

This video summarises the coverage for topic 3



Digital Business Models

Digital Business Plan



What is Digital Business Model

(why are they in biz)

“How the company creates and delivers **value** to its customers”



Digital Business Model

Components	Key questions
Value Proposition	Why should the customers buy from you?
Revenue Model	How will you earn money?
Market opportunity	What marketplace do you intend to serve, and size of the market?
Competitive Environment	Who are your competitors within the marketplace?
Competitive Advantage	What gives you an edge over your competitors?
Market Strategy	How do you promote your products or services to attract your target audience?
Organisation Development	What type of organisational structures within the firm are necessary to carry out the business plan?
Management Team	What kind of experiences and background are important for the company's leaders to have?

Topic 4: 8 elements of Digital Business Model (pg 1)

8 elements of
Business Model



(1) Value Proposition
(why should customers buy from you)

Eg: personalization and customization of product offerings, reduction of product search costs, reduction of price discovery costs, and facilitation of transactions by managing product delivery



<https://www.investopedia.com/terms/v/valueproposition.asp>

The value PROPOSITION explains



How your products solves problems/improves situations



What specific benefits customers can expect



Why customers should buy from you over your competitors

IMPORTANT!!!

The value PROPOSITION is NOT:



a SLOGAN:
"Think Different" (Apple)



a POSITIONING STATEMENT
"The #1 retargeting platform" (AdRoll)

Template you can use to help **define** your value proposition

Building the Value Proposition

Here is a very simple framework from which to build your value proposition...

- **For** (target companies)
- **who are dissatisfied with** (the current alternative)
- **our product is a** (new product)
- **that provides** (key problem-solving capability)
- **unlike** (the product alternative).

For hospitals that are dissatisfied with ineffective tools for improving care and reducing operating costs, our XYZ System provides clinical performance analytics and predictive modeling solutions that help reduce operating costs by 10%, eliminate errors by 15% and improve patient satisfaction scores by 20% within the first 2 years of implementation.

1. Geoff Moore's Value Positioning Statement

Template

For _____ (target customer)

who _____ (statement of the need or opportunity)

our (product/service name) is _____ (product category)

that (statement of benefit)

_____.

Sample(s)

For non-technical marketers

who struggle to find return on investment in social media

our product is a web-based analytics software

that translates engagement metrics into actionable revenue metrics.

LINGOSOCIAL.COM

Topic 4: 8 elements of Digital Business Model (pg 1)

8 elements of
Business Model



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(1) Value Proposition

(why should customers buy from you)

Eg: personalization and customization of product offerings, reduction of product search costs, reduction of price discovery costs, and facilitation of transactions by managing product delivery

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(2) Revenue Model

(How you earn money)
5 types

Advertising	Collect advertising fees for use of its media space (not spending on Ads)	Eg: Facebook
Subscription	Collect subscription for use of its content or services	Eg: Netflix
Transaction	Receive fees for executing a transaction (middle man fees)	Eg: eBay
Sales	Revenue from sales of products / service	Eg: Amazon
Affiliate	Collect referral fees or % of revenue for successful promotion of product / service sales (ie: youtuber promoting other people's product, and get a cut for every sales)	Eg: MyPoints.com

Topic 4: 8 elements of Digital Business Model (pg 2)

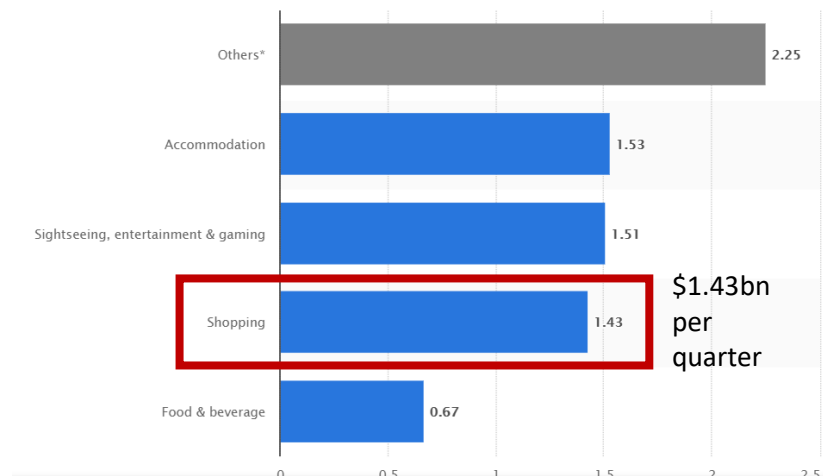
8 elements of
Business Model



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(3) Market opportunity

- Who's your customers
- What's the size of that market
- What's the potential revenue you can make from this market

Eg: If your retail biz focus on the tourism market
Tourism receipts in Singapore in the third quarter of 2019, by category (in billion Singapore dollars)



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(4) Competitive environment

(Who are your competitors within the marketplace?)

