

Business Models



By

FourWeekMBA.com

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Business modeling is about finding a systematic way to unlock long-term value for an organization while delivering valuable products and services. A **business model** isn't just about how a company makes money. But also the kind of incentives it is able to create for its users, the distribution networks it is able to tap into and the key partnerships a business can leverage on. In short, a **business model** is a holistic framework to understand, define and design your business in the marketplace.

In this guide, we'll see 30 successful types of business models examples.

What is a business model?

A business model is a critical element for any startup success as it is what unlocks value in the long-term. In a way, developing a business model isn't only about monetization strategies.

Indeed, that is way more holistic. To develop a business model companies need to create value for several stakeholders. Thus, a business model it is about what makes users go back to your app, service or product. It is about how businesses can get value from your solution. It is about how suppliers grow their business through it.

A business model is all those things together. In short, when those pieces come together, that is when you can say to have a business model.

A business model is also about how you make money but how you make money isn't your business model

One of the biggest misconceptions of the business model is to confuse it with the monetization strategy or the revenue model of the company. While this is an essential piece of the puzzle, it is just one of the components of a successful business model.

In this blog, we've discussed at great length how companies make money as a way to start the discussion of a business model. However, a business model implies the understanding of operations, customer acquisition, retention, supply chain management, besides monetization.

According to the business model you designed over the years for your organization there will be a piece that plays a more critical role compared to others. For instance, a vital component of the Coca-Cola business model is its distribution strategy. For other companies like McDonald's, the key to its business model success is the heavy franchised restaurants that helped the company scale up all over the world.

Each company will develop a unique model among the many types of business models which is what makes your company robust in the long-run!

It's all about business model design

The primary aim of a business model is to create a sustainable chain, able to unlock value for several players in a market, industry or niche. Therefore, this value chain will start from a value proposition, a promise you make to the key players and partners in that market, industry or niche depending on where you start.

For instance, when PayPal started it didn't look to dominate the whole market. It started from a niche. As Peter Thiel put it in his book, Zero to One:

The most successful companies make the core progression—to first dominate a specific niche and then scale to adjacent markets—a part of their founding narrative.

Indeed, PayPal began from identifying its most valuable partner, what at the time they called “power user.” That was a choice driven by its business model design.

Therefore, instead of focusing on generically offering a service for everyone, PayPal focused on acquiring and attracting as much power users as possible. Those power users were mostly on another platform that had already scaled up: eBay. Thus, PayPal focused all its effort on acquiring those power users from eBay, fast!

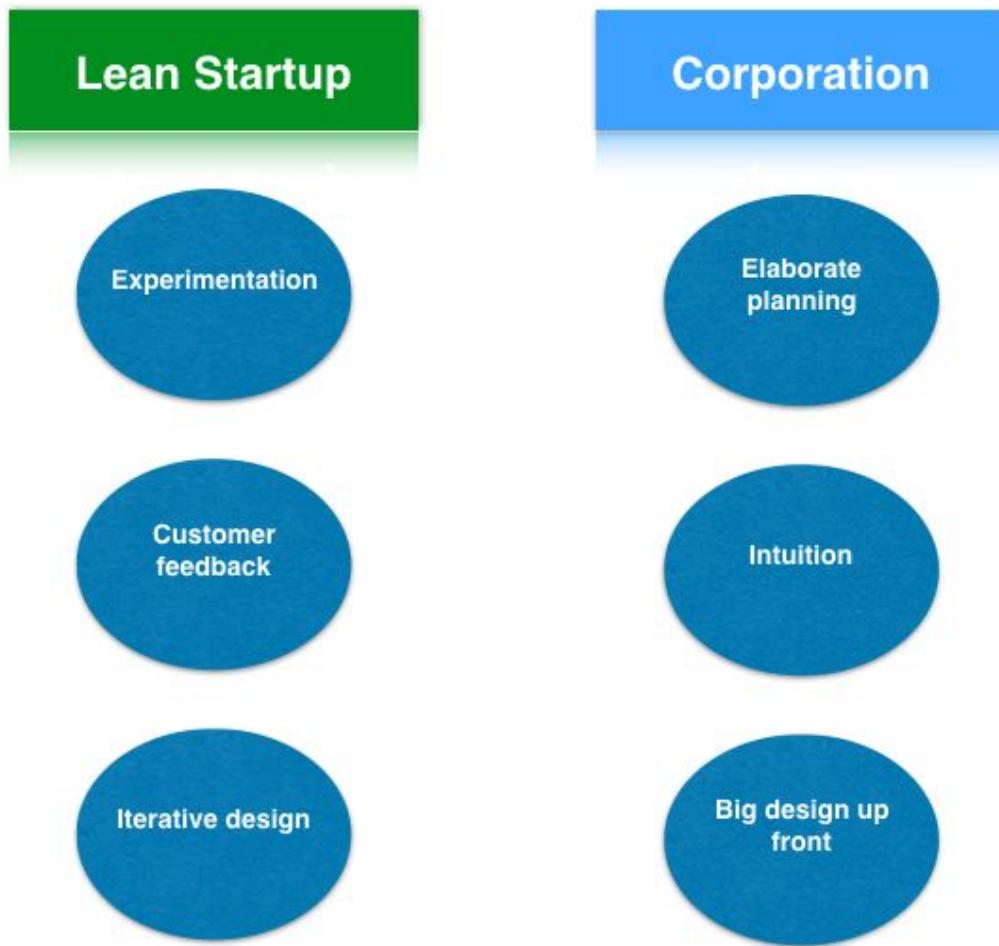
Only after PayPal had drafted, tested and validated a clear value proposition for a small, yet a critical group of power users, it could move on to take larger and larger segments of that market.

What are the primary components of a business model?

Although there is not a single way to define a business model, there is a standard called “[business model canvas](#)” which is a good way to start to understand what are the pieces and moving parts of a company value creation chain. As highlighted in the [business model canvas](#) there are seven key ingredients for any business model to succeed:

- [Key partners](#)
- [Key activities](#)
- [Value proposition](#)
- [Customer relationship](#)
- [Customer segment](#)
- [Key resource](#)
- [Distribution channel](#)
- [Cost structure](#)
- [Revenue stream](#)

However, in a world where information technology has become predominant, being agile becomes critical. In that context, an evolution of the business model canvas, the [lean startup canvas](#) has become more accurate to design a business model for a startup. The key difference is how a startup “behaves” compared to a corporation:

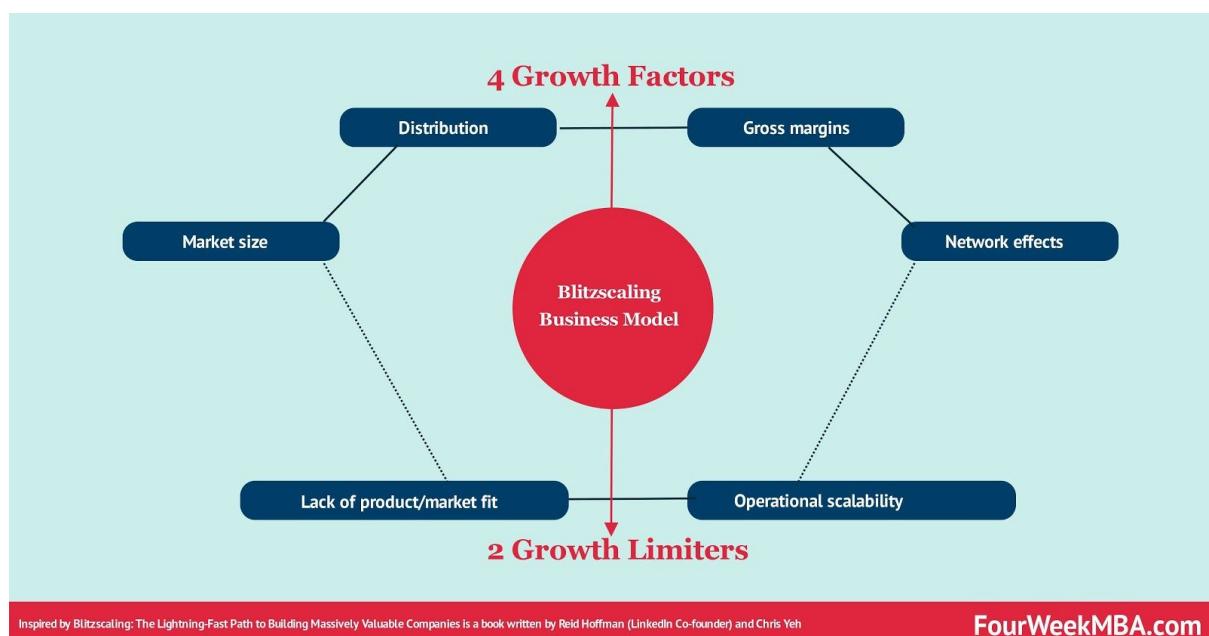


The lean startup canvas started from the lean startup movement launched by Steve Blank in 2013. In short, while large companies relied and still relies primarily on elaborate planning, with business plans hundreds of pages long, full of assumptions. Startups primarily rely on experimentations. Where large corporations invest large resources upfront to design or build up a product or service; Startups use the process of iterative design and agile development, where users help the startup get from MVP to product/market fit.

- [Business Model Canvas](#)
- [Lean Startup Canvas](#)

Whether you decide to use the business model canvas, the [lean startup](#) canvas or develop your own methodology, it is critical to gain a holistic understanding of your business. Thinking in terms of business modeling is the key to reach that kind of understanding.

In other cases, a framework like the [Blitzscaling business model innovation canvas](#) might be more suited to assess whether your business or the company's business model you've designed has all the ingredients to scale up, quickly:



In that scenario, you might want to assess whether your business model has been engineered to encompass four key growth factors (market size, distribution, gross margins, and network effects) and

avoid major growth limiters (lack of product/market fit and operational scalability).

How many types of business models exist?

We can classify business models in several ways. For instance, based on how companies and startups monetize their business, how they deal with their suppliers, customers and the value proposition those companies can offer to several stakeholders.

Some business models have always existed, some others are new, others yet innovate by bringing old business models to new industry (take the Netflix business model case study as an example).

In this guide, we'll see several business models based on successful companies, tech startups and also more traditional organizations. The aim is to give you an overview of all the different moving parts that comprise a business model. In some cases – take Microsoft or Amazon – there isn't a single way to describe a business model, as some companies have been able to diversify so much their operations to be able to generate value propositions across several stakeholders across many industries.

For instance, Microsoft isn't just the company selling the Microsoft Office products. True, that is still an essential part of the business, as of 2017. Yet, Microsoft has many other segments, that are independent of others, and some others that are complementary:

(In millions)

Year Ended June 30,	2017	2016	2015
Microsoft Office system	\$ 25,389	\$ 23,588	\$ 23,538
Server products and tools	21,758	19,177	18,612
Xbox	9,256	9,395	9,121
Windows PC operating system	8,625 (a)	8,104 (a)	14,826
Advertising	6,971	6,098	4,557
Consulting and product support services	5,588	5,641	5,090
Devices	4,557	7,466	11,602
LinkedIn	2,268 (b)	0	0
Other	5,538	5,851	6,234
Total	\$ 89,950	\$ 85,320	\$ 93,580

From a quick look at Microsoft revenues breakdown from 2015-2017, you can appreciate the changes the company has gone through and the complexity of its business model. Indeed, while Microsoft Office is still the core of the business, other products, such as Xbox, might seem at first sight completely separate segments. However, when you understand that the Microsoft involvement in the gaming industry has proved as a perfect ground for AI systems; you can appreciate how the Xbox becomes the perfect “playground” for innovation in the other company’s segments!

Take also LinkedIn, a social media network for professionals. If you look at it merely as a social network, you don’t realize the importance of LinkedIn on Microsoft overall business model. In fact, LinkedIn, which is powered by a knowledge graph might be playing a critical role for Microsoft’s search engine, Bing.

Or take how Amazon back in 2000 was trying to figure out a way to allow other stores to build their e-commerce on top of Amazon, yet it was impossible to do that with its infrastructure at the time. That is why Amazon started to develop that infrastructure, which has now become Amazon AWS:

	Year Ended December 31,		
	2015	2016	2017
Net Sales:			
North America	\$ 63,708	\$ 79,785	\$ 106,110
International	35,418	43,983	54,297
AWS	7,880	12,219	17,459
Consolidated	<u>\$ 107,006</u>	<u>\$ 135,987</u>	<u>\$ 177,866</u>
Year-over-year Percentage Growth:			
North America	25%	25%	33%
International	6	24	23
AWS	<u>70</u>	<u>55</u>	<u>43</u>
Consolidated	20	27	31

In 2017, Amazon AWS represented the fastest growing segment of the company, and it generated over \$17 billion in revenues!

Why am I telling you that? As highlighted so far, a business model can be designed. Yet, most of it is about tinkering and experimentation. Thus, the business model design is a tool to accelerate the process of building up a sustainable machine that captures value on the long-run. The key though is to leave that machine unleashed.

How do you understand the way the business model moving parts come together? What is the glue that keeps them together?

Vision vs. Mission: why understanding the difference between them is important

There is one key ingredient of any company's business model that seldom changes, that is the company's vision.

While the company's mission statement might change over time, the vision sticks. The main difference between mission and vision is about the present and future. The mission is the way the company wants to achieve its objectives now and its purpose in the present.

Take Google mission statement:



Our mission is to **organize** the world's **information** and make it **universally accessible** and **useful**.

In other words, the vision is the map, that influences the company directions and decisions for the future. The mission is about how the company wants to achieve its objectives, thus getting closer to its future vision, in the moving present. That is a tool aligning the key players of an organization (employees, suppliers, customers and more), while it allows the forming of a culture within the organization.

The mission statement instead might have two functions, one is internal, and one is external. Internally, the vision aligns people around the same map. Externally, the vision allows outside observers to understand why an organization might be looking toward a certain direction.

Therefore, the vision is the “organizational DNA.” Once the vision is clear, you might not even need a mission statement to succeed. Even though the mission statement is a critical propeller that helps companies focus on short-term success.

