

Actionable Know-how for Innovation Projects

Monetization Model Innovation



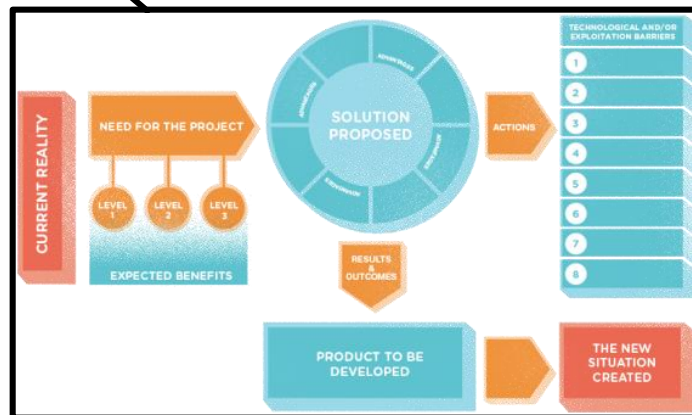
Grow through Innovation

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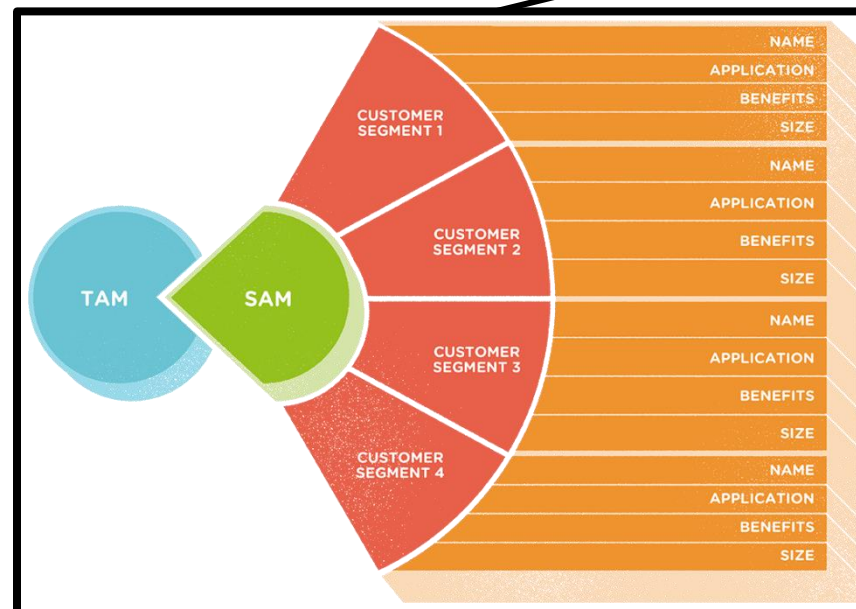
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Context fitting



