

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

Table of Contents I

	Page
Part I - Business Models as a Management Concept	6
Chapter 1: Introduction	7
Chapter 2: The Business Model Concept	9
Chapter 3: Business Model Concepts in Literature	15
Chapter 4: Distinction and Aims of Business Models	46
Part II - Structure of Business Models	56
Chapter 5: Introduction	57
Chapter 6: Structure of the Value Creation in Business Models	59
Chapter 7: Partial Models of Business Models	77
Chapter 8: Actors and Interactions in Business Models	102
Chapter 9: Business Model Innovation	122

Table of Contents II

	Page
Part III - Business Model Management	139
Chapter 10: Introduction	140
Chapter 11: Types of Business Model Management	142
Chapter 12: Design of Business Models	146
Chapter 13: Implementation of Business Models	160
Chapter 14: Business Model Operation	165
Chapter 15: Adaptation and Modification of Business Models	172
Chapter 16: Controlling Business Models	182

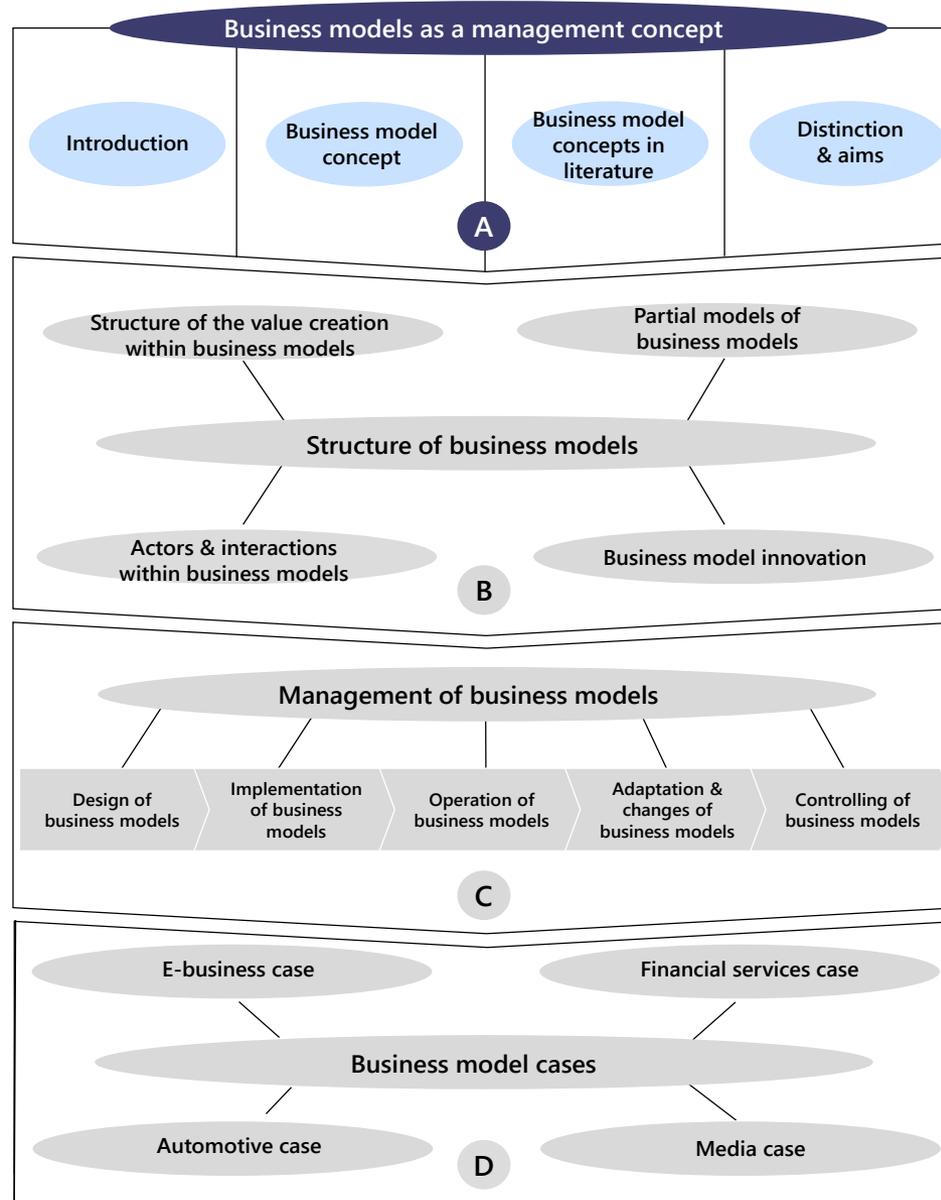
Table of Contents III

	Page
Part IV - Business Model Case Studies	191
Chapter 17: Introduction	192
Chapter 18: E-business Model	194
Chapter 19: Banking Business Model	198
Chapter 20: Automotive Business Model	202
Chapter 21: Media Business Model	206

Part I - Business Models as a Management Concept

Chapter 1: Introduction

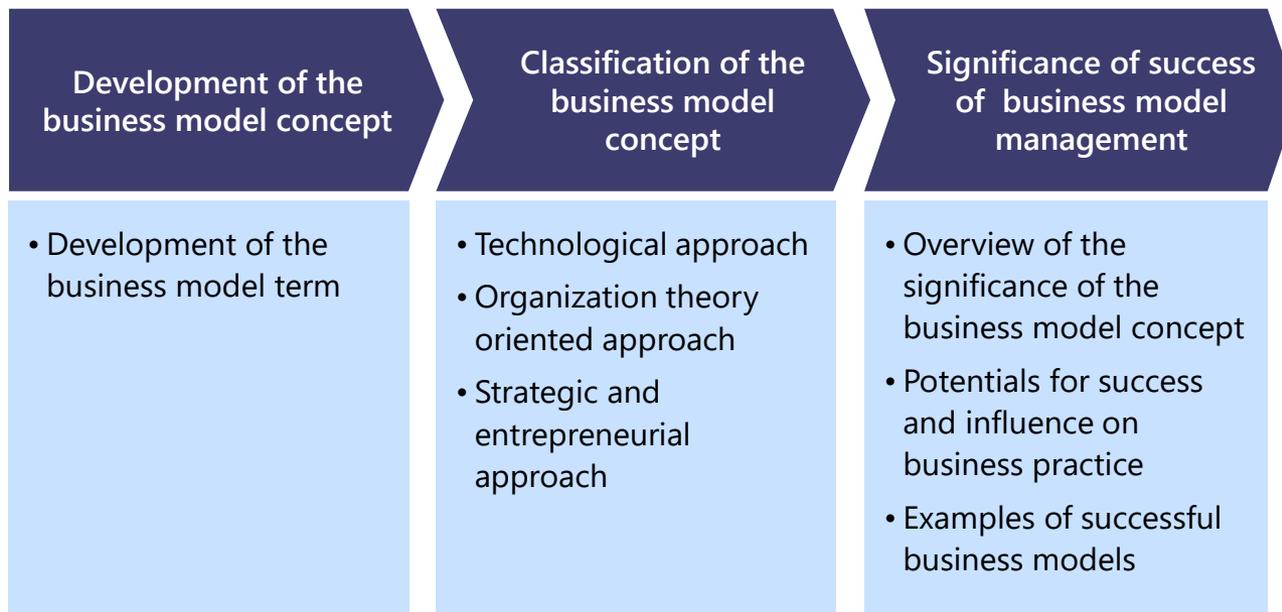
Fig. 1.1 Structure and content of the book



Source: Wirtz (2020)

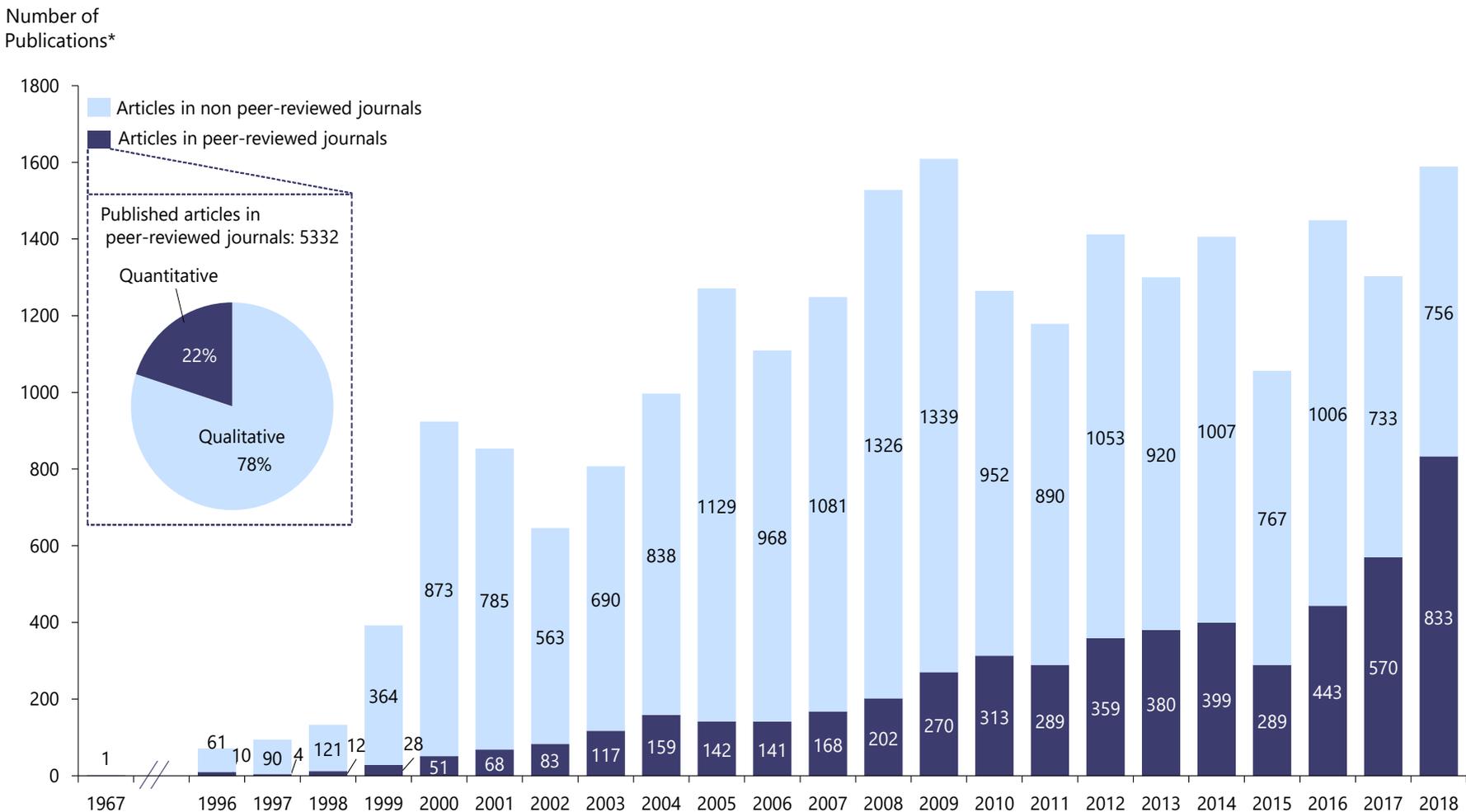
Chapter 2: The Business Model Concept

Fig. 2.1 Structure of the chapter



Source: Wirtz (2020)

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



Status May 2019
 Source: Wirtz et al. (2016b), including updates, and Wirtz (2020)

Definition by Eriksson and Penker (2000)

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)
-

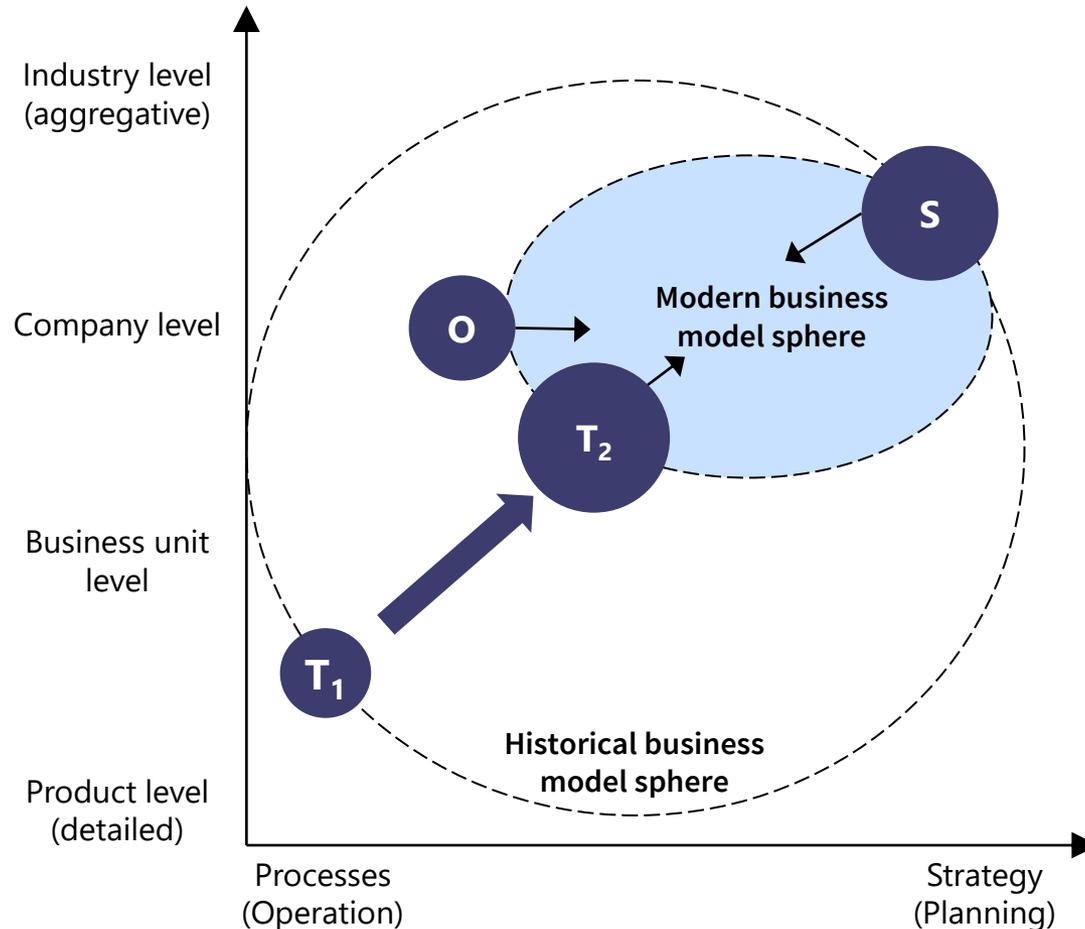
Source: Wirtz (2020)

Fig. 2.3 Overview of the theoretical foundations of the business model concept

	Business informatics	Management theory	
	Information-technological approach	Organization-theoretical approach	Strategic approach
Development:	<ul style="list-style-type: none"> Phase I (1975.1995): business modeling for system construction Phase II (since 1995): e-business 	<ul style="list-style-type: none"> Management as Science: Taylor (1911), Gilbreth (1911), Fayol (1916) Various organization schools (e.g. contingency theory, transaction cost theory) The structuring of organizations: Mintzberg (1979) 	<ul style="list-style-type: none"> Innovation: Schumpeter (1934) Strategy and Structure: Chandler (1962), Ansoff (1965) Resource-based view: Penrose (1951), Barney (1986) Market-based view: Porter (1971)
Establishment as basic approach of the business model concept:	<ul style="list-style-type: none"> Since 1975 Development parallel to the business model term 	<ul style="list-style-type: none"> Since 1995 Structure detached from IT Business structure/ Business plan/ Business architecture 	<ul style="list-style-type: none"> Since 2000 Strategic business structuring Business model Innovation Value creation
Important representatives of the view:	<ul style="list-style-type: none"> Timmers (1998) Wirtz (2000) Afuah/Tucci (2003) 	<ul style="list-style-type: none"> Linder/Cantrell (2000) Keen/Qureshi (2005) Tikkanen/Lamberg (2005) 	<ul style="list-style-type: none"> Hamel (2000,2001) Chesbrough/Rosenbloom (2002) Zott/Amit (2008)
Concept of business model			

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

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



T₁ = Technology-oriented (system modelling: 1970 – 1999)

T₂ = Technology-oriented (new economy: 2000 - ...)

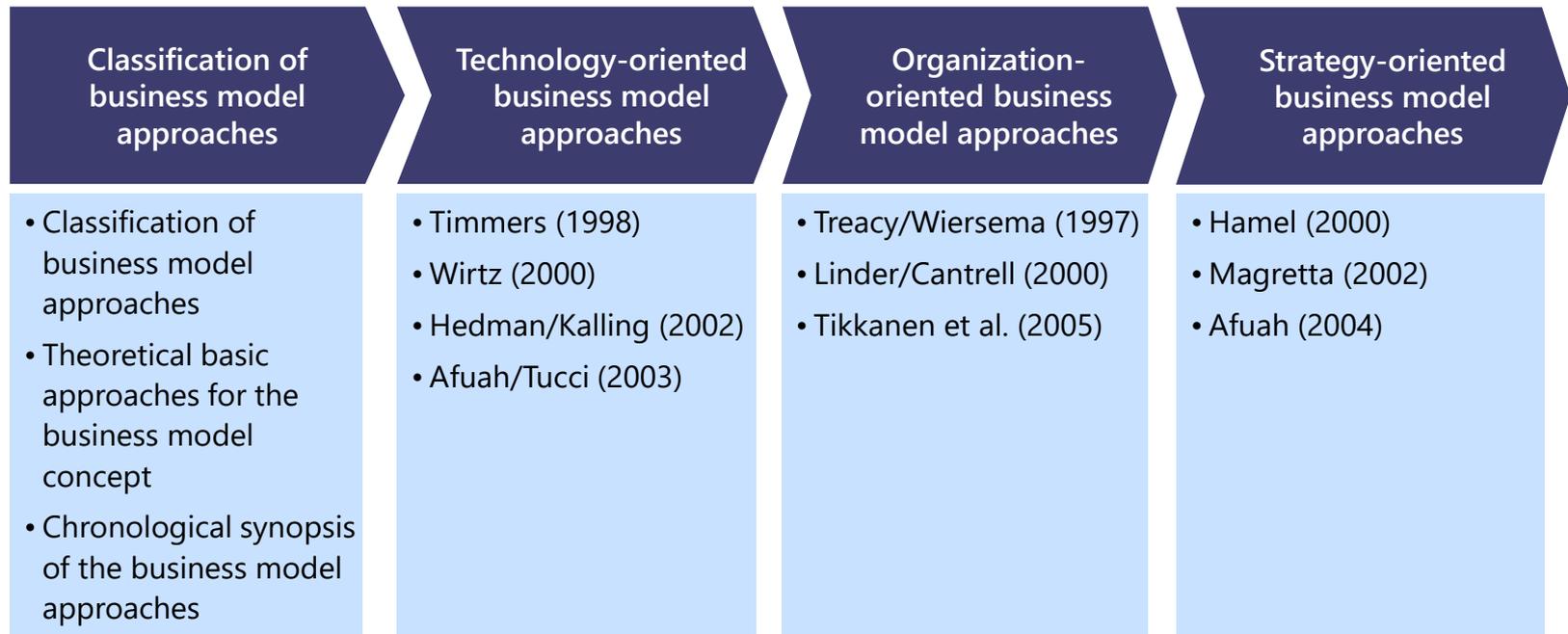
O = Organization-oriented

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



Source: Wirtz (2020)

Fig. 3.2 Development of the business model concept

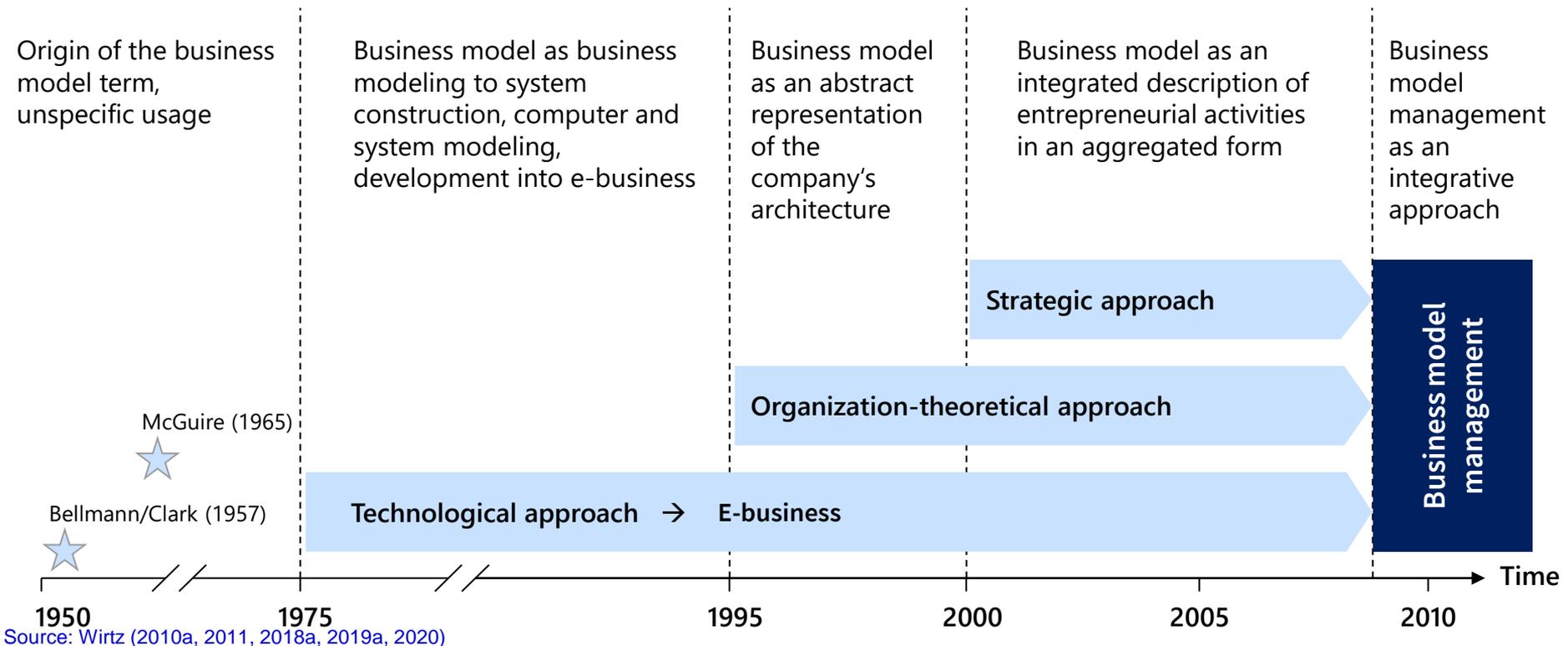
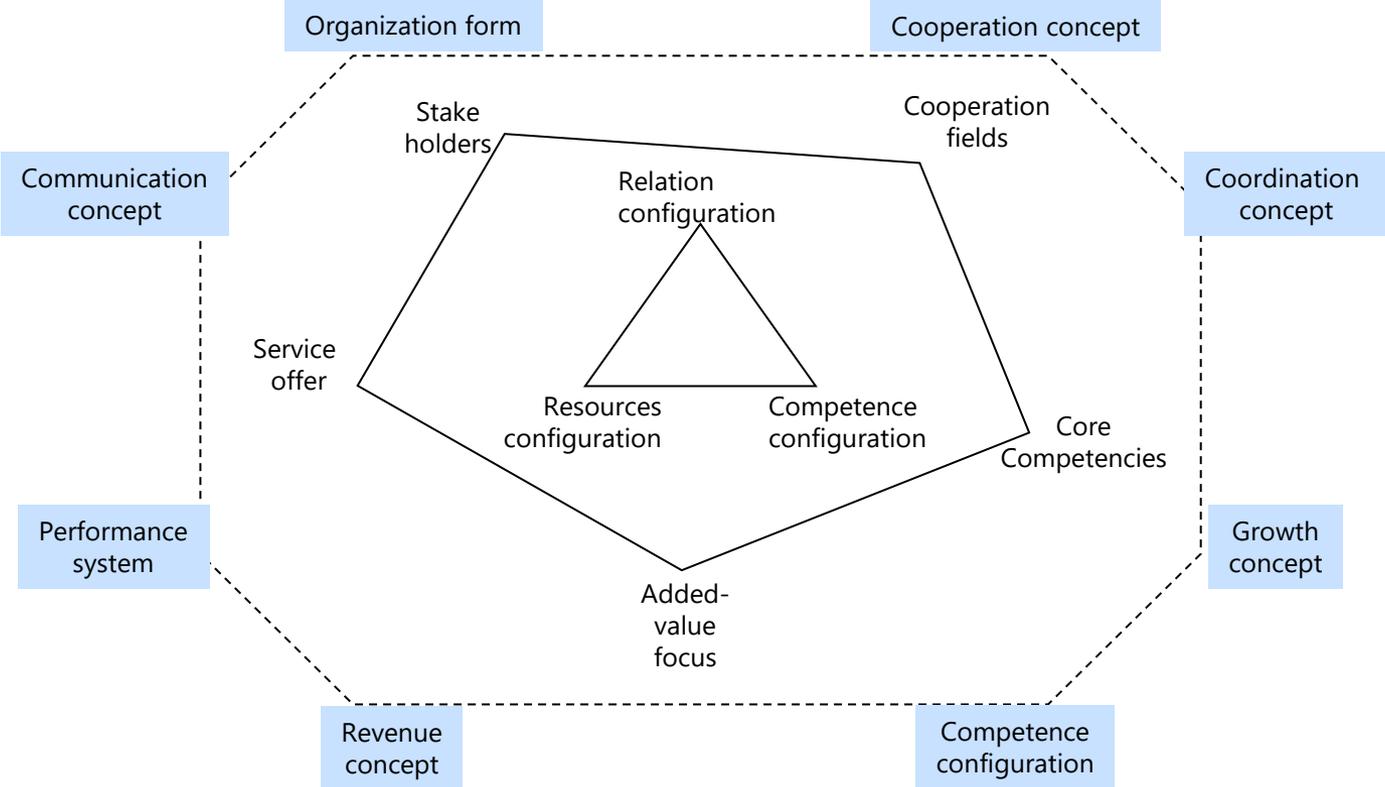
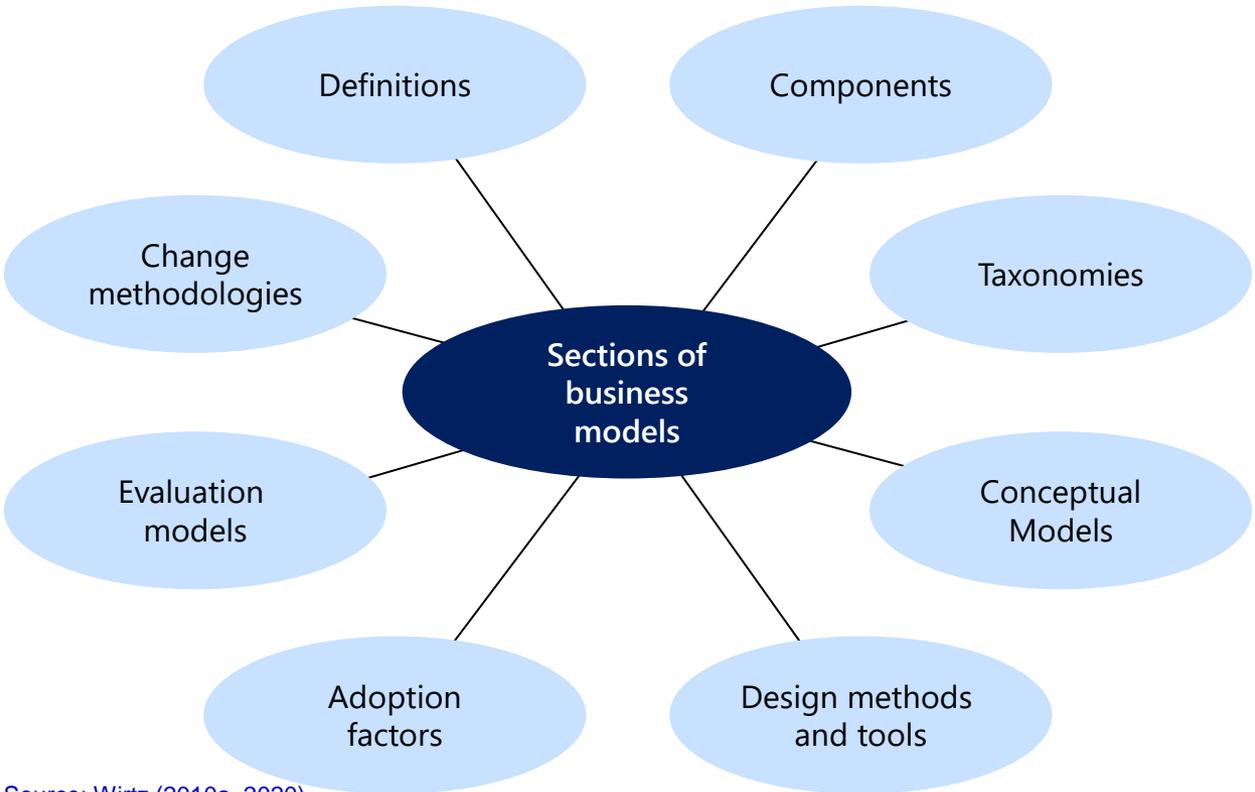


Fig. 3.3 Eight dimensions of a business model



Source: Bieger et al. (2002b), and Wirtz (2020)

Fig. 3.4 Sections and research approaches of business models



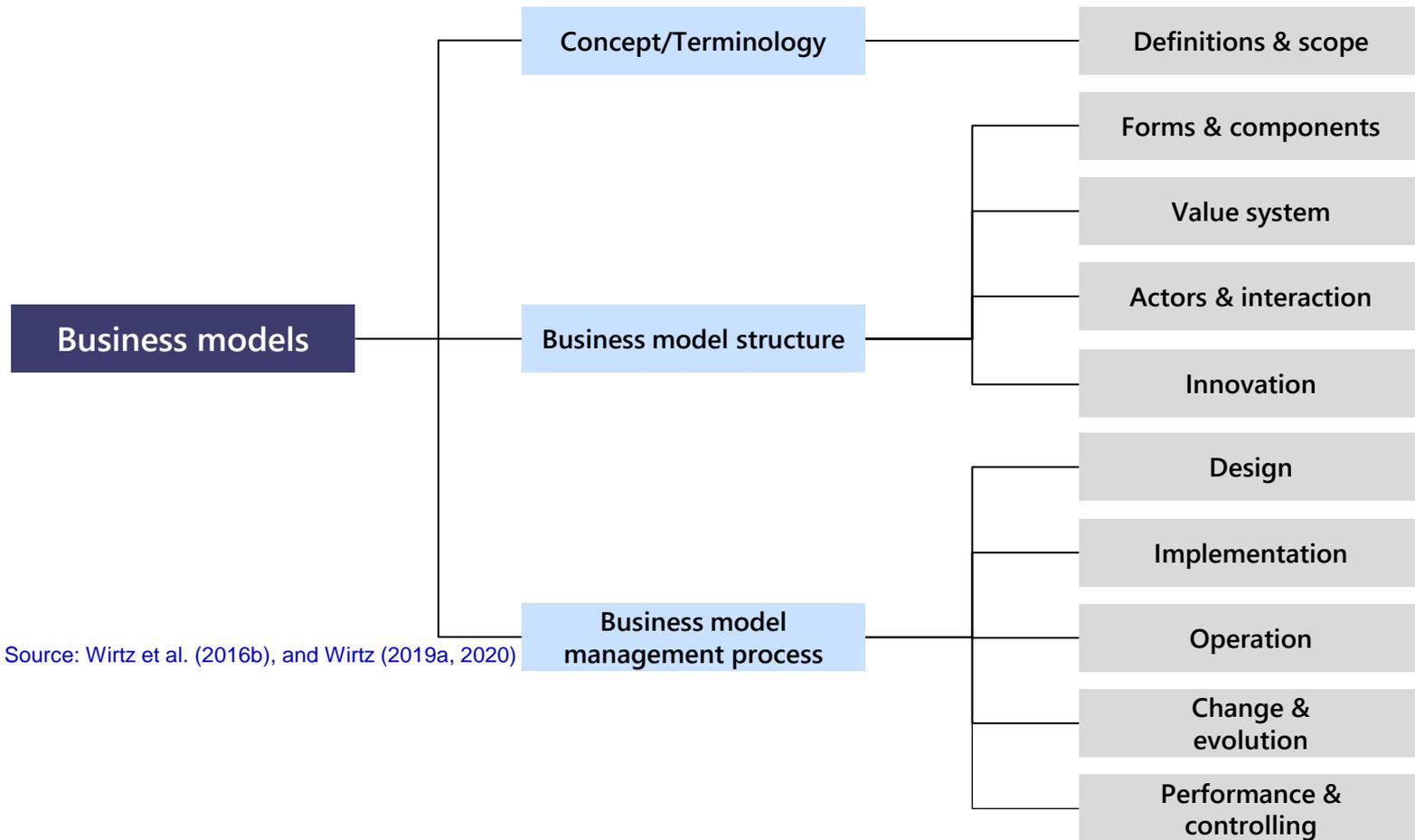
Source: Wirtz (2010a, 2020)

Table 3.1 Nine business model building blocks

Pillar	Business model building block
Product	Value proposition
Customer interface	Target customer Distribution channel Relationship
Infrastructure management	Value configuration Core competency Partner network
Financial aspects	Cost structure Revenue model

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

	Key content	Research status conceptual	Research status case study	Research status complex empirical	Total
Definitions & scope	<ul style="list-style-type: none"> ▪ Basic definition of the concept ▪ Differentiation from existing concepts 	27 (100%)	-	-	27 (4%)
Forms & components	<ul style="list-style-type: none"> ▪ Decomposition of the business model concept regarding partial models ▪ Categorization of concrete parameters 	25 (45%)	31 (55%)	-	56 (8%)
Value system	<ul style="list-style-type: none"> ▪ Structure of value creation ▪ Topology of value chain partners 	22 (47%)	22 (47%)	3 (6%)	47 (7%)
Actors & interaction	<ul style="list-style-type: none"> ▪ Analysis of the interactions and relationships of the different business model actors 	14 (37%)	20 (53%)	4 (10%)	38 (5%)
Innovation	<ul style="list-style-type: none"> ▪ Entrepreneurship, socio-economic implications of business model innovations 	87 (9%)	84 (48%)	5 (3%)	176 (26%)
Design	<ul style="list-style-type: none"> ▪ Arrangement of the design process ▪ Graphical visualizations (ontologies) 	38 (54%)	29 (41%)	4 (5%)	71 (10%)
Implementation	<ul style="list-style-type: none"> ▪ Arrangement of the implementation process 	7 (37%)	12 (63%)	-	19 (3%)
Operation	<ul style="list-style-type: none"> ▪ Arrangement of the operational process 	7 (37%)	12 (63%)	-	19 (3%)
Change & evolution	<ul style="list-style-type: none"> ▪ Change of business models over time (evolution / revolution) ▪ Factors to adapt a business model 	59 (49%)	56 (47%)	5 (4%)	120 (18%)
Performance & controlling	<ul style="list-style-type: none"> ▪ Development of methods for testing the feasibility, sustainability and profitability 	29 (27%)	65 (59%)	15 (14%)	109 (16%)
Total		315 (46%)	330 (49%)	36 (5%)	681

Source: Wirtz et al. (2016b), and Wirtz (2019a, 2020)

Table 3.2 Criteria for the classification of business models

Authors	Classification criteria
Bieger, Rüegg-Stürm and von Rohr (2002)	<ul style="list-style-type: none"> • Incentive system, • Concept of communication, • Concept of revenue, • Concept of growth, • Configuration of competence, • Form of organization, • Concept of Cooperation, • Concentration of Coordination/Control
MacInnes and Hwang (2003)	<ul style="list-style-type: none"> • Types and development of business models, • Components of business models
Krüger, Swatman and van der Beek (2003)	<ul style="list-style-type: none"> • Types of business models, • Components, • Taxonomies
Pateli and Giaglis (2004)	<ul style="list-style-type: none"> • Definitions, • Components, • Taxonomies, • Conceptual models, • Design methods and tools, • Adoption factors, • Evaluation models, • Change methodologies
Osterwalder, Pigneur and Tucci (2005)	<ul style="list-style-type: none"> • Value proposition, • Target customer, • Distribution channel, • Relationship, • Value configuration, • Core competency, • Partner network, • Cost structure, • Revenue model
Lambert (2006)	<ul style="list-style-type: none"> • Referred to by the author(s) as, • Criteria for differentiation, • Number of categories and sub-categories, • Business model categories
Wirtz et al. (2016)	<ul style="list-style-type: none"> • Concept/Terminology <ul style="list-style-type: none"> - Definition and scope • Business model structure <ul style="list-style-type: none"> - Forms and components - Value system - Actors and interaction - Innovation • Business model management process <ul style="list-style-type: none"> - Design - Implementation - Operation - Change and evolution - Performance and controlling

Source: Wirtz (2020)

Fig. 3.7 Overview of selected business model components

Component Author	Strategy	Resources	Network	Customers	Market offering (value proposition)	Revenues	Service provision	Procurement	Finances	Spectrum of the Components
Hamel (2000)	Core Strategy, Strategic Resources		Value Network	Customer Interface						Low
Mahadevan (2000)			Logistic Stream		Value Stream	Revenue Stream				Low
Wirtz (2000)	Combination of production factors for strategy	Core competencies & Core assets		Market & customer segmentation	Service offer & Value proposition	Systematization of revenue forms	Combination & transformation of goods & services	Production factors & Suppliers	Financing & Refinancing	Moderate
Hedman/Kalling (2002)	Managerial and organizational, longitudinal process component	Resources		Customers	Competitors, Offering		Activities & Organization	Factor & Production Input Suppliers		Moderate
Bouwman (2003)		Technical architecture		Customer Value of Service					Financial arrangements	Low
Afuah (2004)	Positions	Resources			Industry Factors		Activities		Costs	Moderate
Mahadevan (2004)				Target Customers	Value Proposition	Revenue Model	Value Delivery			Low
Voelpel/Leibold/Tekie (2004)		Leadership capabilities	Value Network (Re)Configuration for the Value Creation		Customer Value Proposition					Low
Yip (2004)	Scope, Differentiation	Organization		Nature of Customers, Channels	Value Proposition, Nature of Outputs		How to transform inputs (including technology)	Nature of inputs		Moderate
Lehmann-Ortega/Schoettl (2005)					Value Proposition, Value	Revenue Model				Low
Osterwalder/Pigneur/Tucci (2005)		Core Competency	Partner Network	Target Customer, Distribution Channel, Relationship	Architecture Value Proposition	Revenue Model	Value Configuration		Cost Structure	Moderate
Tikkanen et al. (2005)	Strategy & Structure		Network				Operations		Finance & Accounting	Moderate
Al-Debei/El-Haddadeh/Avison (2008a)			Value Network		Value Proposition, Value Architecture				Value Finance	Low
Demil/Lecocq (2010)		Resources & Competences, Organization			Value Proposition	Volume & Structure of Revenue Streams			Volume & Structure of Revenue costs	Moderate
Johnson (2010)		Key Resources			Customer Value Proposition	Profit Formula	Key Processes			Moderate
Osterwalder/Pigneur (2010)		Key Resources	Key Partners	Customer Relationships, Channels, Customers Segments	Value Proposition	Revenue Streams	Key Activities		Cost Structure	Moderate
Intensity of use	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate

○ Very low ◐ Low ◑ Moderate ◒ High ● Very high

Source: Wirtz et al. (2016b), and Wirtz (2019a, 2020)

Fig. 3.8 Theoretical approaches for the concept of a business model

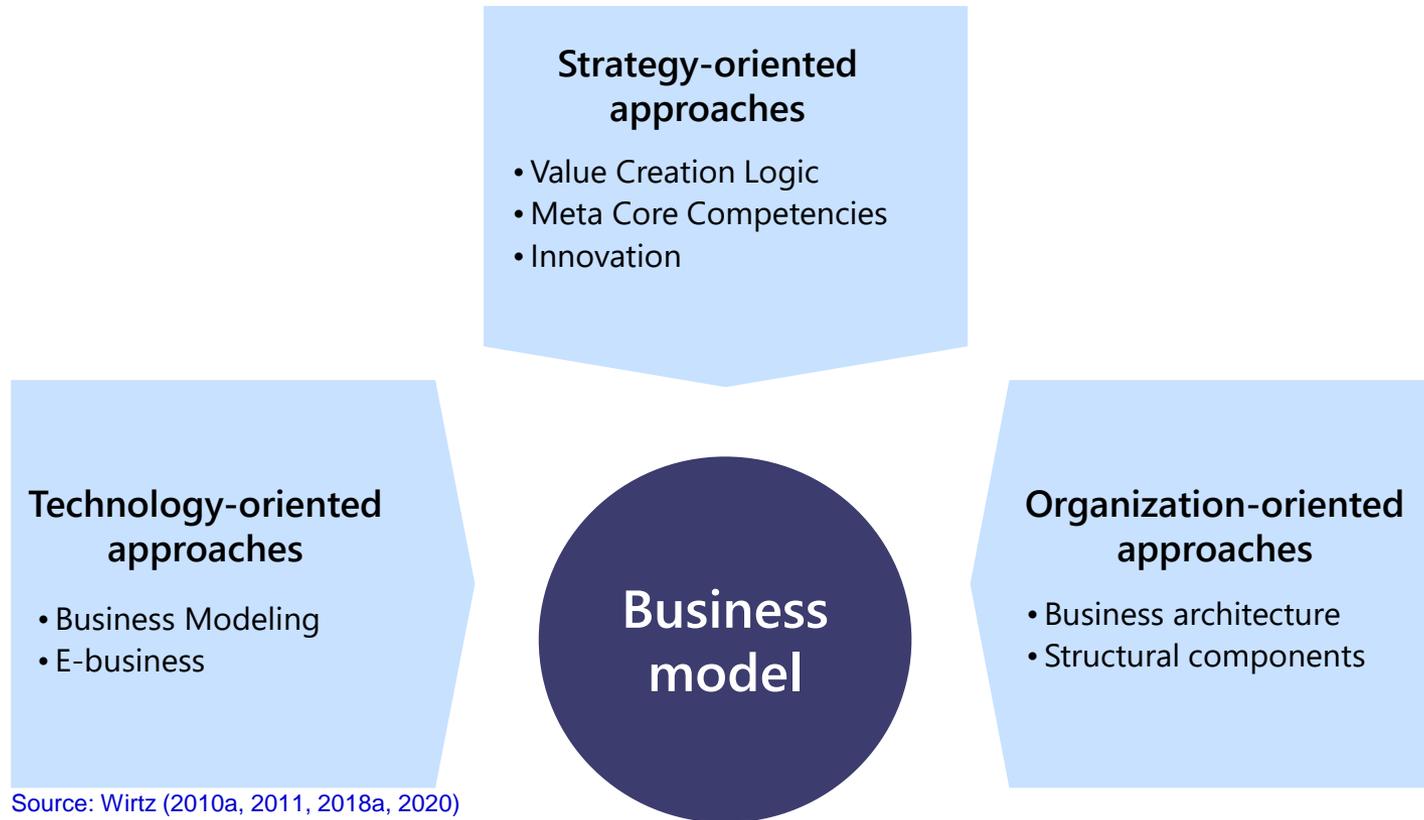
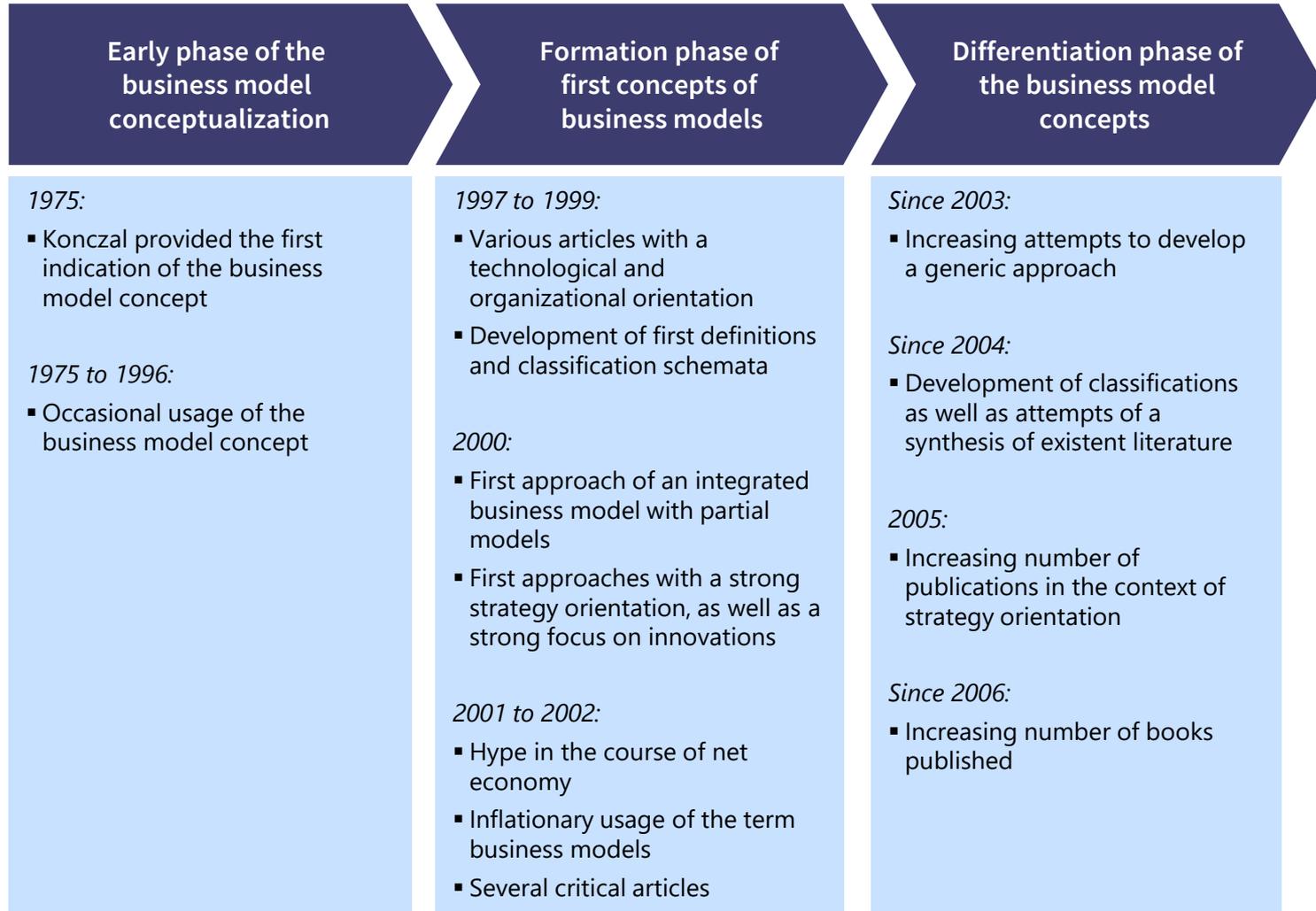


Fig. 3.9 Chronological synopsis of the business model approaches

	1975	1997	1999	2000	2001	2002	2003	2005	2007	2009	...	2015	
Technology-oriented	<ul style="list-style-type: none"> Konczal Dottore 	<ul style="list-style-type: none"> Shaw Timmers 	<ul style="list-style-type: none"> Bambury 	<ul style="list-style-type: none"> Amit/Zott Eriksson/Penker Wirtz 	<ul style="list-style-type: none"> Amit/Zott Applegate Gordjin/Ackermans Papakiria-kopoulos et al. Petrovic et al. Rappa Rayport/Jaworski Weill/Vitale 	<ul style="list-style-type: none"> Bienstock et al. Dubosson-Torbay et al. Eisenmann Hawkins McGann/Lyytinen Osterwalder/Pigneur 	<ul style="list-style-type: none"> Afuah/ Tucci Wang/ Chang Hedman/ Kalling Wirtz/ Lihotzky 	<ul style="list-style-type: none"> Pateli/ Gigalis Rajala/ Westerlund 	<ul style="list-style-type: none"> Haaker et al. Kallio et al. Rappa 	<ul style="list-style-type: none"> Eriksson et al. 	<ul style="list-style-type: none"> Andersson/ Johannesson/ Zdravkovic Björkdahl Clemons Tankhiwale Zott/ Amit 	<ul style="list-style-type: none"> Gambardella/ McGahan Sosna/Trevinyo-Rodríguez/Velamuri Wirtz/Schilke/ Ullrich Huang 	<ul style="list-style-type: none"> Velu
Organization theory-oriented		<ul style="list-style-type: none"> Treacy/ Wiersema 		<ul style="list-style-type: none"> Linder/ Cantrell 				<ul style="list-style-type: none"> Keen/ Qureshi Tikkanen et al. 	<ul style="list-style-type: none"> Zott/ Amit Al-Debei et al. Hurt 	<ul style="list-style-type: none"> Osterwalder/ Pigneur 	<ul style="list-style-type: none"> Baden-Fuller/ Morgan 	<ul style="list-style-type: none"> DaSilva/ Tirkman Zott/ Amit 	
Strategy-oriented			<ul style="list-style-type: none"> Hamel Wirtz Mahadevan Afuah/Tucci 	<ul style="list-style-type: none"> Hamel 	<ul style="list-style-type: none"> Betz Chesbrough/Rosembloom Magretta 	<ul style="list-style-type: none"> Winter Mansfield 	<ul style="list-style-type: none"> Afuah Lehman/ Ortega Schafer Moris Schweizer 	<ul style="list-style-type: none"> Chesbrough Debelak Lai/Weill 	<ul style="list-style-type: none"> Johnson et al. McPhillips/ Merlo Richardson Zott/Amit 	<ul style="list-style-type: none"> Kind/ Nissen/ Sørgard Casadesus-Masanell/ Ricart Smith/Binns/ Tushman Teece Casadesus-Masanell/ Ricart Demil/Lecocq Desyllas/Sako Keen/Williams 	<ul style="list-style-type: none"> Zott/ Amit Brea-Solis et al. 		
	<i>Early phase</i>	<i>Formation phase of first overall concepts</i>					<i>Differentiation phase</i>						

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

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



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

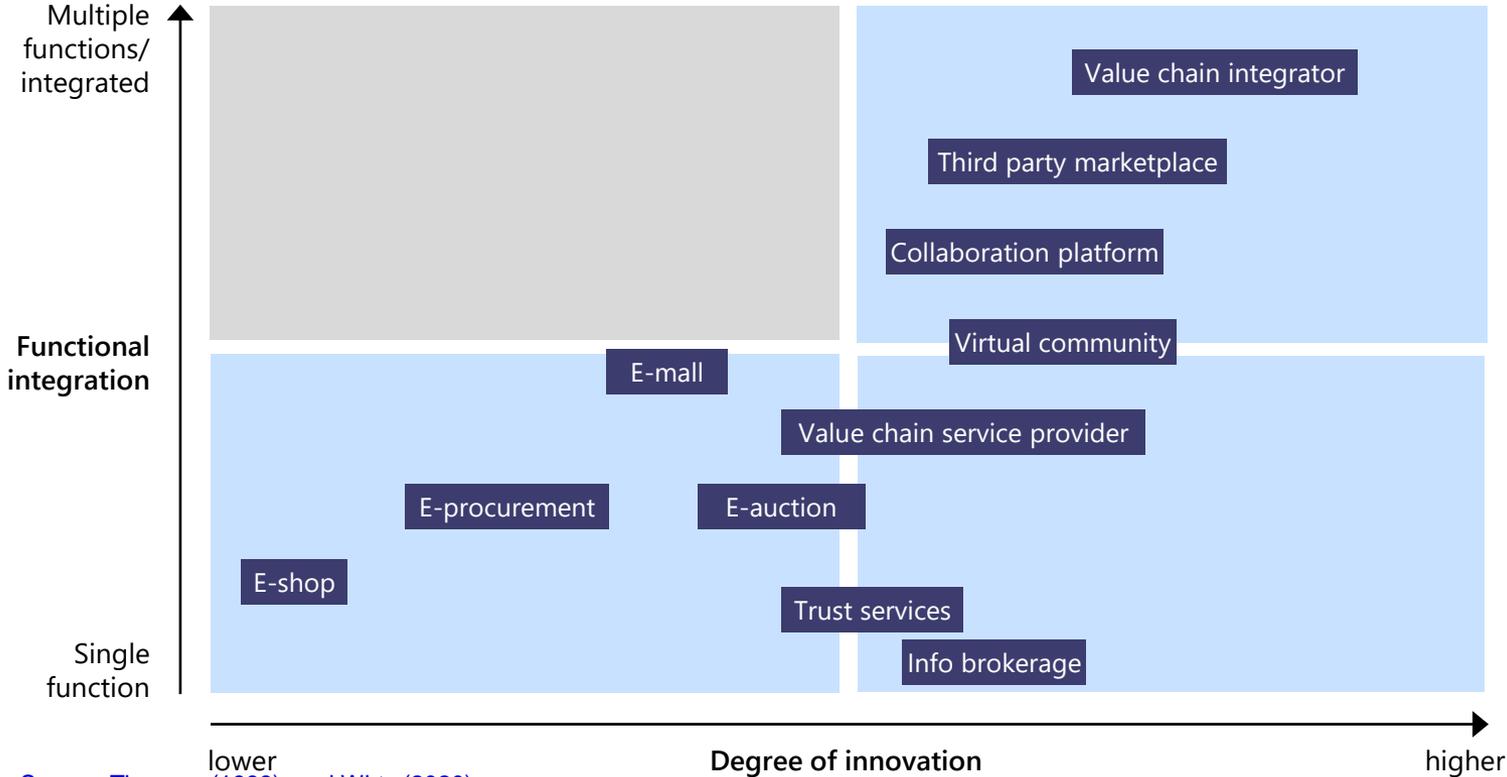
Business Model Definition by Timmers (1998)

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)

Business Model Definition by Wirtz (2000)

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)

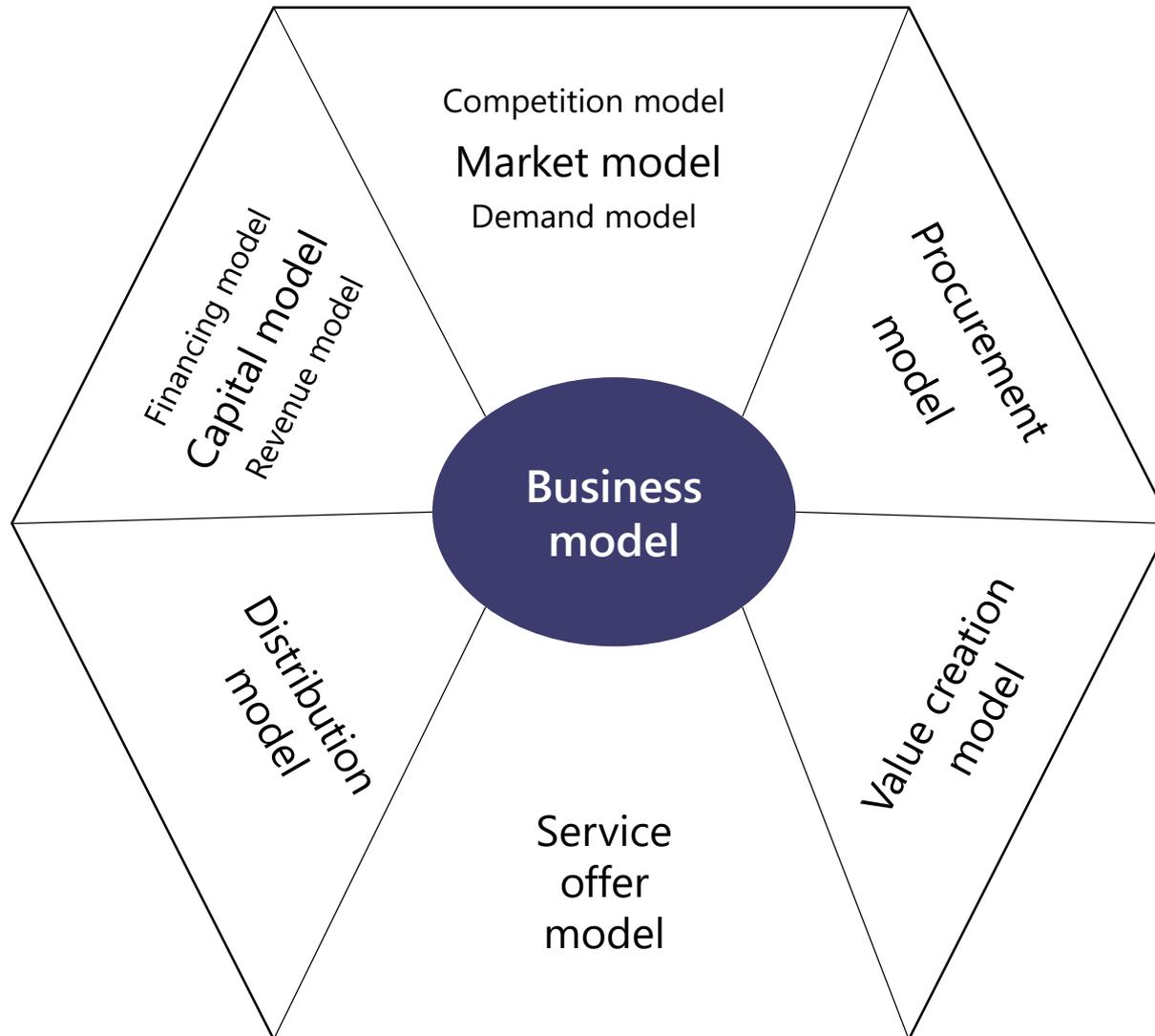
Source: Wirtz (2020)

