

# Module 1. Business models patterns

## Introduction

It is in this stage when we start analyzing what is known as the product-market fit.

Until here, the goal was to find the fit between the problem and the solution (the problem-solution fit), which consists in the detection of a group of people that have a problem and the design of a solution: Now, it is time to check whether the designed solution is the correct one and whether it fits perfectly.

Now, two questions appear:

*How does the product you developed fit to the solution you designed? (Qualitative validation)*  
*How big is that group of people? (Quantitative validation)*

In the beginning, our solution must be used by a reduced group of people (early adopters). Then, this small group's characteristic should give you the clues to get to a lot bigger number of users that might use your product or service: the market segment.

Then, by understanding the adaptation to the product's market, we must learn about certain key concepts to analyze business models. In this sense, we go back to Osterwalder and Pigneur (2011) who, based on architectonic concepts, proposed looking for business models patterns that might facilitate understanding their dynamics and might foster entrepreneurs to create their models.

Let's start with the concept definition. Business models patterns are those "business models that have similar characteristics, organizations that are similar to the different business model modules or with similar behaviours" (Osterwalder and Pigneur, 2011, p. 55). We could say then that patterns are generic models based on the efficiency they have to solve similar problems in the past and its value is on reusing them for application on different current problems.

Business model patterns development will be useful for you to find certain similarities among businesses, in relation to their characteristics, their behaviours or in the way they organize blocks on the Canvas model, with the purpose of inspiring ideas for your business model. The different patterns could be combined, that is why it is logical to clarify that they are not applied automatically, but they should be taken as tested, effective and useful models for being replicated when you might adapt them to your



business model components, but without forgetting about the critical thinking, the creativity and the knowledge about the topic.

*It is important to have a clear idea about business models typology since we can quickly learn about variables that might affect our business by simply analyzing a business model that belongs to the same typology or a similar typology.*

Taking business models patterns into account can provide us with new perspectives to the approach linked to the type of partnerships we should look for, the channels we should use and how we should relate with customers. Although indeed, it is not about copying and pasting (because cultures, where activities, products and markets develop, might be different), it might be helpful to identify aspects that would have otherwise been missed.



# Unit 1.1 Successful business models typology

Osterwalder and Pigneur (2011) propose five types of business models patterns that we will see in detail below:

- 1) unbundling;
- 2) long tail;
- 3) multilateral platforms;
- 4) free;
- 5) open business model.

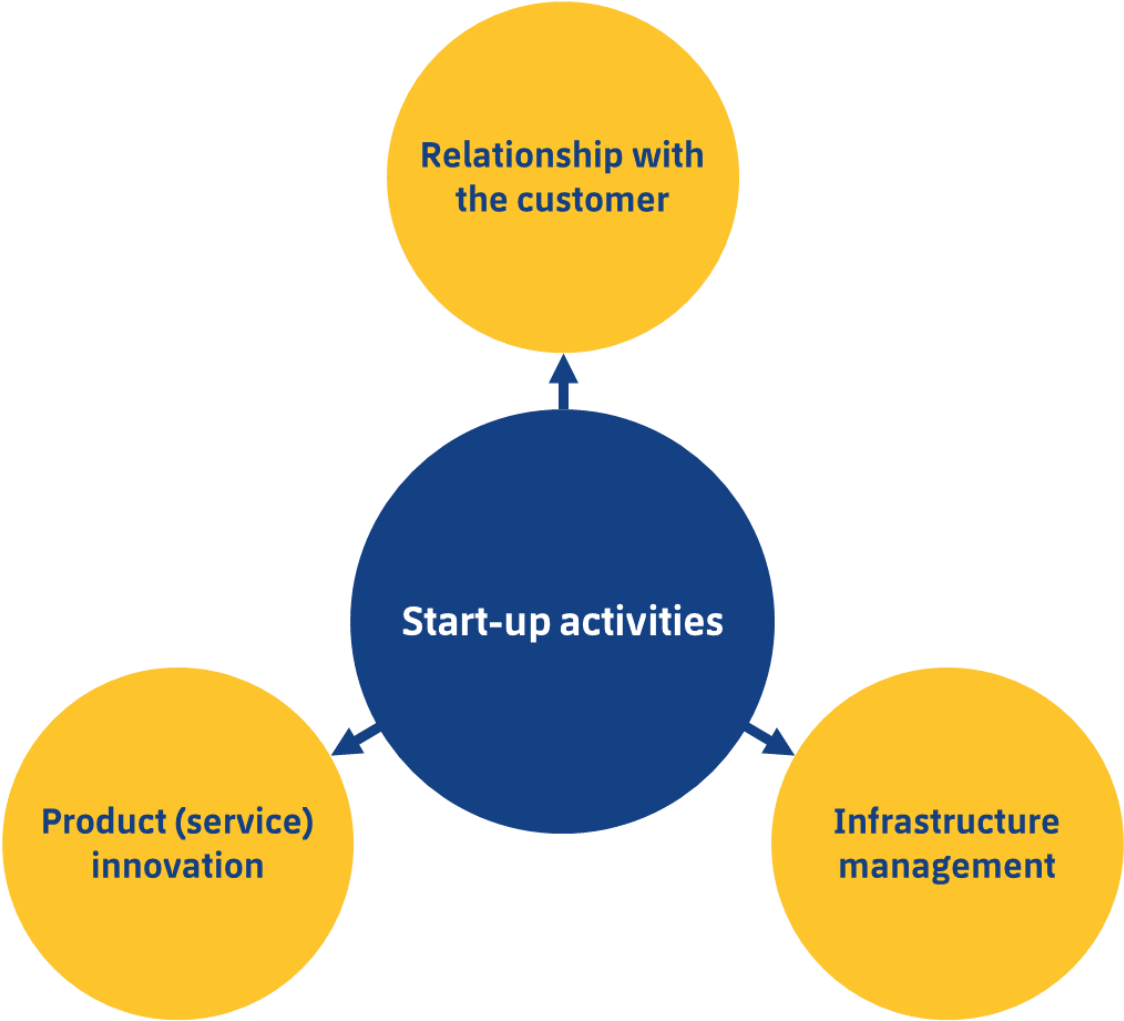
## Pattern #1: Unbundling business models

According to Hager and Singel (as quoted in Osterwalder and Pigneur (2011) companies are constituted by three different types of businesses or activities, each one dominated by their own economic, competitive and cultural logic. The three of them can coexist in one single company, but there is usually tension among them, that is why it is convenient to unbundle and separate them in independent activities. This will allow the start-up to focus only on one of the three and outsource the rest to “avoid conflicts or undesirable trade-offs in the company” (Hager, and Singel, as quoted in Osterwalder and Pigneur, 2011, p. 58).

Let's see the characteristics in each one, below.



Figure 1: Divergence among the essential activities in a company



Source: Own creation.

**Relationship with the customer:** the final purpose is to attract customers and build long-term relationships with them by strengthening channels. The biggest expense is focused on marketing and the value proposition communication, adding the biggest possible amount of products and services to take advantage of customers’ trust and get them to spend the biggest amount of money on the value proposition. Key resources and tasks are, precisely, focused on getting customers and keeping them. Telecommunication companies and traditional radios are an example of this.

**Product (or service) innovation:** the goal is to develop and constantly launch into the market new products or services that might be innovative and attractive. This results in key activities to be focused on getting talents that would be devoted to research and



develop an innovative value proposition, incurring high expenses in trained human resources, although it also makes it possible to handle higher prices for the provided product or service. An example of this would be biomedicine companies, which design medical technology devices and then sell them to hospitals, clinics and others.

**Infrastructure management:** Hager and Singel (as quoted in Osterwalder and Pigneur,2011) state that “the goal in companies based on infrastructures consist in building and managing platforms for repetitive tasks and high volumes” (p. 59). In general, these activities have high fixed costs and low-profit margins, since they provide generic services (commodities) without differentiation (with prices defined by the market) with big customers (in general, to other companies), which, in turn, implies the generation of high volumes to yield profits.

For example, companies that are devoted to giving telecommunications infrastructure: connectivity by overhead fibre optic cables, mobile networks, traditional mass media (no Internet), etc.

Other start-ups take advantage of existing physical infrastructures to carry out their activities; for example, a yoga teacher that does not have his/her own space and he/she gives lessons at a centre that has all necessary things and is prepared and focused on space maintenance. Another example could be people who develop software to run on infrastructures designed by others. The clearest case is the Google one, which developed Android, a software that runs on any type of telephones (hardware) developed by Samsung, Motorola, Nokia, etc.

