4. The 55 business model patterns

No	Pattern name	Affected BM compo-nents	Exemplary companies	Pattern description
1	ADD-ON	What Value	Ryanair (1985), SAP (1992), Sega (1998)	The core offering is priced competitively, but there are numerous extras that drive the final price up. In the end, the costumer pays more than he or she initially assumed. Customers benefit from a variable offer, which they can adapt to their specific needs.
2	AFFILIATION	How Value	Amazon Store (1995), Cybererotica (1994), CDnow (1994), Pinterest (2010)	The focus lies in supporting others to successfully sell products and directly benefit from successful transactions. Affiliates usually profit from some kind of pay-per-sale or pay-per-display compensation. The company, on the other hand, is able to gain access to a more diverse potential customer base without additional active sales or marketing efforts.
3	AIKIDO	Who What Value	Six Flags (1961), The Body Shop (1976), Swatch (1983), Cirque du Soleil (1984), Nintendo (2006)	Aikido is a Japanese martial art in which the strength of an attacker is used against him or her. As a business model, Aikido allows a company to offer something diametrically opposed to the image and mindset of the competition. This new value proposition attracts customers who prefer ideas or concepts opposed to the mainstream.
4	AUCTION	What Value	eBay (1995), Winebid (1996), Priceline (1997), Google (1998), Elance (2006), Zopa (2005), MyHammer (2005)	Auctioning means selling a product or service to the highest bidder. The final price is achieved when a particular end time of the auction is reached or when no higher offers are received. This allows the company to sell at the highest price acceptable to the customer. The customer benefits from the opportunity to influence the price of a product.
5	BARTER	What Value	Procter & Gamble (1970), Pepsi (1972), Lufthansa (1993), Magnolia Hotels (2007), Pay with a Tweet (2010)	Barter is a method of exchange in which goods are given away to customers without the transaction of actual money. In return, they provide something of value to the sponsoring organisation. The exchange does not have to show any direct connection and is valued differently by each party.
6	CASH MA-CHINE	How Value	American Express (1891), Dell (1984), Amazon Store (1995), PayPal (1998), Blacksocks (1999), MyFab (2008), Groupon (2008)	In the Cash Machine concept, the customer pays upfront for the products sold to the customer before the company is able to cover the associated expenses. This results in increased liquidity which can be used to amortise debt or to fund investments in other areas.
7	CROSS SELLING	How What Value	Shell (1930), IKEA(1956), Tchibo (1973), Aldi (1986), SANIFAIR (2003)	In this model, services or products from a formerly excluded industry are added to the offerings, thus leveraging existing key skills and resources. In retail especially, companies can easily provide additional products and offerings that are not linked to the main industry on which they were previously focused. Thus, additional revenue can be generated with relatively few changes to the existing infrastructure and assets, since more potential customer needs are met.
8	CROWD-FUNDING	How Value	Marillion (1997), Cassava Films (1998), Diaspora (2010), Brainpool (2011), Pebble Technology (2012)	A product, project or entire start-up is financed by a crowd of investors who wish to support the underlying idea, typically via the Internet. If the critical mass is achieved, the idea will be realized and investors receive special benefits, usually proportionate to the amount of money they provided.

No	Pattern name	Affected BM components	Exemplary companies	Pattern description
9	CROWD-SOURCING	How Value	Threadless (2000), Procter & Gamble (2001), InnoCentive (2001), Cisco (2007), MyFab (2008)	The solution of a task or problem is adopted by an anonymous crowd, typically via the Internet. Contributors receive a small reward or have the chance to win a prize if their solution is chosen for production or sale. Customer interaction and inclusion can foster a positive relationship with a company, and subsequently increase sales and revenue.
10	CUSTOMER LOYALTY	What Value	Sperry & Hutchinson (1897), American Airlines (1981), Safeway Club Card (1995), Payback (2000)	Customers are retained and loyalty assured by providing value beyond the actual product or service itself, i.e., through incentive-based programs. The goal is to increase loyalty by creating an emotional connection or simply rewarding it with special offers. Customers are voluntarily bound to the company, which protects future revenue.