Context fitting



Context fitting

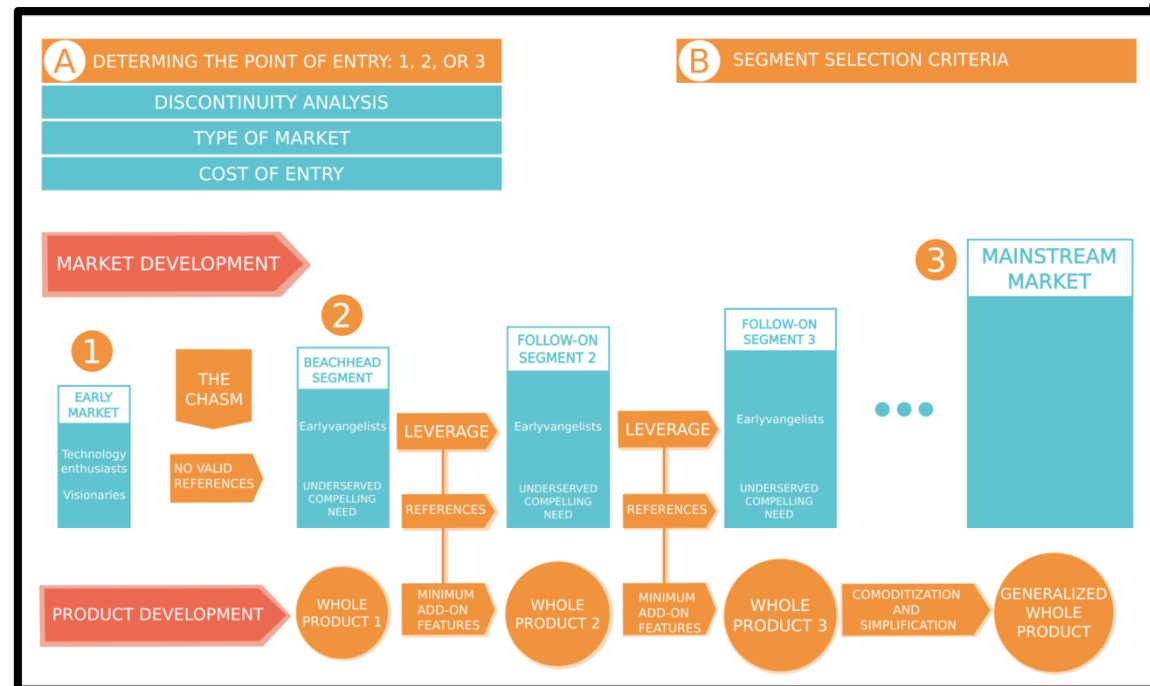


The Business Model Canvas

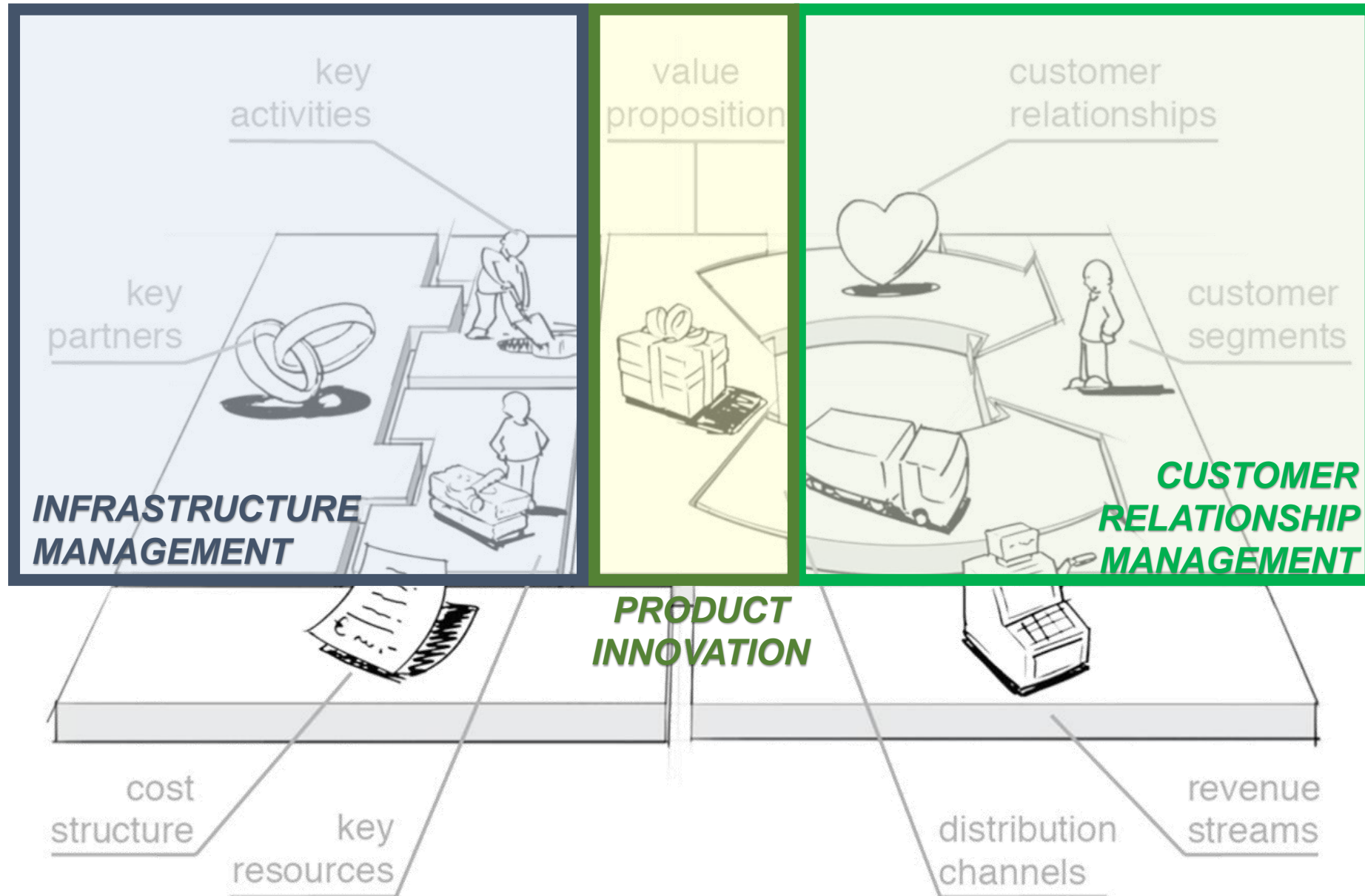
Designed for: _____ Designed by: _____

Key Partners Who are the partners? What do the partners do for the business? What do the partners do for the business? What do the partners do for the business?	Key Activities What key activities do we Value Proposition require? What key activities do we Value Proposition require? What key activities do we Value Proposition require?	Value Propositions What value does the business deliver to the customer? What value does the business deliver to the customer? What value does the business deliver to the customer?	Customer Relationships What type of relationship does the business have with the customer? What type of relationship does the business have with the customer? What type of relationship does the business have with the customer?	Customer Segments Who are the customer segments? Who are the customer segments? Who are the customer segments?
	Key Resources What key resources do we Value Proposition require? What key resources do we Value Proposition require? What key resources do we Value Proposition require?		Channels Through which channels do we reach our customer segments? Through which channels do we reach our customer segments? Through which channels do we reach our customer segments?	
Cost Structure What are the most important costs of the business model? What are the most important costs of the business model? What are the most important costs of the business model?		Revenue Streams How do we generate revenue? How do we generate revenue? How do we generate revenue?		

