

Social Business Models

—A Comparative Case Study of the German Beverage Market

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Keywords : Social Business, Business Models, Social Business Models, Business Model Canvas, Stakeholder, Beverage Industry, CSR

[Abstract]

The paper examines the question of specifics of social business models in comparison to common business models. Further the business model canvas of Osterwalder / Pigneur is applied as analytic tool with the question whether the canvas has to be amended in order to analyze social business. Based on Mohammed Yunus, et al. definition of social business a generic social business model canvas is developed and compared to three small case studies of the German beverage market. The case studies allow asserting the existence of many variations to the social business model defined by Yunus, et al. The study concludes that Osterwalder / Pigneurs business model canvas originally developed for common business can capture also social businesses with one extension: the value proposition has to specifically consider different stakeholders and therefore could consist of different parallel part-value propositions.

1. Introduction

The term social business is well linked to Mohamed Yunus and the projects he has brought into life in Bangladesh and other countries. But social business is also a common feature of modern welfare states. There it is not only part of the “third sector”. Instead it has been a matter of innovative approaches especially in recent years. Inspired by organizations like Ashoka and other initiatives for societal engagement the establishment of new social businesses has been fostered in many

European countries. Many of them install “start-up” or “new economy” kind of corporate cultures. This kind of business is referred e.g. as “Social Business 2.0” or, like the title of a British award for such organizations, the “new radicals”. Many of these companies claim to have found new, innovative ways of contributing to the social good and to generate social impact in new ways. The scope of these companies is very diverse. Some of them are active on an international scale e.g. in development aid or fair trade, others are working in the field of the public good within their own countries of origin.

The purpose of this paper is to take a closer look to business models and formal business structures of social businesses. It is the intention to address the question of what kind the “new” of these new social businesses is. This is not only interesting for other social businesses. In an era when all companies have to deal with the task of their Corporate Social Responsibility, in situations where boundaries between social and ordinary business are fading, and in a time where innovation is imperative to all businesses, it is of high interest for any kind of business to see if or what they could learn from social businesses.

The background of this paper is business-consulting practice. Its origin is at the interface of some consulting projects for social businesses and a series of consulting projects in the German beverage industry with special consideration of Corporate Social Responsibility. The approach of this paper is located in the interface of business-consulting and scientific research.

Set-up of the Paper

The set-up of this paper is a comparative case study of three social business companies in the German beverage industry. The formal corporate structure and the business models of these companies are analyzed. They are compared to a generic business model of the industry and a generic social business model before set in comparison to each other. By the formal comparison of the three companies against the theoretical models some conclusions are drawn.

This paper uses business models as the base of analysis. It will introduce briefly to the business model concept and then take Mohammed Yunus’ definition of social business as a starting point. Further the proposition of Yunus, et al. (2010) is taken into account that social businesses are based on innovation. Yunus, et al. define five requirements that facilitate business model innovation in the context of social business. They are considered here. In order to keep the case studies easy to handle and to allow a structured comparison the business model canvas by Osterwalder / Pigneur is applied as a tool to analyze the business models of each company. This is the tool set to analyze the social business models of the three companies and compare them with each other. The research interest is twofold. One is to better understand the specifics of the respective social business models. The second is to test the business model canvas approach as a research tool and revise it if necessary for further research.

The first chapter introduces to the research concept and the methodology. The following chapter presents the case studies. The paper closes with a summary of findings and conclusions.

2. Business Models, Social Business; and Social Business Models

Generally speaking a business model describes a business’ “structure of production, services-, and information-processes and the players involved” (Johnson, Scholes, et al., 2011 [translation by author]). In other words it is a

description of the logic how a business operates. Most business models are applied in context of strategy development. They serve “like a blueprint for a strategy to be implemented through organizational structures, processes, and systems” (Osterwalder and Pigneur, 2011, p.19).

As a model a business models represent a simplified, focused view on the way a business operates and could serve different purposes. “Specific business models function like recipes: as practical models of technology that are ready for copying, but also open for variation and innovation” (Baden-Fuller and Morgan, 2010, p.157). Further as models they help to compare businesses and their main logics of operation in a concise manner.

The term “Business Model” has become pretty popular in the past two decades. It is widely used not only in boardrooms, among managers, and in business magazines – but also among the interested public. One of the reasons is the quest for innovation. In this respect business model innovation has become a third strategic approach next to product and process innovation. Among the public it has become quite popular with the emergence of the internet-economy and the digitalization of many established industries. This has helped to develop completely new business models and forced established business models to come under scrutiny.

