



A Sustainable Business Model

for

Smart Work Centres



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Executive Summary

In the Micropol project, Smart Work Centres (SWC) are the central focus point of the project. The project has done a lot of research into their operation, the different types of SWCs and the legislative and policy issues regarding the successful operation of SWCs. One group has looked into the business plans that are behind SWCs and how their lessons could be useful for new SWCs, either ones that have started already or ones that are about to be set up. Sustainability is an important factor for new policies, i.e. SWC that can be set up and will exist for a long time and that are not dependant on on-going government funding.

With this document, the group that has focussed on business plans presents their work. Four project partners were involved in this, namely the Province of Drenthe (P2; NL), West Pannon Limited (P4; HU), Business Support Centre Limited (P5; SI) and Nièvre Numérique (P10, FR).

In making their analysis, they have extensively used the Business Model Canvas, authored by Osterwalder and Pigneur and almost 500 co-authors. This canvas produces a model can be used to conceptualise many streams around an organisation, similar to a classical business model that is always very much looking at money and budgets. Given that most SWCs are not wholly commercial, a different approach was taken.

The Business Model Canvas has nine components

1. KP: Key Partnerships:
2. KA: Key Activities:
3. KR: Key Resources
4. VP: Value proposition
5. CH: Channels:
6. CS: Customer segments
7. C\$: Cost Structure
8. R\$: Revenue Stream
9. CR: Customer Relationships

All these components have ramifications on the operation of a SWC, and each can be seen as well. Using these nine building blocks, a good overview can be had of what is necessary for desired operation of a SWC in the particular situation that the reader is in, and changes relevant for this situation can be made. Using all this, will help in setting up a sustainable business plan for SWCs all over Europe, particularly in rural areas.

Introduction

For the Micropol project, one of the tasks has been to collect information on sustainable business plans for Smart Work Centres. For the remainder of this text, Smart Work Centres is abbreviated as SWC and the definition used is the widest possible. Not the definition of a SWC is important here, but rather the ideas and set ups that are being used all around the world.

In order to set up this document, four partners in the project from France, Hungary, the Netherlands and Slovenia joined forces.

They are

- P2: Province of Drenthe, Assen, the Netherlands
- P4: West Pannon Limited, Szombathely, Hungary
- P5: Business Support Centre Limited, Kranj, Slovenia
- P10: Nièvre Numérique, Nevers, France

In a period of a few months, contributions were received and collated, and further information collected. The end result is a product that exceeds the original request and a document that can serve as reference and inspiration for everybody who is (or is going to be) involved in setting up and running a SWC.

The main question that was put in front of us is how to make SWC less dependent on public funding and what role public-private partnerships can play in this. This was interpreted as a description of a business plan that could be used to set up a SWC and assist in the running afterwards.

In trying to achieve this goal, a single model has been used, and the model has been extended to suite the different archetypes of SWCs that have been found by colleagues in other working groups. Using these archetypes, it will be clear that the model can be used for a wide variety of situations, both within and outside the Micropol partnership.

Aim

In our study of SWCs all around Europe, we have found that it is relatively easy to set up a SWC. Getting the building and setting it up is usually relatively easy. There always seem to be suitable funding opportunities or a suitable building, and a SWC is considered an attractive proposition by many local politicians. However, a SWC that is floating mostly on funding from the public sector may not be able to fulfil its promise of providing added value to that community. Instead, it will be a burden on the local financial resources.

The challenge lies in running an SWC and making certain that it survives as a going concern, rather than a small facility that does not take off as intended. This in turn means that such a SWC is heavily dependent on long-term direct support from the public sector.

Therefore it has been our aim to find and define manners in which a SWC can operate in the long run. We do this while taking into account that a long and relevant development process is preferred rather than quick sudden impulses that last only a short while.

This report states the main issues surrounding business operations in a SWC, discusses a methodology to develop your own SWC, using practical examples from both SWC and other businesses we have been using existing SWCs from all over the world. These answers help to answer the overall question on how to make SWC less dependent on public funding.

One thing is clear however: a different kind of business world calls for a different kind of business manual, and that is what has been done in the Business Model Canvas. Together with 470 other people in 45 countries, the authors (Osterwalder and Pigneur) developed the book. They did it using the model itself.

The model itself is in use by major companies such as IBM and Ericsson, and is also in wide use among smaller companies. They are real-life users of the model. The 'Business Model Canvas' is a low-tech template for brainstorming and visualises corporate roles and processes. The book is also very colourful and has many photos, drawing, charts and graphics. Despite all the research that has gone into it, it is a very easy to grasp format. In the process of making this, both the Dutch and Hungarian partners have used the model for developing their own plans.

To start making a business model according to the canvas, all you need is a big sheet of paper and a few post-it notes. That is in addition of course to all the combined creativity, intellect and persistence that the beam brings to the table. For creation or redesign of a business model, the business model canvas is a very apt and suitable tool.

In the beginning of the 21st Century, upstart technologies and lightening-fast implementation drive various new business model that are radically altering industries and commerce. Apple's iPod for example, Skype or microlending such as Kiva. A business model can launch an idea or re-adjust an existing company.

An example of re-adjustment was seen in the Swatch company. Previously they produced only high-end watches, but in response to Asian competitors they came up with cheaper, lower-priced (but still beautifully designed) watches. The entire group has thrived because of this dual model.

