Business Model Management
Design Process Instruments

Second Edition

Lecture Material

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Comments

"How are business models purposeful designed and structured? How can the models be implemented professionally and managed successfully and sustainably? In what ways can existing business models be adapted to the constantly changing conditions? In this clearly structured reference work, Bernd W. Wirtz gives an answer to all these issues and provides the reader with helpful guidance. Although, ‘Business Model Management’ is first and foremost a scientific reference book, which comprehensively addresses the theory of business models, with his book Bernd W. Wirtz also turns to practitioners. Not least, the many clearly analyzed case studies of companies in different industries contribute to this practical relevance. My conclusion: ‘Business Model Management’ is an informative and worthwhile read, both for students of business administration as a textbook as well as for experienced strategists and decision makers in the company as a fact-rich, practical compendium.”

Matthias Müller, Chief Executive Officer Porsche AG (2010-2015), Chief Executive Officer Volkswagen AG (2015-2018)

"In dynamic and complex markets a well thought out business model can be a critical factor for the success of a company. Bernd Wirtz vividly conveys how business models can be employed for strategic competition and success analysis. He structures and explains the major theoretical approaches in the literature and practical solutions in an easy and understandable way. Numerous examples from business practice highlight the importance of business models in the context of strategic management. The book has the potential to become a benchmark on the topic business models in the German-speaking world.”

Hermann-Josef Lamberti, Member of the Board Deutsche Bank AG 1999-2012/ Member of the Board of Directors, Airbus Group

"The business environment has become increasingly complex. Due to changing conditions, the executive board of a company is confronted with growing challenges and increasing uncertainty. Thus, a holistic understanding of the corporate production and performance systems is becoming more and more important. At this point, Bernd W. Wirtz introduces and presents the concept of the structured discussion of the own business model. Business models present operational service processes in aggregated form. This holistic approach channels the attention of management, supports a sound understanding of relationships and facilitates the adaption of the business to changing conditions. The management of business models is thus an integrated management concept. Through the conceptual presentation of complex issues the author makes a valuable contribution to the current literature. In particular, the referenced case studies from various industries make the book clear and very applicable to practice.”

Dr. Lothar Steinebach, Member of the Board, Henkel AG 2007-2012/ Supervisory Board, ThyssenKrupp AG
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</tbody>
</table>
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<table>
<thead>
<tr>
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<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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</tr>
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<td>Chapter 18</td>
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<td>194</td>
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<td>Chapter 19</td>
<td>Banking Business Model</td>
<td>198</td>
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<td>Chapter 20</td>
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<td>202</td>
</tr>
<tr>
<td>Chapter 21</td>
<td>Media Business Model</td>
<td>206</td>
</tr>
</tbody>
</table>
Part I -
Business Models as a Management Concept
Chapter 1: Introduction
Fig. 1.1 Structure and content of the book

Business models as a management concept

- Introduction
- Business model concepts
- Business model concepts in literature
- Distinction & aims

Structure of business models

- Structure of the value creation within business models
- Partial models of business models

Management of business models

- Design of business models
- Implementation of business models
- Operation of business models
- Adaptation & changes of business models
- Controlling of business models

Business model cases

- E-business case
- Financial services case
- Automotive case
- Media case

Source: Wirtz (2020)
Chapter 2: The Business Model Concept
### Fig. 2.1 Structure of the chapter

<table>
<thead>
<tr>
<th>Development of the business model concept</th>
<th>Classification of the business model concept</th>
<th>Significance of success of business model management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Development of the business model term</td>
<td>• Technological approach</td>
<td>• Overview of the significance of the business model concept</td>
</tr>
<tr>
<td></td>
<td>• Organization theory oriented approach</td>
<td>• Potentials for success and influence on business practice</td>
</tr>
<tr>
<td></td>
<td>• Strategic and entrepreneurial approach</td>
<td>• Examples of successful business models</td>
</tr>
</tbody>
</table>

Source: Wirtz (2020)
Fig. 2.2 Frequency of use of the term “business model” in title or abstract (EBSCO database analysis)

Source: Wirtz et al. (2016b), including updates, and Wirtz (2020)
Definition by Eriksson and Penker (2000)

- To better understand the key mechanics of an existing business.
- To act as a basis for improving the current business structure and operations.
- To show the structure of an innovated business.
- To experiment with a new business concept or to copy or study a concept used by a competitive company (e.g. benchmarking on the model level).
- To identify outsourcing opportunities.” (Eriksson and Penker 2000)
### Fig. 2.3 Overview of the theoretical foundations of the business model concept

<table>
<thead>
<tr>
<th>Development:</th>
<th>Business informatics</th>
<th>Management theory</th>
<th>Strategic approach</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Information-technological approach</td>
<td>Organization-theoretical approach</td>
<td></td>
</tr>
<tr>
<td>Phase II (since 1995): e-business</td>
<td>Various organization schools (e.g. contingency theory, transaction cost theory)</td>
<td>Strategy and Structure: Chandler (1962), Ansoff (1965)</td>
<td></td>
</tr>
<tr>
<td>The structuring of organizations: Mintzberg (1979)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Establishment as basic approach of the business model concept: |
| - Since 1975 |
| - Development parallel to the business model term |
| - Since 1995 |
| - Structure detached from IT |
| - Business structure/ Business plan/ Business architecture |
| - Since 2000 |
| - Strategic business structuring |
| - Business model Innovation |
| - Value creation |

| Important representatives of the view: |
| - Timmers (1998) |
| - Wirtz (2000) |
| - Keen/Qureshi (2005) |
| - Tikkanen/Lamberg (2005) |
| - Hamel (2000,2001) |
| - Chesbrough/Rosenbloom (2002) |
| - Zott/Amit (2008) |

### Concept of business model


Fig. 2.4 Development of the three basic theories towards a converging business model view

$T_1$ = Technology-oriented (system modelling: 1970 – 1999)
$T_2$ = Technology-oriented (new economy: 2000 - …)
$O$ = Organization-oriented
$S$ = Strategy-oriented

Source: Wirtz et al. (2016a, b), and Wirtz (2019a, 2020)
Chapter 3: Business Model Concepts in Literature
Fig. 3.1 Structure of the chapter

<table>
<thead>
<tr>
<th>Classification of business model approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Classification of business model approaches</td>
</tr>
<tr>
<td>• Theoretical basic approaches for the business model concept</td>
</tr>
<tr>
<td>• Chronological synopsis of the business model approaches</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Technology-oriented business model approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Timmers (1998)</td>
</tr>
<tr>
<td>• Wirtz (2000)</td>
</tr>
<tr>
<td>• Hedman/Kalling (2002)</td>
</tr>
<tr>
<td>• Afuah/Tucci (2003)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organization-oriented business model approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Treacy/Wiersema (1997)</td>
</tr>
<tr>
<td>• Linder/Cantrell (2000)</td>
</tr>
<tr>
<td>• Tikkanen et al. (2005)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy-oriented business model approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Hamel (2000)</td>
</tr>
<tr>
<td>• Magretta (2002)</td>
</tr>
<tr>
<td>• Afuah (2004)</td>
</tr>
</tbody>
</table>

Source: Wirtz (2020)
Fig. 3.2 Development of the business model concept

- **Origin of the business model term, unspecific usage**
- **Business model as business modeling to system construction, computer and system modeling, development into e-business**
- **Business model as an abstract representation of the company’s architecture**
- **Business model as an integrated description of entrepreneurial activities in an aggregated form**
- **Business model management as an integrative approach**

**Time**

- **1950**
  - Bellmann/Clark (1957)

- **1975**
  - McGuire (1965)

- **1995**
  - Strategic approach
  - Organization-theoretical approach

- **2000**

- **2005**

- **2010**
  - Business model management

**Source:** Wirtz (2010a, 2011, 2018a, 2019a, 2020)
Fig. 3.3 Eight dimensions of a business model

Source: Bieger et al. (2002b), and Wirtz (2020)
Fig. 3.4 Sections and research approaches of business models

### Table 3.1 Nine business model building blocks

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Business model building block</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td>Value proposition</td>
</tr>
<tr>
<td><strong>Customer interface</strong></td>
<td>Target customer</td>
</tr>
<tr>
<td></td>
<td>Distribution channel</td>
</tr>
<tr>
<td></td>
<td>Relationship</td>
</tr>
<tr>
<td><strong>Infrastructure management</strong></td>
<td>Value configuration</td>
</tr>
<tr>
<td></td>
<td>Core competency</td>
</tr>
<tr>
<td></td>
<td>Partner network</td>
</tr>
<tr>
<td><strong>Financial aspects</strong></td>
<td>Cost structure</td>
</tr>
<tr>
<td></td>
<td>Revenue model</td>
</tr>
</tbody>
</table>

Source: Osterwalder et al. (2005), and Wirtz (2020)
Fig. 3.5 Business model classification

Source: Wirtz et al. (2016b), and Wirtz (2019a, 2020)
**Fig. 3.6 Articles in the field of business model research**

<table>
<thead>
<tr>
<th>Key content</th>
<th>Research status conceptual</th>
<th>Research status case study</th>
<th>Research status complex empirical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitions &amp; scope</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Basic definition of the concept</td>
<td>27 (100%)</td>
<td>-</td>
<td>-</td>
<td>27 (4%)</td>
</tr>
<tr>
<td>▪ Differentiation from existing concepts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forms &amp; components</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Decomposition of the business model concept regarding partial models</td>
<td>25 (45%)</td>
<td>31 (55%)</td>
<td>-</td>
<td>56 (8%)</td>
</tr>
<tr>
<td>▪ Categorization of concrete parameters</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value system</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Structure of value creation</td>
<td>22 (47%)</td>
<td>22 (47%)</td>
<td>3 (6%)</td>
<td>47 (7%)</td>
</tr>
<tr>
<td>▪ Topology of value chain partners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actors &amp; interaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Analysis of the interactions and relationships of the different business</td>
<td>14 (37%)</td>
<td>20 (53%)</td>
<td>4 (10%)</td>
<td>38 (5%)</td>
</tr>
<tr>
<td>model actors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Entrepreneurship, socio-economic implications of business model innovations</td>
<td>87 (9%)</td>
<td>84 (48%)</td>
<td>5 (3%)</td>
<td>176 (26%)</td>
</tr>
<tr>
<td>Design</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Arrangement of the design process</td>
<td>38 (54%)</td>
<td>29 (41%)</td>
<td>4 (5%)</td>
<td>71 (10%)</td>
</tr>
<tr>
<td>▪ Graphical visualizations (ontologies)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Arrangement of the implementation process</td>
<td>7 (37%)</td>
<td>12 (63%)</td>
<td>-</td>
<td>19 (3%)</td>
</tr>
<tr>
<td>Operation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Arrangement of the operational process</td>
<td>7 (37%)</td>
<td>12 (63%)</td>
<td>-</td>
<td>19 (3%)</td>
</tr>
<tr>
<td>Change &amp; evolution</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Change of business models over time (evolution / revolution)</td>
<td>59 (49%)</td>
<td>56 (47%)</td>
<td>5 (4%)</td>
<td>120 (18%)</td>
</tr>
<tr>
<td>▪ Factors to adapt a business model</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance &amp; controlling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Development of methods for testing the feasibility, sustainability and</td>
<td>29 (27%)</td>
<td>65 (59%)</td>
<td>15 (14%)</td>
<td>109 (16%)</td>
</tr>
<tr>
<td>profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>315 (46%)</td>
<td>330 (49%)</td>
<td>36 (5%)</td>
<td>681</td>
</tr>
</tbody>
</table>

Source: Wirtz et al. (2016b), and Wirtz (2019a, 2020)
## Table 3.2 Criteria for the classification of business models

<table>
<thead>
<tr>
<th>Authors</th>
<th>Classification criteria</th>
</tr>
</thead>
</table>
| Bieger, Rüegg-Stürm and von Rohr (2002) | • Incentive system,  
• Concept of communication,  
• Concept of revenue,  
• Concept of growth,  
• Configuration of competence,  
• Form of organization,  
• Concept of Cooperation,  
• Concentration of Coordination/Control |
| Machnes and Hwang (2003) | • Types and development of business models,  
• Components of business models |
| Krüger, Swatman and van der Beek (2003) | • Types of business models,  
• Components,  
• Taxonomies |
| Pateli and Giaglis (2004) | • Definitions,  
• Components,  
• Taxonomies,  
• Conceptual models,  
• Design methods and tools,  
• Adoption factors,  
• Evaluation models,  
• Change methodologies |
| Osterwalder, Pigneur and Tucci (2005) | • Value proposition,  
• Target customer,  
• Distribution channel,  
• Relationship,  
• Value configuration,  
• Core competency,  
• Partner network,  
• Cost structure,  
• Revenue model |
| Lambert (2006) | • Referred to by the author(s) as,  
• Criteria for differentiation,  
• Number of categories and sub-categories,  
• Business model categories |
| Wirtz et al. (2016) | • Concept/Terminology  
- Definition and scope  
- Business model structure  
- Forms and components  
- Value system  
- Actors and interaction  
- Innovation  
• Business model management process  
- Design  
- Implementation  
- Operation  
- Change and evolution  
- Performance and controlling |

Source: Wirtz (2020)
### Fig. 3.7 Overview of selected business model components

<table>
<thead>
<tr>
<th>Component</th>
<th>Strategy</th>
<th>Resources</th>
<th>Network</th>
<th>Customers</th>
<th>Market offering (value proposition)</th>
<th>Revenues</th>
<th>Service provision</th>
<th>Procurement</th>
<th>Finances</th>
<th>Spectrum of the Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mahadevan (2000)</td>
<td>Combination of production factors for strategy</td>
<td>Logistic Stream</td>
<td>Value Stream</td>
<td>Revenue Stream</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wirtz (2000)</td>
<td>Managerial and organizational, longitudinal process component</td>
<td>Resources</td>
<td>Customers</td>
<td>Competitors, Offering</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bouwman (2003)</td>
<td>Technical architecture</td>
<td>Customer Value of Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afuah (2004)</td>
<td>Positions</td>
<td>Resources</td>
<td>Industry Factors</td>
<td>Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mahadevan (2004)</td>
<td>Value Network</td>
<td>Target Customers</td>
<td>Value Proposition</td>
<td>Revenue Model</td>
<td>Value Delivery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tikkanen et al. (2005)</td>
<td>Resources &amp; Competences, Organization</td>
<td>Value Network</td>
<td>Value Proposition, Value Architecture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Johnson (2010)</td>
<td>Key Partners</td>
<td>Key Customers</td>
<td>Customer Relationships, Channels, Customers Segments</td>
<td>Value Proposition</td>
<td>Revenue Streams</td>
<td>Key Activities</td>
<td>Cost Structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Osterwalder/Pigneur (2010)</td>
<td>Key Resources</td>
<td>Key Partners</td>
<td>Customer Relationships, Channels, Customers Segments</td>
<td>Value Proposition</td>
<td>Revenue Streams</td>
<td>Key Activities</td>
<td>Cost Structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intensity of use</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Wirtz et al. (2016b), and Wirtz (2019a, 2020)
Fig. 3.8 Theoretical approaches for the concept of a business model

### Fig. 3.9 Chronological synopsis of the business model approaches

<table>
<thead>
<tr>
<th>Year</th>
<th>Technology-oriented</th>
<th>Organization theory-oriented</th>
<th>Strategy-oriented</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>Konczal</td>
<td>Dottore</td>
<td>Hamel</td>
</tr>
<tr>
<td>1997</td>
<td>Shaw</td>
<td>Bambury</td>
<td>Afuah/Tucci</td>
</tr>
<tr>
<td>1999</td>
<td>Timmers</td>
<td>Eriksson/Penker</td>
<td>Wirtz</td>
</tr>
<tr>
<td>2000</td>
<td>Amit/Zott</td>
<td>Applegate</td>
<td>Betz</td>
</tr>
<tr>
<td>2001</td>
<td>Applegate</td>
<td>Gordijn</td>
<td>Chesbrough/Ortega</td>
</tr>
<tr>
<td>2002</td>
<td>Apostolos</td>
<td>Ackermans</td>
<td>Schafer</td>
</tr>
<tr>
<td>2003</td>
<td>Papakina-kopoulos et al.</td>
<td>Petrovic et al.</td>
<td>Morris</td>
</tr>
<tr>
<td>2005</td>
<td>Rappa</td>
<td>Rappa</td>
<td>Schweizer</td>
</tr>
<tr>
<td>2007</td>
<td>Rayport/Jaworski</td>
<td>Rayport/Jaworski</td>
<td>Schweizer</td>
</tr>
<tr>
<td>2009</td>
<td>Weill/Vitale</td>
<td>Weill/Vitale</td>
<td>Schweizer</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>2015</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