A closer look to the term business model reveals that it lacks of a consistent definition. Already more than 10 years ago Loos, et al. (2003) identified 28 different definitions of the term. In an inquiry Osterwalder, et al. (2005)

received even 54 definitions of the term business model and clustered them according a three level hierarchical order – pointing out that neither any of them is advocated nor that they are mutually exclusive:

- Business model concepts as an abstract overarching concept that can describe **all** real world businesses.
- Descriptions of a **number** of different abstract types of business models (i.e. a classification scheme), each one describing a set of businesses with common characteristics.
- Presentation of aspects of or a conceptualization of a **particular** real world business model. (Osterwalder, Pigneur, et al., 2005, p.5).

Following Osterwalder and Pigneur’s (2005) approach the level of analysis here is on specific aspects respectively particular real world business models. Before that the generic business models introduced are representing a description of a set of businesses. Further in accordance with Baden-Fuller and Morgan (2010) the model function of business models has to be underlined here. I.e. a concise way to represent characteristics of a business embodying essential elements and the way how they work together. By this “business models provide managers and scholars a way to describe and distinguish the variety of types of business behavior we find in the world of firms” (ibid, p.166).

As it is not the purpose here to deconstruct the theoretical discussion about business models a rather pragmatic way has been taken to

choose an appropriate business model approach as the base of analysis. The main criterion was to choose a business model approach that facilitates a comparative way of analysis in a concise manner and an easy representation of findings. Therefore the approach of Osterwalder and Pigneur (2011) has been selected here as the appropriate tool.

Osterwalder and Pigneur’s approach has been developed in an open stakeholder process integrating perspectives and feedbacks of more than 100 scholars and practitioners, e.g. managers and business consultants. It distinguishes nine key elements of a business model – Value Proposition, Customer Segments, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships, Cost Structure. With

these nine elements four key areas of a business are covered: customers, offers (products & services), infrastructure and financial results (ibid, p.19). Within the nine elements Osterwalder and Pigneur specify how the elements could be shaped and what they could consist of.

A special feature of Osterwalder and Pigneur’s approach is the graphical representation of the business model – the so-called business model canvas. It arranges the nine elements according to the four key areas. Both in the conception as well as in the graphical representation the value proposition rests in the center of a business model. Surrounding the value proposition are the eight other elements. Left of the value proposition are elements to deliver the value proposition,

Fig.1 Business Model Canvas

Business Model Canvas according to Osterwalder/Pigneur

<p>Key Partners</p> <ul style="list-style-type: none"> Some activities are outsourced and some resources are acquired outside the enterprise. 	<p>Key Resources</p> <ul style="list-style-type: none"> are the assets required to offer and deliver the previously described elements... 	<p>Value Propositions</p> <ul style="list-style-type: none"> Customer problems and satisfy customer needs with value propositions. 	<p>Customer Relationships</p> <ul style="list-style-type: none"> Established and maintained with each Customer Segment. 	<p>Customer Segments</p> <ul style="list-style-type: none"> An organization serves one or several Customer Segments.
	<p>Key Activities</p> <ul style="list-style-type: none"> ... by performing a number of Key Activities. 		<p>Channels</p> <ul style="list-style-type: none"> Delivery of Value propositions to customers through communication, distribution, and sales. 	
<p>Cost Structure</p> <ul style="list-style-type: none"> The business model elements result in the cost structure. 			<p>Revenue Streams</p> <ul style="list-style-type: none"> Revenue streams result from value propositions successfully offered to customers. 	

Source: own graphic based on Osterwalder & Pigneur, 2011.

right to the value proposition are the customers – objects of the value proposition – specifications of customers and the relationships to them. Osterwalder and Pigneur recommend to use the canvas in order to have structured discussions and workshops within businesses. While conducting this project the canvas also turned out to be helpful when interviewing management in social business about their respective business models. Further the canvas allows for a structured comparison of business models.

Social Business Models

The next step is to take a closer look to social business and respective social business models and derive some general assumptions about variances and differences that shape social business models compared to “ordinary” business models. The goal is to set up an easy to handle social business canvas that serves as the guideline for empirical study.

Some research has been carried out in this field. Next to general work on sustainable business models, e.g. Schaltegger, Lüdeke-Freund, et al. (2012), there are also recent works that specifically deal with business model canvas. One example is the triple layer canvas separating economic, ecologic and social layers in a sustainable business model (Joyce, 2015). Furthermore the most recent edition of the journal *Organization & Environment* is completely dedicated to the question of business models for sustainability (Schaltegger, Hansen, et al., 2016).

