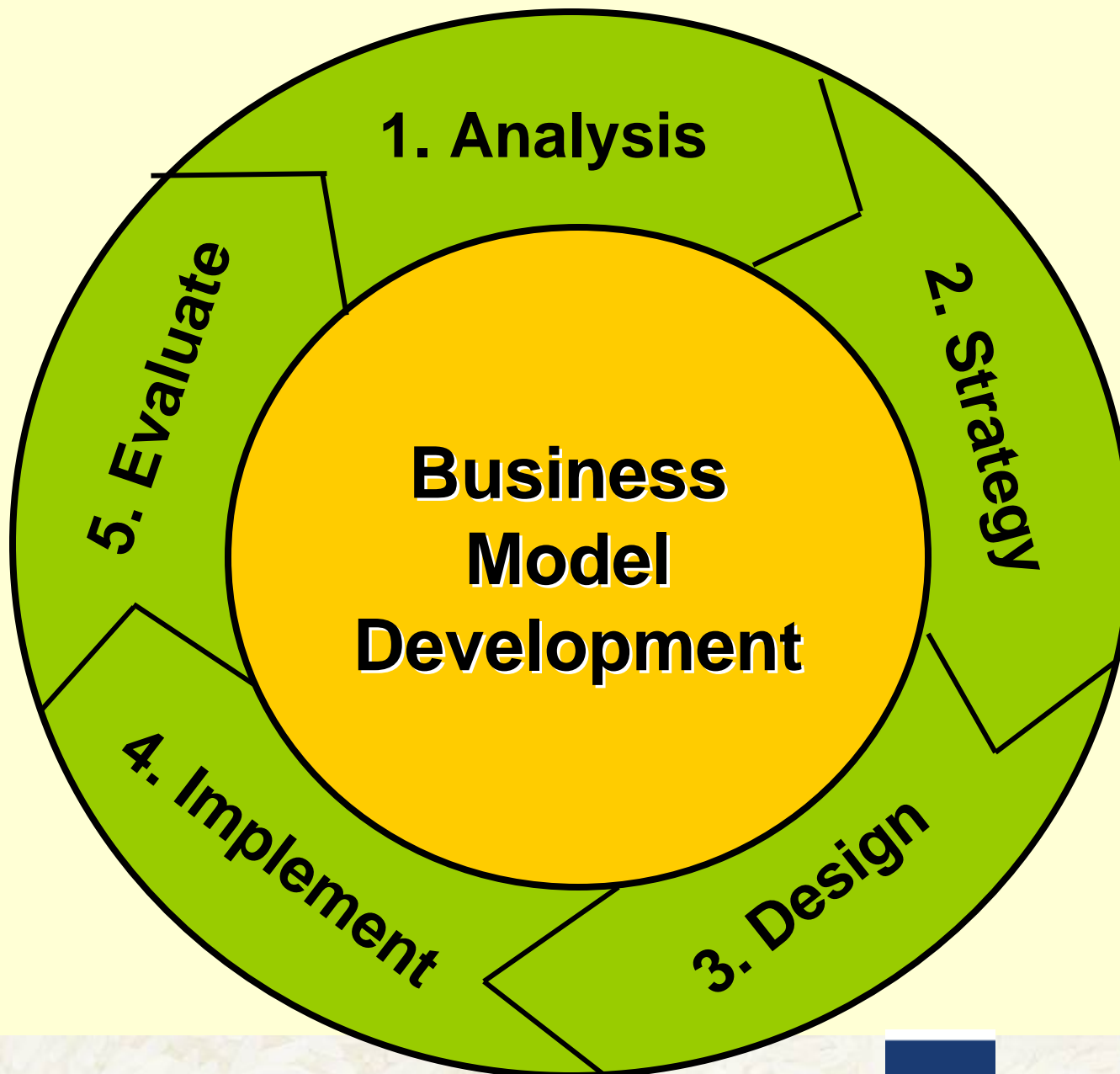
**Gives us direction.**

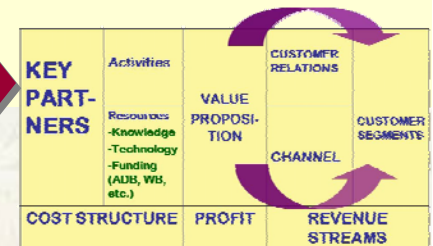
**Identifies the best route (most efficient use of time & resources).**

