

Toolkit for social enterprise

Business Models for Social Enterprise

GUIDE

Start thinking about how to design your business model to deliver positive impact!

Use this tool to:

1. Understand different business models that are commonly used in social enterprise.
2. Understand when each one would be most effective to deliver positive impact.

How to use this tool

This resource is designed to help you consider and plan how you could generate revenue to make a positive social or environmental impact. As a potential or early stage social enterprise, you will need to balance both a business model and business obligations, with what we call an impact model and any impact obligations. You need a strong business model and growth strategy that will enable you to generate enough revenue and profit in order to be sustainable over the long term and continue to deliver positive impact.

Please note this tool does not cover compliance required for small business management. Please check business.govt.nz for any additional information. Some useful links are included throughout this resource.

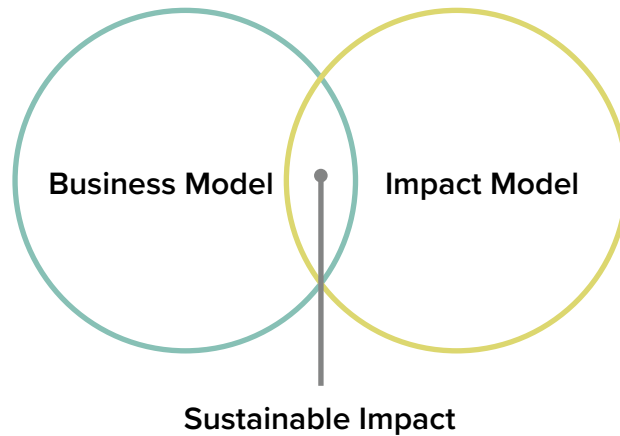
Try combining this guide with the [Social Lean Canvas](#) planning tool.

Definitions used in this tool ([See our guide on this for more](#))

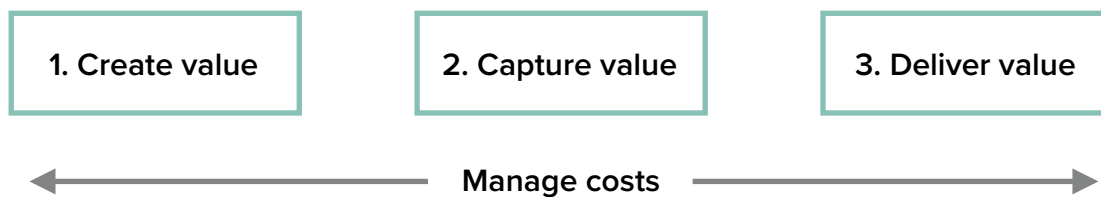
| Term | Our definition |
|------------------------|---|
| Impact | The positive social, cultural or environmental changes, or outcomes, that happen as a consequence of an activity. |
| Impact model | A visual representation of the logic of how an activity will lead to social or environmental change. The framework identifies the intended causal links between activities, and outcomes over a length of time. |
| Revenue | Income that a business gets from normal business activities, usually from the sale of goods and services to customers. Also referred to as sales or turnover. |
| Startup | An organisation that is in the early stages of testing their idea or product and working under uncertain conditions. |
| Trade | The organised exchange of products and services for money. Trading enables social enterprises to be financially sustainable so they can continue to deliver positive impact. |
| Unintended Consequence | Outcomes of a purposeful action that are not foreseen. Usually refers to a negative outcome. |

Introduction

There are two parts to a social enterprise:



What is a business model?



A business model is a way that you create, capture and deliver value to a customer or market in a unique way.

There is no one size fits all, as for social enterprises there are lots of interesting ways that you can blend together an impact model and business model to work together sustainably.

The following pages have some examples of common business model structures used for social enterprise. They have woven the impact model with the business model in different ways and to different depths. For each one, there are local and international examples along with strengths and weaknesses.

