



TECHNISCHE HOCHSCHULE
OSTWESTFALEN-LIPPE
UNIVERSITY OF
APPLIED SCIENCES
AND ARTS

Management Skills and Business Administration

Business Model and Competition

Prof. Dr. habil. Andreas Welling

Agenda

- **Business Model**
- **Business Model Canvas**
- **Competition**

Business Model



Customer Value = Product + Business Model

Product

Business Model

Typical digital business models:



E-Commerce



Marketplace



Individualizable Products/Services



Internet of Things



As a service



Solution Provider

Revenue Streams in digital business models



Subscription (Abo)



Pay-per-Use



Add-on



Freemium



Werbung



Daten sammeln

Business Model Canvas

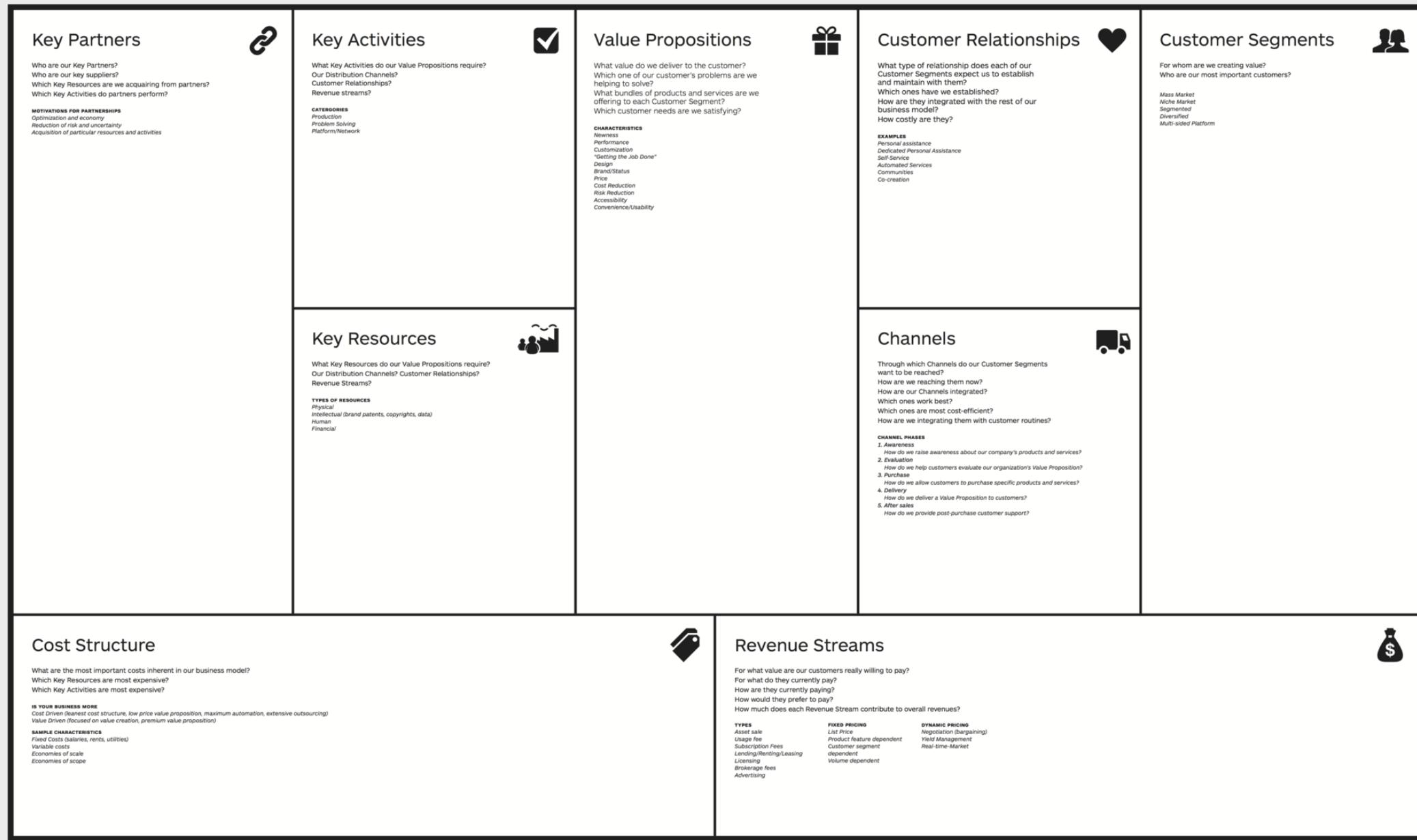
The Business Model Canvas

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Key Partners

8



Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

ATTRIBUTES FOR PARTNERS
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Key Activities

7



What Key Activities do our Value Propositions require?
Our Distribution Channel?
Customer Relationships?
Revenue streams?

