

Business Models



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Agenda:

1. The importance of business models
2. Examples of business models
3. What is a business model canvas
4. The significance of a business model canvas

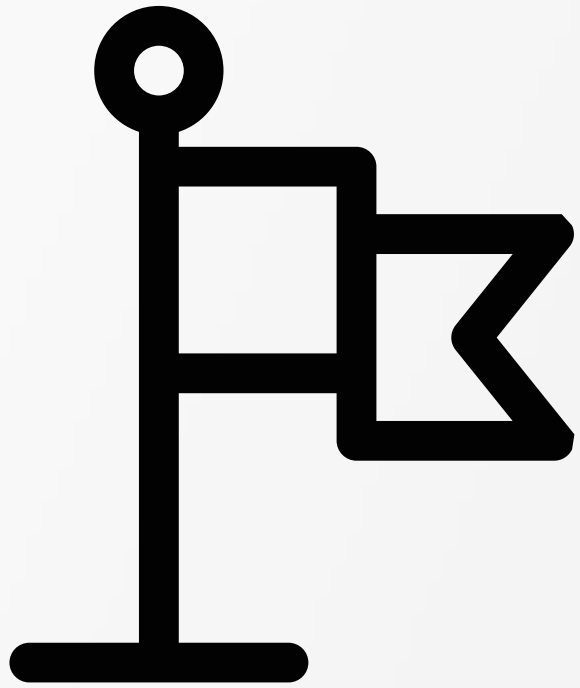
Icebreaker



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Learning Objective



- Demonstrate knowledge of various business models and their identify relevance
- Understand the purpose and creation of a business model canvas

What is a business model?

A business model is an outline for how your company plans to make money. In general, a business model explains four things:

1. What product or service a company will sell.
2. How it intends to market that product or service.
3. What kind of expenses the company will face.
4. How the company expects to turn a profit



Which Business Models do you know of?

menti.com

Types of business models

Freemium

Companies that use the Freemium Business Model:
Example freemium : The model includes both free and paid services.

Typically, a business lures new customers with a free subscription. However, it's free only for a limited period or with a basic set of features.

- Uber Eats
- Facebook
- Youtube

Subscription

A business with a subscription business model provides consumers with certain services for a fixed monthly, quarterly or annual fee.

Usually, a company segments the market and makes several offers with different features and prices. These are referred to as tiered offerings.

A vivid example is Netflix, with three monthly plans: Standard with ads for £4.99, Standard for £10.99 and Premium for £18.99

- Netflix
- Spotify
- Dollar Shave Club

Peer-to-Peer (P2P)

Under a peer-to-peer (P2P) business model, a business serves as an intermediary between two parties. The intermediary takes a commission for driving value for both the demand and supply sides

For example, look at Airbnb: the service charges a commission when a host and hostee make a deal and carry out a transaction.

- Airbnb
- Uber
- Etsy
- Upwork

Direct Sales

A direct sales business model takes place when a company adds a personal touch to a sales process. In other words, a sales representative is selling a product directly to an end-customer. It can be a one-on-one or group meeting.

Examples:

- Herbal life
- Avon
- Mary Kay

Aggregator

An aggregator business model is a network model.

A business is an aggregator if it provides information about a specific service and sells it. Usually, the service is branded.

Example:

- Bookings.com
- Skyscanner



Wholesaler

A traditional business model in the B2B segment, wholesale, is about the supply chain. Each party involved in the supply chain is a wholesale business.

So, we can say those who sell raw materials to manufacturers or suppliers and distributors who then sell goods to retailers fall for a wholesale business model.

Companies that use the Wholesale Business Model:

- Alibaba
- eBay



Software as a Service (SaaS)

Software as a service (SaaS) is a delivery business model implemented by tech companies that lease the software to customers via central, cloud-based systems. Typically, clients pay a subscription fee to get the license for centrally hosted software.

