

Exhaustive answer to what constitutes a Business Model?

Dr. Anuradha Averineni¹,

¹Assistant Professor, KLEF, Vaddeswaram, Andhra Pradesh-522302, India, E-Mail:

anu.averineni@gmail.com

Dr. Venkateswararao.Podile²

²Professor & Head, BBA Department, , Koneru Lakshmaiah Education Foundation,

Vaddeswaram, Andhra Pradesh-522302, India, E-Mail: vraopodile@gmail.com

Abstract

The modern world revolves around the Business Models, where companies play pivotal roles in safeguarding and driving economic growth. The glamorous but imprecise word "Business Model" is frequently used, particularly in commercial operations and in the economic press. We observe a key connection between business models and the development of competitive advantages. On occasion, management of business models play a significant role in the success of corporate initiatives. The significant changes in the competition environment during the last twenty years are notably linked to the growing prominence of the business model approach. In this article, an attempt was made to find out, What a Business Model is, what are the constituents of a Business Model and a thorough analysis of various constituents of the Business Model and to know the importance of Business Model.

Key Words: Key Activities, Customer Relationships, Business Model, Key Resources

Introduction

The modern world revolves around Business Models, where companies play pivotal roles in safeguarding and driving economic growth. The glamorous but imprecise word "Business Model" is frequently used, particularly in commercial operations and in the economic press. We observe a key connection between business models and the development of competitive advantages. On occasion, management of business models plays a significant role in the success of corporate initiatives. The significant changes in the competition environment during the last twenty years are notably linked to the growing prominence of the business model approach. A business model shows how an organization's operational production and service

systems work, and it shows how resources will be utilized by an organization and how they will be changed into information that can be used to create services and products that can be sold.

Review of Literature

David Sjodin, Vinit Parida and Marko Kohtamaki (2023) examined Artificial intelligence enabling circular business model innovation. Goklas Siahaan, Pilifus Junianto, Andi Tenri Pada, Carolina F. Sembiring and Desideria Regina (2023) proposed Zero Waste Business Model. Haochen Guo and b Junic Kim (2023) dealt with China's New Retail Business Model via Super Species case study. Heidi Coral Thornton (2023) examined Business model change and internationalization. Herald Galingga Wira Shenta and Avanti Fontana (2023) dealt with Optimizing Value for Customer Segment through Transforming Business Model Canvas in case of MSMEs. Kresnawidiansyah Agustian, Endang Saefuddin Mubarok, Agustian Zen, Wiwin and Aulia Januar Mal (2023) examined the Impact of Digital Transformation on Competitive Advantage and Business Models. Lukas Vartiak, Miriam Garbarova and Juraj Fabus (2023) had mde Comparative Analysis of Business Models of Selected Accommodation Portals. M. Riesener, M. Kuhn, S. Schümmelfeder, and G. Schuh (2023) dealt with Business Models in the Manufacturing Industry. Montijn van de Ven and Paola Lara Machado, Alexia Athanasopoulou and Banu Aysolmaz, Oktay Turetken (2023) reviewed important performance indicators for business models.

Objectives

The Research entitled "Exhaustive answer to what constitutes a Business Model?" is conducted with the below mentioned objectives.

1. To elaborate what a Business Model is
2. To scrutinize the various Constituents of a Business Model
3. To do elaborate various Constituents of a Business Model
4. To examine the importance of a Business Model

Methodology

The Research entitled “Exhaustive answer to what constitutes a Business Model?” is a descriptive Study. Review of Present and past literature on Business Models lead to a conclusion that there existed no specific study, which gives an Exhaustive answer to what constitutes a Business Model?. In this context, a deliberate attempt was made to find out, What a Business Model is, what are the components of a Business Model, a thorough analysis of various components of the Business Model and to know the importance of Business Model.

Discussion

What A Business Model is

A business model deals with the rationale of how a Business creates, delivers, and captures value. A business model is also defined as a framework to understand, design, and test the business idea. The Business Model provides a systematic way to identify how an organisation can profitably generate revenue while creating value to their customers.

Constituents of Business Model



1. Customer Segments

A Business serves one or multiple Consumer Segments.

2. Value Propositions

Value Propositions seek to find solutions to customer problems and satisfy consumer desires with value propositions.

3. **Channels**

Value propositions are sent to consumers through sales, distribution and communication Channels.

4. **Customer Relationships**

Customer relationships are created and continued with each consumer Segments.

5. **Revenue Streams**

Revenue streams originate from value propositions and effectively give to consumers.

6. **Key Resources**

Key resources are the resources or assets essential to deliver and to offer all other constituents of a model

7. **Key Activities**

Business performs a number of Key Activities.

8. **Key Partnerships**

Some resources are procured from other Businesses

9. **Cost Structure**

The constituents of business model will result in cost structure.

Customer Segments

The Customer The Clientele Groups Building Block identifies the various demographics or organisations that a business seeks to engage and benefit. Any business model's beating heart is its customer base. No business can last very long without (profitable) clients. A business may divide its clientele into various segments based on shared wants, habits, or other characteristics in order to better satisfy them. One or multiple big or tiny consumer segments may be defined by a business model. An organisation must decide explicitly which segments it will cater to and which parts it will ignore. Once this choice has been decided, a business model may be thoughtfully created using a solid grasp of the unique demands of the target market. If a customer group's needs necessitate and support a different offer, they represent independent segments.

Value Propositions

The building block for value propositions describes the collection of goods and services that add value for a certain customer segment. Customers choose one business over another due to its value proposition. It meets a need or resolves an issue for the customer. a company's value proposition is a collection of advantages it provides clients. Some Value Propositions could be novel, representing a fresh or disruptive proposition. Others might be comparable to products already on the market, but with additional features and qualities.