ATTRIBUTES
Product
Process
Problem Solving
Partners/Network

Value Propositions

2



What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

CHARACTERISTICS
Answers
Assurance
Customization
"Getting the Job Done"
Design
Efficiency
Price
Cost Protection
Risk Reduction
Accessibility
Convenience/Usability

Key Resources

6



What Key Resources do our Value Propositions require?
Our Distribution Channel? Customer Relationships?
Revenue streams?

TYPES OF RESOURCES
Physical
Intellectual (brand patents, copyrights, ideas)
Human
Financial

Cost Structure

9



What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

IS YOUR BUSINESS MODEL
Cost Driver (asset tied structure, low value proposition, maximum automation, extensive outsourcing)
Value Driver (focused on value creation, premium value proposition)

ATTRIBUTES
Fixed Costs (salaries, rents, utilities)
Variable costs
Economies of scale
Economies of scope

Revenue Streams

5



For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

TYPE	PRIOR PRIORITY	DYNAMIC PRICE
Asset-based	Product feature dependent	Product (single)
Usage fees	Customer segment dependent	Market Management
Subscription Fees	Location dependent	Real-time Market
Licensing/Renting/Leasing	Source dependent	
Licensing	Advertising	

Customer Relationships

4



What type of relationship does each of our Customer Segments expect us to establish and maintain with them?

Which ones have we established?

How are they integrated with the rest of our business model?

How costly are they?

EXAMPLES
Personal
Adherence
Customer
"Getting the Job Done"
Design
Efficiency
Price
Cost Protection
Risk Reduction
Accessibility
Convenience/Usability

Channels

3



Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

BUSINESS MODELS
1. Awareness
How do we raise awareness about our company's products and services?
2. Definition
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?

Customer Segments

1



For whom are we creating value?
Who are our most important customers?

MARKET
Mass Market
niche Market
Segmented
Universal
Multi-sided Platform

Business Model Canvas



airbnb

Key partners

- Hosts
- Business travel partners
- Travel managers
- Investors / venture capitalists
- Lobbyists

Other partners:

- Photographers (street, event, property)
- Maps, payment, cloud storage, identification
- Insurance

Key activities

- Remove friction from transactions
- Scale beyond critical mass
- Engage the participants
- Refine value proposal
- Analyse data & improve

Key resources

- The network effects
- Listings
- User generated content
- Platform architecture
- Algorithms, data, analytics capabilities/people
- Brand, App

Value proposition

For the hosts:

- Income generation
- Ease of transactions
- Meeting new people
- Ease of getting verified guests
- Calendar, booking management

For the guests:

- Lower cost
- Easy transactions
- Authentic local experience
- More variety
- Transparent ratings

Customer relationships

- Own the relationships
- Manage interactions

Esp for hosts:

- Issue resolution
- Guide joining steps

Public: company image

Channels

- Digital ads
- Content marketing
- Word of mouth
- Social, messaging
- Referral program
- Transaction: App, pages

Engage, mails, offers

Customer segments

Macro segmentation

Guests

- Travel type (business, leisure)
- Demographic
- Geographic
- Behavioural

Hosts

- Accommodation type
- Demographic
- Geographic
- Rental preferences

And microsegmentation

Cost structure

- Customer acquisition cost, CAC
- Weighted average cost of capital, WACC

Development & expansion

- Payroll, contractors
- Infrastructure, transaction costs
- Legal, insurance
- Lobbying, legal, settlement
- Customer support

Revenues

- Charging a transaction fee based on savings on:
 - Lower cost for guests
 - Higher net income of hosts