Fig. 3.12 Characteristics of business model typologies

	Content	Commerce	Context	Connection
Definition	<ul style="list-style-type: none"> • Collection, selection, systematization, compilation and provision of contents 	<ul style="list-style-type: none"> • Initiation, negotiation and/or settlement of corporate transactions 	<ul style="list-style-type: none"> • Classification and systematization of information available on the Internet 	<ul style="list-style-type: none"> • Creation of the possibility to exchange information in networks
Goal	<ul style="list-style-type: none"> • Online provision of consumer-centered, personalized contents 	<ul style="list-style-type: none"> • Supplement and substitution of traditional transaction phases by the Internet 	<ul style="list-style-type: none"> • Complexity reduction • Navigation 	<ul style="list-style-type: none"> • Creation of technological, commercial or purely communicative connections in networks
Revenue model	<ul style="list-style-type: none"> • Indirect revenue models 	<ul style="list-style-type: none"> • Transaction-dependent direct and indirect revenue models 	<ul style="list-style-type: none"> • Indirect revenue models 	<ul style="list-style-type: none"> • Direct and indirect revenue models
Examples	<ul style="list-style-type: none"> • Financial Times • nytimes.com • MP3.com 	<ul style="list-style-type: none"> • Amazon • Dell • eBay 	<ul style="list-style-type: none"> • Google • Yahoo! • Bing 	<ul style="list-style-type: none"> • AT&T • Outpost.com • GMX

Source: Wirtz (2000, 2018b, 2020)

Fig. 3.13 Partial models of an integrated business model



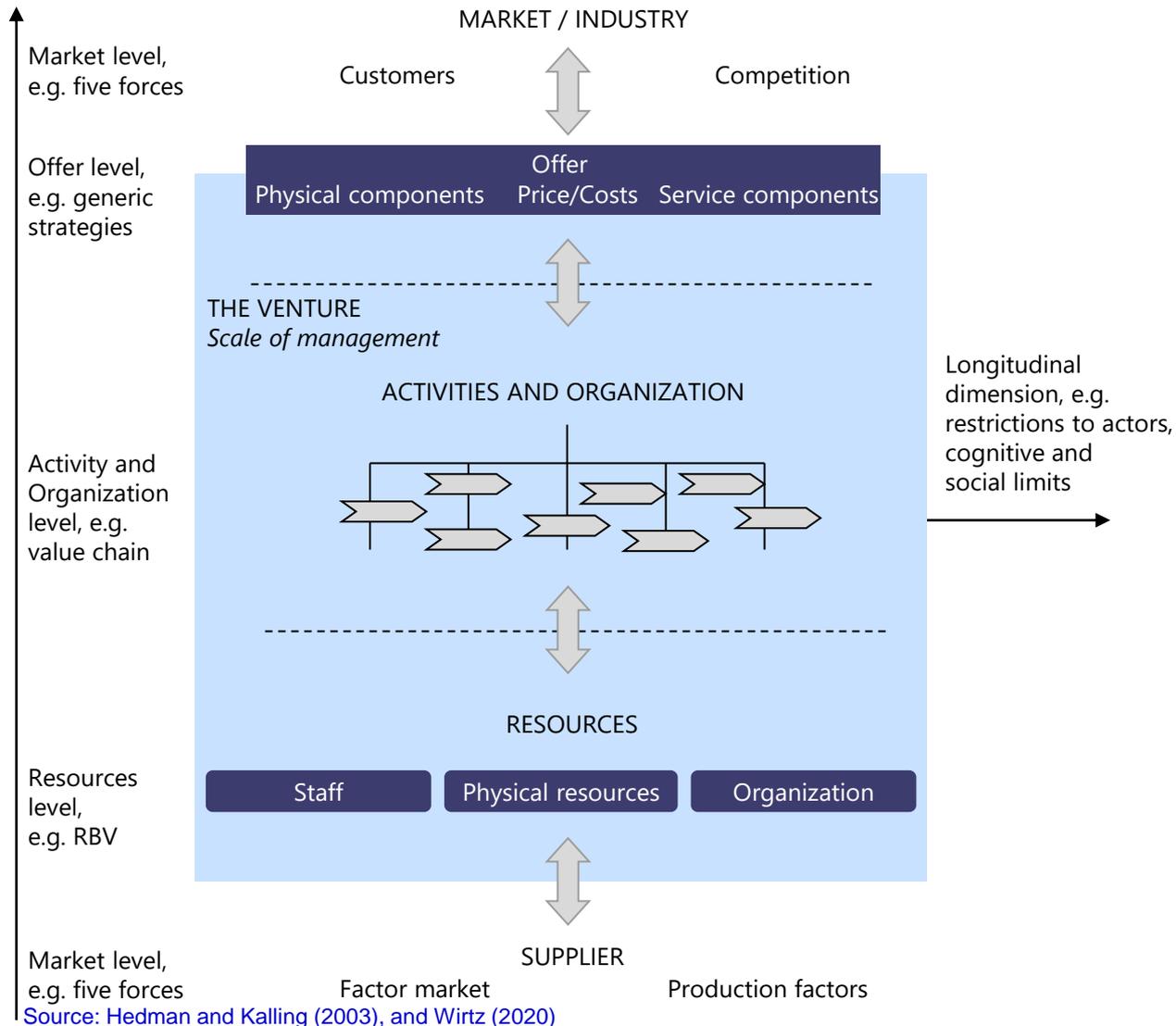
Source: Wirtz (2000, 2018b, 2020)

Business Model Definition by Hedman and Kalling (2002)

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)



Business Model Definition by Afuah and Tucci (2003)

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

	Definition	Aims	Level/ Application	Components	Interaction					
Timmers 1998	<ul style="list-style-type: none"> • First definition with generic components 	<ul style="list-style-type: none"> • Not clearly formulated • Implicitly existent • Imprecise and rough 	<ul style="list-style-type: none"> • Not explicitly defined • Mainly corporate view 	<ul style="list-style-type: none"> • Not existent • Simply a classification of Internet BM 	<ul style="list-style-type: none"> • No consideration for lack of components 		Overall evaluation of the approaches			
Wirtz 2000	<ul style="list-style-type: none"> • Comprehensive definition, detached from technology 	<ul style="list-style-type: none"> • Business model as an aggregate form of presentation and conception 	<ul style="list-style-type: none"> • Industry and company level by means of partial models 	<ul style="list-style-type: none"> • Components in form of partial models 	<ul style="list-style-type: none"> • No explicit consideration of the interactions between the components 					
Hedman/ Kalling 2002	<ul style="list-style-type: none"> • Definition based on the components of a business model 	<ul style="list-style-type: none"> • Not clearly formulated • Implicitly existent • Imprecise and rough 	<ul style="list-style-type: none"> • Not explicitly defined • Mainly corporate view 	<ul style="list-style-type: none"> • Five components as essential cornerstones of the value creation 	<ul style="list-style-type: none"> • Dependences between the components outlined • Concrete interdependences missing 					
Afuah/ Tucci 2003	<ul style="list-style-type: none"> • Definition emphasizes the connection between BM and competitive advantages 	<ul style="list-style-type: none"> • Business Models as a driver for value generation • Rudimentary 	<ul style="list-style-type: none"> • Industry and company level by means of partial models 	<ul style="list-style-type: none"> • Eight components as essential cornerstones • Not always easy to separate 	<ul style="list-style-type: none"> • No explicit consideration of the interactions between the components 					
Overall evaluation of the criteria										



no relevance



low relevance



average relevance



high relevance



significantly high relevance

Business Model Definition by Treacy and Wiersema (1997)

Business Model Definition by Treacy and Wiersema (1997)

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)

Business Model Definition by Linder and Cantrell (2000)

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)

Business Model Definition by Tikkanen et al. (2005)

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

	Definition	Aims	Level/ Application	Components	Interaction				
Treacy/ Wiersema 1997	<ul style="list-style-type: none"> General approach to observation Limited to operating business models 	<ul style="list-style-type: none"> Not clearly formulated Implicitly existent Imprecise and rough 	<ul style="list-style-type: none"> Strategic business unit Other levels are neglected 	<ul style="list-style-type: none"> Four components are mentioned Not described or differentiated 	<ul style="list-style-type: none"> No explicit consideration of interaction between components 	  	Overall evaluation of the approaches		
Linder/ Cantrell 2000	<ul style="list-style-type: none"> General approach to observation Limited to operating business models 	<ul style="list-style-type: none"> Better understanding for further development Rudimentary 	<ul style="list-style-type: none"> Not explicitly defined Mainly corporate view 	<ul style="list-style-type: none"> Seven components are mentioned Not described or differentiated 	<ul style="list-style-type: none"> No explicit consideration of Interaction between components 				
Tikkanen et al. 2005	<ul style="list-style-type: none"> Definition based on the components of a business model 	<ul style="list-style-type: none"> Business model as management tool Implicitly existent Imprecise and rough 	<ul style="list-style-type: none"> Not explicitly defined Mainly corporate view 	<ul style="list-style-type: none"> Four components are mentioned Integration in a comprehensive framework 	<ul style="list-style-type: none"> No explicit consideration of interaction between components 				
Overall evaluation of the criteria									



no relevance



low relevance



average relevance



high relevance



significantly high relevance

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

Business Model Definition by Hamel (2000)

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)

Business Model Definition by Magretta (2002)

Business Model Definition by Magretta (2002)

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)

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

	Definitions	Aims	Level/ Application	Components	Interaction				
Hamel 2000	<ul style="list-style-type: none"> • Definition focuses on innovation • No general components 	<ul style="list-style-type: none"> • To enable innovations • No explicit mention 	<ul style="list-style-type: none"> • Industrial and corporate view • Reference framework through the component model 	<ul style="list-style-type: none"> • Four main components and three bridge components • Not always easy to separate 	<ul style="list-style-type: none"> • Interaction by means of bridge components • No explicit depiction 	  			
Magretta 2002	<ul style="list-style-type: none"> • Generic approach 	<ul style="list-style-type: none"> • Distinction between business model and strategy • No specification of aims 	<ul style="list-style-type: none"> • Adoption of an industrial view 	<ul style="list-style-type: none"> • Parts of the value chain as components 	<ul style="list-style-type: none"> • No explicit consideration of the interactions between the components 				
Afuah 2004	<ul style="list-style-type: none"> • Definition focuses on value creation • General components 	<ul style="list-style-type: none"> • Distinction between business model and strategy • No specification of aims 	<ul style="list-style-type: none"> • Industrial and corporate view 	<ul style="list-style-type: none"> • Four components altogether constitute the activities of a venture 	<ul style="list-style-type: none"> • No explicit consideration of the interactions between the components 				
    						<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Overall evaluation of the approaches</p>			
<p>Overall evaluation of the criteria</p>									
 <p>no relevance</p>		 <p>low relevance</p>		 <p>average relevance</p>		 <p>high relevance</p>		 <p>significantly high relevance</p>	

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

Fig. 3.18 Summary of the chapter business model approaches in literature

Business model concept				
	Technology orientation	Organization orientation	Strategy orientation	
Definition	<ul style="list-style-type: none"> Partly very context-specific definitions Some contain general components 	<ul style="list-style-type: none"> Focus on operating business models and internal value creation 	<ul style="list-style-type: none"> Focus on competition and innovation Generic approach 	
Aims	<ul style="list-style-type: none"> Some aims are explained in detail Aims are not homogenous though 	<ul style="list-style-type: none"> Aims are presented only implicitly and rudimentarily Aims are not equivalent 	<ul style="list-style-type: none"> Aims are presented only implicitly and rudimentarily Aims similar but not congruent 	
Level/ Application	<ul style="list-style-type: none"> Always a corporate view Sometimes an additional industrial view 	<ul style="list-style-type: none"> Usually an adoption of the corporate view Focus on the internal value creation 	<ul style="list-style-type: none"> Usually an adoption of the industrial view Focus on competition / network 	
Components	<ul style="list-style-type: none"> In part very detailed depictions of components Not always easy to separate 	<ul style="list-style-type: none"> Restriction to a few components Mostly no distinction 	<ul style="list-style-type: none"> Four components at the most Very rough, not easy to separate 	
Interaction	<ul style="list-style-type: none"> Dependences are mentioned very seldom, apart from that no consideration of them 	<ul style="list-style-type: none"> No consideration of the interaction of components 	<ul style="list-style-type: none"> Interaction is sometimes mentioned but considered in detail only once with bridge components 	



Stage of development:

no relevance

low relevance

average relevance

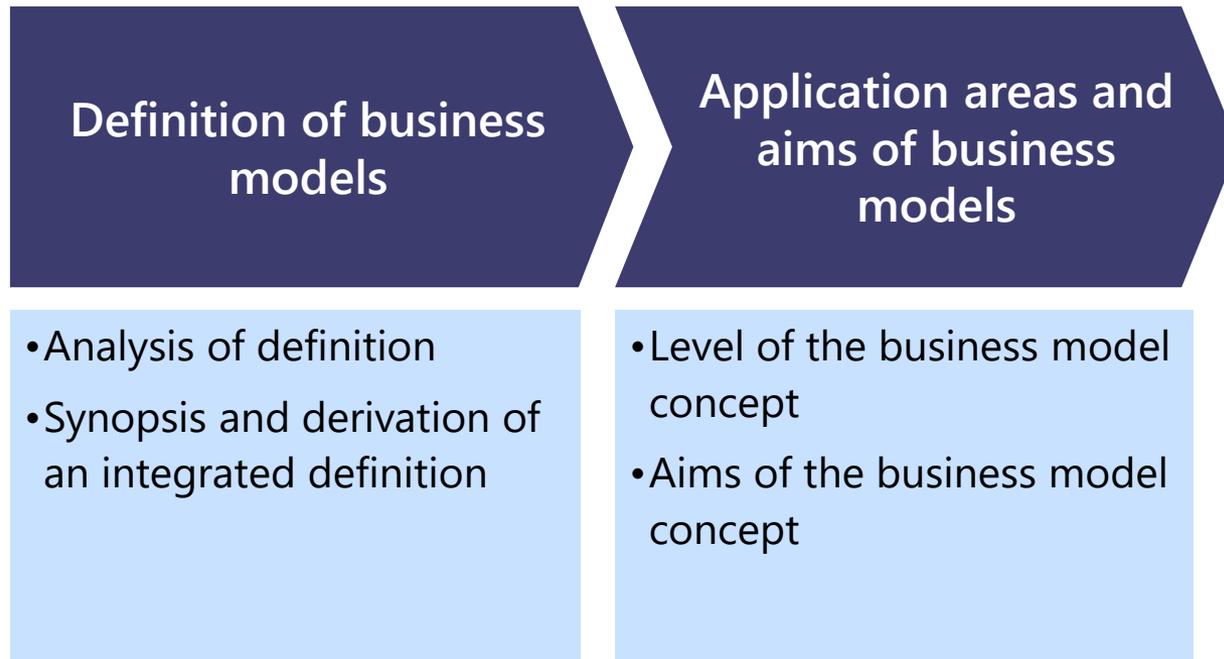
high relevance

significantly high relevance

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

Chapter 4: Distinction and Aims of Business Models

Fig. 4.1 Structure of the chapter



Source: Wirtz (2020)

Table 4.1 Overview of business model definitions (I)

Author	Definition
Treacy/Wiersema (1997), p. 10 et seq.	"The second concept, the operating business model oriented 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."
Timmers (1998), p. 4	"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."
Wirtz (2000), p. 81 et seq.	"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."
Hamel (2000), p. 83	"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."
Linder/Cantrell (2000), p. 5	"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."
Eriksson/Penker (2000), p. 2 et seq.	"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."

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

Table 4.1 Overview of business model definitions (II)

Author	Definition
Amit/Zott (2001), p. 493	"A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities."
Rayport/Jaworski (2001), p. 109	"A business model is comprised of four parts: a value proposition or "cluster" of value propositions, a marketplace 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."
Hedman/Kalling (2002), p. 113	"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."
Magretta (2002), p. 3 et seq.	"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 Ducker'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?"
Rentmeister/Klein (2003), p. 19	"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."
Afuah/Tucci (2003), p. 3 et seq.	"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."

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

Table 4.1 Overview of business model definitions (III)

Author	Definition
Afuah (2004), p. 9	"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."
Osterwalder/ Pigneur/Tucci (2005), p. 3	"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."
Al-Debei/EI-Haddadeh/ Avison (2008), p. 7	"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."
Johnson/Christensen/Kagermann (2008), p. 52	"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."
Baden-Fuller and Morgan (2010), p. 168	"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."
Johnson (2010), p. 22	"A business model, in essence, is a representation of how a business creates and delivers value, both for the customer and the company"
Ostwalder/ Pigneur (2010), p. 14	"A business model describes the rationale of how an organization creates, delivers, and captures value."
Teece (2010), p. 173	"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."

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

Business Model Definition by Wirtz (2000)

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)

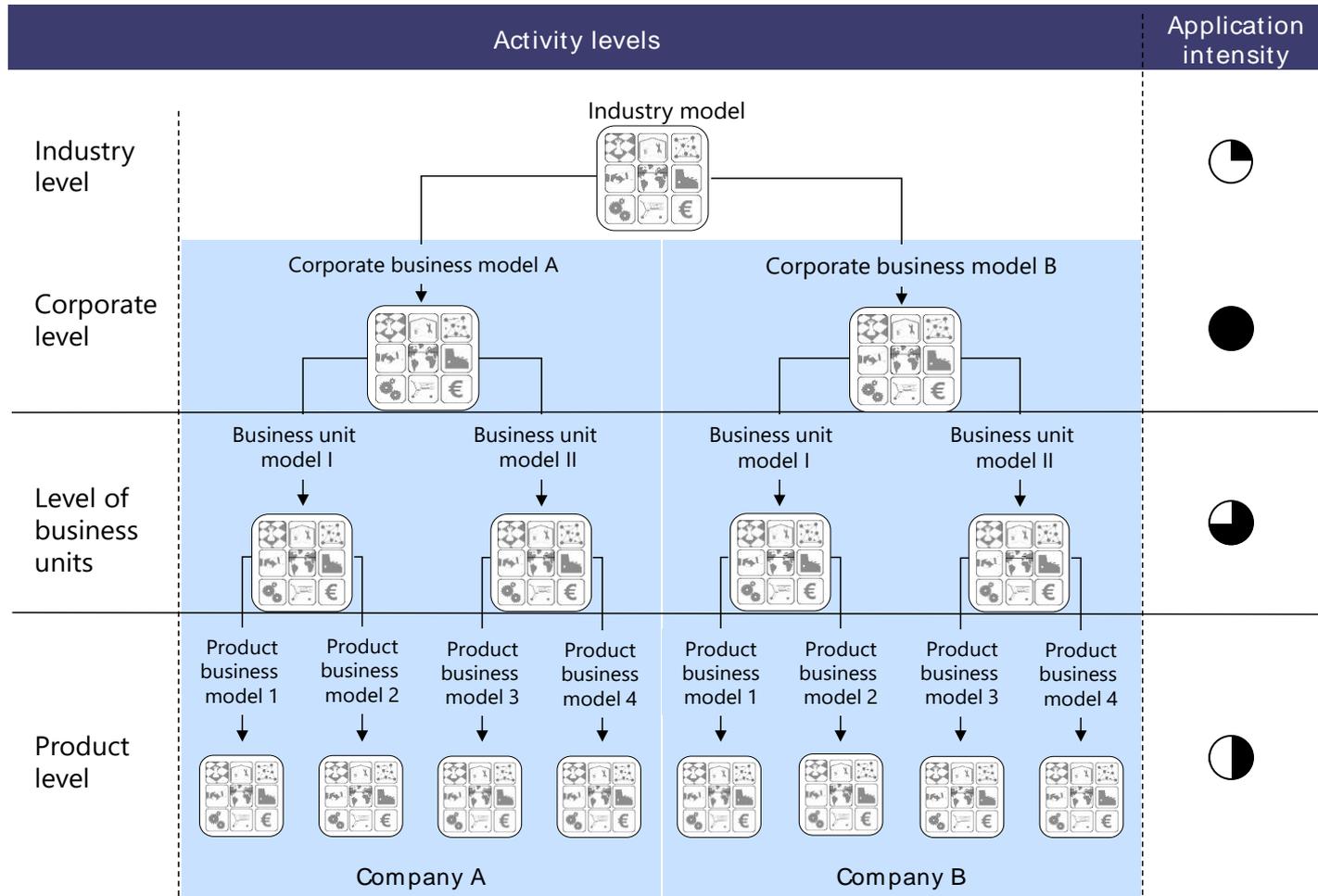
Source: Wirtz (2020)

Business Model Management Definition by Wirtz (2000)

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)

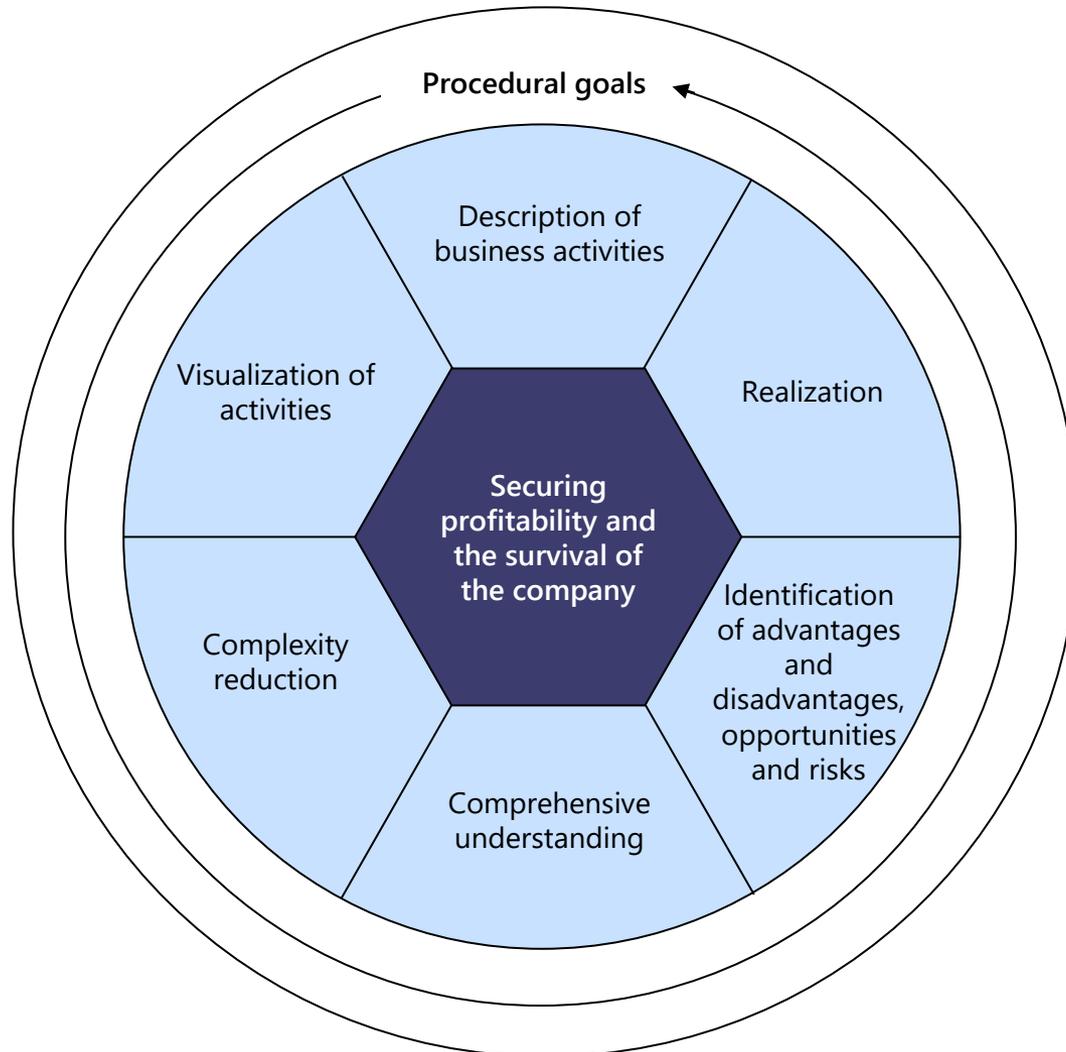
Fig. 4.2 Business model levels



Strength of effect: ○ = very low ◐ = low ◑ = medium ◒ = high ● = very high

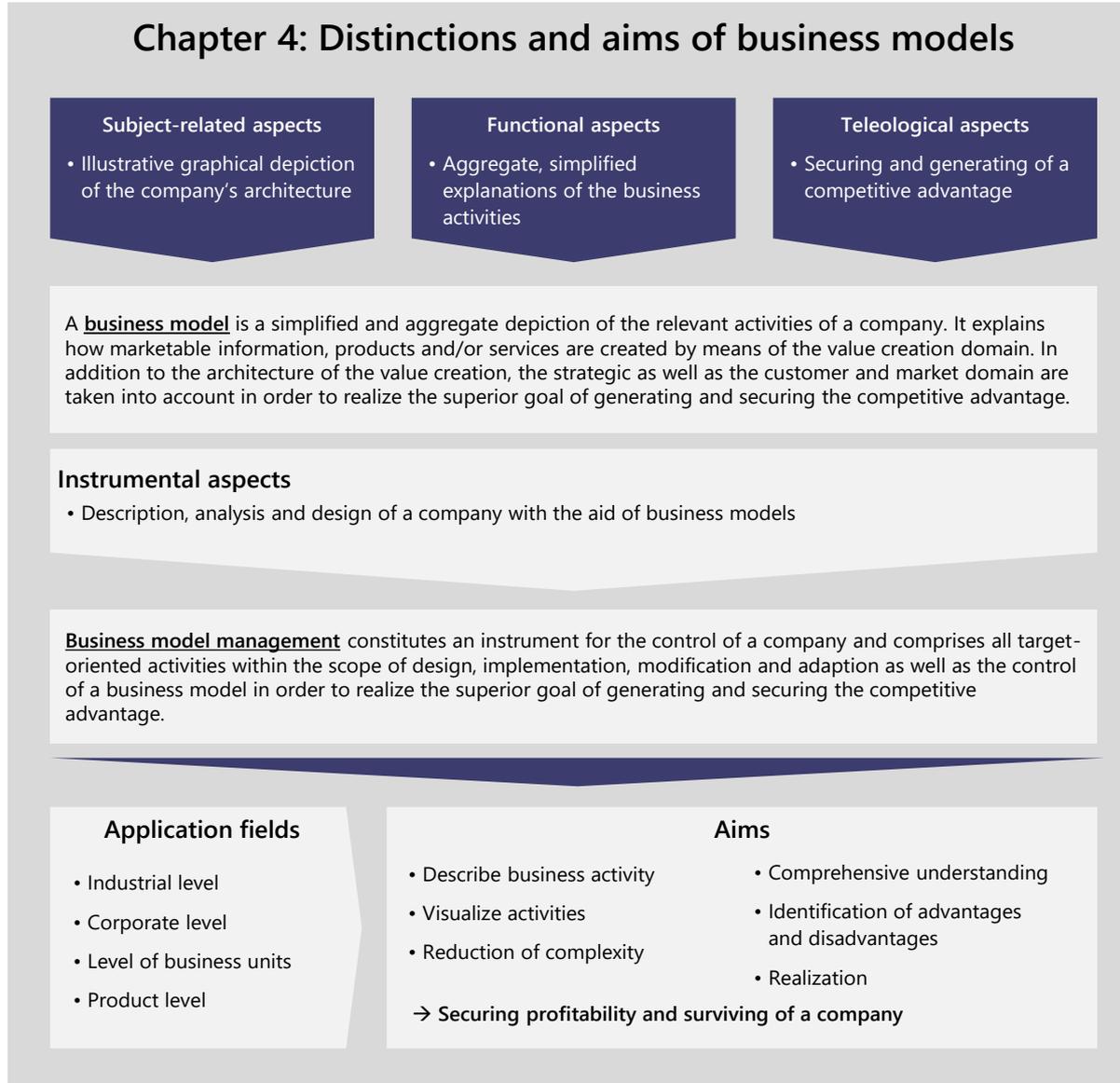
Source: Wirtz (2010a, 2011, 2018a, 2019a, 2020)

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



Source: Wirtz (2010a, 2011, 2018a, 2019a, 2020)

Fig. 4.4 Chapter summary: Distinctions and aims of business models

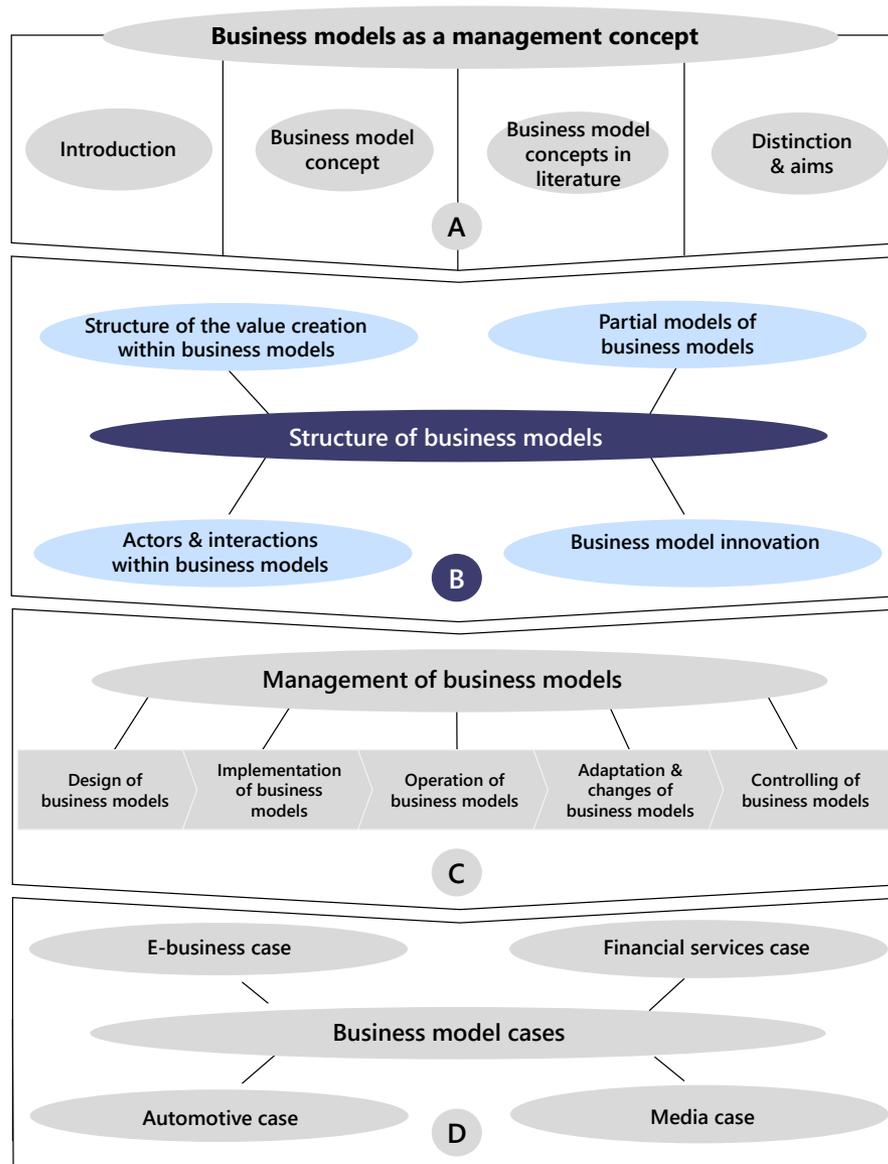


Source: Wirtz (2010a, 2011, 2018a, 2020)

Part II - Structure of Business Models

Chapter 5: Introduction

Fig. 5.1 Putting the section into context



Source: Wirtz (2020)

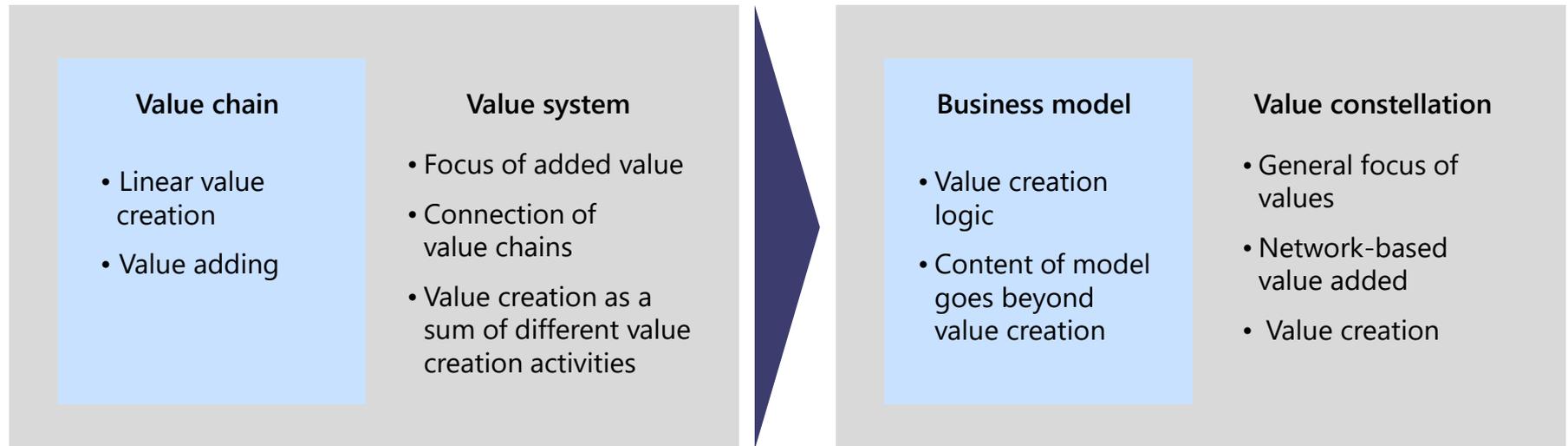
Chapter 6: Structure of the Value Creation in Business Models

Fig. 6.1 Traditional business vs. digital business

Traditional business	Digital business
<ul style="list-style-type: none">• Stable environment• Low intensity of competition• Security• National / multinational• Little networking• Market of production	<ul style="list-style-type: none">• Dynamic environment• High intensity of competition• Insecurity• Globalized• Networking• Market of demand

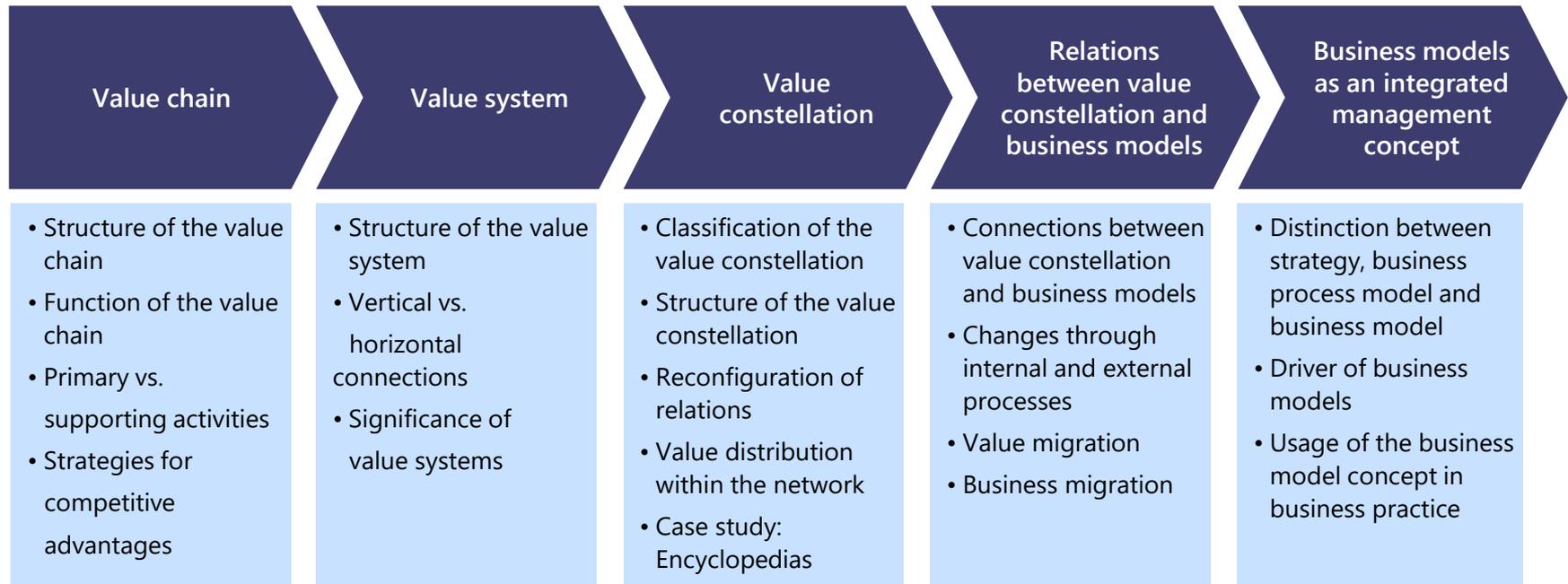
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 6.2 Value creation models and business model concept



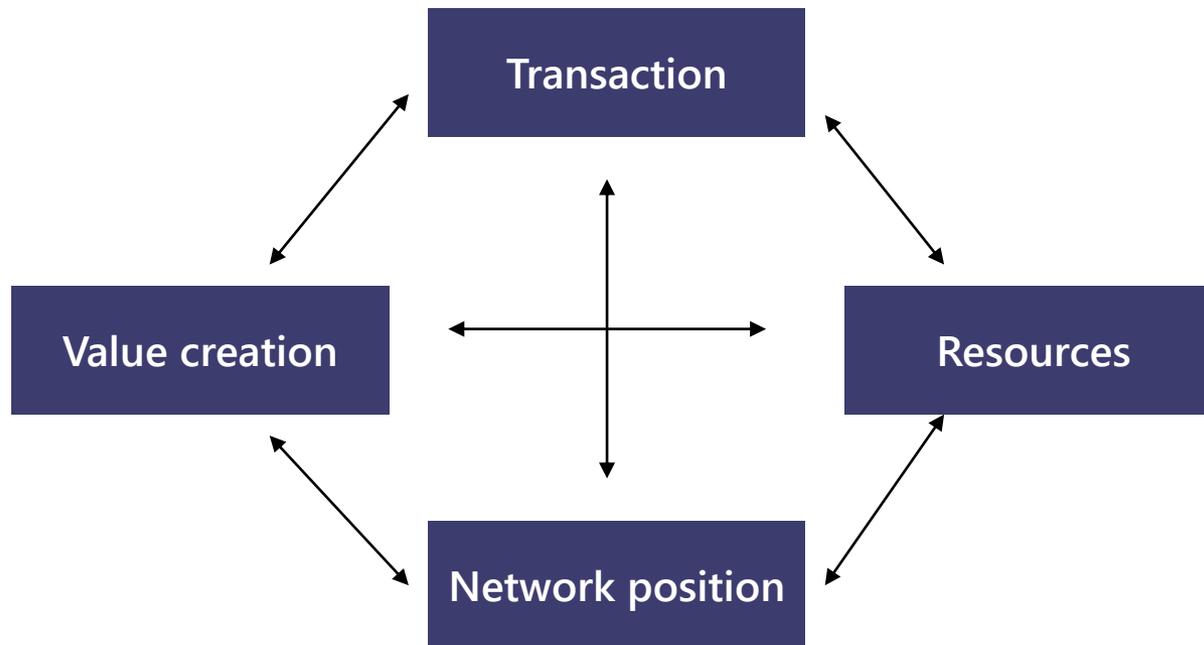
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 6.3 Structure of the chapter



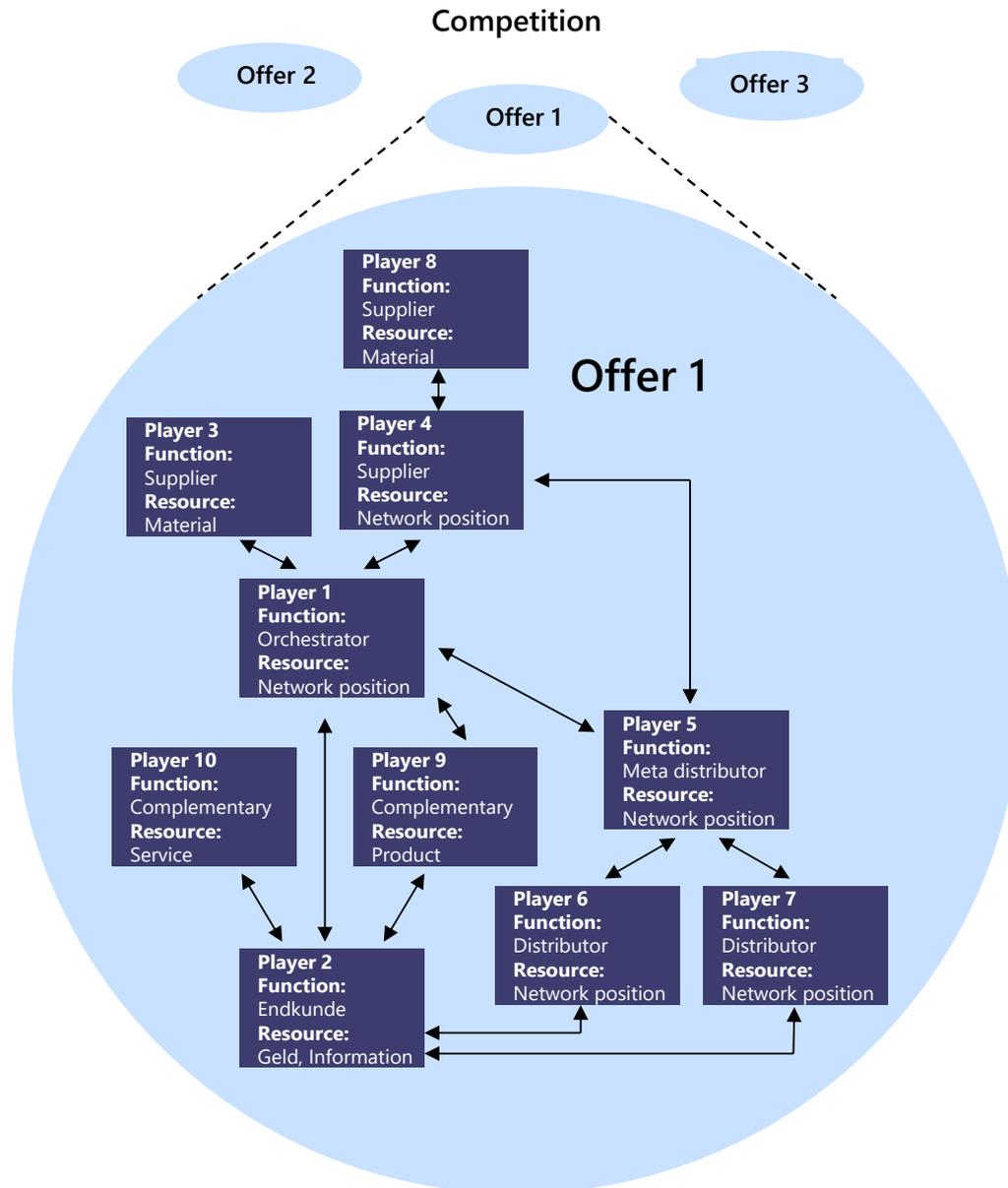
Source: Wirtz (2020)

Fig. 6.4 Dimensions of the value constellation



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

Fig. 6.5 Exemplary structure of a value constellation



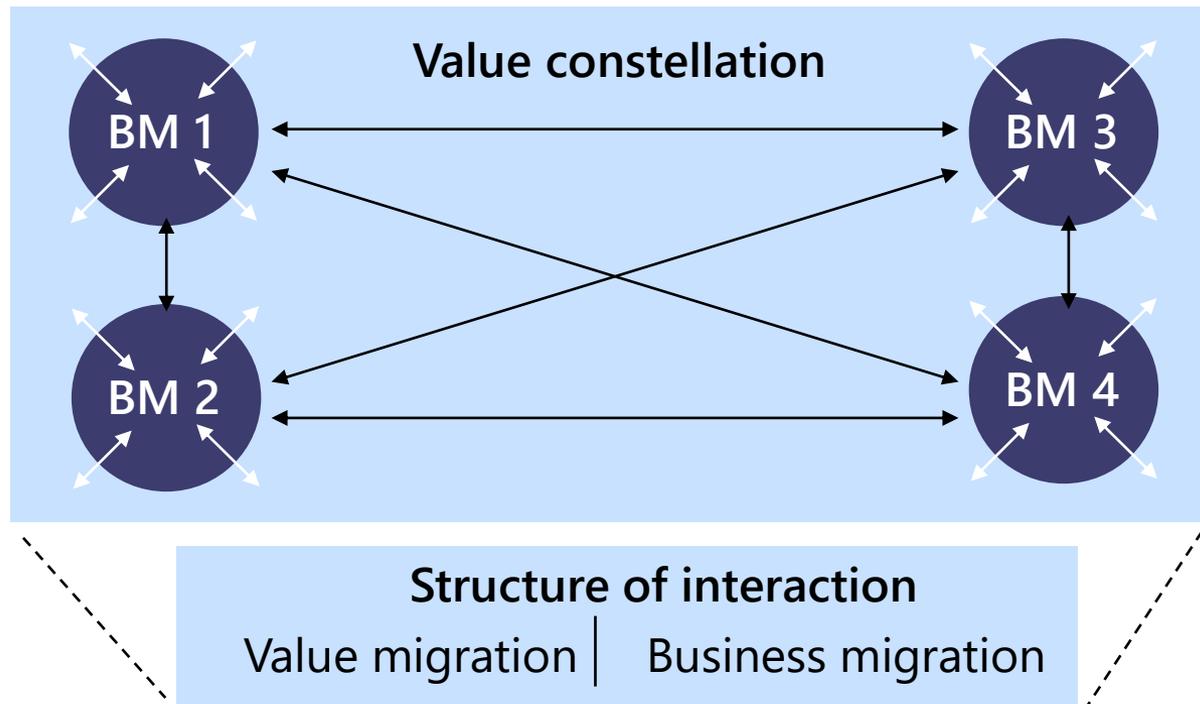
Source: Wirtz (2010a, 2011, 2018b, 2020)

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

	Value chain	Value system	Value constellation	Business model
Development	<ul style="list-style-type: none"> • From industrial economy 	<ul style="list-style-type: none"> • From industrial economy 	<ul style="list-style-type: none"> • From network theory 	<ul style="list-style-type: none"> • From technology-oriented approach
Structure	<ul style="list-style-type: none"> • Linear 	<ul style="list-style-type: none"> • Linear, connection of value chains 	<ul style="list-style-type: none"> • Network 	<ul style="list-style-type: none"> • Focus beyond value creation • Network
Functions	<ul style="list-style-type: none"> • Description of value creation in single companies • Value adding 	<ul style="list-style-type: none"> • Description of value creation in single companies • Value adding 	<ul style="list-style-type: none"> • Description of value creation between different companies • Value creation 	<ul style="list-style-type: none"> • Description of business structure and value creation
Aims	<ul style="list-style-type: none"> • Identifying the potential of stages of value addition 	<ul style="list-style-type: none"> • Integrating complex structures of value addition 	<ul style="list-style-type: none"> • Identifying potentials of connections in the value creation 	<ul style="list-style-type: none"> • Development, implementation and support of sustainable and successful corporate strategies

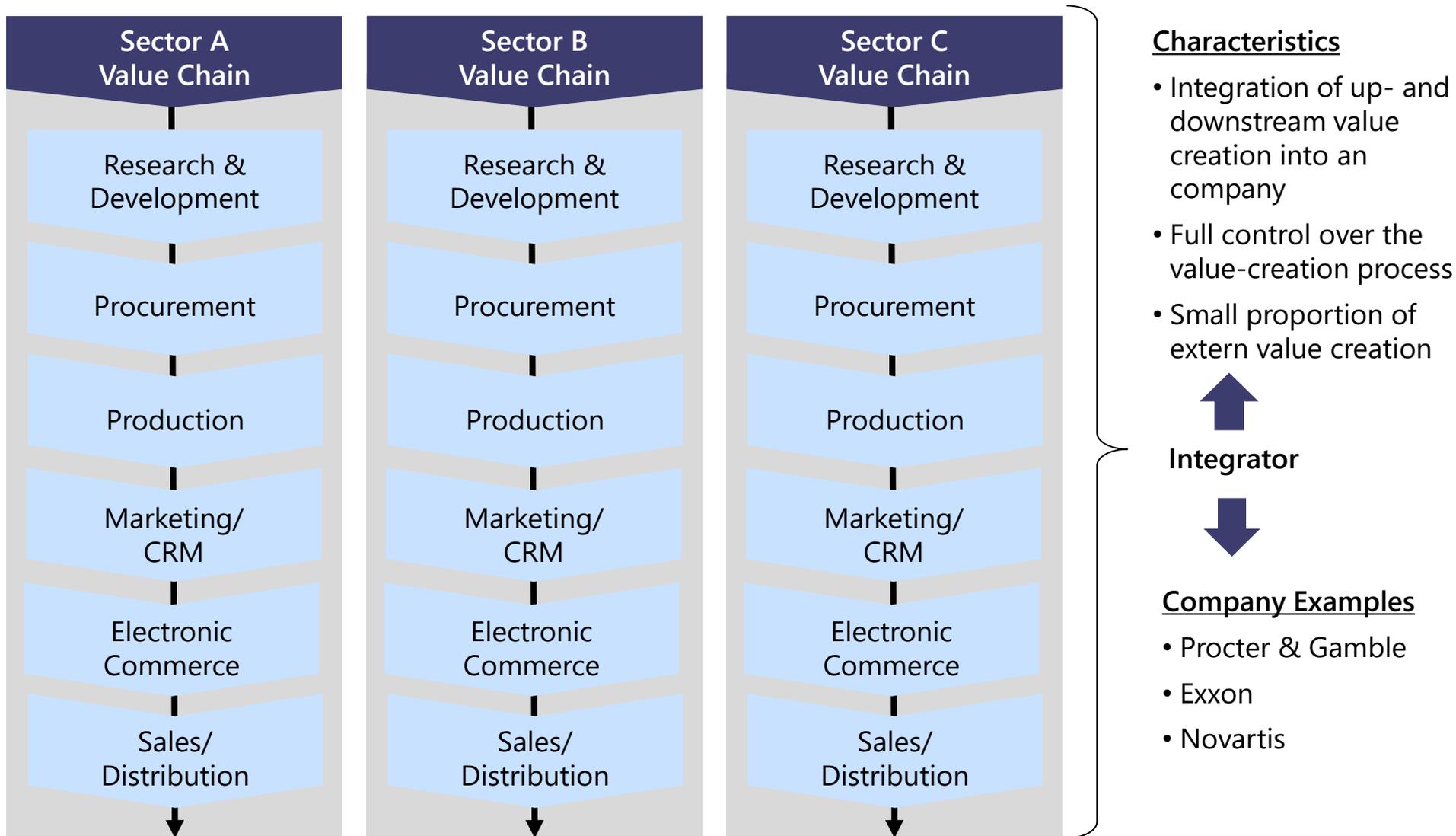
Source: Wirtz (2010a, 2011, 2018a, 2020)

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



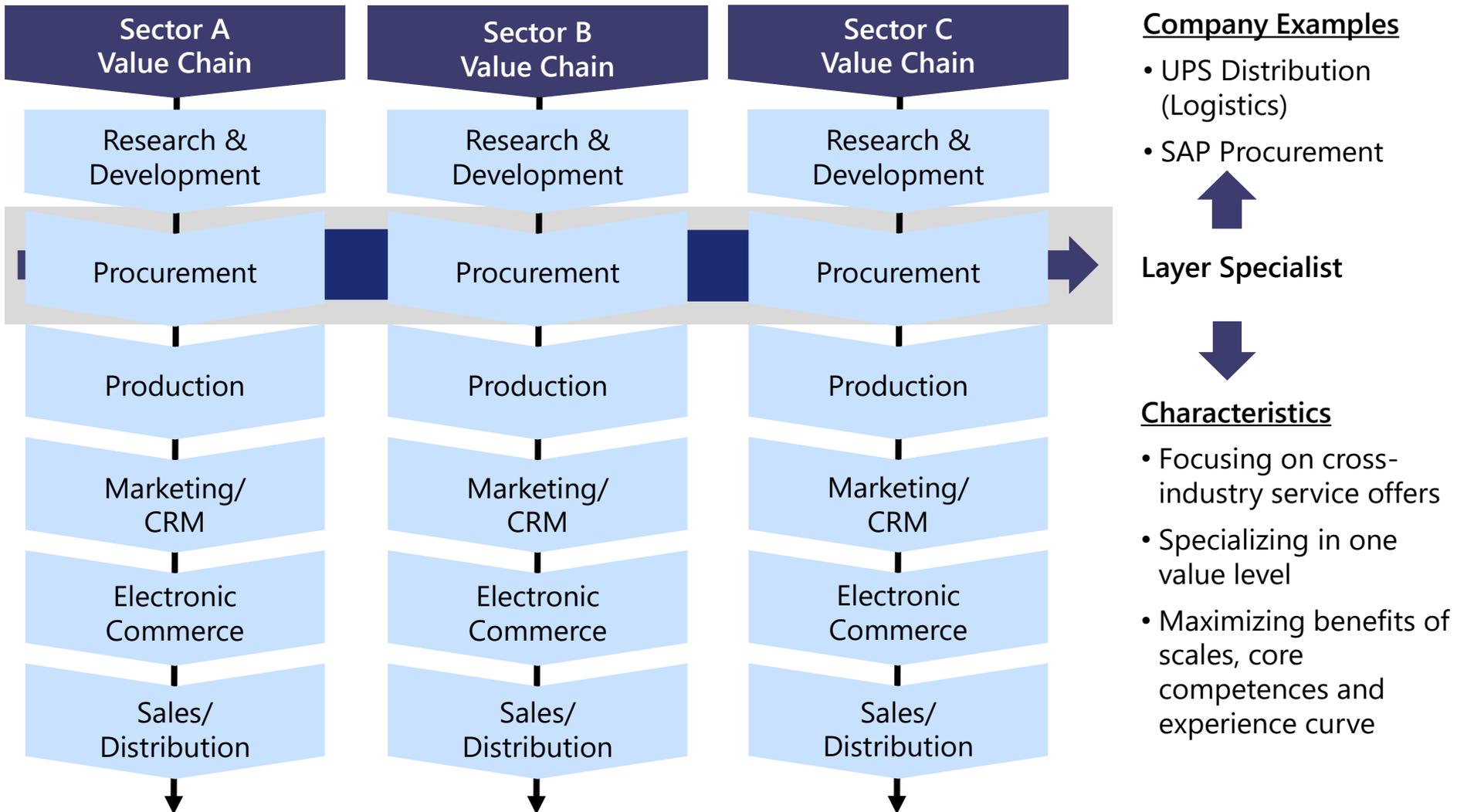
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 6.8 Integrating the value chain