With such sweeping changes in mind, a model for a business plan was developed, based on a number of easy to grasp concepts, one that can serve as an inspiration (or a literal model) for any group that is looking to set up its own SWC.

The four different archetypes of SWCs

In parallel to the development of the business plan, four archetypes of a SWC have been developed. These help in conceptualising the different aspects of a business model a SWC might be focussing on. The four archetypes have been defined as follows:

1. **Economic development SWC**, that target wider economic development aims. For the economic development SWC, the economic development of an area is probably more important than making a profit. This means that the elements of Key Partners and the Customer Relationships will be relatively important. Things like cost structure and revenue streams are of lesser importance.
2. **Enterprise SWCs**, that have a purely business focus and supporting entrepreneurs and small businesses. A purely business focus means that the value proposition becomes quite important, together with the cost structure and the revenue streams.
3. **Socio-economic hub SWCs**, that also incorporate a social and service provision role. In this situation, the customer relationships and the customer segments are an important aspect in provisioning for the SWC.
4. **Distance working SWCs**, which primarily aim to provide a place of employment in a community. For this role, the key activities (what is offered) and the key partners (probably the most important employers providing distance working places) are the most important.

These four archetypes all have different applications of the business model and make the business model function in different roles and throw a different light on many things. This will be discussed in detail below.

The actual business model

As discussed previously, we turned to a book that's called '*the Business Model Canvas*'. According to this book, '*a business model describes the rationale of how an organization creates, delivers, and captures value*'. Because it needs to be understandable for everybody and big shifts are currently not only seen in the manner of working (in SWC for example) but also in society and the way businesses operate. The 'freemium model' (giving something away, and then having extra features for money) was something that did not exist as recently as 10 years ago.

Nine building blocks

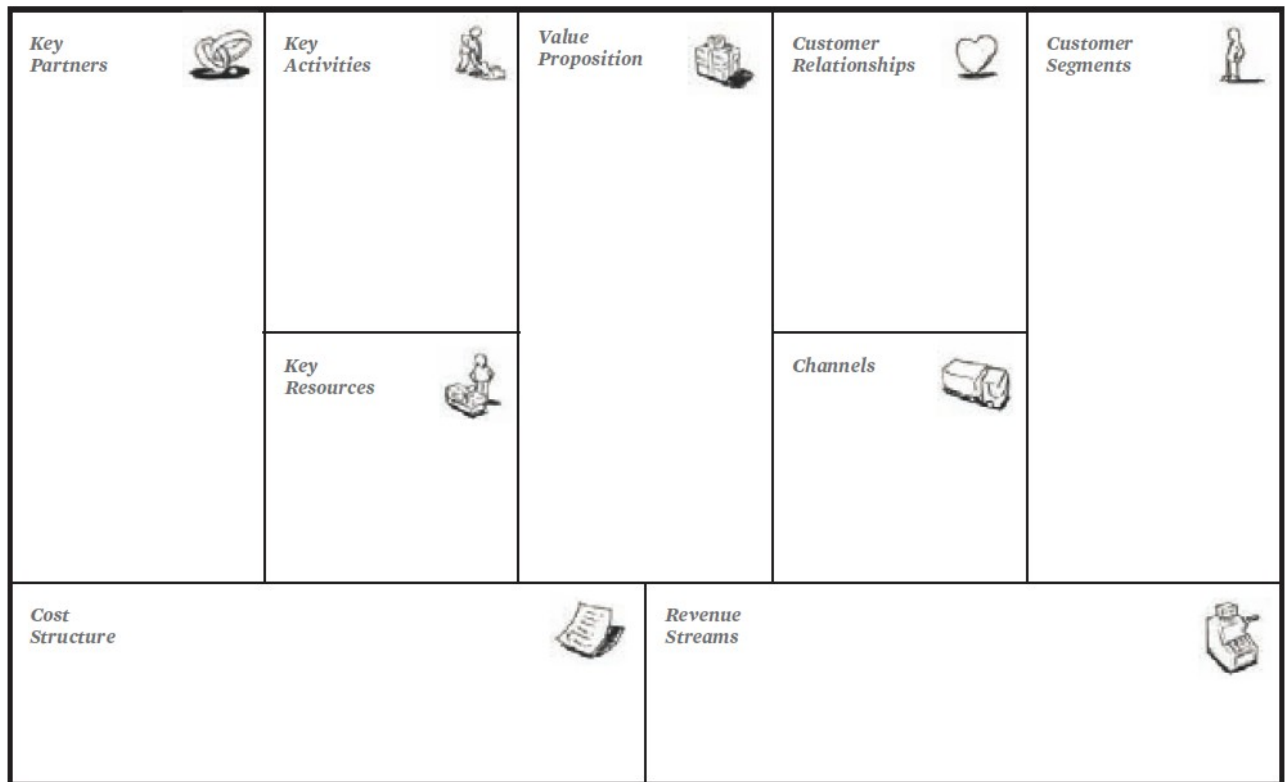
The model is up of out of nine building blocks:

1. **KP: Key Partnerships:** Some activities are outsourced and some resources are acquired outside the enterprise. Joining with other entities can expand or protect your market share in a highly competitive industry: consider supplier links, joint ventures and 'strategic alliances.' Tactical partnerships with rivals, or 'coopetition' can lessen risk or provide savings. Companies also can reduce costs or gain access to vital resources by outsourcing or subcontracting.
2. **KA: Key Activities:** tie in with the key resources described above by performing a number of Key Activities. Company personnel routinely perform critical tasks that engage customers and turn a profit. For example, a manufacturer produces an item, a consultancy solves problems and companies like eBay and Visa manage platform or networking activities that link various groups.
3. **KR: Key Resources:** key resources are the assets required to offer and deliver the previously described elements. These most important assets can take several forms – physical, financial, intellectual or human - depending on what a company does. They range from executive talent and intellectual property rights to physical plant and credit lines; key resources may be owned or leased.
4. **VP: Value proposition:** customer problems or satisfaction of customer needs is done by means of value propositions. This bundle (or bundles) of benefits lead clients to do business with your company rather than with your competitors. Create value by inventing something new, improving your product's 'performance' or 'tailoring' your offering to specific needs.

5. **CH: Channels:** value propositions are delivered to customers through communication, distribution and sales channels. Select the best 'customer touch points' to communicate value and to distribute and sell your products and services. Internet sales, retail locations and wholesalers exemplify channels that enable customers to experience, assess and buy what you're selling.
6. **CS: Customer segments:** an organisation serves one or several Customer Segments, i.e. it targets one or more types of customers in the heart of your model. 'Mass' markets and 'niche' markets require different approaches, while 'segmented' customer bases share similarities, but their needs vary slightly. Companies with 'multi-sided platforms' sell to two or more groups. For example, a credit card company cultivates businesses to accept its card as well as account holders to use it.
7. **C\$: Cost Structure:** The business model elements result in the cost structure. Whether yours is a 'cost-driven' or 'value-driven' business, offering low-priced services like discount airline tickets or creating exceptional value like a top hotel determines your model's cost structure. Outlays represent 'fixed and variable' expenses; bigger companies can pursue economies of scale and 'scope' from large-scale production and distribution.
8. **R\$: Revenue Stream:** revenue streams result from value propositions successfully offered to customers. These are the 'arteries' of a business model; income flows through them from discrete sales or from ongoing payments such as rentals, licenses or subscriptions. Each type of revenue stream may demand a different pricing mechanism, e.g. either a 'fixed' price or a dynamically negotiated price. For instance, a 'perishable' hotel room sells for varying rates, depending on season and availability.
9. **CR: Customer Relationships:** are established and maintained with each Customer Segment. Establish different ways to serve distinct market segments: 'Personal assistance' from a service attendant can coexist along with automated service or self-service. Amazon co-creates value for all its users with customer-written product reviews.

You will note that the model moves you from customer to core aspects of the product, to end up at the financial streams through a company, including its cost-structure and the revenue stream. The entire model can also be presented in an overview, they all fit together in a picture as seen overleaf:

The Business Model Canvas



This is the Business Model Canvas that can be used to put all the elements together. A partial (and simplified) example of a completed model can be seen in the Appendix. There are a few services that allow you to work and collaborate on a Business Model Canvas on-line, and there are apps for various platforms, too. One of such services has been used for that example, too.

Application in a SWC

To the reader it will be clear that the discussion of a SWC is quite general. It may not be obvious immediately how it will fit in their situation. Some may even consider a 'business model' not appropriate to their SWC, because it is not operated for profit, or not operated by a private organisation. However, and this is an important consideration, any organisation needs to provide relevant services and consider their added value in the community in order to be able to survive.

Therefore, the nine building blocks will be discussed with application for a SWC, with the proviso that each SWC has different goals and relevancies in their own community. Another working group in the Micropol project has developed four different archetypes of SWCs. The building blocks have a different application in each archetype. This will be discussed, too.

1. Key partners

The partners in a SWC can generally be divided into several large groups: here we distinguish between four different types of partnerships:

1. Strategic alliances (with non-competitors)
2. Coopetition: strategic alliances with competitors
3. Joint ventures to develop new business interests
4. Buyer-supplier relationships to assure reliable supplies.

Partnerships may be created for three motivations:

1. optimisation and economy of scale: certain employees or services cannot be offered as a solo SWC, but they can be when forces are joined
2. reduction of risk and uncertainty: investing in a particular technology may prove to be too costly or risky for a sole SWC, in cooperation it might not be
3. acquisition of particular resources and activities: it does not make sense for a SWC to have a full-time ICT person, or a special on legal contracts. Using smart partnerships, this may be possible.

Co-siting of SWCs also happens often for such reasons. In Latvia, the municipal public libraries have begun to provide flexible working spaces, thereby using an infrastructure that is already present and reinforcing the existing network for it.

For a SWC, the partners can be quite different depending on the archetype that has been chosen. A socio-economic hub will probably attract different partners than enterprise SWC. The first may attract an ecosystem with schools or things like kindergarten, whereas an enterprise SWC may be an attractive proposition for an accountant. In our discussion of the archetypes, this topic will get more attention.

Strategic alliances must be chosen carefully for SWCs. A good alliance can enhance the SWC, whereas a bad alliance can drag the 'brand' down. Besides the examples discussed above, it would be bad business sense to set up a SWC mainly for enterprise development and then have it co-located in a high street with shops. However, it would make a lot of sense to have an economic development SWC and co-locate with an job office, and other local public organisations supporting economic development. Likewise, almost any SWC would benefit from some basic catering facilities to draw people into the centre and to have these services available to users. The natural partners for SWC seem to be local and regional governments and their associated organisations.