- Rental guests: 5-15%

- Rental hosts: 3-5%

- Event hosts: 20%

= Event guests: 0%

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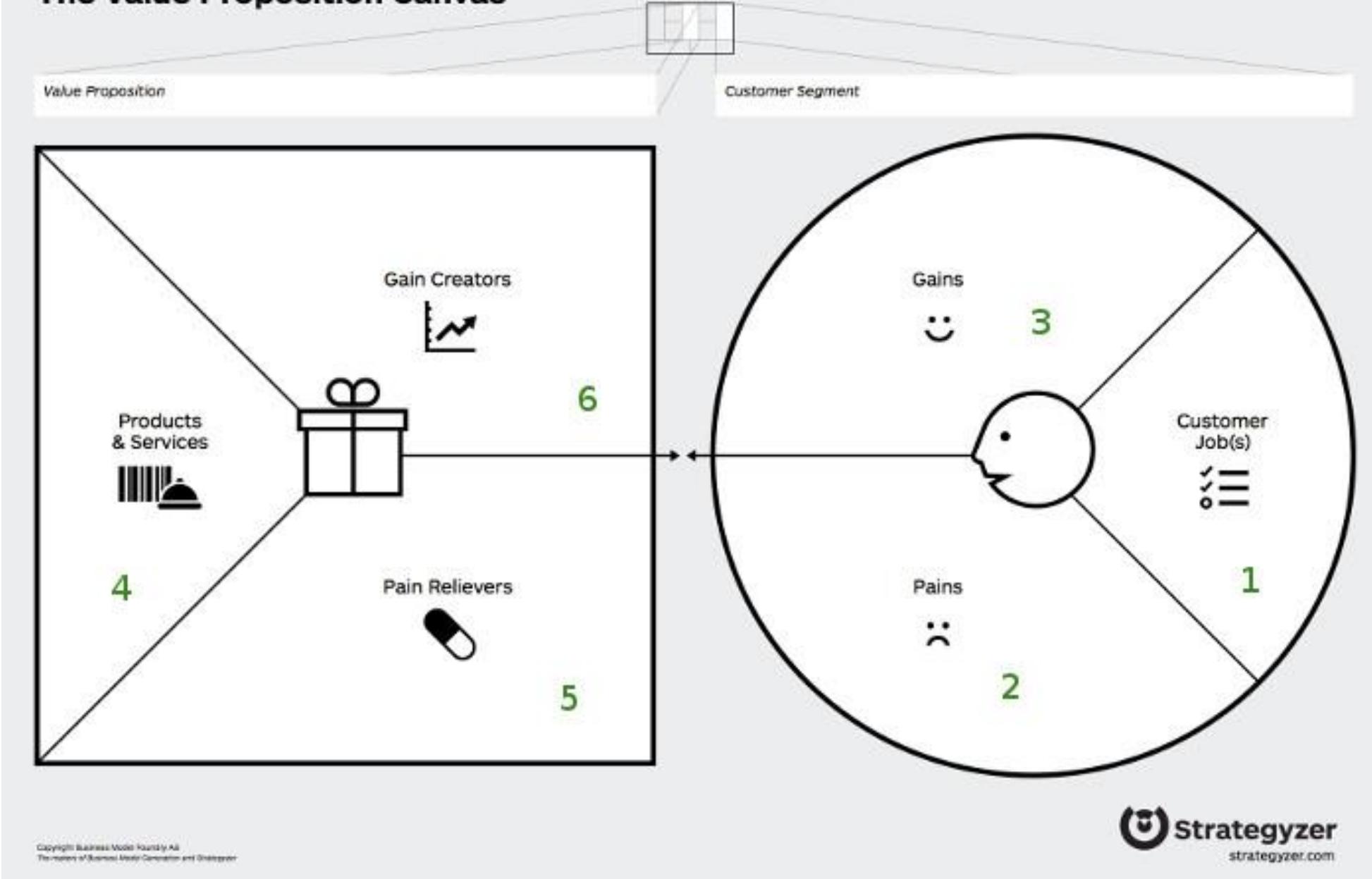
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The Value Proposition Canvas



Customer Persona B2C



Customer Persona: Johannes

My Problem To Solve:

Budget Travelling, needs cheap accomodation
Wants to meet real persons when travelling

My Biography:

24 years

Student of
Economics
Hamburg
Barkeeper
700/months

How I can be reached:

Social Media (Instagram, Facebook)

E-Mail

Word-of-Mouth

My Strengths:

Very good English
Basic Spanish
Good Organized
Independent decision-making

My Fears:

Fear of Height
Be bound to a woman
Not to live enough

What helps me:

Easy way to find local people offering space

Get rid of hotel scenario

My Weaknesses:

Cannot say no to challenging ideas
Cannot stay at one place for longer

My network:

Friends from overseas

Website Ratings

My Personality
Open minded
Communicative
Spontaneity
Self-Assured

My Private Life:

single
Likes travelling
Treking trips far-away
football

Influenced by travel bloggers
Family and friend and home

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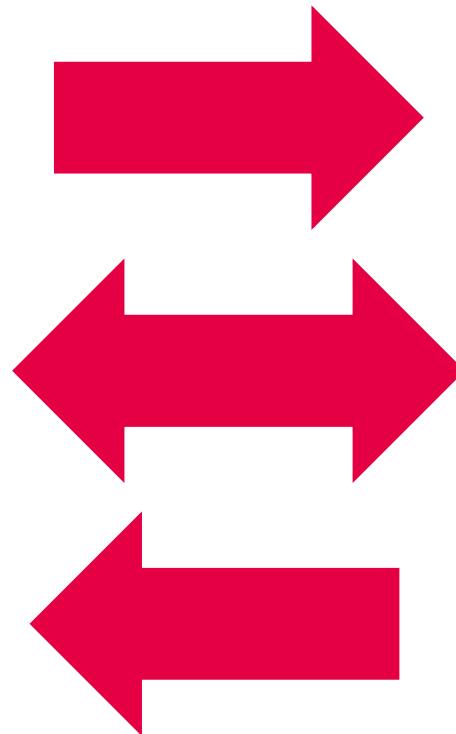
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Channels

Start-Up



Customer

Channels?

