

A background network diagram consisting of orange dots connected by thin lines, forming a complex web of connections. The dots are scattered across the slide, with a higher density in the top right and bottom left corners.

How to make money with Business models

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Slovenija



Menu

- Time is changing



And so is business...

Business model

- What is a business model?
- The plan implemented by a company to generate revenue and make a profit from operations.



Design - Art

- Be better than the competition
- Be innovative
- Be creative
- Be curious



Your assignment

- You are paying a rent for your apartment
- It is too big for you
 - to many rooms
 - to big costs



- You think you can do something from that situation.
- What?

Operationalization

- Form teams with 2 - 4 members
- Discuss about business idea
- Is business idea a business opportunity
- How would you make it a business model?
- You have 8 minutes + short presentation of ideas

2007

- Brian Chesky and Joe Gebbia
- Couldn't afford the rent on their San Francisco apartment
- „Build your own site for promoting apartment“
- Website with pictures of their small room
 - with three air mattresses on the floor
 - the promise of a home-cooked breakfast in the morning

Airbnb



- First three renters: \$80/h
- After
 - emails from people around the world
 - when the site would be available for destinations like Buenos Aires, London, and Japan
- How to create larger, international web?
 - Market research
- People told them what they wanted
 - They solved their problem (and from business)

Today - Airbed & Breakfast

- More nights books than Hilton Hotels
- 2014
 - \$24 billion valuation
 - As of spring 2014, the platform had 10 million guests and 550,000 properties listed worldwide
- E.g.
 - The Gross Domestic Product (GDP) in Estonia was worth 37 billion US dollars in 2014

Number of customers

- Airbnb has already [overtaken major hotel companies](#)
- 80 milion guests in year 2015
- 1.5 million listings - homes, apartments, guest rooms, even houseboats and tree houses
- More than 34,000 cities in 190 countries

About business model

A business model describes the rationale of how an organization creates, delivers, and captures value

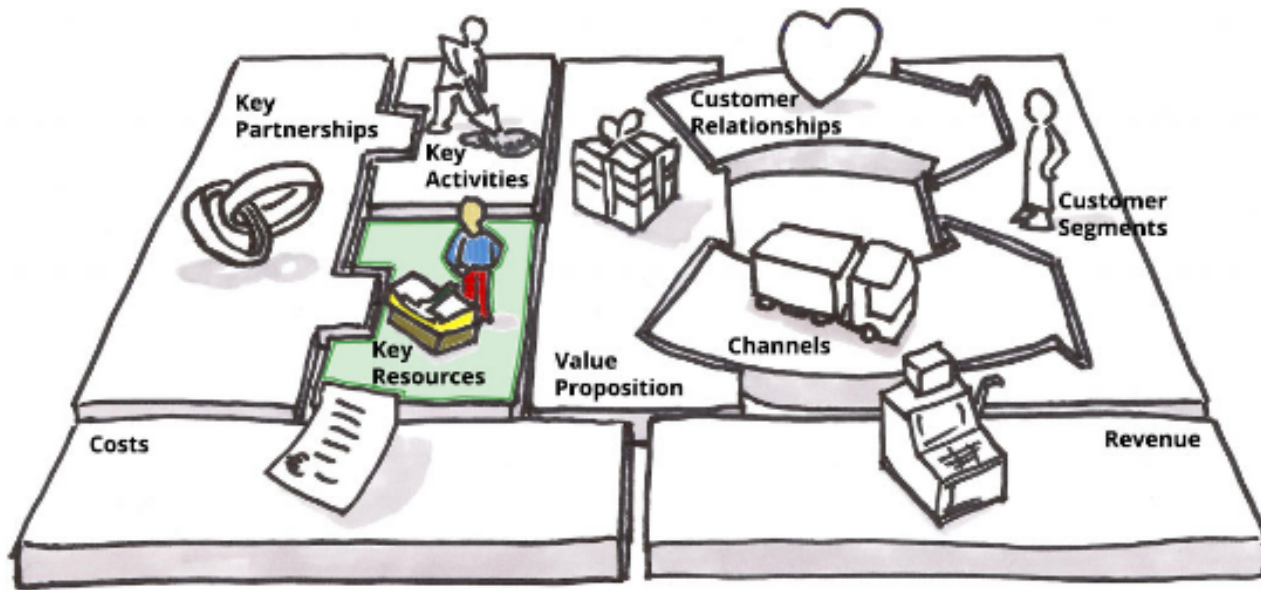


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- 9 basic building blocks show the logic of how a company intends to make money.
- They cover the four main areas of a business:
 - customers,
 - offer,
 - infrastructure,
 - and finances.