In many cases, public-private partnerships (PPP) seem to be a very logical approach to partnerships, whereby for-profit organisations and the public authorities involved both strive for a goal, achieved via the SWC. For an ICT company, it might be promoting their own products, while at the same time the public organisation running the SWC gets suitable equipment at a lower price or even for free. Of course, many more of such constructions may be seen, often less overt than the one discussed.

Alliances don't always need to remain over a long time, cooptation forms are also found. This is a word that defines a practice where competitors work with each other on project-to-project or to market products together. For a SWC, this could be joint venture, or co-marketing basis. For example, two SWCs about 20 kilometres apart could join in for example selling 10 hours of 'desk time', with it not making a difference where it is used. However, where rooms are to be let for a longer period, for example per month, they can still be in competition. Similar effects can be seen by franchise companies (for example McDonald's) that are physically close together.

A joint venture is an extension of the cooptation principle, only then a common end product (either tangible or intangible) is reached. This could be two SWCs that cooperate to establish a SWC in a third location (tangible), or a group of SWC that decide to organise a series of workshops together, or decide to share a marketing expert as a coach (an intangible service).

In practice, this has been seen in a few SWCs in the Micropol project. In Hungary, the Nagykőrös Telework House comes to mind, which has been set up in a public-private partnership together with Microsoft. Microsoft has helped in setting up the facilities, and it fosters the opportunity for people to learn about the technologies that Microsoft has to offer, enabling a thriving ecosystem for their products.

In the same vein, buyer-supplier relationships can be important. For a SWC, it could be important to have good connection with an internet provider, a producer of ICT-equipment or any other company that provides relevant goods for the smart-working community. Perhaps in return for publicity, access to good may be provider cheaper and/or better, for example as a demonstration point.

2. Key activities

The key activities might be the most important part of the model. They describe the most important things that a company must to make its business model work. Together with the the key resources, they create the value propositions, to reach markets, to maintain customer relationships and to generate revenue.

Depending on the archetype, the key activities vary, a socio-economic hub as different key activities than an economic development hub. In the past, companies primarily evolved around production, but now they function much more as problem solving or even a platform. Problem solving in this case must be understood not as a way to solve a direct problem, but more as a providing a solution to an organisational problem. For example, the organisation needs automation, a system integrator comes in and operates a network of PCs.

For SWCs this means that their key activity is probably to solve a need for provide flexible working space for the user (flexible worker). For a local authority, the flexible workspace in itself might not be important but rather the fact that through this facility highly skilled workers remain in the area, or even new ones decide to come and live there.

The flexible working space is a common trait that can be seen in every SWC that has been studied in the Micropol case. What is also important to note is that elements are changing to suit local circumstances. For example, the SWC studied in Riga (Latvia) has an approach more suited to a city-like population whereas a rural SWC such as the one in Wooler in rural Northumberland suits their local circumstances very well.

The activities have an ongoing nature, and are not dependent on the initial opening of the SWC only. Aspects like branding, marketing and setting up the SWC are not important here, but rather things like making customers see the needs for them using a SWC and the advantages versus the alternatives: working from home, far away or sometimes no work at all.

There is a lot going on in this activity, for example having properly trained staff, with proper facilities (a good building, with ample furnished rooms with the proper ICT tools and communication systems). Probably also branding is necessary, making the SWC more attractive on intangible benefits.

PPP may also be used for ad-hoc activities that last only a short while and are not suitable for a longer period. Examples of this include (for the more technically-oriented SWCs) so-called Hackathons, where in a short time space (often 24 hours or a weekend) apps are developed and commercialised, or many bugs are taken out of an (open-source) software product. These may be sponsored by relevant companies, to get exposure for their products. At the same time, such activities increase the exposure for the SWC dramatically.

For the operation of the SWC itself, it could also be useful to have a properly elaborated manual, and good internal and external communication systems. It will also be important to know about the partners that the SWC has, and how they might be segmented. In this manner, it will also be easier to reach the target groups and to create proper websites for this SWC.

3. Key resources

Key resources are the following building block. Key resources are the most important assets to make a business model work, i.e. they determine what is needed to make the SWC work. There are four main groups, namely physical resources, intellectual resources, human resources and financial resources. For a socio-economic SWC, features such as combined functions with public services will obviously be important, whereas for a distance working SWC, a more basic working place (with very good facilities for distance working such as video conferencing) is probably suitable.

In many of the cases that have been studied by the Micropol project, the key resource has been a (very) high-speed internet connection in place where such a connection is/was not commonly available to the general public. This includes for example the cases of Tranum (Denmark) and Lormes (France). Because of the availability of a high-speed connection where this was not available in this was an important key resource that helped in meeting the target set for these SWC. Both were made possible through PPP cooperation that underlies the SWC. In this situation, the local governments were also the launching customers for a wider broadband effort.

Physical resources

The physical resources in the case for a SWC are first of all of course the building. The building should be suitable for the context in which the SWC operates, and also to the archetype that has been chosen. In the group of physical resources, we should probably also categorise infrastructure such broadband internet, telephone and secretarial things such as copying and printing. Depending on the functions and location, multiple-use rooms for meetings, training, socialising and parking spaces and/or position *vis-à-vis* public transport can also be important.