Influenced by:

- how many competitors are active
- how large are their operations
- the market share of each competitor
- how profitable these firms are
- how they price their products

MARKET SHARE

<https://www.investopedia.com/terms/m/marketshare.asp>

Topic 4: 8 elements of Digital Business Model (pg 3)

8 elements of Business Model



(5) Competitive Advantage
(What gives you a winning edge over your competitors)

Cost Leadership	Cheapest among your competitors	Eg: Diaso; Jetstar; Hotel81
Asymmetric	<ul style="list-style-type: none"> has more resources—financial backing, knowledge, information, and/or power—than other participants. permitting them to come to market with better products, faster than competitors, and sometimes at lower cost. 	Eg: iTunes - Few competitors could match the combination of cheap, legal songs and powerful hardware to play them on.
First Mover	<ul style="list-style-type: none"> being the first into a marketplace with a serviceable product or service. might develop a loyal following or a unique interface that is difficult to imitate 	Eg: Amazon kindle – sales of eBooks
Unfair Advantage	An advantage based on a factor that other firms cannot purchase ie: Brand name - Brands are built upon loyalty, trust, reliability, and quality. Once obtained, difficult to copy or imitate, and they permit firms to charge premium prices for their products	Eg: Apple. Harley Davidson. LV
Leverage	Use their competitive advantages to achieve more advantage in surrounding markets	Eg: Amazon's move into the online grocery business leverages the company's huge customer database and years of e-commerce experience.
Perfect Market	No competitive advantages or asymmetries because all firms have access to all the factors of production (including information and knowledge) equally.	Eg: Masks during global outbreak (Demand more than Supply situation)

Topic 4: 8 elements of Digital Business Model (pg 4)

8 elements of
Business Model



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(6) Market Strategy

(How do you promote your products or services to attract your target audience?)

Eg: Twitter, YouTube, and Pinterest have a social network marketing strategy that encourages users to post their content on the sites for free, build personal profile pages, contact their friends, and build a community. In these cases, the customer becomes part of the marketing staff!

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(7) Organisation Development

(What type of organisational structures within the firm are necessary to carry out the business plan?)

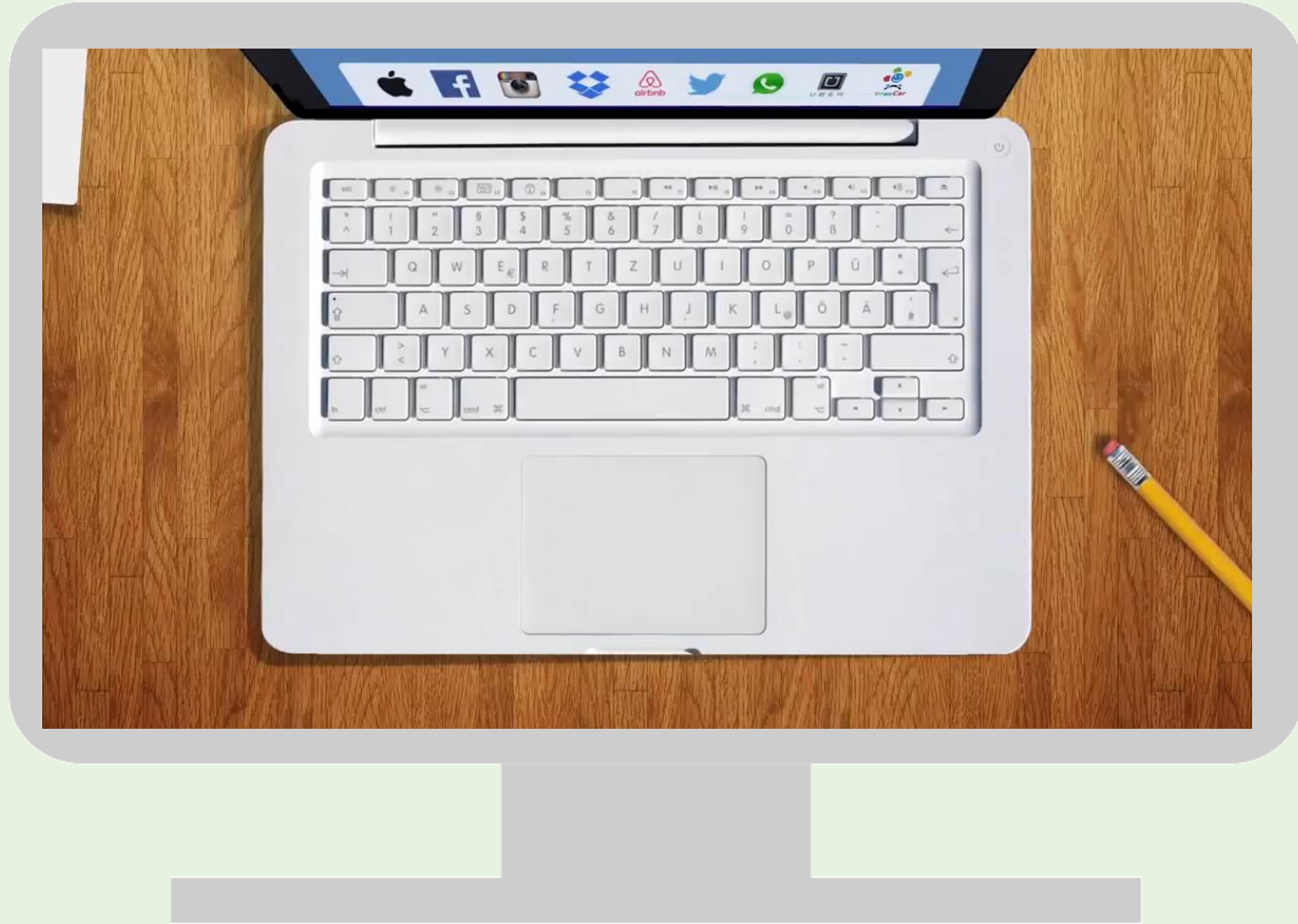
Eg: work is divided into functional departments, such as production, shipping, marketing, customer support, and finance. Which ones does your biz requires?