Context fitting



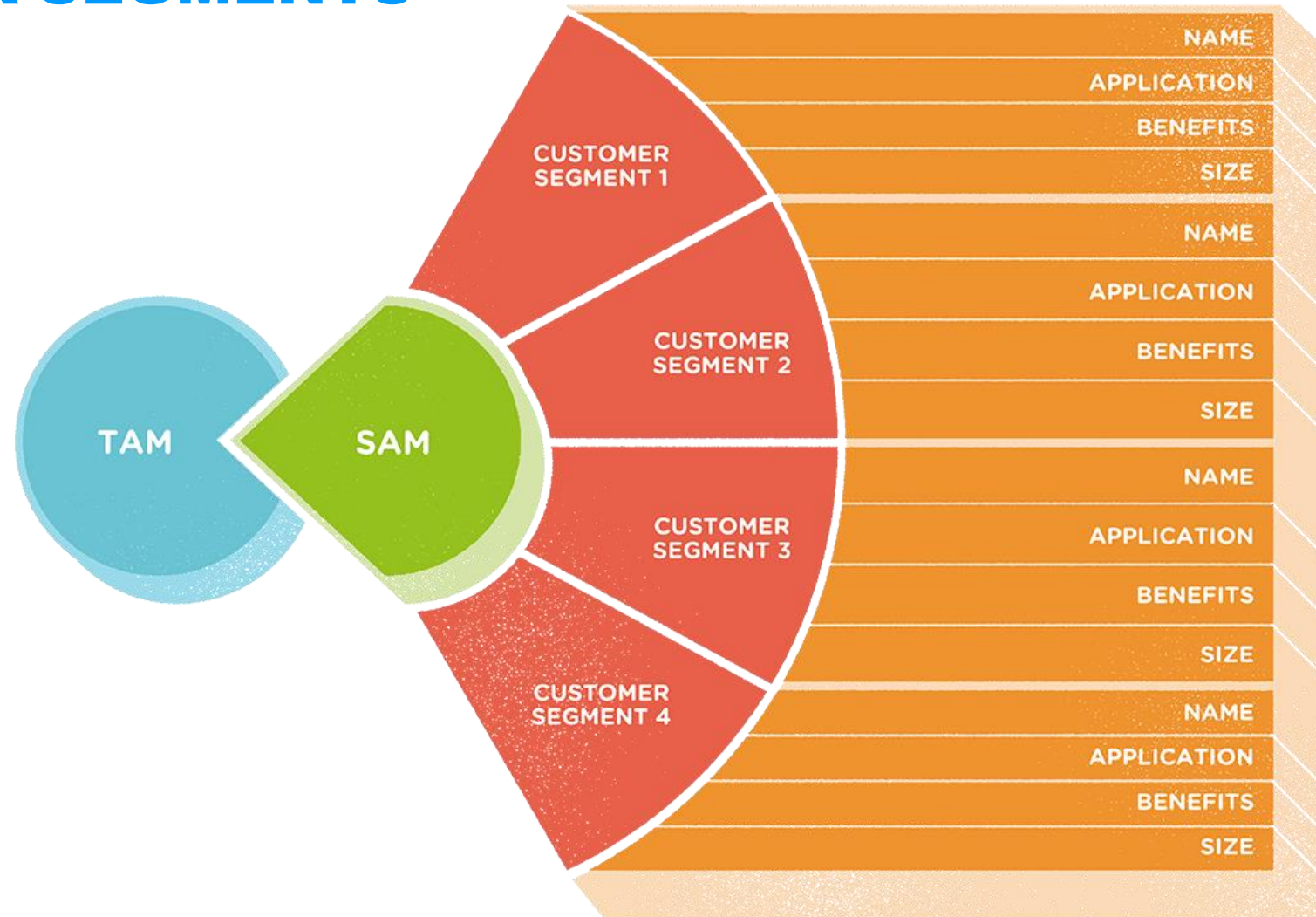
Context fitting



Context fitting

1

DEEPING INTO: CUSTOMER SEGMENTS



2

DEEPING INTO: THE VALUE PROPOSITION

QUANTIFIED VALUE PROPOSITION

LIFE WITH AND WITHOUT MYZUUM



1 PROBLEM:
The car engine makes a
weird noise

2 DIAGNOSIS

3 REPAIR

CURRENT PROCESS

A) I don't have time to go to a
repair shop. **Eventually he car
fails, and I need car assistance.**
I SPEND 4 HOURS

B) I go to an auto repair shop
for a diagnosis
I SPEND 2 HOURS

- I go to my customary repair
shop. They give me a quote
for my problem
- If it is expensive and I make
some search and call for
other quotes. I end up
accepting the quote.
I SPEND 2 HOURS

- I PAY A FULL PRICE REPAIR
- I HAVE SPENT BETWEEN 6
TO 8 HOURS TO SOLVE THE
PROBLEM

WITH MYZUUM

I perform a complete engine
diagnosis through my
Smartphone. If it is not
conclusive, I request for a
remote diagnosis with my
insurance Company.
IT TAKES 15 MINUTES

- The diagnosis is conclusive:
It is not serious, I can go on,
or I must go to a repair shop.
- Immediately, I receive a list of
repairs shops close to my
location **WITH SPECIFIC
QUOTES FOR MY PROBLEM**

- I REPAIR THE CAR IN A
CLOSE REPAIR SHOP.
- I RECEIVE A **15%
DISCOUNT.**
- I HAVE SPENT BETWEEN 15
MIN TO 2.5 HOURS TO
SOLVE THE PROBLEM

3

DEEPING INTO: MONETIZATION MODEL

We intend to provide a general overview of some of **the main revenue models available**. For each model, it defines:

- Win-win deal:
 - Benefits for the company
 - Benefits for Customers
- When it can be applied or where it has been successfully used up until now
- Challenges or feasibility problems
- Analogs of companies that have used each model successfully.

