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# Business Model Strategy

Bill Hobbs

The importance of Business Model Strategy

Business Model Sustainability

A useful Business Model Framework

Components of Business Model Strategy

Shared Services

CEO Forum initiative



## **Business Model Strategy**

How firms grow their business by responding to their customers needs and expectations

Define their intended business model

Define their strategy to realise it

Some make small changes others may make major changes

**Business Model Strategy is a journey not a destination**



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## **Business Model Sustainability**

The ability to respond to external change drivers and unforeseen risk events, while continuing to provide valued products and services to members today and into the near future.

Most credit unions are faced with three business model sustainability challenges:

1. Improving revenues by growing loans and non-interest income.
2. Addressing operational effectiveness and efficiency – Costs to Serve.
3. Enhancing capabilities to deliver on members' needs and expectations – Ease and Convenience

## Need for a shared understanding

A business model concept that

- ✓ Reflects the Credit Union member focussed mission and values
- ✓ Everybody intuitively understands
- ✓ Is strategically orientated, focused on sustainability and prosperity
- ✓ Facilitates description and discussion
- ✓ Facilitates coherent strategic thinking about business model development
- ✓ Helps define business model development strategy



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## A useful Business Model Framework

**Business Model** - *The logic of how the business works*

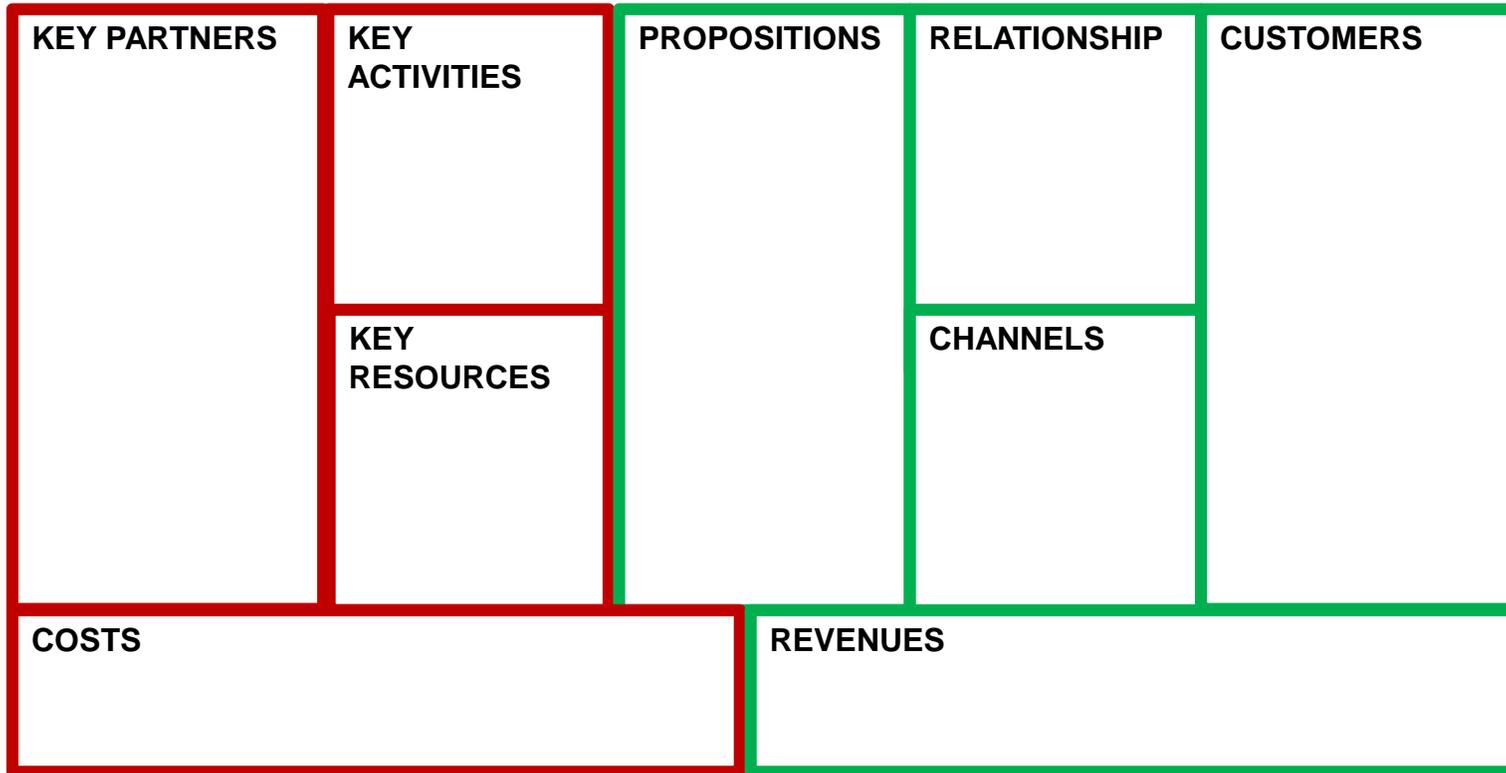
**Working definition:** *How value is created and delivered to members and captured by the credit union*