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(8) Management Team

(What kind of experiences and background are important for the company's leaders to have?)

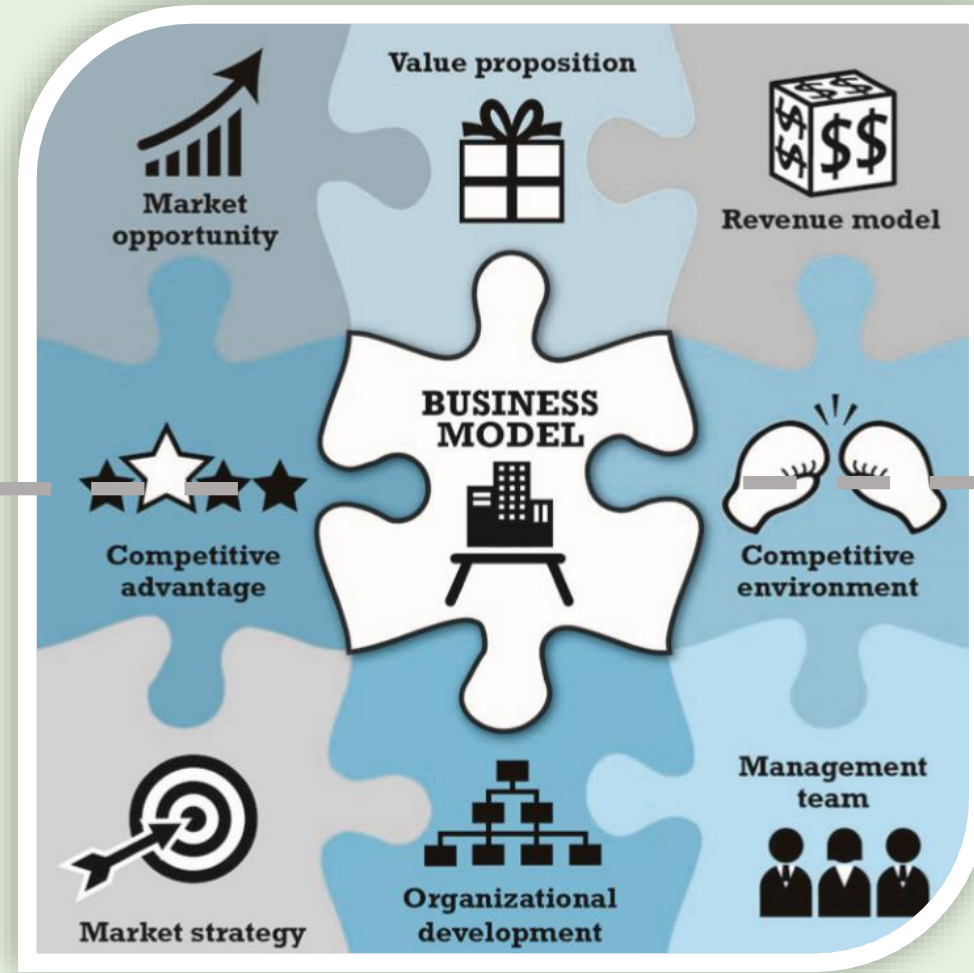
Eg: A strong management team gives a model instant credibility to outside investors, immediate market-specific knowledge, and experience in implementing business plans.