This information may help to select the most appropriate model for an industry or some special circumstances, determine feasibility problems, find references and **determine the game-changing potential** of the model innovation in a particular industry.

12 Monetization Models

One-time Up-Front Charge	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
Reduces Capital needs and expenses	Ownership, unlimited use (in theory)
FLAWS	FLAWS
High Sales Friction: high COCA and Sales Cycle Length	Hidden costs of ownership: Downtime, maintenance, etc.
No recurring Revenue Stream	No Updates
	Customer Risk when warranty expires
WHEN	The default model in many industries
HOW	
WHO	

Subscription Model	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
Recurring Revenue Stream	Lower price per unit, discounts
Increases Life Time Value (LTV)	Predictability
When paid in advance reduces Working Capital	FLAWS
FLAWS	Longer commitments
More Capital Needs and expenses	
WHEN	Products purchased continually, software services
HOW	
WHO	WSJ, Spotify, Dollar Saving Club, Whatsapp, Membership discount stores

12 Monetization Models

Usage-based Model	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
High Life Time Value (LTV)	More aligned with perceived benefits, value
Lower Sales Friction	Risk free, free updating
Full monetization potential in high performance products	Reduces downtime
FLAWS	FLAWS
More Capital Needs and expenses	
WHEN	High performance equipment companies, software
HOW	It entails to measure usage somehow
WHO	Adobe, Michelin, GE, Hilti

Performance-based Model	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
High Life Time Value (LTV)	Fully aligned with perceived benefits, value
Lower Sales Friction	Risk free, free updating
Full monetization potential in high performance products	Reduces downtime
FLAWS	FLAWS
More Capital Needs and expenses	
WHEN	High performance equipment companies, ESCOs, High Quality inputs
HOW	You need total control over how customers use your product
WHO	Monsanto (% yield per acre), Enercon Turbines (% Generated electricity)

12 Monetization Models

Dynamic Pricing	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
Adjusts supply and demand	When supply is constrained, it ensures access according to WTP
Full monetization of constrained capacity (hotels, planes...)	Encourages loyalty and behaviors
Increases Life Time Value (LTV)	Allows advantageous prices
FLAWS	FLAWS
Customers might resent it if they don't see a clear benefit	It irritates customers if they don't perceive added value
WHEN	Where there is a fixed capacity or where supply and demand are volatile
HOW	It requires significant investments in technology
WHO	Airlines, Uber, Retail loyalty programs

Consumables (Razor and blades) Model	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
Reduces Sales friction to capture new customers	Lower up-front cost
Increases the overall Margin	Ongoing costs based on usage
Increases Life Time Value (LTV)	Predictability and control
FLAWS	FLAWS
More Capital Needs and expenses	
WHEN	Medical devices, office equipment, consumer products
HOW	
WHO	Gillette, HP

12 Monetization Models

Upsell with High-Margin Products	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
Reduces Sales friction to capture new customers	Lower up-front cost
Increases the overall Margin	
Increases Life Time Value (LTV)	
FLAWS	FLAWS
More Capital Needs and expenses	Customers might feel abused
WHEN	Car industry, consumer electronics
HOW	
WHO	Sony PS, Nikon, Ford

Advertising Model	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
Attracts and retains customers	Free service, paid by third parties
FLAWS	FLAWS
Very difficult to rely only on advertising	
Requires a great initial investment	
WHEN	Many websites and free newspapers
HOW	
WHO	Google, LinkedIn, Facebook, Metro

12 Monetization Models

Reselling Data Collected	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
Attracts and retains customers	Free service, paid by third parties
FLAWS	FLAWS
Very difficult to rely only on this	
Requires a great initial investment	
WHEN	The medical industry, some websites
HOW	It requires to comply with Data Protection Laws
WHO	LinkedIn