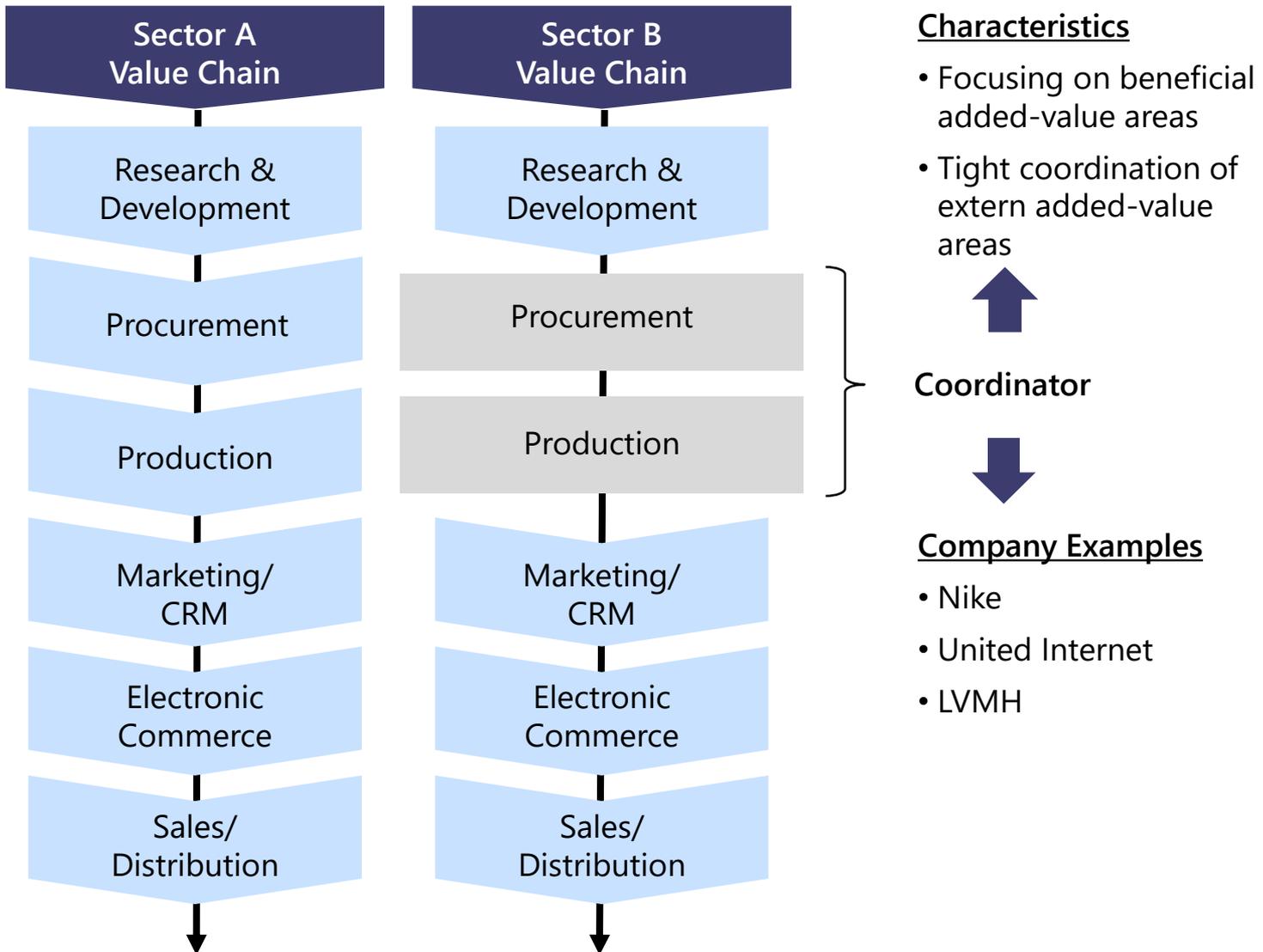
Source: Wirtz and Becker (2002b), and Wirtz (2020)

Fig. 6.9 Focusing on a value chain layer



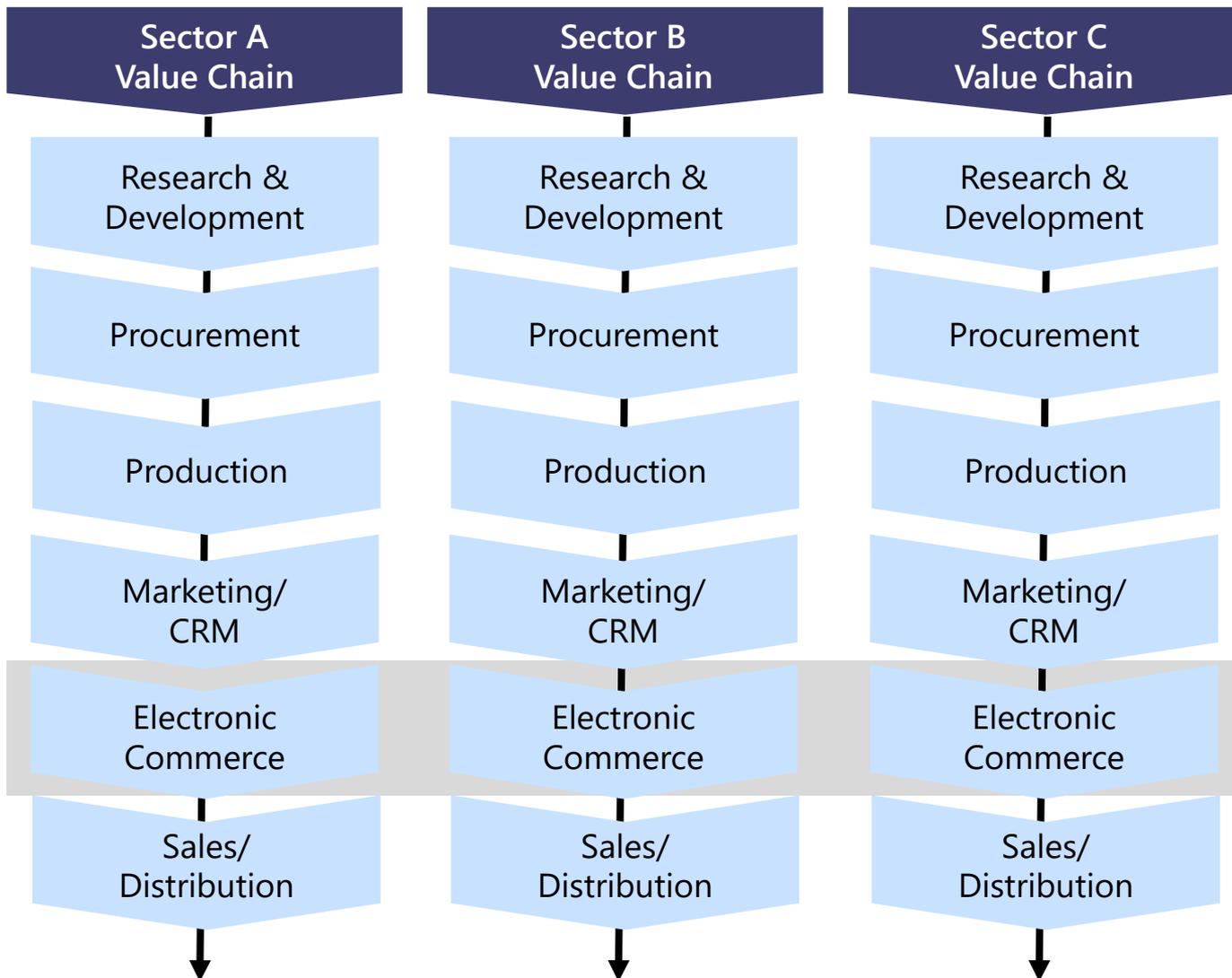
Source: Wirtz and Becker (2002b), and Wirtz (2020)

Fig. 6.10 Coordination of external providers



Source: Wirtz and Becker (2002b), and Wirtz (2020)

Fig. 6.11 Creating new markets as a pioneer



Characteristics

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



Pioneer (Market Maker)

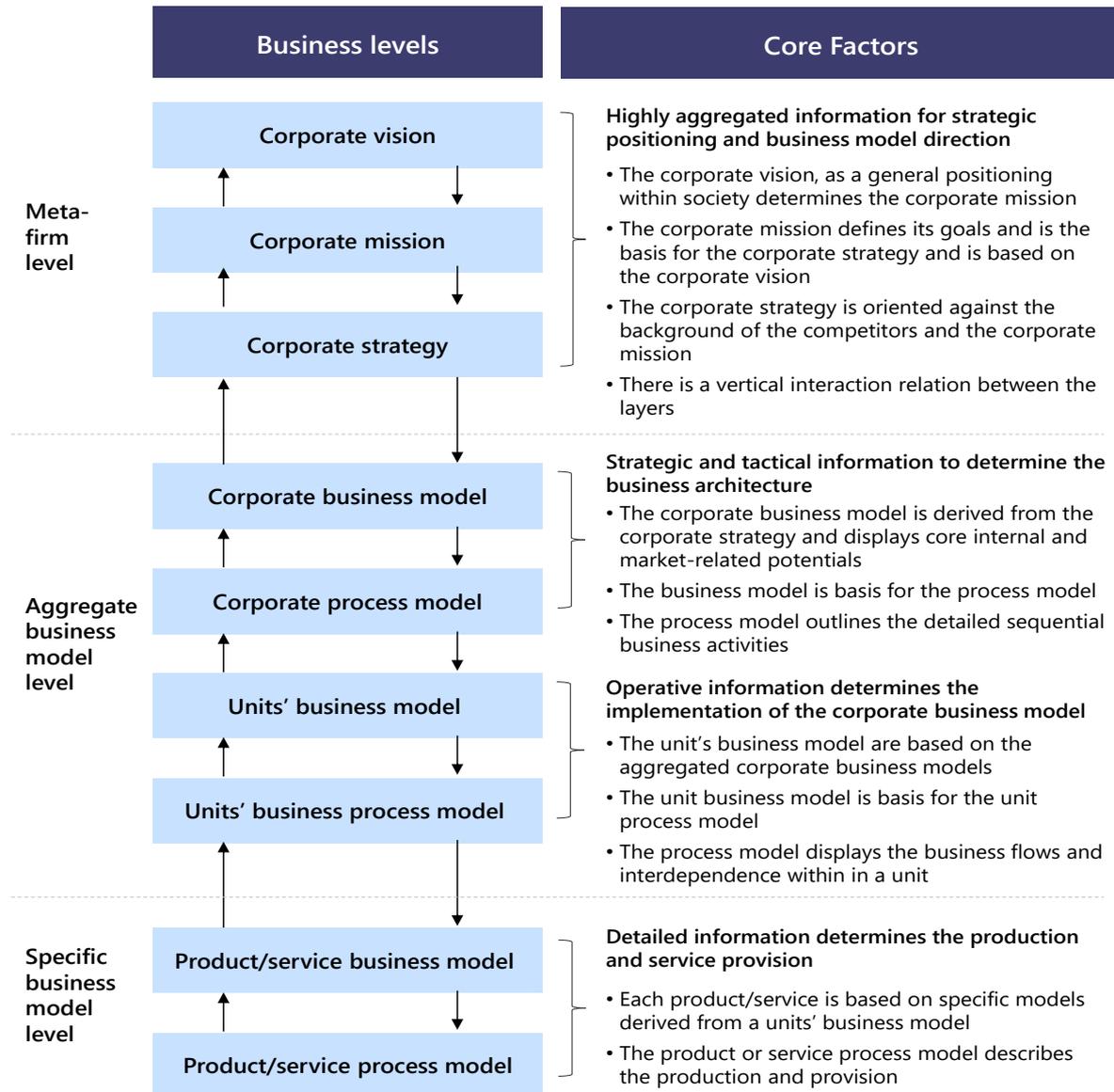


Company Examples

- Amazon.com
- AirBnB

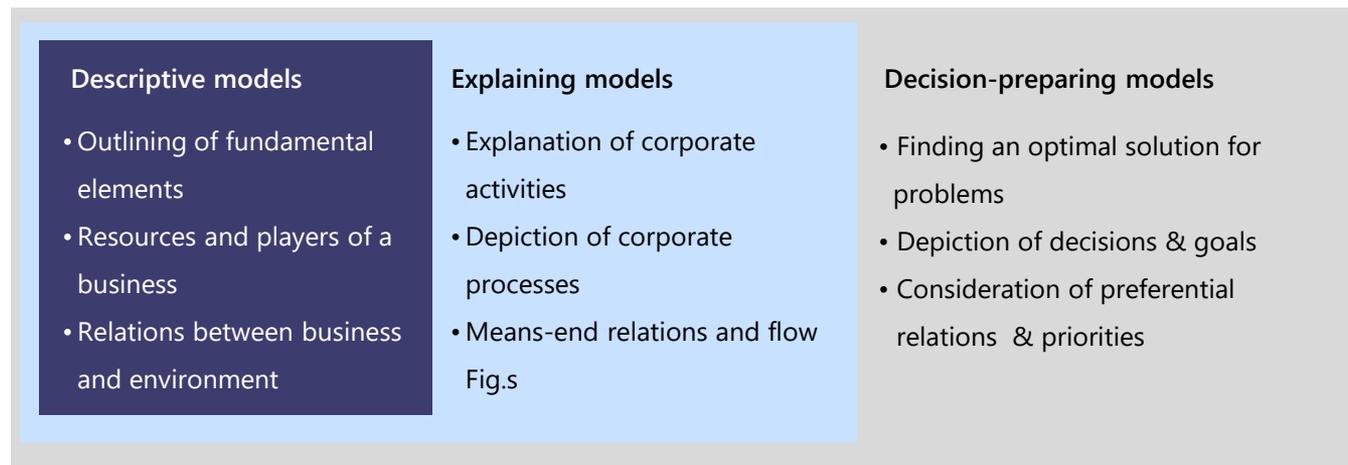
Source: Wirtz and Becker (2002b), and Wirtz (2020)

Fig. 6.12 Business model layers



Source: Wirtz (2020)

Fig. 6.13 Overview of the different business model types



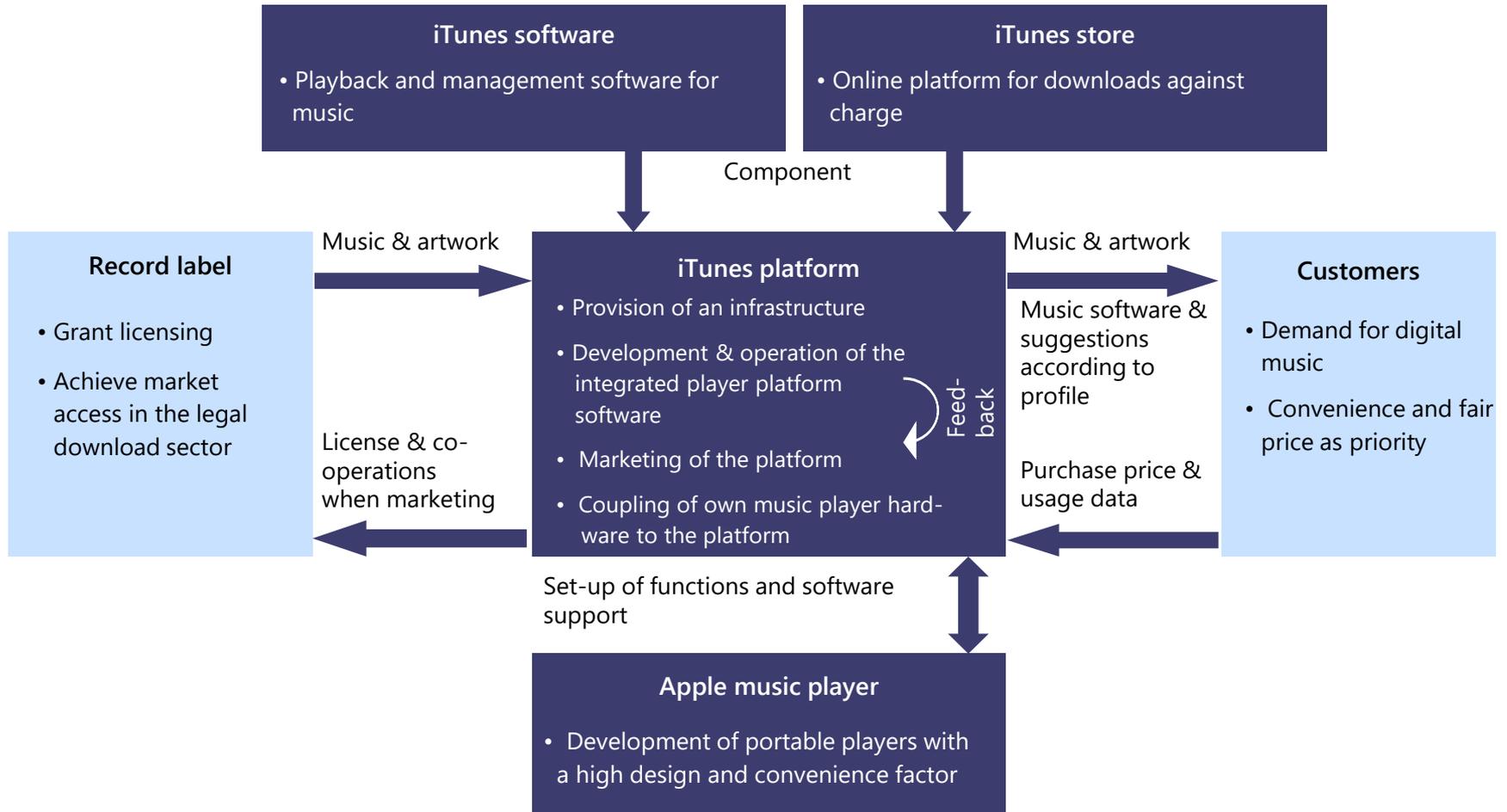
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 6.14 Descriptive model of Apple iTunes



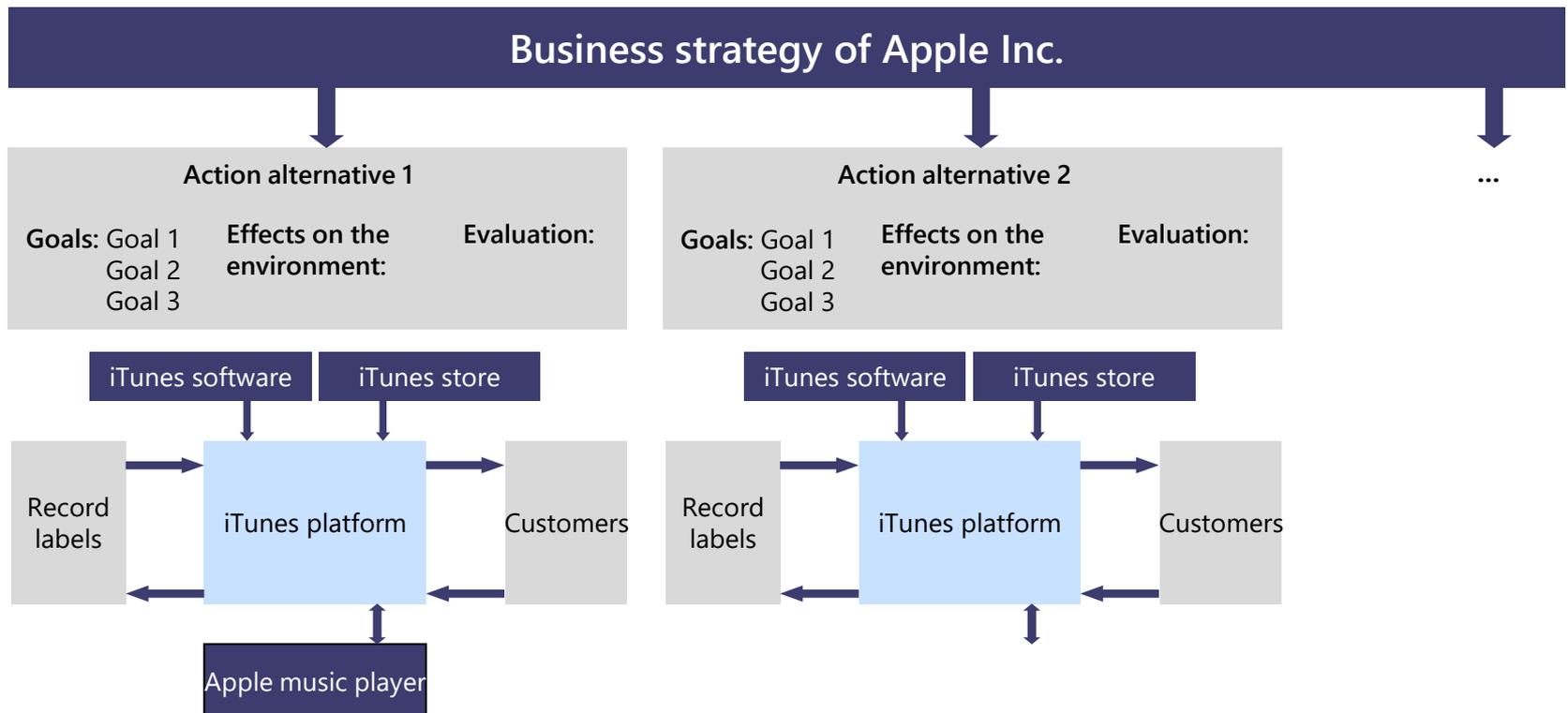
Source: Wirtz (2010a, 2011, 2018a, 2020) and on the basis of own analyses and estimations

Fig. 6.15 Explanatory model of Apple iTunes



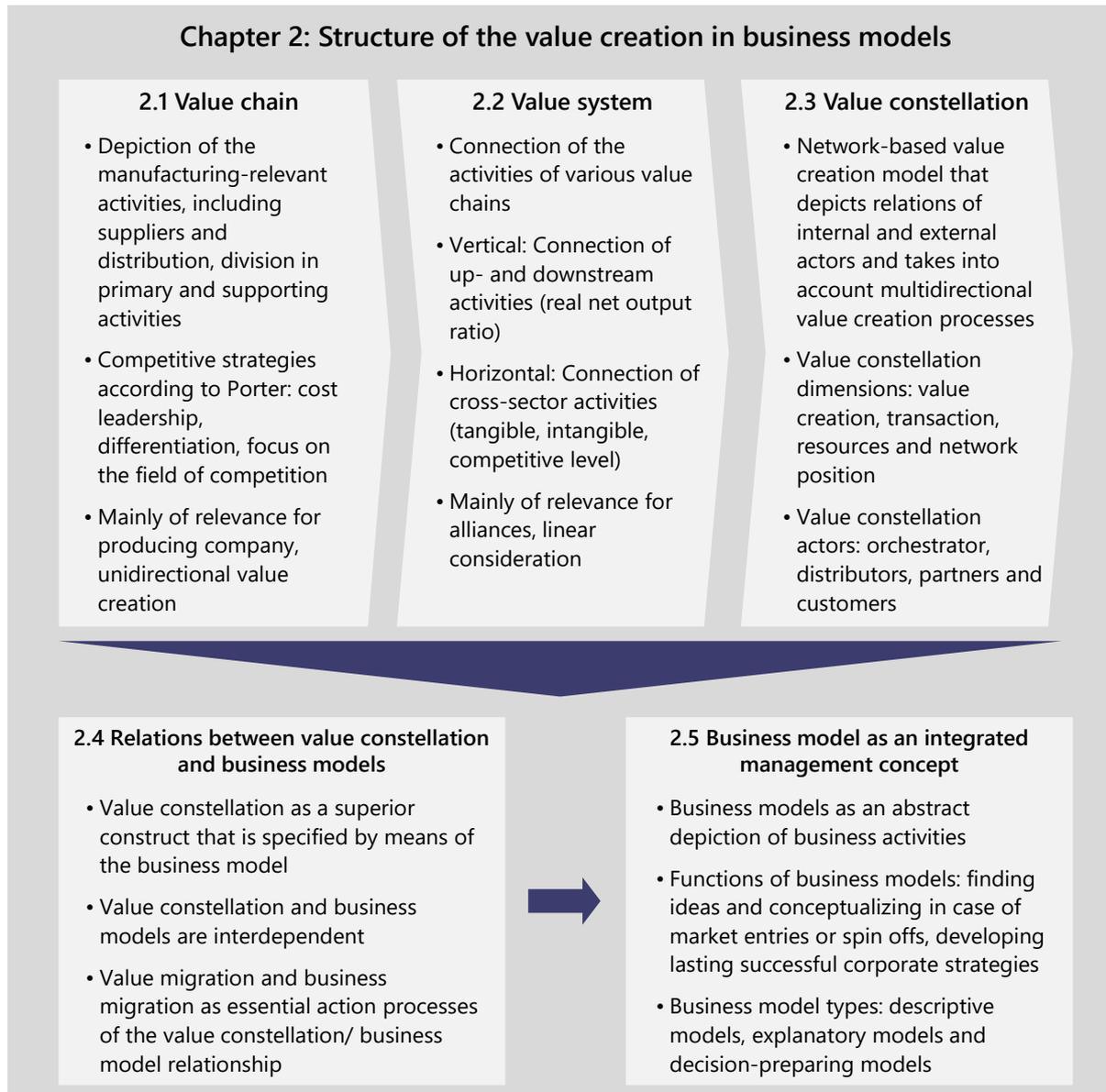
Source: Wirtz (2010a, 2011, 2018a, 2020) and on the basis of own analyses and estimations

Fig. 6.16 Decision-preparation model of Apple iTunes



Source: Wirtz (2010a, 2011, 2018a, 2020) and on the basis of own analyses and estimations

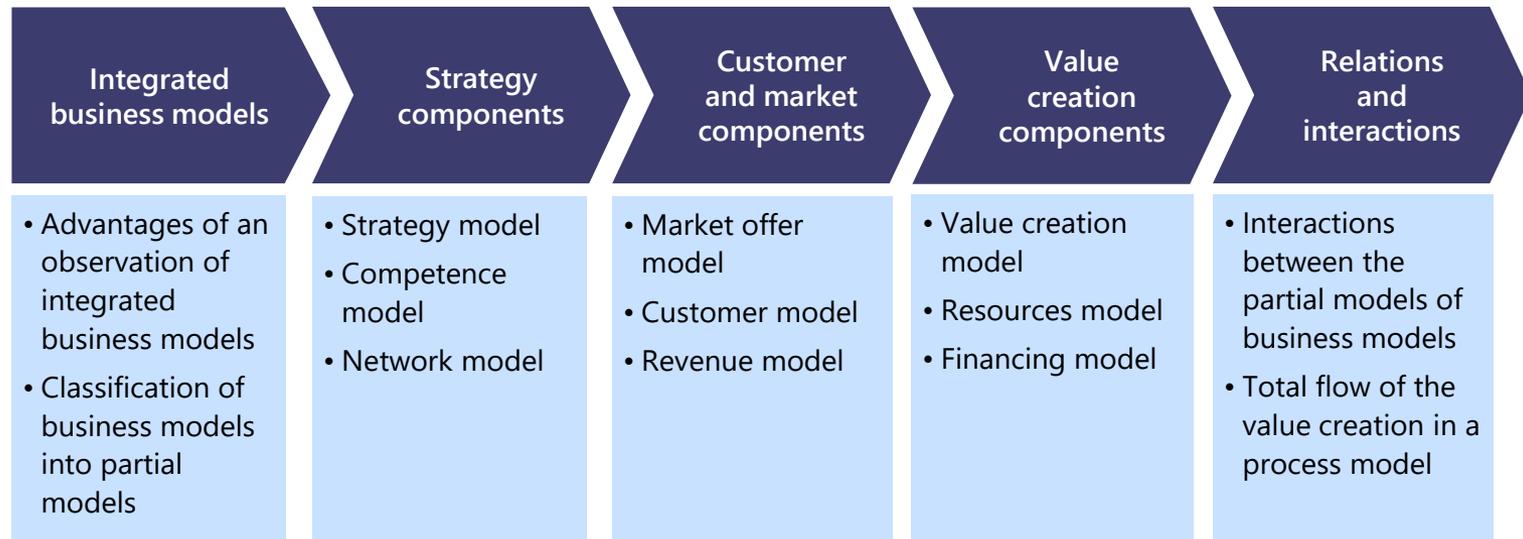
Fig. 6.17 Summary of the chapter on the structure of value creation in business models



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

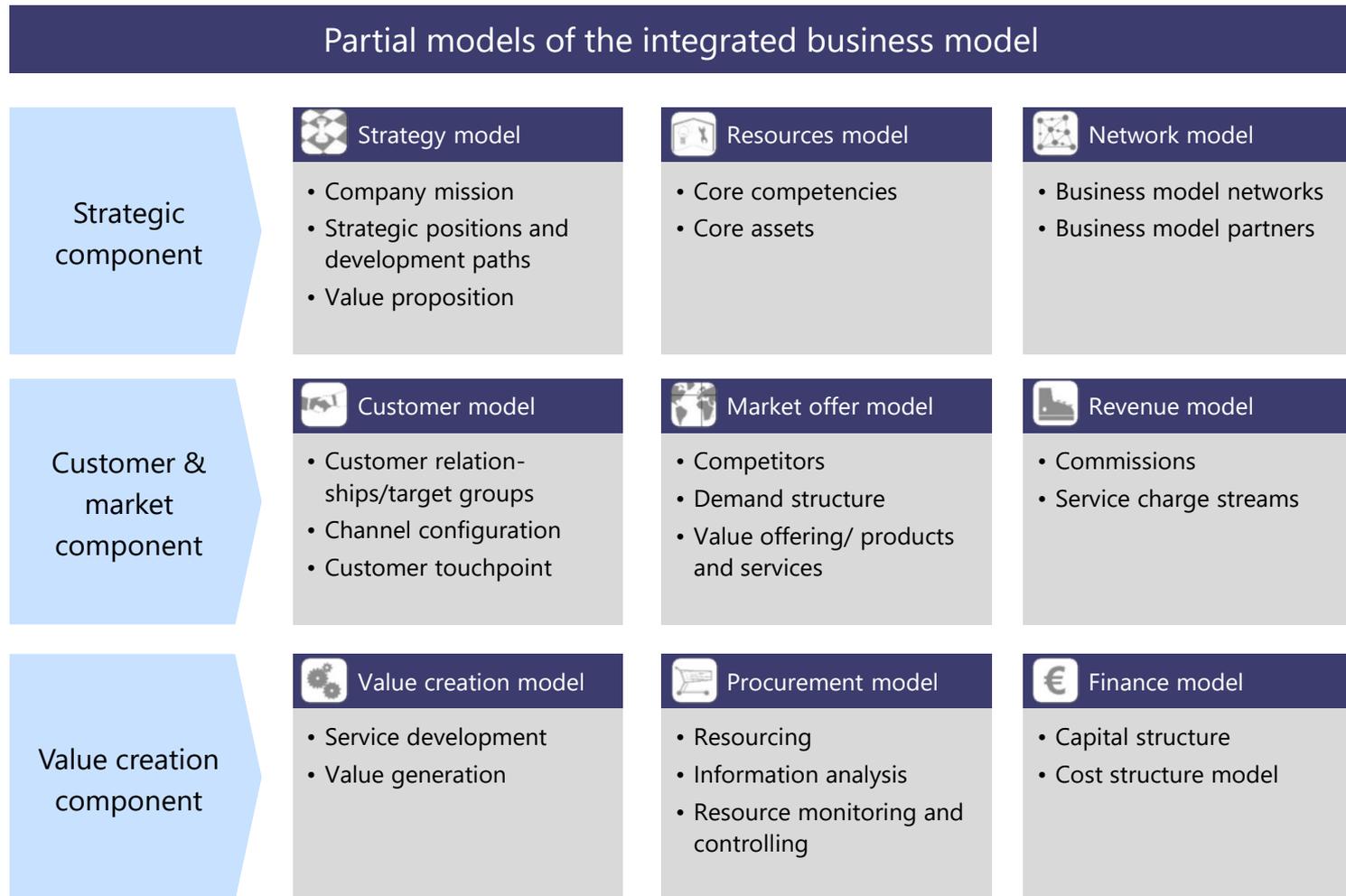
Chapter 7: Partial Models of Business Models

Fig. 7.1 Structure of the chapter



Source: Wirtz (2020)

Fig. 7.2 Partial models of the integrated business model

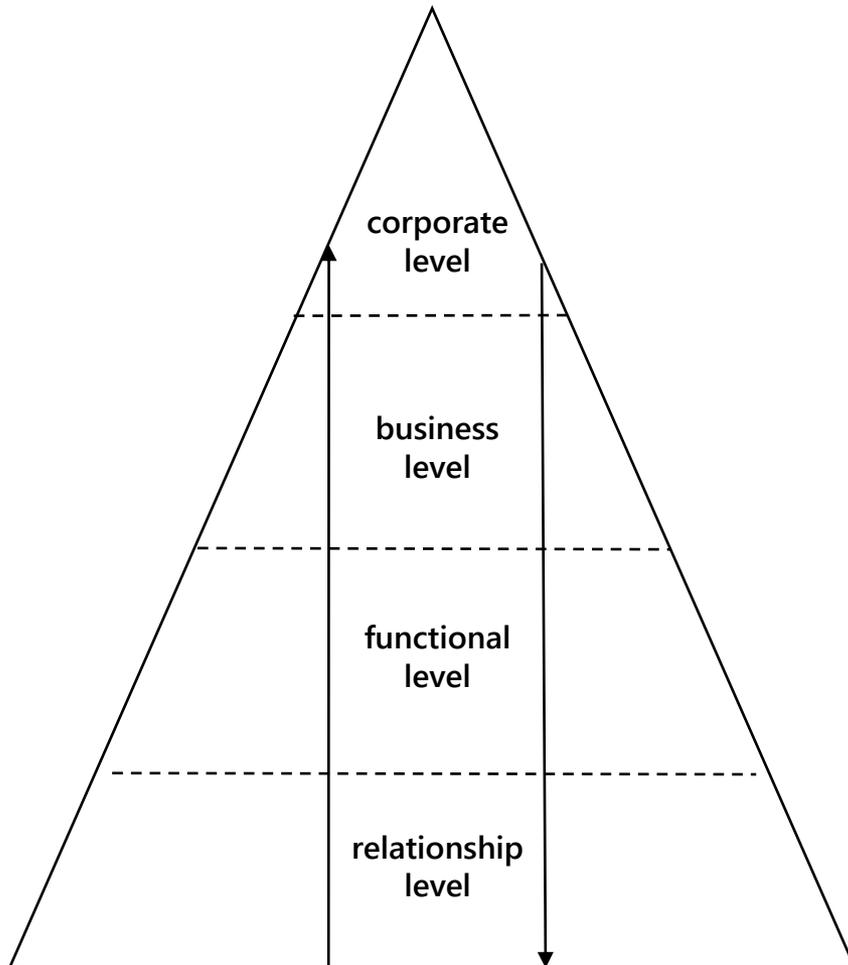


Source: Wirtz (2010a, 2011, 2018a, 2019a, 2020)

Fig. 7.3 Strategy levels and tasks of the business model management

Action levels of a company

Tasks in the business model context



Source: Wirtz (2000, 2018a, 2020)

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

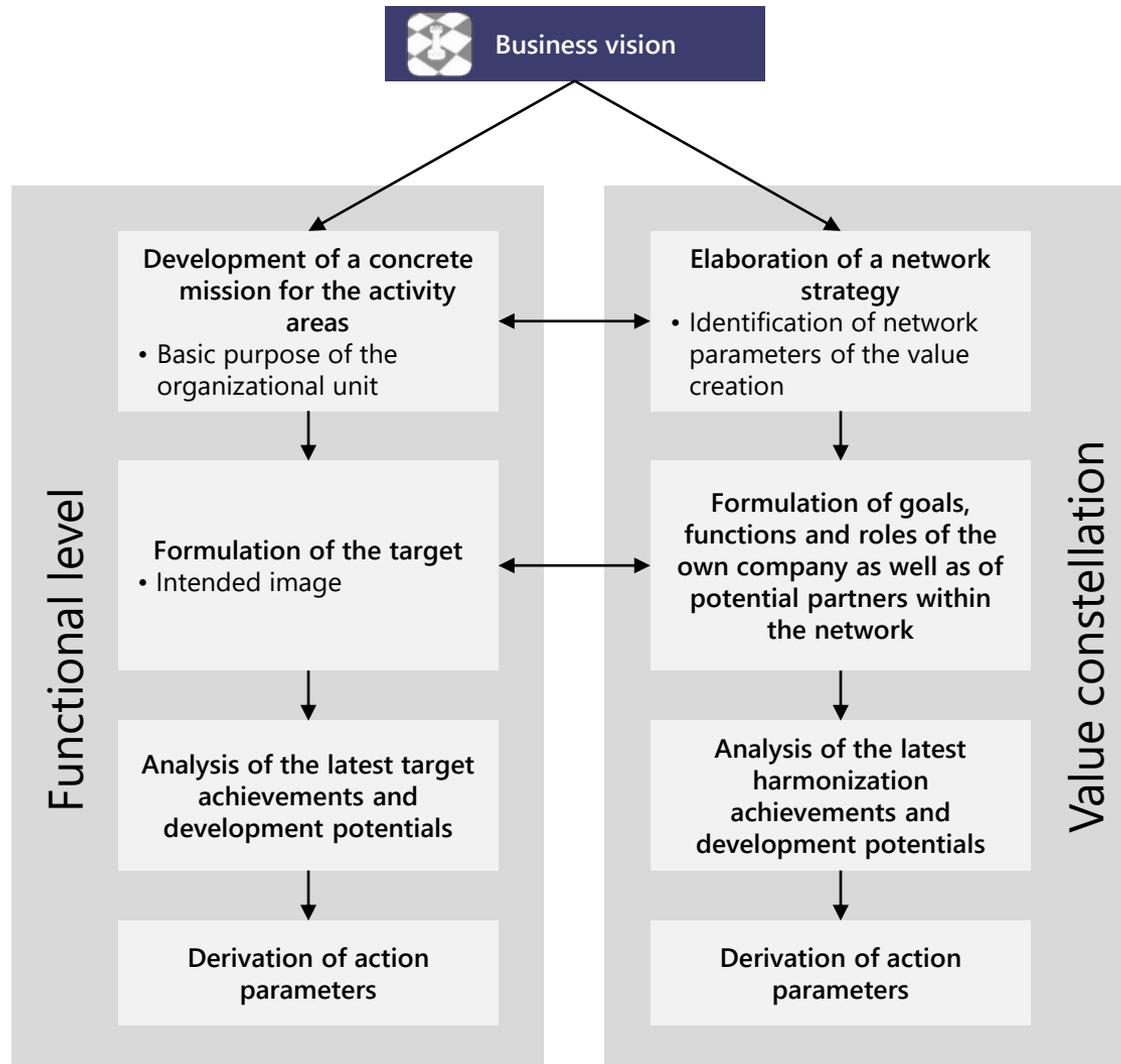
Functional level

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

Relationship level

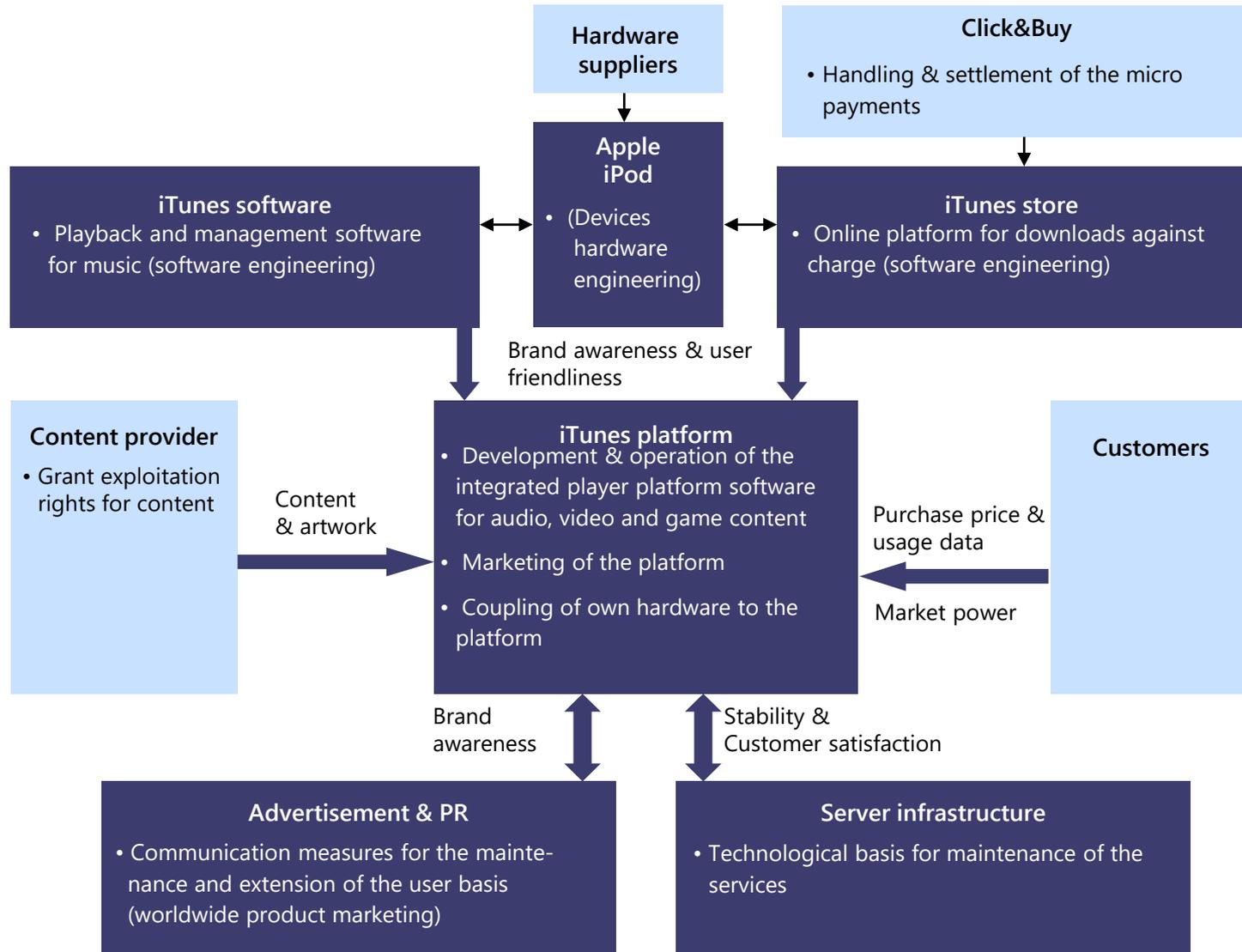
- Network idea of business models
- In particular management and definition of activities regarding business relations

Fig. 7.4 Management process within the strategy model



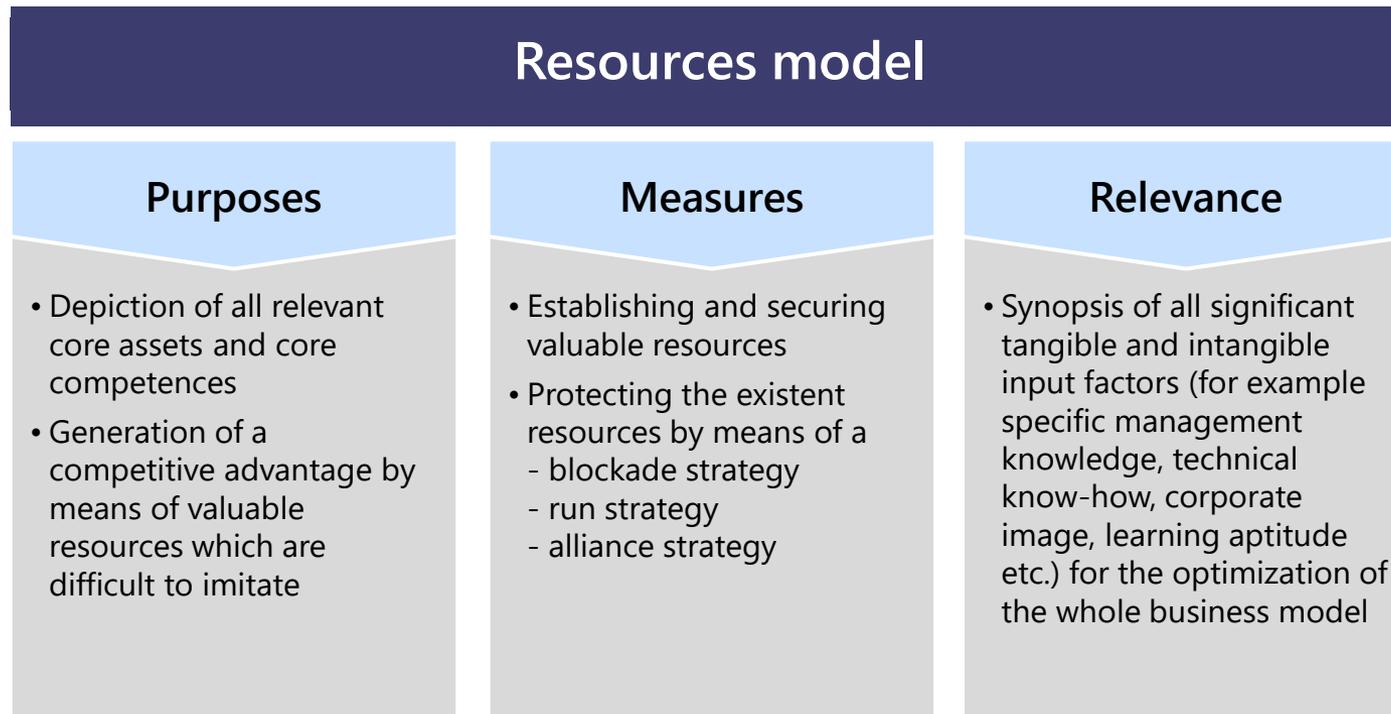
Source: Wirtz (2010a, 2011, 2018a, 2019a, 2020)

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



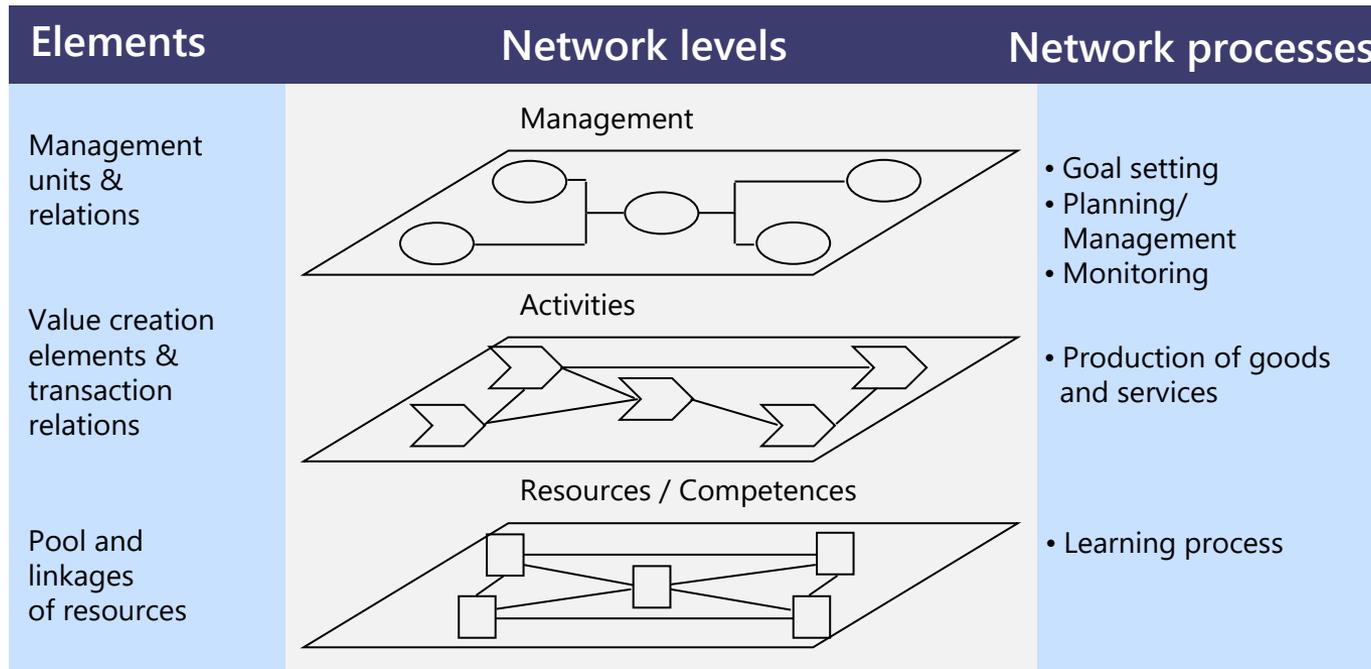
Source: Wirtz (2010a, 2011, 2018a, 2020) and on the basis of own analyses and estimations

Fig. 7.6 Core aspects of the resources model



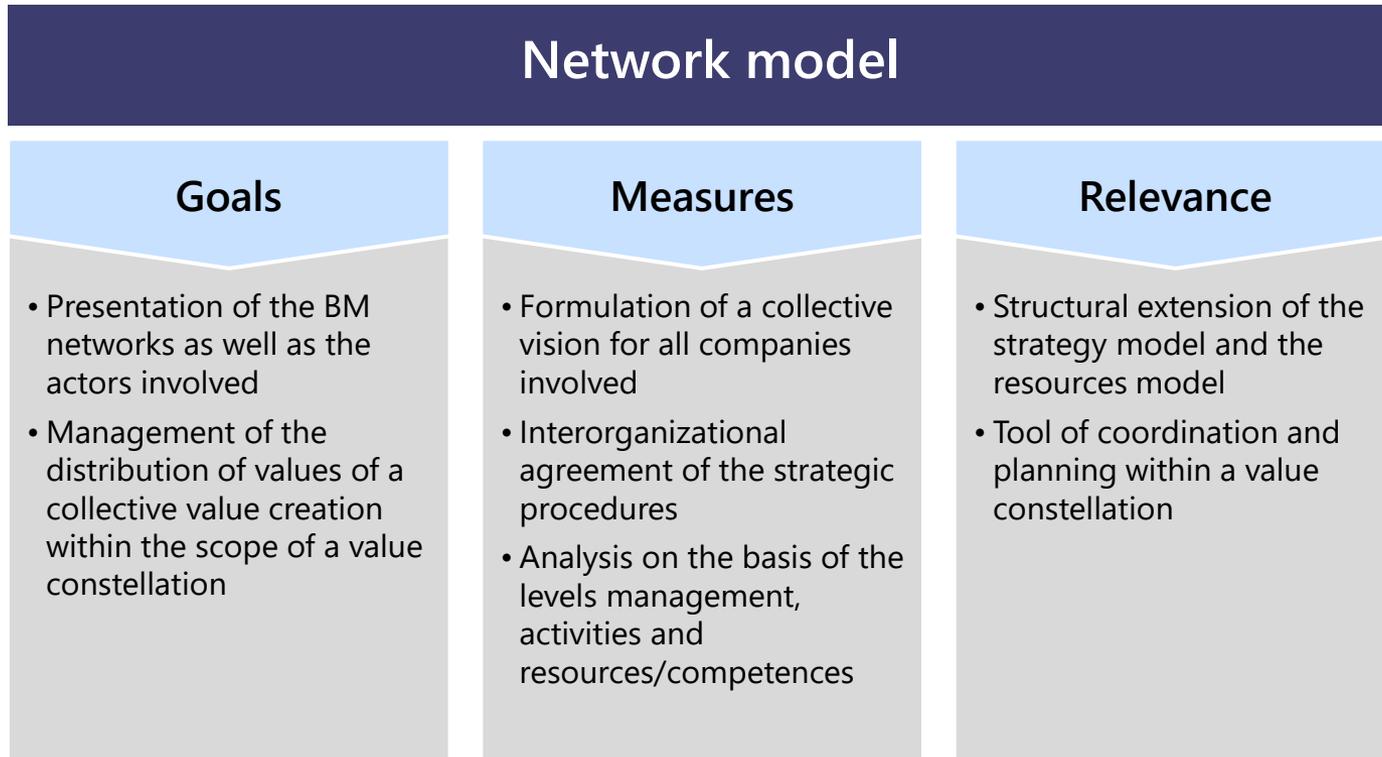
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 7.7 Levels of the business network model



Source: Mack (2003), and Wirtz (2020)

Fig. 7.8 Core aspects of the network model



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

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?

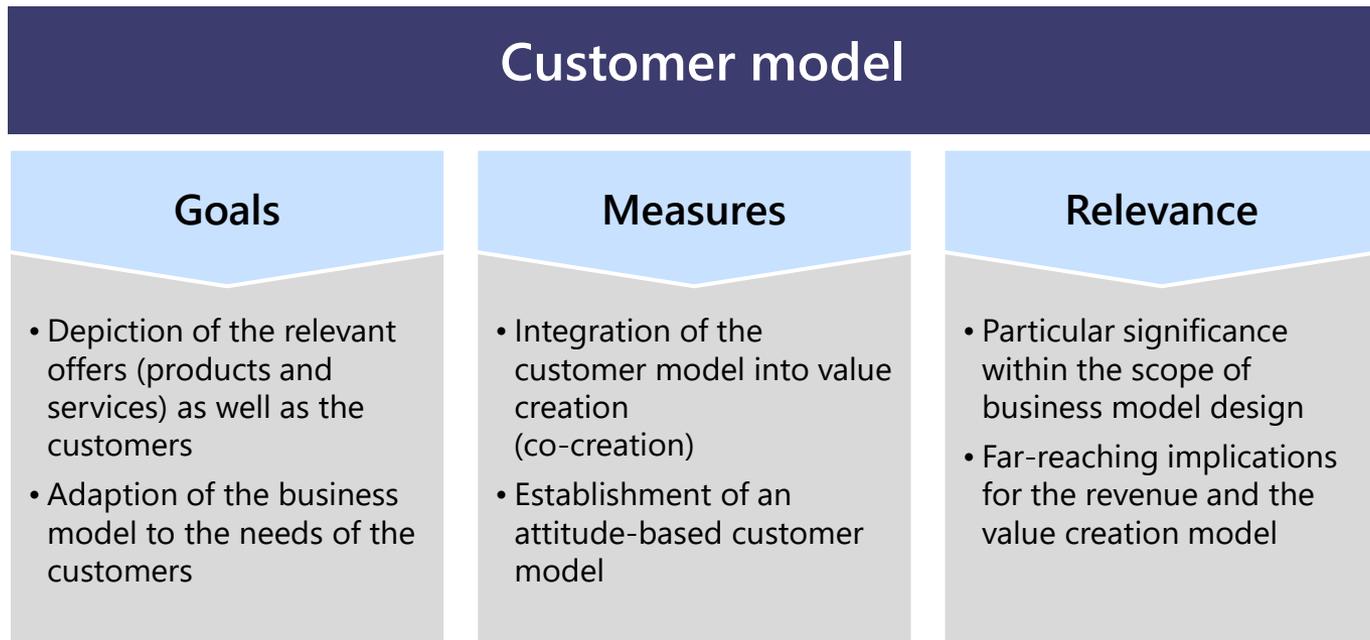


Network model

- 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?