**Helps us move in a coordinated fashion.**

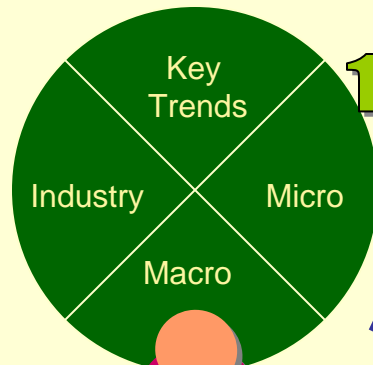
**Identifies potential obstacles.**

**Allows us to chart progress.**





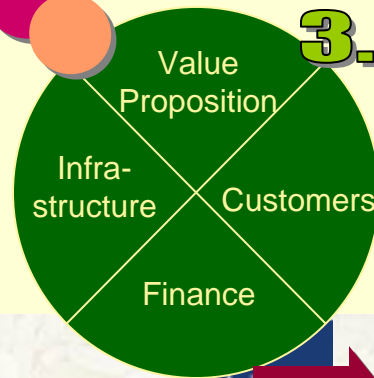
# 1. Analysis



# 2. Strategy



# 3. Design



# 5. Evaluate



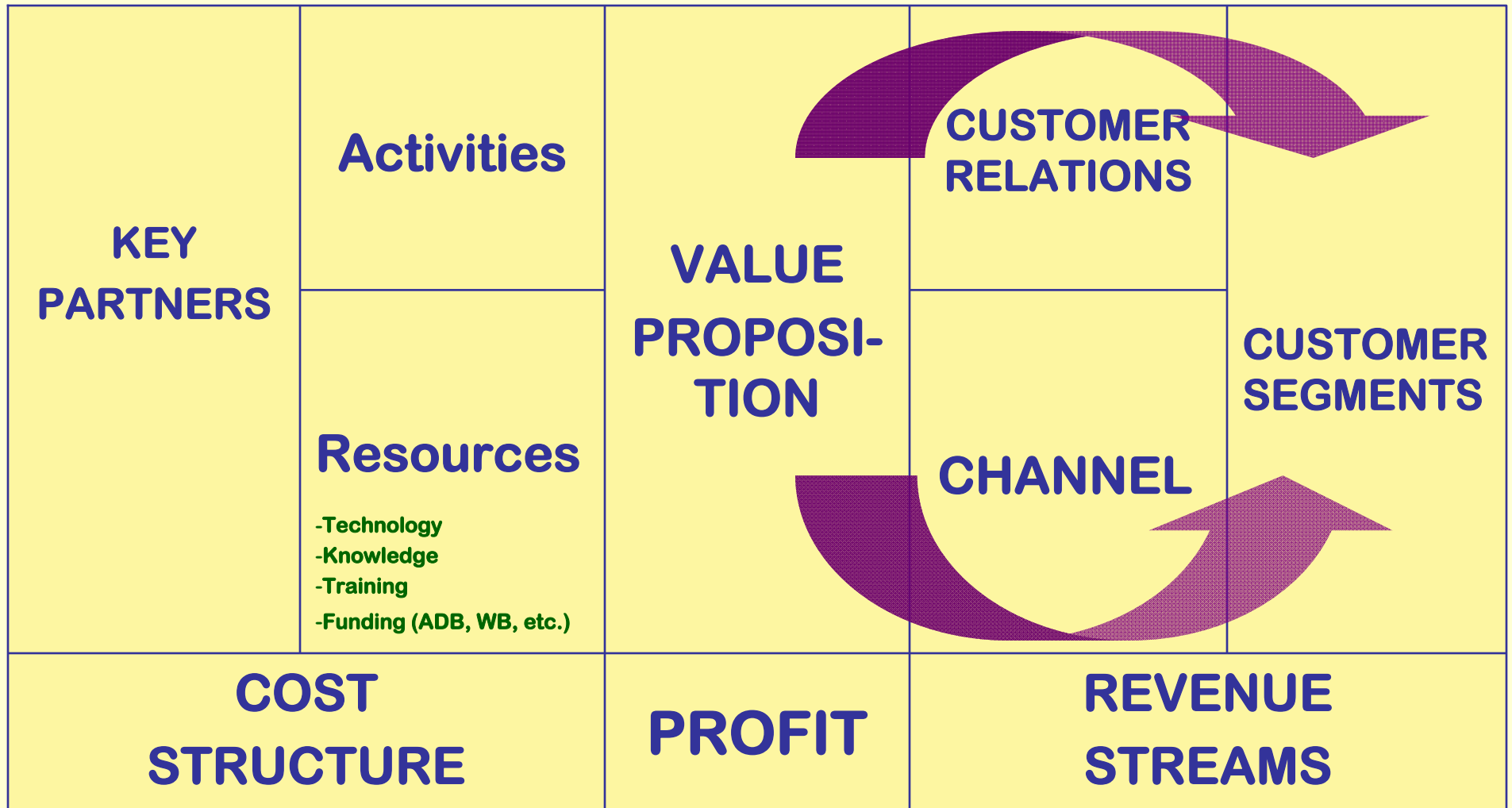
# 4. Implement



<b>KEY PART-NERS</b>	Activities	VALUE PROPOSITION	CUSTOMER RELATIONS	CUSTOMER SEGMENTS
	Resources -Knowledge -Technology -Funding (AUB, WB, etc.)		CHANNEL	
	COST STRUCTURE	PROFIT		REVENUE STREAMS