"Cell Phone" Plan	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
High Life Time Value (LTV)	Predictability
Lower Sales Friction	Risk free, free updating
	More aligned with perceived benefits, value
FLAWS	FLAWS
More Capital Needs and expenses	
WHEN	Improved Usage-based Model
HOW	
WHO	IntraLinks, Phone companies

12 Monetization Models

Microtransactions	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
High Life Time Value (LTV)	Customers only pay for small pieces of added value
Lower Sales Friction, increases Conversion Rates	
Monetization potential of Freemium Models	
FLAWS	FLAWS
Only for digital content, where variable costs are near zero	
WHEN	Video games and news papers
HOW	It could facilitate Freemium Models
WHO	Pokemon Go

Freemium Models	
COMPANY SIDE	CUSTOMER SIDE
BENEFITS	BENEFITS
Attracts and retains customers	Free services
Spurs rapid adoption, reduces COCA	
FLAWS	FLAWS
Very difficult conversion to Premium	Customers need to perceive real Value in the premium services
WHEN	When variable costs are near zero
HOW	Over 90% of Freemium services fail
WHO	Dropbox, LinkedIn

Strategic Keys and Concepts

Definition of Monetizing Model

A monetizing model is a Framework by which a company extract from its customers some portion of the value its products creates for them. In other words, it is how the customers pays for your product or service.

Principles of Monetization Model Innovation

- I. A new monetization model in an industry may become a **game-changer**. Establishing a favourable monetization model can be as important as the new product itself and the price you charge for it. The right model can make or break your new product, your business, or even an entire industry. Some of the world's most successful companies have made the biggest leap by revolutionizing their monetization models.
- II. A monetizing model is not Value-neutral, a mere means of payment to facilitate transactions between customers and companies. **A monetizing model is a GREAT SOURCE OF VALUE itself for both Customers and Companies.**
- III. Therefore, the new model must entail new benefits for Customers and the company. **The extension of these benefits determines the game-changing potential of the new model.** In other words:

A NEW MONETIZATION MODEL MUST BE A WIN-WIN DEAL FOR CUSTOMERS AND COMPANIES

10 Drivers of Monetization Model Innovation

In the last decades many companies have tried to revolutionize their industries by introducing new monetizing models, and many have been remarkably successful.

