# Business Model

Dr. Mullika Sungsanit

# WHY MOST STARTUP COMPANIES

# FAIL

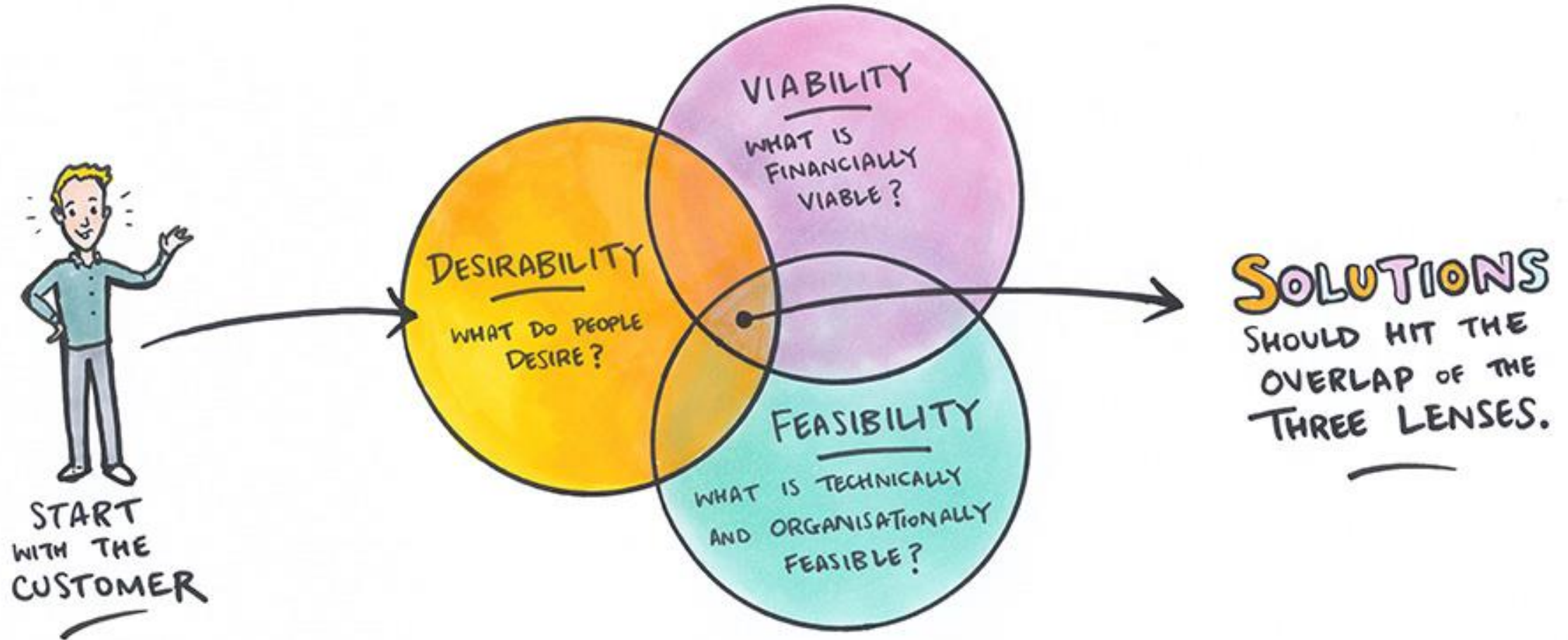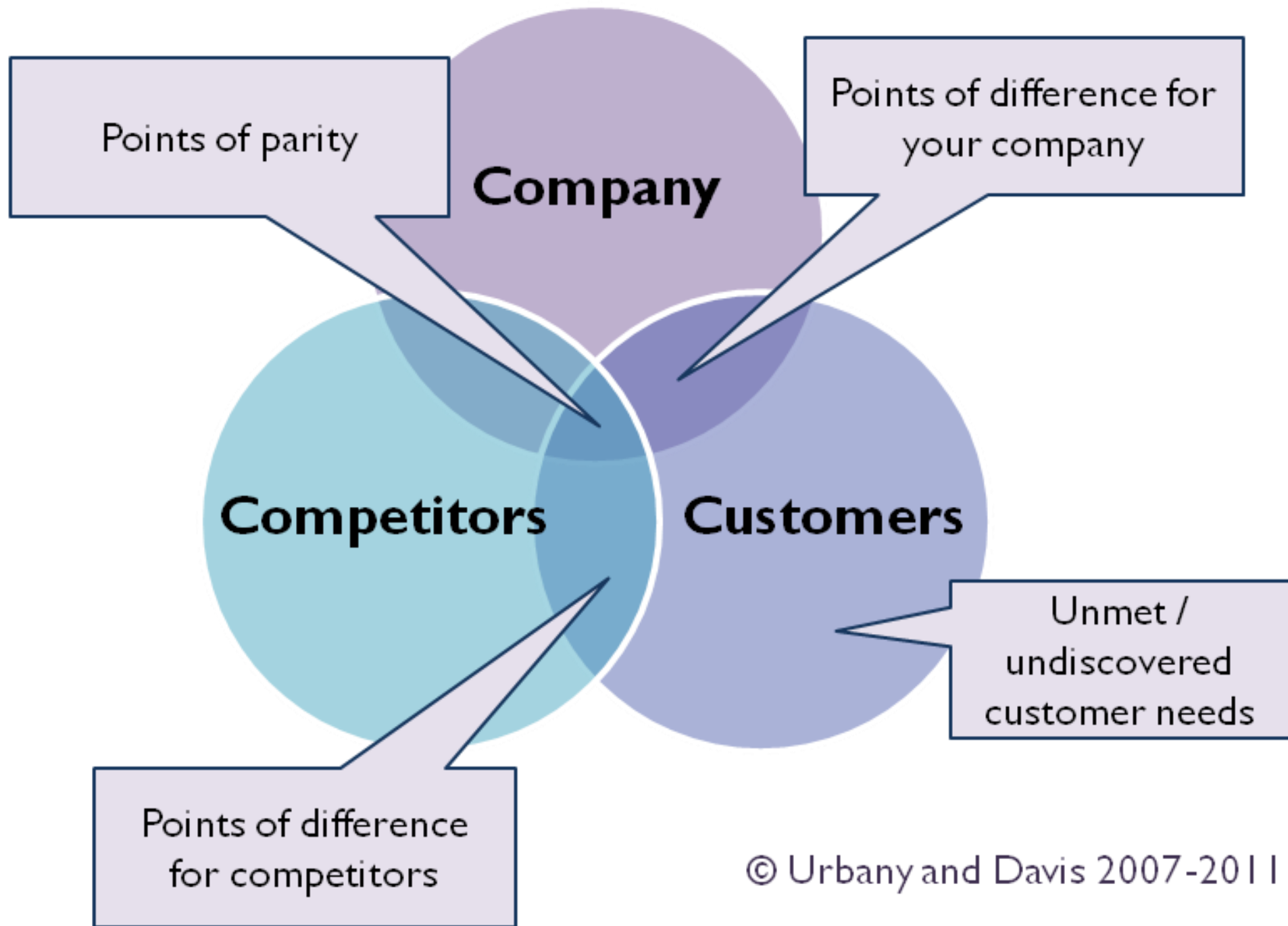| | |
|---|---|
| **NO MARKET NEED** | 42% |
| **RAN OUT OF CASH** | 29% |
| **NOT THE RIGHT TEAM** | 23% |
| **GET OUTCOMPETED** | 19% |
| **PRICING / COST ISSUES** | 18% |
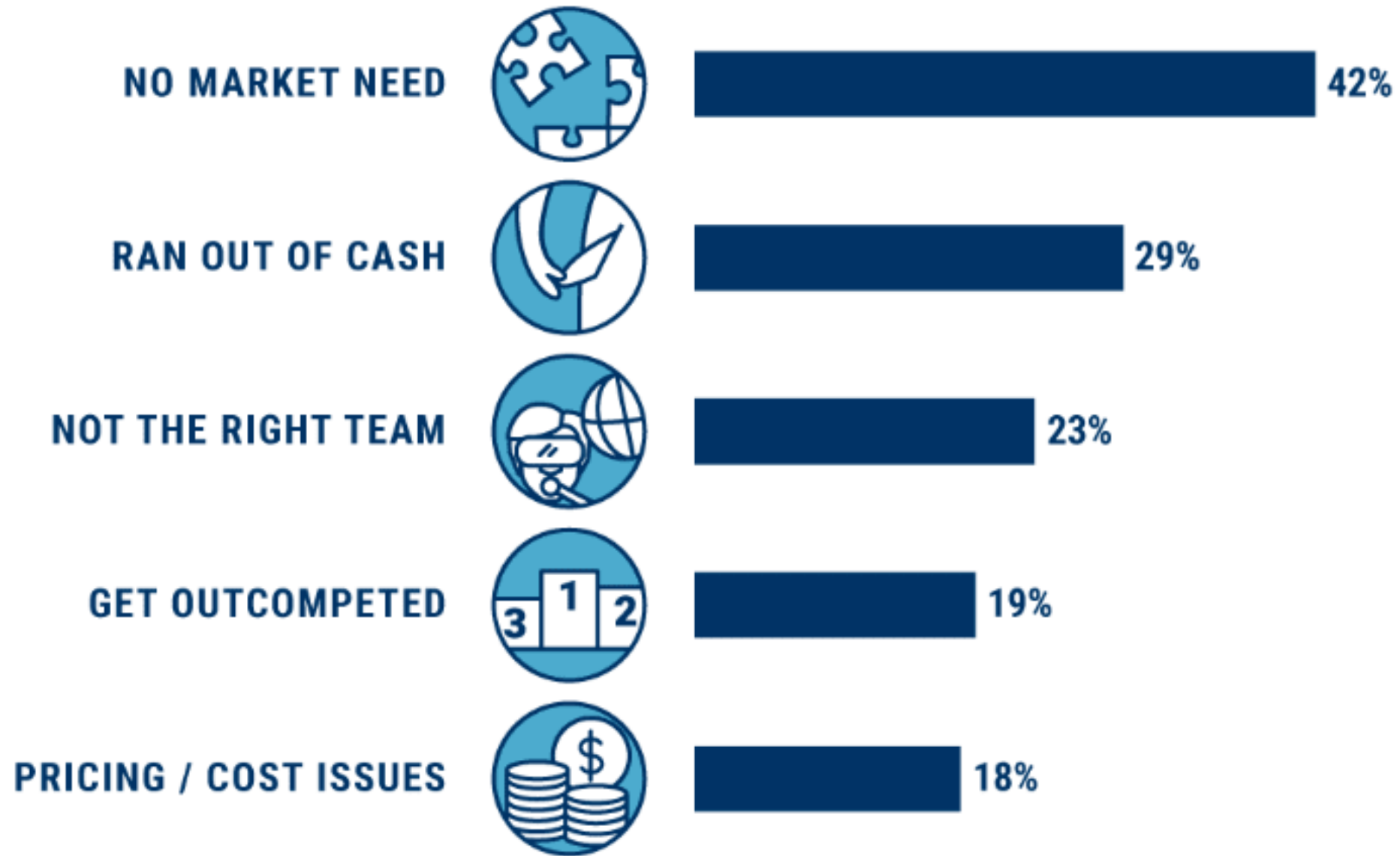
" Life is too short to build something nobody wants "