11	DIGITIZA-TION	What How	Spiegel Online (1994), WXYC (1994), Hotmail (1996), Jones International University (1996), CEWE Color (1997), SurveyMonkey (1998), Napster (1999), Wikipedia (2001), Facebook (2004), Dropbox (2007), Netflix (2008), Next Issue Media (2011)	This pattern relies on the ability to turn existing products or services into digital variants, and thus offer advantages over tangible products, e.g., easier and faster distribution. Ideally, the digitization of a product or service is realized without harnessing the value proposition which is offered to the customer. In other words: efficiency and multiplication by means of digitization does not reduce the perceived customer value.
12	DIRECT SELLING	What How Value	Vorwerk (1930), Tupperware (1946), Amway (1959), The Body Shop (1976), Dell (1984), Nestle Nespresso (1986), First Direct (1989), Nestlé Special.T (2010), Dollar Shave Club (2012), Nestlé BabyNes (2012)	Direct selling refers to a scenario whereby a company's products are not sold through intermediary channels, but are available directly from the manufacturer or service provider. In this way, the company skips the retail margin or any additional costs associated with the intermediates. These savings can be forwarded to the customer and a standardized sales experience established. Additionally, such close contact can improve customer relationships.
13	E-COMMERCE	What How Value	Dell (1984), Asos (2000), Zappos (1999), Amazon Store (1995), Flyeralarm (2002), Blacksocks (1999), Dollar Shave Club (2012), Winebid (1996), Zopa (2005)	Traditional products or services are delivered through online channels only, thus removing costs associated with running a physical branch infrastructure. Customers benefit from higher availability and convenience, while the company is able to integrate its sales and distribution with other internal processes.
14	EXPERIENCE SELLING	What Who Value	Harley Davidson (1903), IKEA (1956), Trader Joe's (1958), Starbucks (1971), Swatch (1983), Nestlé Nespresso (1986), Red Bull (1987), Barnes & Noble (1993), Nestlé Special.T (2010)	The value of a product or service is increased with the customer experience offered with it. This opens the door for higher customer demand and commensurate increase in prices charged. This means that the customer experience must be adapted accordingly, e.g., by attuning promotion or shop fittings.
15	FLAT RATE	What Value	SBB (1898), Buckaroo Buffet (1946), Sandals Resorts (1981), Netflix (1999), Next Issue Media (2011)	In this model, a single fixed fee for a product or service is charged, regardless of actual usage or time restrictions on it. The user benefits from a simple cost structure while the company benefits from a constant revenue stream.
16	FRAC-TIONAL OWNERSHIP	What How Value	Hapimag (1963), Netjets (1964), Mobility Carsharing (1997), écurie25 (2005), HomeBuy (2009)	Fractional ownership describes the sharing of a certain asset class amongst a group of owners. Typically, the asset is capital intensive but only required on an occasional basis. While the customer benefits from the rights as an owner, the entire capital does not have to be provided alone.

No	Pattern name	Affected BM compo-nents	Exemplary companies	Pattern description
17	FRAN-CHISING	What How Value	Singer Sewing Machine (1860), McDonald's (1948), Marriott International (1967), Starbucks (1971), Subway (1974), Fressnapf (1992), Naturhouse (1992), McFit (1997), BackWerk (2001)	The franchisor owns the brand name, products, and corporate identity, and these are licensed to independent franchisees who carry the risk of local operations. Revenue is generated as part of the franchisees' revenue and orders. The franchisees benefit from the usage of well known brands, know-how, and support.
18	FREEMIUM	What Value	Hotmail (1996), Survey-Monkey (1998), LinkedIn (2003), Skype (2003), Spotify (2006), Dropbox (2007)	The basic version of an offering is given away for free in the hope of eventually persuading the customers to pay for the premium version. The free offering is able to attract the highest volume of customers possible for the company. The generally smaller volume of paying 'premium customers' generate the revenue, which also cross-finances the free offering.
19	FROM PUSH-TO-PULL	What How	Toyota (1975), Zara (1975), Dell (1984), Geberit (2000)	This pattern describes the strategy of a company to decentralize and thus add flexibility to the company's processes in order to be more customer focused. To quickly and flexibly respond to new customer needs, any part of the value chain - including production or even research and development - can be affected.
