

# ENGG 683 – Business Models

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# Business Plans

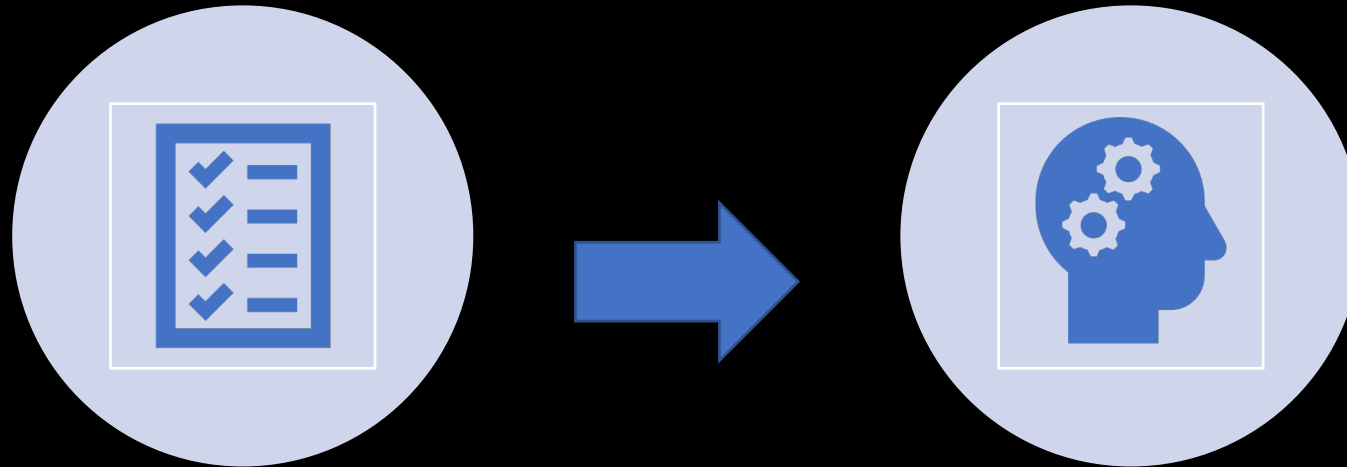
- Develop well written business plans that cover everything about
  - Technology – Market – Competition – Team – Finance - Sales Channels
- One-page executive summary



# Lean Start-up

No Business Plan Survives First  
Contact with Customers.

- Steve Blank – The Lean Startup



INSTEAD OF CREATING A COMPLEX  
BUSINESS PLAN

SUMMARIZE YOUR HYPOTHESIS IN  
A FRAMEWORK CALLED BUSINESS  
MODEL CANVAS

# What is a Business Model?

A method by which a startup **makes money** through dedicating some resources to offer **value** to its **customers** in a **market** segment.

**A business model quickly shows who pays, how much and for what.**

# Business Model



## REVENUE

How can you  
generate revenue  
from your solution



## MARKET

Must have an  
understanding of the  
market and how will  
you enter it



## CUSTOMERS

Identify your  
customers and how  
are you going to sell  
to them

# Generalized Business Models

- Some examples to know the common type
- Some could be hybrid of these models
- You don't have to choose one of them
- Come up with an innovative, creative, and effective business model

## Examples of business models

### COST PLUS

Customer pays a certain percentage over the cost of the product.

### HOURLY RATE

Rewards activity rather than progress

### LEASING MODEL

An agreed upon periodic payment

## Examples of business models

1 Time +  
Maintenance

Customers pay a large upfront charge with ongoing upgrades or maintenance

Licensing

Customers license IP and pay royalties

Consum-  
ables

Customers pay low upfront cost with ongoing costs that are based on the usage



## Examples of business models

### Add-On Products

Customers buy the main product at a low cost and pay more for add-on products

### Advertising

Money comes in through third parties who want access to a customer base

### Reselling Data

Reselling customer data and receive money from third party

## Examples of business models

### Transaction Fee

Earning a commission from a party for a purchase that a customer makes

### Usage Model

Customers only pay for the amount they use

### Cell Phone Plans

Customers pay for a certain amount of committed usage

## Examples of business models

### Penalty Fees

Customers pay a small fee for the base offering with a substantial charge or penalty

### Micro Transactions

Customers provide their credit card to make very small purchases (digital)

### Franchise

Others pay you for a business that you create

# Business models

Innovative  
Models

Don't only consider these!  
There are more models to come  
up with or hybrids that could be  
implemented!

# Takeaways

- Business model = how to extract value
- There are many options
- Innovative business models
- Customers are open to new ideas

# NEW Business Model

## Air bnb

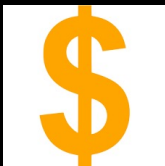


- Online platform for renting local rooms or homes
- Connects homes and travelers

### *REVENUE MODEL*

- Guest pays 6-12%
- Host pays 3%

## Don't own a single room!



Raises \$1.5 billion  
Valued at \$25.5 billion in 2015

# THANKS!