BUSINESS MODEL

Business model is how a company operates, competes and makes money.

Main components: revenue and cost. Strategic focus will shape the model.

- **Maximising revenues**: innovation, strong brand, high-value products.
- **Reducing costs**: commodity, mass market, DYI products and services.

Biggest challenge: avoid getting stuck in the middle!

HOW TO CHOOSE?

There are no best or worst business models. Instead, there is always a business model that suits your company the best at this stage. Because a model is not chosen just once. Business models evolve as company grows and transforms. As such, hybrid or multiple models become more and more common.

CUSTOMER

problem to solve
needs & constrains
buying habits

MARKET

growth rate
competition
regulations

VALUE PROPOSITION

product or service
value added
processes and resources

MONETIZATION

value drivers
key metrics
go-to-market

FOCUSED MODEL : 1-2-1

This business model is mainly used by **early stage start-ups** who are figuring out the product-market fit. They mostly sell their products **directly** or through a contracted salesforce.

Advantages: direct access to the customer, ability to pivot, full ownership of product and strategy, full retention of revenues due to by-passing of a middleman.

Disadvantages: capex/inventory, high customer acquisition costs, assuming all risks, longer time to reach profitability.

Industries: coaching, consumer goods, health & wellness, professional services, e-commerce, DIY products

WELL KNOWN EXAMPLES:

TESLA

TONY ROBBINS

YVES ROCHER

IKEA

AVON

55%

OF CONSUMERS

prefer to buy directly from brands vs multi-brand retailers (invespcro.com, 2021)

SHARED MODEL : 1-2-MANY

This business model is suitable for **start-ups** that:

- have resources for fast scaling (**franchise**), or
- have a product that successfully passed a market fit test (**white label**), or
- have other competitive advantage (**partnerships**, **JVs**)

Advantages: fast expansion, brand equity, shared risk, lower failure rate
Disadvantages: market/partner risk, reputation, restrictive regulations, initial investment (time/money)
Industries: consumer goods, food and beverages, hospitality, pharma, entertainment, BPO.

WELL KNOWN EXAMPLES:

7 ELEVEN

Pfizer BIONTECH

STARBUCKS COFFEE

Dale Carnegie

SPAR

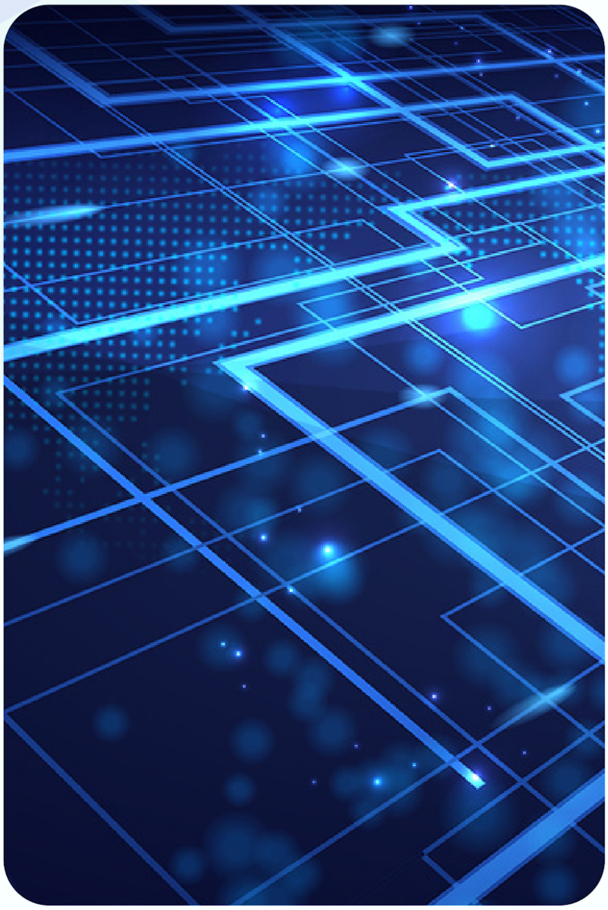
Marriott INTERNATIONAL

6 IN 10

COMPANIES

partner in order to acquire new customers
(BPI network, 2019)

VOLUME MODEL: MANY-2-MANY



This business model is suitable for **start-ups** who provide a **platform** for connecting suppliers and customers. They source products, services, or information from multiple providers and help them to reach a much bigger audience.

Advantages: fast growth, high bargaining power, ancillary revenues, economies of scale, no production/inventory costs

Disadvantages: complexity of operations, reputation risk, anti-trust

Industries: e-commerce, on-line education, news outlets, NGOs, transportation, travel, SaaS.

WELL KNOWN EXAMPLES:

Meta

Uber

udemy

airbnb

ebay

>30%

OF GLOBAL ECONOMY

will be based on platform business model by 2025 (McKinsey research, 2018)

LINKED MODEL: MANY-2-1

This business model is used by **start-ups** with a flagship product to get a **recurring** revenues via:

- subscriptions (free and premium)
- co-dependent products (razors)
- complementary products

Advantages: predictable revenue streams, brand loyalty, customer relations, personalisation, easy market entry, scalability

Disadvantages: high competition, investment in tech capabilities, high initial sign-up and customer retention costs, privacy concerns

Industries: entertainment. consumer goods, e-commerce, social networks

WELL KNOWN EXAMPLES:

Gillette

amazon

Canon

NESPRESSO

LinkedIn

X5-8

FASTER GROWTH

of subscription business vs traditional business models (wonderment.com, 2021)