**Early phase**  
*Formation phase of first overall concepts*

**Differentiation phase**

Fig. 3.10 Course of the development phases of the business model

<table>
<thead>
<tr>
<th>Early phase of the business model conceptualization</th>
<th>Formation phase of first concepts of business models</th>
<th>Differentiation phase of the business model concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975:</td>
<td>1997 to 1999:</td>
<td>Since 2003:</td>
</tr>
<tr>
<td>▪ Konczal provided the first indication of the business model concept</td>
<td>▪ Various articles with a technological and organizational orientation</td>
<td></td>
</tr>
<tr>
<td>1975 to 1996:</td>
<td>▪ Development of first definitions and classification schemata</td>
<td>▪ Increasing attempts to develop a generic approach</td>
</tr>
<tr>
<td>▪ Occasional usage of the business model concept</td>
<td>2000:</td>
<td>Since 2004:</td>
</tr>
<tr>
<td></td>
<td>▪ First approach of an integrated business model with partial models</td>
<td>▪ Development of classifications as well as attempts of a synthesis of existent literature</td>
</tr>
<tr>
<td></td>
<td>▪ First approaches with a strong strategy orientation, as well as a strong focus on innovations</td>
<td>2005:</td>
</tr>
<tr>
<td></td>
<td>2001 to 2002:</td>
<td>▪ Increasing number of publications in the context of strategy orientation</td>
</tr>
<tr>
<td></td>
<td>▪ Hype in the course of net economy</td>
<td>Since 2006:</td>
</tr>
<tr>
<td></td>
<td>▪ Inflationary usage of the term business models</td>
<td>▪ Increasing number of books published</td>
</tr>
<tr>
<td></td>
<td>▪ Several critical articles</td>
<td></td>
</tr>
</tbody>
</table>

Business Model Definition by Timmers (1998)

- An architecture for the product, service and information flows, including a description of the various business actors and their roles; and

- A description of the potential benefits for the various business actors; and

- A description of the sources of revenues. (Timmers 1998)

Source: Wirtz (2020)
Fig. 3.11 Classification of Internet business models

Source: Timmers (1998), and Wirtz (2020)
Here, the term business model refers to the depiction of a company's internal production and incentive system. A business model shows in a highly simplified and aggregate form which resources play a role in the company and how the internal process of creating goods and services transforms these resources into marketable information, products and/or services. Therefore, a business model therefore reveals the combination of production factors which should be used to implement the corporate strategy and the functions of the actors involved. (Wirtz 2000)

Source: Wirtz (2020)
Fig. 3.12 Characteristics of business model typologies

<table>
<thead>
<tr>
<th>Definition</th>
<th>Content</th>
<th>Commerce</th>
<th>Context</th>
<th>Connection</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Collection, selection, systematization, compilation and provision of contents</td>
<td>• Initiation, negotiation and/or settlement of corporate transactions</td>
<td>• Classification and systematization of information available on the Internet</td>
<td>• Creation of the possibility to exchange information in networks</td>
<td></td>
</tr>
<tr>
<td>• Online provision of consumer-centered, personalized contents</td>
<td>• Supplement and substitution of traditional transaction phases by the Internet</td>
<td>• Complexity reduction</td>
<td>- Navigation</td>
<td></td>
</tr>
<tr>
<td>• Indirect revenue models</td>
<td>• Transaction-dependent direct and indirect revenue models</td>
<td>• Indirect revenue models</td>
<td>- Direct and indirect revenue models</td>
<td></td>
</tr>
<tr>
<td>• Financial Times, nytimes.com, MP3.com</td>
<td>• Amazon, Dell, eBay</td>
<td>• Google, Yahoo!, Bing</td>
<td>• AT&amp;T, Outpost.com, GMX</td>
<td></td>
</tr>
</tbody>
</table>

Fig. 3.13 Partial models of an integrated business model

Based on the review of existing literature, we would define a business model as consisting of the following causally related components, starting at the product market level: 1) customers, 2) competitors, 3) offering, 4) activities and organization, 5) resources and 6) factor and production input suppliers. The components are all cross-sectional and can be studied at a given point in time. To make this model complete, we also include 7) the managerial and organizational, longitudinal process component, which covers the dynamics of the business model and highlights the cognitive, cultural, learning and political constraints on purely rational changes of the model. (Hedman and Kalling 2002)

Source: Wirtz (2020)
Fig. 3.14 Business model approach according to Hedman and Kalling (2003)

Source: Hedman and Kalling (2003), and Wirtz (2020)
The first determinant of a firm’s performance is its business model. This is the method by which a firm builds and uses its resources to offer its customers better value than its competitors and to make money doing so. It details how a firm makes money now and how it plans to do so in the long term. The model is what enables a firm to have a sustainable competitive advantage, to perform better than its rivals in the long term. A business model can be conceptualized as a system that is made up of components, linkages between the components, and dynamics. (Afuah and Tucci 2003)

Source: Wirtz (2020)
### Fig. 3.15 Summarizing analysis of the technology-oriented approaches

<table>
<thead>
<tr>
<th>Definition</th>
<th>Aims</th>
<th>Level/ Application</th>
<th>Components</th>
<th>Interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timmers 1998</strong></td>
<td>• First definition with generic components</td>
<td>• Not clearly formulated</td>
<td>• Not explicitly defined</td>
<td>• No consideration for lack of components</td>
</tr>
<tr>
<td><strong>Wirtz 2000</strong></td>
<td>• Comprehensive definition, detached from technology</td>
<td>• Business model as an aggregate form of presentation and conception</td>
<td>• Industry and company level by means of partial models</td>
<td></td>
</tr>
<tr>
<td><strong>Hedman/Kalling 2002</strong></td>
<td>• Definition based on the components of a business model</td>
<td>• Not clearly formulated</td>
<td>• Not explicitly defined</td>
<td></td>
</tr>
<tr>
<td><strong>Afuah/Tucci 2003</strong></td>
<td>• Definition emphasizes the connection between BM and competitive advantages</td>
<td>• Business Models as a driver for value generation</td>
<td>• Industry and company level by means of partial models</td>
<td></td>
</tr>
</tbody>
</table>

### Overall evaluation of the criteria

- **no relevance**
- **low relevance**
- **average relevance**
- **high relevance**
- **significantly high relevance**

The second concept – the operating business model oriented to customer value – describes the interaction of operating processes, management systems, organizational structures and corporate culture, which enables a company to keep its promise of service. These are the systems, infrastructures and the environment that help realizing the customer benefit. The promise of service is the corporate objective, whereas the operative business model oriented to the customer value is the method with which this objective is achieved. (Treacy and Wiersema 1997)

Source: Wirtz (2020)
Operating business models are the real thing. An operating business model is the organization’s core logic for creating value. The business model of a profit oriented enterprise explains how it makes money. Since organizations compete for customers and resources, a good business model highlights the distinctive activities and approaches that enable the firm to succeed – to attract customers, employees, and investors, and to deliver products and services profitably. (Linder and Cantrell 2000)

Source: Wirtz (2020)
We define the business model of a firm as a system manifested in the components and related material and cognitive aspects. Key components of the business model include the company’s network of relationships, operations embodied in the company’s business processes and resource base, and the finance and accounting concepts of the company. (Tikkanen et al. 2005)

Source: Wirtz (2020)
Fig. 3.16 Summarizing analysis of the organization-oriented approaches

|------------------------------------------|

<table>
<thead>
<tr>
<th>Definition</th>
<th>Aims</th>
<th>Level/ Application</th>
<th>Components</th>
<th>Interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Treacy/Wiersema 1997</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General approach to observation</td>
<td>Not clearly formulated</td>
<td>Strategic business unit</td>
<td>Four components are mentioned</td>
<td>No explicit consideration of interaction between components</td>
</tr>
<tr>
<td>Limited to operating business models</td>
<td>Implicitly existent</td>
<td>Other levels are neglected</td>
<td>Not described or differentiated</td>
<td></td>
</tr>
<tr>
<td><strong>Linder/Cantrell 2000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General approach to observation</td>
<td>Better understanding for further development</td>
<td>Not explicitly defined</td>
<td>Seven components are mentioned</td>
<td>No explicit consideration of interaction between components</td>
</tr>
<tr>
<td>Limited to operating business models</td>
<td>Rudimentary</td>
<td>Mainly corporate view</td>
<td>Not described or differentiated</td>
<td></td>
</tr>
<tr>
<td><strong>Tikkanen et al. 2005</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Definition based on the components of a business model</td>
<td>Business model as management tool</td>
<td>Not explicitly defined</td>
<td>Four components are mentioned</td>
<td>No explicit consideration of interaction between components</td>
</tr>
<tr>
<td>Implicitly existent</td>
<td>Mainly corporate view</td>
<td>Integration in a comprehensive framework</td>
<td>Not described or differentiated</td>
<td></td>
</tr>
</tbody>
</table>

Overall evaluation of the criteria

- no relevance
- low relevance
- average relevance
- high relevance
- significantly high relevance
Business Model Definition by Hamel (2000)

Business concepts and business models consist of the same elements; a business model is nothing other than a business concept put into practice. A really innovative development in this field includes the ability to imagine completely new concepts or completely new ways of differentiating existing business models. Therefore, renewing business concepts is the key to developing new possibilities of value creation. (Hamel 2000, p. 83)

Source: Wirtz (2020)
A good business model remains essential to every successful organization, whether it’s a new venture or an established player. [...] Business models, though, are anything but arcane. They are, at heart, stories – stories that explain how enterprises work. A good business model answers Peter Drucker’s age-old questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost? (Magretta 2002)

Source: Wirtz (2020)
Business Model Definition by Afuah (2004)

A business model is the set of which activities a firm performs, how it performs them, and when it performs them as it uses its resources to perform activities, given its industry, to create superior customer value (low-cost or differentiated products) and put itself in a position to appropriate the value. (Afuah 2004)

Source: Wirtz (2020)
### Fig. 3.17 Summarizing analysis of strategy-oriented approaches

<table>
<thead>
<tr>
<th>Definitions</th>
<th>Aims</th>
<th>Level/Application</th>
<th>Components</th>
<th>Interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hamel 2000</strong></td>
<td>• Definition focuses on innovation • No general components</td>
<td>• To enable innovations • No explicit mention</td>
<td>• Industrial and corporate view • Reference framework through the component model</td>
<td>• Four main components and three bridge components • Not always easy to separate</td>
</tr>
<tr>
<td><strong>Magretta 2002</strong></td>
<td>• Generic approach</td>
<td>• Distinction between business model and strategy • No specification of aims</td>
<td>• Adoption of an industrial view</td>
<td>• Parts of the value chain as components</td>
</tr>
<tr>
<td><strong>Afuah 2004</strong></td>
<td>• Definition focuses on value creation • General components</td>
<td>• Distinction between business model and strategy • No specification of aims</td>
<td>• Industrial and corporate view</td>
<td>• Four components altogether constitute the activities of a venture</td>
</tr>
</tbody>
</table>

**Overall evaluation of the criteria**

- **no relevance**
- **low relevance**
- **average relevance**
- **high relevance**
- **significantly high relevance**

**Source:** Wirtz (2010a, 2011, 2018a, 2020)
### Fig. 3.18 Summary of the chapter business model approaches in literature

**Source:** Wirtz (2010a, 2011, 2018a, 2020)

<table>
<thead>
<tr>
<th>Components</th>
<th>Interaction</th>
<th>Level/Application</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technology orientation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Partly very context-specific definitions</td>
<td>• Dependences are mentioned very seldom, apart from that no consideration of them</td>
<td>• Always a corporate view</td>
<td>• Some very context-specific definitions</td>
</tr>
<tr>
<td>• Some contain general components</td>
<td></td>
<td>• Sometimes an additional industrial view</td>
<td>• Some contain general components</td>
</tr>
<tr>
<td><strong>Organization orientation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Focus on operating business models and internal value creation</td>
<td></td>
<td>• Usually an adoption of the corporate view</td>
<td>• Some contain general components</td>
</tr>
<tr>
<td>• Aims are presented only implicitly and rudimentarily</td>
<td>• Restriction to a few components</td>
<td>• Focus on the internal value creation</td>
<td>• Some contain general components</td>
</tr>
<tr>
<td>• Aims are not equivalent</td>
<td></td>
<td>• Mostly no distinction</td>
<td>• Some contain general components</td>
</tr>
<tr>
<td><strong>Strategy orientation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Focus on competition and innovation</td>
<td></td>
<td>• Usually an adoption of the industrial view</td>
<td>• Some contain general components</td>
</tr>
<tr>
<td>• Generic approach</td>
<td></td>
<td>• Focus on competition / network</td>
<td>• Some contain general components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Four components at the most</td>
<td>• Some contain general components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Very rough, not easy to separate</td>
<td>• Some contain general components</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Some contain general components</td>
</tr>
</tbody>
</table>

**Stage of development:**
- no relevance
- low relevance
- average relevance
- high relevance
- significantly high relevance
Chapter 4: Distinction and Aims of Business Models
Fig. 4.1 Structure of the chapter

Definition of business models

- Analysis of definition
- Synopsis and derivation of an integrated definition

Application areas and aims of business models

- Level of the business model concept
- Aims of the business model concept

Source: Wirtz (2020)
### Table 4.1 Overview of business model definitions (I)

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treacy/Wiersema (1997), p. 10 et seq.</td>
<td>“The second concept, the operating business model orientated to the customer benefit, describes the synergy of operating processes, management systems, organizational structure and business culture which allows a company to make good on its promise of service. To be more precise, this involves the systems, infrastructures, and the environment with the aid of which the customer benefit can be realized. The promise of service is the business objective; the customer value-oriented operative business model by contrast constitutes the means with which this purpose is achieved.”</td>
</tr>
<tr>
<td>Timmers (1998), p. 4</td>
<td>“An architecture for products, services and information flows, including a description of various business actors and their roles; A description of the potential benefits for the various business actors; and a description of sources of revenues.”</td>
</tr>
<tr>
<td>Wirtz (2000), p. 81 et seq.</td>
<td>“Here, the term business model refers to the depiction of a company’s internal production and incentive system. A business model shows in a highly simplified and aggregate form which resources play a role in the company and how the internal process of creating goods and services transforms these resources into marketable information, products and/or services. A business model therefore reveals the combination of production factors which should be used to implement the corporate strategy and the functions of the actors involved.”</td>
</tr>
<tr>
<td>Hamel (2000), p. 83</td>
<td>“A business model is simply a business model that has been put into practice. A business concept comprises four major components: Core Strategy, Strategic Resources, Customer Interface, Value Network.”</td>
</tr>
<tr>
<td>Linder/Cantrell (2000), p. 5</td>
<td>“Operating business models are the real thing. An operating business model is the organization’s core logic for creating value. The business model of a profit oriented enterprise explains how it makes money. Since organizations compete for customers and resources, a good business model highlights the distinctive activities and approaches that enable the firm to succeed – to attract customers, employees, and investors, and to deliver products and services profitably.”</td>
</tr>
<tr>
<td>Eriksson/penker (2000), p. 2 et seq.</td>
<td>“A business model is an abstraction of how a business functions. [...] What the business model will do is provide a simplified view of the business structure that will act as the basis for communication, improvements, or innovations, and define for the information system requirements that are necessary to support the business. It isn’t necessary for a business model to capture an absolute picture of the business or to describe every business detail. [...] The evolving models also help the developers’ structure and focus their thinking. Working with the models increases their understanding of the business and, hopefully, their awareness of new opportunities for improving business.”</td>
</tr>
</tbody>
</table>