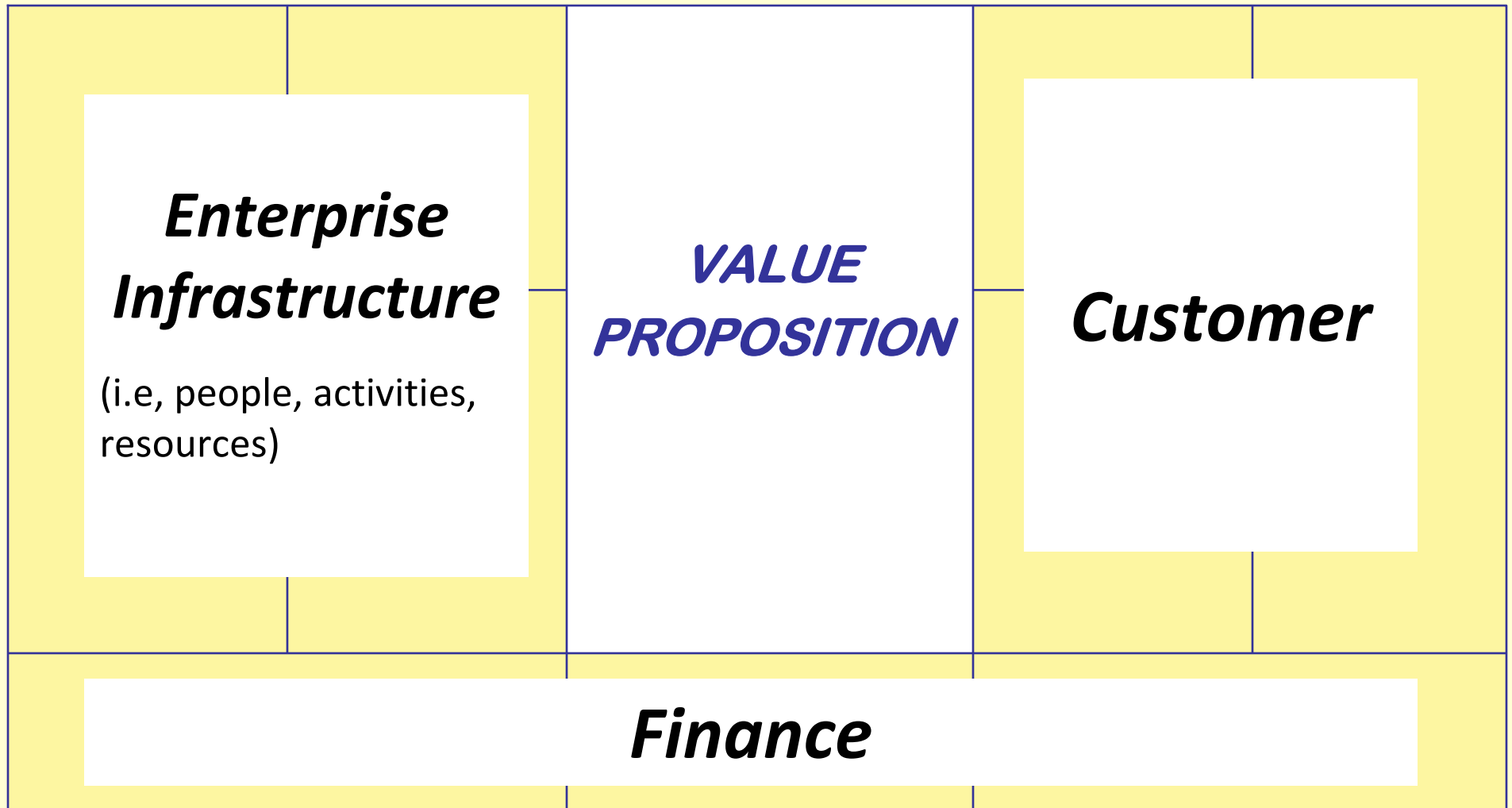
# Business Model Design – Structure

## “Building Blocks”





# *Business Model Design: Four Basic Components*



## - Road Map Activity - Our Process for Developing a Business Model

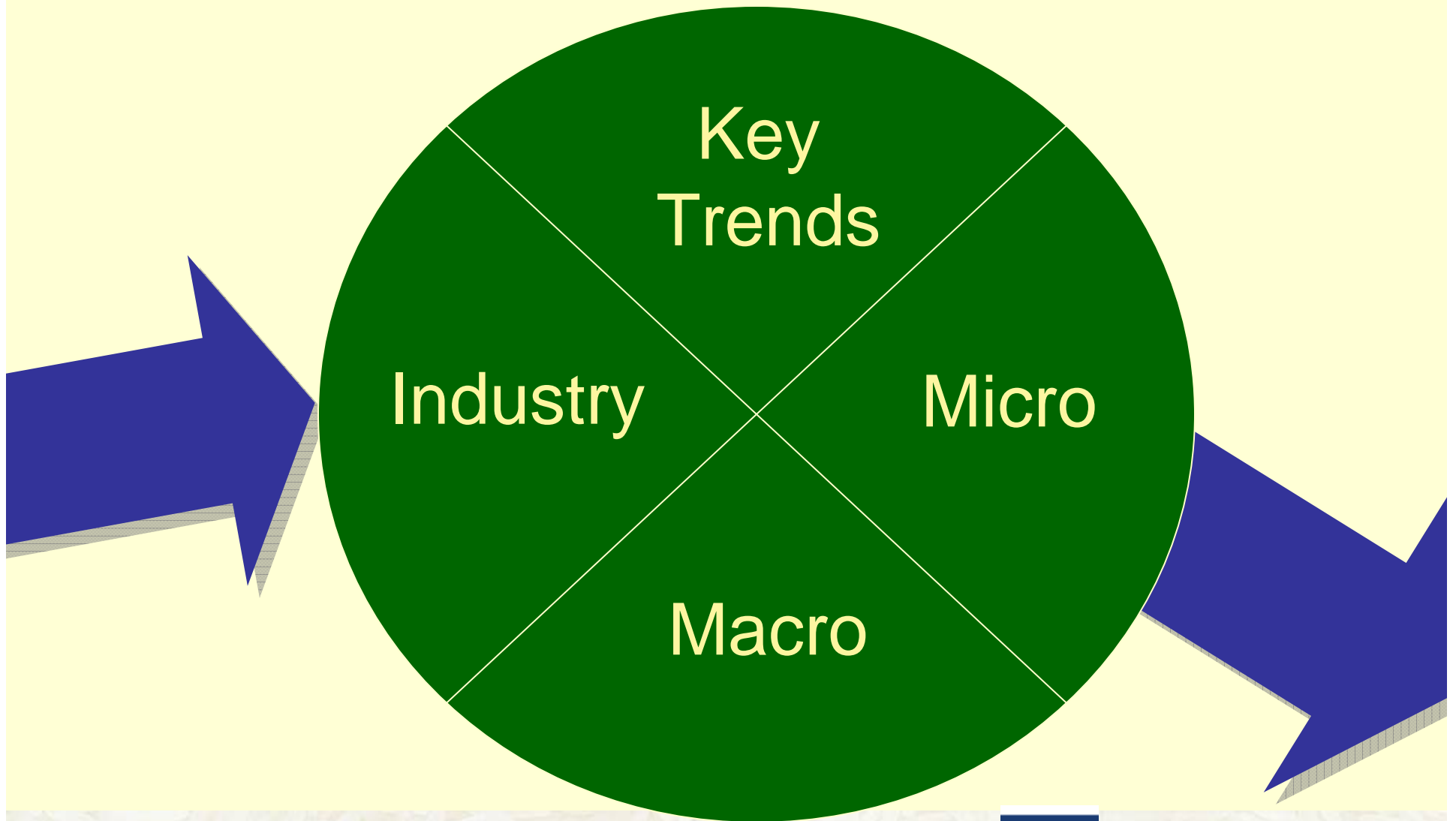
1. In the envelop on the table, please find (loose) the separate components or “destinations” in our process (i.e., “Road Map”) for developing business models.
2. The regional groups discuss relationship of these components and re-assemble into a logical “whole”.

## SESSION FOUR: The first Step in our journey

# 1. Analysis

The Business Model  
Environment

# 1. Analysis



# The Business Model Environment:

What do we need to know about...

- 1. *Macro-level*** Describes broad (high-level) view
- 2. *Micro-level:*** Describes target segments
- 3. *Industry-level*** Describes relationships and industry attractiveness
- 4. *Key Trends:*** Describes changes in macro-, micro-, and industry relationships over time

## Macro-level Analysis: Hermetic Storage

	<b>Questions (What we need to know?)</b>	<b>Answers (Info that satisfies our needs)</b>	<b>If unknown, where/how to acquire this info?</b>	<b>Responsible Party for following up</b>
1	Who are the potential Customers of this product or service in this market?	farmers, seed growers, govt agencies		
2	What practices and technologies are they using currently?	sun drying (road), drying platforms, flatbed dryers		
3	How much rice is produced annually? How long is it stored?			
4	What government policies, support, and activities effect the introduction of this technology?			
5				
6				
7				

