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CHAP 5 BUSINESS MODEL








The Business Model Canvas

Designed for:

Designed by:










On: / /

Version: 1.0

<h3>Key Partners</h3>  <p>Who are our key partners? Who can we leverage? Who do we rely on to provide key resources? Who do we rely on to provide key activities?</p> <p>Key Partners</p>	<h3>Key Activities</h3>  <p>What key activities do our Value Proposition require? Our Structure or Channel? Customer Relationship? Revenue Stream?</p> <p>Key Activities</p>	<h3>Value Propositions</h3>  <p>What do our customers value? What do our customers expect to receive? What benefits do we provide? What are our customers' pain points? What are our customers' unmet needs?</p> <p>Value Propositions</p>	<h3>Customer Relationships</h3>  <p>What type of relationship do we offer our Customers? Types of relationships include: personal assistance, self-service, automated, personal, and community. Which relationships are we offering? How do we integrate with the customer's business? How do we integrate with the customer's life?</p> <p>Customer Relationships</p>	<h3>Customer Segments</h3>  <p>For whom are we creating value? Who are our target customer segments?</p> <p>Customer Segments</p>
<h3>Cost Structure</h3>  <p>What are the most important costs to drive our business model? Which key resources are most expensive? Which key activities are most expensive?</p> <p>Cost Structure</p>	<h3>Revenue Streams</h3>  <p>How do our customers pay for our Value Proposition? What are the revenue models? How do we integrate with the customer's business? How do we integrate with the customer's life?</p> <p>Revenue Streams</p>			










Business Model

XL Axiata Business Model before year 2010

<p><i>Key Partners</i> </p> <ul style="list-style-type: none"> • Packaging Vendors • BTS Rentals • IT Providers 	<p><i>Key Activities</i> </p> <ul style="list-style-type: none"> • Internet Services • Customer Services • Complicated promotions 	<p><i>Value Proposition</i> </p> <ul style="list-style-type: none"> • High Price with low volume • Voice-Centric • Data-Centric • Domestic Backbone • Various of products category 	<p><i>Customer Relationships</i> </p> <ul style="list-style-type: none"> • Customer Care 24 hours/day 	<p><i>Customer Segments</i> </p> <ul style="list-style-type: none"> • Personal • Corporate
<p><i>Key Resources</i> </p> <ul style="list-style-type: none"> • Marketing • Sales • IT Services • Call Center Services 			<p><i>Channels</i> </p> <ul style="list-style-type: none"> • Website • Branches 	
<p><i>Cost Structure</i> </p> <p>BTS Rental Network and infrastructure expand Maintenance equipment's promotions</p>			<p><i>Revenue Streams</i> </p> <p>Voice SMS Data Other value-added mobile products & services </p>	

Business Model

XL Axiata Business Model after year 2010

<p><i>Key Partners</i> </p> <ul style="list-style-type: none"> • Packaging Vendors • BTS Rentals • IT Providers • Music Labels • Collaboration with 3rd parties : Blackberry, Iphone, Ipad, Samsung 	<p><i>Key Activities</i> </p> <ul style="list-style-type: none"> • Internet Services • Customer Services • Simple and attractive promotions <p><i>Key Resources</i> </p> <ul style="list-style-type: none"> • Marketing • Sales • IT Services • Call Center Services • Outsourcing 	<p><i>Value Proposition</i> </p> <ul style="list-style-type: none"> • Low Price-High Volume • Single product • Voice-Centric • Data-Centric • Domestic Backbone 	<p><i>Customer Relationships</i> </p> <ul style="list-style-type: none"> • Customer Care 24 hours/day <p><i>Channels</i> </p> <ul style="list-style-type: none"> • Website • Branches • Mobile Applications • Dealerships 	<p><i>Customer Segments</i> </p> <ul style="list-style-type: none"> • Personal • Corporate
<p><i>Cost Structure</i> </p> <p>BTS Rental Network and infrastructure expand Maintenance equipment's promotions</p>		<p><i>Revenue Streams</i> </p> <p>Voice SMS Data Other value-added mobile products & services Ringtones collaboration with 3rd parties</p>		

E-commerce Business Models— Introduction

- Business model – set of planned activities designed to result in a profit in a marketplace
- Business plan – document that describes a firm's business model
- E-commerce business model – aims to use and leverage the unique qualities of Internet and Web

Key Ingredients of a Business Model

Table 2.1, Page 62

TABLE 2.1 KEY INGREDIENTS OF A BUSINESS MODEL	
COMPONENTS	KEY QUESTIONS
Value proposition	Why should the customer buy from you?
Revenue model	How will you earn money?
Market opportunity	What marketplace do you intend to serve, and what is its size?
Competitive environment	Who else occupies your intended marketplace?
Competitive advantage	What special advantages does your firm bring to the marketplace?
Market strategy	How do you plan to promote your products or services to attract your target audience?
Organizational development	What types of organizational structures within the firm are necessary to carry out the business plan?
Management team	What kinds of experiences and background are important for the company's leaders to have?

