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 cybercafe mostly follows a Pay as you go model.

A business model for a cybercafe could include the following:

1. Offer computer rental services - Customers can rent computers for a certain period of time.
2. Sell snacks and beverages - Provide a small snack bar that serves coffee, soft drinks, and light snacks.
3. Provide printing services - Offer printing services for a fee.
4. Offer high-speed internet access - Provide high-speed internet access to customers for a fee.
5. Host events and workshops - Offer workshops and events on technology and computer usage, and charge a fee for attendance.
6. Sell computer accessories - Offer computer accessories such as keyboards, mice, and headsets for sale.
7. Offer repair services - Provide computer repair services for a fee.
8. Rent out conference room - Rent out conference rooms to businesses and individuals for meetings and events.
9. Advertise and market your services - Advertise your services in the local community, through social media, and other channels to attract customers.

Revenue streams for a cybercafe could come from computer rentals, internet access fees, printing fees, snack sales, event fees, computer accessory sales, repair services, conference room rentals, and advertising/marketing.

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

1. Customer Relationships: The cybercafe's customer relationships can be categorized as transactional, where customers come to the cafe for specific services such as computer rental or printing, and also as ongoing, where customers regularly visit the cafe for internet access and other services.
2. Customer Segments: The customer segments for a cybercafe can be students, young professionals, small business owners, tourists, and other people who need access to computers and the internet.
3. Value Proposition: The value proposition of a cybercafe is to provide a convenient, affordable, and comfortable place for customers to access technology and internet services, as well as offering additional services such as printing, computer repair, and workshops.
4. Channels: Channels to reach customers can include online advertising, social media, local events and workshops, partnerships with local businesses and organizations, and word of mouth.
5. Key Activities: Key activities for a cybercafe include maintaining computer equipment, providing high-speed internet access, selling snacks and beverages, offering printing services, hosting events and workshops, selling computer accessories, offering repair services, and renting out conference rooms.
6. Key Partners: Key partners for a cybercafe can include computer hardware and software providers, technology companies, local businesses and organizations, and food and beverage suppliers.

7. Key Resources: Key resources for a cybercafe include computer equipment, high-speed internet access, snacks and beverages, printing equipment, and a space for events and workshops.
8. Revenue Streams: Revenue streams for a cybercafe can include computer rental fees, internet access fees, printing fees, snack sales, event fees, computer accessory sales, repair services, conference room rentals, and advertising/marketing.
9. Cost Structures: Cost structures for a cybercafe include equipment and technology expenses, internet access fees, utilities, rent, staff salaries, snack and beverage supplies, and marketing and advertising expenses.