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Table 4.1 Overview of business model definitions (II)

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amit/Zott (2001), p. 493</td>
<td>“A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities.”</td>
</tr>
<tr>
<td>Rayport/Jaworski (2001), p. 109</td>
<td>“A business model is comprised of four parts: a value proposition or “cluster” of value propositions, a marketspace offering, a unique and defendable resource system, and a finance model. The value proposition defines the choice of target segment, the choice of focal customer benefits, and a rationale for why the firm can deliver the benefit package significantly better than competitors. The offering entails a precise articulation of the products, services, and information that is provided by the firm. The resource system supports the specific set of capabilities and resources that will be engaged in by the firm to uniquely deliver the offering. The finance model is the various ways that the firm is proposing to generate revenue, enhance value, and grow.”</td>
</tr>
<tr>
<td>Hedman/Kalling (2002), p. 113</td>
<td>“Based on the review of existing literature, we would define a business model as consisting of the following causally related components, starting at the product market level: 1) customers, 2) competitors, 3) offering, 4) activities and organization, 5) resources and 6) factor and production input suppliers. The components are all cross-sectional and can be studied at a given point in time. To make this model complete, we also include 7) the managerial and organizational, longitudinal process component, which covers the dynamics of the business model and highlights the cognitive, cultural, learning and political constraints on purely rational changes of the model.”</td>
</tr>
<tr>
<td>Magretta (2002), p. 3 et seq.</td>
<td>“A good business model remains essential to every successful organization, whether it’s a new venture or an established player. [...] Business models, though, are anything but arcane. They are, at heart, stories – stories that explain how enterprises work. A good business model answers Peter Drucker’s age-old questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?”</td>
</tr>
<tr>
<td>Rentmeister/Klein (2003), p. 19</td>
<td>“A business model is a model on a high abstraction level which illustrates the essential, relevant aspects of the company in an aggregate, clear form. Ideas and concepts for businesses can be identified, discussed and/or evaluated.”</td>
</tr>
<tr>
<td>Afuah/Tucci (2003), p. 3 et seq.</td>
<td>“A business model is a framework for making money. It is the set of activities which a firm performs, how it performs them, and when it performs them so as to offer its customers benefits they want to earn a profit.”</td>
</tr>
</tbody>
</table>

Table 4.1 Overview of business model definitions (III)

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afuah (2004), p. 9</td>
<td>“A business model is the set of which activities a firm performs, how it performs them, and when it performs them as it uses its resources to perform activities, given its industry, to create superior customer value (low-cost or differentiated products) and put itself in a position to appropriate the value.”</td>
</tr>
<tr>
<td>Osterwalder/ Pigneur/Tucci (2005), p. 3</td>
<td>“A business model is a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm. Therefore we must consider which concepts and relationships allow a simplified description and representation of what value is provided to customers, how this is done and with which financial consequences.”</td>
</tr>
<tr>
<td>Al-Debei/El-Haddadeh/Avison (2008), p. 7</td>
<td>“The business model is an abstract representation of an organization, be it conceptual, textual, and/or graphical, of all core interrelated architectural, and financial arrangements designed and developed by an organization presently and in future, as well as all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives.”</td>
</tr>
<tr>
<td>Johnson/Christensen/Kagmann (2008), p. 52</td>
<td>“A business model, from our point of view, consists of four interlocking elements that, taken together, create and deliver value. The most important to get right, by far, is the first. Customer value proposition, profit formula, key resources and key processes.”</td>
</tr>
<tr>
<td>Baden-Fuller and Morgan (2010), p. 168</td>
<td>“Business models are not recipes or model or scale and role models, but can play any – or all – of these different roles for different firms and for different purpose: and will often play multiple roles at the same time.”</td>
</tr>
<tr>
<td>Johnson (2010), p. 22</td>
<td>“A business model, in essence, is a representation of how a business creates and delivers value, both for the customer and the company”</td>
</tr>
<tr>
<td>Ostwalder/ Pigneur (2010), p. 14</td>
<td>“A business model describes the rationale of how an organization creates, delivers, and captures value.”</td>
</tr>
<tr>
<td>Teece (2010), p. 173</td>
<td>“A business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers. It also outlines the architecture of revenues, costs, and profits associated with the business enterprise delivering the value. [...] In essence, a business model embodies nothing less than the organizational and financial ‘architecture’ of a business.”</td>
</tr>
</tbody>
</table>

A business model is a simplified and aggregated representation of the relevant activities of a company. It describes how marketable information, products and/or services are generated by means of a company’s value-added component. In addition to the architecture of value creation, strategic as well as customer and market components are considered in order to realize the overriding objective of generating and preserving a competitive advantage. (Wirtz 2000, p. 81)

Source: Wirtz (2020)
Business model management constitutes an instrument for controlling a company and comprises all target-oriented activities in the scope of design, implementation, modification and adaptation as well as the control of a business model, in order to realize the overriding objective of generating and securing competitive advantages. (Wirtz 2000, p. 81)

Source: Wirtz (2020)
Fig. 4.2 Business model levels

<table>
<thead>
<tr>
<th>Activity levels</th>
<th>Application intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry level</td>
<td>![Industry model]</td>
</tr>
<tr>
<td>Corporate level</td>
<td>![Corporate business model A]</td>
</tr>
<tr>
<td>Level of business units</td>
<td>![Business unit model I]</td>
</tr>
<tr>
<td></td>
<td>![Company A]</td>
</tr>
</tbody>
</table>

Strength of effect: □ = very low  ○ = low  ◀ = medium  ● = high  ■ = very high

Fig. 4.3 Objectives of the business model and business model management

Chapter 4: Distinctions and aims of business models

Aims

- Describe business activity
- Visualize activities
- Reduction of complexity

Subject-related aspects
- Illustrative graphical depiction of the company’s architecture

Functional aspects
- Aggregate, simplified explanations of the business activities

Teleological aspects
- Securing and generating of a competitive advantage

Instrumental aspects
- Description, analysis and design of a company with the aid of business models

Business model management constitutes an instrument for the control of a company and comprises all target-oriented activities within the scope of design, implementation, modification and adaption as well as the control of a business model in order to realize the superior goal of generating and securing the competitive advantage.

Application fields
- Industrial level
- Corporate level
- Level of business units
- Product level

Aims
- Comprehensive understanding
- Identification of advantages and disadvantages
- Realization
- Securing profitability and surviving of a company
Part II -
Structure of Business Models
Chapter 5: Introduction
Fig. 5.1 Putting the section into context

Source: Wirtz (2020)
Chapter 6: Structure of the Value Creation in Business Models
Fig. 6.1 Traditional business vs. digital business

<table>
<thead>
<tr>
<th>Traditional business</th>
<th>Digital business</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Stable environment</td>
<td>• Dynamic environment</td>
</tr>
<tr>
<td>• Low intensity of competition</td>
<td>• High intensity of competition</td>
</tr>
<tr>
<td>• Security</td>
<td>• Insecurity</td>
</tr>
<tr>
<td>• National / multinational</td>
<td>• Globalized</td>
</tr>
<tr>
<td>• Little networking</td>
<td>• Networking</td>
</tr>
<tr>
<td>• Market of production</td>
<td>• Market of demand</td>
</tr>
</tbody>
</table>

Fig. 6.2 Value creation models and business model concept

Value chain
- Linear value creation
- Value adding

Value system
- Focus of added value
- Connection of value chains
- Value creation as a sum of different value creation activities

Business model
- Value creation logic
- Content of model goes beyond value creation

Value constellation
- General focus of values
- Network-based value added
- Value creation

Fig. 6.3 Structure of the chapter

- **Value chain**
  - Structure of the value chain
  - Function of the value chain
  - Primary vs. supporting activities
  - Strategies for competitive advantages

- **Value system**
  - Structure of the value system
  - Vertical vs. horizontal connections
  - Significance of value systems

- **Value constellation**
  - Classification of the value constellation
  - Structure of the value constellation
  - Reconfiguration of relations
  - Value distribution within the network
  - Case study: Encyclopedias

- **Relations between value constellation and business models**
  - Connections between value constellation and business models
  - Changes through internal and external processes
  - Value migration
  - Business migration

- **Business models as an integrated management concept**
  - Distinction between strategy, business process model and business model
  - Driver of business models
  - Usage of the business model concept in business practice

Source: Wirtz (2020)
Fig. 6.4 Dimensions of the value constellation

Fig. 6.5 Exemplary structure of a value constellation

Player 1
Function: Orchestrator
Resource: Network position

Player 2
Function: Endkunde
Resource: Geld, Information

Player 3
Function: Supplier
Resource: Material

Player 4
Function: Supplier
Resource: Network position

Player 5
Function: Meta distributor
Resource: Network position

Player 6
Function: Distributor
Resource: Network position

Player 7
Function: Distributor
Resource: Network position

Player 8
Function: Supplier
Resource: Material

Player 9
Function: Complementary
Resource: Product

Player 10
Function: Complementary
Resource: Service

Offer 1

Competition

Offer 2

Offer 3

### Fig. 6.6 Comparison of value-added models and connection to the BM concept

<table>
<thead>
<tr>
<th>Development</th>
<th>Value chain</th>
<th>Value system</th>
<th>Value constellation</th>
<th>Business model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development</td>
<td>From industrial economy</td>
<td>From industrial economy</td>
<td>From network theory</td>
<td>From technology-oriented approach</td>
</tr>
<tr>
<td>Structure</td>
<td>Linear</td>
<td>Linear, connection of value chains</td>
<td>Network</td>
<td>Focus beyond value creation, Network</td>
</tr>
<tr>
<td>Functions</td>
<td>Description of value creation in single companies, Value adding</td>
<td>Description of value creation in single companies, Value adding</td>
<td>Description of value creation between different companies, Value creation</td>
<td>Description of business structure and value creation</td>
</tr>
<tr>
<td>Aims</td>
<td>Identifying the potential of stages of value addition</td>
<td>Integrating complex structures of value addition</td>
<td>Identifying potentials of connections in the value creation</td>
<td>Development, implementation and support of sustainable and successful corporate strategies</td>
</tr>
</tbody>
</table>

Fig. 6.7 Relationships and change processes of value constellation and BM

Value constellation

BM 1 → BM 3
BM 2 → BM 4

Structure of interaction

Value migration  Business migration

Fig. 6.8 Integrating the value chain

Characteristics
- Integration of up- and downstream value creation into an company
- Full control over the value-creation process
- Small proportion of extern value creation

Integrator

Company Examples
- Procter & Gamble
- Exxon
- Novartis

Source: Wirtz and Becker (2002b), and Wirtz (2020)
Fig. 6.9 Focusing on a value chain layer

Source: Wirtz and Becker (2002b), and Wirtz (2020)
Fig. 6.10 Coordination of external providers

Source: Wirtz and Becker (2002b), and Wirtz (2020)
**Fig. 6.11 Creating new markets as a pioneer**

**Sector A Value Chain**
- Research & Development
- Procurement
- Production
- Marketing/CRM
- Electronic Commerce
- Sales/Distribution

**Sector B Value Chain**
- Research & Development
- Procurement
- Production
- Marketing/CRM
- Electronic Commerce
- Sales/Distribution

**Sector C Value Chain**
- Research & Development
- Procurement
- Production
- Marketing/CRM
- Electronic Commerce
- Sales/Distribution

**Characteristics**
- Creation of innovation performance
- Introduction of new value-chain level into existing value chain

**Pioneer (Market Maker)**

**Company Examples**
- Amazon.com
- AirBnB

*Source: Wirtz and Becker (2002b), and Wirtz (2020)*
Fig. 6.12 Business model layers

**Business levels**

- Corporate vision
- Corporate mission
- Corporate strategy
- Corporate business model
- Corporate process model
- Units' business model
- Units' business process model
- Product/service business model
- Product/service process model

**Core Factors**

- **Highly aggregated information for strategic positioning and business model direction**
  - The corporate vision, as a general positioning within society determines the corporate mission
  - The corporate mission defines its goals and is the basis for the corporate strategy and is based on the corporate vision
  - The corporate strategy is oriented against the background of the competitors and the corporate mission
  - There is a vertical interaction relation between the layers

- **Strategic and tactical information to determine the business architecture**
  - The corporate business model is derived from the corporate strategy and displays core internal and market-related potentials
  - The business model is basis for the process model
  - The process model outlines the detailed sequential business activities

- **Operative information determines the implementation of the corporate business model**
  - The unit's business model are based on the aggregated corporate business models
  - The unit business model is basis for the unit process model
  - The process model displays the business flows and interdependence within in a unit

- **Detailed information determines the production and service provision**
  - Each product/service is based on specific models derived from a units' business model
  - The product or service process model describes the production and provision

Source: Wirtz (2020)
Fig. 6.13 Overview of the different business model types

Descriptive models
• outlining of fundamental elements
• Resources and players of a business
• Relations between business and environment

Explaining models
• Explanation of corporate activities
• Depiction of corporate processes
• Means-end relations and flow Fig.s

Decision-preparing models
• Finding an optimal solution for problems
• Depiction of decisions & goals
• Consideration of preferential relations & priorities

Fig. 6.14 Descriptive model of Apple iTunes

Record companies
- Represent artists
- Resources: licensing of music & artwork

iTunes platform
- Virtual marketplace for music
- Free music administration software for mac and windows computers (playing, organizing and purchasing sound files)
- Resources: technology, software
- High number of users / variety of music

Customers
- Demanders of music and media player application
- Resources: money

Source: Wirtz (2010a, 2011, 2018a, 2020) and on the basis of own analyses and estimations
Fig. 6.15 Explanatory model of Apple iTunes

Source: Wirtz (2010a, 2011, 2018a, 2020) and on the basis of own analyses and estimations
Fig. 6.16 Decision-preparation model of Apple iTunes

Source: Wirtz (2010a, 2011, 2018a, 2020) and on the basis of own analyses and estimations
### Chapter 2: Structure of the value creation in business models

#### 2.1 Value chain
- Depiction of the manufacturing-relevant activities, including suppliers and distribution, division in primary and supporting activities
- Competitive strategies according to Porter: cost leadership, differentiation, focus on the field of competition
- Mainly of relevance for producing company, unidirectional value creation

#### 2.2 Value system
- Connection of the activities of various value chains
- Vertical: Connection of up- and downstream activities (real net output ratio)
- Horizontal: Connection of cross-sector activities (tangible, intangible, competitive level)
- Mainly of relevance for alliances, linear consideration

#### 2.3 Value constellation
- Network-based value creation model that depicts relations of internal and external actors and takes into account multidirectional value creation processes
- Value constellation dimensions: value creation, transaction, resources and network position
- Value constellation actors: orchestrator, distributors, partners and customers

#### 2.4 Relations between value constellation and business models
- Value constellation as a superior construct that is specified by means of the business model
- Value constellation and business models are interdependent
- Value migration and business migration as essential action processes of the value constellation/ business model relationship

#### 2.5 Business model as an integrated management concept
- Business models as an abstract depiction of business activities
- Functions of business models: finding ideas and conceptualizing in case of market entries or spin offs, developing lasting successful corporate strategies
- Business model types: descriptive models, explanatory models and decision-preparing models

Chapter 7: Partial Models of Business Models
Fig. 7.1 Structure of the chapter

- Integrated business models
  - Advantages of an observation of integrated business models
  - Classification of business models into partial models

- Strategy components
  - Strategy model
  - Competence model
  - Network model

- Customer and market components
  - Market offer model
  - Customer model
  - Revenue model

- Value creation components
  - Value creation model
  - Resources model
  - Financing model

- Relations and interactions
  - Interactions between the partial models of business models
  - Total flow of the value creation in a process model

Source: Wirtz (2020)
### Fig. 7.2 Partial models of the integrated business model