Going back to Google’s mission statement “to organize the world’s information and make it universally accessible and useful,” that allows Google to focus its efforts to achieve its future vision. For instance, when Google announced its transition from mobile to AI first that hasn’t changed its mission.

That only represented the mean to achieve its mission.

30 business model examples in a nutshell

In this guide, we'll look at 30 business models, spanning across several industries, monetization strategies and way to unlock value in the long run!

Hidden revenue business model

Some examples of hidden revenue generation are [Google](#) and [Facebook](#). The two most popular websites on planet earth have a similar monetization strategy. They offer free apps and platforms for a broad audience (billion people worldwide) while monetizing the data of the same users.

In fact, when you do a search on Google or when you put a like on a Facebook post, this is data those companies are gathering to get you profiled. This data that gets collected anonymously gets sold to businesses in the form of advertising.

Each time you click through a link on Google that has the “ad” notation next to it. De facto you’re allowing Google to monetize on a keyword, while you’re making a business monetize on that keyword if you buy the service they provide.

A similar logic applies to Facebook. The news feed is the place where Facebook monetizes most of its ads. Both models both use a hidden revenue generation model as those services work so well that most users barely realize their data is getting sold for advertising.

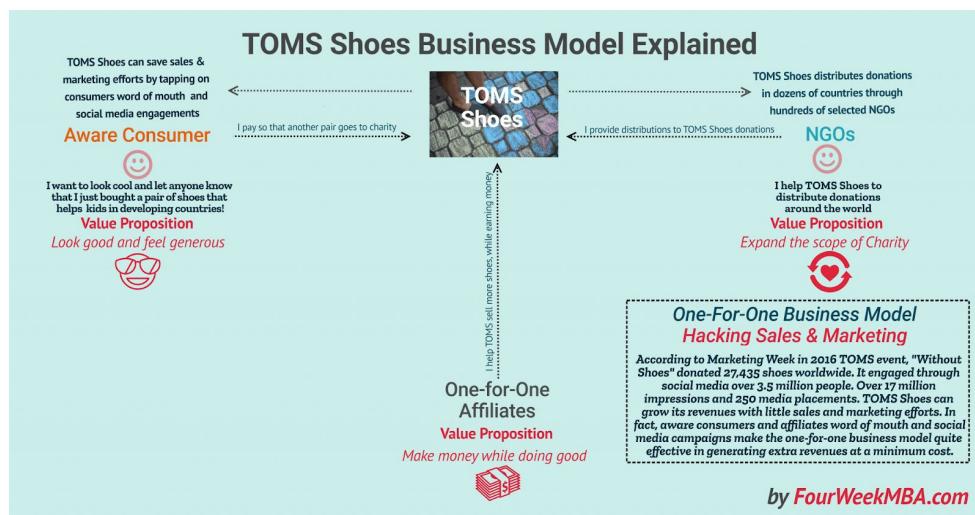
One-for-one business model

Have you ever heard of [TOMS Shoes](#)? As you can understand from the name, this is a company making shoes. What's new about it? The founder of TOMS Shoes founder has come up with a model, in which, for a pair of shoes sold, another pair is given to kids around the world that cannot afford them.

This kind of model might be seen as a sort of hybrid that combines profit with non-for-profit models. In reality, TOMS Shoes has proved to be profitable and sustainable over time.

Indeed, the non-profit side of the business model works as an excellent propeller for the business. Anyone wants to take part in the growth of a company that not only sells shoes but takes care of kids around the world.

Thus, it isn't anymore just a pair of shoes; it is a story you want to be part of.

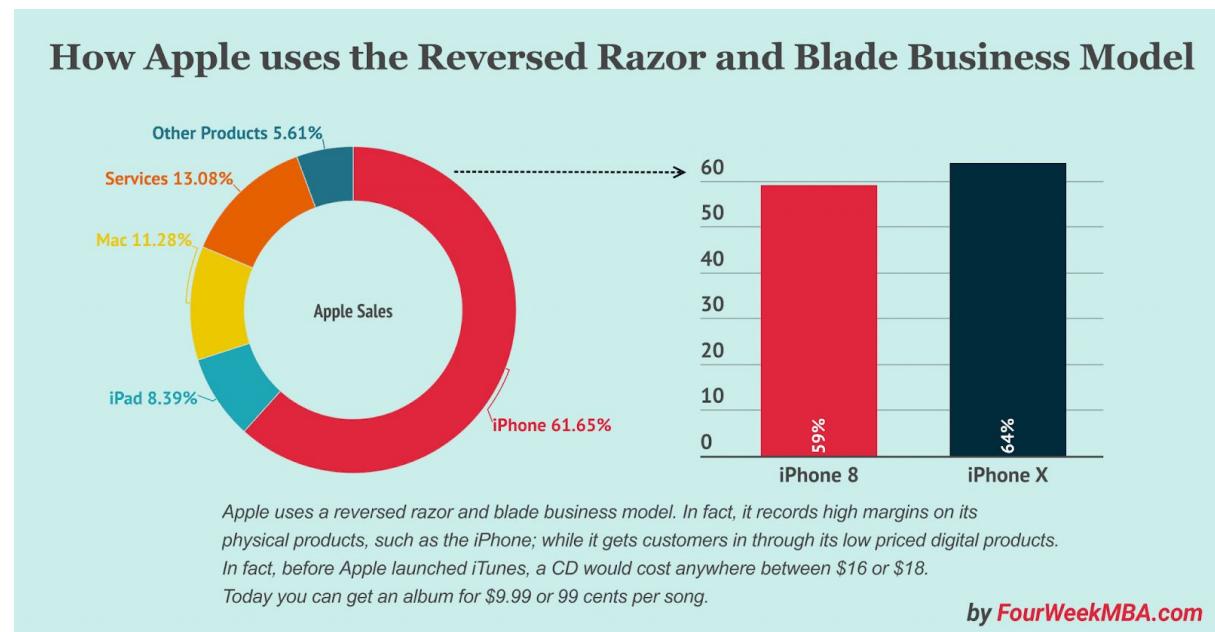


Razor and blade revenue model

Have you ever wondered why a blade costs more than a razor? This is the razor and blade revenue model in action. When a company makes its customers loyal to a product. Then that same companies might leverage on that product to sell related “accessories” for a premium price.

Companies like [Apple](#), for instance, use an inverse razor and blade business model. Apple has created platforms like the App Store and iTunes, which sell app and songs, movies or tv series at a convenient price. While Apple charges premium prices on its devices (iPhone, iPad, and Mac).

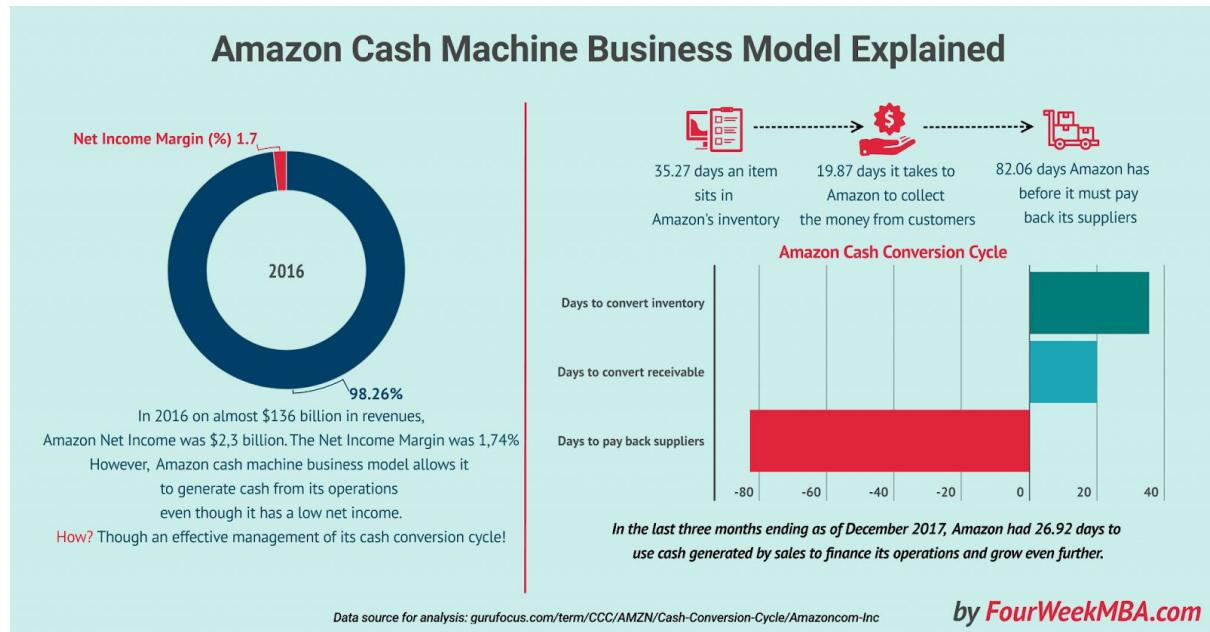
The logic is the same, but inverted. As consumers are locked in the Apple ecosystem, they feel compelled to buy Apple products at a premium price and with very low price elasticity.



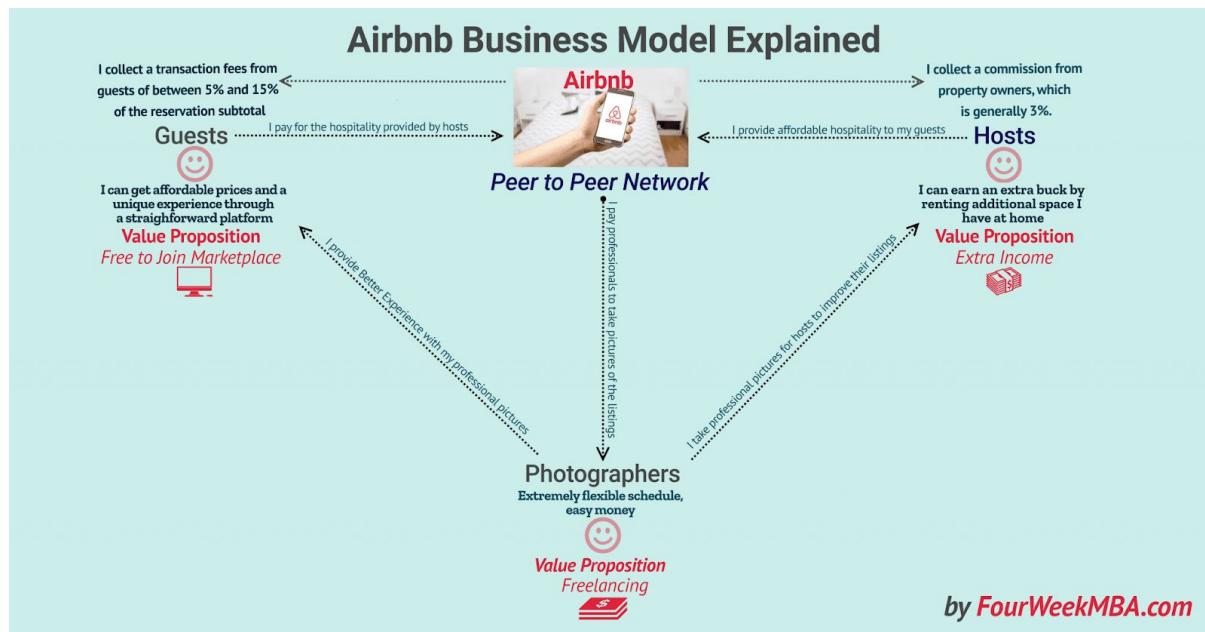
Cash conversion cycle or cash machine business model

Have ever wondered how some businesses survive, nonetheless the thin margin they have? One great example is [Amazon](#).

A company that makes low-profit margin yet it has been very disruptive. In reality, Amazon can get its partners to finance the business by playing on the short-term liquidity of the business.



Peer-to-peer business model



As a peer to peer network, Airbnb allows individuals to rent from private owners for a fee. In fact, Airbnb charges guests a service fee between 5% and 15% of the reservation subtotal; While the commission from hosts is generally 3%. Airbnb also charges hosts who offer experiences a 20% service fee on the total price.

A peer-to-peer business model is built on the premise of creating value for both demand and offer side, while the company that acts as a middleman monetizes through commissions.

Companies like Airbnb have implemented the modern version of the peer-to-peer business model. As technology has quickly advanced, in Airbnb's case, it won just because it allowed the transactions between hosts and hostee smooth.

The platform works seamlessly, and Airbnb only intervenes to create trust and mitigate risk for the party involved.

Multi-sided platform business model

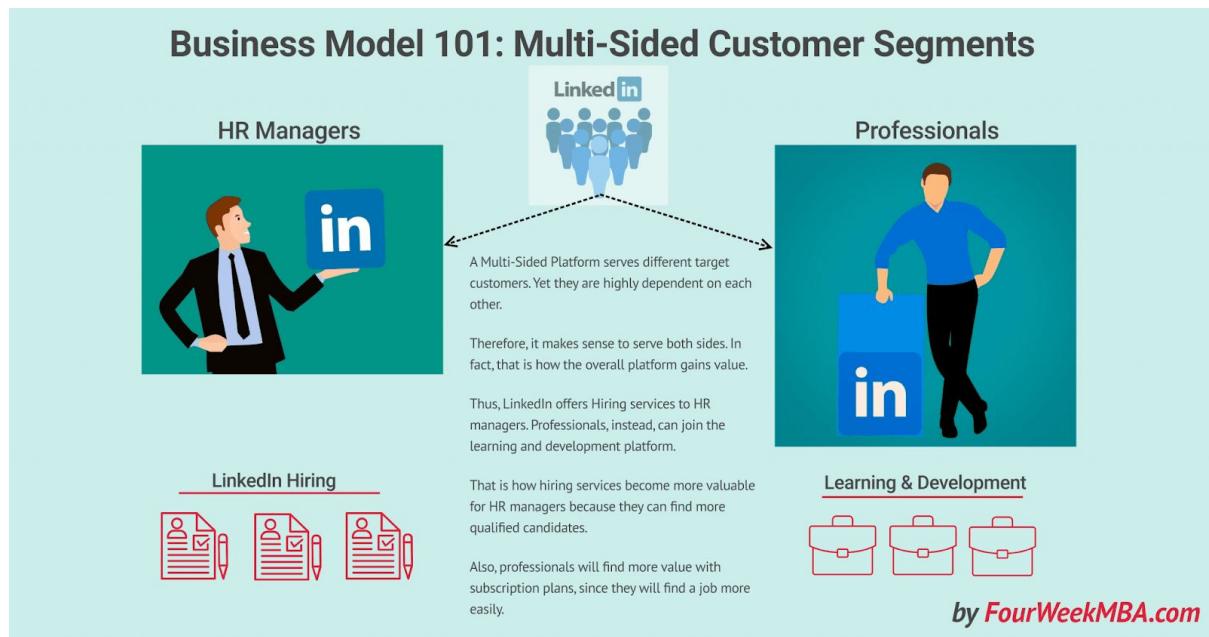
If I saw, professional social network, at least at the time of this writing, for sure you'll think about LinkedIn. In fact, with over five hundred million users worldwide LinkedIn is a platform that offers value for several stakeholders.

