



CAN YOU USE AN ALTERNATIVE BUSINESS MODEL?

A business model is the architecture and processes of an enterprise, which express how it creates, delivers, and captures value. It outlines the revenue sources, target customers, and the value proposition of a business. It is important for an organisation to clearly define its business model, because it provides a guide and sets parameters for how it should operate to achieve its objectives.

Having the right business model might even help an organisation disrupt its industry and gain an edge against its competitors. Here are four alternative business models you might wish to consider:



01. Bait & hook model

Similar concepts include 'razor & blades' and 'loss leader'. The 'bait & hook' model involves the offer of an inexpensive product so as to attract the sale of a related product that is more expensive or require repeated purchases. Examples include Gillette where the sale of the shaver is separate to the disposable blades; and Nespresso where the sale of the coffee machine and is more than complemented by the sale of the coffee capsules.



02. Subscription model

Where a customer pays a fee for a defined period to access or use a product, and then must renew that subscription to access that product in the future. This is a model mainstreamed by publishing businesses, including software providers. The same model is evident in digital streaming services (e.g. Netflix) and gyms or fitness clubs.



03. Free model

With the 'free' model, the product is provided to the customer without charge. One way for the supplier to make money from such a model is to advertise. For example, the printed daily newspaper Metro is available for free, distributed through self-service racks in busy areas such as shopping centres and bus or train stations. Digital giants such as Google and Facebook make their money through targeted advertising.



04. Peer-to-peer model

This business model is about providing a service that connects the supply and demand of a product or service, using primarily a technology platform. Think Uber and AirBnB. Neither firm owns the vehicles or properties being paid for by the customers. E-commerce marketplaces also perform a similar function.