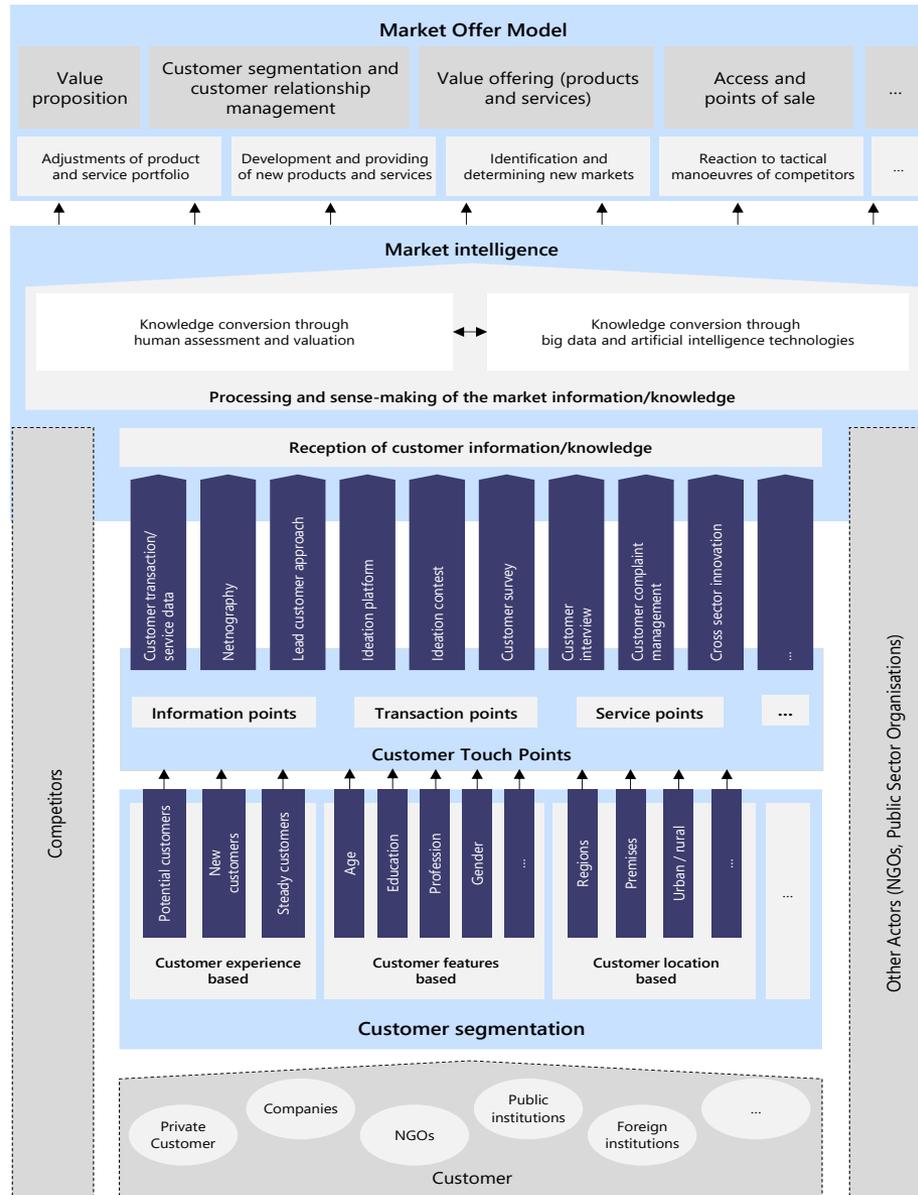
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 7.10 Core aspects of the customer model



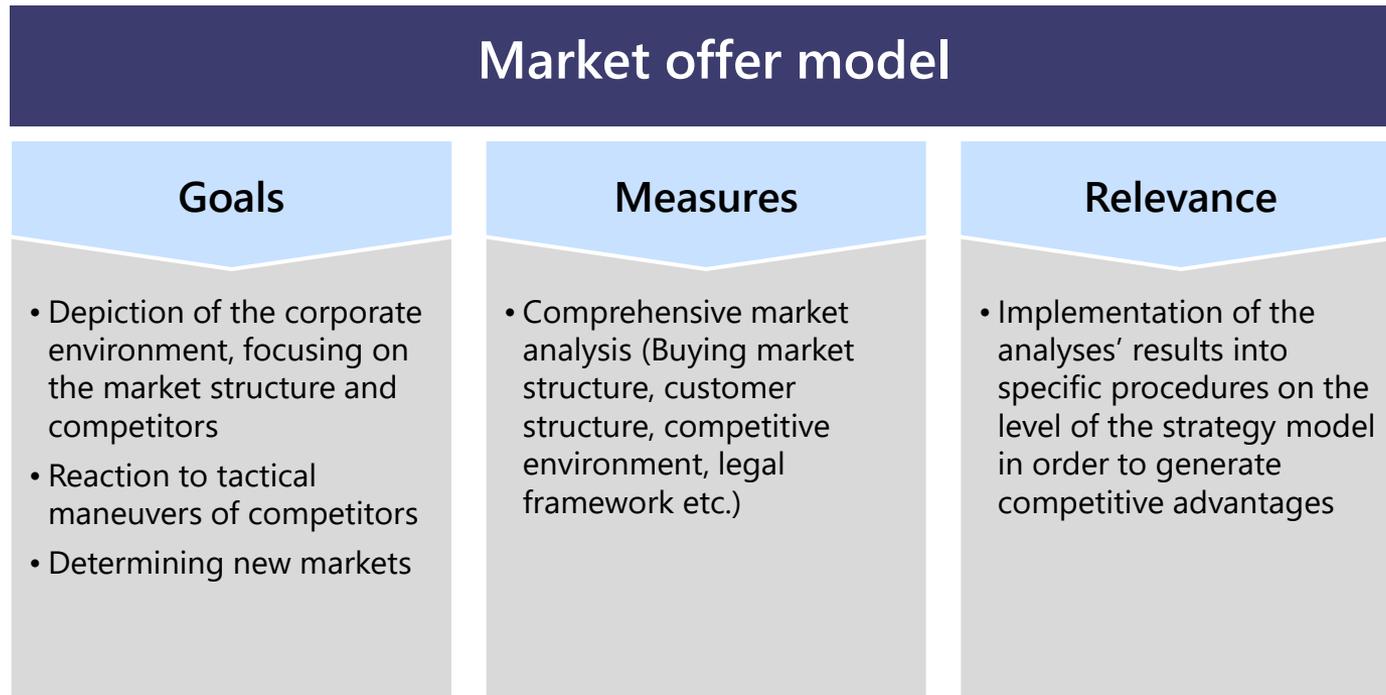
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 7.11 Market offer development process



Source: Wirtz (2020)

Fig. 7.12 Core aspects of the market offer model



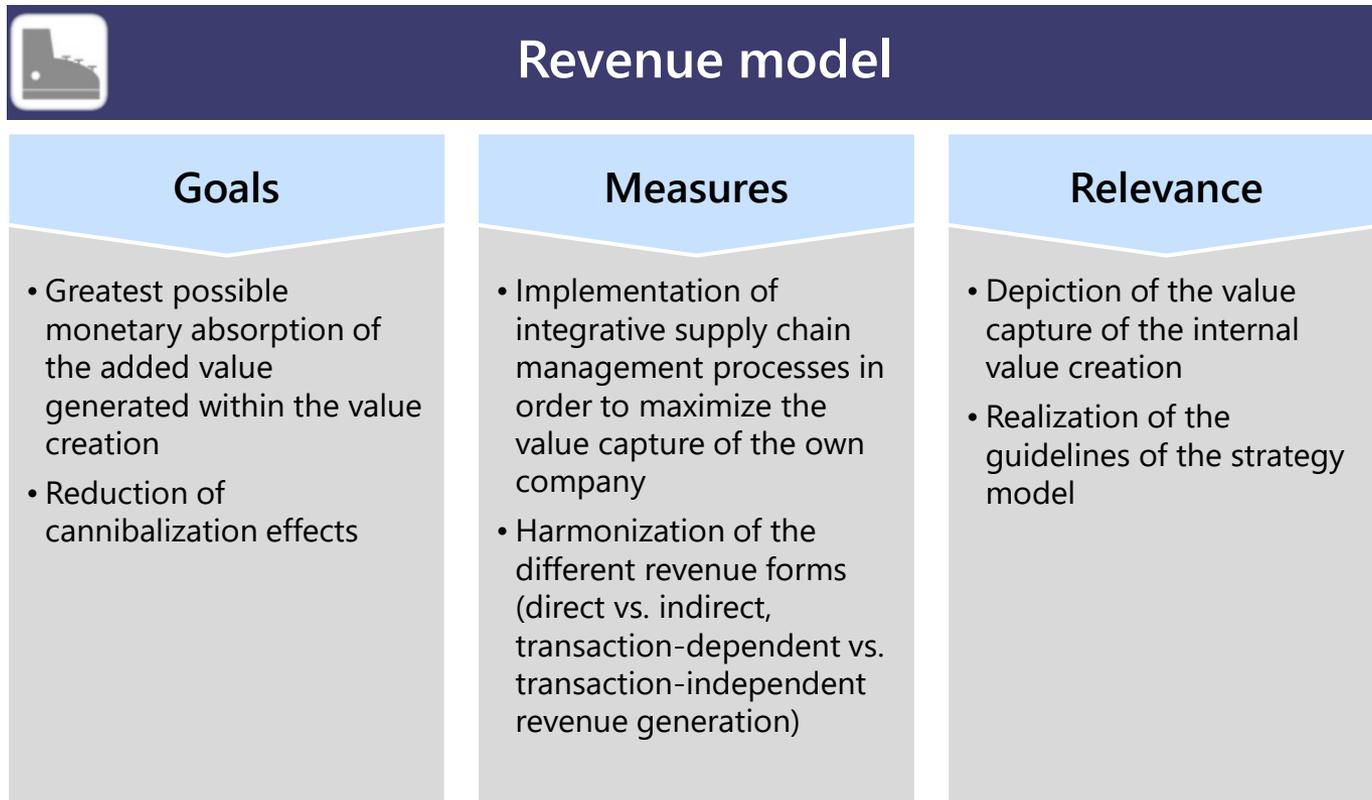
Source: Wirtz (2010a, 2011, 2018a, 2020)

Table 7.1 Overview of the revenue forms through examples

	Direct revenue generation	Indirect revenue generation
Transaction-dependent	<ul style="list-style-type: none"> • Transaction revenues in a strict sense • Connection charges • User fees 	<ul style="list-style-type: none"> • Commission
Transaction-independent	<ul style="list-style-type: none"> • Set-up fees • Basic fees 	<ul style="list-style-type: none"> • Advertising • Data mining revenues • Sponsorship

Source: Wirtz (2001a, 2010b, 2018b, 2020)

Fig. 7.13 Core aspects of the revenue model



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

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.)?

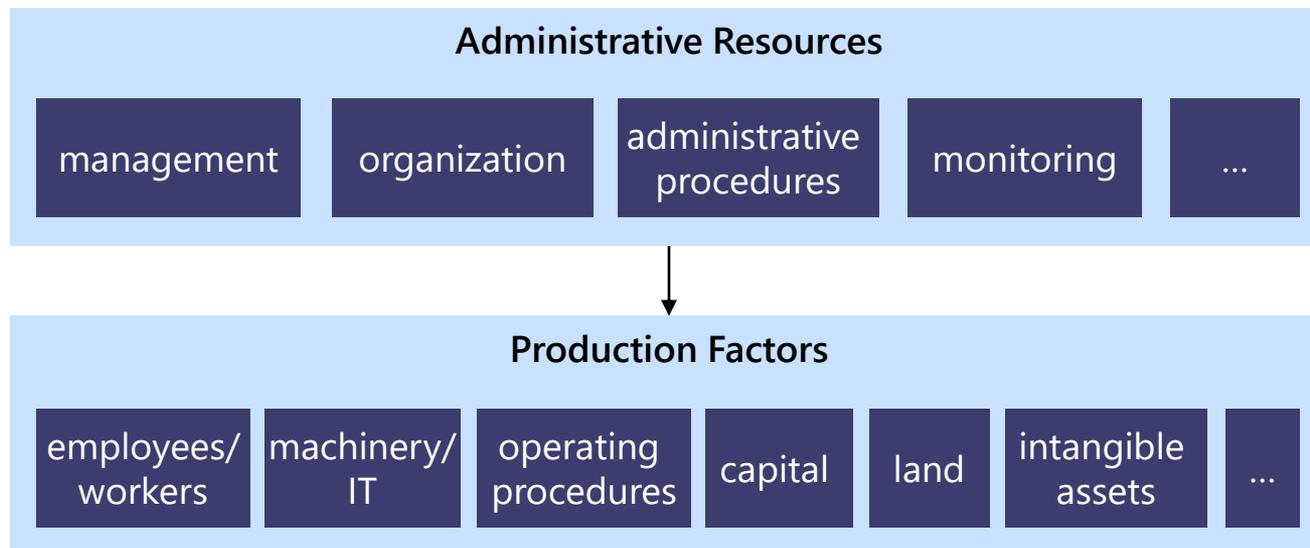


Revenue model

- 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?

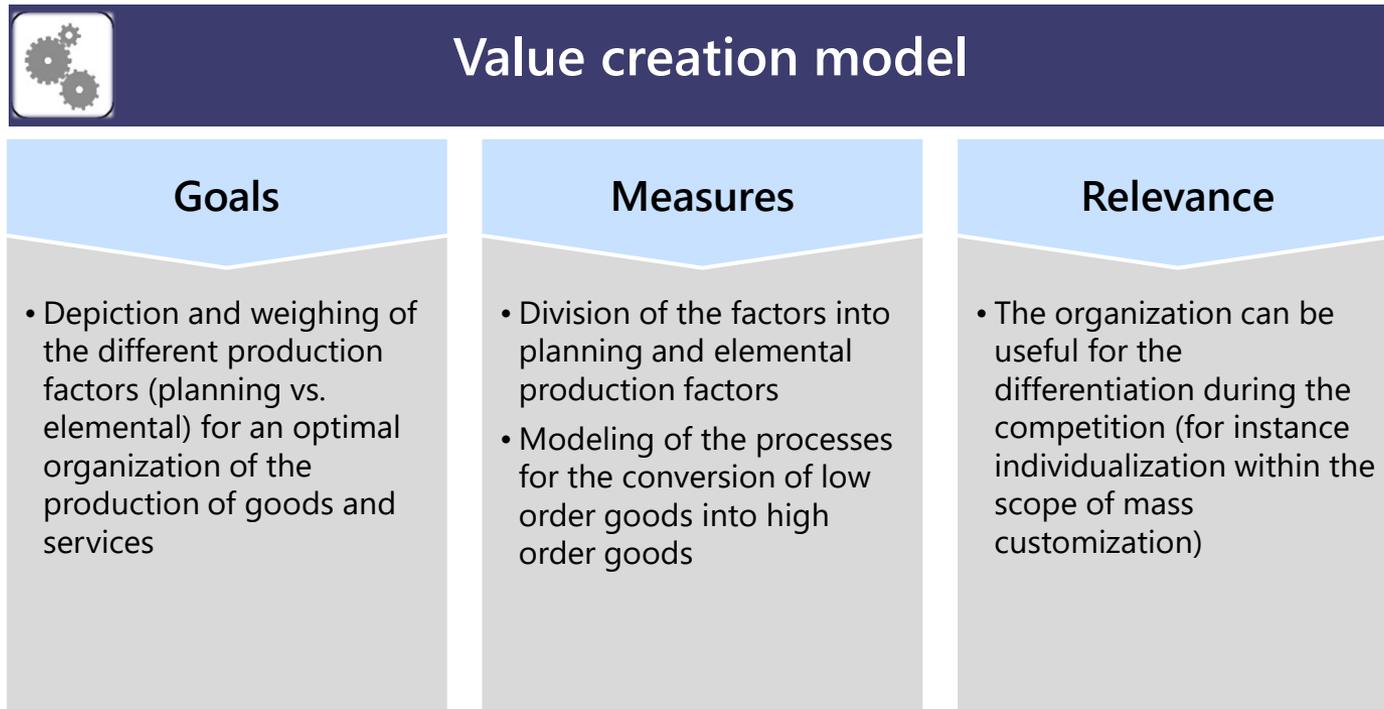
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 7.15 Overview of administrative resources and the production factors



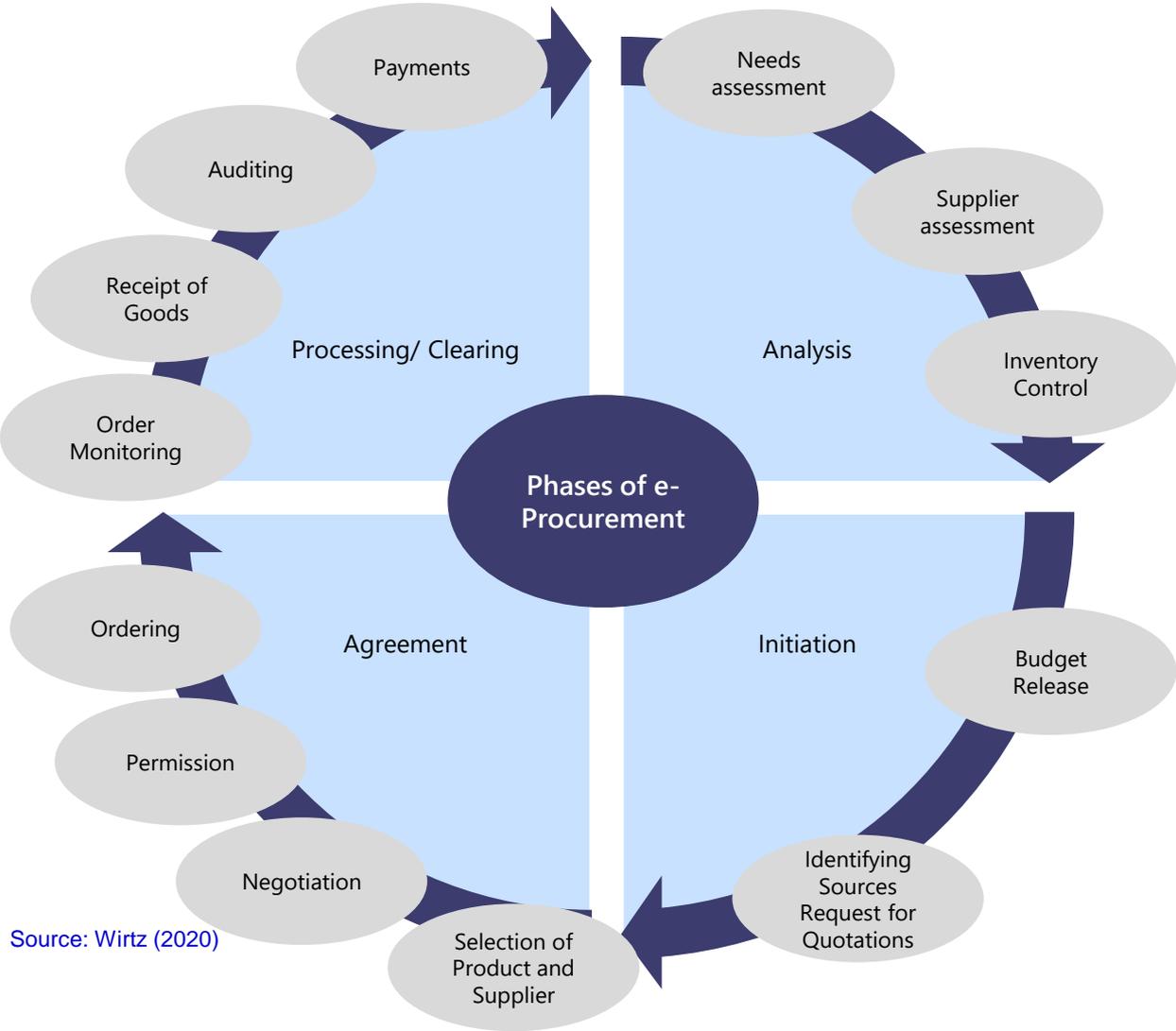
Source: Wirtz (2020)

Fig. 7.16 Core aspects of the value creation model



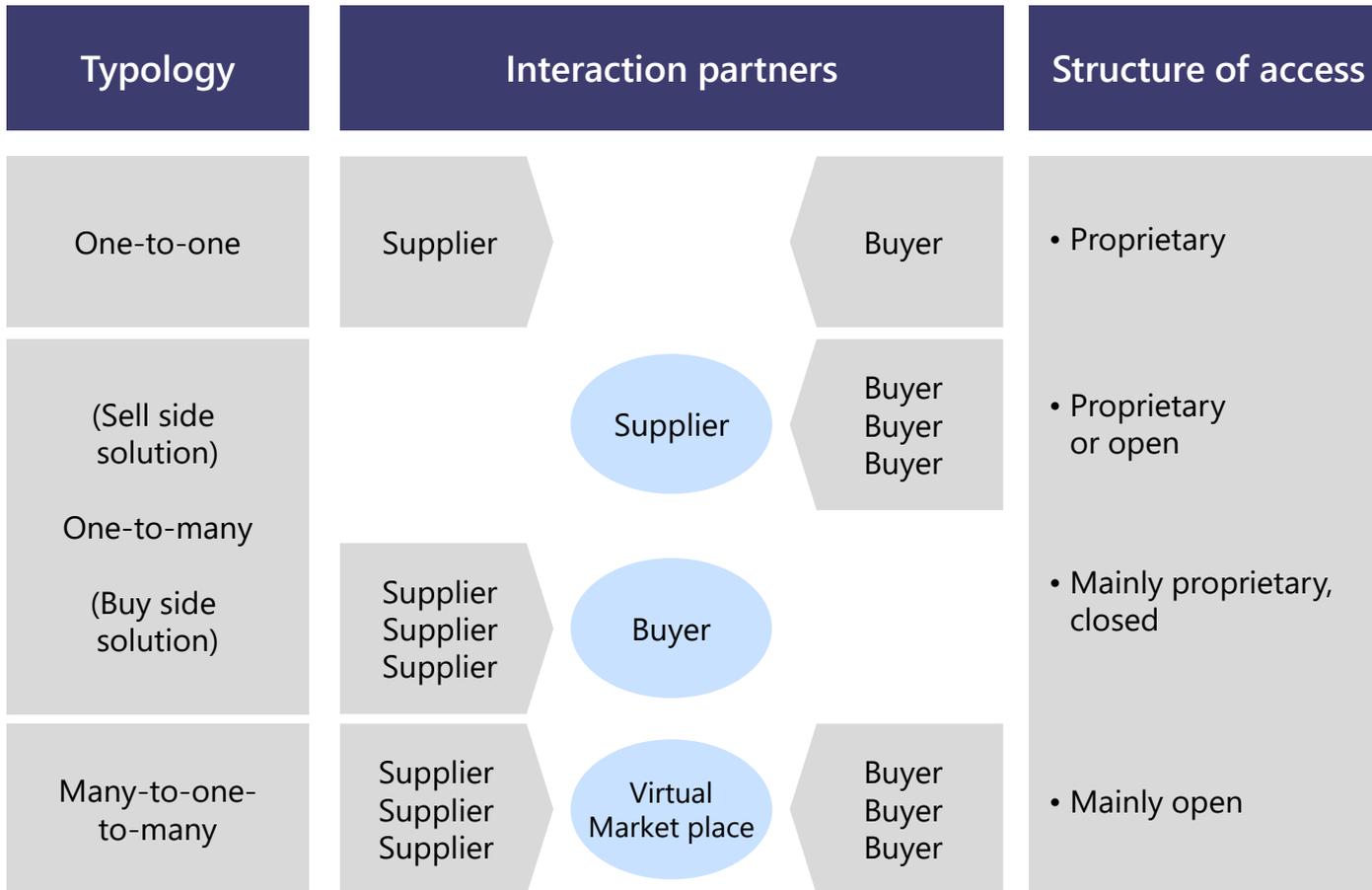
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 7.17 Phases of e-procurement



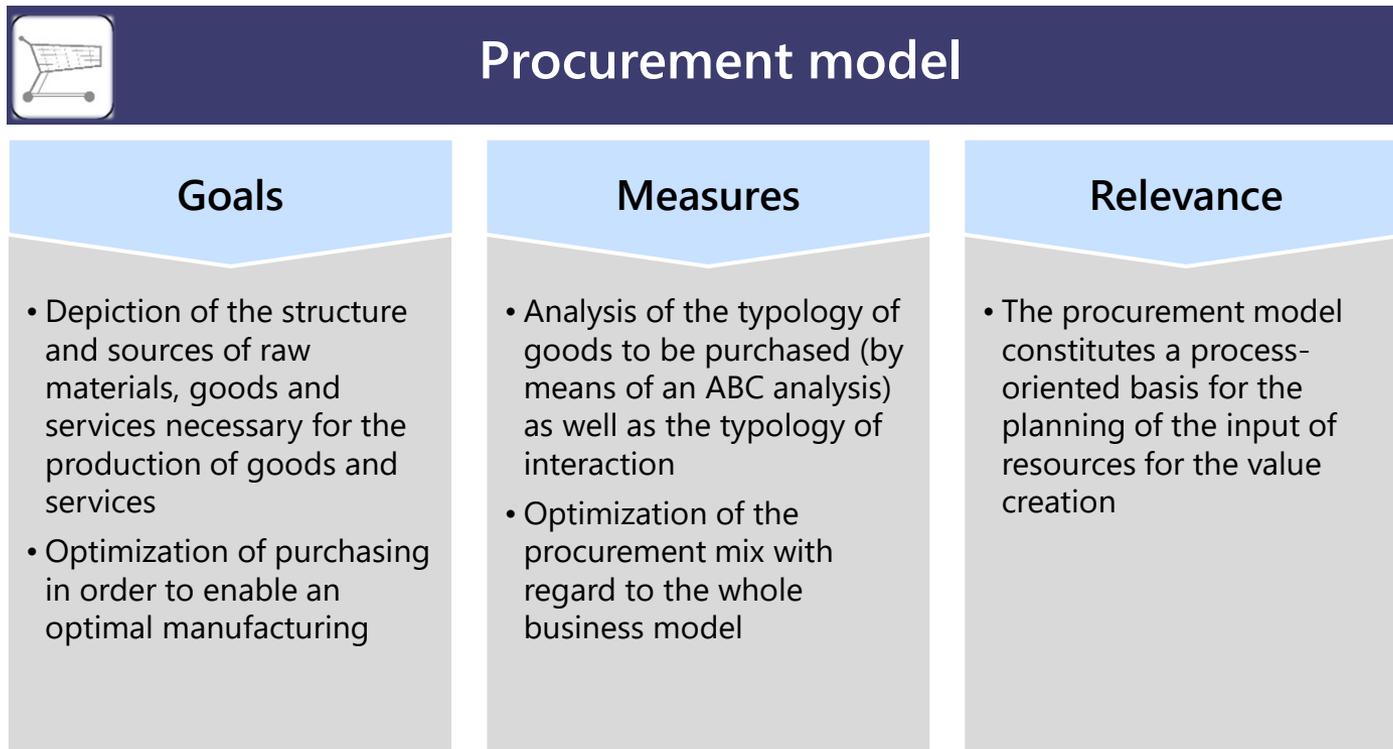
Source: Wirtz (2020)

Fig. 7.18 Typology of interactions of electronic purchasing



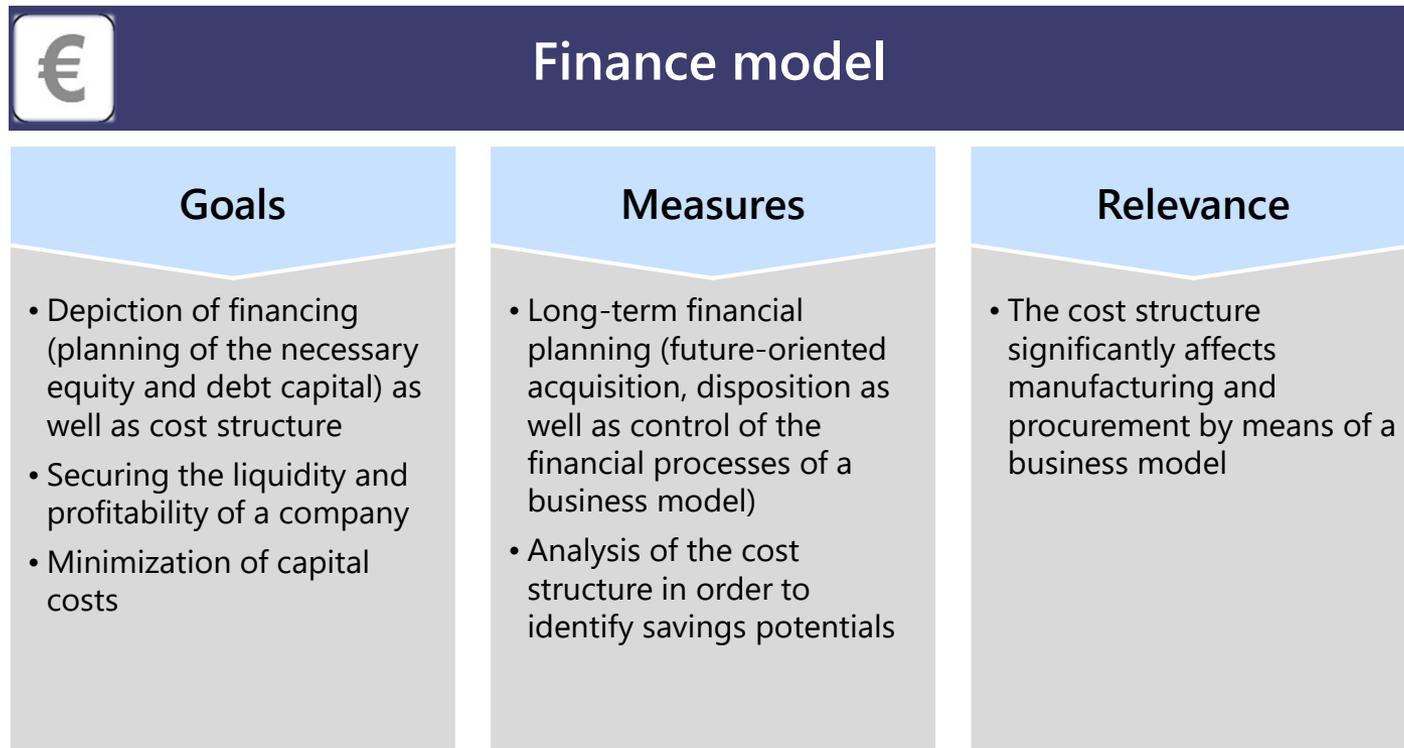
Source: Wirtz (2001a, 2018b, 2020)

Fig. 7.19 Core aspects of the procurement model



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

Fig. 7.20 Core aspects of the finance model



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

Fig. 7.21 Checklist for the value-added component



Core issues regarding the value-added component





Value creation model

- What value is created for the customer in the value creation model and how?
- 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?
- How should the value creation model be designed in order to optimize production costs?



Procurement model

- Which are the most important procurement partners and are enough of them available?
- What should the relations to the procurement partners be like in order to guarantee optimal sourcing?
- Which types of procurement can be used within the business model? How can procurement measures be profitably designed (e.g. e-procurement)?
- Are the procurement mix (A, B, C-goods) and the types of sourcing optimally designed with regard to the whole business model?
- Are the correct goods procured at a low price and in an acceptable, good quality?

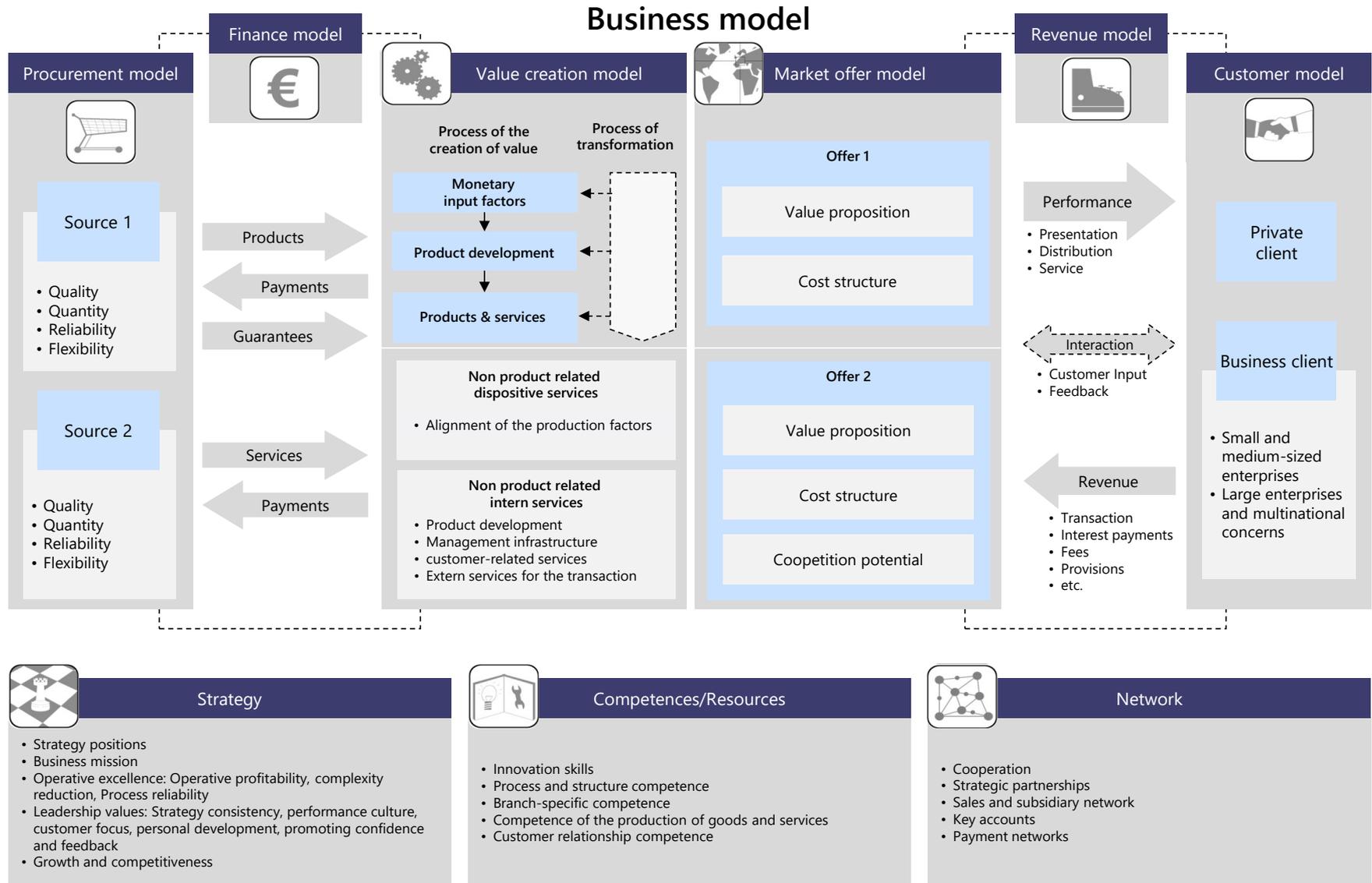


Finance model

- Which capital structure (proportion of debt and equity capital) is promising for the business model?
- Which types of financing (interests, loans etc.) should be used?
- What are the most essential cost drivers of the cost structure model and are these perceived as added value by customers?
- Is a sufficiently high cash flow secured for value creation and is this sufficiently controlled?

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

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



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

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.

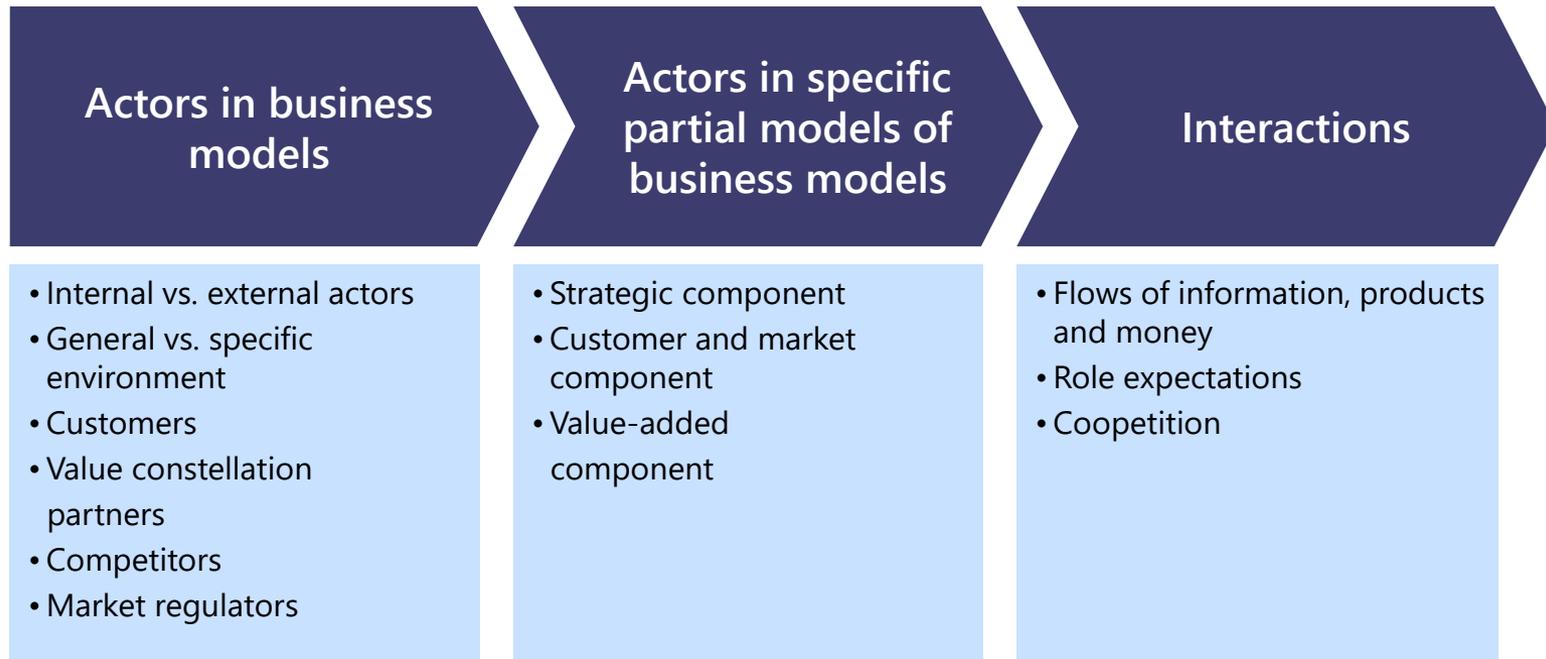
Partial models of the integrated business model

Strategic component	 Strategy model <ul style="list-style-type: none"> • Company mission • Strategic positions and development paths • Value proposition 	 Resources model <ul style="list-style-type: none"> • Core competencies • Core assets 	 Network model <ul style="list-style-type: none"> • Business model networks • Business model partners
	 Customer model <ul style="list-style-type: none"> • Customer relationships/target groups • Channel configuration • Customer touchpoint 	 Market offer model <ul style="list-style-type: none"> • Competitors • Demand structure • Value offering/ products and services 	 Revenue model <ul style="list-style-type: none"> • Commissions • Service charge streams
	 Value creation model <ul style="list-style-type: none"> • Service development • Value generation 	 Procurement model <ul style="list-style-type: none"> • Resourcing • Information analysis • Resource monitoring and controlling 	 Finance model <ul style="list-style-type: none"> • Capital structure • Cost structure model

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

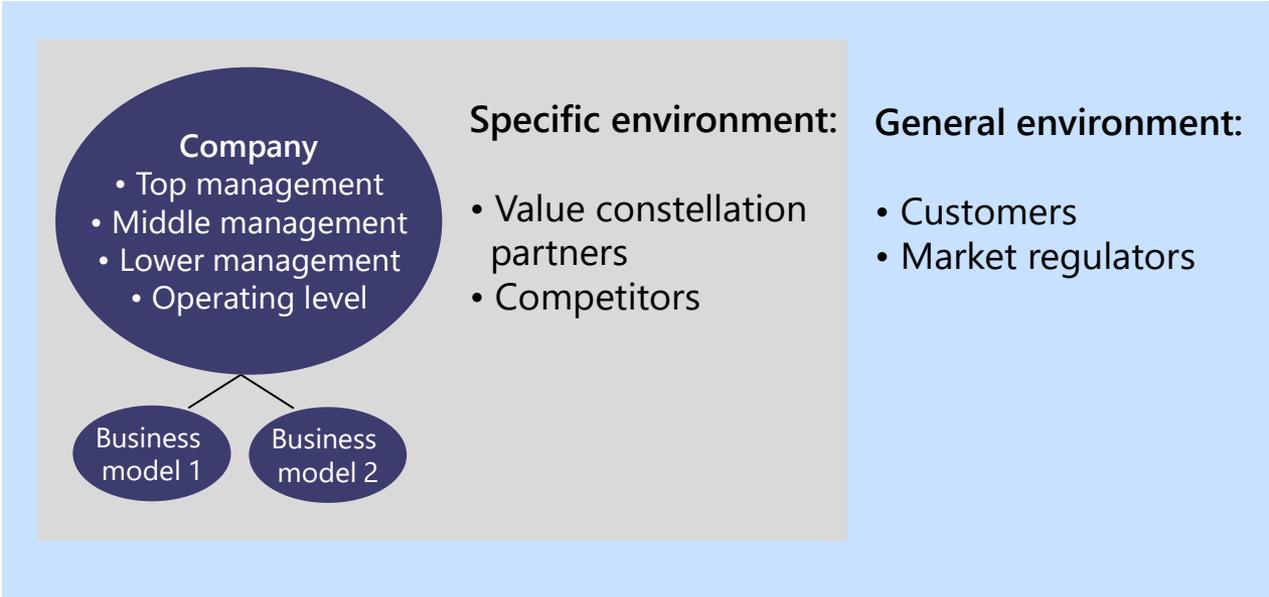
Chapter 8: Actors and Interactions in Business Models

Fig. 8.1 Structure of the chapter



Source: Wirtz (2020)

Fig. 8.2 Overview of the actors in a business model



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

Fig. 8.3 Customer groups as a market typology

		Consumers of the service		
		Consumer	Business	Administration
Provider of the service	Consumer	Consumer to consumer	Consumer to business	Consumer to administration
	Business	Business to consumer	Business to business	Business to administration
	Administration	Administration to consumer	Administration to business	Administration to administration

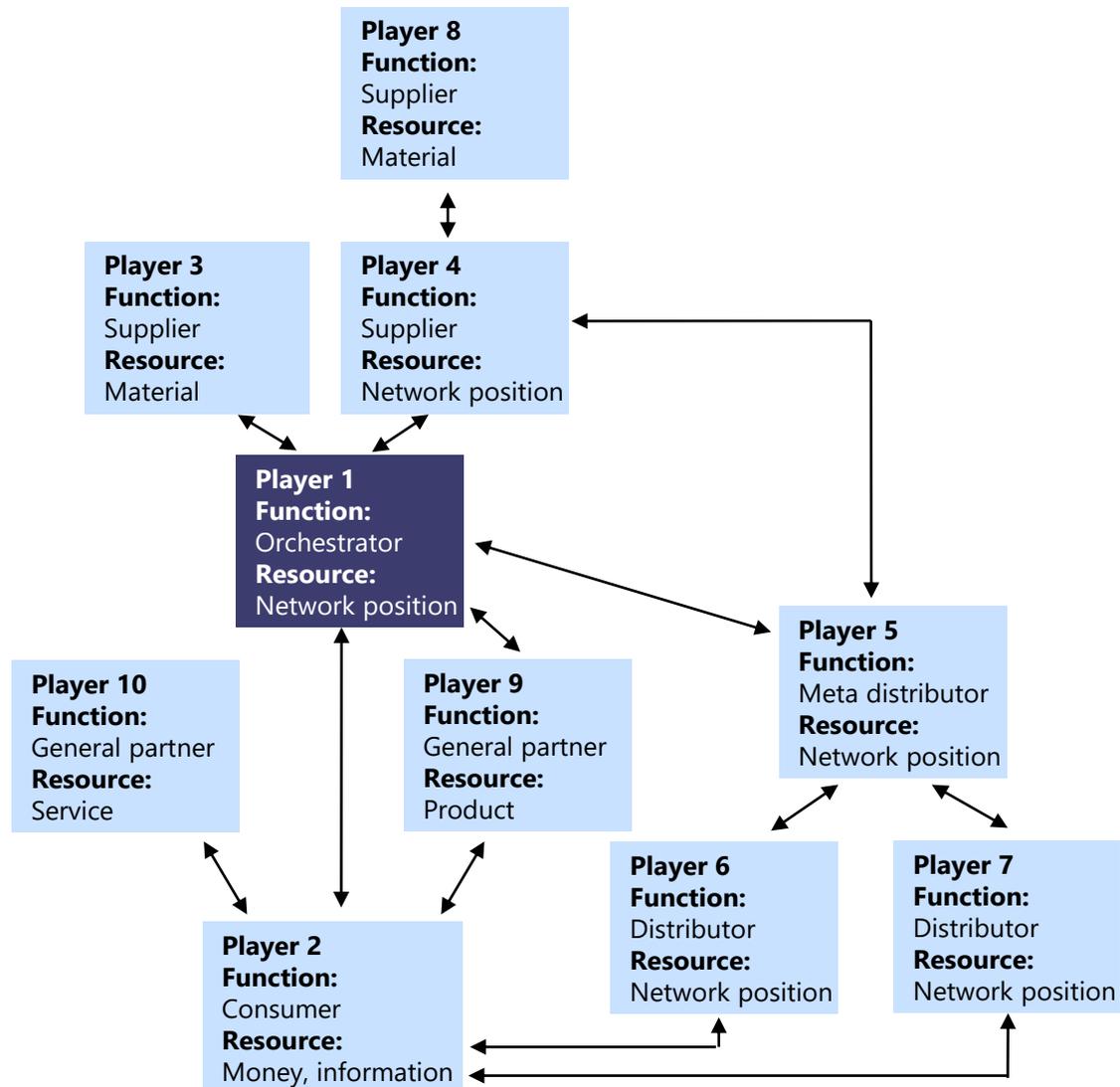
Source: Wirtz (2010b, 2018b, 2020)

Fig. 8.4 Criteria for the customer segmentation

Types of segmentation				
Criteria of segmentation				
Behavior-oriented	Psychographic	Sociodemographic	Geographic	
<p>Price behavior:</p> <ul style="list-style-type: none"> • Price class • Purchase of bargain offers <p>Media use:</p> <ul style="list-style-type: none"> • Type and number of the used media • Usage intensity <p>Choice of retail outlet:</p> <ul style="list-style-type: none"> • Type of business • Business loyalty • Switching of business <p>Choice of product:</p> <ul style="list-style-type: none"> • Buyer • Non-purchase • Brand loyalty • Switching of brands • Multiple bookings • Single bookings 	<p>General personality trait:</p> <ul style="list-style-type: none"> • Activities • Interests • General attitudes • Social orientation • Risk preference <p>Product-specific characteristics:</p> <ul style="list-style-type: none"> • Perceptions • Motives • Specific attitudes • Utility perceptions • Purchase intentions 	<p>Demographic characteristics:</p> <ul style="list-style-type: none"> • Gender • Age • Family status • Number of children • Size of household <p>Socio-economic characteristics:</p> <ul style="list-style-type: none"> • Occupation • Education • Income 	<p>Macro geographic characteristics:</p> <ul style="list-style-type: none"> • States • City / country • Community <p>Micro geographic characteristics:</p> <ul style="list-style-type: none"> • Districts • Residential area • Street sections 	

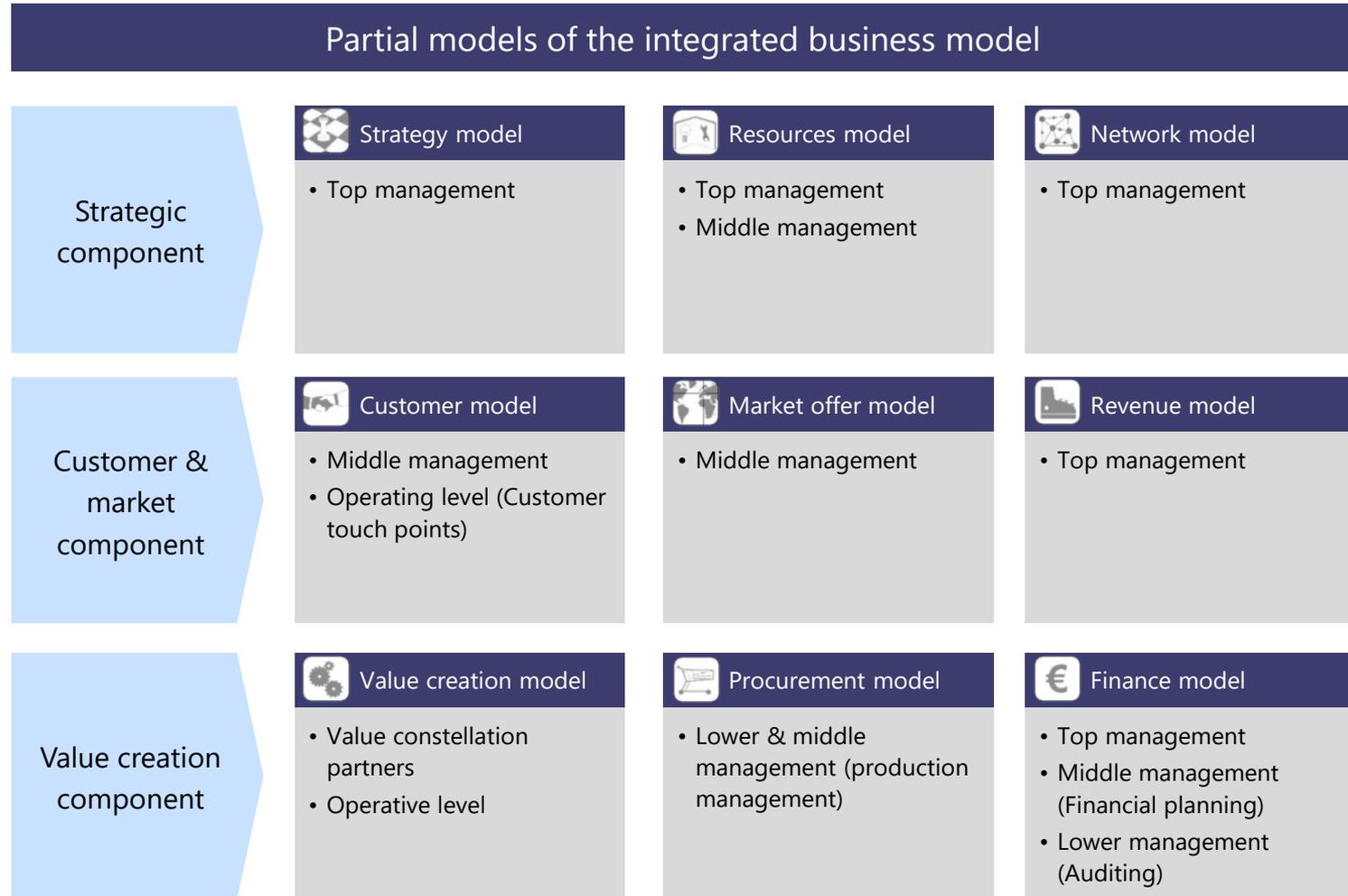
Source: Meffert et al. (2019), and Wirtz (2020)

Fig. 8.5 Value constellation partners as actors in business models



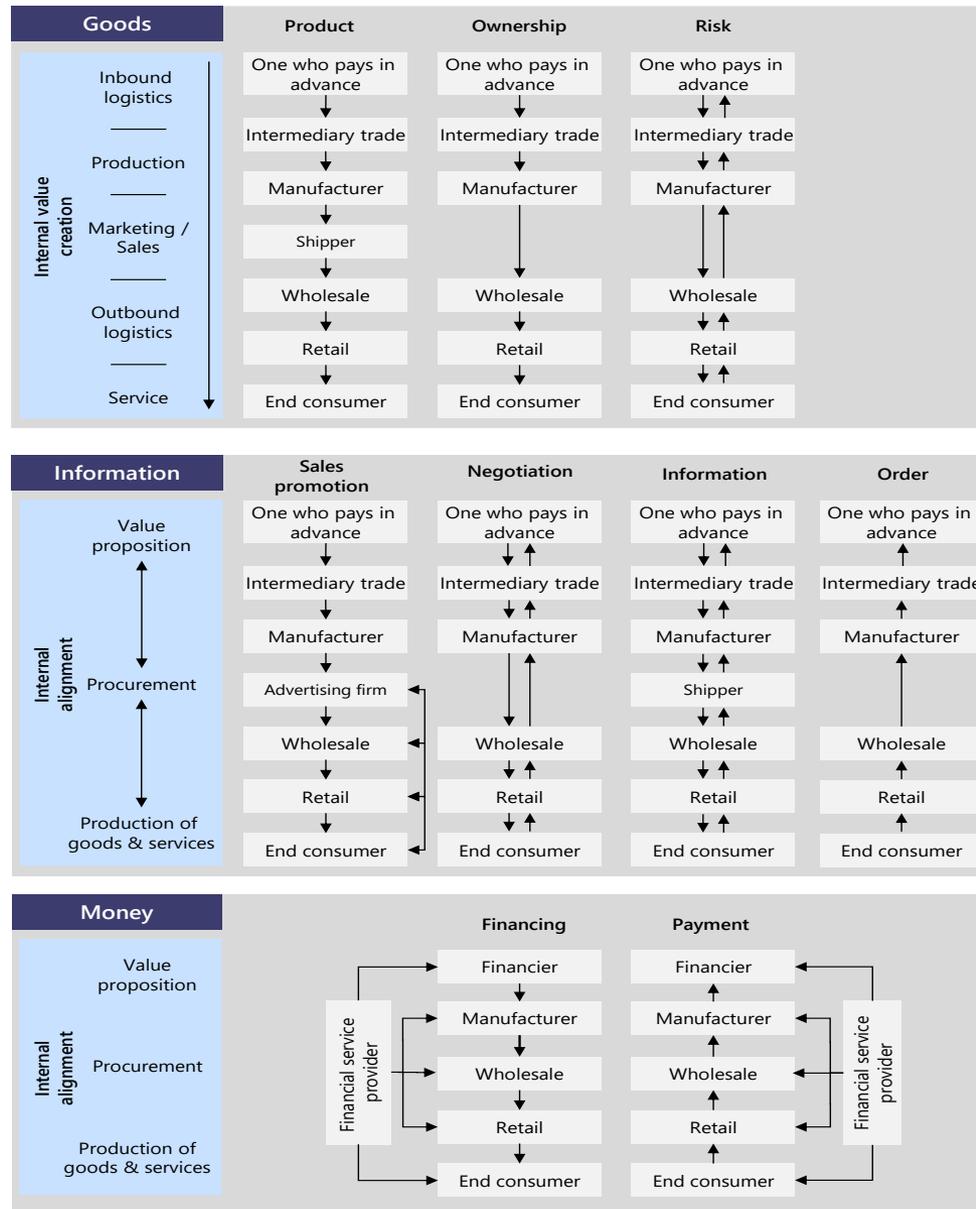
Source: Wirtz (2010a, 2011, 2018a, 2020)

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



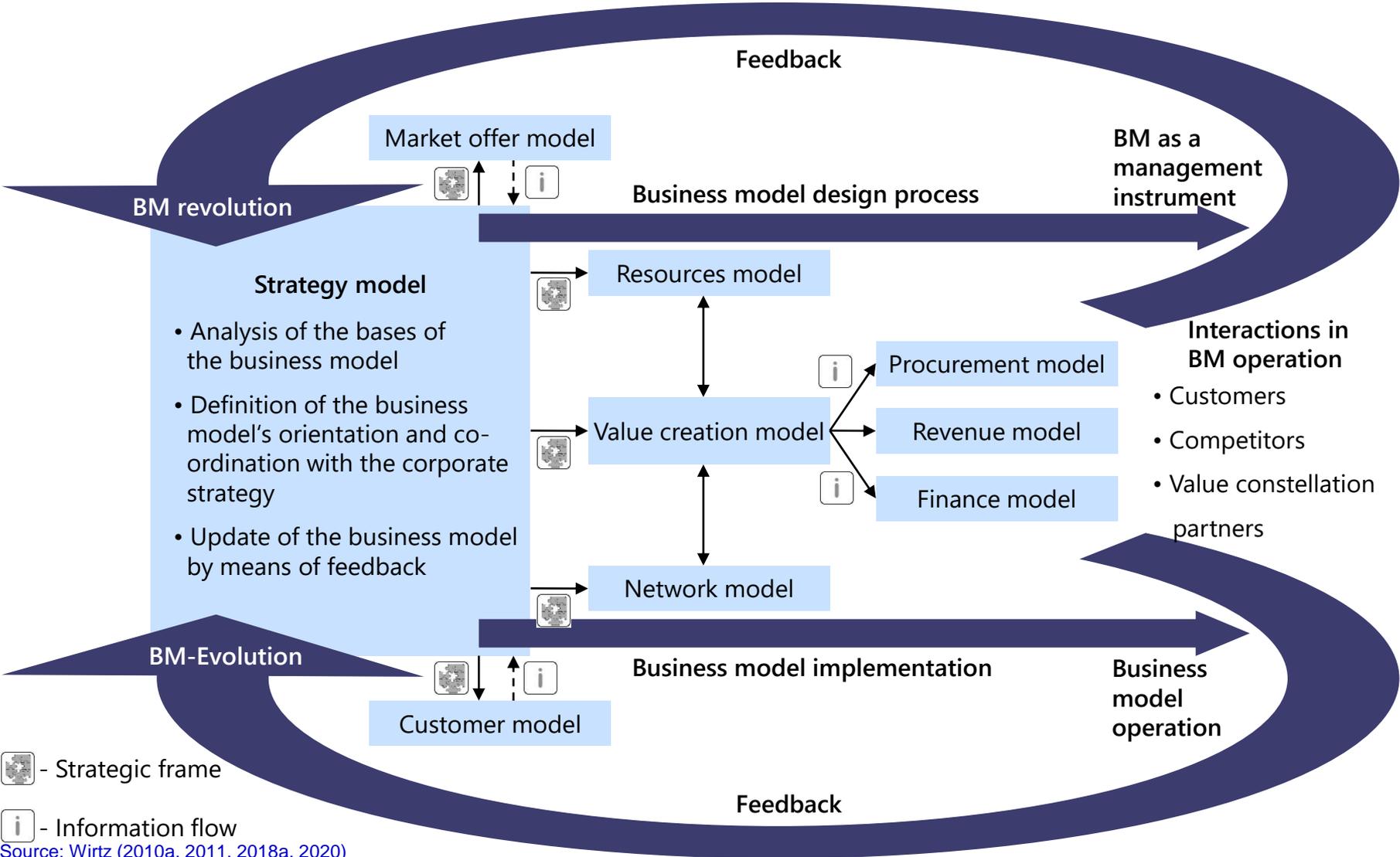
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 8.7 Types of flow processes in business models