LinkedIn is a source of value for a B2B that is trying to grow; it is a powerhouse for any business developer and a source of value for HR managers and candidates looking to grow their skills.

In short, where on a peer to peer marketplace, a company acts as an “invisible” middleman that makes transactions and interactions among sellers and buyers as smooth as possible.

On a multi-sided platform, the company operating that offers services to both sides. For instance, LinkedIn sells subscription services to HR managers to find candidates to fill vacancies. At the same time, LinkedIn provides another subscription service to people looking for job opportunities.

As the value of the platform depends upon the ability of LinkedIn to offer skilled candidates to the HR manager, that is why LinkedIn also has an online teaching platform that offers together with a subscription, professional courses to people looking for a job.

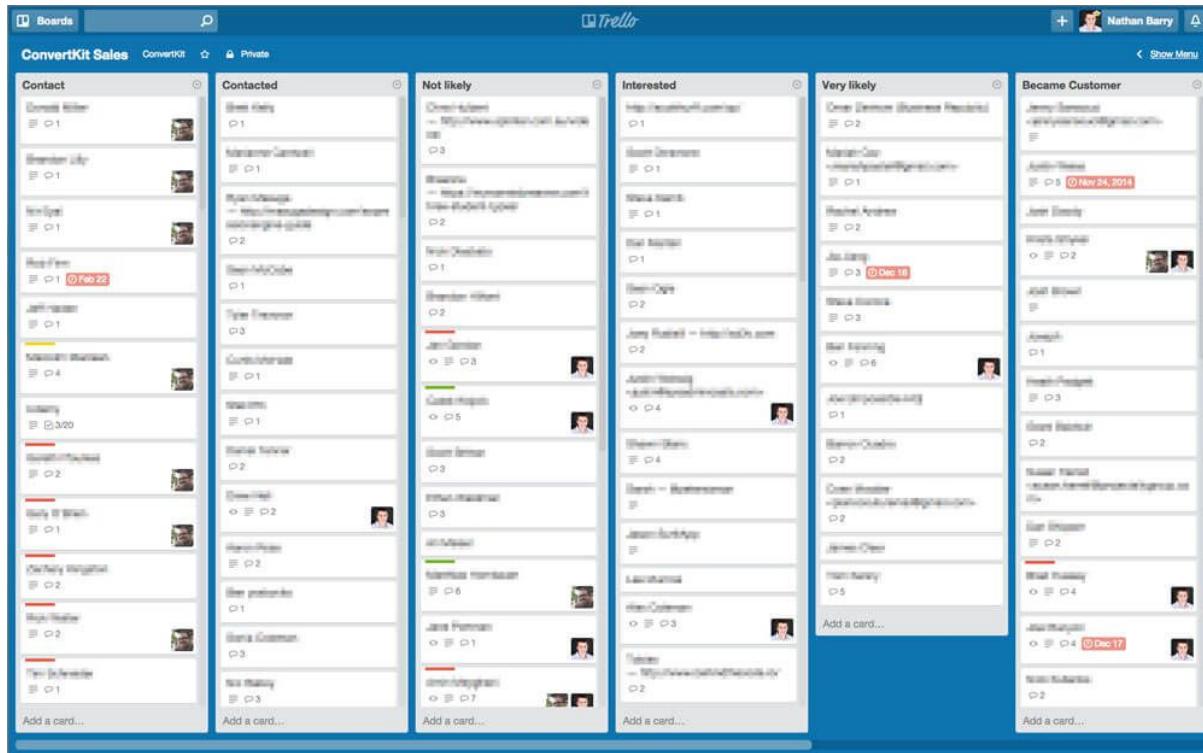


Direct sales business model

Nowadays, with the advent of AI, machine learning and a new form of advanced technologies, it might seem demode to talk about direct sales. In fact, for many, this is a thing of the past.

However, the opposite is true. In an era where everything is getting automated the personal touch is becoming critical. Of course, once technology produces machines to the point of seeming human (see the [Google Duplex](#) experiment) that might be a different story.

Yet as of now, companies like [ConvertKit](#) use direct sales as a powerful weapon to grow their business, fast! Below you can see a simple Trello board put up by Nathan Berry, founder of ConvertKit when he decided to create a mail marketing tool from scratch just to see it grow to over a million dollar in monthly recurring revenue in only six years:



Thus, direct sales can be a powerful way to develop a business if done correctly. One of the secret to a successful direct sales strategy is about the qualification of your target audience.

If you try to sell your service or product to anyone, this is more spamming. The more you qualify your audience, the more you create value.

Freemium business model

Free can be a powerful weapon for growth. Many in the tech industry and more specifically in the SaaS business model use the Freemium to grow their business. The freemium is a mix of free and paid service.

The company offers a basic version of the product that works just like the premium product but it either has limited usage, or it has limited features. Thus, the free version is used for lead generation (capture

contacts of people) and invite them to upgrade to the paid version or have the users with a free account to advertise their product.

Take SumoMe, a tool that allows you to grow the audience of a blog through newsletter forms, pop-ups, A/B tests, and heat maps:

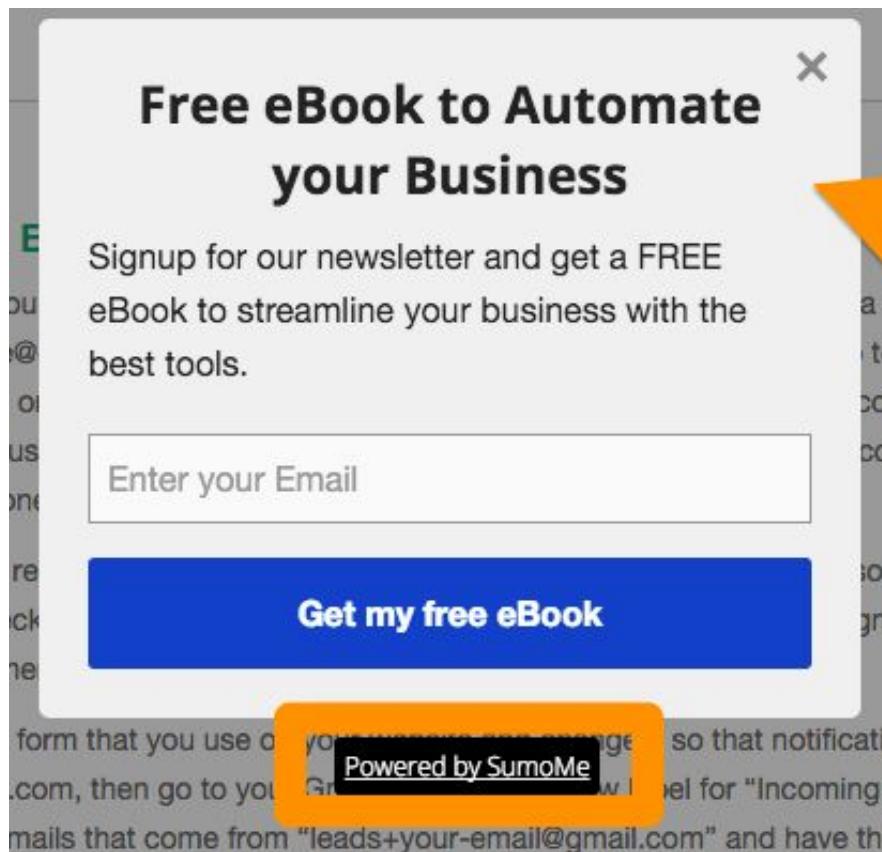
CHOOSE YOUR SUMO PLAN

30-day money back guarantee [1]

MONTHLY YEARLY SAVE 20%

JUST STARTING	PROFESSIONAL	RECOMMENDED SMALL BUSINESS	ECOMMERCE	TEAM
New Businesses Side Projects	Bloggers Contractors Consultants	Small Teams Local Businesses	eCommerce SaaS Companies	Content Networks Bigger Teams
FREE FOREVER	\$24/mo SAVE \$72 A YEAR	\$59/mo SAVE \$168 A YEAR	\$199/mo SAVE \$588 A YEAR	CONTACT US CONTACT US
View Details +	View Details +	View Details +	View Details +	View Details +
Just the Basics: ✓ 200 Subscribers ✓ Basic Email Integrations ✓ Pro Design Tools	"Just Starting" Plan Plus: ✓ 750 Subscribers ✓ Pro Visitor Targeting ✓ Remove Sumo Branding	"Professional" Plan Plus: ✓ Unlimited Subscribers ✓ Chat ✓ Content Upgrades	"Small Business" Plan Plus: ✓ Unlimited Subscribers ✓ Discount Codes ✓ Pro Email Integrations	"Ecommerce" Plan Plus: ✓ Unlimited Subscribers ✓ Unlimited Sites and Seats ✓ VIP Sumo Support

If you get the freemium version of the tool, you still have a lot of features for free. SumoMe will invite you to upgrade over time, and it will show a small link “powered by SumoMe.”



Source: jackpdean.com

In short, the free product can be leveraged in several ways. First, for lead generation. Second, as a way to trigger upsells for non-paying customers.

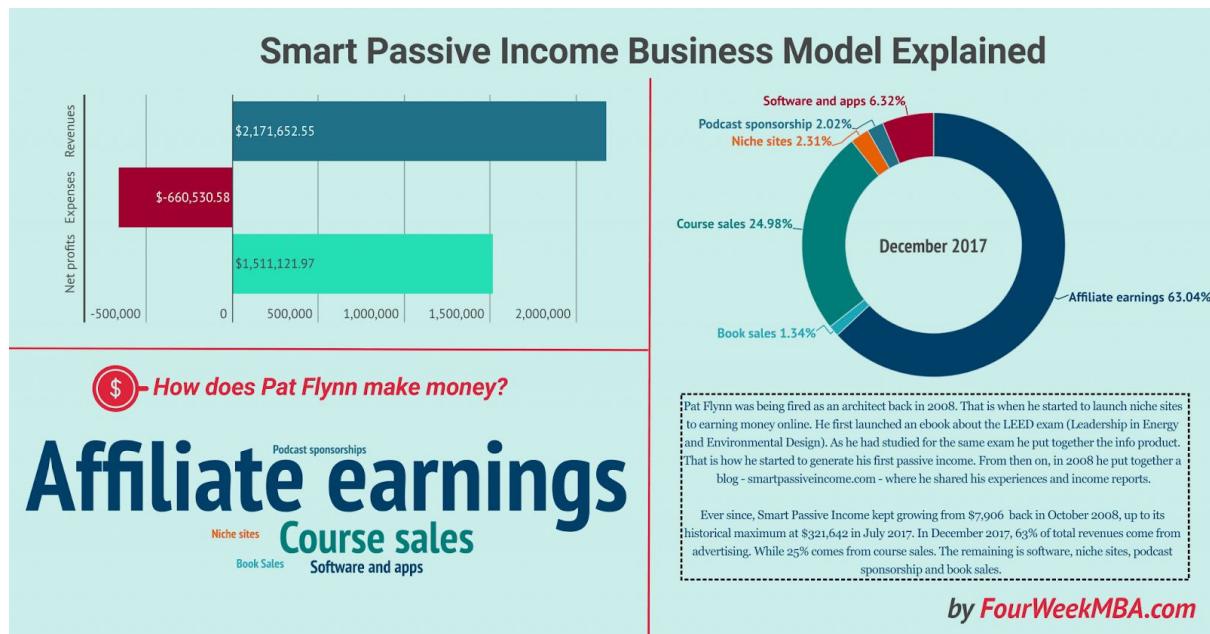
Third, as a virality tool, with CTAs and links placed in strategic places to have free publicity from non-paying users.

If appropriately implemented the freemium model can be a great way to grow a brand and a business fast.

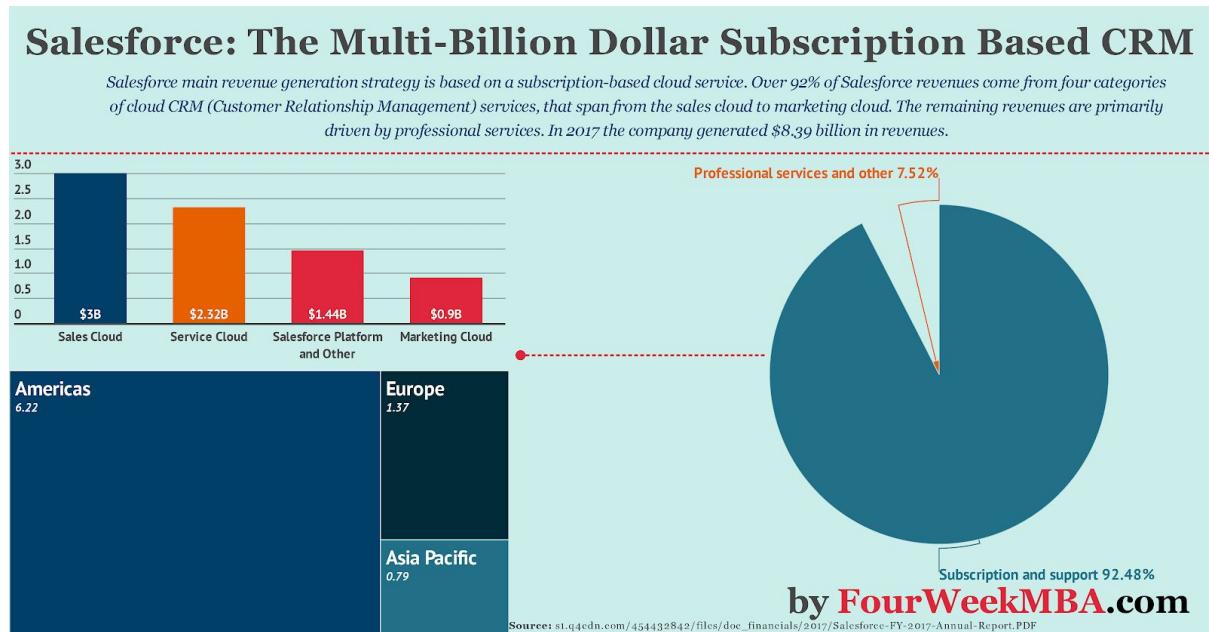
Affiliate marketing business model

Let's say you have a website with a large amount of traffic each month. Yet you don't sell any product or service, which is yours. How do you make money? Well, thanks to affiliate marketing you don't need either a product or a service, you have many from other companies.