Marketing Channels

- Social Media
- Website (+ Google Ads, etc.)
- „Old“ Media (TV, Newspaper, etc.)
- Trade journals
- Trade Shows
- Specialists (craftsmen / doctors / ...)
- Mouth to mouth
- Promotion events
- Viral marketing campaigns
- Travelers / Representatives
- Stationary (specialist) trade
- Online marketplaces
- Influencer
- ...

Sales Channels

- Stationary own shop
- Own webshop
- Stationary trade (discounter, specialist trade, ...)
- Online trade
- Online marketplaces
- Sales events (markets, ...)
- Travelers / Representatives
- Call Center
- Commission agents
- Customer service
- Vending machines
- App Marketplace
- Wholesale
- ...

Distribution Channels

- Stationary own shop
- Stationary trade (discounter, specialist trade, ...)
- Online marketplace (Amazon, ...)
- Parcel service provider
- Shipping companies
- Own deliverer
- Travelers / Representatives
- Internet (download, email, streaming)
- Specialists (craftsmen / doctors / ...)
- Customer service
- Vending machines
- App Marketplace
- Wholesale
- ...

Information Channels

- Stationary own shop
- Stationary trade (discounter, specialist trade, ...)
- Online reviews
- Travelers / Representatives
- Customer service
- Internet forum
- Social media account
- Description
- Call center
- Email & contact form
- website
- FAQ
- Market research
- ...

Service Channels

- Stationary own shop
- Stationary trade (discounter, specialist trade, ...)
- Customer service
- Internet forum
- website
- Email & contact form
- Call center
- Travelers / Representatives
- Specialists (craftsmen / doctors / ...)
- Service partner
- ...

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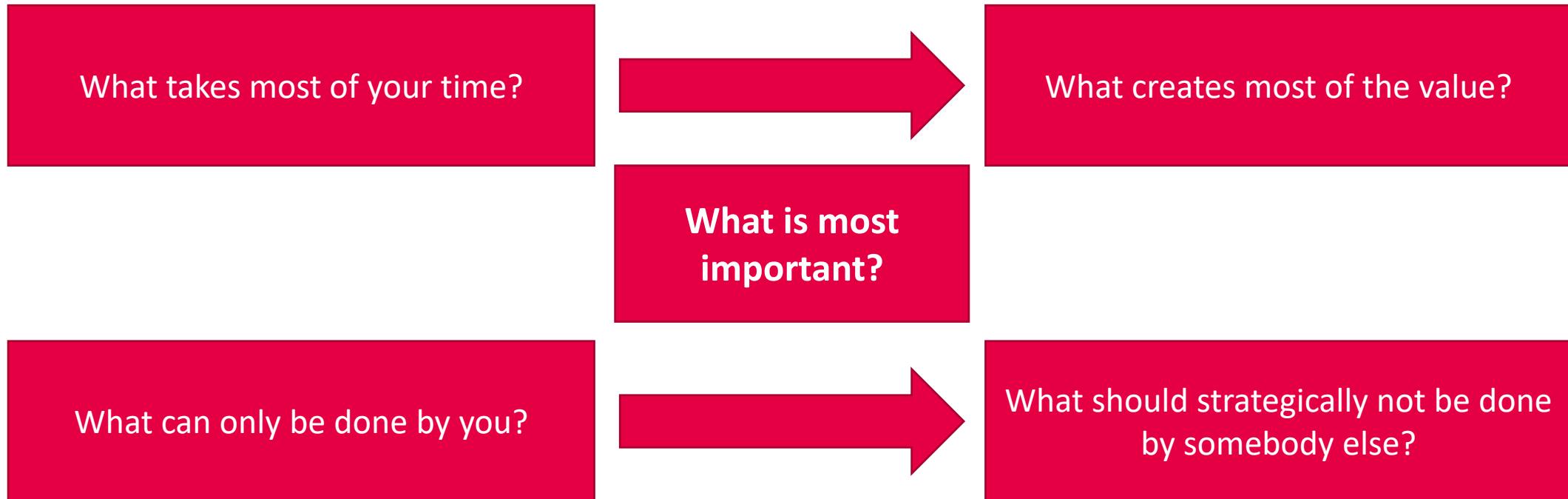
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Key Activities



What creates most of the value?

