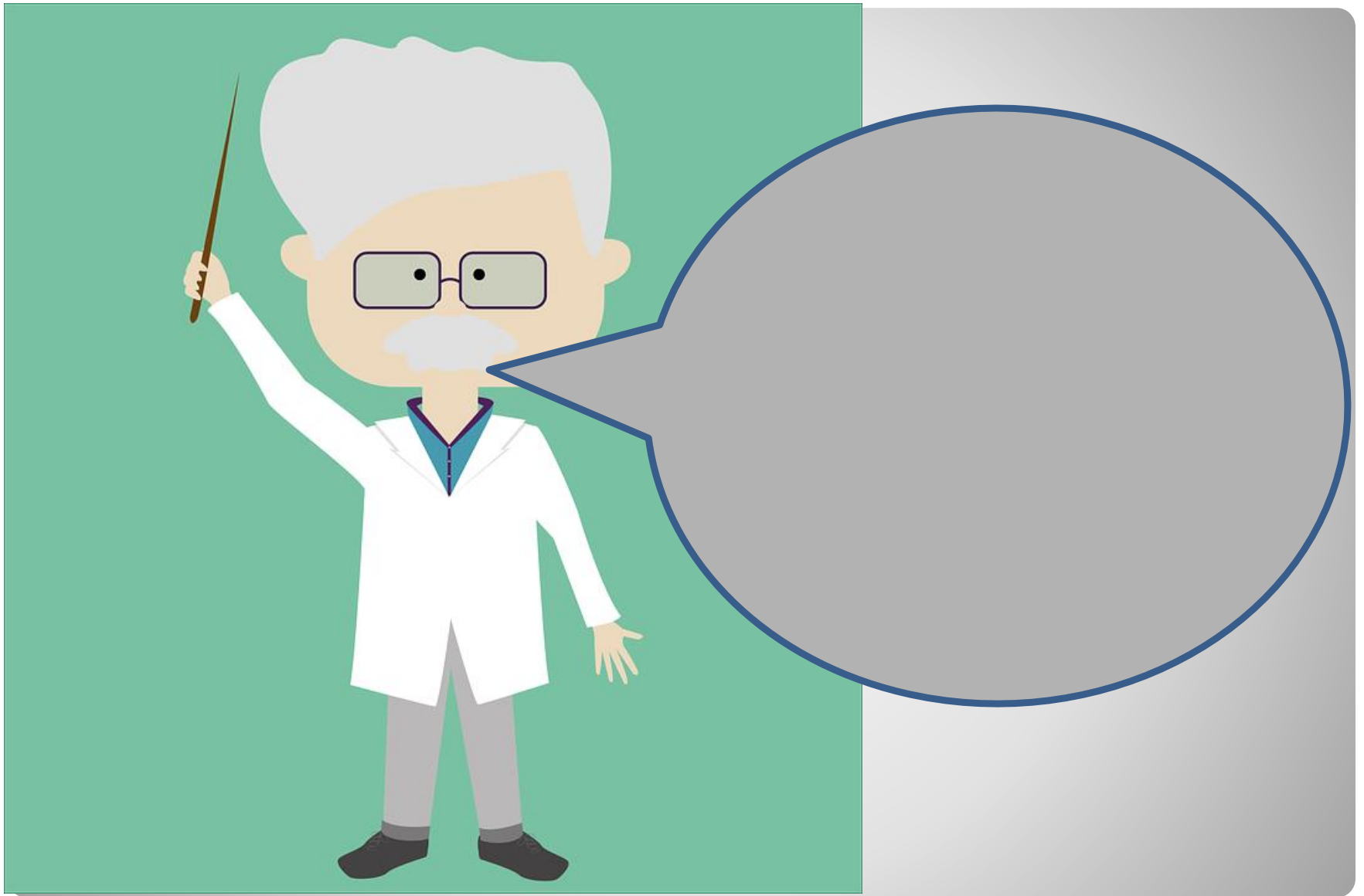
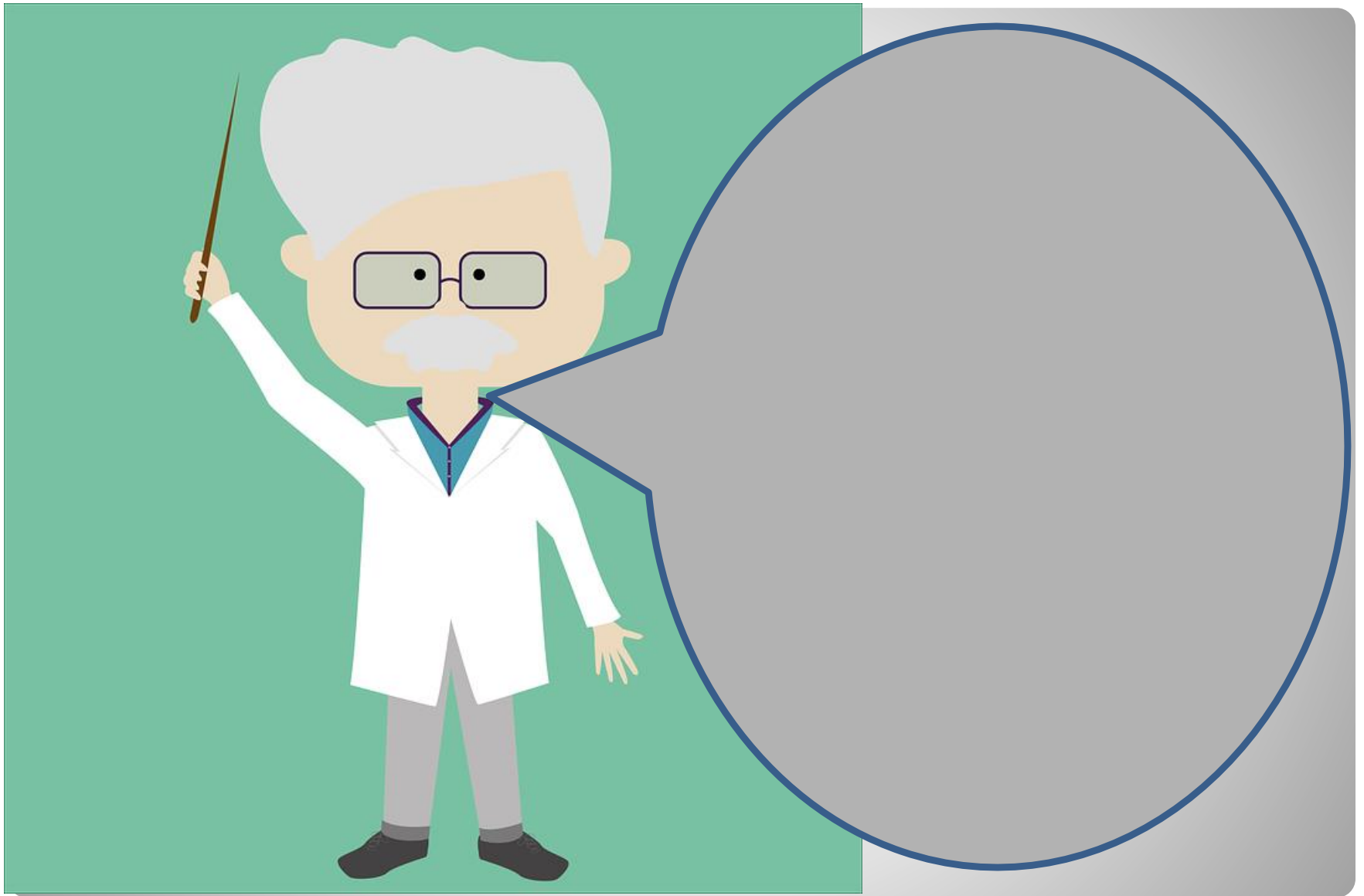


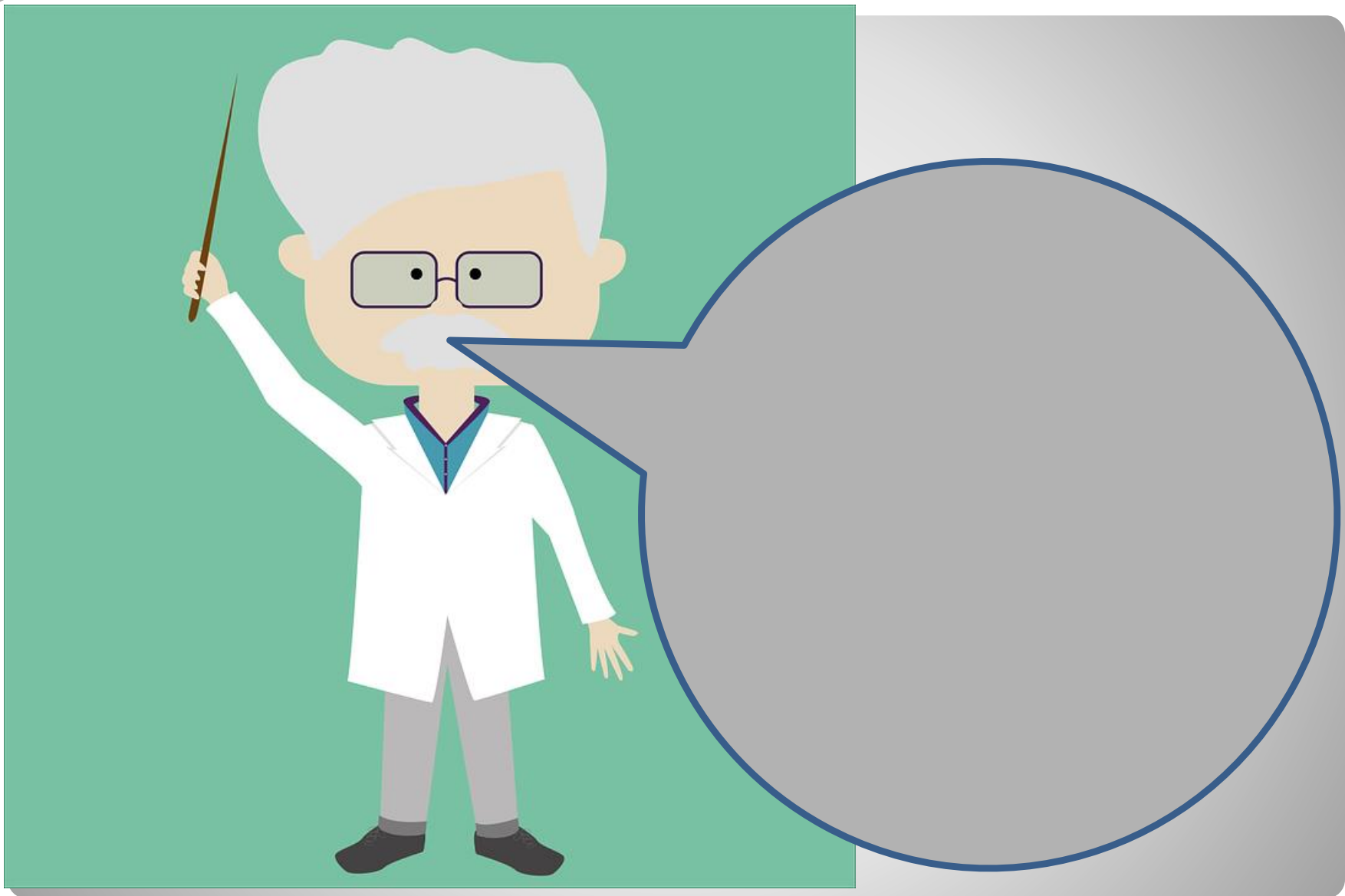
Formulation Of Business And Revenue Models