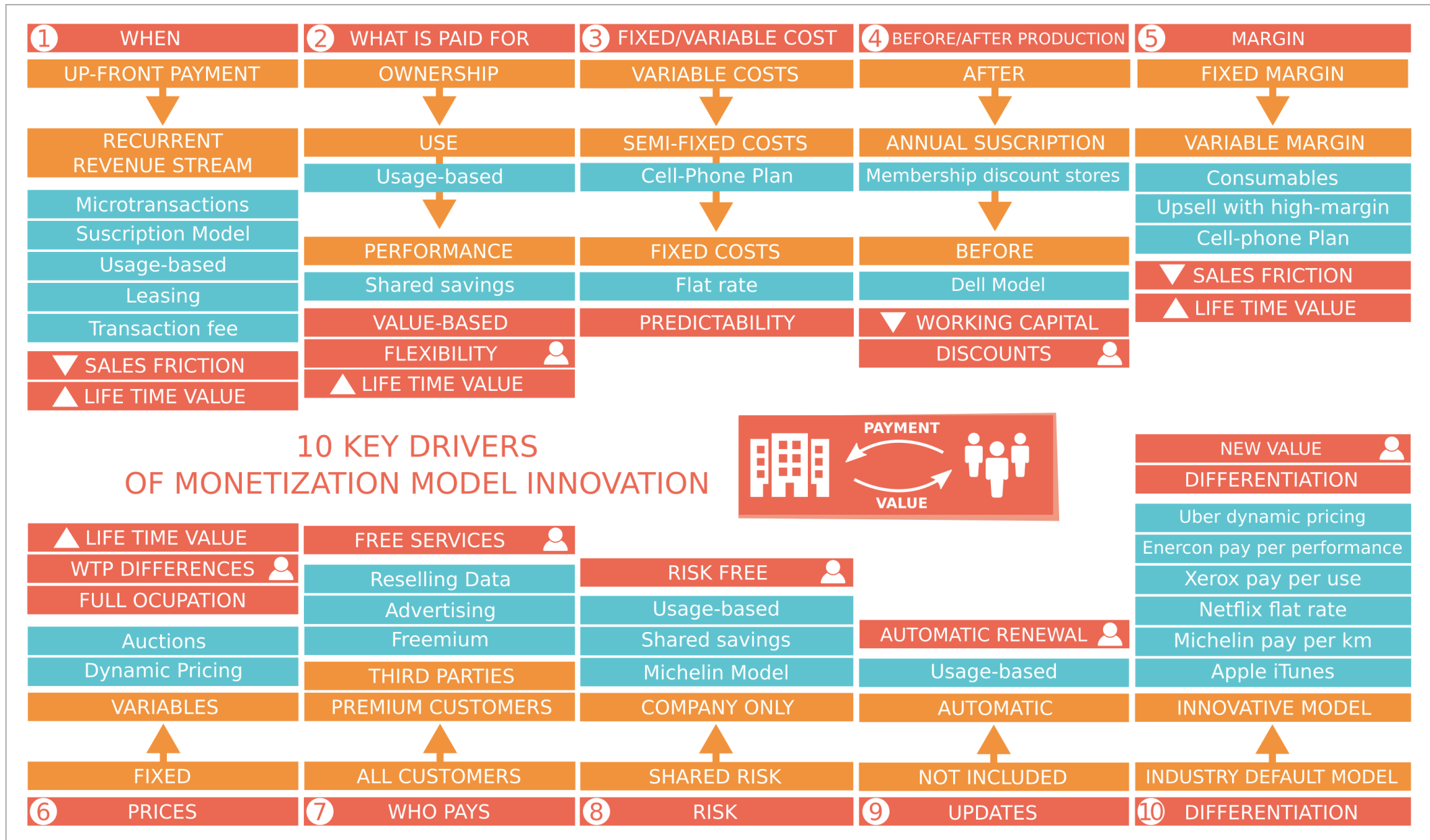
We have tried to identify a complete list of strategic moves that all these successful companies have taken. For example, Netflix disrupted the movie rental industry in the United States in part by introducing the flat rate instead of the pay-per-movie method, which was the default monetization model up to that time.

Likewise, Xerox also disrupted the printing and copying equipment industry by charging customers based on usage rather than selling or leasing machines.

As a result of these strategic and many other strategic moves, Customers and Companies obtain some kind of benefit, whether it is a reduction in the barriers of entry, a more predictable payment system, a reduction of Working Capital needs, some kind of free service for customers, etc.

Accordingly, we have identified 10 Drivers of Monetization Model Innovation considering strategic factors and moves that companies can take in order to benefit customers and themselves, and developed a **decision-support framework**.