<table>
<thead>
<tr>
<th>Strategic component</th>
<th>Customer &amp; market component</th>
<th>Value creation component</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy model</strong></td>
<td><strong>Customer model</strong></td>
<td><strong>Value creation model</strong></td>
</tr>
<tr>
<td>- Company mission</td>
<td>- Customer relationships/target groups</td>
<td>- Service development</td>
</tr>
<tr>
<td>- Strategic positions and development paths</td>
<td>- Channel configuration</td>
<td>- Value generation</td>
</tr>
<tr>
<td>- Value proposition</td>
<td>- Customer touchpoint</td>
<td></td>
</tr>
<tr>
<td><strong>Resources model</strong></td>
<td><strong>Market offer model</strong></td>
<td><strong>Procurement model</strong></td>
</tr>
<tr>
<td>- Core competencies</td>
<td>- Competitors</td>
<td>- Resourcing</td>
</tr>
<tr>
<td>- Core assets</td>
<td>- Demand structure</td>
<td>- Information analysis</td>
</tr>
<tr>
<td><strong>Network model</strong></td>
<td><strong>Revenue model</strong></td>
<td><strong>Finance model</strong></td>
</tr>
<tr>
<td>- Business model networks</td>
<td>- Commissions</td>
<td>- Capital structure</td>
</tr>
<tr>
<td>- Business model partners</td>
<td>- Service charge streams</td>
<td>- Cost structure model</td>
</tr>
</tbody>
</table>

**Source:** Wirtz (2010a, 2011, 2018a, 2019a, 2020)
Fig. 7.3 Strategy levels and tasks of the business model management

**Action levels of a company**

- **Corporate level**
  - Development of superior strategies for the company’s business model
  - Integration of all business processes in order to realize smooth functions between the different business models of the company

- **Business level**
  - Development of competitive strategies for single business models of the company
  - Market offer model and value proposition have to be individually embedded in business models

- **Functional level**
  - Development of action programs for single activity areas of business models (e.g. distribution, purchase)

- **Relationship level**
  - Network idea of business models
  - In particular management and definition of activities regarding business relations

**Tasks in the business model context**

- **Corporate level**
- **Business level**
- **Functional level**
- **Relationship level**

Fig. 7.4 Management process within the strategy model

Fig. 7.5 Composition of a resources model using the example of iTunes

Source: Wirtz (2010a, 2011, 2018a, 2020) and on the basis of own analyses and estimations
### Fig. 7.6 Core aspects of the resources model

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Measures</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Depiction of all relevant core assets and core competences</td>
<td>• Establishing and securing valuable resources</td>
<td>• Synopsis of all significant tangible and intangible input factors (for example specific management knowledge, technical know-how, corporate image, learning aptitude etc.) for the optimization of the whole business model</td>
</tr>
<tr>
<td>• Generation of a competitive advantage by means of valuable resources which are difficult to imitate</td>
<td>• Protecting the existent resources by means of a - blockade strategy - run strategy - alliance strategy</td>
<td></td>
</tr>
</tbody>
</table>

Fig. 7.7 Levels of the business network model

<table>
<thead>
<tr>
<th>Elements</th>
<th>Network levels</th>
<th>Network processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management units &amp; relations</td>
<td>Management</td>
<td>• Goal setting</td>
</tr>
<tr>
<td>Value creation elements &amp; transaction relations</td>
<td>Activities</td>
<td>• Planning/Management</td>
</tr>
<tr>
<td>Pool and linkages of resources</td>
<td>Resources / Competences</td>
<td>• Monitoring</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Production of goods and services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Learning process</td>
</tr>
</tbody>
</table>

Source: Mack (2003), and Wirtz (2020)
**Fig. 7.8 Core aspects of the network model**

<table>
<thead>
<tr>
<th>Network model</th>
<th>Goals</th>
<th>Measures</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Presentation of the BM networks as well as the actors involved</td>
<td>• Formulation of a collective vision for all companies involved</td>
<td>• Structural extension of the strategy model and the resources model</td>
</tr>
<tr>
<td></td>
<td>• Management of the distribution of values of a collective value creation within the scope of a value constellation</td>
<td>• Interorganizational agreement of the strategic procedures</td>
<td>• Tool of coordination and planning within a value constellation</td>
</tr>
<tr>
<td></td>
<td>• Analysis on the basis of the levels management, activities and resources/competences</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fig. 7.9 Checklist of the strategic component

Core issues regarding the strategic component

**Strategy model**
- What are the central core aspects of the business model mission?
- Does an adequate alignment exist between the business model mission and the corporate strategy?
- What essential contents can be deduced from the corporate strategy for the strategy model?

**Resources model**
- What are the competences and resources of a business model critical to success?
- Are some of these competences and resources already available? Which ones can be provided and how?
- Can competences and resources be established and protected from imitations?
- Which competences and resources ensure the competitiveness and sustainability of the business model?

**Network model**
- Which potential network partners can be identified?
- Which role does the own company play in this network? Which internal services should be outsourced to partners?
- Which services make the own company more valuable to partners?

## Fig. 7.10 Core aspects of the customer model

<table>
<thead>
<tr>
<th>Goals</th>
<th>Measures</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Depiction of the relevant offers (products and services) as well as the customers&lt;br&gt;• Adaption of the business model to the needs of the customers</td>
<td>• Integration of the customer model into value creation (co-creation)&lt;br&gt;• Establishment of an attitude-based customer model</td>
<td>• Particular significance within the scope of business model design&lt;br&gt;• Far-reaching implications for the revenue and the value creation model</td>
</tr>
</tbody>
</table>

Fig. 7.11 Market offer development process

Market Offer Model

<table>
<thead>
<tr>
<th>Value proposition</th>
<th>Customer segmentation and customer relationship management</th>
<th>Value offering (products and services)</th>
<th>Access and points of sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments of product and service portfolio</td>
<td>Development and providing of new products and services</td>
<td>Identification and determining new markets</td>
<td>Reaction to tactical manoeuvres of competitors</td>
</tr>
</tbody>
</table>

Market intelligence

Processing and sense-making of the market information/knowledge

Reception of customer information/knowledge

<table>
<thead>
<tr>
<th>Information points</th>
<th>Transaction points</th>
<th>Service points</th>
</tr>
</thead>
</table>

Customer Touch Points

<table>
<thead>
<tr>
<th>Potential customers</th>
<th>New customers</th>
<th>Stay customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Education</td>
<td>Gender</td>
</tr>
<tr>
<td>Regions</td>
<td>Premises</td>
<td>Urban/ rural</td>
</tr>
</tbody>
</table>

Customer segmentation

| Private Customer | Companies | NGOs | Public institutions | Foreign institutions |

Customer

Source: Wirtz (2020)
Fig. 7.12 Core aspects of the market offer model

- Depiction of the corporate environment, focusing on the market structure and competitors
- Reaction to tactical maneuvers of competitors
- Determining new markets

- Comprehensive market analysis (Buying market structure, customer structure, competitive environment, legal framework etc.)

- Implementation of the analyses’ results into specific procedures on the level of the strategy model in order to generate competitive advantages

### Table 7.1 Overview of the revenue forms through examples

<table>
<thead>
<tr>
<th></th>
<th>Direct revenue generation</th>
<th>Indirect revenue generation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transaction-dependent</strong></td>
<td>• Transaction revenues in a strict sense</td>
<td>• Commission</td>
</tr>
<tr>
<td></td>
<td>• Connection charges</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• User fees</td>
<td>• Advertising</td>
</tr>
<tr>
<td><strong>Transaction-independent</strong></td>
<td>• Set-up fees</td>
<td>• Data mining revenues</td>
</tr>
<tr>
<td></td>
<td>• Basic fees</td>
<td>• Sponsorship</td>
</tr>
</tbody>
</table>

Fig. 7.13 Core aspects of the revenue model

**Revenue model**

<table>
<thead>
<tr>
<th>Goals</th>
<th>Measures</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Greatest possible monetary absorption of the added value generated within the value creation</td>
<td>• Implementation of integrative supply chain management processes in order to maximize the value capture of the own company</td>
<td>• Depiction of the value capture of the internal value creation</td>
</tr>
<tr>
<td>• Reduction of cannibalization effects</td>
<td>• Harmonization of the different revenue forms (direct vs. indirect, transaction-dependent vs. transaction-independent revenue generation)</td>
<td>• Realization of the guidelines of the strategy model</td>
</tr>
</tbody>
</table>

Fig. 7.14 Checklist for the customer & market component

Core issues regarding the customer & market component

Customer model

• Which customer groups / market segments can be identified? Which potential profits exist within these customer groups / market segments?
• How can customers be acquired and tied to the company in the long term? How do the customer touch points have to be designed and which communication canals should be used in this context?
• What are the most important customer needs concerning the value proposition of the company?
• How can these forms of interactions support the provision of problem solutions or services?
• Which customer groups can be best tied to the company by means of the corresponding forms of interaction?

Market offer model

• What characterizes the market structure in the target markets?
• Which (cross-industry) competitors are relevant for the market offer model?
• Do the value proposition and existent market potentials of the company fit together?
• What services are to be offered to the customers of the corresponding markets (products, services etc.)?

Revenue model

• Which revenue strategies (direct vs. indirect revenue generation and transaction-dependent vs. independent) are aimed for within the scope of the revenue model?
• What revenue types (e.g. usage fees, basic fees, provisions etc.) can be used?
• Which revenue strategies can increase sales or the profitability of the business model?
• What should the pricing be like for the respective customer groups?
• Is the pricing adjusted to both the value proposition and customer demand?

Fig. 7.15 Overview of administrative resources and the production factors

Administrative Resources

- management
- organization
- administrative procedures
- monitoring
- ...

Production Factors

- employees/workers
- machinery/IT
- operating procedures
- capital
- land
- intangible assets
- ...

Source: Wirtz (2020)
**Fig. 7.16 Core aspects of the value creation model**

<table>
<thead>
<tr>
<th>Goals</th>
<th>Measures</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Depiction and weighing of the different production factors (planning vs. elemental) for an optimal organization of the production of goods and services</td>
<td>• Division of the factors into planning and elemental production factors</td>
<td>• The organization can be useful for the differentiation during the competition (for instance individualization within the scope of mass customization)</td>
</tr>
<tr>
<td></td>
<td>• Modeling of the processes for the conversion of low order goods into high order goods</td>
<td></td>
</tr>
</tbody>
</table>
Fig. 7.17 Phases of e-procurement

Source: Wirtz (2020)
Fig. 7.18 Typology of interactions of electronic purchasing

**Procurement model**

<table>
<thead>
<tr>
<th>Goals</th>
<th>Measures</th>
<th>Relevance</th>
</tr>
</thead>
</table>
| • Depiction of the structure and sources of raw materials, goods and services necessary for the production of goods and services  
• Optimization of purchasing in order to enable an optimal manufacturing | • Analysis of the typology of goods to be purchased (by means of an ABC analysis) as well as the typology of interaction  
• Optimization of the procurement mix with regard to the whole business model | • The procurement model constitutes a process-oriented basis for the planning of the input of resources for the value creation |

### Fig. 7.20 Core aspects of the finance model

**Finance model**

<table>
<thead>
<tr>
<th>Goals</th>
<th>Measures</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Depiction of financing (planning of the necessary equity and debt capital) as well as cost structure</td>
<td>• Long-term financial planning (future-oriented acquisition, disposition as well as control of the financial processes of a business model)</td>
<td>• The cost structure significantly affects manufacturing and procurement by means of a business model</td>
</tr>
<tr>
<td>• Securing the liquidity and profitability of a company</td>
<td>• Analysis of the cost structure in order to identify savings potentials</td>
<td></td>
</tr>
<tr>
<td>• Minimization of capital costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

# Fig. 7.21 Checklist for the value-added component

<table>
<thead>
<tr>
<th>Core issues regarding the value-added component</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value creation model</strong></td>
</tr>
<tr>
<td>• What value is created for the customer in the value creation model and how?</td>
</tr>
<tr>
<td>• What is of high relevance for the value creation model in order to establish a value creation that is as effective and efficient as possible?</td>
</tr>
<tr>
<td>• How should the value creation model be designed in order to optimize production costs?</td>
</tr>
<tr>
<td><strong>Procurement model</strong></td>
</tr>
<tr>
<td>• Which are the most important procurement partners and are enough of them available?</td>
</tr>
<tr>
<td>• What should the relations to the procurement partners be like in order to guarantee optimal sourcing?</td>
</tr>
<tr>
<td>• Which types of procurement can be used within the business model? How can procurement measures be profitably designed (e.g. e-procurement)?</td>
</tr>
<tr>
<td>• Are the procurement mix (A, B, C-goods) and the types of sourcing optimally designed with regard to the whole business model?</td>
</tr>
<tr>
<td>• Are the correct goods procured at a low price and in an acceptable, good quality?</td>
</tr>
<tr>
<td><strong>Finance model</strong></td>
</tr>
<tr>
<td>• Which capital structure (proportion of debt and equity capital) is promising for the business model?</td>
</tr>
<tr>
<td>• Which types of financing (interests, loans etc.) should be used?</td>
</tr>
<tr>
<td>• What are the most essential cost drivers of the cost structure model and are these perceived as added value by customers?</td>
</tr>
<tr>
<td>• Is a sufficiently high cash flow secured for value creation and is this sufficiently controlled?</td>
</tr>
</tbody>
</table>

Fig. 7.22 Interactions of the partial models of the business models

**Fig. 7.23 Summary of the chapter on partial models of business models**

**Integrated business model approach**

- The goal of the business model concept is the development, implementation and securing of a long-lasting successful and profitable business strategy.

- The integrated business model concept presents a conceptual aggregate framework of the most relevant components in order to show how value creation takes place within a company and how the company's profitability can thereby be guaranteed.

- The partial models of a business model constitute an interdependent network of structural elements. The single models cannot be observed separately or simply within the corresponding components but have to be applied to the whole spectrum of partial models according to their causes and effects.

**Partial models of the integrated business model**

- **Strategic component**
  - Company mission
  - Strategic positions and development paths
  - Value proposition

- **Customer & market component**
  - Customer relationships/target groups
  - Channel configuration
  - Customer touchpoint

- **Value creation component**
  - Service development
  - Value generation

**Source:** Wirtz (2010a, 2011, 2018a, 2020)
Chapter 8: Actors and Interactions in Business Models
Fig. 8.1 Structure of the chapter

Actors in business models
- Internal vs. external actors
- General vs. specific environment
- Customers
- Value constellation partners
- Competitors
- Market regulators

Actors in specific partial models of business models
- Strategic component
- Customer and market component
- Value-added component

Interactions
- Flows of information, products and money
- Role expectations
- Coopetition

Source: Wirtz (2020)
Fig. 8.2 Overview of the actors in a business model

Fig. 8.3 Customer groups as a market typology

### Fig. 8.4 Criteria for the customer segmentation

<table>
<thead>
<tr>
<th>Criteria of segmentation</th>
<th>Behavior-oriented</th>
<th>Psychographic</th>
<th>Sociodemographic</th>
<th>Geographic</th>
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<tr>
<td></td>
<td>Price behavior:</td>
<td>General personality trait:</td>
<td>Demographic characteristics:</td>
<td>Macro geographic characteristics:</td>
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<tr>
<td></td>
<td>• Price class</td>
<td>• Activities</td>
<td>• Gender</td>
<td>• States</td>
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<td></td>
<td>• Purchase of bargain offers</td>
<td>• Interests</td>
<td>• Age</td>
<td>• City / country</td>
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<td></td>
<td>Media use:</td>
<td>• General attitudes</td>
<td>• Family status</td>
<td>• Community</td>
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<td></td>
<td>• Type and number of the used media</td>
<td>• Social orientation</td>
<td>• Number of children</td>
<td></td>
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<td></td>
<td>• Usage intensity</td>
<td>• Risk preference</td>
<td>• Size of household</td>
<td></td>
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<tr>
<td>Choice of retail outlet:</td>
<td>Choice of product:</td>
<td>Product-specific characteristics:</td>
<td>Socio-economic characteristics:</td>
<td>Micro geographic characteristics:</td>
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<tr>
<td></td>
<td>• Type of business</td>
<td>• Perceptions</td>
<td>• Occupation</td>
<td>• Districts</td>
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<td></td>
<td>• Business loyalty</td>
<td>• Motives</td>
<td>• Education</td>
<td>• Residential area</td>
</tr>
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<td></td>
<td>• Switching of business</td>
<td>• Specific attitudes</td>
<td>• Income</td>
<td>• Street sections</td>
</tr>
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<td></td>
<td>Choice of product:</td>
<td>• Utility perceptions</td>
<td></td>
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<tr>
<td></td>
<td>• Buyer</td>
<td>• Purchase intentions</td>
<td></td>
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<td></td>
<td>• Non-purchase</td>
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<td></td>
<td>• Brand loyalty</td>
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<td></td>
<td>• Switching of brands</td>
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<td></td>
<td>• Multiple bookings</td>
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<tr>
<td></td>
<td>• Single bookings</td>
<td></td>
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</tr>
</tbody>
</table>