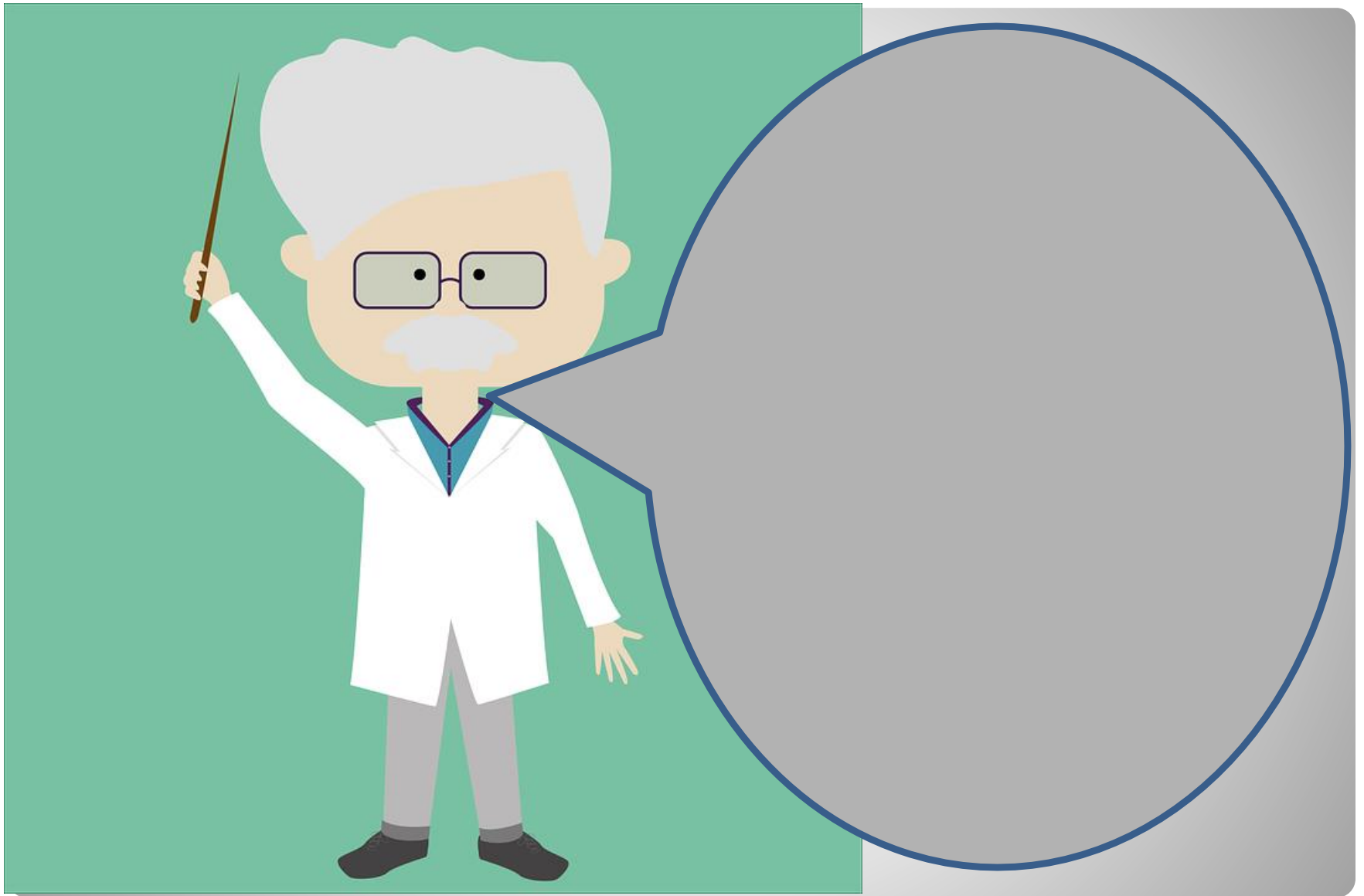
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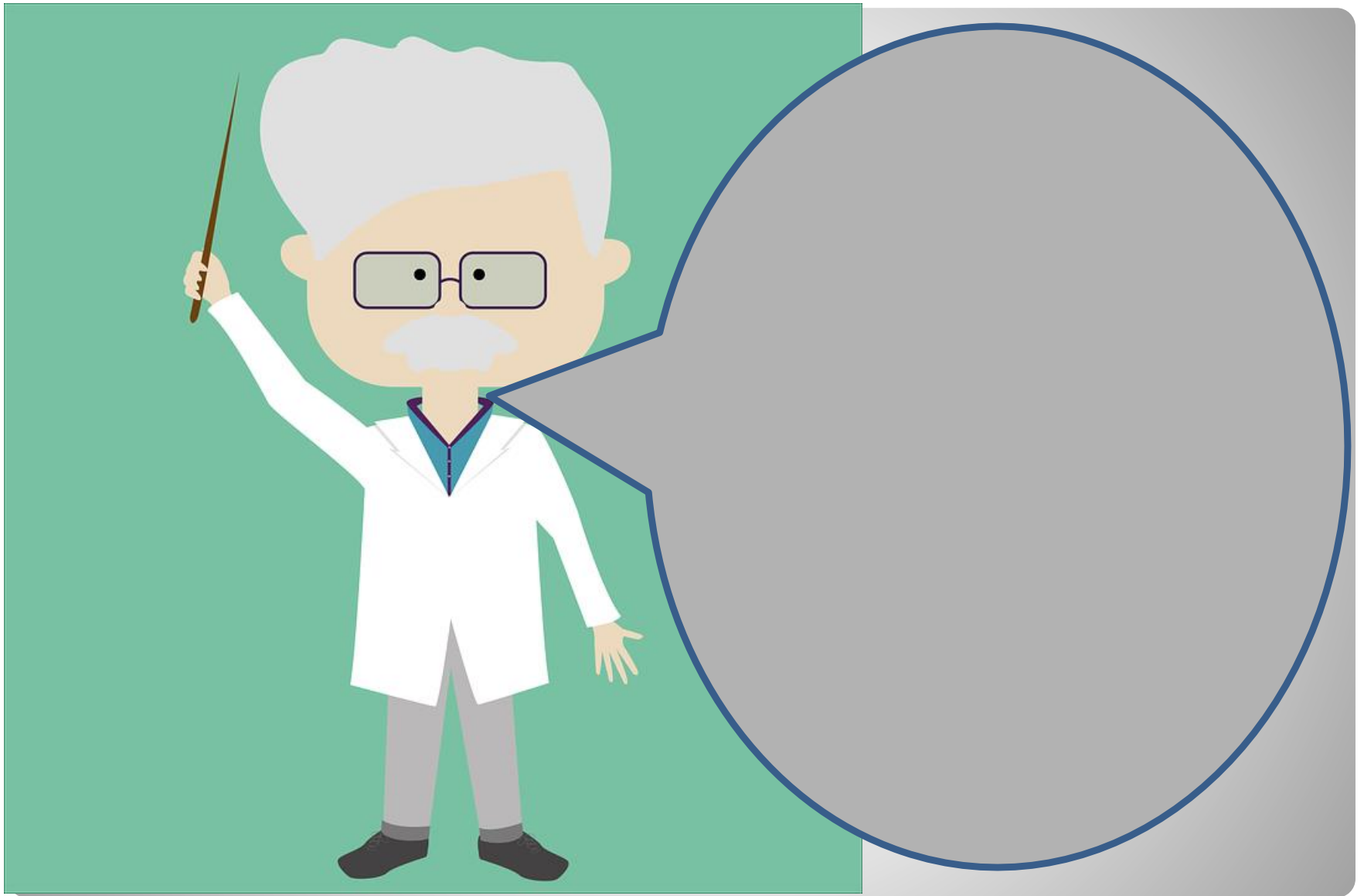
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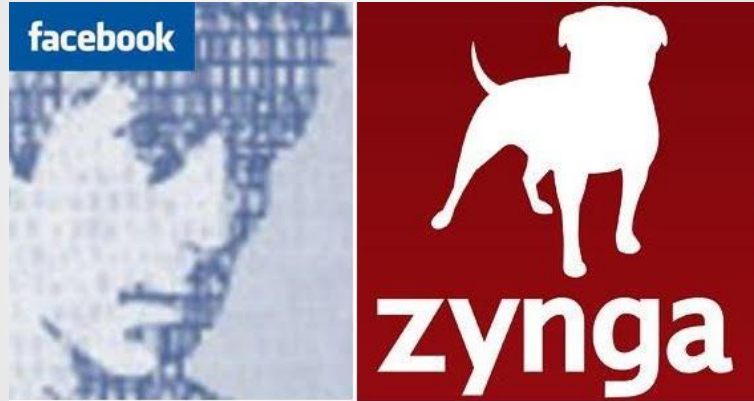








Virtual & Real Goods

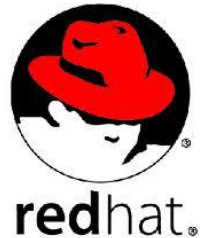


Game Changers in our Generation?