Monetization Model Innovation: Explanatory Diagram

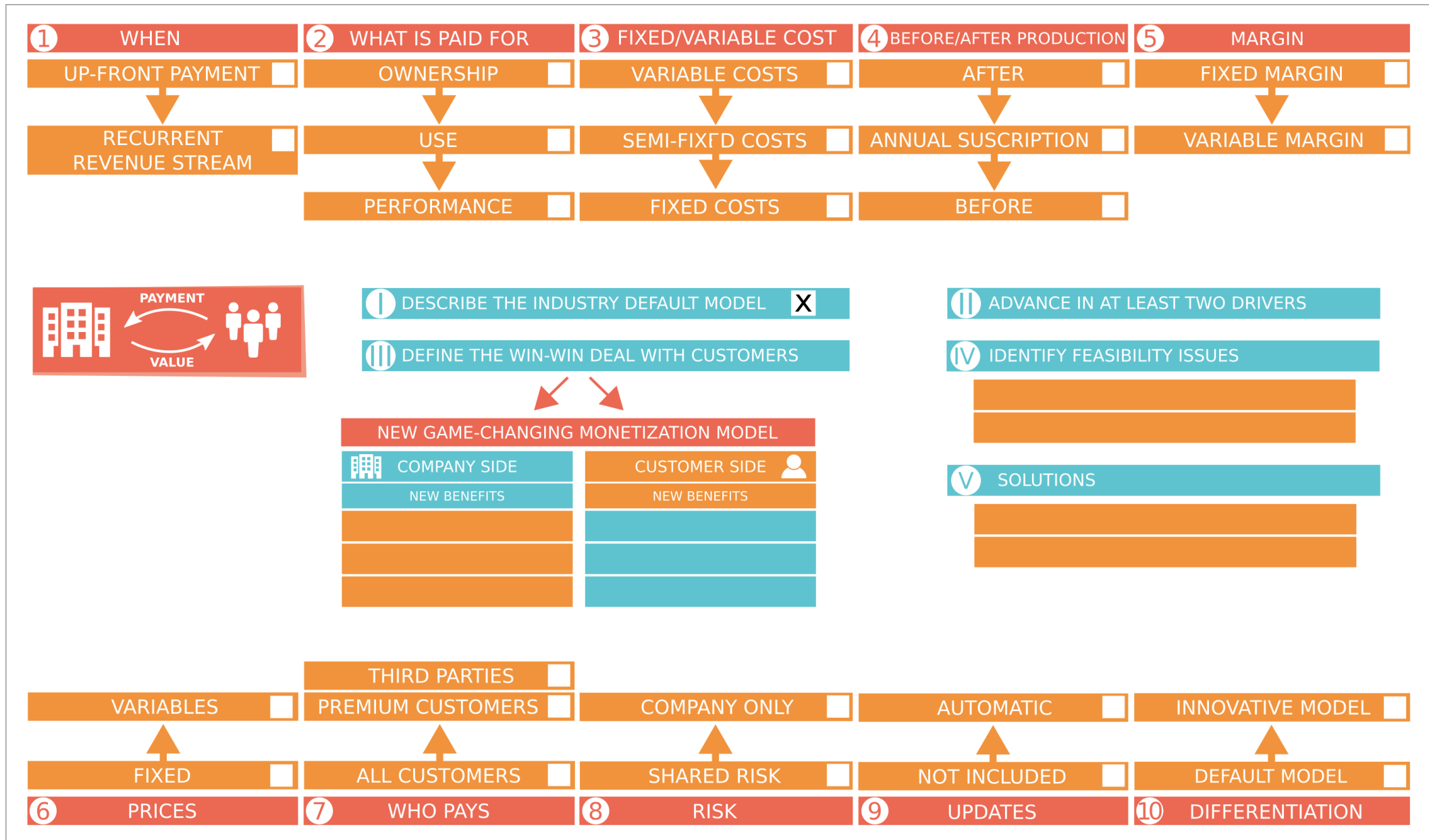


Monetization Model Innovation Framework

The objective of this section is not only to choose a monetizing model that may be appropriate for your company. Eventually, we intend to provide a framework to also innovate in monetizing models. This framework has been designed to guide companies through the innovation process in 5 stages:

- I. **Locate the default monetization model in your industry**, the model you want to disrupt, by means of pointing out where this default model is in terms of the 10 drivers of Monetization Model Innovation.
- II. Showing you **the strategic moves that you can take** in order to improve the default model. Each strategic move shows the paths that other companies have taken before in order change the game in their industries.
- III. Define **the win-win deal** entailed in the new model or, in other words, the **game-changing potential** of the new monetization model.
- IV. **Identify problems and feasibility challenges**. Many models entail a great deal of difficulty in terms of process complexity and data collection. Therefore, identifying feasibility questions, sometimes taken from the experience of other companies is a fundamental stage of this innovation process.
- V. Finally, **a solution must be provided** to these problems.

Monetization Model Innovation Framework: Detailed Explanatory Diagram



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Do you have any question or comment?

Thank you very much!

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