The opposite case would be Apple, who developed their operating system (iOS) and runs exclusively on their telephones, iPhones.

**Table 1: Differences among the essential activities in a company**



| <b>RELATIONSHIP WITH THE CUSTOMER</b>   | <b>PRODUCT INNOVATION</b>  | <b>INFRASTRUCTURE MANAGEMENT</b>   |
|---|--|--|
| Big investment for generating relationships with the customer, it is necessary to look for strategies to go on generating more sales. | Investment mainly on highly qualified staff (low in comparison with other models).                                   | Very high fixed costs and high initial investment  |
| The economy of scope: Once the commercial "machinery" is provided, the important thing is to use it for selling more products.        | Innovation economy: Only a part of the initiatives is successful, but it generally justifies the ones that were not. | The Economy of scale: The biggest the production, the more unitary costs decrease (and profitability increases). |
| Offers and products that are quite personalized to customers' services.   | Orientation to market niches and unsolved needs (or that can improve a lot).   | Focus on minimum personalization, avoiding special treat and maximum volume.                                     |
| Culture oriented to service.  | Culture oriented to innovation.  | Culture oriented to efficiency.  |
| The customer is first, deep relationships are established.  | The employee is first since talent is the source of innovation.  | Processes are the most important thing, Taylorist culture.   |
| The company brand and image are one of its main assets.   | Minimum amount of bureaucracy, focus on putting the minimum obstacles to the creative process.                       | Superior bureaucracy level and more rigid processes (although they might be changed).                            |
| Staff remuneration in relation to sales goals.  | Quite differentiated remuneration in relation to talent, creativity and value for the company.                       | Standard payment according to category.  |
| Relational skills in employees are mainly appreciated.  | Innovation, learning ability, creativity and out-of-the-box thinking are appreciated.                                | There is an appreciation for experience in performing the same tasks and in strictly technical knowledge.        |
| Focus on only offering customers tested and reliable products or services.  | Focus on speed, the most important thing is to get early to the market.  | Focus on efficiency in operations, the most important thing is to standardize.                                   |
| The price is determined by the market (supply/demand relation).   | "Premium" prices can be established for new products.  | The price is determined in relation to production, every cent counts and must be justified.                      |
| Different size organizations, but in order to take advantage of the economy of scope it is better when they are medium-big sized.     | The ones that work the best are small-sized organizations, great agility and response-ability.                       | The bigger is the organization, the better it can take advantage of the economy of scale.                        |



Source: Megías, 2010, <https://bit.ly/3aaUy8L>

As we said before, divergence among these activities or businesses generates tensions inside the company, which weakens their coexistence and, at the same time, their potentiality. Therefore, many companies in this situation choose to specialize in only one of these activities, in order not to go on the same controversy of, for example, choosing to hire qualified human resources or to leave this activity aside and invest in doing the company operations more efficient.

Peloton is one of the great innovations in the sports world since it offers product and service. Created in 2012, this start-up burst into the “at-home exercises” world, offering to their members, not only the devices but also the belonging to the Peloton community, through on-line lessons that their customers acquire when they buy their products. Nowadays they have extended their community through the creation of their app and the diversified online lessons offer without equipment.

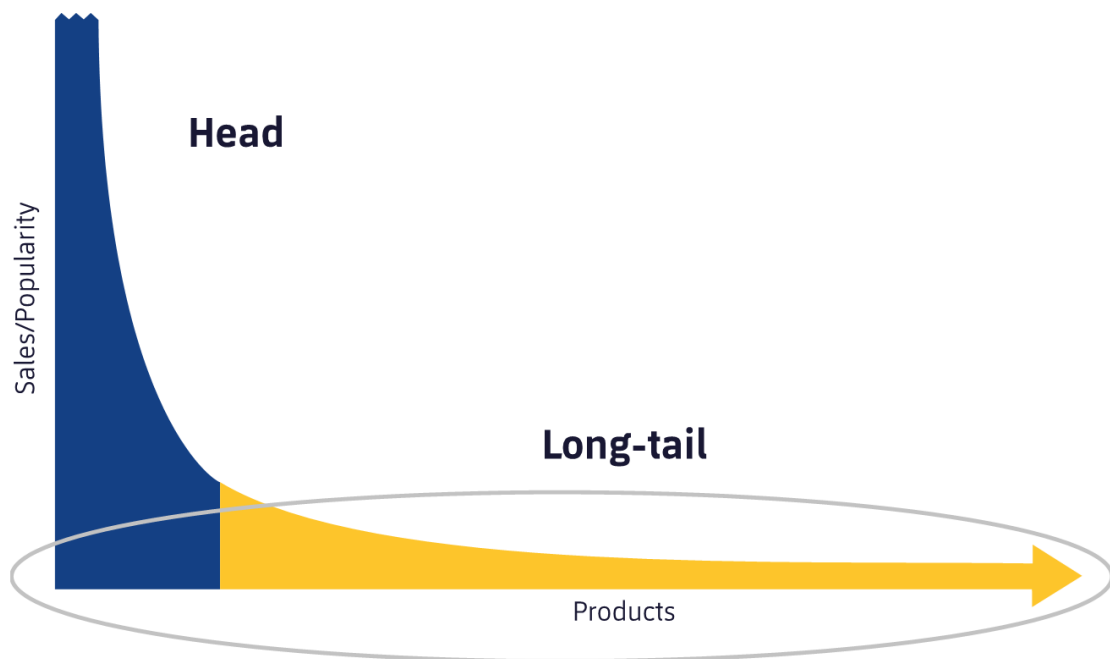
The subscriptions contributions, or in other words, the amount that results from subtracting subscriptions expenses to the income has gone from 18.5 million dollars to 100.4 million dollars in a year. The margin has increased from 58.3% in the first three months in 2019 to 64.1% in the 2021 fiscal year, which started in July 2020 and ended last September. In other words: year by year, Peloton assumes a lower expense for each subscriber they have, that is why their model is more and more efficient. (López, 2020, <https://bit.ly/2Z8Gqgg>)

## **Pattern #2: Long-tail business models**

Coining Chris Anderson long-tail terminology (as quoted in Osterwalder and Pigneur, 2011), this pattern refers to selling low volumes to many customers, offering a wide range of specialized products which, separately, have a relatively low sales volume (p. 67). This approach is different from the traditional model that targeted the mass market, i.e., a model that tried to sell high or very popular demand products (business model head-on figure 2).



**Figure 2: Sales distribution of companies with long-tail models**



Source: Own creation based on Anderson, C. (2006).

On the contrary, on the tail there is an accumulation of products that have low demand when compared with the head; however, the long tail model is based on selling reduced amounts of a variety of products to many different buyer's niches, which will generate an income from diverse sales that are equal or higher to massive sales products. Therefore, a low amount of successful sales generates the biggest part of incomes.

This way, the logic is to offer a product for each niche that is not taken into account, which results in fewer sales by-product, but, if multiplied by variety, total sales volume is similar or higher to the mass-market volume.

Among these business model pattern characteristics, we can highlight low inventory costs and the need for powerful platforms to help buyers to have easy access to specialized products. Some examples of this model are eBay, Amazon, Mercado Libre or any of these online purchase platforms that work thanks to their users who commercialize small amounts of diverse items, with a reduced sales volume. Another physical example could be supermarkets.

Another example is DAZN (or "Da Zones") and the first streaming platform devoted to on-demand live sports. Launched for the first time in 2016 on a reduced group of countries (Austria, Germany, Japan and Switzerland), is nowadays extended to more than 200, being able to be reproduced from any device. This access ease allows for working with very diverse niches, offering exclusive content about any sport to their customers.



Besides, they have adapted their “exclusive content” to demands by different groups in each country. In Spain, for example, it was available since 2019 with content from three big sports events: The Grand Prix motorcycle racing, the Euroleague Basketball and the Premier League. Here is the link to their start page: <https://www.dazn.com/es-ES/welcome/>

When Anderson (as quoted in Osterwalder and Pigneur,2011) developed this long tail concept, he did it as a consequence of the disruptive contribution that multimedia companies introduced, due to three economic factors.

- 1) **Production tools democratization:** technology accessible prices allow more and more people to have the opportunity of generating diverse content.
- 2) **Distribution democratization:** the Internet significantly reduced costs (inventory, communications and transactions), which gave rise to new markets for specialized products.
- 3) **Falling search costs for the supply and demand coordination:** the evolution in search engines and the development of algorithms that identify people’s tastes, needs and characteristics make the connection between the supply and demand unavoidable, with a minimum investment.