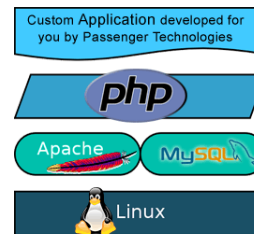
**World
Wide
Web**



**Open Source
Software**



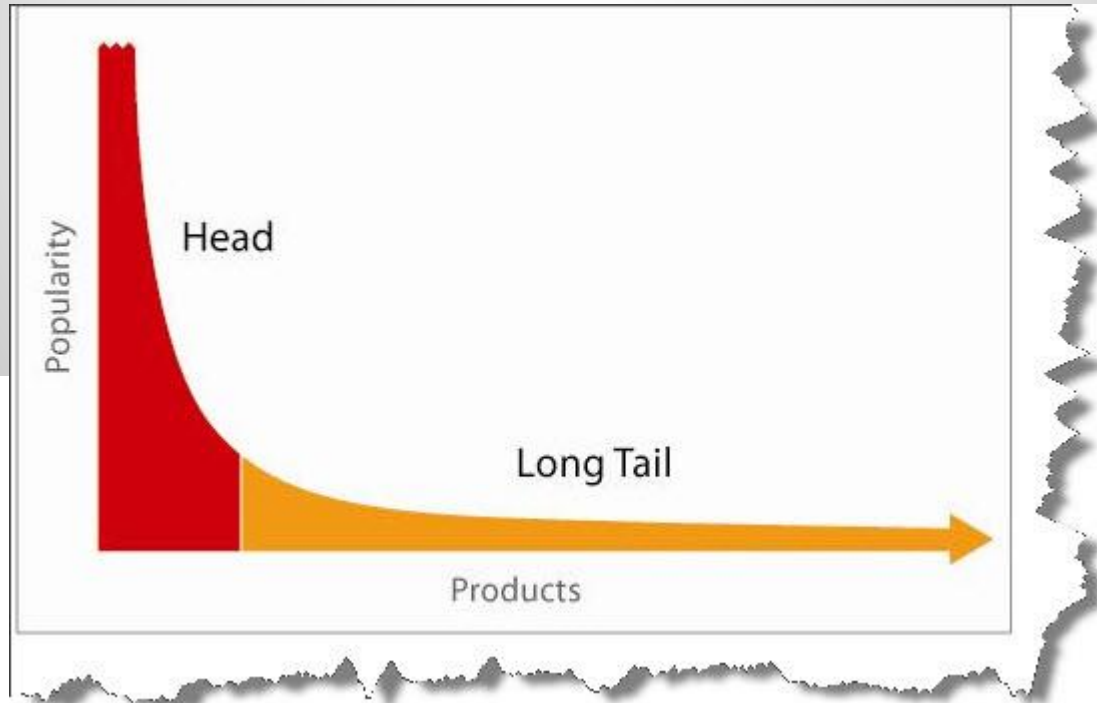
**LAMP
Stack**



**Cloud
Computing**



The Long Tail



**What Business Models
were Enabled?**

Selling more of something today that didn't sell at all yesterday than you sell today of all the things that did sell yesterday.“

amazon.com


- The subscription model is a business model where a customer must pay a returning subscription price to have access to the product/service
- WHY?
- The constant revenue stream from subscribers reduces uncertainty & often provides payment in advance, while allowing customers to become greatly attached to using the service and, therefore, more likely to extend the subscription. The revenue stream from recurring subscriptions often is greater than the revenue from simple one-time purchases. This is known as the lock-in mechanism.
- Examples?

Subscription Model

- PIONEERED BY
- Newspapers & magazines
- TYPES OF DISRUPTORS USING THE SUBSCRIPTION MODEL
- Netflix, HelloFresh, Kindle

Subscription Model Examples

“Give your service away for free, possibly ad supported but maybe not, acquire a lot of customers very efficiently through [word of mouth](#), referral networks, [organic search marketing](#), etc., then offer premium priced value added services or an enhanced version of your service to your customer base.” *Fred Wilson, Union Square Ventures*



Free + Premium
=
Freemium

- The freemium model is a business model where the customer has free access to the basic service but is charged for additional features.
- WHY?
- The freemium model is used to build a large consumer base when the marginal cost of producing extra units is low. Giving the service away for free results in acquiring a lot of prospects very efficiently. The non-paying customers result in input of data, feedback, notoriety, advertising opportunities, etc.
- Examples?

Freemium Model

- PIONEERED BY
- Software companies giving away free 'lite' floppy disks of their products in the 80's
- TYPES OF DISRUPTORS USING THE FREEMIUM MODEL
- Spotify, Dropbox, LinkedIn, The New York Times, Farmville

Freemium Model Examples

- THE FREEMIUM MODEL HAS NUMEROUS WAYS IN WHICH THE PRODUCT OR SERVICE MAY BE RESTRICTED IN THE FREE BASIC USAGE:
- FEATURE LIMITED Skype: Only two-way video calling on the free version
- CAPACITY LIMITED Dropbox: Maximum 2GB cloud storage space
- CUSTOMER CLASS LIMITED AutoDesk: AutoCAD is free for Students
- EFFORT LIMITED FarmVille: Unlock levels faster
- ADD-FREE UPGRADES - HBO Premium Channels don't show tv ads
- TIERED SERVICES - LinkedIn provides with more services when upgraded
- SOFT PAYWALLS - The New York Times let's you read 20 articles per month for free
- IN-GAME PURCHASES - Candy Crush let's you buy power ups to go on with the game faster

Freemium Model Examples



Freemium Services



- Freemium (no upfront price, but customer pays for every upgrade) is Not Premium (upfront price)
- Freemium (free forever, but not the full package) is not Free Trial (limited time, but give customer entire experience)
- Freemium (the goal is to convert at least a certain percentage to paying customers) is not Free (free is free)

Key Aspects Of Freemium Model

- The free model is a business model integrated by companies that don't charge the end users (directly). The data and the attention of the users is the currency.
- WHY? By offering the product or service for free it is easy to gain a lot of users. The more people that interact with the product, the more data that can be extracted from the users. Besides data, the attention is also a big asset for these companies. The end user normally is not 'the customer' of the free model company.
- Examples?

Free Model

- PIONEERED
- BY Search Engines
- TYPES OF DISRUPTORS USING THE FREE MODEL
- Google, Facebook, Snapchat

Free Model Examples

- The market place is a business model used by a company that only facilitates a platform where parties economically interact with each other.
- WHY?
- The market place is a business model that defines a company as a big supplier of a product or service without that company having the good or the service. It only facilitates the platform where people interact with each other in any (economical) way. The market place business generates revenue by taking a percentage of any transaction between people on their platform.
- Examples?

Marketplace Model

- PIONEERED BY
- Classifieds in newspapers
- TYPES OF DISRUPTORS USING THE MARKET PLACE MODEL
- eBay, Alibaba, Friendsurance, priceline.com, The Lending Club, etc.

Marketplace Model Examples

- The access over ownership model is the business model that grants customers the use of the product without buying it. "Everything as a service."
- WHY?
- Access over ownership companies generate revenue by using the power of the sharing economy. Just like market place companies, the access over ownership model only facilitates the actions between people thus making it needless for these companies to invest in products or people.
- Examples?

Access Over Ownership Model

- PIONEERED BY
- Sharing economy
- TYPES OF DISRUPTORS USING THE ACCESS OVER OWNERSHIP MODEL
- Zipcar, ParkCirca, Peerby

Access Over Ownership Model

Examples

- The Walmart market is the business model used by companies that act as hyper stores, offering enormous amounts of products and or services.
- WHY?
- Having large amounts of goods or services results in having great scale advantages. These companies often sell products under the market price to expand territory. The digital hyper market players are hyper disruptive since their main objective is to kill the competition in a fierce pricing battle that you probably can't win.
- Examples?

Walmart Market Model

- PIONEERED BY
- Walmart and then digitized by Amazon
- TYPES OF DISRUPTORS USING THE DW MARKET MODEL
- Amazon, Zalando, Coolblue

Walmart Market Model Examples

- The experience model is a business model used by a company that provides the customers with an unseen (user) experience.
- WHY?
- Customers of experience model companies mostly are willing to pay more just because of the special (user) experience they get when interacting with the company or the product. Experience companies are often situated in or penetrating competitive markets. In these markets you can either offer the lowest price or provide consumers with the best experience.
- Examples?

Experience Model

- PIONEERED BY
- Apple
- DISRUPTORS USING THE EXPERIENCE MODEL Tesla, KLM,
- Disney World, Tomorrowland

Experience Model Examples

- The pyramid has nothing to do with Ponzi schemes. It's the collective term for all companies that are generating major parts of their revenue by affiliates & resellers. The company sits on top of the pyramid and lets the revenue stream upwards with the least possible effort.
- WHY?
- The pyramid business model is a cost-effective way of building your business because you only pay your 'sales people' a percentage of the profit. Needless to say, companies like this don't have (a lot of) sales staff, which raises the certainty regarding cash flow. Pyramid companies will often use people with high notoriety to sell their products.
- Examples?

Pyramid Model

- PIONEERED BY
- Amway
- TYPES OF DISRUPTORS USING THE PYRAMID MODEL
- Amazon, online retailers (fitness, fashion, etc.)

Pyramid Model Examples

- The on demand model generates revenue by the exponential need of people to have things done right away. Speed and convenience matter the most.
- WHY?
- The on demand company will provide (new) services that make the lives of its customers easier. The on demand model is a business model that holds a high risk but when executed properly and accorded to the right needs of a market, it will disrupt the entire industry. People value time.
- Examples?

On-Demand Model

- PIONEERED BY
- Uber
- TYPES OF DISRUPTORS USING THE ON DEMAND MODEL
- Uber, Operator, TaskRabbit

On-Demand Model Examples

- The ecosystem is one of the most powerful, disrupting business model. Companies build an entire universe of products and services in which customers get lost without them knowing it.
- WHY?
- The ecosystem business model only exists when companies can offer enough services and or products that cause a high level of dependence of the customer. Once the customer is dragged too far in the ecosystem, he can hardly get back out. The iPhone breaks? Too bad that you already bought a MacBook & the Apple Watch. You just need to buy another iPhone.
- Examples?