– Ash Maurya –
Creator of Lean Canvas

# Innovation Sweet Spot

Points of parity

Points of difference for your company

**Company**

**Competitors**

**Customers**

Unmet / undiscovered customer needs

Points of difference for competitors

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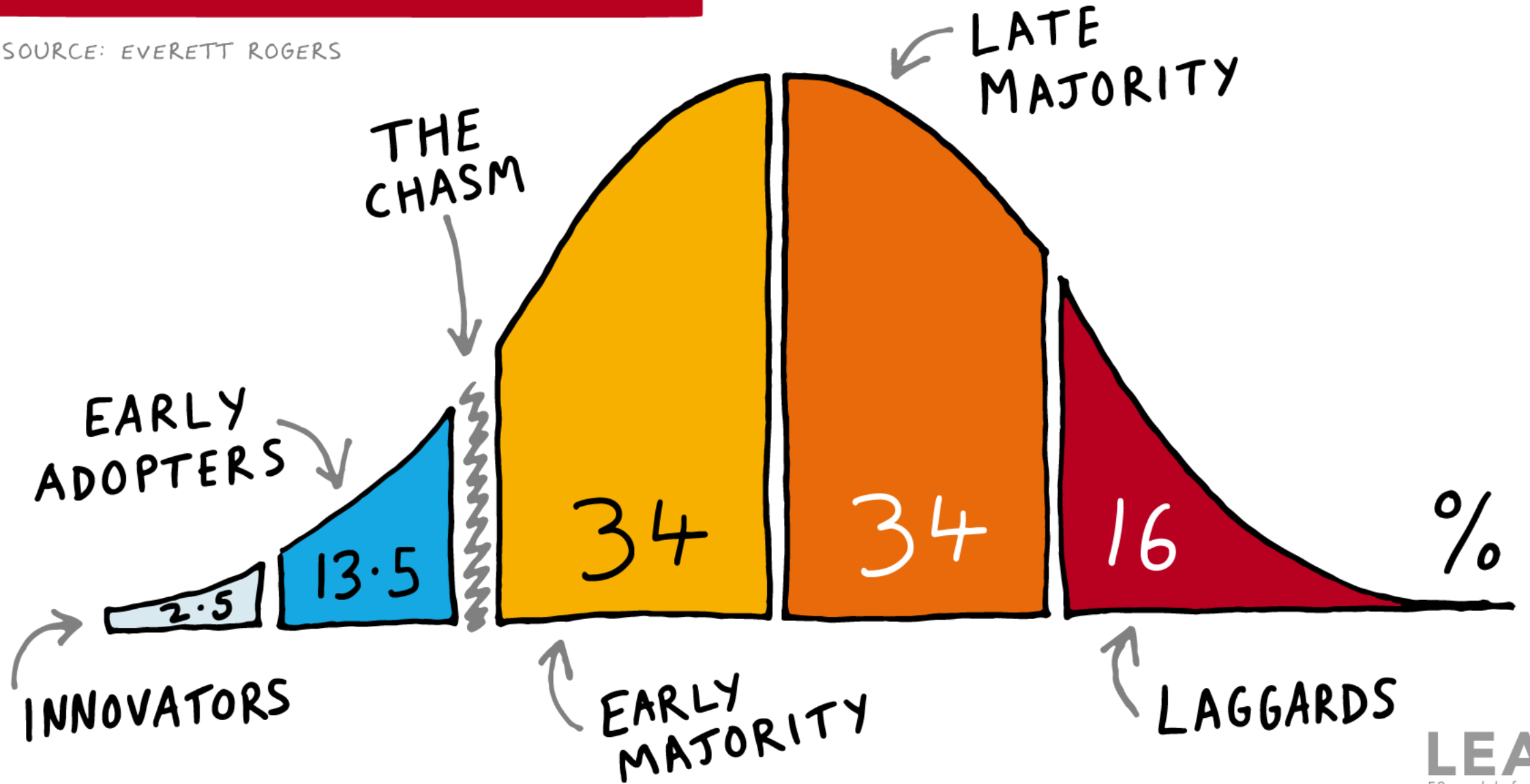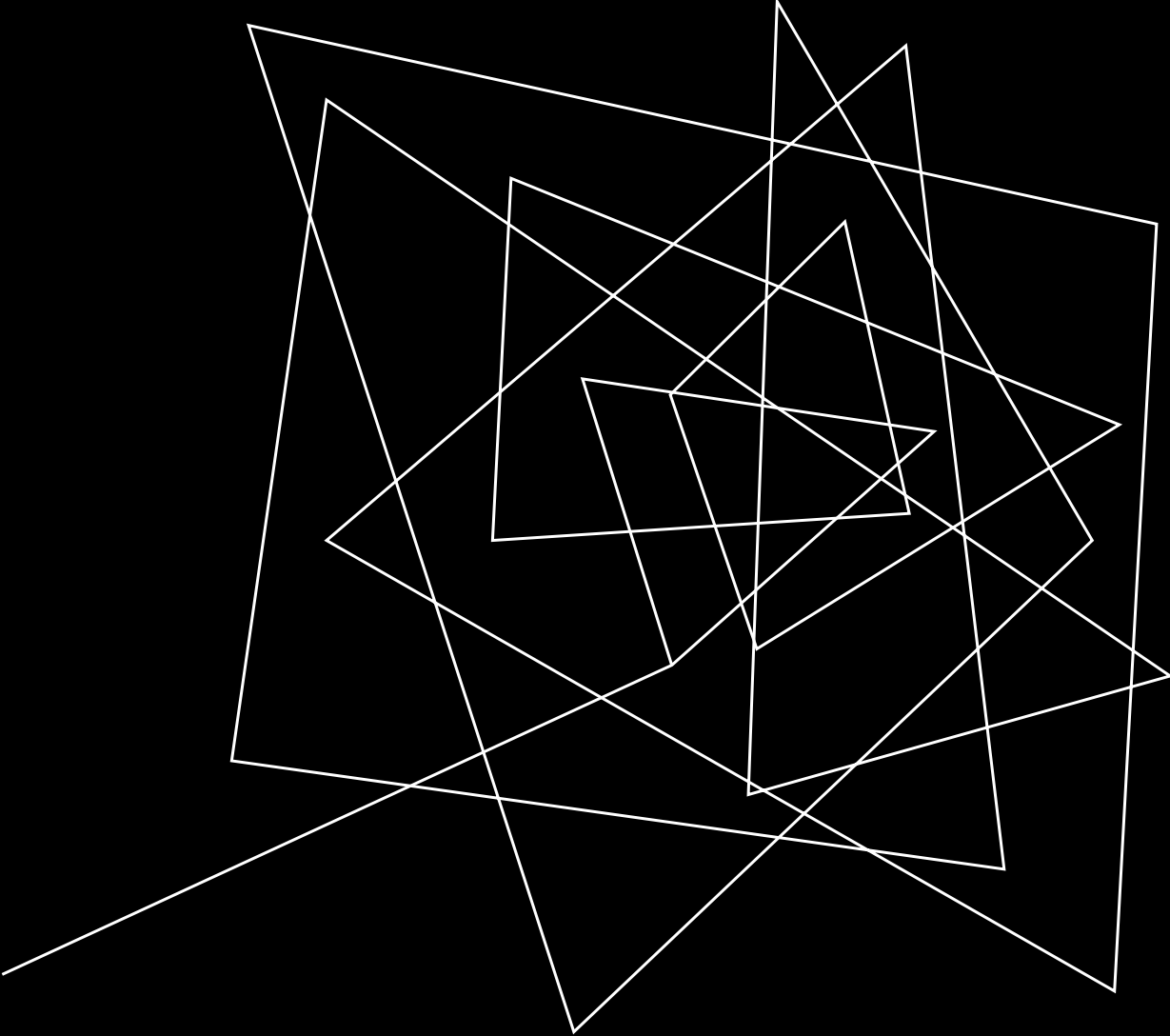
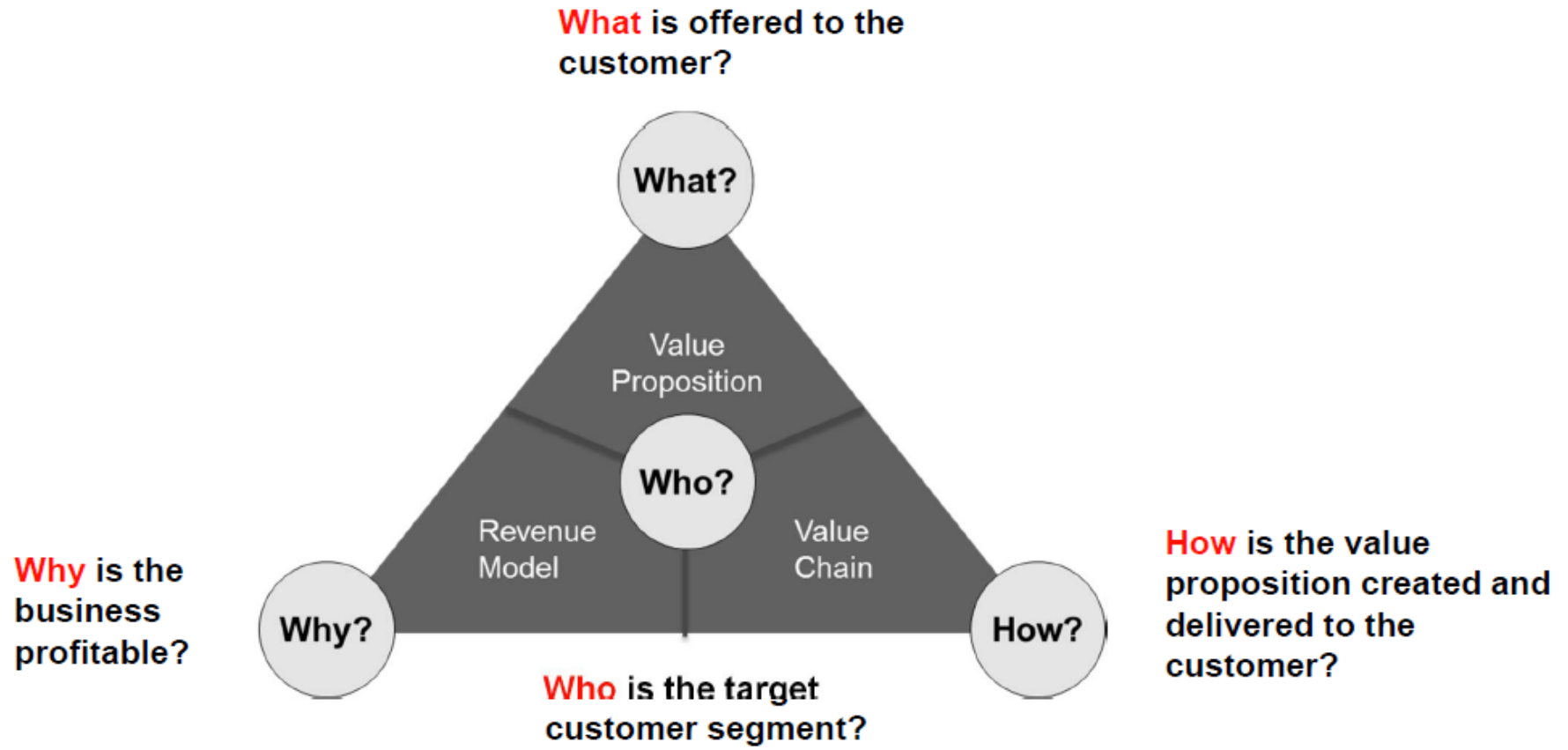# Business Models

Dr. Mullika Sungsanit

**A business model** is a strategic plan that outlines **how a company creates, delivers, and captures value**.

It describes the way a company makes money by addressing a specific market need or problem. A well-defined business model is essential for any company that wants to succeed in the long term.