Topic 4 (part 2)

Types of Business Models

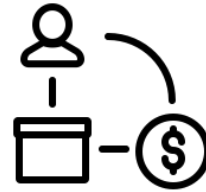
**4 types of
B2B business models**



**7 types of
B2C business models**

Topic 4: Digital Business Model Types (pg 1)

Business Model Types (B2C)



(1) **eTailer**

Online version of retail store, where customers can shop at any hour of the day or night without leaving their home or office

Examples	Revenue Model(s)
Amazon / Walmart	Sales Model (Sales of goods)



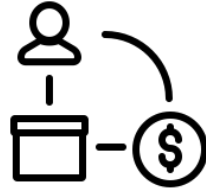
(2) **Community Provider**

Sites where individuals with particular interests, hobbies, common experiences, or social networks can come together and “meet” online

Examples	Revenue Model(s)
Facebook LinkedIn Twitter	Advertising; subscription; affiliate referral fees

Topic 4: Digital Business Model Types (pg 2)

Business Model Types (B2C)



(3) Content Provider

Information and entertainment providers such as 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

Examples	Revenue Model(s)
CNN.com/ ESPN.com/ Netflix	Advertising; subscription fee; affiliate referral fees



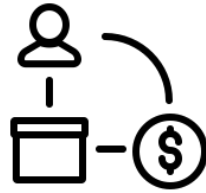
(4) Portal

Offers an integrated package of content, content-search, and social network services: news, e-mail, chat, music downloads, video streaming, calendars, etc. Seeks to be a user's home base

Examples	Revenue Model(s)
Yahoo Google	Advertising; subscription; Transaction fees

Topic 4: Digital Business Model Types (pg 3)

Business Model Types (B2C)



(5) Transaction Broker

Processors of online sales transactions, such as stockbrokers and travel agents, that increase customers' productivity by helping them get things done faster and more cheaply

Examples	Revenue Model(s)
Expedia/ Monster/ Travelocity/ Hotels.com	Transaction fees



(6) Market Creator

Businesses that use Internet technology to create markets that bring buyers and sellers together

Examples	Revenue Model(s)
eBay/ Priceline	Transaction fees



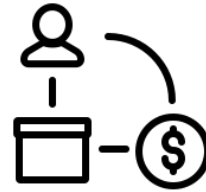
(7) Service Provider

Companies that make money by selling users a service, rather than a product

Examples	Revenue Model(s)
Wix/ Dropbox	Sales Model; Subscription

Topic 4: Digital Business Model Types (pg 2)

Business Model Types (B2B)



(1) eDistributors

Online version of retail store, but business selling products to other businesses at wholesales level

Examples	Revenue Model(s)
Fiat Group Automobiles/ Cisco Systems	Sales Model (Sales of goods)

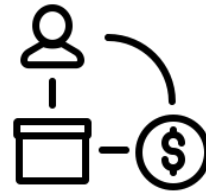
(2) eProcurement

B2B service providers, or business enablers (help with backend or frontend transaction / operation matters)

Examples	Revenue Model(s)
SAP le: e-tendering; e-auctioning; e-invoicing; e-payment	Fees for market-making services, supply chain management, and fulfillment service

Topic 4: Digital Business Model Types (pg 2)

Business Model Types (B2B)



(3) Exchanges

an independent digital electronic marketplace where suppliers and commercial purchasers can conduct transactions

Examples	Revenue Model(s)
OceanConnect/ SupplyOn/ Liquidation.com	Fees and commission on transactions



(4) Industry Consortia

Similar to Exchanges, but specializes on a particular niche such as automobile, aerospace, chemical, floral, or logging industries

Examples	Revenue Model(s)
GSK; Steeltrading.com; Exostar (online trading exchange for the aerospace and defense industry)	Fees and commission on transactions

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