Source: Meffert et al. (2019), and Wirtz (2020)
Fig. 8.5 Value constellation partners as actors in business models

Fig. 8.6 Overview of the actors within partial models of business models

<table>
<thead>
<tr>
<th>Partial models of the integrated business model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic component</strong></td>
</tr>
<tr>
<td>Strategy model</td>
</tr>
<tr>
<td>• Top management</td>
</tr>
<tr>
<td>Resources model</td>
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<tr>
<td>• Top management</td>
</tr>
<tr>
<td>• Middle management</td>
</tr>
<tr>
<td>Network model</td>
</tr>
<tr>
<td>• Top management</td>
</tr>
<tr>
<td><strong>Customer &amp; market component</strong></td>
</tr>
<tr>
<td>Customer model</td>
</tr>
<tr>
<td>• Middle management</td>
</tr>
<tr>
<td>• Operating level (Customer touch points)</td>
</tr>
<tr>
<td>Market offer model</td>
</tr>
<tr>
<td>• Middle management</td>
</tr>
<tr>
<td>Revenue model</td>
</tr>
<tr>
<td>• Top management</td>
</tr>
<tr>
<td><strong>Value creation component</strong></td>
</tr>
<tr>
<td>Value creation model</td>
</tr>
<tr>
<td>• Value constellation partners</td>
</tr>
<tr>
<td>• Operative level</td>
</tr>
<tr>
<td>Procurement model</td>
</tr>
<tr>
<td>• Lower &amp; middle management (production management)</td>
</tr>
<tr>
<td>Finance model</td>
</tr>
<tr>
<td>• Top management</td>
</tr>
<tr>
<td>• Middle management (Financial planning)</td>
</tr>
<tr>
<td>• Lower management (Auditing)</td>
</tr>
</tbody>
</table>

Fig. 8.7 Types of flow processes in business models

Source: Berman (1999), and Wirtz (2020)
Fig. 8.8 Interaction map of the partial models of business models

- **Strategy model**
  - Analysis of the bases of the business model
  - Definition of the business model's orientation and coordination with the corporate strategy
  - Update of the business model by means of feedback

- **BM revolution**

- **BM-Evolution**

- **Business model design process**
  - Market offer model
  - Resources model
  - Value creation model
  - Network model
  - Procurement model
  - Revenue model
  - Finance model

- **Business model implementation**

- **Interactions in BM operation**
  - Customers
  - Competitors
  - Value constellation partners

- **Feedback**

Fig. 8.9 Interactions of the strategy model

Fig. 8.10 Interactions of the resources model

- **Resources model**
  - **Top Management**
    - Asset & competence management
  - **Middle Management**
    - Design of business processes
  - **Operative level**
    - Implementation of business processes

- **Planning of the value creation**
  - Value creation model
  - Management of complementary competences

- **Planning of the input of resources**
  - Procurement model

- **Interactions on different corporate levels**
  - Direct influence on partial models
  - Indirect influence on partial models

Fig. 8.11 Interactions of the network model

Legend
- Information flow

Network model

Top management
- Market analysis of complementary competences
- Role management within the value constellation
- Relationship management

Value creation model

Interactions on different corporate levels

Revenue model

Value capture within the value constellation

Access to external resources

Procurement model

Direct influence on partial models

Information input / guidelines of value creation
**Fig. 8.12 Interactions of the customer model**

- **Customer model**
  - Top management
    - Value proposition for customer groups
  - Middle management
    - Guidelines for customer segmentation
  - Lower management
    - Experiences at customer touch points
  - Operating level
  - Feedback & coordination

- **Market offer model**

- **Value creation model**
  - Provision of planning principles
  - Value generation & value capture in different customer groups

- **Revenue model**
  - Direct influence on partial models
  - Indirect influence on partial models

Interactions on different corporate levels

Fig. 8.13 Interactions of the market offer model

Market offer model

- Top management
  - Market analysis
  - Preparation of the offer of goods or services
  - Feedback concerning market cultivation strategies
  - Exploration of new markets

- Middle management
  - Feedback & coordination

Customer model

Interactions on different corporate levels


Legend
- Direct influence
- Indirect influence
- Information flow
- Monetary flow

Provision of planning principles

Strategy model

Value creation model

Market-specific value creation

Direct influence on partial models

Indirect influence on partial models

• Market analysis
• Preparation of the offer of goods or services
• Feedback concerning market cultivation strategies
• Exploration of new markets
Fig. 8.14 Interactions of the revenue model

Value creation model

Information input / Value generation

Legend
- Direct influence
- Indirect influence
- Information flow

Revenue model

- Top management
  - Analysis revenue sources
  - Definition revenue forms
- Middle management
  - Pricing positioning
- Lower management
  - Local adaptation of pricing
- Operating level

Customer model

Strategy model

Adaptation of the market cultivation

Feedback concerning market position and customer groups

Direct influence on partial models
Indirect influence on partial models

Information flow

Interactions on different corporate levels

Fig. 8.15 Interactions of the value creation model

- **Value creation model**
  - Top management
    - Orientation of the goods and services offered
  - Middle management
    - Planning / implementation of manufacturing processes
  - Lower management
    - Controlling
  - Operating level

- **Resources model**
- **Strategy model**
  - Orientation of manufacturing

- **Guidelines & Implementation**
- **Experiences & feedback**

- **Procurement model**
  - Resources input
  - Information input / Value generation

- **Network model**
  - External services
  - Direct influence on partial models

- **Revenue model**
  - Revenue streams
  - Indirect influence on partial models

- **Finance model**
  - Basics for financing & cost structure
  - Direct influence on partial models


Legend:
- Direct influence
- Information flow
- Monetary flow
- Indirect influence
Fig. 8.16 Interactions of the procurement model

Fig. 8.17 Interactions of the finance model

Interactions on different corporate levels
Chapter 4: Actors and Interaction in business models

4.1 Actors in business models
- Actors can be classified into internal and external actors as well as external actors of the general and specific environment
- Customers are of great importance for the orientation of the business model
- Core issues: Are all relevant actors included? Which actors are of special importance for the success of the business model? How can customer groups be identified?

4.2 Actors in business model partial models
- Depiction by means of three components
- Strategic component: Drafting of the business model mission by the top management
- Customer & market component: Segmentation of the clientele and analysis of the market structure
- Value-added component: Depiction of the central value creation logic and analysis of the value constellation, resources and financing

4.3 Interactions in the business model management
- Interaction between the partial models can be depicted as information, goods and cash flows
- The strategy model is of special significance
- Core issues: Are all relevant interactions included in the business model? Which interfaces are critical? Are there any interdependence effects?

Core issues regarding the actors and interactions of business models

- Which internal and external actors are critical to the success of a business model?
- Which actors contribute the most to the value creation within the company's business model?
- Which internal actors are hard to exchange and provide a competitive advantage over competitors?
- Which external actors can pose a threat to the own business model and how can the company protect itself?
- Which market regulators and which regulation restrictions (cartels etc.) are critical to the success of the business model?
- Which interactions of the business model exist by means of the value constellation?
- Which goods, information and monetary flows are relevant for the success of the business model?
- Are all relevant interactions and aspects included in the business model?
- How can feedback information by the actors be used for the updating and further development of the business model?
- Which interfaces between the single partial models are of special relevance for the business model?

Chapter 9: Business Model Innovation
Fig. 9.1 Structure of the chapter

- Development of business model innovation
- Relevance of business model innovation
- Previous business model innovation approaches

- Definition and demarcation of business model innovation
- Types, effects and drivers of business model innovation

- Derivation of the business model innovation process
- Introduction of various phases of the business model innovation process

- Description of aspects of an integrated business model approach
- Outline of an integrated framework focused on value creation and value capture

Source: Wirtz (2020)
Fig. 9.2 Planned business model innovations of CEOs interviewed

- **69%** of CEOs questioned plan fundamental business model innovations* during the next three years.
- **29%** plan moderate business model innovations*.
- **2%** plan limited/no business model innovations*.

*Data source: IBM Global CEO Study (2008), and Wirtz (2020)
Fig. 9.3 Business model innovation approaches in literature

- **Experiment**
  - Business model innovation has the character of an experiment and is often a product of chance
  - Business model innovation takes place within ex ante defined components
  - There is no structural frame underlying business model innovation
  - Most important reps: Chesbrough, Casadesus-Masanell/Ricard, Sosna

- **Plan**
  - Business model innovation a structured and planned management task
  - Business model innovation takes place within ex ante defined components
  - Practically irrelevant as no, framework for planning exists
  - Most important reps: Johnson et al., Zott/Amit

Source: Wirtz (2013a, 2018a, 2020)
Table 9.1 Definition of business model innovation

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnson, Christensen, and</td>
<td>“It’s not possible to invent or reinvent a business model without first identifying a clear customer value proposition. [...] Established companies’ attempts at transformative growth typically spring from product or technology innovations. Their efforts are often characterized by prolonged development cycles and fitful attempts to find a market. [...] Their success comes from enveloping the new technology in an appropriate, powerful business model.”</td>
</tr>
<tr>
<td>Kagermann (2008), pp. 54/59.</td>
<td></td>
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<tr>
<td>Lindgardt et al. (2009), p. 1.</td>
<td>“A business model consists of two essential elements – the value proposition and the operating model – each of which has three subelements. [...] Innovation becomes BMI when two or more elements of a business model are reinvented to deliver value in a new way. Because it involves a multidimensional and orchestrated set of activities, BMI is both challenging to execute and difficult to imitate.”</td>
</tr>
<tr>
<td>Demil and Lecocq (2010), p. 228</td>
<td>“ [...] the [Business Model] concept represents a transformational approach, where the BM is considered as a concept or a tool to address change and focus on innovation, either in the organization, or in the BM itself.”</td>
</tr>
<tr>
<td>Gambardella and McGahan</td>
<td>“In this conceptualization, business-model innovation occurs when a firm adopts a novel approach to commercializing its underlying assets. One arena in which many firms with important knowledge assets are currently innovating is in the rising ‘markets for technology’, where firms sell rights to their intellectual property rather than themselves directly commercializing products and services based on their knowledge capital.”</td>
</tr>
<tr>
<td>(2010), p. 263.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Wirtz (2020)
### Fig. 9.4 NICE framework

<table>
<thead>
<tr>
<th>N</th>
<th>Novelty</th>
<th>Novelties:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Adoption of innovative elements</td>
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<tr>
<td></td>
<td>• The focal points are new activities, new structures and new approaches</td>
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<td></td>
<td>• e.g. Apple iTunes as a new way to market music</td>
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<thead>
<tr>
<th>I</th>
<th>Lock-in</th>
<th>Lock-in effects:</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>• Creating lock-in effects to attract third parties to become business model participants</td>
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<tr>
<td></td>
<td>• e.g. eBay, where sellers become linked to the system due to the great number of buyers</td>
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<thead>
<tr>
<th>C</th>
<th>Complementarities</th>
<th>Complementarities:</th>
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<tbody>
<tr>
<td></td>
<td>• Bundling of activities with the goal of generating added value (especially along the value-added chain)</td>
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<td></td>
<td>• e.g. biotechnology companies that do research for large pharmaceutical companies</td>
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<tr>
<th>E</th>
<th>Efficiency</th>
<th>Efficiency:</th>
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<tbody>
<tr>
<td></td>
<td>• Reorganizing activities in order to reduce transaction costs</td>
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<tr>
<td></td>
<td>• e.g. outsourcing of certain activities (relocating production to India, etc.)</td>
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</table>

Source: Wirtz (2020)
Business model innovation describes the design process for creating a widely new business model on the market, which is accompanied by an adjustment of the value proposition and/or the value constellation and seeks to generate or secure a sustainable competitive advantage. (Wirtz 2013a)

Source: Wirtz (2020)
Fig. 9.5 Types of business model innovation

**Business model innovation**

- **Value constellation innovation**
  - Business model innovation by changing or redesigning the value constellation
  - e.g. Dell

- **Value proposition innovation**
  - Business model innovation by changing or redesigning the value proposition
  - e.g. Southwest Airlines

- **Combination of value constellation and proposition innovation**
  - e.g. Apple iTunes

Source: Wirtz (2013a, 2018a, 2020)
Fig. 9.6 Effect of business model innovation

Business model innovation

Value constellation innovation
- Business model innovation by changing or redesigning the value constellation
- e.g. Dell

Joint Innovation
- Combination of value constellation and proposition innovation
- e.g. Apple iTunes

Value proposition innovation
- Business model innovation by changing or redesigning the value proposition
- e.g. Southwest Airlines

Disruptive effect on existing industry/an existing market

Creating a new market

Source: Wirtz (2013a, 2018a, 2020)
Fig. 9.7 Drivers of business model innovation

- Technological progress
- Dynamic market environment and tougher competition
- Changing customer needs

Business model innovation

Value constellation innovation
- Business model innovation by changing or redesigning the value constellation
  - e.g. Dell

Value proposition innovation
- Business model innovation by changing or redesigning the value proposition
  - e.g. Apple iTunes

Joint Innovation
- Combination of value constellation and proposition innovation
  - e.g. Apple iTunes

Disruptive effect on existing industry/an existing market
Creating a new market

Source: Wirtz (2013a, 2018a, 2020)
Fig. 9.8 Classic innovation processes

Vrakking and Cozijnsen (1993)

- Concept phase
- Definition phase
- Implementation phase
- Manufacturing phase

Hughes et al. (1996)

- Preliminary Investigation
- Detailed Investigation
- Development
- Testing and Validation
- Full Production & Market Launch

Cooper (1996)

- Idea generation and evaluation
- Concept design, product planning
- Development
- Building prototypes, pilot and testing phase
- Production, market launch, and penetration


Herstatt and Verworn (2001)
Fig. 9.9 Business model innovation processes

<table>
<thead>
<tr>
<th>Source</th>
<th>Changes to Business Model</th>
<th>Developing a New Business Model</th>
<th>Describing the Actual Business Model</th>
<th>Implementation</th>
<th>Monitoring and Controlling</th>
<th>Securing Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deloitte (2002)</td>
<td>Scan &amp; Scope</td>
<td>Rethink &amp; Redesign</td>
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<tr>
<td>Chesbrough (2007)</td>
<td>Business Model Analysis</td>
<td>Experiment for Innovation</td>
<td></td>
<td></td>
<td>Choosing the Best Concept</td>
<td>Implementation</td>
</tr>
<tr>
<td>Johnson et al. (2008)</td>
<td>Customer Value Proposition</td>
<td>Value Proposition Development</td>
<td>Designing a Profit Formula</td>
<td></td>
<td>Identifying Key Resources and Processes</td>
<td></td>
</tr>
<tr>
<td>Lindgardt et al. (2009)</td>
<td>Uncovering Opportunities</td>
<td></td>
<td></td>
<td></td>
<td>Implementing the New Model</td>
<td>Building the Platform and Skills</td>
</tr>
<tr>
<td>Osterwalder/Pigneur (2010)</td>
<td>Assembling all Elements for new Business Model Design</td>
<td></td>
<td>Research and Analyze Elements for Business Model Design Effort</td>
<td>Generate and Test Business Model Options and Select the Best</td>
<td>Implement the Business Model Prototype</td>
<td>Adapt and Modify the Business Model in Response to Market Reaction</td>
</tr>
</tbody>
</table>

### Fig. 9.10 Business model innovation process

**Analysis of Initial Situation**
- Analysis of products/services
- Analysis of target group/customers
- Analysis of market/competition