Revenue Model

- Describes how the firm will earn revenue, generate profits, and produce a superior return on invested capital
- Terms financial model and revenue model often used interchangeably
- Major types:
 - Advertising revenue model
 - Subscription revenue model
 - Transaction fee revenue model
 - Sales revenue model
 - Affiliate revenue model

Advertising Revenue Model

- Web site that offers content, services and/or products also provides a forum for advertisements and receives fees from advertisers
- Example: Yahoo.com

Subscription Revenue Model

- Web site that offers users content or services charges a subscription fee for access to some or all of its offerings
- Examples:
 - Consumer Reports Online
 - Yahoo! Platinum

Transaction Fee Revenue Model

- Company that receives a fee for enabling or executing a transaction
- Examples:
 - eBay.com
 - E-Trade.com

Sales Revenue Model

- Company derives revenue by selling goods, information, or services to customers
- Examples:
 - Amazon.com
 - LLBean.com
 - Gap.com
 - Olx.com
 - Lazada.com

Affiliate Revenue Model

- Sites that steer business to an “affiliate” receive a referral fee or percentage of the revenue from any resulting sales
- Example:
 - MyPoints.com

Five Primary Revenue Models

Table 2.2, Page 66

TABLE 2.2		FIVE PRIMARY REVENUE MODELS	
REVENUE MODEL	EXAMPLES	REVENUE SOURCE	
Advertising	Yahoo.com	Fees from advertisers in exchange for advertisements	
Subscription	WSJ.com, Consumerreports.org Sportsline.com	Fees from subscribers in exchange for access to content or services	
Transaction Fee	eBay.com, E-Trade.com	Fees (commissions) for enabling or executing a transaction	
Sales	Amazon.com, LLBean.com, Gap.com, Sears.com, JCPenny.com	Sales of goods, information, or services	
Affiliate	MyPoints.com	Fees for business referrals	

B2C Business Models

Table 2.3,
Page 72

TABLE 2.3 B2C BUSINESS MODELS				
BUSINESS MODEL	VARIATIONS	EXAMPLES	DESCRIPTION	REVENUE MODEL
Portal	Horizontal/General	Yahoo.com AOL.com MSN.com	Offers an integrated package of content services and content-search news, e-mail, chat, music downloads, video streaming, calendars, etc. Seeks to be a user's home base.	Advertising, subscription fees, transaction fees
	Vertical/Specialized (Vertical)	Sainet.com	Offers services and products to specialized marketplace	Same
E-tailer	Virtual Merchant	Amazon.com	Online version of retail store, where customers can shop at any hour of the day or night without leaving their home or office.	Sales of goods
	Clicks and Bricks	Wal-Mart.com Sears.com	Online distribution channel for a company that also has physical stores	Same
	Catalog Merchant	LandsEnd.com LLBean.com	Online version of direct mail catalog	Same
Content Provider	Manufacturer direct	Dell.com Compaq.com		Sales of goods
		WSJ.com, Sportsline.com CNN.com, Rhapsody.com ESPN.com	Information and entertainment providers like newspapers, sports sites, and other online sources that offer customers up-to-date news and special interest how-to guidance and tips and/or information sales.	Advertising, subscription fees, affiliate referral fees
Transaction Broker		E-Trade.com Expedia.com Monster.com Travelocity.com Hotels.com Orbitz.com	Processors of online sales transactions, such as stock brokers and travel agents, that increase customers' productivity by helping them get things done faster and more cheaply.	Transaction fees
Market Creator	Auctions	Ebay.com Priseline.com Amazon.com	Web-based businesses that use Internet technology to create markets that bring buyers and sellers together	Transaction fees
Service Provider		Myconsulting.com Lawinfo.com xDrive myCFO.com	Companies that make money by selling users a service, rather than a product.	Sales of services
Community Provider		About.com iVillage.com NetNoir.com Oxygen.com Epinions.com	Sites where individuals with particular interests, hobbies, and common experiences can come together and compare notes.	Advertising, subscription, affiliate referral fees

B2C Business Models: Portal

- Offers powerful search tools plus an integrated package of content and services
- typically utilizes a combines subscription/ advertising revenues/transaction fee model
- May be general or specialized (vortal)

B2C Business Models: E-tailer

- **Online version of traditional retailer**
- **Types include:**
 - **Virtual merchants (online retail store only)**
 - **Clicks and bricks (online distribution channel for a company that also has physical stores)**
 - **Catalog merchants (online version of direct mail catalog)**
 - **Manufacturer-direct (manufacturer selling directly over the Web)**