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## The Business Model Canvas

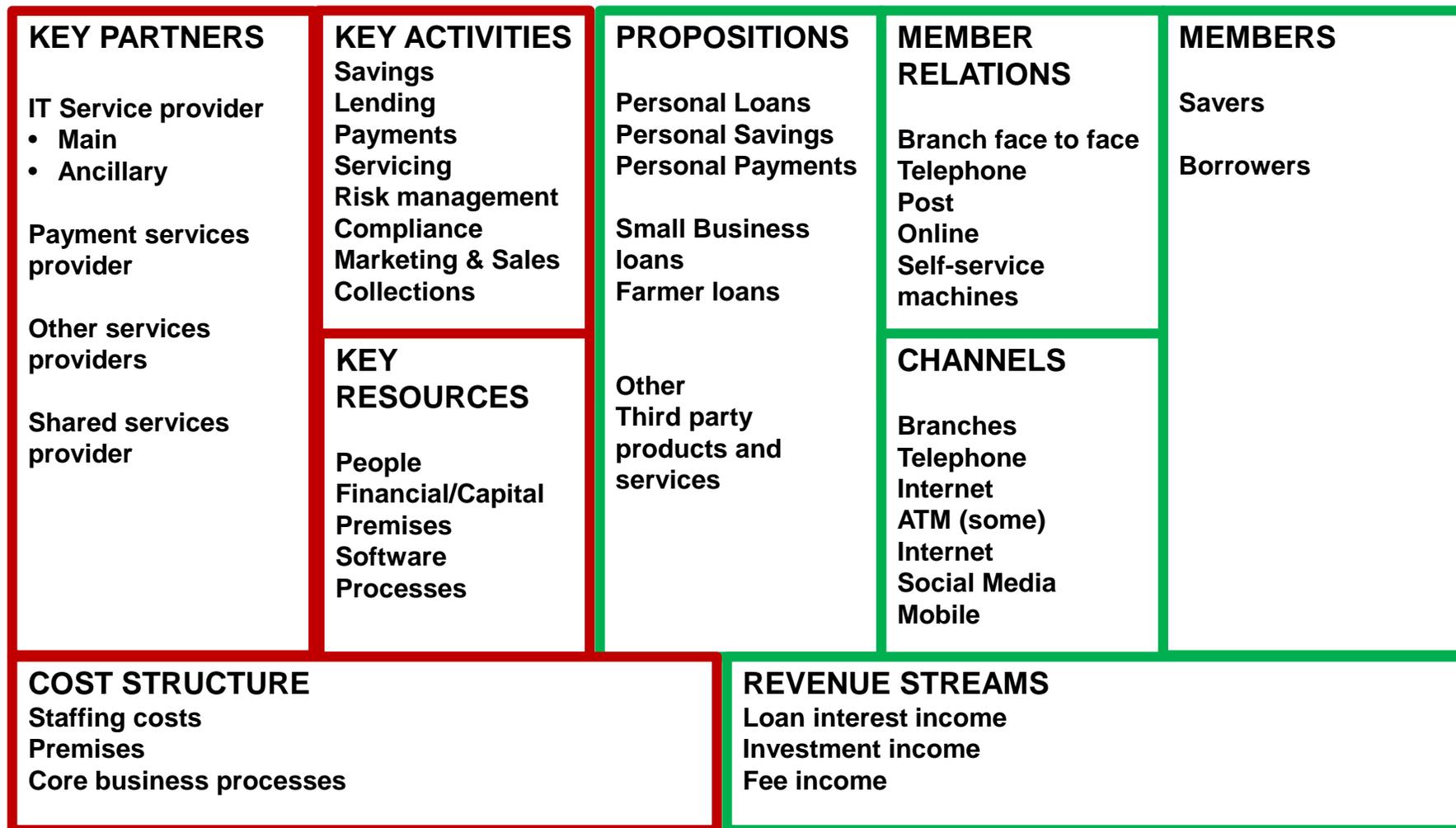


- Customers
- Propositions
- Channels
- Relationships
- Revenues generated from doing this
- Operational model
  - Activities
  - Resources
  - Partners
- Costs incurred

Source: strategyzer.com

*Reflects the inherent customer centricity of credit union culture, values and business models, which are focused on delivering valued products and services to their members who are also their owners.*

# Mapping the Credit Union Business Model



*One model with product mix and operational variations*

## ***ADAPTING THE MODEL***

to reflect EXTERNAL DRIVERS ....

