**Assignment #2: Operating Models: (Total 50 Points)**

This is the 2nd deliverable for your business model design project for a product, service, or hybrid model in a specific industry. As with the initial assignment, you are an entrepreneurial start-up where you do not have any existing capabilities. You will be going to market with your new innovation. For this deliverable you will be focusing on the revenue elements of the operating model including the Revenue Model and Pricing.

1. Using the Revenue Model Checklist provided below define two (2) alternative Revenue Models for your innovation. (25 Points)
   1. Identify the option you prefer and discuss why including the conditions must exist in order for your preferred choice of revenue model to succeed?
2. Pricing Considerations - Describe the Pricing Model for your innovation (using the template provided). (25 Points)

You may submit your work as templates, ***but I expect some insights to be noted regarding each topic.*** For example; what competitive response do you expect with your pricing model, or how can you avoid conflict in the channel design?

All assignments must be submitted on Canvas. Late assignments will have a 15% penalty from the total value of the assignment.

**\*\*\* Please use the Following Template(s) for Guidance. \*\*\***

**Revenue Model Template**

**Revenue Model Option #1 & Revenue Model Option #2**

Who Will Pay? (*Company, End User, Advertiser…)*

What Will They Buy? *(Single Item, Bundle Items, Service, Bundle Service, Bundle Item/Service…)*

How Much Will They Pay? *(One Time Price, Annual Total, Multi-Year Contract…)*

How Will They Pay? *(Revenue Model Type: Subscription, Asset Transfer, Freemium…)*

When Will They Buy (Cycle Time)? *(Time from initial contact to purchase)*

How Often Will They Buy? (Velocity)? *(One-time purchase, Monthly, Annually…)*

Additional Sources of Income? *(Services, Accessories, Upgrades…)*

***\*\*\*The Template above is a table. You should be able to copy it to fill it in\*\*\****

*Instructions:*

You will describe ***two (complete template twice)*** options that you are considering for your innovation. ***You may use any supporting templates from the lecture***.

Keep in mind that you want to identify revenue models that can help create a competitive advantage if possible. Also, make sure that your revenue model is in line with your venture strategy.

Your options need to be significantly different from each other. For example, if the only change is timing on how the consumer pays (from a one-time payment to a monthly payment for example) this does not represent a substantive change to the model. Think deeply about different buyers or, bundling the offering in different ways.

**Pricing Template**

1)     **Price to Competition** (average competitive price)

2)     **Break Even Price** (unit cost plus overhead)

3)     **Price to Cost Plus** (unit cost plus overhead plus target margin)

4)     **Price to Value** (Results oriented, based on impact to the client’s business)

5)     **Price to Package** (bundled services, product packages)

6)     **Price to Positioning** (Authority, Brand, Luxury, Cost Leadership)

*Instructions:*

Select a minimum of ***four pricing options*** for your innovation. (More can be beneficial) You may consider the following combinations: Price to Competition with Price to Positioning, Price to Positioning to Price to Value, Price to Cost Plus with Price to Value, Price to Time with Price to Package. Include an appendix that shows competitive price ranges and any calculations you are making.