Ecosystem Model

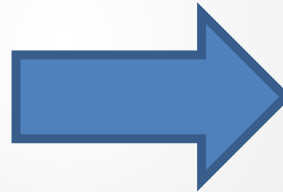
- PIONEERED BY
- Apple & Google
- TYPES OF DISRUPTORS USING THE ECOSYSTEM
- Apple & Google

Ecosystem Model Examples

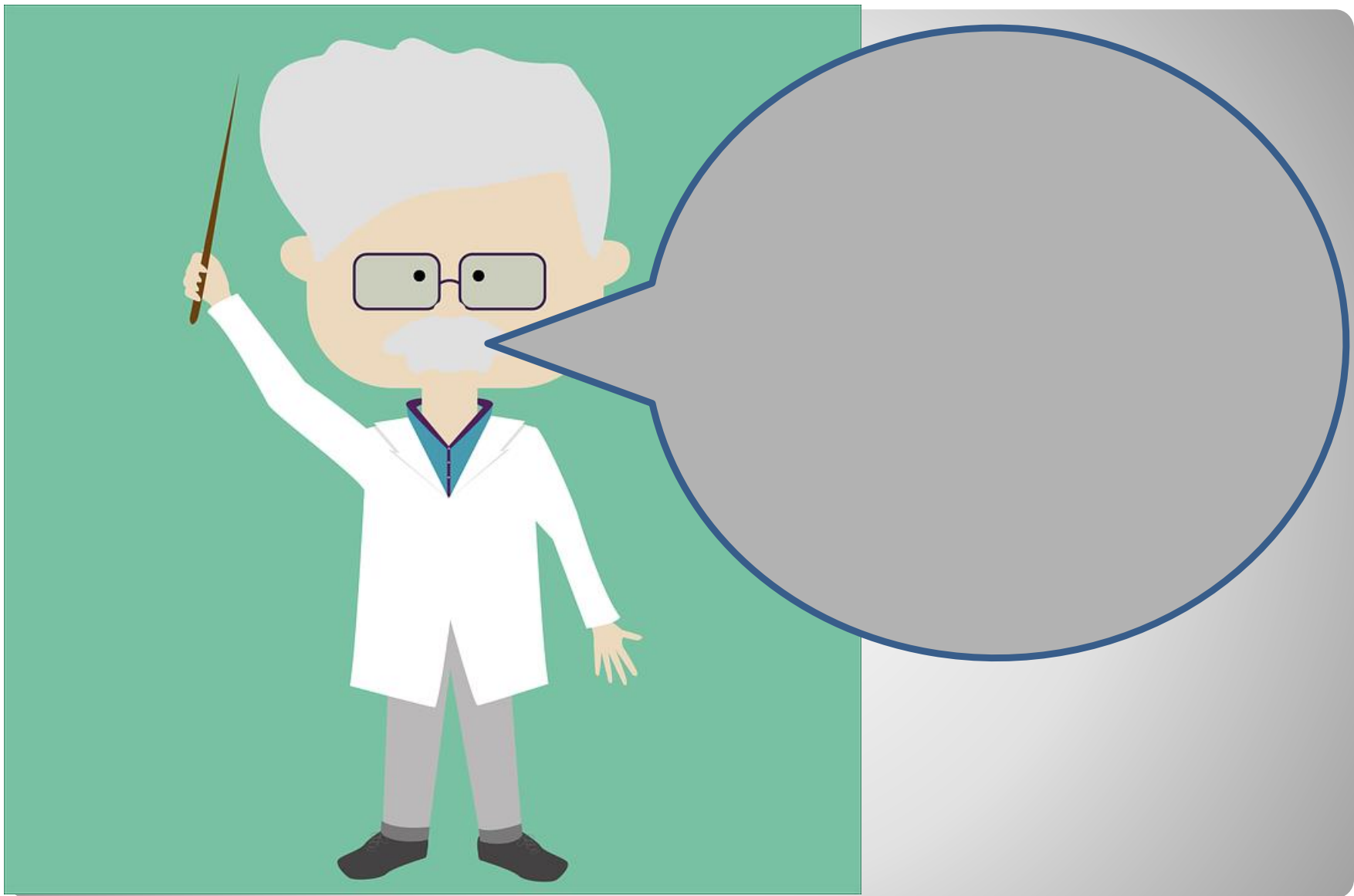
- The number of models is limited by your imagination
- The permutations are infinite
- Leaders evolve business models as they grow
- Leveraging your customers or the ecosystem is probably the highest level of refinement thus far

