1. Chapter 2
   1. Christopher Alexander
      1. “Pattern in architecture is the idea of capturing architectural design ideas as archetypal and reusable descriptions”
   2. This section describes business models with similar characteristics, similar arrangements of business model Building Blocks, or similar behaviors
   3. Unbundling Business Models
      1. Definition
         1. The concept of the “unbundled” corporation holds that there are three fundamentally different types of businesses: Customer relationship businesses, product innovation businesses, and infrastructure businesses. Each type has different economic, competitive, and cultural imperatives. The three types may co-exist within a single corporation, but ideally they are “unbundled” into separate entities in order to avoid conflicts or undesirable trade-offs.
      2. Companies should focus on of the three value disciplines: operational excellence, product leadership, or customer intimacy
      3. Customer Relationship Businesses
         1. Finding and acquiring customers and building relationships with them.
      4. Product Innovation Businesses
         1. To develop new and attractive products and services
      5. Infrastructure Businesses
         1. Build and manage platforms for high volume, repetitive tasks
   4. The Long Tail
      1. Definition
         1. Long Tail Business Models are about selling less of more: They focus on offering a large number of niche products, each of which sells relatively infrequently. Aggregate sales of niche items can be as lucrative as the traditional model whereby a small number of bestsellers account for most revenue. Long tail business models require low inventory cost and strong platforms to make niche content readily available to interested buyers.
      2. Three economic triggers
         1. Democratization of tools of production
            1. Falling tech costs gave individuals access to tools that were prohibitively expensive just a few years ago.
         2. Democratization of distribution
            1. The internet made digital content distribution a commodity, and dramatically lowered inventory, communications, and transaction costs, opening up new markets for niche products
         3. Falling search costs to connect supply with demand
            1. The real challenge of selling niche content is finding interested potential buyers. Powerful search and recommendation engines, user ratings, and communities of interest have made this much easier.
   5. Multi-sided Platforms
      1. Bring together two or more distinct but interdepdent groups of customers. Such platforms are of value to one group of customers only if the other groups of customers are also present. The platform creates value by facilitating intereaction between the different groups. A multi-sided platform grows in value to the extent that it attracts more users, a phenomenon known as the *network effect*.
      2. What questions must an operator of a multi-sided platform ask themselves?
         1. Can we attract sufficient customers for each side of the platform?
         2. Which side is more price sensitive?
         3. Can that side be enticed by a subsidized offer?
         4. Will the other side of the platform generate sufficient revenues to cover the subsidies?
   6. Free as a business model
      1. In the free business model at least one substantial customer segment is able to continuously benefit from a free-of-charge offer. Different patterns make the free offer possible. Non-paying customers are financed by another part of the business model or by another customer segment.
   7. Freemium
      1. Business models, mainly web-based, that blend free basic services with paid premium services.
      2. Key Metris of a freemium model
         1. The average cost of servicing a free user
         2. The rates at which free users convert to premium
   8. Open Business Model
      1. Can be used by companies to create and capture value by systematically collaborating with outside partners. This may happen from the “outside-in” by exploiting external ideas within the firm, or from the “inside-out” by providing external parties with ideas or assets lying idle within the firm
      2. Connect and Develop
         1. Exploiting internal research through outside partnerships
      3. P&G’s three “bridges”
         1. Technology entrepreneurs
         2. Internet platforms
         3. Retirees