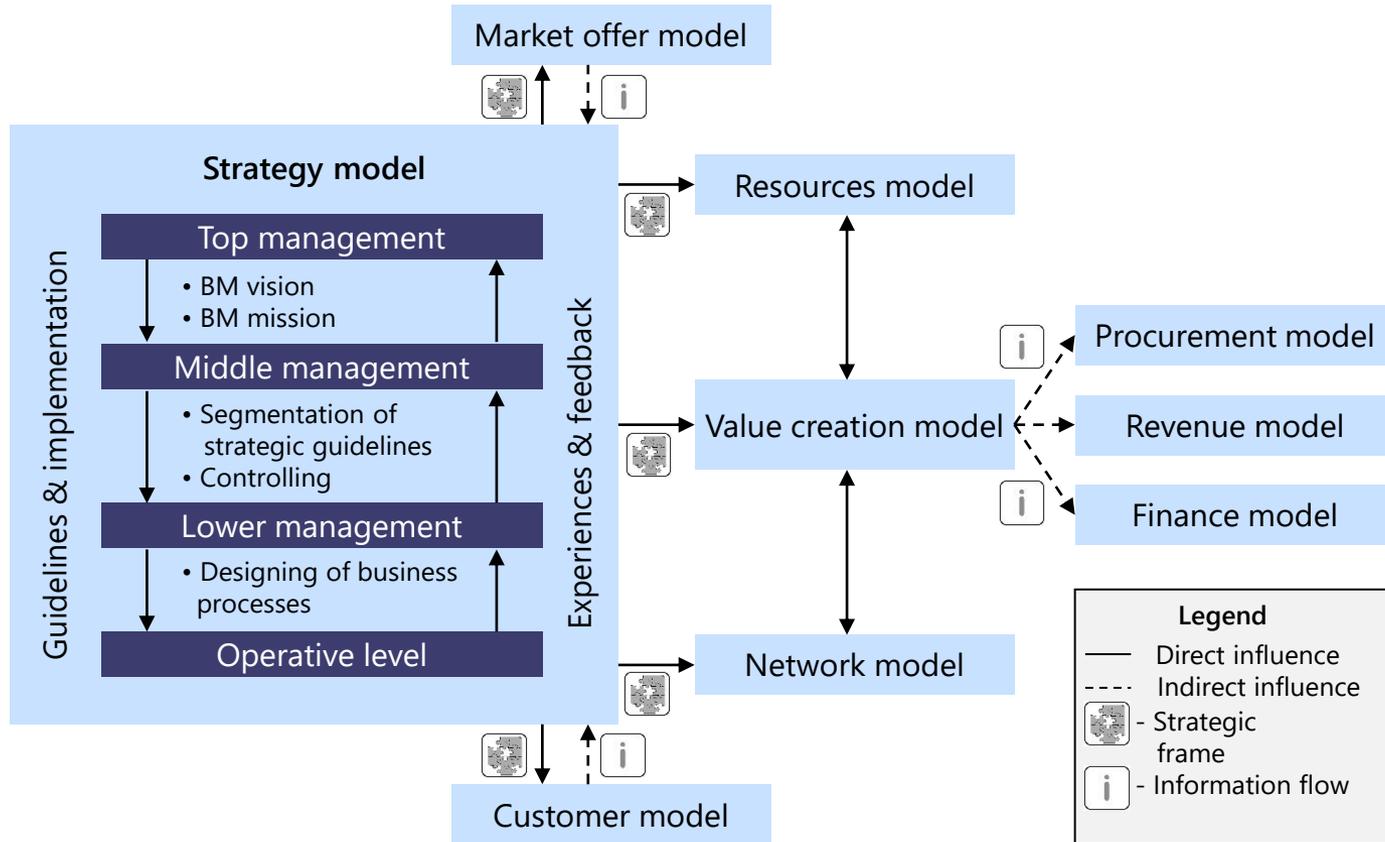
Source: Berman (1999), and Wirtz (2020)

Fig. 8.8 Interaction map of the partial models of business models



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

Fig. 8.9 Interactions of the strategy model



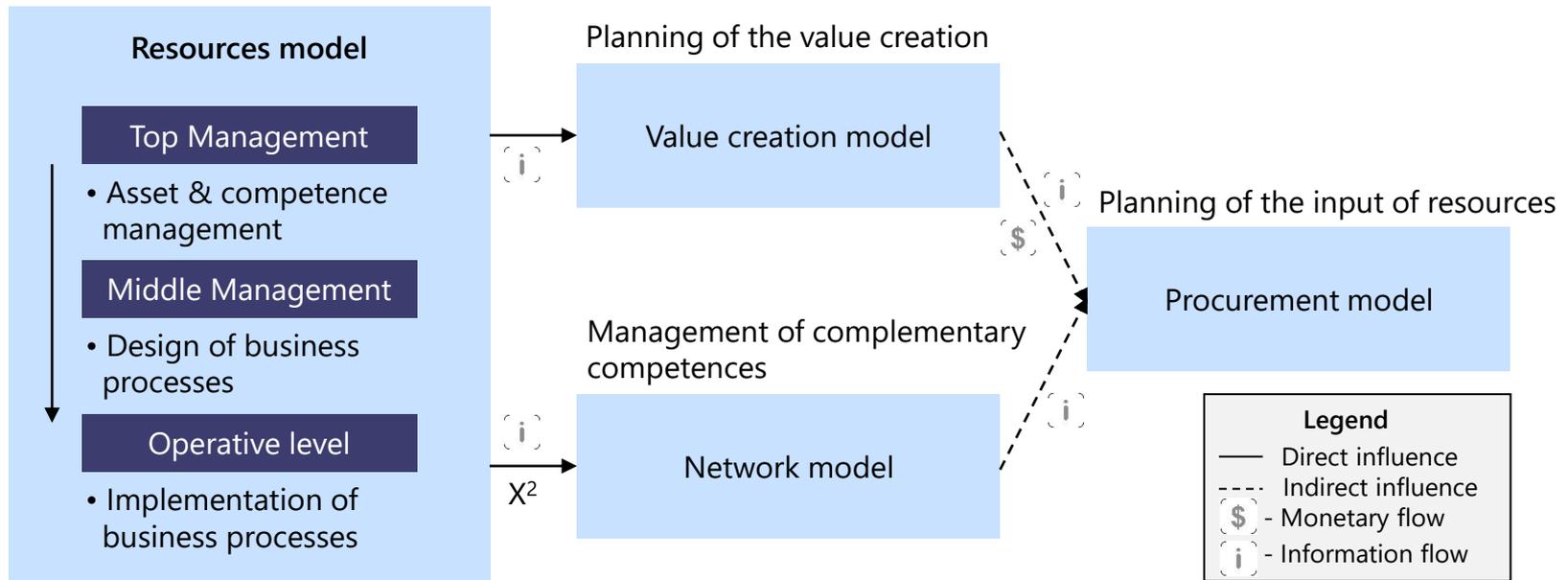
Interactions on different Corporate levels

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

Direct influence on partial models

Indirect influence on partial models

Fig. 8.10 Interactions of the resources model



Interactions on different corporate levels

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

Direct influence on partial models

Indirect influence on partial models

Fig. 8.11 Interactions of the network model

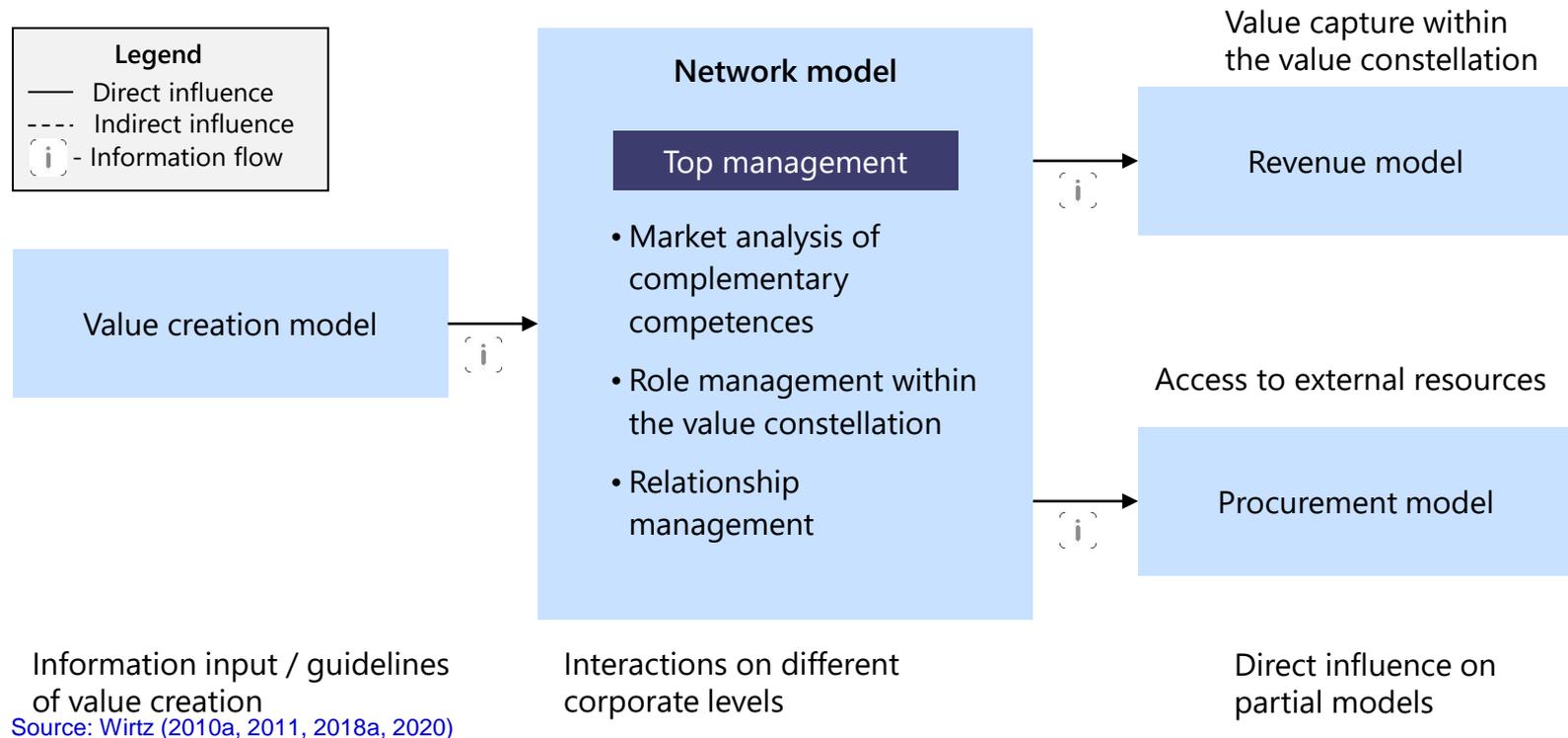


Fig. 8.12 Interactions of the customer model

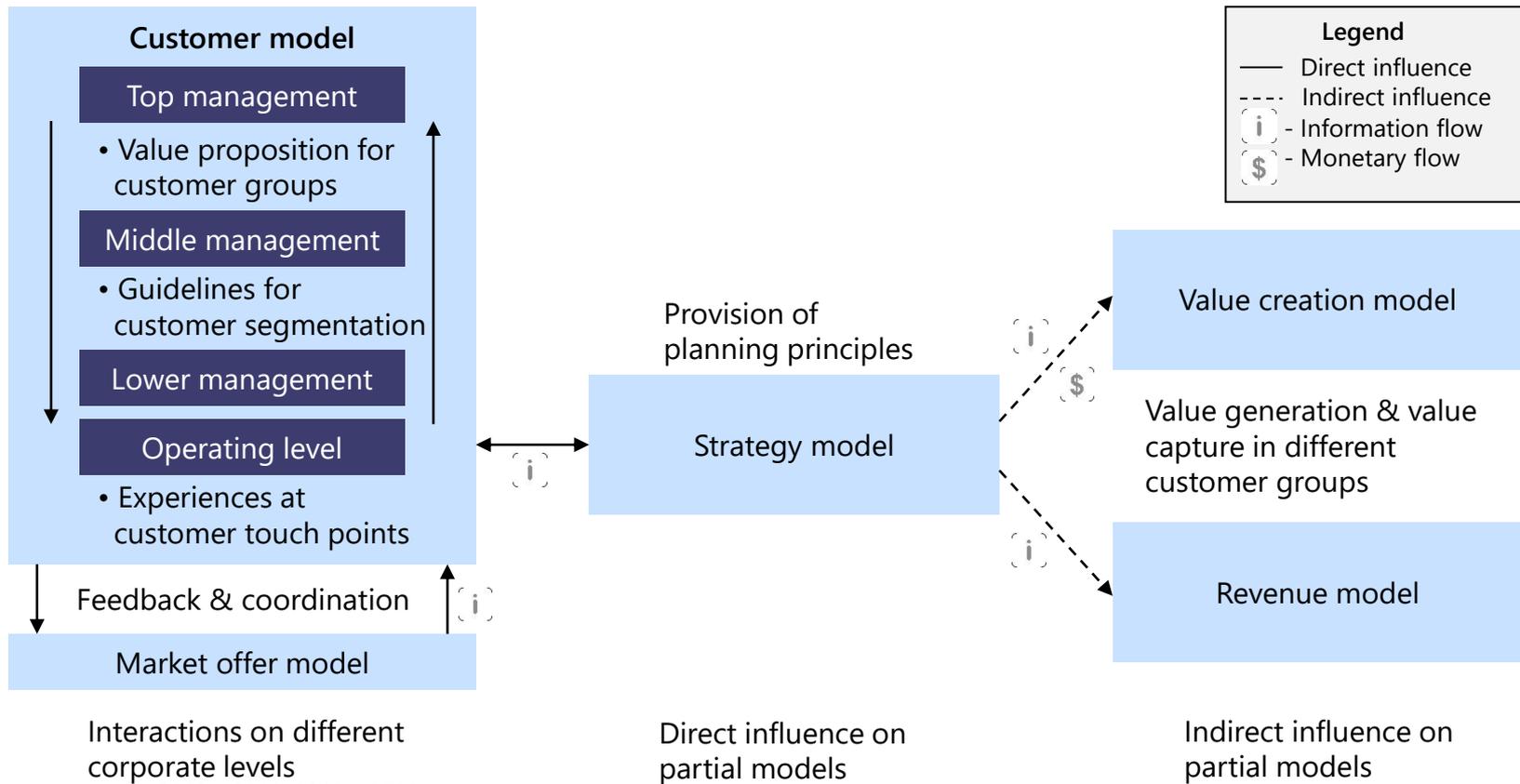


Fig. 8.13 Interactions of the market offer model

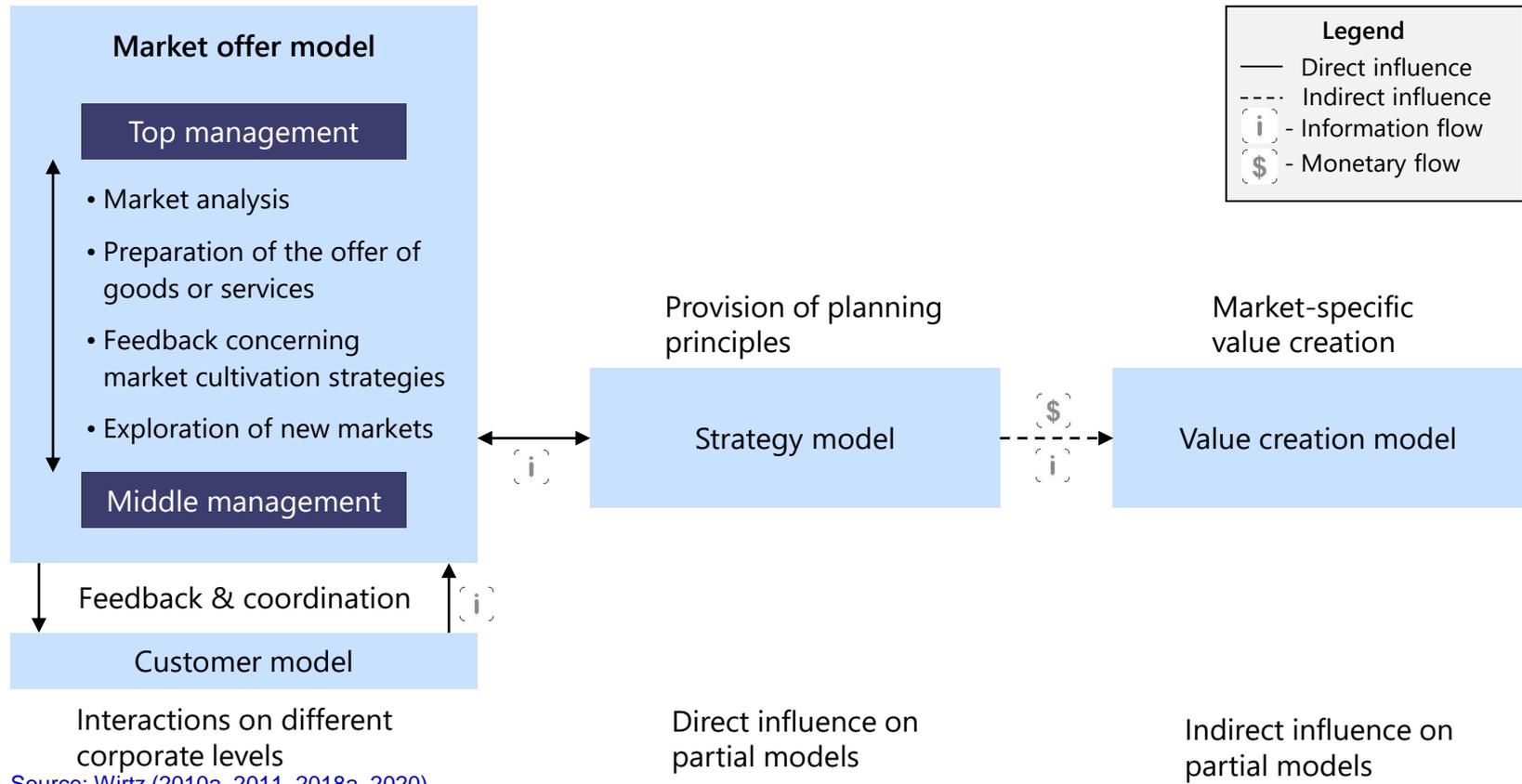


Fig. 8.14 Interactions of the revenue model

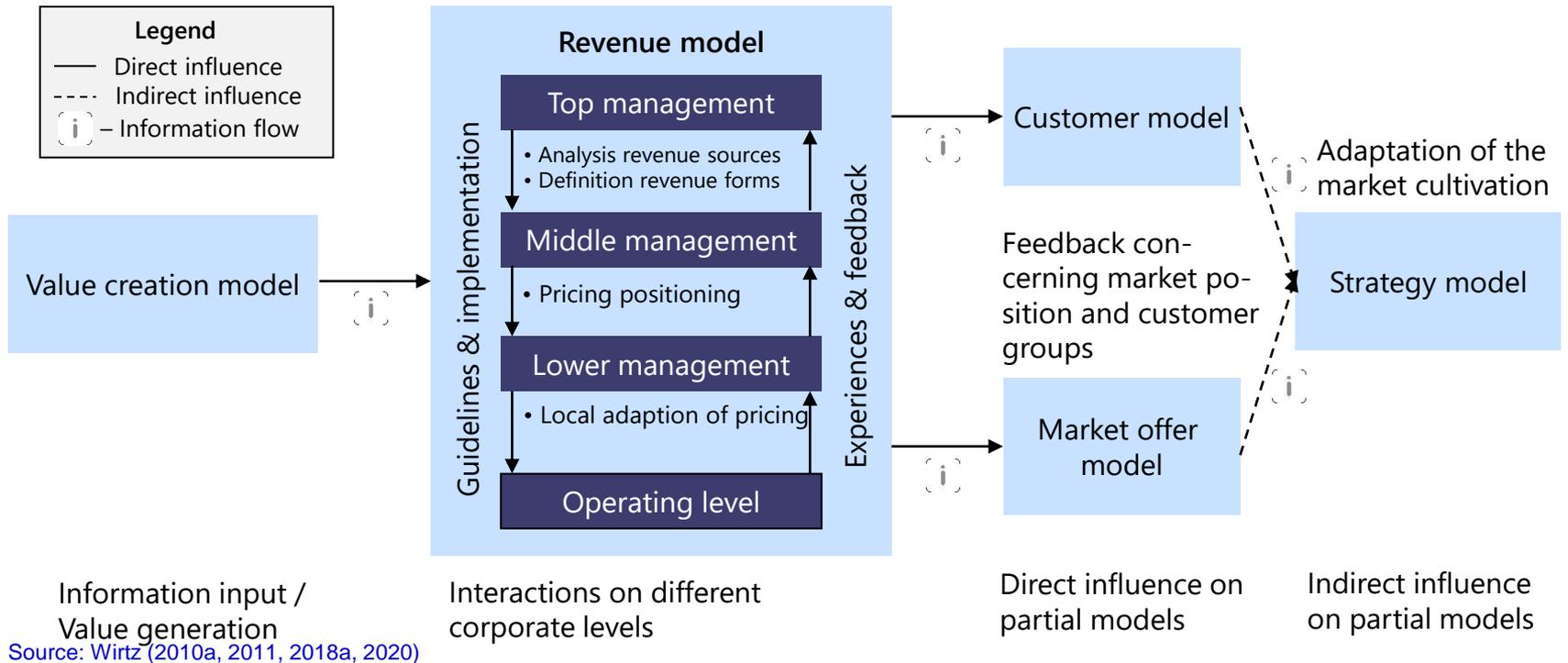
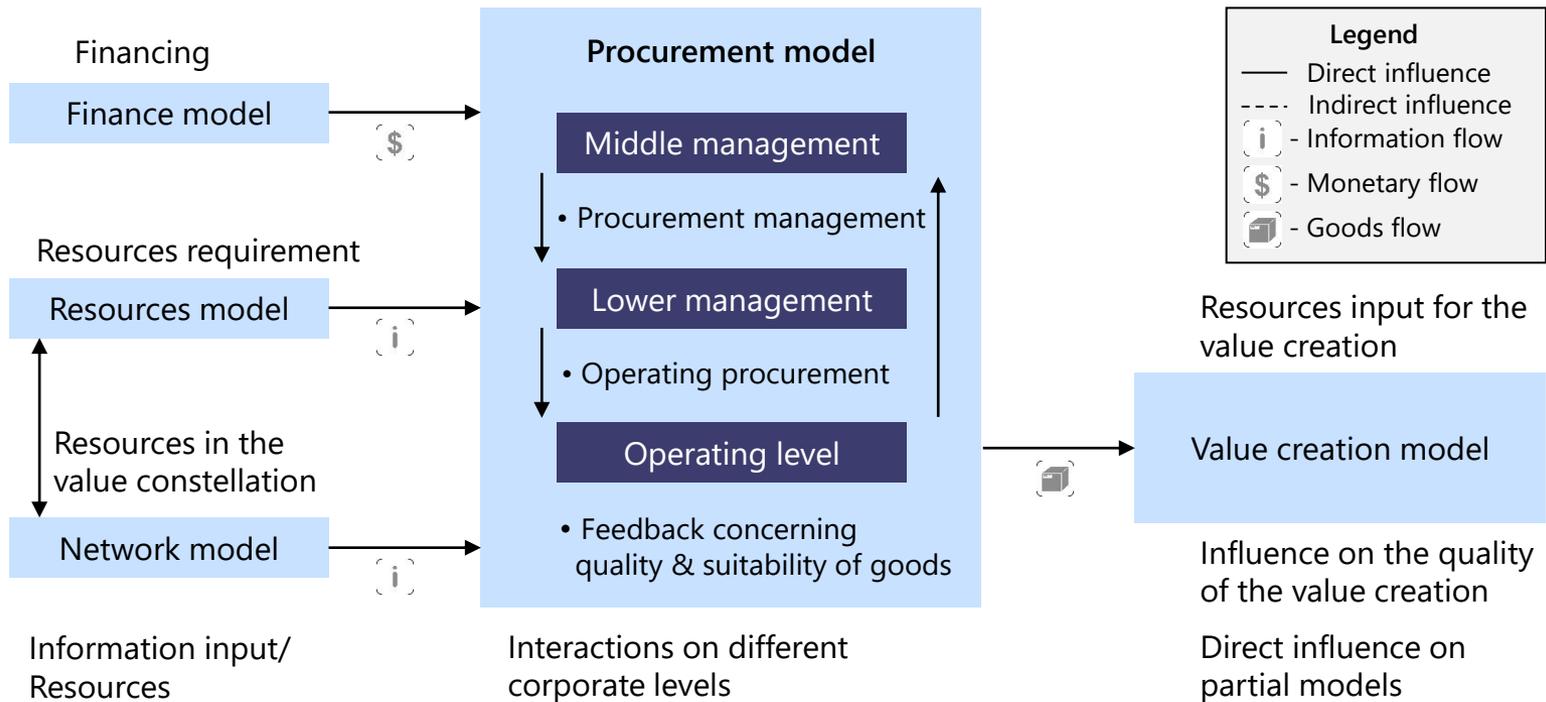


Fig. 8.16 Interactions of the procurement model



Information input/
Resources
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 8.17 Interactions of the finance model

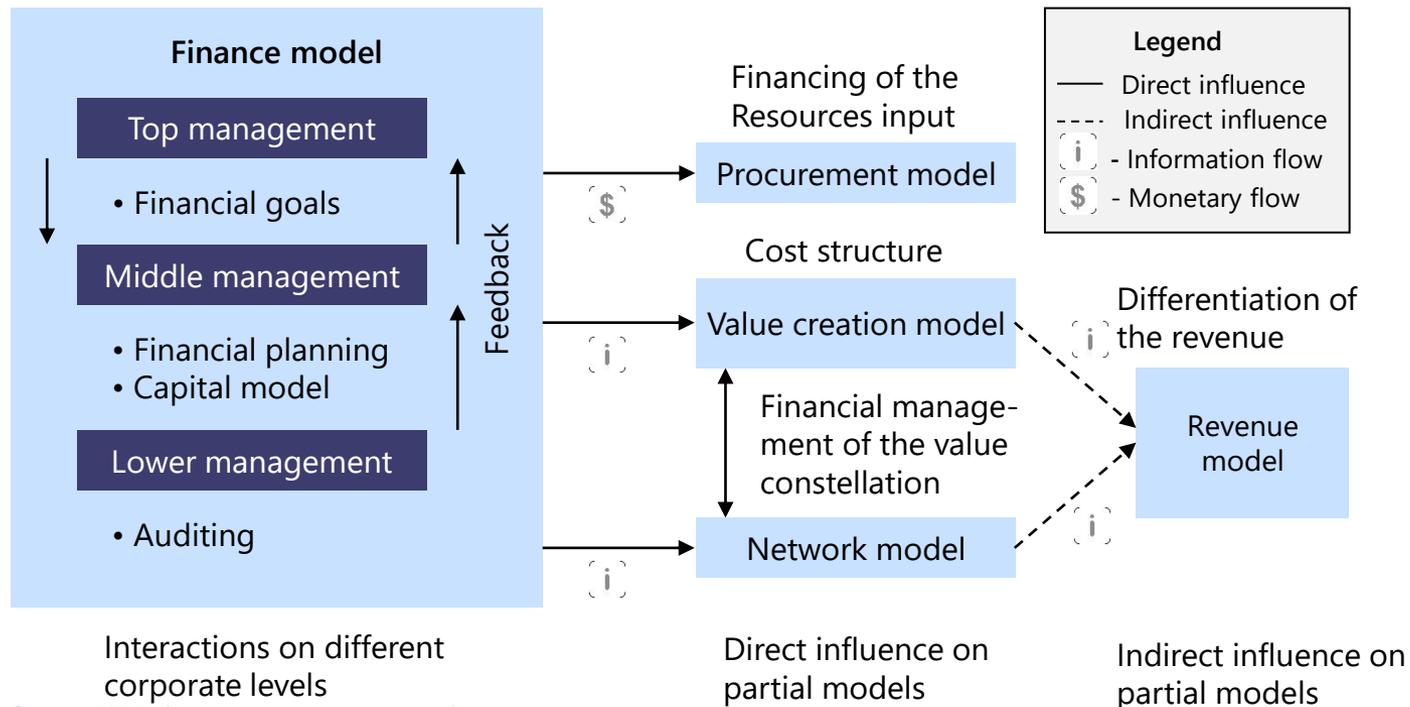
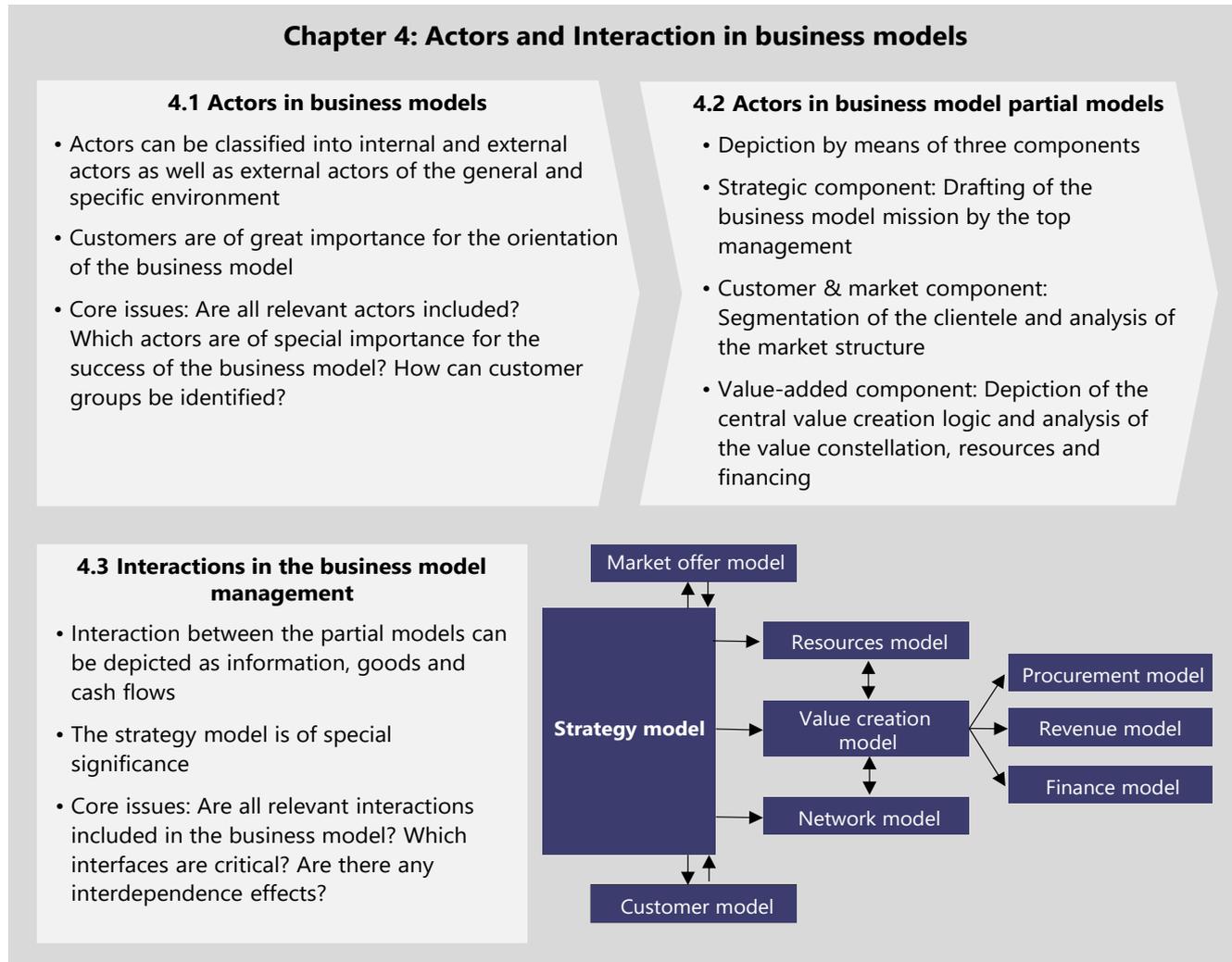


Fig. 8.18 Summary of the chapter actors and interactions in business models



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

Fig. 8.19 Checklist actors and interaction

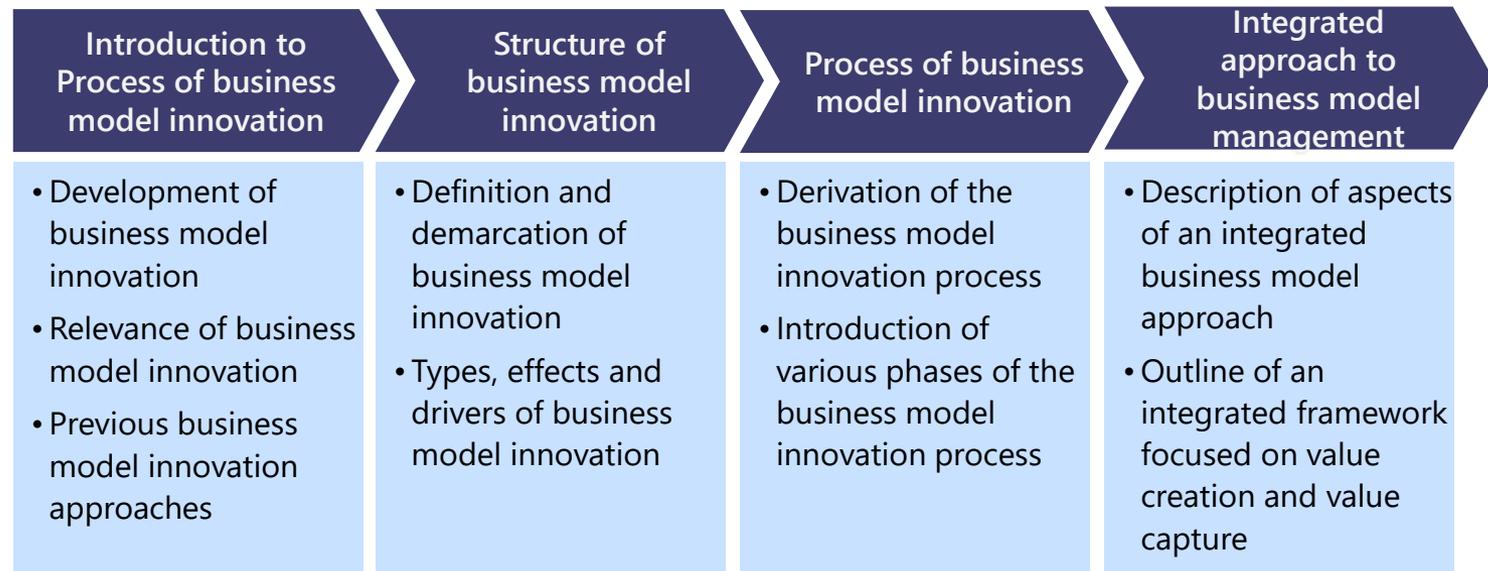


Core issues regarding the actors and interactions of business models

- 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?

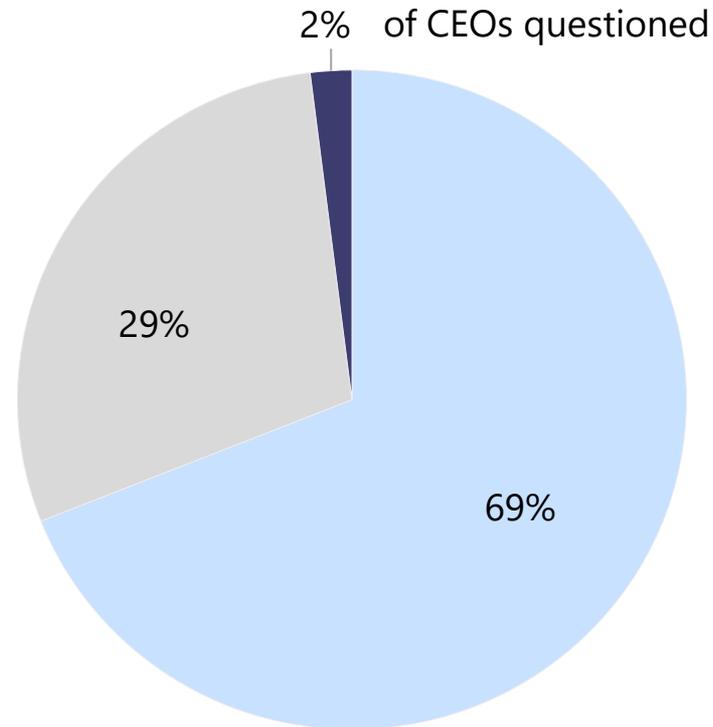
Chapter 9: Business Model Innovation

Fig. 9.1 Structure of the chapter



Source: Wirtz (2020)

Fig. 9.2 Planned business model innovations of CEOs interviewed

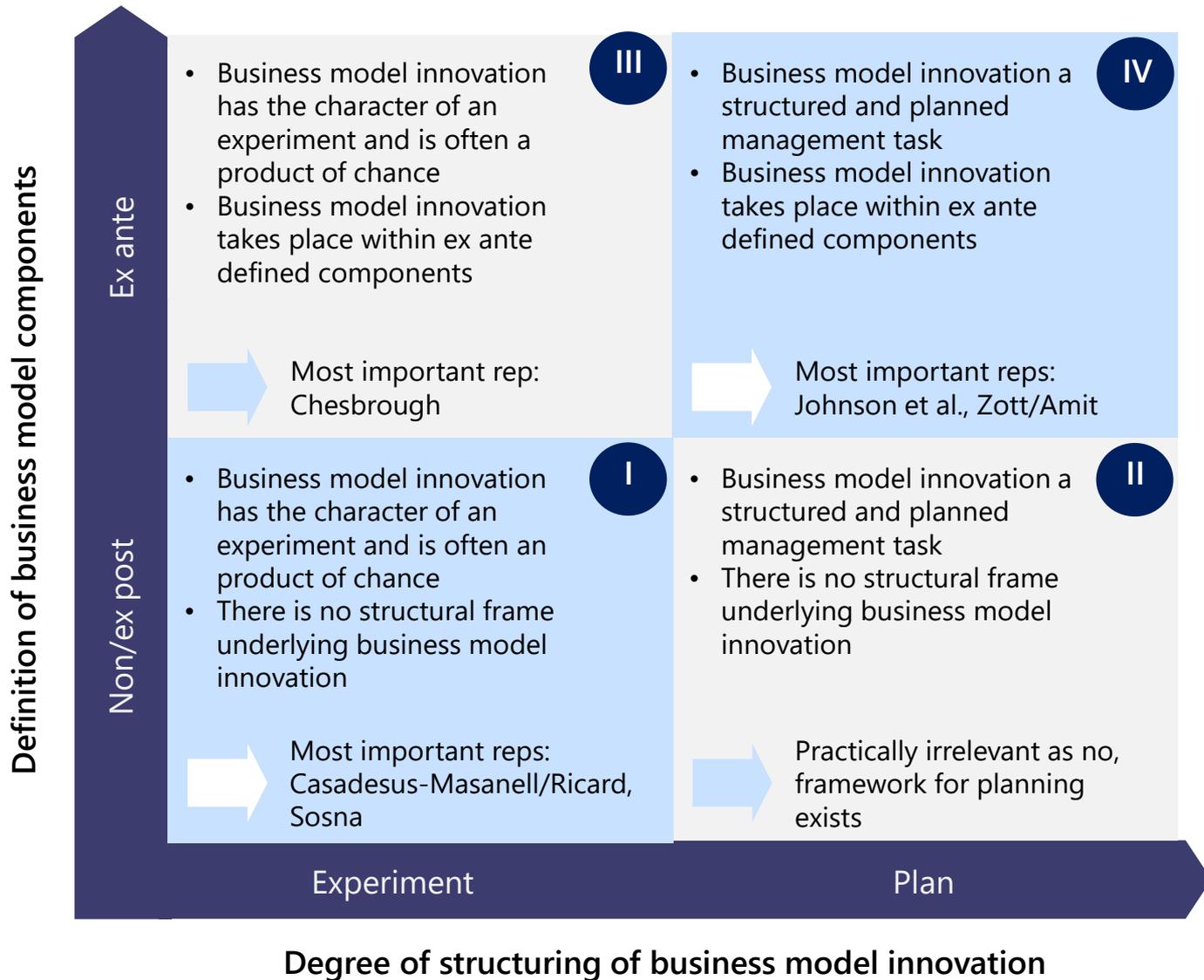


- Fundamental business model innovation*
- Moderate business model innovation*
- Limited/no business model innovation*

*during the next three years

Data source: IBM Global CEO Study (2008), and Wirtz (2020)

Fig. 9.3 Business model innovation approaches in literature



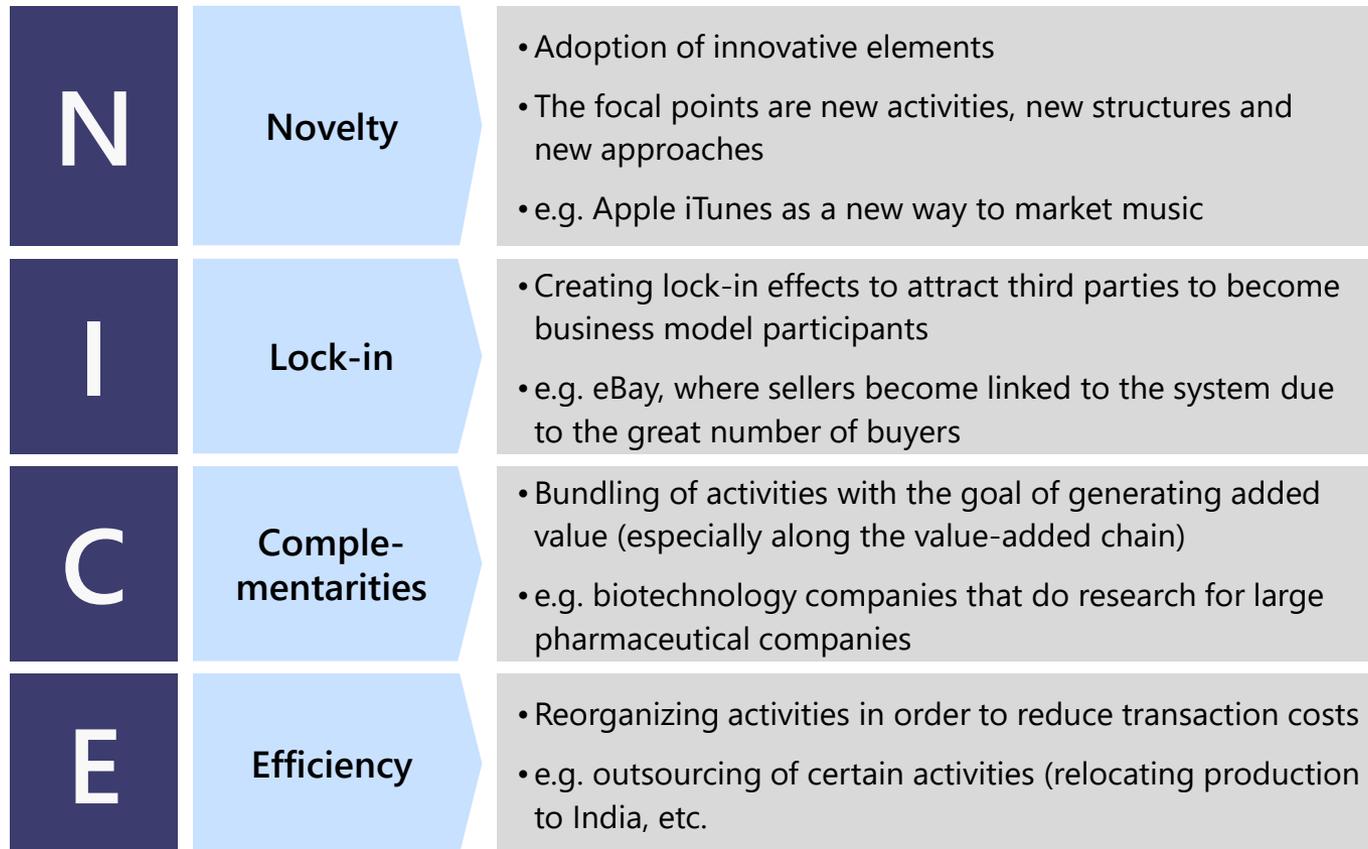
Source: Wirtz (2013a, 2018a, 2020)

Table 9.1 Definition of business model innovation

Author	Definition
Johnson, Christensen, and Kagermann (2008), pp. 54/59.	"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."
Lindgardt et al. (2009), p. 1.	"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."
Demil and Lecocq (2010), p. 228.	"[...] 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"
Gambardella and McGahan (2010), p. 263.	"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."

Source: Wirtz (2020)

Fig. 9.4 NICE framework



Source: Wirtz (2020)

Definition of Business Model Innovation

Definition of Business Model Innovation

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

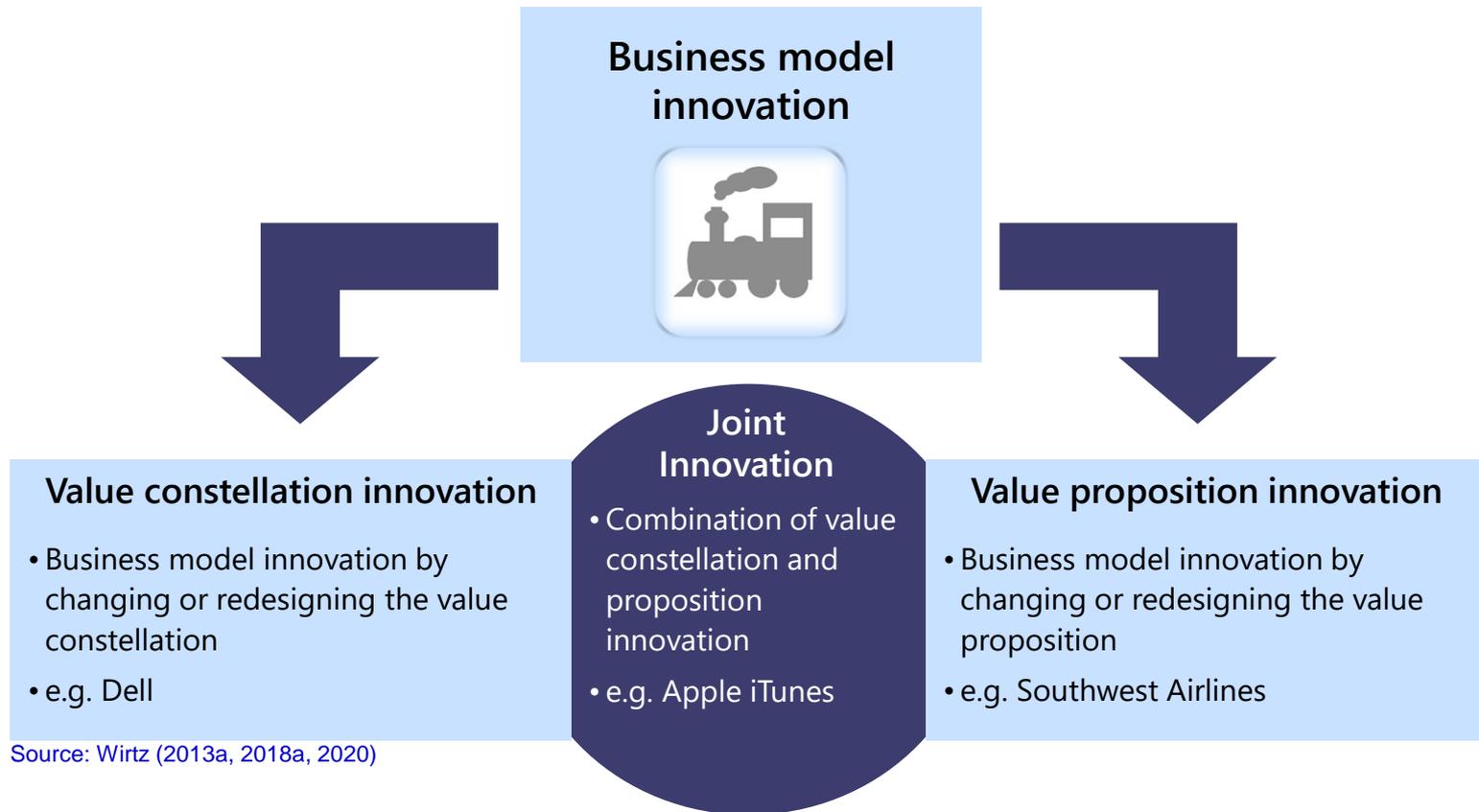
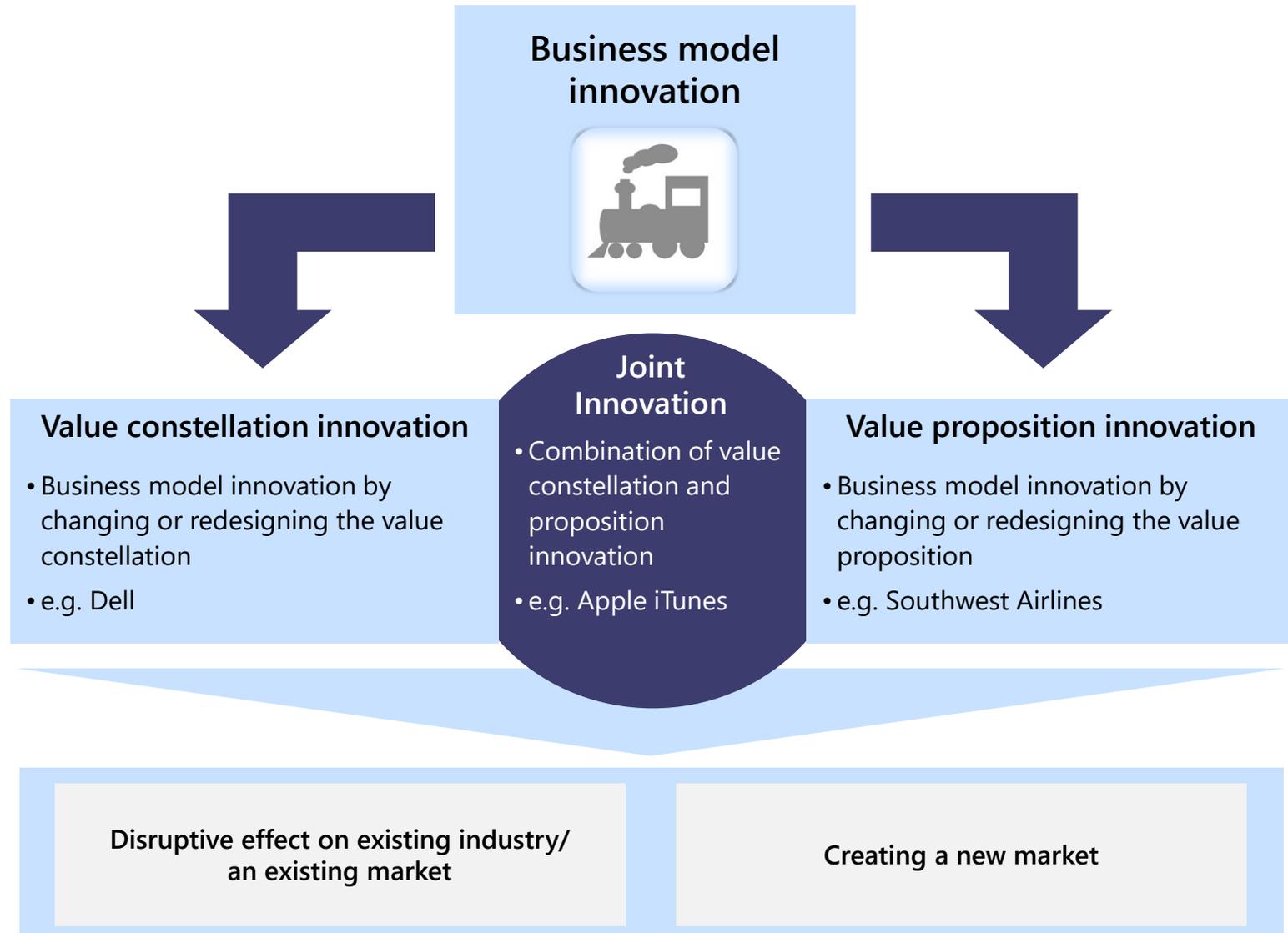
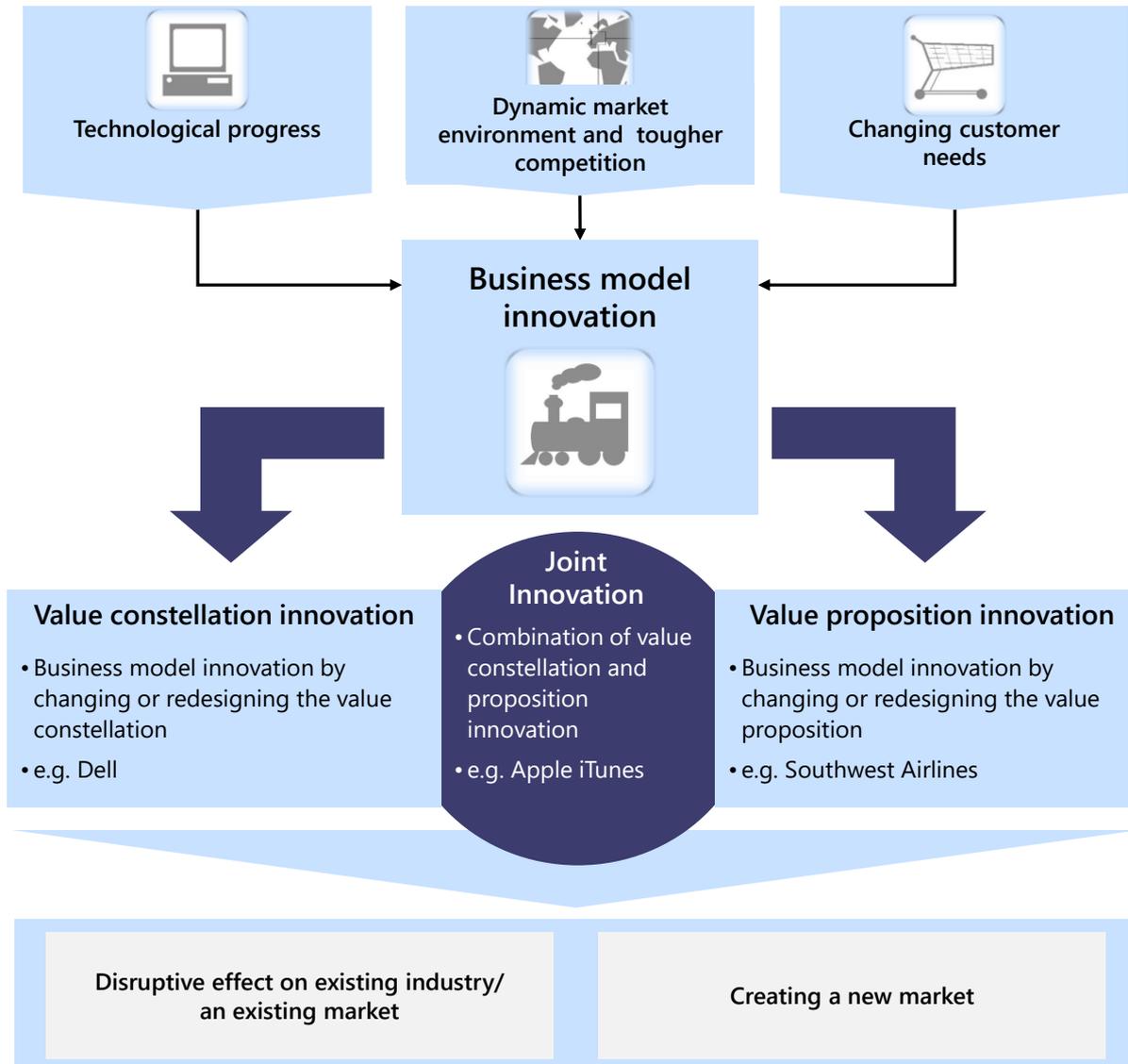