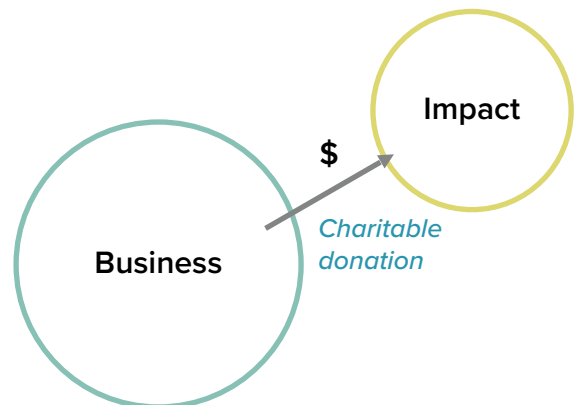
Use these as a guide and to give you some ideas of what your business model could look like, whether it is the same model, a blend of models, or something new!

Once you've thought through some models that might work for you, try expanding them and testing them through our **Social Lean Canvas**.

Profit Generation

This social enterprise model is the closest to a traditional business. This model sells a product or service, but donates a percentage of their profits or revenue to an existing charity or not-for-profit that is delivering impact, rather than directly delivering the impact themselves.

The important thing to make clear is that profit is not the enemy. In order to be able to grow and sustain your business and therefore impact, you need a healthy profit margin. What's different about this business model is that you exist to generate money to donate for your impact, rather than generating profit to scale your own business.



Strengths

- There is less risk around being responsible for the impact delivered, as you are giving money to the organisation that is delivering it instead.
- You can sell any product or service you like. Generally, the product or service will be related to the charity's work.
- Customers like buying a product or service that serves them, with the added bonus of donating to causes they care about.

Risks and things to consider

- Profit is what allows a business to grow. You should balance the percentage that you donate, with your ability to sustain or scale your business.
- There can be scrutiny into what your profit actually was, versus what you donated.
- The product or service you sell should still be ethically and sustainably wherever possible or you can risk unintended consequences as you scale.

27 Seconds

Wants to support the end of modern slavery. Their business is built around an asset that they already had, a winery. They donate 100% of the profit from sales to a well known charity called Hagar who is already working in their impact area. The 27 Seconds team know they can't solve that problem themselves, but they can sell great products that contribute to the wider cause.

Thankyou

An Australian brand that operates in New Zealand. Originally beginning with bottled water, they now sell a large range of health and beauty products that donate 100% of their profits to water aid charities. They have a very strong marketing voice that encourages consumer activism on behalf of the business for new stockists. They have faced pressure on their product of single-use water bottles.

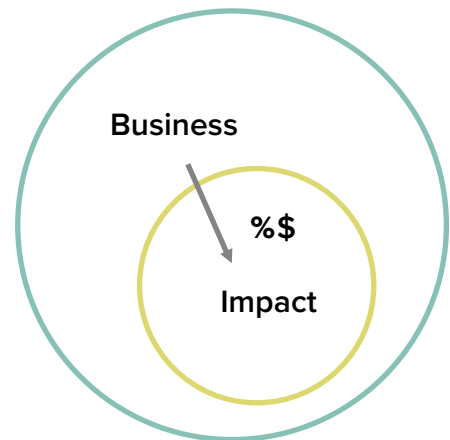
Conscious Step

An Australian brand that sells socks. They pair a design of socks with a charity, so you can buy a pair of socks to support a cause you care about. In this model, rather than have a percentage of profit given, they instead give you a tangible outcome for the impact being delivered. For example, one pair of socks plants 20 trees. They are made in a transparent, sustainable and ethical supply chain.

Equitable Access

The term refers to products and services that can be harder to reach for some audiences. This could be because of financial reasons, discrimination, isolation or other systemic reasons. There are lots of social enterprises that create more equitable access. Some of the most common models are:

- **One for One:** Selling a product or service to a market or audience, with a price that enables a similar or the same product to be given away to another market or audience (where there is a lack of equitable access) for free.
- **Subsidise:** Selling a product or service to a market or audience, and diverting some of the revenue from that sale to enable a cheaper price for another market or audience.



Strengths

- The impact you are trying to achieve creates a clear value proposition for customers, and is more closely linked to your business model than profit generation.
- Many high profile social enterprises follow this model, as it has a strong marketing message, and again it gives something tangible to the buying customer.