# The magic triangle:
## Definition of a business model

**What** is offered to the customer?

**What?**

Value Proposition

**Who?**

Revenue Model

Value Chain

**Why** is the business profitable?

**Why?**

**How?**

**How** is the value proposition created and delivered to the customer?

**Who** is the target customer segment?

A business model is **a blueprint** of how a company **creates** and **captures value.**

:ck

10

**What do we offer?**

Holistic theft protection package
- Electronic Immobilizer for eBike
- E-bike movement alarm
- Continuously track bike's position
- Theft protection / insurance
- Intuitive e-bike app

**What?**

Value Proposition

**Who is our target customer?**
- Potential (risk-averse) eBike users
- Solvent target groups
  - Casual cyclists (e.g., pensioners)
  - Commuters (e.g., professionals)

Who?

Revenue Model

Value Chain

**What are our revenue sources?**

Revenue

**How?** **How do we create the value proposition?**

- End-customers' leasing fees for e-bikes, incl. "theft protection" feature and insurance
- Dynamic? According to how safety-conscious customers behave

- Sensors as part of eBike components
- Take full service provider role
- Become singe point of customer contact
- Provide user-friendly interfaces

Key Partners

Key Activities

Key Resources

Value Propositions

Customer Relationships

Channels

Customer Segments

Cost Structure

Revenue Streams

## KEY PARTNERS

Who are our key partners?

Who are our key suppliers?

Which key resources are we acquiring from our partners?

Which key activities do partners perform?

## KEY ACTIVITIES

What key activities do our value propositions require?

Our distribution channels?

Customer relationships?

Revenue streams?

## KEY RESOURCES

What key resources do our value propositions require?

Our distribution channels?

Customer relationships?

Revenue streams?

## VALUE PROPOSITIONS

What value do we deliver to the customer?

Which one of our customers' problems are we helping to solve?

What bundles of products and services are we offering to each segment?

Which customer needs are we satisfying?

What is the minimum viable product?

## CUSTOMER RELATIONSHIPS

How do we get, keep, and grow customers?

Which customer relationships have we established?

How are they integrated with the rest of our business model?

How costly are they?

## CHANNELS

Through which channels do our customer segments want to be reached?

How do other companies reach them now?

Which ones work best?

Which ones are most cost-efficient?

How are we integrating them with customer routines?

## CUSTOMER SEGMENTS

For whom are we creating value?

Who are our most important customers?

What are the customer archetypes?

## COST STRUCTURE

What are the most important costs inherent to our business model?

Which key resources are most expensive?

Which key activities are most expensive?

## REVENUE STREAMS

For what value are our customers really willing to pay?

For what do they currently pay?

What is the revenue model?

What are the pricing tactics?

## KEY PARTNERS 🐨

Who are our Key Partners?
Who are our Key Suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

Motivations for Partnerships:
- Optimisation and economy
- Reduction of risk and uncertainty
- Acquisition of particular resources and activities

## KEY ACTIVITIES ⚙️

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue Streams?

Categories:
- Production
- Problem Solving
- Platform Network

## KEY RESOURCES 👥

What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

Types of resources:
- Physical
- Intellectual (brand, patents, trademarks, copyrights, data)
- Human
- Financial

## VALUE PROPOSITIONS 💎

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue Streams?

Categories:
- Production
- Problem Solving
- Platform Network

## CUSTOMER RELATIONSHIPS ♡

What type of relationship does each of our Customer
Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of the business model?
How costly are they?

Examples:
- Personal assistance
- Dedicated Personal Assistance
- Self-Service
- Automated Services
- Communities
- Co-creation

## CHANNELS 🌐

Through which channels do our Customer Segments
want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

Channel Phases:
1. Awareness
   How do we raise awareness of our company's products and services?
2. Evaluation
   How do we help customers evaluate our organisation's Value Proposition?
3. Purchase
   How do we allow customers to purchase specific products and services?
4. Delivery
   How do we deliver a Value Proposition to customers?
5. After Sales
   How do we provide post-purchase customer support?

## CUSTOMER SEGMENTS 🎯

For whom are we creating value?
Who are our most valued customers?

Examples:
- Mass market
- Niche market
- Segmented
- Diversified
- Multi-sided Platforms

## COST STRUCTURE 💰

What are the most important costs inherent in our business model?
Which Key Resources are the most expensive?
Which Key Activities are the most expensive?

Is your business:
- Cost Driven (leanest cost structure, low price, value proposition, maximum automation, extensive outsourcing)
- Value Driven (focused on value creation, premium value proposition)

Sample Characteristics:
- Fixed Costs (salaries, rents, utilities)
- Variable Costs
- Economies of Scale
- Economies of Scope

## REVENUE STREAMS 📊

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

Types:
- Asset Sales
- Usage Fee
- Subscription Fees
- Lending/Renting/Leasing
- Brokerage Fees
- Advertising

Fixed Pricing:
- List Price
- Product feature dependent
- Customer segment dependent
- Volume dependent

- Dynamic Pricing
- Negotiation
- Yield management
- Real-time market

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## SECTION KEY

- 🟩 CUSTOMER FOCUS
- 🟦 FINANCIAL VIABILITY
- 🟧 INFRASTRUCTURE
- 🟥 OFFER

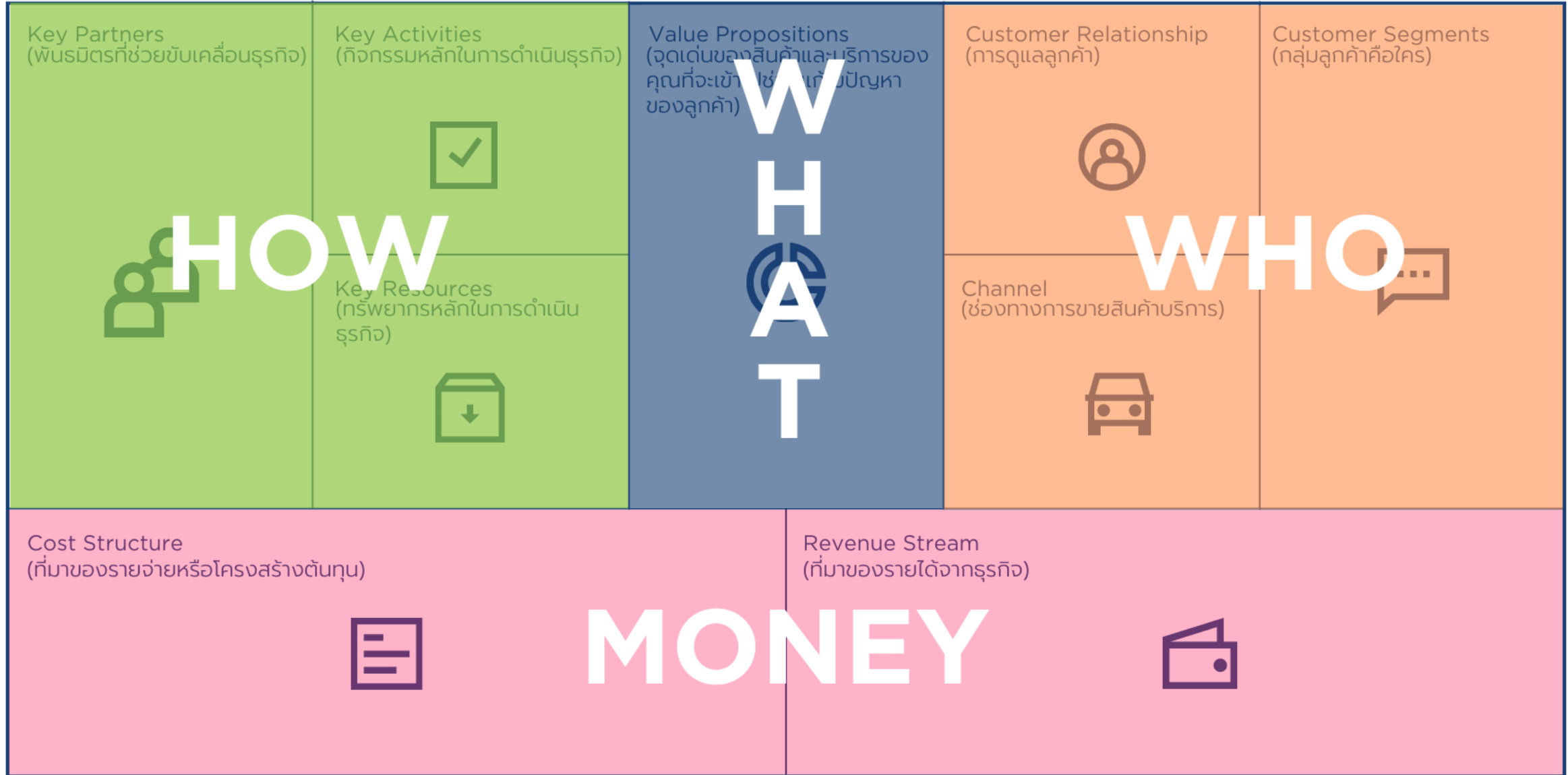## INNOVATION WORKSHOPS AND TRAINING

GARY FOX & CO
www.garyfox.co

# Business Model Canvas

Designed For:

Designed by:

Date:

Version:

**Key Partners**
(พันธมิตรที่ช่วยขับเคลื่อนธุรกิจ)

**Key Activities**
(กิจกรรมหลักในการดำเนินธุรกิจ)

**Key Resources**
(ทรัพยากรหลักในการดำเนินธุรกิจ)

**Value Propositions**
(จุดเด่นของสินค้าและบริการของคุณที่จะเข้ามาใช่ หรือแก้ไขปัญหาของลูกค้า)

**Customer Relationship**
(การดูแลลูกค้า)

**Channel**
(ช่องทางการขายสินค้าบริการ)

**Customer Segments**
(กลุ่มลูกค้าคือใคร)

**Cost Structure**
(ที่มาของรายจ่ายหรือโครงสร้างต้นทุน)

**Revenue Stream**
(ที่มาของรายได้จากธุรกิจ)

HOW WHAT WHO MONEY

**Feasibility**

Can we deliver it?