Fig. 9.6 Effect of business model innovation



Source: Wirtz (2013a, 2018a, 2020)

Fig. 9.7 Drivers of business model innovation



Source: Wirtz (2013a, 2018a, 2020)

Fig. 9.8 Classic innovation processes



Vrakking and Cozijnsen (1993)



Hughes et al. (1996)



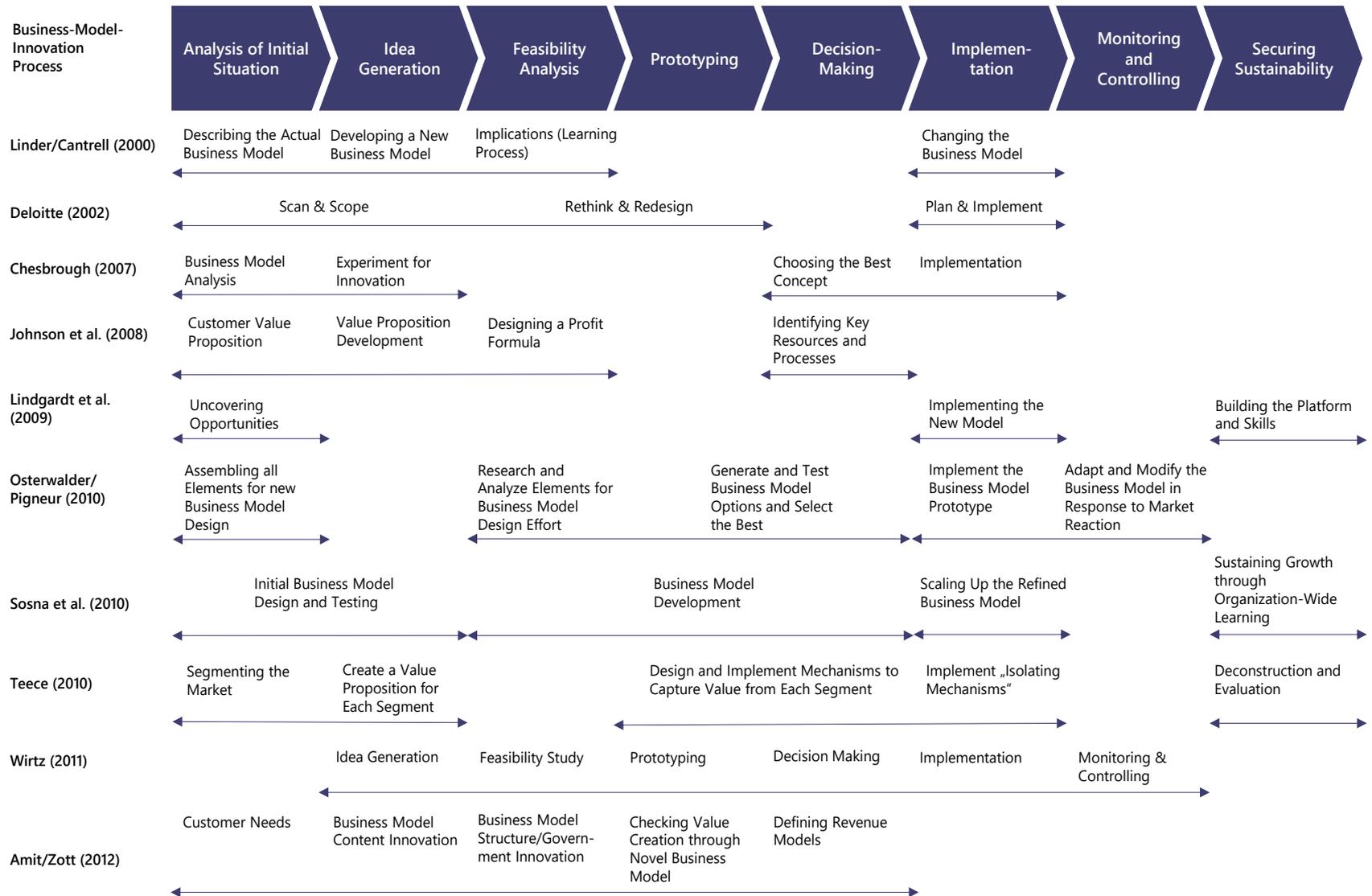
Cooper (1996)



Source: Wirtz (2011, 2018a, 2020)

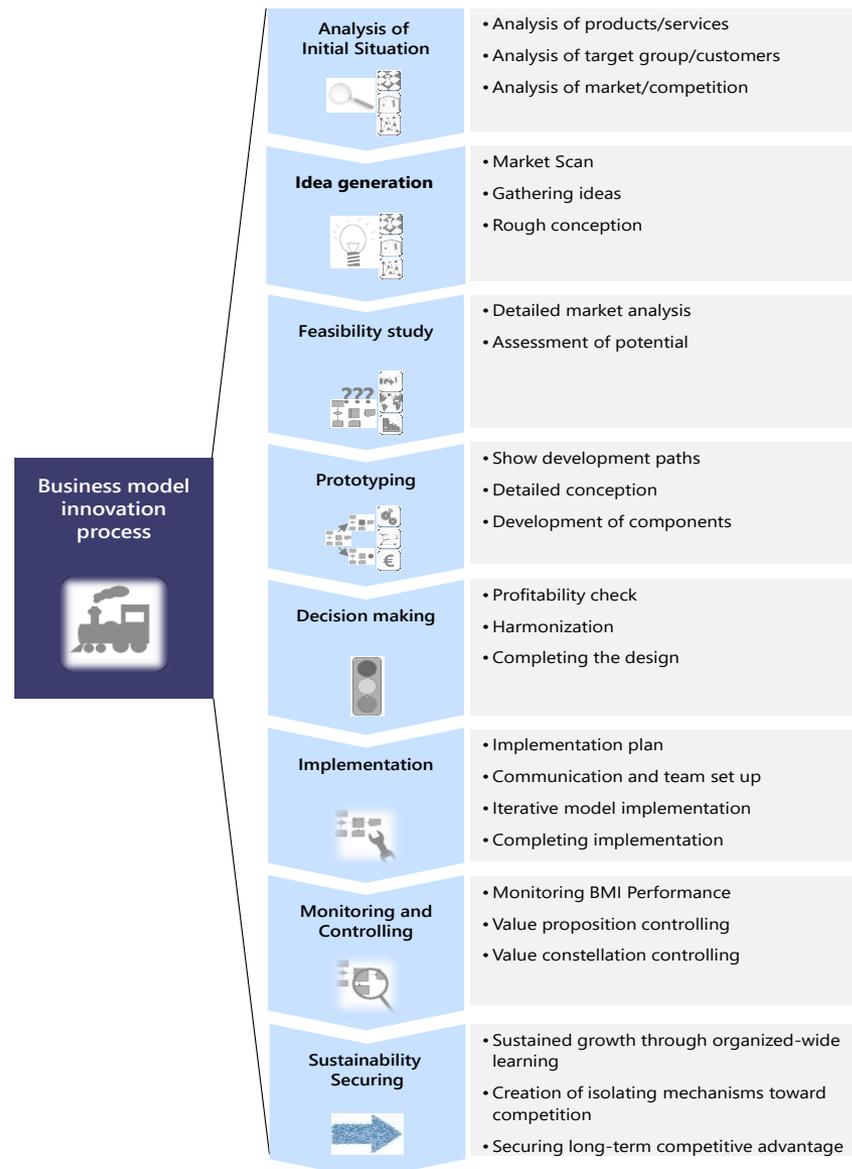
Herstatt and Verworn (2001)

Fig. 9.9 Business model innovation processes



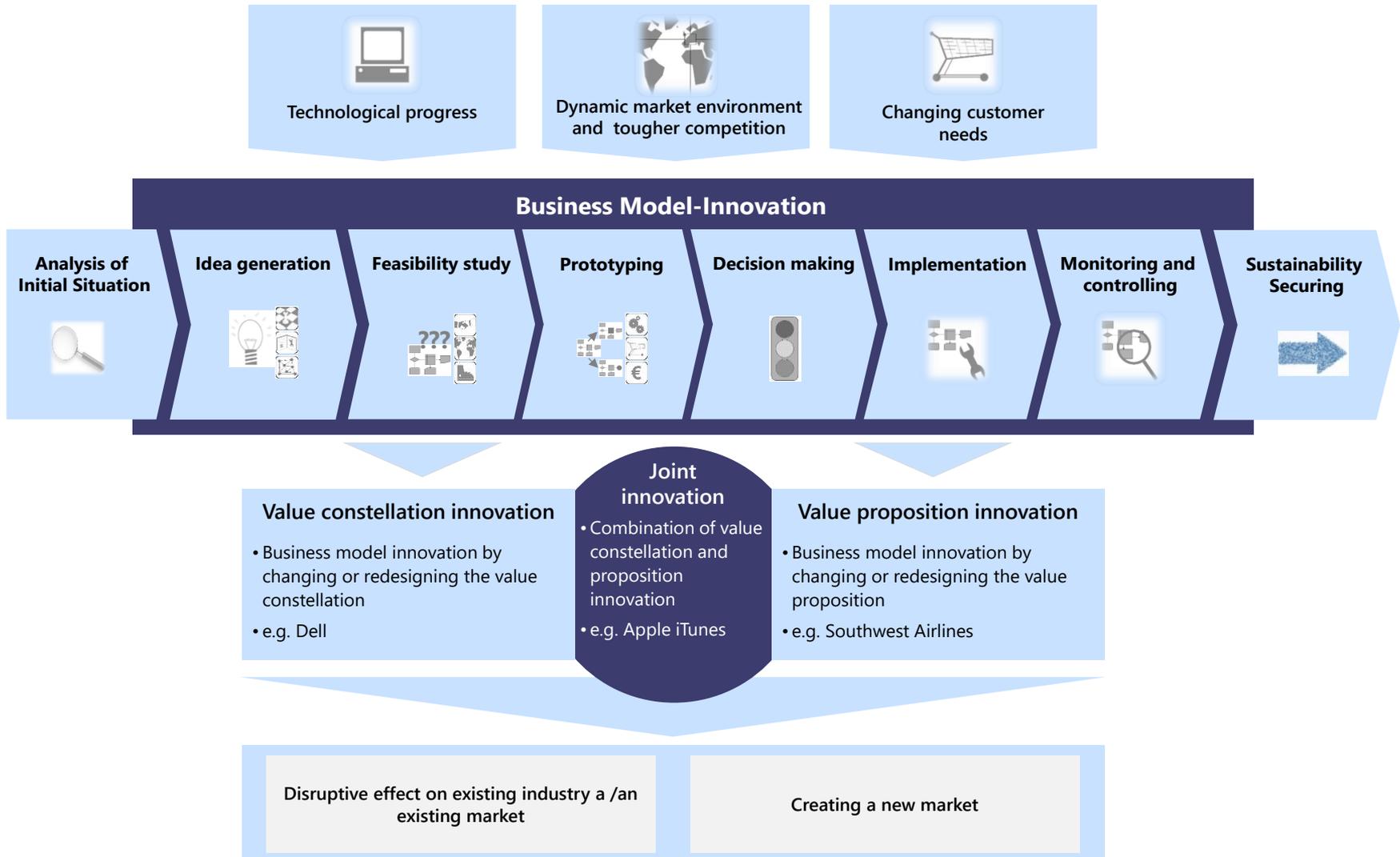
Source: Wirtz (2011, 2018a, 2020), and Wirtz and Thomas (2014)

Fig. 9.10 Business model innovation process



Source: Wirtz (2011, 2018a, 2020), and Wirtz and Thomas (2014)

Fig. 9.11 Summary of business model innovation



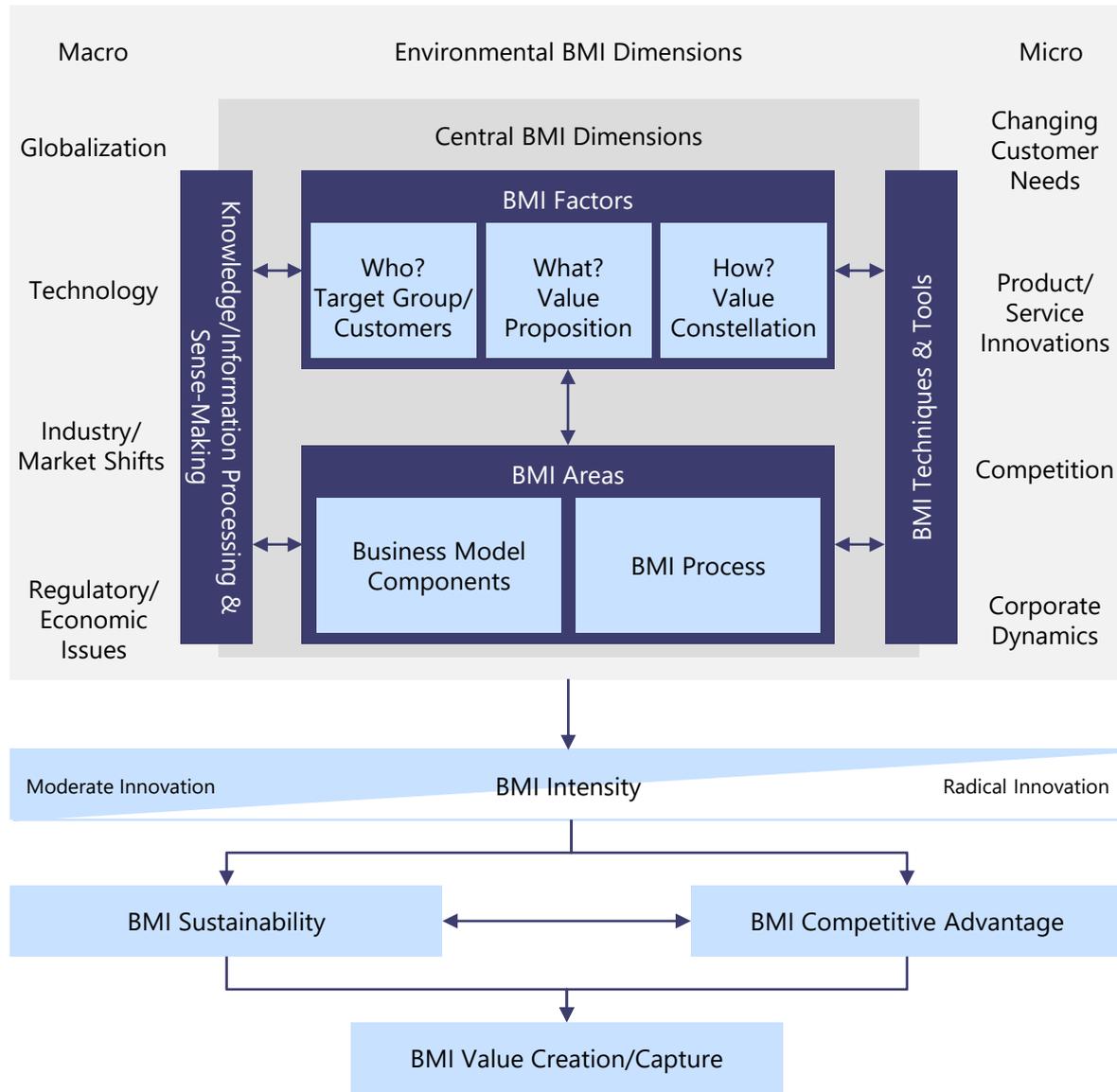
Source: Wirtz (2011, 2018a, 2020)

Fig. 9.12 Overview of the different business model innovation aspects

Authors	BMI Macro Environment Aspects	BMI Micro Environment Aspects	BMI Core Aspects	BMI Tools and Technical Aspects	BMI Knowledge Management Aspects	BMI Results/Impact-Aspects	Spectrum of BMI Aspects
Malhotra (2000)	Radical discontinuous change	Organizational need for new knowledge and knowledge renewal			<ul style="list-style-type: none"> Information-processing model Sense-making model 	<ul style="list-style-type: none"> Knowledge creation Knowledge renewal 	
Deloitte (2002)	External factors	Internal capabilities	<ul style="list-style-type: none"> Who What How 			<ul style="list-style-type: none"> Superior shareholder value Innovator advantages Incumbent disadvantages 	
Mahadevan (2004)	<ul style="list-style-type: none"> Technology Regulatory and economy 	<ul style="list-style-type: none"> Changing customer needs Competition Firm-level issues 	<ul style="list-style-type: none"> Target customers (who) Value propositions (what) Value delivery system (how) 			Sustainability	
Voelpel et al. (2004)	Sensing strength, direction, and impact of technology	<ul style="list-style-type: none"> Change in customer needs/behavior New customer value proposition Sensing potential for value system reconfiguration Sensing feasibility and profitability 	<ul style="list-style-type: none"> Customers Technology Business system infrastructure Economics/profitability 			Competitive advantage	
IBM (2009)			<ul style="list-style-type: none"> Industry model innovation Revenue model innovation Enterprise model innovation 			Successful financial results	
Yang et al. (2014)		<ul style="list-style-type: none"> Company (competency) Customer (market) Value (product) Profit (cost) 	<ul style="list-style-type: none"> Who What How 	<ul style="list-style-type: none"> Procedure Combination Internal evaluation 		<ul style="list-style-type: none"> Sustainability Competitive advantage 	
Applicability of Aspects							

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)

Fig. 9.14 Checklist for business model innovation



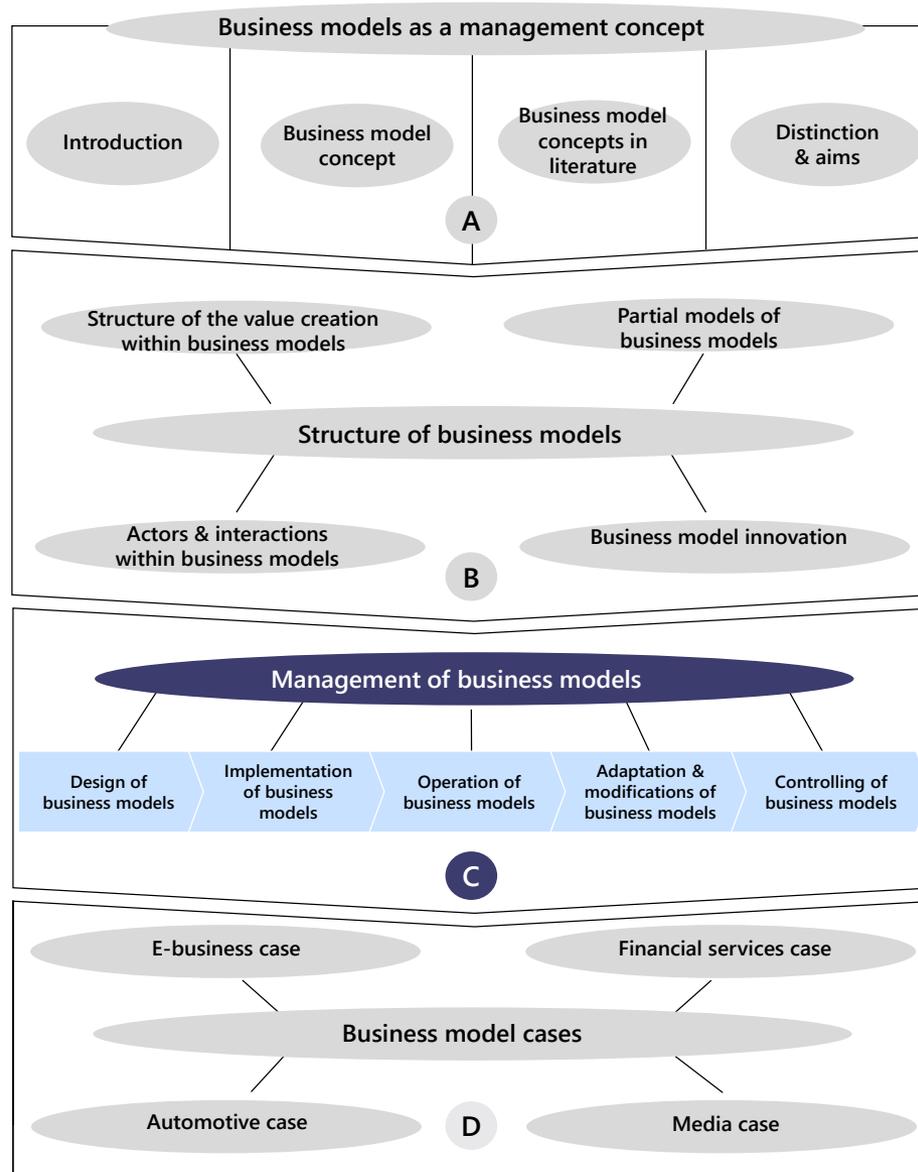
Core issues regarding the business model innovation

- 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?

Part III - Business Model Management

Chapter 10: Introduction

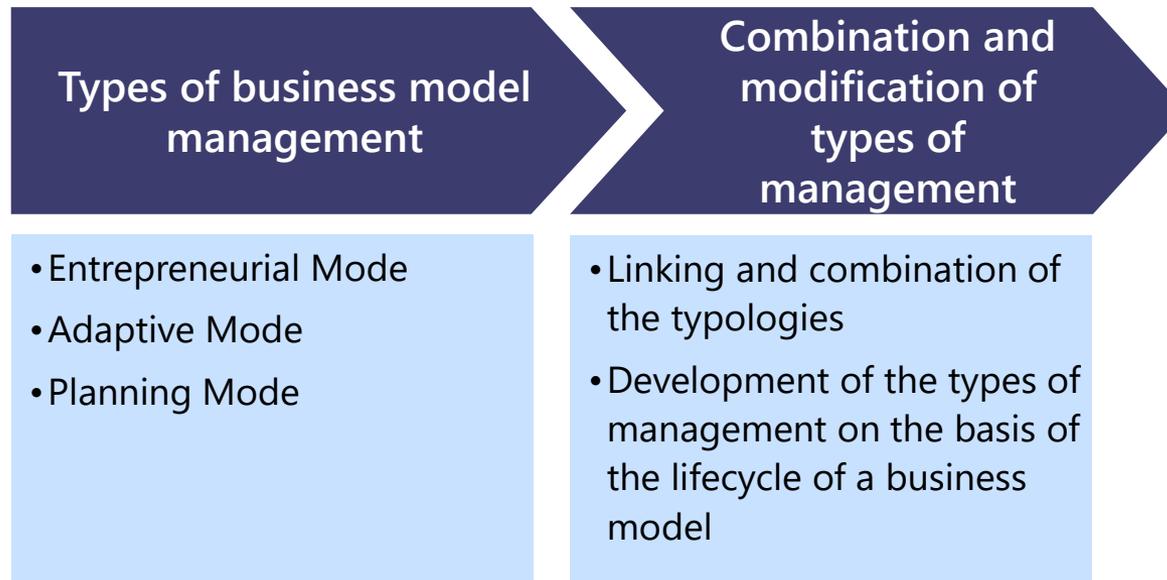
Fig. 10.1 Putting the section into context



Source: Wirtz (2020)

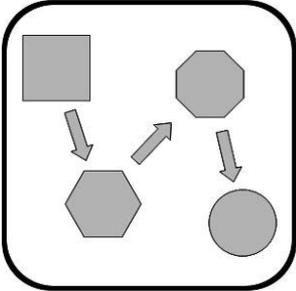
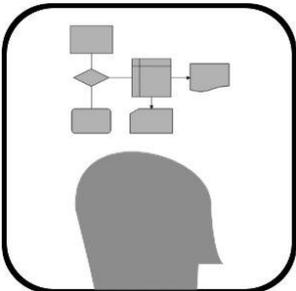
Chapter 11: Types of Business Model Management

Fig. 11.1 Structure of the chapter



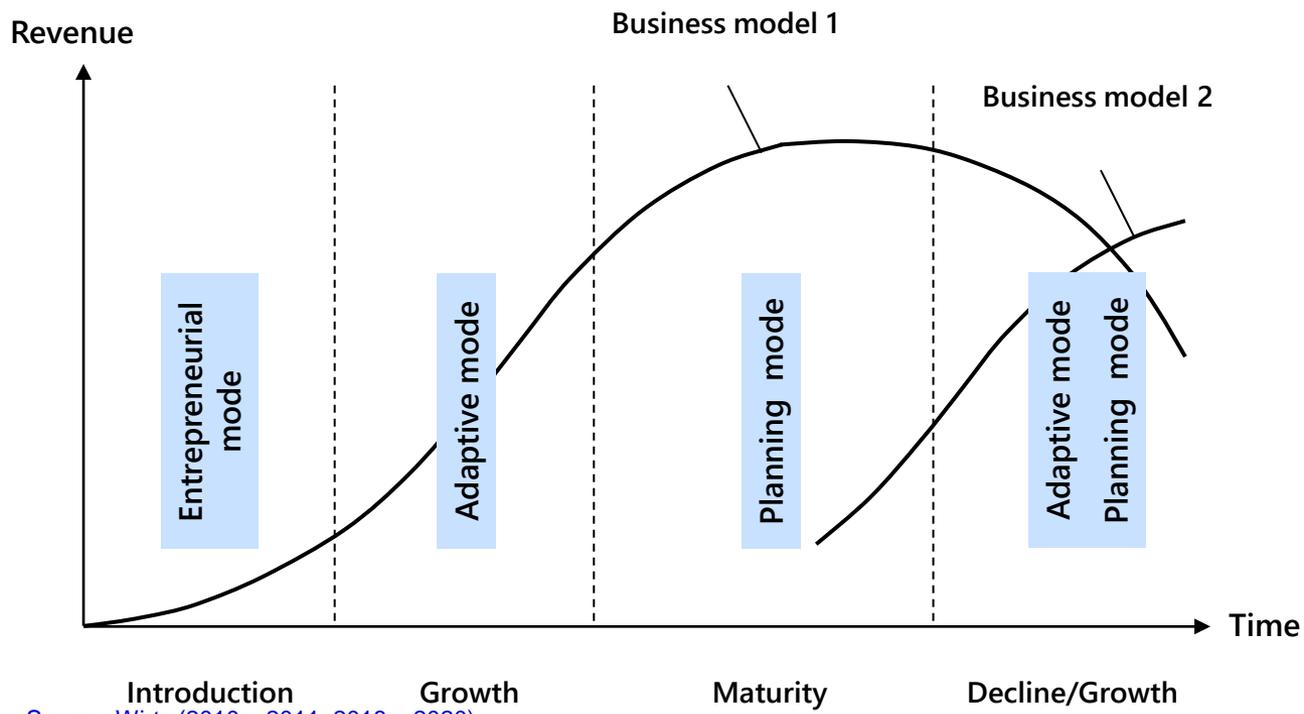
Source: Wirtz (2020)

Fig. 11.2 Features of the types of management of business models

Management Mode	Key elements	Core questions
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Entrepreneurial mode</p> 	<ul style="list-style-type: none"> • Entrepreneur as a central control parameter • Proactivity and willingness to take risks • Allow and responsibly promote changes 	<ul style="list-style-type: none"> • Can all decisions regarding the BM be made by one person? • Can the BM be established and operated by one person?
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Adaptive mode</p> 	<ul style="list-style-type: none"> • Consensus as a basis for decision-making • Reactive, unconnected decisions • Short-term, gradual adjustment 	<ul style="list-style-type: none"> • Which stakeholders have an influence on the BM? • Which adjustments have to be made?
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Planning mode</p> 	<ul style="list-style-type: none"> • Dichotomous, analytical procedures • Growth and efficiency targets • Comprehensive, complex strategies 	<ul style="list-style-type: none"> • Can all relevant aspects of the BM be predicted by means of analysis? • Are the growth and efficiency targets of the BM compatible?

Source: Wirtz (2010a, 2020)

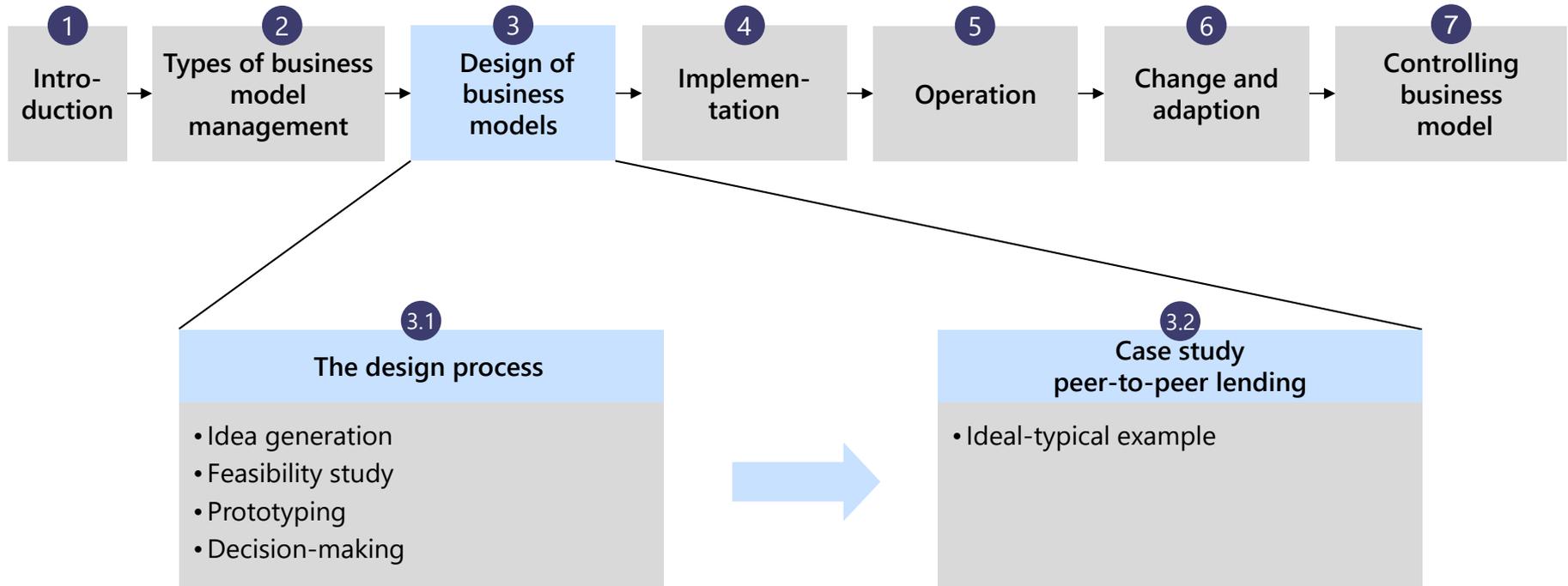
Fig. 11.3 Modifications of modes in the course of the lifecycle of a business model



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

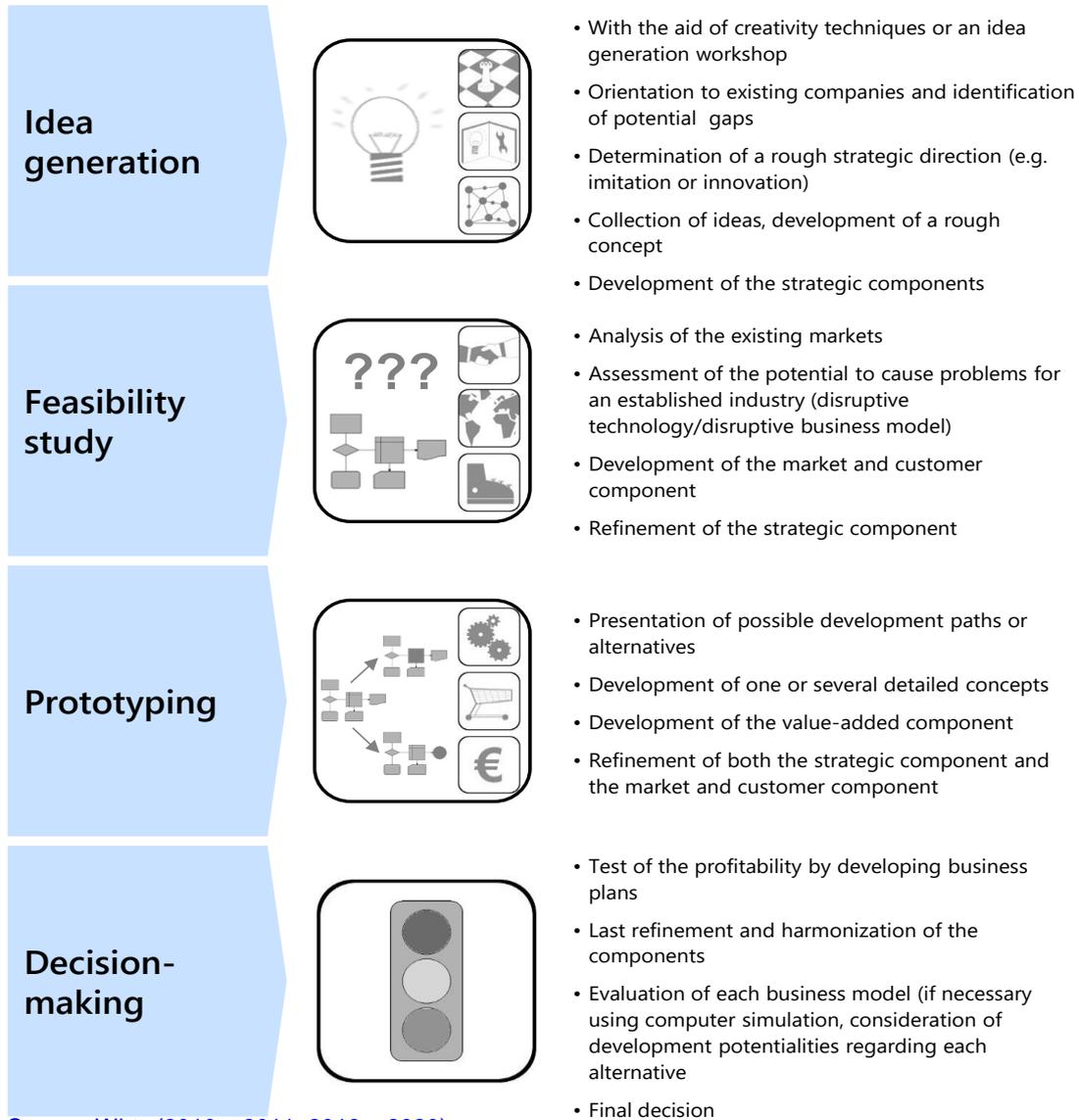
Chapter 12: Design of Business Models

Fig. 12.1 Structure of the chapter



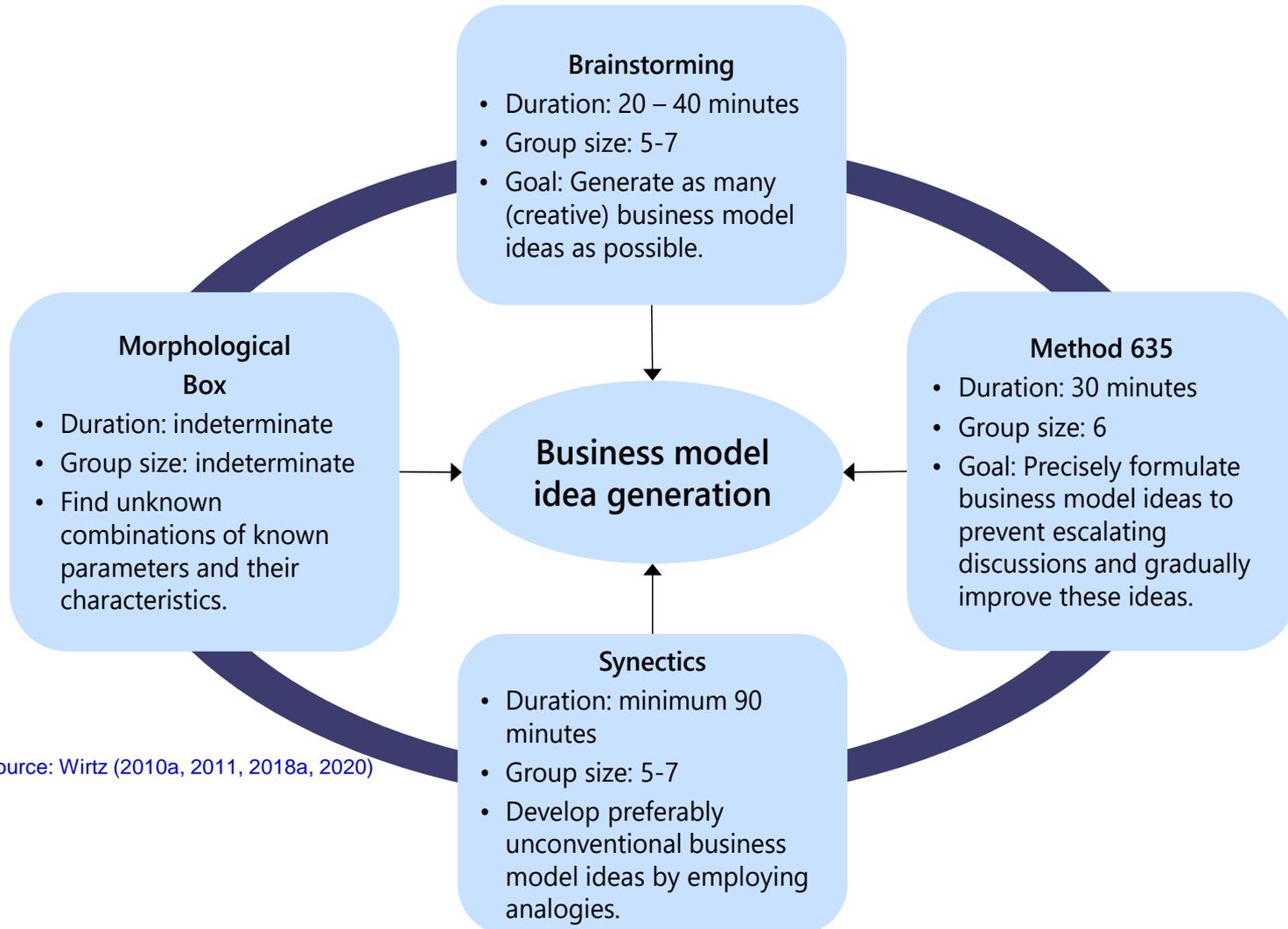
Source: Wirtz (2020)

Fig. 12.2 Business model design process



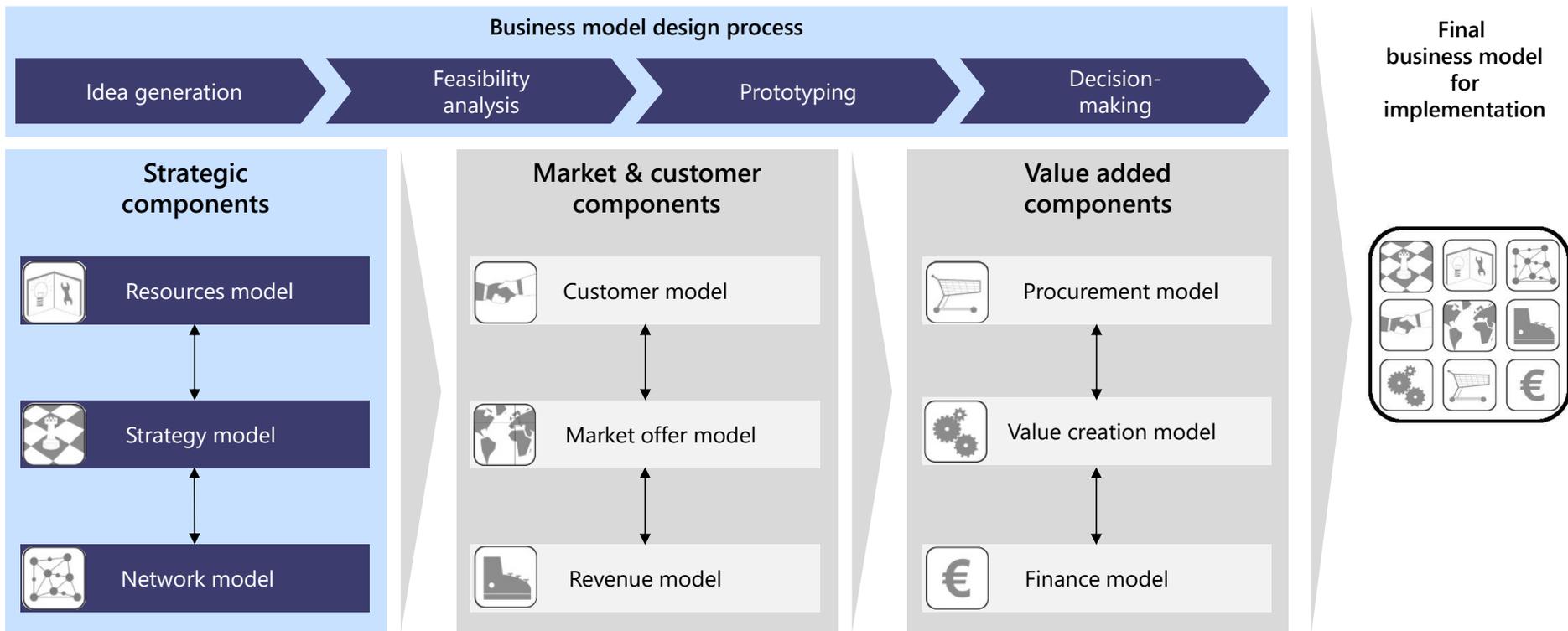
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 12.3 Summary of the creativity techniques



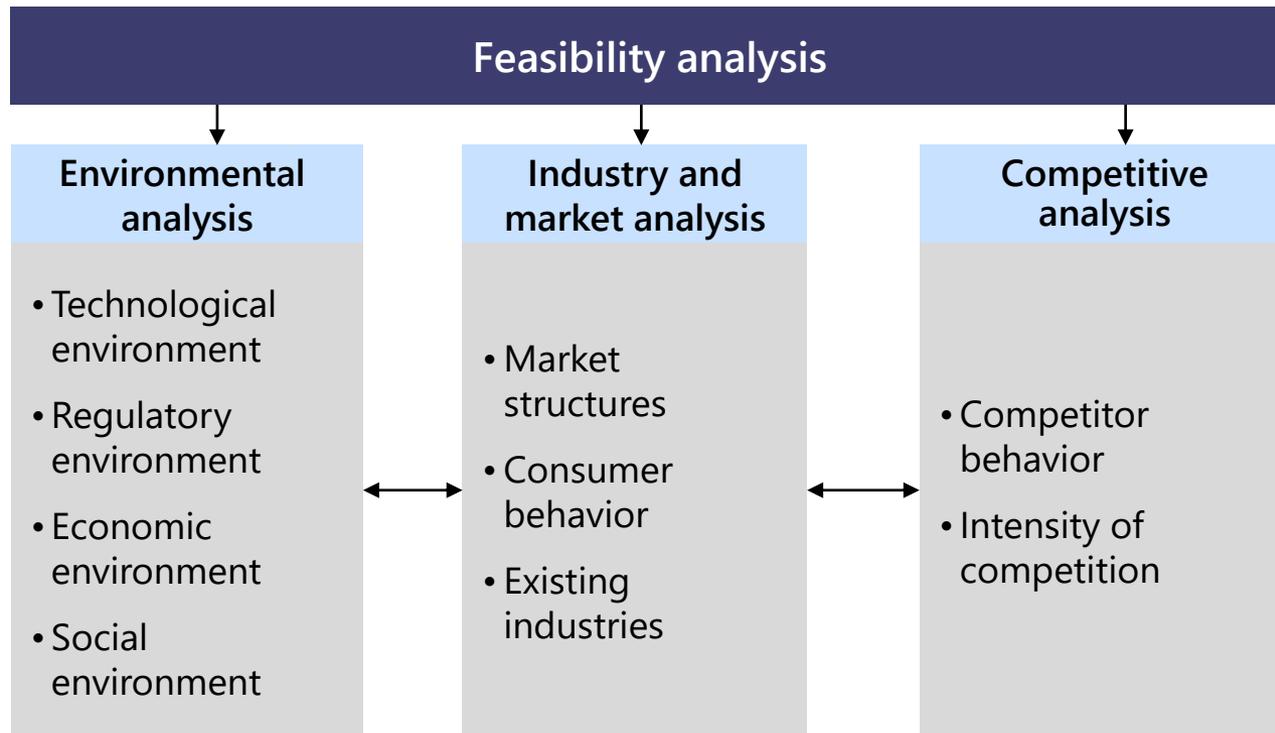
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 12.4 Development of partial models during the design process



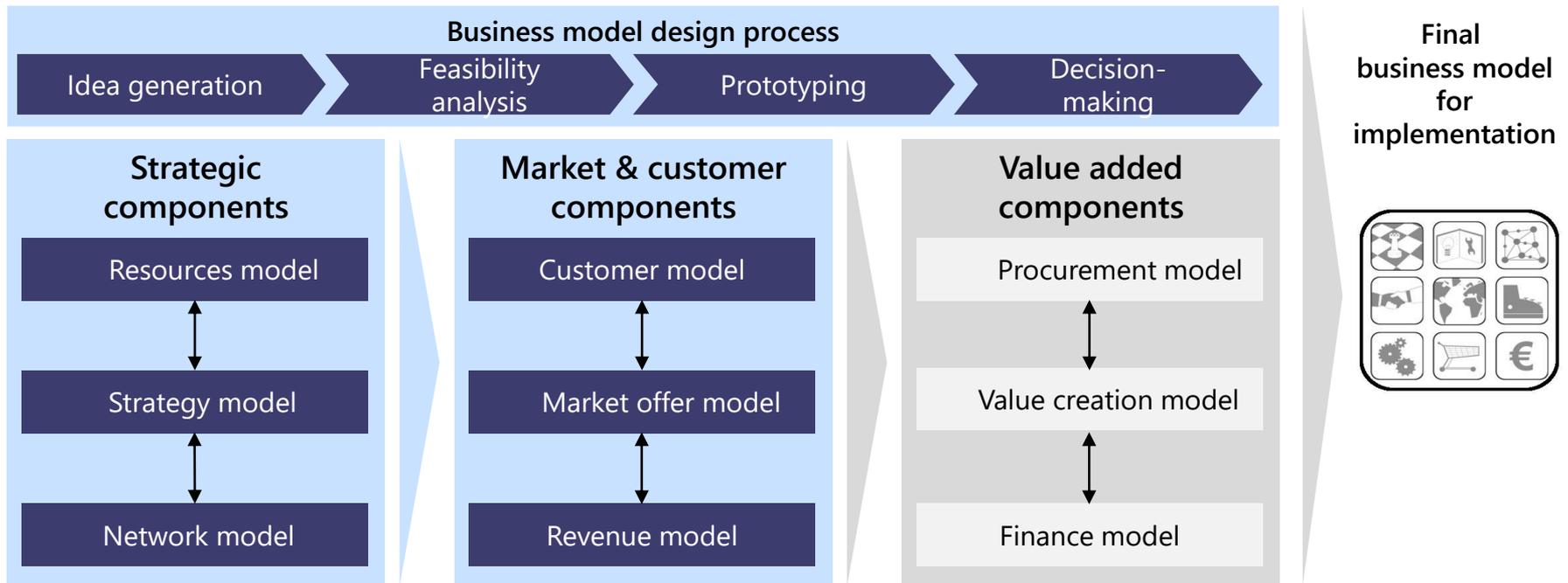
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 12.5 Phases of the feasibility analysis



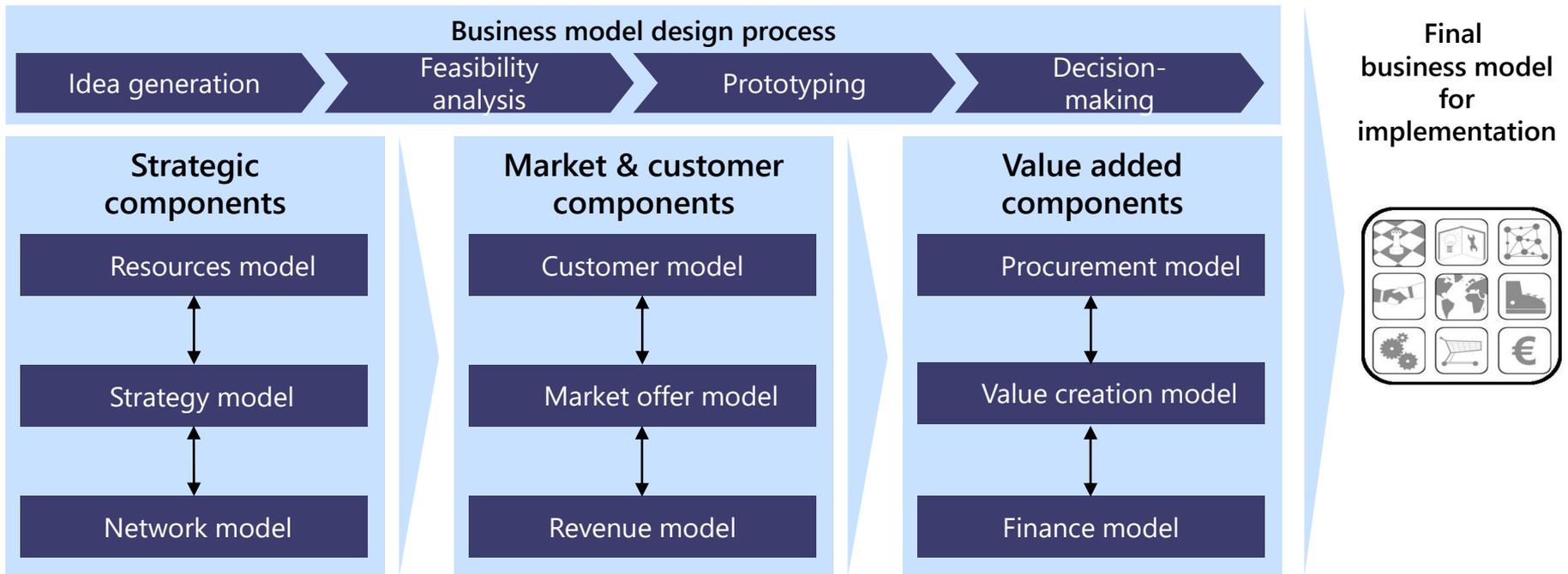
Source: Wirtz (2013b, 2019b, 2020)

Fig. 12.6 Development of partial models during the design process



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

Fig. 12.7 Development of partial models during the design process



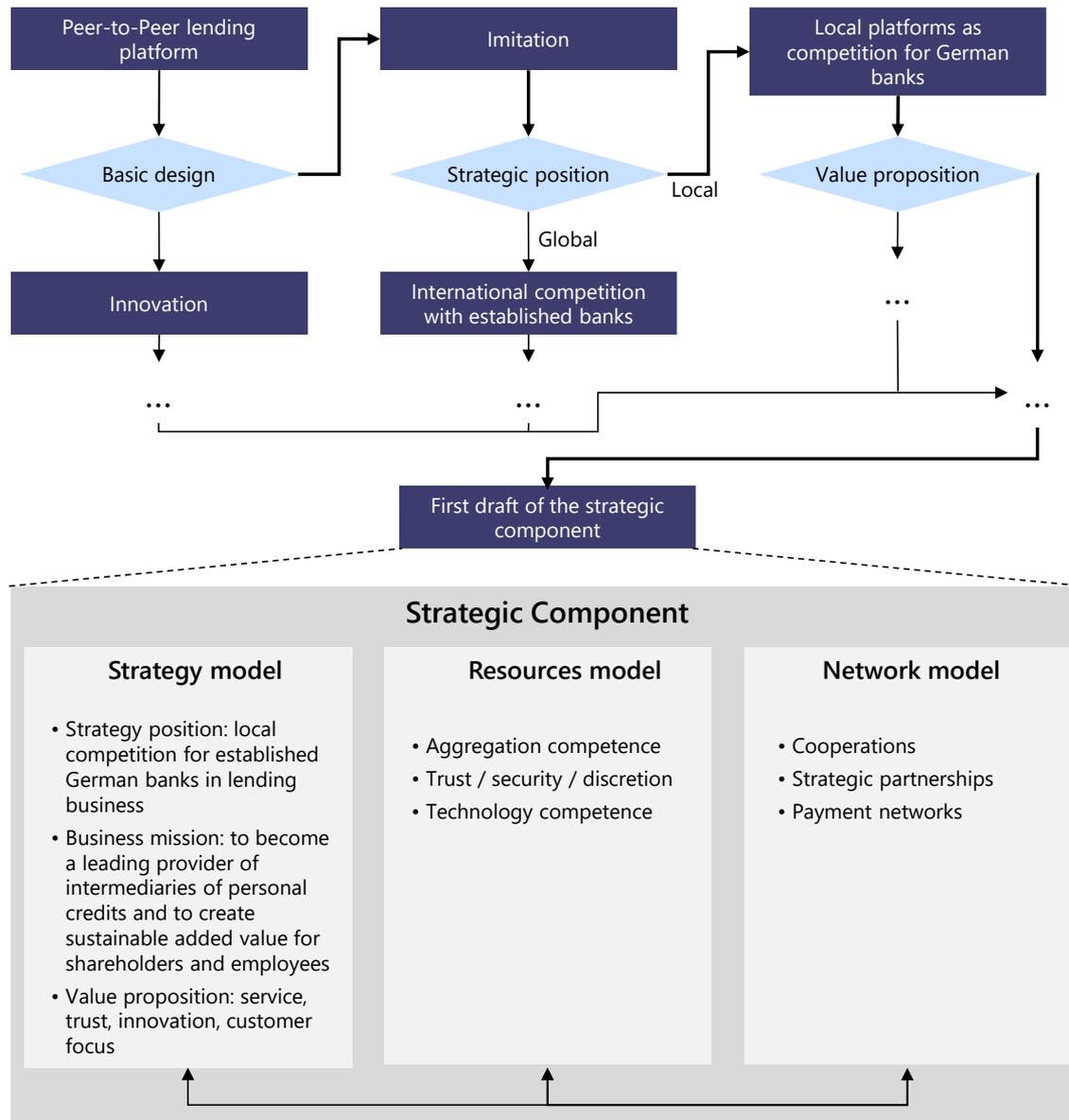
Source: Wirtz (2010a, 2011, 2018a, 2020)

Table 12.1 Checklist for the key aspects of the design of a business model

Partial models	Questions
Strategy model	<ul style="list-style-type: none"> • Which value proposition is relevant for the market? • What are the key aspects of the business model mission?
Resources model	<ul style="list-style-type: none"> • Which goals can be derived from the corporate strategy? • Which competencies and resources are required for the business model? • What are the critical competencies and resources of the business model? • Are some of these competencies and resources already available? Which can be obtained?
Network model	<ul style="list-style-type: none"> • Which fields of value creation can be covered by networks? • Which potential partners can be identified? • Which role does one's own company play in this network?
Customer model	<ul style="list-style-type: none"> • Which groups of customers/market segments can be identified? • Which channels can be used for interacting with customers? • To what extent can parts of the value proposition be individualized for customer groups?
Market offer model	<ul style="list-style-type: none"> • What characterizes the market structure? • Which competitors (across industries) are relevant for the business model? • What is the fit between the value proposition and existing market potential?
Revenue model	<ul style="list-style-type: none"> • Which revenue strategies are aimed for in the context of the business model? • Which forms of revenue can be employed? • To what extent can a revenue differentiation be used to reduce the economic risk?
Value creation model	<ul style="list-style-type: none"> • Which system forms the basis of value creation? • Which basic principle of value generation is employed in the business model? • Which internal and external drivers affect value creation?
Procurement model	<ul style="list-style-type: none"> • What do relationships to procurement partners have to be like to guarantee optimal procurement? • Which forms of procurement can be employed in the context of the business model? • How can procurement measures be designed profitably?
Finance model	<ul style="list-style-type: none"> • Which capital structure serves as a basis for the business model? • Which forms of financing can be employed? • Which are essential parameters of the cost structure model?