Risks and things to consider

- Ensure you have enough margin in your prices to cover your business operation costs, AND the free thing you are giving away.
- Consider the unintended consequences of suddenly giving away free products and services, or what happens to that community or group if you suddenly stop.

Eat my Lunch

One of the most well marketed social enterprises in NZ. The model is a buy one give one lunch programme. Anyone can purchase a lunch (often corporate customers), knowing that with every purchase a lunch is given to a child going to school without one. Eat my Lunch uses volunteers to make the kids lunches to keep costs low. They only sign up a school when they can deliver long term.

The Physio Spot

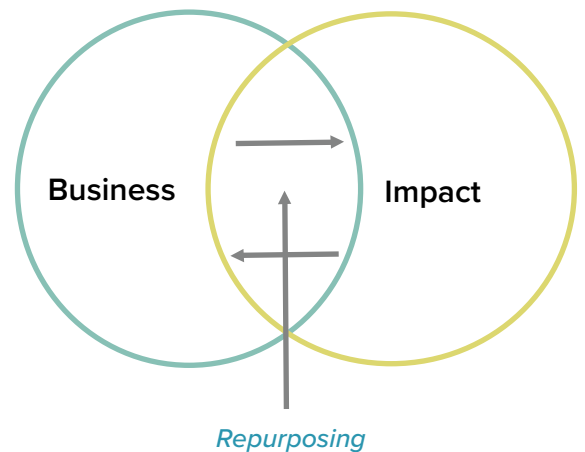
A Wellington based social enterprise, that is run under the Willis St Physio Company. Their model aims to enable equal access to physio service. Through their corporate clients who purchase physio services, they can subsidise the cost of physio for those that can't afford the full cost. Equitable access also means inclusivity, so they are supporting the transgender community who can feel discriminated against in health services.

Warby Parker

An American based social enterprise that sells eyeglasses and sunglasses. Their model is to sell a pair of glasses to an individual customer and then do one of two things. First, they might empower people to be trained in eye exams and sell glasses for very affordable prices in their communities. Second, they distribute eye exams and glasses directly to schools so that teachers can act when they identify a vision issue.

Waste to Value

This social enterprise model is a popular environmental approach that takes what would otherwise be waste (sent to landfill), and either reuses, repurposes, or recycles the waste into a new marketable product. Waste to Value can also be used in a supply chain on a smaller scale, ensuring a waste stream created is repurposed for something else in the business.



Strengths

- As the waste stream being used is likely to be overlooked by its current creator, it can be easier to acquire a supply of it for free or low cost, keeping your costs lower.
- Easily marketable when describing how much waste has been offset, or used to make the product, therefore diverting it from landfill.
- Diverts waste from landfill!

Risks and things to consider

- You will need to secure a consistent or increasing supply of the waste, to ensure you can meet demand from customers. As another option, you could only offer limited editions when you can get access to the right supply.
- Although this applies to all business models, you also need to be clear on where the value is for the customer. After all, they are paying for (what was) a waste product.

Offcut Caps

Based in Christchurch, Offcut sources scraps of fabric and leather around the world and turns them into hats and small leather products. These scraps would otherwise go to landfill, but instead become a limited edition hat that is available to purchase through a simple member sign up. There is value added in the limited number of products made as well as reducing landfill.

Allheart NZ

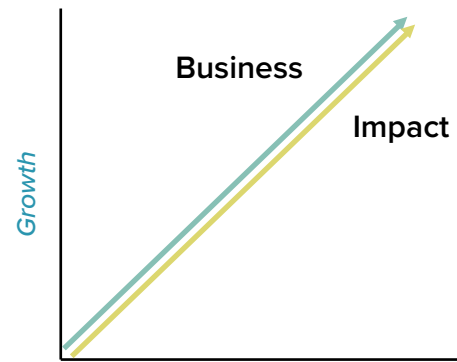
An Auckland service that collects unwanted corporate furniture from office moves or fit-outs. All Heart NZ allows corporates to redirect, repurpose and reduce their waste while supporting communities throughout Aotearoa and globally. The cost of removal is the same or less than sending it to landfill and the products are still in excellent condition.