However, other authors consider that the appearance of long-tail models date from the appearance of catalogue selling, which shows that these companies were able to add demand to many locations where their products did not even exist. However, it is clear that technological advance has allowed for a growth in these types of models.

### **Pattern #3: Multilateral platforms**

This business model pattern suggests bringing two or more different (but interdependent) customer groups together. That is why these platforms generate value for a group of customers only if the other customer's groups are also active and can interact. In other words, the platform should generate attraction actions and be alert to each one and all at the same time, given that the more interrelated customers and users (what is known as network effect), the more valuable the platform will be (Osterwalder and Pigneur, 2011).

Some examples are credit cards (which make shops and cards holders’ interrelation their reason to exist) or video games consoles (which link game developers and players, etc.).

However, there is a dilemma: multilateral platforms, by linking two parts, need that both have interesting possibilities for surviving since no cardholder will acquire a card that is



unknown at a commercial level and no shop will accept it if no customers hold it. For that reason, an option is to finance a market segment with a free of charge or low-cost value proposition in order to seduce users from either side of the platform.

Multilateral platform operators should ask the following questions themselves: Can we attract enough amount of customers on each side of the platform? Which side is more subject to prices? Is it possible to attract that side with a subsidized offer? Will the other side of the platform generate sufficient income for dealing with subsidy? (Osterwalder and Pigneur, 2011, p. 79).

Now then, which are the challenges for this business model pattern? Multilateral platforms have to meet the following challenges:

- **Price setting:** as we already pointed out, the decision to set prices for using the platform (by subscription or transaction commission) is a dilemma that might be solved by subsidizing one group to generate a critical mass, but the question is the following: To which one?
- **Customer acquisition:** platforms need to acquire customers from-at least- two different segments to link, unlike the other modules in which the concern is focused on only one segment. Some strategies imply sacrificing profits on first transactions to allocate them to customers' attraction, because, even then, multilateral platforms potentialities are still convenient for this type of relationships.
- **Balance achievement:** following with the previous topic, it is a challenge to balance users on both sides of the platform, since it is useless to offer a product or service that would be caught no one interest given that, if the offeror's efforts do not generate businesses on the platform, he/she will stop making them, no matter how small they are. And the same happens on the other side: if a customer is interested in a certain product or service, but the platform does not have many options, that customer will probably not consider this means as a way to solve his/her concern.

A clear example of this multilateral platform is the start-up created in 2013, ClassPass. This platform links different offers made by different local fitness centres and sports centres with those people that are interested in adapting the physical activity they are looking for to their rhythm of life. ClassPass incorporates an intermediary, but it removes the product factor and it converts it into service.



It is that exact connection point when the long tail that comes from a concrete demand gets reflected on a global offer, which is the response to the times we are living and to the perception of consumer model that is more structured in the user vision than in the consumer vision. (Vidal, 2015, <https://bit.ly/3tOvex9>)

Membership does not only include access to a wide variety of activities (from spinning to swimming), but it also creates a community among users that benefits the interaction, where different centres or lessons suggestions among members becomes key for the network to work and grow.

#### **Pattern #4: Free as a business model**

When Osterwalder and Pigneur (2011) propose a free business model, they are referring to that at least one market segment will be benefited from a free of charge offer, financed by a part of the model or by another market segment.

In the last years, this option has significantly grown due to the use of the Internet for commercial purposes, since free products are always attractive for any customer. The issue to be solved is how to increase income by systematically offering a free value proposition, since the company should generate income somehow.

Again, we go back to Chris Anderson (as quoted in Osterwalder and Pigneur,2011) to expand the concept of “free” for digital products and services. For explaining this concept, he exemplifies the music creation and recording business, which implies a big investment in time and money, although there is no cost production by Internet, which forces the artist to look for other profit sources, like concerts and merchandising.

According to Osterwalder and Pigneur (2011), we will define three patterns to achieve a free and viable free business model; they have a characteristic in common, despite their economic differences: they constantly benefit at least one market segment with free offers. Below, we will see the definition for each of them.

#### **Advertising**

Known as a free offer that appears on a multilateral platform, this pattern “is an integrated income source that makes the existence of free offers possible” (Osterwalder and Pigneur, 2011, p. 92).



Analyze carefully and think about examples like the television, the radio or the Internet that live off of advertising, offering free content for attracting users (subsidized segment), while on the other side of the platform there are advertisers, to whom advertising spaces are sold for generating the necessary income.

If your business model follows this pattern, the question will be in answering why advertisers would choose to invest in your platform (media, program, site, etc.) and not in others, which would probably already have audience, visits and more. Not even this is a guarantee for profitable advertisers to join. A popular case is the one for the social network Facebook that, despite having a high amount of users, does not have a colossal amount of income by advertising.

This is the true challenge for entrepreneurs in this model: get brand advertisers attention over other channels or products.

Rakuten TV (streaming platform) and FC Barcelona is an example of collaboration on the production of "Matchday-Inside FC Barcelona". This documentary follows the club during the 2018-2019 season, showing other scenes besides the day of the match, creating a new vision for FC Barcelona beyond the field and adding value for the club's supporters. It was about new content that shows aspects that were never shown before and, therefore, attractive aspects for the club's supporters. This platform launch was free for the whole of Europe, while their availability on other platforms (like Netflix for Latin America) was afterwards and under subscription.

### ***Freemium***

Based on an Internet model, the concept combines free basic services with premium paid services, which allows having a great users' base that has availability for using a free offer and an exclusive paid offer. The "freemium" term unifies the words free and premium, referring to the provision of free basic services, but charging a fee by the premium services.

Osterwalder and Pigneur (2011) explain that "the basic services are free, the extras have a price" (p.96) and, although most of these customers will never pay, this is because it is expected that less than the 10% of the total get subscribed to paid premium services, and they will subsidize the free offer for more than the remaining 90%.

Parameters that should be considered in the freemium pattern are related to the average cost for the free service and the fee that is paid for premium services. These results will make the model viable, keeping the free service marginal cost very low. In the same way, another parameter to pay attention to has to do with users conversion speed, or in how much time a free account starts buying premium services.



There are many examples of this type of patterns in which a basic service is offered with certain limitations that could be overcome by paying a differential, like in Skype or LinkedIn. Digital television, applications for smartphones or social networks management and open code software are some of the varied cases that can be identified in this model.

Sports Techie is a referent in this aspect. This web site creates and adds content about technology and sports, offering its customers the latest news in this field for free. But, at the same time, it offers a paid version with access to exclusive content (videos, conferences, events). Its coverage is focused on how technology affects the different- and main-interested and interconnected parties in the industry (athletes, fans, teams and leagues) and it regularly reviews the main innovations in the field.

### **Bait and hook**

The bait-and-hook model consists of ensuring the availability of an attractive initial offer that is for free and at a low price and it fosters new purchases for future payments about additional offered products or services.

According to Osterwalder and Pigneur (2011), it is about a “subsidized initial offer, in which you even lose money, but its goal is to generate benefits with subsequent related purchases” (p.104).

Another name for this type of pattern is razor and blade, named after the disposable shaving razor creator, King C. Gillette. This entrepreneur applied this model to attract customers that would make a small initial investment for a good razor; then they would buy the blades for using this razor in the future, which meant an increase in the company sales.

Examples of this model could be the following:

- Mobile phones companies subsidize mobile phones when customers acquire monthly fixed phone plans and not prepaid ones.
- The video games console allow you to play in isolation, without cost, but when you want to play online, you have to pay a monthly fee.
- The very low-cost printers with high-cost ink cartridges.
- The economical coffee machines with expensive spares.

Rocket League is a clear example, a video game that combines football and car racing. It has a free version (launched in 2020 and available for all platforms) and a paid version,



which includes exclusive content and the possibility of being part of online teams. Between these two teams, FC Barcelona is one of the clubs that have supported this new way of playing, organizing its team (Savagel) with very good results (in 2019 got the European top 2).

### **Pattern #5: Open business models**

An essential particularity in this model is innovation on companies to put new business ideas, products and channels into practice for reaching customers and others. When talking about open business and open innovation model, Henry Chesbrough (as quoted in Osterwalder and Pigneur,2011) used to talk about how some companies open their research processes for third parties to create value and take more advantage of them by the combination of knowledge, technologies, intellectual property objects and external products. He even states that all these attributes that are not used at the company “can be made available for third parties-by licenses, joint ventures or spin-offs-to monetize them” (Henry Chesbrough, as quoted in Osterwalder and Pigneur,2011, p. 110).