## Micro-level Analysis – Hermetic Storage

	Questions (What we need to know?)	Answers (Info that satisfies our needs)	Additional info needed, where/how to acquire?	Responsible Party for following up
1	What clear benefits do we offer each target customer segment?	Seed growers? Farmers? Govt agencies?	Can we quantify in terms of economic value? (Pilot Trials?)	Project team & regional partners
2	Is there a clear customer segment that we might first enter? If yes, why?	seed growers? Others?		
3	How large is this segment in yr province? Is demand for this technology growing?	Seed growers: no		
4	Will this segment likely provide us opportunities to access other segments to target in the future?	potentially, yes, once we demo benefits and business model	How do we approach this to achieve?	
<b>Segment: SEED GROWERS</b>				
5	Seed growers: How do seed growers acquire seed? (registered? other?)		What govt agency? Price?	
6	Seed Growers: How long do seed growers store seeds? Registered? Certified?	Seed growers only store certified seeds that they produce		
7	What are % losses for stored seeds amongst seed growers?			
8	How and in what percentage do losses occur?	molds ____, insects ____, birds ____, rodents ____%		
9	How much seed do seed growers sell annually? Per season? What % is sold to customers outside their province? To whom?			
10	What % if seed is sold to govt programs? What % is sold to farmers?			
11	Biggest "pain-point" for a seed grower?			



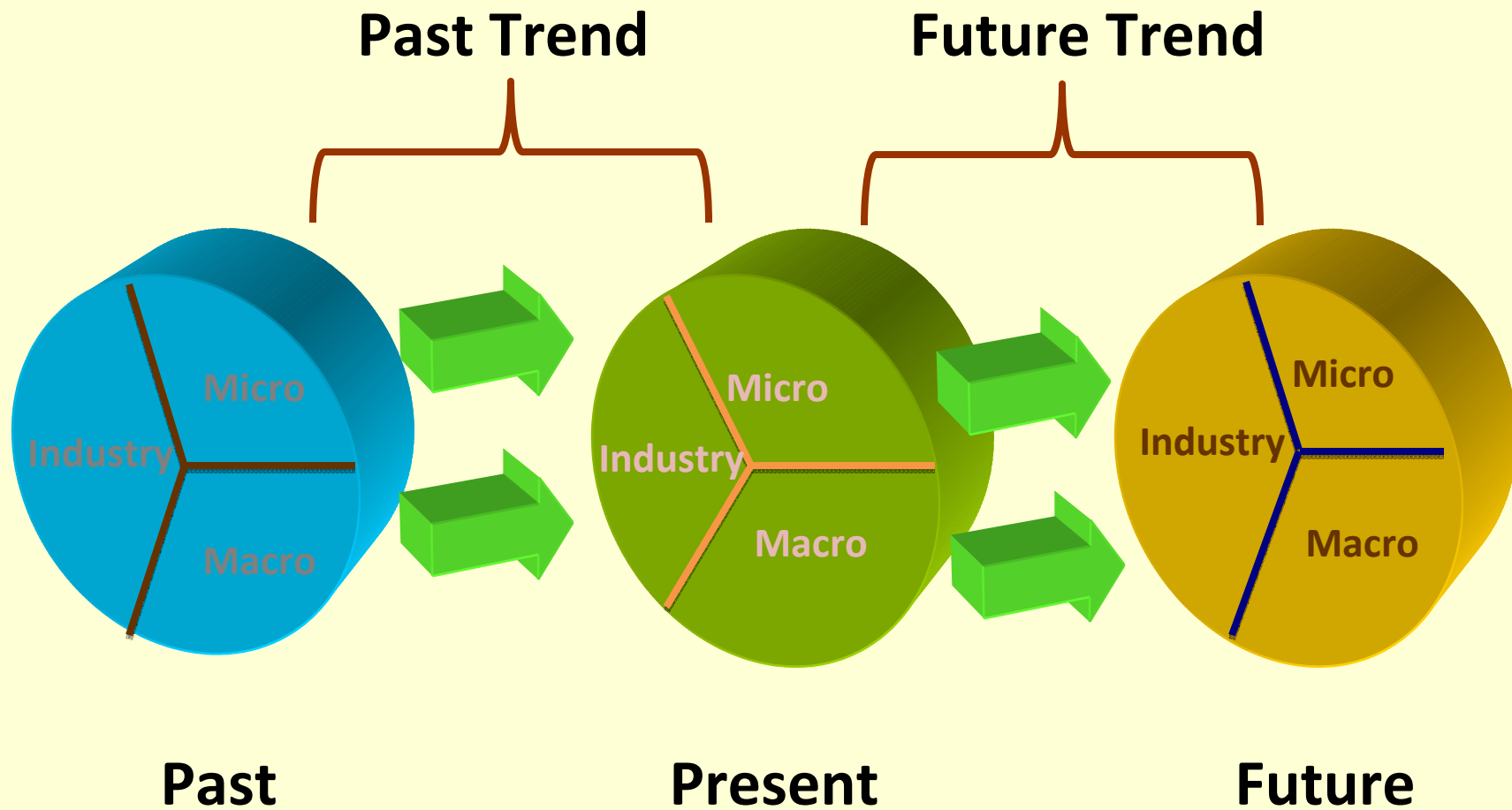
## ***Micro-level Analysis: Hermetic Storage (cont'd)***