While the broad und most current works generate a solid base they are mostly theory

based suggesting deductive research paths. From the business-consulting and analyzing point of view this is difficult to handle or even to implement in business operations. Therefore the approach here is exactly the other way round. The empirical study is based on a simple business model canvas that is relatively near to the one of Osterwalder / Pigneur. Additions are applied to that canvas and tested empirically in the cases.

The basic but fundamental assumption that there are differences between ordinary and social business models is based on the literature underlining the role of innovation in social business models. Yunus, et al. (2010) definition states: “Building social business requires building new business models” (ibid, p.312). Also in the analysis of German social business the aspect of innovation is underlined: Scheuerle, et al. (2013) distinguish two types of social business. According to this social business in a narrow sense is defined as meeting three criteria: Solving a social or environmental problem, an innovative approach, and performance driven income. A social business in a wider sense is defined by solving a social or environmental problem and **either** having an innovative approach **or** a performance based income (Scheuerle, Glänzel, et al., 2013, p.12). The crucial question for the following analysis is whether innovation towards social business models happens within the framework of common business models which means it could be recorded with help of business model canvas introduced above or whether the business model canvas needs an extension in order to capture innovation of social business

models in comparison to common business models.

According to Yunus, et al. a social business is a “no-loss, no-dividend, self-sustaining company that sells goods or services and repays investment to its owners, but whose primary purpose is to serve society and improve the lot of the poor” (Yunus, Moingeon, et al., 2010, p.311). They identify five major strategic moves facilitating innovation towards social business models. While they locate three of them – challenging conventional wisdom, setting up appropriate partnerships, and undertaking experimentation – within the realm of common business model innovation, they define two of them as being specific for social business models: “the needs to involve socially-oriented shareholders and to state the intended social profit explicitly” (ibid, p.310).

The question is whether these additional elements can be developed, captured and repre-

ented within the existing Osterwalder / Pigneur business model canvas, or if the canvas needs an extension, or if a new kind of canvas is needed. With regards to sustainable business models Joyce (2015) develops an advanced model adding layers to the original Osterwalder / Pigneur canvas. Following the triple bottom line approach he comes to the conclusion that a triple layered business model canvas is needed with two additional canvases, one for the environmental bottom line and one regarding the social bottom line. While the triple layer approach follows a stringent argumentation it has a side effect especially in a comparative study: three layers are accompanied by additional complexity. Instead of nine key elements there are 27 elements / indicators to analyze. This moves away from the initial model idea – a simplified and concise way of analysis – and is especially difficult to handle in a comparative study.

Fig.2 Social Business Model Canvas
 Social Business Model Canvas following Yunus, et al.
 (based on the Osterwalder/Pigneur Business Canvas)

Key Partners · In difference to ordinary business involvement of socially oriented shareholders/ business partners is specifically addressed	Key Resources · No differences	Value Propositions · Social value proposition has to be considered (Social business' "primary purpose ... to serve society and improve the lot of the poor")	Customer Relationships · No difference	Customer Segments · “the poor”
	Key Activities · No differences		Channels · No difference	
Cost Structure · No difference		Revenue Streams · No difference		
Remarks · Social impact of the company-stated by the company or by stakeholders				

Also other approaches e.g. Upward's flourishing business model canvas (Upward and Jones, 2016) provide additional complexity. But the main reason not to follow such approaches is the different purpose followed here. Joyce's model is intended to provide a tool to analyze and further develop business models towards **sustainability**. Here it is the purpose to analyze **social** business models.

Following Yunus, et al. (2010) definition a social business is basically an ordinary business with some additional elements. Therefore the original Osterwalder / Pigneur business model canvas serves as the basic analytical concept here extended by three elements:

- As there should be a stated social purpose of the business the value proposition will be specifically considered in the case studies with view to advancements, variations, and the addressees of the value proposition.
- The element of key partners is enhanced by the question of social oriented shareholders of the business.
- An additional line added allows for re-

marks and specifically asks about the social impact of the business.

3. Case Studies

The set of comparative case studies consists of the description of an "ordinary" business model of the German beverage industry and three case studies on different social business models within the German beverage industry.

3-1. Ordinary Business Models in the German beverage industry

The "ordinary" business model of the German beverage industry is a business model in the definition of Baden-Fuller and Morgen (2010), i.e. a representation of essential elements and characteristics of business or an industry respectively. As the model introduced here describes a whole industry it has to remain on a very generic level. In practice the industry could be further structured – still on a general level – according to the kind of drinks it produces (e.g. mineral water, beer, etc.) and to the sales area (regional, national, international).