Thus, you'll make money by merely featuring other products or services and getting a commission for that. Affiliate marketing done right can be a powerful source of income. Take, [Pat Flynn from Smart Passive Income](#), which has been generating millions of dollars with affiliate marketing:



Subscription business model



Salesforce main revenue generation strategy is based on a subscription-based cloud service. Over 92% of Salesforce revenues come from four categories of cloud CRM (Customer Relationship Management) services, that span from the sales cloud to a marketing cloud. The remaining revenues are primarily driven by professional services. In 2017 the company generated \$8.39 billion in revenues.

Think those two scenarios. You have a series of online courses that you sell as a one-off. You've sold 100 courses in one month at \$100; you'd made \$10,000. Next month to have the same level of revenue generation you'll have to sell other 100 courses.

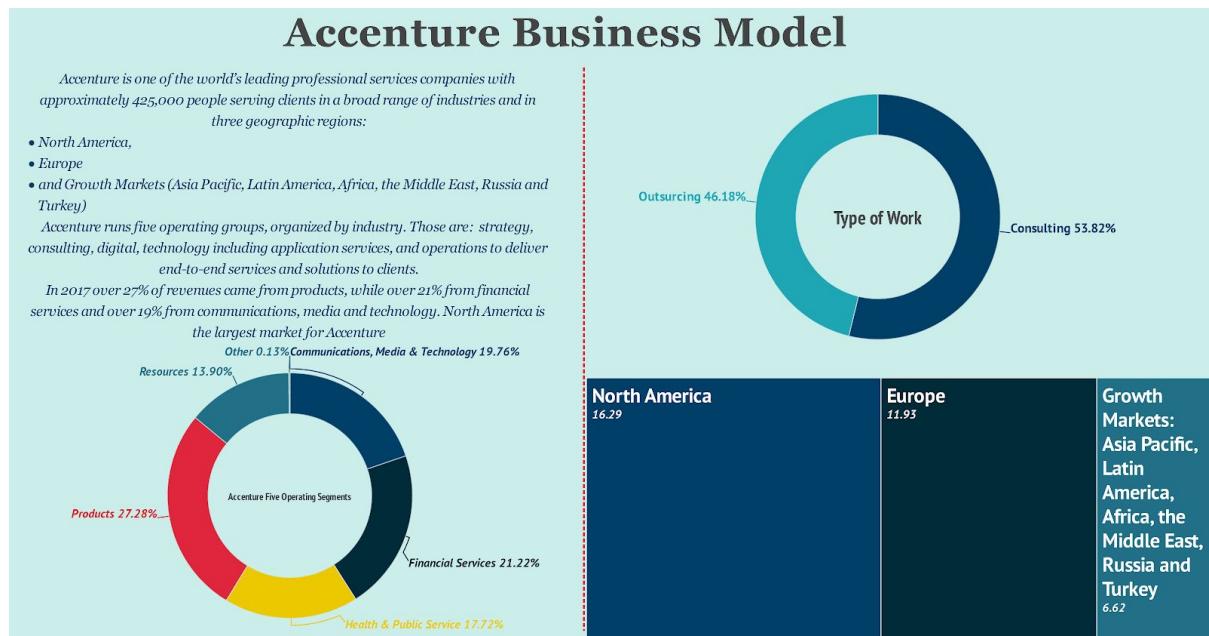
This means you either find more students or you produce new courses. Imagine the second scenario. You have a few courses, and you make them available for a monthly subscription at \$75. If you have 100 subscribers, this means that each month you'll have \$7,500 without having to find new students.

Given this example, you can understand why the subscription business model is so powerful. Today companies like Netflix, Amazon (with Prime), LinkedIn and many others use subscription-based models to monetize part of their business. However, a subscription-based business model also needs a lot of resources.

Take Netflix. I'll keep paying my subscription only if they will give me fresh content on a regular basis. That is why Netflix also produces series that are quite successful. Yet those series have massive production costs.

In other words, to sustain a subscription-based business model you also need a lot of the resources necessary to create new content, have awesome support or service that motivates subscribers to keep paying. The curse of the subscription business model is churn!

(Management) consulting business model



As one of the most successful consulting company in the world, Accenture makes money by selling consulting services in several industries (from financial services to communication and technology).

A consulting business model is often based on hiring talented people with hiring people and have them work on multiple client's projects. The client pays a fee that can be assessed per hour or per day, according to the requirements of the service. Accenture was able to build a multi-billion dollar based on consulting services across the globe.

Agency-based business model



neilpatel.com is one of the most successful sites about digital marketing. Neil Patel has also used his name as a brand, which has become recognized in the digital marketing space.

However, rather than selling tools or info-products, Neil Patel is monetizing its traffic by generating leads for his digital agency. As he pointed out:

My model isn't as scalable and it requires more headcount, but it can generate much more money. Just look at ad agencies like WPP and Dentsu. They generate billions in revenue!

A screenshot of the Neil Patel Digital website. The header features the text 'We help the world's top companies **exponentially grow their traffic**'. Below this, a subtext states 'With over 1 million visitors per month to our own website, we lead by example'. At the bottom of the main section is an orange button labeled 'WORK WITH US'.

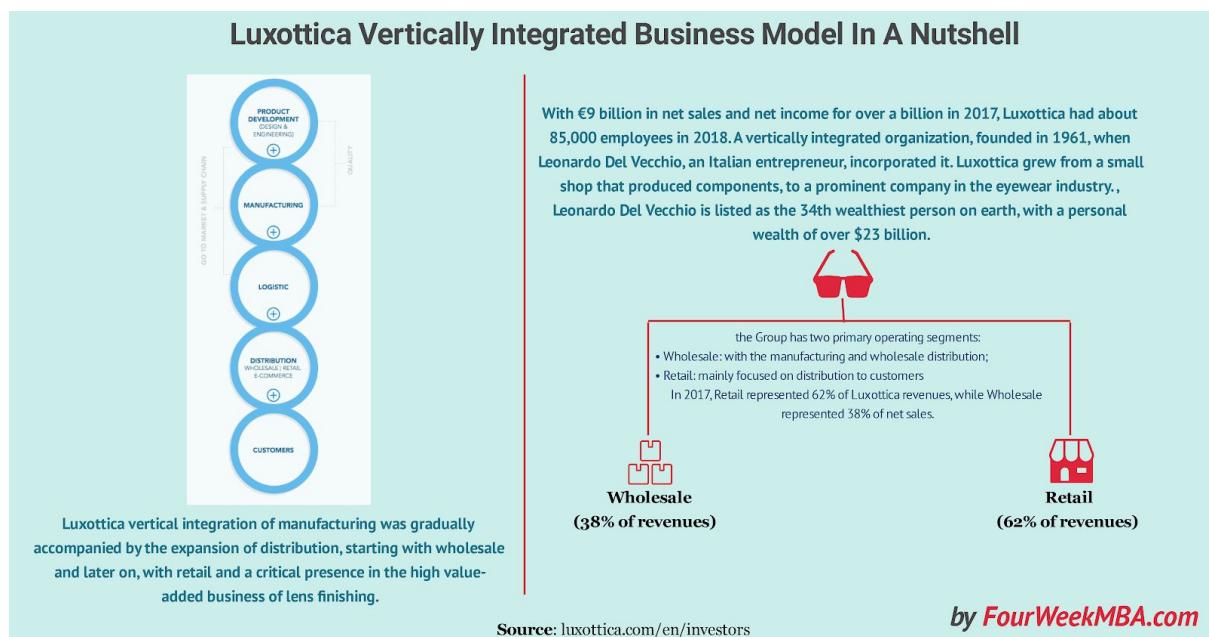
In short, Neil Patel Digital is the SEO and digital marketing agency which allows Neil Patel to monetize its traffic primarily by offering free

content and free marketing tools. This is a mixture of a freemium business model, combined with an agency-based business model.

Yet, the idea behind the agency-based business model is simple: you generate enough qualified leads, set up a lean team to manage those projects and grow the agency based on on-coming projects!

According to Neil Patel – at least in the digital marketing space – there is still space to grow a multi-billion turnover agency.

Vertically integrated supply chain business model

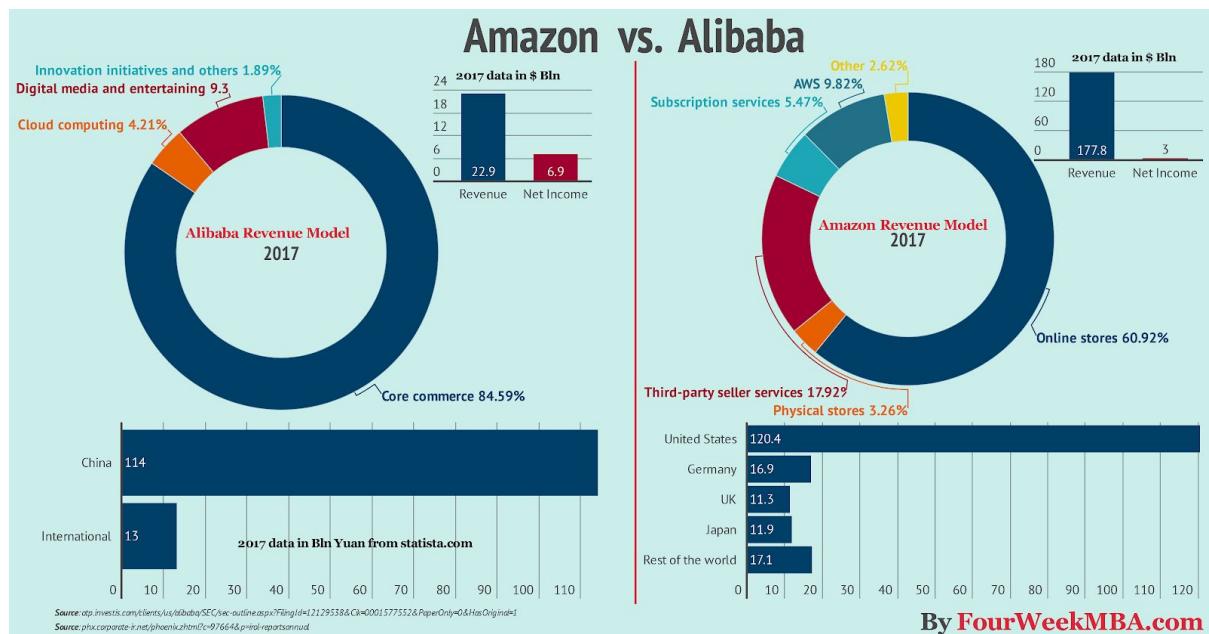


From its humble beginnings in 1961, when Leonardo Del Vecchio started as a small shop that produced components and semi-finished products for the optical industry; that shop has reached over \$9 billion in net sales in 2017. With all the major brands from the eyewear industry licensed by Luxottica (Armani, Bulgari, Chan, I, Prada and

many others) it is the largest and most vertically integrated business in the world.

Leonardo Del Vecchio, one of the wealthiest people in Italy and among the wealthiest businessmen in the world, has built Luxottica piece by piece. Started as a small shop producing semi-finished products for the optical industry it eventually acquired the whole supply chain, up to own retail stores across the globe. It took Leonardo Del Vecchio a few decades to build its vertically integrated business. Yet now that is the most successful company in the optical industry. Instead of being acquired by a large American company, the Italian based Luxottica was the one acquiring brands like Oakey (the California-based eyewear company).

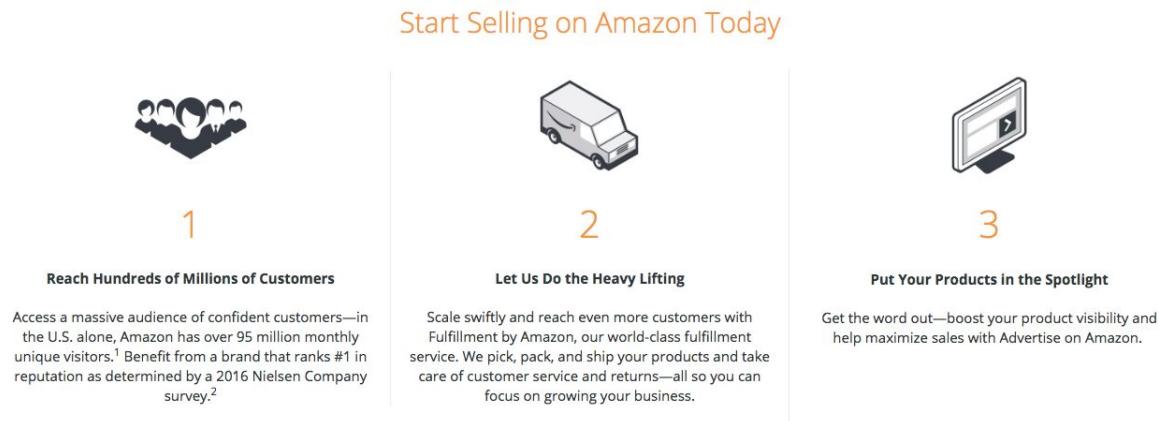
E-commerce marketplace business model



With almost \$23 billion in revenues and nearly \$7 billion in profits. While in North America and the western world in general, Amazon is the synonym of “e-commerce.” When it comes to the Chinese industry, Alibaba is the market leader! In 2016 the company recorded

over 423 million active buyers. Alibaba, just like Amazon has a diversified business model, with many moving parts. However, as of 2017 most of its revenues still came from core commerce.

