

## Business Model Components

Business Component	
Customer Value	Differentiation: product features, timing, location, service, product mix, linkages, and brand. Low Cost
Scope	Market segments or geographic areas Products and services
Pricing	Market share, margins, growth, revenue, costs, lock-in
Revenue Source	Sources of revenue and profits
Connected Activities	Connected activities that underpin the value
Implementation	Structure, Systems to support business, People
Capabilities	Resources and competencies
Sustainability	Sustainable competitive advantage Hard to imitate

Afuah and Tucci (2001)

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## Critical Business Model Questions

Component of business model	Question for all business models	Questions specific to Internet business models
1. Customer value	Is the firm offering its customers something distinctive or lower cost than its competitors?	What is it about the Internet that allows your firm to offer its customers something distinctive? Can it allow you to solve a new set of problems for customers?
2. Scope	To which customers (demographic and geographic) is the firm offering this value? What is the range of products/services offered that embody this value?	What is the scope of customers that the Internet allows your firm to reach? Does the Internet alter the product or service mix that embodies the firm's products?
3. Pricing	<i>How</i> does the firm price the value?	What is it about the Internet that makes pricing different?
4. Revenue source	<i>Where</i> do the dollars come from? <i>Who</i> pays for <i>what</i> value and <i>when</i> ? <i>What</i> are the margins in each market and <i>what</i> drives them? <i>What</i> drives value in each source.	Are revenue sources different with the Internet? What is new?

Afuah and Tucci (2001)

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### Critical questions for a business model (continued)

5. Connected activities	Which set of activities does the firm have to perform to offer this value and when? How <i>connected</i> (in cross section and time) are these activities?	How many new activities must be performed as a result of the Internet? How much better can the Internet help you in performing existing activities?
6. Implementation	What organizational <i>structure, systems, people</i> and environment does the firm need to carry out these activities? What is the fit between them?	What does the Internet do to the strategy, structure, systems, people and environment of your firm?
7. Capabilities	What are the firm's capabilities and <i>capabilities gaps</i> that need to be filled? How does a firm fill these capabilities gaps? Is there something distinctive about these capabilities that allows the firm to offer the value better than other firms and that makes them difficult to imitate? What are the <i>sources</i> of these capabilities?	What new capabilities do you need? What is the impact of the Internet on existing capabilities?
8. Sustainability	What is it about the firm that makes it difficult for other firms to imitate it? How does the firm sustain its competitive advantage?	Does the Internet make sustainability easier or more difficult? How can your firm take advantage of it?

Afuah and Tucci (2001)

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### Example: UPS

Business Component		UPS
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Connected Activities	Connected activities that underpin the value	
Implementation	Structure, Systems to support business, People	
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