Within the SWCs studied, we see that probably the internet connection and the physical working space are the most important aspect. This is something that we have found in all SWCs. Based on local situations, rooms for trainings and so on may be offered. Good access by public and private transport is usually quite important, too, and is an important factor in choosing the place for setting up a SWC.

As discussed, this is something we found in most SWCs. When the Dutch partners did some research into the desired traits for a SWC in the north of the Netherlands, they found that good access by public transport is on average about as important as good access by private transportation. Hence, a SWC should be located with good access to both, and that is in line with common practice for SWC in the Netherlands, most if not all are placed in such place. The only exception is in place where private cars are not in common use, for example in some places in the heavily populated Randstad area.

Intellectual resources

Intellectual resources traditionally include things like patents, brands, basically proprietary knowledge in all forms. Although they are difficult to develop, they can be an important asset in a SWC. The first part that could be important is a database of key partners, and determining the target group for the SWC. In the long run, the strategic alliances discussed under the key partners could be extended in branding. This is also used by large international operators of flexible workspace such as Regus. Although they have a globally recognisable brand, the actual contents of the work space differ from area to area. For a cluster of SWC, it would make sense too, to establish a regional brand or an approval-type scheme from a regionally recognised organisation.

Human Resources

A SWC typically depends on knowledge-intensive and creative industries. Therefore human resources are an important aspect of the operations of a SWC. Human resources for a SWC involve skills such as general management, including problem-solving, ICT, communication and perhaps even basic technical skills in maintenance (to reseal a loose cable for example). Because these skills need to be complemented by soft skills such as flexibility (to adapt to changing demands and circumstances), administrative diligence and acceptance by the local business community, there might be a team rather than a single person providing the human resources.

Financial resources

The financial resources for a SWC are simple in the sense that no extensive derivative products are needed to run a SWC. On the other hand, SWCs must in the majority of cases must be able to generate their own income, or at least part of it. Financial resources therefore include the requirement for generating your own income, being able to use funds from public-private partnerships, and being able to tap into all kinds of grants and subsidies. These can be local, regional or national, but of course also EU-wide programmes can be used.

Within the SWCs studied in the Micropol project, most if not all SWC generated part of their own income, and they were able to do so without any issues. For this, they have tended to be dependent on government support and big organisations at first, and slowly they have supplemented this with their own income, although this does not seem to have been successful in all cases. Those that are successful, often have a wide variety of sources of income (rental of rooms, catering, flexible services, etcetera) and price them competitively. This creates more traffic and enhances the attractiveness of the SWC.

4. Value proposition

The value proposition is the reason why customers use a particular SWC for another. It is the thing why solves the customer's problem or satisfies a need. The value may be quantitative (i.e. price or the speed of service, for a SWC aspects such as reducing travelling time), but it could also be qualitative (more beautiful design, or a better experience, for a SWC they could be things like more sense of community).

There are many aspects on which the value proposition can be evaluated. No less than eleven criteria were listed in the *Business Model Canvas Handbook*, namely newness, performance, customisation, getting the job done, design, brand/status, price, cost reduction, risk reduction, accessibility and convenience/usability.

For evaluation of the value proposition for a SWC, there are many different forms of segmentation. We started out with two major customer groups, namely companies and the smart workers but on further inspection (see also the 'channels' building block) we can distinguish between a great many segments, also depending on the archetype. However, we expect companies to focus more on the quantitative aspect and smart workers more on the qualitative aspect. We discuss these groups and point out some ideas for additional value propositions.

Value propositions for companies

The value proposition for a company of using a SWC (or any archetype) probably consists of lower travel costs and possibly lower operational costs. The lower travel costs can be achieved if people no longer have to travel to a more distant working place. Lower operational costs may be achieved in sharing resources at the SWC. Also it is possible that in future, local governments may decide to give tax reductions or other soft advantages for using a SWC. Other soft advantages include being able to tap into a different (high-quality, and more choice) labour pool, and thereby having more options to choose from. Also advantages in the field of corporate social responsibility in environmental consciousness can be achieved.

Value propositions for smart workers

For smart workers, the value propositions are equally real as for companies, but the qualitative aspects are probably more important than the quantitative aspects. First and foremost, it would be advantage to be able to do quality jobs even in rural areas. This is an important advantage that is not easily accessible for all regions in Europe. In more 'urban-rural' areas such as found in the Netherlands, this is of less importance than in true rural areas such as Slovenia and Italy.

However, if the area can offer a SWC and attract sustain smart workers, the effects can be tremendous. On top of direct cost savings that are involved with less commuting, time-savers and a balance between work and private life, there is also the added macro-economic benefit of having more high-income people in the countryside. Moreover, these people have more money in their pocket every month, because their cost of living is much lower. This is a real boon for many aspects of life. Additionally, it reduces migration and depopulation, which are real difficulties for many regions of Europe.

Value propositions for others

A SWC can also offer services that are not specifically aimed at the classic users of SWC. There is probably a certain amount of spill-over from the normal services to this group. For example, a meeting room may be used professionally, but also by not-for-profit organisations, particularly in smaller communities. Besides offering such services for extra income, it may also an extra gateway into learning about the SWC, to serve as a marketing tool.