<b>Segment: SMALLHOLDER FARMERS</b>				
12	What percent of farmers in your area buy seed? Certified? Goodseed?		Where? What percentage of seed?	
13	What price do farmers pay?		With or without govt subsidy? How much is subsidy?	
14	Of their harvest, how much grain is stored for home consumption and how much for future seed?			
15	How and in what percentage do losses occur?	molds ____%, insects ____%, birds ____%, rodents ____%		
16	Biggest "pain point" for a farmer?			
<b>Segment: GOVERNMENT AGENCIES?</b>				
17	Technologies and practices for storage?			
18	How much paddy is stored? For how long? For seeds? Grain?			

## Industry Analysis: Hermetic Storage

	<b>Questions (What we need to know?)</b>	<b>Answers (Info that satisfies our needs)</b>	<b>If additional info is required, where/how to acquire?</b>	<b>Responsible Party for following up</b>
1	How are farmers organized in your region? Rough breakdown no. of farmers in what kinds of organizations?			
2	How are seed growers organized in your region?			
3	How are govt subsidies to farmers implemented? What agencies are involved?			
4	How do govt agencies buy and distribute seed from seed growers			
5	How might govt policies and activities effect buyers of seed? (e.g., Regulations farmers must use certified seed?)			
6	What govt policies, support, and interventions effect introduction of this technology?			
7	What percentage of seed produced by a seed grower is sold to govt programs? What % is sold direct to farmers?			
8	How does one become a seed grower? Can anyone become a seed grower? What's required?			
9	What other technologies might compete with hermetic storage?	Storage in PP bags widely practiced, low cost but no other advantage; silos are expensive		

# Key Trends: Changes Over Time



# Key Trends: 5 years time...

	Macro-level	Micro-level	Industry-level
1	Seeds storage will become increasingly important food security strategy.	Seed growers will need better storage technologies to provide farmers access to improved seeds.	Government may require/encourage farmers to use more certified seeds
2	More sources of supply and types of storage technologies will become available.	Seed growers may adopt these technologies but also may all form a Retail sales network for new technologies for farm use.	Government and private sectors will work more closely together with farmers to design and deliver improved technologies.
3		Farmers with improve seeds will have money to purchase their own storage technologies for storing household grain.	Increased farmer demand for storage technologies will stimulate demand and enter of retail suppliers and producers of new technology.
4			
5			
6			
7			
8			
9			
10			

# Flipchart Activity: Business Model Environment

1. Discuss the ANALYSIS handout for your regional group. Can you provide additional detail?
2. Please add other questions (needed information) regarding the business model environment do you feel are important?
3. What information gaps does our ANALYSIS reveal? (These are potential info-gathering activities for planning.)
4. What are the critical issues in the business model environment that impact our potential business model?

# Thank You!