Channels

In order to deliver a Value Proposition, a company must interact with and reach its customer segments. This is described in the Channels Building Block. Distribution, dialogue, and sales The way a business interacts with clients is through channels. Channels are points of contact with consumers that are crucial to the customer experience. The following are some of the purposes of channels: increasing consumer awareness of a company's goods and services; assisting consumers in evaluating a company's value proposition; and enabling consumers to buy particular goods and services.

Providing customers with a value proposition and post-purchase customer service

Customer Relationships

It describes the kinds of connections a business makes with particular Customer Segments. The kind of relationship a firm wishes to have with each customer segment should be made clear. Relationships can be automatic or personal. The following motives may influence customer relationships:

Revenue Streams

The Streams of Revenue Building Block is an acronym for the money a business makes from each Consumer segment, Revenue Streams are a business model's arteries if customers are its heart. What value is each customer segment actually willing to pay, is a question that a business must ask itself. By satisfactorily addressing that query, the company is able to produce one or multile Revenue Streams from each consumer Segment. Different pricing strategies, such as fixed list prices, haggling, bidding, market- or volume-dependent pricing, or yield management, may be used for each revenue stream. Income Streams There are two sorts of revenue streams that can be included in a business model: 1. Transaction revenues from one-time payments made by customers 2. Recurring earnings from ongoing contributions to either

Key Resources

The most crucial resources needed to support a business model are listed in the Key Resources Building Block. Key Resources are necessary for every business plan. An organisation can use these resources to develop and offer a Value Proposition, access markets, keep in touch with customer segments, and generate income. While a microchip designer is primarily concerned with human resources, a microchip manufacturer needs expensive production facilities. Important resources may be material, monetary, intellectual, or personal. The corporation can either own or lease critical resources, or it can buy them from important partners.

Key activities

The Important Tasks Building Blocks outline the key actions a business must do to ensure the viability of its business model. There are multiple Key Activities required by every company strategy. These are the most crucial steps a business must follow in order to succeed. They also vary depending on the sort of company strategy, just like Key Resources. Development of software is one of Microsoft's Key Activities. Supply chain management is one of Dell's Key Activities in the PC industry. Problem solving is one of the Key Activities for the consulting firm McKinsey.

Key Partnerships

The Important Alliances The supply chain and alliances that support the operation of the business model are referred to as Building Block. Partnerships are becoming a pillar of many company models, and businesses form them for a variety of reasons. Alliances are formed by businesses to improve their business strategies, lower risk, or acquire resources. Four distinct forms of partnerships can be identified: 1. Coopetition: strategic collaborations between rivals 2. Strategic alliances between non-competitors 3. Partnerships to launch new enterprises 4. Purchasing ties with suppliers to ensure dependable supplies

Cost Structure

The Cost Structure lists the expenses related to running a business model. This component outlines the most significant expenses incurred when using a specific business plan. Costs are incurred in the processes of value creation and delivery, customer relationship management, and revenue generation.

Importance of the Business Model

A better business model is useful to (1) improve, disrupt, or alter an existing market, (2) introduce new technology, products, or services to the market, (3) address current but unmet market demands, or (4) create a completely new market.

References

- [1] David Sjodin, Vinit Parida and Marko Kohtamaki (2019), Artificial intelligence enabling circular business model innovation in digital servitization : Conceptualizing dynamic capabilities, AI capacities, business models and effects, *Technological Forecasting & Social Change* 197 (2023) 122903
- [2] Goklas Siahaan, Pilifus Junianto, Andi Tenri Pada, Carolina F. Sembiring and Desideria Regina (2018), Zero Waste Business Model: Building A Regenerative Business Model Through Innovation and Collaboration, *International Journal of Science and Society*, Volume 5, Issue 4, 2023, pp-404-415.
- [3] Haochen Guo and b Junic Kim (2016), China's New Retail Business Model: The Case of Super Species, *Journal of Law and Sustainable Development*, Vol.11, No.10, pp-1-30
- [4] Heidi Coral Thornton (2015), Business model change and internationalization in the sharing economy, *Journal of Business Research*, 170 (2024),114250
- [5] Herald Galingga Wira Shenta and Avanti Fontana (2014), Optimizing Value for Customer Segment of MSMEs by Transforming Business Model Canvas, *Journal of Entrepreneurship & Business*, Vol. 04, No. 03, pp-204-217.
- [6] Kresnawidiansyah Agustian, Endang Saefuddin Mubarak, Agustian Zen, Wiwin and Aulia Januar Mal (2013), The Impact of Digital Transformation on Business Models and Competitive Advantage, *Technology and Society Perspectives (TACIT)* Vol. 1, No. 2, pp-79-93
- [7] Lukas Vartiak, Miriam Garbarova and Juraj Fabus (2012), Comparative Analysis of Business Models of Selected Accommodation Portals, *Academic Journal of Interdisciplinary Studies*, Vol.12, No.6, pp-55-69
- [8] M. Riesener, M. Kuhn, S. Schümmelfeder, and G. Schuh (2012), Business Model Research in the Age of Digitalization— A Systematic Literature Research for the

Research paper

© 2012 IJFANS. All Rights Reserved, **UGC CARE Listed (Group -I) Journal Volume 8, Issue 4, 2019**

Derivation of a Taxonomy of Business Models in the Manufacturing Industry, Journal of Economics, Business and Management, Vol. 11, No. 4, pp-157-168

- [9] Montijn van de Ven and Paola Lara Machado, Alexia Athanasopoulou and Banu Aysolmaz (2012), Oktay Turetken, Key performance indicators for business models: a systematic review and catalog, Information Systems and e-Business Management, 21, PP-753-794