20	GUARAN-TEED AVAIL-ABILITY	What How Value	NetJets (1964), PHH Corporation (1986), IBM (1995), Hilti (2000), MachineryLink (2000), ABB Turbo Systems (2010)	Within this model, the availability of a product or service is guaranteed, resulting in almost zero downtime. The customer can use the offering as required, which minimizes losses resulting from downtime. The company uses expertise and economies of scale to lower operation costs and achieve these availability levels.
21	HIDDEN REVENUE	What How Value	JCDecaux (1964), Sat.1 (1984), Metro Newspaper (1995), Google (1998), Facebook (2004), Spotify (2006), Zattoo (2007)	The logic that the user is responsible for the income of the business is abandoned. Instead, the main source of revenue comes from a third party, which cross-finances whatever free or low-priced offering attracts the users. A very common case of this model is financing through advertisement, where attracted customers are of value to the advertisers who fund the offering. This concept facilitates the idea of 'separation between revenue and customer'.
22	INGREDIENT BRANDING	What How Value	DuPont Teflon (1964), W.L. Gore & Associates (1976), Intel (1991), Carl Zeiss (1995), Shimano (1995), Bosch(2000)	Ingredient branding describes the specific selection of an ingredient, component, and brand originating from a specific supplier, which will be included in another product. This product is then additionally branded and advertised with the ingredient product, collectively adding value for the customer. This projects the positive brand associations and properties on the product, and can increase the attractiveness of the end product.
23	INTEGRATOR	What How	Carnegie Steel (1870), Ford (1908), Zara (1975), Exxon Mobil (1999), BYD Auto (1995)	An integrator is in command of the bulk of the steps in a value-adding process. The control of all resources and capabilities in terms of value creation lies with the company. Efficiency gains, economies of scope, and lower dependencies from suppliers result in a decrease in costs and can increase the stability of value creation.

No	Pattern name	Affected BM compo-nents	Exemplary companies	Pattern description
24	Layer Player	How Value	Dennemeyer (1962), Wipro Technologies (1980), TRUSTe (1997), PayPal (1998), Amazon Web Services (2002)	A layer player is a specialized company limited to the provision of one value-adding step for different value chains. This step is typically offered within a variety of independent markets and industries. The company benefits from economies of scale and often produces more efficiently. Further, the established special expertise can result in a higher quality process.
25	Leverage Customer Data	What How	Amazon Store (1995), Google (1998), Payback (2000), Facebook (2004), PatientsLikeMe (2004), 23andMe (2006), Twitter (2006), Verizon Communications (2011)	New value is created by collecting customer data and preparing it in beneficial ways for internal usage or interested third-parties. Revenues are generated by either selling this data directly to others or leveraging it for own purposes, i.e., to increase the effectiveness of advertising.
26	License	How Value	BUSCH (1870), IBM (1920), DIC 2 (1973), ARM (1989), Duales System Deutschland (1991), Max Havelaar (1992)	Efforts are focused on developing intellectual property that can be licensed to other manufacturers. This model, therefore, relies not on the realization and utilization of knowledge in the form of products, but attempts to transform these intangible goods into money. This allows a company to focus on research and development. It also allows the provision of knowledge, which would otherwise be left unused and potentially be valuable to third parties.
27	Lock-in	What How Value	Gillette(1904), Lego (1949), Microsoft (1975), Hewlett-Packard (1984), Nestlé Nespresso (1986), Nestlé BabyNes (2012), Nestlé Special.T (2010)	Customers are locked into a vendor's world of products and services. Using another vendor is impossible without incurring substantial switching costs, and thus protecting the company from losing customers. This lock-in is either generated by technological mechanisms or substantial interdependencies of products or services.
28	Long Tail	How Value	Amazon Store (1995), eBay (1995), Netflix (1999), Apple iPod/iTunes (2003), YouTube (2005),	Instead of concentrating on blockbusters, the main bulk of revenues is generated through a 'long tail' of niche products. Individually, these neither demand high volumes, nor allow for a high margin. If a vast variety of these products are offered in sufficient amounts, the profits from resultant small sales can add up to a significant amount.