Toast Ale

A UK based social enterprise that turns waste bread into beer using a traditional fermentation process. The bread is collected from suppliers like bakeries and supermarkets and replaces about one third of the usual malted barley. To increase their impact, Toast Ale open source their brewing methods for homebrewers to use up waste bread at home.

Disruption

A model used for a business aiming for high growth, moving fast and changing the world. They aim to reinvent or replace a common service with something new and innovative. This sort of model is seen in the traditional startup space as it fits the traditional investment model of Venture Capital and Angel Investment (investing money for shares and hoping for a high return on investment).



A simple example of how business growth and impact growth can be linked.

Strengths

- If your product or service is technology based (software, websites etc.) it can be a lot easier to scale up. This in turn makes it more appealing to traditional investment looking for a fast and high return.
- You can potentially make a really big social or environmental impact in a short space of time.
- You can take advantage of traditional accelerator, incubation and equity funding programmes more easily.

Risks and things to consider

- A traditional startup or high growth model aims to scale up relatively fast. When you consider the positive impact you are trying to make, you need to ensure the changes you're making in the system are stable and intentional, and won't create an unintended negative consequence.
- Bringing on investment can reduce your control in the business, which could affect your impact. Consider options for locking in your mission.

Humanitix

An online events ticketing platform. This social enterprise is a combination of profit generation and disruption, as they give their profits from paid ticketed events to local charities. Currently they are based in Australia and New Zealand but you can set up events all over the world. Alongside this, they have also developed many new features in the ticketing market for usability and accessibility.

Little Yellow Bird

A disruptor in the uniform industry, Little Yellow Bird is Wellington based and while not a technology company, is changing the game for sustainability and ethical standards in uniform production including school uniforms. They manufacture in India and can ship product all over the world.

Again Again

An initiative that has quickly scaled nationwide in New Zealand. The model takes reusable stainless steel cups and circulates them again and again to replace single-use takeaway cups for coffee. Again Again has quickly replaced thousands of single-use cups with a reusable alternative, and is creating behaviour change along the way.

Regeneration

In this social enterprise model, the process of delivering the product or service results in the regeneration of communities and/or the environment. It may involve leaning on an asset such as a building or land or could involve employment and training. It could be regenerating as an extra benefit to delivering your product or service, for example, replanting of trees.



Strengths

- These sorts of models are more likely to grow up from the community as they recognise an opportunity. This means the enterprise has a better chance of achieving impact because of community buy in.

Risks and things to consider

- Regenerating through employment or training means additional costs to consider. Labour is often the most expensive part of running a business, and also the hardest to scale.

DINE Academy

A two week bootcamp designed for young people who are not currently in employment education or training. The bootcamp is in hospitality, and quickly increases confidence and skills so that the trainees are able to find flexible part time work. Following the programme, there is ongoing mentoring and opportunities for placement at large hospitality firms.

XCHC

An arts and culture centre based out of an old building in Christchurch. XCHC (Exchange) is a shared space for artist collaborations, has community cafe and hosts a number of art and community events. XCHC is designed specifically for artists, with the view that artists and creativity can help to regenerate communities.

DC Central Kitchen

An American community enterprise in Washington that provides multiple community services. They provide corporate catering and local cafes and train those with employment barriers in catering and cooking. They also provide healthier food options in their community through schools and dairys, and provide meals to those that need them.

Next steps

- Use these examples, and find some more, to inform your business model design.
- If you have some ideas on how your business model could work, run it through the Social Lean Canvas tool to see if it stacks up.
- Start thinking more about your impact model, the second half of a sustainable social enterprise.

This guide was created as part of The Impact Initiative.

The Impact Initiative is the online home of the Social Enterprise Sector Development Programme; a partnership between the Department of Internal Affairs on behalf of the New Zealand Government and The Ākina Foundation. They are supported in partnership with the Community Enterprise Network Trust (CENT)



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