

## Chapter 2: The business model and the revenue model

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### SHORT ANSWER QUESTIONS – ANSWERS

1. What are the four basic approaches related to the positioning element of the business model?

Answer:

- A narrow product (or service) range for a broad range of customers.
- A broad product range for a defined segment of the market.
- A narrow range for a targeted niche.
- A broad range for a wide market.

2. Give three examples of the kind of new business models emerging as a result of the opportunities new economies hold?

Answer:

- Consolidation in the small and medium-sized enterprises (SME) sector as large organizations grow bigger by systematically absorbing a series of small (and sometimes local) businesses. Examples include funeral services and Hanson, the UK-based aggregates business which operates mainly in the USA and the UK.
- Throwaway varieties of such products as watches and cameras.
- Individual customizing. Collector's editions of the ubiquitous Barbie doll appeal to certain enthusiasts and command premium prices.

3. Give three examples of managers' interests as organizational stakeholders.

Answer:

- Remuneration (monetary and non-monetary)
- Status
- Responsibility
- Challenging and interesting work
- Security

4. What drives the setting or changing of organizational objectives?

Answer:

- Decision by strategic leaders.
- The influence of managers.
- The influence of external stakeholders.

5. What do really successful businesses offer their customers in addition to functionality and affordability?

Answer:

- Design
- Aesthetics
- Brand values
- Brand association

6. What are the key elements of a company's 'architecture'?

Answer:

- Internal partnerships
- External partnerships
- Networks
- Relationships

7. Give examples of the questions an organization must address and answer to inform its business model?

Answer:

- What is different about our value proposition?
- Who are our customers?
- What do customers value today?
- What will customers value tomorrow?

8. What are the action themes of Blue Ocean Strategy?

Answer:

- Eliminate
- Reduce
- Raise
- Create

9. What does the 'Revenue Model' focus on?

Answer:

- What the business does to conserve resources.
- What the business does to manage its resources efficiently.
- What the business does to prioritize those resources to create and build value for customers.

10. What costs does an organization generally have?

Answer:

- Direct costs to acquire resources and pay people.
- Indirect costs on marketing and promotion.
- Investment to ensure future resourcing and a flow of ideas, products and services.
- These all have to be eventually recovered from sales revenue.

## PROBLEMS – ANSWERS

1. How can organizations address the problem of increasing revenues?

Answer:

Revenues, of course, can be increased with additional marketing and selling activities – but, naturally, these incur fresh costs. There are often opportunities to cut costs – and really organizations should always be looking to manage their cost drivers to generate savings. At the same time, it is important to remember that some costs (and some activities) should not be sacrificed as they make significant contributions. They are valued by key stakeholders.

2. What is problematic about the development of an 'adaptive platform' business model?

Answer:

An 'adaptive platform' involves 'experimentation', through corporate ventures, spin-offs, joint ventures, etc. e.g. Intel, Microsoft and Wal-Mart where 'key suppliers and customers become business partners, entering into relationships in which both technical and business risk may be shared' and in which its business models are integrated with both suppliers and top customers.