As building up a website and e-commerce has become inexpensive, and it buries no particular cost for the traditional brick-and-mortar business, more and more small businesses join in and make of the marketplace their primary source of revenues following Amazon leadership at the global scale. In fact, in many cases brick-and-mortar stores opt to become Amazon sellers:



In fact, by becoming a seller on Amazon, you allow your products to be directly picked, packed and shipped. Amazon takes a cut of the revenue, and the seller retains the rest. As Amazon puts it:

We offer programs that enable sellers to grow their businesses, sell their products on our websites and their own branded websites, and fulfill orders through us. We are not the seller of record in these transactions. We earn fixed fees, a percentage of sales, per-unit activity fees, interest, or some combination thereof, for our seller programs.

As of 2016 Amazon still made almost 70% of its revenues from retail products.

The discount business model that focuses on high quality

ALDI Business Model In A Nutshell

Net sales of the ALDI North Group GRI 102-7

Total net sales of the business year (in billion euros)

Year	Net Sales (in billion euros)
2016	21.2
2017	23.4

Karl Albrecht and Theo Albrecht are reported to be among the wealthiest businessmen in Germany with respectively and family €17.20 billion and junior and family (Aldi Nord) €16 billion

By the end of World War II, Theo and Karl Albrecht took over the small grocery store of their mother to make it become one of the most successful discount supermarket chains in the world. ALDI operates according to the motto "the best quality at the lowest price." With combined sales of 53 billion euros in 2010, ALDI North and South have separate operations. ALDI founders are among the wealthiest businessmen in Germany with a personal wealth of over 33 billion euros, combined.

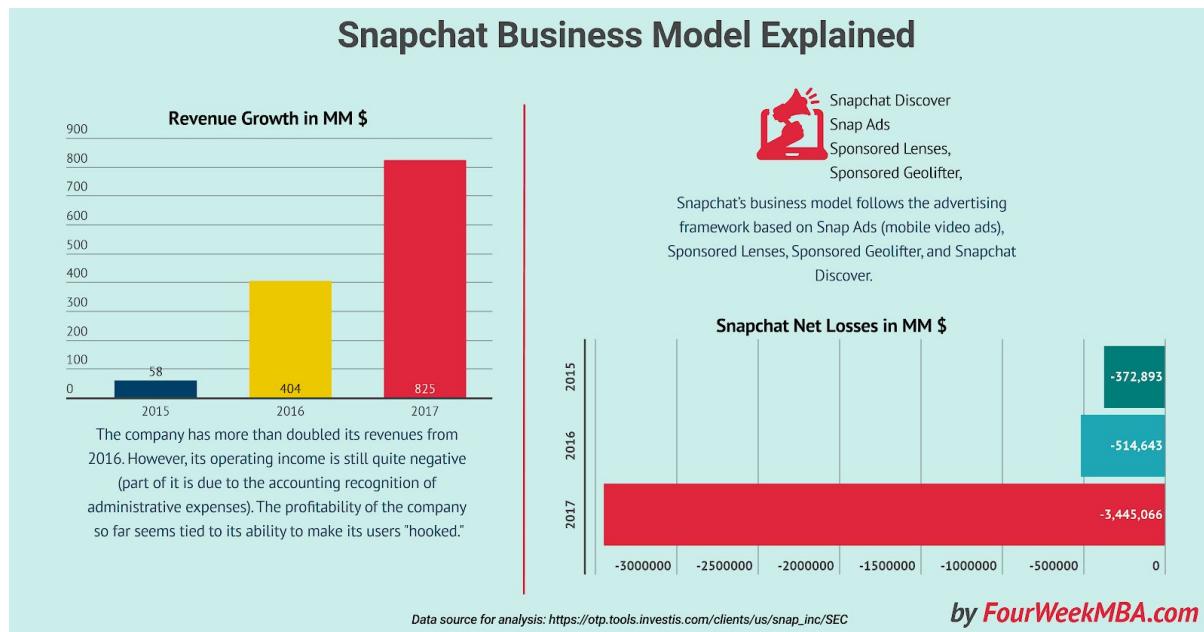
In 1913, Frau Anna opened a small grocery store in the suburb of Essen, Germany. By the end of World War II, Karl and Theo, Anna's soon took over their mother's business after, and run it with the motto "the best quality at the lowest price." That motto would become the company vision for decades to come.

ALDI North has acquired Trader Joe's, the chain of grocery stores based in Monrovia

by FourWeekMBA.com

Leveraging on price to gain a competitive advantage isn't new. However, price wars are not the best way to create a sustainable business model. Instead, the supermarket chain – ALDI – has done just the opposite. One of the critical ingredients of ALDI business model is to keep its prices low while maintaining its quality as high as possible. How? WIth several strategies. For instance, ALDI limits its stores to 1,300 items, which generates minimum wastes. Also, ALDI also features its brands, which makes it inexpensive to sell them, as there will be lower sales and marketing costs associated. 90% of ALDI brands have an exclusive agreement with the market chain!

Attention merchant business model



An attention merchant might be defined as a company that primarily makes money by harvesting human attention. While this definition is tough in practice (most companies make money by grabbing their target attention) the attention merchant primarily asset is human attention. That is also why companies operating with an advertising business model are defined attention merchants. While in the tech industry companies like Facebook and Google have become hugely profitable by using an advertising model.

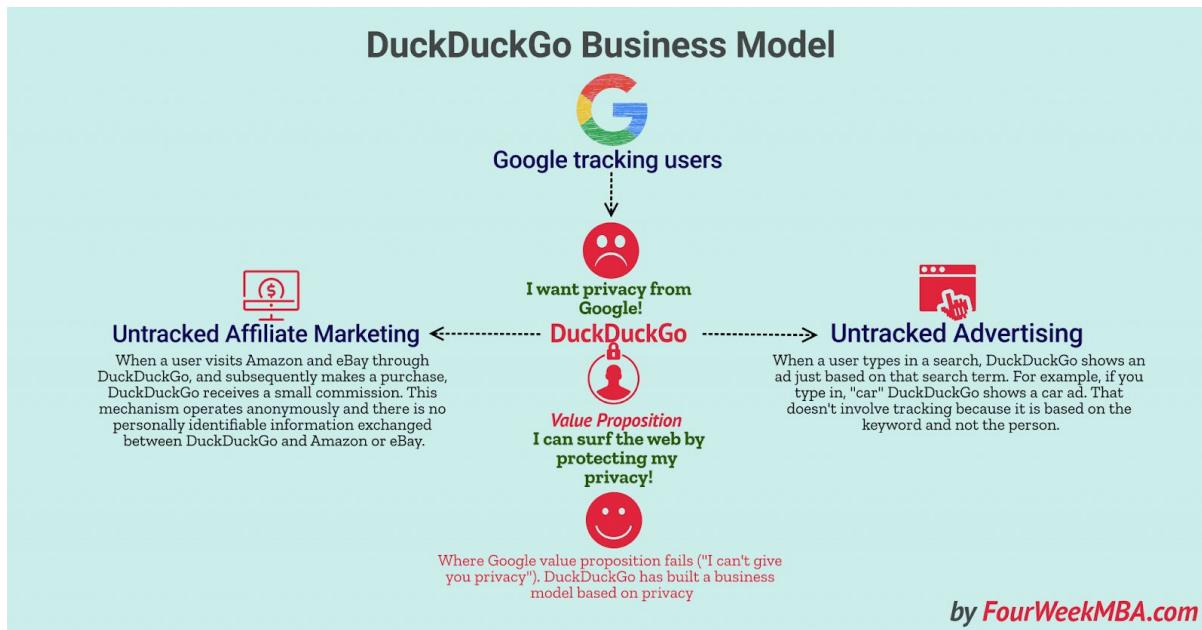
For the sake of this article, I'm mentioning Snapchat Business Model as it probably represents the wildest evolution of where attention merchants can get. Just like Google allows businesses to bet on keywords. Businesses on Snapchat can create their Geofilters based on location and track the results of those Geofilters.

While Google and Facebook proved to have a solid business model, attention merchants usually also face many challenges. In fact, as

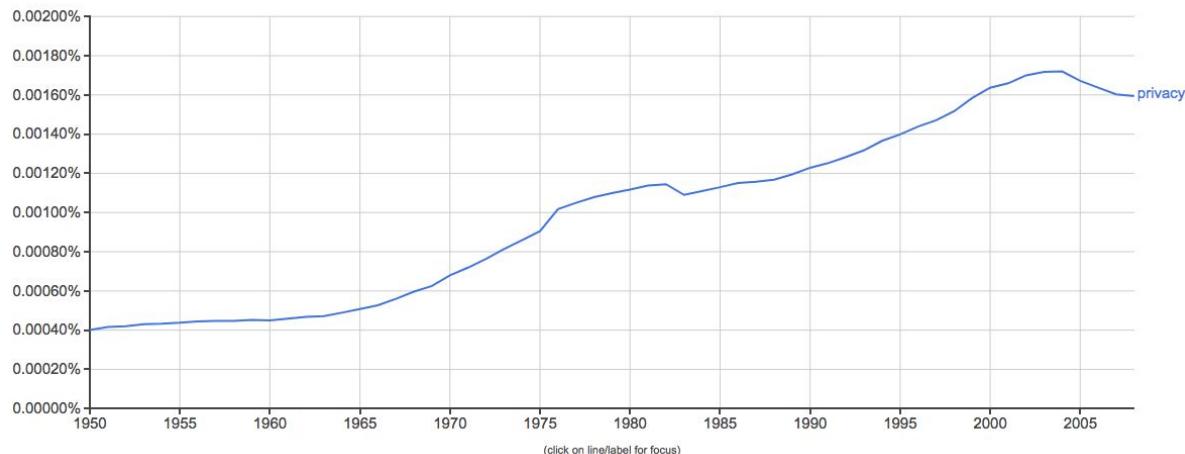
those companies scale up, they also end up grabbing the attention of billions of people worldwide. When that happens, those tools become a threat to the political system which tries to kick back by regulating or fining them.

Another aspect of attention merchants is about keeping the users hooked. When those apps start losing users attention – if they don't have a solid business model – a single Tweet from a Kardashian can make the company burn over a billion dollar in market cap!

Privacy as an innovative business model



While humans have always looked for private moments in their lives, Privacy has gained a new and renewed meaning in modern times:



With the rise of the web and the rise of companies that make money by harvesting users' data, privacy has become a concern. As many

businesses start from people's concerns, privacy has become itself an industry.

Part of it has been fueled by Google practice to gather users' data. As more people become aware of [the Google business model](#), they look for alternatives that respect privacy. If you type "privacy" on Google search box, among the most frequent related searches, you'll find "privacy Google:"



If you click on "privacy google" you will get on the right-hand side a [knowledge panel](#) which highlights "privacy concerns regarding Google:"

Google

privacy google

All News Videos Maps Shopping More Settings Tools

About 4,630,000,000 results (0.49 seconds)

[Google Privacy | Why data protection matters](#)
https://privacy.google.com/ ▾
Your data privacy matters. Learn how Google keeps your personal information private and safe – and puts you in control.
Take Control · Your Data · Your Security · Safer Internet

[Privacy Control | Your Google privacy settings](#)
https://privacy.google.com/take-control.html ▾
Take Control. You have the controls to manage your privacy. We use data to ...

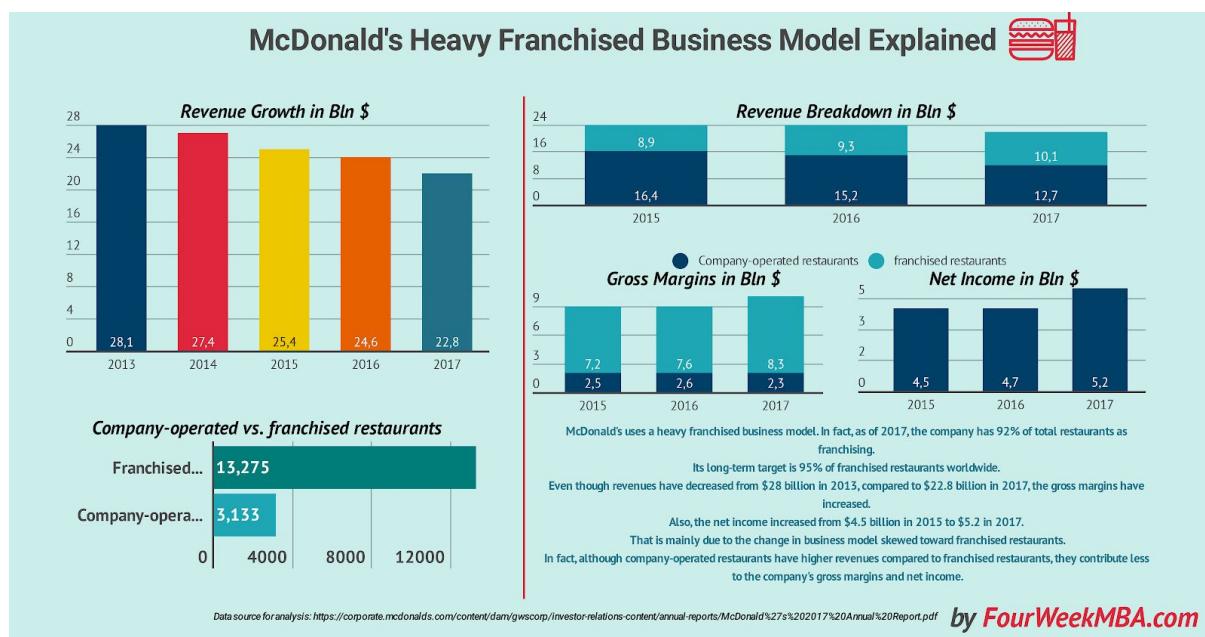
Privacy concerns regarding Google

Regarding privacy concerns with the technology corporation Google, Google's privacy change enables the company to share data across a wide variety of services. These embedded services include millions of third-party websites that use Adsense and Analytics. [Wikipedia](#)

In short, Google itself is revealing the existence of an industry that revolves around privacy online. In this scenario, a [search engine like DuckDuckGo](#), which has built its success on throwing the users' data on the fly to allow private navigation, that is growing quite fast. That's because [DuckDuckGo makes money](#) primarily via affiliations and by

selling local keywords. Thus, privacy becomes a propeller for DuckDuckGo business growth.