Besides the meeting room named, sessions with specialist consultants (accounting, law, EU information, etcetera) could be organised. Of course, this is also possible with tourist information, a library, or even child-care. Just good care needs to be taken that the SWC fits in well with both the needs of the community and that of its users. A childcare facility can not mean that there are children running around the offices of the flex workers!

The co-location of SWC together with a library can be seen in Latvia where all the public libraries now offer basic flexible working spaces for short-term use. Such uptakes can also be noted in Hungary in some cases, as well as in many other SWCs. In general it can be stated that the smaller a community where a SWC is established, the more likely it is that co-location services are found.

5. Customers relationships

In building a rapport with customers, there can be several motivations. The most important ones seem to be customer acquisition, retention and boosting sales of existing customers. For this, it is important to see what type of relationship needs to be established, how much cost is involved, and how it relates to the rest of the business model.

For this, the staff of the SWC could be of paramount importance, with perhaps the manager of the SWC being the most influential in this. The staff falls under the resources category, but they can help building good relationships with customers.

Although this relationship was not covered in depth by the studies done in the Micropol project, the general trend has been that local relations help to build a customer rapport. There are many ways to achieve this, and in smaller communities this seems to be a natural fit without too much assistance and reliance on outside processes: you deliver a good service and by listening to the users of the SWC, a loyal group of customers can be created.

In bigger cities, SWC can achieve such closeness through good use of social media. The Latvian co-working space '*Birojnica*' is based in the capital city and is the largest co-working space in the country. They have created a virtual community on-line on Facebook, in which not only the aspects of running the SWC are discussed, but also enables networking activities among the users. In response to the feedback given, *Birojnica* has also started organising public lectures and tuned the other services available.

6. Channels

The channels give a description on how a SWC communicates with and reaches its customer segments. This enables the SWC to deliver its value proposition to the smart worker. It is similar to what is known as 'marketing and communication'. It is responsible for things like raising awareness, helping customer to evaluate the company's products, and to provide post-purchase customer support.

For companies delivering a physical product, a table like below may be constructed:

Channel Types		Channel Phases				
Own	Direct	1. Awareness How do we raise awareness about our company's products and services?	2. Evaluation How do we help customers evaluate our organization's Value Proposition?	3. Purchase How do we allow customers to purchase specific products and services?	4. Delivery How do we deliver a Value Proposition to customers?	5. After sales How do we provide post-purchase customer support?
	Web sales					
Own stores						
Partner	Indirect					
	Wholesaler					

Illustration 1: Channels diagram - page 27

You can see at the left hand side the type of sales outlet (from internal to external) and from left to right you can see the different channel phases.

Of course, these aspects are most applicable for a physical product. However, for a service product like a SWC there are important aspects too. For example, for raising awareness and to make it possible to evaluate the value proposition, good communication and presence in social networks seem to be a must, as is a good and up-to-date website, possibly with a blog. Such things could be enhanced by communication by means of brochures, magazines, media, etcetera.

Furthermore, good communication inside the team is necessary too. The needed level of service level, internal briefings, newsletters, a notice board, a suggestions box and a corporate wiki and possibly an internal blog could be useful in delivering up-to-date, useful and relevant information for smart workers and management

In this part of channels, it is also good to think about customer segments, who is going to use the SWC. They could be micro entrepreneurs, self-employed people, sole proprietorships (including the creative industries and those who work from home now), SMEs and companies lacking quality labour force in metropolitan areas if we think about business users. They all need different things from a SWC and therefore should be approached through different channels. In this process the archetypes of the SWCs will be useful, too.

Of course, particularly the socio-economic hub SWC may also attract a further audience, that is not so much oriented towards business. This group includes private individuals in general, particularly those who attracted by quality job possibilities in rural areas (and who are in metropolitan areas now, regardless of their origin). Stay-at-home parents and unemployed people may also be particularly interested in such opportunities.

This multi-channel approach is most often seen in those SWCs that share their site with other services. There it is relatively easy to make people from different groups aware of the possibility to the facilities of a smart SWC.

7. Customer segments

Without any customers, no company can thrive. In order to serve the customers in the best possible manner, companies may find it useful to make groups of their customers. These groups, or segments, are sets of customers with common needs and other attributes. Based on that, a decision can be made whether to serve such segments, to especially concentrate on one or rather to divert attention elsewhere. Once such groups have been defined, a business model can be designed around it.

For a SWC, such groups may be defined on the offer alone (for example distance workers for a big company versus local free-lancers), but also on different types of relationships, different willingness to pay for certain services, or any other trait that they can be distinguished by. Some practical general examples include:

- **mass-market:** one big large group of customers with broadly similar needs and problems, like that seen in fast-moving consumer goods (drinks), or in the cable TV industry. Both these examples are introducing more segmentation in order to increase profitability.
- **niche market:** very specialised market, targeting very specific needs, for example if you produce custom-made parts for restoring old cars, or prosthetics, dental crowns and other tailor-made medical products.
- **segmented:** a clear distinction between customer groups. Such a segmentation could be done by a company that produces bandages: they could have defined three segments: private consumers, companies who produce first-aid kits and the institutional buyers in the health-care market.
- **diversified:** diversified segments start to develop when a company branches out in a completely different direction in order to broaden its base. An example of this are several producers of heavy machinery that have licensed their brandname to be used on clothing, watches and even food (there has been John Deere-branded confectionary and even cereal).
- **multi-markets:** a company can be active on two markets at the same time, independently from each other. Such models are usually required when there is a chicken/egg problem, for example a newspaper needs to attract both readers and advertisers, and a producer of gaming computers needs both players and companies that produce the games.