### **DEMOGRAPHIC**

- Needs
- Demand
- Expectations
- Behaviours

### **COMPETITION**

- Existing
- New entrants

### **ECONOMIC CONDITIONS**

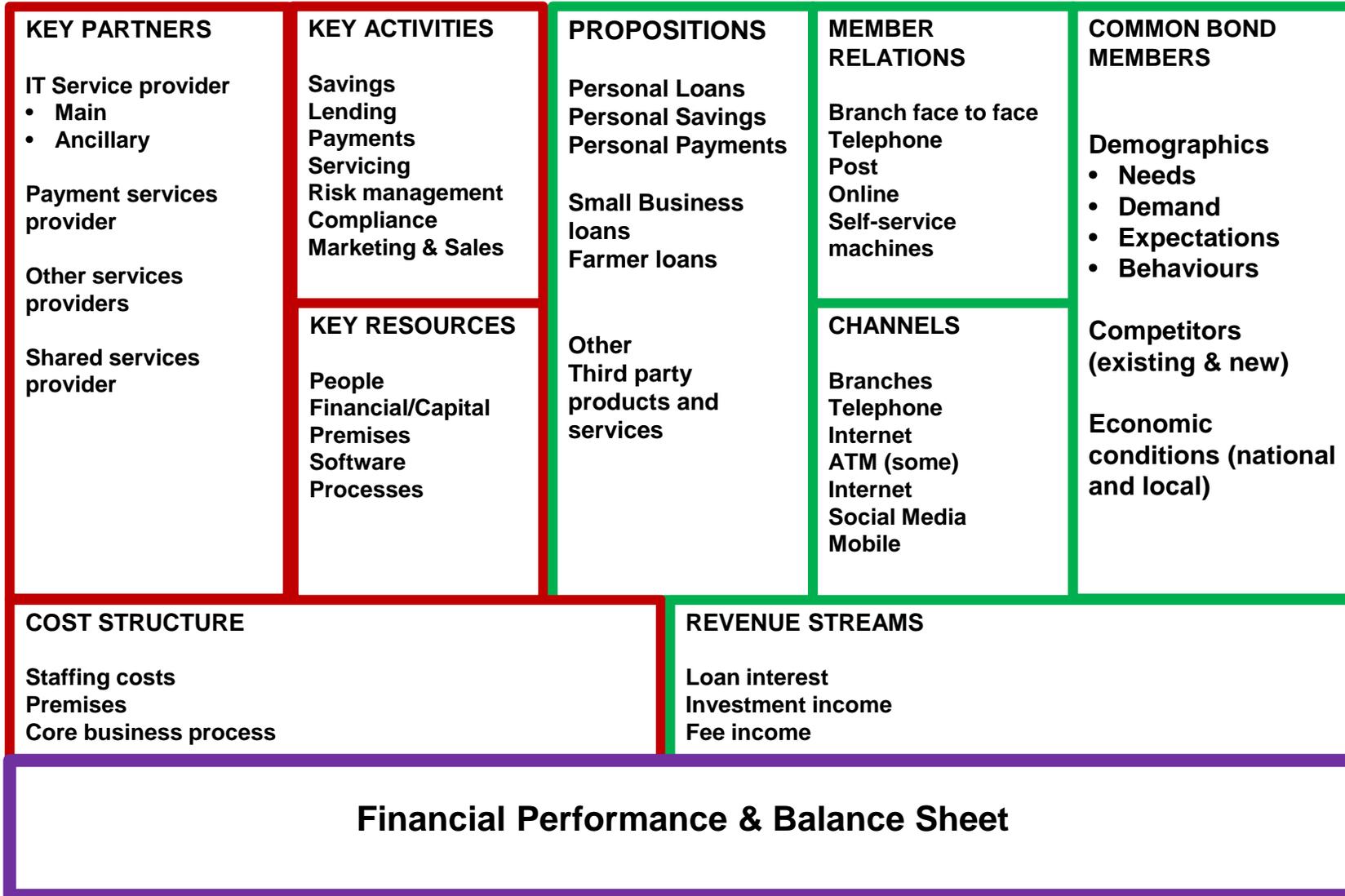
- Local
- National

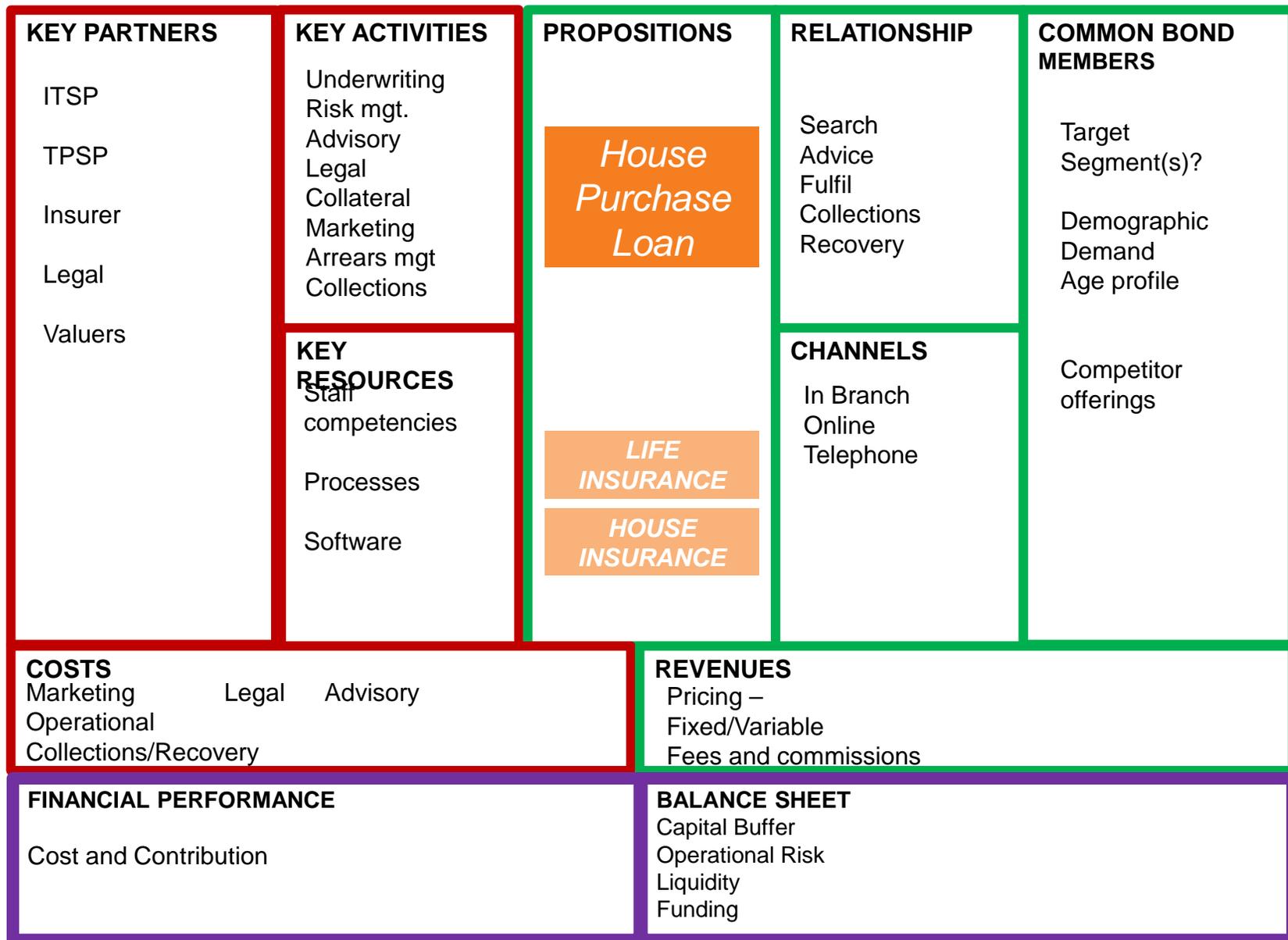
to reflect SUSTAINABILITY...