- HubSpot
- Asana
- Slack



Dropshipping

In short words, a store that doesn't have stock. It purchases the products from a third-party supplier – commonly a wholesaler or a manufacturer – who ships them directly to the end consumer. So, there is no need for inventory, and the seller doesn't have to handle the product. It is usually a good option for entrepreneurs, especially beginners, because there is no need to open a brick-and-mortar store, and that normally means smaller investments. So, the drop-shipper is essentially a middleman.

- AliExpress
- Amazon

Franchising

The franchise business model is usually the business model chosen by those who want to start a new business, but do not have much idea how to begin it. That is because the franchising system allows you to acquire a ready-made business, with a consolidated brand and know-how already tested

- McDonald's
- Subway

Retailer

In the retailer business model, retailers buy products from distributors and then sell them directly to consumers.

Examples:

- Sainbury's
- Superdrug
- Boots



Social Enterprise

A social business model is a structure, design or framework that a social business follows in order to bring about a positive change while maintaining healthy financial returns.

There are 5 main ways that impact can be integrated into the business model:

1. Employment
2. Operations and Supply Chain
3. Philanthropy
4. Products and services
5. Intrapreneurship



Social Enterprise

A social business model is a structure, design or framework that a social business follows in order to bring about a positive change while maintaining healthy financial returns.

Examples:

- [Been London](#)



How many Business Models can identify in one business:

1. Freemium
2. Subscription
3. Franchise
4. Peer-to-Peer (P2P)
5. Direct sales
6. Aggregator
7. wholesale
8. Software as a Service (SaaS)
9. Drop-shipping
10. Franchising
11. Retailer
12. Social business

1. Group One - Tesco
2. Group Two – Apple
3. Group Three - ASOS
4. Group four - Starbucks

Choosing the right model

Viability

A great business model will allow for consistent and realisable profits.

How viable is your business, does it illustrate strong profitability?

How resistant is the business to external shocks or changes to costs?

What external factors are present that determine the businesses' success?

Choosing the right model

Scalability

A great business model is designed with growth in mind.

How easily can you scale your businesses and how do the costs and profitability scale with the growth?

For example you may need to lease or purchase more space, new employees

Choosing the right model

Agility

A great business model is designed with flexibility in mind.

How easily can you adjust your business model in order to adapt to market changes?

Choosing the right model

Sustainability

A great business model should be designed to ensure that your business last a long time.

We can think of sustainability in terms of the businesses survival but also it's impact on people and the planet.

Break Time:



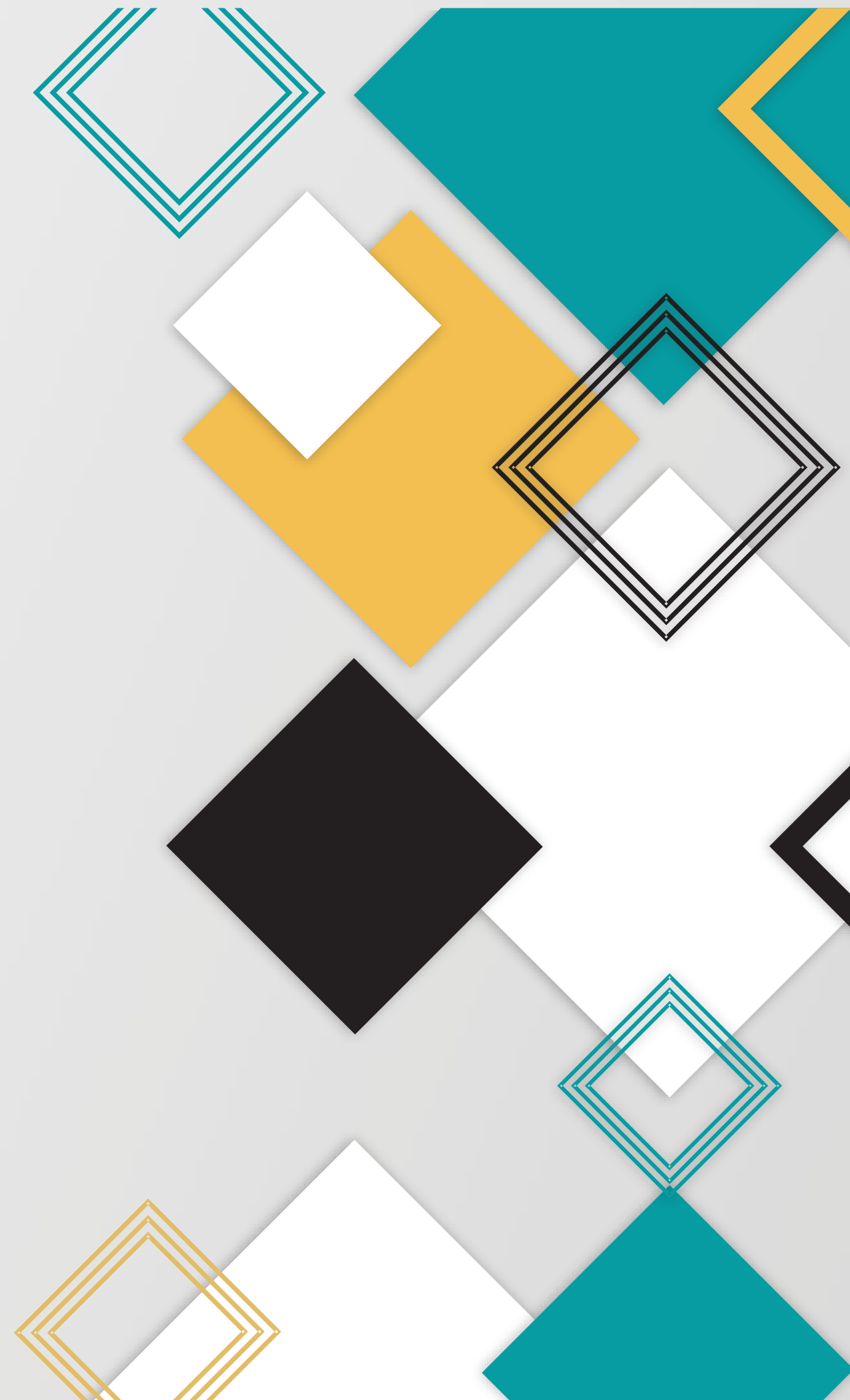
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