What should strategically not be done by somebody else?

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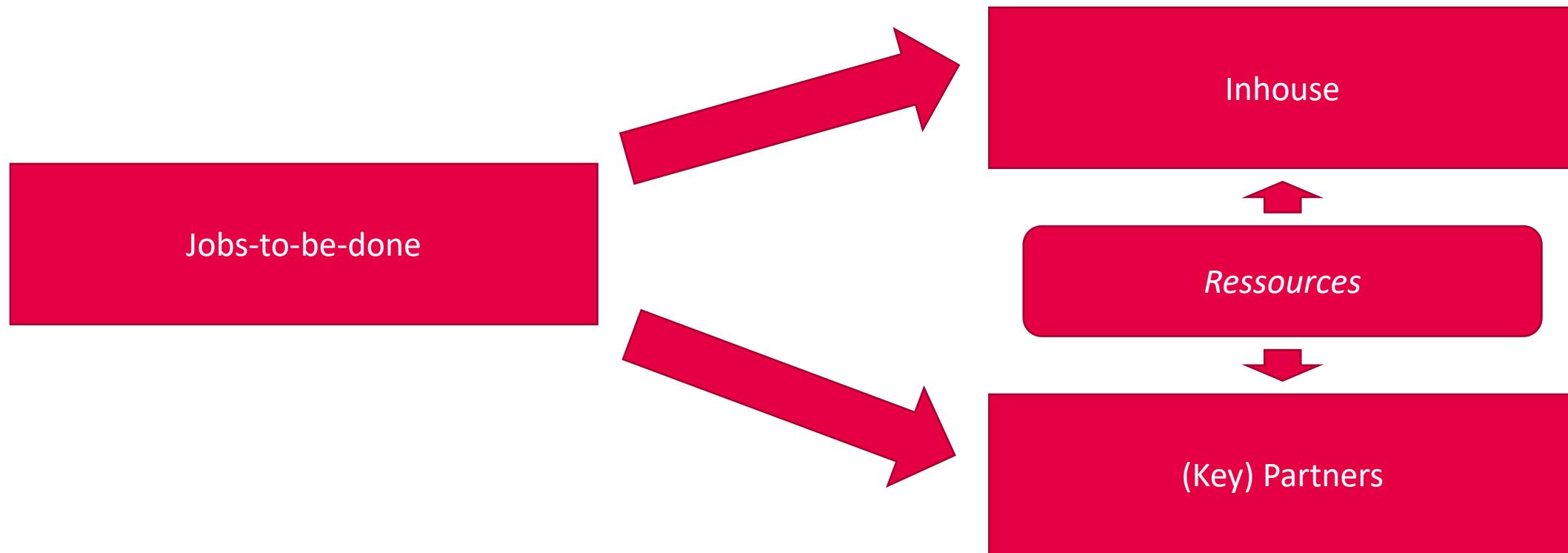
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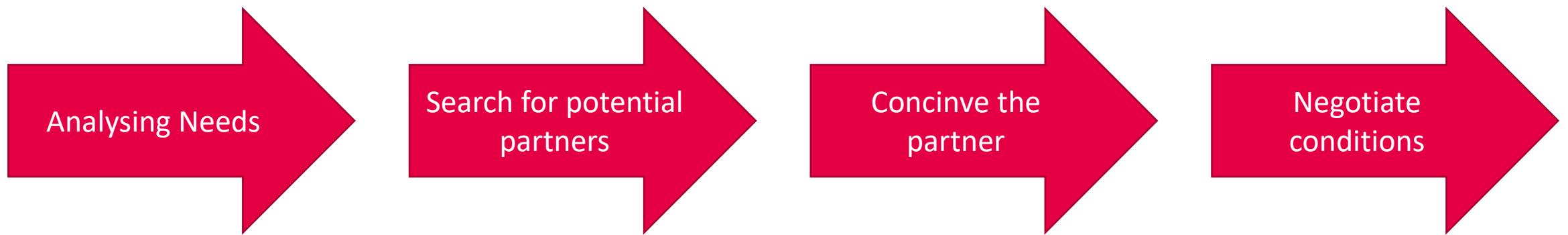


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Key Activities und Key Partner