### **FINANCIAL PERFORMANCE**

### **STRATEGIC BALANCE SHEET**

# Credit Union Business Model

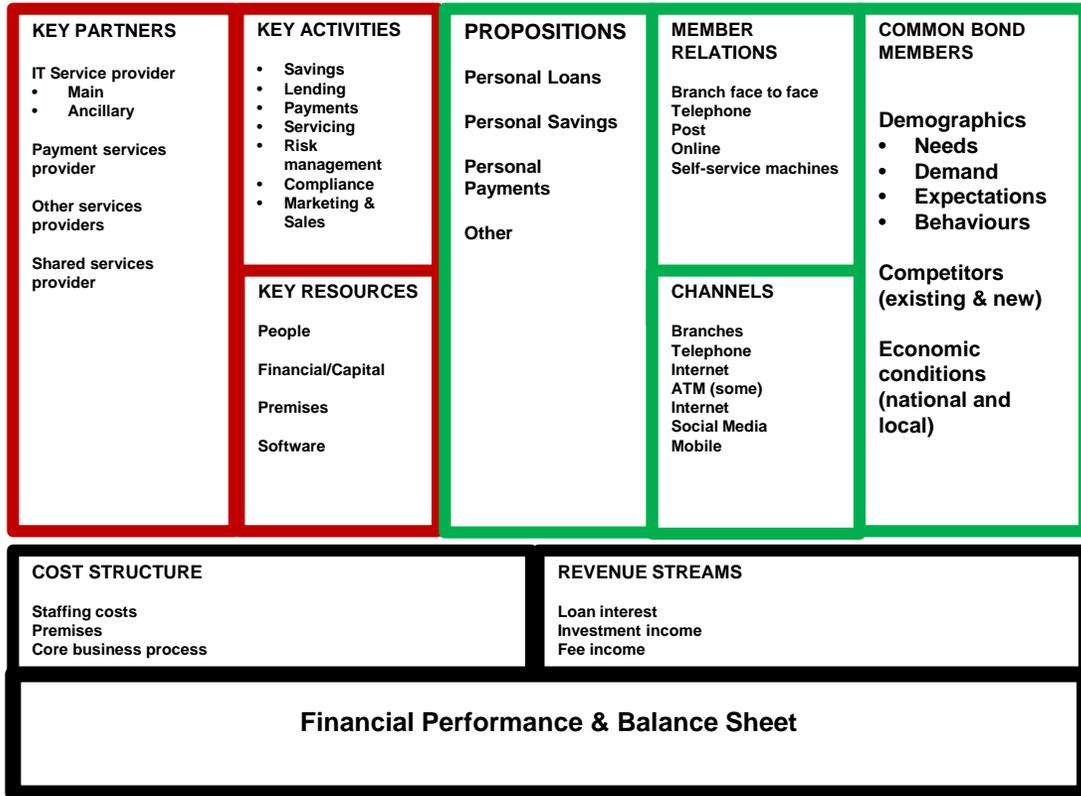




## Example

*Offering new propositions impacts almost all elements of the business model*

# Credit Union Business Model Strategy

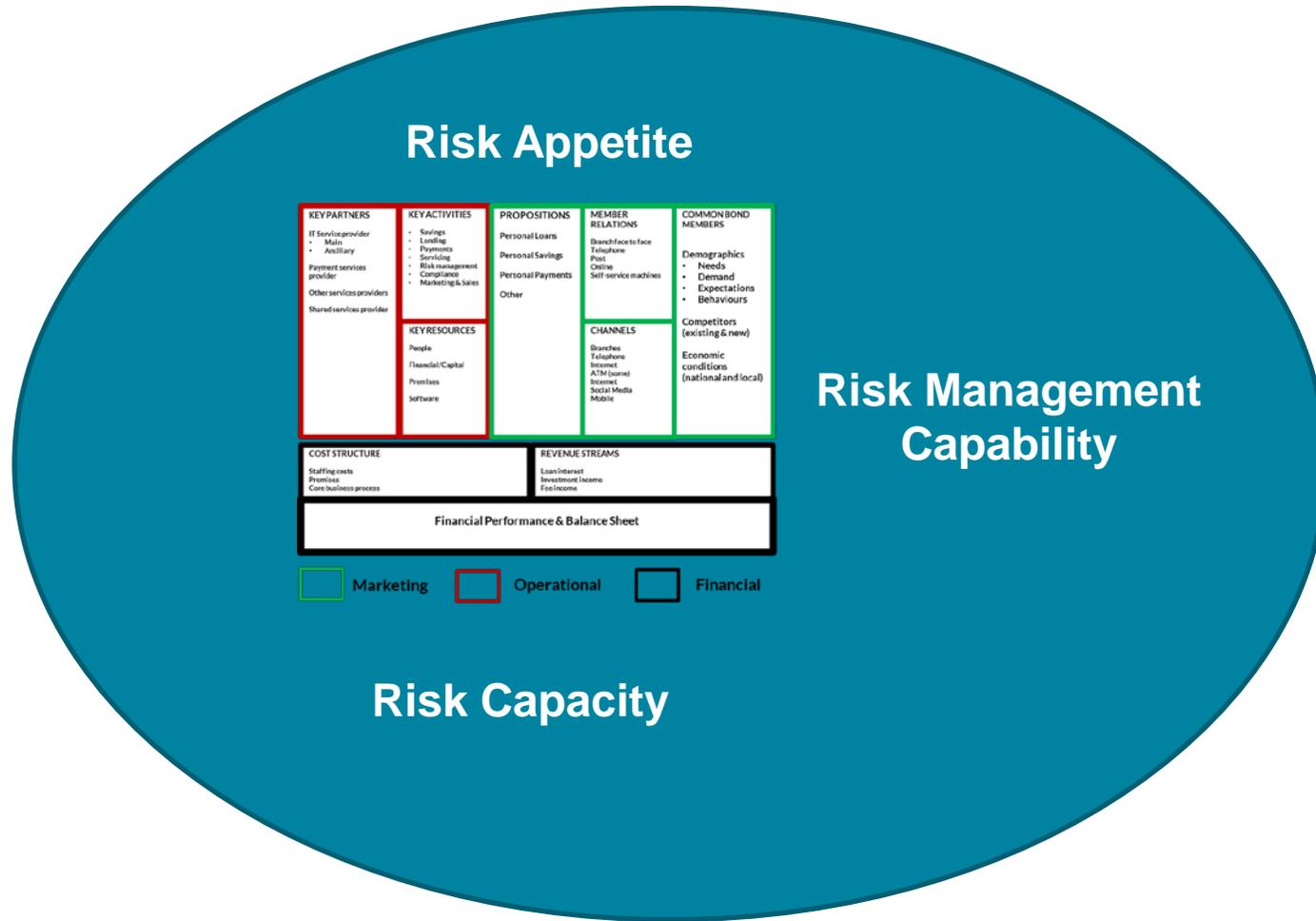


*Business Model Strategy has three value delivery elements*

- *Marketing*
- *Operational*
- *Financial*

*These must integrate and result in defined, measurable outcomes*

# Credit Union Business Model Strategy & Risk



*Business Model Strategy must align with*

- *Risk Appetite*
- *Risk Capacity*
- *Risk Management Capability*

# Emerging business model emphasis on commercial collaboration

## Benefits

- competitive operational efficiencies
- enhanced products and services
- enhanced risk management
- access to best-in-class expertise