B2C Business Models: Content Provider

- Information and entertainment companies that provide digital content over the Web
- Second largest source of B2C e-commerce revenue in 2002
- Typically utilizes a subscription, pay for download, or advertising revenue model
- Syndication a variation of standard content provider model

B2C Business Models: Transaction Broker

- Processes online transactions for consumers
- Primary value proposition – saving of time and money
- Typical revenue model – transaction fee
- Industries using this model:
 - Financial services
 - Travel services
 - Job placement services

B2C Business Model: Market Creator

- Uses Internet technology to create markets that bring buyers and sellers together
- Examples:
 - Priceline.com
 - eBay.com
- Typically uses a transaction fee revenue model

B2C Business Model: Service Provider

- Offers services online
- Value proposition – valuable, convenient, time-saving, low-cost alternatives to traditional service providers
- Revenue models – subscription fees or one-time payment

B2C Business Models: Community Provider

- Sites that create a digital online environment where people with similar interests can transact, communicate, and and receive interest-related information.
- Typically rely on a hybrid revenue model
- Examples:
 - Epinions.com
 - Oxygen.com
 - About.com

B2B Business Models

Table 2.4, Page 82

TABLE 2.4		B2B BUSINESS MODELS	
BUSINESS MODEL	EXAMPLES	DESCRIPTION	REVENUE MODEL
<i>(1) NET MARKETPLACES</i>			
E-Distributor	Granger.com FindMRO.com Staples.com	Single-firm online versions of retail and wholesale stores; supply maintenance, repair, operation goods; indirect inputs	Sales of goods
E-Procurement	Ariba.com CommerceOne.com Siemens	Single firms creating digital markets where thousands of sellers and buyers transact for indirect inputs	Fees for market-making services; supply chain management, and fulfillment services
Exchanges	Exchange.eSteel.com IMX.com GEPolymerland.com	Independently owned digital marketplaces for direct inputs. Vertical industry orientation	Fees and commissions on transactions
Industry Consortia	Covisint.com Sciquest.com Plasticsnet.com	Industry-owned vertical digital markets open to select suppliers.	Fees and commissions on transactions
<i>(2) PRIVATE INDUSTRIAL NETWORKS</i>			
Single-firm networks	Wal-Mart Proctor & Gamble DaimlerChrysler Ford Motor Co.	Company-owned networks to coordinate supply chains with a limited set of partners	Cost absorbed by network owner and recovered through production and distribution efficiencies
Industry-wide networks	Nistevo Inc. Globalnetxchange.com UCCnet.org Worldwideretailexchange.org	Industry-owned networks to set standards, coordinate supply and logistics for the industry	Contributions from industry member firms and recovered through production and distribution efficiencies; fees for transactions and services

E-distributor

- Company that supplies products and services directly to individual businesses
- Owned by one company seeking to serve many customers
- Examples:
 - Grainger.com
 - GE Electric Aircraft Engines (geae.com)

E-procurement Companies

- Create and sell access to digital electronic markets
- B2B service provider is one type – offer purchasing firms sophisticated set of sourcing and supply chain management tools
- Application service providers a subset of B2B service providers
- Examples:
 - Ariba
 - CommerceOne

Exchanges (B2B Hubs)

- An electronic digital marketplace where suppliers and commercial purchasers can conduct transactions
- Usually owned by independent firms whose business is making a market
- Generate revenue by charging transaction fees
- Usually serve a single vertical industry
- Number of exchanges has fallen to around 700 in 2003

Business Models in Emerging E-commerce Areas

Table 2.5, Page 88

TABLE 2.5		BUSINESS MODELS IN EMERGING E-COMMERCE AREAS		
BUSINESS MODEL	MODEL	EXAMPLES	DESCRIPTION	REVENUE MODEL
Consumer-to-consumer	Market Creator	eBay.com Half.com	Helps consumers connect with other consumers to conduct business	Transaction fees
Peer-to-peer	Content provider	Kazaa.com Groovenetworks.com	Technology enabling consumers to share files and services via the Web, without common servers	Subscription fees, advertising, transaction fees
M-Commerce	Various	Armani Skyline Chili	Extending business applications using wireless technology	Sales of goods and services

Consumer-to-Consumer (C2C) Business Models

- Provide a way for consumers to sell to each other, with the help of a online marketmaker
- Best example: eBay.com

Peer-to-Peer (P2P) Business Models

- Links users, enabling them to share files and common resources without a common server
- Challenge is for P2P ventures to develop viable, legal business models
- Example: Kazaa; Groovenetworks

M-Commerce Business Models

- Takes traditional e-commerce business models and leverages emerging new wireless technologies
- Key technologies are telephone-based 3G; Wi-Fi; and Bluetooth
- To date, a disappointment in the U.S.
- However, technology platform continues to evolve