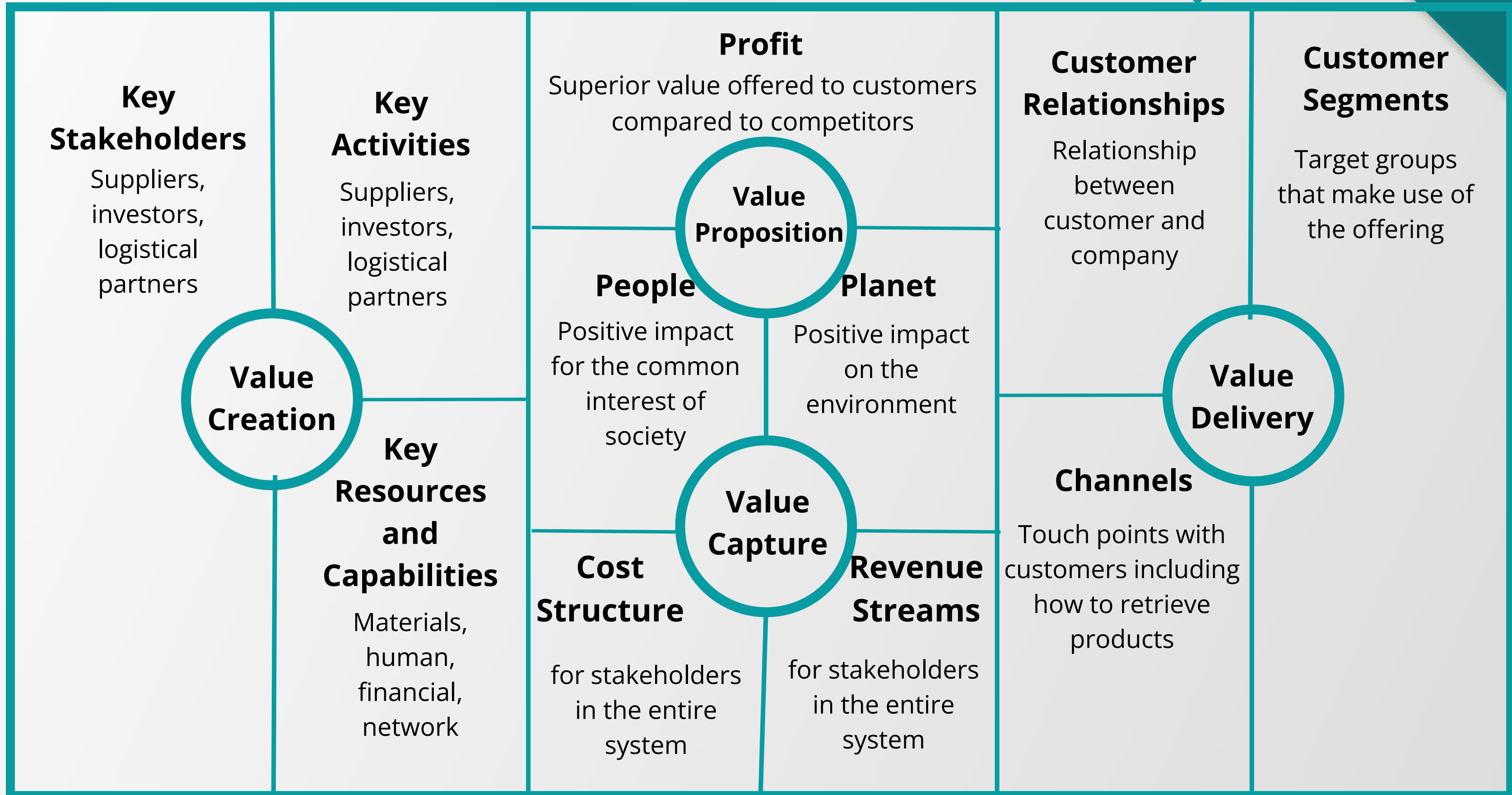
Business Model Canvas