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Customer Segments



An organization serves one or several Customer Segments.

- The Customer Segments Building Block defines **the different groups of people or organizations** an enterprise aims to reach and serve



Customers - the heart of any business model

- Distinct segments with common needs, common behaviors, or other attributes.
- One or several large or small customer segments.
- A business model can be carefully designed around a strong understanding of specific customer needs.

Value Propositions



It seeks to solve customer problems and satisfy customer needs with value propositions.

Value Propositions

- What value do we deliver to the customer?
- Which one of our customer's problems are we helping to solve?
- Which customer needs are we satisfying?
- What bundles of products and services are we offering to each Customer Segment?

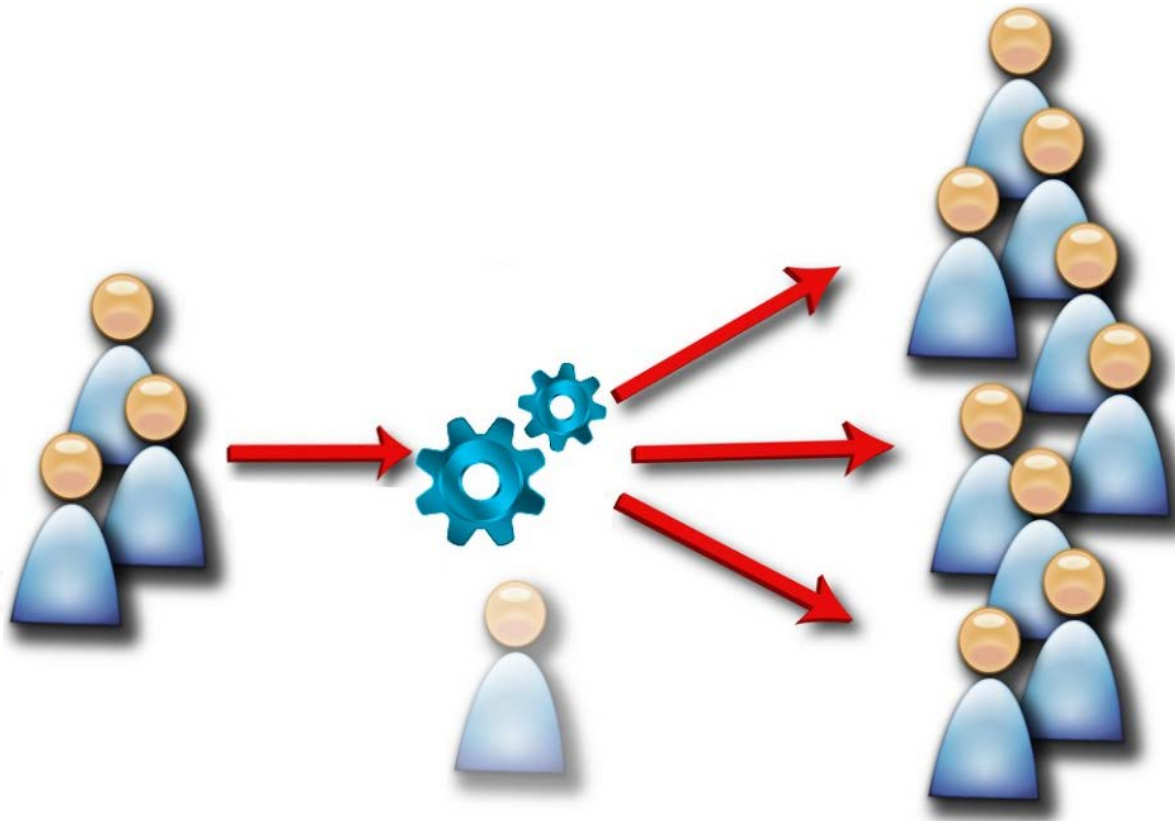
Value Propositions

- *A Value Proposition creates value for a Customer Segment through a distinct mix of elements catering to that segment's needs.*
- *Values may be*
 - *quantitative (e.g. price, speed of service) or*
 - *qualitative (e.g. design, customer experience).*

Value Propositions

- Newness (cell phones, ethical investment funds)
- Performance
- Customization
- “Getting the job done”
- Design
- Brand/status
- Price
- Cost reduction
- Risk reduction
- Accessibility
- Convenience/ usability

Channels



Value propositions are delivered to customers through communication, distribution, and sales Channels.