Table 1 Business Types in Beverage Industry

	National & International	National	Regional
Breweries			
Mineral water & Mineral water-based soft drinks			
(Carbonized) Soft drinks			
Fruit juices			
Companies without own production facilities (incl. "new" beverage start ups)			

Other beverage companies (e.g. vineries, liquor producers etc.) are not considered in this overview as they are not part of the study.

Table 1 translates these two dimensions to a matrix. The table implicates the assumption that the position of a company in one field of the matrix will be reflected in the business model.

The generic business model introduced here has been developed as part of a business-consulting project in 2012 / 2013 and has been applied in projects with 8 middle scale companies of the German beverage industry since then. It is a simplified and “ideal-type” model of how the beverage industry – breweries, mineral water companies and fruit juice producers – work in Germany. Within the consulting process it has been employed in order to identify and analyze elements where beverage companies differ from peers in the industry. Most companies in the German beverage industry are small or middle scale enterprises. Among breweries there are only some 50 national distributing companies out of more than 1,300 breweries. In the mineral water industry it is some 10 national out of 200 companies.

Following is a brief description of the nine key elements of the German beverage industry based on the Osterwalder / Pigneur business model canvas.

Value Proposition

Most value propositions focus on the quality of products and accompanying benefits. These benefits can be clustered around three main themes:

- Enjoyment and pleasure – most of the value propositions in this cluster underline the taste and high quality of the products.

- Health related benefits – are e.g. vitamins in beverages or no-calories proposition of mineral water. The communication of health related benefits has been reduced sharply after the introduction of the health claims directive of the European Union regulating strictly every claim communicating such benefits.
- Social benefits – value propositions in this cluster relate much to the brand commitments of a beverage. They can be divided in two different sub-clusters. One is closely interrelated to the proposition of enjoyment as it relates to situations of beverage consumption (e.g. enjoying with friends, delighting peers by serving a specific beverage, etc.). The other one relates to sustainability propositions of beverages, which could range from simple “natural product” claim of mineral water to the “organic proposition” several breweries and fruit juice companies offer.

It has to be underlined that the value proposition of a company or a product are derived by analyzing brand proposition, the positioning and respective communications respectively. Short term oriented advertisement and other communications measures (e.g. PR) are usually not taken into account as they are more sales oriented and not reflecting the long term value proposition.

Key Partners

Key partners of the beverage industry could be clustered in “up-stream” and “down-stream” related partners. The up-stream part

mostly consists of suppliers of key ingredients, packaging, and machinery for production. Down-stream partners consist mainly of retail (food retail, beverage markets, catering) and logistics. Within the German beverage market whole sale plays a key role as the middle man between producers on one side and food retail, catering etc. on the other side. Other key partners consist of associations and other business partners, e.g. banks etc.

Key Activities

Key activities consist mostly of production, sales and marketing including the respective management functions. Part of sales and marketing functions are conducted in co-operation with wholesale.

Key Resources

Key resources are production facilities and staff.

Customer Relations

Most beverage companies identify wholesale and retail as their customers. Traditionally consumers were considered only as customers in secondary priority – even if brands were developed with consumers in mind. This had consequences with respect to the value proposition because brands and the value proposition they carry were seen as means to sell the product with the main benefit to the retail / whole sale as stakeholder. Such approaches have changed in the past two decades as beverage companies became more consumer oriented, brands more sophisticated and better reflecting consumers' expectations. Most companies try to maintain a close and personal relationship to their customers in retail. Important meetings are face-to-face between CEOs of the beverage companies and

Fig.3 Generic Beverage Industry Business Model Canvas

<p>Key Partners</p> <ul style="list-style-type: none"> • Upstream • Producers of Ingredients • Machineries • Packaging <ul style="list-style-type: none"> • Downstream • Wholesale • Retail 	<p>Key Resources</p> <ul style="list-style-type: none"> • Production facilities • Staff 	<p>Value Propositions</p> <ul style="list-style-type: none"> • Quality of products 	<p>Customer Relationships</p> <ul style="list-style-type: none"> • B2B: Personal • B2C: Depending on marketing strategy 	<p>Customer Segments</p> <ul style="list-style-type: none"> • Wholesale • Retail • Catering • Consumers
	<p>Key Activities</p> <ul style="list-style-type: none"> • Production • Sales • Marketing 		<p>Channels</p> <ul style="list-style-type: none"> • Delivery of Value propositions to customers through communication, distribution, and sales. 	
<p>Cost Structure</p> <ul style="list-style-type: none"> • Staff • Production facilities • Capital expenditure 		<p>Revenue Streams</p> <ul style="list-style-type: none"> • Sales • Production/Services for other beverage companies 		

respective senior managers at wholesale and retail. But in addition e.g. by social media channels direct communication with customers has been established.