In the SWCs that we have studied, most do not work with a clear segmentation. Of course they all offer services that are suitable for their own area, but we cannot recall having seen examples where clear segmentation and differentiation in pricing and product offers are well-established. Rather, they mostly seem most similar to a mass-market principle, where a many smaller offerings (flexible working space, catering, secretarial services, etcetera) are offered for a fixed price. For SWCs, a clear differentiation could be between the classic teleworkers working for a remote companies and the local market made up out of free-lancers, as discussed above. A logical extension could also be to have more specialised SWCs, for example to pool people from a certain industry in one SWC. This would require some strategic partners to share and the people over various SWCs.

8. Cost-structure

All aspects of the business model mean a consequence in cost. The cost structure describes all costs incurred to operate a business model, fortunately these can be found relatively easily once the key resources, key activities and the key partnerships have been defined.

Two extremes are recognised when it comes to cost structure, the cost-driven approach and the value-driven approach. The cost-driven approach focuses on minimising costs wherever possible, aiming to sell at the lowest costs. The most well-known concept of this model is a low-cost airline such as Ryanair or Wizz Air. The value-driven approach is less focussed on the cost implications of a business design, but is focussed on value creation, usually with a high level of personalised service. A good example of this is a luxury hotel.

In most SWCs, the approach will probably mostly cost-driven, with basic services offered at a very low cost, and with other services offered at a relatively high price. We have seen many examples of this in metropolitan areas, for example the Seats2Meet model in the Netherlands and the Regus chain that is operating all over the world.

In this discussion, it is important for SWCs to consider how they incur the costs that they are confronted with in their business model. Four major lines can be noted: fixed costs, variable costs, economies of scale (the average cost per unit decreases because of for example increase purchasing power) of economies of scope (shared use of refrigeration facilities at McDonald's to sell both hamburgers and chicken nuggets, or for a SWC use of high-speed internet for both teleworking and connection to a central government database for a co-located government). Most SWCs can probably be considered to have high fixed costs (building, physical facilities) rather than any of the other cost structures.

For a SWC, the costs associated with starting one are the start-up costs in facilities (offices, meetings rooms, training rooms, social spaces, parking spaces), infrastructure (electricity, heating, water supply, high broadband internet, telephone). It is sometimes also necessary to employ staff long before the SWC has started. That in turn encounters costs, as does necessary market research before setting out.

Once the centre has been established, there are regular costs that occur each month. They are things like buildings, broadband internet, staff costs, administrative costs, maintenance, marketing (see 'channels') and so on. Very important in the case for a SWC are also the external expertise if it is to hold training session, or walk-in session with external expertise (that is, if the external experts are not willing to do it for free).

9. Revenue streams

At the end of the day, the revenue streams are the oxygen that flows through a SWC to keep it alive. They generate the cash (possibly something else for some SWCs) that ensures the livelihood of a SWC.

As described in economic theory, the optimum price is that price which is customer is just willing to pay. Therefore it may be useful (if at all workable) to refer back to the segments discussed under channels. Large international companies might be willing to pay more (and expect more) than a self-employed creative person who only needs a place to work.

The two groups may also have different manner to buying things. The international companies probably prefer to rent something, possibly with a long-term commitment for a lower price, whereas the self-employed person perhaps prefers to make a one-off payment. These two differences are also the basic revenues streams, either a one-off payment or a recurring revenue basis stemming from a subscription or recurring demand.

Some basic distinctions for a SWC in the revenue streams are an asset sale (Fiat sells a car, customers are free to with it what they want after that), a usage fee (the more is used, the higher the fee, like telephone or a hotel), subscription fees (you commit for a certain time and pay something each year or month, like a gym or an online service like Netflix), or renting/lending/leasing (renting out an office in a SWC for a monthly fee). The licensing model is also seen sometimes in SWC, for example the Dutch chain of Seats2Meet is operated on a franchise model.

The revenue for a SWC is probably made up for the most part of usage fees, subscription and renting, however it does depend on the type of SWC that is active. A SWC that has been set up specifically to provide a space for distance working probably has a different set of revenue streams than an enterprise SWC.

The sources where the funding comes from for a SWC are of course many, for renting fees for SWC office (meeting room, conference room, training room, reception, social facilities, cleaning service, security service, maintenance) to 'specialities' such as business support, trainings 'walk-in-sessions' (lawyer, tax authority, chamber of commerce, accountant, etc.) as occasional income

As discussed previously, additional services may be provided for the community (holding trainings, lending rooms, using internet), this opens up not only a possibility of funding from these civic organisations that use the SWC, but are also a foothold to the local and regional governments that support these organisations.

Conclusion

In the Business Model Canvas we have found a highly adaptable business model that seems to have use in a wide variety of cases, encompassing all the different archetypes of SWC. In actually working with this model, we have uncovered possibilities and made connections that we were previously not aware of, for example the segmentation is something that could be pursued more actively by all SWC in the Micropol project. It is probably for that same reason that this model is so popular among both established and new companies.