Companies that follow this pattern interact with strategic allies to innovate, adding ideas that are external to the company (outside-in) or promoting their ideas (in general, in disuse) to third parties (inside-out).

In the first case, the company integrates ideas, technologies or external intellectual property objects in their development and commercialization process. In the inside-out innovation model the company concedes licenses or sells its technologies or intellectual property objects, the assets the company does not use. (Osterwalder and Pigneur, 2011, p. 110).

Even though FC Barcelona is not, strictly speaking, a company, it has become global in scope brand and it was transformed into a social entity with global relevance. Nowadays, its purpose is to be transformed into a leader market centre for knowledge and innovation inside the sports industry through projects like Barça Innovation Hub. This project’s purpose is to generate knowledge of excellence through collaboration with universities, research centres, companies and institutions, start-ups, students, athletes. This open innovation strategy is based on the belief that there is knowledge not only in the organization itself, but there is also a lot of talent and knowledge outside the organization, which can be shared and integrated for improving its abilities and performance.

This opening move works through a cycle made up of four phases.



- Incorporation of knowledge: exchange of ideas among experts from the world of sports, professionals and researchers.
- Creation of knowledge: combined development of knowledge.
- Dissemination of knowledge through training programs.
- Innovation: the creation of new products, services or experiences. For the development of this innovation, the Barça Innovation Hub rely on the collaboration of different centres, entities and companies, so these new products and services are designed and executed in the best possible way and with the knowledge of experts from different areas. It is here when the start-ups' role is key.

Finally, we share a comparative chart made by Osterwalder and Pigneur (2011), by which you will be able to understand particularities in each pattern.

**Table 2: Patterns summary by Osterwalder and Pigneur**

| <b>PATTERNS SUMMARY</b> | <b>Unbundling business models</b>  | <b>Long tail</b>   | <b>Multilateral platforms</b>                                 | <b>FREE as a business model</b>   | <b>Open business model</b>   |
|-------------------------|--|--|---|---|--|
| <b>CONTEXT (Before)</b> | An integrated model combines the management of infrastructure s, product innovation and relationships with customers living under the same roof. | The value proposition is only directed to most profitable customers. | A value proposition for each market segment.                  | A high cost and value proposition is only available to customers that pay for the service or product. | The Research and Development process (R&D) and key activities are focused on the company: <ul style="list-style-type: none"> <li>• Ideas are only internally conceived</li> <li>• Results are only internally exploited</li> </ul> |
| <b>CHALLENGE</b>        | Costs are very high. Various opposite corporate cultures are   | The creation of value propositions for unprofitable market           | The company does not attract new potential customers that are | The high price dissuades customers.   | The R&D process is expensive and/or productivity is not the  |



|                         |  |   |  |   |   |
|-------------------------|--|---|--|---|---|
|                         | mixed on one unique entity, which results in undesirable trade-offs.   | segments are too expensive.   | interested in joining the company's current customer portfolio (for example, video games developers that want to reach console users).                                       |   | appropriate one.  |
| <b>SOLUTION (After)</b> | <p>The company is divided into three independent models, although complementary, that work on:</p> <ul style="list-style-type: none"> <li>• Infrastructures management</li> <li>• Products innovation</li> <li>• Relationship with the customer</li> </ul> | The new value proposition, or the additional proposition, is directed towards a wide range of market niches that used to be unprofitable in the past and which, altogether, are now profitable. | We add a value proposition that gives access to a company's market segment (for example, a video console manufacturer that gives software developers access to their users): | Various value propositions are offered to different market segments with different sources of income, one of which is free (or very cheap). | External partners are used to taking advantage of R&D resources and activities. R&D internal resources are transformed into a value proposition and they are offered to the market segments that show interest. |
| <b>REASONS</b>          | Improvement of management tools and IT allows to separate and coordinate different business with a smaller cost,   | The improvement in operations management and IT allows offering personalized value propositions to a large new  | An intermediary that exploits a platform in two or more market segments adds sources of income to the initial model.   | Market segments that enjoy the free proposition is subsidized by customers that pay, who want to attract the biggest                        | The R&D acquisition for external sources could be more economical and they could reduce commercializ  |



|                 |  |                                   |   |  |   |
|-----------------|--|-----------------------------------|---|--|---|
|                 | avoiding, that way, the undesirable trade-offs.      | customer portfolio at a low cost. |   | amount of users.   | ation deadlines. Missed innovations could generate income if they are sold outside the company. |
| <b>EXAMPLES</b> | Private banks<br>Mobile telecommunications companies | Publishing companies<br>LEGO      | Google<br>Nintendo, Sony video games consoles<br>Microsoft<br>Apple<br>iPod, iTunes, iPhone | Advertising and newspapers<br>Metro<br>Open code<br>Red Hat<br>Skype<br>(instead of telecommunications company)<br>Gillette<br>Shaving razor and blades. | Procter & Gamble<br>GlaxoSmithKline   |

Source: Osterwalder and Pigneur, 2011, pp. 118-119.



# Unit 1.2 Application cases

After having seen the characteristics in each business model pattern, it is time to analyze some cases showed by Osterwalder and Pigneur (2011) to associate the theory with practice in companies.

## **Pattern #1: Unbundled companies cases**

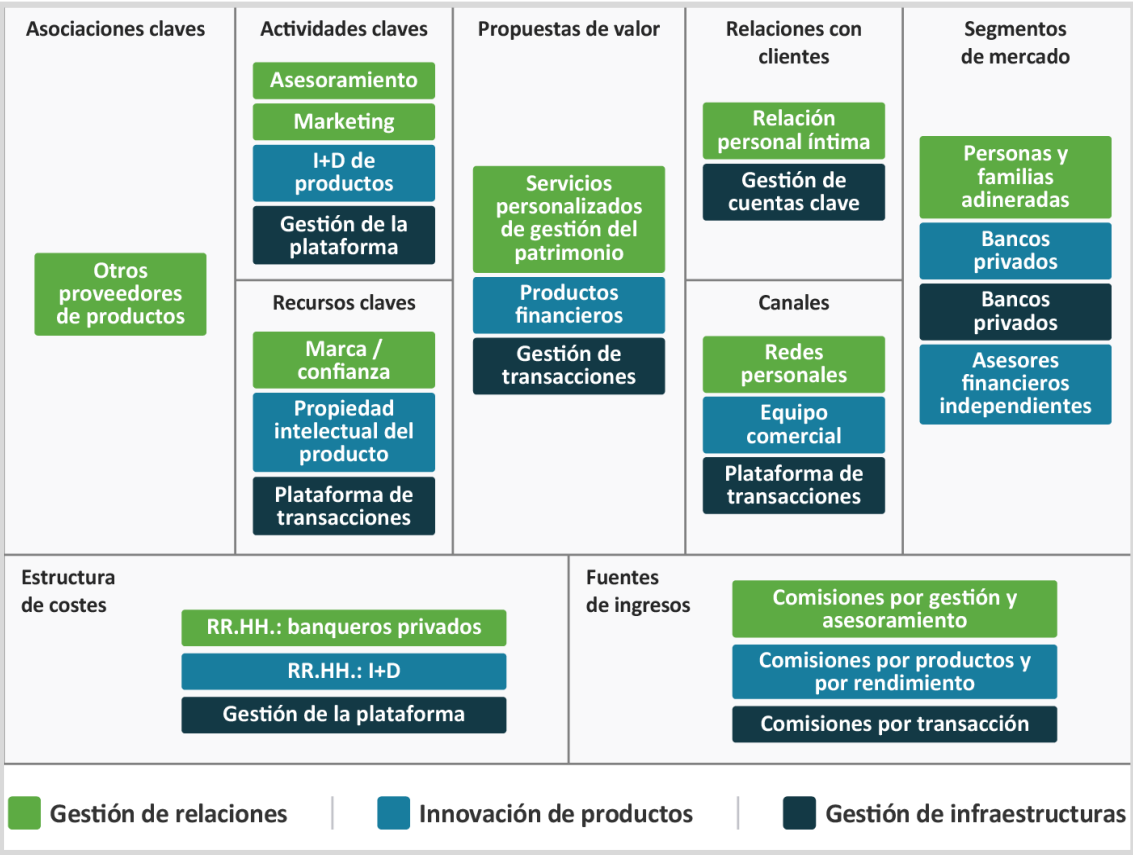
Let's remember that the main feature in the unbundled model is that it understands that companies are made up of three businesses or divergent activities that coexist. However, as each of them has different economic, cultural and competitive logic, they generate tension in the company and, therefore, it is useful to separate them or unbundle them. These activities are the following: relationships management, products innovation and infrastructure management. Let's see two examples.