- The Channels Building Block describes how a company communicates with and reaches its customer Segments to deliver a Value Proposition

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 Types

- *Sales force*
- *Web sales*
- *Own stores*
- *Partner stores*
- *Wholesaler*



Channel Phases

1. Awareness

- How do we raise awareness about our company's products and services?

2. Evaluation

- How do we help customers evaluate our organization's Value Proposition?

Channel Phases

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 Relationships



Customer relationships are established and maintained with each Customer Segment

- The Customer Relationships Building Block describes the types of relationships a company establishes with specific Customer Segments

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

Customer Relationships

- Personal assistance
- Dedicated personal assistance
- Self-service
- Automated services
- Communities
- Co-creation

Revenue Streams



5. REVENUE MODEL

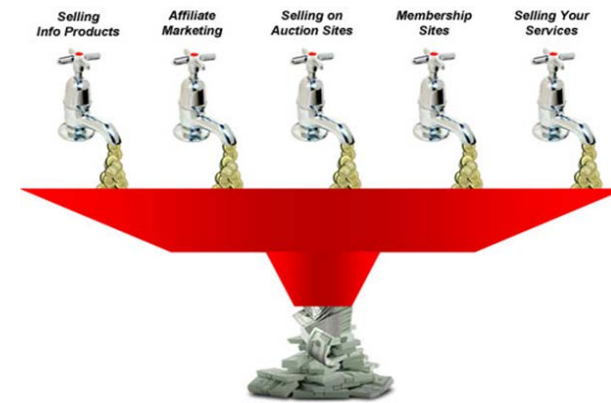
? How does the company **MAKE MONEY** from each customer segment?



Revenue streams result from value propositions successfully offered to customers

- The Revenue Streams Building Block represents the cash a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings)

Revenue Streams

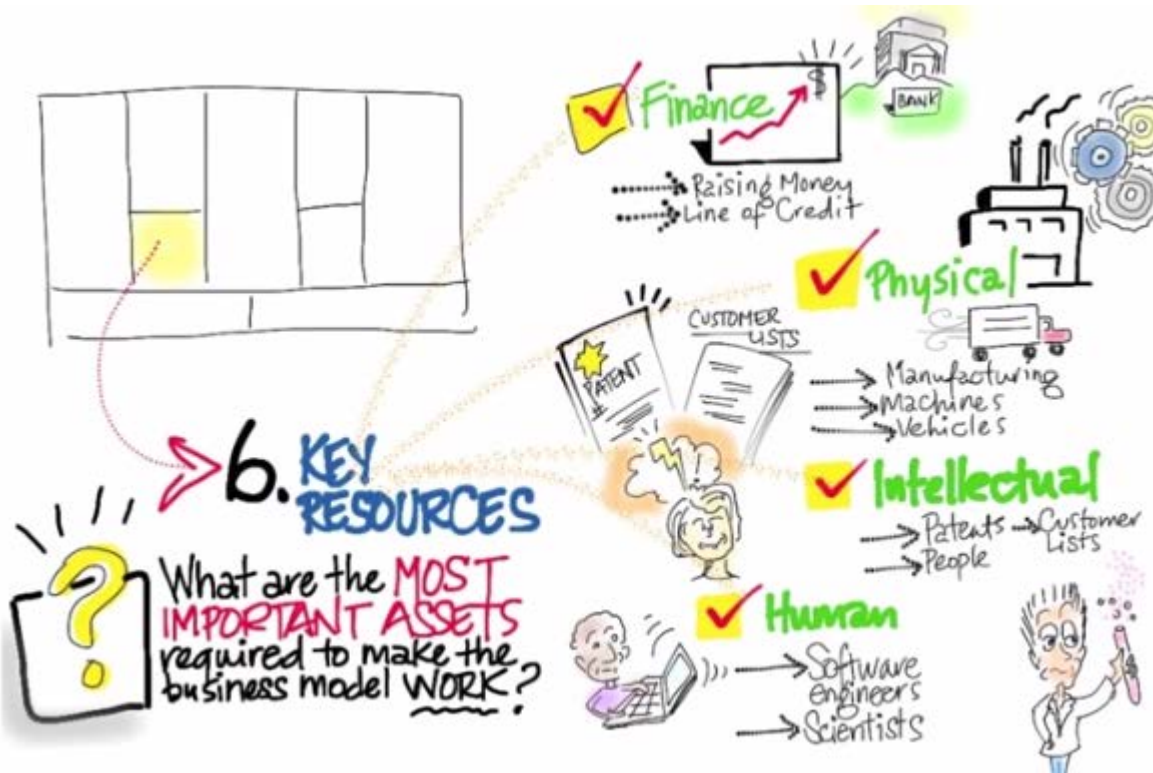


- For what value is each Customer Segment truly willing to pay?
- Successfully answering that question allows the firm to generate one or more Revenue Streams from each Customer Segment.
- Each Revenue Stream may have different pricing mechanisms, such as fixed list prices, bargaining, auctioning, market dependent, volume dependent