**Idea generation**
- Market Scan
- Gathering ideas
- Rough conception

**Feasibility study**
- Detailed market analysis
- Assessment of potential

**Prototyping**
- Show development paths
- Detailed conception
- Development of components

**Decision making**
- Profitability check
- Harmonization
- Completing the design

**Implementation**
- Implementation plan
- Communication and team set up
- Iterative model implementation
- Completing implementation

**Monitoring and Controlling**
- Monitoring BMI Performance
- Value proposition controlling
- Value constellation controlling

**Sustainability Securing**
- Sustained growth through organized-wide learning
- Creation of isolating mechanisms toward competition
- Securing long-term competitive advantage

Fig. 9.11 Summary of business model innovation

Technological progress
Dynamic market environment and tougher competition
Changing customer needs

Business Model-Innovation

Analysis of Initial Situation
Idea generation
Feasibility study
Prototyping
Decision making
Implementation
Monitoring and controlling
Sustainability Securing

Value constellation innovation
• Business model innovation by changing or redesigning the value constellation
• e.g. Dell

Value proposition innovation
• Business model innovation by changing or redesigning the value proposition
• e.g. Apple iTunes

Joint innovation
• Combination of value constellation and proposition innovation
• e.g. Apple iTunes

Disruptive effect on existing industry a/an existing market
Creating a new market

### Fig. 9.12 Overview of the different business model innovation aspects

<table>
<thead>
<tr>
<th>Authors</th>
<th>BMI Macro Environment Aspects</th>
<th>BMI Micro Environment Aspects</th>
<th>BMI Core Aspects</th>
<th>BMI Tools and Technical Aspects</th>
<th>BMI Knowledge Management Aspects</th>
<th>BMI Results/Impact Aspects</th>
<th>Spectrum of BMI Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malhotra (2000)</td>
<td>Radical discontinuous change</td>
<td>Organizational need for new knowledge and knowledge renewal</td>
<td></td>
<td></td>
<td>Information-processing model • Sense-making model</td>
<td>Knowledge creation • Knowledge renewal</td>
<td>◔</td>
</tr>
<tr>
<td>Deloitte (2002)</td>
<td>External factors</td>
<td>Internal capabilities</td>
<td></td>
<td></td>
<td></td>
<td>Superior shareholder value • Innovator advantages • Incumbent disadvantages</td>
<td>◐</td>
</tr>
<tr>
<td>Mahadevan (2004)</td>
<td>• Technology • Regulatory and economy</td>
<td>• Changing customer needs • Competition • Firm-level issues</td>
<td>• Target customers (who) • Value propositions (what) • Value delivery system (how)</td>
<td></td>
<td></td>
<td>Sustainability</td>
<td>◕ ◕ ◕ ◔ ●</td>
</tr>
<tr>
<td>Voelpel et al. (2004)</td>
<td>Sensing strength, direction, and impact of technology</td>
<td>• Change in customer needs/behavior • New customer value proposition • Sensing potential for value system reconfiguration • Sensing feasibility and profitability</td>
<td>• Customers • Technology • Business system infrastructure • Economics/profitability</td>
<td></td>
<td></td>
<td>Competitive advantage</td>
<td>◐</td>
</tr>
<tr>
<td>IBM (2009)</td>
<td></td>
<td></td>
<td>• Industry model innovation • Revenue model innovation • Enterprise model innovation</td>
<td></td>
<td></td>
<td>Successful financial results</td>
<td>◔</td>
</tr>
<tr>
<td>Yang et al. (2014)</td>
<td>• Company (competency) • Customer (market) • Value (product) • Profit (cost)</td>
<td>• Who • What • How</td>
<td>• Procedure • Combination • Internal evaluation</td>
<td></td>
<td></td>
<td>Sustainability • Competitive advantage</td>
<td>◐</td>
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<tr>
<td>Applicability of Aspects</td>
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<td>◌</td>
</tr>
</tbody>
</table>

Source: Wirtz and Daiser (2017), and Wirtz (2018a, 2020)
Fig. 9.13 Integrated concept of business model innovation

Source: Wirtz and Daiser (2017), and Wirtz (2018a, 2020)
Core issues regarding the business model innovation

- Should a new value proposition or value constellation be created with business model innovation?
- Can the impact on the market be increased by changing both the value proposition and value constellation?
- Does business model innovation serve to develop product or process innovation?
- Is the objective of business model innovation to create a new market or to generate or secure an advantage on an existing market?
- Have all external factors that can influence business model innovation been analyzed?
- Have all value propositions and value constellations within a market scan been identified? What potential does business model innovation offer in this context?
- Has the value proposition or value constellation been implemented in all relevant components and is implementation completed?
- Is the innovated business model having the desired impact on the market? Which control instruments exist to monitor the target attainment of business model innovation?

Source: Wirtz (2013a, 2018a, 2020)
Part III -
Business Model Management
Chapter 10: Introduction
Fig. 10.1 Putting the section into context

Business models as a management concept

- Introduction
- Business model concept
- Business model concepts in literature
- Distinction & aims

Structure of business models

- Structure of the value creation within business models
- Partial models of business models
- Actors & interactions within business models
- Business model innovation

Management of business models

- Design of business models
- Implementation of business models
- Operation of business models
- Adaptation & modifications of business models
- Controlling of business models

Business model cases

- E-business case
- Financial services case
- Automotive case
- Media case

Source: Wirtz (2020)
Chapter 11: Types of Business Model Management
Combination and modification of types of management

- Linking and combination of the typologies
- Development of the types of management on the basis of the lifecycle of a business model

Types of business model management

- Entrepreneurial Mode
- Adaptive Mode
- Planning Mode

Source: Wirtz (2020)
### Fig. 11.2 Features of the types of management of business models

<table>
<thead>
<tr>
<th>Management Mode</th>
<th>Key elements</th>
<th>Core questions</th>
</tr>
</thead>
</table>
| **Entrepreneurial mode**| • Entrepreneur as a central control parameter  
                           • Proactivity and willingness to take risks  
                           • Allow and responsibly promote changes | • Can all decisions regarding the BM be made by one person?  
                           • Can the BM be established and operated by one person? |
| **Adaptive mode**       | • Consensus as a basis for decision-making  
                           • Reactive, unconnected decisions  
                           • Short-term, gradual adjustment | • Which stakeholders have an influence on the BM?  
                           • Which adjustments have to be made? |
| **Planning mode**       | • Dichotomous, analytical procedures  
                           • Growth and efficiency targets  
                           • Comprehensive, complex strategies | • Can all relevant aspects of the BM be predicted by means of analysis?  
                           • Are the growth and efficiency targets of the BM compatible? |

Fig. 11.3 Modifications of modes in the course of the lifecycle of a business model

Chapter 12: Design of Business Models
Fig. 12.1 Structure of the chapter

1. Introduction
2. Types of business model management
3. Design of business models
   3.1 The design process
   - Idea generation
   - Feasibility study
   - Prototyping
   - Decision-making
3.2 Case study peer-to-peer lending
   - Ideal-typical example
4. Implementation
5. Operation
6. Change and adaption
7. Controlling business model

Source: Wirtz (2020)
Fig. 12.2 Business model design process

- **Idea generation**
  - With the aid of creativity techniques or an idea generation workshop
  - Orientation to existing companies and identification of potential gaps
  - Determination of a rough strategic direction (e.g. imitation or innovation)
  - Collection of ideas, development of a rough concept
  - Development of the strategic components

- **Feasibility study**
  - Analysis of the existing markets
  - Assessment of the potential to cause problems for an established industry (disruptive technology/disruptive business model)
  - Development of the market and customer component
  - Refinement of the strategic component

- **Prototyping**
  - Presentation of possible development paths or alternatives
  - Development of one or several detailed concepts
  - Development of the value-added component
  - Refinement of both the strategic component and the market and customer component

- **Decision-making**
  - Test of the profitability by developing business plans
  - Last refinement and harmonization of the components
  - Evaluation of each business model (if necessary using computer simulation, consideration of development potentialities regarding each alternative
  - Final decision

Business model idea generation

**Brainstorming**
- Duration: 20 – 40 minutes
- Group size: 5-7
- Goal: Generate as many (creative) business model ideas as possible.

**Synectics**
- Duration: minimum 90 minutes
- Group size: 5-7
- Develop preferably unconventional business model ideas by employing analogies.

**Morphological Box**
- Duration: indeterminate
- Group size: indeterminate
- Find unknown combinations of known parameters and their characteristics.

**Method 635**
- Duration: 30 minutes
- Group size: 6
- Goal: Precisely formulate business model ideas to prevent escalating discussions and gradually improve these ideas.

Fig. 12.4 Development of partial models during the design process

Fig. 12.5 Phases of the feasibility analysis

Feasibility analysis

Environmental analysis
- Technological environment
- Regulatory environment
- Economic environment
- Social environment

Industry and market analysis
- Market structures
- Consumer behavior
- Existing industries

Competitive analysis
- Competitor behavior
- Intensity of competition

Fig. 12.6 Development of partial models during the design process

Fig. 12.7 Development of partial models during the design process

<table>
<thead>
<tr>
<th>Partial models</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy model</td>
<td>• Which value proposition is relevant for the market?</td>
</tr>
<tr>
<td></td>
<td>• What are the key aspects of the business model mission?</td>
</tr>
<tr>
<td></td>
<td>• Which goals can be derived from the corporate strategy?</td>
</tr>
<tr>
<td>Resources model</td>
<td>• Which competencies and resources are required for the business model?</td>
</tr>
<tr>
<td></td>
<td>• What are the critical competencies and resources of the business model?</td>
</tr>
<tr>
<td></td>
<td>• Are some of these competencies and resources already available? Which can be obtained?</td>
</tr>
<tr>
<td>Network model</td>
<td>• Which fields of value creation can be covered by networks?</td>
</tr>
<tr>
<td></td>
<td>• Which potential partners can be identified?</td>
</tr>
<tr>
<td></td>
<td>• Which role does one’s own company play in this network?</td>
</tr>
<tr>
<td>Customer model</td>
<td>• Which groups of customers/market segments can be identified?</td>
</tr>
<tr>
<td></td>
<td>• Which channels can be used for interacting with customers?</td>
</tr>
<tr>
<td></td>
<td>• To what extent can parts of the value proposition be individualized for customer groups?</td>
</tr>
<tr>
<td>Market offer model</td>
<td>• What characterizes the market structure?</td>
</tr>
<tr>
<td></td>
<td>• Which competitors (across industries) are relevant for the business model?</td>
</tr>
<tr>
<td></td>
<td>• What is the fit between the value proposition and existing market potential?</td>
</tr>
<tr>
<td>Revenue model</td>
<td>• Which revenue strategies are aimed for in the context of the business model?</td>
</tr>
<tr>
<td></td>
<td>• Which forms of revenue can be employed?</td>
</tr>
<tr>
<td></td>
<td>• To what extent can a revenue differentiation be used to reduce the economic risk?</td>
</tr>
<tr>
<td>Value creation model</td>
<td>• Which system forms the basis of value creation?</td>
</tr>
<tr>
<td></td>
<td>• Which basic principle of value generation is employed in the business model?</td>
</tr>
<tr>
<td></td>
<td>• Which internal and external drivers affect value creation?</td>
</tr>
<tr>
<td>Procurement model</td>
<td>• What do relationships to procurement partners have to be like to guarantee optimal procurement?</td>
</tr>
<tr>
<td></td>
<td>• Which forms of procurement can be employed in the context of the business model?</td>
</tr>
<tr>
<td></td>
<td>• How can procurement measures be designed profitably?</td>
</tr>
<tr>
<td>Finance model</td>
<td>• Which capital structure serves as a basis for the business model?</td>
</tr>
<tr>
<td></td>
<td>• Which forms of financing can be employed?</td>
</tr>
<tr>
<td></td>
<td>• Which are essential parameters of the cost structure model?</td>
</tr>
</tbody>
</table>

Fig. 12.8 Development of the strategic component in the context of idea generation

Strategic Component

- **Resources model**
  - Aggregation competence
  - Trust / security / discretion
  - Technology competence

- **Network model**
  - Cooperations
  - Strategic partnerships
  - Payment networks

- **Strategy model**
  - Strategy position: local competition for established German banks in lending business
  - Business mission: to become a leading provider of intermediaries of personal credits and to create sustainable added value for shareholders and employees
  - Value proposition: service, trust, innovation, customer focus

Fig. 12.9 Partial models of the business model by the end of the feasibility analysis

Fig. 12.10 Creation of several prototypes

Alternative 1
- Financial input from private customers
- Limitation of the deposits
- Start-up financing through venture capital
- Financing through venture capital
- Foreign administration of credits (amortization, etc.)
- Only brokerage operations

Alternative 2
- Financial input from private and institutional customers
- Start-up financing through equity capital
- Financing through private shareholders/business angels
- Management of cash flows
- Brokerage operations
- Function similar to a bank, including the management of accounts

Alternative 3
- ...
- ...
- ...

Fig. 12.11 Exemplary business model for P2P lending companies

**Customer model**

- Strategy position: local competition for established German banks in lending business
- Business mission: to become the leading provider in brokerage of personal credits and to create sustainable added value for shareholders and employees
- Value proposition: service, trust, innovation, customer focus
- Growth orientation

**Value creation model**

- Communication service
  - Creation of a profile
- Brokerage service
  - Set up of the credit inquiry
  - Scoring of creditworthiness
  - Possibility of bidding for a credit
- Processing service
  - Services concerning the processing of brokered transactions

**Market offer model**

- Credit brokerages
  - Value offering
    - Credits on favorable terms (below the market average)
    - Credits for customers with a bad credit history
  - Products & services
    - Appealing platform
    - Fast and smooth brokerage of personal credits
    - Provision of information regarding a debtor’s creditworthiness

**Finance model**

- Procurement model
  - Creditor
    - Private customers
  - Investors
    - Venture capital
    - Business angels
    - Other shareholders
- Value offering
  - Commission
  - etc.
- Diagnosis
  - Set up of the credit inquiry
  - Scoring of creditworthiness
  - Possibility of bidding for a credit

**Revenue model**

- Deliver of service
  - Presentation
  - Services
  - Customer input
  - Feedback
- Revenues
  - Commissions
  - etc.

**Network**

- Financial Network
- Cooperations
- Strategic partnerships
- Payment networks

**Strategy**

- Strategy position: local competition for established German banks in lending business
- Business mission: to become the leading provider in brokerage of personal credits and to create sustainable added value for shareholders and employees
- Value proposition: service, trust, innovation, customer focus
- Growth orientation

**Competencies/Resources**

- Aggregation competence
- Trust/Security/Discretion
- Technological Competence

**Source:** Wirtz (2010a, 2011, 2018a, 2020)
Fig. 12.12 Checklist for business model design

Central issues regarding the design of business models

- Is the design geared to the value proposition and the business model mission?
- Is the focus of the business model design on the important and value-adding design parameters?
- When designing the business model, were diverse and creative approaches taken into account? Does the new design have great potential of innovation?
- Can the business model design be easily imitated by the competition or does it allow for a long-term competitive advantage?
- Does the developed business model design allow for high yield and sustainable success in the long run?
- Were all relevant facts examined and considered within the scope of the environmental analysis? (environment analysis, industry and market analysis and competition analysis)?
- Were all components considered in the business model and, as a result, is completeness guaranteed?
- Was the business model design quick enough or are the results already obsolete by the end of the process?
- Were all business model alternatives carefully weighed up and all advantages and disadvantages clearly determined?
- Was the business model recorded in writing?
- Has the business model been successfully transformed into a business plan and does this contain the key points of the business model?
- Were all risks of the business model identified and are adequate countermeasures planned?