Using nine elements, it is possible to define the operation of any business, allowing for a iterative process that can involve people from different roles in a company. The actual application of this model in the context of establishing a new SWC is beyond the scope of this document, but the referenced book makes it possible to go through this process. It is this cooperation aspect that make the Business Model Canvas an attractive and intuitive choice.

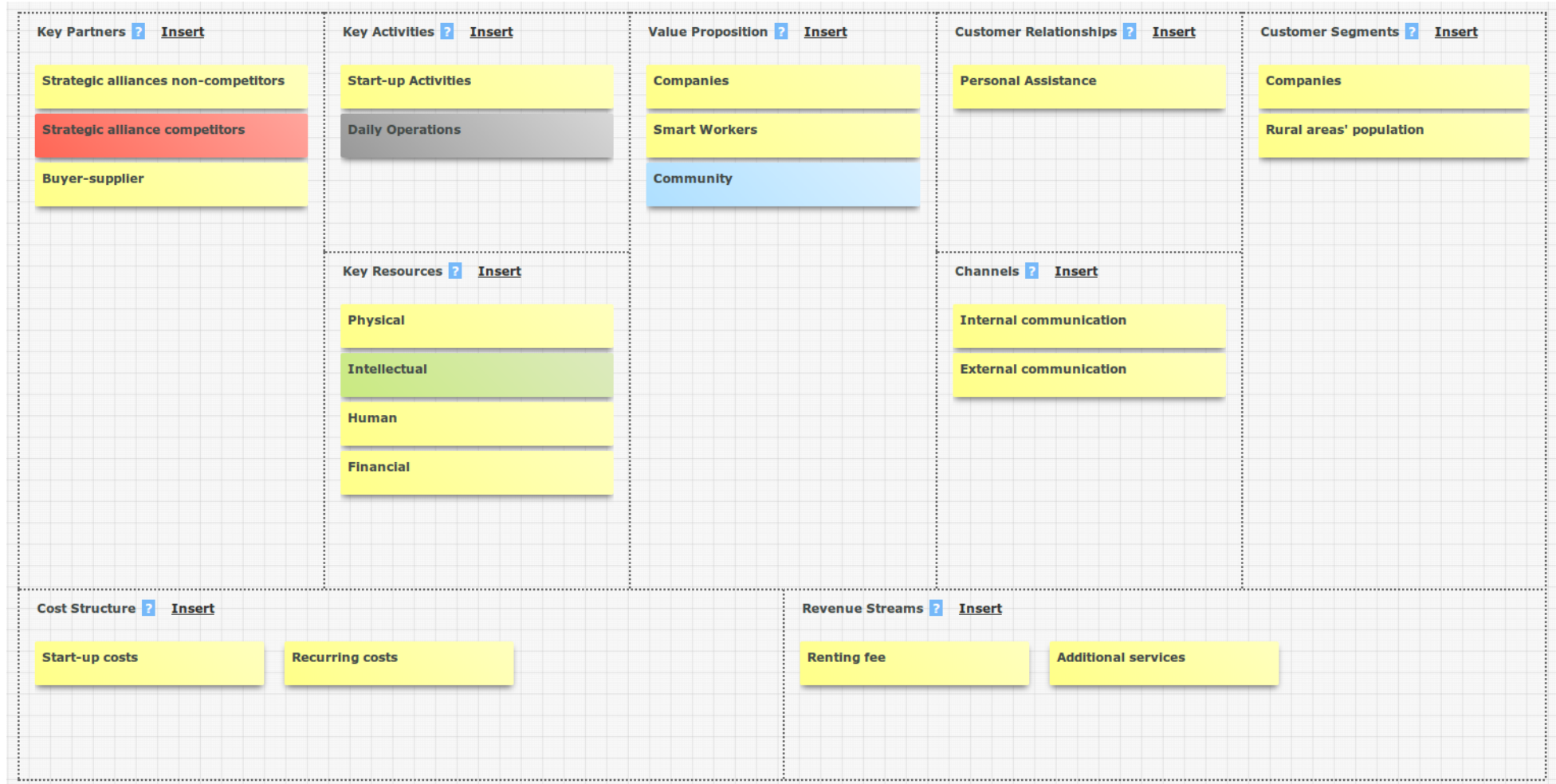
For all the four archetypes of SWC we found opportunities to use it and see how it could fit. Only after actually using the Business Model Canvas and engaging with it, you find out the possibilities. Many forms of inspiration have been given and of course (potential) operators of SWCs can extend the ideas further to suit their own situations.

Given that SWC all around Europe work in different environments, it is not possible to state a general conclusion on what this business model should look like. However the chapter on how to make the models work gives some pointers in relation to four main archetypes that have been defined previously by another Micropol workgroup.

It would also be wise for any potential SWC to be set up to study the policy environment it is being set up in. In this, recommendations for policy makers as set out by another Micropol workgroup will be quite useful.

For an overall conclusion, it must be that the Business Model Canvas must be used to understand it, and therefore we encourage everybody to start using it.

Appendix 1: Combined Business Canvas



The model was produced on-line at www.canvanizer.com

Appendix 2: Literature list

Business Model Generation, Osterwalder & Pigneur

GetAbstract, Business Model Generation

Impact of Environment on the Work Performance, Institute of National and Regional Economy,
Riga Technical University, Latvia

Micropol Good Practice Collection, Micropol Project, Aalborg, Denmark