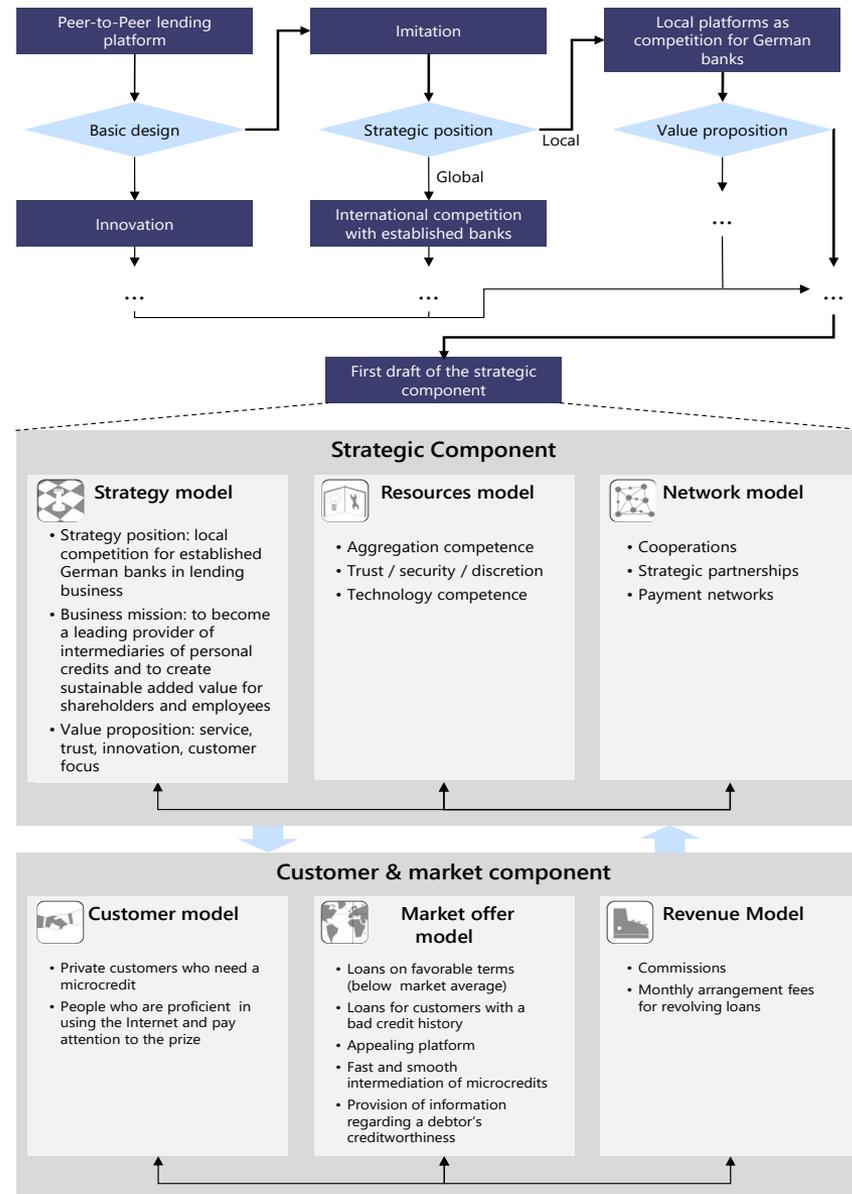
Source: Wirtz (2010a, 2011, 2018a, 2020)

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



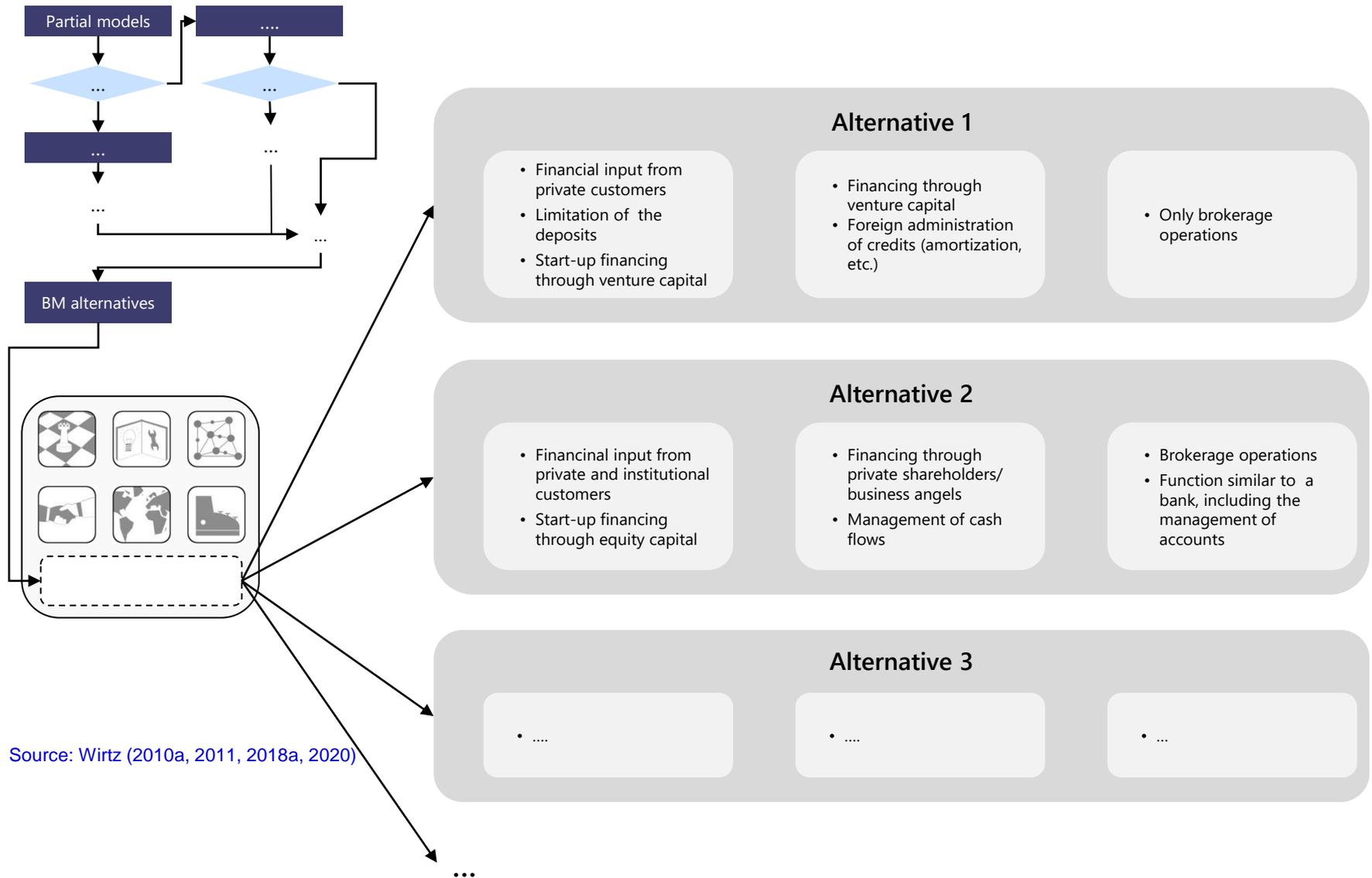
Source: Wirtz (2010a, 2011, 2018a, 2020)

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



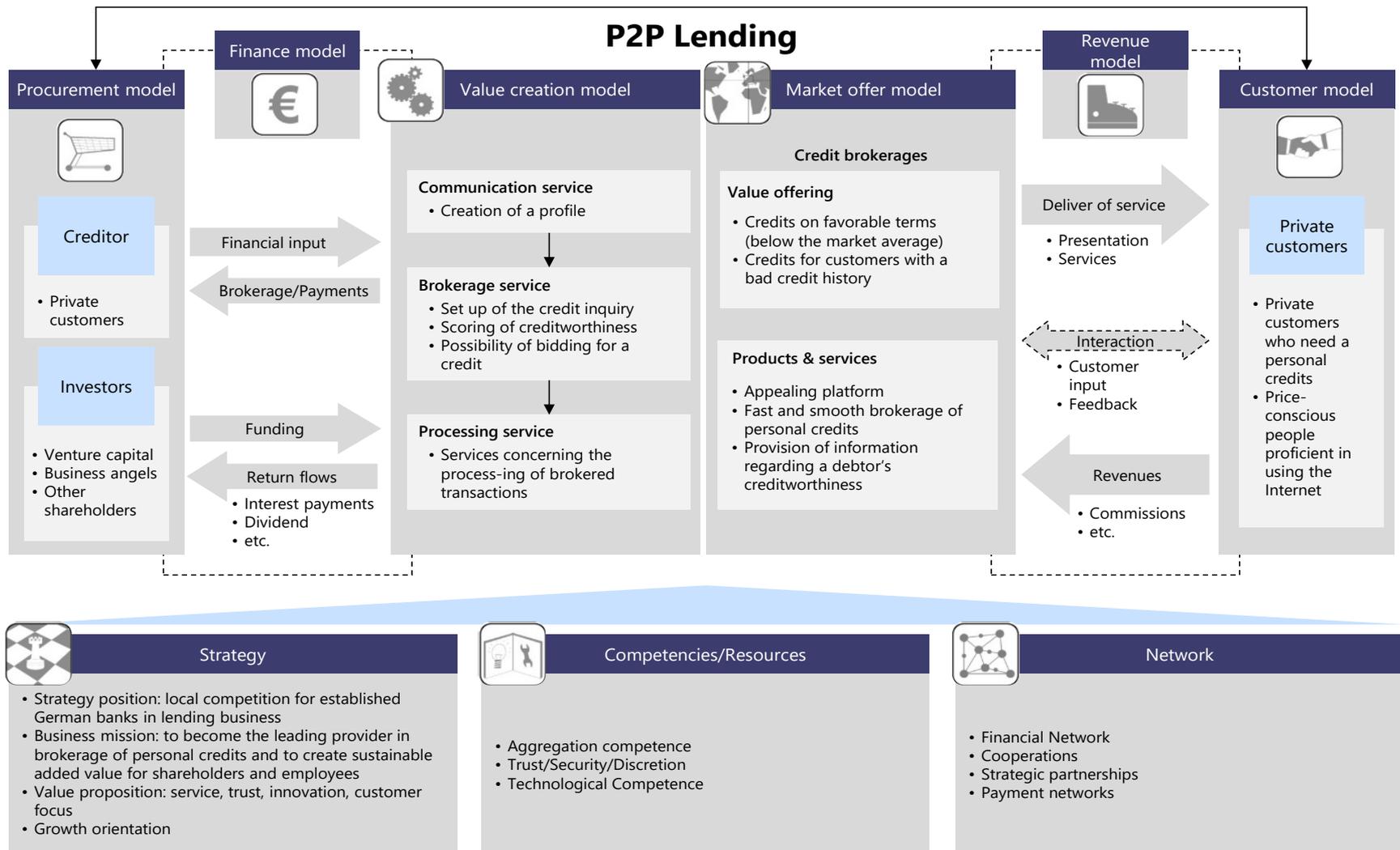
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 12.10 Creation of several prototypes



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

Fig. 12.11 Exemplary business model for P2P lending companies



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

Fig. 12.12 Checklist for business model design

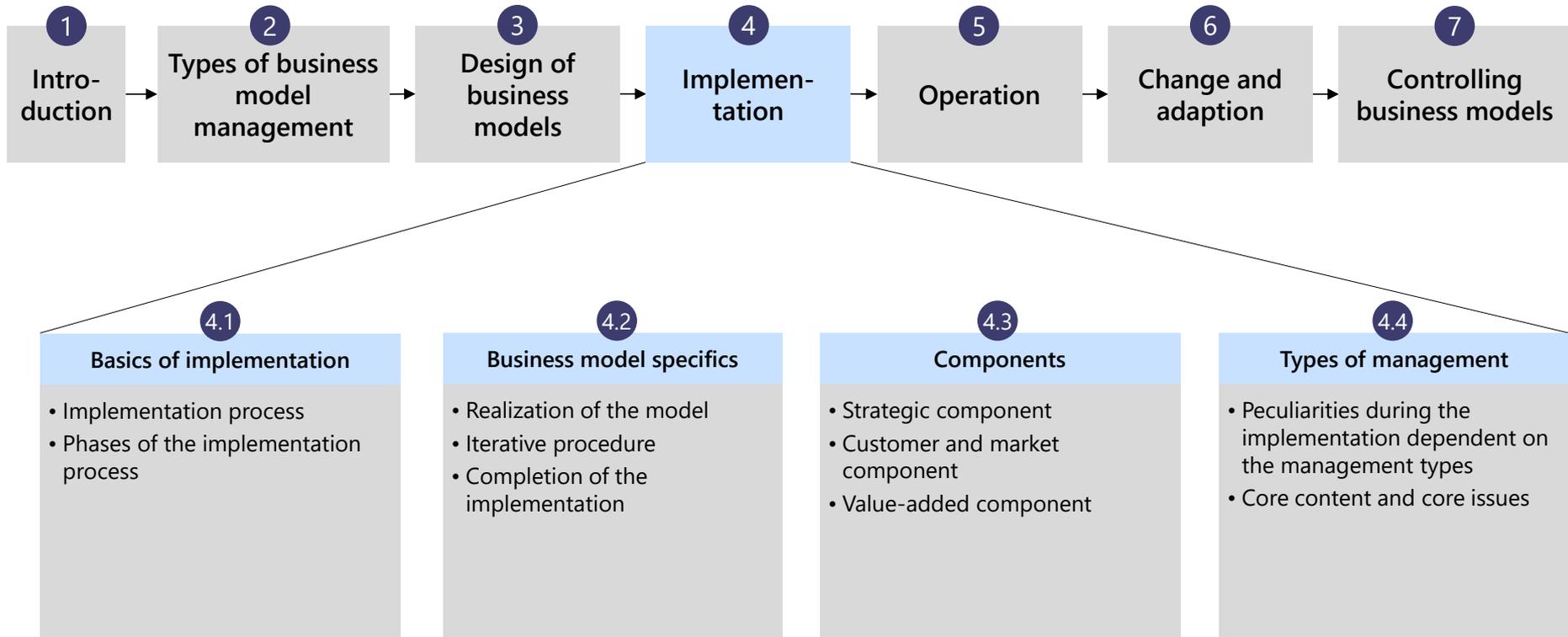


Central issues regarding the design of business models

- 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?

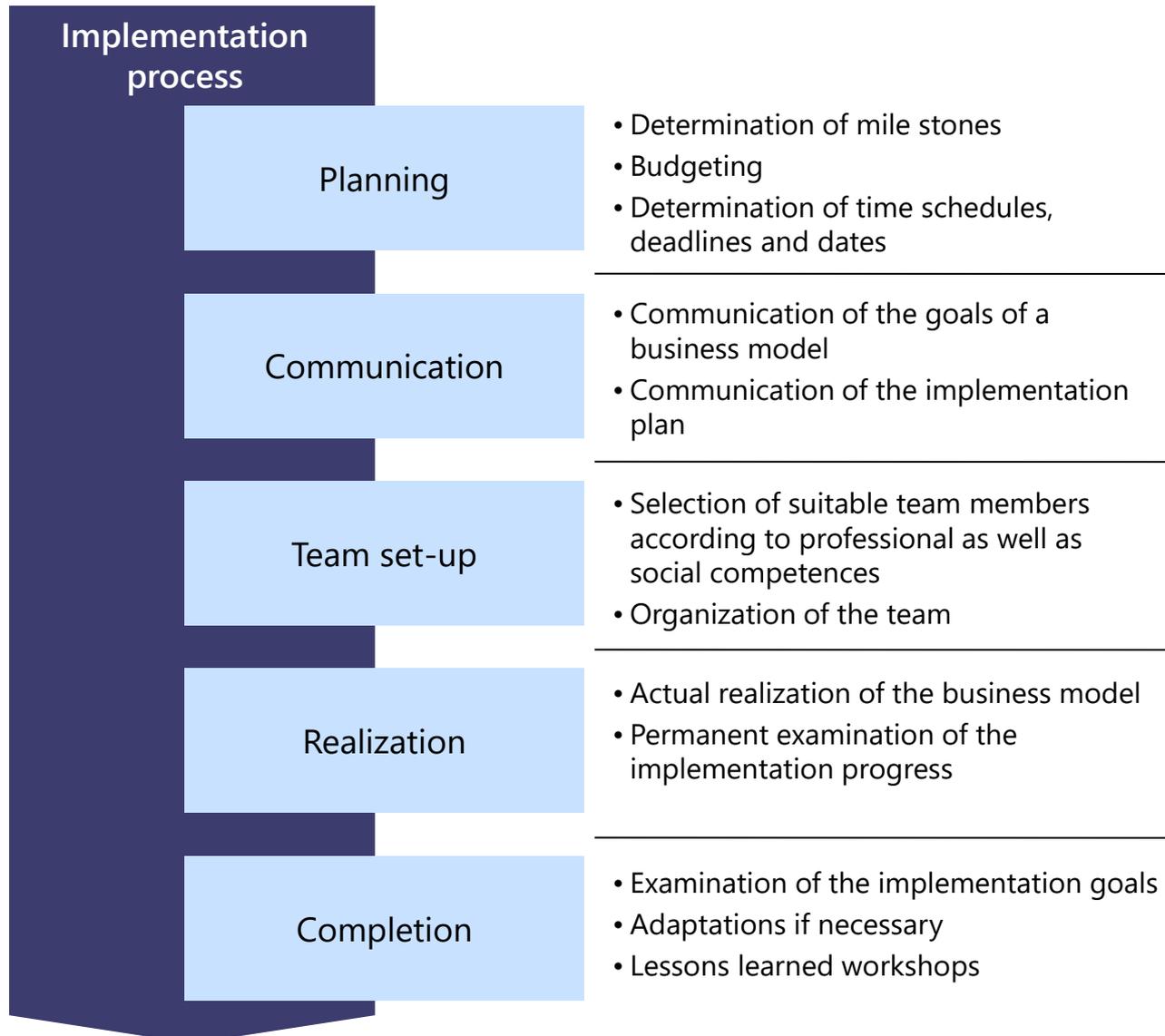
Chapter 13: Implementation of Business Models

Fig. 13.1 Structure of the chapter



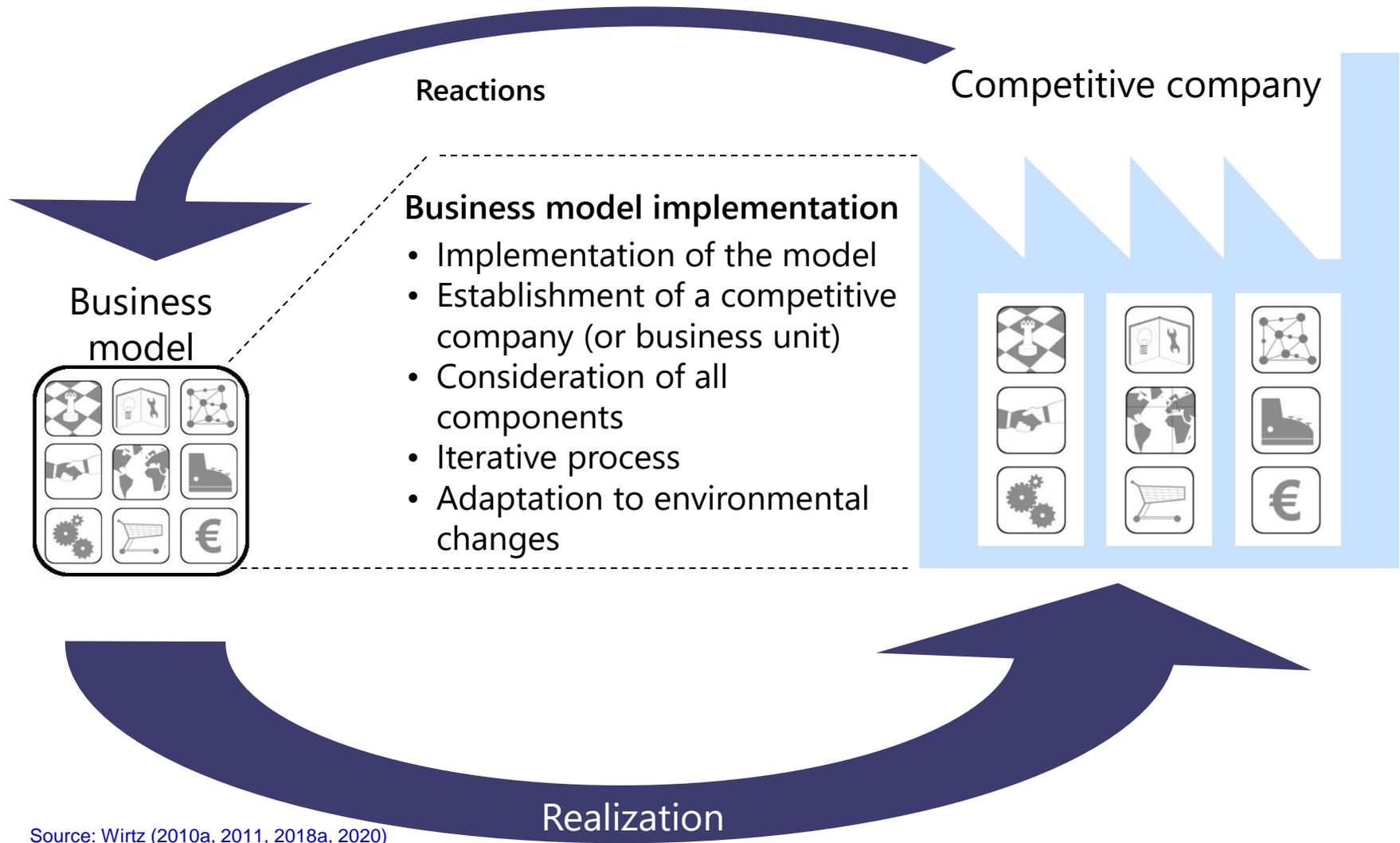
Source: Wirtz (2020)

Fig. 13.2 Phases of implementation and management tasks



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

Fig. 13.3 Business model implementation



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

Fig. 13.4 Checklist for implementation

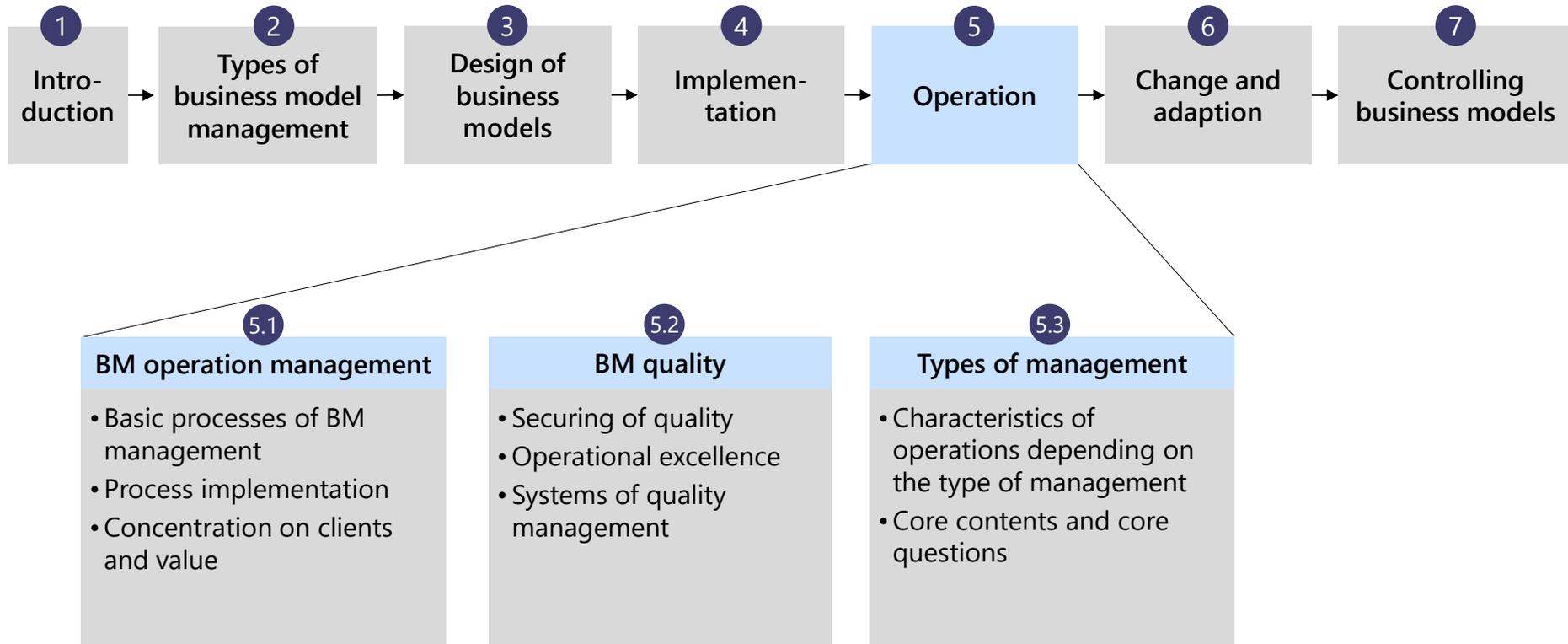


Core issues of business model implementation

- 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?

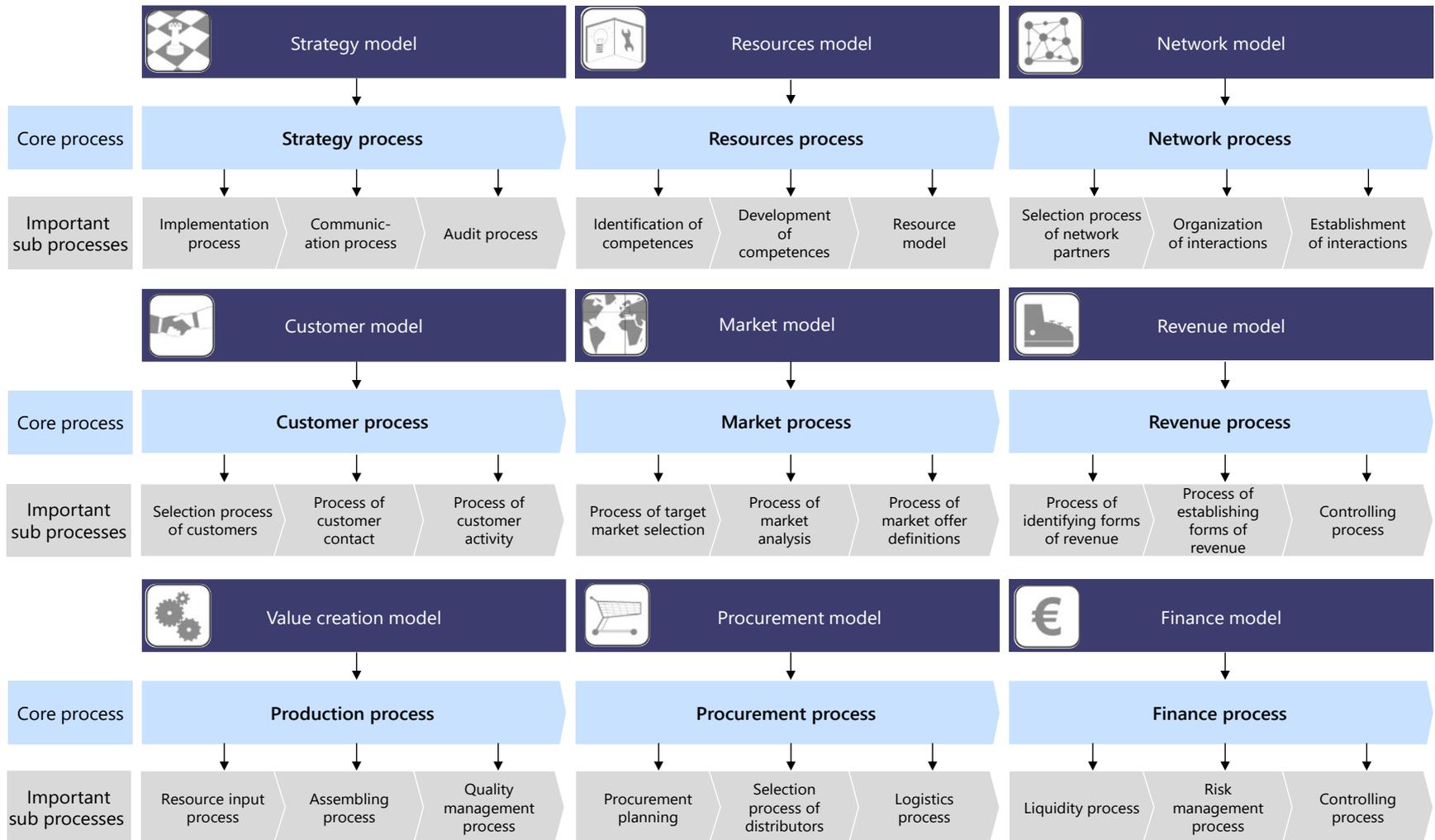
Chapter 14: Business Model Operation

Fig. 14.1 Structure of the chapter



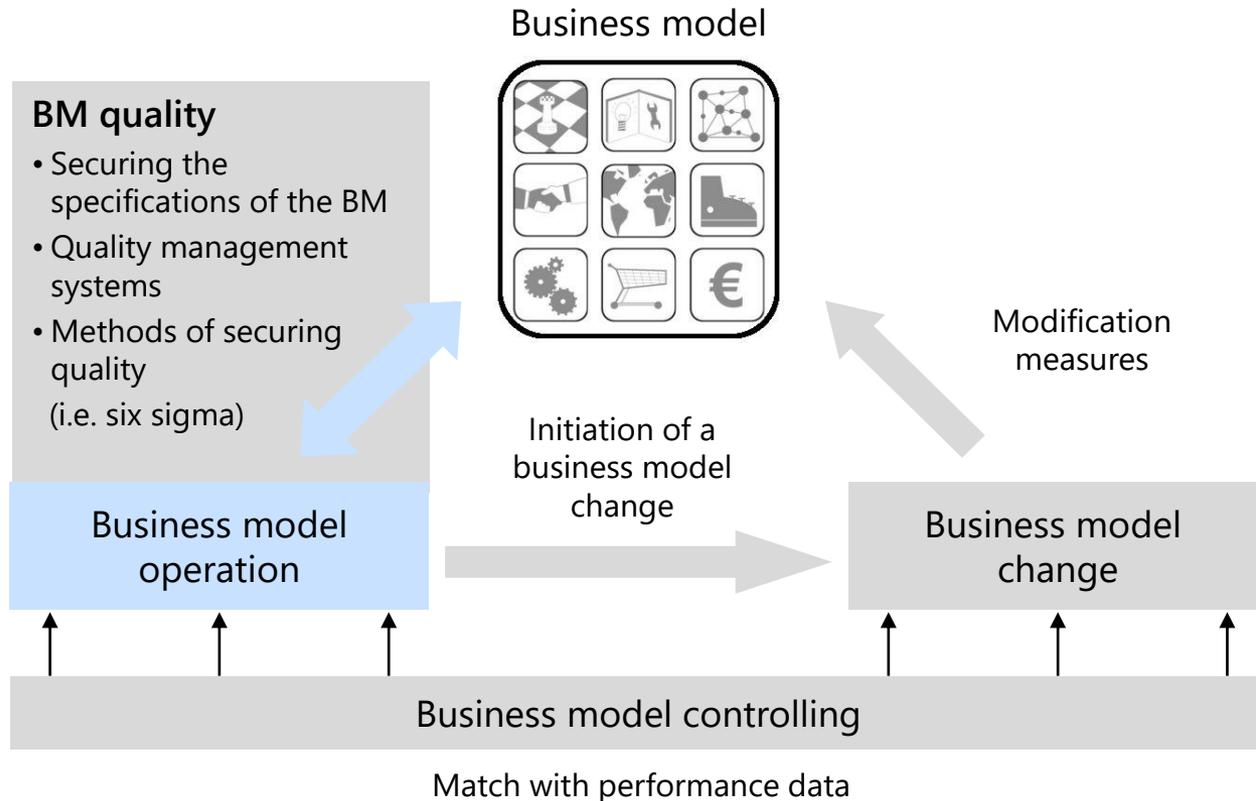
Source: Wirtz (2020)

Fig. 14.2 Core processes of business model operation



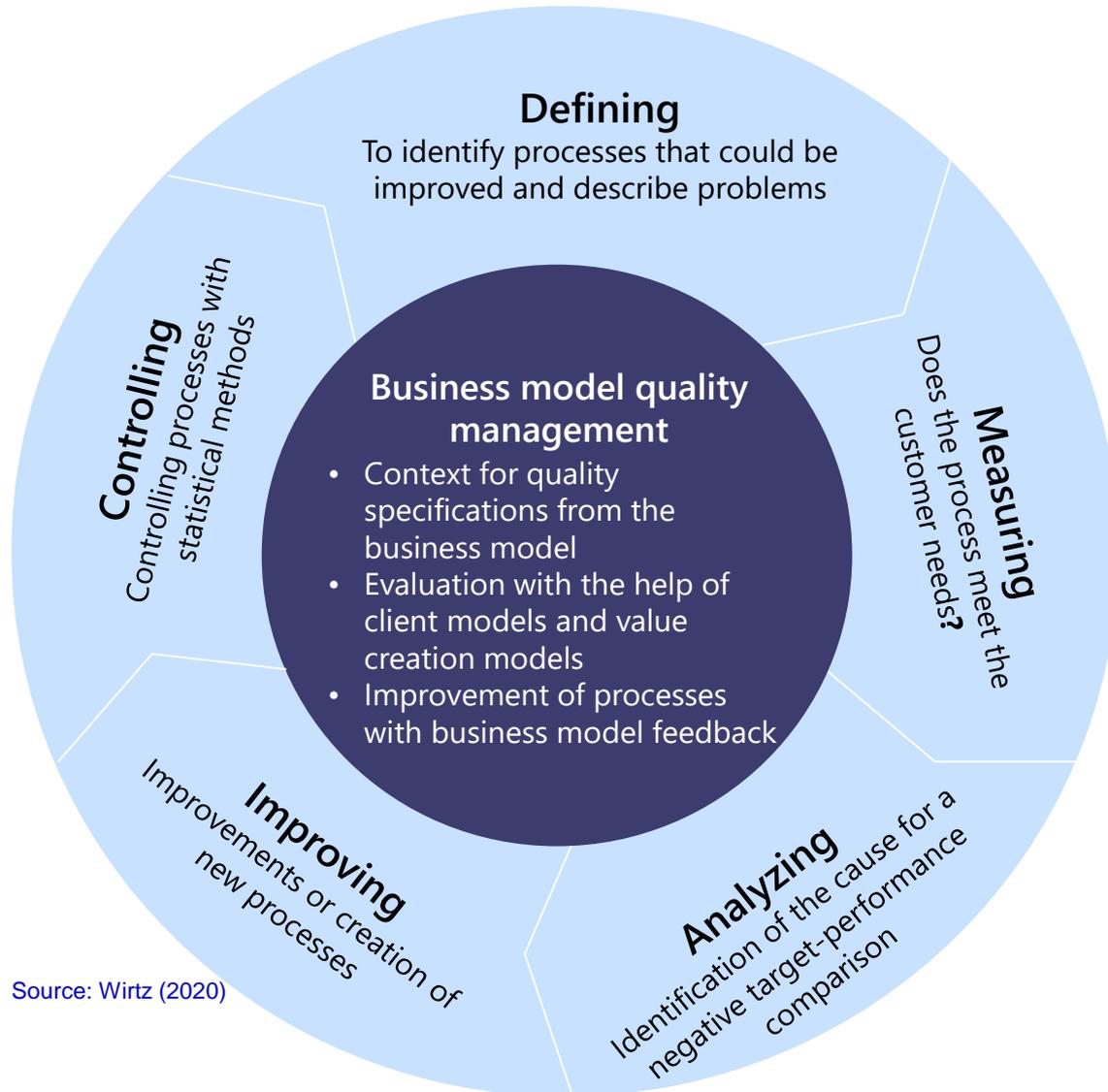
Source: Wirtz (2010a, 2011, 2018a, 2020)

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



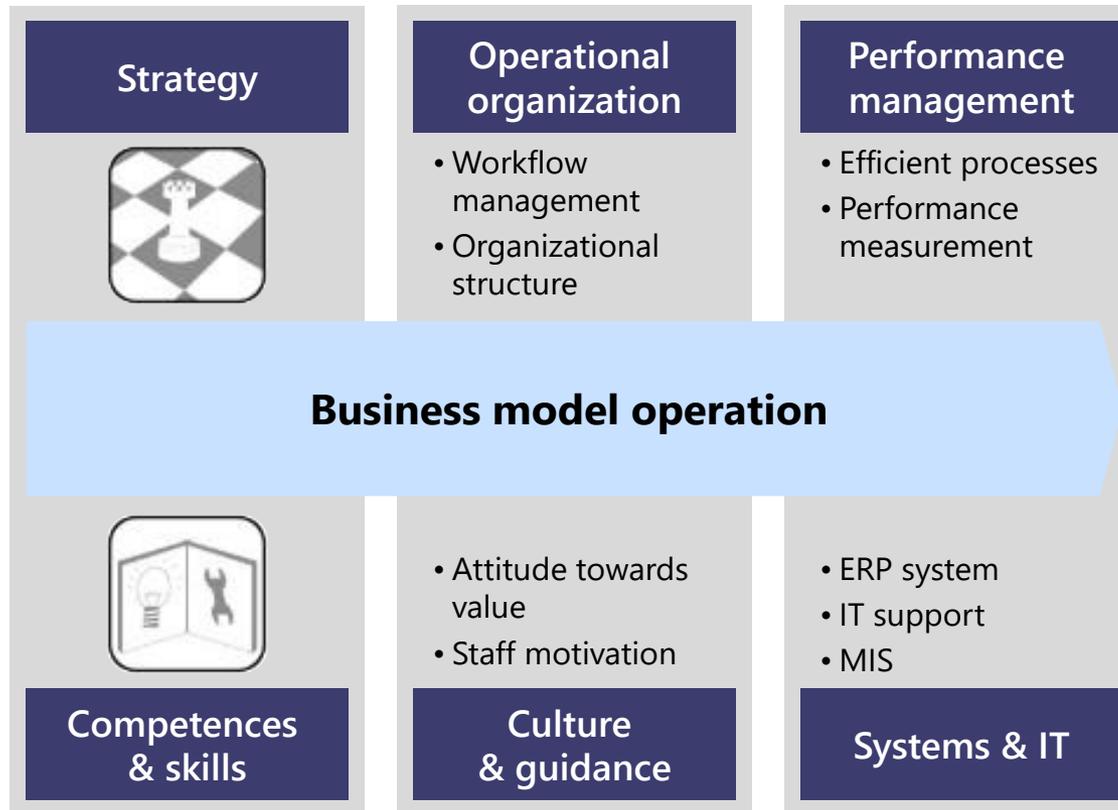
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 14.4 Business model quality management and the DMAIC cycle



Source: Wirtz (2020)

Fig. 14.5 Concept of operational excellence in a business model context



Source: Gleich (2008), and Wirtz (2020)

Fig. 14.6 Checklist for operation



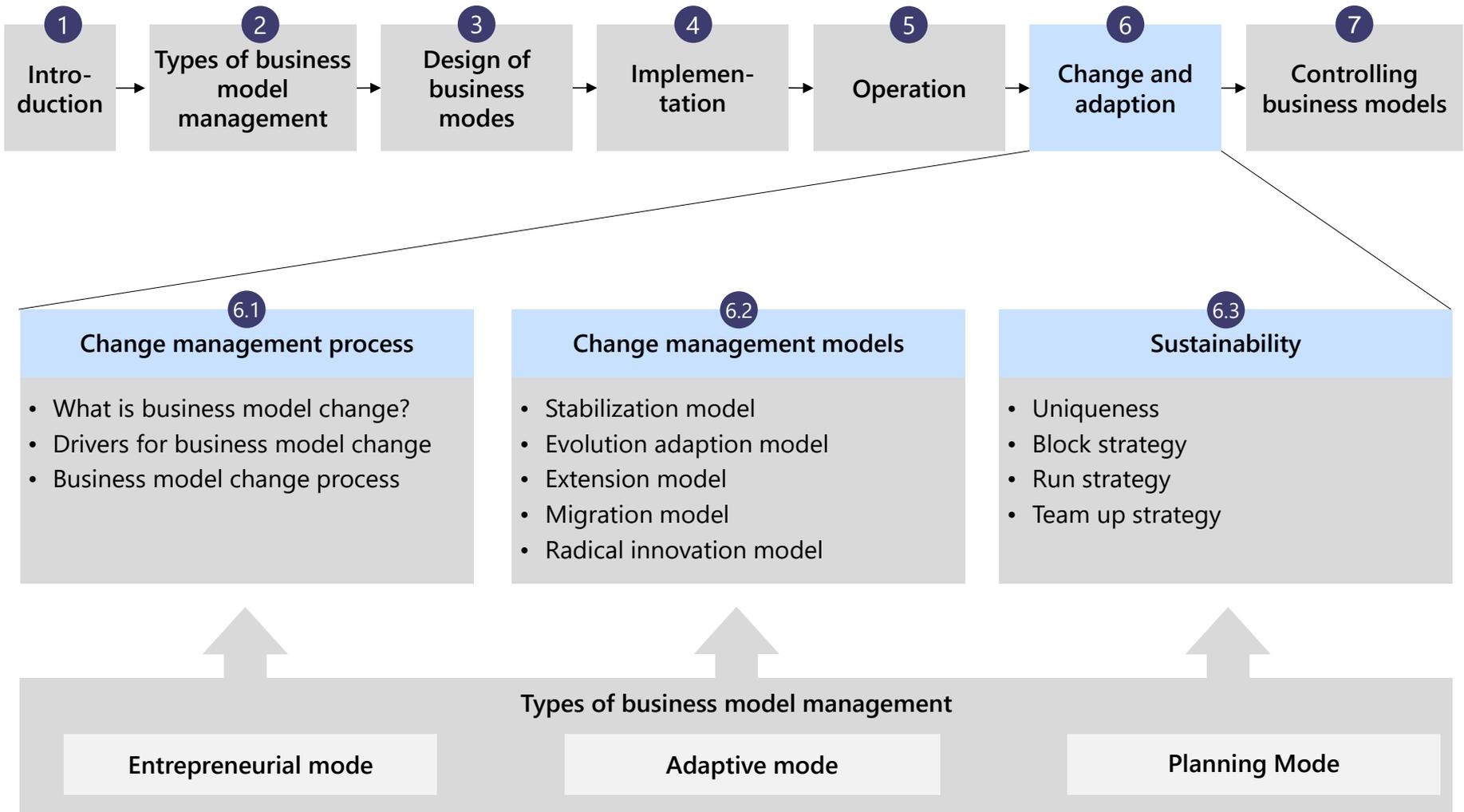
Core issues regarding the operation of business models

- 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?

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

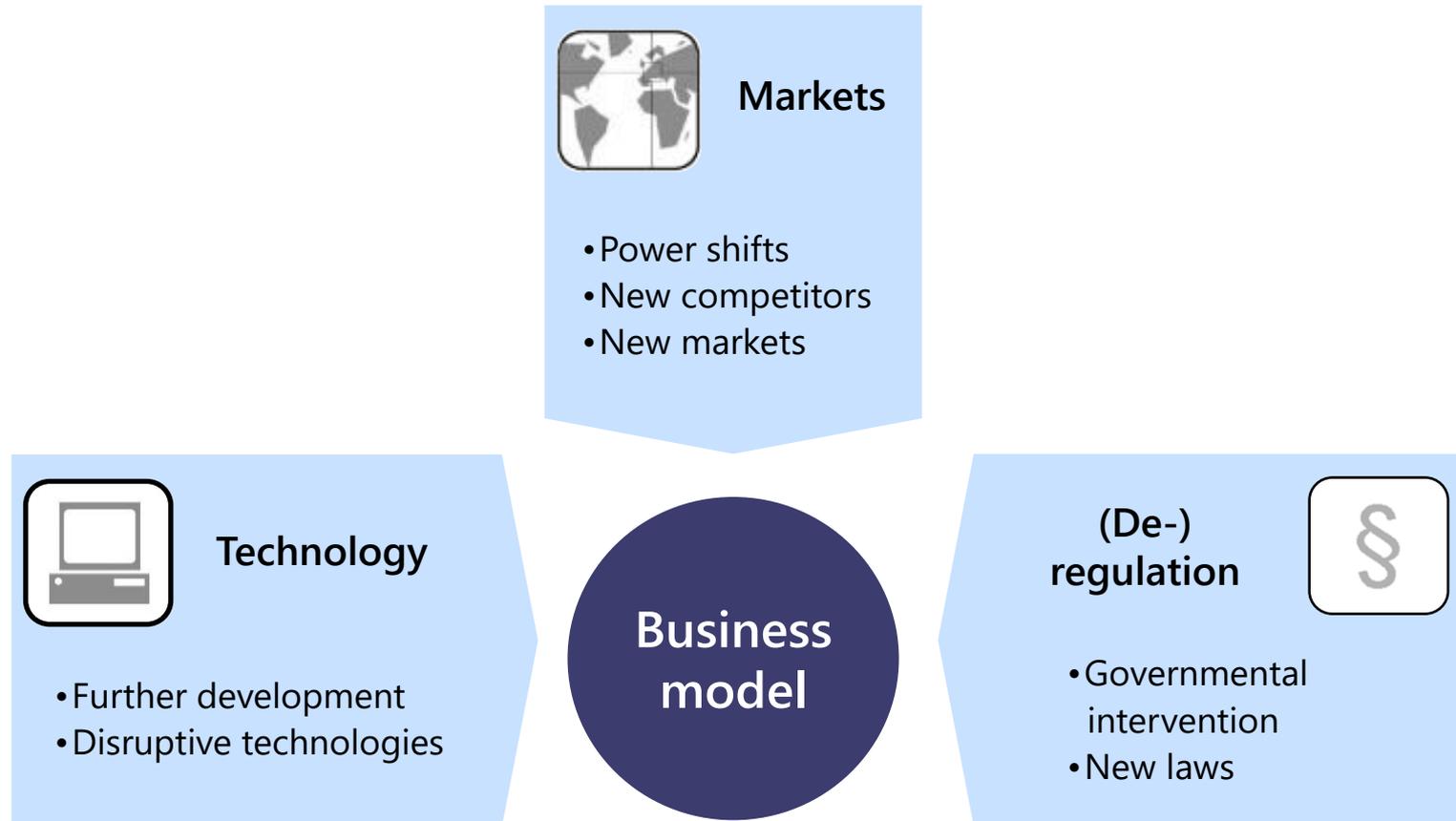
Chapter 15: Adaptation and Modification of Business Models

Fig. 15.1 Structure of the chapter



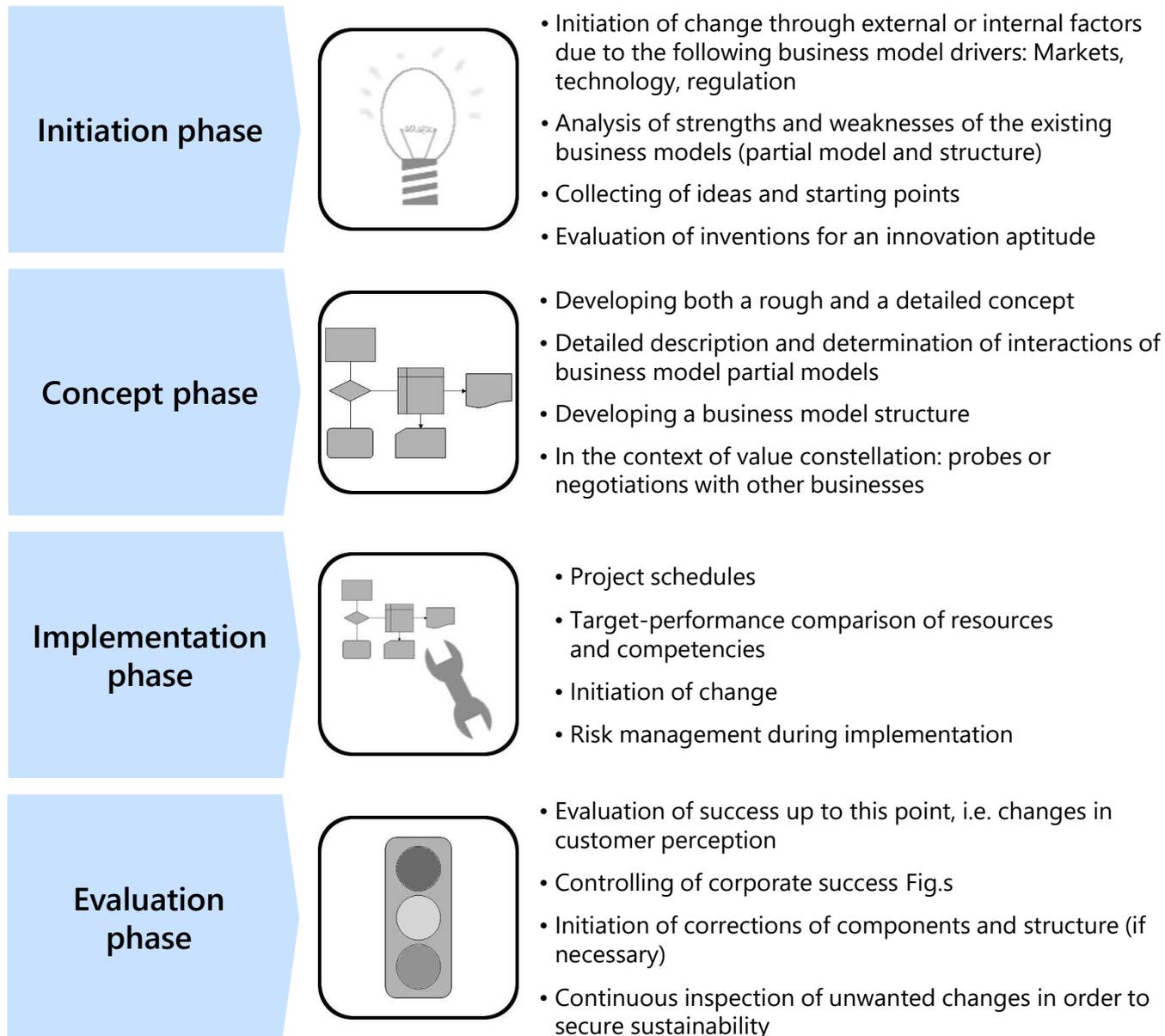
Source: Wirtz (2020)

Fig. 15.2 Drivers of business model change



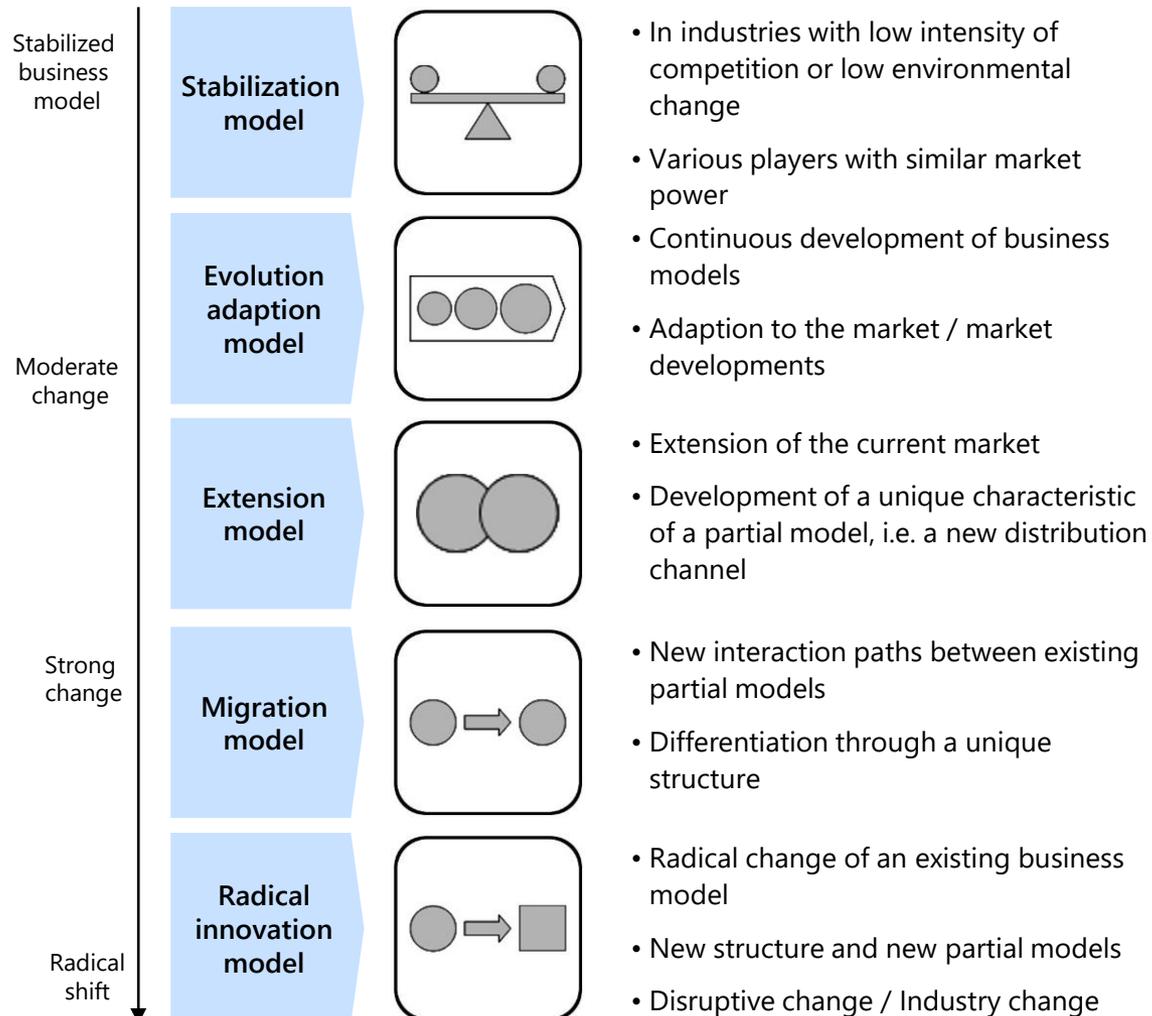
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 15.3 Business model change process



Source: Wirtz (2020)

Fig. 15.4 Change models as development paths for business models

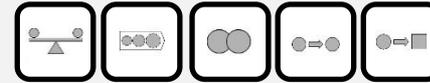


Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 15.5 Checklist for a change 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 has 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?