**Desirability**

Do they want it?

| Key partners | Key activities | Value propositions | Customer relationships | Customer segments |
| --- | --- | --- | --- | --- |
| | Key resources | | Channels | |

| Cost structure | Revenue streams |
| --- | --- |

**Viability**

Is it worth it?

Lean Canvas

**Lean Canvas**

For start thinking about business idea.

| PROBLEM | SOLUTION | UNIQUE VALUE PROPOSITION | UNFAIR ADVANTAGE | CUSTOMER SEGMENTS |
|---|---|---|---|---|
| List your customers' top 3 problems | Outline possible solution for each problem | Single, clear, compelling message that turns an unaware visitor into an interested prospect | Something that can't be easily copied or bought | List your target customers and users |
| **2** | **4** | **3** | **9** | **1** |
| **EXISTING ALTERNATIVES** | **KEY METRICS** | **HIGH-LEVEL CONCEPT** | **CHANNELS** | **EARLY ADOPTERS** |
| List how these problems are solved today | List key numbers telling how your business is doing today | List your X for Y analogy (e.g., YouTube = Flickr for videos) | List your path to customers | List characteristics of your ideal customer |
| | **8** | | | |

| COST STRUCTURE | REVENUE STREAMS |
|---|---|
| List your fixed and variable costs | List your sources of revenue |
| **7** | **6** |

# Problem

## Top 3 Problems

What is the crucial problem faced by your consumers? Capture their central frustration.

## Existing Alternatives

Define one clear, direct competitor. Consider the other ways customers can address their problems. What products or services exist as alternatives to what you're offering?

# Your Solution

## Top 3 Solutions

What is your solution to consumers' problems? Present the defining elements of your service.

# Key Metrics

## Key Activities You Measure

How will you track consumer engagement, excitement, and usage of your product?

# Unique Value Proposition

## A Clear and Compelling Message

This message should explain what you do, how you are different, and why you are worth investing in. What is your promise to consumers? Zero in on the heart of your service and highlight what stands out about product you provide.

## High Level Concept

How does your product fit into the bigger picture; where does it fall in the grand scheme of things?

# Unfair Advantage

## Your Differentiator

How do you stand out from competitors? What puts you ahead of the pack?

# Channels

## Path to customers

How will you interact with consumers, inform them of your developments and services?

# Customer Segments

## Target customers

Who can you help? Identify 3 to 4 user personas you envision turning to you for solutions. Try our User Persona Creator tool.

## Early Adopters

Define the specific characteristics of your early adopters.

# Cost Structure

## Customer Aquisition Costs, Distribution Costs, Hosting, People,

What will it cost to launch and maintain your business? Consider each stage of your start-up from creating a website and acquiring users, to hiring employees and producing goods, to marketing products and getting them to consumers.

# Revenue Streams

## Revenue Model, Lifetime Value, Gross Margin, etc.

What monetary sources will fuel your company? How will you generate income? Present a pricing model for your product or service, and then highlight other sources of revenue—ad sales, subscription fees, or asset sales.

# Startup Lean Canvas

## Problem

List down top top pboblems of your customers/users.

1- Problem
2- Problem
3- Problem

### Existing Alternatives

List how people solving above problems now

1- Solution
2- Solution
3- Solution

## Outline possible solutions

1- Solution
2- Solution
3- Solution

## Outline possible solutions

1- Solution
2- Solution
3- Solution

## Key Metrics

List the stats that shows success

1- Metric
2- Metric
3- Metric

## Unique Value Proposition

Unique, single and clear message that states why your you should be the choice from others

## Unfair Advantage

List the things you do that others can't buy or copy

1- Uniqueness
2- Uniqueness
3- Uniqueness

## Channels

draw your path to customers

Step 1
Step 2
Step 3

## Customer Segments

List your target audience

1- Primary target audience
2- Secondary target audience
3- Tertiary target audience

## Early Adopters

List the characteristics and behavior of your target audience

1- Characteristic
2- Characteristic
3- Characteristic

## Cost Structure

List your fixed and variable costs

1- Cost
2- Cost
3- Cost

## Revenue Streams

List your sources of revenue

1- Revenue
2- Revenue
3- Revenue

# Lean Canvas Model

| Problem 🔒 | Solution 🔑 | Unique Selling Proposition 🎁 | Unfair Advantage ✨ | Customer Segments 👤 |
|---|---|---|---|---|
| Hard to find relevant information | Create a technology that could analyze user searches fast | Quick search results; more relevant content | Google's PageRank algorithms | Web users |

| Existing Alternatives ✓ | Key Metrics 📊 | High-Level Concept 🔍 | Channels ↱ | Early Adopters 👑 |
|---|---|---|---|---|
| Yahoo, Altavista, Excite | Number of search queries; percentage of users who found what they wanted so fast | Quick and reliable web searcht | User intents | Stanford graduates |

| Cost Structure 🏷️ | Revenue Stream $ |
|---|---|
| Development, hosting | Investment, advertising revenues |

# Lean Canvas for Uber

## Back in the Time of its Foundation

### PROBLEM

- Expensive Taxi Service
- Availability of Cards
- Lack of Driver Profile
- Know Who You Drive
- Part-time Job Opportunity

### EXISTING ALTERNATIVES

- Public Transport
- Classic Taxi Service

### SOLUTION

- Cheaper Ride
- Wide Car Network
- Drivers / Passengers Ratings
- Flexible Work Schedule

### KEY METRICS

- Number of Users
- Number of Rides
- Income

### UNIQUE VALUE PROPOSITION

All Services in One App, which Allows You to find a Safe Ride 24/7/365

Work on Your Own Schedule and Revenue, Navigate the Route Through the App

### HIGH-LEVEL CONCEPT

Uber is Like a Taxi but Cheaper, Safer and More Flexible

### UNFAIR ADVANTAGE

Low Prices Rides at the Push of a Button

### CHANNELS

- Word of Mouth
- PR
- User Referrals

### CUSTOMER SEGMENTS

- Passengers
- Drivers

### EARLY ADOPTERS

- Public Transport
- Classic Taxi Service

### COST STRUCTURE

- Product Development
- Marketing Expenses
- Salaries

### REVENUE STREAMS

- 25% of the Pay for Each Ride

# The Value Proposition Canvas

Describes the features of your value proposition in a structured and detail way.

## Value Map – What / Solution

The Value Map describes a specific offering in terms of specific product features and services, pain relievers, and gain creators.

## Customer Profile – Why / Problem

The Customer Profile describes a specific customer segment in terms of jobs to be done , points of pain, and desired gains.

**GAIN CREATORS** describe how your products and services create customer gains.

**GAINS** describe the outcomes customers want to achieve or the concrete benefits they are seeking

List of all the **PRODUCT FEATURES AND SERVICES** a value proposition is built around.

**Fit**

**CUSTOMER JOBS** describe what customers are trying to get done in their work and in their lives, as expressed in their own words.

**PAIN RELIEVERS** describe how your products and services alleviate customer pains.

**PAINS** describe bad outcomes, risks, and obstacles related to customer jobs.

You achieve FIT when your value map aligns with your customer profile — when your products and services produce pain relievers and gain creators that match one or more of the jobs, pains, and gains that are important to your customer.

# Business Model Types

# Most Common Types of Business Models

- Subscription
- Bundle
- Fremium
- Razor Blades
- Product to Service
- Leasing

- Crowd Sourcing
- One-for-one
- Franchise
- Distribution
- Manufacturer
- Retailer

# Types of Business Models

**Direct-to-consumer (DTC):** Companies that sell their products or services directly to consumers, bypassing traditional intermediaries.

**Retail:** Companies that sell their products or services through retail stores.

**E-commerce:** Companies that sell their products or services online.

**Subscription:** Companies that charge a recurring fee for access to their products or services.

**Freemium:** Companies that offer a basic version of their product or service for free, and then charge a premium for additional features or services.
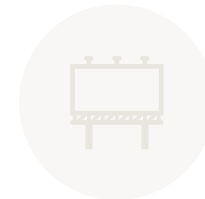
**Advertising:** Companies that generate revenue by displaying ads to their users.
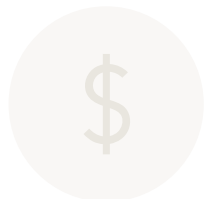
**Franchise:** Companies that license their business model to others in exchange for a fee.

**Partnerships:** Companies that collaborate with other businesses to create and deliver value to their customers

# Business model pattern «Razor and Blade»

The basic product is cheap, or given away free. The consumables that are needed to use or operate it, on the other hand, are expensive and sold at high margins.

What?

Who?

Why?

How?

**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)**

Source: ITEM-HSG

Holcim

(*) reverse 'Razor and Blade'

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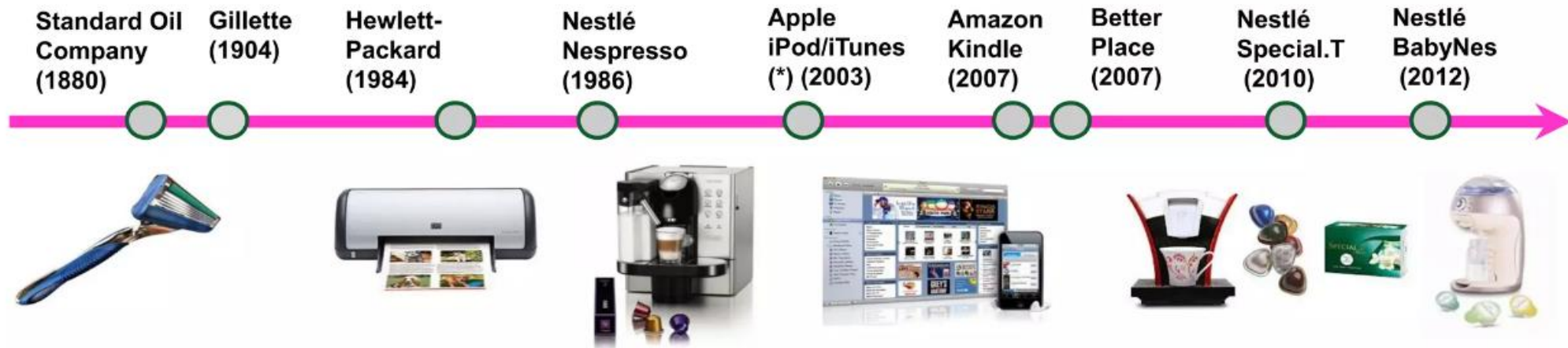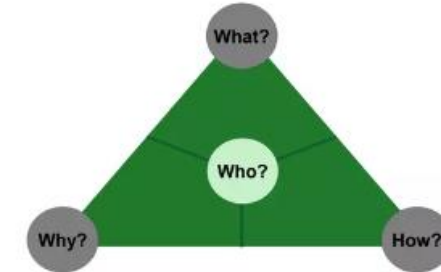
# Hook & Bait

# Razor and Blade



Free / Cheap Basic Product

Company

Customer

Refil / Complementary Product

$120     $1     $7     $4

KEURIG

Gillette
MACH3

# Business model pattern «Freemium»

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.