29	Make More of It	Who What How Value	Porsche (1931), Festo Didactic (1970), BASF (1998), Amazon Web Services (2002), Sennheiser Sound Academy (2009)	Know-how and other available assets existing in the company are not only used to build own products, but also offered to other companies. Slack resources, therefore, can be used to create additional revenue besides those generated directly from the core value proposition of the company.
30	Mass Customization	What Value	Dell (1984), Levi's (1990), Miadidas (2000), PersonalNOVEL (2003), Factory121 (2006), mymuesli (2007), My Unique Bag (2010)	Customizing products through mass production once seemed to be an impossible endeavor. The approach of modular products and production systems has enabled the efficient individualization of products. As a consequence, individual customer needs can be met within mass production circumstances and at competitive prices.
31	No Frills	How What Value	Ford (1908), Aldi (1913), McDonald's (1948), Southwest Airlines (1971), Aravind Eye care System (1976), Accor (1985), McFit (1997), Dow Corning (2002)	Value creation focuses on what is necessary to deliver the core value proposition of a product or service, typically as basic as possible. Cost savings are shared with the customer, usually resulting in a customer base with lower purchasing power or purchasing willingness.

No	Pattern name	Affected BM compo-nents	Exemplary companies	Pattern description
32	Open Busi-ness Model	What Who Value	Valve Corporation (1998), Abril (2008)	In open business models, collaboration with partners in the ecosystem becomes a central source of value creation. Companies pursuing an open business model actively search for novel ways of working together with suppliers, customers, or complementors to open and extend their business.
33	Open Source	Who What How Value	IBM (1955), Mozilla (1992), Red Hat (1993), mondoBIOTECH (2000), Wikipedia (2001), Local Motors (2008)	In software engineering, the source code of a software product is not kept proprietary, but is freely accessible for anyone. Generally, this could be applied to any technology details of any product. Others can contribute to the product, but also use it free as a sole user. Money is typically earned with services that are complimentary to the product, such as consulting and support.
34	Orche-strator	How Value	Procter & Gamble (1970), Li & Fung (1971), Nike (1978), Bharti Airtel (1995)	Within this model, the company's focus is on the core competencies in the value chain. The other value chain segments are outsourced and actively coordinated. This allows the company to reduce costs and benefit from the suppliers' economies of scale. Furthermore, the focus on core competencies can increase performance.
35	Pay per Use	What How Value	Hot Choice (1988), Google (1998), Ally Financial (2004), Better Place (2007), Car2Go (2008)	In this model, the actual usage of a service or product is metered. The customer pays on the basis of what he or she effectively consumes. The company is able to attract cus-tomers who wish to benefit from the additional flexibility, which might be priced higher.
36	Pay What You Want	How Value	One World Everbody Eats (2003), NoiseTrade (2006), Radiohead (2007), Humble Bundle (2010), Panera Bread Bakery (2010)	The buyer pays any desired amount for a given commodity, sometimes even zero. In some cases, a minimum floor price may be set, and/or a suggested price may be indicated as guidance for the buyer. The customer is allowed to influ-ence the price, while the seller benefits from higher num-bers of attracted customers, since individuals' willingness to pay is met. Based on the existence of social norms and morals, this is only rarely exploited, which makes it suita-ble to attract new customers.
37	Peer-to-Peer	What Value	eBay (1995), Craigslist (1996), Napster (1999), Couchsurfing (2003), LinkedIn (2003), Skype (2003), Zopa (2005), SlideShare (2006), Twit-ter (2006), Dropbox (2007), Airbnb (2008), TaskRabbit (2008), Re-layRides (2010), Gidsy (2011)	This model is based on a cooperation that specializes in mediating between individuals belonging to an homogene-ous group. It is often abbreviated as P2P. The company offers a meeting point, i.e., an online database and commu-nication service that connects these individuals (these could include offering personal objects for rent, providing certain products or services, or the sharing of information and experiences).
38	Perfor-mance-based Contrac-ting	What Value	Rolls-Royce (1980), Smartville (1997), BASF (1998), Xerox (2002)	A product's price is not based upon the physical value, but on the performance or valuable outcome it delivers in the form of a service. Performance based contractors are often strongly integrated into the value creation process of their customers. Special expertise and economies of scale result in lower production and maintenance costs of a product, which can be forwarded to the customer. Extreme variants of this model are represented by different operation schemes in which the product remains the property of the company and is operated by it.