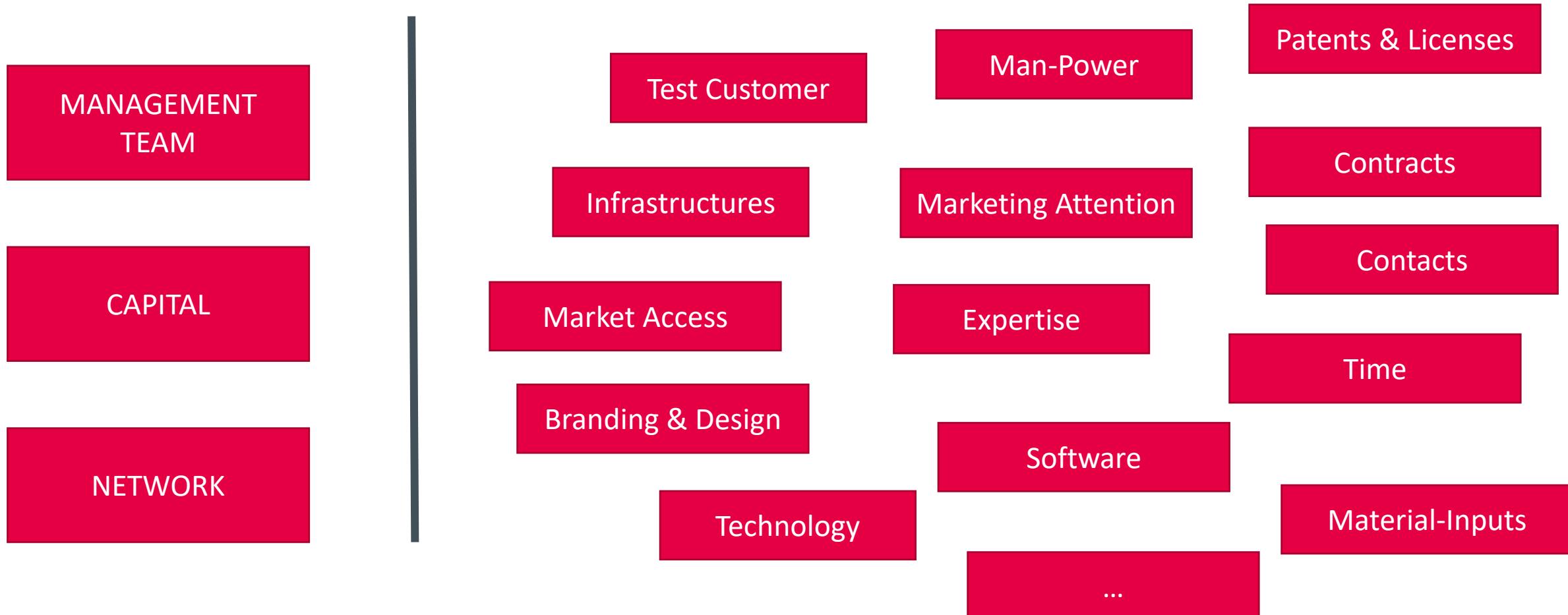
Steps of Partner Acquisition



Convincing Key Partners

- Create Win-Win-Situations
- Gaining partners is like gaining customers
- Some customers are important partners
- You always have to convince people!!

Key Ressources



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Cost

- **Costs: Evaluated consumption of production factors that is caused by the operational provision of services**
- **Example: A shoemaker uses leather to the value of 200 euros (part of the costs) in production and produces shoes to the value of 1000 euros (performance).**
- **Costs are to be distinguished from expenses**
→ **Only expenses lead to a need for liquidity**

Practical example costs

Ms. Maas previously worked as a consultation assistant in her husband's doctor's practice. Now, however, she has started her own business as a dog psychologist in office space that her mother owns, which became vacant at short notice. The founding of her company cost 1,000 euros in the first financial year, and 5,000 euros were needed for her office equipment, further equipment and conversions. 20,000 euros were spent on advertising. The cost of travel was 2,000 euros. In contrast, there were sales of 40,000 euros (the sales tax has already been deducted). Very satisfied with these proceeds, Ms. Maas now considers herself a successful business woman.

How would you rate Ms. Maas' success?