### **Private banks model**

Even though a great part of Swiss banks opted by unbundling their businesses, the private bank Pictet-the biggest Swiss bank-chose to keep integration, since it is characterized by the intimate relationship with their customers, which gives access to personalized transactions and to the creation of ad hoc financial products This is the guarantee for its success, although it has to face trade-offs for keeping the integration of the three activities.



Figure 3: Pictet private bank traditional model



Source: Osterwalder and Pigneur, 2011, p. 61.

|   |  |
|---|--|
| Asociaciones Claves<br>Otros proveedores de productos   | Key associations<br>Other product's providers  |
| Actividades claves<br>Asesoramiento<br>Marketing<br>I+D de productos<br>Gestión de la plataforma                              | Key activities<br>Counselling<br>Marketing<br>Products R&D<br>Platform management  |
| Recursos claves<br>Marca/confianza<br>Propiedad intelectual del producto<br>Plataforma de transacciones                       | Key resources<br>Brand/Trust<br>Product intellectual property<br>Transactions platform   |
| Propuesta de valor<br>Servicios personalizados de gestión del patrimonio<br>Productos financieros<br>Gestión de transacciones | Value proposition<br>Personalized services for financial resources management<br>Financial products<br>Transactions management |
| Relaciones con clientes<br>Relación personal íntima<br>Gestión de cuentas claves  | Relationships with customers<br>Close personal relationship<br>Key account management  |
| Canales<br>Redes personales<br>Equipo comercial<br>Plataforma de transacciones  | Channels<br>Personal networks<br>Commercial team<br>Transactions platform  |
| Segmento de mercados  | Markets segment  |



|  |  |
|--|--|
| Personas y familias adineradas<br>Bancos privados<br>Asesores financieros independientes   | Wealthy people and family<br>Private banks<br>Independent financial advisors   |
| Estructura de costes<br>RR.HH.: Banqueros privados<br>RR.HH.: I+D<br>Gestión de la plataforma  | Costs structure<br>HR: Private bankers<br>HR: R&D<br>Platform management   |
| Fuentes de ingresos<br>Comisiones por gestión y asesoramiento<br>Comisiones por producto y rendimiento<br>Comisiones por transacción | Income sources<br>Management and counselling commissions<br>Product and performance commissions<br>Transaction commissions |
| Gestión de relaciones  | Relationships management   |
| Innovación de productos  | Products innovation  |
| Gestión de infraestructuras  | Infrastructure management  |

**Figure 4: Integrated model example: Pictet private bank**



Source: Pictet homepage print screen (Pictet Group, 2018, <https://bit.ly/3p9r8fv>).

### Telecommunications model

Since always, in telecommunications companies, it was possible to find the three businesses coexisting: the infrastructure based on the network (wires, antennas and everything related to the operation of the telecommunication), the innovation (subject to the creation of products and services for customers) and the relationship with customers in the attention to their demands, creating new offers and taking care of the brand.

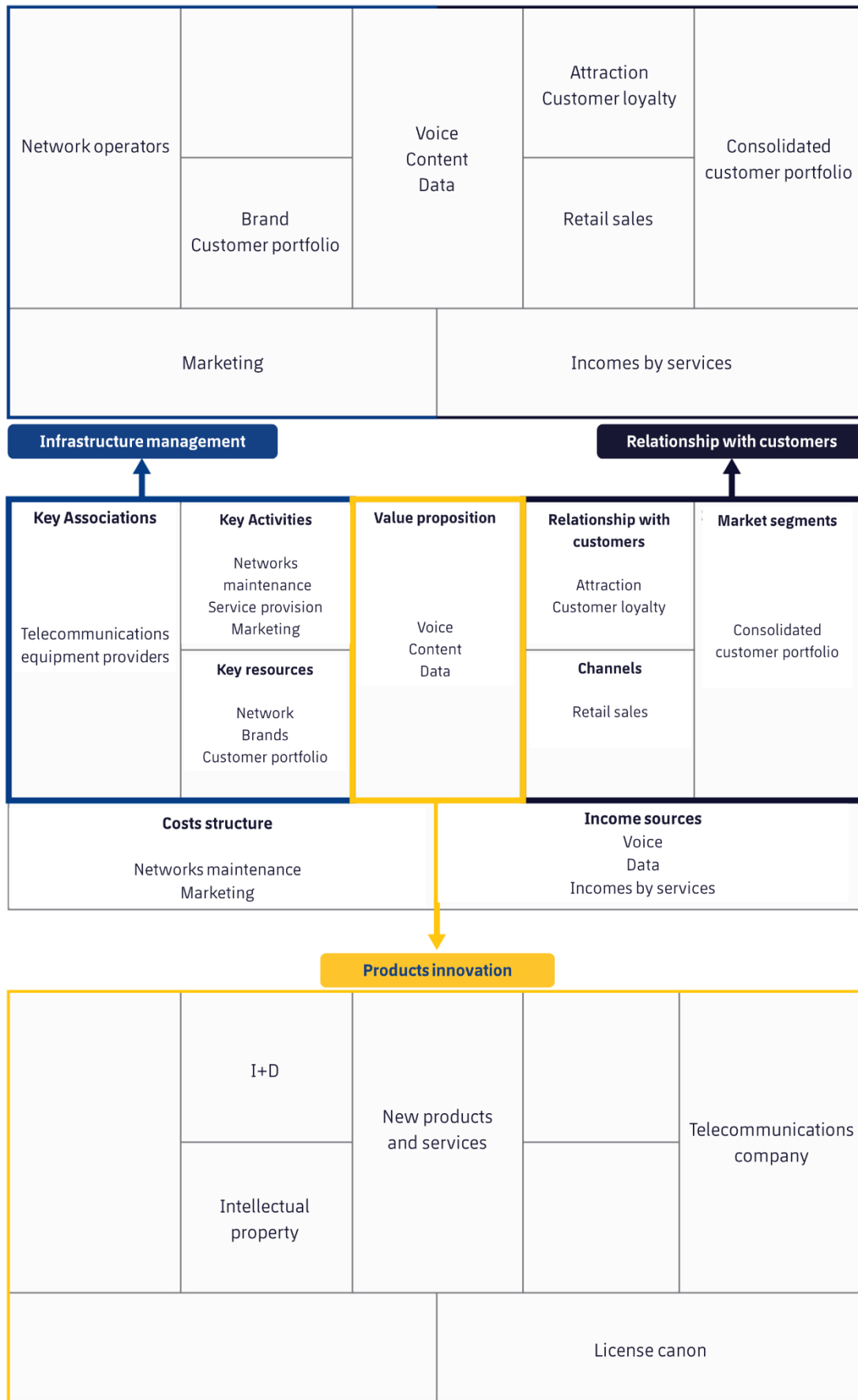
However, this model turn into unbundling, so that these businesses' management was in the hands of other companies and relationship with the customer was taken as the

main activity, which allows them to take care of the brand and to generate more sales and advantages appreciated by the customer.

The infrastructure and their network maintenance were left in the hands of manufacturers which, in turn, work with a variety of operators. On the other hand, they assigned innovation in the creation of content to more active and smaller companies that could offer them services and, even, sell them their innovations' licenses.



Figure 5: Canvas for telecommunications unbundled pattern



## Pattern #2: Long-tail model cases

Remember that this model proposes “to sell low volumes to many customers, offering a wide range of specialized products which, separately, have a relatively low sales volume” (Osterwalder and Pigneur, 2011, p. 67).

Now then, how is the long tail pattern canvas constituted?

- The **value proposition** contains a multiplicity of products with low sales that coexist with popular items. In the same way, this model is the ideal place for independent products that generate content.
- The **customer segment** should be made up of several niches so that the amount of those sales would create a profitable business.
- **Relationships with customers** in this type of model, in general, tend to be automatized and, in the case of a platform, they are also automatic with producers, in order to have low costs in customer service.
- The **strategic partnerships** are made up of specialized content producers.
- The **key resource** is the platform.
- The **key activities** are linked with platform management, i.e., linked with getting products, customers.
- The **costs structure** is based on platform development and promotion.
- **Channels:** these businesses are mainly conducted through the Internet, not only the relationship with the customer but also the transaction in itself.
- **Sources of income** are made up of several small incomes that are the result of several small sales. But, in the case of being a platform, it is generally on commission for sales, advertising and subscriptions (Osterwalder and Pigneur, 2011).

