



BUS.2 – DEFINING NEW BUSINESS MODELS: WORKING WITH PRICE POINT ZERO

For many activities, consumers do not expect to pay, thus forcing suppliers to either rely on advertising revenues or to create complex bundles of devices, applications and services with cross-subsidization. Some applications and services are launched without a well focused business model, in the hopes that they will find a revenue-earning method in the future.

Key questions posed during this session included:

- Are expectations of “free” services an unreasonable constraint on new business models?
- How does bundling affect the value chain?
- What are the metrics that advertisers expect from new services?

Summary of moderator’s statements

The end customer is invariably the one who ends up paying in the majority of business models involving service provisions. However, getting somebody else in the value chain to pay is becoming increasingly common – for example, tapping into the large advertising business (some estimates of this suggest a market of \$600-\$700 billion) to pay for services

Summary of debate

One business model is that of offering so called ‘Freemium’ product offerings, those where giving something away for free implies selling additional charged services as a premium later – e.g. LinkedIn, Zing, Skype, Google. HP gives printers for free while charging the ink at a premium. Products based on open source often seem to be free when purchased but users are then required to pay for services such as regular product upgrades, enabling the providers to generate revenue. In a connected world, it is possible to put toll booths in 50 different places plus moving them around, because users will still need to pass through them, while in a disconnected world the ‘toll booths’ are usually installed at entry point to the resource (road or bridge).