Opportunity costs

- **Eugen Schmalenbach (1919): A scarce good can only be used for one purpose. By using it for this, you withdraw it at the same time from all alternative uses**
- **Wöhe (2013, p. 893): "Opportunity costs are the loss of benefit (= lost revenue) from the unrealized [best] alternative use of scarce goods."**

Typical Costs

- 1. Material costs**
- 2. Personnel costs**
- 3. Cost of operating resources**
- 4. Marketing and distribution costs**
- 5. Other costs**

What customers can pay with



Money



Participation/Content



Ratings / preferences



Downloads (e.g. for Freemium)



Attention (e.g. for advertising)



Data

Innovative Revenue Models



Rent instead of buying



Razor and Blade



Add-Ons



Freemium



Lock-in



Leverage Customer Data

Competition



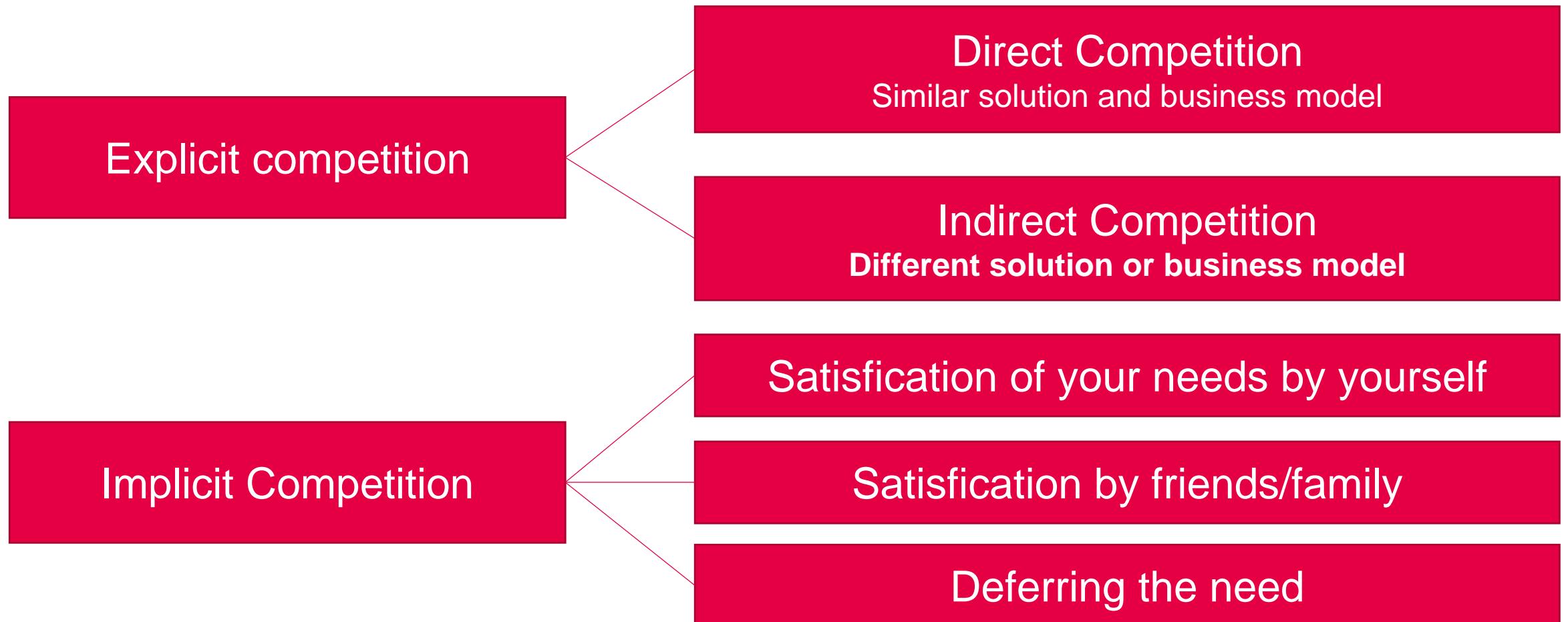
Competitor

**„Anyone who can receive money (or other consideration)
from the target group for the satisfaction of their needs“**

Major rule

**„There is always competition,
either implicitly or explicitly“**

Types of competition



Example „Competition of a Cinema“

Direct competition



Indirect competition



ProSieben



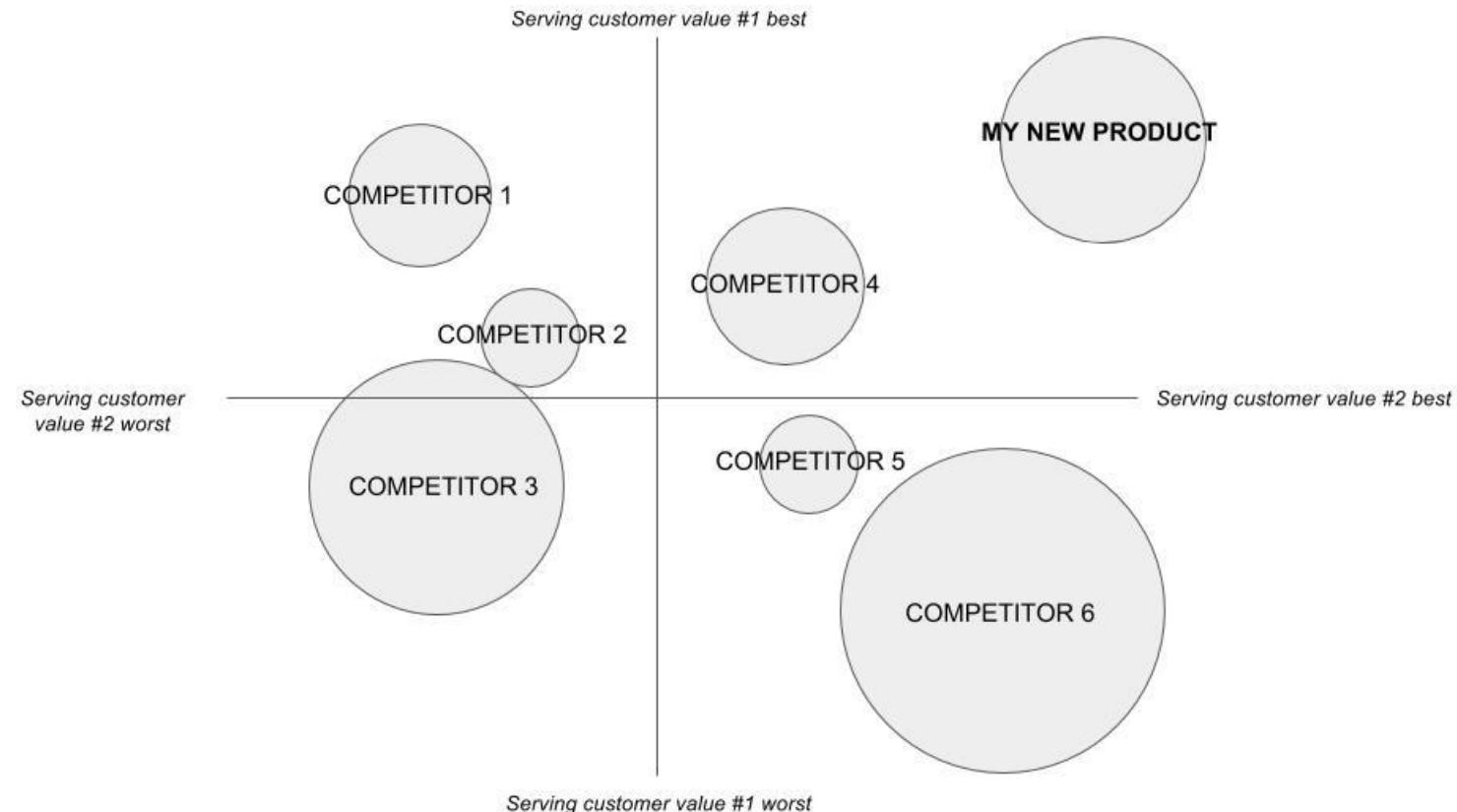
Implicit competition



Competitive Analysis Matrix

	Trait 1	Trait 2	Trait 3	Trait 4	Trait 5	Trait 6
Competitor 1	✓		✓		✓	✓
Competitor 2	✓	✓	✓			✓
Competitor 3	✓			✓		
New Organization	✓	✓	✓	✓	✓	✓

Two-dimensional comparison



PESTLE Analysis

- **Political Factors**
- **Economic Factors**
- **Social Factors**