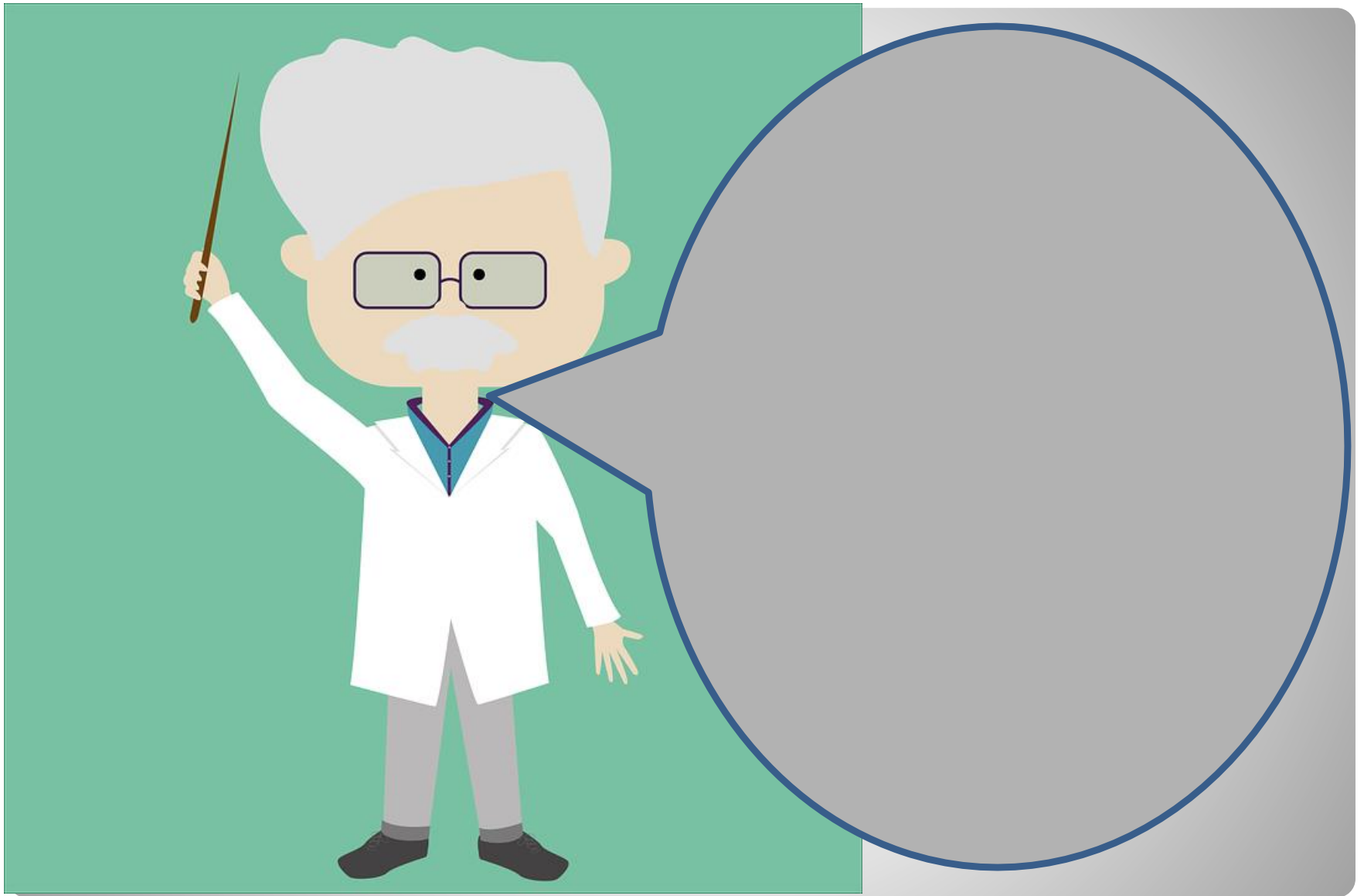
Key Take-Aways

Non-Tech Innovative Business Model

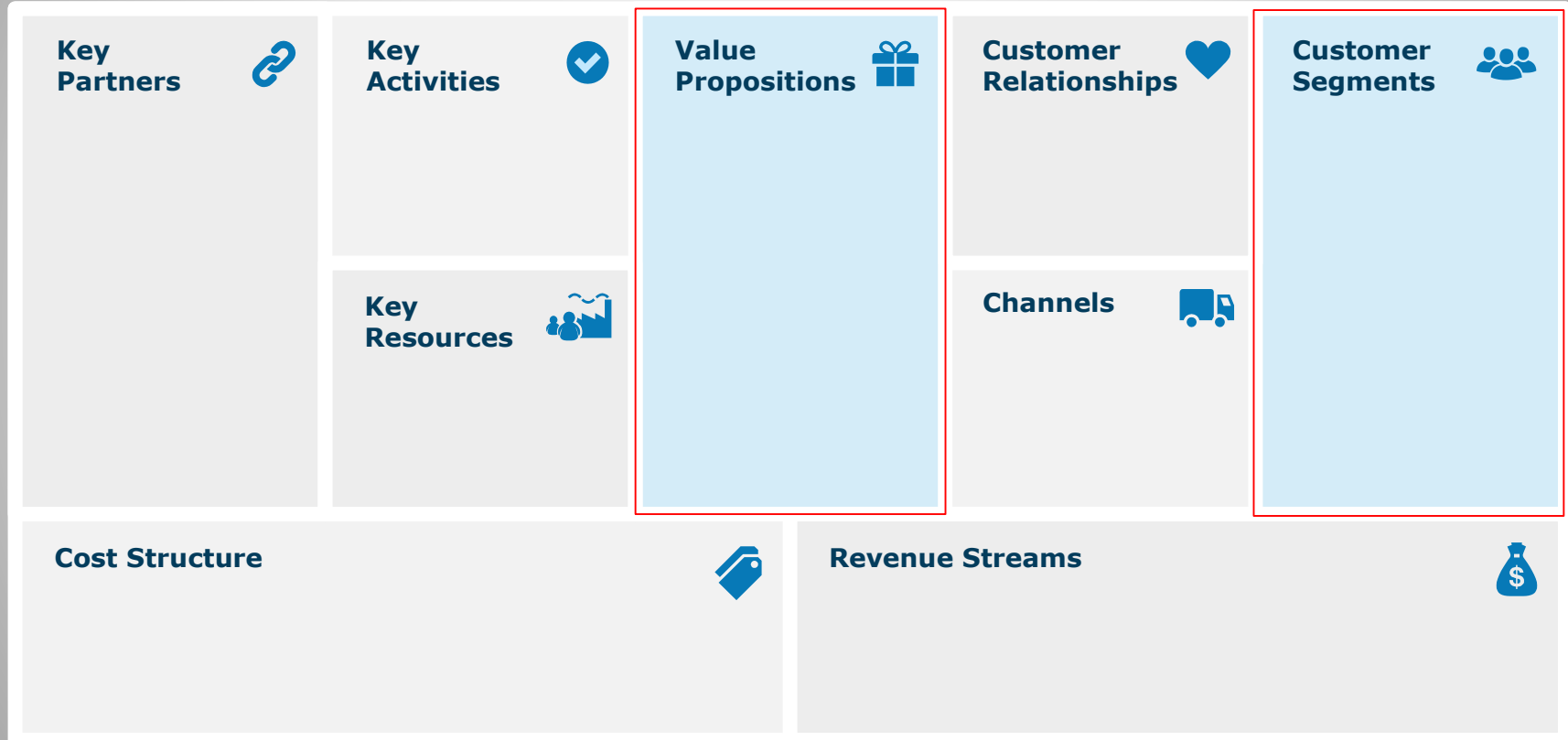


**Co-opted Customer to Provide Key Activities
to Improve the Value Proposition**



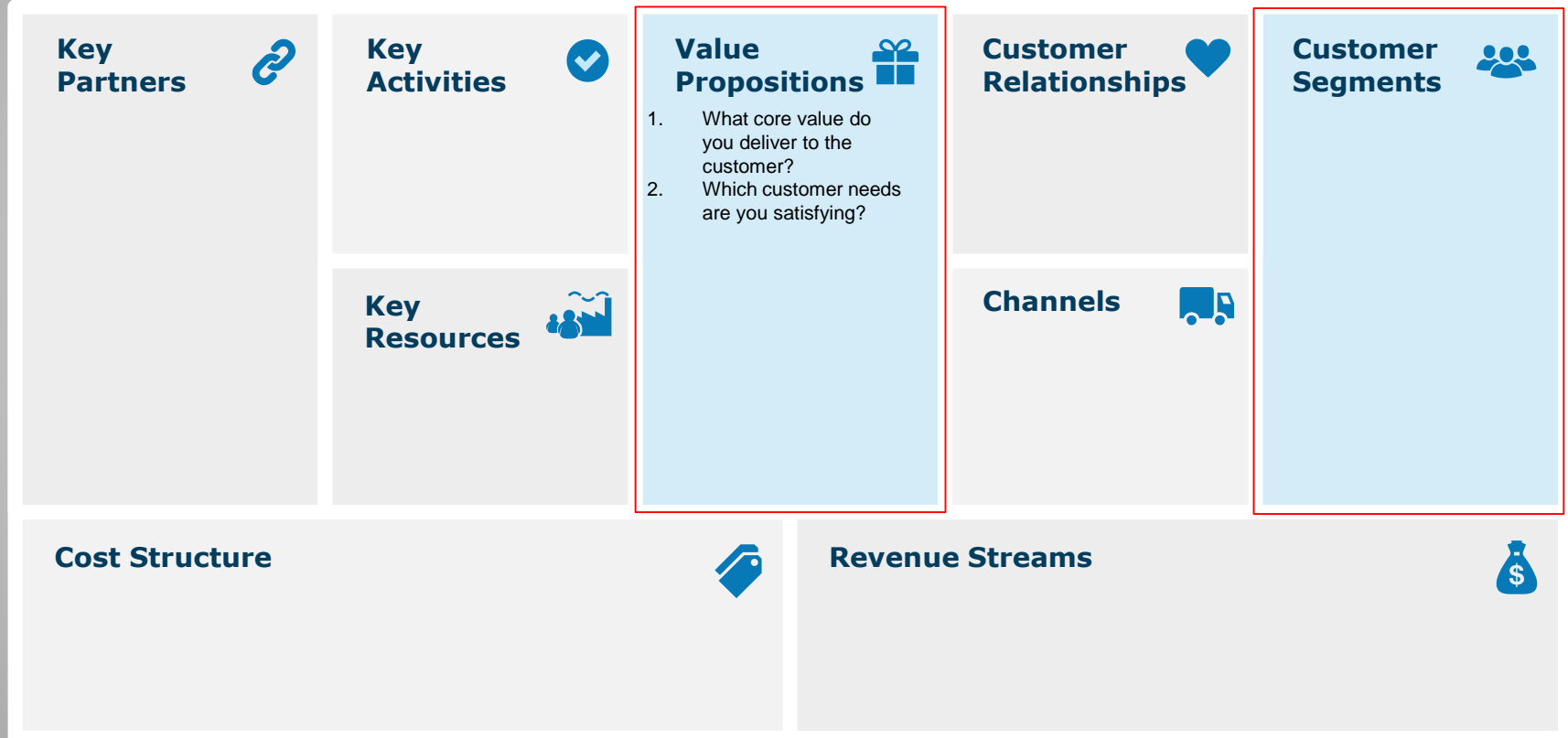


BUSINESS MODEL CANVAS



Framework For Business Model

BUSINESS MODEL CANVAS

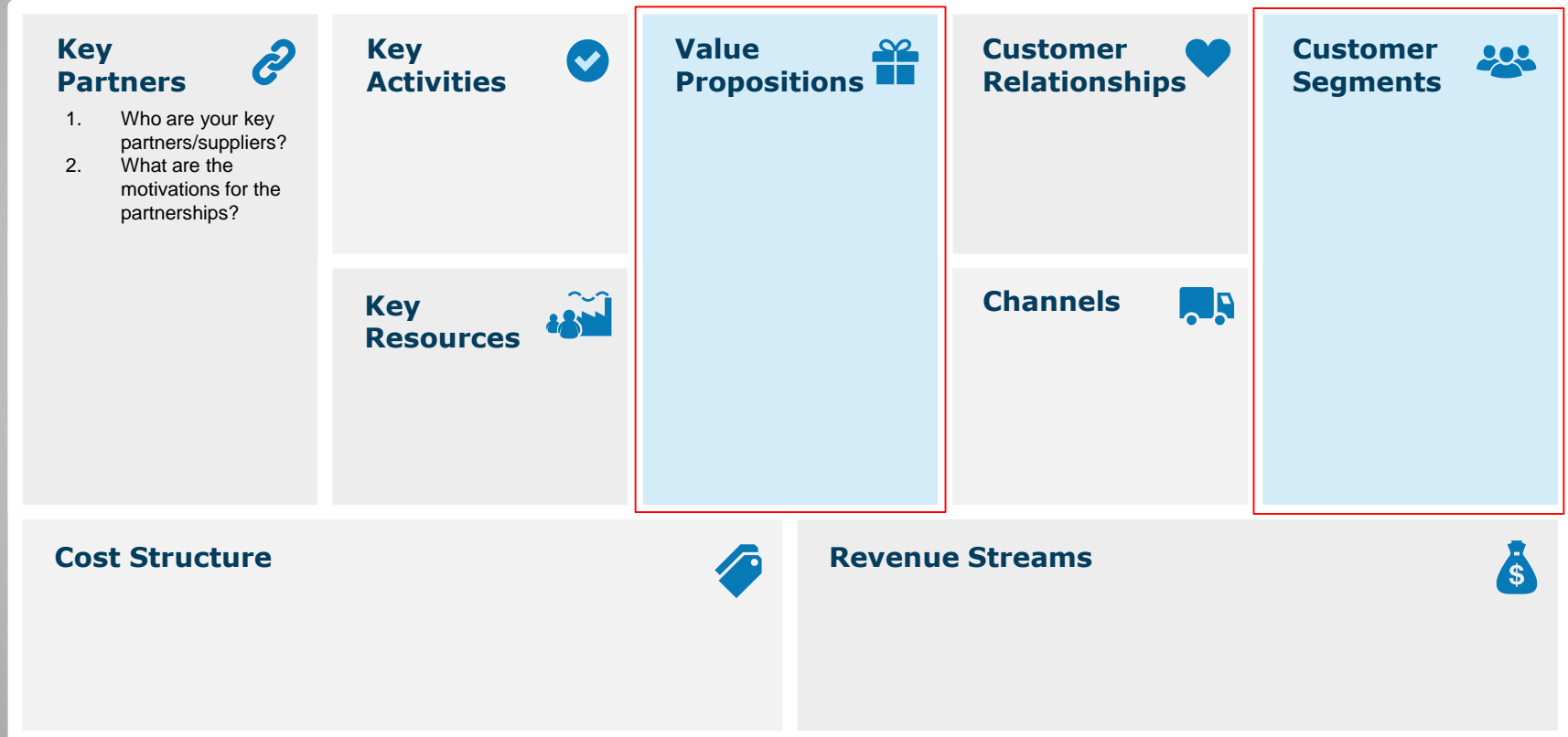


Central Theme

- What is your product or service?
- How does it differ from an idea?
- Why will people want it?
- Who's the competition and how does your customer view these competitive offerings?
- Where's the market?
- What's the minimum feature set?
- What's the Market Type?
- What was your inspiration or impetus?
- What assumptions drove you to this?
- What unique insight do you have into the market dynamics or into a technological shift that makes this a fresh opportunity?