Hotmail (1996)

SurveyMonkey (1998)

LinkedIn (2003)

Skype (2003)

Spotify (2006)

Dropbox (2007)
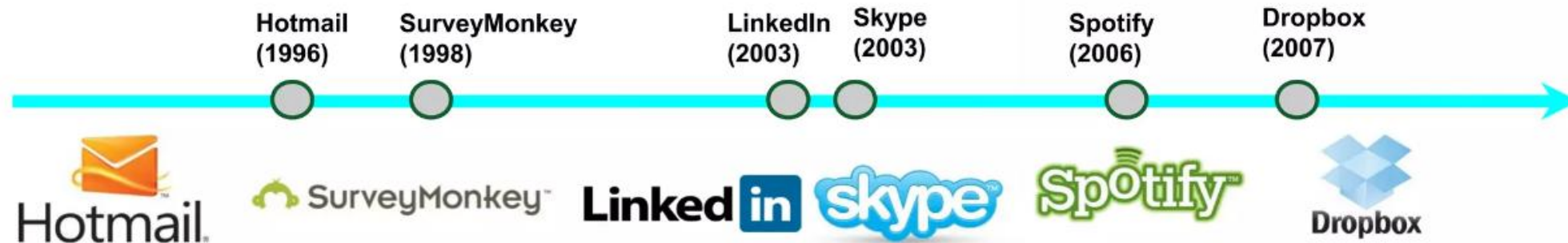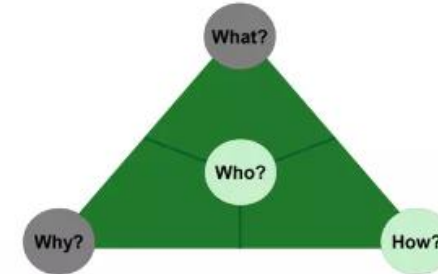
# Freemium Business Model
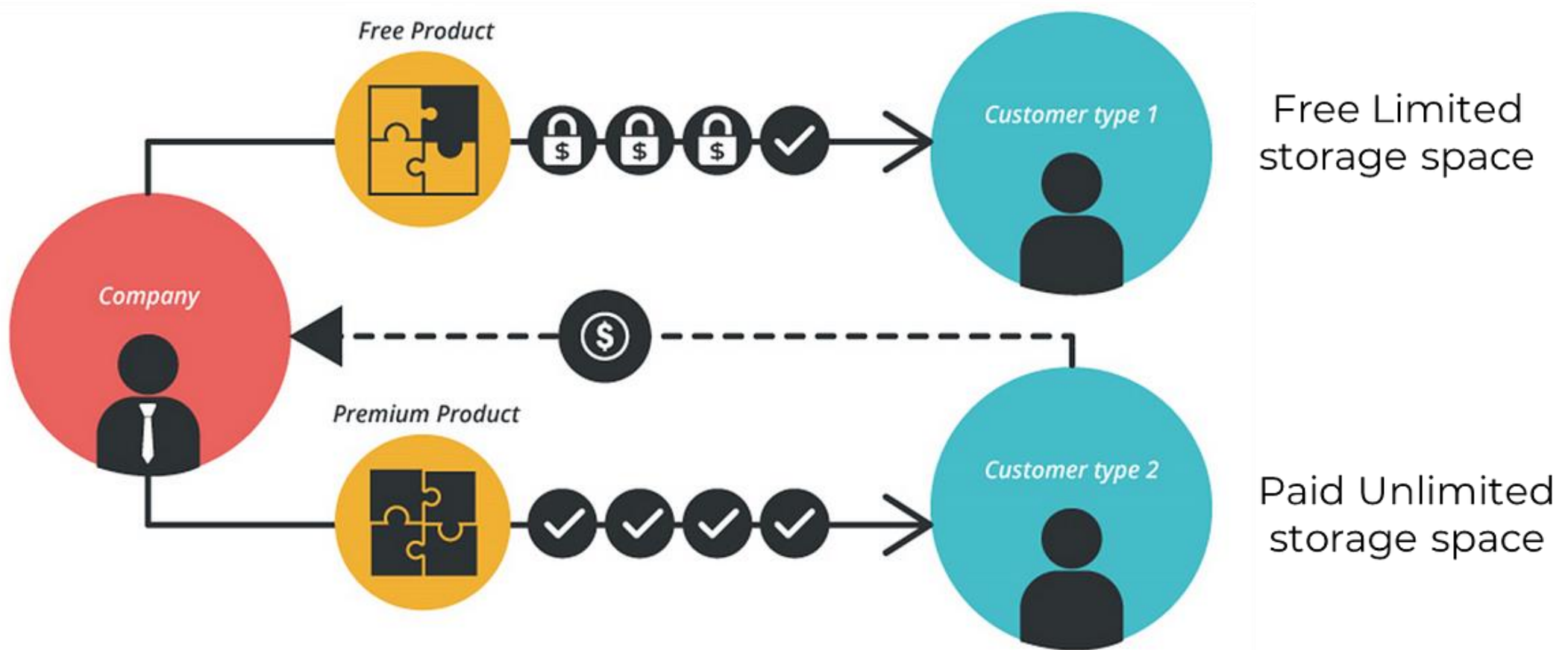
# Business model pattern «Self-Service»

A part of the value creation is delivered to the customer in exchange for a lower price of the service or product. This is particularly suited for process steps that add relatively low perceived value for the customer, but cause high costs.

What?

Who?

Why?    How?
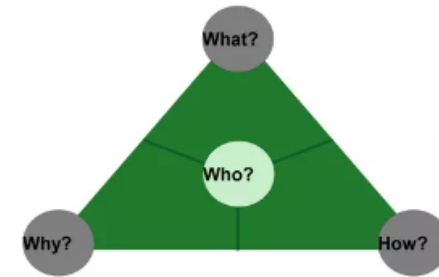
McDonald's (1948)

IKEA (1956)

Accor (1985)

Mobility Carsharing (1997 )

BackWerk (2001)

Source: ITEM-HSG

# Business model pattern «Subscription»

The customer pays a regular fee, typically on a monthly or an annual basis, in order to gain access to a product or service.

What?

Who?

Why?

How?

**Premiere (1990)**

**blacksocks (1999)**

**Salesforce (1999)**

**Jamba (2004)**

**Dollar Shave Club (2012)**

Source: ITEM-HSG

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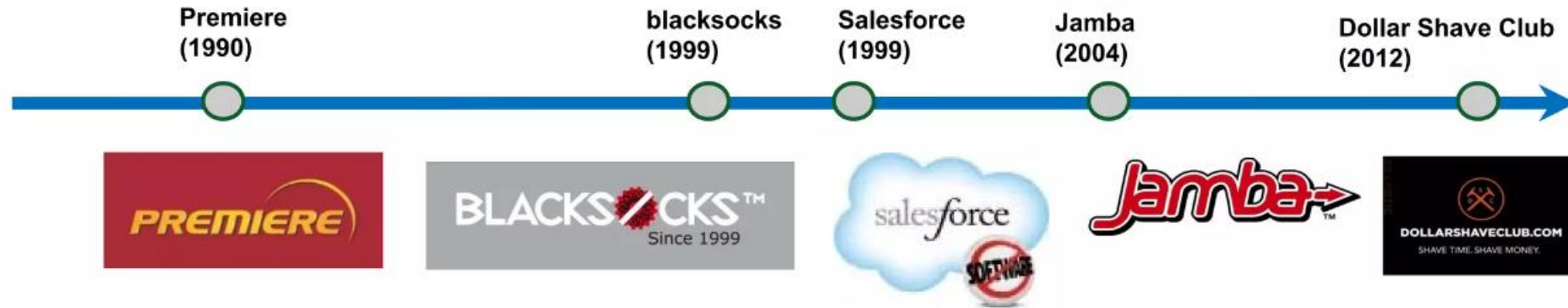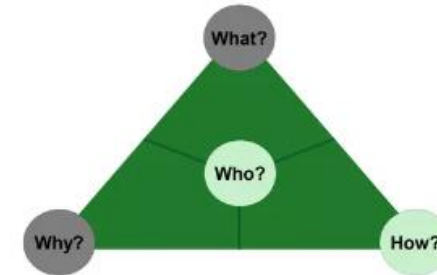
**A platform business model** generates **value by enabling interactions between people, groups, and users by leveraging network effects**.

Platform business models usually comprise two sides: supply and demand.

Kicking off the interactions between those two sides is one of the crucial elements for a platform business model success.

# Get What You Need from Each Other

A platform is a business model that creates value by facilitating transactions between buyers and sellers in an ecosystem, with the aim of capturing part of that value.

**SUPPLY**
Products
Services
Data
Skills
Money
Property
News
Content
Apps

**Producers** → **Platform** ← **Consumers**
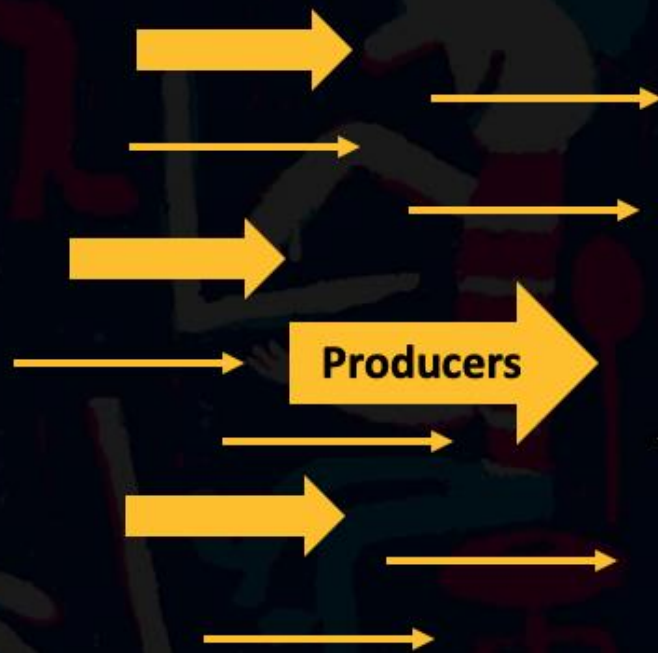
**DEMAND**
Individuals
Big Orgs
Small Orgs
Governments
Machines
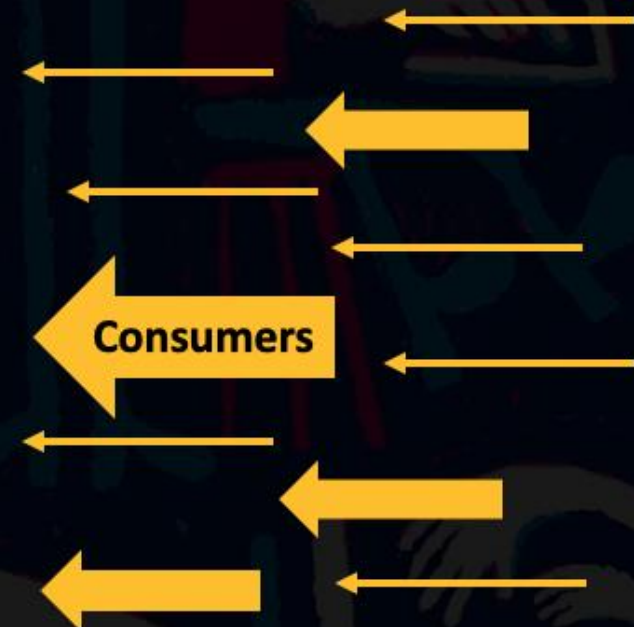
Asset light
Nearly-zero marginal costs
Network effects