Channels

Most important channels are wholesale and retail. Catering is usually supplied through wholesale.

Customer Segments

Most beverage companies cluster their customer according to their function (wholesale, retail, catering) and sometimes according to region if distribution is nation-wide or international. More and more companies cluster also their consumers according to established models.

Revenue Streams

Revenues result mostly from sales. There are hardly any additional services that could be monetized. Some companies offer production and bottling services to other beverage companies.

Cost Structure

Cost structures consist of equipment, packaging, staff and logistics. Marketing spendings are in most companies below one percent of turnover.

3-2. Case Studies

The following three case studies are all based on interviews with the respective companies. Websites and other materials provided by the companies were reviewed. Additional information was consulted if available. The structure of the following chapters is the same for all three cases. An introduction is followed by an analysis based on the nine business model elements.

A graphical representation based on the business model canvas summarizes each chapter by representing the main discrepancies to the generic business model of the industry and specific social business model elements.

3-3. Josef Brauerei

Josefs Brauerei (Josefs Brewery) was founded in 2000. It was set up as a non-profit limited (gGmbH = Gemeinnützige Gesellschaft mit beschränkter Haftung, English translation: non-profit or charitable limited). The non - profit limited is a special business structure for social business in Germany. A gGmbH is entitled to claim tax exceptions, e.g. it pays no corporate income tax, no local business tax, and could apply for lower VAT of 7% instead of 19 %. Especially the latter tax exception could result in advantages to competing companies without this status. Further a gGmbH is entitled to issue donation receipts which make donations tax deductible. Then again all returns of the company have to be devoted to the social purpose: they may not flow back to owners and / or investors. All profits have to stay in the company to serve the social purpose and all capital is tied to the social purpose - even in the case that the company is liquidated.

The owner of the company is a Christian society (Josefsgesellschaft), which was founded in 1904 with the goal to support and foster disabled persons especially by offering education, training and work. Technically Josef Brauerei is held by another gGmbH. Accordingly the officially stated business goal in the

trade register is “to employ disabled persons and educate, train disabled persons in professional and personal realms to bring them into the job market”. According to its own statement the company is the first and only brewery in Germany offering full jobs to disabled.

Josefs Brauerei has a workforce of 16. Half of the staff are disabled but all employees are subject to full social insurance contribution. As a business the company is positioned as a regional brewery offering different beers and non-alcoholic soft drinks.

The business model of Josef Brauerei is in most elements similar to a comparable ordinary regional brewery in the fields of key partners, activities and resources as well as in the fields of customer relationships, segments and channels. Management underlines that it is at core of the business model that disabled

staff members are treated as ordinary staff members except for the consideration of their disability. Therefore disabled staff has no separate positioning in the key resources field of the business model canvas. Further they argue it would be the core element of the social business model to bring disabled person into jobs that are subject of full social insurance contribution. The background of this issue is that disabled people were usually disabled “twice”. First they had no access to jobs and second because of that they remained subject of social welfare until pension age because they never contributed to social security. In this way the social business model of bringing disabled persons in full jobs not only helps them to work and by this to gain self-confidence as well as economic self-reliance. It also disencumbers the social security system –

Fig.4 Business Model Canvas of Josef Brauerei
Business Model Canvas of Josef Brauerei gGmbH

Key Partners • No significant differences to ordinary businesses	Key Resources • No significant differences to ordinary businesses	Value Propositions • Quality of products • Social: Quality of doing good by purchasing/ consuming the product • Social: Bringing disabled into full employment	Customer Relationships • No significant differences to ordinary businesses	Customer Segments • No significant differences to ordinary businesses
	Key Activities • No significant differences to ordinary businesses		Channels • No significant differences to ordinary businesses	
Cost Structure • Same as in industry • Additional costs for disabled workforce, in part covered by subsidies		Revenue Streams • Sales • Subsidies/Tax exceptions • Donations		
Remarks • Social Value materializes partly not to consumers but to staff (disabled persons in full jobs)				

with the constraint that it relies on direct and indirect (tax reduction) subsidies. It should be added that the business model of Josefs Brauerei is also found in many other industries in Germany even if it is an exception in the beverage industry.

Regarding the value proposition Josefs Brauerei offers two values to consumers. First it is the value proposition of a comparable ordinary regional brewery with quality products. Secondly it is the benefit of consuming products of a social business. This double value proposition is also in the positioning of the brewery e.g. reflected in the brand tagline “drinking good” (German: “Trink Gutes”) and the double headline in the image brochure “the good purpose” (German: “die gute Sache”) and “the good beer” (German: “das gute Bier”). Further the brewery offers a social value proposition i.e. offering full employment to disabled person.

