

Business Models in IT

Understanding How Technology Creates Value

Introduction to Business Models

- A business model defines how an organization creates, delivers, and captures value.
- In IT, it explains how technology-based products or services generate revenue and sustain growth.
- Understanding business models helps IT professionals align technical innovation with market needs.



Freemium → Enterprise SaaS

Slack offers a freemium plan where teams can use basic features (limited searchable messages and integrations) for free. It converts users to Enterprise SaaS customers by offering advanced admin controls, security, compliance, and unlimited history for large organizations.

Commission + Ads + Sponsored Rankings

Daraz operates as a marketplace platform, earning a commission on each sale made by vendors. It also monetizes through ads and sponsored listings, where sellers pay to boost visibility of their products.



AI-as-a-Service (AlaaS) + Usage-Based SaaS + API Economy

OpenAI provides AI-as-a-Service through its paid APIs (like GPT models) and a freemium ChatGPT model where basic access is free but advanced features (ChatGPT Plus, GPT-4, higher limits) require a subscription.



Advertising + Data Monetization

Provides free access to social platforms like Facebook, Instagram, and WhatsApp. Revenue comes from advertising, powered by personalized targeting based on user behavior, demographics, and interaction data.



CURSOR

Advertising + Data Monetization

Provides free access to social platforms like Facebook, Instagram, and WhatsApp. Revenue comes from advertising, powered by personalized targeting based on user behavior, demographics, and interaction data.

Business Models Canvas



Business Models Canvas - **NETFLIX**

KEY PARTNERS Internet service providers (ISP) 3rd party studios	KEY ACTIVITIES Content procurement Application development 3rd party licensing	VALUE PROPOSITIONS On-demand video Huge selection of content Original content Competitive price point	CUSTOMER RELATIONSHIPS Self-service platform	CUSTOMER SEGMENTS Mass market
KEY RESOURCES Streaming rights Internet bandwidth Recommendation algorithm Content library			CHANNELS Website App store Affiliate partners	
COST In-house content production 3rd party licensing Streaming application (staff, maintenance, etc.,)		REVENUE STREAMS Subscriptions		

Software and IT-Relevant Business Models

Licensing Model

Customers pay for rights to use proprietary software while ownership remains with the developer.

Examples: Microsoft Office, Oracle Database.

Software Licensing Variants

Perpetual License: One-time purchase with indefinite use.

Subscription License: Renewed monthly or annually.

Concurrent/User-Based License: Limited by number of active users.

OEM License: Bundled with hardware or partner systems.

Subscription Model (SaaS)

Customers pay recurring fees for cloud-hosted software access.

Predictable revenue, continuous updates, and service scalability.

Examples: Salesforce, Notion, Microsoft 365.

Pay-Per-Use (Utility Model)

Customers are charged based on consumption (API calls, storage, compute hours).

Provides scalability and cost efficiency.

Examples: AWS, Azure, Google Cloud.

Freemium Model

Free basic version, paid premium features.

Encourages user adoption and gradual monetization.

Examples: Spotify, Grammarly, Zoom.

Advertising Model

Revenue from advertisers using free software or services for audience reach.

Requires large user engagement.

Examples: Google Search, YouTube, Facebook.

Software and IT-Relevant Business Models

Commission or Marketplace Model

Platform earns a percentage or transaction fee from deals between buyers and sellers.

Examples: Upwork, Fiverr, App Store, Daraz.

Open Source Model

Software shared freely with monetization via paid support, customization, or cloud hosting.

Encourages transparency and community contribution.

Examples: Red Hat, GitLab, MySQL.

AI-as-a-Service (AlaaS)

Companies provide ready-to-use AI tools, APIs, or pre-trained models for developers.

Customers pay by usage or subscription.

Examples: OpenAI, Amazon SageMaker, Google Vertex AI

Community / Crowdsourced Model

Users or contributors collectively build and enhance products.

Revenue through donations, partnerships, or enterprise tiers.

Examples: Wikipedia, GitHub, Kaggle.

Microtransaction Model

Users make small, frequent purchases within software or games.

Common in mobile apps and digital services.

Examples: Fortnite, Candy Crush, LinkedIn InMail.

API Economy Model

APIs offered as paid products for integration into other systems.

Promotes ecosystem expansion and interoperability.

Examples: Stripe, Twilio, OpenAI API.

Software and IT-Relevant Business Models

Data Monetization Model

Company earns by analyzing, aggregating, or selling insights derived from user data.

Examples: Google Ads, Meta Audience Network.

White-Label Software Model

Developer builds software that other companies rebrand and sell.

Common in SaaS, FinTech, and CRM sectors.

Examples: White-label payment solutions, e-commerce SaaS systems.

Fee-for-Service Model

Payment based on time, usage, or specific project scope.

Common for IT consulting and managed services.

Examples: Deloitte Digital, Accenture, custom software agencies.

Shareware Model

Software is freely distributed with limited functionality or trial period.

Converts free users into paid customers after testing.

Examples: WinRAR, antivirus softwares.

Donationware Model

Fully functional software distributed free; users donate voluntarily.

Common in open-source or indie software projects.

Example: VLC Media Player, Audacity.

Crippleware / Nagware Models

Software with restricted features or recurring reminders prompting payment.

Often used for trial or evaluation vers.

Example: Demos of premium design or utility tools.

Related Concepts: Value Proposition

- A **value proposition** is a promise of value to be delivered, communicated, and acknowledged. It is also a belief from the customer about how value (benefit) will be delivered, experienced and acquired.
- A **value proposition** is a statement which identifies clear, measurable and demonstrable benefits consumers get when buying a particular product or service. It should convince consumers that this product or service is better than others on the market. This proposition can lead to a competitive advantage when consumers pick that particular product or service over other competitors because they perceive greater value.

Related Concepts: Customer Relationship Management (CRM)

- CRM is a process in which a business or other organization administers its interactions with customers, typically using data analysis to study large amounts of information.
- CRM systems compile data from a range of different communication channels, including a company's website, telephone, email, live chat, marketing materials and more recently, social media.
- They allow businesses to learn more about their target audiences and how to best cater for their needs, thus retaining customers and driving sales growth.
- CRM may be used with past, present or potential customers.

Related Concepts: Revenue model

- A revenue model is a framework for generating financial income. It identifies which revenue source to pursue, what value to offer, how to price the value, and who pays for the value. It is a key component of a company's business model. It primarily identifies what product, or service will be created in order to generate revenues and the ways in which the product or service will be sold.
- Without a clear and well-defined revenue model, with a clear plan of how to generate revenues, new businesses will more likely struggle due to costs which they will not be able to sustain. By having a clear revenue model, a business can focus on a target audience, fund development plans for a product or service, establish marketing plans, begin a line of credit and raise capital.

Thank You