Adapted from NewGrowthPlaybook, Simon Torrance

# Classifying platforms

## Example 1



Note: Some platforms combine elements of more than one model.
Source: Adapted from Applico.
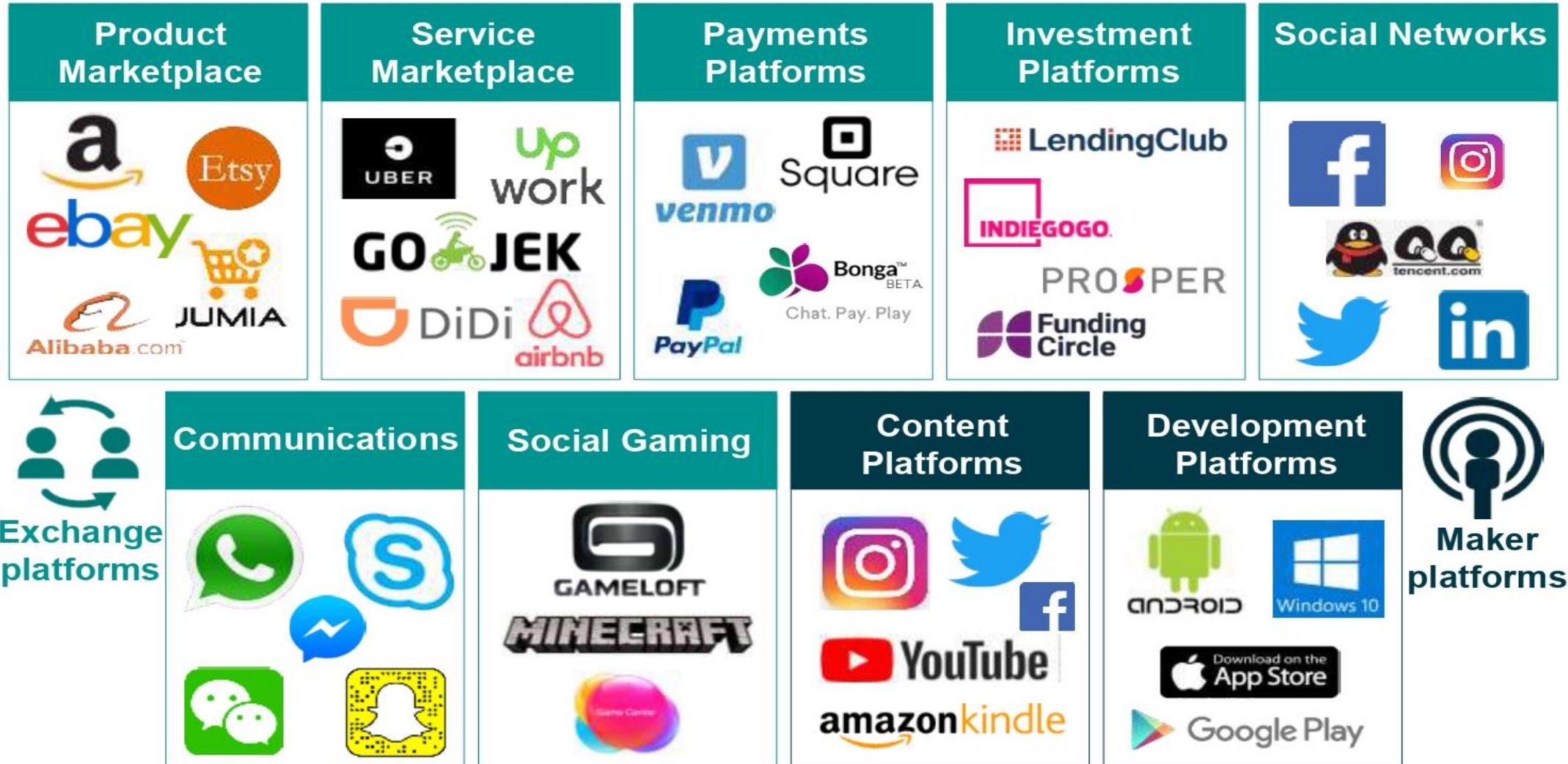
# Compare 2 Business models for business of selling chicken

| Business Model | Freemium Business Model | Franchise Business Model |
|---|---|---|
| Target Market: | • Value-conscious consumers seeking affordable meals.<br>• Individuals and families looking for quick and easy meal solutions.<br>• Busy professionals who appreciate convenient delivery options. | • Individuals seeking to become franchise owners and operate their own chicken restaurants.<br>• Investors with a passion for the food industry and a desire to build a business.<br>• Individuals with experience in the restaurant or food service industry. |
| Value Proposition: | • **Provide high-quality, affordable chicken meals to a wide audience.**<br>• Offer a **variety of chicken dishes** to appeal to different tastes.<br>• Implement convenient ordering and delivery options. | • Offer a **standardized and consistent chicken meal experience across all franchise locations.**<br>• Provide franchisees with the necessary training, support, and resources to succeed.<br>• Leverage the brand's reputation and marketing efforts to attract customers. |
| Revenue Streams | • Charge a premium for additional toppings, sauces, and sides.<br>• Offer meal subscription plans with discounts and exclusive benefits.<br>• Implement targeted advertising on the website and mobile app.<br>• Partner with third-party delivery services for a commission-based fee. | • Charge franchisees an initial franchise fee to cover the costs of training, support, and brand development.<br>• Collect ongoing royalties from franchisees based on a percentage of their sales.<br>• Provide franchisees with access to proprietary products, services, and marketing materials for an additional fee. |

# Business Model Innovation Example
## Nespresso

**NESPRESSO**

**Old:** Coffee powder (commodity)
**New:** Coffee capsules and machines to produce high-end quality espresso

**What?**

Value Proposition

**Old:** Retail margin
**New:** Coffee machine is sold at production costs, main revenues: Capsules

**Who?**

Revenue Model

Value Chain
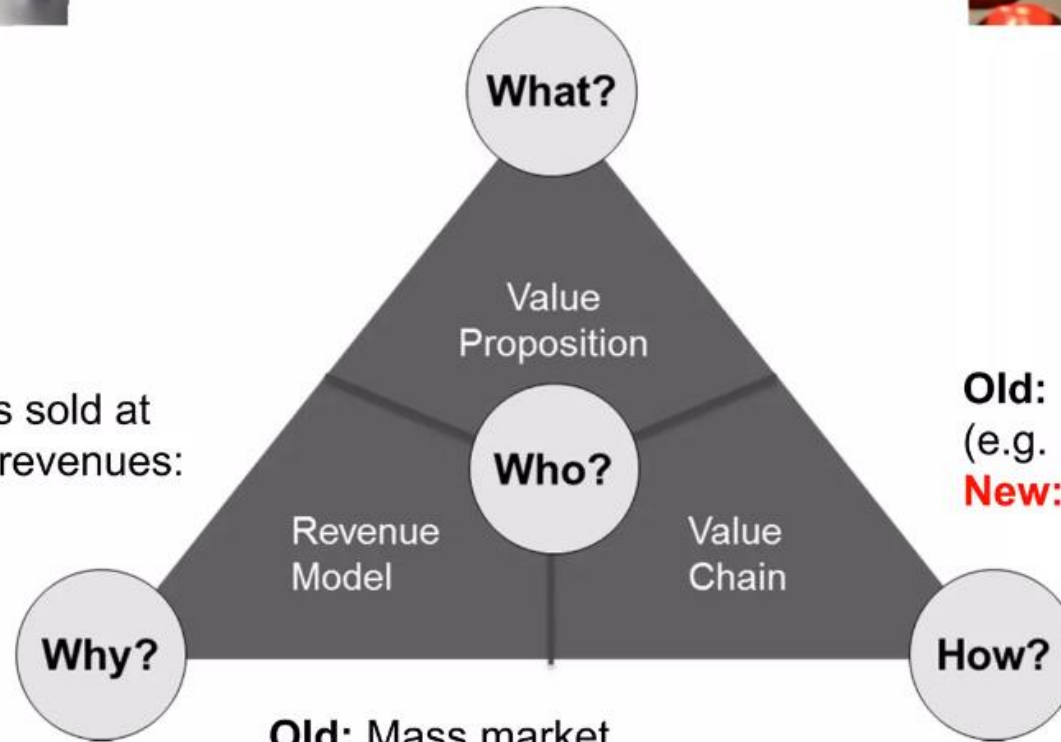
**Old:** Retail shops (e.g. supermarket)
**New:** Direct selling approach

**Why?**

**How?**

**Old:** Mass market
**New:** High-end households, Office markets

Holcim

# Customer acquisition: Examples

# Acquiring your first 1,000 users

| 1. Go to your users, offline | DOORDASH · Etsy · lyft · Nextdoor · Pinterest · Snapchat · tinder · Uber |
| 2. Go to your users, online | buffer · Dropbox · loom · NETFLIX · TikTok |
| 3. Invite your friends | LinkedIn · lyft · Facebook · Pinterest · Quora · slack · yelp |
| 4. Create FOMO | Instagram · MAILBOX · Pinterest · robinhood · Spotify |
| 5. Leverage influencers | Instagram · Product Hunt · Quora · Twitter |
| 6. Get press | airbnb · Instagram · Product Hunt · slack |
| 7. Build a community | stack overflow · Product Hunt |