3-4. LemonAid

LemonAid was founded in 2009 in Hamburg. It is set up as a limited (Gesellschaft mit beschränkter Haftung - GmbH) which is a common corporate structure in Germany. The company was founded and is managed by two social entrepreneurs. One is a former employee of the German governmental development aid agency, the other one is a former employee of one of Germany’s most renowned advertising agencies. The business goal is according to the trade register “to develop, sale and produce beverages and food”. The social goal of the company is not stated in the trade register entry but communicated on its web-

site and printed materials as being “change the world by drinking”.

The company has a workforce of some 40 employees including the two founders. This team consists of management, sales and business service functions. The company has no own production facilities. Instead a beverage company in South Germany serves as production facility. This model of outsourced production is a quite common model for start-up beverage companies in Germany in order to avoid high and risky investments and capital costs right after the company is founded.

LemonAid has two products, each product offered in several different tastes. Both products are soft drinks, one called LemonAid, a range of fruit based lemonades, and the other CharyTea, a range of ice tea products. The products are sold – according to the company – in unique and specially designed refillable bottles throughout Germany.

LemonAid states that it is not only a soft drink company but that it was founded in order to actively contribute to social change. This goal is pursued by producing all products with organic and fair traded ingredients and by contributing 5 Eurocents from each bottle sold to the LemonAid & ChariTea e.V., a registered non-profit society. The LemonAid & ChariTea e.V. actively supports development projects of different kinds in developing countries. It states in its statutes that the two managing partners of LemonAid GmbH are lifetime-presidents of the non-profit society. According to the company all projects are personally selected by the managing partners which corresponds to the founding story of

the for-profit LemonAid GmbH. According to this story one founding partner, Paul Bethke, left the official German development agency GIZ because he was dissatisfied with official projects and decided to found a business by which he could fund his own development aid projects (Täubner, 2015). LemonAid states that it has collected one million Euro since the founding of the company (LemonAid, 2016).

The business model of LemonAid as a beverage company is comparable to other beverage start-ups in Germany. The German Association “Independent Drinks”, an association of small beverage start-ups, lists more than 50 companies many of them having the same business model (Drinks, 2016) which consists of

marketing soft drinks with fair traded, organic ingredients, sold in refillable bottles that are produced by other beverage companies. Three differences are relevant here compared to those other beverage companies:

- Lemonaid extended its distribution channel to be listed in food stores and restaurants specialized on organic foods.
- Its products are sold nation-wide in Germany.
- Its model of donating 5 Eurocents of each bottle sold. The main difference to cause related marketing here is that LemonAid has its own non-profit arm to facilitate projects while usual cause

Fig.5 Social Business Model Canvas LemonAid GmbH
Business Model Canvas of LemonAid GmbH

Key Partners <ul style="list-style-type: none"> • Fair trade scheme supports strategic ties to suppliers 	Key Resources <ul style="list-style-type: none"> • No significant differences to ordinary businesses 	Value Propositions <ul style="list-style-type: none"> • Quality of products • Fair Trade Ingredients • Quality of doing good by purchasing/ consuming the product • Social: Beneficiaries of projects • Social: partners in fair trade schemes 	Customer Relationships <ul style="list-style-type: none"> • Involvement of customers through aid projects 	Customer Segments <ul style="list-style-type: none"> • Buyers of organic food
	Key Activities <ul style="list-style-type: none"> • No significant differences to ordinary businesses 		Channels <ul style="list-style-type: none"> • Extension to organic food stores 	
Cost Structure <ul style="list-style-type: none"> • Same as in industry 		Revenue Streams <ul style="list-style-type: none"> • Sales (pricing is clearly above average beverage prices, also above prices for organic food) 		
Remarks <ul style="list-style-type: none"> • Social value materializes to consumers threefold: quality of products, fair trade products and donation. • Social value to other stakeholder materializes to fair trade scheme partners and beneficiaries of projects. 				

related marketing model are based on co-operation between companies and NGOs (Hessekiel, Kotler, et al., 2012).

Regarding the social business model of LemonAid there are almost no relevant differences in comparison to the generic business model of the beverage industry. The changes described above remain within the business model. The fact that LemonAid managed to extend its channels and address a specific consumer segment (organic products) remains within the beverage company business model and is not significant to the social business model. On the key partner side the business model is extended because of the fair trade supply chain that includes close strategic ties to suppliers. The value proposition of LemonAid receives an extension regarding both the ingredients (organic and fair) and regarding the social benefit by donation a small amount of money when consuming the product. This is reflected in the main brand tagline of LemonAid which reads “Drinking helps” (while the cited version is the official version presented by LemonAid a translation of the German tagline “Trinkend die Welt verändern” would read “Changing the world by drinking”). Additionally the social value proposition could be extended to a generic target group of beneficiaries of the development aid groups and the partners within the fair trade schemes.

