

ES Experiment 3

Aim: Make a business model for your software

Theory

What Is a Business Model?

The term business model refers to a company's plan for making a [profit](#). It identifies the products or services the business plans to sell, its identified [target market](#), and any anticipated [expenses](#). Business models are important for both new and established businesses. They help new, developing companies attract investment, recruit talent, and motivate management and staff.

Established businesses should regularly update their business model or they'll fail to anticipate trends and challenges ahead. Business models also help investors evaluate companies that interest them and employees understand the future of a company they may aspire to join.

- business model includes product types, financial plans and other information that, taken together, outline a path toward operational success.
- Existing companies should update business models regularly in anticipation of any changes in customer behaviors or market trends.
- There's a wide variety of business models to choose from, including crowdsourcing, franchising, leasing, pay-as-you-go and marketplace.

Types of business models

Depending on the type of business you operate, you can choose from a wide selection of business models. Some business models primarily outline costs and anticipated sales; others include processes, formulas, workflows and other details that contribute toward corporate success.

Here are a couple of the most common components of a business model:

- **Advertising** — The use of advertising channels like social media, email and TV commercials to reach a specific customer segment. Companies can use this business model to remain familiar with customers who may be potentially interested in their products.
- **Affiliate** — The use of third-party individuals who generate leads or sell products on a company's behalf and are compensated for their sales. Businesses may develop a model that focuses on enlisting consultants to sell popular products.
- **Crowdsourcing** — Online communities collectively fund a business's product, service or platform. Some businesses use crowdsourcing to obtain ideas, not funding, from customers or other interested individuals. For example, a snack food company may launch a campaign asking customers to help them determine a name for a food item or determine their next flavor.

- **Fractionalization** — The sale of partial access to a specific product or service. For example, a resort may allow guests the opportunity to purchase permanent access to the room for a small portion of the year.
- **Franchise** — A recognizable company allows individual business owners to use its branding, processes or other assets. Businesses can use the franchise business model to support their growth into new markets.
- **Leasing** — Companies purchase products and then lease them to paying customers for some time. A rental car company, for example, may use this business model by purchasing vehicles and then renting them to customers for personal or business use.
- **Marketplace** — This model connects retailers with customers searching for their products. These companies exist not to sell their services but to securely connect buyers and sellers.
- **Pay-as-You-Go** — Customers pay companies for the use of company-owned goods until those goods are returned to the company. This business model may include charging customers a per-hour rate for the use of company-owned vehicles or equipment.
- **Razor blade/Reverse razor blade** — The sale of a product for a loss, and the sale of replacement products for a profit. Originally made popular by Gillette, this business model is also used by printer companies like HP®, which make much wider margins on replacement ink cartridges than they do the printers.
- **Subscription** — The sale of products or services to customers who are billed on a per-week, per-month or per-year basis. Online streaming providers use the subscription model, where customers pay each month for access to television shows, movies and other media programs.

9 components of a business model

No matter the type of business model you've elected to create or follow, most include similar elements. A quality business model or plan often includes several unique elements, where each element helps to further define your vision and direction.

Your comprehensive business plan should contribute to your company's business model. Ideally, your business model contains the following nine components:

- **Customer relationships** — This encompasses any of your ongoing interactions with consumers, including customer service conversations, phone calls, email correspondence and other engagement.
- **Customer segments** — By analyzing your customers and dividing them into market segments, you can target each segment's common characteristics.
- **Value propositions** — This is a promise of value to customers in the form of a product, service or another asset, which persuades consumers to choose your organization.
- **Channels** — The individuals or activities that deliver your products or services to customers, also known as "distribution channels."
- **Key activities** — The most important tasks your business needs to do to remain successful.
- **Key partners** — Important partnerships and networking opportunities that contribute to your company's ongoing success.
- **Key resources** — Cash, investments, materials and other assets that help your company capitalize on its business model.
- **Revenue streams** — The different ways your company earns money and remains profitable.
- **Cost structures** — Financial aspects of a company, such as structuring sales, commissions and labor to reduce overall expenses over time.

These essential pieces of a business model help you define every aspect of your company's operations. When you understand your company's available resources, liquid capital, recurring revenue, customer demographic and related details, you'll position the business itself for long-term success.

PART B

(To Be Written by Students)

A E-commerce website mostly follows a Subscription model.