# Finding your first ten B2B customers

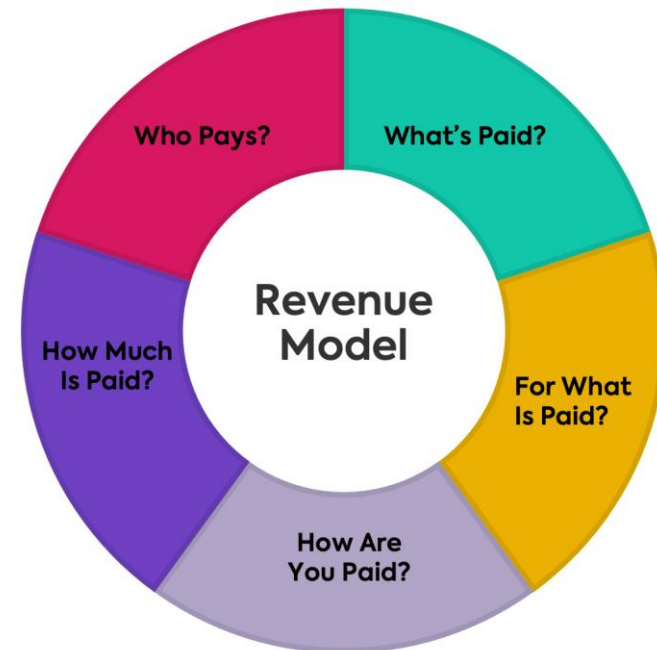|  | Bottom-Up / Self-Service | Sales |
|---|---|---|
| **1. Tap your personal network**<br>e.g. friends, former colleagues, investors, incubator peers | Figma, slack, asana, coda, Amplitude, Airtable, stripe | carta, looker, salesforce, workday, okta, GUSTO, INTERCOM |
| **2. Seek out your customers where they are**<br>e.g. online communities, Hacker News, door to door | Figma, PLAID, Dropbox, shopify, New Relic, ATLASSIAN, Airtable, Amplitude, Segment | Square |
| **3. Get press**<br>e.g. an orchestrated launch | Canva, twilio, slack | |

43
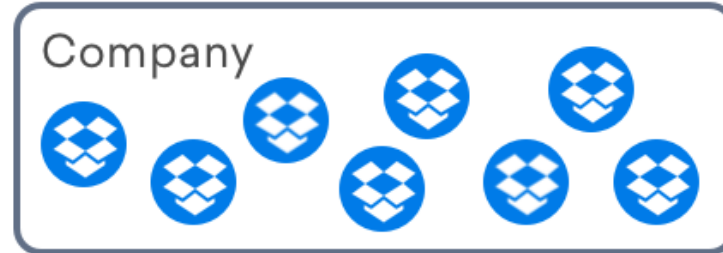
# Revenue models

**A revenue model** is a plan for earning revenue from a business or project.

It explains different mechanisms of revenue generation and its sources.

Revenue Model

**Who Pays?** Is it always the client?
- Sponsor — Paying to support something/someone unable to generate enough funds.
- Advertiser — Paying for the opportunity to promote something else.
- Insurer — Paying out some risk covered by insurance.

**What is Paid?** Is it always money?
- Data — Paying by giving (personal) data to the supplier.
- Activities — Paying by performing (small) services for the supplier.
- Shares — Paying by giving a part of future revenue streams to the supplier.

**How Much is Paid?** Is it always fixed?
- Dynamic Pricing — Paying a price is calculated by time, place, demand, and availability.
- Volume Discount — Paying a price calculated by the volume of products purchased.
- Auction — Paying the price set in a multi-party bidding process.

**How is Paid?** Is it always directly?
- Subscription — Paying for access to a shared product/service for a certain period.
- Credit — Paying for a product/service in installments over a certain period of time.
- Lease — Paying for the exclusive use of a product for a certain period.

**For What is Paid?** Is it always the product?
- Per User — Paying only for the actual times or intensity of usage.
- Per Result — Paying only for the outcome achieved.
- Per Add-on — Paying only for the extras on top of the base product.

| Product | Who Pays? | What's Paid? | For What Is Paid? | How Are You Paid? | How Much Is Paid? |
|---|---|---|---|---|---|
| AppleCare | End User | Money | Protection | Subscription | $99 |
| Newspaper | End User | Money | Physical Paper | One Off | $<2 |
| Facebook | Advertiser | Money | Audience Data | One Off | Dynamic |
| Facebook | End User | Data | Social Network | Subscription | All Usage |
| SaaS Product | Company | Money | Per User | Subscription | Varies |

# TYPES OF REVENUE STREAMS ARE:

**Assets sales** (ie vehicle purchase) where you sell the rights of the product to the purchaser.

**Rental fee** (vehicle hire) where you allow exclusive rights to the customer for a period of time.

**Usage fee** (ie electricity supply) which charges the customer based on usage.

**License fee** (ie intellectual property usage – franchises)
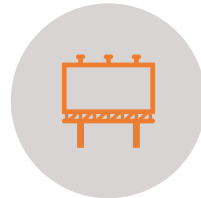
**Advertising fee** (ie google ads) charges the customer by allowing them to advertise on company  assets.
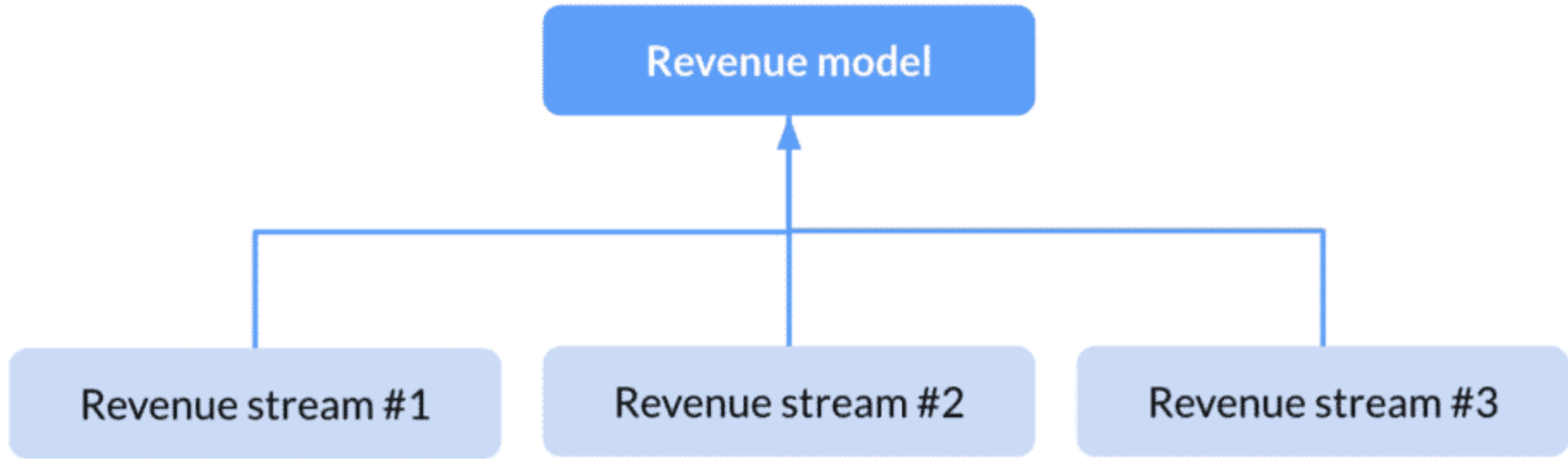
**Subscription fee** (ie access to online newsletters) charges the customer for regular, consistent usage.

**Brokerage fee** (ie mortgage brokers) is revenue that is generated by intermediaries.
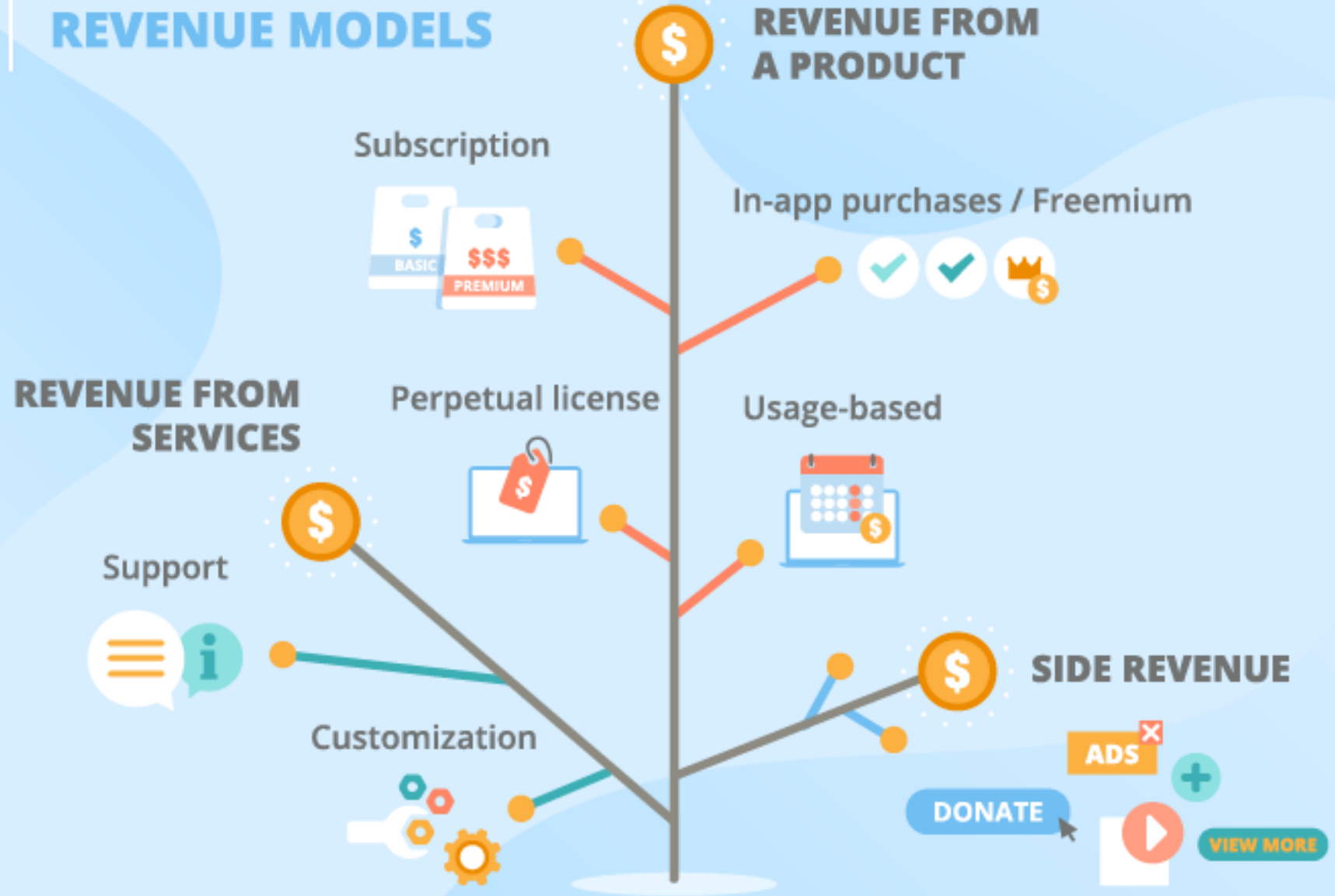
**Free** (ie free use in the case of Google search)