Now that we have considered the options for our business model, we can represent them in a [business model canvas](#).

This sets out the building blocks which describes the business in it's entirety.



Business Model Canvas

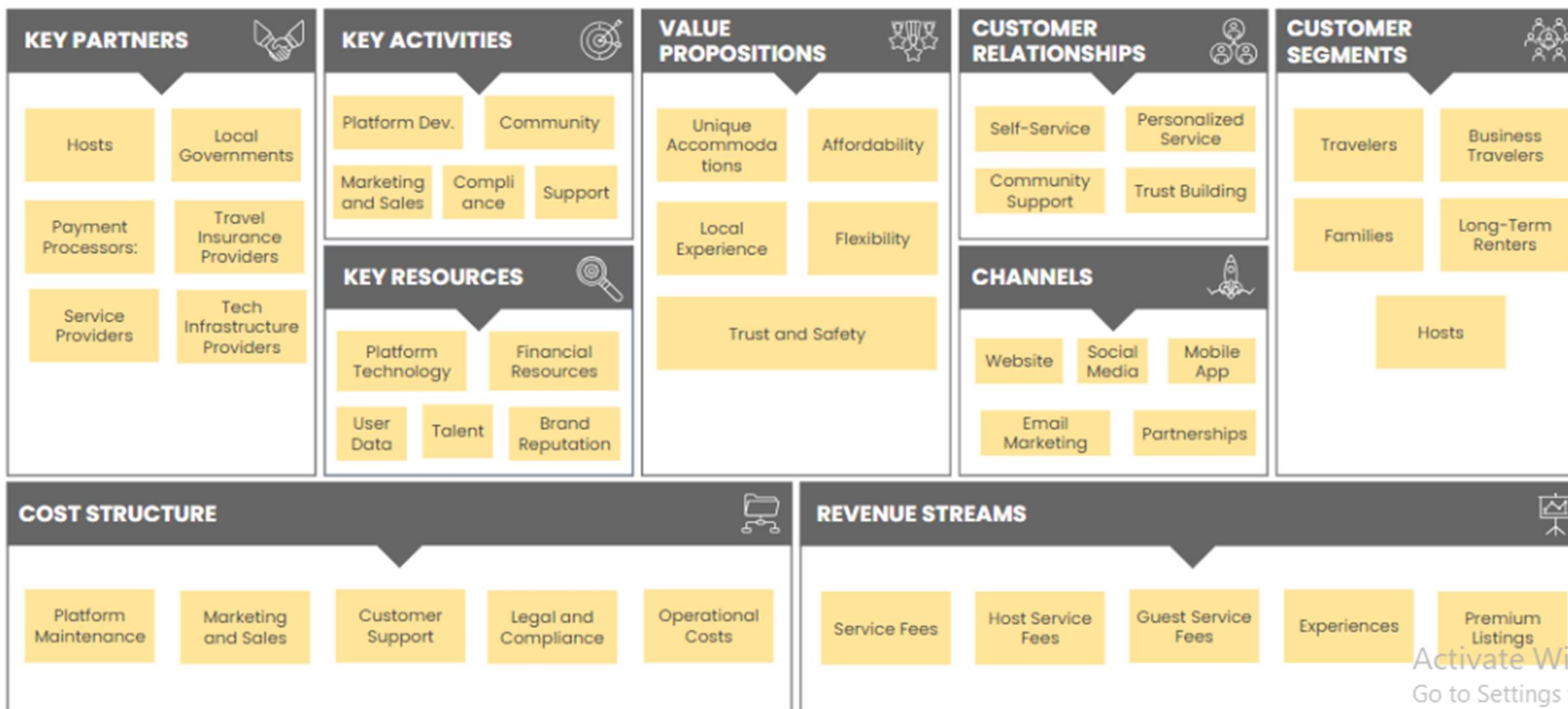


Business Model Example:



Business Model Canvas

Airbnb





Activity:

Complete the Business Model Canvas for your groups company

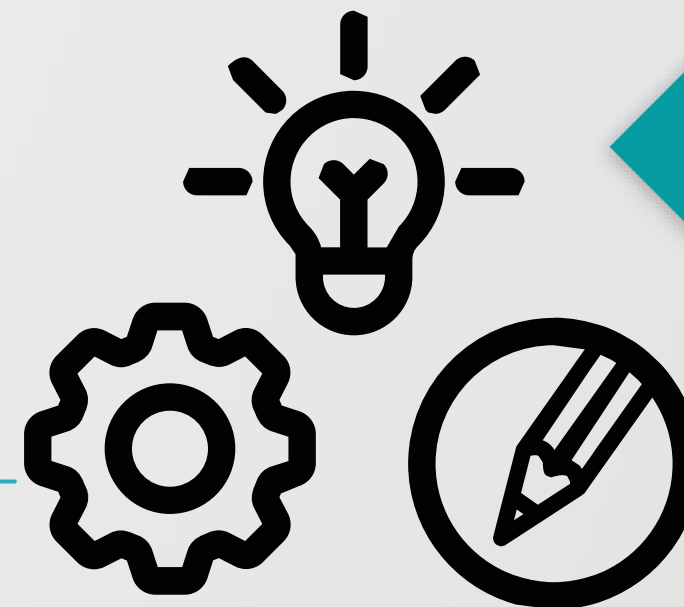
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Key Takeaways



1. A business model is an outline for how your company plans to make money
2. Multiple Business Models
3. Business Model Canvas: building blocks which describes the business in it's entirety

Reference



Video: Social Enterprise:

<https://www.youtube.com/watch?v=aTo0qtdVMpM>

Business Model Video:

<https://www.youtube.com/watch?v=QoAOzMTLP5s&t=85s>

Business Model Explained:

<https://hbr.org/2013/05/a-better-way-to-think-about-yo>

Business Model Canvas Example:

<https://www.productcompass.pm/p/business-model-canvas-examples>