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

Fig. 15.6 Sustainability strategies for business models

	Block strategy	Run strategy	Team up strategy
Content	<ul style="list-style-type: none"> • Creation of barriers • Securing of patents • Generation of unique capabilities • Establishing a copyright 	<ul style="list-style-type: none"> • Adoption of the role as an innovator (flight forward) • Possible cooperative development due to limited resources 	<ul style="list-style-type: none"> • Conclusion of strategic alliances • Exchange of competences and resources • Creation of a business model network
Advantages	<ul style="list-style-type: none"> • Imitations are made difficult • Existing competitive advantages can be defended 	<ul style="list-style-type: none"> • High brand image as an innovator • Competitive advantages over other competitors 	<ul style="list-style-type: none"> • Economies of scale and scope • Protection against smaller companies
Disadvantages	<ul style="list-style-type: none"> • Created barriers can be made obsolete by new technologies 	<ul style="list-style-type: none"> • Numerous resources are necessary for the constant development of innovations • Success of the innovations is not guaranteed 	<ul style="list-style-type: none"> • Creation of bigger companies & networks • Increased demand of coordination • Low flexibility

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

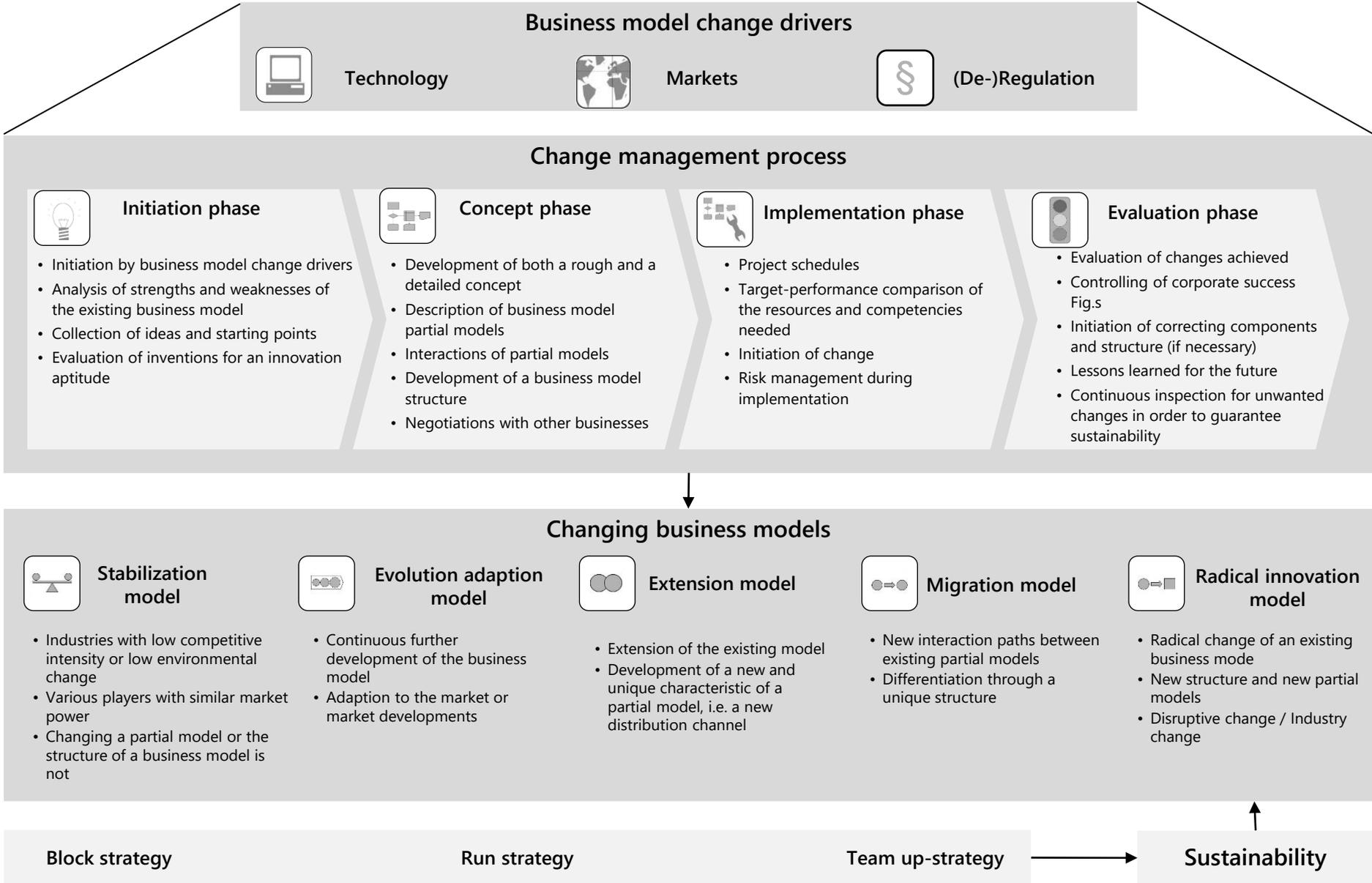
Table 15.1 Relevance of sustainability strategies depending on the type of business model management

Sustainable strategies	Entrepreneurial mode	Adaptive mode	Planning mode
Block strategy			
Run strategy			
Team up strategy			

Legend:  no relevance  low relevance  average relevance  high relevance  significantly high relevance

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

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



Source: Wirtz (2010a, 2020)

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?

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

Chapter 16: Controlling Business Models

Fig. 16.1 Structure of the chapter

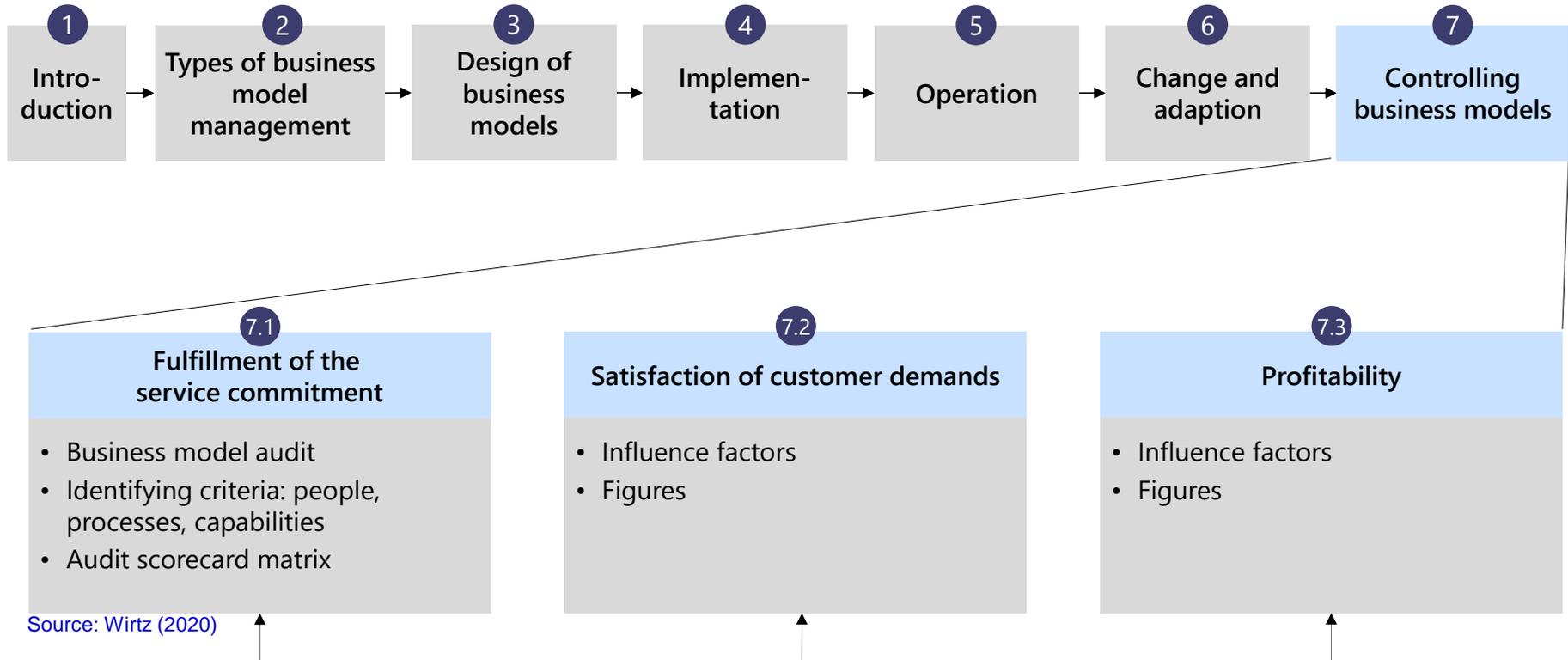
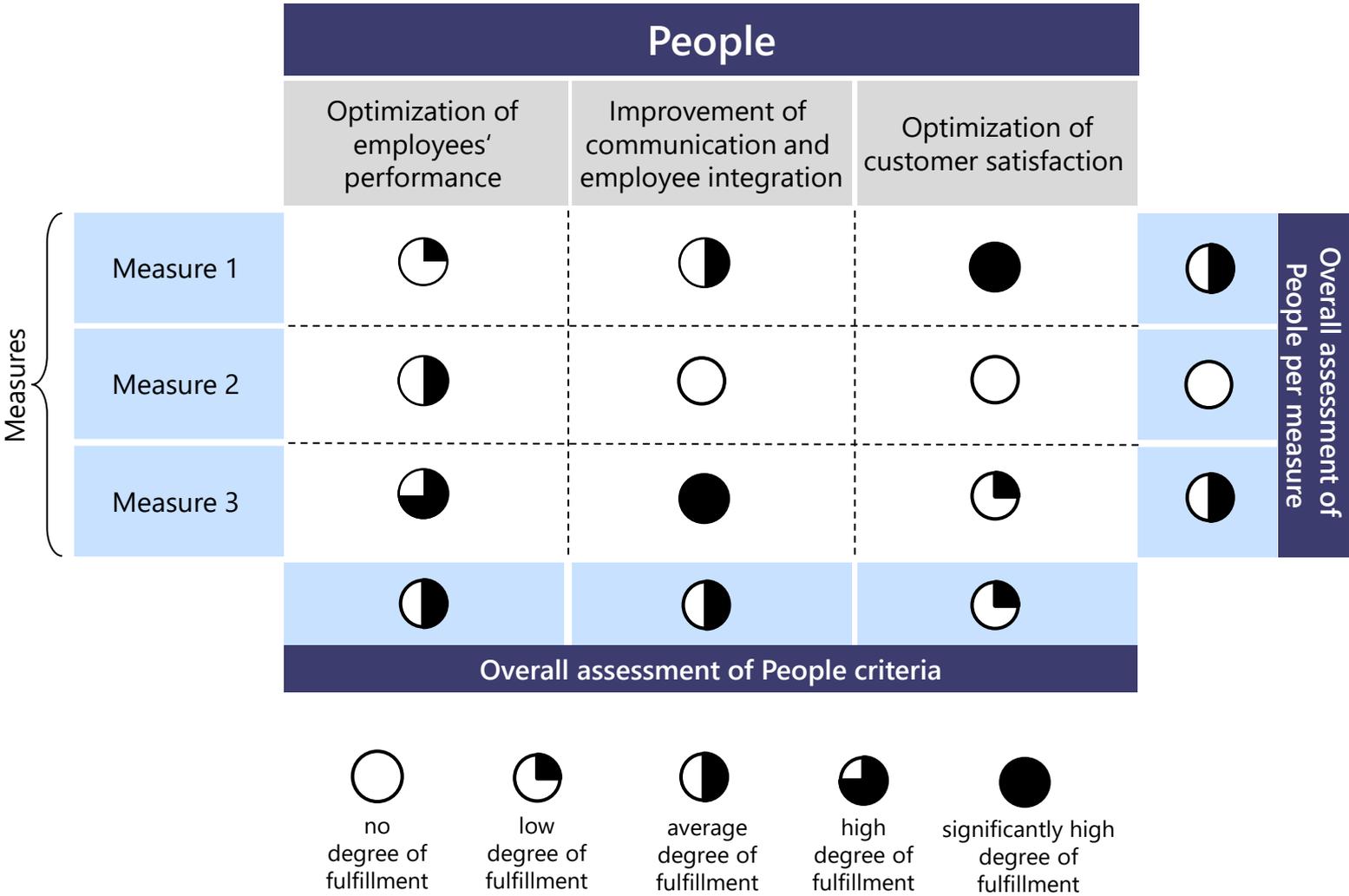


Table 16.1 Audit criteria for the evaluation of measures needed to realize the service commitment of a business model

People	Processes	Capabilities
Optimization of staff performance	Optimization of end-to-end processes	Extension of core assets and core competencies
Improvement of communication and integration of employees	Improvement of network connections or supplier relationships	Improvement of information management
Optimization of employee satisfaction		Improvement of the technical infrastructure

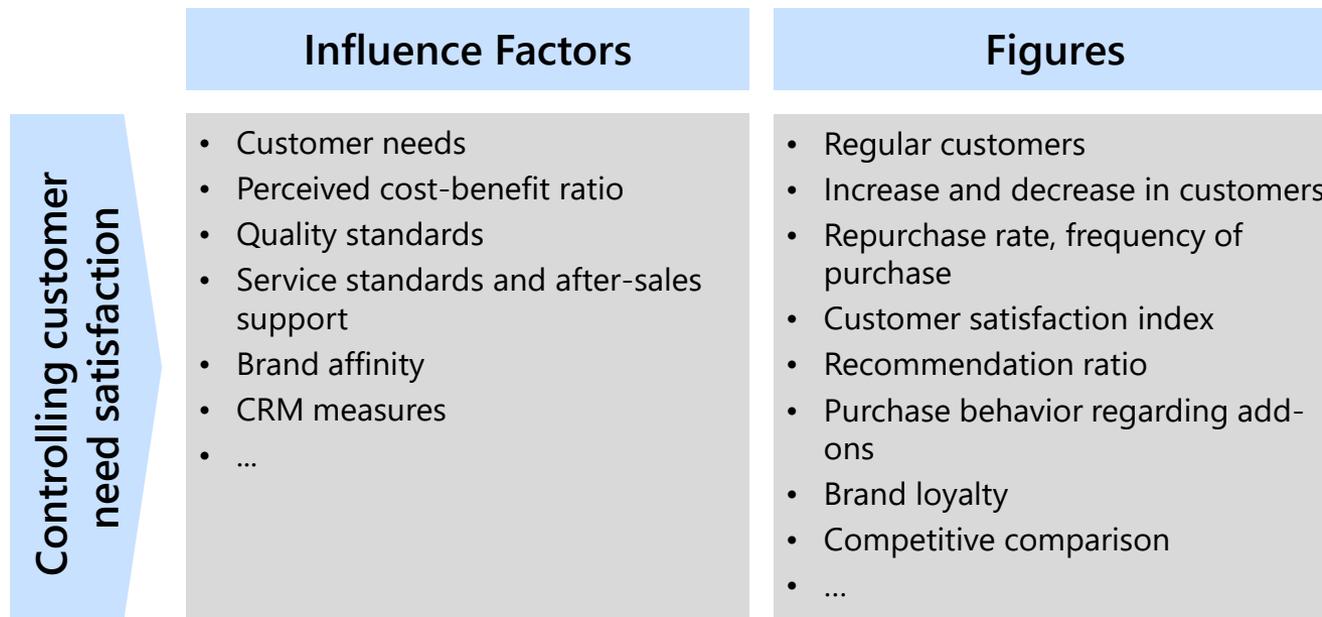
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 16.2 Audit-scorecard-matrix for people



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

Fig. 16.3 Controlling of the satisfaction of customer needs



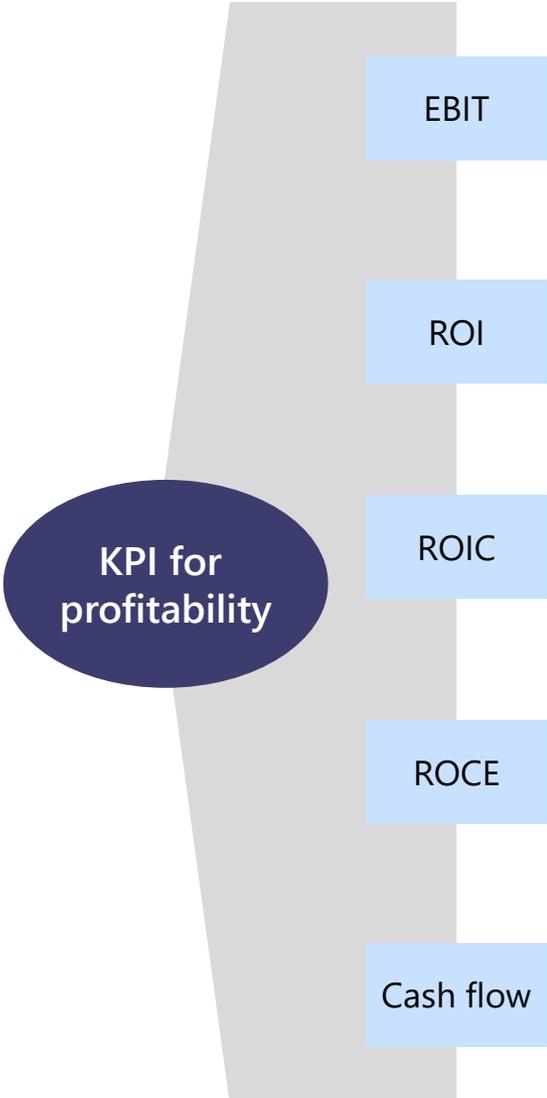
Source: Wirtz (2010a, 2011, 2018a, 2020)

Fig. 16.4 Controlling revenues and costs of a business model

	Influence factors	Figures
Controlling revenue	<ul style="list-style-type: none"> • Business model value proposition • Uniqueness, substitutability of the business model • End customer satisfaction • Motivation and brand identification • Marketing strategy, promotional activities • ... 	<ul style="list-style-type: none"> • Revenue per business model, product • Contribution margin per business model, product • ...
Controlling costs	<ul style="list-style-type: none"> • Quality of goods and services • Pursued general strategy (low cost, differentiator) • Using synergies <ul style="list-style-type: none"> • Business model (component) synergies • Partnership synergies • Economies of scale • ... 	<ul style="list-style-type: none"> • Cost analysis per business model component and business model • Resource costs, activity costs and industry costs tracking • Overheads <ul style="list-style-type: none"> • Administration • IuK infrastructure • ...

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

Fig. 16.5 KPIs of business models

	Calculation	Significance
 <p>KPI for profitability</p> <p>EBIT</p>	<p>Annual net profit +/- taxes +/- interest</p>	<ul style="list-style-type: none"> • Earnings Before Interest and Taxes, operating profit excluding tax and interest • Basis for further KPI for profitability
ROI	<p>profit/ total capital</p>	<ul style="list-style-type: none"> • Calculating the rate of return/efficiency of the total capital • Basis for further KPI for profitability
ROIC	<p>NOPAT / Capital invested</p>	<ul style="list-style-type: none"> • Calculation of rate of return of the net capital invested • Basis: Operating net profit after taxes, NOPAT (Net Operating Profit After Taxes)
ROCE	<p>EBIT / Capital invested</p>	<ul style="list-style-type: none"> • Calculation of the earning power of the total capital • Basis: EBIT (Earnings Before Interest and Taxes)
Cash flow	<p>Annual net profit +/- non-cash inflows/payment</p>	<ul style="list-style-type: none"> • Surplus of means of payment used for investments, amortization, creation of surplus or dividend distribution

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

Fig. 16.6 Summary of the chapter controlling business models

Component of controlling	Key contents	Key questions
Controlling the implementation of the value proposition	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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?
Controlling the satisfaction of customer demands	<ul style="list-style-type: none"> • Goal: permanent satisfaction of customer needs • Analysis of simple KPIs (buying frequency, rebuy rate etc.) • Development of an index for customer satisfaction 	<ul style="list-style-type: none"> • What are the demands of customers form other business models? • Which factors influence customer satisfaction? • How can customer satisfaction be increased?
Controlling profitability <small>Source: Wirtz (2020)</small>	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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



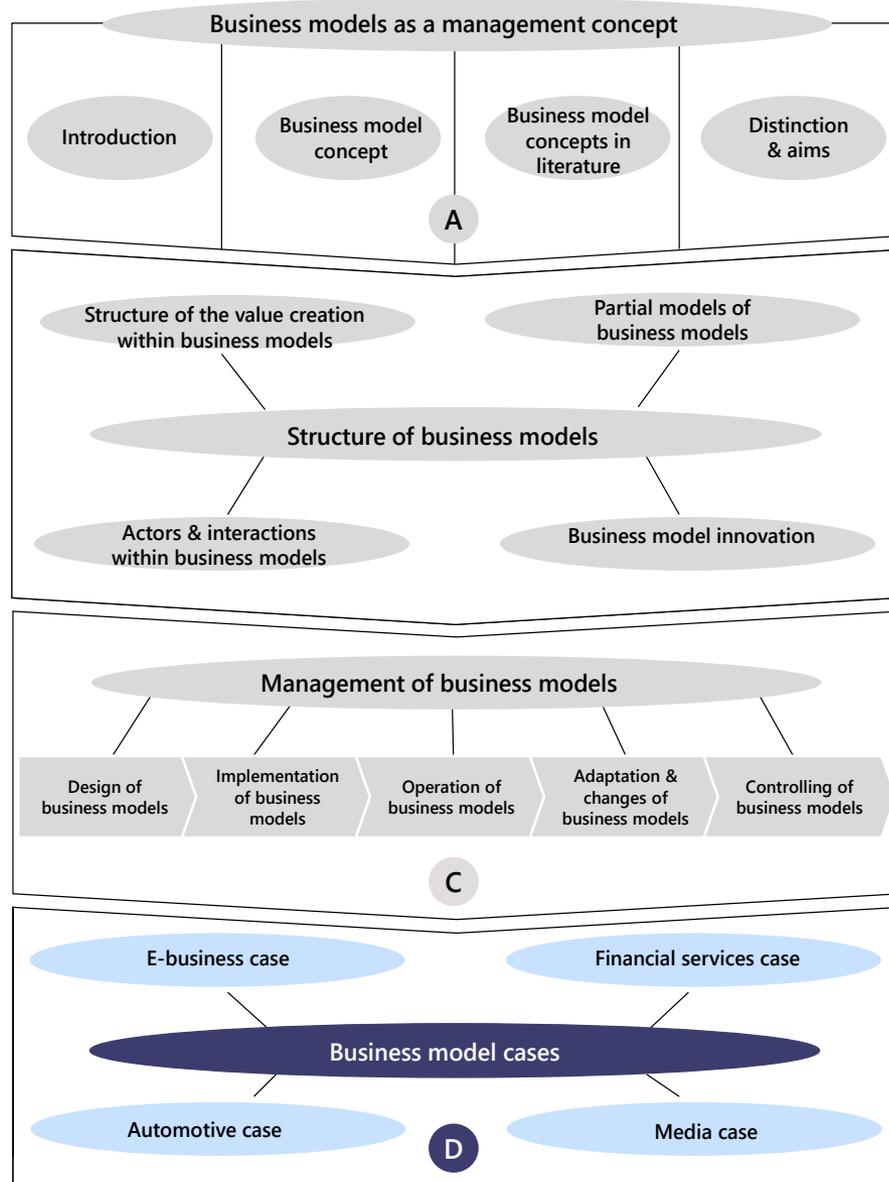
Core issues regarding the controlling of business models

- 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

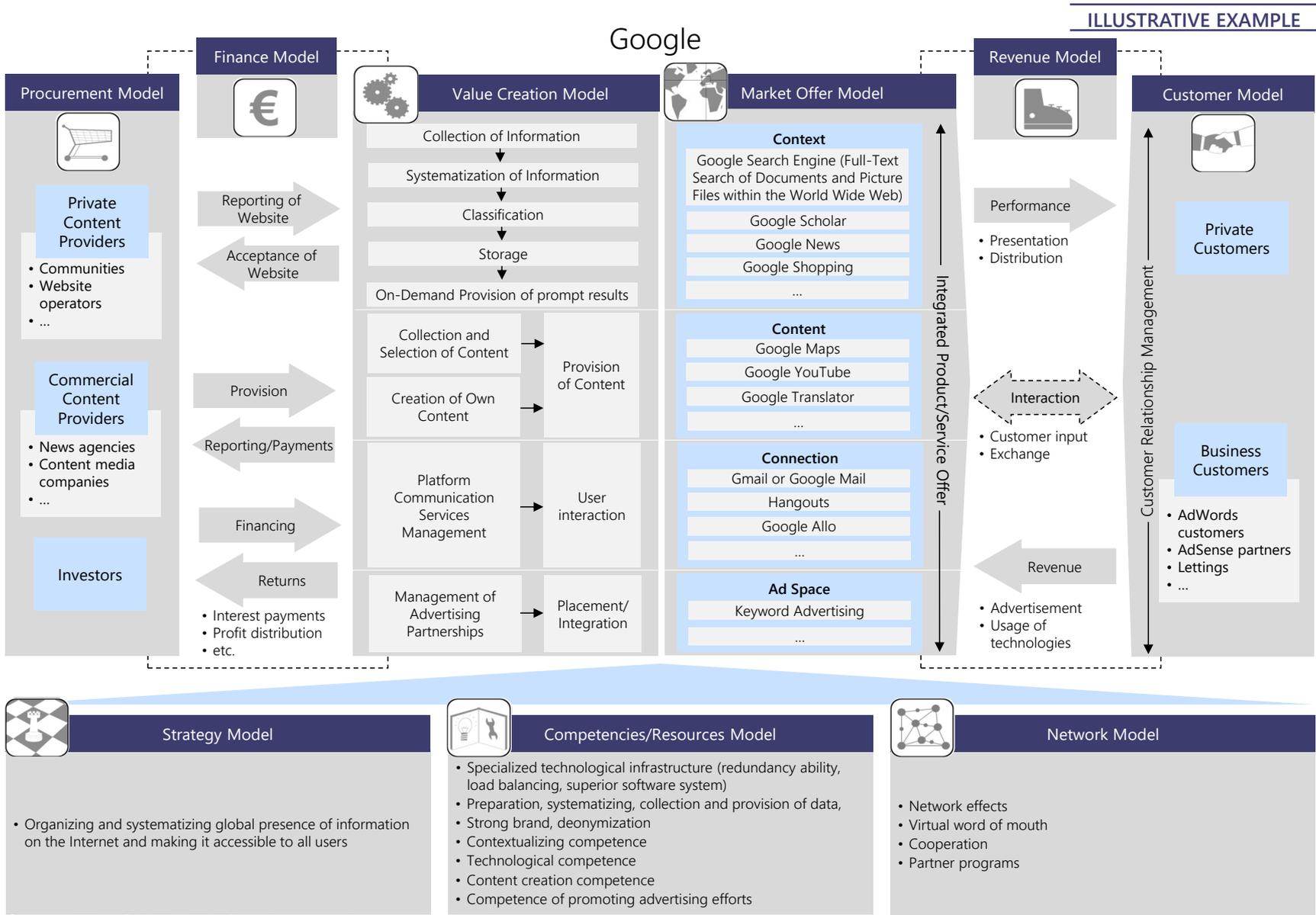
Fig. 17.1 Putting the section into context



Source: Wirtz (2020)

Chapter 18: E-business Model

Fig. 18.1 Google's business model



Source: Wirtz (2019a, 2020) and own analyses and estimations

Fig. 18.2 Development of Google's hybrid business model

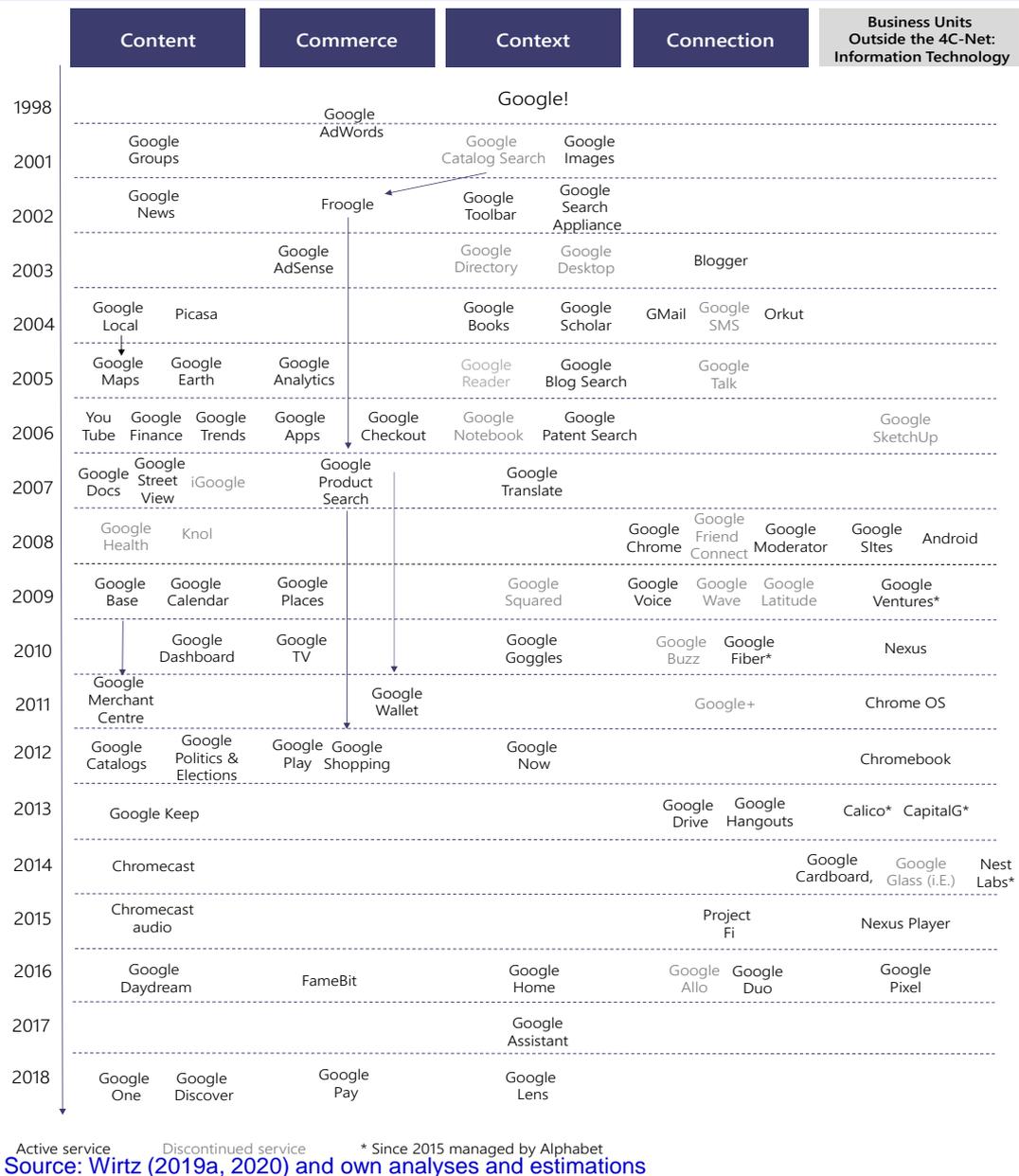


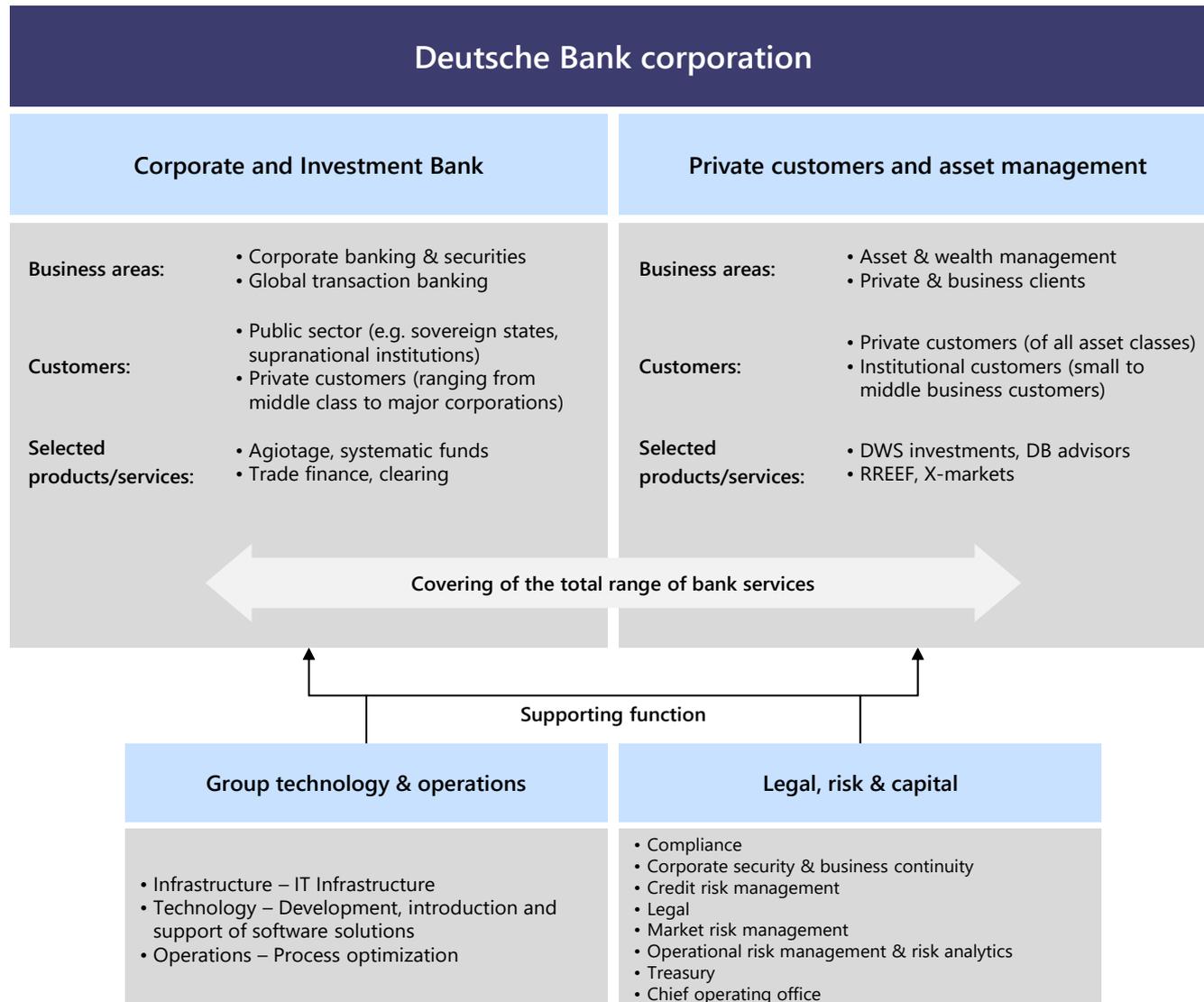
Fig. 18.3 Strategic orientation of Google

	Aspects
Strategy	<ul style="list-style-type: none"> • Multinational orientation towards foreign markets • Economy of scale and scope • Convergence strategy: development of new internet-assets
Business model	<ul style="list-style-type: none"> • Hybrid business model • Content aspect: collection, selection, systematization, compilation (packing) and provision of information, such as Google News. • Community aspect: Offering the possibility of an information exchange between users through social web applications, such as Google+ • Connections aspect: Link communication between partners, such as Google Mail • 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)
Range of service	<ul style="list-style-type: none"> • Search engine (e.g. Google) • Video platform (e.g. Youtube) • Email services (e.g. Gmail) • Social networking (e.g. Google+) • Maps and navigation (e.g. Google Maps) • Online Office (e.g. Google Docs) • Blog services (e.g. Blogger) • Other assets (e.g. Google Scholar, Android, etc.)
Success factors	<ul style="list-style-type: none"> • Sophisticated search algorithm • Technology competence • Brand management • Economies of scale and scope

Source: Wirtz (2011, 2018a, 2020)

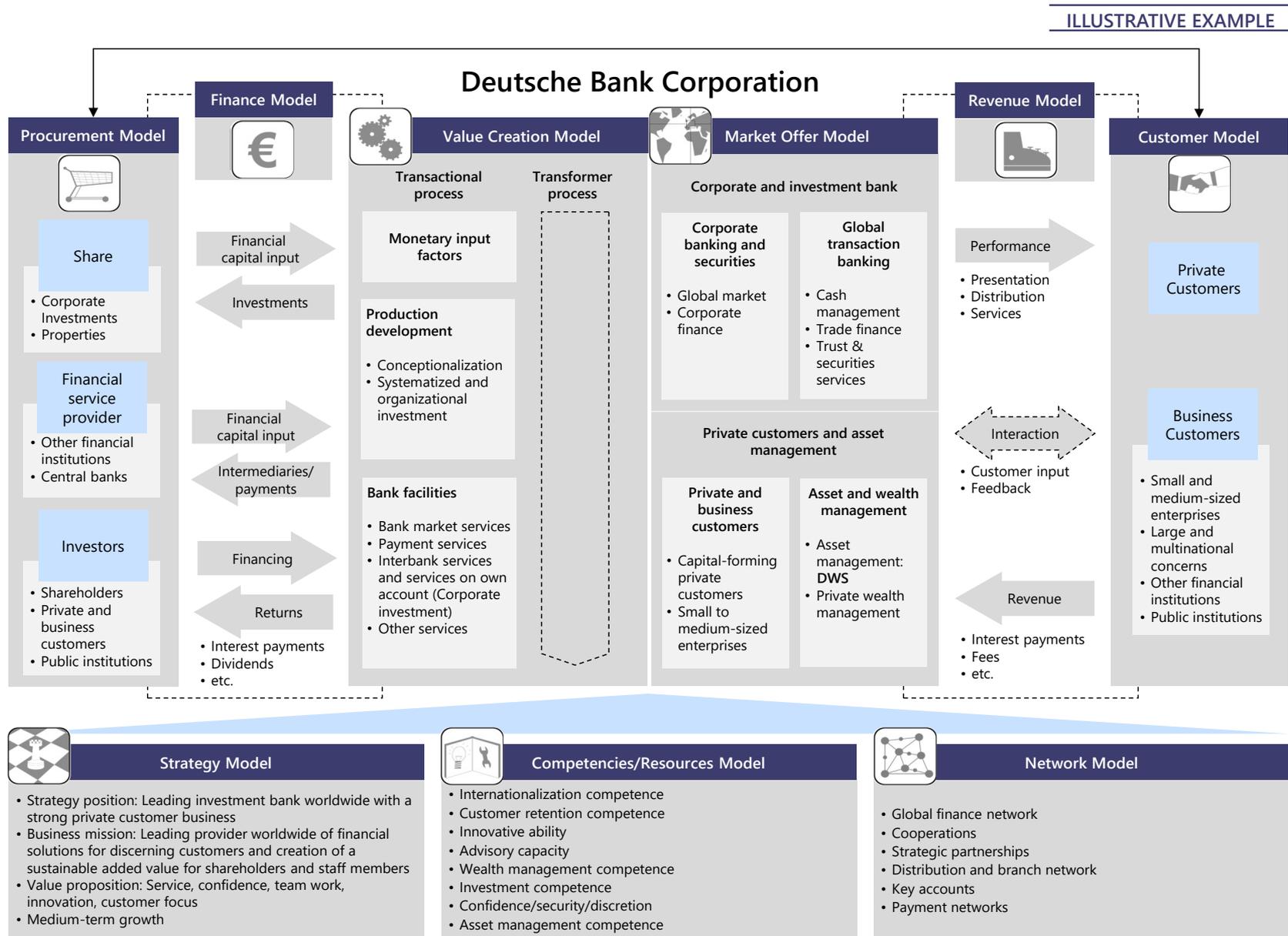
Chapter 19: Banking Business Model

Fig. 19.1 Areas of offers of the banking business model of Deutsche Bank Corporation



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

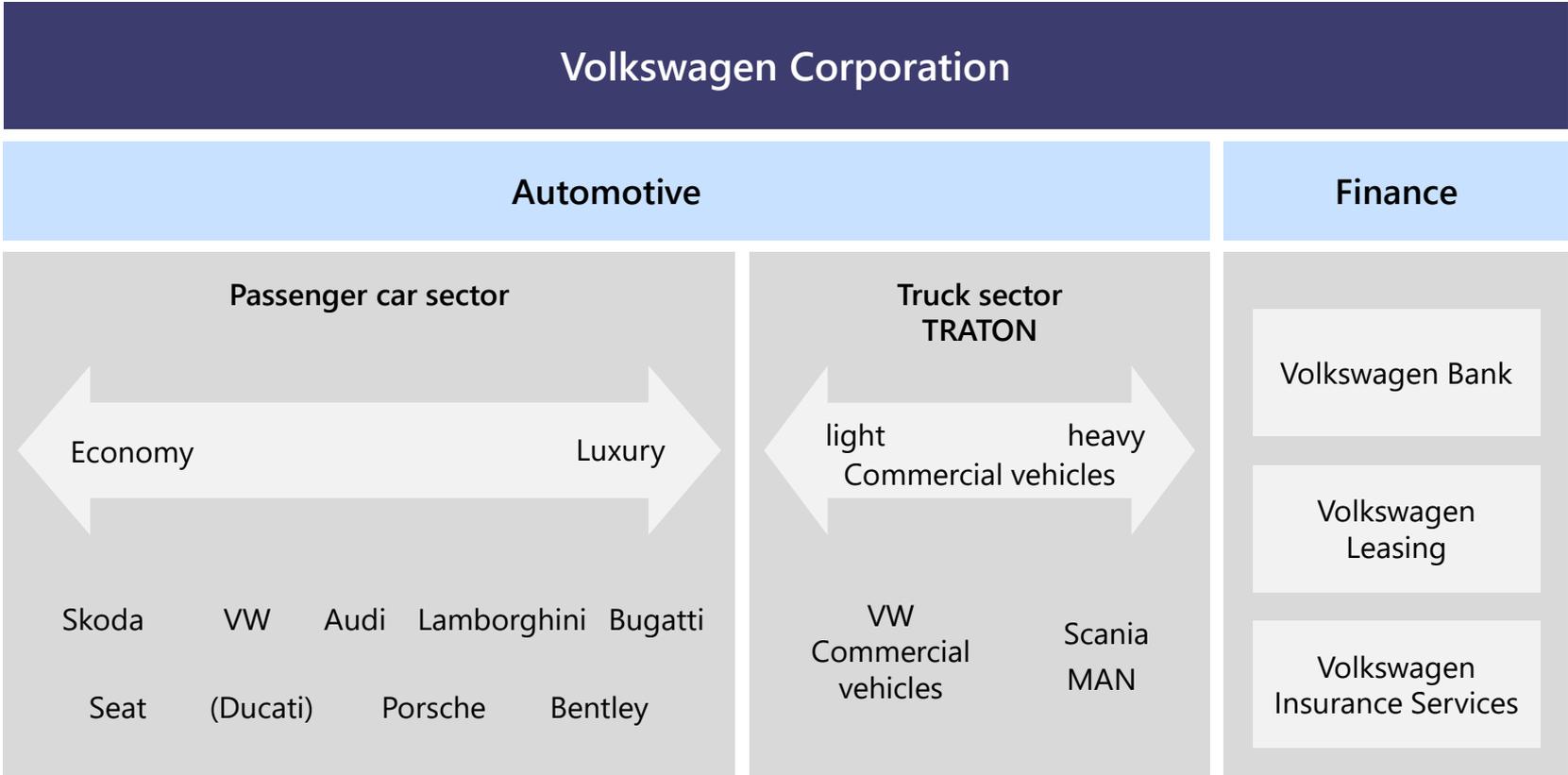
Fig. 19.3 Strategic orientation of Deutsche Bank Company

	Aspects
Strategy	<ul style="list-style-type: none"> • Internationalization strategy and multinational orientation towards foreign markets • Wide range of market services, such as investment and retail banking • Growth strategy
Business model	<ul style="list-style-type: none"> • Hybrid business model • Strong market position in the B2B and B2C business. • Comprehensive services from one single source (private banking, business banking, asset and wealth management, insurance, etc.) • Depending on the segment: direct transaction-based revenue generation as well as transaction-based indirect and direct revenue generation
Range of service	<ul style="list-style-type: none"> • Comprehensive consulting services • Private capital investment • Business Investment • Investment and Asset Management • Insurance Services / broker • Payment transactions • Customer Touchpoint local and on the Internet
Success factors	<ul style="list-style-type: none"> • Diversification • Operational Excellence • Extensive network of consultants • Up-/cross selling ability

Source: Wirtz (2011, 2018a, 2020)

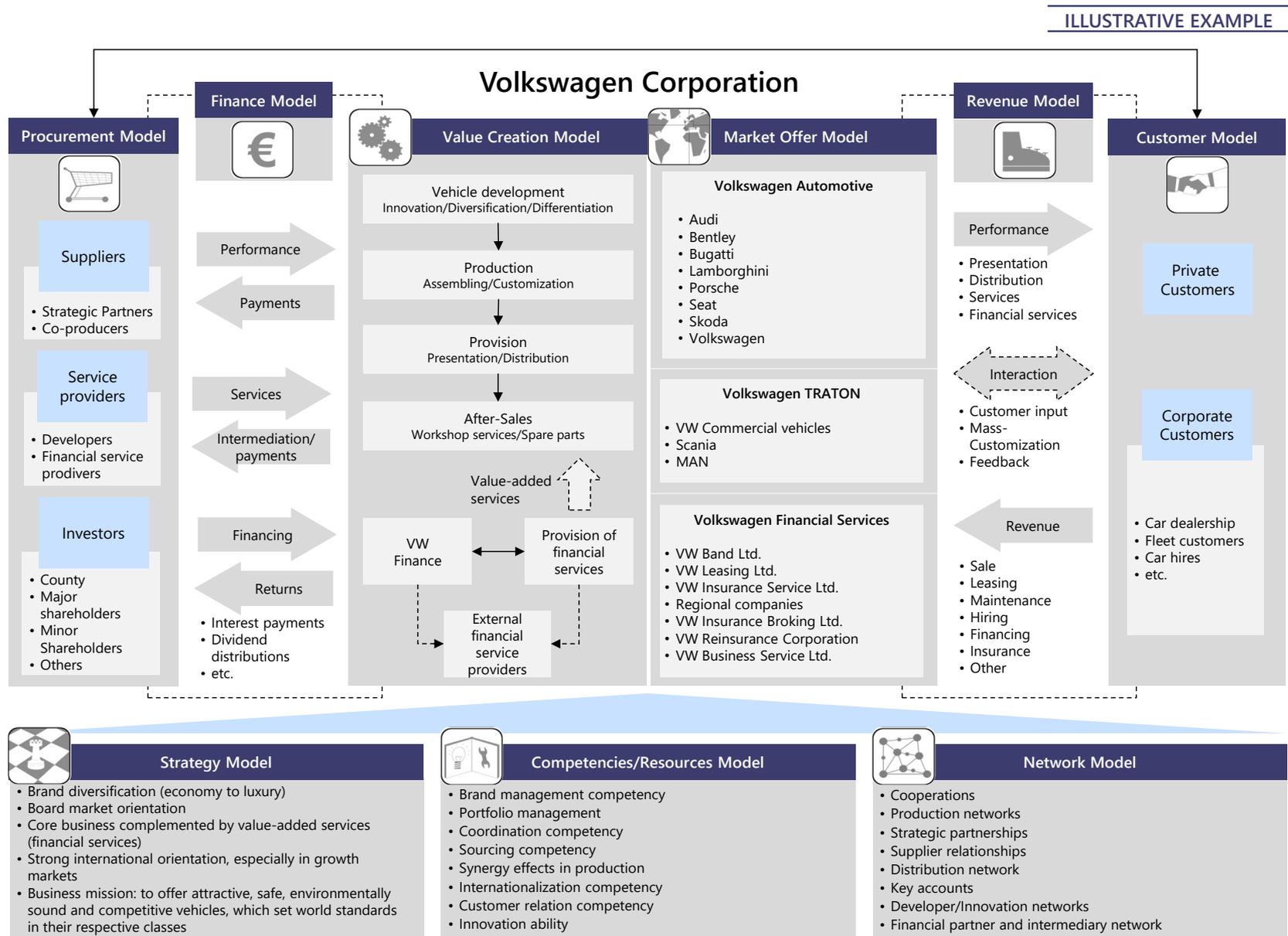
Chapter 20: Automotive Business Model

Fig. 20.1 Range of products and services of the Volkswagen



Source: Wirtz (2010a, 2011, 2018a, 2020) and own analyses and estimations

Fig. 20.2 Business model of the Volkswagen Corporation



Source: Wirtz (2010a, 2011, 2018a, 2020) and own analyses and estimations

Fig. 20.3 Strategic orientation of Volkswagen

	Aspects
Strategy	<ul style="list-style-type: none"> • Platform strategy and brand diversification in the field of passenger vehicles and commercial vehicles • Economy of scale • Strong international focus, particularly on growth markets
Business model	<ul style="list-style-type: none"> • For every passenger vehicles division and commercial vehicles division its own distinctive brand • All brand are combined in one business model • Value-added service (e.g. financial services) • Comprehensive economies of scale in procurement (because of market power)
Range of service	<ul style="list-style-type: none"> • Passenger cars (economy to luxury class) • Commercial vehicles (light to heavy) • Value added service • Leasing (leasing Volkswagen) • Insurance companies (Volkswagen Insurance Services)
Success factors	<ul style="list-style-type: none"> • Business model innovation ability • Diversification of risk • Global orientation and networking • Modular system • Brand integration expertise

Source: Wirtz (2011, 2018a, 2018b, 2020)

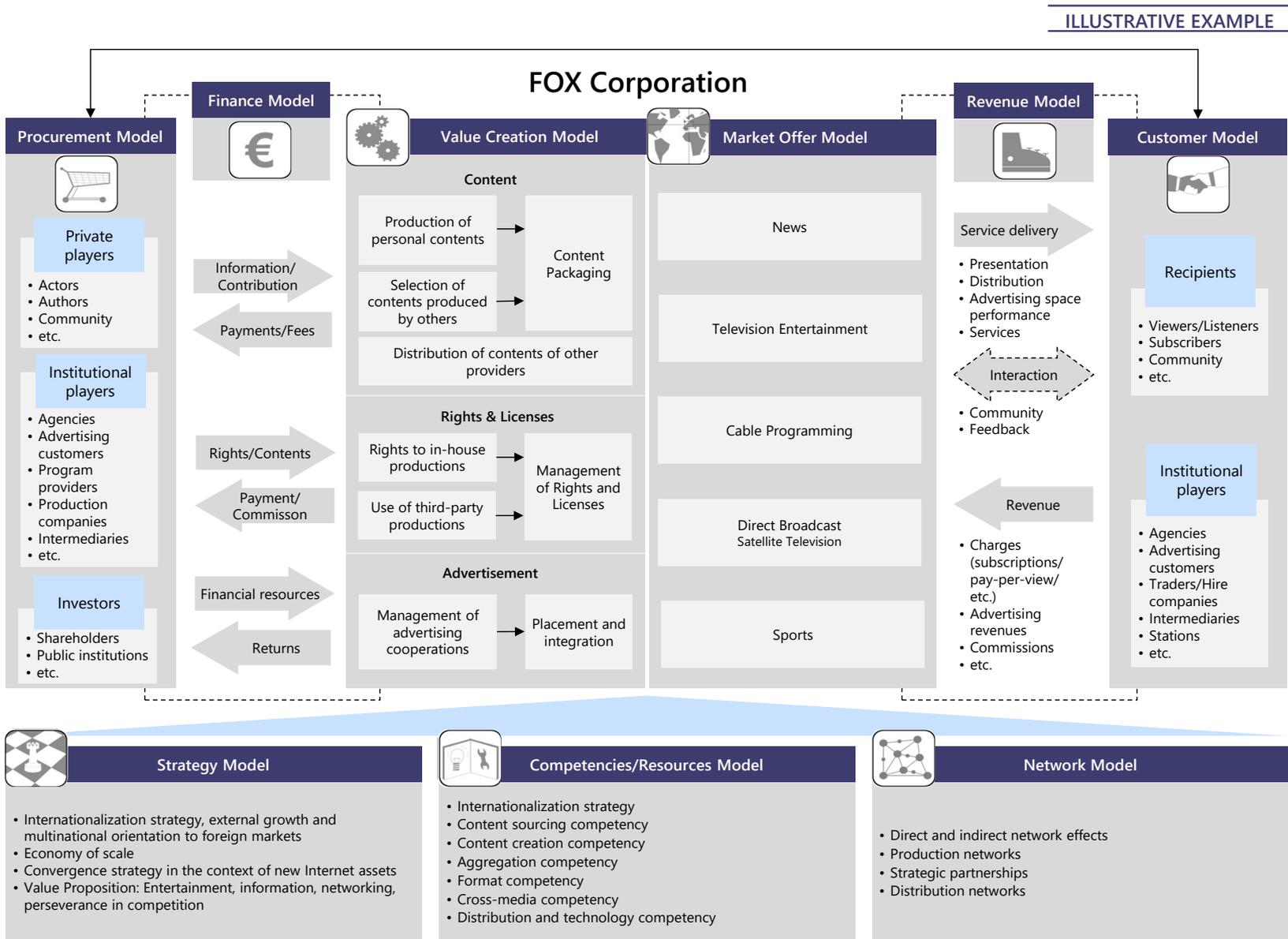
Chapter 21: Media Business Model

Fig. 21.1 Market offer and companies of FOX Corporation

FOX Corporation			
Fox Entertainment (formerly Fox Television Group)	Fox Television Stations Group	Fox News Group	Fox Sports Media Group
<ul style="list-style-type: none"> • Fox Broadcasting Company • Fox Now • Sidecar • Bento Box Entertainment 	<ul style="list-style-type: none"> • 28 stations • MyNetworkTV • Movies! (50%) 	<ul style="list-style-type: none"> • Fox News Channel • Fox Business Network • Fox News Radio • Fox News Talk • Fox Nation 	<ul style="list-style-type: none"> • Fox Sports • FS1 • FS2 • Fox Deportes • Big Ten Network (51%) • Fox Soccer Plus • Fox Sports Racing • Fox Sports Radio • Fox Sports Digital Media • FoxSports.com

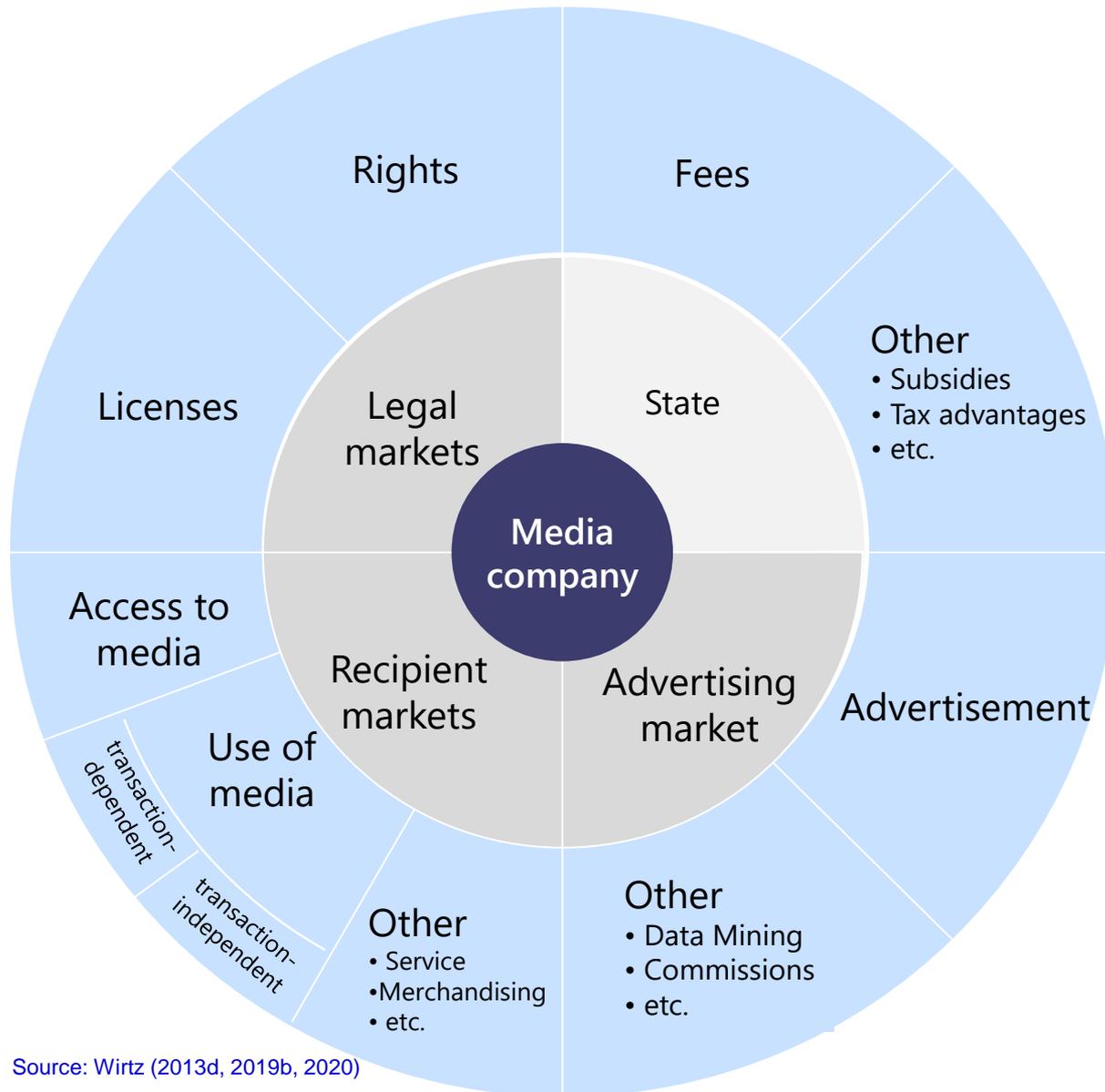
Source: Wirtz (2010a, 2011, 2018a, 2020) and own analyses and estimations

Fig. 21.2 News Corporation's business model



Source: Wirtz (2010a, 2011, 2018a, 2020) and own analyses and estimations

Fig. 21.3 Forms of revenue of FOX Corporation in the media market



Source: Wirtz (2013d, 2019b, 2020)

Fig. 21.4 Strategic orientation of FOX Corporation

	Aspects
Strategy	<ul style="list-style-type: none"> • Multinational orientation towards foreign markets • Economy of scale and scope • Convergence strategy: development of new internet-assets
Business model	<ul style="list-style-type: none"> • Hybrid business model • Content aspect: collection, selection, systematization, compilation (packing) and provision of information, such as FoxSports.com. • Community aspect: Offering the possibility of an information exchange between users through social web applications • Connections aspect: Link communication between partners • 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).
Range of service	<ul style="list-style-type: none"> • Film Entertainment • TV Programs • Radio Programs • Websites • Sport shows
Success factors	<ul style="list-style-type: none"> • Strategic selection of profitable sections • International orientation with US focus • Political influence • Strategic M&A Activities

Source: Wirtz (2011, 2018a, 2020)