Revenue Streams

- Each Revenue Stream might have different pricing mechanisms.
- The type of pricing mechanism chosen can make a big difference in terms of revenues generated.
- There are two main types of pricing mechanism:
 - *fixed and dynamic pricing*

Key Resources



Key resources are the assets required to offer and deliver the previously described elements...

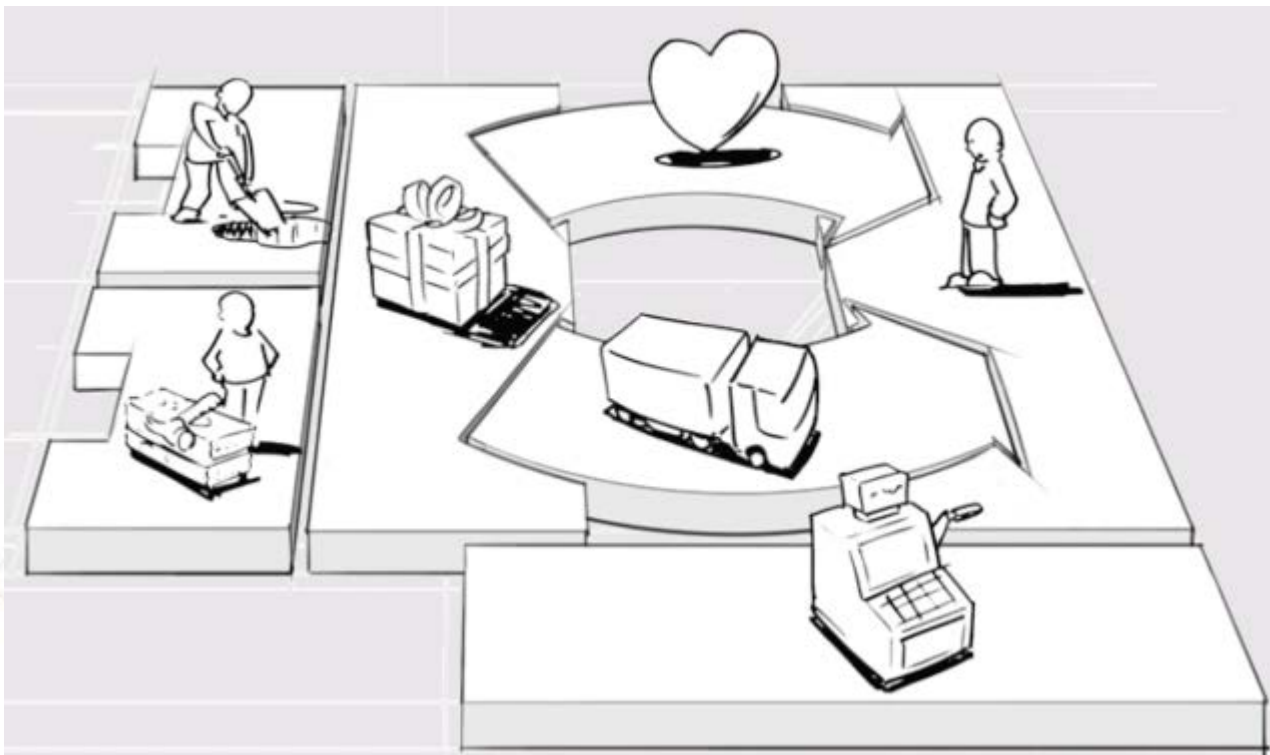
The Key Resources Building Block describes the most important assets required to make a business model work

Key Resources

- Capital-intensive production facilities
Vs. Human resources
- Owned or leased by the company or acquired from key partners