Value Proposition

BUSINESS MODEL CANVAS

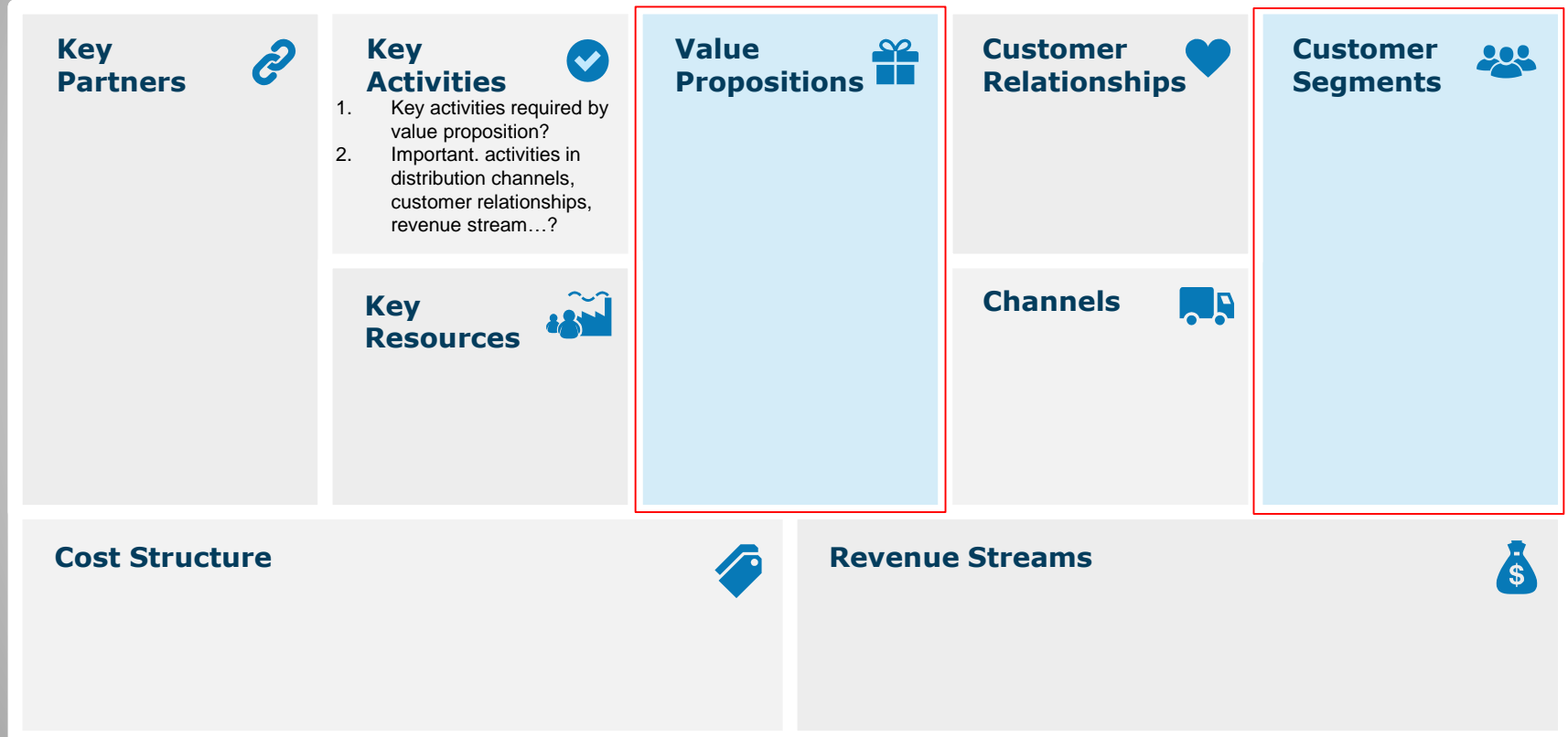


Don't Do It Alone

- Who are partners?
- Strategic alliances
- Coopetition
- Joint ventures
- Buyer supplier
- Licensees.

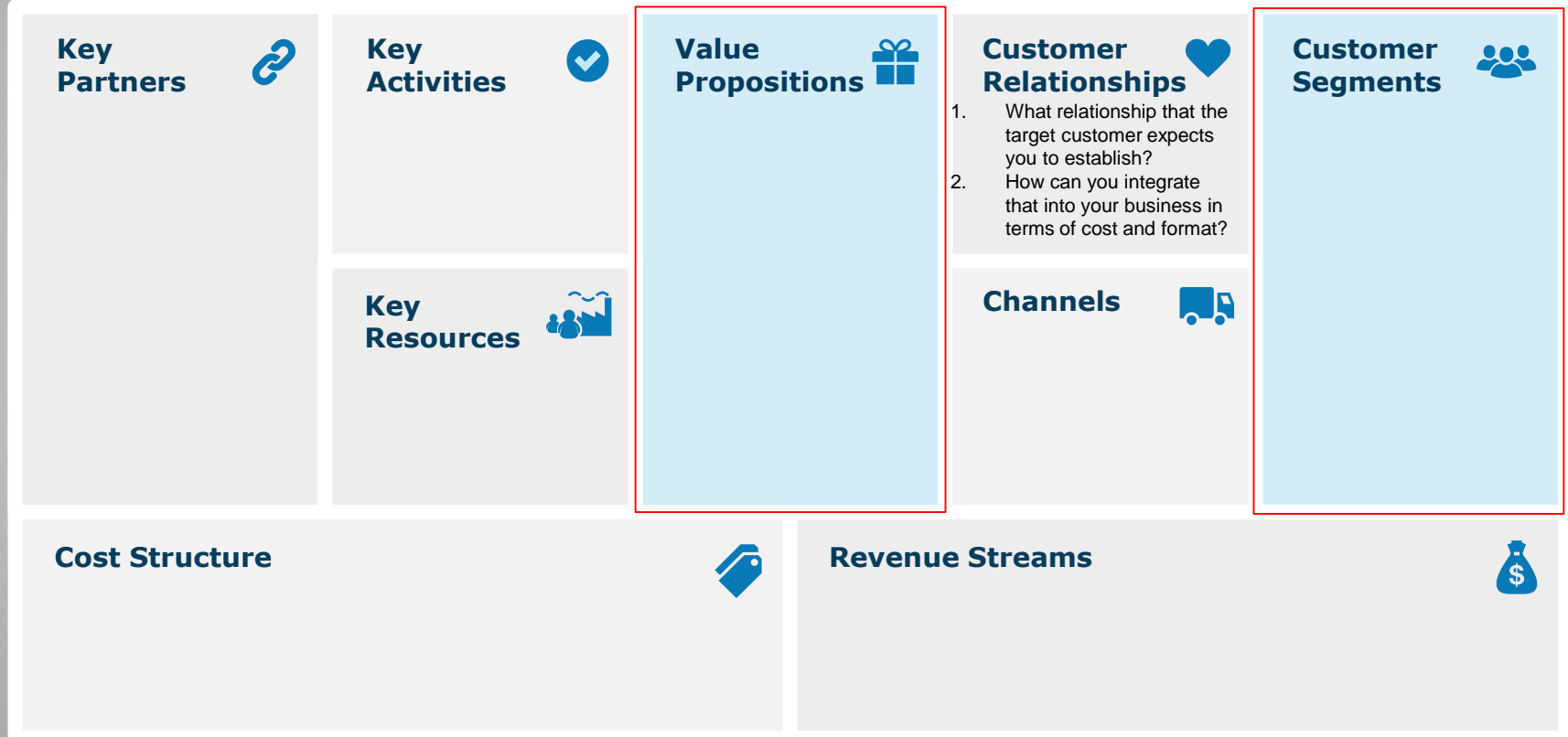
Partnerships

BUSINESS MODEL CANVAS



What Are The Focus Areas

BUSINESS MODEL CANVAS



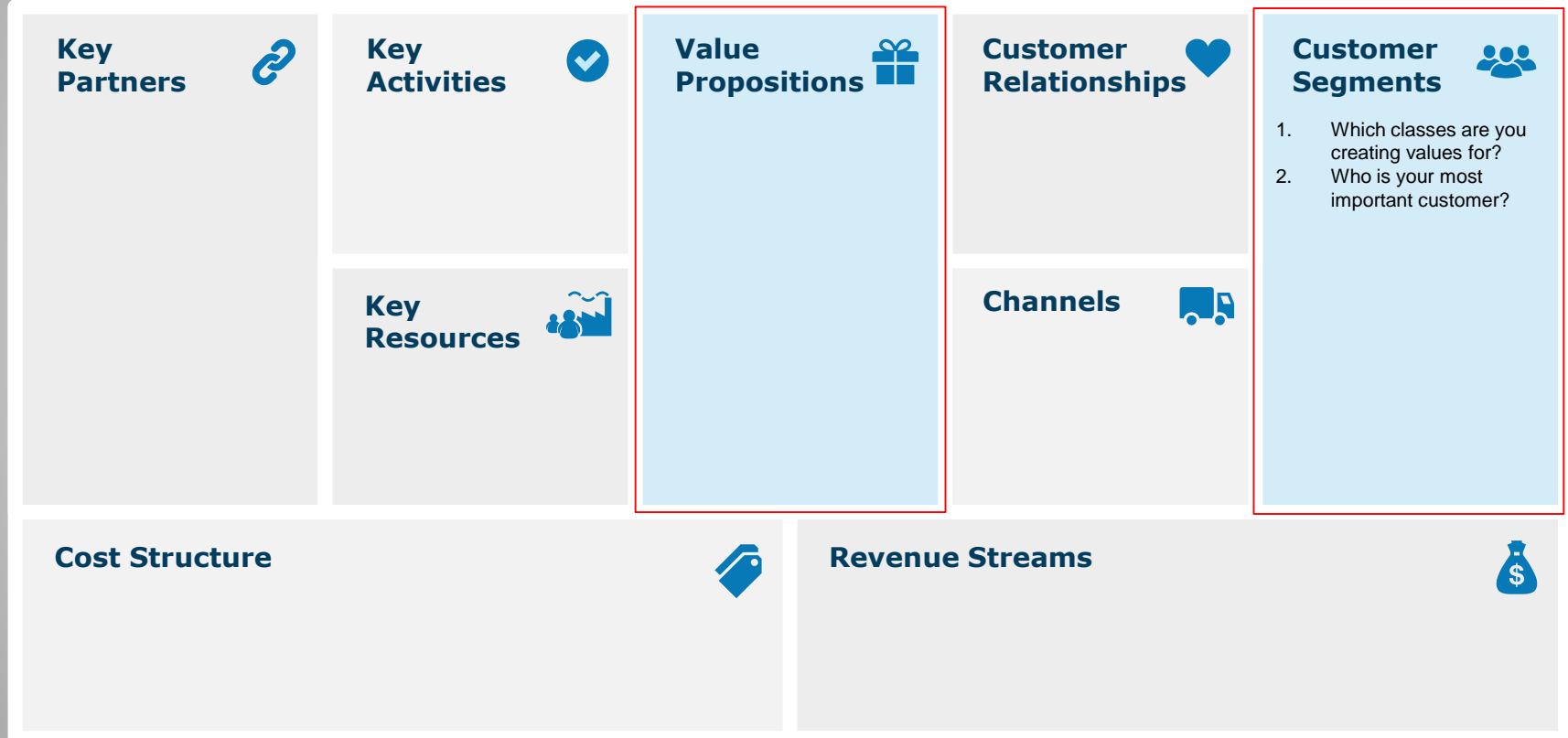
Relationships Matter

Get/Keep/Grow

- How do you create end user demand?
- How does it differ on the web versus other channels?
- Evangelism vs. existing need or category?
- General Marketing, Sales Funnel, etc.
- How does demand creation differ in a multi-sided market?
- What is your customer lifetime value?
- Channel incentives – does your product or proposition extend or replace existing revenue for the channel?
- What is the “cost” of your channel, and its efficiency vs. your selling price?