No	Pattern name	Affected BM compo-nents	Exemplary companies	Pattern description
39	RAZOR AND BLADE	What How Who	Standard Oil Company (1880), Gillette (1904), Hewlett-Packard (1984), Nestlé Nespresso (1986), Apple iPod/iTunes (2003), Amazon Kindle (2007), Better Place (2007), Nestlé Special.T (2010), Nestlé BabyNes (2012)	The basic product is cheap or given away for free. The consumables that are needed to use or operate it, on the other hand, are expensive and sold at high margins. The initial product's price lowers customers' barriers to purchase, while the subsequent recurring sales cross-finance it. Usually, these products are technologically bound to each other to further enhance this effect.
40	RENT INSTEAD OF BUY	What How Value	Saunders System (1916), Xerox (1959), Blockbuster (1985), Rent a Bike (1987), Mobility Carsharing (1997), MachineryLink (2000), CWS-boco (2001), Luxusbabe (2006), Flexpetz (2007), Car2Go(2008)	The customer does not buy a product, but instead rents it. This lowers the capital typically needed to gain access to the product. The company itself benefits from higher profits on each product, as it is paid for the duration of the rental period. Both parties benefit from higher efficiency in product utilization as time of non-usage, which unnecessarily binds capital, is reduced on each product.
41	REVENUE SHARING	What How Value	CDnow (1994), HubPages(2006), Apple iPhone/AppStore(2008), Groupon (2008)	Revenue sharing refers to firms' practice of sharing revenues with their stakeholders, such as complementors or even rivals. Thus, in this business model, advantageous properties are merged to create symbiotic effects in which additional profits are shared with partners participating in the extended value creation. One party is able to obtain a share of revenue from another that benefits from increased value for its customer base.
42	REVERSE ENGINEERING	What Value	Bayer (1897), Pelikan (1994), Brilliance China Auto (2003), Denner (2010)	This pattern refers to obtaining a competitor's product, taking it apart, and using this information to produce a similar or compatible product. Because no huge investment in research or development is necessary, these products can be offered at a lower price than the original product.
43	REVERSE INNOVATION	What Value	Logitech (1981), Haier (1999), Nokia (2003), Renault (2004), General Electric (2007)	Simple and inexpensive products, that were developed within and for emerging markets, are also sold in industrial countries. The term 'reverse' refers to the process by which new products are typically developed in industrial countries and then adapted to fit emerging market needs.
44	ROBIN HOOD	How What	Aravind Eye Care System (1976), One Laptop per Child (2005), TOMS Shoes (2006), Warby Parker (2008)	The same product or service is provided to 'the rich' at a much higher price than to 'the poor'. Thus, the main bulk of profits are generated from the wealthy customer base. Serving 'the poor' is not profitable per se, but creates economies of scale, which other providers cannot achieve. Additionally, it has a positive effect on the company's image.
45	SELF-SERVICE	What How	McDonald's (1948), IKEA (1956), Accor (1985), Mobility Carsharing (1997), BackWerk (2001), Car2Go (2008)	A part of the value creation is transferred to the customer in exchange for a lower price of the service or product. This is particularly suited for process steps that add relatively little perceived value for the customer, but incur high costs. Customers benefit from efficiency and time savings, while putting in their own effort. This can also increase efficiency, since in some cases, the customer can execute a value-adding step more quickly and in a more target-oriented manner than the company.

No	Pattern name	Affected BM compo-nents	Exemplary companies	Pattern description
46	SHOP-IN-SHOP	Who Value	Tim Hortons (1964), Tchibo (1987), Deutsche Post (1995), Bosch (2000), MinuteClinic (2000)	Instead of opening new branches, a partner is chosen whose branches can profit from integrating the company's offerings in a way that imitates a small shop within another shop (a win-win situation). The hosting store can benefit from more attracted customers and is able to gain constant revenue from the hosted shop in the form of rent. The hosted company gains access to cheaper resources such as space, location, or workforce.