Key Activities

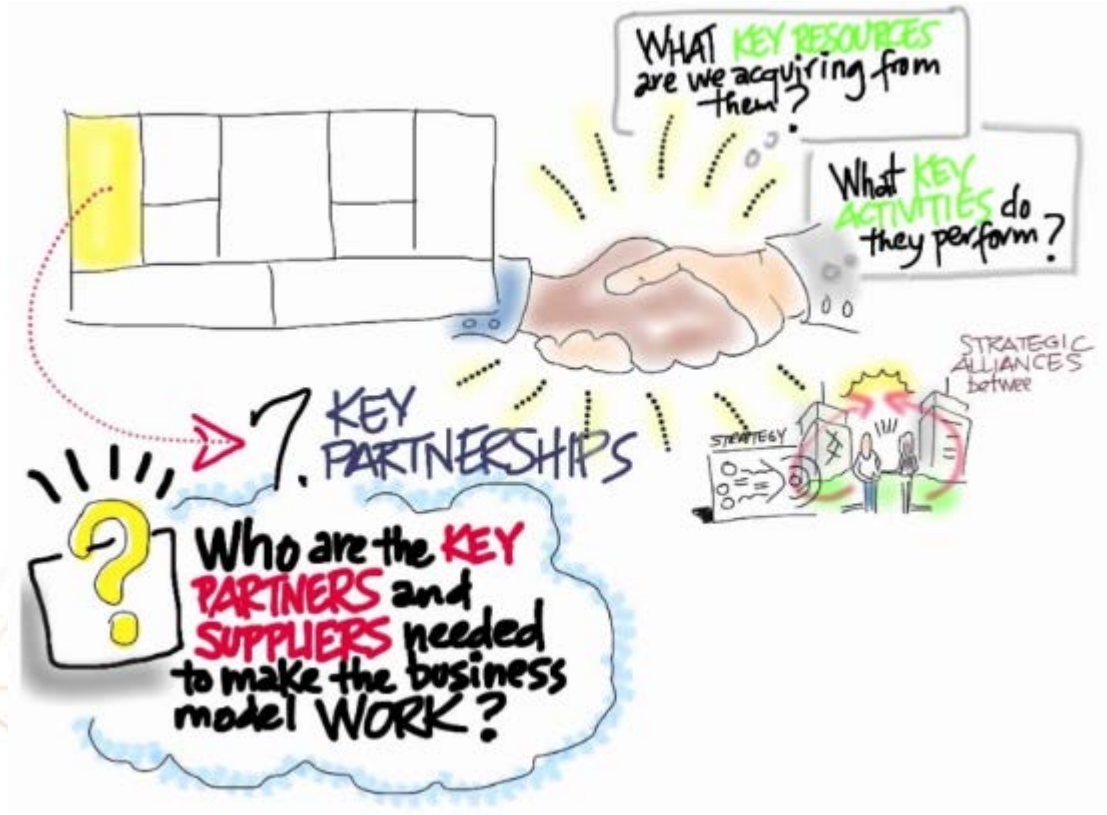
- The Key Activities Building Block describes the most important things a company must do to make its business model work



Key Activities

- Differ depending on business model type
 - For software maker Microsoft, Key Activities include software development.
 - For PC manufacturer Dell, Key Activities include supply chain management.
 - For consultancy McKinsey, Key Activities include problem solving.

Key Partnerships



Some activities are outsourced and some resources are acquired outside the enterprise

The Key Partnerships Building Block describes the network of suppliers and partners that make the business model work

Key Partnerships

- Strategic alliances between non-competitors
- Coopetition: strategic partnerships between competitors
- Joint ventures to develop new businesses
- Buyer-supplier relationships to assure reliable supplies

Key Partnerships

- Who are our Key Partners?
- Who are our key suppliers?
- Which Key Resources are we acquiring from partners?
- Which Key Activities do partners perform?



Key Partnerships

- *Motivations for creating partnerships:*
 - Optimization and economy of scale
 - Reduction of risk and uncertainty
 - Acquisition of particular resources and activities



Cost Structure

When



The business model elements result in the cost structure.

You have a successful Business Model

The Cost Structure describes all costs incurred to operate a business model

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Cost Structure

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

Cost Structure

- *Cost Structures can have the following characteristics:*
 - Fixed costs
 - Variable costs
 - Economies of scale
 - Economies of scope

key partners



facebook app & game developers

key activities

platform development and maintenance



value proposition



customer relationships

long term, sticky relationship plus network effects



customer segments



everyone on the internet, because people are social

key resources

smart people and technology



the brand, and huge user base

channels



facebook.com

fortune 500 as well as SME & micro advertisers



facebook app & game developers



cost structure

~3000 employees to operate the entire platform with over 600 million users



technology & maintenance



revenue streams

advertising revenue



30% cut on facebook credits



What's your future business model?

Have a nice day 😊

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