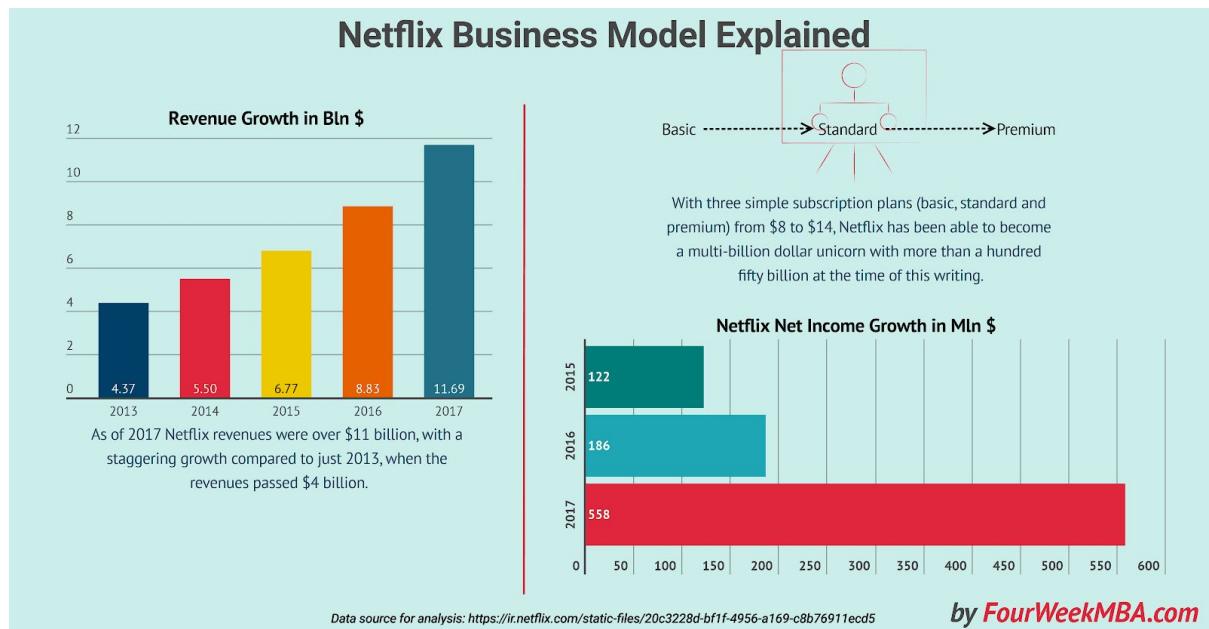
The most successful franchising business model in the world



McDonald's follows what could be defined as a "heavy franchised business model." 92% of its restaurants are franchised. With a long-term objective to reach the 95% of franchised restaurants.

The franchising business model is quite effective for the expansion of the organization. A franchisor licenses its know-how (which might comprise procedures, training materials, brand and more) for a franchisee, which has the right to sell the franchisor products and services in exchange of a royalty. In some cases, the franchisor also gets a percentage of the revenues.

On-demand subscription-based business model

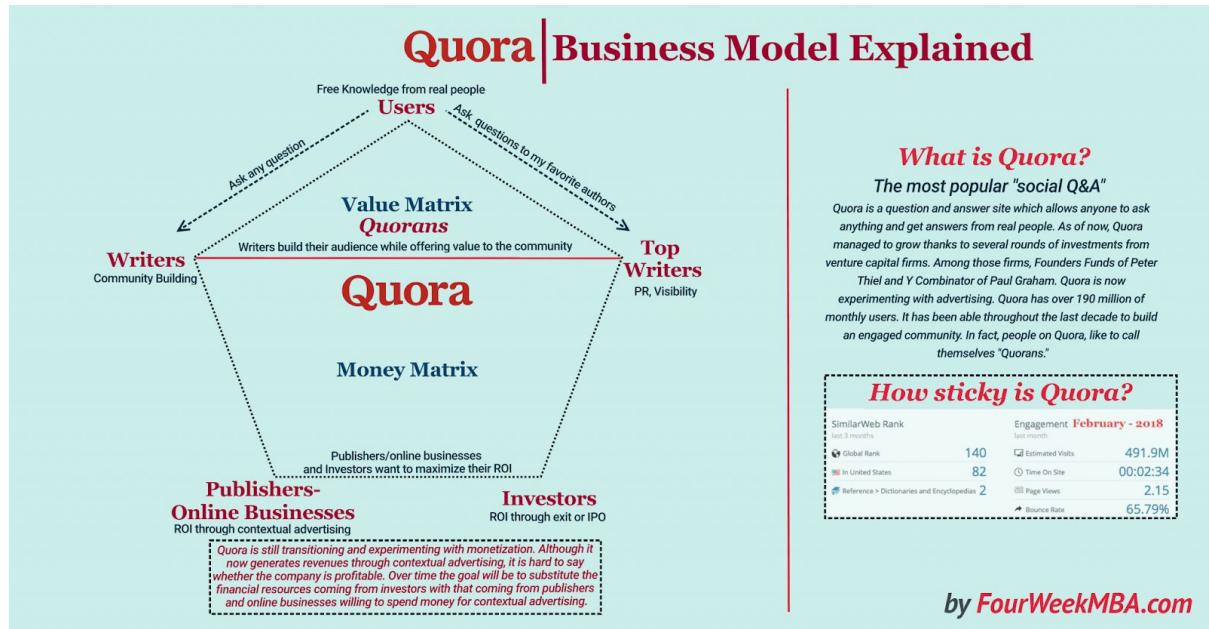


We now give for granted that we must watch our favorite shows and series on-demand. Yet, for decades the traditional media business model has relied on fixed schedules. You either watched the Late Show at the time it was going on air, or you were supposed to wait for the next replica of that episode.

At times a business model only becomes possible when technology evolves. In some cases, it also requires some creativity when technology doesn't help. For instance, in 1997 Reed Hastings, CEO, and founder of Netflix started a business based on rental of DVDs. This business today contributes to a small pie of Netflix revenues, yet at the time it was the core of the business, and it has been so for years. “On-demand” at the time was possible with the pay per rental business model. Until Netflix transitioned to the on-demand subscription-based business model; an old business model used by

magazines for decades was successful and “innovative” in the TV industry, where the content was mainly distributed at fixed schedules.

User-generated content business model



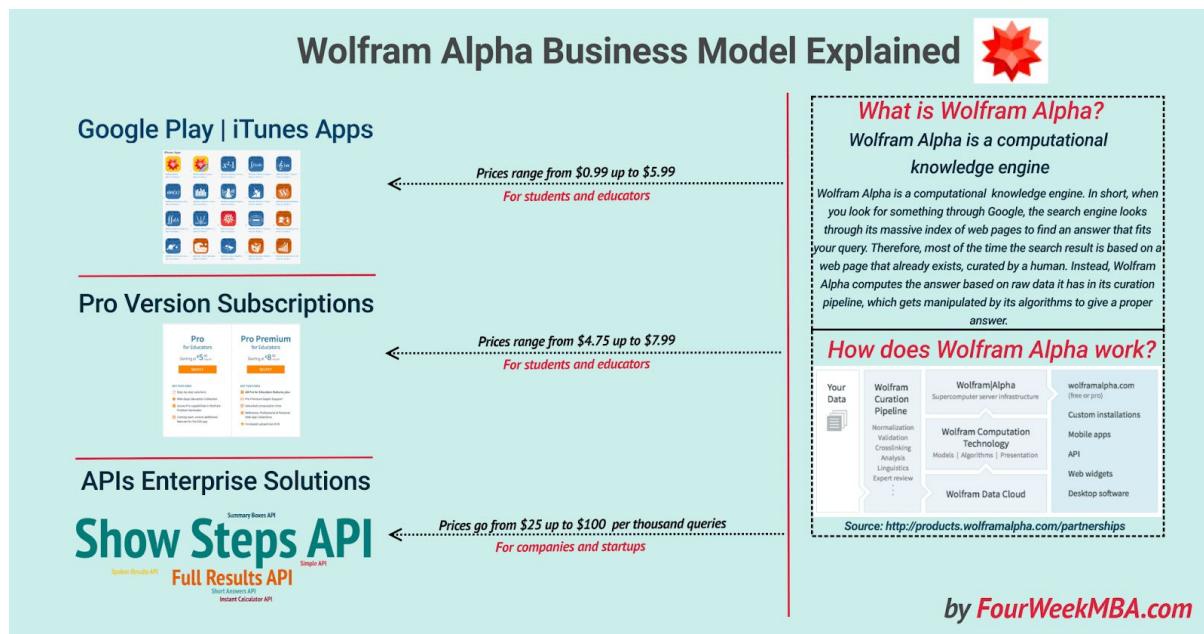
Among the [50 most popular sites in the US](#), Quora might be defined as a “social Q&A” site. Just like Reddit taps into users to generate content. Quora also draws into its writers to produce quality content that answers its users’ questions.

There are a few interesting aspects about Quora. First, it uses a mixture of AI combined with human intelligence. Quora allows users to write content while using advanced algorithms to make the platform scale up. Second, people writing on Quora do not get paid. In fact, by introducing a social mechanism of ranking, Quora writers feel recognized for their work. Besides, earning the prize as Quora top writer might also mean the mention of popular publications. Thus, if I had to describe the [Quora business model](#) in a couple of sentences, that would be “*the social that taps into users – that aspire to become*

writers – to produce content, and it scales up thanks to a smart platform built on AI systems.”

In terms of monetization, Quora has received several rounds of investment and started to test text-based advertising.

The educational niche business model

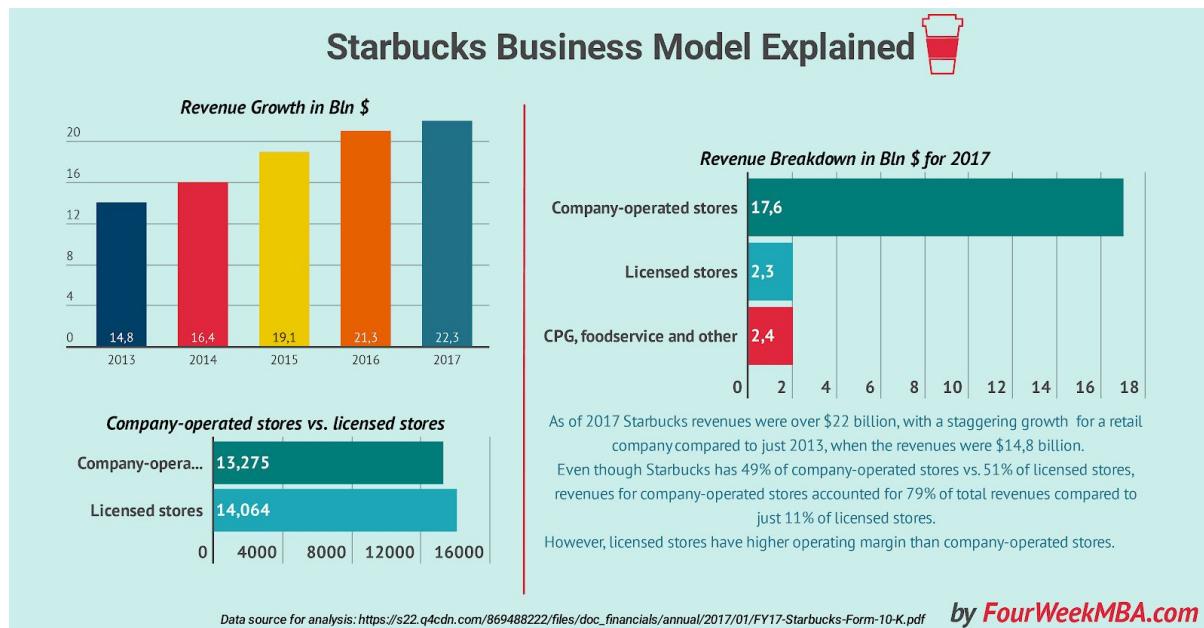


Built by one of the smartest persons on earth ([Stephen Wolfram](#)), Wolfram Alpha is a computational engine, able to provide complex mathematical questions and way more advanced (at least until a few years ago) compared to any other search engine. [Wolfram Alpha has built its business](#) based on education. The primary targets remain students or teachers, which with a subscription can get unlimited access to Wolfram Alpha features.