47	SOLUTION PROVIDER	What How	Lantal Textiles (1954), Heidelberger Druckmaschinen (1980), Tetra Pak (1993), Geek Squad (1994), CWS-boco (2001), Apple iPod/iTunes (2003), 3M Services (2010)	A full service provider offers total coverage of products and services in a particular domain, consolidated via a single point of contact. Special know-how is given to the customer in order to increase his or her efficiency and performance. By becoming a full service provider, a company can prevent revenue losses by extending their service and adding it to the product. Additionally, close contact with the customer allows great insight into customer habits and needs which can be used to improve the products and services.
48	SUB-SCRIPTION	How What	Blacksocks (1999), Netflix (1999), Salesforce (1999), Jamba (2004), Spotify (2006), Next Issue Media (2011), Dollar Shave Club (2012)	The customer pays a regular fee, typically on a monthly or an annual basis, in order to gain access to a product or service. While customers mostly benefit from lower usage costs and general service availability, the company generates a more steady income stream.
49	SUPER-MARKET	What Value	King Kullen Grocery Company (1930), Merrill Lynch (1930), Toys“R”Us (1948), The Home Depot (1978), Best Buy (1983), Fressnapf (1985), Staples (1986)	A company sells a large variety of readily available products and accessories under one roof. Generally, the assortment of products is large but the prices are kept low. More customers are attracted due to the great range on offer, while economies of scope yield advantages for the company.
50	TARGET THE POOR	What How Value	Grameen Bank (1983), Arvind Mills (1995), Bharti Airtel (1995), Hindustan Unilever (2000), Tata Nano (2009), Walmart (2012)	The product or service offering does not target the premium customer, but rather, the customer positioned at the base of the pyramid. Customers with lower purchasing power benefit from affordable products. The company generates small profits with each product sold, but benefits from the higher sales numbers that usually come with the scale of the customer base.
51	TRASH-TO-CASH	Who What How Value	Duales System Deutschland (1991), Freitag lab.ag (1993), Greenwire (2001), Emeco (2010), H&M (2012)	Used products are collected and either sold in other parts of the world or transformed into new products. The profit scheme is essentially based on low-to-no purchase prices. Resource costs for the company are practically eliminated, whilst the supplier's waste disposal is either provided, or associated costs are reduced. This also addresses customers’ potential environmental awareness ideals.
52	TWO-SIDED MARKET	What How Value	Diners Club (1950), JCDecaux (1964), Sat.1 (1984), Amazon Store (1995), eBay (1995), Metro Newspaper (1995), Priceline (1997), Google (1998), Facebook (2004), MyHammer(2005), Elance (2006), Zattoo (2007), Groupon (2008)	A two-sided market facilitates interactions between multiple interdependent groups of customers. The value of the platform increases as more groups or as more individual members of each group are using it. The two sides usually come from disparate groups, e.g., businesses and private interest groups.

No	Pattern name	Affected BM compo-nents	Exemplary companies	Pattern description
53	ULTIMATE LUXURY	What Value	Lamborghini (1962), Jumeirah Group (1994), MirCorp (2000), The World (2002), Abbot Downing (2011)	This pattern describes the strategy of a company to focus on the upper side of society's pyramid. This allows a company to distinguish its products or services greatly from others. High standards of quality or exclusive privileges are the main focus to attract these kinds of customers. The necessary investments for these differentiations are met by the relatively high prices that can be achieved - which usually allow for very high margins.
54	USER DESIGNED	What How Value	Spreadshirt (2001), Lulu (2002), Lego Factory (2005), Amazon Kindle (2007), Ponoko (2007), Apple iPhone/AppStore (2008), Createmytattoo (2009), Quirky (2009)	Within user manufacturing, a customer is both the manufacturer and the consumer. As an example, an online platform provides the customer with the necessary support in order to design and merchandise the product, e.g., product design software, manufacturing services, or an online shop to sell the product. Thus, the company only supports the customers in their undertakings and benefits from their creativity. The customer benefits from the potential to realize entrepreneurial ideas without having to provide the required infrastructure. Revenue is then generated as part of the actual sales.
55	WHITE LABEL	What How	Foxconn (1974), Richelieu Foods (1994), Printing-In-A-Box (2005)	A white label producer allows other companies to distribute its goods under their brands, so that it appears as if they are made by them. The same product or service is often sold by multiple marketers and under different brands. This way, various customer segments can be satisfied with the same product.