A business model for a E-Commerce Websote could include the following:

1. **Identify target audience:** The first step is to identify the target audience for your Ed-Tech platform. This can be students, teachers, parents, or other education stakeholders.
2. **Define value proposition:** Next, you'll need to define what value your platform will offer to its target audience. This can be in the form of interactive and engaging educational content, personalized learning experiences, or access to expert instructors.
3. **Determine pricing:** Once you have defined your value proposition, you'll need to determine the pricing for your platform. This can be done through a subscription-based model, where users pay a monthly or annual fee to access your content.
4. **Develop and launch platform:** With your target audience, value proposition, and pricing in place, you can begin developing your platform. This can involve designing and creating educational content, setting up a website and payment processing systems, and marketing your platform to attract subscribers.
5. **Monetize through subscriptions:** Once your platform is launched, you can monetize your business by charging subscribers a recurring fee to access your content.
6. **Continuously improve and add value:** To retain subscribers and attract new ones, it's important to continuously improve your platform and add value for your target audience. This can involve updating your content, adding new features, and improving your platform's user experience.
7. **Expand your reach:** As your platform grows, you can expand your reach by marketing to new target audiences, adding new content and features, and partnering with other organizations in the education space.

For a subscription-based Ed-Tech startup, the primary revenue stream will be the monthly or annual fees charged to subscribers. Other potential revenue streams can include:

1. **Premium content or services:** You can offer additional premium content or services to subscribers for an additional fee, such as personalized learning plans or one-on-one tutoring.
2. **Advertising:** If you have a large and engaged user base, you can sell advertising space on your platform to education-related companies or organizations.
3. **Partnerships and collaborations:** You can partner with schools, universities, and other organizations in the education space to offer your platform to their students or employees, potentially generating revenue through licensing or other agreements.
4. **Corporate training:** You can also target corporations and offer customized training programs to employees, generating revenue through fees or subscriptions.
5. **Data analysis and insights:** As you gather data on how users interact with your platform, you can offer data analysis and insights to educators and education-related organizations, generating additional revenue.

It's important to note that the specific revenue streams for your Ed-Tech startup will depend on the unique value proposition of your platform and the needs of your target audience.

As of the main 9 components this are the following points:

1. **Customer Relationships:** The customer relationship element of the business model refers to how a company interacts and builds relationships with its customers. For a subscription-based Ed-Tech startup, this could involve creating a personalized learning experience for each subscriber, offering customer support and resources, and engaging with users through online forums or social media.
2. **Customer Segments:** The customer segments element of the business model refers to the specific groups of customers that a company targets. For a subscription-based Ed-Tech startup, this could include students, teachers, parents, and other education stakeholders.
3. **Value Proposition:** The value proposition element of the business model refers to the unique value that a company offers to its customers. For a subscription-based Ed-Tech startup, this could be in the form of interactive and engaging educational content, personalized learning experiences, or access to expert instructors.
4. **Channels:** The channels element of the business model refers to how a company reaches and interacts with its customers. For a subscription-based Ed-Tech startup, this could include a website, mobile app, social media, or partnerships with schools or organizations.
5. **Key Activities:** The key activities element of the business model refers to the most important things a company does to create and deliver value to its customers. For a subscription-based Ed-Tech startup, this could involve creating and updating educational content, marketing the platform, offering customer support, and continuously improving the user experience.
6. **Key Partners:** The key partners element of the business model refers to the organizations or individuals that a company partners with to create and deliver value to its customers. For a subscription-based Ed-Tech startup, this could include content creators, education experts, or organizations in the education space.
7. **Key Resources:** The key resources element of the business model refers to the assets required to create and deliver value to customers. For a subscription-based Ed-Tech startup, this could include a website, payment processing systems, content creation tools, and a team of designers, developers, and marketing experts.
8. **Revenue Streams:** The revenue streams element of the business model refers to the ways in which a company generates revenue. For a subscription-based Ed-Tech startup, the primary revenue stream will be the monthly or annual fees charged to subscribers, but other potential revenue streams could include premium content or services, advertising, partnerships, and corporate training.
9. **Cost Structures:** The cost structures element of the business model refers to the costs associated with creating and delivering value to customers. For a subscription-based Ed-Tech startup, this could include the cost of creating and updating educational content, marketing the platform, and paying for technology and tools required to run the business.