REVENUE STREAM =

the strategy the company uses to generate cash from each customer segment

50

# Software Business

**REVENUE MODELS**

**REVENUE FROM A PRODUCT**

Subscription

In-app purchases / Freemium

BASIC

$$$
PREMIUM

**REVENUE FROM SERVICES**

Perpetual license

Usage-based

Support

Customization

**SIDE REVENUE**

ADS

DONATE

VIEW MORE

# Freemium Revenue Model

*When a marketplace has both free features and premium features*

## Pros

\+ Fast Lead Generation

\+ No Limitations in Using

## Challenges

! Hard to convert free users into paying ones

! Difficult to Get Enough Revenue

craigslist

# Subscription Revenue Model

*When a user is charged a regular fee for access to the platform*

## 🟨 Pros

+ Monthly revenue prediction on a regular basis

+ Attracts More Clients

## 🟨 Challenges

! Solving Chicken-and-an-egg Problem

! Providing Enough Value

**okcupid**

*couchsurfing*

# Commission Revenue Model

*When a user is charged a fee for each transaction*

■ **Pros**                    ■ **Challenges**

**+** Attracts More Suppliers     **!** Providing Enough Value

**+** With Each Transaction, You   **!** Setting the Pricing
    Monetize

# PRICING MODEL =

the tactics you use to set the price in each customer segment

Source: Steve Blank, How to build a startup course

# Two Types of Pricing

## FIXED
- Cost + mark-up
- Value priced (based on customer segment or features)
- Volume priced

## DYNAMIC
- Negotiation
- Yield Management
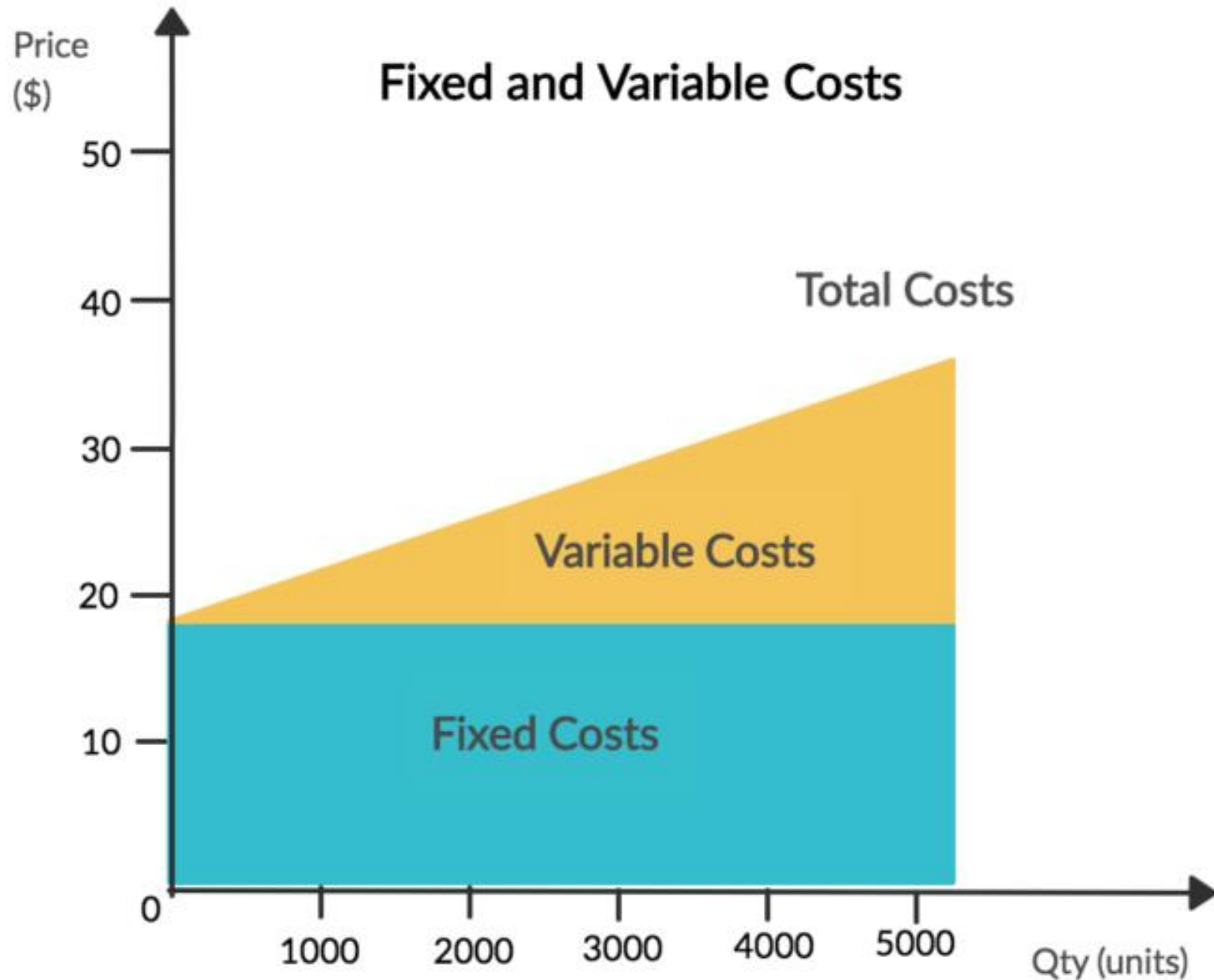- Real-time Markets
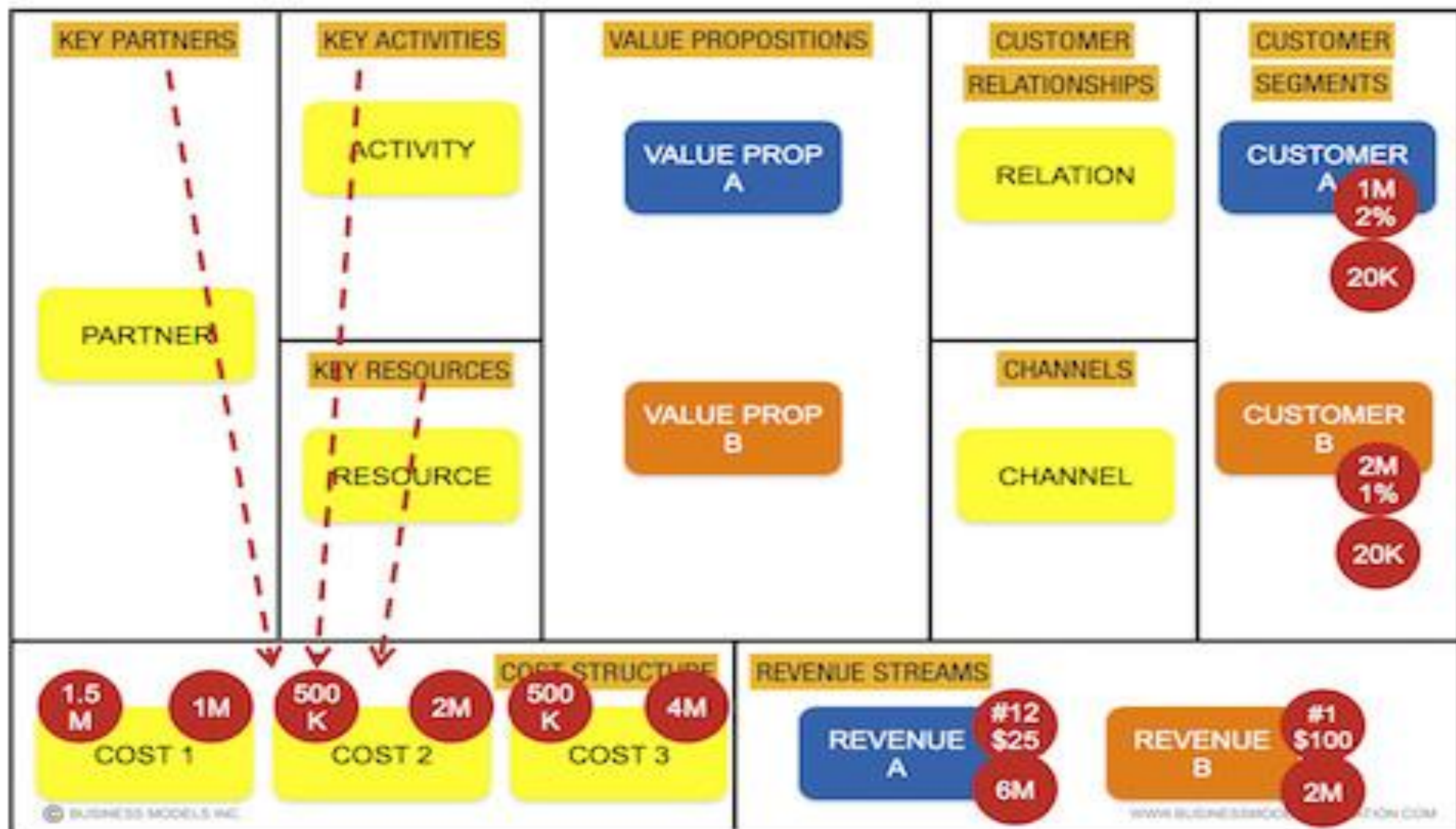- Auctions

# Cost structure

# Profit, revenue, cost

$$\frac{\text{Revenue}}{\text{Cost}} = \text{Profit}$$

# Fixed vs. Variable Costs

| Type of Business | Fixed costs | Variable costs |
|---|---|---|
| Product cost structure | Direct labor, manufacturing overhead | Direct materials, commissions, production supplies, piece rate wages |
| Service cost structure | Administrative overhead | Staff wages, bonuses, payroll taxes, travel and entertainment |
| Customer cost structure | Administrative overhead for customer service, warranty claims | Costs of products and services sold to the customer, product returns, credits taken, early payment discounts taken |

# BUSINESS MODEL CANVAS

BUSINESS MODELSINC

| KEY PARTNERS | KEY ACTIVITIES | VALUE PROPOSITIONS | CUSTOMER RELATIONSHIPS | CUSTOMER SEGMENTS |
|---|---|---|---|---|

ACTIVITY

VALUE PROP A

RELATION

CUSTOMER A

1M
2%

20K

PARTNER

KEY RESOURCES

VALUE PROP B

CHANNELS

RESOURCE

CHANNEL

CUSTOMER B

2M
1%

20K

## COST STRUCTURE

1.5 M  1M

COST 1

500 K  2M

COST 2

500 K  4M

COST 3

## REVENUE STREAMS

REVENUE A

#12 $25

6M

REVENUE B

#1 $100

2M

BUSINESS MODELS INC.

# Google cost structure

| Key partners | Key activities | Value propositions | Customer relationships | Customer segments |
|---|---|---|---|---|
| partnership agreements | offering new products | free search engine | support to businesses | internet users |
| Open Handset Alliance | betting in other areas | free tools and apps | expanding the AdWords network | agencies, marketers and businesses |
| AdSense network publishers | innovating its search algorithms | targeted text-based ads for businesses | privacy concerns | AdSense Network Members |
| other publishers & content producers | | content monetization | | |

**Key resources**

- IT infrastructure
- R&D investments

**Distribution channels**

- global sales team
- Google deals and partnerships

## Cost structure

datacenters costs, traffic acquisition costs, R&D costs, sales and marketing costs

## Revenue streams

Google advertising network, Google other revenues (Apps, in-app purchases, Google Play store, Google Cloud and Hardware); Google other bets

# Thank you

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