3-5. Viva con Agua

Viva con Agua GmbH considers itself not as a beverage company but as a unit of the Viva con Agua NGO in order to generate funds by product sales. The Viva con Agua company is

set up as a limited (Gesellschaft mit beschränkter Haftung – GmbH), which is a common corporate structure in Germany. The Viva con Agua GmbH (abbr. VcA GmbH) was founded 2010 in Hamburg / Germany coined by the NGO as “social business 2.0”. The ownership and corporate - structure of the VcA GmbH is pretty interlaced. 40 % of the company belongs to a Viva con Agua Beteiligungs GmbH & Co KG (limited partnership with limited liability company as general partner). This company again is owned by the Viva con Agua Verwaltungs GmbH (VcA management limited) that belongs to the six investors responsible for the initial investment to the company. 20 % belongs to Viva con Agua e.V., the NGO which is held in governance structure of a registered association. The remaining 40 % belong to the Viva con Agua Foundation, which is the donation body of Viva con Agua e.V. This complicated and non-transparent structure generated criticism especially from other NGOs (Syndikalismus, 2010). VcA GmbH’s management justifies this structure for two reasons: one is to allow repayment of the initial funding to the investors, which would be impossible if VcA would be e.g. a gGmbH. Secondly – and more important according to the management – it was the plan to keep any economic risk away from the NGO and the Foundation as the endeavor was considered an experiment.

The Viva con Agua NGO was initiated by a football player of the German football club FC St. Pauli in Hamburg. This football club has a reputation of having an “alternative” fan base “built around left-leaning politics, social activ-

ism and the event and party atmosphere of the club's matches" (Wikipedia St. Pauli, 2016). The goal of the NGO is "to establish access to clean drinking water and basic sanitation for all humans worldwide" (VivaconAgua.org, 2016). It has members and supporters throughout Germany and in the meanwhile also branches in Switzerland, Austria and the Netherlands. The NGO works mainly with means of PR to raise awareness to the problem of access to clean drinking water in developing countries and runs education projects, e.g. in co-operation with schools. It runs no own projects in third world countries. Instead "it acts as a donation broker and income generator" (Gebauer, 2014, p.159). Funds for projects are donated through the Viva con Agua Foundation to Welthungerhilfe, a well-established German NGO in the field of development aid.

The business goal of VcA GmbH is according to the trade register "marketing and sales of water products". It has a workforce of 6 responsible for management and sales only. VcA GmbH has no own production facilities. Instead it has a partnership with a mineral water bottler in Northern Germany who holds a license to sell its products labeled with the Viva con Agua brand. A second mineral water bottler in South Germany acquired a license in 2015. Sales are in part assigned to the mineral water bottler and in part with VcA GmbH. All other business activities, e.g. logistics and distribution are with the mineral water bottlers. The bottlers pay a license fee between 5 and 11 Eurocent per bottle sold. This leaves also space for the bottling companies itself to have profits from this business.

In the first years profits of the VcA GmbH were partly used to fund projects of the VcA NGO and partly to repay the investors. In the meantime all invests are repaid according to the management.

The product sold under the VcA brand is mineral water only. It is sold in two variations of high and low carbonized mineral water. There are no other products offered and according to management there are no plans to extend the product range in the water business. In this sense VcA sells a commodity different from other bottled waters only by the social cause. The management explains that it could sell also any other product of commodity character in order to raise funds. In fact VcA started to sell toilet paper in spring 2016 based in the same business model in cooperation with a producer of toilet paper and a drug store chain in Hamburg.

The social business model of VcA GmbH looks very different from other social business models due to the fact that VcA is only licensing its brand while most part of the operational business is outsourced to the mineral water bottler. The input area is basically reduced to key partners i.e. investors and the bottlers. The company has no need to finance its capital. The value proposition focuses entirely on the social cause – the purchase of a water bottle becomes a donation for a good cause. Customer relations play a very big role at VcA. The company manages to acquire additional donations from consumers as well as from wholesale and retail. The latter are entitled to present them selves as "Viva con Agua" – supporters if they make a donation.