Some examples of this pattern are MercadoLibre, Netflix and Lego. Let's see this last case.

### Lego

Although Lego origin date from 1949, when it started to produce their binding pieces, in 2005 the company launched Lego Factory, where customers could order, on the Internet, their Lego kits created by themselves. This way, Lego passive customers are introduced to the design experience in the company, which generated a big transformation, not only in their value chain but also in their business model, getting into a long tail pattern.



Besides helping users to design their own LEGO kits, LEGO Factory sells kits designed by users on the Internet, some of which are products with high sales and others with low or no sales. For LEGO, the important thing is that kits designed by users would enlarge a product line that in the past was limited to a reduced number of kits with a high percentage of sales. Nowadays, this LEGO offer supposes a small part of the total amount of incomes, but it is a first step to the application of a long tail model that complements (or substitutes) a traditional model oriented to the general public (Osterwalder and Pigneur, 2011, p. 72).

Figure 6: Canvas for Lego long tail pattern

| LEGO Factory: kits diseñados por los clientes  |   |   |   |  |
|--|---|---|---|--|
| <b>AsC</b><br><br>Los clientes que crean nuevos diseños de LEGO y los muestran en internet se convierten en socios clave que generan contenido y valor | <b>AC</b><br><br>LEGO debe proporcionar y gestionar la plataforma y la logística necesaria para embalar y entregar los kits realizados por los clientes | <b>PV</b><br><br>LEGO Factory amplía considerablemente la gama de kits disponibles al ofrecer a los fans de LEGO las herramientas necesarias para crear, exhibir y vender los kits que diseñan  | <b>RCI</b><br><br>LEGO Factory da lugar a una larga cola de clientes que están muy interesados en contenido especializado y buscan alternativas a los kits convencionales | <b>SM</b><br><br>Miles de kits nuevos diseñados por los clientes complementan a la perfección los kits estándar de LEGO. LEGO Factory pone a los clientes que crean diseños personalizados en contacto con otros clientes, de modo que se crea una plataforma de contactos y las ventas aumentan |
|  | <b>RC</b><br><br>LEGO aún no ha adaptado totalmente sus recursos y actividades que están diseñados para el mercado de masas                             |   | <b>C</b><br><br>La existencia de LEGO Factory depende en gran medida del canal web  |  |
| <b>EC</b><br><br>LEGO Factory aprovecha los costes de producción y logística que genera el modelo tradicional de venta al por menor                    |   | <b>FI</b><br><br>El objetivo de LEGO Factory es generar pequeños ingresos con un gran número de artículos diseñados por clientes. Esto supone una adición valiosa a los ingresos generados por la venta al por menor de grandes volúmenes |   |  |

Source: Osterwalder and Pigneur, 2011, p. 73.

| LEGO Factory: kits diseñados por los clientes   | LEGO Factory: kits designed by customers  |
|---|---|
| <b>AsC</b><br>Los clientes que crean nuevos diseños de LEGO y los muestran en internet se convierten en socios clave que generan contenido y valor  | <b>Key associations</b><br>Customers who create new LEGO designs and they show them on the Internet become key partners that generate content and value |
| <b>AC</b><br>LEGO debe proporcionar y gestionar la plataforma y la logística necesaria para embalar y entregar los kits realizados por los clientes | <b>Key Activities</b><br>LEGO should provide and manage the platform and the necessary logistics for packaging and delivering kits made by customers    |
| <b>RC</b><br>LEGO aún no ha adaptado totalmente sus recursos y actividades que están diseñados para el mercado de masas                             | <b>Key resources</b><br>LEGO has not yet completely adapted their resources and activities that are designed for the mass market                        |



|   |  |
|---|--|
| PV<br>LEGO Factory amplía considerablemente la gama de kits disponibles al ofrecer a los fans de LEGO las herramientas necesarias para crear, exhibir y vender los kits que diseñan   | Value proposition<br>LEGO Factory enlarge considerably the range of kits available by offering LEGO fans the necessary tools for creating, exhibiting and selling the kits they design   |
| RCI<br>LEGO Factory da lugar a una larga cola de clientes que están muy interesados en contenido especializado y buscan alternativas a los kits convencionales  | Relationship with customers<br>LEGO Factory causes a long queue with customers that are very interested in specialized content and look for alternatives to the conventional kits  |
| C<br>La existencia de LEGO Factory depende en gran medida del canal web   | Channels<br>LEGO Factory existence highly depends on the web channel   |
| SM<br>Miles de kits nuevos diseñados por los clientes complementan a la perfección los kits estándar de LEGO. LEGO Factory pone a los clientes que crean diseños personalizados en contacto con otros clientes, de modo que se crea una plataforma de contactos y las ventas aumentan | Market segments<br>Hundreds new kits designed by customers perfectly complement standard LEGO kits<br>LEGO Factory put customers who create personalized designs in contact with other customers, so that a contact platform is created and sales increase |
| EC<br>LEGO Factory aprovecha los costes de producción y logística que genera el modelo tradicional de venta al por menor  | Costs structure<br>LEGO Factory takes advantage of production costs and logistics generated by the retail sales traditional model.   |
| FI<br>El objetivo de LEGO Factory es generar pequeños ingresos con un gran número de artículos diseñados por clientes. Esto supone una adición valiosa a los ingresos generados por la venta al por menor de grandes volúmenes  | Income sources<br>LEGO Factory goal is to generate small incomes with a big number of articles designed by customers This generates a valuable addition to incomes generated by big volumes of retail sale   |

### Pattern #3: Multilateral platform cases

As we have already mentioned, this pattern characteristic is that it puts two or more independent customer groups together and their participation is strictly necessary for the platform to work effectively, creating value by facilitating this relationship among them.

Then, you can set this business canvas by taking its elements' characteristics into account as follows:

- **Value proposition:** it should achieve three goals. The first one is to attract market segments; the second one has to do with its functionality of connecting different



segments and, finally, it should also succeed in making management transactions reduce costs.

**Customers segments:** by being multilateral, platforms take care of two or more market segments that should necessarily coexist. Therefore, each segment has its value proposition and its source of income.

**Key resource:** the platform

**Key activities:** although key activities are linked to platform management, promoting it and providing the service are also essential activities.

**Strategic partnerships:** in general, as customer acquisition is a key factor in this model, means of payment through the platform, logistics and distribution companies, mass media and others could be some of the significant partnerships for the platform.

**Costs structure:** the biggest part of this pattern costs comes from the platform development, maintenance and promotion.

**Sources of income:** each customer group is a source of income. The key in this pattern is to correctly choose the segment that will be subsidized since it is crucial for the platform success.

**Channels:** customer attraction is achieved, generally, through the Internet (online advertising, viral campaigns or platform positioning on search engines), even though traditional advertising is not rejected, except the company does not have the resources as this implies a bigger investment (Osterwalder and Pigneur, 2011).

Now we will see some examples.

## Google

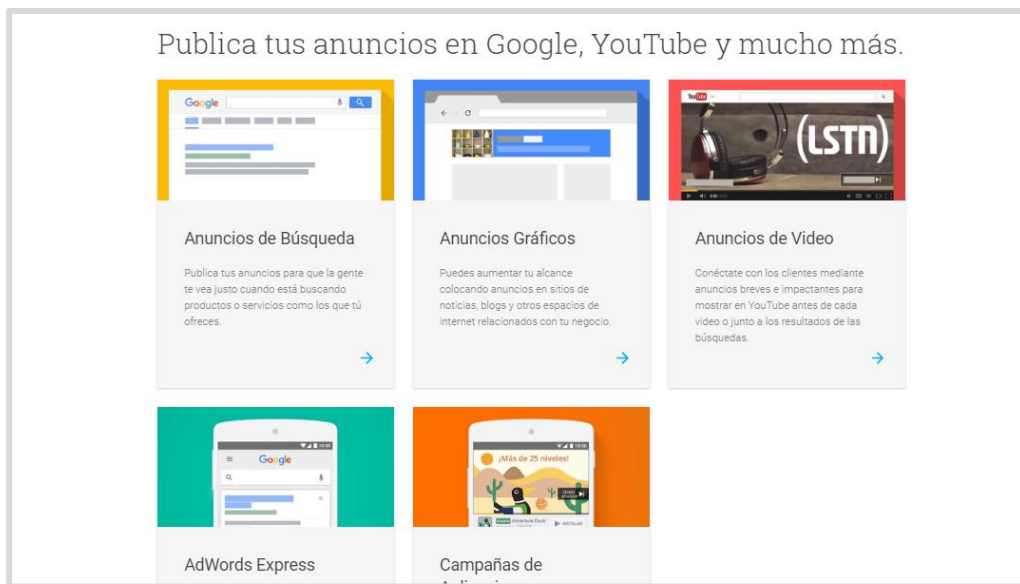
Google developed a value proposition for each customer segment. On the one hand, AdWords allows advertisers to publish ads and sponsored links on search engines; besides, Google offers powerful search engines to attract customers for those advertisers, as well as other utility tools (Gmail, Maps, etc.). Lastly, with its AdSense tool, it allows users to generate income by advertising, in exchange for showing ads on web sites that are not from Google.