Chapter 13: Implementation of Business Models
Fig. 13.1 Structure of the chapter

1. Introduction
   - Types of business model management

2. Design of business models

3. Implementation
   - Basics of implementation
     - Implementation process
     - Phases of the implementation process
   - Business model specifics
     - Realization of the model
     - Iterative procedure
     - Completion of the implementation
   - Components
     - Strategic component
     - Customer and market component
     - Value-added component
   - Types of management
     - Peculiarities during the implementation dependent on the management types
     - Core content and core issues

4. Operation

5. Change and adaption

6. Controlling business models

Source: Wirtz (2020)
Fig. 13.2 Phases of implementation and management tasks

Implementation process

Planning

- Determination of milestones
- Budgeting
- Determination of time schedules, deadlines and dates

Communication

- Communication of the goals of a business model
- Communication of the implementation plan

Team set-up

- Selection of suitable team members according to professional as well as social competences
- Organization of the team

Realization

- Actual realization of the business model
- Permanent examination of the implementation progress

Completion

- Examination of the implementation goals
- Adaptations if necessary
- Lessons learned workshops

Fig. 13.3 Business model implementation

- Implementation of the model
- Establishment of a competitive company (or business unit)
- Consideration of all components
- Iterative process
- Adaptation to environmental changes

Core issues of business model implementation

• Which phases are there when implementing a business model in order to guarantee the implementation success?
• Which management task are of significant importance within the single implementation phases in order to guarantee an unproblematic course?
• Which types of organization (staff project organization, matrix project organization, pure project organization) are suitable for the business model implementation project within the respective company?
• How can the fit between the business model to be realized and the competitive company be ensured?
• How can it be guaranteed that a premature termination of the implementation does not take place and, in this way, the long-term implementation success is not put at risk? How can corresponding risk management instruments be used?
• What needs to be taken into account when implementing the single business model partial models for the corresponding company?

Chapter 14: Business Model Operation
Fig. 14.1 Structure of the chapter

1. Introduction
2. Types of business model management
3. Design of business models
4. Implementation
5. Operation
6. Change and adaption
7. Controlling business models

5.1 BM operation management
- Basic processes of BM management
- Process implementation
- Concentration on clients and value

5.2 BM quality
- Securing of quality
- Operational excellence
- Systems of quality management

5.3 Types of management
- Characteristics of operations depending on the type of management
- Core contents and core questions

Source: Wirtz (2020)
Fig. 14.2 Core processes of business model operation

Fig. 14.3 BM quality in the context of a business model life cycle

BM quality
- Securing the specifications of the BM
- Quality management systems
- Methods of securing quality (i.e. six sigma)

Fig. 14.4 Business model quality management and the DMAIC cycle

Source: Wirtz (2020)

Business model quality management
- Context for quality specifications from the business model
- Evaluation with the help of client models and value creation models
- Improvement of processes with business model feedback

Defining
To identify processes that could be improved and describe problems

Controlling
Controlling processes with statistical methods

Improving
Improvements or creation of new processes

Analyzing
Identification of the cause for a negative target-performance comparison

Measuring
Does the process meet the customer needs?
Fig. 14.5 Concept of operational excellence in a business model context

- **Strategy**
- **Operational organization**
  - Workflow management
  - Organizational structure
- **Performance management**
  - Efficient processes
  - Performance measurement

- **Competences & skills**
- **Culture & guidance**
  - Attitude towards value
  - Staff motivation
- **Systems & IT**
  - ERP system
  - IT support
  - MIS

Source: Gleich (2008), and Wirtz (2020)
Core issues regarding the operation of business models

- Are all essential core processes and corresponding sub-processes formulated for the individual business models?
- How do these core processes have to be implemented?
- Are all relevant sub-processes of the company implemented according to the core processes?
- Are the business processes and the business model consistent?
- Is enough attention paid to the business model quality management and is the quality of the business model verified or validated?
- Are methods of quality management (i.e. six sigma) applied within the company and is the know-how transferable to business model management?
- Is the concept of operational excellence applied by the company? Are all relevant design parameters considered in order to effectively and efficiently operate the business model?

Chapter 15: Adaptation and Modification of Business Models
Fig. 15.1 Structure of the chapter

1. Introduction
2. Types of business model management
3. Design of business modes
4. Implementation
5. Operation
6. Change and adaption
7. Controlling business models

### Change management process
- What is business model change?
- Drivers for business model change
- Business model change process

### Change management models
- Stabilization model
- Evolution adaption model
- Extension model
- Migration model
- Radical innovation model

### Sustainability
- Uniqueness
- Block strategy
- Run strategy
- Team up strategy

---

Source: Wirtz (2020)
Fig. 15.2 Drivers of business model change

- **Markets**
  - Power shifts
  - New competitors
  - New markets

- **Technology**
  - Further development
  - Disruptive technologies

- **(De-) regulation**
  - Governmental intervention
  - New laws

<table>
<thead>
<tr>
<th>Phase</th>
<th>Activities</th>
</tr>
</thead>
</table>
| **Initiation phase** | • Initiation of change through external or internal factors due to the following business model drivers: Markets, technology, regulation  
                        • Analysis of strengths and weaknesses of the existing business models (partial model and structure)  
                        • Collecting of ideas and starting points  
                        • Evaluation of inventions for an innovation aptitude |
| **Concept phase**    | • Developing both a rough and a detailed concept  
                        • Detailed description and determination of interactions of business model partial models  
                        • Developing a business model structure  
                        • In the context of value constellation: probes or negotiations with other businesses |
| **Implementation phase** | • Project schedules  
                            • Target-performance comparison of resources and competencies  
                            • Initiation of change  
                            • Risk management during implementation |
| **Evaluation phase** | • Evaluation of success up to this point, i.e. changes in customer perception  
                        • Controlling of corporate success Fig.s  
                        • Initiation of corrections of components and structure (if necessary)  
                        • Continuous inspection of unwanted changes in order to secure sustainability |

Source: Wirtz (2020)
Fig. 15.4 Change models as development paths for business models

- **Stabilization model**
  - In industries with low intensity of competition or low environmental change
  - Various players with similar market power
  - Continuous development of business models
  - Adaption to the market / market developments

- **Evolution adaption model**
  - Extension of the current market
  - Development of a unique characteristic of a partial model, i.e. a new distribution channel

- **Extension model**
  - New interaction paths between existing partial models
  - Differentiation through a unique structure

- **Migration model**
  - Radical change of an existing business model
  - New structure and new partial models
  - Disruptive change / Industry change

- **Radical innovation model**

Core issues regarding the change models

- Has a lot been changed within the business model and which change model is relevant for the company (stabilization model, evolution adaption model, extension model, migration model or radical innovation model)?
- How intense are the competition and the environmental changes within the company's industry?
- Does the business model have to be continuously adapted to the market in order to guarantee profitability?
- Can the recent business model be extended in order to generate a competitive advantage in this way?
- Is an entire change of the existing business model necessary in order to persist on the market in the long run?
- In the case of a business model change, should single partial models be modified or rather the structure, or both? Which type of change promises a higher probability of success for the company?

Fig. 15.6 Sustainability strategies for business models

<table>
<thead>
<tr>
<th>Block strategy</th>
<th>Run strategy</th>
<th>Team up strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Content</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Creation of barriers</td>
<td>• Adoption of the role as an innovator (flight forward)</td>
<td>• Conclusion of strategic alliances</td>
</tr>
<tr>
<td>• Securing of patents</td>
<td>• Possible cooperative development due to limited resources</td>
<td>• Exchange of competences and resources</td>
</tr>
<tr>
<td>• Generation of unique capabilities</td>
<td></td>
<td>• Creation of a business model network</td>
</tr>
<tr>
<td>• Establishing a copyright</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Advantages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Imitations are made difficult</td>
<td>• High brand image as an innovator</td>
<td>• Economies of scale and scope</td>
</tr>
<tr>
<td>• Existing competitive advantages can be defended</td>
<td>• Competitive advantages over other competitors</td>
<td>• Protection against smaller companies</td>
</tr>
<tr>
<td><strong>Disadvantages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Created barriers can be made obsolete by new technologies</td>
<td>• Numerous resources are necessary for the constant development of innovations</td>
<td>• Creation of bigger companies &amp; networks</td>
</tr>
<tr>
<td></td>
<td>• Success of the innovations is not guaranteed</td>
<td>• Increased demand of coordination</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Low flexibility</td>
</tr>
</tbody>
</table>

### Table 15.1 Relevance of sustainability strategies depending on the type of business model management

<table>
<thead>
<tr>
<th>Sustainable strategies</th>
<th>Entrepreneurial mode</th>
<th>Adaptive mode</th>
<th>Planning mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>Block strategy</td>
<td><img src="image" alt="relevance" /></td>
<td><img src="image" alt="relevance" /></td>
<td><img src="image" alt="relevance" /></td>
</tr>
<tr>
<td>Run strategy</td>
<td><img src="image" alt="relevance" /></td>
<td><img src="image" alt="relevance" /></td>
<td><img src="image" alt="relevance" /></td>
</tr>
<tr>
<td>Team up strategy</td>
<td><img src="image" alt="relevance" /></td>
<td><img src="image" alt="relevance" /></td>
<td><img src="image" alt="relevance" /></td>
</tr>
</tbody>
</table>

**Legend:**
- ![relevance](image) no relevance
- ![relevance](image) low relevance
- ![relevance](image) average relevance
- ![relevance](image) high relevance
- ![relevance](image) significantly high relevance

### Business model change drivers

| Technology | Markets | (De-)Regulation |

### Change management process

**Initiation phase**
- Initiation by business model change drivers
- Analysis of strengths and weaknesses of the existing business model
- Collection of ideas and starting points
- Evaluation of inventions for an innovation aptitude

**Concept phase**
- Development of both a rough and a detailed concept
- Description of business model partial models
- Interactions of partial models
- Development of a business model structure
- Negotiations with other businesses

**Implementation phase**
- Project schedules
- Target-performance comparison of the resources and competencies needed
- Initiation of change
- Risk management during implementation

**Evaluation phase**
- Evaluation of changes achieved
- Controlling of corporate success
- Initiation of correcting components and structure (if necessary)
- Lessons learned for the future
- Continuous inspection for unwanted changes in order to guarantee sustainability

### Changing business models

**Stabilization model**
- Industries with low competitive intensity or low environmental change
- Various players with similar market power
- Changing a partial model or the structure of a business model is not

**Evolution adaption model**
- Continuous further development of the business model
- Adaption to the market or market developments

**Extension model**
- Extension of the existing model
- Development of a new and unique characteristic of a partial model, i.e. a new distribution channel

**Migration model**
- New interaction paths between existing partial models
- Differentiation through a unique structure

**Radical innovation model**
- Radical change of an existing business mode
- New structure and new partial models
- Disruptive change / Industry change

---

**Fig. 15.7 Summary of the chapter Adaptation and Modification of Business Models**

Fig. 15.8 Checklist for business model change


Core issues regarding business model modification

- Which change drivers (technology, markets, (de-)regulation) influence the business model of a company?
- Does the company itself realize the demand for a business model change on time and does it react more quickly to changed market conditions than its competitors?
- When was the last time the necessity of a business model change has been examined? Is this done often enough?
- How experienced is the company in making changes? Are the modification risks analyzed and considered sufficiently?
- How many changes (change models) are necessary for the business model in order to guarantee a long-lasting success for the company?
- Is the business model flexible enough to quickly and specifically implement changes?
- How extendable and developable is the business model?
- Is the staff of the company willing to support a transformation of the company? How can this willingness be developed?
- Which sustainable strategies (block strategy, run strategy, team up strategy) should be chosen for the business model, and are the competences needed therefore available within the company?
Chapter 16: Controlling Business Models
Fig. 16.1 Structure of the chapter

1. Introduction
2. Types of business model management
3. Design of business models
4. Implementation
5. Operation
6. Change and adaption
7. Controlling business models

7.1 Fulfillment of the service commitment
- Business model audit
- Identifying criteria: people, processes, capabilities
- Audit scorecard matrix

7.2 Satisfaction of customer demands
- Influence factors
- Figures

7.3 Profitability
- Influence factors
- Figures

Source: Wirtz (2020)
Table 16.1 Audit criteria for the evaluation of measures needed to realize the service commitment of a business model

<table>
<thead>
<tr>
<th>People</th>
<th>Processes</th>
<th>Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimization of staff performance</td>
<td>Optimization of end-to-end processes</td>
<td>Extension of core assets and core competencies</td>
</tr>
<tr>
<td>Improvement of communication and</td>
<td>Improvement of network connections or supplier</td>
<td>Improvement of information</td>
</tr>
<tr>
<td>integration of employees</td>
<td>relationships</td>
<td>management</td>
</tr>
<tr>
<td>Optimization of employee satisfaction</td>
<td></td>
<td>Improvement of the technical infrastructure</td>
</tr>
</tbody>
</table>

Fig. 16.2 Audit-scorecard-matrix for people

### Fig. 16.3 Controlling of the satisfaction of customer needs

<table>
<thead>
<tr>
<th>Influence Factors</th>
<th>Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Customer needs</td>
<td>• Regular customers</td>
</tr>
<tr>
<td>• Perceived cost-benefit ratio</td>
<td>• Increase and decrease in customers</td>
</tr>
<tr>
<td>• Quality standards</td>
<td>• Repurchase rate, frequency of purchase</td>
</tr>
<tr>
<td>• Service standards and after-sales support</td>
<td>• Customer satisfaction index</td>
</tr>
<tr>
<td>• Brand affinity</td>
<td>• Recommendation ratio</td>
</tr>
<tr>
<td>• CRM measures</td>
<td>• Purchase behavior regarding add-ons</td>
</tr>
<tr>
<td>• ...</td>
<td>• Brand loyalty</td>
</tr>
<tr>
<td></td>
<td>• Competitive comparison</td>
</tr>
<tr>
<td></td>
<td>• ...</td>
</tr>
</tbody>
</table>

### Influence factors
- Business model value proposition
- Uniqueness, substitutability of the business model
- End customer satisfaction
- Motivation and brand identification
- Marketing strategy, promotional activities
- ...

### Figures
- Revenue per business model, product
- Contribution margin per business model, product
- ...

### Controlling revenue
- Quality of goods and services
- Pursued general strategy (low cost, differentiator)
- Using synergies
  - Business model (component) synergies
  - Partnership synergies
  - Economies of scale
- ...

### Controlling costs
- Cost analysis per business model component and business model
- Resource costs, activity costs and industry costs tracking
- Overheads
  - Administration
  - IuK infrastructure
- ...

Fig. 16.5 KPIs of business models

<table>
<thead>
<tr>
<th>KPI for Profitability</th>
<th>Calculation</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>Annual net profit +/- taxes +/- interest</td>
<td>• Earnings Before Interest and Taxes, operating profit excluding tax and interest</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Basis for further KPI for profitability</td>
</tr>
<tr>
<td>ROI</td>
<td>profit/total capital</td>
<td>• Calculating the rate of return/efficiency of the total capital</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Basis for further KPI for profitability</td>
</tr>
<tr>
<td>ROIC</td>
<td>NOPAT / Capital invested</td>
<td>• Calculation of rate of return of the net capital invested</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Basis: Operating net profit after taxes, NOPAT (Net Operating Profit After Taxes)</td>
</tr>
<tr>
<td>ROCE</td>
<td>EBIT / Capital invested</td>
<td>• Calculation of the earning power of the total capital</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Basis: EBIT (Earnings Before Interest and Taxes)</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>Annual net profit +/- non-cash inflows/payment</td>
<td>• Surplus of means of payment used for investments, amortization, creation of surplus or dividend distribution</td>
</tr>
</tbody>
</table>

### Component of controlling

#### Controlling the implementation of the value proposition
- **Goal:** Controlling all measures and activities carried out in order to implement a value proposition
- **Development of a business model audit, operating controlling with a scorecard matrix**

#### Controlling the satisfaction of customer demands
- **Goal:** permanent satisfaction of customer needs
- **Analysis of simple KPIs (buying frequency, rebuy rate etc.)**
- **Development of an index for customer satisfaction**

#### Controlling profitability
- **Goal:** securing long-term profitability of a business model
- **Continuous controlling of sales volume and costs**
- **Development and analysis of KPIs of business models**
- **Necessary business model-specific allocation**

### Key contents

- What are the measures that were carried out in order to implement a value proposition?
- What are the weaknesses, opportunities and risks that can be identified?
- To what extent do the measures interdepend on one another?

- What are the demands of customers form other business models?
- Which factors influence customer satisfaction?
- How can customer satisfaction be increased?

