

Business models

“A business model describes the rationale of how an organization creates, delivers, and captures value.”

Business Model Generation

Types of Business Models

- Sell a product
- Sell a service
- Sell a subscription
- License a technology
- Advertising
- Hybrids

1. Selling Products

- What are the benefits?
 - Well defined
 - Easy to scope and to price
- What are the risks?
 - Easier to scale, products are standardized
 - Key to growth is sales and distribution
 - Often must produce inventory with hope of sales
 - Product liability

1. Selling Products

- Standardized vs. customized?
 - Standardized products (one-size fits all) can be mass-produced and mass-sold, but at lower prices than customized products.
 - Do you want volume or higher margins?
- Is it a one-time sale?
- What is its useful life?



HYDRO

PRODUCTS

PROMOTIONS

DESIGN YOUR SKIN



HYDRO 5
DISPOSABLE



HYDRO 5
POWER
SELECT



HYDRO 5
RAZOR



HYDRO 3
RAZOR



HYDRO
GELS



Schick Hydro 5 Blade Razor

~~\$15.99~~ **\$8.62** (\$8.62/Count) Add-on Item



See Size Options

Schick Hydro 5 Blade Refill, 4-count

~~\$18.94~~ **\$11.69** (\$2.92/Count) Prime

4 Hydro razors. 3 skin nutrient enriched shave gels. Your old way of shaving just got blasted. Ready to make irritating shaving a thing of the past? Then go forward with the Schick Hydro™ Skin Comfort System.

U.S. Packaging

2. Selling Services

- What are the benefits?
 - Low start-up costs
 - Highly flexible to customer needs
 - Recurring revenue stream

2. Selling Services

- What are the risks?
 - Can be too flexible for the customer
 - Tough to price
 - Little to no IP
 - May be easy to copy

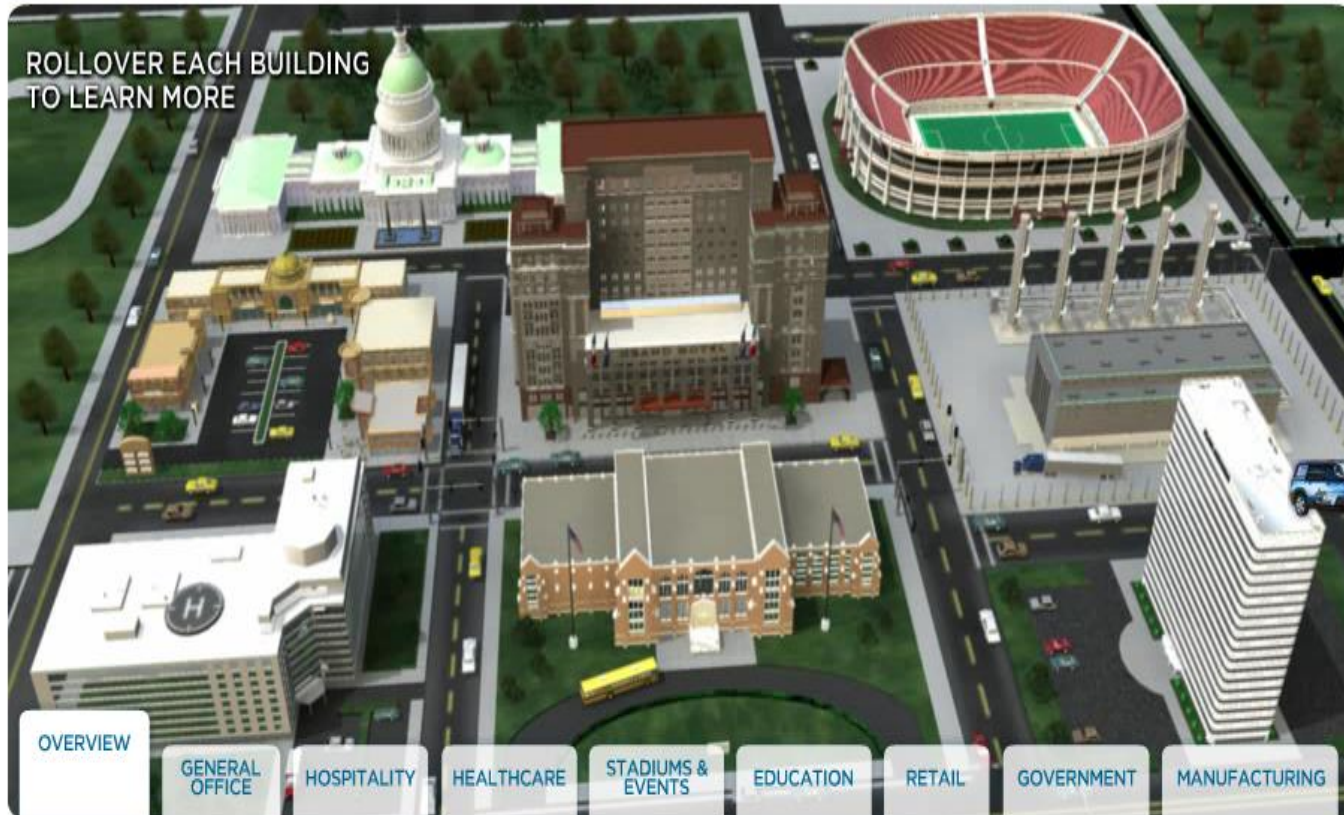


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WHY JANI-KING?