In the same time VcA breaks with many other B2B marketing rules established in the beverage industry. It pays no so-called listing fees, no advertisement grants etc. VcA is remarkably successful in selling its products especially at caterings of cultural events, universities and other businesses with social conscious stakeholders. While VcA management is aware that it has a unique positioning in the beverage market with a brand and marketing communication out of reach for other beverage companies it admits that it considers itself not really being part of the industry. “In fact our bottles and the labels on it are a leaflet drawing attention to our cause. The difference is that a consumer pays and in the same time donates when reading it”, says managing director Andre Lau. Regarding the value proposition VcA puts the focus entirely

on the cause. Actually the quality of the product is barely mentioned. Additional stakeholder addressed is the VcA NGO. Beneficiaries of the projects are only addressed implicitly.

4. Comparison of Findings & Conclusion

The three case studies above draw a very different picture of social business compared to the definition of Mohamed Yunus. Josef Brauerer directly addresses “the lot of the poor” in the sense that it brings disabled persons into full jobs. But this case is different compared to Yunus, et al. case studies. The benefit lies within access to the job market, not within access to some (necessary) products. Lemon-Aid provides a mixture of social business model and fund raising. It provides direct impact by applying a fair trade scheme when

Fig.6 Social Business Model Canvas of Viva con Agua GmbH

Key Partners <ul style="list-style-type: none"> • Investors • Mineral Water company as license purchasing entity 	Key Resources <ul style="list-style-type: none"> • Only man power • Small team of 6 • Network around football club and event scene in St. Pauli 	Value Propositions <ul style="list-style-type: none"> • No communicated product value proposition • Value Proposition is only about doing good by purchasing/ consuming the product • Social: Indirectly to VcA NGO 	Customer Relationships <ul style="list-style-type: none"> • High Involvement of customers through aid projects • Even retail makes donations 	Customer Segments <ul style="list-style-type: none"> • Even those who criticize bottled water buy products
	Key Activities <ul style="list-style-type: none"> • Campaigning 		Channels <ul style="list-style-type: none"> No significant differences to ordinary businesses 	
Cost Structure <ul style="list-style-type: none"> • Only staff of 6 		Revenue Streams <ul style="list-style-type: none"> • License fees • Donations 		
Remarks <ul style="list-style-type: none"> • Social value materializes through purchase of products. 				

importing ingredients from developing countries and by using organic ingredients only. In the same time it generates funds by which LemonAid carries out its own development projects through the non-profit arm of the company. The third example, Viva con Agua, is in fact a fund raising organization applying a brand licensing scheme to the beverage market. Social impact is provided only indirectly through the funds given to other specialized development aid organizations.

With regard to the social business model the three case studies span a space of different approaches. Josef Brauerei stays pretty close to the business model of the beverage industry. It has additional revenues and costs due to the fact that it employs disabled persons. Also Josef Brauerei is the only company that has applied for the status of a gGmbH. LemonAid changes several elements of the business model e.g. on the upstream side of key partners i.e. the suppliers. Other elements, e.g. purchasing of organic ingredients and sales in organic stores could also be achieved by companies in the organic business and is not specific to a social business – unless the provision of organic food would not be considered as social itself. Viva con Agua on the other hand applies a completely different model. It has outsourced almost all operational parts of the beverage industry focusing on its core business purpose i.e. fundraising for the Viva con Agua NGO. Both latter companies have a corporate structure that is common for ordinary business in Germany. Both companies explain that this gives them more freedom to act without limiting regulation.

The non-profit arm of both companies is outsourced in separate organizations.

Regarding the social business model canvas as an analyzing tool it was possible to assess all relevant elements with help of the canvas with one exception. While it was possible to capture variations on the left (key input) as well as on the right (customers and channels) side of the canvas it turned out to be difficult to assess value propositions without an amendment. In fact the three case studies suggest an adaption of the definition of value proposition. The original business model canvas of Osterwalder / Pigneur puts focus on customers regarding the value proposition. While customers are also subject of the value proposition of the cases presented by Yunus, et al. (2010) this changes significantly in the case studies presented here. The value proposition of Josef Brauerei addresses at least two stakeholder groups. One is the consumer, the other one are disabled employees. The same is the case for LemonAid and VcA. In both cases value is proposed for consumers as well as for other stakeholders, e.g. groups that are addressed by development projects funded by purchasing LemonAid or VcA products. Further the value is not realized by facilitating access to a product. Rather social value for consumers i.e. “doing good” is achieved just by purchasing the product. With other words: social business in the case studies introduced creates also values beyond immediate consumer needs and to additional stakeholders than consumers only. In order to understand these value propositions the social business canvas should be enhanced conse-

quently asking for each relevant stakeholder groups' value propositions. This would be also in accordance with Mohamed Yunus definition of social business as being stakeholder oriented: its purpose is to serve society.

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