- **Technological Factors**
- **Legal Factors**
- **Environmental Factors**

PESTLE Analysis of Uber	
Political Factor	<ul style="list-style-type: none">• The company check the labor rules followed by the local government.• The company has to deal with the sanctions imposed in many countries
Economic Factor	<ul style="list-style-type: none">• The app used by the Uber makes it very accessible and easy to use.• The company has generated many job opportunities in many countries.
Social Factor	<ul style="list-style-type: none">• The company is utilizing modern technologies which makes the pick up of customers quick.• Uber provides a better ride experience to the users.
Technological Factor	<ul style="list-style-type: none">• The company is using a very user friendly and modern app which is making it popular.• Social media is well utilized by the company for promotion.
Legal Factor	<ul style="list-style-type: none">• The company need to take action on the ban imposed on it.• The company need to follow the labor rules strictly.
Environmental Factor	<ul style="list-style-type: none">• The prevalence of Uber has increased the fuel consumption.

Unfair advantage

- Core competency of a competitor that cannot be copied or bought
 - One amazing hard thing (algorithms, special patent)
 - Deep domain expertise (implicit and explicit knowledge)
 - Authority (existing reputation in the market)
 - Political connections (lobbyism, regulations, contracts)
 - Dream team (previous success, rock star)
- ...