Wolfram Alpha makes its computational engine free and open to anyone. Yet to get advanced features (such as full mathematical procedures) you will need to subscribe to the paid version. In short,

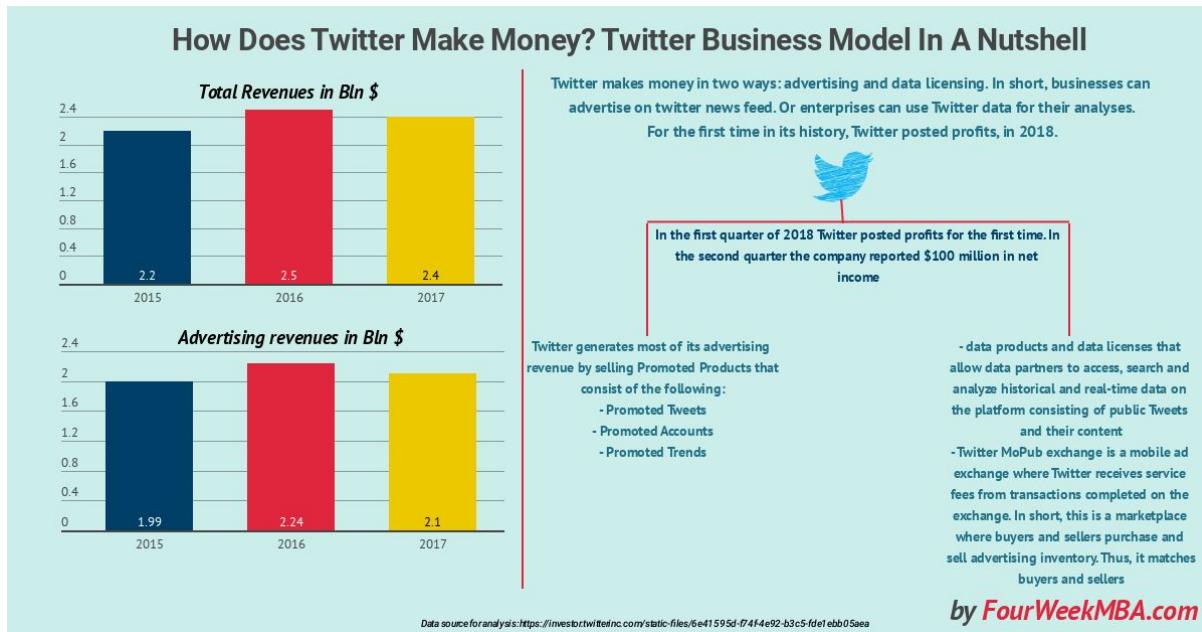
that is a mixture of a freemium and subscription-based model that targets the educational industry.

A mix of chain and franchise business model



When 1983, Howard Schultz was walking through the streets of Milan and Verona he became “enamored” by the coffee experience people had in the Italian *bars*. He decided to bring that experience back home. That’s how Starbucks was born. While McDonald’s makes money by primarily and heavily franchising its restaurants, Starbucks is a mix of operated vs. licensed stores. If we look at the revenue generation, company-operated stores make up 79% of the company’s revenues in 2017.

Instant news business model



Twitter has based its fortune to short messages (until 2017 140 characters, then extended to 280) which allows anyone to share news but also updates that become news. One of the most powerful aspects of Twitter is its immediateness, which although might have also caused troubles in the media industry, it also allowed news to be disintermediated. Twitter is an attention merchant, which primarily makes money via advertising, like Facebook and Google.

Blockchain-based business models

A Blockchain-based business model leverages on this new technology to allow decentralized systems to work on a global scale. If unleashed, those business models might be able to build the next world dominator, a Blockchain-based business.

When on January 10th, 2009, a guy named Satoshi Nakamoto (it probably was only a pseudonym) sent an email to a man from Santa

Barbara, Hal Finney, he announced a new currency, called Bitcoin, based on a new technology called Blockchain. Merely put the Blockchain is a distributed ledger which relies on cryptography to handle transactions, interactions or anything that implies an exchange between people, which is decentralized and anonymous.

That was a revolution. Since the Bitcoin has become a global phenomenon, the technology that allows it to function, the Blockchain, has been evolving. To be sure, the Bitcoin Blockchain isn't the only protocol. Large numbers of Blockchain protocols have been created since the Bitcoin launch. This means that the combination of existing business and new Blockchain protocols will give rise to a countless number of innovative business models.

Those few that will pass the test of time might probably give rise to the next Blockchain Giants. A compelling case of innovation based on a Blockchain-based business model is Steemit:

Steemit: The Decentralized Social Network That Is Challenging Facebook Business Model

Steemit leverages on Zipf's Law. That is, if there are a million items, then the most popular 100 will contribute a third of the total value, the next 10,000 another third, and the remaining 989,900 the final third. The payout distribution is to offer large bounties for good content while still rewarding smaller players for their long-tail contribution. Why? payout distribution is to offer large bounties for good content while still rewarding smaller players for their long-tail contribution.



The fact that everyone "wins something" plays on the same psychology that casinos use to keep people gambling. In other words, small rewards help reinforce the idea that it is possible to earn bigger rewards.

When you produce content that gets upvotes and shares, you will automatically accumulate rewards. Those rewards will be paid out as follows:

- 50% in Steem Dollars (SBD)
- 50% in Steem Power (SP)

The Steem Power (SP) currency can be converted in Steem (also said power-down). In fact, if kept the SP gives its holders increasing voting power and influence over the platform. The Steem Dollar (SBD) gives its holders an immediate and more stable currency that can be exchanged on the market.

When you post something on Steemit you have three options:

1. Power up 100%: you will only get rewarded with Steem Power currency
2. Default 50%/50%: you would get paid half in SP and half in SBD
3. Decline payout: in this scenario, your payout will be distributed to users

Source: <https://steem.io/SteemWhitePaper.pdf>

by **FourWeekMBA.com**

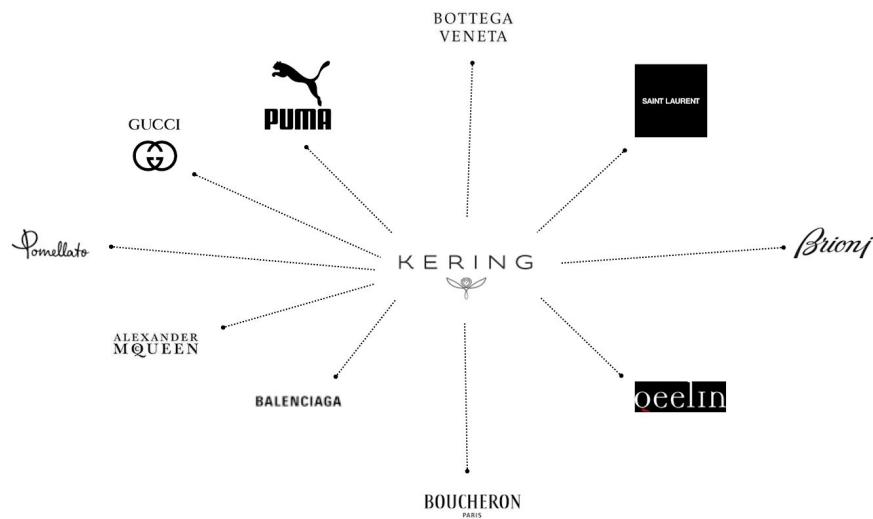
That is a decentralized social network, which rewarding system is based on a Blockchain protocol, called Steem. Like Steemit many

others are trying to innovate in several fields. Thus, we might expect an explosion of Blockchain-based business models.

Multi-brand business model

Back in the late 1990s, a war started in the fashion luxury industry to take over Gucci. That war saw an arm wrestling between Kering Group – a company founded as a lumber trading organization back in the 1960s – and LVMH Group – a company, started a few decades before primarily as a construction company just to become one of the most known luxury brands in the world.

The war was about who would become the largest luxury group – fought by the two wealthiest men in France – but also about who would be the most diversified luxury empire. Eventually, Gucci ended up within Kering Group, sold by LVMH at a high price. At the same time, LVMH took over Fendi. Today, both Kering Group and LVMH have a massive portfolio of brands.



Infographic by FourWeekMBA.com

Kering Group portfolio of brands made over €15 billion in 2017

LVMH built a portfolio of brands and houses that made over €42 billion in sales in 2017

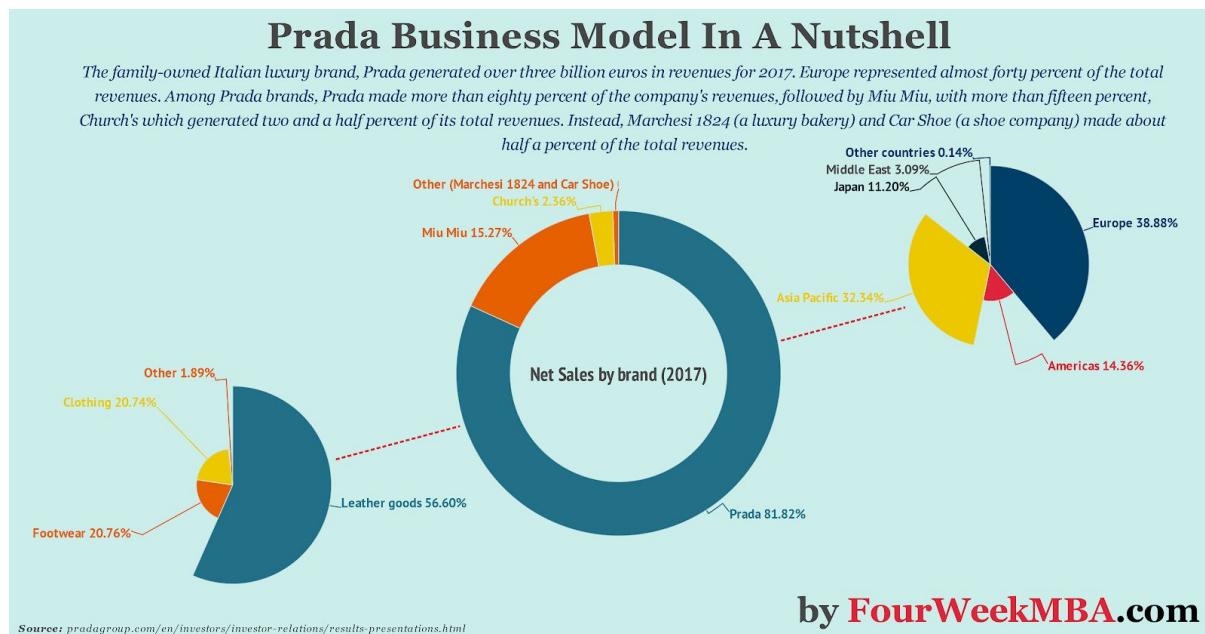
Both groups today follow a multi-brand strategy based on creating economies of scale at central level; while keeping the Maison and Houses part of the portfolio operated and run independently. This multi-brand approach leverages both on centralization for certain aspects of the business (collaboration among the brands, economies of scale, better supply chain, shared branding initiatives) and decentralization for others (allow agile decision making, preserve the unicity of each brand to keep its creativity output high).

That approach to business modeling can be quite effective if you're trying to build up an empire! It requires though massive resources to develop an acquisition campaign over the years. Indeed, both of those groups came from different industries and used the liquidity generated by their core activities to enter the luxury market.

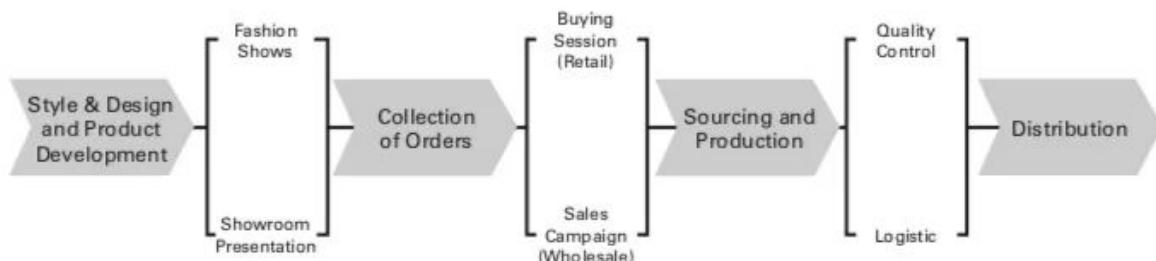
Family-owned integrated business model

The family-owned integrated model starts from the assumption that even if you've built a multi-billion dollar company you can control it in its entirety, while you also keep an agile decision-making process based on an ownership structure that keeps the control of the organization in the hands of the family.

An example of that is Prada business model:

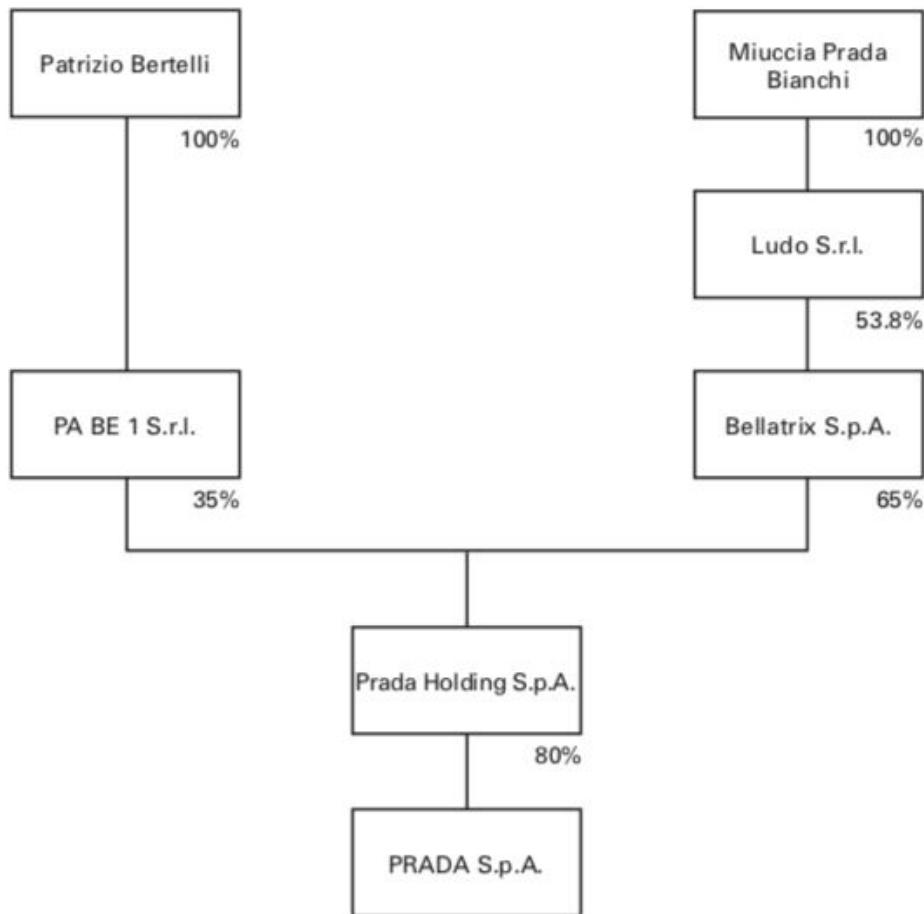


Prada generated over three billion euros in revenues in 2017, and it managed to integrate its overall chain, from the creative process to the distribution to consumers via its directly operated stores:



Source: Prada annual report for 2017

They've also managed to keep the ownership of the firm in the hands of its two founders and partners in life, Miuccia Prada and Patrizio Bertelli:



Source: Prada annual report for 2017

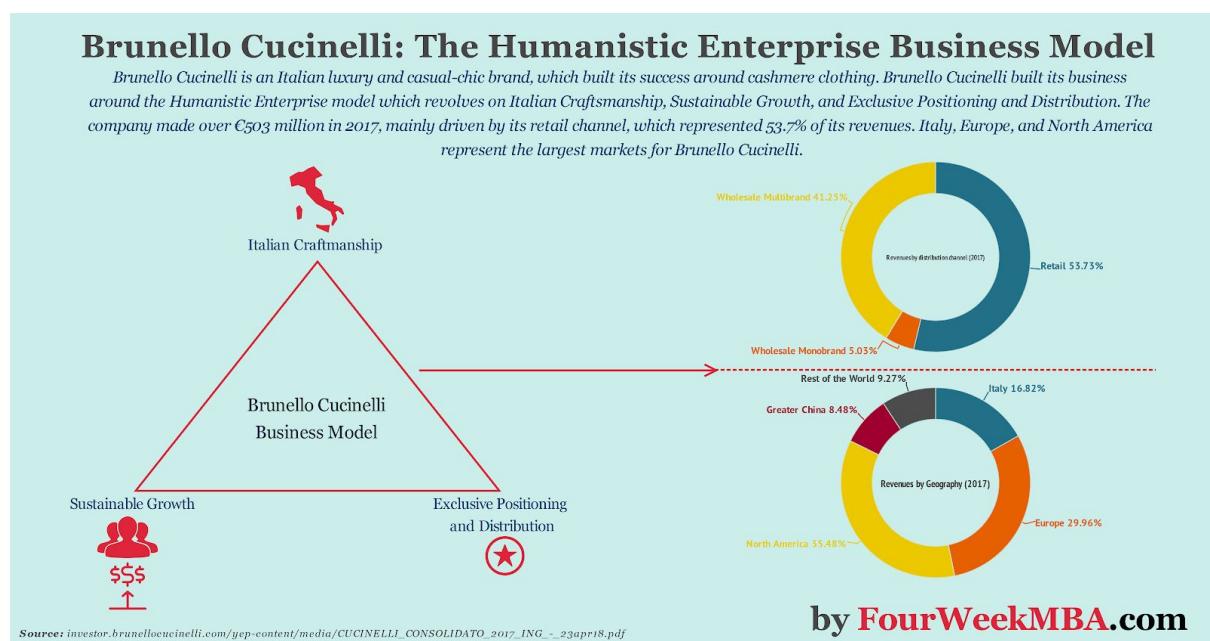
With the 100% of Prada Holding, the couple controls the 80% of Prada! Their word is law within the organization. Although Prada as a multinational has complex management systems, Miuccia Prada and Patrizio Bertelli are the key decision-makers on strategic initiatives.

Humanist enterprise business model

The most prominent advocate for the humanist enterprise business model is Brunello Cucinelli. Indeed, [Brunello Cucinelli business model](#) is based on three key pillars:

- Italian Craftsmanship,
- Sustainable Growth,
- and Exclusive Positioning and Distribution.

The company generated over €503 million in 2017:

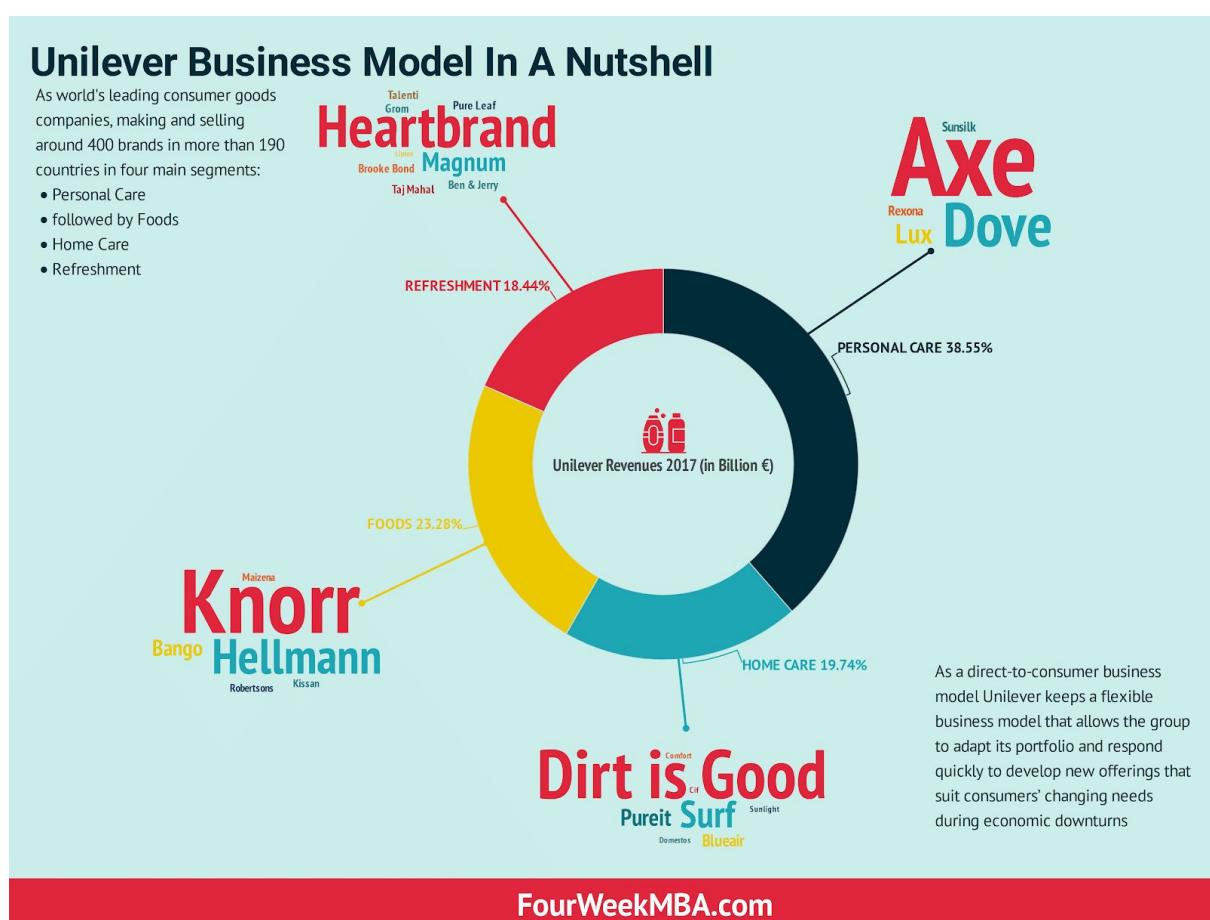


The humanist enterprise is based on the premise that “*profit is made without harm or offense to anyone, and part of it is set aside for any initiative that can really improve the condition of human life: services, schools, places of worship and cultural heritage.*”

Direct-to-consumers business model

A direct-to-consumer business model is primarily based on a direct access from a brand or company to its final customers. Indeed, the more a company is able to tap into its customers without the need of an intermediary, the more this model will work in favor of the brand, which is able to control the perception of its customers via massive marketing campaigns.

Indeed, this kind of model implies a massive activity of branding and marketing to make sure consumers have your product on top of their minds. A successful example of a direct-to-consumer business model is Unilever:



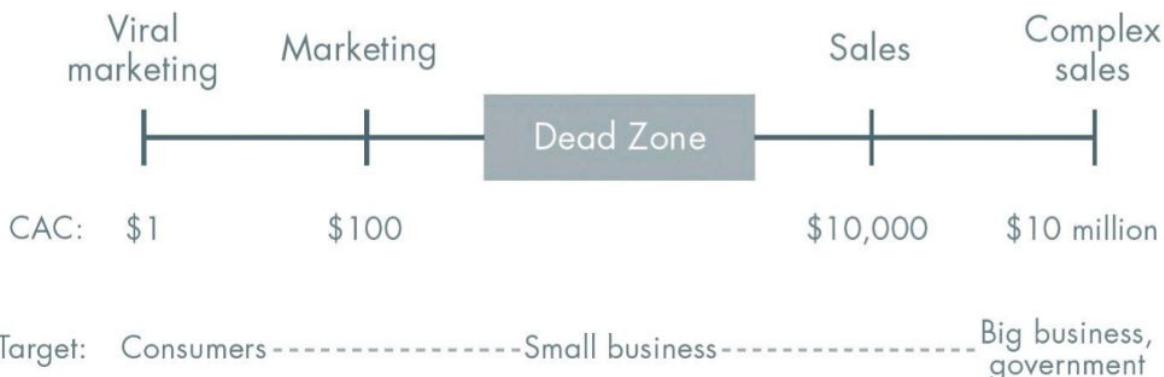
Unilever is the second largest advertiser in the world in 2017, based on media spend. Alongside more conventional advertising, Unilever creates and delivers tailored content through several digital channels.

When building up a direct-to-consumer business model it is critical to emphasize on marketing rather than sales processes:

Indeed, consumer products have a low pricing point. Thus, to make sure to generate enough revenues for the company, marketing activities will be the key ingredient.

Enterprise business model built on complex sales

In an enterprise business model, a company focuses on large clients, usually Fortune 500 clients that have a massive budget of millions or billions of dollars. This kind of business is primarily based on complex sales.



As Peter Thiel explains in his [book Zero to One](#), when it comes to a company's distribution it is critical to understand where you stand. Indeed, in an enterprise business model, it's all based on closing large deals. Therefore, it is crucial to have senior salespeople with a

competence in managing those large deals to guarantee the success of the company.

In this respect, drawing a clear line between Marketing and Sales is the key point when trying to building up an enterprise business. That's because you need to identify the right target with a laser focus. Most of the times a large enterprise business might have only a few dozens of potential clients. Once identified those potential clients you need to put the proper resources to close those deals.

Distribution based business model

A distribution based business model is one in which a company survival depends on its ability to have one or a few key distribution channels to connect to its final user or customer.

It is important to notice that almost any business can be classified as a distribution based business model, as there is no company that can survive without distribution. However, in general, companies that tap into consumer markets need to be extremely good in creating distribution channels that are able to unlock long-term value. There are a few critical aspects:

- **the distribution channel has to be sustainable:** this means that if you spend more money to maintain it that what it generates it might not work. It is fine in the short-term to lose money on building up a distribution strategy. Yet in the medium term it needs to be sustainable
- **it needs to be diversified:** relying on a single distribution channel might be too risky, especially if you don't control it. Therefore, it is critical to focus on the main channel, yet the company needs to expand and tap into other channels

- **it needs to scale:** a distribution strategy is as good as its ability to stick also when the business scales up. Thus, the critical question is “would this strategy work if I go from €1 million to €10 millions in revenues?” Many won’t and it’s fine. Yet as an entrepreneur, your goals should be to find a distribution strategy that scales

Also, tech giants like [Google spent billions](#) to guarantee a proper distribution. For instance, Google spends a good chunk of its revenues on distribution via acquiring traffic from several sources:



TAC stands for traffic acquisition cost, and that is the rate to which Google has to spend resources on the percentage of its revenues to acquire traffic. Indeed, the TAC Rate shows Google percentage of revenues spent toward acquiring traffic toward its pages, and it points

out the traffic Google acquires from its network members. In 2017 Google recorded a TAC rate on Network Members of 71.9% while the Google Properties TAX Rate was 11.6%.

When you see companies with a large turnover, you need to always ask, “what’s their distribution strategy?” or “how did they get there?” You’ll find out that they spent massive resources to tap into channels that proved successful to scale up their business!

Read: [Business Strategy: Definition, Examples, And Case Studies](#)

Summary and conclusions

In this guide, we analyzed 30 [successful business models](#) and how they unlocked value in the long run. If we were to cover all the existing business models a book alone wouldn’t fit them all.

Does it mean that you can choose any of those business models alternatively? In reality, you can’t. Some business models are better suited for some context, not for others.

For instance, if I pay for a service, I don’t want to see advertising. Thus, in a way a paid service and advertising are in most cases not compatible.

Another critical aspect is that often [business modeling](#) is about trial and error. In fact, not only the business model is usually a choice of the founders of a company but also a choice of the users/customers.

Take Wikipedia; if Wikipedia was going to show ads would you still trust it? Probably not. Wikipedia might only make sense as a free, non-profit organization. Was Wikimedia Foundation trying to cash on

Wikipedia; chances are it would also lose the support of all its editors that have been working for free on its content, just because it was something meaningful to them.

A third aspect that is critical for business modeling is about experimentation. Take Google. When Brin and Page started it, they didn't think at all about the advertising business model.

One of the reasons Google was so successful, even though it was one of the last movers in the search engine industry; was the fact that it offered more relevant results, with less spam and no advertising.

In fact, back then in a way advertising was associated with spam. Yet when Google came out with Google AdWords and AdSense, those mechanisms allowed several stakeholders to make money online.

In short, sometime a business model will be the result of a more sophisticated method of creating value for several players in an industry. Other times it might be as simple as just a one-off sale of a product.

Did you find your business model yet?

Additional resources:

- [What Is a Business Model? 30 Successful Types of Business Models You Need to Know](#)
- [What Is a Business Model Canvas? Business Model Canvas Explained](#)
- [Blitzscaling Business Model Innovation Canvas In A Nutshell](#)
- [What Is a Value Proposition? Value Proposition Canvas Explained](#)
- [What Is a Lean Startup Canvas? Lean Startup Canvas Explained](#)
- [How to Write a One-Page Business Plan](#)
- [How to Build a Great Business Plan According to Peter Thiel](#)
- [How To Create A Business Model](#)
- [What Is Business Model Innovation And Why It Matters](#)
- [What Is Blitzscaling And Why It Matters](#)
- [Business Model Vs. Business Plan: When And How To Use Them](#)
- [The Five Key Factors That Lead To Successful Tech Startups](#)
- [Business Model Tools for Small Businesses and Startups](#)

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