Therefore, the multilateral platform operation is explained, since each of these segments necessarily requires the participation of the other one to make their business profitable.

Google makes money on a market segment (advertisers), but it offers free options to the other remaining segments: the Internet users and content owners.

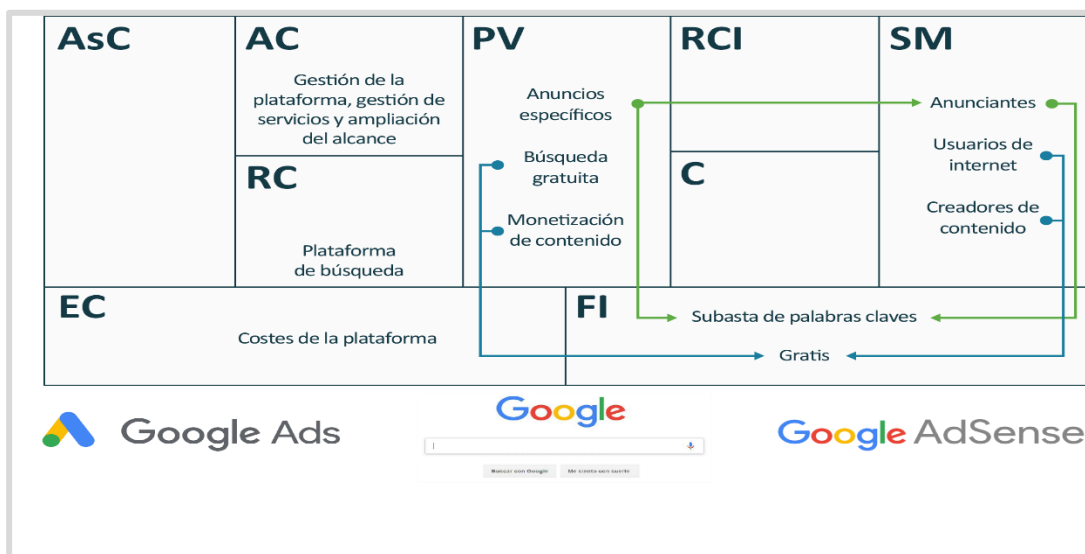


**Figure 7: Example of Google as a multilateral platform pattern**



Source: Google, Google Ads homepage print screen (Google, 2018, <https://goo.gl/zyJFTt>)

**Figure 8: Google model Canvas**



Source: Osterwalder and Pigneur, 2011, p. 80.

|   |  |
|---|--|
| AsC   | Key associations   |
| AC<br>Gestión de la plataforma, gestión de servicios y ampliación del alcance | Key Activities<br>Platform management, service management and scope enlarged |
| RC<br>Plataforma de búsqueda  | Key resources<br>Search platform   |
| PV<br>Anuncios específicos<br>Búsqueda gratuita<br>Monetización de contenido  | Value proposition<br>Specific ads<br>Free search<br>Content monetization     |
| RCI   | Relationship with customers  |



|   |  |
|---|--|
| C   | Channels   |
| SM<br>Anunciantes<br>Usuarios de internet<br>Creadores de contenido | Market segments<br>Advertisers<br>Internet users<br>Content creators |
| EC<br>Costes de la plataforma                                       | Costs structure<br>Platform costs                                    |
| FI<br>Subasta de palabras claves<br>Gratis                          | Income sources<br>Key words auction<br>Free                          |

### PlayStation/Xbox against Wii

This pattern works as follows: the console manufacturer should attract as many players as possible to attract the ones who develop games. And, on the other hand, players buy hardware if there are enough games of their interest and available for their console.

Even though both examples represent multilateral platforms patterns, they have different characteristics. Sony and Microsoft (Playstation and Xbox, respectively) compete with expensive and sophisticated technology, targeting a habitual or specialized players segment that acquires them at a lower cost, since they subsidized it with games sales, on the one hand, and with royalties paid by developers, who buy the right to create games for certain consoles, on the other.

Nintendo, for its part, targets a customer segment that superimposes the fun of control by the movement to the technological performance in the other components, which defines its generation of income on both sides of the platform: it receives benefits by consoles sales and royalties on the part of games developers.

### Pattern #4: Free model cases

Let's remember that, in this pattern, at least a segment is constantly benefited by a free offer, thanks to another segment that finances products or services. Let's see some examples of each type.

#### Advertising: Metro

Osterwalder and Pigneur (2011) mention the example of the free newspaper Metro from Stockholm that could differentiate from the traditional model by being free and could focus its distribution on busy places and even on public transport networks (an advantage that worked perfectly as an entry barrier for its competitors), although they had to develop their distribution network. Likewise, this newspaper started to use a low-



quality paper to reduce its costs, fulfilling anyway with its function of entertaining short trips passers-by.

In relation to the canvas, if you offer an appropriate product or service (**value propositions**) and, therefore, you get a lot of traffic (**customers**), **incomes** will become tangible immediately, since advertisers will want to invest on the platform, even though they might have to pay a fee, the purpose of which will be to finance free products and services. The **costs structure** is linked to the platform development and maintenance. However, costs can be generated for increasing traffic and building customer loyalty (Osterwalder and Pigneur, 2011).

**Figure 9: Canvas of the pattern used by Metro**

| Metro  |  |  |   |   |
|--|--|--|---|---|
| <b>AsC</b><br><br>Acuerdos de distribución con redes de transporte público         | <b>AC</b><br><br>Escribir y producir un periódico diario<br>Distribución | <b>PV</b><br><br>Espacio publicitario en periódico gratuito con mucha circulación<br><br>Periódico gratuito para transeúntes distribuido en toda la ciudad | <b>RCI</b><br><br>Captación<br>Fidelización   | <b>SM</b><br><br>Anunciantes<br>Transeúntes |
|  | <b>RC</b><br><br>Marca<br>Red de distribución y logística                |  | <b>C</b><br><br>Equipo comercial publicitario<br><br>Transporte público, estaciones de tren, paradas de autobús |   |
| <b>EC</b><br><br>Contenido, diseño e impresión de periódico diario<br>Distribución |  | <b>FI</b><br><br>Periódico gratuito<br>Pago por espacio publicitario   |   |   |

Source: Osterwalder and Pigneur, 2011, p. 92.

|   |  |
|---|--|
| AsC<br>Acuerdos de la distribución con redes de transporte público  | Key associations<br>Distribution agreements with public transport networks   |
| AC<br>Escribir y producir un periódico diario<br>Distribución   | Key Activities<br>Write and produce an daily newspaper<br>Distribution   |
| RC<br>Marca<br>Red de distribución y logística  | Key resources<br>Brand<br>Distribution and logistics network   |
| PV<br>Espacio publicitario en periódico gratuito con mucha circulación<br>Periódico gratuito para transeúntes distribuido en toda la ciudad | Value proposition<br>Advertising space on a free newspaper with big circulation<br>Free newspaper for passers-by distributed around the whole town |
| RCI<br>Captación<br>Fidelización  | Relationship with customers<br>Attraction<br>Customer loyalty  |
| C<br>Equipo comercial publicitario<br>Transporte público, estaciones de tren,   | Channels<br>Advertisers commercial team<br>Public transport, train stations, bus stops   |

|   |   |
|---|---|
| paradas de autobús  |   |
| SM<br>Anunciantes<br>Transeúntes  | Market segments<br>Advertisers<br>Passers-by                                    |
| EC<br>Contenido, diseño e impresión de periódico diario<br>Distribución | Costs structure<br>Daily newspaper content, design and printing<br>Distribution |
| FI<br>Periódico gratuito<br>Pago por espacio publicitario               | Income sources<br>Free newspaper<br>Advertising space payment                   |

### Freemium: Skype

Skype is an excellent example of providing a basic free service and paying by extras. This company entered the market with a free call service through the Internet, but with the possibility of making calls to landlines and mobile phones by paying a premium service with affordable fees. This disruptive company threatened telecommunications companies with its innovative business.