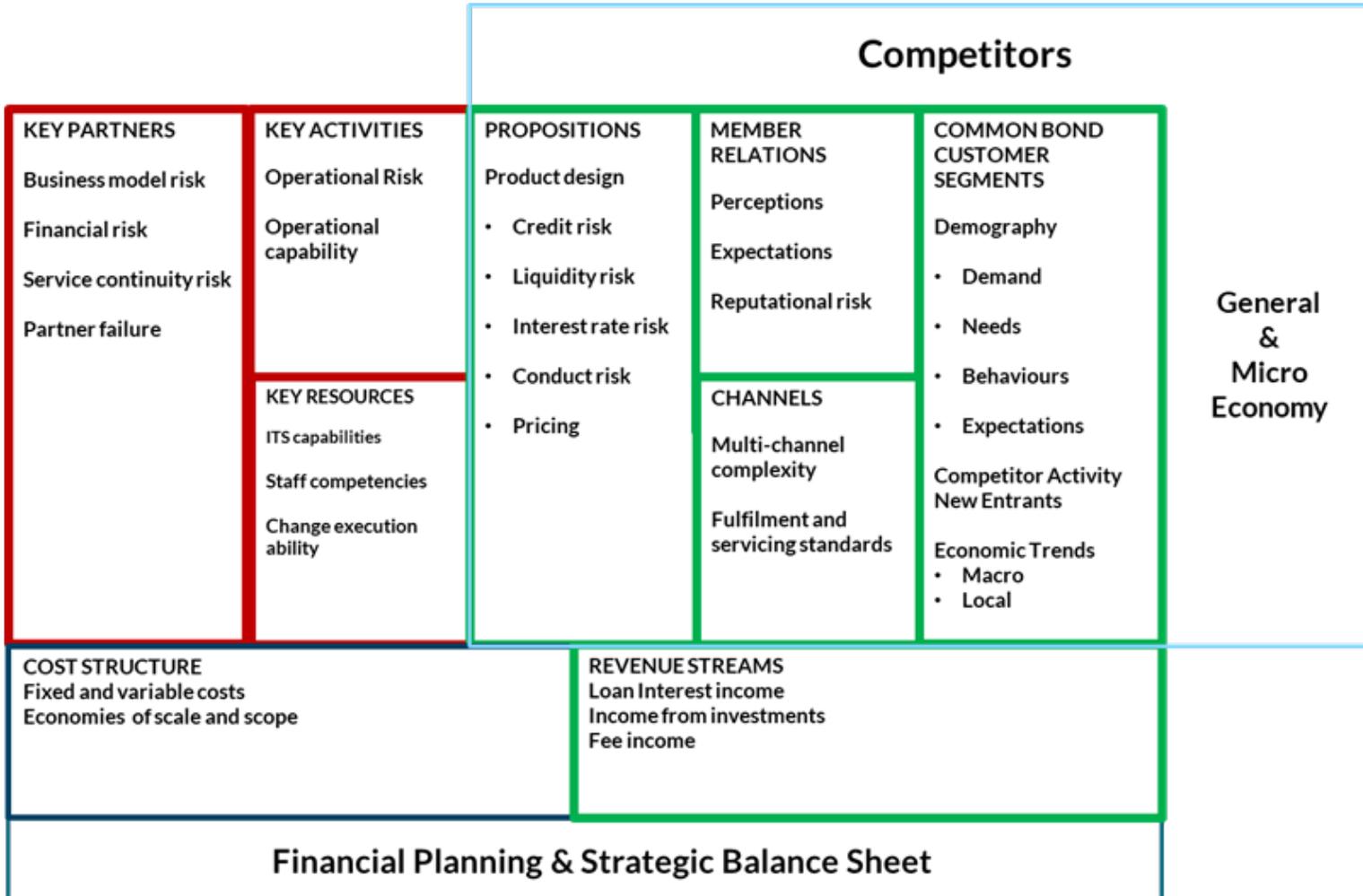
## Realising benefits requires..

- Strategy and Compelling business case
- Assessment of costs and benefits
- Articulation clear deliverables/ expected outcomes
- Long-term commitment, investment & resourcing

It is important that collaboration enables coherent business model development



# Business Model Risk Assessment Framework



*Model forms the basis for RCU supervision of credit unions*

*RCU will shortly publish guidance on Business Model Strategy*

## CEO BUSINESS MODEL DEVELOPMENT FORUM

Initiated by RCU as an independent CEO Forum

Recognition of the central role of CEOs in their credit union's business model development

Reflects international experience of CEO led business model development

Objective: *achieving a broad collaborative understanding of business model development*

Close to 70 CEOs attend inaugural plenary session in June

Steering group of 15 CEOs formed

Forum and steering group independently chaired by Professor Donal McKillop

CEO survey underway

RCU/Business Model Development unit providing regulatory input and service supports

Thank you



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