- What are the business model products that generate the highest profit?
- What are the essential cost drivers of the business model?
- Are there synergy effects that have not yet been used?
- What are the most useful KPIs for profitability for the business model?
Fig. 16.7 Checklist for controlling business models

Core issues regarding the controlling of business models

• What are the measures carried out to implement the value proposition?
• What are the strengths and weaknesses / opportunities and risks of the business model?
• Which components of the business value generate the highest added value?
• What are the essential cost drivers of the business model?
• Are there synergy effects of the business model that have not yet been used?
• What are the most useful KPIs for profitability for the business model?
• What are the critical factors for success of the business model and which KPIs can be used to control the achievement of a certain goal?
• Which „soft factors“ – apart from the KPIs – must be controlled and how can this be done?
• What are the factors influencing the satisfaction of customer needs?
• How can customer satisfaction be increased?

Part IV - Business Model Case Studies
Chapter 17: Introduction
Fig. 17.1 Putting the section into context

Business models as a management concept

- Introduction
- Business model concept
- Business model concepts in literature
- Distinction & aims

Structure of business models

- Structure of the value creation within business models
- Partial models of business models
- Actors & interactions within business models
- Business model innovation

Management of business models

- Design of business models
- Implementation of business models
- Operation of business models
- Adaptation & changes of business models
- Controlling of business models

Business model cases

- E-business case
- Financial services case
- Automotive case
- Media case

Source: Wirtz (2020)
Chapter 18: E-business Model
Fig. 18.1 Google’s business model

- **Network effects**
- **Virtual word of mouth**
- **Cooperation**
- **Partner programs**
- **Specialized technological infrastructure (redundancy ability, load balancing, superior software system)**
- **Preparation, systematizing, collection and provision of data,**
- **Strong brand, deonymization**
- **Contextualizing competence**
- **Technological competence**
- **Content creation competence**
- **Competence of promoting advertising efforts**

**Strategy Model**
- Organizing and systematizing global presence of information on the Internet and making it accessible to all users

**Competencies/Resources Model**
- Specialized technological infrastructure (redundancy ability, load balancing, superior software system)
- Preparation, systematizing, collection and provision of data,
- Strong brand, deonymization
- Contextualizing competence
- Technological competence
- Content creation competence
- Competence of promoting advertising efforts

**Network Model**
- Network effects
- Virtual word of mouth
- Cooperation
- Partner programs

**Value Creation Model**
- Collection of Information
- Systematization of Information
- Classification
- Storage
- On-Demand Provision of prompt results

**Market Offer Model**
- **Context**
  - Google Search Engine (Full-Text Search of Documents and Picture Files within the World Wide Web)
    - Google Scholar
    - Google News
    - Google Shopping
  ...
- **Content**
  - Google Maps
  - Google YouTube
  - Google Translator
  ...
- **Connection**
  - Gmail or Google Mail
  - Hangouts
  - Google Allo
  ...
- **Ad Space**
  - Keyword Advertising
  ...

**Procurement Model**
- Private Content Providers
  - Communities
  - Website operators
  - ...

**Finance Model**
- Commercial Content Providers
  - News agencies
  - Content media companies
  - ...

**Revenue Model**
- Investors
  - Interest payments
  - Profit distribution
  - etc.

**Customer Model**
- Private Customers
- Business Customers
  - AdWords customers
  - AdSense partners
  - Lettings
  - ...

**Integrated Product/Service Offer**
- **Performance**
  - Presentation
  - Distribution
- **Interaction**
  - Customer input
  - Exchange
- **Revenue**
  - Advertisement
  - Usage of technologies

**Report of Website**
- Acceptance of Website

**Provision of Website**
- Reporting of Website

**Provision**
- Provision

**Reporting/Payments**
- Reporting/Payments

**Financing**
- Financing

**Returns**
- Returns
  - Interest payments
  - Profit distribution
  - etc.

**Strategy Model**
- Organizing and systematizing global presence of information on the Internet and making it accessible to all users

**Competencies/Resources Model**
- Specialized technological infrastructure (redundancy ability, load balancing, superior software system)
- Preparation, systematizing, collection and provision of data,
- Strong brand, deonymization
- Contextualizing competence
- Technological competence
- Content creation competence
- Competence of promoting advertising efforts

**Network Model**
- Network effects
- Virtual word of mouth
- Cooperation
- Partner programs

**Source:** Wirtz (2019a, 2020) and own analyses and estimations
Fig. 18.2 Development of Google’s hybrid business model

Source: Wirtz (2019a, 2020) and own analyses and estimations
Fig. 18.3 Strategic orientation of Google

<table>
<thead>
<tr>
<th>Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
</tr>
<tr>
<td>• Multinational orientation towards foreign markets</td>
</tr>
<tr>
<td>• Economy of scale and scope</td>
</tr>
<tr>
<td>• Convergence strategy: development of new internet-assets</td>
</tr>
<tr>
<td><strong>Business model</strong></td>
</tr>
<tr>
<td>• Hybrid business model</td>
</tr>
<tr>
<td>• Content aspect: collection, selection, systematization, compilation</td>
</tr>
<tr>
<td>(packing) and provision of information, such as Google News.</td>
</tr>
<tr>
<td>• Community aspect: Offering the possibility of an information exchange</td>
</tr>
<tr>
<td>between users through social web applications, such as Google+</td>
</tr>
<tr>
<td>• Connections aspect: Link communication between partners, such as</td>
</tr>
<tr>
<td>Google Mail</td>
</tr>
<tr>
<td>• Indirect (e.g. through advertising) revenue generation as well as</td>
</tr>
<tr>
<td>transaction-based indirect revenue generation (e.g. revenues from</td>
</tr>
<tr>
<td>brokerage transactions for third partner companies)</td>
</tr>
<tr>
<td><strong>Range of service</strong></td>
</tr>
<tr>
<td>• Search engine (e.g. Google)</td>
</tr>
<tr>
<td>• Video platform (e.g. Youtube)</td>
</tr>
<tr>
<td>• Email services (e.g. Gmail)</td>
</tr>
<tr>
<td>• Social networking (e.g. Google+)</td>
</tr>
<tr>
<td>• Maps and navigation (e.g. Google Maps)</td>
</tr>
<tr>
<td>• Online Office (e.g. Google Docs)</td>
</tr>
<tr>
<td>• Blog services (e.g. Blogger)</td>
</tr>
<tr>
<td>• Other assets (e.g. Google Scholar, Android, etc.)</td>
</tr>
<tr>
<td><strong>Success factors</strong></td>
</tr>
<tr>
<td>• Sophisticated search algorithm</td>
</tr>
<tr>
<td>• Technology competence</td>
</tr>
<tr>
<td>• Brand management</td>
</tr>
<tr>
<td>• Economies of scale and scope</td>
</tr>
</tbody>
</table>

Chapter 19: Banking Business Model
Fig. 19.1 Areas of offers of the banking business model of Deutsche Bank Corporation

Deutsche Bank corporation

Corporate and Investment Bank

- Business areas:
  - Corporate banking & securities
  - Global transaction banking
- Customers:
- Selected products/services:
  - Public sector (e.g. sovereign states, supranational institutions)
  - Private customers (ranging from middle class to major corporations)
  - Agiotage, systematic funds
  - Trade finance, clearing

Private customers and asset management

- Business areas:
  - Asset & wealth management
  - Private & business clients
- Customers:
- Selected products/services:
  - Private customers (of all asset classes)
  - Institutional customers (small to middle business customers)
  - DWS investments, DB advisors
  - RREEF, X-markets

Covering of the total range of bank services

Supporting function

Group technology & operations

- Infrastructure – IT Infrastructure
- Technology – Development, introduction and support of software solutions
- Operations – Process optimization

Legal, risk & capital

- Compliance
- Corporate security & business continuity
- Credit risk management
- Legal
- Market risk management
- Operational risk management & risk analytics
- Treasury
- Chief operating office

Source: Wirtz (2010a, 2011, 2018a, 2020) and own analyses and estimations
Fig. 19.2 Business model of the Deutsche Bank Corporation

Source: Wirtz (2010a, 2011, 2018a, 2020) and own analyses and estimations
### Fig. 19.3 Strategic orientation of Deutsche Bank Company

<table>
<thead>
<tr>
<th>Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
</tr>
<tr>
<td>• Internationalization strategy and multinational orientation towards foreign markets</td>
</tr>
<tr>
<td>• Wide range of market services, such as investment and retail banking</td>
</tr>
<tr>
<td>• Growth strategy</td>
</tr>
<tr>
<td><strong>Business model</strong></td>
</tr>
<tr>
<td>• Hybrid business model</td>
</tr>
<tr>
<td>• Comprehensive services from one single source (private banking, business banking, asset and wealth management, insurance, etc.)</td>
</tr>
<tr>
<td>• Depending on the segment: direct transaction-based revenue generation as well as transaction-based indirect and direct revenue generation</td>
</tr>
<tr>
<td><strong>Range of service</strong></td>
</tr>
<tr>
<td>• Comprehensive consulting services</td>
</tr>
<tr>
<td>• Private capital investment</td>
</tr>
<tr>
<td>• Business Investment</td>
</tr>
<tr>
<td>• Investment and Asset Management</td>
</tr>
<tr>
<td>• Insurance Services / broker</td>
</tr>
<tr>
<td>• Payment transactions</td>
</tr>
<tr>
<td>• Customer Touchpoint local and on the Internet</td>
</tr>
<tr>
<td><strong>Success factors</strong></td>
</tr>
<tr>
<td>• Diversification</td>
</tr>
<tr>
<td>• Operational Excellence</td>
</tr>
<tr>
<td>• Extensive network of consultants</td>
</tr>
<tr>
<td>• Up-/cross selling ability</td>
</tr>
</tbody>
</table>

Chapter 20: Automotive Business Model
Fig. 20.1 Range of products and services of the Volkswagen Corporation

Source: Wirtz (2010a, 2011, 2018a, 2020) and own analyses and estimations
Cooperations • Production networks • Strategic partnerships • Supplier relationships • Distribution network • Key accounts • Developer/Innovation networks • Financial partner and intermediary network

Brand management competency • Portfolio management • Coordination competency • Sourcing competency • Synergy effects in production • Internationalization competency • Customer relation competency • Innovation ability

Cooperations • Production networks • Strategic partnerships • Supplier relationships • Distribution network • Key accounts • Developer/Innovation networks • Financial partner and intermediary network

Source: Wirtz (2010a, 2011, 2018a, 2020) and own analyses and estimations
### Fig. 20.3 Strategic orientation of Volkswagen

<table>
<thead>
<tr>
<th>Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
</tr>
<tr>
<td>• Platform strategy and brand diversification in the field of passenger vehicles and commercial vehicles</td>
</tr>
<tr>
<td>• Economy of scale</td>
</tr>
<tr>
<td>• Strong international focus, particularly on growth markets</td>
</tr>
<tr>
<td><strong>Business model</strong></td>
</tr>
<tr>
<td>• For every passenger vehicles division and commercial vehicles division its own distinctive brand</td>
</tr>
<tr>
<td>• All brand are combined in one business model</td>
</tr>
<tr>
<td>• Value-added service (e.g. financial services)</td>
</tr>
<tr>
<td>• Comprehensive economies of scale in procurement (because of market power)</td>
</tr>
<tr>
<td><strong>Range of service</strong></td>
</tr>
<tr>
<td>• Passenger cars (economy to luxury class)</td>
</tr>
<tr>
<td>• Commercial vehicles (light to heavy)</td>
</tr>
<tr>
<td>• Value added service</td>
</tr>
<tr>
<td>• Leasing (leasing Volkswagen)</td>
</tr>
<tr>
<td>• Insurance companies (Volkswagen Insurance Services)</td>
</tr>
<tr>
<td><strong>Success factors</strong></td>
</tr>
<tr>
<td>• Business model innovation ability</td>
</tr>
<tr>
<td>• Diversification of risk</td>
</tr>
<tr>
<td>• Global orientation and networking</td>
</tr>
<tr>
<td>• Modular system</td>
</tr>
<tr>
<td>• Brand integration expertise</td>
</tr>
</tbody>
</table>

Chapter 21: Media Business Model
### Fig. 21.1 Market offer and companies of FOX Corporation

<table>
<thead>
<tr>
<th>FOX Corporation</th>
<th>Fox Entertainment (formerly Fox Television Group)</th>
<th>Fox Television Stations Group</th>
<th>Fox News Group</th>
<th>Fox Sports Media Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Fox Broadcasting Company</td>
<td>• 28 stations</td>
<td>• Fox News Channel</td>
<td>• Fox Sports</td>
</tr>
<tr>
<td></td>
<td>• Fox Now</td>
<td>• MyNetworkTV</td>
<td>• Fox Business Network</td>
<td>• FS1</td>
</tr>
<tr>
<td></td>
<td>• Sidecar</td>
<td>• Movies! (50%)</td>
<td>• Fox News Radio</td>
<td>• FS2</td>
</tr>
<tr>
<td></td>
<td>• Bento Box Entertainment</td>
<td></td>
<td>• Fox News Talk</td>
<td>• Fox Deportes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Fox Nation</td>
<td>• Big Ten Network (51%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Fox Soccer Plus</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Fox Sports Racing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Fox Sports Racing Digital Media</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• FoxSports.com</td>
</tr>
<tr>
<td>Source: Wirtz (2010a, 2011, 2018a, 2020) and own analyses and estimations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Fig. 21.2 News Corporation’s business model

**Value Creation Model**
- Production of personal contents
- Selection of contents produced by others
- Distribution of contents of other providers

**Rights & Licenses**
- Rights to in-house productions
- Use of third-party productions
- Management of Rights and Licenses

**Advertisement**
- Management of advertising cooperations
- Placement and integration

**Customer Model**
- Recipients
  - Viewers/Listeners
  - Subscribers
  - Community
  - etc.
- Institutional players
  - Agencies
  - Advertising customers
  - Traders/Hire companies
  - Intermediaries
  - Stations
  - etc.

**Revenue Model**
- Service delivery
  - Presentation
  - Distribution
  - Advertising space performance
  - Services
- Interaction
  - Community
  - Feedback
- Revenue
  - Charges (subscriptions/pay-per-view/etc.)
  - Advertising revenues
  - Commissions
  - etc.

**Value Proposition:** Entertainment, information, networking, perseverance in competition

**Strategic Partnerships**
- Internationalization strategy, external growth and multinational orientation to foreign markets
- Economy of scale
- Convergence strategy in the context of new Internet assets
- Value Proposition: Entertainment, information, networking, perseverance in competition

Source: Wirtz (2010a, 2011, 2018a, 2020) and own analyses and estimations
Fig. 21.3 Forms of revenue of FOX Corporation in the media market

- Rights
- Fees
- Legal markets
- Advertising market
- Recipient markets
- Media company

- Other
  - Subsidies
  - Tax advantages
  - etc.
- Other
  - Data Mining
  - Commissions
  - etc.

### Fig. 21.4 Strategic orientation of FOX Corporation

<table>
<thead>
<tr>
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<table>
<thead>
<tr>
<th>Business model</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Hybrid business model</td>
</tr>
<tr>
<td>• Content aspect: collection, selection, systematization, compilation (packing) and provision of information, such as FoxSports.com.</td>
</tr>
<tr>
<td>• Community aspect: Offering the possibility of an information exchange between users through social web applications</td>
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<tr>
<td>• Connections aspect: Link communication between partners</td>
</tr>
<tr>
<td>• Indirect (e.g. through advertising) revenue generation as well as transaction-based indirect revenue generation (e.g. revenues from brokerage transactions for third partner companies).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Range of service</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Film Entertainment</td>
</tr>
<tr>
<td>• TV Programs</td>
</tr>
<tr>
<td>• Radio Programs</td>
</tr>
<tr>
<td>• Websites</td>
</tr>
<tr>
<td>• Sport shows</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Success factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strategic selection of profitable sections</td>
</tr>
<tr>
<td>• International orientation with US focus</td>
</tr>
<tr>
<td>• Political influence</td>
</tr>
<tr>
<td>• Strategic M&amp;A Activities</td>
</tr>
</tbody>
</table>