To set the freemium pattern canvas, Osterwalder and Pigneur (2011) explain that the most important elements to consider are the following.

- The platform as the essential asset, given that it is the one that facilitates the basic free service provision at a marginal ridiculously low cost.
- Users, since it is necessary to estimate the number of users that a start-up can attract with this pattern. This pattern's highlight is the possession of a large portfolio of customers who use the free service, thanks to the subsidy made by a small group of users that pay the fee.
- Automation in relationship with customers for keeping costs low and attention to the free service demand by a great number of users.
- It is necessarily essential to value the fixed costs in which a company incur for applying its business model.
- In this pattern, it is essential to include the growth and migration rate to know the number of users that join or abandon the services.



Figure 10: Skype model Canvas

| Skype   |  |   |   |  |
|---|--|---|---|--|
| <b>AsC</b><br><br>Proveedores de pago<br>Socios de distribución<br>Socios de telecomunicaciones | <b>AC</b><br><br>Desarrollo de software                  | <b>PV</b><br><br>Videollamadas y llamadas a través de internet gratuitas<br>Llamadas baratas a teléfonos (SkypeOut) | <b>RCI</b><br><br>Personalización masiva        | <b>SM</b><br><br>Usuarios de la web de todo el mundo<br>Personas que llaman por teléfono |
|   | <b>RC</b><br><br>Desarrolladores de software<br>Software |   | <b>C</b><br><br>Skype.com<br>Socios auriculares |  |
| <b>EC</b><br><br>Desarrollo de software<br>Gestión de reclamaciones                             |  | <b>FI</b><br><br>Gratis<br>SkypeOut de prepago o con suscripción<br>Ventas de hardware                              |   |  |

Source: Osterwalder and Pigneur, 2011, p. 98.

|   |  |
|---|--|
| AsC<br>Proveedores de pago<br>Socios de distribución<br>Socios de telecomunicaciones                              | Key associations<br>Payment providers<br>Distribution partners<br>Telecommunications partners                |
| AC<br>Desarrollo de software  | Key Activities<br>Software development   |
| RC<br>Desarrolladores de software<br>Software   | Key resources<br>Software developers<br>Software   |
| PV<br>Videollamadas y llamadas gratuitas a través de internet gratuitas<br>Llamada baratas a teléfonos (SkypeOut) | Value proposition<br>Free videocalls and free calls through the Internet<br>Cheap calls to phones (SkypeOut) |
| RCI<br>Personalización masiva   | Relationship with customers<br>Massive personalization   |
| C<br>Skype.com<br>Socios auriculares  | Channels<br>Skype.com<br>Headphones partners   |
| SM<br>Usuarios de la web de todo el mundo<br>Personas que llaman por teléfono                                     | Market segments<br>Web users around the world<br>People that make phone calls                                |
| EC<br>Desarrollo de software<br>Gestión de reclamaciones  | Costs structure<br>Software development<br>Claims management   |
| FI<br>Gratis<br>SkypeOut de prepago o con suscripción<br>Ventas de hardware                                       | Income sources<br>Free<br>Prepaid or subscription SkypeOut<br>Hardware sales                                 |

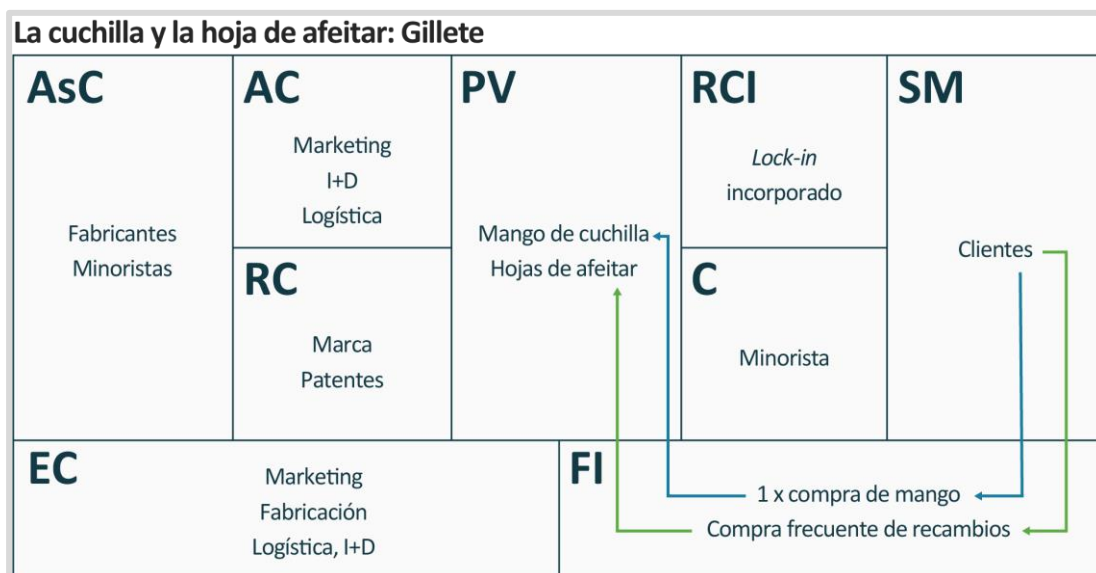
## Bait and hook: Gillete

As we have already mentioned, this model, created by the entrepreneur King Gillete, guarantees its success with selling the handle of a razor at a ridiculously low price for generating the demand for disposable blades and other complementary products, which generates a big benefit margin.

This model canvas should consider the following:

- The **value proposition** is the free or cheap bait that captivates customers and it has a complimentary item or service (disposable or replaceable).
- The **market segment** feels attracted, mainly, by the initial free or economic offer, which generates a **strong connection** or engagement between the product and its complementary items.
- The first purchase generates low incomes or none, but complementary products or services are the ones that become the source of income and generate a high **benefit margin**.
- The essential elements for setting the **costs structure** are the initial product's subsidy and the complimentary items' production cost.
- In general, this model needs a strong brand behind it, which is set as a **key resource** (Osterwalder and Pigneur, 2011).

Figure 11: Canvas: Gillete business model



Source: Osterwalder and Pigneur, 2011, p. 105.

|   |  |
|---|--|
| La cuchilla y la hoja de afeitar: Gillete | Shaving razor and blade: Gillete               |
| AsC<br>Fabricantes Minoristas             | Key associations<br>Retail sales manufacturers |

|  |  |
|--|--|
| AC<br>Marketing<br>I+D<br>Logística                        | Key Activities<br>Marketing<br>R&D<br>Logistics                  |
| RC<br>Marca<br>Patentes                                    | Key resources<br>Brand<br>Patents                                |
| PV<br>Mango de cuchilla<br>Hojas de afeitar                | Value proposition<br>Razor handle<br>Shaving blade               |
| RCI<br>Lock-in incorporado                                 | Relationship with customers<br>Built-in lock-in                  |
| C<br>Minorista   | Channels<br>Retail seller  |
| SM<br>Clientes   | Market segments<br>Customers                                     |
| EC<br>Marketing<br>Fabricación<br>Logística, I+D           | Costs structure<br>Marketing<br>Manufacturing<br>Logistics, R&D  |
| FI<br>1 x compra de mango<br>Compra frecuente de recambios | Income sources<br>1 x handle purchase<br>Frequent spare purchase |

### Pattern #5: Open model cases

This pattern is used for “creating and capturing value by the systematic collaboration with external partners” (Osterwalder and Pigneur, 2011, p. 109). Let’s see an example below.

#### Procter & Gamble (P&G)

As a consequence of a fall in its stocks, this company decided to innovate in its R&D process, transforming the innovation culture by going from an R&D pattern focused on the company to an open R&D process, with the active participation of external partners.

In this case, the most highlighted canvas components are the following:

- **Key partnerships** are generally external companies from various areas whose ideas, knowledge and others are highly valued for internal R&D groups.
- **Activities** should connect not only the external but also the internal R&D parts and the company processes.
- Having **resources** that facilitate contact with the exterior world for taking advantage of their innovation.



- **Costs structure** will be made up of surely high expenses for the acquisition of external sources of innovation, complemented by the reduction in commercialization deadlines that advanced innovation research programs could generate.



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