3. Subscription and Licensing

- Customers pay regular, recurring fees and may receive regular product upgrades
 - Appropriate for companies selling information, providing software, and IT Examples include ISP, cell phones, cable television, online services


3. Subscription and Licensing

- Licensing involves lower risk and lower reward
 - Though many companies focus entirely on developing IP to license
 - Many large corporations risk-adverse with R&D investments.
 - Numerous smaller firms create IP, but don't pursue products, manufacturing, sales, etc.

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Unlimited

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No ads & no commitment

Try Premium



🎁 Give the gift of music! Spotify e-cards are available [here](#).

3. Subscription and Licensing

Licensing versus Going All the Way

	Licensing	Ventures
Tech. development	Working prototype	Operating product
Sales and marketing	None, licensee handles	You're responsible for everything
Money	Only needed for research, prototype development, and legal (incorporation, patents, contracts)	More money to bring products to market
Reward	Royalties make you a "Hundred-thousandaire"	You may become a millionaire or you may go broke

4. Advertising

- Web advertising model is an extension of the traditional media broadcast model.
- Broadcaster, in this case, a website, provides content (usually, but not necessarily, for free) and services (like videos, product reviews, blogs) mixed with advertising messages in the form of ads.
- Ads are the major (or only) source of revenue for the broadcaster.
- Works best when the volume of viewer traffic is large or highly specialized (often millions of users).



Web

Images

Maps

Shopping

Blogs

More ▾

Search tools



About 164,000,000 results (0.37 seconds)

Ads related to **golf clubs** ⓘ**24-Hour Golf Club Sale - Guaranteed Lowest Prices on Web**www.golfclubs.com/

★★★★★ 898 reviews for golfclubs.com

No Sales Tax, All Clubs Ship Free

GPS Watch Sale

No Sales Tax

All Clubs Ship Free

Rangefinder Sale

Golfsmith 4th July Sale - Golfsmith.comwww.golfsmith.com/ - ★★★★★ 70 seller reviews

Get \$20 Off All Purchases Over \$125 Online & In Store — Don't Miss Out!

New 2013 Golf Clubs - Shop By Brand - Top Rated Drivers - Fairway Woods

Discount Golf Clubs - Brand Name Closeout Golf Clubswww.hurricanegolf.com/GolfClubs - ★★★★★ 1,010 seller reviews

Callaway, TaylorMade, Ping & More.

Amazon.com: Golf Clubs: Sports & Outdoorswww.amazon.com/Golf-Clubs-Sports-Outdoors/b?ie=UTF8&node... ▾Results 1 - 24 of 11066 – Online shopping for **Golf Clubs: Sports & Outdoors** at Amazon.com.**Golf Clubs & Golf Equipment | Dick's Sporting Goods**www.dickssportinggoods.com/category/index.jsp?categoryId=4414118 ▾Find **golf clubs** from Dick's Sporting Goods to improve your long or short game. Shop **golf clubs** from top brands like Titleist, Callaway, Ping & TaylorMade.

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[TaylorMade Men's Burner...](#)**\$149.99**

Golf Galaxy

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dickssporting...

[Taylor Made R11-S Driver...](#)**\$159.99**

Global Golf

[Callaway RAZR HL Hy...](#)**\$549.99**

Callaway Golf

[Wilson Ultra Complete Set...](#)**\$199.99**

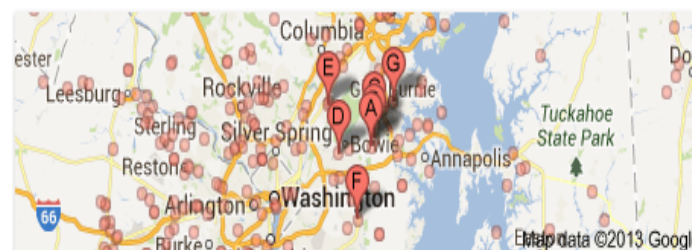
GolfClubs.com

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Overstock.com

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5. Hybrids

- Many companies sell products and offer services together
 - Retailers sell products (TV/cell phone) and services (warranty/mobile service)
 - Movie theaters sell tickets and food/beverage

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Choosing a Business Model

	Product	Service	Subscription	License	Advertising	Hybrid
Scalability	Medium	Low	High	High	High	Depends
Profitability	Declines over time	Medium	High	High	High (if the audience is large)	Superior to product
Risks	Inventory & price comptn.	Customer develops in-house	High fixed cost	Licensee does not pursue	Often low	Hedged
Costs and funding	Need money to develop & test product	Generate revenues sooner	Expensive to build volume to cover costs	Often lowest cost	Cheap to start, Expensive to market in volume	Same as product and service
Reward	Can be huge company	Very profitable company	Similar payoff to products	May be small	Depends on marketing success	Best of both worlds

Summary

- Selection of a business model shapes the entire plan
 - If you sell a product, will customers keep buying?
 - What option is most profitable?
 - Highest ROI and payback?
 - If you pursue a service model, will customers ultimately seek the equivalent product elsewhere (or develop internally)?
- Recurring revenues are the key to growth
 - Product upgrades, service contracts, subscriptions etc.
 - Sustaining a business with a “one hit wonder” is tough