Customer Relationships

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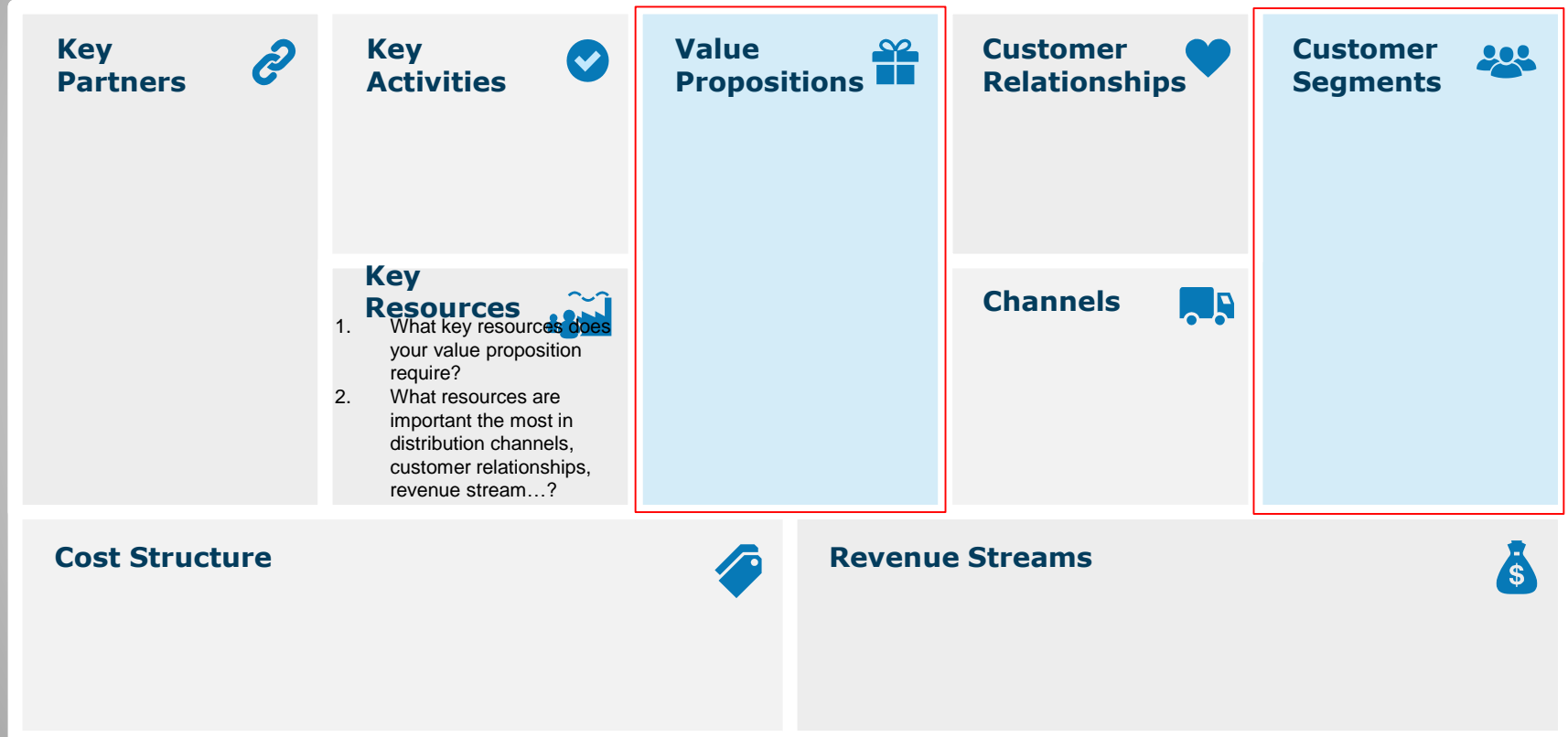


Not All Customers Are The Same

- Who's the customer? User? Payer? How are they different?
- Why do they buy?
- How can you reach them?
- How is a business customer different from a consumer?
- What's a multi-sided market?
- What's segmentation?
- What's an archetype?

Connecting With The Customer

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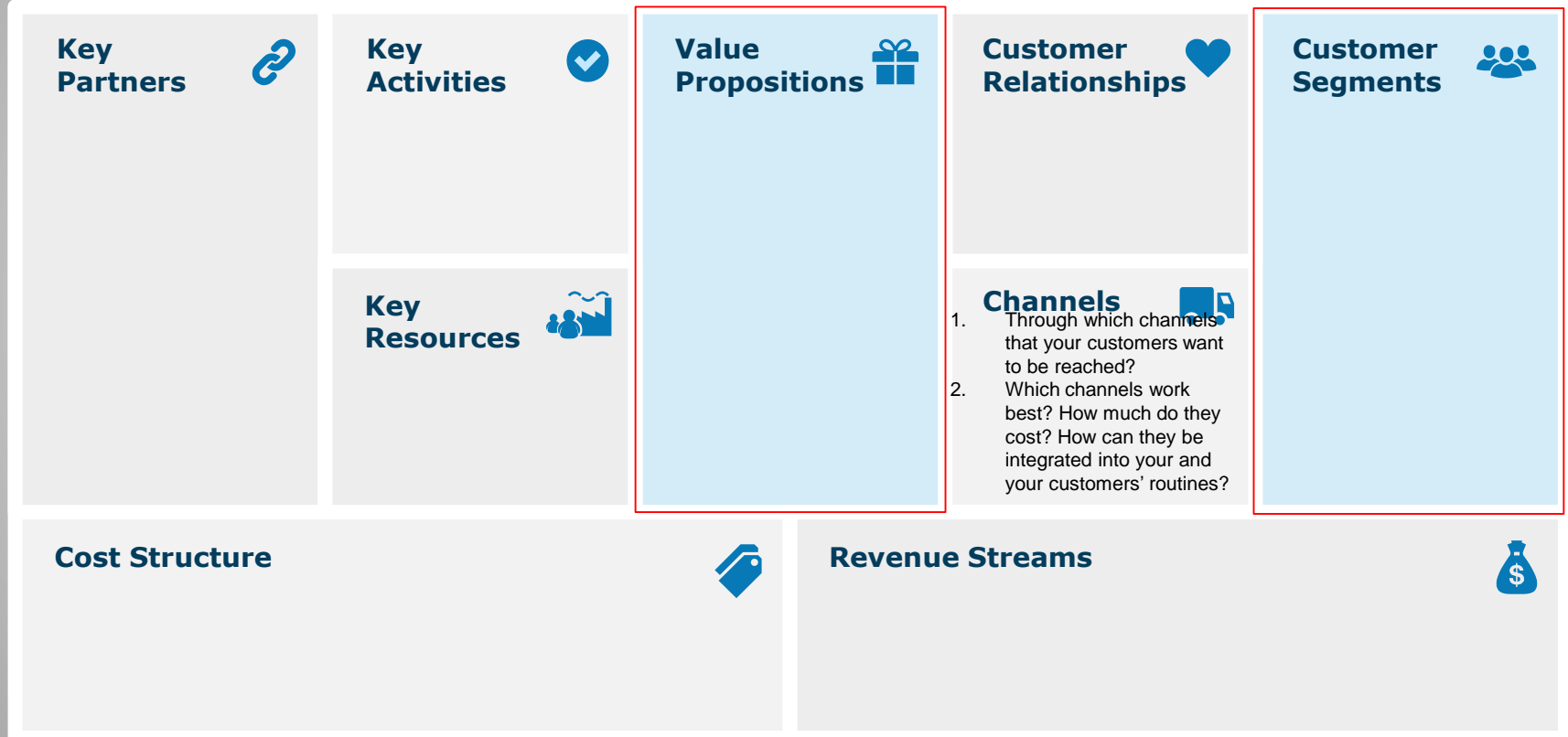


Resourcing

- What resources do you need to build this business?
- How many people? What kind?
- Any hardware or software you need to buy?
- Any IP you need to license?
- How much money do you need to raise? When? Why?
- Importance of cash flows?
- When do you get paid vs. when do you pay others?
- How does these translate to commercial readiness and “go or no go”?

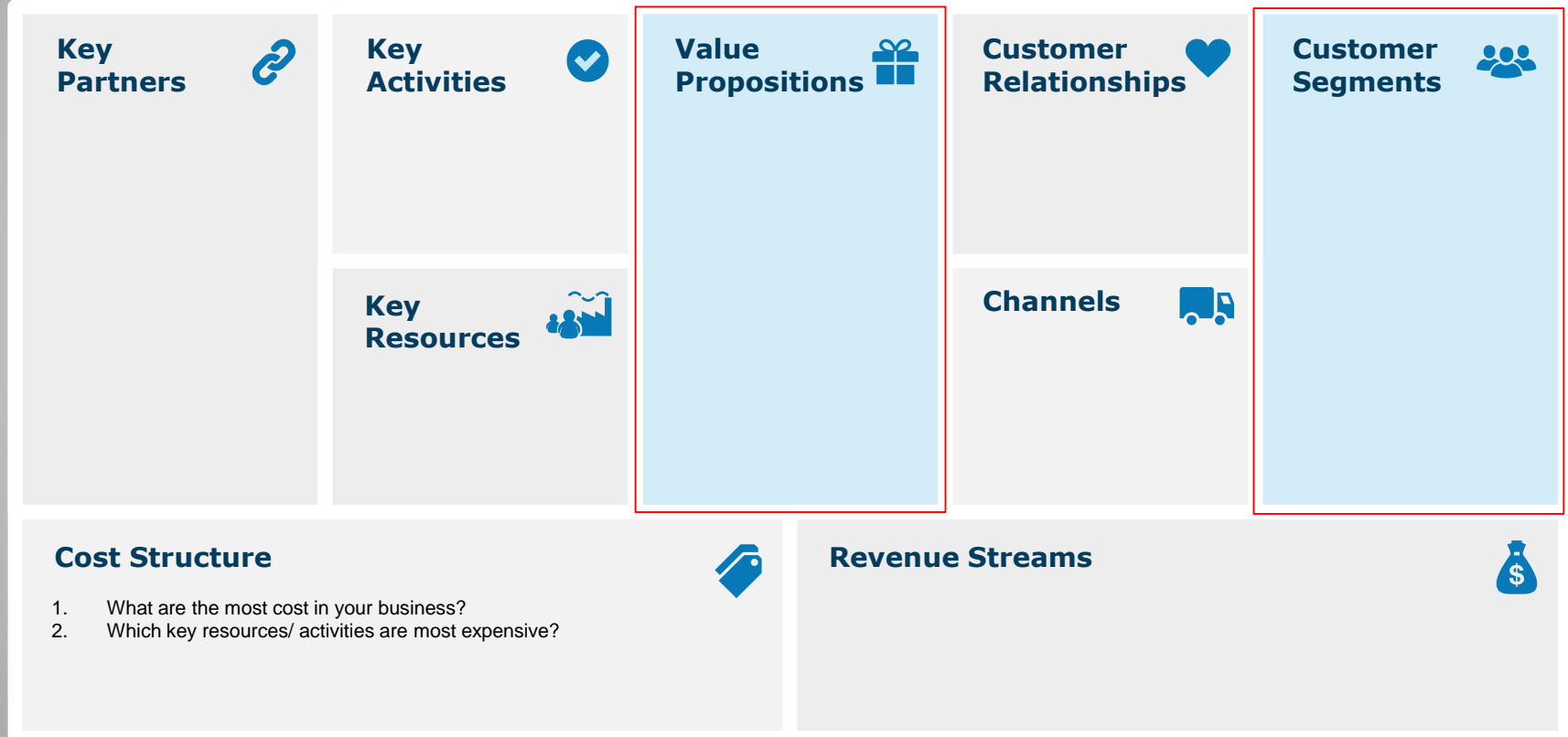
Resources

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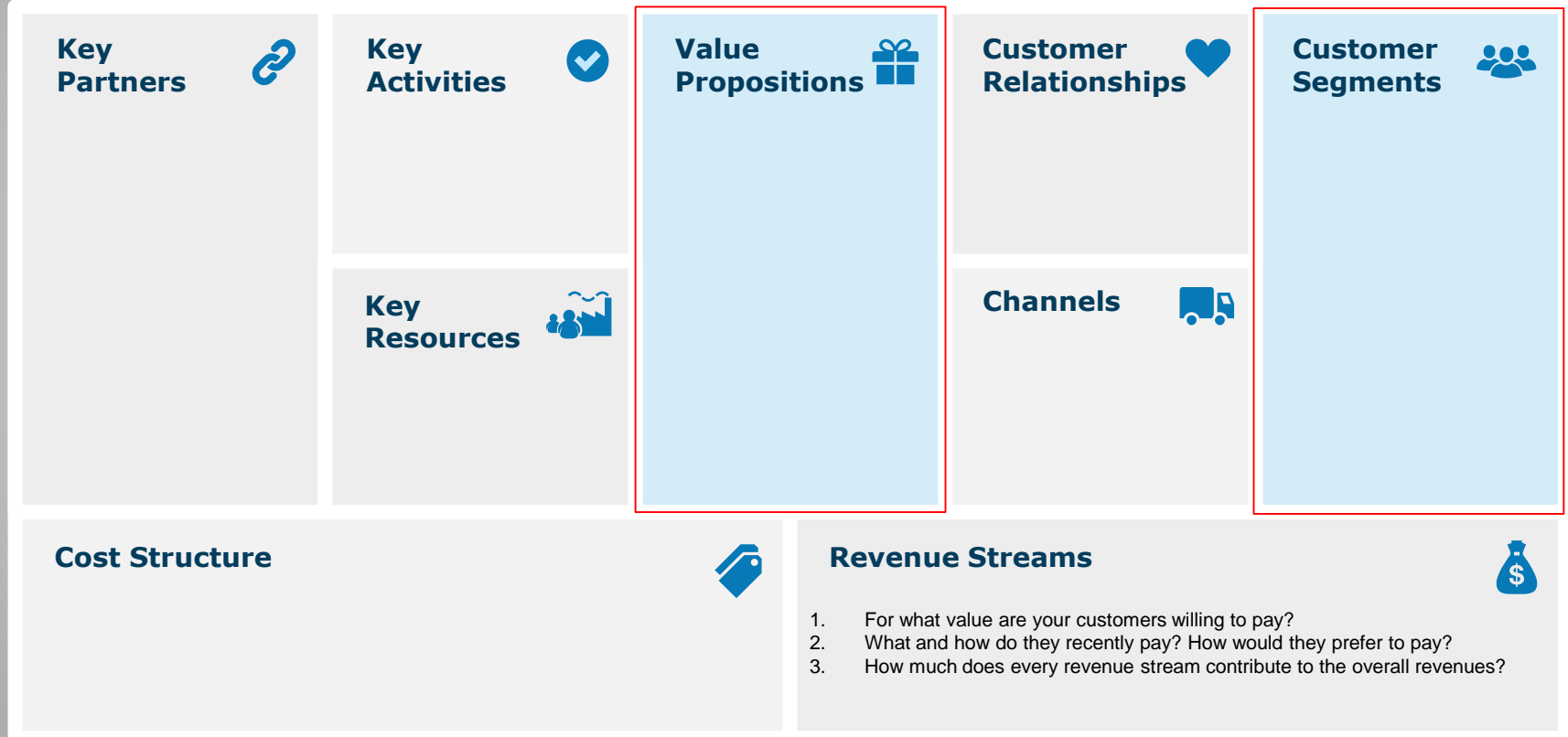
Marketing And Sales Channels

BUSINESS MODEL CANVAS



Costs Matter

BUSINESS MODEL CANVAS



It's About The Money

- What's a revenue model?
- What types of revenue streams are there?
- How does it differ on the web versus other channels?
- How does this differ in a multi-sided market?

Revenue Streams

BUSINESS MODEL CANVAS

Key Partners



1. Who are your key partners/suppliers?
2. What are the motivations for the partnerships?

Key Activities



1. Key activities required by value proposition?
2. Important activities in distribution channels, customer relationships, revenue stream...?

Key Resources



1. What key resources does your value proposition require?
2. What resources are important the most in distribution channels, customer relationships, revenue stream...?

Value Propositions



1. What core value do you deliver to the customer?
2. Which customer needs are you satisfying?

Customer Relationships



1. What relationship that the target customer expects you to establish?
2. How can you integrate that into your business in terms of cost and format?

Channels



1. Through which channels that your customers want to be reached?
2. Which channels work best? How much do they cost? How can they be integrated into your and your customers' routines?

Customer Segments



1. Which classes are you creating values for?
2. Who is your most important customer?

Cost Structure



1. What are the most cost in your business?
2. Which key resources/ activities are most expensive?

Revenue Streams



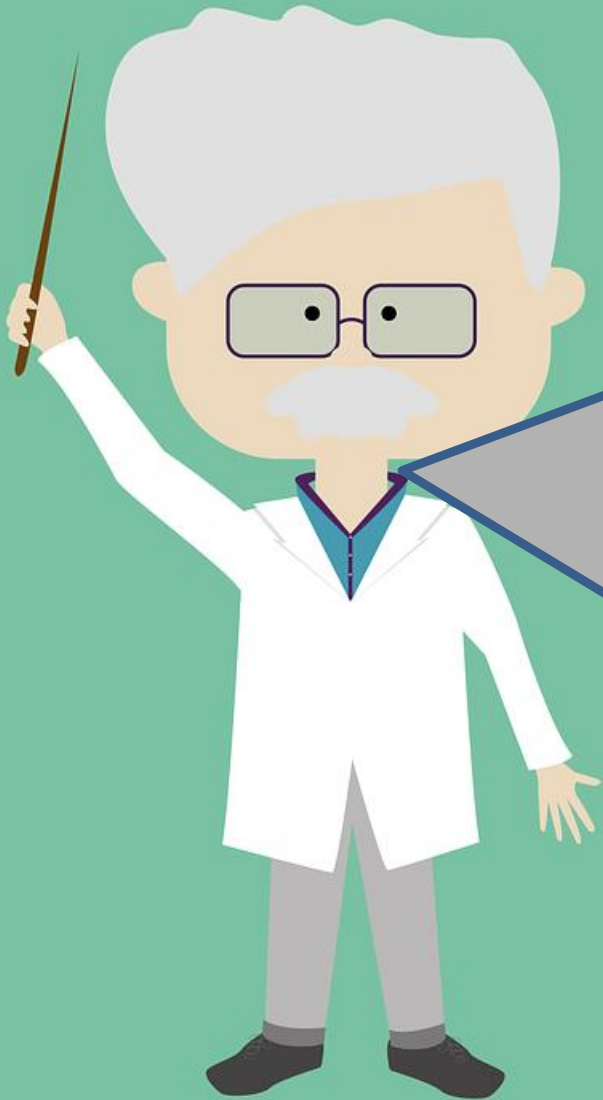
1. For what value are your customers willing to pay?
2. What and how do they recently pay? How would they prefer to pay?
3. How much does every revenue stream contribute to the overall revenues?

Foundation For A Sustainable Business

Business Model Balances Risk Reward

1. What returns
2. What risk

Upfront vs Subscription. Which One Is Better



Lets Use
The Business
Model Canvas
For
DOLLAR SHAVE CLUB

<https://www.dollarshaveclub.com/>

BUSINESS MODEL CANVAS

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Foundation For A Sustainable Business